

Sherry
Cooper
Assoc.

Canada's Economy Strengthens

Dr. Sherry Cooper
Chief Economist
Dominion Lending Centres



May 17, 2017



Global Economy Strengthens In 2017



Canada and US Lead

China Slows

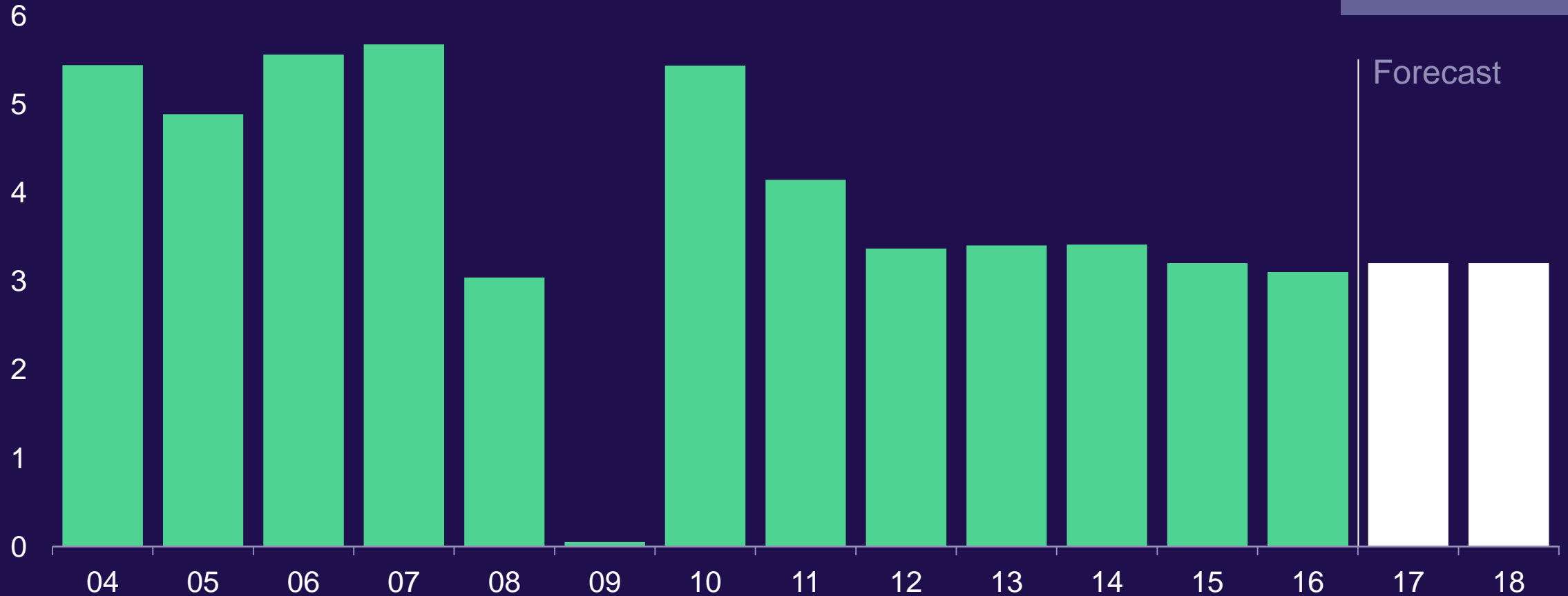
Europe Stable at 1.6% Growth

Oil Prices Under \$50 US

Global Growth Edges Upward in 2017

Real GDP
(year/year % change)

	2016	2017	2018
World	3.1	3.2	3.2



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

U.S. Economy Accelerates From Last Year

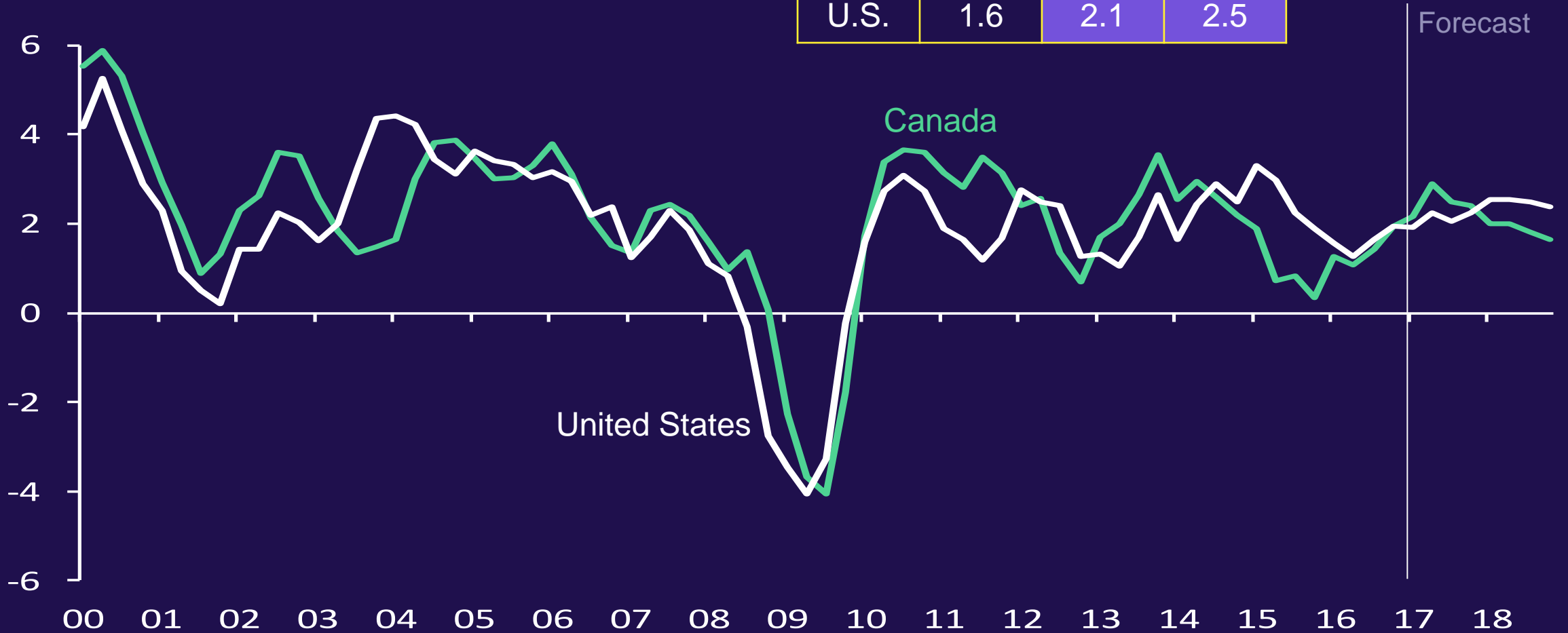


Business Investment Improves
Residential Construction Strong
Retail Stores Consolidate
Unemployment Low
Fed Will Reduce Liquidity
Fiscal Uncertainty

US Growth Barely 2.0%

Real GDP
(year/year % percent)

	2016	2017	2018
Canada	1.4	2.5	1.9
U.S.	1.6	2.1	2.5



Consumer Dominates The US Economy

Personal Consumption Expenditure as a percentage of GDP

(percent)



Unemployment Rate

(percent)



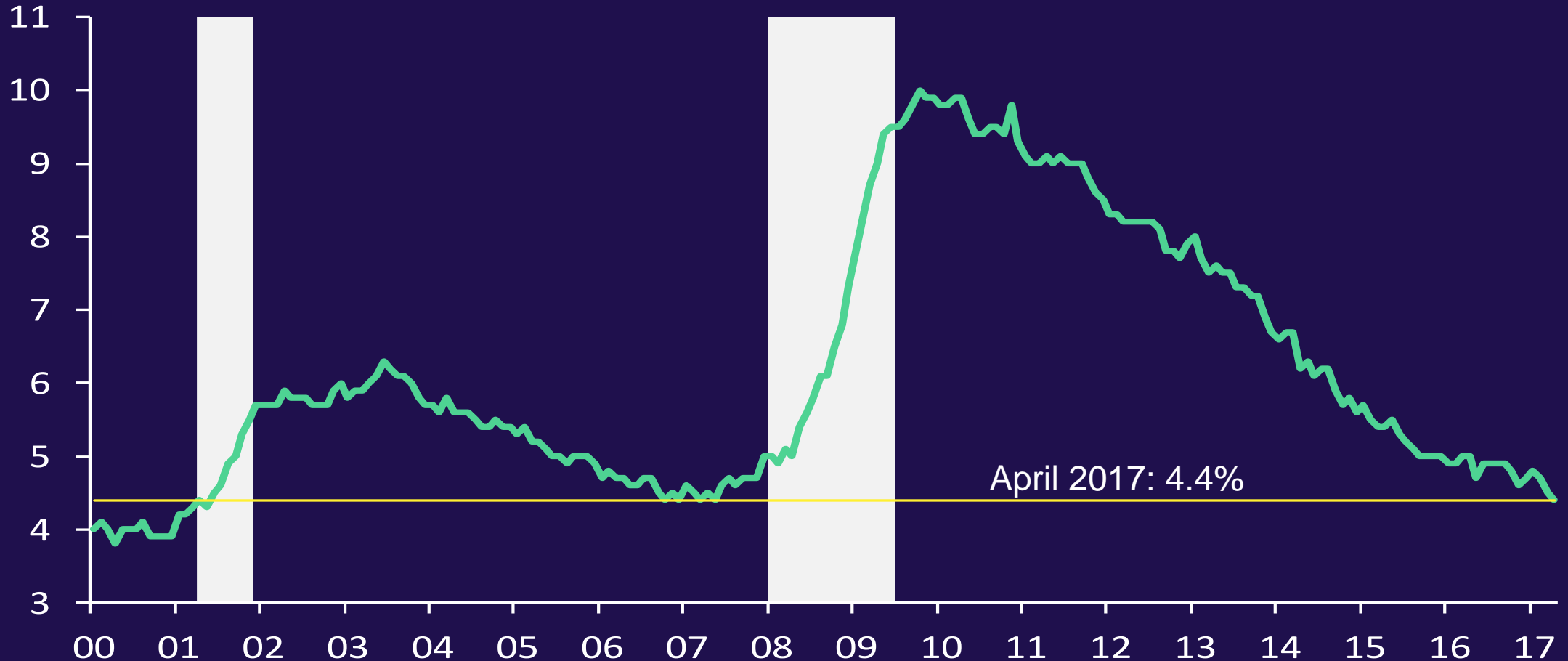
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Source: Haver Analytics, Statistics Canada, Bureau of Labor Statistics

Current U.S. Unemployment Rate Nearly Back to Lows

U.S. Unemployment Rate
(percent)



Shaded regions represent periods of U.S. recession
Source: Haver Analytics, Bureau of Labor Statistics

Canadian Economy Strengthening

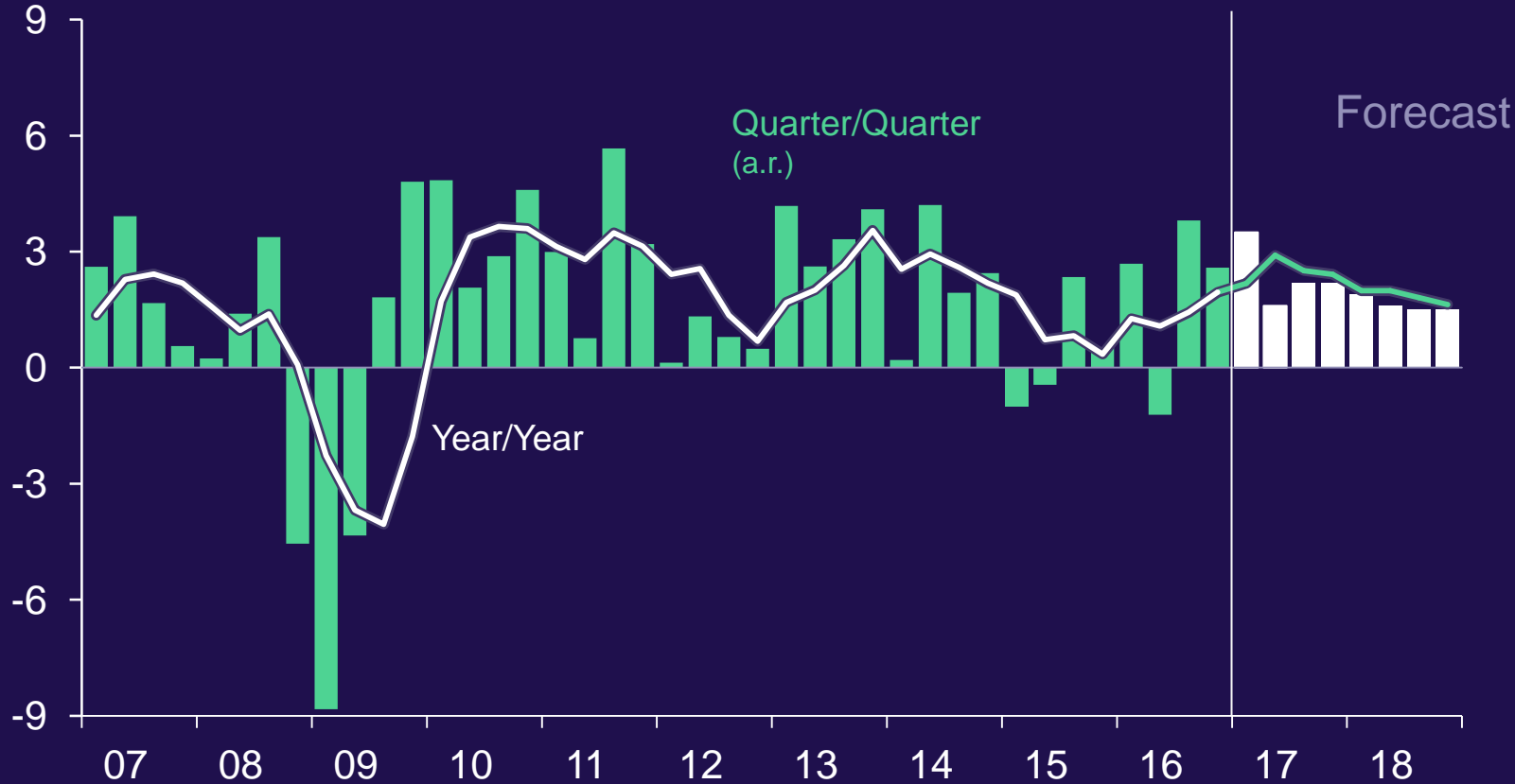


Overall Job Growth Strong
Exports Trend Higher
Oil Bottoming
Alberta Begins Recovery
NAFTA Uncertainty
Housing Concerns

Canadian Growth Improves In 2017

Real GDP
(percent change)

2016	2017	2018
1.4	2.5	1.9



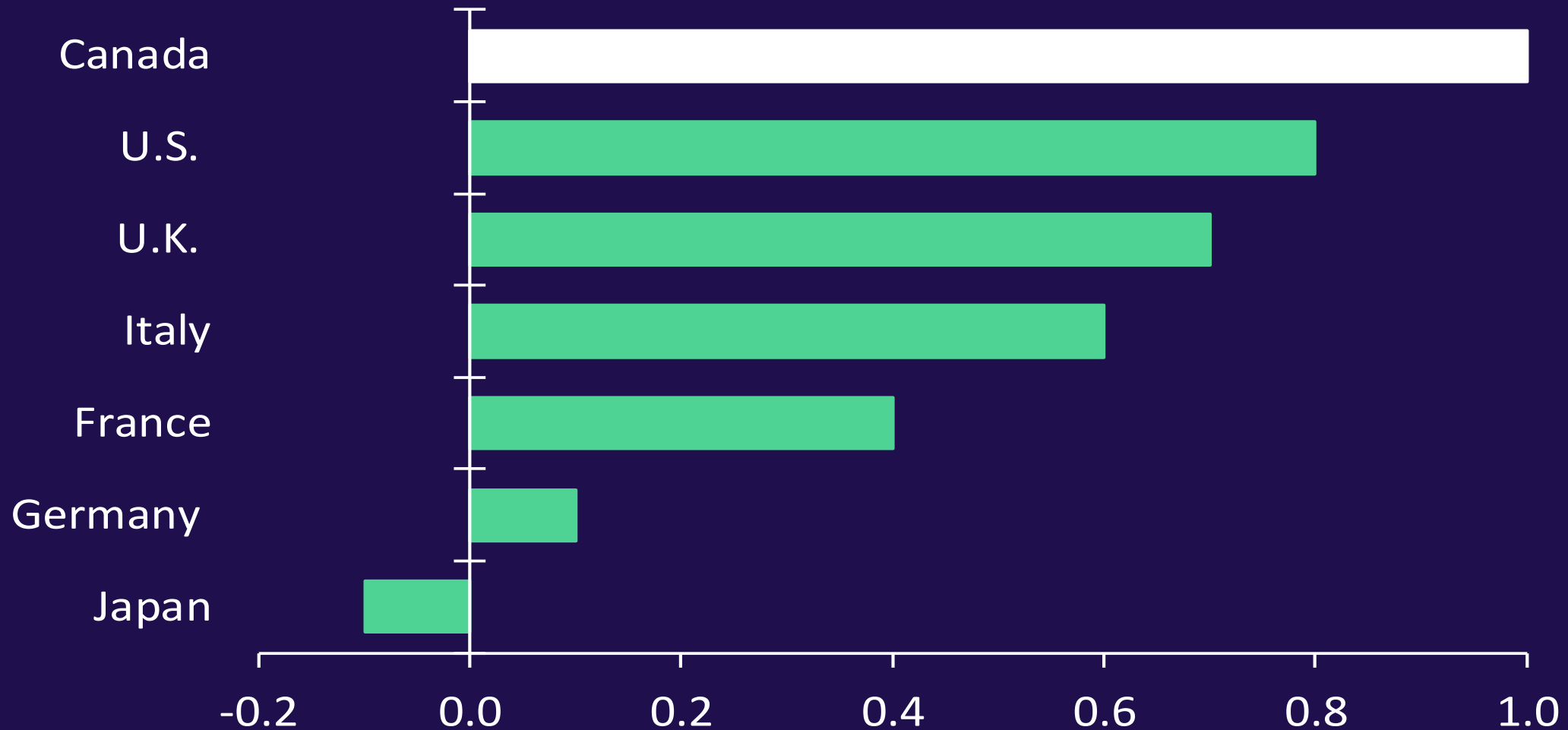
Forecast = BMO Capital Markets Economics

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

Canada Leads G7 In Population Growth

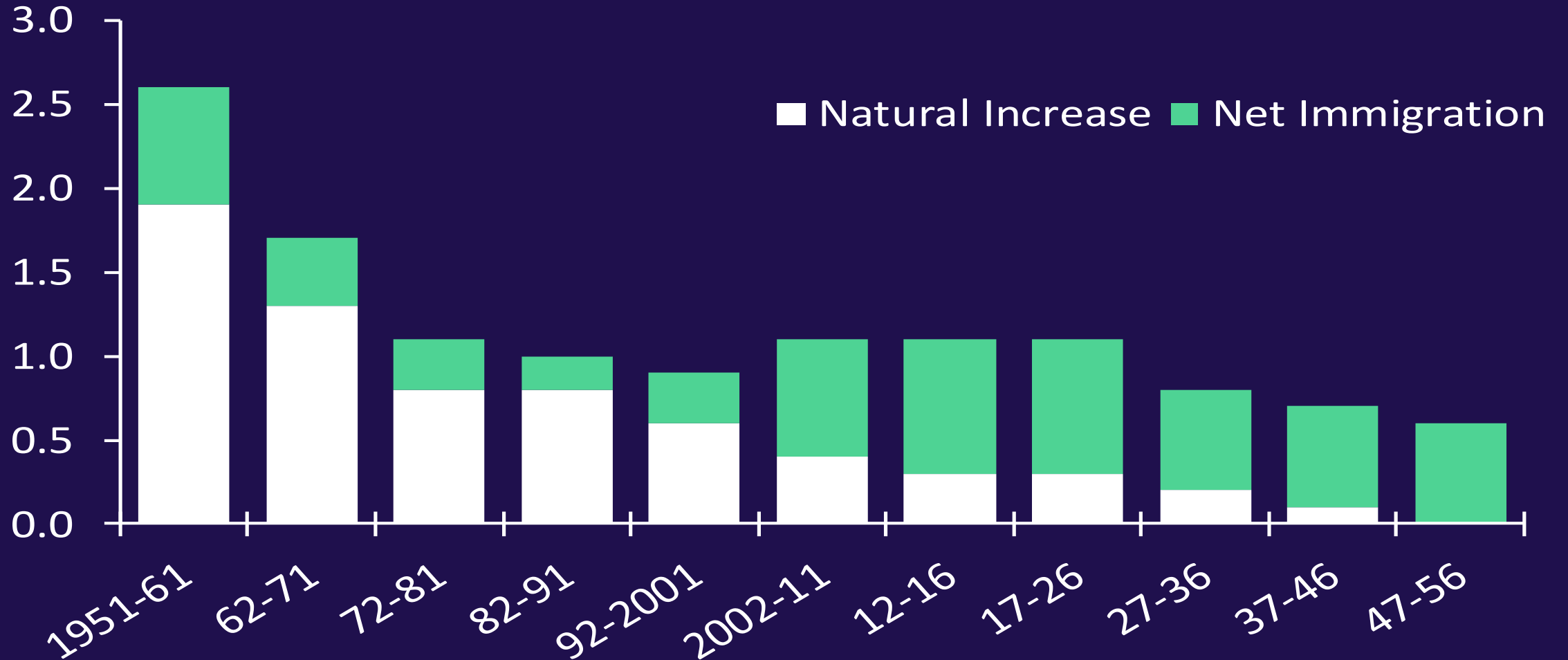
G7 Population Growth

(annual average growth from 2011-2016, percentage change)



Immigration Dominates Canadian Population Growth

Annual Population Growth
(annual average growth, percentage change)



Pillars of Growth For Canada



Manufacturing



Oil Sands



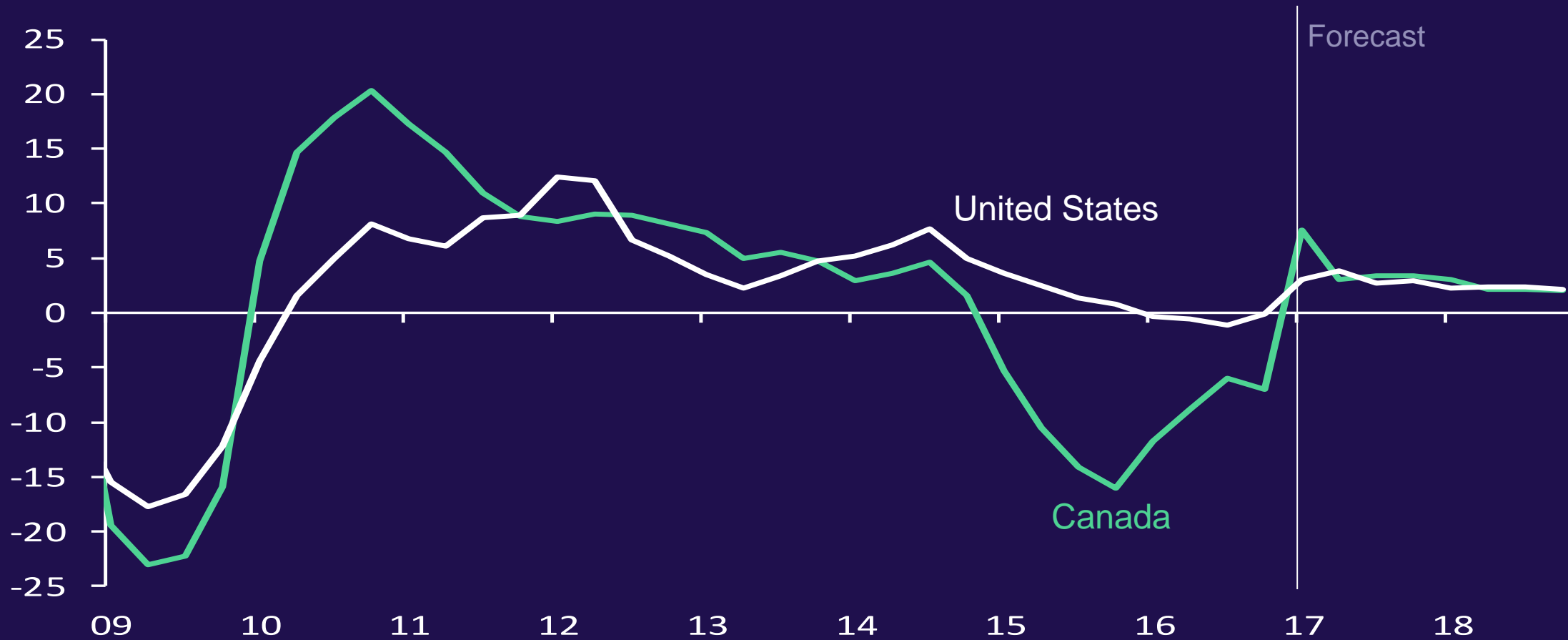
Housing

Business Investment Bottoms in Canada

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



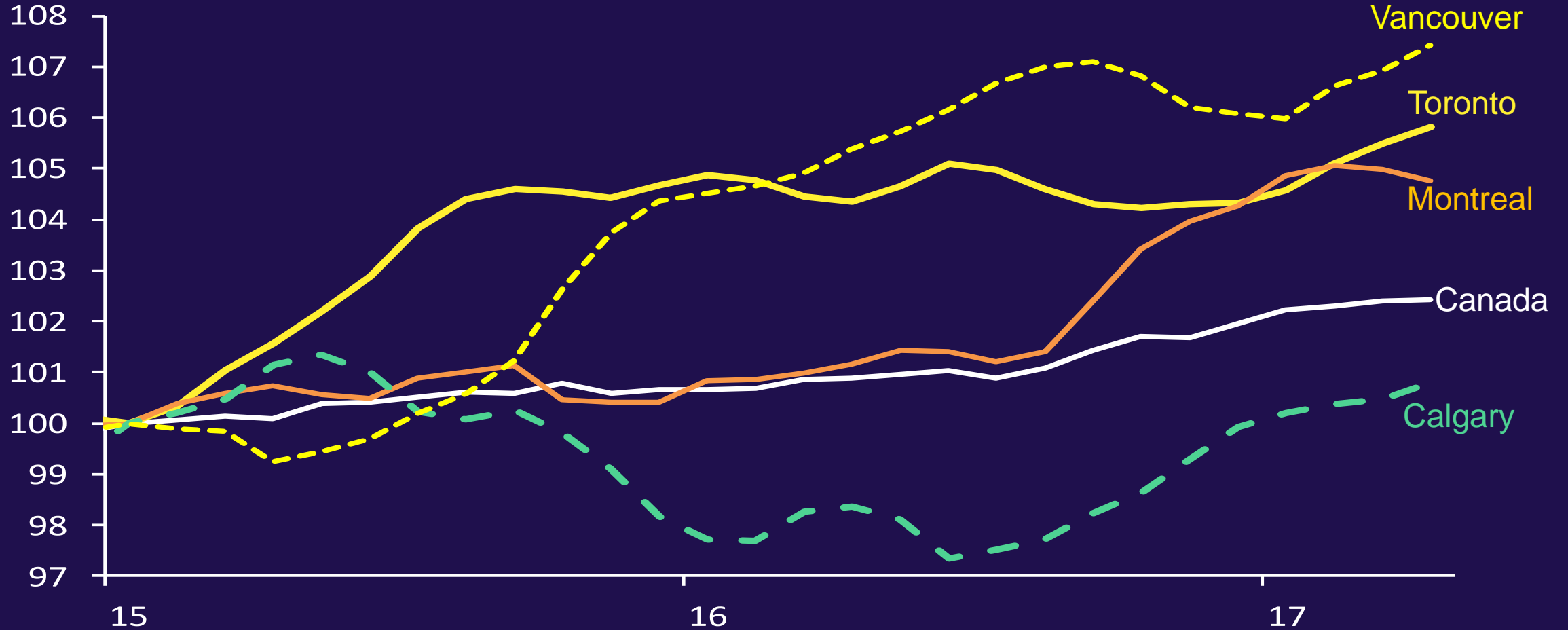
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Forecast = BMO Capital Markets Economics
Source: Haver Analytics, Statistics Canada, Bureau of Economic Analysis

Job Creation In Major Canadian Cities

Employment Level
(index: January 2015 = 100)



People Left Oil-Torn Provinces For Ontario and B.C.

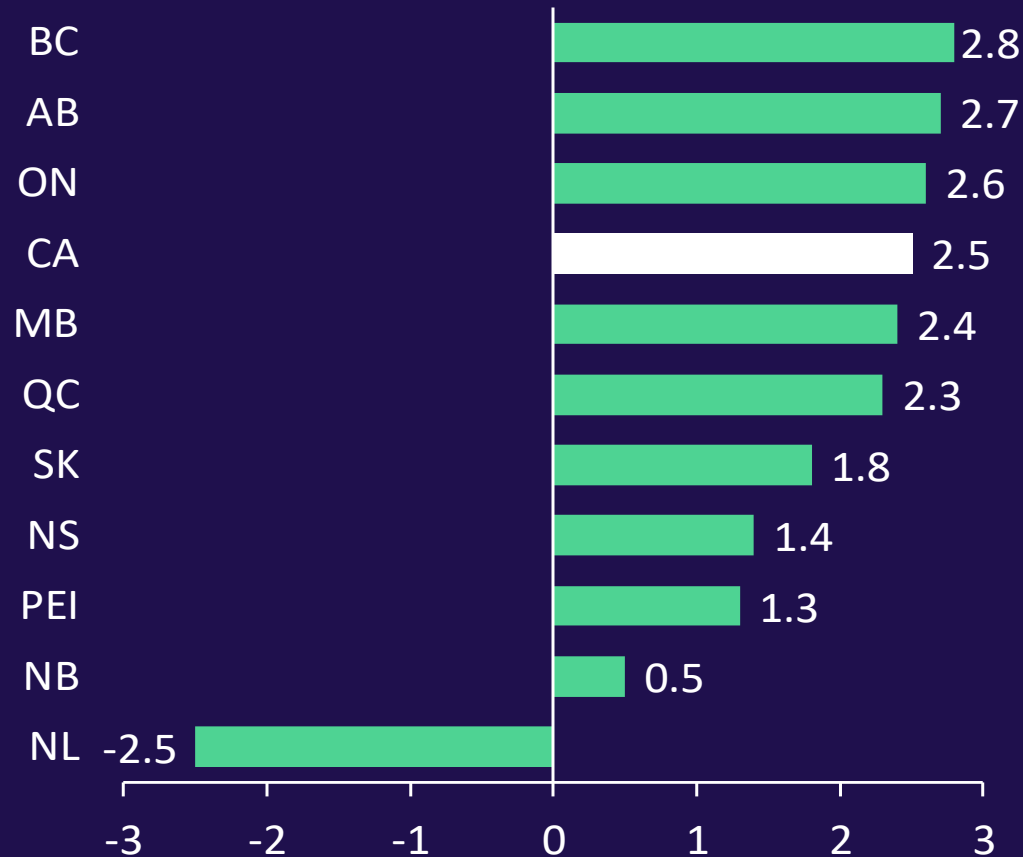
Interprovincial Migrants
(level, 4-quarter moving average)



B.C. on Top As Alberta Climbs Back

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

2017



2018

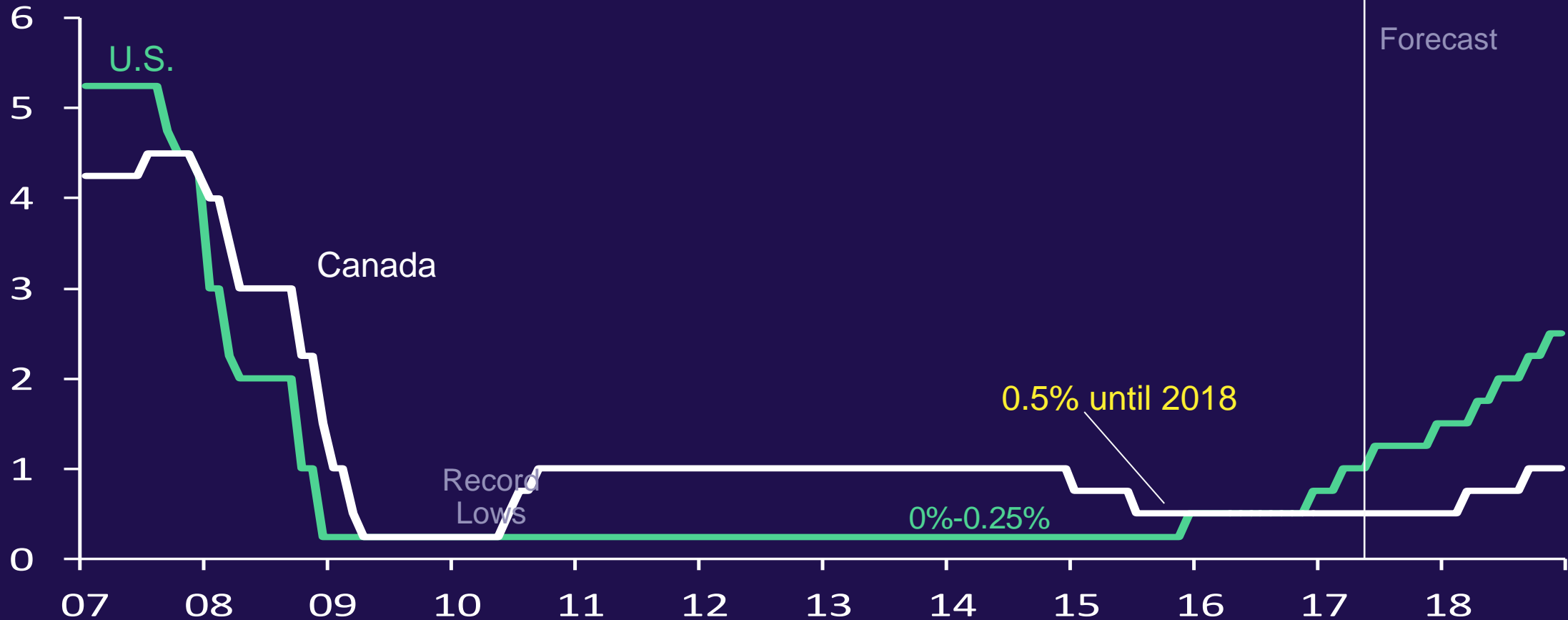


BoC On Hold ... While Fed Hikes Rate

Overnight Rate
(percent)



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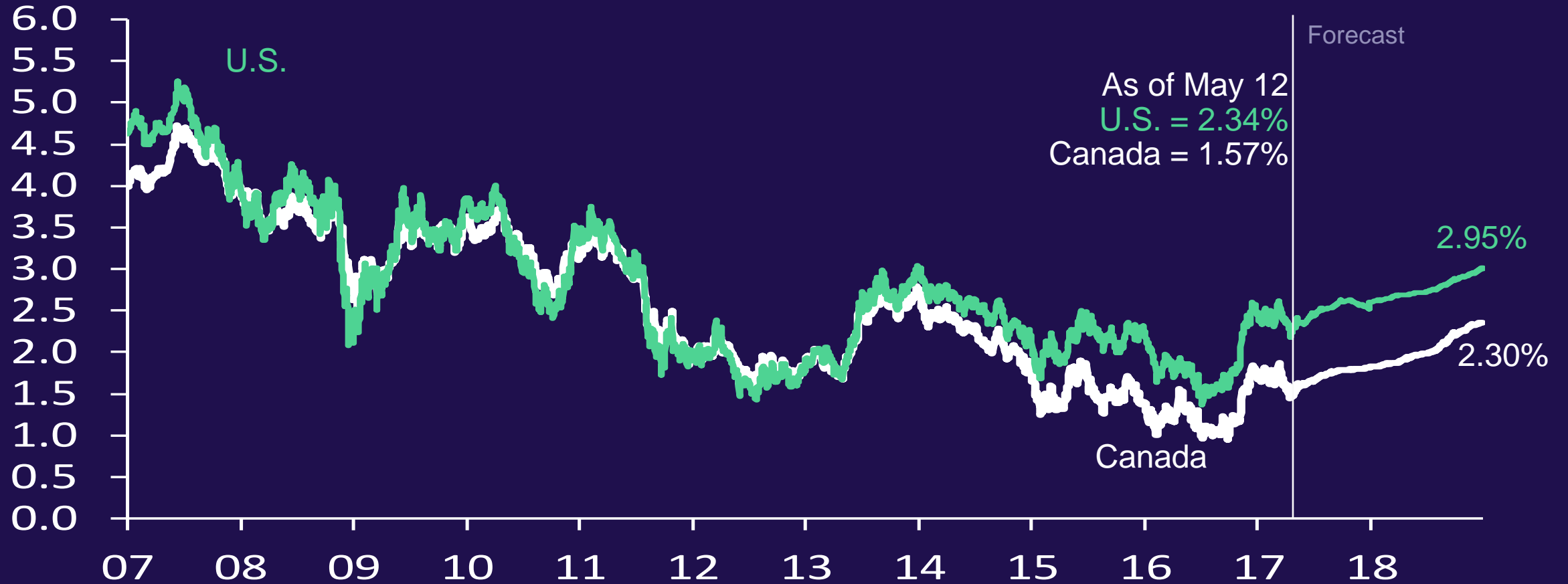


Forecast = Sherry Cooper Assoc.

Source: Haver Analytics, Bank of Canada, Federal Reserve Board

Long Yields Edge Upward On Fed Rate Hikes

10-year Bond Yields
(percent)

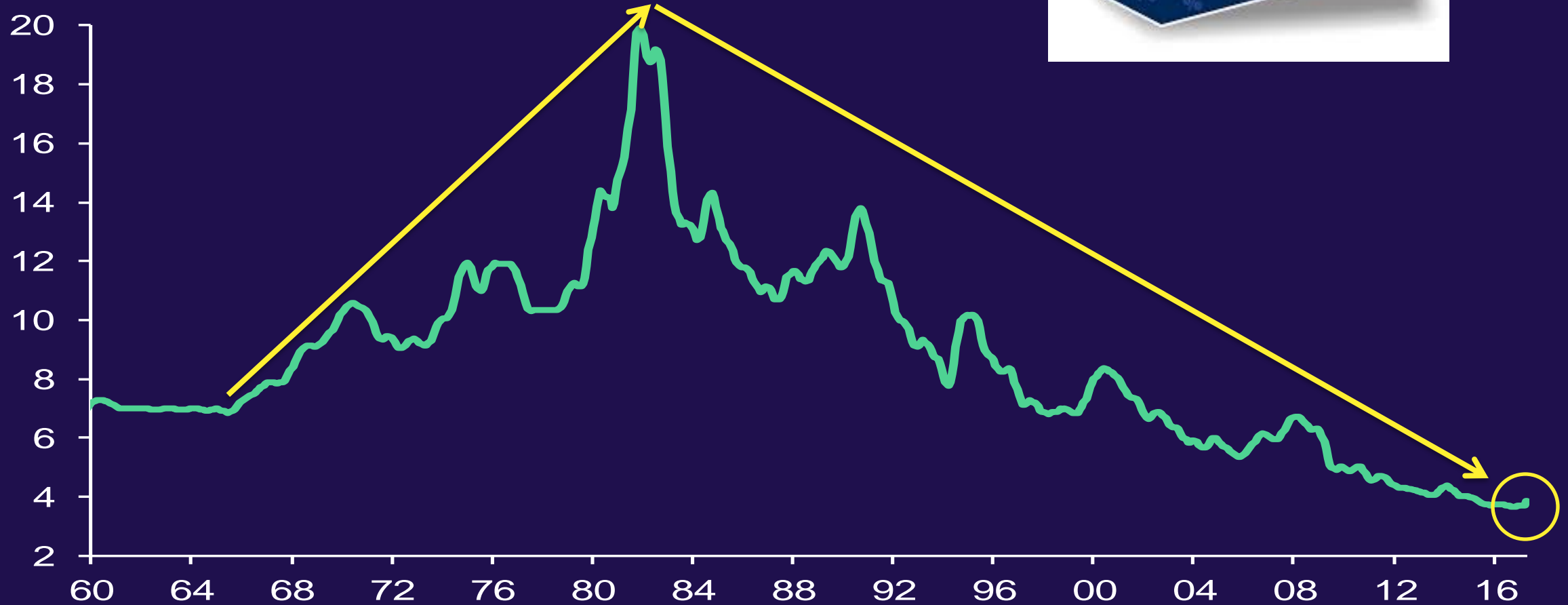


Mortgage Rates As Low As They Go

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



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Loonie Under Downward Pressure



Oil Price Edge Back Under \$50 US

Export Duties

Home Capital

Banks Downgraded

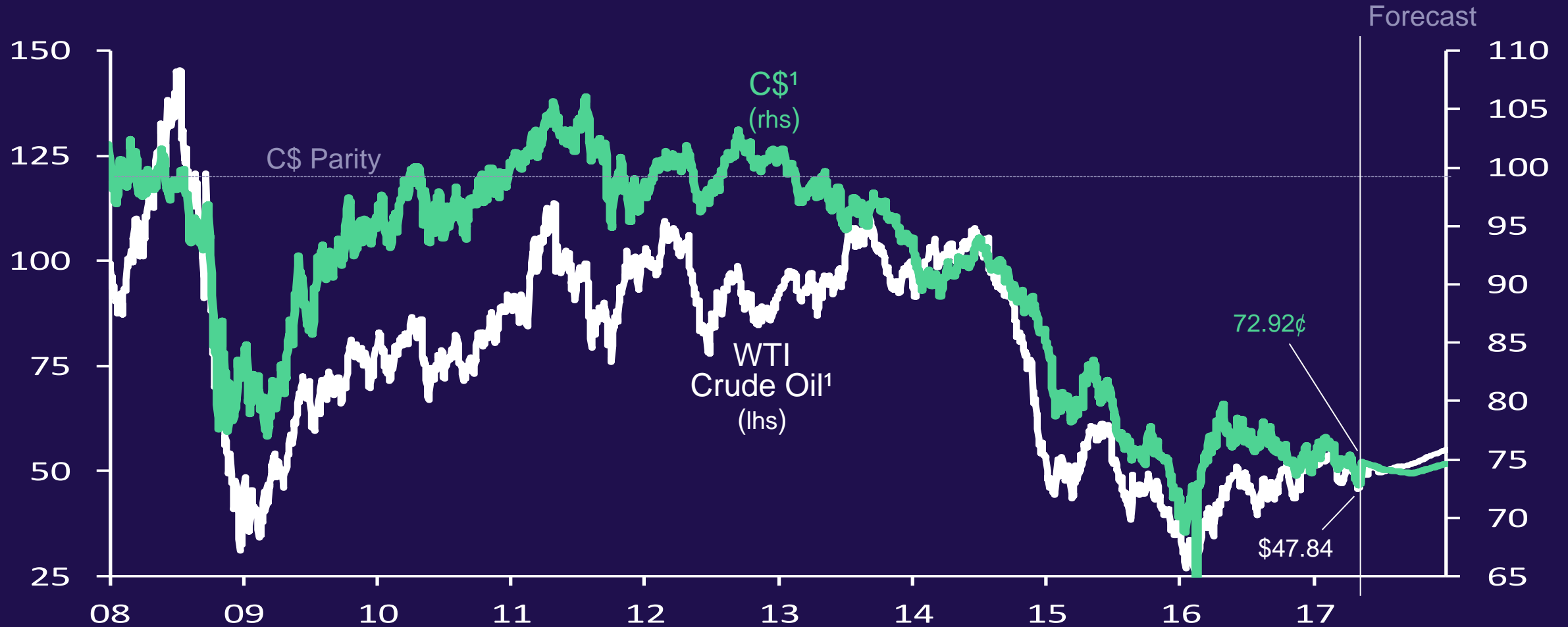
Bank of Canada On Hold

Oil Price And The Loonie

(as of May 12, 2017)

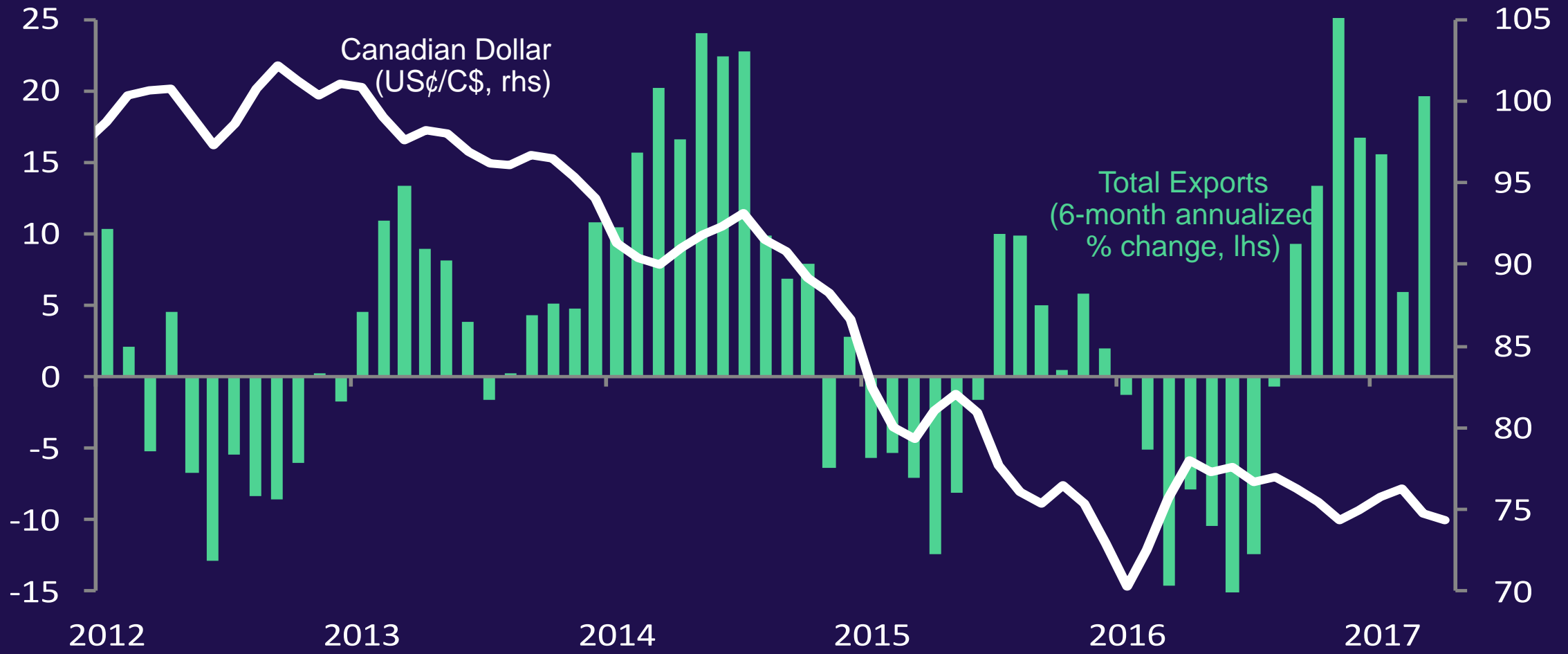


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Forecast = BMO Capital Markets ¹ (US\$/bbl) ² (US¢/C\$)
Source: Haver Analytics, Bank of Canada, Bloomberg, U.S. Energy Information Administration

Lower Canadian Dollar... Exports Now Responding



Housing Looms Large ...

Canada
(percent)

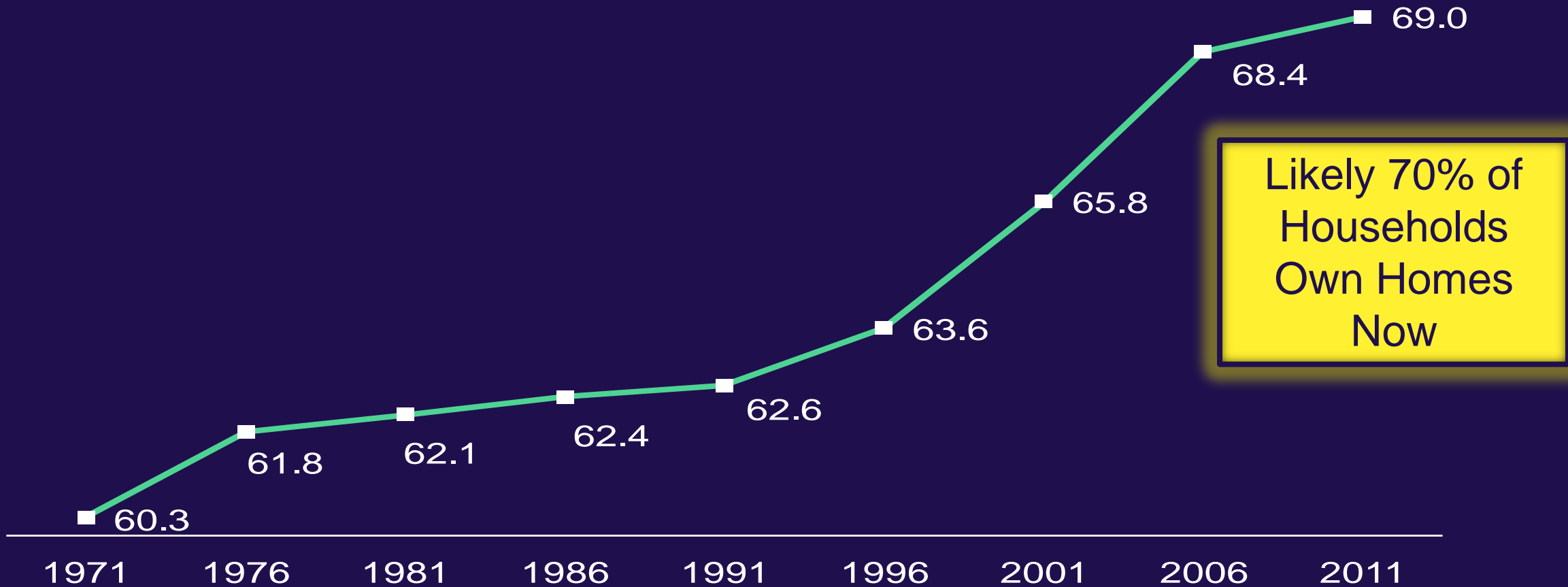


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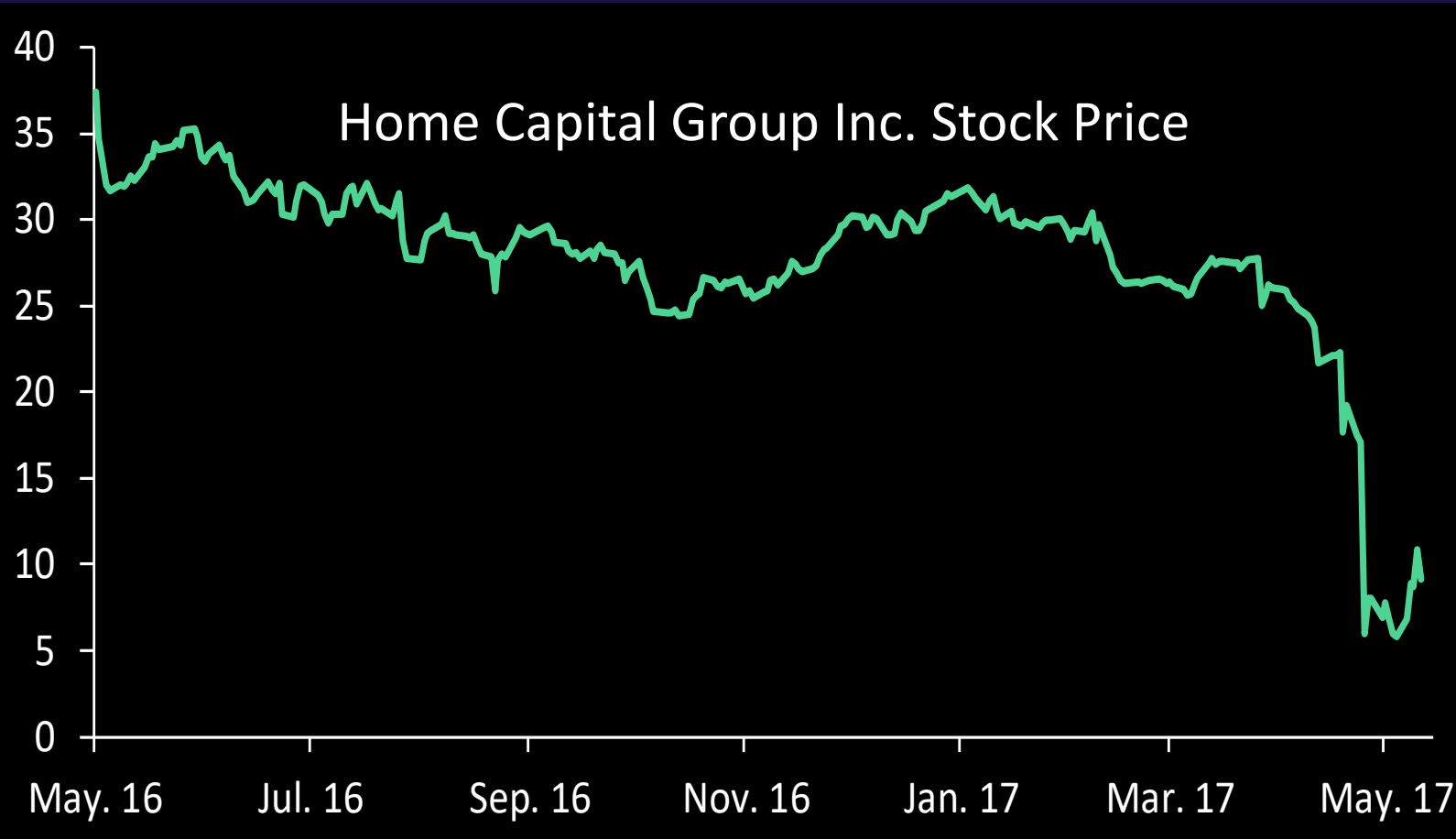
Canadian Homeownership At A Record High

Homeowners as a % of all Canadian Households
(percent)



Greater Than Normal Uncertainty in Housing

(May 12, 2017: C\$)



Speculation in Ontario

Ontario Budget Actions

- Foreign Buyer's Tax
- Expanded Rent Controls

Coming To GTA

- Vacant Property Tax
- Flipping Tax

Home Capital Meltdown

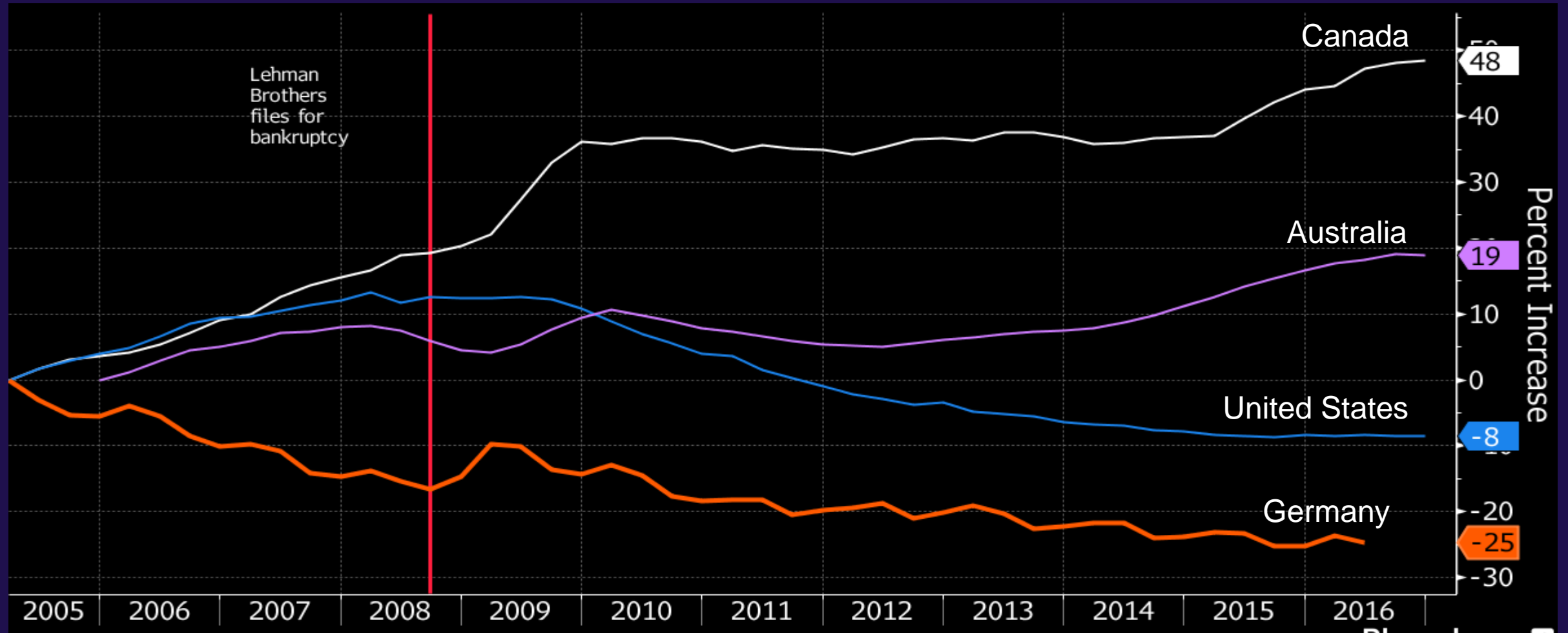
Banks Downgraded

Unintended Consequences Impact Psychology

Rising Risks: Record High Debt-to-GDP

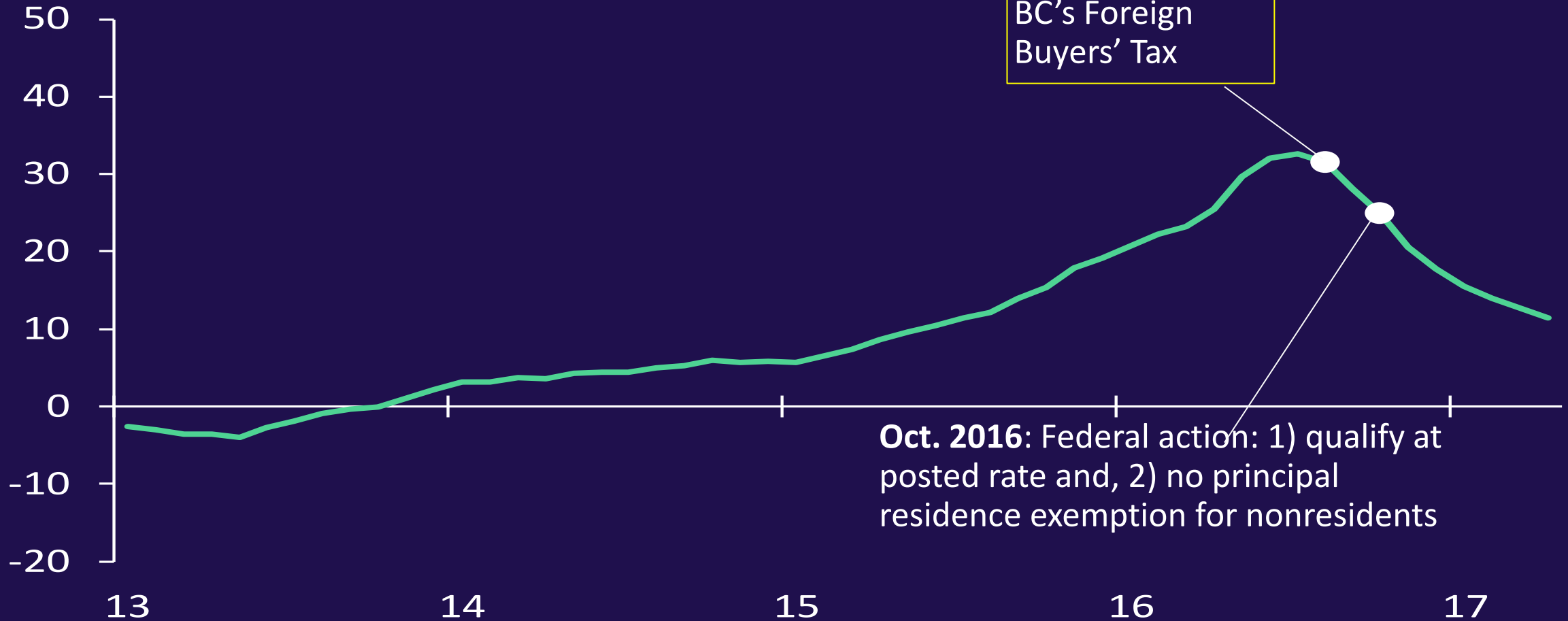
Household Debt as a Percentage of GDP

(March 2005 = 100)



The Cooling Vancouver Price Gains

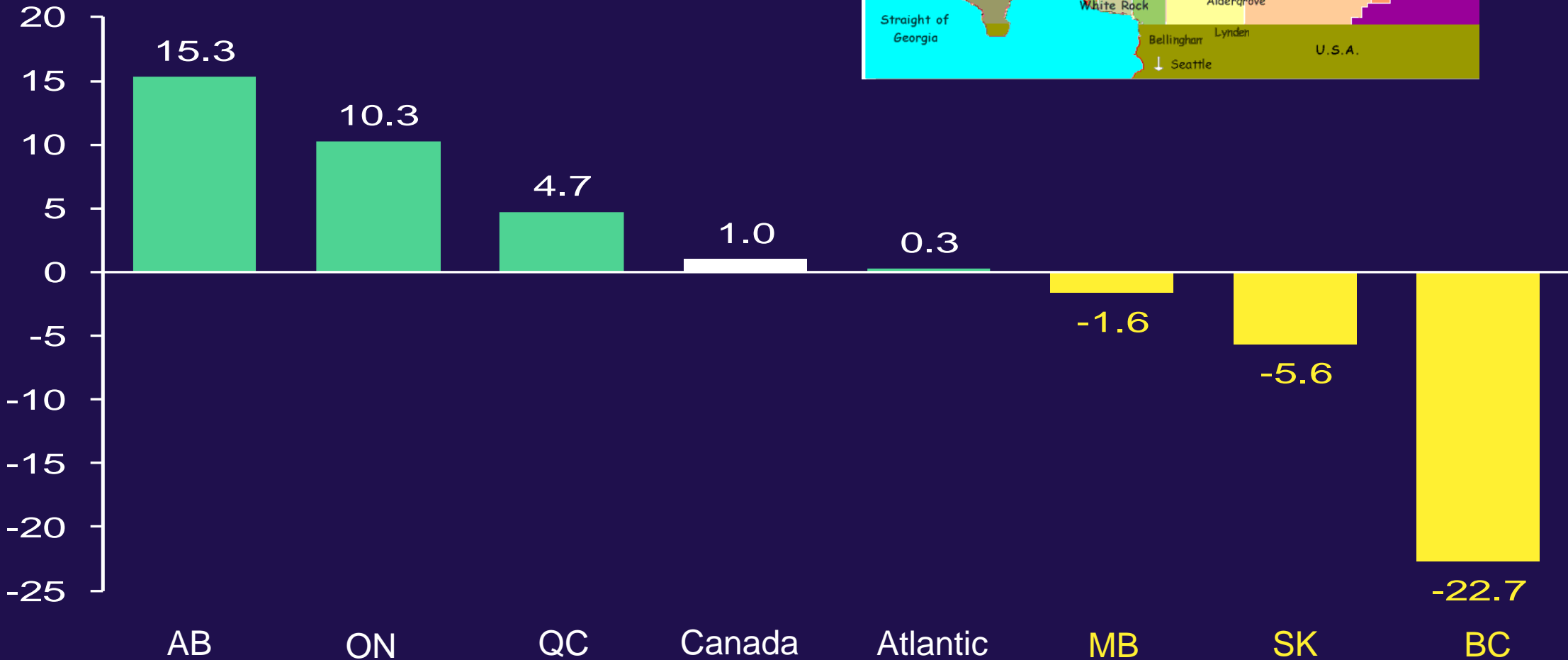
Vancouver Composite Home Price Index
(year-over-year % change)



B.C. Home Sales Decline Y-o-Y

Existing Home Sales

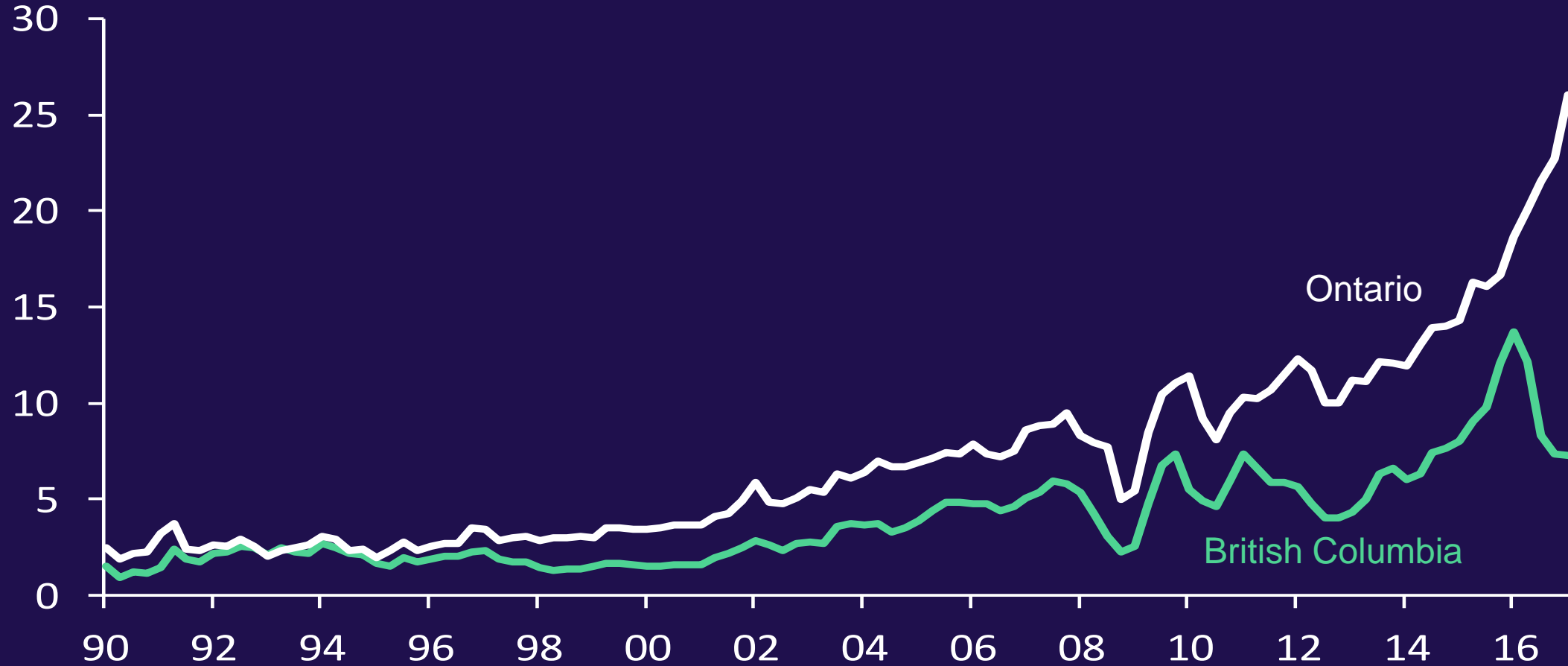
(% change from a year ago, YTD April 2017)



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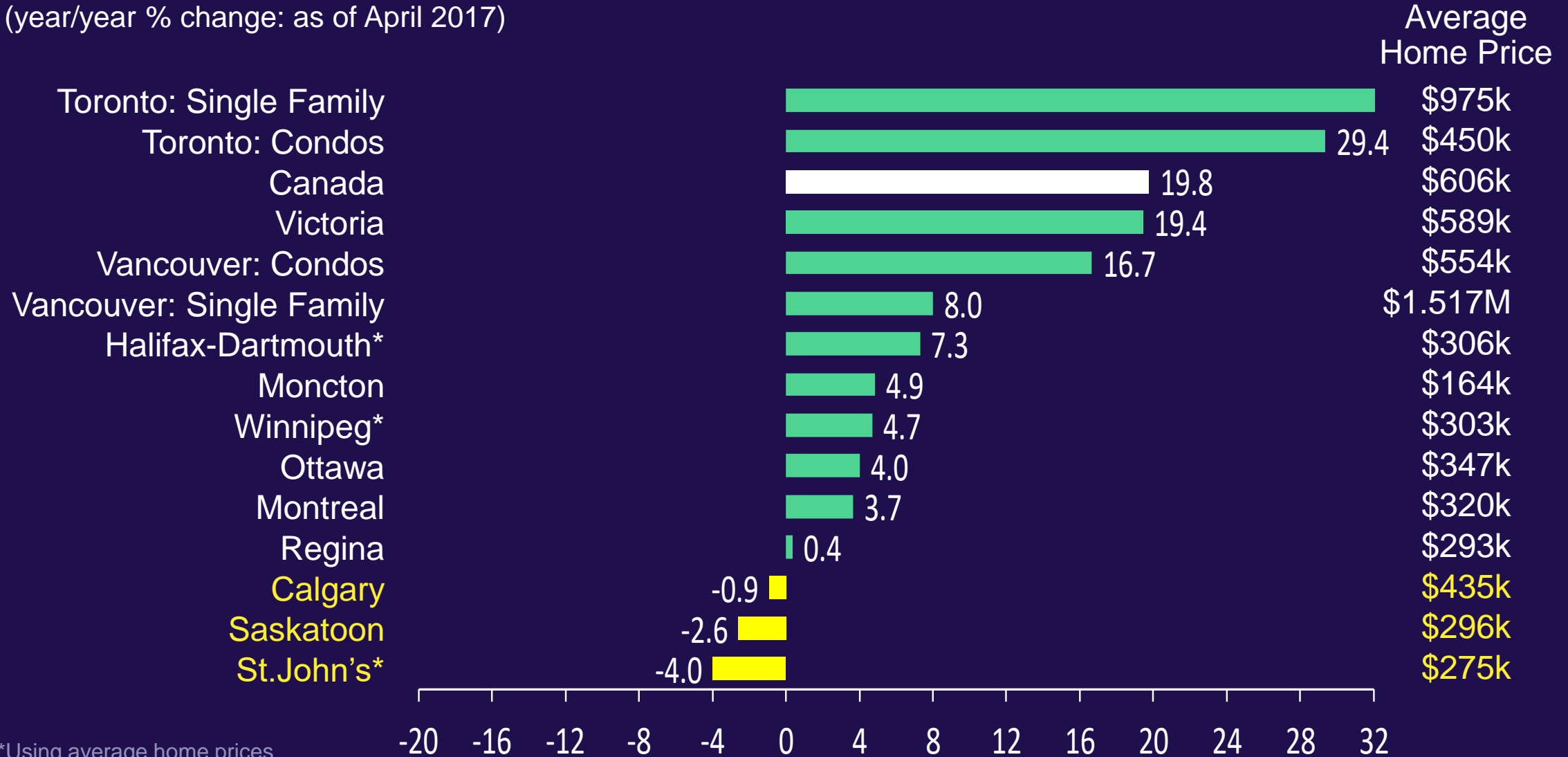
Value of Existing Home Transactions

Existing Home Sales
(C\$ millions)



Prices Surge In Toronto

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



*Using average home prices

Source: Canadian Real Estate Association (CREA)

Listings Surge 36% in GTA in April

Number of Active Listings
(000s units, April)

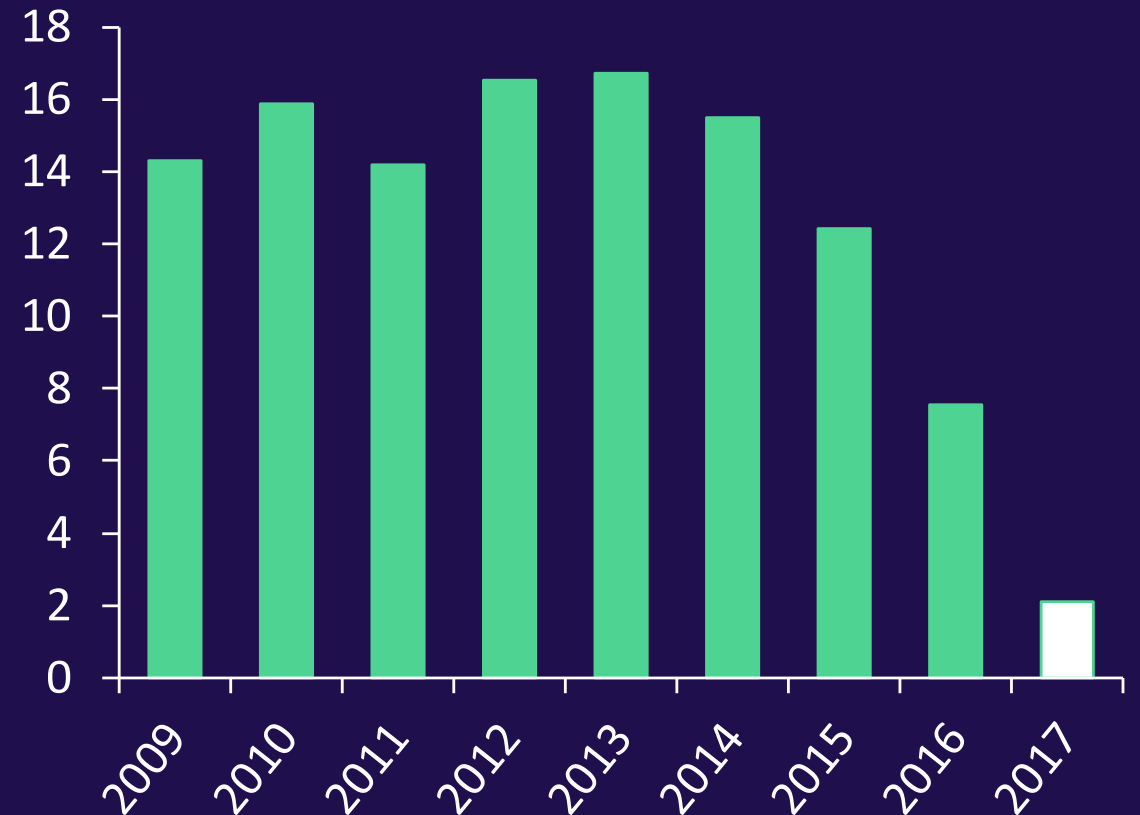


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Vancouver

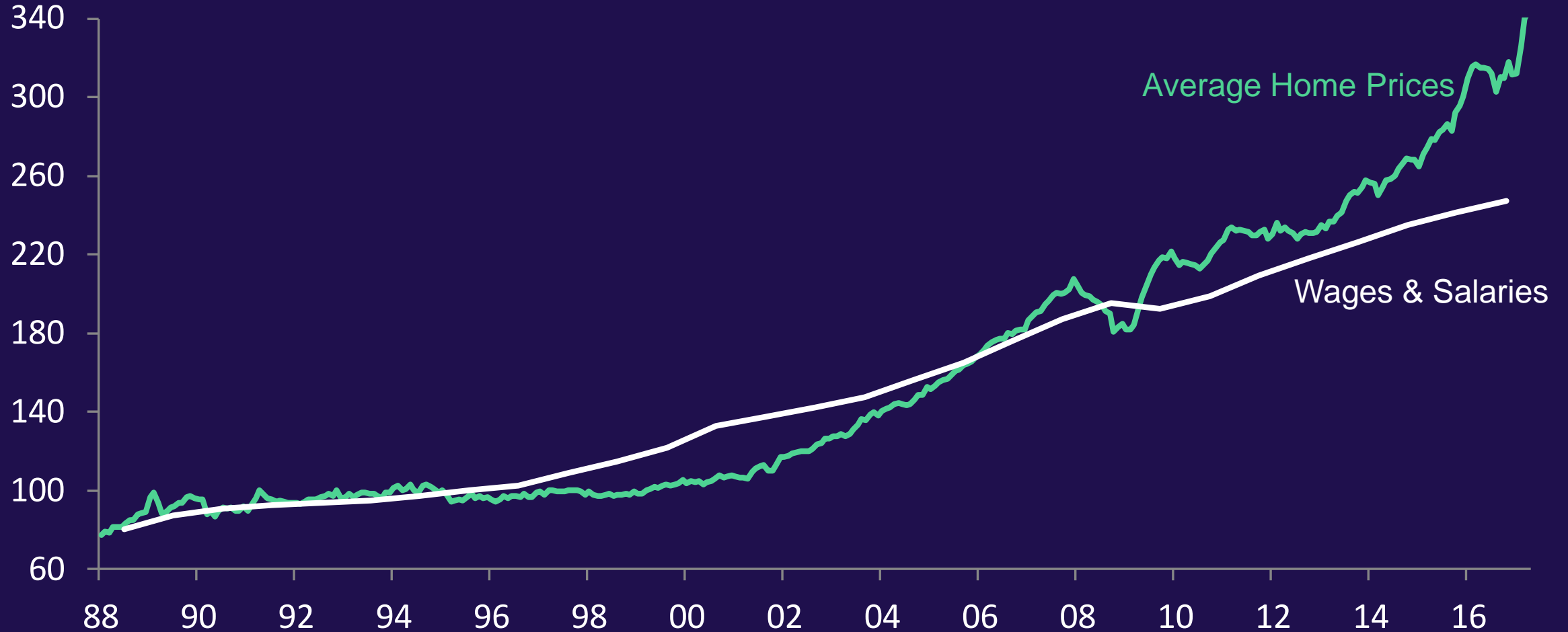


Canadian Housing-to-Income Disconnect

(seasonally adjusted: January 1995 = 100)



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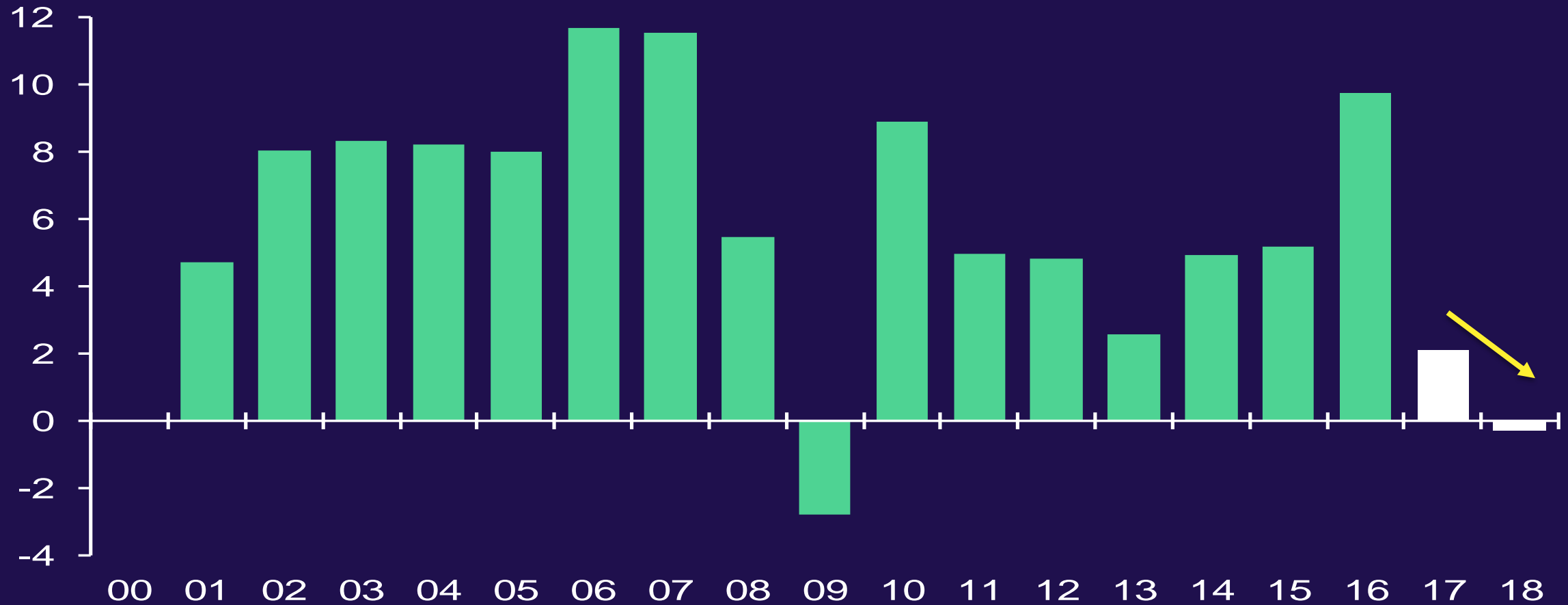


Canadian Home Price Inflation Needs To Slow

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



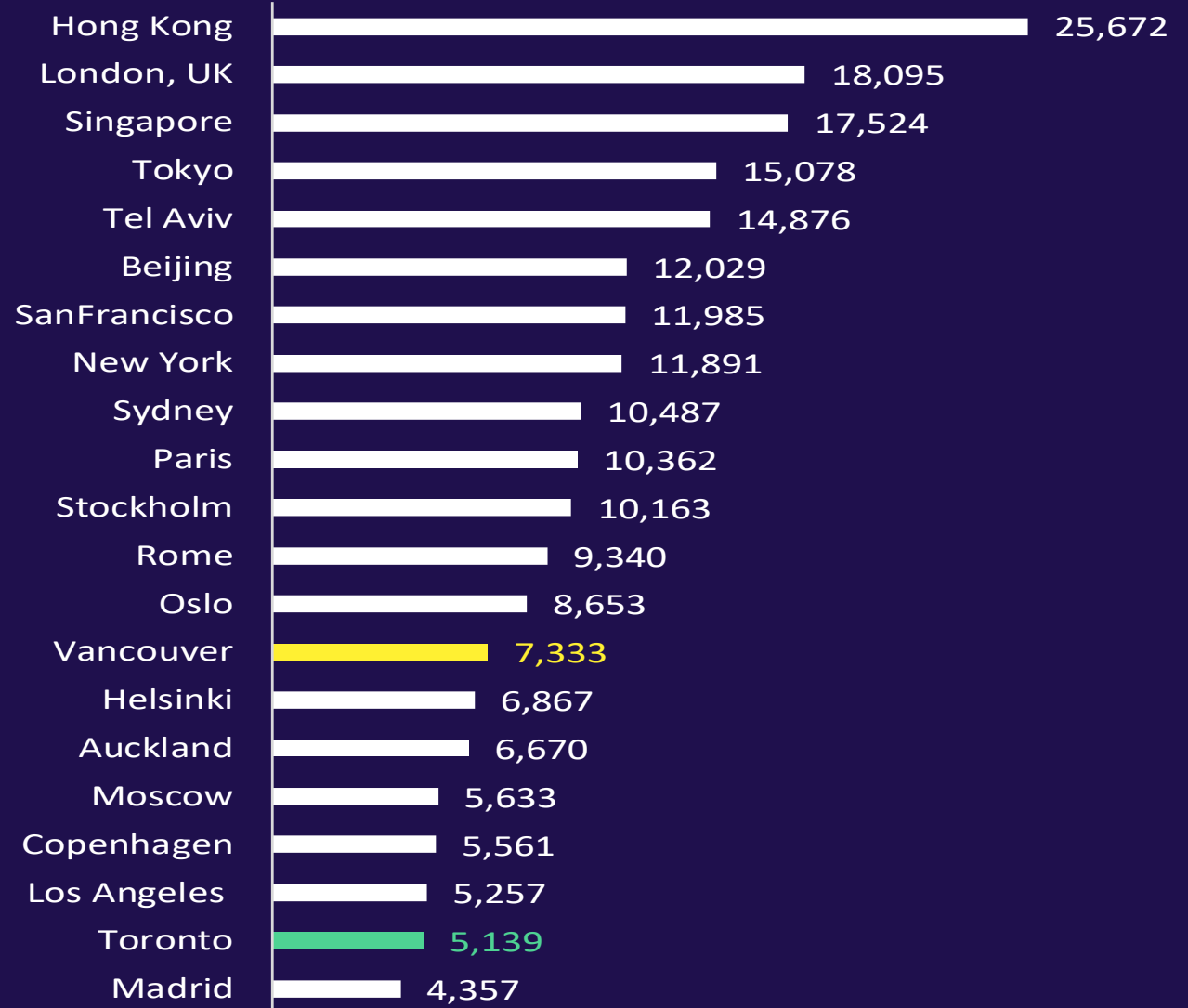
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White bars indicate forecasts. Forecast provided by Royal LePage and RBC Research
Source: Teranet/National Bank, Haver Analytics

Toronto and Vancouver Prices Lag Global Cities

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



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