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 9 through 11.

Questions & Answers

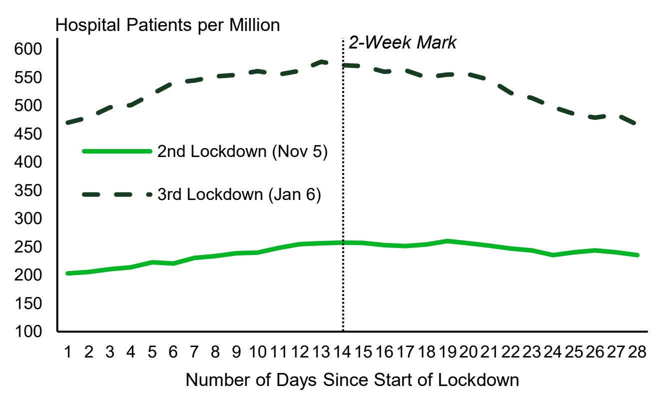
Q1. What can be learned from Israel and the UK's early successes in vaccine administration?

- 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?

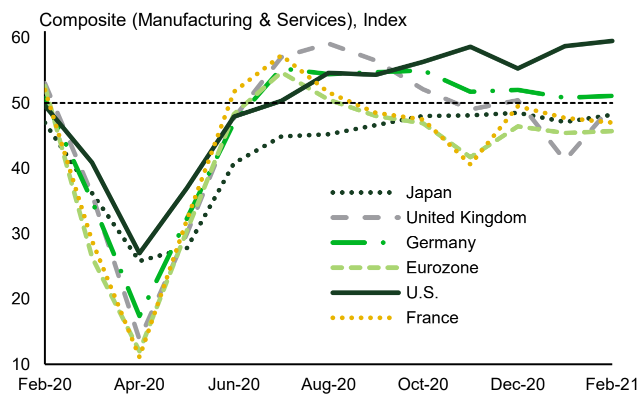
- Its been a slow start to 2021. The post-holiday surge in cases and subsequent restrictions have kept the recovery in check. But spring is around the corner. Beyond the first quarter, widespread vaccine distribution combined with additional policy support in some advanced economies (AEs) should propel 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 by 6.0% (5.5% previously) in 2021 and 4.8% (4.4% previously) in 2022.

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.

- 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.

Q4. 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 3).
- 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 above). 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.

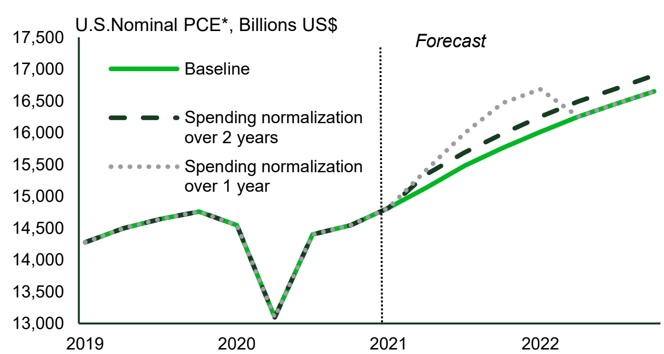
Q5. Where will commodity prices head following the recent strong rally?

- 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 4).
- 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 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.

Q6. Should we be concerned about inflation?

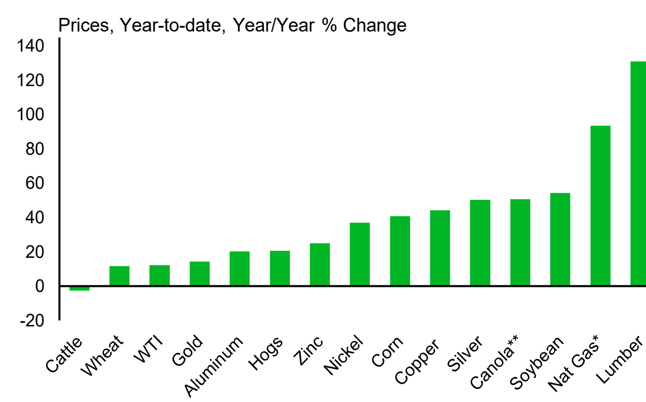
- Upside risks to growth could lift inflation more than we expect. Large fiscal deficits funded by central bank asset purchases have already led to an unprecedented increase in money supply growth (Chart 5).
- Inflation risks will remain muted as long as large swaths of the economy are restricted, but the day may soon be ending. As noted above, the potential for spending to outpace our expectations suggests a real risk of demand

Chart 3: Upside Risk to Consumer Spending if Excess Savings are Spent



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

Chart 4: 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.

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.

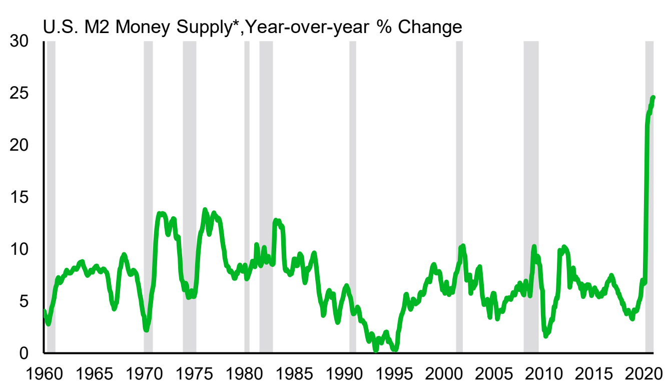
 - On the supply side, service-oriented businesses are likely to have lower capacity once the pandemic has passed. While business failures have been muted thanks to government supports, many have been closed for months and rehiring workers and ramping up capacity may not occur as quickly as demand returns. Indeed, capacity pressures and rising input costs are already being widely noted in purchasing manager and small business surveys.

- 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.

Q7. How has the financial outlook shifted amid growing confidence in the economic outlook?

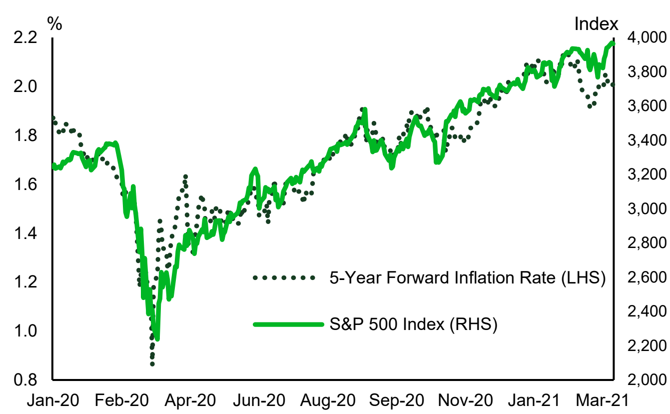
- Faster growth and rising inflation expectations have been a key driver of recent moves in financial markets. The performance of risks assets has closely followed market-based measures of inflation expectations over the last 10 months (Chart 6). At the start of the health crisis in March 2020, the S&P 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

Chart 5: High-Powered Money Growth the Fastest in Several Decades



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

Chart 6: Reflation Trade Boosting Inflation and Risk Assets



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

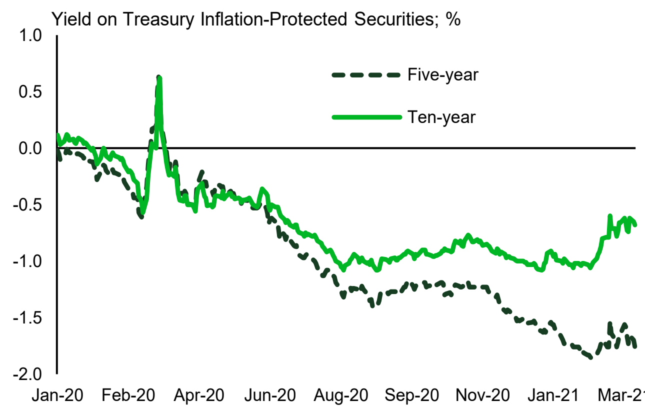
the significant upgrades to the U.S. outlook, we have pulled forward the start of the Fed rate hike cycle by about six months, to the third quarter of 2023.

- 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 unemployment 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.

Q8. What is the risk of leaving rates low for too long?

- Financial imbalances will continue to build the longer rates are held down. Indeed, with rising inflation expectations, real yields are firmly in negative territory.

Chart 7: Real Yields Are Still Negative



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

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 7).

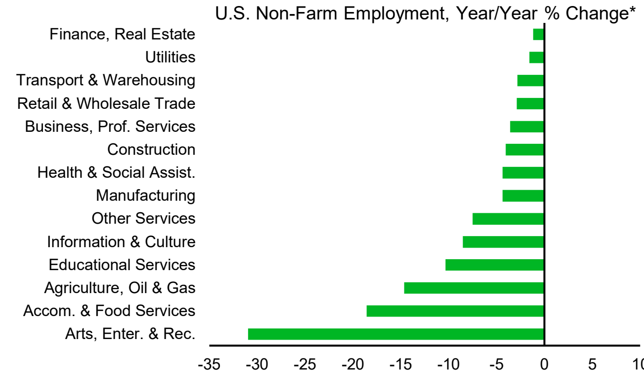
- Negative real yields give strong incentives for households, businesses, and governments to take on greater levels of debt. At the same time, investors who experience negative real returns in safe assets are more likely to take on greater investment risks. This is not a bug, but a feature and it is working well. Debt levels are rising and valuations on risk assets are elevated by historical standards.
- 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.
    - Demographics are favourable to housing 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 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 reduced risk of an outright price correction, especially in an environment of accelerating economic growth and labor market recovery.

- The test will come when supportive policy has to be reversed, and real yields move into positive territory. As discussed above, this may have to happen sooner than forecasters currently anticipate. Moreover, fine tuning financial conditions is more difficult with higher levels of household and business leverage. Over the past decade, a lack of inflationary pressures has allowed the central bank to slow or even reverse rate hikes when there were signs that economic momentum was waning. However, given the amount of liquidity currently in the system, that luxury may not exist this time around.

Q9. Any evidence that the recovery is becoming less "K-shaped"?

- Any way you slice it, the job market recovery 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 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 8). 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.
- 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).

Chart 8: Low-Wage & Non-essential Services Have the Biggest Holes to Fill



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

- 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.

Q10. 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.

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.	

  - Greater social unrest due to inequality could hinder the recovery and complicate the political economy, reforms and the sustainability of government finances (see report).
  - 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!

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.

Interest Rate Outlook												
Interest Rates	2020				2021				2022			
	Q1	Q2	Q3	Q4	Q1F	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F
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

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

Foreign Exchange Outlook													
Currency	Exchange rate	2020				2021				2022			
		Q1	Q2	Q3	Q4	Q1F	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F
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
Australian dollar	USD per AUD	0.61	0.69	0.72	0.77	0.77	0.77	0.76	0.75	0.74	0.73	0.73	0.73
NZ dollar	USD per NZD	0.60	0.65	0.66	0.72	0.72	0.72	0.71	0.69	0.68	0.67	0.67	0.67
Canadian dollar	CAD per USD	1.41	1.36	1.33	1.28	1.26	1.25	1.24	1.23	1.24	1.25	1.25	1.26
Swiss franc	CHF per USD	0.96	0.95	0.92	0.88	0.91	0.92	0.93	0.94	0.95	0.96	0.97	0.98
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

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

Commodity Price Outlook												
Commodity	2020				2021				2022			
	Q1	Q2	Q3	Q4	Q1F	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	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).

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.