

# Delta Dawns ...On Outlook

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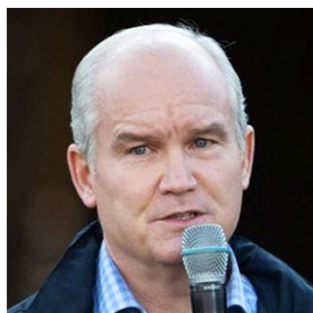
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# Liberal minority government

## Canada – Federal election



Justin  
Trudeau  
Liberal



Erin  
O'Toole  
Conservative



Jagmeet  
Singh  
NDP



Yves-François  
Blanchet  
Bloc Québécois



Annamie  
Paul  
Green

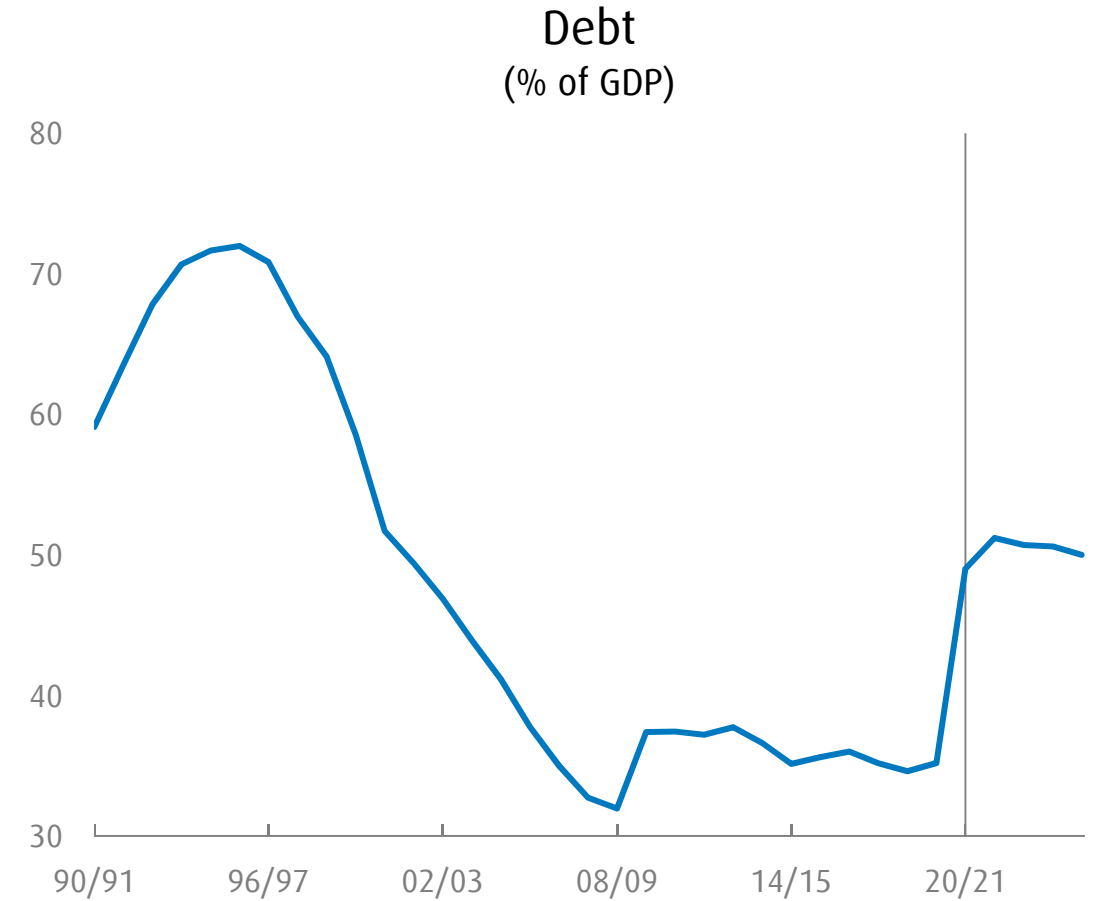
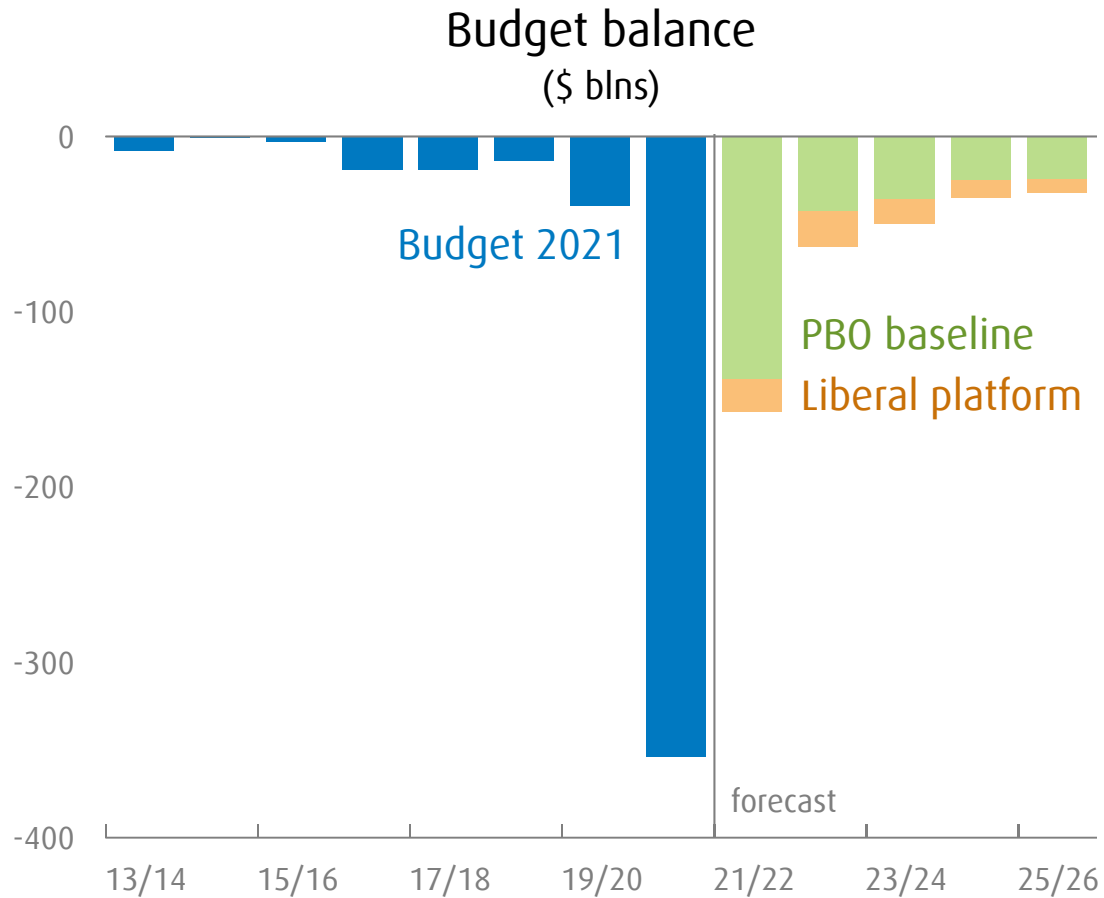
| Political party | 2021      |       | 2019      |       |
|-----------------|-----------|-------|-----------|-------|
|                 | Votes (%) | Seats | Votes (%) | Seats |
| Liberal         | 32.6      | 159   | 33.1      | 157   |
| Conservative    | 33.7      | 119   | 34.4      | 121   |
| Bloc Québécois  | 7.6       | 33    | 7.7       | 32    |
| New Democrat    | 17.8      | 25    | 15.9      | 24    |
| Green           | 2.3       | 2     | 6.5       | 3     |
| Other           | 5.9       | 0     | 2.4       | 1     |
|                 |           | 338   |           | 338   |

170 needed for majority

as of 4 p.m., September 28, 2021

# Deficit path well defined

## Canada – Federal government



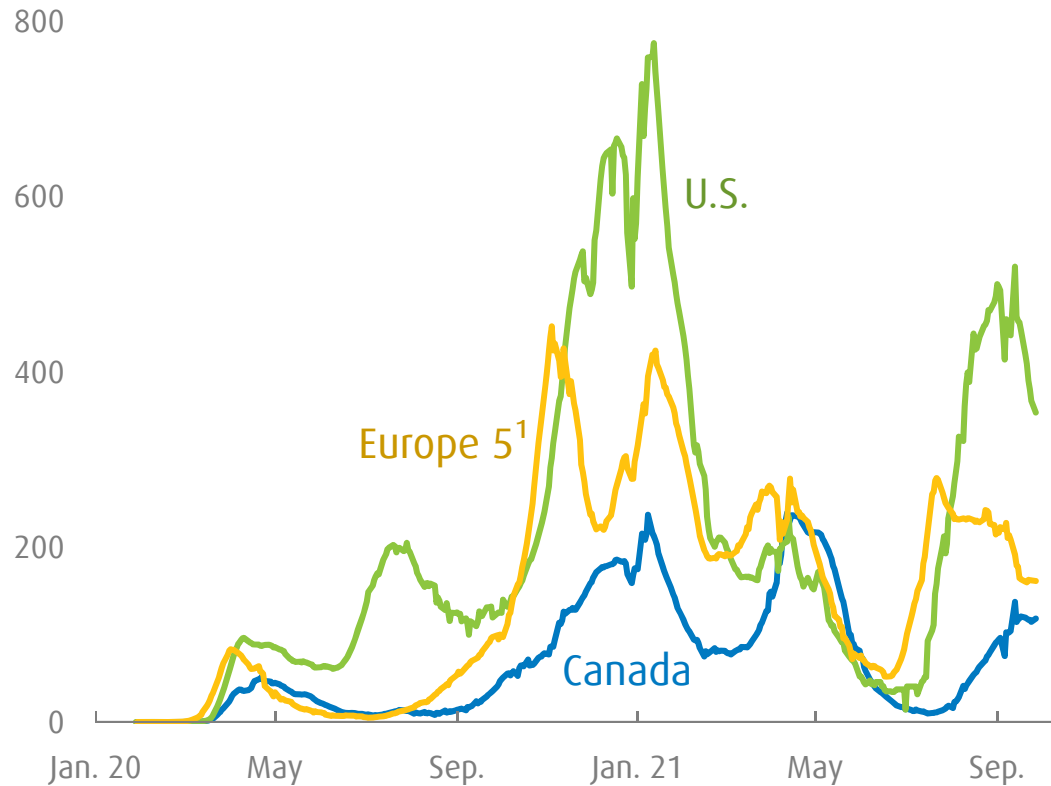
FY20/21 = estimate

# Upswing in cases... and vaccination rates

## COVID-19

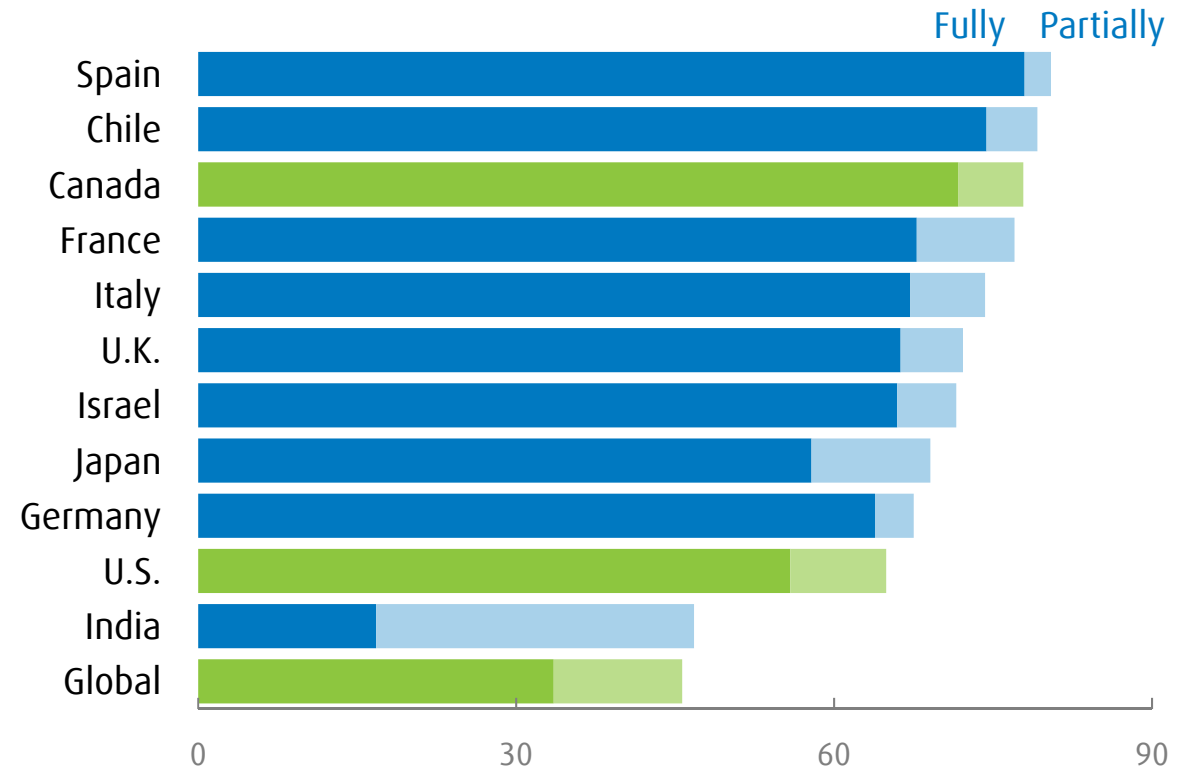
### Infection rate

(new cases per mln : 7-day m.a. : as of September 27, 2021)



### Vaccination rate

(% of population : as of September 27, 2021)



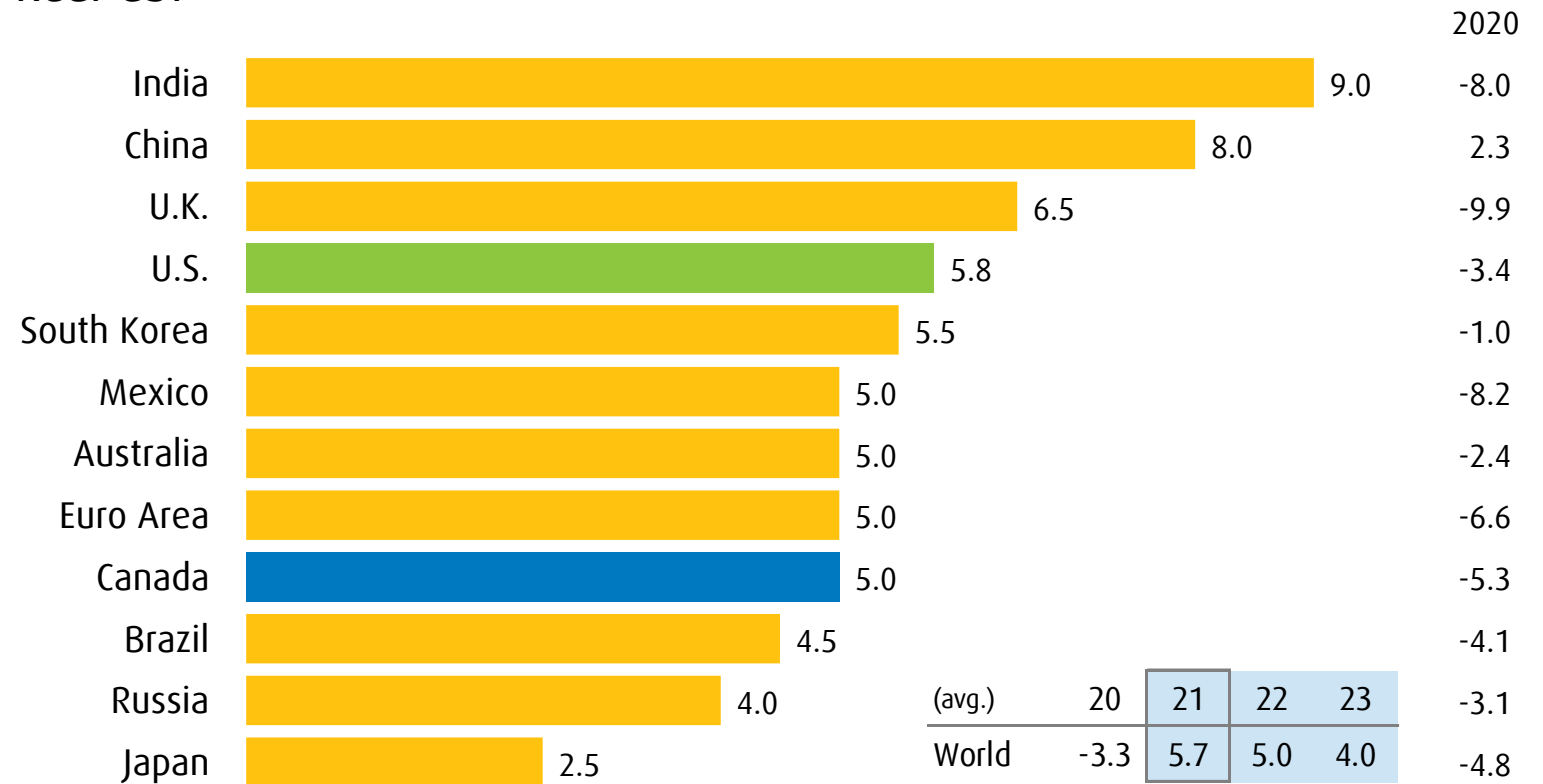
<sup>1</sup> France, Germany, Italy, Spain, U.K.

# Big bounce from deep drop

2021 forecast (% chng)



## Real GDP

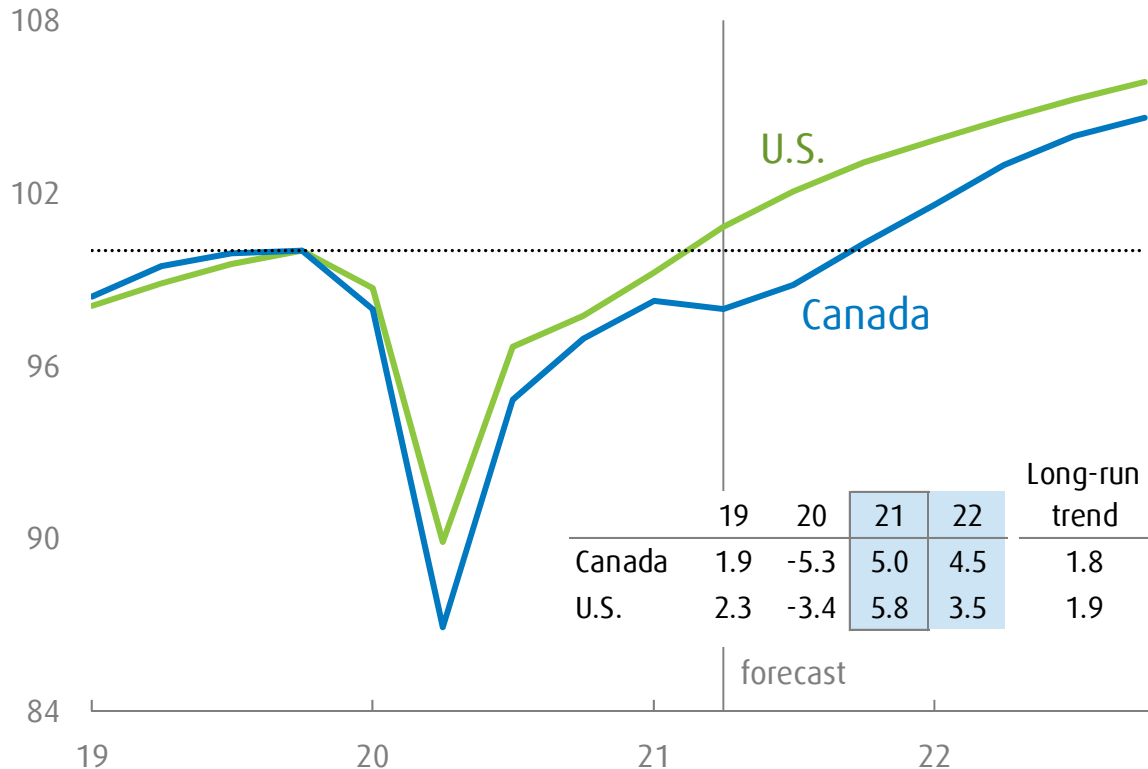


Bottlenecks and Delta dim upside

# North America on the mend

(2019Q4 = 100)

## Real GDP



Canadian GDP: Down 1.9% from pre-pandemic peak in July

## Recession:

Just two months long, but deepest on record

## Recovery:

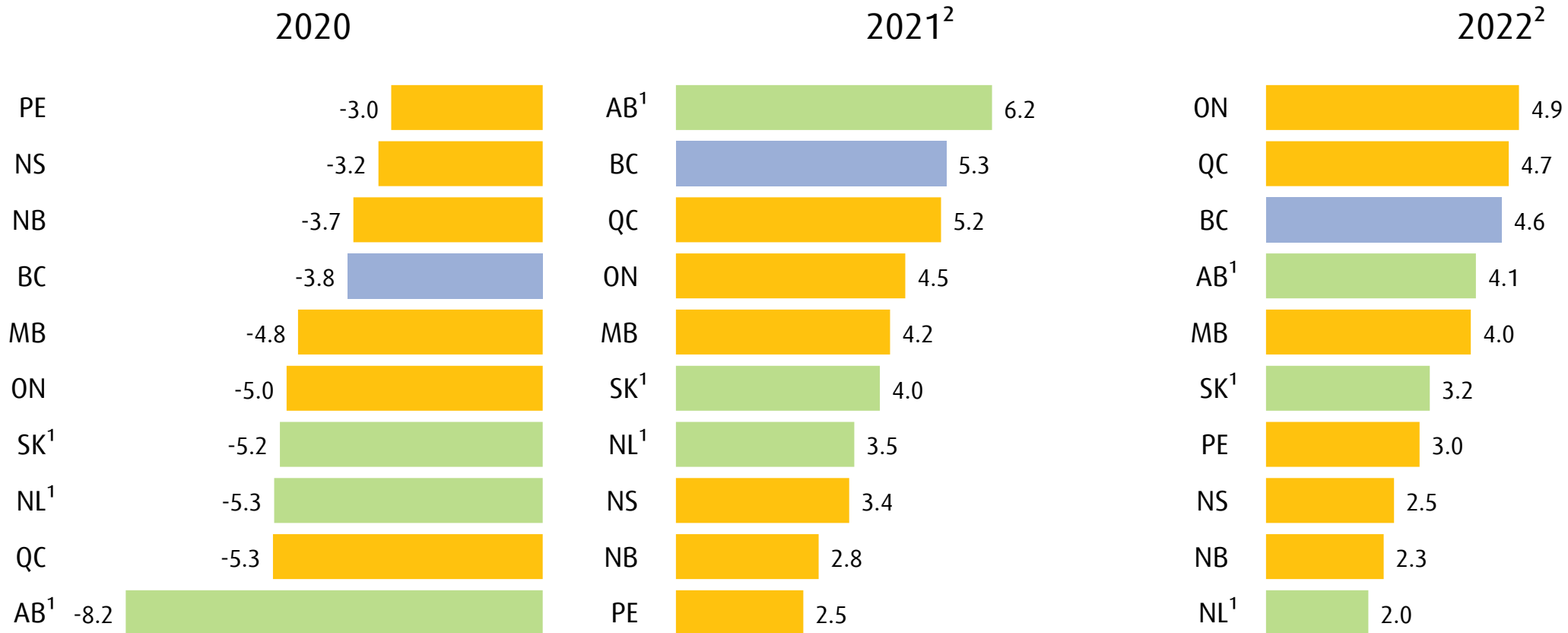
Solid so far, but forecast shaved

## U.S.:

Relatively lighter hit versus other advanced economies

# Canada's regional outlook: B.C. tops

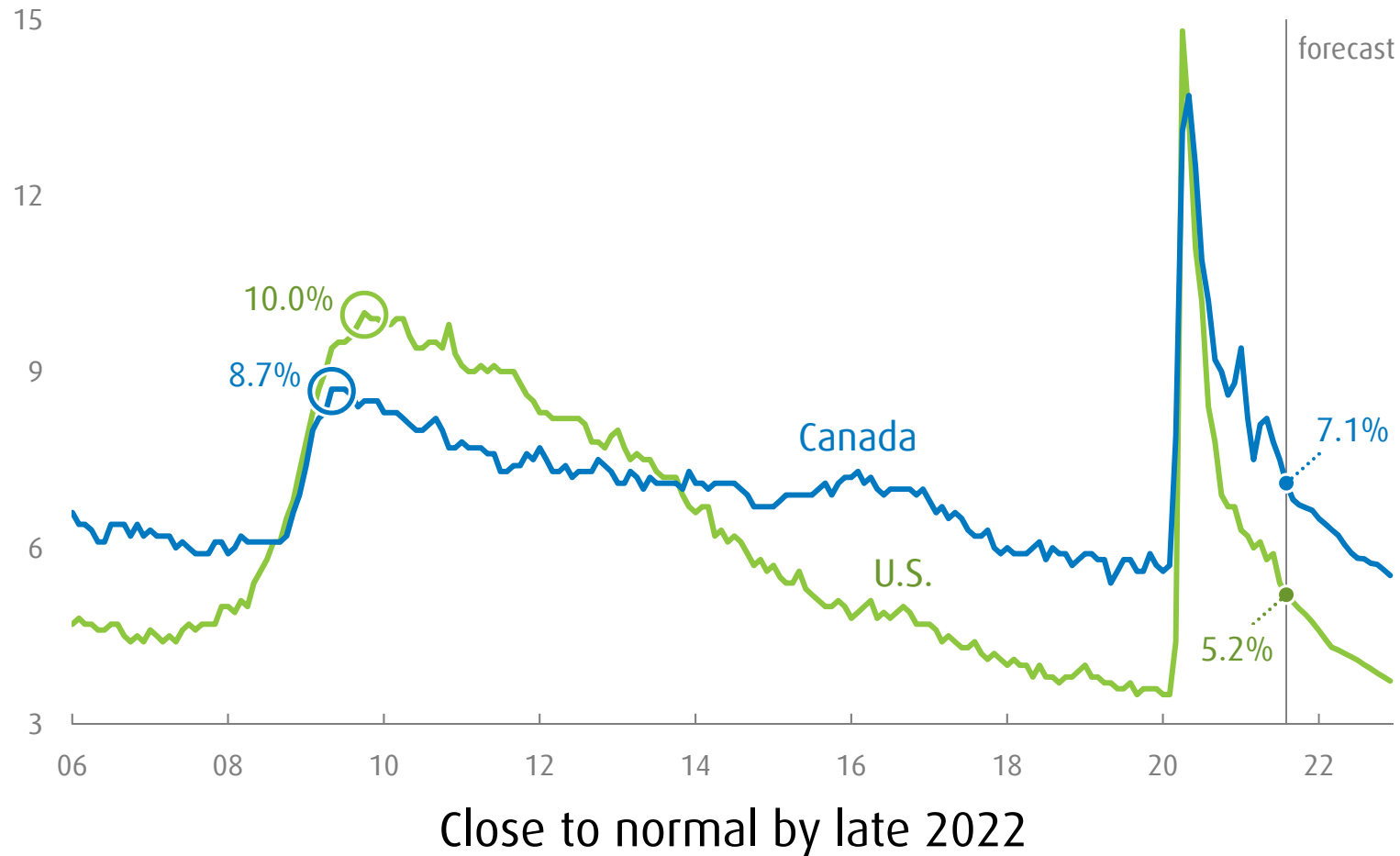
## Canada – Real GDP (% chng)



<sup>1</sup> Oil producers • <sup>2</sup> forecast

# Jobless rates: Lower, but not low

## Unemployment rate (percent)

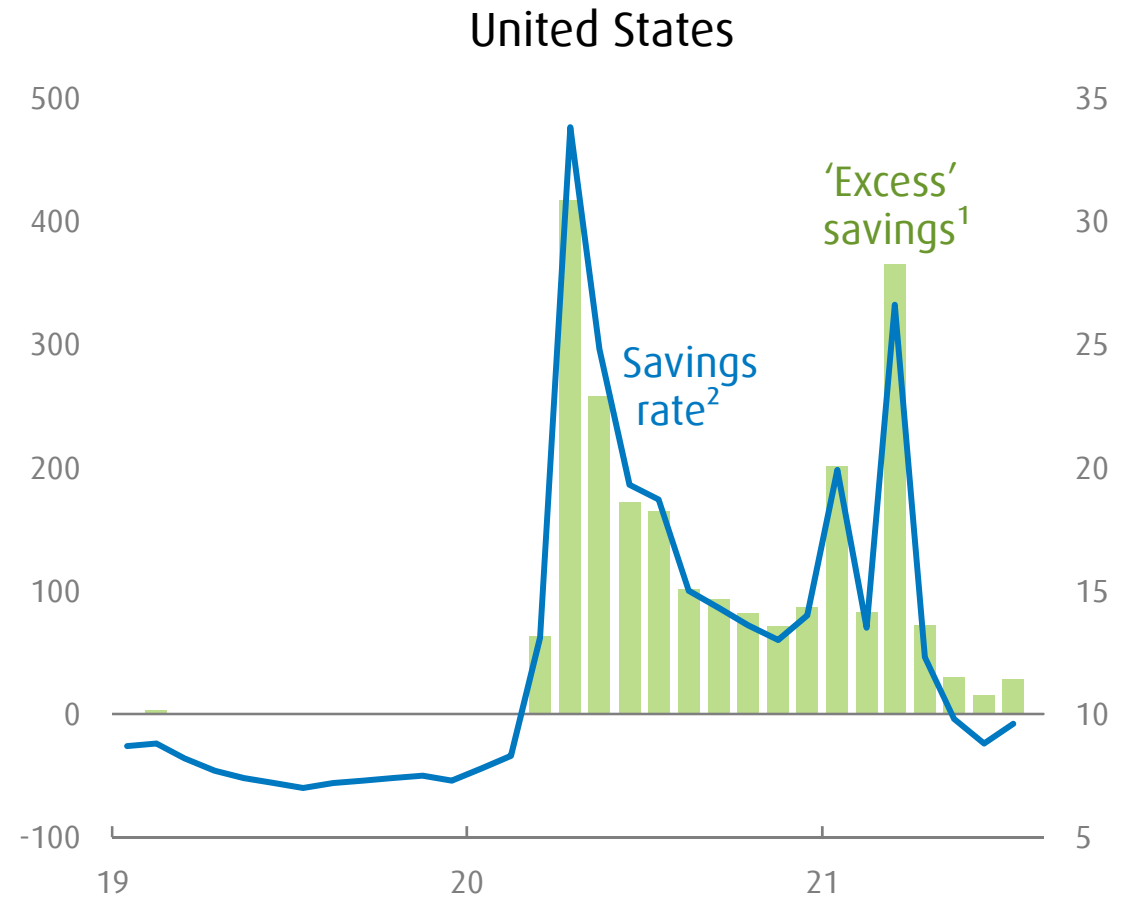
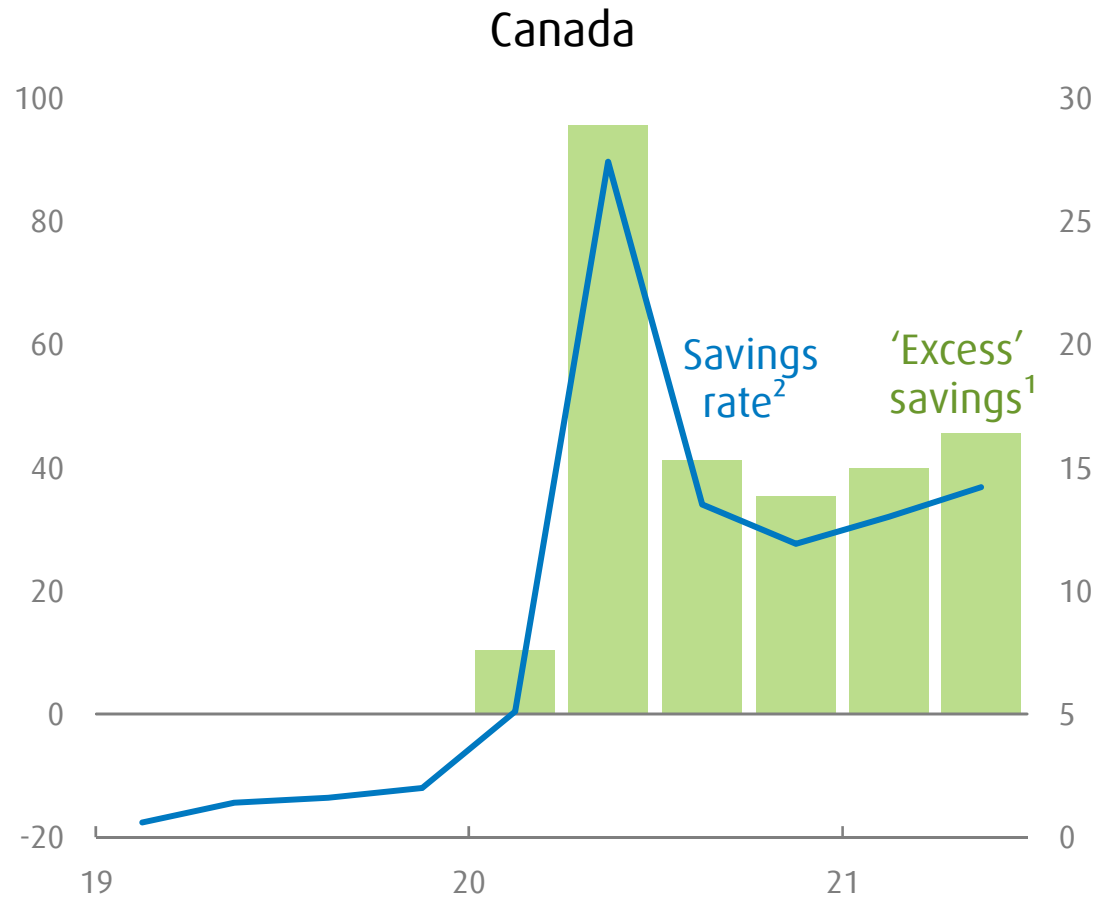


|                         | Current    | Pre-COVID <sup>1</sup> |
|-------------------------|------------|------------------------|
| Spain                   | 14.3       | 13.7                   |
| Greece                  | 14.2       | 15.8                   |
| Italy                   | 9.3        | 9.7                    |
| Sweden                  | 8.8        | 7.6                    |
| France                  | 7.9        | 7.7                    |
| <b>Canada</b>           | <b>7.1</b> | <b>5.7</b>             |
| Portugal                | 6.6        | 6.6                    |
| Ireland                 | 6.4        | 4.8                    |
| U.K.                    | 5.4        | 3.1                    |
| <b>U.S.</b>             | <b>5.2</b> | <b>3.5</b>             |
| Australia               | 4.5        | 5.1                    |
| Germany                 | 3.6        | 3.5                    |
| Japan                   | 2.8        | 2.4                    |
| <b>Kelowna</b>          | <b>5.7</b> | <b>5.5</b>             |
| <b>Vancouver</b>        | <b>7.2</b> | <b>4.4</b>             |
| <b>British Columbia</b> | <b>6.2</b> | <b>5.1</b>             |

<sup>1</sup> February 2020



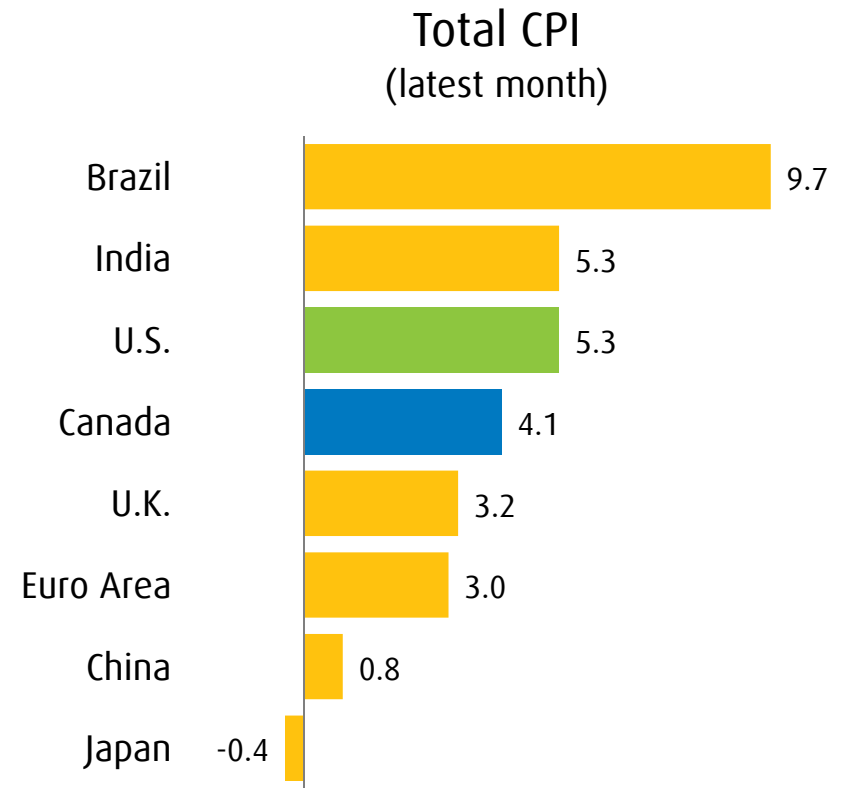
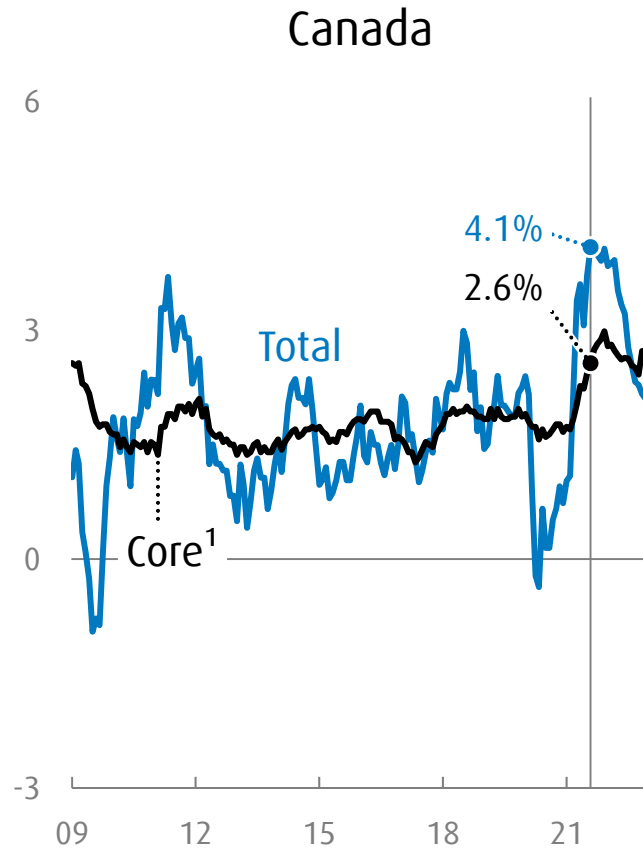
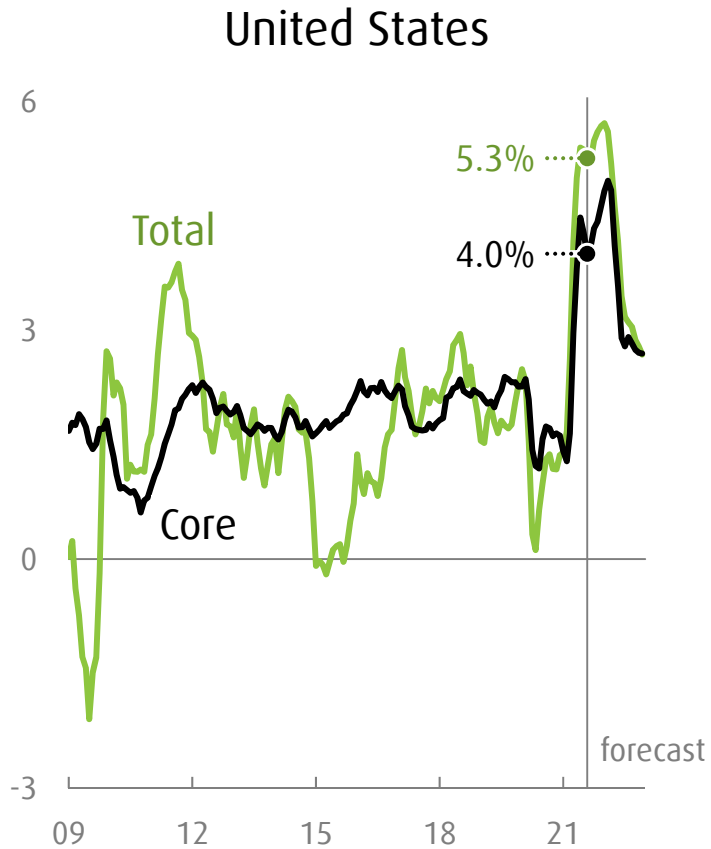
# Income support + inability to spend = savings surge



<sup>1</sup> (lhs : blns, local currency, not annualized) • <sup>2</sup> (rhs : percent)

# Inflation jumps... but is it transitory?

Consumer price index (y/y % chng)



Canada calmer: Currency, cars, COVID

British Columbia: 3.5%

<sup>1</sup> average of three core inflation measures

# Inflation and deflation in Canada

## Canada – Consumer price index (y/y % chng : as of August 2021)

### Deflationary

|                             |       |
|-----------------------------|-------|
| Telephone services          | -14.2 |
| Mortgage interest           | -9.3  |
| Sports equipment            | -7.5  |
| Medicinal cannabis          | -6.9  |
| Auto insurance              | -6.3  |
| Vegetables                  | -3.9  |
| Public transit              | -3.6  |
| Computer equipment          | -3.0  |
| Clothing                    | -1.5  |
| Household cleaning products | -1.0  |

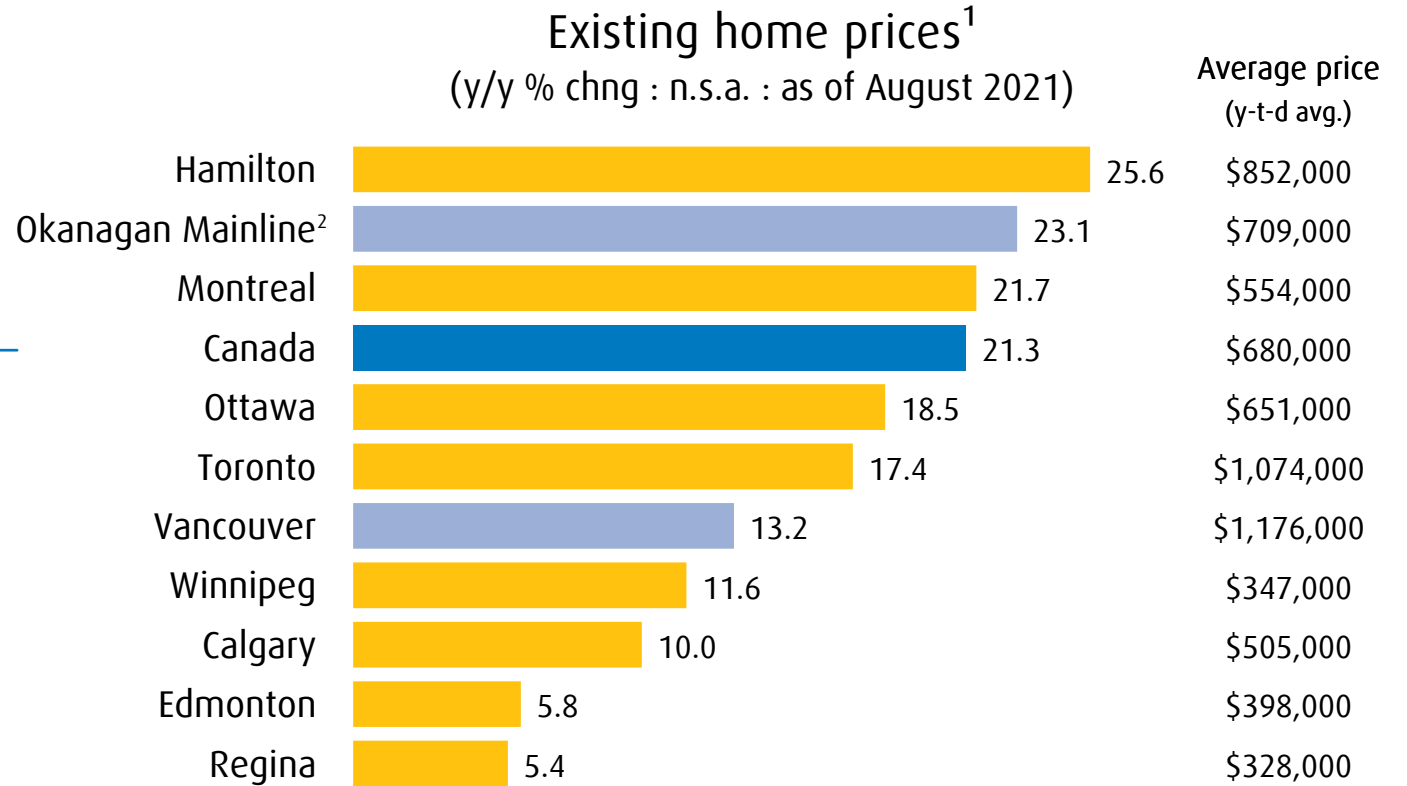
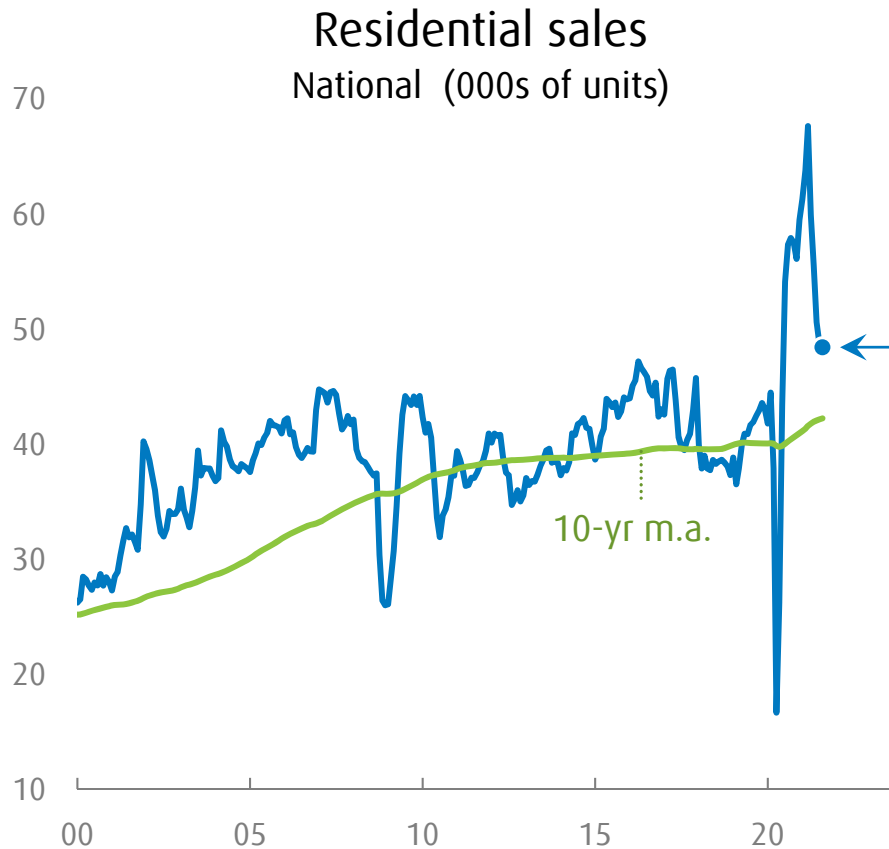
### Inflationary

|                     |      |
|---------------------|------|
| Air fares           | 33.4 |
| Gasoline            | 32.5 |
| Hotel/motel rates   | 19.3 |
| Natural gas         | 18.8 |
| New homes           | 14.3 |
| Cigarettes          | 10.3 |
| Books               | 9.9  |
| Household furniture | 8.7  |
| New autos           | 7.2  |
| Meat                | 6.9  |

Overall CPI: 4.1%

# Hottest housing market since late 1980s in Canada and 2006 in U.S.

## Canada – Homes

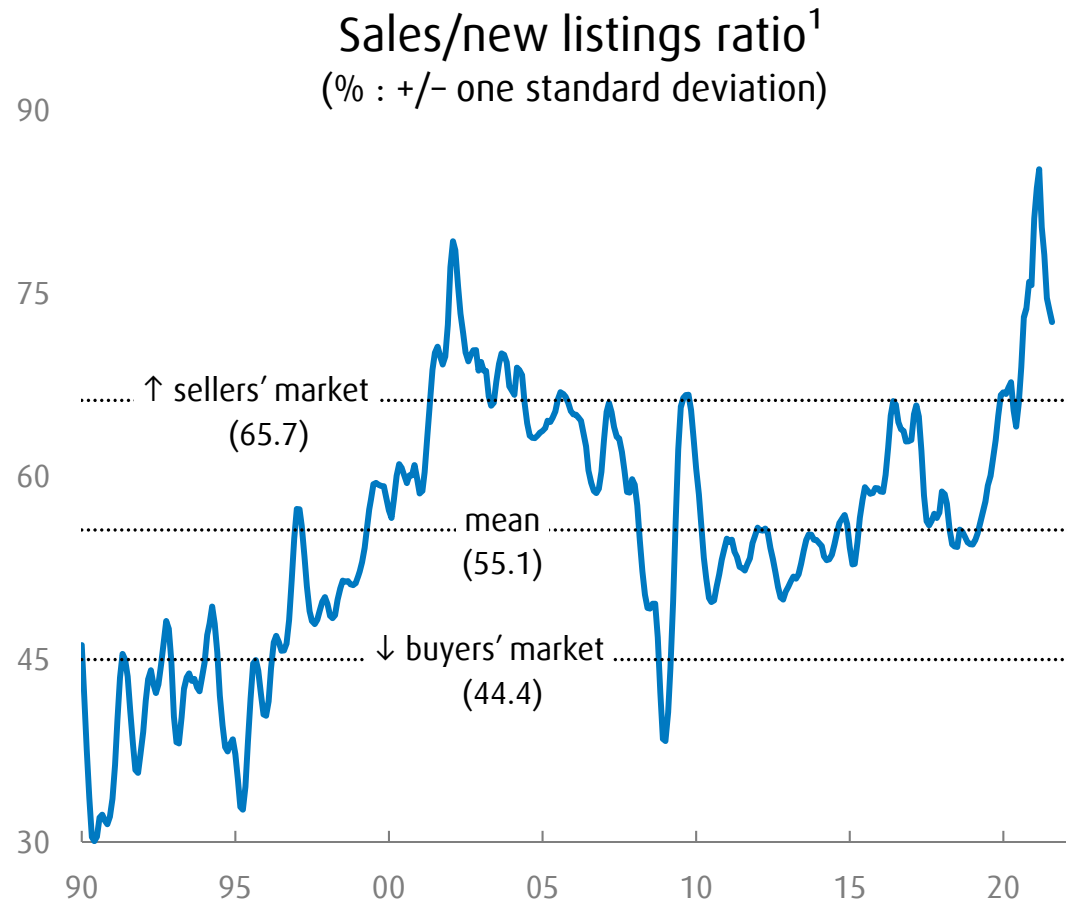


## Prices surge in smaller cities

<sup>1</sup> HPI composite benchmark where available • <sup>2</sup> Average price (y-t-d avg.)

# Housing: Strong and stronger

## Canada

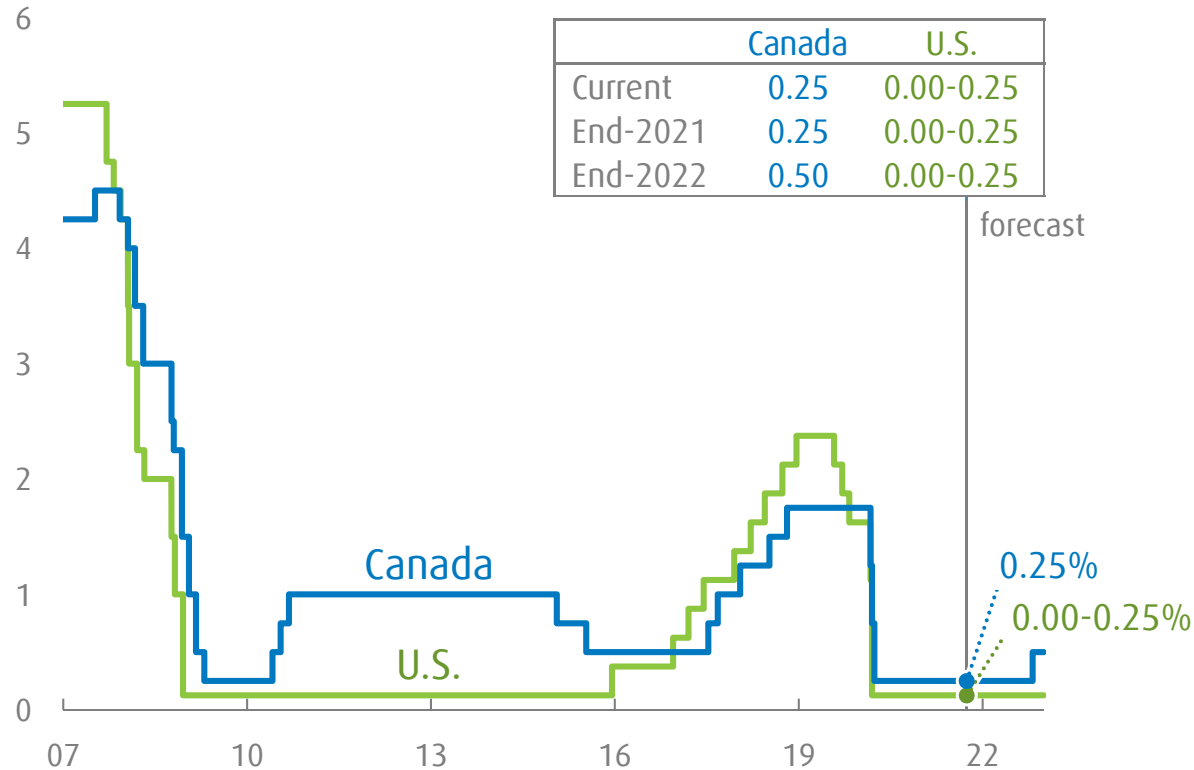


<sup>1</sup> (3-mth m.a.)

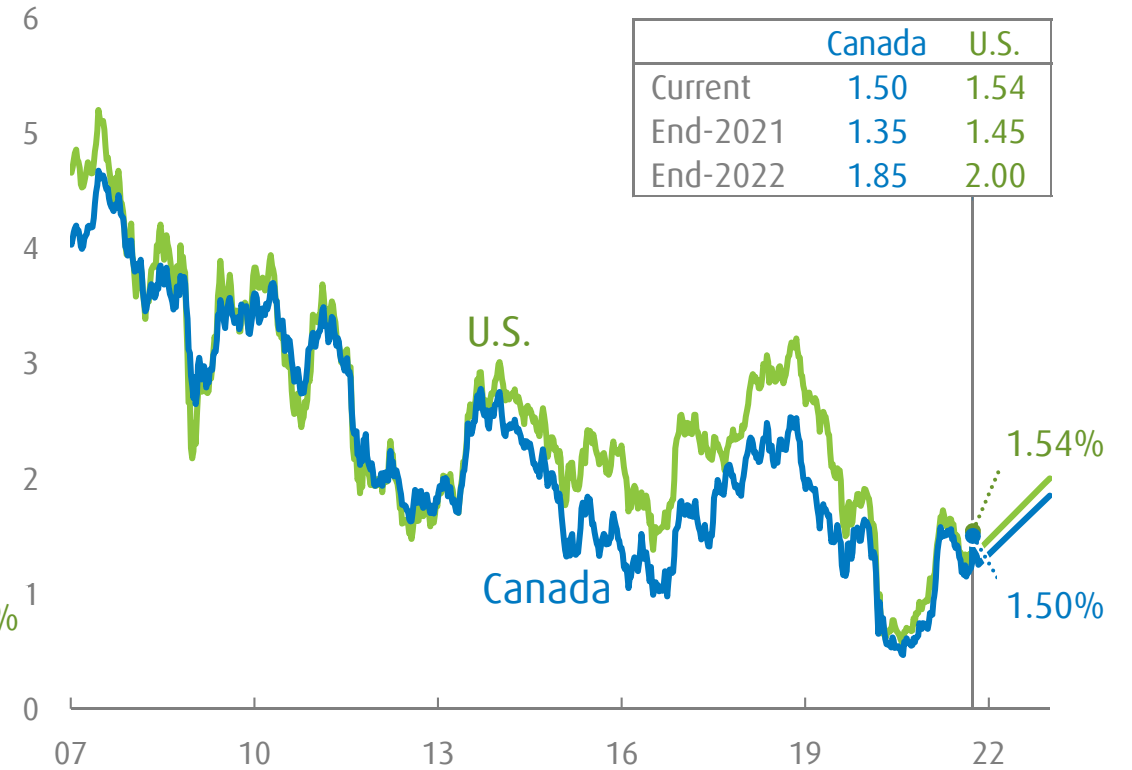
# Rates: BoC to lead the Fed?

(% : as of September 28, 2021)

### Overnight rate



### 10-year bonds

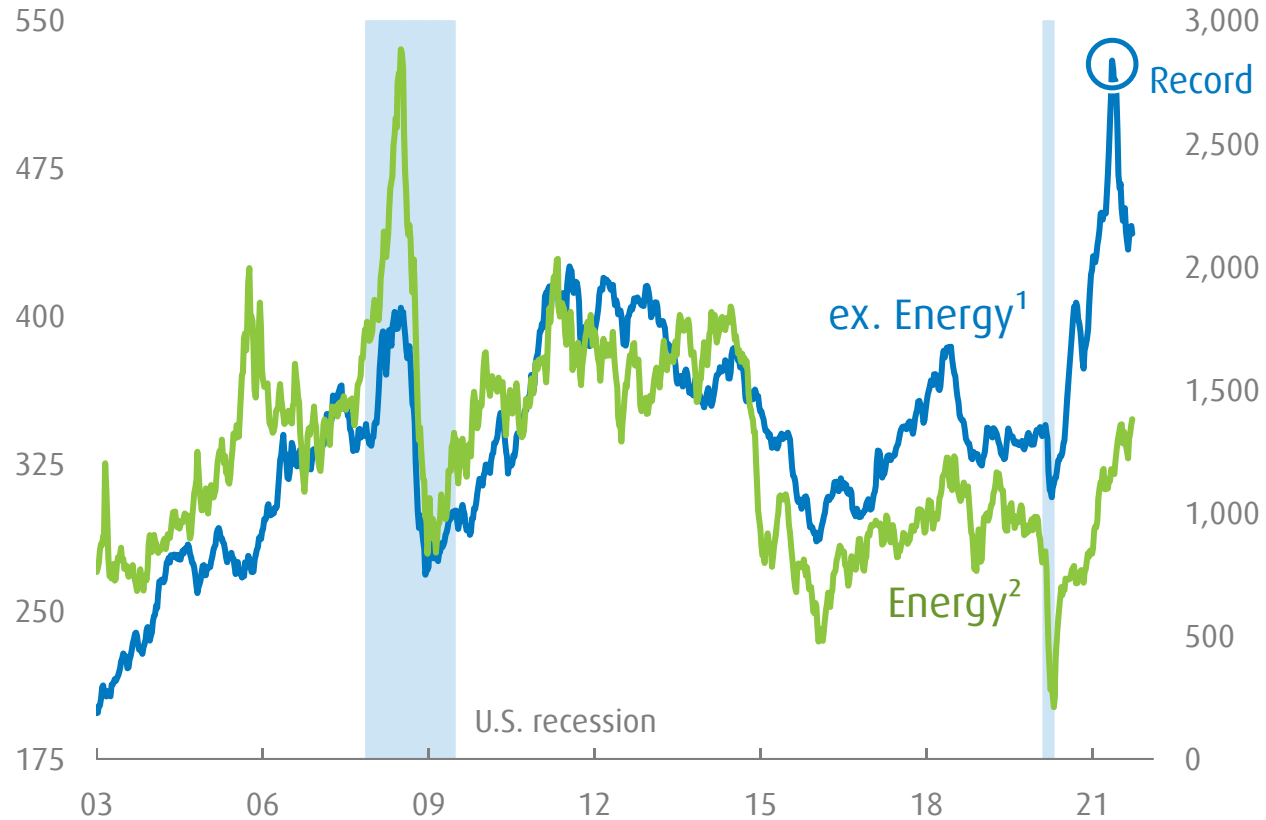


BoC: On rate hike watch by late 2022

# Commodities off the boil

Canada (January 1972 = 100)

## BoC Commodity Price Index



<sup>1</sup> (lhs) • <sup>2</sup> (rhs)

Lumber reverses all of 2021 gains;  
copper near decade-highs

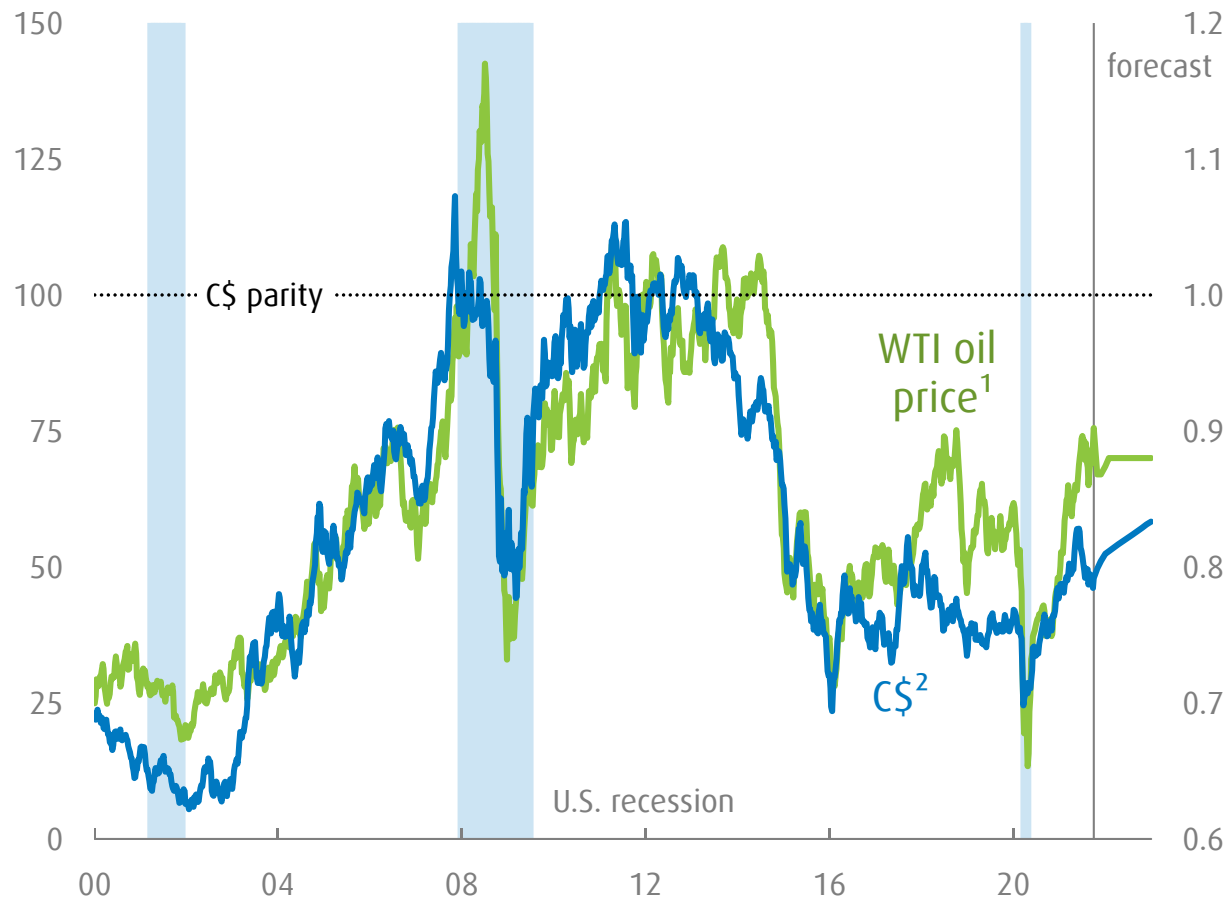
Ex-energy prices beginning to ease

2008 and 2011 spikes in resource prices  
did not lift core inflation much

Assuming WTI at \$65 in 2021, \$70 in 2022

# Canadian dollar steps back

(as of September 28, 2021)



<sup>1</sup> (lhs : US\$/bbl) • <sup>2</sup> (rhs : US\$/C\$)

BoC hikes before Fed?

Current account close to balance

Commodities still supportive

U.S. dollar turns tide



# Key risks

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Pandemic's tug-of-war... vaccines vs. variants

Will inflation force central banks' hands?

Extreme climate events

Cyber attacks

Geopolitics (China, Russia, Iran, Afghanistan)

# Q and A

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