The past year has been tough, for Canada and the rest of the world. We have experienced a public health and economic crisis unlike anything in generations. The good news is that the worst of the COVID-19 pandemic appears to be behind us.

Spring is typically a time for renewal, and this year’s is bringing optimism as well. The vaccination campaign is ramping up in Canada, which will eventually allow public health measures to be relaxed. That is the key to a fulsome economic recovery. The Canadian economy has proven more resilient than expected, and several factors are indicating it will rebound convincingly this year.

On the global stage, growth is set to be much stronger than expected a few months ago, led by the sizable new stimulus package brought forward by US President Joe Biden in March. This will boost economic growth in the United States and help buoy demand for Canadian products. While this is good news on the surface, gains to the Canadian economy will be capped by the lack of business investment over the past few years.

Nevertheless, this increase in foreign demand will benefit both exports of goods and services this year and help some recover their pandemic losses; it is just that the growth will be limited.

This year is shaping up to be an auspicious one for households. The Bank of Canada has reiterated its pledge to keep interest rates low for awhile, making current and new debt much more affordable. Plus, the public health measures that kept many of us home for much of 2020 led to a surge in savings that was simply unprecedented. Canadian households saved a stunning $211 billion last year—just shy of their total savings over the past seven years combined.

With public health restrictions expected to gradually ease throughout the year, significant pent-up demand for social interactions, massive savings, and cheap debt, we expect to see strong growth in consumer spending this year and into 2022. Households have already started pouring some of their excess savings into the housing market, a trend that will continue this year. As back-logged demand is satiated and longer-term interest rates begin to rise, we expect to see some cooling in the residential real estate market in 2022.
The sector that remains the biggest concern is business investment. Even before the pandemic, Canadian organizations were not investing near enough in their development. Part of the issue is energy investment, which remains far below its previous peak and is likely to remain weak given Canada’s commitment to moving to a low-carbon future. Non-energy investment has also been weak, putting Canada at a competitive disadvantage and hampering future economic growth. Statistics Canada’s latest survey of investment intentions shows that the trend of abysmal business investment is set to continue into this year. With global economic growth accelerating faster than anticipated, there’s a chance companies will be more willing to invest than we forecast. But, given the serial disappointment, we’ll believe in stronger investment when we see it.

Where we do expect to see stronger investment performance: the public sector. The federal government has opened its wallet on a number of fronts. During the peak of the crisis, the support came in the form of direct transfers to households to help cover losses to employment income and to businesses to cover a portion of the wage bill. As we move further into the recovery, that support will shift toward spending that underpins the government’s policy objectives.

While we do not yet know the timing or composition of the spending, the federal government pledged in its fall update to spend between $70 and $100 billion on the recovery. Our forecast assumes a share of that will be directed into infrastructure investments.

Overall, Canada has households in a strong financial position, massive fiscal and monetary stimulus, and solid demand from our largest trading partner. Taking these factors into consideration, we’re looking at the Canadian economy expanding by 6.2% this year, the strongest pace of annual growth since the early 1970s. With growth set to accelerate in the second half of 2021, next year also appears to be a banner year for the economy, with real GDP gaining another 4%.

Without doubt, the economic recovery is in full swing. We should not, however, lose sight of the significant risks. Business investment remains in the doldrums and more than half a million Canadians remain out of work. Better investment and an inclusive labour-market recovery is critical to our long-term success and prosperity. Ideally, the forthcoming federal budget will contain measures to help address these issues. However, governments can only create the environment—it’s up to the private sector to seed the growth needed to allow an inclusive, sustainable recovery.

Outlook summary
Canada’s current recovery
Canada’s economy was 3.3% below pre-pandemic levels in December 2020

At the height of the pandemic, real GDP in Canada was $329 billion below its year-ago levels. That decline is 4.6 times steeper than what we saw at the height of the financial crisis in 2008-09.

- After declining at an unprecedented pace in March and April 2020, the Canadian economy has been on a steady upward trajectory.
- Indeed, despite a reintroduction of strict public health measures towards the end of last year, the economy has remained resilient.
- Overall, it ended the year 3.3% below its pre-pandemic level of output.
- While the recovery still has a long way to go, preliminary estimates show the pace of growth accelerated in January. With provincial vaccination campaigns ramping up, 2021 is looking to be a much better year for the economy.
The recovery in some sectors remains stalled

When we look at which industries are recovering, there is a clear delineation between those where it’s easier to maintain physical distance or to work from home and those where close contact is the norm. For the latter, a true recovery will have to wait until public health measures can be further relaxed.

**Real GDP, industries with easier distancing**
% change from January 2020 to December 2020

- Agriculture, forestry, fishing and hunting
- Finance and insurance
- Real estate and rental and leasing
- Public administration
- Professional, scientific and technical services
- Information and cultural industries
- Educational services
- Utilities
- Administrative and support services
- Management of companies

**Real GDP, industries where distancing is more difficult**
% change from January 2020 to December 2020

- Wholesale trade
- Retail trade
- Health care and social assistance
- Construction
- Manufacturing
- Mining, quarrying, and oil and gas extraction
- Other services
- Transportation and warehousing
- Accommodation and food services
- Arts, entertainment and recreation

Sources: Deloitte; Statistics Canada
The job market continues its recovery after a drop in January 2021

In February 2021, 599,000 fewer Canadians were employed compared to the February before. Despite the job recovery to date, that’s still 215,000 more unemployed than at the peak job loss during the financial crisis of 2008-09.

- While the labour-market recovery remains highly uneven across industries, regions, and population groups, both full-time and part-time employment are trending upward.
- The unemployment rate now stands at 8.2% as of February 2021. This is the lowest rate since March 2020.
- Nevertheless, there’s still a long way to go. In addition to those currently unemployed, among those working part-time, close to 24% want full-time work.
- The total number of hours worked also continues to recover. It rose 1.4% in February, driven mostly by gains in wholesale and retail trade. Despite the gain, hours worked remains 3.2% below pre-COVID-19 levels.

Sources: Deloitte, Statistics Canada
Most job losses are in the accommodation and food services industry
While overall employment is still well below where it was one year ago, the impact of the pandemic has been very different across industries. Most of the current job losses are concentrated in a few industries affected by public health measures. Conversely, industries that were able to transition to a work-from-home model have continued to grow.

Year-over-year change in employment, February 2020 to February 2021
000s of jobs

Sources: Deloitte, Statistics Canada
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The employment recovery has not been equitable
The sizeable labour market impacts in this recession have created challenges that will need to be addressed as the economic recovery unfolds.

- One of the challenges stemming from this recession is the surge in long-term unemployment. In February, nearly half a million people had been unemployed for at least half a year. Chronic unemployment can lead to skills atrophy and have lasting impacts on a person’s earning ability.

- Another important distributional consideration emerging from this crisis is the uneven impact by age and education level.

- Young people continue to bear the largest relative brunt of the employment losses compared to their older peers, and they are still down by double digits.

- And those with less formal education have been hit hardest, while individuals with the highest levels of education are experiencing job gains.
Canada’s resale home market is soaring

The combination of low interest rates, strong disposable income growth and the desire for more space during the pandemic have lit a fire in Canada’s housing market, with demand and prices increasing at a breathtaking pace.

- In January, the sales-to-new-listings ratio in Canada’s resale market hit 91%. These are the tightest conditions since the early 2000s, when the sales-to-new-listings ratio hit 81%.

- The market tightening was a combination of soaring demand and reduced supply. The number of new listings fell in January while the number of residential properties sold once again hit a new record.

- Unsurprisingly, the strong increase in demand coupled with a reduction in supply is fueling price growth. Average resale home prices in January were up 22.8% relative to their year-ago levels.
Retail sales are still performing relatively well
The retail sector was one of the first to return to pre-pandemic levels of spending. However, the recent rounds of public health measures have taken some steam out of the recovery.

• After surging throughout last spring and summer, retail sales growth cooled significantly in the last three months of 2020.

• Sales declined quite significantly in December due to renewed public health measures, a trend that was likely to persist into January given that much of Ontario was under a stay-at-home order during the month.

• By category, retailers of gasoline, clothing and footwear continue to be negatively impacted by the work-from-home trend, with their sales far below pre-pandemic levels.

• On the flip side, households are pouring money into their homes and enjoying their leisure time, as strong sales growth in building material and cannabis sales suggest.

• Food and beverage stores have also continued to see strong growth, while restaurant capacity remained limited.

Retail sales by category
% change from February 2020 to December 2020

Sources: Deloitte; Statistics Canada
Raw material prices are on the upswing

With the global economy entering the recovery phase, commodity prices are rising. As a large producer of commodities, this is good news for Canadian exporters.

- Global demand for oil plunged during the height of the pandemic last spring as citizens around the world stayed home and the demand for leisure travel all but disappeared.

- With the global recovery picking up steam, energy prices have perked up, but they remain well below their pre-pandemic peak.

- The prices for other commodities Canada produces, such as gold, copper and iron ore, are all doing very well. The metal ore raw material index is up over 20% from last January.

- With the housing market hot in both Canada and the United States, forestry product prices are also increasing.

Sources: Statistics Canada
International outlook
After a sharp drop last year, the global economy is on the mend

The pandemic wreaked havoc on economies around the world last year. Conditions are now improving, and the global economy is set to bounce back strongly enough this year that it will surpass its 2019 level of output.

- It is estimated the global economy shrank by 3.7% last year. This is slightly better than forecasted last quarter but still marks only the second time global GDP shrank during the last 40 years of comparable data.

- Not only has last year’s growth been revised up, but so too has the outlook for global growth. Three months ago, the global economy was projected to bounce back by 5.1%. With vaccines rolling out quicker than expected and a large US stimulus package approved, global growth is now expected to reach 5.6% this year.

- Growth in the Asia Pacific region is being lifted by China where a contraction was avoided last year, and by an expected gain of 8.9% this year as demand for their exports accelerates.

Sources: Oxford Economics, Deloitte
Fiscal stimulus is set to propel a strong US recovery

Compared to other developed economies, the contraction in the United States was not as extreme in 2020 due to less-restrictive public health measures. This year is set to be a banner year for growth for our southern neighbours, with its economy expected to surpass its pre-pandemic peak before the first half of 2021 is over.

- The stimulus taps are turned on full blast in the United States. On the monetary policy side, the US Federal Reserve has slashed its federal fund rate to between 0 and 0.25%, deployed a quantitative easing program, and is using forward guidance.
- With its new average inflation targeting, it has stated its intent to let inflation rise above 2%, which means an extended period of monetary stimulus.
- On the fiscal front, President Joe Biden’s US$1.9 trillion stimulus package will lift the economic recovery, which was already benefiting from previous rounds of stimulus. Total fiscal stimulus in the US amounts to nearly US$6 trillion since the start of the pandemic.
- Overall, the US economy is expected to grow by 5.9% this year after contracting by 3.5% in 2020.

US real GDP growth

Sources: Oxford Economics, Deloitte, United States Bureau of Economic Analysis
Canadian outlook

National perspective
The economic recovery will gain steam this spring

The Canadian economy has proved resilient during the second wave of coronavirus infections. With vaccinations ramping up and warmer weather around the corner, growth is expected to accelerate in the spring and summer. Overall GDP is set to increase by 6.2% this year.

Sources: Deloitte, Statistics Canada
Canadian Outlook
Household sector
The labour market is expected to recover in 2021, with growth peaking in the third quarter
With economic growth accelerating in the spring and summer, so too will labour-market gains. After a rocky start to the year, employment will rebound strongly throughout the rest of 2021.

- More than 590,000 jobs remain lost since February 2020. However, we still expect positive employment growth in the first quarter of 2021 as public health restrictions continue to ease in some provinces.
- With the ongoing vaccine rollout and warmer months fast approaching, we forecast employment to reach its pandemic levels before the end of 2021.
- Employment is projected to increase by 5.6% this year.
- The unemployment rate will trend down to 6.6% by early 2022, but is expected to stay above 6% for years to come. Long-term unemployment remains elevated, and this typically has lasting impacts on the labour market.

Sources: Statistics Canada, forecasts by Deloitte
Sectors hit hardest by tighter pandemic restrictions should see the greatest increase in employment

Employment gains are predicted to be uneven: some sectors expecting to surpass pre-COVID-19 levels by the end of 2021, while others are struggling to recoup their labour market losses.

- Employment in sectors hit hardest by tighter restrictions in the winter—such as accommodation and food services, and wholesale and retail trade—is expected to rebound throughout 2021, returning to pre-pandemic levels by the end of the year.

- To meet the vaccination rollout schedule and the pent-up demand as non-essential health care services resume, employment in health care and social services is predicted to rise by 6.8%.

- With Quebec universities announcing their plans to resume in-person teaching and other educational institutions across the country expected to follow suit, we predict a strong increase in employment in educational services this year.

- However, as ongoing restrictions limit large gatherings, employment in information, culture, and recreation is not expected to grow as much as in other sectors hard-hit by the pandemic. Employment in this sector is set to increase by only 0.2% this year.

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Sources: Statistics Canada, forecasts by Deloitte
Signs of a slowdown in household savings emerge as consumers regain confidence

Households saved $211 billion last year. That’s roughly as much as they saved in the last seven years combined. Consumer spending is set to benefit as that savings is unleashed into the market.

- The household savings rate declined from 14.6% in the third quarter of last year to 12.7% in the fourth. This is still more than four times higher than its average of 3% from 2000 to 2019.
- While we expect household savings to remain elevated until 2023, the easing of provincial restrictions and an acceleration in vaccinations will help restore consumer confidence, and households will spend some of those savings.
- Amid growing concerns about repayment of COVID-19 benefits, the federal government announced that self-employed persons who received a net income of less than $5,000 will not be required to pay back their benefits as long as their gross employment income was above $5,000.
- Personal consumption is roughly 55% of GDP, so the consumer outlook is fundamental to the recovery, with both upside and downside risks to the forecast.

Sources: Statistics Canada, forecasts by Deloitte
Service spending is still slumped, but recovery is to come in 2021

With the approval of four vaccines (so far) and the easing of provincial restrictions, consumer expenditures are expected to shift from goods and toward services in 2021, a trend that will peak in 2022.

- The emergence of coronavirus variants and spikes in cases across Canada led to extended restrictions and a decline in household spending in the fourth quarter of 2020.
- Expenditures on services continued to lag while semi-durable goods, particularly for recreation, drove household spending decisions during the lockdowns.
- However, with the approval of four vaccines by the federal government, the easing of provincial restrictions, and improvements in labour market conditions, consumer spending growth is set to accelerate.
- Household expenditures on accommodation, food and beverage services, and clothing are expected to start rebounding strongly beginning in the third quarter of 2021 as the economy reopens and social activities increase.

Sources: Statistics Canada, forecasts by Deloitte
The housing market is set to settle down from lofty highs

Canada’s housing market has been one of the strongest-performing sectors coming out of the recession. The spectacular growth posted over the past few quarters is, however, expected to slow to a more sustainable level of activity.

- Canada’s resale housing market has been on fire since last summer. With demand growth so strong, new housing construction has also accelerated.

- Despite the shutdowns last spring, housing starts were up 5.3% in 2020, averaging 219,000 units. Starts will continue to grow this year, pushing just above 230,000 units before starting to pull back next year.

- Strong demand for housing has led to soaring housing prices. Low interest rates are helping keep homes relatively affordable but as prices continue to tick up, that will weigh on future demand.

- Overall, GDP associated with real estate transactions will increase by 13% this year, a touch stronger than the gain observed in 2020.
The improvement in household debt levels proves to be short-lived

Thanks to a surge in federal transfers, household disposable income increased sharply in 2020, bringing down the ratio of household debt to disposable income. However, this trend is set to reverse later this year.

- After years of trending upward, there was a brief dip in household debt burdens as incomes increased and residents stayed home, limiting their accumulation of additional debt.

- When restrictions began to ease last summer, however, the housing market took off. Prices increased substantially.

- These higher home prices have yet to act as much a deterrent to buyers who are now racking up mortgage debt.

- By the time the first quarter of this year is over, we expect that the ratio of household debt to disposable income will have reached its pre-pandemic level—and will soar past it in the second quarter.

Sources: Statistics Canada, forecasts by Deloitte
Canadian Outlook
Business sector
Business investment will see a modest bounce-back in 2021

Companies are projected to hold back on business investment this year. After falling by a whopping 11.6% in 2020, investment is expected to rebound by just 5.4%.

• Canadian business investment has been sluggish for years. When oil prices collapsed in 2014, investment in the oil and gas sector fell by half, or $40 billion, over two years.

• For the next several years, non-energy investment remained sluggish, despite a lower Canadian dollar and strong demand south of the border.

• The collapse in oil prices during the pandemic reduced investment in the oil and gas sector by another 34%. Despite the recent improvement in oil prices, investment is not projected to improve significantly from its current low.

• Investment will perform better in the rest of the economy, but it is not expected to reach pre-pandemic highs until 2023.

Sources: Statistics Canada, forecasts by Deloitte

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Investment expectations differ substantially across industries

By industry, the largest growth this year will be in the utilities and the transportation sectors. By category, much of the recovery will be in machinery and equipment and software; while construction remains flat.

- By sector, the largest decline in investment in 2020 was in the mining sector. Substantial declines were also seen in manufacturing, agriculture, wholesale, retail, professional services, accommodation and food services, and arts and recreation.

- This year, companies are projected to restore their budget by only about half the amount cut last year. However, according to Statistics Canada’s Investment Intention Survey, several sectors—including the arts and entertainment, accommodation, finance and agriculture—will reduce their investment again this year.

- The largest increase in 2021 will be in the utilities sector, which is related to large hydroelectric projects.

- Other sectors are projected to see only a modest recovery.

Sources: Statistics Canada, forecasts by Deloitte
Capital stock will decline again in 2021

With the level of investment remaining well below pre-pandemic levels, the value of Canada’s fixed assets will decline this year and see only modest growth in the near future.

- The level of fixed assets or capital stock in Canada is a measure of the value of buildings and machinery owned by Canadian businesses.
- With the rebound in investment projected to remain modest, the amount of capital stock in the business sector is expected to decline again in 2021.
- On a per-employee basis, the value of capital stock in Canada has been declining since 2015.
- While growth is projected to turn positive in 2022, we are not expecting to see anywhere near the growth generated prior to 2014.
- Weak capital stock growth will limit the maximum pace of growth Canada’s economy can sustain after 2023 to well below 2%.

Sources: Statistics Canada, forecasts by Deloitte
Trade recovery is masking Canada’s trend of declining market share

Exports of goods are expected to rebound this year, but the long-term trend is one of sluggish growth. Non-energy exports have recorded little growth since 2000. Given the weak business investment, this is unlikely to improve.

- Strong US imports will fuel a rebound in Canadian exports in 2021 but the long-term prospects are mixed.
- Over the last two decades, energy exports have made up almost all the growth in total merchandise exports. With energy investment projected to remain weak, Canada will need to look to the non-energy side for stronger export growth.
- Excluding energy, merchandise exports have managed just 1.4% growth from 2015 to 2019. Meanwhile, US imports have risen by 11.9%—meaning Canada has lost significant market share.
- To see a greater export-supported recovery, Canada needs to post a much better performance than it has the last decade. That will require much better business investment and competitiveness than our current outlook predicts.

Sources: Statistics Canada, forecasts by Deloitte
Services exports won’t start rebounding until Canada reopens for travel
Travel restrictions have taken a substantial toll on Canadian service exports. With the second wave of the virus continuing to restrict the ability to travel, the recovery in services exports will be protracted.

- As the pandemic unfolded, exports of services were hit harder than goods: Merchandise exports fell 8% in 2020, while services declined 17.4%.
- Easing of restrictions around the globe, solid US economic growth, and a recovery in raw material prices will allow merchandise exports to rebound by 6.7% this year. The pace of growth will then ease, held back by the capacity constraints of Canadian exporters.
- Exports of services, which are closely linked to travel, will take longer to recover.
- As the health crisis subsides and borders reopen, likely in late 2021, services exports are expected to rebound.
Canadian outlook
Monetary and fiscal policy
Monetary policy will remain accommodative throughout the economic recovery

With its policy interest rate still at the effective lower bound, the Bank of Canada is maintaining its quantitative easing (QE) program and its forward guidance to markets.

• The Bank of Canada’s QE program is still in place, with purchases currently continuing at a pace of at least $4 billion per week. The bank said it will maintain this pace until the recovery is well underway, with adjustments if needed.

• The Bank of Canada’s three measures of core inflation continue to show near-target increases. Total CPI inflation is still in the lower half of the 1-3% target band but it is likely to move toward 2% in the next few months. However, the bank is waiting for inflation to be consistently above target before raising its policy interest rate. Our forecast expects the first hike at the beginning of 2023.

• Our forecast currently suggests the path of policy interest rates will be similar in the United States and in Canada. However, given that the Federal Reserve changed its inflation target last year to average-inflation targeting, there is a chance the Fed will be slower in raising rates.
The federal government is facing a deep fiscal deficit
The aggressive response from the Government of Canada was necessary to avoid a deeper and longer-lasting recession. However, it will take years to restore its fiscal balance.

- The federal deficit (on a national accounts basis) soared past $400 billion in the second quarter of 2020 as the federal government provided income relief to households and businesses.
- The federal deficit started to decline as emergency relief measures were scaled back. Nevertheless, for 2020, it is expected to average $222 billion.
- The deficit is projected to slowly shrink over the next few years.
- However, with the federal government expected to spend between $70 and $100 billion in stimulus spending over the next few years, it will take years to restore fiscal balance. The government will eventually need to provide a fiscal anchor and/or fiscal path.

Sources: Statistics Canada, forecasts by Deloitte
Industry overview
The hospitality sector is in for a better year after a devastating 2020

Many industries suffered record-breaking declines in output last year. Growth will be led by industries serving domestic demand as Canadians unleash their pent-up demand and sizeable savings into the market.

- Almost every major industry is set to grow this year. The arts, entertainment, and recreation industry, which typically requires more sizeable gatherings, will see substantial growth this year but remain well below pre-pandemic levels.

- Strong growth will occur in accommodation and food services, with pent-up demand for social-based activities surging as public health restrictions gradually loosen.

- Manufacturing activity will also experience a strong recovery this year due to rebounding global demand and strong growth in the United States.

- Despite the uptick in global growth, output growth in Canada’s mining and oil and gas industry will remain subdued as investors remain cautious.

### Real GDP by Industry

Growth in 2021

- Arts, entertainment and recreation
- Accommodation and food services
- Administrative and support services
- Wholesale trade
- Retail trade
- Health care and social assistance
- Manufacturing
- Educational services
- Agriculture, forestry, fishing and trapping and support
- Professional, scientific and technical services
- Transportation and warehousing
- Waste management and remediation services
- Government
- Construction
- Information and cultural services
- Finance, insurance, real estate and rental and leasing
- Mining, oil & gas
- Utilities

Sources: Deloitte and Statistics Canada
Assumptions and risks
The economic outlook depends on the evolution of COVID-19

The Canadian economy remained resilient as the second wave of COVID-19 infections spread across the country. Regardless, the pace at which public health restrictions are eased will shape the pace of the recovery.

- After surging in the winter, COVID-19 cases have come down substantially thanks to strict public health measures.

- Our forecast assumes that many populous regions of the country will until May remain under restrictions that greatly limit social interactions. By then, higher rates of vaccination and warmer weather will allow for more outdoor gatherings and a further easing of guidelines around indoor interactions.

- We also assume that every Canadian who wants a vaccine will have one by September. The pace of global vaccination varies considerably from country to country, however, which will prolong the recovery of the tourism sector.

Number of daily new COVID-19 cases in Canada
February 2020 to March 14, 2021

Source: Government of Canada
Concluding remarks
As has been the case throughout the pandemic, the economic landscape has once again shifted significantly since our last outlook. This time, the shift has been positive: Canada’s economy is proving resilient, vaccination deliveries are ramping up, and many factors are working together to lift growth prospects. Of course, there remains considerable uncertainty in the outlook, due to uncertainty about the evolution of the virus and its variants of concern. Nevertheless, the data we have now, and the results of our analysis, clearly point to better economic times ahead.

While the strength of the recovery has changed from our last forecast, what hasn’t varied is the composition of that growth. The economic recovery continues to be fuelled by consumer and government spending, as rock-bottom interest rates make it affordable to buy now and pay later. Exporters are in for a better year than previously expected thanks to the large stimulus spending plan in the United States. However, this is just pulling forward some of the growth that was previously predicted to occur next year and into 2023, as we cannot escape the fact that the weakness in business investment over much of the last decade has severely curtailed Canada’s ability to respond to increases in foreign demand for goods outside the energy sector. Unfortunately, Canadian businesses seem set to double down on this lackluster track record, as we anticipate another year of subdued investment spending.

The other trend in this recovery is the uneven impact. We are not seeing equitable economic outcomes across sectors, races, age groups, education levels, and genders. The strong economic growth expected over the near term is unequivocally a good thing. The strength of the recovery is now expected to lift us above pre-pandemic levels of output and employment before the end of 2021. However, until we see more productivity-enhancing investments and a recovery that lifts the fortunes of all Canadians, we will still have a way to go before we can say that we have truly recovered from this unprecedented economic shock.
### Key economic indicators

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<tr>
<td>Consumer price index (y/y)</td>
<td>0.8</td>
<td>1.1</td>
<td>2.0</td>
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<td>Implicit GDP price index (y/y)</td>
<td>1.7</td>
<td>3.9</td>
<td>5.2</td>
<td>3.2</td>
<td>2.7</td>
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<td><strong>Labour market</strong></td>
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<tr>
<td>Employment</td>
<td>9.9</td>
<td>2.6</td>
<td>5.8</td>
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<td>3.9</td>
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<td>Unemployment rate (%)</td>
<td>8.8</td>
<td>8.7</td>
<td>8.0</td>
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Note: Unless otherwise noted, all figures are expressed as annualized % changes.
## Financial market indicators

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<th>2020 Q4A</th>
<th>2021 Q1F</th>
<th>2021 Q2F</th>
<th>2021 Q3F</th>
<th>2021 Q4F</th>
<th>2022 Q1F</th>
<th>2022 Q2F</th>
<th>2022 Q3F</th>
<th>2022 Q4F</th>
<th>2022F Q4A</th>
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<td><strong>Interest rates (%)</strong></td>
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<td>Overnight rate target</td>
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<td>3-month T-bill</td>
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<td>1-year GoC note</td>
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<td><strong>Yield curve spread (pp)</strong></td>
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<td>3-month vs. 10-year</td>
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<td>2-year vs. 10-year</td>
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<td>USD/CAD (₵C)</td>
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<td>CAD/USD (US cents)</td>
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