

Economic Outlook: To Immunity and Beyond

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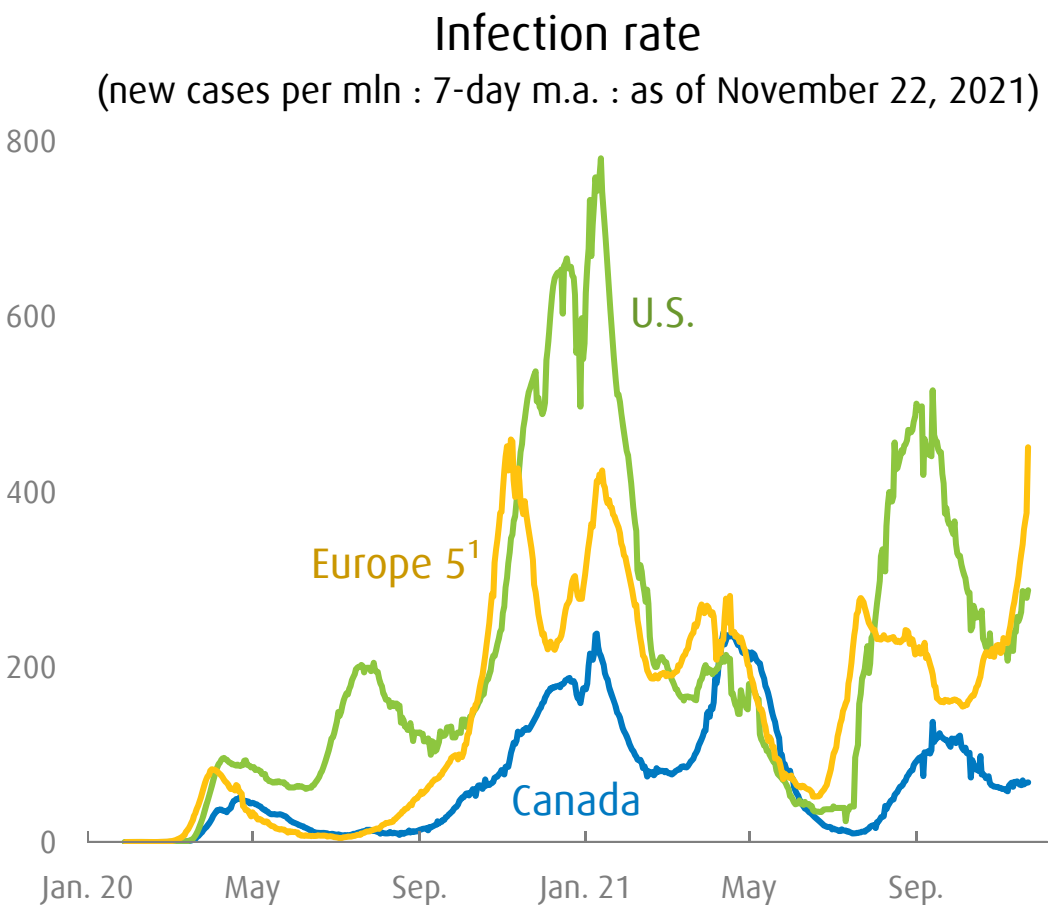


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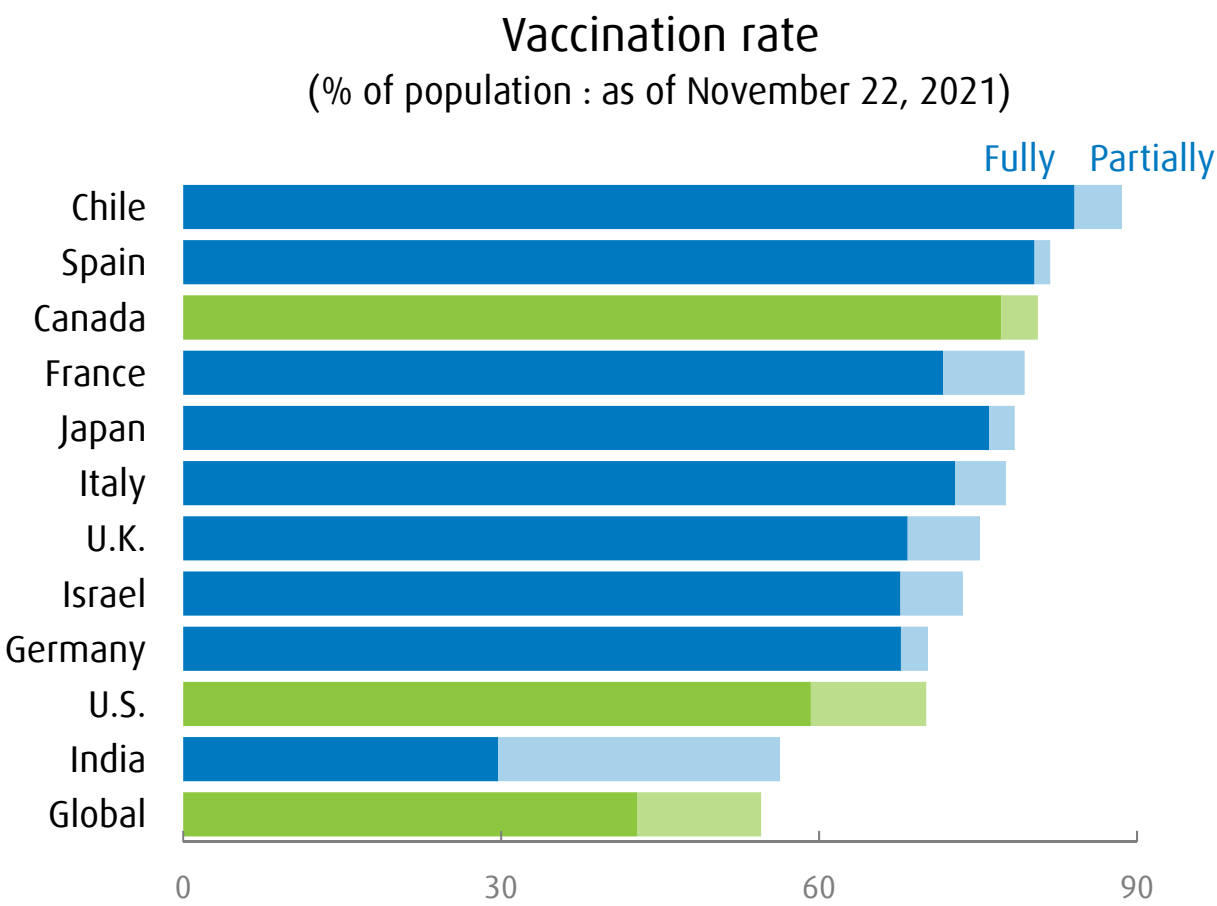
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Another wave builds, vaccines flow

COVID-19



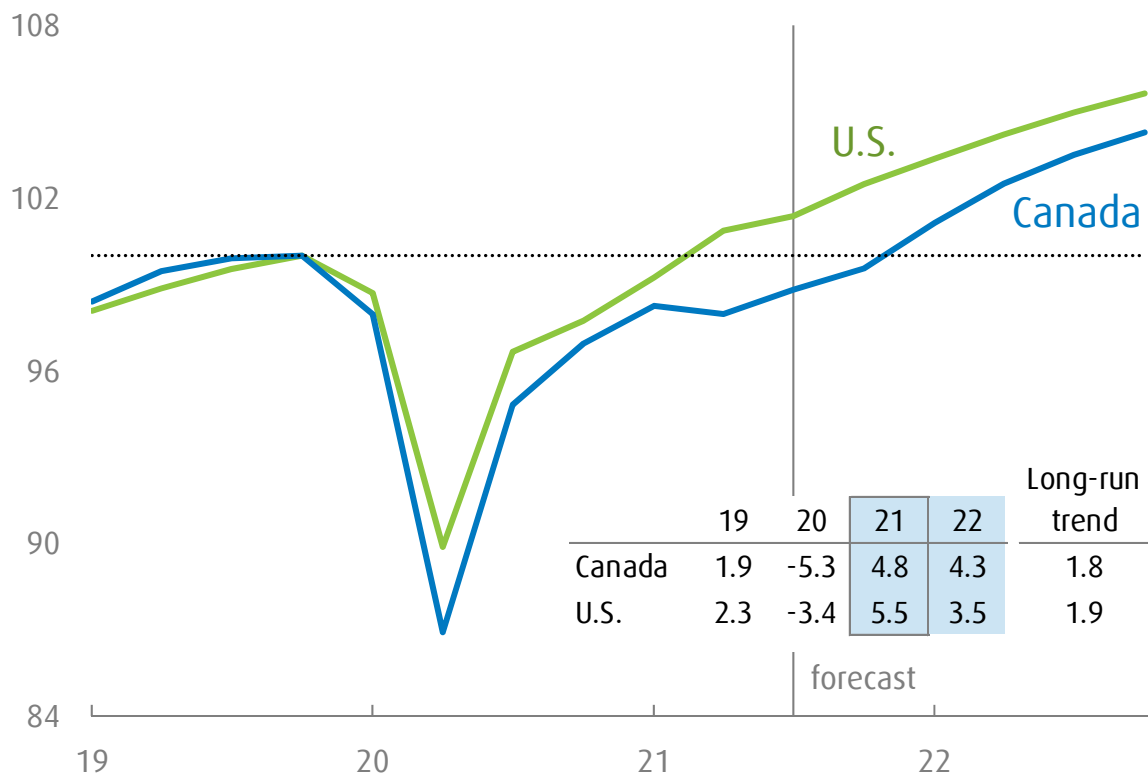
¹ France, Germany, Italy, Spain, U.K.



North America on the mend

(2019Q4 = 100)

Real GDP



Recession:

Just two months long, but deepest on record

Recovery:

Solid so far, but forecast shaved

U.S.:

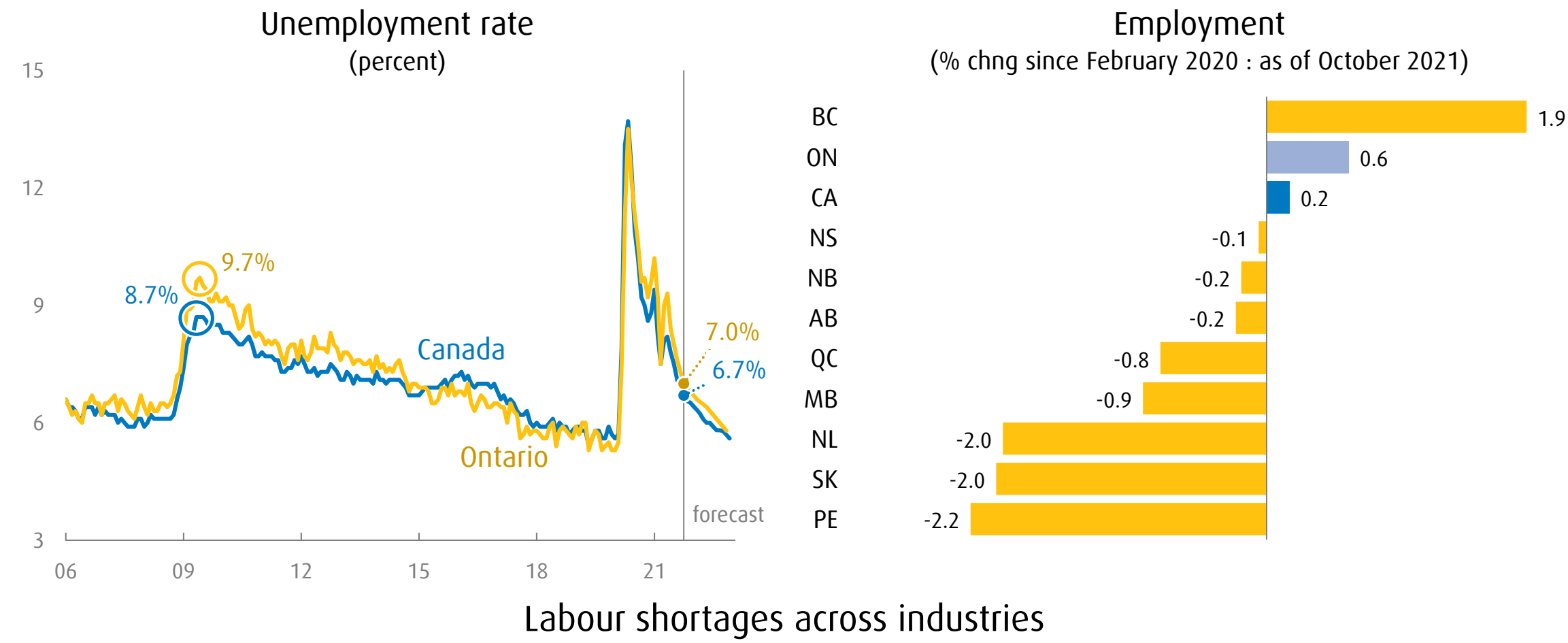
Relatively lighter hit versus other advanced economies

Canadian GDP: Down 1.4% from pre-pandemic peak in September

Canada: [2021Q3] BMO Economics estimate

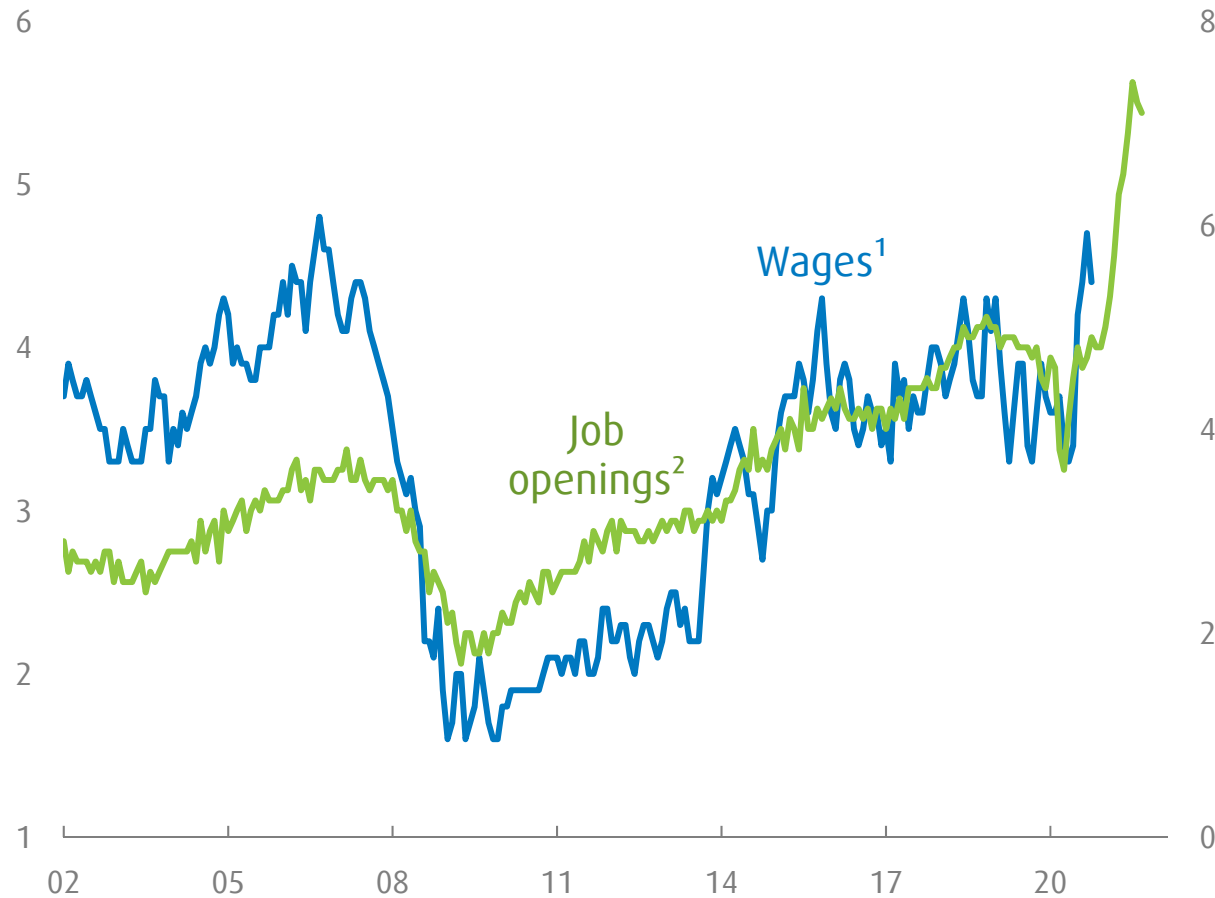
Labour market recovery

Canada



Labour supply a lasting challenge

United States



Will temporary labour shortages ignite wage inflation?

Will drawings from 'excess' savings act as surrogate wage gains?

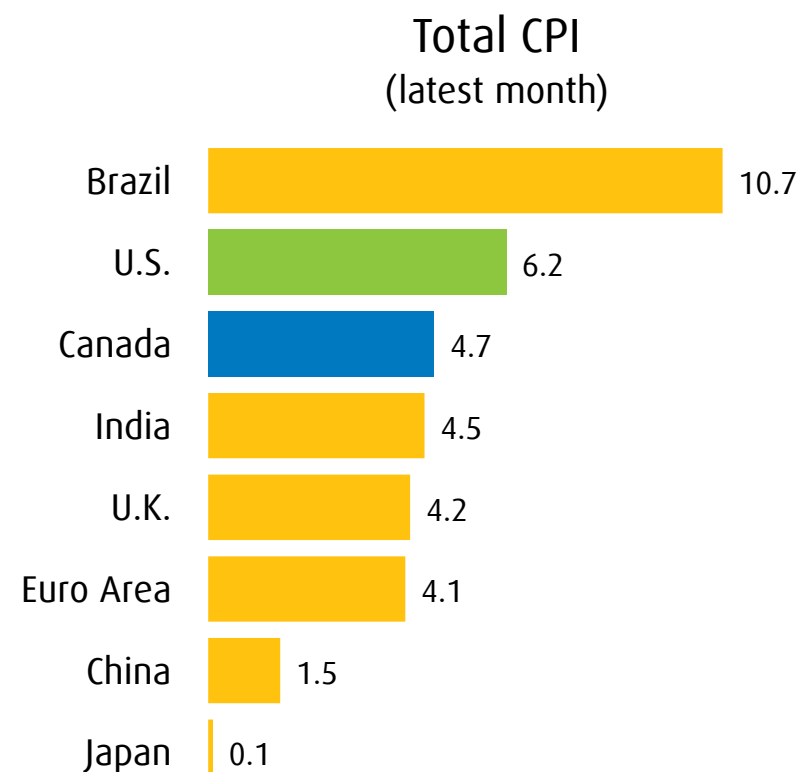
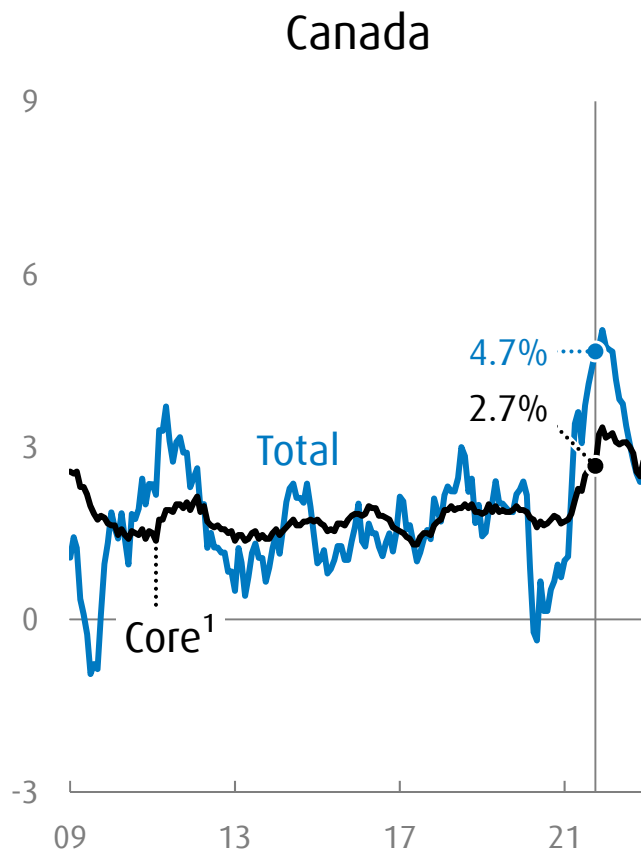
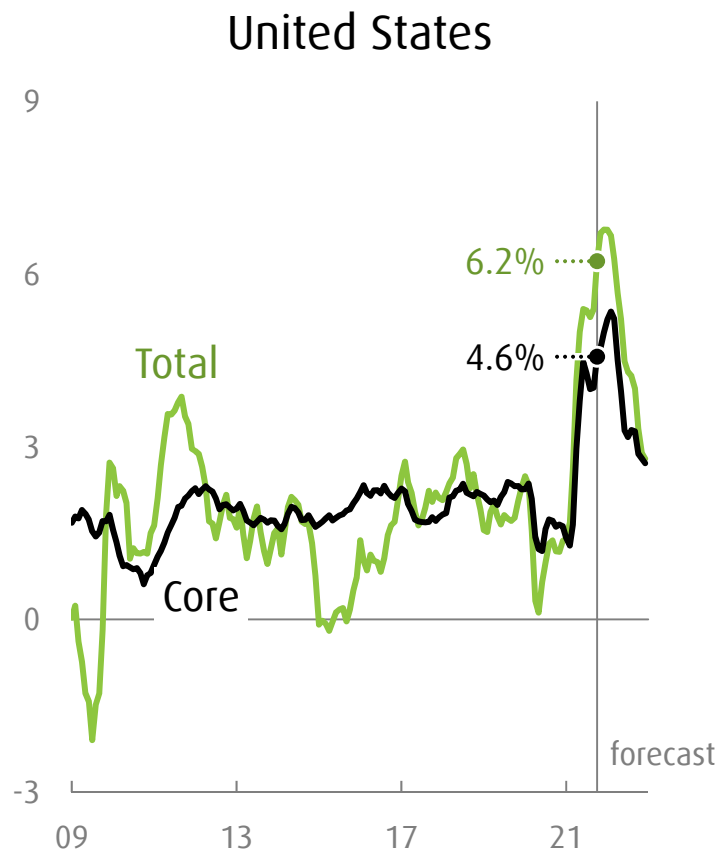
Will participation rebound?

Meanwhile, some states/local areas and companies are lifting minimum wages

¹ FRB Atlanta Wage Tracker (lhs : weighted : 3-mth m.a. : y/y % chng : lagged 12 mths) • ² total private (rhs : %)

Inflation... "transitory" can last a while

Consumer price index (y/y % chng)



Canada calmer: Currency, cars, COVID

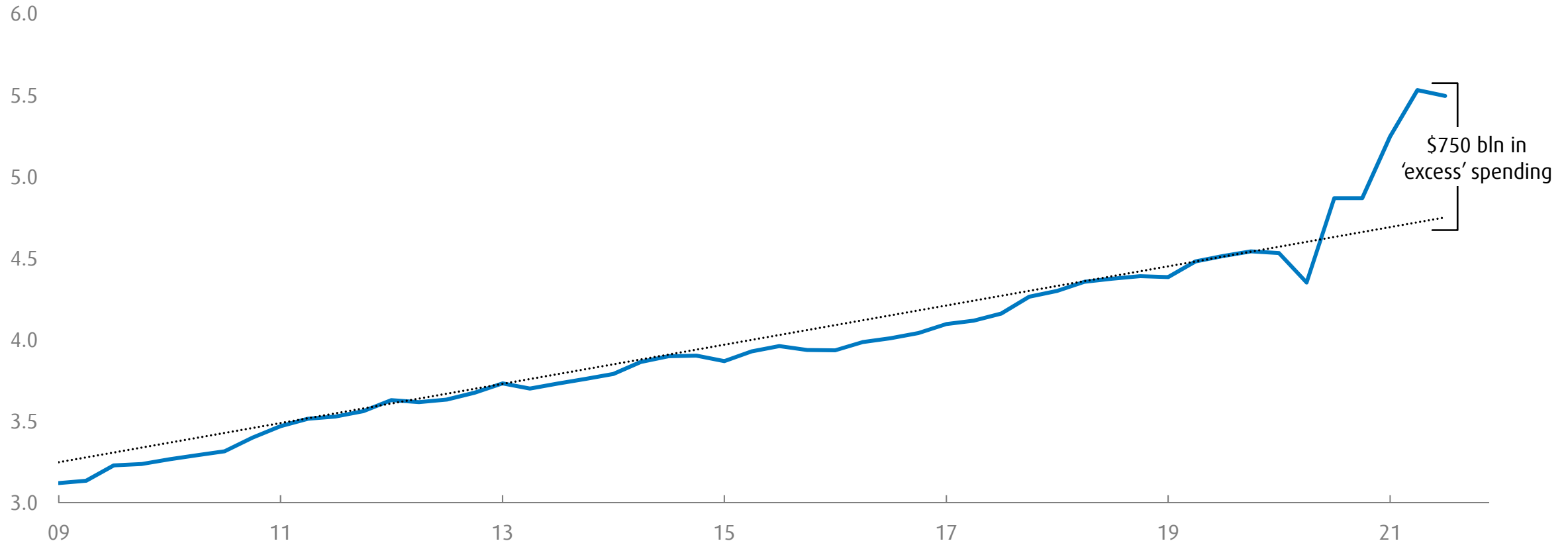
Ontario: 4.9%

¹ Average of three core inflation measures

Too much money chasing too few goods

United States (US\$ trlns)

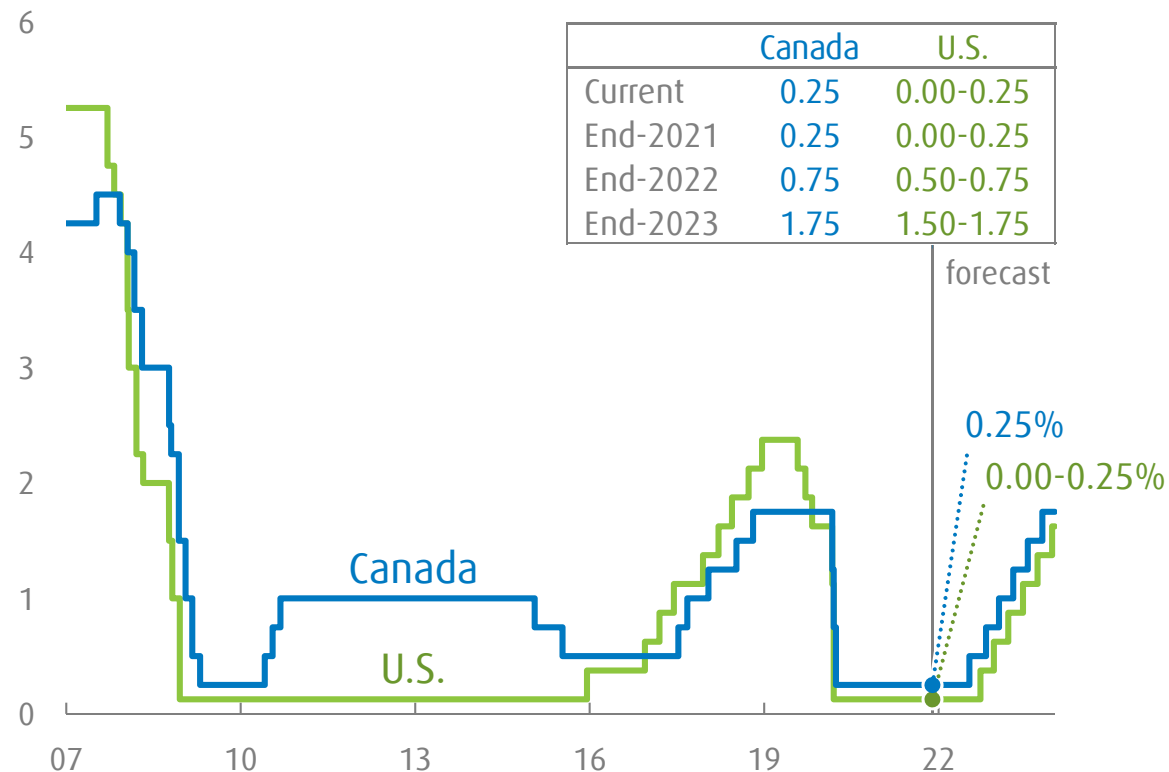
Personal consumption expenditures: Goods



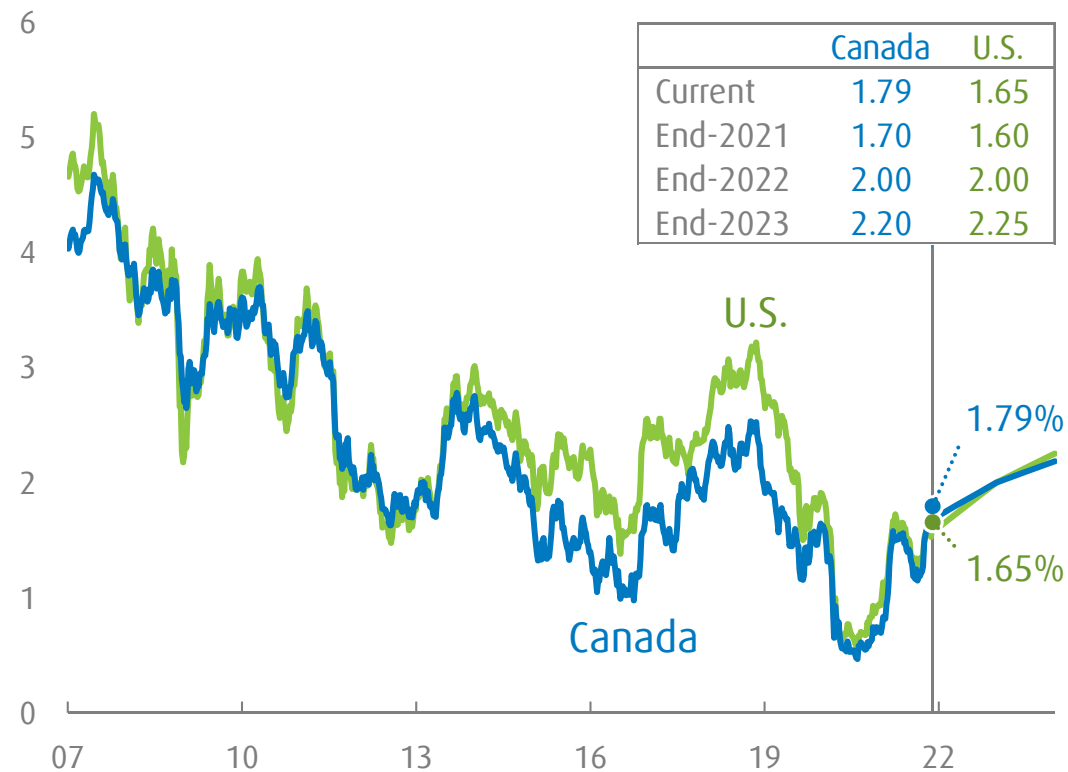
Rates hikes sooner than you've been told

(% : as of November 23, 2021)

Overnight rate



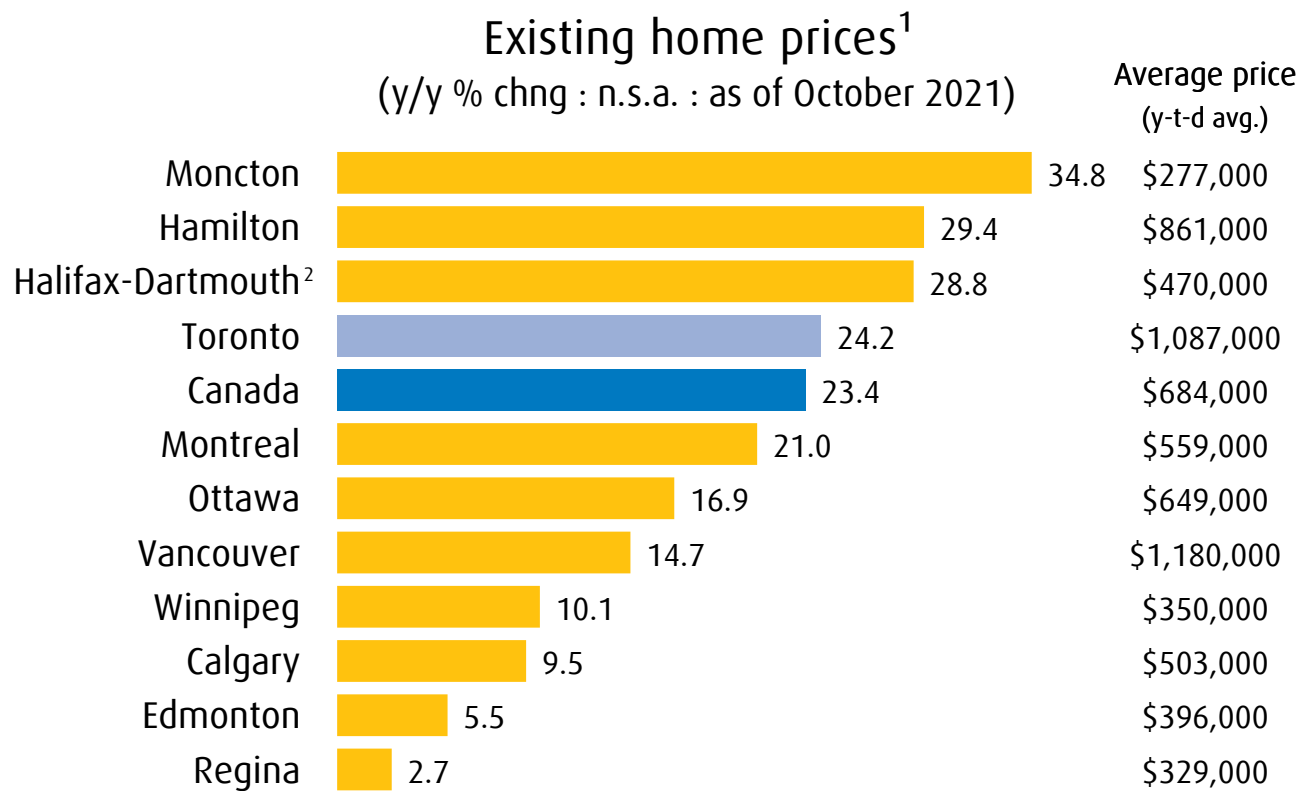
10-year bonds



Upward pressure on bond yields as economy recovers

Canadian housing market still rollicking

Canada



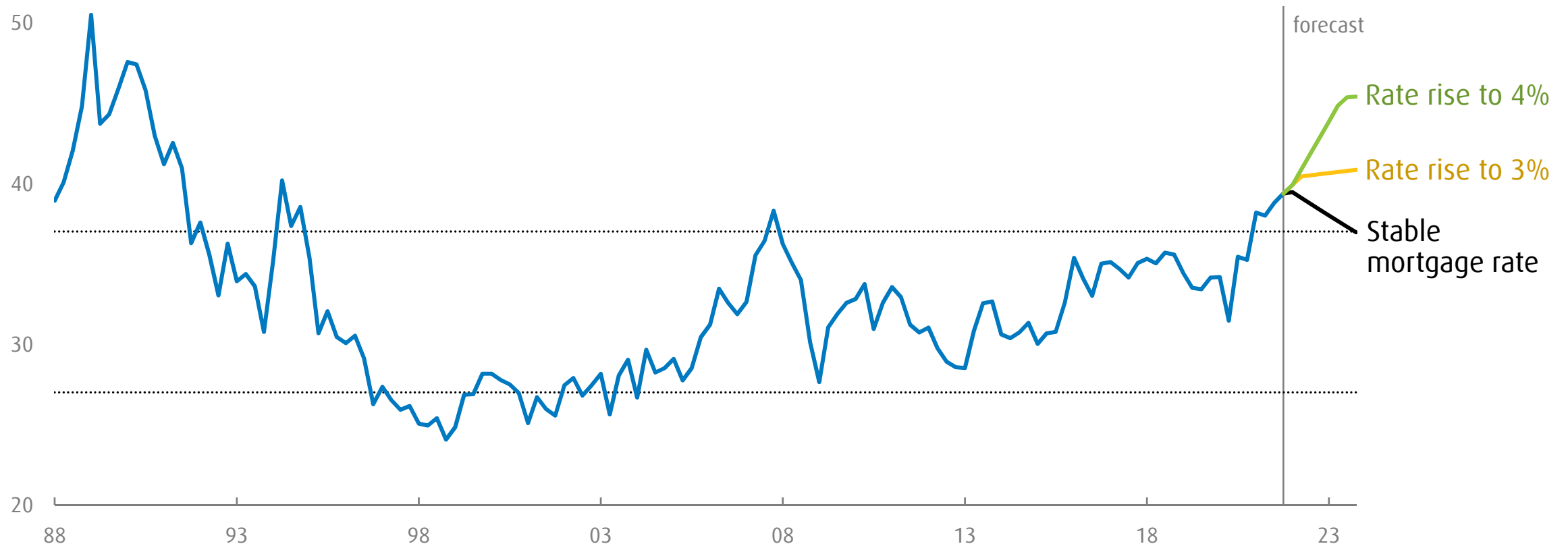
Extreme strength in suburban/rural markets

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

Home price consolidation ahead?

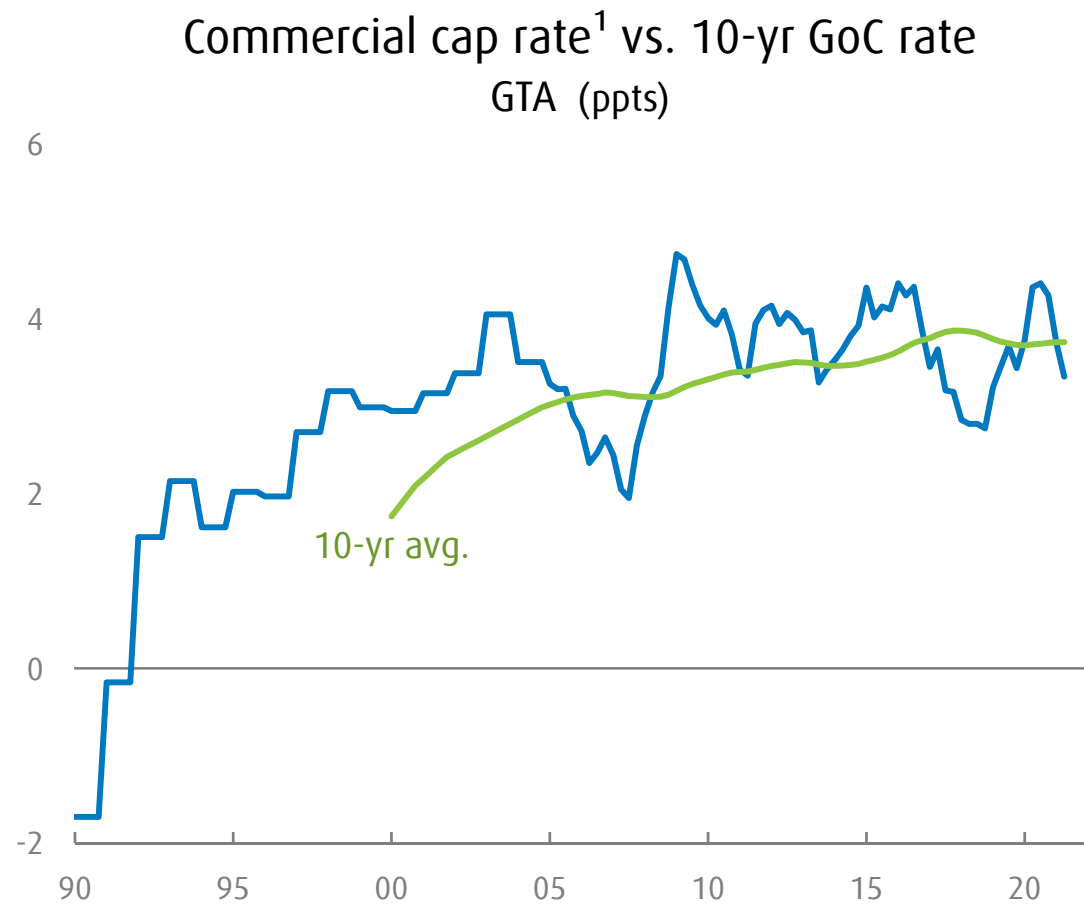
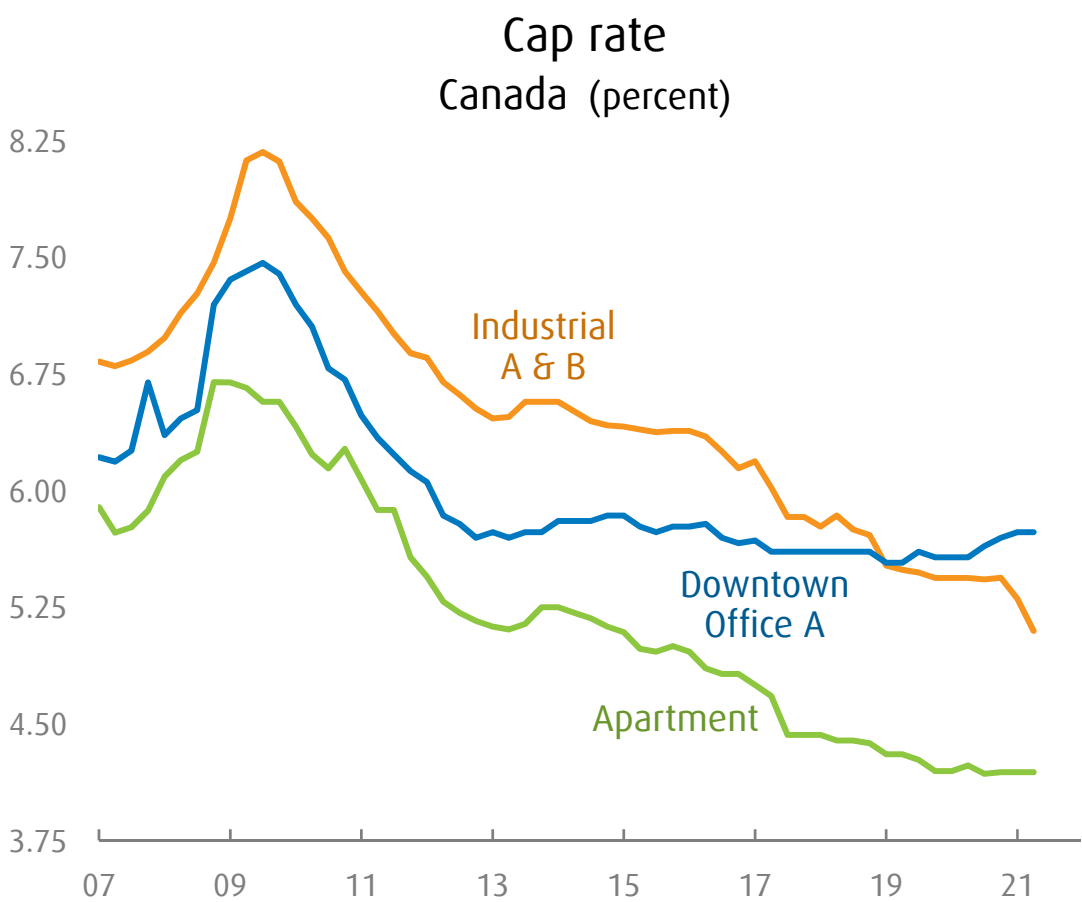
Canada (% of household income¹)

Mortgage payment



¹ Assumes stable home prices, 10% down payment, 25-year amortization, income growth at 5% annualized, LF growth at 1.2% a.r.

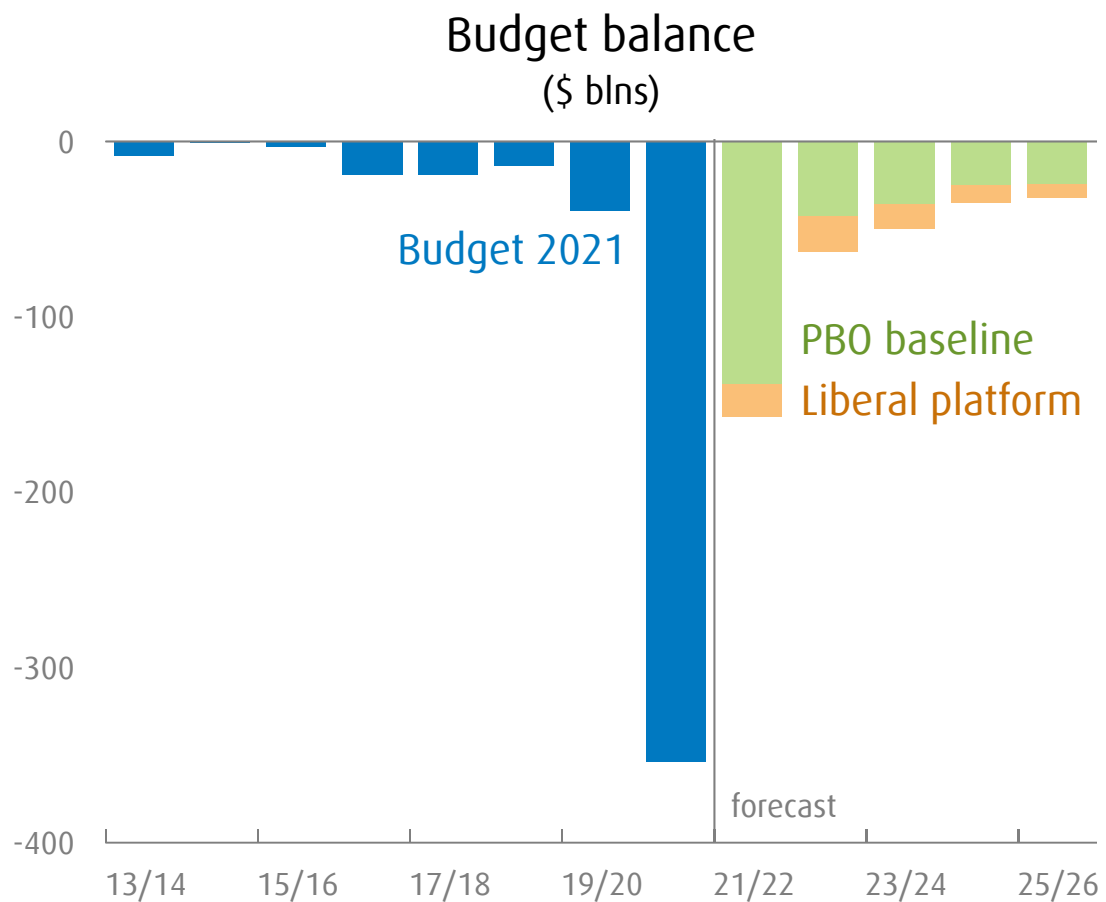
Shifts in commercial real estate



¹ Ratio of net operating income to property value; Average of industrial, retail, suburban office and downtown office, apartments

Paying for the pandemic

Canada – Federal government



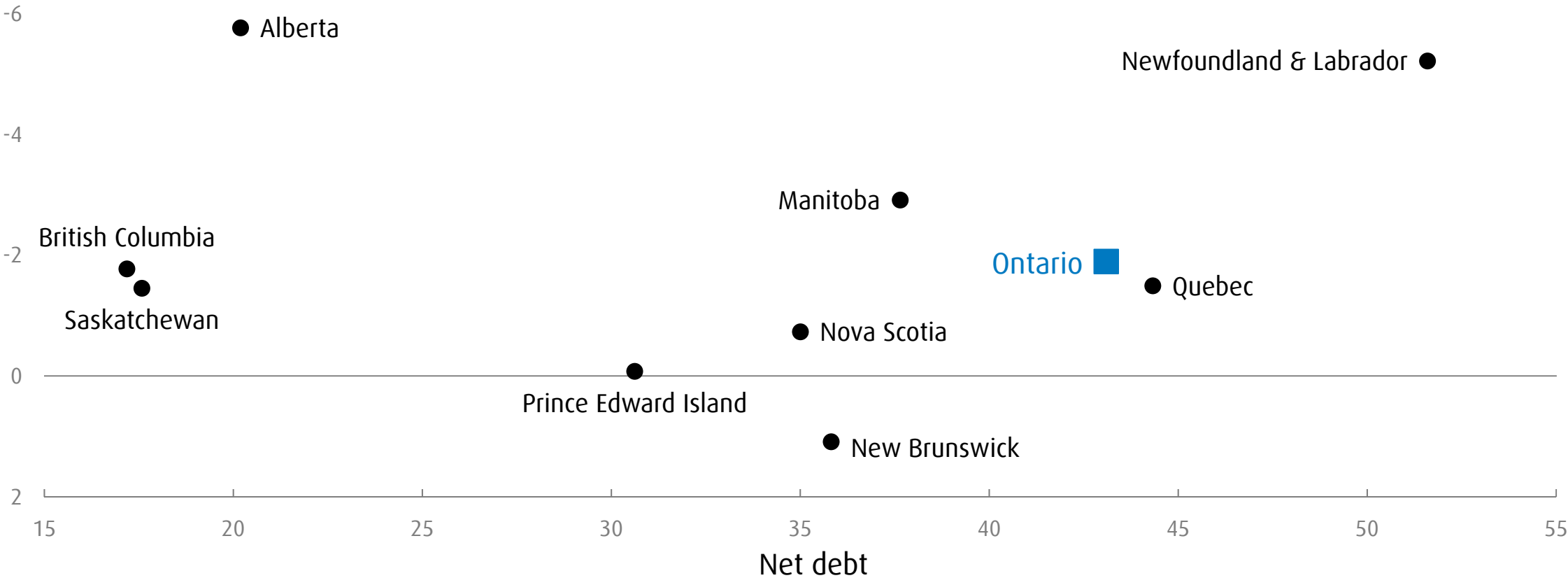
FY20/21 = estimate



The lay of the fiscal land

Canada – FY20/21 (% of GDP)

Budget balance



Adding it up



Growth:

Recovery is strong
Supply constraints holding us back

Inflation:

Longer and higher than most think
But this is not “stagflation”

Markets:

Rate hikes by mid-2022; moves could be quick
Loonie sturdy
Equities still solid, but returns to mellow

Q and A

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