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Bank of Canada Not Quite Done

- We continue to believe a mild recession is likely in Canada beginning in Q2 though economic indicators remain reasonably positive. We forecast only a modest increase in unemployment this year given the strength observed in labour markets so far this year and clear indications that labour shortages remain a major concern for Canadian employers.
- Core measures of inflation rose on a monthly basis in April leading to an upward revision to our core inflation forecast despite lower oil prices. We now expect core measures of inflation to average 3.9% this year. Our predictions for total inflation are largely unchanged and have been stable over the last several forecasts. That being said, our inflation forecasts have been higher than the Bank of Canada's for quite some time.
- The rise in inflation and perhaps more importantly the surge in housing market activity and still robust employment markets suggest that risks around the Bank of Canada's inflation outlook are tilted to the upside, as we have long argued. With inflation on a gradual downward path so far this year, the risks to the inflation outlook were manageable at current policy rate settings.
- With core inflation rising (admittedly for one month only), we believe the Bank of Canada no longer has the luxury to wait to see how the balance of inflation risks evolves in coming months. As a result, we now think a 25 basis points move is required at the June meeting. Governor Macklem should leave the door clearly open to additional moves should those be required. We continue to expect the policy rate will be cut early next year and see little chance of a cut this year.
- That being said, this move is best seen as insurance against inflation. Our model does not indicate a need for higher rates despite the April inflation shock and other developments.

We remain of the view that the country will experience a mild recession in the second and third quarters though that slowdown, if it occurs, is best characterized as a stall in economic activity. There are some indications that economic activity is moderating though the evidence remains scant. Statistics Canada notes that it estimates real economic activity fell in March, potentially setting the quarter up for a decline. Associated with that are indications that real-time local business conditions moderated in April providing additional evidence of a softening in demand. Moreover, oil prices are significantly lower than expected, with consequent impacts on the economy and inflation. The wildfires in Alberta will be another drag in the second quarter but that is likely to be temporary and reversed once the situation returns to normal. These developments contrast with a sharp improvement in home sales in April despite very low listings, and a still strong job market which saw reasonably robust hours growth. Moreover, population growth is at a 50-year high based on the population estimates in the Labour Force Survey, building on the historic population growth observed last year. On balance, this suggests that economic activity is likely to fall only moderately in the second quarter, following the strong start to the year.

Inflation remains too high, and the April inflation results show that core measures of inflation are accelerating from what were still uncomfortably elevated levels. One month definitely does not make a trend and it is too early to be definitive that this represents a worrisome shift in inflation dynamics. Our model still points to a gradual decline in inflation over the remainder of the year, though the April surprise is leading us to raise our inflation forecast for core inflation to 3.9% for 2023 and 2.3% next year. **The April reading further reinforces asymmetric risks around the Bank of Canada's inflation profile, however.** The

consequence of inflation overshoots relative to forecasts or Bank of Canada expectations are much more important than negative surprises to inflation (which would be very welcome). In this sense, **the April results are worrisome given that the BoC forecast for inflation has been meaningfully below our own for a few quarters now suggesting they may need to raise their own forecasts appreciably.**

The April inflation print does not in and of itself warrant higher policy rates. Our model, which has done a great job of forecasting inflation and interest rates, suggests that rates should remain at their current level. If the economy evolves as we are forecasting, there is no need for additional rate hikes. That being said, the consequences of higher or lower inflation are asymmetric. The Bank of Canada cannot tolerate a widening divergence of inflation from its 2% target.

Recent data suggest an accumulation of risks to the BoC's inflation outlook. These obviously include the April inflation readings, but they follow other impactful data:

- The April housing data is a problem for the Bank of Canada. The housing market was a drag on the economy for much of last year, as one would expect given the evolution of monetary policy. A reversal in the market now, triggered by policy rate stability, a decline in longer-term borrowing costs post-SVB and an evident pent-up demand for homes mean that home prices are once again on the rise and that housing is likely to boost growth going forward. We have reflected that in our current forecast, but the BoC could dampen that activity with marginally higher rates.
- The job market remains remarkably robust. There are well documented lags between economic activity and labour market outcomes, but the strength of employment this year is astounding. Canadian employers have already hired nearly 250k workers so far this year and the most recent CFIB Business Barometer continues to show that small and medium-sized business believe labour shortages are the most critical barriers to higher sales or production. Nearly a quarter of firms expected to increase hiring in April, with only 14% expecting to shed labour—the lowest level since May 2022.
- And as Derek Holt has [noted](#), there are a number of other potential upside risks to the inflation outlook that merit consideration by the BoC.

There are of course downside material risks to inflation. The most important are views surrounding potential output. Record population growth could suggest that potential output is currently underestimated, even though productivity is actually declining. Lower oil prices could also feed into non-core measures of inflation in a more meaningful way as the year progresses. And while employment growth has surpassed expectations thus far there is a possibility for a larger-than-expected adjustment to the downside as the economy slows. Our forecast assumes a historically modest increase in the unemployment rate this year, rising from its current level of 5.0% to 5.7% by year-end. In addition, it is still too early to be confident that the banking issues in the US will remain as benign as they have been thus far. Some retrenchment in credit is still likely.

We think the BoC needs to weigh potential upside risks to the inflation outlook more heavily than has been warranted since the pause was announced. This suggests to us that a more cautious approach to inflation management is required, and that an additional 25 basis points move is required at the June meeting. Again, we reiterate that our current forecast for the economy and inflation does not in and of itself suggest another increase is necessary. But mounting upside risks to the inflation outlook, many of which are already integrated into our upwardly revised inflation forecasts, suggest a further shot across the economic bow is required by the BoC. **The BoC no longer has the luxury to wait to see whether or not these risks materialize given the outsized costs of a further deviation from target. The question for Governor Macklem and his colleagues is not whether or not they will raise their inflation forecasts, but rather by how much they will do so.** We continue to believe that the BoC will not cut its policy rate this year and that it will undertake a gradual series of cuts in early 2024.

We foresee no change to our US policy rate views at present. We remain of the opinion that the Federal Funds target rate is at its terminal rate, though risks to that are evidently tilted to the upside. We continue to anticipate a modest US recession this year but have pushed that out to Q3 and Q4 relative to our previous view of a Q2/Q3 retrenchment. Economic data do not seem to suggest a fall in GDP is in order for Q2 at the moment, though there is evidence of a slowdown in consumer spending in recent weeks. The delayed recession, combined with a better start to the year than expected implies a slightly stronger 2023 than previously forecast and a weaker 2024. We assume that the US debt ceiling issue will be resolved and do not incorporate any impacts of a breakdown in talks into our forecast. A US default resulting from an inability to come to an agreement would have dramatic consequences and present a severe downside risk to the US and global outlook. As elsewhere, we expect US inflation to decline gradually through the year but have revised the profile upwards owing to its recent stickiness. While we do not believe another rate hike is necessary, we can not see the Fed cutting rates this year. This is a sharp contrast to current market pricing.

International												
	2010-19	2020	2021	2022e	2023f	2024f	2010-19	2020	2021	2022e	2023f	2024f
	Real GDP (annual % change)						Consumer Prices (annual % change, unless noted)					
World (based on purchasing power parity)	3.7	-3.0	6.6	3.2	2.6	2.5						
Canada	2.3	-5.1	5.0	3.4	1.0	1.1	1.6	0.7	3.4	6.8	4.1	2.4
United States	2.3	-2.8	5.9	2.1	1.2	0.6	1.8	1.3	4.7	8.0	4.7	2.9
Mexico	2.7	-8.0	4.7	3.1	1.6	1.3	4.0	3.4	5.7	7.9	6.1	4.7
United Kingdom	2.0	-11.0	7.6	4.1	0.2	0.9	2.2	0.9	2.6	9.1	6.6	2.3
Eurozone	1.4	-6.3	5.6	3.5	0.5	1.1	1.4	0.3	2.6	8.4	5.7	2.5
Germany	2.0	-4.1	2.7	1.9	0.0	1.2	1.4	0.4	3.2	8.6	6.3	2.5
France	1.4	-7.9	7.2	2.6	0.5	1.1	1.3	0.5	2.1	5.9	5.5	2.5
China	7.7	2.2	8.4	3.0	5.6	5.0	2.6	2.5	0.9	2.0	2.1	2.3
India	6.7	-5.8	9.1	6.9	6.0	6.2	6.2	5.1	6.7	6.6	5.3	5.0
Japan	1.2	-4.3	2.3	1.0	1.0	1.1	0.5	0.0	-0.3	2.5	2.4	1.4
South Korea	3.3	-0.7	4.1	2.6	1.2	2.2	1.7	0.5	2.5	5.1	3.3	2.0
Australia	2.6	-1.8	5.3	3.7	1.7	1.6	2.1	0.9	2.9	6.6	5.5	3.1
Thailand	3.6	-6.2	1.6	2.6	3.6	3.8	1.6	-0.8	1.2	6.1	2.8	1.9
Brazil*	1.4	-3.3	5.0	2.9	0.9	1.7	5.8	3.2	8.3	9.3	5.3	4.2
Colombia	3.7	-7.3	11.0	7.3	1.5	2.5	3.7	2.5	3.5	10.2	11.7	5.3
Peru	4.5	-11.0	13.3	2.7	1.9	2.2	2.8	1.8	4.0	7.9	7.0	4.0
Chile	3.3	-6.1	11.7	2.4	-0.8	2.8	3.0	3.1	4.5	11.6	7.6	2.8
Commodities												
	(annual average)											
WTI Oil (USD/bbl)	74	39	68	95	78	76						
Brent Oil (USD/bbl)	82	43	70	101	83	80						
WCS - WTI Discount (USD/bbl)	-18	-12	-13	-19	-19	-17						
Nymex Natural Gas (USD/mmbtu)	3.39	2.02	3.84	6.61	2.79	3.75						
Copper (USD/lb)	3.10	2.80	4.23	4.00	4.00	4.00						
Zinc (USD/lb)	1.02	1.03	1.36	1.58	1.39	1.40						
Nickel (USD/lb)	7.00	6.25	8.37	11.66	10.45	9.50						
Iron Ore (USD/tonne)	101	109	160	121	111	90						
Metallurgical Coal (USD/tonne)	179	127	204	372	260	200						
Gold, (USD/oz)	1,342	1,771	1,799	1,803	1,904	1,900						
Silver, (USD/oz)	21.64	20.48	25.15	21.80	23.71	23.75						

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

North America												
	2010-19	2020	2021	2022	2023f	2024f	2010-19	2020	2021	2022	2023f	2024f
	Canada						United States					
	(annual % change, unless noted)						(annual % change, unless noted)					
Real GDP	2.3	-5.1	5.0	3.4	1.0	1.1	2.3	-2.8	5.9	2.1	1.2	0.6
Consumer spending	2.5	-6.1	5.0	4.8	1.9	1.8	2.2	-3.0	8.3	2.7	1.6	0.8
Residential investment	2.5	5.0	14.9	-11.0	-3.3	5.7	4.5	7.2	10.7	-10.6	-12.0	3.5
Business investment*	3.0	-9.8	4.2	6.4	-5.2	11.9	5.1	-4.9	6.4	3.9	1.0	0.0
Government	1.1	1.9	5.5	2.0	1.2	1.2	0.1	2.6	0.6	-0.6	2.7	0.9
Exports	3.6	-8.9	1.4	2.6	3.8	0.5	3.9	-13.2	6.1	7.1	3.4	3.8
Imports	3.7	-9.3	7.8	7.2	-1.2	3.9	4.3	-9.0	14.1	8.1	-0.3	3.9
Inventories, contribution to annual GDP growth	0.1	-1.8	1.0	2.0	-1.1	-0.7	0.2	-0.7	0.2	0.7	-0.5	0.1
Nominal GDP	4.0	-4.5	13.6	11.0	3.9	3.5	4.0	-1.5	10.7	9.2	5.8	2.9
GDP deflator	1.7	0.6	8.2	7.4	2.9	2.3	1.7	1.3	4.5	7.0	4.6	2.2
Consumer price index (CPI)	1.6	0.7	3.4	6.8	4.1	2.4	1.8	1.3	4.7	8.0	4.7	2.9
Core inflation rate**	1.7	1.9	2.8	5.0	3.9	2.3	1.6	1.3	3.5	5.0	4.2	2.8
Pre-tax corporate profits	6.3	-1.4	35.8	8.9	-3.3	2.0	5.9	-5.9	22.6	6.5	1.3	1.4
Employment	1.3	-5.6	5.0	4.0	1.9	1.4	1.2	-5.8	2.9	4.3	1.6	0.3
Unemployment rate (%)	6.9	9.7	7.5	5.3	5.4	6.0	6.2	8.1	5.4	3.6	3.6	4.3
Current account balance (CAD, USD bn)	-56.9	-47.6	-6.7	-10.8	-37.3	-85.7	-407	-620	-846	-944	-834	-871
Merchandise trade balance (CAD, USD bn)	-13.6	-40.3	4.7	22.0	15.8	-14.9	-763	-914	-1090	-1191	-1110	-1177
Federal budget balance (FY, CAD, USD bn) ***	-18.7	-327.7	-90.2	-43.0	-40.1	-35.0	-829	-3,132	-2,775	-1,375	-1,410	-1,576
percent of GDP	-1.0	-14.8	-3.6	-1.5	-1.4	-1.2	-4.8	-14.9	-11.9	-5.4	-5.2	-5.7
Housing starts (000s, mn)	201	218	271	262	227	240	1.31	1.40	1.61	1.55	1.38	1.43
Motor vehicle sales (000s, mn)	1,816	1,567	1,667	1,529	1,705	1,825	15.7	14.5	14.9	13.8	15.7	16.9
Industrial production	2.4	-8.2	4.5	3.6	0.2	1.5	1.7	-7.2	4.4	3.4	0.0	0.8
	Mexico											
	(annual % change)											
Real GDP	2.7	-8.0	4.7	3.1	1.6	1.3						
Consumer price index	4.0	3.4	5.7	7.9	6.1	4.7						
Unemployment rate (%)	4.4	4.4	4.1	3.3	3.3	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	Q3	Q4	Q1e	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
Real GDP (q/q ann. % change)	6.9	2.4	3.6	2.3	0.0	2.5	-0.3	-1.1	0.8	1.0	2.3	2.2	3.0
Real GDP (y/y % change)	3.9	3.1	4.7	3.8	2.1	2.1	1.1	0.3	0.5	0.1	0.7	1.5	2.1
Consumer prices (y/y % change)	4.7	5.8	7.5	7.2	6.7	5.1	4.1	3.8	3.2	2.7	2.5	2.2	2.3
Average of new core CPIs (y/y % change)*	3.4	4.2	5.2	5.2	5.3	4.8	4.2	3.8	2.9	2.6	2.3	2.2	2.1
CPIXFET (y/y % change)**	3.2	4.0	5.1	5.4	5.4	4.8	4.3	3.8	3.2	2.9	2.6	2.4	2.2
Unemployment Rate (%)	6.3	5.7	5.1	5.1	5.1	5.0	5.2	5.4	5.7	5.9	5.9	6.1	6.1
United States													
Real GDP (q/q ann. % change)	7.0	-1.6	-0.6	3.2	2.6	1.1	0.7	-0.3	-0.4	0.4	1.3	1.9	2.2
Real GDP (y/y % change)	5.7	3.7	1.8	1.9	0.9	1.6	1.9	1.0	0.3	0.1	0.2	0.8	1.5
Consumer prices (y/y % change)	6.8	8.0	8.6	8.3	7.1	5.8	4.7	4.4	4.1	3.3	3.0	2.7	2.6
Total PCE deflator (y/y % change)	5.7	6.4	6.6	6.3	5.7	4.9	3.9	3.7	3.5	2.9	2.7	2.4	2.3
Core PCE deflator (y/y % change)	4.7	5.3	5.0	4.9	4.8	4.7	4.4	4.1	3.8	3.2	2.9	2.6	2.4
Unemployment Rate (%)	4.2	3.8	3.6	3.6	3.6	3.5	3.5	3.7	3.8	4.0	4.2	4.4	4.5

* 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	Q4	Q1	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
Americas	(% end of period)												
Bank of Canada	0.25	0.50	1.50	3.25	4.25	4.50	4.75	4.75	4.75	4.25	4.00	3.50	3.25
US Federal Reserve (upper bound)	0.25	0.50	1.75	3.25	4.50	5.00	5.25	5.25	5.25	4.75	4.25	3.75	3.50
Bank of Mexico	5.50	6.50	7.75	9.25	10.50	11.25	11.25	11.25	11.00	10.00	9.25	8.75	8.25
Central Bank of Brazil	9.25	11.75	13.25	13.75	13.75	13.75	13.75	13.25	12.50	11.25	10.50	10.25	10.00
Bank of the Republic of Colombia	3.00	5.00	7.50	10.00	12.00	13.00	13.25	13.25	12.25	10.25	8.25	6.75	5.75
Central Reserve Bank of Peru	2.50	4.00	5.50	6.75	7.50	7.75	7.75	7.75	7.25	6.75	6.25	5.75	5.25
Central Bank of Chile	4.00	7.00	9.00	10.75	11.25	11.25	11.00	9.50	7.50	6.50	4.00	3.75	3.75
Europe													
European Central Bank MRO Rate	0.00	0.00	0.00	1.25	2.50	3.50	4.00	4.25	4.25	4.25	4.00	3.75	3.50
European Central Bank Deposit Rate	-0.50	-0.50	-0.50	0.75	2.00	3.00	3.50	3.75	3.75	3.75	3.50	3.25	3.00
Bank of England	0.25	0.75	1.25	2.25	3.50	4.25	4.50	4.50	4.50	4.25	4.00	3.75	3.50
Asia/Oceania													
Reserve Bank of Australia	0.10	0.10	0.85	2.35	3.10	3.60	3.85	3.85	3.85	3.60	3.60	3.35	3.10
Bank of Japan	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10
People's Bank of China	3.80	3.70	3.70	3.65	3.65	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35
Reserve Bank of India	4.00	4.00	4.90	5.90	6.25	6.50	6.50	6.50	6.50	6.25	6.00	6.00	6.00
Bank of Korea	1.00	1.25	1.75	2.50	3.25	3.50	3.50	3.50	3.50	3.25	3.00	2.75	2.50
Bank of Thailand	0.50	0.50	0.50	1.00	1.25	1.75	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Currencies and Interest Rates													
Americas	(end of period)												
Canadian dollar (USDCAD)	1.26	1.25	1.29	1.38	1.36	1.35	1.35	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	0.74	0.77	0.77	0.79	0.79	0.80	0.80
Mexican peso (USDMXN)	20.53	19.87	20.12	20.14	19.50	18.05	17.90	18.10	18.30	19.30	19.70	20.20	20.20
Brazilian real (USDBRL)	5.58	4.74	5.26	5.42	5.28	5.06	5.41	5.49	5.38	5.47	5.39	5.31	5.23
Colombian peso (USDCOP)	4,080	3,771	4,155	4,609	4,853	4,623	4,714	4,714	4,726	4,743	4,777	4,805	4,823
Peruvian sol (USDPEN)	4.00	3.68	3.83	3.98	3.81	3.76	3.75	3.80	3.85	3.85	3.80	3.80	3.85
Chilean peso (USDCLP)	852	786	918	969	851	795	850	850	850	800	780	770	750
Europe													
Euro (EURUSD)	1.14	1.11	1.05	0.98	1.07	1.08	1.05	1.10	1.10	1.10	1.10	1.12	1.12
UK pound (GBPUSD)	1.35	1.31	1.22	1.12	1.21	1.23	1.20	1.25	1.25	1.25	1.25	1.28	1.28
Asia/Oceania													
Japanese yen (USDJPY)	115	122	136	145	131	133	135	130	130	130	130	125	125
Australian dollar (AUDUSD)	0.73	0.75	0.69	0.64	0.68	0.67	0.67	0.69	0.69	0.70	0.70	0.72	0.72
Chinese yuan (USDCNY)	6.36	6.34	6.70	7.12	6.90	6.87	6.80	6.75	6.70	6.65	6.65	6.65	6.65
Indian rupee (USDINR)	74.3	75.8	79.0	81.3	82.7	82.2	82.0	81.5	81.0	80.5	80.0	80.0	80.0
South Korean won (USDKRW)	1,189	1,212	1,299	1,431	1,260	1,302	1,299	1,278	1,255	1,245	1,210	1,160	1,160
Thai baht (USDTHB)	33.4	33.3	35.3	37.7	34.6	34.1	33.6	33.3	32.5	32.1	32.0	32.0	32.0
Canada (Yields, %)													
3-month T-bill	0.19	0.73	2.31	3.78	4.32	4.42	4.45	4.45	4.30	4.05	3.55	3.15	3.10
2-year Canada	0.95	2.29	3.15	3.79	4.05	3.73	4.00	3.55	3.35	3.15	3.10	3.10	3.10
5-year Canada	1.26	2.41	3.11	3.33	3.41	3.02	3.35	3.30	3.25	3.25	3.25	3.25	3.25
10-year Canada	1.42	2.40	3.22	3.17	3.30	2.90	3.10	3.25	3.40	3.45	3.50	3.50	3.50
30-year Canada	1.68	2.38	3.13	3.09	3.28	3.00	3.15	3.35	3.55	3.60	3.65	3.70	3.70
United States (Yields, %)													
3-month T-bill	0.06	0.55	1.73	3.21	4.40	4.65	5.05	5.05	4.90	4.45	3.90	3.40	3.10
2-year Treasury	0.73	2.33	3.09	4.28	4.43	4.03	4.20	3.80	3.50	3.30	3.20	3.20	3.20
5-year Treasury	1.26	2.46	3.04	4.09	4.00	3.57	3.50	3.45	3.40	3.35	3.30	3.30	3.30
10-year Treasury	1.51	2.34	3.01	3.83	3.88	3.47	3.55	3.60	3.60	3.60	3.60	3.60	3.60
30-year Treasury	1.90	2.45	3.18	3.78	3.97	3.65	3.80	3.85	3.90	3.90	3.90	3.90	3.90

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	1.1	2.1	1.2	0.7	1.9	2.3	2.2	2.3	2.6	2.9
2020	-5.1	-4.6	-1.6	-3.5	-2.7	-5.0	-4.7	-4.4	-4.8	-8.0	-3.0
2021	5.0	0.6	7.9	6.2	5.9	6.0	5.2	1.8	-0.9	4.8	6.1
2022e	3.4	-1.7	2.9	2.6	1.8	2.8	3.7	3.9	5.7	4.8	3.6
2023f	1.0	1.2	1.7	1.2	1.1	0.8	0.9	1.2	0.9	1.4	0.7
2024f	1.1	1.3	1.7	1.4	1.3	1.0	1.2	1.3	0.7	0.8	1.4
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
2020	-4.5	-10.0	1.4	0.0	-1.6	-1.9	-2.9	-1.3	-7.6	-15.7	-0.7
2021	13.6	17.7	14.3	10.9	13.8	11.8	10.3	8.4	13.1	26.2	14.2
2022e	11.0	12.7	7.9	9.7	8.5	9.5	9.2	9.9	19.5	21.1	9.3
2023f	3.9	3.3	5.1	4.4	4.3	4.3	4.5	4.4	2.6	2.2	3.8
2024f	3.5	3.7	3.9	3.7	3.5	3.4	3.6	3.6	2.7	2.9	3.7
Employment											
2010-19	1.3	0.6	1.5	0.3	0.0	1.2	1.4	1.0	0.9	1.3	2.0
2020	-5.6	-6.2	-3.4	-4.6	-3.1	-5.4	-5.4	-4.4	-5.1	-7.1	-6.3
2021	5.0	3.4	4.0	5.6	3.1	4.3	5.2	3.7	2.6	5.4	6.2
2022	4.0	4.4	5.4	3.6	2.8	3.0	4.6	3.2	3.5	5.2	3.2
2023f	1.9	2.1	1.9	2.4	2.5	1.7	2.0	1.4	1.5	2.5	1.6
2024f	1.4	1.3	1.4	1.5	1.5	1.1	1.5	1.1	1.1	1.8	1.4
Unemployment Rate (%)											
2010-19	6.9	13.3	10.6	8.7	9.4	7.1	7.0	5.6	5.3	6.2	6.2
2020	9.7	14.3	10.5	9.9	10.3	8.9	9.8	8.1	8.4	11.3	9.1
2021	7.5	13.1	9.8	8.6	9.2	6.1	8.1	6.5	6.6	8.6	6.6
2022	5.3	11.3	7.6	6.5	7.2	4.3	5.6	4.6	4.7	5.8	4.6
2023f	5.4	10.7	7.4	6.4	7.1	4.5	5.6	4.8	4.8	6.0	4.9
2024f	6.0	11.1	7.9	7.0	7.7	4.9	6.2	5.5	5.4	6.5	5.6
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
2022	6.8	6.4	8.9	7.5	7.3	6.7	6.8	7.9	6.6	6.5	6.9
2023f	4.1	4.4	4.6	4.7	4.4	4.3	4.0	4.6	4.2	3.6	4.2
2024f	2.4	2.6	2.5	2.5	2.4	2.4	2.5	2.4	2.5	2.3	2.3
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
2022	262	1.4	1.3	5.7	4.7	57	96	8.1	4.2	37	47
2023f	227	1.0	1.1	5.0	3.6	53	83	6.9	3.6	29	40
2024f	240	1.0	1.2	5.3	3.8	58	89	7.7	3.6	30	41
Motor Vehicle Sales (units, 000s)											
2010-19	1,816	33	7	52	42	441	738	56	54	239	199
2020	1,567	27	7	40	35	378	653	47	42	184	179
2021	1,667	29	8	45	38	404	665	49	43	196	199
2022	1,529	24	7	38	35	374	645	45	42	184	183
2023f	1,705	26	7	41	37	397	691	48	45	196	193
2024f	1,825	28	8	45	39	424	747	51	48	210	207
Budget Balances, (CAD mn)											
2019*	-39,392	1,117	22	2	49	32	-8,672	5	-319	-12,152	-322
2020	-327,729	-1,492	-6	-342	409	-7,539	-16,404	-2,124	-1,127	-16,962	-5,468
2021	-90,200	-400	-27	351	488	-772	2,051	-704	-1,468	3,944	1,306
2022f	-43,000	784	-95	-259	863	-5,021	-6,549	-378	1,147	10,390	3,592
2023f	-40,100	-160	-52	-279	40	-3,998	-1,300	-363	1,017	2,371	-4,216

* 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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