

Inflation on the Rise, Policy Rates Soon to Follow

- Incoming data confirm a robust Canadian economy. With wages rising and upside surprises to inflation, we now believe the Bank of Canada (BoC) will raise rates in April, followed by three consecutive 25 bps moves in following meetings. A pause is likely late in 2022 to assess the impacts of the first set of moves. We remain of the view that 100 bps of tightening is forthcoming in 2022, followed by another 100 bps in 2023. The real policy rate would remain negative through the end of 2023.
- While emergence of the omicron variant increases uncertainty in the short-run, upside risks to the rate forecast dominate. We'll be re-assessing our rate forecast once we have more clarity on the likely impacts of omicron.
- The review of the BoC's inflation-control mandate clouds the rate and inflation outlook. Given the time it is taking to come to a decision on the 5-year review, we fear the Government and BoC are contemplating important changes to the mandate. If that were to occur, greater uncertainty would be introduced in the central bank's reaction function with potential impacts on inflation expectations.
- The Federal Reserve is now clearly signalling concerns about inflation and appears to be paving the way for higher policy rates in the United States. We have brought forward our expected rate increases from late-2022 to mid-2022, with 100 bps of tightening expected in the year.

Major revisions to our United States and Canadian policy rate profiles are in order. In Canada, incoming data point to a very strong expansion in the final quarter of 2021 which, along with increasing evidence of an acceleration in wages, suggests the Bank of Canada will need to tighten in April instead of our earlier call of a first move in July. We are sticking with four rate increases in total for the year but will reassess that early next year as more information regarding omicron is available. In the US, Federal Reserve communications have shifted markedly in recent weeks to suggest more concern about the inflation outlook while also signalling a more aggressive tapering. As a result, we now expect the Fed to raise interest rates by 25 bps in June followed by another 75 bps of tightening by year-end, with a risk of an earlier launch to the hiking cycle. An explanation of these calls and the risks surrounding them follows.

The Governor of the Bank of Canada has made it clear for some time that the BoC would only raise rates when the output gap was closed, with his own prediction of that occurring in 2022-Q2 or Q3. **Our earlier hesitancy to predict a move in April was largely conditioned on the view that Governor Macklem would have precious little hard evidence on economic activity in the second quarter by their April decision date.** By April, only January GDP will be known but March employment data will be available, as will a series of less important indicators for the months of January and February. To move in April will require very strong conviction that the output gap will indeed be closed in Q2.

Incoming data for the final quarter of 2021 will be critical to that assessment. Statistics Canada guidance for October points to very robust GDP growth to launch the quarter, while employment and hours data suggest the October print

CONTACTS

Jean-François Perrault, SVP & Chief Economist
416.866.4214
Scotiabank Economics
jean-francois.perrault@scotiabank.com

will be followed up by very strong growth in November. On their own, these data point to growth well above 6% for the quarter. That estimate must be cut back to account for the devastating impact of the November BC floods and landslides, which crippled the interior of the province and continue to disrupt transportation to and from the Port of Vancouver. Our best estimate at this time is that this disaster reduced annualized growth by about 2% in 2021-Q4 leaving the quarter at about 3.5%. Importantly, we anticipate much of the lost economic activity to be recovered in the early months of 2022, as life begins to return to normal in BC and rebuilding begins. This should push real GDP growth to the 5% range in the first half of 2022, roughly closing the output gap along the time frame suggested by the BoC. However, our outlook includes a small negative impact from omicron this quarter and next. Of course, a stronger print for 2021-Q4 GDP than we currently predict could easily suggest an earlier closing of the output gap, and this is not out of the question as the service side of the economy appears to be rebounding sharply.

In addition to the output growth dimension, there is rising evidence that wage growth is accelerating, and it is clear that firms are planning for historically high price increases over the next twelve months. The job vacancy rate is at its highest recorded level. Business unit labour costs are rising rapidly. The impact of input prices and supplier delivery delays seems larger than we earlier assessed. The CFIB's business barometer suggests that firms expect prices to rise 4.3% in the next year, a pace that is nearly 2.5 times more rapid than the average expectation over history. So even if growth underperforms relative to our forecast, inflationary pressures are rising. As a result, we have raised our inflation forecast for the next two years, with core inflation, defined as the average of the BoC's three preferred inflation measures, averaging 3% in 2022 and falling slightly to 2.7% in 2023.

With incoming inflation data higher than expected, and our upward revision to future inflation, the real policy rate in Canada has been falling. **The BoC is actually more stimulative now than it was a few months ago.** Add to this a sizeable depreciation of the Canadian dollar, and monetary conditions are even more accommodative. This is clearly not what is needed.

All this points to an earlier rise in policy rates than we had been carrying. We are moving up our first predicted rate increase in Canada to April but keeping the total rise in rates to 100 bps in 2022. We are also sticking to an additional boost of 100 bps in 2023. Our anticipation at this time is that the BoC will raise rates by 25 bps at each meeting between April and September, then pause in October and December to assess the impacts before resuming rate hikes in 2023. The rate path is unlikely to be linear. It may well be that the policy rate is adjusted in 50 bps increments in some meetings and that other meetings are skipped, but for the moment we assume a gradual hiking path.

We consider a pre-April 2022 move unlikely, but not impossible. It is clear that uncertainty about the health and economic impacts of omicron will continue until well into the new year. Though evidence at this stage appears somewhat comforting in that the virus seems less harmful than the Delta variant, its high transmissibility is likely to lead to a surge in cases during the holiday season with a potential strengthening of public health measures early next year. In any case, it is far too early to have a good read on its impacts. It could also exacerbate supply challenges and raise inflation further. Moreover, **given Governor Macklem's clarity on the link between the closure of the output gap and the launch of the tightening cycle, we think he would need more data than what would be available to him in January and March to be able to justify a rate increase then, unless he were to jettison the tight link to the output gap that he has communicated.** Finally, there is a Monetary Policy Report in April, allowing them to fully lay out their views and assumptions, including possible revisions to potential output and the output gap, which would facilitate communicating their decision. History has shown that the BoC has not felt compelled to time key decisions to the publication of the Monetary Policy Report but, given all the elements in play, we think it may this time.

Though we have kept the total increase to 100 bps in 2022, there is a clear upside to this. We will reassess our rate call early in the year when there is more clarity on the implications of omicron, a better sense of year-end growth dynamics, and labour market outcomes. What seems apparent, however, is that the earlier the BoC moves in the year, the more urgency there is, and the more rates are likely to rise in 2022. For instance, it is nearly inconceivable to us that the BoC wouldn't hike well over four times if they were to move as soon as January as some are forecasting.

In addition to the considerations above, **we are increasingly concerned that the BoC's mandate may change.** With roughly three weeks left before the decision deadline, the Government, and possibly the BoC, may be considering serious changes to the BoC's inflation-control mandate. Why else would they wait until the last minute to announce the results of the 5-year review? As much as we do not think the mandate should change—a view that is strengthened by recent inflation and labour market developments—we have to acknowledge that the odds of a change increase with each passing day. By implication, this means the odds of a change in the BoC's reaction function are also rising. This inevitably clouds the outlook for inflation and monetary policy

in Canada. Will the BoC be more tolerant of inflation overshoots? Will it formally give more weight to labour market information in its decision process? If so, could that force the BoC to, perhaps perversely, pursue a more aggressive withdrawal of stimulus given current conditions in the labour market? The potential impacts of a change seem underappreciated by analysts, perhaps because they expect no changes to the mandate.

Similar considerations are at play in the United States. Growth remains very robust, and inflation is much higher than it is in Canada, though much of that is accounted for by the inclusion of used auto prices in US inflation measures. Our models have for a few quarters now suggested that interest rates in the US should rise in early 2022. Until recently, Fed communications suggested this was completely unrealistic, so we held back our path for the Fed Funds target rate and had forecast a first hike in late 2022. We now expect the Fed to raise rates in June followed by three more rate hikes next year for a year-end target rate of 1.25%.

In relation to the dual mandate, it appears clear that inflation concerns now dominate the Fed's thinking. Rightly so, in our view. Employment remains well below pre-pandemic levels, with Canadian job growth far exceeding that in the US. At first blush, it may appear that Canadian labour markets are significantly tighter than they are in the US. Key to this assessment is the labour force participation rate, which now exceeds pre-pandemic levels in Canada but remains well below pre-pandemic levels in the US. In principle, this should mean that millions of US workers are ready to re-engage in the labour market, but it seems clear that workers are far less willing to come back to the labour market in the US than in Canada. As a result, it may well be that the US is much closer to full-employment levels than would be implied by looking at recent labour market outcomes relative to pre-pandemic readings. If the US labour force participation rate continues its very slow grind up, it could be that both elements of the Fed's dual mandate are signalling the same thing: interest rates need to rise.

International	2010–19	2019	2020	2021f	2022f	2023f	2010–19	2019	2020	2021f	2022f	2023f
	Real GDP						Consumer Prices					
	(annual % change)						(y/y % change, year-end)					
World (based on purchasing power parity)	3.7	2.8	-3.1	6.1	4.3	3.8						
Canada	2.3	1.9	-5.2	4.5	4.2	3.5	1.7	2.1	0.8	4.8	4.0	2.4
United States	2.3	2.3	-3.4	5.6	4.2	3.2	1.7	2.0	1.2	6.1	3.6	3.0
Mexico	2.7	-0.2	-8.3	5.7	2.8	2.0	4.0	2.8	3.2	7.4	4.1	3.2
United Kingdom	2.0	1.7	-9.7	6.6	4.7	2.2	2.1	1.3	0.6	4.1	2.6	2.1
Eurozone	1.4	1.6	-6.5	5.0	4.0	2.3	1.3	1.3	-0.3	3.0	1.4	1.3
Germany	2.0	1.1	-5.0	2.9	4.0	2.1	1.3	1.5	-0.3	4.7	1.6	1.5
France	1.4	1.8	-8.0	6.6	4.1	2.1	1.2	1.5	0.0	3.1	1.5	1.2
China	7.7	6.0	2.3	8.2	5.1	5.3	2.7	4.5	0.2	2.3	2.7	2.3
India	7.0	4.7	-7.1	9.0	7.0	7.0	6.8	7.4	4.6	5.2	5.0	4.5
Japan	1.2	0.0	-4.7	2.1	2.5	1.3	0.6	0.8	-1.2	0.6	0.9	1.0
South Korea	3.3	2.2	-0.9	4.0	3.0	2.6	1.7	0.7	0.5	3.7	2.5	2.0
Australia	2.6	1.9	-2.3	4.1	3.0	2.8	2.1	1.8	0.9	3.0	2.4	2.5
Thailand	3.6	2.3	-6.1	1.2	4.4	4.0	1.5	0.9	-0.3	2.7	2.5	2.0
Brazil	1.4	1.2	-3.9	5.0	1.4	2.4	5.9	4.3	4.5	11.1	5.8	3.6
Colombia	3.7	3.3	-6.8	9.6	4.5	3.7	3.9	3.8	1.6	5.4	4.0	3.0
Peru	4.5	2.2	-11.1	12.3	2.6	2.8	2.9	1.9	2.0	6.5	4.5	3.0
Chile	3.3	1.0	-5.8	11.6	4.5	2.0	3.2	3.0	3.0	7.0	4.5	3.0
Argentina	1.4	-2.0	-9.9	7.6	1.8	2.6	26.1	53.8	36.1	51.1	36.5	30.6
Commodities	(annual average)											
WTI Oil (USD/bbl)	74	57	39	67	69	72						
Brent Oil (USD/bbl)	82	64	43	69	72	75						
WCS - WTI Discount (USD/bbl)	-18	-14	-12	-13	-15	-16						
Nymex Natural Gas (USD/mmbtu)	3.39	2.53	2.02	3.76	4.70	3.28						
Copper (USD/lb)	3.10	2.73	2.80	4.15	4.25	4.25						
Zinc (USD/lb)	1.02	1.16	1.03	1.32	1.30	1.25						
Nickel (USD/lb)	7.00	6.31	6.25	8.20	8.00	7.50						
Iron Ore (USD/tonne)	101	93	109	160	110	90						
Metallurgical Coal (USD/tonne)	179	185	127	186	200	150						
Gold, (USD/oz)	1,342	1,393	1,771	1,799	1,850	1,700						
Silver, (USD/oz)	21.64	16.21	20.48	25.06	25.00	23.00						

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

North America	2010-19	2019	2020	2021f	2022f	2023f	2010-19	2019	2020	2021f	2022f	2023f
	Canada						United States					
	(annual % change, unless noted)						(annual % change, unless noted)					
Real GDP	2.3	1.9	-5.2	4.5	4.2	3.5	2.3	2.3	-3.4	5.6	4.2	3.2
Consumer spending	2.5	1.4	-6.1	5.3	7.9	3.5	2.2	2.2	-3.8	8.0	4.4	3.2
Residential investment	2.5	-0.3	4.3	14.6	-6.2	0.8	4.5	-0.9	6.8	9.1	0.4	2.9
Business investment*	2.9	1.6	-10.5	-0.5	2.2	7.1	5.2	4.3	-5.3	7.3	3.1	2.9
Government	1.1	0.8	0.9	4.9	1.8	1.5	-0.1	2.2	2.5	0.8	3.4	3.4
Exports	3.5	2.3	-9.7	1.2	7.5	5.7	3.8	-0.1	-13.6	3.8	4.4	4.8
Imports	3.7	0.4	-10.8	6.2	9.3	7.1	4.3	1.1	-8.9	13.5	5.5	4.2
Inventories, contribution to annual GDP growth	0.1	0.1	-1.8	0.6	0.2	0.8	0.2	0.1	-0.6	-0.2	0.4	0.0
Nominal GDP	4.0	3.4	-4.5	11.9	7.4	6.8	4.0	4.1	-2.2	9.8	9.1	5.8
GDP deflator	1.7	1.5	0.7	7.2	3.1	3.2	1.7	1.8	1.2	4.0	4.7	2.5
Consumer price index (CPI)	1.7	1.9	0.7	3.4	4.5	2.9	1.8	1.8	1.3	4.5	4.5	3.4
Core inflation rate**	1.7	1.9	1.7	2.3	3.0	2.7	1.6	1.7	1.4	3.2	3.0	2.5
Pre-tax corporate profits	6.3	-0.6	-1.9	30.6	0.6	5.2	5.7	2.7	-5.2	25.8	8.6	4.1
Employment	1.3	2.2	-5.1	4.7	4.0	1.8	1.5	1.3	-5.7	2.7	3.0	1.6
Unemployment rate (%)	6.9	5.7	9.6	7.5	5.2	4.6	6.2	3.7	8.1	5.4	4.1	3.9
Current account balance (CAD, USD bn)	-57.0	-47.0	-39.4	7.9	-11.2	-29.8	-409	-472	-616	-795	-868	-899
Merchandise trade balance (CAD, USD bn)	-13.6	-18.4	-39.8	9.6	5.5	-2.1	-763	-862	-922	-1095	-1167	-1226
Federal budget balance (FY, CAD, USD bn) ***	-20.9	-39.4	-334.7	-138.2	-42.7	-35.6	-830	-984	-3,129	-2,800	-1,099	-747
percent of GDP	-1.2	-1.8	-15.2	-5.6	-1.6	-1.3	-4.8	-4.6	-15.0	-12.2	-4.4	-2.8
Housing starts (000s, mn)	201	209	220	268	216	209	0.99	1.29	1.40	1.57	1.52	1.49
Motor vehicle sales (000s, mn)	1,816	1,914	1,567	1,665	1,774	1,930	15.7	16.9	14.5	15.0	16.4	18.1
Industrial production	2.4	-0.2	-8.1	4.5	4.1	3.7	1.7	-0.8	-7.2	5.7	3.7	2.3
	Mexico											
	(annual % change)											
Real GDP	2.7	-0.2	-8.3	5.7	2.8	2.0						
Consumer price index (year-end)	4.0	2.8	3.2	7.4	4.1	3.2						
Current account balance (USD bn)	-19.7	-4.0	26.2	0.5	-11.0	-15.9						
Merchandise trade balance (USD bn)	-5.6	5.4	34.0	-15.9	-5.5	-7.2						

Sources: Scotiabank Economics, Statistics Canada, CMHC, BEA, BLS, Bloomberg. *For Canada it includes capital expenditures by businesses and non-profit institutions.
 ** US: core PCE deflator; Canada: average of 3 core measures published by the BoC. *** 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	2020					2021				2022				2023			
Canada	Q4	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
Real GDP (q/q ann. % change)	9.1	4.9	-3.2	5.4	3.5	5.2	4.8	5.0	4.0	3.4	3.0	2.3	2.5	3.4	3.0	2.3	2.5
Real GDP (y/y % change)	-3.1	0.3	11.8	4.0	2.6	2.7	4.7	4.6	4.7	4.3	3.8	3.2	2.8	4.3	3.8	3.2	2.8
Consumer prices (y/y % change)	0.8	1.4	3.3	4.1	4.8	4.8	4.6	4.5	4.0	3.6	3.1	2.7	2.4	3.6	3.1	2.7	2.4
CPI-common (y/y % change)*	1.4	1.4	1.7	1.8	1.9	2.3	2.4	2.5	2.5	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6
Average of new core CPIs (y/y % change)	1.7	1.8	2.2	2.6	2.8	3.0	3.0	2.9	2.9	2.8	2.7	2.7	2.6	2.8	2.7	2.7	2.6
CPIXFET (y/y % change)	1.1	1.0	2.1	3.0	3.5	3.4	3.3	3.2	3.1	3.0	3.0	2.9	2.9	3.0	3.0	2.9	2.9
Unemployment Rate (%)	8.8	8.4	8.0	7.2	6.4	5.8	5.3	5.0	4.7	4.6	4.5	4.5	4.6	4.6	4.5	4.5	4.6
	United States																
Real GDP (q/q ann. % change)	4.5	6.3	6.7	2.1	5.4	4.1	4.1	3.8	3.6	3.3	2.8	2.3	2.1	3.3	2.8	2.3	2.1
Real GDP (y/y % change)	-2.3	0.5	12.2	4.9	5.1	4.6	3.9	4.3	3.9	3.7	3.4	3.0	2.6	3.7	3.4	3.0	2.6
Consumer prices (y/y % change)	1.2	1.9	4.8	5.3	6.1	5.9	4.6	4.0	3.6	3.8	3.5	3.2	3.0	3.8	3.5	3.2	3.0
Total PCE deflator (y/y % change)	1.2	1.8	3.9	4.3	5.3	4.8	4.3	3.9	3.6	3.4	3.2	2.9	2.7	3.4	3.2	2.9	2.7
Core PCE deflator (y/y % change)	1.4	1.7	3.4	3.6	4.3	3.7	3.1	2.7	2.5	2.5	2.5	2.4	2.4	2.5	2.5	2.4	2.4
Unemployment Rate (%)	6.8	6.2	5.9	5.1	4.4	4.2	4.1	4.1	4.1	4.0	3.9	3.8	3.8	4.0	3.9	3.8	3.8

* Refers to BoC's common component of CPI inflation, average of 3 core measures published by the BoC, CPI ex. food, energy and indirect taxes. Sources: Scotiabank Economics, Statistics Canada, BEA, BLS, Bloomberg.

	2020		2021			2022				2023			
Central Bank Rates	Q4	Q1	Q2	Q3	Q4f	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
Americas	(% , end of period)												
Bank of Canada	0.25	0.25	0.25	0.25	0.25	0.25	0.75	1.25	1.25	1.50	1.75	2.00	2.25
US Federal Reserve (upper bound)	0.25	0.25	0.25	0.25	0.25	0.25	0.50	1.00	1.25	1.50	1.50	1.50	1.50
Bank of Mexico	4.25	4.00	4.25	4.75	5.25	5.75	6.00	6.25	6.25	6.25	6.25	5.75	5.25
Central Bank of Brazil	2.00	2.75	4.25	6.25	9.25	10.25	10.25	10.25	10.25	10.25	10.25	9.50	9.00
Bank of the Republic of Colombia	1.75	1.75	1.75	1.75	3.00	4.00	4.50	5.00	5.00	5.00	5.00	5.00	5.00
Central Reserve Bank of Peru	0.25	0.25	0.25	1.00	2.50	3.00	3.50	3.75	4.00	4.00	4.00	4.00	4.00
Central Bank of Chile	0.50	0.50	0.50	1.50	4.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Central Bank of Argentina	38.00	38.00	38.00	38.00	40.00	42.00	44.00	46.00	42.00	40.00	38.00	37.00	36.00
Europe													
European Central Bank MRO Rate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
European Central Bank Deposit Rate	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
Bank of England	0.10	0.10	0.10	0.10	0.10	0.25	0.50	0.50	0.75	0.75	1.00	1.00	1.00
Asia/Oceania													
Reserve Bank of Australia	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.25	0.50	0.75	1.00
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	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85
Reserve Bank of India	4.00	4.00	4.00	4.00	4.00	4.00	4.25	4.50	4.75	5.00	5.25	5.25	5.50
Bank of Korea	0.50	0.50	0.50	0.75	1.00	1.25	1.50	1.75	2.00	2.25	2.50	2.50	2.50
Bank of Thailand	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.75	1.00	1.00	1.25	1.25	1.50
Currencies and Interest Rates													
Americas	(end of period)												
Canadian dollar (USDCAD)	1.27	1.26	1.24	1.27	1.25	1.22	1.21	1.20	1.20	1.22	1.22	1.23	1.23
Canadian dollar (CADUSD)	0.79	0.80	0.81	0.79	0.80	0.82	0.83	0.83	0.83	0.82	0.82	0.81	0.81
Mexican peso (USDMXN)	19.91	20.43	19.94	20.64	21.32	21.65	21.87	22.22	22.34	22.69	23.10	23.37	23.86
Brazilian real (USDBRL)	5.19	5.63	4.97	5.44	5.61	5.68	5.71	5.72	5.68	5.65	5.57	5.48	5.40
Colombian peso (USDCOP)	3,428	3,663	3,755	3,809	3,760	3,804	3,683	3,670	3,655	3,698	3,712	3,712	3,712
Peruvian sol (USDPEN)	3.62	3.74	3.87	4.13	4.15	4.15	4.20	4.20	4.25	4.25	4.25	4.25	4.25
Chilean peso (USDCLP)	711	719	734	810	800	780	780	780	750	740	730	730	730
Argentine Peso (USDARS)	84.15	91.99	95.72	98.74	102.60	114.80	125.90	143.50	140.10	138.00	135.00	132.00	131.00
Europe													
Euro (EURUSD)	1.22	1.17	1.19	1.16	1.13	1.12	1.10	1.09	1.08	1.08	1.09	1.09	1.10
UK pound (GBPUSD)	1.37	1.38	1.38	1.35	1.32	1.33	1.34	1.36	1.38	1.38	1.38	1.40	1.40
Asia/Oceania													
Japanese yen (USDJPY)	103	111	111	111	113	113	115	116	118	118	118	120	120
Australian dollar (AUDUSD)	0.77	0.76	0.75	0.72	0.70	0.70	0.70	0.72	0.72	0.72	0.72	0.74	0.74
Chinese yuan (USDCNY)	6.53	6.55	6.46	6.44	6.40	6.30	6.40	6.50	6.30	6.20	6.20	6.10	6.10
Indian rupee (USDINR)	73.1	73.1	74.3	74.2	74.0	72.0	74.0	76.0	72.0	70.0	70.0	68.0	68.0
South Korean won (USDKRW)	1,087	1,132	1,126	1,184	1,160	1,140	1,160	1,180	1,140	1,120	1,120	1,100	1,100
Thai baht (USDTHB)	30.0	31.2	32.1	33.8	33.0	31.5	33.0	34.5	31.5	30.0	30.0	28.5	28.5
Canada (Yields, %)													
3-month T-bill	0.07	0.09	0.14	0.12	0.05	0.45	0.90	1.30	1.35	1.65	1.85	2.15	2.25
2-year Canada	0.20	0.22	0.45	0.40	1.15	1.45	1.70	1.85	2.00	2.05	2.10	2.20	2.30
5-year Canada	0.39	0.99	0.98	1.10	1.50	1.65	1.75	1.90	2.05	2.10	2.15	2.25	2.35
10-year Canada	0.68	1.56	1.39	1.51	1.60	1.75	1.85	1.95	2.10	2.15	2.20	2.30	2.40
30-year Canada	1.21	1.98	1.84	1.99	1.85	2.10	2.15	2.20	2.25	2.30	2.35	2.45	2.50
United States (Yields, %)													
3-month T-bill	0.08	0.01	0.04	0.03	0.05	0.15	0.45	0.95	1.20	1.40	1.40	1.40	1.40
2-year Treasury	0.12	0.16	0.25	0.53	0.75	0.95	1.20	1.40	1.70	1.80	1.90	1.95	2.00
5-year Treasury	0.36	0.94	0.89	0.96	1.30	1.40	1.50	1.65	1.85	1.90	2.00	2.05	2.15
10-year Treasury	0.91	1.74	1.47	1.49	1.50	1.65	1.80	2.00	2.15	2.25	2.30	2.35	2.40
30-year Treasury	1.64	2.41	2.09	2.04	1.80	1.95	2.15	2.30	2.40	2.40	2.45	2.50	2.50

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	2.3	1.0	2.2	1.2	0.7	1.9	2.3	2.1	2.2	2.6	2.9
2019	1.9	3.3	4.7	3.0	1.3	2.8	2.0	0.4	-1.1	-0.1	3.1
2020	-5.2	-5.4	-1.7	-2.5	-3.2	-5.5	-5.1	-4.6	-4.9	-7.9	-3.4
2021f	4.5	3.0	3.3	3.6	3.5	6.2	4.0	3.9	4.0	5.1	4.0
2022f	4.2	2.8	2.9	2.9	2.7	3.7	4.3	3.5	3.6	4.6	4.7
2023f	3.5	3.0	2.6	2.5	2.5	3.3	3.7	3.0	3.1	3.8	3.8
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
2019	3.4	2.3	6.6	3.7	2.4	4.7	3.7	0.7	-0.4	1.5	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
2021f	11.9	16.3	7.8	8.1	8.8	11.4	10.7	9.0	14.3	18.1	11.7
2022f	7.4	5.9	4.9	4.9	4.8	6.8	7.5	6.1	7.0	8.3	8.7
2023f	6.8	6.2	5.2	5.1	4.9	6.5	7.0	5.6	6.4	7.3	7.4
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
2019	2.2	1.1	3.3	2.3	0.8	2.0	2.8	1.0	1.9	0.7	3.0
2020	-5.1	-5.7	-3.2	-4.7	-2.6	-4.8	-4.8	-3.7	-4.7	-6.6	-6.6
2021f	4.7	3.4	3.5	5.4	2.7	4.1	4.7	3.5	2.5	5.1	6.6
2022f	4.0	2.5	2.9	3.1	2.9	3.8	4.2	3.5	3.6	4.3	4.5
2023f	1.8	0.9	1.6	1.7	1.5	1.6	1.8	1.7	1.7	2.2	2.0
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
2019	5.7	12.3	8.7	7.4	8.1	5.1	5.6	5.3	5.6	7.0	4.7
2020	9.6	14.1	10.4	9.8	10.0	8.9	9.6	8.0	8.4	11.4	8.9
2021f	7.5	12.9	9.1	8.4	9.0	6.1	8.0	6.4	6.5	8.7	6.5
2022f	5.2	11.3	7.7	6.9	7.5	4.2	5.6	4.3	4.4	6.2	4.3
2023f	4.6	10.8	7.3	6.4	7.0	3.8	4.9	3.8	3.8	5.3	3.7
Housing Starts (units, 000s)											
2010–19	201	2.2	0.8	4.2	2.7	44	70	6.6	6.0	31	34
2019	209	0.9	1.5	4.7	2.9	48	69	6.9	2.4	27	45
2020	220	0.8	1.2	4.8	3.5	53	81	7.3	3.1	24	38
2021f	268	1.3	1.2	4.9	3.9	71	96	7.9	4.3	31	46
2022f	216	1.1	1.1	4.3	3.5	54	74	6.0	4.0	31	37
2023f	209	1.0	1.0	4.0	3.0	52	72	5.0	4.0	30	37
Motor Vehicle Sales (units, 000s)											
2010–19	1,816	33	7	51	41	432	715	55	53	237	194
2019	1,914	31	8	51	41	455	848	58	49	223	216
2020	1,567	27	7	40	35	376	652	47	42	184	178
2021f	1,665	29	8	45	38	412	640	48	43	196	206
2022f	1,774	29	8	47	40	440	683	51	46	210	222
2023f	1,930	29	9	51	41	479	748	55	50	228	242
Budget Balances, (CAD mn)											
2019*	-39,400	-1,383	22	3	49	-523	-8,672	5	-319	-12,152	-321
2020	-334,700	-1,492	-6	-342	409	-7,539	-16,404	-2,117	-1,127	-16,962	-5,468
2021f	-138,200	-595	-61	-445	38	-6,847	-21,499	-1,563	-2,708	-5,822	-1,732
2022f	-42,700	-587	-46	-218	-296	-5,547	-19,600	-374	-1,685	-3,277	-5,484

* 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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