

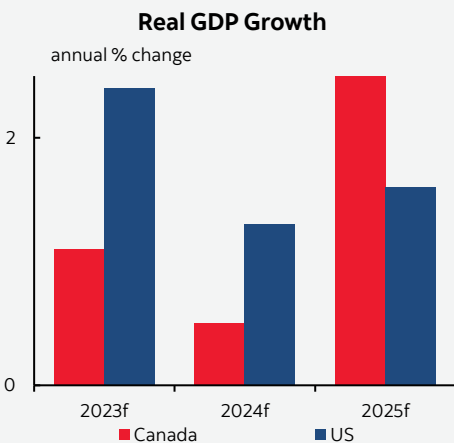
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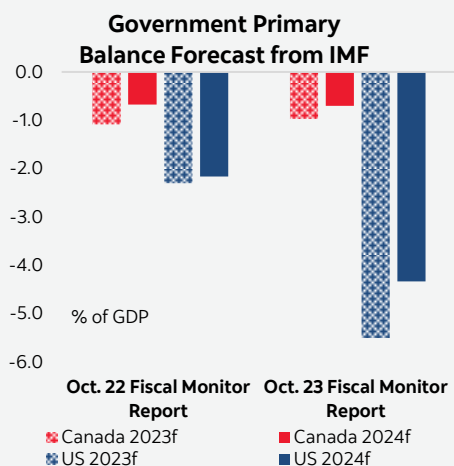
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Chart 1



Source: Scotiabank Economics.

Chart 2



Sources: Scotiabank Economics, IMF.

## The Year of the Cut

- **Economic growth is slowing but a traditional recession is likely to be avoided. The Canadian economy is clearly slowing as past interest rate increases bite, but the US economy remains very resilient. As a result, we have shaved our expectations for Canada to 0.5% in 2024 but raised our forecast for US growth to 1.3%.**
- **We expect the Federal Reserve to cut interest rates by more than the Bank of Canada next year despite the former's better economic performance. From mid-year to end 2024, we think the Bank of Canada will cut its policy rate by 100 bp and that the Federal Reserve will cut by 150 bp.**
- **The larger cuts in the United States are prompted by a much better productivity performance, which is allowing that economy's substantial wage gains to be less inflationary than in Canada.**

From an economics perspective, the two key questions for 2024 are: how fast will rates come down and will the United States or Canada experience a recession? Uncertainty around these questions will likely cloud decisions and impact risk appetite until more clarity is available on these issues. Our view is that both economies will experience the equivalent of an economic stall in the first half of 2024 but avoid a full-blown recession. Inflation is under better control in the United States than in Canada and we think this will lead the Federal Reserve to cut rates by 150 bp starting in mid-2024. We expect the Bank of Canada will cut rates 100 bp in Canada over that same period.

The U.S. and Canadian economies have been remarkably resilient in light of the sharp tightening in monetary policy. The result of that tightening, and the focus of many doomsayers, is that rates are at 5% in Canada and 5.5% in the United States. There is no question that rates at these levels are causing a slowdown in activity. There is also no question that monetary drag will build in 2024 as the full impact of rate increases is felt, not only because of the lags in the transmission mechanism, but also because real policy rates are rising as inflation moderates. The question is whether this level of rates will trigger a recession or allow economies to land softly.

Our view continues to be that economies will land softly (chart 1). The fact that rates are where they currently are reflects an underlying resilience in economic activity that should provide a cushion against more damaging outcomes. The causes of this resilience differ across the border. In the United States, balance sheets remain reasonably strong for both firms and households, but the real source of resilience over the last year has been fiscal policy. The government cyclically adjusted primary deficit in relation to potential output for the United States rose from an estimated 3.1% in 2023, as published by the IMF in October 2022, to 6.0% in the most recent estimate. In other words, the fiscal impulse increased 3 percentage points of potential GDP in a year (chart 2). That is massive fiscal support for an economy that the central bank is trying to slow. Thankfully, that impulse will diminish in 2024, but fiscal support will likely remain substantial in the United States, with an expected cyclically adjusted primary deficit in relation to potential output of 4.7%.

Looking at dynamics beyond the fiscal impact in the United States, strength in the second half of 2023, notably on the consumer spending side, suggests more momentum going into 2024 than earlier assessed and we have revised our US forecast for 2023 and 2024 upwards accordingly. Moreover, with productivity surging in the United States, we have also raised our estimate of potential output growth—the effective non-inflationary speed limit of the economy—to 2.2% from 2.0%. The more data come in, the less likely a recession seems. This is despite evident weakness in measures of economic sentiment, which are very much at odds with recent economic data.

The growth slowdown appears more certain in Canada than the United States. There is clear evidence of mounting, though still modest, financial stress on households. The Bank of Canada's 475 bp of increases so far are contributing to a modest slowdown in consumer spending, but the impact of higher rates is most evident in the housing market and spending categories associated with that. Despite that slowdown, our estimates suggest there is still a fair amount of pent-up demand from households, which points to a less aggressive curtailing of household spending than seen in earlier rate tightening cycles. That, in conjunction with still reasonably healthy household balance sheets and a record pace of population growth, suggests material downside risks to Canadian household spending are overblown. In addition, job vacancies remain somewhat elevated, leading firms to hire at a strong pace through the most recent data prints. Business spending is softening along with sentiment, leading to lower investment. Business investment should be a drag on activity in coming quarters.

**There is lots of angst among some observers regarding the possibility of a hard landing or proper recession in Canada.** We don't subscribe to that perspective, in part because of the reasons previously discussed. Much of the concern from those with a more negative assessment hinges on the interaction of current mortgage rate levels with a surge of mortgage renewals expected in 2024 and 2025. As mortgages reset at rates that are multiple percentage points higher than at origination, there will unquestionably be an impact on household spending. We believe most households will have a high degree of control over the extent of the payment shock given price appreciation since mortgages were undertaken, allowing households to refinance and extend amortizations if they would like. Moreover, a third of mortgagees have accelerated payments by an average of \$611 a month, according to Mortgage Professionals of Canada, giving even more flexibility to handle payment shocks. In addition, two-thirds of Scotiabank customers still have higher deposits than they did pre-pandemic. Assuming this is representative of typical Canadian households, there remains a substantial financial cushion to finance consumption expenditures. And finally, about 60% of households are either renters or have no mortgages on their properties. Again, there is no question that household spending will moderate going forward, but we find it hard to argue that the pullback in spending will be dramatic.

In Canada, two upside risks could lead to stronger-than-expected growth next year. The first upside risk is fiscal policy, where governments may undertake expansionary and/or direct support measures to firms and households during the upcoming budget season. The interaction of depressed sentiment and the challenging financial situation of many firms and households, combined with poor polling for the federal Liberals and many provincial premiers, mean this risk of additional fiscal support should not be discounted. The second upside risk concerns the housing market. That market is currently very weak given what is increasingly likely a peak in borrowing costs. The immense gap between supply and demand persists and is likely getting wider. We know that households are currently holding off purchasing decisions in anticipation of lower mortgage rates next year. As the expected decline in rates approaches, there is a chance that we see a repeat of the housing rebound seen in spring 2023 following the Bank of Canada's rate pause. We are not forecasting this, but there does appear to be a meaningful probability that the spring housing market could rebound sharply if households act on pent-up demand for housing. If so, we could actually see an acceleration in the economy in Q1/24-Q2/24.

The key challenge in the outlook remains the future direction of interest rates. Any additional upward move in rates in either country will pose challenges for firms and households. In this respect, inflation outcomes will be critical to economic outcomes. In the United States and Canada, inflation has softened markedly in recent months. We believe there is more reason for inflation optimism in the United States than in Canada. The labour market remains significantly tighter in Canada than the United States, generating stronger wage gains north of the border. Combined with declining productivity in Canada and set against solid productivity growth in the United States, wage growth in Canada is substantially more inflationary than it is in the United States. This is very clearly seen in unit labour costs (chart 3). Recent wage prints in Canada are in the 5% area, whereas productivity growth is negative.

Chart 3

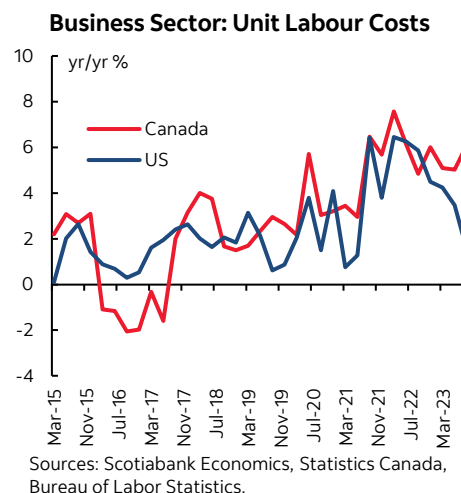
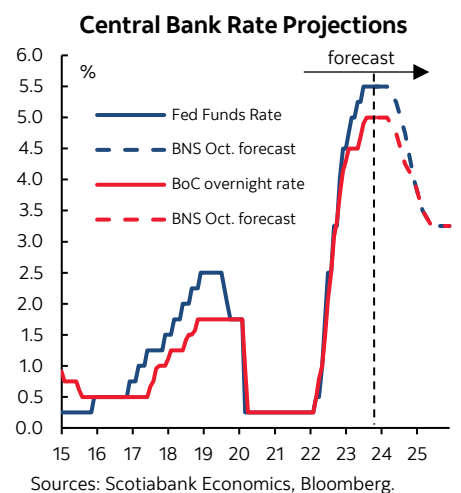


Chart 4



December 15, 2023

For these reasons, we expect the Federal Reserve will cut policy rates more aggressively than the Bank of Canada in 2024 (chart 4). We expect both to begin cutting around mid-year, though there is a risk that it could occur a bit earlier in the United States. At present, we forecast cuts of 150 bp in the United States and 100 bp in Canada. Naturally, the risks around the pace and timing of cuts centres on the evolution of the economic and inflation outlook. We are more concerned about upside risks to inflation in Canada relative to the United States given the problematic pace of wage gains in Canada. The Bank of Canada will have a lower threshold for further deviations away from the 2% target than the Federal Reserve. As a result, we remain of the view that over the next few meetings, the risks are greater that the Bank of Canada will tighten interest rates further rather than cut more rapidly. Further solidifying this view has been the sharp reduction in longer-term borrowing costs on both sides of the border, which is generating a substantial easing in monetary conditions at a time when neither central bank must think is appropriate.

The possibility of higher policy rates in the short run, as remote as that may seem to some, poses the greatest risk of recession in our view. Policy rates in Canada, in particular, are near the breaking point for firms and households. Additional increases resulting from stronger-than-expected inflation would extend the pain and could lead to much more weakness. There is hope, at the moment, among firms and households that rates have peaked and they will be cut. Dashing those hopes with higher policy rates could have nonlinear impacts on firm and household spending.

Political risks will loom large next year. Those in the United States are likely to be the most impactful. The U.S. presidential election could impart significant volatility on markets and the outlook. A second Trump presidency risks being highly disruptive to the United States and its trading partners. While the former president has not articulated much of a vision yet, he seems to support the idea of imposing unilateral tariffs on all imports into the United States, regardless of the county of origin. Several steps are required for this to happen: Trump would have to win the Republican nomination, which seems assured, then win the U.S. presidential election, which is more of a toss-up, and then implement this policy, which is far from assured. So, while this is a reasonably remote risk at present, it would be a high-impact development, with fundamental implications for the global trading system and the firms operating within it. And for a country like Canada that is particularly exposed to the United States, broad-based tariffs on exports to the United States would be highly disruptive.

International												
	2010–19	2021	2022	2023f	2024f	2025f	2010–19	2021	2022	2023f	2024f	2025f
	<b>Real GDP</b> (annual % change)						<b>Consumer Prices</b> (annual average % change, unless noted)					
World (based on purchasing power parity)	3.7	6.3	3.2	3.0	2.6	2.9						
Canada	2.3	5.3	3.8	1.1	0.5	2.5	1.6	3.4	6.8	3.8	2.6	2.1
United States	2.4	5.8	1.9	2.4	1.3	1.6	1.8	4.7	8.0	4.2	2.8	2.2
Mexico	2.3	5.7	3.9	3.4	3.1	1.6	4.0	5.7	7.9	5.5	4.6	3.9
United Kingdom	2.0	7.6	4.3	0.6	0.6	1.2	2.2	2.6	9.1	7.4	3.0	2.0
Eurozone	1.4	5.6	3.4	0.5	0.4	1.5	1.4	2.6	8.4	5.5	2.3	1.9
Germany	2.0	2.7	1.9	-0.2	0.4	1.6	1.4	3.2	8.7	6.0	2.3	1.9
France	1.4	7.2	2.5	0.8	0.7	1.4	1.3	2.1	5.9	5.5	2.3	1.9
China	7.7	8.4	3.0	5.2	4.5	4.4	2.6	0.9	2.0	0.4	1.5	1.9
India	6.7	9.1	7.0	6.4	6.3	6.4	6.2	6.7	6.6	5.4	4.7	4.5
Japan	1.2	2.4	0.9	1.7	0.9	1.0	0.5	-0.3	2.5	3.2	2.2	1.6
South Korea	3.3	4.3	2.6	1.3	2.1	2.3	1.7	2.5	5.1	3.6	2.4	2.0
Australia	2.6	5.7	3.8	1.8	1.5	2.2	2.1	2.9	6.6	5.6	3.4	2.9
Thailand	3.6	1.5	2.6	2.5	3.5	3.4	1.6	1.2	6.1	1.4	1.9	1.9
Brazil	1.4	4.8	3.0	2.9	1.5	1.9	5.8	8.3	9.3	4.5	3.9	3.6
Colombia	3.7	11.0	7.3	1.1	1.8	2.4	3.7	3.5	10.2	11.8	5.9	3.1
Peru	4.5	13.4	2.7	-0.2	2.3	2.0	2.8	4.0	7.9	6.4	3.9	2.1
Chile	3.3	11.7	2.4	-0.2	2.0	2.5	3.0	4.5	11.6	7.6	3.7	3.0
Commodities												
	(annual average)											
WTI Oil (USD/bbl)	74	68	95	80	81	81						
Brent Oil (USD/bbl)	82	70	101	85	85	85						
WCS - WTI Discount (USD/bbl)	-18	-14	-21	-18	-17	-17						
Nymex Natural Gas (USD/mmbtu)	3.39	3.85	6.61	2.78	3.50	4.00						
Copper (USD/lb)	3.10	4.23	4.00	3.85	4.00	4.50						
Zinc (USD/lb)	1.02	1.36	1.58	1.20	1.20	1.20						
Nickel (USD/lb)	7.00	8.37	11.66	9.90	9.25	9.00						
Iron Ore (USD/tonne)	101	160	121	112	90	90						
Metallurgical Coal (USD/tonne)	179	204	372	280	200	200						
Gold, (USD/oz)	1,342	1,799	1,803	1,900	1,900	1,700						
Silver, (USD/oz)	21.64	25.15	21.80	23.63	23.75	23.00						

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

North America												
	2010-19	2021	2022	2023f	2024f	2025f	2010-19	2021	2022	2023f	2024f	2025f
	<b>Canada</b> (annual % change, unless noted)						<b>United States</b> (annual % change, unless noted)					
Real GDP	2.3	5.3	3.8	1.1	0.5	2.5	2.4	5.8	1.9	2.4	1.3	1.6
Consumer spending	2.5	5.1	5.1	2.1	1.0	1.7	2.3	8.4	2.5	2.3	1.8	1.3
Residential investment	2.4	14.6	-12.0	-9.6	3.8	4.6	4.7	10.7	-9.0	-11.0	0.1	1.6
Business investment*	3.0	9.0	4.3	1.0	-1.2	13.0	5.6	5.9	5.2	4.5	1.9	1.3
Government	1.1	4.6	3.3	2.0	1.5	1.7	0.2	-0.3	-0.9	3.7	1.2	1.5
Exports	3.5	2.7	3.2	4.8	1.0	2.1	3.9	6.3	7.0	2.7	1.3	1.9
Imports	3.7	8.1	7.6	0.8	1.0	3.5	4.3	14.5	8.6	-1.2	2.3	0.4
Inventories, contribution to annual GDP growth	0.1	0.7	2.3	-1.3	-0.6	-0.1	0.1	0.2	0.5	-0.4	-0.3	0.0
Nominal GDP	4.0	13.4	11.8	2.6	3.0	4.4	4.0	10.7	9.1	6.2	2.9	3.0
GDP deflator	1.7	7.7	7.7	1.5	2.5	1.9	1.6	4.6	7.1	3.6	1.6	1.5
Consumer price index (CPI)	1.6	3.4	6.8	3.8	2.6	2.1	1.8	4.7	8.0	4.2	2.8	2.2
Core inflation rate**	1.7	2.8	5.0	4.1	2.6	2.0	1.6	3.6	5.2	4.2	2.6	2.0
Pre-tax corporate profits	6.3	33.2	14.7	-18.6	0.3	10.3	5.9	22.6	9.8	0.5	2.7	2.4
Employment	1.3	5.0	4.0	2.3	0.9	2.5	1.2	2.9	4.3	2.3	0.8	0.9
Unemployment rate (%)	6.9	7.5	5.3	5.4	6.4	6.6	6.2	5.4	3.6	3.7	4.1	4.5
Current account balance (CAD, USD bn)	-56.9	0.4	-10.3	-37.2	-104.9	-127.2	-407	-831	-972	-436	-62	-28
Merchandise trade balance (CAD, USD bn)	-13.6	2.5	19.7	-20.8	-78.0	-83.5	-763	-1084	-1183	-548	-65	-55
Federal budget balance (FY, CAD, USD bn) ***	-18.7	-90.2	-35.3	-40.0	-38.4	-38.3	-829	-2,775	-1,376	-1,695	-1,571	-1,761
percent of GDP	-1.0	-3.6	-1.3	-1.4	-1.3	-1.2	-4.8	-11.8	-5.3	-6.2	-5.6	-6.1
Housing starts (000s, mn)	201	271	262	245	242	252	1.31	1.61	1.55	1.39	1.36	1.36
Motor vehicle sales (000s, mn)	1,816	1,667	1,529	1,680	1,710	1,785	15.7	14.9	13.8	15.4	16.2	17.0
Industrial production	2.4	5.0	3.9	0.1	0.3	2.2	1.7	4.4	3.4	0.5	1.0	1.4
	<b>Mexico</b> (annual % change)											
Real GDP	2.3	5.7	3.9	3.4	3.1	1.6						
Consumer price index	4.0	5.7	7.9	5.5	4.6	3.9						
Unemployment rate (%)	4.4	4.1	3.3	2.9	3.1	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 FY2020/21 are noted in calendar year 2020, FY2021/22 in calendar year 2021.

Quarterly Forecasts													
	2022		2023			2024				2025			
	Q4	Q1	Q2	Q3	Q4f	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
<b>Canada</b>													
Real GDP (q/q ann. % change)	-0.9	2.5	1.4	-1.1	0.6	-0.1	0.9	1.3	2.3	2.5	3.3	3.2	2.9
Real GDP (y/y % change)	2.2	1.8	1.2	0.5	0.8	0.2	0.1	0.7	1.1	1.8	2.3	2.8	3.0
Consumer prices (y/y % change)	6.7	5.1	3.5	3.7	3.0	2.9	2.7	2.5	2.1	2.3	2.1	1.9	2.0
Average of new core CPIs (y/y % change)*	5.4	4.9	4.1	3.9	3.5	3.1	2.7	2.4	2.2	2.1	2.0	1.9	1.9
CPIXFET (y/y % change)**	5.4	4.8	4.0	3.4	3.3	2.9	2.6	2.3	2.1	2.0	1.9	1.8	1.8
Unemployment Rate (%)	5.1	5.0	5.2	5.5	5.8	6.1	6.3	6.6	6.7	6.7	6.7	6.6	6.5
<b>United States</b>													
Real GDP (q/q ann. % change)	2.6	2.2	2.1	5.2	0.9	0.5	0.1	1.0	1.8	1.5	1.8	1.9	2.1
Real GDP (y/y % change)	0.7	1.7	2.4	3.0	2.6	2.1	1.6	0.6	0.8	1.1	1.5	1.8	1.8
Consumer prices (y/y % change)	7.1	5.8	4.1	3.6	3.2	3.0	2.8	2.9	2.5	2.4	2.4	2.2	2.2
Total PCE deflator (y/y % change)	5.9	5.0	3.9	3.4	3.0	2.8	2.6	2.7	2.3	2.2	2.2	2.0	2.0
Core PCE deflator (y/y % change)	5.1	4.8	4.6	3.9	3.5	2.9	2.5	2.5	2.3	2.1	2.0	1.9	1.9
Unemployment Rate (%)	3.6	3.5	3.6	3.7	3.9	4.0	4.1	4.2	4.3	4.4	4.5	4.6	4.6

\* 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													
	2022	2023				2024				2025			
	Q4	Q1	Q2	Q3	Q4f	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
<b>Americas</b>	(% , end of period)												
Bank of Canada	4.25	4.50	4.75	5.00	5.00	5.00	4.75	4.25	4.00	3.50	3.25	3.25	3.25
US Federal Reserve (upper bound)	4.50	5.00	5.25	5.50	5.50	5.50	5.25	4.75	4.00	3.50	3.25	3.25	3.25
Bank of Mexico	10.50	11.25	11.25	11.25	11.25	11.00	10.50	10.00	9.50	9.00	8.50	8.00	7.50
Central Bank of Brazil	13.75	13.75	13.75	12.75	11.75	10.75	9.75	9.25	9.00	9.00	8.75	8.50	8.50
Bank of the Republic of Colombia	12.00	13.00	13.25	13.25	13.00	11.50	9.50	8.00	7.00	6.25	5.75	5.50	5.50
Central Reserve Bank of Peru	7.50	7.75	7.75	7.50	6.75	6.50	6.00	5.25	4.75	4.50	4.50	4.50	4.50
Central Bank of Chile	11.25	11.25	11.25	9.50	8.50	7.50	5.75	4.75	4.25	4.25	4.25	4.25	4.25
<b>Europe</b>													
European Central Bank MRO Rate	2.50	3.50	4.00	4.50	4.50	4.50	4.25	3.75	3.50	3.25	3.00	2.75	2.50
European Central Bank Deposit Rate	2.00	3.00	3.50	4.00	4.00	4.00	3.75	3.25	3.00	2.75	2.50	2.25	2.00
Bank of England	3.50	4.25	5.00	5.25	5.25	5.25	5.00	4.50	4.00	3.75	3.50	3.25	3.00
<b>Asia/Oceania</b>													
Reserve Bank of Australia	3.10	3.60	4.10	4.10	4.35	4.35	4.35	4.35	3.85	3.70	3.50	3.35	3.35
Bank of Japan	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	0.00	0.00	0.00	0.00	0.00	0.10	0.10
People's Bank of China	2.75	2.75	2.65	2.50	2.50	2.40	2.40	2.40	2.40	2.40	2.35	2.35	2.30
Reserve Bank of India	6.25	6.50	6.50	6.50	6.50	6.50	6.35	6.00	6.00	6.00	6.00	6.00	5.85
Bank of Korea	3.25	3.50	3.50	3.50	3.50	3.50	3.25	3.00	2.75	2.50	2.50	2.50	2.50
Bank of Thailand	1.25	1.75	2.00	2.50	2.50	2.50	2.50	2.50	2.50	2.25	2.25	2.00	2.00
Currencies and Interest Rates													
<b>Americas</b>	(end of period)												
Canadian dollar (USDCAD)	1.36	1.35	1.32	1.36	1.35	1.33	1.33	1.28	1.28	1.25	1.25	1.25	1.25
Canadian dollar (CADUSD)	0.74	0.74	0.76	0.74	0.74	0.75	0.75	0.78	0.78	0.80	0.80	0.80	0.80
Mexican peso (USDMXN)	19.50	18.05	17.12	17.42	17.50	17.70	17.80	18.10	18.40	18.70	18.90	19.25	19.50
Brazilian real (USDBRL)	5.28	5.06	4.79	5.03	4.93	4.97	4.97	4.96	4.96	4.98	4.99	5.01	5.02
Colombian peso (USDCOP)	4,853	4,623	4,172	4,067	4,250	4,249	4,278	4,302	4,316	4,320	4,325	4,340	4,350
Peruvian sol (USDPEN)	3.81	3.76	3.63	3.78	3.78	3.88	3.80	3.80	3.75	3.75	3.75	3.80	3.75
Chilean peso (USDCLP)	851	795	802	892	870	870	870	870	870	850	850	850	850
<b>Europe</b>													
Euro (EURUSD)	1.07	1.08	1.09	1.06	1.05	1.10	1.10	1.12	1.12	1.18	1.18	1.18	1.18
UK pound (GBPUSD)	1.21	1.23	1.27	1.22	1.20	1.25	1.25	1.30	1.30	1.30	1.30	1.30	1.30
<b>Asia/Oceania</b>													
Japanese yen (USDJPY)	131	133	144	149	150	150	150	140	140	130	130	130	130
Australian dollar (AUDUSD)	0.68	0.67	0.67	0.64	0.64	0.66	0.66	0.68	0.68	0.68	0.68	0.68	0.68
Chinese yuan (USDCNY)	6.90	6.87	7.25	7.30	7.15	7.26	7.19	7.13	7.07	7.01	6.95	6.88	6.82
Indian rupee (USDINR)	82.7	82.2	82.0	83.0	83.4	83.1	83.0	82.8	82.7	82.8	82.8	82.9	83.0
South Korean won (USDKRW)	1,265	1,302	1,318	1,349	1,304	1,308	1,289	1,270	1,252	1,244	1,237	1,229	1,222
Thai baht (USDTHB)	34.6	34.2	35.5	36.4	35.0	35.2	34.9	34.5	34.2	34.0	33.8	33.5	33.3
<b>Canada (Yields, %)</b>													
3-month T-bill	4.32	4.42	4.91	5.11	5.05	4.80	4.50	4.10	3.80	3.30	3.20	3.20	3.20
2-year Canada	4.05	3.73	4.58	4.87	4.00	3.80	3.60	3.50	3.45	3.40	3.35	3.35	3.35
5-year Canada	3.41	3.02	3.68	4.25	3.35	3.40	3.40	3.45	3.50	3.50	3.50	3.50	3.50
10-year Canada	3.30	2.90	3.27	4.02	3.30	3.25	3.20	3.35	3.55	3.60	3.60	3.60	3.60
30-year Canada	3.28	3.00	3.09	3.81	3.10	3.05	3.00	3.20	3.40	3.45	3.50	3.55	3.65
<b>United States (Yields, %)</b>													
3-month T-bill	4.41	4.80	5.31	5.46	5.40	5.35	4.95	4.15	3.80	3.30	3.05	3.05	3.05
2-year Treasury	4.43	4.03	4.90	5.04	4.40	4.10	3.70	3.50	3.40	3.40	3.30	3.30	3.30
5-year Treasury	4.00	3.57	4.16	4.61	3.95	3.90	3.80	3.70	3.60	3.50	3.50	3.50	3.50
10-year Treasury	3.88	3.47	3.84	4.57	4.00	3.80	3.70	3.80	3.90	4.00	4.00	4.00	4.00
30-year Treasury	3.97	3.65	3.86	4.70	4.15	4.05	3.95	3.80	4.00	4.00	4.00	4.00	4.00

Sources: Scotiabank Economics, Bloomberg, Consensus Economics.

The Provinces											
	(annual % change except where noted)										
	CA	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC
<b>Real GDP</b>											
2010-19	2.3	1.1	2.1	1.2	0.7	1.9	2.3	2.2	2.3	2.6	2.9
2021	5.3	1.0	8.4	5.9	5.3	6.7	5.4	1.3	-0.7	4.6	7.1
2022	3.8	-1.7	2.9	2.9	1.1	2.6	3.7	3.3	6.0	5.0	3.8
2023f	1.1	0.8	2.0	1.4	1.2	0.3	1.1	1.1	1.4	2.2	0.7
2024f	0.5	0.6	0.8	0.3	0.4	0.3	0.5	0.4	0.6	1.0	0.6
2025f	2.5	2.1	2.5	1.9	2.0	2.1	2.6	2.1	2.0	2.8	2.7
<b>Nominal GDP</b>											
2010-19	4.0	3.7	4.2	3.0	2.8	3.8	4.1	3.9	3.5	3.7	4.5
2021	13.4	18.5	14.9	10.0	10.9	11.6	9.8	9.2	13.9	24.9	15.8
2022	11.8	6.8	9.3	7.1	7.4	9.6	9.2	8.6	29.1	22.0	11.0
2023f	2.6	-0.4	5.0	4.0	4.0	3.2	3.7	3.5	-0.2	-1.6	3.1
2024f	3.0	3.6	3.5	2.9	3.0	2.9	3.0	2.5	3.1	3.2	3.0
2025f	4.4	4.6	4.7	4.0	4.0	4.0	4.4	4.0	4.1	4.9	4.5
<b>Employment</b>											
2010-19	1.3	0.6	1.5	0.3	0.0	1.2	1.4	1.0	0.9	1.3	2.0
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	2.3	1.9	5.5	2.4	3.3	2.4	2.4	2.4	1.7	3.4	1.5
2024f	0.9	0.9	1.9	0.9	1.0	0.7	0.9	0.9	0.8	1.2	0.9
2025f	2.5	2.2	2.8	2.5	2.4	2.2	2.5	2.4	2.2	2.9	2.8
<b>Unemployment Rate (%)</b>											
2010-19	6.9	13.3	10.6	8.7	9.4	7.1	7.0	5.6	5.3	6.2	6.2
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	9.8	7.2	6.4	6.7	4.4	5.7	4.8	4.7	5.9	5.2
2024f	6.4	10.5	7.8	7.7	7.9	5.5	6.7	5.7	5.7	6.8	6.4
2025f	6.6	10.7	8.0	7.9	8.3	5.7	6.9	5.8	5.9	7.0	6.5
<b>Total CPI, annual average</b>											
2010-19	1.6	2.0	1.6	1.7	1.8	1.5	1.9	1.8	1.8	1.7	1.6
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	3.8	3.3	3.1	4.2	3.7	4.5	3.7	3.7	4.0	3.4	4.0
2024f	2.6	2.5	2.6	2.6	2.5	2.8	2.6	2.7	2.7	2.5	2.5
2025f	2.1	1.9	2.0	2.1	2.1	2.1	2.0	2.0	1.9	1.9	2.1
<b>Housing Starts (units, 000s)</b>											
2010-19	201	2.2	0.8	4.2	2.7	44	70	6.6	6.0	31	34
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	245	1.1	0.9	6.1	4.3	43	94	7.0	4.3	34	49
2024f	242	1.7	1.0	5.6	3.8	48	89	7.3	5.3	34	45
2025f	252	2.0	1.1	5.6	3.8	54	91	7.9	6.0	36	45
<b>Motor Vehicle Sales (units, 000s)</b>											
2010-19	1,816	33	7	52	42	441	738	56	54	239	199
2021	1,667	29	8	45	38	413	667	50	43	197	203
2022	1,529	24	7	39	34	369	635	45	41	182	181
2023f	1,680	27	7	40	36	395	695	47	43	197	194
2024f	1,710	27	7	44	37	402	706	51	44	198	195
2025f	1,785	29	8	46	38	419	737	54	45	206	203
<b>Budget Balances, (CAD mn)</b>											
2020	-327,729	-1,492	-6	-342	409	-7,539	-16,404	-2,124	-1,127	-16,962	-5,507
2021	-90,200	-272	84	339	769	-772	2,025	-704	-1,468	3,915	1,265
2022	-35,300	323	14	116	1,013	-6,150	-5,863	270	1,581	11,641	704
2023f	-40,000	-154	-99	-279	35	-3,995	-5,600	-1,612	-251	5,521	-5,557
2024f	-38,400	297	-58	-464	27	-2,982	-5,300	-294	208	2,137	-3,147

\* 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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