

Economic Outlook: Tariff Clouds Roll In

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Well, that's just tariffic

Canada/United States



U.S. actions and threats:

25% tariff on all Canadian imports
(March 4th)

10% tariff on Canadian energy imports
(March 4th)

25% tariff on steel (March 12th)

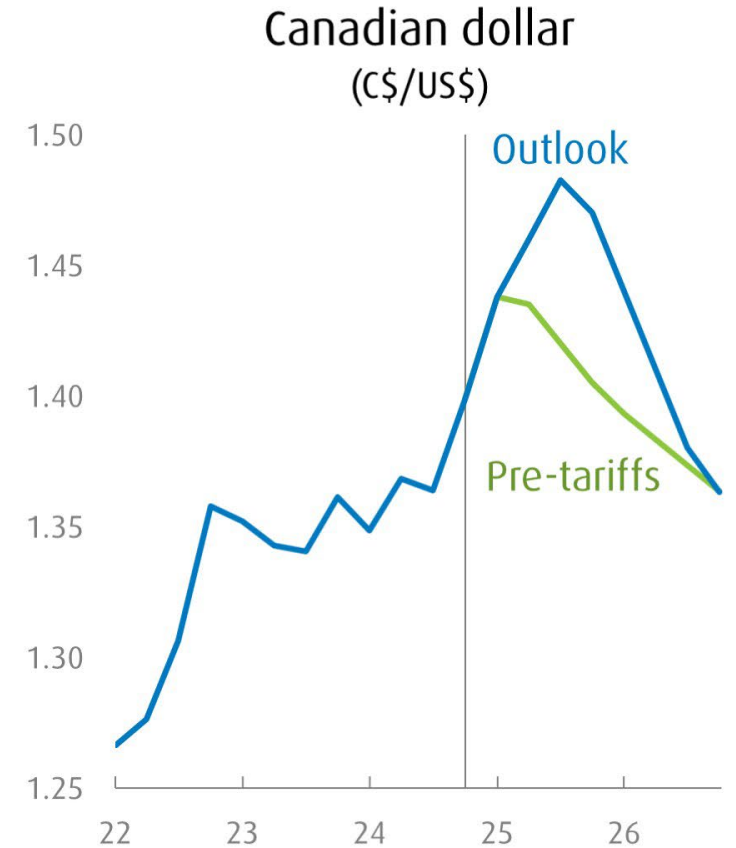
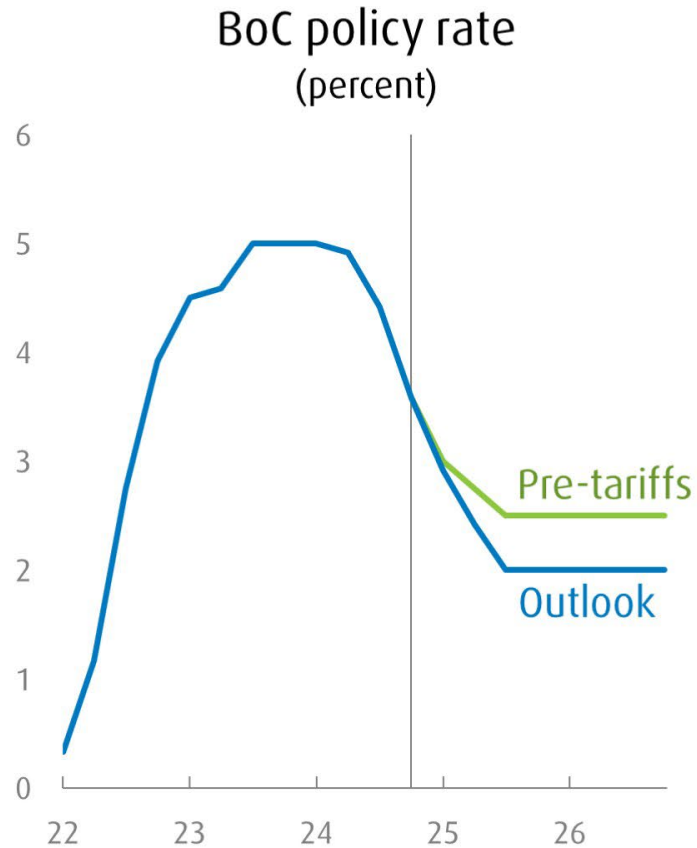
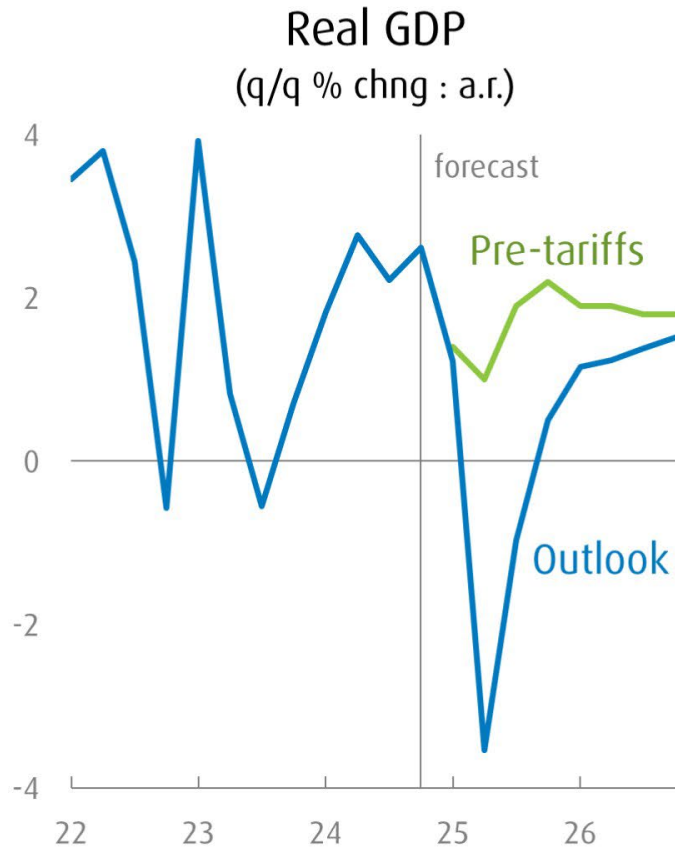
25% tariff on aluminum (March 12th)

Canadian retaliation on \$30 bln of imports
from U.S. (rising to \$155 bln)



Tariff impact on Canada

Canada



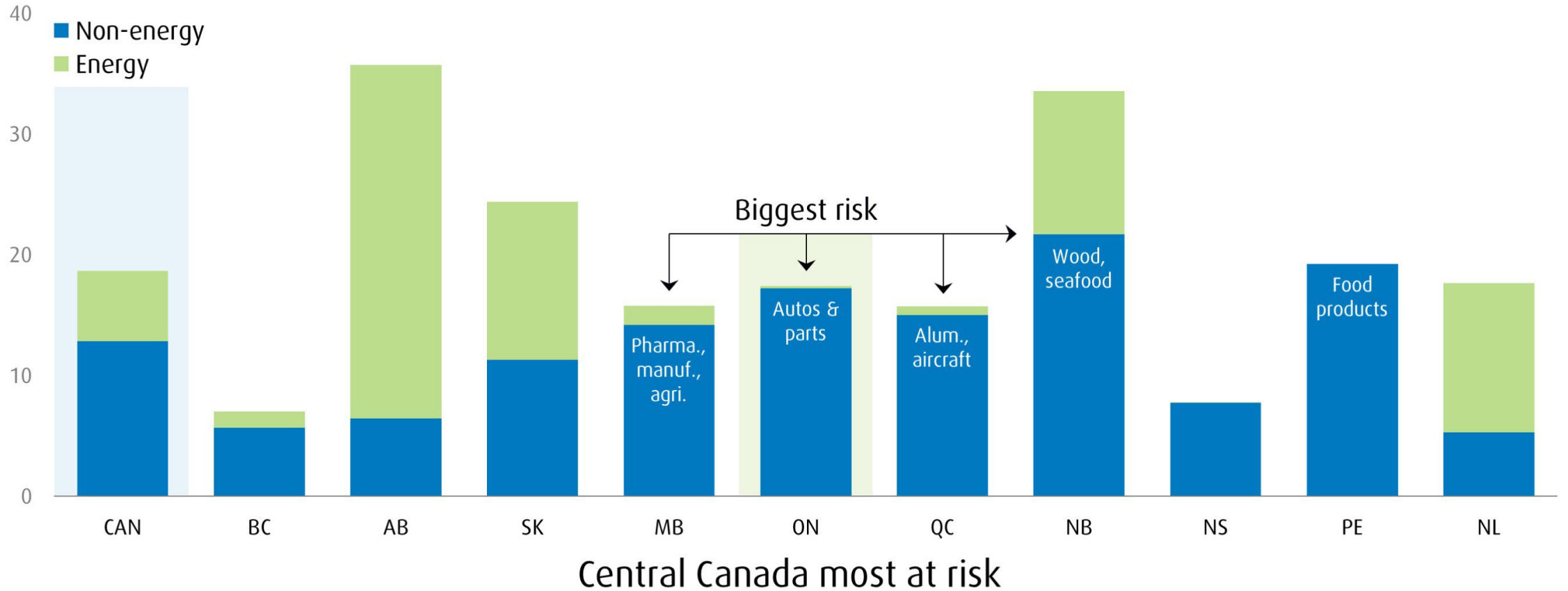
Impacts highly uncertain and depend on policy responses

Source: BMO Economics. Assumptions: 25% tariff by the U.S. on Canada for 1 year; 10% for energy products; Canadian retaliation covering \$155 bln of U.S. imports

Provincial exposure to U.S. exports

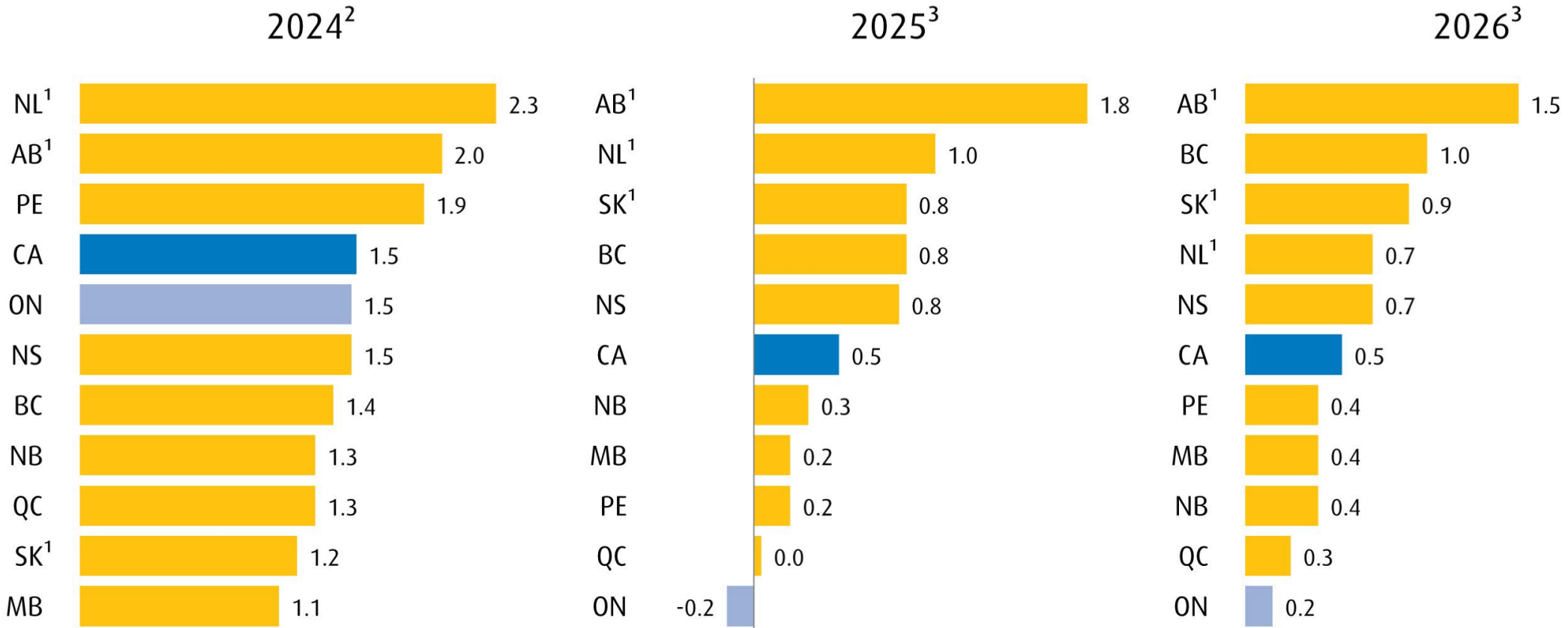
Canada (% of GDP)

Goods exports to U.S.



Canada's regional outlook

Canada – Real GDP (% chng)

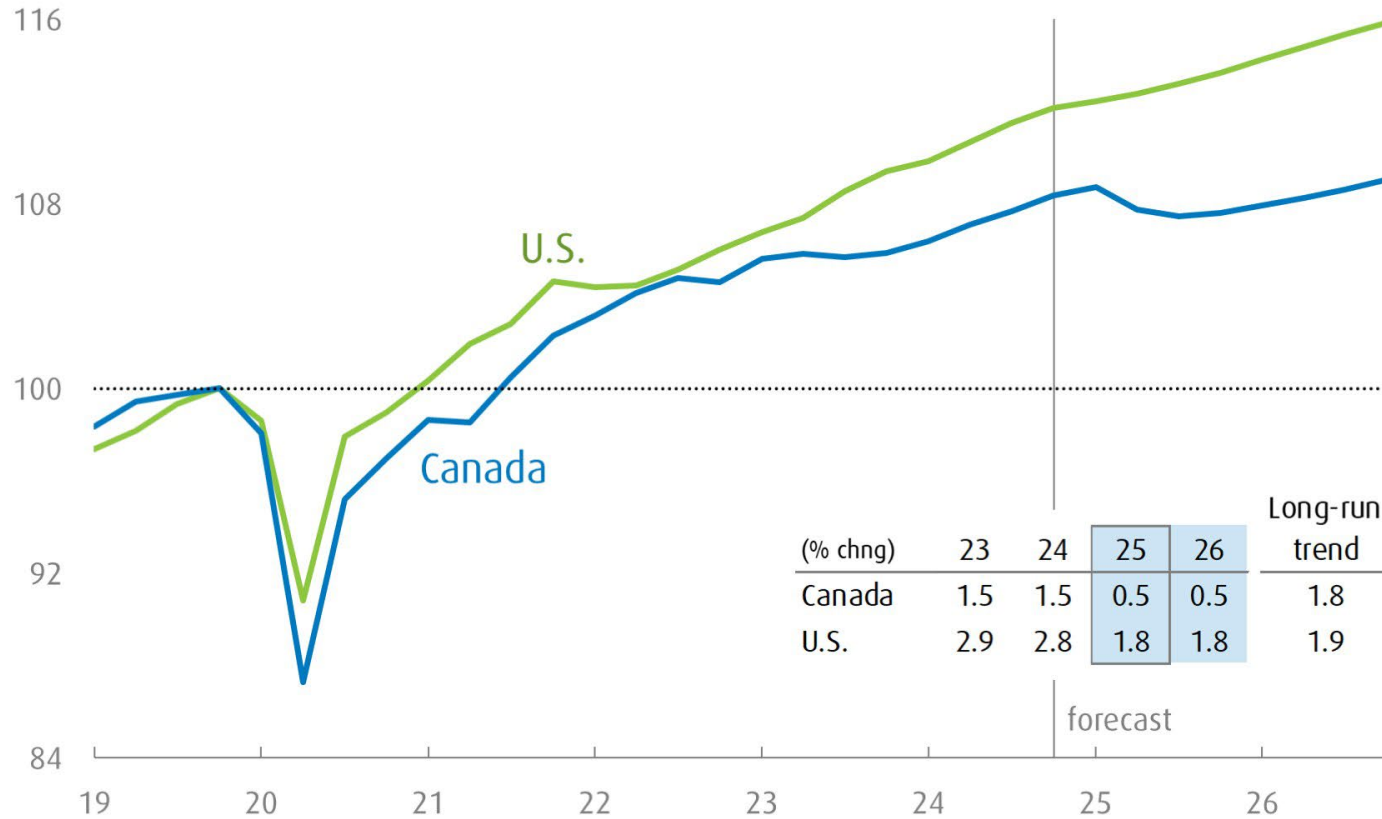


¹ Oil producers • ² Estimate • ³ Forecast

Economic outlook: More than tariffs

(2019Q4 = 100)

Real GDP



Tailwinds:

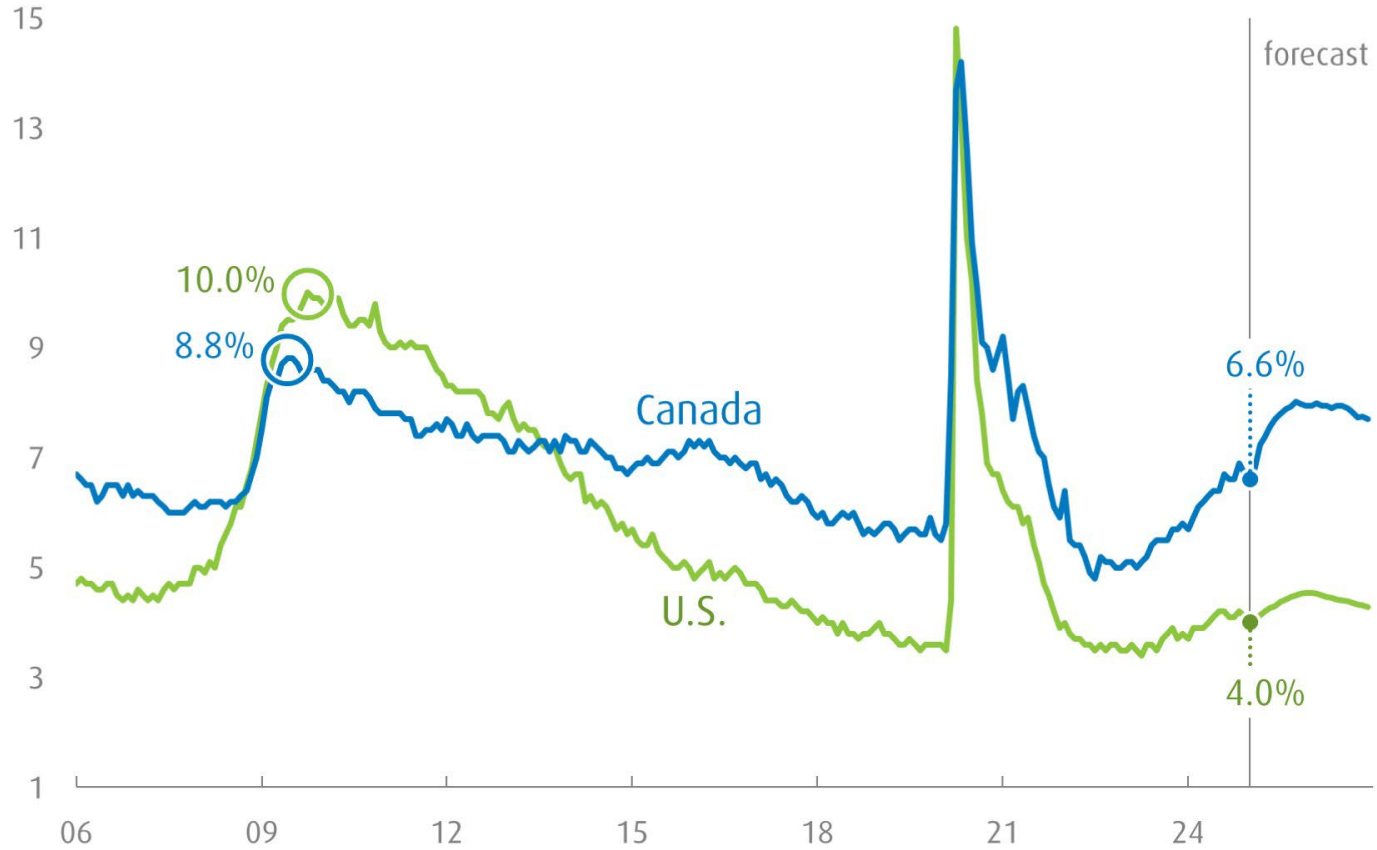
- Lower interest rates
- Rising real wages

Headwinds:

- Trade dispute
- Business confidence
- Slower population growth

Job markets softening

Unemployment rate (percent)



Vacancies vanishing

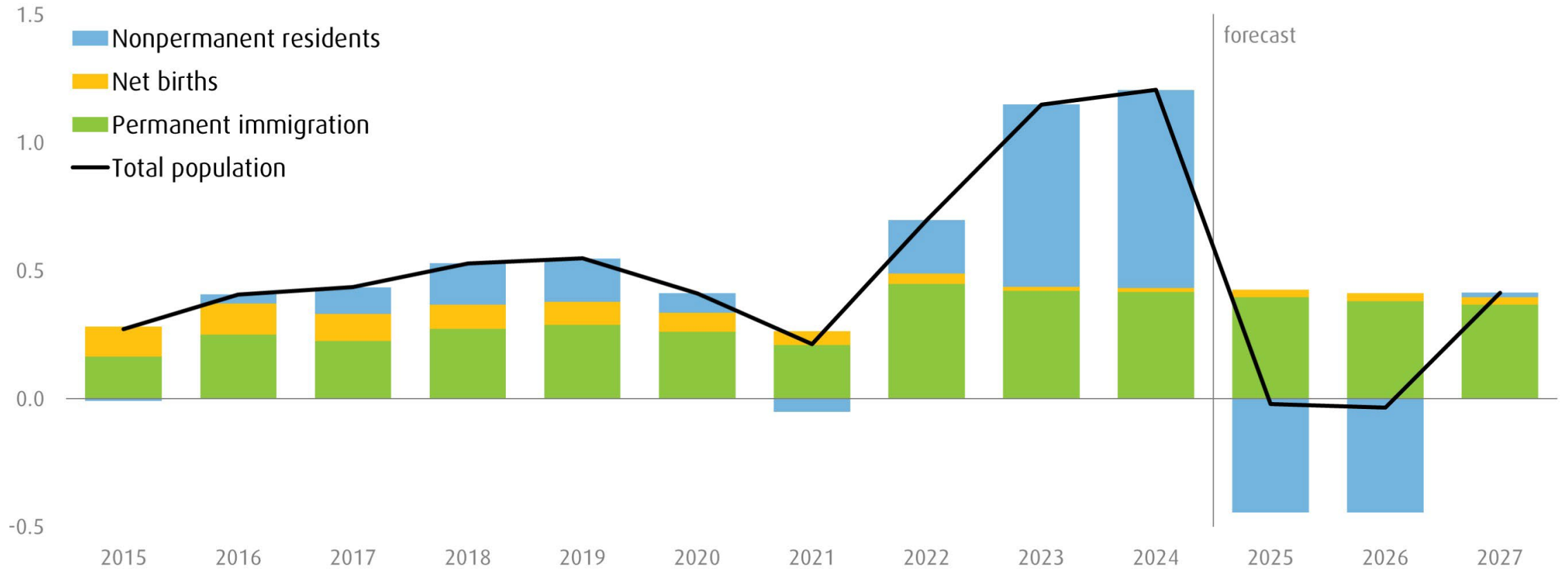
	Current	Pre-COVID ¹
Newfoundland and Labrador	10.6	12.6
Ontario	7.6	5.6
Prince Edward Island	7.2	8.2
Alberta	6.7	7.4
Canada	6.6	5.8
New Brunswick	6.4	7.4
Manitoba	6.1	5.3
British Columbia	6.0	5.4
Nova Scotia	5.9	8.6
Saskatchewan	5.4	6.6
Quebec	5.4	4.5
United States	4.0	3.5

¹ February 2020

Immigration rethink

Canada (mlns of persons)

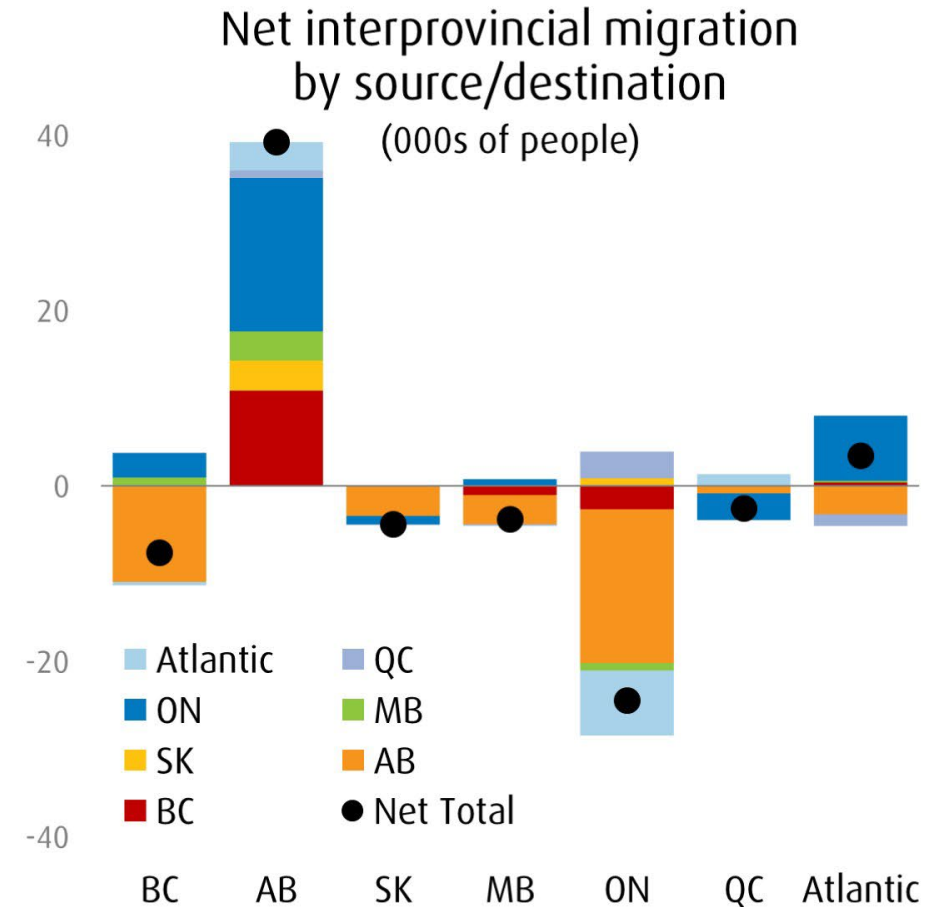
Population growth



Go West, or East

Canada (2024Q3)

Contributions to population growth (ppts)					
	International		Interprovincial migration	Net births	Total ¹
	Permanent residents	Nonpermanent residents			
Canada	1.1	1.2	0.0	0.0	2.3
British Columbia	1.0	1.4	-0.1	0.0	2.2
Alberta	1.2	1.5	0.8	0.3	3.9
Saskatchewan	1.9	0.5	-0.4	0.1	2.2
Manitoba	1.6	0.8	-0.2	0.2	2.4
Ontario	1.1	1.2	-0.2	0.1	2.2
Quebec	0.6	1.5	0.0	0.0	2.0
Atlantic	1.5	0.3	0.1	-0.4	1.5

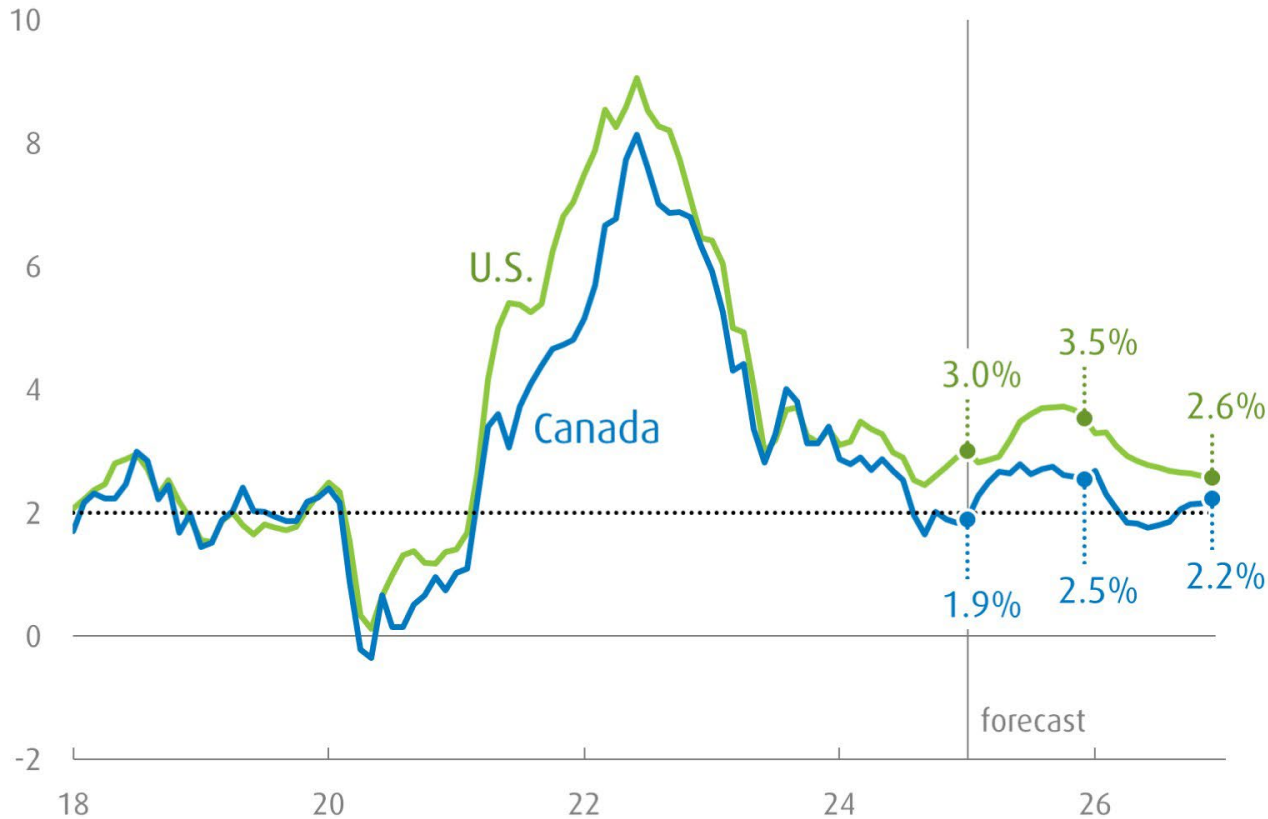


¹ May not add up due to rounding

Inflation lingers

(y/y % chng)

Consumer price index

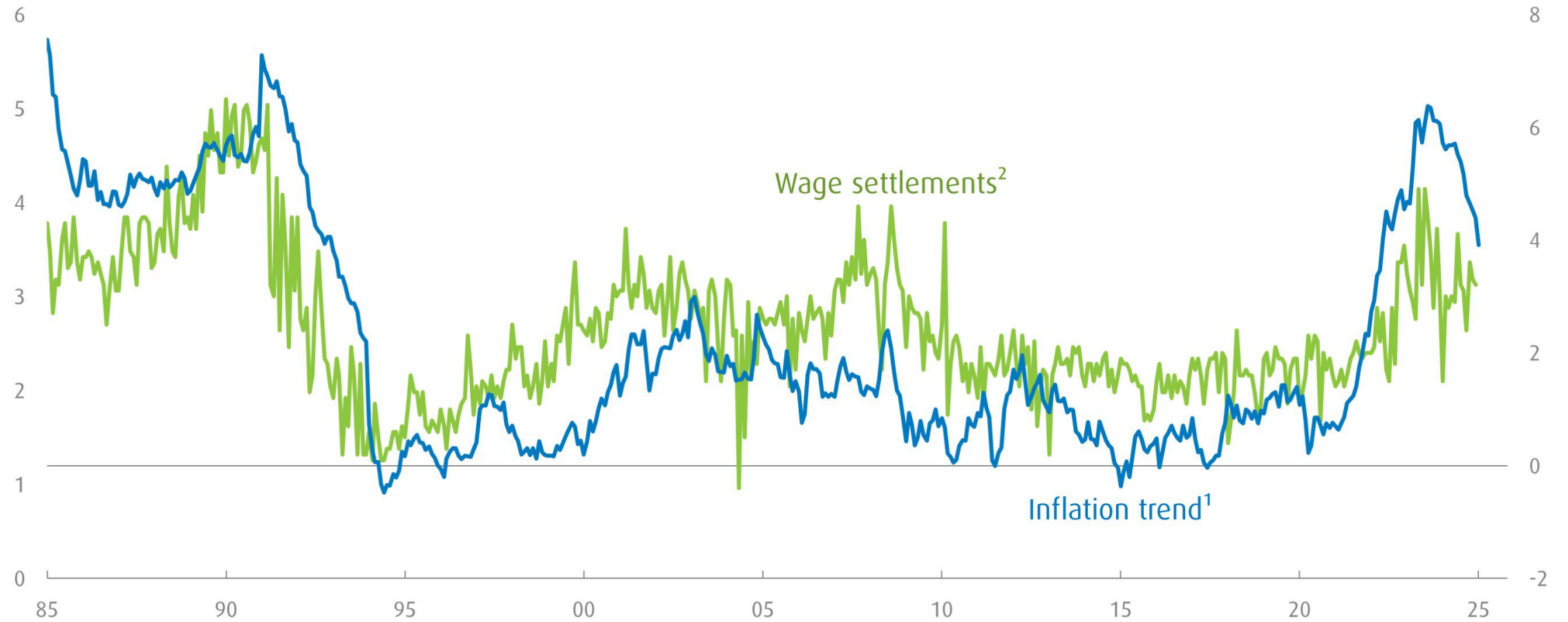


Tracking the progress:

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

Wage train is rolling

Canada

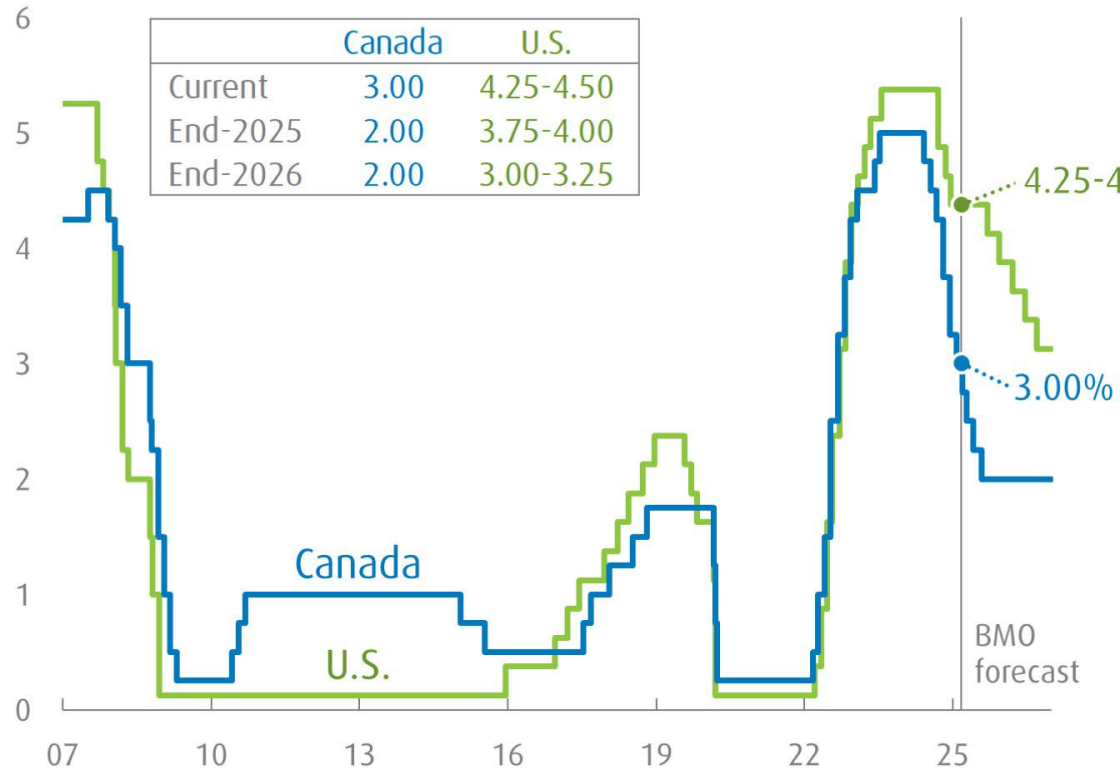


¹ (lhs : CPI : 3-yr ann. % chng) • ² (rhs : annual % adjustment)

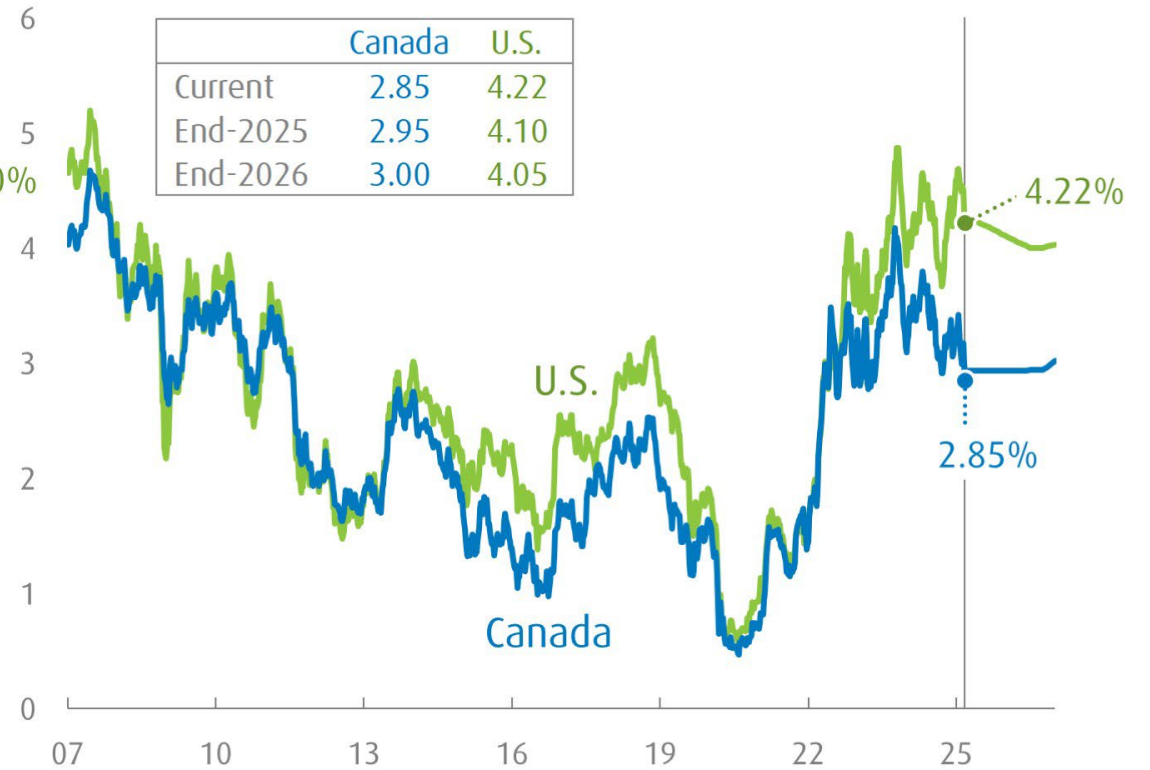
Easing cycle slows down

(% : as of March 4, 2025)

Overnight rate



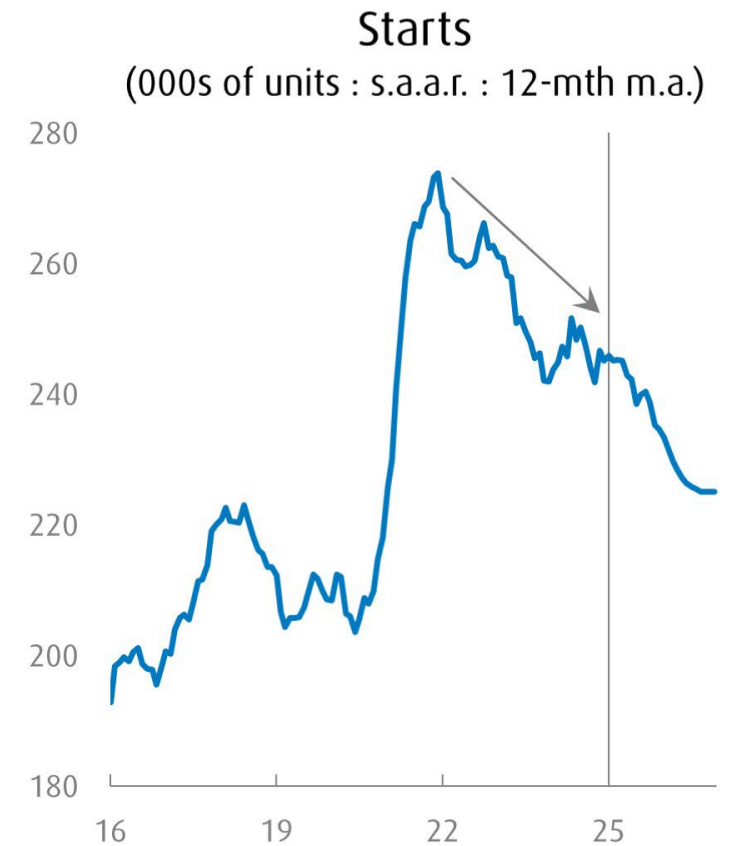
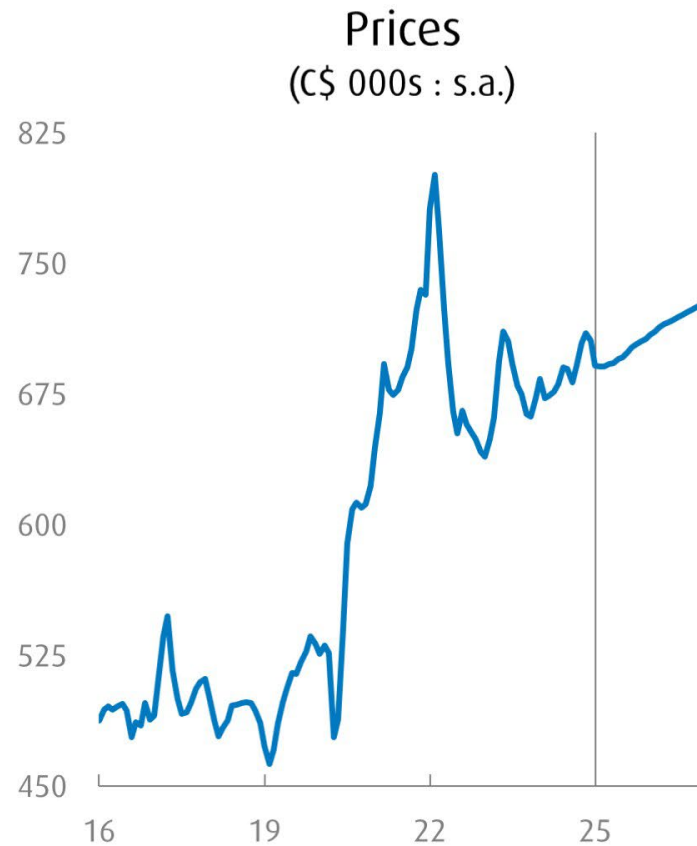
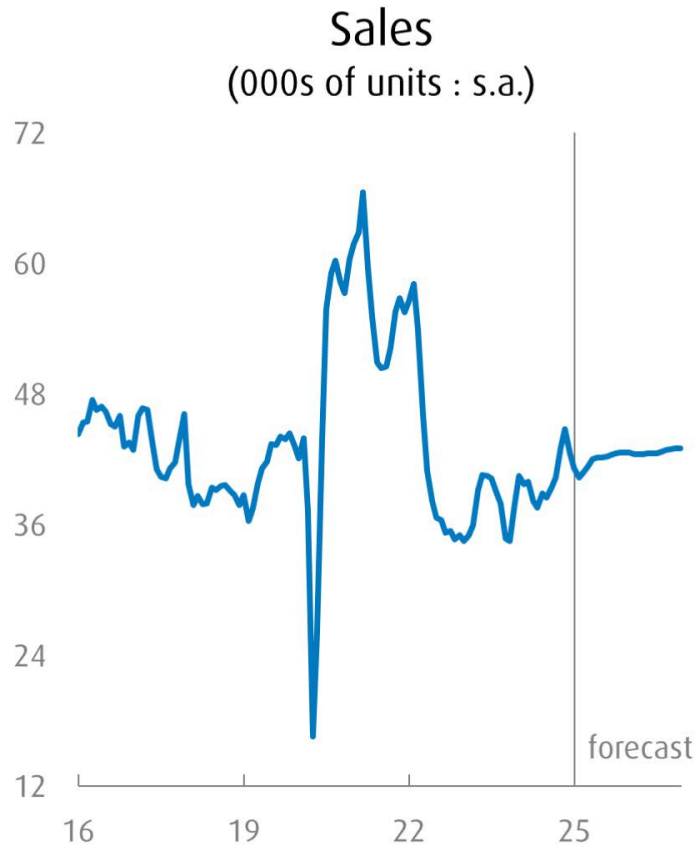
10-year bonds



Neutral rates likely higher than past decade

Housing outlook in a nutshell

Canada – Housing

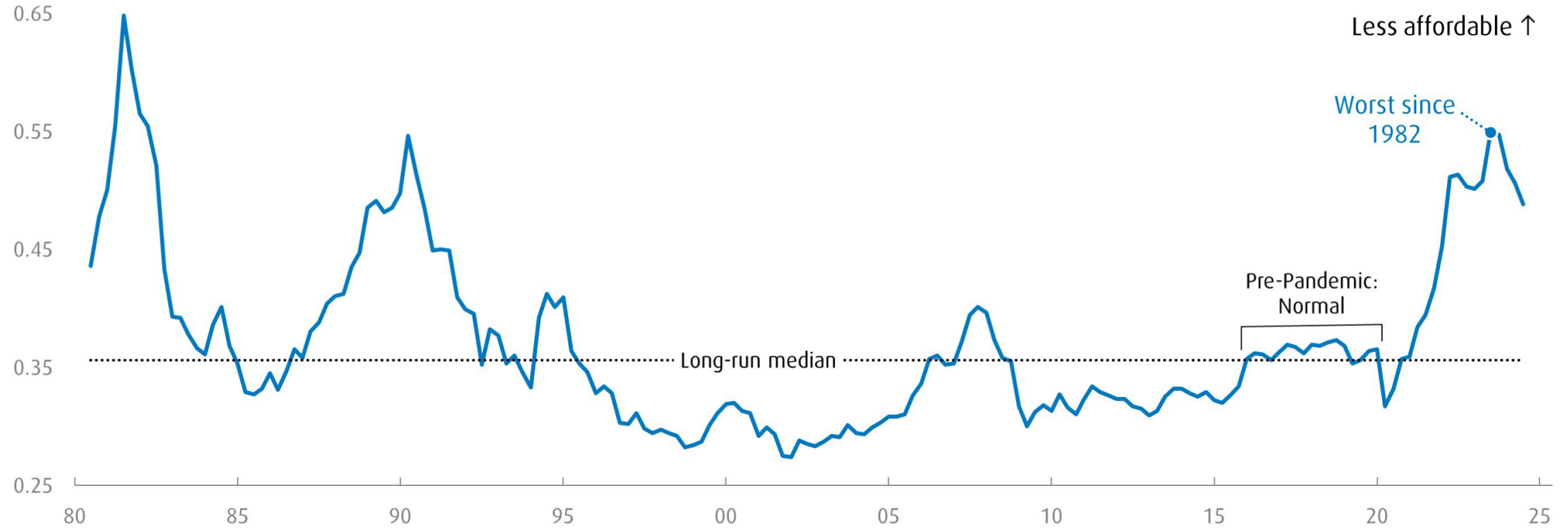


Rate cuts beginning to work

Affordability still crippled

Canada

Housing 'Un-affordability' Index¹



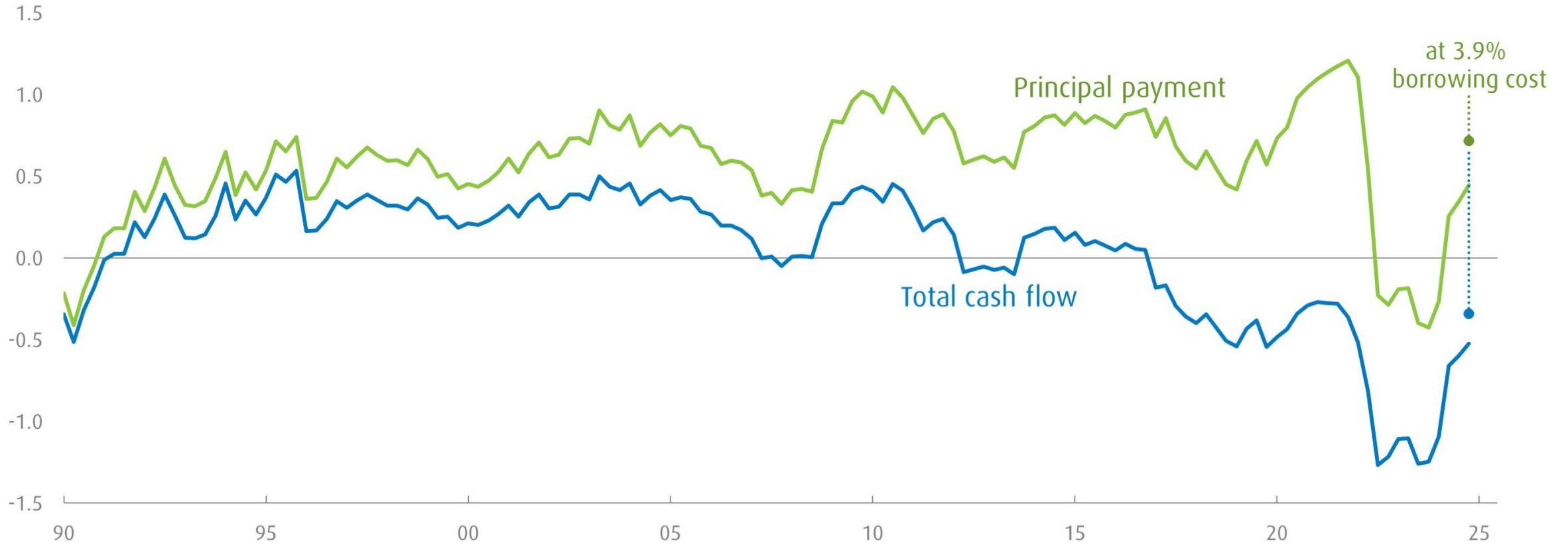
Mortgage service costs far above long-run norm

¹ (share of household disposable income spent on mortgage payments and utility fees)

Investors gone

Toronto (inflation-adjusted \$000s/month)

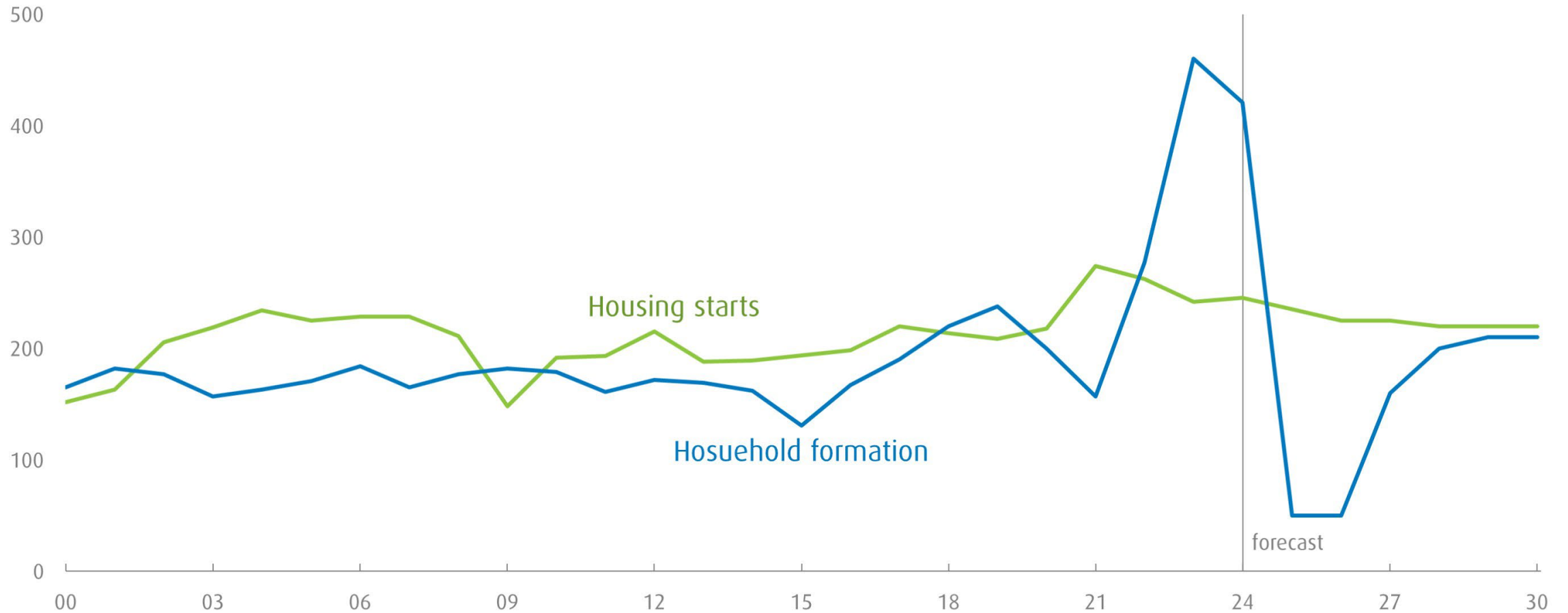
Cash flow on new investment property¹



¹ Based on benchmark apartment price, 20% down payment and 25-year amortization

Housing rebalancing underway

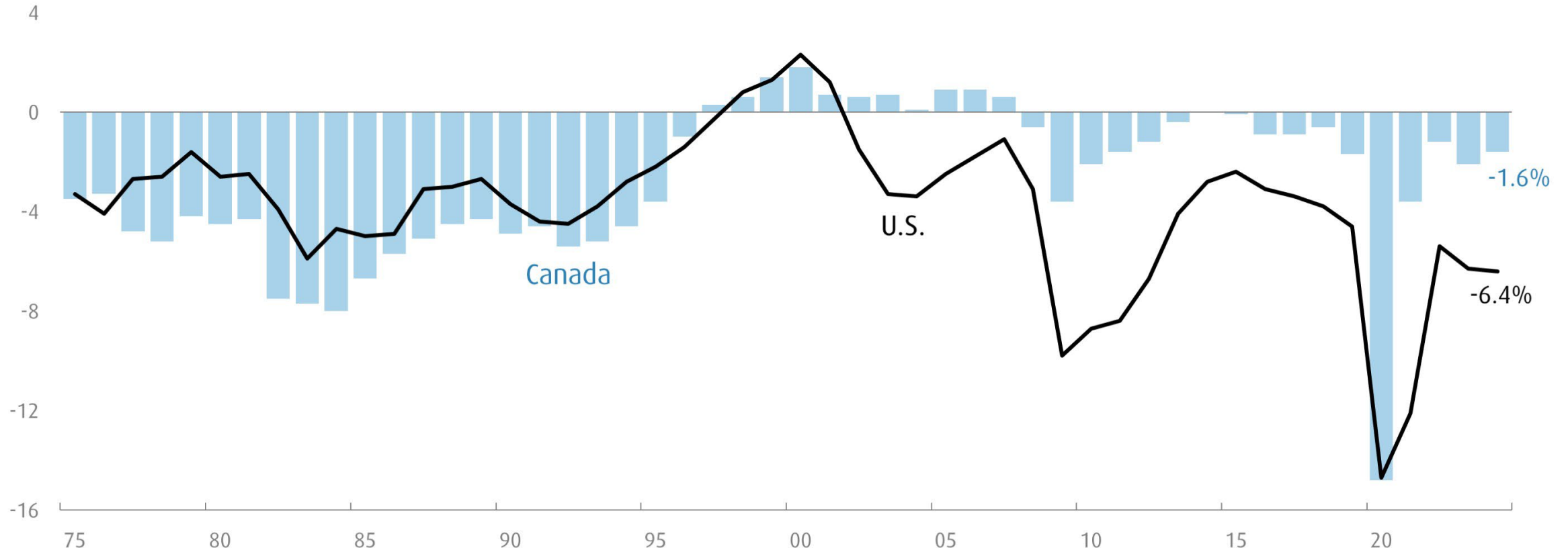
Canada (thousands)



Fiscal matters: U.S. budget woes

(fiscal years : % of GDP)

Federal government budget balance

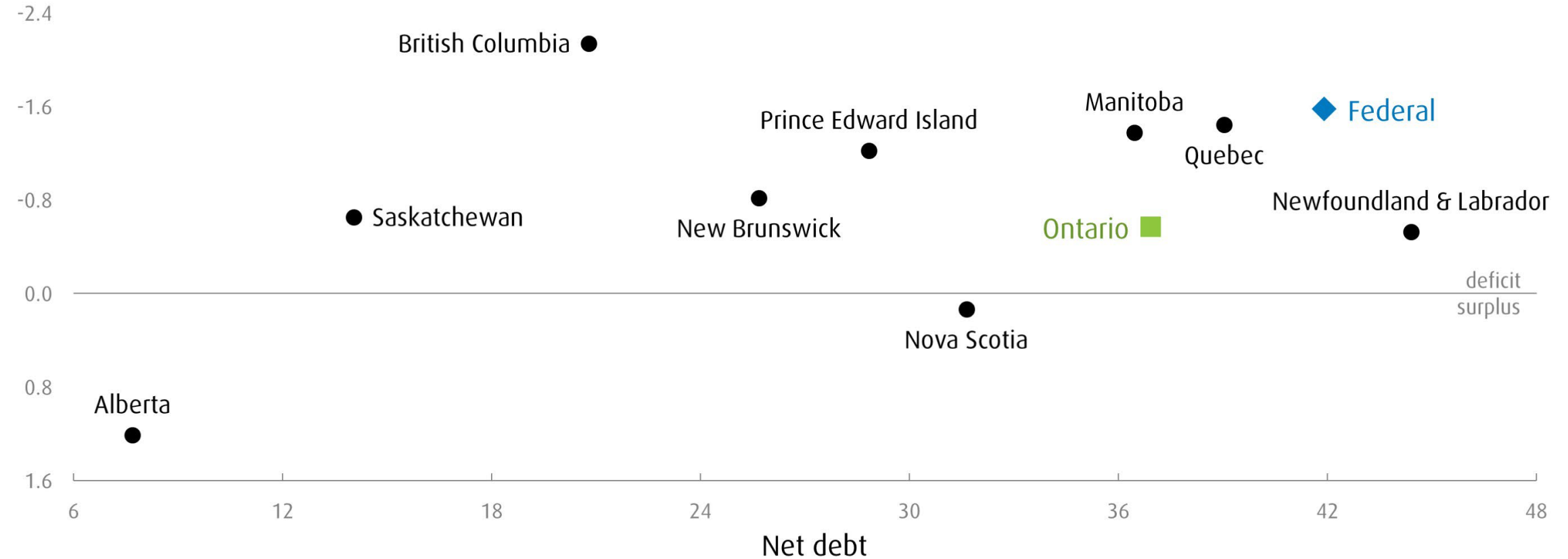


Canada: FY24/25 = estimate

The lay of the fiscal land

Canada – FY24/25 (% of GDP)

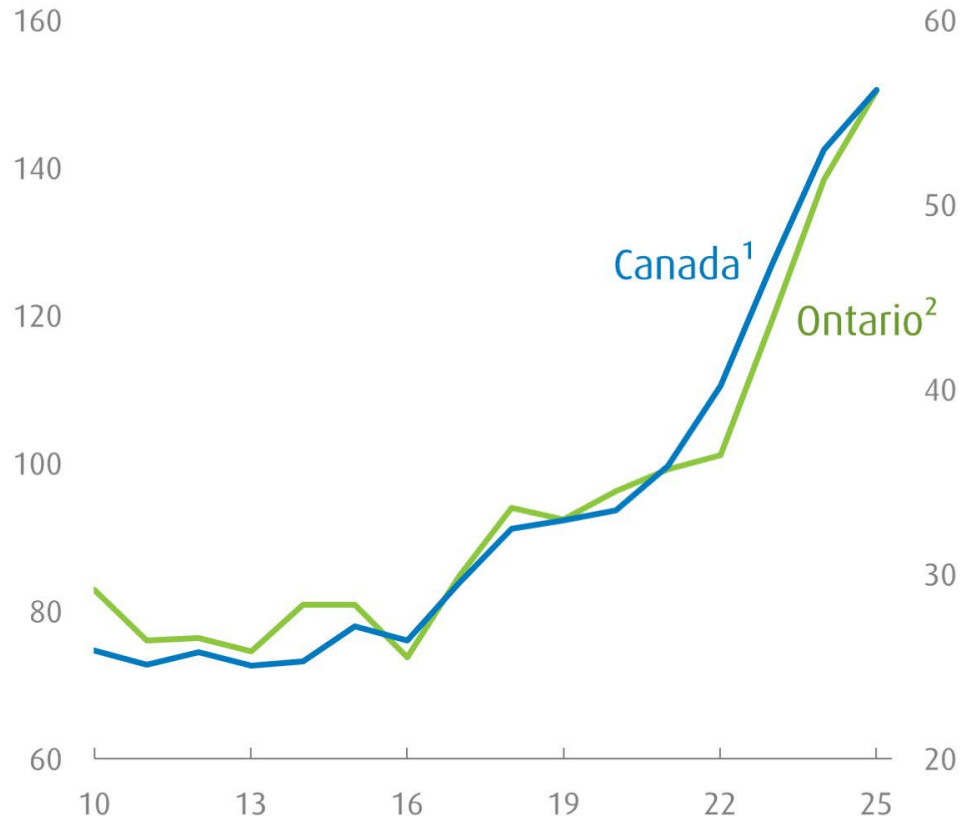
Budget balance



Capital spending boom continues

Canada – Public sector organizations (C\$ blns)

Capital expenditures



Major areas of capex:

Transportation infrastructure

Schools and hospitals

Power infrastructure

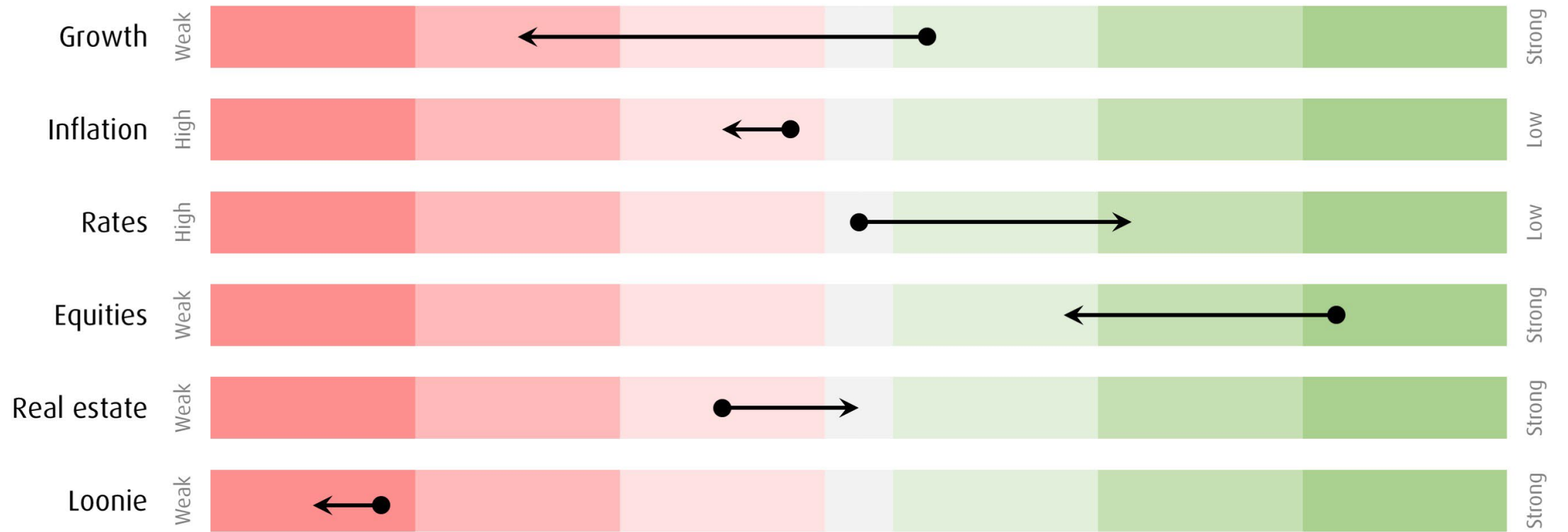
Provinces borrowing ~\$140 bln vs. deficits of \$26 bln

Private-sector could struggle during a trade war

¹ (lhs) • ² (rhs)

Economic and financial market dashboard

Canada



Arrows represent expected change over the next 6 to 12 months

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