Quarterly Economic Forecast

Economic Outlook Gets a Shot in the Arm

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As we did last quarter, this quarter's economic update is in Q&A format. We have posed (and answered) the questions that we deem most relevant to the economic outlook, starting with vaccine rollouts and fiscal stimulus. From there we delve into the outlook for consumer spending, commodity prices and inflation and the impact these could have on financial markets. This is followed by a discussion of the disparate impact of the COVID-19 shock on the labour market and the key risks to watch out for over the next year. Economic and financial projections are contained on pages 12 through 15.

Questions & Answers

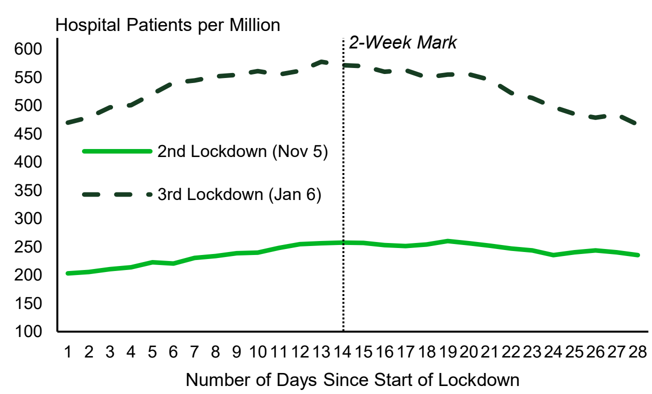
Q1. What can be learned from Israel and the UK's early successes in vaccine administration?

- Global growth forecasts have long hinged on the path of the virus, which in turn depends on vaccine distribution. A smooth vaccine roll-out is a necessary condition for economic recovery, but not a sufficient one for full normalization, at least in the short run (see report).
- Early data from Israel and the United Kingdom show that vaccines are working. Israel's experience shows that a single dose was 85% effective against the virus, while full vaccination was up to 96% effective in stopping severe disease. Compared to the mid-January peak, the UK's hospitalization rates have come down roughly 67% versus 55% in Israel.
- The latest data from Israel indicate that the decline in cases among the elderly (-79%), who were first in line for the vaccination, have been more pronounced than the decline among the younger population (-42%). Since both the elderly and the young saw a similar decline during Israel's September lockdown, this suggests that the divergent drop this time around can be attributed to the vaccine. Even in the UK, hospitalizations dropped slightly faster after the third lockdown compared to the second one (Chart 1).
- Israel and the UK's experiences tell us that hospitalization stress related to COVID-19 can be more quickly reduced by focusing vaccinations exclusively on the elderly and others most at risk of developing extreme disease. Until the elderly are vaccinated, anything that encourages gatherings of younger people should be managed carefully. Communities and groups that are at greater risk of spreading the virus should be the focus of higher frequency and accessible testing.
- Herd immunity is not a necessary condition for easing restrictions, but continued uncertainties on the vaccine front – the impact of new variants, the effect on transmission, and the risks associated with higher vaccine reluctance among younger age cohorts – mean that timely, targeted and temporary restrictions will likely remain in place for some time.
    - Israel and the UK are cases in point. Israel came out of lockdown on February 7 – once it had vaccinated 41% of its population – but has kept restrictions on gathering sizes and capacity at restaurants and spectator events. Similarly, the UK, which had vaccinated 33% of its population when it came out of a three-month full lockdown on March 8, has left restrictions in place until June 21.

Q2. How has the global economic outlook shifted amid new virus variants and vaccine distribution?

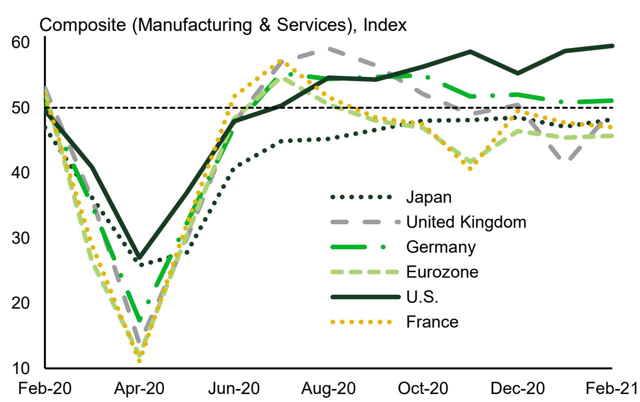
- Its been a slow start to 2021. The post-holiday surge in cases and subsequent restrictions have kept the recovery in check. But spring is around the corner. Beyond the first quarter, widespread vaccine distribution combined with additional policy support in some advanced economies (AEs) should propel faster economic momentum in the second half of this year.
- Relative to our December forecast, we expect faster global growth over the next two years. Amid continued uncertainty, we now expect global growth to rise

Chart 1: UK Hospitalizations Have Dropped at a Faster Rate after the 3rd Lockdown than the 2nd Lockdown



Source: OWID, TD Economics.

Chart 2: Renewed Lockdowns Hammer Europe's Economy



Note: Below 50 = a majority of businesses reported a contraction.
Source: Bloomberg, TD Economics.

by 6.0% (5.5% previously) in 2021 and 4.8% (4.4% previously) in 2022.

- Fortunately, cases are now in decline and lockdowns are expected to ease in the weeks ahead. However, in Europe's case, this is likely to occur too late to prevent another moderate economic contraction in the first quarter (Chart 2).
- The upward revision in global growth primarily comes from the U.S., Japan and EMs excluding China. Both the U.S. and Japan have announced massive new fiscal support measures. Japan's hosting of the summer Olympics will also support economic activity. Meanwhile, EMs are benefiting from relatively few restrictions, rising commodity prices, recovering global trade and accelerated vaccinations thanks to the COVAX facility.
- Europe and UK's 2021 growth has been revised downwards. Europe's slow vaccine administration and high vaccine skepticism will delay its full reopening until the second half of this year. Even when the economy reopens, cross-border travel restrictions will continue to limit the recovery. Meanwhile, despite running a successful vaccination program, restrictions in the UK are expected to last until end-June. The UK also has a deeper hole to climb than most other AEs. This is due to it suffering a deeper contraction compared to other AEs.
- China has completed its V-shaped recovery. But there are signs that growth has peaked; manufacturing PMI is at a nine-month low, goods and housing sales have leveled off, retail sales have slowed, and commodity imports are falling. Meanwhile, recent moves by the People's Bank of China are hinting at tighter monetary policy in the coming months. In combination, these factors will restrain momentum in China's economy and may slow the rebound in the rest of the world, which relies in part on healthy Chinese growth.

Q3. To what extent do vaccines and fiscal stimulus drive up U.S. growth prospects?

- The U.S. forecast has been upgraded substantially since December, thanks to significantly more fiscal support than we included at that time. Shifts in the vaccine rollout have had less of an impact in changing our view.
- We had assumed a relatively optimistic vaccine rollout at the time of our previous forecast, expecting the vulnerable population to receive at least one dose of vaccine by the second quarter. The U.S. remains on track to hit this target. This should accelerate a drop in hospitalizations and carve the path for a more sustainable lifting in restrictions. With the country administering over two million vaccinations per day, 19% of the population has already received at least one dose. This is in line with our December baseline assumptions.

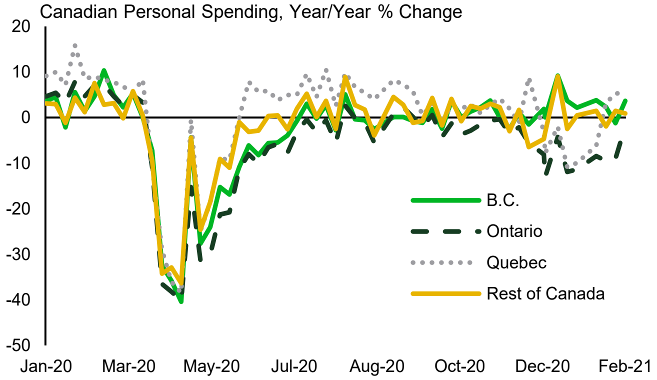
Table 1: Summary of Biden's American Rescue Plan Act

Key elements	Amount ($, bn)
Direct payments of $1400/person*	410
State and local government aid	350
Unemployment benefits ($300/week to Sept.)	289
Transportation, infrastructure, financial services, other education and labor	268
Assistance for Small Businesses, Pensions, Expanded health benefits for workers and premium tax credits	217
Expanded Child Tax Credit, Earned Income Tax Credit and various others	159
Re-open K-12 Schools	129
Testing, tracing & vaccines	122
Total	**1.9 trillion**

*Individual incomes below $75k, and their dependents.
Source: Tax Foundation, TD Economics.

- The larger shift in our outlook has come from fiscal policy, with the upgrade to growth coming in two steps. In late December, Congress passed a $900 billion relief package, larger than the $400 billion package that we embedded at the time we published our previous forecast. The $600 per person in direct payments have already boosted consumer spending in January, resulting in notable upgrades to economic growth in the first quarter.
- With the $1.9 trillion American Rescue Act passed into law, real GDP is now projected to expand by 5.7% in 2021, up from 4.1% in December (Table 1, for additional details see report). As a result, the unemployment rate will push lower over the next two years, reaching 3.8% in 2022. With the direct payments to consumers and emergency unemployment benefits flowing mainly in 2021, the boost in 2022 is smaller, with real GDP growth upgraded to 4.2% from 3.3% in December.

Chart 3: Easing Restrictions Spur Spending in Ontario and Quebec in February



Source: TD Economics. Last observation: February 26, 2021.

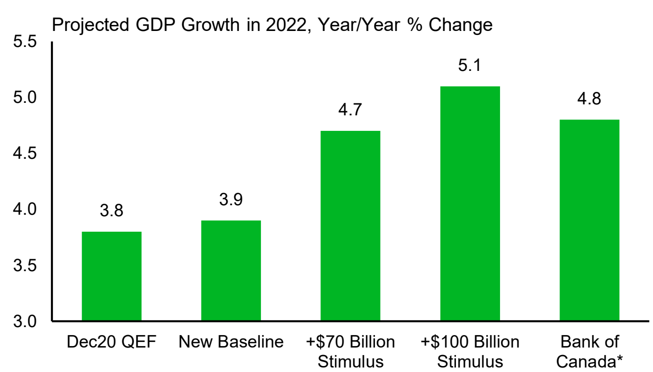
Q4. Is Canada's economy poised to lag amid stricter lockdowns and a slower vaccine rollout?

- The Canadian economy has shown resilience in the face of the second wave of the pandemic and renewed restrictions. Despite provinces enacting tougher measures to control the spread of the virus, GDP advanced 9.6% (annualized) in the fourth quarter, well above consensus expectations of 7.5%. In addition, according to Statistics Canada's flash estimate, output is on track to grow by 0.5% month-on-month in January, setting the stage up for a solid advance of 3.8% in the first quarter of 2021.
- This is not to say that economic growth in Canada has been impervious to the impact of the second-wave restrictions. In January, TD Spend data show that provinces with the tightest restrictions — Ontario and Quebec — saw a considerable drop in household expenditure compared to those that did not. But as some restrictions were lifted in February, consumption growth improved in both provinces. Quebec, in particular, has skipped past all other provinces, recording the largest consumption gains to end February (Chart 3).
- Beyond the first quarter, the economic forecast is highly dependent on the pace of the vaccine rollout and virus developments. Given the recent hiccups in distribution, governments are likely to lift restrictions more slowly than what we had anticipated in our December projection. In addition, health concerns could continue to weigh on consumer and business spending activity. As a result, instead of bursting to life, we expect economic activity to ramp up through the second quarter. Under the assumption that the vulnerable population is inoculated, and hospitalizations continue to move lower, growth is expected to average 5.3% in the second half of the year.
- Given the stronger starting point, output is now forecast to return to its pre-pandemic level in the third quarter, a quarter earlier than our December projection. On an annual basis, we have revised up our forecast from 4.9% to 6.0% growth for the Canadian economy in 2021.
- Economic momentum is expected to carry into 2022 as the hardest hit industries heal from the impacts of the pandemic. This results in a solid showing of 3.9% growth for GDP in 2022.

Q5. How might Canada's upcoming budget season influence the economic outlook?

- In the 2020 Fall Economic Statement (FES), the federal government outlined a number of steps to support the economy during and after the pandemic period. The FES provided details on the future of current support measures (Canada Emergency Wage Subsidy and other income supports), but notably left $70-$100 billion in funds unallocated over the next three years. Given the scant details, our baseline forecast does not include this stimulus and this creates upside risk to our 2022 outlook.
    - Under the assumption that $70 billion of funding begins to flow through to the economy in early 2022 and is equally distributed over three years, GDP growth could rise to 4.7% from our baseline assumption of 3.9%. If the stimulus is increased to

Chart 4: Stimulus Could Provide Significant Boost To Growth in 2022



*Bank of Canada estimate in Monetary Policy Report, January 20, 2021.
Source: Bank of Canada, TD Economics.

$100 billion, GDP growth next year could reach 5.1% (Chart 4).

- There is considerable uncertainty around these estimates as the impact of the stimulus will depend on the structure of the programs. For example, direct government transfers to low income households could spur stronger spending, but infrastructure spending may be spread over several years and be slow to rollout into allocated projects. The spring budget should allow us to better imbed the planned stimulus into our forecast.

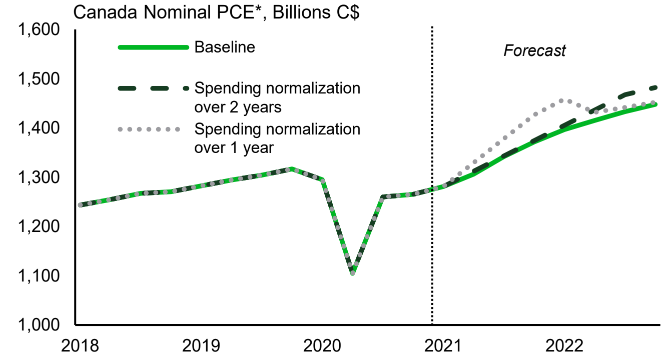
- More broadly, governments in Canada face a difficult balance between providing exit plans from last year's historic deficits without compromising the recovery process (see report). At the provincial level, Alberta's 2021 budget provided a first glimpse of what to expect, with its projected deficit for FY 2021-22 revised upwards from its fall estimate partly reflecting cautious planning assumptions. A number of other governments will likely follow Alberta's lead in raising near-term deficit estimates. On the flip side, the strong improvement in the growth outlook could pave the way for upside surprises on the revenue side of the ledger.

Q6. How much upside risk to consumer spending from excess savings?

- Thanks to unprecedented government income support measures, and relatively stronger employment gains for higher-wage professionals, income growth has not followed the typical recession script. Instead of falling, U.S. real disposable income grew by an annual average of 5.8% in 2020. On top of that, the U.S. personal saving rate remains well above pre-pandemic levels at 20% in January 2021, lifted by the $600 payments from Washington. We estimate that over the course of 2020, roughly $1.6 trillion in additional savings was accumulated over 2019 levels.

- While saving is not evenly distributed and appears largest among higher-income households (with lower propensity to consume), even if only a portion is spent, it could see consumer spending rise above our current forecast. Assuming 25% of this nest egg is spent on consumer goods and services over the next two years, the level of personal consumption would be 1.5% higher than our baseline by the end of 2022.

Chart 5: Significant Upside to Consumption This Year and Next



*Seasonally adjusted at annual rate. Note: Each normalization scenario assumes 25% of 2020 excess savings will be spent over that respective time period.
Source: Statistics Canada, TD Economics.

- Indeed, excess savings are set to increase as Americans who earn less than $75,000, and their dependents, are set to receive $1,400 payments as a result of the American Rescue Act (see Table 1). Payments phase out by $80,000 in income for single tax filers, $112,500 for heads of household and $150,000 for dual-earning couples. Because the payments are targeted, there is a higher likelihood more will be spent, but further savings will present an upside risk to consumer spending down the road.

- Like the U.S., the consumer offers upside risk to the Canadian economic outlook by saving at a far higher rate compared to pre-pandemic norms. The combination of fiscal supports and constrained spending due to government restrictions has caused households to accumulate up to $200 billion (9% of GDP) in excess savings in 2020.

- In our baseline forecast, we assume a very gradual normalization of the savings rate with households only drawing down 10% of their excess savings for consumption purposes over the next two years (Chart 6). In this scenario, consumption grows by roughly 5% annually in 2021 and 2022. If, however, there is a faster reversion to pre-pandemic spending-to-savings patterns and consumers dip into their built-up savings to finance household spending, Canada's economic recovery could be turbocharged. Chart 6 also shows two alternative scenarios where this normalization occurs over one-year and two-year time frames. In each, households spend 25% of their accumulated savings over the respective period, resulting in consumption growth one percentage point higher than our baseline forecast over 2021 and 2022.

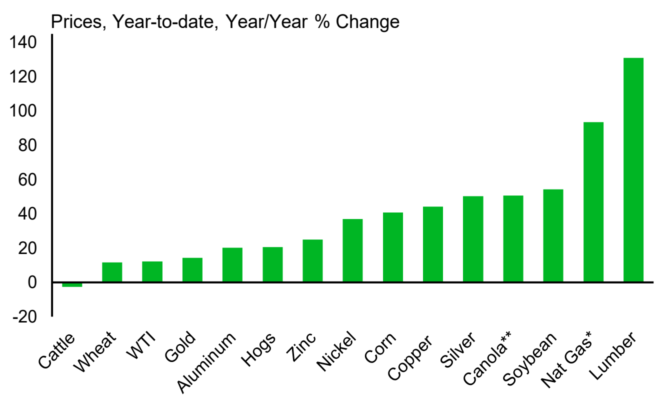
Q7. Where will commodity prices head following the recent strong rally?

- The stars aligned for commodity prices to stage a speedier-than-expected recovery. In fact, commodity prices are now well above their pre-pandemic levels, with some reaching record highs (Chart 6).
- A confluence of forces is behind the recent bull market. Supply-side constraints have bolstered energy, forestry, base metals, and agricultural markets, complimented by robust China-led demand. More recently, market demand expectations have firmed on global vaccine deployment efforts. Similarly, financial conditions, including a lower trade-weighted U.S. dollar and rising inflation expectations, reignited investor and speculative appetite within the commodity complex. The latter was most visible following the Biden Administration's fiscal policy announcements and the Democratic sweep of Congress.
- The expected rebound in global growth this year should provide a solid underpinning for commodity markets. Oil markets, for instance, should remain well supported by continued OPEC+ discipline and an expectation of robust demand during the summer months. However, caution is warranted. With recent constraints on the supply side expected to wane, a modest pullback from current levels would be reasonable later this year. For instance, plenty of elastic OPEC+ spare capacity remains, with many producers keenly standing by to increase production. Across the commodity complex, more broad-based demand outside of China will be required to maintain current price strength.

Q8. Should we be concerned about inflation?

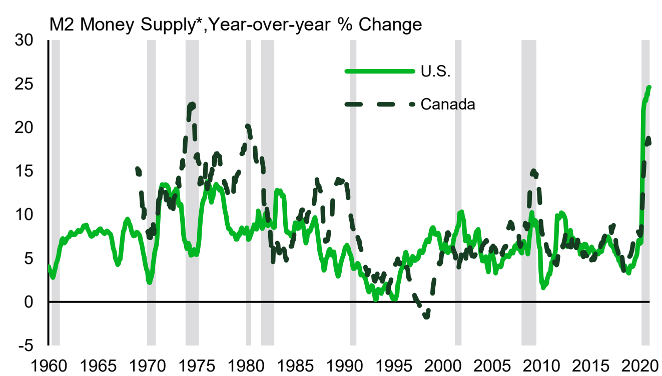
- Upside risks to growth could lift inflation more than we expect. Large fiscal deficits funded by central bank asset purchases have already led to an unprecedented increase in money supply growth (Chart 7).
- Inflation risks will remain muted as long as large swaths of the economy are restricted, but the day may soon be ending. As noted above, the potential for spending to outpace our expectations suggests a real risk of demand exceeding supply, which is the recipe for rising prices. At the same time, stronger growth and inflationary pressures may not result in an immediate reaction from central banks, especially the Federal Reserve, which has committed explicitly to making up for past weakness. This suggests risks tilted more in favour of higher rather than lower inflation over the forecast horizon.
    - On the supply side, service-oriented businesses are likely to have lower capacity once the pandemic has passed. While business failures have been muted thanks to government supports, many have been closed for months and rehiring workers and ramping up capacity may not occur as quickly as demand returns. Indeed, capacity pressures and rising input costs are already being widely noted in purchasing manager and small business surveys.

Chart 6: Commodity Markets on a Tear



*Natural gas prices are Henry Hub cash prices ** Canola prices converted from C$ to US$.
Source: CME, Bloomberg, Random Lengths, WSJ, FT, EIA, ICE, FRB, TD Economics.

Chart 7: High-Powered Money Growth the Fastest in Several Decades



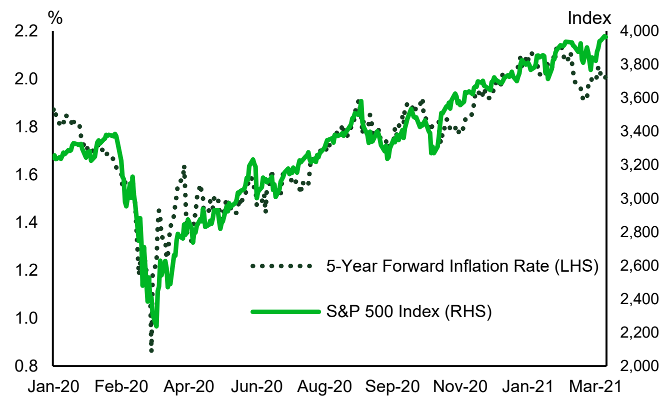
*Currency plus checking, demand, small-time deposits.
Source: Federal Reserve, Bank of Canada, TD Economics.

- Over the longer-term, central banks remain committed to low and stable inflation. Even in the United States where the Fed has committed to allowing it to exceed its 2% target for a time, the blind eye will not last forever. It does suggest, however, a potential earlier exit from easy policy. And, unwinding monetary support in an environment of higher public and private debt loads will be a more difficult task and could lead to more volatility in both financial markets and the real economy than we have seen in recent decades (more on this risk in question 10).
- We should note that inflationary risks are not the same every where. Given the substantial size of fiscal stimulus amidst ongoing economic resilience, upside risks appear highest in the United States. In the Eurozone, headline inflation is expected to temporarily rise this year due to one-off factors. In the medium term, the Eurozone's concern will likely remain too little inflation. Europe's deflationary worries prior to the crisis have been exacerbated by the strengthening Euro, which has risen against both the U.S. dollar and the British pound. A more skewed aging demographic and less general fiscal stimulus to households than the U.S., coupled with a more delayed closing of the output gap, place the balance of risks on the other side of the equation for Europe. These factors combined put the ECB in a tough spot whose policy options are limited to even larger asset purchases. This increases the possibility of a Japanese style de-anchoring of inflation expectations in the Euro Area.
- Canada is somewhere in the middle. The economy was hit harder by the pandemic in 2020 and therefore has a bigger hole to dig out of. At the same time, higher debt levels may be more of a limiting factor for spending growth in Canada than stateside where balance sheets were healthier coming into the pandemic. Still, accommodative fiscal and monetary policy may show up in other forms than consumer price inflation, namely in housing demand, further driving up debt levels and leaving the economy vulnerable to corrections in asset prices.

Q9. How has the financial outlook shifted amid growing confidence in the outlook?

- Faster growth and rising inflation expectations have been a key driver of recent moves in financial markets.

Chart 8: Reflation Trade Boosting Inflation and Risk Assets



Source: Federal Reserve Board, S&P, TD Economics. Last observation: March 16, 2021.

The performance of risks assets has closely followed market-based measures of inflation expectations over the last 10 months (Chart 8). At the start of the health crisis in March 2020, the S&P 500 Index saw a peak-to-trough decline of over 30%, while inflation expectations were pricing an economy that would experience years of low inflation. Since then, the equity market has accelerated past pre-pandemic levels and inflation breakevens (the spread between nominal and inflation-protected securities) have risen above the Federal Reserve's 2% target.

- If the Fed meets its employment and inflation objectives earlier than previously thought, it makes sense that it would raise its policy rate earlier. In light of the significant upgrades to the U.S. outlook, we have pulled forward the start of the Fed rate hike cycle by about six months, to the third quarter of 2023.
- Likewise, market pricing for the Fed's policy rate a decade from now has risen to 1.3%, up from 0.3% in the summer. This move has corresponded with a one percentage point increase in the U.S. 10-year Treasury yield.
- Before any rate hike occurs, the Federal Reserve will need to address its balance sheet policy. Currently the Fed is buying $80 billion in Treasuries and $40 billion in Mortgage-Backed Securities per month, slowing down the rise in bond yields. In the Fed's revamped policy statement, it intends to continue purchases "until substantial further progress has been made toward the Committee's maximum employment and price stability goals." If we assume that this means when unemploy-

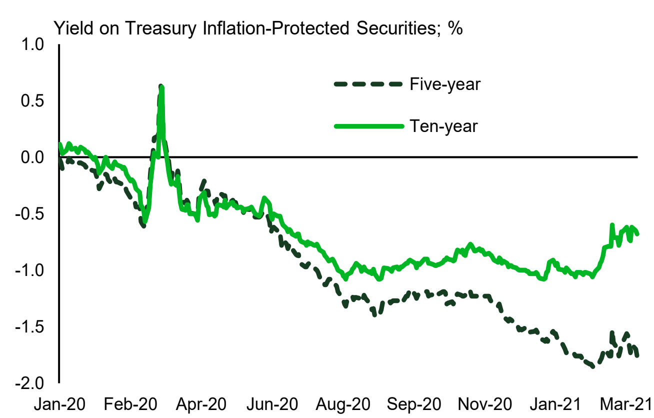
ment has reached its median longer run forecast of 4.1% (contained in the FOMC's quarterly Survey of Economic Projections) and inflation has pushed comfortably above 2%, the program would wind down next year.

- The Fed needs to be careful with its communication on asset purchases. In 2013, when Fed Chair Ben Bernanke casually mentioned that the Fed was considering adjusting QE, markets immediately started pricing the removal of monetary accommodation. Even though the Fed did not adjust policy until January 2014, the rapid shift in expectations caused the 10-year yield to rise from 1.7% in early May 2013, to almost 3% by the beginning of September 2013. Right now, the Fed has expectations pinned down through forward guidance that conveys a central bank that is not thinking about raising rates or adjusting QE. But the moment it changes this communication, it may be accompanied by a swift jump higher in yields.
- We see government yields continuing to move higher, with a year-end target of 1.70% for the 10-year U.S. Treasury yield. This assumes that markets will continue to reprice expectations for the Fed policy rate. As investor see evidence of higher inflation on the horizon, they will continue to demand a higher yield.
- The Bank of Canada (BoC) is in a similar position to the Fed. It has communicated that it will keep its policy rate at the lower bound until the economy has absorbed all the excess capacity. Under our forecast, that is consistent with no change in short-term rates until the fourth quarter of 2023.
- When it comes to QE, the Bank is also purchasing $4 billion a week in Government of Canada Bonds. Though it does not have an explicit guidance on when it will adjust its policy, Governor Tiff Macklem recently said that if "the economy plays out in line or stronger with our outlook, then the economy is not going to need as much quantitative easing stimulus over time." Imbedding the faster growth profile in our forecast, the Bank will likely feel it necessary to pare back asset purchases in the coming months and potentially end them all together in 2022.
- Given this outlook, we have the Government of Canada 10-year yield pushing higher, from 1.35% to 1.65% by year-end. Canadian yields have experienced more upward pressure relative to U.S. yields over the last few weeks, but there is still further room for markets to price a higher endpoint for the BoC overnight rate.
- The Canadian dollar has been supported by an improvement in differentials between Canadian and U.S. yields and by strong commodity price gains. We expect these trends to continue as the recovery unfolds, with the loonie climbing slightly above the 80 U.S. cent level.

Q10. What is the risk of leaving rates low for too long? Are housing markets in a bubble?

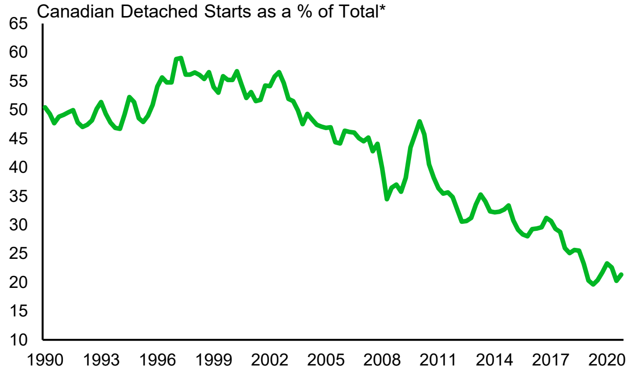
- Financial imbalances will continue to build the longer rates are held down. Indeed, with rising inflation expectations, real yields are firmly in negative territory. As of writing, the yield on ten-year Treasury inflation-protected securities (TIPS) sat at -0.6%, while the five-year TIPS yield was even lower at -1.6% (Chart 9).
- Negative real yields give strong incentives for households, businesses, and governments to take on greater levels of debt. At the same time, investors who experience negative real returns in safe assets are more likely to take on greater investment risks. This is not a bug, but a feature and it is working well. Debt levels are rising and valuations on risk assets are elevated by historical standards.
- In the U.S., interest rates and a desire for more space have boosted housing demand and driven home prices higher than previously expected, but housing was underbuilt in the long wake of the housing crash, and so a faster pace of new homebuilding is a welcome development.

Chart 9: Real Yields Are Still Negative



Source: Federal Reserve, TD Economics. Last observation: March 16, 2021.

Chart 10: Detached New Housing Construction Is Making up a Smaller Share of New Housing Supply



*2-quarter moving average.
Source: CMHC, TD Economics. Last observation: 2020-Q4.

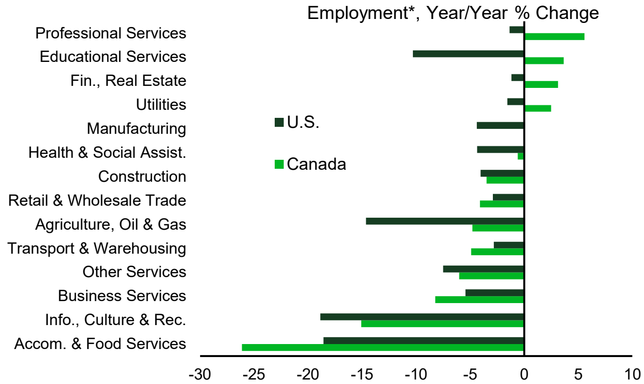
- Demographics are favourable in the U.S. as millennials increasingly enter their peak-homebuying years. The aggregate homeownership rate for households under 35 years has risen sharply since its lows in 2016 and has averaged 39% over the past four quarters (to the fourth quarter of 2020), but that remains below the level in the early 2000s, before the worst of the housing boom excesses.
- We expect home price growth to slow in the U.S. from near-double digit gains over the past year, as demand pulled-forward by the race for space is satiated and affordability is eroded by higher mortgage rates. Still, this favourable starting point suggests little risk of an outright price correction, especially in an environment of accelerating economic growth and labor market recovery.

- In Canada, low interest rates have supercharged the housing market, which shows few signs of slowing. In our prior forecast, we had expected mounting affordability pressures to cool sales and prices in early 2021. However, upward momentum has continued in the early part of this year and sales are on track to record another solid increase in the first quarter, bringing them to a new-all time high. These developments have spurred a re-think of our Canadian housing forecast.
  - On the sales front, we still believe that the current pace is unsustainable, and some cooling is in order. Nevertheless, the moderation in demand is likely to be more gradual than we previously thought, supported by the continuation of low policy rates, an improving economy, rising population and job growth as well as demand from a large population currently in their prime homebuying years.
  - On the price front, housing supply/demand balances are extremely tight in markets across the country, especially in Quebec, and parts of the Atlantic Region. These tight conditions should limit the risk of a price correction even as the gradual cooling in sales yields a tapering off in price strength in the second half of this year.
- While recent price gains are in large part due to the release of pent-up demand and the shift in buying towards larger, more expensive units where new supply has been lagging for several years (Chart 10), there are signs of "excess exuberance" in select markets – something recently pointed out by Bank of Canada Governor Tiff Macklem. Prices are growing at 15% or more year-on-year in six provinces, with particularly frothy gains in Quebec and Ontario, creating an attractive backdrop for speculators.
- If the housing market fails to moderate and/or signs of a speculative-driven bubble further mount in the coming months, policymakers could be pressed into action to cool housing activity, not unlike the macroprudential and tax measures undertaken in 2016 and 2017. This appears to be more of risk for later this year or in 2022, given the importance of housing in supporting the economic recovery.

Q11. Any evidence that recoveries are becoming less "K-shaped"?

- Any way you slice it, the job market recovery in the U.S. has been "K-shaped." Employment outcomes have diverged by sex, race and wage level. Here are a few examples:
  - Women have lost more jobs than men in most age cohorts (except teenagers and 45-54 years) and in all racial groups. However, none more so than Black and Hispanic women, whose employment is down 9.5% and 7.9% respectively versus a year ago. That is in contrast to a 5% decline for white men.
  - By wage grouping, low-wage jobs saw the biggest declines in the spring and continue to be the hardest hit. In fact, in December and January, low-wage jobs were lost, while mid- and high-wage jobs

Chart 11: Low-Wage & Non-Essential Services Continue to Struggle



*February 2021 over February 2020.
Source: Bureau of Labor Statistics, Statistics Canada, TD Economics.

pressed higher. Since February 2020, low wage jobs are down nearly 11%, which is double the degree of mid-wage job losses and almost four times the loss of high-wage jobs.

- Unfortunately, many of these low-wage jobs are in the leisure and hospitality sector and are likely to be the slowest to come back (Chart 11). Many recreation and entertainment activities are "non-essential" and require people to gather in crowds, be in proximity or are tied to international travel. These are unlikely to stage a material recovery until perhaps late this year or next.
- In Canada, the K-shaped labour market recovery has widened recently. The second wave of the pandemic and the accompanying restrictions have again hit low paying industries harder. Over December to February, overall employment declined by six thousand positions, but low paying industries lost almost 200 thousand jobs. As of February, employment in all six low paying industries was below pre-pandemic levels, while high pay industries had all surpassed it.
- A gradual relaxation of restrictions will lift job gains in the hardest hit industries, but only dissipating health concerns can return employment back to pre-pandemic heights. With the vaccine rollout stumbling, and new more contagious variants of the virus spreading, it could be well into 2022 before high-touch service industries make a full recovery.
- With respect to monetary policy, the pandemic has provided a sense of urgency to central banks' plans of changing their monetary policy frameworks. Pandemic-induced labour market disruptions and the K-shaped recovery means that any changes to the underpinning of monetary policy should consider its effects on income and wealth distribution. Central banks are already inclined to put more emphasis on keeping employment levels stable rather than just prioritizing stable prices (see report).
- In a world in which the relationship between inflation and unemployment appears to have weakened, a greater focus on achieving full employment or even running labour markets "hot" will not necessarily threaten inflation objectives. Central banks may also target wage inflation (instead of CPI inflation) as that allows for a closer link to employment. They could also target nominal GDP as that brings real activity and price levels into a single metric. The Bank of Canada has already hinted at incorporating labour market outcomes more explicitly in its mandate. This may be a sign of things to come.

Q12. What are the risks to watch out for in 2021?

- With ongoing lockdowns, new virus variants and weak demand, the outlook has its share of downside risks (Table 2). Pandemic-related downside risks include: another wave of infections, renewed restrictions and lockdowns, vaccines prove ineffective against new variants, vaccine rollouts suffer delays, vaccine hesitancy increases, and/or vaccines do not prevent transmission (see question 1 above).
- In terms of non-pandemic risks, the good news is that the UK-EU trade deal has eliminated a major downside risk for our forecast. Still, other downside risks remain at the fore:
    - Tighter financial conditions due to a sharper than expected rise in bond yields or premature withdrawal of policy support could stymie the recovery. While a sudden outflow of capital remains a risk for EMs, they are less vulnerable to a taper tantrum à la 2013. This is due to their better balance of payments situation and less positioning overhang compared to 2013.
    - Greater social unrest due to inequality could hinder the recovery and complicate the political economy, reforms and the sustainability of government finances (see report).

Table 2: Risks to Watch out for in 2021	
Major Downside Risks	**Major Upside Risks**
Third wave of infections, vaccine inefficacy, slower rollouts	Better news on vaccine manufacturing and effectiveness
Social unrest due to inequality	More widespread distribution to emerging markets
Premature withdrawal of policy support	More fiscal support than currently envisaged
Source: TD Economics.	

  - China's tensions with its rivals in North America and Europe are likely to increase (see report). Tensions include a broad swath of issues from Chinese human rights abuses, to regional security (in Hong Kong, Taiwan and the South China sea) to economic imbalances related to trade and the renminbi.
- Assuming success in combatting the health crisis, upside risks could well dominate the latter half of the year:
  - Continued favorable news on vaccine manufacturing, distribution and effectiveness could increase business and consumer confidence and lead to a stronger than expected recovery. This will have a domino effect, as improved confidence would lead to higher consumption, greater investment and a faster than expected labour market recovery. Faster than expected access to vaccines in emerging markets could similarly lead global growth to surprise on the upside.
  - More fiscal support than assumed in the baseline is an important upside risk, especially in the latter half of this year. This will not only favour the country that announces greater fiscal support, but also its trading partners, and by extension, the global economy. These factors, combined, have the potential to pleasantly surprise and could lead to a 2021 that is meant for the history books…and this time, in a good way!

Interest Rates	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1F	2021 Q2F	2021 Q3F	2021 Q4F	2022 Q1F	2022 Q2F	2022 Q3F	2022 Q4F
Canada												
Overnight Target Rate	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
3-mth T-Bill Rate	0.21	0.20	0.12	0.06	0.13	0.15	0.18	0.20	0.20	0.20	0.20	0.20
2-yr Govt. Bond Yield	0.42	0.28	0.25	0.20	0.30	0.30	0.30	0.30	0.35	0.40	0.45	0.55
5-yr Govt. Bond Yield	0.60	0.36	0.36	0.39	0.95	1.00	1.05	1.10	1.15	1.20	1.25	1.30
10-yr Govt. Bond Yield	0.71	0.52	0.57	0.67	1.50	1.55	1.60	1.65	1.70	1.75	1.80	1.85
30-yr Govt. Bond Yield	1.30	0.99	1.11	1.21	1.90	1.95	2.00	2.05	2.10	2.15	2.20	2.25
10-yr-2-yr Govt Spread	0.29	0.31	0.32	0.47	1.20	1.25	1.30	1.35	1.35	1.35	1.35	1.30
U.S.												
Fed Funds Target Rate	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
3-mth T-Bill Rate	0.11	0.16	0.10	0.09	0.05	0.08	0.10	0.10	0.10	0.10	0.10	0.10
2-yr Govt. Bond Yield	0.23	0.16	0.13	0.13	0.15	0.18	0.20	0.25	0.30	0.35	0.45	0.55
5-yr Govt. Bond Yield	0.37	0.29	0.28	0.36	0.80	0.85	0.90	0.95	1.05	1.15	1.25	1.30
10-yr Govt. Bond Yield	0.70	0.66	0.69	0.93	1.55	1.60	1.65	1.70	1.75	1.80	1.85	1.90
30-yr Govt. Bond Yield	1.35	1.41	1.46	1.65	2.25	2.30	2.35	2.40	2.45	2.50	2.50	2.50
10-yr-2-yr Govt Spread	0.47	0.36	0.56	0.80	1.40	1.42	1.45	1.45	1.45	1.45	1.40	1.35
Canada-U.S. Spreads												
Can - U.S. T-Bill Spread	0.10	0.04	0.02	-0.03	0.08	0.07	0.08	0.10	0.10	0.10	0.10	0.10
Can - U.S. 10-Year Bond Spread	0.01	-0.14	-0.12	-0.26	-0.05	-0.05	-0.05	-0.05	-0.05	-0.05	-0.05	-0.05

Interest Rate Outlook

F: Forecast by TD Economics as at March 2021. All forecasts are end-of-period.
Source: Bloomberg, Bank of Canada, Federal Reserve, TD Economics.

Foreign Exchange Outlook

Currency	Exchange rate	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1F	2021 Q2F	2021 Q3F	2021 Q4F	2022 Q1F	2022 Q2F	2022 Q3F	2022 Q4F
Exchange rate to U.S. dollar													
Euro	USD per EUR	1.10	1.12	1.17	1.22	1.20	1.21	1.22	1.24	1.25	1.26	1.26	1.26
UK pound	USD per GBP	1.25	1.24	1.29	1.37	1.39	1.40	1.40	1.40	1.40	1.40	1.40	1.40
Japanese yen	JPY per USD	108	108	106	103	106	105	104	103	102	102	101	101
Chinese renminbi	CNY per USD	7.08	7.07	6.79	6.53	6.50	6.55	6.60	6.65	6.70	6.75	6.80	6.80
Exchange rate to Canadian dollar													
U.S. dollar	USD per CAD	0.71	0.74	0.75	0.78	0.79	0.80	0.81	0.81	0.81	0.80	0.80	0.79
Euro	CAD per EUR	1.56	1.53	1.56	1.56	1.51	1.52	1.52	1.53	1.55	1.56	1.58	1.59
UK pound	CAD per GBP	1.76	1.68	1.72	1.74	1.75	1.75	1.74	1.73	1.74	1.75	1.75	1.76
Japanese yen	JPY per CAD	76.1	79.2	79.2	80.9	84.1	83.8	83.9	83.4	82.6	81.8	80.9	80.1
Chinese renminbi	CNY per CAD	5.01	5.20	5.10	5.12	5.16	5.23	5.32	5.39	5.40	5.41	5.43	5.40

F: Forecast by TD Economics as at March 2021. All forecasts are end-of-period.
Source: Bloomberg, Bank of Canada, Federal Reserve, TD Economics.

Commodity Price Outlook

Commodity	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1F	2021 Q2F	2021 Q3F	2021 Q4F	2022 Q1F	2022 Q2F	2022 Q3F	2022 Q4F
Crude Oil (WTI, $US/bbl)	46	28	41	42	58	63	65	60	59	58	57	56
Natural Gas ($US/MMBtu)	1.91	1.71	1.99	2.53	3.55	2.70	2.60	3.00	3.10	2.90	2.80	3.15
Gold ($US/troy oz.)	1582	1708	1909	1874	1800	1725	1700	1675	1650	1625	1600	1575
Silver ($US/troy oz.)	16.90	16.38	24.34	24.45	26.50	26.25	26.00	25.75	25.00	24.50	24.00	23.50
Copper (cents/lb)	255	243	296	326	390	395	384	370	355	347	363	399
Nickel ($US/lb)	5.76	5.53	6.45	7.24	8.00	7.60	7.40	7.37	7.35	7.37	7.60	8.05
Aluminum (cents/lb)	77	68	77	87	95	94	87	85	83	81	82	84
Wheat ($US/bu)	6.60	6.46	6.36	6.84	7.45	7.35	7.25	7.15	7.10	7.05	6.95	6.90

F: Forecast by TD Economics as at March 2021. All forecasts are period averages.
Source: Bloomberg, TD Economics, USDA (Haver).

Canadian Economic Outlook

Period-Over-Period Annualized Per Cent Change Unless Otherwise Indicated

Economic Indicators	2020				2021				2022				Annual Average			4th Qtr/4th Qtr		
	Q1	Q2	Q3	Q4	Q1F	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F	20	21F	22F	20	21F	22F
Real GDP	-7.5	-38.5	40.6	9.6	3.8	5.5	6.1	4.5	3.9	2.7	2.5	1.7	-5.4	6.0	3.9	-3.2	5.0	2.7
Consumer Expenditure	-7.1	-45.6	63.4	-0.4	2.6	5.5	8.3	6.2	5.0	3.2	2.8	2.0	-6.1	5.2	4.8	-4.8	5.6	3.3
Durable Goods	-30.8	-46.0	279.8	-0.7	-2.1	0.4	0.6	0.8	1.1	1.2	1.3	1.1	-3.7	12.1	1.0	9.0	-0.1	1.2
Business Investment	-4.1	-50.9	25.6	3.8	4.2	6.6	9.2	8.3	6.3	5.9	5.4	4.6	-11.6	2.8	6.7	-11.5	7.0	5.5
Non-Res. Structures	0.0	-48.8	-0.8	-10.2	5.3	7.2	9.8	9.9	8.8	8.6	7.6	6.4	-11.2	-2.2	8.7	-17.8	8.1	7.8
Equipment & IPP*	-8.5	-53.1	61.8	19.4	3.1	5.9	8.5	6.7	3.8	3.1	3.1	2.8	-12.0	7.9	4.8	-4.6	6.0	3.2
Residential Investment	-2.2	-49.2	191.4	18.4	8.5	0.5	-2.8	-4.4	1.7	1.6	1.3	1.2	3.9	14.0	-0.2	14.4	0.3	1.5
Govt. Expenditure	-1.4	-15.8	19.7	6.1	2.0	2.8	3.0	2.1	1.5	1.7	1.7	1.6	-0.3	3.8	1.9	1.3	2.5	1.6
Final Domestic Demand	-4.9	-39.9	52.8	3.5	3.0	4.4	6.0	4.4	3.9	2.9	2.7	2.1	-4.5	5.3	3.8	-2.5	4.4	2.9
Exports	-10.4	-54.2	73.1	5.0	8.5	9.6	9.1	9.1	7.6	3.1	2.9	2.8	-9.8	8.4	6.4	-7.1	9.1	4.1
Imports	-8.5	-64.9	118.8	10.8	4.2	5.9	9.1	10.2	7.6	4.3	4.1	4.0	-11.3	8.9	6.9	-6.0	7.3	5.0
Change in Non-farm Inventories (2012 $Bn)	0.2	-34.9	-30.7	-1.9	-0.1	-0.1	0.2	2.6	2.7	3.5	4.5	4.8	-16.8	0.7	3.9	--	--	--
Final Sales	-3.2	-35.3	52.9	-3.4	3.1	4.4	5.8	3.9	3.9	2.8	2.5	2.0	-2.9	4.5	3.7	-1.9	4.3	2.8
International Current Account Balance ($Bn)	-65.4	-34.3	-42.0	-29.0	-8.2	5.9	8.5	5.5	4.5	1.7	-0.8	-3.3	-42.7	2.9	0.5	--	--	--
% of GDP	-2.9	-1.7	-1.9	-1.3	-0.3	0.2	0.3	0.2	0.2	0.1	0.0	-0.1	-1.9	0.1	0.0	--	--	--
Pre-tax Corp. Profits	-35.2	-47.0	253.5	-2.7	-7.0	39.2	28.2	17.2	15.7	8.3	4.2	3.7	-6.1	21.2	14.8	4.3	18.1	7.9
% of GDP	11.5	11.1	13.7	13.2	12.6	13.4	14.0	14.3	14.6	14.7	14.7	14.7	12.4	13.6	14.7	--	--	--
GDP Deflator (y/y)	0.6	-0.7	1.5	1.7	4.2	5.8	4.1	3.5	2.5	2.1	2.0	1.9	0.8	4.4	2.1	1.7	3.5	1.9
Nominal GDP	-11.0	-40.2	54.6	14.3	9.7	9.2	9.0	6.6	5.9	4.7	4.5	3.7	-4.6	10.6	6.1	-1.5	8.6	4.7
Labour Force	-2.9	-16.8	21.0	3.7	-1.7	3.2	2.4	1.6	1.2	1.0	0.8	0.5	-1.1	2.5	1.4	0.3	1.4	0.9
Employment	-5.5	-38.2	38.5	9.9	-0.5	7.6	6.6	3.3	1.5	1.2	1.0	0.8	-5.1	5.1	2.7	-2.9	4.2	1.1
Change in Empl. ('000s)	-268	-2133	1412	433	-25	341	303	155	73	58	49	38	-975	918	504	-556	773	219
Unemployment Rate (%)	6.4	13.1	10.1	8.8	8.5	7.6	6.6	6.3	6.2	6.1	6.1	6.0	9.6	7.2	6.1	--	--	--
Personal Disp. Income	5.9	57.0	-15.7	-3.8	-1.6	-3.7	-3.3	1.2	5.5	5.9	2.9	3.0	10.0	-1.6	2.6	7.7	-1.9	4.3
Pers. Savings Rate (%)	5.1	27.8	13.7	12.7	11.2	8.6	5.2	3.3	2.9	2.9	2.4	2.1	14.8	7.1	2.6	--	--	--
Cons. Price Index (y/y)	1.7	0.1	0.4	0.8	1.4	3.0	2.7	2.5	2.4	2.1	2.3	2.3	0.7	2.4	2.3	0.8	2.5	2.3
CPIX (y/y)**	1.7	1.0	0.9	1.3	1.5	2.0	2.1	1.9	1.9	2.0	2.1	2.2	1.2	1.9	2.0	1.3	1.9	2.2
BoC Inflation (y/y)***	1.9	1.6	1.6	0.0	1.7	1.8	1.8	1.9	1.9	2.0	2.1	2.2	1.3	1.8	2.0	0.0	1.9	2.2
Housing Starts ('000s)	207	191	239	239	255	247	238	229	223	218	211	205	219	242	214	--	--	--
Home Prices (y/y)	13.9	2.8	16.3	15.5	24.7	36.5	15.0	11.5	0.0	-4.6	-5.3	-4.4	12.2	21.2	-3.6	15.5	11.5	-4.4
Real GDP / worker (y/y)	0.0	-0.5	-0.3	-0.3	1.3	0.9	0.4	0.8	0.3	1.2	1.6	1.6	-0.3	0.8	1.2	-0.3	0.8	1.6

F: Forecast by TD Economics as at March 2021

Home price measure shown is the CREA Composite Sale Price.

* Intellectual Property Products. ** CPIX: CPI excluding the 8 most volatile components. *** BoC Inflation: simple average of CPI-trim, CPI-median, and CPI-common.

Source: Statistics Canada, Bank of Canada, Canada Mortgage and Housing Corporation, Haver Analytics, TD Economics.

U.S. Economic Outlook

Period-Over-Period Annualized Per Cent Change Unless Otherwise Indicated

Economic Indicators	2020				2021				2022				Annual Average			4th Qtr/4th Qtr		
	Q1	Q2	Q3	Q4	Q1F	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F	20	21F	22F	20	21F	22F
Real GDP	-5.0	-31.4	33.4	4.1	4.9	7.0	6.8	5.1	4.1	3.0	2.5	2.1	-3.5	5.7	4.3	-2.4	6.0	2.9
Consumer Expenditure	-6.9	-33.2	41.0	2.4	4.7	6.6	7.1	6.1	4.8	4.3	3.2	2.8	-3.9	5.9	5.0	-2.6	6.1	3.8
Durable Goods	-12.5	-1.7	82.7	-0.6	18.1	-4.4	6.0	4.3	3.6	3.8	3.0	3.1	6.4	12.0	3.4	11.8	5.7	3.4
Business Investment	-6.7	-27.2	22.9	14.0	7.5	5.3	7.3	6.3	5.8	5.2	4.6	4.2	-4.0	7.3	5.7	-1.2	6.6	5.0
Non-Res. Structures	-3.7	-33.6	-17.4	1.1	3.3	7.1	-0.3	-0.1	0.9	1.4	1.9	2.1	-10.6	-2.8	1.2	-14.5	2.5	1.6
Equipment & IPP*	-7.5	-25.2	36.6	17.4	8.5	4.9	9.2	7.8	7.0	6.1	5.2	4.7	-2.0	10.0	6.8	2.6	7.6	5.7
Residential Investment	19.0	-35.5	63.0	35.8	18.9	6.9	-0.7	-3.4	-4.4	-4.7	-2.9	-2.6	6.0	15.2	-2.9	14.1	5.1	-3.7
Govt. Expenditure	1.3	2.5	-4.8	-1.1	8.6	6.9	0.2	-0.6	0.7	-2.2	-0.1	-0.6	1.1	2.7	0.0	-0.6	3.7	-0.6
Final Domestic Demand	-4.6	-27.1	29.8	4.4	6.3	6.5	5.5	4.5	3.8	2.9	2.5	2.2	-2.7	5.9	3.9	-1.5	5.7	2.8
Exports	-9.5	-64.4	59.6	21.8	6.4	8.0	7.7	8.5	7.8	5.9	5.0	4.7	-13.0	7.4	7.0	-11.0	7.7	5.8
Imports	-15.0	-54.1	93.0	29.6	11.6	9.9	9.0	9.1	5.5	2.7	2.2	2.1	-9.3	15.1	5.7	-0.6	9.9	3.1
Change in Private Inventories	-80.9	-287.0	-3.7	48.0	16.7	52.9	121.6	159.9	167.6	158.5	141.5	122.6	-80.9	87.8	147.6	--	--	--
Final Sales	-3.6	-28.1	25.9	3.0	5.6	6.2	5.3	4.3	4.0	3.3	2.8	2.5	-2.9	4.8	3.9	-2.7	5.3	3.1
International Current Account Balance ($Bn)	-446	-645	-714	-753	-771	-818	-833	-848	-846	-826	-801	-773	-640	-818	-812	--	--	--
% of GDP	-2.1	-3.3	-3.4	-3.5	-3.5	-3.7	-3.6	-3.6	-3.6	-3.4	-3.3	-3.1	-3.1	-3.6	-3.4	--	--	--
Pre-tax Corporate Profits including IVA&CCA	-39.9	-35.2	163.1	-37.1	20.4	49.9	3.3	-8.2	9.0	5.2	3.3	0.4	-8.3	13.3	4.9	-10.4	14.4	4.4
% of GDP	9.4	9.4	11.0	9.6	9.9	10.7	10.6	10.2	10.2	10.2	10.2	10.1	9.9	10.3	10.2	--	--	--
GDP Deflator (y/y)	1.7	0.6	1.1	1.3	1.8	2.7	2.5	2.4	2.2	2.4	2.4	2.5	1.2	2.3	2.4	1.3	2.4	2.5
Nominal GDP	-3.4	-32.8	38.4	6.1	8.4	9.2	9.4	7.2	6.7	5.7	5.0	4.7	-2.3	8.2	6.7	-1.2	8.5	5.5
Labor Force	-1.4	-13.2	5.6	0.7	-0.8	4.7	2.7	1.9	1.6	1.3	1.2	1.0	-1.7	1.0	1.8	-2.3	2.1	1.3
Employment	0.3	-40.0	23.3	5.1	1.3	6.3	4.8	4.3	3.9	3.1	2.4	1.7	-5.7	2.6	3.8	-6.0	4.2	2.8
Change in Empl. ('000s)	132	-18201	7195	1759	448	2195	1730	1564	1442	1161	896	633	-8648	3717	5506	-9115	5937	4132
Unemployment Rate (%)	3.8	13.0	8.8	6.7	6.2	5.9	5.5	5.0	4.5	4.2	3.9	3.8	8.1	5.7	4.1	--	--	--
Personal Disp. Income	3.9	46.2	-14.4	-8.6	28.0	29.9	-30.6	-2.3	6.4	5.5	5.2	4.2	7.0	5.3	0.0	4.4	3.0	5.3
Pers. Savings Rate (%)	9.6	26.0	15.7	13.0	16.8	20.4	10.8	8.4	8.3	8.1	8.1	7.9	16.1	14.1	8.1	--	--	--
Cons. Price Index (y/y)	2.1	0.4	1.3	1.2	1.8	3.2	2.8	2.4	2.1	2.0	1.8	2.0	1.2	2.5	2.0	1.2	2.4	2.0
Core CPI (y/y)	2.2	1.3	1.7	1.6	1.4	2.2	1.8	2.0	2.3	2.4	2.4	2.5	1.7	1.9	2.4	1.6	2.0	2.5
Core PCE Price Index (y/y)	1.8	1.0	1.4	1.4	1.5	2.2	1.9	2.1	2.1	2.2	2.2	2.3	1.4	2.0	2.2	1.4	2.1	2.3
Housing Starts (mns)	1.48	1.08	1.43	1.59	1.58	1.58	1.57	1.56	1.54	1.53	1.52	1.51	1.40	1.57	1.53	--	--	--
Real Output per hour (y/y)**	0.8	3.0	3.9	2.4	3.6	1.0	0.6	2.0	1.1	1.2	0.8	0.7	2.5	1.8	1.0	2.4	2.0	0.7

F: Forecast by TD Economics as at March 2021

* Intellectual Property Products. ** Non-farm business sector.

Source: Bureau of Labor Statistics, Bureau of Economic Analysis, Census Bureau, TD Economics.

Economic Indicators: G7 & Europe				
		Forecast		
	2019	2020	2021	2022
Real GDP (annual per cent change)				
G7 (30.1%)*	1.6	-5.1	5.0	4.0
U.S.	2.2	-3.5	5.7	4.3
Japan	0.3	-4.9	2.9	2.2
Euro Area	1.3	-6.8	4.5	4.4
Germany	0.6	-5.3	4.0	4.0
France	1.5	-8.2	5.7	3.7
Italy	0.3	-8.9	4.9	4.3
United Kingdom	1.4	-9.9	5.0	6.6
Canada	1.9	-5.4	6.0	3.9
Consumer Price Index (annual per cent change)				
G7	1.5	0.7	1.6	1.6
U.S.	1.8	1.2	2.5	2.0
Japan	0.5	0.0	-0.1	0.4
Euro Area	1.2	0.3	1.3	1.2
Germany	1.3	0.4	1.6	1.4
France	1.3	0.5	1.0	1.3
Italy	0.6	-0.1	0.7	0.9
United Kingdom	1.8	0.9	1.5	1.8
Canada	2.0	0.7	2.4	2.3
Unemployment Rate (per cent annual averages)				
U.S.	3.7	8.1	5.7	4.1
Japan	2.4	2.8	3.7	3.0
Euro Area	7.6	7.9	8.9	8.5
Germany	5.0	5.9	6.0	5.6
France	8.5	8.0	9.7	9.1
Italy	10.0	9.0	10.9	9.9
United Kingdom	3.7	4.6	6.5	5.7
Canada	5.7	9.6	7.2	6.1

*Share of 2018 world gross domestic product (GDP) at PPP.

Forecast as at March 2021

Source: National statistics agencies, TD Economics.

Global Economic Outlook				
Annual Per Cent Change Unless Otherwise Indicated				
	2018 Share*	Forecast		
Real GDP	(%)	2020	2021	2022
World	100.0	-3.3	6.0	4.8
North America	18.5	-4.1	5.6	4.1
United States	15.2	-3.5	5.7	4.3
Canada	1.4	-5.4	6.0	3.9
Mexico	1.9	-8.5	4.5	3.3
European Union (EU-28)	16.3	-6.4	4.5	4.7
Euro Area (EU-19)	11.4	-6.8	4.5	4.4
Germany	3.2	-5.3	4.0	4.0
France	2.2	-8.2	5.7	3.7
Italy	1.8	-8.9	4.9	4.3
United Kingdom	2.2	-9.9	5.0	6.6
EU accession members	2.6	-3.0	3.3	4.5
Asia	45.0	-1.9	7.3	4.9
Japan	4.1	-4.9	2.9	2.2
Asian NIC's	3.4	-0.9	4.2	3.2
Hong Kong	0.4	-6.1	4.2	3.7
Korea	1.7	-0.9	3.7	3.0
Singapore	0.4	-5.4	6.3	4.0
Taiwan	0.9	3.1	4.2	3.2
Russia	3.1	-3.6	2.4	3.9
Australia & New Zealand	1.1	-2.2	4.3	4.0
Emerging Asia	33.2	-1.4	8.7	5.5
ASEAN-5	5.5	-3.7	6.1	5.7
China	18.7	2.0	8.9	5.1
India**	7.7	-9.1	10.4	6.3
Central/South America	5.6	-7.3	4.7	3.5
Brazil	2.5	-4.4	4.1	3.3
Other Emerging Markets	13.6	-2.0	4.3	5.9
Other Advanced	1.1	-2.3	5.4	5.8

*Share of world GDP on a purchasing-power-parity (PPP) basis.

Forecast as at March 2021. **Forecast for India refers to fiscal year.

Source: IMF, TD Economics.