May 2021

Summary

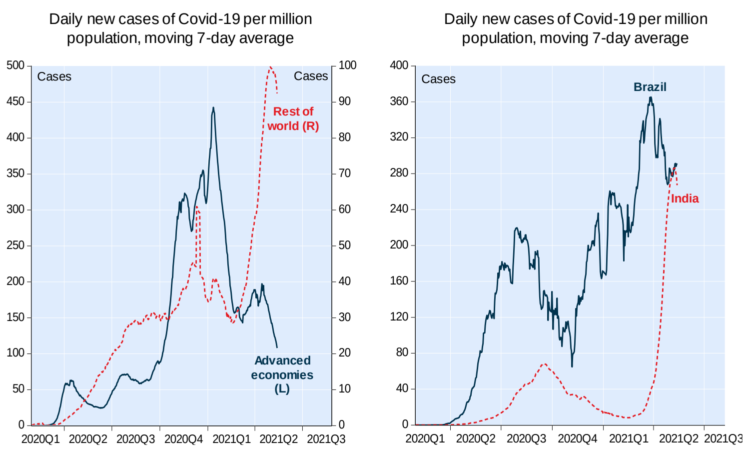
By Matthieu Arseneau and Jocelyn Paquet

- More than a year after the WHO declared a state of worldwide pandemic, the SARS-CoV-2 virus continues to devastate. The number of new cases reported daily around the world rose to a record in late April and remains very high. Outbreaks are now concentrated in the emerging economies, where vaccine rollout is much slower than in the rich countries, with India and Brazil in especially dire straits. The surge of cases is certain to slow economic growth in the regions most affected. However, this slowdown is likely to be amply offset by strong expansion in the developed economies. The U.S. will be a recovery leader in 2021 but will hardly be alone in benefiting from a reopening of its economy. As the pandemic loses its grip in the Eurozone (partly because of accelerated vaccine rollouts), many countries there should soon be able to ease their physical distancing rules. The second half of the year promises a rebound so solid in advanced economies that we think some producers will have to struggle to meet demand, something that could lead to price increases more vigorous than those we were used to before the pandemic. Our forecast of global growth in 2021 is unchanged at 6.0%, with an upward revision for the U.S. offset by a slightly slower growth outlook for the emerging economies. Also unchanged is our forecast of 4.4% for 2022.
- The U.S. economy sustained a brisk pace of recovery in the first quarter of the year despite maintenance of some physical distancing rules. Real GDP expanded at an annual rate of 6.7%. Coming after annual rates of +4.3% in Q4 and +33.4% in Q3, this growth left GDP only 0.9% short of its pre-pandemic high. We expect further acceleration of growth in Q2, to an annual rate in the neighbourhood of 10%. Our optimism is based on the progress of the U.S. vaccine rollout. At this writing, 46% of Americans had received at least one dose, a proportion topped only by the U.K. among the major economies. The success of U.S. vaccination efforts can be expected to allow a more complete reopening of the economy, which will in turn allow consumers to make good use of funds put aside during the pandemic. With the second quarter looking stronger than we foresaw last month, we have raised our forecast of 2021 growth to 6.9% from 6.6%. Real GDP should then expand 3.9% in 2022, one tick more than what we had envisaged last month. We recognize that the Biden administration’s proposals for $2.3 trillion in infrastructure funding and $1.8 trillion in aid to families could push up that number if approved. Our updated GDP projection anticipates a return of U.S. output to potential in the third quarter of this year.
- Though Canadians remain under public-health restrictions and the economy will probably finish the second quarter flat, there are grounds for optimism about subsequent months. Vaccination rollout, after a slow start, has picked up speed since early April. Impressive growth can be expected as physical-proximity services reopen in a context of extremely stimulative fiscal and monetary policy. Consumption is thus likely to firm up, all the more so in that households have accumulated astronomical excess savings (8% of GDP in 2020). This month we are revising our forecast of 2021 growth up to 6.0% (previously 5.6%). The first-quarter surge was even more spectacular than previously expected. The federal recovery plan, more generous than expected in the short term, is another factor in our upward revisions. Our forecast for nominal growth is now 10.4%, not seen in 40 years. It’s that the widespread rise in raw-material prices has caused a spectacular improvement of terms of trade over the last year.

World: Fast-track recovery in rich countries

More than a year after the WHO declared a state of worldwide pandemic, the SARS-CoV-2 virus continues to devastate. The number of new cases reported daily around the world rose to a record in late April and remains very high. Outbreaks are now concentrated in the emerging economies, where vaccine rollout is much slower than in the rich countries, with India and Brazil in especially dire straits.

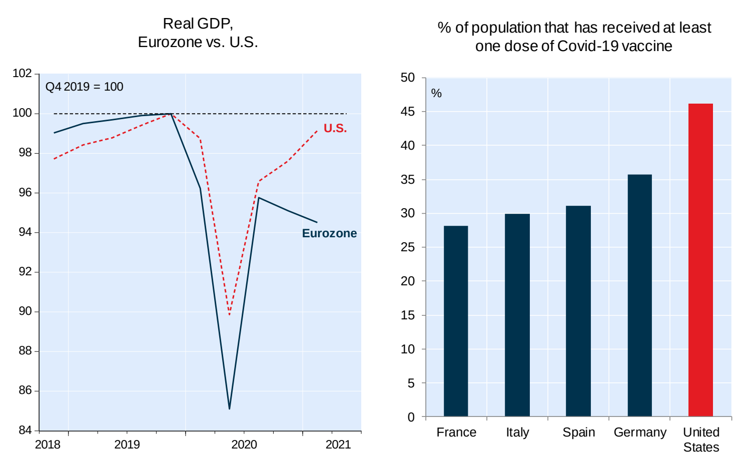
World: Covid flare-up limited to a few countries



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

The surge of cases is certain to slow economic growth in the regions most affected. However, this slowdown is likely to be amply offset by strong expansion in the developed economies. The U.S. will be a recovery leader in 2021 (see dedicated section below), but will hardly be alone in benefiting from a reopening of its economy. As the pandemic loses its grip in the Eurozone (partly because of accelerated vaccine rollouts), many countries there should soon be able to ease their physical distancing rules.

Eurozone: Lagging vaccine rollout, slower recovery …

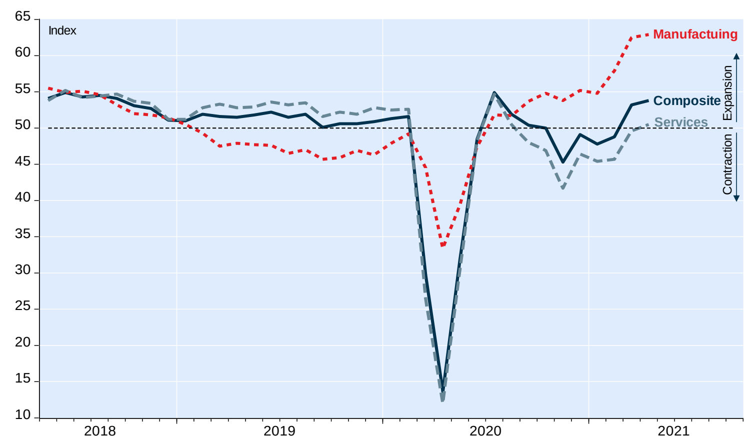


NBF Economics and Strategy (data from Refinitiv and https://ourworldindata.org/covid-vaccinations)

After officially entering into a double-dip recession in the first quarter of the year, the Eurozone economy is likely to expand again in Q2. That at least is what the most recent economic indicators suggest. The Markit Composite PMI shows a second straight improvement of private-sector operating conditions in April. Its manufacturing sub-index reached an all-time high of 62.9 during the month, with output and new orders growing at record rates. Though services output remained hobbled by physical distancing measures, it showed a slight expansion nonetheless: the services PMI topped 50 for the first time in eight months. Eurozone private-sector businesses reported themselves highly optimistic, their output expectations the highest since the data series began in the summer of 2012.

… but prospects are improving

Markit flash PMI, last observation April 2021

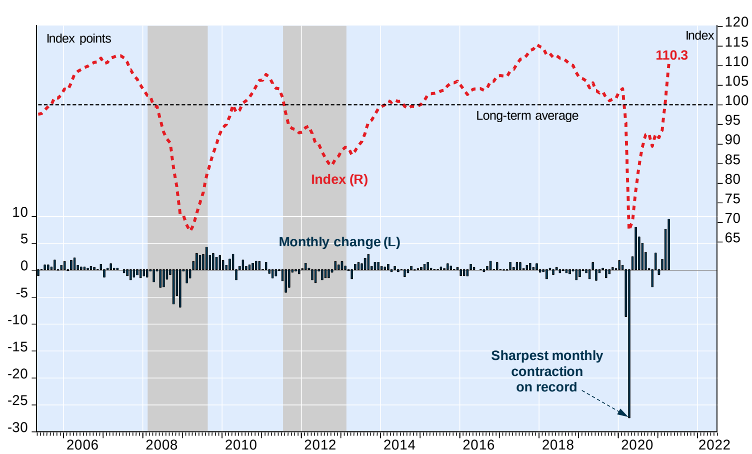


NBF Economics and Strategy (source: Markit, via Refinitiv)

The business sentiment indicator of the European Commission was also up markedly in April, rising from 100.9 to a 32-month high of 110.3, well above both the consensus 102.2 and the pre-recession peak of 104.0 (February 2020). Confidence was up in all five of the sectors tracked: manufacturing, services, consumption, retail trade and construction.

Eurozone: April confidence topped pre-pandemic level

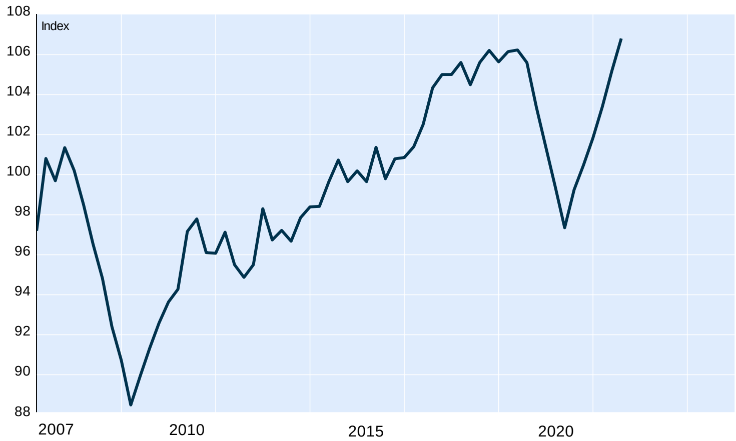
European Commision economic sentiment indicator, last observation April 2021



NBF Economics and Strategy (source: European Commission, via Refinitiv)

To judge by Conference Board data, the return of confidence was not limited to the Eurozone. On the contrary: its overall indicator of consumer confidence climbed to an all-time high in the first quarter of the year. The official report attributed the rise to the progress of vaccine rollout and to support from governments and central banks.

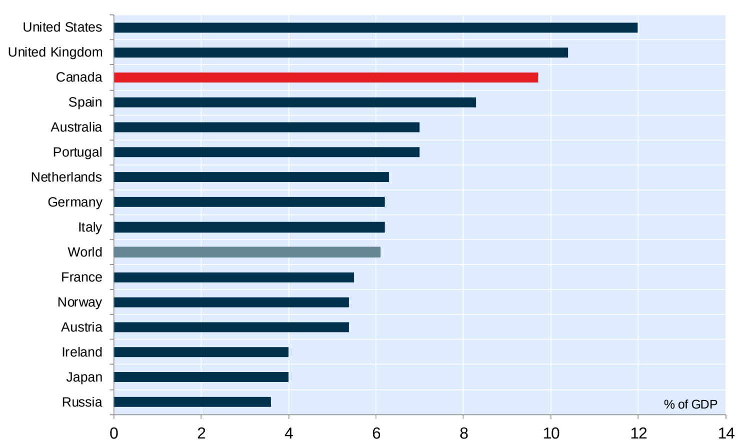
World: Strong Q1 rebound in consumer confidence
Global Conference Board Consumer Confidence Survey



NBF Economics and Strategy (data from Conference Board, Financial Times)

Fiscal support from most of the world's governments has gone way beyond the effort made in response to the 2008 crisis. Income-replacement programs in the developed economies (cheques to households, wage subsidies, etc.) have not only supported consumption *during* the crisis but are also likely to stimulate consumer spending once the pandemic is under control, since government generosity has enabled households to accumulate excess savings estimated by Moody's at about 6% of global GDP. We see part of these savings being put to use in the global economic recovery. Consumption of services, which suffered heavily from physical distancing measures, is likely to be the principal beneficiary.

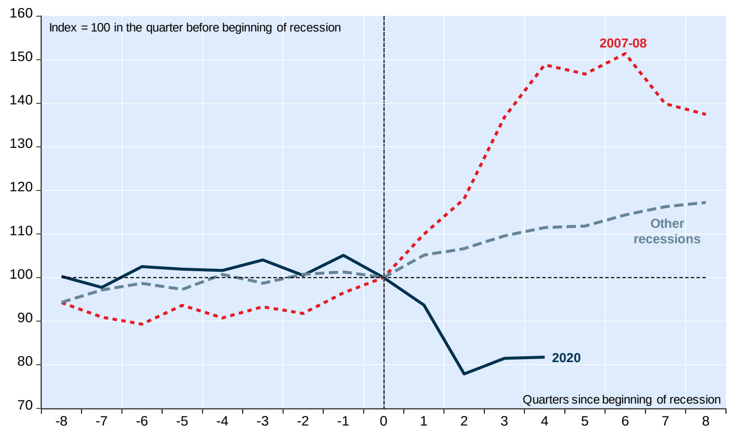
World: Consumers positioned to take advantage of recovery
Cumulative excess savings since beginning of the pandemic, % of GDP



NBF Economics and Strategy (data from Moody's)

Private business has also benefited from fiscal aid. Through subsidies and help with access to credit, governments and central banks have managed to limit business bankruptcies. Judging by data recently released by the IMF, bankruptcies have even declined since the beginning of the pandemic, a phenomenon unusual in the wake of a recession as severe as last year's. Fewer business bankruptcies means less destruction of capacity and fewer permanent job losses, two other factors likely to support a rapid recovery.

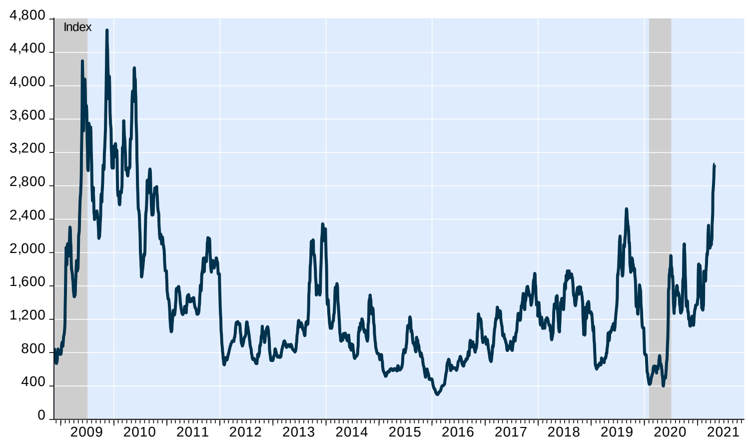
World: Aid programs have curbed business bankruptcies
Index of business bankruptcies in 13 developed economies



NBF Economics and Strategy (data from IMF)

The second half of the year promises a recovery so solid that we think some producers will have to struggle to meet demand. Already in April, factories around the globe were stressed – delivery times were the longest in 17 years according to the Markit/JPMorgan survey. Transportation costs have also risen sharply in recent weeks.

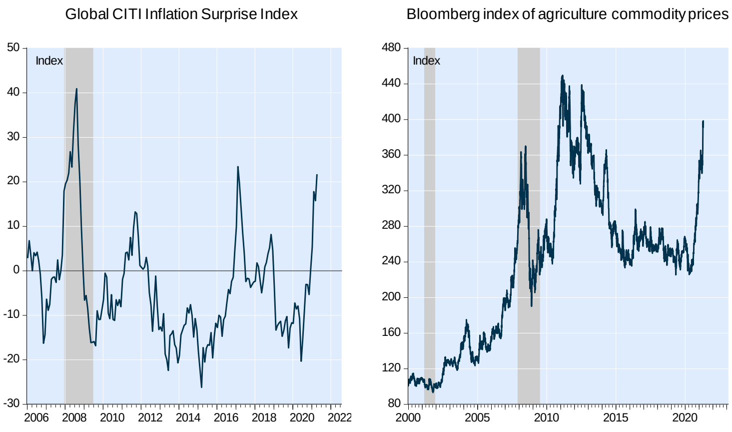
World: Pressure on capacity
Baltic Dry Index of ocean transport costs



NBF Economics and Strategy (data from Bloomberg)

This situation is hardly likely to improve when consumers in developed economies are able to spend more freely. The jump in demand could entail price increases more vigorous than those we were used to before the pandemic. Global inflation is already surprising on the upside and we see this trend continuing in the months ahead. More specifically, we note the rapid increase in food prices, a major component of the consumption basket, especially in the emerging economies.

World: Price rises foreseeable as public-health restrictions ease



NBF Economics and Strategy (data from Bloomberg)

Our forecast of global growth in 2021 is unchanged at 6.0%, with an upward revision for the U.S. offset by a slightly slower growth outlook for the emerging economies. Also unchanged is our forecast of 4.4% for 2022.

World Economic Outlook	2020	2021	2022
Advanced Economies	-4.7	5.3	3.8
United States	-3.5	6.9	3.9
Eurozone	-6.6	4.3	4.0
Japan	-4.9	3.0	2.3
UK	-10.0	5.5	4.9
Canada	-5.4	6.0	4.0
Australia	-2.4	4.5	3.0
Korea	-1.0	3.5	3.0
Emerging Economies	-2.3	6.5	4.8
China	2.3	8.7	5.5
India	-8.6	9.0	6.0
Mexico	-8.2	4.7	2.7
Brazil	-4.1	3.5	2.6
Russia	-3.1	3.5	3.0
World	-3.3	6.0	4.4

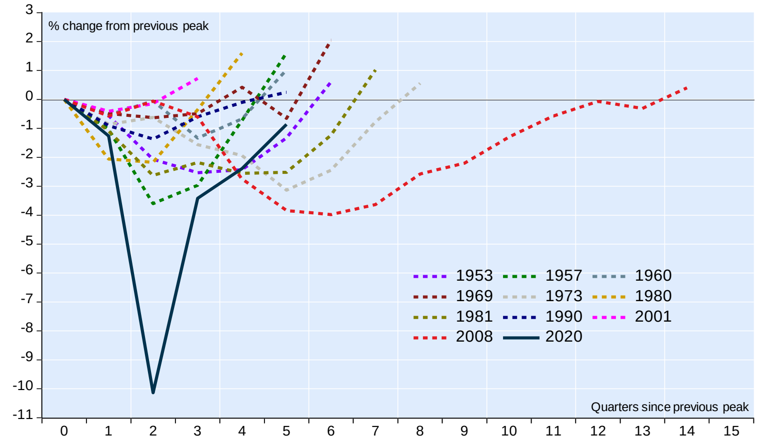
NBF Economics and Strategy (data via NBF and Conensus Economics)

U.S.: Entering a post-Covid boom

The U.S. economy sustained a brisk pace of recovery in the first quarter of the year despite maintenance of some physical distancing rules. Real GDP expanded at an annual rate of 6.7%. Coming after annual rates of +4.3% in Q4 and +33.4% in Q3, this growth left GDP only 0.9% short of its pre-pandemic high.

U.S.: GDP back to within 0.9% of pre-Covid peak

Real GDP, % change from previous peak

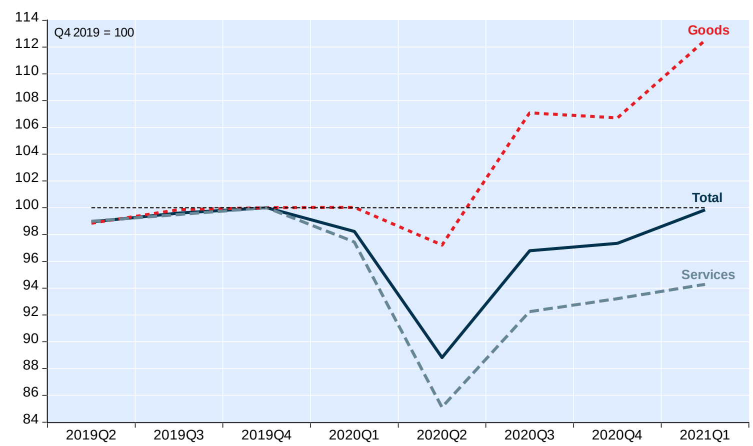


NBF Economics and Strategy (data from Refinitiv)

Domestic demand remained strong during the quarter. Non-residential investment grew at 9.9% annualized, residential investment at 10.8% and consumption at 10.7%. Consumption of services rebounded less vigorously (+4.6% annualized) than consumption of goods (23.6%) because of measures to limit spread of the virus. That left household spending on services 5.7% below its pre-recession level while spending on goods topped its pre-pandemic level by 12.5%.

U.S.: Service sector slower to pick up

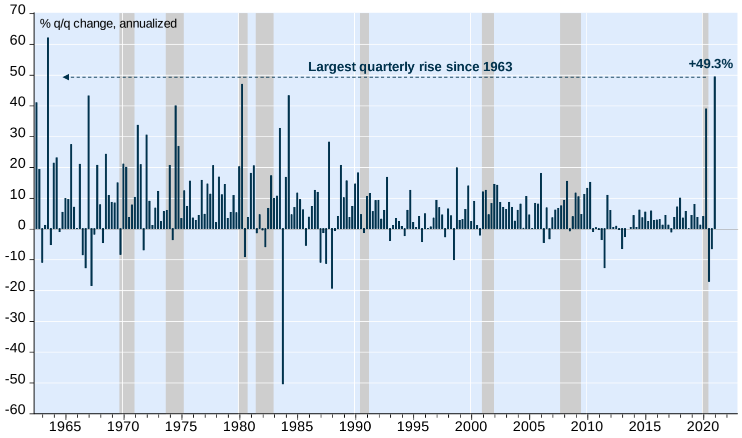
Personal consumption expenditures



NBF Economics and Strategy (data from Refinitiv)

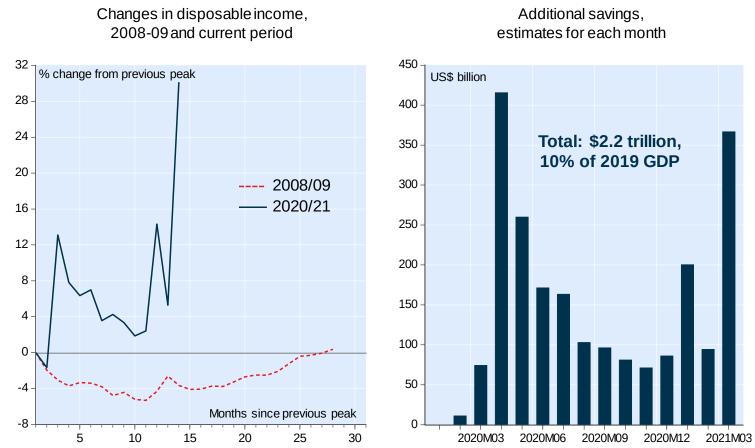
Also contributing to expansion during the quarter was public spending, which grew at 6.3% annualized (fastest since 2002) as payout of assistance to stimulate recovery continued and health-care spending remained high. Non-defence government spending increased the most since 1963 (49.3% annualized).

U.S.: A jmp in government spending to fund Covid aid programs
Nonmilitary public expenditure



NBF Economics and Strategy (data from Refinitiv)

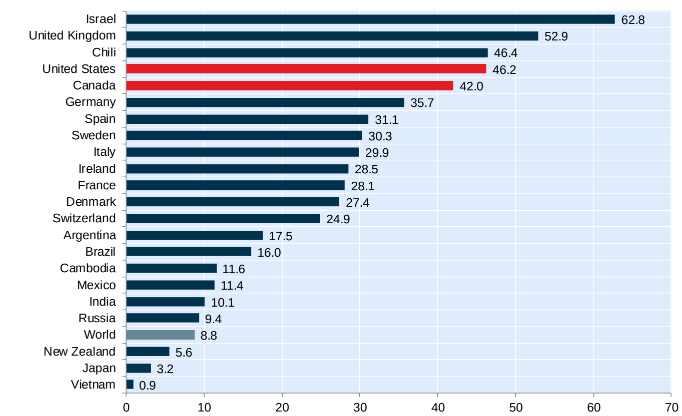
U.S.: Aid cheques to households have boosted disposable incomes



NBF Economics and Strategy (data from Refinitiv)

We expect further acceleration of growth in Q2, to an annual rate in the neighbourhood of 10%. Our optimism is based on the progress of the U.S. vaccine rollout. At this writing, 46% of Americans had received at least one dose, a proportion topped only by the U.K. among the major economies.

United States: Vaccination campaign progressing at swift pace
Share of population having received at least one dose of COVID-19 vaccine

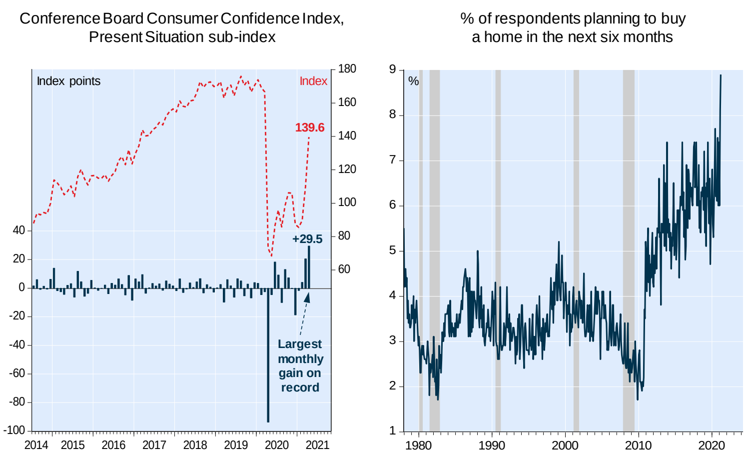


NBF Economics and Strategy (data via https://ourworldindata.org/covid-vaccinations, https://covid19tracker.ca/vaccinationtracker.html for Canada)

The success of U.S. vaccination efforts can be expected to allow a more complete reopening of the economy, which will in turn allow consumers to make good use of funds put aside during the pandemic. Nominal personal income jumped 21.1% in March thanks to the assistance cheques that went out to households in the $1.9-trillion package adopted under the Biden administration. Disposable income, meanwhile, rose 23.6%, the largest monthly gain on record. Since spending rose less than that, the savings rate jumped to 27.6%, adding close to $370 billion during the month to an already-large reserve of excess savings. By our calculation, surplus savings since the beginning of the pandemic now amount to $2.2 trillion, or 10% of 2019 GDP.

So it is not surprising that consumer confidence is up sharply. The Conference Board index rose strongly in April, with survey respondents' views of the "present situation" up more than in any month since the index was created in the late 1960s. With outlooks optimistic, consumers were contemplating major purchases, with a record proportion planning to buy a home within the next six months.

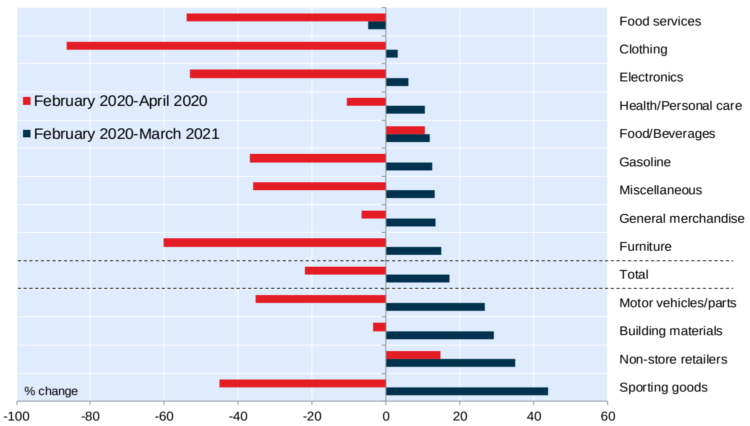
U.S.: Enthusiastic consumers are planning major purchases



NBF Economics and Strategy (data from Refinitiv)

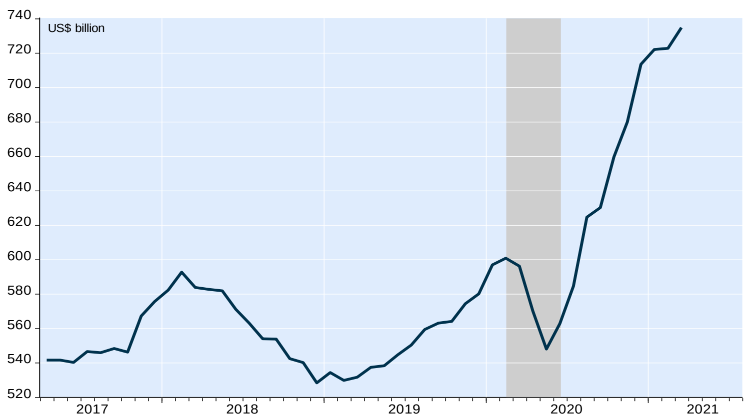
So the question is no longer whether the U.S. will have a post-pandemic boom. The answer to that is quite visible in the data. Retail sales are running well above their pre-pandemic level, the housing market is booming and machinery and equipment investment shows surprising vigour.

Retail sales up from before Covid in 12 out of 13 sectors



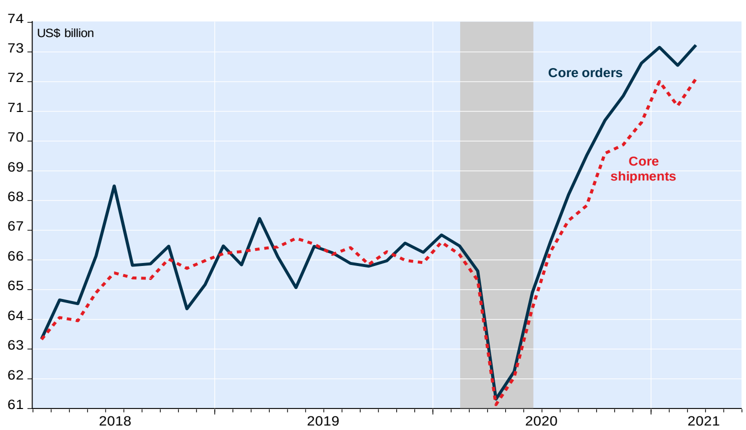
NBF Economics and Strategy (data from Refinitiv)

U.S.: A boom in residential construction



NBF Economics and Strategy (data from Bloomberg)

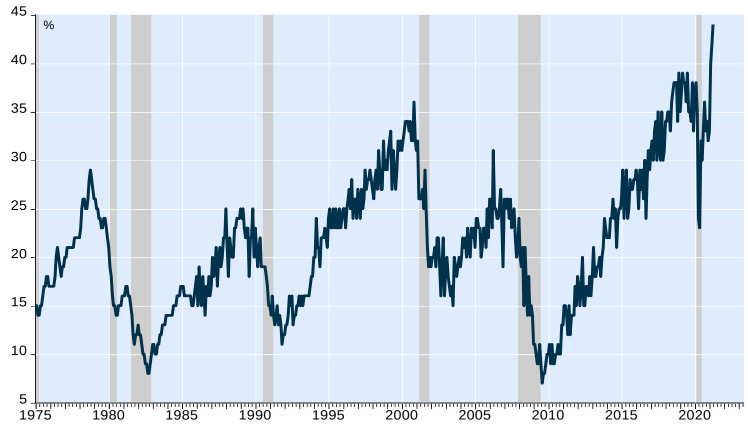
Business investment up smartly from the Covid bottom
Orders and shipments of non-defense capital goods other than aircraft, last observation March 2021



NBF Economics and Strategy (data from Refinitiv)

The only cloud in the sky is the labour market. Nonfarm payroll employment increased only 266,000 in April, much less than the 1,000,000-plus expected by analysts with reopening under way. There were gains in the sectors hurt most by distancing measures, notably recreation and accommodation (+331,000), but employment elsewhere was down. To all appearances, the weakness in hiring cannot be attributed to lack of demand: the most recent JOLTS survey showed job openings at an all-time high. Employers seem rather to have trouble attracting candidates. A recent NFIB survey reported a record 44% of small-business respondents declaring an inability to fill one or more vacancies.

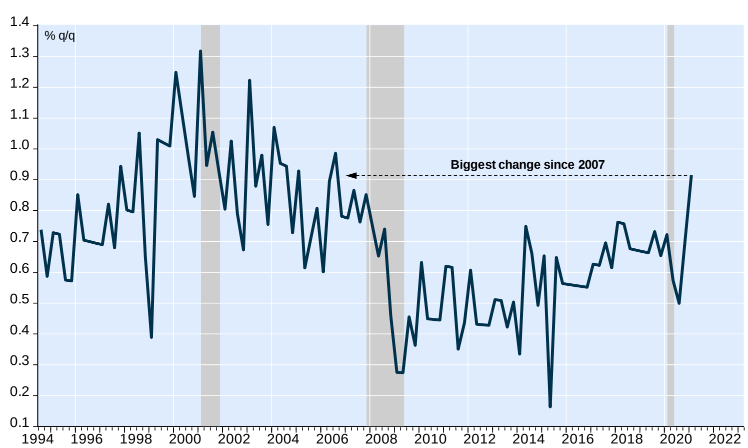
U.S.: Slow hiring is not due to lack of demand
% of businesses unable to fill one or more vacancies



NBF Economics and Strategy (data from Refinitiv)

That may seem surprising at a time when U.S. employment is still about 8 million below its pre-pandemic level. There are a number of reasons for this. First, non-transferability of skills. For the most part, people who are not yet back to work after losing their job during the pandemic had been working in the jobs most severely affected by physical distancing measures. Their skills might not match those required by the industries back in full operation, where demand for labour is currently highest. Also, in industries where wages are relatively low, Washington's generous unemployment allowances could be having a dissuasive effect on return to work. Such "artificial" labour shortages could persist until supplemental UI benefits are phased out (i.e. In September). In the meantime, employers may need to raise wages to bring workers back to the labour market. In Q1, labour costs increased the most since 2007. This trend could continue.

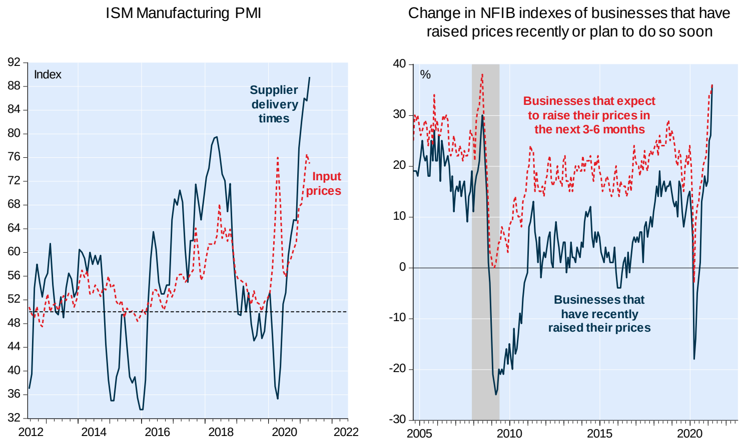
U.S.: Strong Q1 rebound in cost of labour
Quarterly change in index of labour-related costs



NBF Economics and Strategy (data from Refinitiv)

In our view, the increase in labour costs, combined with surging input prices and major supply problems, could force producers to raise their prices in coming months. This hypothesis underlies our forecast of inflation in the neighbourhood of 3.7% by year end.

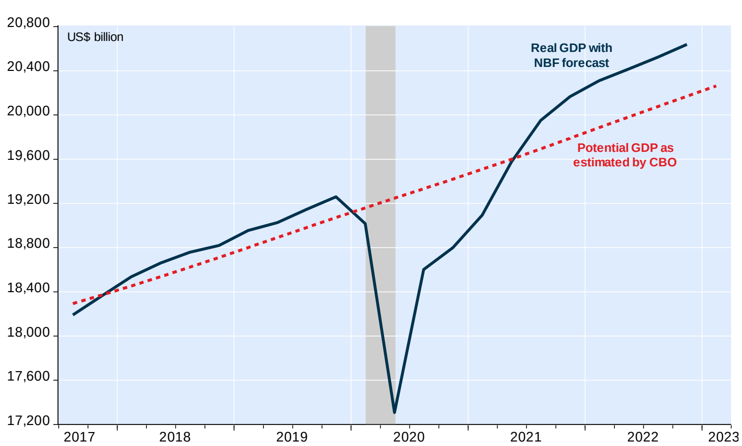
U.S.: Price rises in store?



NBF Economics and Strategy (data from Bloomberg and Refinitiv)

With the second quarter looking stronger than we foresaw last month, we have raised our forecast of 2021 growth to 6.9% from 6.6%. Real GDP should then expand 3.9% in 2022, one tick more than what we had envisaged last month. We recognize that the Biden administration's proposals for $2.3 trillion in infrastructure funding and $1.8 trillion in aid to families could push up that number if approved. Our updated GDP projection anticipates a return of U.S. output to potential in the third quarter of this year.

U.S.: GDP on track to return to potential in Q3
Real GDP with NBF forecast and potential GDP as estimated by CBO

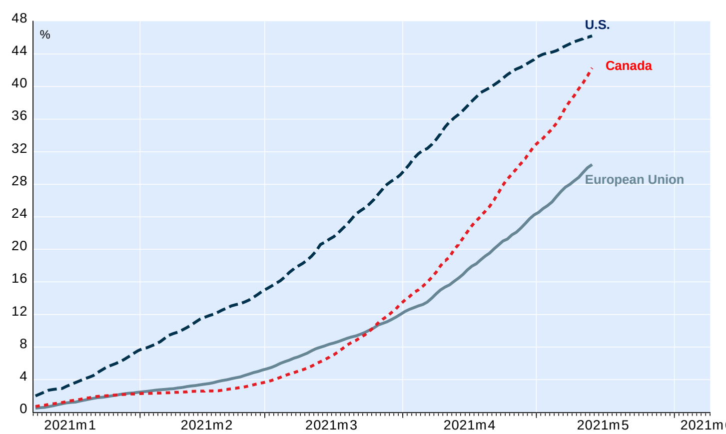


NBF Economics and Strategy (CBO data)

Canada: Ready for up, up and away

Though Canadians remain under public-health restrictions and the economy will probably finish the second quarter barely up, there are grounds for optimism about subsequent months. Vaccination rollout, after a slow start, has picked up speed since early April. At the beginning of March, the percentage of Canadians injected was 10 points behind the percentage of Americans, but the gap has steadily narrowed and is now no more than 4 points, comparing favourably to the European percentage. Canada could even pass the U.S. in the next few weeks – the latest Léger & Léger poll shows substantially more desire among Canadians to get vaccinated (82% vs. 67%).

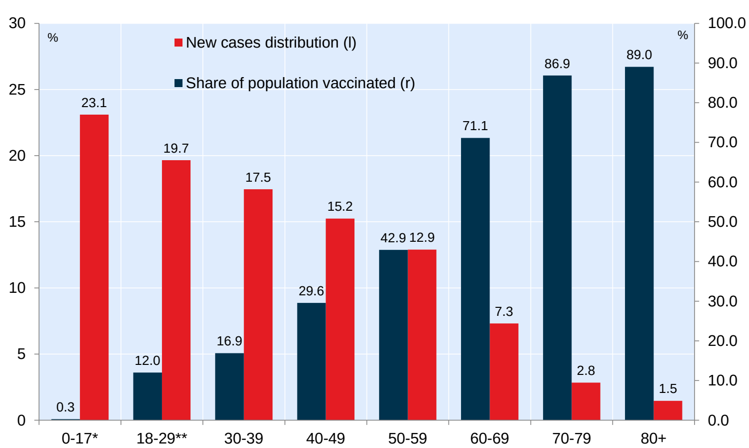
Canada: Vaccination rollout is going well
% of population that has received at least one dose of Covid-19 vaccine (last observation May 9)



NBF Economics and Strategy (data from Our World in Data)

The effect of vaccination, even after just one dose, is already showing in the pandemic. People age 60 and older, 25% of the population, are 80% vaccinated and now account for no more than about 10% of cases. Inoculation of the most vulnerable explains why total deaths remain low compared to the second wave despite a similar case count.

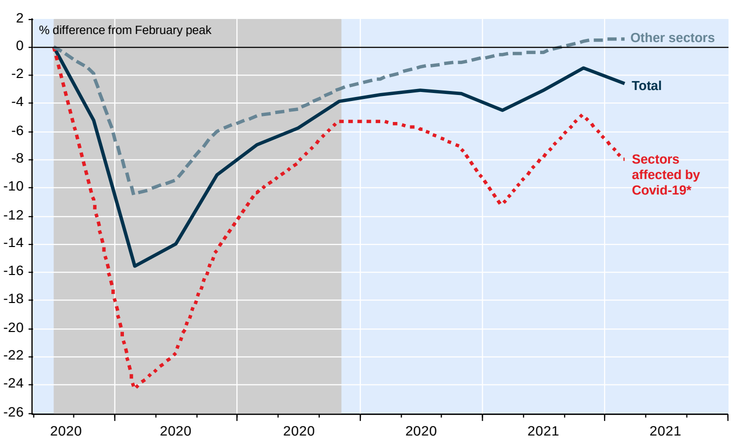
Canada: Distribution of weekly cases vs. % of population vaccinated
% of weekly new cases by age group and % of age group having received at least one dose (as of May 1)



* 0-17 for vaccination, 0-19 for cases **18-29 for vaccination, 20-29 for cases
NBF Economics and Strategy (data from Public Health Agency of Canada, Statistics Canada)

A significant increase in hospitalization, however, has obliged several provincial governments to reintroduce public-health shutdowns, causing a sharp contraction of employment in April (−207,000). It is reassuring to see that the losses are limited to sectors directly affected by shutdowns. It should be noted that heavy losses in education (−36,000) can be laid to a move by some schools to remote teaching and to Ontario's spring break taking place in April (making seasonal adjustment inappropriate). Employment in other sectors was still rising in April, to a new record, showing that contagion was avoided once more. Major restrictions are still in place in May, but we see progressive easing in the coming weeks as vaccination continues. The employment drop is likely to prove temporary as economic vigour supports hiring.

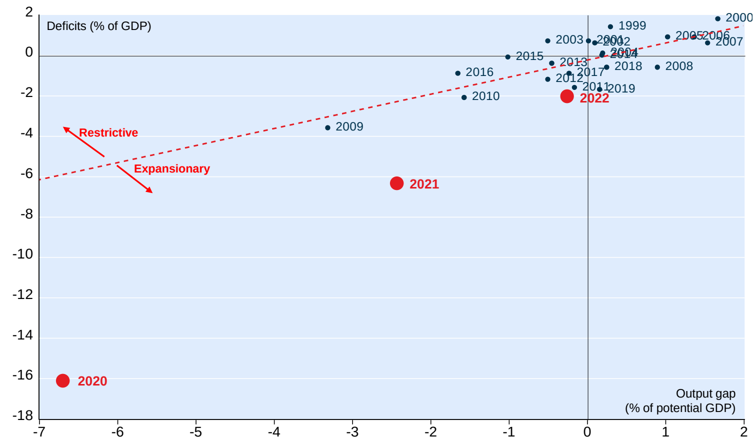
Job losses limited to sectors affected by public-health measures
Employment



* Commerce, accommodation and food services, news/entertainment/recreation, other services, education
NBF Economics and Strategy (data from Statistics Canada)

Adoption of the April 19 budget means the federal government intends to continue supporting households and businesses very generously until the pandemic is under control. In last fall's economic update, the government suggested, without specifying details, a stimulus of $70 to $100 billion over three years. It is leaning to the higher end of that range. Emergency wage and rent subsidies are extended to September 30. The Canadian Emergency Recovery Benefit has been extended 12 weeks, though reduced to $300 from $500 for the last eight weeks ending in September. Establishment of a pan-Canadian learning and care program for young children is a key initiative of the 2021 budget. The objective is to reduce the cost of daycare for children in the program to an average $10 a day between now and 2025-26. For 2021-22 a deficit of 6.4% of GDP is budgeted, almost twice as much as in the financial crisis of 2008-09. Fiscal policy will remain highly expansionary next year. For the following fiscal year the deficit is projected at 2.3% of GDP, which is assumed to be running only 0.3% below potential. The relationship between output gap and budget balance over the period from 1999 to 2019 suggests a budget essentially balanced under such conditions.

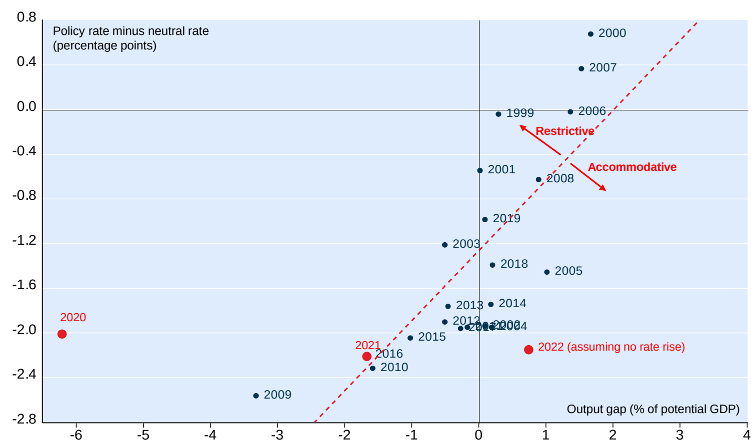
Canada: Highly expansionary fiscal policy
Output gap (average of two BoC estimates and assumptions of Budget 2021) and deficits, 1999-2022ù



NBF Economics and Strategy (data via Finance Canada, Bank of Canada)

What about monetary policy? Two days after the budget was tabled, the Bank of Canada substantially raised its outlooks for growth[1] and inflation in support of its decision to cut asset purchases under its quantitative easing program by another billion dollars weekly. As for its policy rate, the central bank telegraphed a normalization that could begin in 2022 rather than in 2023. That will probably be none too soon. Given the output gap anticipated by the central bank in 2022 (average of two estimates), a policy rate remaining on the floor next year would be the most accommodative in two decades.

Canada: Perspective on monetary policy
Output gap (average of two BoC estimates) and policy rate minus neutral rate



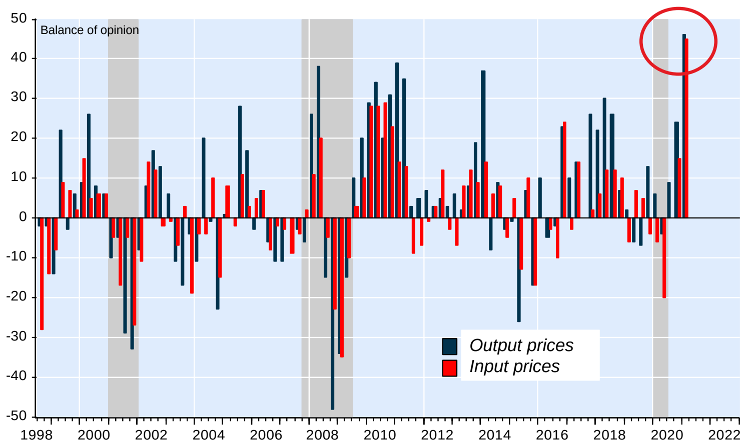
NBF Economics and Strategy (data from Bank of Canada)

In sum, extremely stimulative monetary and fiscal conditions through the end of 2022 will contribute to maintain inflation in the upper band of the central bank target range in 2021 and 2022. Trend-inflation measures already show very strong momentum. CPI-Median rose at an annual rate of 2.7% in the

[1] The Bank's new baseline scenario is slighly more optimistic than that presented by the finance department for 2021-22.

three months ending March and CPI-Trim at 3.0%.[2] Judging by the most recent Business Outlook Survey, inflationary pressures are not ready to fade. An unprecedented share of Survey respondents reported that they foresee an acceleration of their selling prices.

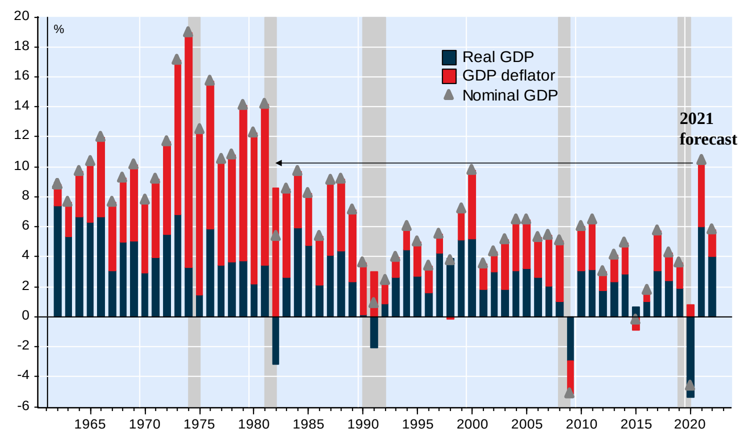
Canada: Many businesses see acceleration of prices
% expecting an acceleration of price rises in the next year minus those expecting the opposite



NBF Economics and Strategy (data from Bank of Canada Business Outlook survey, Spring 2021)

This month we are revising our forecast of 2021 growth up to 6.0% (previously 5.6%). The first-quarter surge was even more spectacular than previously expected. After a temporary pause in the recovery due to public-health measures in Q2, impressive growth can be expected as physical-proximity services reopen. Consumption is thus likely to firm up, all the more so in that households have accumulated astronomical excess savings (8% of GDP in 2020). The federal recovery plan, more generous than expected in the short term, is another factor in our upward revisions. Our forecast for nominal growth is now 10.4%, not seen in 40 years. It's that the widespread rise in raw-material prices has caused a spectacular improvement of terms of trade over the last year.

Canada: Strongest nominal GDP growth in four decades
Nominal GDP breakdown



NBF Economics and Strategy (data from Statistics Canada)

[2] See our Special Report for details of the controversy created by the central bank on the subject of measures of core inflation and our reservations about its position (link)

United States
Economic Forecast

(Annual % change)*	2018	2019	2020	2021	2022	Q4/Q4 2020	Q4/Q4 2021	Q4/Q4 2022
Gross domestic product (2012 $)	3.0	2.2	(3.5)	6.9	3.9	(2.4)	7.3	2.3
Consumption	2.7	2.4	(3.9)	8.4	4.5	(2.7)	9.0	2.5
Residential construction	(0.6)	(1.7)	6.1	15.0	(0.5)	14.3	6.6	(3.8)
Business investment	6.9	2.9	(4.0)	7.8	2.1	(1.4)	6.6	0.3
Government expenditures	1.8	2.3	1.1	1.9	1.5	(0.5)	3.2	2.0
Exports	3.0	(0.1)	(12.9)	5.5	6.4	(10.9)	5.5	5.5
Imports	4.1	1.1	(9.3)	11.7	2.7	(0.6)	5.2	1.0
Change in inventories (bil. $)	53.4	48.5	(77.4)	(48.5)	(26.6)	62.1	(7.7)	2.5
Domestic demand	3.0	2.3	(2.7)	7.5	3.4	(1.5)	7.6	1.8
Real disposable income	3.6	2.2	5.8	4.2	(0.1)	3.1	5.1	1.5
Payroll employment	1.6	1.3	(5.7)	3.7	3.0	-6.0	4.9	2.4
Unemployment rate	3.9	3.7	8.1	5.3	4.0	6.8	4.5	3.8
Inflation	2.4	1.8	1.3	3.3	2.8	1.2	3.7	2.7
Before-tax profits	6.1	0.3	(5.8)	18.7	7.0	-0.7	13.5	5.0
Current account (bil. $)	(449.7)	(480.2)	(647.2)	(720.2)	(701.4)	...	...	...

** or as noted*

Financial Forecast**

	Current 5/13/21	Q2 2021	Q3 2021	Q4 2021	Q1 2022	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	0.05	0.05	0.05	0.10	0.09	0.05	0.15
Treasury yield curve								
2-Year	0.16	0.20	0.25	0.30	0.40	0.13	0.30	0.95
5-Year	0.84	0.90	1.10	1.20	1.35	0.36	1.20	1.65
10-Year	1.66	1.70	1.85	2.00	2.05	0.93	2.00	2.25
30-Year	2.39	2.40	2.45	2.55	2.65	1.65	2.55	2.80
Exchange rates								
U.S.$/Euro	1.21	1.20	1.23	1.23	1.22	1.22	1.23	1.21
YEN/U.S.$	110	111	110	109	107	103	109	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	6.4	10.5	7.9	4.4
CPI (y/y % chg.)	2.1	0.4	1.3	1.2	1.9	4.1	3.6	3.7
CPI ex. food and energy (y/y % chg.)	2.2	1.3	1.7	1.6	1.4	3.0	2.6	2.9
Unemployment rate (%)	3.8	13.1	8.8	6.8	6.2	5.5	4.9	4.5

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)	6.0	4.0	(3.2)	5.0	3.2
Consumption	2.5	1.6	(6.1)	4.2	6.2	(4.8)	4.8	5.1
Residential construction	(1.7)	(0.2)	3.9	14.9	(3.4)	14.4	0.1	(2.0)
Business investment	3.1	1.1	(13.1)	3.5	6.1	(13.1)	8.0	5.4
Government expenditures	3.2	1.7	(0.3)	4.2	2.4	1.3	2.7	2.5
Exports	3.7	1.3	(9.8)	6.3	5.1	(7.1)	5.5	5.0
Imports	3.4	0.4	(11.3)	7.9	5.3	(6.0)	4.9	5.1
Change in inventories (millions $)	15,486	18,766	(15,533)	16,000	12,202	1,721	19,000	9,695
Domestic demand	2.5	1.4	(4.5)	5.0	4.2	(2.5)	4.0	3.7
Real disposable income	1.5	2.2	9.0	(2.0)	0.4	6.8	(1.4)	1.1
Employment	1.6	2.2	(5.1)	4.5	2.9	(2.9)	3.4	2.0
Unemployment rate	5.9	5.7	9.6	7.6	6.3	8.8	6.6	6.1
Inflation	2.3	1.9	0.7	2.5	2.4	0.8	2.6	2.4
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)	(21.0)	(34.0)	....	....	....

** or as noted*

Financial Forecast**

	Current 5/13/21	Q2 2021	Q3 2021	Q4 2021	Q1 2022	2020	2021	2022
Overnight rate	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.50
3 month T-Bills	0.10	0.10	0.15	0.15	0.20	0.07	0.15	0.60
Treasury yield curve								
2-Year	0.33	0.35	0.45	0.55	0.70	0.20	0.55	1.15
5-Year	0.95	1.05	1.20	1.30	1.40	0.39	1.30	1.85
10-Year	1.57	1.65	1.85	2.00	2.10	0.68	2.00	2.40
30-Year	2.19	2.20	2.25	2.35	2.45	1.21	2.35	2.65
CAD per USD	1.21	1.22	1.19	1.20	1.21	1.27	1.20	1.23
Oil price (WTI), U.S.$	64	62	64	65	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	6.7	1.0	7.4	5.1
CPI (y/y % chg.)	1.8	0.0	0.3	0.8	1.4	2.9	2.8	2.6
CPI ex. food and energy (y/y % chg.)	1.8	1.0	0.6	1.1	1.0	1.5	1.9	1.8
Unemployment rate (%)	6.4	13.1	10.1	8.8	8.4	8.1	7.4	6.6

National Bank Financial

Provincial economic forecast

	2018	2019	2020f	2021f	2022f	2018	2019	2020f	2021f	2022f
	Real GDP (% growth)					**Nominal GDP** (% growth)				
Newfoundland & Labrador	-3.5	4.0	-5.3	3.9	2.6	0.8	4.1	-8.3	12.8	4.4
Prince Edward Island	2.5	5.1	-3.0	4.5	4.0	3.6	7.0	-0.8	6.1	6.9
Nova Scotia	1.9	2.4	-3.2	5.0	3.3	3.6	3.8	-1.9	6.9	5.0
New Brunswick	0.5	1.2	-3.7	4.4	3.0	3.6	3.0	-1.9	8.6	5.2
Quebec	2.9	2.7	-5.3	6.2	4.2	5.4	4.3	-4.0	9.2	6.1
Ontario	2.8	2.1	-5.8	6.2	4.2	4.1	3.8	-4.8	9.0	6.0
Manitoba	1.5	0.6	-4.8	5.1	3.5	2.5	1.0	-4.0	9.9	5.2
Saskatchewan	1.2	-0.7	-5.2	5.4	3.5	3.2	0.1	-9.2	13.3	5.1
Alberta	1.9	0.1	-8.2	6.4	4.0	3.4	2.7	-10.3	16.0	5.3
British Columbia	2.7	2.7	-3.8	6.1	4.2	4.9	4.4	-2.3	10.4	5.5
Canada	2.4	1.9	-5.4	6.0	4.0	4.2	3.6	-4.6	10.4	5.8
	Employment (% growth)					**Unemployment rate** (%)				
Newfoundland & Labrador	0.5	1.3	-5.9	3.5	0.4	14.1	12.3	14.2	13.5	12.9
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	5.5	1.6	7.7	7.3	9.8	7.5	7.1
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	4.4	3.0	5.5	5.2	8.9	6.5	5.6
Ontario	1.7	2.8	-4.7	4.4	3.0	5.7	5.6	9.6	7.9	6.3
Manitoba	1.1	1.0	-3.7	3.2	2.0	6.0	5.4	8.0	7.1	5.8
Saskatchewan	0.6	1.7	-4.6	3.0	2.3	6.2	5.5	8.4	7.4	6.2
Alberta	1.9	0.6	-6.5	4.6	3.3	6.7	7.0	11.5	9.3	7.8
British Columbia	1.4	2.9	-6.5	5.8	2.9	4.8	4.7	9.0	6.5	5.2
Canada	1.6	2.2	-5.1	4.5	2.9	5.9	5.7	9.6	7.6	6.3
	Housing starts (000)					**Consumer Price Index (% growth)**				
Newfoundland & Labrador	1.1	0.9	0.8	1.0	0.8	1.7	1.0	0.2	2.7	2.6
Prince Edward Island	1.1	1.5	1.2	1.3	1.2	2.3	1.2	0.0	2.2	2.4
Nova Scotia	4.8	4.7	4.9	5.0	4.2	2.2	1.6	0.3	2.4	2.4
New Brunswick	2.3	2.9	3.5	3.6	2.9	2.2	1.7	0.2	2.2	2.3
Quebec	46.9	48.0	54.1	68.0	54.0	1.7	2.1	0.8	2.6	2.4
Ontario	78.7	69.0	81.3	87.0	80.0	2.4	1.9	0.6	2.6	2.4
Manitoba	7.4	6.9	7.3	7.3	6.3	2.5	2.3	0.5	2.3	2.5
Saskatchewan	3.6	2.4	3.1	4.0	3.6	2.3	1.7	0.6	2.3	2.3
Alberta	26.1	27.3	24.0	28.0	27.0	2.5	1.7	1.1	2.3	2.3
British Columbia	40.9	44.9	37.7	40.0	36.6	2.7	2.3	0.8	2.5	2.5
Canada	212.8	208.7	217.8	245.2	216.6	2.3	1.9	0.7	2.5	2.4

e: estimate f: forecast

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

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