

National Bank, 1155 Metcalfe, Montreal, Quebec



# Overview of the Montreal economy: Outlook for 2012 and following years

Fairmont  
The Queen Elizabeth

March 20, 2012

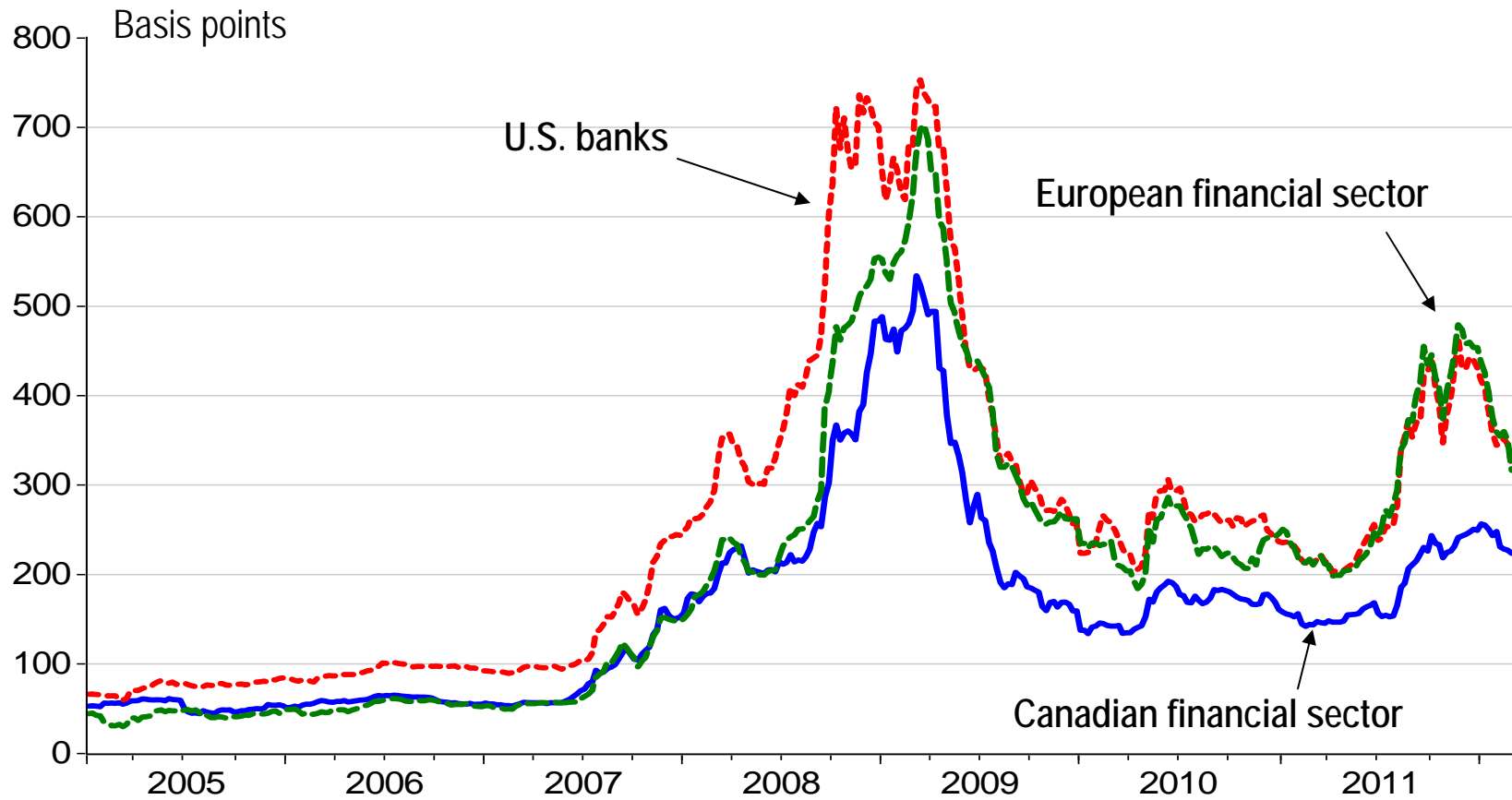
Matthieu Arseneau  
Senior Economist

**“It’s tough to make  
predictions,  
especially about the future.”**

*Yogi Berra*

# Pressures abating in financial sector

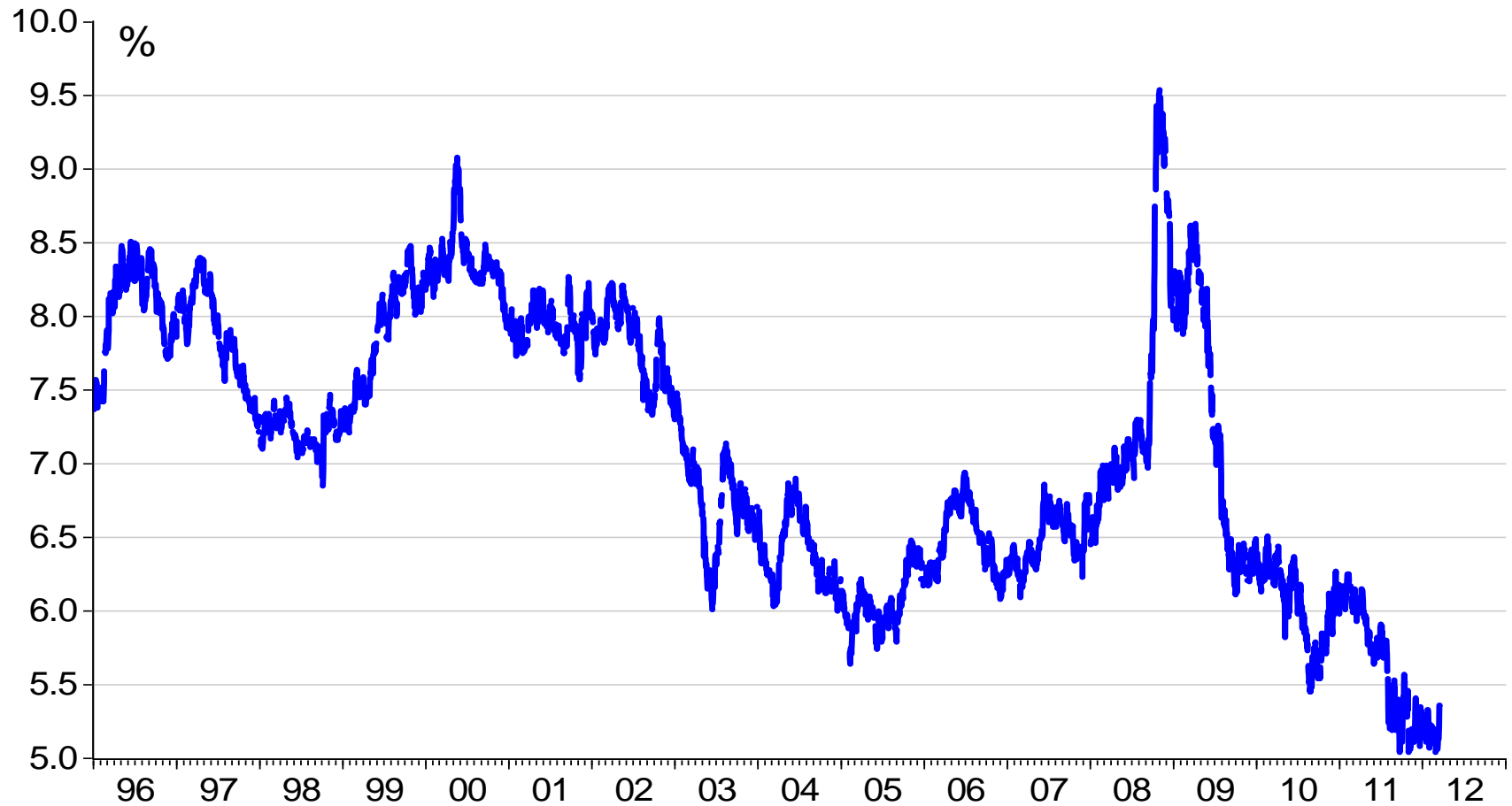
5- to 10-year maturities, spreads based on Merrill Lynch bond indices



NBF Economy and Strategy Group (Merrill Lynch data)

# Contrary to 2008, businesses can find financing

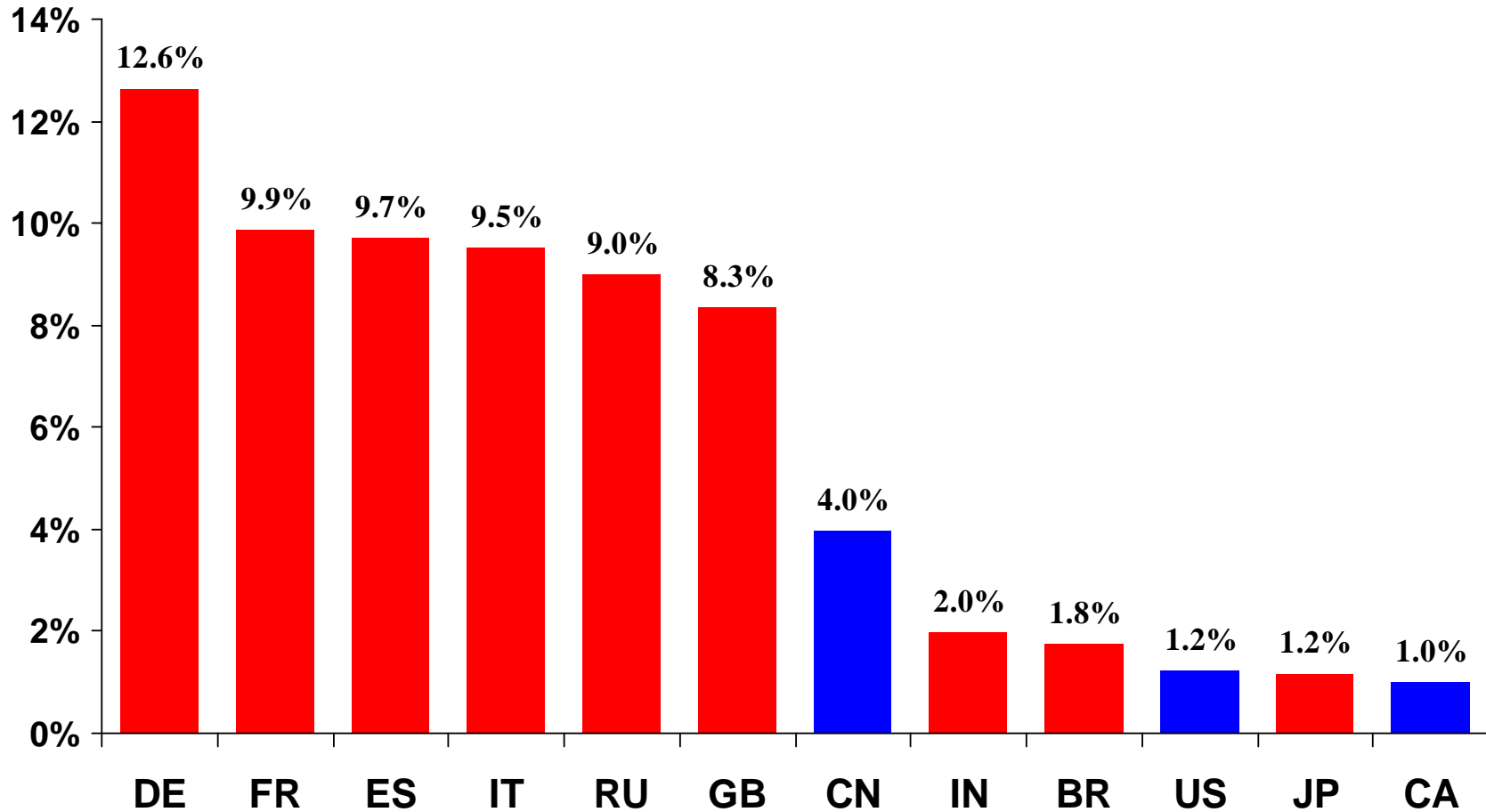
*Yield on bonds rated BAA by Moody's*



*NBF Economy and Strategy Group*

# Are United States and China safe?

*Exports to euro zone as a % of GDP (2010)*



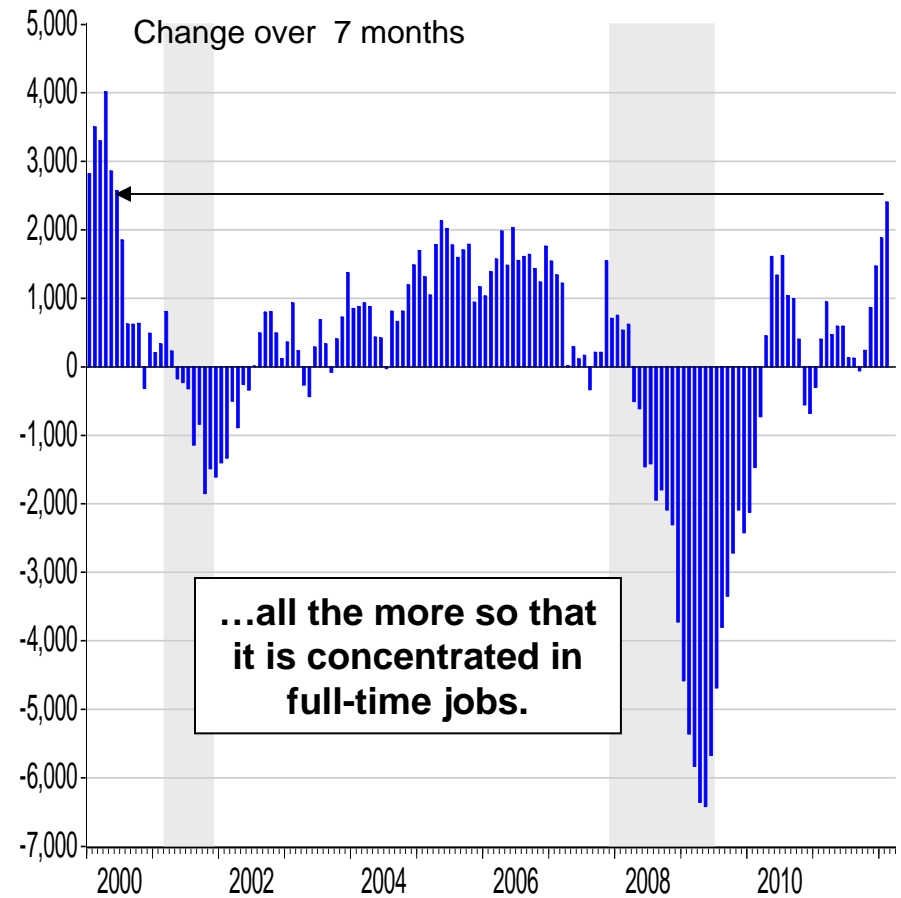
*NBF Economy and Strategy Group (IMF data)*

# United States: full-time jobs at last!

*Jobs*

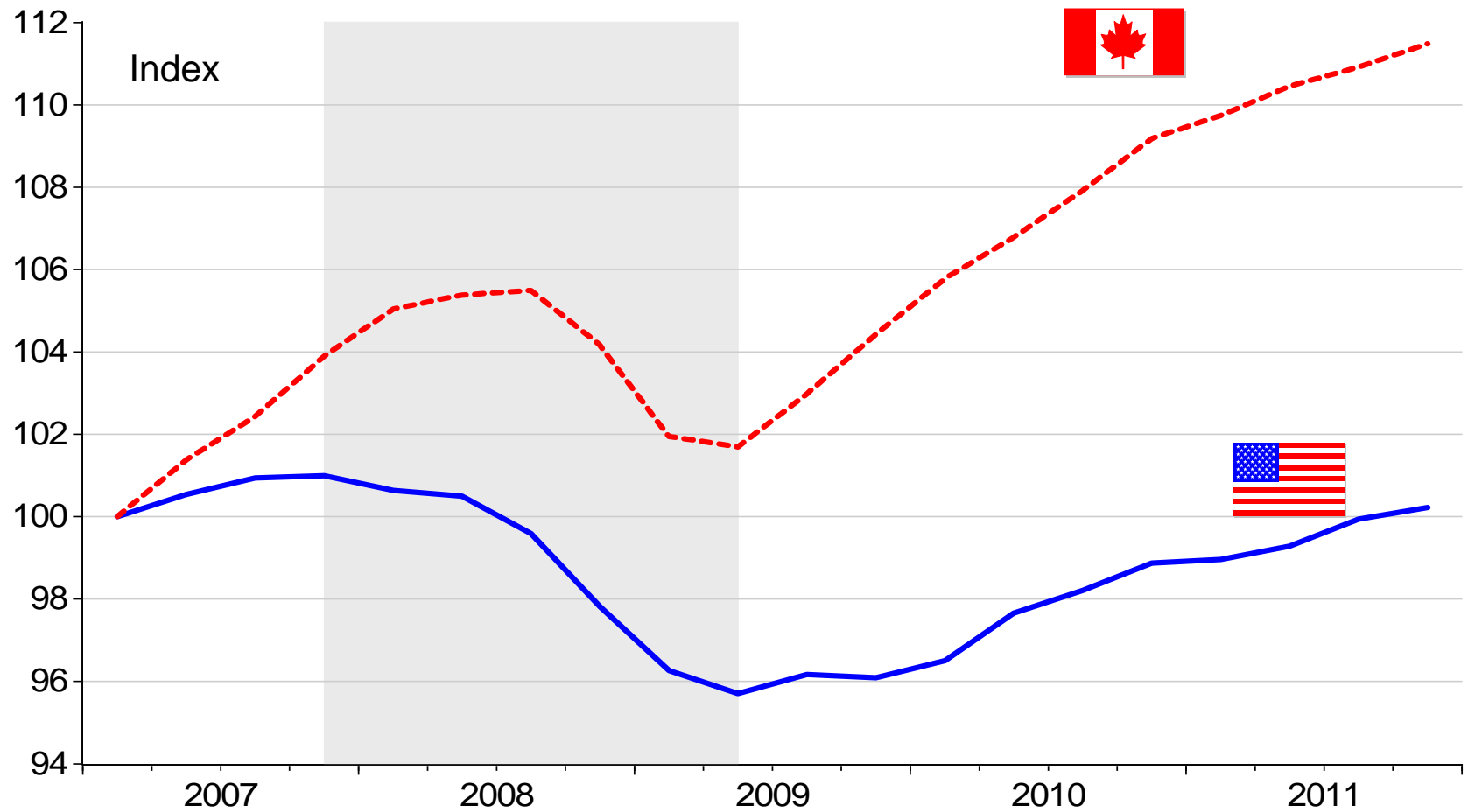


*Full-time jobs*



NBF Economy and Strategy Group (data via Global Insight)

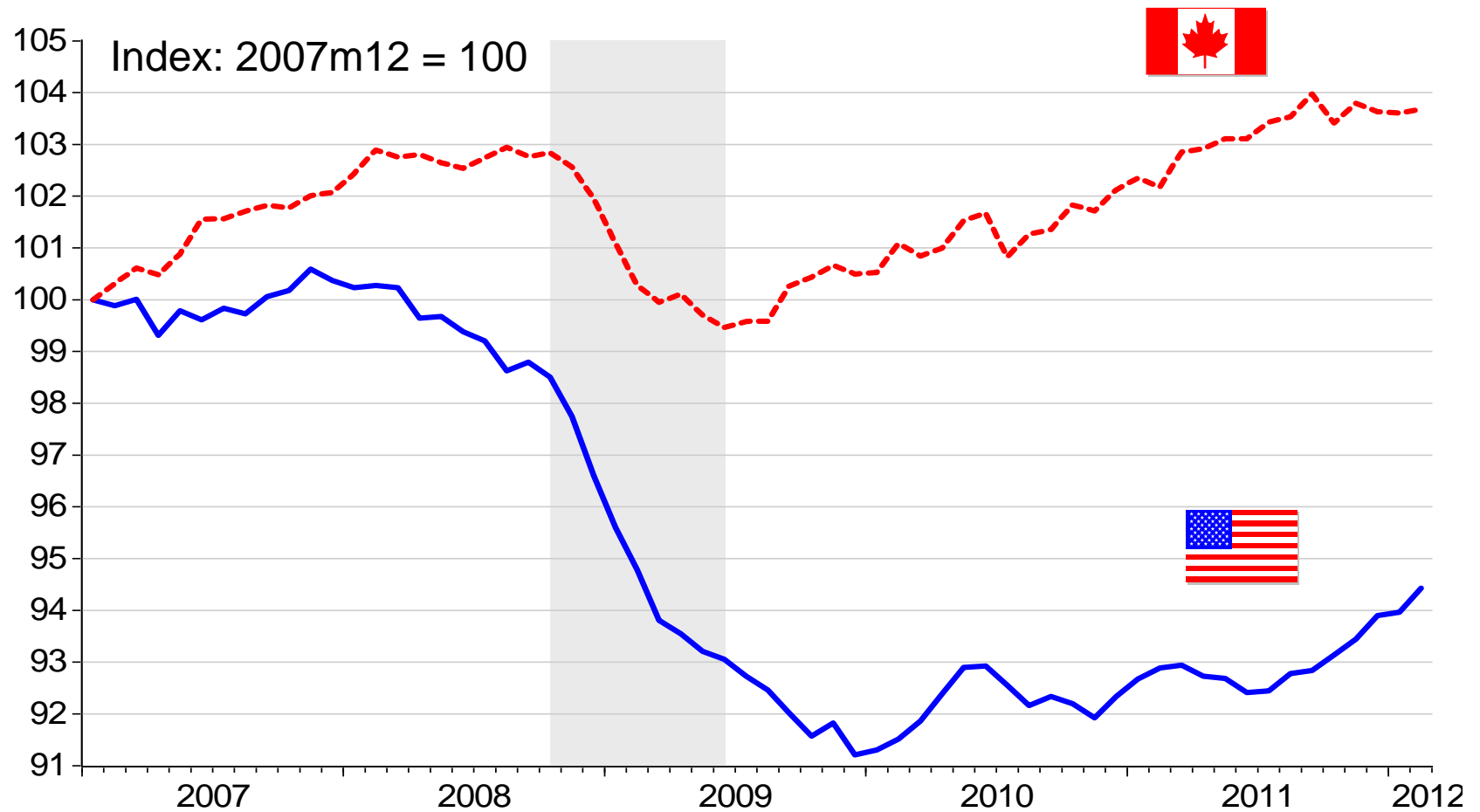
# Final domestic demand



*NBF Economy and Strategy Group (Global Insight data)*

# Full-time jobs regained in full

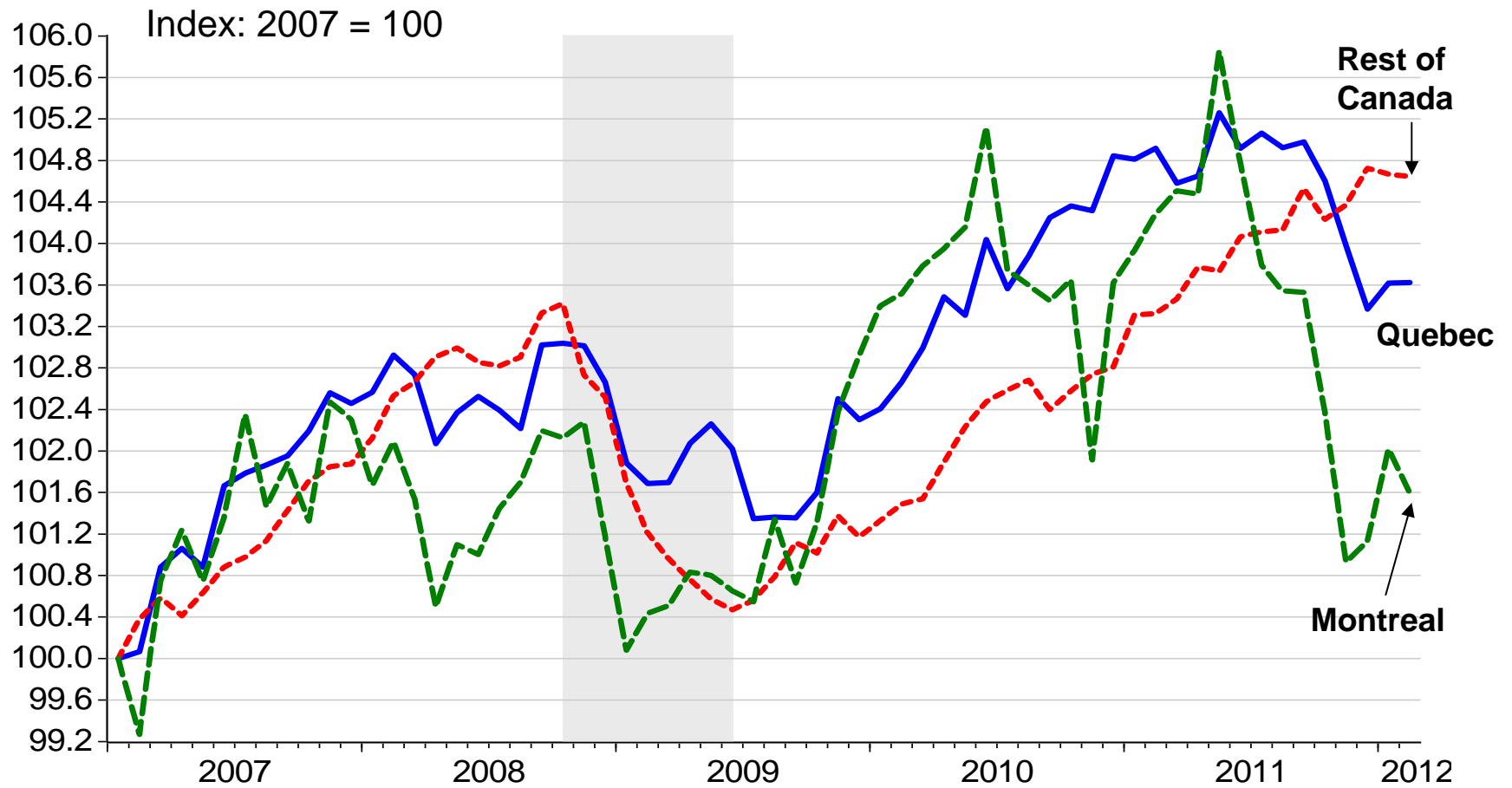
Full-time jobs



NBF Economy and Strategy Group (data via Global Insight)



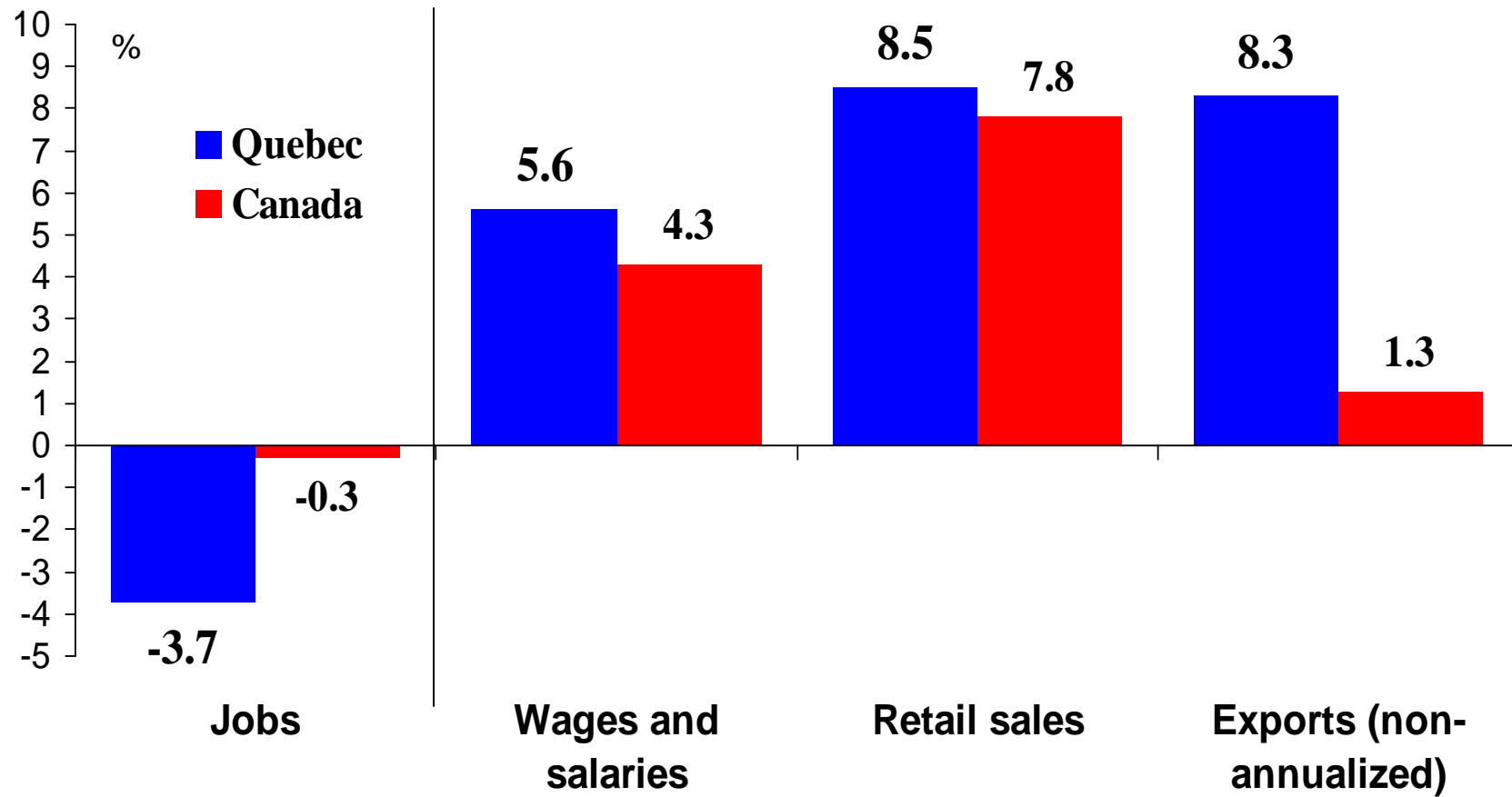
# Jobs in Quebec: smells of recession



NBF Economy and Strategy Group (data via Statistics Canada)

# Other indicators up sharply

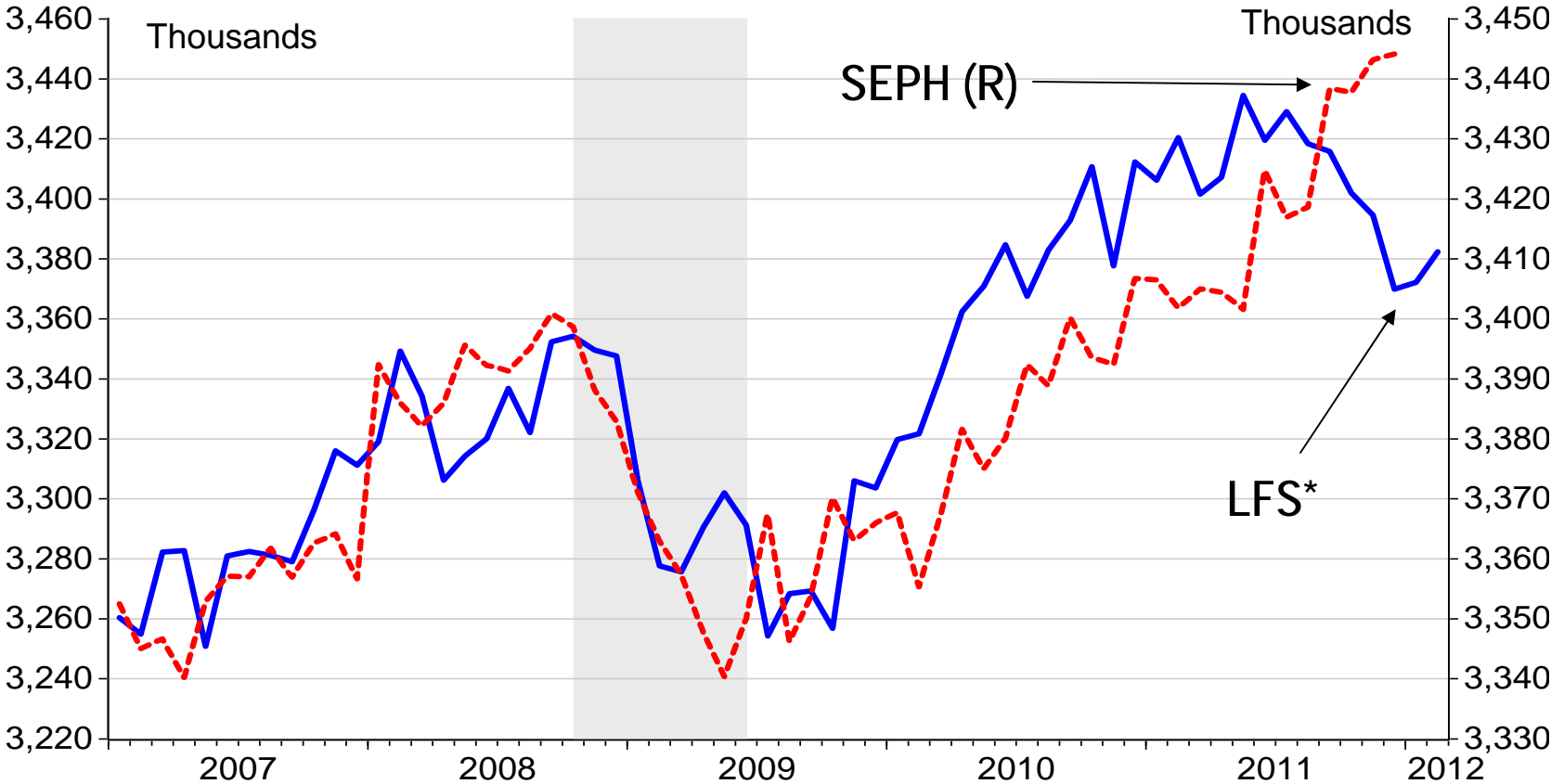
Annualized growth in 2011Q4



NBF Economy and Strategy Group (data via Statistics Canada)

# Quebec: mixed signals on employment

## Jobs in Quebec

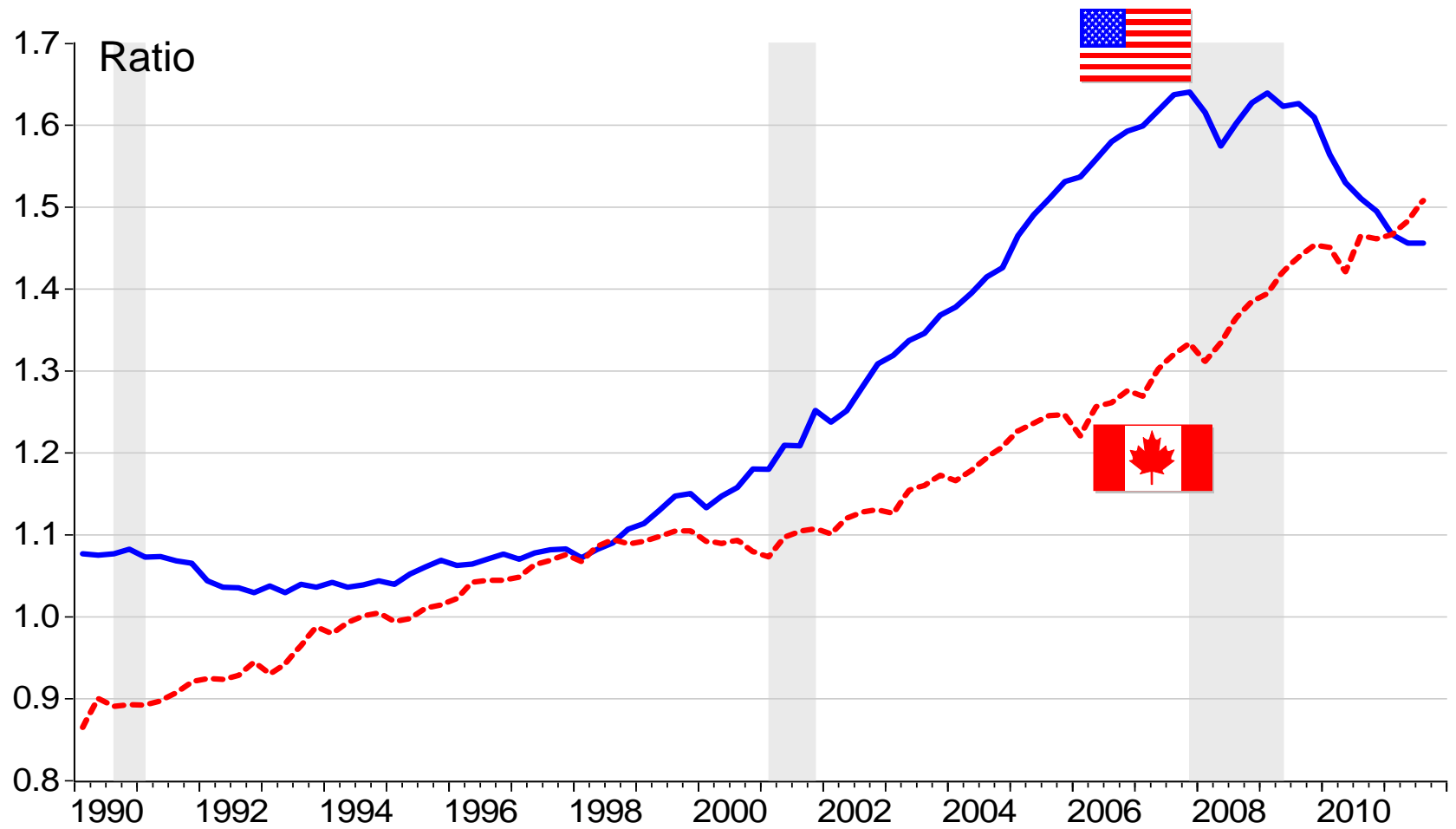


\*Excludes self-employed for comparative purposes

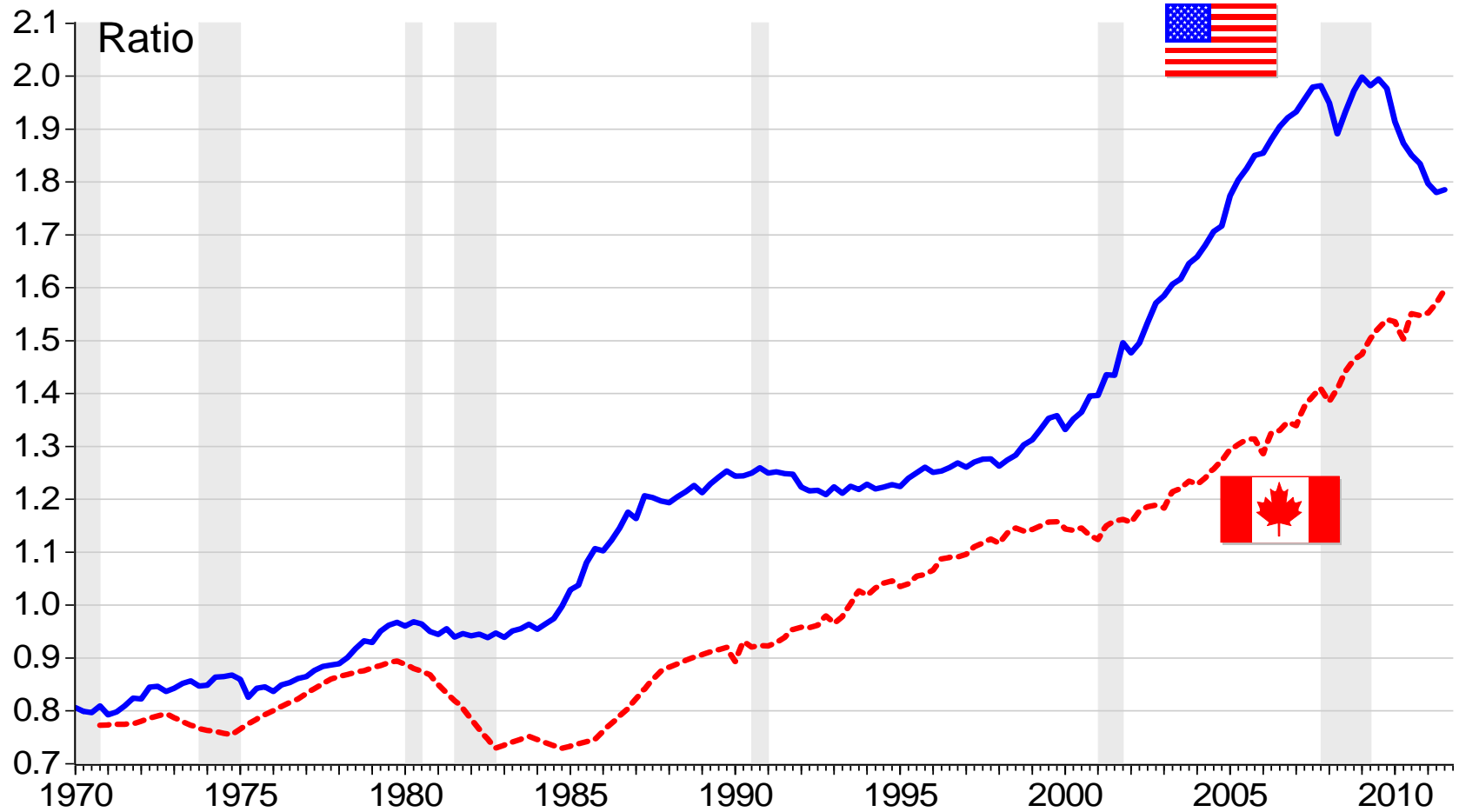
NBF Economy and Strategy Group (data via Global Insight)

# Is Canadian growth facing headwinds?

# Households: ratio of debt to disposable income



# Households: ratio of debt to disposable income (adjusted for health spending)



# Considerable drop in interest rates

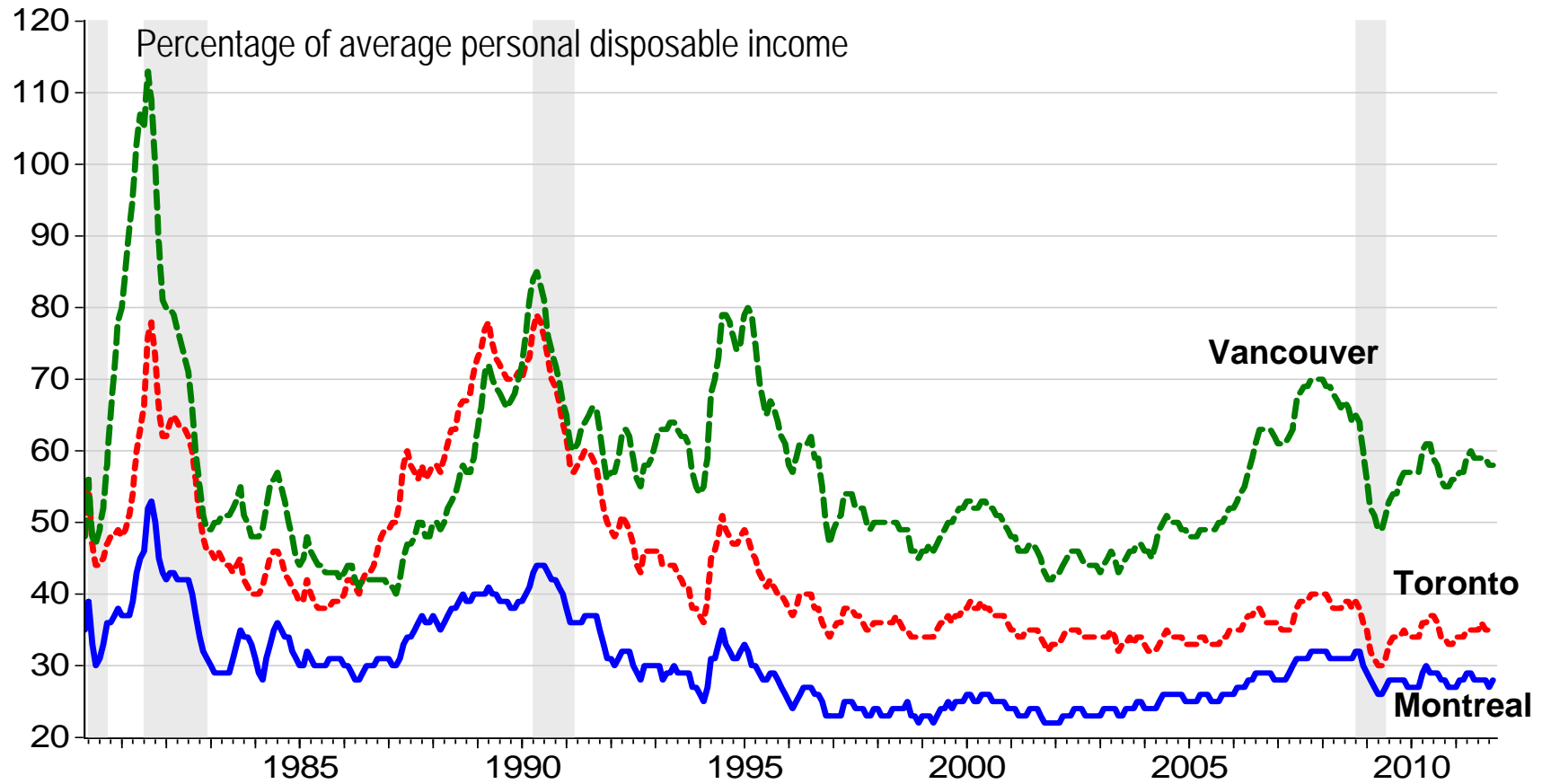
*Conventional mortgage 5-year rate*



*NBF Economy and Strategy Group (Global Insight data)*

# Historical perspective on affordability

*Mortgage payment on average-priced home*

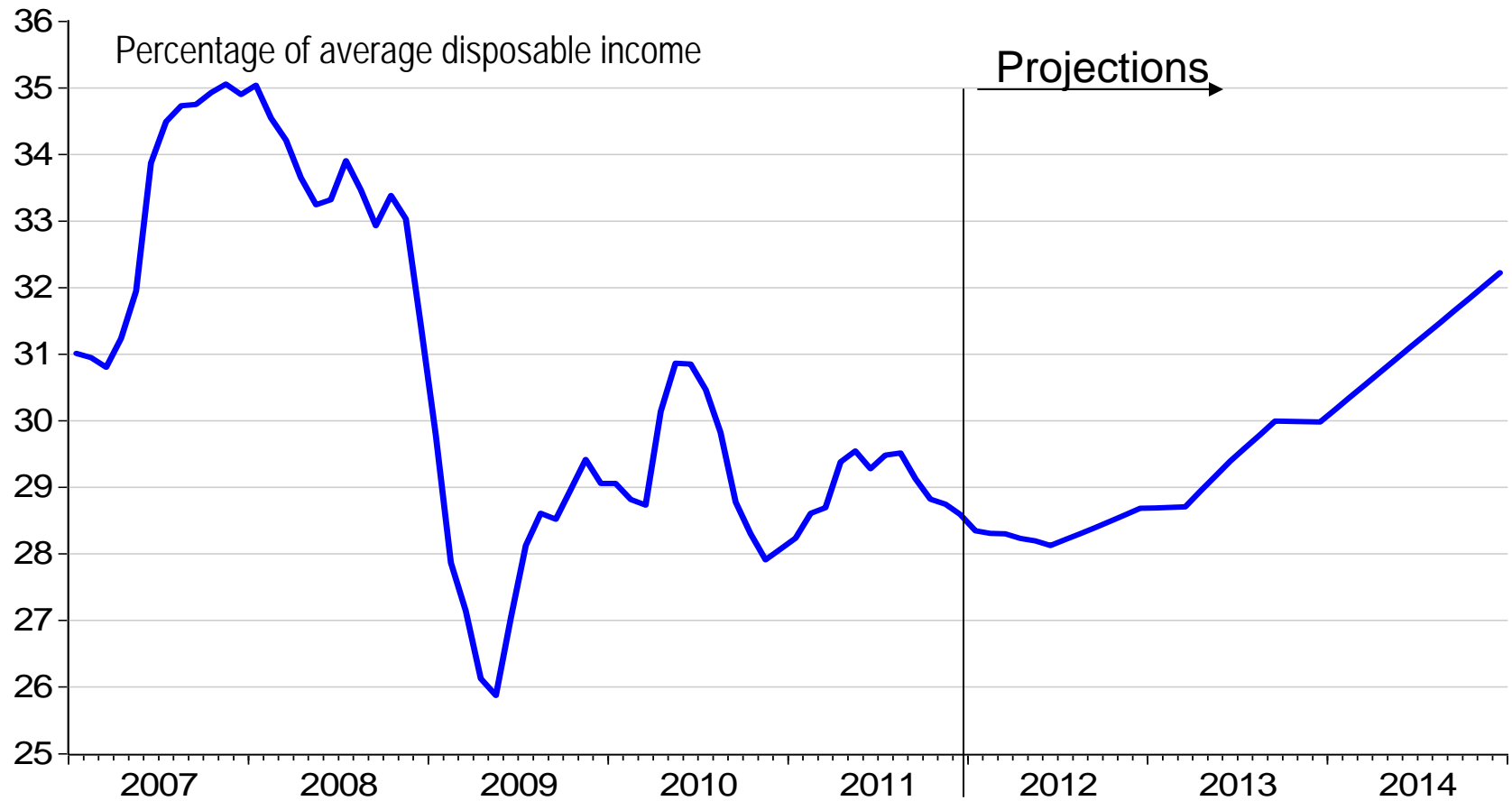


*NBF Economy and Strategy Group (Statistics Canada, CREA, Teranet – National Bank data)*



# Interest rate hikes: homeownership still affordable

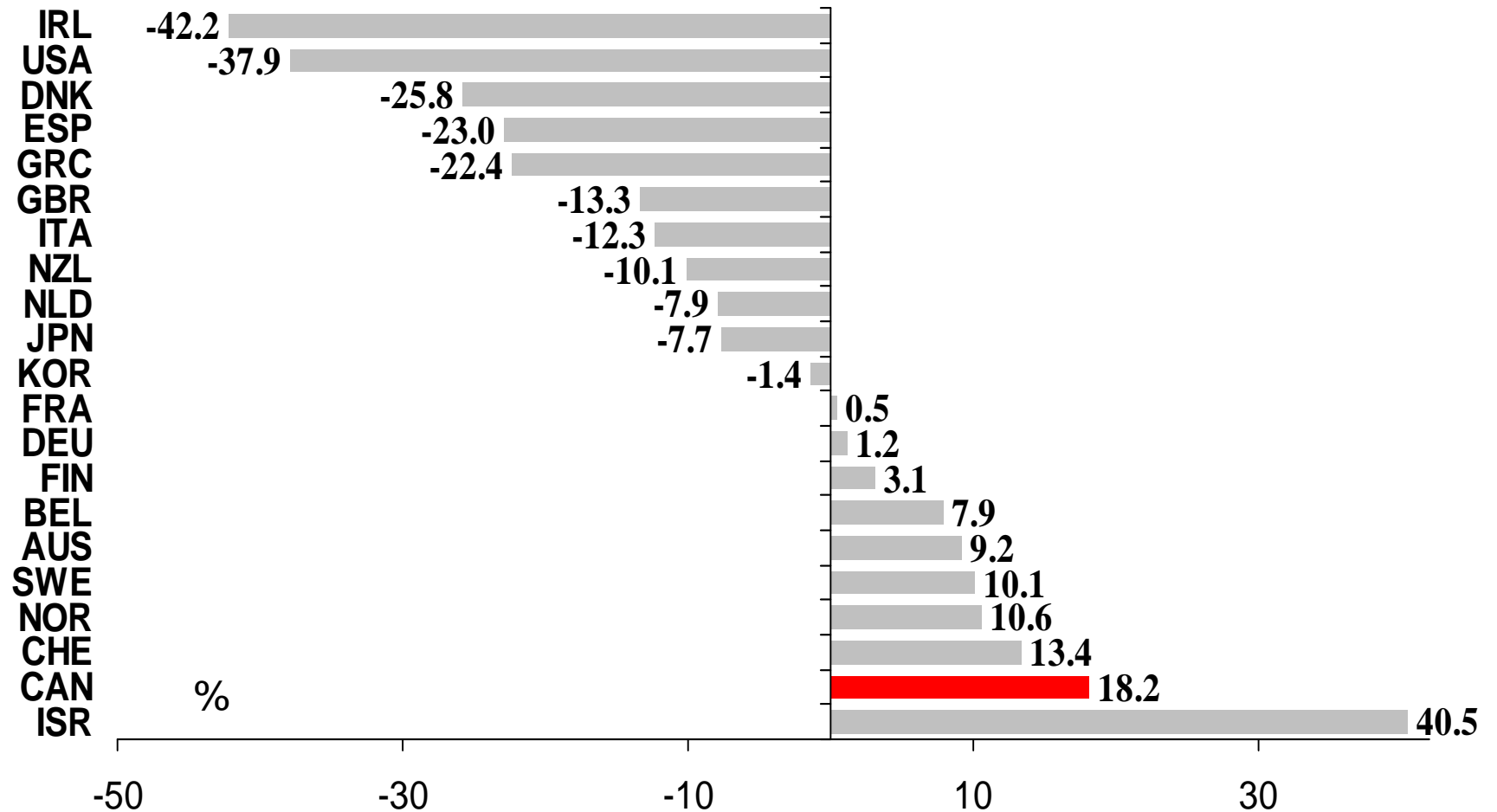
*Mortgage payment on average-priced home*



*NBF Economy and Strategy Group (Statistics Canada, CREA, Teranet – National Bank)*

# House prices on sharp rise in Canada

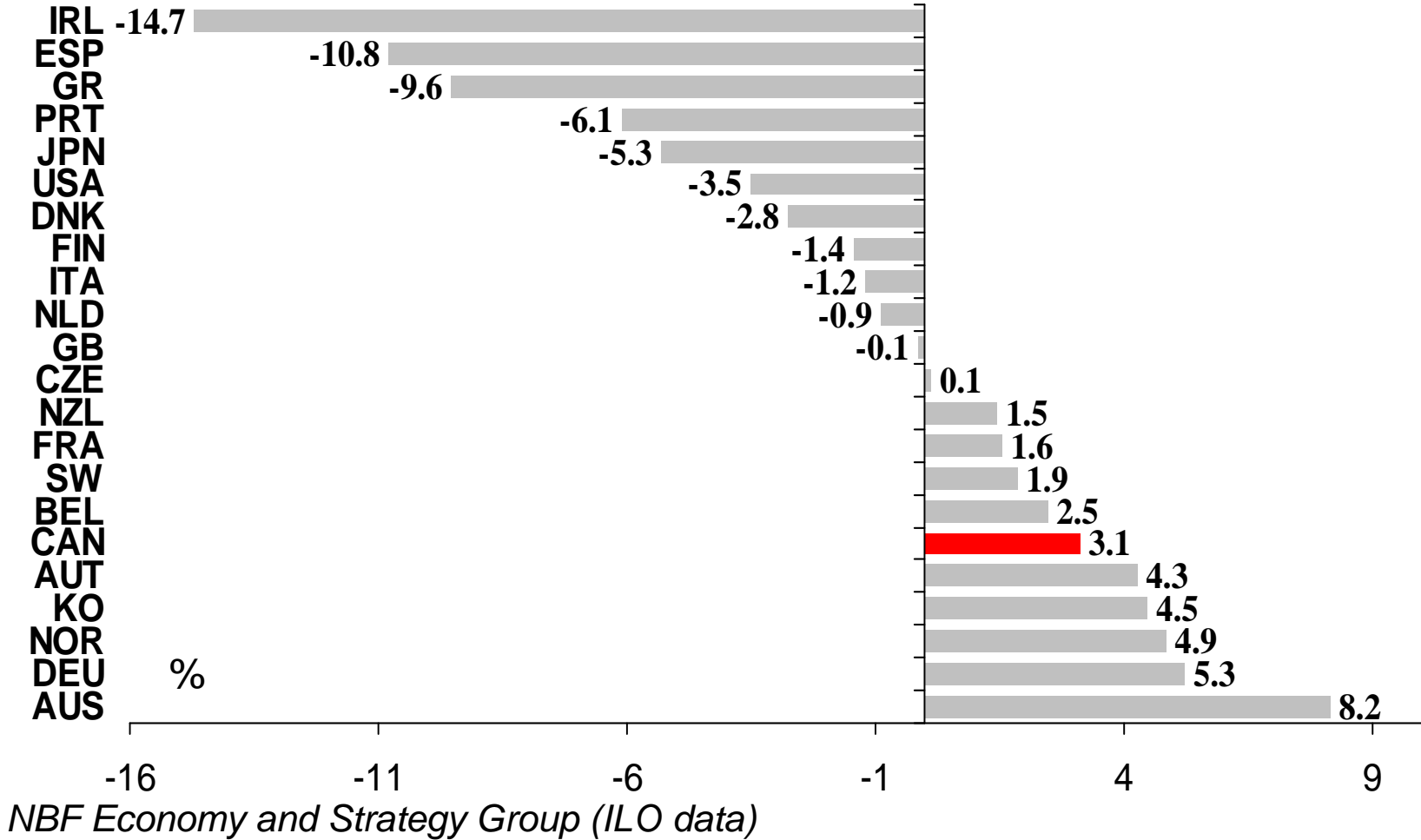
*Real house price growth since 2007Q1*



*NBF Economy and Strategy Group (OECD, Teranet – National Bank and Global Insight)*

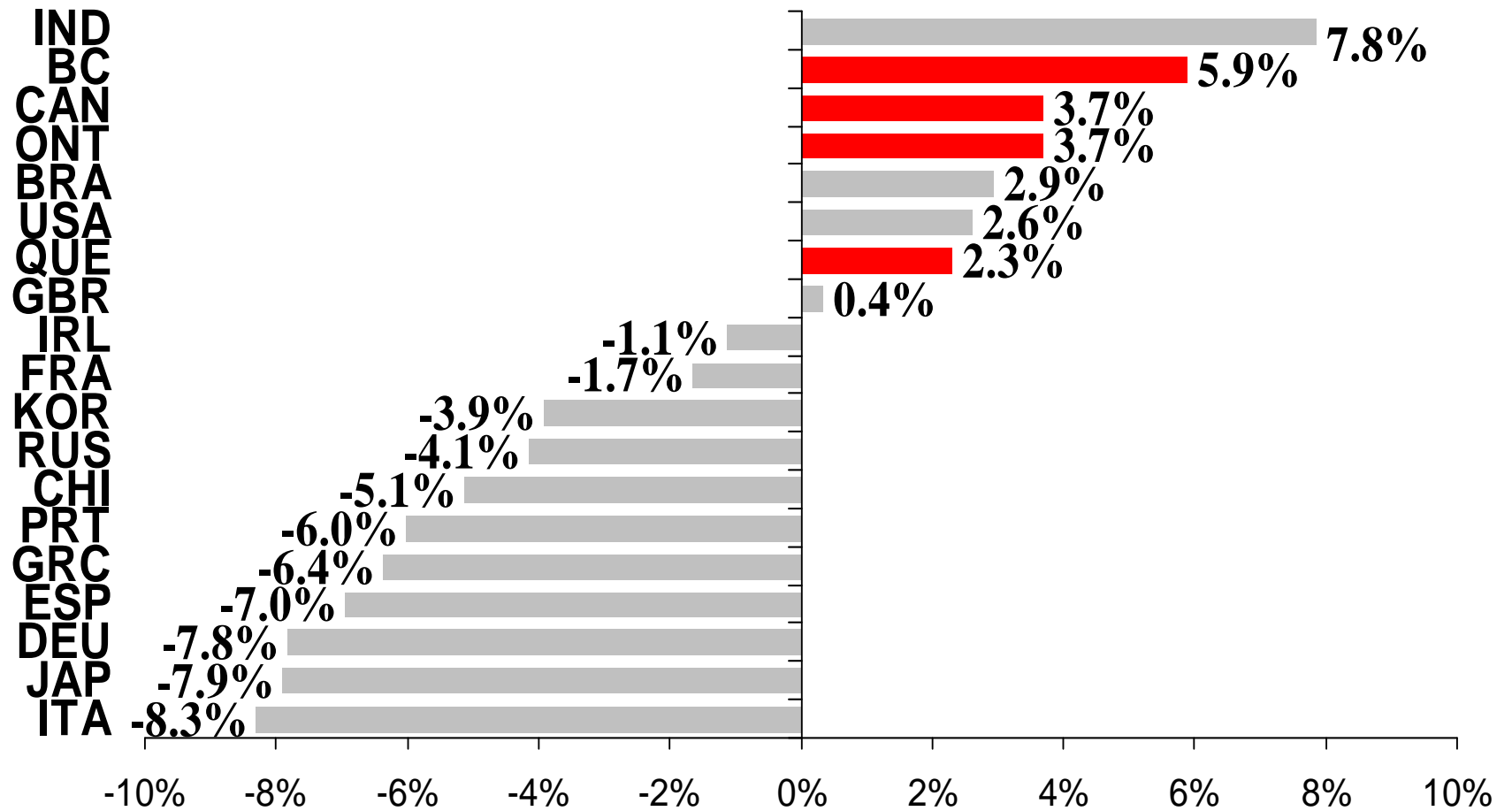
# Employment in Canada: performance solid by comparison

*Employment growth since 2007*



# Residential real estate on solid ground

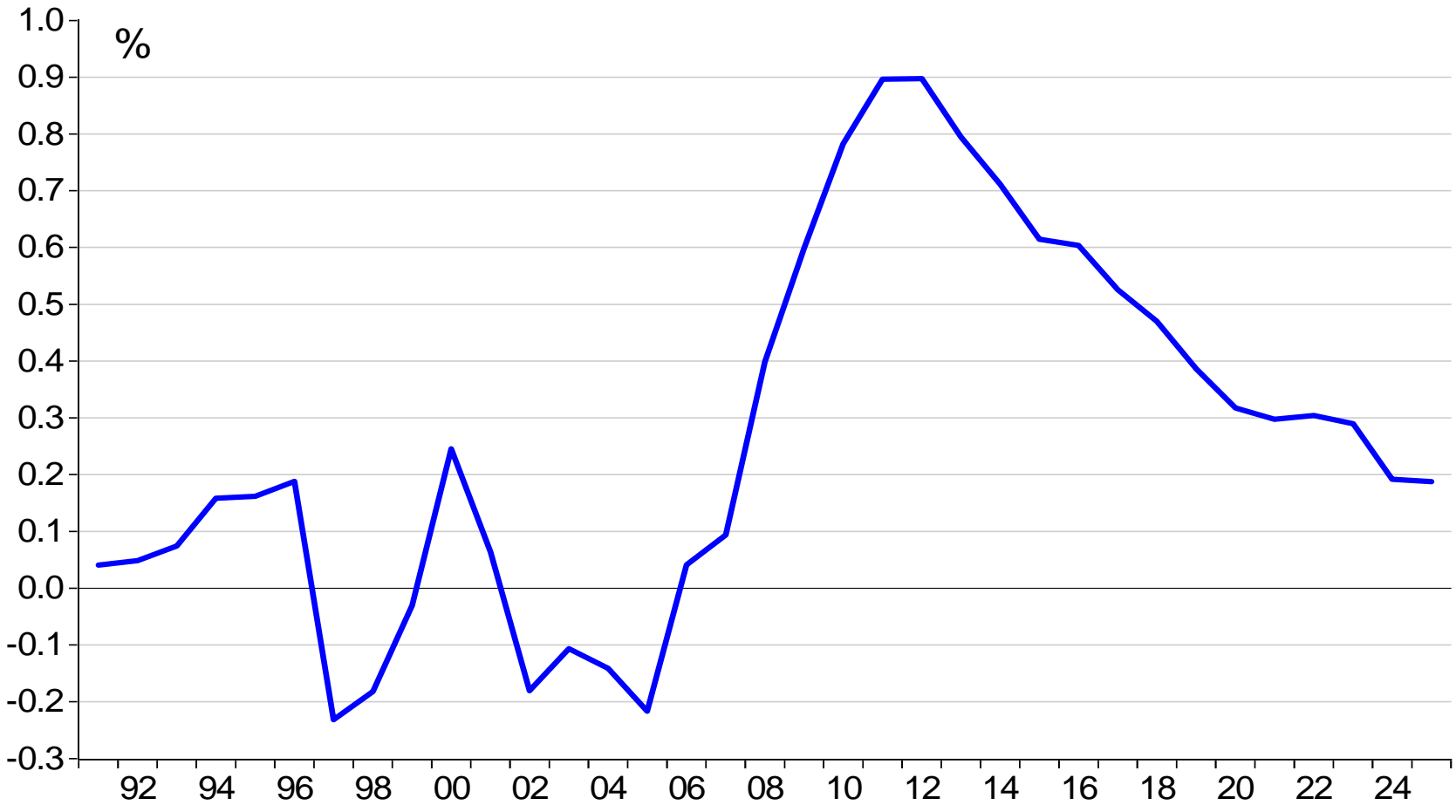
Population growth in 20-44 age group from 2012 to 2017



NBF Economy and Strategy Group (United Nations and Statistics Canada data)

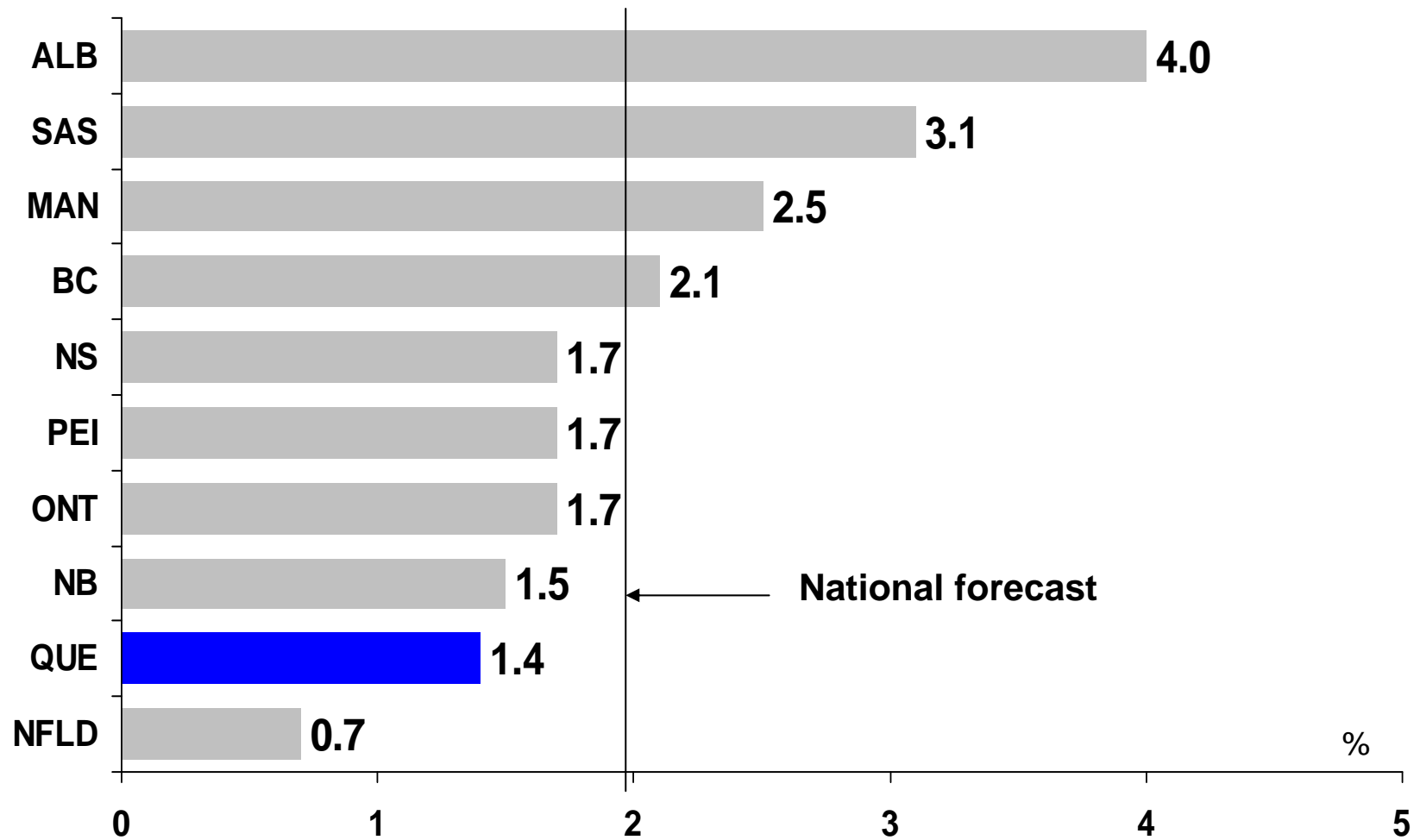
# Stark contrast with 1990s

Annual population growth in 20-44 age group - Canada



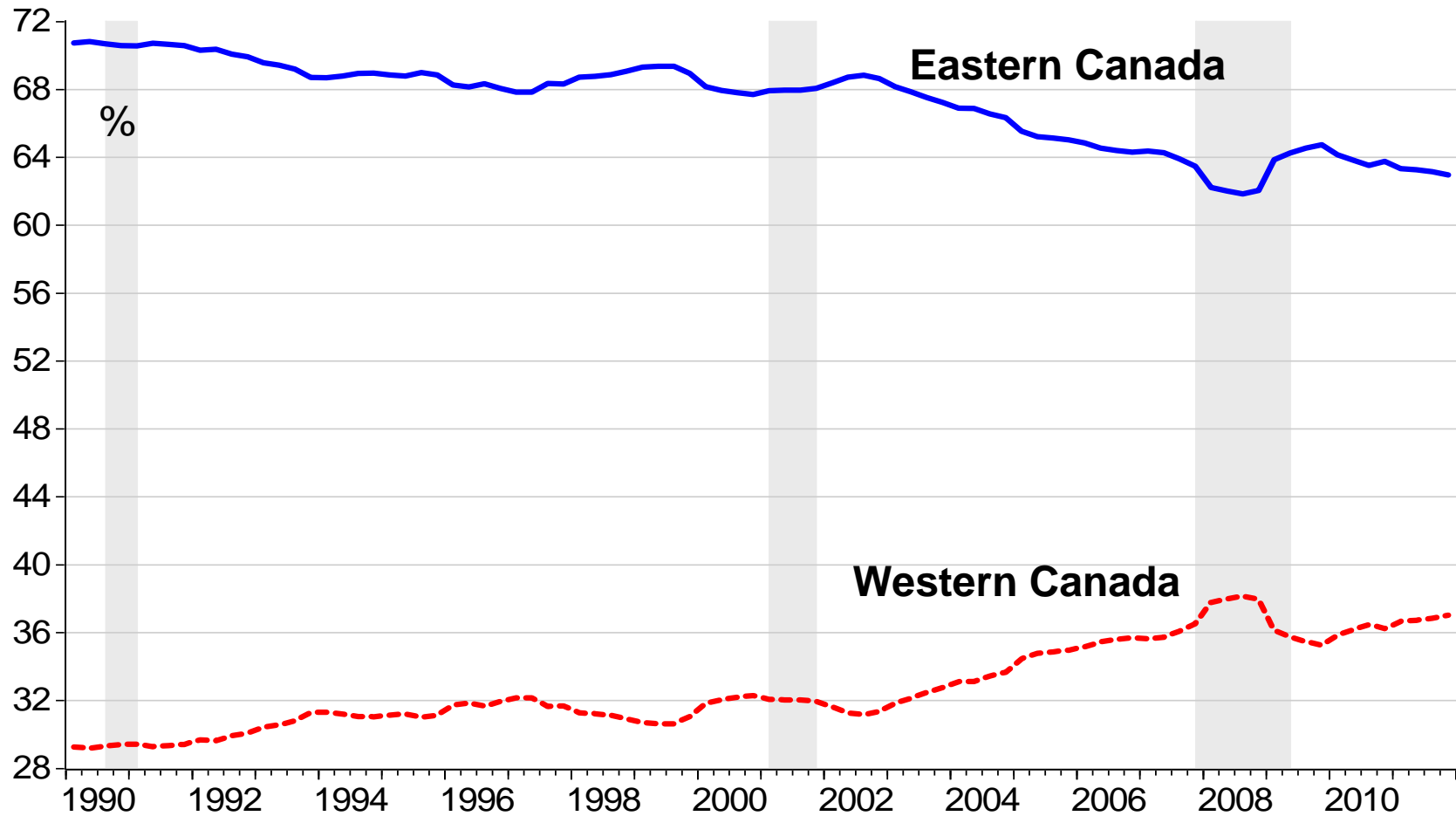
NBF Economy and Strategy Group (U.S. Census and Statistics Canada data)

# GDP growth forecast per province in 2012



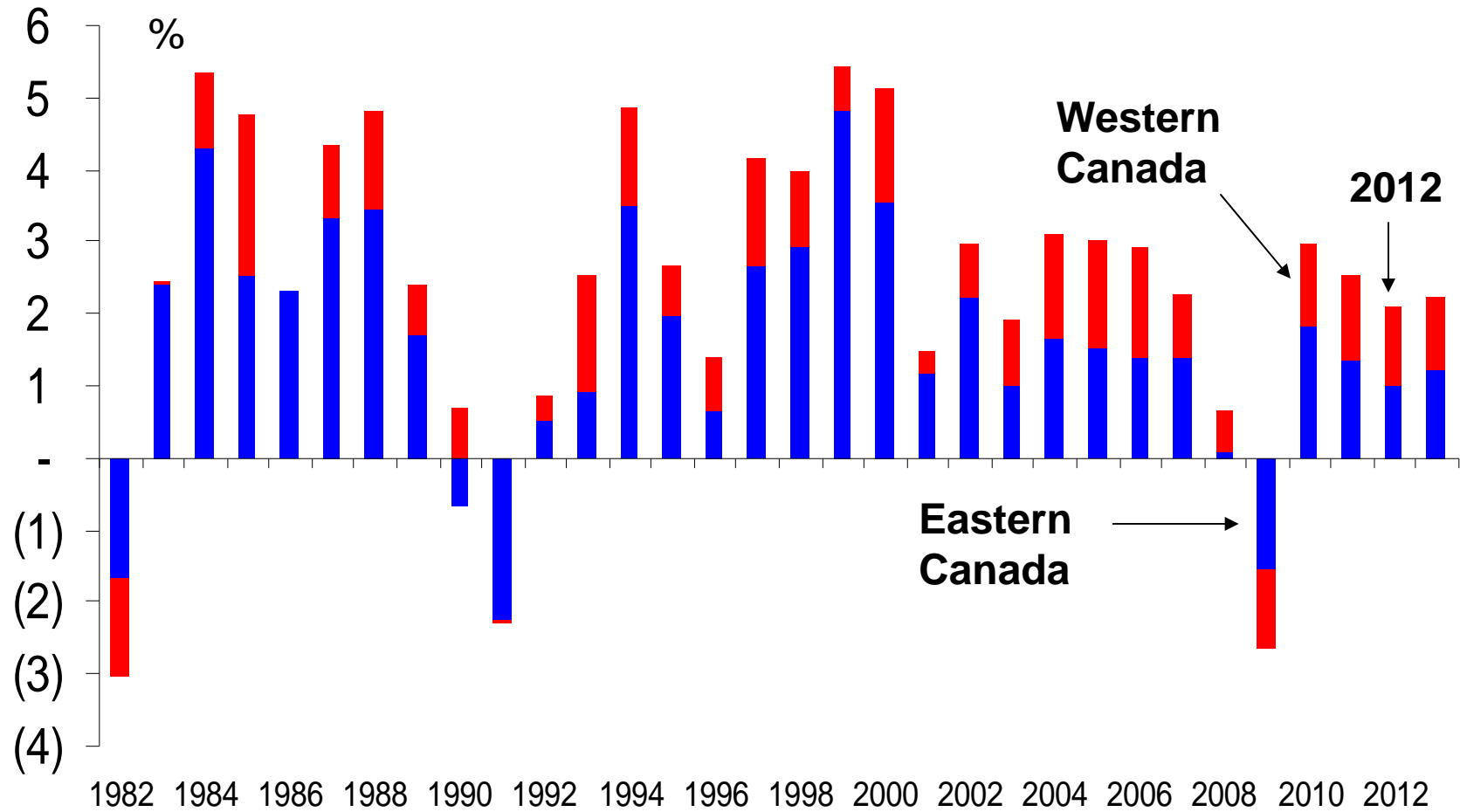
NBF Economy and Strategy Group

# Canada – GDP distribution



*NBF Economy and Strategy Group (data via Global Insight)*

# Canada – GDP growth

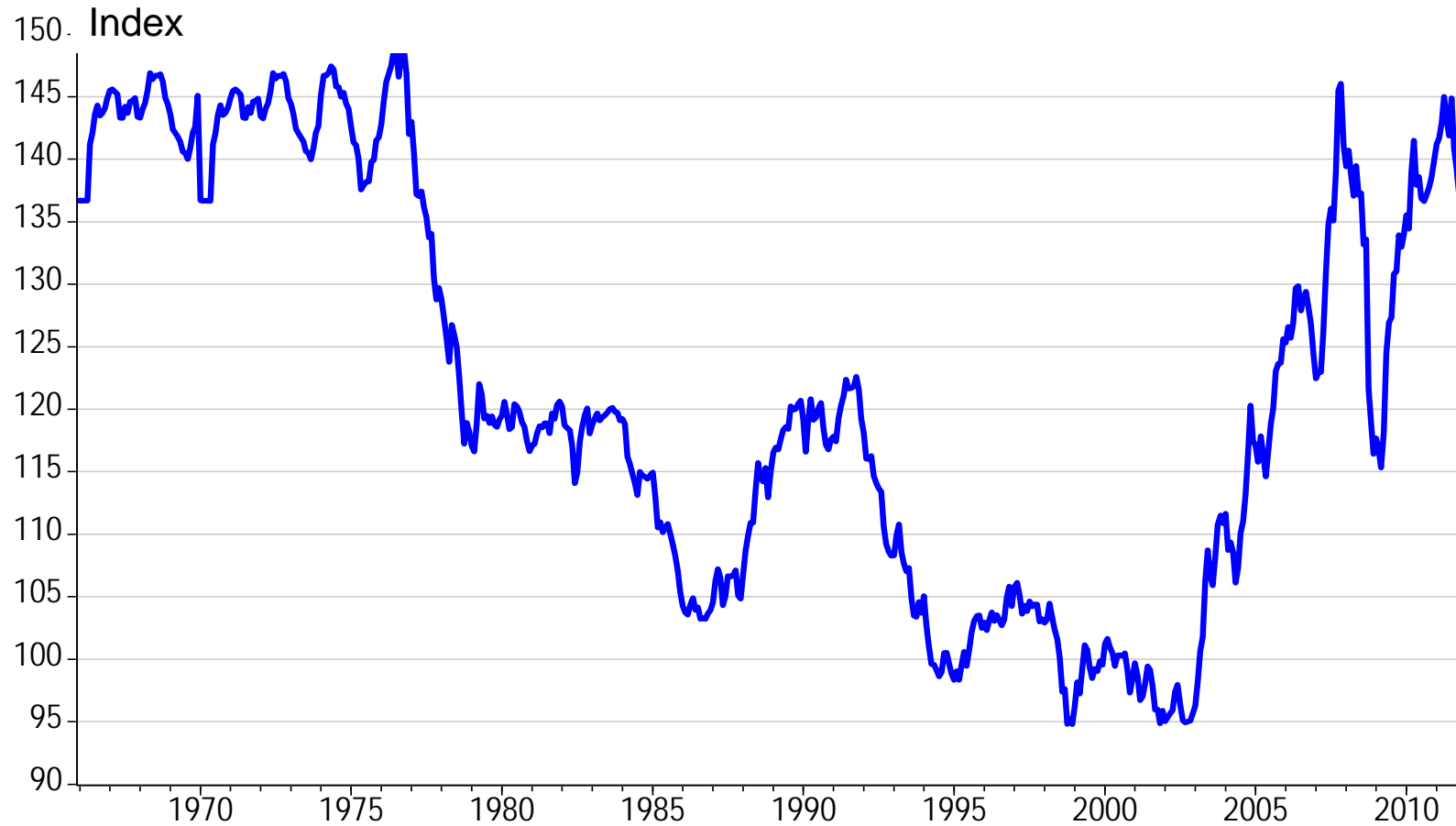


NBF Economy and Strategy Group (data via Global Insight)



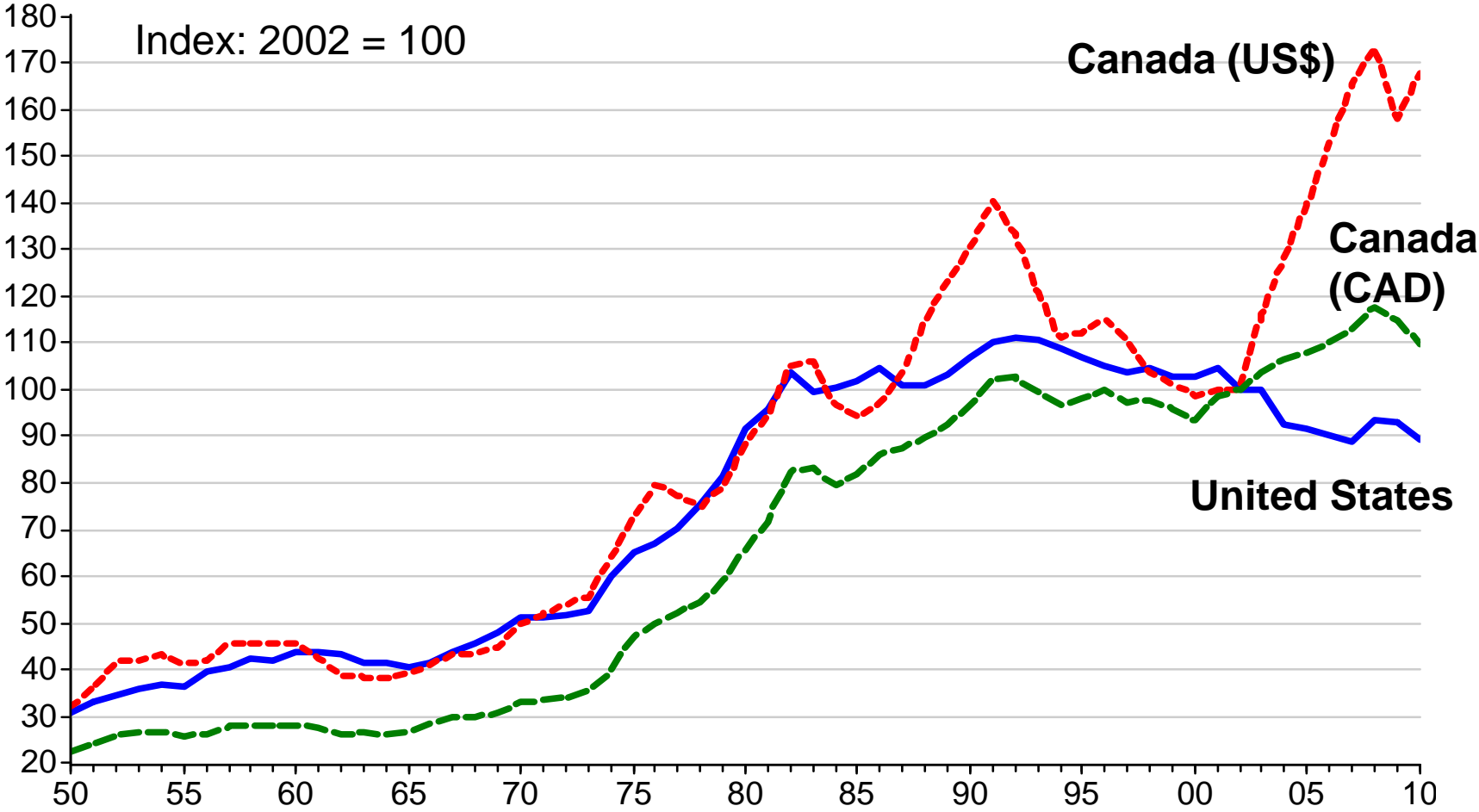
# Better get used to strong loonie

*Trade-weighted Canadian dollar index*



*NBF Economy and Strategy Group (data via IMF)*

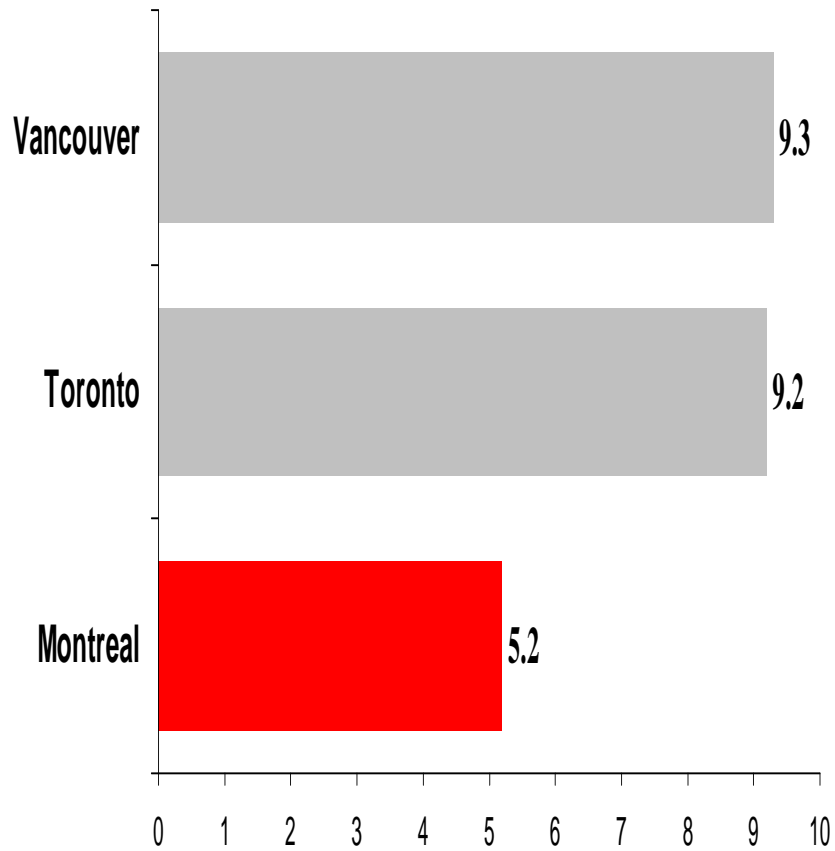
# Labour unit costs – manufacturing sector



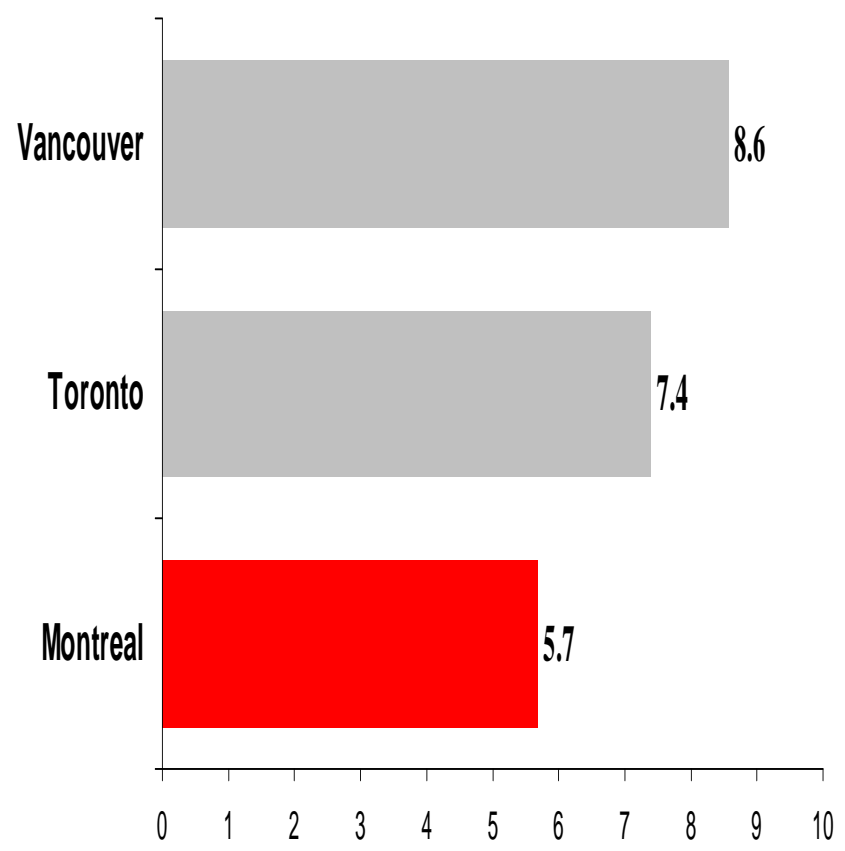
NBF Economy and Strategy Group (data via BLS)

# Montreal: weaker growth since 2006

*Population growth*



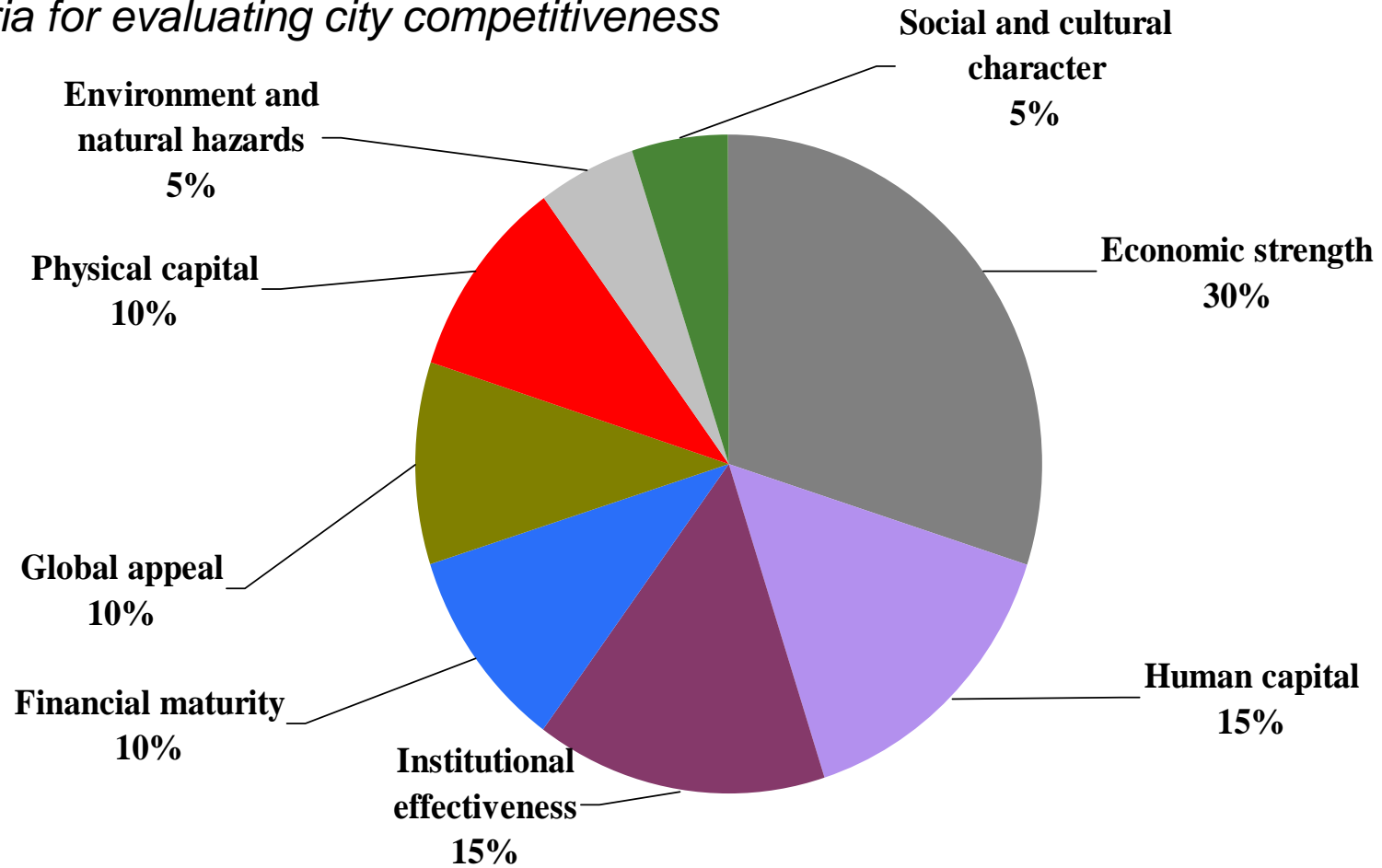
*Employment growth*



*NBF Economy and Strategy Group (data via Global Insight)*

# The Economist (EIU): comparative analysis of city competitiveness

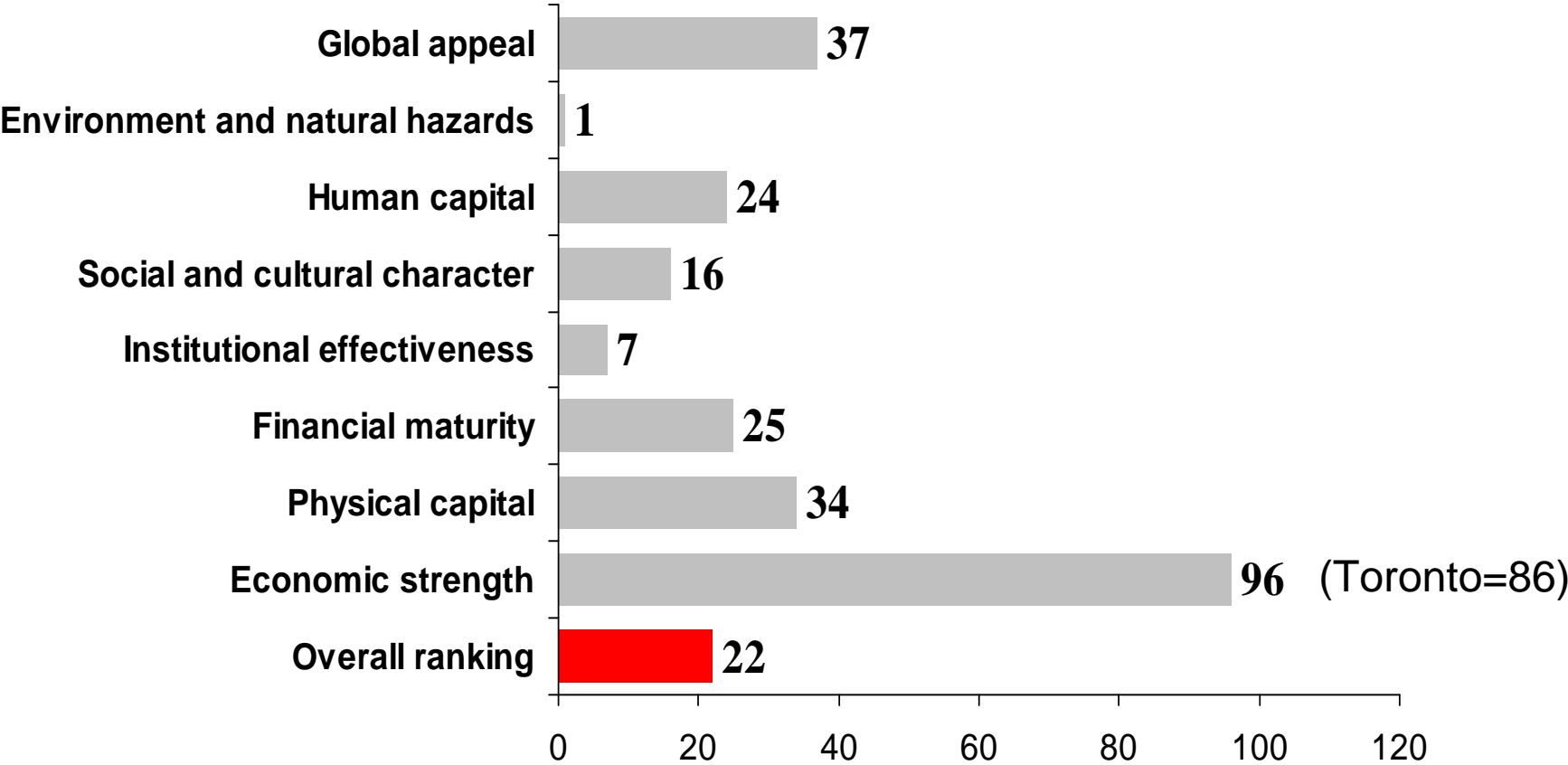
*Criteria for evaluating city competitiveness*



*NBF Economy and Strategy Group (data via The Economist)*

# Montreal: in top quintile for competitiveness

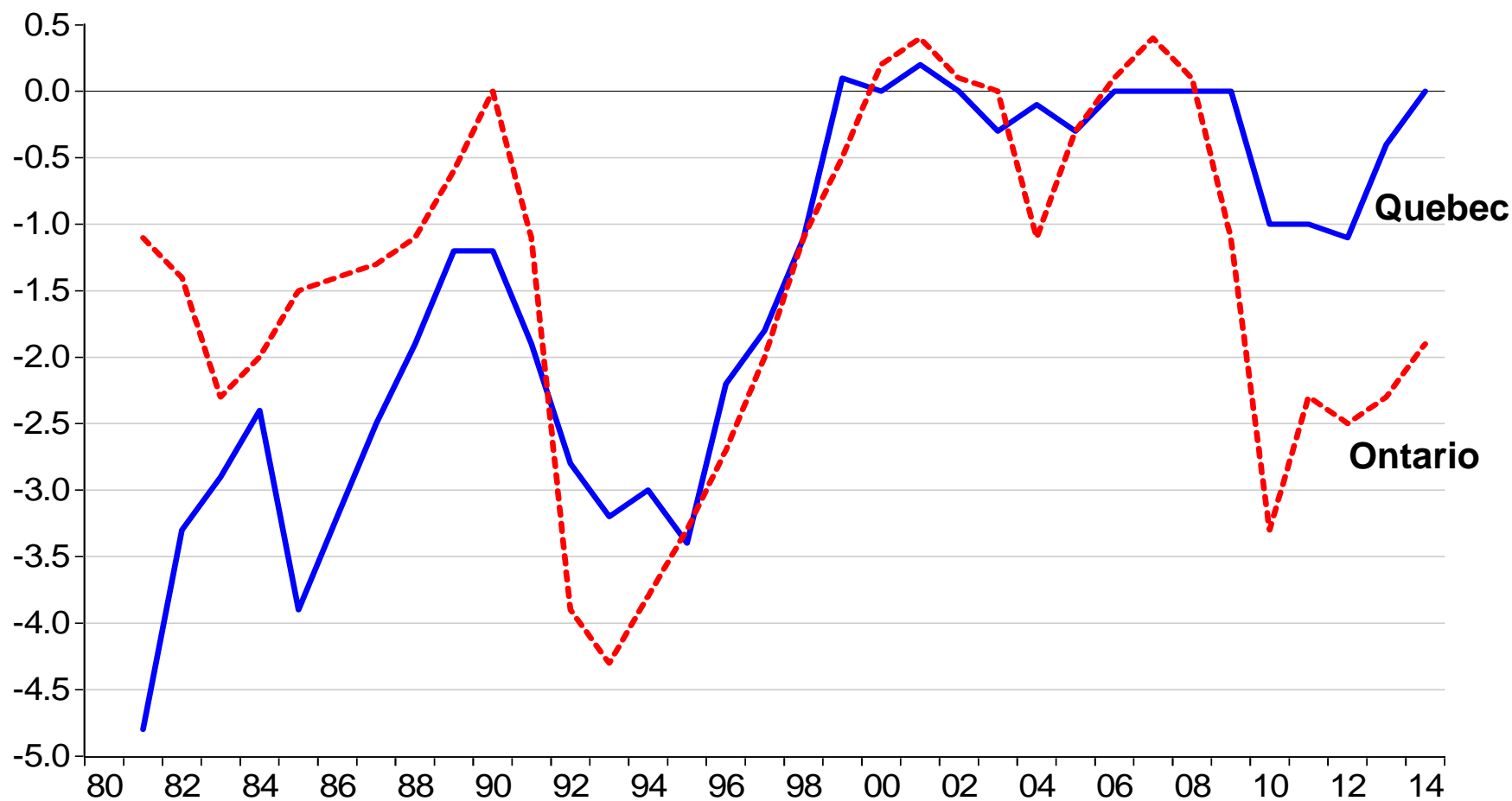
*Montreal's ranking by city competitiveness criterion*



*NBF Economy and Strategy Group (data via The Economist)*

# Appeal: bear in mind public finances

Deficits as a % of GDP



NBF Economy and Strategy Group (data via Quebec and Ontario Ministries of Finance)

# Conclusion

- **United States**
  - ***Economic growth of 2.5% in 2012, thanks to improved labour market and rebound in residential construction***
  - ***Fed should not budge before 2014***
- **Canada**
  - ***Economic growth of 2.0%, first time underperforming United States since 2005***
  - ***Domestic demand flagging but foreign sector picking up slack***
  - ***Bank of Canada should hike rates in late 2013***
- **Quebec**
  - ***Economic growth below national average in 2012 (1.4%), but expected to jump to 2% in 2013***
  - ***Montreal performed worse than Toronto and Vancouver in terms of growth. The recent EIU analysis inspires optimism. Montreal ranks in the top quintile among 120 of the world's major cities in terms of ability to attract skilled labour and businesses.***

Thank you for your attention!