

Economic outlook: Post-election landscape

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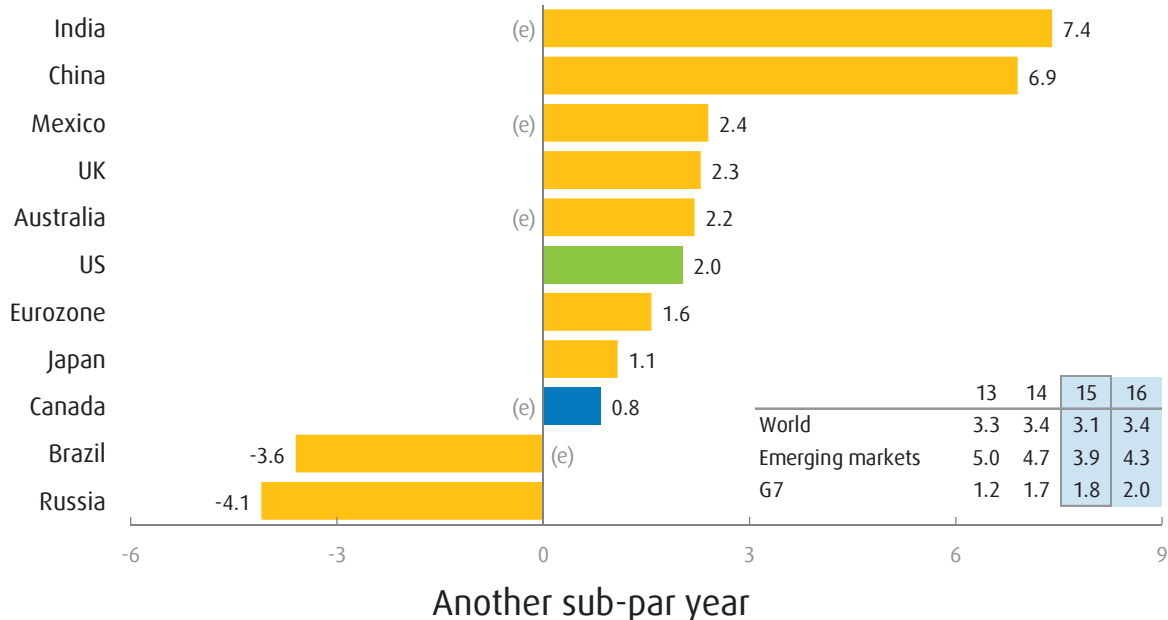
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Global GDP: New leader, new laggards

2015:Q3 (y/y % chng)

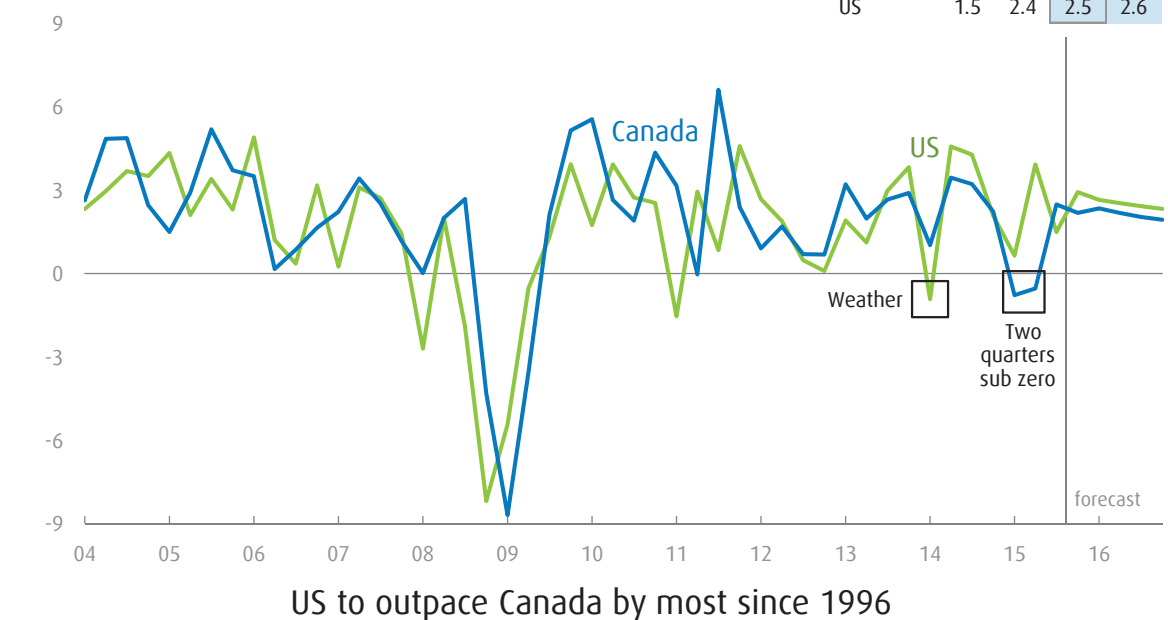
Real GDP



North American growth divergence

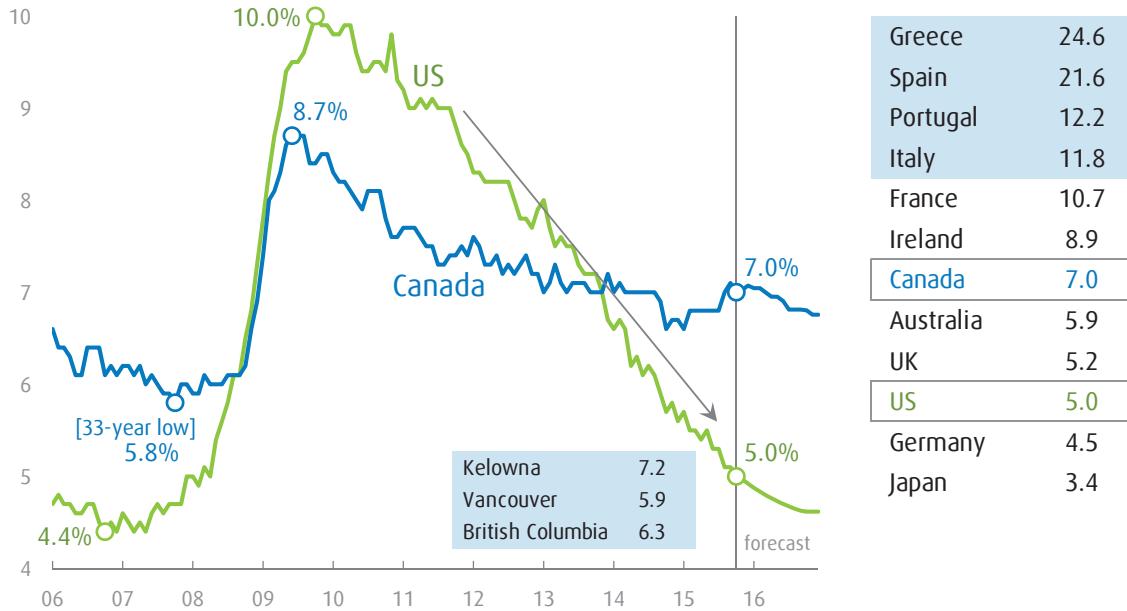
(q/q % chng : ar)

Real GDP



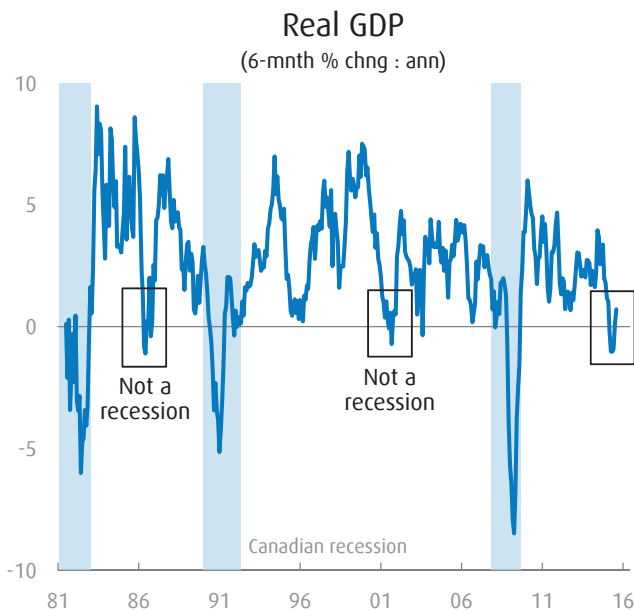
Jobless rates: US falling fast... Canada not so much

Unemployment rate (percent)



"Best. Recession. Ever."

Canada

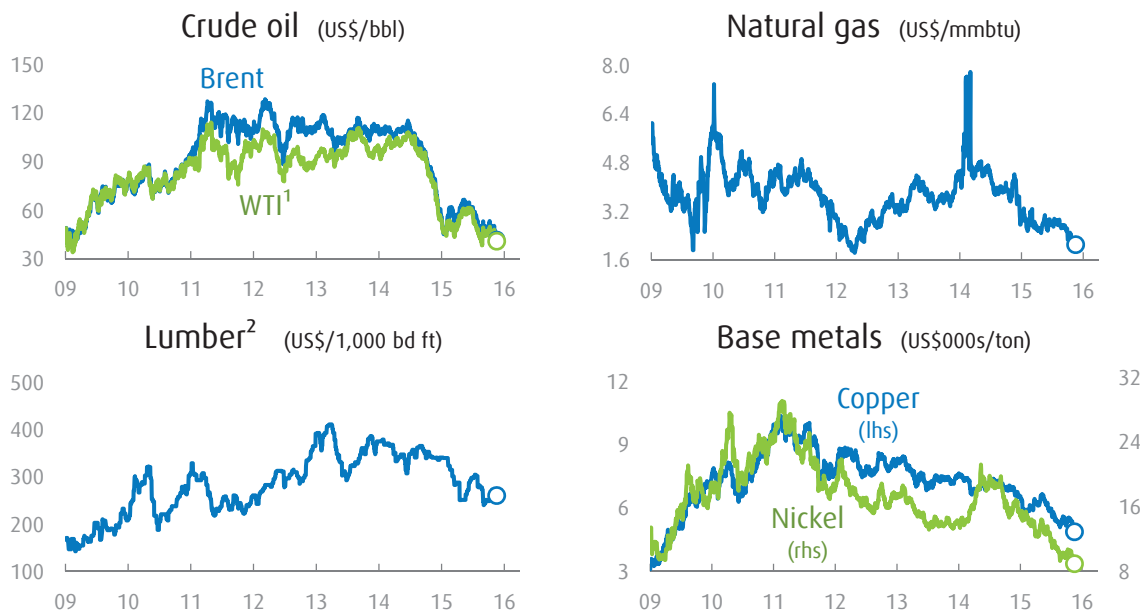


This year:

- 171,000 jobs created
- Record auto sales
- Record home prices
- Housing starts rose
- Record household net worth
- Balanced Federal budget

Commodities: Oil spill spreads

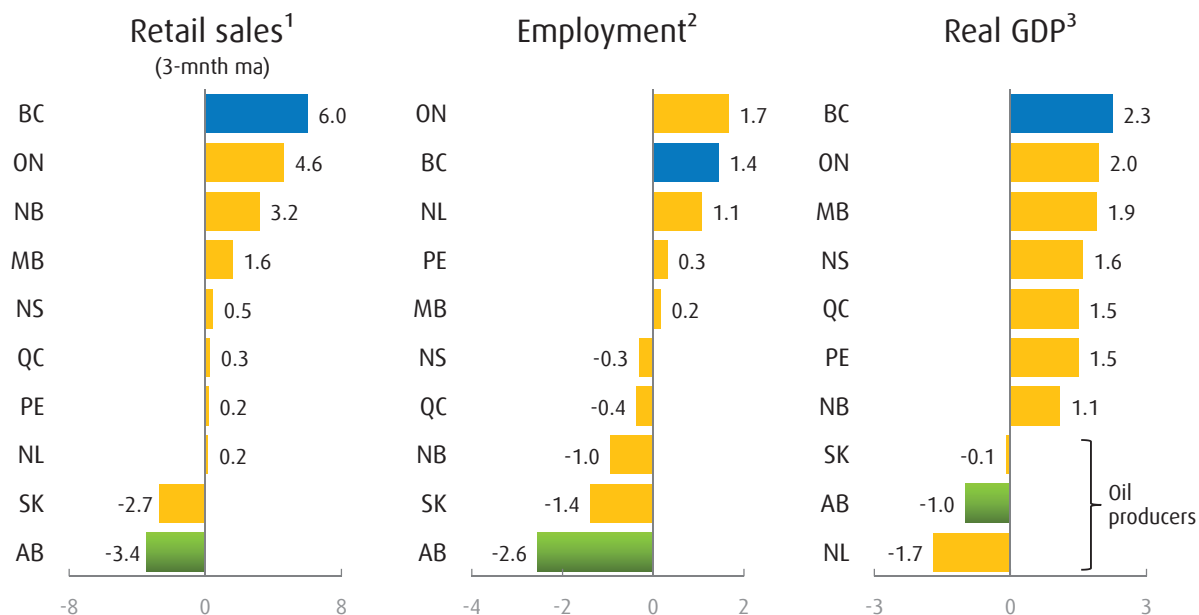
(as of November 18, 2015)



¹ West Texas Intermediate ² 2x4 kiln-dried, Prince George

Regional outlook: The changing of the guard

Canada (y/y % chng)

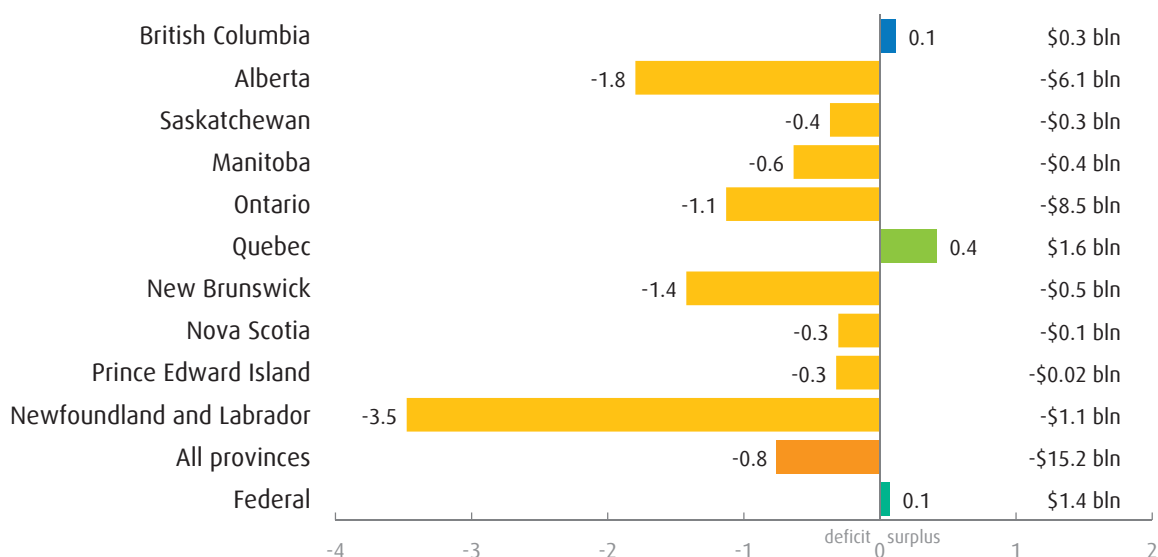


¹ August 2015 ² Survey of Employment, Payrolls and Hours (August 2015) ³ 2015 BMO forecast

Provincial deficits: Some progress, some trouble

Canada – FY15/16 (% of GDP)

Budget balance



Quebec: Before GF transfers

Canadian election 2015

Federal election – Canada



Political party	2015		2011	
	Votes (%)	Seats	Votes (%)	Seats
Liberals	39.5	184	18.9	34
Conservatives	31.9	99	39.6	166
NDP	19.7	44	30.6	103
Bloc Québécois	4.7	10	6.0	4
Other	4.2	1	4.9	1
		338		308

Implications: Infrastructure spending
\$10 billion deficits
Tax cuts / tax hikes
Bigger child tax credit
TFSA rollback

Regional real estate outlook

Okanagan Mainline



Sales, starts rising... slowly

Population growth rebounding

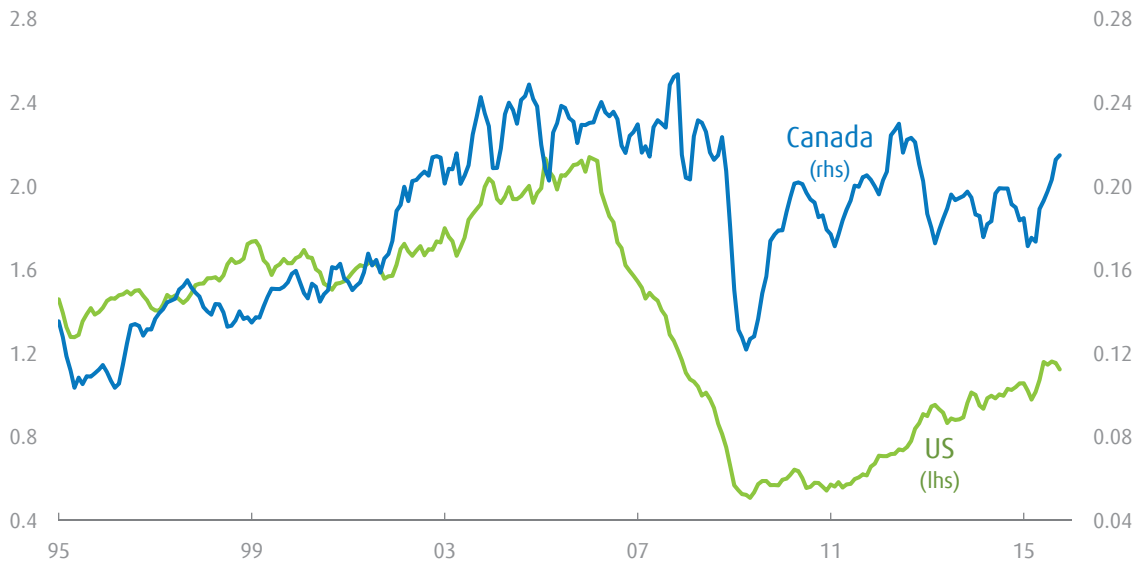
Rates to stay low

Oil shock repercussion drags

Housing starts: US recovering, Canada resilient

(mlns of units : 3-mnth ma)

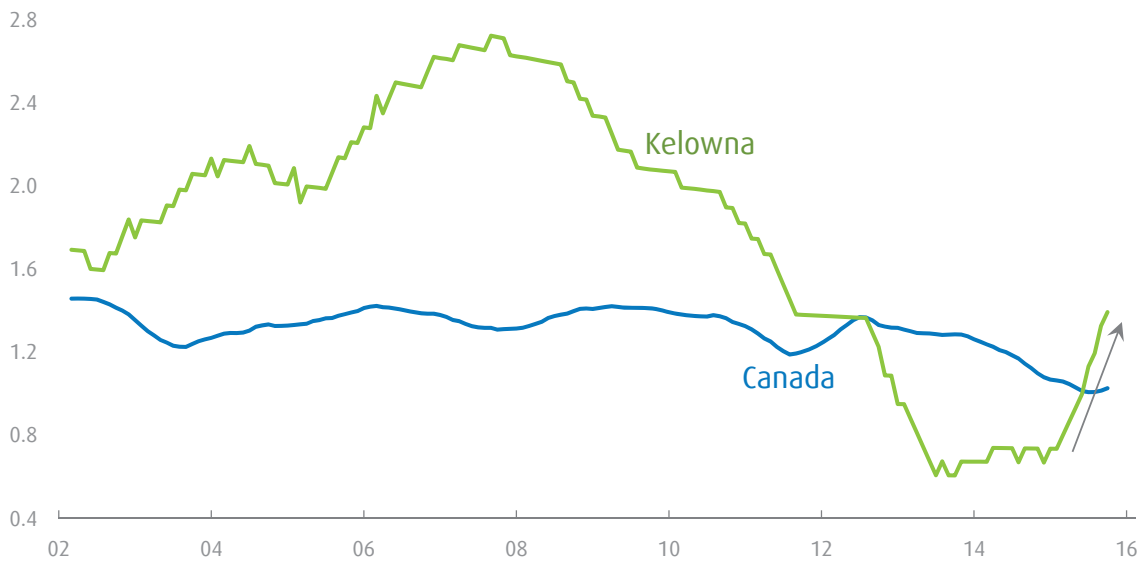
Housing starts



Population growth revives

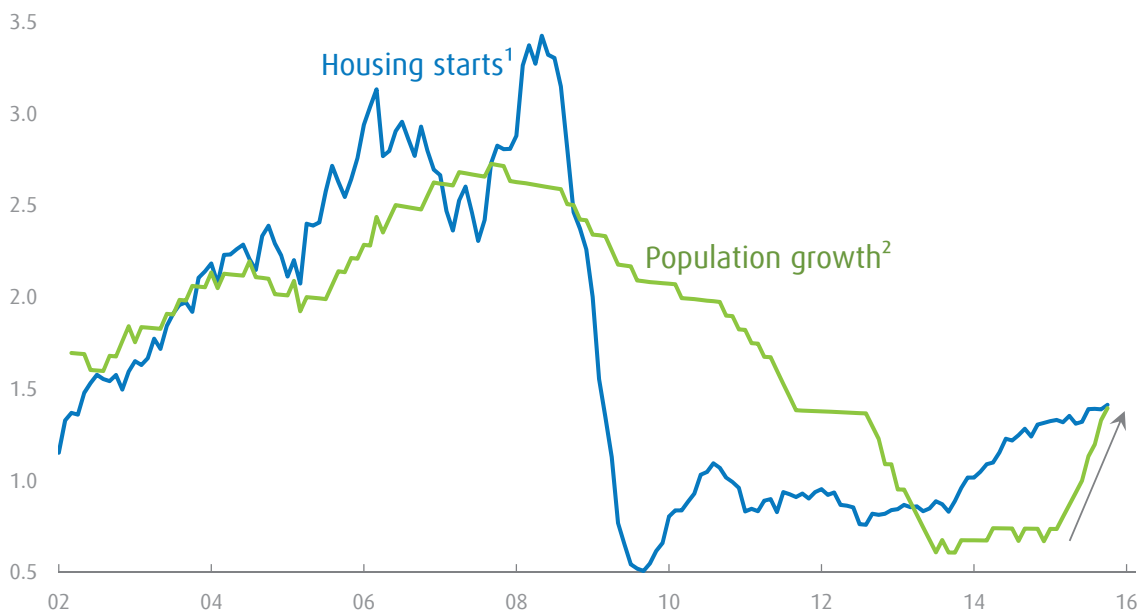
(3-mnth ma : y/y % chng)

Population growth



...And starts follow, gradually

Kelowna

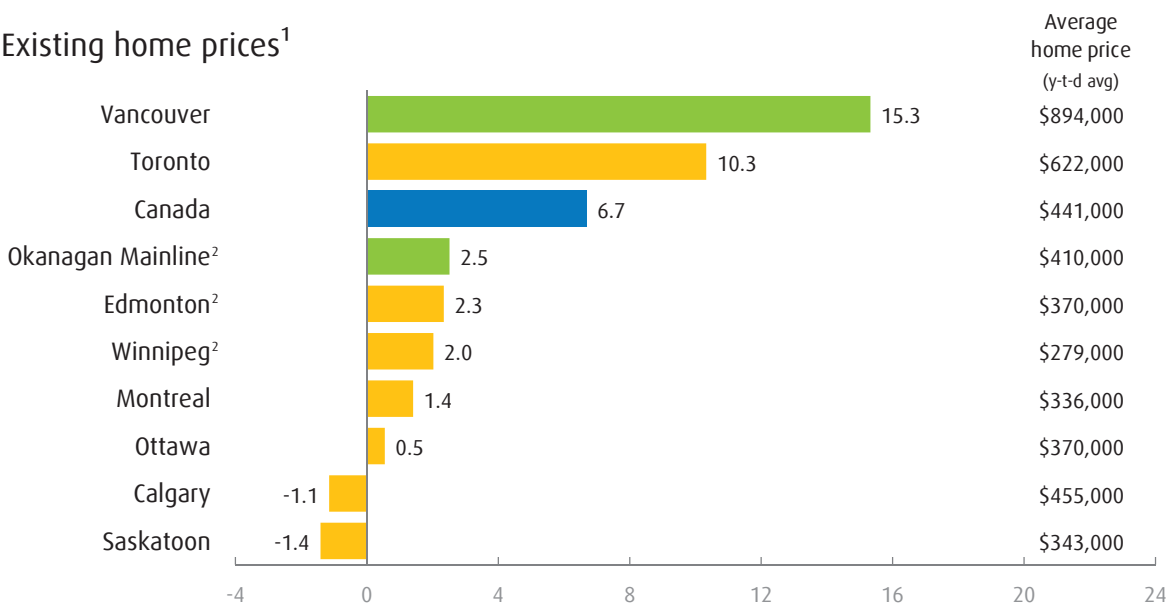


¹ (000s of units : 12-mnth ms) ² (3-mnth ma : y/y % chng)

Canadian house prices: Regional divide

Canada (y/y % chng : nsa : as of October 2015)

Existing home prices¹

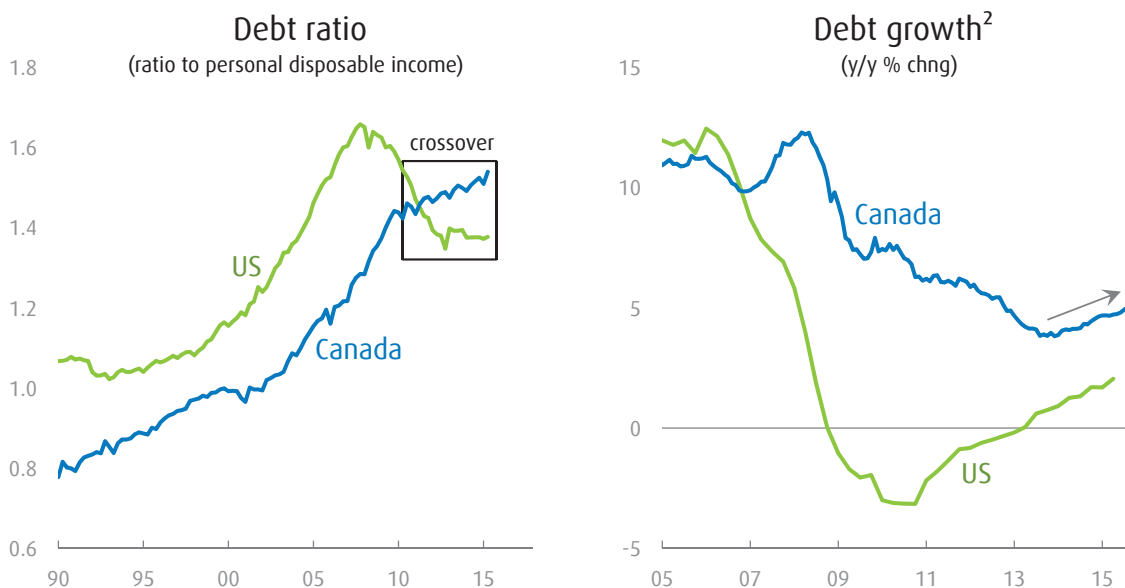


Okanagan Mainline sales up 5% y-t-d in October

¹ HPI composite benchmark where available ² Average home price (y-t-d)

Canadian consumers: Still borrowing...

Households¹

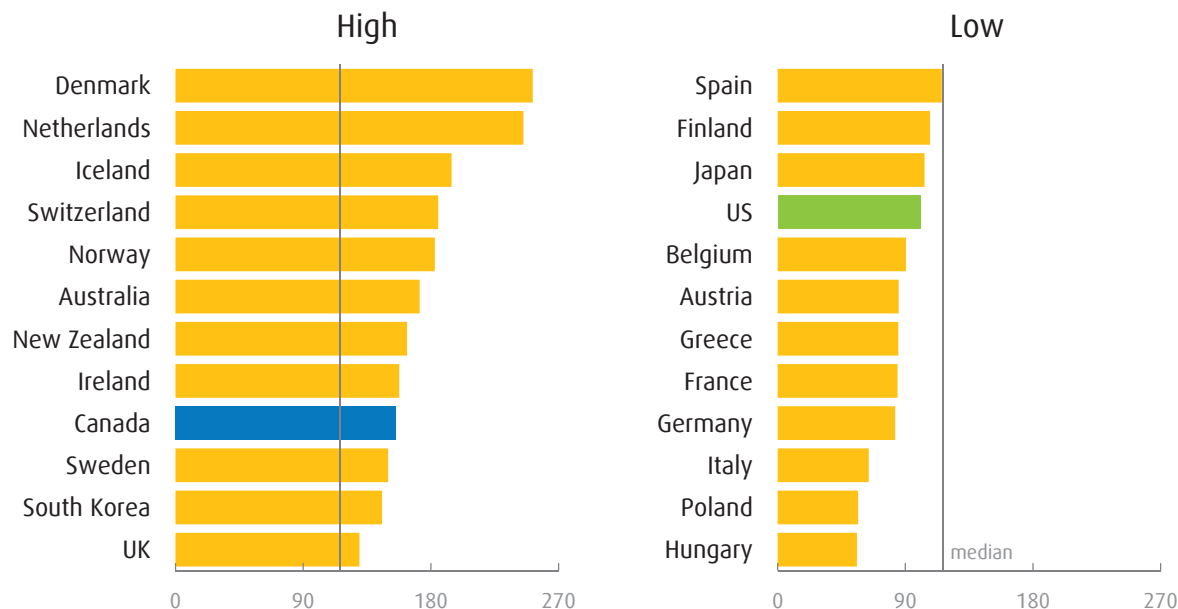


...Debt ratio at record highs

¹ Households, nonprofits and unincorporated businesses ² Consumer credit and residential mortgages only

Global debt comparison: Canada not unusual

Household debt-to-disposable income – 2014 (ratio)



Values supported by incomes and interest rates

Canada (% of household income)

Average mortgage payments



Next decade: Price growth much more subdued

Based on 25-year amortization, average of 1- and 5-year posted rate, average-priced house, down payment equal to half of annual income. Household income measured as personal income per labour force member.

Canadian dollar: Leaking oil

Canada



Loonie drops to 75¢

Bank of Canada cuts twice

Commodities retreat

US\$: Renewed strength

Biggest two-year drop ever

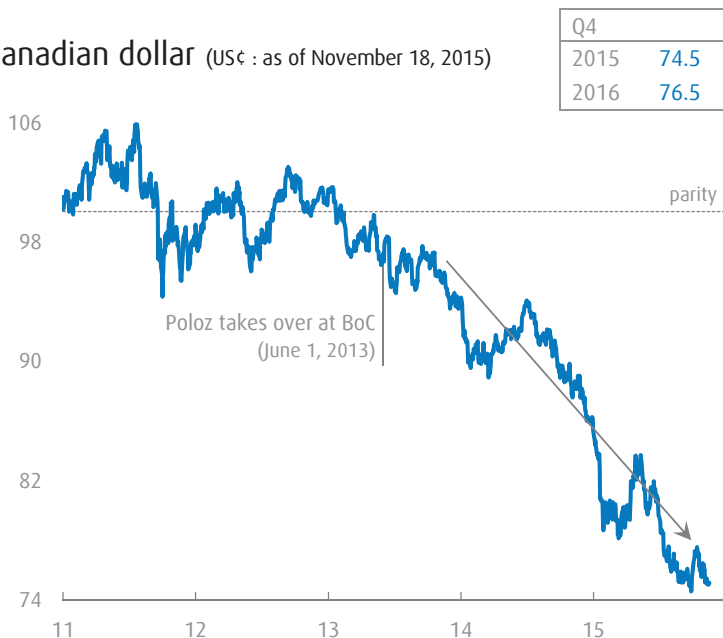
Canadian dollar: Lower still?

Canada



Bank of Canada Governor Stephen Poloz

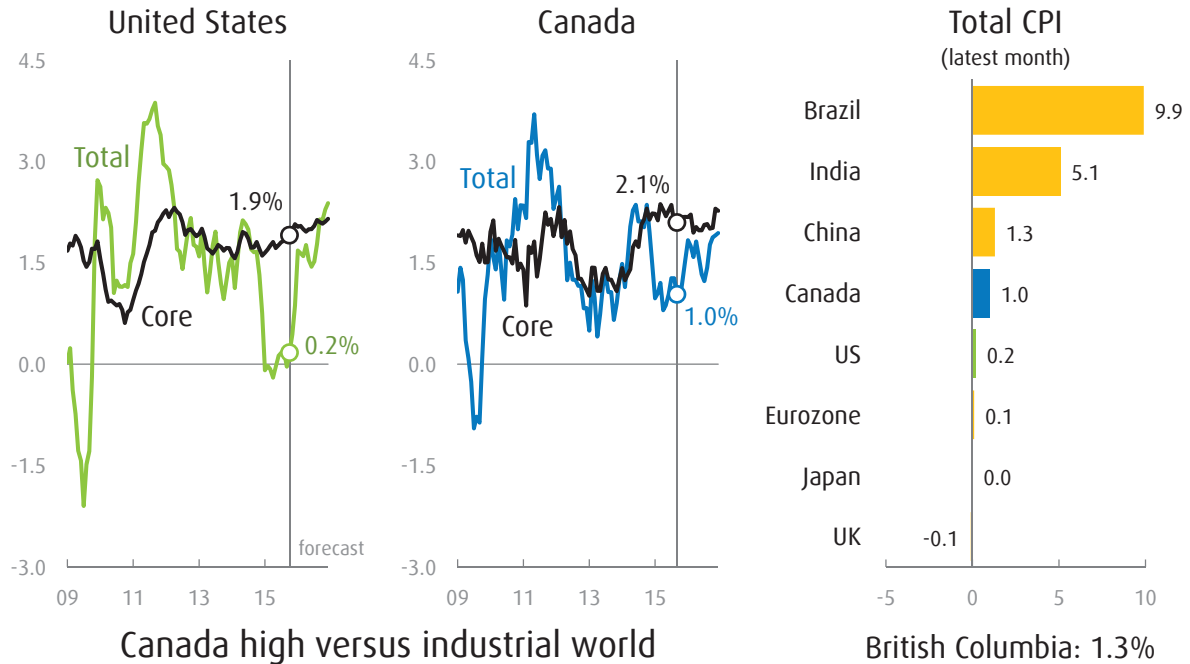
Canadian dollar (US¢ : as of November 18, 2015)



Similar to other commodity currencies

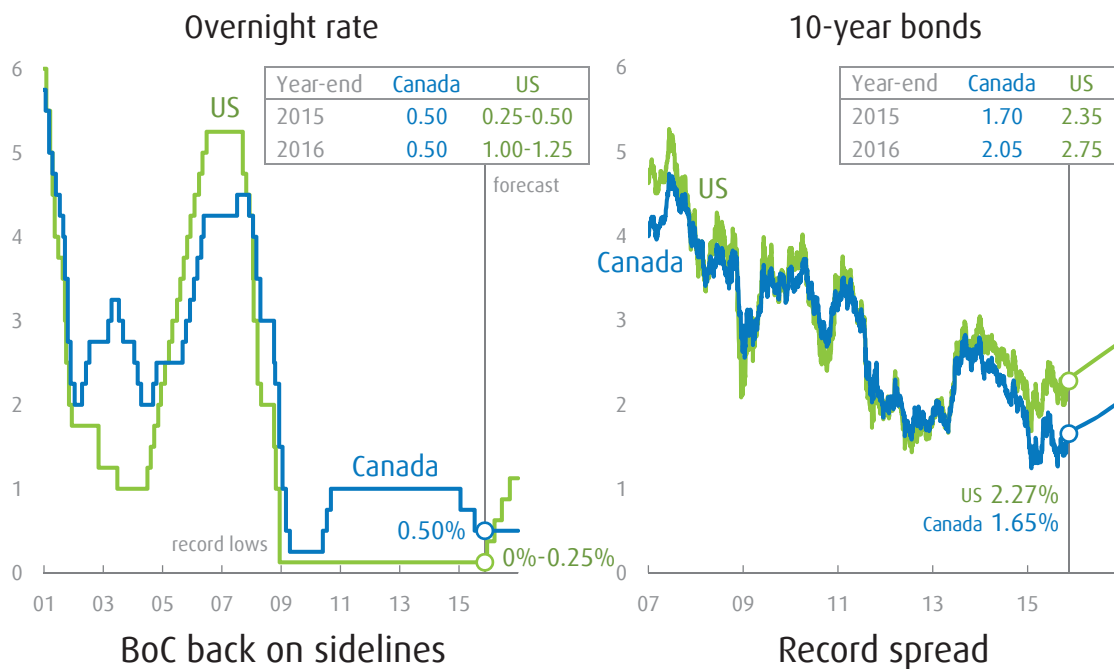
Inflation plunges... for now

Consumer price index (y/y % chng)



Interest rates: US rate hikes coming

(% : as of November 18, 2015)



Outlook in a nutshell



US expansion still improving

Businesses hiring, consumers thriving, oil prices help
Housing recovery ongoing

Canada tripped up by oil, other commodities

Major regional re-shuffling underway
Housing market concerns overdone
Provincial governments tight-fisted

Interest rates:

Gradual upward drift in US rates

Exchange rates:

US dollar to hold firm, C\$ on defensive

Stocks:

Bull market to resume, but valuations a headwind