NATIONAL BANK OF CANADA FINANCIAL MARKETS

April 2021

Summary

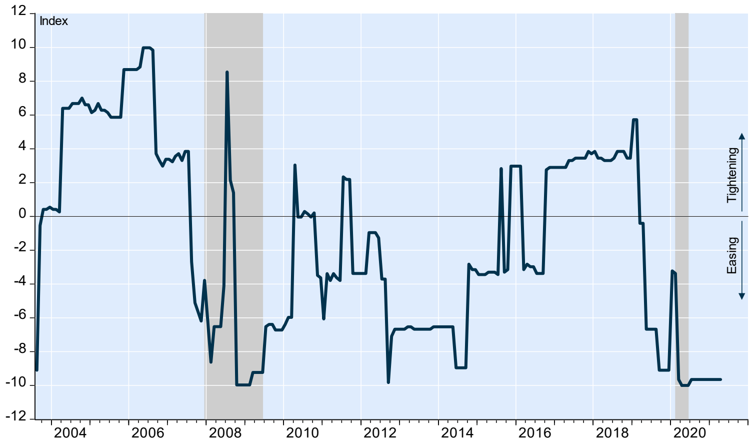
By Matthieu Arseneau and Jocelyn Paquet

- In March, the JPMorgan/Markit PMI index reported the fastest improvement in worldwide manufacturing in more than 10 years. The excess demand in manufacturing has entailed a rapid rebound of international merchandise trade and a rise in shipping costs. This problem was only exacerbated by the recent grounding of a container ship in the Suez Canal. Apart from shipping difficulties, factories around the world have been hit by a fire at a Japanese manufacturer of microprocessors and from a cold wave in the U.S. Midwest that has disrupted petrochemical operations. All of these factors combined have both markedly extended delivery times and driven up input prices substantially. The inflation uptrend is likely to continue in the coming months, thanks to a positive base effect for CPI data and acceleration of the economic recovery in many regions. Our forecast of 2021 global growth is unchanged at 6.0%. There is no doubt that China will be a driver of expansion this year, its economy being well-placed to benefit from strong demand for goods. The U.S. is also likely to be a growth driver, given its progress in vaccination and the heft of Washington's fiscal assistance. The Eurozone, meanwhile, is likely to lag, handicapped by shutdowns decreed to brake the third wave of Covid-19.
- U.S. GDP growth, though still strong, could come in lower for the first quarter than we anticipated in the last issue of the Economic Monitor. In February the U.S. Midwest was hit by an unprecedented cold wave whose effects were reflected in a number of indicators. This soft patch does not put the recovery at risk. At this writing about 35% of Americans had received at least one vaccine shot, a showing second only to the U.K. among major economies. This progress in immunization made possible the easing of physical distancing rules in several states. Employment was quick to show the effects. In March the U.S. gained no fewer than 916,000 jobs, the largest rise since August. Consumer confidence, bolstered by the improving jobs outlook and the arrival of the assistance cheques promised by the Biden administration, registered its third-highest monthly rise since the 1970s. The services sector, left in the lurch by the pandemic, is likely to be the main beneficiary of reopening. A revival of non-manufacturing businesses was already quite visible in the March ISM report, whose services index, pulled up by unprecedented growth in business activity and new orders, came in at a record 63.7. With the rebound of services, good times are at hand for the U.S. economy. We accordingly leave our 2021 growth forecast unchanged at 6.6%.
- Many people were hoping that the progress of vaccination would limit the next wave, but the story appears to be "too little too late." The third wave of Covid-19 has the bit in its teeth in almost all regions of Canada. Despite tightening of restrictions, which is likely to intensify, the economic data from the second wave give us confidence in the resilience of the economy. In the first quarter, GDP is set for an enviable first-quarter gain of 5.7% annualized. Q1 could come in with an even more spectacular advance in nominal terms thanks to the surge of commodity taking GDP past its pre-recession peak after only five quarters. This outlook augurs well for profits, and for investment and hiring once the pandemic has been reined in. Though the coming federal budget could prompt us to revisit our forecast, we are for now moving our 2021 growth forecast up to 5.6% (formerly 5.4%), since the slowing we expect in Q2 as a result of public-health measures will only partly offset the spectacular surge of Q1.

World: Supply chains under pressure

What is the output gap of the global economy? It's hard to say at this point. Most of the major central banks say output is well below potential. Covid-19 continues to limit production in many regions of the world and many sectors remain constricted by physical distancing rules. There is accordingly no reason for central bankers to reduce monetary stimulus.

World: Monetary policy remains highly accommodative
Council on Foreign Relations Global Monetary Policy Tracker

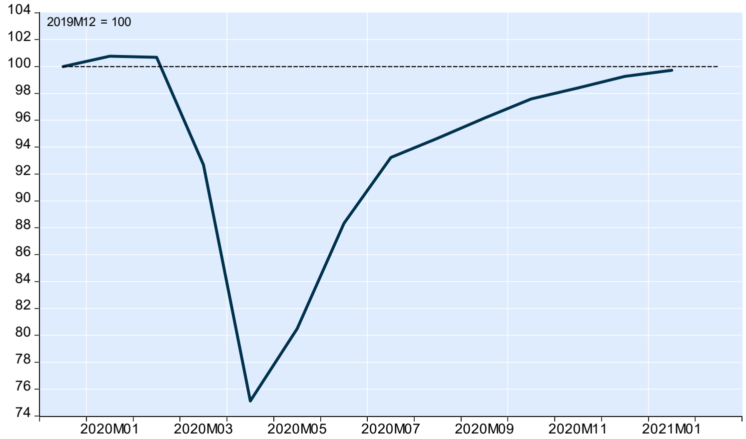


NBF Economics and Strategy (data from Council on Foreign Relations)

It must be acknowledged, however, that the current crisis is unique in its concentration of effects in parts of the economy where physical proximity is required. As a result, the world now seems to have two distinct economies operating in parallel. The first consists of the sectors most affected by the pandemic. Many segments of this economy – most of them in services – are at present stopped or slowed, making estimates of the output gap very difficult. Only after complete withdrawal of physical distancing measures can we get a better idea of the longer-term Covid damage to the services sector. Meanwhile, these segments will continue to brake growth, especially in parts of the world where vaccination has made little progress and the daily numbers of new Covid cases are rising fast. The Eurozone, Brazil and India seem especially at risk at this time.

The other economy consists of the sectors that have benefited from reallocation of demand since the onset of the pandemic. Consumers in the developed countries, unable to eat out or travel abroad (and whose incomes have in many cases risen during the pandemic) have switched their spending to goods. This shift has favoured manufacturing, which is likely to continue driving the global economy until mass immunization allows a fuller reopening of economic life.

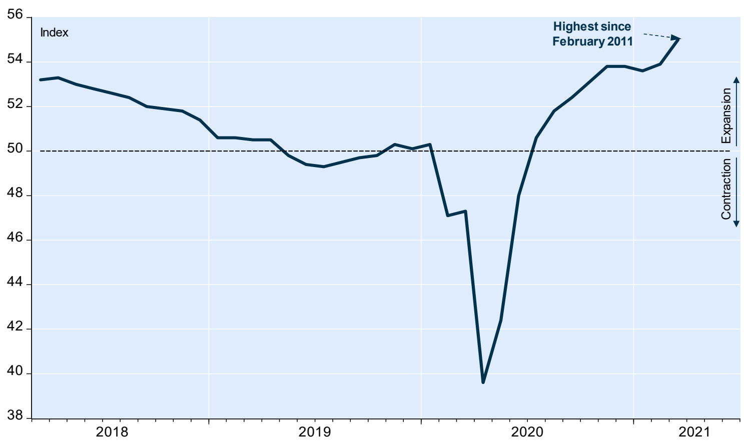
World: Manufacturing output back to pre-Covid level
Global manufacturing production. Last observation January 2021



NBF Economics and Strategy (data from IMF)

In March, the JPMorgan/Markit PMI index reported the fastest improvement in worldwide manufacturing in more than 10 years. Factory output was expanding in 23 of the 27 countries covered, with Germany, the U.S., France and Canada facing especially high demand.

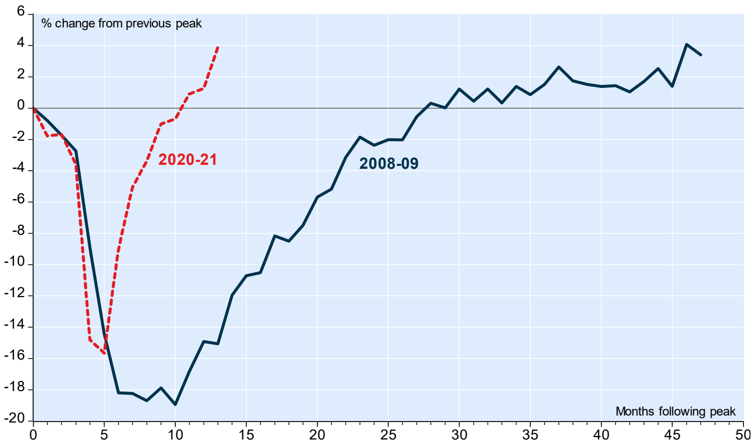
World: Factory output soars
JPMorgan PMI index of global manufacturing, last observation March 2020



NBF Economics and Strategy (Markit data via Refinitiv)

Since it is more often goods than services that need to be imported, the excess demand in manufacturing has entailed a rapid rebound of international merchandise trade. Its volume in January was up 3.9% from the pre-Covid peak. By way of comparison, it took more than two years for trade volume to recover from the losses of the Great Recession of 2008-09.

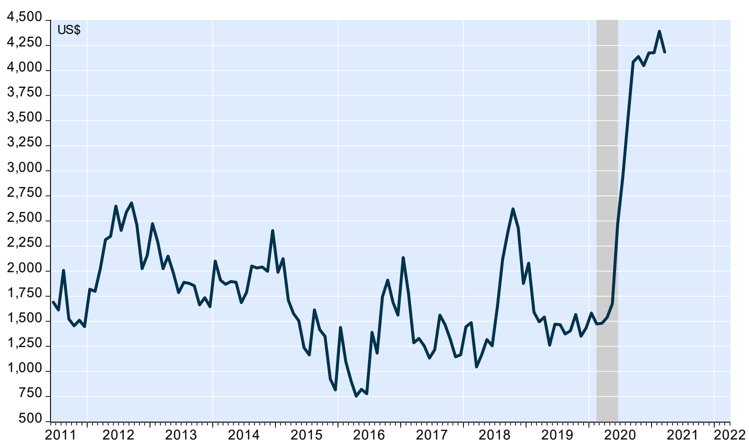
World: Rapid rebound in international merchandise trade
International trade volumes



NBF Economics and Strategy (CPB data, https://www.cpb.nl/en/worldtrademonitor)

Shipping by sea, operating under pandemic constraints, is struggling to meet this rapid rebound and costs are rising accordingly. This problem was only exacerbated by the recent grounding of a container ship in the Suez Canal.

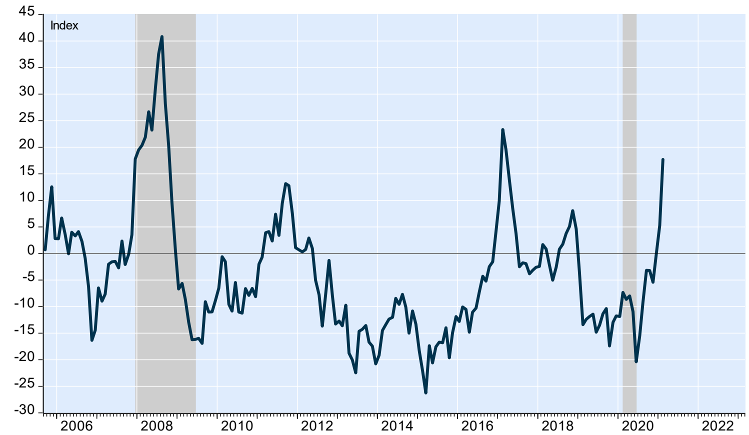
World: Resurgent demand drives up shipping costs
Cost of shipping a 40-foot container from Hong Kong to Los Angeles



NBF Economics and Strategy (data from Drewry Shipping Consultancy via Bloomberg)

Apart from shipping difficulties, factories around the world have been hit by a fire at a Japanese manufacturer of automobile microprocessors and from a cold wave in the U.S. Midwest that has disrupted petrochemical operations. All of these factors combined have both markedly extended delivery times and driven up input prices substantially (by the most in 10 years, according to Markit). Part of this rise seems to have been passed on to customers – prices at factory gates rose at a record rate in March – and to end-consumers, resulting in an upside inflation surprise in recent weeks.

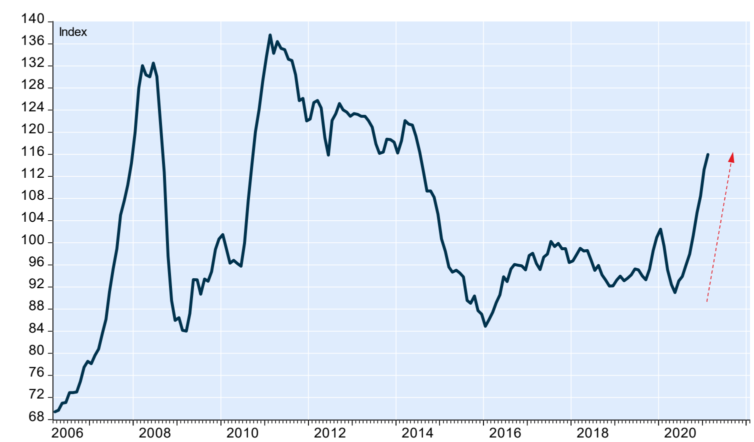
World: An upside inflation surprise
Global Citi Inflation Surprise Index



NBF Economics and Strategy (data from Bloomberg)

In particular we note the rapid increase of food prices, a major component of the consumption basket, especially in emerging countries.

World: Food prices inflating rapidly
Food Price Index of the UN Food and Agriculture Organization



NBF Economics and Strategy (source: United Nations via Bloomberg)

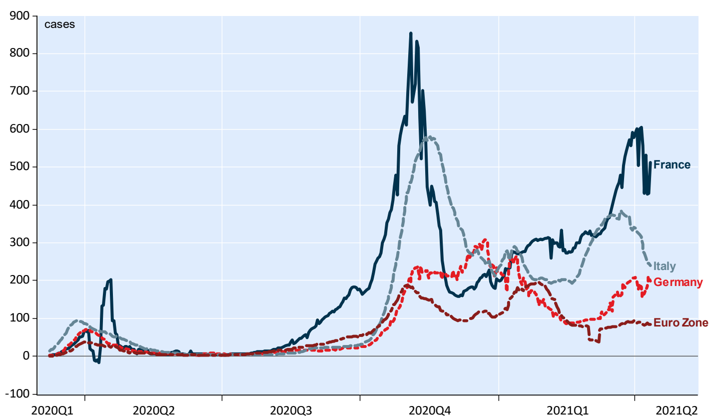
The inflation uptrend is likely to continue in the coming months, thanks to a positive base effect for CPI data and acceleration of the economic recovery in many regions. Our forecast of 2021 global growth is unchanged at 6.0%. There is no doubt that China will be a driver of expansion this year, its economy being well-placed to benefit from strong demand for goods. In March Chinese data already showed merchandise exports up about 40% from before the pandemic.

China: An economy supported by foreign demand
Merchandise exports, seasonally adjusted by NBF

NBF Economics and Strategy (source: People's Republic of China General Administration of Customs via Bloomberg)

The U.S. is also likely to be a growth driver, given its progress in vaccination and the heft of Washington's fiscal assistance (see next section). The Eurozone, meanwhile, is likely to lag, handicapped by shutdowns decreed to brake the third wave of Covid-19.

World: New Covid cases still elevated
Daily new cases per million population, 7-day moving average



NBF Economics and Strategy (data via https://coronavirus.jhu.edu/map.html)

Our outlook for 2022 growth is also unchanged, at 4.4%.

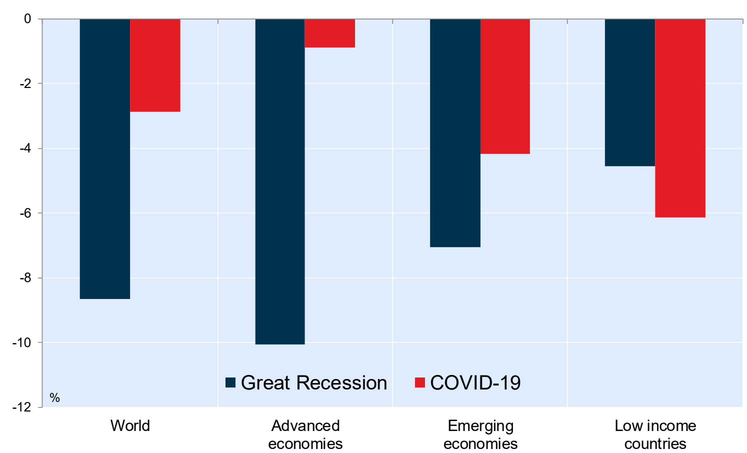
World Economic Outlook

	2020	2021	2022
Advanced Economies	-4.7	5.2	3.8
United States	-3.5	6.6	3.8
Eurozone	-6.6	4.3	4.0
Japan	-4.9	3.3	2.5
UK	-10.0	5.5	4.9
Canada	-5.4	5.6	4.0
Australia	-2.4	4.5	3.0
Korea	-1.0	3.5	3.0
Emerging Economies	-2.1	6.6	4.9
China	2.3	8.4	5.4
India	-7.4	12.0	6.5
Mexico	-8.2	5.0	3.0
Brazil	-4.1	3.5	2.6
Russia	-3.1	3.8	3.5
World	-3.2	6.0	4.4

NBF Economics and Strategy (data via NBF and Conensus Economics)

The spectacular rebound of global GDP that we anticipate over the next two years will not eliminate long-term effects of the Covid crisis. On the contrary, the IMF forecasts that in 2024 global GDP will be 3% lower than it would have been without SARS-CoV-2. Though no region will be entirely spared, the losses are likely to be greater in emerging and developing economies, where fiscal assistance in countering the pandemic has been less substantial. In general, however, the long-term economic effects of the crisis are likely to be less pronounced than those of the Great Recession.

World: The Covid crisis will leave marks
Effect on real GDP four years after the crisis, Great Recession vs. Covid-19



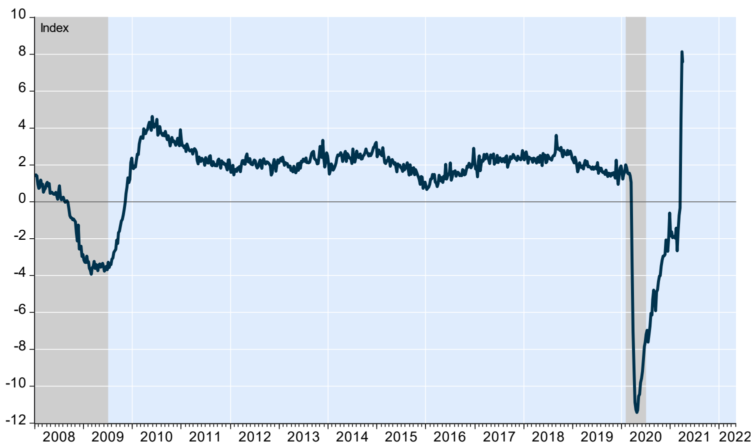
NBF Economics and Strategy (IMF data)

U.S.: Pedal to the metal!

U.S. GDP growth, though still very strong, could come in slightly lower for the first quarter than we anticipated in the last issue of the *Economic Monitor*. In February the U.S. Midwest was hit by an unprecedented cold wave whose effects were reflected in a number of indicators. Household consumption, after several monthly gains in a row, retreated in February, as did business and residential investment.

This soft patch does not put the recovery at risk. At least that is what is suggested by the spectacular advance of the New York Fed's Weekly Economic Index since the end of February.

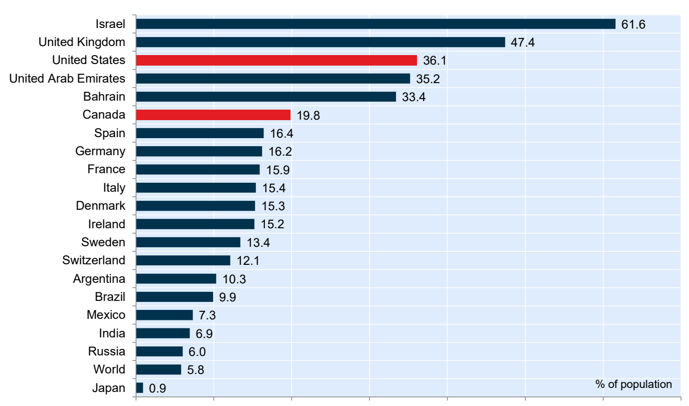
U.S.: An economy resurgent
New York Fed weekly index of economic activity



* This index follows 10 daily and weekly indicators of economic activity
NBF Economics and Strategy (data from New York Fed)

No need to look very far for the cause of this sudden jump. It stems directly from the improving pandemic picture, itself related to the rapid advance of vaccination. At this writing about 36% of Americans had received at least one shot, a showing second only to the U.K. among major economies.

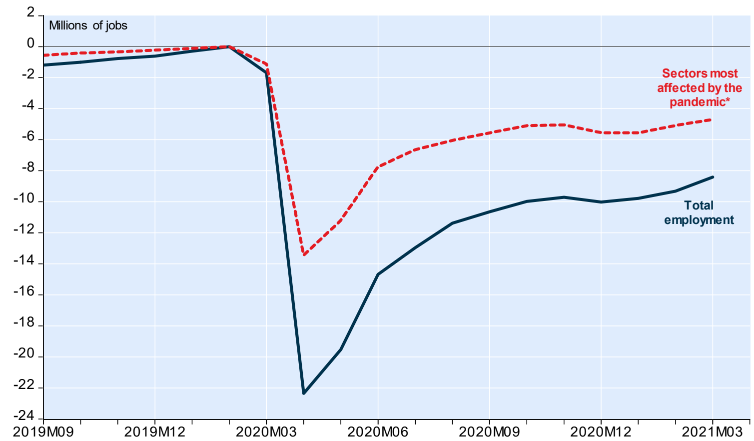
U.S.: Vaccinating swiftly
Share of population having received at least one dose of COVID-19 vaccine



NBF Economics and Strategy (data via https://ourworldindata.org/covid-vaccinations)

This progress in immunization made possible the easing of physical distancing rules in several states. Employment was quick to show the effects. In March the U.S. gained no fewer than 916,000 jobs, the largest rise since August. Leisure/hospitality (+280K) and education/health (+101K), sectors hard hit by the pandemic, did well in this report.

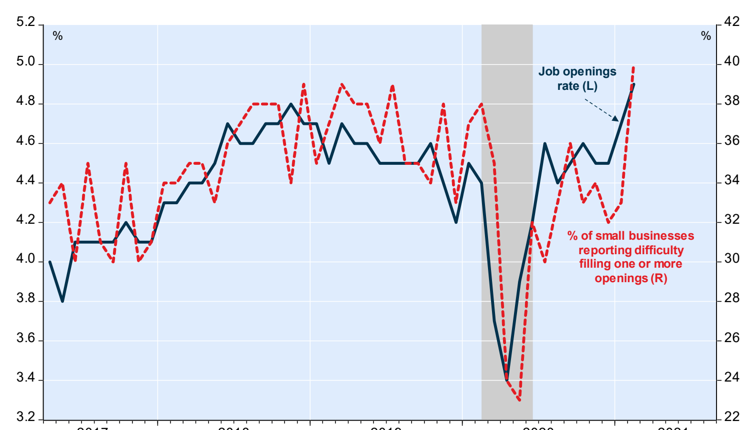
U.S.: Employment rebounding as sectors reopen
Variation of nonfarm payroll employment since February 2020



* Recreation/accommodation, education/healthcare, retail trade
NBF Economics and Strategy (data from Refinitiv)

Solid as they were, the March gains left U.S. nonfarm payroll employment still 8.4 million short of its pre-pandemic peak. A number of indicators justify much optimism about the long remaining road. The latest Job Openings and Labor Turnover Survey, for example, reported an increase in job openings from 7,099K at the end of January to 7,367K at the end of February. The latter figure was the highest in 25 months and a record percentage of total employment. The March report of the U.S. National Federation of Independent businesses also flagged a rise in job openings: a record 42% of small businesses surveyed reported difficulty in filling one or more openings.

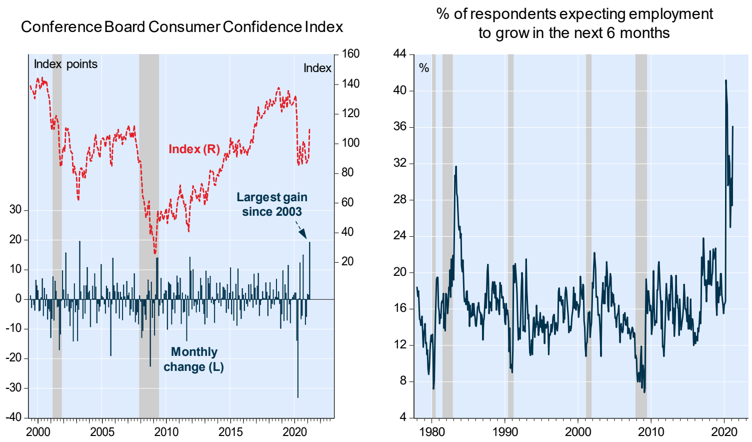
U.S.: A cheering outlook for the labour market
Job openings as % of total employment vs. % of small businesses with difficulty filling one or more openings



NBF Economics and Strategy (data from Refinitiv)

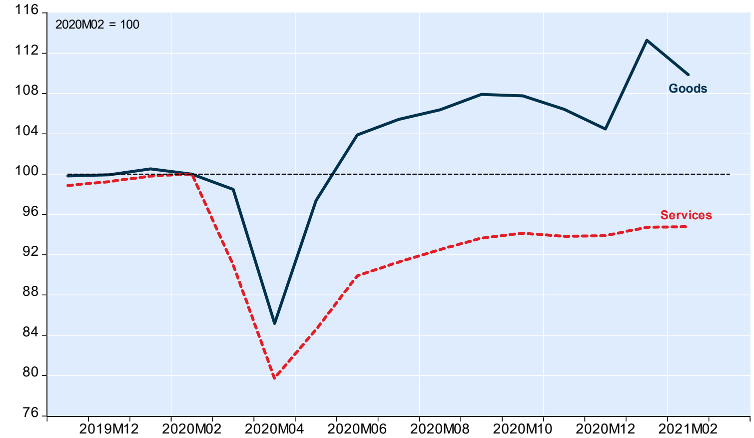
Consumer confidence, bolstered by the improving jobs outlook and the arrival of the assistance cheques promised by the Biden administration, registered its third-highest monthly rise since the 1970s.

U.S.: A return of consumer confidence



NBF Economics and Strategy (data from Refinitiv)

U.S.: Service industries poised to benefit the most from reopening?
Personal consumption expenditures

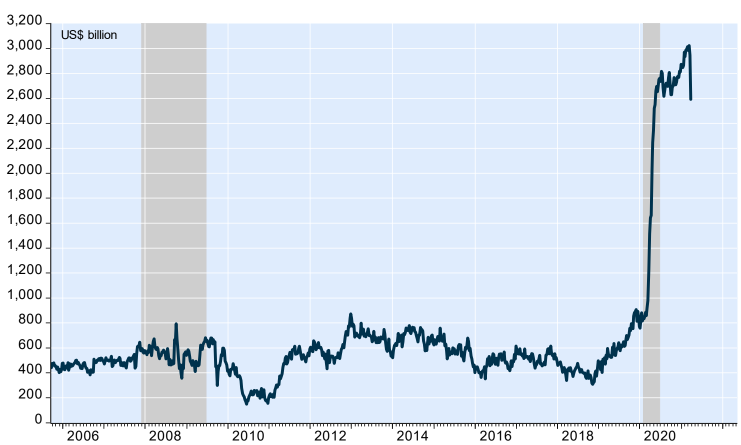


NBF Economics and Strategy (data from Refinitiv)

This cheer augurs well for consumer spending in the coming months. U.S. households are well-positioned to benefit from reopening of the economy. Not only has their disposable income risen significantly since the beginning of the pandemic, but a good part of the increase is currently sleeping in bank deposits, easily accessible for deployment to spending.

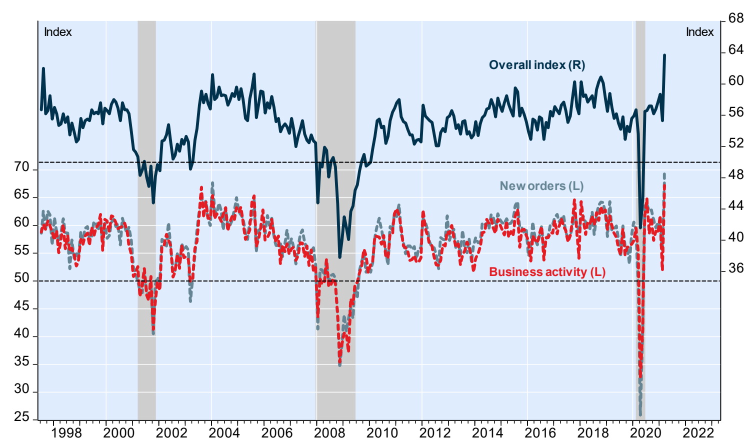
A revival of non-manufacturing businesses was already quite visible in the March ISM report, whose services index, pulled up by unprecedented growth in business activity and new orders, came in at a record 63.7. All 18 non-manufacturing sectors in the survey showed expansion during the month.

U.S.: Households are well-placed to take advantage of reopenings
12-month change in deposits with chartered banks



NBF Economics and Strategy (data from FRED St. Louis)

U.S.: The services sector is already showing signs of recovery
ISM non-manufacturing index

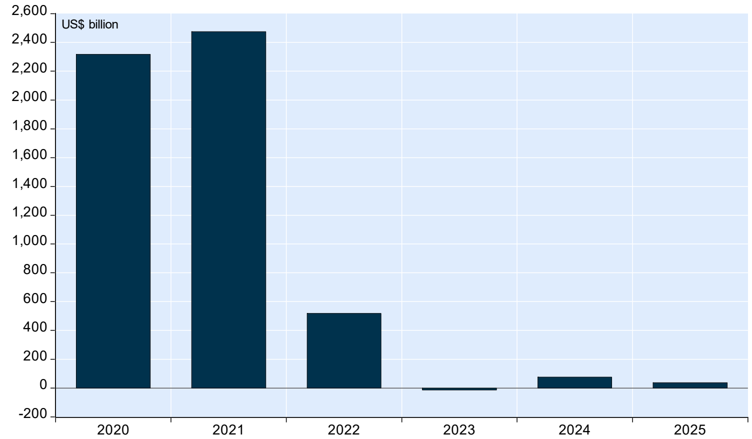


NBF Economics and Strategy (data from Refinitiv)

The services sector, left in the lurch by the pandemic, is likely to be the main beneficiary of reopening.

With the rebound of services, good times are at hand for the U.S. economy. Employment is gradually recovering from the pandemic shock, consumer confidence is at the ready, real estate is booming and business investment surprises on the upside. The Federal Reserve, meanwhile, seems determined to keep its monetary policy highly accommodative. As if this were not enough, the federal government continues to pour cash into the economy. The Congressional Budget Office calculates that spending related to the fiscal measures put in place to counter the effects of the pandemic will be even greater in 2021 than it was last year. For all these reasons we see a solid rebound of GDP this year. We accordingly leave our 2021 growth forecast unchanged at 6.6%.

U.S.: Washington goes big against the pandemic
Estimated effect on federal deficit of fiscal measures to counter pandemic effects

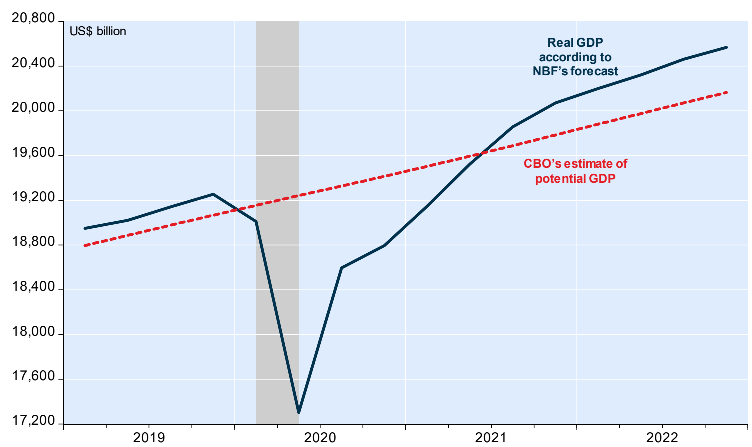


NBF Economics and Strategy (CBO data)

For now, our 2022 outlook of 3.8% is also unchanged, though we recognize that the $2-trillion infrastructure plan proposed by the Biden administration is an upside risk to this outlook.

In light of the most recent available data, we anticipate that U.S. real GDP will be back to potential by 202n Qn.

U.S.: GDP back to potential by 2021Q3?
Path of real GDP forecast by NBF and potential GDP estimated by CBO

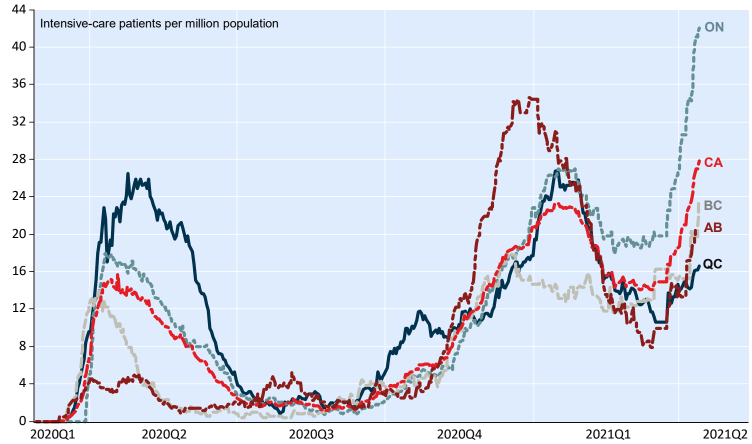


NBF Economics and Strategy (CBO data)

Canada: Too little, too late

The third wave of Covid-19 has the bit in its teeth in almost all regions of Canada. At this writing, the average number of new cases in the last seven days was higher than the average for last 28 days in nine of the 10 provinces. More striking in the Covid numbers is the rapid rise of the number of people in hospital intensive care, which now exceeds the peak number of the second wave. In Ontario, soaring ICU admissions have forced the provincial government to tighten public health restrictions once again. Other provinces have followed suit. Many people were hoping that the progress of vaccination would limit the third wave, but the story appears to be "too little too late." Barely 20% of Canadians have received a dose, compared to 36% of Americans (see second chart on page 5). The contagiousness and virulence of variants have cut short the respite for the health care system.

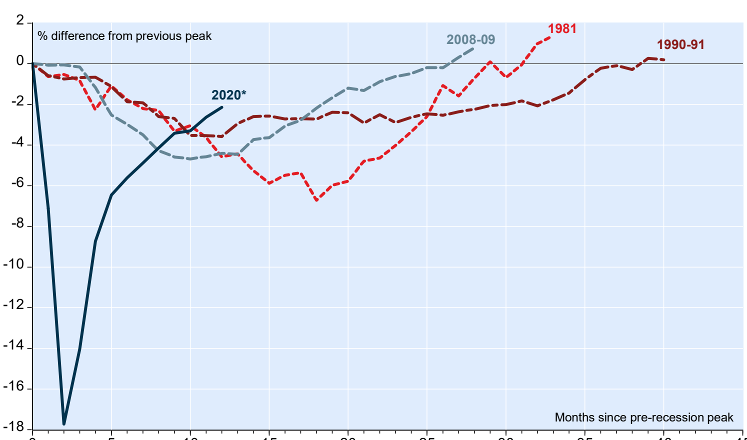
Canada: Covid-19 burden on hospital intensive care
Number of intensive-care patients per million population



NBF Economics and Strategy (data from Institut national de santé publique du Québec – Radio Canada https://ici.radio-canada.ca/info/2020/coronavirus-covid-19-pandemie-cas-carte-maladie-symptomes-propagation/)

Despite tightening of restrictions, which is likely to intensify, the economic data from the second wave give us confidence in the resilience of the economy. GDP of the Eurozone may have contracted again in Q1 and the economist consensus expects that the U.K. will also come in below the previous quarter, but Canada will show an expansion. Not only was GDP up 0.7% in January despite the shutdown of non-essential Ontario and Quebec businesses in that month, but Statistics Canada's preliminary estimate suggests 0.5% increase in February. That would make a 10th straight month of expansion, leaving GDP down only 2.0% from its pre-recession peak after just one year (a much better showing than in the three previous recessions), and set for an enviable first-quarter gain of 5.7% annualized.

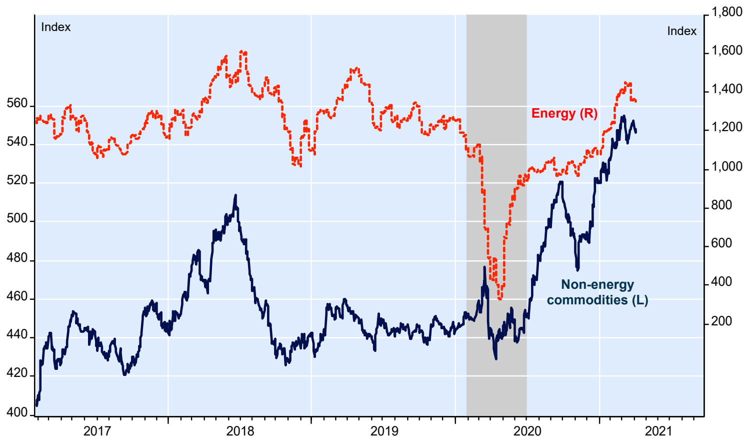
Canada: Path of GDP in the last four recessions
Monthly data



* Includes Statistics Canada preliminary estimate for February 2021
NBF Economics and Strategy (Statistics Canada data)

Q1 could come in with an even more spectacular advance in nominal terms. The surge of commodity prices is such that we expect close to 13% annualized, taking nominal GDP past its pre-recession peak after only five quarters.

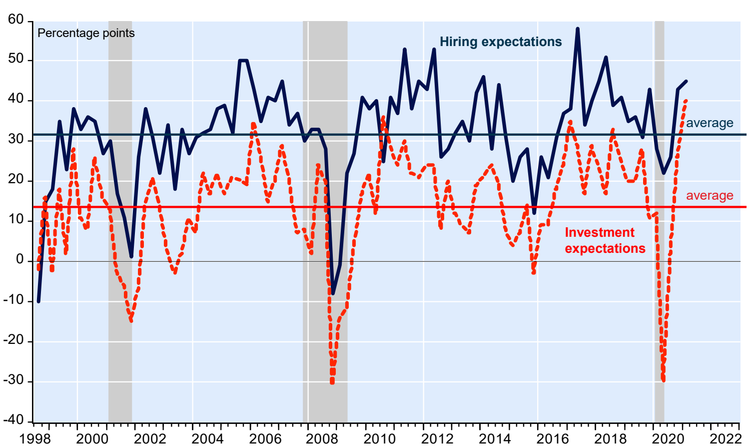
Canada: Commodity prices up strongly
Indexes of commodity prices in Canadian dollars



NBF Economics and Strategy (Statistics Canada data)

This outlook augurs well for profits, and for investment and hiring once the pandemic has been reined in. The Bank of Canada's latest Business Outlook Survey shows confidence soaring in March. Investment intentions were more favourable than in any month since tracking of this data began, and hiring intentions were the most favourable in almost three years.

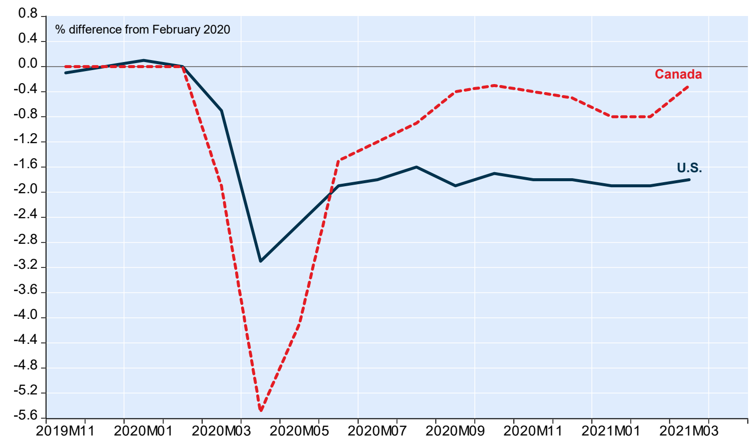
Canada: A spectacularly upbeat business outlook in March
Investment and hiring intentions (balance of expectations*)



* % of businesses surveyed expecting to increase investment / hiring less % expecting to reduce it
NBF Economics and Strategy (data from Bank of Canada Business Outlook Survey)

Such enthusiasm was corroborated by the March employment report, much better than expected. With Covid-19 numbers subsiding across the country, the sectors most affected by physical distancing were up strongly, driving a spectacular gain of 303,000 jobs. Full-time jobs were up for an 11th straight month, to within 1% of their pre-recession peak compared to the 4% shortfall of U.S. full-time jobs. The participation rate improved markedly to only 0.3 percentage points below that of February 2020, another gap that compares well with the U.S. (chart). There is reason to believe that the more spectacular recovery of the labour market in Canada is due in part to the emergency wage subsidy paid by Ottawa to limit layoffs.

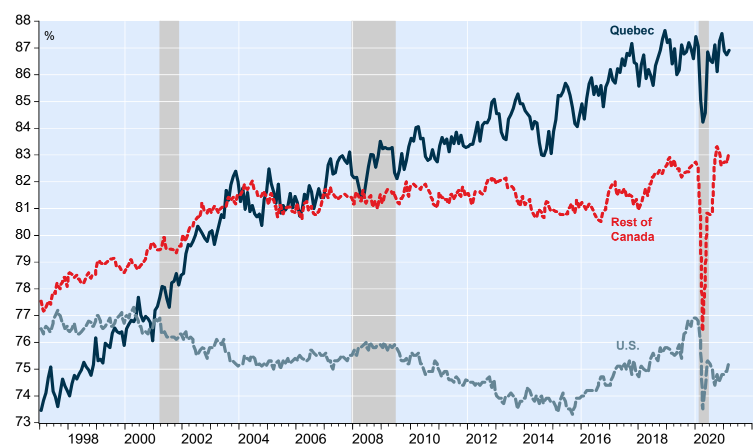
Canadian labour-force participation almost back to pre-pandemic rate
Participation rates, Canada and U.S.



NBF Economics and Strategy (Statistics Canada data)

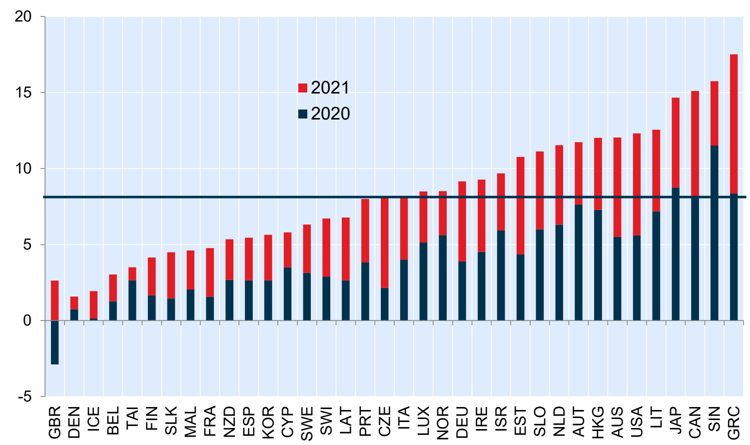
The spread between Canadian and U.S. participation rates could continue to widen over the coming years if the federal government goes ahead with proposed substantial funding of daycare to reduce the burden on new parents. In 1997 the Quebec government put in place a program of extremely affordable daycare that turned out to be highly successful. Praise for the Quebec experiment has come from observers including the IMF, the Bank of Canada and the San Francisco Federal Reserve. It has brought a strong rise in participation of women in the labour force. At the time of its introduction, women aged 25 to 54 had a participation rate 4 percentage points lower in Quebec than in the rest of Canada. Today that spread has been reversed. If women in the U.S. had the same participation rate as women in Quebec, that country would have 7.5 million more people in its labour force.

Canada: A Quebec success story
Participation rate of women aged 25 to 54 since 1997



NBF Economics and Strategy (data from Statistics Canada and U.S. BLS)

In our view, this path to maximizing potential GDP should be preferred to a further extension of special income-support programs, which would have the opposite effect, acting as a disincentive to work. Governments in Canada have deployed the third-largest fiscal stimulus of the developed countries as reported by the IMF, setting a promising stage for recovery in the second half of the year. Though the coming federal budget could prompt us to revisit our forecast, we are for now moving our 2021 growth forecast up to 5.6% (formerly 5.4%), since the slowing we expect in Q2 as a result of public-health measures will only partly offset the spectacular surge of Q1.



United States
Economic Forecast

*(Annual % change)**	*2018*	*2019*	*2020*	*2021*	*2022*	*Q4/Q4 2020*	*2021*	*2022*
Gross domestic product (2012 $)	3.0	2.2	(3.5)	6.6	3.8	(2.4)	6.8	2.5
Consumption	2.7	2.4	(3.9)	7.5	4.7	(2.7)	8.1	2.9
Residential construction	(0.6)	(1.7)	6.1	15.0	(2.0)	14.3	6.4	(5.0)
Business investment	6.9	2.9	(4.0)	7.1	1.9	(1.4)	5.7	0.3
Government expenditures	1.8	2.3	1.1	1.5	1.4	(0.5)	2.9	1.7
Exports	3.0	(0.1)	(12.9)	7.0	6.4	(10.9)	7.0	5.5
Imports	4.1	1.1	(9.3)	13.1	3.1	(0.6)	6.9	1.0
Change in inventories (bil. $)	53.4	48.5	(77.4)	55.5	50.4	62.1	50.8	11.9
Domestic demand	3.0	2.3	(2.7)	6.7	3.5	(1.5)	6.8	2.0
Real disposable income	3.6	2.2	5.8	0.5	(1.0)	3.1	2.0	-0.1
Payroll employment	1.6	1.3	(5.7)	2.5	3.2	-6.0	4.1	2.0
Unemployment rate	3.9	3.7	8.1	5.1	3.9	6.8	4.2	3.8
Inflation	2.4	1.8	1.3	2.8	2.4	1.2	3.0	2.5
Before-tax profits	6.1	0.3	(5.8)	13.1	6.2	-0.7	7.0	6.0
Current account (bil. $)	(449.7)	(480.2)	(647.2)	(720.2)	(701.4)	...	...	...

** or as noted*

Financial Forecast**

	Current 4/09/21	*Q1 2021*	*Q2 2021*	*Q3 2021*	*Q4 2021*	*2020*	*2021*	*2022*
Fed Fund Target Rate	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
3 month Treasury bills	0.02	0.03	0.05	0.05	0.10	0.09	0.10	0.20
Treasury yield curve								
2-Year	0.16	0.16	0.25	0.30	0.40	0.13	0.40	0.95
5-Year	0.87	0.92	1.00	1.10	1.20	0.36	1.20	1.65
10-Year	1.67	1.74	1.80	1.90	2.00	0.93	2.00	2.30
30-Year	2.34	2.41	2.45	2.50	2.55	1.65	2.55	2.75
Exchange rates								
U.S.$/Euro	1.19	1.18	1.19	1.23	1.23	1.22	1.23	1.20
YEN/U.S.$	110	111	112	109	108	103	108	104

*** end of period*

Quarterly pattern

	Q1 2020 actual	*Q2 2020 actual*	*Q3 2020 actual*	*Q4 2020 forecast*	*Q1 2021 forecast*	*Q2 2021 forecast*	*Q3 2021 forecast*	*Q4 2021 forecast*
Real GDP growth (q/q % chg. saar)	(5.0)	(31.4)	33.4	4.3	6.5	9.3	7.0	4.4
CPI (y/y % chg.)	2.1	0.4	1.3	1.2	1.9	3.5	3.0	3.0
CPI ex. food and energy (y/y % chg.)	2.2	1.3	1.7	1.6	1.4	2.4	1.9	2.1
Unemployment rate (%)	3.8	13.1	8.8	6.8	6.2	5.3	4.5	4.2

National Bank Financial

Canada
Economic Forecast

(Annual % change)*	2018	2019	2020	2021	2022	Q4/Q4 2020	Q4/Q4 2021	Q4/Q4 2022
Gross domestic product (2012 $)	2.4	1.9	(5.4)	5.6	4.0	(3.2)	4.5	3.2
Consumption	2.5	1.6	(6.1)	4.2	5.3	(4.8)	4.6	3.9
Residential construction	(1.7)	(0.2)	3.9	11.5	(1.9)	14.4	(2.6)	0.0
Business investment	3.1	1.1	(13.1)	0.3	7.2	(13.1)	4.7	7.1
Government expenditures	3.2	1.7	(0.3)	3.3	2.0	1.3	1.6	2.1
Exports	3.7	1.3	(9.8)	6.3	4.7	(7.1)	5.2	4.8
Imports	3.4	0.4	(11.3)	5.9	4.9	(6.0)	2.8	4.8
Change in inventories (millions $)	15,486	18,766	(15,533)	10,575	15,525	1,721	15,300	14,300
Domestic demand	2.5	1.4	(4.5)	4.2	3.9	(2.5)	3.1	3.3
Real disposable income	1.5	2.2	9.0	(2.9)	0.2	6.8	(2.4)	1.1
Employment	1.6	2.2	(5.1)	4.5	2.7	(2.9)	3.2	2.0
Unemployment rate	5.9	5.7	9.6	7.6	6.5	8.8	6.8	6.2
Inflation	2.3	1.9	0.7	2.4	2.3	0.8	2.5	2.3
Before-tax profits	3.8	0.6	(6.1)	15.5	5.4	4.3	5.7	6.0
Current account (bil. $)	(52.2)	(47.4)	(42.7)	(25.0)	(35.0)	....	....	....

** or as noted*

Financial Forecast**

	Current 4/09/21	Q1 2021	Q2 2021	Q3 2021	Q4 2021	2020	2021	2022
Overnight rate	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
3 month T-Bills	0.09	0.09	0.10	0.15	0.15	0.07	0.15	0.30
Treasury yield curve								
2-Year	0.25	0.23	0.30	0.35	0.45	0.20	0.45	0.95
5-Year	0.96	0.99	1.00	1.05	1.10	0.39	1.10	1.55
10-Year	1.50	1.56	1.60	1.65	1.75	0.68	1.75	2.10
30-Year	1.92	1.99	2.00	2.05	2.10	1.21	2.10	2.30
CAD per USD	1.26	1.26	1.24	1.22	1.20	1.27	1.20	1.22
Oil price (WTI), U.S.$	60	59	62	64	65	48	65	60

*** end of period*

Quarterly pattern

	Q1 2020 actual	Q2 2020 actual	Q3 2020 actual	Q4 2020 forecast	Q1 2021 forecast	Q2 2021 forecast	Q3 2021 forecast	Q4 2021 forecast
Real GDP growth (q/q % chg. saar)	(7.5)	(38.5)	40.6	9.6	5.7	1.0	5.8	5.4
CPI (y/y % chg.)	1.8	0.0	0.3	0.8	1.5	2.9	2.7	2.5
CPI ex. food and energy (y/y % chg.)	1.8	1.0	0.6	1.1	1.1	1.8	2.1	2.0
Unemployment rate (%)	6.4	13.1	10.1	8.8	8.4	7.9	7.4	6.8

National Bank Financial

Provincial economic forecast

	Real GDP (% growth)					Nominal GDP (% growth)				
	2018	2019	2020f	2021f	2022f	2018	2019	2020f	2021f	2022f
Newfoundland & Labrador	-3.5	4.0	-6.0	3.7	2.8	0.8	4.1	-9.0	12.5	4.6
Prince Edward Island	2.5	5.1	-2.9	4.5	4.0	3.6	7.0	-0.7	6.1	6.9
Nova Scotia	1.9	2.4	-4.0	5.0	3.3	3.6	3.8	-2.7	6.9	5.0
New Brunswick	0.5	1.2	-3.5	4.4	3.3	3.6	3.0	-1.7	8.6	5.5
Quebec	2.9	2.7	-5.3	5.4	4.2	5.4	4.3	-4.0	8.4	6.1
Ontario	2.8	2.1	-5.6	5.6	4.1	4.1	3.8	-3.8	8.2	5.9
Manitoba	1.5	0.6	-3.9	4.7	3.5	2.5	1.0	-3.1	9.5	5.2
Saskatchewan	1.2	-0.7	-4.8	4.9	3.5	3.2	0.1	-8.9	12.8	4.5
Alberta	1.9	0.1	-7.5	6.2	3.7	3.4	2.7	-9.7	16.0	5.0
British Columbia	2.7	2.7	-4.7	5.7	4.2	4.9	4.4	-3.2	10.0	5.5
Canada	2.4	1.9	-5.4	5.6	4.0	4.2	3.6	-4.6	9.8	5.7

	Employment (% growth)					Unemployment rate (%)				
	2018	2019	2020f	2021f	2022f	2018	2019	2020f	2021f	2022f
Newfoundland & Labrador	0.5	1.3	-5.9	4.1	0.4	14.1	12.3	14.2	13.0	12.4
Prince Edward Island	4.2	3.4	-3.2	4.0	2.2	9.4	8.6	10.6	8.2	7.9
Nova Scotia	1.9	2.3	-4.7	4.5	1.6	7.7	7.3	9.8	8.4	8.0
New Brunswick	0.6	0.7	-2.6	3.0	1.2	8.0	8.2	10.1	8.7	8.5
Quebec	1.5	2.0	-4.8	4.3	2.8	5.5	5.2	8.9	6.9	5.9
Ontario	1.7	2.8	-4.7	4.4	2.9	5.7	5.6	9.6	8.0	6.4
Manitoba	1.1	1.0	-3.7	3.2	2.0	6.0	5.4	8.0	7.1	6.5
Saskatchewan	0.6	1.7	-4.6	3.0	2.3	6.2	5.5	8.4	7.4	7.1
Alberta	1.9	0.6	-6.5	4.6	3.2	6.7	7.0	11.5	9.5	8.2
British Columbia	1.4	2.9	-6.5	5.8	2.6	4.8	4.7	9.0	6.5	5.5
Canada	1.6	2.2	-5.1	4.5	2.7	5.9	5.7	9.6	7.6	6.5

	Housing starts (000)					Consumer Price Index (% growth)				
	2018	2019	2020f	2021f	2022f	2018	2019	2020f	2021f	2022f
Newfoundland & Labrador	1.1	0.9	0.8	0.8	0.6	1.7	1.0	0.2	2.6	2.5
Prince Edward Island	1.1	1.5	1.2	1.3	1.2	2.3	1.2	0.0	2.1	2.3
Nova Scotia	4.8	4.7	4.9	5.0	4.2	2.2	1.6	0.3	2.3	2.3
New Brunswick	2.3	2.9	3.5	3.6	2.9	2.2	1.7	0.2	2.1	2.2
Quebec	46.9	48.0	54.1	60.0	50.0	1.7	2.1	0.8	2.5	2.3
Ontario	78.7	69.0	81.3	83.0	77.0	2.4	1.9	0.6	2.5	2.3
Manitoba	7.4	6.9	7.3	7.3	6.3	2.5	2.3	0.5	2.2	2.4
Saskatchewan	3.6	2.4	3.1	3.5	3.2	2.3	1.7	0.6	2.2	2.2
Alberta	26.1	27.3	24.0	28.0	27.0	2.5	1.7	1.1	2.2	2.2
British Columbia	40.9	44.9	37.7	38.0	36.6	2.7	2.3	0.8	2.4	2.4
Canada	212.8	208.7	217.8	230.5	209.0	2.3	1.9	0.7	2.4	2.3

e: estimate f: forecast

Historical data from Statistics Canada and CMHC, National Bank of Canada's forecast.

Economics and Strategy

Montreal Office
514-879-2529

Stéfane Marion
Chief Economist and Strategist
stefane.marion@nbc.ca

Matthieu Arseneau
Deputy Chief Economist
matthieu.arseneau@nbc.ca

Paul-André Pinsonnault
Senior Economist
paulandre.pinsonnault@nbc.ca

Angelo Katsoras
Geopolitical Analyst
angelo.katsoras@nbc.ca

Kyle Dahms
Economist
kyle.dahms@nbc.ca

Daren King
Economist
daren.king@nbc.ca

Jocelyn Paquet
Economist
jocelyn.paquet@nbc.ca

Camille Baillargeon
Intern Economist
camille.baillargeon@nbc.ca

Toronto Office
416-869-8598

Warren Lovely
Chief Rates and Public Sector Strategist
warren.lovely@nbc.ca

Taylor Schleich
Rates Strategist
taylor.Schleich@nbc.ca

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