



Economic outlook: Follow the leader?

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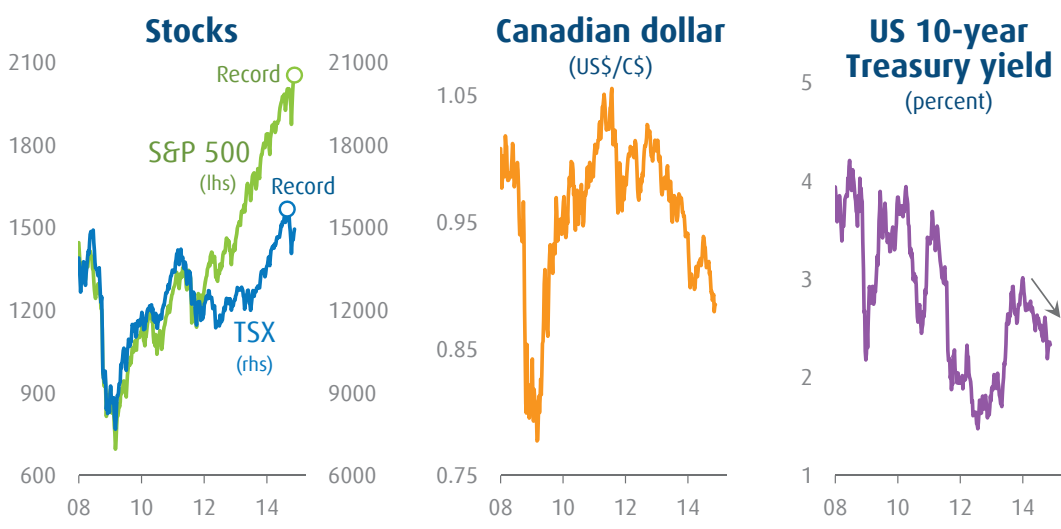
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Market volatility

(as of November 18, 2014)



Oil prices slide

lines: weekly averages record dots: daily close

Global outlook: Still hazy after all these years



US economy strengthening

But...

- Europe stagnates
- Japan knocked down... temporarily
- China soft landing in question... more stimulus

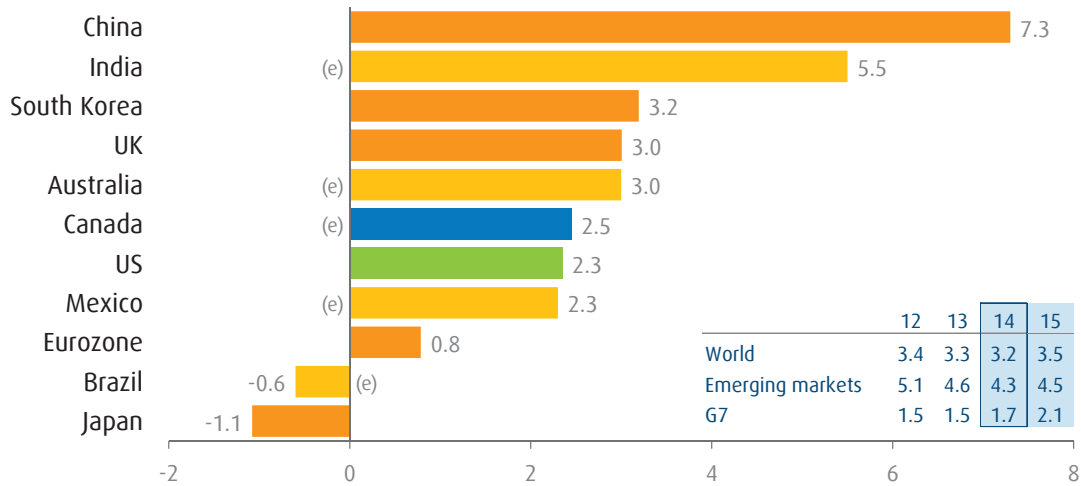
Wildcards:

- Russia/Ukraine
- Iraq/Syria
- Terrorism
- Ebola epidemic

Global GDP: Some good, some bad, some ugly

2014:Q3 (y/y % chng)

Real GDP



	12	13	14	15
World	3.4	3.3	3.2	3.5
Emerging markets	5.1	4.6	4.3	4.5
G7	1.5	1.5	1.7	2.1

(e) = estimate

Another sub-par year

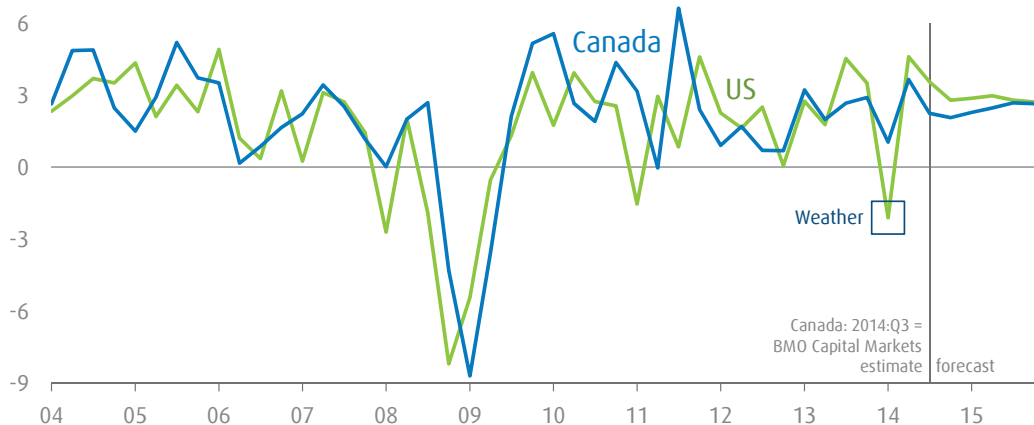
North American growth pick-up in 2015

(q/q % chng : ar)

Real GDP

9

	12	13	14	15
Canada	1.9	2.0	2.3	2.4
US	2.3	2.2	2.2	3.0

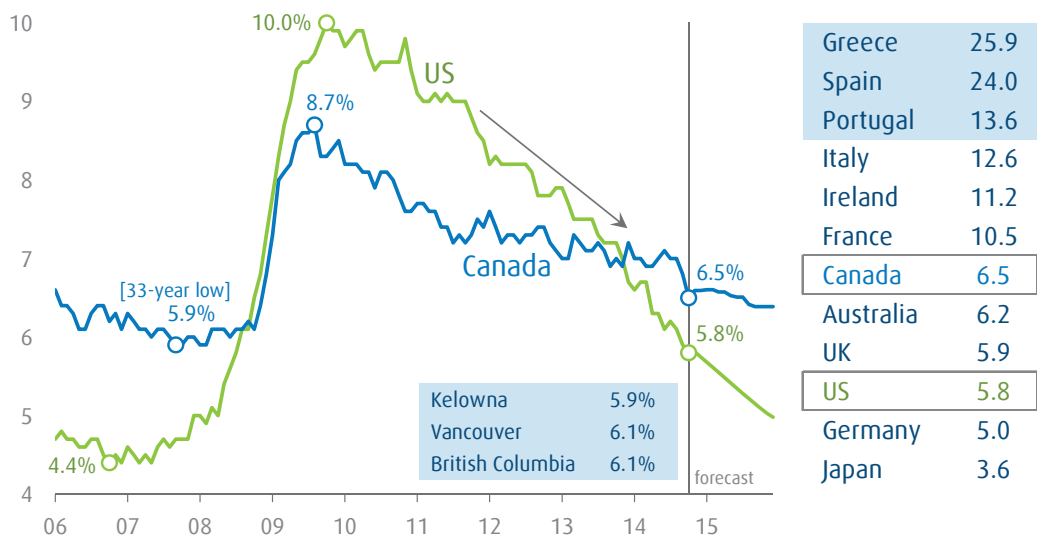


Canada: 2014:Q3 = BMO Capital Markets estimate forecast

US to outpace Canada

Jobless rates: US falling, but...

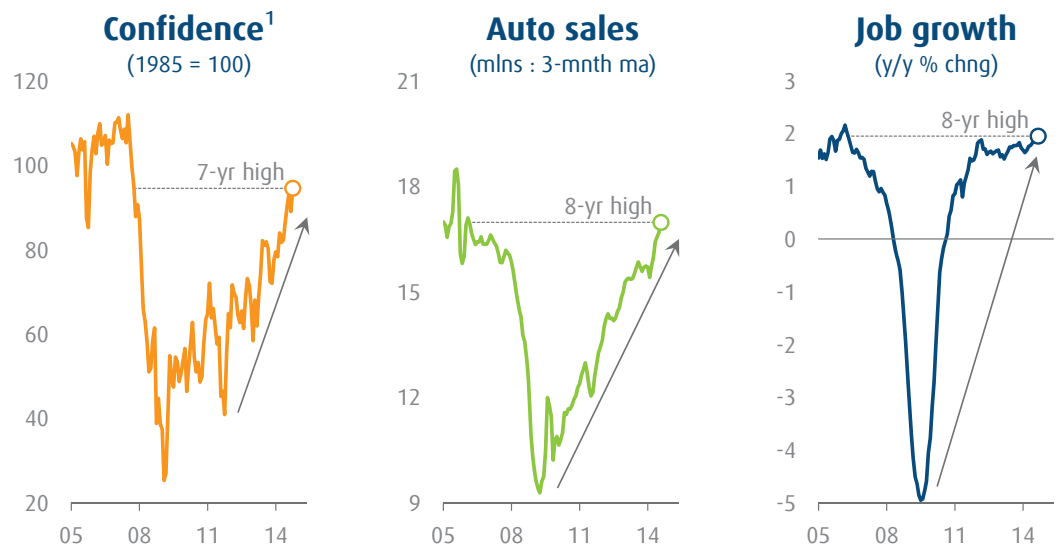
Unemployment rate (percent)



US participation rate: Lowest since 1978

US consumer positives

United States



Bonus: Gas prices, mortgage rates

Will Canadian housing calm, correct, crash?



2014:

"Why Canada isn't immune to a US-style housing crash"

Maclean's

Will Canadian housing calm, correct, crash?



2013:

"Inside the great real estate crash of 2013"

Maclean's

2012:

"Canada's housing crash begins"

Canadian Business

2011:

"Canada's housing bubble deemed close to bursting"

CBC News

2010:

"Canada's housing bubble: An accident waiting to happen"

CCPA

2009:

"Why Canada's housing bubble will burst"

The Tye

2008:

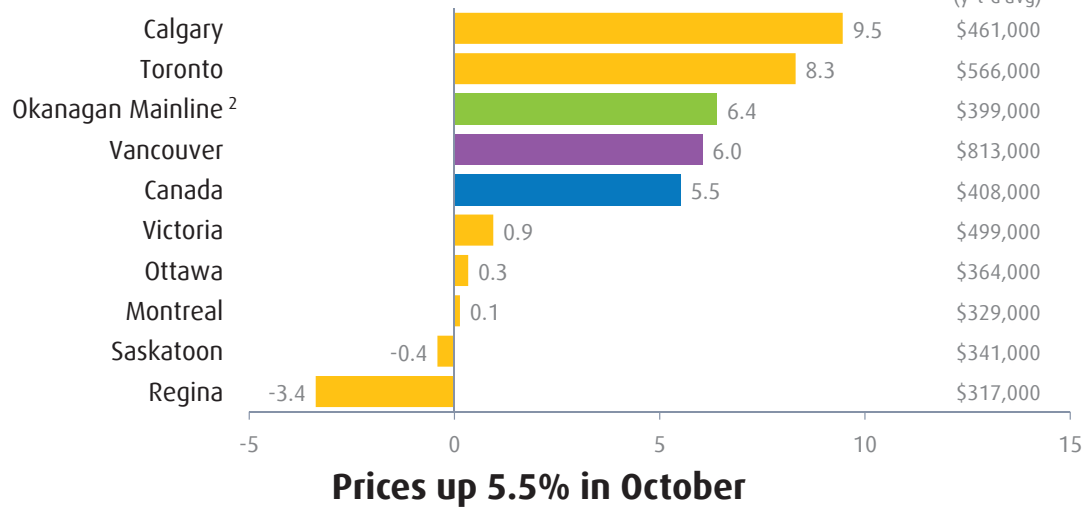
"Canada's housing bubble could soon burst"

US investment firm

Canadian house prices: Regional divide

Canada (y/y % chng : as of October 2014)

Existing home prices¹

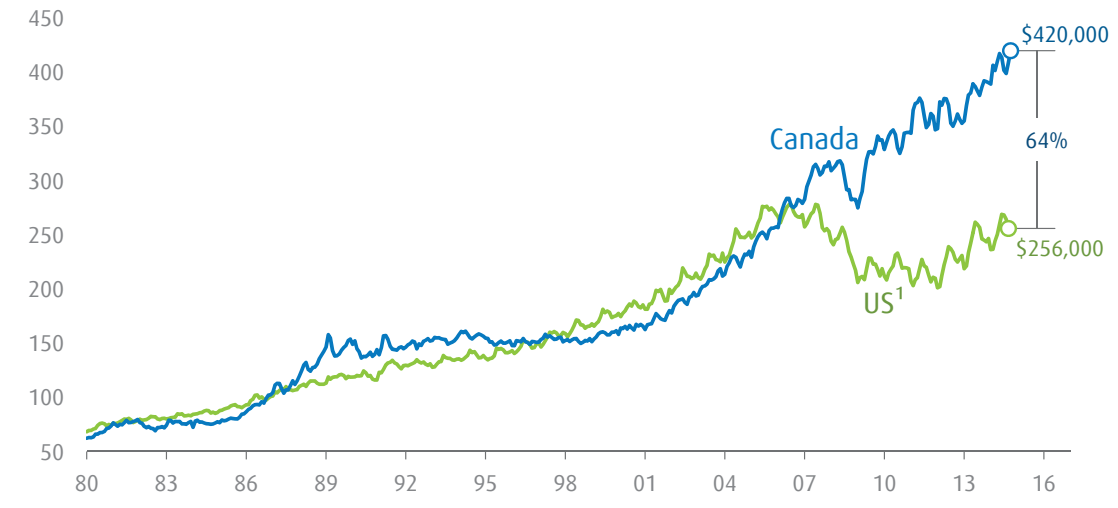


¹ HPI composite benchmark where available ² Average home price

The other divide... still

(\$000s : local currency : nsa)

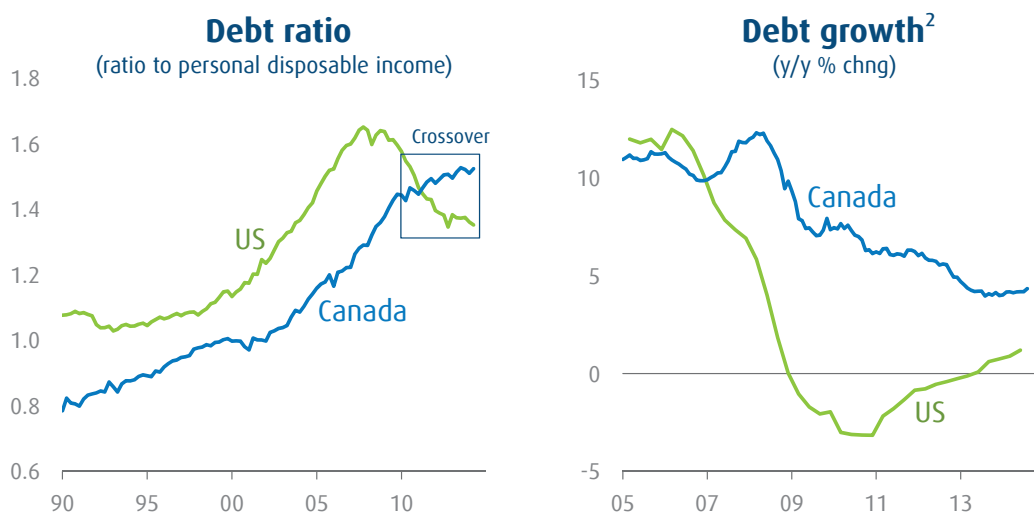
Average home price



¹ Single-family homes

Canadian consumers: Borrowing slows

Households¹



Debt ratio off record highs

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

What's ahead for British Columbia?



Growth drivers:

- Increasing ties to Asia
- US expansion
- Natural gas exports?

Challenges:

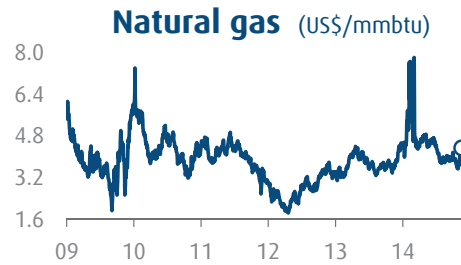
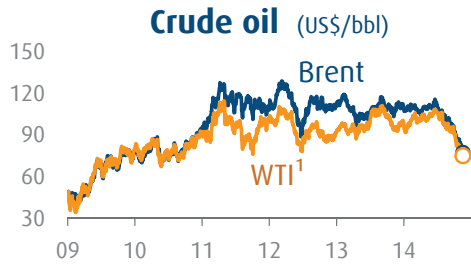
- Mining investment softening
- Slower population growth
- Government spending restraint

Vancouver:

Housing market balanced... again

Commodities: Less golden

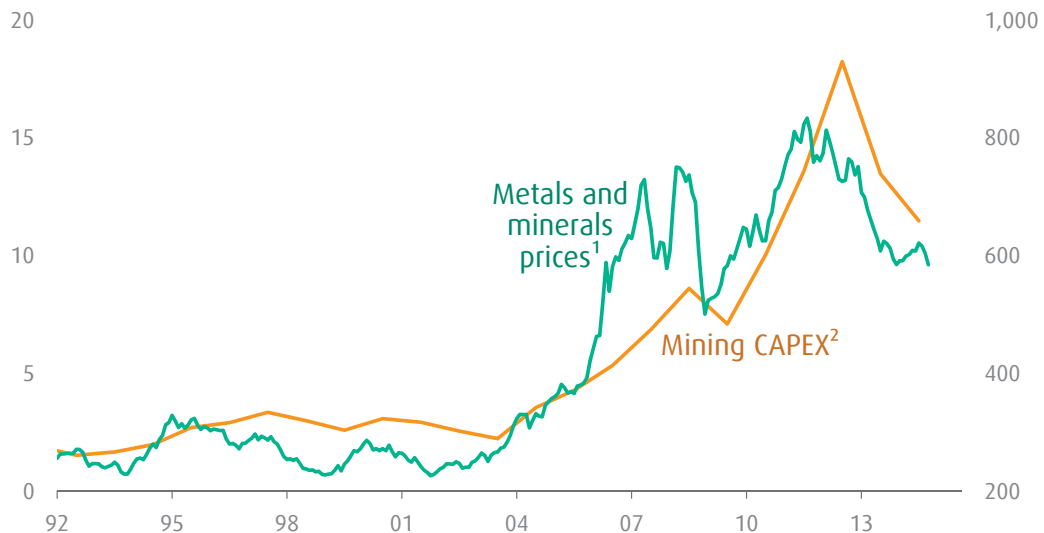
(as of November 18, 2014)



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

Mining outlays fall

Canada

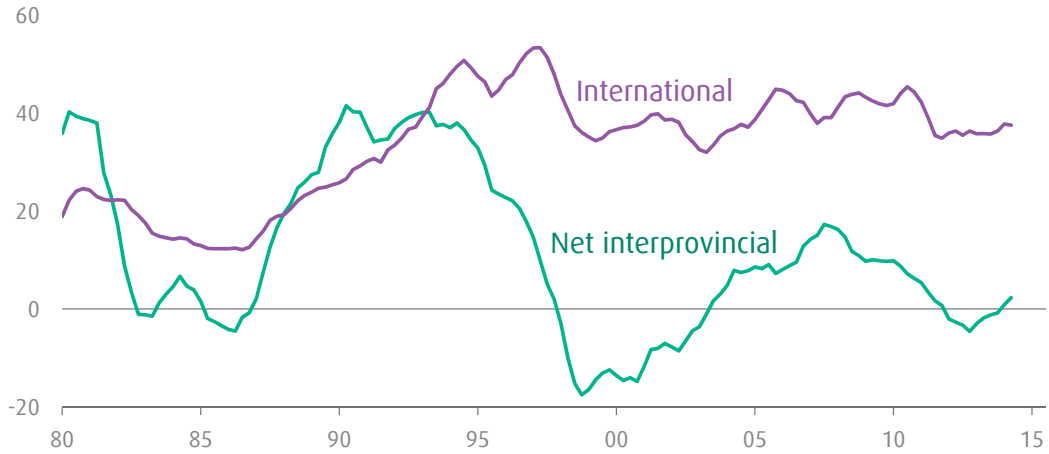


¹ BoC Commodity Price Index (January 1972 = 100) ² Mining, excluding oil & gas (C\$ blns)

Steady population inflows to BC

(000s : 4-qtr ms)

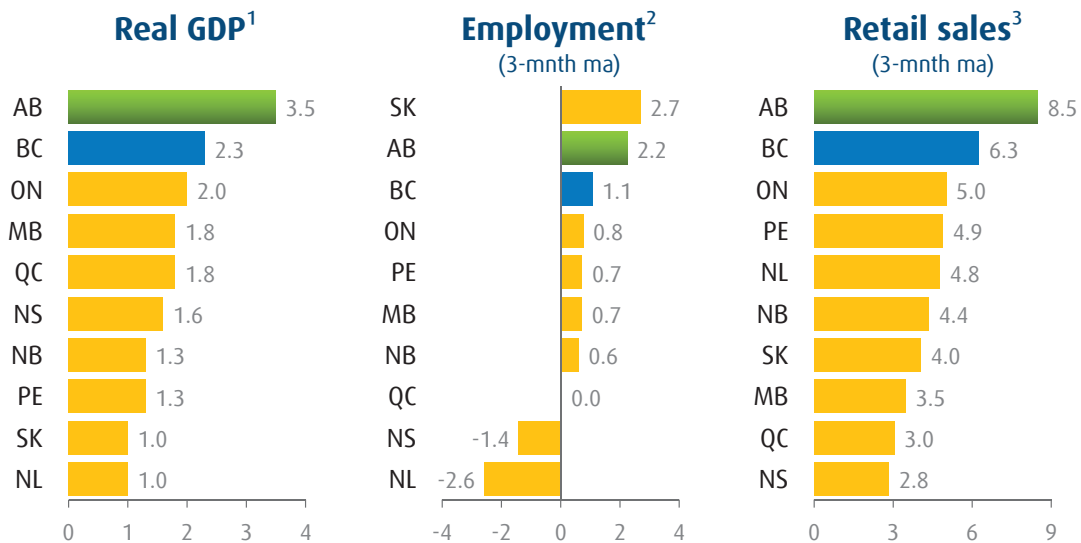
Immigration/migration to British Columbia



Total inflow = 0.9% of BC population
50-yr average = 1.4% of BC population

Alberta vs the rest

(y/y % chng)

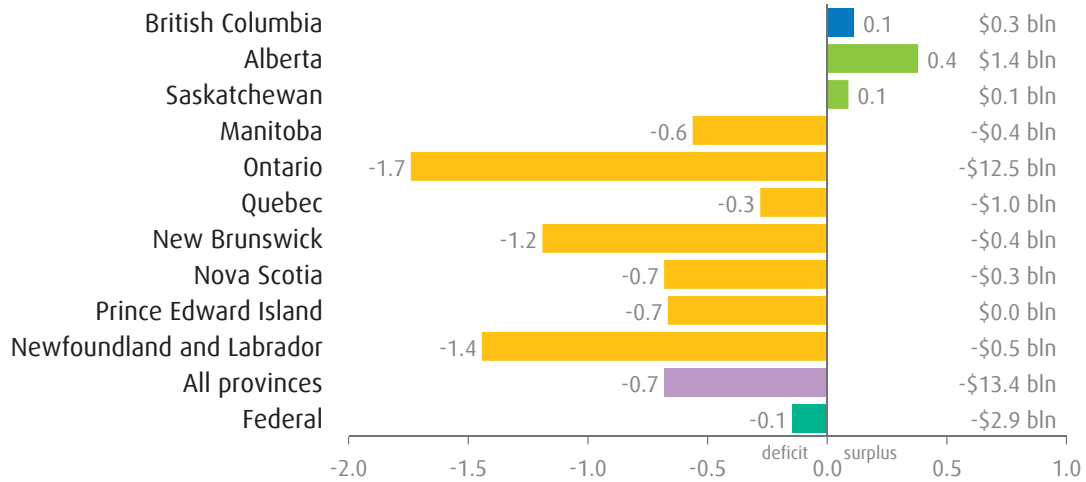


¹ 2014 forecast ² October 2014 ³ August 2014

Provincial deficits: Making progress

Canada - FY14/15 (% of GDP)

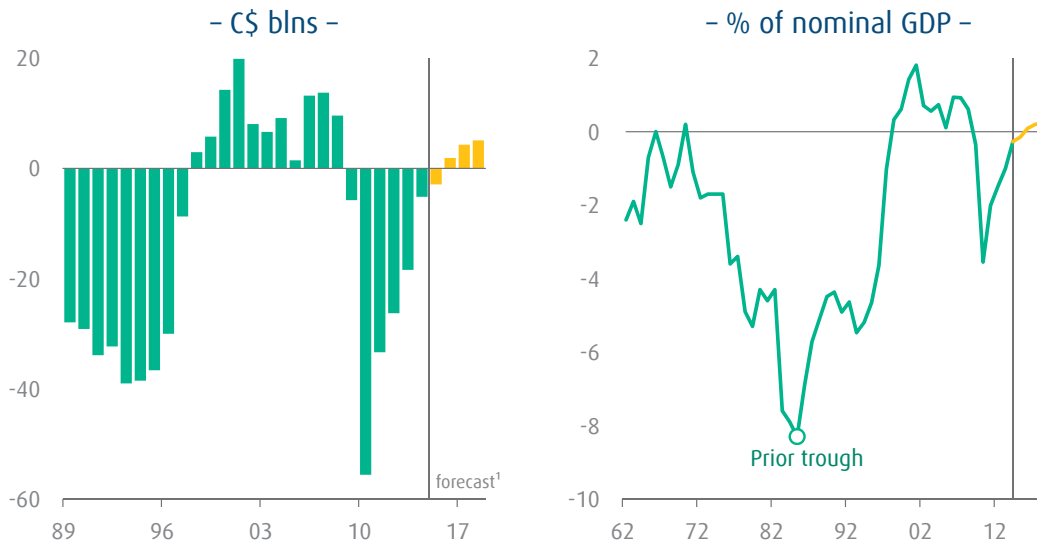
Budget balance



Quebec: Before GF transfers

Ottawa's finances in good shape

Federal budget balance - Canada



Budget balanced by 2015

Canadian dollar: Closer to the mark

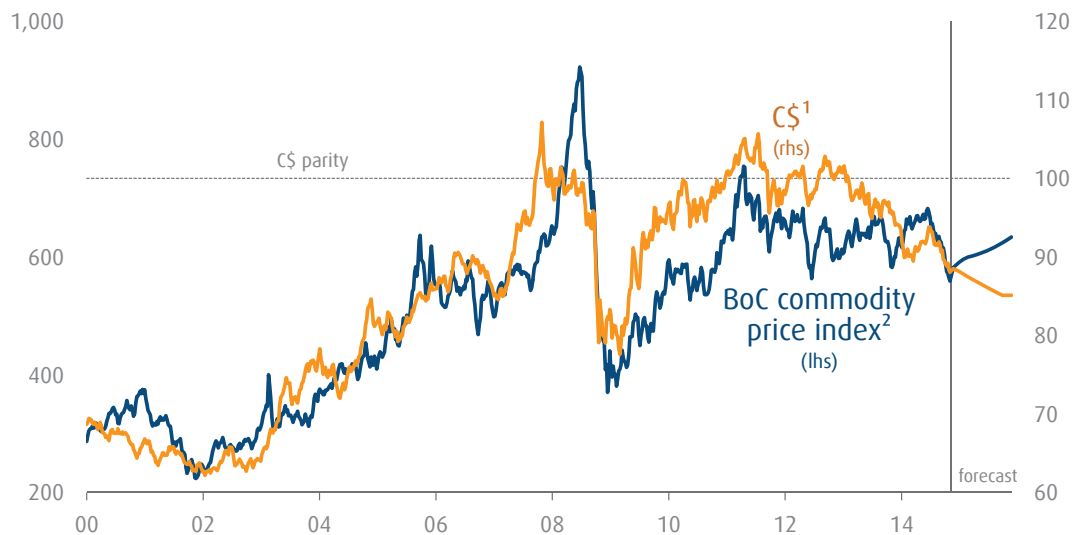


- Loonie dips below 90¢
- Bank of Canada changes tune
- Commodities softening
- US\$ rebounds

...Less demand for safety

C\$ prognosis: Parity past

Canada (as of November 18, 2014)



¹ (US¢) ² (1972 = 100) actuals: weekly averages forecast: monthly averages

Bank of Canada: A different tune

Canadian dollar (US¢ : as of November 18, 2014)



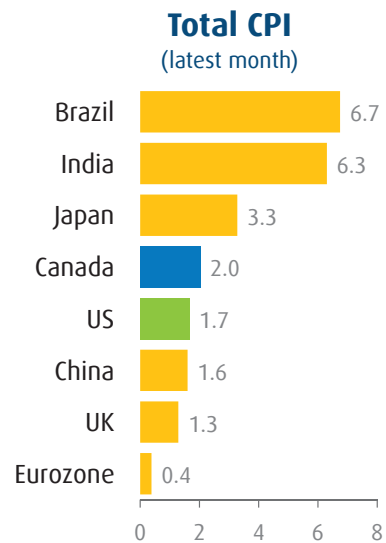
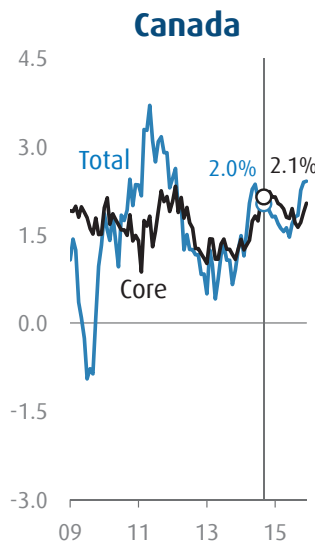
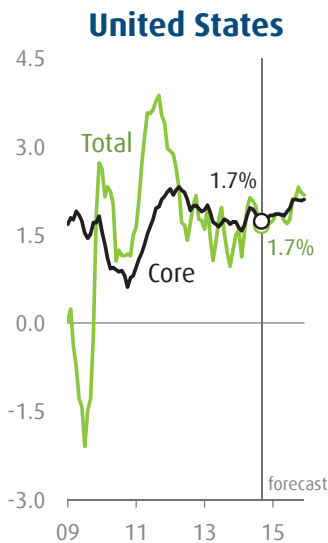
Bank of Canada Governor Stephen Poloz



Monetary policy stance "appropriate"

Inflation off the lows

Consumer price index (y/y % chng)



BoC sees higher inflation as temporary

BC: 1.2%

Inflation and deflation

Consumer price index – Canada (y/y % chng : as of September 2014)

Deflationary

Home entertainment equipment	-5.7
Coffee	-4.1
Bread	-1.6
Toys	-1.4
Gasoline	-0.5
Wine	-0.5
Prescription drugs	-0.4
Air fares	-0.4
Footwear	-0.1

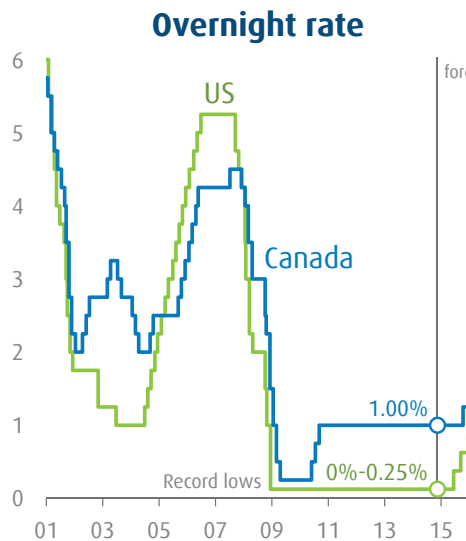
Inflationary

Beef	18.4
Natural gas	16.2
Pork	13.8
Cigarettes	11.4
Sports equipment	6.8
Water charges	6.2
Electricity	4.1
Property taxes	3.2
Tuition fees	3.2

Core CPI 2.1%
Overall CPI 2.0%

Interest rates: 2015 hikes come into view

(% : as of November 18, 2014)



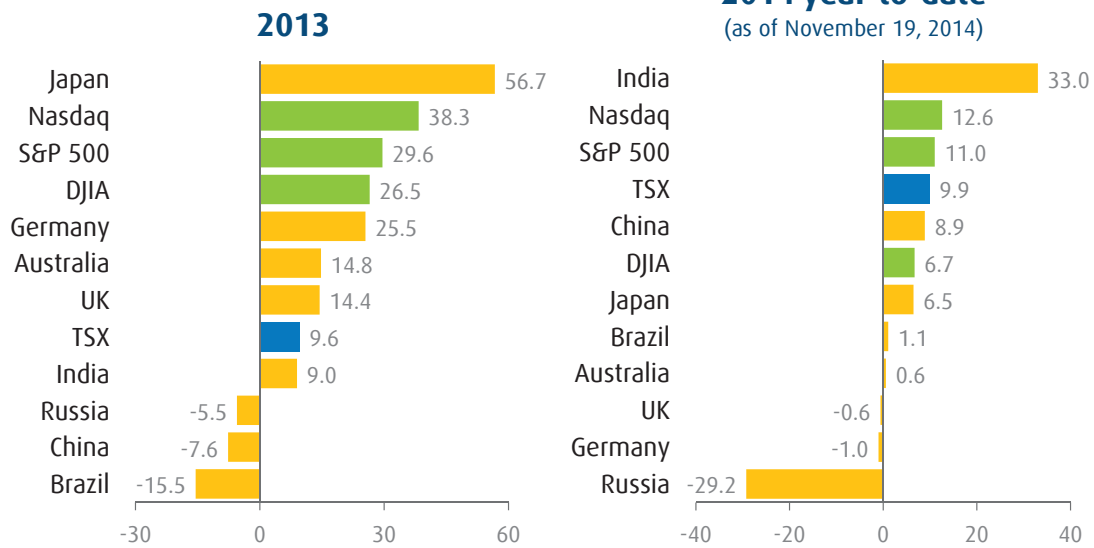
US at zero for 7 years?



Yields slide despite QE tapering

Global diversity

Equity markets (% chng)



Tables turn for TSX

Outlook in a nutshell



Global growth to improve modestly despite risks

US recovery to strengthen

- Less fiscal drag

- Housing recovery still key

Canada pulled along

- Exports finally benefit

- Housing slows, but no crash

Interest rates:

Modest upward drift

Exchange rates:

Improving economy drives US dollar higher

Stocks:

Bull market to continue, but pace to slow