Canada

- **Growth is expected to hit 3.1% during 2017, more than double most estimates of the Canadian economy's underlying potential this year, before slowing to 2.0% in 2018 and 1.5% in 2019 as tailwinds from busy Canadian consumers begin to wane.**
- **Investment, industrial activity, and exports are beginning to bear more of the burden of growth, setting the stage for a more sustainable and balanced outlook.**
- **Despite consistent year-on-year increases in debt, Canadian households have seen even stronger increases in asset values, which position them to weather progressively rising interest rates given their relatively high equity in their homes.**

BROADENING GROWTH, RISING POTENTIAL

The Canadian economy roared ahead in the first half of 2017, expanding well above potential at quarter-on-quarter annualized rates of 3.7% in Q1 before accelerating further to 4.5% in Q2. We expect momentum to continue through the second half (table 1) to sustain a forecast of 3.1% real GDP growth for the whole of 2017—up substantially from the 2.0% both we and consensus forecasts anticipated at the beginning of the year. Although the sources of Canadian growth are broadening, they still remain heavily concentrated in consumption, which is unlikely to be fully sustainable as interest rates rise.

We expect Canadian growth to decelerate toward 2.0% in 2018 and 1.5% in 2019 as the effects of tighter monetary policy from the Bank of Canada take hold and growth returns to the economy's underlying potential (table 2). In its April 2017 *Monetary Policy Report*, the Bank proposed that potential GDP growth—the rate consistent with the Bank's 2% inflation target—would range between 1.0 and 1.6% in 2017, 1.1 and 1.7% in 2018, and 1.1 to 1.9% in 2019, for an average of 1.4% during 2017–19. Going forward, Scotiabank Economics projects that potential growth will average 1.7% in 2017–19, at the upper bound of the Bank's projections. We expect the Bank of Canada also to revise upward its expectations for potential growth to reflect improving labour productivity, increasing investment, and capital deepening—which would imply less excess demand (chart 1) and the need for only gradual further rate increases along the lines we have projected (table 1 again).

These projections of Canada's potential underlying growth rates are all still well below the Bank's 2.0% estimate for the period 2010–14. After a single year of relatively quick growth in 2017, our expectation that growth will slow down again toward a middling underlying trend should prompt renewed focus on efforts to raise Canadian productivity once uncertainties about our trading relationship with the United States become resolved.

CONTACTS

Brett House, VP & Deputy Chief Economist
416.863.7463
Scotiabank Economics
brett.house@scotiabank.com

Carlos Gomes
416.866.4735
Scotiabank Economics
carlos.gomes@scotiabank.com

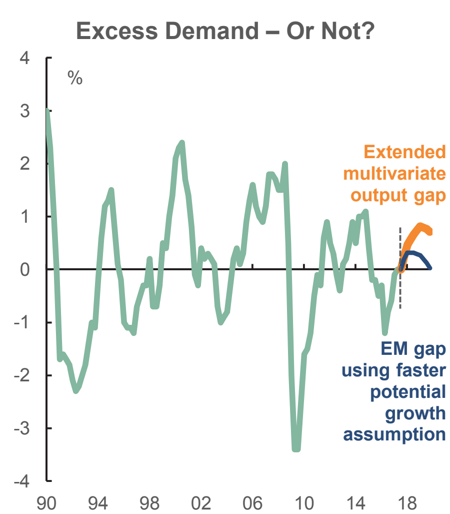
Juan Manuel Herrera
416.866.6781
Scotiabank Economics
juanmanuel.herrera@scotiabank.com

Adrienne Warren
416.866.4315
Scotiabank Economics
adrienne.warren@scotiabank.com

Mary Webb
416.866.4202
Scotiabank Economics
mary.webb@scotiabank.com

Marc Desormeaux
416.866.4733
Scotiabank Economics
marc.desormeaux@scotiabank.com

Chart 1



Source: Scotiabank Economics.

FADING CONSUMER TAILWINDS

Consumers remain the biggest drivers of Canadian economic activity, though they are beginning to pass the baton of growth to other sectors of the real economy. Household consumption is expected to add two percentage points to Canada's overall GDP advance in 2017, its largest contribution in seven years. Consumer confidence is at its highest level in a decade and major purchase plans remain elevated.

Incomes and purchasing power have been bolstered by increased government net transfers and strong labour market conditions. Rapid job growth—the quickest in four years—has pushed the national unemployment rate to a cycle-low 6.2%, equivalent to 5.4% under the methodology used in the United States. The prime-age employment-to-population ratio is close to an all-time high of 82.3%, which implies that labour-market slack has been almost entirely absorbed.

Wealth gains associated with rising home prices have provided further fuel. Residential real estate assets have generated CAD 236 bn in increased household net worth over the past year. Assuming a wealth effect of 5 cents on the dollar, this is likely to have added upwards of a percentage point to the annual advance in consumer spending.

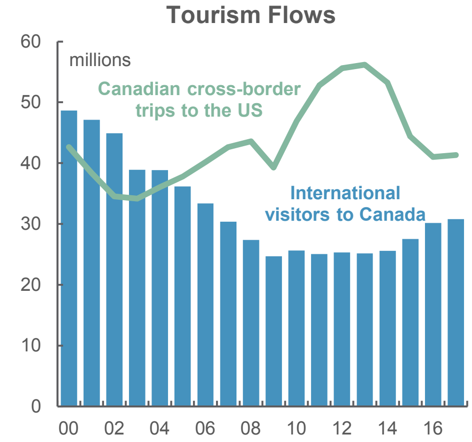
Several major celebrations in Canada this year, including the 150th anniversary of Confederation, have contributed to a notable rise in tourism-related expenditures, including on air and rail transportation, accommodations, food and beverage services, and arts and entertainment. The number of international tourists to Canada this year is tracking its highest level since 2006 (chart 2) as rising connection traffic through Canada's international air hubs and tighter travel restrictions into the US provide additional support to our visitor numbers. Meanwhile, a Canadian dollar that has averaged below 80 US cents so far in 2017 has limited cross-border shopping trips by Canadians to the United States (chart 2 again).

Consumers are unlikely to be able to maintain their recent spending momentum. While hiring surveys remain positive, the pace of job growth is expected to slow with the labour market nearing full employment in many parts of the country and business confidence ebbing in some sectors. More firms are reporting labour shortages that could limit payroll expansion. Recent and pending increases to minimum wages in a number of provinces also could hold back hiring.

Several other factors are expected to reinforce a more cautious trend in consumer spending. The boost to incomes from the rollout of the Canada Child Benefit in mid-2016 has peaked, and is expected to fade over the coming year. Household disposable income growth is forecast to slow from 4.5% in 2017 to an average of 3.5% during 2018–19.

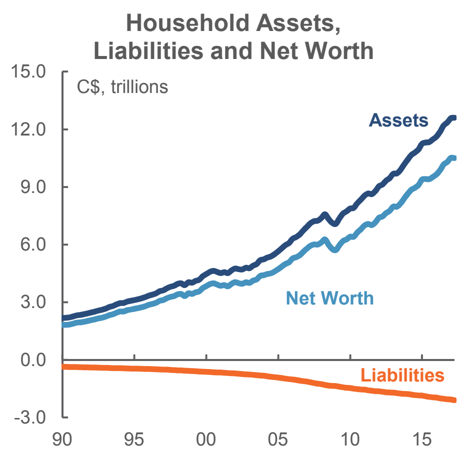
The likelihood of a further modest cooling in national home sales would dampen purchases of durable goods and renovation demand. Motor vehicle sales are set to move lower during 2018–19 after five consecutive record-breaking years that have driven per household purchases to record highs.

Chart 2



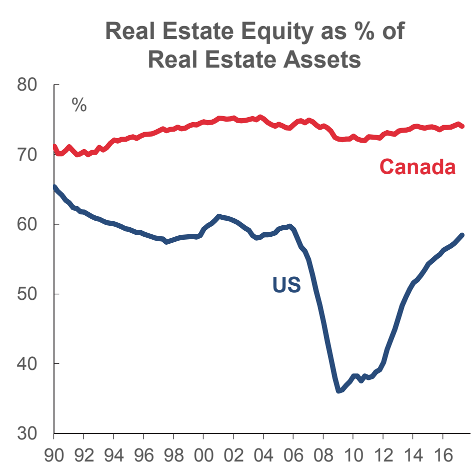
Sources: Scotiabank Economics, Statistics Canada.

Chart 3



Sources: Scotiabank Economics, Statistics Canada.

Chart 4



Sources: Scotiabank Economics, Federal Reserve Board, Statistics Canada.

Rising interest rates also could squeeze household budgets and divert some discretionary spending. A 100 bps increase in the effective interest rate, all else equal, would lift the aggregate household debt-service to personal disposable income (PDI) ratio from its current level of 14.2% to just under 16%.With growth in mortgage liabilities averaging over 6% y/y since 2015, total principal repayments overtook interest payments late last year on housing debt, though non-mortgage debt-servicing remains the greatest drag on monthly incomes.

Canadian household balance sheets do, however, look well-positioned to weather the recent and expected policy rate increases by the Bank of Canada. Although household liabilities have expanded rapidly in recent years, household assets have expanded three times faster over the last two and a half decades (chart 3). Although real estate accounts for around 40% of Canadian households' assets compared with about 20% in the US, Canadians' equity share in their homes remains consistently higher than in the US (chart 4) and negative-equity positions are nearly non-existent.

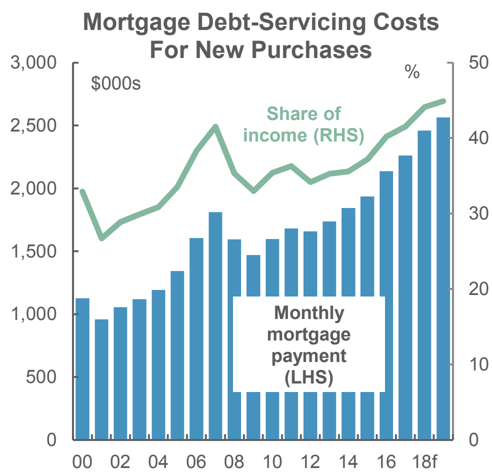
CANADA'S HOUSING CYCLE HAS LIKELY PEAKED

Deteriorating housing affordability, moderately higher borrowing costs, and consecutive rounds of regulatory policy changes have moderated national resale activity. Much of the recent slowdown in sales and softening in prices has been concentrated in the Greater Toronto Area and surrounding municipalities, and follows the implementation of a series of provincial measures in the spring of 2017. Activity in the region is showing tentative signs of stabilizing, which implies that market sentiment has now largely adjusted to these latest rule changes.

Low unemployment and strong household formation reinforced by ageing Millennials and high immigration remain supportive of housing demand, further buttressed by international capital inflows. Nonetheless, we anticipate some moderation in home sales over the forecast horizon, as rising borrowing costs and tougher mortgage-qualification criteria lead to some further erosion in affordability, especially for first-time buyers in major urban markets. Under our base-case forecast for interest rates, and assuming relatively stable home prices, average mortgage carrying costs for new buyers are projected to rise by about 8% in 2018 and by a further 4% in 2019, easily outpacing average annual per capita household income growth of around 2.5% (chart 5). Further rule changes, including more stringent stress tests for uninsured mortgages, are expected to be unveiled later this year and would exert additional drag on new buyers.

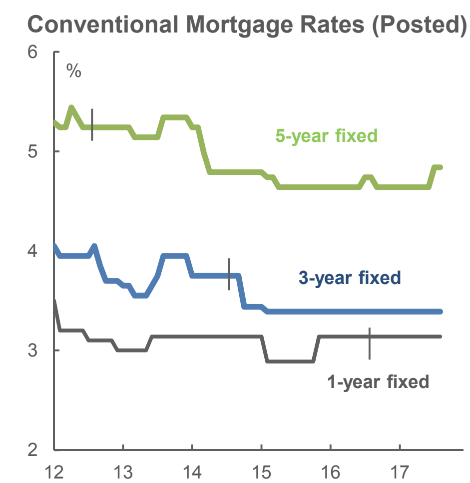
Existing mortgage holders, which account for only about a third of Canadian households, have some insulation from rising rates. The majority of mortgages in Canada are fixed-rate, with the 5-year term by far the most popular. As a result, rising borrowing costs feed through only gradually to mortgage holders. In fact, a majority of fixed-rate mortgages coming due in the near term will roll over at interest rates comparable to, or lower, than those that have been paid since origination (chart 6). Many households with sufficient home equity may also be able to extend their amortization periods to lower monthly debt-servicing costs further.

Chart 5



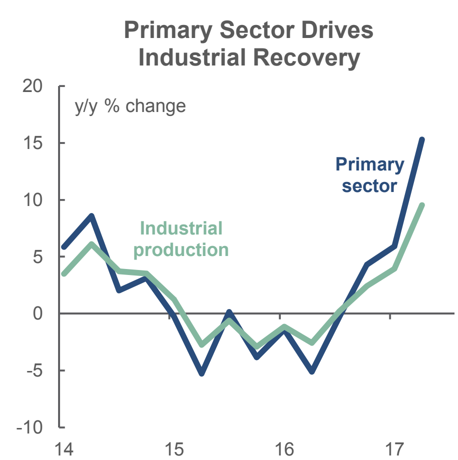
Source: Scotiabank Economics.

Chart 6



Sources: Scotiabank Economics, Bank of Canada.

Chart 7

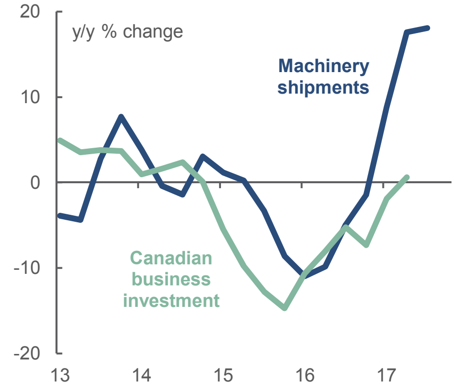


Sources: Scotiabank Economics, Statistics Canada.

New home construction and renovation activity remain elevated, but are expected to trend lower as resale-market conditions cool. Housing starts are forecast to total a five-year high of 212,000 units in 2017, before slowing to 198,000 and 188,000 units, respectively, in 2018 and 2019 (table 2 again)—even with increased demand from Millennials ageing into their prime household formation years and still-high international immigration rates. Our above-consensus forecast for 2018 takes into account the current elevated level of permits trending around 230,000, record pre-construction condo sales in Toronto, affordable housing initiatives in some provinces, and rebuilding in Alberta. The resulting reduction in residential investment will be felt broadly, with negative spillovers to a range of goods and service industries, including manufacturing, retail and wholesale trade, transportation, and professional services.

Chart 8

Soaring Machinery Demand Points to Rebounding Investment



Sources: Scotiabank Economics, Statistics Canada.

PRIMARY SECTOR REVIVAL

Industrial activity is advancing at its fastest pace in six years, led by 10.1% growth of volumes in the primary sector (chart 7). The volume of oil and gas extraction year-to-date has expanded by 22% y/y, while mining output is reviving alongside strengthening global demand. For example, Canadian metal export volumes have accelerated to a 12% y/y gain in the last three months, reversing nearly two years of declining shipments. This trend is also evident across other metal-producing countries and reflects an upturn in business investment as global growth synchronizes. Capital expenditure growth among the advanced OECD economies picked up to 3.7% y/y in Q2, double the pace of the total annual expansion in 2016. Most of Canada’s mining exports are sent outside of North America, with less than 20% directed to the US. This provides a more direct perspective on strengthening global economic activity compared with data on overall Canadian merchandise exports since more than 70% of these merchandise exports are shipped to the United States.

DECADE-HIGH OPERATING RATES LIFT MACHINERY DEMAND

A broadly-based upturn is also underway for Canadian manufacturers, with industrial operating rates on the rise and a growing order backlog helping to lift business confidence to one of its highest levels of recent decades. Machinery and shipbuilding are leading the output gains, with domestic demand for manufactured products outpacing export growth for the first time in several years. An improving economic backdrop and rising profitability are leading a growing number of companies to increase their capital spending plans, resulting in a 17% y/y increase in Canadian machinery shipments to date in 2017 (chart 8).

Table 1

Quarterly Canadian Forecasts	2017			2018				2019			
	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
Economic											
Real GDP (q/q ann. % change)	4.5	2.3	2.2	1.7	1.7	1.6	1.6	1.4	1.4	1.3	1.3
Real GDP (y/y % change)	3.7	3.3	3.2	2.7	2.0	1.8	1.6	1.6	1.5	1.4	1.4
Consumer prices (y/y % change)	1.3	1.4	1.5	1.6	1.8	2.0	2.0	2.0	2.0	2.1	2.1
CPI ex. food & energy (y/y % change)	1.4	1.5	1.5	1.6	1.8	1.9	1.9	1.9	1.9	1.9	1.9
Avg. of new core CPIs (y/y % change)	1.4	1.5	1.5	1.6	1.8	1.9	1.9	1.9	1.9	1.9	1.9
Financial											
Canadian Dollar (USDCAD)	1.30	1.20	1.20	1.18	1.18	1.15	1.15	1.17	1.17	1.20	1.20
Canadian Dollar (CADUSD)	0.77	0.83	0.83	0.85	0.85	0.87	0.87	0.85	0.85	0.83	0.83
Bank of Canada Overnight Rate (%)	0.50	1.00	1.25	1.50	1.50	1.75	1.75	2.00	2.00	2.00	2.00
3-month T-bill (%)	0.71	1.00	1.30	1.55	1.60	1.80	1.85	2.05	2.05	2.05	2.05
2-year Canada (%)	1.10	1.52	1.75	1.85	1.90	1.95	2.00	2.05	2.05	2.10	2.10
5-year Canada (%)	1.39	1.75	2.00	2.05	2.10	2.15	2.20	2.25	2.25	2.30	2.35
10-year Canada (%)	1.76	2.10	2.20	2.25	2.35	2.45	2.60	2.70	2.75	2.80	2.80
30-year Canada (%)	2.15	2.48	2.50	2.55	2.60	2.75	2.90	2.95	3.00	3.05	3.10

Sources: Scotiabank Economics, Statistics Canada, Bloomberg.

The rebound in machinery demand is strongest in Alberta, with shipments to the primary sector year-to-date surging around 46% y/y through July. However, the comeback is spread across most provinces, and reflects the highest nationwide industrial operating rate of the past decade. Demand for industrial machinery has increased 25% y/y in Ontario this year to date, and is also reviving quickly in British Columbia. Order growth is even stronger, which is lifting the sector's backlog to record highs. The machinery sector now accounts for 10% of Canada's overall manufacturing backlog, roughly double its share of current shipments.

AN EXPORT BOUNCE

In the second quarter of the year, Canadian exports posted their best performance since late-2011 as nearly every major export sector recorded gains. The slight rebound in oil prices, with WTI oil currently trading at around USD 50, has boosted the value of Canada's resource-sector exports (chart 9). While trading at nearly two times its early-2016 trough of USD 26, WTI oil is still selling well below its mid-2014 high of USD 107. At the same time, rising domestic investment has allowed capacity-constrained manufacturing sectors to take advantage of stronger growth across industrialized and emerging economies and increase their foreign sales. The third quarter is likely to see a brief pause in this trend owing to the temporary closure of some Canadian auto plants for retooling, but exports should resume their recent expansion as these factories come back online.

Despite the recent boost in exports, Canada's monthly trade deficit remains fairly high at just over CAD 3 bn in July, though is expected to contract towards the end of year, pushing the country's current account deficit below 3% of GDP for the first time since 2014, and continue to shrink in the coming years (table 2). Yet, with the loonie projected to appreciate further, firms may take advantage of the stronger currency to import capital goods and consumers' extended shopping spree might get a last boost, which may together prevent a faster narrowing of the merchandise trade balance.

HEAVIER RELIANCE ON FOREIGN FINANCING

External trade deficits have to be financed, and portfolio flows into Canadian securities picked up from late-2015 and pushed net foreign purchases of Canadian assets to a year-to-date record of CAD 124 bn at end-July (chart 10). The financial sector's increasing reliance on wholesale finance from abroad has driven about half of new Canadian corporate bond issuance this year (chart 11).

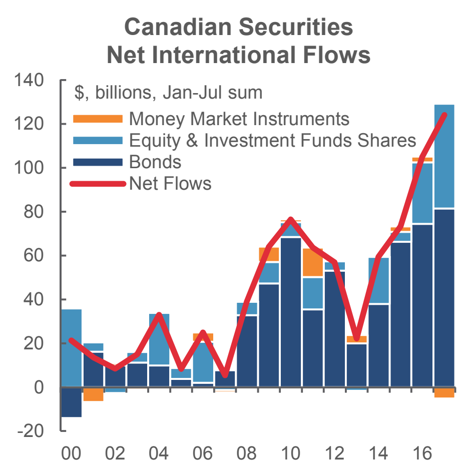
THE CHALLENGE OF SUSTAINING A DIMINISHED FEDERAL DEFICIT

Ottawa's final 2016–17 deficit widened to CAD 17.8 bn from the modest one billion dollar shortfall in 2015–16, but this still represents a substantive improvement of more than CAD 5 bn compared with the original *Budget* estimate (excluding the CAD 6 bn risk adjustment) and the government's forecast last March. Revenues were CAD 1.4 bn higher than the government projected in March, but the CAD 3.8 bn shortfall in spending, due in large part to delays, was even bigger. Looking ahead, a desire to stabilize or even trim future budget shortfalls will make it difficult for the federal government to carry forward the spending delayed from fiscal 2016–17. For the current fiscal year, 2017–18, stronger nominal GDP growth in calendar 2017 should help hold the deficit around CAD 17.0 bn (excluding the adjustment for risk), albeit with some offset from higher-than-projected interest rates.

Chart 9

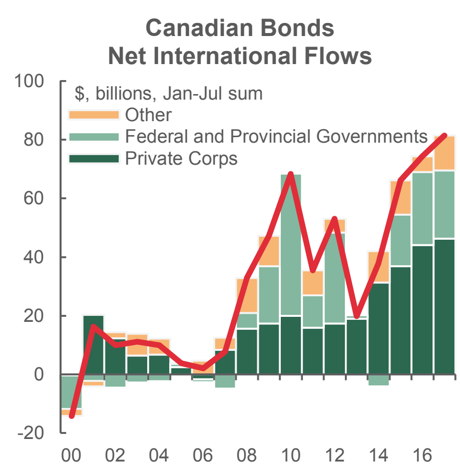
Sources: Scotiabank Economics, Statistics Canada.

Chart 10



Sources: Scotiabank Economics, Statistics Canada.

Chart 11



Sources: Scotiabank Economics, Statistics Canada.

For 2018–19 and 2019–20, however, as the federal government returns to the polls, the stakes will be higher to make further progress on narrowing the budget shortfall. The anticipated moderation in Canadian growth during calendar 2018 and 2019, in line with the *Budget* assumptions tabled last March, will make this more challenging. Trimming the annual deficit toward CAD 15 bn by the end of the decade will likely require some significant expenditure re-profiling, with big-ticket infrastructure projects one option for doing so.

In most Provinces, 2017's upbeat growth is likely to yield significant additional revenue during fiscal 2017–18, but the surge is likely to be short-lived as provincial output growth slows in 2018 and 2019. General sales tax and land transfer revenues, for example, will be quite sensitive to the forecast decline in housing starts and moderating home sale transactions. Thus, the better-than-expected 2017–18 results do not substantively alter the Provinces' challenge of sustaining balanced books in later years.

Table 2

Canada	2000–16	2016	2017f	2018f	2019f
	(annual % change, unless noted)				
Real GDP	2.1	1.5	3.1	2.0	1.5
Consumer spending	2.9	2.3	3.5	2.0	1.6
Residential investment	3.7	3.0	2.7	-1.3	-1.2
Business investment	2.1	-7.8	1.7	3.7	2.7
Government	2.2	1.8	1.9	1.8	0.9
Exports	1.3	1.0	3.0	3.8	3.1
Imports	2.8	-0.9	3.9	3.1	2.7
Nominal GDP	4.2	2.1	5.6	4.2	3.9
GDP Deflator	2.1	0.6	2.4	2.2	2.4
Consumer price index (CPI)	1.9	1.4	1.5	1.9	2.1
CPI ex. food & energy	1.6	1.9	1.6	1.8	1.9
Pre-tax corporate profits	3.3	-4.5	22.0	5.0	1.0
Employment	1.3	0.7	1.7	1.0	0.8
Unemployment rate (%)	7.1	7.0	6.5	6.3	6.3
Current account balance (CAD bn)	-17.0	-67.0	-60.9	-58.2	-52.2
Merchandise trade balance (CAD bn)	25.1	-26.0	-17.1	-17.1	-14.2
Federal budget balance* (FY, CAD bn)	-2.8	-1.0	-17.8	-17.0	-16.0
percent of GDP	-0.2	0.0	-0.9	-0.8	-0.7
Housing starts (000s)	199	198	212	198	188
Motor vehicle sales (000s)	1,657	1,949	2,000	1,980	1,950
Industrial production	0.5	-0.3	5.9	2.1	1.0
WTI oil (USD/bbl)	63	43	50	52	56
Nymex natural gas (USD/mmbtu)	4.94	2.55	3.08	2.85	3.00

Sources: Scotiabank Economics, Statistics Canada, CMHC, Bloomberg. * Canadian federal forecast for FY18 & FY19 excludes risk adjustment.

RISKS TO A RENEWED FOCUS ON PRODUCTIVITY

The recent conclusion in Ottawa of the third round of tripartite talks on the North American Free Trade Agreement (NAFTA) left Canadian negotiators still waiting to receive draft text from the US side on their proposed changes to major elements of the accord such as rules of origin and dispute-settlement mechanisms. These delays continue to augur for one of two possible outcomes: a conclusion to the talks by the end-2017 target date that results in only limited changes to the agreement; or, an extension of the talks beyond 2018's election season with prospects for major changes in 2019 just as constrained. Even if our expectation that NAFTA remains intact is realised, an elongated period of negotiations, combined with other potential American trade actions on softwood, steel, aluminum, solar panels, and jet aircraft, among other potential targets, would increase uncertainty and put a damper on both domestic and foreign direct investment into Canada.

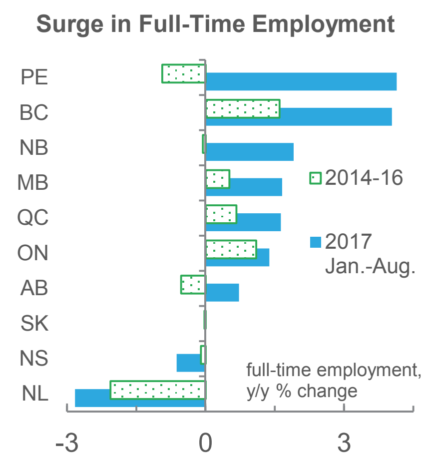
This potential pall on investment comes right as Canada pivots from a period of emergency monetary accommodation and recession-fighting fiscal stimulus to a post-crisis economic footing, where well-placed capital expenditure will be needed to raise estimates of our relatively low potential growth rate from 1.7%, back to pre-2008 rates closer to 2.0%. Once the uncertainty posed by the NAFTA talks has passed, Canada's longer-term prosperity will hinge critically on turning our national conversation toward finding the right mix of private and public investment to put our economy on a sustained path toward faster long-term growth.

The Provinces

- **In 2017, Alberta, after a steep two-year decline, and British Columbia are forecast to lead elevated provincial growth. In 2018–19, as consumption and housing cool, projected provincial growth is more balanced, with a greater reliance on exports and business investment in most regions.**
- **External opportunities, including CETA and US trade/tax developments, add to the provincial governments' heavy domestic policy agenda.**

This year's consumer spending surge continues across Canada with retail sales through July rising more than 5% y/y in the Maritimes, Central Canada and the two westernmost provinces. Driving stronger spending in most provinces is the rise in full-time employment, led by BC's and Prince Edward Island's 4% y/y gains through August (chart 1). Hiring is turning up in Alberta, unleashing some pent-up spending demand; modest job creation is around the corner in Saskatchewan, but employment remains weak in Newfoundland and Labrador as major resource projects are completed. The slow emergence of real purchasing power for households is uneven this year across the provinces, but it is expected to become more widespread, albeit modest, over the next year. Personal tax relief is anchoring Quebec's 2.2% first half increase in real household consumption versus the latter half of 2016 and BC's hefty 9.3% retail sales gain through July. Tourism also is boosting local spending, with international travelers up more than 2% through July in Nova Scotia, Central Canada, Alberta and British Columbia.

Chart 1

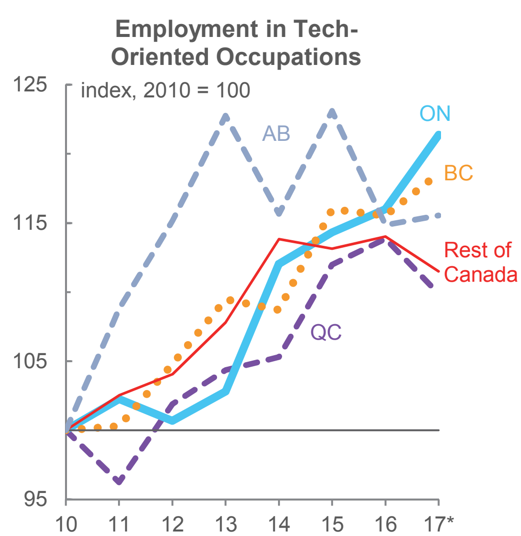


Source: Statistics Canada.

In contrast to Greater Vancouver and Ontario's Greater Golden Horseshoe, a number of cities such as Halifax, Winnipeg and Ottawa are witnessing moderate average home price gains of 3%–6% to date this year. Housing starts continue to surprise on the upside, driven by seven provinces ahead of their 2016 levels, and housing completions will add to durable goods sales into 2018. But just as historically low interest rates have emboldened consumer expenditures in recent years, the withdrawal of monetary stimulus, combined with other regulatory tightening, is expected to instill increasing consumer caution through 2019.

Although energy products dominate this year's national gain in exports, pockets of strength include mining and machinery shipments from Quebec and Western Canada. For Ontario, these gains partially offset some weakness in motor vehicles and parts plus metals. Early indicators point to rebounding machinery & equipment investment in many regions. Quebec reports a 7.5% real machinery & equipment investment gain in the first half of 2017 relative to the second half of 2016.

Chart 2



*Jan.-Aug. Source: Statistics Canada.

Supporting job creation and incomes is a range of business services, from financial institutions to information technology. Professional, scientific and technical services employment is up more than 4% through August in five provinces. Acknowledging that technology is driving change across most industries, we have traced technology-oriented occupations in natural and applied sciences (e.g., engineers, information systems and computer software specialists). In these occupations, Ontario and BC have recently demonstrated significant employment strength, while a rebound is occurring in Alberta as oil & gas-related activity recovers (chart 2). Weekly wages for these occupations were 147% higher than the national average across all occupations in 2016, testifying to their economic contribution.

For provincial governments, the forecast period promises multiple layers of change. Federal policy objectives are propelling adjustments—from an increased focus on mental health issues and home care via the *Health Accords* to a renewed emphasis on attracting skilled immigrants to carbon pricing in all Provinces and Territories as of January 2018. Provinces and municipalities are struggling to make life more "affordable" for their residents, hampered in some jurisdictions by escalating power prices and in the future by the cost of operating and maintaining the extensive new infrastructure now under construction. Provincial economic development programs focused on building exports face the opportunities offered by the *Comprehensive Economic and Trade Agreement* with Europe and the uncertainties inherent in the current NAFTA renegotiations.

In the anticipated environment of rising interest rates, the Provinces' success post-recession in lengthening the term of their debt is expected to offer some insurance. But the resolution of other concerns, such as rising health care costs from an expanding Seniors cohort, is ongoing as new issues emerge, such as the opioid crisis. Careful provincial expenditure management will continue to be required to achieve sustainable black ink, even though five Provinces forecast surpluses for the current fiscal year and several other Provinces are making substantive progress in narrowing their *Budget* gaps.

Table 1

The Provinces (annual % change except where noted)

Real GDP	**CA**	**NL**	**PE**	**NS**	**NB**	**QC**	**ON**	**MB**	**SK**	**AB**	**BC**
2000–16	2.1	2.5	1.8	1.3	1.2	1.7	2.0	2.4	1.9	2.6	2.7
2016p*	1.5	1.9	2.4	0.9	1.4	1.7	2.6	2.4	-1.0	-3.8	3.7
2017f	3.1	-1.6	1.6	1.5	1.2	2.8	3.1	2.6	2.0	3.8	3.5
2018f	2.0	-0.4	1.4	1.2	0.9	1.9	2.2	2.0	1.8	2.1	2.3
2019f	1.5	0.7	1.1	0.8	0.5	1.5	1.7	1.5	1.6	1.7	1.7
Nominal GDP											
2000–16	4.2	5.4	4.3	3.3	3.2	3.6	3.9	4.4	5.4	5.7	4.5
2016e	2.1	-0.1	3.7	2.4	2.5	3.0	4.2	3.7	-3.5	-6.0	5.4
2017f	5.6	2.8	3.6	3.5	3.2	4.8	5.4	4.7	5.2	7.5	5.9
2018f	4.2	2.8	3.3	2.9	2.7	3.8	4.4	3.9	4.1	4.5	4.5
2019f	3.9	3.7	2.9	2.6	2.3	3.5	3.9	3.5	4.1	4.6	3.9
Employment											
2000–16	1.3	0.8	1.0	0.6	0.4	1.3	1.3	0.9	1.1	2.3	1.4
2016	0.7	-1.5	-2.3	-0.4	-0.1	0.9	1.1	-0.4	-0.9	-1.6	3.2
2017f	1.7	-3.7	3.0	0.6	0.4	2.1	1.4	1.3	0.2	1.1	3.6
2018f	1.0	-1.0	0.2	0.2	0.2	0.9	1.1	0.7	0.6	0.9	1.2
2019f	0.8	-0.5	0.4	0.2	0.2	0.8	0.9	0.5	0.6	0.9	1.0
Unemployment Rate (%)											
2000–16	7.1	14.3	11.2	8.8	9.6	8.0	7.1	5.1	5.0	5.1	6.6
2016	7.0	13.4	10.7	8.3	9.5	7.1	6.5	6.1	6.3	8.1	6.0
2017f	6.5	14.8	10.0	8.2	8.3	6.2	6.2	5.5	6.2	8.1	5.4
2018f	6.3	15.1	10.0	8.0	8.1	6.0	6.0	5.4	6.0	7.8	5.2
2019f	6.3	15.2	9.9	7.9	8.1	5.9	6.0	5.2	5.9	7.6	5.1
Housing Starts (units, 000s)											
2000–16	199	2.6	0.7	4.3	3.5	44	71	5.1	5.2	34	28
2016	198	1.4	0.6	3.8	1.8	39	75	5.3	4.8	25	42
2017f	212	1.2	0.9	4.1	1.7	42	81	7.2	4.8	29	40
2018f	198	1.1	0.7	3.8	1.8	39	75	6.0	4.7	28	38
2019f	188	1.2	0.7	3.7	1.7	36	71	5.9	4.6	27	36
Motor Vehicle Sales (units, 000s)											
2000–16	1,657	29	6	48	38	413	635	47	45	216	180
2016	1,949	33	9	54	44	458	807	55	51	220	218
2017f	2,000	31	8	54	42	456	822	59	59	245	224
2018f	1,980	29	7	54	41	450	812	58	60	248	221
2019f	1,950	28	7	53	40	444	788	58	61	253	218
Budget Balances, Fiscal Year Ending March 31 (CAD mn)											
2000–16**	-2,803	-75	-38	-30	-153	-821	-5,115	-142	360	1,064	319
2016	-987	-2,207	-13	-13	-261	2,191	-3,515	-839	-675	-6,442	811
2017f	-17,770	-1,080	-18	150 †	-119 †	250	-991 †	-764 †	-1,354 †	-10,784 †	2,737 †
2018f***	-17,000	-778	1	132	-156	0	0	-840	-685	-10,288	246
2019f***	-16,000	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Sources: Scotiabank Economics, Statistics Canada, CMHC, Budget documents. * Real GDP by industry at basic prices. ** MB:FY04–FY15; AB:FY05–FY15; SK:FY15–FY18f: ex. accrual adjustment for pension expense. *** Canadian federal forecast for FY18 & FY19 excludes risk adjustment. † Final FY17; other FY17 & FY18: Provinces' estimates.