

Economic Outlook

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Vancouver
September 19, 2016



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

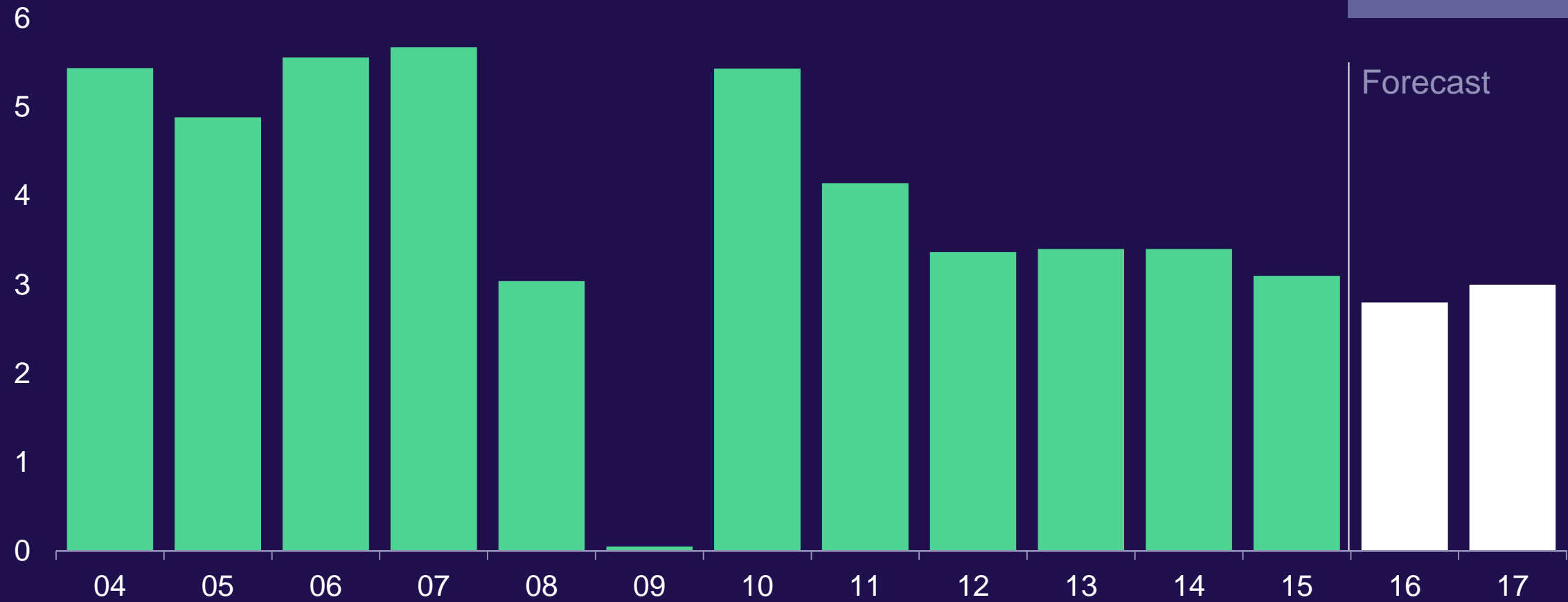


U.S. Tops Developed World
China Slowdown
Canada Falters
Oil Prices Waver
Negative Interest Rates Abound

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

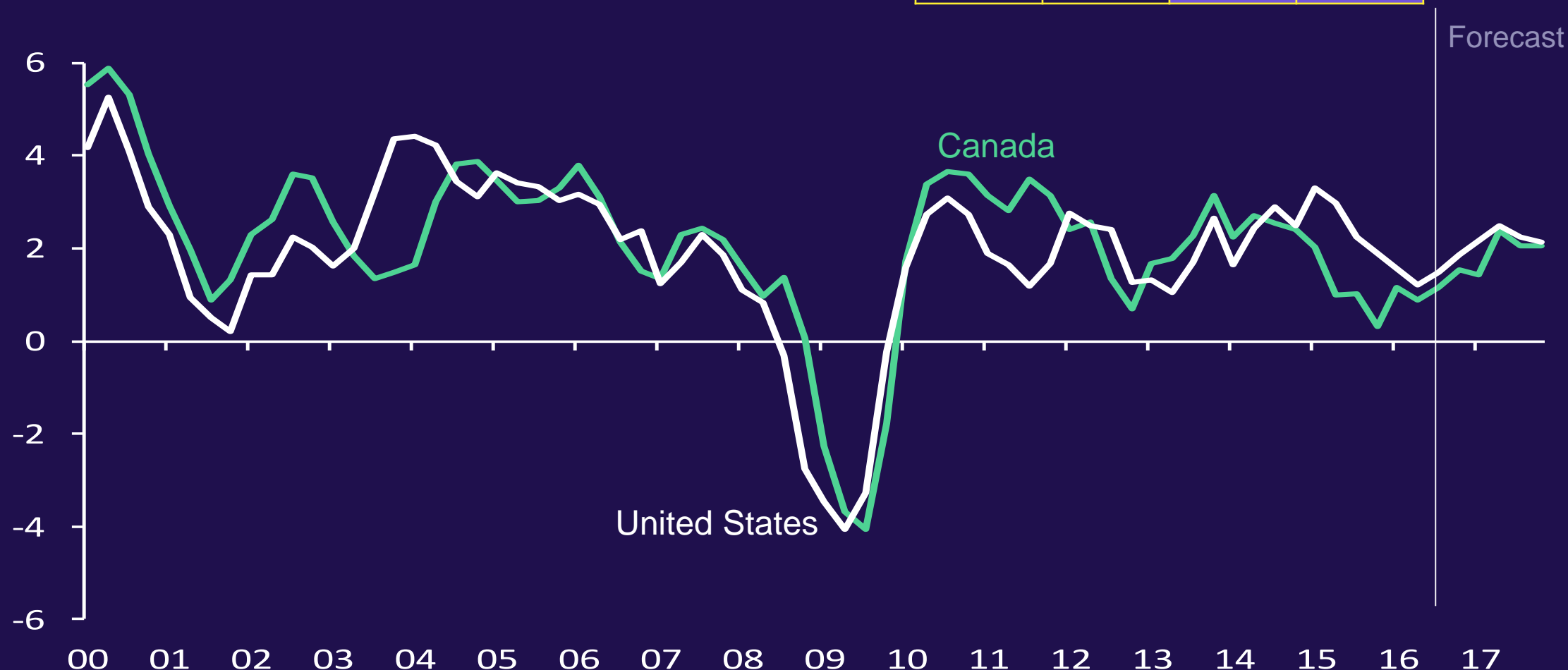
Slower for Longer Economy Means Lower for Longer Interest Rates

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

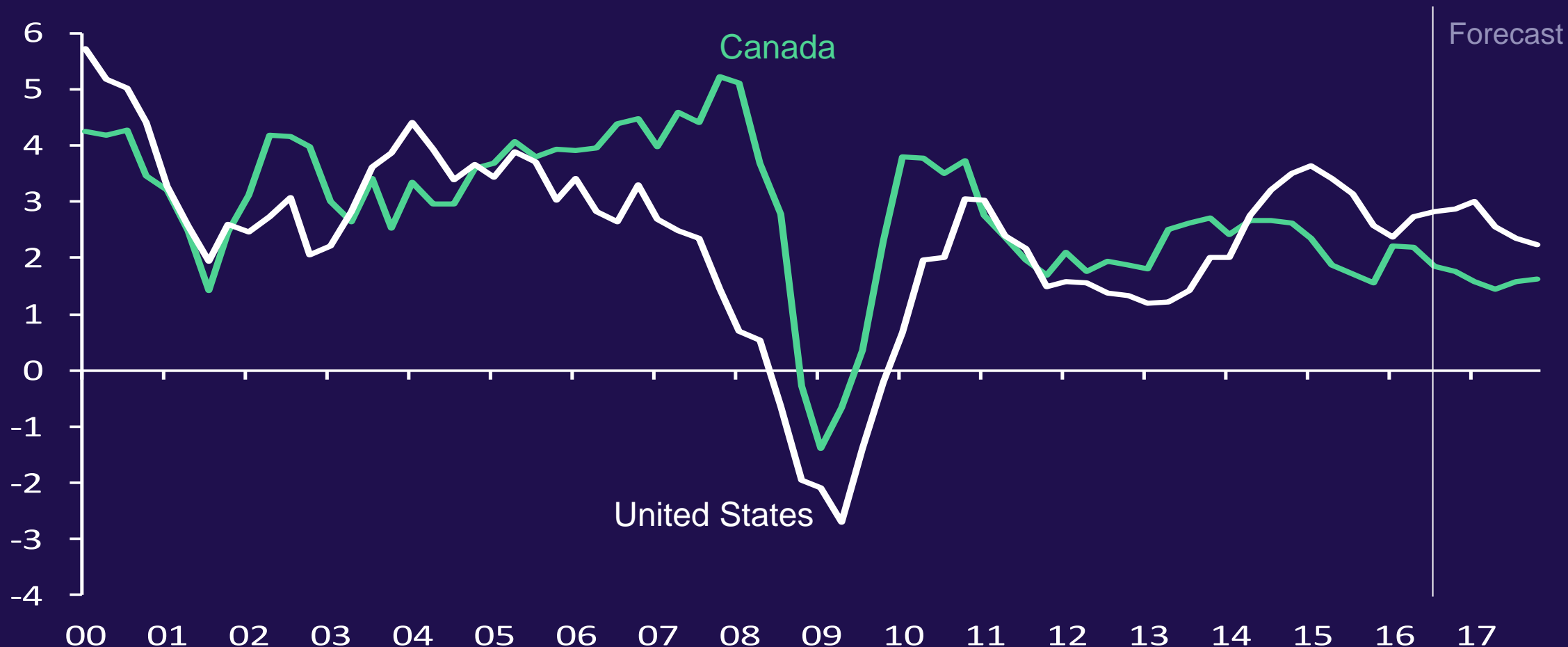
Source: Haver Analytics, Statistics Canada, Bureau of Economic Analysis

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

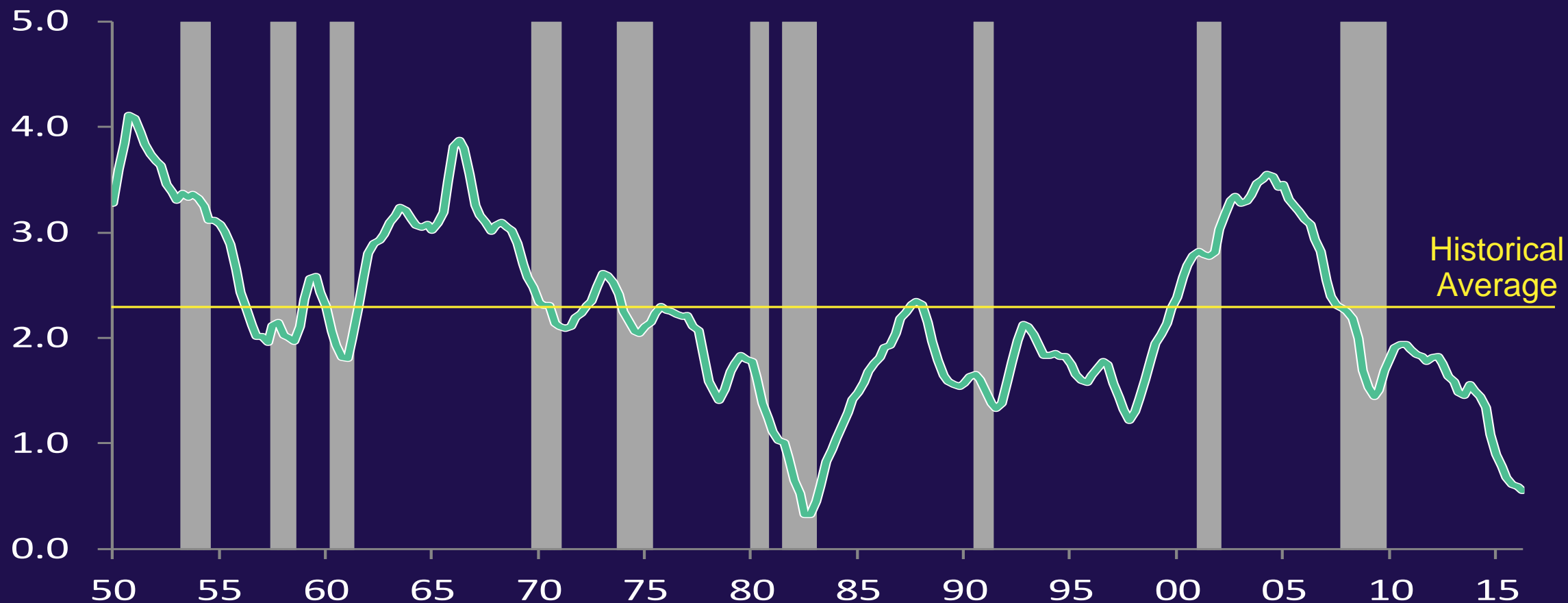
U.S. Productivity Growth Plunges

Nonfarm Business Sector Productivity

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



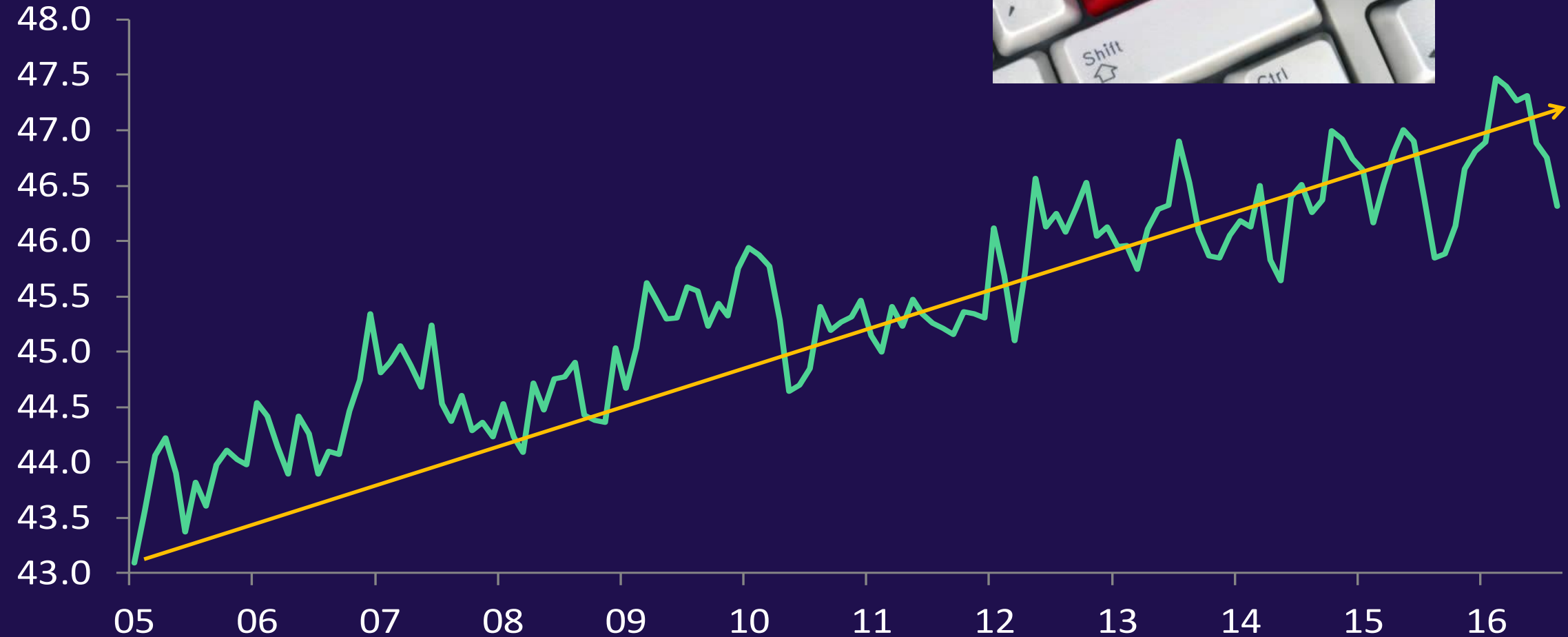
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Shaded regions represent periods of U.S. recession
Source: Haver Analytics, Sherry Cooper Associates

Contingency Jobs On The Rise

United States: Total Contingency Workers*
(millions)

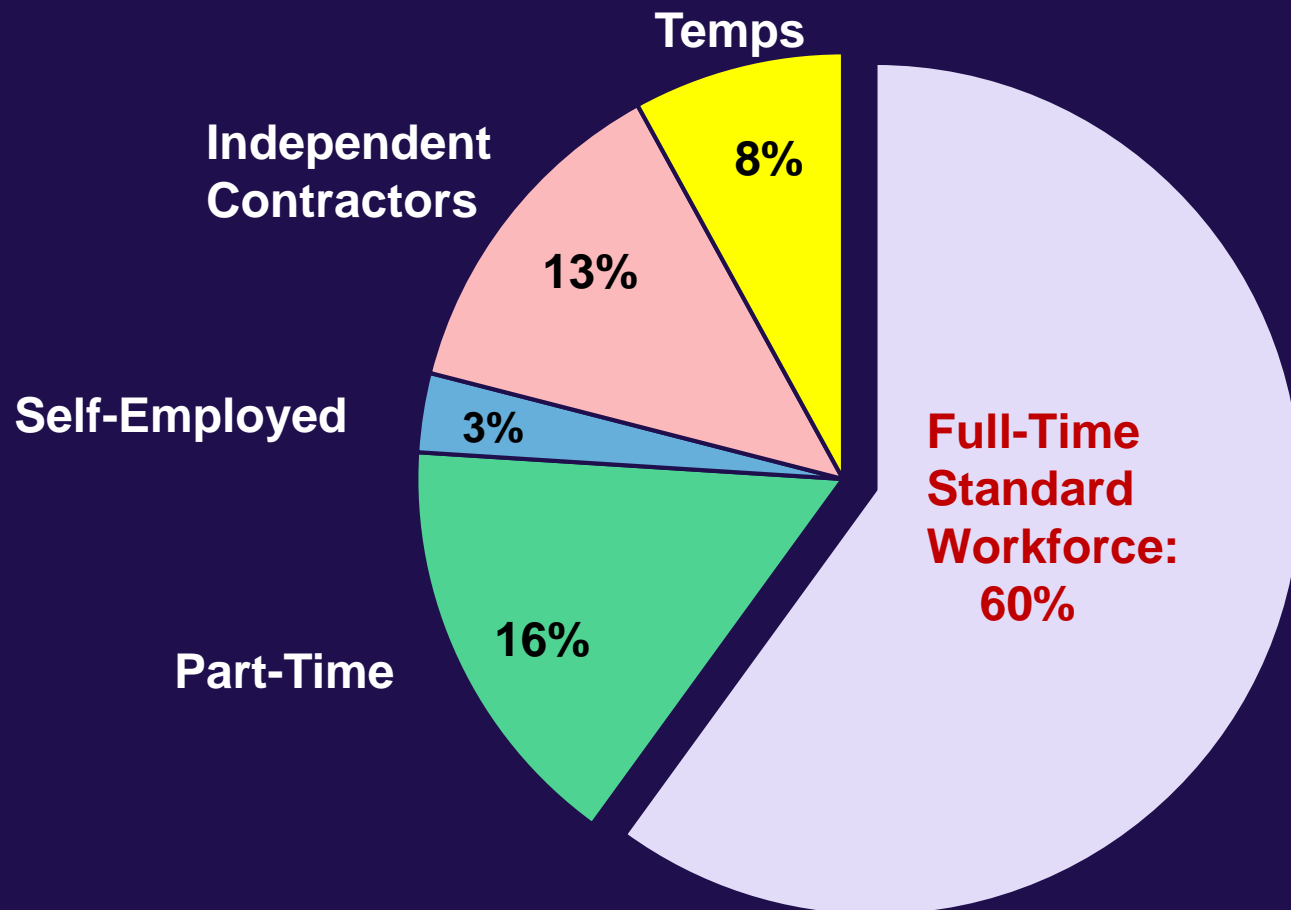


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*Composed of part-time workers, Unincorporated Self-Employed Workers, Contractors
Source: Bureau of Labor Statistics, Haver Analytics, Sherry Cooper Associates

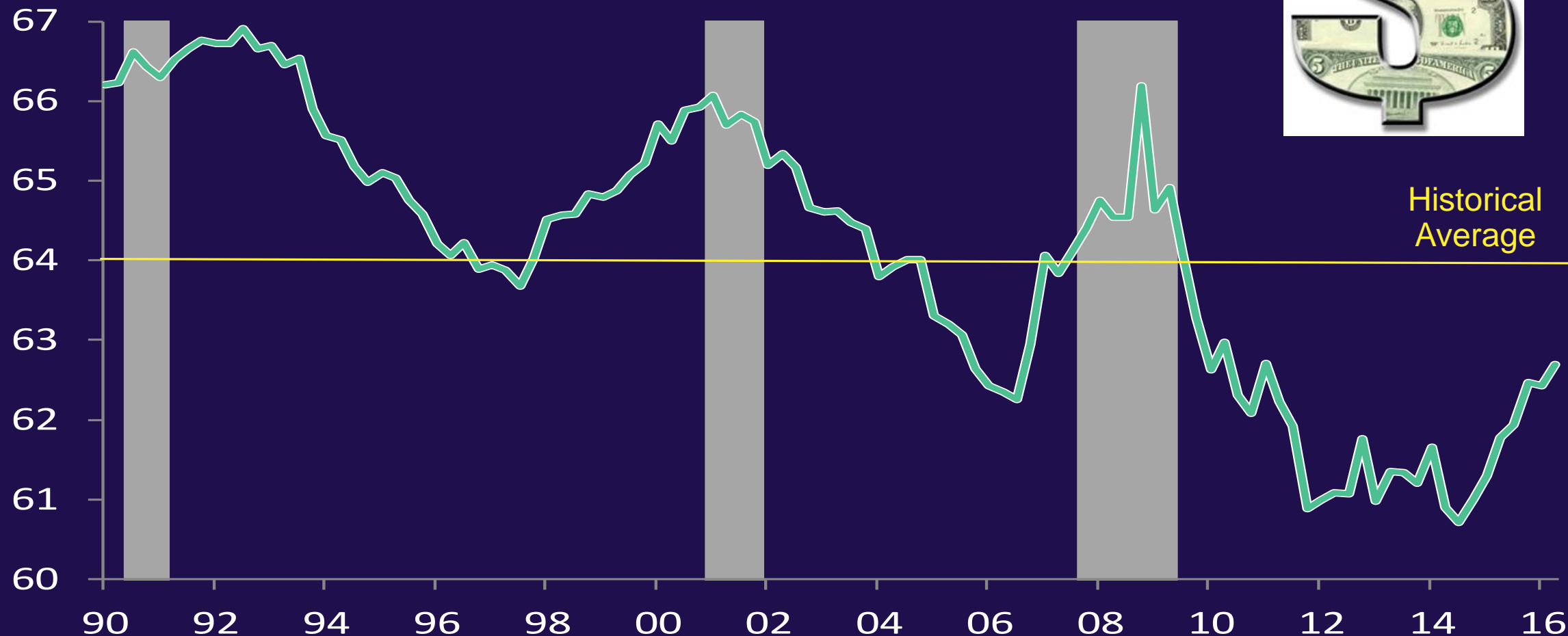
The Gig Economy: 40% Contingent Workforce

2016 Employed Workforce



U.S. Worker Compensation Finally On The Rise

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



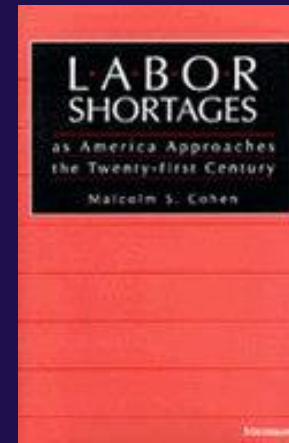
Shaded regions represent periods of U.S. recession
Source: Haver Analytics, Sherry Cooper Associates



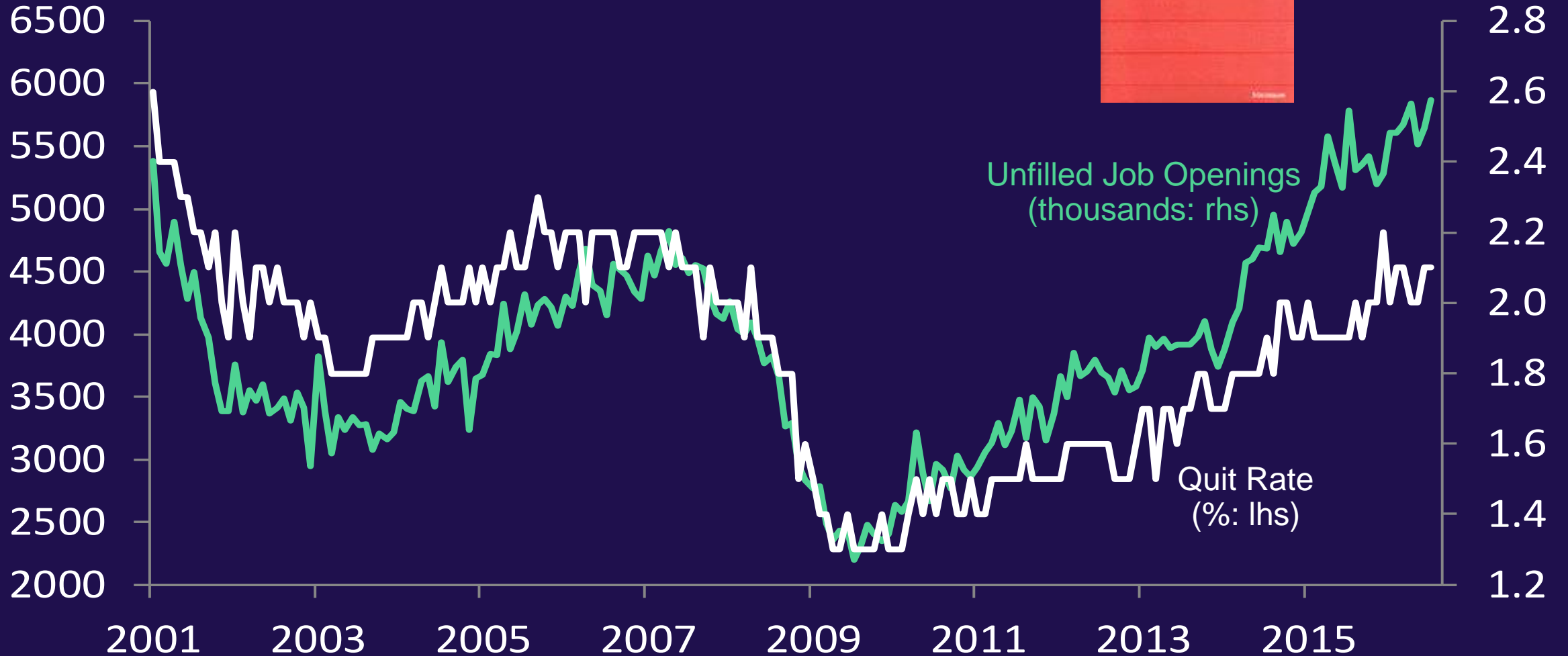
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U.S. Labor Market Very Tight

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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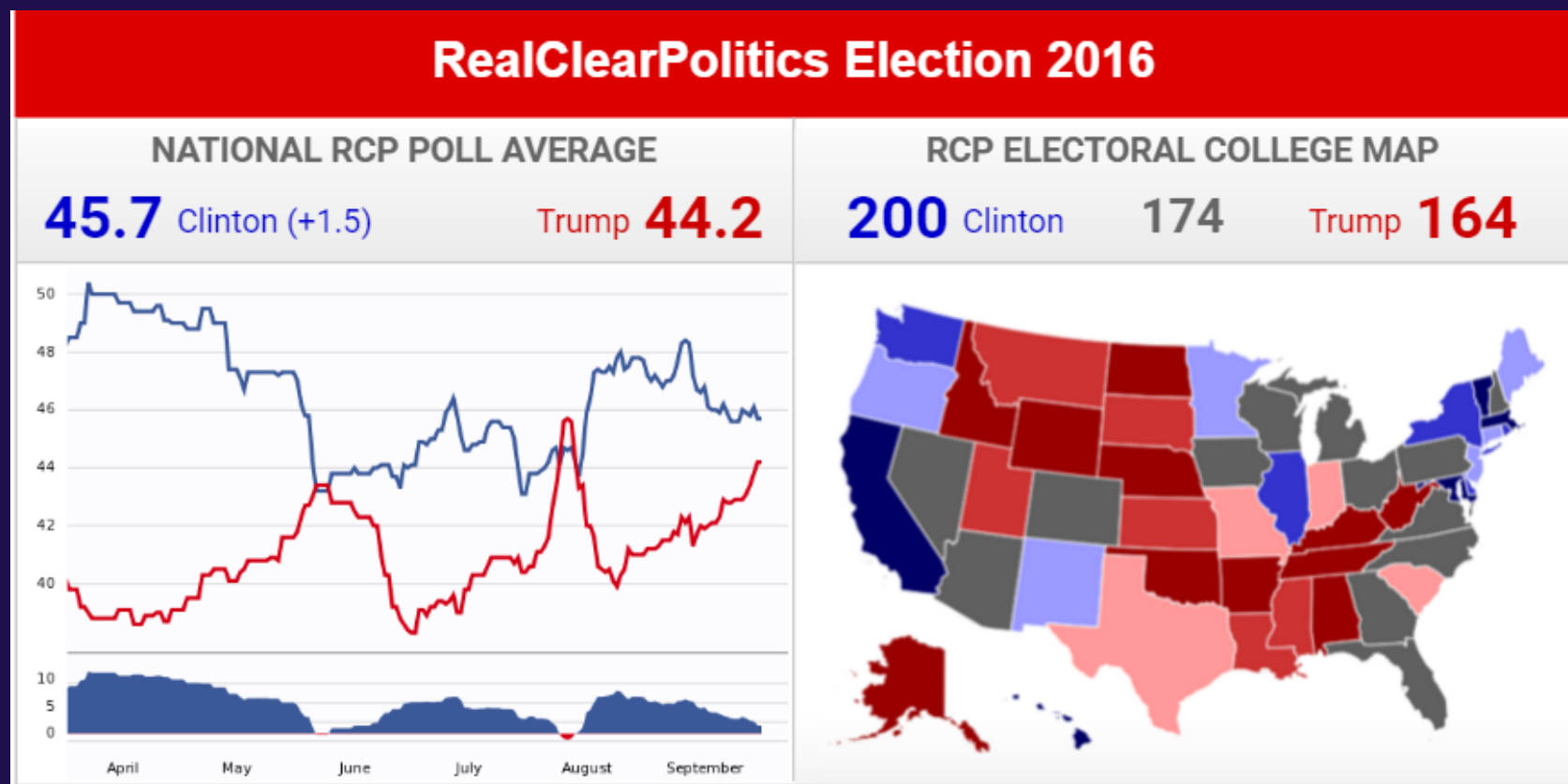


Source: U.S. Census Bureau, Haver Analytics

U.S. Election



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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



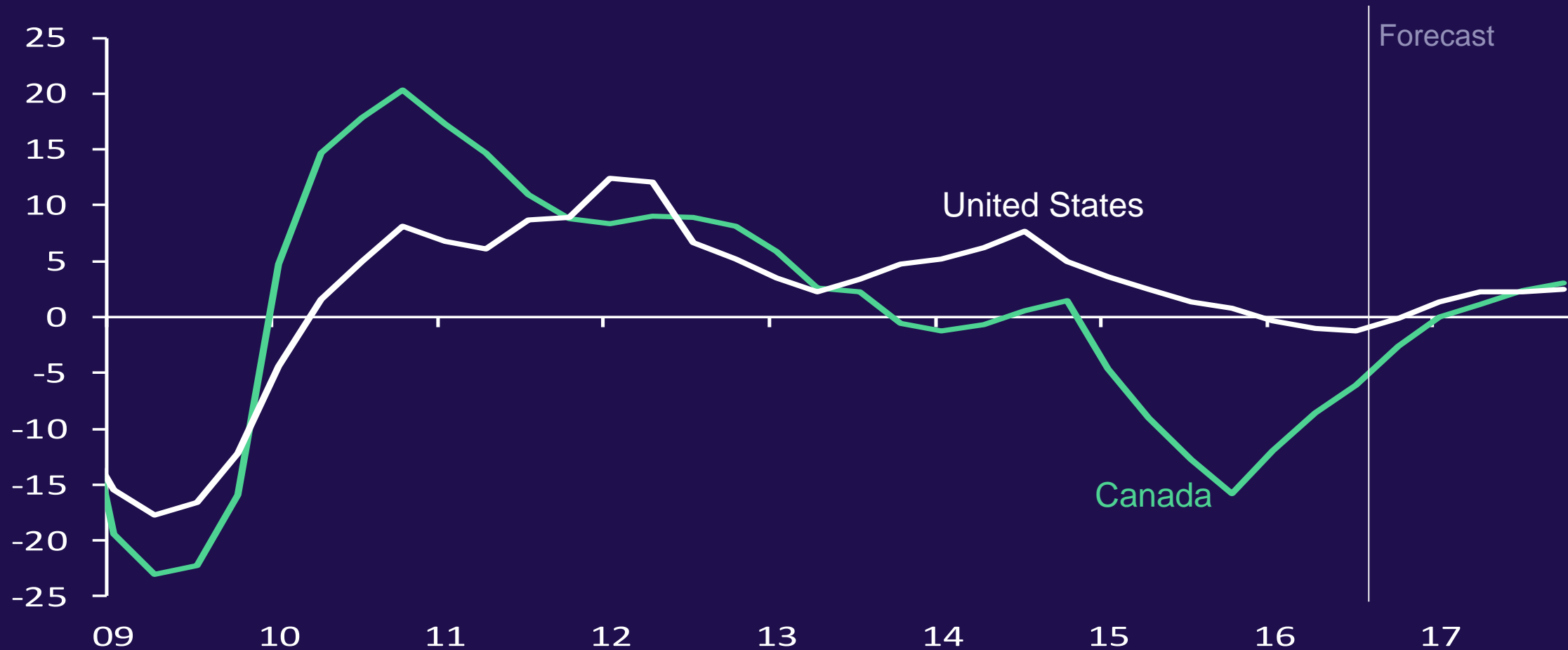
Housing

Oil Rout Drags Down Business Investment

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



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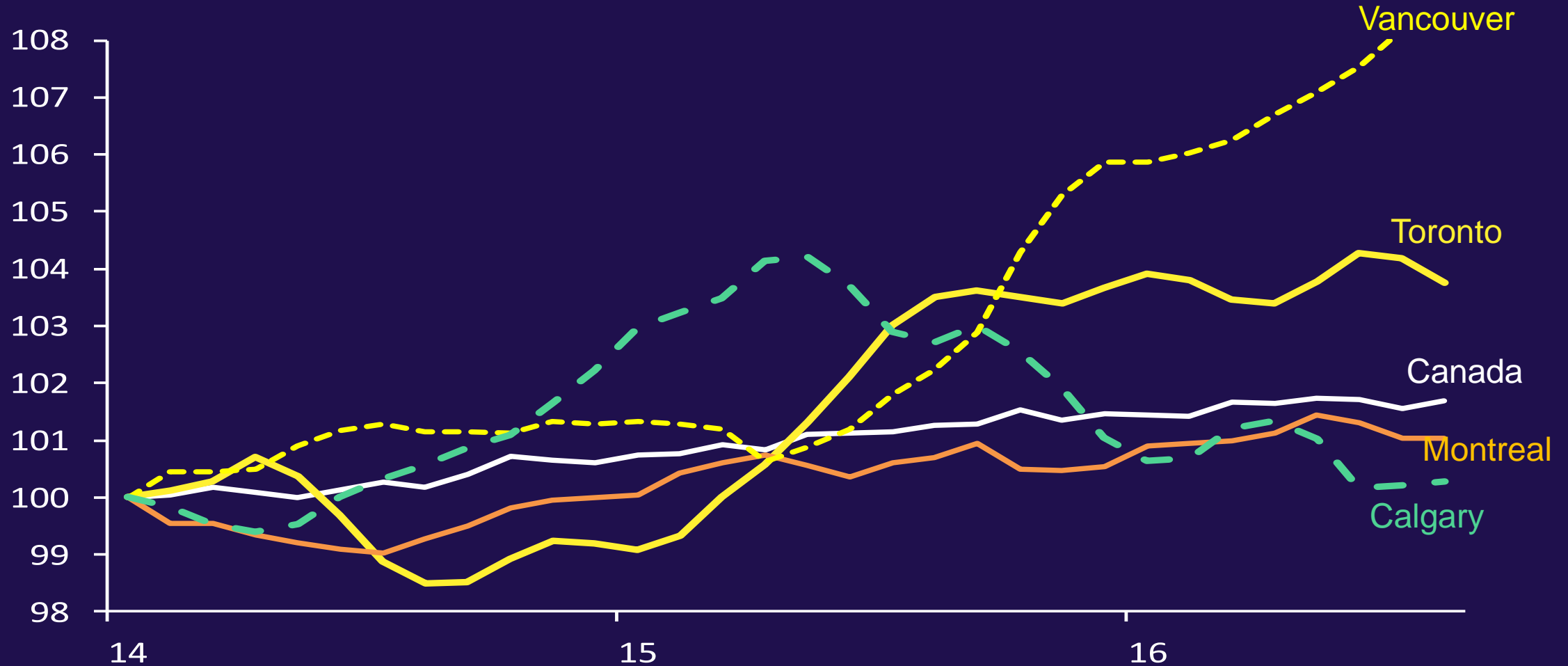
Forecasts = BMO Capital Markets
Source: Haver Analytics, Statistics Canada, Bureau of Economic Analysis

Job Creation In Major Canadian Cities

Employment Level
(index: January 2014 = 100)



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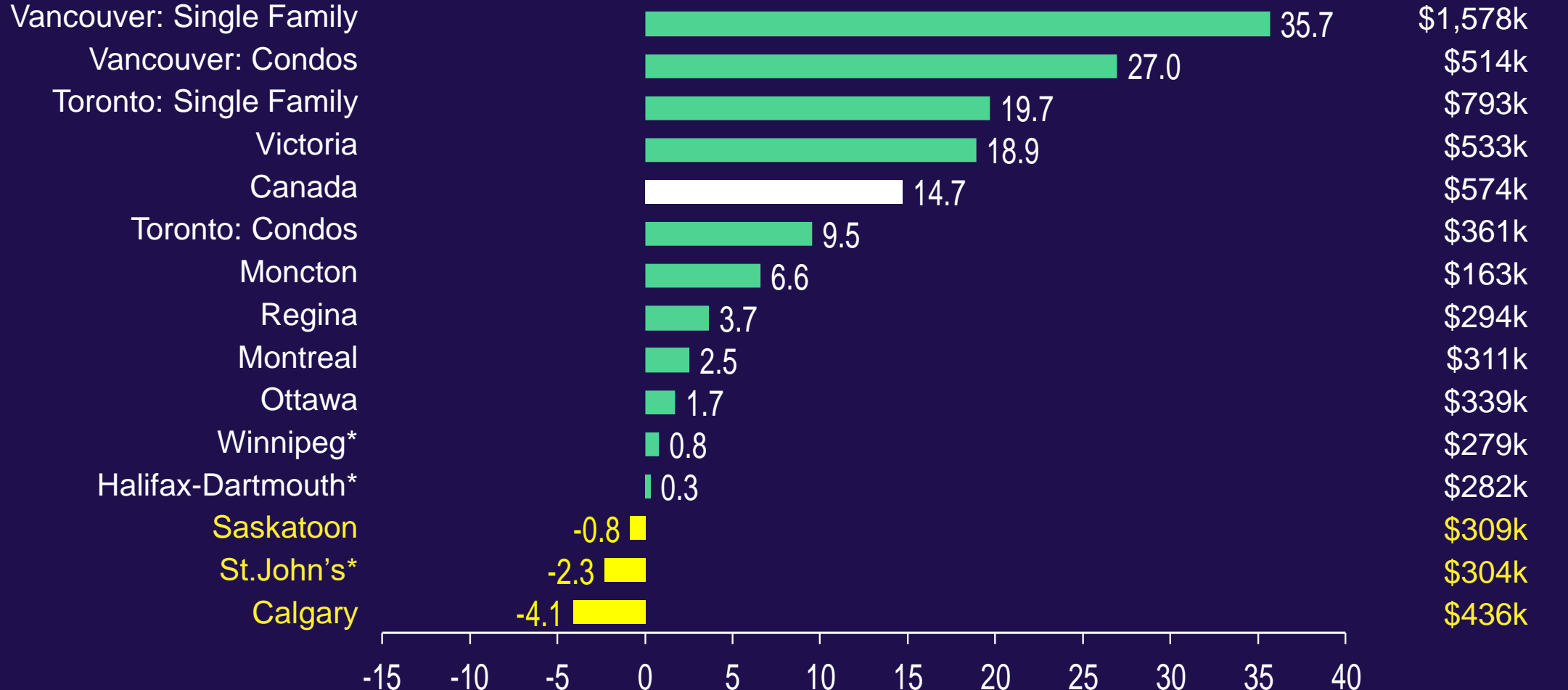
Prices Surge In Vancouver and Toronto

MLS® Home Price Index (HPI)

(year/year % change: as of August 2016)



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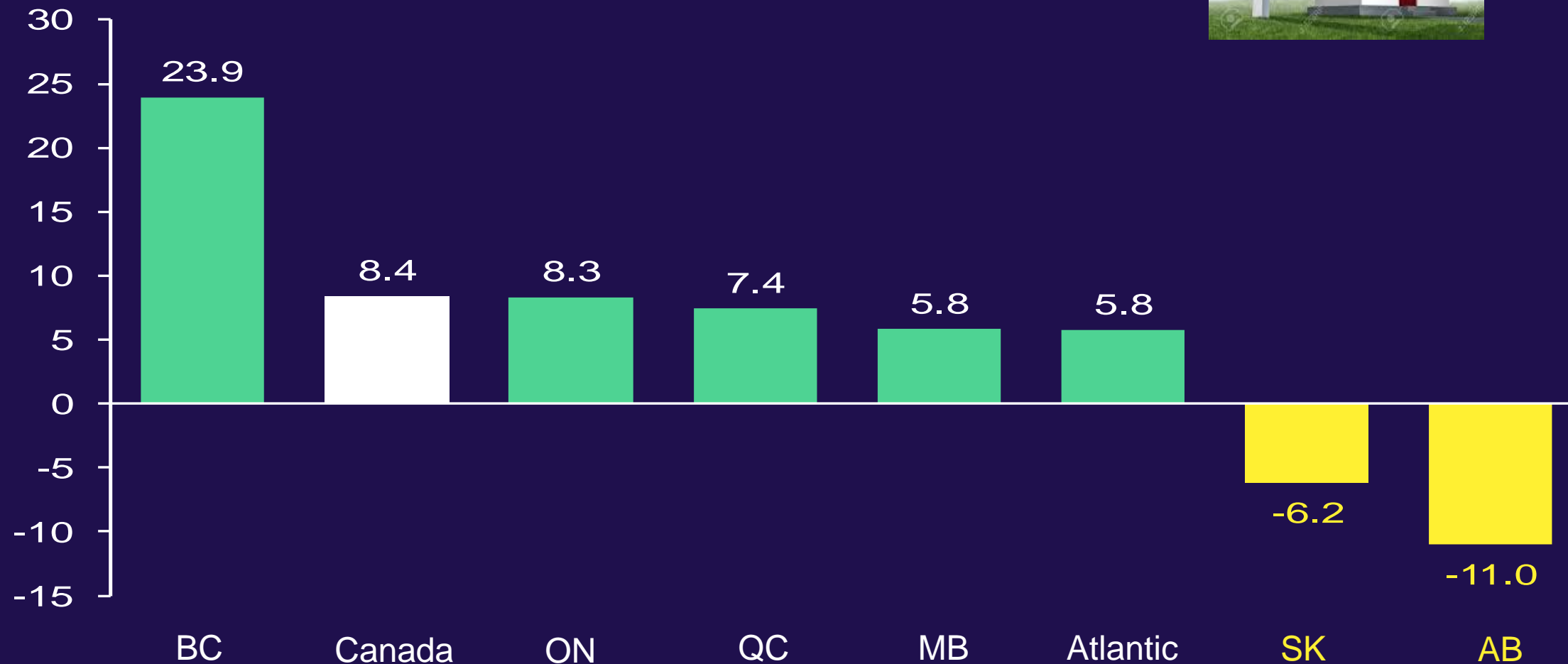
*Using average home prices

Source: Canadian Real Estate Association (CREA)

Home Sales A Mixed Picture

Existing Home Sales

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



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Housing Looms Large in Canada ...

Canada
(percent)

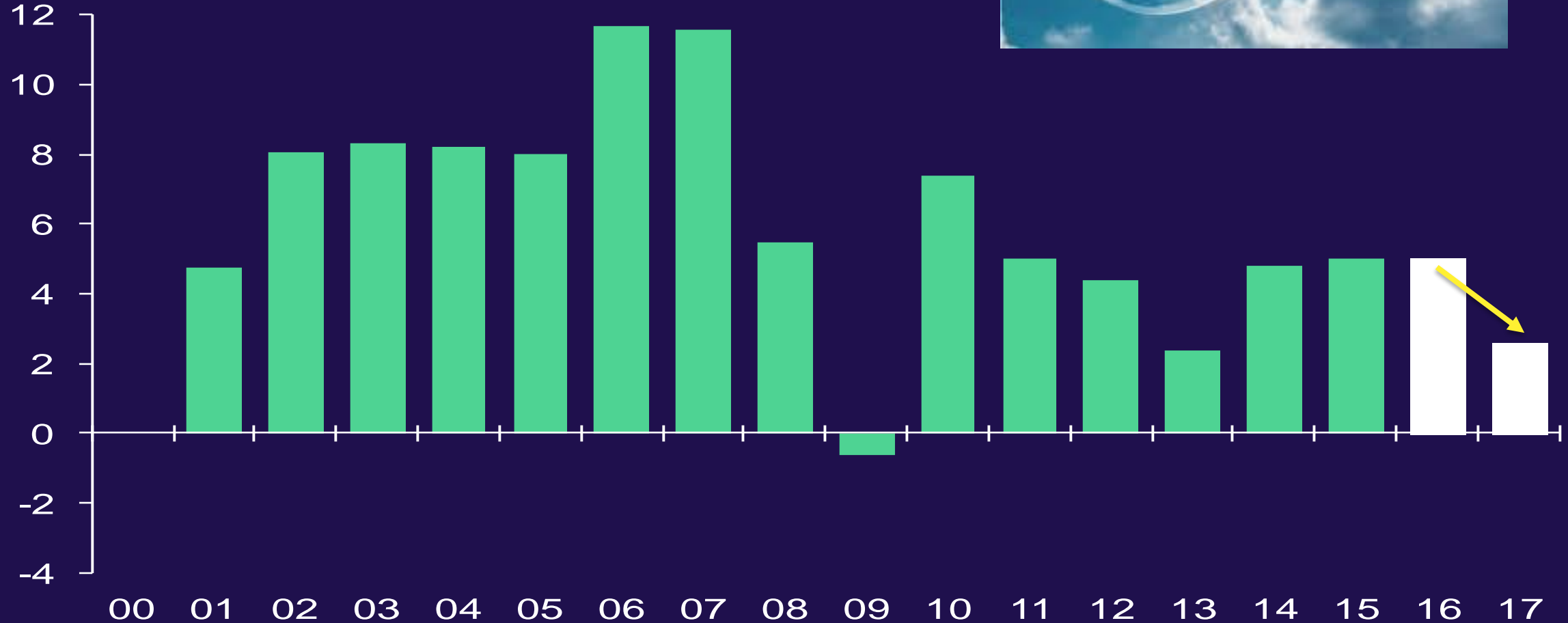


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Canadian Home Price Inflation Needs To Slow

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



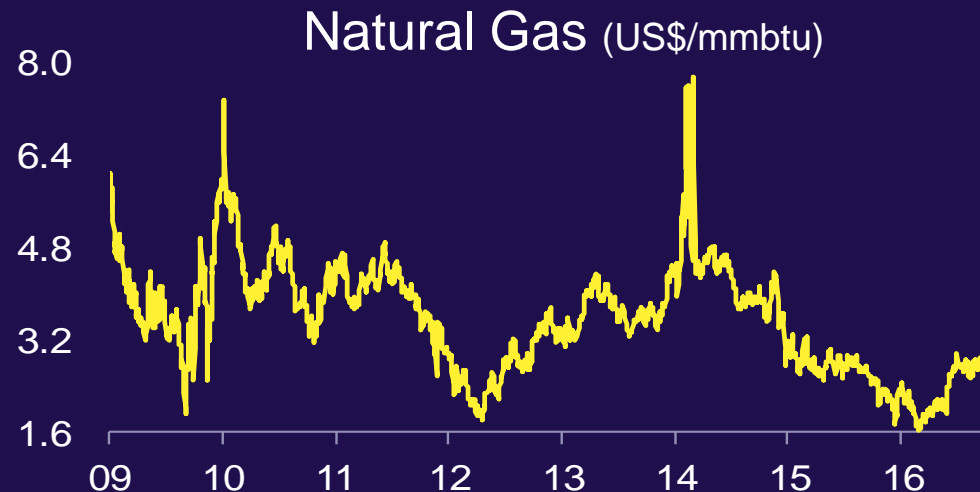
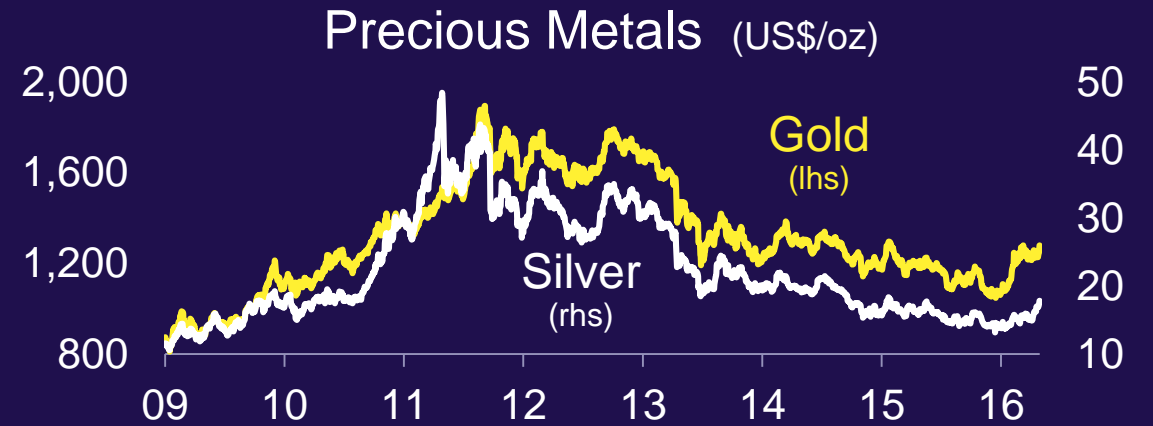
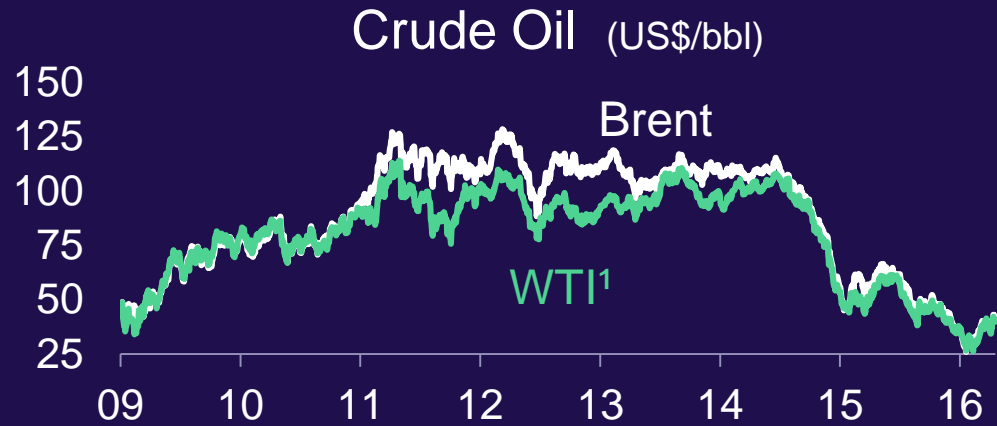
Oil Price Hovers near \$44 WTI

Loonie Around 76¢ U.S.

Bank of Canada On Hold

Commodity Price Decline Hurts Canada

(as of September 15, 2016)



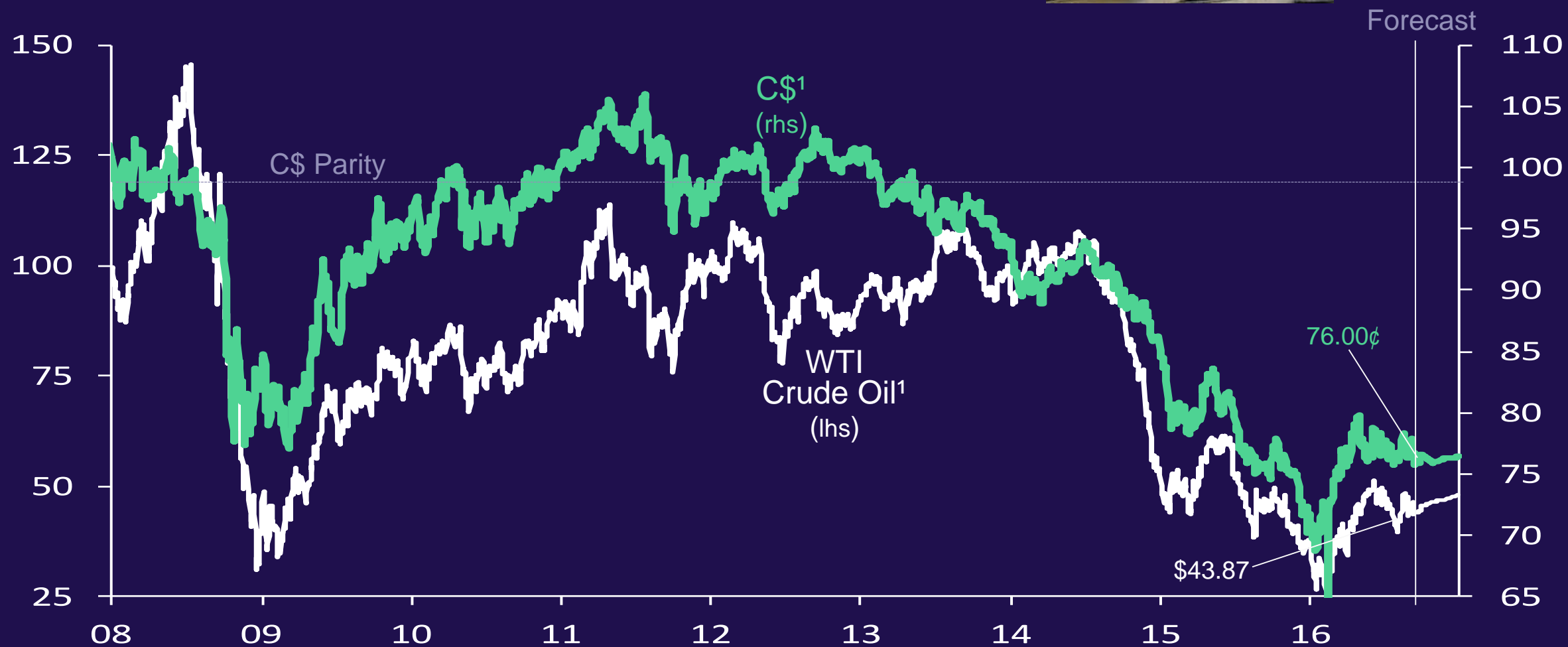
¹ West Texas Intermediate

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

Oil Price Decline Hits The Loonie

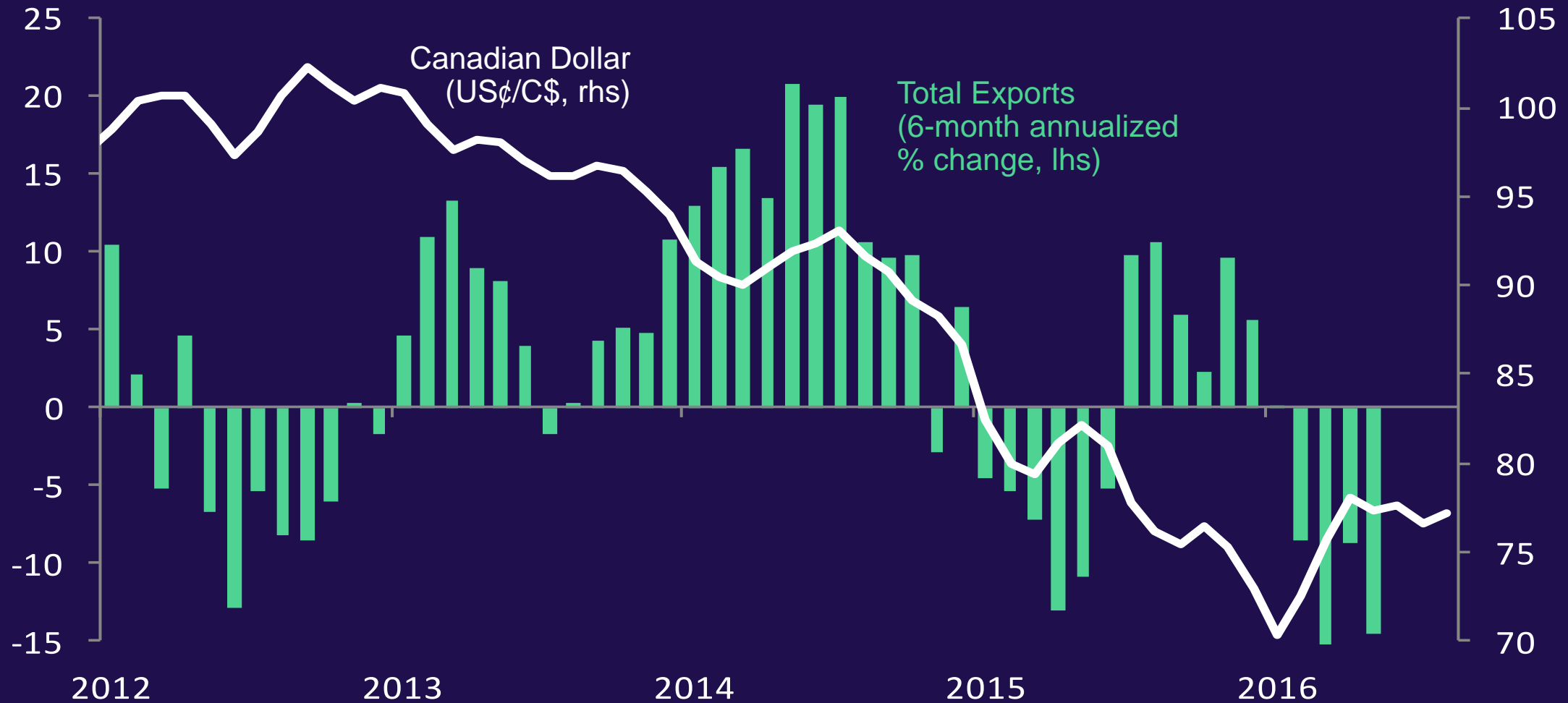


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Forecast = BMO Capital Markets ¹ (US\$/bbl) ² (US¢/C\$)
Source: Haver Analytics, Bank of Canada, Bloomberg, U.S. Energy Information Administration
(as of June 15, 2016)

Lower Canadian Dollar... But Exports Disappoint

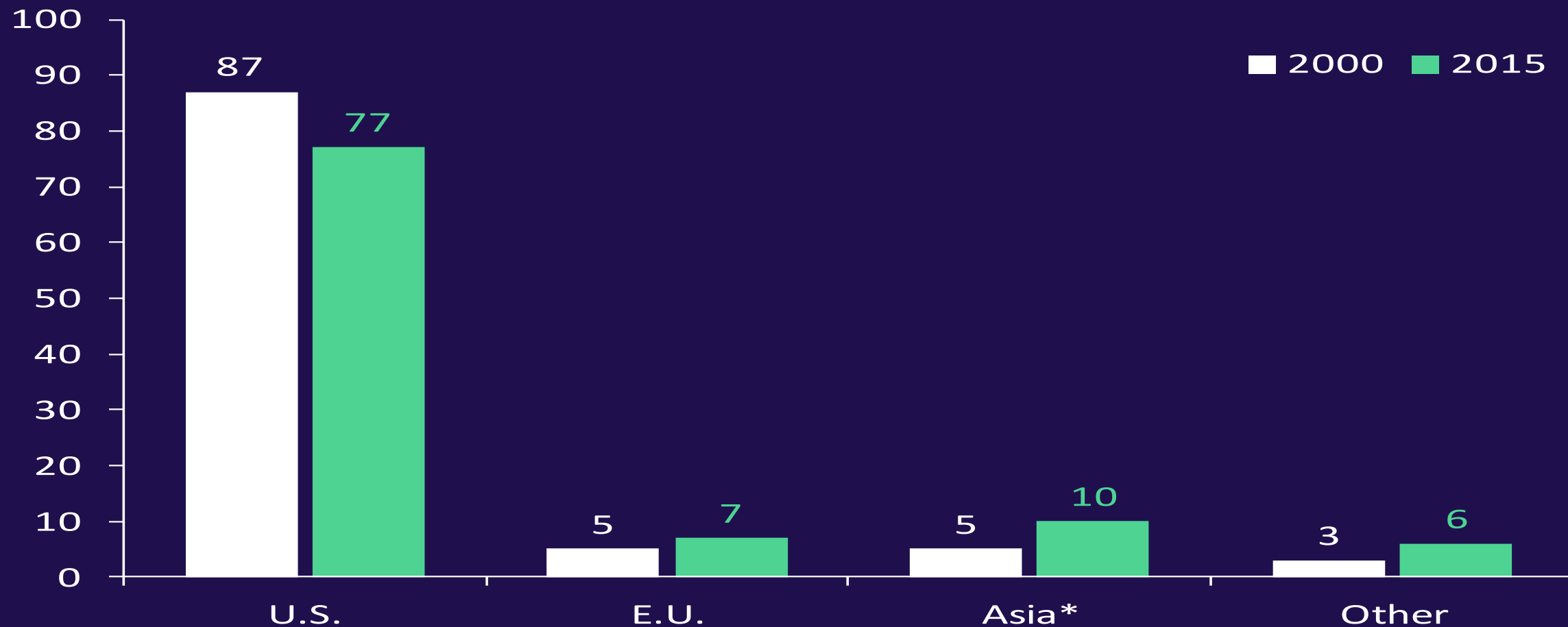


Canadian Export Shares

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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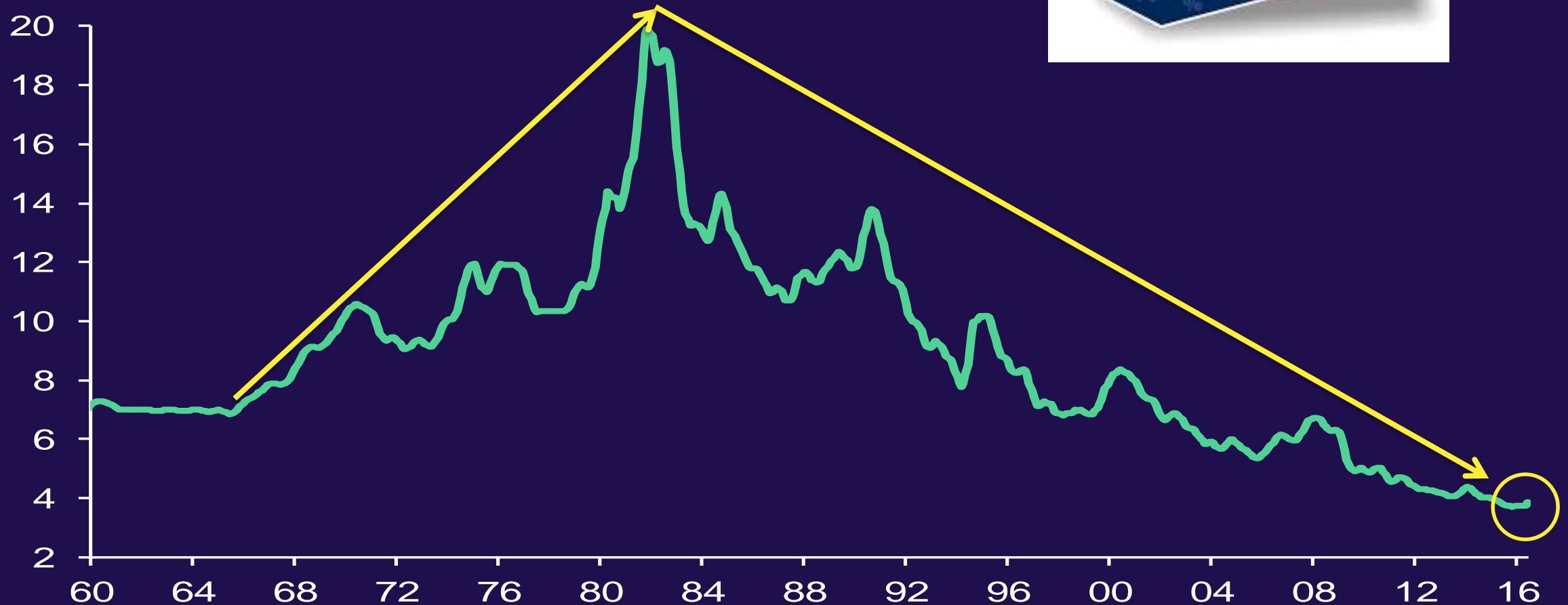


102.19	+6.04	+3.01	9	90.17	76	55.69	516.00	21	12.28	39.79	1
34.18	-1.35	-4.57	45	12.08	11	298.17	125.95	39	13.28	52.32	1
158.04	-7.02	-3.72	87	86.53	9	178.95	98.17	63	36.94	31.8	1
387.32	+9.03	+3.96	114	13.19	6	432.16	12.08	72	58.79	150.09	1
373.54	+14.28	+2.54	98	18.76	3	175.95	86.53	90	13.12	387.32	1
573.54	+14.28	+2.54	252	54.32	2	58.92	13.19	100	158.92	875.9	1
552.09	-11.32	-2.13	86	98.65	73	99.16	15.31	43	382.08	552.09	1
401.76	+9.45	+1.96	15	8.43	8	34.18	98.79	19	100.13	101.76	1
215.68	+8.35	+3.32	24	3.76	15	458.04	5.07	27	8.43	25.68	1
158.92	+6.29	+1.03	39	65.12	19	387.32	32.07	70	3.76	158.92	1
387.18	-13.84	-3.45	54	17.6	7	673.54	47.95	21	65.12	382.08	1
			63	15.31	3	552.09	13.29	405	17.6	100.13	1
					2	401.76	45.96	89	15.31	25.68	1
					9	215.68	38.94	68	5.07	382.08	1

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

Mortgage Rates Have Bottomed

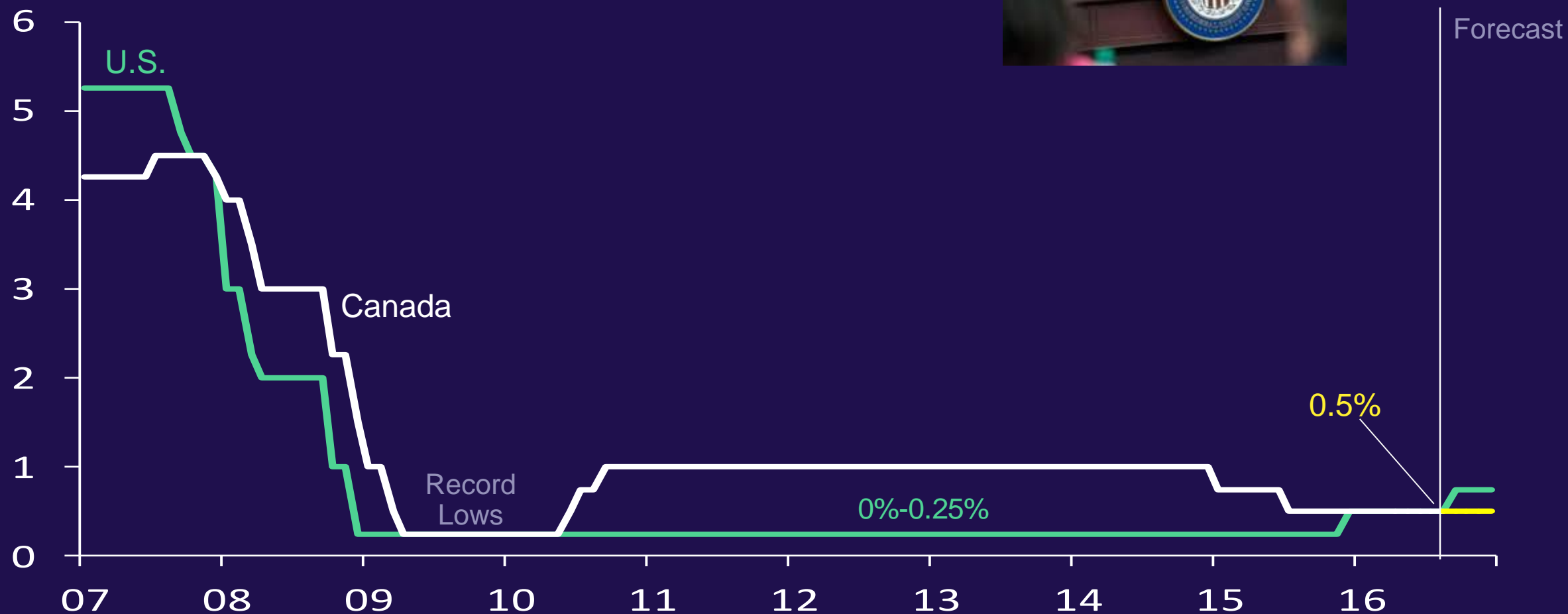
Canadian Conventional 5-Year Mortgage Rate
(percent, smoothed 6-month moving average, as of September 9)



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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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