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Holding Pattern and Rolling Uncertainty

- The direction of US economic and geopolitical policy is the greatest threat to the global economy. Nowhere is this more evident than in the US itself, where the volatility and speed of policy shifts, particularly as they relate to trade, are having a measurable effect on business and consumer sentiments and asset valuations.
- We only incorporate implemented trade measures in our forecasts, avoiding speculation on future actions considering the level of uncertainty. This approach may downplay some risks as additional tariffs are likely, but it ensures accuracy based on current information. Future forecasts will be updated as new developments occur.
- As of the day of publication, the biggest driver of a downgrade to the US economic outlook appears to be self-imposed policy volatility and ensuing unease and uncertainty. This, alongside worries about re-emerging inflation which would largely limit monetary policy's ability to respond, as well as expected lower government spending and job losses linked to DOGE, are behind our lowered forecast of US GDP growth this year to levels well below potential growth rates.
- These aggressive trade actions carry a cost to all those involved, with Canada being particularly vulnerable to the resulting economic uncertainty and disruptions. Tariffs implemented so far were largely in line with our holding assumptions since December, but additional broad-based tariffs in violation of CUSMA could necessitate a significant downward revision to our forecast of Canadian GDP growth.
- The Bank of Canada and the Federal Reserve are likely to be on hold for several months as they too await to see how the tariff war unfolds, and how governments, particularly Canada's supports firms and households through this challenging period.

To say the outlook is uncertain is about the most certain thing we can say about the world economy these days. The direction of US economic and geopolitical policy now represents the greatest threat to the global economy. This includes the US itself, and of course the most immediate object of President Trump's focus: Canada and Mexico, but the impact of these changes and/or fear of changes is leading to a dramatic rethinking of policy frameworks in many countries. This is evident, for example, in the way Europe is approaching continental economic and defence policy, where it is now clear that European countries, led by Germany of all countries, is about to embark on a significant investment program to strengthen their economies and shore up their defenses. It is also evident in how markets have begun pricing in future relative growth outcomes in asset prices, with US equity markets sharply underperforming most other advanced economy markets, following a long period of exceptional US market performance relative to peers.

A principle challenge in mapping the way forward for the outlook lays in identifying the way forward on US trade policy. It seems likely that further tariffs are coming in addition to those that have already been implemented. Where those will eventually settle is anyone's guess. For the time being, tariffs have largely been delayed for Canada and Mexico, tariffs are on for China, and tariffs are in place for steel and aluminum imports into the US. President Trump has repeatedly indicated that April 2nd will see another round of tariffs: full tariffs of 25% on non-energy, non-potash exports from Canada and Mexico to the US, reciprocal tariffs on every country exporting to the US, and a promise to add stacking tariffs on specific products like pharmaceuticals, copper, lumber, autos and a few other things. While the threat of tariffs must be taken seriously, these tariffs will cause significant harm to the US economy even before other countries retaliate. There is thus reason to

doubt their implementation, or at the very least the duration of their implementation. This has been evident in the on-again, off-again implementation of tariffs on Canada and Mexico so far. And may be even more evident as the US, which represents only 16% of the world's GDP in Purchasing Power Parity terms, gets ready to take on the world and the retaliatory consequences of their actions. While there is great uncertainty about the actions to come, there can be no uncertainty that aggressive trade actions by the US and retaliation from impacted countries will impose significant economic costs to all involved, with consequential impacts to asset and commodity markets.

Given how volatile the policy environment promises to be, we will only incorporate implemented trade measures in our forecasts going forward. While this will likely mean that we downplay some risks to the outlook, it is impossible to speculate on what will be done and how long it will last. We will update future forecasts as developments occur. For this forecast, we thus incorporate the current set of tariffs on Canada, Mexico and China, with assumptions on CUSMA carveouts as is current US policy, 25% tariffs on steel and aluminum, and retaliatory tariffs on the US imposed by countries that have already done so. We also incorporate the trade policy uncertainty index, which is an important driver of outcomes. We have done this since December but that index keeps rising and so we adjust forecasts accordingly.

As it turns out, the tariffs currently in place align closely with our previous holding assumptions we have had since December on tariffs imposed on Canada. We had chosen at the time to assume tariffs of 5% of 50% of Canadian exports, for an effective tariff increase of 2.5% on all US-bound exports. Our rough estimate of the tariffs currently being imposed on Canada once assumptions are made for what can come in under CUSMA preferences, points to a tariff increase of about 2.7% on US-bound exports. Additionally, China has imposed its own tariffs on certain Canadian goods, leading to an overall effective tariff increase of about 2.6% on all Canadian exports.

Despite the fears of damage on the Canadian, Mexican and global economies, the US appears to be suffering the most from its self-imposed policy volatility for the time being. As a result, we have scaled back our forecast for US growth below that of Canada this year. The unease and uncertainty felt north of the border is also felt by our southern neighbours. Measures of business and consumer sentiment are falling fast. Worries about rising inflation are increasing even more rapidly. Concerns about the broad set of policy reforms linked to DOGE, lower government spending (which has yet to materialize...), job losses and fears of job losses are mounting. Add to that the evident disruptions to business models from tariffs, comments from President Trump and his cabinet members dubiously warning of short-term pain for longer-term gain, the factors weighing on the outlook are mounting. Some analysts are now once again putting odds on a US recession. That being said, hard economic indicators so far do not suggest these factors are having large impacts on activity yet other than on the trade side. There, US businesses are trying to get ahead of potential tariffs by running up huge increases in imports, which are up roughly 25% in January, the most recent month for which we have data. We expect growth of 1.4% this year in the US followed by an expansion of 1.6% next year. While not a recession, these growth rates are well below potential growth rates.

In Canada, there are clear indications of worries on the part of Canadian households and firms. For the time being though, tariff outcomes are roughly in line with our expectations and thus do not represent a big change in our outlook. As noted above, we will update tariff assumptions as they are implemented in the US. Clearly, broad-based tariffs on Canadian and Mexican goods that are in clear violation of CUSMA, would lead us to lower our growth forecasts. It may well be in those circumstances that Canadian real GDP growth would fall below that of the US this year. As it stands, the sharp reduction in policy rates continue to provide some insulation against tariff-related uncertainty and damage, but there is no doubt the economy is softening given the economic aggression from the US. We anticipate growth of 1.7% this year and 1.5% next year for the moment. Those views will be updated as developments occur.

There are several yet unknown developments that will be critical to the outlook and central bank responses. First of course are the tariffs. Will they materialize, if so, what will they look like, and how long will they last? Secondly, how will countries retaliate, and will that prompt a series of escalating retaliatory tariffs? Canada has already announced tariffs on \$155 bn worth of US imports in retaliation (of which about half has been implemented). Third, governments work to protect their citizens from the damages of a tariff war and geopolitical upheaval. Europe is in the early stages of a process that could see transformational investments. Canada has indicated that fiscal support will be deployed to cushion the blow of tariffs if needed, while a political consensus seems to be forming to aggressively tackle the constraints that have restrained investment growth. Finally, how will inflation expectations evolve considering the tariff threat? Rising inflation expectations will seriously impact central bank flexibility in dealing with the inflation and growth consequences of developments. Inflation expectations are already on the rise in Canada based on the Bank of Canada's survey and are sharply higher in the US based on the University of Michigan survey.

Each of these stages comes with potentially large impacts on inflation and the outlook more broadly. For Canada, we think the Bank of Canada will wait and see how these various factors play out before it decides to alter interest rates from their current level. The balance of risks suggests the odds of lower rates may dominate over the course of the next several months, but there is a non-zero chance that

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Governor Macklem may need to raise interest rates if inflation outcomes merit it. He has, after all, indicated a few times now that he will not let a tariff shock become an inflation shock. In the US, the inflation starting point is more problematic, with inflation still some distance from the Federal Reserve's objective. With inflation expectations sharply rising, we expect the Federal Reserve will remain on hold through the first half of the year even though growth is slowing more rapidly than expected so far this year. The Fed has little ability to respond to lower growth in the short run given what we still consider to be a challenging inflation outlook. With the policy rate still well above neutral and the economy switching from excess demand to excess supply late in 2025, the Fed will need to normalize borrowing costs. We forecast 50 bps of cuts in the second half of this year followed by another 50 bps of cuts in 2026.

International												
	2010-19	2022	2023	2024e	2025f	2026f	2010-19	2022	2023	2024e	2025f	2026f
	Real GDP						Consumer Prices					
	(annual % change)						(annual average % change, unless noted)					
World (based on purchasing power parity)	3.7	3.6	3.4	3.2	2.8	2.8						
Canada	2.2	4.2	1.5	1.5	1.7	1.5	1.6	6.8	3.9	2.4	1.9	2.0
United States	2.4	2.5	2.9	2.8	1.4	1.6	1.8	8.0	4.1	3.0	2.7	2.4
Mexico	2.3	3.7	3.3	1.5	0.6	0.8	4.0	7.9	5.6	4.7	3.9	3.8
United Kingdom	2.0	4.8	0.4	0.9	0.7	1.4	2.2	9.1	7.4	2.5	3.1	2.3
Eurozone	1.4	3.6	0.5	0.8	0.7	1.2	1.4	8.4	5.5	2.4	2.2	2.0
Germany	2.0	1.4	-0.1	-0.2	0.3	1.1	1.4	8.6	6.1	2.5	2.4	1.9
France	1.4	2.6	1.1	1.1	0.7	1.1	1.3	5.9	5.7	2.3	1.5	1.6
China	7.7	3.0	5.2	5.0	4.5	4.2	2.6	1.9	0.3	0.2	0.7	1.3
India	6.6	7.6	9.2	6.5	6.5	6.5	6.5	6.7	5.7	4.9	4.4	4.5
Japan	1.2	0.9	1.5	0.1	1.2	0.9	0.5	2.5	3.3	2.8	2.4	1.8
South Korea	3.5	2.7	1.4	2.1	1.6	1.9	1.7	5.1	3.6	2.3	2.0	1.9
Australia	2.6	4.1	2.1	1.0	1.9	2.4	2.1	6.6	5.6	3.2	2.6	2.7
Thailand	3.6	2.6	2.0	2.5	2.8	2.7	1.6	6.1	1.2	0.4	1.1	1.2
Brazil	1.4	3.0	3.2	3.4	2.0	1.7	5.8	9.3	4.6	4.4	5.7	4.4
Colombia	3.7	7.3	0.7	1.7	2.6	2.9	3.7	10.2	11.8	6.6	5.0	4.0
Peru	4.5	2.8	-0.4	3.3	3.3	2.7	2.8	7.9	6.3	2.4	1.7	2.2
Chile	3.3	2.2	0.5	2.6	2.5	2.5	2.9	11.6	7.7	3.9	4.2	2.7
Commodities												
	(annual average)											
WTI Oil (USD/bbl)	74	95	78	76	66	65						
Brent Oil (USD/bbl)	82	101	83	81	71	70						
WCS - WTI Discount (USD/bbl)	-18	-21	-19	-15	-13	-13						
Nymex Natural Gas (USD/mmbtu)	3.39	6.61	2.73	2.27	3.75	4.00						
Copper (USD/lb)	3.10	4.00	3.85	4.15	4.25	4.50						
Zinc (USD/lb)	1.02	1.58	1.20	1.26	1.30	1.25						
Nickel (USD/lb)	7.00	11.66	9.75	7.63	7.50	7.50						
Iron Ore (USD/tonne)	101	121	120	110	95	90						
Gold, (USD/oz)	1,342	1,803	1,943	2,386	2,600	2,500						
Silver, (USD/oz)	21.64	21.80	23.38	28.21	32.00	30.00						
Sources: Scotiabank Economics, Statistics Canada, Focus Economics, BEA, BCB, BLS, IMF, Bloomberg.												

North America

	2010–19	2022	2023	2024e	2025f	2026f	2010–19	2022	2023	2024e	2025f	2026f
Canada						United States						
	(annual % change, unless noted)						(annual % change, unless noted)					
Real GDP	2.2	4.2	1.5	1.5	1.7	1.5	2.4	2.5	2.9	2.8	1.4	1.6
Consumer spending	2.5	5.5	1.9	2.4	1.4	0.7	2.3	3.0	2.5	2.8	1.3	0.5
Residential investment	2.4	-10.5	-8.4	-0.9	5.4	2.2	4.7	-8.6	-8.3	4.2	0.3	1.7
Business investment*	3.0	7.2	1.6	-1.4	-1.8	2.1	5.6	7.0	6.0	3.6	1.2	4.3
Government	1.1	2.6	2.6	3.8	1.5	1.2	0.2	-1.1	3.9	3.4	1.4	1.3
Exports	3.5	4.2	5.0	0.6	1.8	0.4	3.9	7.5	2.8	3.2	1.5	1.0
Imports	3.7	7.5	0.3	0.6	0.6	1.1	4.3	8.6	-1.2	5.4	0.7	-0.8
Inventories, contribution to annual GDP growth	0.1	1.8	-1.1	-0.5	0.0	0.6	0.1	0.5	-0.4	0.0	-0.1	0.1
Nominal GDP	4.0	12.4	2.9	4.6	3.3	3.6	4.1	9.8	6.6	5.3	3.8	4.0
GDP deflator	1.7	7.9	1.4	3.0	1.6	2.1	1.6	7.1	3.6	2.4	2.4	2.3
Consumer price index (CPI)	1.6	6.8	3.9	2.4	1.9	2.0	1.8	8.0	4.1	3.0	2.7	2.4
Core inflation rate**	1.7	5.0	3.9	2.9	2.5	2.1	1.6	5.4	4.1	2.8	2.6	2.3
Pre-tax corporate profits	6.3	17.9	-14.8	-4.2	8.7	5.6	5.9	7.8	5.8	4.6	4.8	3.7
Employment	1.3	4.1	3.0	1.9	1.4	0.8	1.4	4.3	2.2	1.3	1.2	0.8
Unemployment rate (%)	6.9	5.3	5.4	6.4	6.8	6.7	6.2	3.6	3.6	4.0	4.2	4.4
Current account balance (CAD, USD bn)	-56.9	-8.7	-18.4	-15.6	-30.1	-34.2	-407	-1012	-905	-1137	-1202	-1149
Merchandise trade balance (CAD, USD bn)	-13.6	21.2	-0.6	-6.9	-13.9	-16.1	-763	-1180	-1063	-1188	-1203	-1174
Federal budget balance (FY, CAD, USD bn) ***	-18.7	-35.3	-61.9	-48.3	-42.2	-31.0	-829	-1,376	-1,694	-1,915	-1,938	-1,851
percent of GDP	-1.0	-1.2	-2.1	-1.6	-1.3	-0.9	-4.8	-5.3	-6.1	-6.6	-6.4	-5.9
Housing starts (000s, mn)	201	262	240	245	240	250	0.99	1.55	1.42	1.37	1.39	1.41
Motor vehicle sales (000s, mn)	1,816	1,523	1,684	1,819	1,838	1,830	15.7	13.8	15.5	15.9	16.2	16.5
Industrial production	2.4	3.8	-0.1	0.1	1.0	0.8	1.7	3.4	0.2	-0.3	1.0	2.1
Mexico												
	(annual % change)											
Real GDP	2.3	3.7	3.3	1.5	0.6	0.8						
Consumer price index	4.0	7.9	5.6	4.7	3.9	3.8						
Unemployment rate (%)	4.4	3.3	2.8	2.7	3.3	3.7						

Sources: Scotiabank Economics, Statistics Canada, CMHC, BEA, BLS, Bloomberg. *For Canada it includes capital expenditures by businesses and non-profit institutions.

** US: core PCE deflator; Canada: average of 2 core measures published by the BoC. *** In order to align with US reporting, as of the August 2020 issue of Scotiabank's Forecast Tables, Canadian Federal and Provincial Budget Balances for FY2022/23 are noted in calendar year 2022, FY2023/24 in calendar year 2023.

Quarterly Forecasts

	2023	2024				2025				2026			
Canada	Q4	Q1	Q2	Q3	Q4	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
Real GDP (q/q ann. % change)	0.7	1.8	2.8	2.2	2.6	1.0	1.2	2.0	1.1	1.4	1.4	1.8	1.9
Real GDP (y/y % change)	1.2	0.7	1.2	1.9	2.4	2.1	1.7	1.7	1.3	1.4	1.5	1.4	1.6
Consumer prices (y/y % change)	3.2	2.8	2.7	2.0	1.9	1.8	1.9	2.1	2.0	1.8	2.0	2.0	2.2
Average of new core CPIs (y/y % change)*	3.6	3.3	3.0	2.6	2.7	2.6	2.6	2.5	2.4	2.3	2.2	2.1	2.0
CPIXFET (y/y % change)**	3.4	2.9	2.8	2.5	2.2	2.2	2.3	2.3	2.2	2.2	2.1	2.1	2.1
Unemployment Rate (%)	5.7	5.9	6.3	6.6	6.7	6.7	6.6	6.7	7.0	6.9	6.8	6.6	6.5
United States													
Real GDP (q/q ann. % change)	3.2	1.6	3.0	3.1	2.3	-1.1	2.0	1.6	1.4	1.6	1.4	1.9	2.2
Real GDP (y/y % change)	3.2	2.9	3.0	2.7	2.5	1.8	1.6	1.2	1.0	1.6	1.5	1.6	1.8
Consumer prices (y/y % change)	3.2	3.2	3.2	2.7	2.7	2.7	2.7	2.7	2.7	2.3	2.2	2.3	2.6
Total PCE deflator (y/y % change)	2.8	2.7	2.6	2.3	2.5	2.3	2.1	2.1	2.2	2.0	2.0	2.2	2.4
Core PCE deflator (y/y % change)	3.2	3.0	2.7	2.7	2.8	2.5	2.5	2.6	2.6	2.4	2.3	2.3	2.3
Unemployment Rate (%)	3.8	3.8	4.0	4.2	4.1	4.1	4.2	4.3	4.3	4.4	4.4	4.4	4.3

* Average of 2 core measures published by the BoC. ** CPI ex. food, energy and indirect taxes. Sources: Scotiabank Economics, Statistics Canada, BEA, BLS, Bloomberg.

Central Bank Rates

	2023	2024				2025				2026			
	Q4	Q1	Q2	Q3	Q4	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
Americas						(% end of period)							
Bank of Canada	5.00	5.00	4.75	4.25	3.25	2.75	2.75	2.75	2.75	2.75	2.75	2.75	2.75
US Federal Reserve (upper bound)	5.50	5.50	5.50	5.00	4.50	4.50	4.50	4.00	4.00	3.75	3.50	3.50	3.50
Bank of Mexico	11.25	11.00	11.00	10.50	10.00	9.00	8.50	8.25	8.25	8.00	7.75	7.75	7.75
Central Bank of Brazil	11.75	10.75	10.50	10.75	12.25	14.25	15.00	15.00	15.00	14.50	13.50	13.00	12.50
Bank of the Republic of Colombia	13.00	12.25	11.25	10.25	9.50	9.50	9.00	8.50	8.00	7.50	7.00	6.50	6.50
Central Reserve Bank of Peru	6.75	6.25	5.75	5.25	5.00	4.75	4.50	4.50	4.50	4.50	4.50	4.50	4.50
Central Bank of Chile	8.25	7.25	5.75	5.50	5.00	5.00	5.00	4.75	4.50	4.25	4.25	4.25	4.25
Europe													
European Central Bank MRO Rate	4.50	4.50	4.25	3.65	3.15	2.65	2.15	1.90	1.90	1.90	1.90	1.90	1.90
European Central Bank Deposit Rate	4.00	4.00	3.75	3.50	3.00	2.50	2.00	1.75	1.75	1.75	1.75	1.75	1.75
Bank of England	5.25	5.25	5.25	5.00	4.75	4.50	4.25	4.00	3.75	3.50	3.25	3.00	2.75
Asia/Oceania													
Reserve Bank of Australia	4.35	4.35	4.35	4.35	4.35	4.10	3.85	3.60	3.60	3.60	3.35	3.35	3.35
Bank of Japan	-0.10	0.05	0.05	0.25	0.25	0.50	0.50	0.75	0.75	0.75	1.00	1.00	1.00
People's Bank of China	2.50	2.50	2.50	2.00	2.00	2.00	1.80	1.75	1.60	1.40	1.40	1.40	1.40
Reserve Bank of India	6.50	6.50	6.50	6.50	6.50	6.25	6.00	5.75	5.75	5.75	5.75	5.75	5.75
Bank of Korea	3.50	3.50	3.50	3.50	3.00	2.75	2.50	2.25	2.25	2.25	2.25	2.25	2.25
Bank of Thailand	2.50	2.50	2.50	2.50	2.25	2.00	2.00	2.00	2.00	2.00	2.00	2.00	1.75

Currencies and Interest Rates

Americas	(end of period)												
Canadian dollar (USDCAD)	1.32	1.35	1.37	1.35	1.44	1.43	1.43	1.45	1.45	1.44	1.44	1.40	1.40
Canadian dollar (CADUSD)	0.76	0.74	0.73	0.74	0.70	0.70	0.70	0.69	0.69	0.69	0.69	0.71	0.71
Mexican peso (USDMXN)	16.97	16.56	18.32	19.69	20.83	20.70	20.80	21.00	21.30	21.30	21.40	21.50	21.50
Mexican peso (CADMXN)	12.80	12.23	13.38	14.56	14.48	14.48	14.55	14.48	14.69	14.79	14.86	15.36	15.36
Brazilian real (USDBRL)	4.86	5.01	5.59	5.45	6.18	5.80	5.89	5.90	5.91	5.92	5.92	5.91	5.91
Colombian peso (USDCOP)	3,855	3,852	4,153	4,207	4,406	4,200	4,294	4,310	4,367	4,339	4,350	4,361	4,364
Peruvian sol (USDPEN)	3.70	3.72	3.84	3.70	3.74	3.65	3.70	3.73	3.78	3.83	3.78	3.75	3.75
Chilean peso (USDCLP)	879	979	940	899	995	950	930	910	890	880	870	870	870
Europe													
Euro (EURUSD)	1.10	1.08	1.07	1.11	1.04	1.02	1.02	1.00	1.00	1.03	1.03	1.07	1.07
UK pound (GBPUSD)	1.27	1.26	1.26	1.34	1.25	1.24	1.24	1.22	1.22	1.25	1.25	1.30	1.30
Asia/Oceania													
Japanese yen (USDJPY)	141	151	161	144	157	157	157	160	160	155	155	150	150
Australian dollar (AUDUSD)	0.68	0.65	0.67	0.69	0.62	0.62	0.62	0.60	0.60	0.63	0.63	0.66	0.66
Chinese yuan (USDCNY)	7.10	7.22	7.27	7.02	7.30	7.26	7.39	7.37	7.36	7.35	7.31	7.27	7.23
Indian rupee (USDINR)	83.2	83.4	83.4	83.8	85.6	87.3	87.2	87.3	87.5	87.6	87.6	87.7	87.7
South Korean won (USDKRW)	1,288	1,347	1,377	1,315	1,472	1,452	1,446	1,438	1,430	1,422	1,408	1,394	1,379
Thai baht (USDTHB)	34.1	36.4	36.7	32.2	34.1	33.8	35.0	35.0	35.0	35.0	34.8	34.6	34.4
Canada (Yields, %)													
3-month T-bill	5.03	4.95	4.64	4.20	3.15	2.65	2.70	2.70	2.70	2.70	2.70	2.80	2.80
2-year Canada	3.89	4.18	3.99	2.91	2.93	2.60	2.80	2.85	2.85	2.85	2.90	2.90	2.90
5-year Canada	3.17	3.53	3.51	2.74	2.97	2.70	2.80	2.95	3.00	3.00	3.00	3.00	3.05
10-year Canada	3.11	3.47	3.50	2.96	3.23	3.00	3.00	3.05	3.10	3.15	3.20	3.20	3.25
30-year Canada	3.03	3.35	3.39	3.14	3.33	3.25	3.20	3.20	3.25	3.30	3.35	3.40	3.45
United States (Yields, %)													
3-month T-bill	5.35	5.40	5.20	4.44	4.14	4.30	4.10	3.75	3.65	3.50	3.30	3.30	3.30
2-year Treasury	4.25	4.62	4.75	3.64	4.24	4.00	3.90	3.85	3.80	3.75	3.75	3.75	3.75
5-year Treasury	3.85	4.21	4.37	3.56	4.38	4.05	4.00	4.05	4.00	4.00	4.00	4.00	4.00
10-year Treasury	3.88	4.20	4.40	3.78	4.57	4.25	4.15	4.30	4.40	4.50	4.50	4.50	4.50
30-year Treasury	4.03	4.34	4.56	4.12	4.78	4.60	4.30	4.55	4.75	4.80	4.85	4.85	4.90

Sources: Scotiabank Economics, Bloomberg.

March 18, 2025

The Provinces

(annual % change except where noted)

Real GDP	CA	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC
2010-19	2.2	1.1	2.1	1.2	0.7	1.9	2.3	2.2	2.3	2.6	2.9
2022	4.2	-1.9	4.4	3.5	2.0	3.4	4.1	4.2	7.2	6.0	4.0
2023	1.5	-2.6	2.2	2.0	1.6	0.6	1.7	1.7	2.3	2.3	2.4
2024e	1.5	1.8	1.9	1.4	1.4	1.4	1.5	1.5	1.6	2.2	1.2
2025f	1.7	1.9	1.9	1.6	1.6	1.4	1.6	1.7	2.1	2.5	1.7
2026f	1.5	1.6	1.7	1.5	1.4	1.1	1.3	1.5	1.8	2.1	1.4
Nominal GDP											
2010-19	4.0	3.7	4.2	3.0	2.8	3.8	4.1	3.9	3.5	3.7	4.5
2022	12.4	6.5	10.4	7.4	10.4	8.7	9.4	10.8	30.4	24.4	10.8
2023	2.9	-5.5	4.9	8.0	3.2	5.0	5.4	4.5	-4.8	-4.3	3.6
2024e	4.6	5.2	4.9	4.2	4.4	4.3	4.3	4.4	5.6	5.9	4.2
2025f	3.3	2.5	4.2	3.6	3.5	3.3	3.5	3.5	2.9	2.9	3.4
2026f	3.6	3.5	4.1	3.7	3.7	3.3	3.4	3.6	4.0	3.9	3.5
Employment											
2010-19	1.3	0.7	1.3	0.3	0.0	1.1	1.4	1.0	0.9	1.3	2.0
2022	4.1	4.0	5.2	3.5	3.0	3.1	4.9	3.6	3.5	4.9	3.4
2023	3.0	1.8	6.2	2.7	3.5	3.0	3.1	2.7	1.6	3.7	2.6
2024	1.9	2.8	3.5	3.2	2.9	1.0	1.7	2.5	2.6	3.1	2.3
2025f	1.4	1.8	2.4	1.9	1.9	1.0	1.3	1.4	2.1	2.2	1.1
2026f	0.8	0.9	1.8	1.2	1.3	0.4	0.7	1.0	1.4	1.6	0.4
Unemployment Rate (%)											
2010-19	6.9	13.3	10.6	8.8	9.5	7.1	7.0	5.6	5.3	6.2	6.2
2022	5.3	11.3	7.7	6.5	7.2	4.3	5.6	4.5	4.6	5.8	4.6
2023	5.4	10.0	7.2	6.4	6.6	4.5	5.6	4.9	4.7	5.9	5.2
2024	6.4	10.0	7.9	6.5	7.0	5.3	7.0	5.4	5.4	7.0	5.6
2025f	6.8	10.2	8.4	6.9	7.7	6.0	7.6	5.9	5.8	7.2	6.0
2026f	6.7	10.1	8.2	6.7	7.3	5.7	7.3	5.6	5.7	7.2	5.9
Total CPI, annual average											
2010-19	1.6	2.0	1.6	1.7	1.8	1.5	1.9	1.8	1.8	1.7	1.6
2022	6.8	6.4	8.9	7.5	7.3	6.7	6.8	7.9	6.6	6.5	6.9
2023	3.9	3.3	2.9	4.0	3.5	4.5	3.8	3.6	3.9	3.3	4.0
2024	2.4	1.8	1.9	2.3	2.2	2.3	2.4	1.0	1.4	2.9	2.6
2025f	1.9	2.0	2.0	1.9	1.9	1.9	1.9	1.8	1.7	2.0	2.0
2026f	2.0	1.9	1.7	1.8	1.8	1.9	1.9	1.9	1.9	1.9	1.9
Housing Starts (units, 000s)											
2010-19	201	2.2	0.8	4.2	2.7	44	70	6.6	6.0	31	34
2022	262	1.4	1.3	5.7	4.7	57	96	8.1	4.2	37	47
2023	240	1.0	1.1	7.2	4.5	39	89	7.1	4.6	36	50
2024	245	1.7	1.7	7.4	6.2	49	75	7.2	4.3	48	46
2025f	240	1.9	1.4	6.3	4.9	50	79	7.3	5.1	41	43
2026f	250	2.0	1.3	6.0	5.4	53	86	7.7	5.7	40	44
Motor Vehicle Sales (units, 000s)											
2010-19	1,816	33	7	52	42	441	738	56	54	239	199
2022	1,523	25	7	39	35	372	642	46	42	184	182
2023	1,684	27	8	42	38	412	720	50	45	210	205
2024	1,819	33	8	49	44	471	762	58	51	223	215
2025f	1,838	30	8	47	40	435	754	53	47	214	211
2026f	1,830	30	8	46	40	433	751	53	47	213	210
Budget Balances, (CAD mn)											
2021	-90,200	-277	82	339	767	-772	2,025	-750	-1,468	3,915	1,262
2022	-35,322	321	14	123	1,002	-6,150	-5,863	373	1,581	11,641	956
2023	-61,876	-459	-15	144	501	-8,041	-647	-1,971	182	4,285	-5,035
2024f	-48,300	-218	-130	82	-399	-10,998	-6,600	-1,309	-744	5,760	-9,135

Sources: Scotiabank Economics, Statistics Canada, CMHC, Budget documents; Quebec budget balance figures are after Generations Fund and before Stabilization Reserve transfers.

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