

Economic outlook  
Trump: Taxes,  
Trade & Treasuries

April 11, 2017

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# A mix of “good-for-growth” and “not-so-good-for-growth”

## President Trump’s economic platform



### Good:

- Tax cuts/reform
- More infrastructure spending
- Less regulation

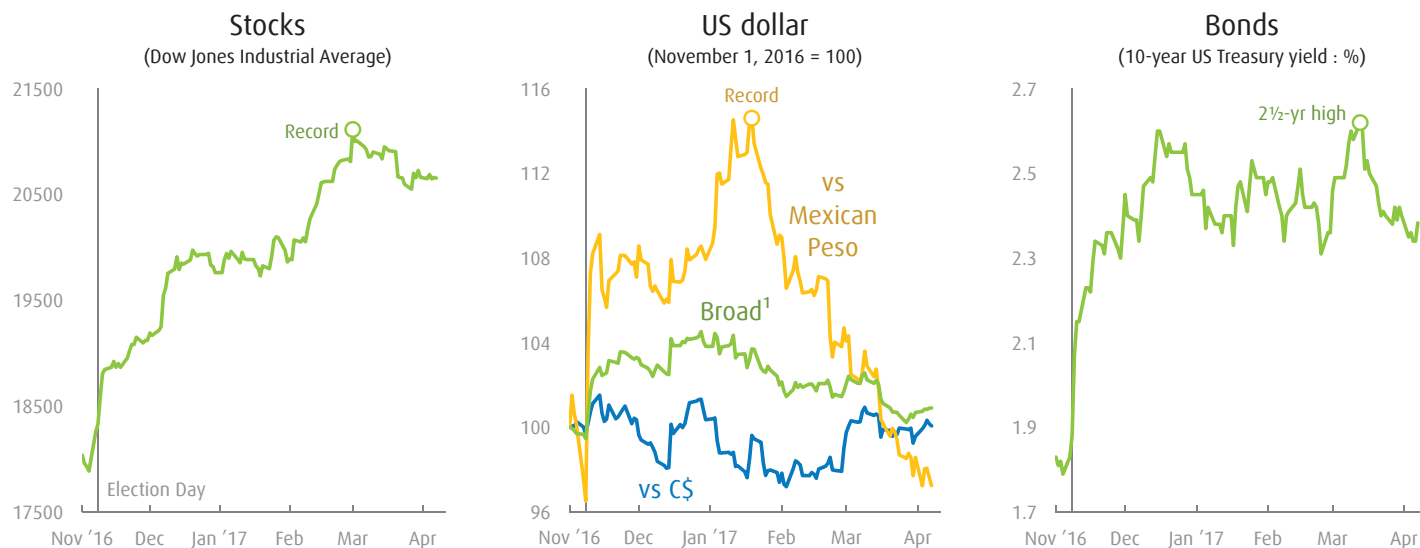
### Not-so-good:

- Protectionism
- Immigration uncertainty

## Restrained by budget deficit and Congress

## Post-election markets: Trumped up... mostly

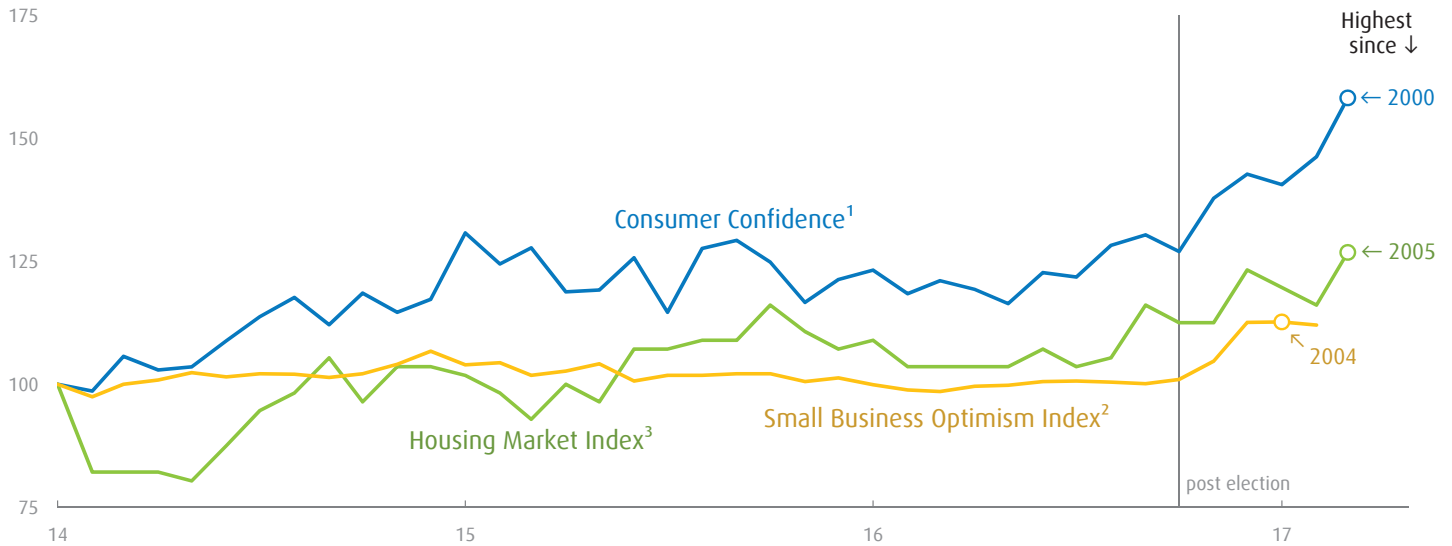
2016–17 (as of April 7, 2017)



<sup>1</sup> Broad index: Major currencies (Euro Area, Canada, Japan, United Kingdom, Switzerland, Australia, Sweden) plus 19 others, including Mexico and China

# Confidence booster

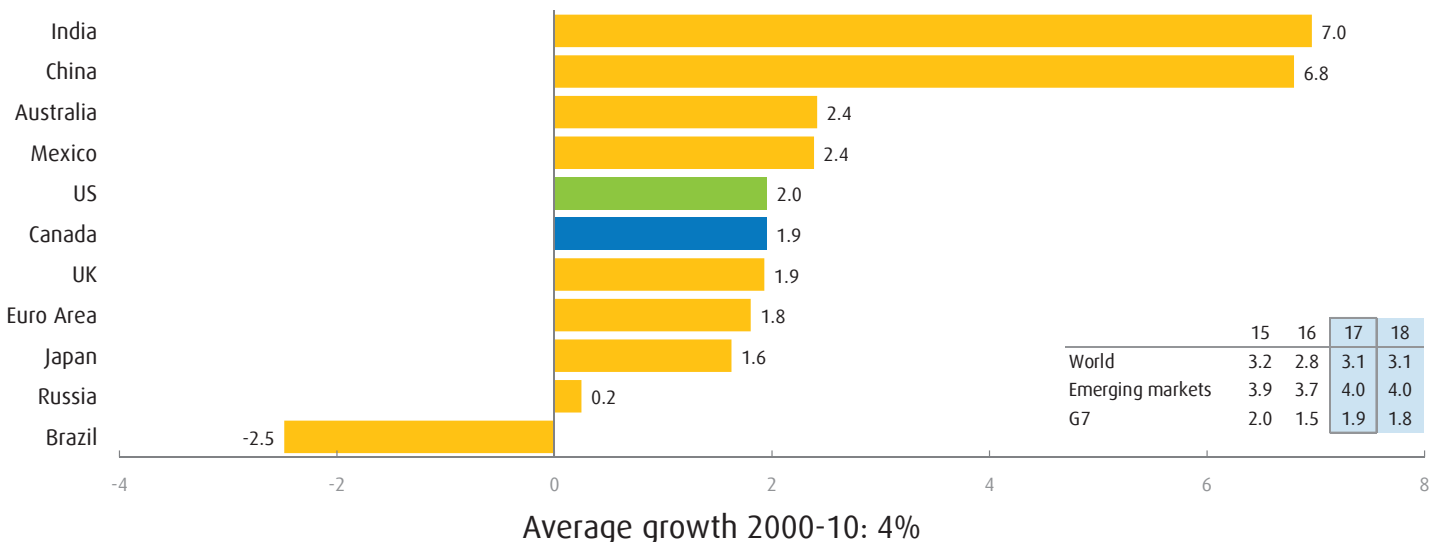
United States (January 2014 = 100)



# Global GDP: Mixed and still sluggish

2016:Q4 (y/y % chng)

Real GDP

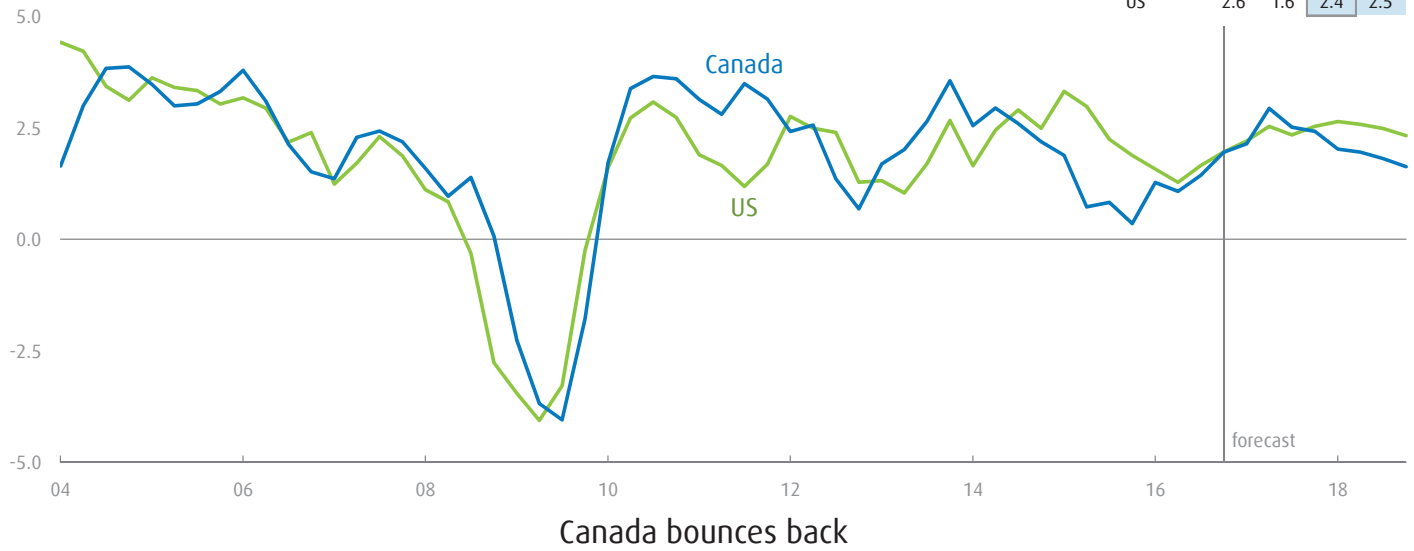


# North American growth: A better 2017

(y/y % chng)

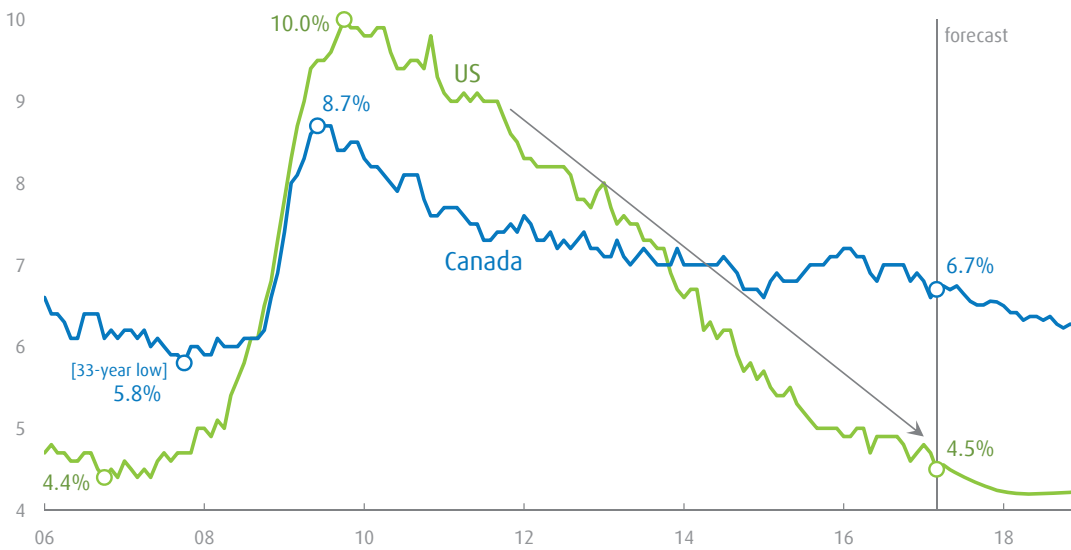
Real GDP

	15	16	17	18
Canada	0.9	1.4	2.5	1.9
US	2.6	1.6	2.4	2.5



# Jobless rates: US still falling... Canada improving again

Unemployment rate (percent)

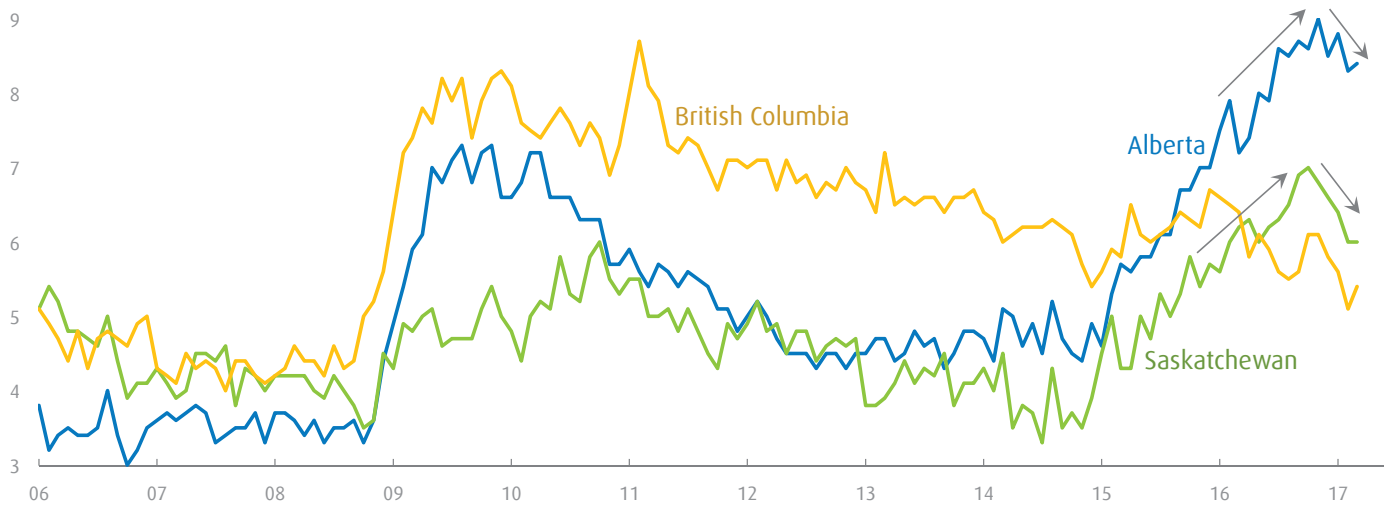


Greece	23.5
Spain	18.0
Italy	11.5
Portugal	10.0
France	10.0
Canada	6.7
Ireland	6.4
Australia	5.9
UK	4.7
US	4.5
Germany	3.9
Japan	2.8
Vancouver	4.7
British Columbia	5.4

# Jobless rates: Oilpatch turning the corner?

Canada (percent)

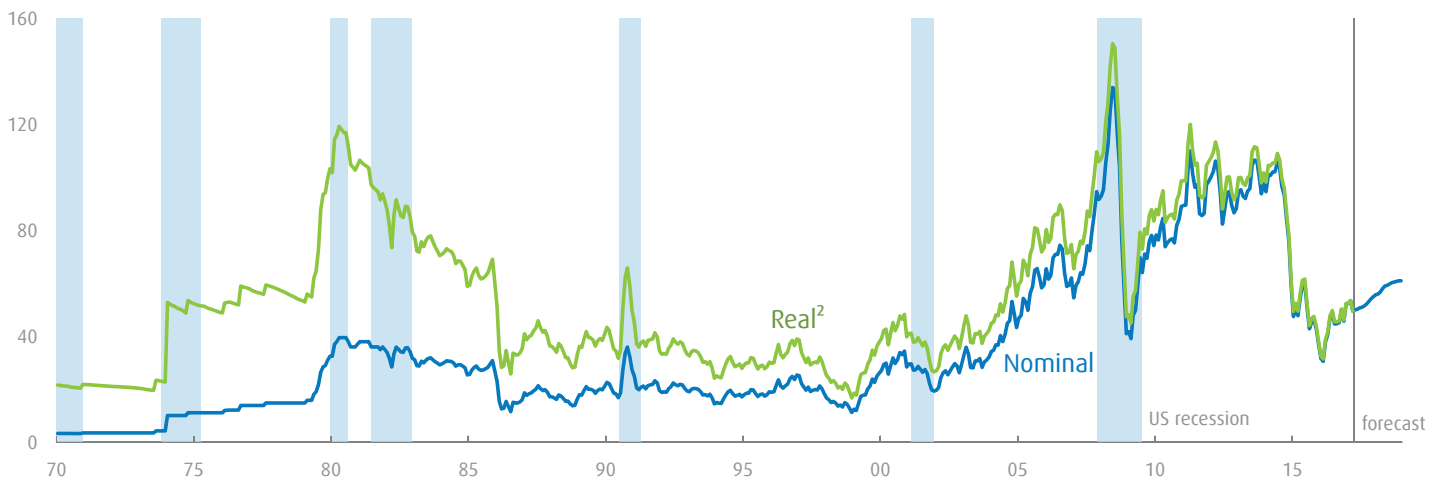
Unemployment rate



# Oil price collapse in perspective

(US\$/bbl)

Crude oil price<sup>1</sup>

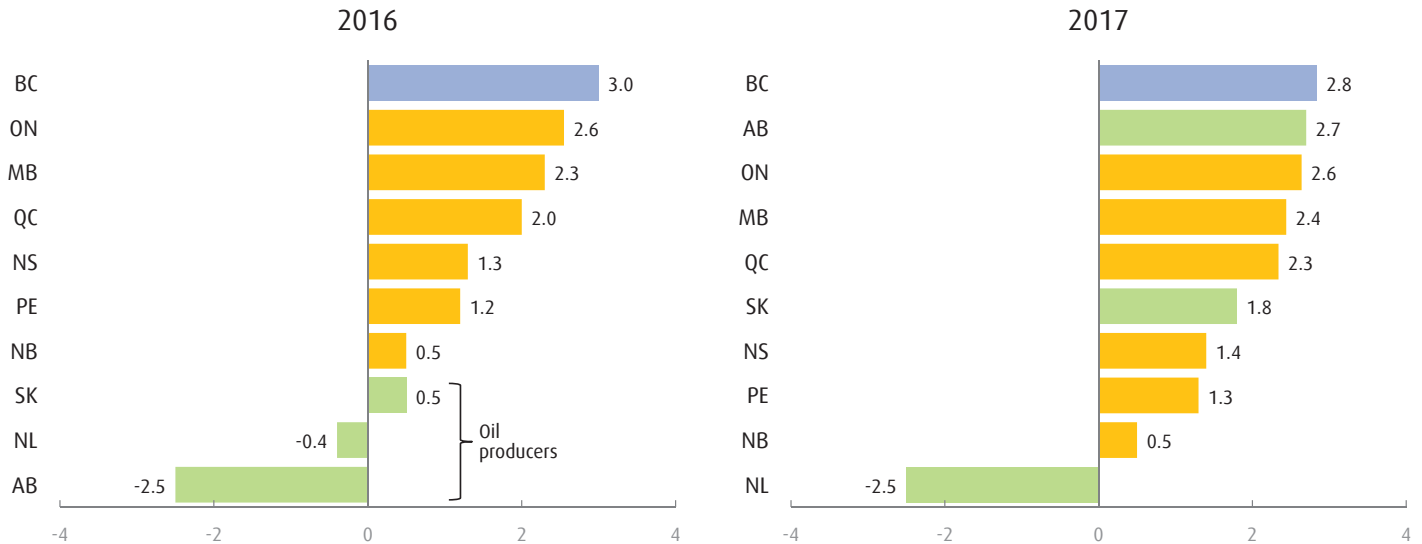


Long-term average price = \$55 (today's dollars)

<sup>1</sup> West Texas Intermediate <sup>2</sup> March 2017 US dollars

# Regional outlook: Ch-Ch-changes

## Real GDP – Canada (y/y % chng)



## Housing: Bubble Trouble?

### Canada



- 2017:  
"Toronto and surrounding cities are in a housing bubble"
- 2016:  
"Party will end in the Toronto and Vancouver housing markets this year"
- 2015:  
"Canada is in serious trouble"
- 2014:  
"Why Canada isn't immune to a US-style housing crash"
- 2013:  
"Inside the great real estate crash of 2013"
- 2012:  
"Canada's housing crash begins"
- 2011:  
"Canada's housing bubble deemed close to bursting"
- 2010:  
"Canada's housing bubble: An accident waiting to happen"
- 2009:  
"Why Canada's housing bubble will burst"
- 2008:  
"Canada's housing bubble could soon burst"

- BMO Economics

- Canadian bank

- Deutsche Bank 2015

- Maclean's

- Maclean's

- Canadian Business

- CBC News

- CCPA

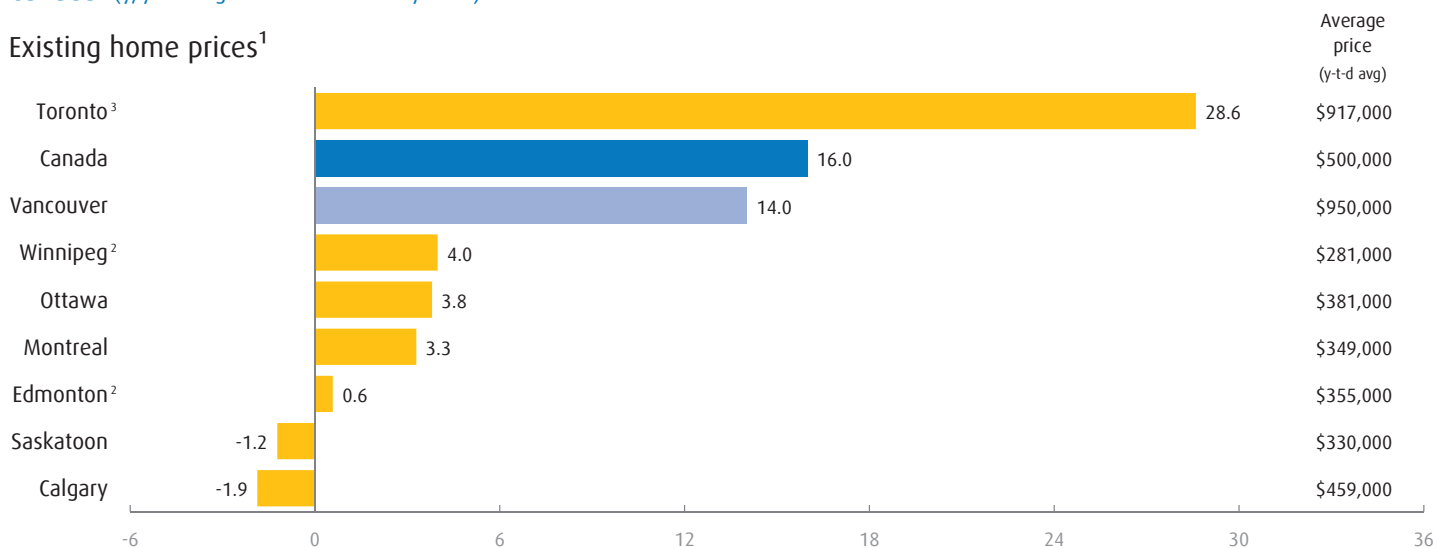
- The Tye

- US investment firm

# Canadian house prices: Location, location, location

Canada (y/y % chng : nsa : as of February 2017)

## Existing home prices<sup>1</sup>



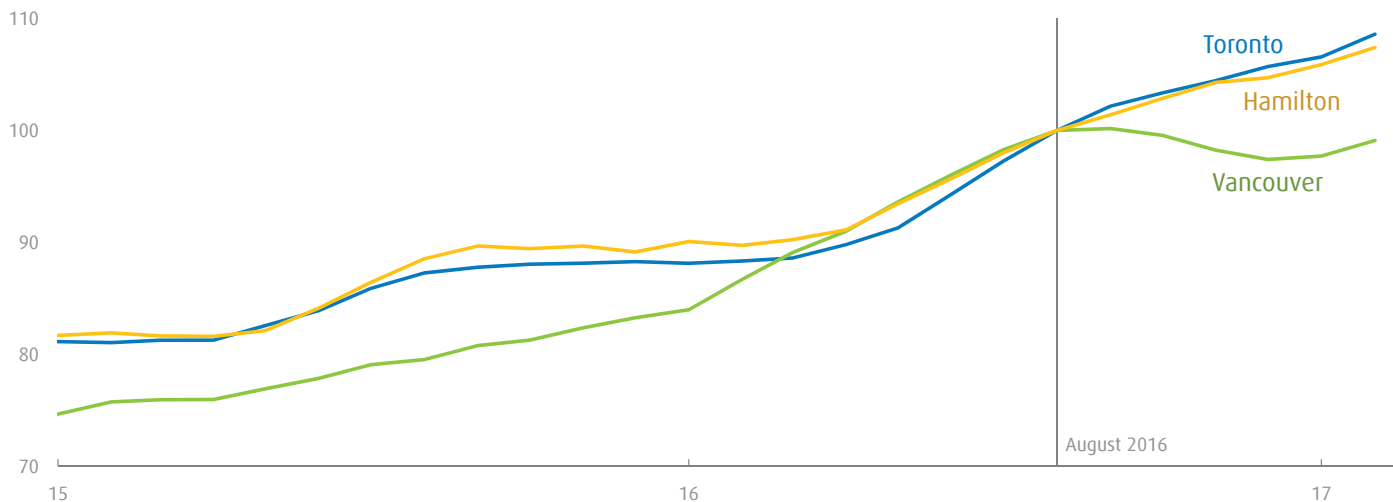
## Federal government moves to cool market

<sup>1</sup> HPI composite benchmark where available <sup>2</sup> Average price (3-mnth ma) <sup>3</sup> March 2017 (HPI benchmark rate, average price)

# Spot the city with a non-resident tax

(August 2016 = 100)

## Teranet House Price Index

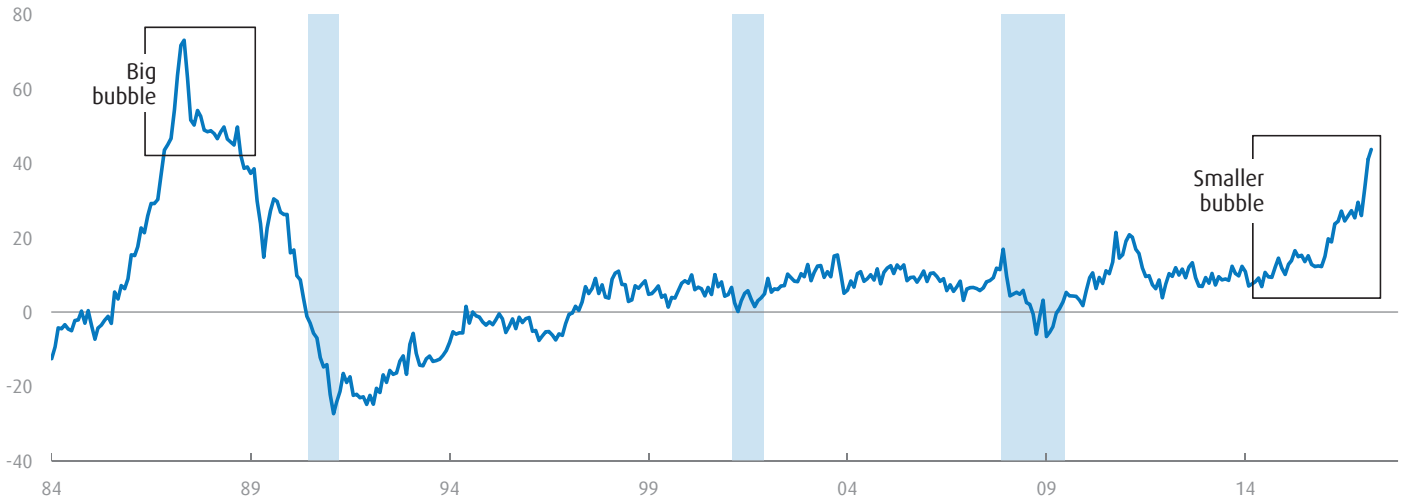




# Real home prices: Too too much in TO

Toronto (2-yr % chng)

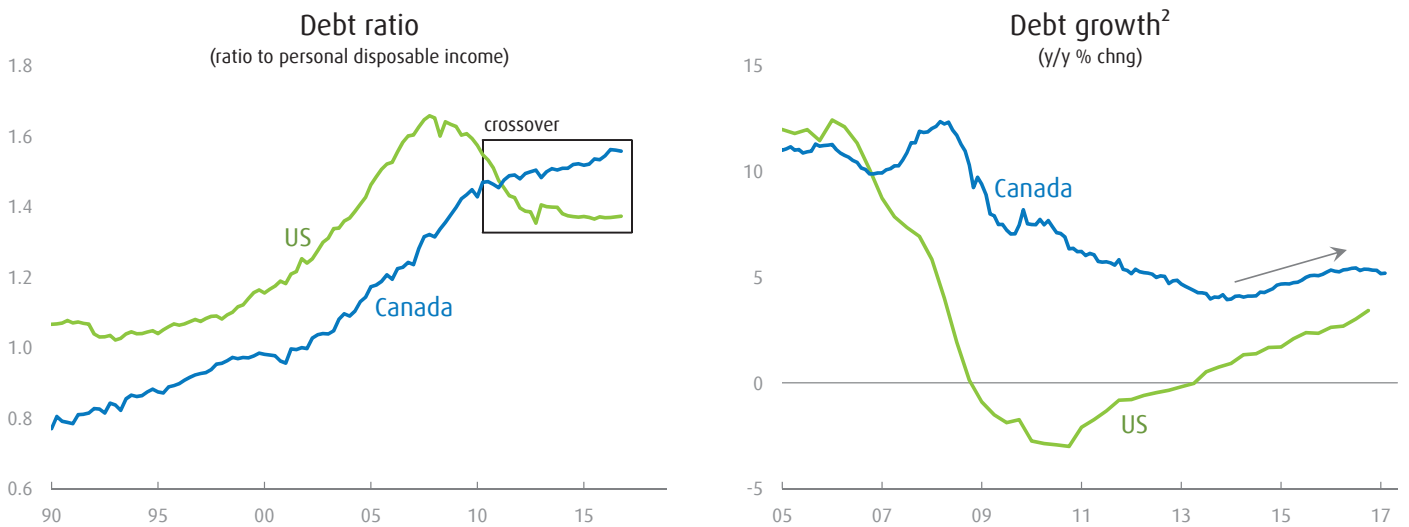
Real home prices<sup>1</sup>



Shading marks periods of US recession <sup>1</sup> deflated by CPI March 2017 = estimate

# Canadian consumers: "Vulnerabilities are elevated and rising"

Households<sup>1</sup>



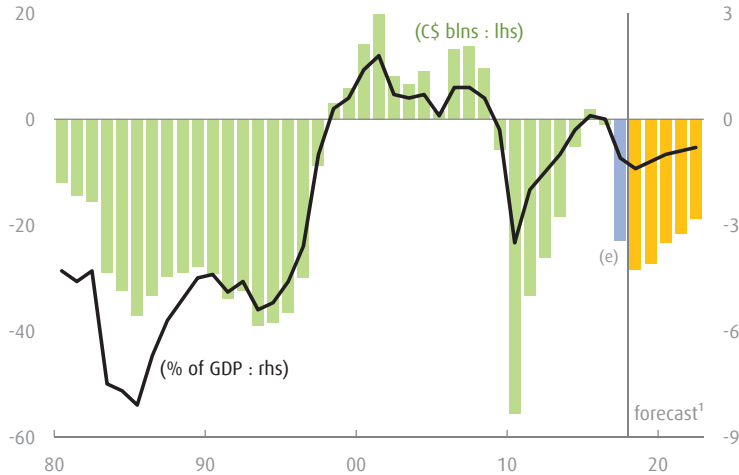
Debt ratio at record highs, more to come

<sup>1</sup> Households, nonprofits and unincorporated businesses <sup>2</sup> Consumer credit and residential mortgages only

# Budget 2017: Beauty (economy) and Beast (deficit)

## Canada

Federal government budget balance



Fiscal 17/18 deficit \$28.1 bln

Strengthening economy provides upside versus budget assumptions

Little in the way of new measures, but "infrastructure" spending detailed

Deficits persist through forecast horizon

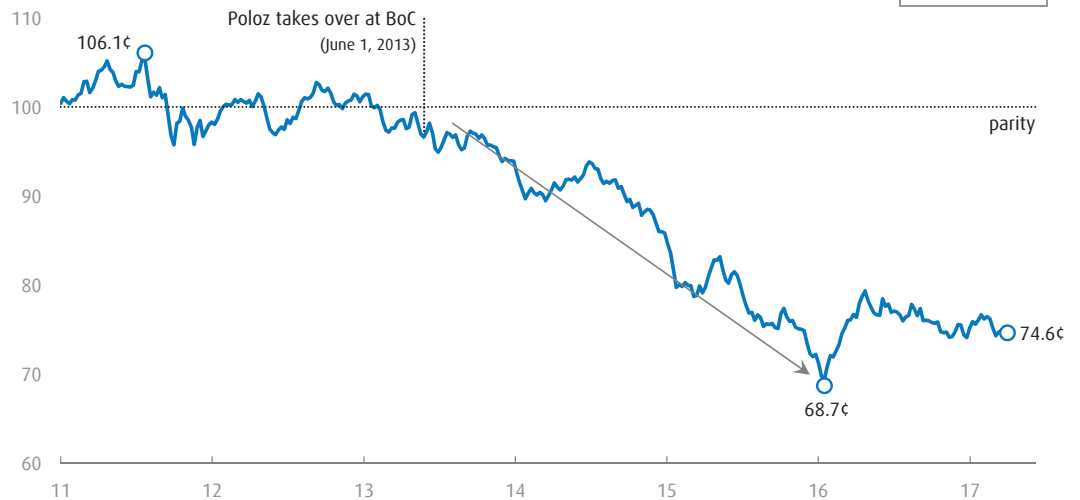
Debt/GDP stable

# Canadian dollar: Where next?

## Canada



Canadian dollar (US¢ : as of April 7, 2017)

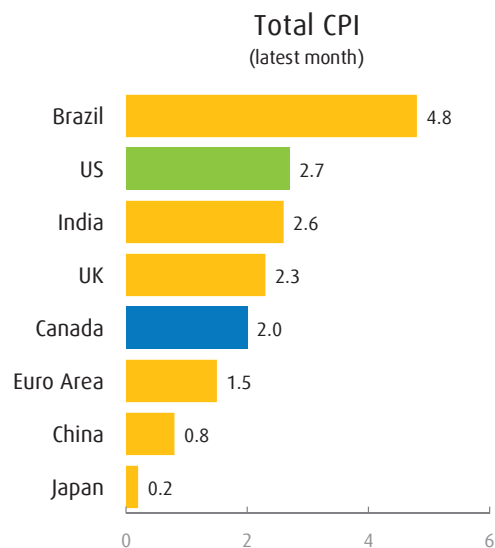
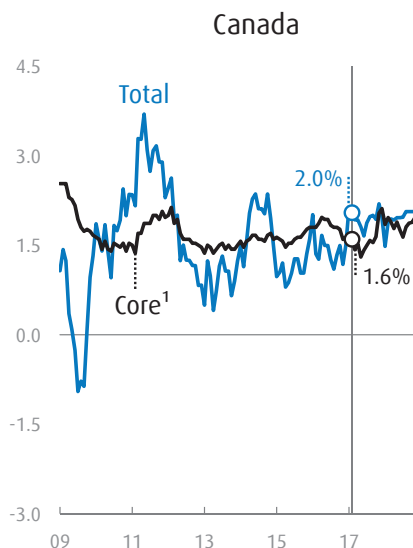
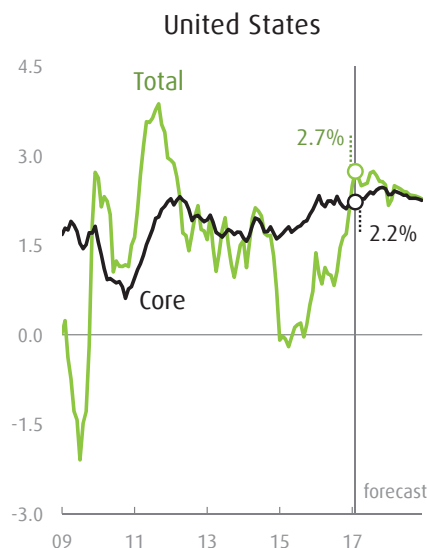


Year-end	
2016	74.5
2017	75.0
2018	78.5

Trade uncertainties

# Inflation edging up

## Consumer price index (y/y % chng)



British Columbia: 2.3%

# Inflation and deflation

## Consumer price index - Canada (y/y % chng : as of February 2017)

### Deflationary

Fresh vegetables	-14.0%
Fresh fruit	-13.3%
Bread	-5.4%
Beef	-4.2%
Coffee and tea	-3.5%
Dairy and eggs	-2.8%
Home entertainment equipment	-2.6%
Telephone services	-2.2%
Sports equipment	-1.4%
Electricity	-0.8%

Down 3.6% y/y in Ontario

### Inflationary

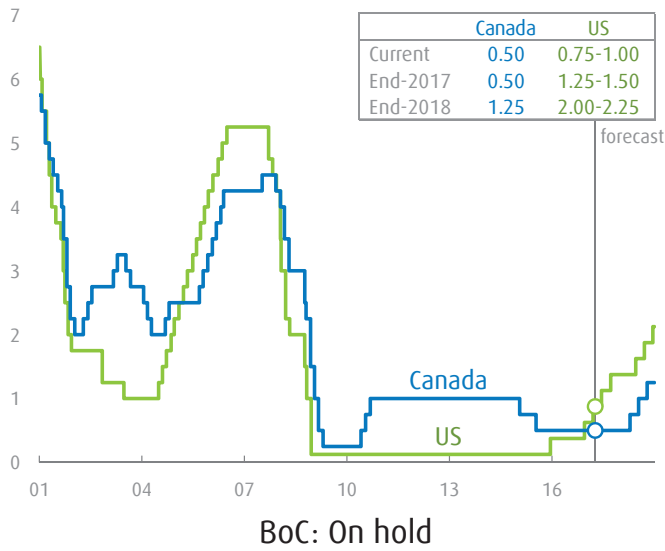
Gasoline	Up 18.1% y/y in early April	23.1%
Books		8.2%
Air fares		5.6%
Cigarettes		4.3%
Home insurance		3.6%
New autos		3.6%
Women's clothing		3.5%
Property taxes		2.8%
Tuition fees		2.8%
Beer		1.8%

Overall CPI: 2.0%

# Interest rates: More US rate hikes coming

(% : as of April 7, 2017)

Overnight rate



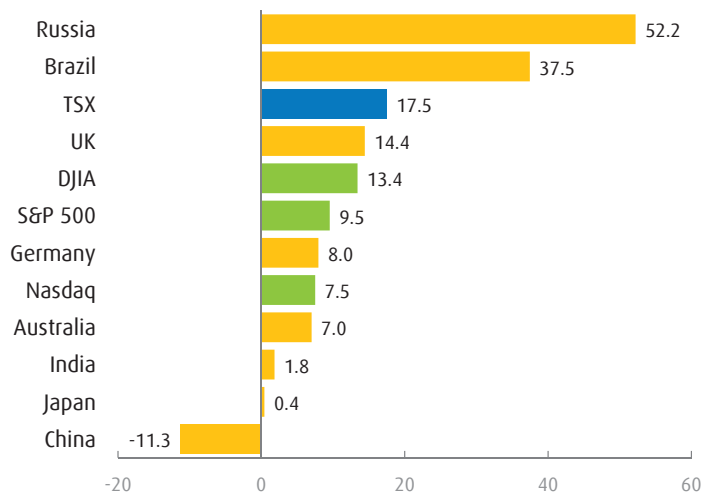
10-year bonds



# Global stocks: Tables turn

Equity markets (% chng)

2016



2017 year-to-date  
(as of April 7, 2017)

