

# Canada in the Global Economy



Banff Conference  
June 19, 2014

# Navigating Our VUCA World



Volatility

Uncertainty

Complexity

Ambiguity

Challenges Can Be Opportunities

# Ever-changing Competitive Marketplace



- Creativity
- Innovation
- New technology
- Price risk well
- Adaptability
- Flexibility
- Productivity
- Diversity
- Think globally

# Global Outlook Improves



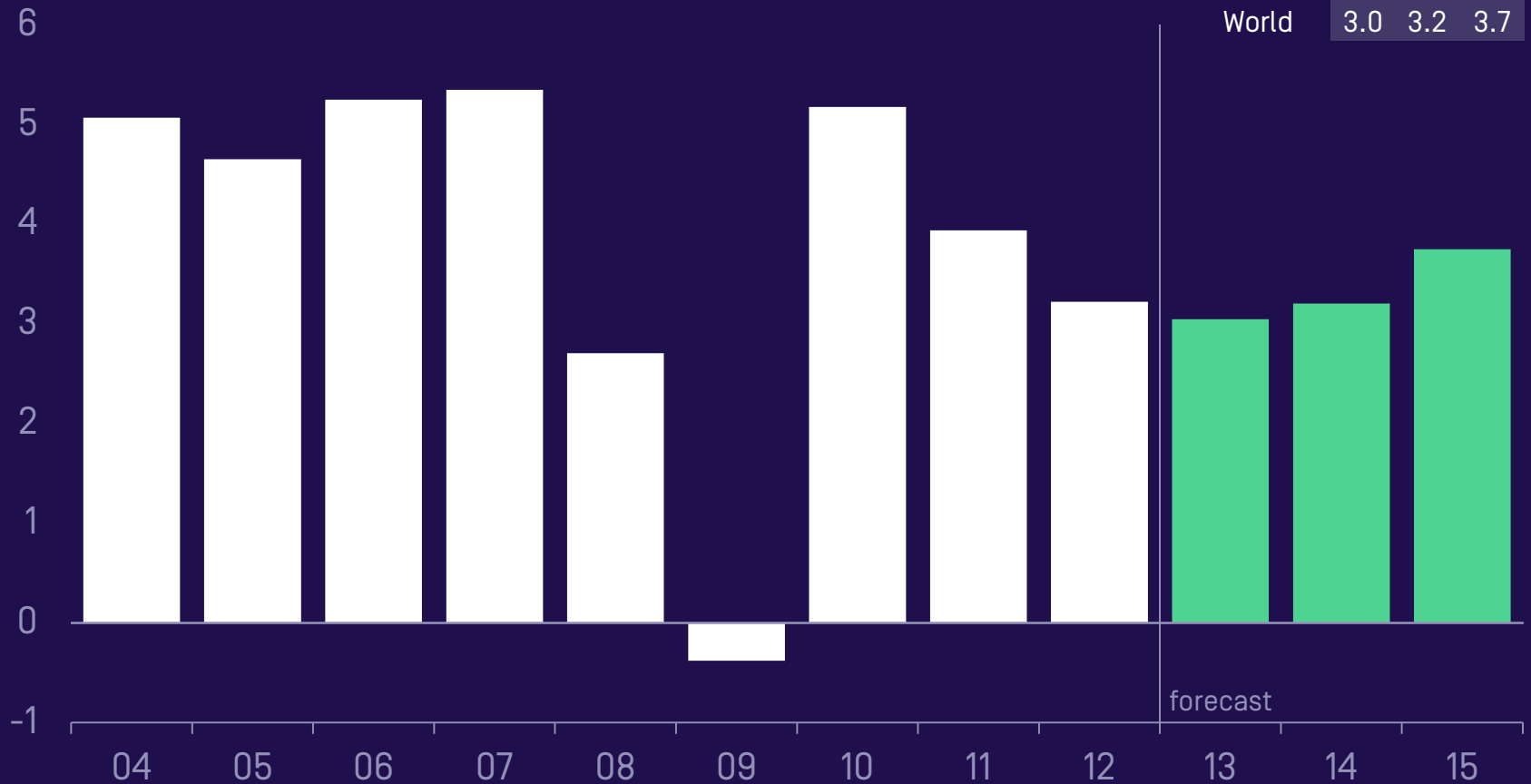
Europe recovering

China soft landing

US picking up steam

# Global Growth Edges Upward

Global: Real GDP  
[year/year % change]

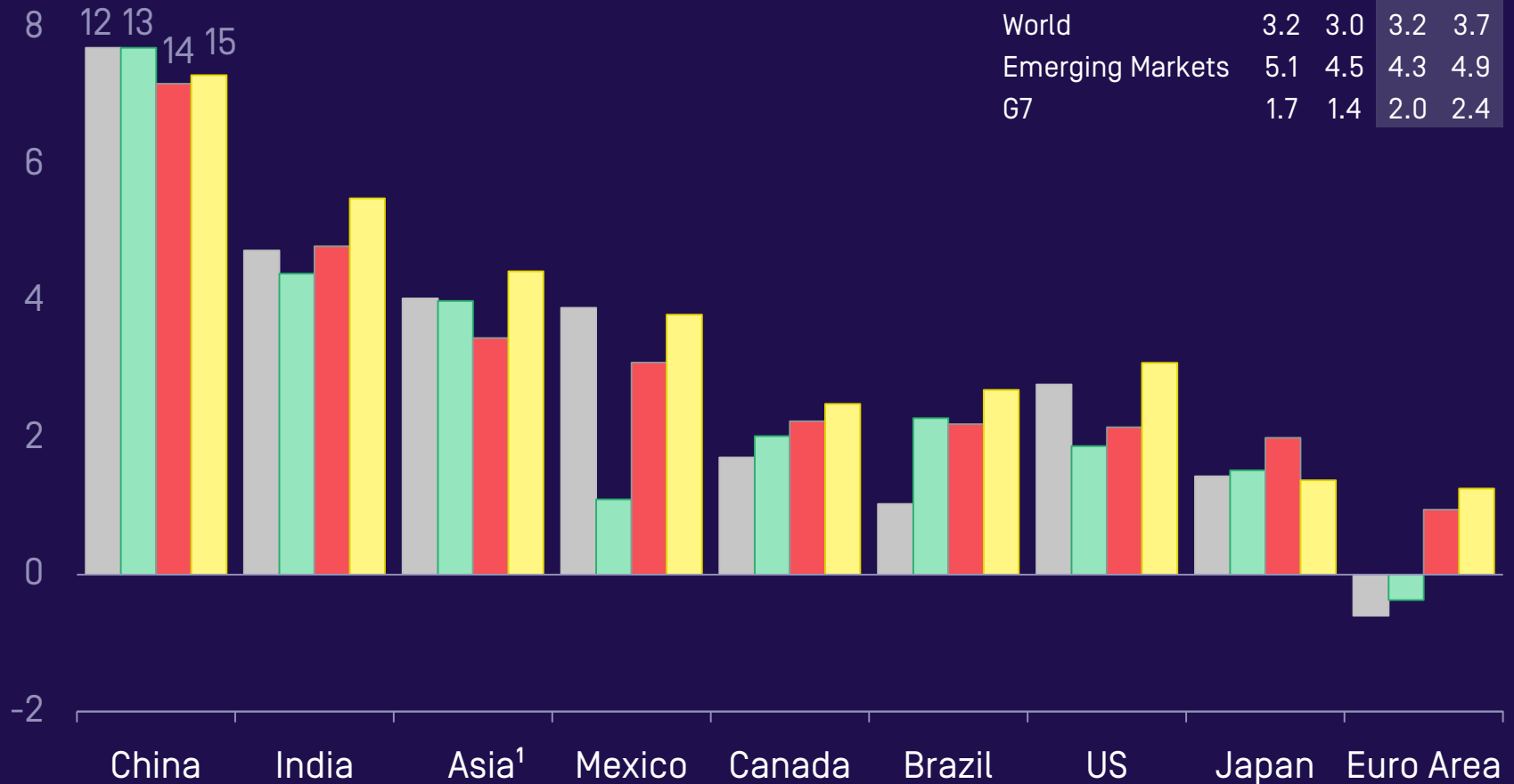


	13	14	15
World	3.0	3.2	3.7

forecast = BMO Capital Markets forecasts

# Fastest Growth in Emerging World

Global: Real GDP  
[annual % change]



Ranked by 2014    <sup>1</sup> Excluding China, Japan & India  
Source: [2014-15] BMO Capital Markets forecasts

# But Emerging Economies' Activity Cools

Industrial Production  
[year/year % change]

Real GDP	2012	2013	2014	2015
China	7.7	7.7	7.2	7.3
India	4.8	4.6	4.7	5.3
Brazil	1.0	2.3	1.8	2.2

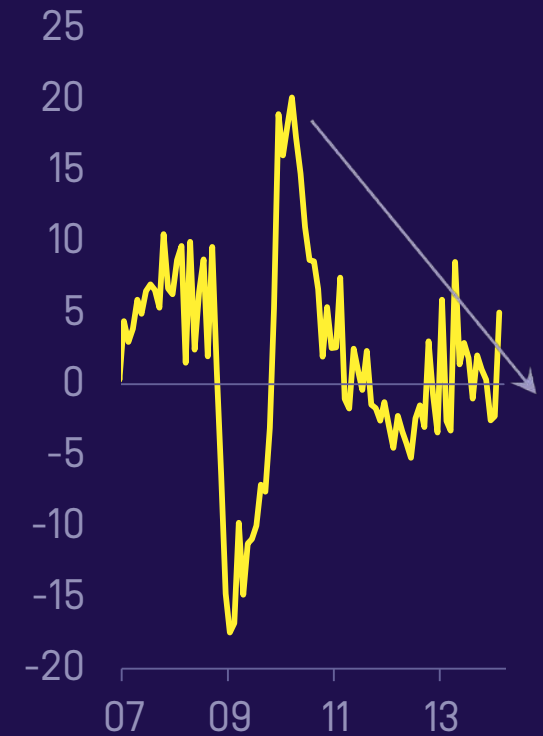
## China



## India



## Brazil



2014-15 = forecast: BMO Capital Markets for China, using Bloomberg forecast for India and Brazil

# US Economy Picking Up

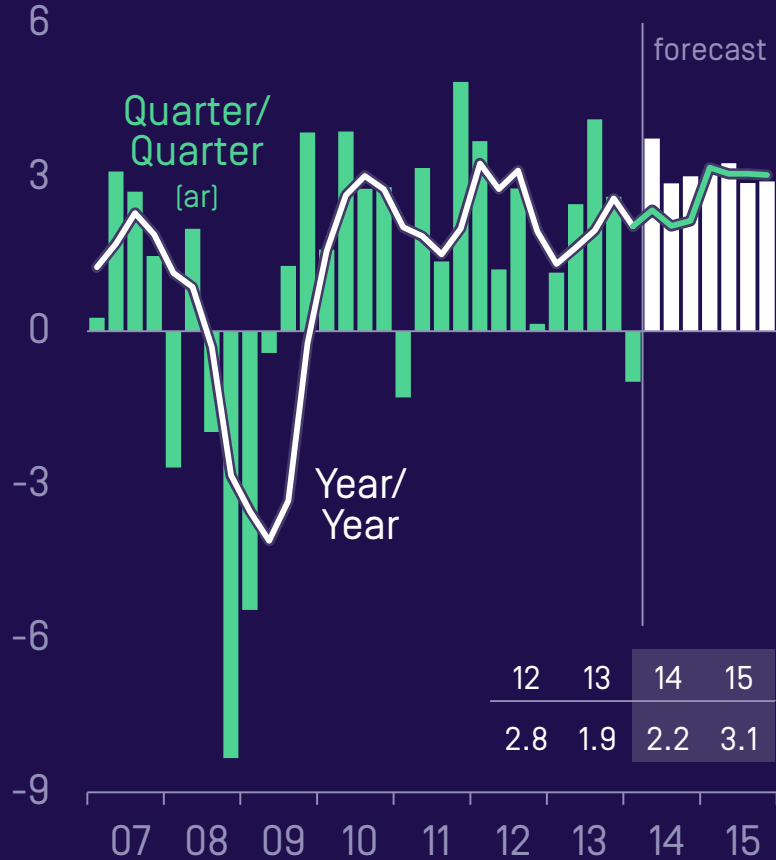


Job creation  
Consumer confidence  
Boom in shale energy  
Auto sales strong  
Housing recovery  
Export growth  
Wealth effects



# US Growth Moves to 3% Range

United States: Real GDP  
[% change]



Energy production

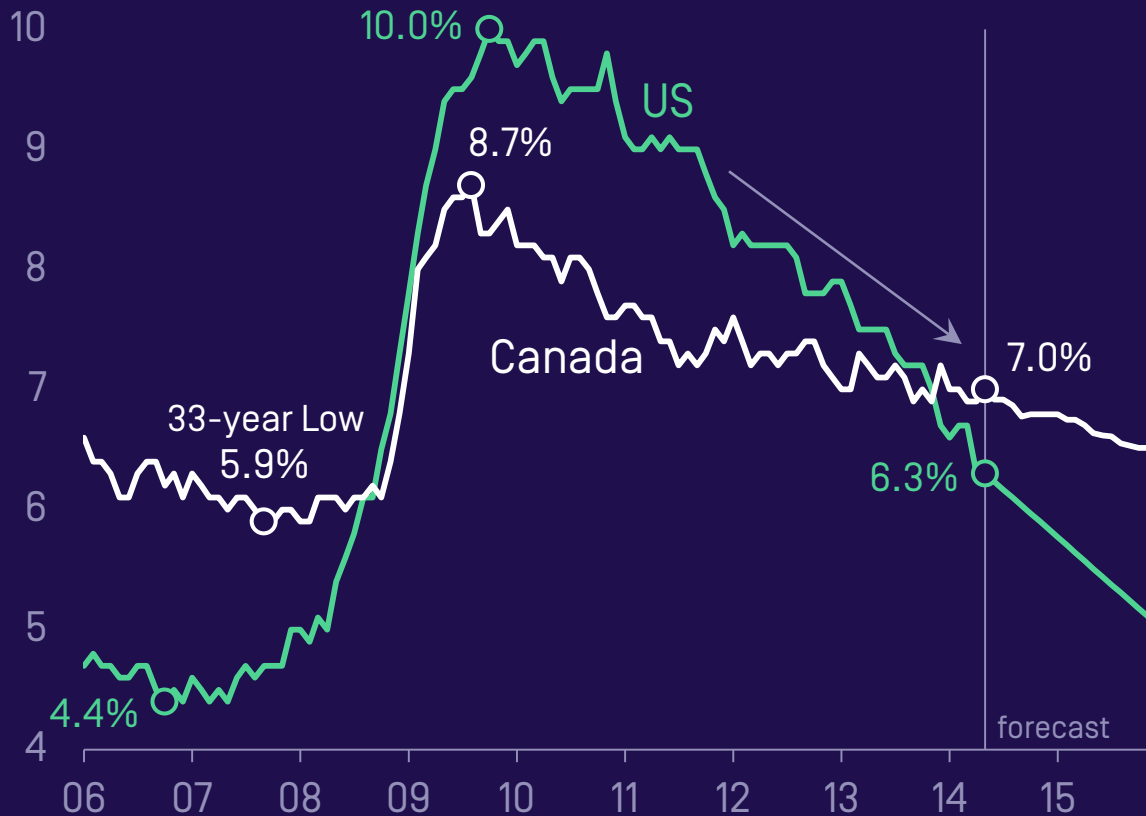
Record stock market

Consumer spending

Monetary ease

# Jobless Rates Fall

Unemployment Rate  
[percent]



Greece	26.6
Spain	25.1
Portugal	14.6
Italy	12.6
Ireland	11.9
France	10.4
Canada	7.0
UK	6.6
US	6.3
Australia	5.8
Germany	5.2
Japan	3.6

## Canada-US Crossover

forecast = BMO Capital Markets forecasts

# Long-Term Unemployed Still Waiting

United States

### Broader Unemployment Rate<sup>1</sup> [%]



### Labour Force Participation Rate of Men [%]



### Average Duration of Unemployment [weeks]



## Many Still Unemployed

<sup>1</sup> Comprehensive measure

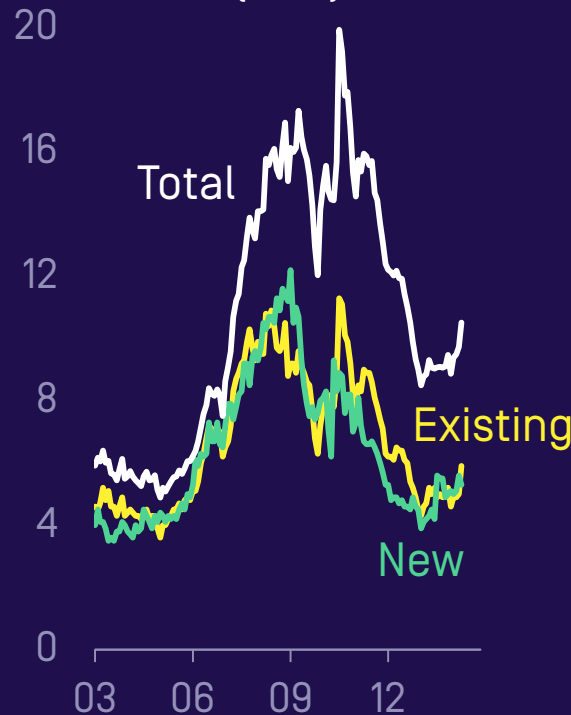
# Kickstarting the Housing-Jobs Cycle

United States: Homes

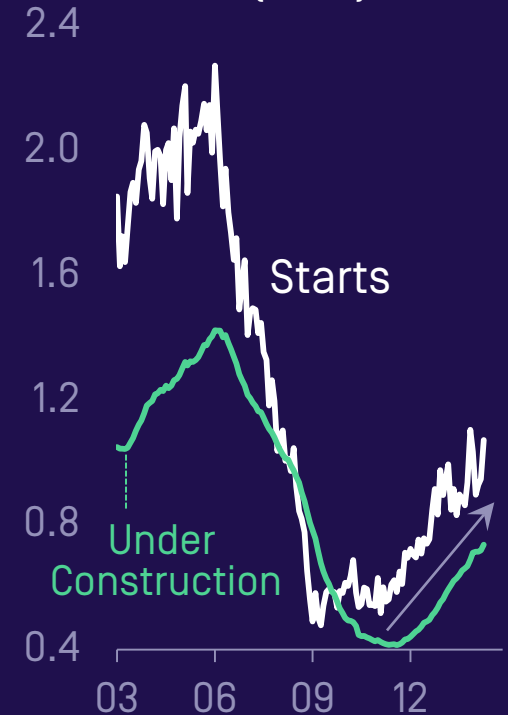
### Sales and Inventories [mlns]



### Months' Supply [ratio]



### Housing Units [mlns]

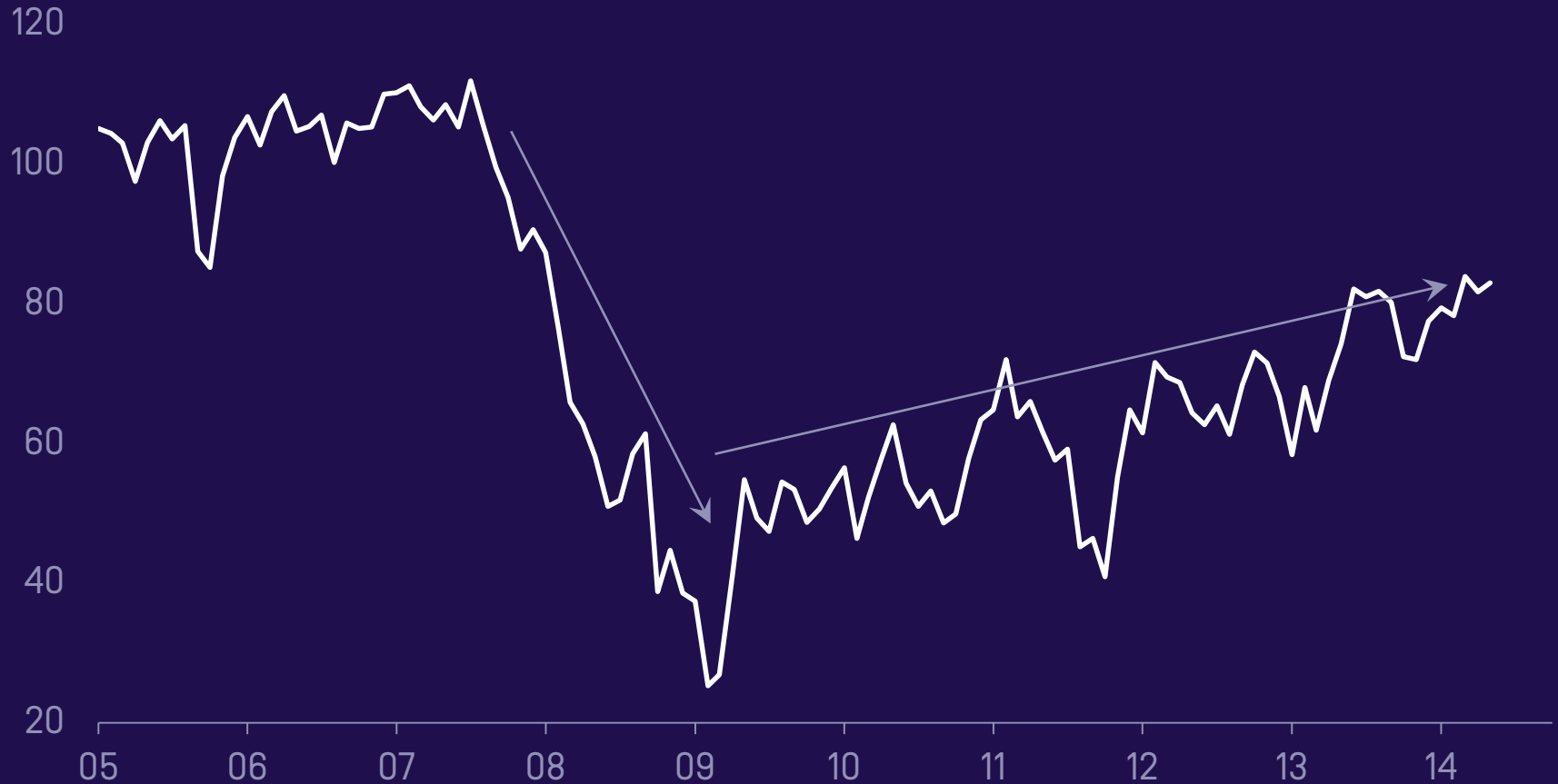


## Housing Recovery

<sup>1</sup> Include new and existing homes available for sale, and homes in foreclosure [not seasonally adjusted]

# Consumer Confidence On the March...

United States: Conference Board Consumer Confidence  
[seasonally adjusted : 1985 = 100]



...But Nowhere Near as Strong as Before the Crisis

# Canadian Economy Facing Headwinds



Manufacturing weak

Jobs fell y/y in 6 provinces

Alberta and Saskatchewan are  
only job growers

Trade weakening

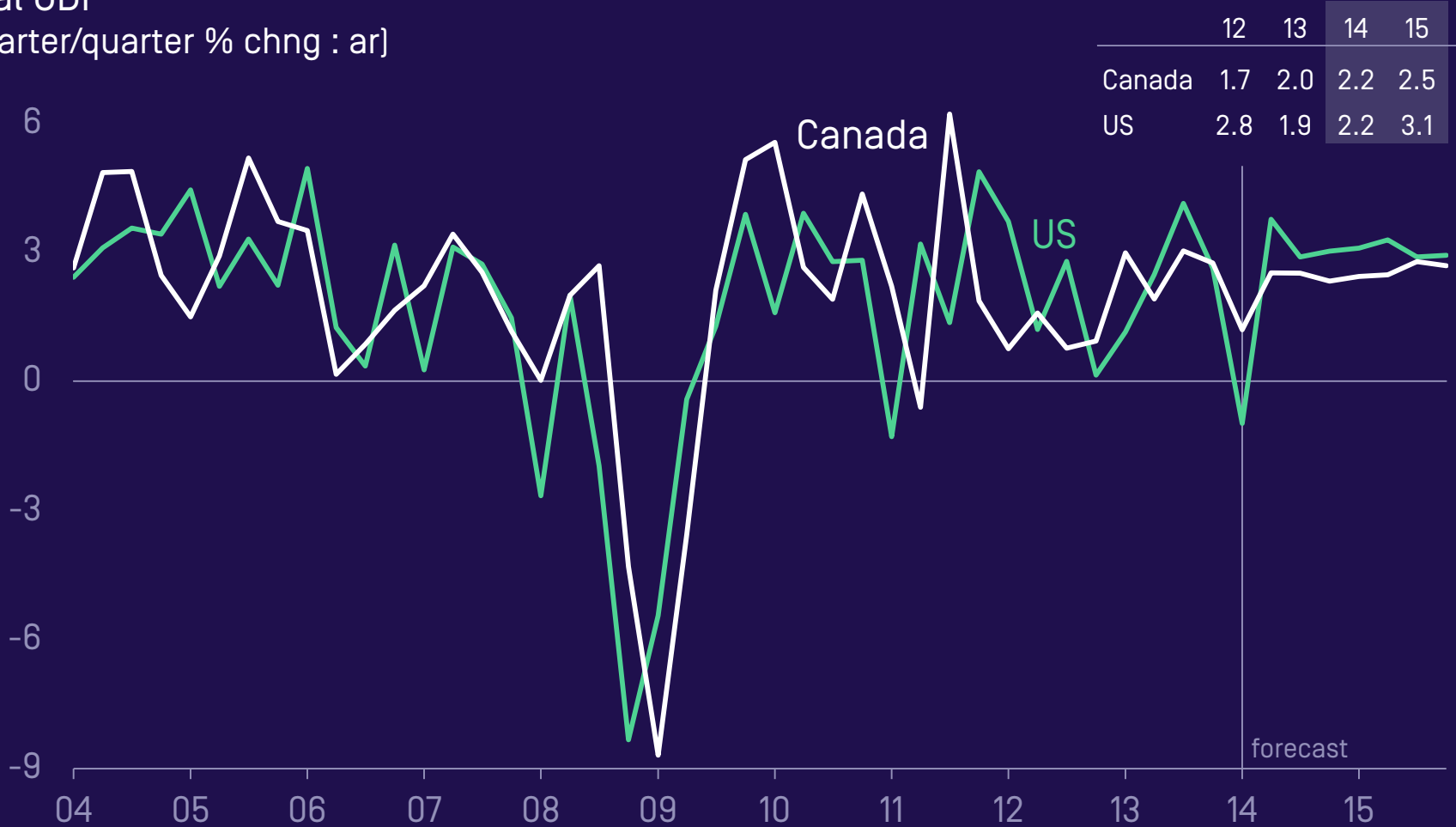
Government cuts

Consumers slow

# Canadian Economy to Underperform US

Real GDP

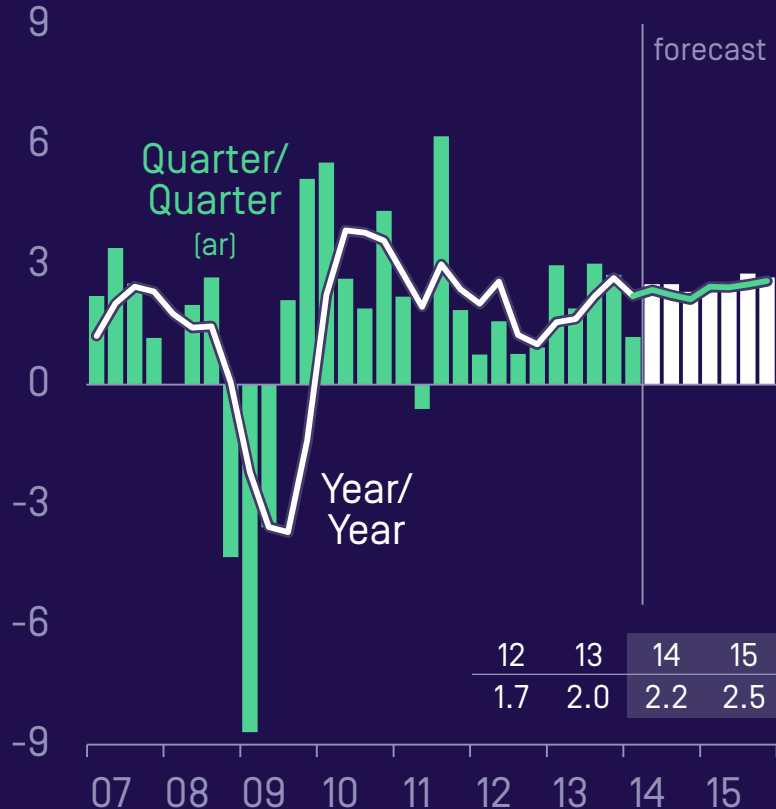
[quarter/quarter % chng : ar]



forecast = BMO Capital Markets forecasts

# Canadian Growth Modest

Canada: Real GDP  
[% change]



Slowing

Housing

Consumer spending

Government spending

Trade

Job growth

Need to kick in

Business investment

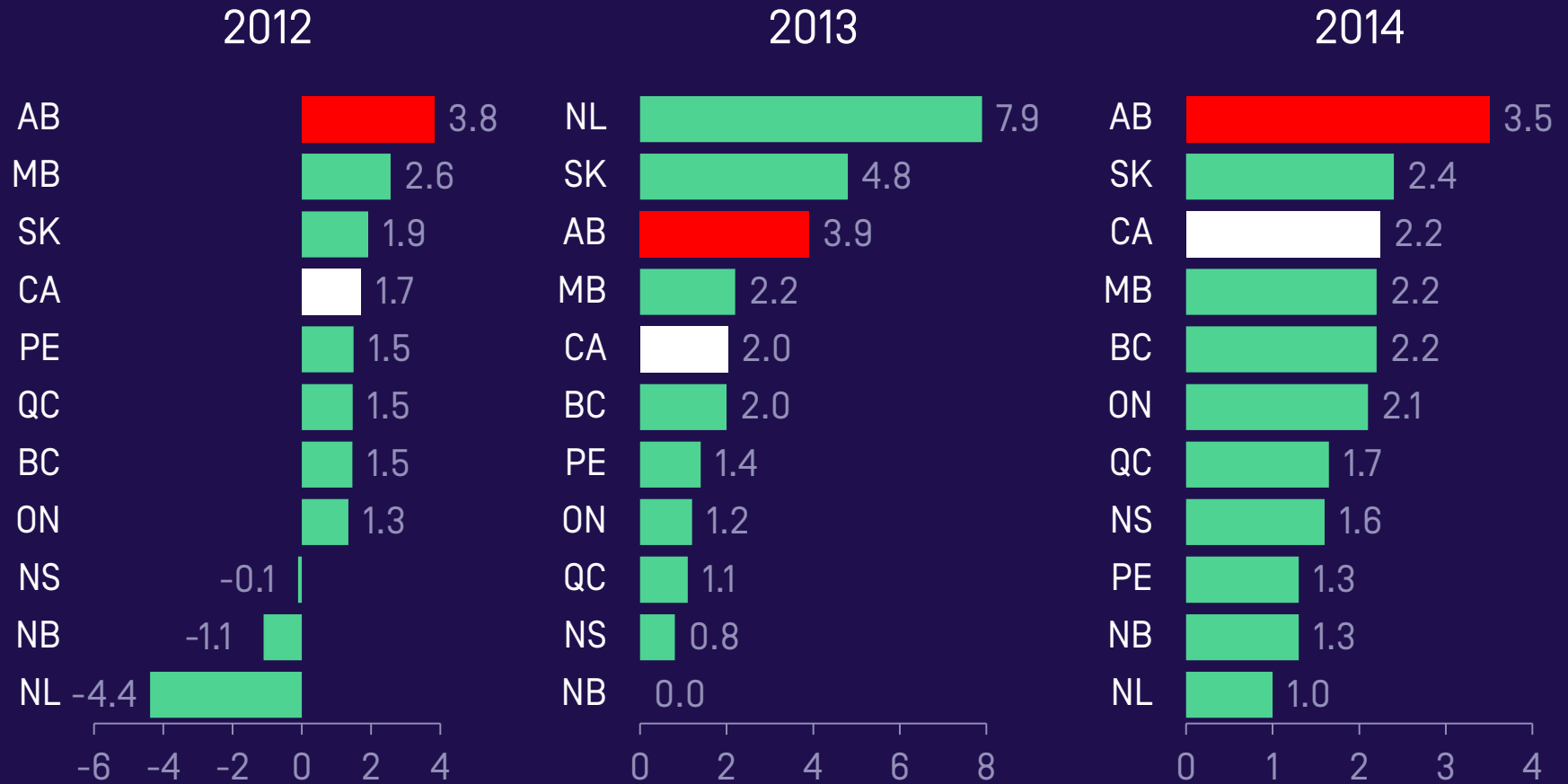
Exports

Awaits US Pick-up



# Provincial Real GDP

Canada: Real GDP  
[year/year % change]



2014 = BMO Capital Markets forecasts

# Alberta Is the Best Province to Look for Work

Canada: Unemployment Rate by Province  
[% : as of May 2014]



Nearly 25% of all skilled workers in Alberta are set to retire

Labour squeeze threatened

Canada's only meaningful job growth in Alberta and Saskatchewan

# Oil and Gas Mega Projects



Cost pressures rise

Labour shortages

Housing shortages

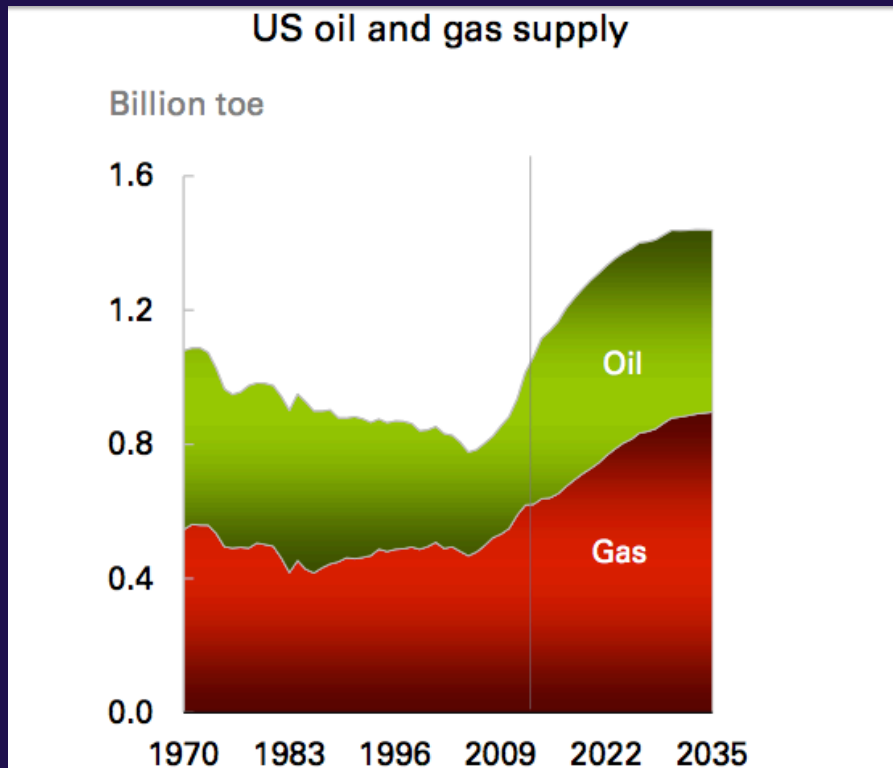
Materials costs



Will demand be sufficient to warrant these projects?

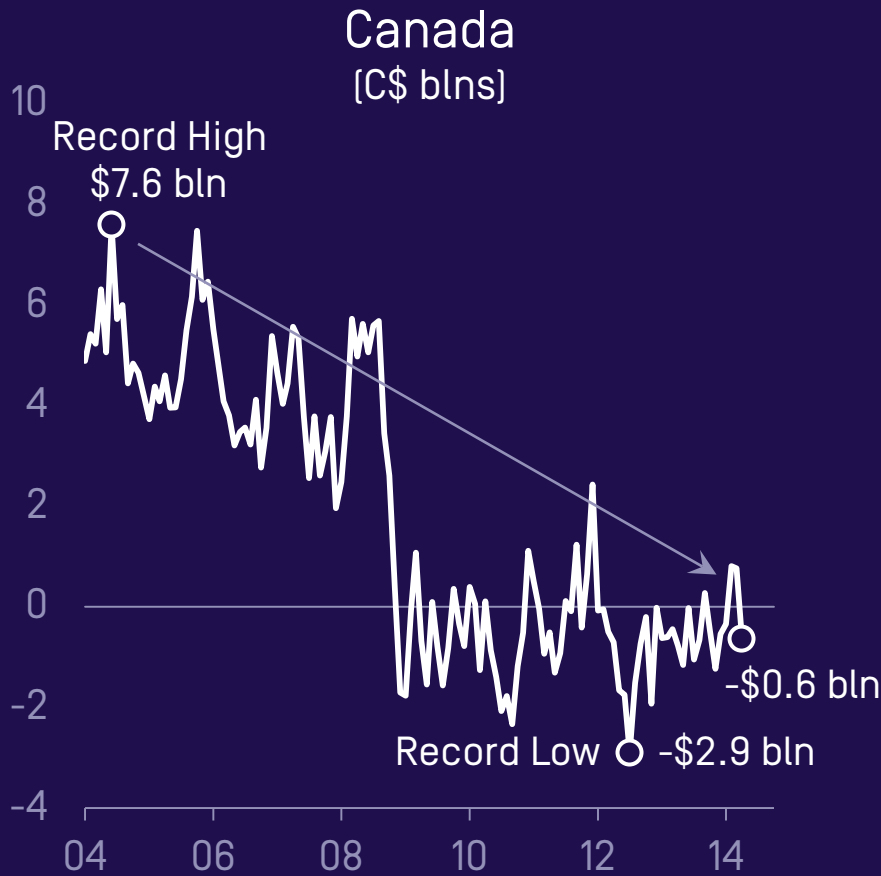


# Oil Exports to US Will Slow in the Future



# Trade Balances: Diverging Paths

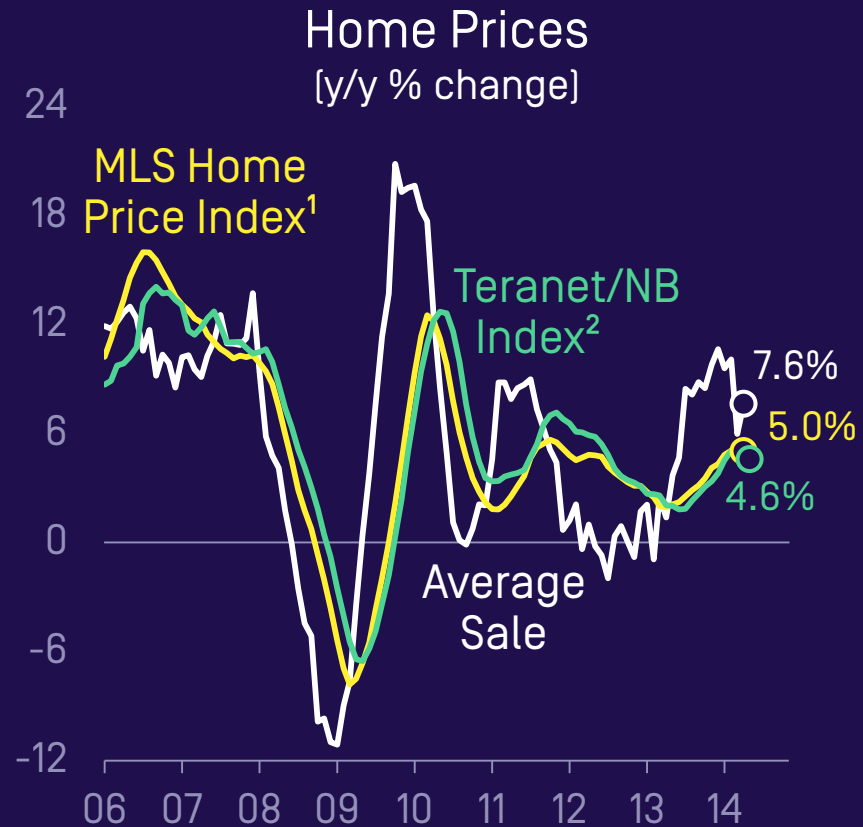
Trade Balance



US Trade Improves Even as Imports Rise

# Canadian Housing Soft Landing

Canada

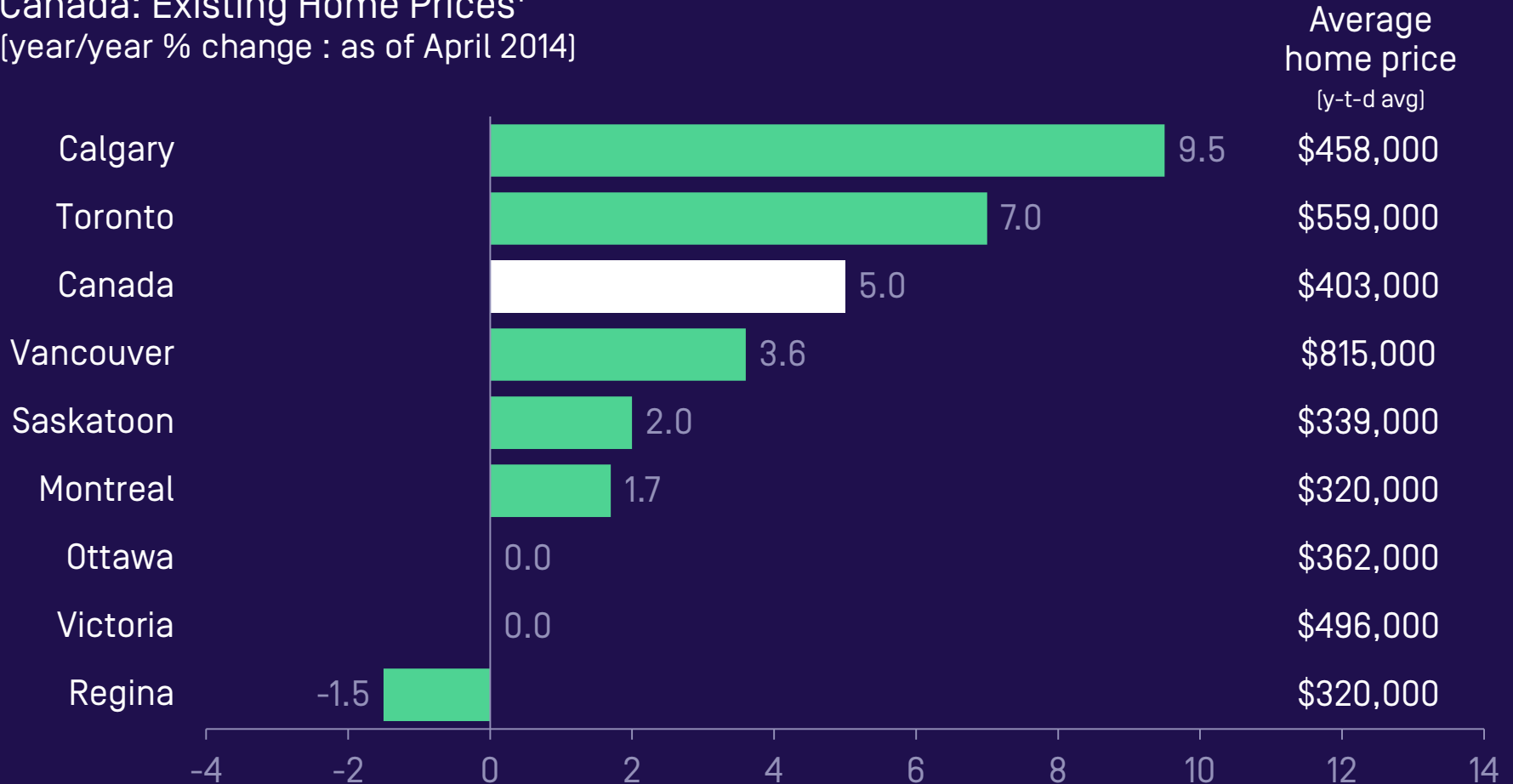


## Price Gains Slow

<sup>1</sup> Controls for sales mix and quality changes    <sup>2</sup> Repeat sales

# Canadian House Prices

Canada: Existing Home Prices<sup>1</sup>  
[year/year % change : as of April 2014]

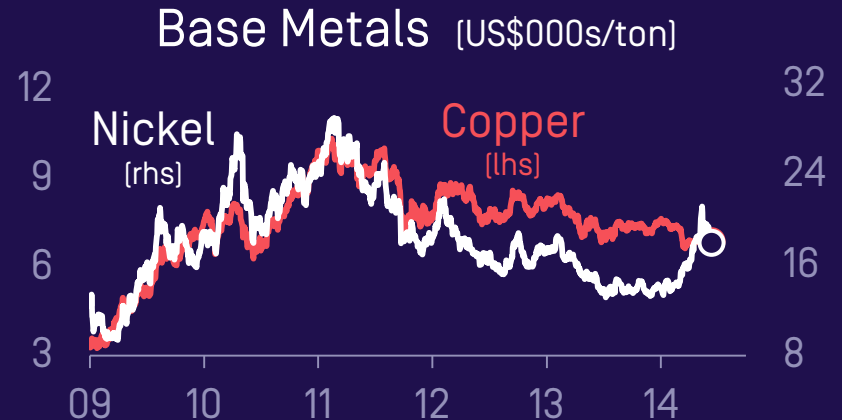
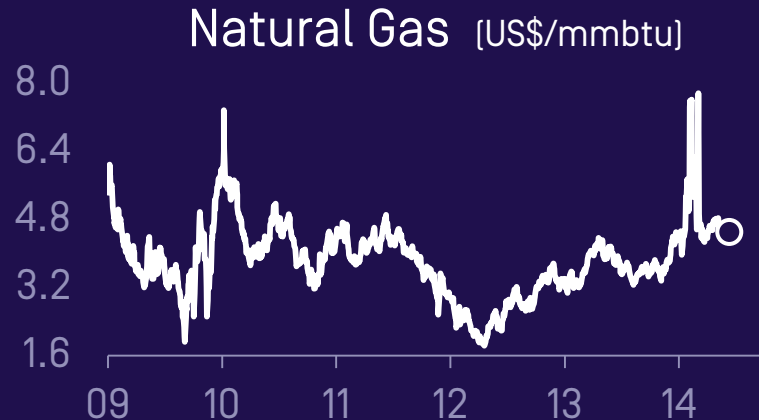
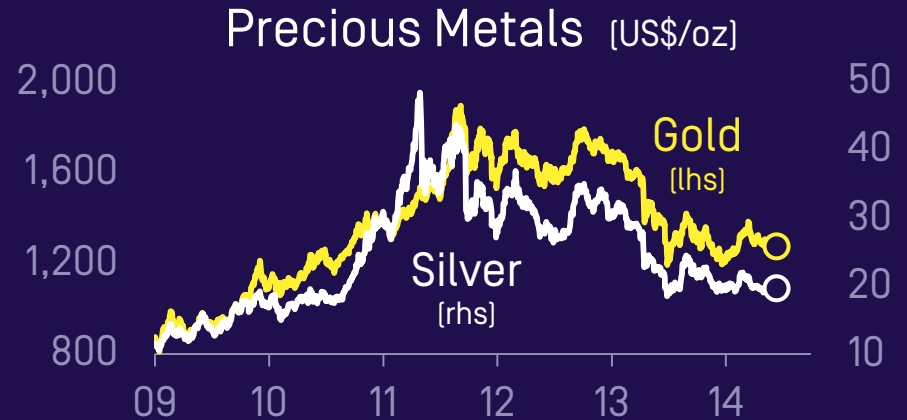
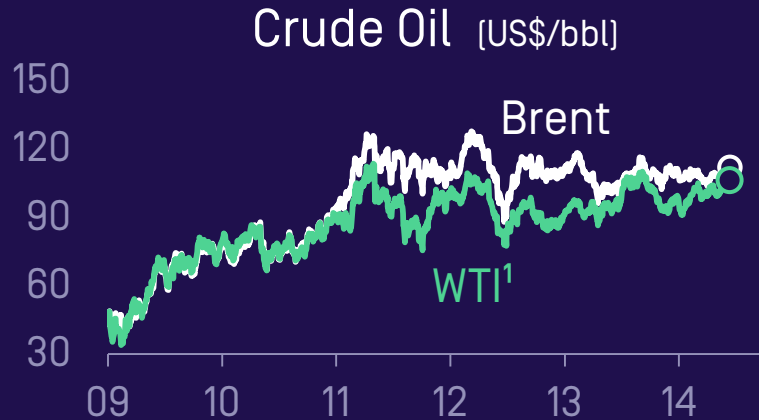


Prices Up 5% in April

<sup>1</sup> Housing Price Index, composite benchmark

# Commodities: Less Golden

[as of June 13, 2014]

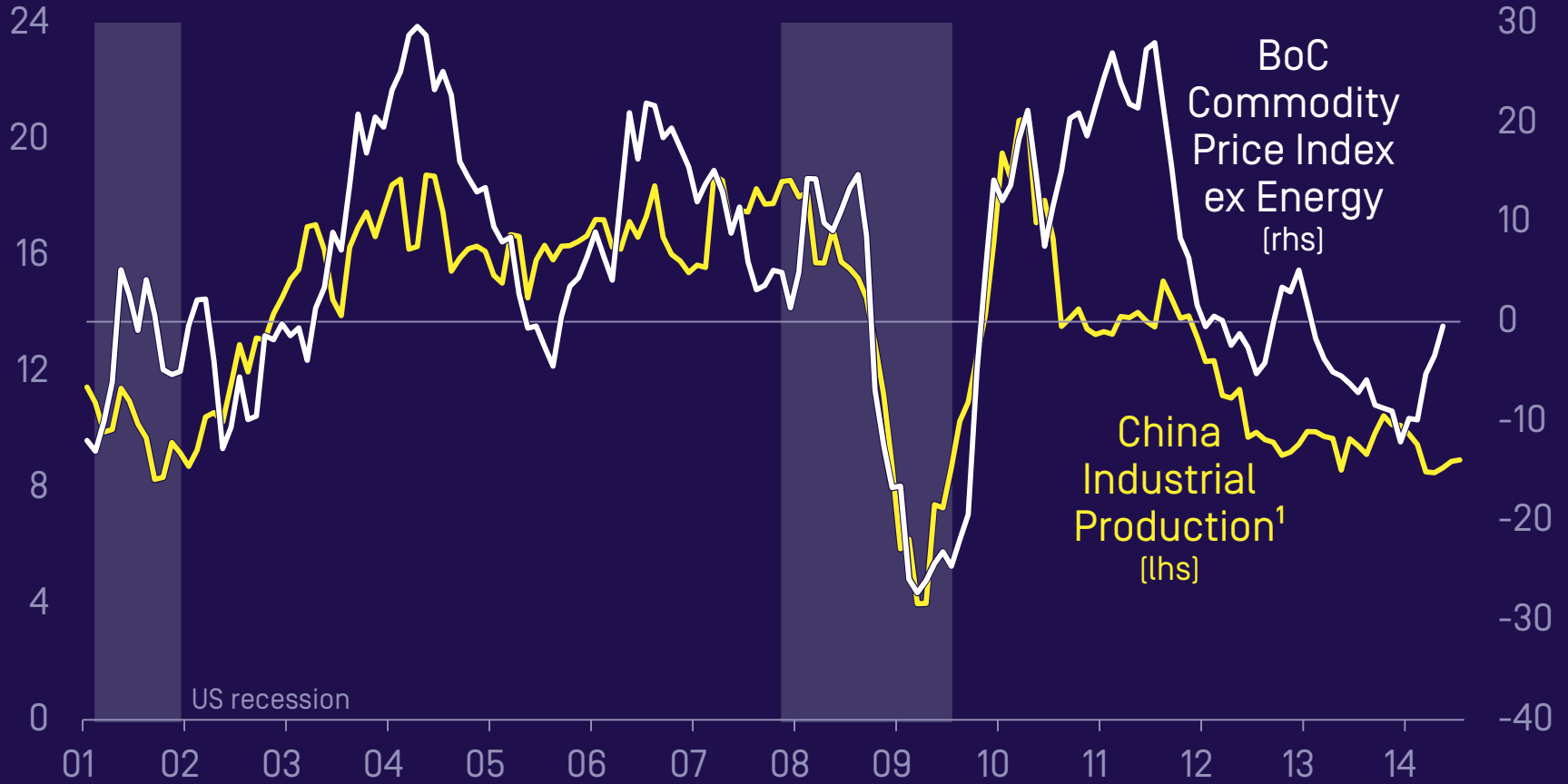


<sup>1</sup> West Texas Intermediate



# Commodity Boom Wanes

[year/year % change]



<sup>1</sup> [advanced 2 months]

# Loonie Losses Accelerate



Dovish Bank of Canada

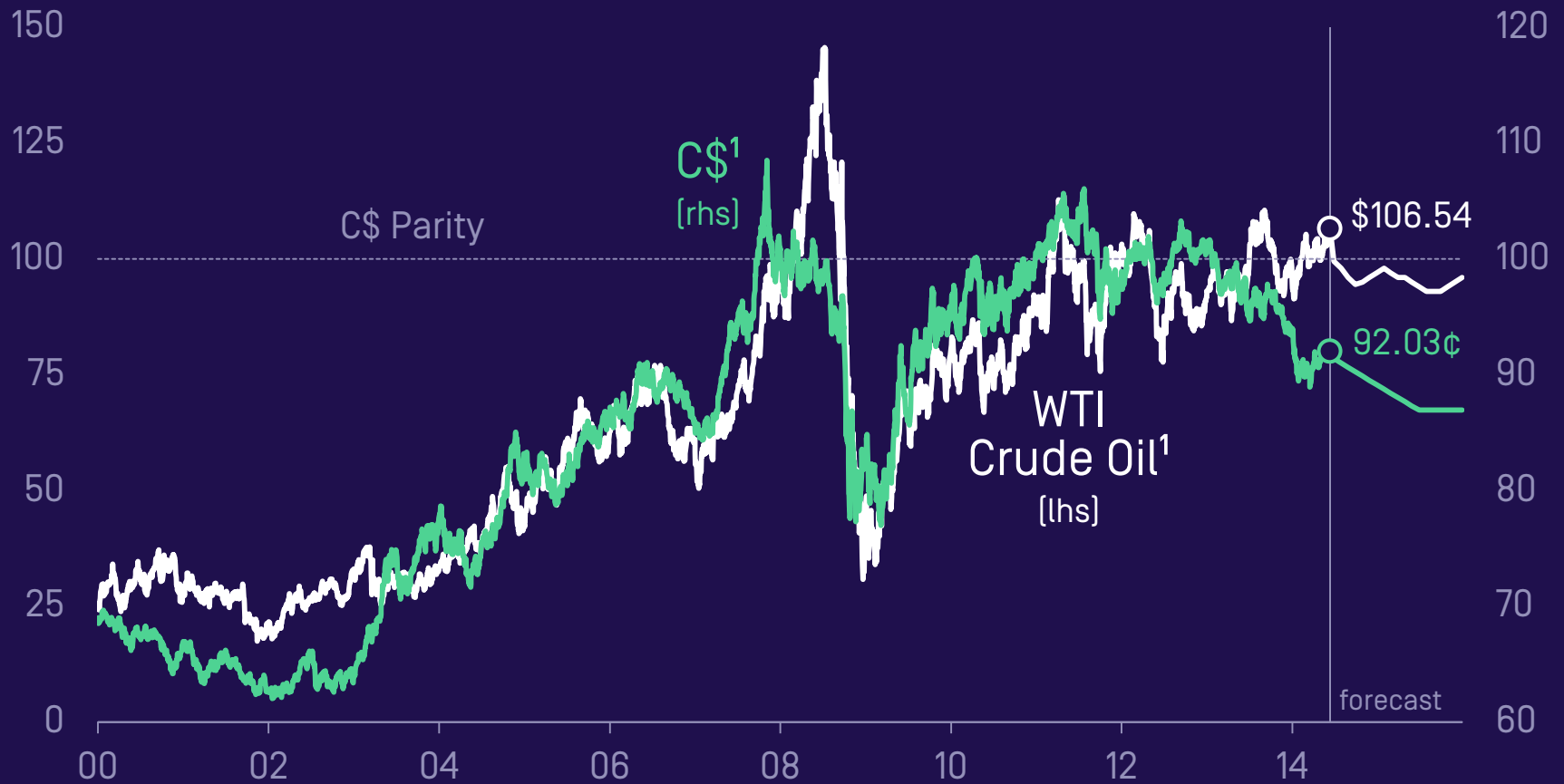
Weak economic numbers

Canadian oil sector uncertainty

Weakest Currency Among World's Majors

# Oil Prices Stronger Than Loonie

[as of June 13, 2014]



forecast = BMO Capital Markets forecasts

<sup>1</sup> [US\$/bbl] <sup>2</sup> [US¢/C\$]

# Financial Markets



Fed tapers

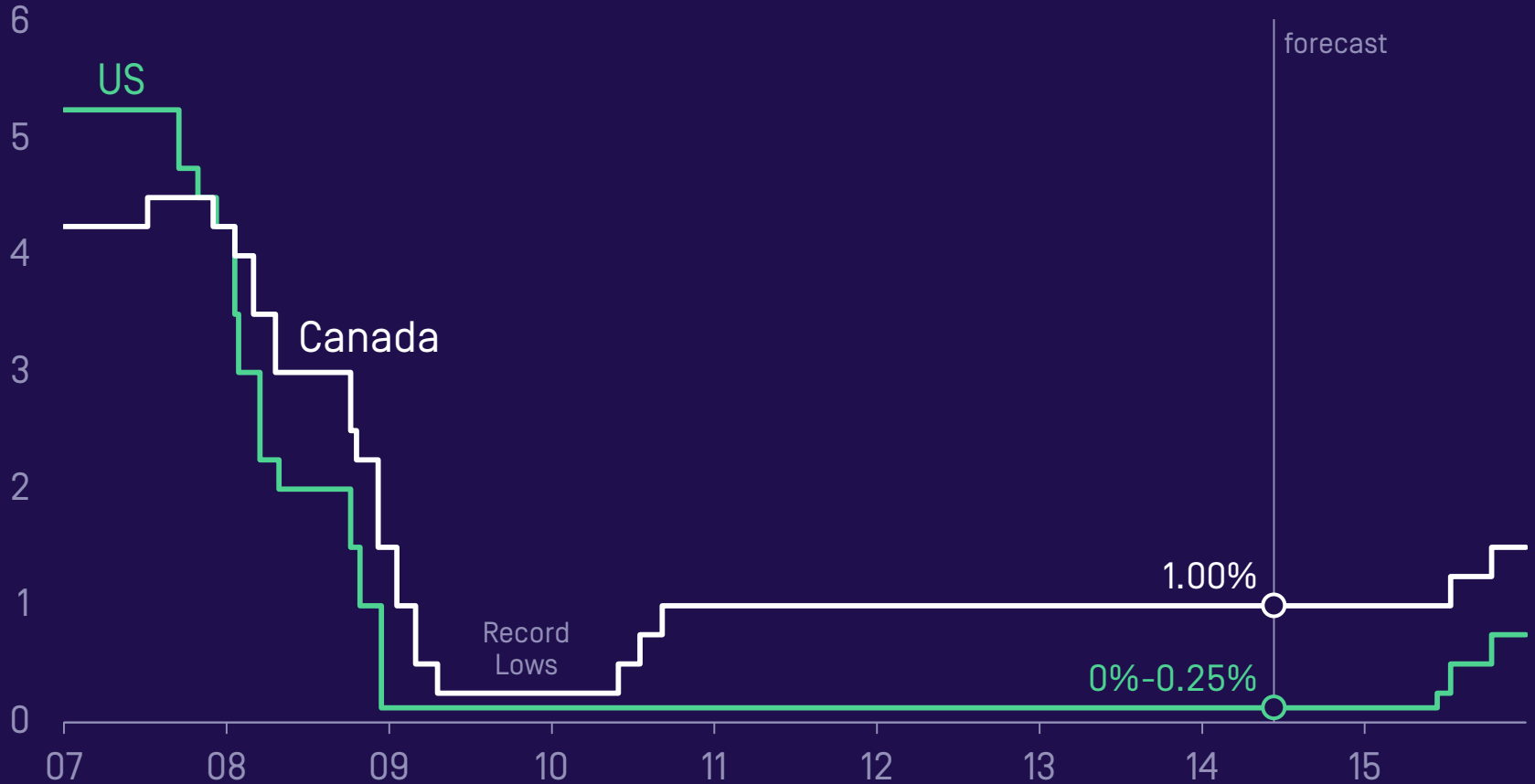
Bank of Canada on hold

Interest rates only edging higher

Stocks perform well

# BoC On Hold... Fed Tapers

Overnight Rate  
[% : as of June 13, 2014]



forecast = BMO Capital Markets forecasts

# Long Yields Rising from Extreme Lows

10-year Bonds

[% : as of June 13, 2014]



Stronger US growth

Fed tapers, end QE by 2015

Low inflation keeps rate rise modest

# Stocks Volatile

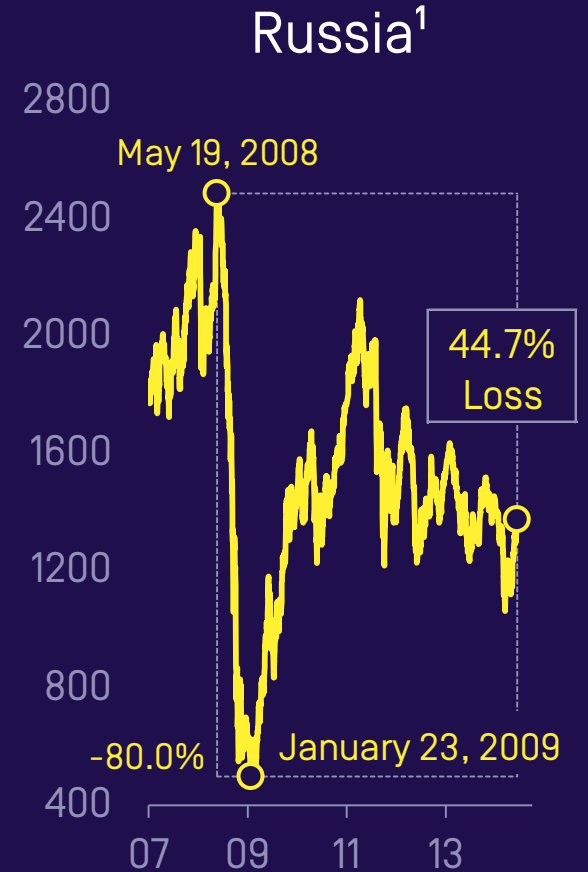
Financial Market Returns – Local Currency  
[% change : as of June 13, 2014]



	2014	2013	2012
<b>Stocks</b>	<b>y-t-d</b>		
TSX	9.9	10	4
S&P 500	4.7	30	13
Nasdaq	3.3	38	16
DJIA	1.2	26	7
<b>Bonds</b>			
GoCs	4.2	-3	2
US Treasuries	3.6	-5	3
<b>Commodities</b>			
CRB Index	10.5	-5	-3
Gold	5.7	-27	8
Oil [Brent crude]	2.1	-1	3
<b>Dividend Yield [%]</b>	<b>Current</b>	<b>End-2013</b>	<b>End-2012</b>
TSX	3.1	3.2	3.3
S&P 500	2.3	2.3	2.6

# US Stocks Gain, Russian Stocks Lose

[as of June 13, 2014]



<sup>1</sup> Russian Trading System Stock Exchange



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