

Table 1

**FORECAST SUMMARY**

(% Change Except Where Noted)

| <b>CANADA</b>                           | <b>2017A</b> | <b>2018F</b> | <b>2019F</b> | <b>2020F</b> |
|---|--------------|--------------|--------------|--------------|
| GDP at Market Prices                    | 5.6          | <b>4.1</b>   | <b>3.4</b>   | <b>3.9</b>   |
| GDP in \$2007                           | 3.0          | <b>2.1</b>   | <b>1.8</b>   | <b>1.5</b>   |
| Consumer Price Index                    | 1.6          | <b>2.2</b>   | <b>1.9</b>   | <b>2.3</b>   |
| Unemployment Rate                       | 6.3          | <b>5.8</b>   | <b>5.6</b>   | <b>6.0</b>   |
| Current Account Balance (C\$ Bn)        | -60.1        | <b>-59.7</b> | <b>-62.3</b> | <b>-57.3</b> |
| Pre-tax Profits (net Operating Surplus) | 20.1         | <b>4.4</b>   | <b>-0.7</b>  | <b>6.5</b>   |
| Housing Starts (K)                      | 220          | <b>214</b>   | <b>188</b>   | <b>176</b>   |
| <b>UNITED STATES</b>                    | <b>2017A</b> | <b>2018F</b> | <b>2019F</b> | <b>2020F</b> |
| GDP at Market Prices                    | 4.2          | <b>5.2</b>   | <b>4.1</b>   | <b>3.7</b>   |
| GDP in \$2009                           | 2.2          | <b>2.9</b>   | <b>2.2</b>   | <b>1.5</b>   |
| Consumer Price Index                    | 2.1          | <b>2.4</b>   | <b>1.8</b>   | <b>2.3</b>   |
| Unemployment Rate                       | 4.4          | <b>3.9</b>   | <b>3.7</b>   | <b>4.3</b>   |
| Current Account Balance (US\$ Bn)       | -449         | <b>-483</b>  | <b>-522</b>  | <b>-525</b>  |
| Pre-tax Profits (with IVA/CCA)          | 3.2          | <b>8.0</b>   | <b>3.2</b>   | <b>4.3</b>   |
| Housing Starts (K)                      | 1,208        | <b>1,264</b> | <b>1,237</b> | <b>1,190</b> |

Table 2

**INTEREST AND EXCHANGE RATE FORECAST**

| <b>END OF PERIOD:</b>                 | <b>2019</b>   |            | <b>2019</b> |            |            | <b>2020</b> |            |
|---------------------------------------|---------------|------------|-------------|------------|------------|-------------|------------|
|                                       | <b>14-Jan</b> | <b>Mar</b> | <b>Jun</b>  | <b>Sep</b> | <b>Dec</b> | <b>Jun</b>  | <b>Dec</b> |
| <b>CDA</b> Overnight target rate      | 1.75          | 1.75       | 1.75        | 2.00       | 2.00       | 2.00        | 2.00       |
| 98-Day Treasury Bills                 | 1.60          | 1.60       | 1.75        | 1.95       | 2.00       | 1.85        | 1.75       |
| 2-Year Gov't Bond                     | 1.86          | 1.80       | 2.00        | 2.30       | 2.25       | 1.90        | 1.70       |
| 10-Year Gov't Bond                    | 1.94          | 1.90       | 2.10        | 2.30       | 2.30       | 2.05        | 2.00       |
| 30-Year Gov't Bond                    | 2.16          | 2.15       | 2.25        | 2.40       | 2.30       | 2.20        | 2.10       |
| <b>U.S.</b> Federal Funds Rate        | 2.375         | 2.375      | 2.625       | 2.625      | 2.625      | 2.375       | 2.375      |
| 91-Day Treasury Bills                 | 2.41          | 2.35       | 2.65        | 2.70       | 2.80       | 2.40        | 2.25       |
| 2-Year Gov't Note                     | 2.53          | 2.65       | 2.90        | 2.90       | 2.80       | 2.40        | 2.35       |
| 10-Year Gov't Note                    | 2.70          | 2.75       | 3.00        | 3.20       | 3.20       | 2.90        | 2.70       |
| 30-Year Gov't Bond                    | 3.05          | 3.00       | 3.25        | 3.40       | 3.40       | 3.25        | 3.00       |
| Canada - US T-Bill Spread             | -0.81         | -0.75      | -0.90       | -0.75      | -0.80      | -0.55       | -0.50      |
| Canada - US 10-Year Bond Spread       | -0.76         | -0.85      | -0.90       | -0.90      | -0.90      | -0.85       | -0.70      |
| Canada Yield Curve (10-Year — 2-Year) | 0.08          | 0.10       | 0.10        | 0.00       | 0.05       | 0.15        | 0.30       |
| US Yield Curve (10-Year — 2-Year)     | 0.17          | 0.10       | 0.10        | 0.30       | 0.40       | 0.50        | 0.35       |
| <b>EXCHANGE RATES</b>                 |               |            |             |            |            |             |            |
| CADUSD                                | 0.75          | 0.77       | 0.76        | 0.76       | 0.75       | 0.76        | 0.76       |
| USDCAD                                | 1.33          | 1.30       | 1.31        | 1.32       | 1.34       | 1.32        | 1.32       |
| USDJPY                                | 108           | 107        | 106         | 106        | 105        | 103         | 100        |
| EURUSD                                | 1.15          | 1.15       | 1.17        | 1.19       | 1.22       | 1.26        | 1.24       |
| GBPUSD                                | 1.29          | 1.32       | 1.36        | 1.40       | 1.44       | 1.46        | 1.44       |
| AUDUSD                                | 0.72          | 0.74       | 0.75        | 0.76       | 0.77       | 0.79        | 0.80       |
| USDCHF                                | 0.98          | 0.97       | 0.95        | 0.95       | 0.93       | 0.92        | 0.94       |
| USDBRL                                | 3.70          | 3.55       | 3.50        | 3.65       | 3.80       | 3.95        | 3.80       |
| USDMXN                                | 19.0          | 19.1       | 19.4        | 20.1       | 19.9       | 20.4        | 20.7       |