

Market rebound... only for equities

(as of March 22, 2019)



Trade tensions and cooling growth fuel volatility

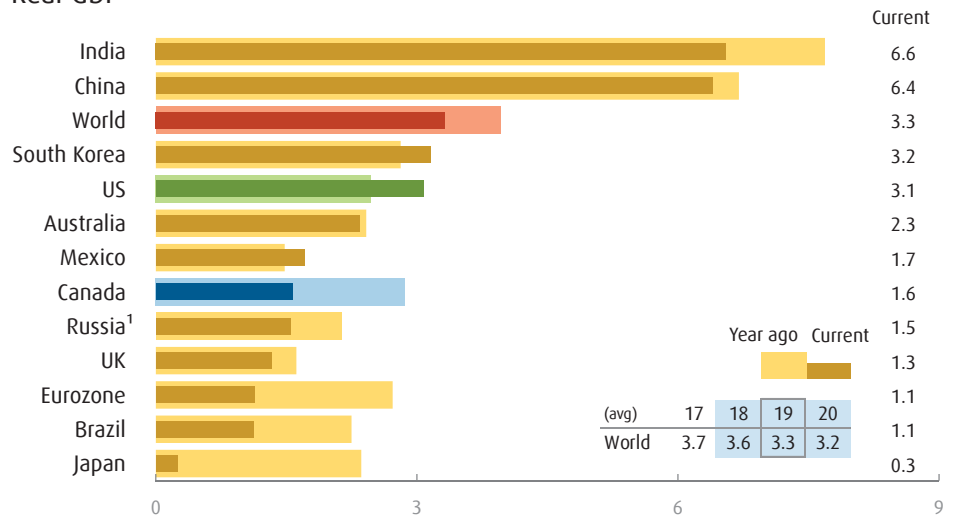
¹ (lhs); ² (rhs)

Global growth: Fading

2018:Q4 (y/y % chng)



Real GDP

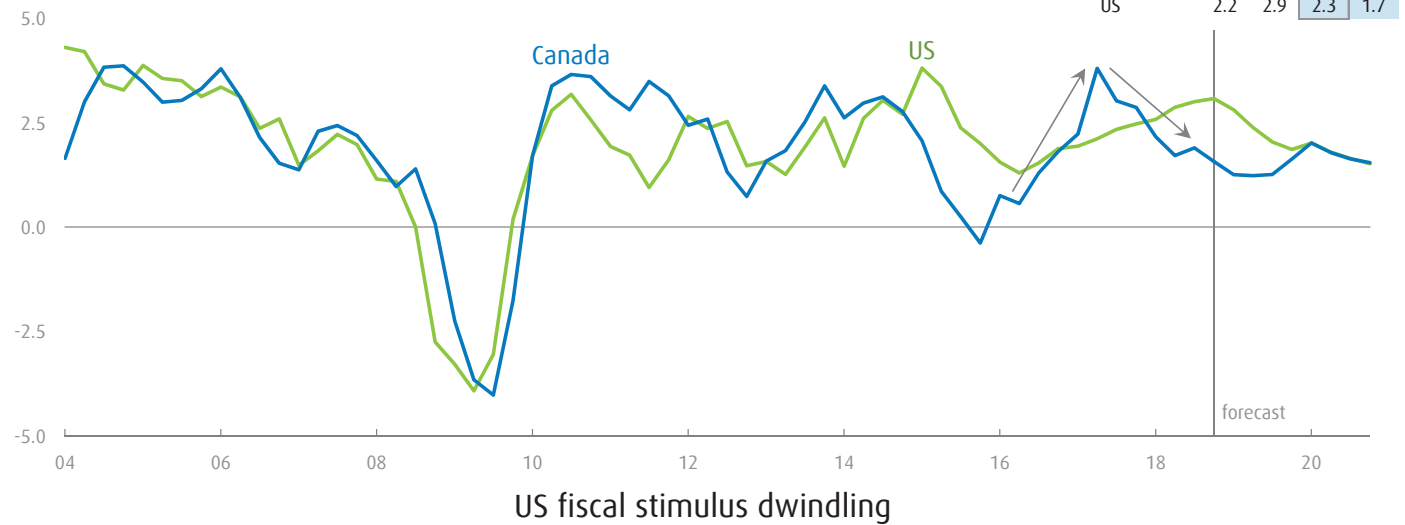


Sorted by current; World GDP based on 60 of 75 countries that regularly report GDP growth, weighted by GDP shares (converted via IMF's PPP estimates); ¹ 2018:Q3

North American growth: Cooler 2019

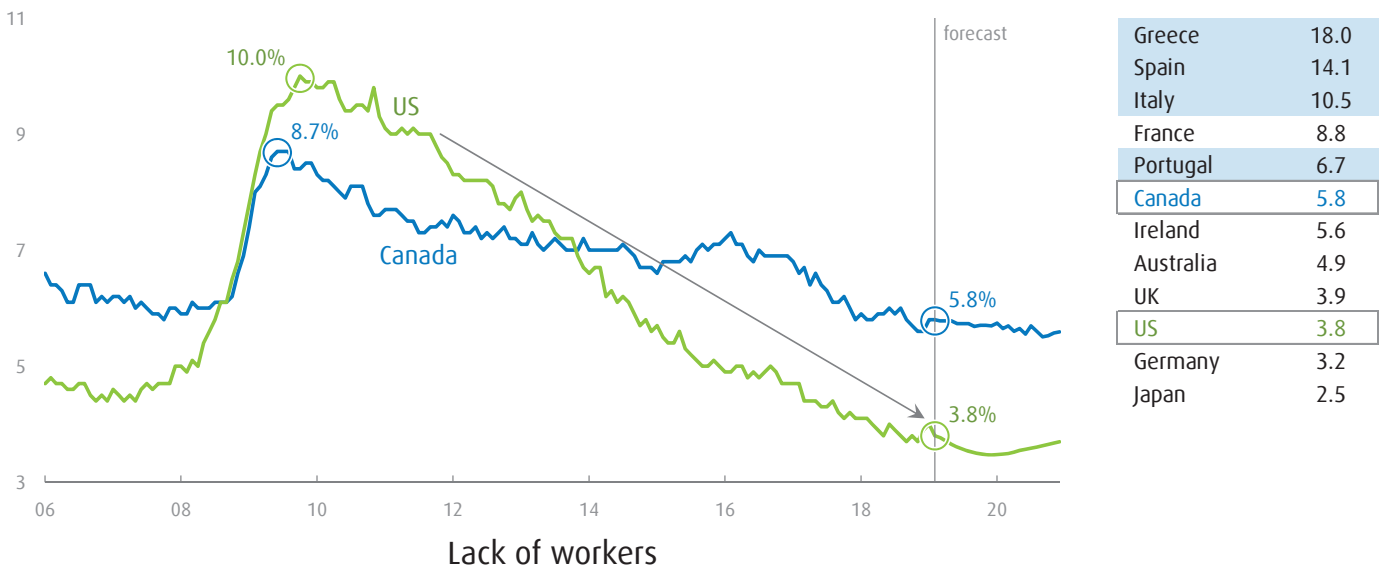
(y/y % chng)

Real GDP



Jobless rates: At 40+ year lows

Unemployment rate (percent)



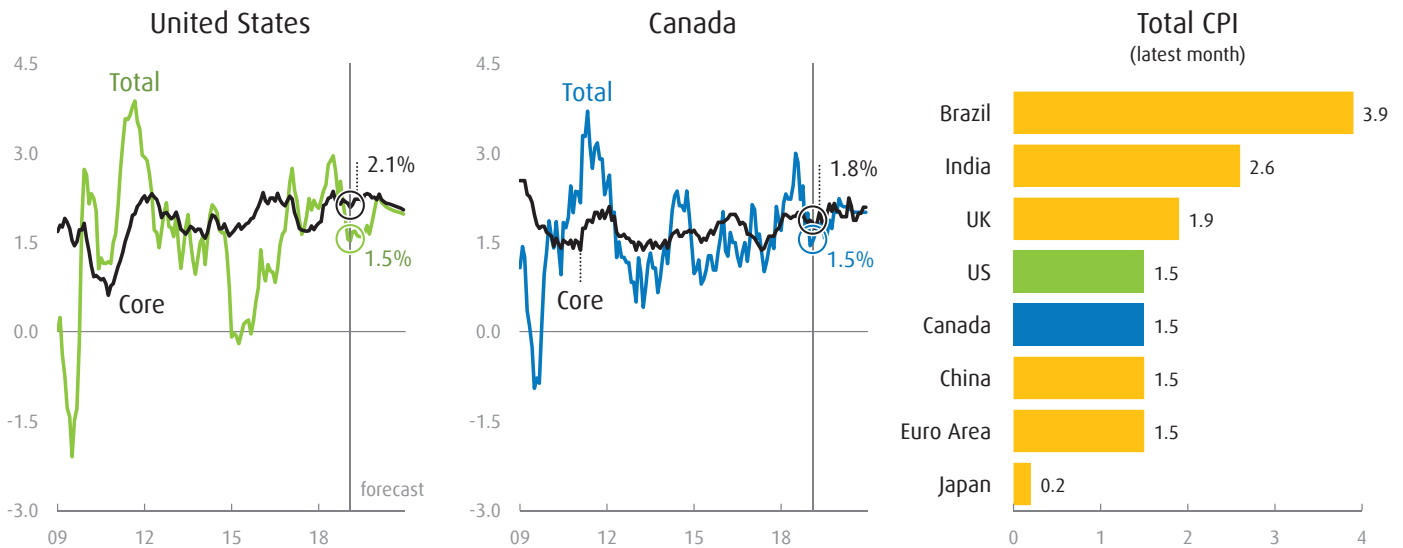
Wages rising only gradually... still



¹ (% : rhs); ² Employment Cost Index (y/y % chng : lhs); ³ (y/y % chng : lhs); ⁴ BMO Economics estimate

Inflation moves lower again

Consumer price index (y/y % chng)



¹ Average of three new core inflation measures

Inflation and deflation

Consumer price index – Canada (y/y % chng : as of February 2019)

Deflationary

Gasoline	-11.9%
Internet access services	-9.2%
Computer equipment	-4.7%
Hotel/motel rates	-4.7%
Prescription drugs	-3.0%
Natural gas	-2.3%
Soap	-2.2%
Recreational vehicles	-1.1%
Tools	-1.0%
Household furniture	-0.2%

Down 3.0% in mid-March

Inflationary

Vegetables	12.4%
Cigarettes	8.5%
Mortgage interest	8.1%
Auto insurance	6.3%
Home insurance	6.2%
Air fares	3.8%
Tuition fees	3.1%
Electricity	2.9%
Restaurant meals	2.7%
Beer	2.2%

Overall CPI: 1.5%

The great housing market debate: Bubble/No bubble

Canada



Sources: BMO Economics; [magazine cover] Maclean's... 7 years ago

The long-running story (2010-2015): **No bubble**

Home prices rising with strong supply-demand fundamentals

Recent history (2016-Early 2017): **Regional bubble**

Prices detach from fundamentals in Vancouver then Toronto

Current situation: **Policy-induced correction**

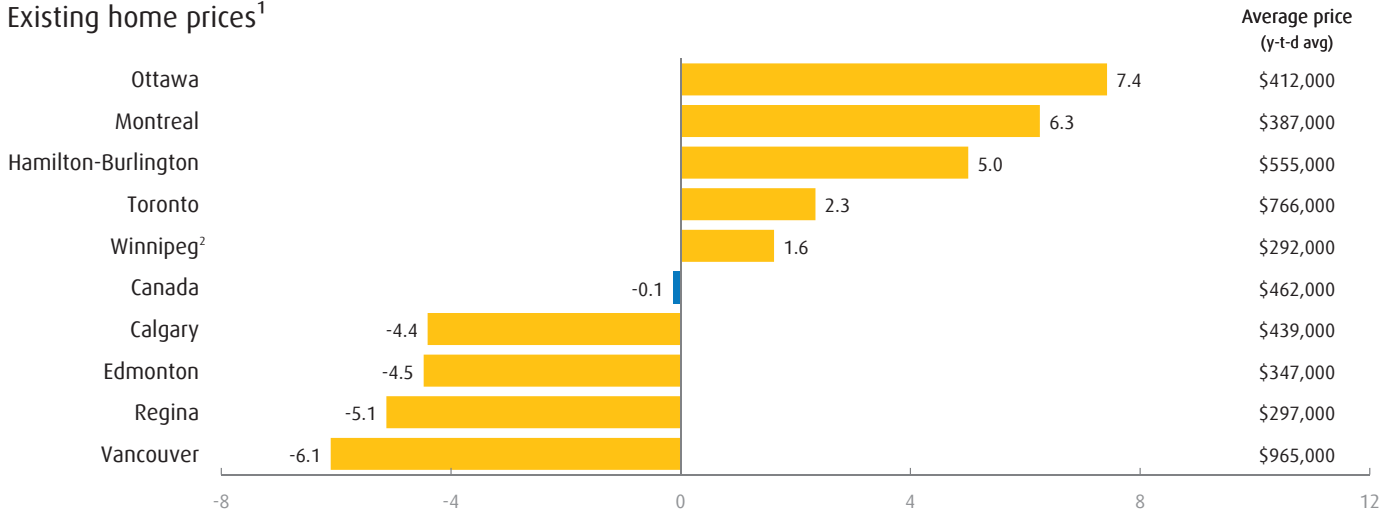
Toronto/Vancouver adjusting to policy changes

Other markets driven by fundamentals

Canadian house prices: East hot, West not

Canada (y/y % chng : nsa : as of February 2019)

Existing home prices¹



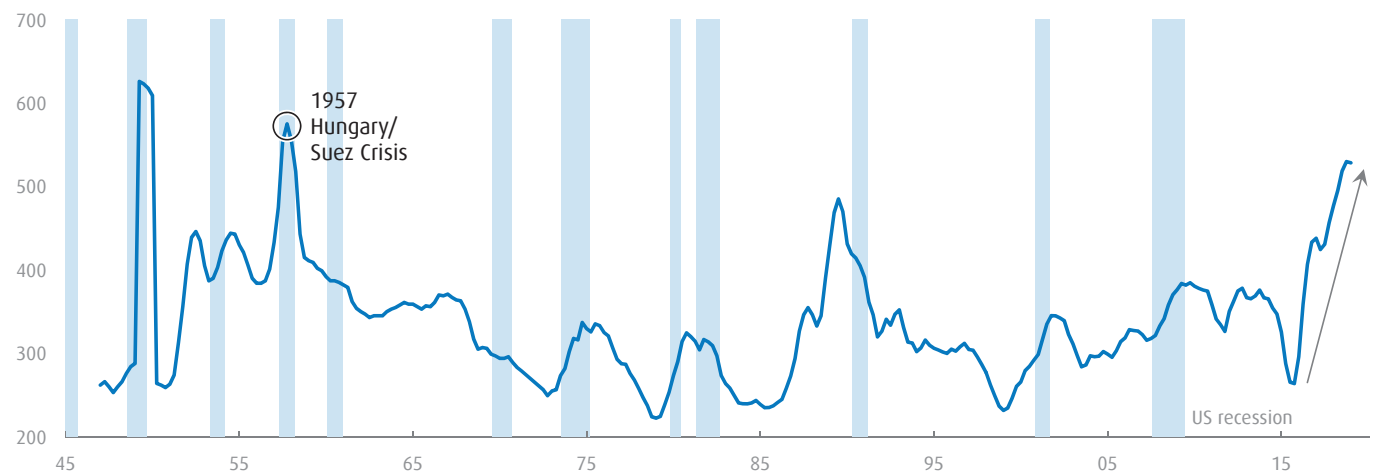
Governments move to cool market: Working well

¹ HPI composite benchmark where available; ² Average price (3-mnth ma)

Canada's population boomlet in raw numbers

Canada (000s : y/y chng)

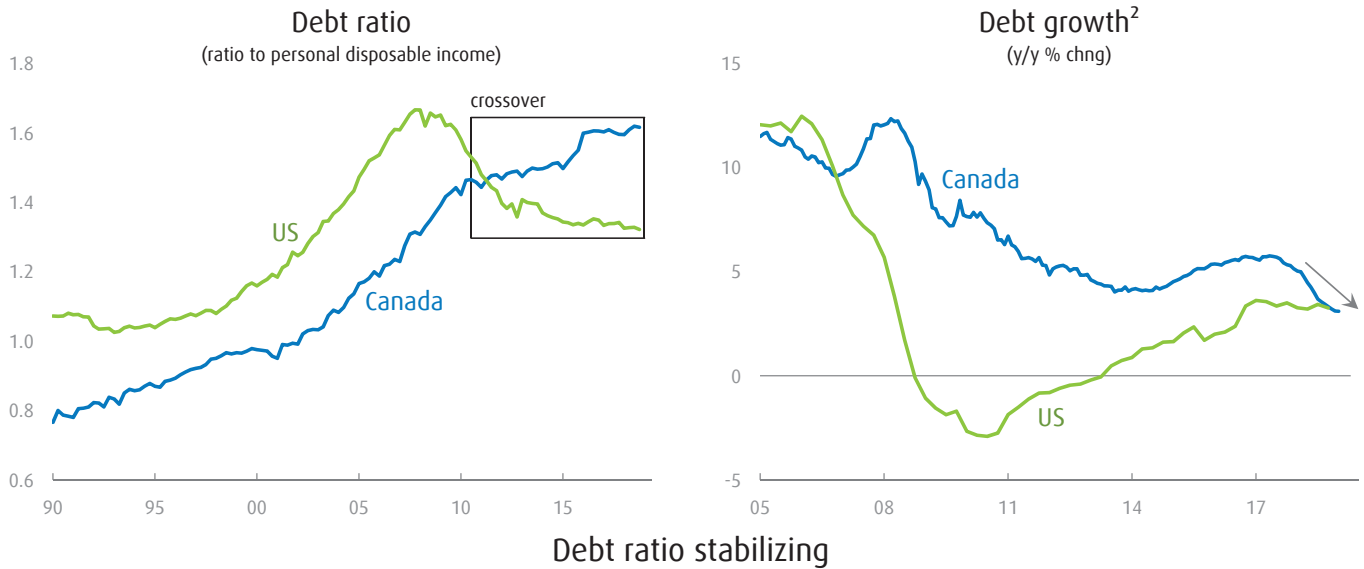
Population



One new Canadian per minute in 2018

Household debt: Bank of Canada's "#1 domestic financial vulnerability"

Households¹



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

Canadian construction industry: Mixed picture



Housing slows

Commercial vacancy rates down – except Calgary

Job growth stays firm

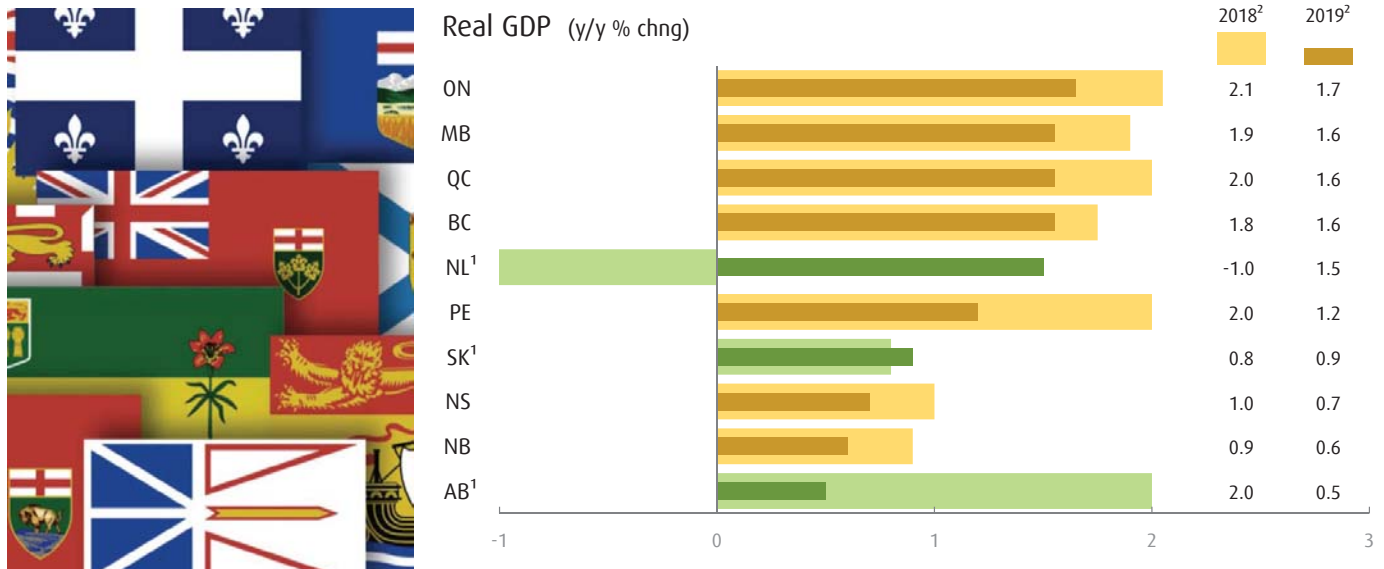
Spending growth slows

Infrastructure uncertainty

...But permits still rising

Regional outlook: Tight race

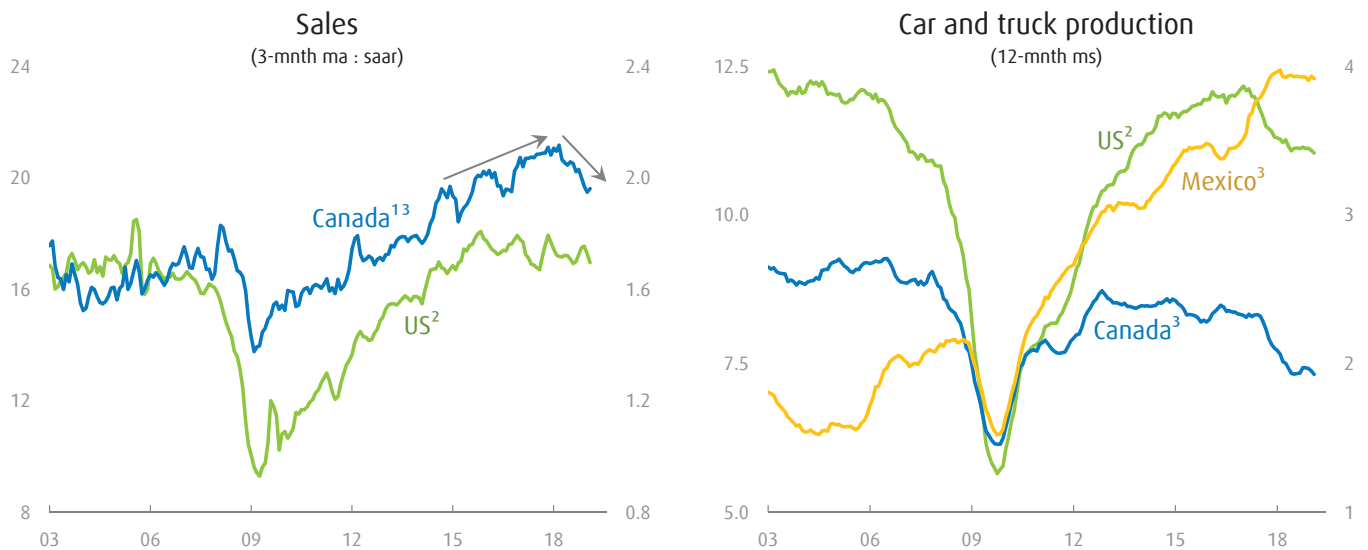
Canada



Sorted by 2019; ¹ Oil producers: Alberta, Saskatchewan, Newfoundland and Labrador; ² forecast

North American auto sales: A little off the top

Vehicles (mlns of units)

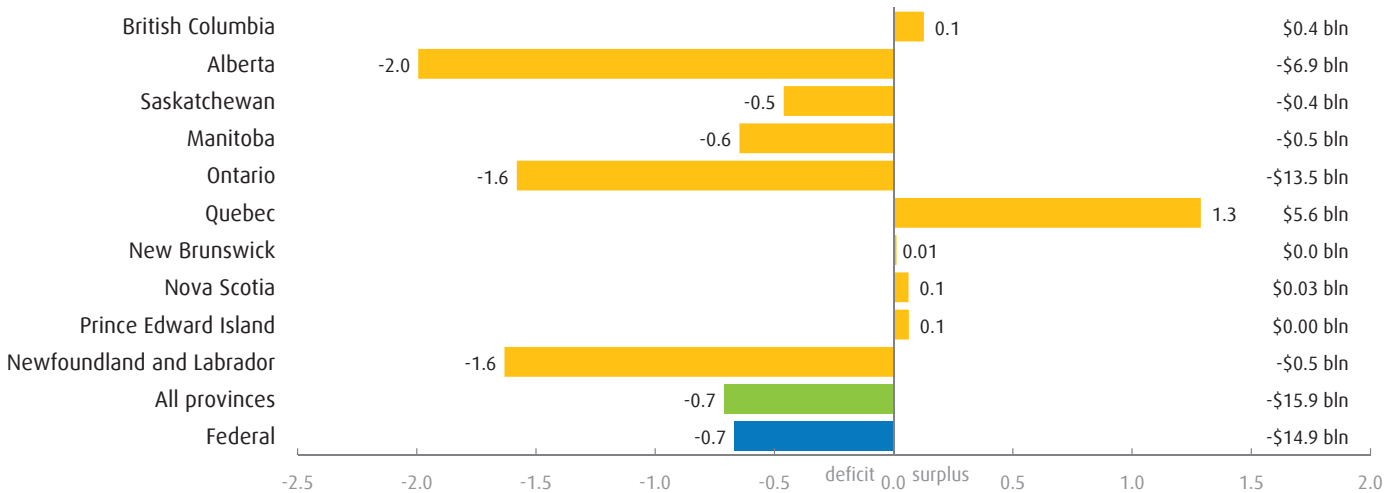


¹ February: BMO Economics estimate; ² (lhs); ³ (rhs)

Provincial deficits: Some progress, some trouble

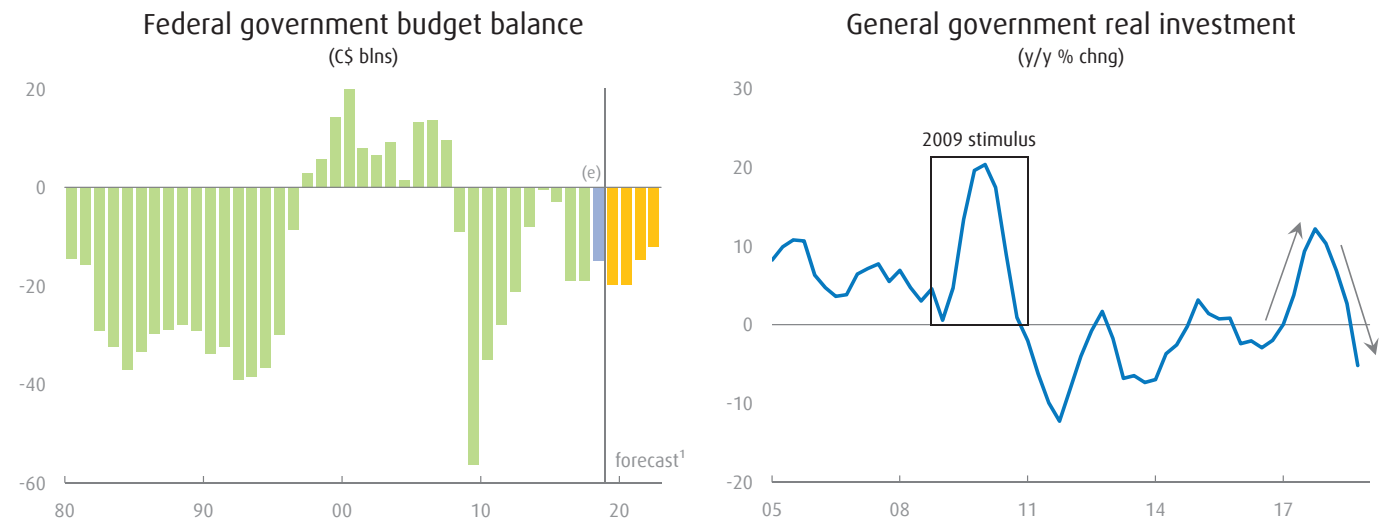
Canada – FY18/19 (% of GDP)

Budget balance



Ottawa's deficits linger; infrastructure sags

Canada



2019 Federal budget: Spending on housing, social programs

(e) = estimate

Canadian election 2019: October 21

Federal election – Canada



Political party	Latest polls ¹		2015	
	Votes (%)	Seats	Votes (%)	Seats
Liberal	32.3	141	39.5	184
Conservative	35.6	160	31.9	99
New Democratic [NDP]	15.7	25	19.7	44
Bloc Québécois	4.2	10	4.7	10
Green	8.7	2	3.5	1
Other	3.5	0	0.7	0
		338		338

170 needed for majority

¹ Weighted average poll, as of March 21, 2019

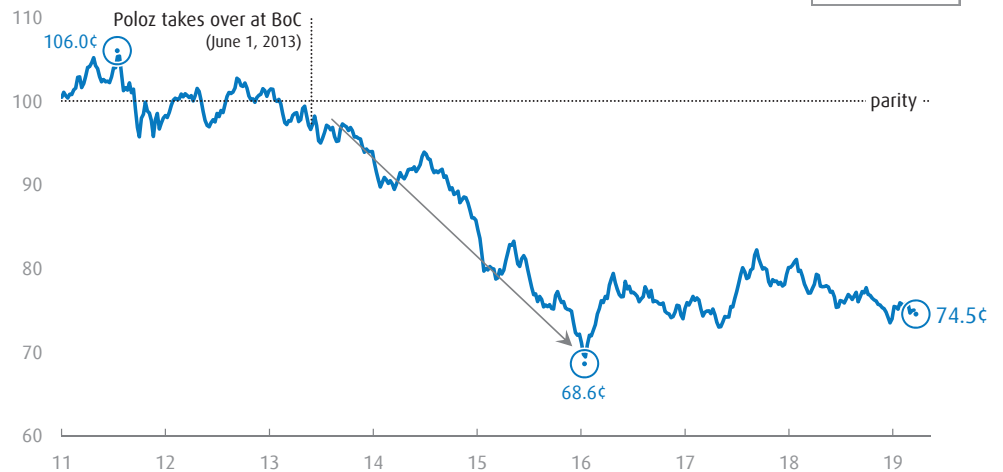
Canadian dollar: Where next?

Canada



Bank of Canada Governor Stephen Poloz

Canadian dollar (US¢ : as of March 22, 2019)

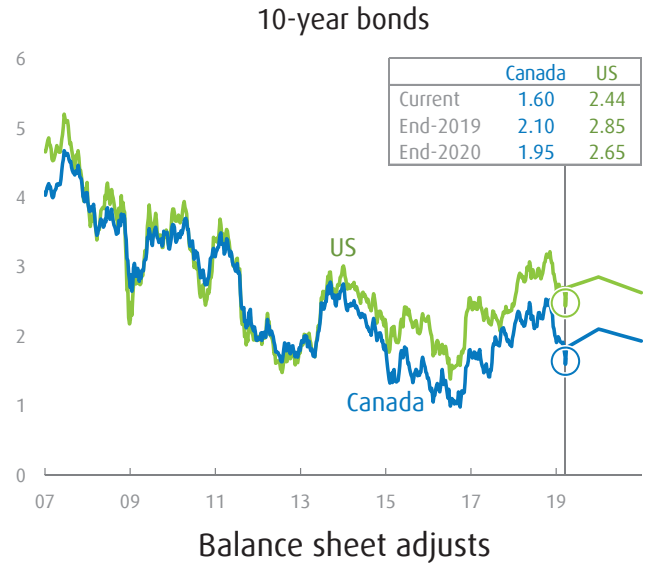
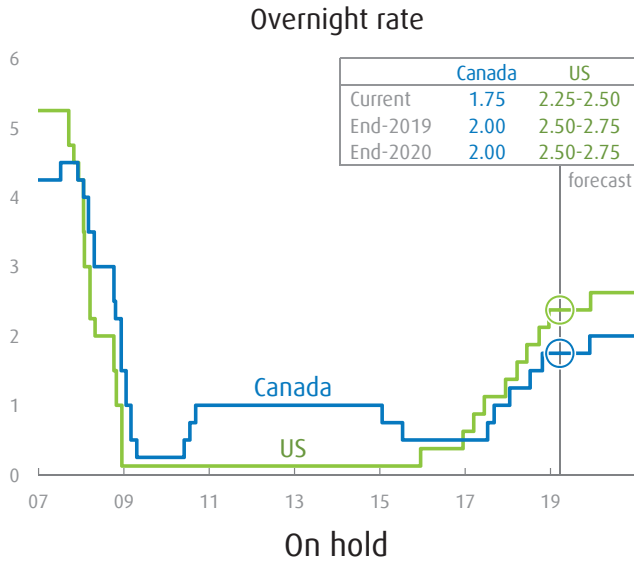


Competitiveness, housing worries, oil

[line] weekly averages; [dots] daily closes; [forecasts] BMO Economics

Interest rates: Fewer rate hikes coming

(% : as of March 22, 2019)



Global stocks: Stormy 2018, Snapback 2019

Equity markets (% chng)

