

Outlook 2019

Will Winter of Discontent Make Summer of Slowdown?

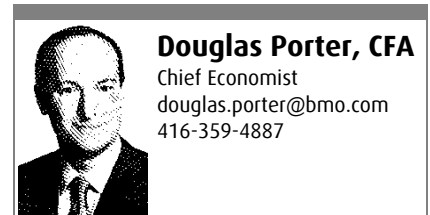
One of the key features of this past year was the mismatch between challenging conditions for investors in almost all markets and all geographies, set against the backdrop of still-robust global growth. But that seeming conundrum can be largely explained away by noting that markets were consistently under pressure from a) trade tensions; b) a wave of geopolitical concerns (e.g., North Korea, Iran, Brexit, Italy); c) a variety of emerging market stumbles; and, d) steady Fed tightening. And, lurking beneath the surface of these, admittedly important, concerns is the broader context that global growth is grinding slower and markets are looking ahead to even cooler activity in 2019.

Following a mild slowdown year for both the global economy generally and Canada specifically, there are **increasing signs that activity will indeed moderate further** in 2019. We look for global GDP to dip a bit below 3½%, with China set to drift down to around a 6¼% pace, the Euro Area easing to 1½%, another sub-1% year for Japan, and the U.S. fiscal policy lift fading. This milder growth backdrop, along with the recent 30% correction in world oil prices, will relieve some of the pressure from still very tight labour markets around the industrialized world. Yet, OECD jobless rates at modern-day lows will continue to justify less-loose monetary policies. Significant divergences among the major central banks are likely to remain a key theme, with the Fed plowing ahead with two rate hikes next year and continuing to unwind QE, the ECB just ending QE this month, and the BOJ keeping its foot almost to the floor.

Wither financial markets, after this year's broadly weak performance, punctuated by spasms of volatility? With monetary policy snuggling, global growth likely to moderate, and the cycle getting very long in the tooth (the U.S. expansion will become the longest on record by this summer), cyclical risks are mounting. A recent Blue Chip poll found that professional forecasters peg the odds of a U.S. recession in 2019 at 24% (and 35% in 2020), figures with which we wouldn't quarrel.

Fundamentally, though, we expect growth to soldier on and inflation to remain contained. In bonds, the flat yield curve is likely to get even flatter as the Fed marches on and long yields only nudge up. But on both of these fronts, we would point to the second half of the 1990s cycle (which this version has many parallels with)—the curve was quite flat for years, and yet the U.S. economy forged ahead amid a tech boom, while the S&P 500 knocked down five consecutive years of returns of more than 20% (from 1995-99, inclusive). Meantime, the U.S. dollar is likely to be mixed, torn between the positive of the Fed at the very front of the rate-hike parade, and the negative of groaning twin deficits.

In normal times, it's Canada's turn to shine at this later stage in the cycle—typically benefitting from rising commodity prices and still-solid global growth. But the TSX was bludgeoned this year (down double-digits) by trade tensions, a housing slowdown and weak domestic oil prices. Next year's growth



outlook is dulled by oil production cuts, slower U.S. spending, slipping auto sales and the overhang of record consumer debt. Providing a mild offset will be the new LNG project, mildly stimulative fiscal policy in the lead-up to the October federal election, as well as (presumably) some certainty on the North American trade front. But with the big interest-sensitive sectors still gearing lower, we look for 2019 Canadian GDP growth to simmer down to a 1.8% pace following this year's as-expected 2.1% advance. With population growth recently clocking in at 1.4% y/y, this points to quite modest per capita gains.

Even this more restrained GDP growth will tighten the labour market further, producing the lowest unemployment rate seen in Canada since the early 1970s. This will be the key ingredient convincing the Bank of Canada to tighten further in 2019, tempered somewhat by Governor Poloz's view that there is still some hidden slack in job markets—surprisingly sluggish wage growth recently lends serious credence to that opinion. Overall, we look for the Bank to hike rates two times (50 bps) in 2019, following a year when policy actually met expectations to a T. Curiously, 10- and 30-year Canadian bond yields are now only slightly above year-ago levels, and the GoC curve is even flatter than the flat Treasury curve; bonds clearly expect cooler Canadian growth next year as well. That view also appears to be built into the Canadian dollar, which spent most of the year on the defensive amid trade tensions and wobbly WCS prices. We look for only a mild recovery in 2019 for the loonie amid firmer oil prices and if/when the USMCA is ratified.

Fed Policy: When Neutral Becomes Normal

The FOMC raised the fed funds target range by 25 bps to 2.25%-to-2.50% (2.375% midpoint) on December 19th, marking the fifth consecutive quarterly move. However, this heralded a **slower cadence ahead**, with extra caution dictated by three factors. **First**, with the target range butting against the bottom of the FOMC's range of projections of the neutral rate (2.5%-to-3.5%), the next move starts taking the first steps into net restrictive territory. And, there's always a wide confidence interval around any estimate of the neutral rate.

Second, the recent ebbing of core PCE inflation emphasized the risk the Fed still faces on the inflation front, in both hitting the 2% objective and having it temporarily run slightly above-target to provide comfort that 2% will stick. Core PCE inflation was 1.8% y/y in October with the shorter-term trends running even slower. Although November's report showed core CPI inflation and its shorter-term metrics turning up, with real GDP growth running above potential and the economy supposedly operating at full capacity/employment, the inability to maintain 2% inflation means there is more slack in the economy than estimated and/or the secular forces of disinflation are still exerting more pressure than the cyclical forces of inflation.

Third, the housing sector has recently weakened more than expected, hinting that the Fed's policy tightening is proving to be more potent for this critical sector, which could be the proverbial "canary in a coalmine" for the broader economy. Higher mortgage rates have definitely eroded affordability. However, with household balance sheets in good shape, sturdy income growth supported by job creation and rising wages, along with elevated consumer confidence, it's hard to explain why



housing has weakened as much as it has. Perhaps the lingering psychological scars from the Great Recession and a larger-than-anticipated impact of tax reform (limitations on mortgage interest deductibility, larger standard deduction) have made homebuyers more sensitive to higher mortgage rates and dimming price appreciation prospects.

Reflecting these factors, and because variable intervals between Fed rate hikes becomes communicatively easier with pressers after each FOMC meeting, we expect rate hikes on May 1st and September 18th, with one further hike in early 2020. This results in a peak fed funds target range of 3.00%-to-3.25% with a 3.125% midpoint, which is slightly above the FOMC's median projection of neutral (which is currently 3.00%).

There are a couple of other factors that point to a more cautious Fed theme for 2019. The annual rotation of regional Fed presidents should take on a less hawkish tone. The outgoing group of Richmond's Barkin, Atlanta's Bostic, San Francisco's Daly and Cleveland's Mester will be replaced by the incoming group of St. Louis' Bullard, Chicago's Evans, Kansas City's George and Boston's Rosengren. Also, the FOMC will be keeping its eye on the ramifications of balance sheet reduction, on alert for any adverse reaction in financial markets. So far this year, the Fed's holdings of Treasuries and MBS have shrunk by \$327 billion, and we estimate this could top \$350 billion by year-end before exceeding \$425 billion next year.

As the Fed raises rates at least a couple times (which is more than is currently priced in), **we expect longer-term Treasury yields to retrace their recent rally**. Several pressures are poised to help prod yields higher, including an anticipated modest re-acceleration of inflation expectations (thank you cycle-high core PCE inflation readings and firming crude oil prices), continued Fed balance sheet reduction (alleviating some of the compression pressure on term premiums), along with a surging supply of Treasuries (with budget deficits looking to top \$1 trillion). However, offsetting these pressures are yield-starved investors (particularly as yields hit new multi-year highs), what seems to be regular bouts of flight-to-liquidity, and the fact that longer-run nominal GDP growth is destined to stay tucked under 4%. On balance, we look for 10-year Treasury yields to close next year around 3.25%, in line with their early-November trading high. Meanwhile, we look for the yield curve (2s10s) to continue flattening to low single digits and skirt persistent inversion, and for the more complete curve (from 3 months out to 10 years) to stay persistently positive.

The Big Fade

The U.S. economy surprised to the upside in 2018 as businesses responded forcefully to tax reforms and deregulation. Barring a weak final quarter, growth looks to come in at 2.9%, the fastest since 2005. The burst of activity carved the jobless rate to 3.7%, the lowest since 1969, compelling the President to claim this is *"the greatest economy in the history of our country"*. Although the facts would beg to differ—growth was stronger (4.7%) and the jobless rate lower (2.5%) in 1953, to pick just one example—growth did surpass our call (2.6%) at the start of the year and marked a nice step-up from the post-recession mean of 2.3%.



Alas, the economy won't repeat this stellar act in 2019. Annual growth is projected to slow to 2.4% (and more tellingly to 2.0% from 3.1% on a Q4/Q4 basis), two tenths below the consensus call. Highly expansionary fiscal and monetary policies, and supportive wealth effects, are fading, just when capacity constraints are becoming more binding and political instability is set to ratchet higher.

The **trade war** is another headwind, especially if it opens on new fronts, such as Europe and Japan. While a strong dollar has largely shielded American businesses and households from the corrosive effects of import tariffs, the damage could mount quickly if trade talks between the U.S. and China fail. While the tariff toll on GDP is likely to be limited to 0.4%, this assumes no further escalation apart from the planned 15 pts hike in the tariff rate on \$200 billion worth of China's goods on March 1. Due to slower global demand and the trade-weighted dollar's 8% rise this year to 16-year highs, a further widening in the already decade-large U.S. trade deficit is expected to carve 0.5 pts from growth in 2019.

The lift from tax cuts and new federal spending, which added a full percentage point to GDP growth in 2018, will fade to just 0.2 pts in 2019. New fiscal stimulus is limited by a budget shortfall fast approaching \$1 trillion. On the monetary side, the Fed has pushed real policy rates above zero for the first time in a decade, and will likely move twice more in 2019. The interest-sensitive housing market has already sagged in response, with no help from the past escalation in prices and lower limits on mortgage interest deductibility.

Along with nagging tariffs, slowing profits and growing labour shortages, **companies will need to contend with political uncertainty.** A divided Congress and greater congressional zeal to investigate the Trump Administration ahead of the 2020 election can only dial up the drama in Washington, raising the risk of a government shutdown or credit event should Congress not agree to fund the various agencies or raise the debt ceiling.

Although the economy will slow in 2019, there's some reason for cheer. The jobless rate should ease to 3.5%, matching the second lowest level since 1953. **Recession odds next year are likely less than one in four,** meaning there's a good chance the expansion will become the longest on record at over ten years. Rising employment and incomes, along with a record-low debt service burden, remain sturdy pillars for households. Businesses need to add capacity (largely via automation) to address worker shortages. Subdued inflation means the Fed is closer to the end than the beginning of its tightening cycle.

So what could go wrong? A more heated trade war, a spark in inflation or a deeper dive in equities would pose headwinds. Fiscal policy could turn outright restrictive in the fourth quarter if Congress fails to pass legislation to avoid automatic spending cuts of about \$100 billion (0.5% of GDP) starting in October 2019. Still, for now, the fundamentals look reasonably healthy, suggesting the economy will merely downshift to a more sustainable rate. And, if productivity churns higher, growth could exceed expectations... this time for a much sounder reason than simply spiking the fiscal punch bowl.

BoC to Stay Unpredictable in 2019

The last few months of 2018 have provided a stark reminder that the Bank of Canada can at times be as unpredictable as ever. October's vigorously upbeat tone gave way to a much more cautious one in December. That comes after NAFTA worries clouded the outlook for a large chunk of this past year and kept the BoC sidelined in Q2. Even so, there were three rate hikes in 2018, just as we forecasted at this time last year.

Oil is the big worry for the Bank at present; but, funnily enough, the discounts on heavy and light crude have fully retraced since the Alberta production cuts were announced and are sitting in historically normal ranges. WTI is still down \$20 since September, and global prices are lower—an unambiguous negative for the outlook. However, the level of concern should have eased meaningfully. Even so, **early 2019 growth will take a hit from lower Alberta production**. The latter will likely be enough to prompt the BoC to stay on hold through Q1 barring a positive growth shock. Once it's clear that the broader economy is holding up in the face of the production cuts and that growth will rebound in Q2, the domestic coast should be clear for another rate hike. However, the global and financial backdrop could inject some uncertainty.

We are forecasting two 25 bp rate hikes from the BoC in 2019, in April and October. While the rationale behind the pause until April is outlined above, the move to the sidelines through mid-year is driven by a slowing North American growth profile. Indeed, we're looking for the Fed to be less mechanical in 2019, shifting from quarterly moves to a more data-dependent stance. Our call is for Fed hikes in May and September—broadly in line with the BoC—bringing policy rates to the mid-point of the Fed's neutral range. For the Bank, getting to neutral will likely take a bit longer, perhaps a 2020 story if the cycle can last that long.

Looking at the Canada curve, higher policy rates aren't going to mean materially higher yields. Indeed, the curve is likely to stay relatively flat through 2019, with the potential for inversion (in 2s10s) rising as we move through the year. Current outright yield levels are quite low, as the market has rallied significantly over the past three months amid global financial market pressure and the BoC's dovish turn. There's room for higher yields, with our forecast for the 10-year rate at 2.5% for the end of 2019, but the broader curve (think 2s10s) is unlikely to steepen meaningfully until rate *cuts* come into focus.

For the **loonie**, the struggle is expected to continue into the early portion of 2019. The Bank's move to the sidelines for now is expected to keep the currency on the defensive, though much of that shift is already priced in. We have the C\$ little-changed through 2019, staying in a C\$1.30-to-C\$1.35 range, as the BoC matches the Fed's moves and amid a decelerating U.S. growth backdrop. An expected recovery in world oil prices should provide some support as we head toward mid-year, but that will rely on Canadian oil discounts remaining well behaved—never a sure thing.



Regional Outlook: Convergence Continues

The broad trend of **regional convergence** should remain in place in Canada in 2019, with two major themes to watch. First, oil prices have again thrown a wrench in the outlook for the three producing provinces. Elsewhere, most provinces are coming off very strong runs and are in the process of slowing toward potential growth, much like we're seeing at the national level. Scanning across the map, British Columbia is expected to remain at the front of the pack with 2.5% growth, receiving a boost as a major LNG project breaks ground. Alberta will see one of the more noteworthy slowdowns, slipping to 1.5% as oil production cuts weigh and capital spending plans pull back. Saskatchewan looks to be relatively stagnant as well in the mid-1% range. Manitoba, however, will likely continue its workmanlike performance, just below its steady 2.3% average pace so far this cycle.

Ontario and Quebec have been growth drivers recently, but both have shown signs of moderating. Growth in these two is expected to ease to 2.0% and 1.9%, respectively, in 2019. Still, external conditions—solid U.S. growth, still-low interest rates, and demographic momentum—remain favourable. Also, trade risks have faded with the USMCA and, along with a pro-business policy shift, should support confidence in 2019. This could counter some softness in housing and consumer spending.

Finally, a population boost has lifted growth in much of Atlantic Canada well above potential over the past two years. While that could persist into 2019, we believe the process of gradually returning to trend will play out in this part of the country as well—we peg average growth in the region at just over 1%. One challenge will be retaining recent immigrants in a relatively weak (albeit tightening) labour market, which would buck the trend of population flows to stronger regional economies. Some provinces in the region are also starting to feel a hangover after a number of major private- and public-sector capital spending projects reached completion.

From a **fiscal perspective**, 2019 will be dominated by the looming federal election. Given the recent trend of forecast revisions (i.e., softer growth and deflators), Ottawa could finally face a year that is not characterized by upside revenue surprises. To be sure, the 2019 budget will deliver some pre-election goodies, but the attached dollar amount will be the big question. Provincially, the biggest uncertainty surrounds Ontario, which has yet to table a plan beyond FY18/19. We believe the Province has set the deficit bar low to start the mandate, but we've already seen some negative credit action, and the market would like some clarity on how quickly the \$14.5 billion shortfall will be closed. Alberta is another one to watch, as the 2019 budget comes against a less favourable oil price backdrop and ahead of a spring election.

In the U.S., most **states in the BMO footprint** are expected to see growth soften in 2019, consistent with the national average—especially true in the Midwest. Business investment is expected to moderate as the impact of fiscal stimulus fades; higher interest rates have softened housing across much of the country, with the Midwest no exception; and trade tensions with China arguably pose the largest risk to outlook, though clarity on USMCA is certainly a win for the trade-intensive region. That said, most of these states are still expected to see growth slightly above potential for 2019.



Venturing Into the Great Unknown That Is 2019

I don't remember being so apprehensive for a year-ahead piece in years, given the many sources of uncertainty as 2019 fast approaches...

Politics will take centre stage again. The **European parliamentary elections**, minus the U.K., will have all 705 seats up for grabs in May. Some key figures, including the ECB's Mario Draghi, as well as Jean-Claude Juncker and Donald Tusk, will be replaced. The new group could steer to the right, as the undercurrents of populism are bubbling again, though to a lesser degree than in 2017. In **Germany**, Angela Merkel's influence will wane as politicians count down her remaining months as Chancellor (her term actually ends in 2021). New CDU Chair Annegret Kramp-Karrenbauer is regarded as Merkel's heir-apparent but she will likely put her personal stamp on key issues, such as immigration, in order to appease the increasingly influential non-traditional parties such as the Greens and the AfD. In **France**, 2019 will mark President Macron's second year as leader. The past year was spent marketing himself as Europe's new leader, but 2019 will be focused on issues closer to home, to change his reputation as being out of touch. Recent budgetary tweaks come at a cost (~€10 bln), and France's fiscal health will return to the spotlight. It was just last year that the deficit ratio fell below the EU's 3% limit for the first time in a decade; it looks to deteriorate to around 3.3% in 2019. Meantime, **Italy** will temporarily avoid penalties for its new budget, but the cost to its planned measures may rise as the economy struggles, bringing back the threat of the Excessive Deficit Procedure. In this environment, we expect **the ECB** to revise its rate guidance, from a rate hike in 'the summer' to 'later in the year' (perhaps even 2020).

The biggest unknown is **Brexit**. The U.K. Parliamentary vote will be held in mid-January and this could play out in many ways. MPs could vote in favour of the agreement, paving the way for a 21-month transition period and trade deals to be ironed out. If it is voted down, there could be an extension of Article 50, an election, and/or another referendum. But, the EU could refuse to negotiate again, repeating the line that "*this is the best deal*". That would mean a hard Brexit, bringing the U.K. economy to a halt. Our base case is that the U.K. will manage to avoid a hard Brexit, but it will require support from the EU to pass the deal.

In **Japan**, the economy has struggled to post meaningful growth over the past decade. Real GDP grew under 1% in 2018, with some of the blame falling on a series of natural disasters. There is, however, some potential upside for 2019. Although trade talks with the U.S. (its biggest trading partner) are ongoing, the trade agreement with the EU (destination for about 10% of Japan's exports) will take provisional effect on February 1st. Then there is immigration. The aging population is weighing heavily on the economy, so Japan is widening the doorway to welcome more newcomers (interestingly, at a time when other countries are closing them) with a new immigration law that will take effect in April. And, consumers have had plenty of time to prepare for the 2 ppt hike in the sales tax to 10% in October, after a 4-year postponement. The BoJ will likely stay gun-shy about tightening monetary policy but Governor Kuroda should start to communicate a move to tweak the 0% target for 10-year JGB yields.



Canadian Economic Outlook

	2018				2019				2020				2017	2018	2019	2020
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
Production	<i>q/q % chng : a.r.</i>															
Real GDP (chain-weighted)	1.7	2.9	2.0	1.5	1.0	2.5	2.2	1.9	1.6	1.6	1.6	1.5	3.0	2.1	1.8	1.7
Final Sales	1.4	3.9	3.1	2.4	1.9	1.6	1.8	1.6	1.6	1.6	1.6	1.5	2.1	2.5	2.2	1.6
Final Domestic Demand	2.2	1.8	-0.1	1.8	2.1	1.7	1.8	1.5	1.6	1.6	1.6	1.5	3.1	2.5	1.6	1.6
Consumer Spending	1.5	2.3	1.2	1.6	2.1	1.6	1.6	1.4	1.4	1.4	1.4	1.4	3.6	2.2	1.7	1.4
Durables	1.4	0.6	-2.7	1.5	1.8	1.7	1.5	1.5	1.3	1.3	1.3	1.3	7.1	1.8	1.0	1.4
Non-durables	0.5	1.0	1.7	1.8	2.6	1.6	1.6	1.3	1.4	1.3	1.3	1.3	2.7	1.8	1.8	1.3
Services	2.0	3.3	1.4	1.6	1.9	1.6	1.6	1.4	1.5	1.5	1.5	1.5	3.3	2.6	1.7	1.5
Government Spending	2.3	1.2	1.9	2.5	2.2	1.8	2.0	2.0	1.8	1.8	1.8	1.8	2.7	3.1	2.0	1.9
Business Investment	13.0	1.0	-7.1	3.0	3.8	3.8	3.2	2.9	2.8	2.3	2.3	2.0	2.5	5.1	1.9	2.7
Non-residential Construction	5.7	0.3	-5.2	1.0	4.0	4.0	3.5	3.0	3.0	2.5	2.5	2.0	1.1	3.2	1.9	2.9
Machinery and Equipment	25.5	2.0	-9.8	6.0	3.5	3.5	2.8	2.8	2.5	2.0	2.0	2.0	4.7	8.0	2.0	2.5
Residential Construction	-7.9	-0.1	-5.9	0.0	0.0	0.0	0.5	0.0	1.0	1.0	1.0	1.0	2.4	-1.0	-0.7	0.7
Exports	2.3	13.0	0.9	2.7	2.1	2.2	2.2	2.2	2.0	2.0	2.0	2.0	1.1	3.2	2.7	2.1
Imports	4.7	5.9	-7.8	1.0	2.6	2.4	2.1	2.0	2.1	2.0	2.0	2.0	4.2	3.2	1.0	2.1
	<i>2007\$ blns (contribution in ppts : a.r.)</i>															
Inventory Change	16.6	13.5	6.6	2.5	-2.5	1.9	4.0	5.6	5.6	5.6	5.6	5.6	17.6	9.8	2.2	5.6
Contribution to GDP Growth	0.1	-0.6	-1.3	-0.9	-1.0	0.8	0.4	0.3	0.0	0.0	0.0	0.0	0.8	-0.4	-0.4	0.2
Net Exports	-24.3	-14.0	1.0	3.7	2.8	2.5	2.6	2.8	2.7	2.7	2.7	2.7	-8.3	-8.4	2.7	2.7
Contribution to GDP Growth	-0.8	2.0	3.0	0.5	-0.2	-0.1	0.0	0.0	-0.1	0.0	0.0	0.0	-1.1	-0.1	0.5	0.0
	<i>\$ blns : a.r. (growth in q/q % chng : a.r.)</i>															
Nominal GDP	2,190	2,215	2,242	2,238	2,257	2,283	2,306	2,328	2,348	2,368	2,389	2,409	2,138	2,221	2,294	2,379
Growth	2.9	4.6	5.0	-0.7	3.5	4.7	4.1	3.8	3.5	3.5	3.5	3.5	5.6	3.9	3.3	3.7
Real GDP	<i>y/y % chng</i>															
	2.3	1.9	2.1	2.0	1.8	1.7	1.8	1.9	2.0	1.8	1.6	1.5				
Inflation	<i>q/q % chng : a.r.</i>															
GDP Price Index	1.5	1.5	3.0	-2.3	2.5	2.1	1.9	1.9	1.9	1.9	1.9	1.9	2.6	1.8	1.4	1.9
CPI All Items	3.6	1.1	2.6	0.5	1.6	2.2	2.3	2.1	2.0	1.9	2.0	2.1	1.6	2.2	1.7	2.1
Ex. Food and Energy	2.7	0.8	2.5	1.8	2.3	1.9	2.0	2.1	2.1	1.9	2.0	2.1	1.6	1.9	2.0	2.0
Food Prices	0.9	1.5	3.3	2.7	2.8	2.2	1.8	2.1	2.0	2.1	1.8	2.1	0.0	1.8	2.5	2.0
Energy Prices	16.8	5.0	2.3	-18.0	-8.0	5.0	6.7	2.0	1.4	2.3	2.4	2.0	5.4	6.6	-3.3	2.7
Services	4.2	2.7	4.8	-0.3	1.6	2.4	2.3	1.5	1.9	2.4	2.3	1.5	2.2	2.6	1.9	2.0
CPI All Items	<i>y/y % chng</i>															
	2.1	2.3	2.7	1.9	1.4	1.7	1.6	2.0	2.1	2.1	2.0	2.0				
CPIX8	<i>y/y % chng</i>															
	1.3	1.4	1.6	1.6	1.6	1.9	2.0	2.2	2.1	2.2	2.0	2.1	1.1	1.5	1.9	2.1
New Core CPIs	<i>y/y % chng : avg.</i>															
	1.9	1.9	2.0	1.9	1.8	1.9	2.0	2.2	2.1	2.2	2.0	2.1	1.5	1.9	2.0	2.1
Financial	<i>% : quarterly avg.</i>															
Overnight Rate	1.25	1.25	1.50	1.75	1.75	2.00	2.00	2.25	2.25	2.50	2.50	2.50	0.71	1.44	2.00	2.44
3-Month T-Bill	1.14	1.21	1.47	1.65	1.75	1.90	2.00	2.15	2.25	2.40	2.40	2.40	0.69	1.35	1.95	2.35
90-Day BAs	1.67	1.74	1.95	2.20	2.35	2.50	2.55	2.70	2.75	2.90	2.90	2.90	1.15	1.90	2.50	2.85
10-Year Bond Yield	2.24	2.28	2.28	2.35	2.20	2.30	2.45	2.55	2.65	2.65	2.60	2.50	1.78	2.30	2.35	2.60
10-Year BBB Corporate Spread	<i>ppts</i>															
	1.68	1.80	1.83	2.00	2.20	2.25	2.30	2.30	2.30	2.30	2.30	2.30	1.83	1.83	2.26	2.30
Canada/US Spread	<i>bps</i>															
90 Day	-44	-66	-61	-70	-73	-78	-90	-88	-96	-81	-77	-76	-26	-60	-82	-82
10 Year	-52	-64	-65	-71	-75	-74	-72	-70	-68	-67	-65	-63	-55	-63	-73	-66
Foreign Trade	<i>\$ blns : a.r. (share in % of GDP)</i>															
Current Account Balance	-69.3	-66.7	-41.4	-56.7	-56.3	-56.7	-58.0	-58.9	-58.3	-57.1	-56.0	-54.6	-60.1	-58.5	-57.5	-56.5
Share of GDP	-3.2	-3.0	-1.8	-2.5	-2.5	-2.5	-2.5	-2.5	-2.5	-2.4	-2.3	-2.3	-2.8	-2.6	-2.5	-2.4
Merchandise Balance	-35.0	-22.7	-6.9	-21.4	-19.8	-19.0	-19.1	-19.0	-19.4	-19.6	-19.8	-20.0	-24.6	-21.5	-19.2	-19.7
Non-Merchandise Balance	-34.3	-44.0	-34.5	-35.3	-36.5	-37.7	-38.9	-39.9	-38.9	-37.5	-36.1	-34.6	-35.5	-37.0	-38.3	-36.8
	<i>quarterly avg.</i>															
US\$	<i>US\$/C\$</i>															
	79.1	77.5	76.5	75.9	74.4	74.2	74.5	74.7	74.9	75.2	75.4	75.7	77.1	77.3	74.5	75.3
	<i>C\$/US\$</i>															
	1.265	1.291	1.307	1.317	1.343	1.347	1.343	1.339	1.334	1.330	1.326	1.321	1.298	1.295	1.343	1.328
Yen	<i>¥/C\$</i>															
	85.7	84.6	85.3	85.8	83.7	83.0	82.7	82.4	82.2	82.1	82.0	81.9	86.5	85.3	82.9	82.0
Euro	<i>C\$/€</i>															
	1.55	1.54	1.52	1.50	1.53	1.52	1.53	1.55	1.55	1.55	1.56	1.56	1.46	1.53	1.53	1.55
Incomes	<i>y/y % chng</i>															
Corporate Profits Before Tax	-3.6	5.6	18.8	13.5	17.3	13.3	7.7	8.9	7.6	6.1	4.8	3.5	34.0	8.4	11.6	5.5
Corporate Profits After Tax	-2.2	1.6	16.9	3.0	8.2	7.7	5.8	8.9	7.6	6.1	4.8	3.5	15.8	4.5	7.6	5.5
Personal Income	5.3	4.7	3.9	2.3	2.5	2.7	3.0	3.9	4.0	3.8	3.6	3.5	4.6	4.0	3.0	3.7
Real Disposable Income	3.6	2.8	1.1	0.4	1.2	1.1	1.3	1.8	2.0	1.7	1.6	1.5	3.4	1.9	1.4	1.7
Savings Rate	<i>% : quarterly avg.</i>															
	1.3	1.0	0.8	0.3	0.0	0.1	0.2	0.3	0.4	0.4	0.5	0.6	1.5	0.9	0.2	0.5
Other Indicators	<i>quarterly avg. (000s and mlns are a.r.)</i>															
Unemployment Rate	<i>percent</i>															
	5.8	5.9	5.9	5.7	5.7	5.6	5.6	5.5	5.5	5.5	5.6	5.6	6.3	5.8	5.6	5.6
Housing Starts	<i>000s</i>															
	225	219	197	211	210	207	204	200	200	200	200	200	220	213	205	200
Existing Home Sales	<i>y/y % chng</i>															
	-14.8	-13.8	-4.0	-14.3	-1.4	-0.8	-5.5	-1.1	-0.5	2.2	1.6	1.6	-4.5	-11.5	-3.0	2.0
MLS Home Price Index	<i>y/y % chng</i>															
	5.7	0.8	2.2	1.7	-0.7	-1.1	0.5	1.7	2.0	1.9	2.0	2.2	13.2	2.7	0.0	2.0
Motor Vehicle Sales	<i>mlns</i>															
	2.13	2.04	2.02	2.00	1.96	1.95	1.95	1.95	1.92	1.90	1.90	1.90	2.07	2.05	1.95	1.90
	<i>q/q % chng : a.r.</i>															
Employment Growth	0.1	0.7	1.3	1.9	0.9	1.1	1.1	1.0	0.5	0.4	0.5	0.9	1.9	1.3	1.2	0.7
Industrial Production	4.0	3.2	3.0	-1.7	-2.0	1.8	2.2	1.8	2.4	1.8	1.6	1.6	4.9	2.5	0.5	2.0
Federal Budget Balance	<i>% of FY GDP</i>															
													-0.9	-0.8	-0.9	-0.8

United States Economic Outlook

	2018				2019				2020				2017	2018	2019	2020
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
Production	q/q % chng : a.r.															
Real GDP (chain-weighted)	2.2	4.2	3.5	2.6	1.9	2.4	2.0	1.9	1.8	1.6	1.4	1.3	2.2	2.9	2.4	1.7
Final Sales	1.9	5.4	1.2	2.8	2.4	2.1	1.9	1.8	1.8	1.6	1.3	1.3	2.2	2.8	2.4	1.7
Final Domestic Demand	1.9	4.0	3.1	3.3	2.6	2.3	2.1	1.9	1.9	1.7	1.4	1.4	2.5	3.0	2.7	1.8
Consumer Spending	0.5	3.8	3.6	3.2	2.4	2.3	2.1	2.0	2.1	1.8	1.4	1.4	2.5	2.7	2.7	1.9
Durables	-2.0	8.6	3.9	3.0	2.0	2.0	1.8	1.7	1.6	1.6	1.4	1.3	6.8	5.5	2.8	1.6
Nondurables	0.1	4.0	5.3	4.0	2.4	2.3	2.0	2.0	2.0	1.4	1.4	1.3	2.1	3.0	3.1	1.8
Services	1.0	3.0	3.1	3.0	2.5	2.4	2.2	2.1	2.2	2.0	1.4	1.4	2.0	2.2	2.6	2.0
Government Spending	1.5	2.5	2.6	4.2	3.1	2.1	1.9	1.5	1.0	1.1	1.1	1.1	-0.1	1.8	2.7	1.3
Business Investment	11.5	8.7	2.5	3.9	3.0	2.6	2.1	2.0	2.0	1.9	1.8	1.7	5.3	6.8	3.2	2.0
Non-residential Construction	13.9	14.5	-1.7	2.0	3.0	2.2	1.9	1.8	1.8	1.6	1.5	1.4	4.6	5.6	2.5	1.7
Equipment	8.5	4.6	3.5	3.5	3.0	2.5	1.9	1.8	1.8	1.7	1.6	1.5	6.1	7.2	2.9	1.8
Intellectual Property	14.1	10.5	4.3	6.0	3.0	3.0	2.4	2.3	2.3	2.3	2.2	2.2	4.6	7.1	4.0	2.3
Residential Construction	-3.4	-1.3	-2.6	-3.0	1.0	1.7	1.7	1.7	1.6	1.6	1.6	1.6	3.3	-0.1	-0.1	1.6
Exports	3.6	9.3	-4.4	4.0	2.4	2.2	2.1	2.1	2.0	2.0	2.0	2.0	3.0	4.2	2.1	2.0
Imports	3.0	-0.6	9.2	6.1	3.2	3.1	3.0	2.7	2.4	2.3	2.2	2.1	4.6	4.8	4.2	2.5
	2009\$ blns : a.r. (contribution in ppts : a.r.)															
Inventory Change	30.3	-36.8	86.6	76.0	51.0	61.0	65.0	68.0	68.0	68.0	69.0	70.0	21.5	37.9	61.3	68.8
Contribution to GDP Growth	0.3	-1.2	2.3	-0.2	-0.5	0.2	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.0
Net Exports	-902.3	-841.0	-945.8	-973.0	-985.7	-999.0	-1012.2	-1022.8	-1031.5	-1039.3	-1046.3	-1052.4	-858.7	-915.5	-1004.9	-1042.3
Contribution to GDP Growth	0.0	1.2	-1.9	-0.6	-0.3	-0.3	-0.3	-0.2	-0.2	-0.2	-0.1	-0.1	-0.3	-0.3	-0.5	-0.2
	\$ blns : a.r. (growth in q/q % chng : a.r.)															
Nominal GDP	20,041	20,412	20,660	20,912	21,103	21,337	21,549	21,758	21,966	22,156	22,337	22,518	19,485	20,506	21,437	22,244
Growth	4.3	7.6	5.0	5.0	3.7	4.5	4.0	3.9	3.9	3.5	3.3	3.3	4.2	5.2	4.5	3.8
Real GDP	y/y % chng															
	2.6	2.9	3.0	3.1	3.0	2.6	2.2	2.0	2.0	1.8	1.7	1.5				
Inflation	q/q % chng : a.r.															
GDP Price Index	2.0	3.0	1.7	2.4	1.8	2.1	2.0	2.0	2.1	1.9	1.9	1.9	1.9	2.3	2.1	2.0
Core PCE Deflator	2.2	2.1	1.5	1.7	2.9	2.2	2.1	2.2	2.3	1.9	2.0	2.0	1.6	1.9	2.2	2.1
CPI All Items	3.5	1.7	2.0	1.8	1.9	2.2	2.1	2.1	2.1	1.8	1.9	1.9	2.1	2.4	2.0	2.0
Ex. Food and Energy	3.0	1.8	2.0	2.1	2.9	2.2	2.1	2.2	2.3	1.9	2.0	2.0	1.8	2.1	2.3	2.1
Food Prices	1.5	1.7	1.4	0.7	2.2	2.2	2.0	2.0	2.0	2.0	2.0	2.0	0.9	1.4	1.8	2.0
Energy Prices	12.7	0.2	2.8	1.3	-8.3	2.8	2.7	1.3	1.2	1.2	1.2	1.2	8.0	7.5	-0.6	1.5
Services	3.2	2.4	2.5	2.6	2.2	2.2	2.0	2.0	2.0	2.0	2.0	2.0	2.7	2.8	2.3	2.0
CPI All Items	y/y % chng															
	2.3	2.6	2.6	2.2	1.8	2.0	2.0	2.1	2.1	2.0	2.0	2.0				
Ex. Food and Energy	y/y % chng															
	1.9	2.2	2.2	2.2	2.2	2.3	2.3	2.3	2.2	2.1	2.1	2.0				
Core PCE Deflator	y/y % chng															
	1.7	1.9	2.0	1.9	2.0	2.1	2.2	2.3	2.2	2.1	2.1	2.0				
Financial	% : quarterly avg.															
Fed Funds Rate	1.46	1.71	1.96	2.21	2.38	2.54	2.71	2.88	3.13	3.13	3.13	3.13	1.00	1.83	2.63	3.13
90-Day T-Bill	1.58	1.87	2.08	2.35	2.45	2.70	2.90	3.05	3.20	3.20	3.15	3.15	0.95	1.95	2.75	3.20
3-Month Libor	1.91	2.34	2.34	2.60	2.80	3.00	3.15	3.30	3.50	3.50	3.50	3.50	1.26	2.30	3.05	3.50
10-Year Bond Yield	2.76	2.92	2.93	3.05	2.95	3.05	3.15	3.25	3.35	3.35	3.25	3.15	2.33	2.90	3.10	3.25
10-Year BBB Corporate Spread	ppts															
	1.40	1.56	1.61	1.75	1.95	2.10	2.20	2.30	2.35	2.35	2.35	2.35	1.61	1.58	2.14	2.35
Foreign Trade	\$ blns : a.r. (share in % of GDP)															
Current Account Balance	-487	-405	-499	-509	-529	-545	-557	-571	-583	-591	-598	-608	-449	-475	-550	-595
Share of GDP	-2.4	-2.0	-2.4	-2.4	-2.5	-2.6	-2.6	-2.6	-2.7	-2.7	-2.7	-2.7	-2.3	-2.3	-2.6	-2.7
Merchandise Balance	-883	-812	-908	-916	-938	-953	-969	-983	-995	-1007	-1019	-1029	-807	-880	-961	-1013
Non-Merchandise Balance	396	407	409	407	409	408	412	412	412	416	421	421	358	405	410	417
	quarterly avg.															
Yen	¥/US\$															
	108	109	112	113	113	112	111	110	110	109	109	108	112	110	111	109
Euro	US\$/€															
	1.23	1.19	1.16	1.14	1.14	1.13	1.14	1.16	1.16	1.17	1.17	1.18	1.13	1.18	1.14	1.17
Pound	US\$/£															
	1.39	1.36	1.30	1.28	1.24	1.23	1.26	1.29	1.31	1.32	1.33	1.35	1.29	1.34	1.26	1.33
Trade-Wt. Dollar (broad)	Jan '97=100															
	117.6	121.0	125.1	127.7	129.2	129.8	128.8	127.4	126.7	126.3	125.8	125.4	122.1	122.9	128.8	126.0
Commodity Prices	quarterly avg.															
WTI Spot	US\$/bbl															
	62.9	67.9	69.7	59.6	53.0	59.0	62.0	62.0	62.0	62.0	62.0	62.0	50.9	65.0	59.0	62.0
Henry Hub Spot	US\$/mmbtu															
	3.1	2.9	2.9	3.7	3.5	3.0	3.1	3.2	3.3	3.3	3.3	3.3	3.0	3.1	3.2	3.3
Incomes	y/y % chng															
Pre-Tax Profits with IVA and CCA	5.9	7.3	10.3	9.1	8.8	6.8	4.3	4.0	4.1	3.8	3.7	3.5	3.2	8.2	5.9	3.8
Personal Income	4.3	4.5	4.4	4.2	3.9	4.0	4.0	3.8	3.7	3.7	3.6	3.6	4.4	4.3	3.9	3.7
Real Disposable Income	2.8	2.7	2.7	2.9	2.4	2.3	2.1	1.8	1.6	1.6	1.6	1.6	2.6	2.8	2.1	1.6
Savings Rate	% : quarterly avg.															
	7.2	6.7	6.3	6.3	6.2	6.1	6.0	5.9	5.7	5.7	5.7	5.8	6.7	6.6	6.0	5.7
Other Indicators	quarterly avg. (mlns are a.r.)															
Unemployment Rate	percent															
	4.1	3.9	3.8	3.7	3.6	3.5	3.5	3.5	3.5	3.5	3.6	3.7	4.4	3.9	3.5	3.6
Housing Starts	mlns															
	1.32	1.26	1.23	1.24	1.26	1.24	1.23	1.21	1.21	1.22	1.22	1.22	1.21	1.26	1.24	1.22
Existing Home Sales	mlns															
	5.51	5.41	5.27	5.31	5.39	5.36	5.34	5.33	5.34	5.35	5.36	5.37	5.54	5.38	5.36	5.36
Home Prices (Case-Shiller)	y/y % chng															
	6.6	6.5	5.6	4.5	3.3	3.2	3.6	3.5	3.3	3.2	3.1	3.0	5.9	5.8	3.4	3.1
Motor Vehicle Sales	mlns															
	17.2	17.2	17.0	17.4	16.7	16.5	16.4	16.2	16.1	16.0	16.0	16.0	17.2	17.2	16.4	16.0
	q/q % chng : a.r.															
Civilian Employment	2.7	1.2	1.1	2.5	1.2	1.0	0.9	0.9	0.8	0.6	0.5	0.5	1.3	1.6	1.3	0.7
Industrial Production	2.5	5.2	4.7	2.7	3.1	2.5	2.4	2.2	1.9	1.6	1.6	1.6	1.6	3.9	3.1	1.9
CBO Budget Deficit	% of GDP															
													-3.5	-4.0	-4.6	-4.6

Shaded values represent forecasts

Provincial Economic Outlook

	Canada	British Columbia	Alberta	Saskatch.	Manitoba	Ontario	Quebec	New Brunswick	Nova Scotia	Prince Edward I. & Labrador	Nfld.
Real GDP Growth (chain-weighted : y/y % chng)											
2017	3.0	3.8	4.4	2.2	3.2	2.8	2.8	1.8	1.5	3.5	0.9
2018	2.1	2.3	2.4	1.0	2.0	2.2	2.6	1.0	1.1	2.0	-1.0
2019	1.8	2.5	1.5	1.4	1.8	2.0	1.9	0.7	0.9	1.2	1.5
2020	1.7	2.4	2.5	1.5	1.6	1.6	1.4	0.7	0.7	0.9	0.2
Employment Growth (y/y % chng)											
2017	1.9	3.7	1.0	-0.1	1.6	1.8	2.2	0.4	0.7	3.0	-3.7
2018	1.3	0.9	1.8	0.1	0.5	1.6	0.9	0.5	1.3	3.1	0.4
2019	1.2	2.0	1.1	0.7	0.7	1.6	0.4	0.4	0.5	1.1	0.9
2020	0.7	1.3	0.9	0.4	0.5	0.8	0.4	0.1	0.2	0.2	0.2
Unemployment Rate (percent)											
2017	6.3	5.1	7.8	6.3	5.4	6.0	6.0	8.0	8.4	9.9	14.7
2018	5.8	4.7	6.7	6.3	6.0	5.6	5.5	7.9	7.7	9.4	14.3
2019	5.6	4.2	6.7	6.2	5.6	5.4	5.3	7.4	7.6	8.3	13.4
2020	5.6	4.0	6.6	6.1	5.5	5.4	5.3	7.4	7.6	8.2	13.0
Housing Starts (thousands)											
2017	220	43.5	29.3	5.0	7.6	80.1	46.1	2.3	4.0	1.0	1.4
2018	213	39.5	27.0	3.8	7.5	79.5	46.1	2.3	4.7	1.0	1.6
2019	205	37.5	27.0	3.7	6.8	73.0	46.0	2.8	5.8	0.9	1.3
2020	200	35.0	30.0	3.5	6.5	72.0	43.0	2.4	5.0	0.9	1.2
Consumer Price Index (y/y % chng)											
2017	1.6	2.1	1.6	1.7	1.6	1.7	1.1	2.3	1.1	1.8	2.4
2018	2.2	2.6	2.5	2.2	2.5	2.3	1.7	2.2	2.2	2.3	1.8
2019	1.7	1.9	1.6	1.5	1.7	1.7	1.6	1.6	1.6	1.5	1.6
2020	2.1	2.3	2.0	2.0	2.1	2.1	1.8	2.1	2.0	1.8	2.0
Budget Balance¹ (\$ mlns)											
FY17/18	-18,961	301	-8,023	-303	-695	-3,700	4,915	67	230	1	-911
% of GDP	-0.9	0.1	-2.4	-0.4	-1.0	-0.4	1.2	0.2	0.5	0.0	-2.8
FY18/19	-18,100	1,350	-7,512	-348	-521	-14,544	4,501	-131	35	4	-547
% of GDP	-0.8	0.5	-2.2	-0.4	-0.7	-1.7	1.0	-0.4	0.1	0.1	-1.6
Net Debt (\$ mlns)											
FY18/19	687,700	42,884	30,510	12,254	25,044	347,055	175,228	14,264	15,171	2,239	15,528
% of GDP	30.9	14.5	8.8	14.8	34.3	40.5	40.2	38.6	34.5	32.5	46.3

Shaded values represent forecasts

¹ Quebec figures are before Generations Fund transfers

International Economic Outlook

		2018				2019				2020							
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2017	2018	2019	2020
Global GDP Growth	y/y % chng													3.7	3.6	3.4	3.3
Japan																	
Real GDP	saar : %	-1.3	2.8	-2.5	1.5	1.1	1.0	2.0	-3.0	2.3	1.4	1.3	1.2	1.9	0.7	0.7	0.8
	y/y % chng	1.2	1.4	0.1	0.1	0.7	0.3	1.4	0.3	0.6	0.7	0.5	1.5				
CPI All Items	y/y % chng	1.3	0.6	1.1	1.1	1.1	1.4	1.0	2.8	2.0	2.0	2.0	-0.4	0.5	1.0	1.6	1.4
Unemployment Rate	%	2.5	2.4	2.4	2.4	2.3	2.3	2.3	2.3	2.4	2.4	2.4	2.4	2.8	2.4	2.3	2.4
3-Month Interest Rate	%	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0
10-Year Government Bond	%	0.1	0.0	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.2	0.2
United Kingdom																	
Real GDP	saar : %	0.4	1.6	2.5	0.9	0.9	1.5	2.2	2.4	1.4	1.5	1.5	1.5	1.7	1.3	1.5	1.7
	y/y % chng	1.1	1.2	1.5	1.3	1.5	1.4	1.4	1.7	1.9	1.9	1.7	1.5				
CPI All Items	y/y % chng	2.7	2.4	2.5	2.4	2.4	2.4	2.1	2.1	2.2	2.2	2.3	2.2	2.7	2.5	2.2	2.2
Unemployment Rate	%	4.3	4.1	4.1	4.0	3.9	3.9	3.9	3.9	3.8	3.8	3.8	3.8	4.4	4.1	3.9	3.8
3-month Interest Rate	%	0.6	0.7	0.8	0.9	0.9	0.9	1.0	1.1	1.1	1.1	1.3	1.3	0.4	0.7	1.0	1.2
10-Year Government Bond	%	1.5	1.4	1.4	1.5	1.4	1.5	1.6	1.6	1.6	1.6	1.6	1.5	1.2	1.4	1.5	1.6
Euro Area																	
Real GDP	saar : %	1.5	1.7	0.6	1.5	1.9	1.7	1.6	1.4	1.5	1.4	1.4	1.2	2.4	1.9	1.6	1.5
	y/y % chng	2.4	2.2	1.6	1.3	1.4	1.4	1.7	1.7	1.6	1.5	1.4	1.4				
CPI All Items	y/y % chng	1.3	1.7	2.1	1.9	2.3	1.5	1.8	1.8	2.0	2.0	2.0	2.0	1.5	1.7	1.9	2.0
Unemployment Rate	%	8.5	8.3	8.1	8.1	8.1	8.1	8.1	8.1	8.1	8.1	8.1	8.1	9.1	8.3	8.1	8.1
3-month Interest Rate	%	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.3	-0.3	-0.2	-0.1	-0.1	-0.4	-0.4	-0.4	-0.1
10-Year Government Bond	%	0.6	0.5	0.4	0.4	0.3	0.4	0.6	0.7	0.7	0.7	0.6	0.6	0.4	0.5	0.5	0.6
Germany																	
Real GDP	saar : %	1.5	1.8	-0.8	1.5	1.8	1.8	1.9	1.6	1.4	1.3	1.2	1.0	2.5	1.5	1.4	1.5
	y/y % chng	2.0	1.9	1.2	1.0	1.1	1.1	1.7	1.8	1.7	1.5	1.4	1.2				
CPI All Items	y/y % chng	1.3	1.9	2.1	2.1	2.2	2.1	1.9	1.8	2.0	2.0	2.1	2.2	1.7	1.8	2.0	2.1
Unemployment Rate	%	5.4	5.2	5.2	5.1	5.1	5.1	5.0	5.0	5.1	5.1	5.1	5.1	5.7	5.2	5.1	5.1
France																	
Real GDP	saar : %	0.6	0.6	1.6	0.9	1.8	1.5	1.4	1.4	1.6	1.6	1.6	1.6	2.2	1.5	1.4	1.5
	y/y % chng	2.2	1.6	1.4	0.9	1.2	1.4	1.4	1.5	1.5	1.5	1.5	1.6				
CPI All Items	y/y % chng	1.5	2.1	2.6	2.2	2.0	1.8	1.4	1.6	1.7	1.7	1.8	1.9	1.2	2.1	1.7	1.7
Unemployment Rate	%	9.2	9.0	9.0	9.0	9.0	9.1	9.1	9.0	9.0	9.0	9.0	9.0	9.4	9.1	9.1	9.0
Italy																	
Real GDP	saar : %	1.3	0.7	-0.5	0.5	1.1	1.1	1.0	1.1	0.7	0.8	0.7	0.6	1.6	0.9	0.7	0.8
	y/y % chng	1.4	1.2	0.7	0.5	0.4	0.6	0.9	1.1	1.0	0.9	0.8	0.7				
CPI All Items	y/y % chng	0.8	1.0	1.7	1.6	1.5	1.5	1.4	1.2	1.2	1.3	1.5	1.7	1.3	1.3	1.3	1.5
Unemployment Rate	%	11.0	10.7	10.3	10.5	11.0	11.1	11.2	11.2	11.3	11.3	11.3	11.3	11.3	10.6	11.1	11.3
China																	
Real GDP	y/y % chng	6.8	6.7	6.5	6.2	6.3	6.2	6.1	6.2	6.1	6.1	6.0	5.9	6.9	6.6	6.2	6.0
CPI All Items	y/y % chng	2.2	1.8	2.3	2.3	2.3	2.3	2.2	2.0	2.0	2.0	1.9	1.9	1.6	2.2	2.2	2.0
Current Account Bal. (IMF)	% of GDP													1.4	0.5	0.0	-0.1
Exchange Rates																	
Yen	¥/US\$	108	109	112	113	113	112	111	110	110	109	109	108	112	110	111	109
Euro	US\$/€	1.23	1.19	1.16	1.14	1.14	1.13	1.14	1.16	1.16	1.17	1.17	1.18	1.13	1.18	1.14	1.17
Pound	US\$/£	1.39	1.36	1.30	1.28	1.24	1.23	1.26	1.29	1.31	1.32	1.33	1.35	1.29	1.34	1.26	1.33
Euro/Pound	€/£	0.88	0.88	0.89	0.89	0.92	0.92	0.90	0.90	0.89	0.88	0.88	0.88	0.88	0.89	0.91	0.88
Yen/Euro	¥/€	133	130	130	129	128	126	127	127	128	128	128	127	127	131	127	128
Yuan	CNY/US\$	6.35	6.38	6.81	6.92	6.97	7.07	7.03	6.93	6.88	6.86	6.83	6.81	6.76	6.61	7.00	6.85

Shaded values represent forecasts

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