

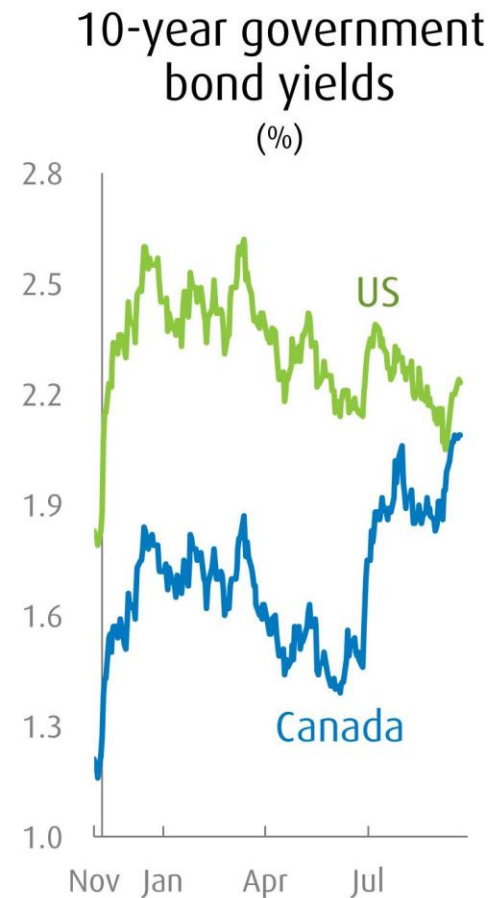
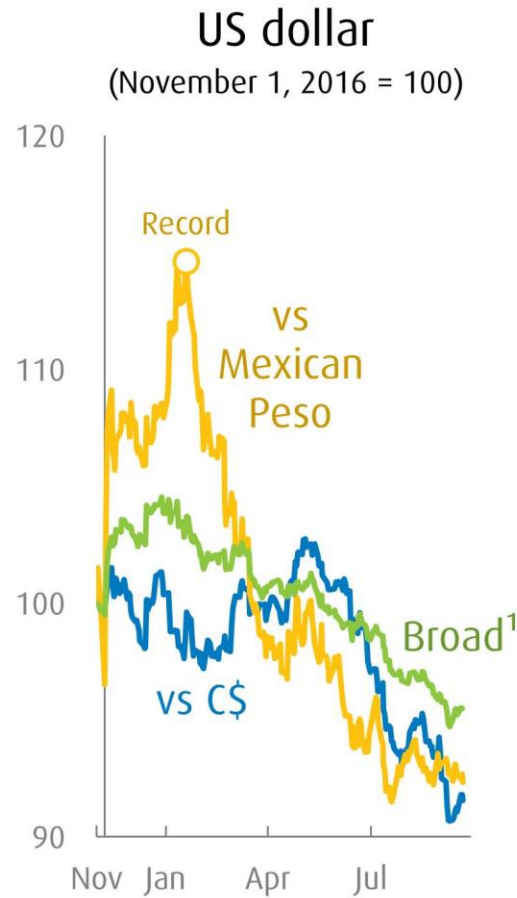
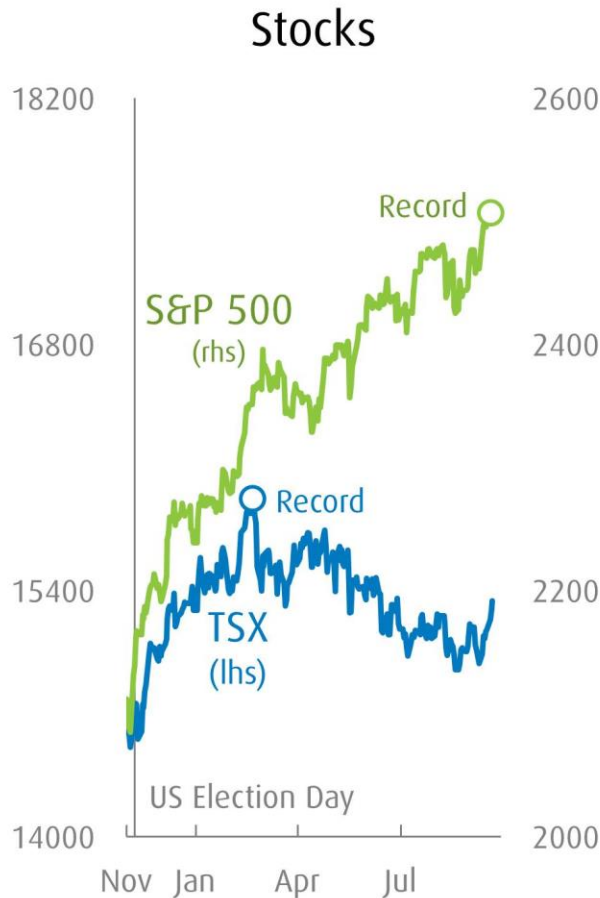
# Economic outlook: Canada bounces back

Douglas Porter,  
CFA

Chief Economist,  
BMO Financial Group  
douglas.porter@bmo.com  
416-359-4887

# Markets: No longer as Trumped up

2016-17 (as of September 20, 2017)



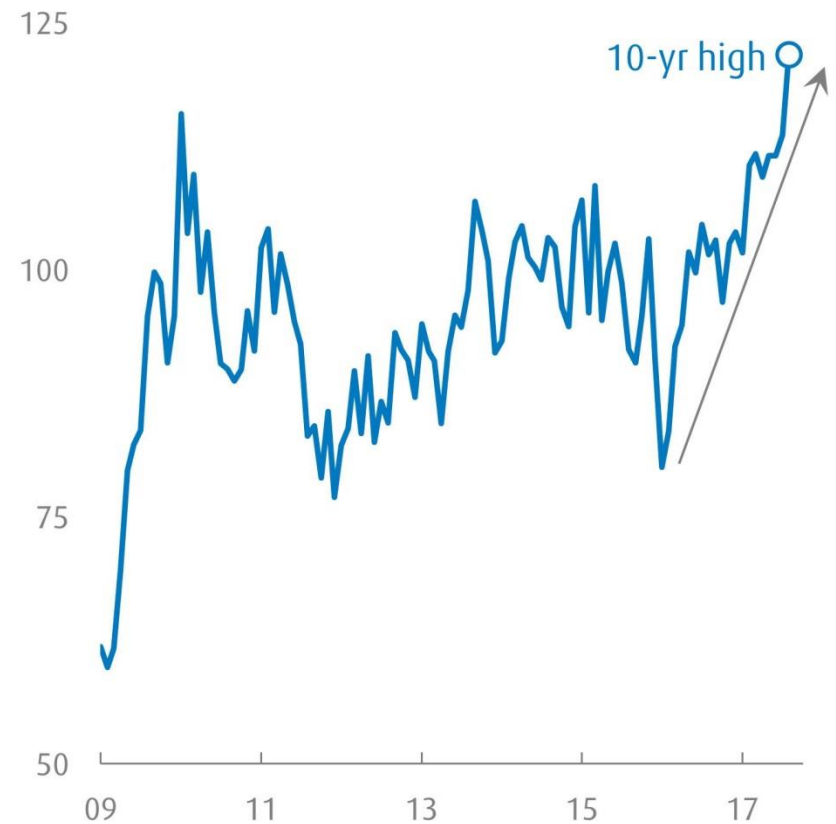
# Consumer confidence stays strong

## Consumer confidence index – Conference Board

United States



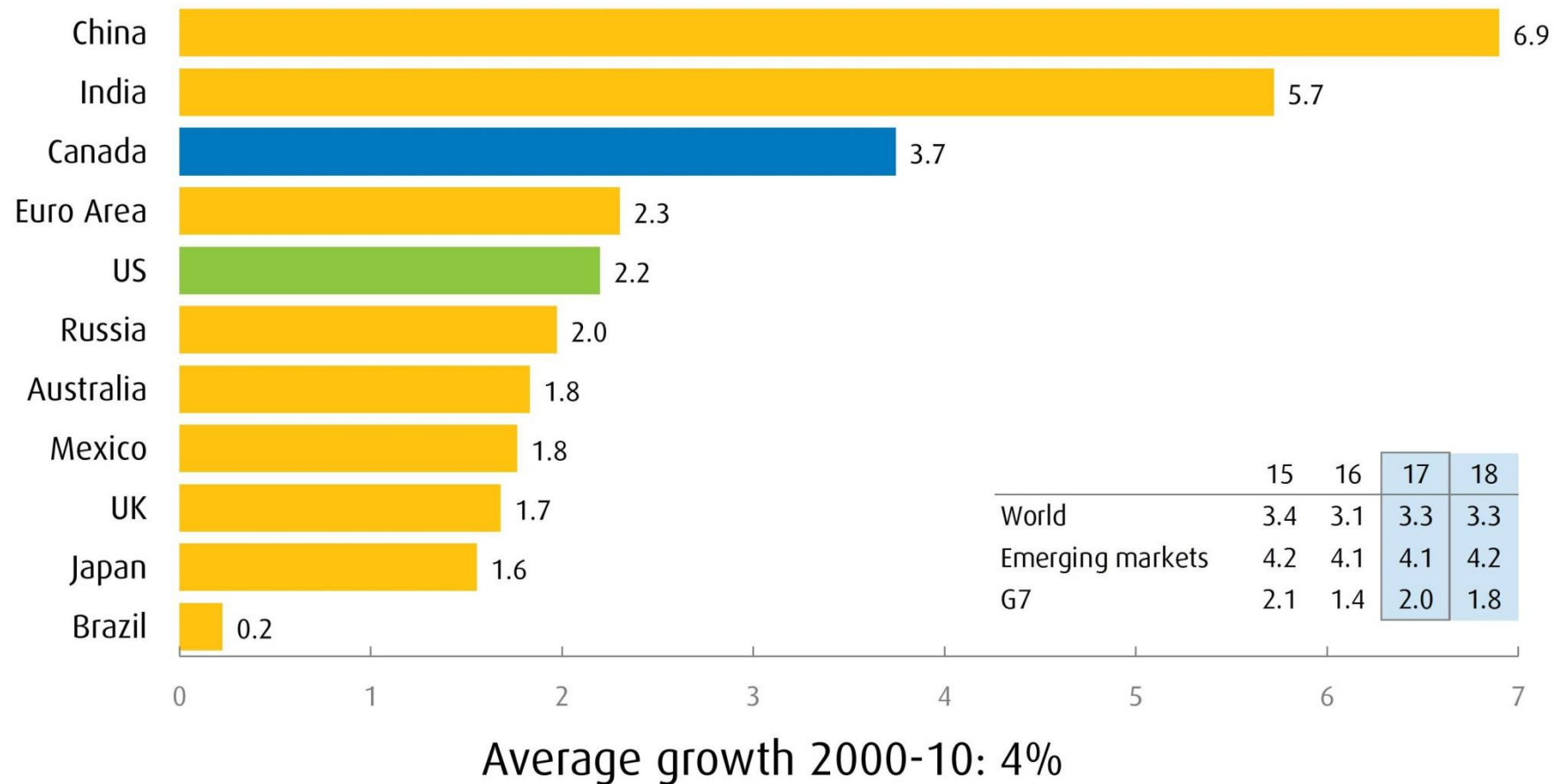
Canada



# Global growth: Synchronized at last

2017:Q2 (y/y % chng)

## Real GDP



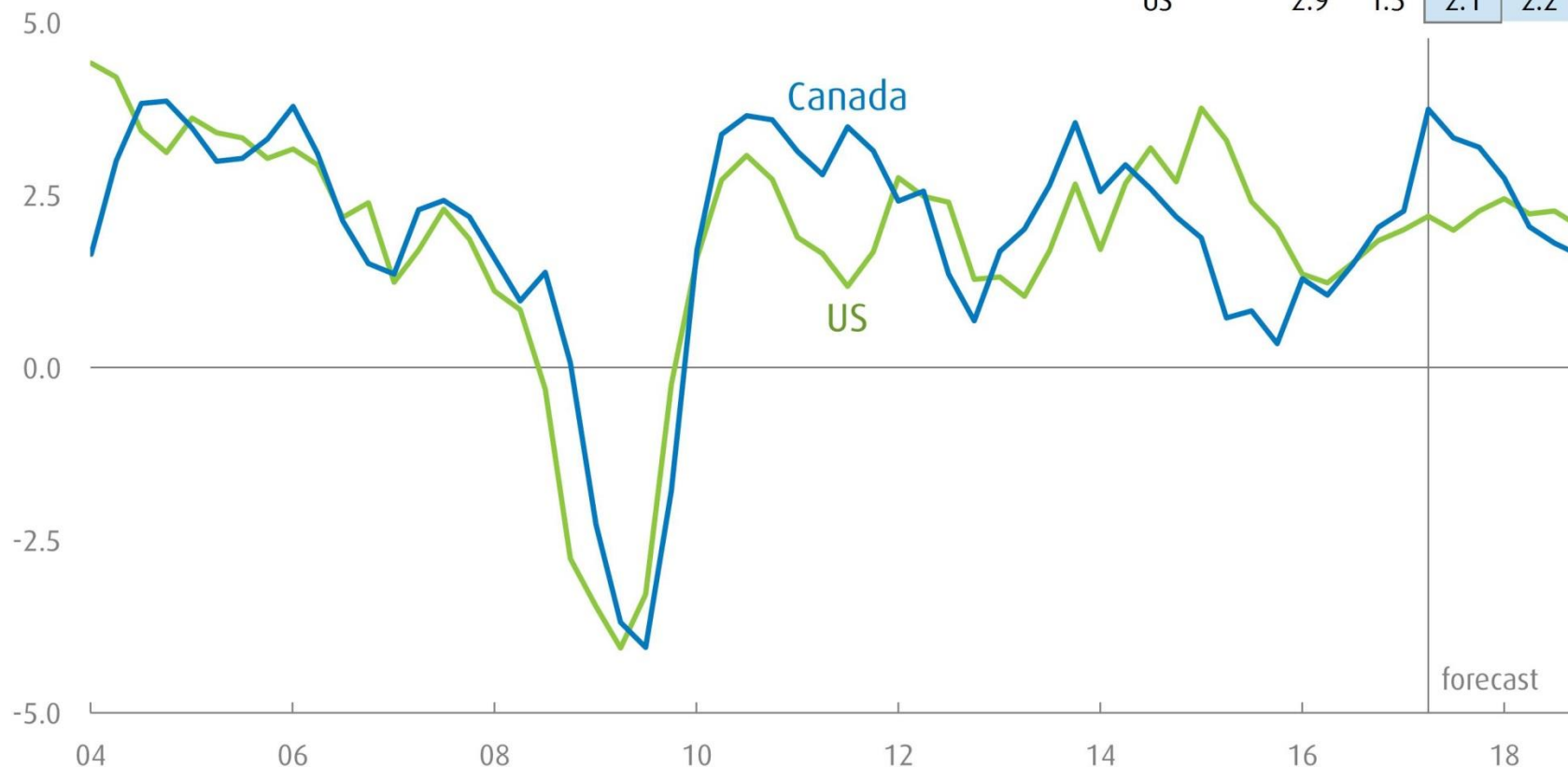
	15	16	17	18
World	3.4	3.1	3.3	3.3
Emerging markets	4.2	4.1	4.1	4.2
G7	2.1	1.4	2.0	1.8

# North American growth: A better 2017

(y/y % chng)

Real GDP

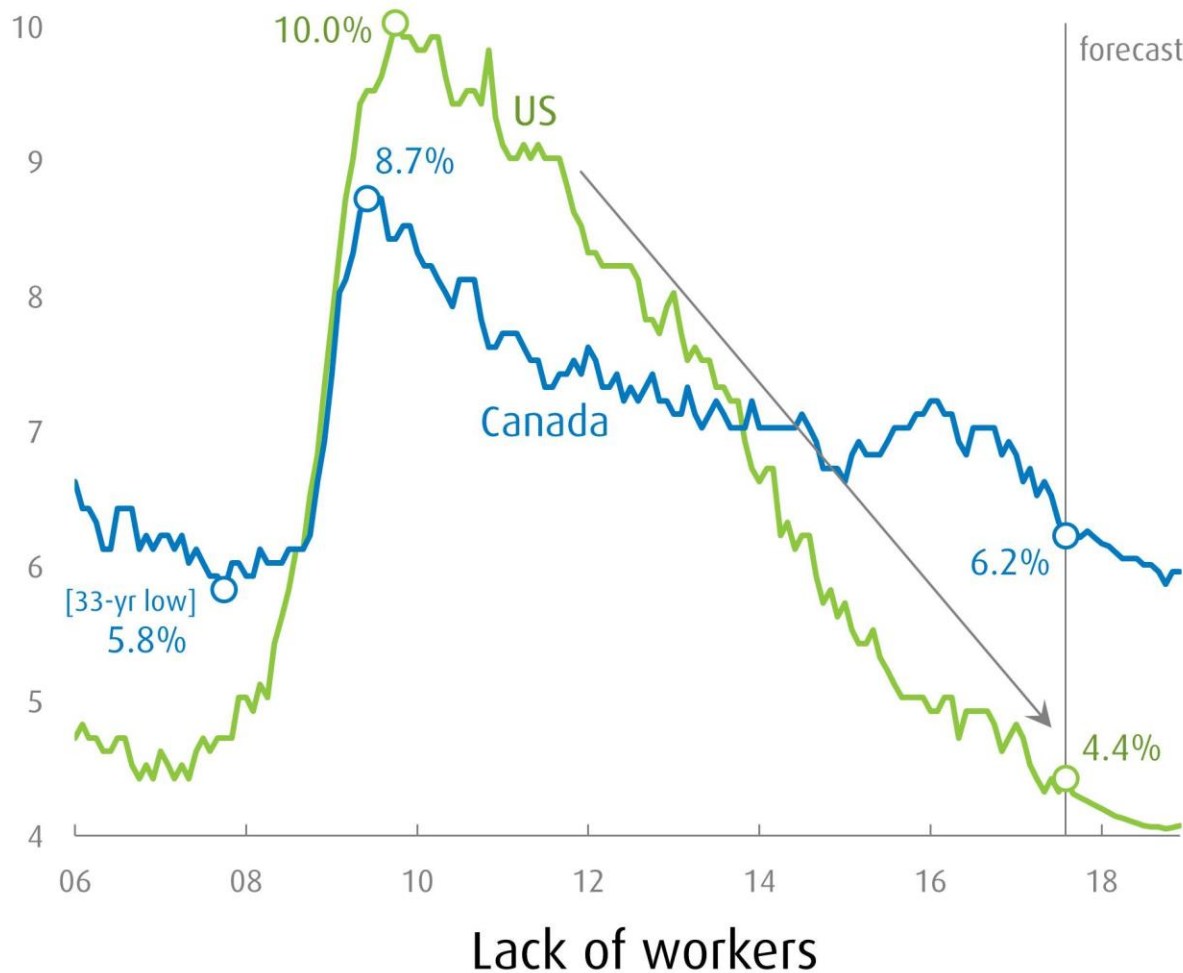
	15	16	17	18
Canada	0.9	1.5	3.1	2.1
US	2.9	1.5	2.1	2.2



Canada rebound: Temporary factors

# Jobless rates: US still falling... Canada improving again

Unemployment rate (percent)



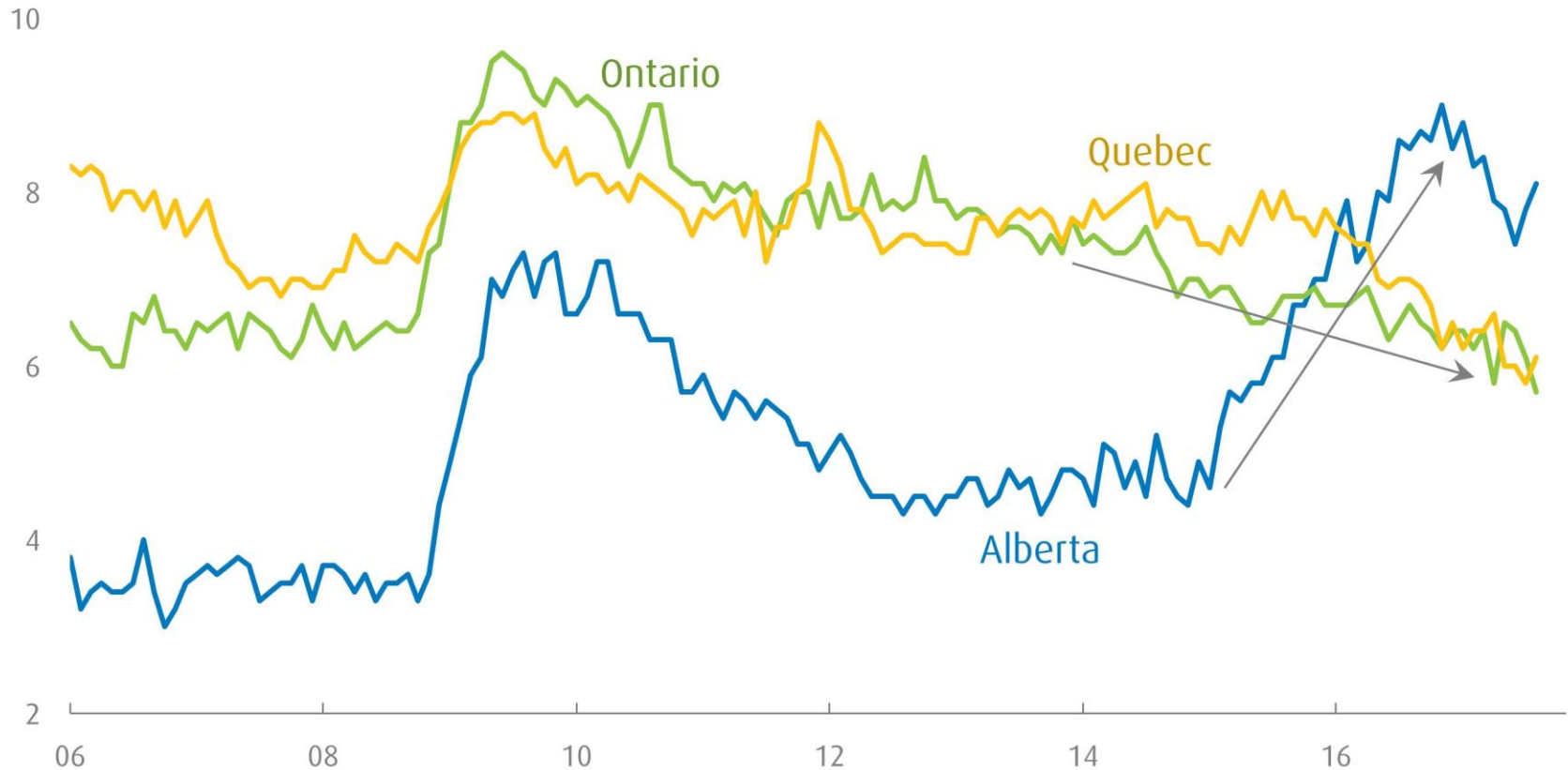
Greece	21.2
Spain	17.1
Italy	11.3
France	9.8
Portugal	9.1
Ireland	6.3
Canada	6.2
Australia	5.6
US	4.4
UK	4.3
Germany	3.7
Japan	2.8
Toronto	6.4
Ottawa	5.9
London	5.4
Ontario	5.7



# Regional jobless rates: Trading places

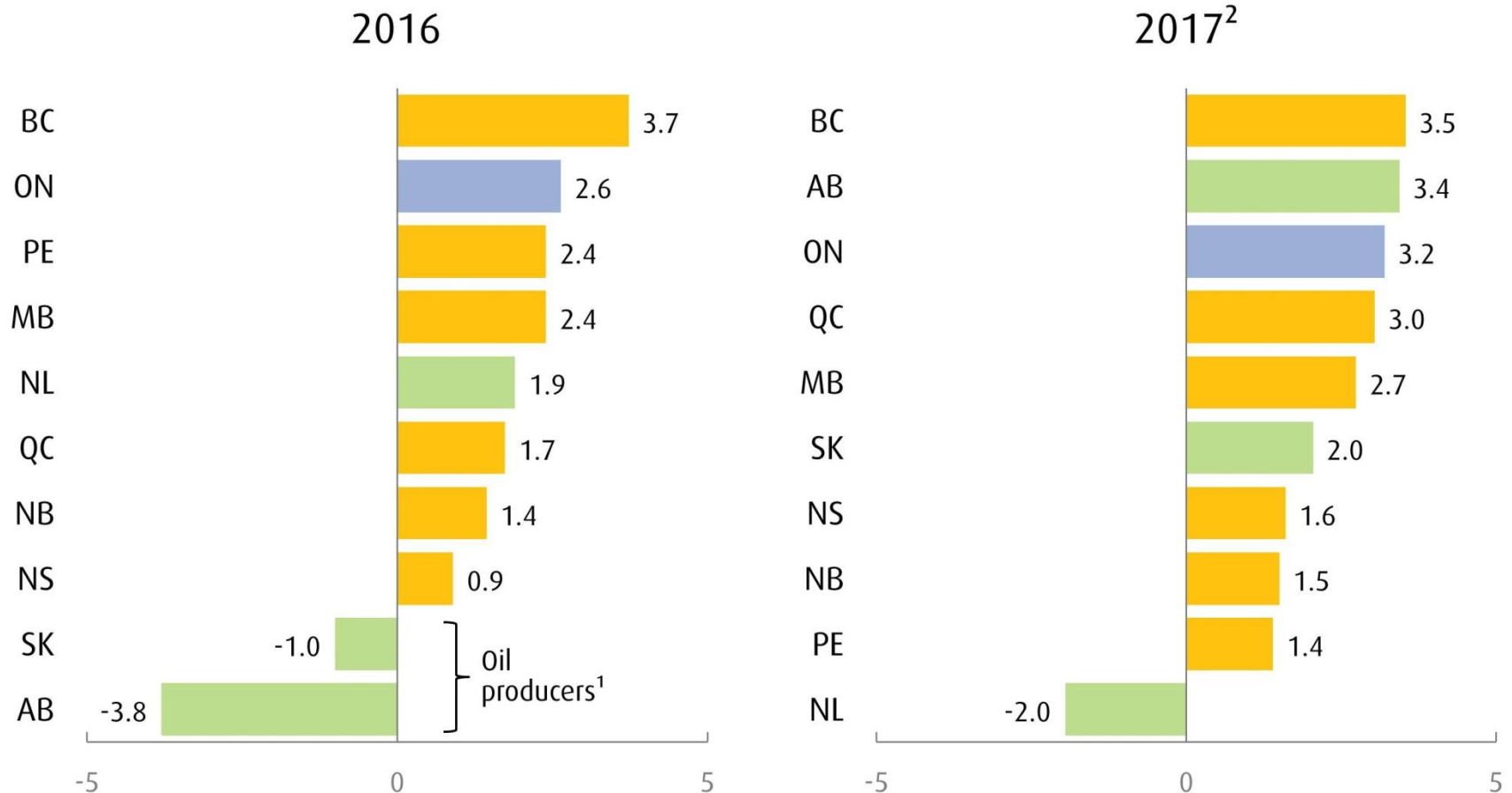
Canada (percent)

Unemployment rate



# Regional outlook: Ch-Ch-changes

Real GDP – Canada (y/y % chng)



2018: Ontario 2.2%



# What's ahead for Ontario?

---



## Opportunities:

- Sturdy US demand
- Infrastructure spending
- Firm population growth overall
- Real estate relatively affordable (outside GTA)

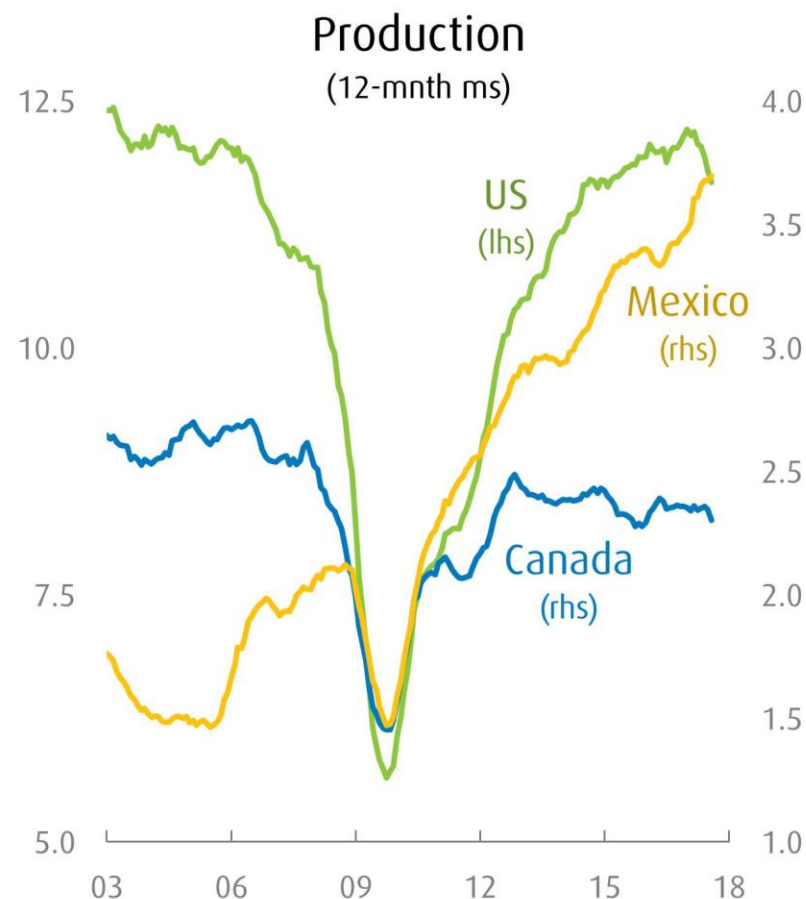
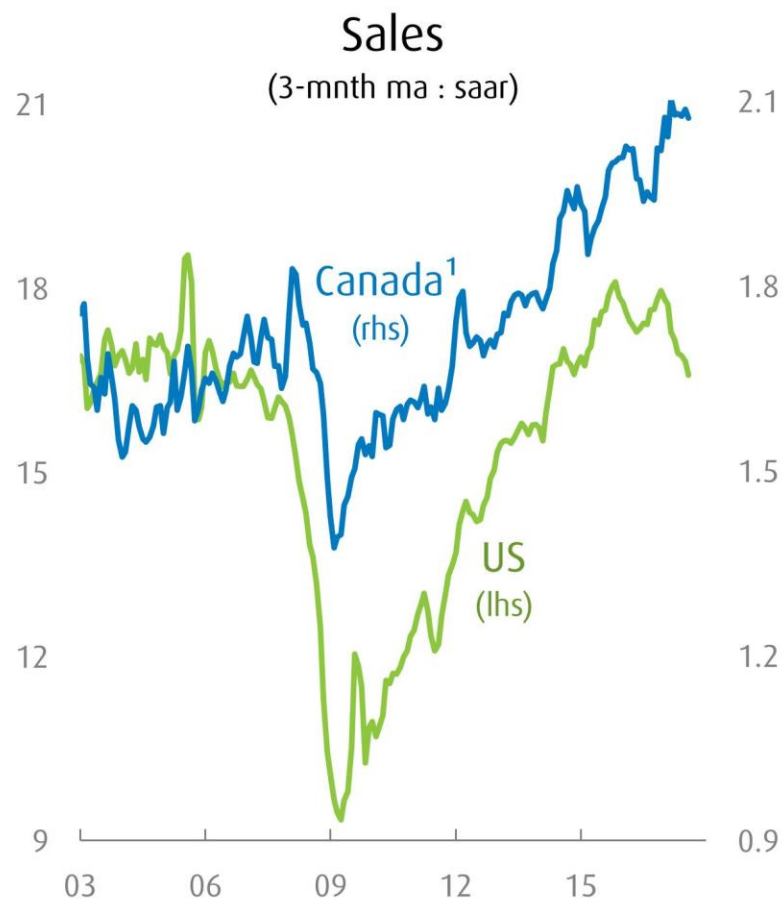
## Challenges:

- Trade policy uncertainty
- Competitiveness in manufacturing (electricity prices, cap-and-trade, etc)
- Demographics (outside GTA)

2018 provincial election

# North American auto sales: US cools, Canada soars

Vehicles (mlns of units)

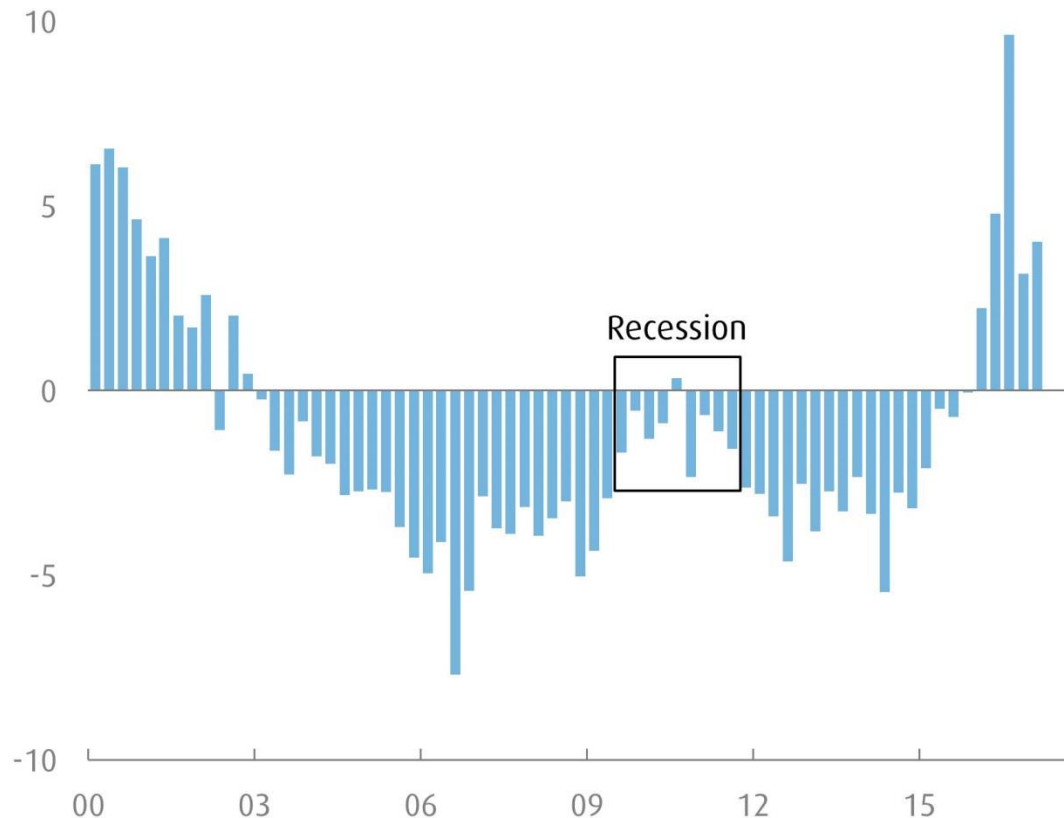


<sup>1</sup> August: BMO Economics estimate

# Migration flows turning around

## Ontario

Net interprovincial migration (thousands of persons)



Leaving from:

Alberta

Saskatchewan

Staying put in:

Atlantic Canada

Flocking to:

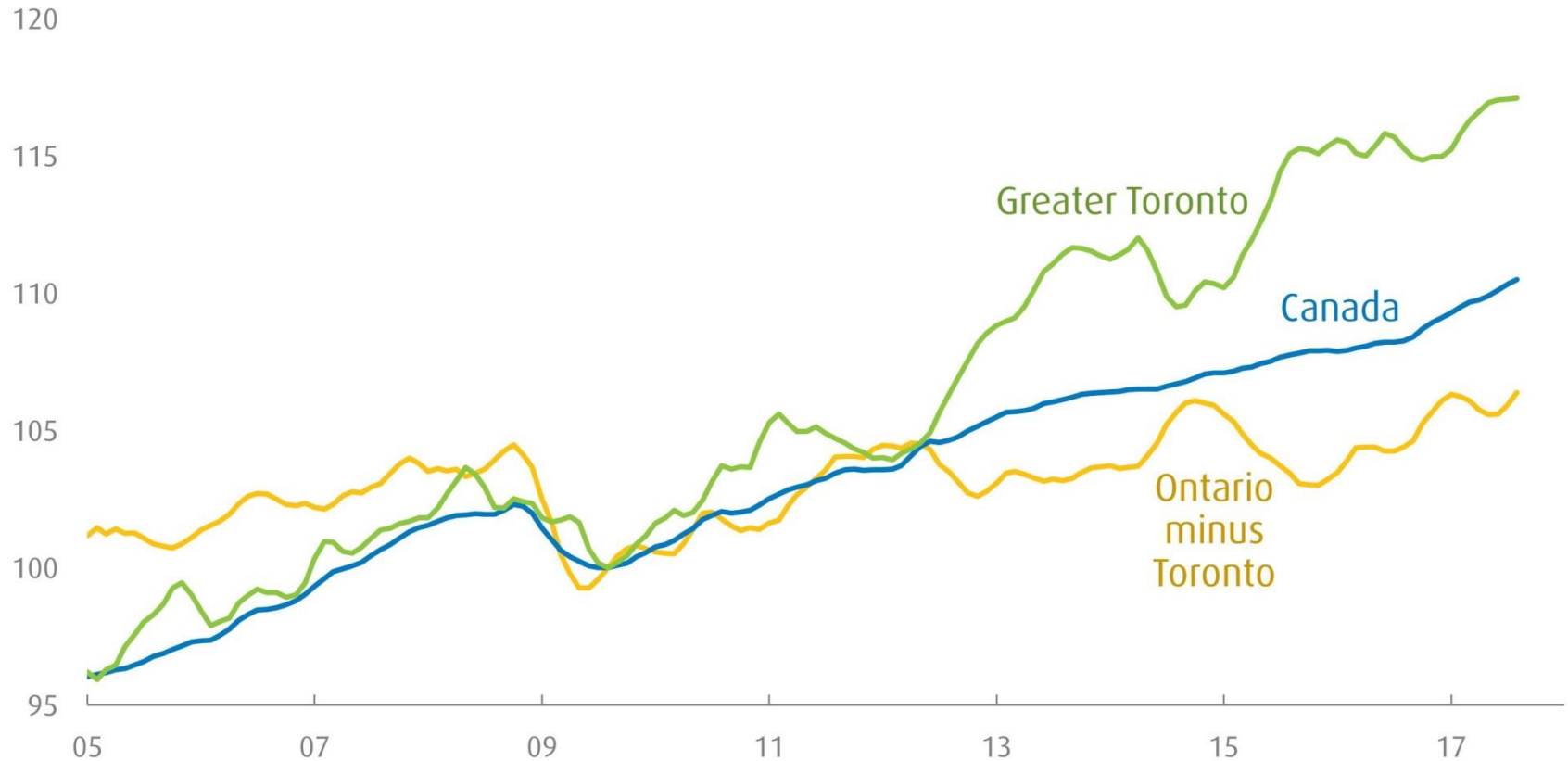
British Columbia

Ontario

# Ontario jobs: Move to the city

Canada (August 2009 = 100)

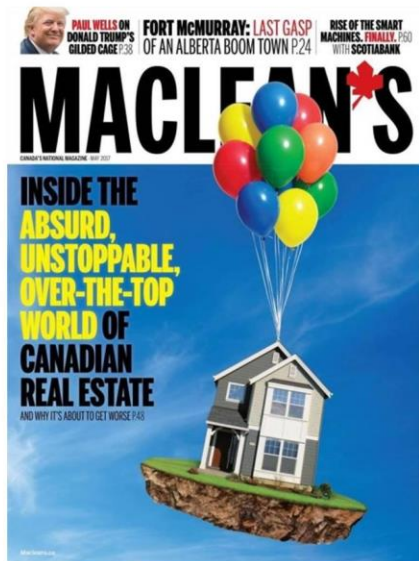
## Employment



Health, education, professional services drive job growth

# Housing: Bubble Trouble?

## Canada



2017:

*"Toronto and surrounding cities are in a housing bubble"*

– BMO Economics

2016:

*"Party will end in the Toronto and Vancouver housing markets this year"*

– Canadian bank

2015:

*"Canada is in serious trouble"*

– Deutsche Bank 2015

2014:

*"Why Canada isn't immune to a US-style housing crash"*

– Maclean's

2013:

*"Inside the great real estate crash of 2013"*

– Maclean's

2012:

*"Canada's housing crash begins"*

– Canadian Business

2011:

*"Canada's housing bubble deemed close to bursting"*

– CBC News

2010:

*"Canada's housing bubble: An accident waiting to happen"*

– CCPA

2009:

*"Why Canada's housing bubble will burst"*

– The Tye

2008:

*"Canada's housing bubble could soon burst"*

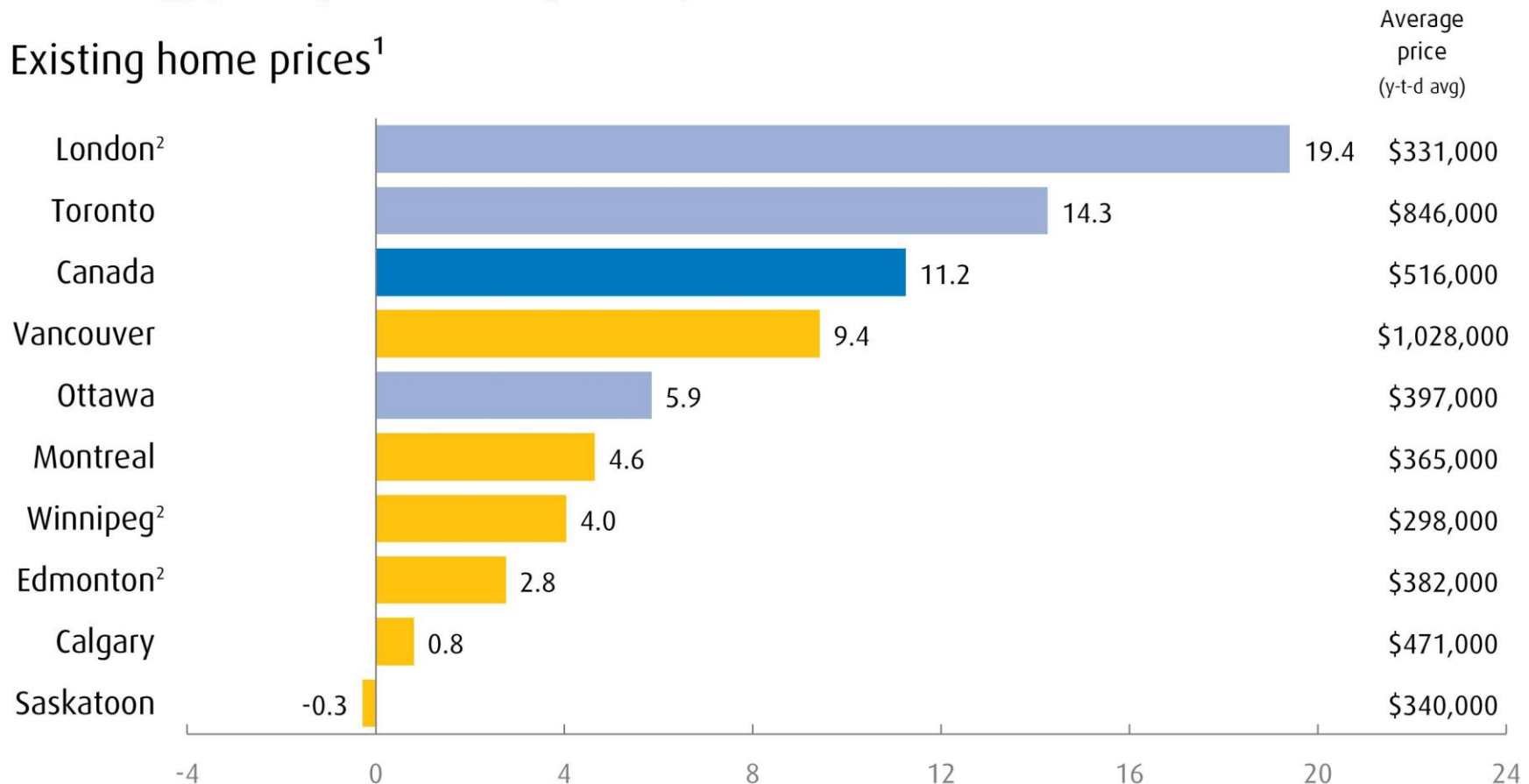
– US investment firm



# Canadian house prices: Location, location, location

Canada (y/y % chng : nsa : as of August 2017)

Existing home prices<sup>1</sup>



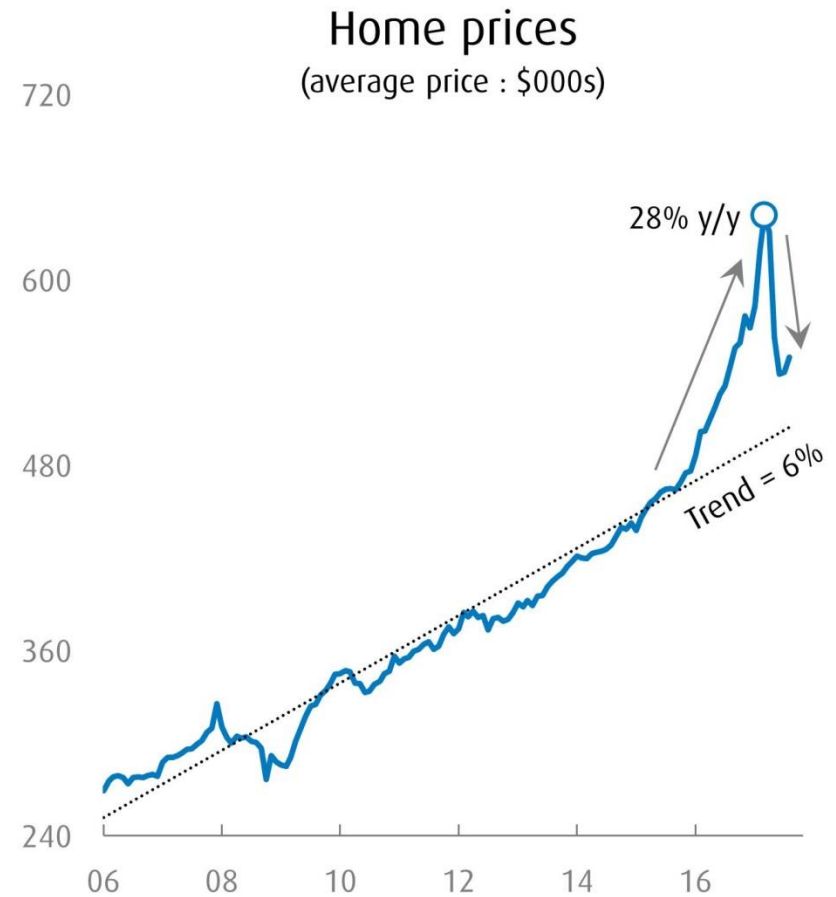
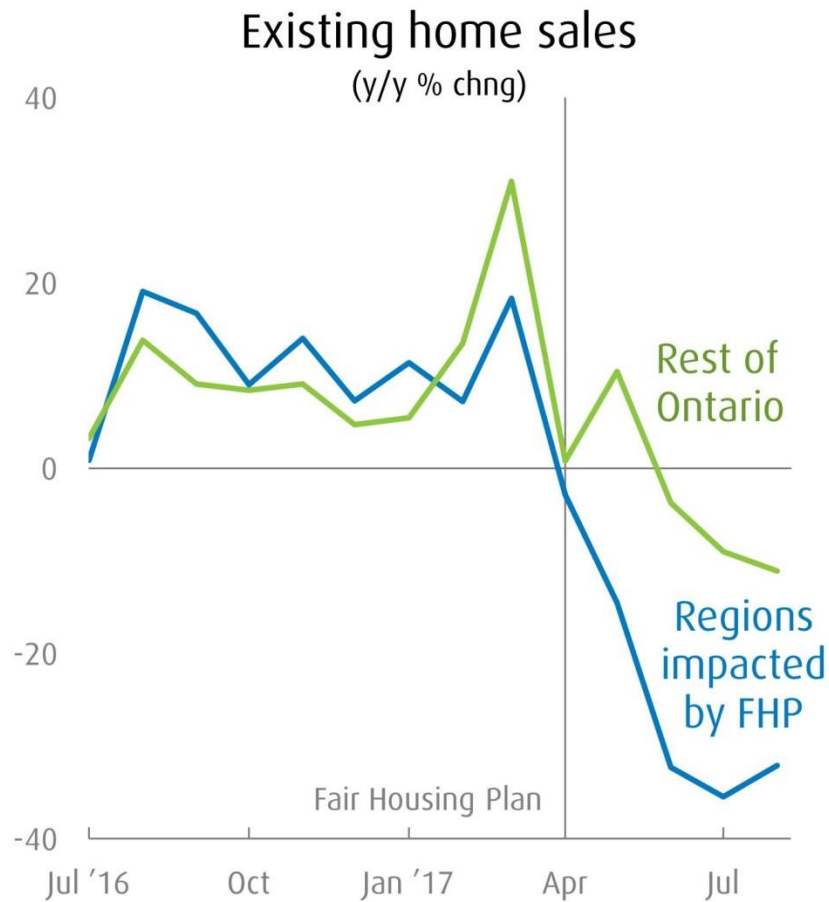
Governments move to cool market

<sup>1</sup> HPI composite benchmark where available    <sup>2</sup> Average price (y-t-d)



# Policy measures at work

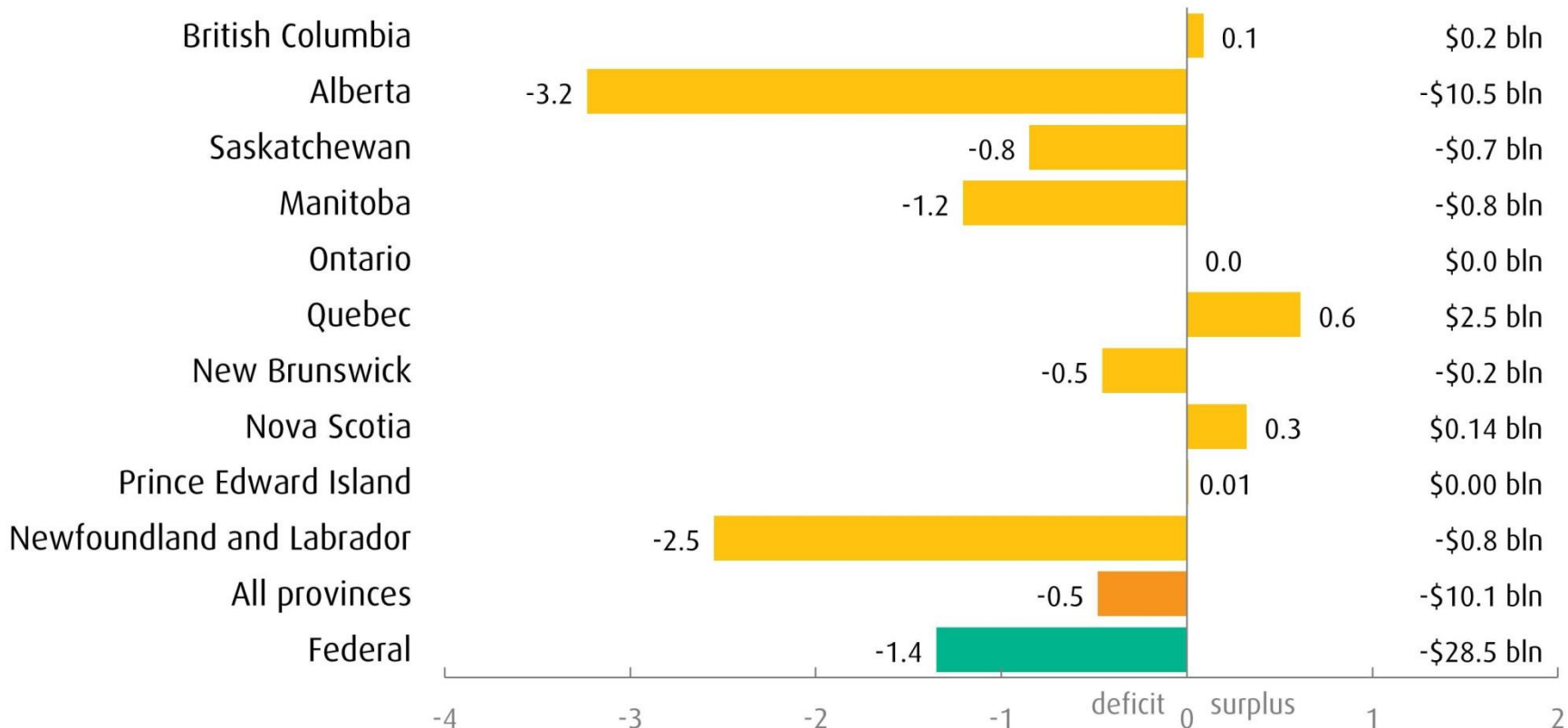
## Ontario



# Provincial deficits: Some progress, some trouble

Canada – FY17/18 (% of GDP)

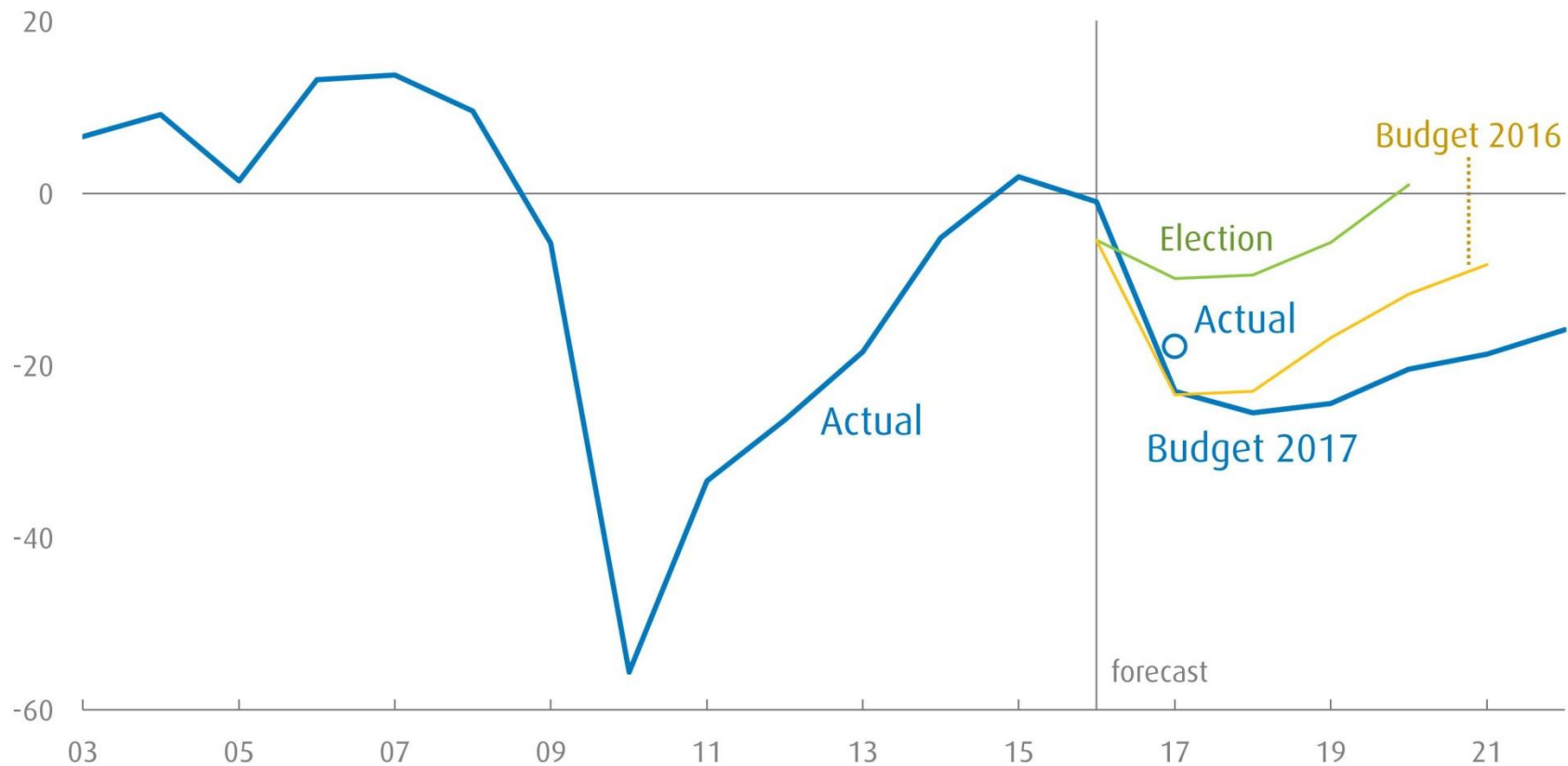
## Budget balance



# Federal deficit: No surplus, No worries

Federal government – Canada (\$ blns : excluding contingency)

## Budget balance



# Canada/US trade relations

---

## Then: “Tweak NAFTA”



February 13, 2017

## Now: “Massive” changes

- + Softwood lumber tariff
- + Dairy “disgrace”
- + Problem with energy exports
- + Steel
- + Aerospace

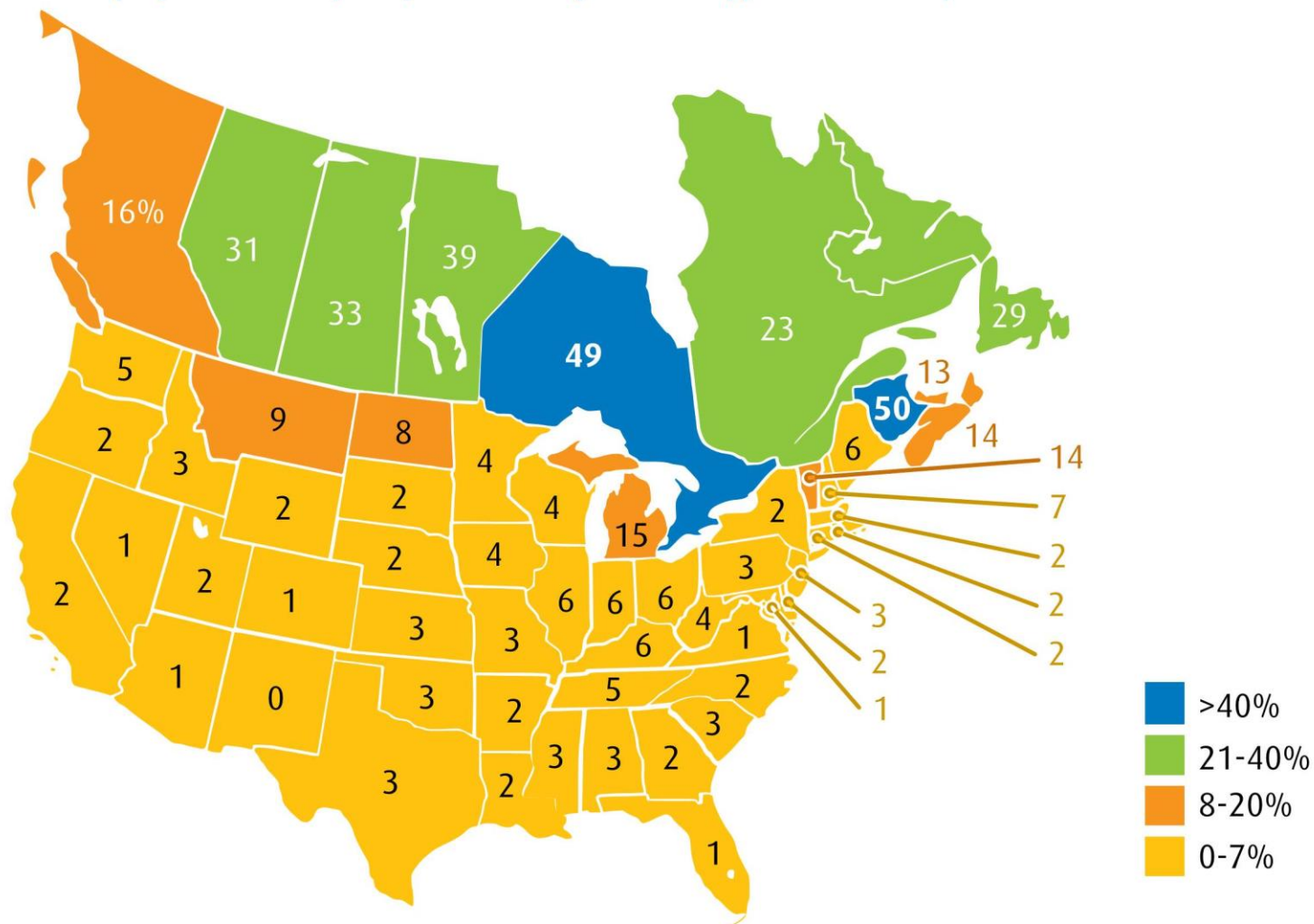
## General issues:

Tax competitiveness  
“Buy American”

## NAFTA talks start

# Ohhh Canada!

Canada/US trade (imports and exports) – 2016 (% of state/provincial GDP)





# Canadian dollar: Where next?

## Canada



### Canadian dollar (US¢ : as of September 20, 2017)

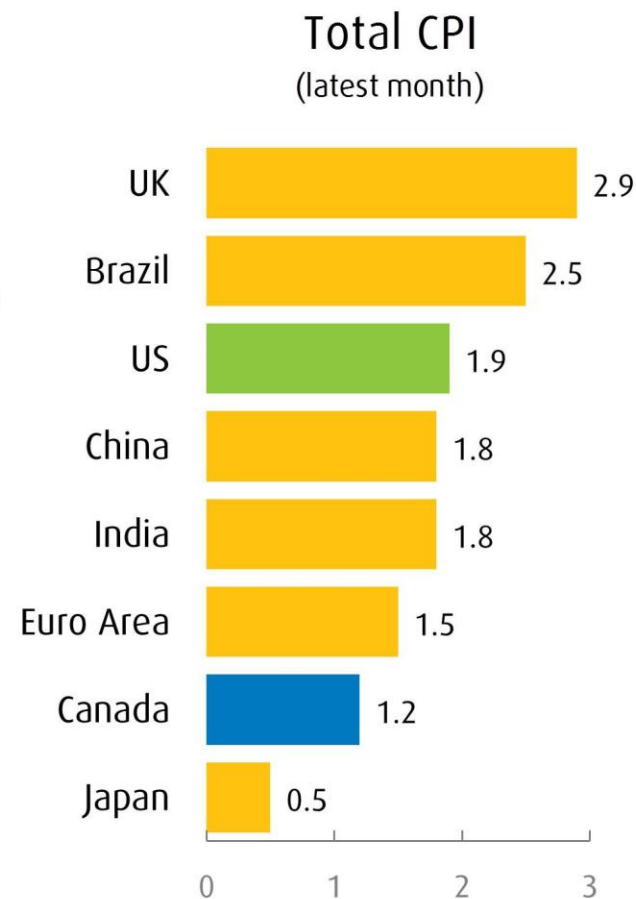
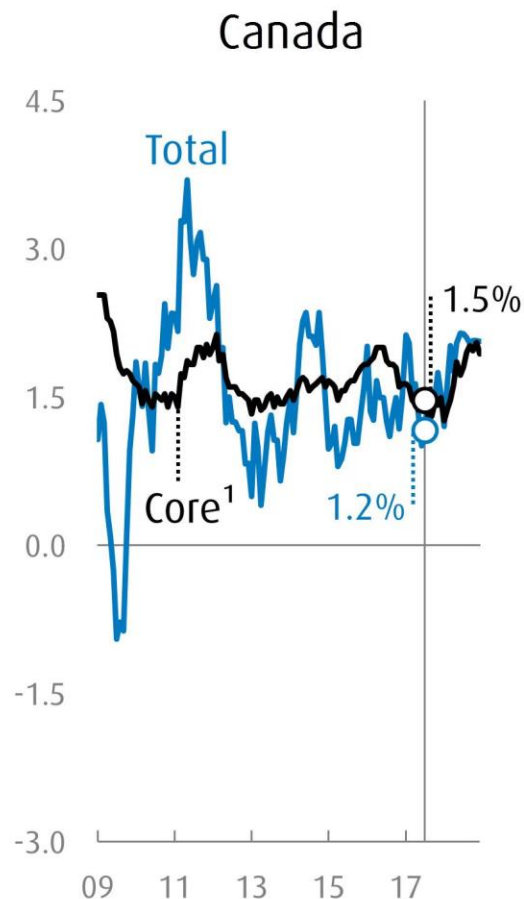
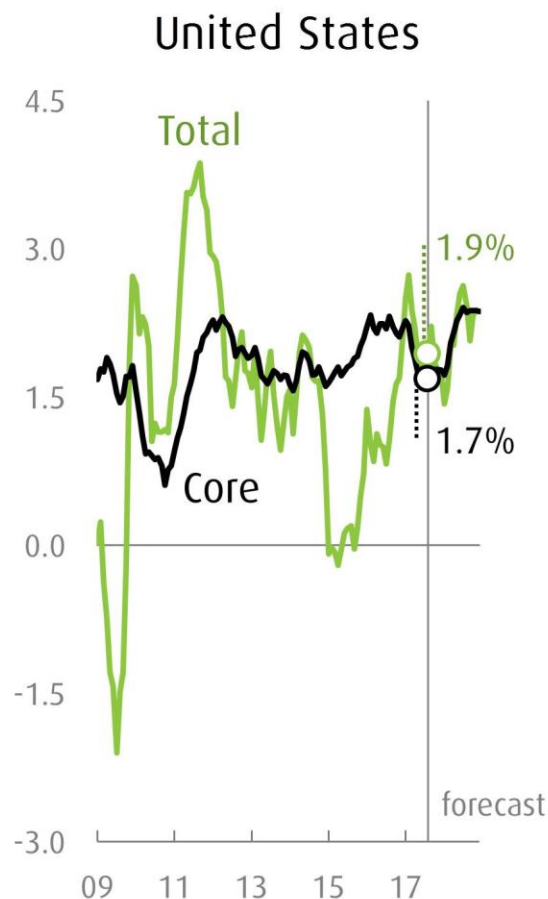


Trade uncertainties, housing worries, oil



# Inflation stays low

## Consumer price index (y/y % chng)



Ontario: 1.2%

# Inflation and deflation

## Consumer price index – Canada (y/y % chng : as of July 2017)

### Deflationary

Electricity	-9.1%
Down 25.5% y/y in Ontario	
Home entertainment equipment	-6.2%
Bread	-5.5%
Jewellery	-4.5%
Toys	-3.0%
Computer equipment	-2.9%
Household appliances	-2.0%
Dairy and eggs	-1.7%
Sports equipment	-1.3%
Women's clothing	-0.1%

### Inflationary

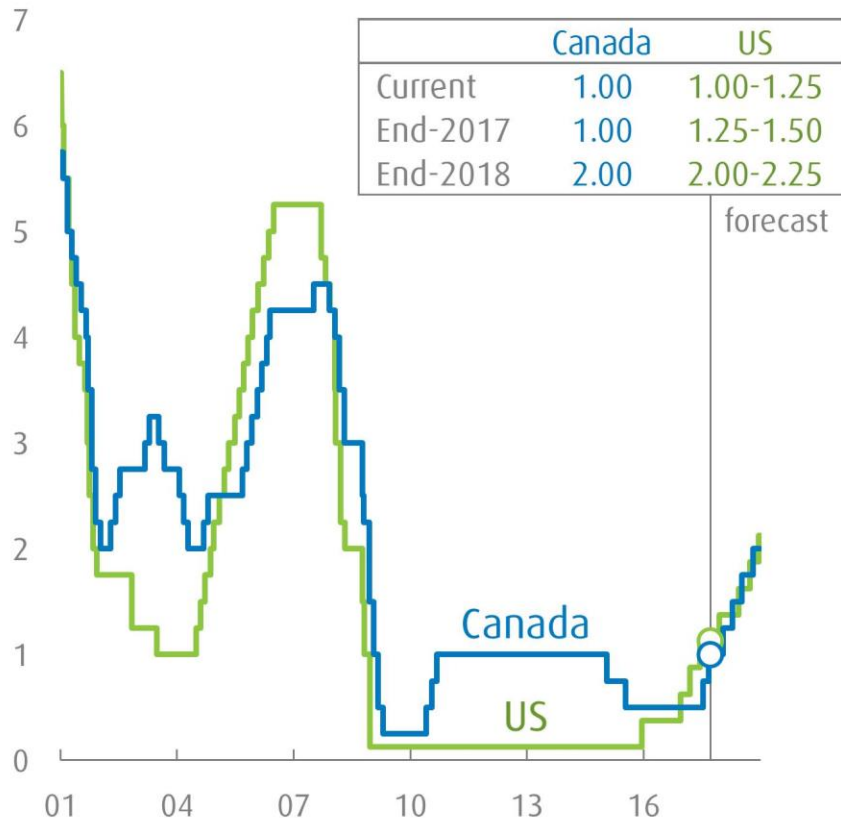
Air fares	5.7%
Cigarettes	5.3%
Gasoline	4.6%
Fresh fruit	4.0%
Books	3.9%
Beer	3.4%
Fresh vegetables	3.4%
Health care services	3.3%
Property taxes	2.8%
Tuition fees	2.8%

Overall CPI: 1.2%

# Interest rates: More rate hikes coming

(% : as of September 20, 2017)

## Overnight rate



Bank of Canada hikes

## 10-year bonds

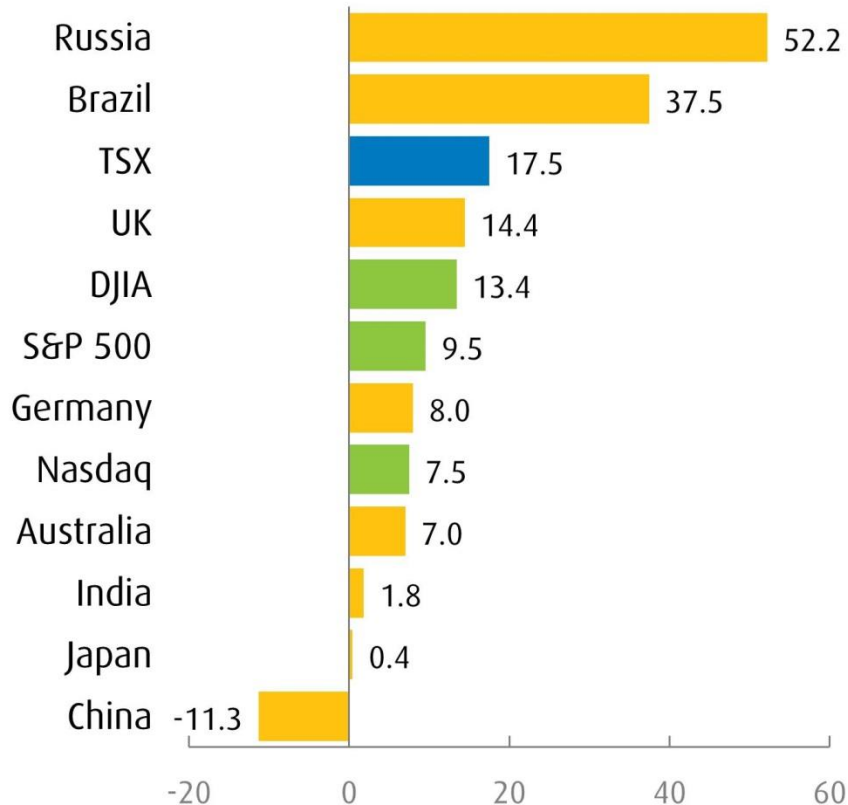


Spread narrows

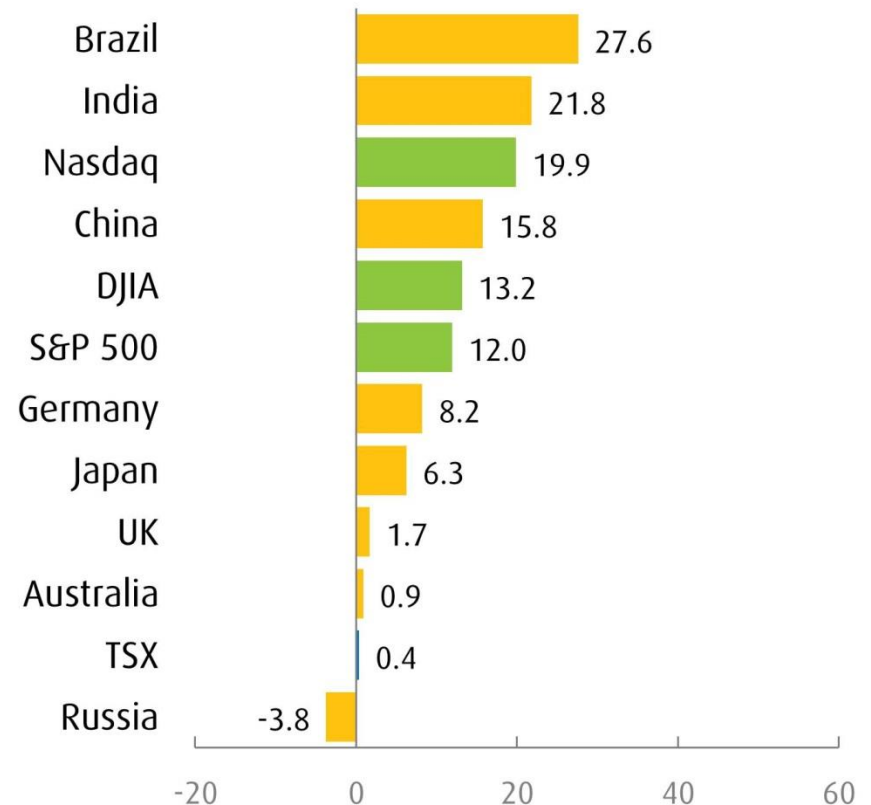
# Global stocks: TSX struggles

## Equity markets (% chng)

2016



2017 year-to-date  
(as of September 20, 2017)



# Q and A

Douglas Porter,  
CFA

Chief Economist,  
BMO Financial Group  
douglas.porter@bmo.com  
416-359-4887