

# Economic Outlook

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SCHOOL OF BUSINESS

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September 22, 2016



# Global Economy... Slower This Year, Edges Upward In 2017

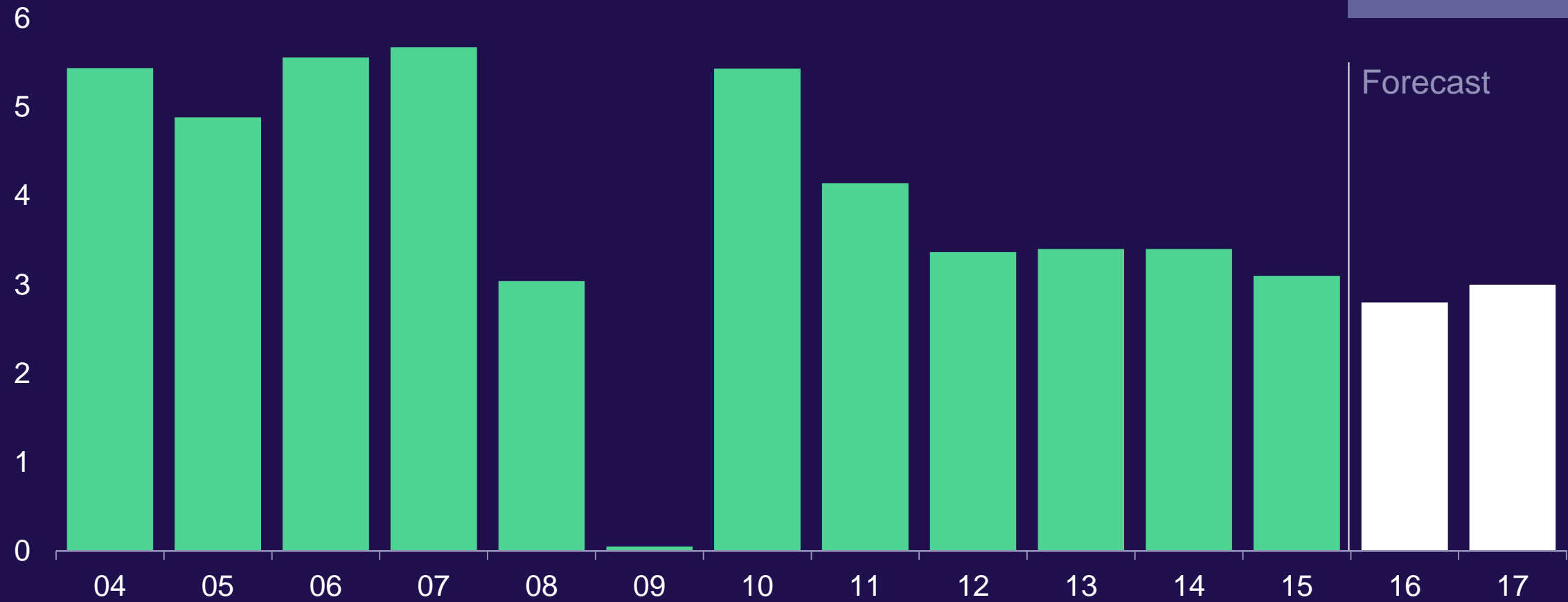


U.S. Tops Developed World  
China Slowdown  
Canada Falters  
Oil Prices Waver  
Negative Interest Rates Abound

# Global Growth Edges Downward in 2016

Real GDP  
(year/year % change)

	2015	2016	2017
World	3.1	2.8	3.0



Forecast = BMO Capital Markets  
Source: OECD, BMO Capital Markets

# U.S. Economy First Half Stumble Then Rebounds



Business Spending Weak  
Consumers Solid  
Unemployment Low  
Fed Rate Hikes Coming

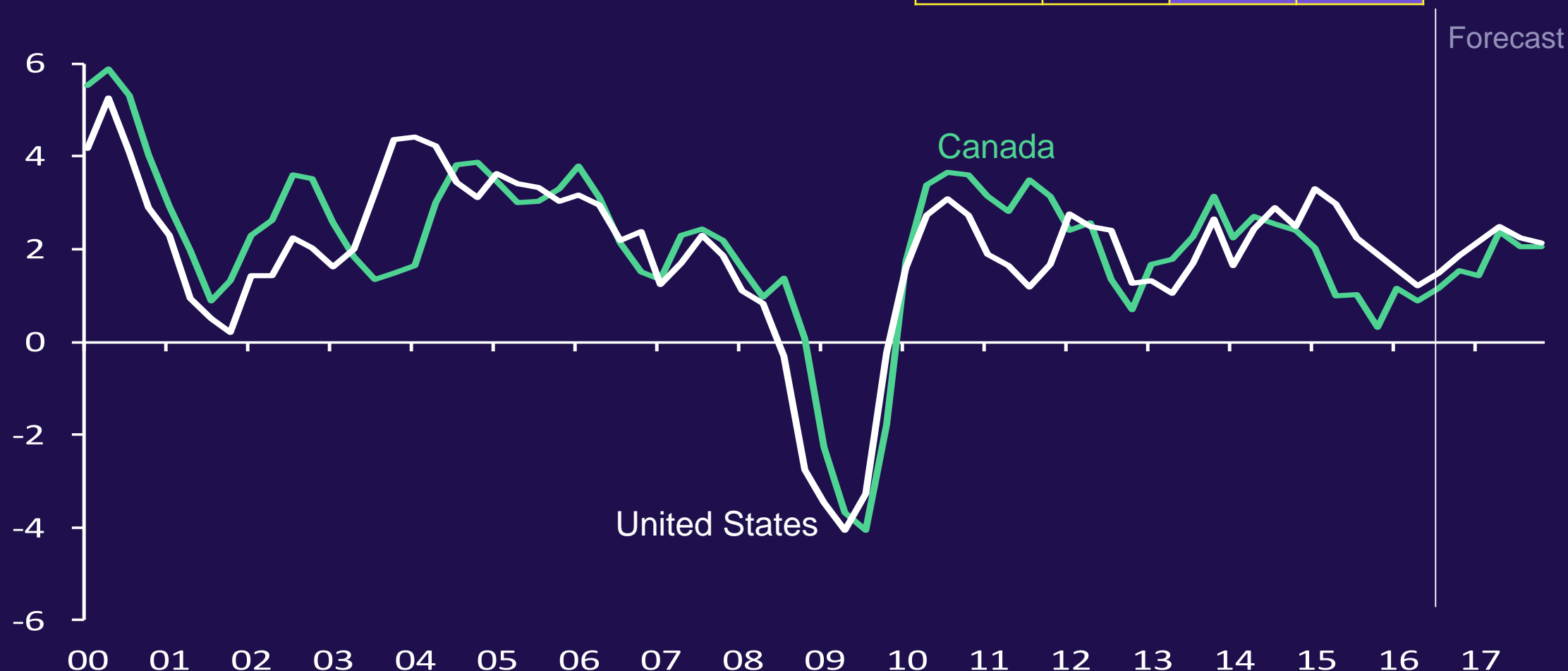
Slower for Longer Economy Means Lower for Longer Interest Rates

# U.S. Outperforms Canada

Real GDP  
(year/year % percent)

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	2015	2016	2017
U.S.	2.6	1.5	2.2
Canada	1.1	1.2	2.0



Forecast = BMO Capital Markets

Source: Haver Analytics, Statistics Canada, Bureau of Economic Analysis

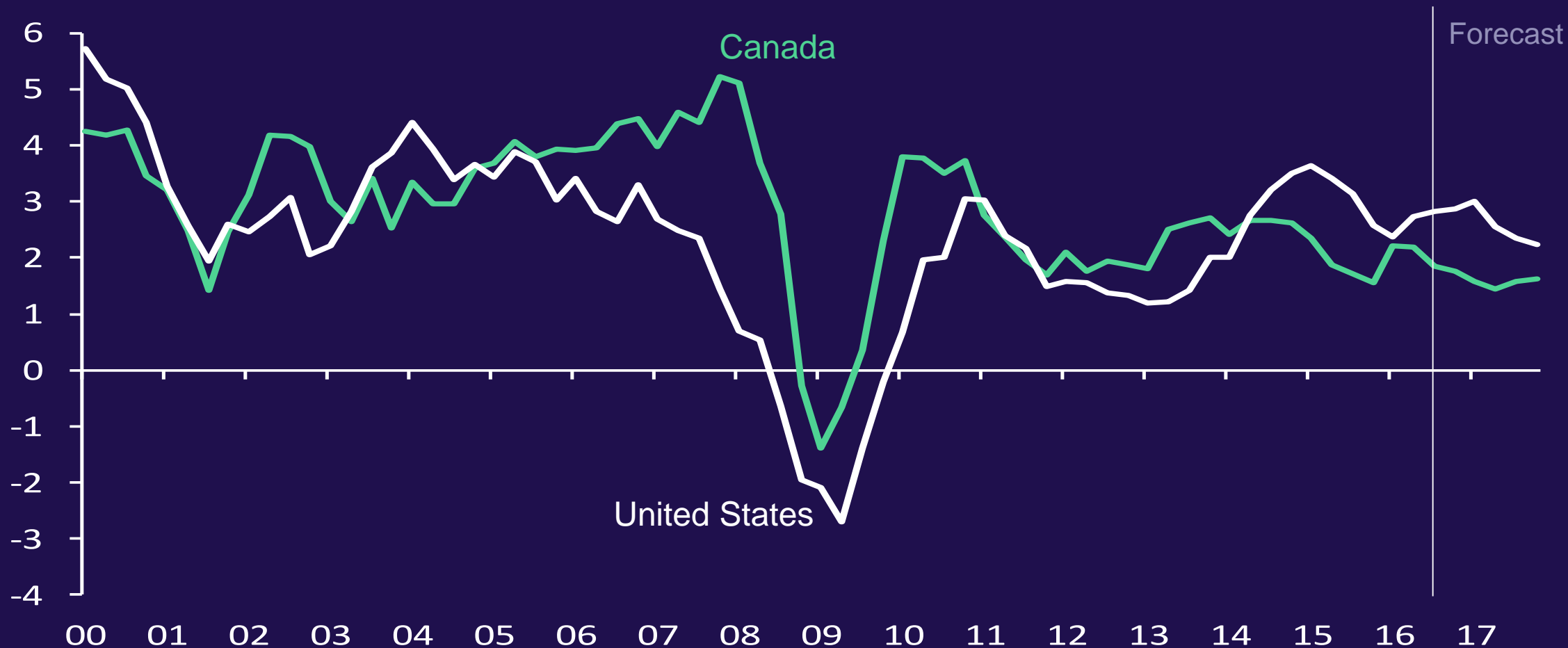


# ... With The Consumers Leading The Way

Real Personal Consumption Expenditure  
(year/year % percent)



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Forecast= BMO Capital Markets

Source: Haver Analytics, Statistics Canada, Bureau of Economic Analysis

# Consumer Confidence Jumps

OECD Consumer Confidence Index  
(long-term average = 100)



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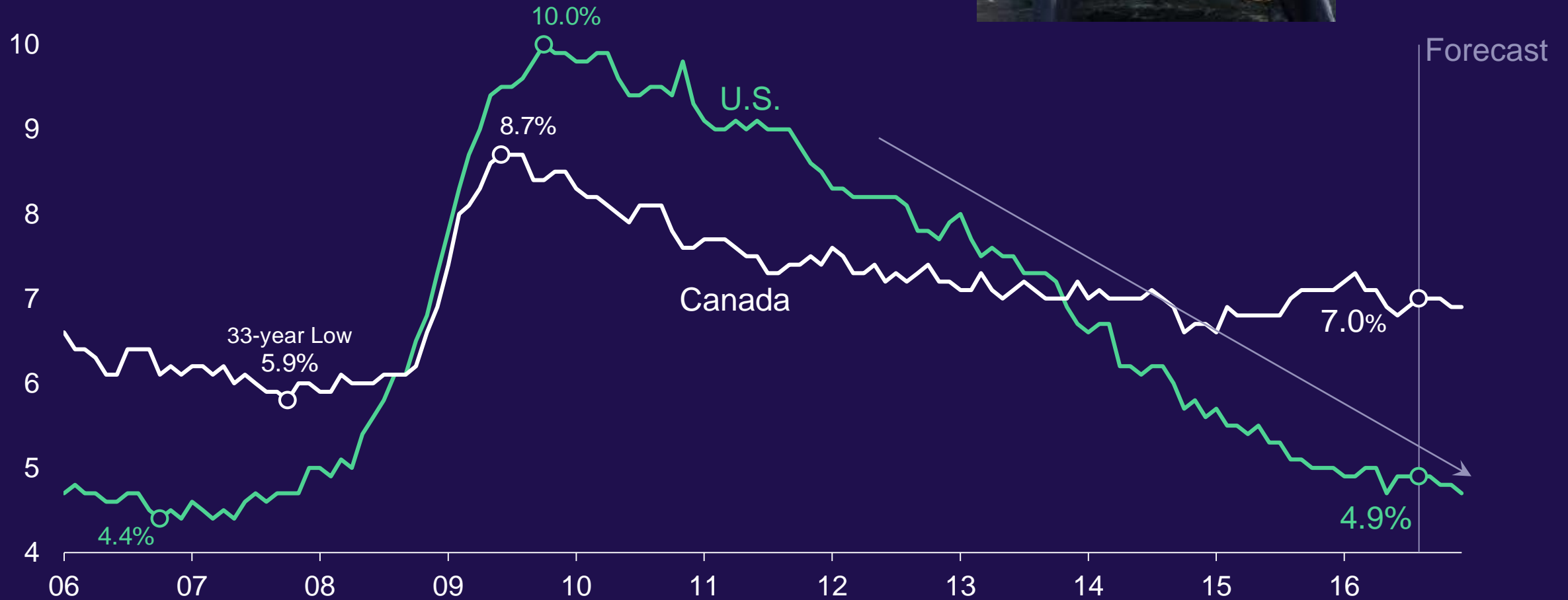


# Unemployment Rate

(percent)



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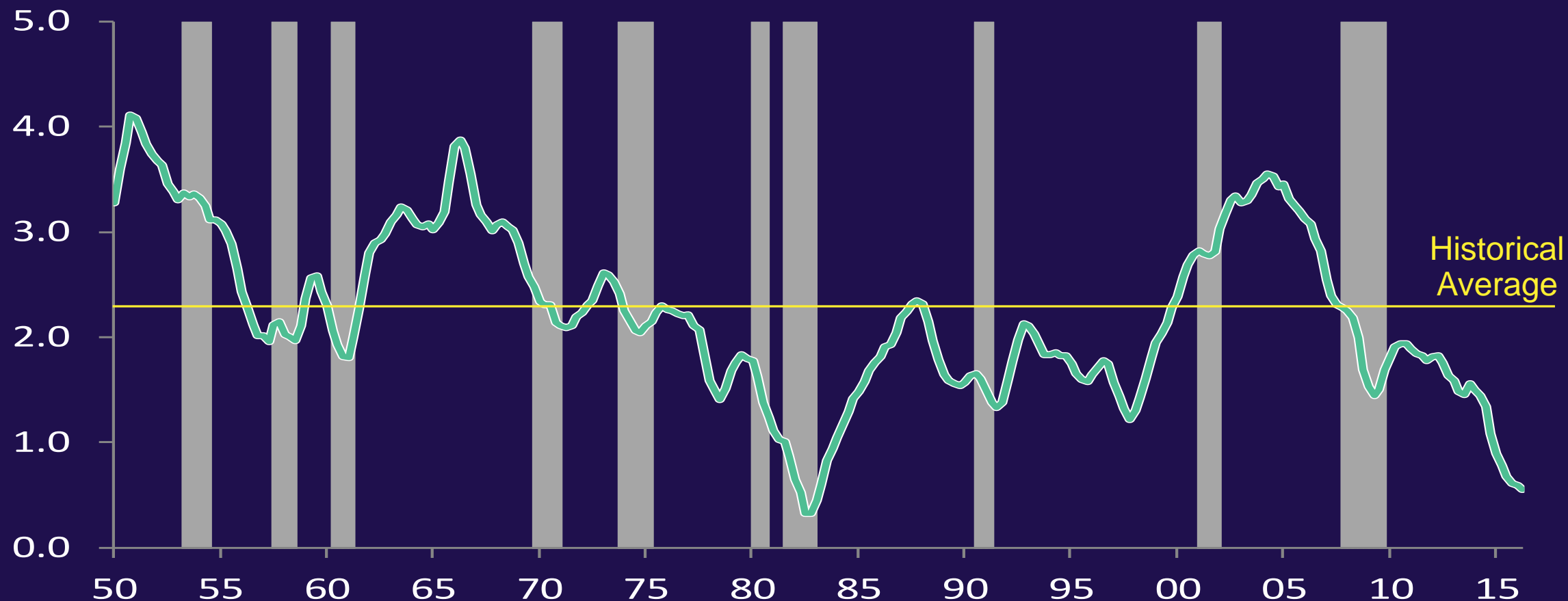
# U.S. Productivity Growth Plunges

Nonfarm Business Sector Productivity

(5-year moving average of the year-on-year percentage change)



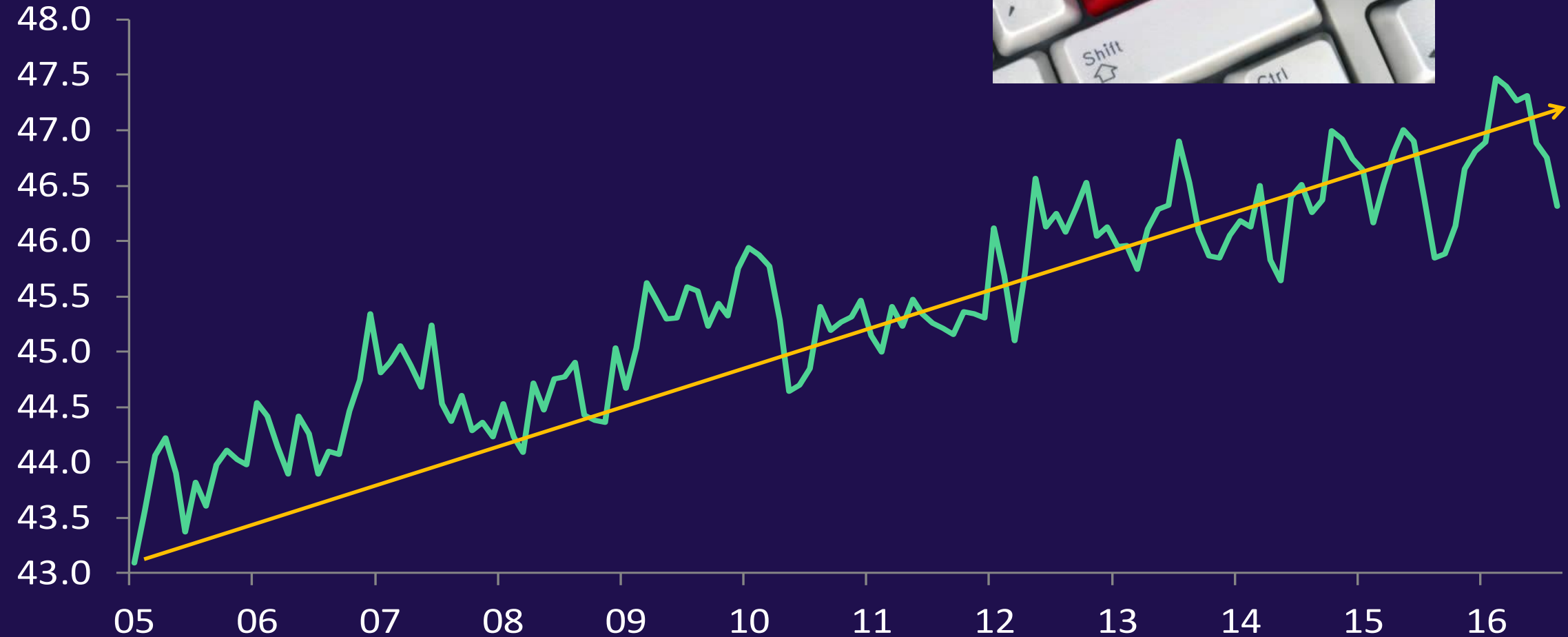
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Shaded regions represent periods of U.S. recession  
Source: Haver Analytics, Sherry Cooper Associates

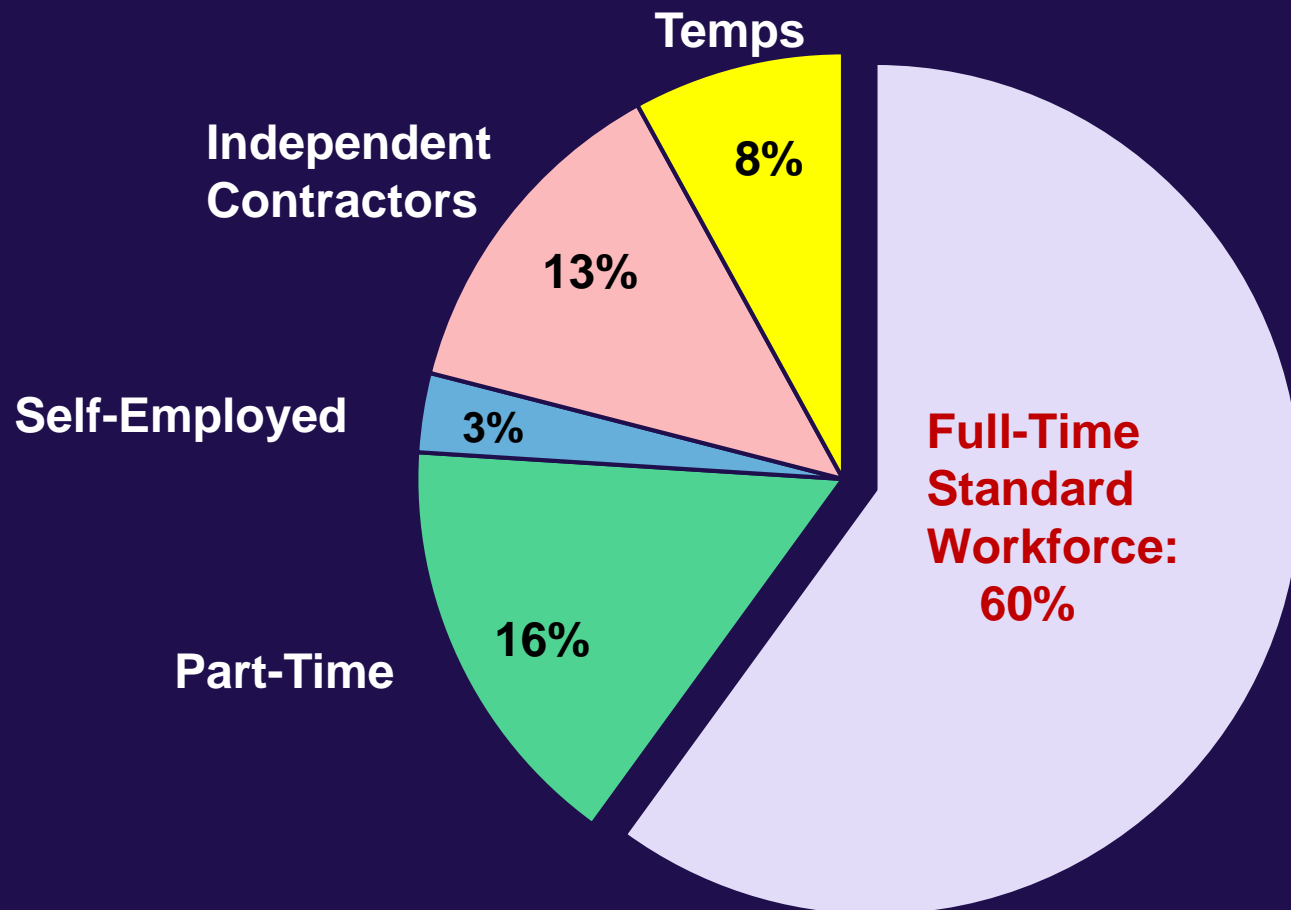
# Contingency Jobs On The Rise

United States: Total Contingency Workers\*  
(millions)



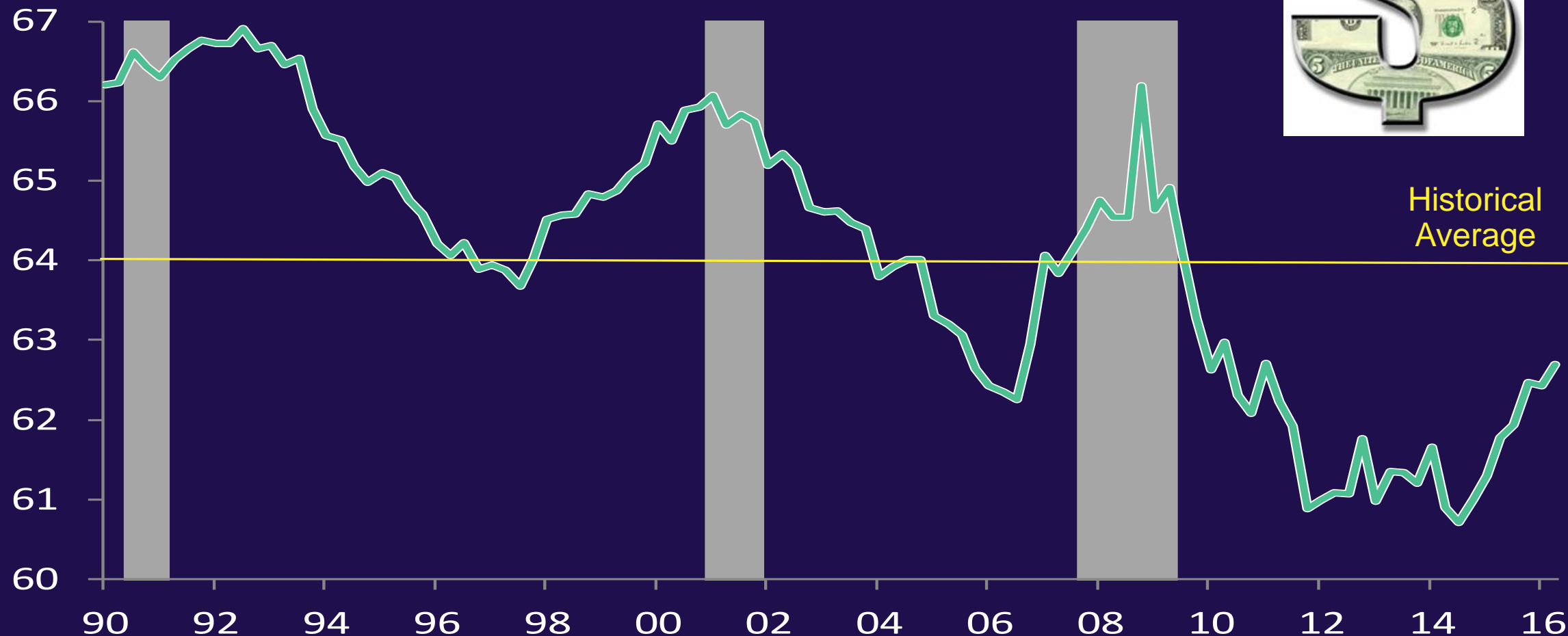
# The Gig Economy: 40% Contingent Workforce

2016 Employed Workforce



# U.S. Worker Compensation Finally On The Rise

Total U.S. Compensation as a percentage of National Income  
(percent)



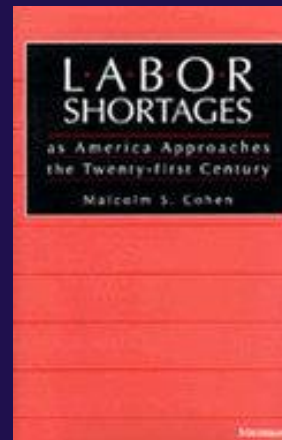
Shaded regions represent periods of U.S. recession  
Source: Haver Analytics, Sherry Cooper Associates



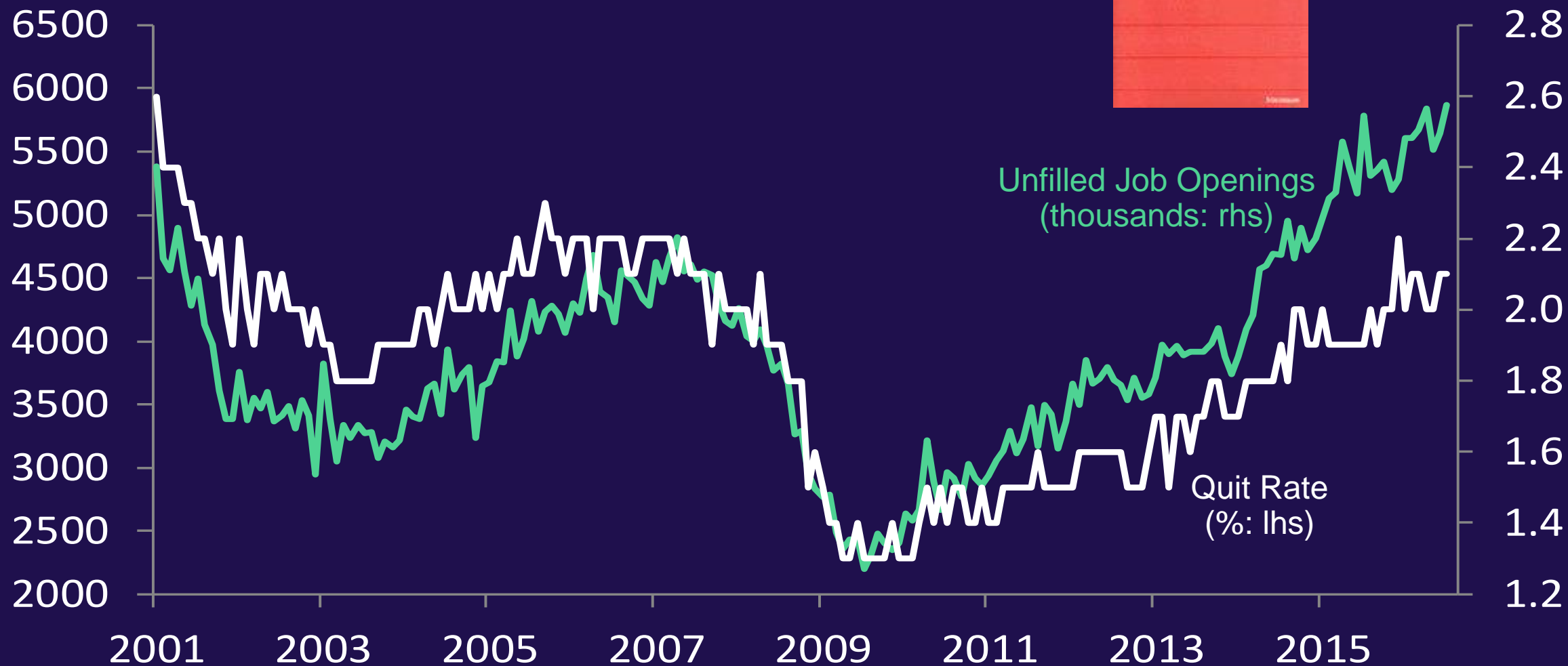
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# U.S. Labor Market Very Tight

Job Openings and Labor Market Survey (JOLTS)



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# Real Household Income Growth At A Record

U.S. Real Median Household Income  
(annual percent)



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Source: U.S. Census Bureau, Haver Analytics



# U.S. Election



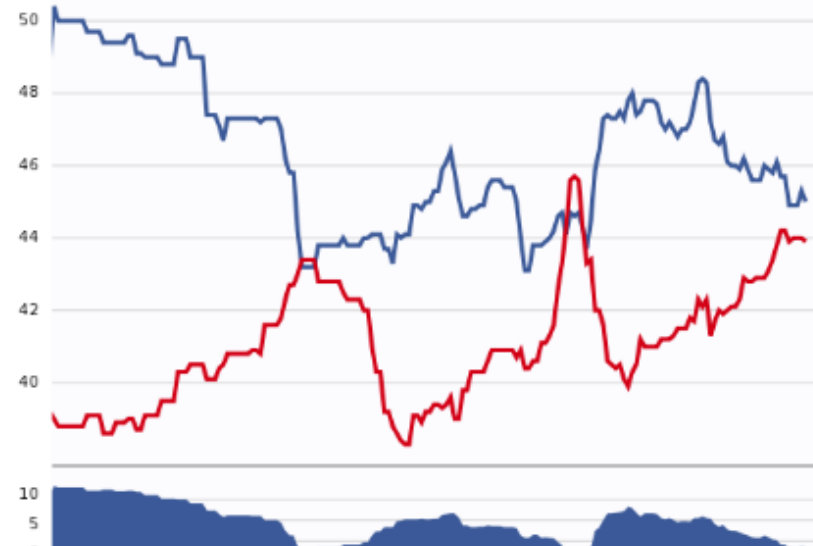
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## RealClearPolitics Election 2016

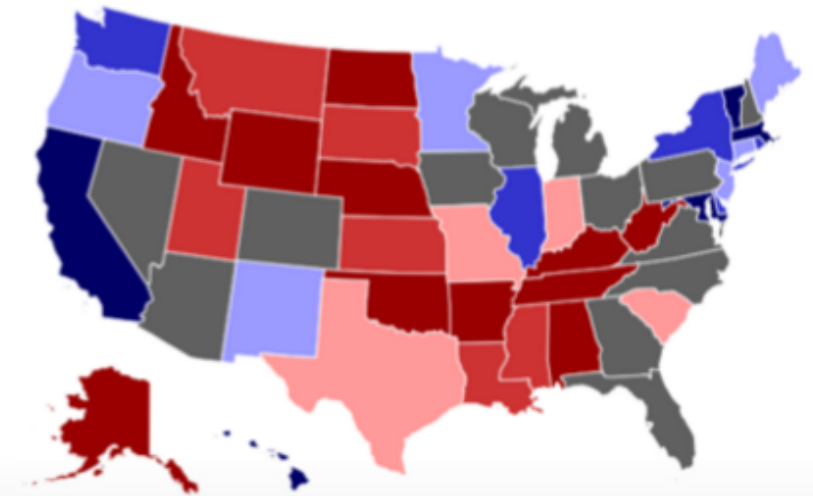
**NATIONAL RCP POLL AVERAGE**

**45.0** Clinton (+1.1) **Trump 43.9**



RCP ELECTORAL COLLEGE MAP

**200** Clinton    **174**    Trump **164**



# Canadian Economy Still Struggling



Oil Shock

Wildfires

Jobs Soften

Housing Mixed

Export Setback

Fiscal Stimulus

# Canadian Growth Improves A Bit in 2016

Real GDP  
(percent change)

2015	2016	2017
1.1	1.2	2.0

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Rebound From Q2 Weakness

Forecast = BMO Capital Markets

Source: Haver Analytics, Statistics Canada, BMO Capital Markets

# Pillars of Growth For Canada



Manufacturing



Oil Sands



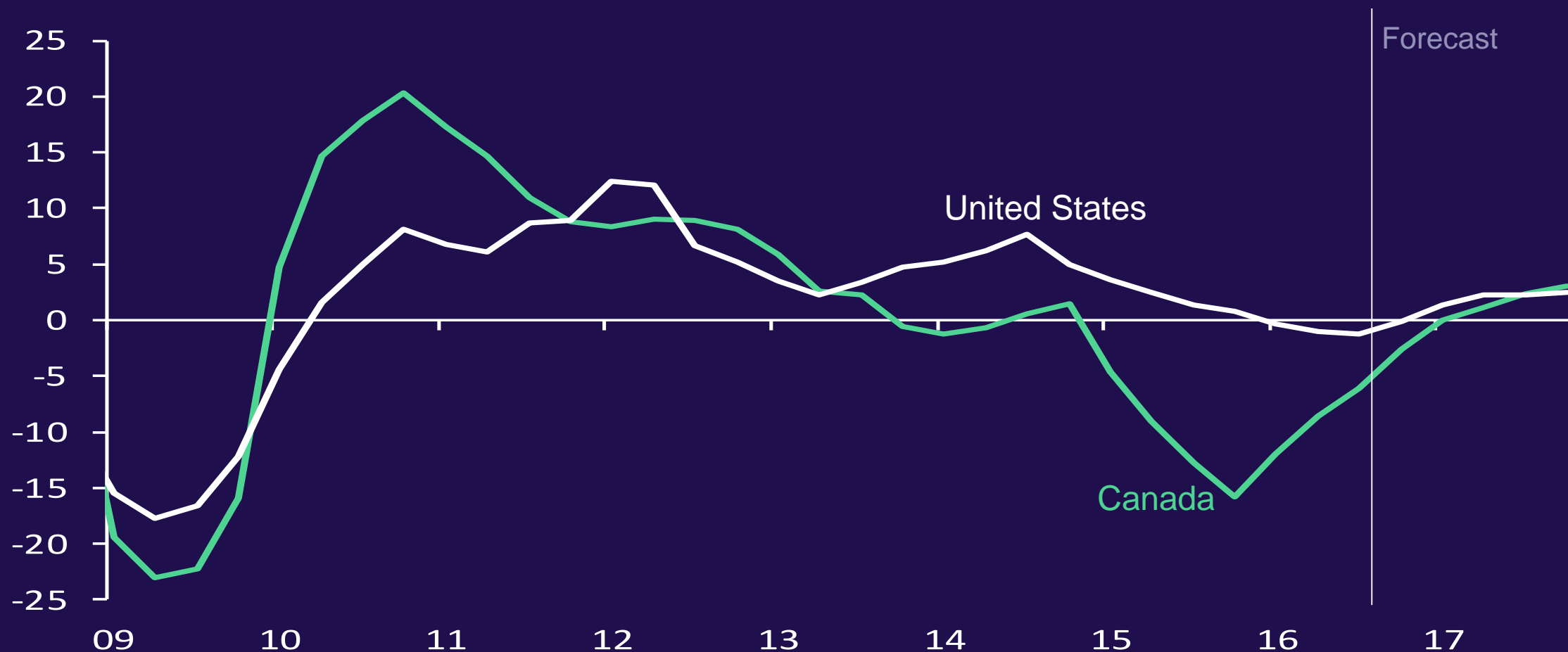
Housing

# Oil Rout Drags Down Business Investment

Real Non-Residential Business Investment  
(year/year % percent)



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Forecasts = BMO Capital Markets

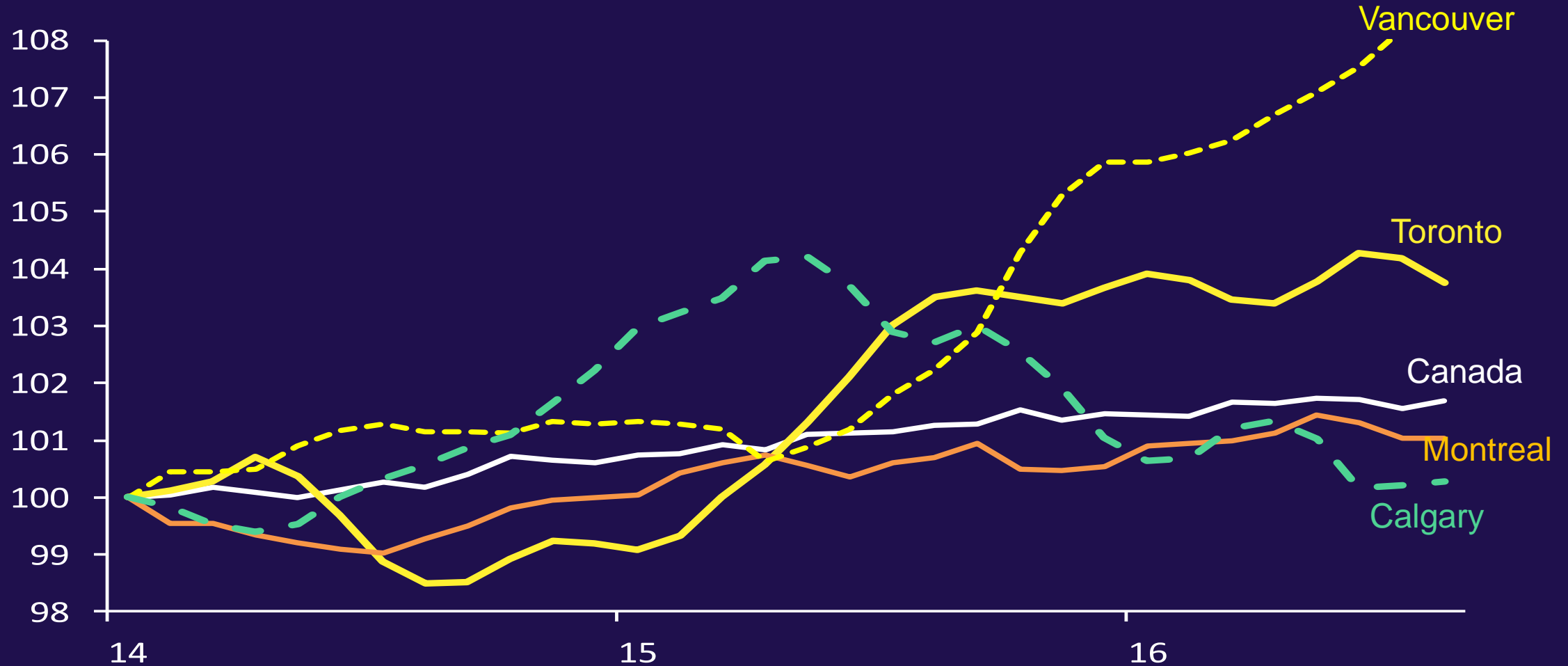
Source: Haver Analytics, Statistics Canada, Bureau of Economic Analysis

# Job Creation In Major Canadian Cities

Employment Level  
(index: January 2014 = 100)



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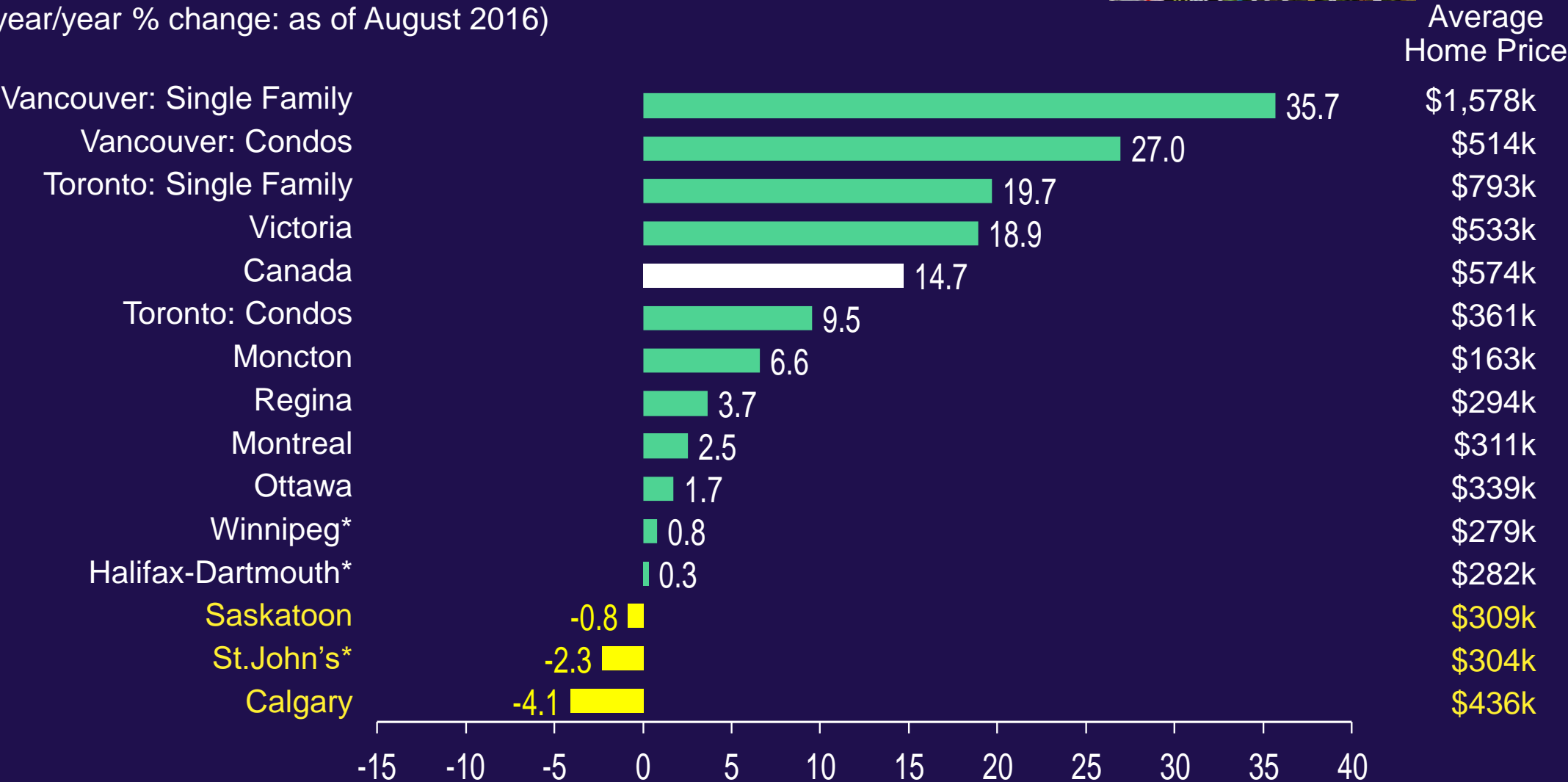


# Prices Surge In Vancouver and Toronto

MLS® Home Price Index (HPI)  
(year/year % change: as of August 2016)



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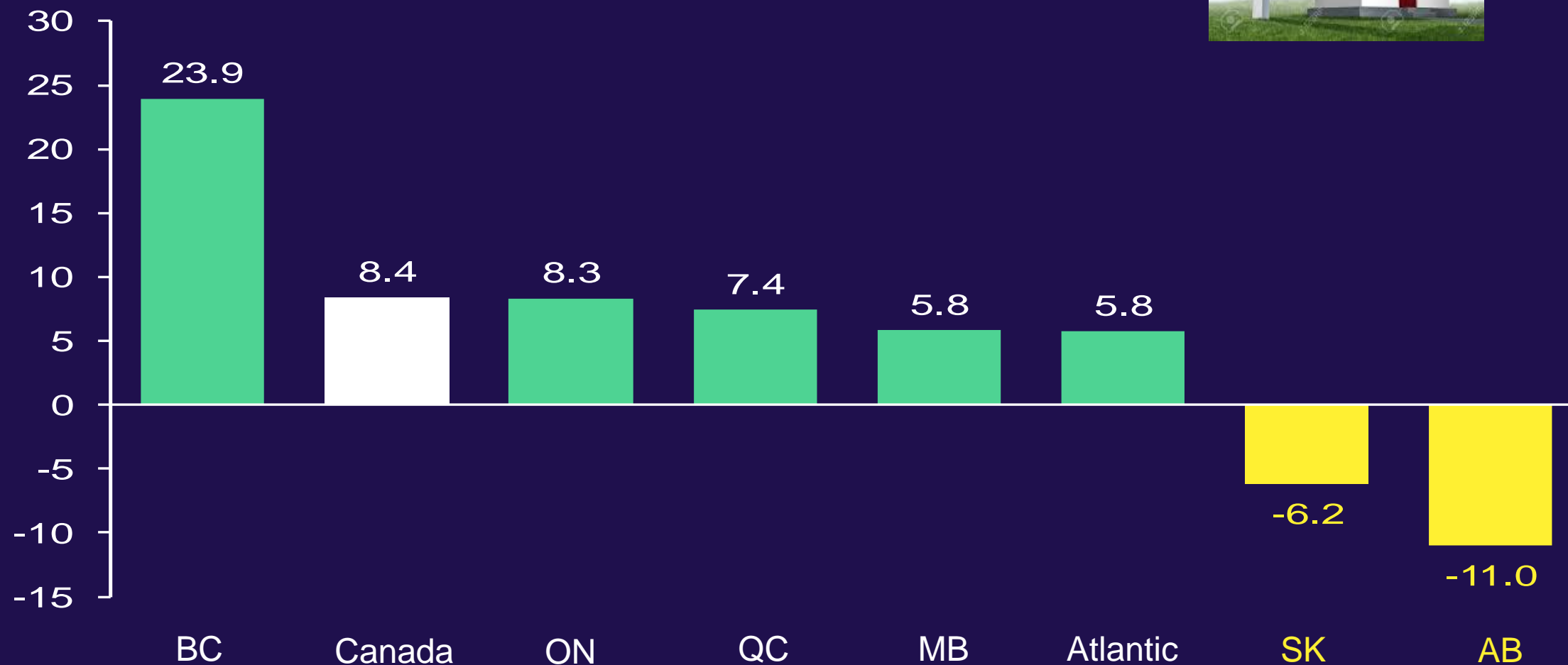


\*Using average home prices  
Source: Canadian Real Estate Association (CREA)

# Home Sales A Mixed Picture

Existing Home Sales

(% change from a year ago, YTD August 2016)



Source: Canadian Real Estate Association, Haver Analytics



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# Housing Looms Large in Canada ...

Canada  
(percent)

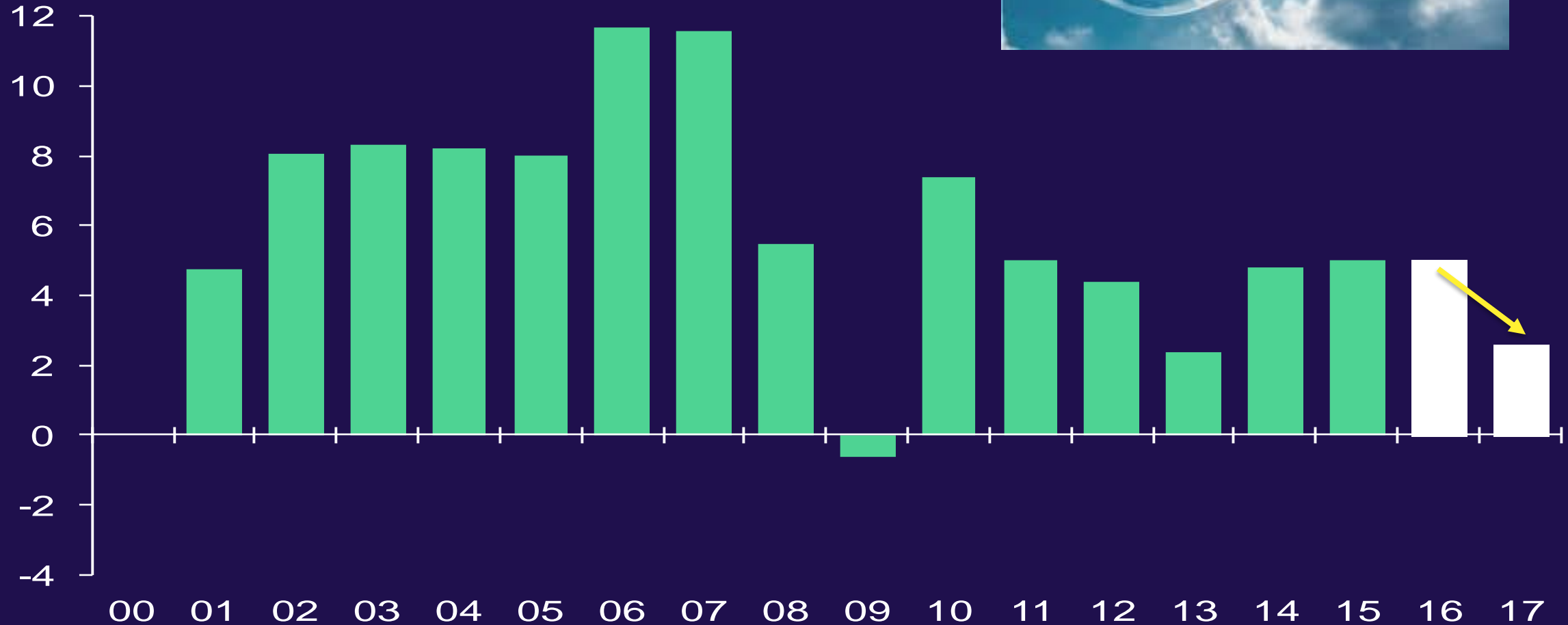


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# Canadian Home Price Inflation Needs To Slow

House Price Index: Composite 11  
(year/year % change)



White bars indicate forecasts. Forecast provided by Royal LePage and RBC Research  
Source: Teranet/National Bank, Haver Analytics



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# Loonie Moves Off Recent Bottom



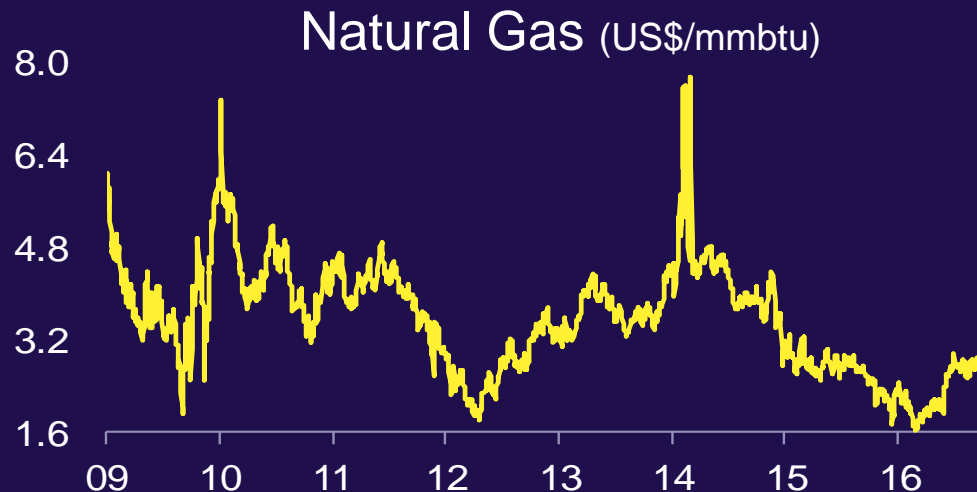
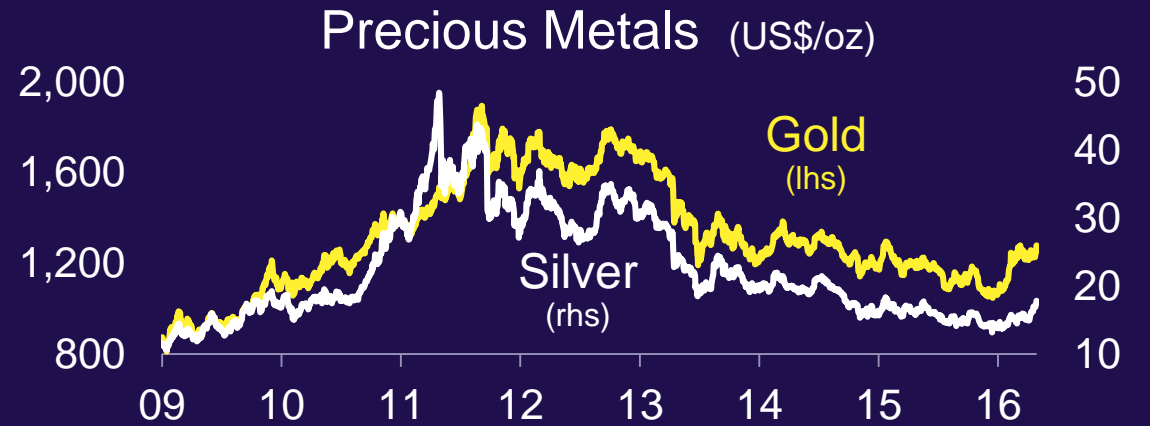
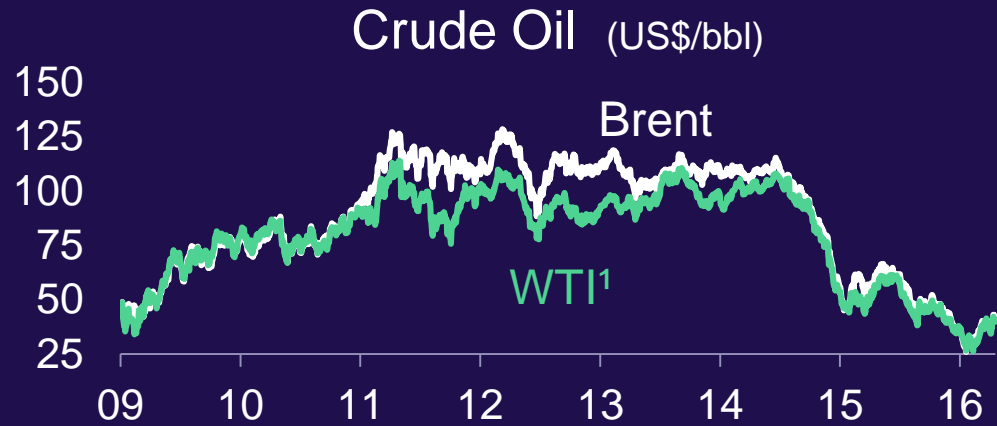
Oil Price Hovers Near \$45 WTI

Loonie Around 76¢ U.S.

Bank of Canada On Hold

# Commodity Price Decline Hurts Canada

(as of September 15, 2016)



¹ West Texas Intermediate

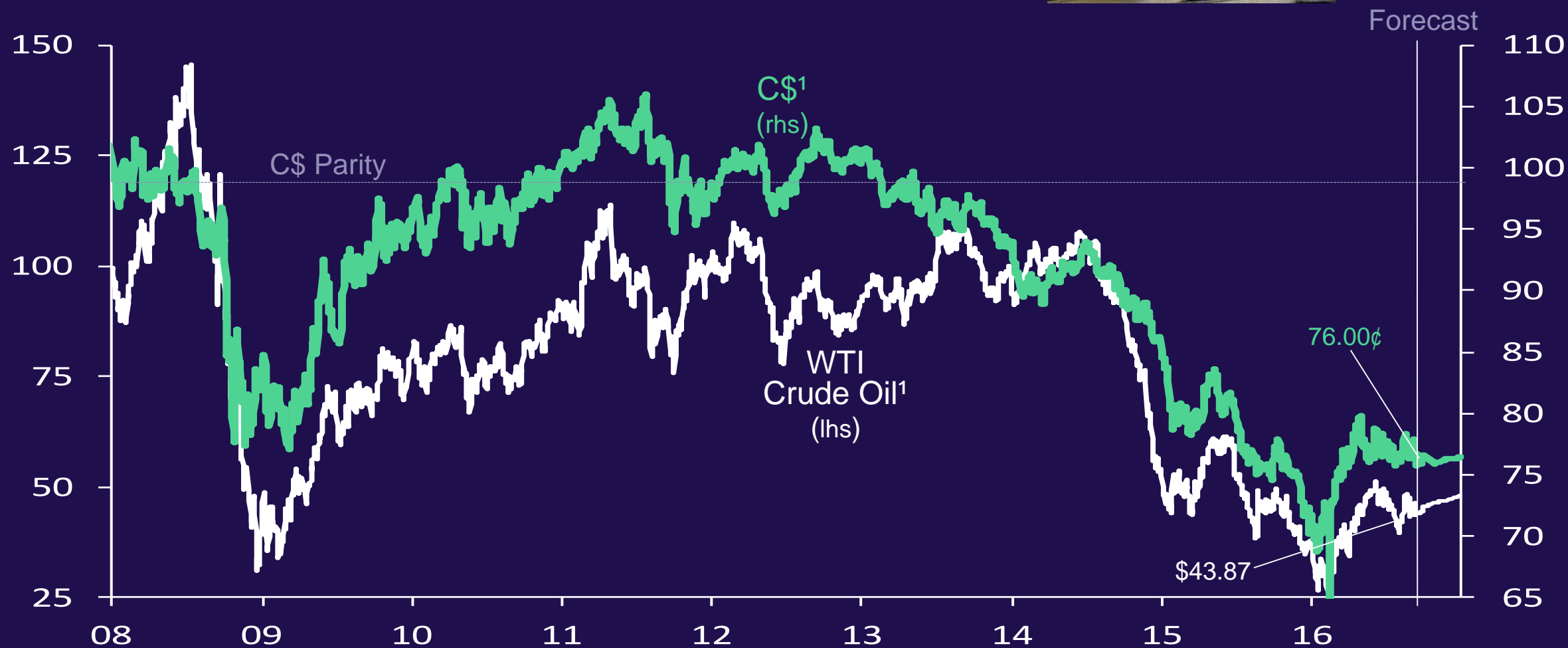
Source: Bloomberg, U.S. Energy Information Administration, Haver Analytics, QuoteNet.com



# Oil Price Decline Hits The Loonie

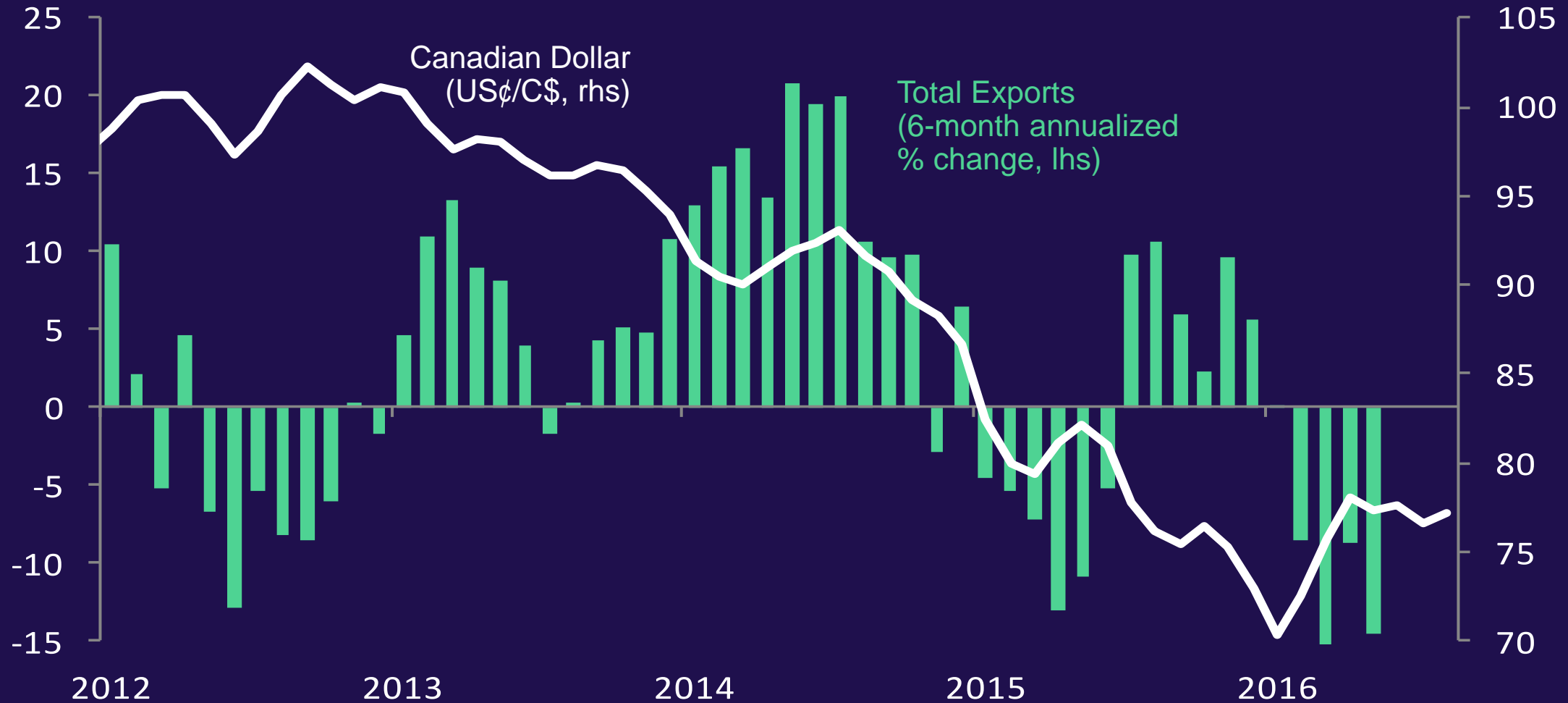


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Forecast = BMO Capital Markets    <sup>1</sup> (US\$/bbl)    <sup>2</sup> (US¢/C\$)  
Source: Haver Analytics, Bank of Canada, Bloomberg, U.S. Energy Information Administration  
(as of June 15, 2016)

# Lower Canadian Dollar... But Exports Disappoint

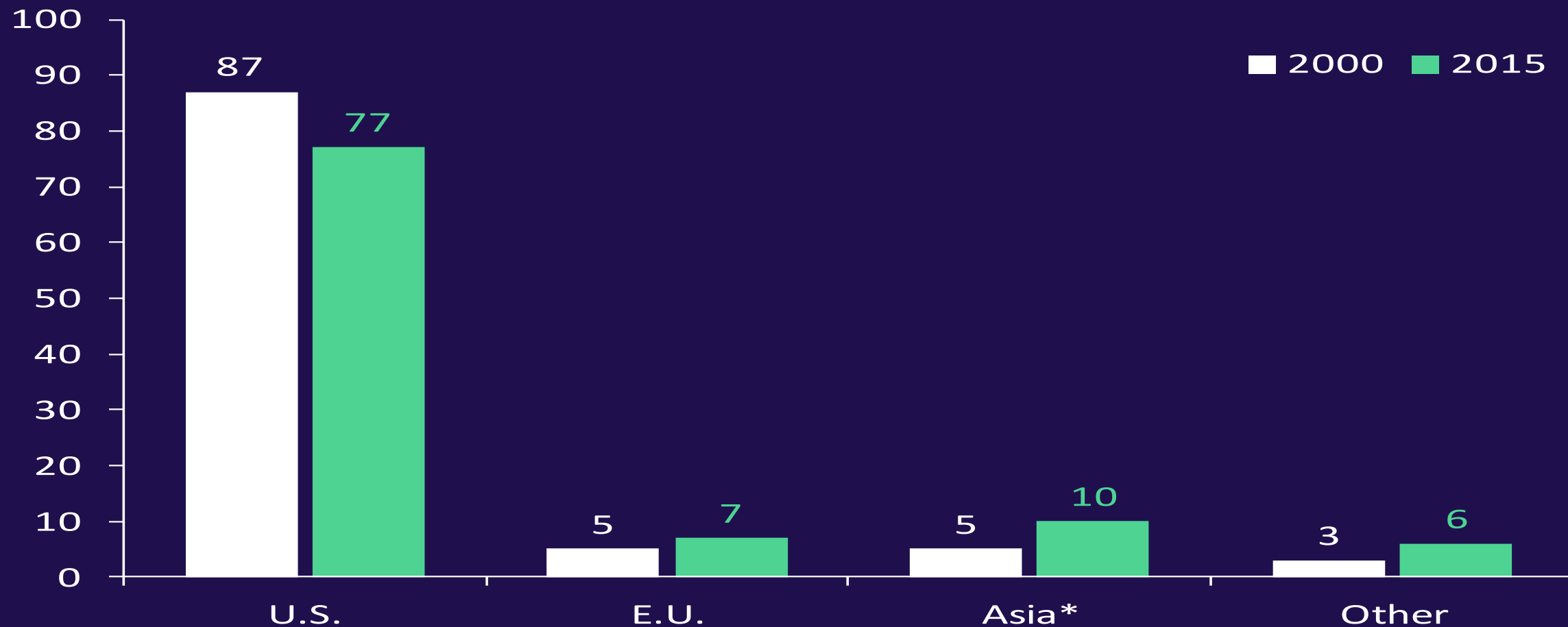


# Canadian Export Shares

Share of Canadian Goods Exports by Region of Destination  
(percent)



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\*Excludes the Middle East. Note: Totals may not add due to rounding.  
Source: Federal Budget 2016 ("Growing the Middle Class", March 22, 2016)

# Financial Markets

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102.19	+6.04	+3.01	9	90.17	76	55.69	516.00	21	12.28	39.76
34.18	-1.35	-4.57	45	12.08	11	298.17	125.95	39	13.28	50.32
158.04	-7.02	-3.72	87	86.53	9	178.95	98.17	63	36.94	31.8
387.32	+9.03	+3.96	114	13.19	6	432.16	12.08	72	58.79	150.04
373.54	+14.28	+2.54	98	18.76	3	175.95	86.53	90	13.12	307.32
552.09	-11.32	-2.13	252	54.32	2	58.92	13.13	100	150.32	875.9
401.76	+9.45	+1.96	86	98.65	73	99.16	15.31	43	382.00	552.00
215.68	+8.35	+3.32	15	8.43	8	34.18	98.79	19	100.13	100.76
158.92	+6.29	+1.03	24	3.76	15	458.04	5.07	27	8.43	25.18
382.18	-13.84	-3.45	39	65.12	19	387.32	32.87	70	3.76	150.32
			54	17.6	7	673.54	47.95	21	65.12	302.0
			63	15.31	3	552.09	13.29	405	17.6	100.13
					2	401.76	45.96	89	15.31	25.18
					9	215.68	30.94	76	98.79	150.32
								68	382.00	552.00

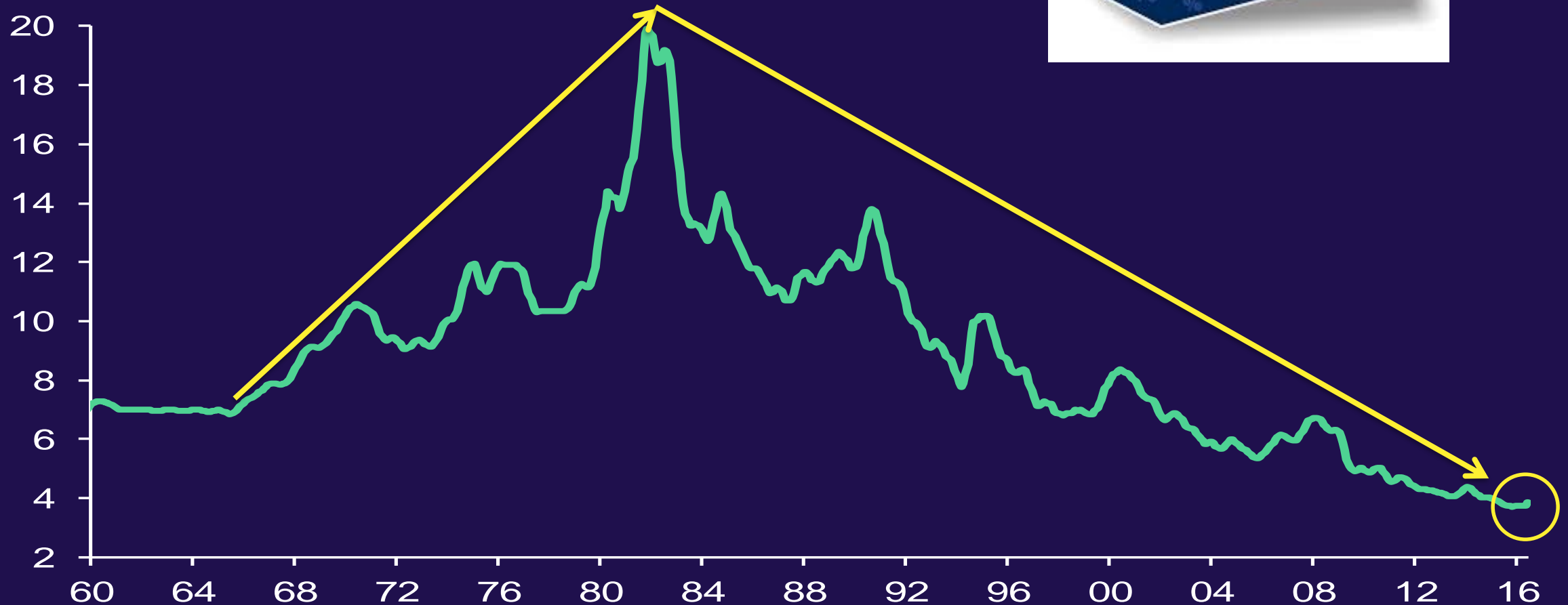
Mortgage Rates Still Very Low  
Bank of Canada Stands Pat  
Fed Will Hike Rates

# Mortgage Rates Have Bottomed

Canadian Conventional 5-Year Mortgage Rate  
(percent, smoothed 6-month moving average, as of September 9)

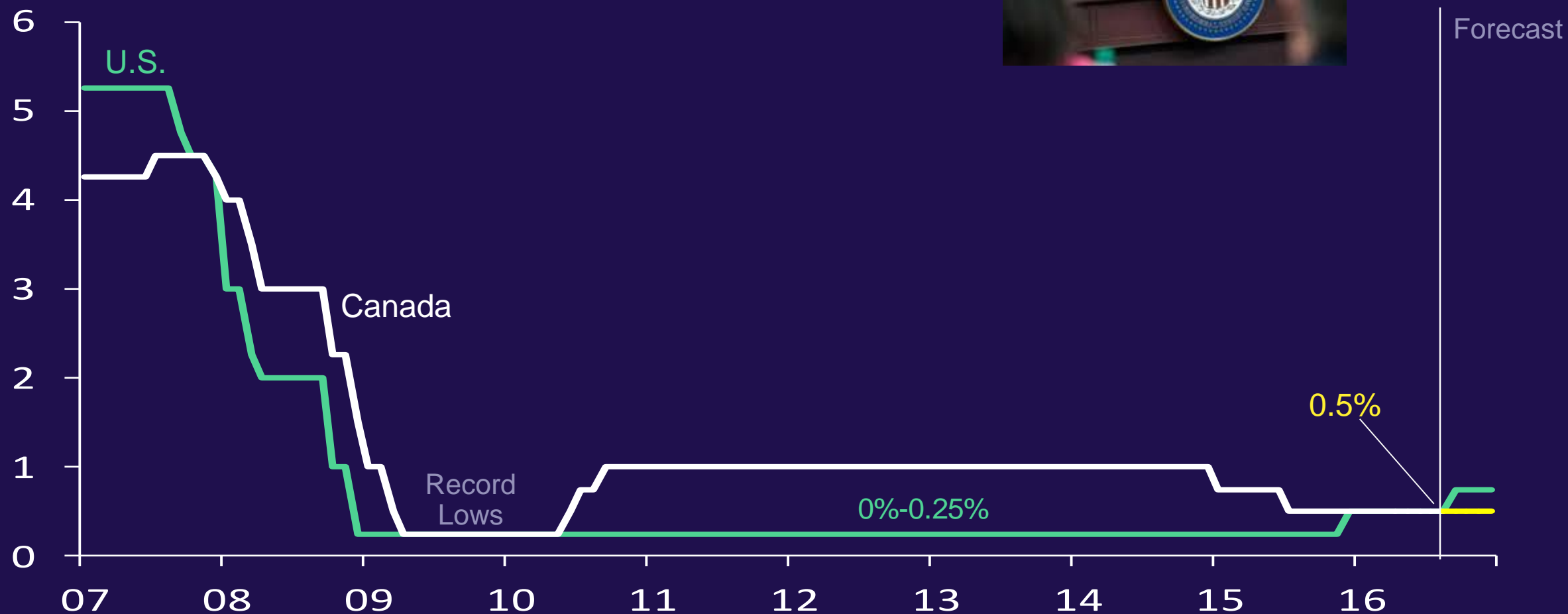


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# Fed Wary Of Normalization, BoC On Hold

Overnight Rate  
(percent)



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# Long Yields Down This Year

10-year Bond Yields  
(percent)



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## Corporate Spreads Have Narrowed



Forecast = BMO Capital Markets  
Source: Bank of Canada, Federal Reserve Board

# Stock Markets Up This Year

## Financial Market Returns – Local Currency (% change: as of September 15, 2016)



	YTD			
Stocks	2016	2015	2014	2013
DJIA	4.5	-2	8	26
Nasdaq	4.8	6	13	38
S&P 500	5.1	-1	11	30
TSX	11.5	-11	7	10
Bonds*				
GoCs	4.3	5	9	-3
U.S. Treasuries	7.6	1	8	-5
Commodities				
CRB Index	3.1	-23	-18	-5
Gold	23.9	-12	0	-27
Oil (WTI)	17.6	-31	-46	6.9
Dividend Yield (%)				
TSX	2.9	3.3	2.9	3.2
S&P 500	2.1	2.1	1.9	2.3

\*As of August, 2016

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