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# Canada's Economy Strengthens

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Dominion Lending Centres



April 20, 2017



# Global Economy Strengthens In 2017



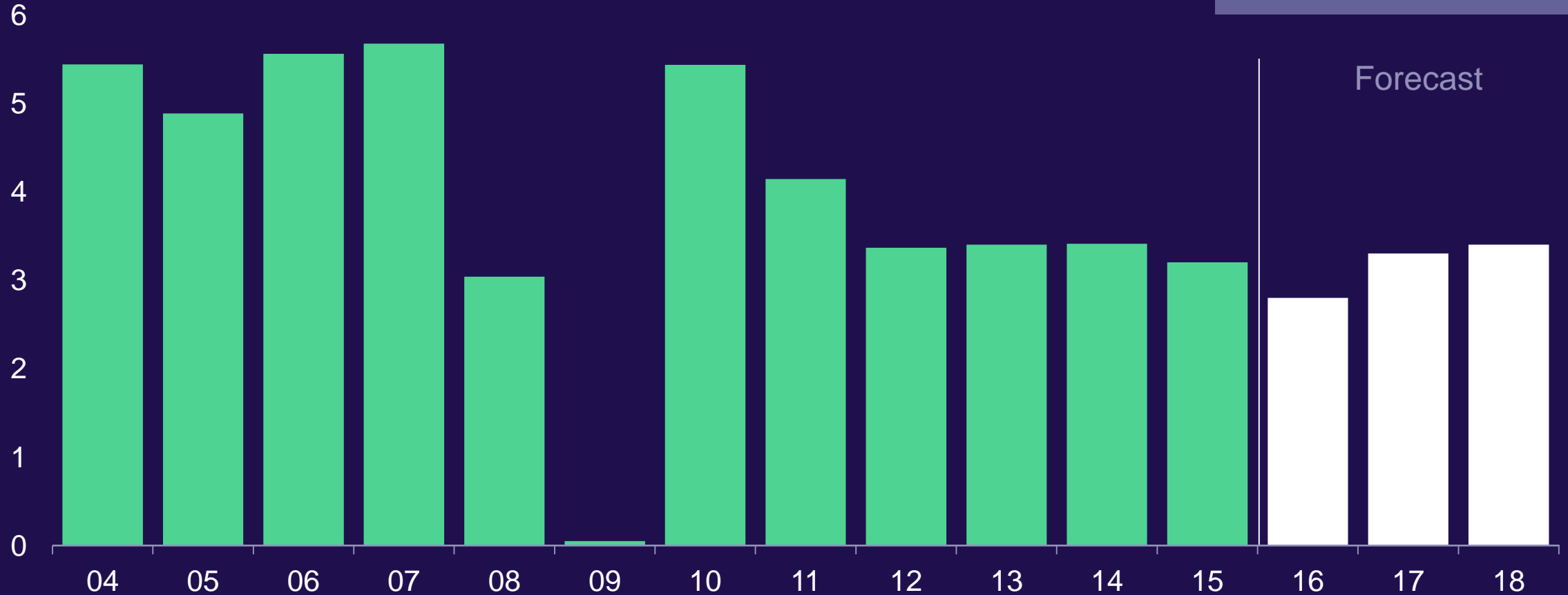
Canada and US Lead  
China Slows  
European Slowdown  
Oil Prices Up A Bit  
Brexit

# Global Growth Edges Upward in 2017

Real GDP  
(year/year % change)

World

2016	2017	2018
2.8	3.3	3.4



Forecast = IMF World Economic Outlook, Update, January 2017  
Source: IMF World Economic Outlook Database

# U.S. Economy Accelerates From Last Year

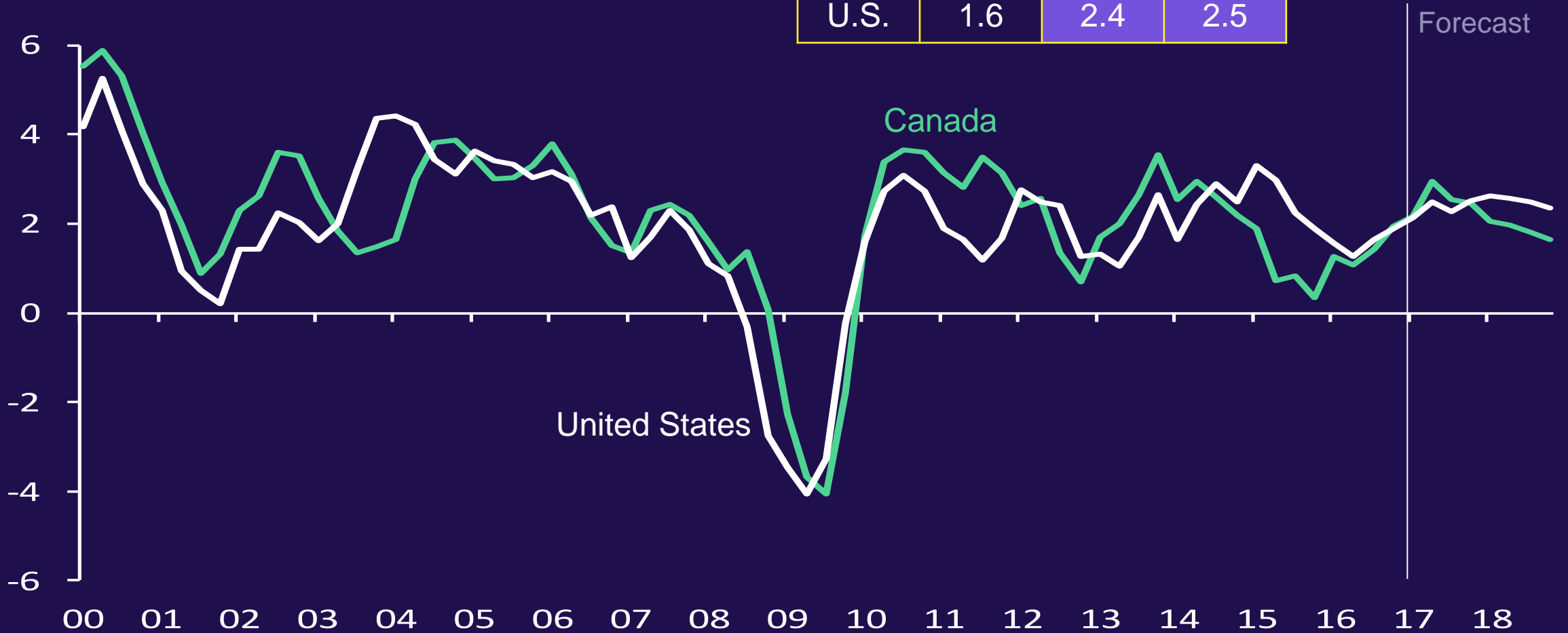


Business Investment Improves  
Residential Construction Strong  
Retail Stores Consolidate  
Unemployment Low  
Fed Reduces Liquidity

# Canada Plays Catch-Up

Real GDP  
(year/year % percent)

	2016	2017	2018
Canada	1.4	2.5	1.9
U.S.	1.6	2.4	2.5



# Unemployment Rate

(percent)



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Source: Haver Analytics, Statistics Canada, Bureau of Labor Statistics

# Canadian Economy Strengthening



Oil Bottoms

Alberta Begins Recovery

Job Growth Strong

Exports Trend Higher

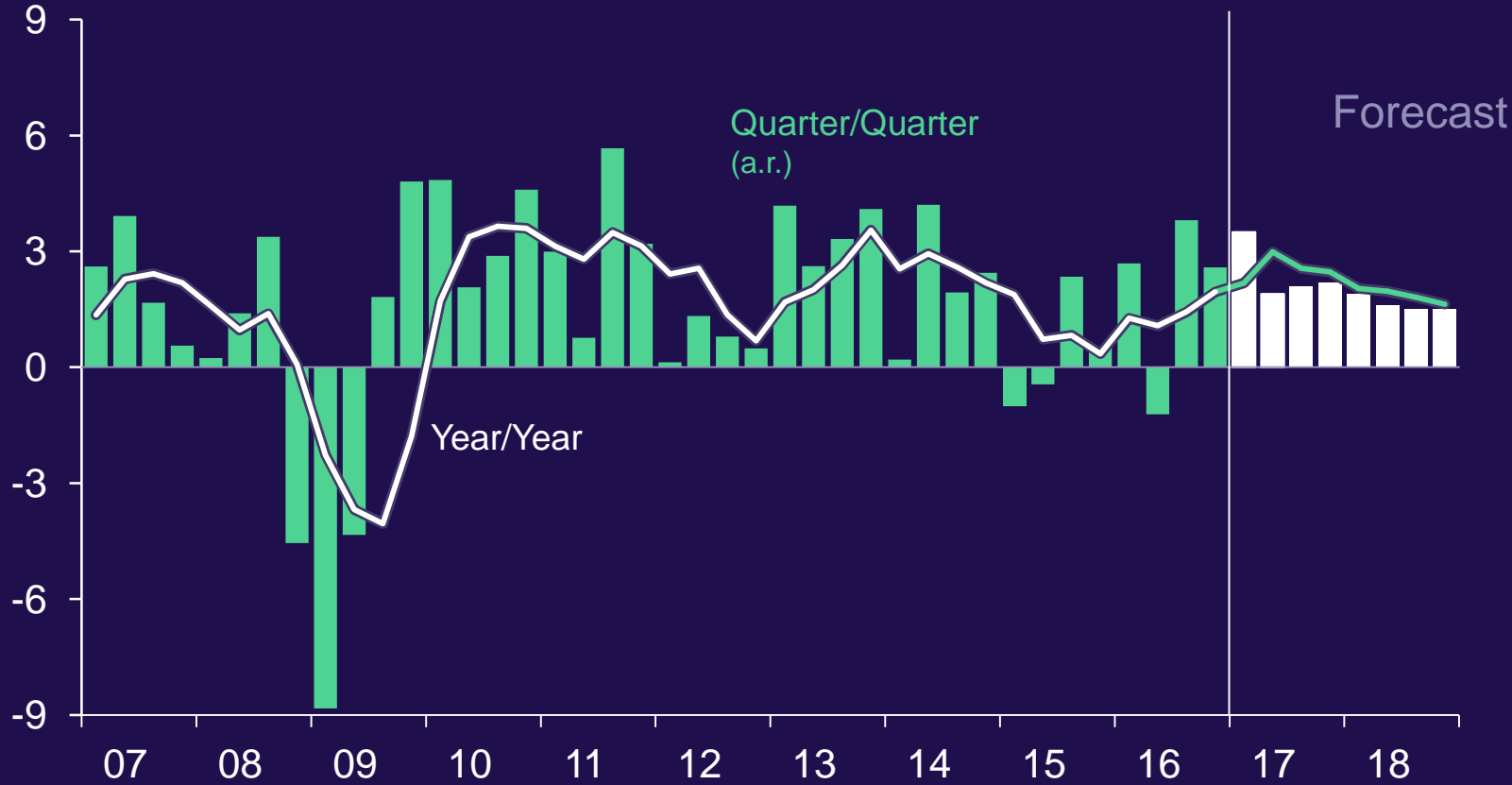
GTA House Price Concern

Fiscal Stimulus

# Canadian Growth Improves In 2017

Real GDP  
(percent change)

2016	2017	2018
1.4	2.5	1.9



Forecast = BMO Capital Markets Economics

Source: Haver Analytics, Statistics Canada, Royal Bank of Canada Economics



# Pillars of Growth For Canada



Manufacturing



Oil Sands



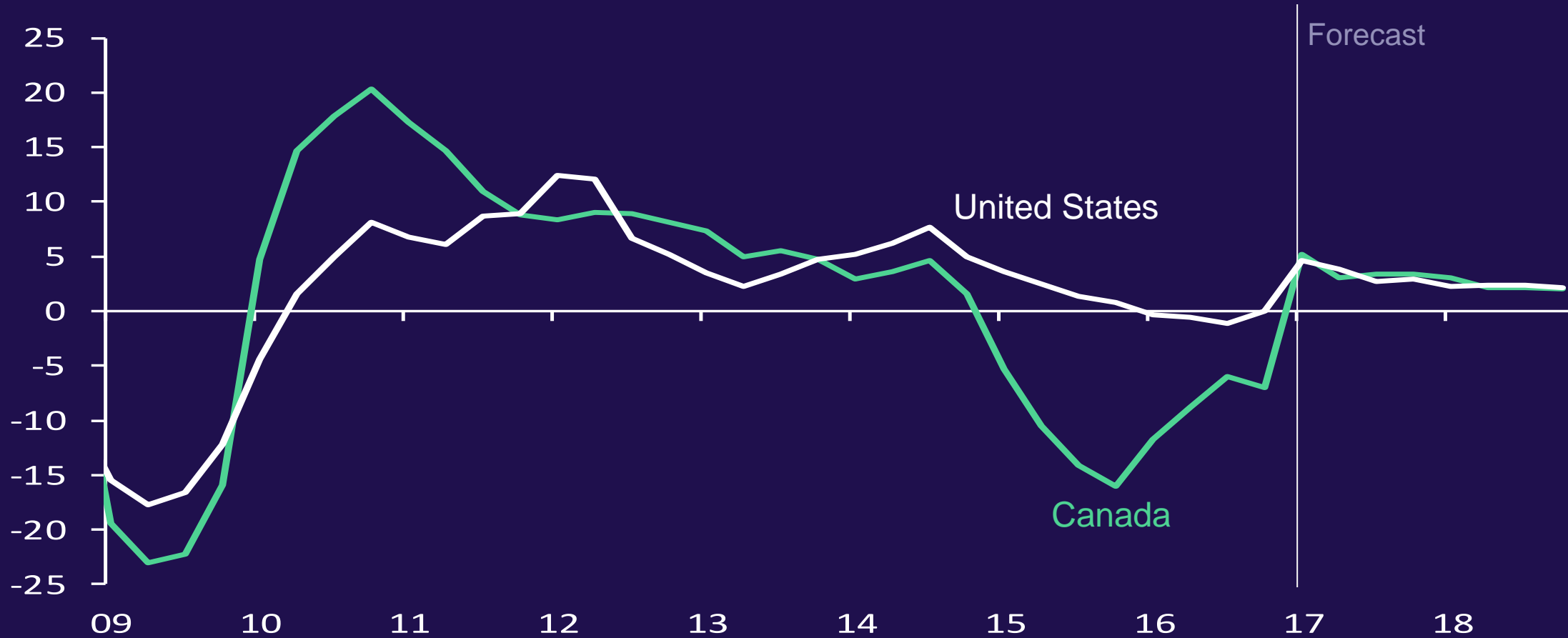
Housing

# Oil Bounce Boosts Business Investment

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



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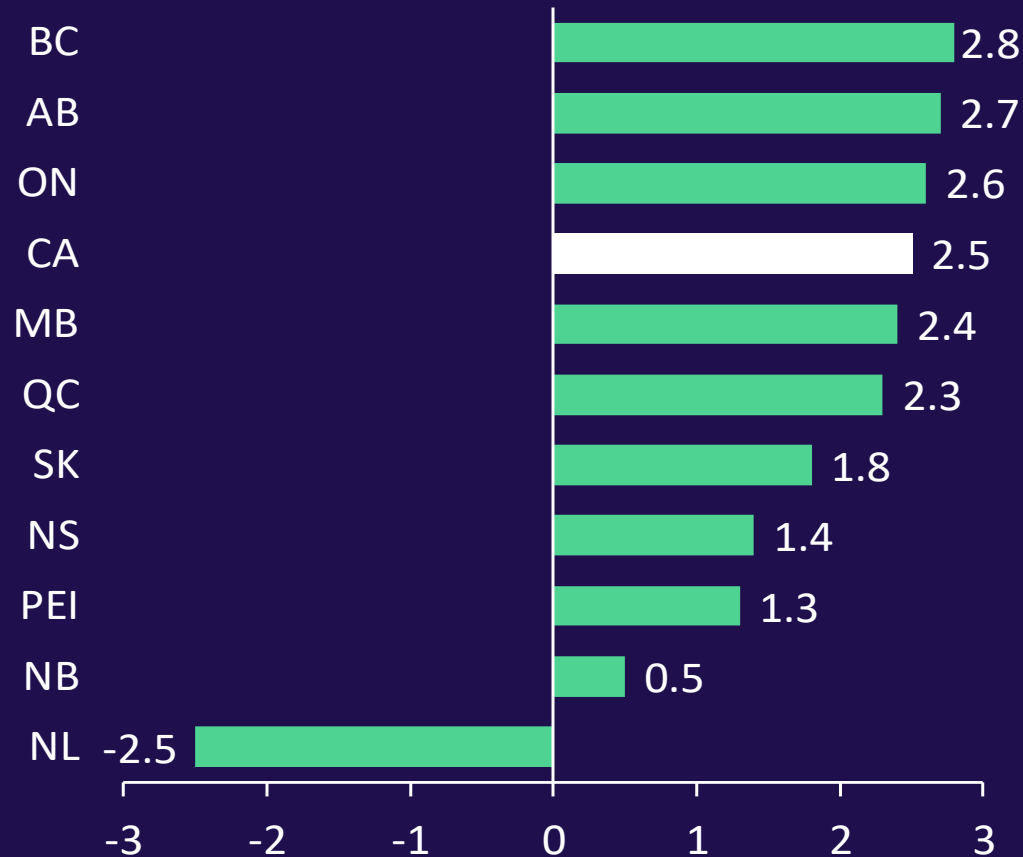


Forecast = BMO Capital Markets Economics  
Source: Haver Analytics, Statistics Canada, Bureau of Economic Analysis

# B.C. on Top As Alberta Climbs Back

Canada: Real GDP Provincial Forecast  
(year/year % change)

2017



2018



# Loonie Moves Off 2016 Lows



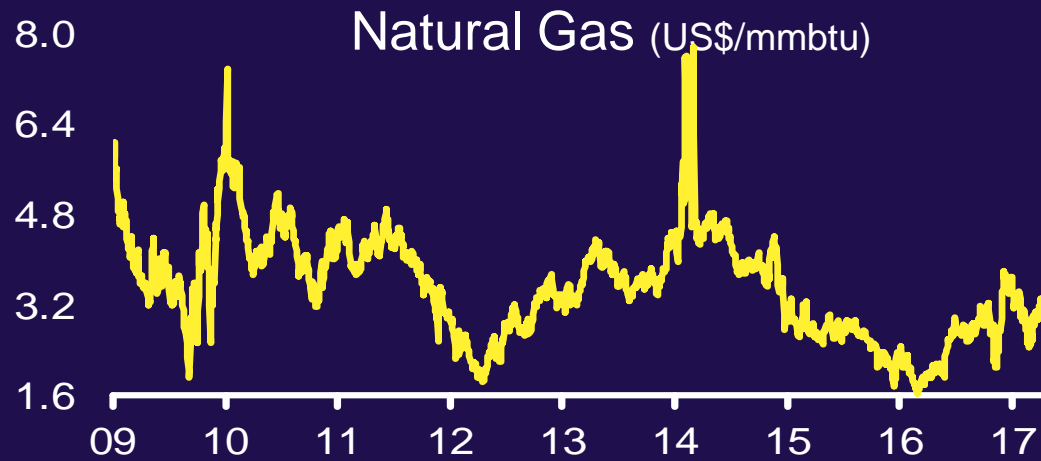
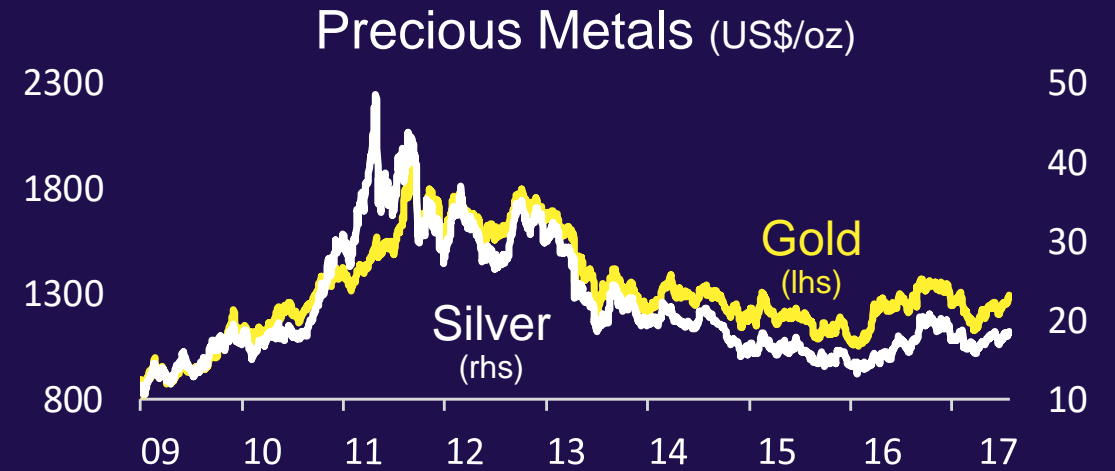
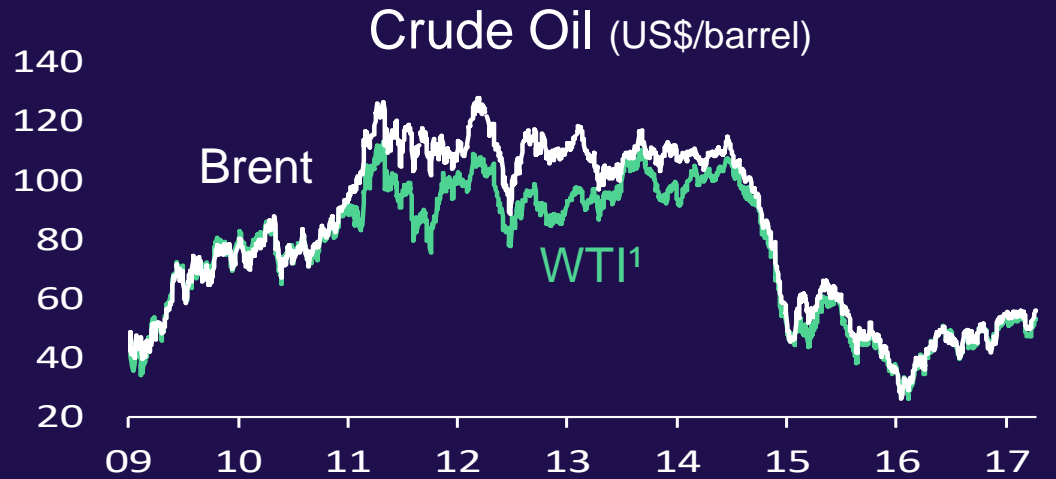
Oil Price Edges Up To Over \$50

Loonie Around 75¢ U.S.

Bank of Canada On Hold For Now

# Commodity Price Decline Hurt Canada

(as of April 13, 2017)



<sup>1</sup> West Texas Intermediate

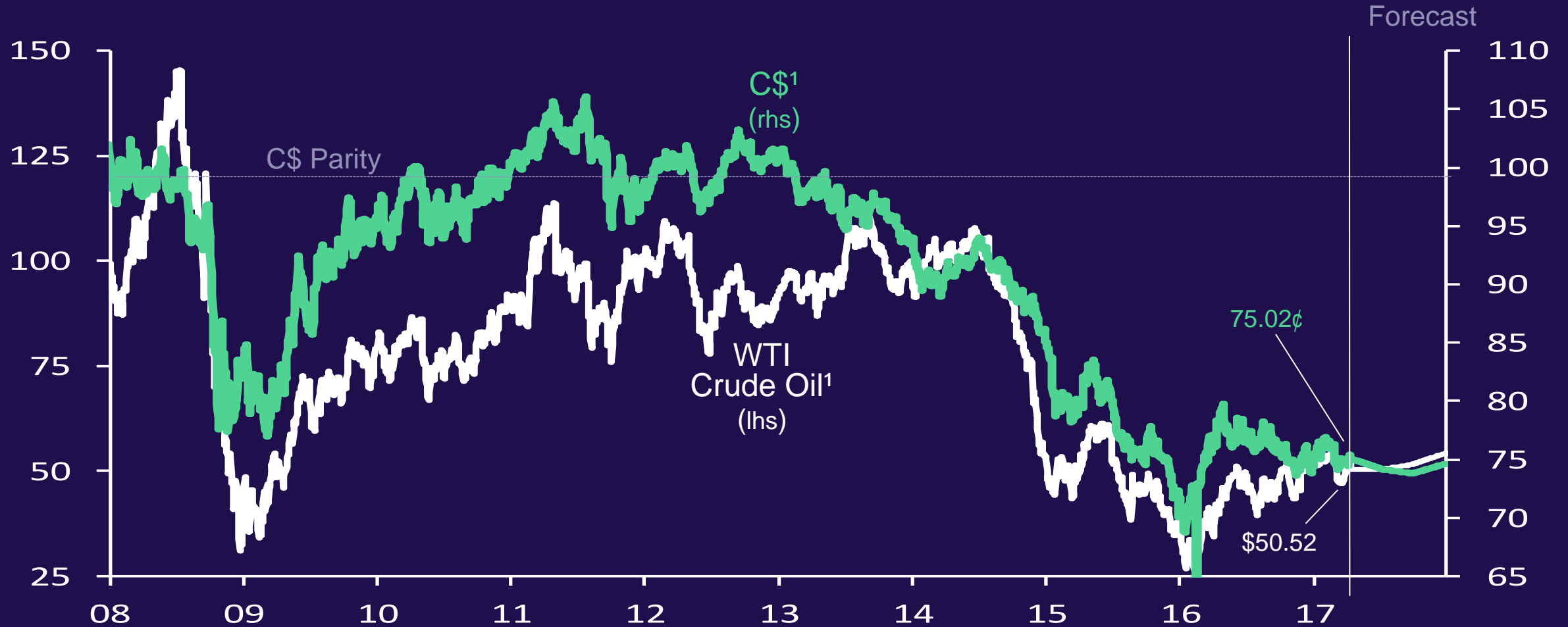
Source: Bloomberg, U.S. Energy Information Administration, Haver Analytics, QuoteNet.com

# Oil Price And The Loonie

(as of April 13, 2017)

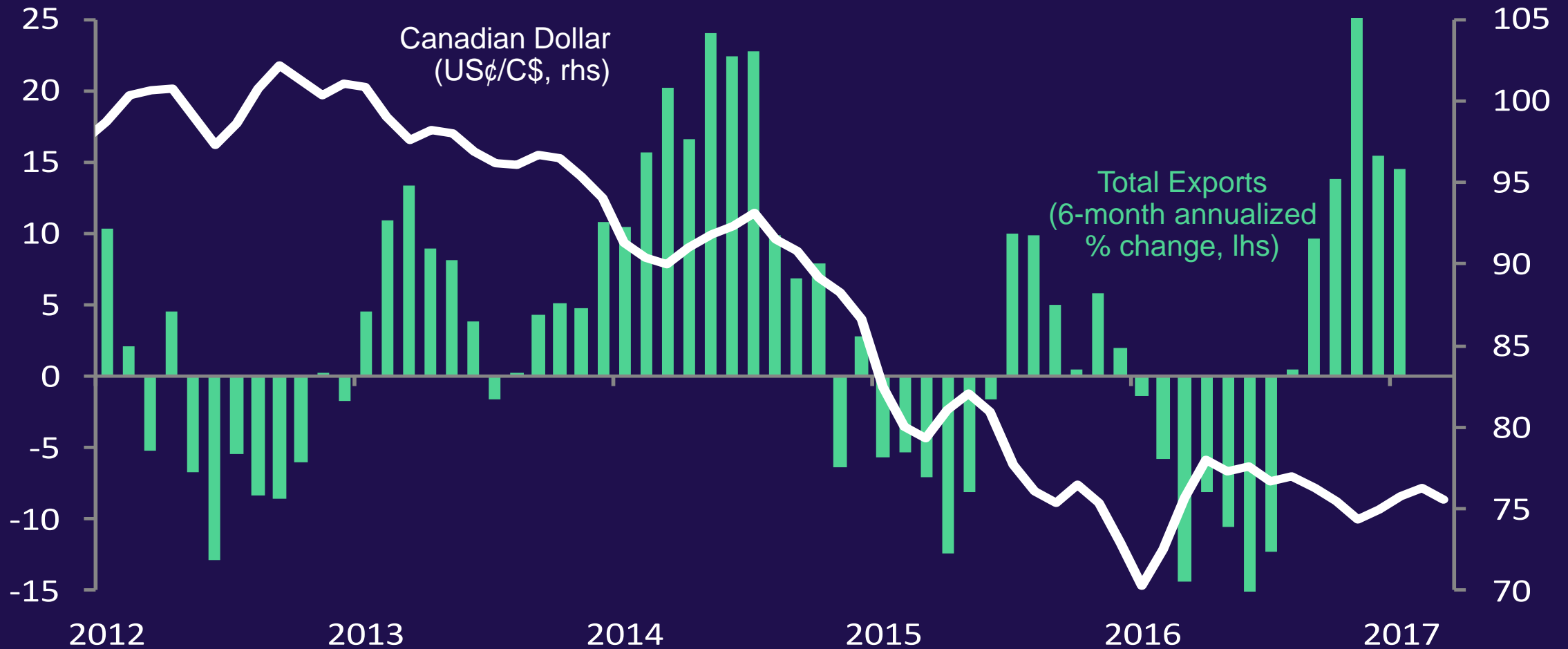


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Forecast = BMO Capital Markets    <sup>1</sup> (US\$/bbl)    <sup>2</sup> (US¢/C\$)  
Source: Haver Analytics, Bank of Canada, Bloomberg, U.S. Energy Information Administration

# Lower Canadian Dollar... Exports Now Responding

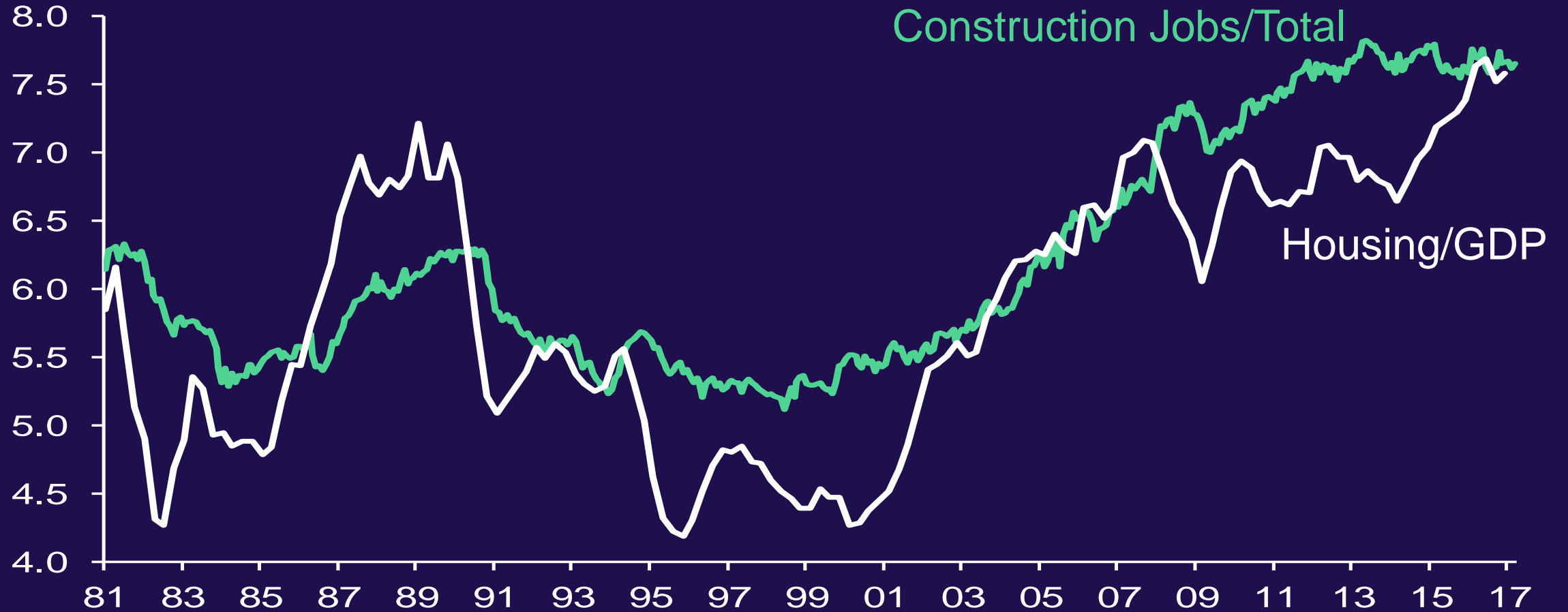


# Housing Looms Large ...

Canada  
(percent)



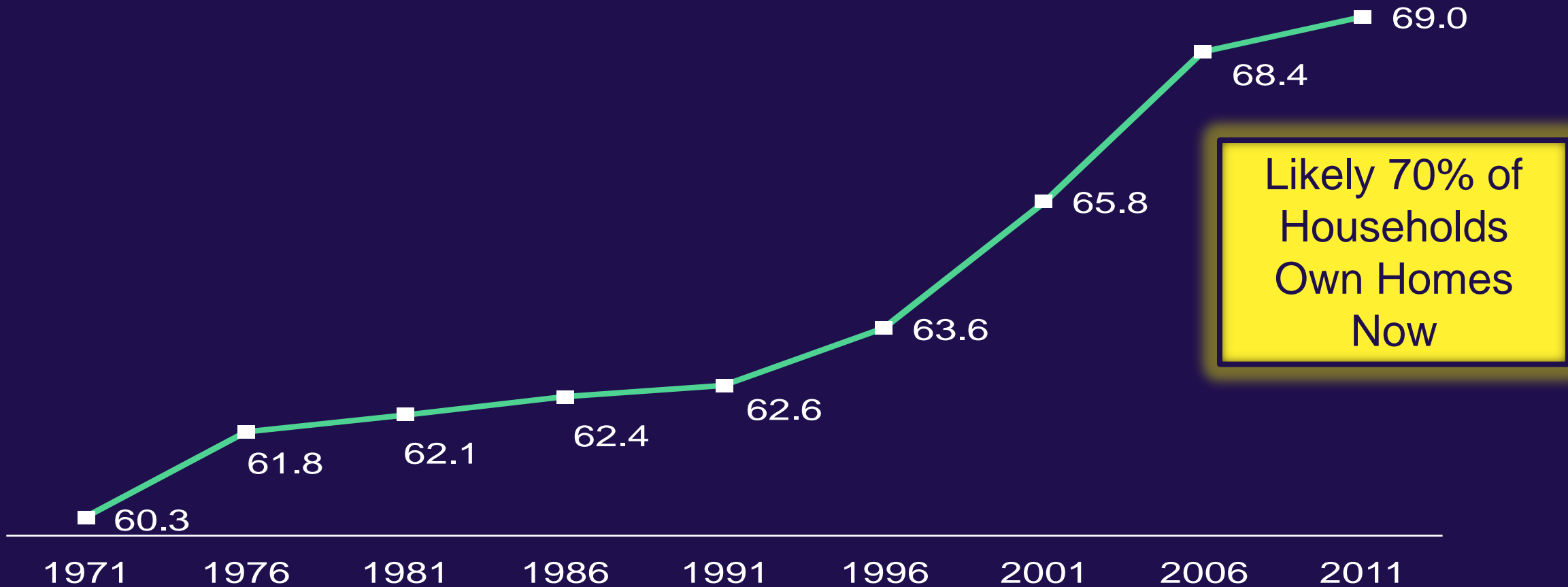
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# Canadian Homeownership At A Record High

Homeowners as a % of all Canadian Households  
(percent)



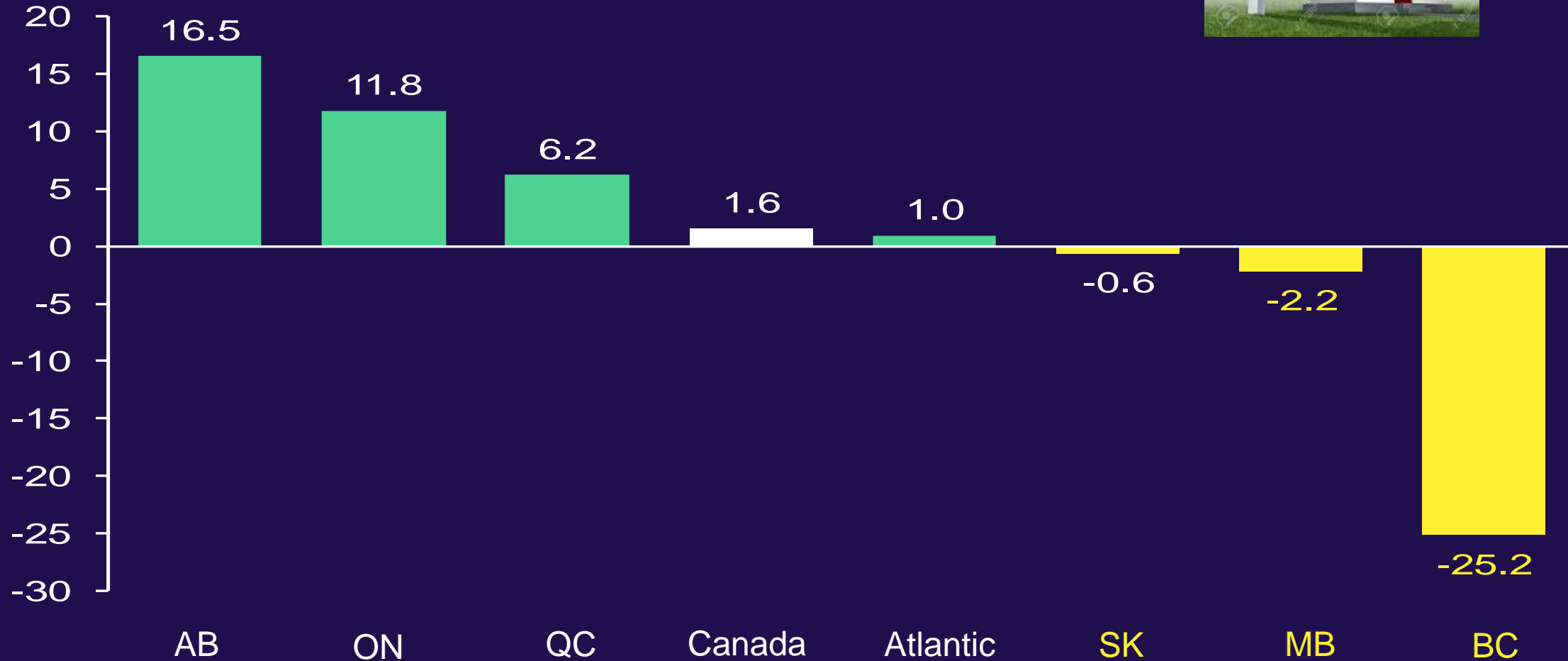
# Home Sales Growth A Mixed Picture

Existing Home Sales

(% change from a year ago, YTD March 2017)



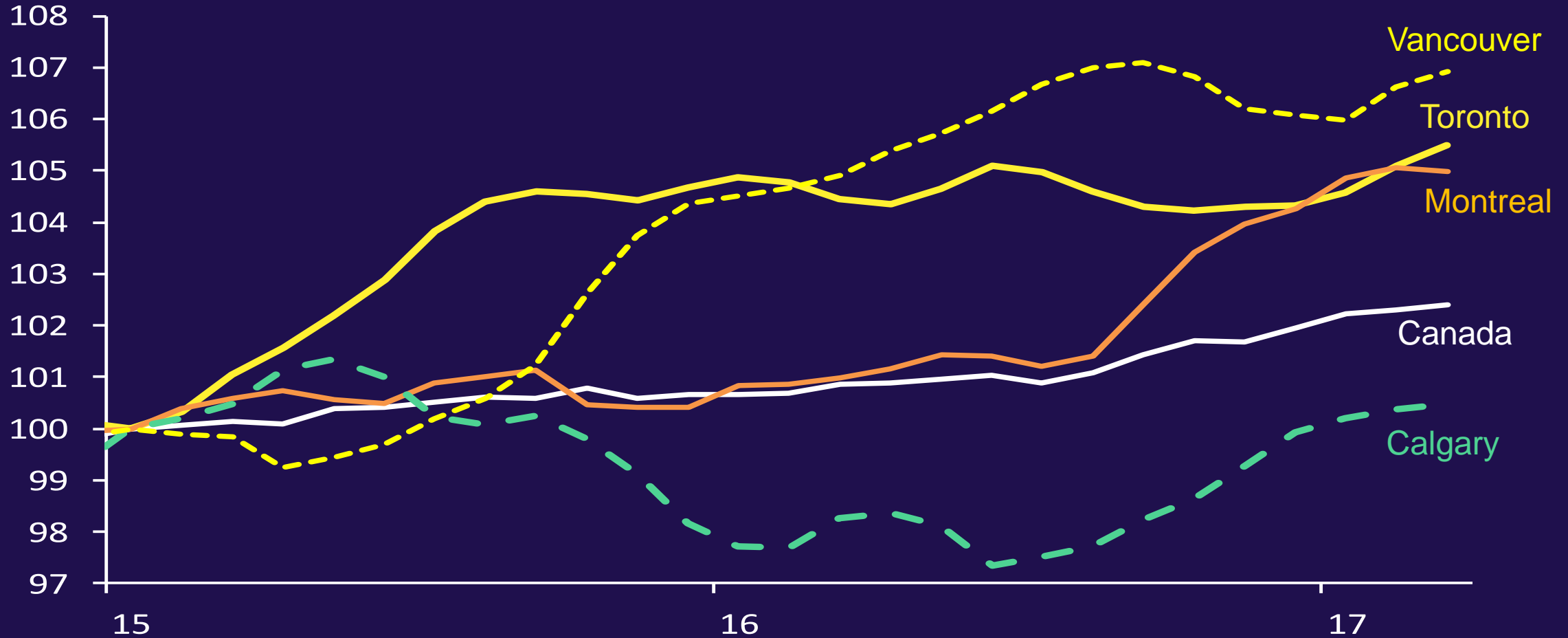
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Source: Canadian Real Estate Association, Haver Analytics

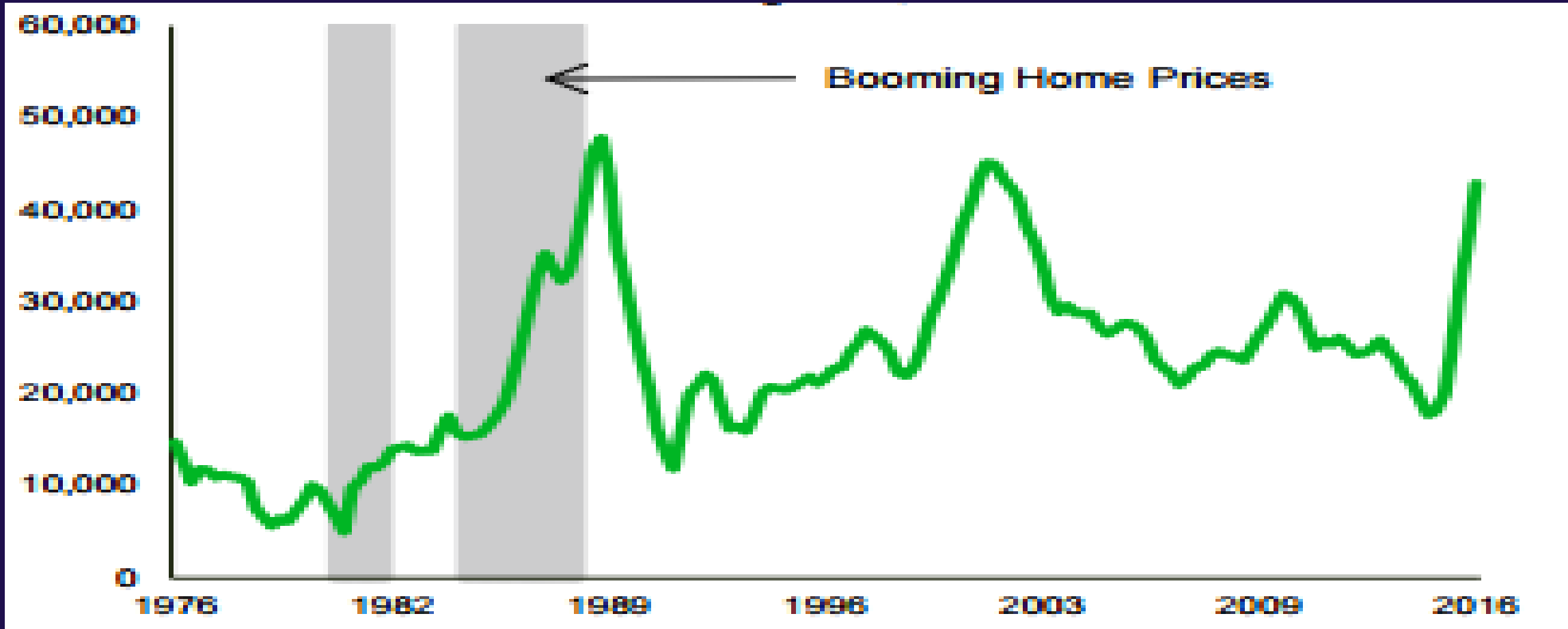
# Job Creation In Major Canadian Cities

Employment Level  
(index: January 2015 = 100)



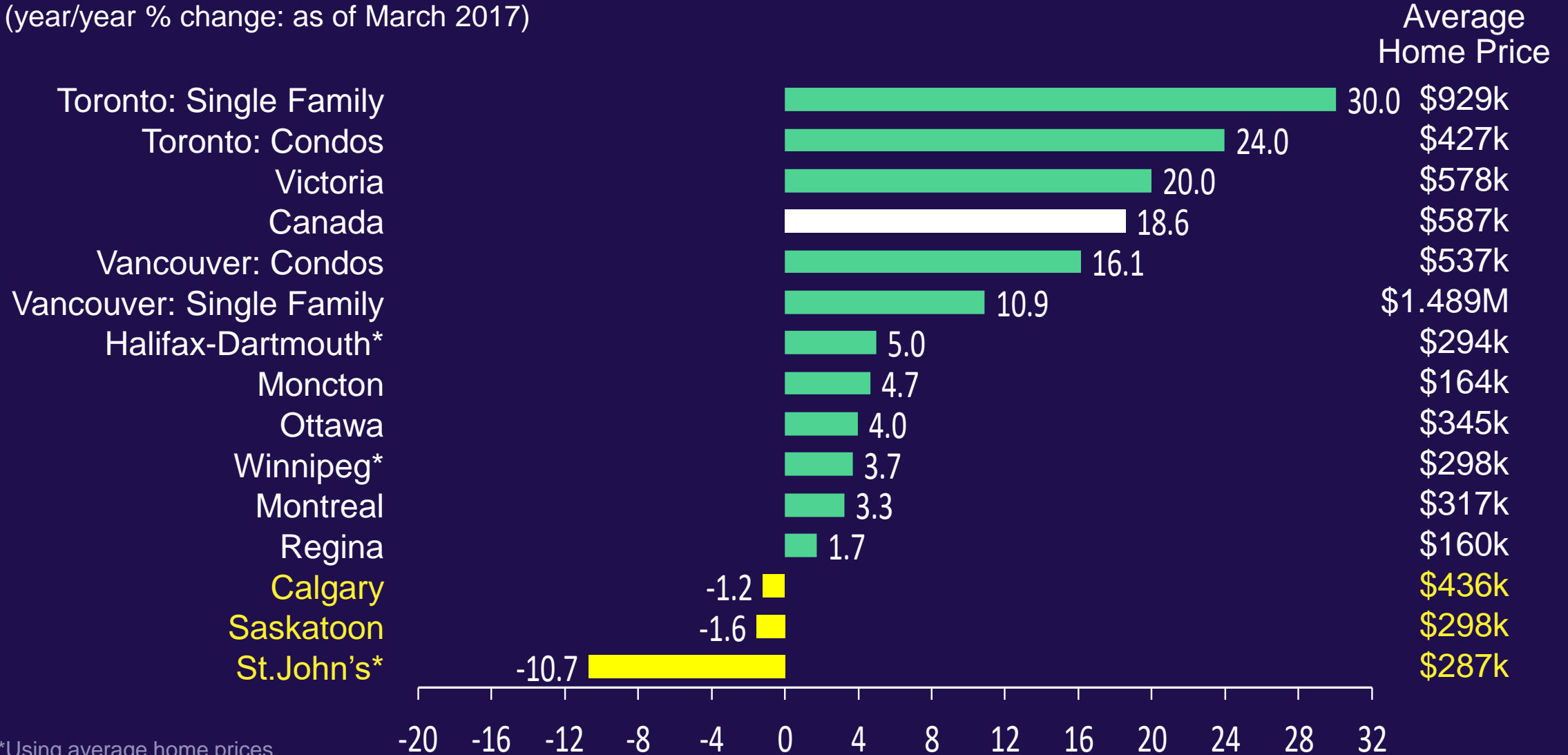
# Net In-Migration to GTA... Just Like Before

Net Provincial and International Migration, Ontario  
(level)



# Prices Surge In Toronto

MLS® Home Price Index (HPI)  
(year/year % change: as of March 2017)



\*Using average home prices

Source: Canadian Real Estate Association (CREA)

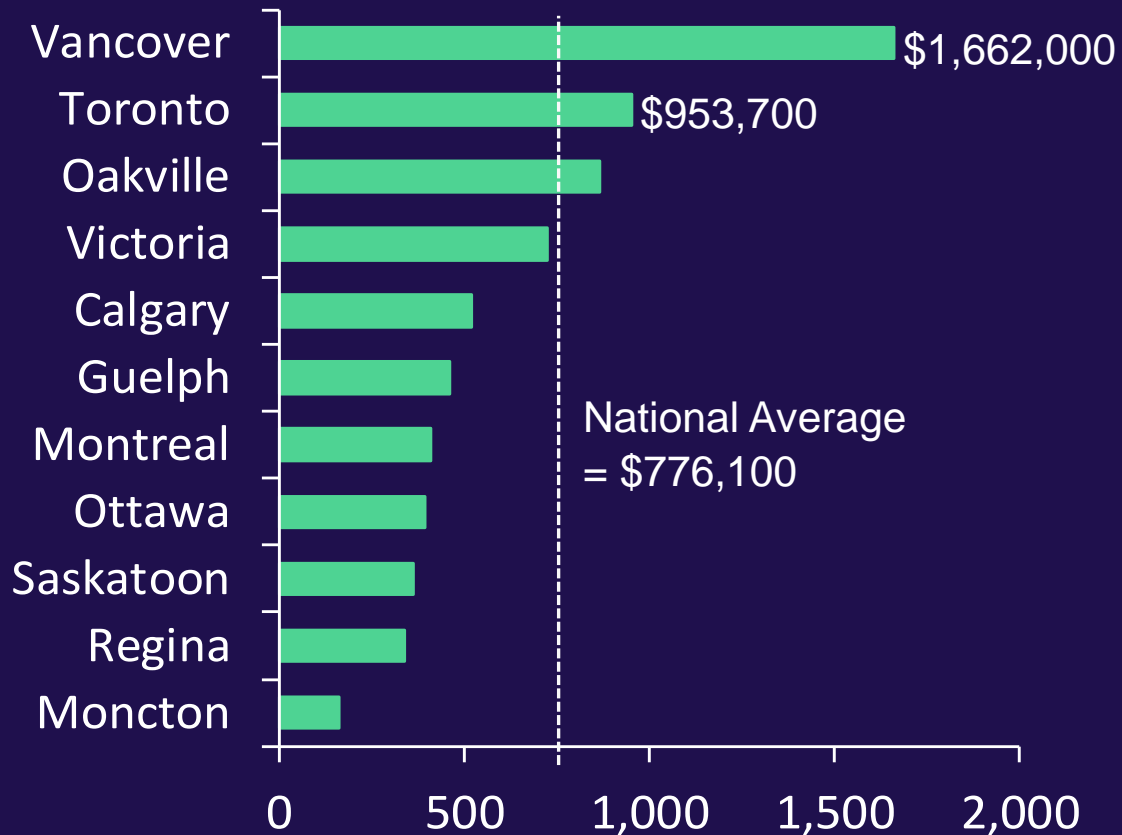
# A Two-Storey Home

March 2017

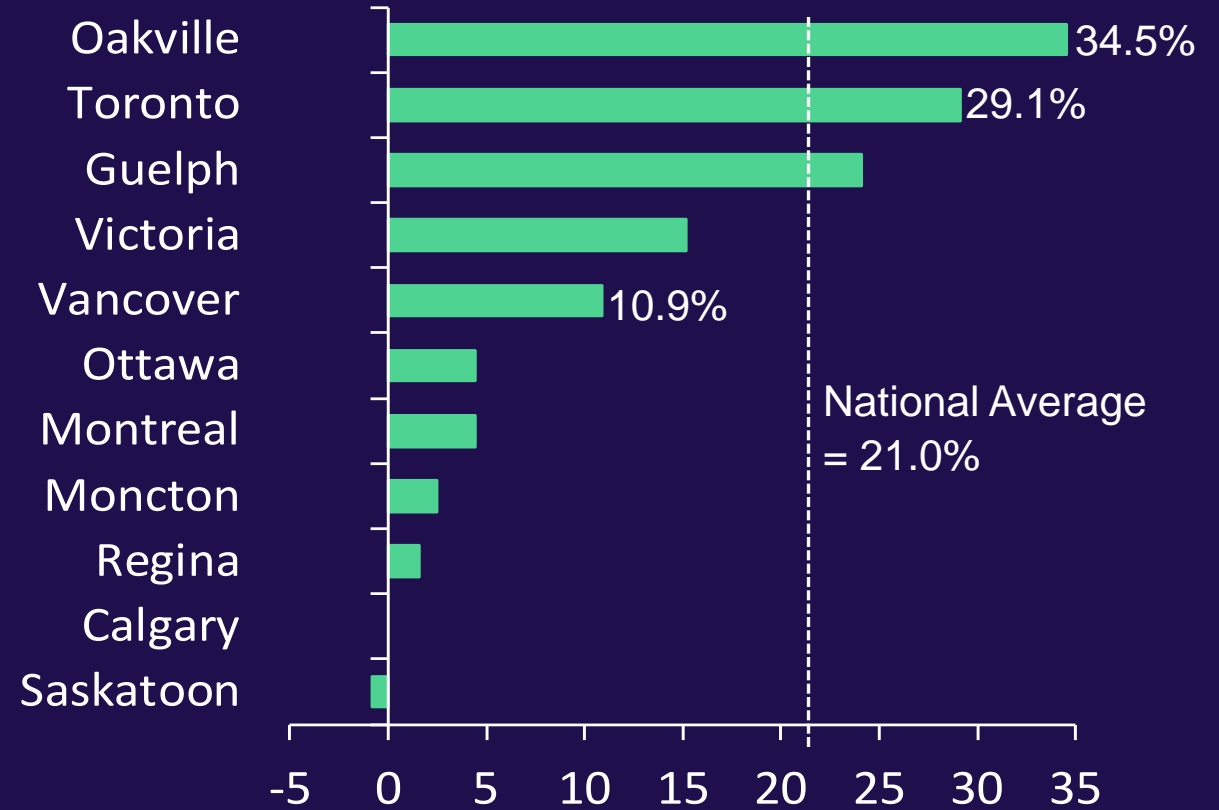


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## Price Level (\$000s)



## Year/Year % Change



# Historically Low Supply

Number of Active Listings  
(000s units, March)

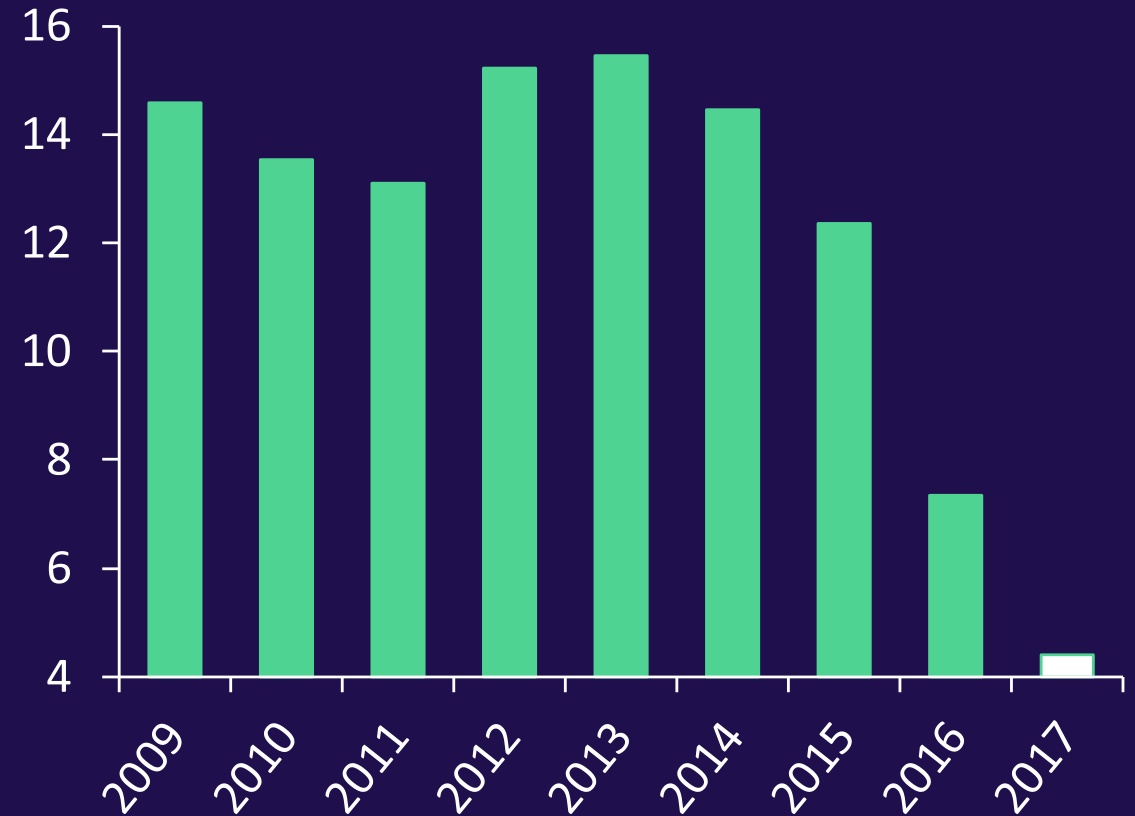


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## Toronto

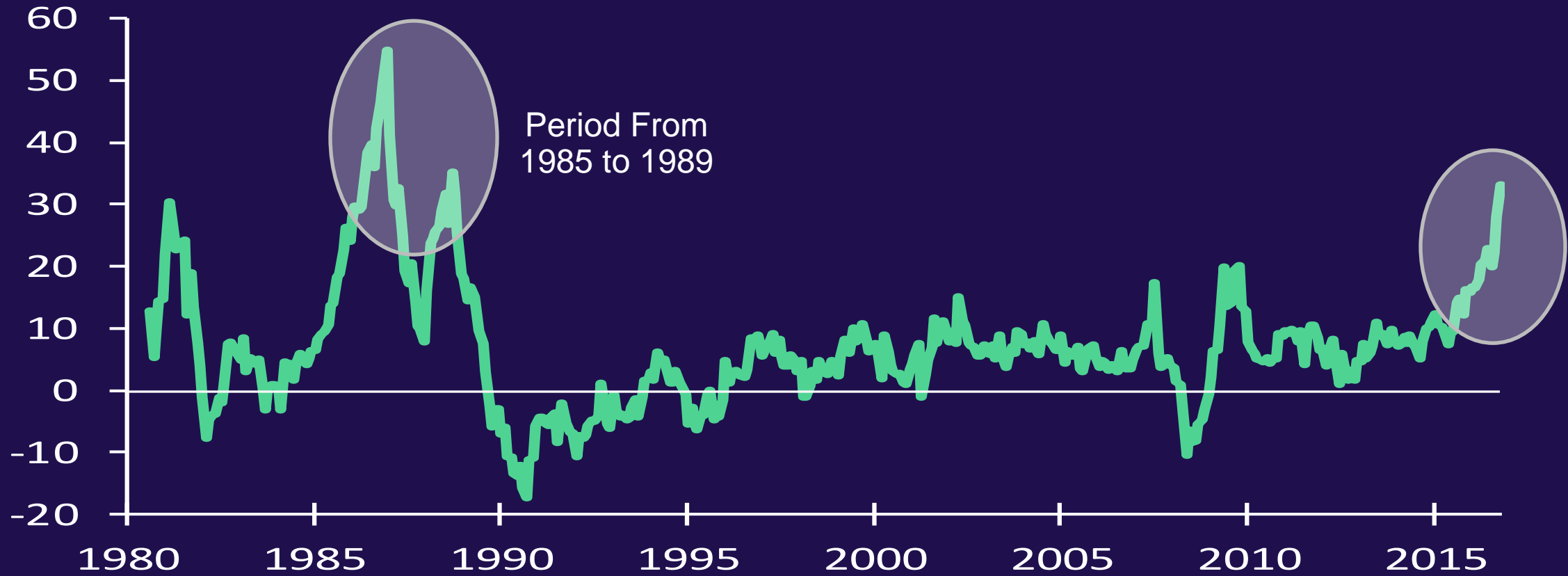


## Vancouver



# GTA Average Home Price Growth Still Below Late '80s

Greater Toronto Area Average Home Price  
(year/year % change)

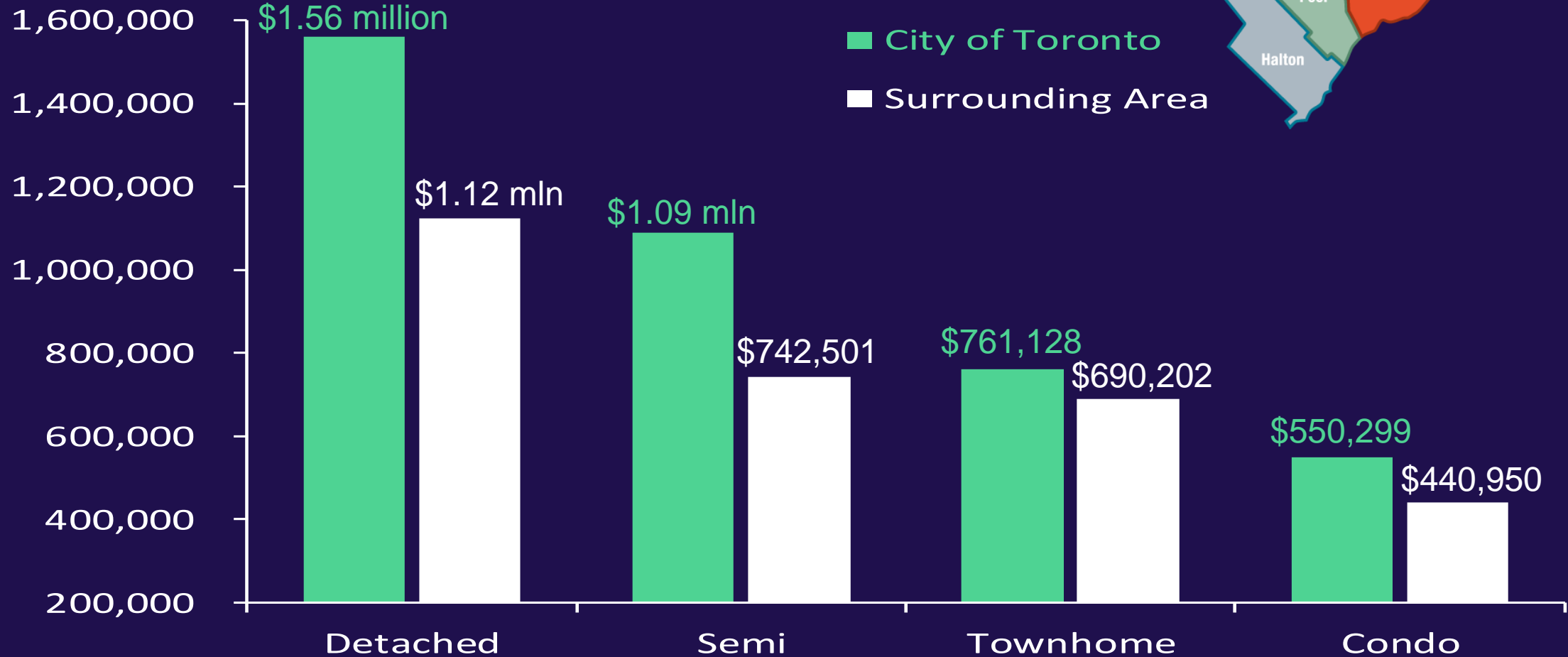




# GTA Average Home Prices

Average Price in Dollars: March 2017  
(level)

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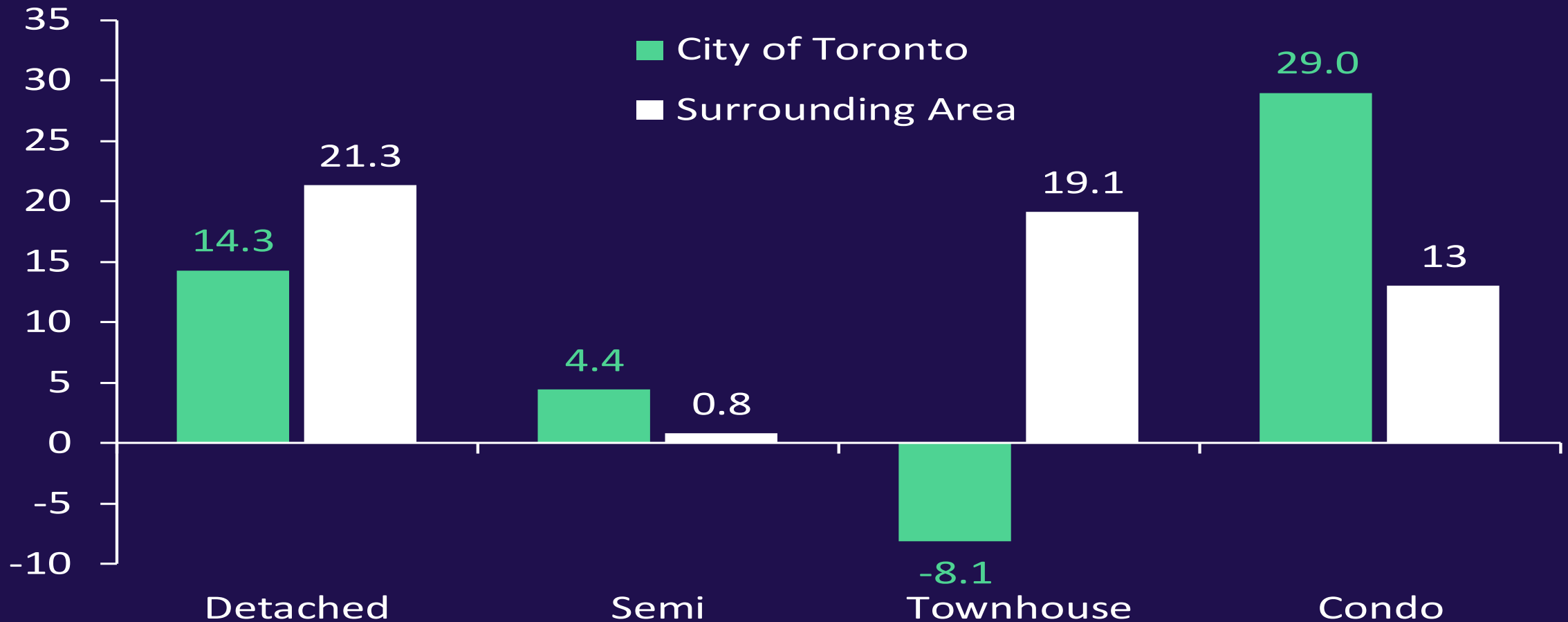


# GTA Sales Growth

Residential Sales: March 2017  
(year/year % percent)



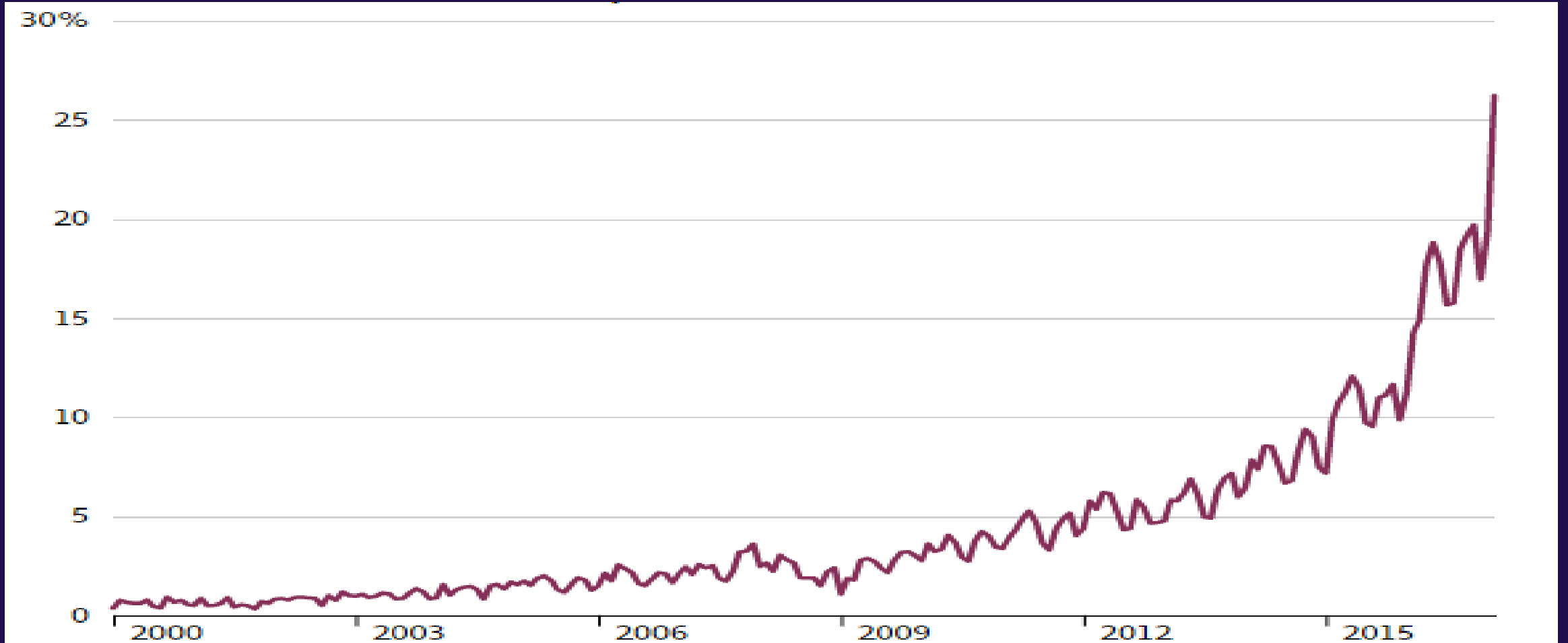
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Source: Toronto Real Estate Board (TREB)

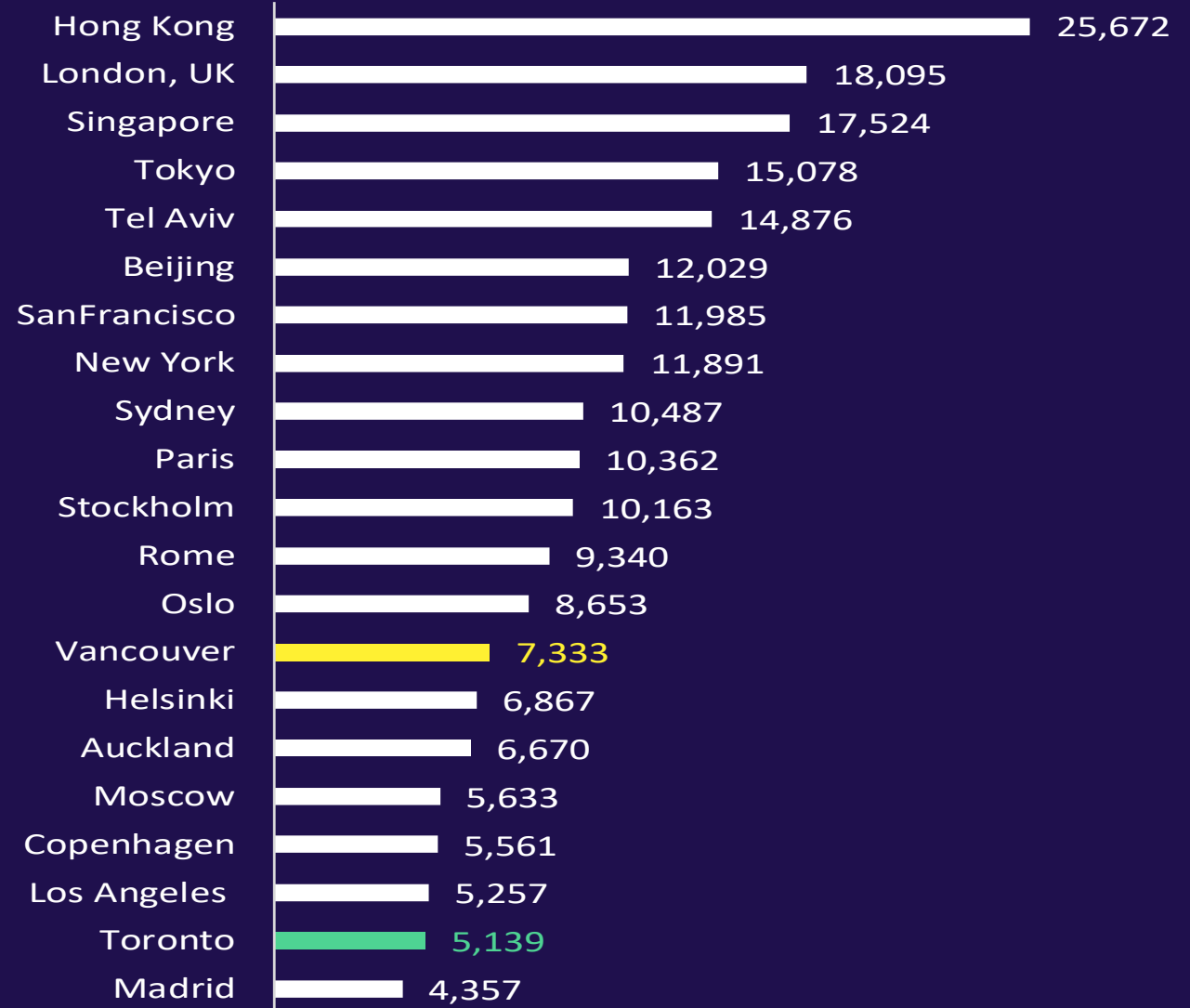
# More Than 25% Of GTA Sales Above \$1 Million

Share of GTA Home Sales Above \$1 Million  
(percentage)



# Toronto and Vancouver Prices Lag Global Cities

Buyer price per square meter, Apartment  
(US\$/square meter)

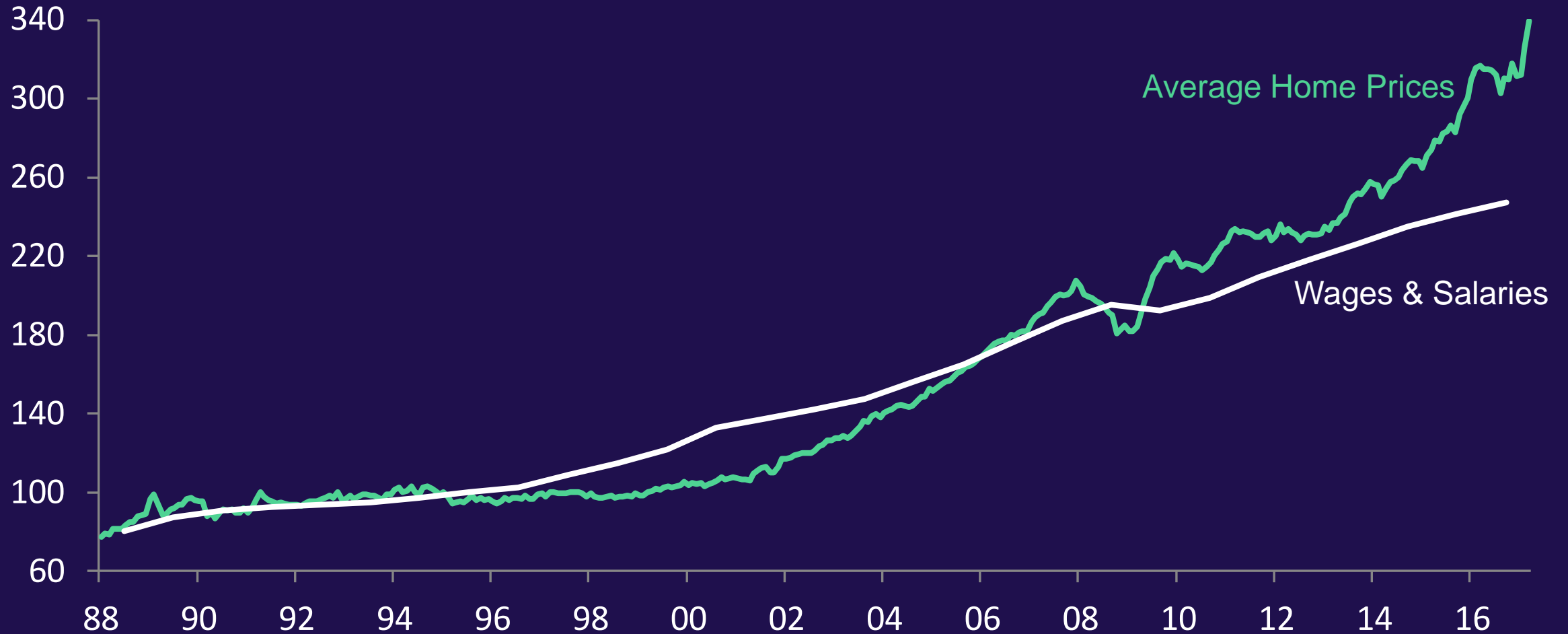


# Canadian Housing-to-Income Disconnect

(seasonally adjusted: January 1995 = 100)

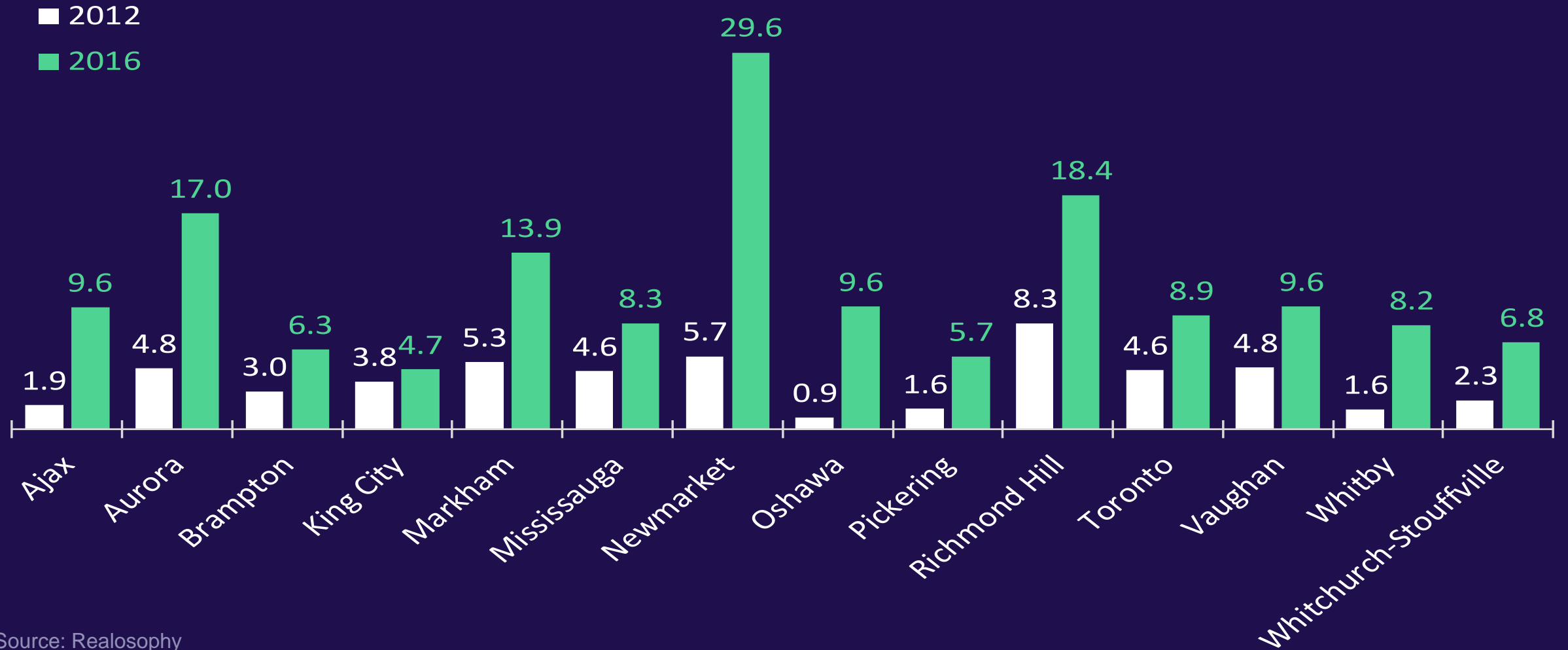


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# Investors or Speculators Buying In GTA Surges

Percentage of GTA Home Purchased by Investors  
(percent)

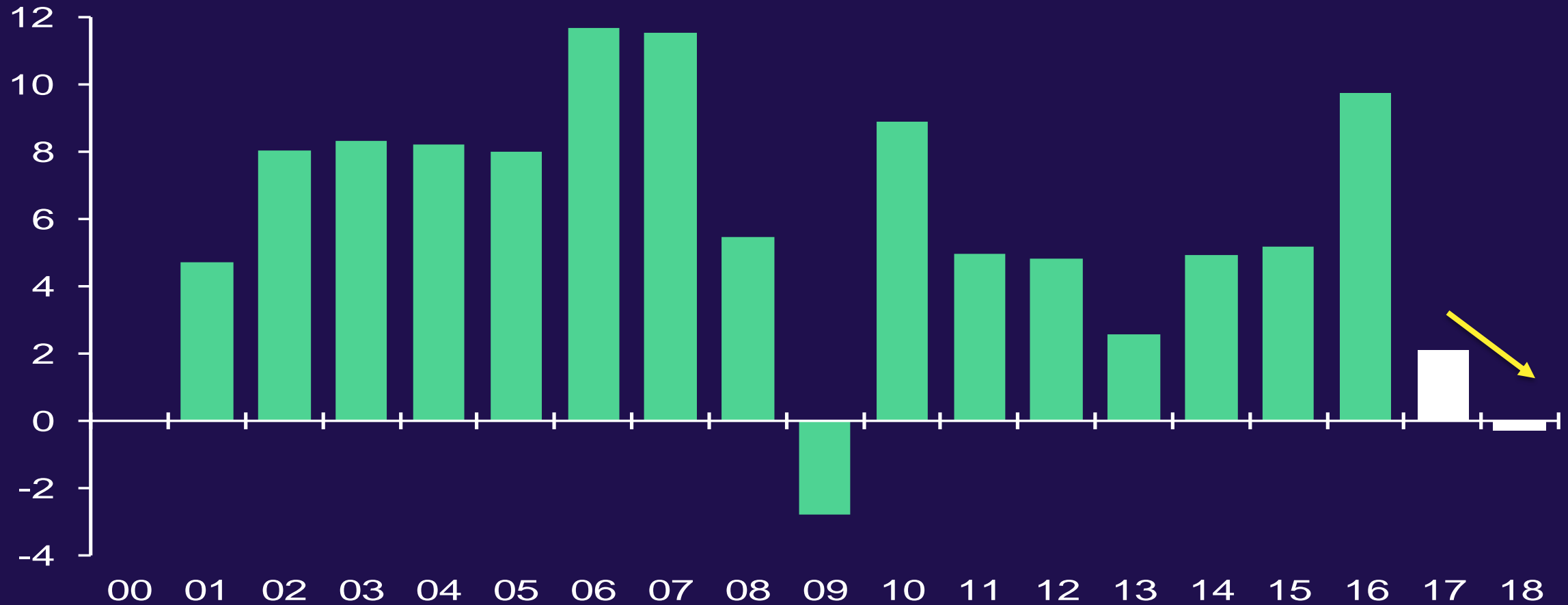


# Canadian Home Price Inflation Needs To Slow

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



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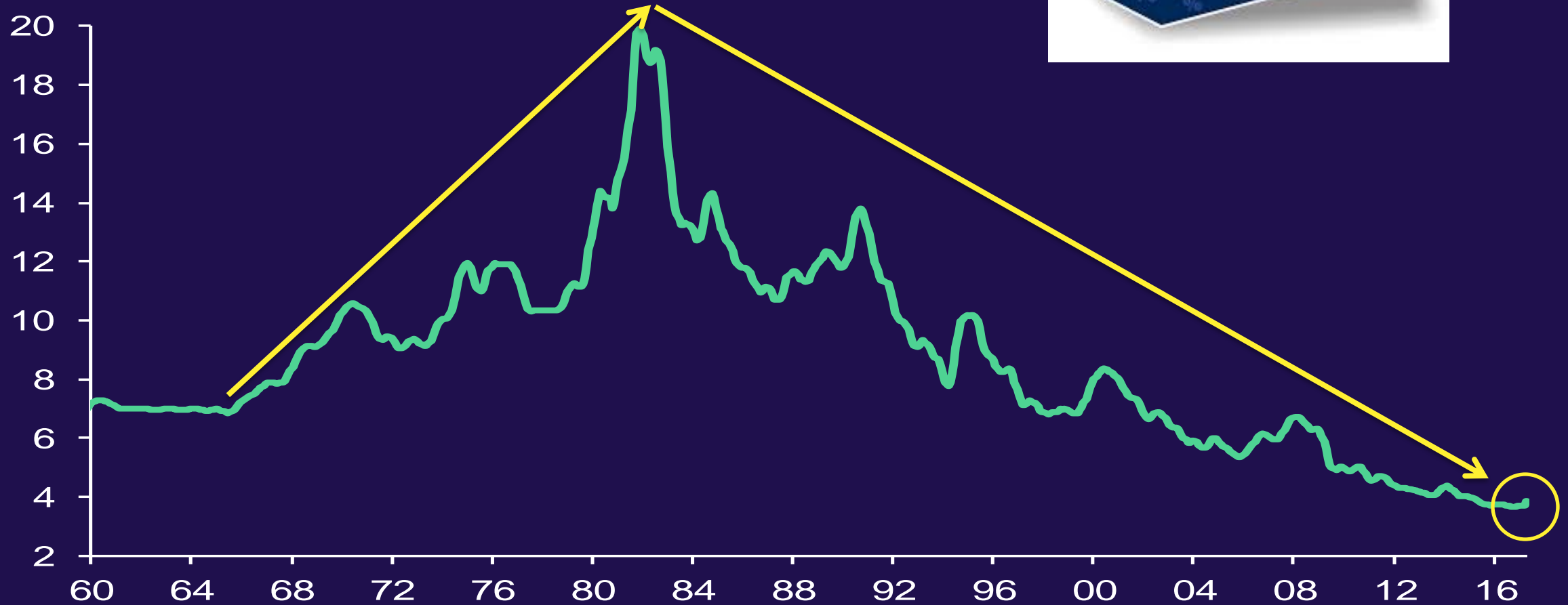
White bars indicate forecasts. Forecast provided by Royal LePage and RBC Research  
Source: Teranet/National Bank, Haver Analytics

# Mortgage Rates Have Bottomed

Canadian Conventional 5-Year Mortgage Rate  
(percent, smoothed 6-month moving average, as of April 13)



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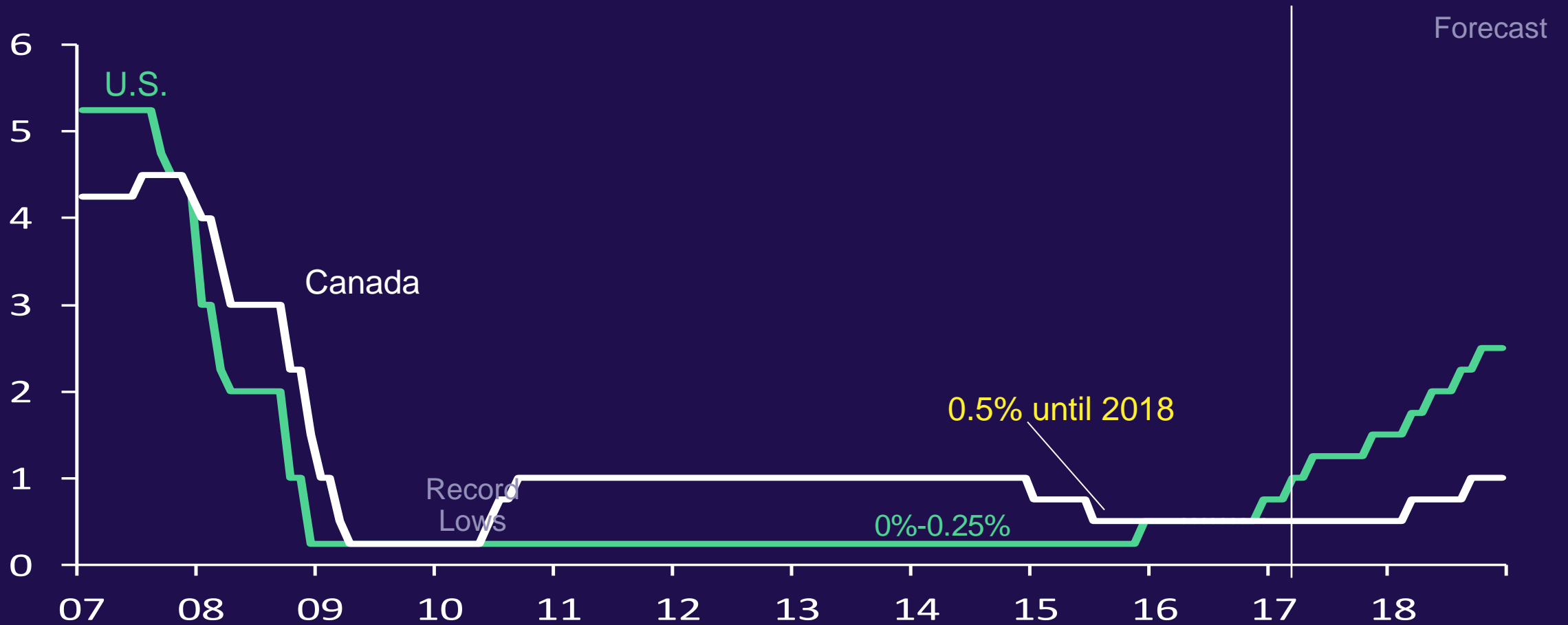


# BoC On Hold ... While Fed Hikes Rate

Overnight Rate  
(percent)

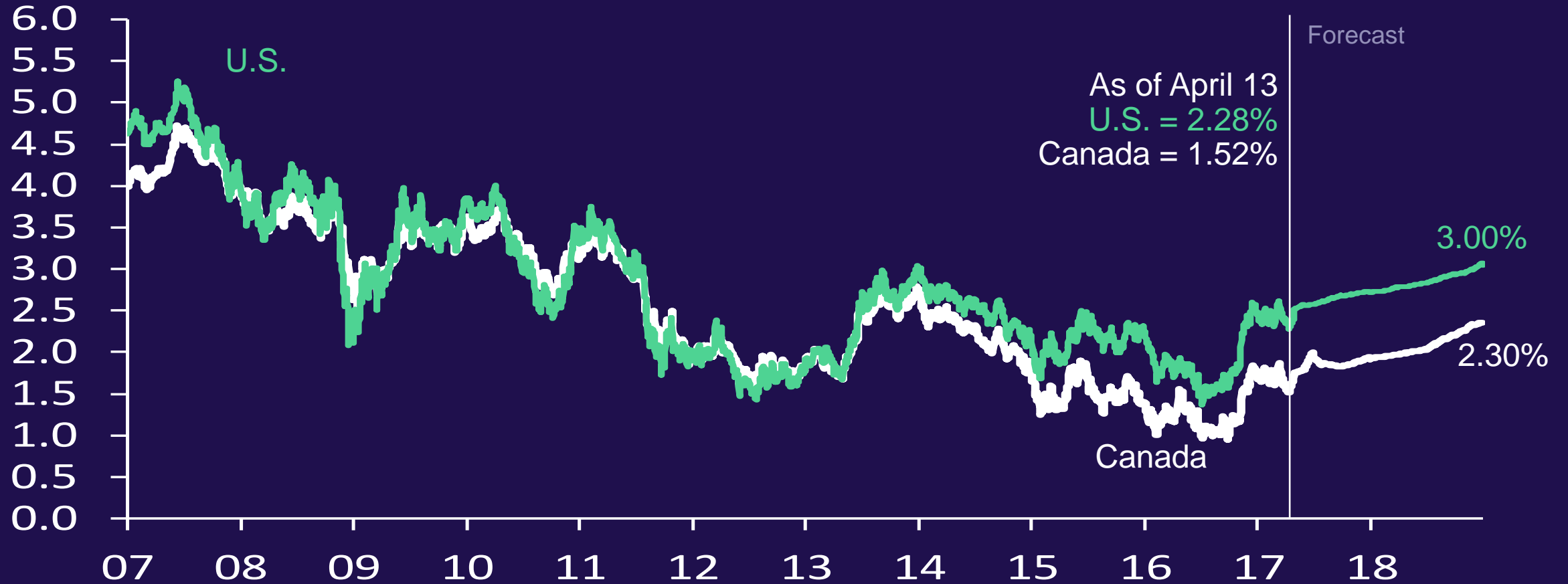


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# Long Yields Edge Upward On Fed Rate Hikes

10-year Bond Yields  
(percent)



# Ontario Budget Likely To Take Action To Slow Housing

Budget is April 27



## Options

- Foreign Buyer's Tax
- Vacant Property Tax
- Flipping Tax
- Expanded Rent Controls

## Unintended Consequences

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