

**A note to our readers: Owing to the speed at which developments are occurring and the uncertainty associated with them, we will be publishing more frequent, but irregular, updates to our forecast. The pace at which we update our forecasts will be dictated by developments.**

## Forecast Update: Economies Shutting Down

- **More countries implementing restrictions on individuals and business activity. This is having a major impact on forecasts. Global GDP now expected to remain flat this year.**
- **In Canada, GDP is expected to contract by 28% in Q2 given the shutdown of non-essential businesses in Quebec and Ontario. A decline of 35% could be observed if other provinces follow suit.**
- **Assuming a return to more normal operating conditions by the end of Q2, Canadian GDP is expected to fall 4.1% this year followed by a rebound of 5.1% in 2021.**
- **Canadian GDP could decline by more than 6% in 2020 if the shutdown were to extend through Q3.**
- **Significant additional stabilization measures are expected in Canada but not incorporated in this forecast.**

Rapidly evolving developments necessitate an update to the forecasts we published just last Friday. Additional quarantine or shut-down measures have been put in place in a number of countries in the last few days. As a result, we now anticipate global GDP growth to be 0% in 2020, followed by a sizeable rebound in activity in 2021 given our view that economic activity will rebound quickly once the virus is no longer a serious threat to public health. At present, we believe activity will begin to return to normal in the third quarter, except in countries where containment measures were aggressively deployed in the first quarter (essentially the Asian economies), where activity resumes in the second quarter.

In Canada, the closure of non-essential business in Quebec and Ontario announced earlier this week will have large economic consequences. At present, we believe Canadian economic activity will fall by 28% in Q2 as these measures are felt. If other provinces follow, the fall in Q2 economic activity would be in the 35% range.

We now assume that economic activity resumes by the start of the third quarter and that growth rebounds sharply at that time. However, the 20% drop in US economic activity in the second quarter will restrain the rebound in Canadian activity in the third quarter owing to the usual lags between US and Canadian economic outcomes. Under these assumptions, Canadian GDP would fall by slightly more than 4% in 2020 and rebound by 5.1% in 2021. Though we have not

### CONTACTS

Jean-François Perrault, SVP & Chief Economist  
416.866.4214  
Scotiabank Economics  
[jean-francois.perrault@scotiabank.com](mailto:jean-francois.perrault@scotiabank.com)

included any additional measures in this update beyond those already announced, we believe a substantial ramping up of fiscal support measures in Canada is forthcoming.

There is a chance that aggressive virus management measures are required beyond Q2 to ensure the virus is truly well-contained. Evidence in Asia this week suggests that even in countries where aggressive management measures have been put in place, COVID-19 can come back quite quickly. If measures in Canada are not lifted by the end of Q2, growth would fall again in Q3, and GDP would fall by 6.3% in 2020 instead of the 4.1% we currently expect.

A key question for forecasters is the length of the virus-related restrictions on firms and households. As noted above, a shift of one quarter in the resumption of normal operating conditions can have a large impact on growth outcomes. Since we do not have a good handle on the ultimate length of the interruptions, we consider it more informative to assign probabilities to the time at which virus containment measures end. At this time, we believe there is a 75% chance that activity resumes by Q3 and a 25% chance that activity returns to more normal levels by Q4. How officials manage virus containment internationally, as well as the evolution of the virus, will inform our assessment of probabilities going forward.

International	2010–18	2018	2019	2020f	2021f	2010–18	2018	2019	2020f	2021f
	<b>Real GDP</b> (annual % change)					<b>Consumer Prices</b> (y/y % change, year-end)				
World (based on purchasing power parity)	3.8	3.7	2.9	0.1	4.2					
Canada	2.2	2.0	1.6	-4.1	5.1	1.7	2.0	2.1	-0.1	2.4
United States	2.3	2.9	2.3	-2.0	4.1	1.7	2.2	2.0	0.8	2.8
Mexico	3.0	2.1	-0.1	-5.8	1.8	4.1	4.8	2.8	4.4	4.1
United Kingdom	1.9	1.3	1.4	-3.1	1.5	2.2	2.1	1.8	0.6	1.5
Eurozone	1.4	1.9	1.2	-4.2	1.9	1.3	1.5	1.3	0.5	1.0
Germany	2.1	1.5	0.6	-4.3	2.0	1.3	1.6	1.5	0.5	1.1
France	1.4	1.7	1.3	-4.1	1.9	1.1	1.6	1.5	0.4	1.0
China	7.9	6.8	6.1	3.0	7.0	2.5	1.8	4.5	2.3	2.5
India	7.2	6.8	5.3	4.0	7.0	7.3	2.1	7.4	4.3	4.9
Japan	1.4	0.3	0.7	-1.0	1.8	0.6	0.3	0.8	0.6	0.8
South Korea	3.4	2.7	2.0	1.0	2.8	1.8	1.3	0.7	1.6	2.1
Australia	2.7	2.7	1.8	1.2	2.7	2.1	1.8	1.8	1.9	2.1
Thailand	3.8	4.1	2.4	-2.5	3.5	1.5	0.4	0.9	1.2	1.6
Brazil	1.4	1.3	1.1	-3.0	1.5	6.0	3.8	4.3	7.3	8.2
Colombia	3.8	2.5	3.3	1.2	2.8	3.9	3.2	3.8	2.9	3.0
Peru	4.8	4.0	2.2	0.3	3.5	3.0	2.2	1.9	1.4	2.0
Chile	3.5	4.0	1.1	-2.1	2.9	3.1	2.6	3.0	3.0	3.0
<b>Commodities</b>										
	(annual average)									
WTI Oil (USD/bbl)	74	65	57	31	42					
Brent Oil (USD/bbl)	82	72	64	35	43					
WCS - WTI Discount (USD/bbl)	-18	-26	-14	-14	-21					
Nymex Natural Gas (USD/mmbtu)	3.39	3.07	2.53	2.39	2.63					
Copper (USD/lb)	3.10	2.96	2.72	2.80	3.00					
Zinc (USD/lb)	1.02	1.33	1.16	1.10	1.05					
Nickel (USD/lb)	7.00	5.95	6.32	6.50	7.00					
Aluminium (USD/lb)	0.89	0.96	0.81	0.90	0.90					
Iron Ore (USD/tonne)	101	70	94	78	70					
Metallurgical Coal (USD/tonne)	179	207	184	145	150					
Gold, (USD/oz)	1,342	1,268	1,393	1,525	1,450					
Silver, (USD/oz)	21.64	15.71	16.21	18.75	17.75					

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

North America	2010–18	2018	2019	2020f	2021f	2010–18	2018	2019	2020f	2021f
	<b>Canada</b>					<b>United States</b>				
	(annual % change, unless noted)					(annual % change, unless noted)				
Real GDP	2.2	2.0	1.6	-4.1	5.1	2.3	2.9	2.3	-2.0	4.1
Consumer spending	2.6	2.1	1.6	-0.2	4.5	2.4	3.0	2.6	0.7	3.3
Residential investment	2.7	-1.5	-0.5	-10.3	4.7	4.8	-1.5	-1.5	-7.8	4.9
Business investment*	2.4	1.8	-0.8	-14.7	5.7	5.2	6.4	2.1	-10.8	8.7
Government	1.2	3.4	1.6	1.4	2.5	-0.3	1.7	2.3	2.2	2.7
Exports	3.6	3.1	1.2	-6.9	9.4	4.1	3.0	0.0	-9.5	4.5
Imports	3.9	2.6	0.3	-2.9	7.1	4.9	4.4	1.6	-1.0	3.1
Nominal GDP	3.9	3.9	3.6	-5.8	7.4	4.0	5.4	4.1	-0.9	5.6
GDP deflator	1.7	1.8	1.9	-1.8	2.3	1.7	2.4	1.7	1.2	1.4
Consumer price index (CPI)	1.7	2.3	1.9	0.8	1.6	1.8	2.4	1.8	1.1	2.4
Core inflation rate**	1.9	1.9	2.0	1.4	1.2	1.6	1.9	1.6	1.4	1.8
Pre-tax corporate profits	5.8	2.5	0.3	-14.1	1.5	4.6	3.4	-0.6	-8.9	2.1
Employment	1.2	1.3	2.1	-2.0	2.7	1.4	1.6	1.4	-0.7	0.2
Unemployment rate (%)	7.0	5.8	5.7	8.5	7.0	6.5	3.9	3.7	5.5	6.2
Current account balance (CAD, USD bn)	-58.4	-55.5	-45.4	-68.3	-63.1	-421	-491	-507	-682	-673
Merchandise trade balance (CAD, USD bn)	-13.0	-22.1	-18.2	-48.3	-47.1	-754	-887	-879	-1009	-1036
Federal budget balance (FY, CAD, USD bn)	-19.4	-19.0	-14.0	-26.6	-110.0	-813	-779	-960	-1,008	-1,784
percent of GDP	-1.0	-0.9	-0.6	-1.2	-4.7	-4.6	-3.8	-4.5	-4.7	-8.0
Housing starts (000s, mn)	200	213	209	124	215	0.96	1.25	1.30	1.14	1.27
Motor vehicle sales (000s, mn)	1,810	1,983	1,922	1,552	1,696	15.5	17.2	16.9	14.2	15.5
Industrial production	2.7	3.1	-1.1	-7.3	6.7	2.2	4.0	0.8	-6.7	5.1
	<b>Mexico</b>									
	(annual % change)									
Real GDP	3.0	2.1	-0.1	-5.8	1.8					
Consumer price index (year-end)	4.1	4.8	2.8	4.4	4.1					
Current account balance (USD bn)	-21.2	-23.0	-2.4	-0.3	-10.8					
Merchandise trade balance (USD bn)	-6.8	-13.6	5.8	8.9	-1.8					

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 3 core measures published by the BoC.

Quarterly Forecasts	2019		2020				2021			
	Q4	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	
<b>Canada</b>										
Real GDP (q/q ann. % change)	0.3	-3.4	-28.1	12.3	15.8	5.8	4.2	3.6	3.9	
Real GDP (y/y % change)	1.5	0.3	-8.4	-5.9	-2.5	-0.3	9.4	7.2	4.4	
Consumer prices (y/y % change)	2.1	2.1	0.3	0.8	-0.1	-0.1	1.9	2.2	2.4	
Avg. of new core CPIs (y/y % change)	2.1	1.8	1.6	1.4	1.0	1.1	1.2	1.3	1.4	
<b>United States</b>										
Real GDP (q/q ann. % change)	2.1	-2.1	-20.7	13.4	7.7	5.1	3.8	3.4	3.1	
Real GDP (y/y % change)	2.3	1.0	-5.2	-2.6	-1.3	0.5	7.5	5.0	3.9	
Consumer prices (y/y % change)	2.0	2.1	0.8	0.6	0.8	1.7	2.4	2.6	2.8	
Total PCE deflator (y/y % change)	1.4	1.5	0.4	0.3	0.3	1.3	2.1	2.4	2.7	
Core PCE deflator (y/y % change)	1.6	1.7	1.5	1.3	1.1	1.5	1.7	1.9	2.0	

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

	2019		2020				2021			
	Q4	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	
<b>Central Bank Rates</b>										
<b>Americas</b>										
	(% , end of period)									
Bank of Canada	1.75	0.75	0.25	0.25	0.25	0.25	0.25	0.25	0.25	
US Federal Reserve (upper bound)	1.75	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	
Bank of Mexico	7.25	6.25	6.00	6.00	6.00	6.00	6.00	6.00	6.00	
Central Bank of Brazil	4.50	3.75	3.75	4.25	4.75	5.75	6.75	7.75	8.25	
Bank of the Republic of Colombia	4.25	4.00	3.50	3.50	3.50	3.75	4.25	4.25	4.25	
Central Reserve Bank of Peru	2.25	1.25	0.75	0.75	1.00	1.25	1.50	1.75	1.75	
Central Bank of Chile	1.75	1.00	0.50	0.50	0.50	1.00	1.25	1.75	2.00	
<b>Europe</b>										
European Central Bank MRO Rate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
European Central Bank Deposit Rate	-0.50	-0.50	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	
Bank of England	0.75	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	
<b>Asia/Oceania</b>										
Reserve Bank of Australia	0.75	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	
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	4.15	4.05	3.90	3.90	3.90	3.90	3.90	3.90	3.90	
Reserve Bank of India	5.15	5.15	4.40	4.15	4.15	4.15	4.15	4.15	4.15	
Bank of Korea	1.25	0.75	0.50	0.50	0.50	0.50	0.50	0.50	0.50	
Bank of Thailand	1.25	0.75	0.50	0.50	0.50	0.50	0.50	0.50	0.50	
<b>Currencies and Interest Rates</b>										
<b>Americas</b>										
	(% , end of period)									
Canadian dollar (USDCAD)	1.30	1.48	1.48	1.45	1.42	1.40	1.37	1.34	1.32	
Canadian dollar (CADUSD)	0.77	0.68	0.68	0.69	0.70	0.71	0.73	0.75	0.76	
Mexican peso (USDMXN)	18.93	23.90	23.13	22.66	22.84	22.93	22.75	22.68	22.74	
Brazilian real (USDBRL)	4.02	5.37	5.12	4.72	4.84	5.11	4.64	4.52	4.49	
Colombian peso (USDCOP)	3,287	4,050	3,950	3,851	3,654	3,473	3,465	3,458	3,450	
Peruvian sol (USDPEN)	3.31	3.57	3.56	3.47	3.45	3.42	3.43	3.39	3.40	
Chilean peso (USDCLP)	753	860	820	800	790	780	760	740	720	
<b>Europe</b>										
Euro (EURUSD)	1.12	1.08	1.09	1.10	1.12	1.13	1.14	1.15	1.16	
UK pound (GBPUSD)	1.33	1.15	1.16	1.17	1.18	1.20	1.21	1.23	1.25	
<b>Asia/Oceania</b>										
Japanese yen (USDJPY)	109	108	108	107	107	106	106	106	105	
Australian dollar (AUDUSD)	0.70	0.57	0.57	0.58	0.58	0.59	0.59	0.60	0.60	
Chinese yuan (USDCNY)	6.96	7.00	6.90	6.80	6.80	6.70	6.70	6.60	6.60	
Indian rupee (USDINR)	71.4	76.0	75.0	74.0	74.0	73.0	73.0	72.0	72.0	
South Korean won (USDKRW)	1,156	1,220	1,200	1,180	1,180	1,160	1,160	1,140	1,140	
Thai baht (USDTHB)	30.0	33.0	32.5	32.0	32.0	31.0	31.0	30.0	30.0	
<b>Canada (Yields, %)</b>										
3-month T-bill	1.66	0.45	0.20	0.25	0.25	0.25	0.25	0.25	0.25	
2-year Canada	1.69	0.60	0.40	0.45	0.55	0.70	0.80	0.90	1.00	
5-year Canada	1.68	0.70	0.55	0.65	0.75	0.90	1.05	1.15	1.20	
10-year Canada	1.70	0.80	0.80	0.90	1.00	1.20	1.30	1.40	1.50	
30-year Canada	1.76	1.30	1.20	1.25	1.35	1.45	1.55	1.65	1.80	
<b>United States (Yields, %)</b>										
3-month T-bill	1.51	0.00	0.10	0.10	0.10	0.10	0.10	0.10	0.15	
2-year Treasury	1.57	0.35	0.45	0.50	0.60	0.70	0.80	0.90	1.00	
5-year Treasury	1.69	0.50	0.60	0.70	0.90	1.00	1.10	1.20	1.30	
10-year Treasury	1.92	0.80	1.00	1.05	1.15	1.25	1.35	1.45	1.60	
30-year Treasury	2.39	1.35	1.70	1.80	1.95	2.00	2.05	2.05	2.10	

Sources: Scotiabank Economics, Bloomberg.

The Provinces	(annual % change except where noted)											
	CA	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC	
<b>Real GDP</b>												
2010–18	2.2	0.5	2.0	0.9	0.6	1.7	2.2	2.2	2.5	2.8	2.8	
2018	2.0	-3.5	2.6	1.5	0.8	2.5	2.2	1.3	1.3	1.6	2.6	
2019e	1.6	2.1	2.8	1.7	0.6	2.7	1.6	1.3	1.0	0.5	2.1	
2020f	-4.1	-3.3	-1.1	-1.5	-2.1	-5.5	-5.6	-1.6	-2.6	-2.9	-1.8	
2021f	5.1	1.5	3.8	3.1	2.0	6.1	6.3	2.2	3.8	4.7	3.5	
<b>Nominal GDP</b>												
2010–18	3.9	3.2	3.9	2.7	2.8	3.7	4.1	4.0	3.3	3.8	4.5	
2018	3.9	1.7	4.2	3.3	3.2	4.8	3.7	2.2	1.4	3.8	4.5	
2019e	3.6	3.8	4.8	3.5	2.3	4.4	3.5	3.1	2.7	2.3	4.4	
2020f	-5.8	-6.1	-1.5	-2.2	-2.7	-7.0	-7.2	-2.2	-4.5	-5.6	-2.6	
2021f	7.4	3.0	6.2	5.2	3.8	8.4	8.6	4.5	6.1	7.2	5.8	
<b>Employment</b>												
2010–18	1.2	0.5	1.2	0.2	-0.2	1.1	1.3	0.8	0.9	1.5	1.4	
2018	1.3	0.5	3.0	1.5	0.3	0.9	1.6	0.6	0.4	1.9	1.1	
2019e	2.1	0.6	2.7	2.2	0.8	1.8	2.9	0.9	1.8	0.5	2.6	
2020f	-2.0	-3.9	1.0	-0.7	-0.5	-2.2	-2.3	-0.2	-1.4	-2.9	-1.1	
2021f	2.7	0.8	2.7	1.3	1.2	3.1	3.1	1.7	1.9	2.0	2.5	
<b>Unemployment Rate (%)</b>												
2010–18	7.0	13.3	10.8	8.8	9.3	7.4	7.3	5.5	5.2	6.1	6.4	
2018	5.8	13.8	9.4	7.6	8.0	5.5	5.6	6.0	6.1	6.6	4.7	
2019e	5.7	11.9	8.8	7.2	8.0	5.1	5.6	5.3	5.4	6.9	4.7	
2020f	8.5	14.3	9.2	8.5	8.6	8.0	9.1	6.2	7.4	10.0	6.5	
2021f	7.0	13.4	7.5	7.5	7.6	6.1	7.2	5.1	6.2	9.3	5.5	
<b>Housing Starts (units, 000s)</b>												
2010–18	200	2.4	0.8	4.1	2.7	44	70	6.5	6.4	31	33	
2018	213	1.1	1.1	4.8	2.3	47	79	7.4	3.6	26	41	
2019e	209	0.9	1.5	4.7	2.9	48	69	6.9	2.4	27	45	
2020f	124	0.5	0.3	2.9	1.0	29	45	2.8	2.0	19	21	
2021f	215	1.2	1.5	4.4	2.4	45	80	6.4	4.4	32	38	
<b>Motor Vehicle Sales (units, 000s)</b>												
2010–18	1,810	33	7	52	42	439	725	56	54	241	197	
2018	1,983	28	8	51	38	449	853	67	47	226	217	
2019e	1,922	30	8	51	40	442	818	56	48	218	204	
2020f	1,552	25	8	47	34	360	645	47	41	170	175	
2021f	1,696	26	8	50	36	394	712	50	44	188	188	
<b>Budget Balances, Fiscal Year Ending March 31 (CAD mn)</b>												
2019	-14,000	-552	57	120	73	4,803	-7,435	-163	-268	-6,711	1,535	
2020f*	-26,600	-944	1	41	98	1,900	-9,023	-325	37	-7,540	203	
2021f	-110,000	-796	7	55	92	0	-6,800	-234	49	-6,810	227	

\* NL budget balance in 2020 is net of one-time revenue boost via Atlantic Accord. Sources: Scotiabank Economics, Statistics Canada, CMHC, Budget documents; Quebec budget balance figures are after Generations Fund transfers.

This report has been prepared by Scotiabank Economics as a resource for the clients of Scotiabank. Opinions, estimates and projections contained herein are our own as of the date hereof and are subject to change without notice. The information and opinions contained herein have been compiled or arrived at from sources believed reliable but no representation or warranty, express or implied, is made as to their accuracy or completeness. Neither Scotiabank nor any of its officers, directors, partners, employees or affiliates accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

These reports are provided to you for informational purposes only. This report is not, and is not constructed as, an offer to sell or solicitation of any offer to buy any financial instrument, nor shall this report be construed as an opinion as to whether you should enter into any swap or trading strategy involving a swap or any other transaction. The information contained in this report is not intended to be, and does not constitute, a recommendation of a swap or trading strategy involving a swap within the meaning of U.S. Commodity Futures Trading Commission Regulation 23.434 and Appendix A thereto. This material is not intended to be individually tailored to your needs or characteristics and should not be viewed as a "call to action" or suggestion that you enter into a swap or trading strategy involving a swap or any other transaction. Scotiabank may engage in transactions in a manner inconsistent with the views discussed this report and may have positions, or be in the process of acquiring or disposing of positions, referred to in this report.

Scotiabank, its affiliates and any of their respective officers, directors and employees may from time to time take positions in currencies, act as managers, co-managers or underwriters of a public offering or act as principals or agents, deal in, own or act as market makers or advisors, brokers or commercial and/or investment bankers in relation to securities or related derivatives. As a result of these actions, Scotiabank may receive remuneration. All Scotiabank products and services are subject to the terms of applicable agreements and local regulations. Officers, directors and employees of Scotiabank and its affiliates may serve as directors of corporations.

Any securities discussed in this report may not be suitable for all investors. Scotiabank recommends that investors independently evaluate any issuer and security discussed in this report, and consult with any advisors they deem necessary prior to making any investment.

**This report and all information, opinions and conclusions contained in it are protected by copyright. This information may not be reproduced without the prior express written consent of Scotiabank.**

™ Trademark of The Bank of Nova Scotia. Used under license, where applicable.

Scotiabank, together with "Global Banking and Markets", is a marketing name for the global corporate and investment banking and capital markets businesses of The Bank of Nova Scotia and certain of its affiliates in the countries where they operate, including, Scotiabanc Inc.; Citadel Hill Advisors L.L.C.; The Bank of Nova Scotia Trust Company of New York; Scotiabank Europe plc; Scotiabank (Ireland) Limited; Scotiabank Inverlat S.A., Institución de Banca Múltiple, Scotia Inverlat Casa de Bolsa S.A. de C.V., Scotia Inverlat Derivados S.A. de C.V. – all members of the Scotiabank group and authorized users of the Scotiabank mark. The Bank of Nova Scotia is incorporated in Canada with limited liability and is authorised and regulated by the Office of the Superintendent of Financial Institutions Canada. The Bank of Nova Scotia is authorised by the UK Prudential Regulation Authority and is subject to regulation by the UK Financial Conduct Authority and limited regulation by the UK Prudential Regulation Authority. Details about the extent of The Bank of Nova Scotia's regulation by the UK Prudential Regulation Authority are available from us on request. Scotiabank Europe plc is authorised by the UK Prudential Regulation Authority and regulated by the UK Financial Conduct Authority and the UK Prudential Regulation Authority.

Scotiabank Inverlat, S.A., Scotia Inverlat Casa de Bolsa, S.A. de C.V., and Scotia Derivados, S.A. de C.V., are each authorized and regulated by the Mexican financial authorities.

Not all products and services are offered in all jurisdictions. Services described are available in jurisdictions where permitted by law.