ECONOMIC & FINANCIAL OUTLOOK

A New Rebound in Economic Growth Is Taking Place

HIGHLIGHTS

- The global economic situation continues to move in tandem with the pandemic. A second wave of COVID-19 cases triggered slower growth in a number of places, but it has now largely subsided, helped by the vaccination campaigns. Overall, the global economy should grow 6.0% in 2021 after contracting an estimated -3.7% in 2020.
- Following a tough 2020, the U.S. economy should grow quickly in 2021. U.S. real GDP will benefit from the US$900B and US$1,900B relief plans already passed. Also, the United States is one of the countries with the fastest vaccination campaign. Although February's weather was challenging, strong growth is expected as of the first quarter, and the momentum will persist in the upcoming quarters.
- Despite some problems stemming from the new public health measures to combat the spread of the second COVID-19 wave, Canada's economy is doing astoundingly well. It looks likely to keep recovering in the coming months, especially as the vaccination campaign is starting to pick up speed. Because of this, we are upgrading our forecast for the first quarter and, as a result, for all of 2021.
- The good economic numbers, the new relief plan in the United States, and accelerating vaccination campaigns have kept upside pressure on bond yields. The U.S. economy's gradual reopening should reassure the Federal Reserve (Fed) and convince it to start cutting back on its asset purchases next fall. The Bank of Canada could reduce its bond purchases before the Fed does; an announcement on this could come as soon as the April meeting.
- In Quebec, the restrictions applied last fall and at the start of the winter have led to some economic blips. Overall, the fallout seems fairly limited compared with the spring 2020 shock. Now that the restrictions are slowly being lifted and the vaccination campaign is gaining steam, the economic outlooks are a lot better. Quebec's housing market remains in high gear. Price increases are picking up steam and the low inventory of properties on the market is putting additional pressure on homebuilding, where the outlooks have been upgraded.
- The new restrictions introduced to combat the second wave of COVID-19 were fairly uneven in the other provinces, affecting economic conditions. In the end, Alberta, Saskatchewan and Ontario could be the provinces most affected by the pandemic. In contrast, Manitoba and most of the Atlantic provinces should come out of it a little better.
- For the medium-term outlook, the United States and Canada should be in good position, with fairly low unemployment rates in 2023. On the other hand, this will increase the risk of overheating and overly strong inflation. This risk could be contained by monetary policy tightening or measures to clean up public finances.

CONTENTS

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NOTE TO READERS: The letters k, M and B are used in texts and tables to refer to thousands, millions and billions respectively.

RISKS INHERENT TO OUR SCENARIOS

Despite the good news about vaccination, the pandemic isn't over and its evolution is the main risk factor that could affect our economic scenarios. A third wave, fuelled by the emergence of COVID-19 variants, is one factor that could hurt the economic situation, forcing very restrictive public health measures to be reintroduced. It would also affect the financial markets by sapping profit outlooks and investor optimism. The slowness of vaccination campaigns in some countries could allow new variants to develop, some of which could be more resistant to the vaccines now being distributed. On the other hand, strong vaccination campaign performance and quickly reaching a level of herd immunity could lead to faster economic growth than expected, which would remain supported by the current budgetary and monetary policies. The surplus savings stockpiled during the pandemic could be spent rapidly, leading to robust demand and sustained consumer price growth. In Canada, and in Quebec, the residential real estate market's buoyancy in recent months is raising the risk of some markets in the country becoming overvalued and increasingly vulnerable to a price correction. The surge in real estate prices is also favouring a rise in mortgage credit, putting the concerns about overly high household debt loads back at centre stage. The improved economic outlook and rapid rise in commodity prices are making things harder for central banks. Our scenarios assume that they will gradually adjust their stances and actions to keep inflation from rising on a lasting basis. Maintaining overly stimulating monetary policies or other highly aggressive budgetary measures could, however, lead to a much bigger surge in inflation expectations and bond yields, which could destabilize financial markets. On the other hand, tightening monetary policies too abruptly could also get a negative reaction from investors.

TABLE 1
World GDP growth (adjusted for PPP) and inflation rate

	WEIGHT*	REAL GDP GROWTH			INFLATION RATE		
IN %		2020f	2021f	2022f	2020	2021f	2022f
Advanced economies	**39.8**	**-5.0**	**5.1**	**3.8**	**0.7**	**1.5**	**1.7**
United States	15.8	-3.5	6.5	4.0	1.2	2.2	2.1
Canada	1.4	-5.4	6.3	3.7	0.7	2.4	1.6
Quebec	*0.3*	*-5.2*	*6.0*	*3.4*	*0.8*	*2.4*	*1.5*
Ontario	*0.5*	*-5.7*	*6.1*	*4.0*	*0.7*	*2.3*	*1.6*
Japan	4.0	-4.9	3.9	2.3	0.0	0.1	0.6
United Kingdom	2.4	-9.9	4.6	5.0	0.9	1.7	2.1
Euro zone	12.4	-6.8	4.4	4.2	0.3	1.1	1.4
Germany	*3.4*	*-5.3*	*3.7*	*3.8*	*0.5*	*1.7*	*1.7*
France	*2.4*	*-8.2*	*5.6*	*4.4*	*0.5*	*1.0*	*1.2*
Italy	*2.0*	*-8.9*	*3.7*	*3.8*	*-0.1*	*0.6*	*1.1*
Other countries	4.2	-1.8	2.1	1.9	0.4	0.9	0.9
Australia	*1.0*	*-2.4*	*3.7*	*3.2*	*0.9*	*1.6*	*1.7*
Emerging and developing economies	**60.2**	**-2.8**	**6.5**	**4.8**	**3.0**	**3.2**	**3.3**
North Asia	25.5	-0.7	9.1	5.6	3.6	2.7	3.1
China	*17.3*	*2.3*	*9.0*	*5.5*	*2.5*	*1.6*	*2.2*
India	*7.1*	*-7.8*	*10.3*	*6.0*	*6.6*	*4.9*	*5.2*
South Asia	5.3	-4.6	5.3	5.6	1.0	2.1	2.5
Latin America	5.9	-6.4	4.5	3.0	3.1	3.6	3.5
Mexico	*1.9*	*-8.2*	*4.3*	*2.9*	*3.4*	*3.7*	*3.5*
Brazil	*2.4*	*-4.4*	*3.8*	*2.6*	*3.6*	*3.9*	*3.7*
Eastern Europe	8.0	-2.1	3.6	3.8	5.3	5.9	5.1
Russia	*3.2*	*-3.1*	*2.8*	*2.7*	*3.4*	*3.9*	*4.0*
Other countries	15.4	-5.1	5.4	4.8	4.2	5.1	5.6
South Africa	*0.6*	*-7.1*	*3.4*	*2.8*	*3.2*	*4.1*	*4.4*
World	**100.0**	**-3.7**	**6.0**	**4.4**	**2.1**	**2.5**	**2.7**

f: forecasts; PPP : Purchasing Power Parities, exchange rate that equates the costs of a broad basket of goods and services across countries; * 2019.
Sources: World Bank, Consensus Forecasts and Desjardins, Economic Studies

FINANCIAL FORECASTS

The good economic numbers, the new relief plan in the United States, and accelerating vaccination campaigns have kept upside pressure on bond yields. Until the end of January, the rise was mainly affecting long-term yields and essentially reflecting higher inflation expectations. We are now seeing a more generalized increase in bond yields, as investors start to expect faster monetary policy normalization. The Canadian 5-year yield has thus more than doubled since the start of the year, putting some upside pressure on mortgage rates. For now, central banks are maintaining a very cautious tone, stressing how far the employment market has to go and the major public health risks that persist. However, Federal Reserve (Fed) leaders sharply upgraded their growth outlooks in March. The U.S. economy's gradual reopening should continue to reassure the Fed and convince it to start cutting back on its asset purchases next fall. The Bank of Canada could reduce its bond purchases before the Fed does; an announcement on this could come as soon as the April meeting. U.S. key rates could start to go up at the end of 2022, followed rapidly by Canadian rates. The shift in central bank statements and actions could keep some volatility in the financial markets over the next few quarters, but the outlooks for the stock market remain positive, as robust economic growth will buoy earnings. We still think that the Canadian dollar will end 2021 at around US$0.81.

TABLE 2
Summary of the financial forecasts

	2020		2021				2022			
END OF PERIOD IN % (EXCEPT IF INDICATED)	Q3	Q4	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
Key interest rate										
United States	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.50
Canada	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Euro zone	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
United Kingdom	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Federal bonds										
United States										
2-year	0.13	0.13	0.15	0.25	0.35	0.50	0.60	0.75	0.90	1.15
5-year	0.27	0.35	0.90	0.95	0.95	1.05	1.15	1.30	1.50	1.70
10-year	0.68	0.91	1.75	1.80	1.75	1.85	1.95	2.05	2.15	2.25
30-year	1.45	1.64	2.50	2.55	2.45	2.55	2.60	2.65	2.75	2.85
Canada										
2-year	0.25	0.20	0.30	0.40	0.50	0.65	0.70	0.80	0.90	1.05
5-year	0.36	0.39	1.05	1.15	1.15	1.20	1.25	1.35	1.50	1.60
10-year	0.57	0.67	1.65	1.75	1.70	1.75	1.80	1.85	1.95	2.00
30-year	1.11	1.21	2.15	2.20	2.10	2.15	2.20	2.25	2.35	2.45
Currency market										
Canadian dollar (USD/CAD)	1.33	1.27	1.25	1.24	1.23	1.23	1.23	1.23	1.24	1.25
Canadian dollar (CAD/USD)	0.75	0.79	0.80	0.81	0.81	0.81	0.81	0.81	0.81	0.80
Euro (EUR/USD)	1.17	1.22	1.19	1.20	1.21	1.22	1.22	1.21	1.20	1.19
British pound (GBP/USD)	1.29	1.37	1.39	1.41	1.42	1.43	1.43	1.43	1.44	1.44
Yen (USD/JPY)	105	103	109	109	110	110	110	110	111	111
Stock markets (level and growth)*										
United States – S&P 500	3,756		Target: 4,200 (+11.8%)				Target: 4,550 (+8.3%)			
Canada – S&P/TSX	17,433		Target: 20,000 (+14.7%)				Target: 22,000 (+10.0%)			
Commodities (annual average)										
WTI oil (US$/barrel)	39 (48*)		59 (61*)				63 (65*)			
Gold (US$/ounce)	1,771 (1,898*)		1,775 (1,730*)				1,665 (1,610*)			

f: forecasts; WTI: West Texas Intermediate; * End of year.
Sources: Datastream and Desjardins, Economic Studies

Overseas

One Year Later: Light at the End of the Tunnel

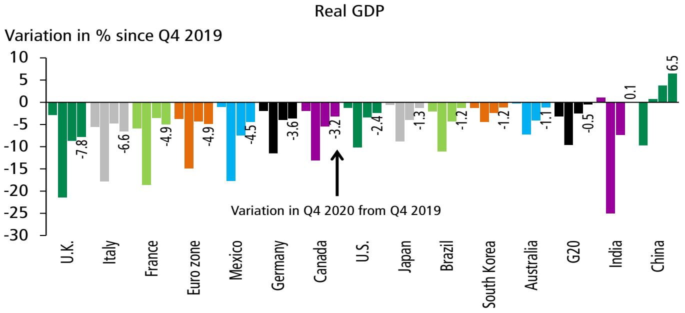
FORECASTS

The global economic situation continues to move in tandem with the pandemic. Growth slowed in several places at the end of 2020 and in early 2021 due to the second wave of COVID-19 cases. This has now largely subsided, helped by the vaccination campaigns. In the euro zone, weak growth is still expected in the first quarter, but some indicators are already on the mend and the second quarter should show improvement. In the United Kingdom, the planned easing of the lockdown will show in the upcoming movement by economic indicators. In China, growth was once again very strong at the end of 2020, but seems to have started decelerating at the start of the year. Overall, the global economy should grow 6.0% in 2021 after contracting an estimated -3.7% in 2020. Clearly, its evolution is being supported by the especially fast bounce back by the U.S. economy, itself boosted by the Biden administration's budgetary policy. Global real GDP growth should be 4.4% in 2022.

Over a year since the pandemic started, its consequences are still very clear. According to the official numbers, over 122 million people caught COVID-19, and more than 2.7 million people died. With a few exceptions, like China and India, at the end of 2020, economic activity remained below where it was a year before (graph 1). For the G20, the real GDP shortfall was 0.5% in the fourth quarter of 2020. The economies that are lagging the furthest behind are the United Kingdom and Italy. That said, note that the volume of last December's global trade was higher than it was before the pandemic (graph 2). The surge in global trade since its May 2020 low mainly came from a resumption in Chinese exports and U.S. imports. While the volume of goods transactions has recovered, that is far from true for services, where international trade remains depressed.

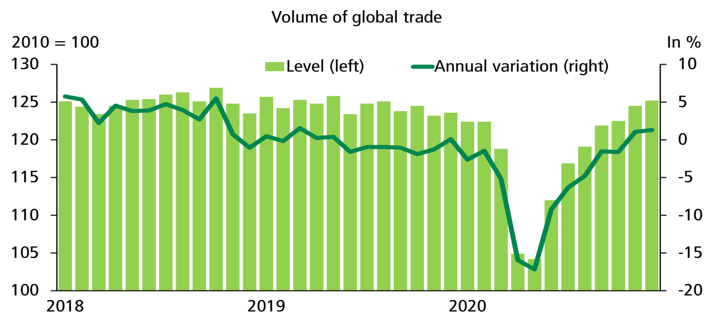
Clearly, the main factor that will allow activity to resume in services is the success of the vaccination campaigns. At the time of writing, 400.3 million vaccine doses had been administered worldwide. However, the status of these campaigns is uneven so far; more than a quarter of those doses were distributed in the United States. The United States and the United Kingdom are the countries in the lead among the major economies (graph 3). In the European Union (EU), the vaccination campaign was launched late and is still moving slowly. Note also that new COVID-19 cases

GRAPH 1
Economic activity levels remain low for most countries in the leading economies



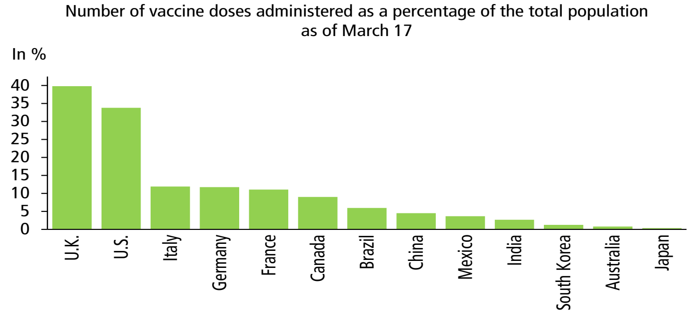
Sources: Organisation for Economic Co-operation and Development and Desjardins, Economic Studies

GRAPH 2
Global merchandise trade is apparently back at its pre-pandemic level



Sources: CPB Netherlands Bureau for Economic Policy Analysis and Desjardins, Economic Studies

GRAPH 3
The vaccination campaign is particularly advanced in the United States and United Kingdom



Sources: ourworldindata.org and Desjardins, Economic Studies and hospitalizations are down sharply in the United Kingdom and the United States, but there were recent increases in Germany, France and Italy.

EURO ZONE

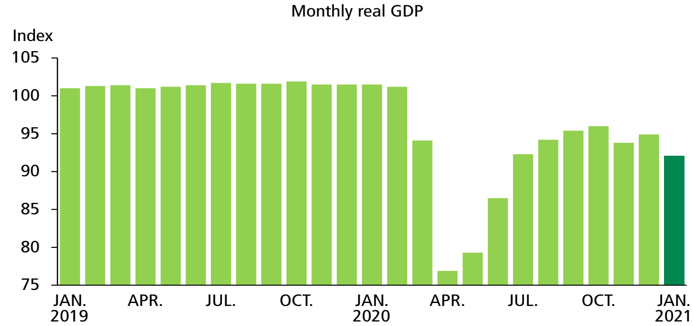
Euroland's real GDP fell 0.7 % from the third to fourth quarters of 2020 (-2.6% annualized). The euro zone's real GDP remains 4.9% below where it was at the end of 2019. Last fall's drop reflects the new public health measures introduced to combat the second wave of COVID-19. However, as the pullback was less steep than anticipated, this is also a positive sign of the economy's ability to adapt to the lockdowns. As the lockdowns aren't over and new public health measures have even been imposed recently in some countries, like France and Italy, the economy is continuing to feel the impact in early 2021. Another drop in real GDP is therefore possible for the first quarter of 2021. Real GDP is expected to rebound nicely in the euro zone in the second quarter, however. Euroland's real GDP is forecast to grow 4.4% in 2021, followed by a 4.2% rise in 2022.

UNITED KINGDOM

Despite the vagaries caused by the United Kingdom's public health measures last fall, the U.K.'s real GDP managed to rise 1.0% (+4.0% annualized) from the third to fourth quarters of 2020. The new national lockdown introduced immediately after the holidays had consequences for economic growth, and monthly real GDP fell 2.9% in January (graph 4). The situation should improve, however, as the British vaccination campaign is moving rapidly. The government announced a gradual lifting of public health measures, starting with reopening schools on March 8, with some services opening at the end of April and restaurants in mid-May.

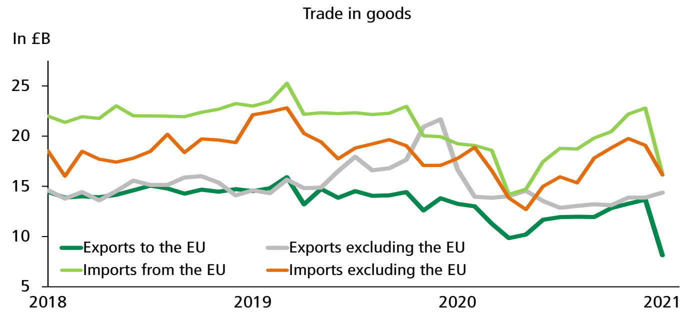
Beyond the pandemic, the U.K.'s economy remains marked by the Brexit issue. An agreement was reached at the very end of 2020 and avoided an abrupt end to the transition period governing trade between the United Kingdom and the EU since Brexit became official on January 31, 2020. That said, the new free trade agreement in force since January 1, 2021 has not staved off frictions and regulatory constraints, particularly for the manufacturing and agri-food sectors. British goods exports to the EU fell 39.9% from December to January (graph 5). Some adapting should happen in the next few months, but the frictions will not disappear completely, which could curb the United Kingdom's post-pandemic economic growth. We still expect real GDP to rise 4.6% in 2021 and 5.0% in 2022.

GRAPH 4
The U.K.'s real GDP fell again in January due to tightened public health measures



Sources: Office for National Statistics and Desjardins, Economic Studies

GRAPH 5
The trade in goods between the United Kingdom and the EU fell in January



EU: European Union
Sources: Office for National Statistics and Desjardins, Economic Studies

CHINA

Real GDP growth held up well in China, gaining 2.6% (10.8% annualized) from the third to fourth quarters of 2020. Real GDP is already 6.5% above its pre-pandemic level. Short-term indicators suggest slower growth at the start of 2021. The Chinese government announced an official target of at least 6% for China's real GDP growth in 2021. That will be easy to hit since, even under an alternate hypothesis with no Chinese real GDP quarterly growth in 2021, annual growth would still hit 6.1%. Rather, we expect China's real GDP to increase 9.0% in 2021 and 5.5% in 2022.

United States

Buoyed by Federal Assistance, the U.S. Economy Will Soon Exceed Its Pre-pandemic Level

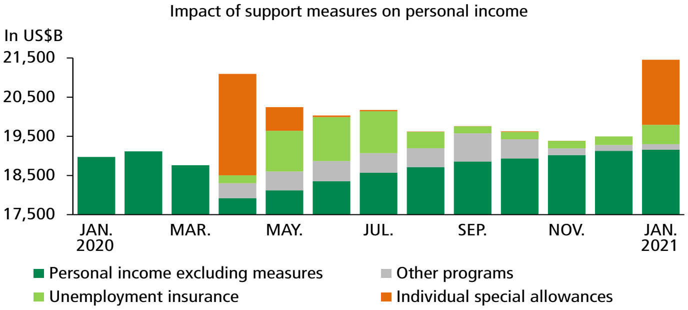
FORECASTS

Following a tough 2020, the U.S. economy should grow quickly in 2021. Already bolstered by carryovers from the partial resumption of economic activity in the second half of 2020, U.S. real GDP will capitalize on the US$900B and US$1,900B in relief plans already passed. Also, the United States is one of the countries with the fastest vaccination campaign. Although February's weather was challenging, strong growth is expected as of the first quarter, and the momentum will persist in the upcoming quarters. After dropping 3.5% in 2020, U.S. real GDP should grow 6.5% in 2021, its biggest annual increase since 1984. Growth should be 4.0% in 2022.

U.S. real GDP rose 4.1% annualized (+1.0% non-annualized) from the third to fourth quarters of 2020. This increase means that 2020 ends with an annual variation in real GDP of -3.5%, the worst contraction since 1946. At the end of last year, the shortfall from the last quarter of 2019 was 2.4%. Real consumption advanced by an annualized 2.4% in the fourth quarter of 2020, but the increase comes primarily from gains recorded at the end of last summer, and hides substantial weakness in household spending over the holidays. It also masks the impact of toughened public health restrictions in some states, particularly New York and California. Caused by the flourishing second COVID-19 wave, the situation can be seen more clearly in the lost of 306,000 jobs in December.

The adoption of a federal relief plan totalling more than US$900B at the very end of 2020, however, helped turn this bleak trend around. The individual amounts, US$600, and another increase of US$300 per week in unemployment insurance helped disposable income surge (graph 6) and consumption rebound in January.

GRAPH 6
The federal assistance adopted at the end of January supported Americans' incomes



Sources: Bureau of Economic Analysis and Desjardins, Economic Studies

Another factor injecting more strength into the U.S. economy: the vaccination campaign is going well. At the time of writing, over 110 million doses had been administered, over one quarter of the doses distributed worldwide. President Joe Biden recently said that every adult will be eligible for the vaccine by May 1 at the latest. The vaccination campaign's success so far has mitigated the COVID-19 risks and allowed several states to relax many of their public health measures. It is now possible that the U.S. economy will reopen almost entirely as of the start of summer 2021.

The improved public health situation is already supporting economic growth, and will continue to do so. Even the winter storms and very cold temperatures in mid-February should not have too many consequences for growth, although signs of weakness did emerge in February, such as the 5.7% tumble in motor vehicle sales, and declines of 3.0% in retail sales and 2.2% in industrial production.

The fact is that another positive factor for growth is now materializing: the new, US$1,900B relief plan signed by President Joe Biden on Thursday, March 11. Called the American Rescue Plan Act of 2021, it contains numerous measures to support the economy, including individual amounts of US$1,400. This amount will go to each adult and to dependents up to a personal income of US$75,000. It should go to about 159 million households, and the money is already being distributed, such that the impact on income and consumption should be seen as of March (graph 7 on page 7). Of course, a lot of it will be saved, as happened in spring 2020 and last January. After spiking, the savings rate should nonetheless decrease and, in 2022, even drop below its pre-pandemic average.

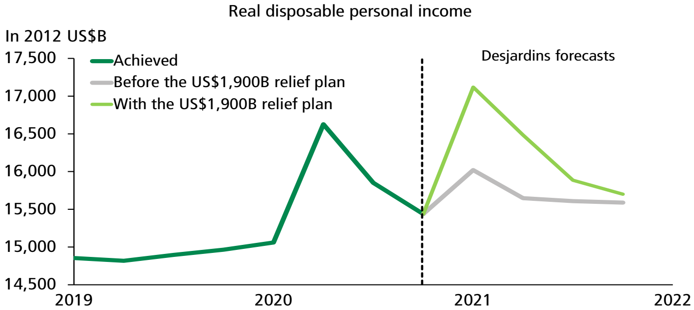
These measures and the other forms of support in this plan will inflate real GDP growth. Annualized growth of 7.0% is expected in the first quarter, followed by a meaty 8.4% gain in the spring,

TABLE 3
United States: Major economic indicators

QUARTERLY ANNUALIZED VARIATION IN % (EXCEPT IF INDICATED)	2020		2021				ANNUAL AVERAGE			
	Q3	Q4	Q1f	Q2f	Q3f	Q4f	2019	2020	2021f	2022f
Real GDP (2012 US$)	**33.4**	**4.1**	**7.0**	**8.4**	**6.8**	**5.8**	**2.2**	**-3.5**	**6.5**	**4.0**
Personal consumption expenditures	41.0	2.4	7.6	9.1	8.6	7.6	2.4	-3.9	7.4	4.8
Residential construction	63.0	35.8	27.0	12.0	7.5	2.7	-1.7	6.0	19.8	4.0
Business fixed investment	22.9	14.0	7.5	8.4	6.8	6.9	2.9	-4.0	7.9	7.2
Inventory change (US$B)	-3.7	48.0	50.0	50.0	65.0	75.0	48.5	-80.9	60.0	50.0
Public expenditures	-4.8	-1.1	5.4	9.7	0.2	-0.5	2.3	1.1	2.4	1.0
Exports	59.6	21.8	4.0	7.0	7.0	7.5	-0.1	-13.0	6.4	6.7
Imports	93.1	29.6	11.0	12.0	9.0	9.0	1.1	-9.3	15.3	8.4
Final domestic demand	29.8	4.4	8.0	9.2	7.0	6.0	2.3	-2.7	7.1	4.5
Other indicators										
Nominal GDP	38.3	6.1	10.0	10.4	8.9	7.9	4.0	-2.3	8.8	6.2
Real disposable personal income	-17.4	-10.0	51.2	-14.0	-13.8	-4.6	2.2	5.8	3.5	-3.1
Employment according to establishments	23.3	5.1	1.3	4.0	6.7	6.5	1.3	-5.7	2.6	4.2
Unemployment rate (%)	8.8	6.8	6.2	5.9	5.4	5.0	3.7	8.1	5.6	4.3
Housing starts[1] (thousands of units)	1,432	1,584	1,620	1,722	1,722	1,717	1,296	1,395	1,695	1,778
Corporate profits*[2]	3.5	1.0	15.0	31.0	4.0	5.0	0.3	-5.3	12.7	4.2
Personal saving rate (%)	15.7	13.0	20.1	15.3	10.2	7.5	7.6	16.1	13.3	6.3
Total inflation rate*	1.3	1.2	1.9	2.9	1.9	2.0	1.8	1.2	2.2	2.1
Core inflation rate*[3]	1.7	1.6	1.4	2.0	1.3	1.4	2.2	1.7	1.5	2.1
Current account balance (US$B)	-714	-787	-842	-892	-923	-951	-480	-648	-902	-1,021

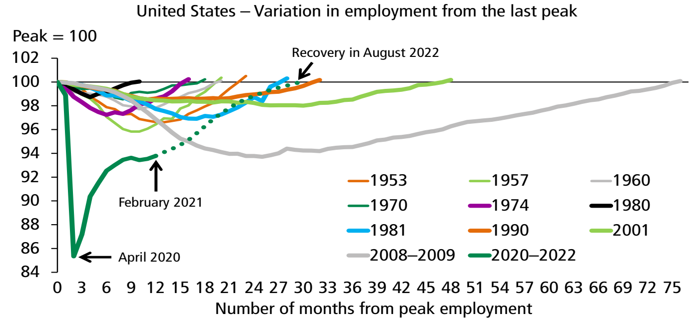
f: forecasts; * Annual change; [1] Annualized basis; [2] Before taxes; [3] Excluding food and energy.
Sources: Datastream and Desjardins, Economic Studies

GRAPH 7
The new federal assistance (including an amount of US$1,400 per person) will drive disposable income up even more



Sources: Bureau of Economic Analysis and Desjardins, Economic Studies

GRAPH 8
The scope of the drop in employment is now near the 2009 trough, but the recovery will be a lot faster



Sources: Bureau of Labor Statistics and Desjardins, Economic Studies

and another increase of almost 7.0% in the summer. Because of this, real GDP will rise past its pre-pandemic level as of the second quarter of 2021. In the employment market, close to 8,000,000 jobs should be created over the next 12 months; the pre-pandemic level should be reached in mid-2022 (graph 8). The jobless rate should continue to retreat, although the decline will be lessened by a increase in the labour force. However, we will have to keep an eye on inflation. Aside from the pressures from the rise in energy prices, inflation remains subdued. However, the rapid absorption of surplus production capacity could further fuel the variation in consumer prices.

Canada

Canada's Economy Shows Stunning Resilience

FORECASTS

Despite some problems stemming from the new public health measures to combat the spread of the second COVID-19 wave, Canada's economy is doing astoundingly well overall. The Canadian economy looks likely to keep recovering in the coming months, especially as the vaccination campaign is starting to pick up speed. Thus, we are upgrading our forecast for the first quarter and, as a result, for all of 2021. A gain of 6.3% is now forecast for 2021, followed by growth of 3.7% in 2022.

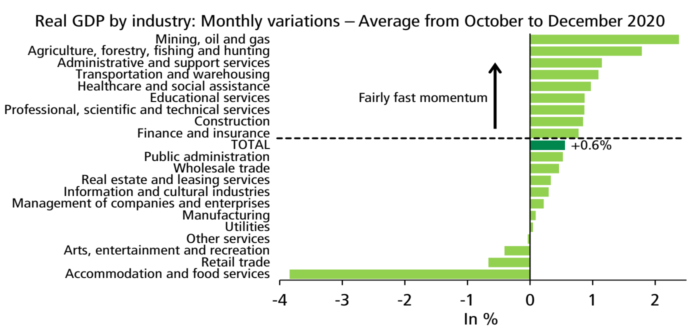
Forecasters were expecting the new restrictions introduced to combat the spread of the second wave of COVID-19 to create several problems for Canada's economy at the end of 2020 and in early 2021. Some sectors were in fact hard hit, like retailing, accommodation, food services and recreation. This even led to a temporary relapse by the employment market, which shed 52,700 jobs in December and another 212,800 jobs in January. The unemployment rate went from 8.6% in November to 9.4% in January 2021.

That said, several other sectors are showing astonishing resilience, to the point that the overall picture of Canada's economy is not as bleak as was thought (graph 9). Among other things, the production trend in the natural resources sectors, transportation, health care, education, professional and administrative services, construction and finance is fairly lively. The fourth quarter of 2020 therefore ended with real GDP up 2.3%, which corresponds to a quarterly annualized gain of 9.6%, growth that solidly outstripped expectations. An increase in inventories explains much of the growth but domestic demand rose a quarterly annualized 3.5%, which is fairly satisfying.

Moreover, the interim numbers from Statistics Canada indicate that real GDP by industry may have risen approximately 0.5% in January. This is a nice surprise: a substantial pullback seemed likely, given that all of the new restrictions were in force that month. Clearly, the Canadian economy remained resilient in early 2021. Businesses and consumers therefore reacted very differently in the pandemic's second wave. Economic agents are obviously now more used to the constraints caused by the public health measures.

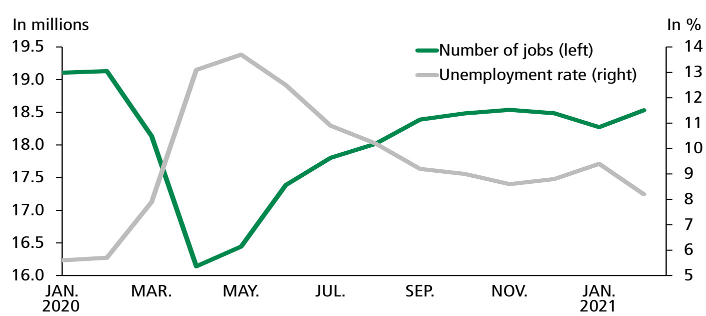
With January's 0.5% increase, the carryover (assuming zero growth in February and March) for the first quarter of 2021 stands at about 3% (quarterly annualized). With some activities gradually resuming in February and March, everything suggests that these two months will show relatively good economic growth. Among other things, the 1.4% increase in total hours worked in February is promising. In light of this, the entire first quarter could wrap up with quarterly annualized real GDP growth of around 6%. This constitutes a big upgrade to our previous scenarios. As the vaccination campaign should accelerate, the outlooks for the rest of 2021 are also positive. The employment market has already started to bounce back, adding 259,200 jobs in February; the unemployment rate dropped sharply, from 9.4% to 8.2% (graph 10).

GRAPH 9
A fairly strong up trend for many sectors of Canada's economy



Sources: Statistics Canada and Desjardins, Economic Studies

GRAPH 10
Canada's labour market continues to recover



Sources: Statistics Canada and Desjardins, Economic Studies

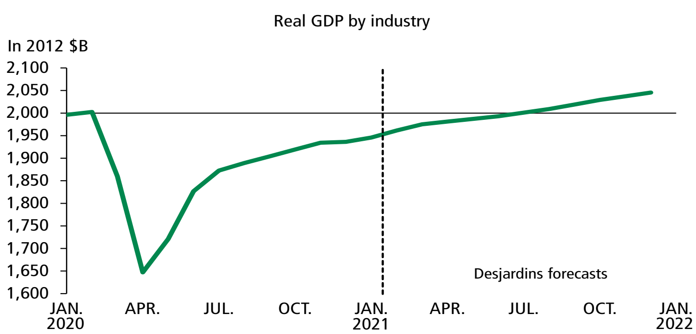
TABLE 4
Canada: Major economic indicators

QUARTERLY ANNUALIZED VARIATION IN % (EXCEPT IF INDICATED)	2020		2021				ANNUAL AVERAGE			
	Q3	Q4	Q1f	Q2f	Q3f	Q4f	2019	2020	2021f	2022f
Real GDP (2012 $)	**40.6**	**9.6**	**6.0**	**5.0**	**4.7**	**5.5**	**1.9**	**-5.4**	**6.3**	**3.7**
Final consumption expenditure [of which:]	47.8	1.7	2.9	6.1	7.0	5.3	1.7	-4.7	5.2	4.1
Household consumption expenditure	*63.4*	*-0.4*	*2.0*	*6.2*	*9.7*	*7.8*	*1.6*	*-6.1*	*5.5*	*5.8*
Governments consumption expenditure	*16.9*	*6.2*	*5.6*	*5.9*	*-0.1*	*-1.4*	*2.0*	*-1.1*	*4.4*	*-0.8*
Gross fixed capital formation [of which:]	72.1	9.6	13.2	4.5	3.5	8.2	0.3	-3.6	10.0	3.6
Residential structures	*191.4*	*18.4*	*9.7*	*0.0*	*-3.6*	*-3.2*	*-0.2*	*3.9*	*14.2*	*-1.9*
Non-residential structures	*-0.8*	*-10.2*	*18.2*	*10.6*	*11.0*	*18.8*	*1.1*	*-11.2*	*1.9*	*10.7*
Machinery and equipment	*91.5*	*31.1*	*24.6*	*6.3*	*6.4*	*18.6*	*1.0*	*-16.4*	*16.1*	*6.0*
Intellectual property products	*25.1*	*2.1*	*22.9*	*10.6*	*11.5*	*22.5*	*-1.9*	*-3.8*	*11.1*	*10.4*
Governments gross fixed capital formation	*35.3*	*5.6*	*0.6*	*0.6*	*0.6*	*0.6*	*0.3*	*4.3*	*4.4*	*-1.0*
Investment in inventories (2012 $B)	-36.8	1.7	16.1	7.6	8.1	6.3	18.8	-15.5	9.5	7.9
Exports	73.1	5.0	8.0	5.0	6.7	7.2	1.3	-9.8	7.0	6.4
Imports	118.8	10.8	5.4	10.8	11.5	12.3	0.4	-11.3	10.6	7.7
Final domestic demand	52.8	3.5	5.2	5.1	6.1	7.5	1.4	-4.5	6.2	4.1
Other indicators										
Nominal GDP	54.6	14.3	16.1	3.9	6.8	8.2	3.6	-4.6	10.9	5.7
Real disposable personal income	-18.7	-5.9	-1.6	-0.4	3.3	-7.9	2.2	9.0	-1.4	0.8
Employment	38.5	9.9	-0.4	5.9	2.9	3.7	2.2	-5.2	4.4	2.8
Unemployment rate (%)	10.1	8.8	8.6	7.9	7.7	7.1	5.7	9.5	7.8	6.6
Housing starts[1] (thousands of units)	239	239	253	242	237	232	209	218	241	225
Corporate profits*[2]	5.2	4.3	10.0	35.0	5.0	8.0	0.6	-6.1	13.1	10.0
Personal saving rate (%)	13.7	12.7	11.8	10.3	9.0	5.2	1.4	14.8	9.1	4.4
Total inflation rate*	0.3	0.8	1.5	3.4	2.7	2.1	1.9	0.7	2.4	1.6
Core inflation rate*[3]	0.6	1.1	1.0	1.2	1.3	0.9	2.0	1.1	1.1	1.3
Current account balance ($B)	-10	-7	-4	-6	-8	-9	-47	-43	-26	-34

f: forecasts; * Annual change; [1] Annualized basis; [2] Before taxes; [3] Excluding food and energy.
Sources: Datastream and Desjardins, Economic Studies

According to our current projections, Canada's real GDP could return to its pre-pandemic level by next summer (graph 11). It could take another few months for the employment market to recover completely, something that seemed impossible just a year ago. However, major disparities will persist, as some sectors will come out of the pandemic on top while others will lose. It will take several years for these structural changes to dissipate.

GRAPH 11
Canada's economy could recoup the lost ground by next summer



Sources: Statistics Canada and Desjardins, Economic Studies

Quebec

The Economy Less Shaken than Expected by the Second Wave

FORECASTS

The restrictions applied last fall and at the start of the winter have led to some economic blips. Overall, the fallout seems fairly limited compared with the spring 2020 shock. Now that the restrictions are slowly being lifted and the vaccination campaign is gaining steam, the economic outlooks are a lot better. Accordingly, the recovery period will be faster than anticipated and real GDP growth could hit 6.0% this year, then slow to 3.4% next year.

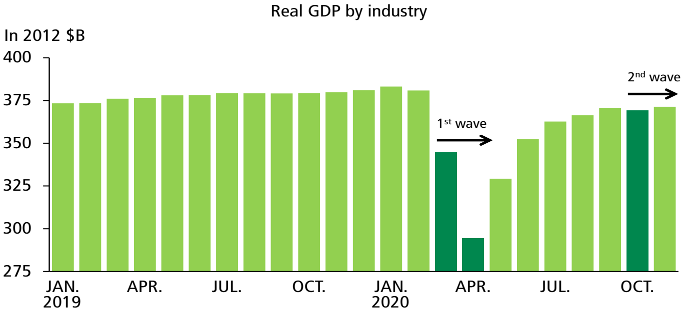
Despite the public health restrictions imposed gradually since October, Quebec's overall economic activity did not come down much (graph 12). As with Canada, several industries returned to a good pace, compensating for the prolonged difficulties in other sectors. For example, homebuilding is going strong, while accommodation and food services are being slow to come back.

Real GDP has been seesawing since last fall. However, it is expected to bounce back in February, thanks to such things as the province-wide reopening of non-essential businesses and restaurants in orange zones. This will encourage a more general recovery by real GDP. In November, it was at 97.5% of its February 2020 level, just before the pandemic broke out. It has done a lot of catching up.

Overall, the employment market has also bounced back from the second wave of shutdowns. More than 120,000 jobs were lost from October to January, and the unemployment rate went from 7.5% to 8.8%. Thanks to the partial lifting of restrictions, February saw a 112,600-job rebound. The unemployment rate fell to 6.4%, its lowest point in a year. It will continue to trend down, and could even be around 5% at the end of 2022 (graph 13).

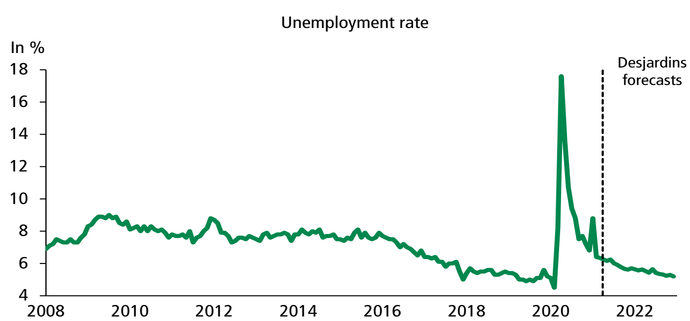
The employment market's recent deterioration will have been short-lived and not nearly as severe as it was in spring 2020. Although employment is nearly back at its pre-pandemic level, heavy consequences persist in the most affected sectors (graph 14). The situation should improve a little as restaurants and some entertainment sites gradually reopen, but the social distancing measures will prevent employment from recovering

GRAPH 12
Small blips in Quebec's economy despite the gradual return of restrictions in October



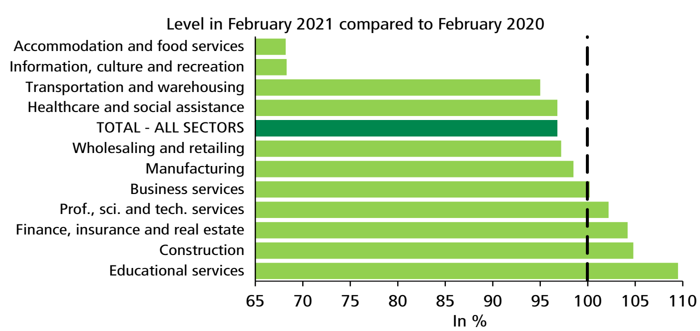
Sources: Institut de la statistique du Québec and Desjardins, Economic Studies

GRAPH 13
Quebec's unemployment rate rose less in the second wave



Sources: Statistics Canada and Desjardins, Economic Studies

GRAPH 14
Recovery by employment from its pre-pandemic level in Quebec



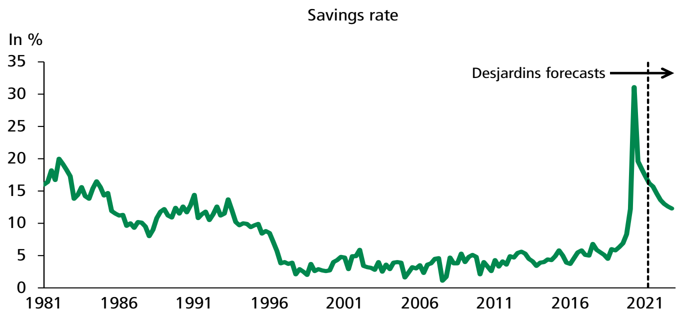
Sources: Statistics Canada and Desjardins, Economic Studies

fast. These sectors mostly employ women and youth, often for low wages, and they remain very affected by this situation.

The curfew and closure of non-essential businesses from December 25 to February 8 took a 0.3% bite from December's retail sales. January's numbers will be even worse, but they are expected to rebound as of February. In 2020, weak consumption and the approximately 10% increase in Quebecers' real disposable income boosted the savings rate. The expected bounce back by household spending will, however, bring on a slow decline in the savings rate (graph 15).

The housing market is still in high gear. Sales of existing properties remain strong and the price rise is accelerating because there are too few houses on the market to meet buyer demand. The annual increase in the average price hit 22.5% in February, confirming our 2021 growth projection of about 20%. Housing starts hit a new record peak in January and activity was strong in February. The low inventory of properties on the market is putting additional pressure on homebuilding, where the outlooks have been upgraded.

GRAPH 15
Quebecers' savings rate is very high, historically speaking



Sources: Institut de la statistique du Québec and Desjardins, Economic Studies

TABLE 5
Quebec: Major economic indicators

ANNUAL AVERAGE IN % (EXCEPT IF INDICATED)	2018	2019	2020f	2021f	2022f
Real GDP (2012 $)	**2.9**	**2.7**	**-5.2**	**6.0**	**3.4**
Final consumption expenditure [of which:]	2.4	2.1	-4.1	6.3	4.6
Household consumption expenditure	*2.7*	*2.1*	*-5.6*	*7.1*	*5.6*
Governments consumption expenditure	*1.7*	*2.2*	*-0.2*	*4.5*	*2.1*
Gross fixed capital formation [of which:]	4.0	3.2	-3.0	12.8	1.6
Residential structures	*3.9*	*3.7*	*2.5*	*17.7*	*-1.0*
Non-residential structures	*3.0*	*6.3*	*-5.2*	*11.5*	*1.1*
Machinery and equipment	*-0.4*	*7.3*	*-15.7*	*7.6*	*2.7*
Intellectual property products	*3.9*	*-0.6*	*-5.9*	*6.0*	*1.5*
Governments gross fixed capital formation	*8.2*	*-0.9*	*-1.1*	*11.5*	*5.5*
Investment in inventories (2012 $B)	2,202	4,066	-4,555	3,250	4,500
Exports	3.8	1.7	-10.9	6.7	6.6
Imports	2.4	1.9	-13.9	9.4	7.6
Final domestic demand	2.7	2.3	-3.8	7.6	4.0
Other indicators					
Nominal GDP	5.4	4.3	-4.1	8.2	5.2
Real disposable personal income	2.8	3.5	9.9	2.0	2.6
Weekly earnings	3.2	3.5	7.8	1.5	2.0
Employment	1.5	2.0	-4.8	4.3	2.7
Unemployment rate (%)	5.5	5.1	8.9	6.2	5.4
Personal saving rate (%)	5.3	6.8	20.3	16.0	12.9
Retail sales	3.6	0.9	-0.2	9.0	4.2
Housing starts[1] (thousands of units)	46.9	48.0	54.1	60.0	55.0
Total inflation rate	1.7	2.1	0.8	2.4	1.5

f: forecasts; [1] Annualized basis.
Sources: Statistics Canada, Institut de la statistique du Québec, Canada Mortgage and Housing Corporation and Desjardins, Economic Studies

Ontario and Other Provinces

Differences in Rolling Out New Restrictions Fan Regional Disparities

FORECASTS

The new restrictions introduced to combat the second wave of COVID-19 were fairly uneven among the provinces, affecting economic conditions. In the end, Alberta, Saskatchewan and Ontario could be the provinces most affected by the pandemic. In contrast, Manitoba and most of the Atlantic provinces should come out of it a little better.

ONTARIO

Like Quebec, Ontario introduced numerous public health measures to combat the second wave of COVID-19 at the end of 2020 and in early 2021. For Ontario, among other things, this resulted in 153,500 jobs being lost in January, taking the unemployment rate to 10.2%. The restrictions started being lifted slowly as of February, which helped the employment market to recoup much of the lost ground. Some other indicators are also looking good despite the circumstances. For example, the value of Ontario manufacturing sales increased 3.0% in January, ending three straight months of downticks. All in all, the second COVID-19 wave's impact on Ontario's economy could be less harsh during the first quarter than initially believed. As the vaccination campaign should accelerate, the growth outlooks for the rest of 2021 are encouraging.

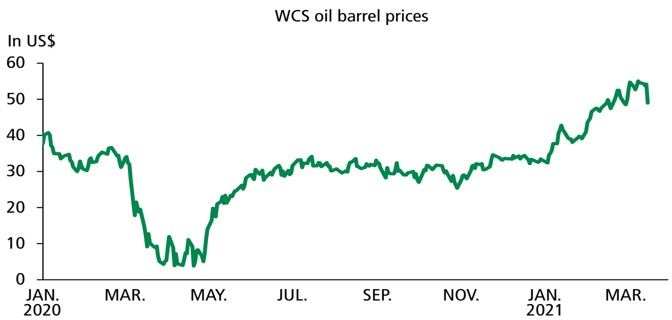
That said, there are still several uncertainties. After being on a roller coaster during the first wave of COVID-19, the auto industry has seen some misfires in the last few months. According to Canada's data on real GDP by industry, at the end of 2020, motor vehicle production was down 21.2% from the same period last year. Additional problems could be seen in the auto industry at the start of 2021 due to a shortage of some electronic parts. In December, Ontario was also one of the provinces that was most behind on the recovery of retail trade. Clearly, the new public health measures at the start of 2021 will not help the situation. All in all, Ontario's real GDP is expected to drop about 5.7% in 2020. It is forecast to rebound around 6.1% in 2021.

WESTERN PROVINCES

After taking a thrashing during the first wave of COVID-19 because of plunging oil prices, Alberta and Saskatchewan's growth outlooks have improved recently. Note that oil prices have come up substantially in the last few months (graph 16), which should have a positive impact on the provinces' revenues. That said, the crude oil delivery capacity problems could resurface quickly, especially as the new U.S. administration has ruled out the Keystone XL pipeline project. The two provinces should see 2020 end with real GDP declines that are larger the national average.

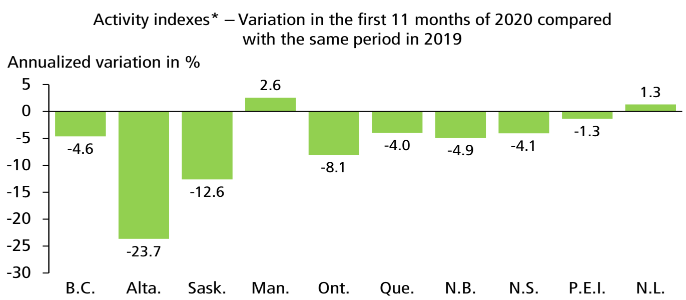
According to Statistics Canada's experimental indexes of economic activity in the provinces, Manitoba has so far stood up very well to the difficulties triggered by the pandemic (graph 17). Although the province was more affected by the second wave of COVID-19, Manitoba's growth outlook remains higher than the national average.

GRAPH 16
Oil prices have gone up in Canada



WSC: Western Canadian Select
Sources: Bloomberg and Desjardins, Economic Studies

GRAPH 17
Economic activity stands out in Manitoba and Newfoundland and Labrador



* Index average based on principal components analysis (PCA) and the index based on the Least Absolute Shrinkage and Selection Operator (LASSO).
Sources: Statistics Canada and Desjardins, Economic Studies

TABLE 6
Ontario: Major economic indicators

ANNUAL AVERAGE IN % (EXCEPT IF INDICATED)	2018	2019	2020f	2021f	2021f
Real GDP (2012 $)	**2.8**	**2.1**	**-5.7**	**6.1**	**4.0**
Final consumption expenditure [of which:]	3.2	1.8	-5.1	5.4	4.4
Household consumption expenditure	*2.9*	*1.9*	*-6.6*	*5.9*	*6.1*
Governments consumption expenditure	*4.0*	*1.4*	*-0.8*	*4.1*	*-0.7*
Gross fixed capital formation [of which:]	4.3	-0.7	-1.4	11.5	3.9
Residential structures	*-3.6*	*0.5*	*9.4*	*16.5*	*-1.4*
Non-residential structures	*19.8*	*-4.3*	*-13.7*	*0.9*	*11.4*
Machinery and equipment	*6.5*	*-0.6*	*-15.1*	*15.4*	*8.4*
Intellectual property products	*6.2*	*-1.1*	*-3.8*	*11.0*	*11.0*
Governments gross fixed capital formation	*6.1*	*0.8*	*0.3*	*3.2*	*-0.5*
Investment in inventories (2012 $B)	7,613	8,728	-5,599	4,572	3,938
Exports	1.1	2.1	-8.4	8.3	7.2
Imports	2.3	0.6	-9.2	12.0	7.6
Final domestic demand	3.4	1.2	-4.4	6.7	4.3
Other indicators					
Nominal GDP	4.1	3.8	-4.8	9.8	6.5
Real disposable personal income	2.7	2.6	9.4	0.9	1.6
Weekly earnings	2.9	2.8	7.4	3.3	2.7
Employment	1.7	2.8	-4.8	4.1	2.9
Unemployment rate (%)	5.7	5.6	9.6	8.3	7.0
Personal saving rate (%)	-1,0	-0,6	12.4	10.0	5.9
Retail sales	4.5	2.3	-3.5	7.0	5.7
Housing starts[1] (thousands of units)	78.7	69.0	81.3	83.7	79.3
Total inflation rate*	2.4	1.9	0.7	2.3	1.6

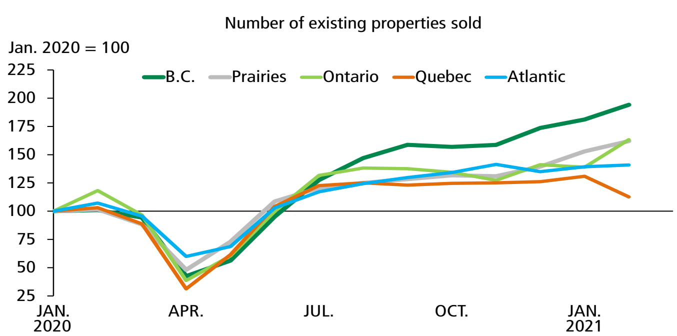
f: forecasts; * Annual change; [1] Annualized basis.
Sources: Statistics Canada, Ontario's Ministry of Finance, Canada Mortgage and Housing Corporation and Desjardins, Economic Studies

The same applies to British Columbia, as the recent acceleration in global trade is resulting in an increase in freight transportation at the Port of Vancouver. The province's real estate market is also doing very well, with a sustained rise in sales of existing properties (graph 18).

ATLANTIC PROVINCES

Generally speaking, the Atlantic provinces were less affected by the pandemic. Globally, the drop in production forecast for the Atlantic provinces is below the national average for 2020. Accordingly, the rebound anticipated in 2021 will be more subdued.

GRAPH 18
The existing properties market is particularly lively in British Columbia



Sources: Canadian Real Estate Association and Desjardins, Economic Studies

TABLE 7
Canada: Major economic indicators by provinces

ANNUAL AVERAGE IN % (EXCEPT IF INDICATED)	2018	2019	2020	2021f	2022f
Real GDP growth – Canada	**2.4**	**1.9**	**-5.4**	**6.3**	**3.7**
Atlantic	-0.1	2.7	-3.2	5.5	3.0
Quebec	2.9	2.7	-5.2	6.0	3.4
Ontario	2.8	2.1	-5.7	6.1	4.0
Manitoba	1.5	0.6	-3.0	5.0	3.2
Saskatchewan	1.2	-0.7	-6.5	5.5	3.5
Alberta	1.9	0.1	-7.5	7.8	4.2
British Columbia	2.7	2.7	-4.0	6.2	3.5
Total inflation rate – Canada	**2.3**	**1.9**	**0.7**	**2.4**	**1.6**
Atlantic	2.0	1.5	0.2	3.2	2.2
Quebec	1.7	2.1	0.8	2.4	1.5
Ontario	2.4	1.9	0.7	2.3	1.6
Manitoba	2.5	2.2	0.5	1.8	1.2
Saskatchewan	2.3	1.7	0.6	2.1	1.4
Alberta	2.4	1.8	1.1	2.0	1.3
British Columbia	2.7	2.3	0.8	2.3	1.5
Employment growth – Canada	**1.6**	**2.2**	**-5.2**	**4.4**	**2.8**
Atlantic	1.3	1.7	-4.1	3.4	1.9
Quebec	1.5	2.0	-4.8	4.3	2.7
Ontario	1.7	2.8	-4.8	4.1	2.9
Manitoba	1.1	1.0	-3.7	3.5	2.5
Saskatchewan	0.5	1.9	-4.7	3.0	2.9
Alberta	1.9	0.7	-6.6	4.7	3.5
British Columbia	1.4	3.0	-6.6	6.0	3.1
Unemployment rate – Canada	**5.9**	**5.7**	**9.5**	**7.8**	**6.6**
Atlantic	9.2	8.7	10.8	9.2	7.8
Quebec	5.5	5.1	8.9	6.2	5.4
Ontario	5.7	5.6	9.6	8.3	7.0
Manitoba	6.0	5.3	8.0	6.8	5.8
Saskatchewan	6.2	5.6	8.4	7.3	6.2
Alberta	6.7	7.0	11.4	9.6	8.2
British Columbia	4.7	4.7	8.9	6.7	5.7
Retail sales growth – Canada	**3.0**	**1.2**	**-1.3**	**8.0**	**4.9**
Atlantic	0.2	1.9	0.1	7.4	4.1
Quebec	3.6	0.9	-0.2	9.0	4.2
Ontario	4.5	2.3	-3.5	7.0	5.7
Manitoba	2.2	0.8	0.8	4.0	3.0
Saskatchewan	-0.5	0.3	-1.1	6.8	3.9
Alberta	1.8	-0.8	-2.3	9.3	4.7
British Columbia	1.9	0.6	2.4	9.5	5.5
Housing starts – Canada (thousands of units)	**212.8**	**208.7**	**217.8**	**240.9**	**224.6**
Atlantic	9.3	10.1	10.3	8.3	7.6
Quebec	46.9	48.0	54.1	60.0	55.0
Ontario	78.7	69.0	81.3	83.7	79.3
Manitoba	7.4	6.9	7.3	7.1	6.6
Saskatchewan	3.6	2.4	3.1	3.4	3.1
Alberta	26.1	27.3	24.0	33.4	31.0
British Columbia	40.9	44.9	37.7	45.0	42.0

f: forecasts
Sources: Statistics Canada, Institut de la statistique du Québec, Ontario's Ministry of Finance, Canada Mortgage and Housing Corporation and Desjardins, Economic Studies

Medium-Term Issues and Forecasts

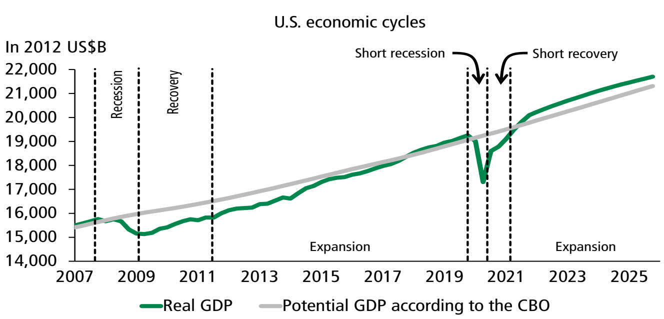
Beware for Overheating

Several countries should shortly return to pre-pandemic production levels, and then continue with a new economic expansion phase. In 2023, the United States and Canada should be in good position, with fairly low unemployment rates. On the other hand, this will increase the risk of overheating and overly strong inflation. This risk could be contained by monetary policy tightening or measures to clean up public finances.

Early Return to Potential GDP

Last year's economic recession was very different from normal recessions. The new economic cycle that is getting started also promises to be quite different, with all the current support measures and assuming the pandemic ends soon. In particular, real GDP is very likely to go over its long-term trend rapidly. This trend is also known as potential GDP: it is a measure of what the economy can produce with normal use of the available production capacities, including labour, with no excess. The United States could exceed potential GDP by the end of 2021 (graph 19). In the previous economic cycle, it took more than eight years after the 2009 trough to see real GDP go over potential GDP in the United States. Once this threshold has been exceeded, the economic cycle reaches a level of maturity in which inflationary pressures are usually higher. This could happen over the medium term.

GRAPH 19
U.S. potential GDP could be exceeded by the end of 2021



CBO: Congressional Budget Office
Sources: Bureau of Economic Analysis, CBO and Desjardins, Economic Studies

All This with No Collapse by the Savings Rate

This scenario may seem optimistic, but it is still prudent, particularly with respect to movement by the savings rate. The lockdown measures in the last few quarters, combined with government transfers to households. have helped boost savings. In the next few years, if all those savings were released into consumption, economic growth could be even higher than currently forecast. That being said, nothing guarantees the savings will only go to consumption. Some could go to pay off debt, some to real estate or financial market investments. Households might also want to maintain a larger financial cushion, even for the long haul.

Productivity Surprise?

Another source of uncertainty in this scenario is potential GDP's evolution. Parallel to the economy's acceleration, potential GDP could possibly be upgraded, particularly if productivity increases. The pandemic forced many businesses to overhaul how they do things and some of these changes could translate into greater productivity. In that case, it could take a little longer for real GDP to catch up with potential GDP, simultaneously delaying the timing of stronger inflation pressures.

Monetary Firming Could Curb Inflation

In any case, inflation is still a variable that central banks control fairly well. As the new economic cycle advances, monetary policies could be adjusted to counter potential signs of inflation pressure. In the current scenario, the Federal Reserve should touch off key rate increases at the end of 2022, and the top of the key rate band should be at 2.50% at the end of 2024. In Canada, key rates are expected to start coming up at the start of 2023. Monetary firming will then roll out at a pace of about 25 basis points a quarter, which would take the target for the overnight rate to 2.00% at the end of 2024.

Likely Clean-Up for Public Finances

In addition to the central banks, governments can also help curb economic overheating. Following the recent stimulus, government spending should post slower growth. Governments could also look for new revenue to balance their books. There is no need to rush into action for now, but it will become more and more necessary over the medium term to maintain investor confidence in the sustainability of sovereign debts.

TABLE 8

Medium-term major economic and financial indicators

IN % (EXCEPT IF INDICATED)	ANNUAL AVERAGE 2019	2020	2021f	2022f	2023f	2024f	2025f	AVERAGES 2016–2020	2021–2025f
United States									
Real GDP (var. in %)	2.2	-3.5	6.5	4.0	2.2	1.9	1.6	1.1	3.2
Total inflation rate (var. in %)	1.8	1.2	2.2	2.1	2.2	2.0	2.0	1.8	2.1
Unemployment rate	3.7	8.1	5.6	4.3	3.6	3.4	3.3	5.0	4.0
S&P 500 index (var. in %)[1]	28.9	16.3	11.8	8.3	5.0	4.0	4.0	13.6	6.6
Federal funds rate	2.28	0.54	0.25	0.25	0.90	1.90	2.50	1.27	1.16
Prime rate	5.28	3.54	3.25	3.25	3.90	4.90	5.50	4.27	4.16
Treasury bills – 3-month	2.10	0.37	0.10	0.20	0.90	1.90	2.40	1.14	1.10
Federal bonds – 10-year	2.14	0.89	1.80	2.10	2.55	2.95	3.05	2.02	2.49
– 30-year	2.58	1.56	2.50	2.70	3.10	3.40	3.45	2.55	3.03
WTI oil (US$/barrel)	57	39	59	63	62	60	58	51	60
Gold (US$/ounce)	1,393	1,771	1,775	1,665	1,630	1,600	1,600	1,388	1,654
Canada									
Real GDP (var. in %)	1.9	-5.4	6.3	3.7	1.9	1.8	1.5	0.6	3.0
Total inflation rate (var. in %)	1.9	0.7	2.4	1.6	2.1	1.9	2.0	1.6	2.0
Employment (var. in %)	2.2	-5.2	4.4	2.8	1.6	1.3	1.0	0.3	2.2
Employment (thousands)	418	-986	794	528	312	258	206	41	420
Unemployment rate	5.7	9.5	7.8	6.6	6.5	6.2	6.0	6.9	6.6
Housing starts (thousands of units)	209	218	241	225	223	218	215	211	224
S&P/TSX index (var. in %)[1]	19.1	2.2	14.7	10.0	6.0	3.0	3.0	6.6	7.3
Exchange rate (US$/C$)	0.75	0.75	0.81	0.81	0.82	0.83	0.83	0.76	0.82
Overnight funds	1.75	0.56	0.25	0.25	0.85	1.60	2.00	0.98	0.99
Prime rate	3.95	2.75	2.45	2.45	3.05	3.80	4.20	3.18	3.19
Mortgage rate – 1-year	3.64	3.25	2.75	2.75	3.20	3.80	4.10	3.33	3.32
– 5-year	5.27	4.95	4.80	4.90	5.35	5.65	5.75	4.98	5.29
Treasury bills – 3-month	1.65	0.44	0.15	0.25	0.90	1.65	2.00	0.93	0.99
Federal bonds – 2-year	1.59	0.51	0.45	0.85	1.55	2.05	2.15	1.15	1.41
– 5-year	1.54	0.60	1.15	1.45	1.90	2.25	2.30	1.28	1.81
– 10-year	1.59	0.75	1.70	1.90	2.25	2.55	2.60	1.53	2.20
– 30-year	1.80	1.21	2.15	2.30	2.70	3.00	3.00	1.92	2.63
Yield spreads (Canada—United States)									
Treasury bills – 3-month	-0.45	0.07	0.05	0.05	0.00	-0.25	-0.40	-0.21	-0.11
Federal bonds – 10-year	-0.55	-0.14	-0.10	-0.20	-0.30	-0.40	-0.45	-0.49	-0.29
– 30-year	-0.78	-0.35	-0.35	-0.40	-0.40	-0.40	-0.45	-0.63	-0.40
Quebec									
Real GDP (var. in %)	2.7	-5.2	6.0	3.4	1.7	1.3	1.1	1.0	2.7
Total inflation rate (var. in %)	2.1	0.8	2.4	1.5	2.0	1.9	2.0	1.3	2.0
Employment (var. in %)	2.0	-4.8	4.3	2.7	1.5	1.1	0.8	0.4	2.1
Employment (thousands)	86	-209	177	117	65	50	35	-6	89
Unemployment rate	5.1	8.9	6.2	5.4	5.1	4.8	4.6	6.6	5.2
Retail sales (var. in %)	0.9	-0.2	9.0	4.2	4.0	3.5	3.0	3.3	4.7
Housing starts (thousands of units)	48	54	60	55	47	44	41	47	49
Ontario									
Real GDP (var. in %)	2.1	-5.7	6.1	4.0	2.2	2.0	1.6	0.8	3.2
Total inflation rate (var. in %)	1.9	0.7	2.3	1.6	2.1	2.0	2.0	1.7	2.0
Employment (var. in %)	2.8	-4.8	4.1	2.9	1.7	1.4	1.1	0.5	2.2
Employment (thousands)	204	-355	287	213	128	107	85	35	164
Unemployment rate	5.6	9.6	8.3	7.0	6.3	6.0	5.9	6.7	6.7
Retail sales (var. in %)	2.3	-3.5	7.0	5.7	4.0	3.5	3.0	3.6	4.6
Housing starts (thousands of units)	69	81	84	79	82	80	78	77	81

f: forecasts; WTI : West Texas Intermediate; [1] Variations are based on observation of the end of period.
Sources: Datastream, Statistics Canada, Institut de la statistique du Québec, Ontario's Ministry of Finance, Canada Mortgage and Housing Corporation and Desjardins, Economic Studies