

May Outlook

- Our forecast remains essentially unchanged from our most recent [Global Outlook](#). We remain of the view that the weakness observed in Canada in late 2018 and early 2019 was temporary and there is mounting evidence that the soft patch is behind us.
- The key downside risk remains an escalation of trade tensions between China and the United States. Recent developments suggest there is less certainty that China and the US will come to agreement, but we continue to believe rationality will prevail and that the escalation in rhetoric represents the usual Trumpian negotiating tactic, as we saw in the final stages of the CUSMA negotiations.

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International	2000–17	2017	2018	2019f	2020f	2000–17	2017	2018	2019f	2020f
		Real GDP (annual % change)					Consumer Prices (y/y % change, year-end)			
World (based on purchasing power parity)	3.9	3.8	3.7	3.2	3.3					
Canada	2.1	3.0	1.8	1.5	2.0	1.9	1.8	2.0	1.9	1.9
United States	2.0	2.2	2.9	2.5	1.7	2.2	2.1	2.2	1.9	2.2
Mexico	2.2	2.1	2.0	1.4	1.3	4.4	6.8	4.8	4.0	3.8
United Kingdom	1.9	1.8	1.4	1.1	1.2	2.1	3.0	2.1	1.9	2.0
Eurozone	1.4	2.4	1.9	1.1	1.5	1.8	1.3	1.5	1.2	1.6
Germany	1.4	2.2	1.4	0.9	1.4	1.5	1.4	1.6	1.6	1.7
France	1.4	2.2	1.5	1.3	1.4	1.4	1.2	1.6	1.3	1.6
China	9.3	6.8	6.6	6.2	6.0	2.3	1.8	1.8	2.2	2.3
India	7.1	6.9	7.4	7.0	7.3	6.8	5.2	2.1	5.1	5.0
Japan	0.9	1.9	0.8	0.8	0.7	0.1	1.0	0.3	2.3	1.0
South Korea	4.1	3.1	2.7	2.2	2.6	2.5	1.4	1.3	1.3	1.6
Australia	2.9	2.4	2.8	2.5	2.5	2.7	1.9	1.8	1.7	2.2
Thailand	4.1	4.0	4.1	3.8	3.5	1.9	0.8	0.4	1.5	1.6
Brazil	2.5	1.1	1.1	1.9	2.2	6.5	3.0	3.8	3.9	4.9
Colombia	3.9	1.8	2.6	3.4	3.8	5.1	4.1	3.2	3.2	3.1
Peru	5.0	2.5	4.0	4.0	4.0	2.7	1.4	2.2	2.4	2.5
Chile	3.9	1.5	4.0	3.2	3.2	3.3	2.3	2.6	2.8	3.0
Commodities		(annual average)								
WTI Oil (USD/bbl)	62	51	65	59	61					
Brent Oil (USD/bbl)	65	55	72	67	68					
WCS - WTI Discount* (USD/bbl)	-16	-13	-26	-15	-21					
Nymex Natural Gas (USD/mmbtu)	4.83	3.02	3.07	2.90	2.80					
Copper (USD/lb)	2.38	2.80	2.96	3.00	3.20					
Zinc (USD/lb)	0.84	1.31	1.33	1.25	1.20					
Nickel (USD/lb)	7.12	4.72	5.95	5.75	6.00					
Aluminium (USD/lb)	0.87	0.89	0.96	0.90	0.90					
Iron Ore (USD/tonne)	67	72	70	77	70					
Metallurgical Coal (USD/tonne)	131	187	206	185	160					
Gold, London PM Fix (USD/oz)	890	1,257	1,268	1,300	1,300					
Silver, London PM Fix (USD/oz)	14.80	17.05	15.71	16.00	17.00					

* 2008-16 average.
 Sources: Scotiabank Economics, Statistics Canada, BEA, BLS, IMF, Bloomberg.

North America	2000-17	2017	2018	2019f	2020f	2000-17	2017	2018	2019f	2020f
	Canada (annual % change, unless noted)					United States (annual % change, unless noted)				
Real GDP	2.1	3.0	1.8	1.5	2.0	2.0	2.2	2.9	2.5	1.7
Consumer spending	2.9	3.5	2.1	1.5	1.9	2.4	2.5	2.6	2.3	2.0
Residential investment	3.6	2.4	-2.3	-3.1	1.9	-0.3	3.3	-0.3	-1.9	0.9
Business investment*	2.2	2.2	2.0	0.3	5.9	3.0	5.3	6.9	3.6	2.3
Government	2.2	2.7	2.7	1.2	1.7	1.0	-0.1	1.5	1.9	1.7
Exports	1.3	1.1	3.3	2.2	2.4	3.7	3.0	4.0	1.9	1.9
Imports	3.0	4.2	2.9	0.3	3.2	3.7	4.6	4.5	1.7	2.9
Nominal GDP	4.3	5.6	3.6	2.5	4.4	4.0	4.2	5.2	4.3	3.6
GDP deflator	2.1	2.6	1.7	0.9	2.3	1.9	1.9	2.3	1.8	1.8
Consumer price index (CPI)	1.9	1.6	2.3	1.8	2.0	2.2	2.1	2.4	1.7	2.2
CPI ex. food & energy	1.6	1.6	1.9	1.9	2.0	2.0	1.8	2.1	2.1	2.2
Pre-tax corporate profits	0.0	20.1	0.5	-4.7	2.1	5.3	3.2	7.8	3.4	1.9
Employment	1.4	1.9	1.3	1.6	0.7	0.7	1.6	1.7	1.5	1.0
Unemployment rate (%)	7.1	6.3	5.8	5.8	5.9	6.1	4.4	3.9	3.7	3.8
Current account balance (CAD, USD bn)	-18.7	-59.4	-58.7	-62.3	-64.3	-501	-449	-488	-502	-566
Merchandise trade balance (CAD, USD bn)	22.9	-23.9	-21.5	-31.4	-37.1	-680	-807	-891	-915	-993
Federal budget balance (FY, CAD, USD bn)	-3.6	-17.8	-19.0	-18.1	-19.6	-540	-665	-779	-1,091	-1,101
percent of GDP	-0.2	-0.9	-0.9	-0.8	-0.8	-3.7	-3.4	-3.8	-5.1	-5.0
Housing starts (000s, mn)	200	220	213	201	199	1.26	1.20	1.25	1.24	1.26
Motor vehicle sales (000s, mn)	1,678	2,036	1,983	1,940	1,915	15.6	17.1	17.2	16.8	16.7
Industrial production	0.0	4.9	2.6	0.8	2.1	0.7	2.3	4.0	2.7	1.9
	Mexico (annual % change)									
Real GDP	2.2	2.1	2.0	1.4	1.3					
Consumer price index (year-end)	4.4	6.8	4.8	4.0	3.8					
Current account balance (USD bn)	-15.0	-19.4	-22.2	-27.4	-26.1					
Merchandise trade balance (USD bn)	-7.2	-11.0	-13.7	-17.5	-19.3					

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

Quarterly Forecasts	2018		2019			2020			
	Q4	Q1e	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
Canada									
Real GDP (q/q ann. % change)	0.4	0.9	2.1	2.4	2.3	2.2	1.8	1.5	1.2
Real GDP (y/y % change)	1.6	1.5	1.4	1.4	1.9	2.2	2.2	1.9	1.7
Consumer prices (y/y % change)	2.0	1.6	1.8	1.8	1.9	2.0	2.0	2.0	1.9
Avg. of new core CPIs (y/y % change)	1.9	1.9	1.9	1.9	1.9	1.9	1.9	2.0	2.0
United States									
Real GDP (q/q ann. % change)	2.2	3.2	1.6	1.9	1.8	1.6	1.6	1.7	1.8
Real GDP (y/y % change)	3.0	3.2	2.6	2.2	2.1	1.8	1.8	1.7	1.7
Consumer prices (y/y % change)	2.2	1.6	1.6	1.7	1.9	2.2	2.2	2.2	2.2
CPI ex. food & energy (y/y % change)	2.2	2.1	2.1	2.0	2.1	2.1	2.2	2.2	2.2
Core PCE deflator (y/y % change)	1.9	1.7	1.6	1.7	1.8	1.9	1.9	2.0	2.0

Sources: Scotiabank Economics, Statistics Canada, BEA, BLS, Bloomberg.

Central Bank Rates	2018		2019			2020			
	Q4	Q1	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
Americas	(% , end of period)								
Bank of Canada	1.75	1.75	1.75	1.75	2.00	2.00	2.25	2.25	2.25
US Federal Reserve (upper bound)	2.50	2.50	2.50	2.50	2.50	2.75	2.75	2.75	2.75
Bank of Mexico	8.25	8.25	8.25	8.25	8.25	8.25	8.00	7.75	7.50
Central Bank of Brazil	6.50	6.50	6.50	6.75	7.25	7.75	8.25	8.50	8.50
Bank of the Republic of Colombia	4.25	4.25	4.25	4.50	4.50	4.75	4.75	4.75	4.75
Central Reserve Bank of Peru	2.75	2.75	2.75	2.75	2.75	2.75	2.75	2.75	2.75
Central Bank of Chile	2.75	3.00	3.00	3.00	3.25	3.50	3.75	3.75	3.75
Europe									
European Central Bank	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bank of England	0.75	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00
Asia/Oceania									
Reserve Bank of Australia	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Bank of Japan	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10
People's Bank of China	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35
Reserve Bank of India	6.50	6.25	5.75	5.75	5.75	5.75	5.75	5.75	5.75
Bank of Korea	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
Bank of Thailand	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
Currencies and Interest Rates									
Americas	(end of period)								
Canadian dollar (USDCAD)	1.36	1.33	1.32	1.30	1.28	1.25	1.25	1.23	1.23
Canadian dollar (CADUSD)	0.73	0.75	0.76	0.77	0.78	0.80	0.80	0.81	0.81
Mexican peso (USDMXN)	19.65	19.43	19.90	20.48	21.26	21.40	21.26	21.36	21.71
Brazilian real (USDBRL)	3.88	3.92	3.91	3.97	4.18	4.08	4.11	4.07	4.18
Colombian peso (USDCOP)	3,254	3,189	3,105	3,150	3,120	3,050	3,100	3,182	3,167
Peruvian sol (USDPEN)	3.37	3.32	3.31	3.32	3.30	3.31	3.27	3.28	3.25
Chilean peso (USDCLP)	694	680	650	650	650	640	640	640	640
Europe									
Euro (EURUSD)	1.15	1.12	1.17	1.19	1.20	1.22	1.22	1.24	1.24
UK pound (GBPUSD)	1.28	1.30	1.35	1.37	1.40	1.42	1.42	1.45	1.45
Asia/Oceania									
Japanese yen (USDJPY)	110	111	110	108	108	107	107	105	105
Australian dollar (AUDUSD)	0.70	0.71	0.73	0.75	0.75	0.77	0.77	0.78	0.78
Chinese yuan (USDCNY)	6.88	6.71	6.60	6.70	6.70	6.60	6.60	6.50	6.50
Indian rupee (USDINR)	69.8	69.1	67.0	68.0	68.0	67.0	67.0	66.0	66.0
South Korean won (USDKRW)	1,116	1,135	1,100	1,120	1,120	1,100	1,100	1,080	1,080
Thai baht (USDTHB)	32.5	31.7	31.6	31.8	31.8	31.6	31.6	31.4	31.4
Canada (Yields, %)									
3-month T-bill	1.65	1.67	1.70	1.75	2.00	2.05	2.25	2.25	2.25
2-year Canada	1.86	1.55	1.65	1.75	2.05	2.10	2.30	2.30	2.30
5-year Canada	1.89	1.52	1.65	1.85	2.10	2.20	2.35	2.35	2.35
10-year Canada	1.97	1.62	1.75	1.95	2.20	2.35	2.45	2.45	2.45
30-year Canada	2.18	1.89	2.10	2.20	2.40	2.50	2.75	2.75	2.75
United States (Yields, %)									
3-month T-bill	2.36	2.39	2.40	2.35	2.40	2.60	2.60	2.60	2.60
2-year Treasury	2.49	2.26	2.35	2.45	2.60	2.80	2.80	2.80	2.80
5-year Treasury	2.51	2.23	2.35	2.55	2.70	2.85	2.85	2.85	2.85
10-year Treasury	2.68	2.41	2.55	2.65	2.85	2.95	2.95	2.95	2.95
30-year Treasury	3.01	2.82	3.00	3.10	3.20	3.25	3.25	3.25	3.25

Sources: Scotiabank Economics, Bloomberg.

The Provinces		(annual % change except where noted)										
	CA	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC	
Real GDP												
2000–17	2.1	2.4	1.8	1.3	1.2	1.8	2.0	2.3	2.0	2.8	2.7	
2017	3.0	0.9	3.5	1.5	1.8	2.8	2.8	3.2	2.2	4.4	3.8	
2018e	1.8	-1.8	1.9	1.2	0.8	2.1	2.2	1.6	1.4	1.7	1.9	
2019f	1.5	2.0	1.5	1.0	0.8	1.6	1.6	1.5	1.5	1.2	2.3	
2020f	2.0	0.7	1.1	0.9	0.9	1.7	1.7	1.5	1.7	2.5	3.5	
Nominal GDP												
2000–17	4.3	5.6	4.2	3.3	3.4	3.7	3.9	4.4	5.4	5.9	4.7	
2017	5.6	4.3	4.8	2.9	4.3	5.0	4.1	5.4	4.8	10.0	6.9	
2018e	3.6	1.3	3.7	3.0	2.5	4.2	3.4	3.3	3.4	3.8	3.8	
2019f	2.5	3.0	3.4	2.7	2.4	2.1	2.1	3.3	3.4	1.8	4.2	
2020f	4.4	4.1	3.1	2.9	2.6	3.8	3.9	3.4	4.4	5.3	6.4	
Employment												
2000–17	1.4	0.6	1.1	0.6	0.4	1.3	1.3	1.0	1.1	2.2	1.5	
2017	1.9	-3.7	3.1	0.6	0.4	2.2	1.8	1.7	-0.2	1.0	3.7	
2018	1.3	0.5	3.0	1.5	0.3	0.9	1.6	0.6	0.4	1.9	1.1	
2019f	1.6	1.5	1.0	1.4	0.5	1.2	1.8	1.3	1.2	1.1	2.2	
2020f	0.7	0.0	0.7	0.2	0.2	0.6	0.7	0.6	0.6	1.0	1.0	
Unemployment Rate (%)												
2000–17	7.1	14.3	11.1	8.8	9.5	7.9	7.0	5.1	5.0	5.3	6.5	
2017	6.3	14.8	9.8	8.4	8.1	6.1	6.0	5.4	6.3	7.8	5.1	
2018	5.8	13.8	9.4	7.6	8.0	5.5	5.6	6.0	6.1	6.6	4.7	
2019f	5.7	12.4	9.3	7.0	8.0	5.3	5.6	5.8	5.8	6.5	4.5	
2020f	5.9	12.3	9.4	7.0	8.0	5.5	5.8	5.8	5.9	6.7	4.7	
Housing Starts (units, 000s)												
2000–17	200	2.5	0.8	4.3	3.4	44	72	5.2	5.2	34	29	
2017	220	1.4	0.9	4.0	2.3	46	79	7.5	4.9	29	44	
2018	213	1.1	1.1	4.8	2.3	47	79	7.4	3.6	26	41	
2019f	201	1.0	0.7	3.9	1.8	45	72	6.2	3.2	26	40	
2020f	199	1.3	0.8	3.8	2.0	41	71	6.0	4.8	30	37	
Motor Vehicle Sales (units, 000s)												
2000–17	1,657	29	6	48	38	413	635	47	45	216	180	
2017	2,041	33	9	59	42	453	847	62	56	245	235	
2018	1,984	28	8	51	38	449	853	67	47	226	217	
2019f	1,940	30	8	49	37	432	829	60	48	221	226	
2020f	1,915	30	8	47	35	424	816	56	48	217	234	
Budget Balances, Fiscal Year Ending March 31 (CAD mn)												
2017	-18,957	-1,148	-1	151	-117	2,361	-2,435	-789	-1,218	-10,784	2,727	
2018	-18,961	-911	1	230	67	2,622	-3,672	-695	-303	-8,023	301	
2019e	-14,900	-522	14	28	5	2,500	-11,700	-470	-380	-6,930	374	

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

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