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Policy Missteps Taking Their Toll

- **A global recession is assured as a range of factors weigh on various economies. The outlook is increasingly policy-dependent, and policy actions are important headwinds in most countries.**
- **High levels of uncertainty regarding inflation and the cost of controlling inflation are having large impacts on markets, depressing asset values globally.**
- **We now expect the Federal Reserve to raise its policy rate to 5% early next year. This will trigger a mild recession. Rate risks are tilted to the upside given the stubborn strength of inflation. US rate expectations and generalized uncertainty are putting significant upward pressure on the US dollar.**
- **Canadian growth will stall in the first half of next year as the country experiences a technical recession. The Bank of Canada will need to tighten rates to 4.25% by the end of this year and keep rates at that level through much of 2023. This, along with weaker US growth, largely accounts for the negative revision to the outlook.**
- **The global outlook continues to hinge critically on inflation. If inflation shows no signs of moderation in the coming months, policymakers would likely need to engineer a great slowdown in economic activity to bring inflation under control.**

The global economy cannot avoid a recession. There should be little debate about economic prospects in China and Europe, the 2nd and 3rd largest economies in the world. Both are either experiencing dramatic slowdowns already or are set to do so in the coming months. In China, this is the result of still aggressive COVID management, weather-related disruptions, challenges in the housing sector, and a sharp slowdown of exports. In Europe, the weakness flows from the impacts of the war in Ukraine on energy availability and costs, the lagged impact of rising input costs, weather-related disruptions in industrial activity, and of course, eventually, the impact of rising policy rates to counter inflation.

Compounding these powerful headwinds are a series of policy missteps that are largely related to inflation management. These missteps began with delayed reactions by monetary and to a lesser extent fiscal policymakers to what had clearly become more persistent inflation. Central banks were slow to accept that inflation dynamics reflected more persistent determinants owing to an overweighting of the supply bottleneck thesis. This contributed to the current inflation challenges in at least two important manners. It led to a loss of central bank credibility, leading to some unmooring of inflation expectations. This was clear as early as [March 2022](#). It also led to a delayed response by policymakers, as they waited too long to begin normalizing policy. The decisions underlie to a large extent the catching-up that central banks are undertaking around the world: rapid interest rate adjustments to levels that are almost certainly higher than would have been necessary had policymakers taken more decisive actions much earlier than they did.

On the fiscal front, it is also abundantly clear that pandemic support measures could have been rolled back more rapidly at the global level. While true that fiscal balances have been improving rapidly thanks in large part to rapidly rising revenues, the inflation outcome suggests that consolidation should have occurred at a more rapid pace. More recently, governments have been trying to protect the most vulnerable populations from the harmful impacts of inflation. Inflation is unquestionably more damaging to lower-income households than the rest of the population, so it is natural for governments to want to blunt the impact of reduced purchasing power on those households. As designed, this fiscal support has the unfortunate impact of blunting central bank efforts to fight inflation and may ultimately require higher interest rates to lower inflation. In Canada, for instance, we estimate that the fiscal measures announced at the federal and provincial level will

require an additional 25 basis points of tightening. The challenge of coordinating monetary and fiscal policies was clearly illustrated by the dramatic reaction to the UK's attempt at a growth reset which saw markets react violently to a fiscal plan that was clearly going to raise inflation and imperil financial stability. Though most of the elements of that package have now been reversed, the episode serves as a stark reminder that policy actions and risks around them represent a key determinant of the outlook.

The impact of these and other policy challenges, along with the broad range of other developments noted above, are having significant impacts on markets and the outlook. Rates throughout the yield curve have shown incredible volatility in recent weeks, and equity markets have generally struggled. This is the consequence of the environment we find ourselves in. Few have strong convictions in their calls leading to dramatic swings in pricing when incoming data challenge a narrative or when policymakers are thought to err. The fall in asset values and tightening in financial conditions adds to the global headwinds being managed by firms, households, and governments.

In the United States, we now believe the Federal Reserve will need to hike its policy rate to 5% by early 2023. This is 150 basis points more than our last forecast. There are a few main reasons for this change in view. It is clear that the Federal Reserve is less forward-looking and more data-dependent than reaction functions typically assume. Inflation has remained stubbornly elevated in the US, and the most recent monthly prints do not suggest a cooling of pressures despite a large reduction in some of the upstream drivers of inflation. Confidence in inflation forecasts is low. This has prompted the Federal Reserve to indicate through its dot plots that it plans to hike interest rates to 4.5% by the end of this year. While we normally don't pay too much attention to dot plots, the fact that the Fed is communicating a need for such a tightening in just under three months gives them very little room to not follow through on this guidance. This additional tightening and a substantial decline in equity markets (impacting household wealth) are enough to trigger a recession. Our current view is that it is likely to be reasonably mild given that balance sheets remain strong. Output growth is expected to fall from 1.7% in 2022 to 0.4% in 2023, with output falling modestly in 2022Q4 and 2023Q1. The unemployment rate would rise from its September level of 3.5% to 4.7% by the end of next year.

The developments above are impacting the Canadian outlook. Lower commodity prices, elevated uncertainty, lower equity values, and a weaker US are all acting as brakes on growth. We expect growth to slow from 3.2% in 2022 to 0.6% next year and for the economy to enter a technical recession in the first half of 2023. These headwinds are compounded by our belief that the Bank of Canada will now need to raise its policy rate to 4.25% by the end of the year. This change in view on our policy rate forecast—our last forecast expected the policy rate to peak at 3.75%—reflects in equal measure the fiscal support measures being rolled out domestically, as well as the impact of a rapidly depreciating Canadian dollar. Both developments will put upward pressure on inflation, though we take comfort from the fact that there are some signs that inflation is moderating in Canada, in contrast to the US. Inflation is now expected to average 6.9% in 2022 and slow to 3.9% in 2023. The BoC's inflation target is unlikely to be reached until 2024 and should mildly undershoot the target in the second half of 2024.

Though we now expect what might be called a technical recession in Canada, we believe the economy will essentially stall in the first half of 2023. The decline in economic activity is likely to be minor and short-lived owing to the underlying resilience of the economy. Firm and household balance sheets remain strong, and the labour market is still dramatically short of workers. Regardless of the headwinds coming from beyond our borders, the simple reality is that Canadian firms are confronting serious challenges in their ability to increase production owing to these labour shortages. The slowdown we forecast should relieve some of the pressure on the labour market as we expect the unemployment rate to rise from the 5.2% observed in September to 6.3% by the end of next year.

We continue to believe that risks to the outlook are principally related to the evolution of inflation and the policy actions that might be needed to respond to stronger-than-expected increases in prices. If inflation does not soon show signs of cooling in the US, the Federal Reserve will be forced to raise policy rates well above 5%, leading to a much sharper reduction in economic activity than currently predicted. The risks of this are non-negligible given the stubbornness of inflation and the very strong increase in wages observed. This would have a large impact on the global economy and Canada even though inflation risks seem much more balanced north of the border.

International												
	2010-19	2020	2021	2022f	2023f	2024f	2010-19	2020	2021	2022f	2023f	2024f
	Real GDP (annual % change)						Consumer Prices (annual % change, unless noted)					
World (based on purchasing power parity)	3.7	-3.0	6.3	3.0	2.1	2.7						
Canada	2.3	-5.2	4.5	3.2	0.6	1.4	1.6	0.7	3.4	6.9	3.9	1.7
United States	2.3	-3.4	5.7	1.7	0.4	1.6	1.8	1.3	4.7	8.2	5.0	2.1
Mexico	2.7	-8.2	4.8	2.0	1.3	2.0	4.0	3.4	5.7	8.1	6.4	7.6
United Kingdom	2.0	-11.0	7.5	4.0	-0.9	1.2	2.2	0.9	2.6	9.0	6.7	3.5
Eurozone	1.4	-6.3	5.5	3.0	-0.7	1.6	1.4	0.3	2.6	8.2	6.1	3.5
Germany	2.0	-4.1	2.7	1.2	-1.2	1.7	1.4	0.4	3.2	8.4	6.5	3.9
France	1.4	-7.9	7.2	2.2	-0.4	1.5	1.3	0.5	2.1	6.0	5.2	3.2
China	7.7	2.3	8.1	3.2	4.4	4.5	2.7	0.2	0.9	2.2	2.2	1.9
India	7.0	-7.1	8.7	6.8	6.1	6.8	6.8	4.6	5.5	6.9	5.1	4.4
Japan	1.2	-4.7	1.7	1.7	1.6	1.3	0.6	-1.2	-0.2	2.0	1.4	1.0
South Korea	3.3	-0.9	4.1	2.6	2.0	2.7	1.7	0.5	2.5	5.5	3.8	2.3
Australia	2.6	-2.3	4.9	3.8	1.9	1.8	2.1	0.9	2.8	6.5	4.8	2.9
Thailand	3.6	-6.1	1.5	2.8	3.7	3.6	1.5	-0.3	1.2	6.3	2.8	1.5
Brazil*	1.4	-3.9	4.8	2.0	0.6	1.6	5.8	3.2	8.3	9.2	5.6	4.6
Colombia	3.7	-7.0	10.9	7.6	2.0	3.0	3.7	2.5	3.5	10.1	9.0	4.7
Peru	4.5	-11.0	13.5	2.8	2.4	2.2	2.8	1.8	4.0	7.8	5.8	3.1
Chile	3.3	-6.0	12.0	2.1	-0.9	2.8	3.0	3.1	4.5	11.7	7.1	3.2
Commodities												
	(annual average)											
WTI Oil (USD/bbl)	74	39	68	98	94	75						
Brent Oil (USD/bbl)	82	43	70	104	100	80						
WCS - WTI Discount (USD/bbl)	-18	-12	-13	-17	-19	-16						
Nymex Natural Gas (USD/mmbtu)	3.39	2.02	3.84	6.69	5.00	4.25						
Copper (USD/lb)	3.10	2.80	4.23	3.95	3.50	4.00						
Zinc (USD/lb)	1.02	1.03	1.36	1.58	1.40	1.40						
Nickel (USD/lb)	7.00	6.25	8.37	11.21	9.25	9.00						
Iron Ore (USD/tonne)	101	109	160	120	90	90						
Metallurgical Coal (USD/tonne)	179	127	204	360	200	180						
Gold, (USD/oz)	1,342	1,771	1,799	1,826	1,800	1,600						
Silver, (USD/oz)	21.64	20.48	25.15	23.00	24.00	23.00						

Sources: Scotiabank Economics, Statistics Canada, BEA, BLS, IMF, Bloomberg.
 *Consumer Prices: average of quarterly y/y% change

North America												
	2010-19	2020	2021	2022f	2023f	2024f	2010-19	2020	2021	2022f	2023f	2024f
	Canada						United States					
	(annual % change, unless noted)						(annual % change, unless noted)					
Real GDP	2.3	-5.2	4.5	3.2	0.6	1.4	2.3	-3.4	5.7	1.7	0.4	1.6
Consumer spending	2.5	-6.1	4.9	5.4	1.8	1.4	2.2	-3.8	7.9	2.3	0.3	1.8
Residential investment	2.5	4.3	15.2	-8.7	-6.9	5.5	4.5	6.8	9.2	-9.0	-8.0	4.3
Business investment*	2.9	-10.5	1.9	6.6	-2.1	7.1	5.2	-5.3	7.4	4.2	-0.4	0.9
Government	1.1	0.9	5.6	1.6	0.6	1.4	-0.1	2.5	0.5	-1.4	0.7	0.9
Exports	3.5	-9.7	1.4	2.6	4.0	1.3	3.8	-13.6	4.5	8.3	2.6	2.8
Imports	3.7	-10.8	7.7	7.5	0.6	2.2	4.3	-8.9	14.0	8.8	-0.6	2.3
Inventories, contribution to annual GDP growth	0.1	-1.8	0.8	1.5	-0.8	-0.5	0.2	-0.6	0.1	0.7	-0.1	0.0
Nominal GDP	4.0	-4.5	13.0	11.5	3.1	3.1	4.0	-2.2	10.1	9.1	4.7	3.0
GDP deflator	1.7	0.7	8.1	8.0	2.5	1.6	1.7	1.2	4.1	7.2	4.3	1.3
Consumer price index (CPI)	1.6	0.7	3.4	6.9	3.9	1.7	1.8	1.3	4.7	8.2	5.0	2.1
Core inflation rate**	1.7	1.9	2.7	4.7	3.2	1.9	1.6	1.3	3.5	5.1	3.5	2.1
Pre-tax corporate profits	6.3	-1.9	32.3	19.5	4.1	3.7	5.7	-5.2	25.0	8.3	4.6	2.2
Employment	1.3	-5.1	4.8	3.7	0.8	1.3	1.2	-5.8	2.8	3.8	0.8	0.3
Unemployment rate (%)	6.9	9.5	7.4	5.4	6.0	6.3	6.2	8.1	5.4	3.7	4.3	5.0
Current account balance (CAD, USD bn)	-57.0	-39.4	1.1	26.0	66.3	52.1	-407	-620	-846	-968	-843	-845
Merchandise trade balance (CAD, USD bn)	-13.6	-39.8	4.5	61.0	108.4	105.2	-763	-914	-1090	-1219	-1137	-1168
Federal budget balance (FY, CAD, USD bn) ***	-18.7	-327.7	-113.8	-52.8	-39.9	-27.8	-829	-3,132	-2,775	-965	-966	-1,059
percent of GDP	-1.0	-14.9	-4.6	-1.9	-1.4	-0.9	-4.8	-15.0	-12.1	-3.8	-3.7	-3.9
Housing starts (000s, mn)	201	218	271	250	202	194	1.31	1.40	1.61	1.59	1.46	1.52
Motor vehicle sales (000s, mn)	1,816	1,566	1,668	1,514	1,648	1,797	15.7	14.5	14.9	13.6	14.8	16.2
Industrial production	2.4	-8.1	4.3	3.9	0.8	1.6	1.7	-7.0	5.0	4.1	1.9	2.0
	Mexico											
	(annual % change)											
Real GDP	2.7	-8.2	4.8	2.0	1.3	2.0						
Consumer price index (year-end)	4.0	3.4	5.7	8.1	6.4	7.6						
Unemployment rate (%)	4.4	4.4	4.1	3.5	3.9	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 FY2020/21 are noted in calendar year 2020, FY2021/22 in calendar year 2021.

Quarterly Forecasts													
	2021		2022			2023				2024			
Canada	Q4	Q1	Q2	Q3e	Q4f	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
Real GDP (q/q ann. % change)	6.6	3.1	3.3	0.3	1.8	-0.1	-0.6	0.8	1.0	1.5	1.8	2.4	2.9
Real GDP (y/y % change)	3.2	2.9	4.6	3.3	2.1	1.3	0.4	0.5	0.3	0.7	1.3	1.7	2.1
Consumer prices (y/y % change)	4.7	5.8	7.5	7.3	6.8	5.2	4.1	3.7	2.7	2.2	1.6	1.5	1.5
Average of new core CPIs (y/y % change)*	3.3	4.1	5.1	5.0	4.7	4.0	3.4	2.9	2.4	2.2	1.9	1.8	1.8
CPIXFET (y/y % change)**	3.2	4.0	5.1	5.4	4.8	4.0	3.5	3.1	2.6	2.3	2.0	1.9	1.8
Unemployment Rate (%)	6.3	5.8	5.1	5.2	5.4	5.7	5.9	6.1	6.3	6.3	6.4	6.3	6.3
United States													
Real GDP (q/q ann. % change)	6.9	-1.6	-0.6	2.5	-0.3	-0.2	0.2	0.6	1.2	1.8	2.2	2.5	2.6
Real GDP (y/y % change)	5.5	3.5	1.7	1.8	0.0	0.4	0.5	0.1	0.4	0.9	1.4	1.9	2.2
Consumer prices (y/y % change)	6.7	8.0	8.6	8.3	7.8	6.7	5.3	4.4	3.5	2.7	2.1	1.9	1.9
Total PCE deflator (y/y % change)	5.7	6.4	6.6	6.3	6.3	5.3	4.2	3.6	2.9	2.2	1.7	1.6	1.6
Core PCE deflator (y/y % change)	4.7	5.3	5.0	5.0	5.2	4.5	3.7	3.1	2.6	2.3	2.1	2.0	1.9
Unemployment Rate (%)	4.2	3.8	3.6	3.6	3.7	3.9	4.2	4.4	4.7	4.9	5.0	5.1	5.1

* 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													
	2021	2022				2023				2024			
	Q4	Q1	Q2	Q3	Q4f	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
Americas													
(% end of period)													
Bank of Canada	0.25	0.50	1.50	3.25	4.25	4.25	4.25	4.25	4.00	3.50	3.00	3.00	3.00
US Federal Reserve (upper bound)	0.25	0.50	1.75	3.25	4.50	5.00	5.00	5.00	4.75	4.25	3.75	3.25	3.00
Bank of Mexico	5.50	6.50	7.75	9.25	10.50	10.50	10.50	10.50	10.00	9.50	9.00	8.50	8.00
Central Bank of Brazil	9.25	11.75	13.25	13.75	13.75	13.75	13.50	12.25	11.25	10.75	9.50	8.50	8.00
Bank of the Republic of Colombia	3.00	5.00	7.50	10.00	10.50	10.50	10.50	10.00	9.00	8.00	7.00	6.00	5.50
Central Reserve Bank of Peru	2.50	4.00	5.50	6.75	7.25	7.25	7.25	7.25	7.00	6.75	6.50	6.00	5.50
Central Bank of Chile	4.00	7.00	9.00	10.75	11.25	10.00	7.00	5.00	3.50	3.50	3.50	3.50	3.50
Europe													
European Central Bank MRO Rate	0.00	0.00	0.00	1.25	2.50	3.25	3.25	3.25	3.25	3.00	2.75	2.50	2.50
European Central Bank Deposit Rate	-0.50	-0.50	-0.50	0.75	2.00	2.75	2.75	2.75	2.75	2.50	2.25	2.00	2.00
Bank of England	0.25	0.75	1.25	2.25	3.75	4.50	4.50	4.50	4.50	4.25	4.00	3.75	3.25
Asia/Oceania													
Reserve Bank of Australia	0.10	0.10	0.85	2.35	3.20	3.35	3.35	3.35	3.20	3.15	3.00	2.85	2.70
Bank of Japan	-0.10	-0.10	-0.10	-0.10	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
People's Bank of China	3.80	3.70	3.70	3.65	3.60	3.60	3.60	3.60	3.60	3.60	3.55	3.55	3.55
Reserve Bank of India	4.00	4.00	4.90	5.90	6.10	6.20	6.15	6.15	6.15	6.10	6.20	6.20	5.90
Bank of Korea	1.00	1.25	1.75	2.50	3.00	3.10	3.10	3.05	2.90	2.85	2.65	2.55	2.35
Bank of Thailand	0.50	0.50	0.50	1.00	1.30	1.60	1.75	1.95	1.85	1.85	1.70	1.60	1.35
Currencies and Interest Rates													
(end of period)													
Americas													
Canadian dollar (USDCAD)	1.26	1.25	1.29	1.38	1.35	1.35	1.30	1.30	1.30	1.27	1.27	1.25	1.25
Canadian dollar (CADUSD)	0.79	0.80	0.78	0.72	0.74	0.74	0.77	0.77	0.77	0.79	0.79	0.80	0.80
Mexican peso (USDMXN)	20.53	19.87	20.12	20.14	20.66	20.84	20.83	21.24	21.29	21.49	22.10	21.91	22.58
Brazilian real (USDBRL)	5.58	4.74	5.26	5.42	5.28	5.31	5.58	6.10	5.80	5.90	5.70	5.90	5.60
Colombian peso (USDCOP)	4,080	3,771	4,155	4,609	4,561	4,580	4,518	4,518	4,553	4,572	4,572	4,597	4,622
Peruvian sol (USDPEN)	4.00	3.68	3.83	3.98	3.95	3.99	3.95	3.90	3.95	3.90	3.95	3.90	3.95
Chilean peso (USDCLP)	852	786	918	969	950	900	880	870	850	800	780	770	750
Europe													
Euro (EURUSD)	1.14	1.11	1.05	0.98	0.95	1.00	1.02	1.05	1.05	1.08	1.08	1.10	1.10
UK pound (GBPUSD)	1.35	1.31	1.22	1.12	1.12	1.15	1.15	1.20	1.20	1.22	1.22	1.24	1.25
Asia/Oceania													
Japanese yen (USDJPY)	115	122	136	145	140	138	138	133	133	130	130	130	130
Australian dollar (AUDUSD)	0.73	0.75	0.69	0.64	0.65	0.66	0.66	0.68	0.68	0.70	0.70	0.70	0.70
Chinese yuan (USDCNY)	6.36	6.34	6.70	7.12	7.00	6.90	6.90	6.80	6.80	6.70	6.70	6.60	6.60
Indian rupee (USDINR)	74.3	75.8	79.0	81.3	82.0	81.0	81.0	80.0	80.0	79.0	79.0	78.0	78.0
South Korean won (USDKRW)	1,189	1,212	1,299	1,431	1,400	1,380	1,380	1,360	1,360	1,340	1,340	1,320	1,320
Thai baht (USDTHB)	33.4	33.3	35.3	37.7	37.0	36.0	36.0	35.0	35.0	34.0	34.0	33.0	33.0
Canada (Yields, %)													
3-month T-bill	0.19	0.73	2.31	3.78	4.00	4.15	4.15	4.10	3.60	3.15	2.90	2.90	2.90
2-year Canada	0.95	2.29	3.15	3.79	4.35	4.10	3.80	3.70	3.60	3.50	3.40	3.25	3.10
5-year Canada	1.26	2.41	3.11	3.33	3.90	3.85	3.70	3.60	3.55	3.45	3.30	3.25	3.20
10-year Canada	1.42	2.40	3.22	3.17	3.50	3.45	3.40	3.35	3.35	3.30	3.30	3.30	3.30
30-year Canada	1.68	2.38	3.13	3.09	3.55	3.50	3.45	3.40	3.40	3.35	3.35	3.35	3.35
United States (Yields, %)													
3-month T-bill	0.06	0.55	1.73	3.21	4.90	4.90	4.90	4.80	4.30	3.75	3.30	3.05	2.90
2-year Treasury	0.73	2.33	3.09	4.28	4.70	4.50	4.00	3.75	3.55	3.40	3.30	3.20	3.10
5-year Treasury	1.26	2.46	3.04	4.09	4.40	4.25	3.90	3.75	3.60	3.50	3.40	3.30	3.20
10-year Treasury	1.51	2.34	3.01	3.83	4.00	3.80	3.65	3.55	3.45	3.35	3.30	3.30	3.30
30-year Treasury	1.90	2.45	3.18	3.78	4.05	3.85	3.75	3.50	3.35	3.30	3.30	3.25	3.35

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	2.3	1.0	2.2	1.2	0.7	1.9	2.3	2.1	2.2	2.6	2.9
2020	-5.2	-5.4	-1.7	-2.5	-3.2	-5.5	-5.1	-4.6	-4.9	-7.9	-3.4
2021e*	4.5	1.2	6.6	5.8	5.3	5.6	4.3	1.2	-0.3	4.9	5.7
2022f	3.2	0.3	1.6	1.4	1.2	3.0	3.2	3.5	5.2	4.8	2.0
2023f	0.6	1.0	0.8	0.6	0.4	0.6	0.5	0.5	0.8	1.1	0.5
2024f	1.4	1.3	1.1	1.0	0.8	1.3	1.5	1.1	1.3	1.7	1.5
Nominal GDP											
2010-19	4.0	3.5	4.2	2.9	2.8	3.8	4.1	3.8	3.3	3.6	4.6
2020	-4.5	-10.7	0.9	0.7	-1.3	-2.4	-2.8	-1.4	-6.6	-16.1	-0.5
2021e	13.0	14.3	12.0	11.3	11.1	12.5	11.4	6.2	12.2	20.1	13.3
2022f	11.5	11.6	6.3	5.9	5.1	10.4	10.4	9.2	20.3	19.7	7.5
2023f	3.1	2.0	3.3	3.2	2.8	3.5	3.2	2.8	2.0	2.5	3.4
2024f	3.1	0.3	2.1	2.1	1.7	3.8	3.9	2.5	0.7	1.0	3.3
Employment											
2010-19	1.3	0.6	1.5	0.3	0.0	1.2	1.4	0.9	0.8	1.2	2.0
2020	-5.1	-5.7	-3.2	-4.7	-2.6	-4.8	-4.8	-3.7	-4.7	-6.6	-6.6
2021	4.8	2.8	3.6	5.4	2.5	4.1	4.9	3.5	2.6	5.1	6.6
2022f	3.7	3.8	3.6	3.4	3.4	3.3	4.0	3.2	3.3	4.6	3.1
2023f	0.8	1.2	0.9	0.9	0.9	0.9	0.9	0.9	1.3	1.3	0.8
2024f	1.3	1.7	1.3	1.3	1.3	1.3	1.3	1.3	1.6	1.6	1.2
Unemployment Rate (%)											
2010-19	6.9	13.3	10.6	8.7	9.4	7.1	7.0	5.6	5.3	6.2	6.1
2020	9.5	14.1	10.4	9.8	10.0	8.9	9.6	8.0	8.4	11.4	8.9
2021	7.4	12.9	9.2	8.4	9.0	6.1	8.0	6.4	6.5	8.7	6.5
2022f	5.4	11.0	7.5	6.7	7.3	4.5	5.8	4.9	4.9	5.8	5.0
2023f	6.0	11.3	8.1	7.3	7.9	5.1	6.4	5.5	5.2	6.1	5.7
2024f	6.3	11.2	8.4	7.6	8.1	5.4	6.7	5.7	5.2	6.1	6.1
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
2020	0.7	0.2	0.0	0.3	0.2	0.8	0.6	0.5	0.6	1.1	0.8
2021	3.4	3.7	5.1	4.1	3.8	3.8	3.5	3.2	2.6	3.2	2.8
2022f	6.9	6.6	8.9	7.4	7.5	6.7	7.0	7.6	6.3	6.5	6.7
2023f	3.9	3.8	4.4	3.7	3.9	4.1	4.0	4.1	3.6	3.5	4.0
2024f	1.7	2.0	2.2	1.9	1.8	1.9	1.7	1.9	1.7	1.6	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
2020	218	0.8	1.2	4.9	3.5	54	81	7.3	3.1	24	38
2021	271	1.0	1.3	6.0	3.8	68	100	8.0	4.2	32	48
2022f	250	1.7	1.2	5.5	4.2	61	86	7.6	4.5	35	43
2023f	202	1.1	1.0	4.4	3.1	50	72	6.1	3.4	26	35
2024f	194	0.7	1.0	4.3	2.9	48	72	6.1	2.9	22	34
Motor Vehicle Sales (units, 000s)											
2010-19	1,816	33	7	52	42	441	738	56	54	239	199
2020	1,566	27	7	40	35	378	653	47	42	184	179
2021	1,668	29	8	45	38	404	665	49	43	196	199
2022f	1,514	23	7	36	33	359	629	41	39	183	170
2023f	1,648	24	7	39	35	391	690	44	42	199	185
2024f	1,797	26	7	42	36	427	751	47	45	215	202
Budget Balances, (CAD mn)											
2019**	-39,392	1,117	22	2	49	2,083	-8,672	5	-319	-12,152	-322
2020	-327,729	-1,492	-6	-342	409	-4,226	-16,404	-2,117	-1,127	-16,962	-5,468
2021e	-113,800	-400	-27	108	488	-294	2,100	-704	-1,468	3,944	1,306
2022f	-52,800	-351	-93	-506	136	-1,656	-18,751	-548	1,044	13,160	-5,461
2023f	-39,900	-309	-52	-419	21	-1,277	-12,300	-440	-384	932	-4,128

* Based on preliminary estimates of real GDP by industry. ** NL budget balance in 2019 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 and before Stabilization Reserve transfers.

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