

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

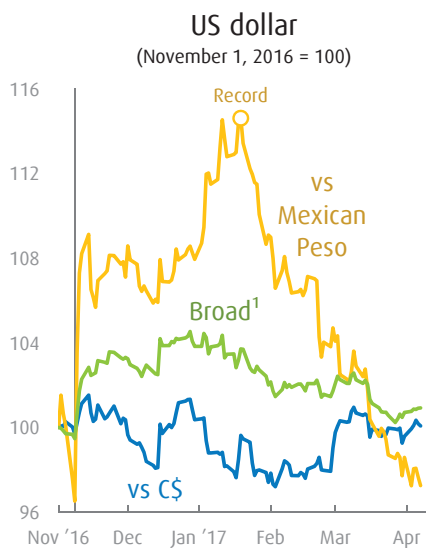
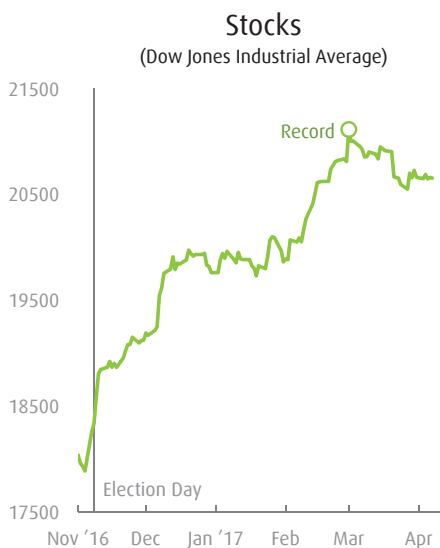
### Not-so-good:

- Protectionism
- Immigration uncertainty

## Restrained by budget deficit and Congress

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

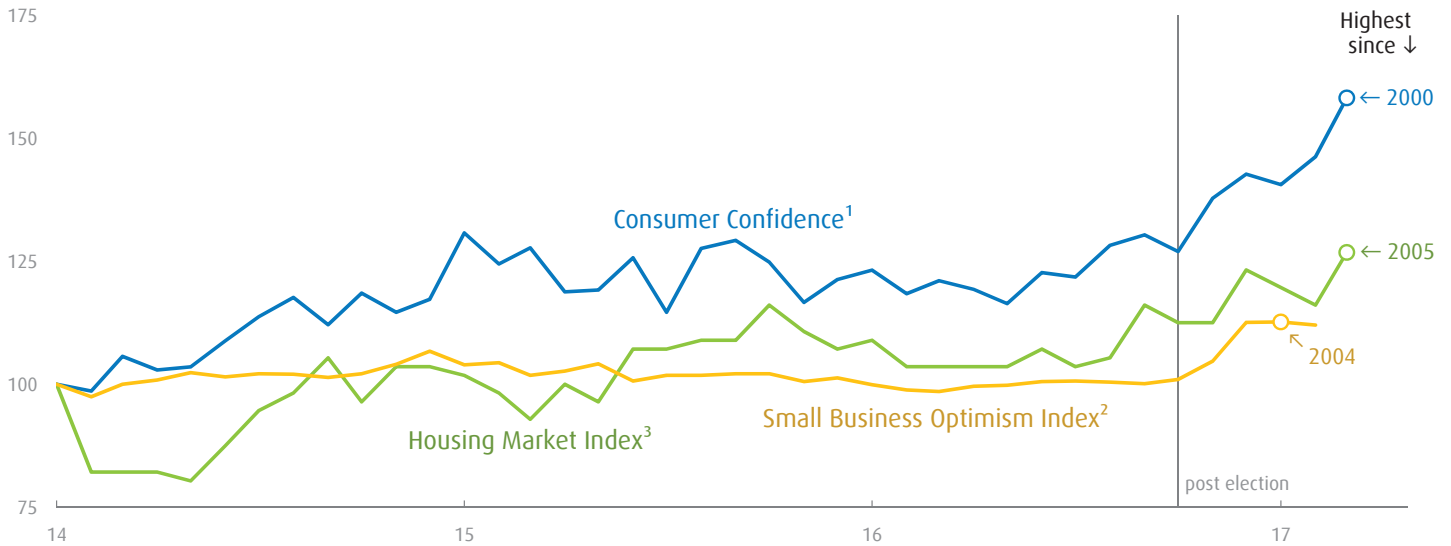
2016–17 (as of April 7, 2017)



<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

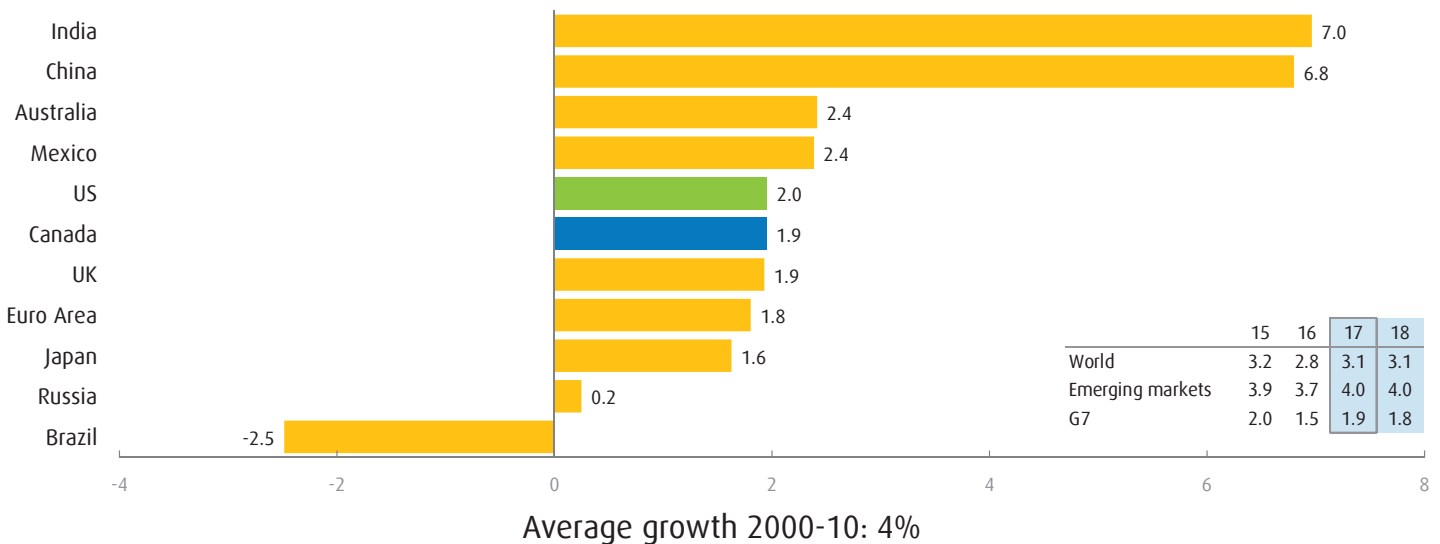
United States (January 2014 = 100)



# Global GDP: Mixed and still sluggish

2016:Q4 (y/y % chng)

Real GDP

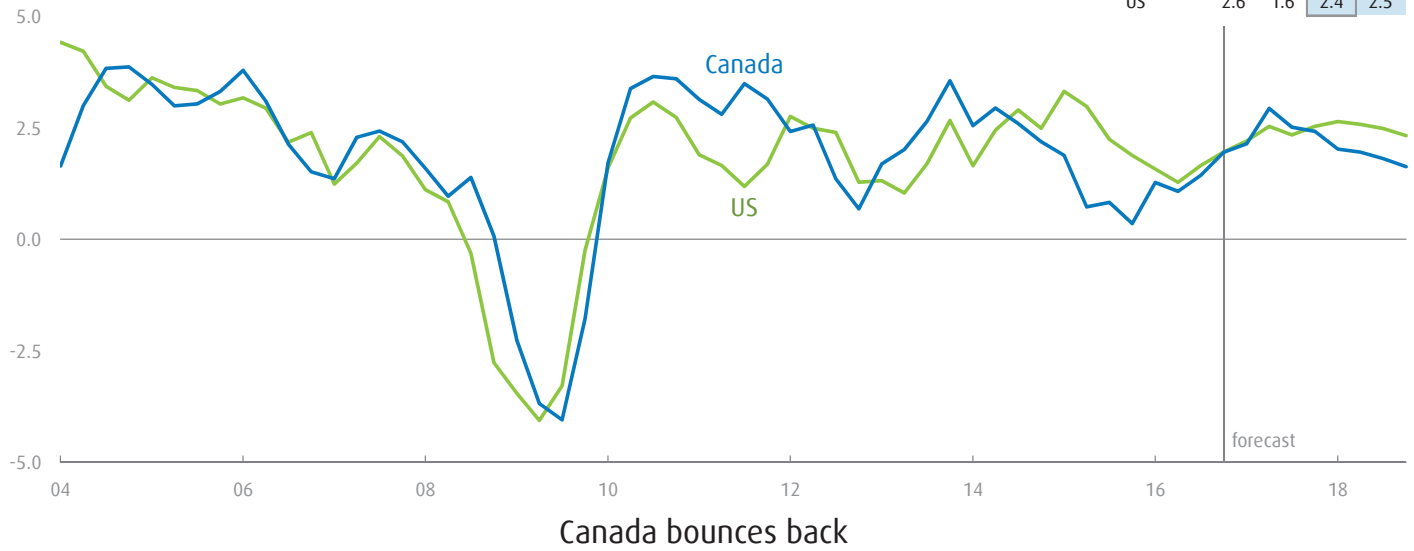


# North American growth: A better 2017

(y/y % chng)

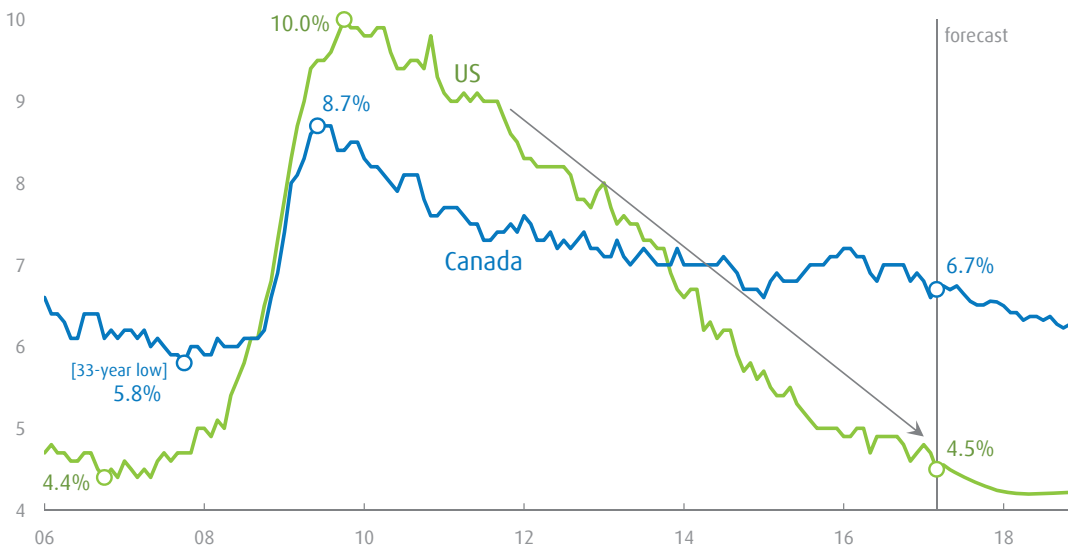
Real GDP

	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)

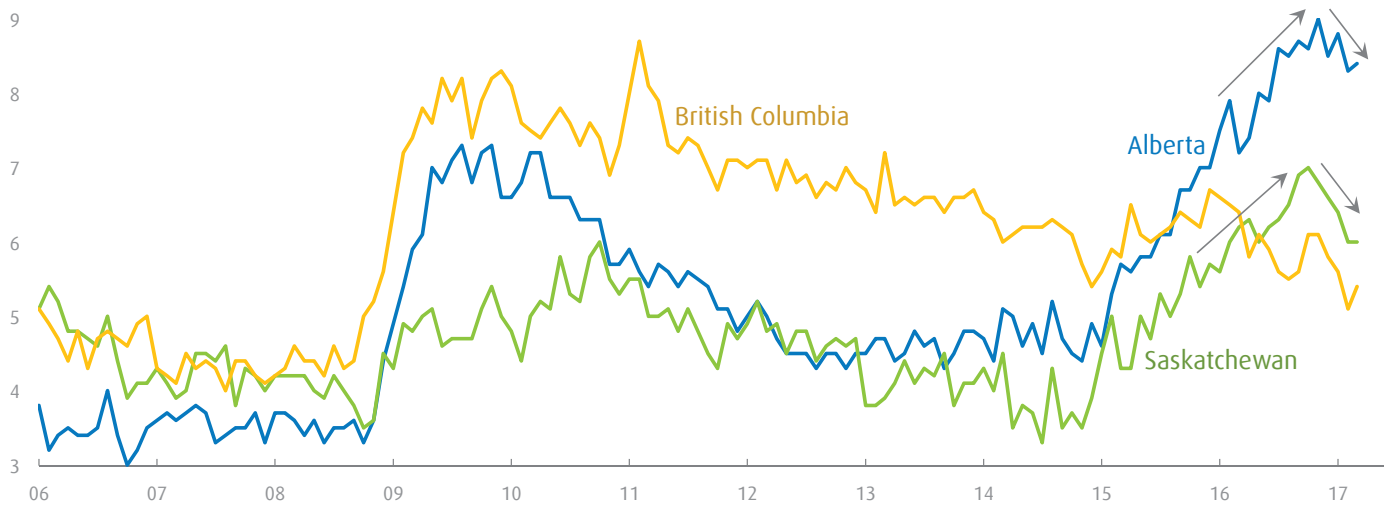


Greece	23.5
Spain	18.0
Italy	11.5
Portugal	10.0
France	10.0
<b>Canada</b>	<b>6.7</b>
Ireland	6.4
Australia	5.9
UK	4.7
<b>US</b>	<b>4.5</b>
Germany	3.9
Japan	2.8
<b>Vancouver</b>	<b>4.7</b>
<b>British Columbia</b>	<b>5.4</b>

# Jobless rates: Oilpatch turning the corner?

Canada (percent)

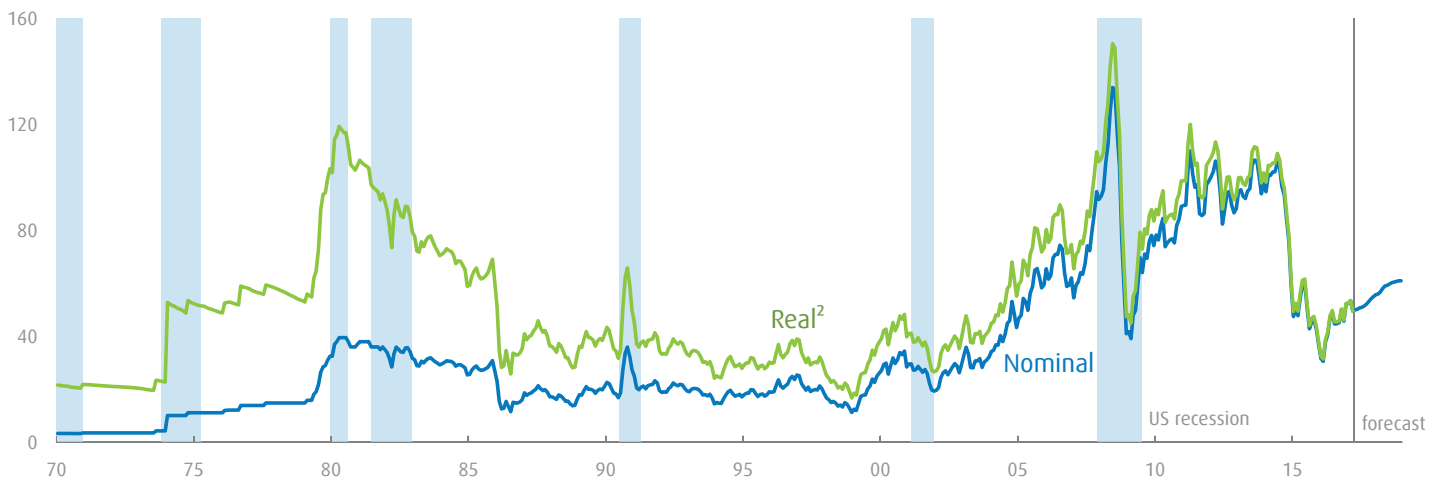
Unemployment rate



# Oil price collapse in perspective

(US\$/bbl)

Crude oil price<sup>1</sup>

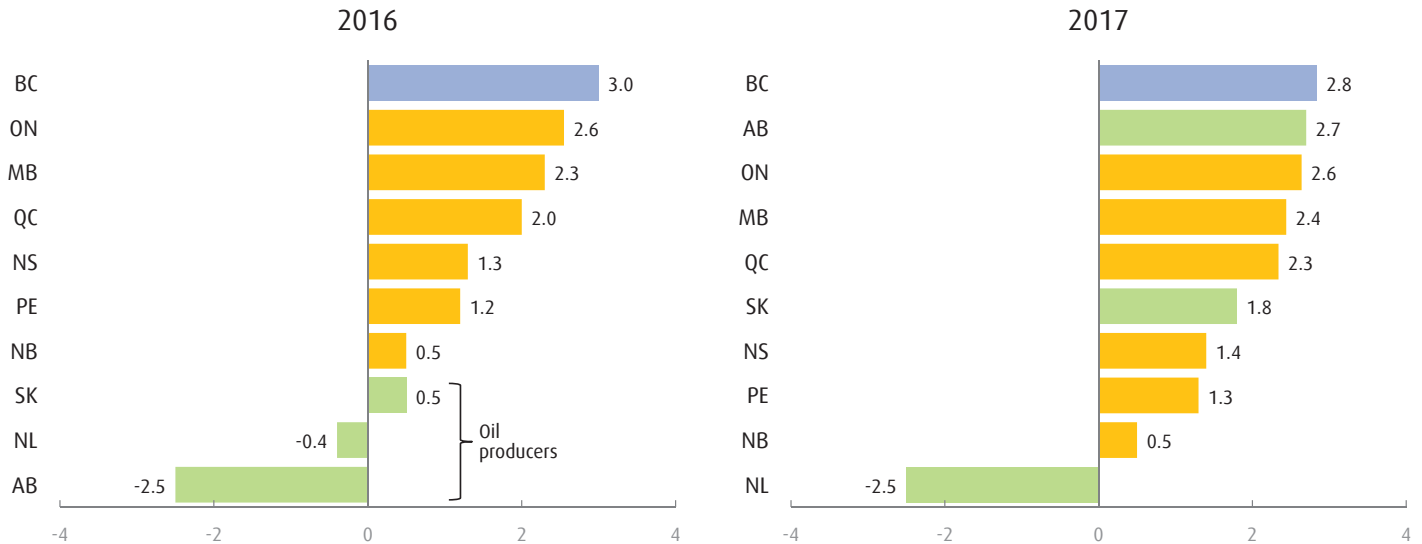


Long-term average price = \$55 (today's dollars)

<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

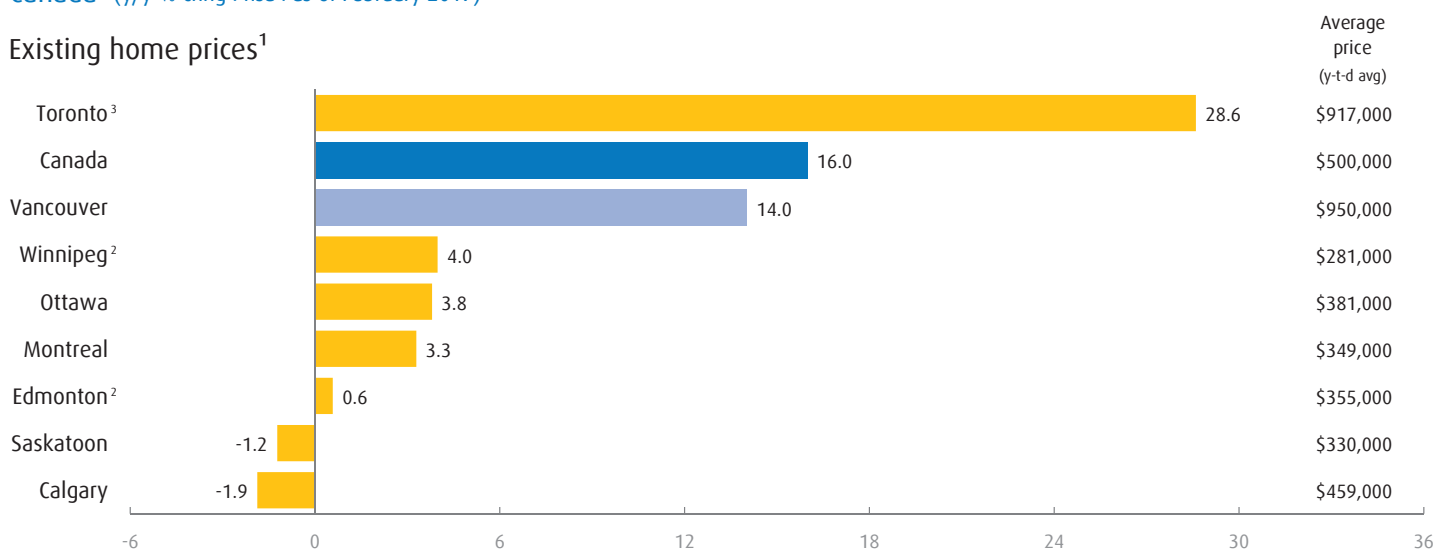
- The Tye

- US investment firm

# Canadian house prices: Location, location, location

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

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



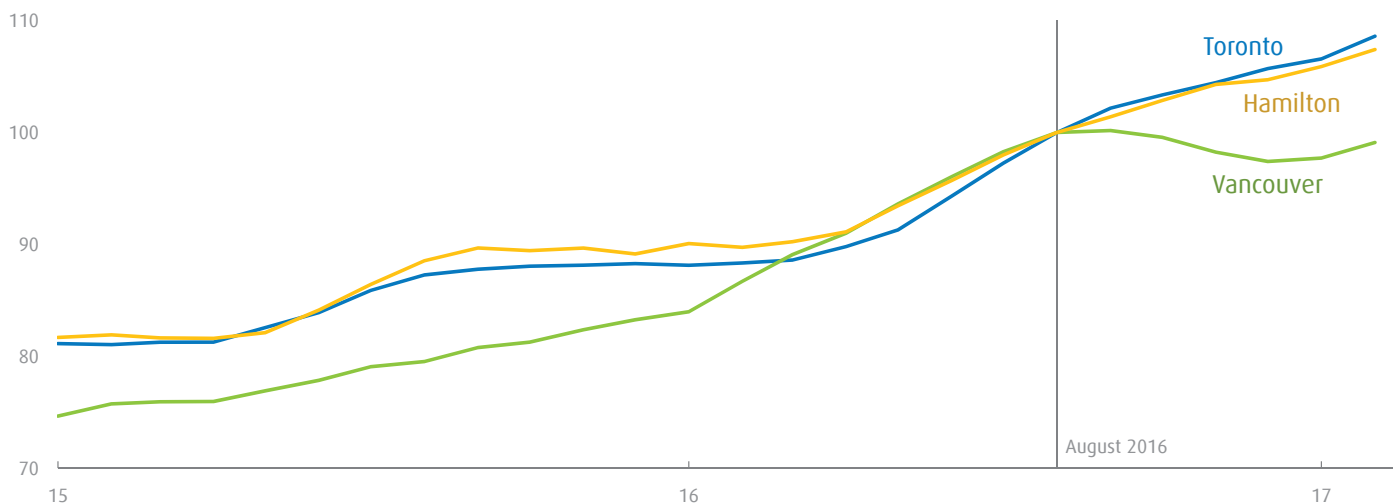
## Federal government moves to cool market

<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

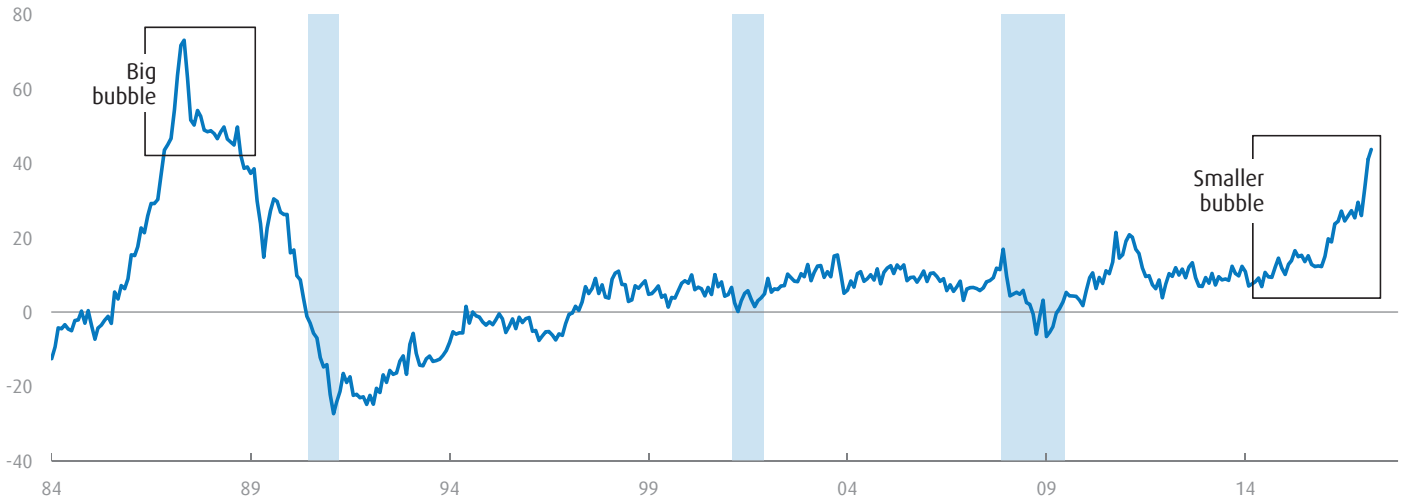




# Real home prices: Too too much in TO

Toronto (2-yr % chng)

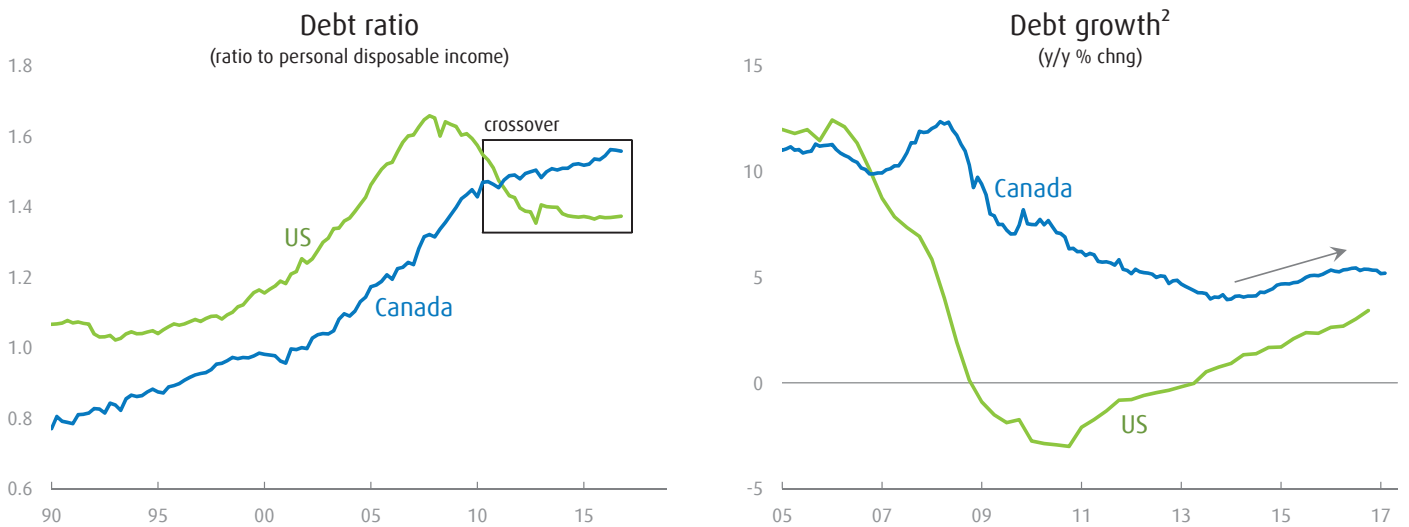
Real home prices<sup>1</sup>



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>



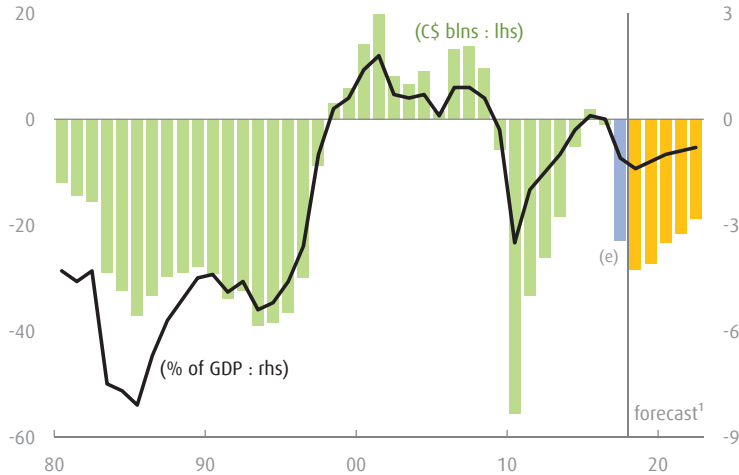
Debt ratio at record highs, more to come

<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

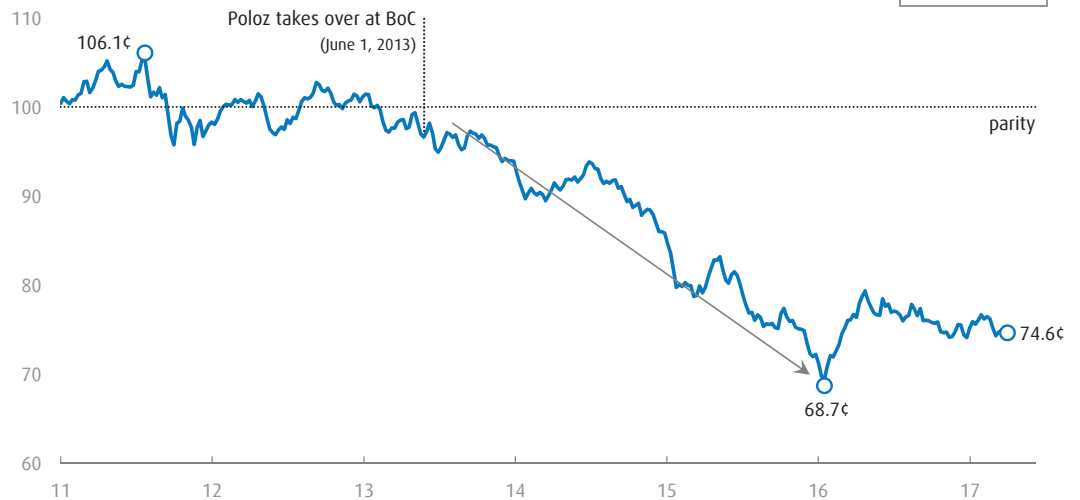
Debt/GDP stable

# Canadian dollar: Where next?

## Canada



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

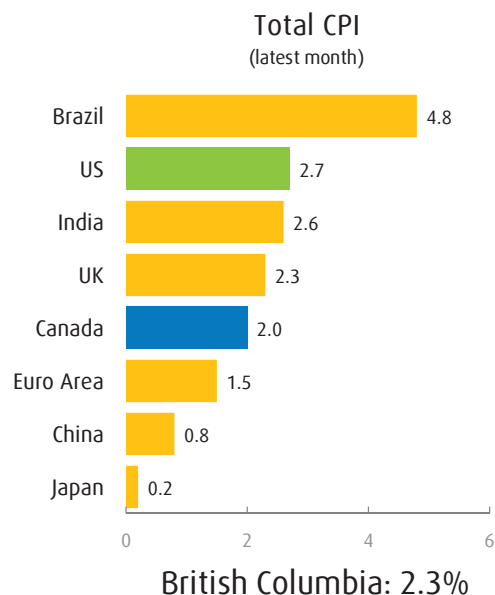
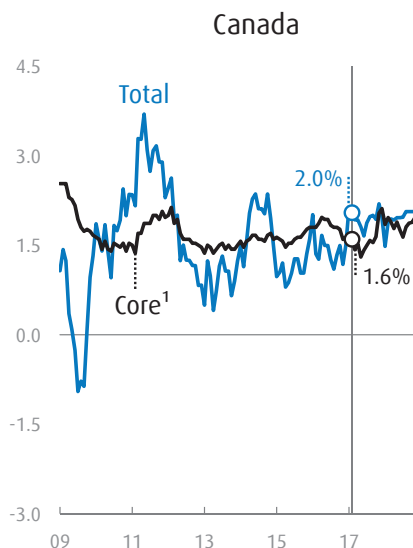
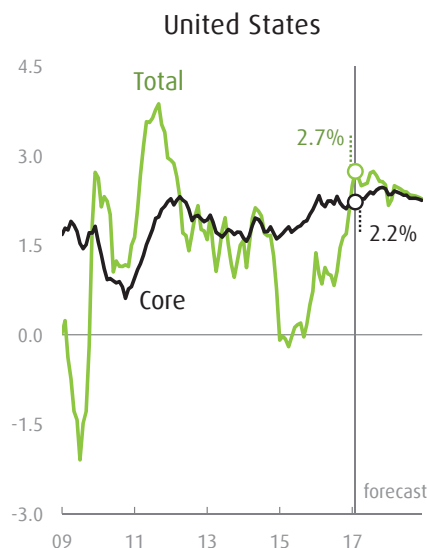


Year-end	
2016	74.5
2017	75.0
2018	78.5

Trade uncertainties

# Inflation edging up

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



# 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

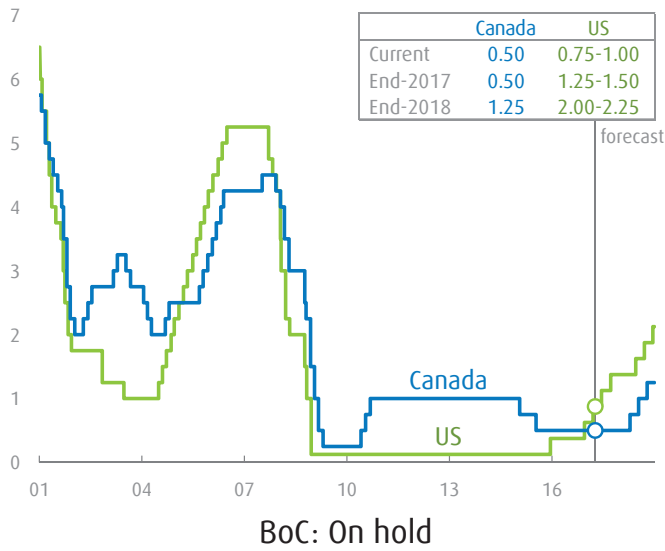
Gasoline	Up 18.1% y/y in early April	23.1%
Books		8.2%
Air fares		5.6%
Cigarettes		4.3%
Home insurance		3.6%
New autos		3.6%
Women's clothing		3.5%
Property taxes		2.8%
Tuition fees		2.8%
Beer		1.8%

Overall CPI: 2.0%

# Interest rates: More US rate hikes coming

(% : as of April 7, 2017)

Overnight rate



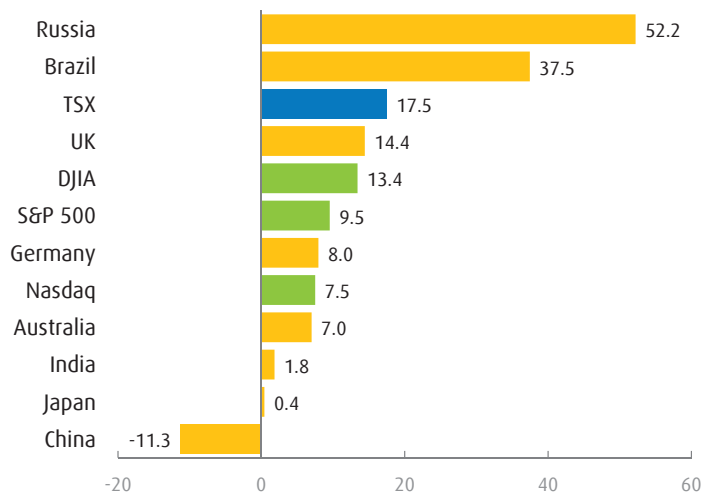
10-year bonds



# Global stocks: Tables turn

Equity markets (% chng)

2016



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

