

Quarterly Economic Forecast

COVID-19, Vaccines, Knowns & Unknowns

December 15, 2020

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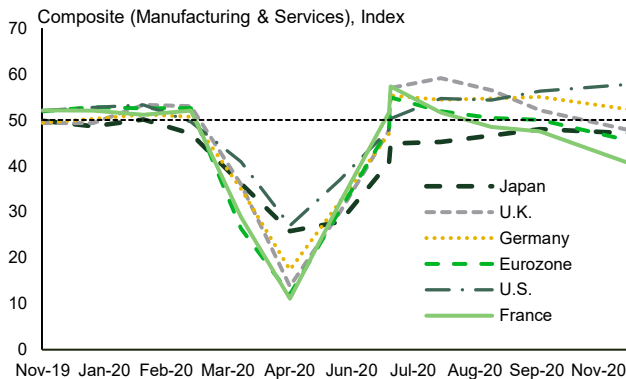
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As we did last quarter, this Quarterly Economic Forecast is in Q&A format. We have posed (and answered) the questions that we deem most relevant to the economic outlook, starting with the impact of the recent surge in the virus and developments on the vaccine front. From there we delve into some issues on the geopolitical front – China’s performance through the pandemic, the looming risk of no deal between the UK and EU, and the potential impact of a Biden presidency on the economic outlook. We close with some other pressing questions on the near term outlook (the sustainability of the recent housing boom) and some thoughts on the medium term impact of the crisis and how governments will pay for it. Economic and financial projections are contained on pages [12 through 15](#).

Questions & Answers

1. [How has the global economic outlook shifted with the resurgence in COVID-19 cases?](#)
2. [Where do rising infections and fading stimulus leave U.S. near-term prospects?](#)
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Chart 1: Europe Is Entering a Double Dip Downturn



Note: Below 50 = a majority of businesses reported a contraction.
Source: IHS, TD Economics.

Q1. How has the global economic outlook shifted with the resurgence in COVID-19 cases?

- A strong comeback over the early summer has noticeably downshifted in recent months under a resurgence in COVID-19 cases and subsequent restrictions. Some economies may see their momentum thrown into reverse. But, because we are in the final months of 2020, the downward revision to the annual global economic forecast (-3.8% in September) is modest (0.3 percentage points). We now expect global economic growth to contract by -4.1% in 2020.
- The Eurozone economy appears poised to suffer a double-dip contraction in the near term (Chart 1). However, the more targeted nature of new restrictions will limit the economic damage relative to the spring. Even nationwide lockdowns (France, Germany, Ireland and others) have been looser than the first round. And, unlike the first round, the European manufacturing sector – thanks largely to Germany – continues to expand.
- This resilience in manufacturing partly reflects continued robust recoveries in China and the rest of East Asia, where countries have successfully contained the virus. Global supply chains have avoided the disruptions suffered during the first wave. In turn, a greater degree of normalization in business operations is offering support to export-oriented regions, including the Eurozone.
- While any near-term setback is almost certain to pale in comparison to that recorded earlier this year, the worsening pandemic will still take a toll on global momentum into the first quarter of 2021. Easing restric-

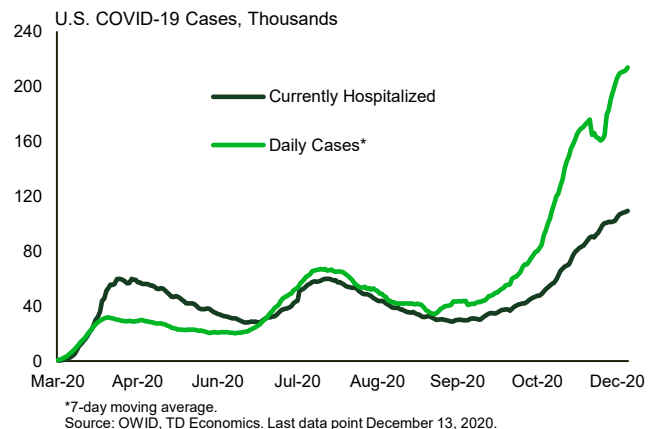
tions in Europe in the new year may provide some tailwind to growth, but also carry the risk of another surge in cases and subsequent restrictions. At the same time, an earlier vaccine than we had assumed in September (see [question 4](#) below) points to a pickup through the second and third quarters of 2021.

- On net, the pandemic-related risks appear balanced for the first time since the onset of the health crisis. With time, this may shift investor scrutiny back to non-virus-related risks, where attention was diverted away during the health crisis. These include a “no trade deal” between the UK and the EU, U.S.-China tensions, deteriorated global government finances, worsened inequality issues, emerging market (EM) financial difficulties and other geopolitical threats.

Q2. Where do rising infections and fading stimulus leave U.S. near-term prospects?

- The “third wave” of infections in the U.S. has gathered speed over the past two months (Chart 2). As a result, high-frequency indicators of economic activity have lost momentum. Restaurant reservations through the OpenTable app have trended sharply lower of late as local restrictions intensify. At the same time, small business revenues and the number of small business open have weakened since mid-November.
- Still, a strong start leaves real GDP growth tracking a healthy 5.0% (annualized) in the fourth quarter, above our September projection of 2.8%. This headline will mask variance in economic activity within the quarter, with the surge in infections and related restrictions likely to restrain activity in December.

Chart 2: U.S. Third Wave Reaches a Critical Point



*7-day moving average.
Source: OWID, TD Economics. Last data point December 13, 2020.

- Fortunately, it appears likely that Congress will reach a deal on extending some pandemic supports before the Christmas recess. Therefore, similar to September, we have included fiscal supports of around \$400 billion in this forecast. This includes an extension of the generous unemployment benefits from the CARES Act (PEUC and PUA) for a few more months and another round of “PPP like” forgivable loans for small business. This assistance will help offset the slowdown in growth that would have otherwise occurred in the first part of the year given the rise in infections.

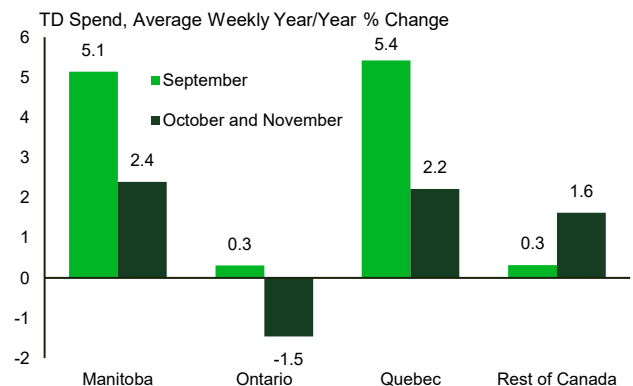
Q3. Will the worsening second wave set back Canada’s recovery?

- Even though caseloads and hospitalization rates per capita in Canada have not matched that of the U.S., provincial governments have been pressing ahead with more impactful restrictions since October relative to their U.S. counterparts. Still, these measures fall well short of the widespread lockdowns implemented in the spring.
- Quebec closed high-touch businesses such as bars, casinos, cinemas and dine-in restaurants in large municipalities through the month of October and into January. Ontario has moved virus hotspots of Toronto, Peel, York and Windsor-Essex into lockdown stage for a minimum of 28 days. This move extends previously-announced restrictions (i.e., closures of indoor dining) to non-essential retailing activities, though schools remain open. Alberta joined the list recently, imposing province-wide closures of similar businesses for at least four weeks.
- These restrictions are expected to have a dampening effect on near-term activity and employment. Indeed, impacts are already showing up in higher frequency economic data. Weekly TD Spend data show a drop off in spending activity in provinces with the toughest restrictions (Chart 3).
- In terms of GDP, the second wave of the virus and related restrictions could shave at least a full percentage point (annualized) from Canadian fourth quarter GDP growth. Still, similar to the U.S. story, a stronger hand-off from September than we had anticipated would still leave Canadian growth running at 2.6% (annualized), above our September forecast.
- It’s important to keep in mind that, unlike the spring,

the industries most impacted by the policy adjustments were already operating at significantly reduced capacity. The impact on growth, therefore, becomes more restrained relative to the prior experience given the lower starting point. And, other industries are in a better position today to push against the tide, such as professional services, and education.

- Given the concentration of lockdowns at the tail end of the year, we expect peak impact on real GDP to be felt in the first quarter of 2021. This still imbeds a gradual relaxation of restrictions and acceleration in economic activity as the quarter progresses. However, cold winter weather will hold back businesses, especially in food and accommodation services from operating at much higher capacity. It will take a wider availability of the vaccine, which we expect will occur in the second quarter, to provide a boost to consumer and business confidence, and drive economic activity.
- Another development that has added to the Canadian growth outlook in 2021 and beyond are the plans by the federal government to keep the fiscal spigots wide open. In its recent Fiscal Statement, the federal government announced some \$25 billion in measures, including an expansion in the wage subsidy and support for hard hit industries. In addition, there are plans for \$70-\$100 billion of additional stimulus spending over the next three years as the economy recovers, though details at this stage are scarce.
- We expect solid growth through the remainder of 2021, to make up the near-term pain from tighter restrictions and higher caseloads.

Chart 3: Spending Growth Weakens in Provinces with Toughest Restrictions

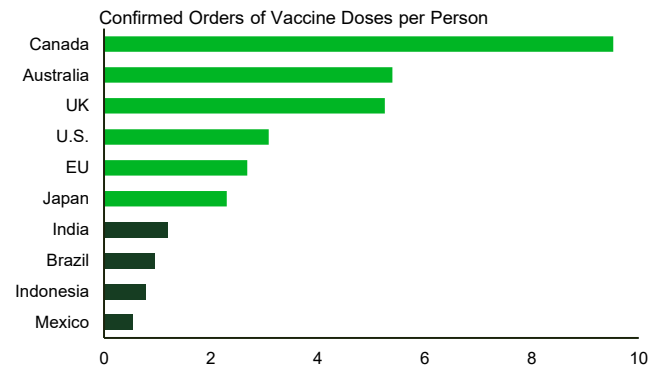


Source: TD Economics.

Q4. What does the possibility of an earlier vaccine mean for the outlook?

- There have been notable positive developments on the vaccine front. There are more than 200 vaccine candidates under investigation, with 13 in the final stage of trials. Two of those vaccines – Pfizer/BioNtech and Moderna – have been found to be 95% effective. The Pfizer vaccine has already been made available and the Moderna vaccine could be made available as soon as next week.
- With light at the end of the tunnel, high-touch consumer-facing service sectors like restaurants, malls and travel stand to benefit the most from the wide distribution of the vaccine. This likely does not require a herd immunity threshold to be met across the general population. Health risks would fall materially should the vaccine distribution be targeted at the most vulnerable portion of the population. Any subsequent relaxation in government restrictions perceived as permanent then offers the foundation for stronger business investment and hiring. As an example, in Canada, the flu shot had a 42% take-up rate in 2019, which was significantly higher than the prior two years. However, those over 65 years of age showed a 70% take-up rate.
- Accordingly, we have adjusted our baseline forecast to ‘pull forward’ the timing of widespread vaccine distribution to the spring. This is roughly one quarter earlier than our prior assumption and offsets some of the negative near-term economic scarring impact that would occur under the recent surge in cases. The pull-forward of our vaccine assumption into the second quarter is expected to lift the outlook for annual average real GDP growth in the U.S. and Canada in 2021 by around 0.5 percentage points.
- We must remain humble and cautious in this assumption. Several countries are already beginning to roll out the vaccine, but the exact timing of distribution remains uncertain and logistical challenges create another unprecedented moment. The Pfizer and Moderna vaccines come with stringent storage requirements. These challenges are surmountable within advanced economies (AEs), but are a greater barrier for emerging markets with weak infrastructure and logistics. On the plus side, a third vaccine developed by Oxford Astra-Zeneca can be kept at refrigerator temperature, which would make it easier to transport globally.

Chart 4: Uneven Access to the Vaccine Will Prevent a Sustained Global Recovery



Source: Duke Global Health Innovation Centre, World Bank, TD Economics.

- Still, most EMs simply cannot afford the vaccine. The high price tag means that vaccines are mostly accessible to AEs that have already pre-ordered billions of doses (Chart 4). “Vaccine nationalism” poses another hurdle for the global economy, which could leave EMs without a vaccine for a considerable amount of time and further diverge the fortunes between AE and EM recoveries. Even within AEs, access will depend on several factors including approval by national drug authorities, logistical capabilities and manufacturing/trial locations.
- The positive vaccine announcements have been cheered by financial markets with equities rallying and fixed income selling off on the news. Compared to just a few months ago, expectations for the fed funds rate ten years from now have risen by approximately 40 basis points, to 0.7%. Even after the recent rise in bond yields, market pricing may still be too dovish. The eventual return to higher policy rates (though a number of years away) is likely to be faster than current market pricing implies. Should market pricing for the federal funds rate move to a policy path that aligns with ours (first increase in 2024), the UST 10-year yield should move toward 1.5% by the end of next year.

Q5. Will China emerge stronger once the dust settles from this crisis?

- Yes. China successfully contained the virus while Europe and North American have struggled. The Chinese government’s investment-driven stimulus has also helped China recover faster than other countries. In fact, China is the only major economy that is expected to register positive growth (1.8%) in 2020. Earlier con-

cerns about an uneven recovery – strong investment, weak consumption – have also abated, as consumption has been higher than pre-pandemic levels for three straight months. And, while China’s share in the global economy was already rising, its strong recovery has turbocharged that process. China’s share of global output in 2020 is expected to jump to 18.4% – 1.6 percentage points higher than last year and higher than it would have been in the counterfactual no-COVID world (Chart 5).

- China’s trade with the rest of the world is also well above pre-pandemic levels and has grown on average 6% (year-on-year) over the past five months. Early in the pandemic, China’s exports rose thanks to an increase in global demand for personal protective equipment and other related supplies. Now its exports are rising across the product spectrum. In fact, China’s share in global trade has jumped to 17% – four percentage points more than it would have been without the pandemic. China’s trade has also done well relative to other countries like the U.S., where exports and imports remain well below the levels last year, by 16% and 7%, respectively. These developments combined have pushed China’s trade surplus to its highest monthly level on record.
- Portfolio flows to China are also surging, reflecting investors’ upbeat sentiment about the country’s recovery prospects. Chinese stocks have so far outpaced the rest of the world (including the U.S.). China’s CSI 300 has rallied about 22% this year, compared to 14% for the S&P 500.
- China has also fared better than most major economies

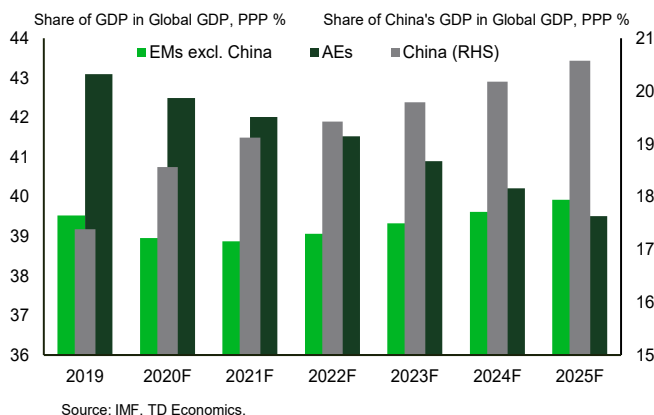
in terms of foreign direct investment (FDI) inflows. While global FDI – a measure of globalization and economic confidence – fell 49% in the first half of 2020 compared to the same period last year, China bucked the trend by contracting just 4% (U.S. and Canada contracted by 61% and 32%, respectively).

- These developments will likely give China even more clout on the global stage in the coming years and allow it to assert greater influence on global and regional geopolitics. With that may come an even greater likelihood of conflict with its rivals in North America and Europe.

Q6. With the clock ticking on Brexit, what could be the impact of no trade deal?

- The UK legally withdrew from the EU in January 2020, but it is currently in a transition period during which it has remained an EU member in all but name. On December 31st, 2020, however, the UK’s official exit from the EU will be final. This is also when the UK leaves the EU customs union and the European single market.
- Time is running out to sign a trade deal, as both sides are at loggerheads over key issues, especially on main-taining a regulatory “level playing field.” As of the time of writing, we believe that a last-minute deal will be signed, but the odds of it are decreasing by the day.
- In the absence of a trade deal, the UK will trade under WTO rules. This means that most UK goods exported to the EU will face tariffs, pressuring market share of British businesses. Likewise, EU exports to the UK will also face higher tariffs, impacting British consumers through higher prices. This will be particularly challenging for the British manufacturing sector, which relies on the import and export of intermediate goods in supply chains spread out across Europe.
- The UK would also face more burdensome customs procedures at the border under full border checks for goods. This could cause traffic bottlenecks at ports and lead to significant delays, which would be especially problematic for just-in-time manufacturers. Even if a deal is reached, there will be delays at the border, but not to the same extent.
- A negotiated deal will likely do away with tariffs and quotas between the UK and the EU for industrial and manufacturing goods, as well as food products. But

Chart 5: The Pandemic Has Already Increased China’s Share in the Global Economy



the deal won't be as deep and comprehensive as those struck by the EU with the likes of Norway, Switzerland, Turkey and even Ukraine.

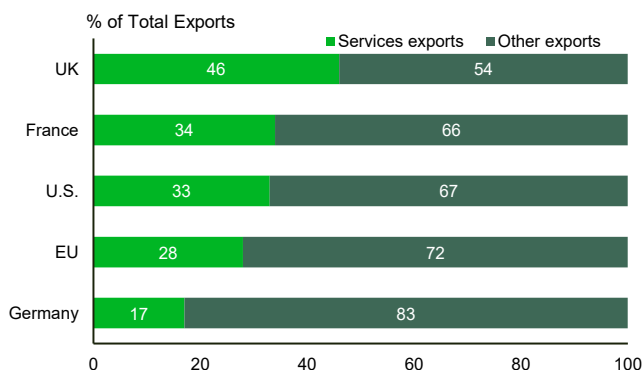
- The deal currently being negotiated is a typical goods-focused free trade agreement with few bells and whistles. It leaves out most of the service sector, which makes up 80% of the British economy, half of its exports and employs 30 million people (Chart 6). Tradeable services will be particularly impacted as almost 40% of the UK's total services exports go to the EU. Meanwhile, business and financial services will be hit hard, as they collectively make almost 45% of UK's services exports. And while the British financial sector can brace for impact with relative safety – and to some extent it already has – small and medium sized enterprises, of which 82% do business with Europe, will be particularly vulnerable.
- Without a trade deal, the UK economy would experience yet another significant economic shock. According to the UK's Office for Budget Responsibility, failure to agree on an FTA with the EU could wipe 2% off UK's GDP in 2021 and lead to a long-term decline in GDP. Meanwhile, the Bank of England has forecast a 1% hit to the economy in early 2021 as a result of the end of the Brexit transition period, even if there is a deal in place with the EU. So, trade deal or no trade deal, the new year will be the start of a period of painful decoupling.
- Unfortunately, the timing of this impasse could not be any worse. The British economy has been hit worse than any other major AE from the virus impacts, and

a no-deal exit will further weigh on economic growth. The first half of 2021 will be particularly tough for the British economy.

Q7. What are the implications of Biden's victory for the economic and financial outlook?

- The Biden election platform promised an ambitious spending agenda, funded by higher taxes on high-income Americans and corporations (see [report](#)). Implementing this agenda, however, will require the cooperation of Congress. Democrats have retained control of the House of Representatives, but control of the Senate will be determined by the January 5th runoff vote in Georgia. Should Republicans maintain control of the Senate (as is currently expected), tax hikes and major spending increases are much less likely.
- The incoming administration has appointed a seasoned economic team and indicated that helping to rebuild in the wake of the pandemic is a priority. Depending on what happens in Congress, (see [question 2](#) above), the administration will likely want to pass further economic assistance. President-elect Biden has indicated he supports the roughly \$2 trillion package House Democrats passed back in the summer, but the size will again depend on the makeup of the Senate, and what can be negotiated with GOP Senators if they retain the majority.
- The power of the President is great even within a divided Congress to act through executive actions on other areas, including trade, immigration and regulations. Biden is more pro-immigration than Trump and has committed to make permanent protections for undocumented workers who came to the country as children.
- He has also indicated an interest in reversing restrictions the Trump administration has made on both regular and high-skilled visa programs and the number of green cards issues. However, at this juncture, it remains uncertain the degree to which this could add to the medium-term outlook of economic activity. The President-elect has noted a sensitivity to this policy during periods of high domestic unemployment.
- On trade, Biden's platform was still relatively protectionist. It is also unclear whether Biden would lift the import tariffs on China implemented by President Trump. He will likely take a more multilateral approach, however, and is less likely to impose the ran-

Chart 6: UK Relies Heavily on Services Exports



Note: Data are from end-2018.
Source: UNCTADstat, TD Economics.

dom, punitive tariffs on U.S. allies (like steel & aluminum tariffs on Canada).

- In terms of regulations, there are numerous areas Biden could and is likely to act. Stricter worker protection is one example. Trump administration regulations had made it easier for businesses to count workers as independent contractors. Reversing this move and raising the minimum wage for federal contractors appears likely. He is also likely to reinstate Obama-era environmental protections. Financial sector regulation is likely to be tighter than under President Trump, and Biden is likely to strengthen the Consumer Financial Protection Bureau (CFPB).
- On the global front, international trade is likely to be more stable under Biden. Though it would take time for tariff rollbacks to occur, the new administration is likely to take a more conciliatory approach towards the World Trade Organization (WTO) and possibly rejoin the Trans-Pacific Partnership (TPP) negotiations. The U.S. is also set to rejoin the World Health Organization (WHO) and the Paris climate accords, both of which bode well for tackling COVID-19 and climate change (Chart 7).
- Biden’s win is good news for Europe. His administration is likely to lift the threat of automotive tariffs, remove (or reduce) aluminum and steel tariffs and is more likely to reach a Boeing-Airbus deal with Europe. Still, there will be pressure from Biden on Europe for more NATO spending. And tensions with France and other European countries will continue to simmer over plans to impose digital taxes on American tech giants such as Amazon, Apple and Google.

Chart 7: American Economic Relations under President-elect Biden

Multilateral	Europe	China
Rejoin the Paris agreement	Withdraw threat of auto tariffs	Maintain focus on economic imbalances
Rejoin the WHO	Relaunch an Airbus Boeing Deal	Greater focus on human rights situation in China
Improved relations with WTO	Lift Aluminum and Steel tariffs	U.S. to work more closely with European allies against China's rising dominance
Possible rejoining of TPP negotiations	Tensions to persist on digital services taxes and defense spending within NATO	

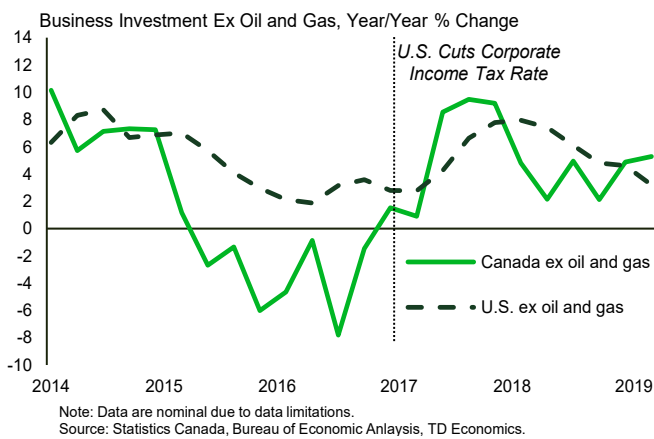
Source: TD Economics.

- U.S.-China tensions will persist, particularly with China gaining economic clout this year. However, Biden is more likely to work strategically with traditional allies against the perceived China threat to intellectual property and security. There is also likely to be more focus on Chinese human rights abuses (in China’s Xinjiang province) and regional security (in Hong Kong, Taiwan and the South China sea). U.S.-China tensions on technology and economic imbalances – undervalued renminbi and other trade distortions – will also continue.

Q8. What are the potential impacts of the election result on Canada?

- Trade relations, which have been increasingly fraught over the last four years, will likely ease. However, trade protectionism remains popular among Americans and the Democratic party, and while Biden appears more likely to avoid punitive tariffs, “Buy American” provisions and other potential irritants may well continue.
- President-Elect Biden campaigned on raising the corporate income tax from 21% to 28%. If Republicans hold onto the Senate this will likely be off the table, which would mean that Canada will continue to have a higher combined federal-provincial corporate income tax rates at around 27%. This could remain a competitive disadvantage for Canada, but history suggests that there is more behind corporate investment decisions than just the tax rate. In the 2014 through 2017 period, just prior to the Tax Cuts and Jobs Act implementation, Canada had a much lower corporate tax rate and still lagged the U.S. in terms of growth in business investment, both total and ex-oil and gas (Chart 8).
- The environmental priorities of the new administration could go a longer way in impacting competitiveness than the tax rates alone. Downside risks are elevated to Canada’s energy sector, most notably the cancelation of the Keystone XL permit.
- Still, there may be opportunities elsewhere. Canada’s carbon tax and other climate-change mitigating policies should be greeted positively by the new administration and may create opportunities in investments in green energy. For example, Ford motor company is investing \$US1.35 billion to transform its Oakville Assembly Complex to include battery-electric vehicles (BEV) in 2024.

Chart 8: Canada Underperformed the U.S. Even with Lower Corporate Tax Rates in 2014-17



- Perhaps less tangible but still important, the volatile nature of policymaking, a staple of the past administration, will give way to a more traditional approach. This should bring more certainty to the path of future policies, which could incent Canadian businesses to proceed with investments they may have otherwise delayed.

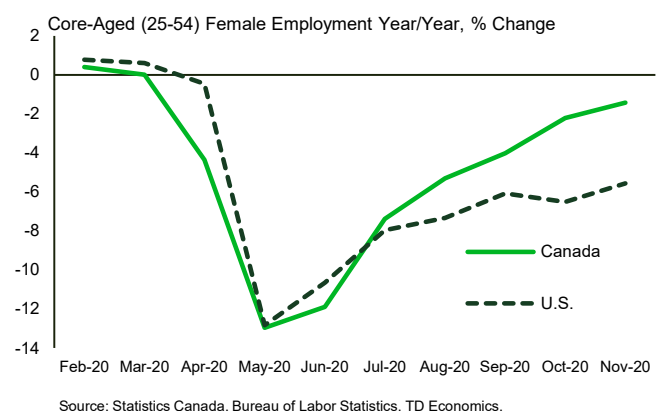
Q9. How has the economic recovery differed in the U.S. and Canada?

- While both Canada and the U.S. economy were hit hard in the early stages of the pandemic, they have been on different paths since. The U.S. has performed better on measures of output and sales, but Canada has fared better when it comes to the job market. Canada's economy had a deeper contraction in the first half of 2020, and a sharper early rebound in the third quarter. But on net, Canada is still a bit worse off relative to year ago levels when it comes to real GDP, which is down 5.2% in contrast to 2.9% in the U.S.
- In contrast, Canada significantly outshines when it comes to the labour market. It has regained over 80% of the jobs lost during March and April by November, versus roughly 65% in the U.S.
- Canada has also regained a greater share of full-time employment and Canadian women have also fared better in regaining jobs (Chart 9). Some might find it surprising that the labour force participation rate for core-age women in Canada is now above the February level. Whereas in the U.S. it is still two percentage points below that watermark. Canada outperforms the

U.S. in male labour market participation as well, though the rate is still below its pre-crisis level in both countries.

- Despite Canada's labour market recovery outpacing the U.S. across multiple dimensions, the U.S. unemployment rate has declined faster. From April to November, the U.S. unemployment rate fell by over eight percentage points, to 6.7%, whereas Canada's has fallen by just over five percentage points (since peaking in May). However, this contrast in underlying dynamics is a reminder that the U.S. unemployment rate overstates the strength of the job market. The labour force has four million workers less than February's level, indicating people have either given up looking for work, or are unable to work for other reason (such as caregiving etc).
- As we have written (see [report](#)), there are many factors that have likely contributed to Canada's labour market outperformance. Relative success in controlling the spread of COVID-19 allowed for a sturdier recovery during the summer months, while stronger labour market policies such as paid vacation and up to 26 weeks of unpaid leave for employees impacted by COVID-19, kept Canadians engaged with their employer through the pandemic. Finally, substantial government support boosted employment in the public sector, while the U.S. has been cutting more than a quarter million jobs in the critical area of education through the recovery. Better control of the pandemic enabled most Canadian school boards to return to in-person learning in the fall, whereas 36 of the U.S.'s 75 largest school districts did not, and many more have since reversed course. All of these factors in combination likely contribute to some parents being unable to return to their jobs full time.

Chart 9: Female Employment Recovering Faster in Canada



- Looking ahead, Canada should maintain its lead over the U.S. on job growth, although tougher new restrictions north of the border could narrow the outperformance. Income support programs such as expanded employment insurance and the Canada Recovery Benefit along with others on the business side (Canada Emergency Rent Subsidy), should help underpin an employment recovery in Canada. The U.S. may not see similar support in the short run, while budget restrictions at the state and local level will continue to hold back the U.S. recovery.

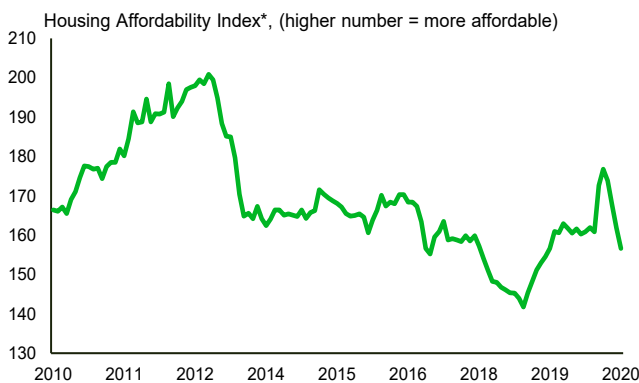
Q10. Are recent housing trends sustainable?

- The strength in the housing market has been one of the more surprising elements of the past year on both sides of the border. Lifting the hood, it is explained by a combination of factors. One, higher-income households, who tend to be homeowners, have fared relatively well on the employment front. Two, government support programs have supported incomes across the spectrum, while working from home has contributed to savings for the working population at the higher end of the income spectrum. Three, low interest rates have been a massive boost to affordability. And four, the virus has increased the desire for people to move out of dense urban areas into less-dense suburbs, thus raising demand for single-family homes.
- Robust U.S. sales momentum continued through October, despite the deterioration in affordability. Home prices have risen so quickly that the gain in affordability from lower interest rates has been erased. The National

Association of Realtors affordability index is now three percentage points worse than last year's level (Chart 10).

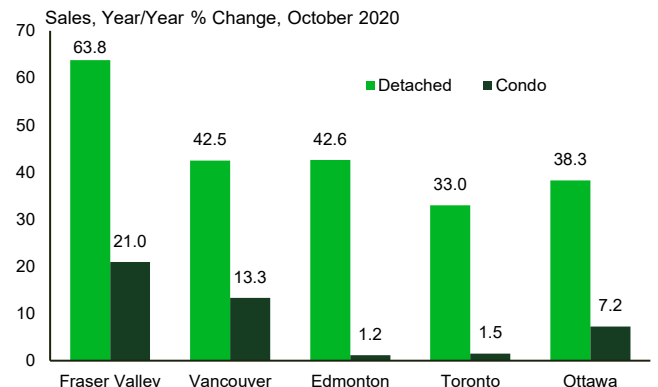
- With the inventory of homes for sale at a historic low and new supply relatively slow, markets are likely to remain tight, which should prevent a retracement in home prices, even as sales growth slows.
- Looking ahead, the wild card in the outlook is the potential rise in mortgage delinquencies. Forbearance programs have helped keep foreclosures low, but rising delinquencies present a downside risk to house prices.
- Canada is seeing similar housing market dynamics. The lack of a spring market fueled activity through the summer months, but even as pent-up demand diminishes, housing sales and prices remain well above historical standards.
- Canada differs from the U.S. in that prior to the pandemic, there was less apparent pent-up demand, and both homeownership rates and household leverage were relatively higher. But, the pandemic, combined with the sharp drop in interest rates, spurred an unexpected race for space. With more people working from home and having less desire to live in densely populated areas, prospective buyers have flocked to the suburbs. Across major metropolitan areas, sales of detached homes have surged, while condo sales have contracted on a year-over-year basis (Chart 11). Increased demand for more expensive homes has resulted in surge in home prices. As of October, they stood 15% above year-ago levels.

Chart 10: Housing Affordability Worse than a Year Ago



*Seasonally Adjusted; Fixed Rate Mortgages; Based on a 25% qualifying ratio for monthly housing expense to gross monthly income with a 20% down payment. Source: National Association of Realtors, TD Economics. Last data point Nov 2020.

Chart 11: Race for Space Reflected in Demand for Detached Homes



Source: CREA, TD Economics.

- So far, early sales data suggest fourth quarter housing activity will once again be stronger than we had anticipated. Still, the exuberant trend in home sales will be difficult to sustain. The October level was well above economic fundamentals, and as demand is satiated, sales should fall back in line with longer-run averages. One of the driving forces behind this normalization will be deteriorating affordability as more prospective buyers become priced out of the market.
- Canada’s housing market is seeing less downside risks from expiring mortgage deferral programs. As six-month deferral programs came to an end in September, the majority of households resumed mortgage payments. According to data provided by 13 member banks of the Canadian Bankers Association, of the mortgages in deferral, only around 6% of all mortgages were in deferral programs by the end of September.

Q11. What are the longer-lasting economic trends to watch for in 2021?

- The pandemic’s onset has exposed the vulnerabilities of relying too much on efficient rather than resilient supply chains (see [report](#)). And while reshoring and regionalization were already underway prior to this crisis due to tariffs and concerns around national security and public health, the pandemic has turbocharged this process.
- Companies around the world have expedited their plans to change their business models and are reorienting their supply chains closer to home or their allies. For example, Apple has already moved its production from China to Vietnam during the pandemic, where they benefit from lower unit costs and are relative safety from U.S. tensions. Japan is also looking into ways to break supply chain dependence on China and is paying firms to relocate.
- The recent rhetoric coming from world leaders indicates that they are already looking inwards, pushing against a previously one-directional globalization trend. Australia’s Prime Minister recently said that “open trading has been a core part of our prosperity over centuries. But equally, we need to look carefully at our domestic economic sovereignty as well.” This is a theme to watch out for next year.
- However, supply chains today are extremely complex. Therefore, shifting them is going to be a long, arduous

and expensive process. Such supply chain relocations will also put upward pressure on prices for both businesses and consumers. These factors will increase business incentives to automate and digitize where possible, in order to offset the higher labour and capital costs.

- Businesses are also increasingly ensuring visibility and tracking of supply chains, leading to a faster adoption of Internet of Things devices to track and authenticate products and shipments with GPS and other technologies.
- The pandemic has already accelerated digitization and automation, both of which have been crucial in allowing industries to adjust to the COVID-19 shock. The ongoing crisis has also acted as a catalyst for innovation and has altered consumer behavior which has opened up new digital opportunities (Table 1). The challenge countries face going forward is to translate these innovations into long-lasting changes that boost productivity and economic growth.
- Unfortunately, the opposite is likely in the near-term and the pandemic could lead to lower trend economic growth. We estimate that the economic shock caused by the pandemic is likely to lower the annual trend pace of growth in the U.S. by about 0.2 percentage points, consistent with the scarring evident in previous recessions. The bulk of that drop is likely to come from reduced capital investment.
- Even after the third quarter’s rebound, business investment in the U.S. remained 5% lower than a year ago, a larger deficit than consumer spending (-2.9% year/year). By 2026, we still expect total business in-

Table 1: Digital Opportunities Will Be Aplenty

Industry	Opportunities
Retail	E-commerce will consolidate lockdown gains
Financial services	Fintech will go from strength to strength
Automotive	Carmakers will build online sales capabilities
Telecom	Cloud computing will be a key area of growth
Healthcare	Digital health apps will proliferate

Source: EIU, TD Economics.

vestment to be slightly lower than what it could have been without COVID-19. These lower levels of investment will weigh on the contribution of capital deepening to labour productivity, in turn lowering trend labour productivity growth.

- Canada is experiencing a similar shock to its economic potential. As noted in the Bank of Canada's Business Outlook Survey for the third quarter, businesses have been reluctant to invest in capital due to the pandemic. The longer the crisis drags on, the slower capital will accumulate, and weaken Canada's growth capacity. This was the main factor driving the Bank of Canada's recent mark down of Canadian potential over 2020 through to 2023. The Bank now sees Canada's trend growth at 1.2% in 2023 compared to 1.8% in 2019. However, with the vaccine now appearing on the medium-term horizon, the economy could see less of a permanent impact than what was estimated by the Bank of Canada. Indeed, the Bank noted that if a vaccine became widely available sooner, it could lift potential output growth by 0.4 ppts in 2023.

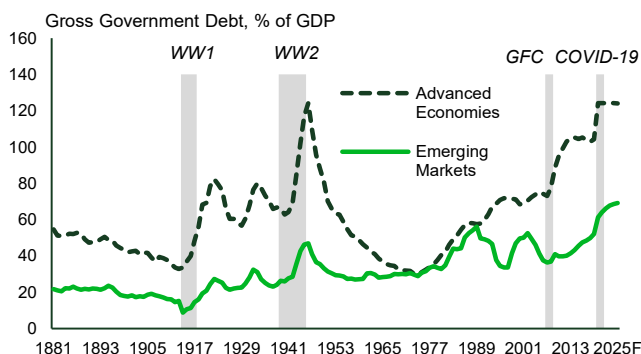
Q12. Will all this spending by governments come back to haunt them?

- The response to the crisis has pushed global public debt today higher than ever before (Chart 12). Low interest rates have allowed countries to keep debt servicing costs low. According to the IMF, economic growth for many countries over the medium term is expected to be higher than the cost of servicing debt. This will allow countries to spend without worrying much about debt sustainability or bond market access. These are

also opportune times, since the impact on economic growth from an increase in government spending is higher when interest rates are near zero.

- Countries cannot solely rely on 'growing out' of this crisis. Governments have different options to reduce their debt burdens, all of which have consequences (see [report](#)). Going forward, we expect a combination of higher taxes, spending restraint and debt monetization (central bank's direct permanent purchases of government debt) to help turn around budget positions (see [report](#)). Drastic spending cuts are an unlikely option, since if there's one (fiscal) policy lesson we've learned from the GFC, it's that while austerity can reduce a country's debt burden, it can also contribute to social unrest, populism and political polarization.
- Servicing the debt will become difficult if interest rates rise, GDP growth weakens, primary deficits (fiscal deficit minus interest payments) widen and the exchange rate weakens (in case of foreign currency denominated debt). EMs with weak macroeconomic fundamentals, limited debt management capacities and a history of debt mismanagement are particularly vulnerable. In fact, even in a world where economic growth might exceed the government's borrowing cost, many EMs are already running record primary budget deficits while dealing with record high debt burdens. Countries suffering from pre-existing financial pressures (Brazil, India, Mexico) are especially vulnerable. In fact, Argentina, Belize, Ecuador, Suriname, and Zambia have already defaulted, restructured, or are in the process of restructuring their debt.
- Given the growing importance of EM economies and the interconnected nature of today's global economy, shocks of this nature can boomerang to AEs. Cooperation of AEs, multilateral support by the IMF and OECD, and collective action by large creditors like China are needed to support EMs.

Chart 12: Government Debt Burdens Have Eclipsed Levels Seen During the Postwar Period



Note: Data from 2021 to 2025 are based on the IMF forecast.
Source: IMF, TD Economics.

Interest Rate Outlook												
	2020				2021				2022			
	Q1	Q2	Q3	Q4F	Q1F	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F
Canada												
Overnight Target Rate	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
3-mth T-Bill Rate	0.21	0.20	0.12	0.10	0.10	0.15	0.20	0.20	0.20	0.20	0.20	0.20
2-yr Govt. Bond Yield	0.42	0.28	0.25	0.25	0.30	0.30	0.30	0.30	0.30	0.35	0.40	0.50
5-yr Govt. Bond Yield	0.60	0.36	0.36	0.45	0.55	0.65	0.80	0.90	1.00	1.05	1.15	1.25
10-yr Govt. Bond Yield	0.71	0.52	0.57	0.70	0.85	1.00	1.15	1.30	1.40	1.55	1.65	1.70
30-yr Govt. Bond Yield	1.30	0.99	1.11	1.25	1.40	1.50	1.60	1.70	1.80	1.90	2.00	2.10
10-yr-2-yr Govt Spread	0.29	0.31	0.32	0.45	0.55	0.70	0.85	1.00	1.10	1.20	1.25	1.20
U.S.												
Fed Funds Target Rate	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
3-mth T-Bill Rate	0.11	0.16	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
2-yr Govt. Bond Yield	0.23	0.16	0.13	0.20	0.20	0.20	0.20	0.20	0.20	0.25	0.30	0.35
5-yr Govt. Bond Yield	0.37	0.29	0.28	0.35	0.45	0.55	0.65	0.80	0.90	0.95	1.05	1.15
10-yr Govt. Bond Yield	0.70	0.66	0.69	0.90	1.05	1.20	1.35	1.50	1.55	1.60	1.65	1.70
30-yr Govt. Bond Yield	1.35	1.41	1.46	1.60	1.75	1.85	1.95	2.05	2.10	2.15	2.20	2.25
10-yr-2-yr Govt Spread	0.47	0.36	0.56	0.70	0.85	1.00	1.15	1.30	1.35	1.35	1.35	1.35
Canada-U.S. Spreads												
Can - U.S. T-Bill Spread	0.10	0.25	0.02	0.00	0.00	0.05	0.10	0.10	0.10	0.10	0.10	0.10
Can - U.S. 10-Year Bond Spread	0.01	-0.14	-0.12	-0.20	-0.20	-0.20	-0.20	-0.20	-0.15	-0.05	0.00	0.00

F: Forecast by TD Economics as at December 2020. All forecasts are end-of-period.
Source: Bloomberg, Bank of Canada, Federal Reserve, TD Economics.

Foreign Exchange Outlook													
Currency	Exchange rate	2020				2021				2022			
		Q1	Q2	Q3	Q4F	Q1F	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F
Exchange rate to U.S. dollar													
Euro	USD per EUR	1.10	1.12	1.17	1.20	1.20	1.21	1.22	1.24	1.25	1.26	1.26	1.26
UK pound	USD per GBP	1.25	1.24	1.29	1.31	1.32	1.32	1.33	1.34	1.34	1.35	1.36	1.36
Japanese yen	JPY per USD	108	108	106	103	104	104	103	103	102	102	101	101
Chinese renminbi	CNY per USD	7.08	7.07	6.79	6.55	6.60	6.65	6.70	6.75	6.80	6.80	6.80	6.80
Exchange rate to Canadian dollar													
U.S. dollar	USD per CAD	0.71	0.74	0.75	0.78	0.79	0.80	0.81	0.81	0.81	0.80	0.80	0.79
Euro	CAD per EUR	1.56	1.53	1.56	1.55	1.53	1.52	1.52	1.53	1.55	1.56	1.58	1.59
UK pound	CAD per GBP	1.76	1.68	1.72	1.69	1.67	1.66	1.65	1.65	1.67	1.68	1.70	1.72
Japanese yen	JPY per CAD	76.1	79.2	79.2	79.8	81.4	83.0	83.4	83.4	82.6	81.8	80.9	80.1
Chinese renminbi	CNY per CAD	5.01	5.20	5.10	5.08	5.19	5.31	5.40	5.47	5.48	5.45	5.43	5.40

F: Forecast by TD Economics as at December 2020. All forecasts are end-of-period.
Source: Bloomberg, Bank of Canada, Federal Reserve, TD Economics.

Commodity Price Outlook												
	2020				2021				2022			
	Q1	Q2	Q3	Q4F	Q1F	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F
Crude Oil (WTI, \$US/bbl)	46	28	41	42	45	47	49	50	51	52	53	54
Natural Gas (\$US/MMBtu)	1.91	1.71	1.99	2.60	2.80	2.70	2.60	3.00	3.10	2.90	2.80	3.15
Gold (\$US/troy oz.)	1582	1714	1909	1875	1875	1850	1850	1825	1800	1775	1750	1725
Silver (\$US/troy oz.)	16.90	16.38	24.26	24.15	24.15	24.00	24.00	23.50	23.25	23.00	22.75	22.50
Copper (cents/lb)	255	243	296	320	320	321	323	324	319	315	312	310
Nickel (\$US/lb)	5.76	5.56	6.46	7.15	7.33	7.35	7.37	7.38	7.35	7.37	7.05	7.05
Aluminum (cents/lb)	77	68	77	86	86	86	84	81	78	78	75	75
Wheat (\$US/bu)	6.60	6.46	6.36	6.81	6.83	6.84	6.84	6.84	6.82	6.80	6.77	6.75

F: Forecast by TD Economics as at December 2020. All forecasts are period averages.
Source: Bloomberg, TD Economics, USDA (Haver).

Canadian Economic Outlook																		
<i>Period-Over-Period Annualized Per Cent Change Unless Otherwise Indicated</i>																		
	2020				2021				2022				Annual Average			4th Qtr/4th Qtr		
	Q1	Q2	Q3	Q4F	Q1F	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F	20F	21F	22F	20F	21F	22F
Real GDP	-7.3	-38.1	40.5	2.6	1.6	9.2	6.5	4.6	3.0	2.6	2.2	1.7	-5.7	4.9	3.8	-4.6	5.4	2.4
Consumer Expenditure	-10.1	-44.3	62.8	0.8	1.4	7.8	6.9	4.4	3.1	2.6	2.3	1.8	-6.4	5.4	3.8	-4.8	5.1	2.4
Durable Goods	-31.2	-46.2	262.7	-9.3	-8.0	-4.0	0.5	0.8	0.9	1.2	1.3	1.5	-5.1	7.1	0.7	5.1	-2.7	1.2
Business Investment	-1.9	-51.6	26.7	3.7	3.7	8.1	7.0	5.6	4.7	4.6	3.6	2.9	-11.2	2.5	5.1	-11.1	6.1	3.9
Non-Res. Structures	6.9	-49.8	-1.2	3.0	1.5	8.2	6.4	5.3	4.8	4.7	3.5	3.0	-9.3	-1.2	5.0	-14.0	5.3	4.0
Equipment & IPP*	-10.9	-53.3	65.1	4.5	6.1	7.9	7.7	5.9	4.6	4.5	3.6	2.9	-13.2	6.5	5.2	-8.0	6.9	3.9
Residential Investment	-1.4	-47.7	187.3	1.5	-7.2	-5.3	-2.4	1.8	1.7	1.6	1.3	1.2	3.4	5.9	0.7	10.7	-3.3	1.5
Govt. Expenditure	-0.3	-12.7	15.0	2.1	2.0	2.4	2.3	2.1	1.5	1.7	1.7	1.6	-0.1	2.7	1.8	0.5	2.2	1.6
Final Domestic Demand	-6.1	-38.4	50.8	1.5	1.2	5.4	5.0	3.7	2.8	2.5	2.2	1.8	-4.6	4.5	3.2	-3.0	3.8	2.3
Exports	-6.6	-56.7	71.8	1.8	3.5	12.5	9.3	8.0	3.2	3.1	2.9	2.8	-10.1	6.5	5.3	-8.3	8.3	3.0
Imports	-9.3	-65.0	113.7	1.9	3.7	11.4	9.8	7.2	3.3	3.2	3.1	3.2	-12.3	7.7	5.2	-8.8	8.0	3.2
Change in Non-farm Inventories (2012 \$Bn)	-0.3	-35.7	-30.8	-28.5	-26.0	-9.5	-1.5	1.4	2.7	3.5	4.0	4.3	-23.8	-8.9	3.6	--	--	--
Final Sales	-4.1	-33.7	49.8	1.1	0.6	2.0	3.4	3.2	2.5	2.3	2.1	1.8	-2.6	3.8	2.6	-0.9	2.3	2.2
International Current Account Balance (\$Bn)	-55.5	-28.0	-30.1	-26.5	-27.7	-27.9	-30.1	-30.0	-30.6	-31.2	-31.8	-32.8	-35.0	-28.9	-31.6	--	--	--
% of GDP	-2.4	-1.4	-1.3	-1.2	-1.2	-1.2	-1.3	-1.2	-1.2	-1.3	-1.3	-1.3	-1.6	-1.2	-1.3	--	--	--
Pre-tax Corp. Profits	-27.8	-54.8	182.9	-22.0	10.0	35.0	15.0	10.0	5.0	3.7	3.7	3.5	-10.5	14.3	8.2	-7.9	17.1	4.0
% of GDP	11.8	11.0	12.8	11.9	12.1	12.7	12.9	13.0	13.0	12.9	12.9	12.9	11.9	12.7	12.9	--	--	--
GDP Deflator (y/y)	0.7	-0.9	1.5	1.0	2.1	3.5	1.5	1.6	1.9	2.0	2.0	1.9	0.6	2.2	2.0	1.0	1.6	1.9
Nominal GDP	-10.4	-40.5	55.2	4.1	2.6	10.8	8.7	6.8	5.0	4.6	4.2	3.7	-5.1	7.1	5.9	-3.7	7.2	4.4
Labour Force	-3.3	-17.1	21.7	4.0	0.8	2.2	1.4	1.5	1.0	0.9	0.9	0.9	-1.2	2.9	1.2	0.4	1.5	0.9
Employment	-5.8	-38.4	39.2	10.0	2.1	6.7	4.3	2.8	1.6	1.4	1.5	1.3	-5.2	5.4	2.4	-2.9	4.0	1.5
Change in Empl. ('000s)	-282	-2147	1440	439	97	305	200	133	75	69	71	65	-988	971	454	-550	734	280
Unemployment Rate (%)	6.3	13.0	10.0	8.8	8.5	7.5	6.8	6.5	6.4	6.3	6.1	6.0	9.5	7.3	6.2	--	--	--
Personal Disp. Income	5.9	52.3	-12.0	0.3	0.4	-6.2	5.0	3.7	3.1	2.8	2.9	3.0	10.2	0.8	2.8	9.3	0.7	3.0
Pers. Savings Rate (%)	5.9	27.5	14.6	14.4	14.0	10.3	9.2	8.4	7.9	7.4	7.1	6.9	15.6	10.5	7.3	--	--	--
Cons. Price Index (y/y)	1.8	0.1	0.4	0.5	0.8	2.2	2.0	2.0	2.1	2.1	2.1	2.1	0.7	1.8	2.1	0.5	2.0	2.1
CPIX (y/y)**	1.7	1.1	0.9	1.0	1.2	1.8	2.0	2.0	2.0	2.0	2.0	2.0	1.2	1.7	2.0	1.0	2.0	2.0
BoC Inflation (y/y)***	1.9	1.6	1.7	1.5	1.7	1.9	2.0	2.0	2.1	2.1	2.2	2.1	1.7	1.9	2.1	1.5	2.0	2.1
Housing Starts ('000s)	209	191	238	213	212	213	213	215	213	208	206	205	213	213	208	--	--	--
Home Prices (y/y)	13.1	3.2	16.1	14.2	7.1	10.5	-6.0	-6.0	-1.1	1.3	1.7	1.8	11.7	0.9	0.9	14.2	-6.0	1.8
Real GDP / worker (y/y)	0.2	-0.2	-0.1	-1.8	-1.5	-1.0	-0.7	1.4	1.9	1.6	1.3	0.9	-0.5	-0.5	1.4	-1.8	1.4	0.9

F: Forecast by TD Economics as at December 2020
Home price measure shown is the CREA Composite Sale Price.
* Intellectual Property Products. ** CPIX: CPI excluding the 8 most volatile components. *** BoC Inflation: simple average of CPI-trim, CPI-median, and CPI-common.
Source: Statistics Canada, Bank of Canada, Canada Mortgage and Housing Corporation, Haver Analytics, TD Economics.

U.S. Economic Outlook																		
Period-Over-Period Annualized Per Cent Change Unless Otherwise Indicated																		
	2020				2021				2022				Annual Average			4th Qtr/4th Qtr		
	Q1	Q2	Q3	Q4F	Q1F	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F	20F	21F	22F	20F	21F	22F
Real GDP	-5.0	-31.4	33.1	5.0	1.9	4.0	3.9	3.8	3.8	3.0	2.3	2.0	-3.5	4.1	3.3	-2.3	3.4	2.8
Consumer Expenditure	-6.9	-33.2	40.6	5.4	1.8	6.0	4.4	4.1	3.6	3.0	2.3	2.1	-3.7	5.1	3.6	-2.0	4.0	2.8
Durable Goods	-12.5	-1.7	82.9	4.9	-4.5	2.7	3.0	2.7	2.1	1.7	1.7	1.8	6.8	8.3	2.2	13.3	0.9	1.8
Business Investment	-6.7	-27.2	21.8	3.8	4.0	4.2	4.2	4.3	4.9	5.0	4.6	4.1	-4.6	3.7	4.6	-3.7	4.2	4.6
Non-Res. Structures	-3.7	-33.6	-15.8	-12.0	2.8	1.5	2.0	2.3	3.5	4.5	4.9	4.0	-11.1	-5.8	3.4	-17.0	2.1	4.2
Equipment & IPP*	-7.5	-25.2	31.8	8.2	4.3	4.9	4.7	4.7	5.2	5.1	4.5	4.1	-3.0	6.0	4.8	-0.3	4.6	4.7
Residential Investment	19.0	-35.5	62.3	30.7	1.6	-6.3	-3.0	-0.1	0.9	0.6	0.4	0.5	5.7	7.2	-0.4	12.9	-2.0	0.6
Govt. Expenditure	1.3	2.5	-4.9	-3.8	1.2	0.8	1.0	0.5	0.7	0.3	0.6	0.0	0.9	-0.6	0.6	-1.3	0.9	0.4
Final Domestic Demand	-4.6	-27.1	29.4	4.5	1.9	4.3	3.4	3.3	3.2	2.7	2.2	2.0	-2.7	4.0	3.0	-1.5	3.2	2.5
Exports	-9.5	-64.4	60.5	17.8	6.3	11.1	10.1	9.5	7.4	6.5	5.5	4.9	-13.1	7.7	7.8	-11.6	9.2	6.1
Imports	-15.0	-54.1	93.1	16.8	8.8	9.9	7.9	8.3	4.4	3.6	3.2	2.9	-9.9	12.0	5.5	-3.1	8.7	3.5
Change in Private																		
Inventories	-80.9	-287.0	-4.3	31.9	52.9	42.2	60.0	83.5	98.8	99.6	93.2	86.4	-85.1	59.6	94.5	--	--	--
Final Sales	-3.6	-28.1	25.6	4.2	1.4	4.2	3.5	3.3	3.4	3.0	2.5	2.1	-2.9	3.3	3.2	-2.4	3.1	2.8
International Current																		
Account Balance (\$Bn)	-446	-682	-830	-821	-845	-844	-866	-876	-871	-864	-857	-851	-695	-858	-861	--	--	--
% of GDP	-2.1	-3.5	-3.9	-3.8	-3.9	-3.8	-3.9	-3.9	-3.8	-3.7	-3.6	-3.6	-3.3	-3.9	-3.7	--	--	--
Pre-tax Corporate Profits																		
including IVA&CCA	-39.9	-35.2	161.1	-29.4	26.4	-25.0	-12.3	2.9	9.5	7.0	4.5	2.1	-7.7	1.5	1.2	-7.9	-3.8	5.7
% of GDP	9.4	9.4	11.0	9.9	10.4	9.5	9.1	9.0	9.1	9.1	9.1	9.1	9.9	9.5	9.1	--	--	--
GDP Deflator (y/y)	1.7	0.6	1.1	1.4	1.5	2.3	1.9	1.8	1.9	2.0	2.2	2.2	1.2	1.9	2.1	1.4	1.8	2.2
Nominal GDP	-3.4	-32.8	38.0	7.5	3.6	5.7	5.8	5.9	5.9	5.2	4.7	4.3	-2.3	6.0	5.5	-0.9	5.3	5.0
Labor Force	-1.0	-13.4	5.3	0.7	0.9	4.5	2.5	1.7	1.0	0.8	0.9	0.9	-1.7	1.4	1.5	-2.3	2.4	0.9
Employment	0.4	-40.0	23.0	4.6	1.7	6.7	5.4	3.7	2.6	1.8	1.4	1.4	-5.8	2.7	3.0	-6.2	4.4	1.8
Change in Empl. ('000s)	134	-18,209	7,089	1,598	613	2,353	1,927	1,360	966	663	520	511	(8,726)	3,872	4,423	(9,388)	6,253	2,660
Unemployment Rate (%)	3.8	13.0	8.8	6.8	6.7	6.1	5.6	5.3	5.0	4.8	4.7	4.6	8.1	5.9	4.8	--	--	--
Personal Disp. Income	3.9	46.2	-12.9	-9.9	14.1	-6.3	-2.1	3.3	4.1	3.6	3.9	3.7	7.2	0.7	2.3	4.5	2.0	3.8
Pers. Savings Rate (%)	9.6	26.0	16.1	12.4	14.3	11.2	9.4	8.7	8.3	7.9	7.8	7.6	16.0	10.9	7.9	--	--	--
Cons. Price Index (y/y)	2.1	0.4	1.3	1.3	1.5	3.0	2.4	2.3	2.5	2.5	2.5	2.5	1.3	2.3	2.5	1.3	2.3	2.5
Core CPI (y/y)	2.2	1.3	1.7	1.7	1.6	2.5	2.0	2.1	2.2	2.3	2.4	2.5	1.7	2.1	2.4	1.7	2.1	2.5
Core PCE Price Index (y/y)	1.8	1.0	1.4	1.5	1.6	2.2	1.8	1.9	1.9	2.1	2.2	2.2	1.4	1.8	2.1	1.5	1.9	2.2
Housing Starts (mns)	1.48	1.08	1.44	1.51	1.38	1.36	1.35	1.36	1.37	1.37	1.37	1.38	1.38	1.36	1.38	--	--	--
Real Output per hour** (y/y)	0.9	2.9	4.1	3.6	3.6	0.0	-1.4	-1.2	-0.7	0.6	1.2	1.4	2.9	0.2	0.6	3.6	-1.2	1.4

F: Forecast by TD Economics as at December 2020

* Intellectual Property Products. ** Non-farm business sector.

Source: Bureau of Labor Statistics, Bureau of Economic Analysis, Census Bureau, TD Economics.

Economic Indicators: G7 & Europe				
	Forecast			
	2019	2020	2021	2022
Real GDP (annual per cent change)				
G7 (30.1%)*	1.6	-5.0	4.7	3.0
U.S.	2.2	-3.5	4.1	3.3
Japan	0.7	-5.5	2.4	1.6
Euro Area	1.3	-7.7	4.8	3.5
Germany	0.6	-5.7	4.1	3.3
France	1.5	-9.4	6.2	3.4
Italy	0.3	-9.7	5.7	3.1
United Kingdom	1.3	-11.2	5.5	4.9
Canada	1.9	-5.7	4.9	3.8
Consumer Price Index (annual per cent change)				
G7	1.5	0.8	1.6	1.9
U.S.	1.8	1.3	2.3	2.5
Japan	0.5	0.1	0.2	0.3
Euro Area	1.2	0.3	0.9	1.2
Germany	1.3	0.5	1.3	1.4
France	1.3	0.5	0.8	1.3
Italy	0.6	-0.1	0.4	0.9
United Kingdom	1.8	0.9	1.4	1.8
Canada	2.0	0.7	1.8	2.1
Unemployment Rate (per cent annual averages)				
U.S.	3.7	8.1	5.9	4.8
Japan	2.4	3.1	4.0	3.3
Euro Area	7.6	8.0	9.0	8.7
Germany	5.0	6.0	6.2	5.8
France	8.5	8.3	10.0	9.1
Italy	10.0	9.5	11.4	10.6
United Kingdom	3.7	4.5	6.8	5.9
Canada	5.7	9.5	7.3	6.2

*Share of 2018 world gross domestic product (GDP) at PPP.
Forecast as at December 2020
Source: National statistics agencies, TD Economics.

Global Economic Outlook				
Annual Per Cent Change Unless Otherwise Indicated				
	2018 Share*	Forecast		
		2020	2021	2022
Real GDP	(%)	2020	2021	2022
World	100.0	-4.1	5.5	4.4
North America	18.5	-4.3	4.0	3.3
United States	15.2	-3.5	4.1	3.3
Canada	1.4	-5.7	4.9	3.8
Mexico	1.9	-9.8	3.0	2.9
European Union (EU-28)	16.3	-7.4	4.6	4.0
Euro Area (EU-19)	11.4	-7.7	4.8	3.5
Germany	3.2	-5.7	4.1	3.3
France	2.2	-9.4	6.2	3.4
Italy	1.8	-9.7	5.7	3.1
United Kingdom	2.2	-11.2	5.5	4.9
EU accession members	2.6	-4.1	3.5	4.1
Asia	45.0	-2.2	7.1	4.7
Japan	4.1	-5.5	2.4	1.6
Asian NIC's	3.4	-1.7	3.6	3.0
Hong Kong	0.4	-6.8	3.7	4.0
Korea	1.7	-1.1	3.3	2.8
Singapore	0.4	-6.0	5.9	3.4
Taiwan	0.9	1.1	3.3	2.9
Russia	3.1	-4.5	2.9	3.9
Australia & New Zealand	1.1	-3.9	3.3	4.1
Emerging Asia	33.2	-1.6	8.6	5.4
ASEAN-5	5.5	-3.5	6.0	5.4
China	18.7	1.8	8.9	5.3
India**	7.7	-9.6	9.9	5.9
Central/South America	5.6	-8.1	4.3	3.0
Brazil	2.5	-5.2	3.4	2.5
Other Emerging Markets	13.6	-4.7	3.6	5.7
Other Advanced	1.1	-4.6	3.6	5.0

*Share of world GDP on a purchasing-power-parity (PPP) basis.
Forecast as at December 2020. **Forecast for India refers to fiscal year.
Source: IMF, TD Economics.

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