



# Economic outlook: Follow the leader?

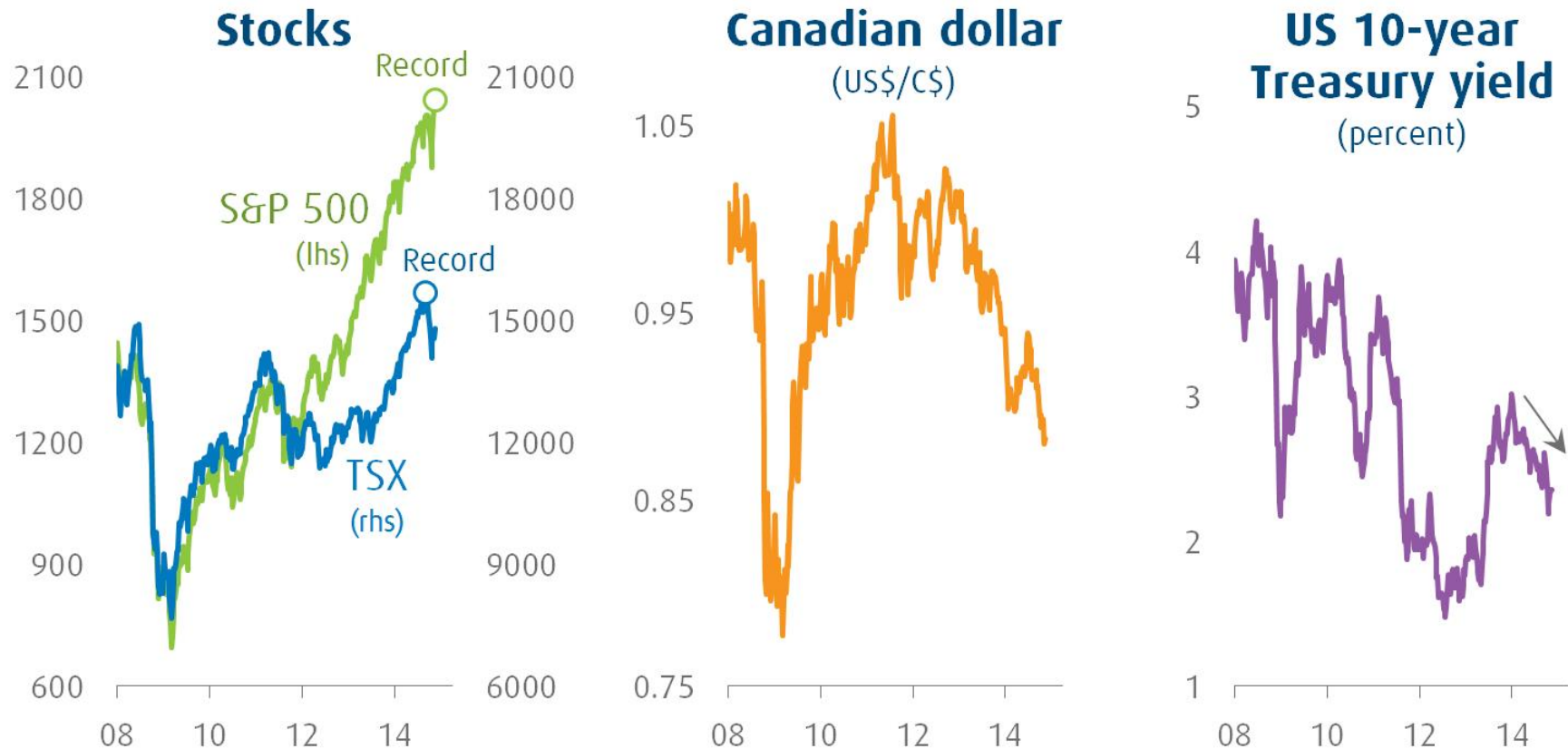
## Douglas Porter, CFA

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# Market volatility

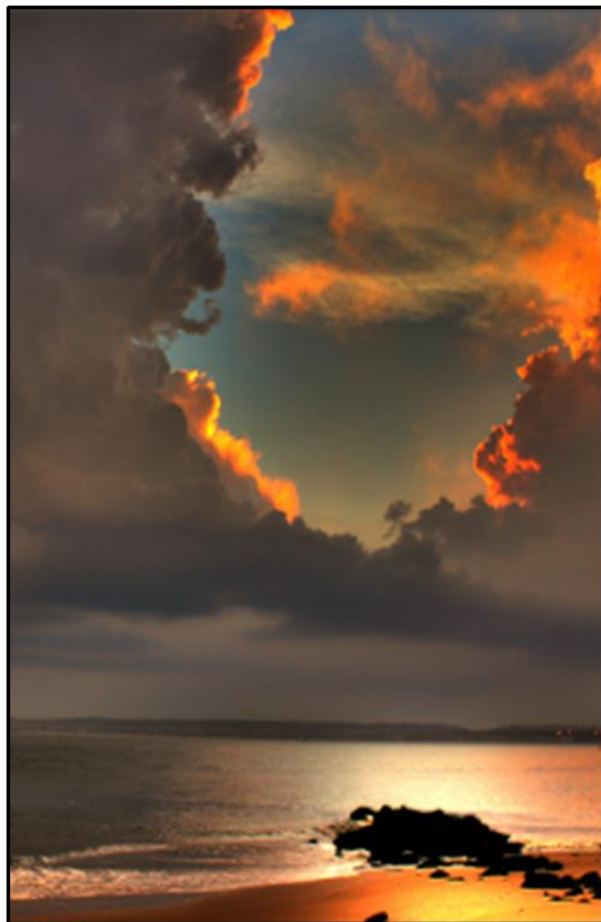
(as of November 17, 2014)



## Oil prices slide

lines: weekly averages    record dots: daily close

# Global outlook: Still hazy after all these years



US economy strengthening

But...

Europe stagnates

Japan knocked down... temporarily

China soft landing in question... more stimulus

## Wildcards:

Russia/Ukraine

Iraq/Syria

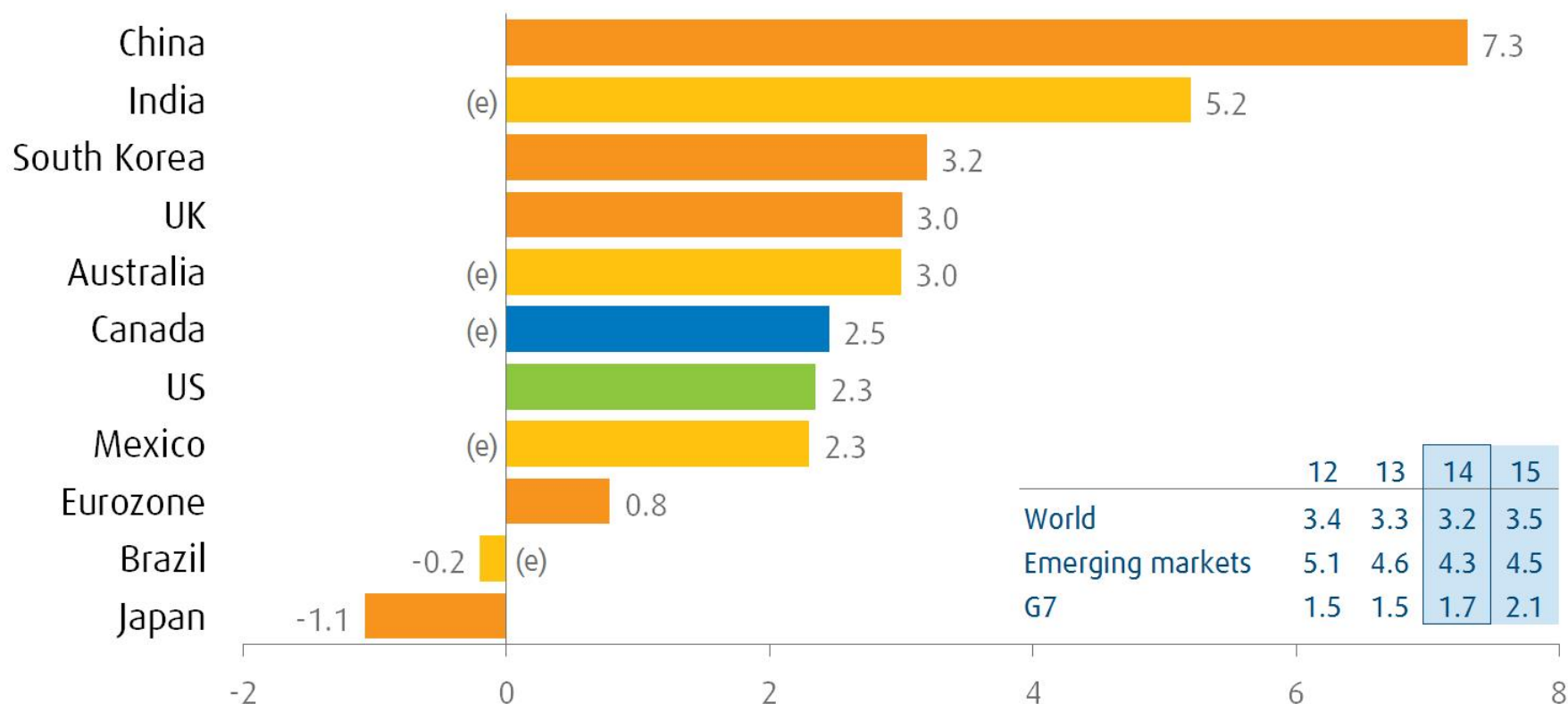
Terrorism

Ebola epidemic

# Global GDP: Some good, some bad, some ugly

**2014:Q3** (y/y % chng)

## Real GDP



(e) = estimate

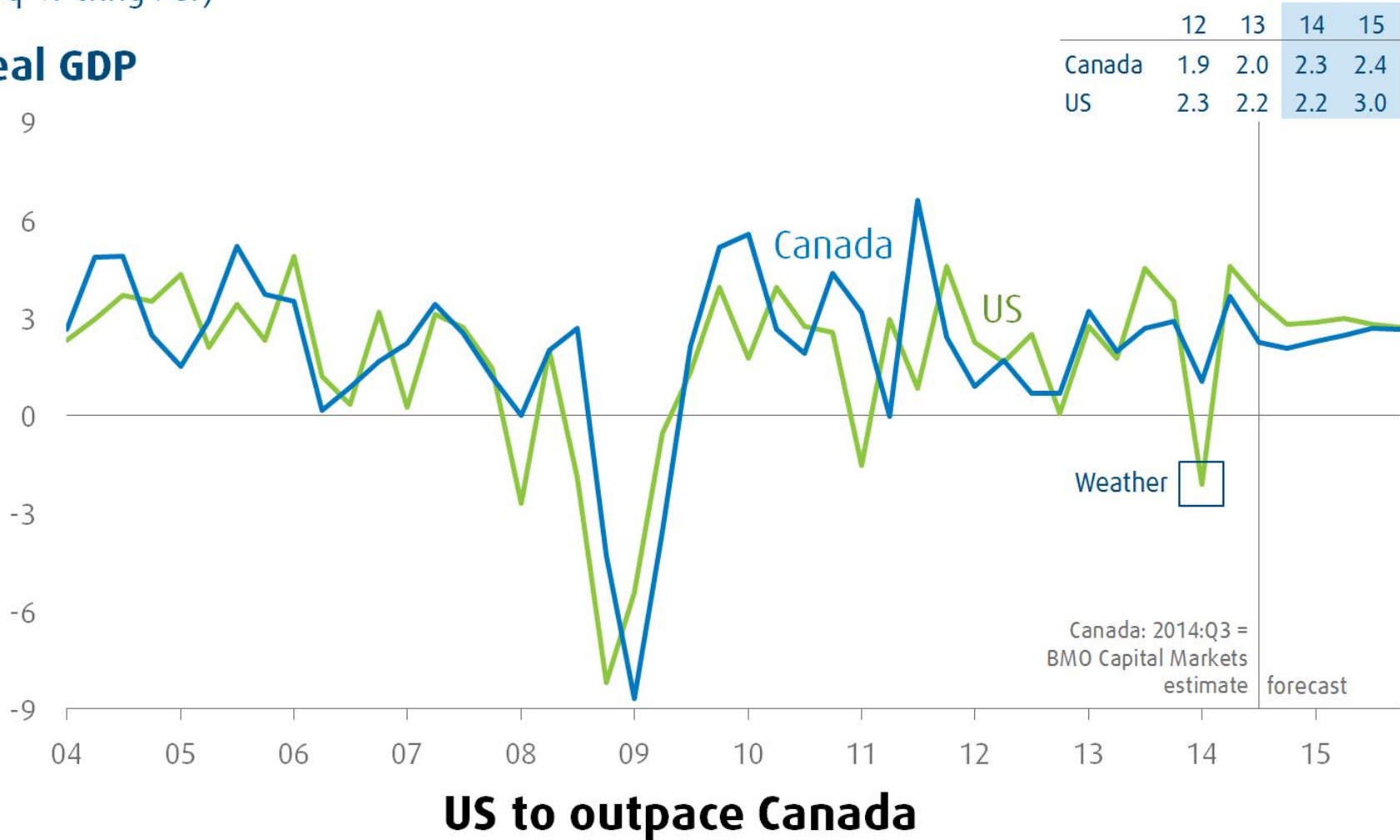
**Another sub-par year**



# North American growth pick-up in 2015

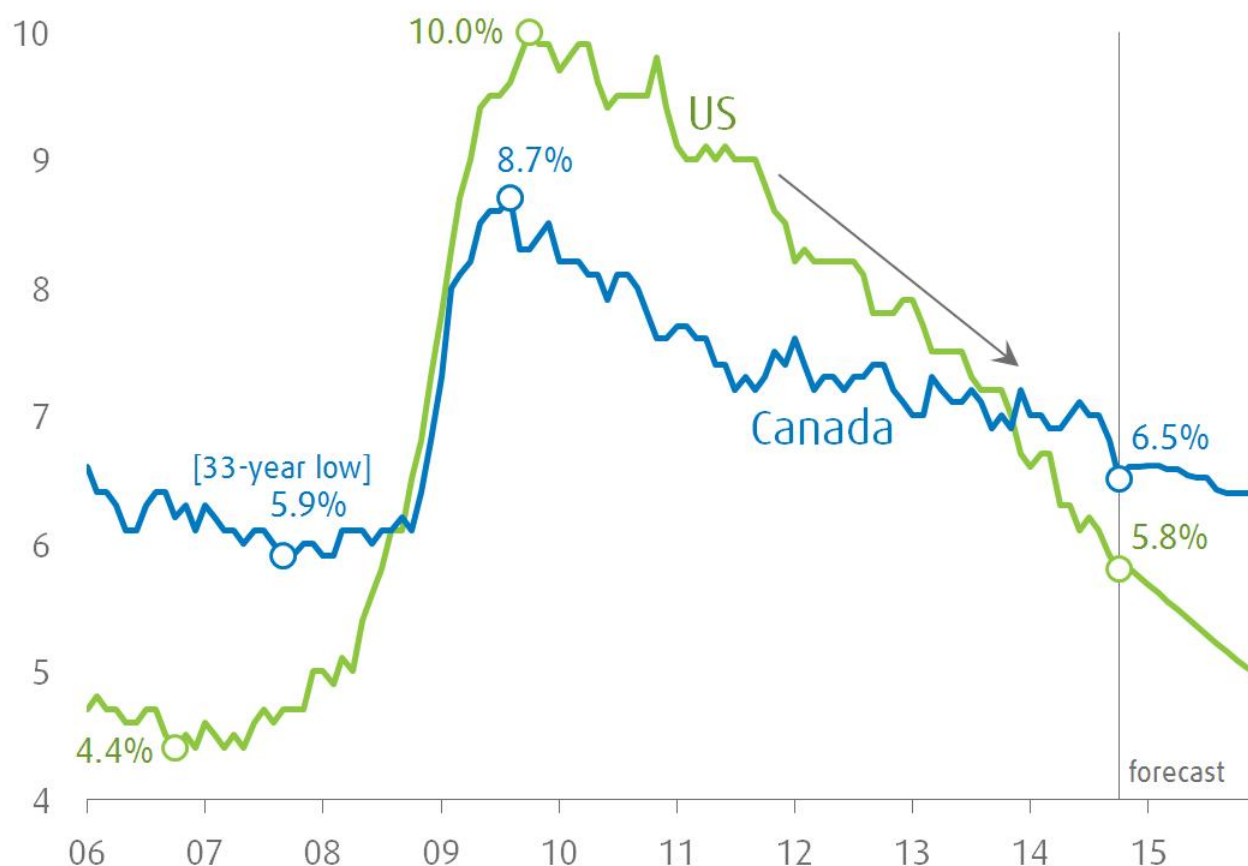
(q/q % chng : ar)

## Real GDP



# Jobless rates: US falling, but...

Unemployment rate (percent)

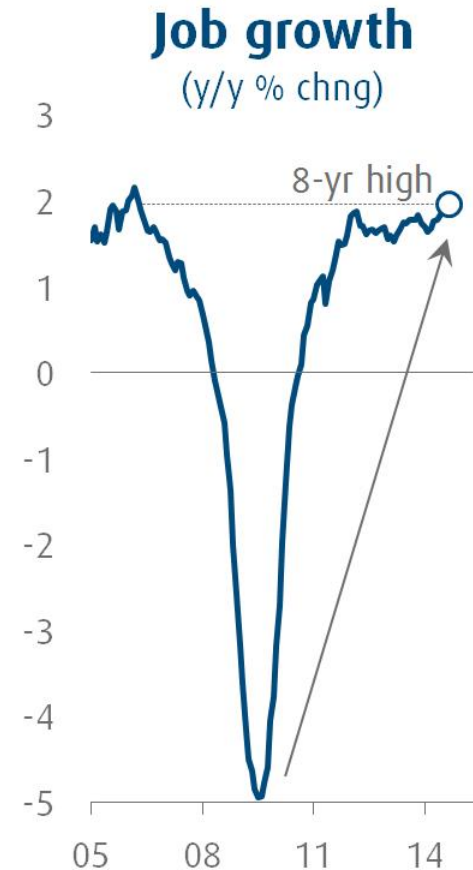
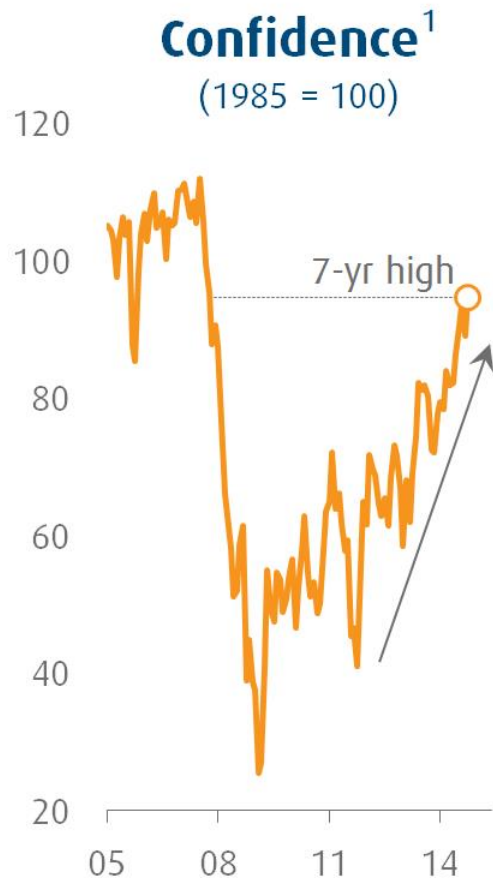


Greece	25.9
Spain	24.0
Portugal	13.6
Italy	12.6
Ireland	11.2
France	10.5
Canada	6.5
Australia	6.2
UK	5.9
US	5.8
Germany	5.0
Japan	3.6

**US participation rate: Lowest since 1978**

# US consumer positives

## United States



## Bonus: Gas prices, mortgage rates

<sup>1</sup> Source: Conference Board

# Will Canadian housing calm, correct, crash?



2014:

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

Maclean's



# Will Canadian housing calm, correct, crash?



**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 Tyee

**2008:**

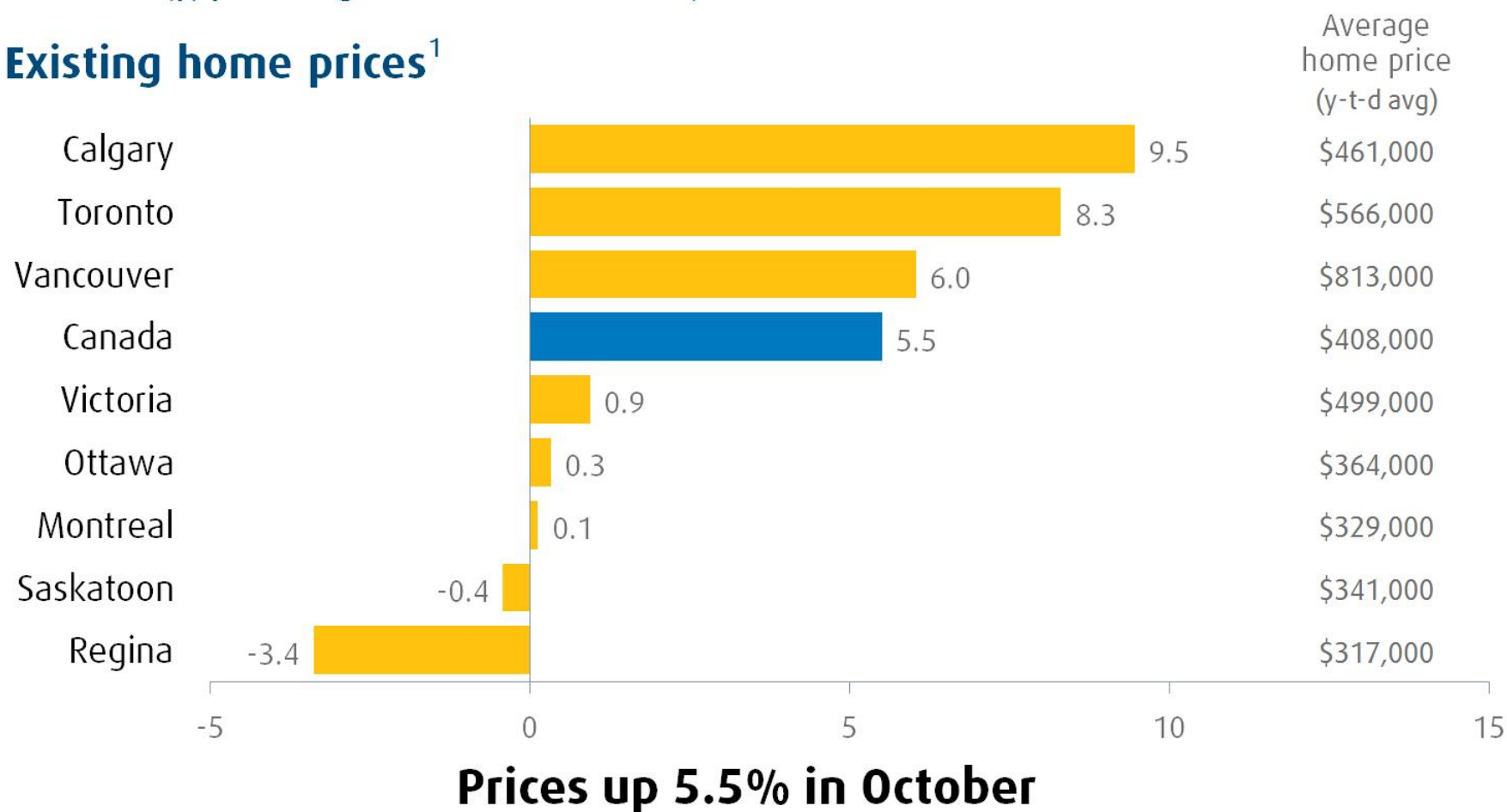
*"Canada's housing bubble could soon burst"*

US investment firm

# Canadian house prices: Regional divide

**Canada** (y/y % chng : as of October 2014)

## Existing home prices<sup>1</sup>

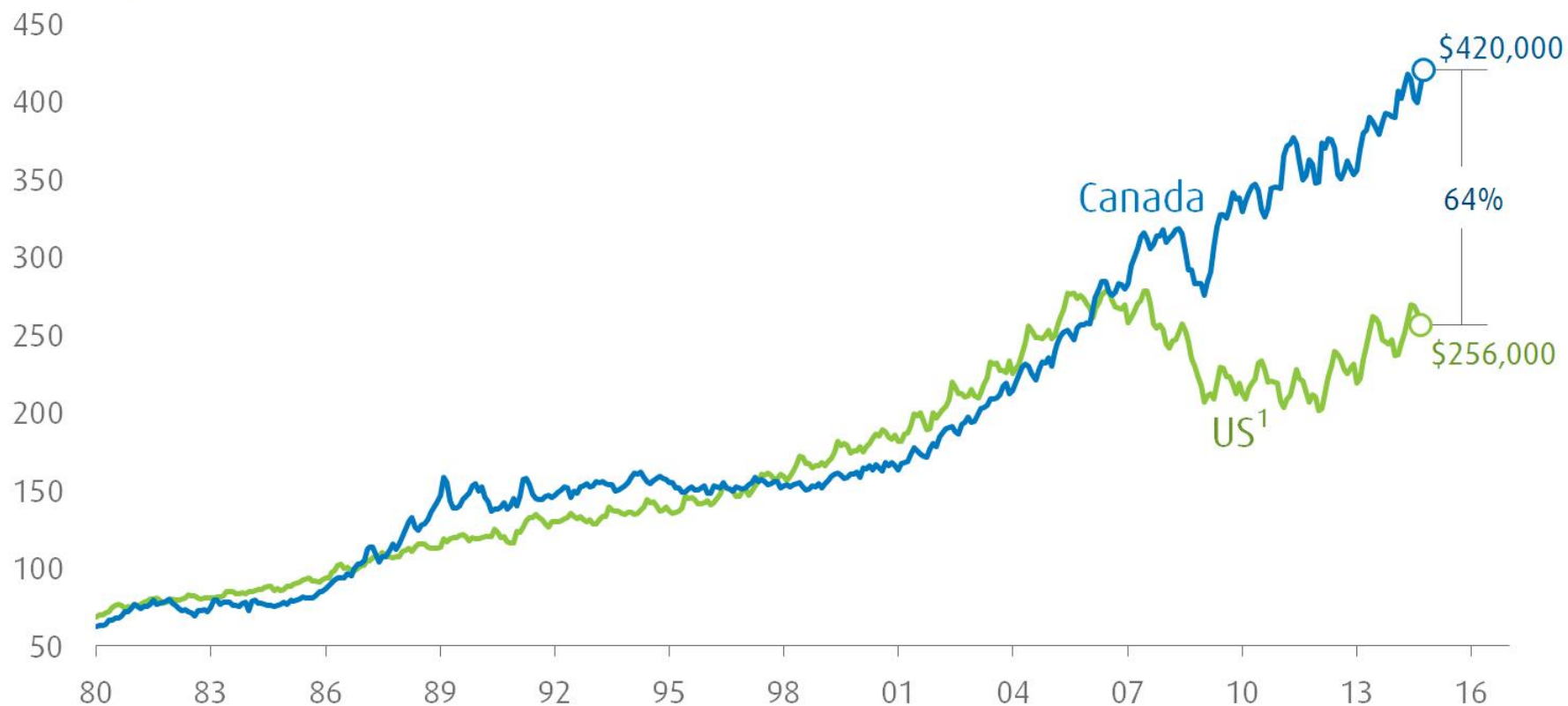


<sup>1</sup> HPI composite benchmark

# The other divide... still

(\$000s : local currency : nsa)

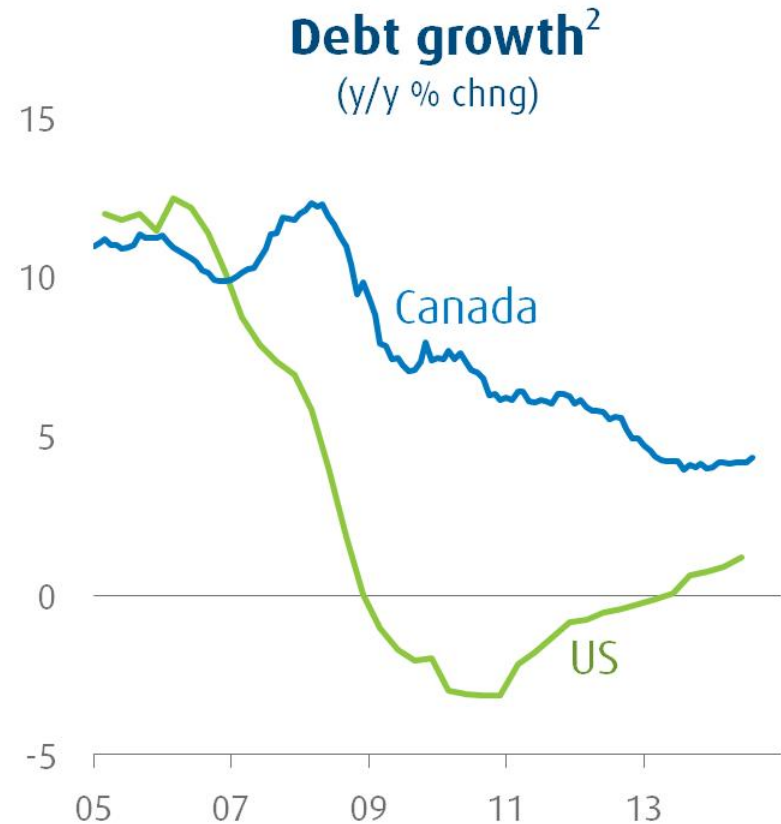
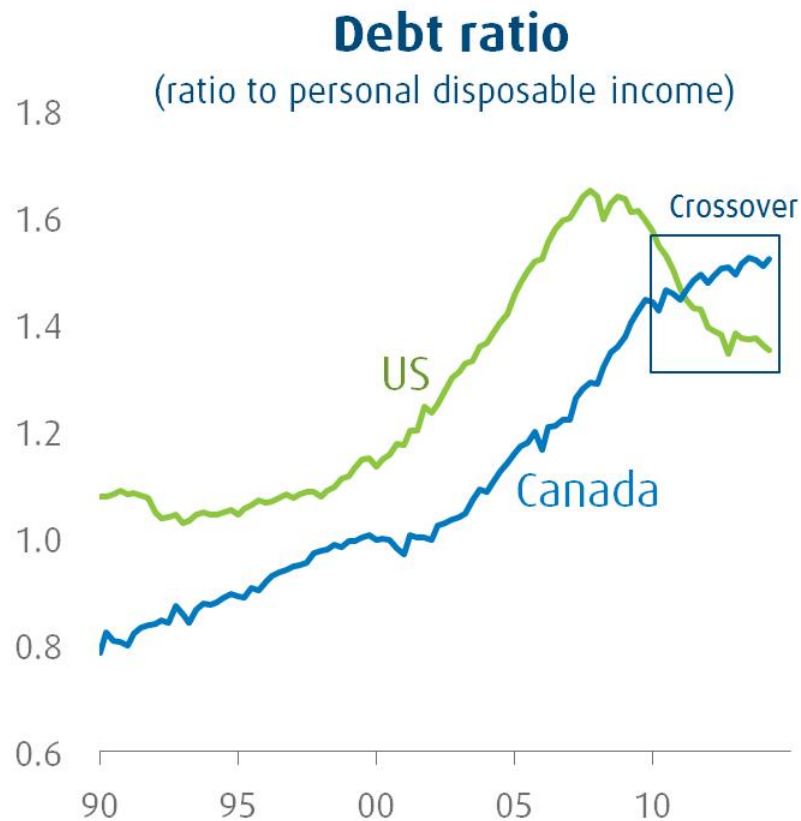
## Average home price



<sup>1</sup> Single-family homes

# Canadian consumers: Borrowing slows

## Households<sup>1</sup>



## Debt ratio off record highs

<sup>1</sup> Households, nonprofits and unincorporated businesses    <sup>2</sup> Consumer credit and residential mortgages only



# Commodity outlook



SuperCycle over...

...But some sectors stay solid

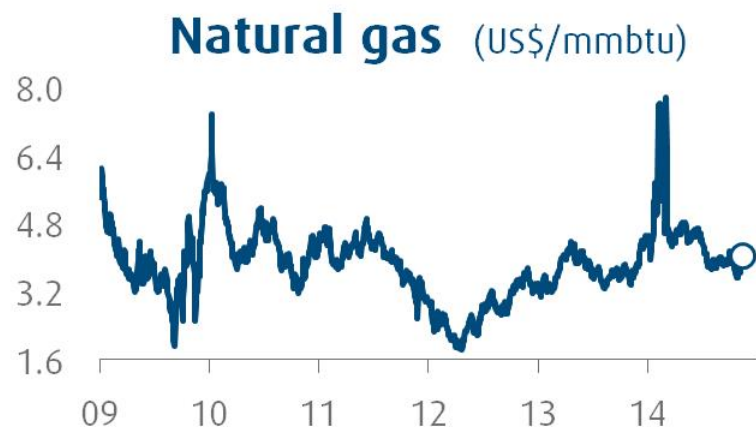
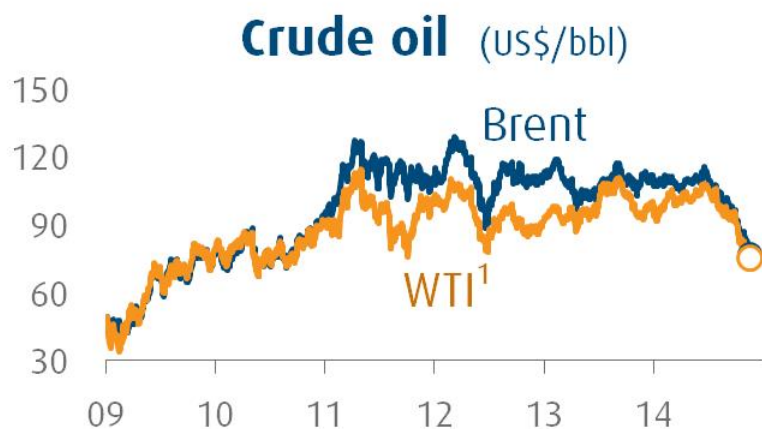
Global growth should firm

Oil price retreat

## Impact on Western Canada

# Commodities: Less golden

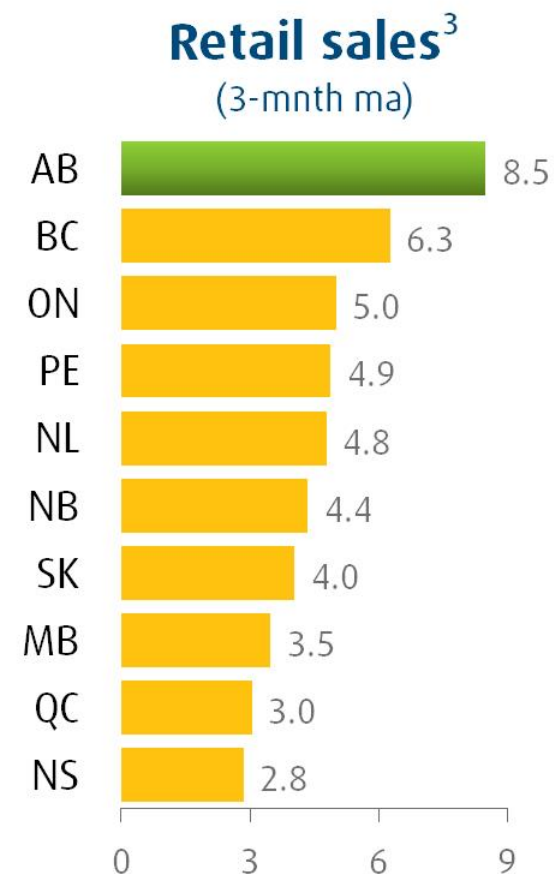
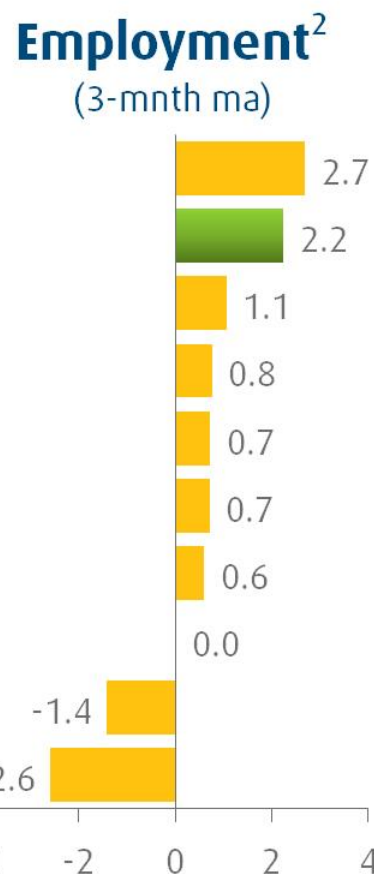
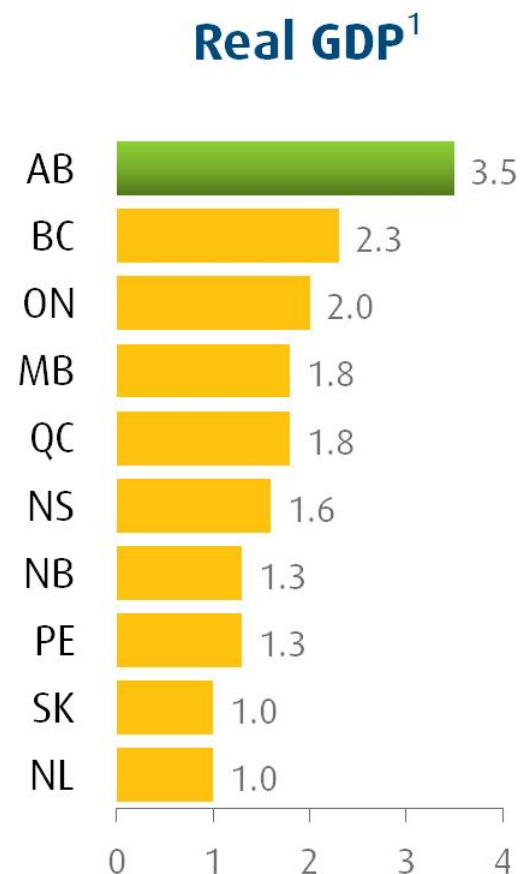
(as of November 17, 2014)



<sup>1</sup> West Texas Intermediate

# Alberta vs the rest

(y/y % chng)

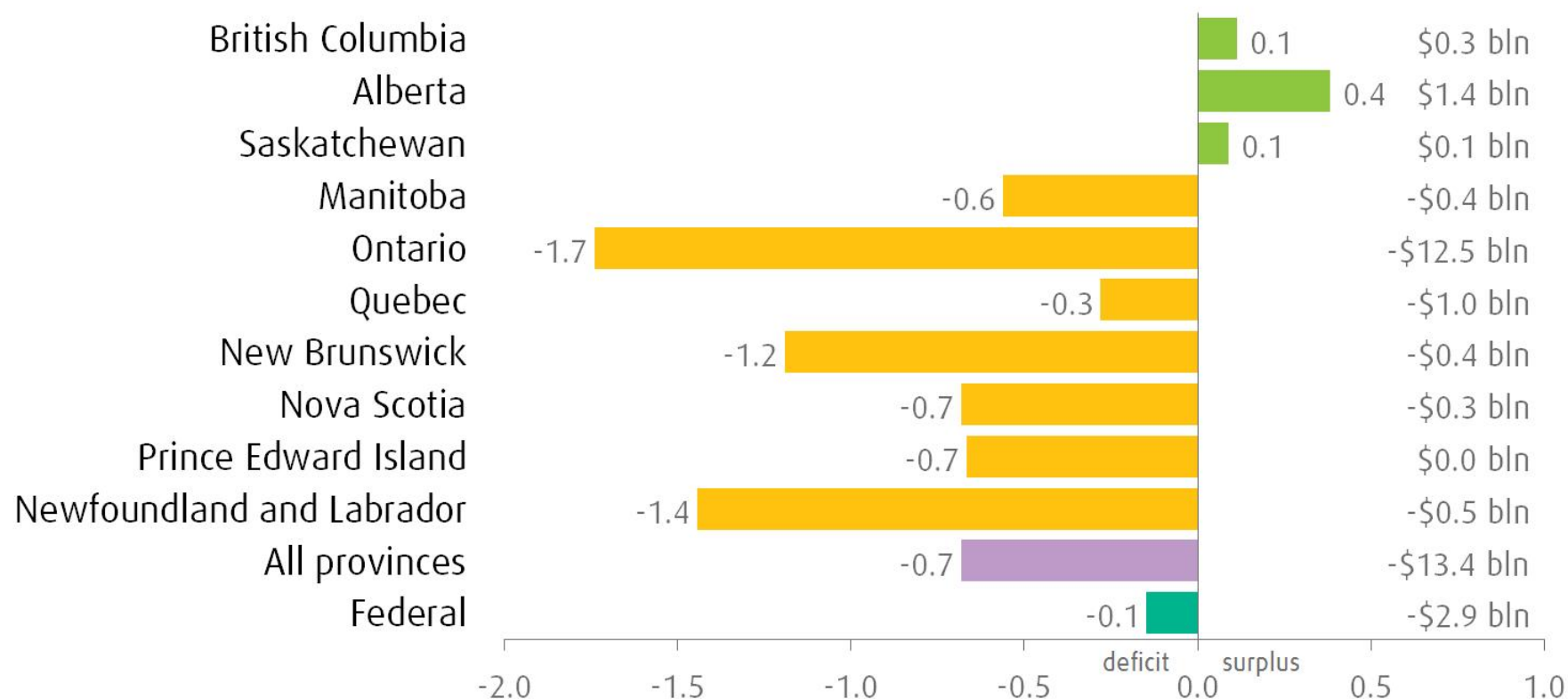


<sup>1</sup> 2014 forecast    <sup>2</sup> October 2014    <sup>3</sup> August 2014

# Provincial deficits: Making progress

Canada – FY14/15 (% of GDP)

## Budget balance

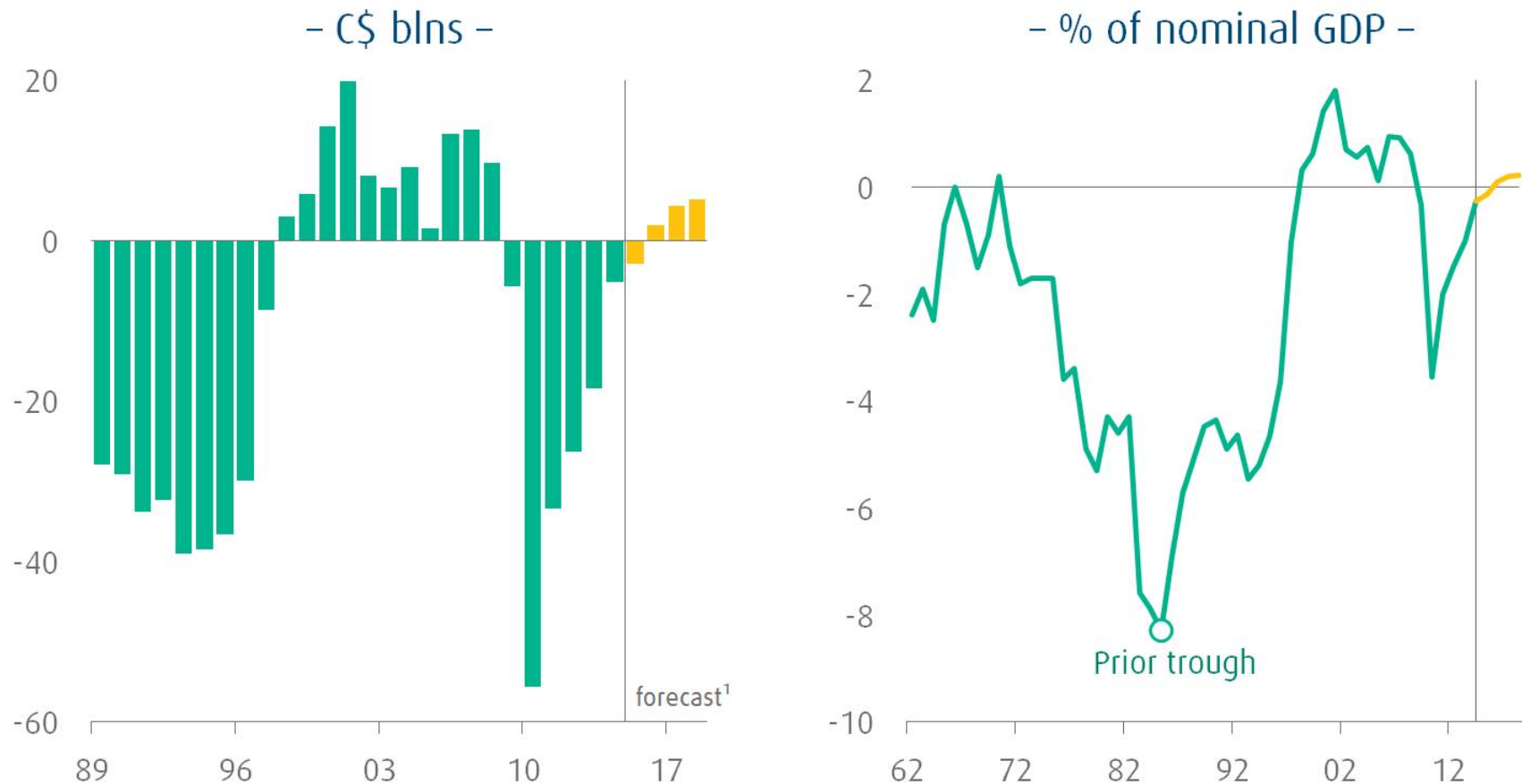


Quebec: Before GF transfers



# Ottawa's finances in good shape

## Federal budget balance – Canada



**Budget balanced by 2015**

<sup>1</sup> Source: 2014 Federal Budget

# Canadian political landscape 2015



Federal election	Latest polls <sup>1</sup>	2011	
	(%)	Votes (%)	Seats
Conservatives	31	39.6	166
NDP	21	30.6	103
Liberals	37	18.9	34
Bloc Québécois	4	6.0	4
Other	7	4.9	1

## At least 4 provincial elections next year

(Saskatchewan, Manitoba, Newfoundland and Labrador, Prince Edward Island)

<sup>1</sup> Weighted average poll

# Canadian dollar: Closer to the mark



Loonie dips below 90¢

Bank of Canada changes tune

Commodities softening

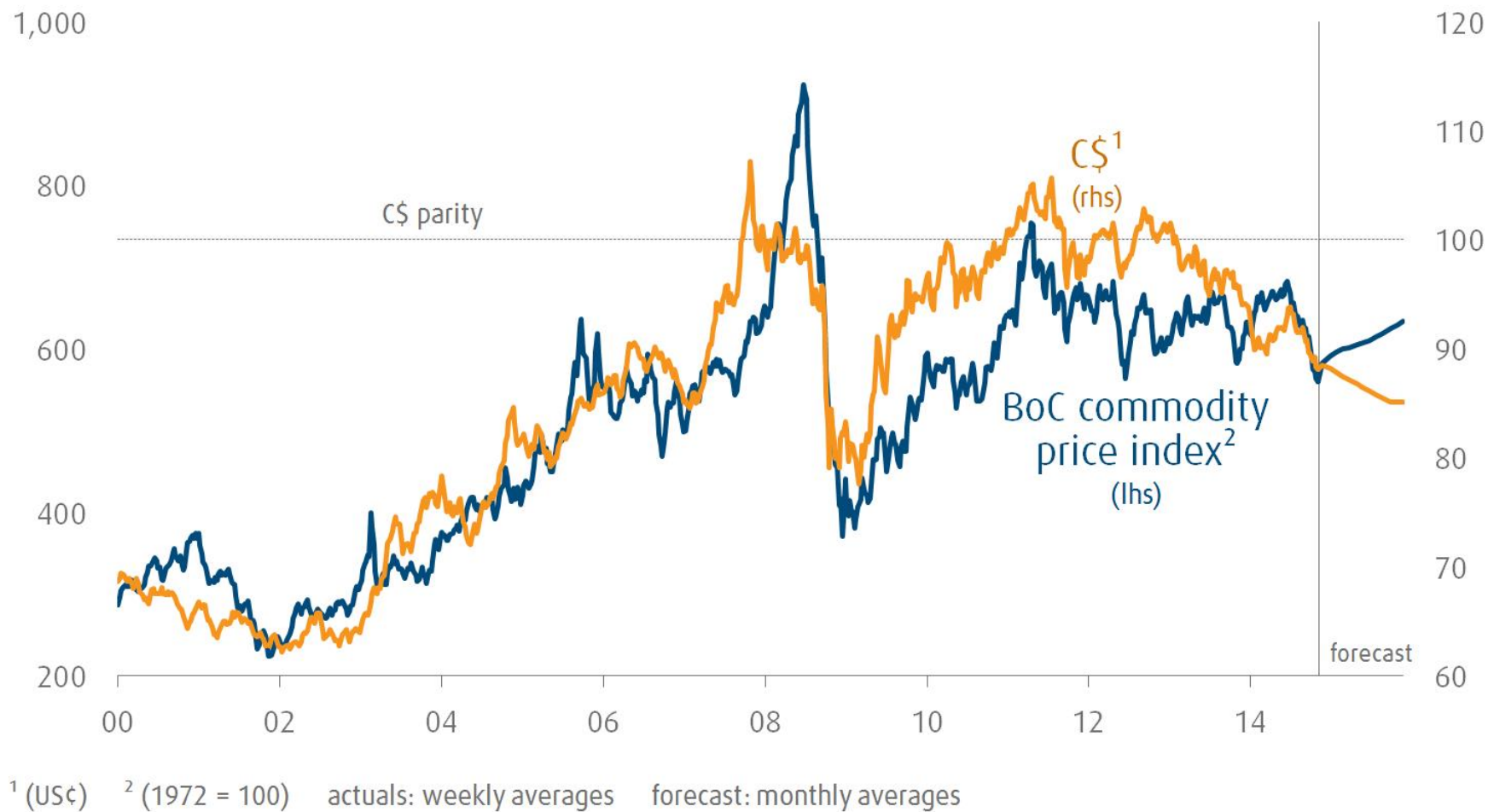
US\$ rebounds

**...Less demand for safety**



# C\$ prognosis: Parity past

Canada (as of November 17, 2014)





# Bank of Canada: A different tune

**Canadian dollar** (US¢ : as of November 17, 2014)



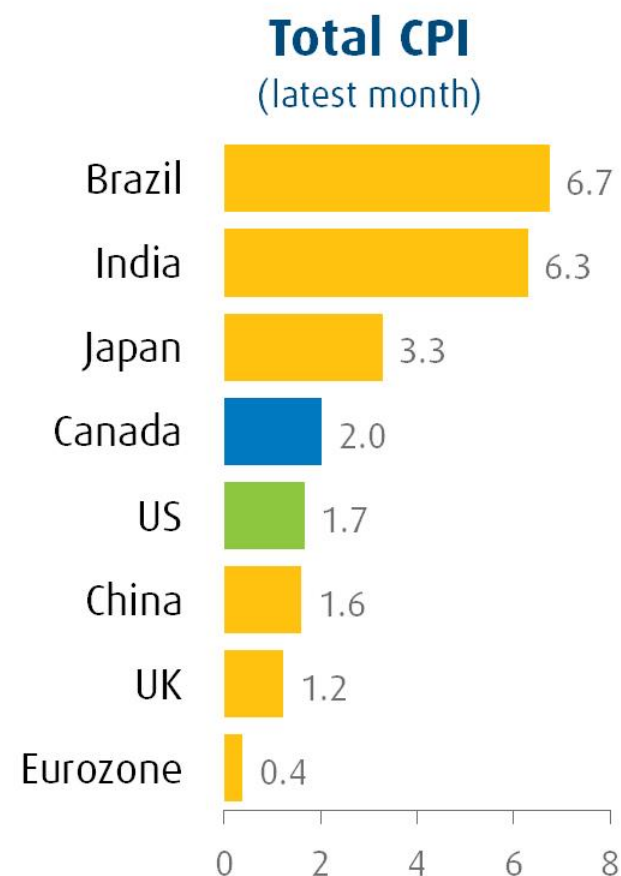
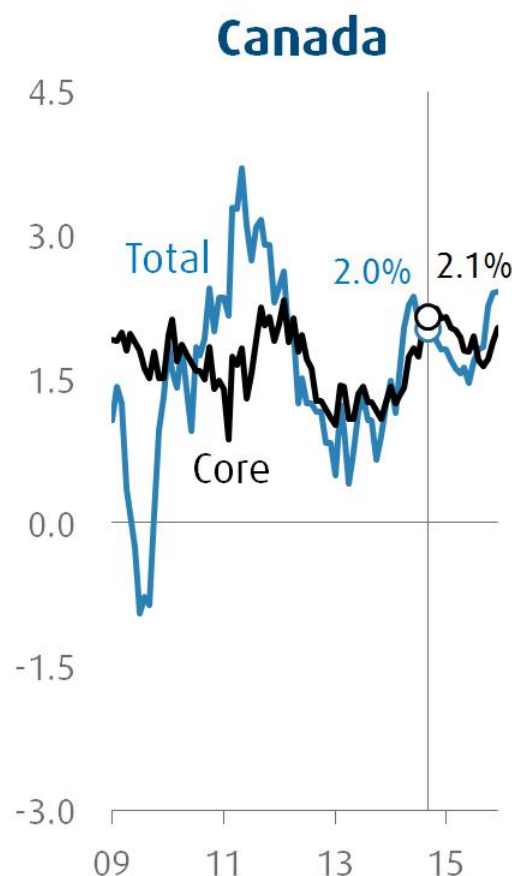
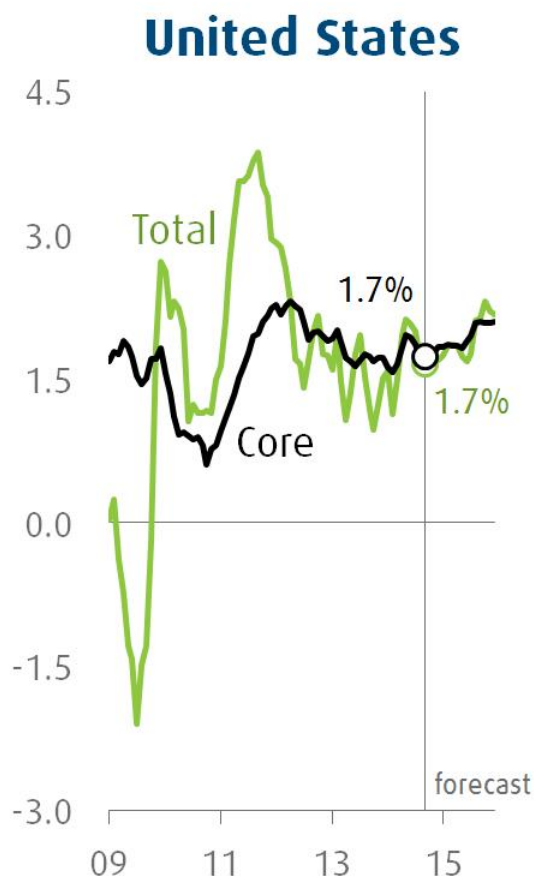
Bank of Canada Governor Stephen Poloz



**Monetary policy stance “appropriate”**

# Inflation off the lows

Consumer price index (y/y % chng)



**BoC sees higher inflation as temporary**

# Inflation and deflation

**Consumer price index – Canada** (y/y % chng : as of September 2014)

## Deflationary

Home entertainment equipment	-5.7
Coffee	-4.1
Bread	-1.6
Toys	-1.4
Gasoline	-0.5
Wine	-0.5
Prescription drugs	-0.4
Air fares	-0.4
Footwear	-0.1

## Inflationary

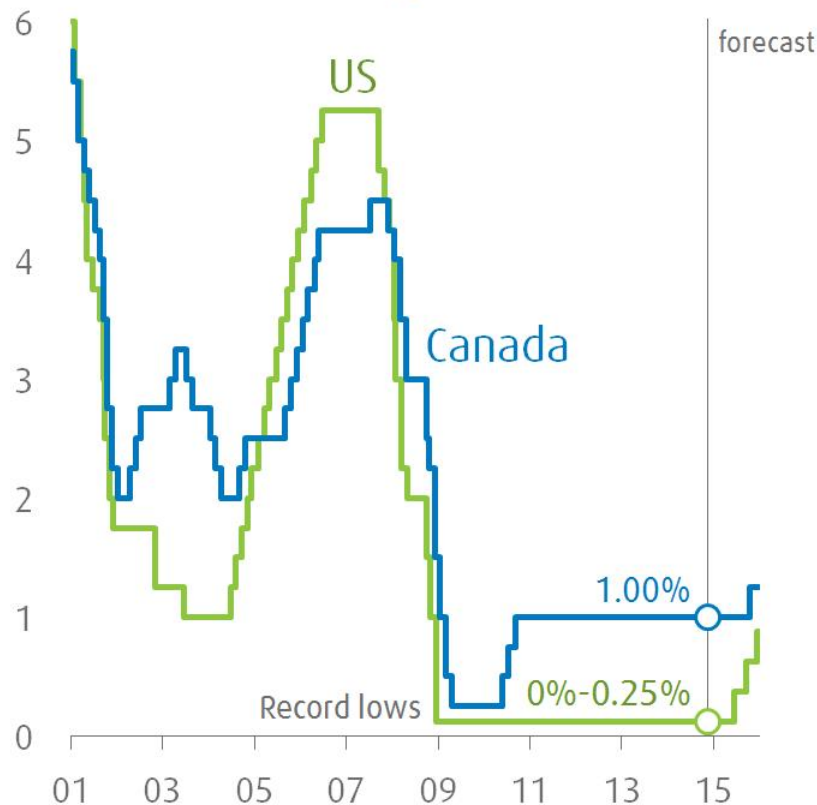
Beef	18.4
Natural gas	16.2
Pork	13.8
Cigarettes	11.4
Sports equipment	6.8
Water charges	6.2
Electricity	4.1
Property taxes	3.2
Tuition fees	3.2

**Core CPI 2.1%**  
**Overall CPI 2.0%**

# Interest rates: 2015 hikes come into view

(% : as of November 17, 2014)

## Overnight rate



**US at zero for 7 years?**

## 10-year bonds



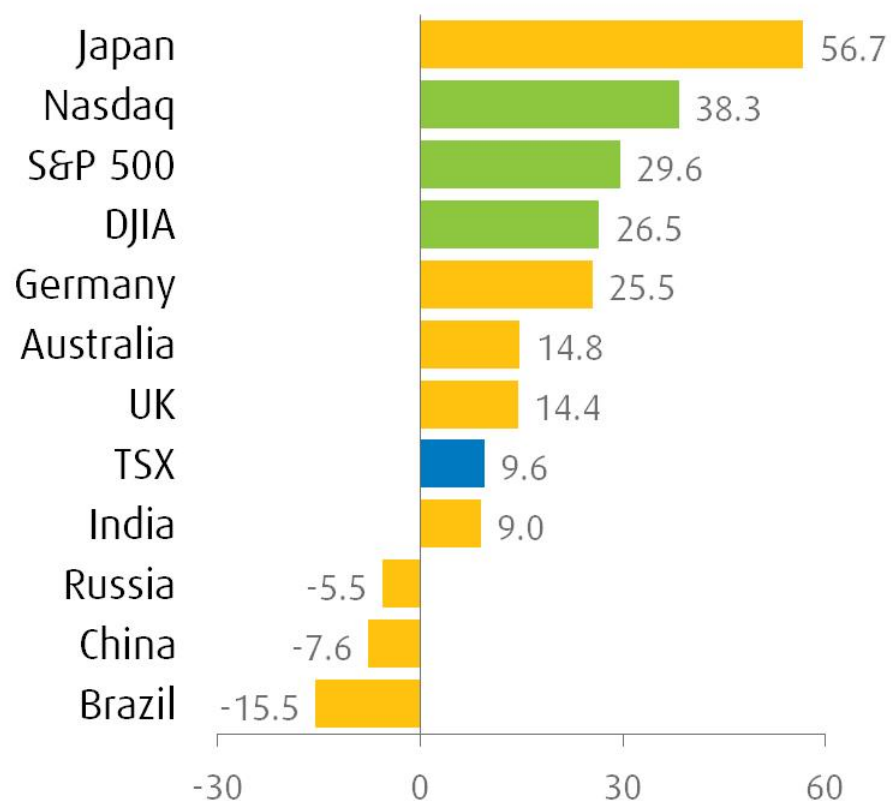
**Yields slide despite QE tapering**



# Global diversity

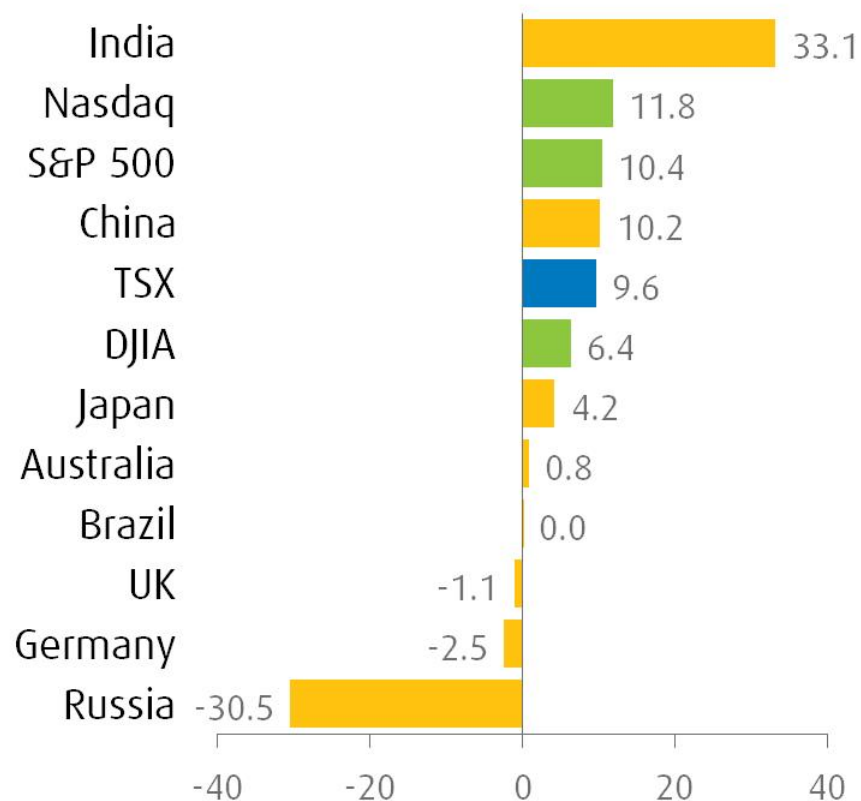
## Equity markets (% chng)

### 2013



### 2014 year-to-date

(as of November 17, 2014)



## Tables turn for TSX

# Outlook in a nutshell



Global growth to improve modestly despite risks

US recovery to strengthen

- Less fiscal drag

- Housing recovery still key

Canada pulled along

- Exports finally benefit

- Housing slows, but no crash

**Interest rates:**

**Modest upward drift**

**Exchange rates:**

**Improving economy drives US dollar higher**

**Stocks:**

**Bull market to continue, but pace to slow**



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## Q AND A