

SCOTIABANK FORECAST

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Scotiabank Forecast: Tighter Financial Conditions Meet a Resilient Economy

- **The broad growth outlook is little changed, and recent data reinforce the view that economic activity remains resilient.** Historical revisions show that the U.S. economy entered the second half of the year with more momentum than previously estimated, while Canadian activity has continued to hold up broadly as expected, recovering from the soft patch earlier in the year. Tighter financial conditions provide some offset to these positive forces, but the net drag on activity should remain relatively contained.
- **Canada's investment outlook has strengthened further.** The recently announced accelerated depreciation measure provides an additional boost to investment, although near-term GDP effects should be muted as part of the demand impulse leaks into imports. Over time, stronger capital spending should raise the economy's productive capacity.
- **Inflation pressures are proving more persistent in both Canada and the U.S., turning the monetary policy outlook more restrictive.** Higher oil prices have lifted the inflation profile, while the recent surge in diesel prices is expected to feed more gradually into a broader range of consumer prices. Together with firm activity, this should require further tightening from both the Fed and the BoC.

Economic activity continues to hold up broadly as expected, but renewed inflation pressures give little choice for central banks but to tighten monetary policy. The recent data flow suggests that the U.S. economy has been more resilient than previously estimated, while Canadian activity continues to hold up. Beyond the incoming data, accelerated depreciation measures should provide a substantial lift to Canadian business investment and productive capacity in the medium run. However, this is partly offset by tighter financial conditions.

The broad growth outlook remains intact, with the U.S. economy expected to expand at a moderate pace and Canadian growth accelerating in 2027. In the U.S., resilient consumption and AI-related investment should support activity in the near term, although restrictive interest rates and weaker job and real income growth will gradually weigh on household demand over the forecast period. In Canada, trade disruptions will constrain exports, but stronger business investment, public infrastructure and defence spending should provide an important offset and expand productive capacity over time. Inflation remains the key risk in both countries, particularly as elevated diesel prices and tariffs feed into broader price pressures with a lag.

Persistent inflation and resilient activity should lead the Fed to raise rates twice more, taking the federal funds rate to 4.5% in early 2027, before reversing those hikes in 2028 as the economy slows. The BoC should also withdraw stimulus and move into restrictive territory, raising its policy rate to 3.25% in 2027.

RECENT DATA CONFIRM RESILIENT ECONOMIC ACTIVITY

Historical revisions suggest that the U.S. economy entered the second half of the year with more momentum than previously estimated. Second-quarter GDP growth was revised up to 2.2%, while earlier data were also adjusted higher. Much of the revision reflects stronger business investment—and potential output—and therefore does not materially change our assessment of the degree of excess demand in the economy. The revisions reinforce the resilience of the expansion but, on their own, have limited implications for our inflation or policy rate outlook.

Canadian activity has also evolved broadly in line with our expectations. Real GDP was flat in July, but the comparatively strong flash estimate from Statistics Canada for August suggests that third-quarter growth should remain healthy. This is consistent with our view that the weakness seen at the beginning of the year was temporary and that the economy carried reasonable momentum into the second half of 2026.¹

Financial conditions have tightened more quickly and sharply than we expected, particularly in the U.S. (**chart 1**). We interpret this as a reflection of a stronger economy and more acute inflation pressures, which have pushed up short-term rates expectations, alongside heavy demand for capital from the AI build-out. The net aggregate macroeconomic drag should therefore be relatively contained, although the effects will vary across sectors, with household spending being more affected than business investment for instance. In Canada, the tightening has been smaller in absolute terms, but the economy's greater sensitivity to interest rates leaves household spending and other rate-sensitive sectors more exposed. Overall, tighter financial conditions provide an important, though only partial, offset to the recent positive forces supporting the Canadian economy.

INFLATION PRESSURES ARE PROVING MORE PERSISTENT

The inflation profile is revised up again in response to higher oil prices (**chart 2**). Also, the surge in diesel prices since the summer adds another layer of inflation pressure, gradually feeding into a broader range of consumer prices, often with a substantial lag, as our **recent analysis** shows. For example, we estimate that the effect on food prices will peak roughly 18 months after the initial shock. On its own, the recent increase in diesel prices raises our core inflation forecast by 0.2 percentage points in both countries. This matters for the Fed and the BoC: central banks can look through a temporary rise in energy prices, but a shock that spreads more broadly across the economy is harder to ignore.

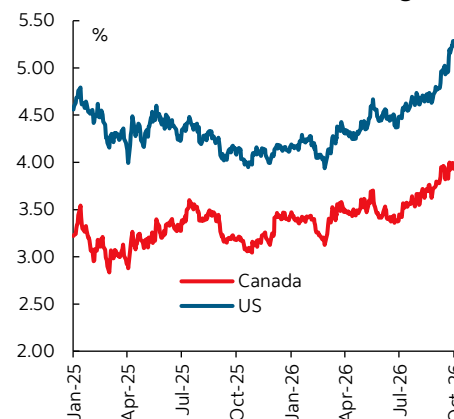
THE GROWTH OUTLOOK HOLDS FIRM

United States

The broad U.S. growth outlook for 2026–28 is little changed, with growth close to potential and around 2.1% for the next two years. In the near term, the economy should continue to expand at a moderate pace, supported by resilient consumer spending and strong business investment. Consumption is expected to slow gradually thereafter as support from buoyant equity markets fades, real income slows due to rising inflation, and restrictive interest rates weigh more heavily on demand in 2027. We expect some recovery in 2028 as monetary policy starts to normalize. Business investment should remain robust this year, supported by AI-related capital spending and healthy corporate finances, but should moderate in 2027 and 2028 after several exceptionally strong years and as tighter financial conditions constrain further expansion.

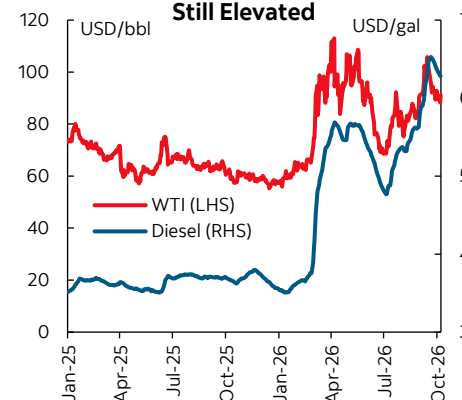
Inflation is still the most troubling part of the U.S. outlook. Price pressures extend beyond energy, and the delayed pass-through of tariffs into goods' prices is becoming visible. Elevated gasoline and diesel prices are also particularly important. We expect this to keep inflation from improving materially over the next few quarters. But as household spending weakens in 2027, and the effect of energy prices starts to fade, we should see some improvement, with total PCE inflation converging towards 2% in late 2027 and into 2028.

Chart 1: 10-Year Yields Have Surged



Sources: Scotiabank Economics, Bloomberg.

Chart 2: Oil and Diesel Prices Still Elevated



Sources: Scotiabank Economics, Bloomberg.

¹ Canada's 2026 population growth was revised higher, implying a larger labour supply and greater productive capacity. While this allows activity to expand faster without necessarily adding inflation pressure, it also lowers measured productivity for a given level of output. We view these effects as broadly offsetting, leaving our forecasts for aggregate activity, inflation and interest rates largely unchanged.

Canada

Canada's outlook is characterized by two opposing forces: the lift from the transformation agenda against the drag from the trade war. Trade disruptions should visibly weaken exports in the fourth quarter of this year, although fiscal initiatives and stronger business investment will provide important offsets.

We continue to expect growth to accelerate in 2027, as the federal transformation agenda supports stronger business investment and public spending, while elevated energy and non-energy commodity prices further reinforce the investment outlook through stronger terms of trade and national income.

A key part of the positive investment outlook is Canada's recently introduced "Productivity Mega-Deduction" measure, which introduces immediate expensing for a wide range of depreciable capital and significantly reduces the Marginal Effective Tax Rate on new investments (**chart 3**). We estimate that the measure will lift investment by around 3% by 2028. The near-term effect on GDP is more modest because part of the increase in capital spending will leak into imports, particularly for machinery and equipment. The longer-run implications are more meaningful: stronger investment gradually adds to the capital stock, lifting productivity and the economy's productive capacity. By the end of 2028, we estimate that the measures will raise the level of Canadian GDP by about 0.3%.

We forecast GDP growth to remain healthy in 2028 with investment remaining an important support, but to moderate slightly to 2.1%, as consumption softens in response to a restrictive monetary stance. The labour market should continue to normalize, with the unemployment rate settling close to 6%.

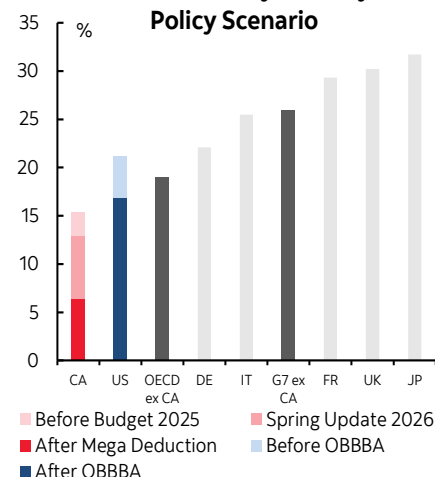
Inflation in Canada remains better contained than in the United States, but the risks are still tilted to the upside in our opinion. Elevated oil prices will keep total CPI above 3% for the next few quarters. Inflation should then slow in 2027 as oil prices normalize and remain close to 2% in 2028. And like in the U.S., the recent diesel price surge is expected to feed through a broader set of inflation pressures in Canada. Along with the impact of retaliatory tariffs, this puts upward pressure on core inflation in 2027.

CENTRAL BANKS REMAIN FOCUSED ON INFLATION

The resilience of the U.S. economy and persistent inflation pressures should lead the Fed to raise rates twice more, taking the federal funds rate to 4.5% in early 2027 (**chart 4**). With monetary policy already restrictive, we think this additional tightening will be sufficient to bring the economy into better balance and inflation back toward target. The hikes also reflect some form of risk management, helping the Fed preserve its inflation-fighting credibility and lean against upside risks to prices. Combined with tight financial conditions that should slow the economy, the Fed should reverse these hikes through 2028.

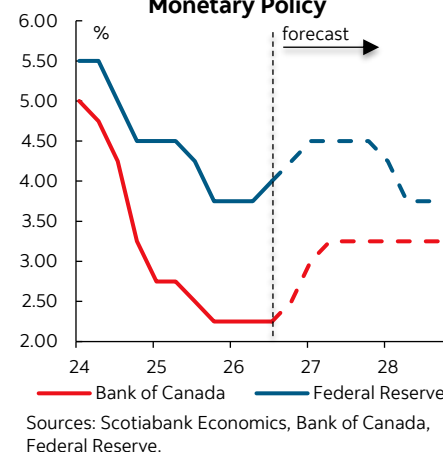
The BoC faces a similar challenge. Although inflation is better contained than in the U.S., persistently high energy and diesel prices are building additional cost pressures in the pipeline. Monetary policy cannot address this source of inflation, but the Bank of Canada still has a price-stability mandate and must limit the extent to which higher energy costs spill into broader prices. Recent growth has also held up well, suggesting that excess supply is being absorbed more quickly than expected. Against this backdrop, the BoC has little room to maintain an accommodative stance. The policy rate will likely need to move into restrictive territory to lean against these inflation risks. We forecast it to reach 3.25% in the second quarter of 2027 and keep it there well into 2028.

Chart 3: METRs by Country & Policy Scenario



Sources: Scotiabank Economics, Dep. of Finance.

Chart 4: Fed and BoC to Tighten Monetary Policy



Sources: Scotiabank Economics, Bank of Canada, Federal Reserve.

RISKS

Geopolitical tensions and further increases in energy prices. Our baseline assumes that geopolitical tensions gradually ease, and that oil supply recovers over time. However, inventories still need to be rebuilt, and the possibility of more prolonged or renewed supply disruptions remains significant. Crude prices could stay high for a longer period, and diesel prices could rise even further, adding strains on the supply chain. Such an outcome would directly lift headline inflation and raise transportation and production costs throughout the economy. This would require a stronger response from central banks.

A larger-than-expected fiscal and investment impulse in Canada. Governments could introduce additional measures to cushion the economic effects of the trade dispute. A larger fiscal package would support Canadian growth in 2027, but it would also add to demand and inflation at a time when the economy is already proving resilient. The response to the Productivity Mega-Deduction and the major-projects agenda could also be stronger than we currently assume. If these measures generate a larger wave of private investment, growth and productive capacity would ultimately be higher, but the initial demand effects could push inflation and the Bank of Canada's policy-rate path above our baseline.

A renewed escalation in trade tensions. The latest round of tariffs has already weakened the Canada-U.S. trading relationship, but the dispute could escalate further. Beyond the immediate effects on exports and activity, repeated challenges to existing trade arrangements could have more lasting consequences for business confidence and capital spending. They could also make the CUSMA review more difficult and increase uncertainty around the durability of future agreements. For Canada, this would represent a clear downside risk to growth, although additional tariffs or retaliation could simultaneously add to inflation pressures.

A more disruptive rise in bond yields. Higher long-term yields can shift from being a growth story to a market turbulence story. Pressure from persistently elevated term premium and further weakness in treasuries could eventually spread to equity markets, and the resulting additional tightening in financial conditions could weigh more heavily on the economy.

International

	2010–19	2024	2025	2026f	2027f	2028f	2010–19	2024	2025	2026f	2027f	2028f
	Real GDP						Consumer Prices					
	(annual % change)						(annual average % change, unless noted)					
World (based on purchasing power parity)	3.7	3.5	3.5	3.3	3.2	3.2						
Canada	2.3	2.0	1.9	1.1	2.3	2.1	1.7	2.4	2.1	2.9	2.6	2.0
United States	2.4	3.0	2.3	2.2	2.1	2.0	1.8	3.0	2.6	3.4	3.1	2.2
Mexico	2.3	1.5	0.5	1.3	1.5	1.8	4.0	4.2	3.7	3.8	3.7	3.6
United Kingdom	2.1	1.1	1.2	1.3	1.1	1.3	2.2	2.5	3.4	3.1	2.7	2.0
Eurozone	1.4	1.1	1.3	1.0	1.3	1.3	1.4	2.4	2.1	3.0	2.5	2.0
Germany	2.1	0.0	0.3	1.0	1.1	1.2	1.4	2.5	2.3	2.7	2.5	2.1
France	1.4	1.4	0.9	0.4	0.9	1.1	1.3	2.3	0.9	2.4	2.0	1.8
China	7.7	5.0	5.0	4.5	4.3	4.2	2.6	0.2	0.0	0.9	1.2	1.3
India	6.9	7.2	7.8	7.2	6.9	6.9	6.6	5.0	2.2	5.2	4.9	4.5
Japan	1.3	0.1	1.2	0.8	0.9	0.8	0.5	2.7	3.2	1.8	2.2	2.1
South Korea	3.5	2.2	1.1	3.5	2.1	2.1	1.7	2.3	2.1	2.7	2.2	2.1
Australia	2.6	1.0	2.0	2.0	1.5	1.7	2.1	3.2	2.8	3.9	2.8	2.4
Thailand	3.6	2.9	2.4	2.3	2.2	2.4	1.6	0.4	-0.1	2.0	1.5	1.0
Brazil	1.4	3.4	2.3	1.9	1.5	1.8	5.9	4.8	4.3	4.5	4.7	3.9
Peru	4.5	3.5	3.4	3.2	3.3	3.0	3.9	2.0	1.5	3.9	3.5	1.5
Chile	3.3	2.8	2.5	-0.3	3.5	2.5	3.1	4.5	3.4	3.9	3.9	3.0

Commodities

(annual average)

WTI Oil (USD/bbl)	74	76	65	86	80	74
Brent Oil (USD/bbl)	82	81	69	92	85	79
WCS - WTI Discount (USD/bbl)	-18	-15	-12	-17	-15	-13
Nymex Natural Gas (USD/mmbtu)	3.39	2.27	3.53	3.50	3.50	3.60
Copper (USD/lb)	3.10	4.15	4.51	6.20	6.50	6.30
Zinc (USD/lb)	1.02	1.26	1.30	1.60	1.50	1.40
Gold, (USD/oz)	1,342	2,386	3,442	4,450	4,150	4,200
Silver, (USD/oz)	21.64	28.21	39.80	70.00	65.00	68.00

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

North America

	2010–19	2024	2025	2026f	2027f	2028f	2010–19	2024	2025	2026f	2027f	2028f
	Canada						United States					
	(annual % change, unless noted)						(annual % change, unless noted)					
Real GDP	2.3	2.0	1.9	1.1	2.3	2.1	2.4	3.0	2.3	2.2	2.1	2.0
Consumer spending	2.5	2.2	2.3	2.3	1.5	1.4	2.3	2.9	2.6	2.3	1.8	1.6
Residential investment	2.4	0.0	0.6	-1.9	7.1	6.8	4.7	3.2	-2.7	-2.9	-0.2	3.2
Business investment*	3.0	-0.4	0.3	1.7	4.5	3.4	5.6	3.9	5.4	7.3	2.6	0.2
Government	1.1	4.2	3.2	1.6	2.7	2.2	0.2	4.5	1.6	0.7	0.5	0.9
Exports	3.5	0.9	-1.4	3.2	0.2	1.2	3.9	3.6	2.1	3.7	0.5	1.8
Imports	3.7	0.7	-0.3	2.3	1.7	3.2	4.3	5.9	3.6	4.2	-0.9	-2.3
Inventories, contribution to annual GDP growth	0.1	-0.2	0.0	-0.7	0.2	0.6	0.1	0.1	-0.1	-0.1	0.0	0.0
Nominal GDP	4.0	4.8	4.4	6.0	5.0	3.7	4.1	5.6	5.0	6.2	5.8	4.1
GDP deflator	1.7	2.7	2.5	4.8	2.7	1.5	1.6	2.6	2.6	3.9	3.6	2.0
Consumer price index (CPI)	1.7	2.4	2.1	2.9	2.6	2.0	1.8	3.0	2.6	3.4	3.1	2.2
Core inflation rate**	1.7	2.9	2.9	2.2	2.5	2.2	1.6	2.9	2.8	3.1	2.8	2.2
Pre-tax corporate profits	6.3	-2.3	6.2	17.8	4.8	3.0	5.9	4.3	7.7	15.3	5.5	3.5
Employment	1.3	1.9	1.4	0.6	1.2	1.0	1.4	1.2	0.5	0.3	0.9	1.0
Unemployment rate (%)	6.9	6.4	6.9	6.5	6.2	6.1	6.2	4.0	4.3	4.2	3.9	3.9
Current account balance (CAD, USD bn)	-56.9	-15.0	-30.8	9.6	-1.1	-37.5	-386	-1199	-1177	-1044	-1014	-830
Merchandise trade balance (CAD, USD bn)	-13.6	-7.2	-31.4	21.4	18.1	-12.9	-763	-1213	-1260	-1196	-1199	-1075
Federal budget balance (FY, CAD, USD bn) ***	-18.7	-36.3	-66.9	-65.3	-63.1	-57.7	-829	-1832	-1775	-1993	-1926	-2121
percent of GDP	-1.0	-1.2	-2.1	-1.9	-1.7	-1.5	-4.8	-6.2	-5.8	-6.1	-5.6	-5.9
Housing starts (000s, mn)	201	245	259	243	254	269	0.99	1.37	1.36	1.36	1.34	1.38
Motor vehicle sales (000s, mn)	1,817	1,819	1,894	1,882	1,927	1,966	15.7	15.9	16.3	16.2	16.6	16.9
Industrial production	2.4	0.6	1.0	1.5	2.2	2.3	1.7	-0.6	1.1	1.6	2.2	2.1
	Mexico											
	(annual % change)											
Real GDP	2.3	1.5	0.5	1.3	1.5	1.8						
Consumer price index	4.0	4.2	3.7	3.8	3.7	3.6						
Unemployment Rate (%)	4.4	2.7	2.6	2.8	3.3	3.4						

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

	2025	2026				2027				2028			
Canada	Q4	Q1	Q2	Q3e	Q4f	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
Real GDP (q/q ann. % change)	-1.0	0.3	3.3	2.0	2.3	2.4	2.3	2.0	1.9	2.5	2.2	1.9	1.7
Real GDP (y/y % change)	0.7	0.1	1.1	1.2	2.0	2.5	2.2	2.2	2.1	2.2	2.1	2.1	2.1
Consumer prices (y/y % change)	2.2	2.2	2.9	3.0	3.6	3.3	2.6	2.5	2.2	2.1	2.0	1.9	1.9
Average of new core CPIs (y/y % change)*	2.8	2.3	2.0	2.0	2.4	2.5	2.6	2.5	2.4	2.3	2.3	2.2	2.2
CPIXFET (y/y % change)**	2.5	1.9	1.6	2.2	2.4	2.4	2.5	2.4	2.3	2.3	2.2	2.1	2.1
Unemployment Rate (%)	6.8	6.6	6.7	6.4	6.4	6.2	6.1	6.1	6.1	6.1	6.1	6.1	6.1
United States													
Real GDP (q/q ann. % change)	0.2	2.5	2.2	2.4	2.2	2.2	2.1	1.6	1.7	2.2	2.1	2.1	2.2
Real GDP (y/y % change)	2.0	2.6	2.2	1.8	2.3	2.3	2.2	2.0	1.9	1.9	1.9	2.0	2.2
Consumer prices (y/y % change)	2.8	2.7	3.8	3.4	3.8	3.9	3.4	2.7	2.4	2.2	2.1	2.1	2.2
Total PCE deflator (y/y % change)	2.7	3.0	3.6	3.5	3.8	3.5	2.8	2.5	2.2	2.0	2.0	1.9	1.9
Core PCE deflator (y/y % change)	2.8	3.0	3.1	3.1	3.2	3.1	2.8	2.6	2.4	2.3	2.2	2.2	2.1
Unemployment Rate (%)	4.5	4.3	4.3	4.1	4.0	4.0	3.9	3.9	3.9	3.9	3.9	3.9	3.9

* 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

	2025	2026				2027				2028			
	Q4	Q1	Q2	Q3	Q4f	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
Americas						(% end of period)							
Bank of Canada	2.25	2.25	2.25	2.25	2.50	3.00	3.25	3.25	3.25	3.25	3.25	3.25	3.25
US Federal Reserve (upper bound)	3.75	3.75	3.75	4.00	4.25	4.50	4.50	4.50	4.50	4.25	3.75	3.75	3.75
Bank of Mexico	7.00	6.75	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50
Central Bank of Brazil	15.00	14.75	14.25	13.75	13.50	13.00	12.50	12.00	11.50	11.25	11.00	10.75	10.50
Central Reserve Bank of Peru	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25
Central Bank of Chile	4.50	4.50	4.50	4.50	4.75	5.00	5.00	5.00	5.00	5.00	5.00	4.50	4.50
Europe													
European Central Bank MRO Rate	2.15	2.15	2.40	2.65	2.90	2.90	2.90	2.90	2.90	2.65	2.65	2.40	2.40
European Central Bank Deposit Rate	2.00	2.00	2.25	2.50	2.75	2.75	2.75	2.75	2.75	2.50	2.50	2.25	2.25
Bank of England	3.75	3.75	3.75	3.75	4.00	4.25	4.25	4.25	4.25	4.00	3.75	3.50	3.25
Asia/Oceania													
Reserve Bank of Australia	3.60	4.10	4.35	4.60	4.85	4.85	4.85	4.60	4.60	4.60	4.35	4.35	4.35
Bank of Japan	0.75	0.75	1.00	1.25	1.50	1.75	1.75	1.75	1.75	1.50	1.50	1.50	1.50
People's Bank of China	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40
Reserve Bank of India	5.25	5.25	5.25	5.25	5.75	6.00	6.00	6.00	5.75	5.75	5.50	5.50	5.50
Bank of Korea	2.50	2.50	2.50	3.00	3.25	3.50	3.50	3.50	3.50	3.25	3.25	3.25	3.25
Bank of Thailand	1.25	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.25	1.25	1.25	1.25

Currencies and Interest Rates

Americas	(end of period)												
Canadian dollar (USDCAD)	1.37	1.39	1.42	1.42	1.39	1.38	1.36	1.35	1.34	1.34	1.34	1.33	1.33
Canadian dollar (CADUSD)	0.73	0.72	0.70	0.70	0.72	0.72	0.74	0.74	0.75	0.75	0.75	0.75	0.75
Mexican peso (USDMXN)	18.01	17.94	17.49	18.07	18.39	18.52	18.64	18.77	18.93	19.08	19.26	19.45	19.65
Mexican peso (CADMXN)	13.12	12.90	12.32	12.70	13.23	13.42	13.71	13.91	14.13	14.24	14.38	14.62	14.77
Brazilian real (USDBRL)	5.47	5.18	5.16	5.17	5.09	5.08	5.07	5.06	5.05	5.06	5.07	5.07	5.08
Peruvian sol (USDPEN)	3.36	3.48	3.41	3.43	3.35	3.40	3.36	3.40	3.40	3.40	3.45	3.43	3.45
Chilean peso (USDCLP)	901	926	922	974	950	950	930	900	890	890	890	890	890
Europe													
Euro (EURUSD)	1.17	1.16	1.14	1.13	1.15	1.16	1.17	1.18	1.20	1.20	1.20	1.20	1.20
UK pound (GBPUSD)	1.35	1.32	1.33	1.33	1.35	1.35	1.36	1.37	1.38	1.38	1.38	1.38	1.38
Asia/Oceania													
Japanese yen (USDJPY)	157	159	163	157	155	153	151	150	148	147	146	146	145
Australian dollar (AUDUSD)	0.67	0.69	0.69	0.69	0.73	0.73	0.74	0.74	0.75	0.75	0.75	0.75	0.75
Chinese yuan (USDCNY)	6.99	6.89	6.79	6.71	6.71	6.69	6.67	6.64	6.61	6.60	6.60	6.56	6.55
Indian rupee (USDINR)	89.9	94.8	94.7	95.8	95.9	96.0	96.1	96.2	96.3	96.3	96.4	96.4	96.4
South Korean won (USDKRW)	1440	1519	1549	1357	1350	1375	1360	1358	1357	1356	1356	1356	1356
Thai baht (USDTHB)	31.5	33.0	33.2	33.6	33.6	33.4	33.1	32.8	32.5	32.3	32.1	32.1	32.1
Canada (Yields, %)													
3-month T-bill	2.19	2.34	2.26	2.35	2.75	3.05	3.30	3.30	3.30	3.30	3.30	3.30	3.30
2-year Canada	2.59	2.82	2.75	3.37	3.45	3.45	3.40	3.40	3.40	3.40	3.40	3.40	3.40
5-year Canada	2.97	3.09	3.01	3.69	3.65	3.60	3.55	3.55	3.55	3.50	3.50	3.50	3.50
10-year Canada	3.43	3.47	3.38	3.99	3.90	3.85	3.80	3.75	3.75	3.75	3.75	3.75	3.75
30-year Canada	3.86	3.90	3.77	4.30	4.25	4.20	4.15	4.10	4.05	4.00	4.00	4.00	4.00
United States (Yields, %)													
3-month T-bill	3.52	3.69	3.71	4.13	4.35	4.45	4.40	4.40	4.40	4.05	3.55	3.55	3.55
2-year Treasury	3.48	3.80	4.17	4.89	4.80	4.70	4.60	4.50	4.45	4.20	4.15	4.10	4.00
5-year Treasury	3.73	3.94	4.23	5.09	5.00	4.90	4.75	4.65	4.50	4.40	4.30	4.25	4.25
10-year Treasury	4.17	4.32	4.47	5.28	5.20	5.00	4.85	4.75	4.65	4.50	4.50	4.50	4.50
30-year Treasury	4.85	4.91	4.95	5.63	5.50	5.25	5.10	5.00	4.85	4.85	4.80	4.75	4.75

Sources: Scotiabank Economics, Bloomberg.

The Provinces

(annual % change except where noted)

Real GDP	CA	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC
2010–19	2.3	1.1	2.1	1.2	0.7	1.9	2.3	2.2	2.3	2.6	2.9
2024	2.0	2.7	3.8	3.1	2.7	1.7	1.6	1.7	3.0	3.0	1.1
2025	1.9	3.5	2.8	2.3	2.0	0.6	1.3	1.3	2.2	2.7	2.0
2026f	1.1	2.8	1.6	1.3	1.5	0.5	0.8	1.7	2.0	2.7	0.7
2027f	2.3	2.3	2.4	2.3	2.1	1.8	2.1	2.3	2.7	3.2	2.2
2028f	2.1	2.0	2.2	2.3	1.9	1.6	1.9	2.1	2.5	3.0	2.5
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
2024	4.8	4.6	7.5	8.0	4.0	5.9	5.1	3.3	0.0	5.1	3.5
2025	4.4	4.5	6.0	5.2	4.8	3.5	4.1	4.0	4.0	4.1	4.7
2026f	6.0	11.4	5.2	4.7	5.0	3.8	5.1	5.0	8.7	12.1	4.1
2027f	5.0	0.3	6.9	6.6	6.5	6.1	6.3	6.5	3.0	-0.4	6.5
2028f	3.7	2.5	4.4	4.2	3.7	3.5	3.7	3.8	3.3	3.9	4.2
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
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	0.5	3.0	1.5	1.0	-0.6	0.5	1.8	0.4	3.2	-0.4
2027f	1.2	1.0	2.5	1.7	1.8	0.4	0.9	2.0	1.3	3.5	0.6
2028f	1.0	0.8	2.2	1.4	1.5	0.6	0.6	1.7	1.5	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
2024	6.4	10.0	7.9	6.5	7.0	5.3	7.0	5.4	5.4	7.0	5.6
2025	6.9	10.1	8.0	6.6	7.1	5.6	7.7	5.9	5.2	7.2	6.2
2026f	6.5	9.2	7.6	6.7	7.3	5.6	7.4	5.6	5.8	6.5	6.6
2027f	6.2	9.0	6.7	6.1	7.1	5.6	7.1	5.0	6.1	5.7	6.7
2028f	6.1	8.8	6.2	5.8	7.2	5.5	7.1	4.6	6.3	5.3	6.4
Total CPI, annual average											
2010–19	1.7	2.0	1.6	1.7	1.8	1.5	1.9	1.8	1.8	1.7	1.6
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	2.9	3.8	3.4	4.4	4.1	3.4	2.3	4.1	3.8	3.3	2.7
2027f	2.6	3.5	3.3	4.2	3.8	2.9	2.1	3.9	3.7	3.1	2.4
2028f	2.0	2.6	2.4	3.1	2.8	2.2	1.6	2.9	2.7	2.3	1.8
Housing Starts (units, 000s)											
2010–19	201	2.2	0.8	4.2	2.7	44	70	6.6	6.0	31	34
2024	245	1.7	1.7	7.4	6.2	49	75	7.2	4.3	48	46
2025	259	1.6	1.8	9.8	7.6	60	65	7.9	6.2	55	44
2026f	243	1.7	1.8	7.1	6.5	59	63	8.6	6.5	47	42
2027f	254	1.8	1.7	8.6	6.5	58	72	9.0	6.4	45	45
2028f	269	2.0	1.8	8.5	6.5	60	84	9.5	6.7	45	45
Motor Vehicle Sales (units, 000s)											
2010–19	1817	33	7	52	42	441	738	56	54	239	199
2024	1819	33	9	49	44	473	764	58	51	223	214
2025	1894	36	9	55	47	457	787	63	55	234	215
2026f	1882	35	8	56	46	457	779	60	53	228	208
2027f	1927	32	8	57	46	462	795	60	54	232	210
2028f	1966	30	8	57	46	466	811	61	54	237	213
Budget Balances, (CAD mn)											
2023	-61,876	-459	-15	142	500	-5,994	-693	-1,971	182	4,285	-5,035
2024	-36,348	-297	-164	82	-104	-5,175	-1,090	-1,149	-249	8,320	-7,347
2025f	-66,900	-729	-356	-1,407	-1,304	-5,502	-13,006	-832	-947	-4,134	-7,700
2026f	-65,300	-688	-440	-1,440	-1,659	-5,208	-13,800	-496	-825	2,041	-13,759

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

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