ECONOMIC & FINANCIAL OUTLOOK

2021: Here and Elsewhere, Vaccination Campaigns Will Boost Economic Growth

HIGHLIGHTS

- The global economic situation deteriorated this fall due to the effects of the pandemic's second wave, which prompted many governments to tighten public health measures. The adverse impacts will primarily be felt in the euro zone, where the new restrictions were introduced relatively early.
- Despite substantial difficulties in the short term, the onset of vaccination in many countries should allow the economy to rebound as of mid-2021. Overall, global real GDP should contract 4.5% in 2020, then gain 5.3% in 2021 and 4.0% in 2022.
- Despite the good news on vaccines, central banks are determined to maintain very favourable financing conditions to help their economies get through the second wave, and foster rapid growth after that. The major central banks should keep their key rates at their lower bounds into 2023.
- In the United States, real GDP should post good growth in the fourth quarter. The current wave of COVID-19 will, however, lead to a slowdown at the very end of 2020, which will mainly impact real GDP at the start of 2021. After that, vaccinating the population will help economic activity accelerate; this will primarily materialize in the second half of 2021.
- After posting a historic rebound in the third quarter, Canada's real GDP growth should be weak at the end of 2020 and in early 2021, when the fallout from the pandemic's second wave will be felt. Real GDP is projected to contract 5.7% in 2020, then grow 4.1% in 2021 and 3.7% in 2022.
- Ontario has been heavily impacted by the restrictive measures, but the auto industry's recovery is encouraging. So far, British Columbia and most of the Atlantic provinces seem less affected by the restrictions. Also pummelled by the problems in the energy sector, the Prairie provinces are especially impacted by the pandemic.
- The Quebec economy's fast recovery should give way to some blips this fall and winter. The restrictions in force since October were extended to non-essential retailers from December 25. The second wave will hurt the economy over the near term, but the onset of vaccination means we can be more optimistic as of mid-2021. Real GDP should increase 4.5% in 2021, then 2.8% in 2022, after the 5.3% contraction projected for 2020.

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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

The evolving COVID-19 pandemic remains the main uncertainty surrounding the economic and financial outlooks. In the near term, the risk is still focused on the second wave worsening steadily, which would require public health measures to be reinstated, further hobbling economic growth. The adverse effects on corporate earnings and the stock markets would be more severe as a result, and the risk of a financial crisis would increase. The broad and faster-than-anticipated availability and distribution of vaccines announced as being very effective against COVID-19 could, however, speed up economic growth in 2021. Such a scenario would mean a stronger rebound by stock markets, interest rates and industrial commodity prices. There are other uncertainties as to what will happen after the pandemic. Some sectors could be affected by the current setbacks in consumption, production and trade for a long time to come. The long-term consequences of the budgetary and fiscal measures could also disrupt outlooks beyond 2021. In the United Kingdom, Brexit and negotiations over a trade deal with the European Union have not been settled yet and could come back to haunt the economic situation. In Canada, replacing the Canada Emergency Response Benefit (CERB) and Canada Emergency Student Benefit (CESB) with an Employment Insurance enhancement and some other targeted measures could trigger a sharper than anticipated decrease in some households' income, impacting the evolution of consumer spending. The housing market has been booming for the last few months, increasing the risk that some of the country's markets will potentially become overvalued, making them more vulnerable to a price correction. In addition, lowering key interest rates to the effective lower bound could potentially heighten concerns over high household debt if rates remain low for too long. Similarly, the robust stimulus plans announced by governments could cast doubt on public finances and put upward pressure on bond yields, especially if the economic crisis persists.

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

	WEIGHT*	REAL GDP GROWTH			INFLATION RATE		
IN %		2020f	2021f	2022f	2020f	2021f	2022f
Advanced economies	**39.8**	**-5.4**	**4.0**	**3.4**	**0.7**	**1.3**	**1.9**
United States	15.8	-3.4	4.3	3.2	1.2	1.9	2.4
Canada	1.4	-5.7	4.1	3.7	0.7	1.4	1.6
Quebec	*0.3*	*-5.3*	*4.5*	*2.8*	*0.8*	*1.5*	*1.7*
Ontario	*0.5*	*-6.0*	*4.5*	*3.7*	*0.6*	*1.5*	*1.7*
Japan	4.0	-5.4	2.8	2.4	0.0	0.0	0.8
United Kingdom	2.4	-11.2	2.6	4.0	0.9	1.5	2.2
Euro zone	12.4	-7.3	4.5	3.6	0.3	0.9	1.5
Germany	*3.4*	*-5.6*	*3.6*	*3.5*	*0.5*	*1.5*	*1.6*
France	*2.4*	*-9.0*	*6.0*	*4.0*	*0.5*	*0.8*	*1.5*
Italy	*2.0*	*-8.9*	*5.2*	*3.6*	*-0.1*	*0.4*	*1.2*
Other countries	4.2	-2.4	1.9	2.3	0.3	0.8	1.0
Australia	*1.0*	*-3.7*	*3.1*	*4.4*	*0.7*	*1.5*	*2.0*
Emerging and developing economies	**60.2**	**-3.9**	**6.1**	**4.5**	**3.1**	**3.0**	**3.4**
North Asia	25.5	-1.3	8.2	5.6	3.6	2.6	3.3
China	*17.3*	*1.7*	*8.1*	*5.5*	*2.7*	*1.9*	*2.5*
India	*7.1*	*-8.5*	*9.2*	*6.2*	*5.8*	*4.4*	*5.0*
South Asia	5.3	-4.7	5.5	5.3	0.9	1.9	2.8
Latin America	5.9	-6.8	4.1	2.9	3.1	3.2	3.5
Mexico	*1.9*	*-9.0*	*3.8*	*2.6*	*3.9*	*3.5*	*3.7*
Brazil	*2.4*	*-4.6*	*3.4*	*2.7*	*3.2*	*3.4*	*3.7*
Eastern Europe	8.0	-4.1	3.7	3.3	5.4	5.2	5.0
Russia	*3.2*	*-4.0*	*3.1*	*2.2*	*3.9*	*3.6*	*3.9*
Other countries	15.4	-7.6	5.1	3.2	4.2	4.8	5.3
South Africa	*0.6*	*-9.1*	*3.6*	*1.7*	*3.3*	*3.9*	*4.6*
World	**100.0**	**-4.5**	**5.3**	**4.0**	**2.1**	**2.3**	**2.8**

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

Despite the surge in COVID-19 cases and return of lockdown measures in many countries, financial market sentiment remains solidly positive. Hopes for rapid vaccination seem to be materializing, as more and more countries are starting to immunize their populations. Good corporate results are also encouraging, suggesting that the stock indexes could continue to rise next year. The earnings of S&P 500 companies had already rebounded in the third quarter, going back very close to the record levels seen before the pandemic. The prevailing optimism is also benefiting industrial commodities; recently, some base metal prices hit peaks that date back several years. The commitment from the Organization of Petroleum Exporting Countries and its allies (OPEC+) to maintain a balanced market also buoyed oil prices. Despite encouraging news on the vaccine front, central banks are determined to maintain very favourable financing conditions to help their economies get through the second wave, and foster rapid growth after that. The major central banks will therefore continue to purchase assets for several more quarters, and should keep their key rates at their lower bounds into 2023. The downside pressure on the U.S. dollar will limit the other central banks' capacity to reduce their intervention before the Federal Reserve does. However, the improving economic outlook prompts us to expect a slightly faster rise in long-term bond yields.

TABLE 2
Summary of the financial forecasts

	2020		2021				2022			
END OF PERIOD IN % (EXCEPT IF INDICATED)	Q3	Q4f	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	0.25
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	0.15	0.15	0.20	0.30	0.35	0.40	0.45	0.50	0.60
5-year	0.27	0.40	0.40	0.50	0.60	0.65	0.70	0.75	0.80	0.90
10-year	0.68	0.90	0.90	1.05	1.20	1.30	1.35	1.35	1.40	1.50
30-year	1.45	1.65	1.65	1.80	1.90	2.00	2.05	2.05	2.10	2.15
Canada										
2-year	0.25	0.25	0.25	0.30	0.35	0.40	0.45	0.50	0.55	0.60
5-year	0.36	0.45	0.45	0.55	0.65	0.70	0.75	0.80	0.85	0.90
10-year	0.57	0.75	0.75	0.85	1.00	1.10	1.15	1.20	1.25	1.30
30-year	1.11	1.30	1.30	1.40	1.50	1.60	1.65	1.70	1.75	1.80
Currency market										
Canadian dollar (USD/CAD)	1.33	1.28	1.29	1.27	1.27	1.25	1.24	1.23	1.23	1.25
Canadian dollar (CAD/USD)	0.75	0.78	0.78	0.79	0.79	0.80	0.81	0.81	0.81	0.80
Euro (EUR/USD)	1.17	1.21	1.21	1.23	1.24	1.24	1.24	1.25	1.24	1.23
British pound (GBP/USD)	1.29	1.32	1.33	1.35	1.37	1.38	1.39	1.40	1.41	1.42
Yen (USD/JPY)	105	104	104	106	107	108	109	110	110	110
Stock markets (level and growth)*										
United States – S&P 500	3,675		Target: 3,950 (+7.5%)				Target: 4,200 (+6.3%)			
Canada – S&P/TSX	17,500		Target: 19,000 (+8.6%)				Target: 20,500 (+7.9%)			
Commodities (annual average)										
WTI oil (US$/barrel)	39 (46*)		48 (53*)				58 (60*)			
Gold (US$/ounce)	1,770 (1,860*)		1,830 (1,780*)				1,730 (1,680*)			

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

Overseas

One or Two More Tough Quarters in Europe

FORECASTS

After last summer's rebound, the economic situation deteriorated this fall due to the effects of the pandemic's second wave, which prompted many governments to firm up their public health measures. The adverse impacts will primarily be felt in the euro zone, where the new restrictions were introduced relatively early. The Brexit issue is also resurfacing, exacerbating uncertainty at the end of 2020. China's economy continues to grow and does not seem to be feeling any second-wave effects a year after the very first COVID-19 cases. Overall, the global economy should contract 4.5% in 2020, then gain 5.3% in 2021 and 4.0% in 2022.

The world's economy was doing nicely until the end of the summer. All the economies that were hard hit at the end of winter 2020 recorded strong growth as of last spring and summer. The G20's real GDP jumped 8.1% (not annualized) between the first and second quarters of 2020 (graph 1). The shortfall compared with the end of 2019 thus decreased from -9.9% to -2.4%, which is still substantial. For comparison's sake, at the worst of the 2008-2009 recession, the G20's GDP had fallen 2.9% from its pre-crisis peak.

Even global trade was rising, boosted in particular by China's accelerating commercial activity. Around the world, the PMI indexes went well above the 50 mark.

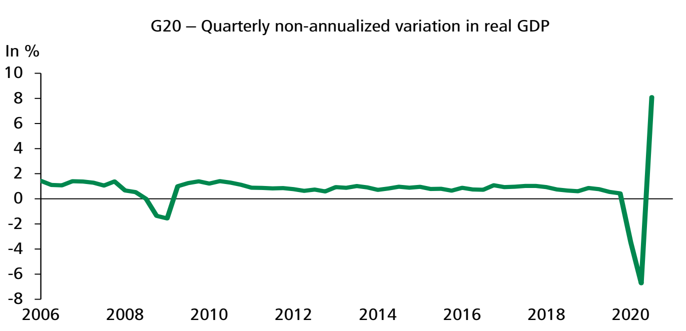
This was before the second wave of COVID-19 hit. Over the fall, most countries in the northern hemisphere saw new daily cases beat last spring's peaks. Hospitalizations and deaths also climbed, forcing many governments to reinstate or tighten the restrictive public health measures that did so much damage to the economy in March and April before being rolled back last spring and summer. That said, the fall's measures are generally less restrictive than during the first wave, and their economic consequences will be less severe. They will, however, be enough to end the summer's momentum for many economies.

EURO ZONE

Euroland's real GDP rose 12.5% from the second to third quarters of 2020 (an annualized 60%). The growth follows quarterly tumbles of 3.7% in the first quarter and 11.7% in the second quarter (-14.1% and -39.2% respectively, on an annualized basis). The shortfall from the end of 2019 was -4.4%. The economic growth in the last quarter of 2020 will not be helpful to close the gap. In October, retail sales and industrial production levels were still showing growth compared with the average for the third quarter. However, there are many signs that the situation worsened as of November, if only because of the public health measures introduced (graph 2). Clearly, once again, service providers will be the hardest hit. The PMI services index went from a recent peak of 54.7 in July to 41.7 in November and 47.3 in December, which is still well above April's low, 12.0 (graph 3 on page 5). In comparison, Euroland's manufacturing PMI was at 55.5 in December.

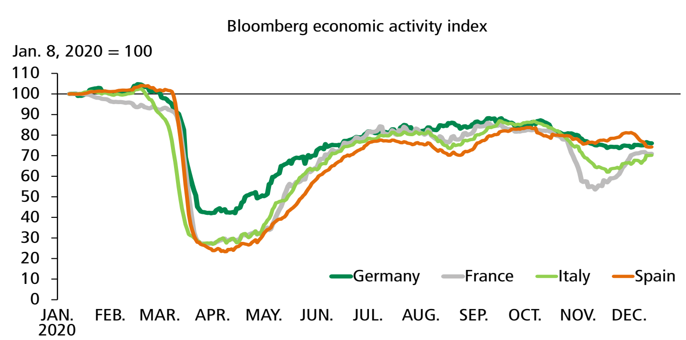
The magnitude of the drop in production in the last quarter of 2020 remains uncertain; beyond COVID-19, it is hard to assess the degree to which euro zone businesses were getting ready for the end of the Brexit transition period and a potential increase in tariffs and restrictions as of January 1. With COVID-19 cases still high, we can assume that the measures will continue to

GRAPH 1
The G20's real GDP jumped in the third quarter



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

GRAPH 2
Economic activity in the euro zone deteriorated this fall



Sources: Bloomberg and Desjardins, Economic Studies affect the economy in the first quarter of 2021. Later in 2021, the positive impact of vaccines will show up, allowing economic activity to gain some momentum again. We expect Euroland's real GDP to drop 7.3% in 2020, then rise 4.5% in 2021 and 3.6% in 2022.

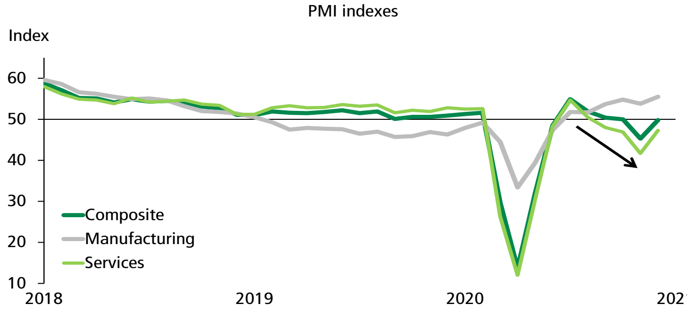
UNITED KINGDOM

Britain's real GDP increased 15.5% (78.0% on an annualized basis) from the second to third quarter of 2020. Despite the strong gain, the shortfall from the end of 2019 was 9.7% in the third quarter, one of the largest among the G20 nations. Although the British government began to tighten up some public health measures as of the end of September, real GDP continued to grow in October, gaining a monthly 0.4% (graph 4). Declines are anticipated for November and December, however. The difficulties reaching a deal on trade relations with the European Union could make the situation even more complicated at the end of 2020. A failure could make both confidence and economic activity drop in the first quarter, and fuel pressure on prices. The United Kingdom was the first Western country to start its COVID-19 vaccination campaign; in 2021, it will also benefit from the presumed end to the pandemic. The United Kingdom's real GDP is expected to pull back 11.2% for 2020, then grow 2.6% in 2021 and 4.0% in 2022.

CHINA

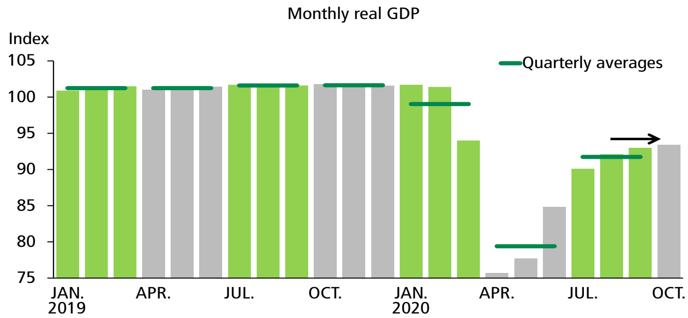
Real GDP growth held up well in China, gaining 2.7% (11.2% on an annualized basis) from the second to third quarter. Real GDP is thus already 3.2% above its pre-pandemic level (graph 5); the pandemic started in China just one year ago. The latest indicators suggest that China's economy continued to show solid growth in the fourth quarter. The rebound effect from 2020 will make growth seem very strong in 2021, but we can expect the longer-term trend to reassert itself. The return of post-pandemic consumption that is more focused on services in advanced economies could contribute to a slowdown as, in 2020, Chinese production benefited from a new international enthusiasm for goods. Moreover, China recently saw its public and private debt levels increase substantially, which could curb future growth. China's real GDP growth should be 1.7% in 2020, 8.1% in 2021, and 5.5% in 2022.

GRAPH 3
Services are suffering more from the new health measures imposed in many euro zone countries



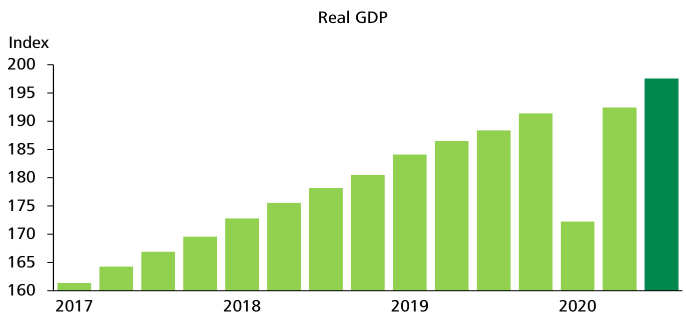
Sources: IHS/Markit and Desjardins, Economic Studies

GRAPH 4
Growth of Britain's real GDP had already slowed before the imposition of new restrictive health measures



Sources: Office for National Statistics and Desjardins, Economic Studies

GRAPH 5
China's real GDP keeps climbing and amply exceeds its pre-crisis level



Sources: Office of National Statistics of China and Desjardins, Economic Studies

United States

Growth Persists, Although Hampered by the New Wave

FORECASTS

The economy is continuing the comeback that started at the end of last spring. The indicators show that real GDP should once again post good growth in the fourth quarter. The current wave of COVID-19 will, however, lead to a slowdown at the very end of 2020, which will mainly impact real GDP at the start of 2021, despite new support from the federal government. After that, vaccinating the population will help economic activity accelerate; this will primarily materialize in the second half of 2021. We also expect the measures the Biden administration should take to have a positive effect. After decreasing 3.4% in 2020, U.S. real GDP should grow 4.3% in 2021 and 3.2% in 2022.

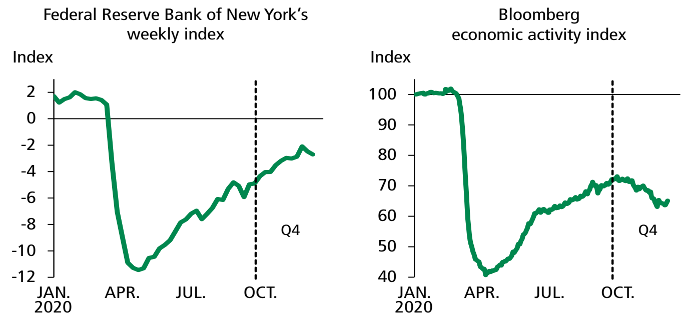
U.S. real GDP increased 7.4% (33.1% on an annualized basis) from the second to third quarters of 2020. This growth puts the shortfall from the pre-pandemic peak at -3.5%. Most components of real GDP shot up in the third quarter; however, service consumption is the standout leader: it contributed nearly half of the growth all by itself. Despite this, and factoring in October's results, real consumption of services is still 6.8% below where it was in February.

Most indicators suggest the economic situation was still good at the start of the fall, even though the federal government's assistance measures had declined. The increases in retail sales, industrial production and exports were stronger in September or October, providing a very good carryover for the fourth quarter. The housing market is also showing a lot of strength.

That said, the new COVID-19 wave is hitting the United States hard, particularly since Thanksgiving. Daily new cases are often above 200,000, and average deaths per week are now higher than they were last spring. The fall spike in the new cases has driven public administrations in some states and municipalities into applying tougher public health measures than were in force at the end of the summer. Most of these restrictions are more targeted and, overall, are less restrictive than they were at the start of the pandemic. That said, in California, the state with the largest population, nearly the whole population is living under strict lockdown measures and non-essential businesses can no longer operate freely.

Even with some of the measures already in place, there are still signs of growth in the United States. The Federal Reserve Bank of New York's weekly indicator is signalling that the annual variation in real GDP will continue to improve in the fourth quarter. Bloomberg's daily indicator suggests, however, that there may be an economic slowdown (graph 6). Quarterly growth could, however, be weaker in early 2021, especially if the public health measures are extended beyond the holidays. We expect Congress to manage to agree on renewing the main assistance measures which were slated to end on December 31, and introduce another enhancement to jobless benefits.

GRAPH 6
Short-term indexes are giving off conflicting signals to date in the fourth quarter of 2020



Sources: Federal Reserve Bank of New York, Bloomberg and Desjardins, Economic Studies

Beyond the next few months, several factors should support the U.S. economy. Firstly, there's the vaccination campaign, which has now begun. As more and more of the most vulnerable Americans get vaccinated and, especially if the vaccines are as effective as promised, the economy could gain some momentum, thanks to a recovery in services, among other things. We expect this effect to primarily be felt in the second half of 2021.

Another element that could foster recovery is the program Joe Biden should adopt once he is sworn in. Public investment can be expected to accelerate. Easing trade tensions and a more stable political environment should also be good for the economic outlook.

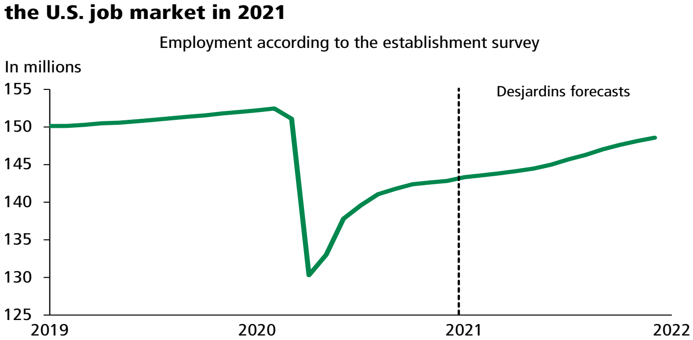
Nearly 56% of the jobs lost in March and April were recouped between May and November. The job market's recovery had started to lose steam; "only" 245,000 jobs were created in November, and jobless claims increased in December. However, the positive factors mentioned earlier will also have a ripple effect on hiring in 2021 (graph 7 on page 7). The jobless rate

TABLE 3
United States: Major economic indicators

QUARTERLY ANNUALIZED VARIATION IN % (EXCEPT IF INDICATED)	2020		2021				ANNUAL AVERAGE			
	Q3	Q4f	Q1f	Q2f	Q3f	Q4f	2019	2020f	2021f	2022f
Real GDP (2012 US$)	**33.1**	**6.1**	**2.7**	**2.4**	**4.9**	**4.4**	**2.2**	**-3.4**	**4.3**	**3.2**
Personal consumption expenditures	40.6	4.0	1.4	4.8	5.8	4.8	2.4	-3.8	4.7	3.8
Residential construction	62.3	32.0	22.8	2.3	1.4	2.5	-1.7	5.8	15.2	1.7
Business fixed investment	21.8	4.3	3.2	4.2	5.5	5.8	2.9	-4.6	3.9	5.2
Inventory change (US$B)	-4.3	100	115	60.0	60.0	60.0	48.5	-68.1	74	50.0
Public expenditures	-4.9	-1.4	1.5	1.1	2.6	2.9	2.3	1.1	0.3	2.2
Exports	60.5	13.5	3.0	4.0	8.0	8.0	-0.1	-13.3	4.4	6.5
Imports	93.1	12.0	3.0	8.0	8.0	8.0	1.1	-10.2	9.2	7.4
Final domestic demand	29.4	4.2	2.4	4.0	5.0	4.5	2.3	-2.7	4.3	3.6
Other indicators										
Nominal GDP	38.0	7.4	4.5	4.2	6.9	6.6	4.0	-2.3	6.1	4.0
Real disposable personal income	-16.0	-3.1	5.5	-4.5	-2.0	2.0	2.2	6.5	0.0	1.1
Employment according to establishments	23.0	5.2	2.7	2.7	5.1	5.0	1.4	-5.7	2.4	3.0
Unemployment rate (%)	8.8	6.8	6.8	6.6	6.3	5.9	3.7	8.1	6.4	5.5
Housing starts[1] (thousands of units)	1,440	1,550	1,533	1,530	1,547	1,558	1,296	1,388	1,542	1,628
Corporate profits*[2]	3.3	-0.5	14.5	28.0	2.0	4.0	0.3	-5.8	11.1	2.2
Personal saving rate (%)	16.1	14.2	15.1	13.1	11.5	10.9	7.6	16.5	12.6	10.5
Total inflation rate*	1.3	1.2	1.4	2.5	1.7	1.9	1.8	1.2	1.9	2.4
Core inflation rate*[3]	1.7	1.6	1.3	2.1	1.3	1.5	2.2	1.7	1.6	2.1
Current account balance (US$B)	-760	-700	-703	-730	-739	-748	-480	-647	-730	-782

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

GRAPH 7
Job growth slows, but the distribution of vaccines will support the U.S. job market in 2021



Sources: Bureau of Labor Statistics and Desjardins, Economic Studies

should continue to slide, but the pace of improvement could be reined in by an increase in the labour force. Moreover, as of the end of winter 2021, inflation will be hit by the base effects created by 2020's abrupt movements. After having dropped to 1.2% in 2020, the inflation rate should go to 1.9% in 2021, and hit 2.4% in 2022, mainly due to an increase in energy prices.

Canada

The Fallout from the Second Wave Will Affect the Economy

FORECASTS

After posting a historic rebound in the third quarter, Canada's real GDP growth should be much more subdued at the end of 2020 and in early 2021, when the fallout from the pandemic's second wave will be felt. All in all, our forecast for 2020 as a whole is unchanged, with real GDP projected to decline 5.7%. However, the growth forecast for 2021 has been trimmed to 4.1% due to a tougher start to the year. 2022 promises to be fairly good, with an estimated gain of 3.7%.

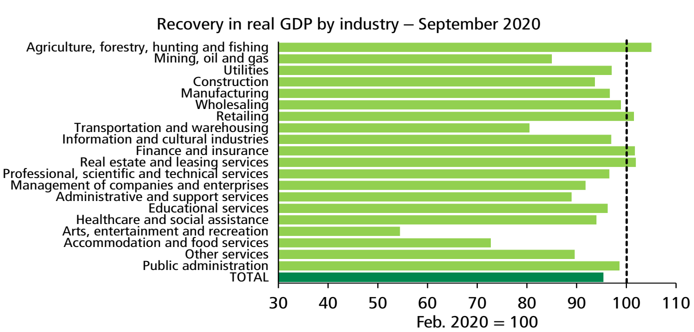
After two quarters of record drops in the first half of 2020, Canada's real GDP rebounded as predicted in the third quarter, gaining 8.9% from the previous quarter, for a quarterly annualized increase of 40.5%. It is clearly the biggest quarterly increase in real GDP since Canada's economic accounts were started in 1961. The rebound is due to the lifting of the many restrictions instituted last spring. Among other things, domestic demand grew a quarterly annualized 50.8% thanks to a surge in consumer spending, residential investment and non-residential investment by business.

The Canadian economy is not out of the woods yet, however. Real GDP is still lagging about 5% behind its pre-pandemic level, and the economic recovery has been quite patchy, with major disparities between the sectors (graph 8). In September, some sectors were already posting slightly higher production levels than they had prior to the pandemic in February (agriculture, retail trade, finance and insurance, and real estate and leasing services); other sectors, however, were still well behind (arts, entertainment and recreation, accommodation and food services, transportation and warehousing, and mining and oil).

Moreover, the short-term uncertainties are very elevated. The pandemic's second wave is pummelling some parts of the country, recently prompting some provinces to reintroduce restrictive measures. This should curb economic growth at the end of 2020 and early in 2021. According to Statistics Canada's interim data, real GDP growth by industry continued to slow in October with a monthly increase of just 0.2% (graph 9).

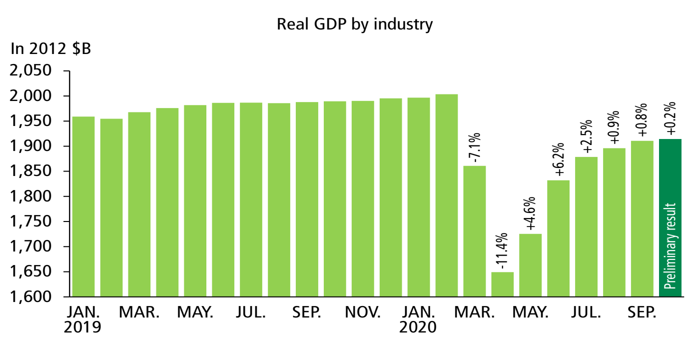
The outlook for November is even more subdued. The first half of the month seems to have been fairly good, as shown by the 62,100 jobs created and 1.2% increase in total hours worked, according to the labour force survey conducted between November 8 and 14. The second half of November should, however, be much more difficult, as several restrictive measures went into force. All the negative impacts should peak in December; a pullback by real GDP by industry seems inevitable for the month. All in all, real GDP growth is expected to be modest for the fourth quarter of 2020. Despite the good news on vaccination, the early months of 2021 will likely remain challenging. Real GDP growth could be less than 1% (quarterly annualized) for the first quarter of 2021. The benefits of vaccination and gradual lifting of the restrictive measures could start to be felt as of the second quarter of 2021, and could intensify in the third quarter. Also, the federal government recently announced a plan to introduce several measures within the next three years to stimulate the Canadian economy once

GRAPH 8
Most sectors in Canada have not fully recovered



Sources: Statistics Canada and Desjardins, Economic Studies

GRAPH 9
Real GDP growth is shrinking in Canada



Sources: Statistics Canada and Desjardins, Economic Studies

TABLE 4
Canada: Major economic indicators

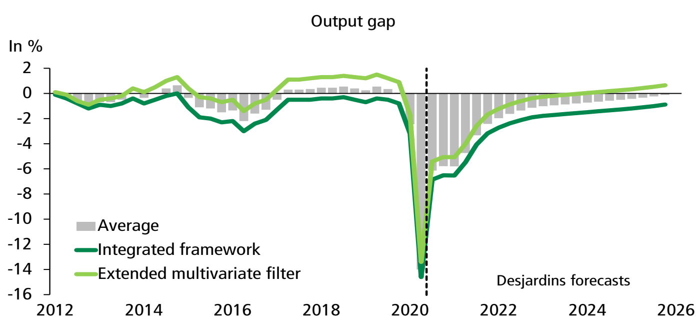
QUARTERLY ANNUALIZED VARIATION IN % (EXCEPT IF INDICATED)	2020		2021				ANNUAL AVERAGE			
	Q3	Q4f	Q1f	Q2f	Q3f	Q4f	2019	2020f	2021f	2022f
Real GDP (2012 $)	**40.5**	**2.2**	**0.8**	**5.8**	**7.2**	**4.7**	**1.9**	**-5.7**	**4.1**	**3.7**
Final consumption expenditure [of which:]	46.0	2.7	1.6	4.4	6.8	4.7	1.7	-4.7	4.7	4.3
Household consumption expenditure	*62.8*	*1.9*	*1.3*	*5.0*	*8.1*	*5.7*	*1.6*	*-6.4*	*5.3*	*5.0*
Governments consumption expenditure	*13.5*	*5.0*	*2.5*	*3.0*	*3.5*	*2.0*	*2.0*	*-0.3*	*3.4*	*2.5*
Gross fixed capital formation [of which:]	69.2	3.7	2.7	3.3	3.8	2.9	0.3	-4.0	5.5	2.8
Residential structures	*187.3*	*2.6*	*3.4*	*3.7*	*3.3*	*2.6*	*-0.2*	*3.4*	*11.8*	*2.5*
Non-residential structures	*-1.2*	*0.0*	*2.0*	*3.0*	*5.0*	*4.0*	*1.1*	*-9.5*	*-2.8*	*3.4*
Machinery and equipment	*91.8*	*7.0*	*2.0*	*3.0*	*5.0*	*3.0*	*1.0*	*-17.7*	*4.6*	*3.2*
Intellectual property products	*30.8*	*10.0*	*3.0*	*4.0*	*4.0*	*3.0*	*-1.9*	*-4.3*	*5.1*	*2.8*
Governments gross fixed capital formation	*23.4*	*5.0*	*3.0*	*3.0*	*2.0*	*2.0*	*0.3*	*1.9*	*4.3*	*2.3*
Investment in inventories (2012 $B)	-36.0	-31.5	-31.2	-26.7	-24.2	-22.2	18.8	-24.5	-26.1	-27.2
Exports	71.8	8.0	5.6	14.4	17.6	8.0	1.3	-9.7	9.6	7.0
Imports	113.7	12.2	8.6	11.1	15.0	7.4	0.4	-11.7	11.5	7.2
Final domestic demand	50.8	2.9	1.9	4.2	6.1	4.3	1.4	-4.6	4.9	4.0
Other indicators										
Nominal GDP	55.2	3.7	2.3	7.5	9.2	6.7	3.6	-5.1	6.5	5.7
Real disposable personal income	-14.8	-15.0	-2.0	2.0	3.5	4.5	2.2	8.2	-1.8	2.9
Employment	39.2	10.3	1.7	3.5	4.5	2.7	2.1	-5.2	4.7	2.3
Unemployment rate (%)	10.0	8.7	8.5	8.1	7.5	7.1	5.7	9.5	7.8	7.1
Housing starts[1] (thousands of units)	239	224	200	196	201	206	209	215	201	196
Corporate profits*[2]	-1.8	-1.0	6.0	35.0	10.0	12.0	0.6	-8.8	14.7	12.1
Personal saving rate (%)	14.6	10.5	9.8	9.1	8.0	7.8	1.4	14.6	8.7	6.7
Total inflation rate*	0.3	0.8	1.2	2.4	1.3	0.8	1.9	0.7	1.4	1.6
Core inflation rate*[3]	0.6	1.1	1.0	1.4	1.4	1.0	2.0	1.1	1.2	1.3
Current account balance ($B)	-8	-8	-9	-10	-11	-12	-47	-36	-42	-13

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

the pandemic is under control. The new initiatives have not been determined yet, but should total $70B to $100B.

According to our projections, real GDP could fully recoup all the ground lost during the pandemic by the end of 2021 or early 2022. However, the pandemic's impacts will be perceptible for a long time. It could take many years to completely absorb the excess production capacity (graph 10), and some sectors of the economy could be affected permanently.

GRAPH 10
It will take some time to absorb excess production capacity in Canada



Sources: Statistics Canada, Bank of Canada and Desjardins, Economic Studies

Quebec

Is the Recovery of the Economy Compromised?

FORECASTS

The Quebec economy's fast recovery should give way to some blips this fall and winter. The second wave's evolution has notched up the short-term economic uncertainties, but the onset of the vaccination period means we can be more optimistic as of mid-2021. Real GDP should increase 4.5% in 2021, then 2.8% in 2022, after the 5.3% contraction projected for 2020.

Some types of establishments in the highest alert zone were shut down this fall, disrupting Quebec's employment market. For the first time since April, total employment dropped by 12,900 jobs in October, mainly due to substantial losses in accommodation and food services (-41,600) and the culture and entertainment industry (-11,400). The retreat continued in November, but gains in other industries allowed total employment to turn around (graph 11). The unemployment rate even fell to 7.2% in November, after climbing to 7.7% in October.

The restrictive measures have been extended until at least January 11, which will continue to impact the employment market. A number of sectors affected by social distancing measures are struggling; this could cause many businesses to close their doors permanently, and delay employment's complete recovery. The unemployment rate should still drop below 6.5% in the second half of 2021, well below last April's high, 17.0%. It is not expected to get back to its pre-pandemic level, 4.5%, over the short or medium term.

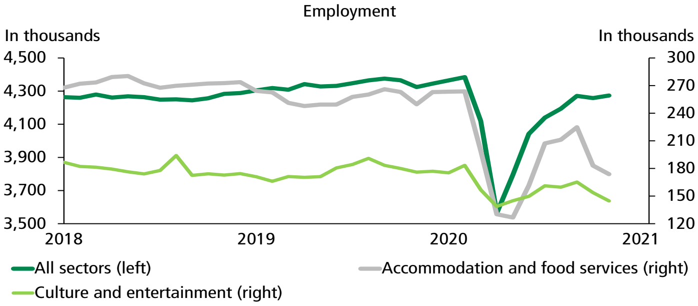
Retail sales have more than recouped the ground lost in the spring of 2020. However, growth could be interrupted as a result of the social distancing measures applied for holiday shopping in early December, and then by the closing of non-essential retailers from December 25 to January 10. Customer traffic had already decreased a lot over the fall because of the second wave. Online sales will continue to surge but not enough to compensate for weak in-store sales.

Consumer spending will therefore be softer in the near term, then rebound once the enough people have gotten the vaccine and restrictions can be lifted. Quebecers' high savings rate since the start of the pandemic—it was at 35.4% in the second quarter—represents some potential for spending to accelerate once the uncertainty has dissipated.

The housing market's boom has given way to somewhat of a lull. Last spring's catch-up period is over, so sales have been tending to crest for the last few months, but average prices are still on the rise (graph 12). Nonetheless, activity is still stronger than it was a year ago. In November, average annual price growth also accelerated to more than 20%. For 2020 as a whole, the increase in average prices will be around 15%, a pace last seen about twenty years ago. A stabilization in sales should limit the pressure on prices, so growth should slow to around 5% in 2021. The small inventory of properties on the market makes it unlikely that prices will drop in the very future.

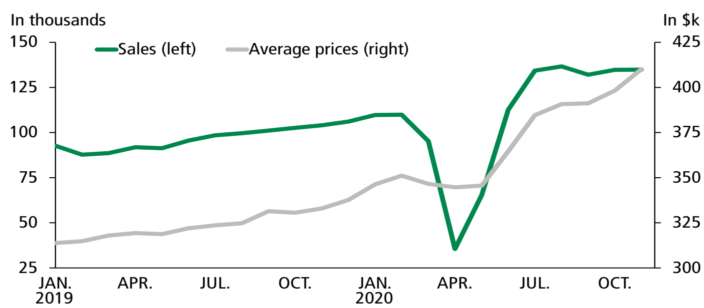
Quebec's international exports continue to rise but have not yet fully recovered (graph 13 on page 11). In October, they were

GRAPH 11
Total employment is holding up well in Quebec despite the relapse in the sectors that are most vulnerable to the pandemic



Sources: Statistics Canada and Desjardins, Economic Studies

GRAPH 12
The housing sales have stabilized at a high level in Quebec after last spring's post-lockdown rebound



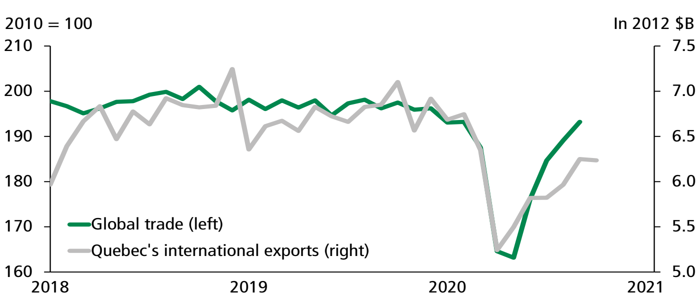
Sources: Canadian Real Estate Association and Desjardins, Economic Studies

TABLE 5
Quebec: Major economic indicators

ANNUAL AVERAGE IN % (EXCEPT IF INDICATED)	2018	2019	2020f	2021f	2022f
Real GDP (2012 $)	**2.9**	**2.7**	**-5.3**	**4.5**	**2.8**
Final consumption expenditure [of which:]	2.4	2.1	-4.7	5.3	3.6
Household consumption expenditure	*2.7*	*2.1*	*-5.8*	*6.0*	*4.4*
Governments consumption expenditure	*1.7*	*2.2*	*-1.8*	*3.8*	*2.0*
Gross fixed capital formation [of which:]	4.0	3.2	-9.3	2.5	1.1
Residential structures	*3.9*	*3.7*	*-7.1*	*2.8*	*-2.4*
Non-residential structures	*3.0*	*6.3*	*-15.0*	*-4.5*	*1.0*
Machinery and equipment	*-0.4*	*7.3*	*-15.0*	*4.8*	*2.5*
Intellectual property products	*3.9*	*-0.6*	*-4.7*	*1.7*	*1.5*
Governments gross fixed capital formation	*8.2*	*-0.9*	*-7.0*	*6.5*	*5.5*
Investment in inventories (2012 $B)	3,957	5,622	2,500	1,000	1,500
Exports	3.8	1.7	-5.7	9.5	6.8
Imports	2.4	1.9	-4.8	7.8	5.8
Final domestic demand	2.7	2.3	-5.6	4.7	3.1
Other indicators					
Nominal GDP	5.4	4.3	-4.3	6.0	4.6
Real disposable personal income	2.0	3.6	8.5	-3.5	2.5
Weekly earnings	3.2	3.5	6.8	2.3	2.5
Employment	0.9	1.8	-4.6	5.1	2.2
Unemployment rate (%)	5.5	5.1	8.9	6.6	5.9
Personal saving rate (%)	5.3	6.8	18.5	10.3	8.3
Retail sales	3.6	0.9	-1.3	9.2	4.1
Housing starts[1] (thousands of units)	46.9	48.0	53.0	47.0	45.0
Total inflation rate	1.7	2.1	0.8	1.5	1.7

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

GRAPH 13
The rise in global trade is rippling into Quebec's international exports



Sources: CPB - Netherlands Bureau for Economic Policy Analysis, Institut de la statistique du Québec and Desjardins, Economic Studies

at 92.4% of February's level. World trade continues to recover, but the province's shipments abroad will struggle to reach their pre-pandemic level because of the prolonged problems in the aviation industry.

Overall, Quebec's economic recovery is well underway. August's real GDP was at 96.1% of its level in February 2020, just before all non-essential activities were shut down last spring. Given the targeted measures that have been in force since October, and temporary closures announced in mid-December, the economy's recovery will probably take a break. Real GDP could stumble for a few months, but the damage will not be as extensive as during the Great Lockdown of spring 2020.

Ontario and Other Provinces

The Second Wave Is Hitting More Provinces

FORECASTS

The pandemic and the various restrictive measures introduced in most provinces are clearly critical to real GDP growth. In general, the Prairie provinces, which are also being pummelled by the problems in the energy sector, are especially impacted by the pandemic. Ontario is, of course, not being spared the pandemic's adverse impacts. However, the auto industry's rapid comeback is encouraging. So far, British Columbia and most of the Atlantic provinces seem less affected by the restrictive measures.

ONTARIO

Although the Ministry of Finance has not yet released the official results, we are fairly sure that Ontario's real GDP rebounded in the third quarter. Among other things, consumer spending shot up, as shown by the 27.0% increase in retail sales from the second to third quarters. In September, they had completely recouped the ground lost during last spring's lockdown. The housing market was also very robust, with housing starts and existing home sales both increasing. After being almost at a halt last spring, the auto industry reopened, making a big contribution to the province's third-quarter economic growth.

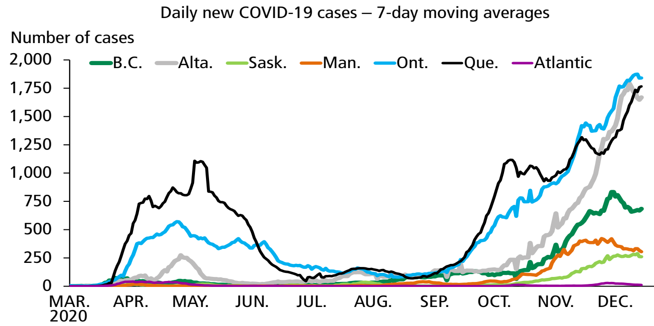
However, what comes next promises to be more challenging. Starting in mid-November, the Ontario government introduced new restrictive measures to combat the spread of the second COVID-19 wave. Among other things, in the Toronto, Peel, York and Windsor-Essex regions, retail businesses can only be open for curbside pick-up or delivery, bars and restaurants are only open for take-out, car orders and delivery, and personal care services are shut down. The new measures should put the brakes on the Ontario economy's momentum at the end of 2020 and in early 2021. However, the start of the vaccination campaign should allow economic conditions to improve gradually in 2021; overall, the year should end with growth of 4.5% after an estimated 6.0% contraction for 2020. Real GDP should continue to rise in 2022 with an increase of 3.7%.

WESTERN PROVINCES

Although the first wave of COVID-19 left them essentially unscathed, the second wave is hitting the Prairie provinces hard (graph 14). To deal with it, the Alberta, Manitoba and Saskatchewan governments recently introduced a set of restrictive measures, which will clearly have negative impacts on economic growth at the end of 2020 and in early 2021.

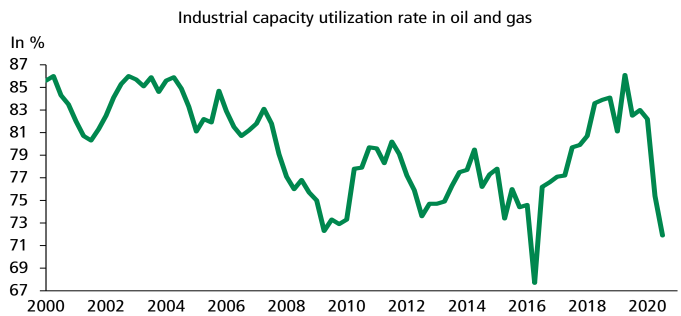
That said, the price of Canadian oil has continued to rise in the last few weeks, returning to its pre-pandemic level. The value of oil exports has also increased sharply in the last few months. However, global oil demand is still being affected by the fallout from COVID-19, particularly in air transportation. This continues to curb growth potential in the Alberta and Saskatchewan oil industry. Moreover, with an oil and gas sector industrial capacity utilization rate of just 71.9% in the third quarter (graph 15), the industry's investment outlook remains quite weak. In general, the Prairie provinces' real GDP will be more negatively affected by the pandemic.

GRAPH 14
The second wave is hitting harder



Sources: Government of Canada and Desjardins, Economic Studies

GRAPH 15
Canada's production capacity utilization rate is especially low in oil and gas



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**	**-6.0**	**4.5**	**3.7**
Final consumption expenditure [of which:]	3.2	1.8	-6.0	4.6	4.4
Household consumption expenditure	*2.9*	*1.9*	*-7.8*	*5.4*	*5.0*
Governments consumption expenditure	*4.0*	*1.4*	*-0.5*	*2.6*	*2.7*
Gross fixed capital formation [of which:]	4.3	-0.7	-0.7	9.4	2.7
Residential structures	*-3.6*	*0.5*	*8.9*	*16.9*	*2.6*
Non-residential structures	*19.8*	*-4.3*	*-7.3*	*2.0*	*3.3*
Machinery and equipment	*6.5*	*-0.6*	*-20.7*	*5.0*	*3.0*
Intellectual property products	*6.2*	*-1.1*	*-2.5*	*4.0*	*2.5*
Governments gross fixed capital formation	*6.1*	*0.8*	*1.1*	*5.0*	*2.5*
Investment in inventories (2012 $B)	7,613	8,728	5,500	3,000	2,000
Exports	1.1	2.1	-10.6	14.8	7.5
Imports	2.3	0.6	-9.1	16.0	7.8
Final domestic demand	3.4	1.2	-4.9	5.6	4.1
Other indicators					
Nominal GDP	4.1	3.8	-5.5	6.0	5.0
Real disposable personal income	2.7	2.6	7.5	-1.5	3.0
Weekly earnings	2.9	2.8	7.1	2.1	2.7
Employment	1.6	2.9	-5.0	4.8	2.4
Unemployment rate (%)	5.6	5.6	9.6	8.2	7.3
Personal saving rate (%)	-1.0	-0.6	12.5	7.5	6.0
Retail sales	4.4	2.9	-4.0	8.2	3.2
Housing starts[1] (thousands of units)	78.7	69.0	81.5	77.6	75.5
Total inflation rate*	2.4	1.9	0.6	1.5	1.7

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

British Columbia also recently announced several measures to combat the spread of COVID-19. At the time of writing, however, they are generally not as restrictive as the measures in most other provinces. Moreover, British Columbia's housing market is in good shape. Not only did homebuilding remain relatively robust at the heart of the spring lockdown, but sales of existing properties recently hit a very high level (graph 16). Under the circumstances, British Columbia's real GDP decline is expected to be lower than the national average.

ATLANTIC PROVINCES

The Atlantic bubble introduced last summer recently burst, with the introduction of new restrictions on travellers for some of the region's provinces. In general, the public health constraints are less restrictive in the Atlantic provinces than in the rest of the country. Moreover, several indicators suggest that economic conditions are generally better in Atlantic Canada. The region should therefore see a smaller real GDP contraction in 2020 than the national average. However, this makes for a smaller rebound in 2021.

TABLE 7
Canada: Major economic indicators by provinces

ANNUAL AVERAGE IN % (EXCEPT IF INDICATED)	2018	2019	2020f	2021f	2022f
Real GDP growth – Canada	**2.4**	**1.9**	**-5.7**	**4.1**	**3.7**
Atlantic	-0.1	2.7	-4.6	3.3	2.6
Quebec	2.9	2.7	-5.3	4.5	2.8
Ontario	2.8	2.1	-6.0	4.5	3.7
Manitoba	1.5	0.6	-3.0	2.5	3.0
Saskatchewan	1.2	-0.7	-6.0	3.5	4.0
Alberta	1.9	0.1	-7.5	4.0	4.5
British Columbia	2.7	2.7	-4.9	3.5	4.0
Total inflation rate – Canada	**2.3**	**1.9**	**0.7**	**1.4**	**1.6**
Atlantic	2.0	1.5	0.2	1.2	1.5
Quebec	1.7	2.1	0.8	1.5	1.7
Ontario	2.4	1.9	0.6	1.5	1.7
Manitoba	2.5	2.2	0.5	1.2	1.4
Saskatchewan	2.3	1.7	0.7	1.3	1.4
Alberta	2.4	1.8	1.1	1.4	1.6
British Columbia	2.7	2.3	0.7	1.7	1.8
Employment growth – Canada	**1.3**	**2.1**	**-5.2**	**4.7**	**2.3**
Atlantic	1.0	1.5	-4.0	3.6	1.6
Quebec	0.9	1.8	-4.6	5.1	2.2
Ontario	1.6	2.9	-5.0	4.8	2.4
Manitoba	0.6	0.9	-3.4	4.0	2.0
Saskatchewan	0.4	1.8	-4.8	4.3	2.5
Alberta	1.9	0.5	-7.2	4.8	3.0
British Columbia	1.1	2.6	-6.2	5.0	2.5
Unemployment rate – Canada	**5.8**	**5.7**	**9.5**	**7.8**	**7.1**
Atlantic	9.1	8.5	10.5	9.5	8.7
Quebec	5.5	5.1	8.9	6.6	5.9
Ontario	5.6	5.6	9.6	8.2	7.3
Manitoba	6.0	5.3	7.9	7.2	6.8
Saskatchewan	6.1	5.4	8.2	7.0	6.4
Alberta	6.6	6.9	11.4	10.1	8.6
British Columbia	4.7	4.7	8.9	6.8	6.1
Retail sales growth – Canada	**2.9**	**1.6**	**-2.0**	**8.2**	**3.3**
Atlantic	0.3	1.9	0.0	6.2	2.0
Quebec	3.6	0.9	-1.3	9.2	4.1
Ontario	4.4	2.9	-4.0	8.2	3.2
Manitoba	2.9	1.2	2.2	5.0	2.0
Saskatchewan	-0.3	-0.5	-0.9	7.5	3.0
Alberta	2.0	-0.9	-3.6	9.0	3.7
British Columbia	2.0	0.6	1.6	8.0	3.5
Housing starts – Canada (thousands of units)	**212.8**	**208.7**	**215.4**	**200.9**	**195.5**
Atlantic	9.3	10.1	10.3	8.8	8.5
Quebec	46.9	48.0	53.0	47.0	45.0
Ontario	78.7	69.0	81.5	77.6	75.5
Manitoba	7.4	6.9	7.3	6.7	6.5
Saskatchewan	3.6	2.4	3.1	2.8	2.8
Alberta	26.1	27.3	23.2	23.5	23.3
British Columbia	40.9	44.9	37.0	34.5	34.0

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

A Return to the Pre-pandemic Trend Is Unlikely

The pace of economic growth should moderate in many countries after 2021 and 2022. For various reasons, real GDP growth potential should be weaker compared with the pre-pandemic period. Key interest rates are expected to come up very slowly. This will help to deal with the heavy debt load that governments have accumulated.

Several Curbs on Economic Growth

Analyzed over a long period, economic growth is consistent with the increase in production capacity. However, because of the pandemic, business investment has declined a lot, suggesting that production capacity will not increase much in the coming years. Investment is expected to rebound, but this will probably not make up for the underinvestment seen during the pandemic. We must also take into account that many businesses could close or be penalized by shakier financial health for several years, forcing them to put some investments on ice.

Labour is an important part of an economy's production capacity. The more workers there are, and the more skills they have, the more production potential increases. But, because of the pandemic, many countries, including Canada, reduced immigration, thus restricting their labour pool. It is not clear that it will be possible to fully catch up in the coming years. Moreover, it could take some of the people who lost their jobs some time to get back into the job market. Some may be discouraged about finding another job, while others may have lost some skills or need training. Moreover, with respect to education, the public health restrictions imposed at educational establishments during the pandemic could trigger a decline, hopefully only a small one, in the calibre of future workers.

And then there's the huge debt the pandemic will leave governments with. This could substantially reduce their capacity to invest in the economy. Governments could also look for new revenue sources over the medium term, or cut their expenditures.

Heading for a Very Slow Rise by Interest Rates

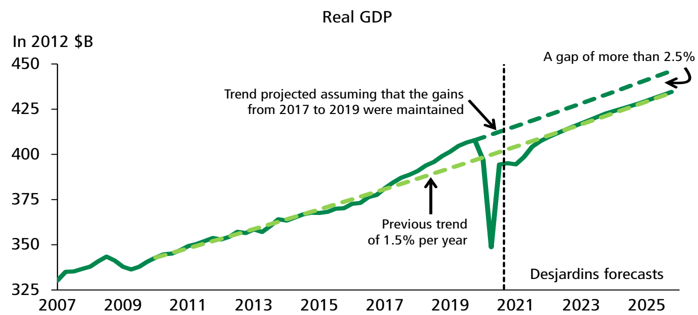
Interest rates are very low, for now, which is helping governments get financing. Their debt load may be higher, but their interest charges do not necessarily go up. Interest rates will go up by 2025, but will probably rise very slowly due to the economy's structural weaknesses. This will give governments some wiggle room in dealing with their financial obligations.

However, low interest rates encourage households to take on more debt, which could become problematic. The value of many assets is also stimulated by aggressive central bank interventions. This could eventually lead to corrections. We must also hope that inflation remains under control, or the central banks will have to firm up their monetary policies more quickly.

A Contrast with the Last Few Years for Quebec

Before the pandemic, Quebec had seen its economic growth rebound to around 3% a year between 2017 and 2019. Before that, annual real GDP growth was in the area of 1.5%. It is not expected to return to the trend that prevailed from 2017 to 2019, but rather to the previous trend. Over the medium term, this could mean a real GDP growth shortfall of over 2.5% associated with the pandemic and its structural impact on the economy (graph 16).

GRAPH 16
For Quebec, this could be equivalent to wiping out the gains for 2017 to 2019



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

The United States and the rest of Canada had not seen gains as strong as Quebec's before the pandemic. In the coming years, the shortfalls could therefore seem smaller. Nonetheless, their economic growth will also drop from the average for previous years.

TABLE 8

Medium-term major economic and financial indicators

IN % (EXCEPT IF INDICATED)	ANNUAL AVERAGE 2019	2020f	2021f	2022f	2023f	2024f	2025f	AVERAGES 2015–2019	2020–2025f
United States									
Real GDP (var. in %)	2.2	-3.4	4.3	3.2	2.4	2.1	1.9	2.5	1.8
Total inflation rate (var. in %)	1.8	1.2	1.9	2.4	2.1	2.0	2.0	1.6	1.9
Unemployment rate	3.7	8.1	6.4	5.5	4.8	4.4	4.1	4.4	5.5
S&P 500 index (var. in %)[1]	28.9	13.7	7.5	6.3	7.0	6.0	6.0	10.2	7.8
Federal funds rate	2.28	0.55	0.25	0.25	0.45	1.10	1.70	1.21	0.72
Prime rate	5.28	3.55	3.25	3.25	3.45	4.10	4.70	4.21	3.72
Treasury bills – 3-month	2.10	0.35	0.10	0.15	0.50	1.05	1.65	1.08	0.63
Federal bonds – 10-year	2.14	0.90	1.10	1.40	1.75	2.05	2.25	2.27	1.58
– 30-year	2.58	1.55	1.85	2.10	2.35	2.45	2.60	2.81	2.15
WTI oil (US$/barrel)	57	39	48	58	60	60	58	53	54
Gold (US$/ounce)	1,393	1,770	1,830	1,730	1,630	1,600	1,600	1,266	1,693
Canada									
Real GDP (var. in %)	1.9	-5.7	4.1	3.7	2.0	1.8	2.0	1.8	1.3
Total inflation rate (var. in %)	1.9	0.7	1.4	1.6	2.0	1.9	2.1	1.7	1.6
Employment (var. in %)	2.1	-5.2	4.7	2.3	1.6	1.3	1.4	1.4	1.0
Employment (thousands)	398	-991	857	430	311	258	276	251	190
Unemployment rate	5.7	9.5	7.8	7.1	6.5	6.2	6.0	6.3	7.2
Housing starts (thousands of units)	209	215	201	196	210	215	220	207	209
S&P/TSX index (var. in %)[1]	19.1	2.6	8.6	7.9	7.0	6.0	6.0	4.0	6.3
Exchange rate (US$/C$)	0.75	0.75	0.79	0.81	0.79	0.80	0.81	0.77	0.79
Overnight funds	1.75	0.55	0.25	0.25	0.30	0.80	1.35	1.00	0.58
Prime rate	3.95	2.75	2.45	2.45	2.50	3.00	3.55	3.19	2.78
Mortgage rate – 1-year	3.64	3.25	2.70	2.70	2.70	3.00	3.25	3.28	2.93
– 5-year	5.27	4.95	4.65	4.65	4.70	4.85	5.00	4.93	4.80
Treasury bills – 3-month	1.65	0.45	0.25	0.25	0.35	0.80	1.35	0.95	0.58
Federal bonds – 2-year	1.59	0.50	0.35	0.55	0.80	1.10	1.20	1.16	0.75
– 5-year	1.54	0.60	0.60	0.85	1.05	1.35	1.45	1.33	0.98
– 10-year	1.59	0.75	0.95	1.25	1.50	1.70	1.75	1.68	1.32
– 30-year	1.80	1.20	1.45	1.70	1.95	2.05	2.05	2.11	1.73
Yield spreads (Canada—United States)									
Treasury bills – 3-month	-0.45	0.10	0.15	0.10	-0.15	-0.25	-0.30	-0.13	-0.06
Federal bonds – 10-year	-0.55	-0.15	-0.15	-0.15	-0.25	-0.35	-0.50	-0.59	-0.26
– 30-year	-0.78	-0.35	-0.40	-0.40	-0.40	-0.40	-0.55	-0.69	-0.42
Quebec									
Real GDP (var. in %)	2.7	-5.3	4.5	2.8	1.8	1.5	1.4	2.2	1.1
Total inflation rate (var. in %)	2.1	0.8	1.5	1.7	1.9	1.9	1.9	1.3	1.6
Employment (var. in %)	1.8	-4.6	5.1	2.2	1.3	1.1	0.9	1.3	1.0
Employment (thousands)	78	-200	215	100	60	50	40	56	44
Unemployment rate	5.1	8.9	6.6	5.9	5.5	5.3	5.0	6.3	6.2
Retail sales (var. in %)	0.9	-1.3	9.2	4.1	4.0	3.5	3.7	3.7	3.9
Housing starts (thousands of units)	48	53	47	45	41	41	42	44	45
Ontario									
Real GDP (var. in %)	2.1	-6.0	4.5	3.7	2.2	2.0	2.1	2.4	1.4
Total inflation rate (var. in %)	1.9	0.6	1.5	1.7	2.1	2.0	2.2	1.8	1.7
Employment (var. in %)	2.9	-5.0	4.8	2.4	1.7	1.5	1.5	1.6	1.2
Employment (thousands)	210	-370	341	182	129	116	118	115	86
Unemployment rate	5.6	9.6	8.2	7.3	6.3	6.0	5.8	6.1	7.2
Retail sales (var. in %)	2.9	-4.0	8.2	3.2	4.0	3.0	3.5	5.4	3.0
Housing starts (thousands of units)	69	81	78	76	79	80	85	74	80

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