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Navigating a Complex Landscape: The Global Outlook Amid the Iran War

- Iran war lifts oil prices and uncertainty, but baseline macro impact remains contained.** We assume tensions ease around mid-year, with oil prices remaining elevated through Q3 before gradually easing. While the net macro impact on Canada is broadly neutral due to offsetting forces, oil prices remain the key source of uncertainty and skew inflation risks to the upside.
- US growth slowing, inflation risks constrain Fed easing.** US activity continues to decelerate as labour markets soften and equity market support fades. We expect growth to average 1.9% in 2026 before improving modestly in 2027. Higher oil prices and sticky inflation pressure lead us to expect a cautious Fed, delivering one rate cut this year and one in 2027 before pausing around 3.25%.
- Canada hits a soft patch in early 2026, but recovery remains intact.** We now expect weaker growth in early 2026, with average GDP growth revised down to 1.3% for the year, reflecting soft labour and trade data at the start of the year. Growth is projected to rebound to 2.0% in 2027, supported by fading trade headwinds, lagged rate cut effects, fiscal support, and a recovery in exports.
- BoC retains a tightening bias amid asymmetric inflation risks.** While near-term activity has softened, higher oil prices tilt inflation risks upward. We expect the BoC to remain on hold in the near term, but to begin removing monetary stimulus later this year, hiking three times in the second half of 2026.

Oil prices have jumped sharply following the outbreak of the Iran war, pushing benchmark prices well above the assumptions in our January baseline (**chart 1**). This adds a major new layer of uncertainty to the outlook, given the wide range of possible paths for the conflict—spanning its duration, potential disruptions to supply and transportation, regional spillovers, and longer-term structural effects.

Our March baseline assumes tensions ease around mid-year, but oil prices remain elevated for longer. This is a baseline assumption rather than a call on the timing of a resolution. Under this profile, oil prices stay high through Q3 before gradually easing, albeit to levels above those previously assumed. On net, we judge the macro impact of the Iran war on Canada to be broadly neutral, reflecting significant offsetting forces, which we discuss in more detail in an *In Focus* box. That said, oil prices remain the single most important source of uncertainty around the forecast.

Stripping out war-related effects and recent market volatility, the US economy has evolved broadly as expected. Activity continues to slow alongside a gradually weakening labour market. In Canada, GDP growth in 2025Q4 matched expectations, but weaker-than-expected trade data and soft Labour Force Survey prints in January and February point to a weaker start to 2026. This marks a clear loss of momentum and weighs on the near-term growth outlook.

Despite this, growth dynamics over the forecast horizon remain broadly consistent with our January view. In the US, we continue to expect growth to slow as household spending cools in line with softer labour market conditions. In Canada, growth should recover after a weak first half of 2026, supported by fading trade headwinds, the lagged effects of past rate cuts, and continued support from government spending and investment.

While the baseline outlook for both economies is little changed, higher oil prices clearly skew inflation risks to the upside—especially in the US. We continue to expect the Federal Reserve to deliver one rate cut this year and one in early 2027, but with greater caution given elevated inflation risks. The Bank of Canada also remains focused on inflation,

Chart 1

WTI and Stock Market Performance



though it must balance these concerns against weakening incoming data. Against this backdrop, we expect the BoC to raise rates three times this year.

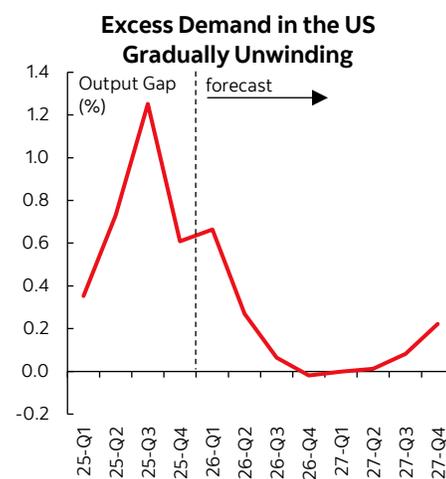
TRADE POLICY AND IRAN CONFLICT WEIGH ON US OUTLOOK

The US outlook remains broadly unchanged relative to January. Equity markets strengthened early in the year, partly offsetting the more recent sell-off linked to the Iran conflict. Meanwhile, the Supreme Court decision on IEPPA tariffs and the subsequent temporary global levy are expected to have limited macro effects. Any modest gains from slightly lower effective tariff rates are likely to be offset by elevated trade policy uncertainty, as new investigations are launched and the global levy approaches expiry later this year.

Against this backdrop, we continue to expect US growth to moderate, averaging 1.9% in 2026 before edging up to 2.1% in 2027, with the output gap—the percent deviation of GDP from its potential level—closing in 2026 (**chart 2**). Elevated interest rates, a softening labour market, and tighter financial conditions should increasingly weigh on activity. The resilience of the US economy has relied heavily on strong equity markets; with equity prices now softening amid geopolitical uncertainty and concerns over more persistent oil-related spillovers, this source of support is fading, pointing to a more visible slowdown ahead.

Household spending is expected to slow materially over the coming year. Consumption growth is projected to decelerate from 2.6% in 2025 to 1.5% in 2026 and 1.1% in 2027, reflecting softer labour market conditions and pressure on real incomes from higher energy prices. Business investment—particularly in technology-related sectors—has been a key growth driver in recent years, but momentum is expected to fade in 2026 as firms turn more cautious amid slowing demand.

Chart 2



Sources: Scotiabank Economics, BEA.

In Focus: Impact of Iran War on our Economic Outlook

The escalation of the conflict involving Iran introduces a new layer of uncertainty for the global economy. While there is a high level of uncertainty around the development of the conflict our base case assumes a relatively quick resolution to the conflict, but that instability will remain in the region, leading to a persistent risk premium on oil prices. As such, we assume WTI to remain elevated in the near term, with a gradual normalization over the rest of this year. We expect oil prices to remain higher than pre-conflict projections over the rest of our forecast horizon.

For Canada and the US, the economic implications of this conflict operate through three main distinct channels:

- **Higher Oil Prices: A Terms-of-Trade Shock.** The most immediate channel is through energy prices. The conflict has pushed oil prices higher amid concerns about supply disruptions and increased geopolitical risk premia. For commodity exporters such as Canada, and recently the United States, this represents a positive terms-of-trade shock. Higher oil prices raise the value of exports relative to imports, increasing national income and improving corporate revenues in the energy sector. This effect typically boosts investment, fiscal revenues, and income in oil-producing regions. That said, higher energy prices also act as a tax on consumers through higher gasoline and transportation costs, partially offsetting the positive income effect.
- **Tighter Financial Conditions.** The conflict has already been associated with a decline in equity markets (see **chart 1**) and widening credit spreads, tightening financial conditions. Lower asset prices reduce household wealth and dampen business investment. These effects are negative for economic activity partially offsetting the income gains associated with higher commodity prices.
- **Confidence Effects.** Finally, geopolitical events that threaten income prospects often lead to deterioration in household and business confidence. While survey data have not yet fully reflected these developments, we estimated that oil supply shocks are associated with negative confidence effects in our model.

A SMALL NET IMPACT, BUT LARGE UNCERTAINTY

Overall, we assess the net impact of the Iran war to have a small impact on both Canadian and US economies, but this masks large offsetting forces. It's worth noting that the magnitude of these forces are large, and the balance of effects is highly sensitive to the persistence and magnitude of oil price increases and financial market stress. Should either move materially beyond current assumptions, the net impact on growth could shift meaningfully in either direction.

In the near term, higher oil prices are expected to push headline CPI inflation to around 2.9%. Core PCE inflation is expected to remain in the upper-mid 2% range through 2026, easing only gradually to around 2.4% in 2027. This slower growth path is unlikely to be enough to return inflation to target. While tariff-related cost pressures have eased somewhat following the Supreme Court’s ruling on IEPPA tariffs, there is still pressure in the pipeline. Moreover, even before accounting for the recent rise in energy prices from the conflict in Iran, underlying domestic price pressures remain sticky, reflecting solid wage growth and elevated input costs.

Although the baseline US outlook is largely unchanged, inflation risks now loom larger for monetary policy. We expect the Federal Reserve to proceed cautiously, continuing its gradual easing cycle with one rate cut this year, and one early next year bringing the federal funds rate to 3.25%, where it is then expected to remain. Persistent inflation above target, combined with higher oil prices and other rising costs, is likely to limit the scope for faster easing. In this environment, the Fed is likely to err on the side of caution to avoid having to reverse course should inflation re-accelerate.

CANADA: SOFT PATCH IN EARLY 2026, RECOVERY STILL ON TRACK

Canadian GDP growth in 2025Q4 came in as expected, with domestic demand slightly stronger than anticipated, but that strength has not carried into the new year. Recent data point to a weaker start to 2026, with broad-based softness in the Labour Force Survey in January and February and a very weak January trade report, signaling slower aggregate demand. We now expect GDP growth in 2026Q1 to undershoot earlier expectations but still progress at about potential’s pace. While part of this weakness likely reflects temporary factors and volatility, the overall growth profile for 2026 has deteriorated, with average growth now expected at 1.3%.

That said, several forces should support a recovery later in the year and into 2027. The drag from trade tensions is fading, past rate cuts are still feeding through, and government spending and investment initiatives will be supportive. After this early-year soft patch, growth is projected to accelerate to 2.0% in 2027. Domestic demand should rebound as confidence improves and fiscal support gains traction—not only through higher public spending, but also by supporting private investment. Exports are also expected to recover after a temporary pullback in Q1; while levels are likely to remain below pre-tariff trend, export growth should strengthen going forward (**chart 3**).

As for the US inflation, Canadian inflation dynamics in the near term will be heavily influenced by developments related to the Iran conflict. Higher energy prices are expected to push headline inflation to around 3.2% in 2026Q2 before inflation gradually converges back toward the 2% midpoint of the Bank of Canada’s target band over the course of 2027. With the economy operating below full capacity in recent quarters, excess supply has been weighing on core inflation (**chart 4**). However, elevated oil prices will continue to push input costs higher, tilting inflation risks to the upside even as demand cools.¹

Against this backdrop, the Bank of Canada faces a familiar tradeoff. While near-term growth has softened, we view the slowdown as temporary and do not expect the BoC to react to it. We also don’t expect it to react to the direct impact of higher oil prices on headline inflation, but the shift in the balance of inflation risks argues for caution—particularly given uncertainty around the persistence of the oil shock. A further deterioration in the conflict would likely require a more restrictive policy response to ensure inflation expectations remain well anchored.²

Chart 3

Canadian Exports to Recover, but Still Below Pre-Tariff Trend

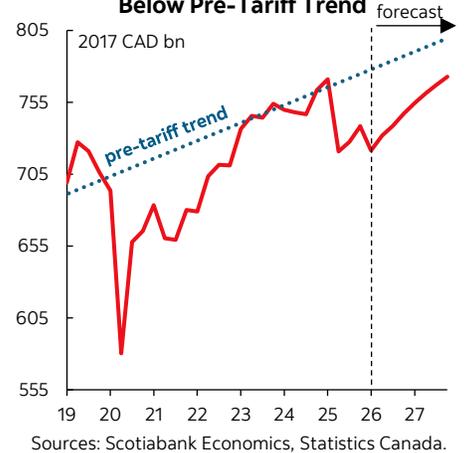
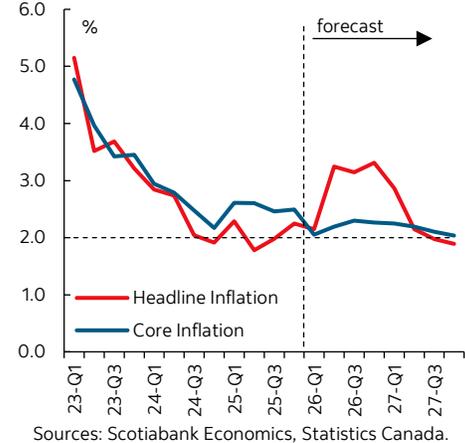


Chart 4

Oil Prices Push Total CPI Higher, Core to Moderate



¹ In a [previous note](#), we argued that rising costs act as an amplifier of upside inflation risks. In this context, the sharp increase in oil prices further tilts the balance of risks to the upside.

² As Deputy Governor Sharon Kozicki noted in her latest [speech](#), the longer a supply shock persists, the stronger the required policy response. In particular, inflation expectations could become de-anchored if inflationary pressures are left unaddressed.

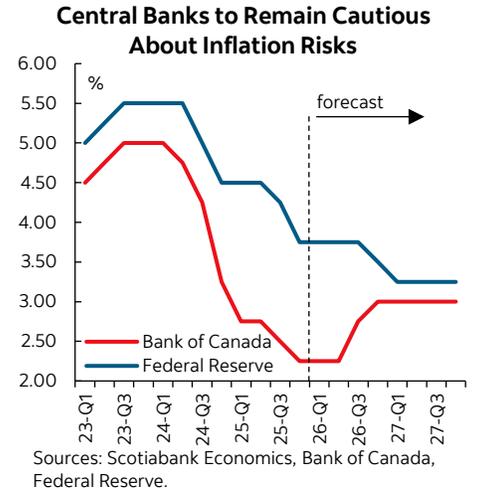
We therefore expect the BoC to begin gradually removing monetary stimulus and move toward a more neutral stance by year-end. Consistent with this view, we expect the Bank to remain on hold in the near term—until CUSMA renegotiations are resolved—before hiking three times in the second half of this year (**chart 5**).

RISKS

The outlook is subject to several important risks, with the most pertinent being the duration and intensity of the hostilities in Iran and surrounding regions, alongside a number of domestic risks in Canada and the US.

- Two-sided risks around oil prices.** There is significant uncertainty surrounding the implications of the Iran conflict, and we see risks as broadly two-sided. Central banks, however, should be particularly alert to the risk of a further escalation. Additional disruptions to oil production or transportation would likely push commodity prices higher, increase financial market volatility, and place upward pressure on inflation expectations. This would represent a material upside risk to headline CPI inflation.
- Upside risk from additional US fiscal stimulus.** Further fiscal support remains a key upside risk for the US economy, particularly if defense spending rises more than currently assumed amid a prolonged Iran conflict. In addition, proposed household transfers could provide further support to consumer spending if implemented. Taken together, a larger-than-expected fiscal impulse would complicate the inflation outlook and could materially alter the Federal Reserve’s policy path.
- Risk that Canadian economic weakness proves more persistent.** Recent softness in Canadian activity may extend beyond a temporary soft patch, reflecting the lagged effects of tariffs and elevated policy uncertainty. In this scenario, the recovery in growth would be weaker than assumed, inflation pressures would ease more quickly, and interest rates would likely settle at lower levels than in our baseline.
- Breakdown of CUSMA negotiations.** [A full breakdown in CUSMA negotiations](#) remains a low probability event but would represent a significant downside risk. Such an outcome would be negative for both economies and would likely push Canada into recession, given its high exposure to trade with the US.

Chart 5



International												
	2010-19	2023	2024	2025	2026f	2027f	2010-19	2023	2024	2025	2026f	2027f
	Real GDP (annual % change)						Consumer Prices (annual average % change, unless noted)					
World (based on purchasing power parity)	3.7	3.5	3.4	3.4	3.0	3.2						
Canada	2.2	2.0	2.0	1.7	1.3	2.0	1.6	3.9	2.4	2.1	3.0	2.2
United States	2.4	2.9	2.8	2.1	1.9	2.1	1.8	4.1	3.0	2.7	2.9	2.6
Mexico	2.3	3.1	1.4	0.6	1.0	1.0	4.0	5.6	4.7	3.8	4.2	4.1
United Kingdom	2.0	0.3	1.1	1.3	0.6	1.2	2.2	7.3	2.5	3.4	3.3	2.1
Eurozone	1.4	0.5	0.9	1.5	0.8	1.3	1.4	5.4	2.4	2.1	2.9	2.0
Germany	2.0	-0.7	-0.5	0.4	0.6	1.4	1.4	6.0	2.5	2.3	2.5	2.0
France	1.4	1.6	1.1	0.9	0.8	1.0	1.3	5.7	2.3	0.9	1.8	1.7
China	7.7	5.4	5.0	5.0	4.6	4.4	2.6	0.3	0.2	0.1	1.0	1.1
India	6.9	7.2	7.1	7.6	6.6	6.6	6.6	5.7	5.0	2.2	4.2	4.3
Japan	1.3	0.7	-0.2	1.2	0.7	0.8	0.5	3.3	2.8	3.2	2.3	2.0
South Korea	3.5	1.6	2.0	1.0	2.0	1.8	1.7	3.6	2.3	2.1	2.2	2.0
Australia	2.6	2.1	1.0	2.0	2.2	2.3	2.1	5.6	3.2	2.9	3.7	2.8
Thailand	3.6	2.2	2.9	2.4	1.8	2.2	1.6	1.2	0.4	-0.1	0.9	1.0
Brazil	1.4	3.2	3.4	2.3	1.8	1.8	5.8	4.6	4.4	5.0	4.0	3.8
Peru	4.5	-0.4	3.5	3.4	3.2	3.0	2.8	6.3	2.4	1.5	2.4	1.6
Chile	3.3	0.7	2.8	2.5	2.0	3.0	2.9	7.3	3.9	4.2	3.9	3.3
Commodities												
	(annual average)											
WTI Oil (USD/bbl)	74	78	76	65	85	75						
Brent Oil (USD/bbl)	82	83	81	69	91	80						
WCS - WTI Discount (USD/bbl)	-18	-19	-15	-12	-15	-18						
Nymex Natural Gas (USD/mmbtu)	3.39	2.73	2.27	3.53	4.65	3.65						
Copper (USD/lb)	3.10	3.85	4.15	4.51	5.50	5.50						
Zinc (USD/lb)	1.02	1.20	1.26	1.30	1.40	1.40						
Gold, (USD/oz)	1,342	1,943	2,386	3,442	4,500	4,050						
Silver, (USD/oz)	21.64	23.38	28.21	39.80	70.00	63.00						

Sources: Scotiabank Economics, Statistics Canada, Focus Economics, BEA, BCB, BLS, IMF, Bloomberg.

North America												
	2010-19	2023	2024	2025	2026f	2027f	2010-19	2023	2024	2025	2026f	2027f
	Canada						United States					
	(annual % change, unless noted)						(annual % change, unless noted)					
Real GDP	2.2	2.0	2.0	1.7	1.3	2.0	2.4	2.9	2.8	2.1	1.9	2.1
Consumer spending	2.5	2.3	2.2	2.3	1.3	1.7	2.3	2.6	2.9	2.6	1.5	1.1
Residential investment	2.4	-9.3	0.0	1.0	2.0	5.3	4.7	-7.8	3.2	-2.1	-1.7	3.5
Business investment*	16.4	3.4	-0.4	-0.1	1.3	2.1	5.6	7.3	2.9	4.1	3.9	4.9
Government	1.1	2.9	4.2	3.0	4.1	2.5	0.2	3.5	3.8	1.1	0.8	2.0
Exports	3.5	6.2	0.9	-1.7	-0.9	3.8	3.9	2.8	3.6	1.6	1.6	1.4
Imports	3.7	1.2	0.7	-0.4	1.3	5.4	4.3	-0.9	5.8	2.7	-1.1	1.0
Inventories, contribution to annual GDP growth	0.1	-1.2	-0.2	0.0	0.0	0.3	0.1	-0.4	0.0	-0.1	-0.1	0.1
Nominal GDP	4.0	3.5	4.8	4.3	5.5	5.0	4.1	6.7	5.3	5.0	5.3	4.8
GDP deflator	1.7	1.5	2.7	2.5	4.2	2.9	1.6	3.7	2.5	2.8	3.4	2.6
Consumer price index (CPI)	1.6	3.9	2.4	2.1	3.0	2.2	1.8	4.1	3.0	2.7	2.9	2.6
Core inflation rate**	1.7	4.0	2.9	2.9	2.4	2.3	1.6	4.2	2.9	2.8	2.8	2.4
Pre-tax corporate profits	6.3	-11.8	-2.3	5.7	3.7	4.4	5.9	7.6	5.1	6.0	5.9	4.1
Employment	1.3	3.0	1.9	1.4	0.6	1.2	1.4	2.2	1.2	0.5	0.4	1.6
Unemployment rate (%)	6.9	5.4	6.4	6.8	6.5	6.0	6.2	3.6	4.0	4.3	4.4	4.2
Current account balance (CAD, USD bn)	-56.9	-20.4	-15.0	-30.4	0.6	-39.5	-407	-928	-1185	-1149	-975	-976
Merchandise trade balance (CAD, USD bn)	-13.6	-0.9	-7.2	-31.1	-1.9	-36.1	-763	-1057	-1215	-1273	-1122	-1141
Federal budget balance (FY, CAD, USD bn) ***	-18.7	-61.9	-36.3	-78.3	-65.4	-63.5	-829	-1,694	-1,915	-1,775	-1,992	-2,075
percent of GDP	-1.0	-2.1	-1.2	-2.4	-1.9	-1.8	-4.8	-6.1	-6.5	-5.8	-6.1	-6.1
Housing starts (000s, mn)	201	240	245	259	247	255	0.99	1.42	1.37	1.36	1.32	1.37
Motor vehicle sales (000s, mn)	1,816	1,684	1,819	1,894	1,806	1,866	15.7	15.5	15.9	16.3	15.7	15.8
Industrial production	2.4	0.6	0.6	0.9	1.1	2.2	1.7	-0.2	-0.6	1.2	1.4	2.0
	Mexico											
	(annual % change)											
Real GDP	2.3	3.1	1.4	0.6	1.0	1.0						
Consumer price index	4.0	5.6	4.7	3.8	4.2	4.1						
Unemployment rate (%)	4.4	2.8	2.7	2.6	3.3	3.8						

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 FY2023/24 are noted in calendar year 2023, FY2024/25 in calendar year 2024.

Quarterly Forecasts													
	2024		2025			2026				2027			
Canada	Q4	Q1	Q2	Q3	Q4	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
Real GDP (q/q ann. % change)	2.8	2.1	-0.9	2.4	-0.6	1.3	1.8	2.8	1.7	1.7	1.9	2.2	2.0
Real GDP (y/y % change)	3.1	2.9	1.8	1.6	0.7	0.5	1.2	1.3	1.9	2.0	2.1	1.9	2.0
Consumer prices (y/y % change)	1.9	2.3	1.8	2.0	2.2	2.1	3.2	3.1	3.3	2.9	2.1	2.0	1.9
Average of new core CPIs (y/y % change)*	2.6	2.8	3.0	3.1	2.8	2.4	2.4	2.4	2.4	2.4	2.4	2.3	2.2
CPIXFET (y/y % change)**	2.2	2.6	2.6	2.5	2.5	2.1	2.2	2.3	2.3	2.2	2.2	2.1	2.0
Unemployment Rate (%)	6.8	6.7	6.9	7.0	6.8	6.7	6.5	6.5	6.3	6.2	6.1	6.0	6.0
United States													
Real GDP (q/q ann. % change)	1.9	-0.6	3.8	4.4	0.7	2.2	0.6	1.4	1.9	2.4	2.4	2.5	2.7
Real GDP (y/y % change)	2.4	2.0	2.1	2.3	2.0	2.8	1.9	1.2	1.5	1.6	2.0	2.3	2.5
Consumer prices (y/y % change)	2.7	2.7	2.5	2.9	2.8	2.9	2.7	2.9	3.2	3.3	2.8	2.3	2.2
Total PCE deflator (y/y % change)	2.6	2.6	2.4	2.7	2.8	3.0	3.2	3.0	3.2	2.8	2.1	2.0	1.9
Core PCE deflator (y/y % change)	3.0	2.8	2.7	2.9	2.9	3.0	2.8	2.6	2.7	2.6	2.4	2.3	2.2
Unemployment Rate (%)	4.1	4.1	4.2	4.3	4.5	4.4	4.4	4.4	4.3	4.2	4.2	4.1	4.1

* 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													
	2024	2025				2026				2027			
	Q4	Q1	Q2	Q3	Q4	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
Americas													
Bank of Canada	3.25	2.75	2.75	2.50	2.25	2.25	2.25	2.75	3.00	3.00	3.00	3.00	3.00
US Federal Reserve (upper bound)	4.50	4.50	4.50	4.25	3.75	3.75	3.75	3.75	3.50	3.25	3.25	3.25	3.25
Bank of Mexico	10.00	9.00	8.00	7.50	7.00	6.75	6.50	6.50	6.50	6.50	6.50	6.50	6.75
Central Bank of Brazil	12.25	14.25	15.00	15.00	15.00	14.75	14.25	13.75	13.00	12.50	12.00	11.50	11.25
Central Reserve Bank of Peru	5.00	4.75	4.50	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25
Central Bank of Chile	5.00	5.00	5.00	4.75	4.50	4.50	4.50	4.50	4.50	4.25	4.25	4.25	4.25
Europe													
European Central Bank MRO Rate	3.15	2.65	2.15	2.15	2.15	2.15	2.40	2.65	2.65	2.65	2.65	2.40	2.40
European Central Bank Deposit Rate	3.00	2.50	2.00	2.00	2.00	2.00	2.25	2.50	2.50	2.50	2.50	2.25	2.25
Bank of England	4.75	4.50	4.25	4.00	3.75	3.75	4.00	4.25	4.25	4.25	4.25	4.00	3.75
Asia/Oceania													
Reserve Bank of Australia	4.35	4.10	3.85	3.60	3.60	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10
Bank of Japan	0.25	0.50	0.50	0.50	0.75	0.75	1.00	1.00	1.00	1.25	1.25	1.25	1.25
People's Bank of China	1.50	1.50	1.40	1.40	1.40	1.40	1.30	1.30	1.20	1.20	1.20	1.20	1.20
Reserve Bank of India	6.50	6.25	5.50	5.50	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25
Bank of Korea	3.00	2.75	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Bank of Thailand	2.25	2.00	1.75	1.50	1.25	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Currencies and Interest Rates													
Americas													
Canadian dollar (USDCAD)	1.44	1.44	1.36	1.39	1.37	1.38	1.35	1.34	1.33	1.32	1.32	1.30	1.30
Canadian dollar (CADUSD)	0.70	0.70	0.73	0.72	0.73	0.72	0.74	0.75	0.75	0.76	0.76	0.77	0.77
Mexican peso (USDMXN)	20.83	20.47	18.75	18.31	18.01	17.89	18.04	18.20	18.38	18.56	18.77	18.99	19.21
Mexican peso (CADMXN)	14.48	14.23	13.78	13.15	13.12	12.96	13.36	13.59	13.82	14.06	14.22	14.61	14.78
Brazilian real (USDBRL)	6.18	5.71	5.43	5.32	5.47	5.25	5.30	5.33	5.40	5.43	5.45	5.48	5.50
Peruvian sol (USDPEN)	3.74	3.68	3.54	3.47	3.36	3.39	3.32	3.35	3.35	3.40	3.37	3.42	3.45
Chilean peso (USDCLP)	995	951	932	963	901	910	900	870	870	870	870	870	870
Europe													
Euro (EURUSD)	1.04	1.08	1.18	1.17	1.17	1.18	1.18	1.22	1.22	1.23	1.23	1.24	1.24
UK pound (GBPUSD)	1.25	1.29	1.37	1.34	1.35	1.32	1.34	1.36	1.37	1.38	1.38	1.39	1.39
Asia/Oceania													
Japanese yen (USDJPY)	157	150	144	148	157	157	155	152	150	147	145	143	140
Australian dollar (AUDUSD)	0.62	0.62	0.66	0.66	0.67	0.68	0.68	0.70	0.70	0.71	0.71	0.72	0.72
Chinese yuan (USDCNY)	7.30	7.26	7.16	7.12	6.99	7.05	7.05	7.05	7.00	7.00	7.00	7.00	7.00
Indian rupee (USDINR)	85.6	85.5	85.8	88.8	89.9	90.0	89.5	89.0	88.5	88.5	88.5	88.5	88.5
South Korean won (USDKRW)	1472	1473	1354	1404	1440	1460	1455	1450	1400	1350	1350	1350	1350
Thai baht (USDTHB)	34.1	33.9	32.5	32.4	31.5	32.0	32.0	32.0	32.0	32.0	32.0	32.0	32.0
Canada (Yields, %)													
3-month T-bill	3.15	2.61	2.65	2.42	2.19	2.25	2.50	2.85	3.05	3.05	3.05	3.05	3.05
2-year Canada	2.93	2.46	2.59	2.47	2.59	2.95	3.05	3.10	3.15	3.15	3.15	3.15	3.15
5-year Canada	2.97	2.61	2.82	2.75	2.97	3.15	3.20	3.25	3.30	3.35	3.35	3.35	3.35
10-year Canada	3.23	2.97	3.27	3.18	3.43	3.50	3.55	3.60	3.65	3.65	3.70	3.70	3.70
30-year Canada	3.33	3.22	3.57	3.63	3.86	3.90	3.90	3.95	3.95	4.00	4.00	4.00	4.00
United States (Yields, %)													
3-month T-bill	4.14	4.19	4.29	3.85	3.52	3.60	3.60	3.50	3.30	3.10	3.10	3.10	3.10
2-year Treasury	4.24	3.88	3.72	3.61	3.48	3.80	3.70	3.60	3.50	3.40	3.40	3.40	3.40
5-year Treasury	4.38	3.95	3.80	3.74	3.73	3.95	3.90	3.80	3.75	3.65	3.65	3.65	3.65
10-year Treasury	4.57	4.21	4.23	4.15	4.17	4.35	4.30	4.25	4.25	4.20	4.20	4.15	4.10
30-year Treasury	4.78	4.57	4.77	4.73	4.85	4.90	4.90	4.90	4.90	4.85	4.85	4.85	4.85

Sources: Scotiabank Economics, Bloomberg.

The Provinces											
	(annual % change except where noted)										
	CA	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC
Real GDP											
2010–19	2.2	1.1	2.1	1.2	0.7	1.9	2.3	2.2	2.3	2.6	2.9
2023	2.0	-3.0	2.9	2.4	2.0	0.7	2.4	2.8	3.1	2.5	2.8
2024	2.0	2.7	3.8	3.1	2.7	1.7	1.6	1.7	3.0	3.0	1.1
2025e	1.7	2.0	1.8	1.7	2.1	0.8	1.2	2.0	2.4	2.8	2.1
2026f	1.3	2.0	1.6	1.3	1.6	0.8	0.8	1.7	2.2	3.0	1.5
2027f	2.0	2.3	2.1	1.9	2.0	1.7	1.7	2.0	2.4	2.9	2.1
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
2023	3.5	-4.0	6.7	7.6	3.5	4.7	6.9	5.4	-3.7	-4.0	3.6
2024	4.8	4.6	7.5	8.0	4.0	5.9	5.1	3.3	0.0	5.1	3.5
2025e	4.3	3.6	5.1	4.7	5.0	3.8	4.1	4.8	4.3	4.3	4.9
2026f	5.5	10.8	4.9	4.4	4.8	3.9	3.8	4.7	9.2	12.8	4.6
2027f	5.0	1.3	6.6	6.2	6.4	6.0	5.9	6.2	3.7	0.3	6.4
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
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
2025	1.4	-0.1	1.2	0.4	1.3	1.7	1.0	1.6	2.5	2.8	1.1
2026f	0.6	0.6	1.5	0.1	1.5	0.2	0.2	1.2	1.0	2.6	0.2
2027f	1.2	1.0	2.0	0.9	1.8	0.9	0.9	1.8	1.9	3.0	0.8
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
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
2025	6.8	10.1	8.0	6.6	7.1	5.6	7.7	5.9	5.2	7.2	6.2
2026f	6.5	9.5	7.3	6.6	6.5	5.3	7.5	5.7	5.4	6.4	6.0
2027f	6.0	9.0	6.9	6.4	6.2	5.0	7.0	5.2	5.0	5.7	5.8
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
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
2025	2.1	1.4	1.4	2.0	1.7	2.5	1.9	2.7	2.1	1.9	2.1
2026f	3.0	2.9	2.8	2.9	2.9	3.0	3.0	2.9	3.0	2.9	3.0
2027f	2.2	2.2	2.1	2.2	2.2	2.2	2.2	2.2	2.2	2.3	2.2
Housing Starts (units, 000s)											
2010–19	201	2.2	0.8	4.2	2.7	44	70	6.6	6.0	31	34
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
2025	259	1.6	1.7	9.8	7.6	59	65	7.9	6.1	55	44
2026f	247	1.6	1.7	8.0	6.5	55	67	7.2	5.6	48	46
2027f	255	1.8	1.5	7.9	6.1	57	74	7.8	6.0	47	45
Motor Vehicle Sales (units, 000s)											
2010–19	1,816	33	7	52	42	441	738	56	54	239	199
2023	1,684	27	8	42	38	411	718	49	45	209	205
2024	1,819	33	9	49	44	473	764	58	51	223	214
2025	1,894	36	9	55	47	457	787	63	55	234	215
2026f	1,806	33	8	47	42	431	726	57	51	220	199
2027f	1,866	31	8	48	41	438	757	57	51	223	211
Budget Balances, (CAD mn)											
2022	-35,322	321	14	123	1,002	-3,126	-5,863	373	1,581	11,641	956
2023	-61,876	-459	-15	142	500	-5,994	-693	-1,971	182	4,285	-5,035
2024	-36,300	-297	-164	82	-104	-5,175	-1,090	-1,149	-249	8,320	-7,347
2025f	-78,300	-948	-367	-1,249	-1,328	-7,655	-13,424	-1,666	-1,211	-4,134	-9,614

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

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