

Can the Economy Stick the Landing?

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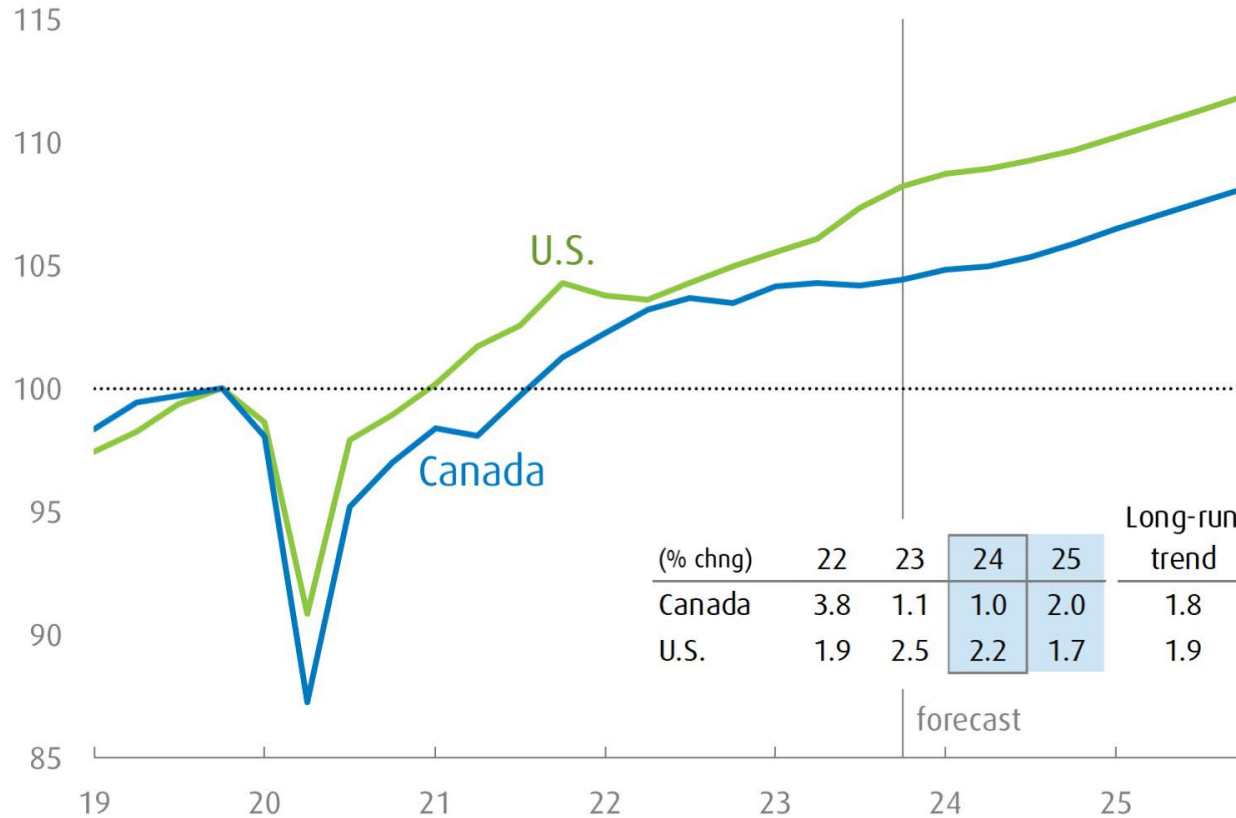
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Economic outlook: Resilient but still at risk

(2019Q4 = 100)

Real GDP



Reasons for resilience:

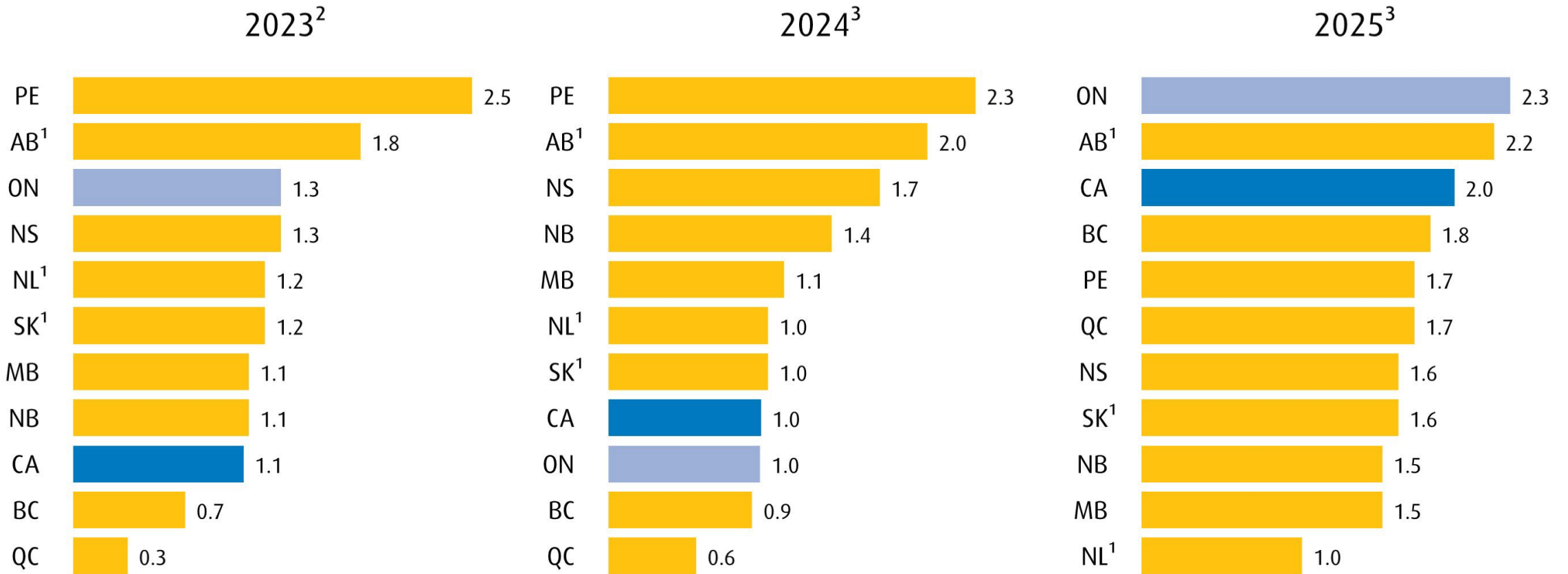
- Excess labour demand
- Savings cushion
- Population growth (Canada)

Reasons for concern:

- Household leverage
- Aggressive tightening cycle
- Lags in monetary policy impact

Canada's regional outlook: Ontario to gain momentum

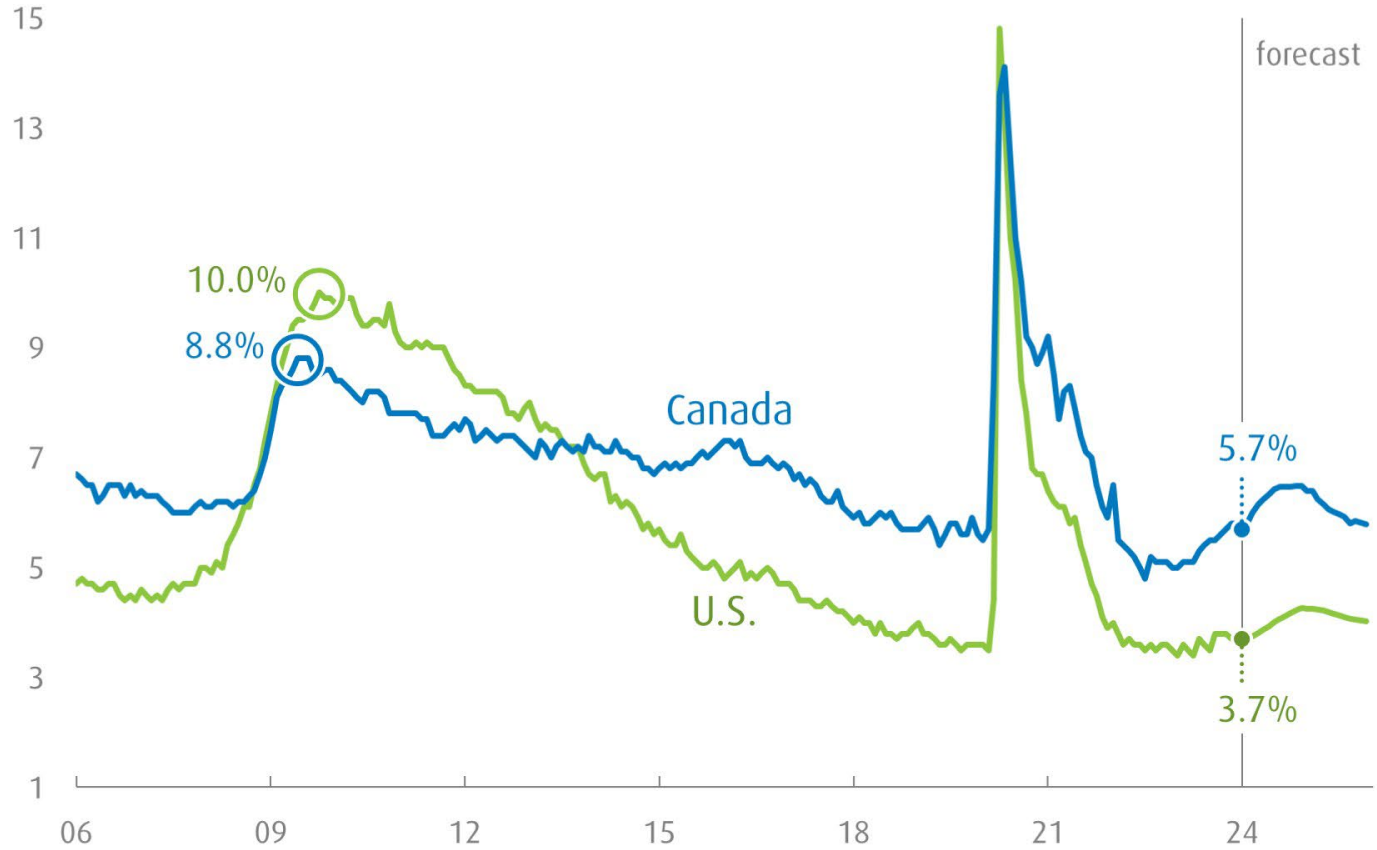
Canada – Real GDP (% chng)



¹ Oil producers • ² Estimate • ³ Forecast

Job markets softening

Unemployment rate (percent)



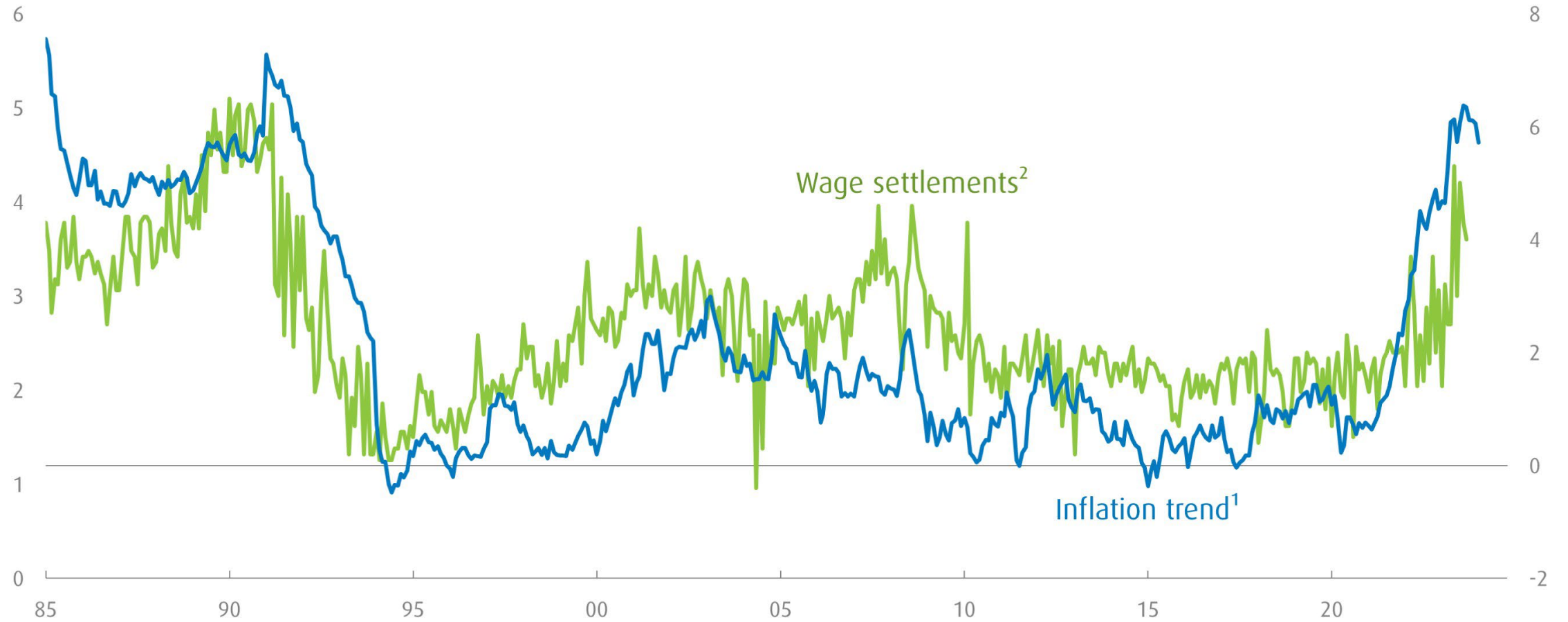
Vacancies ebbing

	Current	Pre-COVID ¹
Newfoundland and Labrador	10.2	12.4
Prince Edward Island	7.4	8.1
Nova Scotia	7.0	8.1
New Brunswick	6.6	7.3
Alberta	6.2	7.3
Ontario	6.2	5.6
Canada	5.7	5.7
British Columbia	5.4	5.5
Saskatchewan	4.7	6.4
Quebec	4.5	4.6
Manitoba	4.0	5.2
United States	3.7	3.5

¹ February 2020

Wage train is rolling

Canada

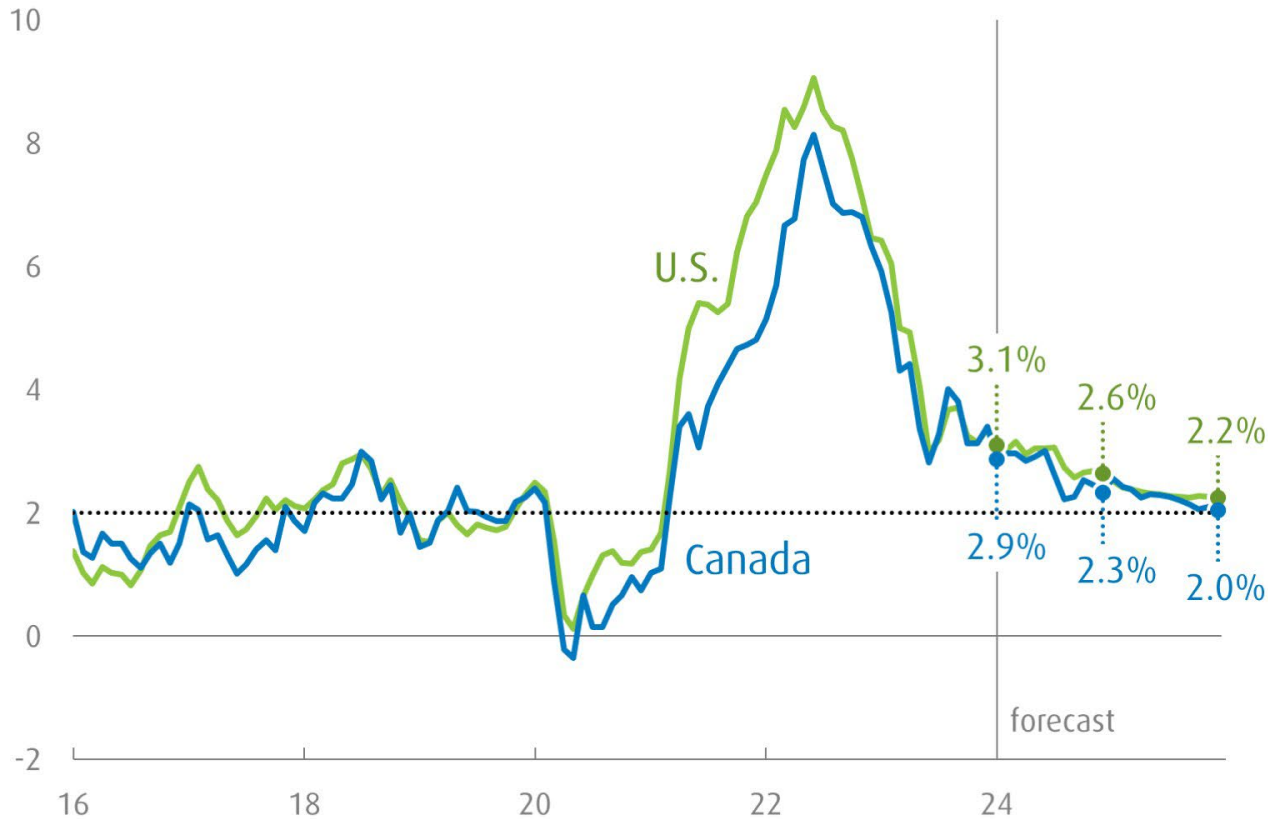


¹ (lhs : CPI : 3-yr ann. % chng) • ² (rhs : annual % adjustment)

Inflation battle ongoing

(y/y % chng)

Consumer price index



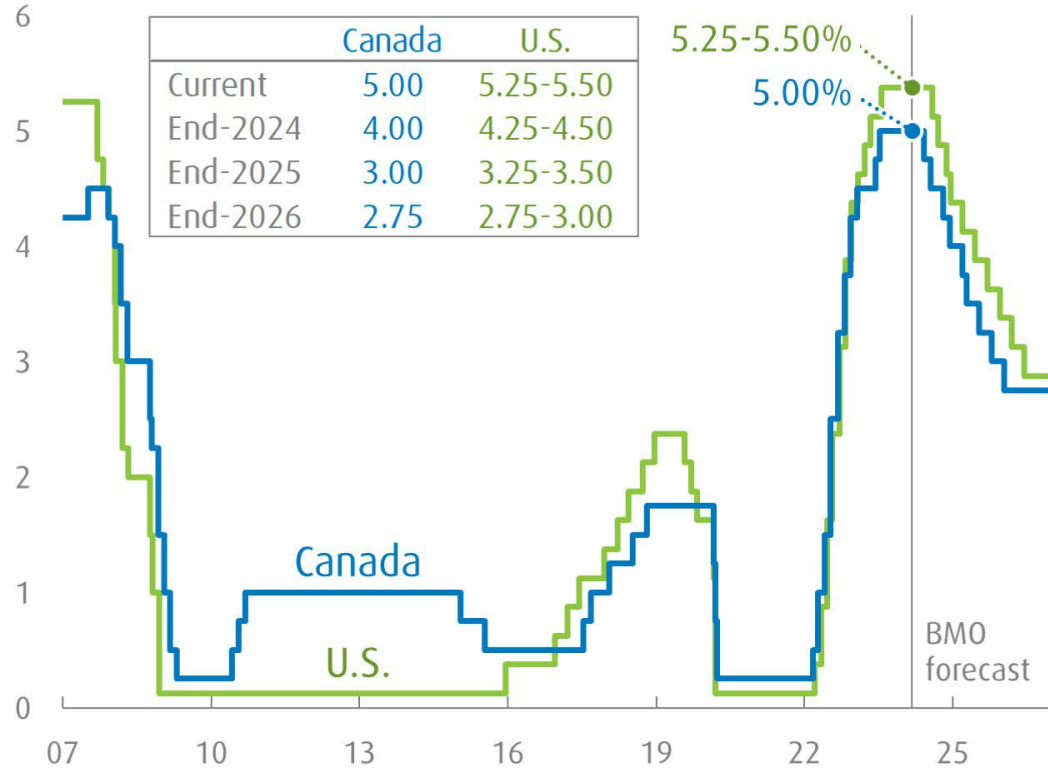
Tracking the progress:

- ✓ Demand for goods
- ✓ Supply-chain snarls
- Housing/asset prices
- Resource and agriculture prices
- Demand for services
- ✗ Wage pressure
- ✗ Psychology

Rate cuts... eventually

(% : as of March 6, 2024)

Overnight rate



10-year bonds

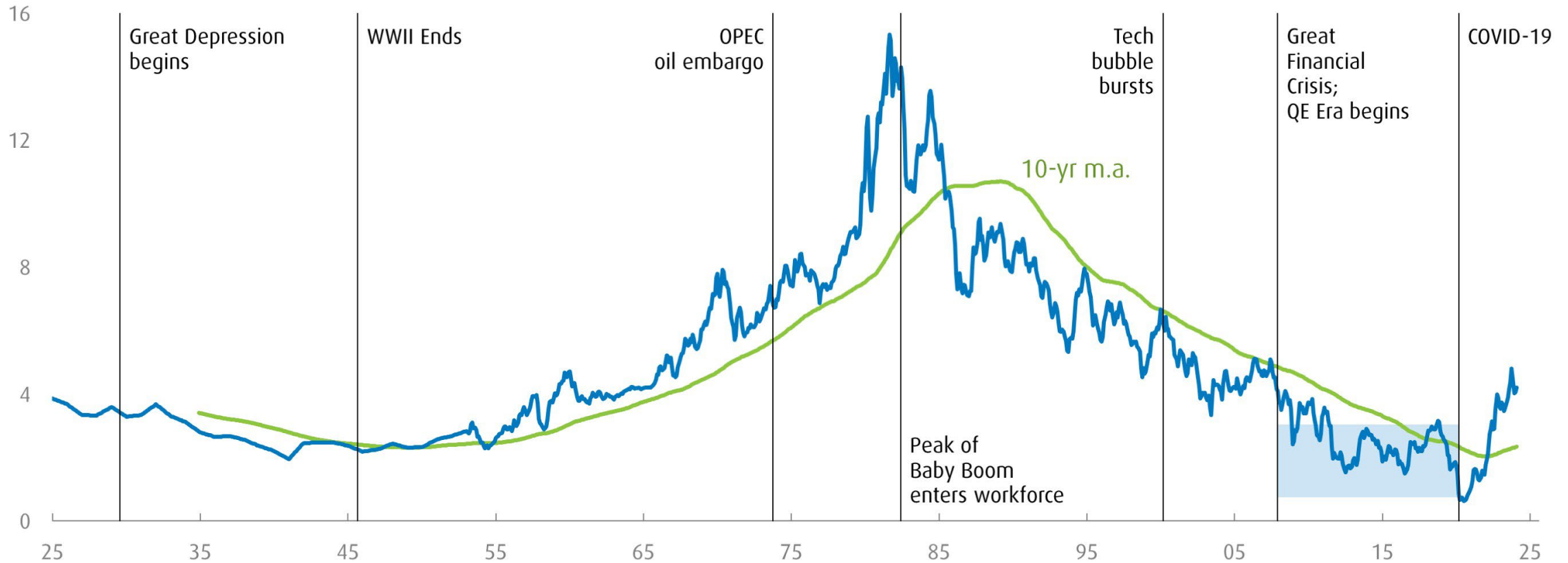


Neutral rates likely higher than past decade

Interest rates: The new, old, normal

United States (percent)

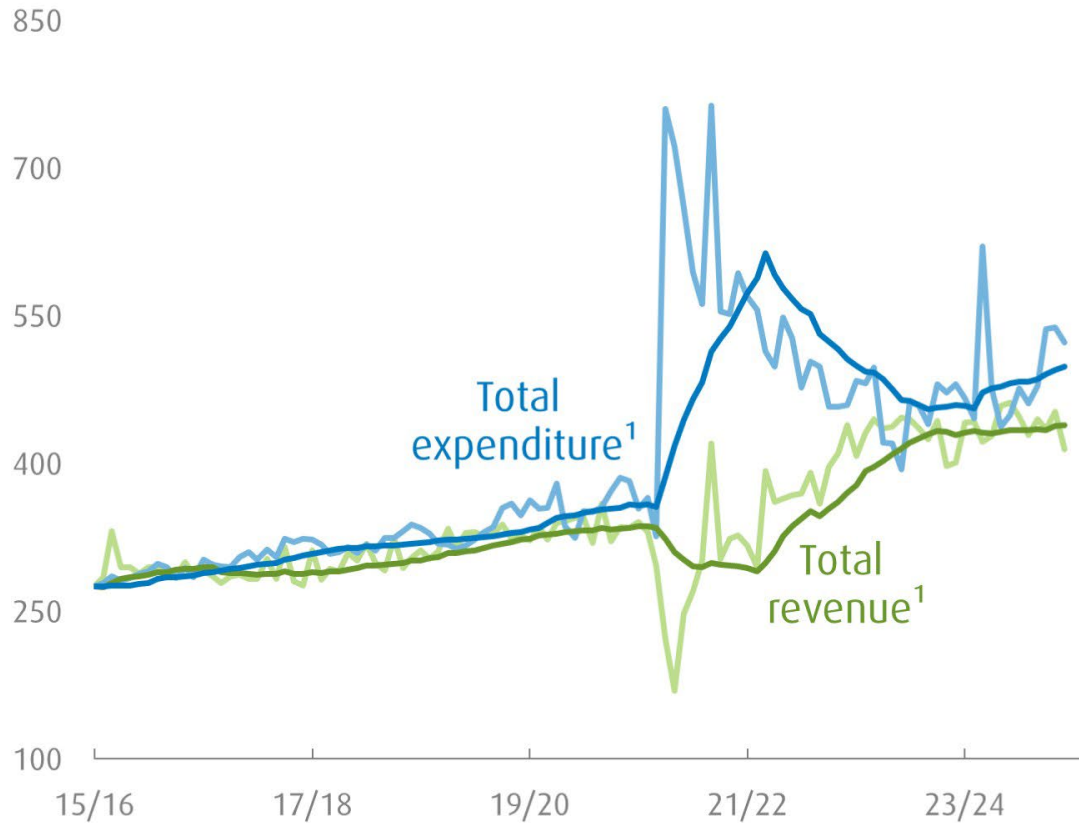
10-year Treasury yield



Fiscal stimulus to fade

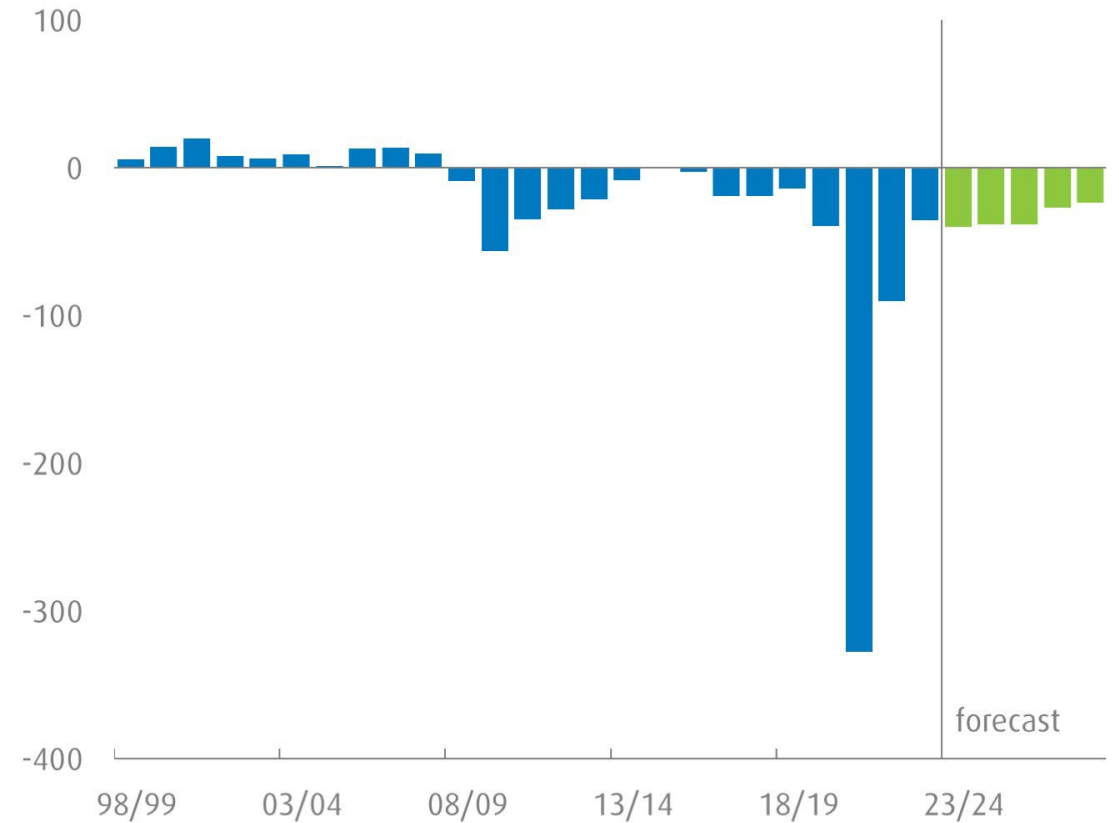
Canada – Federal budget (C\$ blns)

Expenditure and revenue



(dark line = n.s.a : 12-mth m.s.; light line = s.a.a.r.)

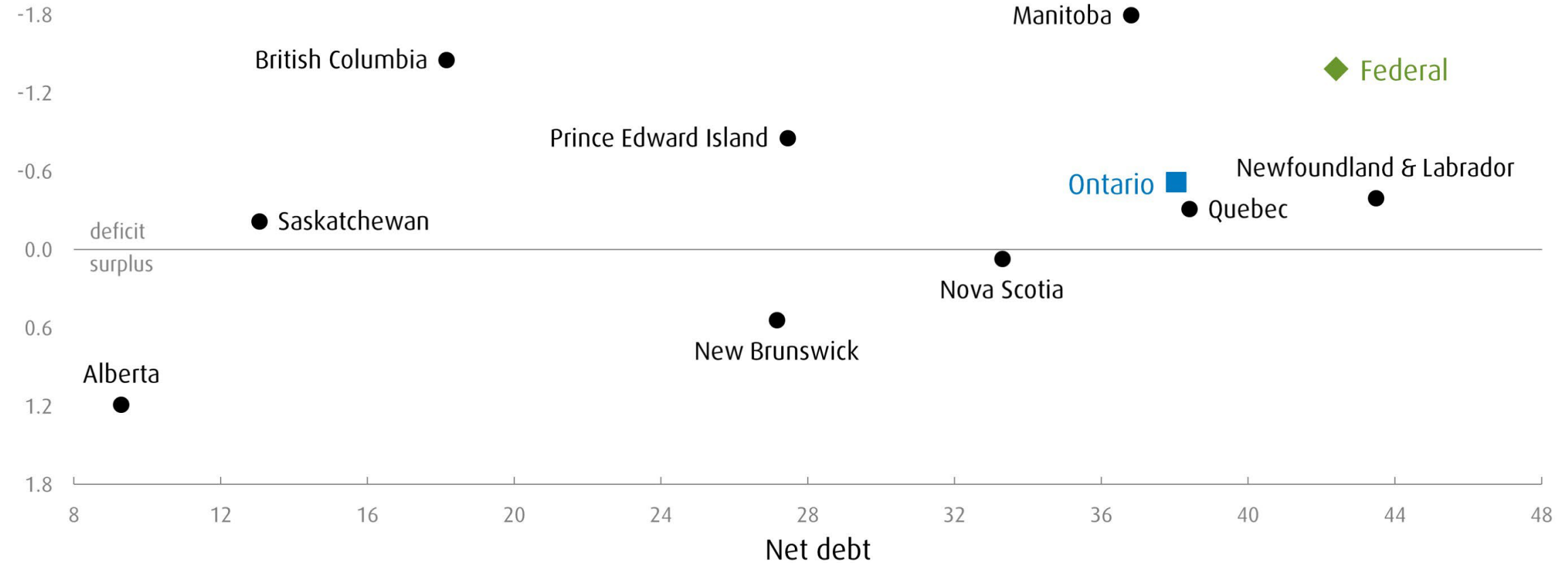
Balance



The lay of the fiscal land

Canada – FY23/24 (% of GDP)

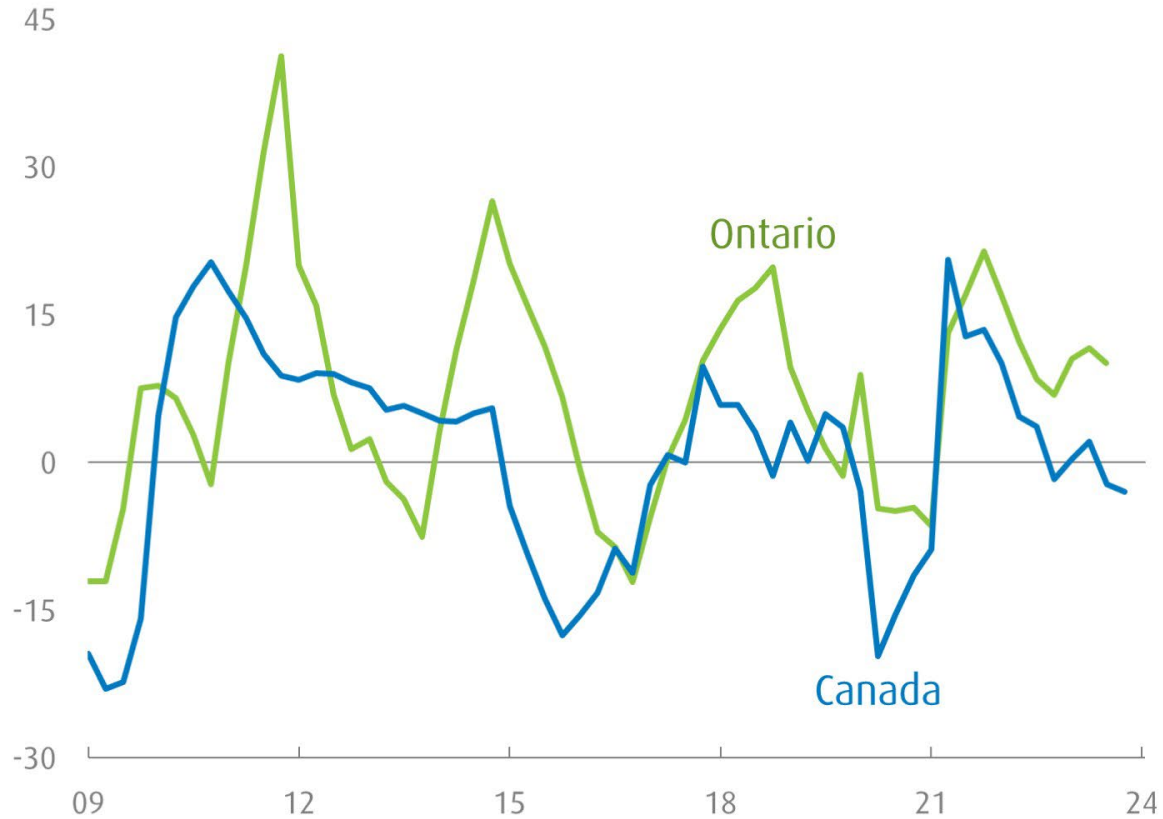
Budget balance



Sturdy nonresidential investment

Canada (y/y % chng)

Real GDP: Non-residential structures



Positive drivers:

Government balances

Focus on infrastructure buildout

Building costs cooling

Challenges:

Commercial RE market

Competition with residential investment

Housing outlook 2024

Canada



What's going on?

Generational \uparrow in borrowing costs

Repricing continues

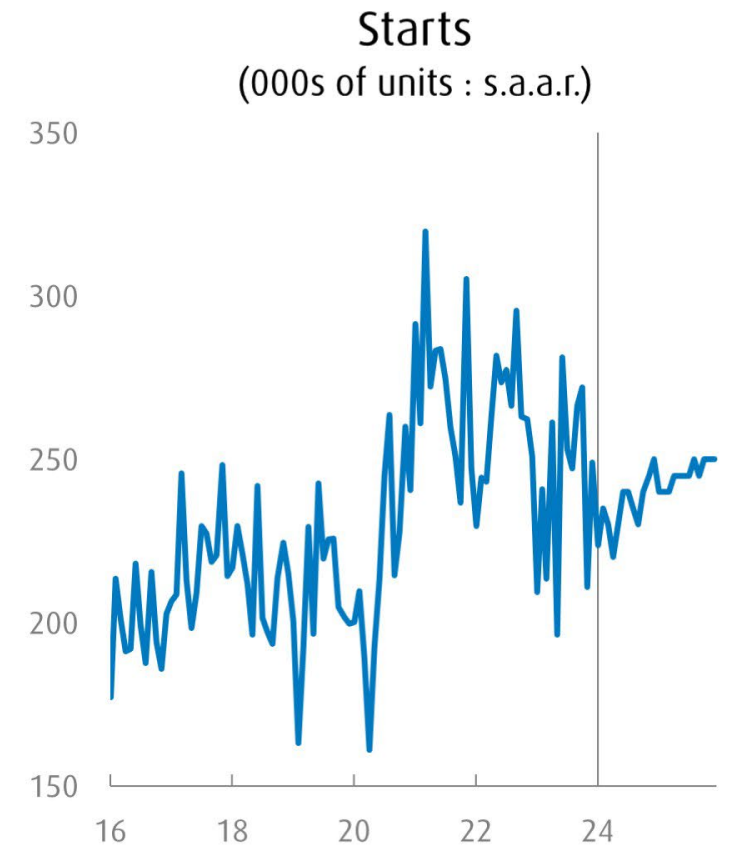
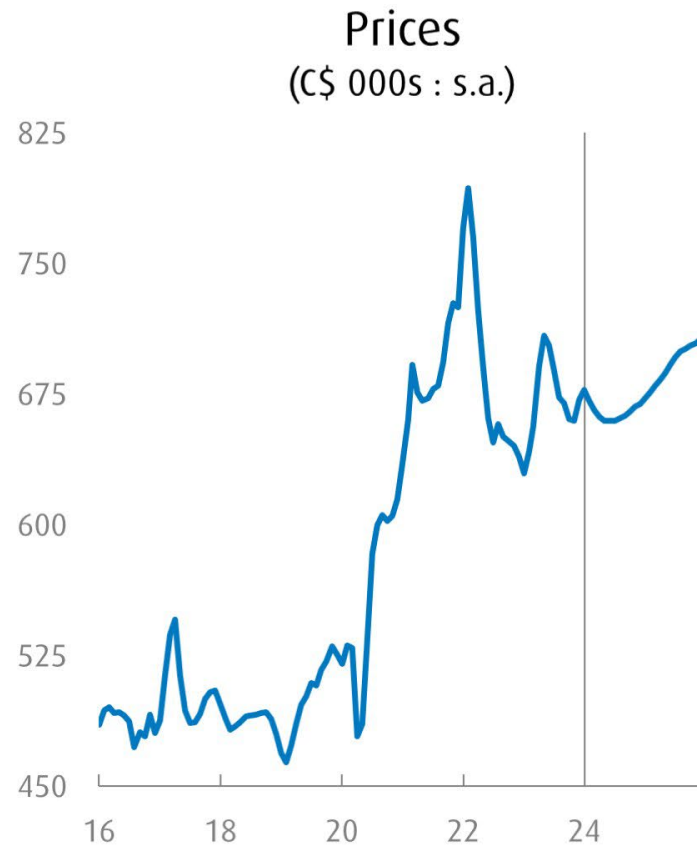
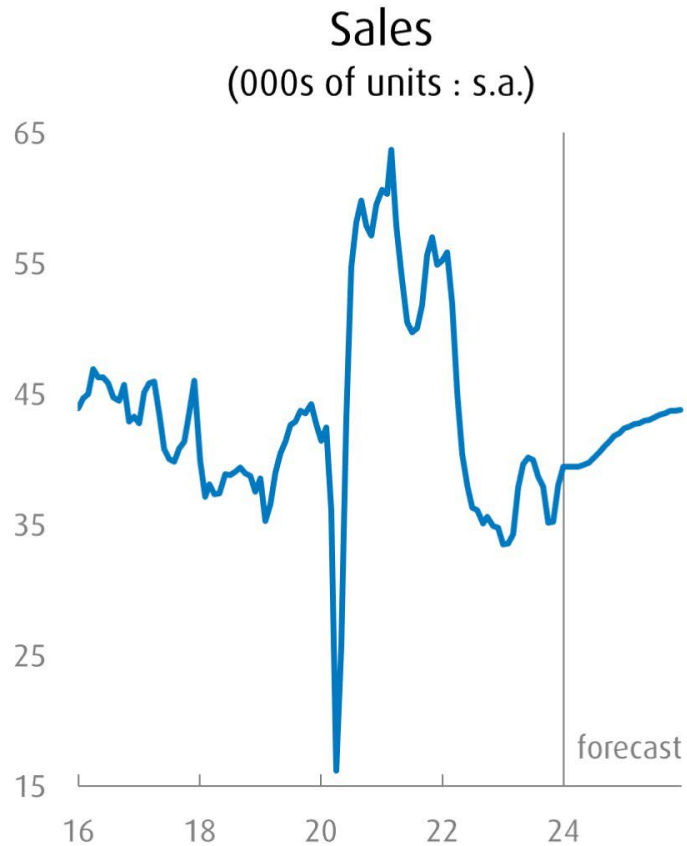
Demand-side stress

Supply targets can't (won't) be met

Financial system and core fundamentals are solid

Housing outlook in a nutshell

Canada – Housing

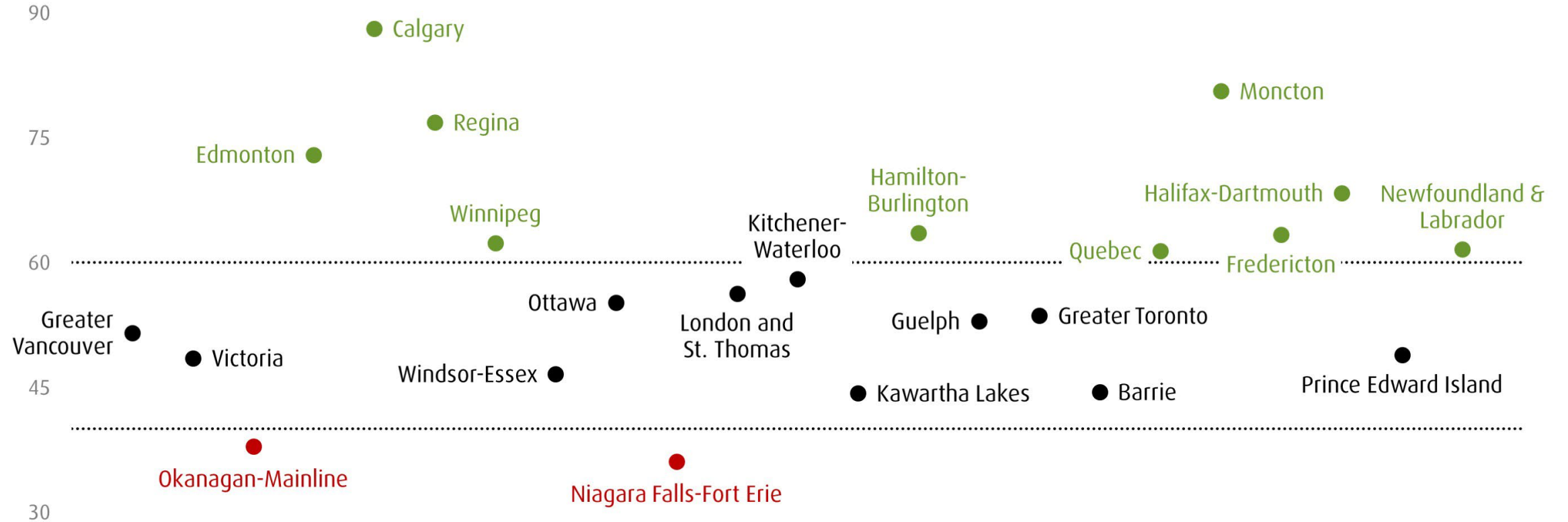


BoC pause may not trigger another rally

Market balance by region

Canada (percent : as of January 2024)

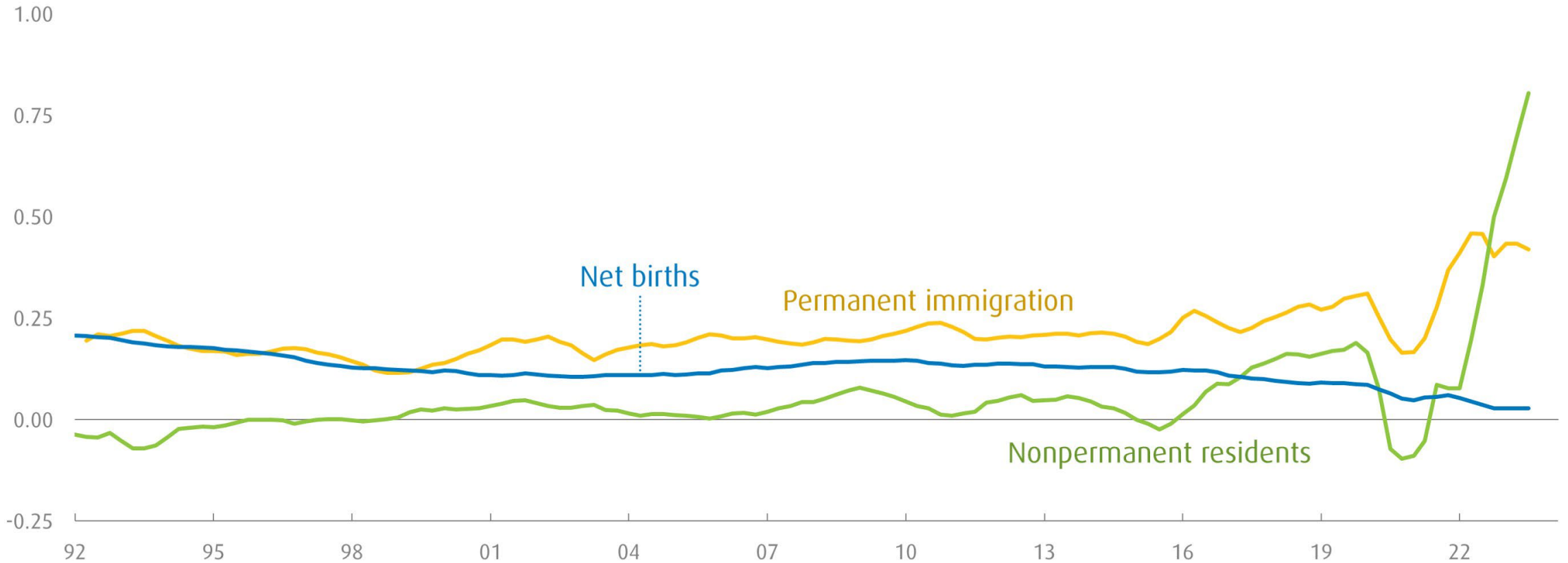
Sales-to-new listings ratio



Sources of the population boom

Canada (mlns of people : 4-qtr m.s.)

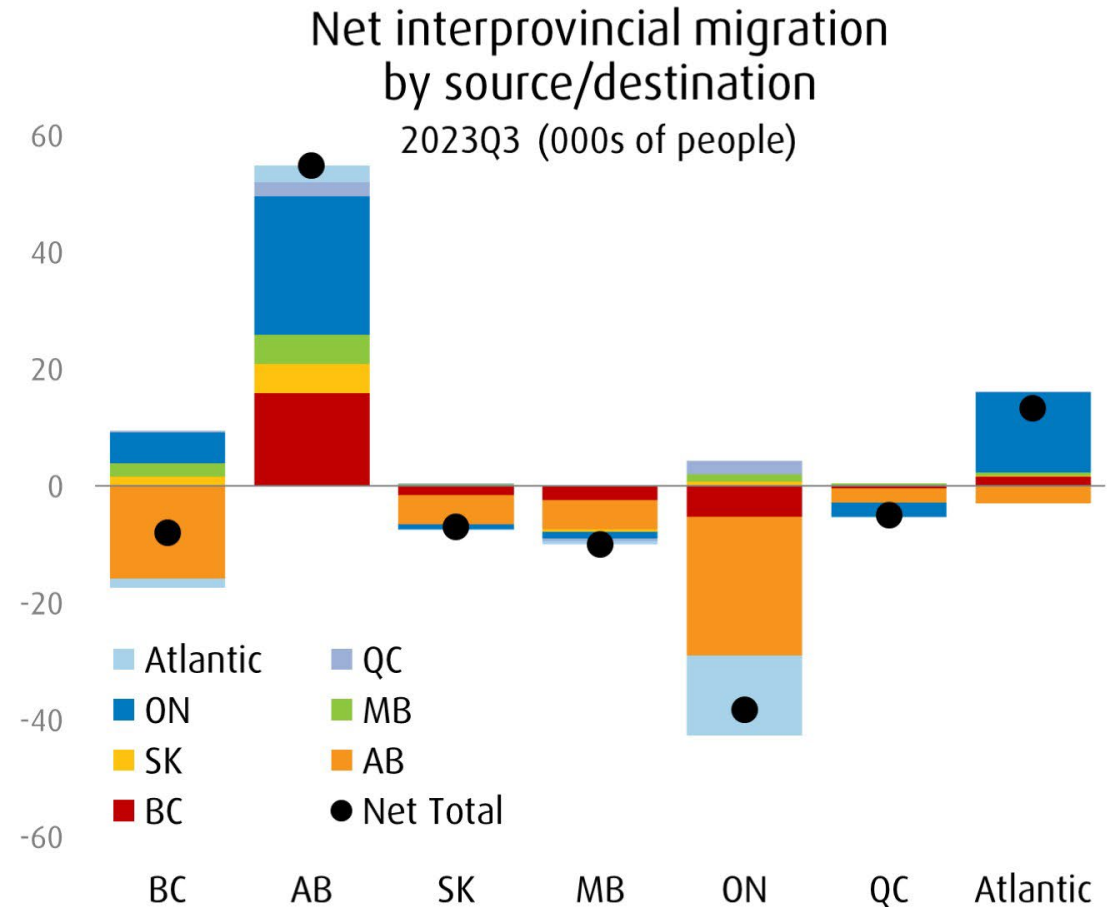
Population growth



Exiting Ontario

Canada

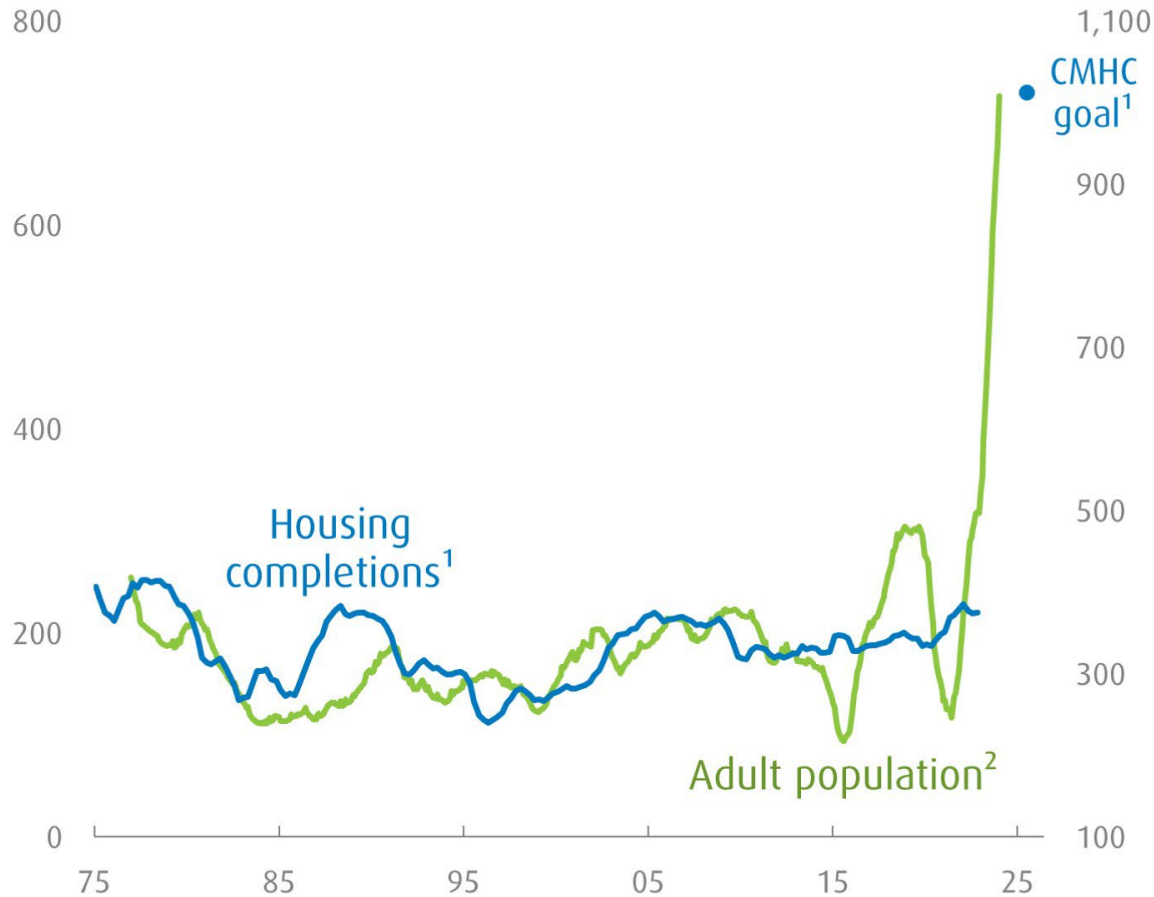
Contributions to population growth (ppts)				
(2023Q1)	International	Interprovincial	Net births	Total ¹
Canada	2.6	0.0	0.1	2.7
B.C.	3.2	0.0	-0.1	3.1
Alberta	2.7	1.0	0.3	4.1
Saskatchewan	3.0	-0.6	0.2	2.6
Manitoba	3.5	-0.6	0.4	3.2
Ontario	3.5	-0.3	0.1	3.3
Quebec	2.1	-0.1	0.0	2.0
Atlantic	2.7	0.8	-0.3	3.3



¹ May not add up due to rounding

Pie in the sky on supply

Canada



¹ (000s of units : 4-qtr m.s.) • ² (age 15+ : 000s : y/y chng)

Do we need more houses?

- Millennials creating households
- Immigration targets push 500k per year
- Nonpermanent residents stress rentals

But...

- Investor demand has cooled
- Record units already under construction
- Industry is at full capacity
- NIMBY

Ambitious targets won't be met

Takeaways



Growth:

Adjustment to higher interest rates continues

Near-term stagnation continues

Stronger recovery into 2025

Inflation:

Peak is in; path back to 2% taking time

Markets:

Interest rate cuts likely in 2024H2

Real estate activity finds a floor

Supply challenges persist unless demand curve shifts

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