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Canadian Economy Shines

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SCHOOL OF BUSINESS

September 18-19, 2017



Global Economy Strengthens



Canada Leads G7--3.0+% growth

U.S. At 2.1%

Europe Stable at 2.0%

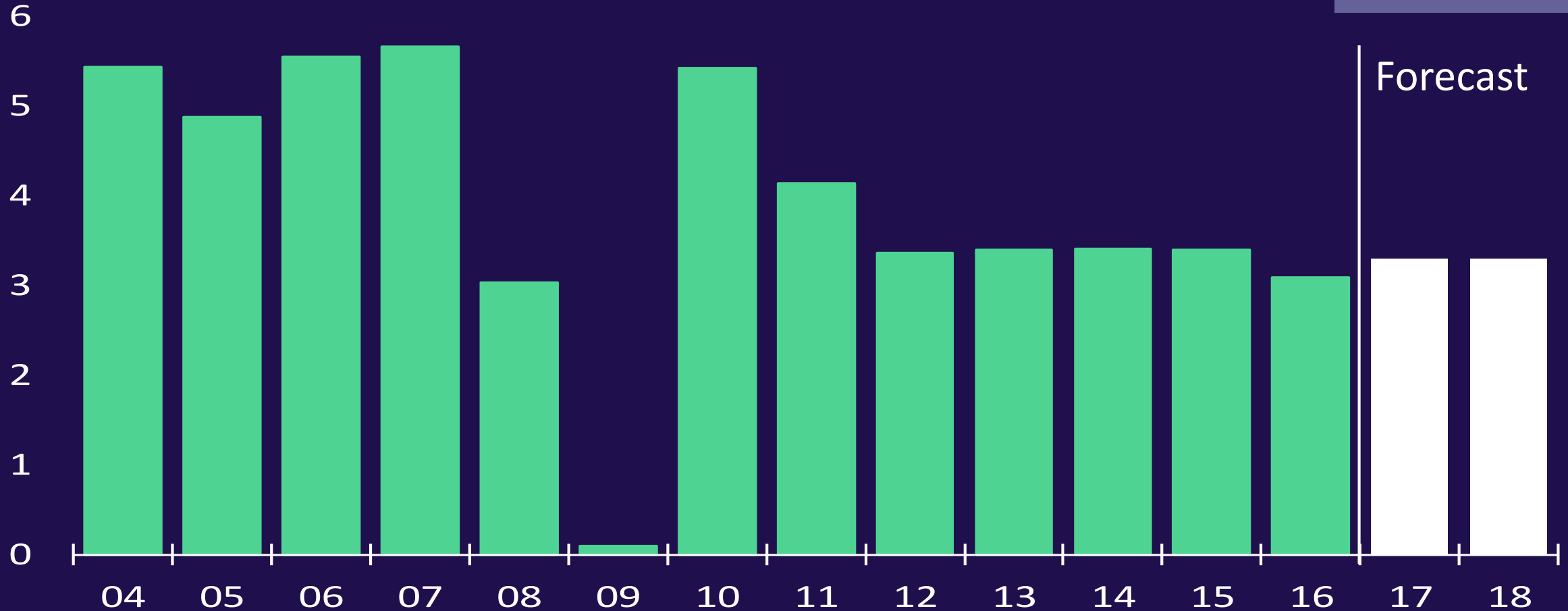
China Headed for 6.8% Growth

Oil Prices Under \$50 US

Global Growth Edges Upward in 2017

Real GDP
(year/year % change)

	2016	2017	2018
World	3.1	3.3	3.3



Forecast = BMO Nesbitt Burns Economics
Source: IMF World Economic Outlook Database

U.S. Economy Still Tepid

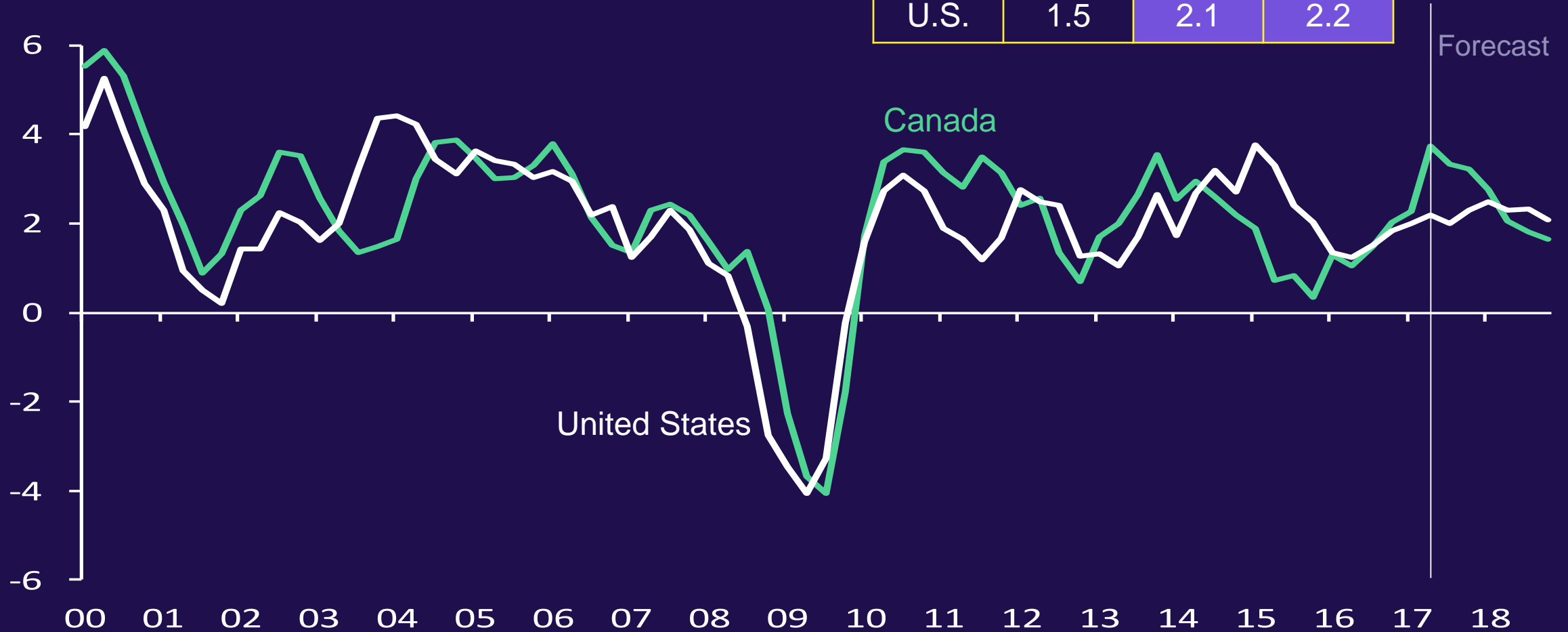


Business Investment Improves
Exports Solid
Residential Construction Softens
Retail Stores Consolidate
Labour Shortages
Fed Reduces Liquidity
Fiscal Uncertainty

U.S. Growth Barely Above 2.0%

Real GDP
(year/year % percent)

	2016	2017	2018
Canada	1.5	3.1	2.1
U.S.	1.5	2.1	2.2



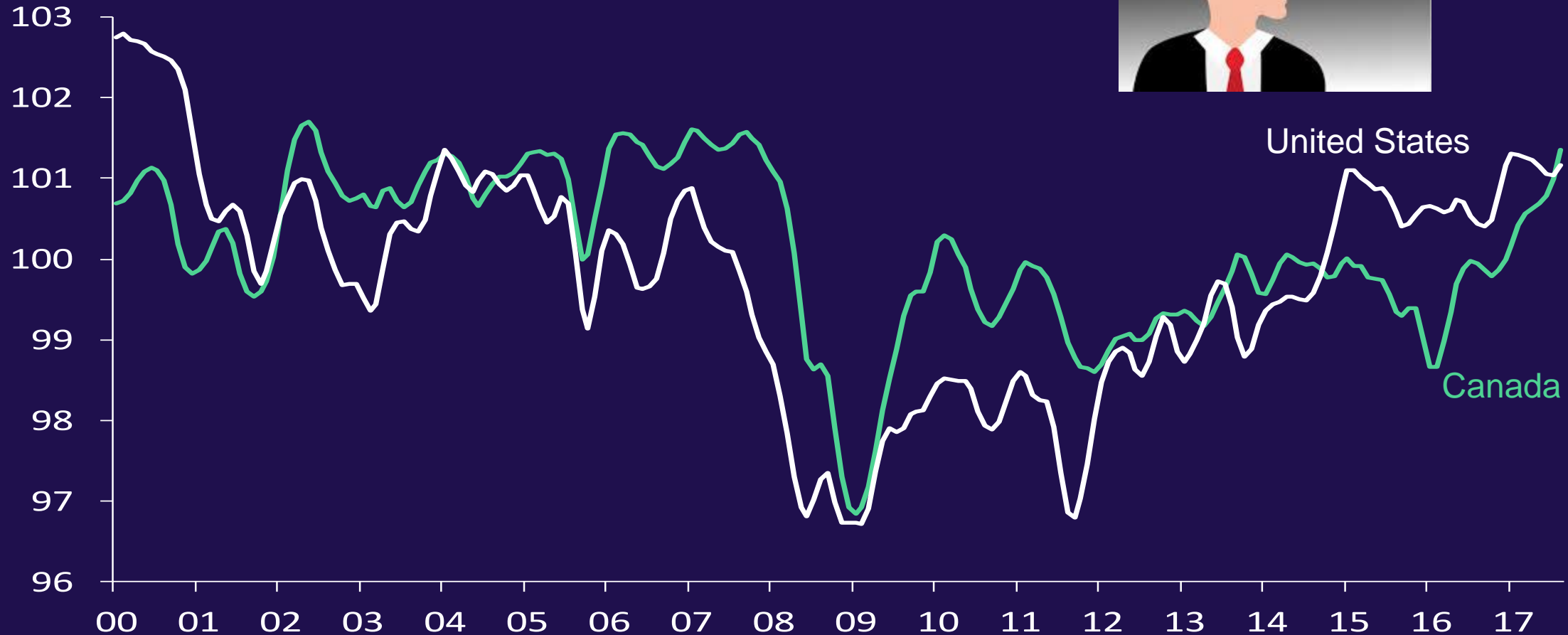
Forecast = BMO Capital Markets Economics
Source: Haver Analytics, Statistics Canada, Bureau of Economic Analysis

Consumer Confidence Jumps

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



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Consumer Growth Strengthens in Canada, Slows in U.S.

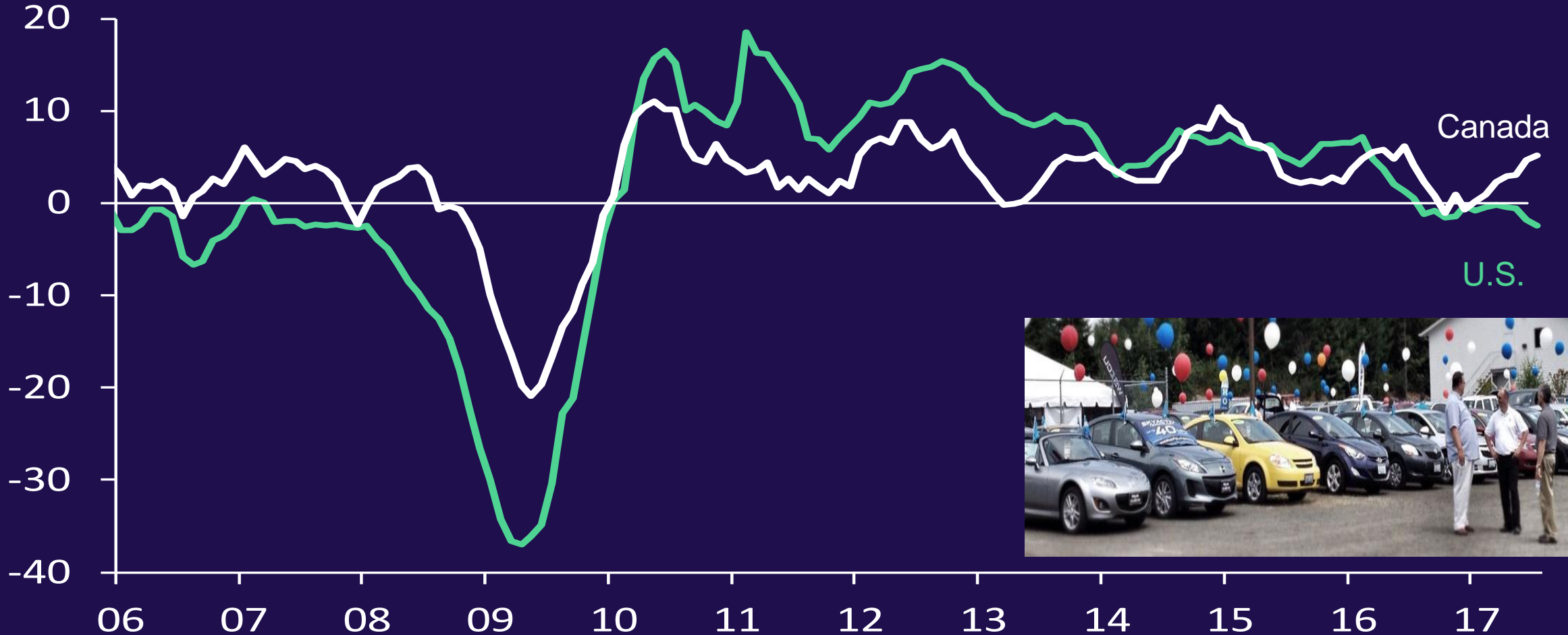
Real Personal Consumption Expenditure
(year/year % change)



Auto and Truck Sales Strong in Canada, Weak in U.S.

Motor Vehicle Sales

(year/year % change, 6-month moving average)



Unemployment Rate

(percent)



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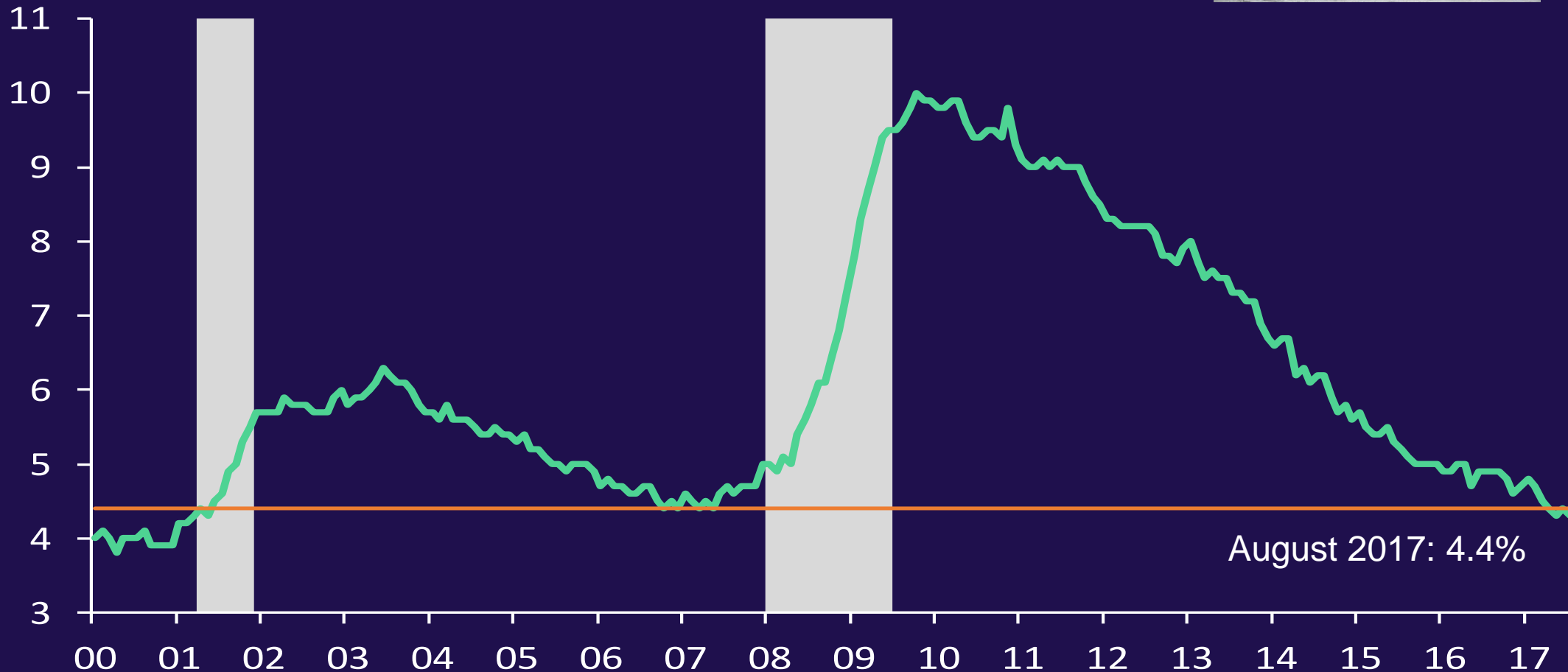
Source: Haver Analytics, Statistics Canada, Bureau of Labor Statistics

U.S. Labour Shortages Emerge

U.S. Unemployment Rate
(percent)



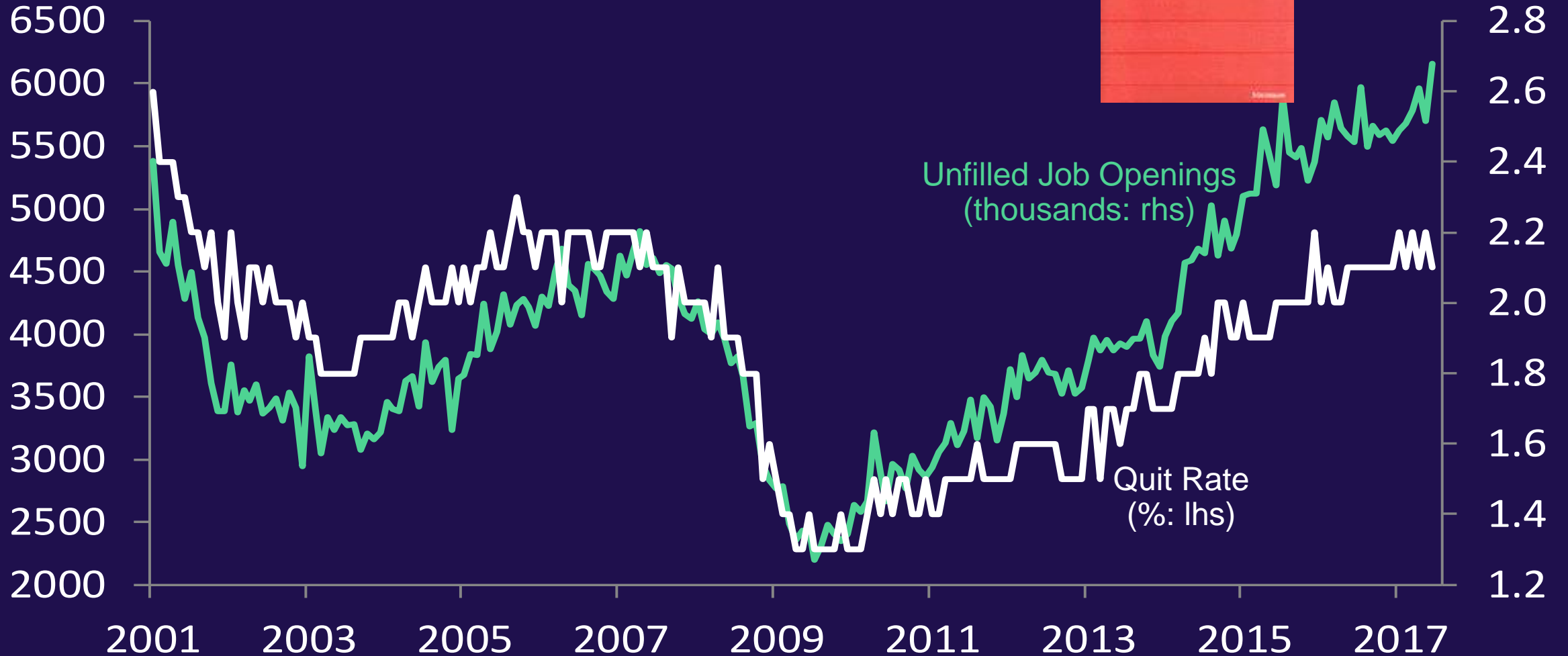
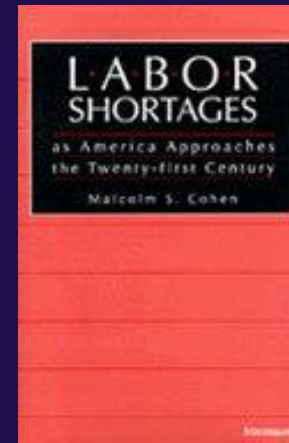
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Shaded regions represent periods of U.S. recession
Source: Haver Analytics, Bureau of Labor Statistics

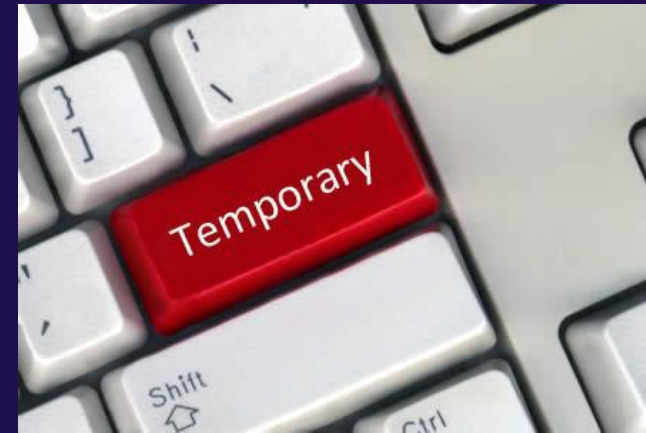
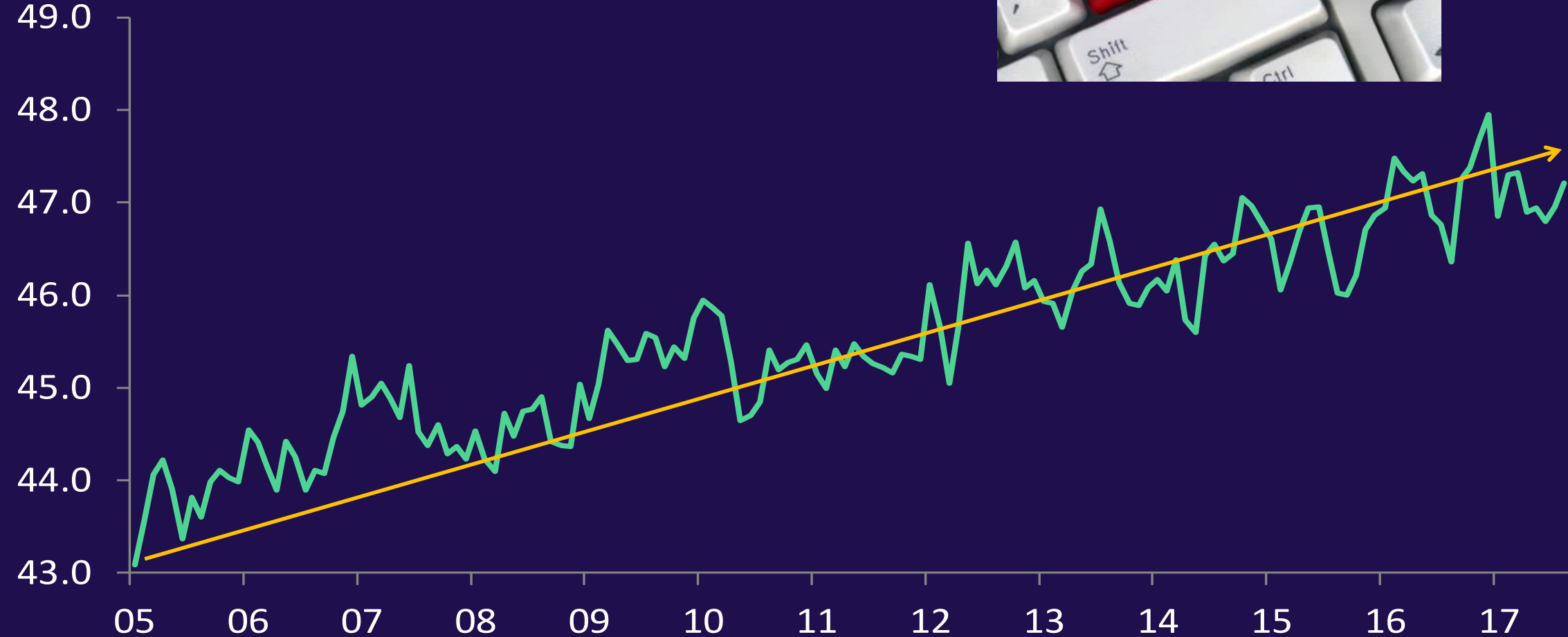
U.S. Labor Market Very Tight

Job Openings and Labor Market Survey (JOLTS)



Contingency Jobs On The Rise

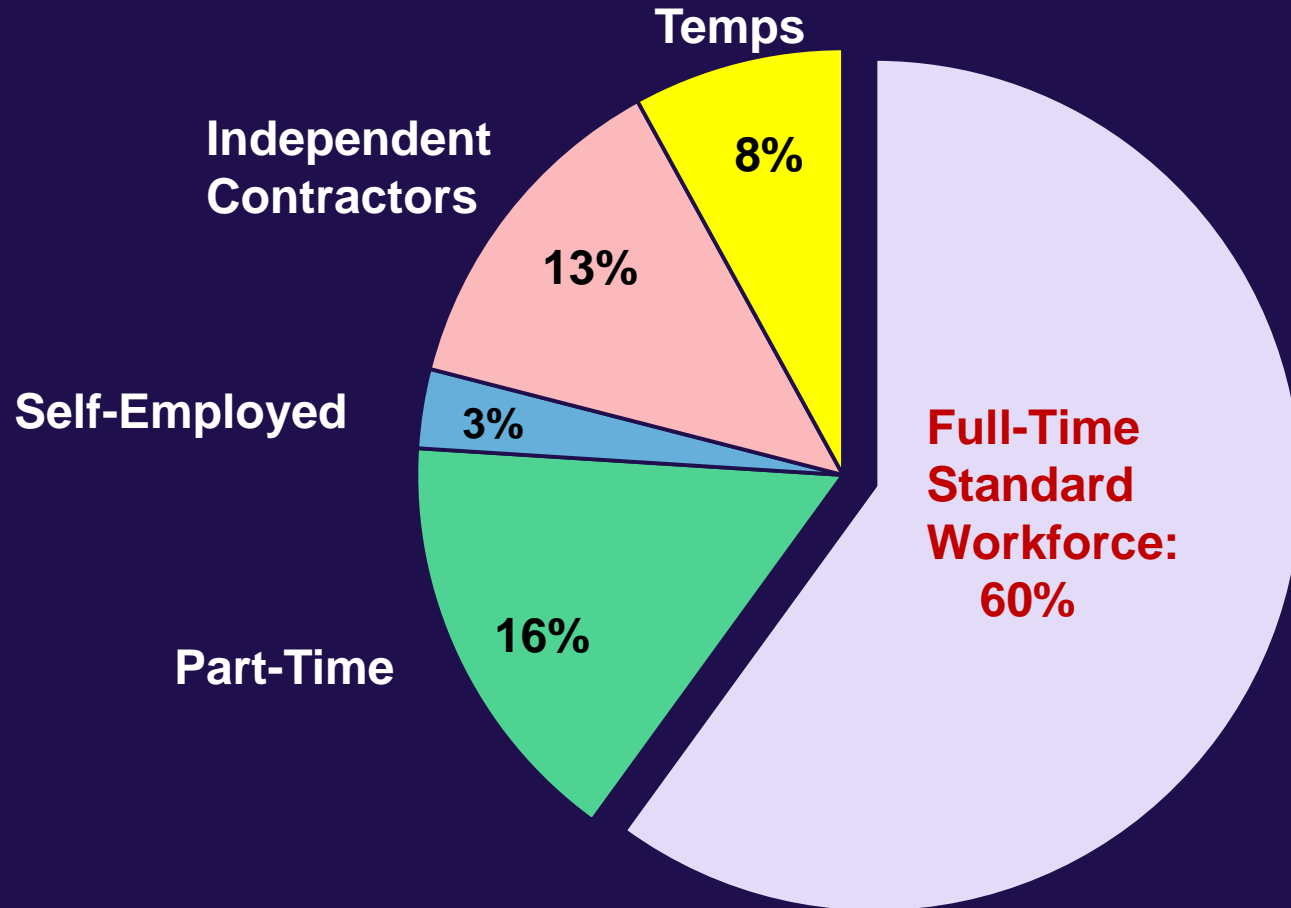
United States: Total Contingency Workers*
(millions)



*Composed of part-time workers, Unincorporated Self-Employed Workers, Contractors
Source: Bureau of Labor Statistics, Haver Analytics, Sherry Cooper Associates

The Gig Economy: 40% Contingent Workforce

2016 Employed Workforce, U.S.



Yet 15% of Prime Age Men in U.S. Not Working

Labor Force Participation Rate: Men: 25-54 Years
(percent, not seasonally adjusted)



Canadian Economy's Positive Surprises



Job Growth Strong

Exports Higher

Consumers Spending

Alberta Begins Recovery

But...

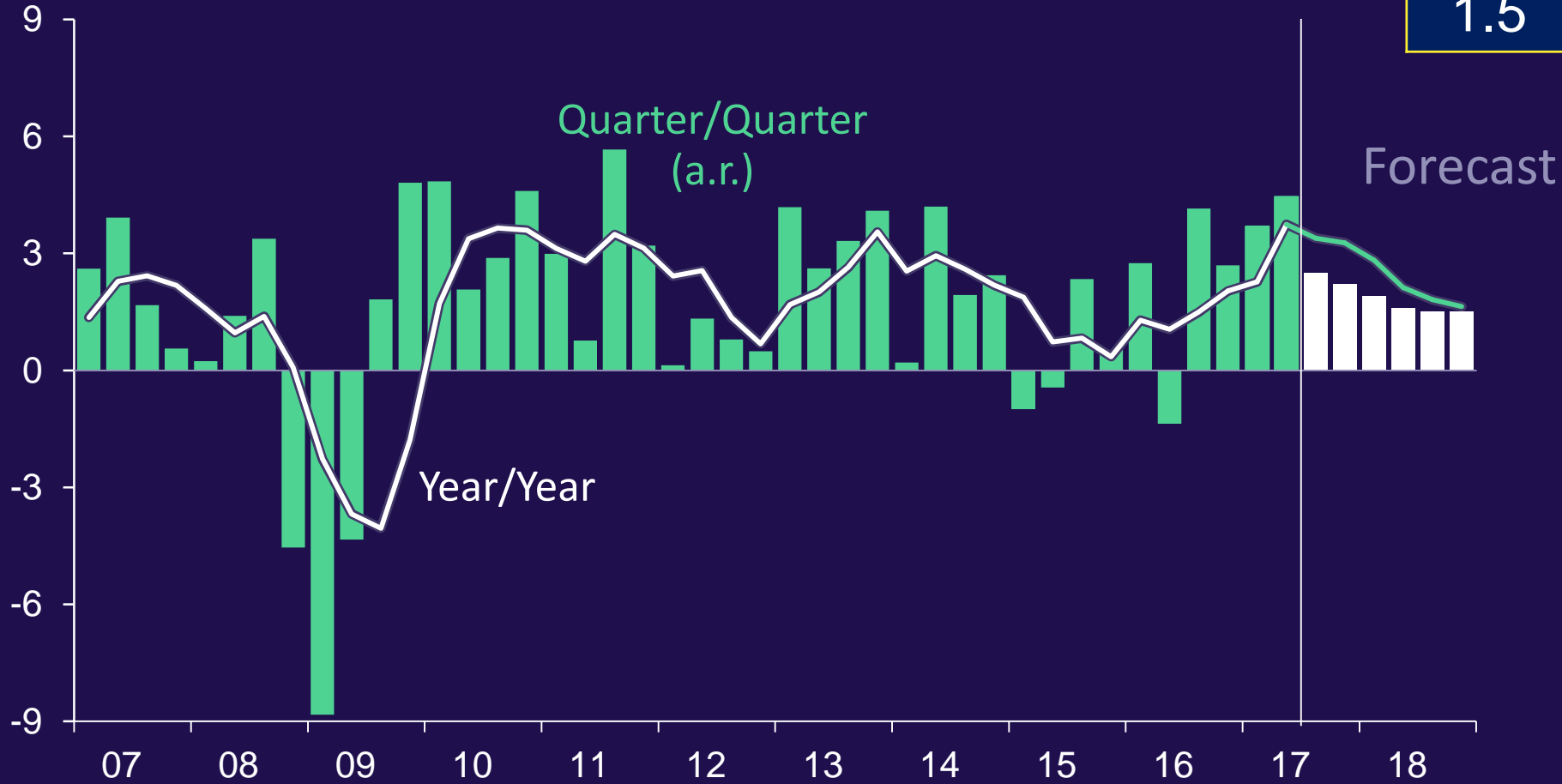
NAFTA Looms Large

Housing Slows

Canadian Growth Improves In 2017

Real GDP
(percent change)

2016	2017	2018
1.5	3.1	2.1

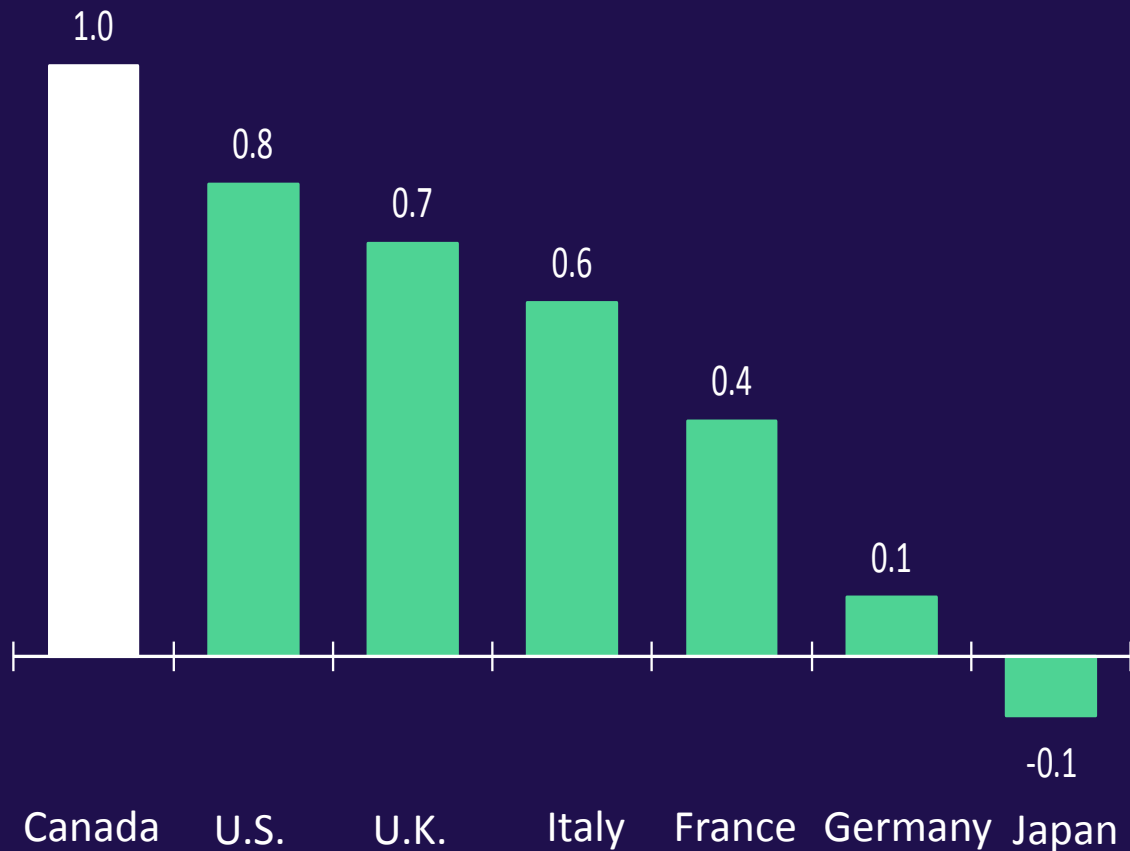


Forecast = BMO Capital Markets Economics

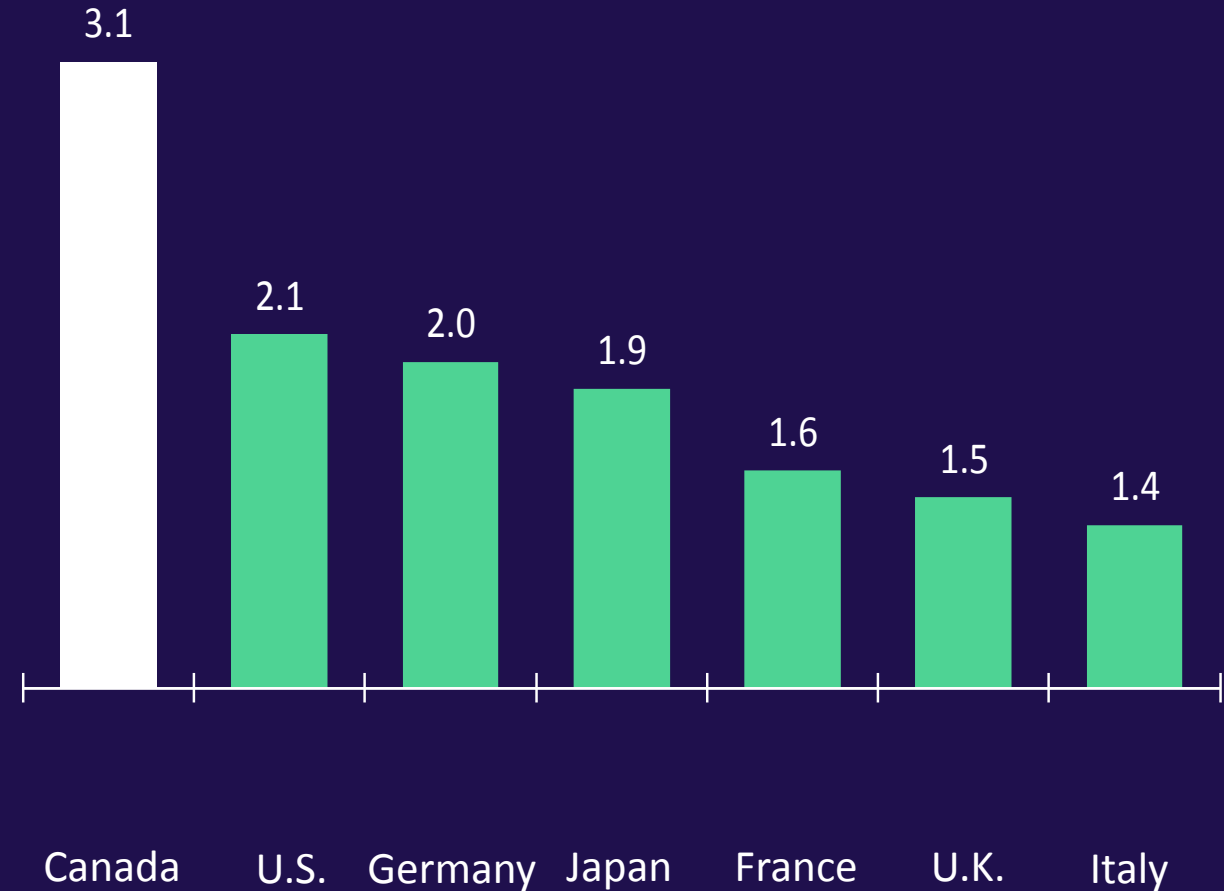
Source: Haver Analytics, Statistics Canada, Royal Bank of Canada Economics

Canada Leads G7 In Population and GDP Growth

Population Growth
(annual average growth from 2011-2016, % change)

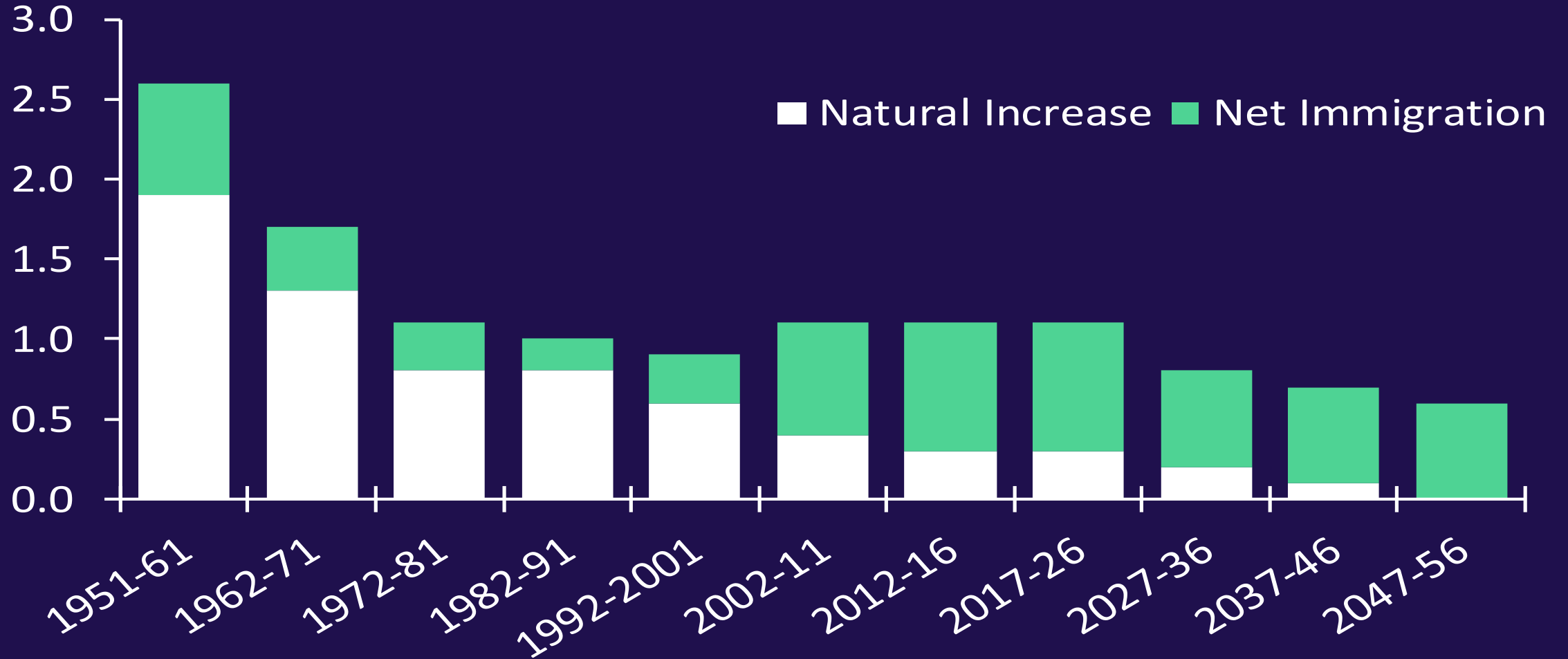


Real GDP Growth 2017
(annual percentage change)



Immigration Dominates Canadian Population Growth

Annual Population Growth
(annual average growth, percentage change)

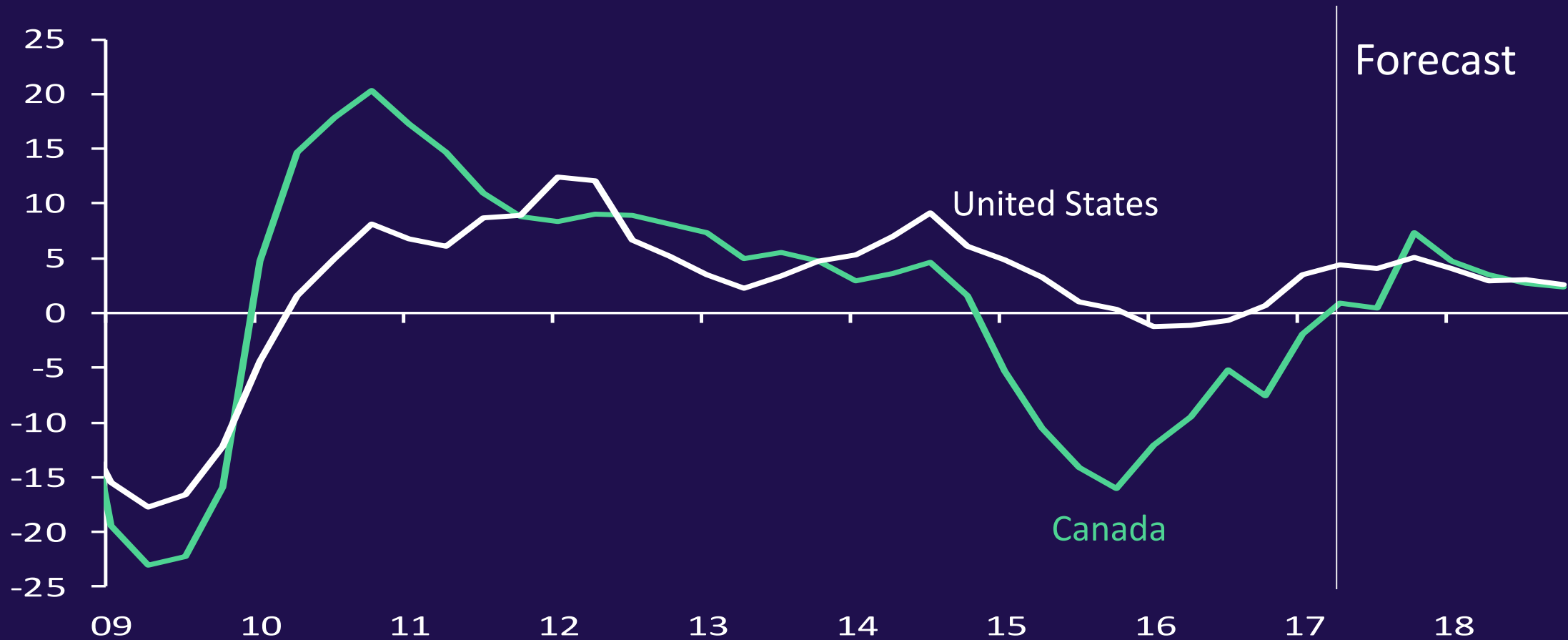


Business Investment Finally Grows In Canada

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



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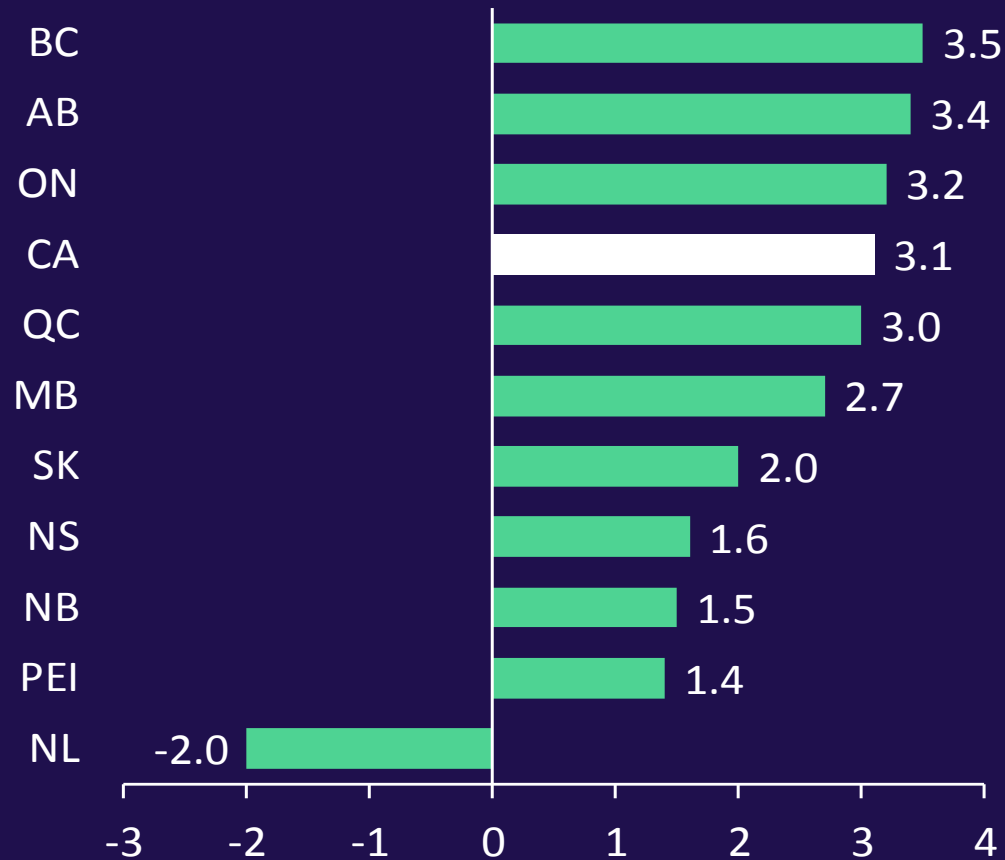


Forecast = BMO Capital Markets Economics
Source: Haver Analytics, Statistics Canada, Bureau of Economic Analysis

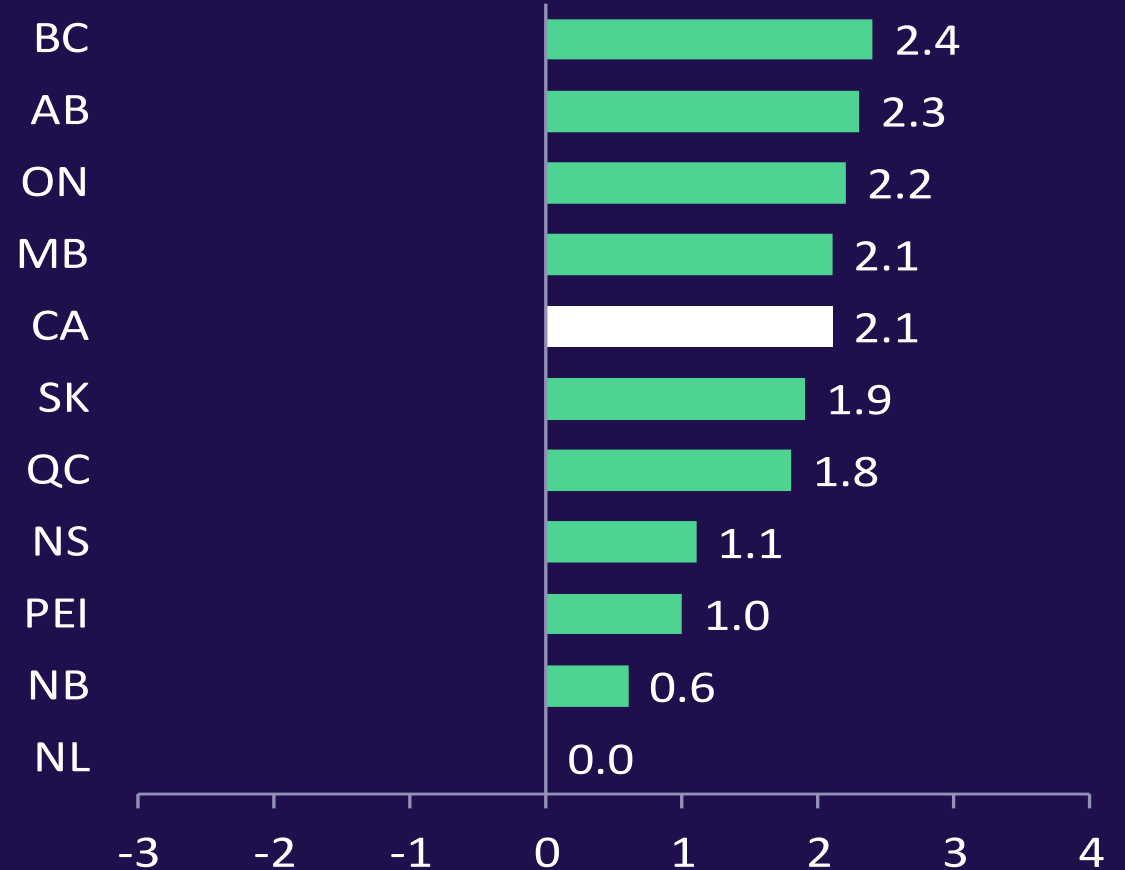
B.C. on Top As Alberta Climbs Back

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

2017



2018

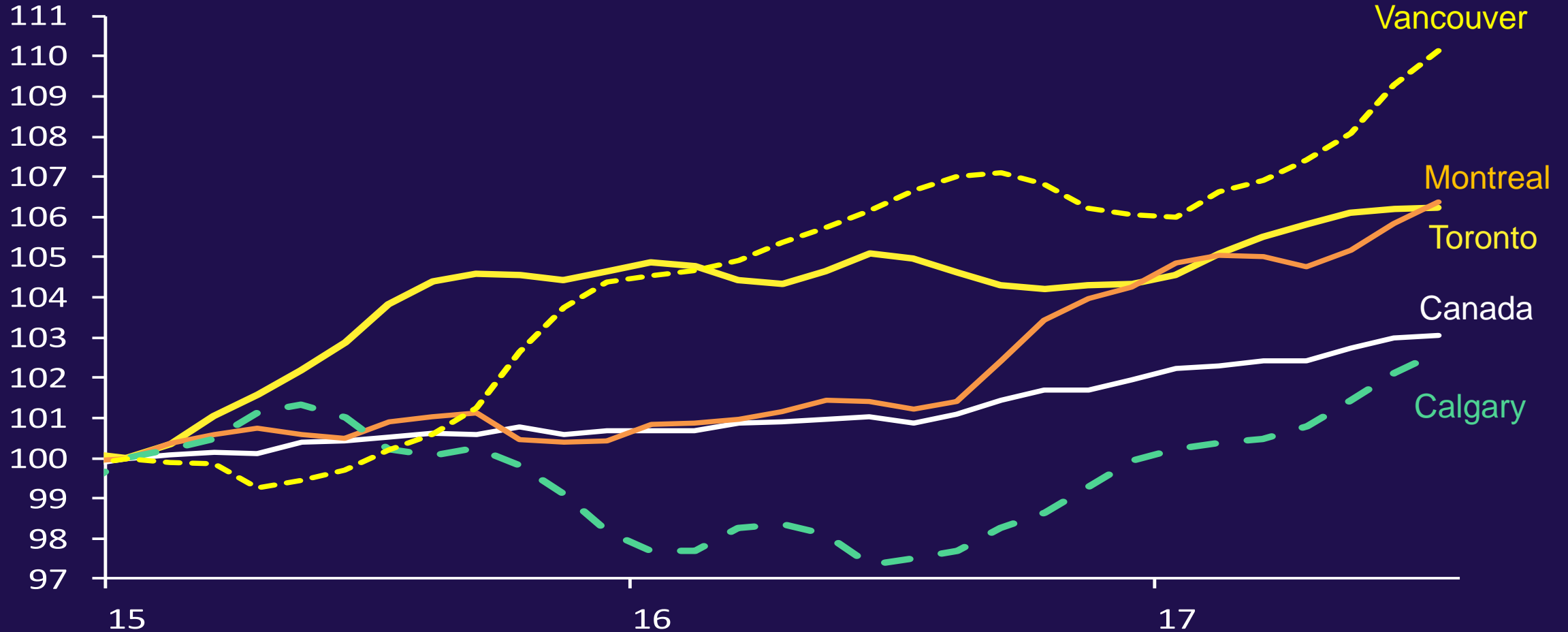


Job Creation In Major Canadian Cities

Employment Level
(index: January 2015 = 100)



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

Interprovincial Migrants
(level, 4-quarter moving average)



Financial Markets



100.19	+6.04	+3.01	9	90.17	76	55.69	516.00	21	17.95	175.95	100.00
34.18	-1.35	-4.57	45	12.08	11	298.17	125.95	39	13.28	51.92	100.00
158.04	-7.02	-3.72	87	86.53	9	178.95	98.17	63	38.94	21.18	100.00
387.32	+9.03	+3.96	98	18.76	6	432.16	12.08	72	58.79	150.00	100.00
373.54	+14.28	+2.54	252	54.32	2	175.95	86.53	98	13.92	307.32	100.00
352.09	-11.32	-2.13	86	98.65	8	99.16	15.31	19	382.00	552.00	100.00
401.76	+9.45	+1.96	15	8.43	15	458.04	5.07	27	1.19	25.18	100.00
215.68	+8.35	+3.32	24	3.76	19	387.32	32.87	78	3.76	101.92	100.00
158.92	+6.29	+1.03	39	65.12	7	673.54	47.95	21	65.12	100.00	100.00
282.18	-13.84	-3.45	54	17.6	3	552.09	13.28	485	77.6	100.00	100.00
			63	15.31	2	481.76	45.96	89	15.31	100.00	100.00
			9		9	215.68	20.94	68	5.07	100.00	100.00

Bank of Canada Hikes Rates

Fed Reducing Liquidity

Mortgage Rates Rising

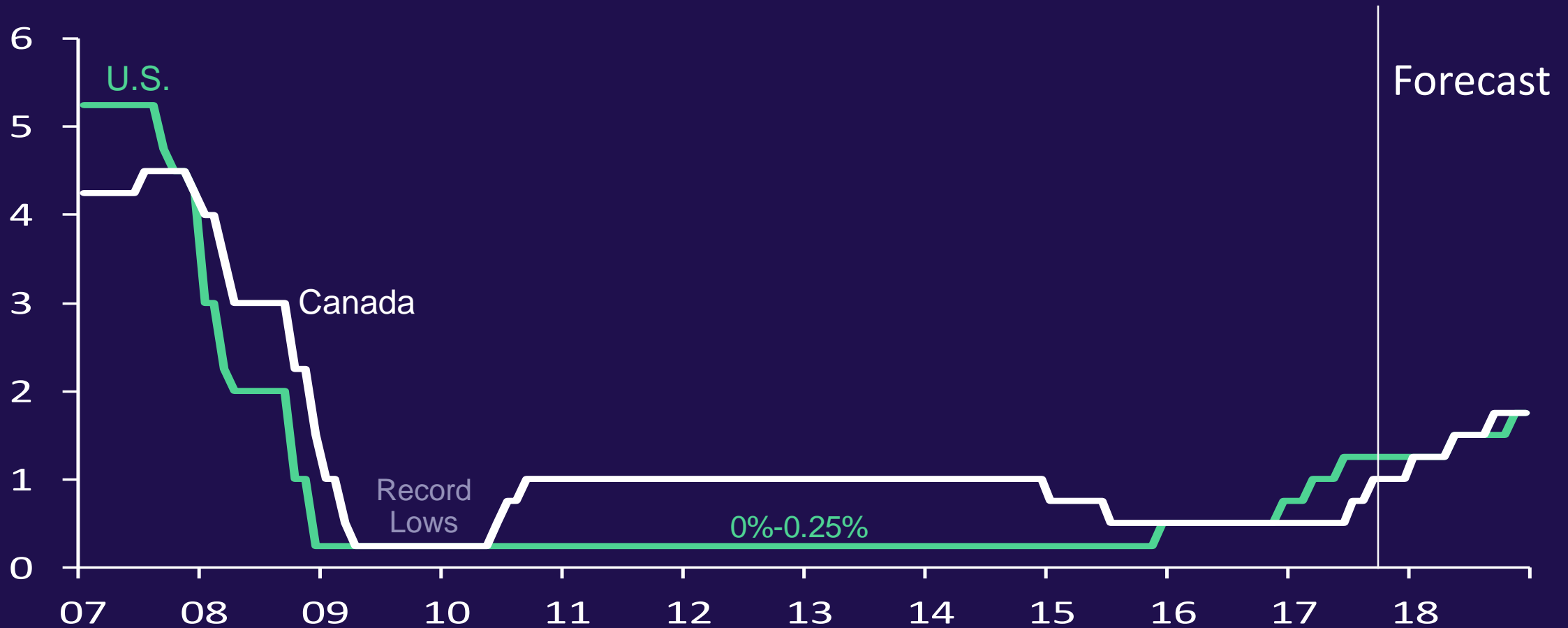
Canadian Dollar Surge

Bank Of Canada Hikes Rates

Overnight Rate
(percent)



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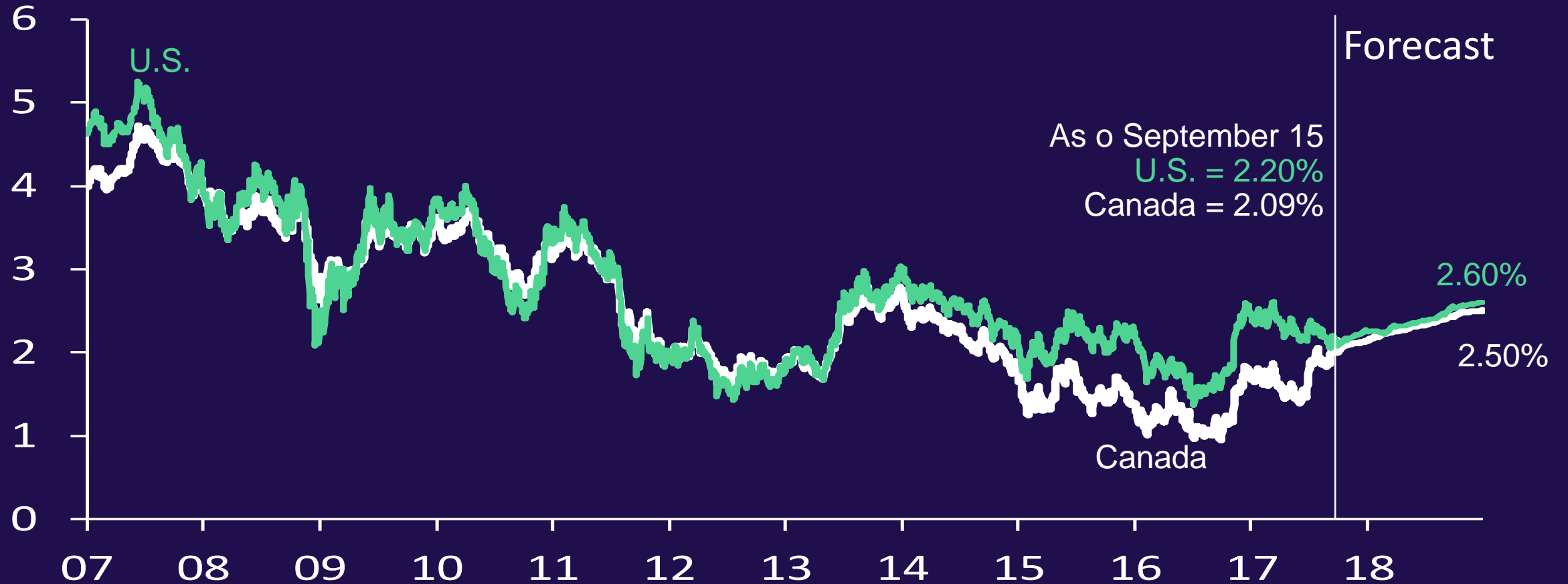
Forecast = Sherry Cooper Assoc.
Source: Haver Analytics, Bank of Canada, Federal Reserve Board

Long Yields Edge Upward On Fed Rate Hikes

10-year Bond Yields
(percent)



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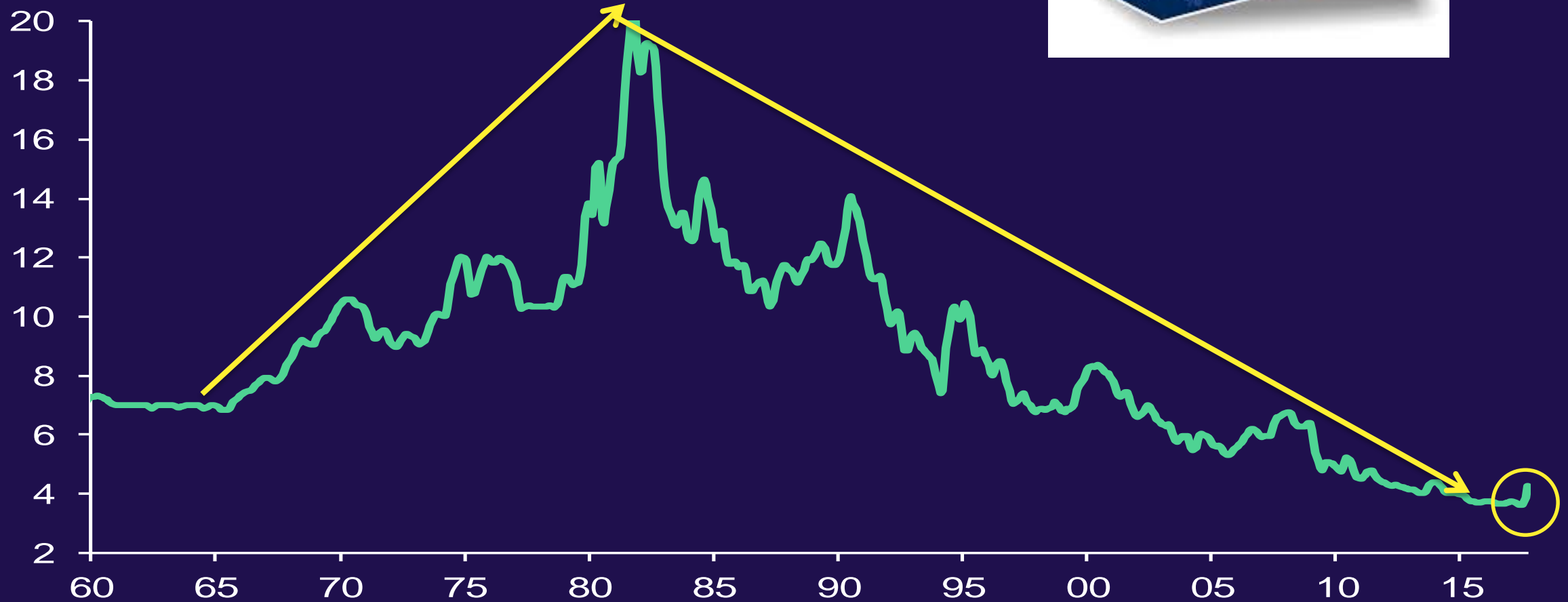
Forecast = BMO Capital Markets
Source: Bank of Canada, Federal Reserve Board

Mortgage Rates Have Bottomed

Canadian Conventional 5-Year Mortgage Rate
(percent, 3-month moving average, as of September 15)



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Loonie Soars As U.S. Dollar Plummets



Bank of Canada Hike In July and Sept

Trump Factor

N. Korea Concerns

U.S. Congressional Gridlock

Tense NAFTA Talks

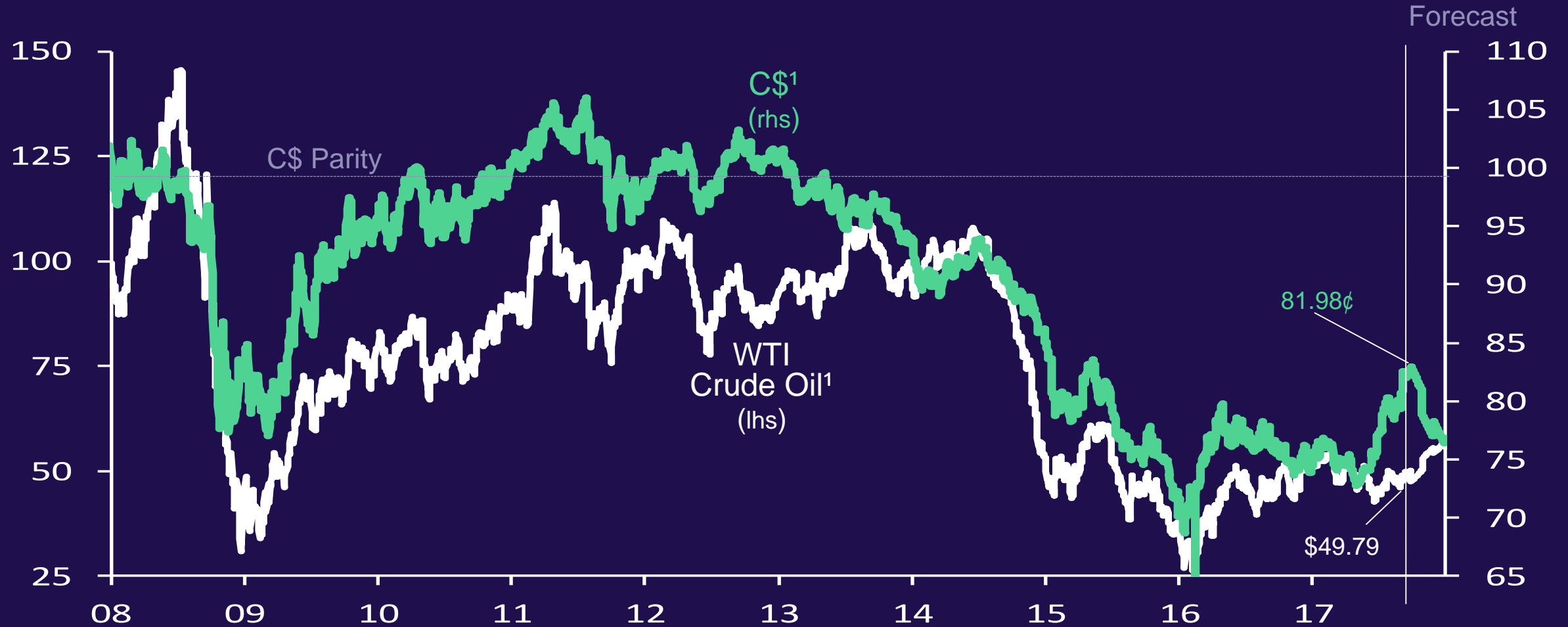
Greater Toronto Housing Slowdown

Oil Price And The Loonie

(as of September 15, 2017)



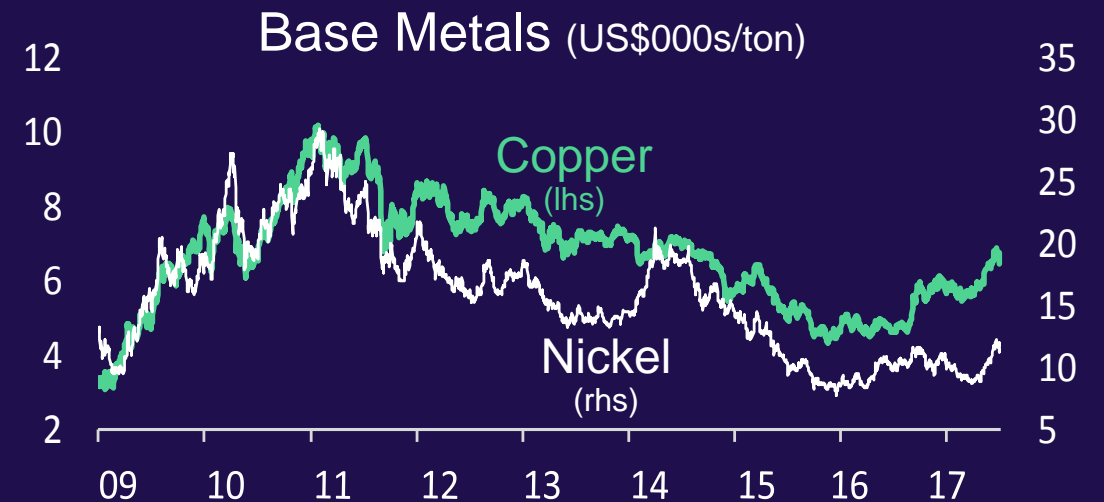
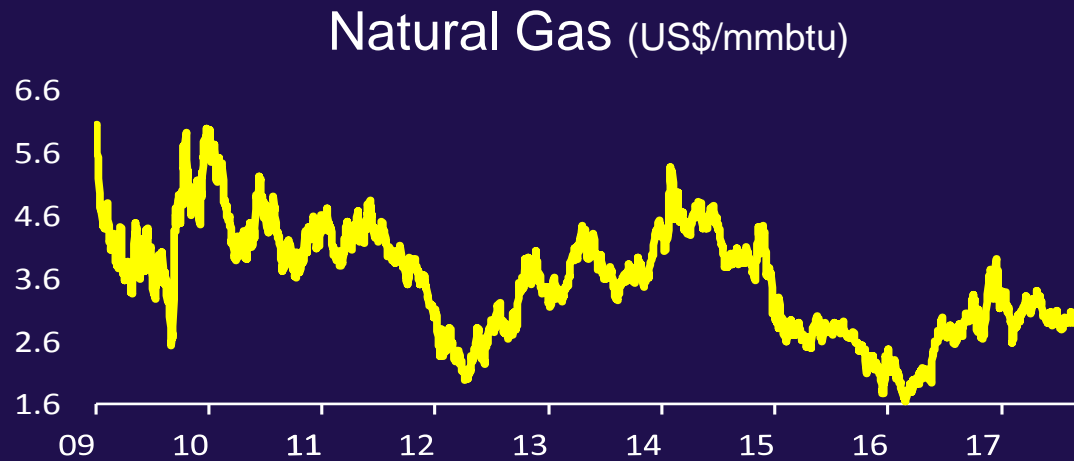
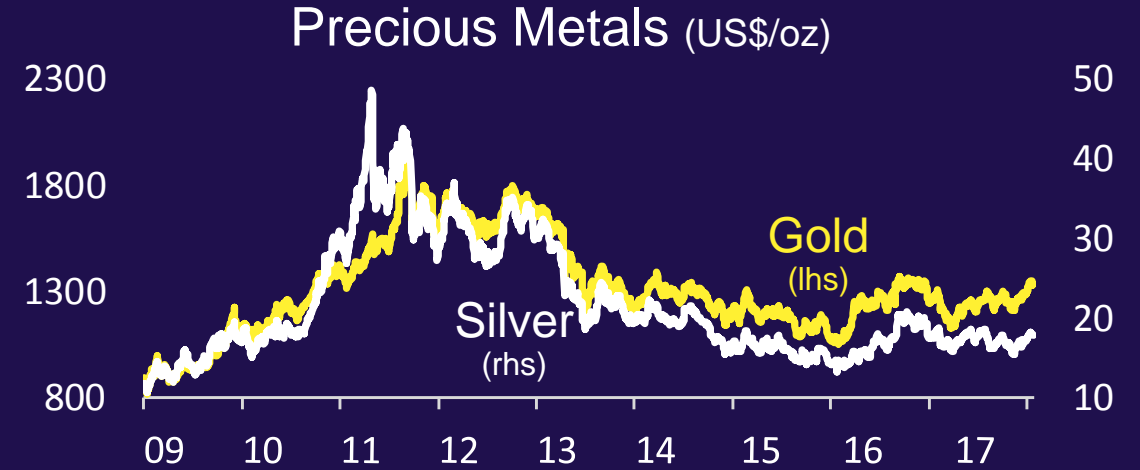
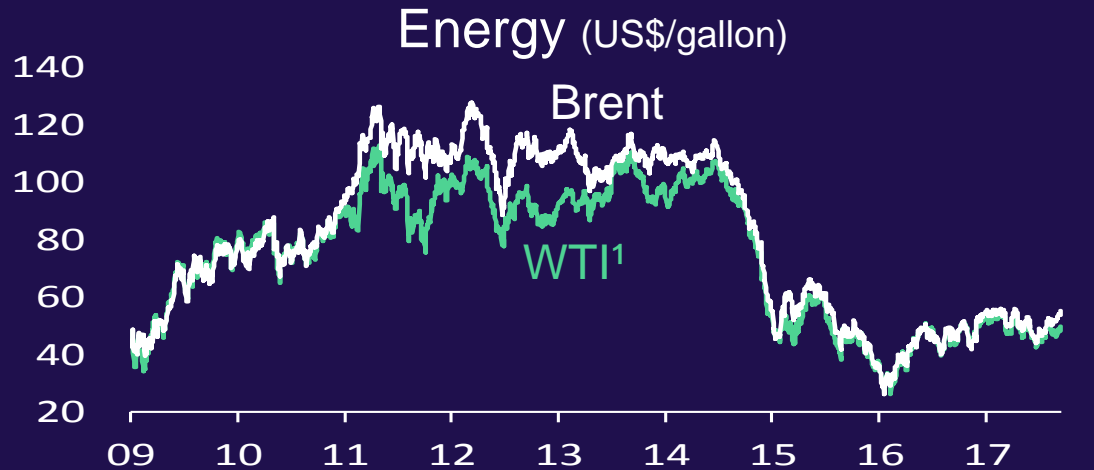
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Forecast = BMO Capital Markets ¹ (US\$/bbl) ² (US¢/C\$)
Source: Haver Analytics, Bank of Canada, Bloomberg, U.S. Energy Information Administration

Commodity Price Decline Hurts Canada

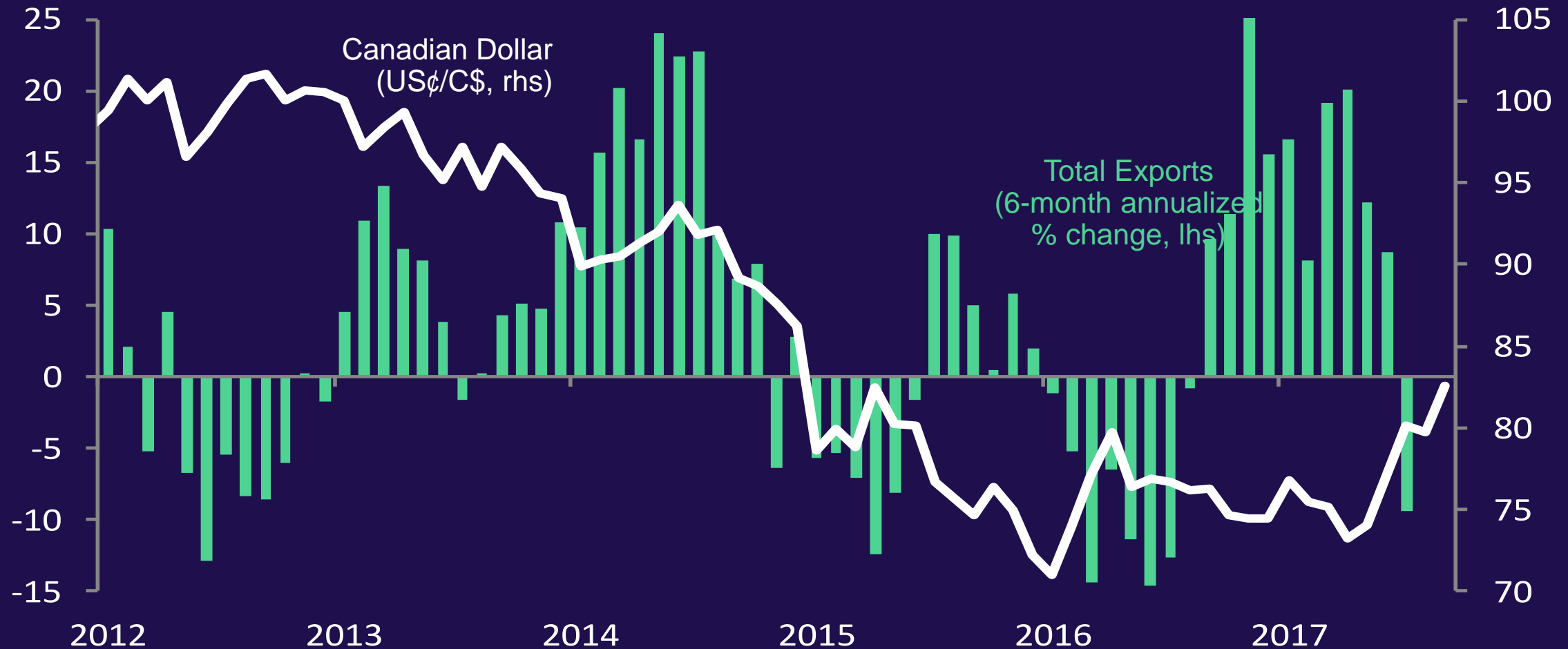
(as of September 15, 2017)



¹ West Texas Intermediate

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

Exports Strong On Synchronized Global Growth



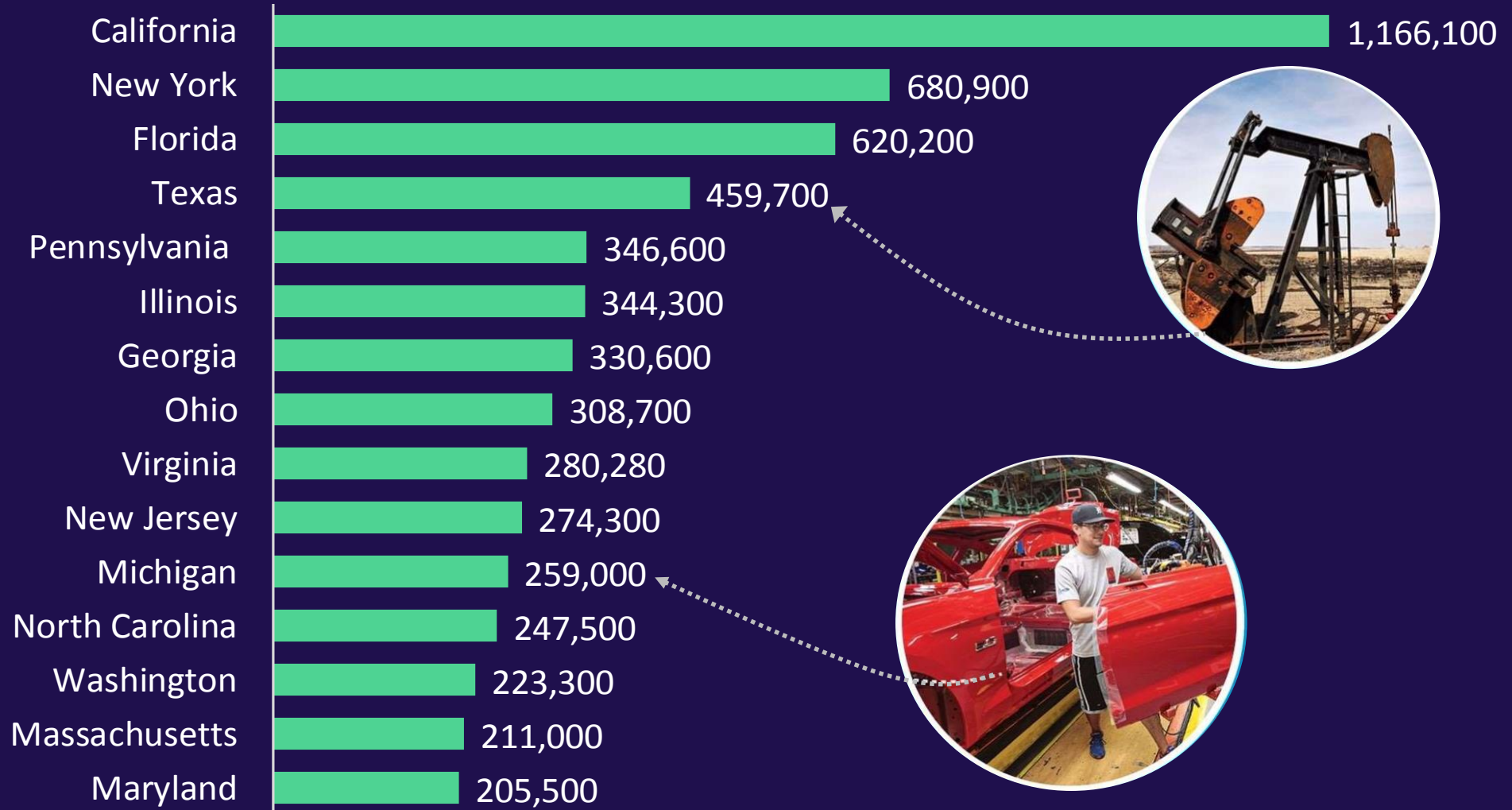
U.S. Hangs Tough On NAFTA



Trump Threat All Talk
U.S. Wants Massive Overhaul
Canada United, U.S. Divided
Talks Will Get Messy

U.S. Jobs Created By Trade with Canada

Total Number of Jobs



TSX Underperforms the S&P 500

(Index, 100 = 2009, as of September 15, 2017)



Annual Growth Rates
(percent change, as of September 14, 2017)

	TSX	S&P 500
2017	-0.8	11.7
2016	17.5	9.5
2015	-11.1	-0.7
2014	7.6	11.4
2013	9.6	29.6

Housing Looms Large ...But Slowing

Canada
(percent)

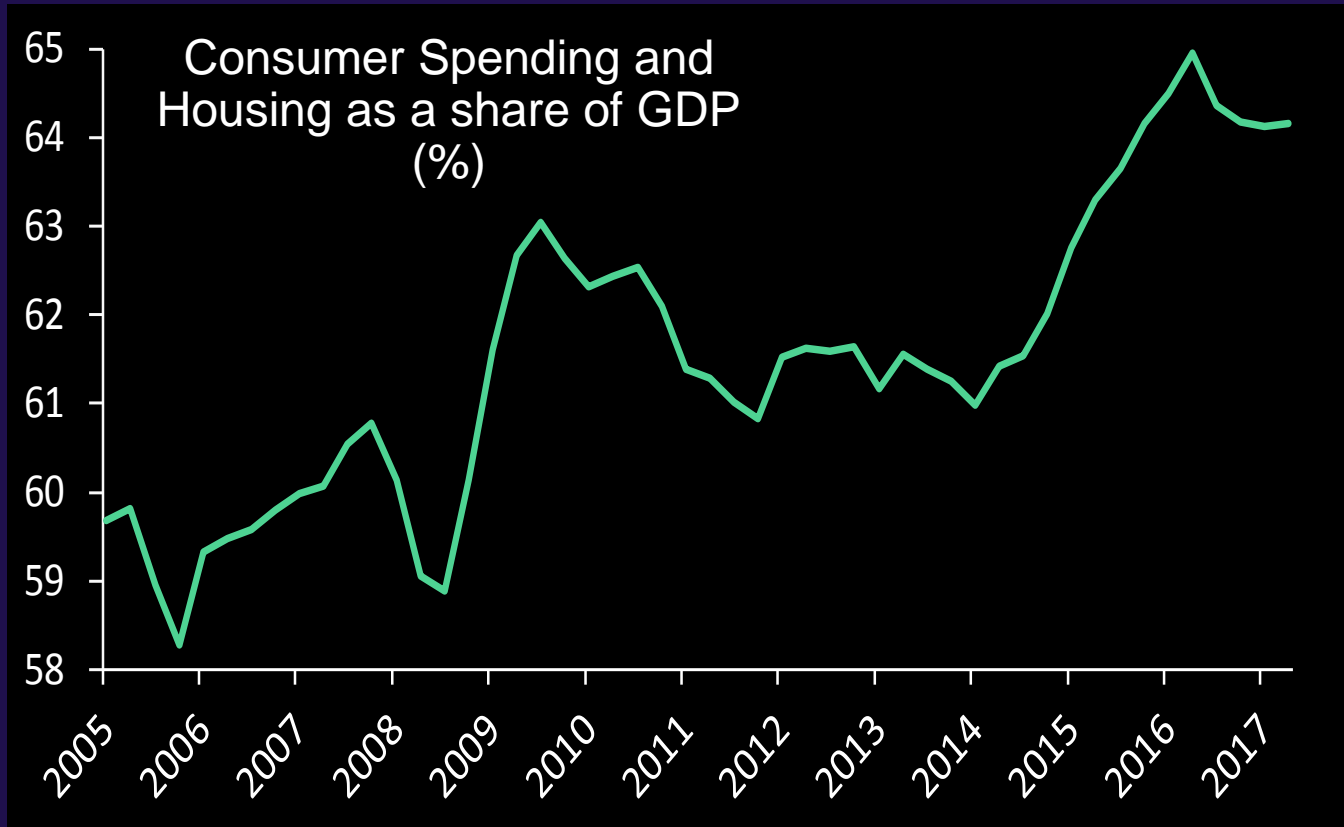


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Greater Than Normal Uncertainty in Housing

Economy Vulnerable to Rate Hikes



Banks Downgraded

Credit Conditions Tightened

Volume of Insured Mortgages Decline

Appraisers Lowering Values

Toronto Prices Down 7.5% since April

Resales Down

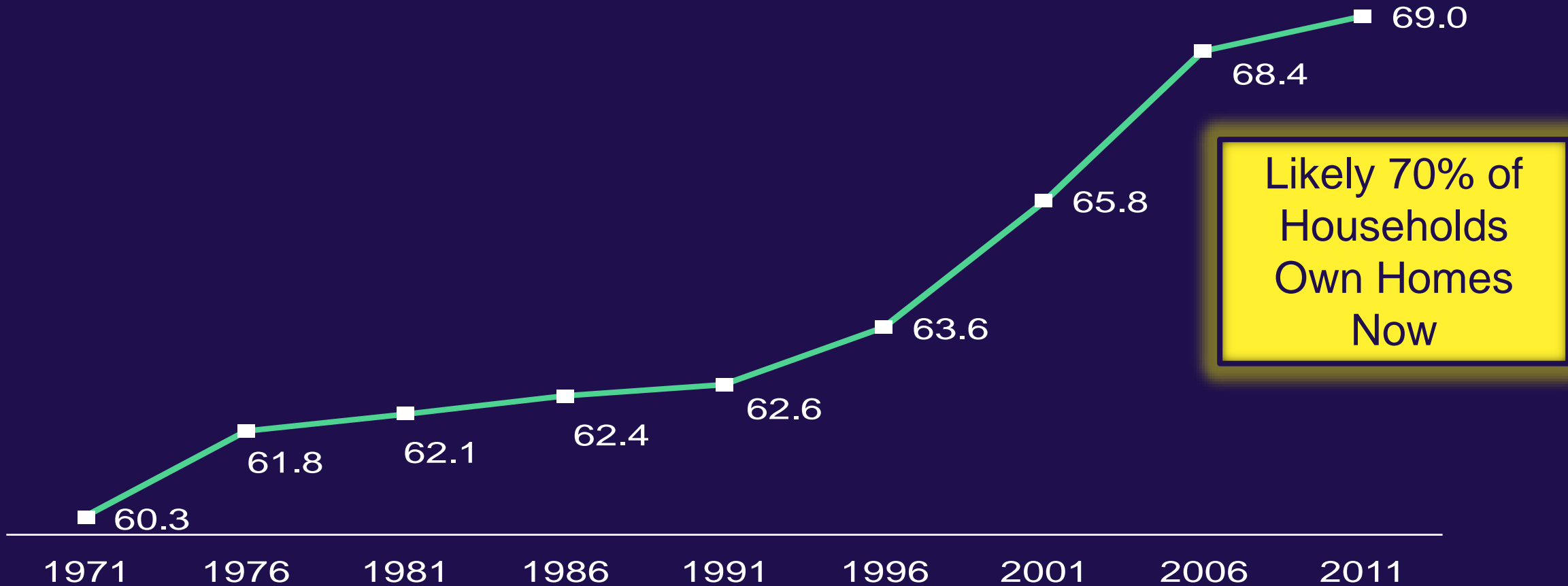
Listings Up

Second Mortgage Demand Up

Psychology Shifting

Canadian Homeownership At A Record High

Homeowners as a % of all Canadian Households
(percent)

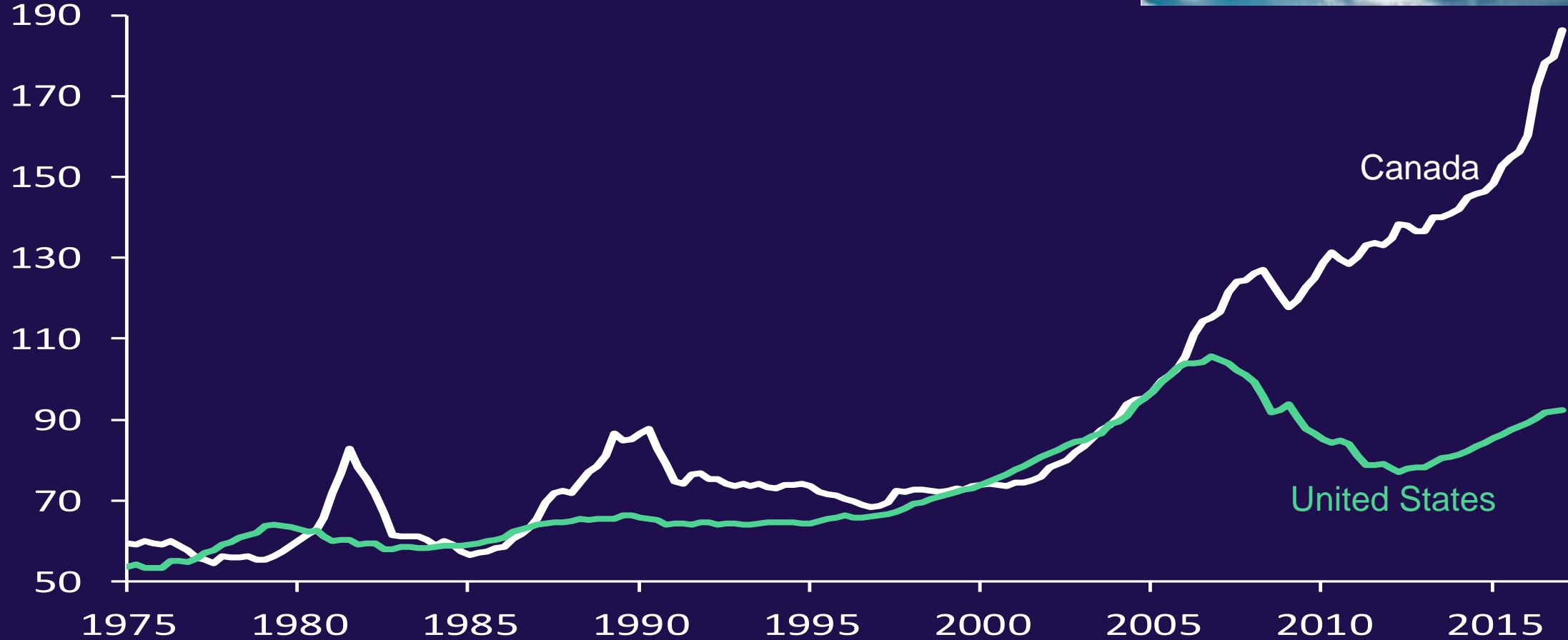


Debt-Financed Bubble Worry

Real House Price Index
(index, 2005 = 100, seasonally adjusted)



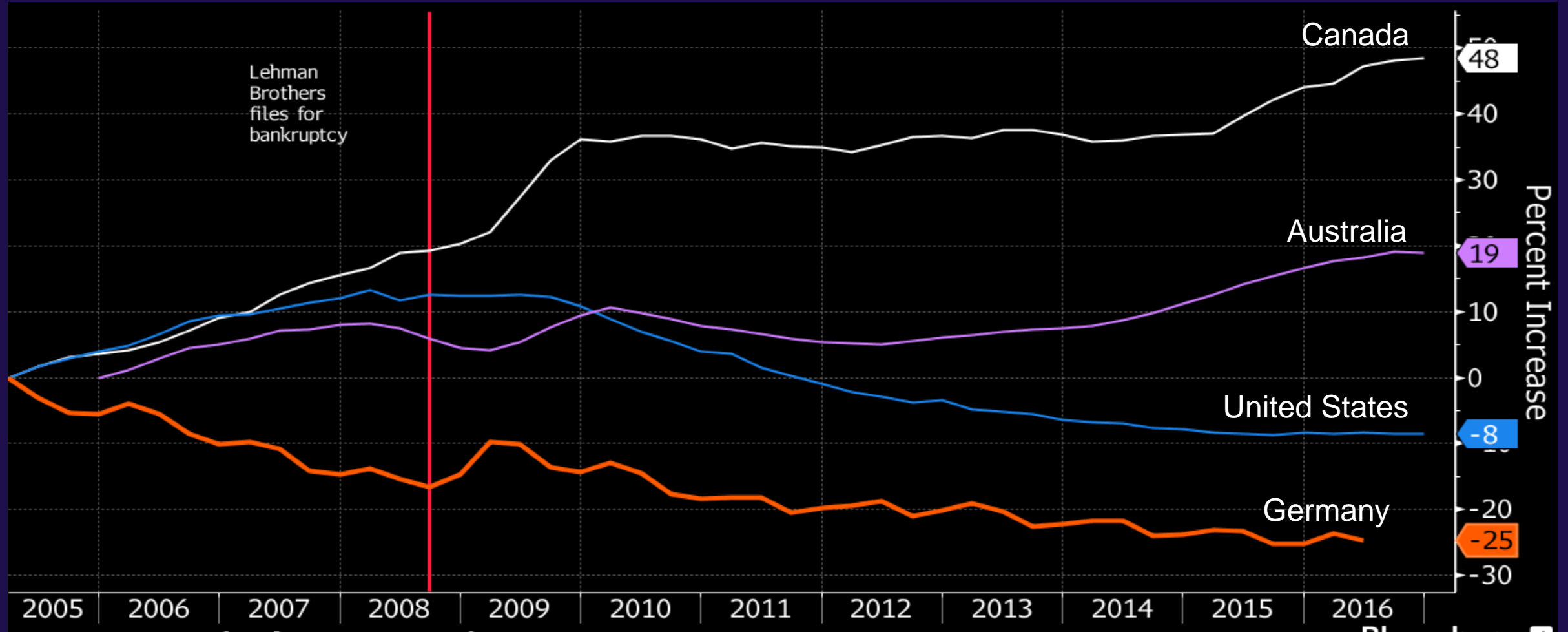
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Rising Risks: Record High Debt-to-GDP

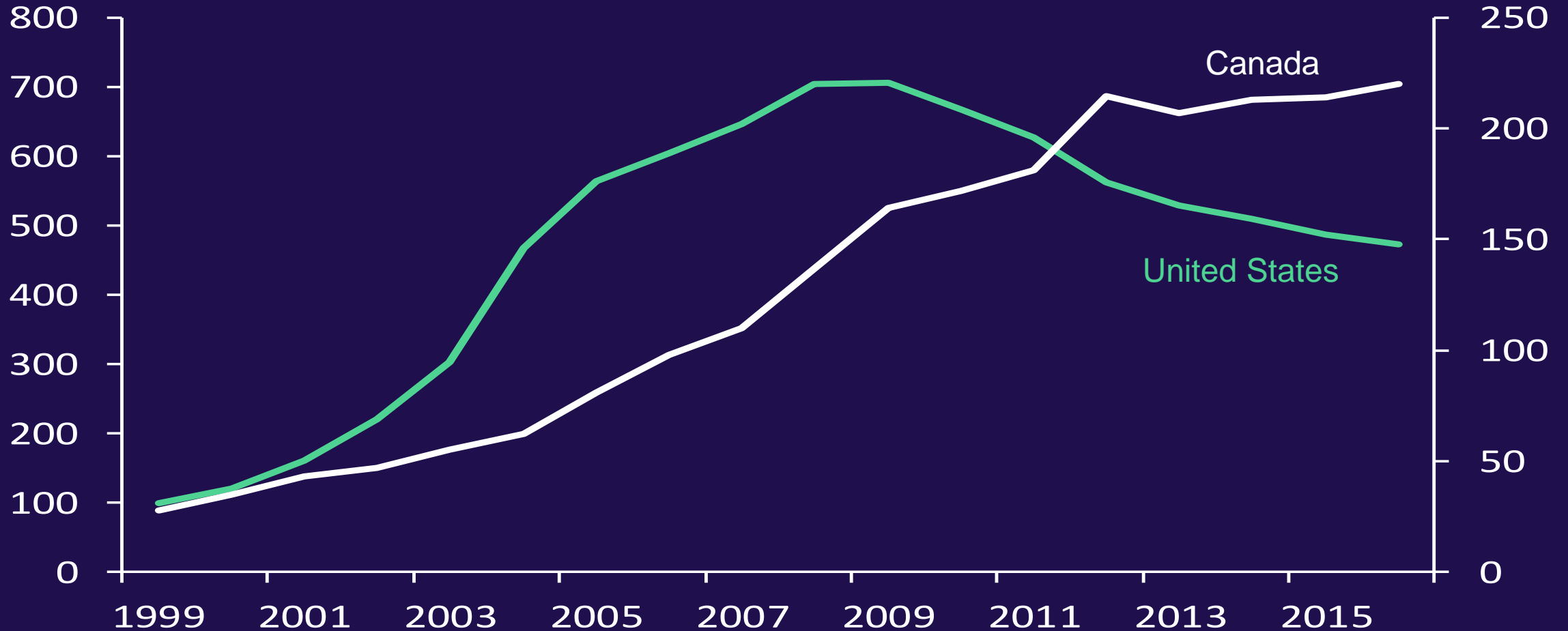
Household Debt as a Percentage of GDP

(March 2005 = 100)



Canadians Rely Heavily on HELOCs

Home Equity Line of Credit (HELOCs)
(local currency, \$blns)



Canadian Housing-to-Income Disconnect

(seasonally adjusted: January 1995 = 100)

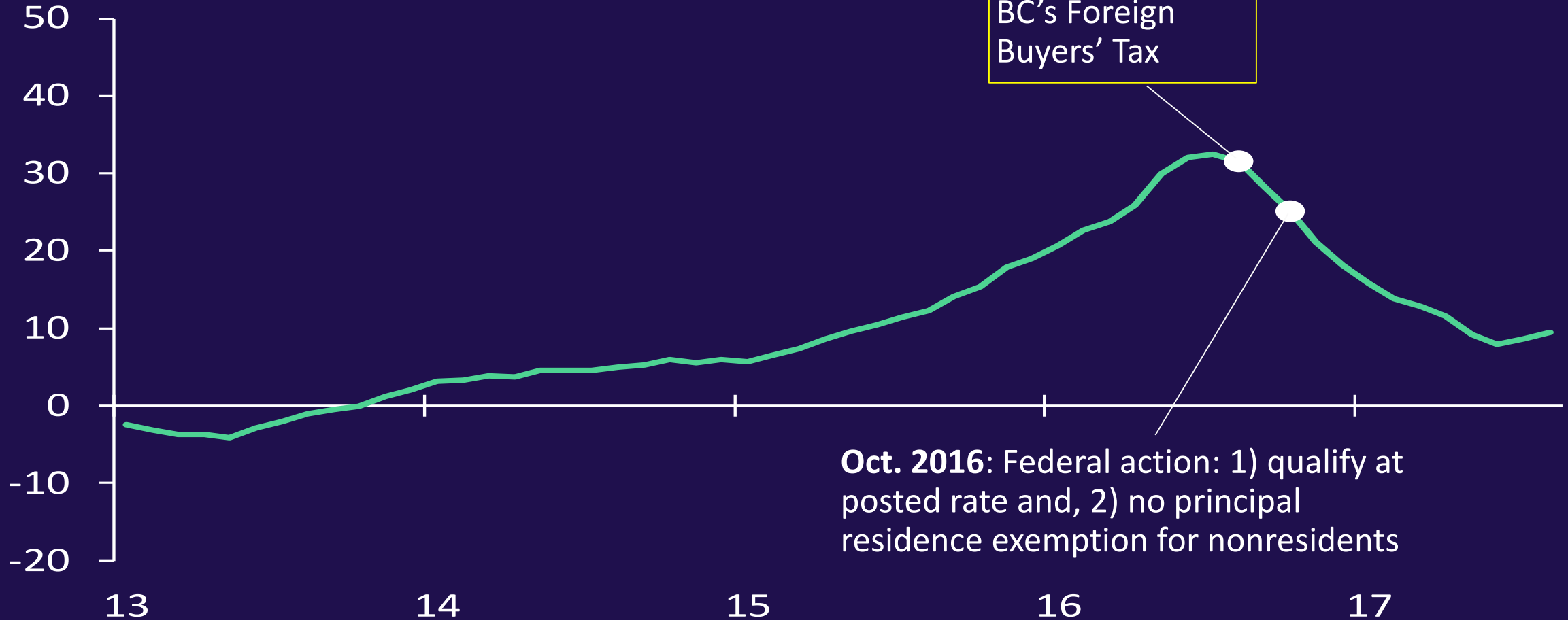


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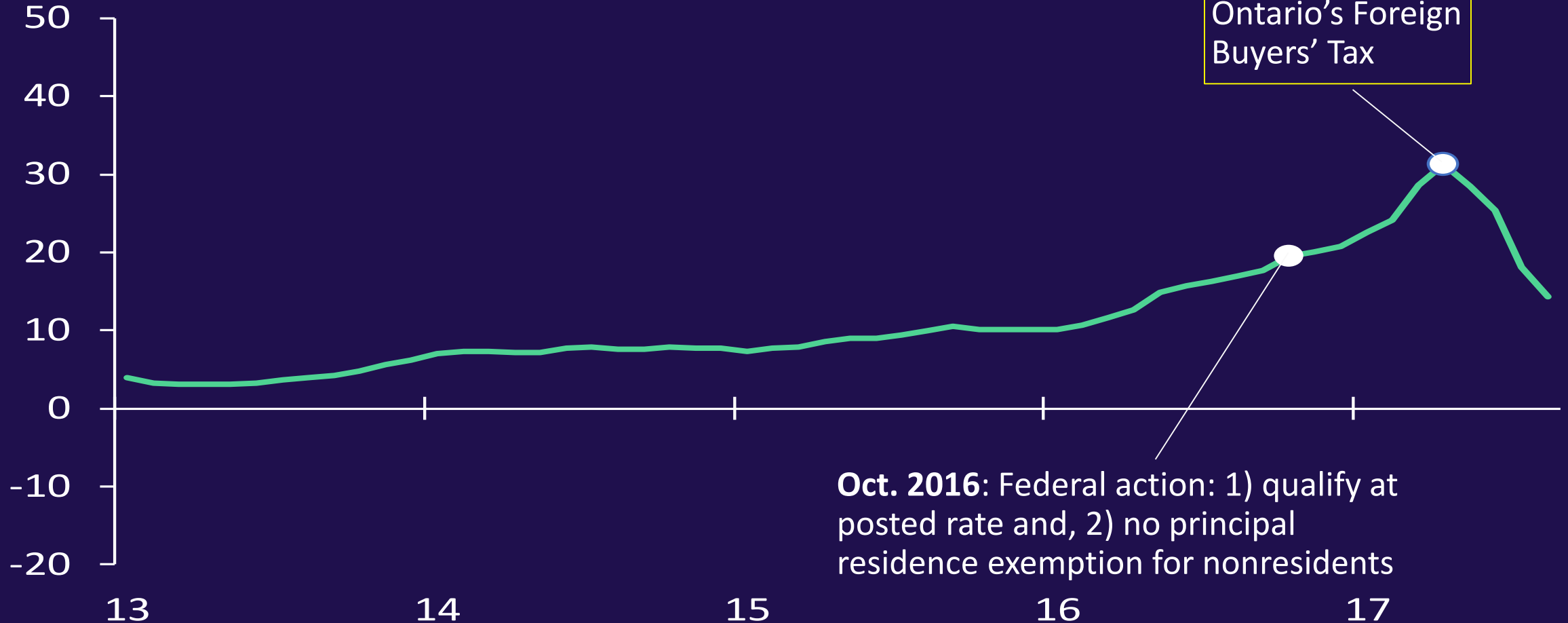
The Cooling Vancouver Price Gains

Vancouver Composite Home Price Index
(year/year % change)



The Cooling Metro Toronto Price Gains

Greater Toronto Area Composite Home Price Index
(year/year % change)

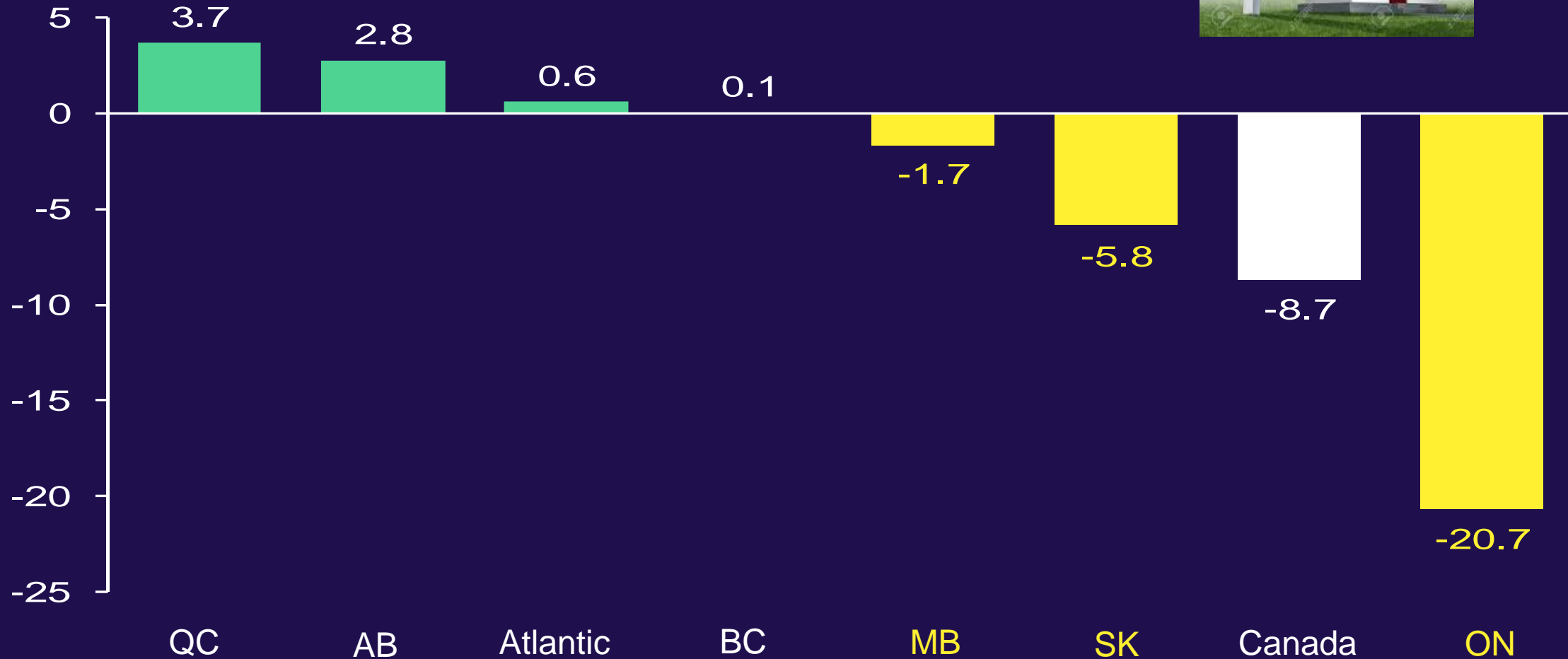


Home Sales Decline In ON and B.C.

Existing Home Sales
(year/year % change, August 2017)



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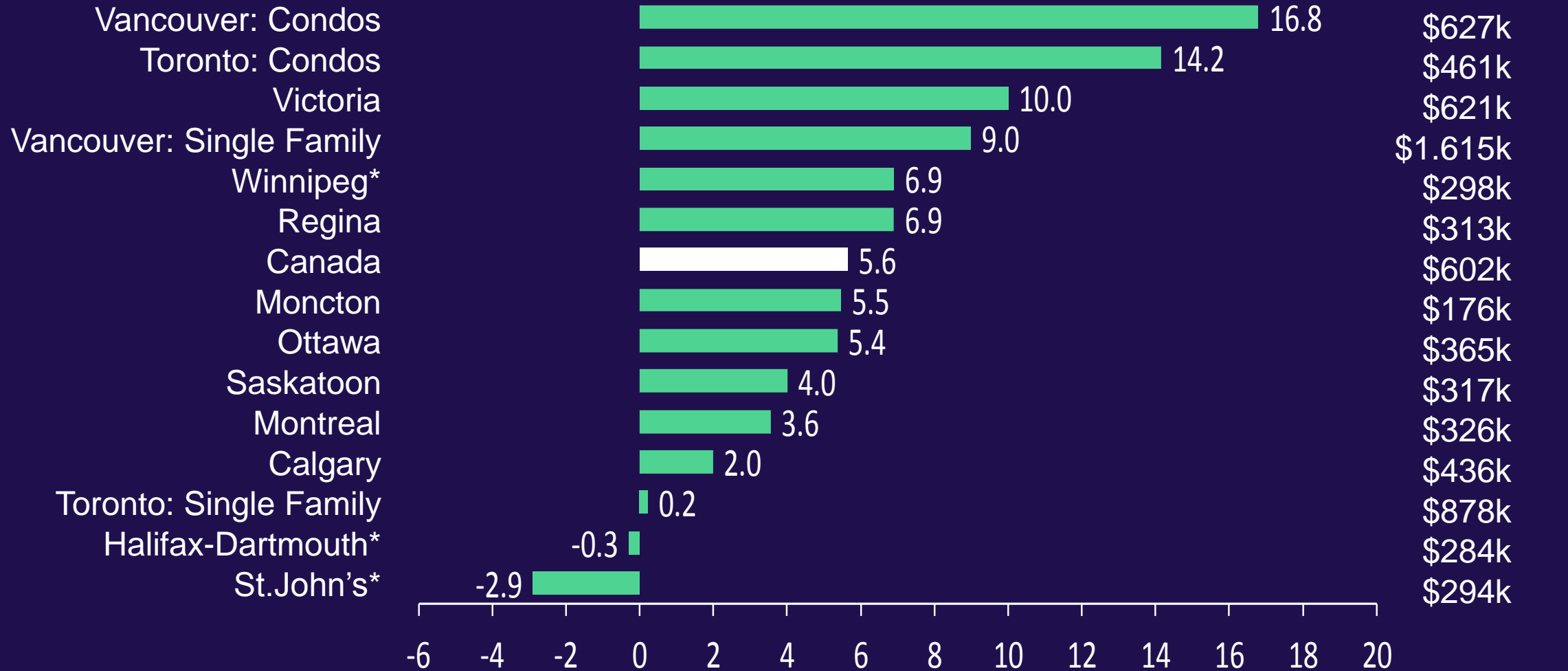


Source: Canadian Real Estate Association, Haver Analytics

Condo Prices Hold Better Than Single Family Homes

MLS® Home Price Index (HPI)

(6-month percentage change: as of August 2017)



*Using average home prices; year/year % change
Source: Canadian Real Estate Association (CREA)

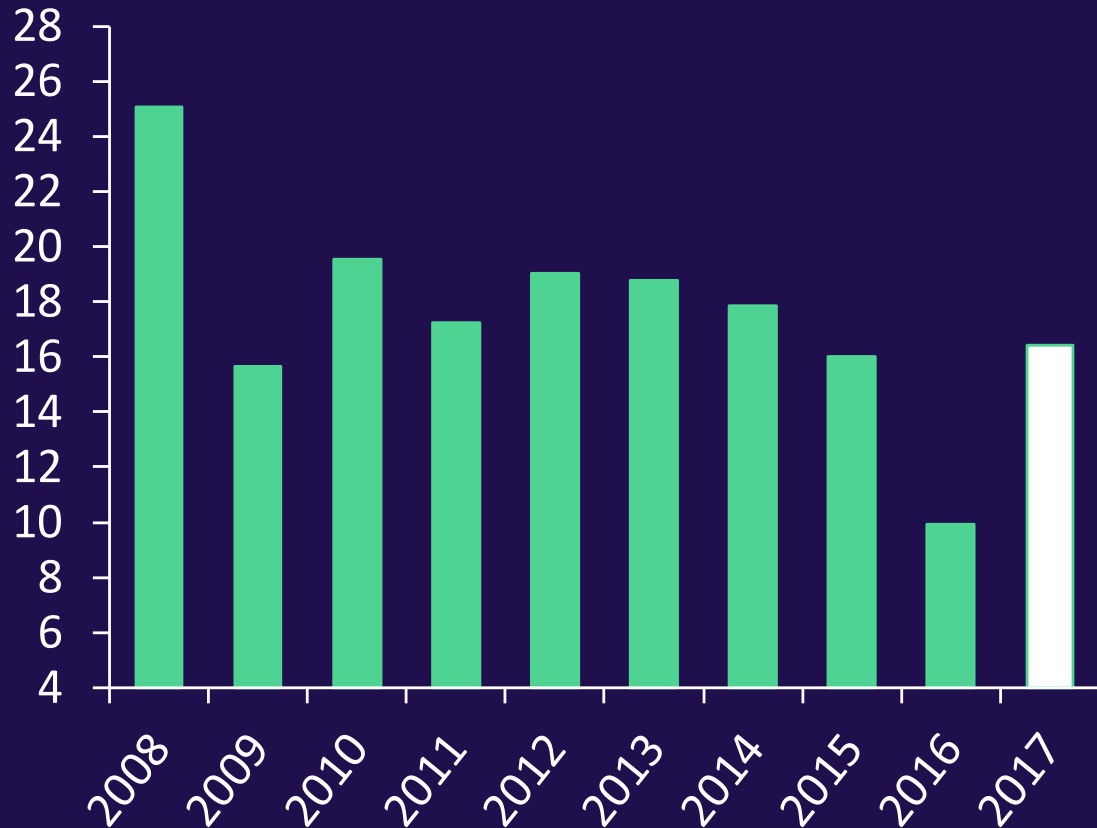
Listings Surge 27% in GTA Since April

Number of Active Listings
(000s units, August 2017)

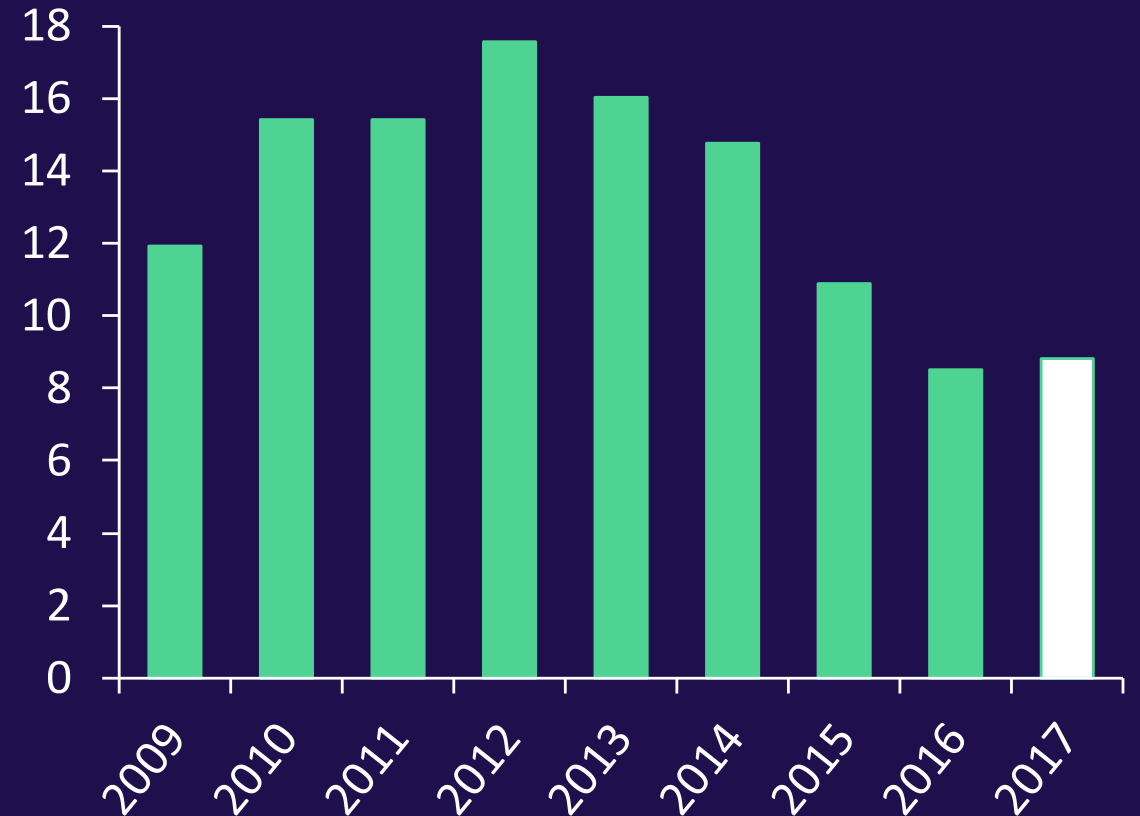


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Toronto



Vancouver



Canadian Home Price Inflation Will Slow

CREA House Price Index
(year/year % change)



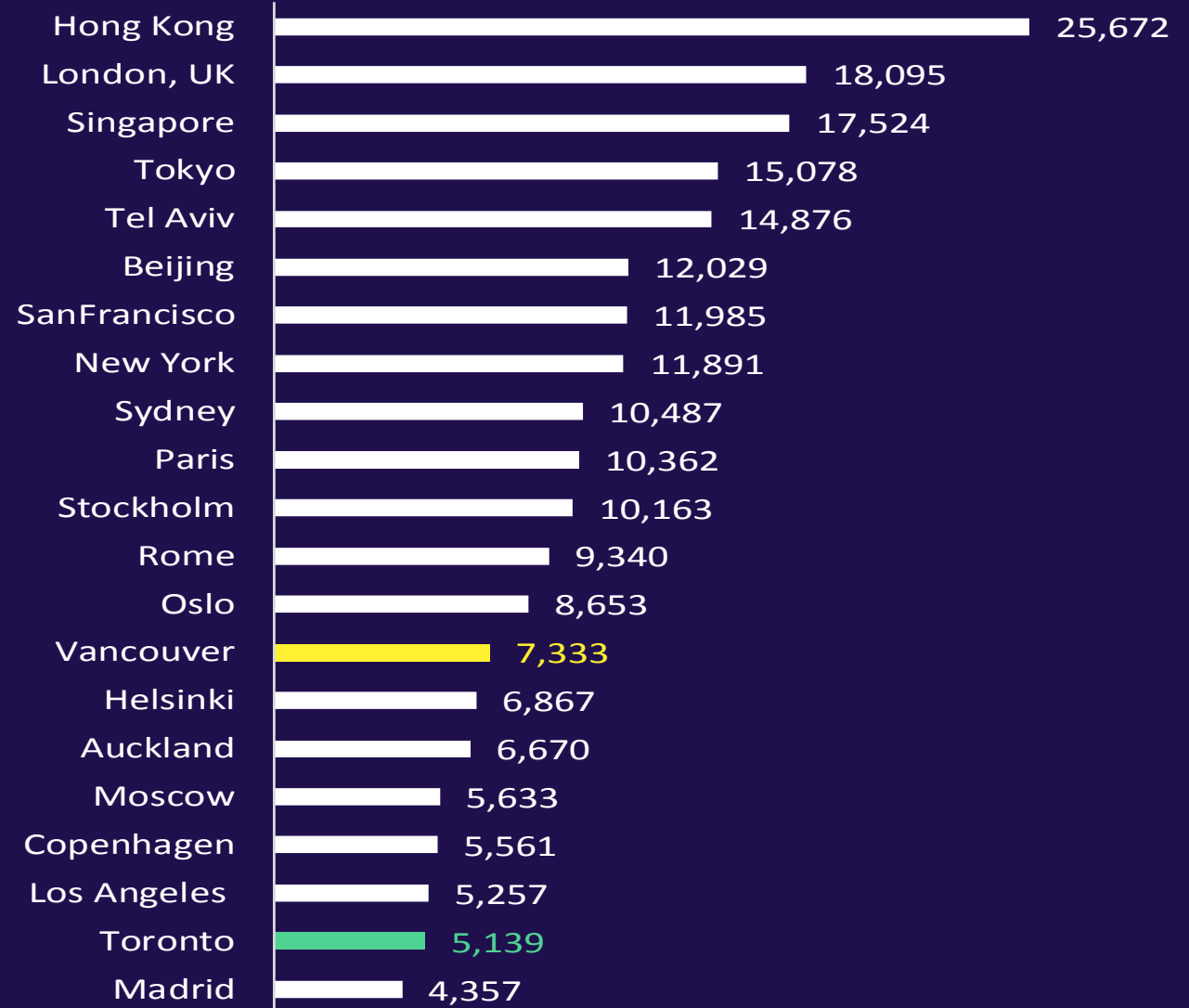
Average Existing Home Prices (year-over-year % change)		
	Vancouver	Toronto
2017*	2.8	10.4
2018*	4.9	-5.8

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White bars indicate forecasts. Forecast provided TD Economics (as of August 2017)
Source: CREA, Haver Analytics

Toronto and Vancouver Prices Lag Global Cities

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



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