Scotiabank

GLOBAL ECONOMICS

SCOTIABANK'S FORECAST TABLES

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Updating Our Forecast: The Costs of U.S. Trade Policy

- **The dramatic escalation of America's war on trade to most economies of the world is leading to a sharp deterioration in the outlook, financial markets and commodity prices.**
- **In the United States, the 100-year high tariffs are already causing a material slowdown in economic activity that will extend well into next year as the tariffs work their way through the economy.**
- **There has thankfully been little change in the tariffs Canada faces in the U.S. since they were announced in early March, but our outlook is nevertheless bleaker given the markdown in U.S. growth. We believe some fiscal stimulus is needed in the short run to manage the impact on economic activity.**
- **Central banks have little ability to respond in the short term. We now forecast the Federal Reserve will keep its policy rate at the current level through the remainder of the year given the inflationary consequences of its tariff policy. The Bank of Canada is currently forecast to keep its rate at 2.75% for the remainder of the year, but that assessment may change as we see how inflation and growth evolve in coming months.**

The costs of President Trump's erratic and misguided trade policies are rippling through the global economy and markets. Such is the damage caused by these policies that a key question for economic forecasters is whether or not they will trigger a recession in the U.S., first and foremost, and potentially in Canada and elsewhere. There is no doubt that economies will flirt with recession owing to the tariffs and associated uncertainty. At this point, we believe a recession will be avoided, but that is not a high confidence call. The simple reality is that no one has recent experience in analyzing such dramatic and erratic changes in economic policies, whether it be central bankers, to sophisticated business running international supply chains, to small businesses reliant on a few key inputs or exports, or to households wondering how the current situation may impact them. Moreover, there is no experience in analyzing a large advanced economy so intent on causing itself short-term pain in this manner for the hoped for, though unlikely, holy grail of long-term gain.

The difficulty of operating in this environment is made clear by the sharp decline in business and household confidence across a range of country, matched with a sharp increase in inflation expectations by those same respondents. It is seen in corporate earnings calls, with some large companies now indicating an inability to provide guidance for the moment. And it is painfully observed in financial markets, with equity markets pulling back sharply in recent weeks owing to concerns about the economic impact of a tariff shock.

Adding to this already complex environment, the head-scratching U.S. approach to policy may also be eroding the confidence investors have historically placed in U.S. dollar assets. There may be early signs of shift in perception as to the reserve currency status of the U.S. dollar and an associated decline in the perceived safety of American government debt. This could explain the contemporaneous decline in the U.S. dollar and U.S. government debt prices over the last week, a phenomenon rarely observed and usually seen in emerging markets. That divergence is not necessarily the result of a decline in the preference for U.S. assets as explained by our Derek Holt **last week**, but the fact that this is currently being questioned speaks to the nature of the concern about the state of U.S. economic and foreign policy by market participants.

The implementation of the tariffs, 145% on China, 25% on automobiles, steel and aluminum, 10% on Canadian oil, gas, and potash, 25% on non-CUSMA goods from Mexico and Canada and 10% reciprocal tariffs on all other countries, imply that the effective tariffs in the U.S. will explode to the highest level in 100 years with virtually no time for firms to adjust. We use our model to assess the impact of these tariffs while assuming these tariffs are permanent as is our convention. We certainly hope this is not the case given how economically harmful these are to the U.S., and dearly hope for more rational trade policy in coming weeks. While we do think these are unsustainably harmful, we take our guidance from President Trump and his advisors, who are clear that these tariffs are permanent in their mind.

Our modelling suggests these tariffs will come at a steep economic cost for the U.S. as they work through the economy, suggesting growth of barely 1% this year and 0.6% next year. This would be the worst back-to-back economic performance since the oil crisis of 1974. The broad range of surveys published by business groups, the federal reserves, and other organizations contain striking examples of the concern and paralysis displayed by firms and households in America and point to low growth in coming quarters. Add to this the significant wealth shock occurring as a result of the market adjustments to date and the outlook deteriorates further. We do not currently forecast a recession, but one is quite possible.

Along with damages to supply chains and lower household and business spending, the tariff shock will raise inflation meaningfully. This rise in inflation provides little scope for the Federal Reserve to cuts its policy rate this year and support the economy. It simply does not have much flexibility to respond to the decline in growth in 2025 given the inflation outlook and the risks of even higher inflation. In fact, our model suggests that the combined impact of higher inflation and lower growth as we currently assess them would lead to a higher Federal Funds target rate relative to earlier forecasts. As a number of central bankers have now indicated, they will not let the tariff shock become an inflation shock. As a result, we expect the Fed will keep its policy rate at the current level of 4.5% through this year before resuming its downward path in 2026. This is a departure from our most recent published forecast in which we expected the Federal Reserve to cut interest rates by 50 basis points in the second half of this year.

The main shocks to the Canadian forecast relative to our last update reflects a further increase in uncertainty, a significant scaling back of the U.S. outlook and the impact of U.S. trade actions against China on commodity prices. The Canadian tariff outlook has been remarkably in line with our now longstanding assumptions and is not a major source of change this month. In the short run, we continue to see a significant moderation of consumer and business spending as tariff-related uncertainty impacts spending decisions. As in the U.S. we observe this in survey measures but also hard economic data. The tracking for February retail sales suggests a decline in outlays. Job losses were recorded in March. Existing home sales have fallen. This is unambiguous evidence of the worries Canadians have with respect to the outlook. That being said, auto sales remain solid as purchasers rush to move ahead of tariffs and hours worked were solid in the first quarter. The quarterly pattern for GDP is thus likely to reflect modest strength to begin the year followed by weak growth through the remainder of 2025.

Policy assumptions play a much larger role than normal in this forecast. As is our convention, we only include tariff policy as currently implemented. While we think there is a good chance of some de-escalation going forward given some of President Trump's statements and actions in recent days, we assume tariffs are permanent.

Given the weak growth that results from the tariffs, uncertainty, lower U.S. growth and lower commodity prices, our modelling suggests some fiscal support is needed. Both potential leaders have indicated personal tax cuts will be implemented. Both have committed to eliminating the GST on new home builds. We assume additional measures will be rolled out in response to weaker growth for a total impact of about 1% of GDP. This would be largely transfers or tax rebates in the short run, as it is the most immediate way to support households (though not very effective) followed by a modest increase in government investment spending, which starts to ramp up at the end of 2025. A support of this size is quite small by historical standard, so we are using these as holding assumptions until details of measures are laid out (if measures are in fact deployed).[1] It is important to note however that this assumption is critical in guarding against a weaker economic outlook. Our modelling work clearly shows the important role for fiscal policy can play in the short run as monetary policy cannot impact the economy as rapidly and as directly as may be needed given developments. Furthermore, given the permanent damage caused by tariffs and reworked supply chains, a modest rise in government investment over the next couple of years could help the economy adjust to the structural transformation caused by U.S. trade policy. Our analysis suggests higher government investment could reverse some of the decline in potential output caused by President Trump's policies. A forthcoming note will detail empirical considerations on the design of a fiscal support program in the current circumstances.

[1] In our macroeconometric model, a temporary fiscal stimulus program of about 2.5% of GDP would be required to offset the negative impact of current tariffs.

Taking all these factors into consideration, we believe the Canadian economy can avoid a recession. We see growth of 1.6% this year, followed by very modest growth of 0.6% next year. While far from strong, this would be significantly stronger than outcomes in the U.S. A number of factors account for this:

1. Even though Canada is significantly more exposed to trade than the U.S., effective tariffs on goods imposed south of the border (in the 17% range) are a multiple of what they are in Canada (we estimate them at just under 4%).[2]
2. The U.S. economy is much more sensitive to financial wealth effects than the Canadian economy.
3. We assume some fiscal support in Canada and none in the U.S. (as President Trump has acknowledged a need for short-term pain to generate long-term gain).
4. The starting point for 2025 appears be significantly stronger in Canada than the U.S. at this point, setting the year off on a better path despite the weakness to come.

The Bank of Canada's job is in some ways more challenging than that of the Federal Reserve. As noted above, we consider the way forward for the Fed to be reasonably straightforward. In Canada, we assume that Governor Macklem keeps rates unchanged for the remainder of the year, but this depends critically on the evolution of the global trade war, the magnitude of the decline in U.S. economic activity, and the Canadian government's response to it. If, as indicated above, governments provide some fiscal offset to the weakness, the BoC should be able to maintain rates at current levels. If the U.S. or Canadian economies weaken more than expected, the BoC would likely lower rates. One key distinction in relation to the U.S. monetary policy challenges: since much of the revision to growth in Canada comes from the more traditional demand channels (weaker U.S. growth and lower commodity prices), the BoC likely has greater ability to respond to weaker growth than the Fed might.

That being said, we remain quite concerned about the inflationary consequences of the path the global economy is on. It is likely that tariffs will be broadly inflationary in Canada and elsewhere though the ultimate inflation outcome in Canada will depend on the interaction between imported inflation, Canadian retaliation, the exchange rate, the relative tariffs between the U.S. and Canada, and the hit to growth. We are already seeing significant increases in survey measures of inflation expectations. It will be challenging for central banks, including Canada's, to ensure that the one-off nature of tariff shocks does not lead to rising inflation. This is all the more challenging given the experience of the pandemic, the most recent inflation shock, in which central bank credibility was heavily impacted by their guidance that the rise in inflation would be temporary.

It is also worth noting that should the trade war de-escalate in coming weeks (President Trump has floated eliminating the auto tariffs for instance), it might be possible for the economy to rebound sharply in the second half of this year. Conversely, should the trade war amplify with a series of escalating tariffs from the already-high levels, the economic outlook would be significantly worse.

[2] Our model uses tariffs on imports of goods and services as opposed to tariffs on goods imports. Moreover, we assume that tariffs on Chinese imports in the U.S. become irrelevant after a certain threshold, so thus cap the effective tariff on goods imports and services at 17%.

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International

	2010–19	2022	2023	2024	2025f	2026f	2010–19	2022	2023	2024	2025f	2026f
	Real GDP (annual % change)						Consumer Prices (annual average % change, unless noted)					
World (based on purchasing power parity)	3.7	3.6	3.5	3.2	2.3	2.8						
Canada	2.2	4.2	1.5	1.5	1.6	0.7	1.6	6.8	3.9	2.4	2.3	2.1
United States	2.4	2.5	2.9	2.8	0.9	0.6	1.8	8.0	4.1	3.0	3.0	2.0
Mexico	2.3	3.9	3.3	1.5	-0.5	0.6	4.0	7.9	5.6	4.7	3.8	3.8
United Kingdom	2.0	4.8	0.4	1.1	0.5	1.2	2.2	9.1	7.4	2.5	3.1	2.3
Eurozone	1.4	3.6	0.6	0.8	0.5	1.0	1.4	8.4	5.5	2.4	2.2	2.0
Germany	2.0	1.5	0.0	-0.2	0.0	0.8	1.4	8.6	6.1	2.5	2.4	1.9
France	1.4	2.7	1.1	1.1	0.4	0.8	1.3	5.9	5.7	2.3	1.5	1.6
China	7.7	3.0	5.2	5.0	3.5	5.0	2.6	1.9	0.3	0.2	0.7	1.0
India	6.6	7.6	9.2	6.3	6.0	6.8	6.5	6.7	5.7	4.7	4.5	4.3
Japan	1.2	0.9	1.5	0.1	0.6	0.8	0.5	2.5	3.3	2.8	2.8	2.0
South Korea	3.5	2.7	1.4	2.1	1.0	2.0	1.7	5.1	3.6	2.3	1.9	1.9
Australia	2.6	4.1	2.1	1.0	1.8	2.5	2.1	6.6	5.6	3.2	2.5	2.6
Thailand	3.6	2.6	2.0	2.5	2.7	2.6	1.6	6.1	1.2	0.4	1.0	1.2
Brazil	1.4	3.0	3.3	3.4	2.0	1.6	5.8	9.3	4.6	4.4	5.7	4.5
Colombia	3.7	7.6	0.7	1.7	2.6	2.9	3.7	10.2	11.8	6.6	5.0	4.2
Peru	4.5	2.8	-0.4	3.3	3.3	2.7	2.8	7.9	6.3	2.4	1.7	2.2
Chile	3.3	2.3	0.5	2.6	2.5	2.5	2.9	11.6	7.7	4.3	4.2	2.7

Commodities

	2010–19	2022	2023	2024	2025f	2026f
	(annual average)					
WTI Oil (USD/bbl)	74	95	78	76	63	64
Brent Oil (USD/bbl)	82	101	83	81	68	69
WCS - WTI Discount (USD/bbl)	-18	-21	-19	-15	-12	-12
Nymex Natural Gas (USD/mmbtu)	3.39	6.61	2.73	2.27	4.11	4.63
Copper (USD/lb)	3.10	4.00	3.85	4.15	4.00	4.50
Zinc (USD/lb)	1.02	1.58	1.20	1.26	1.22	1.25
Nickel (USD/lb)	7.00	11.66	9.75	7.63	7.00	7.50
Iron Ore (USD/tonne)	101	121	120	110	96	90
Gold, (USD/oz)	1,342	1,803	1,943	2,386	3,000	2,800
Silver, (USD/oz)	21.64	21.80	23.38	28.21	31.96	30.00

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

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North America

	2010–19	2022	2023	2024	2025f	2026f	2010–19	2022	2023	2024	2025f	2026f
	Canada (annual % change, unless noted)						United States (annual % change, unless noted)					
Real GDP	2.2	4.2	1.5	1.5	1.6	0.7	2.4	2.5	2.9	2.8	0.9	0.6
Consumer spending	2.5	5.5	1.9	2.4	1.7	0.6	2.3	3.0	2.5	2.8	0.7	-0.7
Residential investment	2.4	-10.5	-8.4	-0.9	6.4	2.7	4.7	-8.6	-8.3	4.2	-1.0	-2.1
Business investment*	3.0	7.2	1.6	-1.4	-3.6	-0.6	5.6	7.0	6.0	3.6	0.3	2.0
Government	1.1	2.6	2.6	3.8	2.2	2.3	0.2	-1.1	3.9	3.4	1.3	1.1
Exports	3.5	4.2	5.0	0.6	0.1	-2.4	3.9	7.5	2.8	3.2	1.0	0.6
Imports	3.7	7.5	0.3	0.6	0.5	0.6	4.3	8.6	-1.2	5.4	-1.2	-3.4
Inventories, contribution to annual GDP growth	0.1	1.8	-1.1	-0.5	0.2	0.6	0.1	0.5	-0.4	0.0	-0.1	0.1
Nominal GDP	4.0	12.4	2.9	4.6	3.8	2.8	4.1	9.8	6.6	5.3	3.7	3.1
GDP deflator	1.7	7.9	1.4	3.0	2.2	2.0	1.6	7.1	3.6	2.4	2.8	2.5
Consumer price index (CPI)	1.6	6.8	3.9	2.4	2.3	2.1	1.8	8.0	4.1	3.0	3.0	2.0
Core inflation rate**	1.7	5.0	3.9	2.9	2.7	2.1	1.6	5.4	4.1	2.8	3.1	2.4
Pre-tax corporate profits	6.3	17.9	-14.8	-4.2	8.7	5.6	5.9	7.8	5.8	4.6	4.8	3.7
Employment	1.3	4.1	3.0	1.9	1.0	0.5	1.4	4.3	2.2	1.3	0.6	0.1
Unemployment rate (%)	6.9	5.3	5.4	6.4	7.2	7.2	6.2	3.6	3.6	4.0	4.7	5.5
Current account balance (CAD, USD bn)	-56.9	-8.7	-18.4	-15.6	-47.8	-64.8	-407	-1012	-905	-1134	-1115	-962
Merchandise trade balance (CAD, USD bn)	-13.6	21.2	-0.6	-6.9	-28.2	-38.7	-763	-1180	-1063	-1213	-1230	-1122
Federal budget balance (FY, CAD, USD bn) ***	-18.7	-35.3	-61.9	-50.0	-75.0	-80.0	-829	-1,376	-1,694	-1,915	-2,138	-2,051
percent of GDP	-1.0	-1.2	-2.1	-1.6	-2.4	-2.4	-4.8	-5.3	-6.1	-6.6	-7.1	-6.6
Housing starts (000s, mn)	201	262	240	245	240	249	0.99	1.55	1.42	1.37	1.37	1.34
Motor vehicle sales (000s, mn)	1,816	1,523	1,684	1,819	1,864	1,800	15.7	13.8	15.5	15.9	16.0	15.8
Industrial production	2.4	3.8	-0.1	-0.2	1.0	0.8	1.7	3.4	0.2	-0.3	1.0	2.1
	Mexico (annual % change)											
Real GDP	2.3	3.9	3.3	1.5	-0.5	0.6						
Consumer price index	4.0	7.9	5.6	4.7	3.8	3.8						
Unemployment rate (%)	4.4	3.3	2.8	2.7	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 FY2022/23 are noted in calendar year 2022, FY2023/24 in calendar year 2023.

Quarterly Forecasts

	2023	2024				2025				2026			
Canada	Q4	Q1	Q2	Q3	Q4	Q1e	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
Real GDP (q/q ann. % change)	0.7	1.8	2.8	2.2	2.6	1.4	0.8	0.9	0.3	1.1	0.5	0.7	0.9
Real GDP (y/y % change)	1.2	0.7	1.2	1.9	2.4	2.3	1.8	1.4	0.9	0.8	0.7	0.7	0.8
Consumer prices (y/y % change)	3.2	2.8	2.7	2.0	1.9	2.4	2.1	2.4	2.1	1.9	2.3	2.0	2.2
Average of new core CPIs (y/y % change)*	3.6	3.3	3.0	2.7	2.7	2.8	2.7	2.6	2.5	2.4	2.2	2.0	1.9
CPIXFET (y/y % change)**	3.4	2.9	2.8	2.5	2.2	2.8	2.8	2.7	2.5	2.4	2.3	2.1	2.0
Unemployment Rate (%)	5.7	5.9	6.3	6.6	6.7	6.6	7.0	7.4	7.8	7.6	7.4	7.1	6.9
United States													
Real GDP (q/q ann. % change)	3.2	1.6	3.0	3.1	2.3	-1.4	0.8	0.7	0.0	-0.2	0.8	1.6	2.2
Real GDP (y/y % change)	3.2	2.9	3.0	2.7	2.5	1.7	1.2	0.6	0.0	0.3	0.3	0.5	1.1
Consumer prices (y/y % change)	3.2	3.2	3.2	2.7	2.7	2.7	3.0	3.0	3.1	2.1	1.9	2.0	2.2
Total PCE deflator (y/y % change)	2.8	2.7	2.6	2.3	2.5	2.5	2.5	2.6	2.6	2.1	2.2	2.1	2.2
Core PCE deflator (y/y % change)	3.2	3.0	2.7	2.7	2.8	2.8	3.1	3.2	3.2	2.6	2.4	2.2	2.2
Unemployment Rate (%)	3.8	3.8	4.0	4.2	4.1	4.1	4.5	5.0	5.4	5.6	5.5	5.4	5.3

* 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

	2023	2024				2025				2026			
	Q4	Q1	Q2	Q3	Q4	Q1	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
Americas						(%, end of period)							
Bank of Canada	5.00	5.00	4.75	4.25	3.25	2.75	2.75	2.75	2.75	2.50	2.25	2.00	2.00
US Federal Reserve (upper bound)	5.50	5.50	5.50	5.00	4.50	4.50	4.50	4.50	4.50	4.25	4.00	3.75	3.50
Bank of Mexico	11.25	11.00	11.00	10.50	10.00	9.00	8.25	8.25	8.00	7.75	7.50	7.25	7.00
Central Bank of Brazil	11.75	10.75	10.50	10.75	12.25	14.25	15.00	15.00	15.00	14.50	13.50	13.00	12.50
Bank of the Republic of Colombia	13.00	12.25	11.25	10.25	9.50	9.50	9.00	8.50	8.00	7.50	7.00	6.50	6.50
Central Reserve Bank of Peru	6.75	6.25	5.75	5.25	5.00	4.75	4.75	4.50	4.50	4.50	4.50	4.50	4.50
Central Bank of Chile	8.25	7.25	5.75	5.50	5.00	5.00	5.00	4.75	4.50	4.25	4.25	4.25	4.25
Europe													
European Central Bank MRO Rate	4.50	4.50	4.25	3.65	3.15	2.65	2.15	1.90	1.90	1.90	1.90	1.90	1.90
European Central Bank Deposit Rate	4.00	4.00	3.75	3.50	3.00	2.50	2.00	1.75	1.75	1.75	1.75	1.75	1.75
Bank of England	5.25	5.25	5.25	5.00	4.75	4.50	4.25	4.00	3.75	3.50	3.25	3.00	2.75
Asia/Oceania													
Reserve Bank of Australia	4.35	4.35	4.35	4.35	4.35	4.10	3.85	3.60	3.60	3.60	3.60	3.60	3.60
Bank of Japan	-0.10	0.05	0.05	0.25	0.25	0.50	0.50	0.75	0.75	1.00	1.00	1.00	1.00
People's Bank of China	2.50	2.50	2.50	2.00	2.00	2.00	1.90	1.80	1.75	1.60	1.60	1.60	1.60
Reserve Bank of India	6.50	6.50	6.50	6.50	6.50	6.25	6.00	5.75	5.75	5.75	5.75	5.75	5.75
Bank of Korea	3.50	3.50	3.50	3.50	3.00	2.75	2.50	2.50	2.50	2.25	2.00	2.00	2.00
Bank of Thailand	2.50	2.50	2.50	2.50	2.25	2.00	2.00	2.00	2.00	2.00	2.00	2.00	1.75

Currencies and Interest Rates

	2023	2024				2025				2026			
	Q4	Q1	Q2	Q3	Q4	Q1	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
Americas						(end of period)							
Canadian dollar (USDCAD)	1.32	1.35	1.37	1.35	1.44	1.44	1.43	1.38	1.38	1.36	1.36	1.34	1.34
Canadian dollar (CADUSD)	0.76	0.74	0.73	0.74	0.70	0.70	0.70	0.72	0.72	0.74	0.74	0.75	0.75
Mexican peso (USDMXN)	16.97	16.56	18.32	19.69	20.83	20.47	20.80	21.00	21.30	21.30	21.40	21.50	21.50
Mexican peso (CADMXN)	12.80	12.23	13.38	14.56	14.48	14.23	14.55	15.22	15.43	15.66	15.74	16.04	16.04
Brazilian real (USDBRL)	4.86	5.01	5.59	5.45	6.18	5.71	5.81	5.85	5.86	5.88	5.87	5.86	5.84
Colombian peso (USDCOP)	3,855	3,852	4,153	4,207	4,406	4,183	4,294	4,310	4,367	4,339	4,350	4,361	4,364
Peruvian sol (USDPEN)	3.70	3.72	3.84	3.70	3.74	3.68	3.70	3.73	3.78	3.83	3.78	3.75	3.75
Chilean peso (USDCLP)	879	979	940	899	995	951	930	910	890	880	870	870	870
Europe													
Euro (EURUSD)	1.10	1.08	1.07	1.11	1.04	1.08	1.12	1.14	1.14	1.18	1.18	1.20	1.20
UK pound (GBPUSD)	1.27	1.26	1.26	1.34	1.25	1.29	1.30	1.33	1.33	1.37	1.37	1.40	1.40
Asia/Oceania													
Japanese yen (USDJPY)	141	151	161	144	157	150	145	140	135	132	130	128	125
Australian dollar (AUDUSD)	0.68	0.65	0.67	0.69	0.62	0.62	0.62	0.64	0.66	0.67	0.68	0.69	0.70
Chinese yuan (USDCNY)	7.10	7.22	7.27	7.02	7.30	7.26	7.33	7.35	7.34	7.33	7.30	7.27	7.23
Indian rupee (USDINR)	83.2	83.4	83.4	83.8	85.6	85.5	85.0	85.5	86.0	86.5	87.0	87.5	87.5
South Korean won (USDKRW)	1,288	1347	1377	1315	1472	1473	1430	1430	1420	1410	1400	1400	1390
Thai baht (USDTHB)	34.1	36.4	36.7	32.2	34.1	33.9	34.5	34.6	34.7	34.7	34.6	34.5	34.4
Canada (Yields, %)													
3-month T-bill	5.03	4.95	4.64	4.20	3.15	2.61	2.65	2.65	2.55	2.20	2.10	1.90	1.90
2-year Canada	3.89	4.18	3.99	2.91	2.93	2.46	2.50	2.45	2.40	2.35	2.35	2.30	2.30
5-year Canada	3.17	3.53	3.51	2.74	2.97	2.61	2.70	2.65	2.60	2.70	2.80	2.85	2.85
10-year Canada	3.11	3.47	3.50	2.96	3.23	2.97	3.10	3.05	3.00	3.10	3.20	3.20	3.20
30-year Canada	3.03	3.35	3.39	3.14	3.33	3.22	3.40	3.35	3.35	3.40	3.40	3.40	3.40
United States (Yields, %)													
3-month T-bill	5.35	5.40	5.20	4.44	4.14	4.19	4.30	4.30	4.20	3.95	3.70	3.50	3.30
2-year Treasury	4.25	4.62	4.75	3.64	4.24	3.88	3.90	3.75	3.60	3.50	3.45	3.45	3.45
5-year Treasury	3.85	4.21	4.37	3.56	4.38	3.95	4.00	3.85	3.90	3.95	3.90	3.90	3.90
10-year Treasury	3.88	4.20	4.40	3.78	4.57	4.21	4.25	4.15	4.25	4.25	4.25	4.25	4.25
30-year Treasury	4.03	4.34	4.56	4.12	4.78	4.57	4.75	4.55	4.75	4.80	4.85	4.85	4.90

Sources: Scotiabank Economics, Bloomberg.

The Provinces

(annual % change except where noted)

Real GDP	CA	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC
2010–19	2.2	1.1	2.1	1.2	0.7	1.9	2.3	2.2	2.3	2.6	2.9
2022	4.2	-1.9	4.4	3.5	2.0	3.4	4.1	4.2	7.2	6.0	4.0
2023	1.5	-2.6	2.2	2.0	1.6	0.6	1.7	1.7	2.3	2.3	2.4
2024e	1.5	1.8	1.9	1.4	1.4	1.4	1.5	1.5	1.6	2.2	1.2
2025f	1.6	1.9	1.7	1.6	1.5	1.1	1.3	1.6	2.0	2.5	1.6
2026f	0.7	1.0	1.0	1.0	0.8	0.4	0.5	0.9	1.1	1.5	0.7
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
2022	12.4	6.5	10.4	7.4	10.4	8.7	9.4	10.8	30.4	24.4	10.8
2023	2.9	-5.5	4.9	8.0	3.2	5.0	5.4	4.5	-4.8	-4.3	3.6
2024e	4.6	5.2	4.9	4.2	4.4	4.3	4.3	4.4	5.6	5.9	4.2
2025f	3.8	3.0	4.6	4.1	3.9	3.7	3.8	4.0	3.5	3.6	4.0
2026f	2.8	3.0	3.4	3.1	3.0	2.5	2.6	2.9	3.3	3.3	2.8
Employment											
2010–19	1.3	0.7	1.3	0.3	0.0	1.1	1.4	1.0	0.9	1.3	2.0
2022	4.1	4.0	5.2	3.5	3.0	3.1	4.9	3.6	3.5	4.9	3.4
2023	3.0	1.8	6.2	2.7	3.5	3.0	3.1	2.7	1.6	3.7	2.6
2024	1.9	2.8	3.5	3.2	2.9	1.0	1.7	2.5	2.6	3.1	2.3
2025f	1.0	0.4	1.7	1.2	1.3	0.7	0.9	1.0	1.4	1.8	0.5
2026f	0.5	1.7	1.8	1.2	1.2	0.0	0.4	0.8	1.3	1.4	0.3
Unemployment Rate (%)											
2010–19	6.9	13.3	10.6	8.8	9.5	7.1	7.0	5.6	5.3	6.2	6.2
2022	5.3	11.3	7.7	6.5	7.2	4.3	5.6	4.5	4.6	5.8	4.6
2023	5.4	10.0	7.2	6.4	6.6	4.5	5.6	4.9	4.7	5.9	5.2
2024	6.4	10.0	7.9	6.5	7.0	5.3	7.0	5.4	5.4	7.0	5.6
2025f	7.2	10.8	8.8	7.0	7.5	6.5	8.0	6.1	6.0	7.5	6.0
2026f	7.2	10.6	8.7	7.2	7.8	6.3	7.8	6.1	6.0	7.7	6.2
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
2022	6.8	6.4	8.9	7.5	7.3	6.7	6.8	7.9	6.6	6.5	6.9
2023	3.9	3.3	2.9	4.0	3.5	4.5	3.8	3.6	3.9	3.3	4.0
2024	2.4	1.8	1.9	2.3	2.2	2.3	2.4	1.0	1.4	2.9	2.6
2025f	2.3	2.3	2.3	2.2	2.2	2.2	2.2	2.1	2.0	2.3	2.3
2026f	2.1	1.9	1.8	1.9	1.9	2.0	2.0	2.0	2.0	1.9	2.0
Housing Starts (units, 000s)											
2010–19	201	2.2	0.8	4.2	2.7	44	70	6.6	6.0	31	34
2022	262	1.4	1.3	5.7	4.7	57	96	8.1	4.2	37	47
2023	240	1.0	1.1	7.2	4.5	39	89	7.1	4.6	36	50
2024	245	1.7	1.7	7.4	6.2	49	75	7.2	4.3	48	46
2025f	240	1.9	1.4	6.3	4.9	50	79	7.3	5.1	41	43
2026f	249	2.0	1.3	6.0	4.9	53	86	7.7	5.7	40	44
Motor Vehicle Sales (units, 000s)											
2010–19	1,816	33	7	52	42	441	738	56	54	239	199
2022	1,523	25	7	39	35	372	642	46	42	184	182
2023	1,684	27	8	42	38	411	718	49	45	209	205
2024	1,819	33	9	49	44	473	764	58	51	223	214
2025f	1,864	32	8	49	43	456	758	57	50	224	212
2026f	1,800	30	8	46	40	432	728	53	47	211	208
Budget Balances, (CAD mn)											
2021	-90,200	-277	82	339	767	-772	2,025	-750	-1,468	3,915	1,262
2022	-35,322	321	14	123	1,002	-6,150	-5,863	373	1,581	11,641	956
2023	-61,876	-459	-15	144	501	-8,041	-647	-1,971	182	4,285	-5,035
2024e	-50,000	-252	-166	82	-399	-10,998	-6,600	-1,239	-661	5,760	-9,135

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