



Economic Outlook: Themes, Risks, & Opportunities

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Economic Outlook: Themes, Risks, & Opportunities

- 1. Trump Trade Wars Likely to Continue**
- 2. Yet... We Don't See A Recession Ahead**
- 3. Uncertainty Has Costs, and Lifting it Presents An Opportunity**
- 4. US Businesses and Consumers Set to Spend**
- 5. Canada: Housing and Household Balance Sheets Solid**
- 6. China Acting to Sustain Growth**
- 7. Interest Rates: Money Is Getting Even Cheaper**
- 8. Watch List: Higher Wages, Higher Taxes**
- 9. Policy Priorities: Childcare, Productivity, Trade Diversification**
- 10. #HumanStimulus: Immigrants, They Get The Job Done**

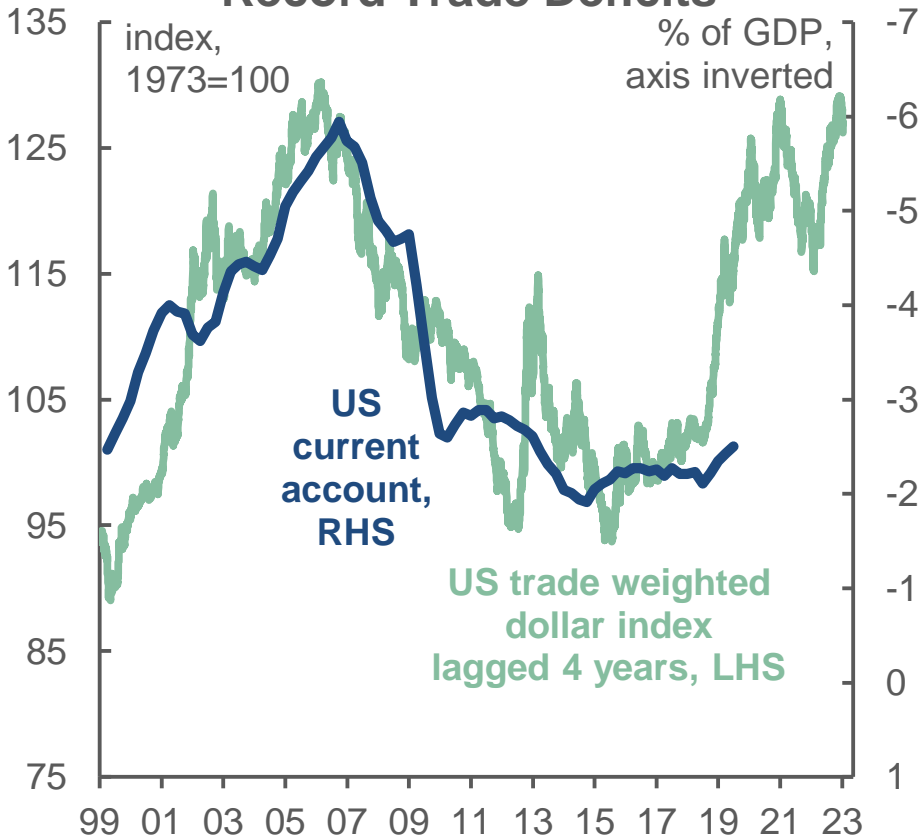
Global Trade: Trump Trade Slump Likely to Continue

Global Industrial Activity Weighed Down by Trade Policy Uncertainty



Sources: Scotiabank Economics, CPB.

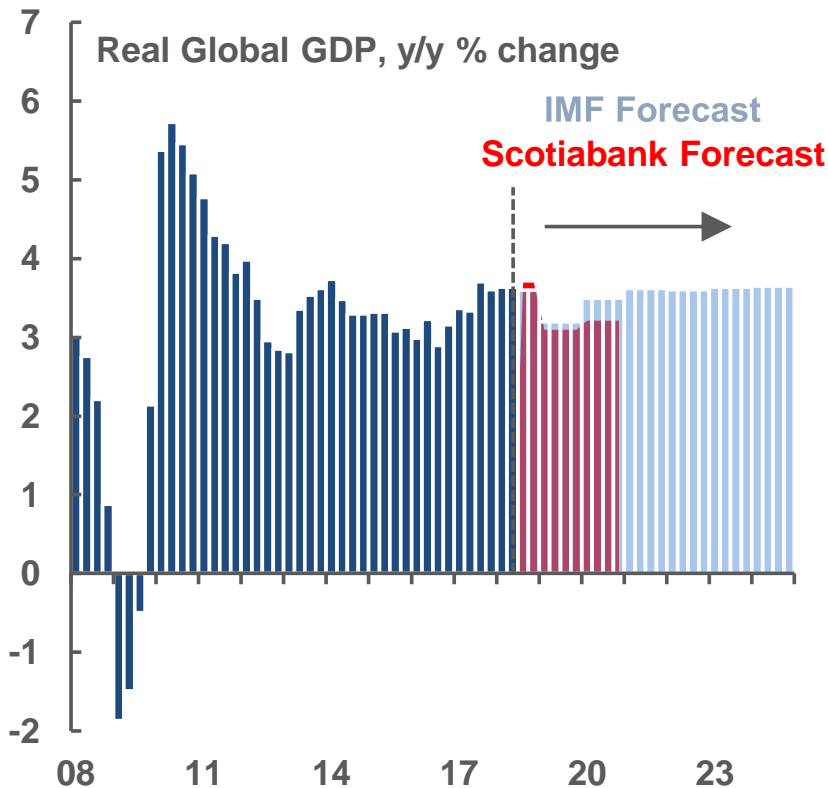
Trump Might Preside Over Record Trade Deficits



Source: Scotiabank Economics, Federal Reserve, Bloomberg.

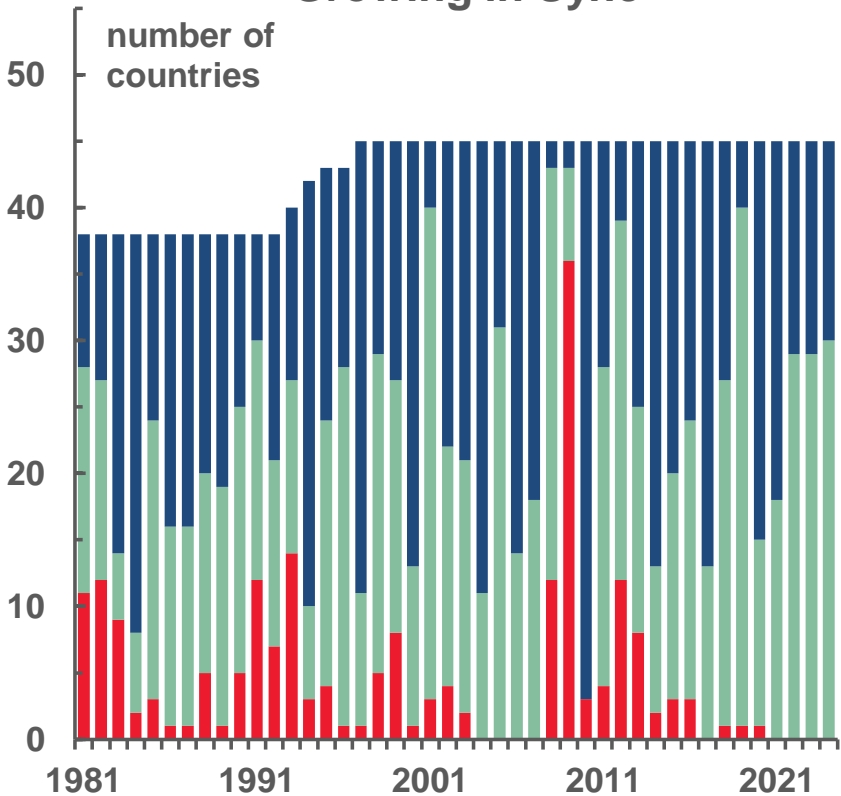
Global Growth: Slowing, but Not A Repeat of 2008

Global GDP Growth Expected to Slow Following Strong 2017–18



Sources: Scotiabank Economics, IMF.

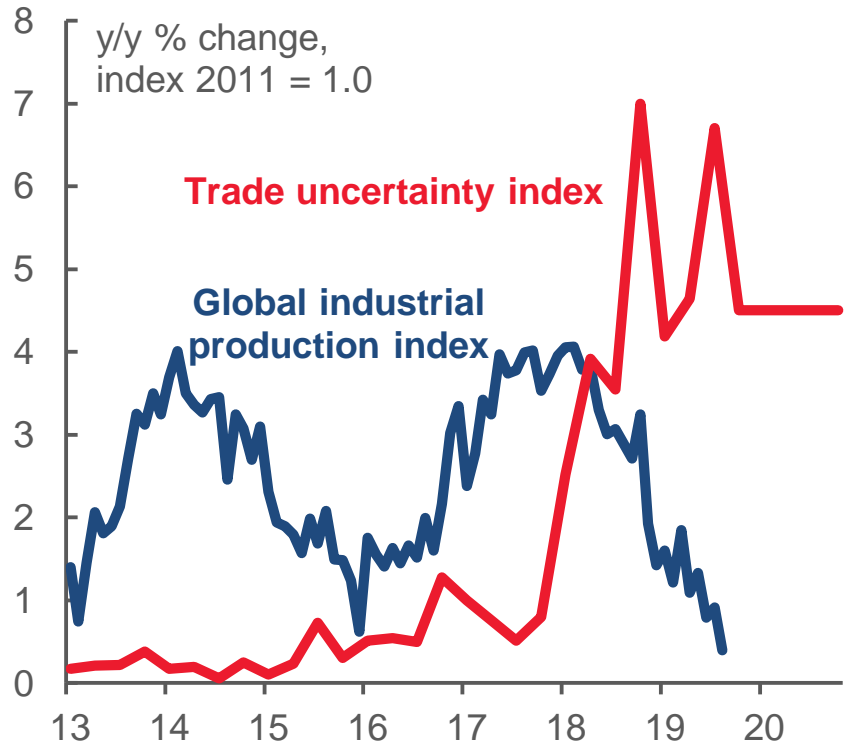
OECD & Related EM Countries Growing in Sync



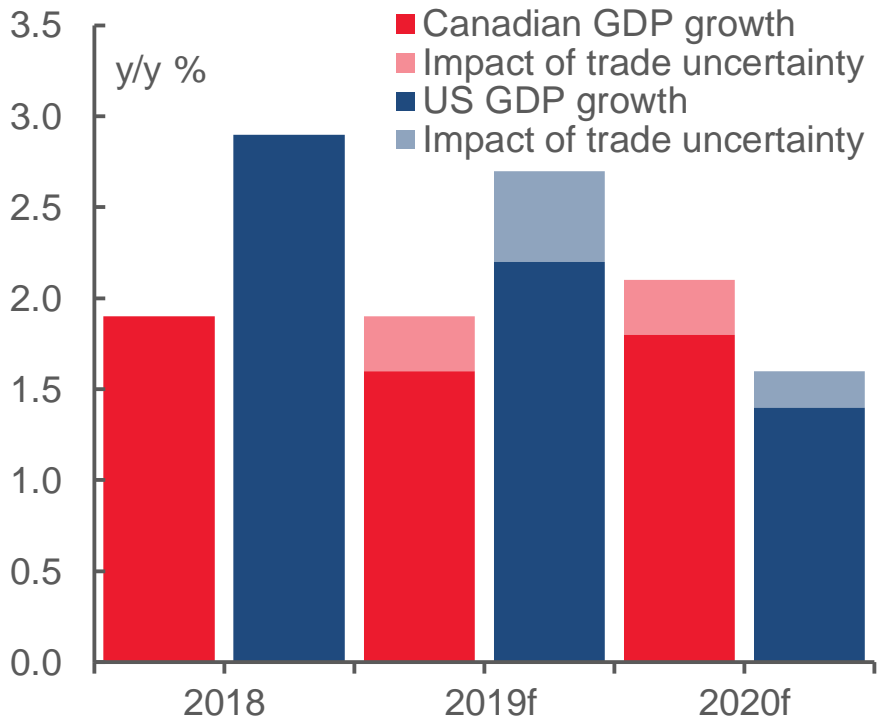
Sources: Scotiabank Economics, IMF.

Uncertainty: Even a Basic US-China Deal Would Bump Up Growth Forecasts

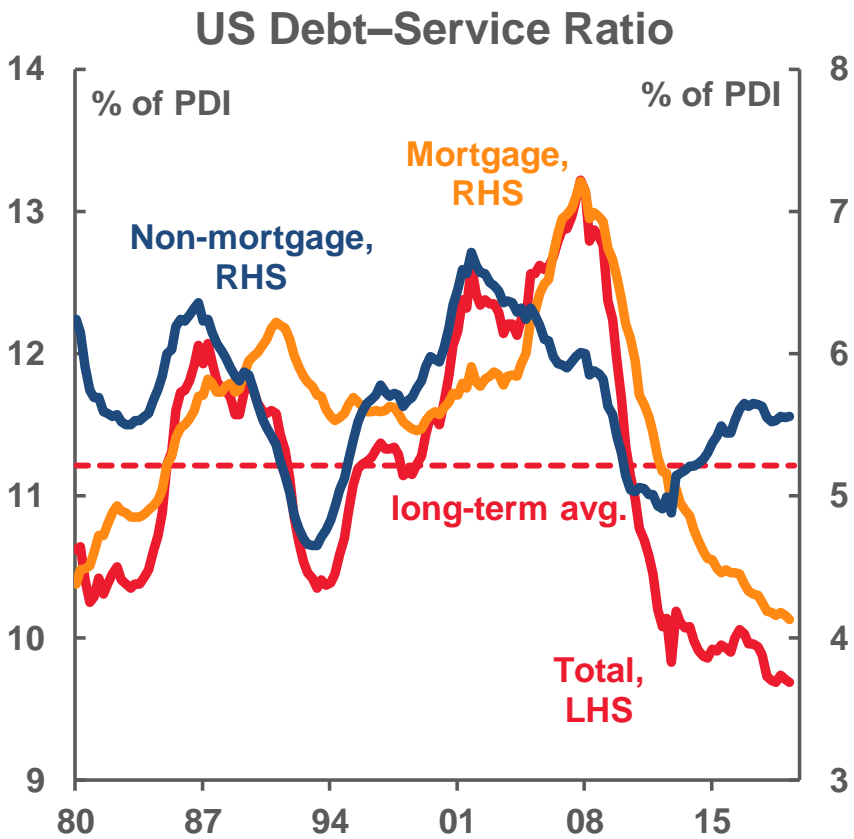
Trade Uncertainty Has Pulled
Economic Activity Down...



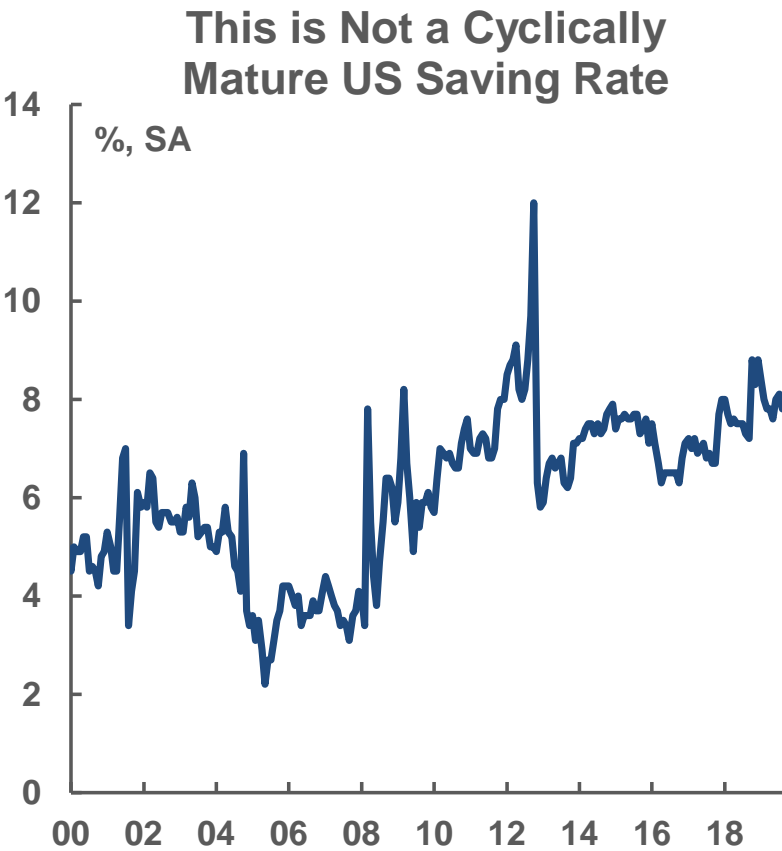
...But North American Growth Would
Strengthen if US Trade Wars Ease.



US Consumers: American Households Have Dry Powder to Spend

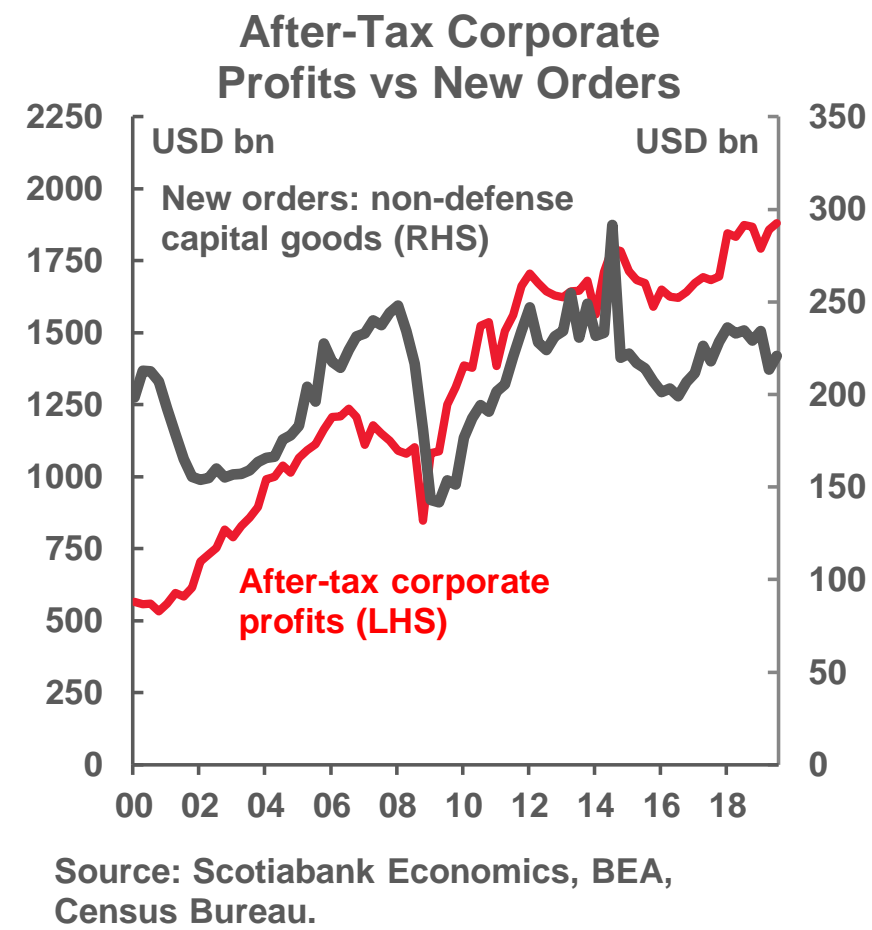
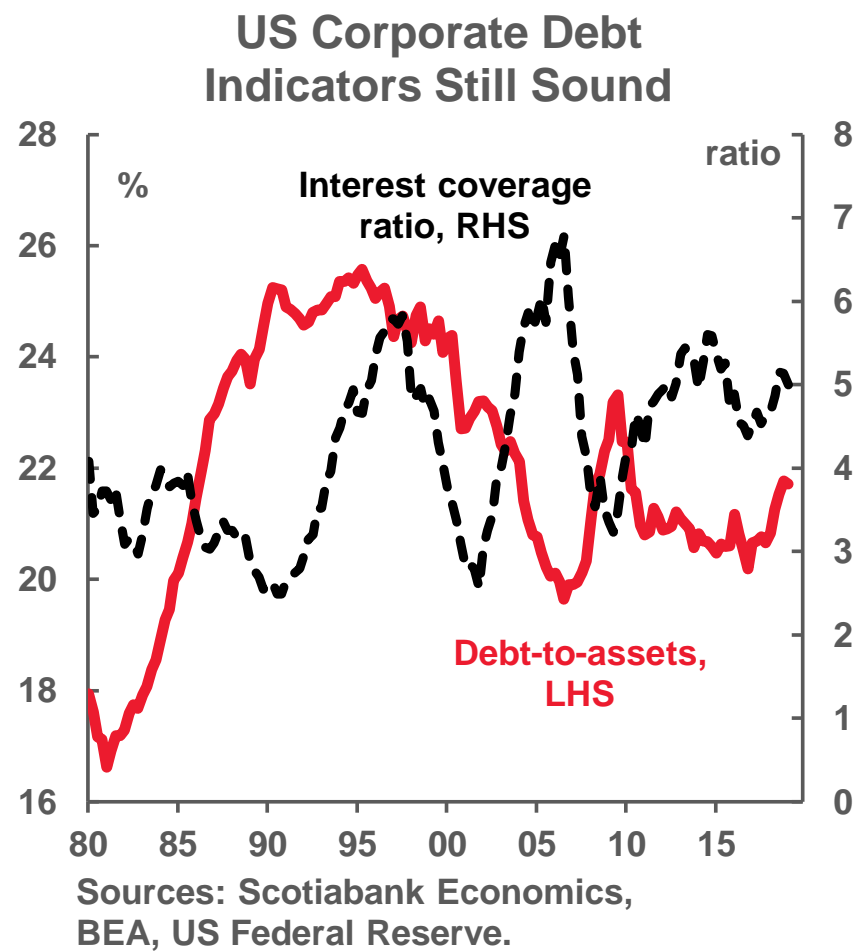


Sources: Scotiabank Economics, US Federal Reserve.

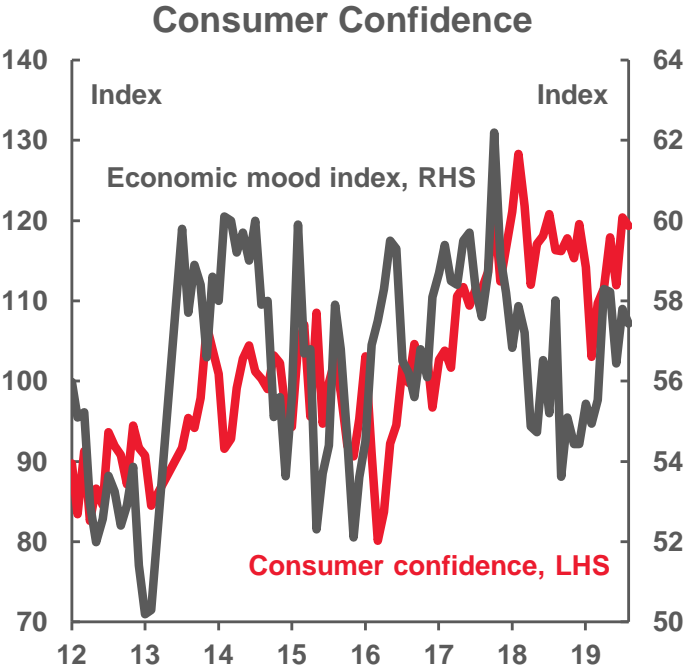


Sources: Scotiabank Economics, Bureau of Economic Analysis.

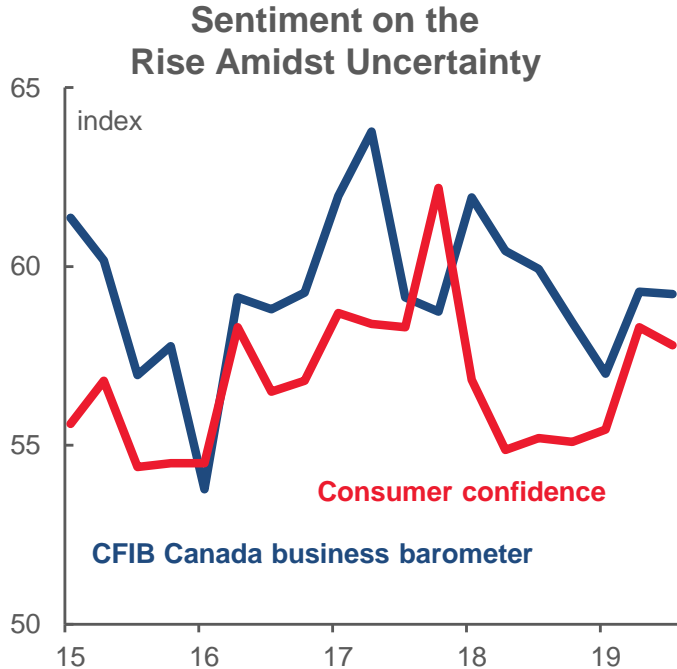
US Business: American Firms' Finances Still Sound



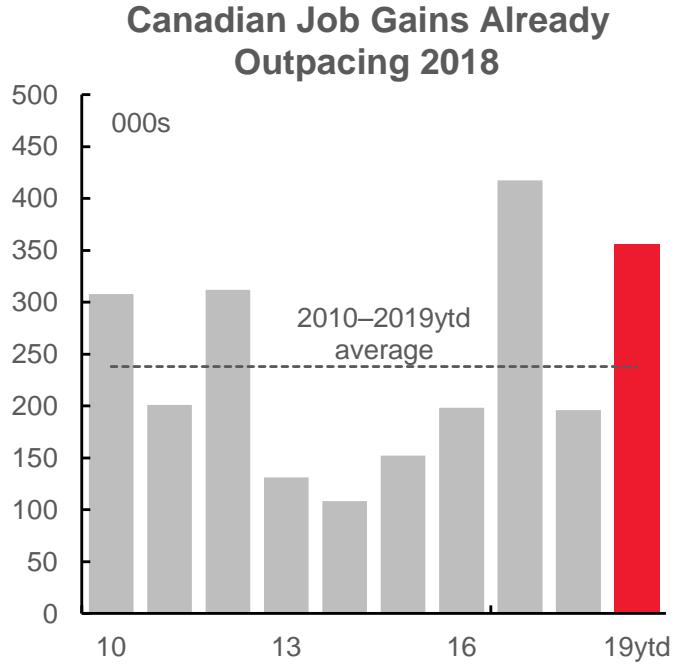
Canada: Consumers in A Good Mood



Sources: Scotiabank Economics, Conference Board of Canada, Nanos Research Corporation.

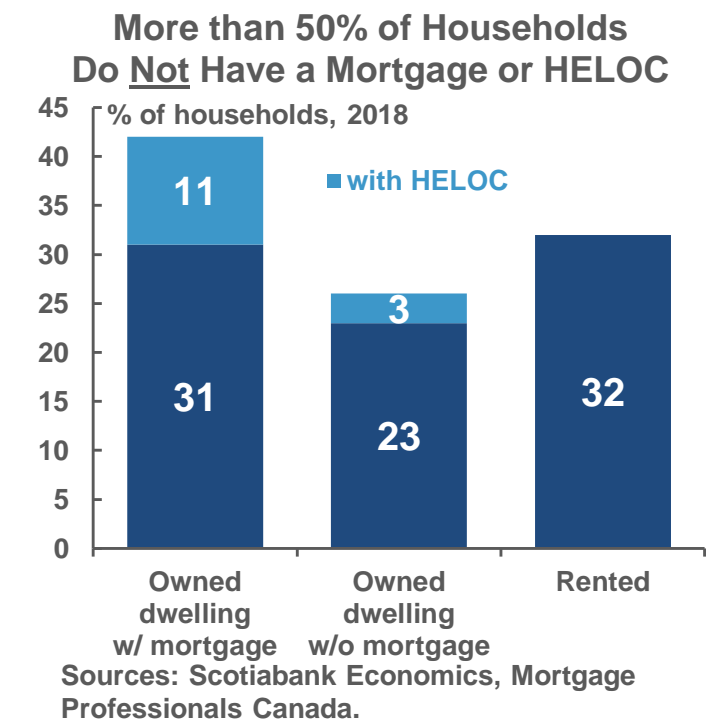
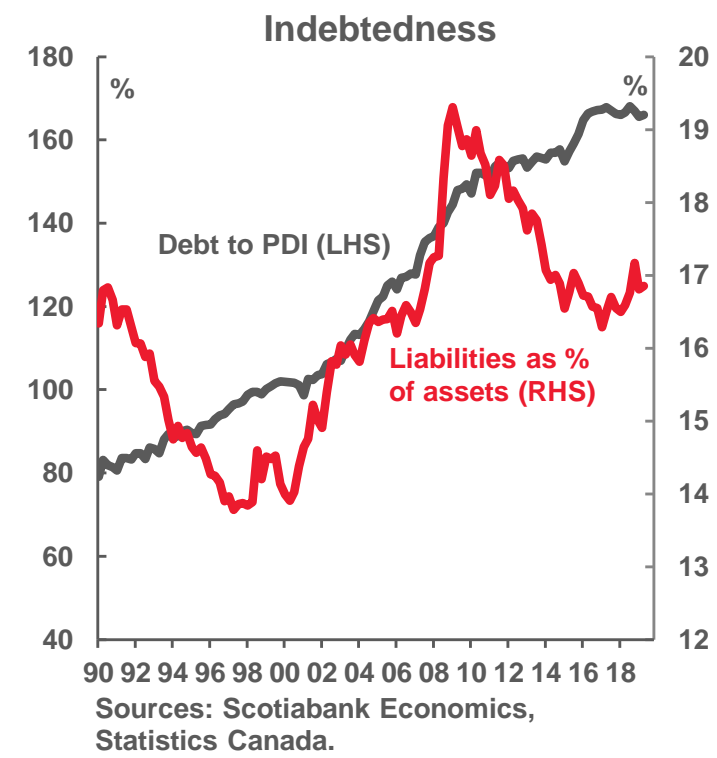
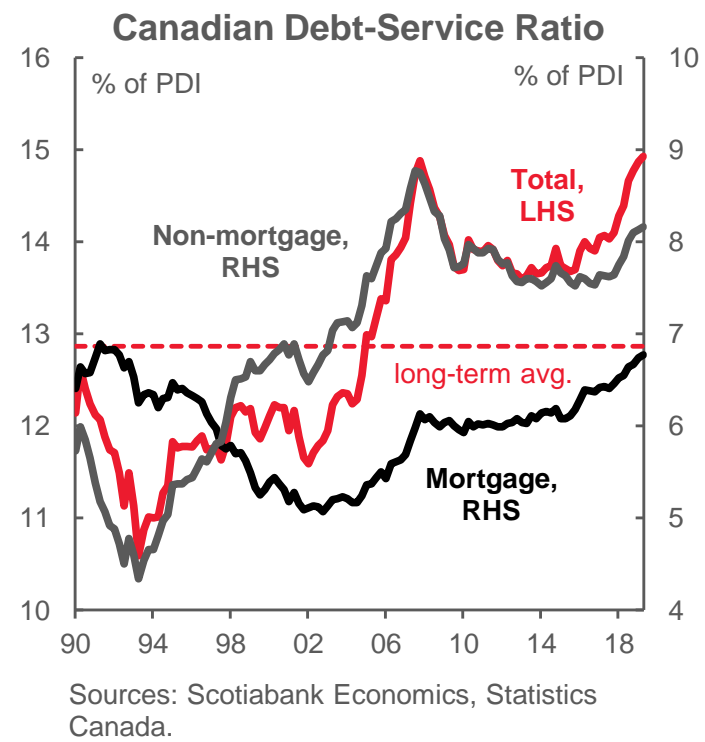


Sources: Scotiabank Economics, CFIB, Nanos Research Corporation, Bloomberg.

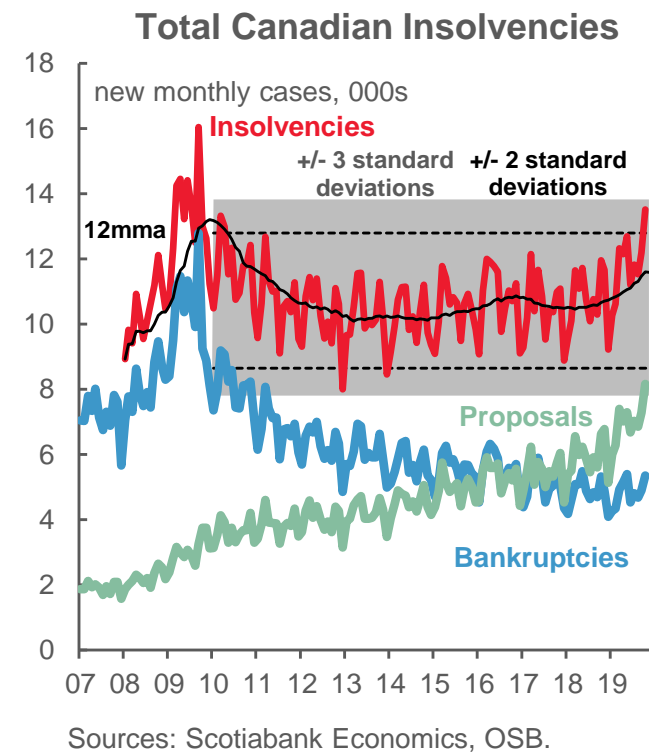
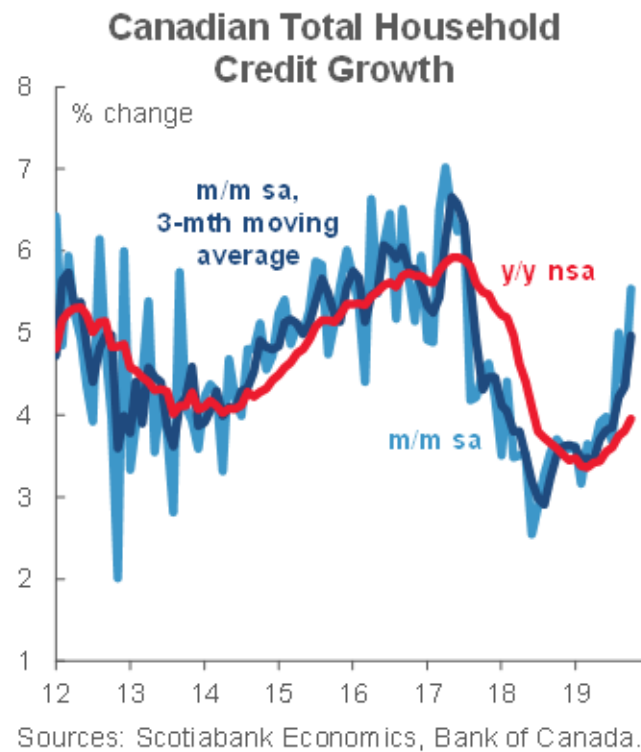
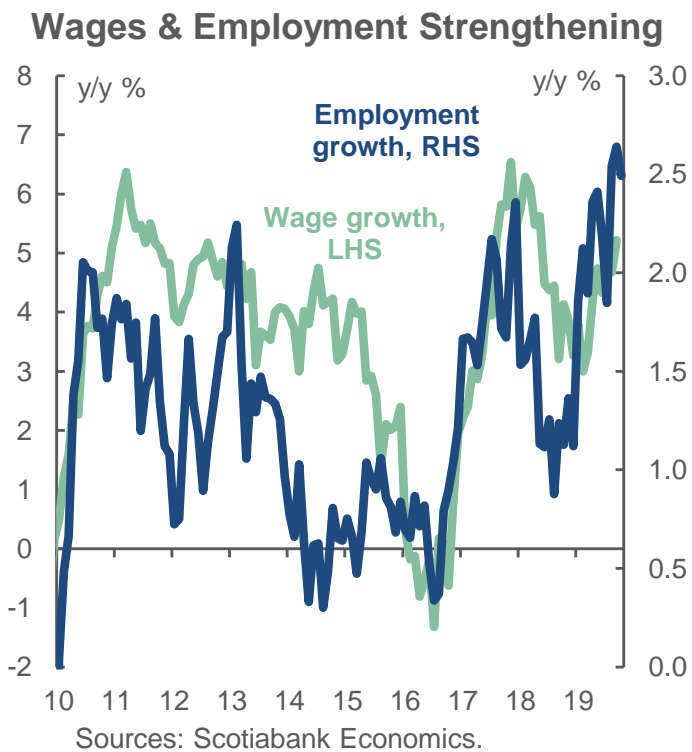


Sources: Scotiabank Economics, Statistics Canada.

Canadian Households: Balance Sheets Still Solid

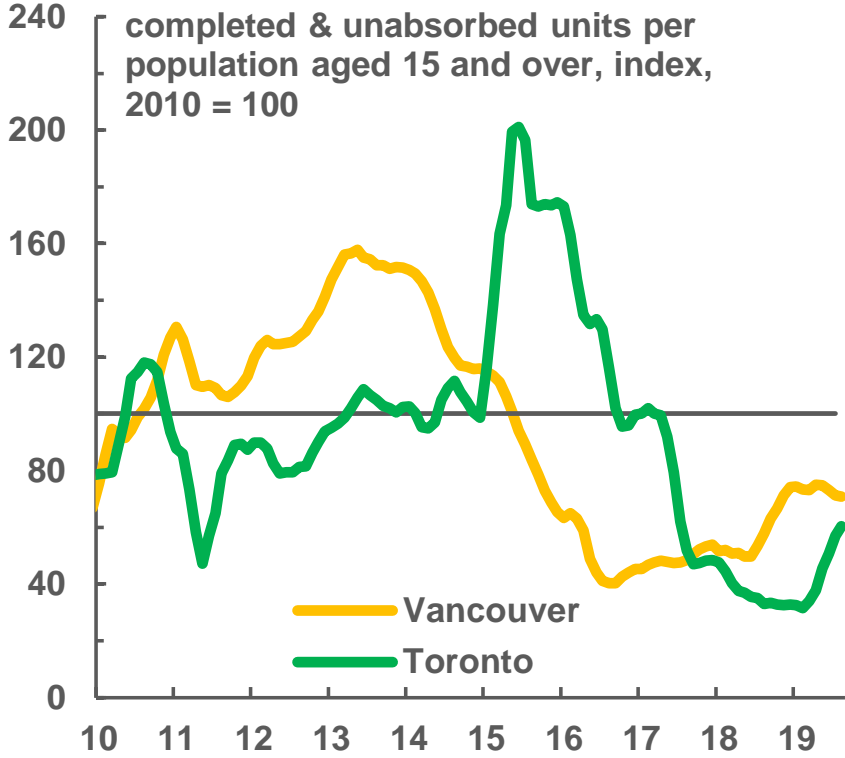


Canada: Workers Doing Better, Households Still Borrowing, but Insolvencies Up



Canadian Housing: Demand Exceeds Supply, Underwriting Quality Remains High

Completed and Unabsorbed Units



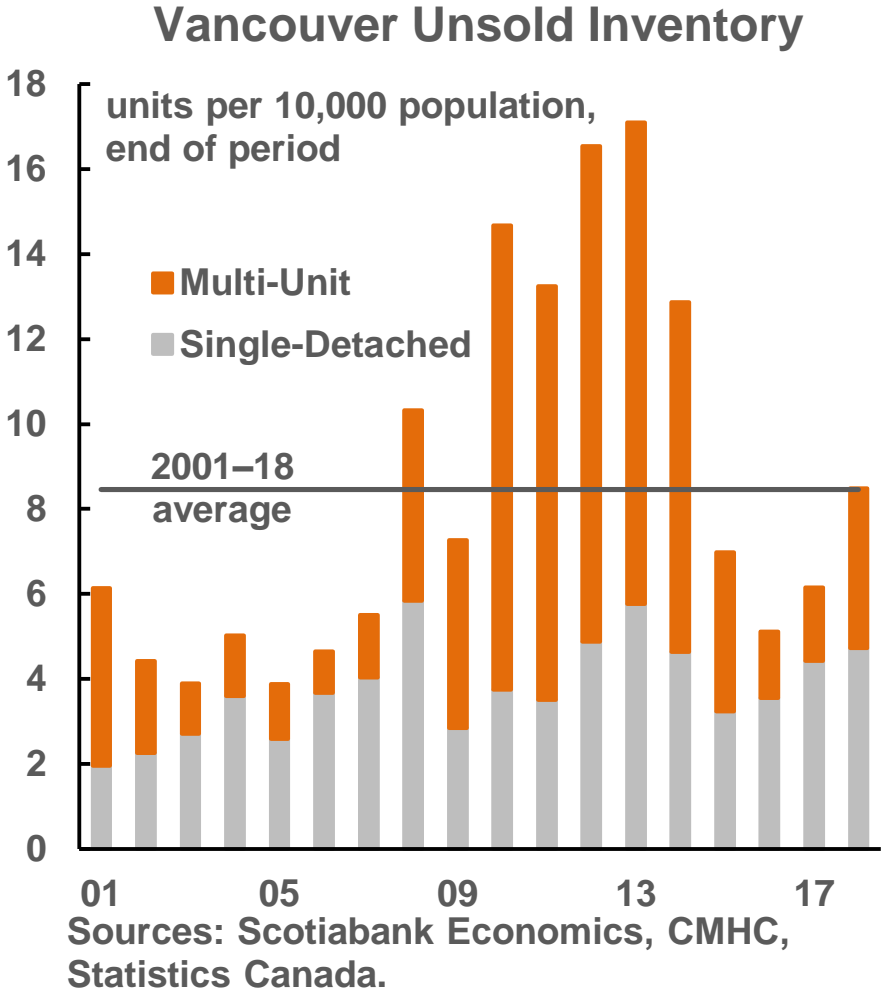
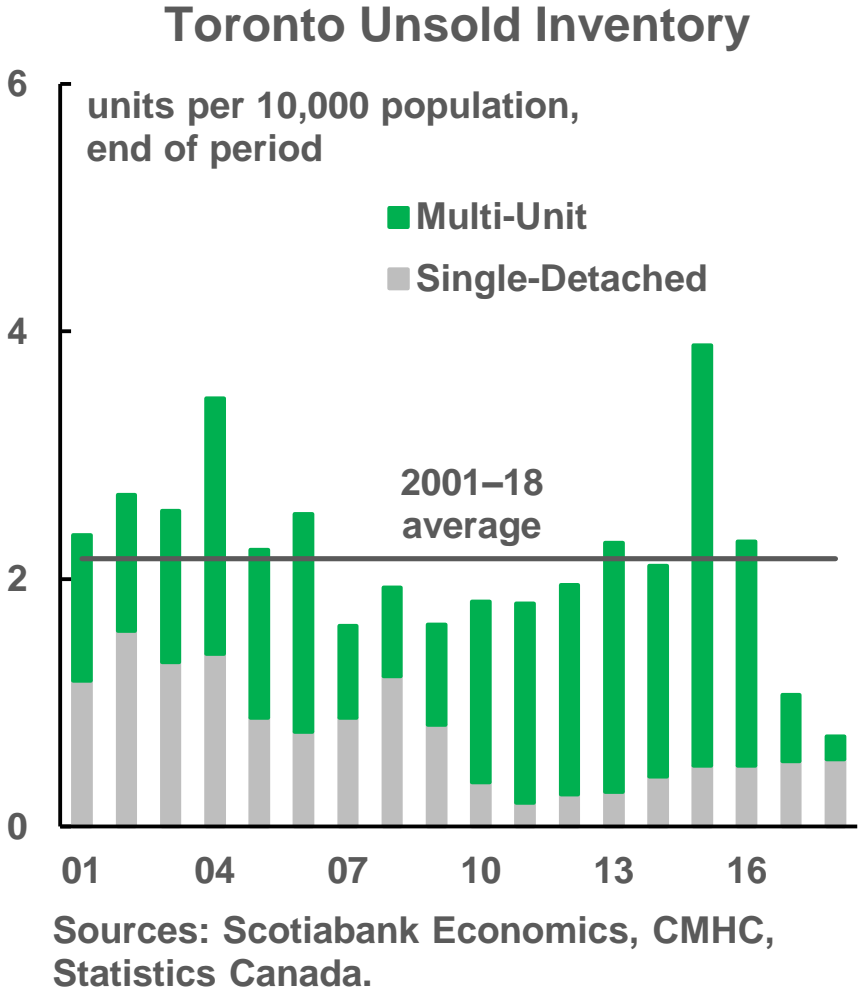
Sources: Scotiabank Economics, Statistics Canada.

Percent of Arrears to Total Number of Residential Mortgages

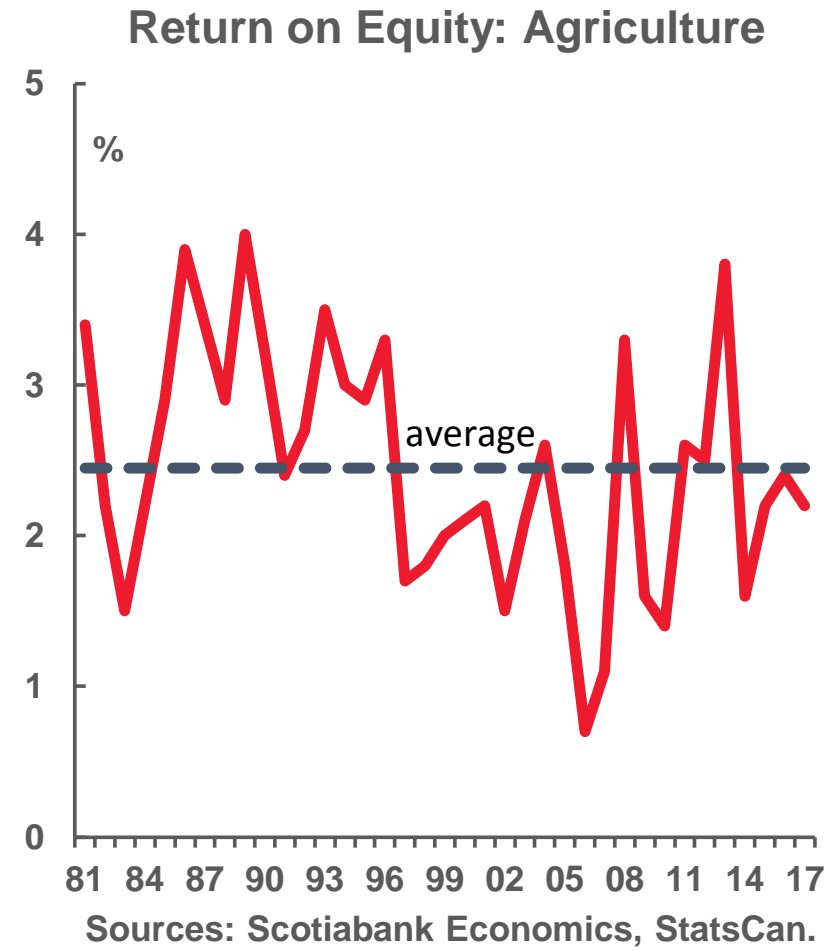
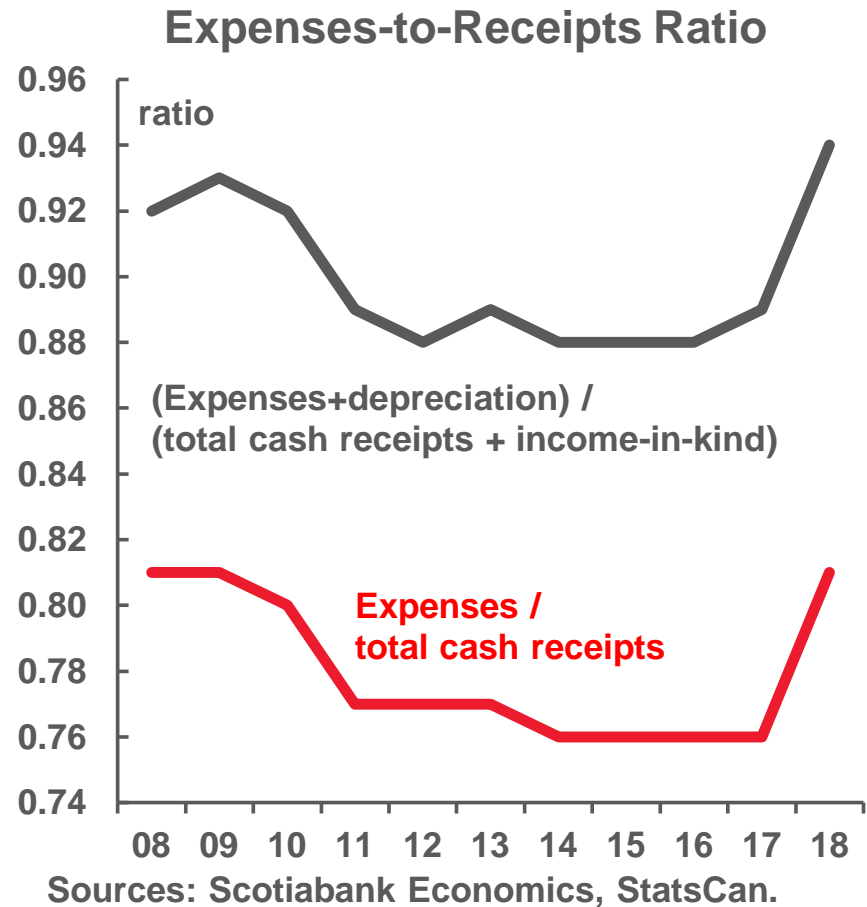


Sources: Scotiabank Economics, CBA.

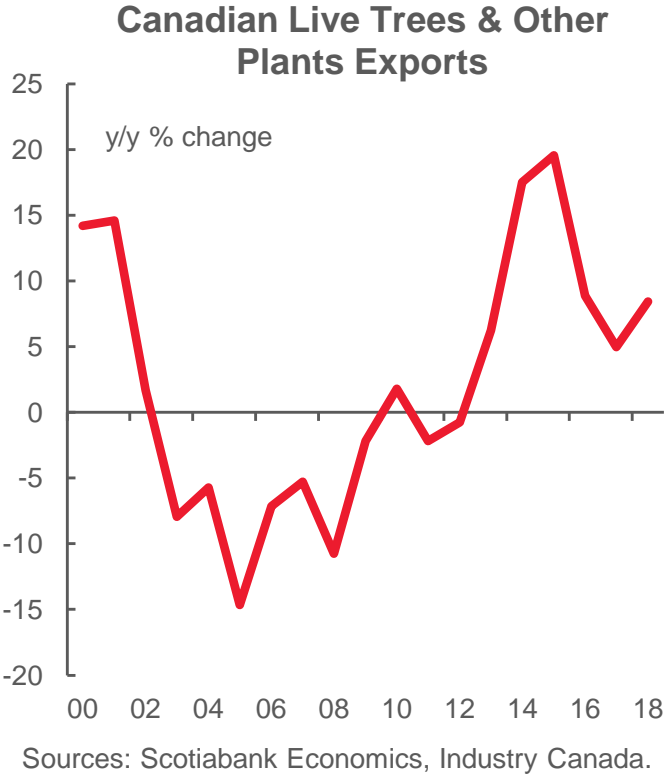
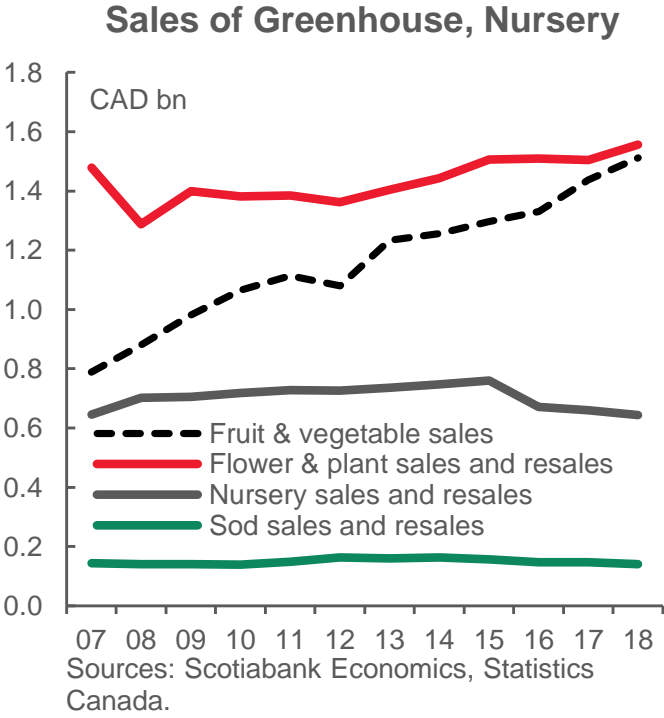
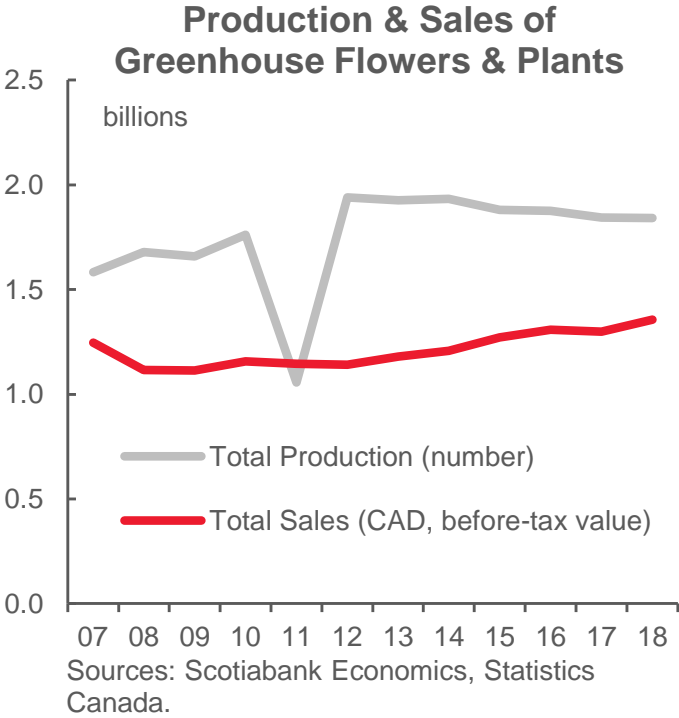
Toronto & Vancouver: Inventories Still Low Against Two-Decade Averages



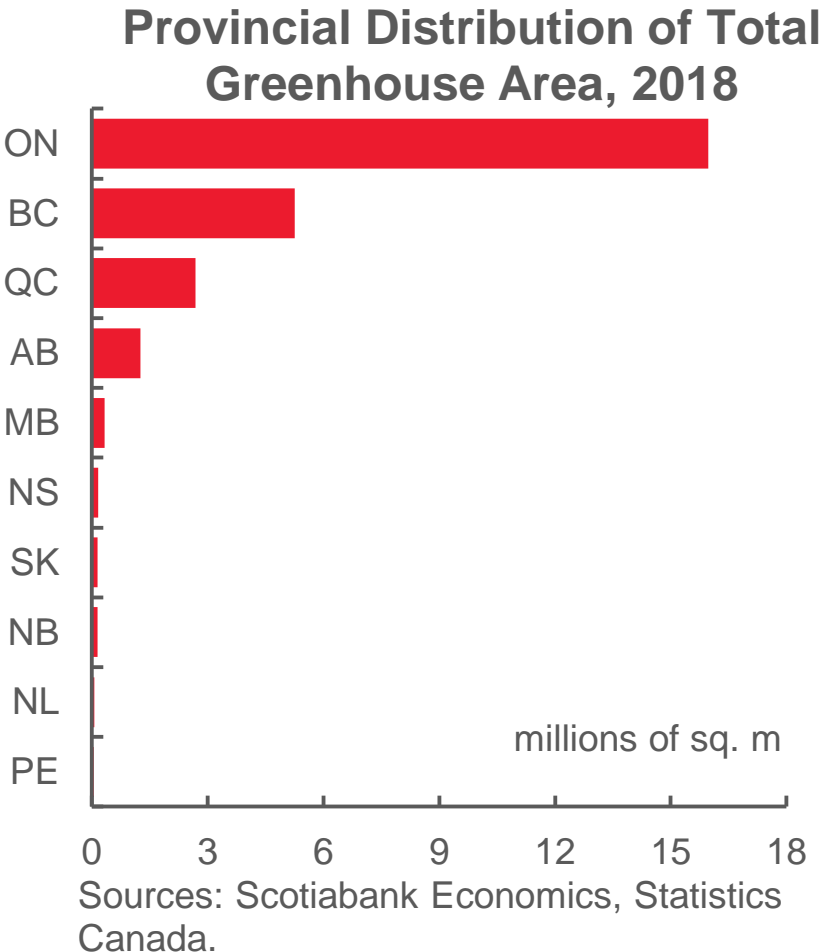
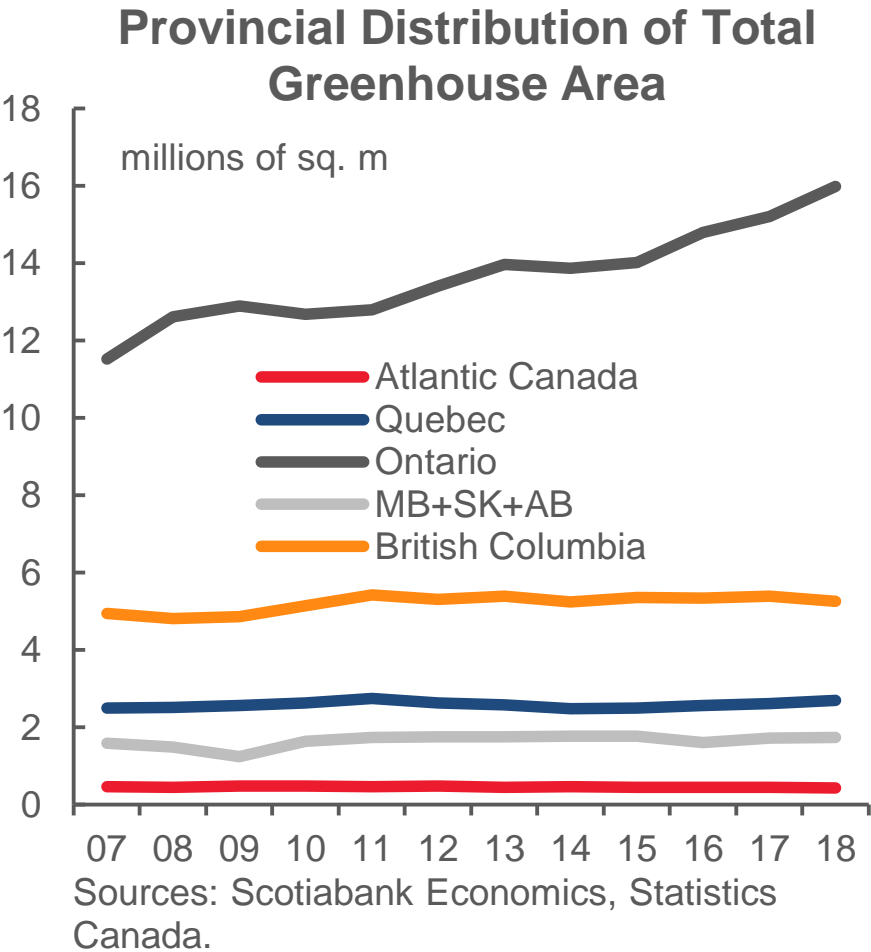
Agriculture: Returns Down, but The Future Looks Brighter



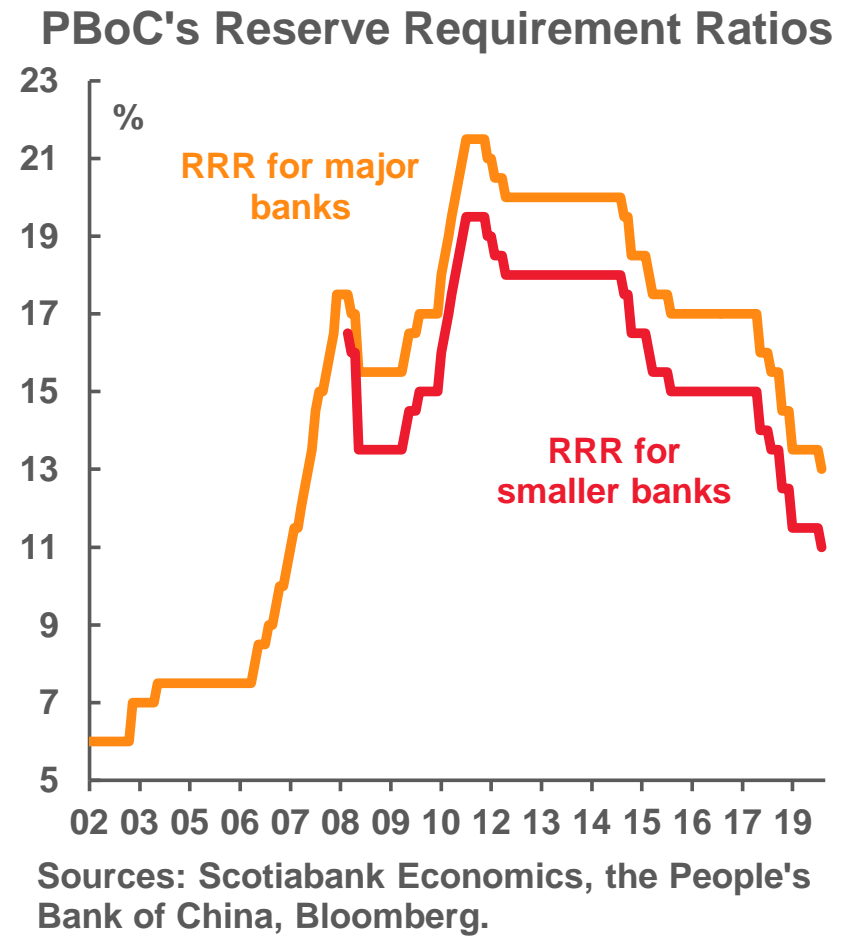
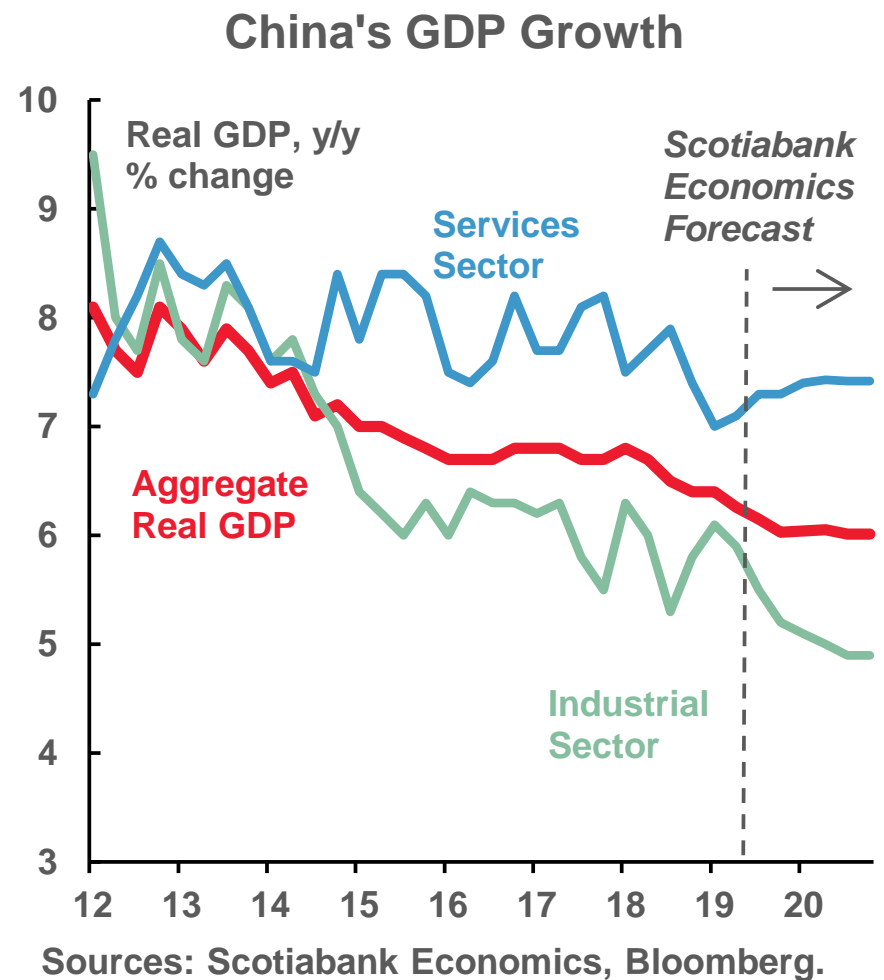
Greenhouses & Nurseries: Production Growing Gradually, but Exports Stronger



Greenhouses: An Ontario & BC Story



China: Growth Is Slowing...But Beijing Is Acting to Boost Growth into 2021



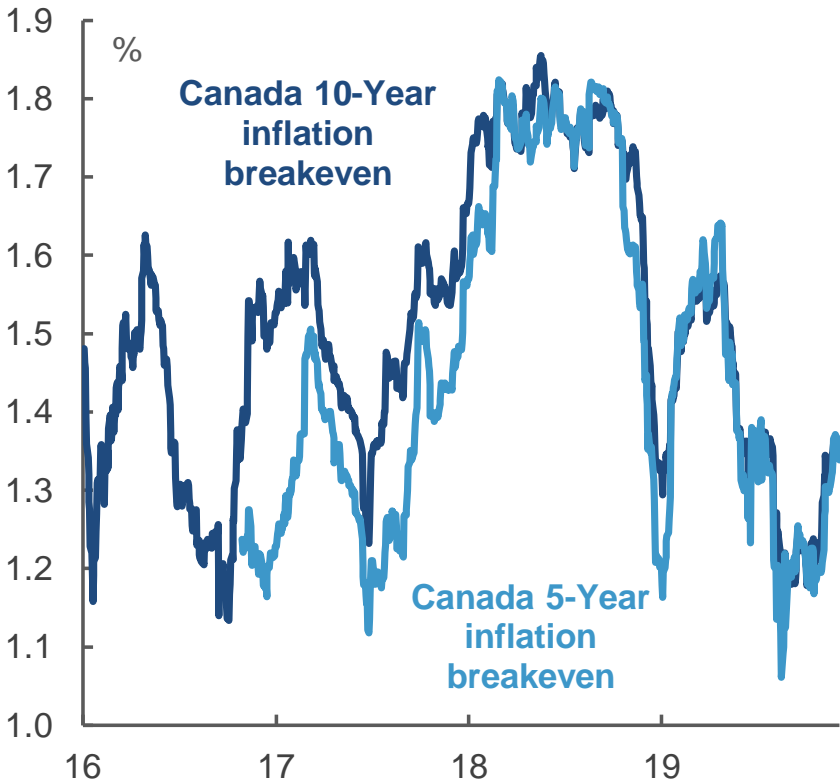
US-China Trade Spat: Overall Canada Has *Benefited* from Trade Diversion



Sources: Scotiabank Economics, China Customs.

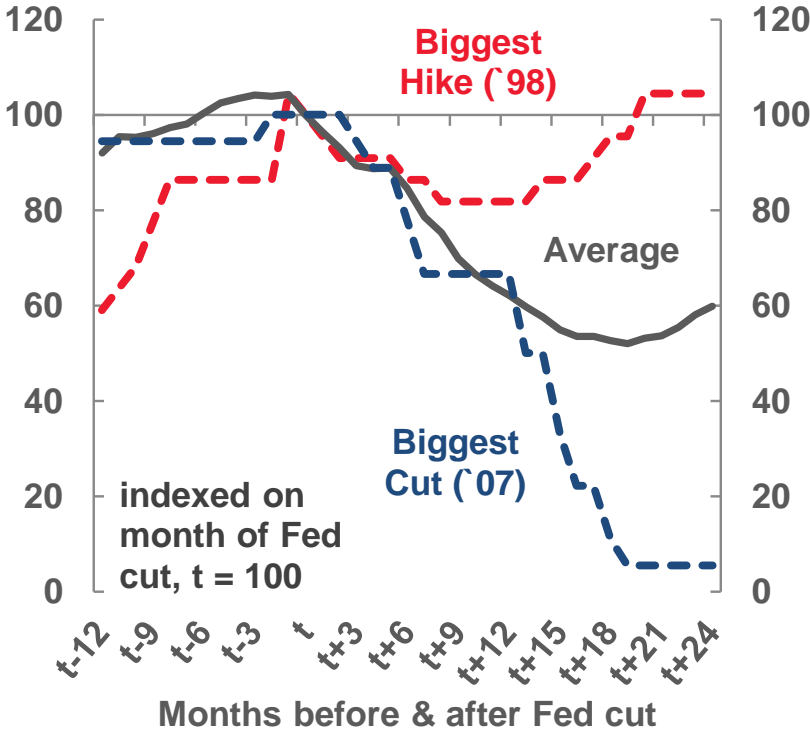
Bank of Canada: Not Enough Inflation; ‘Insurance’ Interest-Rate Cuts Ahead

Inflation Expectations Coming Back?



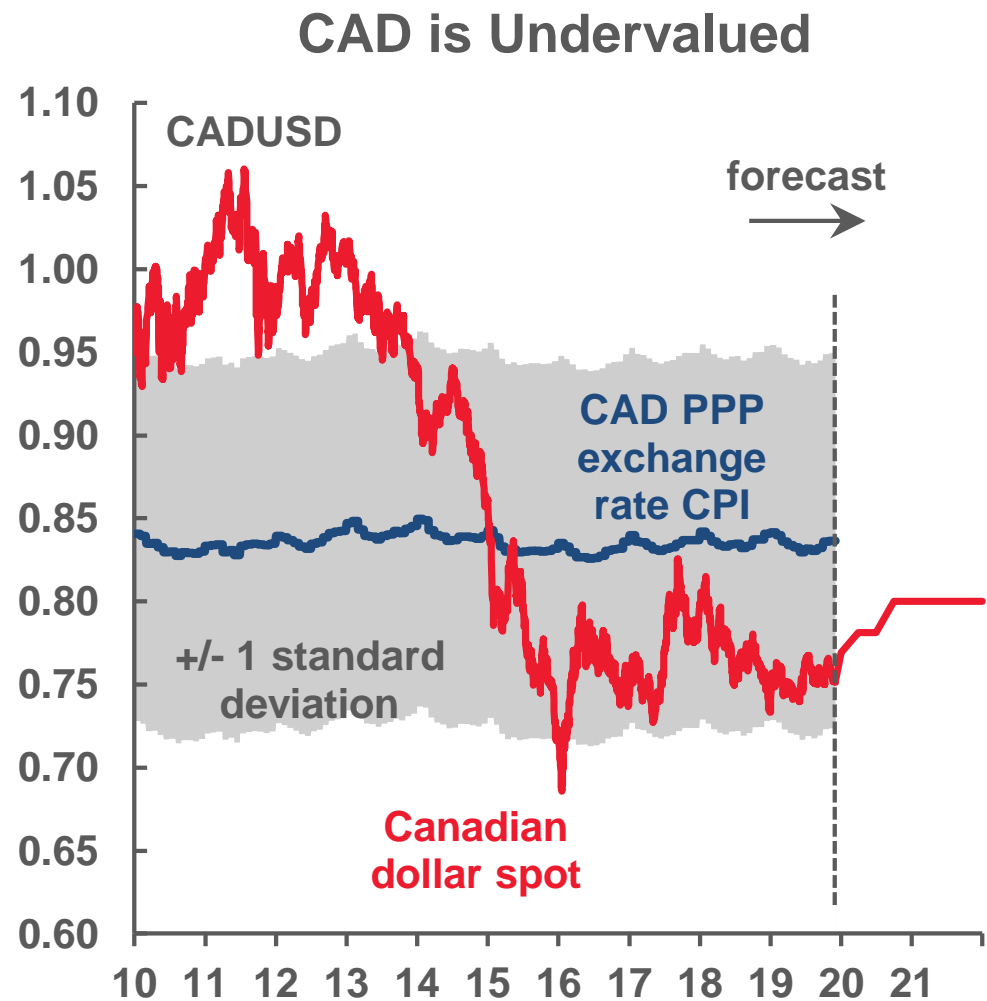
Sources: Scotiabank Economics, Bloomberg.

BoC Overnight Rate Before & After First Fed Cut of The Year



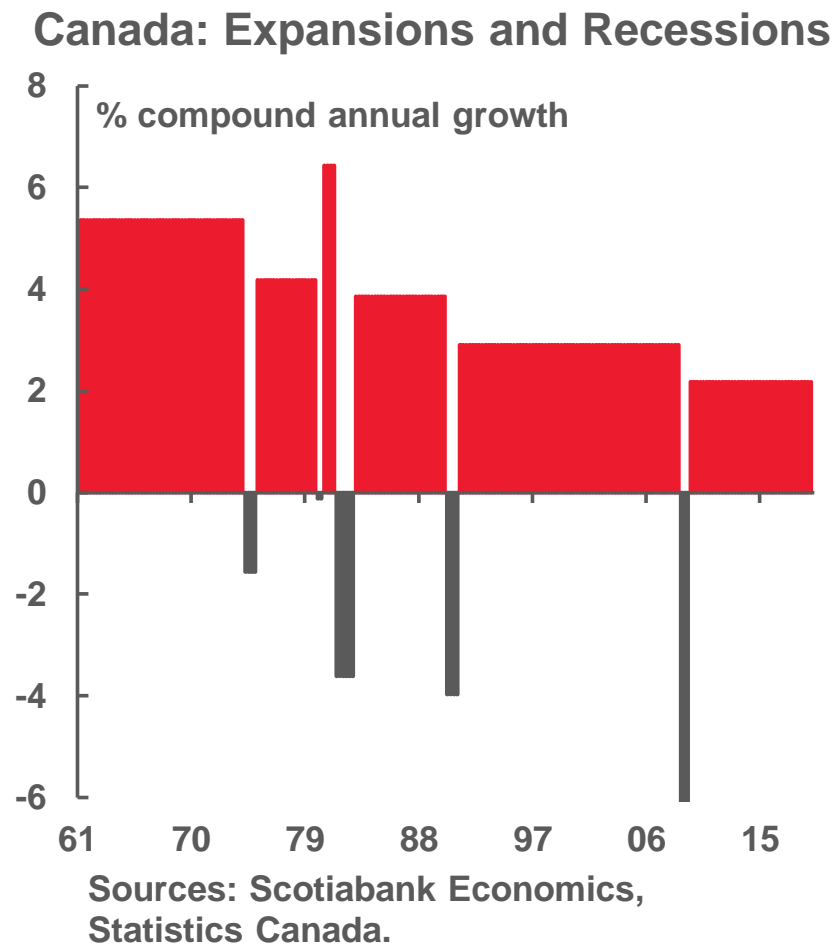
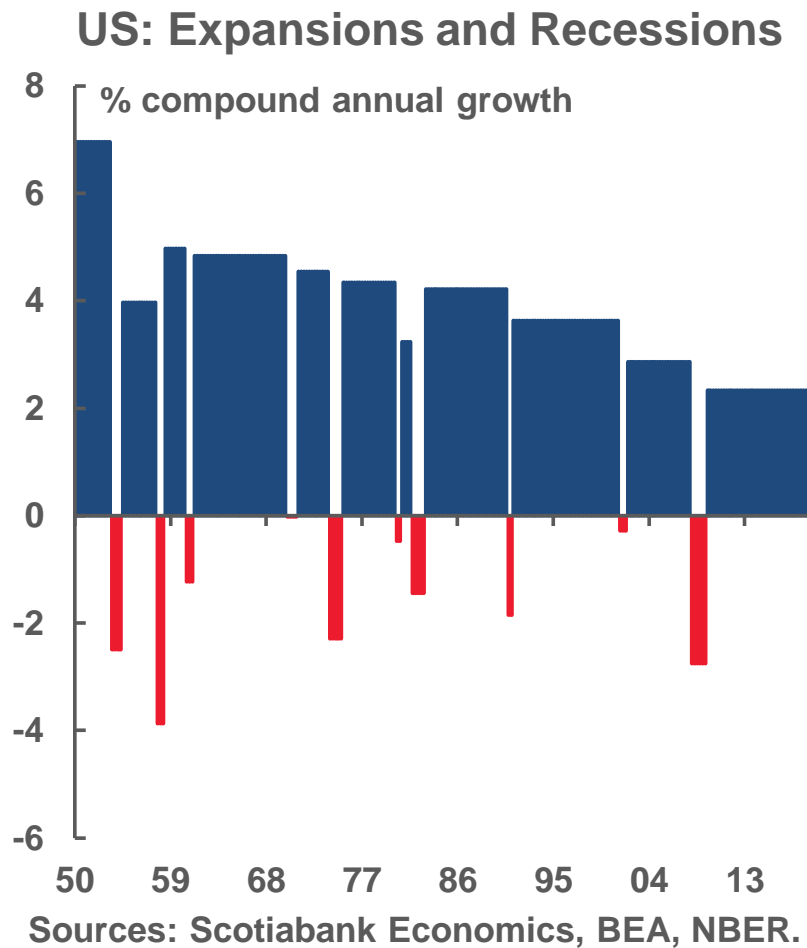
Sources: Scotiabank Economics, Federal Reserve, Bank of Canada.

Loonie: CAD Set to Appreciate Gradually Back Toward Fair Value

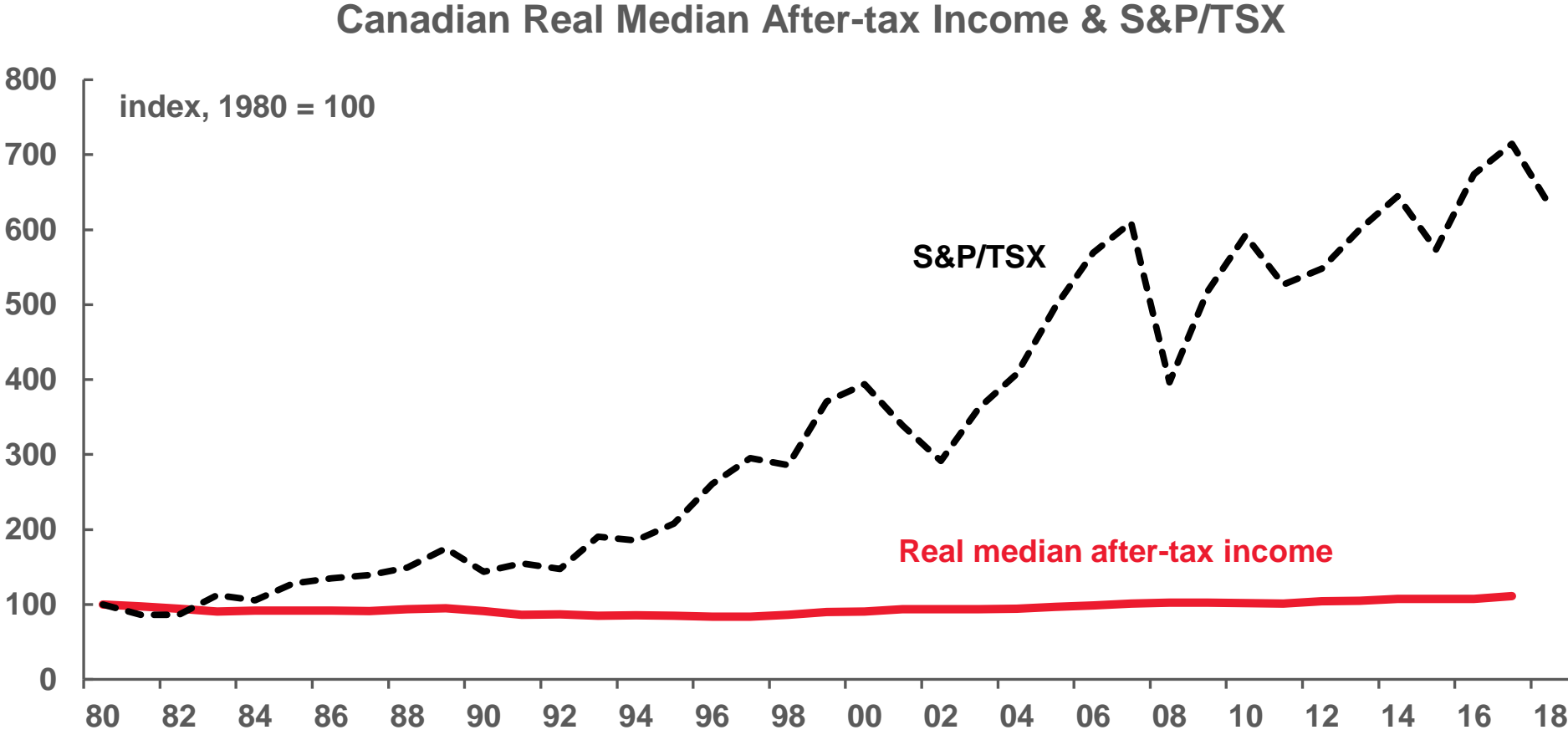


Sources: Scotiabank Economics, Bloomberg.

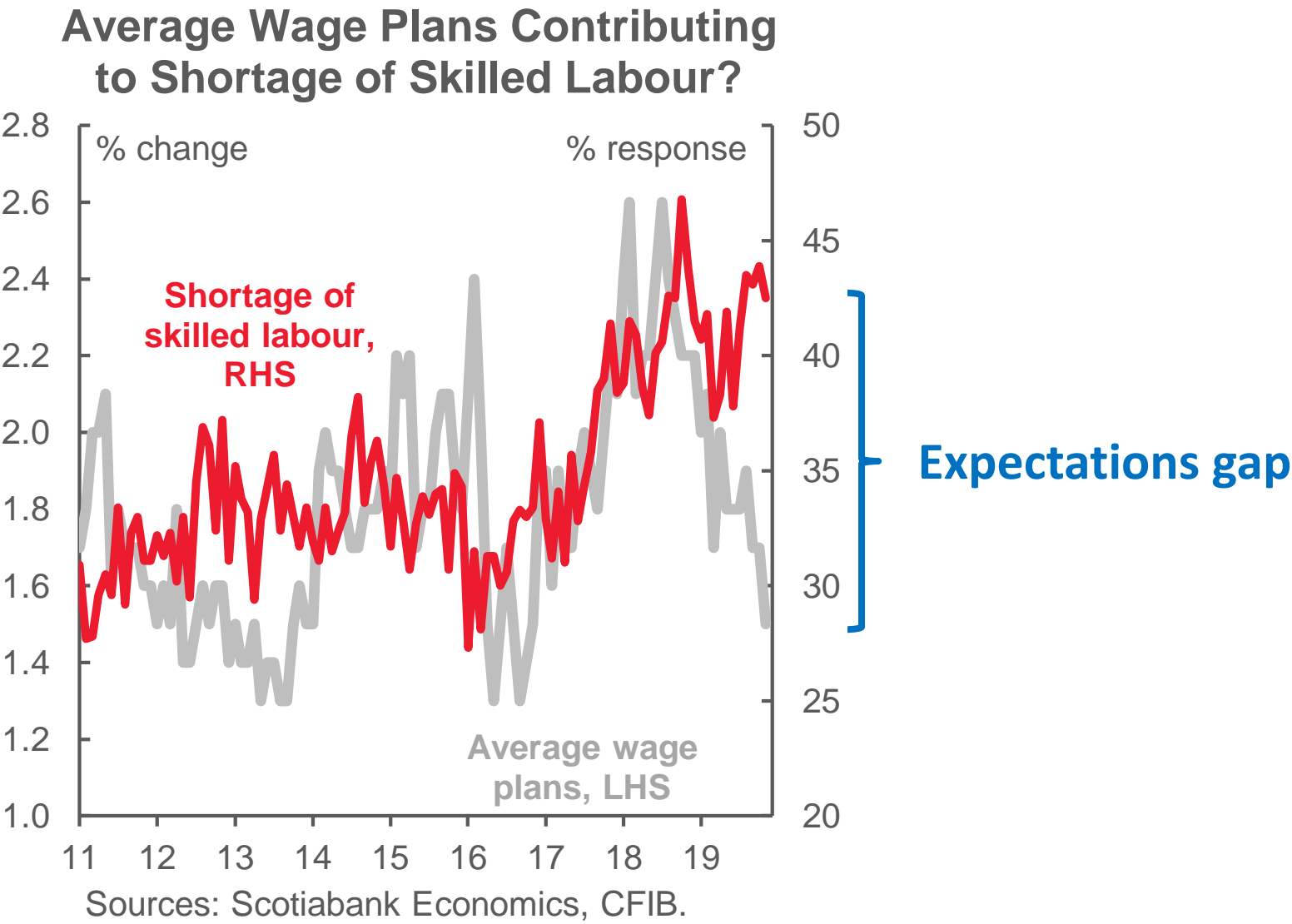
North American GDP Growth: Long Expansions, but Slower Growth



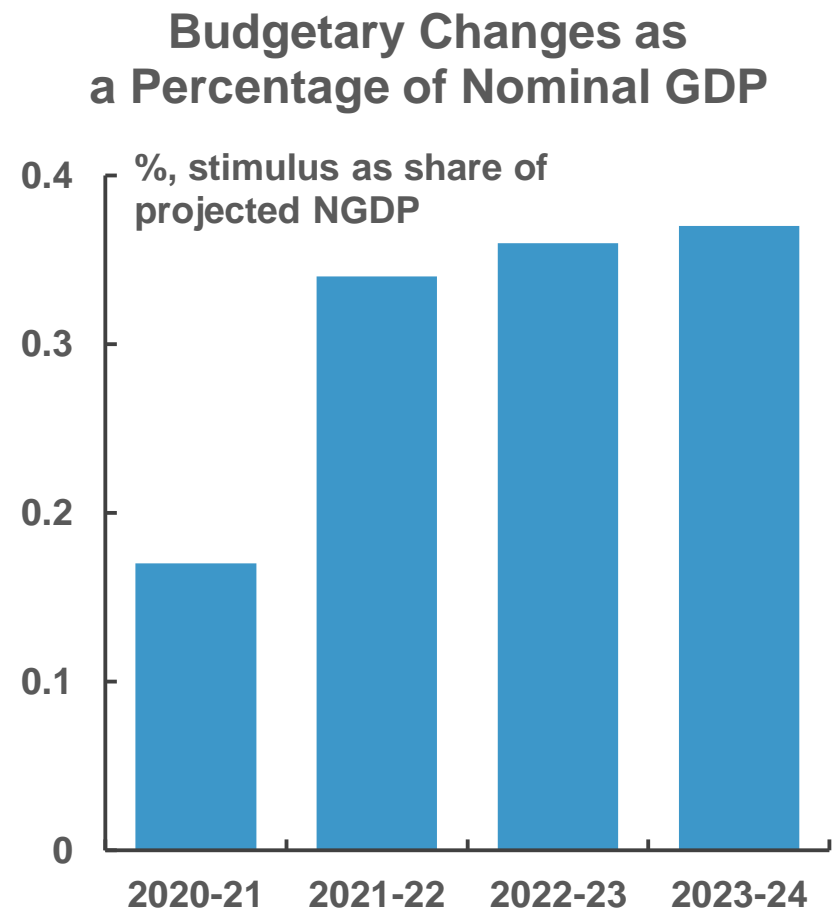
Incomes vs Capital Gains: Workers Have Fallen Behind



Sources: Scotiabank Economics, Statistics Canada, Haver Analytics.



Fiscal Stimulus: Federal Deficit Set to Rise Only Modestly



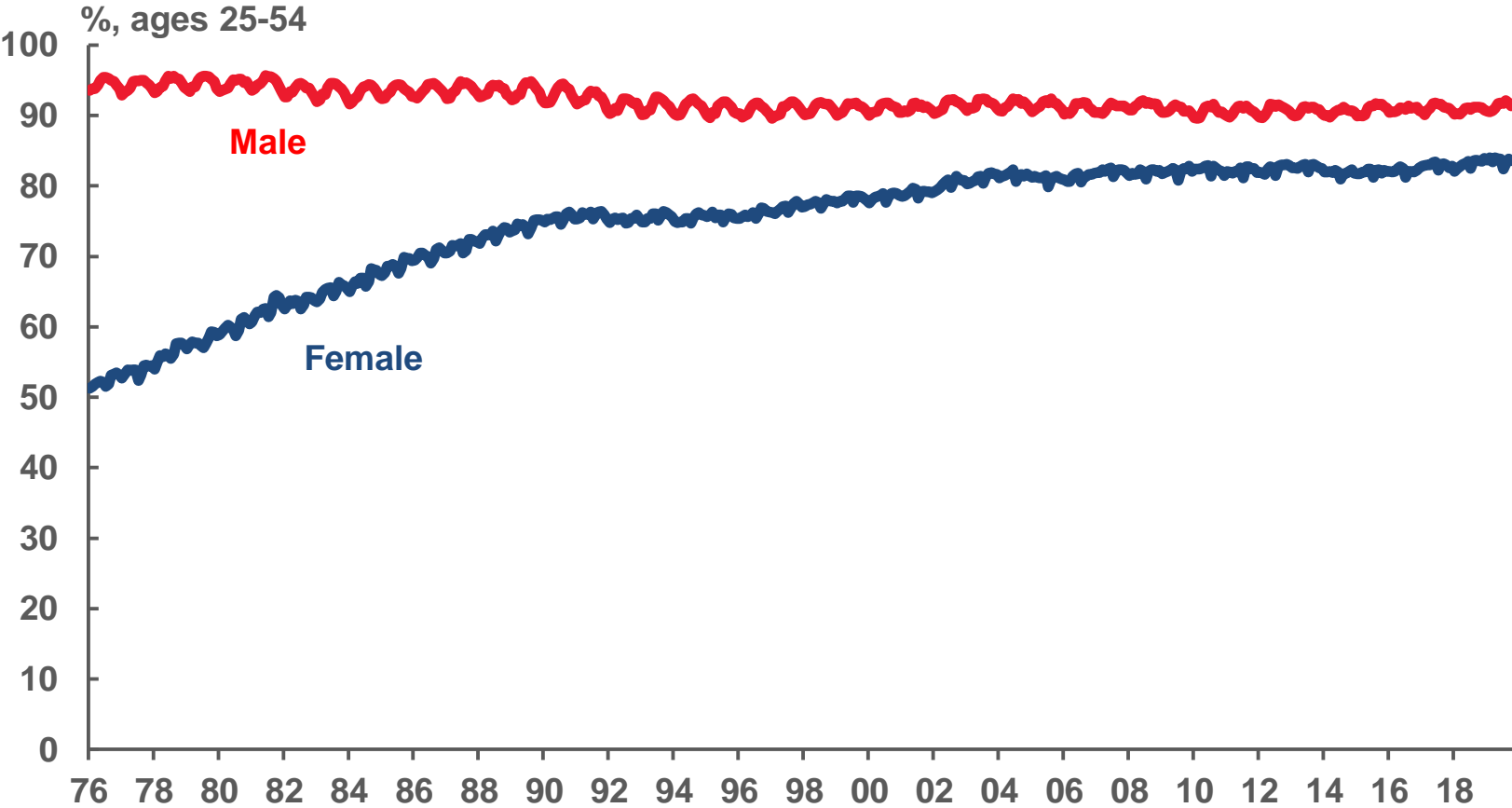
Sources: Scotiabank Economics, Liberal Party Election Platform.

Potential Big-Ticket Items

- Pharmacare
- Child tax credits
- Childcare
- First Nations
- Infrastructure
- Lower carbon economy

Child Benefits & Childcare: The Policy Our Money Should Buy

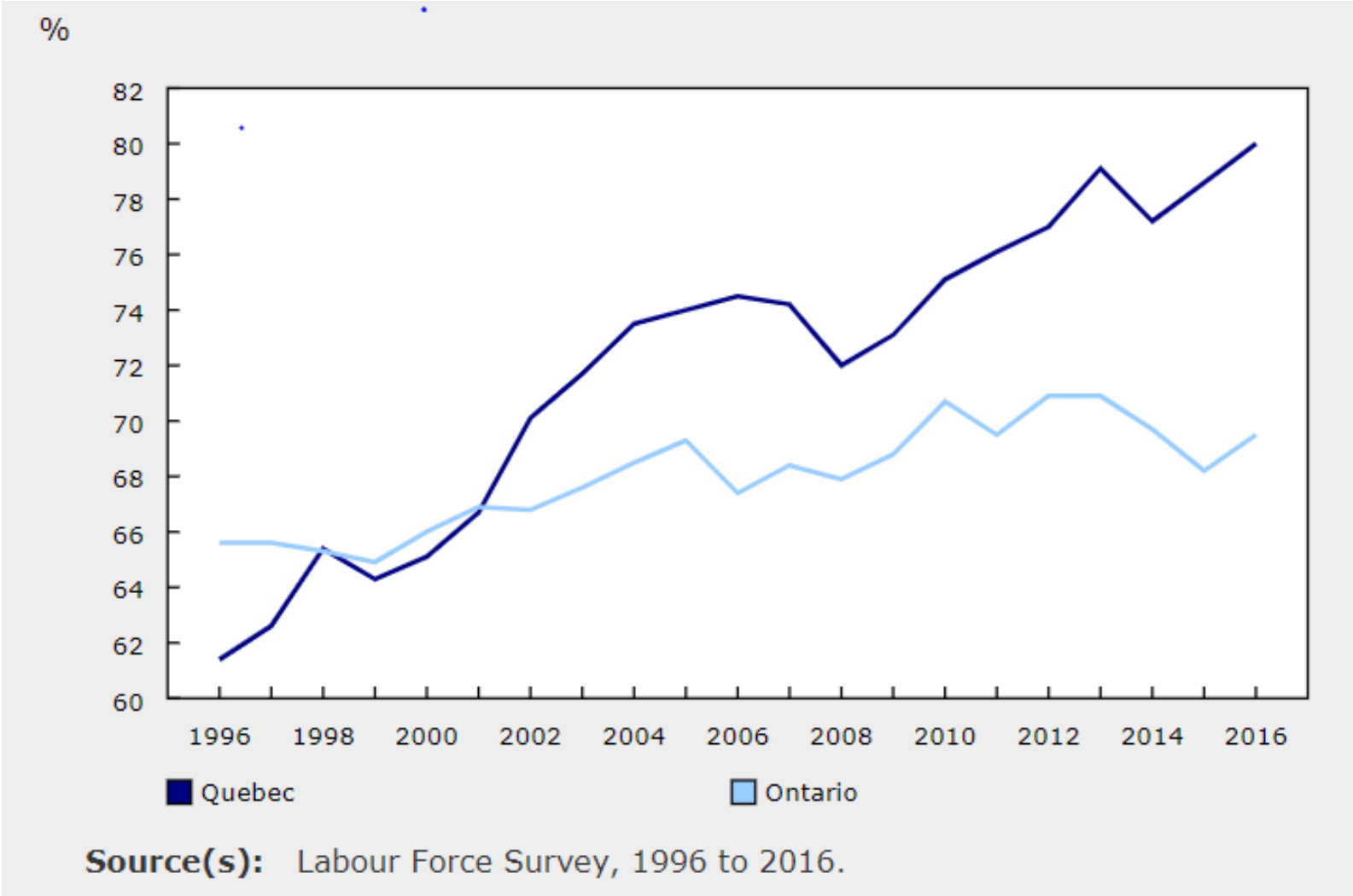
Closing the men-women labour force participation gap would boost Canada's potential growth



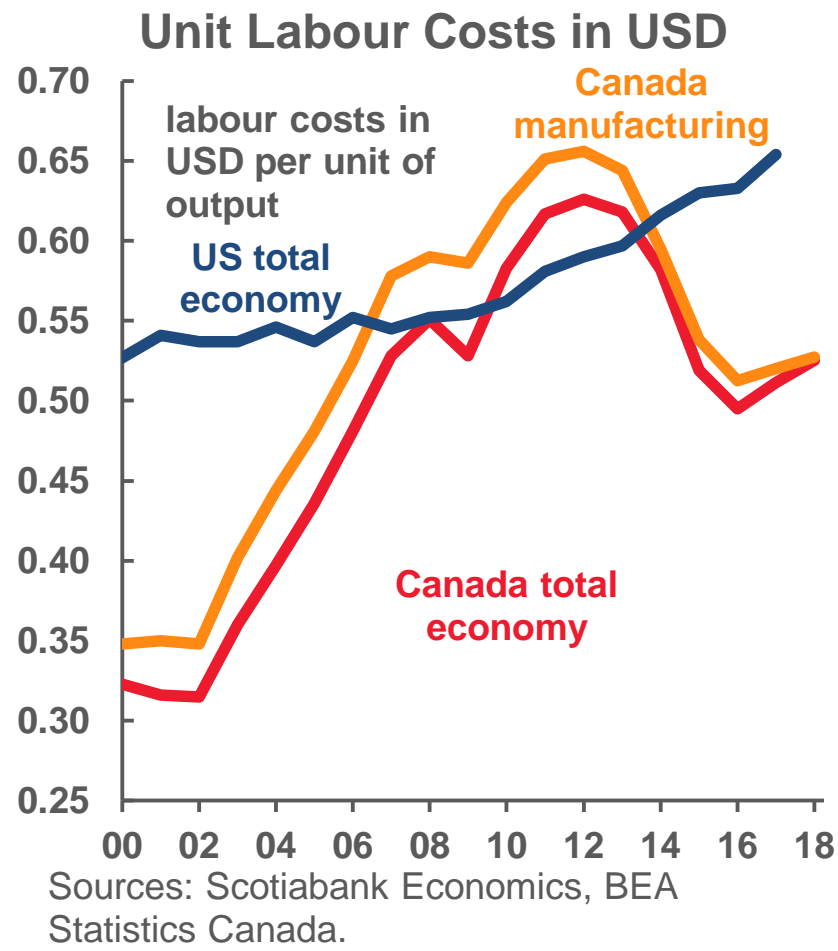
Sources: Scotiabank Economics, Statistics Canada.

Child Benefits & Childcare: The Policy Our Money Should Buy

Subsidised childcare has boosted women's labour market participation in Quebec



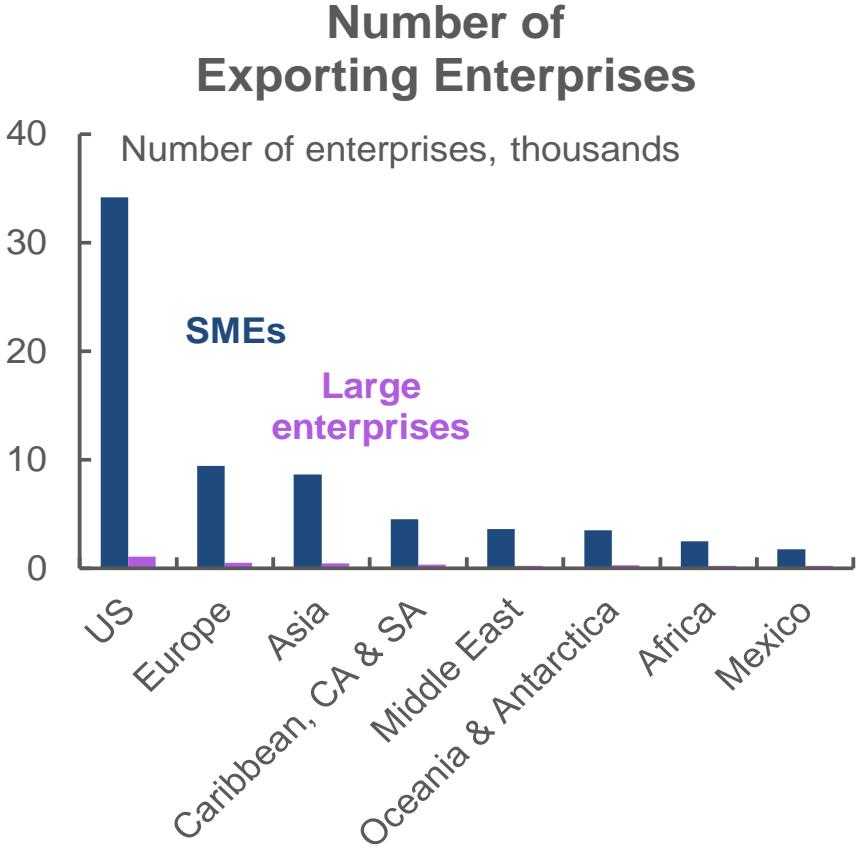
Canadian Productivity: Always More to Do



Agenda

- **Get infrastructure built**
- **Help companies scale**
- **Address skills mismatch**

Trade: Time for Canadian SMEs to Trade & Diversify Export Markets

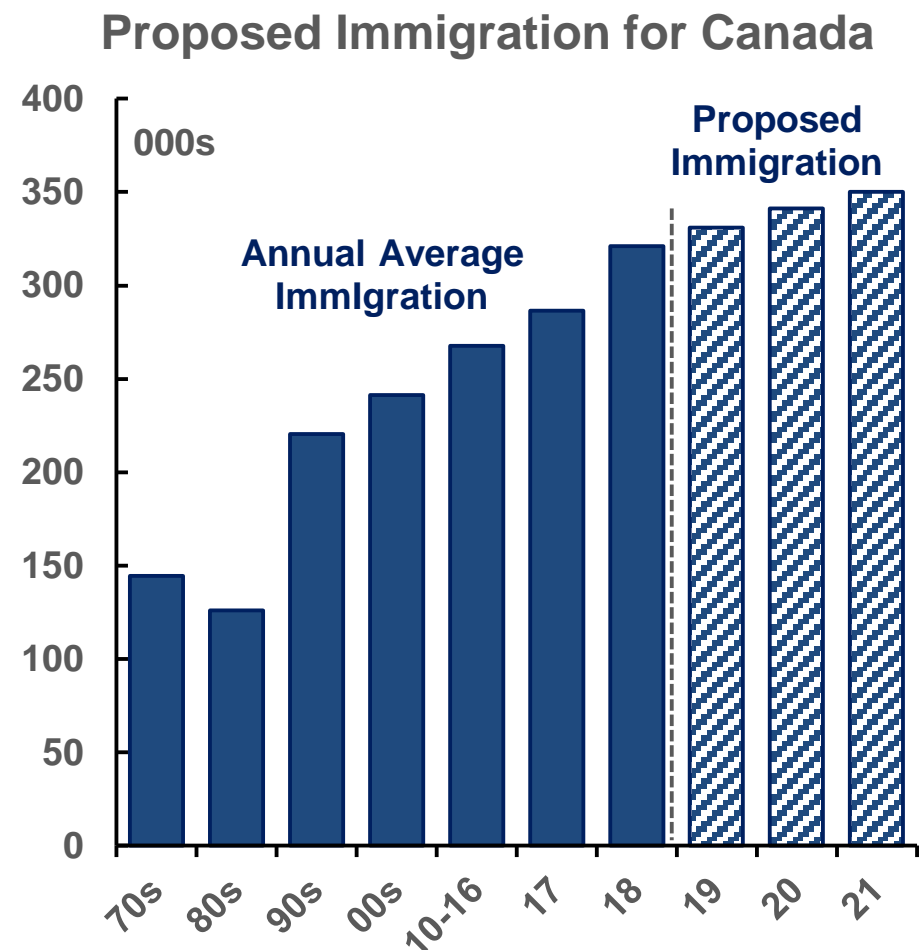


Sources: Scotiabank Economics, Statistics Canada.

Federal Support to Trade

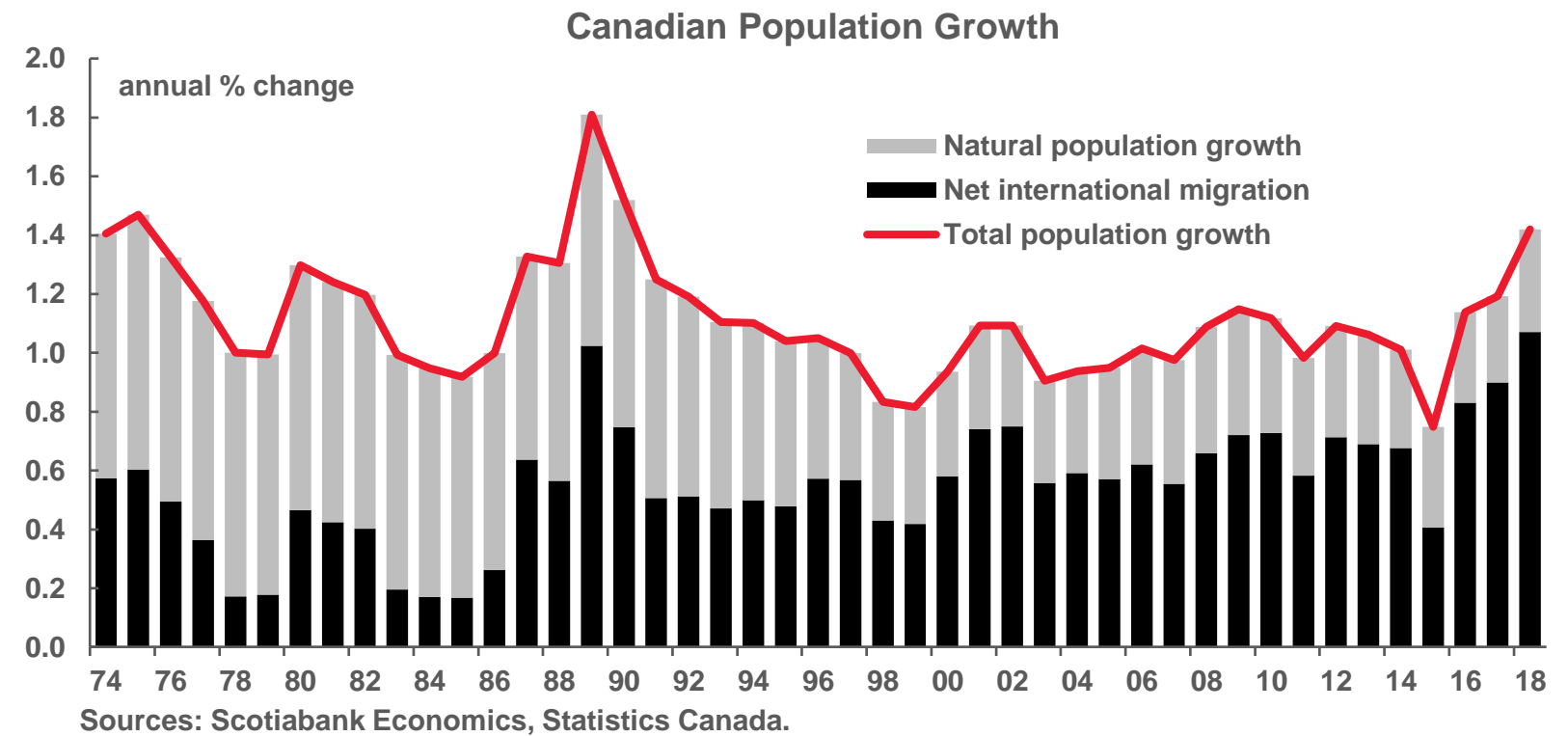
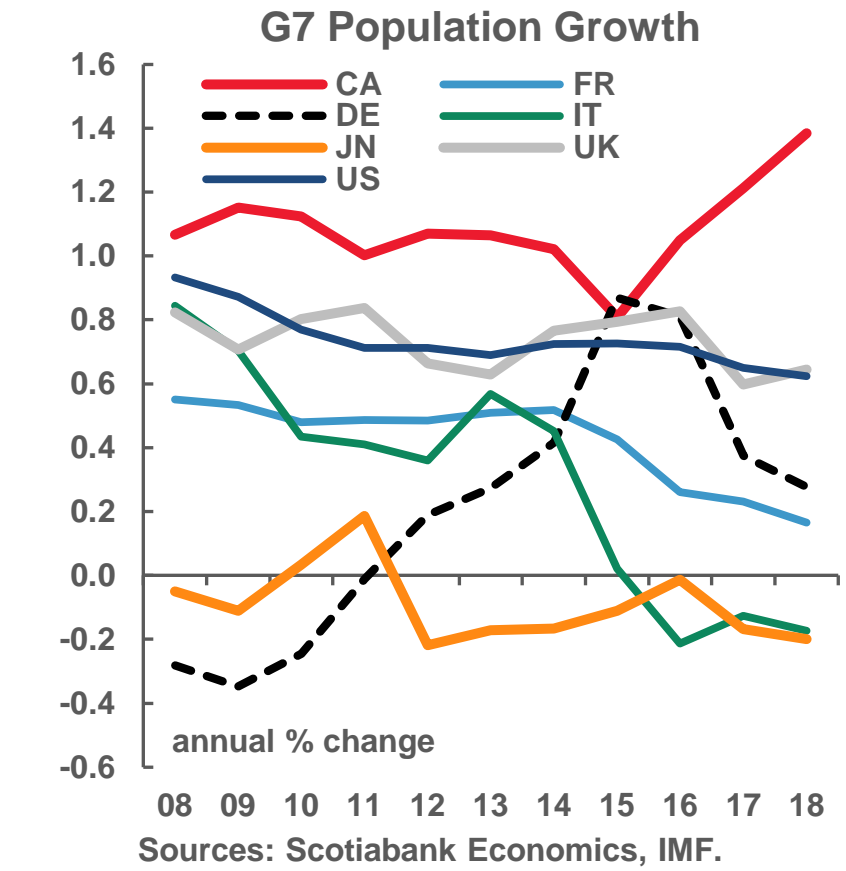
- **Trade Commissioners' Service**
- **CCC**
- **EDC**
- **BDC**
- **FinDev**

Canadian Immigration: Immigration Rates Increasing Only Gradually

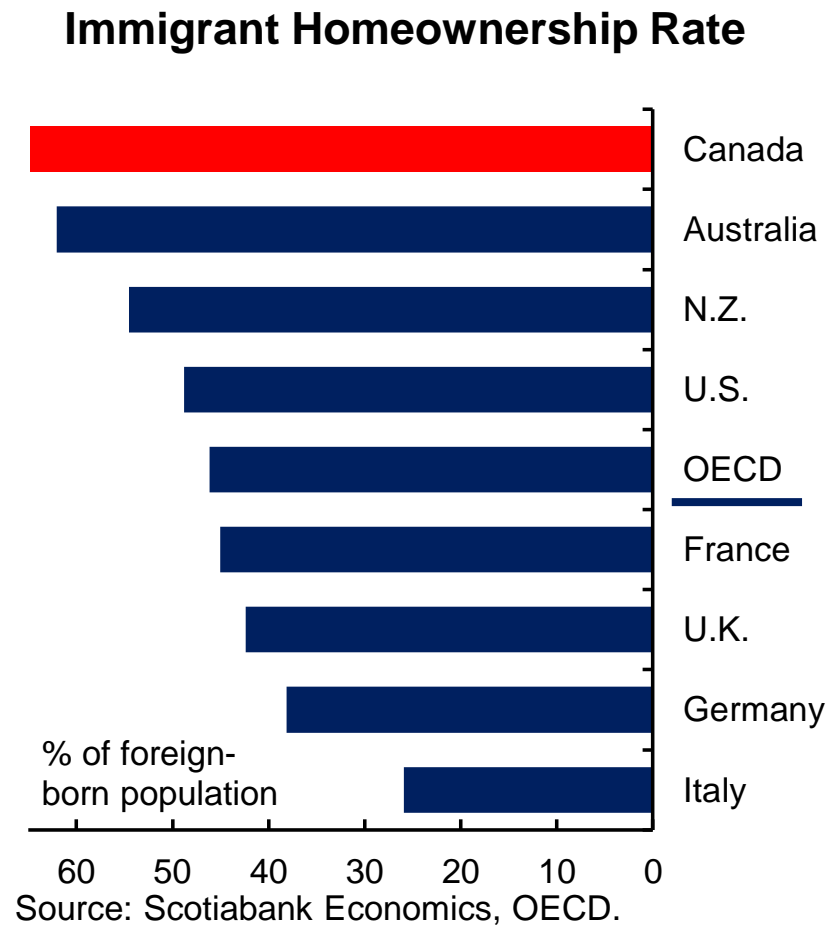
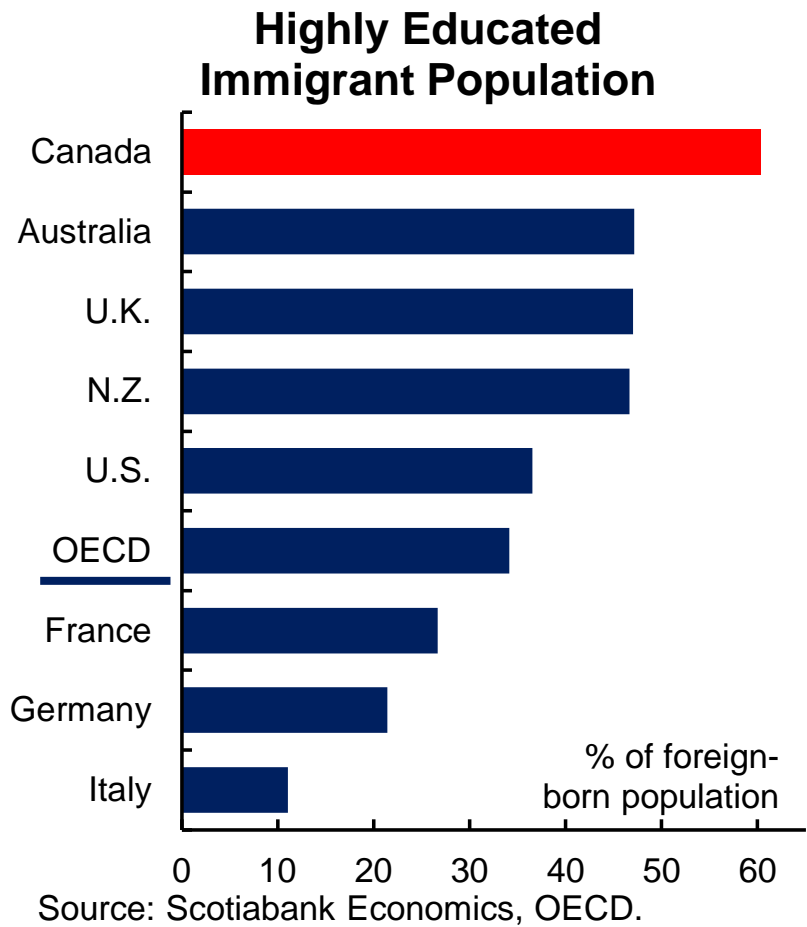


Source: Statistics Canada, Ministry of Immigration, Refugees & Citizenship Canada.

Canadian Immigration: #HumanStimulus from Immigration Essential for Growth



Integration: Strong Achievements Compared with Other Major Economies



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