ECONOMIC & FINANCIAL OUTLOOK

FOCUS ECONOMICS
ANALYST FORECAST AWARDS
2017
#1 BEST OVERALL FORECASTER - CANADA

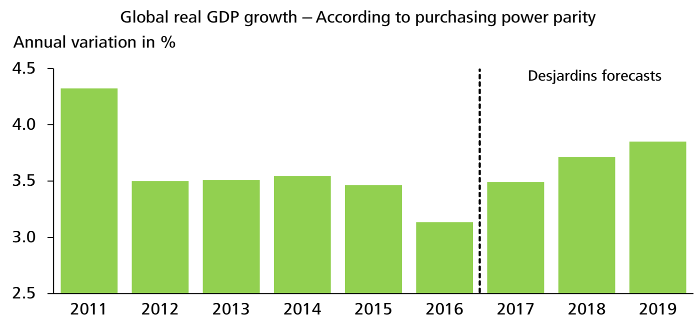
Prospects Are Very Good for 2018

Normalization of Monetary Policies Will Continue

HIGHLIGHTS

- The economic situation has been on the upswing almost everywhere in the past year, and all major countries are contributing to global real GDP growth. It should rise from 3.5% in 2017 to 3.7% in 2018.
- The U.S. economy is continuing to perform very well. The growth of real GDP surpassed 3% again this summer, in spite of the hurricanes. Even without factoring in the possible effects of lower taxes, annual real GDP growth should reach 2.5% in 2018 after a 2.3% gain in 2017. Federal Reserve leaders are still indicating that a total key rate hike of 0.75% should be appropriate next year.
- After an exceptional start to the year in the first two quarters of 2017, the Canadian economy settled down to a more sustainable pace in Q3. Real GDP growth should remain around 2% during the coming quarters. After an estimated gain of 3.0% in 2017, the year 2018 could end with a 2.3% increase in real GDP. The Bank of Canada kept its monetary policy unchanged in December, but monetary tightening could be announced in the coming months.
- Quebec's economy is growing nicely. Real GDP should be close to 2.5% in 2017, the best result in almost 15 years. That surge is due to the very favourable situation for households. The economy's pace should slow to 2.2% in 2018.
- Disparities could lessen as provincial economies grow in 2018. Ontario and British Columbia could be particularly hard hit by the expected slowdown in the housing market.
- 2017 will turn out to have been very favourable for investors, with stock markets recording significant gains without unduly affecting the bond market. Economic outlooks are still encouraging for the stock markets, but a clearer upswing in interest rates could limit the returns from main asset categories in 2018. The Canadian dollar might benefit slightly from the increase in commodity prices.

GRAPH 1
Global economic growth is expected to continue accelerating next year



Sources: World Bank, Consensus Forecasts and Desjardins, Economic Studies

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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 IN OUR SCENARIOS

Geopolitical risks continue to drag on the global economy. A potential conflict with North Korean would come with very high human and economic costs. Financial imbalances persist in numerous countries, including European nations and China. Tough Brexit negotiations between the United Kingdom and the European Union and the potential for trade wars could also disrupt the global economy. In the United States, the Trump administration's policies could make the economic situation diverge from our scenarios, either positively (tax cuts and higher infrastructure spending) or negatively (protectionism and immigration reform). Political uncertainty fed by doubts concerning the administration's integrity may also affect the markets. Uncertain monetary policy movement, especially in the United States, could have a big influence on the financial markets in the coming quarters. In this context, stronger or weaker inflation than expected would have major consequences, especially for the bond market. Given the resignation of the Federal Reserve's Vice-Chair, not renewing Janet Yellen's mandate could have an even bigger impact on the markets, especially if her successor takes a very different stance. For the stock markets, a true confrontation with North Korea would be very negative. In Canada, the gradual rise by interest rates is intensifying concerns over high household debt. This could trigger a sharper housing market correction than forecast, and a net slowdown by spending on durable goods. The North American Free Trade Agreement (NAFTA) negotiations and the conflict over softwood lumber are still underway, and the uncertain outcome of the talks is creating a lot of uncertainty about future international trade growth and business investment.

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

	WEIGHT*	REAL GDP GROWTH			INFLATION RATE[1]		
IN %		2017f	2018f	2019f	2017f	2018f	2019f
Advanced economies	**39.0**	**2.3**	**2.2**	**2.0**	**1.7**	**1.6**	**1.8**
United States	15.5	2.3	2.5	2.3	2.1	1.9	2.1
Canada	1.3	3.0	2.3	2.1	1.6	1.9	2.0
Quebec	*0.3*	*2.5*	*2.2*	*1.7*	*1.0*	*1.3*	*1.8*
Ontario	*0.5*	*3.0*	*2.3*	*1.8*	*1.7*	*2.0*	*2.1*
Japan	4.4	1.8	1.4	1.2	0.4	0.7	1.1
United Kingdom	2.3	1.5	1.4	1.3	2.7	2.6	2.3
Euro zone	11.9	2.4	2.2	1.8	1.5	1.3	1.5
Germany	*3.4*	*2.6*	*2.4*	*2.0*	*1.7*	*1.6*	*1.8*
France	*2.3*	*1.9*	*2.0*	*2.0*	*1.0*	*1.2*	*1.4*
Italy	*1.9*	*1.6*	*1.4*	*1.3*	*1.3*	*1.1*	*1.4*
Other countries	4.0	1.4	1.6	1.6	1.0	1.0	1.2
Australia	0.9	2.3	2.8	3.0	2.0	2.2	2.4
Emerging and developing economies	**61.0**	**4.3**	**4.7**	**5.0**	**6.7**	**4.8**	**4.3**
North Asia	26.3	6.6	6.7	6.7	2.2	2.9	3.1
China	*17.8*	*6.7*	*6.5*	*6.4*	*1.6*	*2.1*	*2.2*
India	*7.2*	*6.8*	*7.5*	*7.8*	*3.4*	*4.7*	*5.0*
South Asia	5.3	5.0	5.0	5.1	2.8	2.8	3.1
Latin America	6.5	1.0	2.2	3.0	4.0	3.7	3.8
Mexico	*1.9*	*2.2*	*2.3*	*2.8*	*6.2*	*3.8*	*3.6*
Brazil	*2.6*	*0.8*	*2.4*	*3.1*	*3.1*	*4.0*	*4.2*
Eastern Europe	7.2	3.3	2.8	3.1	5.2	4.7	4.5
Russia	*2.8*	*1.7*	*1.8*	*2.0*	*3.6*	*4.1*	*3.9*
Other countries	15.8	2.1	3.0	3.4	19.1	11.8	8.0
South Africa	*0.6*	*0.9*	*1.6*	*1.9*	*5.3*	*5.0*	*4.7*
World	**100.0**	**3.5**	**3.7**	**3.9**	**4.2**	**3.3**	**3.1**

f: forecasts; PPP : Purchasing Power Parities, exchange rate that equates the costs of a broad basket of goods and services across countries; * 2016;
[1] The inflation forecasts were revised to no longer account for Venezuela. Major international organizations are now doing the same.
Sources: World Bank, Consensus Forecasts and Desjardins, Economic Studies

FINANCIAL FORECASTS

The financial markets stayed in a positive mood in the last few weeks, as tax reform seems to be close to approval in Washington. 2017 will turn out to have been very favourable for investors, with stock markets, especially those abroad, recording significant gains without unduly affecting the bond market. Economic outlooks are still encouraging for stock markets, but a clearer upswing in interest rates could limit the returns from the main asset classes in 2018. As excess production capacity will continue to shrink in developed countries and the temporary factors limiting inflation should fade away, central banks will continue to gradually normalize their monetary policies. In the United States, the Federal Reserve hiked its key rates again in December, and its leaders are still signaling that a total increase of 0.75% will likely be appropriate next year. The Bank of Canada kept its monetary policy unchanged in December, but a tightening could be announced in the coming months as everything indicates that this summer's two hikes have not unduly dampened household confidence and spending. We are thus expecting similar increases in U.S. and Canadian key rates in 2018. The Canadian dollar might benefit slightly from the increase in commodity prices, but the outcome of negotiations on the North American Free Trade Agreement (NAFTA) could spark a strong reaction on Canadian financial markets.

TABLE 2
Summary of the financial forecasts

	2017		2018				2019			
END OF PERIOD IN % (EXCEPT IF INDICATED)	Q3	Q4f	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
Key interest rate										
United States	1.25	1.50	1.75	1.75	2.00	2.25	2.25	2.50	2.75	2.75
Canada	1.00	1.00	1.25	1.25	1.50	1.75	1.75	2.00	2.25	2.25
Euro zone	0.00	0.00	0.00	0.00	0.00	0.00	0.05	0.25	0.25	0.50
United Kingdom	0.25	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Federal bonds										
United States										
2-year	1.49	1.85	2.05	2.10	2.30	2.50	2.55	2.75	2.95	3.00
5-year	1.92	2.15	2.35	2.40	2.65	2.85	2.90	3.05	3.10	3.20
10-year	2.33	2.40	2.60	2.75	2.95	3.10	3.15	3.25	3.30	3.40
30-year	2.86	2.75	3.00	3.15	3.35	3.50	3.55	3.60	3.65	3.70
Canada										
2-year	1.52	1.60	1.80	1.85	2.05	2.25	2.30	2.50	2.65	2.65
5-year	1.75	1.75	2.00	2.05	2.30	2.50	2.55	2.70	2.75	2.80
10-year	2.10	1.90	2.15	2.30	2.50	2.70	2.75	2.85	2.90	2.95
30-year	2.47	2.15	2.45	2.60	2.80	3.00	3.05	3.10	3.15	3.15
Currency market										
Canadian dollar (USD/CAD)	1.25	1.28	1.28	1.28	1.27	1.26	1.25	1.25	1.23	1.22
Canadian dollar (CAD/USD)	0.80	0.78	0.78	0.78	0.79	0.80	0.80	0.80	0.81	0.82
Euro (EUR/USD)	1.18	1.18	1.17	1.18	1.19	1.20	1.22	1.24	1.25	1.26
British pound (GBP/USD)	1.34	1.34	1.33	1.34	1.33	1.31	1.30	1.31	1.32	1.33
Yen (USD/JPY)	112	114	116	116	117	118	119	120	120	120
Stock markets (level and growth)*										
United States – S&P 500	2,675		Target: 2,800 (+4.7%)				Target: 2,975 (+6.3%)			
Canada – S&P/TSX	16,100		Target: 17,200 (+6.8%)				Target: 18,500 (+7.6%)			
Commodities (annual average)										
WTI oil (US$/barrel)	51 (57*)		57 (60*)				62 (65*)			
Gold (US$/ounce)	1,255 (1,250*)		1,150 (1,100*)				1,050 (1,000*)			

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

Overseas

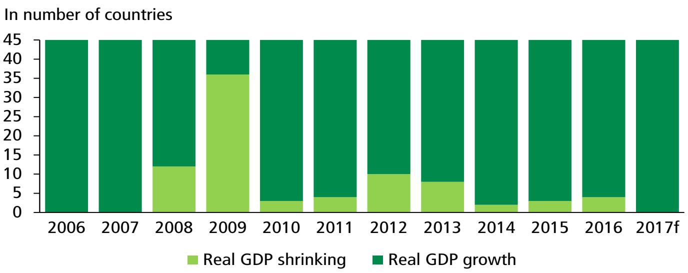
Things Are Looking Up Everywhere

FORECASTS

The economic situation has been on the upswing almost everywhere in the past year, and more and more countries are contributing to global real GDP growth. The euro zone economy even seems to be on a fast track: the 2.4% growth forecast for 2017 will be the best since 2007. It should gain 2.2% in 2018. Growth is slower in the United Kingdom, due to the palpable uncertainty about Brexit. The most recent figures from Japan show progress, and its real GDP forecasts have been revised upward. Among the emerging countries, growth is reviving in Russia and Brazil, while the Chinese and Indian economies remain strong. Global real GDP should go to 3.5% in 2017 and 3.7% in 2018. Another spurt to 3.9% is expected in 2019.

For the first time since 2007, all 45 countries surveyed by the Organisation for Economic Cooperation and Development (OECD) should post increased real GDP in 2017 (graph 2). In 2015 and 2016, Greece and some emerging countries were still shrinking; this shows how widespread recent economic improvements have been, which can also be seen from the acceleration in global trade (graph 3).

GRAPH 2
For the first time in ten years, no country's real GDP shrank in 2017



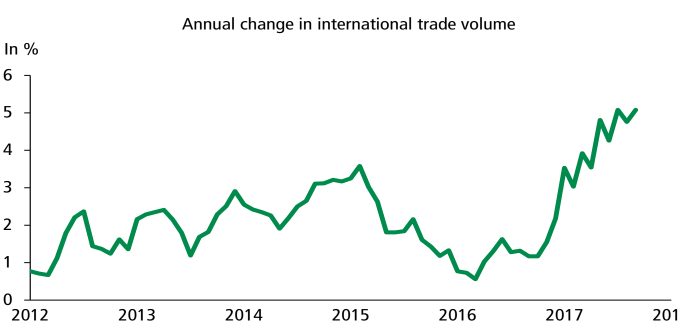
f: Organisation for Economic Co-operation and Development (OECD) forecasts
Sources: OECD and Desjardins, Economic Studies

EURO ZONE

Improvement in the euro zone economy is notable. Annualized real GDP growth reached 2.5% in Q3, a continuation of the healthy growth we have seen for a year. The recent performances of the main household and business confidence indexes hold out hope for the immediate future. Euroland household consumption could continue to accelerate (graph 4). In Germany, a good showing from the IFO business indexes points to further significant increases in real GDP.

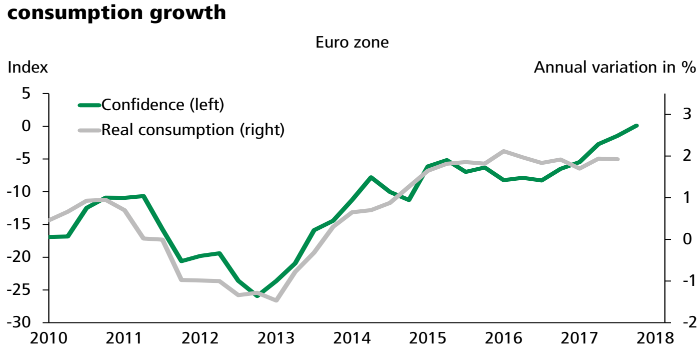
After climbing 1.8% in 2016, the Euroland real GDP should advance by 2.4% in 2017. After that, growth could reach 2.2% in 2018 and 1.8% in 2019. Inflation is still quite weak in the euro zone, meaning the European Central Bank will not have to pull too far back from the extraordinary monetary policy measures of recent years. However, production capacity surpluses are shrinking and the gap between real and potential GDP could move into positive territory in 2018, which should ultimately put more pressure on prices.

GRAPH 3
International trade is speeding up



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

GRAPH 4
Increased Euroland household confidence suggests stronger real consumption growth



Sources: Eurostat, European Commission and Desjardins, Economic Studies

UNITED KINGDOM

An annualized real GDP gain of 1.6% brought better growth to the U.K. economy last summer, compared to 1.0% and 1.2% in the winter and spring (graph 5). That performance is still relatively weak compared to what we have been used to from the United Kingdom in previous years and the spikes in continental Europe and elsewhere.

Naturally, the Brexit uncertainty is a factor in the U.K.'s economic problems. Household confidence is still very low, despite a healthy labour market. Inflation is very high, reaching 3.1% in November (graph 6). In the circumstances, the Bank of England (BoE) is walking on eggshells, and pushed its rates up 25 points in November. Economic conditions and the BoE's next decisions could depend on how Brexit negotiations go with the European Union. A first step was taken recently, with a rather unclear agreement on certain terms of the "divorce." However, the next round of negotiations, which should focus more on future trade ties, may well be more complicated. After a predicted 1.5% growth for the whole of 2017, gains of 1.4% in 2018 and 1.3% in 2019 are expected.

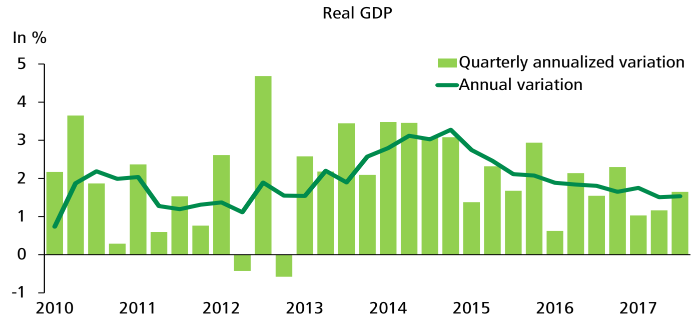
JAPAN

Recent revisions to the Japanese national accounts show better growth than was previously published (graph 7). The average growth of Japanese real GDP was 2.7% in the past two quarters, compared to 1.9% before the revisions. That is also a net acceleration compared to the figures for the two previous quarters, which averaged 1.4%. While consumption contributed heavily to the growth of real GDP in the spring, net exports boosted it in the summer. We have raised our predictions for the Japanese economy in light of those results.

EMERGING ECONOMIES

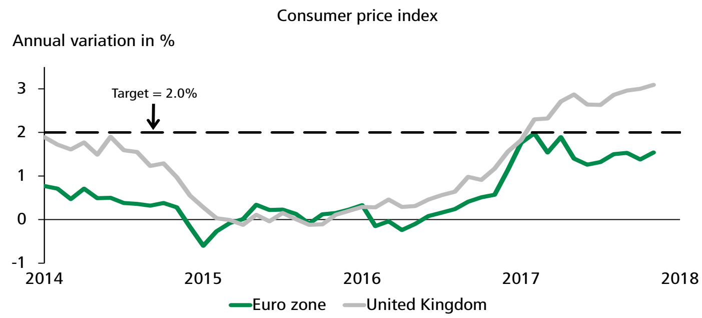
Growth is still stable and strong in China. The 6.8% annual change in real GDP is above the government's official target of 6.5%. Growth should be close to that target again during the next two years. In India, the economy did not suffer unduly from the introduction of a new sales tax. Real GDP has slowed down recently but outlooks remain good, especially for investment. Brazil and Russia, which experienced recessions in 2016, have now recovered with the help of commodity price upticks. Growth should continue in both countries in 2018 and 2019.

GRAPH 5
U.K. economic growth accelerated slightly in the summer, but is still slow



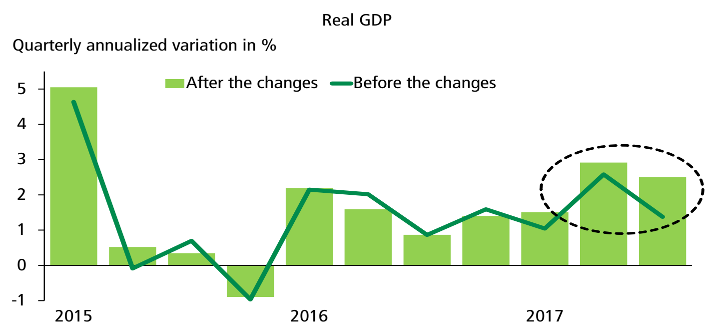
Sources: Office for National Statistics and Desjardins, Economic Studies

GRAPH 6
Inflation is very high in the United Kingdom



Sources: Office for National Statistics, Eurostat and Desjardins, Economic Studies

GRAPH 7
Japanese real GDP growth was revised upward



Sources: Cabinet Office and Desjardins, Economic Studies

United States

Growth Will Be a Bit Stronger in 2018

FORECASTS

The U.S. economy is continuing to perform very well. Real GDP growth surpassed 3% again this summer, in spite of the hurricanes. Job creation remains strong, and the household and business confidence indexes are still high. The new year should get off to a very good start. Even without factoring in the possible effects of lower taxes, annual real GDP growth should reach 2.5% in 2018 after a 2.3% gain in 2017. We also expect a 2.3% increase in 2019.

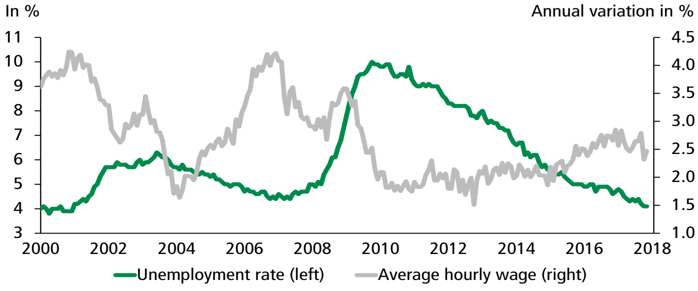
After healthy real GDP growth of 3.1% in the spring, the U.S. economy managed to do even better with a 3.3% gain in the summer, according to the preliminary estimate of national accounts. That gain was boosted by a rebound in business inventories and an improvement in net exports. It also came at a time when negative effects were to be feared from the devastating hurricanes in the southern United States. The hurricanes' impact was mitigated by a rapid and pronounced rebound of activity in the affected sectors.

The job market was also able to recover from hurricane-related problems. The jobless rate dropped to 4.1% in October and November, the lowest it has been since December 2000. Annual wage growth remained at a modest 2.5% in November, slower than the year before (with its recent 2.9% peak in December 2016) (graph 8). Consumer price growth is also weak, but continued improvement of the economic outlook should put more pressure on prices sooner or later.

In the short term, confidence is still very high in the United States. The main indicators of household mood are at levels we have not seen regularly since the boom at the end of the 1990s, although real consumption does not seem to have caught up. Small business confidence was up in November, hitting an all-time high. There too, the link between economic activity and this index is not as strong as it used to be (graph 9). The ISM manufacturing and non-manufacturing indexes were also up, reaching over 60 in September—a first since 2004 (although they have declined a bit since then) (graph 10 on page 7). These confidence levels suggest that U.S. domestic demand should progress nicely at the end of 2017 and through 2018. However, recently released figures for October indicate a slump in net exports that could negatively affect the real GDP in Q4 2017. And, as has often happened in previous years, it is hard to be very positive for the first quarter of 2018.

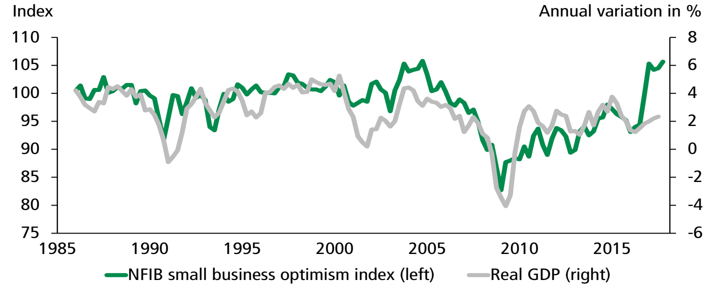
Growth outlooks for 2018 and 2019 depend partly on what could happen to the Republicans' proposed tax cuts. At the time of writing, a Congressional committee is trying to reconcile the different versions passed by Congress and the Senate. A compromise should emerge, which will have to be adopted by both chambers, including the Senate where there is not much room to manoeuvre. The uncertainty surrounding the plan right now, especially about the timetable for corporate tax cuts, prevents us from making any concrete pronouncements about the economic effect of those measures and including them in our base scenario. Most serious analyses indicate that positive consequences will be modest at best. The fact that household tax cuts will apply primarily to the richest people should encourage saving rather than consumption. In addition, the link between

GRAPH 8
Wages are not going up very fast, despite the plummeting unemployment rate



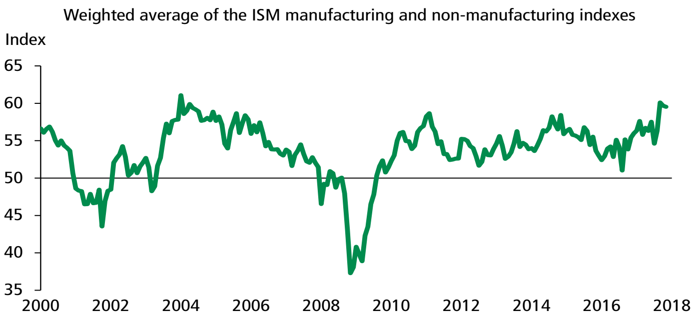
Sources: Bureau of Labor Statistics and Desjardins, Economic Studies

GRAPH 9
The growth of U.S. real GDP is not keeping up with confidence ratings



Sources: National Federation of Independent Business, Bureau of Economic Analysis and Desjardins, Economic Studies

GRAPH 10
The ISM indexes recently reached a cyclical high



Sources: Institute for Supply Management and Desjardins, Economic Studies

after-tax corporate profits and investment is becoming less and less direct. We also need to take into account the effects it will have on the federal government's debt and deficits, net foreign investment and monetary policy. That said, if the promised tax cuts really happen, they could lead to superior real GDP growth of 0.2% for a year or two, followed by a neutral effect.

At the time of writing, Congress and the White House had still not reached an understanding as to the funding of the 2018 federal budget and the raising of the legal debt ceiling. The government can keep functioning until December 22nd, but there could be a shutdown after that. The suspension of the debt ceiling ended on December 8, and the Treasury can probably keep things going until March or April. These elements, reminders of the Obama era budget policy crises, could affect confidence and the situation in the new year.

TABLE 3
United States: Major economic indicators

QUARTERLY ANNUALIZED VARIATION IN % (EXCEPT IF INDICATED)	2017		2018				ANNUAL AVERAGE			
	Q3	Q4f	Q1f	Q2f	Q3f	Q4f	2016	2017f	2018f	2019f
Real GDP (2009 US$)	**3.3**	**2.7**	**1.7**	**2.8**	**2.7**	**2.4**	**1.5**	**2.3**	**2.5**	**2.3**
Personal consumption expenditures	2.3	2.7	1.3	2.8	2.8	2.1	2.7	2.7	2.3	2.3
Residential construction	-5.1	9.6	11.5	4.2	3.1	4.2	5.5	1.5	4.8	3.6
Business fixed investment	4.7	7.5	4.4	5.8	5.8	5.4	-0.6	4.7	5.7	4.6
Inventory change (US$B)	39.0	30.0	30.0	30.0	30.0	30.0	33.4	18.9	30.0	30.0
Public expenditures	0.4	2.0	-0.3	0.7	0.7	1.2	0.8	0.0	0.6	1.0
Exports	2.2	1.0	2.5	2.0	1.5	2.0	-0.3	3.0	2.0	1.9
Imports	-1.1	5.0	3.0	2.0	2.5	2.5	1.3	3.4	2.5	2.5
Final domestic demand	2.0	3.5	1.8	2.8	2.8	2.4	2.1	2.4	2.6	2.4
Other indicators										
Nominal GDP	5.5	5.2	4.2	5.1	4.4	4.6	2.8	4.1	4.8	4.5
Real disposable personal income	0.5	2.3	2.4	2.7	2.3	1.5	1.4	1.3	2.1	2.3
Employment according to establishments	1.3	1.5	1.5	1.4	1.3	1.3	1.8	1.5	1.4	1.4
Unemployment rate (%)	4.3	4.1	4.0	4.0	3.9	3.8	4.9	4.4	3.9	3.7
Housing starts[1] (thousands of units)	1,164	1,280	1,290	1,280	1,315	1,330	1,177	1,212	1,304	1,369
Corporate profits*[2]	5.4	4.0	7.5	7.5	4.5	4.5	-2.1	4.8	6.0	3.2
Personal saving rate (%)	3.3	3.2	3.5	3.5	3.4	3.3	4.9	3.5	3.4	3.6
Total inflation rate*	2.0	2.1	1.8	2.1	2.0	1.9	1.3	2.1	1.9	2.1
Core inflation rate*[3]	1.7	1.7	1.8	2.2	2.1	2.2	2.2	1.8	2.1	2.3
Current account balance (US$B)	-477	-497	-502	-504	-511	-516	-452	-480	-508	-528

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

Canada

The Canadian Economy Reaches a More Sustainable Pace

FORECASTS

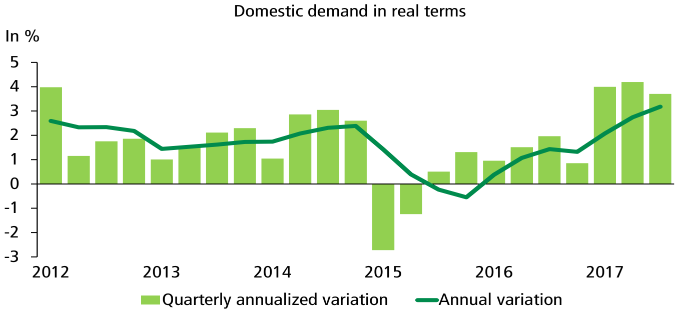
Despite some difficulties, Canadian real GDP growth should stay around 2% in the coming quarters due to robust domestic demand and an upturn in international trade. After an estimated gain of 3.0% in 2017, the year 2018 could end with a 2.3% increase in real GDP. Further growth of 2.1% is expected for 2019.

After an exceptional beginning of the year, with an annualized cumulative real GDP gain of 4.0% during the first two quarters of 2017, the Canadian economy returned to a more sustainable pace in Q3 with growth falling to 1.7%. While weaker, that growth is still higher than the Canadian economy's growth potential, which the Bank of Canada evaluates at about 1.3% for 2017.

With a spike of 3.7% in Q3, domestic demand continues to drive the country's growth (graph 11). Consumer spending remained strong, while the drop in residential investment was offset by an increase in non-residential investment by business. Investment by public administrations also climbed significantly, ending two consecutive quarters of downturns. International trade results were much more disappointing, however. Exports of goods and services plummeted 10.2% in Q3, causing significant deterioration in the trade balance. That is due to several temporary factors, such as prolonged closings in the auto industry during the summer.

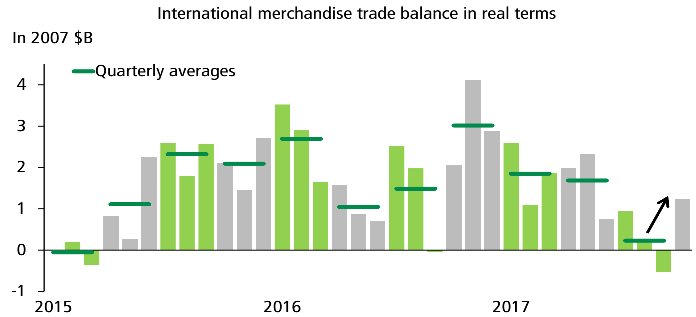
The overall prospects for the Canadian economy in the coming quarters are quite favourable. Despite the difficulties of recent months, Canadian exports are looking up. Foreign demand is on the rise, especially for commodities. The most recent results for international trade indicate that the trade balance could bounce back starting in Q4 2017 (graph 12).

GRAPH 11
Canadian domestic demand growth sped up in 2017



Sources: Statistics Canada and Desjardins, Economic Studies

GRAPH 12
Canada: Heading for a trade balance rebound in Q4?



Sources: Statistics Canada and Desjardins, Economic Studies

Consumer spending should get a boost from some very positive factors. The labour market is in excellent health, with the unemployment rate down to 5.9% in November, only one-tenth of a percentage point over its all-time low (graph 13 on page 9). This spurred the growth of wages, which sped up in recent months. Consumer confidence is thus quite high from a historical perspective. Business confidence is also fairly strong, which means non-residential investment should continue rising slowly, particularly among non-energy industries. That said, the shaky state of free trade between Canada and the United States could affect the future of non-residential investment.

Another unknown for the coming quarters will be the housing market. We can expect residential investment to slow down next year after the new restrictive guidelines[1] published by the Office of the Superintendent of Financial Institutions (OSFI) come into effect on January 1st, 2018. From now until the end of 2017, however, the hastening of certain transactions should boost residential construction and sales of existing homes. However, it remains to be seen whether the housing market adjustment will just be temporary, as happened when other restrictive measures were ordered, or whether this will be the start of a true decline.

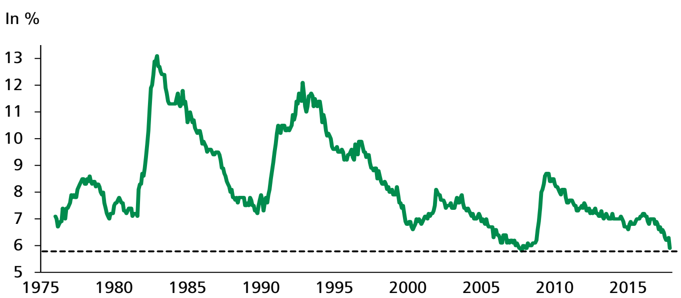
[1] The new OSFI Guideline requires the minimum qualifying rate for uninsured mortgages to be the greater of the 5-year benchmark rate published by the Bank of Canada or the contractual mortgage rate +2%.

TABLE 4
Canada: Major economic indicators

QUARTERLY ANNUALIZED VARIATION IN % (EXCEPT IF INDICATED)	2017		2018				ANNUAL AVERAGE			
	Q3	Q4f	Q1f	Q2f	Q3f	Q4f	2016	2017f	2018f	2019f
Real GDP (2007 $)	**1.7**	**2.2**	**2.0**	**2.5**	**2.0**	**1.9**	**1.4**	**3.0**	**2.3**	**2.1**
Final consumption expenditure [of which:]	3.8	2.3	2.8	2.5	2.3	2.1	2.3	3.1	2.8	2.2
Household consumption expenditure	*4.0*	*2.4*	*2.9*	*2.6*	*2.2*	*2.1*	*2.4*	*3.7*	*2.9*	*2.2*
Governments consumption expenditure	*3.0*	*2.0*	*2.5*	*2.0*	*2.5*	*2.0*	*2.2*	*1.8*	*2.4*	*2.3*
Gross fixed capital formation [of which:]	3.5	4.9	-1.1	1.3	1.2	1.1	-3.0	2.2	1.7	1.4
Residential structures	*-1.4*	*8.9*	*-9.1*	*-1.3*	*-1.8*	*-1.6*	*3.3*	*3.1*	*-1.7*	*-0.9*
Non-residential structures	*2.2*	*3.0*	*2.5*	*2.5*	*2.0*	*2.0*	*-11.5*	*-1.1*	*2.9*	*2.4*
Machinery and equipment	*6.1*	*5.0*	*4.0*	*3.0*	*3.0*	*2.5*	*-6.0*	*5.6*	*4.2*	*2.9*
Intellectual property products	*2.6*	*2.5*	*2.0*	*2.5*	*3.0*	*2.5*	*-6.3*	*0.7*	*2.6*	*2.7*
Governments gross fixed capital formation	*13.4*	*1.0*	*2.0*	*2.5*	*3.0*	*3.0*	*5.1*	*3.3*	*3.3*	*2.6*
Investment in inventories (2007 $B)	17.1	10.5	10.0	9.8	10.0	9.5	1.0	12.6	9.8	9.3
Exports	-10.2	2.0	2.5	3.0	2.0	2.5	1.0	0.8	1.0	2.3
Imports	-0.2	-1.1	2.0	1.8	2.2	2.0	-1.0	3.1	1.4	2.1
Final domestic demand	3.7	2.9	1.9	2.2	2.1	1.9	1.1	2.9	2.5	2.1
Other indicators										
Nominal GDP	1.8	4.7	4.5	4.3	3.8	3.9	2.0	5.2	4.0	4.1
Real disposable personal income	3.4	3.5	4.5	2.0	3.0	2.5	1.3	3.3	3.4	2.6
Employment	1.7	2.1	1.1	1.1	1.1	1.1	0.7	1.8	1.4	1.1
Unemployment rate (%)	6.2	6.1	6.0	6.0	6.1	6.1	7.0	6.4	6.1	5.9
Housing starts[1] (thousands of units)	223	237	185	197	194	192	198	223	192	190
Corporate profits*[2]	14.6	15.0	10.0	8.0	5.0	3.0	-1.9	22.0	6.4	7.0
Personal saving rate (%)	2.6	2.9	3.3	3.1	3.3	3.4	3.5	2.8	3.3	3.7
Total inflation rate*	1.4	1.8	1.5	2.0	2.3	2.0	1.4	1.6	1.9	2.0
Core inflation rate*[3]	1.4	1.6	1.2	1.5	1.7	1.8	1.9	1.6	1.6	1.8
Current account balance ($B)	-19	-16	-16	-14	-15	-14	-65	-65	-58	-44

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

GRAPH 13
Canada's unemployment is at a historically low rate



Sources: Statistics Canada and Desjardins, Economic Studies

Given the extent of the guidelines and their potential impact on the Toronto and Vancouver markets, our scenario includes a significant slowdown next year, especially since interest rates should continue to rise gradually.

Quebec

Accelerated Growth: Accent on Households

FORECASTS

Quebec's economy is growing nicely. Real GDP should be close to 2.5% in 2017, the best result in almost 15 years. That surge is due to the very favourable situation for households, featuring unemployment rate below 5.5%, a more rapid increase in wages, and tax relief. A probable slowdown in the residential sector and uncertainty about foreign trade could dampen outlooks, however. The economy's pace should slow to 2.2% in 2018 and 1.7% the following year.

The progress of the labour market is proof of how lively Quebec's economy has become (graph 14). Job creation is sustained, especially for full-time positions and in the private sector. The extent of the drop in unemployment rate is quite astonishing. The 5.4% reached in November is the lowest monthly level since 1976. Population aging, which is more pronounced in Quebec than in Ontario or Canada as a whole, will continue to push the unemployment rate down.

The pool of potential workers aged 15 to 64 is no longer enough to fully offset retirements. Manpower is scarce in many Quebec industries and regions.[1] That is putting pressure on wages, which are now up by close to 2.5% in real terms (graph 15). This acceleration will continue as the unemployment rate will go down.

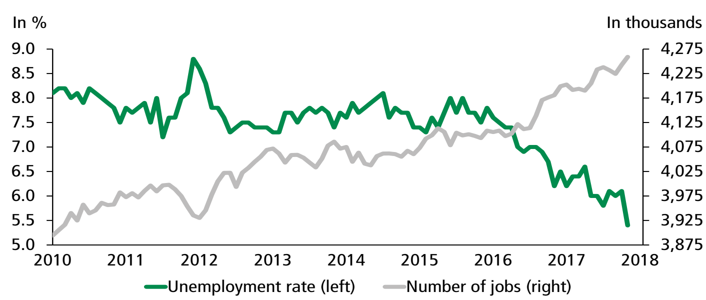
Starting in 2018, households will also benefit from additional tax cuts of $1.1B from the government of Quebec, applied retroactively to the beginning of 2017. That will increase personal disposal income, which has already been bolstered by new jobs and wage increases. Household confidence, which is at a 15-year peak, will remain high and consumer spending will progress nicely in 2018.

There was a remarkable surge in the residential sector in 2017. Sales of existing homes are about to reach their peak, and prices have risen by close to 5%. The Greater Montreal real estate market was very strong, since most of the province's new jobs are clustered there. There is a shortage of single-family homes in the metropolitan region and condominium market have become more balanced, ending the 3-year surplus period. New construction is picking up now to meet the demand.

According to the Canada Mortgage and Housing Corporation (CMHC), foreign investors make up less than 2% of the buyers in Montreal. The 15% tax was applied in Vancouver and Toronto after several years of overheating and runaway prices, which is far from what happened in Montreal. Prices are increasing more rapidly after a few years of slowdown (graph 16 on page 11). The residential sector is expected to calm down in 2018, with higher interest rates and tighter mortgage rules dampening the demand for housing.

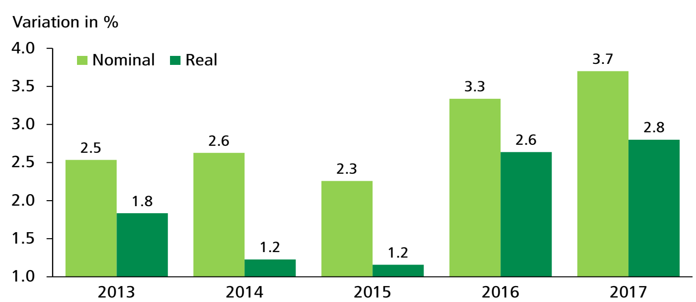
On the business side, international exports are doing quite well with an increase of about 3% in real terms in 2017 (graph 17).

GRAPH 14
Great improvement in Quebec's unemployment rate and jobs



Sources: Statistics Canada and Desjardins, Economic Studies

GRAPH 15
Wages and salaries in Quebec went up faster for the past two years



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

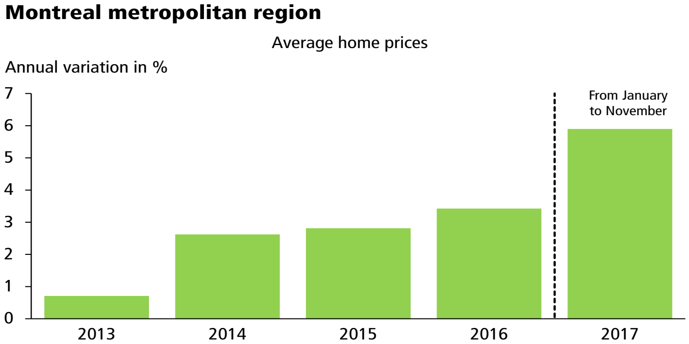
[1] Quebec's tightening labour market, Desjardins, Economic Studies, *Perspective*, November 1st, 2017, 6 p.

TABLE 5
Quebec: Major economic indicators

ANNUAL AVERAGE IN % (EXCEPT IF INDICATED)	2015	2016	2017f	2018f	2019f
Real GDP (2007 $)	**1.0**	**1.4**	**2.5**	**2.2**	**1.7**
Final consumption expenditure [of which:]	0.7	2.4	2.5	2.5	1.8
Household consumption expenditure	*1.4*	*2.7*	*3.1*	*3.0*	*2.1*
Governments consumption expenditure	*-1.4*	*2.0*	*1.3*	*1.4*	*1.3*
Gross fixed capital formation [of which:]	-2.3	1.6	2.1	0.4	-0.4
Residential structures	*-0.1*	*3.0*	*5.0*	*-0.6*	*-3.0*
Non-residential structures	*-4.2*	*4.4*	*-0.5*	*0.5*	*1.0*
Machinery and equipment	*-3.3*	*0.0*	*7.8*	*1.1*	*1.5*
Intellectual property products	*-3.7*	*-2.8*	*2.0*	*0.9*	*1.3*
Governments gross fixed capital formation	*-2.4*	*0.1*	*1.5*	*2.1*	*1.5*
Investment in inventories (2007 $B)	1,930	1,807	2,000	1,500	2,000
Exports	2.4	1.7	3.0	2.5	2.3
Imports	0.8	3.1	2.2	1.8	1.5
Final domestic demand	0.1	2.3	2.4	2.1	1.4
Other indicators					
Nominal GDP	2.4	2.7	3.5	3.4	3.4
Real disposable personal income	2.6	2.8	2.7	3.2	2.3
Weekly earnings	2.1	1.2	2.5	3.0	3.5
Employment	0.9	0.9	2.1	1.2	0.8
Unemployment rate (%)	7.6	7.1	6.1	5.5	5.1
Personal saving rate (%)	5.2	5.0	5.3	5.8	5.9
Retail sales	1.8	6.2	5.5	4.9	3.5
Housing starts[1] (thousands of units)	37.9	38.9	46.0	41.0	37.0
Total inflation rate	1.1	0.7	1.0	1.3	1.8

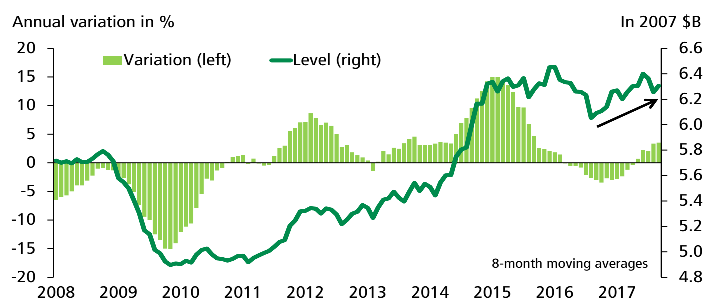
f: forecasts; [1] Annualized basis.
Sources: Statistics Canada, Institut de la statistique du Québec, Canada Mortgage and Housing Corporation and Desjardins, Economic Studies

GRAPH 16
The residential real estate market gained traction in the Montreal metropolitan region



Sources: Quebec Federation of Real Estate Boards via the Centris® system and Desjardins, Economic Studies

GRAPH 17
Quebec's international exports are trending upward



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

The future is full of uncertainty, but our scenario assumes some growth in the next two years. Private investment, which seems to be waiting for the outcome of trade negotiations with the United States, is not recovering yet.

Ontario and Other Provinces

Disparities Could Fade Away

FORECASTS

Disparities among provinces could be lessened in 2018 and 2019. For one thing, the recent growth leaders, Ontario and British Columbia, could be particularly hard hit by the expected slowdown in the housing market. As we know, Toronto and Vancouver are where the housing market grew so extensively in recent years. For another thing, forecasts are decidedly better for the energy-producing provinces (Alberta, Saskatchewan and Newfoundland and Labrador), due to the stabilization of investment in the oil industry and increased extraction of oil and gas.

ONTARIO

After growing an average of 2.7% per year from 2014 to 2016, Ontario's economy continued to progress at a relatively sustained pace in 2017, and a gain of around 3.0% is expected. Of course, the province was hit hard by the prolonged closings in the auto industry last summer, but there seems to have been a rebound in the fall (graph 18). Demand for automobiles is still quite high, both in Canada and in the United States.

However, the growth of Ontario's economy should slow down significantly starting in 2018. The new mortgage restrictions announced by the Office of the Superintendent of Financial Institutions (OSFI) and taking effect on January 1st, 2018, will come on top of the Ontario government's measures in the spring of last year. If we also factor in the slight upturn that has been forecast for interest rates, all the signs are there for a slowdown in the province's housing market. Ontario could lose one of its main growth drivers of recent years. In these circumstances, Ontario's real GDP could increase by 2.3% in 2018 and 1.8% in 2019.

WESTERN PROVINCES

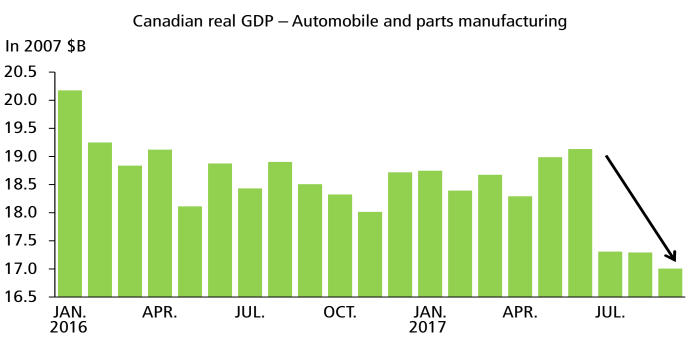
After two years of decline in a row, the real GDP of Alberta and Saskatchewan should be back up in 2017. That will be primarily due to the stabilization of the energy sector, which is no longer a drag on the region's economic growth. That said, since the price of crude oil is still below the profitability threshold for most new projects, we should not expect a significant increase in investment in the energy sector in the coming years. However, the recent U.S. approval of the Keystone XL pipeline project may well spur some Canadian producers to increase their production capacities. In fact, greater U.S. and world demand for crude oil has significantly increased production volumes in oil and gas extraction in Canada (graph 19). The resulting wealth effect is leading to more household consumer spending and residential construction. This means economic growth should remain quite strong in Alberta and Saskatchewan in 2018 and 2019.

Manitoba's real GDP is expected to slow down in 2018 and 2019 after relatively high growth in 2017. Some large investments should be coming to term, including those in Manitoba Hydro.

In 2017, British Columbia may see the most rapid growth in Canada for the fourth year in a row (graph 20 on page 13). The

GRAPH 18

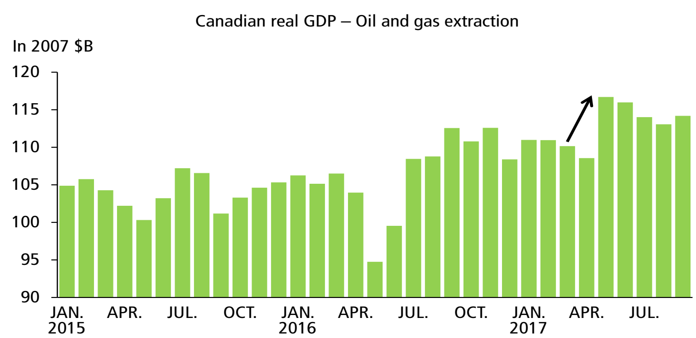
The auto industry was at a low ebb this summer, both in Ontario and in Canada as a whole



Sources: Statistics Canada and Desjardins, Economic Studies

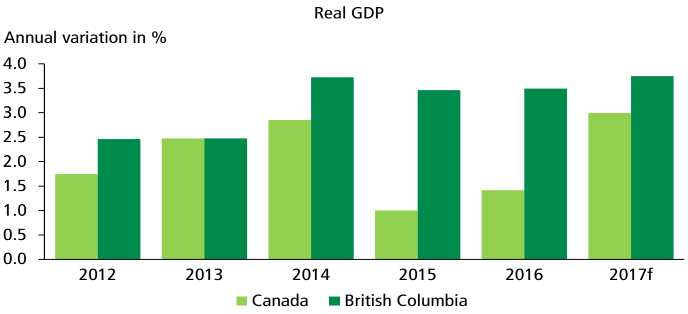
GRAPH 19

Production volume sped up in Canada's oil industry



Sources: Statistics Canada and Desjardins, Economic Studies

GRAPH 20
British Columbia's growth continues to surpass the national average



f: Desjardins forecasts
Sources: Statistics Canada and Desjardins, Economic Studies

province's real GDP growth should slow down, however, coming closer to the national average in 2018 and 2019, as its housing market will be particularly affected by the new OSFI restrictions and higher interest rates.

ATLANTIC PROVINCES

In Newfoundland and Labrador the offshore Hebron project will probably start operating in 2018. That should lead to a significant increase in oil production in that province, but its positive effect on economic growth could be partly offset by the negative effect of investment associated with construction for this project coming to an end. Relatively modest increases in real GDP are expected for the Maritimes, mainly due to less advantageous demographics.

TABLE 6
Ontario: Major economic indicators

ANNUAL AVERAGE IN % (EXCEPT IF INDICATED)	2015	2016	2017f	2018f	2019f
Real GDP (2007 $)	**2.9**	**2.6**	**3.0**	**2.3**	**1.8**
Final consumption expenditure [of which:]	2.7	2.6	3.2	2.2	2.1
Household consumption expenditure	*2.8*	*3.0*	*3.8*	*2.2*	*2.1*
Governments consumption expenditure	*2.4*	*1.8*	*1.8*	*2.3*	*2.0*
Gross fixed capital formation [of which:]	4.7	0.1	2.6	0.6	0.4
Residential structures	*7.7*	*7.5*	*4.6*	*-3.7*	*-3.0*
Non-residential structures	*7.7*	*-10.1*	*-1.1*	*2.8*	*3.0*
Machinery and equipment	*7.3*	*-7.8*	*3.6*	*3.7*	*3.0*
Intellectual property products	*-2.3*	*-3.4*	*-0.2*	*2.1*	*2.5*
Governments gross fixed capital formation	*-2.3*	*4.0*	*3.1*	*4.2*	*1.5*
Investment in inventories (2007 $B)	3,479	-1,328	6,800	9,000	8,500
Exports	3.3	2.5	-0.7	2.3	2.0
Imports	3.2	0.0	1.7	2.0	1.7
Final domestic demand	3.1	2.1	3.1	1.9	1.8
Other indicators					
Nominal GDP	5.0	4.3	4.7	4.3	3.9
Real disposable personal income	4.0	2.8	3.6	2.8	3.1
Weekly earnings	2.6	1.1	1.5	2.1	3.0
Employment	0.7	1.1	1.8	1.9	1.2
Unemployment rate (%)	6.8	6.5	6.0	5.7	5.7
Personal saving rate (%)	2.7	2.4	2.7	3.4	5.8
Retail sales	5.5	7.1	6.4	3.8	4.0
Housing starts[1] (thousands of units)	70.2	75.0	82.6	68.9	67.7
Total inflation rate*	1.2	1.8	1.7	2.0	2.1

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

TABLE 7

Canada: Major economic indicators by provinces

ANNUAL AVERAGE IN % (EXCEPT IF INDICATED)	2015	2016	2017f	2018f	2019f
Real GDP growth – Canada	**1.0**	**1.4**	**3.0**	**2.3**	**2.1**
Atlantic	0.8	1.3	2.2	1.9	1.7
Quebec	1.0	1.4	2.5	2.2	1.7
Ontario	2.9	2.6	3.0	2.3	1.8
Manitoba	1.3	2.2	2.7	2.0	2.0
Saskatchewan	-1.0	-0.5	3.3	2.3	2.2
Alberta	-3.7	-3.7	3.6	2.7	2.3
British Columbia	3.5	3.5	3.8	2.5	1.9
Total inflation rate – Canada	**1.1**	**1.4**	**1.6**	**1.9**	**2.0**
Atlantic	0.4	1.9	1.5	1.8	1.9
Quebec	1.1	0.7	1.0	1.3	1.8
Ontario	1.2	1.8	1.7	2.0	2.1
Manitoba	1.2	1.3	1.6	1.8	1.9
Saskatchewan	1.6	1.1	1.6	1.8	2.0
Alberta	1.1	1.1	1.5	2.0	2.1
British Columbia	1.1	1.8	2.0	2.2	2.3
Employment growth – Canada	**0.8**	**0.7**	**1.8**	**1.4**	**1.1**
Atlantic	-0.4	-0.7	-0.3	0.6	0.7
Quebec	0.9	0.9	2.1	1.2	0.8
Ontario	0.7	1.1	1.8	1.9	1.2
Manitoba	1.5	-0.4	1.6	1.0	1.0
Saskatchewan	0.5	-0.9	0.0	1.1	1.2
Alberta	1.2	-1.6	0.9	1.3	1.7
British Columbia	1.2	3.2	3.6	1.6	1.5
Unemployment rate – Canada	**6.9**	**7.0**	**6.4**	**6.1**	**5.9**
Atlantic	10.0	9.9	9.7	9.6	9.4
Quebec	7.6	7.1	6.1	5.5	5.1
Ontario	6.8	6.5	6.0	5.7	5.7
Manitoba	5.6	6.1	5.4	5.4	5.3
Saskatchewan	5.0	6.3	6.2	6.1	6.0
Alberta	6.0	8.1	7.9	7.5	7.3
British Columbia	6.2	6.0	5.2	5.0	5.0
Retail sales growth – Canada	**2.6**	**5.1**	**6.6**	**4.2**	**4.0**
Atlantic	1.0	2.8	5.7	3.4	3.4
Quebec	1.8	6.2	5.5	4.9	3.5
Ontario	5.5	7.1	6.4	3.8	4.0
Manitoba	1.6	4.2	3.4	3.2	3.4
Saskatchewan	-2.9	2.2	3.4	3.5	3.7
Alberta	-4.0	-1.2	7.8	5.0	5.2
British Columbia	6.9	7.4	9.6	4.5	4.7
Housing starts – Canada (thousands of units)	**195.5**	**197.9**	**222.6**	**191.9**	**190.4**
Atlantic	8.1	7.6	8.7	7.8	8.1
Quebec	37.9	38.9	46.0	41.0	37.0
Ontario	70.2	75.0	82.6	68.9	67.7
Manitoba	5.5	5.3	7.3	6.6	7.0
Saskatchewan	5.1	4.8	5.0	4.6	5.1
Alberta	37.3	24.5	30.0	27.0	30.0
British Columbia	31.4	41.8	43.0	36.0	35.5

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

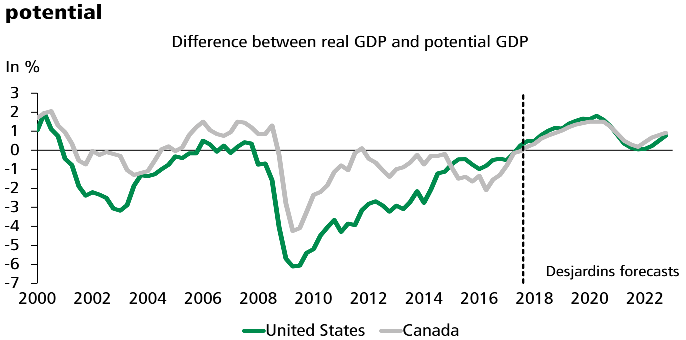
Some Good Years Are Still Ahead

Economic growth in Canada and the United States should remain strong in 2018 and 2019 before coming closer to its potential in 2020. After that there will be greater risk of an economic slowdown as the current cycle matures. In that scenario, monetary tightening will end in three years and a new round of easing may be needed.

More Inflationary Pressure Through 2020

The current economic cycle saw a turning point in 2017, with faster economic growth closing the gap between real GDP and its potential (graph 21). This means production capacities and workers will be used more than usual in coming years, which will increase inflationary pressure on goods and services prices as well as wages. In some parts of the world, demographic changes may exacerbate the problem, making manpower scarcer and reducing the potential for economic growth. Unemployment rate should reach new lows in Quebec.

GRAPH 21
We are entering a phase where the economy will grow above its potential



Sources: Datastream, Bank of Canada, Congressionnal Budget Office and Desjardins, Economic Studies

A performing economy and increased inflationary pressure will require more monetary tightening in Canada and the United States. We predict that overnight rate will reach 2.50% in Canada in 2020, compared to 3.00% for the upper range of U.S. federal funds. These levels will be below those of the previous economic cycles, but should be enough to rein in the economy and inflation.

Oil prices should continue rising until the beginning of 2020, as should the main stock indexes. The Canadian dollar should pick up a few cents from its current level. Bond yields will follow key interest rates, but the yield curve should flatten out as we reach the cycle's peak.

The Longest Cycle in U.S. History

The last U.S. recession ended halfway through 2009, which means the current cycle will be 10 years old in 2019. That is the longest cycle ever recorded in the United States. More and more investors will be starting to worry about a new economic slowdown. Not only could their fears help flatten the yield curve, but they could hold the stock market back.

Our scenario assumes that an economic slowdown could start toward the end of 2020 and continue through to early 2021. At that point, the U.S. economic cycle will have lasted longer than 11 years. It would be surprising if the new slowdown is like the last recession, which was made exceptionally difficult by an accumulation of major imbalances, particularly in the U.S. real estate market. So a fairly solid recovery could follow quickly, propelled by interest rate reductions by the central banks.

Higher Debt Levels Are the Greatest Risk

The long phase of low interest rates we have just lived through encouraged households and governments in many developed countries to go heavily into debt. Things have nevertheless improved recently in some spots as incomes have grown more rapidly. But the expected rise in interest rates could affect the financial health of indebted households and governments in the years ahead. That is a major argument in favour of a gradual and moderate increase in key rates. It is also a significant risk element that could lead to a more pronounced economic slowdown than we have predicted. The United States appears to be in less danger because its households are less indebted than they were in 2008, but Canada tells a different story.

TABLE 8

Medium-term major economic and financial indicators

IN % (EXCEPT IF INDICATED)	ANNUAL AVERAGE 2016	2017f	2018f	2019f	2020f	2021f	2022f	AVERAGES 2012–2016	2017–2022f
United States									
Real GDP (var. in %)	1.5	2.3	2.5	2.3	1.9	0.6	1.9	2.2	1.9
Total inflation rate (var. in %)	1.3	2.1	1.9	2.1	1.3	0.4	1.9	1.3	1.6
Unemployment rate	4.9	4.4	3.9	3.7	3.8	4.7	5.0	6.3	4.3
S&P 500 index (var. in %)[1]	9.5	19.5	4.7	6.3	-5.0	0.0	10.0	12.6	5.9
Federal funds rate	0.51	1.10	1.90	2.55	2.95	1.75	1.50	0.30	1.96
Prime rate	3.51	4.10	4.90	5.55	5.95	4.75	4.50	3.30	4.96
Treasury bills – 3-month	0.32	0.95	1.65	2.40	2.70	1.50	1.30	0.11	1.75
Federal bonds – 10-year	1.84	2.35	2.85	3.30	3.25	2.45	2.50	2.12	2.78
– 30-year	2.60	2.90	3.25	3.65	3.55	2.70	2.80	3.03	3.14
WTI oil (US$/barrel)	43	51	57	62	55	42	50	75	53
Gold (US$/ounce)	1,249	1,255	1,150	1,050	1,100	1,200	1,250	1,351	1,168
Canada									
Real GDP (var. in %)	1.4	3.0	2.3	2.1	1.7	0.5	1.7	1.9	1.9
Total inflation rate (var. in %)	1.4	1.6	1.9	2.0	1.7	0.5	1.5	1.4	1.5
Employment (var. in %)	0.7	1.8	1.4	1.1	1.0	0.3	0.8	1.0	1.1
Employment (thousands)	133	328	260	205	184	53	147	172	196
Unemployment rate	7.0	6.4	6.1	5.9	5.9	6.5	6.4	7.0	6.2
Housing starts (thousands of units)	198	223	192	190	200	180	195	197	197
S&P/TSX index (var. in %)[1]	17.5	5.3	6.8	7.6	-5.0	0.0	12.0	5.5	4.5
Exchange rate (US$/C$)	0.75	0.78	0.79	0.81	0.81	0.77	0.78	0.88	0.79
Overnight funds	0.50	0.70	1.45	2.05	2.20	1.30	1.25	0.83	1.49
Prime rate	2.70	2.90	3.65	4.25	4.40	3.50	3.45	2.90	3.69
Mortgage rate – 1-year	3.14	3.15	3.65	4.20	4.30	3.80	3.80	3.10	3.82
– 5-year	4.66	4.75	5.25	5.75	5.80	5.30	5.35	4.95	5.37
Treasury bills – 3-month	0.49	0.70	1.45	2.10	2.15	1.30	1.25	0.77	1.49
Federal bonds – 2-year	0.56	1.10	2.00	2.50	2.45	1.45	1.55	0.88	1.84
– 5-year	0.73	1.35	2.20	2.70	2.60	1.75	1.90	1.23	2.08
– 10-year	1.26	1.80	2.40	2.85	2.80	2.15	2.25	1.83	2.38
– 30-year	1.93	2.30	2.70	3.10	3.00	2.35	2.45	2.44	2.65
Yield spreads (Canada—United States)									
Treasury bills – 3-month	0.17	-0.25	-0.20	-0.30	-0.55	-0.20	-0.05	0.66	-0.26
Federal bonds – 10-year	-0.58	-0.55	-0.45	-0.45	-0.45	-0.30	-0.25	-0.29	-0.41
– 30-year	-0.67	-0.60	-0.55	-0.55	-0.55	-0.35	-0.35	-0.59	-0.49
Quebec									
Real GDP (var. in %)	1.4	2.5	2.2	1.7	1.1	0.3	1.2	1.3	1.5
Total inflation rate (var. in %)	0.7	1.0	1.3	1.8	1.5	0.3	1.3	1.2	1.2
Employment (var. in %)	0.9	2.1	1.2	0.8	0.3	-0.5	0.2	0.8	0.7
Employment (thousands)	36	87	50	35	15	-20	10	32	29
Unemployment rate	7.1	6.1	5.5	5.1	5.0	5.3	5.1	7.5	5.3
Retail sales (var. in %)	6.2	5.5	4.9	3.5	2.0	1.0	2.5	2.9	3.2
Housing starts (thousands of units)	39	46	41	37	35	30	35	40	37
Ontario									
Real GDP (var. in %)	2.6	3.0	2.3	1.8	1.5	0.3	1.5	1.7	1.7
Total inflation rate (var. in %)	1.8	1.7	2.0	2.1	1.8	0.5	1.5	1.7	1.6
Employment (var. in %)	1.1	1.8	1.9	1.2	0.7	0.2	0.8	0.7	1.1
Employment (thousands)	76	124	133	88	51	15	59	49	78
Unemployment rate	6.5	6.0	5.7	5.7	5.3	6.5	6.3	7.2	5.9
Retail sales (var. in %)	7.1	6.4	3.8	4.0	5.0	2.0	4.5	3.7	4.3
Housing starts (thousands of units)	75	83	69	68	75	68	74	65	73

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