



**Economic outlook
Trump: Taxes, Trade &
Treasuries**

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Douglas Porter, CFA
Chief Economist and Managing Director
BMO Financial Group

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A mix of “good-for-growth” and “not-so-good-for-growth”

President Trump’s economic platform



Good:

- Tax cuts/reform
- More infrastructure spending
- Less regulation

Not-so-good:

- Protectionism
- Immigration uncertainty

Restrained by budget deficit and Congress

Canada/US trade relations

Then: “Tweak NAFTA”



February 13, 2017

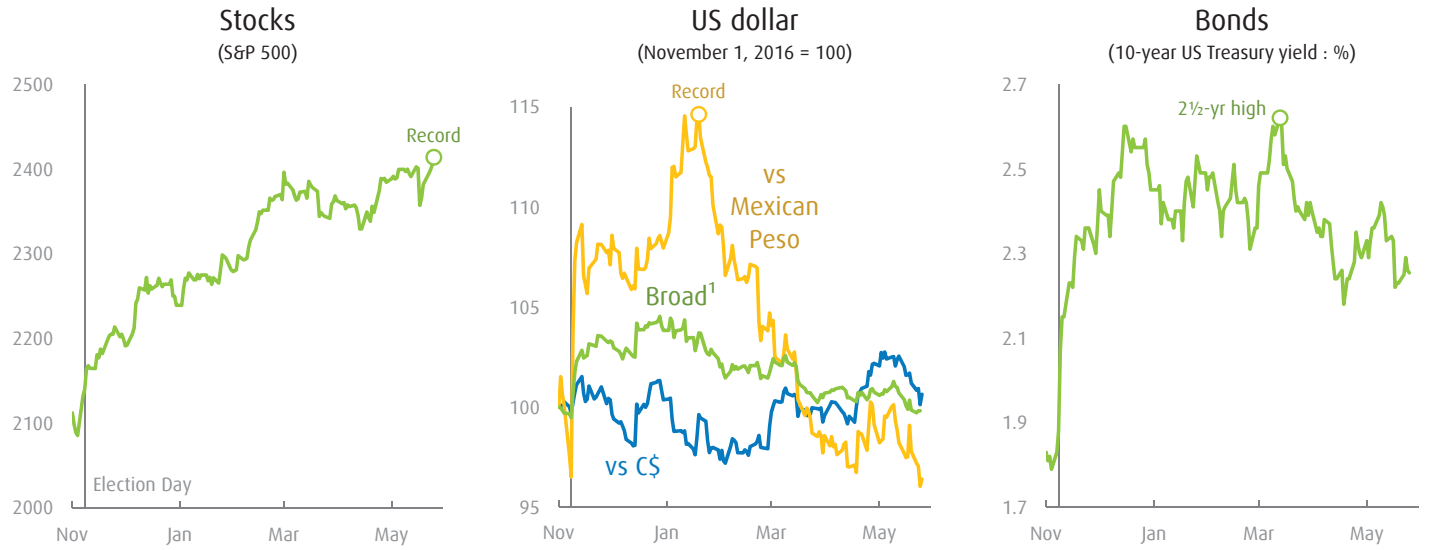
Now: “Wreak havoc”

- Lumber tariff
- Dairy “disgrace”
- Problem with energy exports
- Aerospace
- + Border tax?
- + Tax competitiveness challenge

US gives notice on NAFTA talks

Markets: No longer as Trumped up

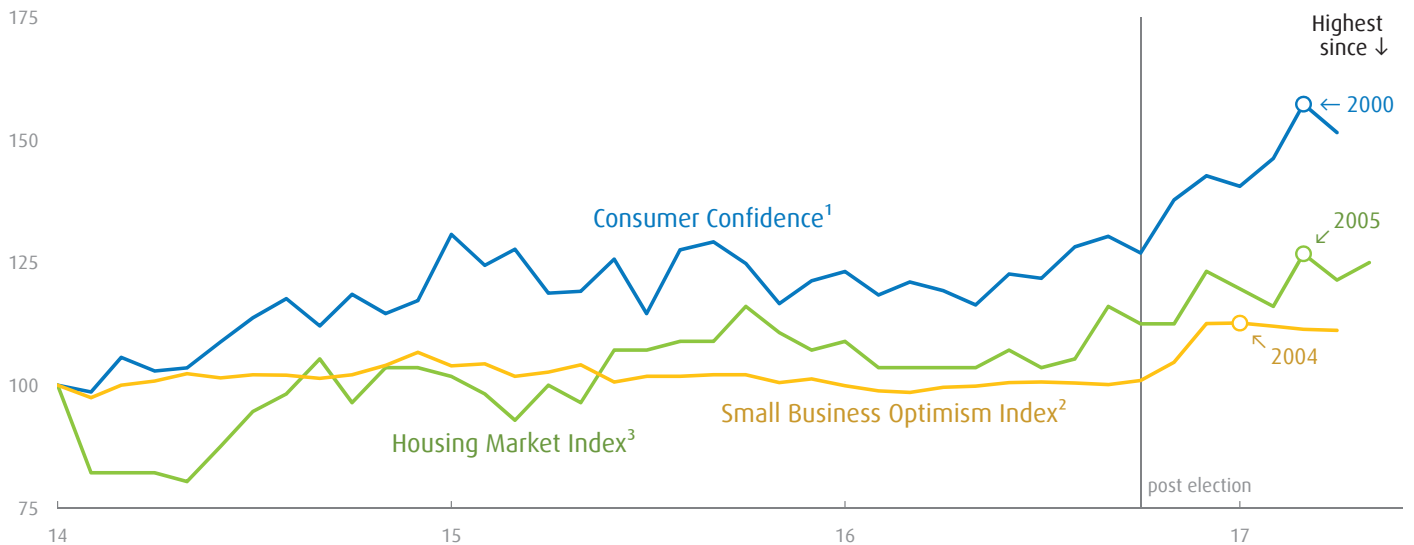
2016-17 (as of May 25, 2017)



¹ Broad trade-weighted dollar

Confidence booster... still

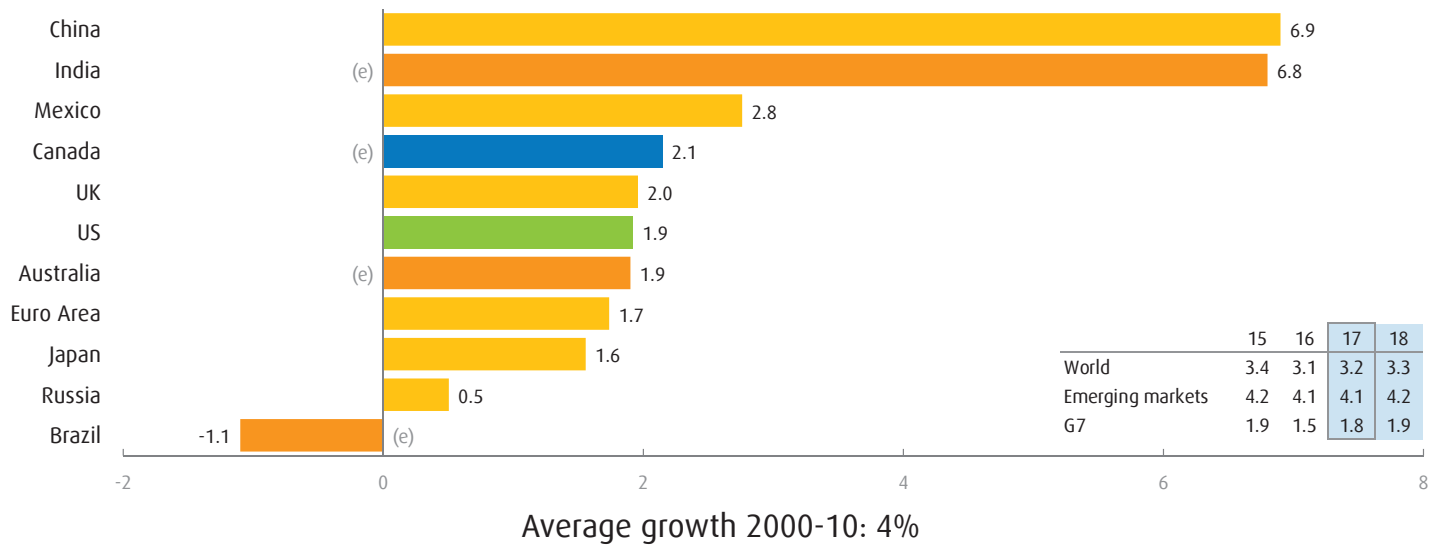
United States (January 2014 = 100)



Global GDP: Mixed and still sluggish

2017:Q1 (y/y % chng)

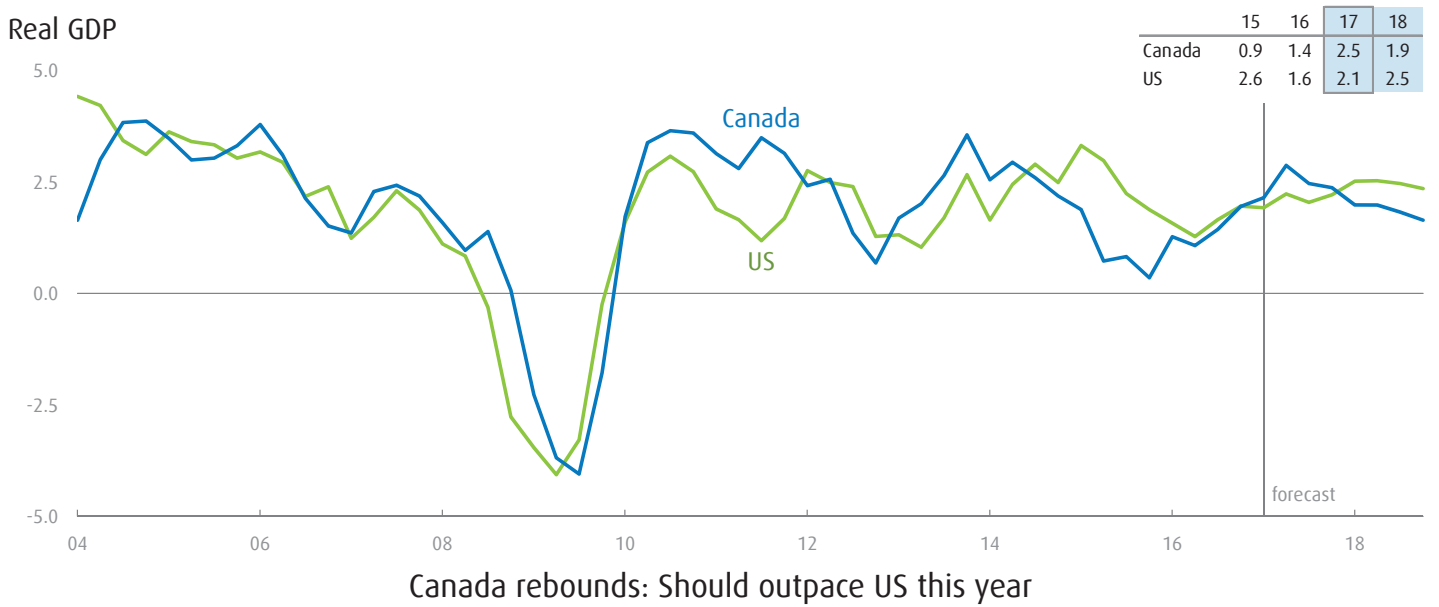
Real GDP



North American growth: A better 2017

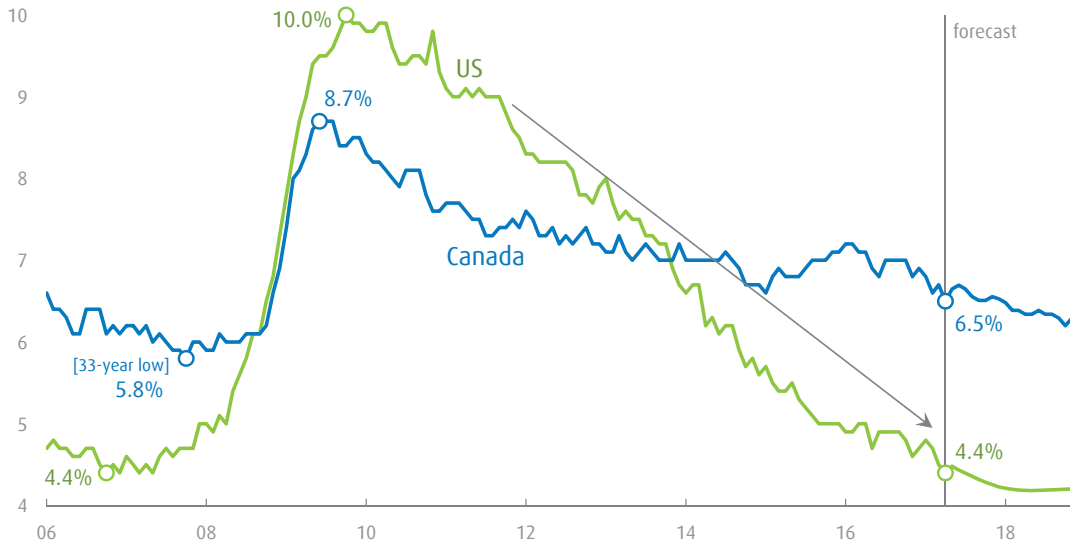
(y/y % chng)

Real GDP



Jobless rates: US still falling... Canada improving again

Unemployment rate (percent)



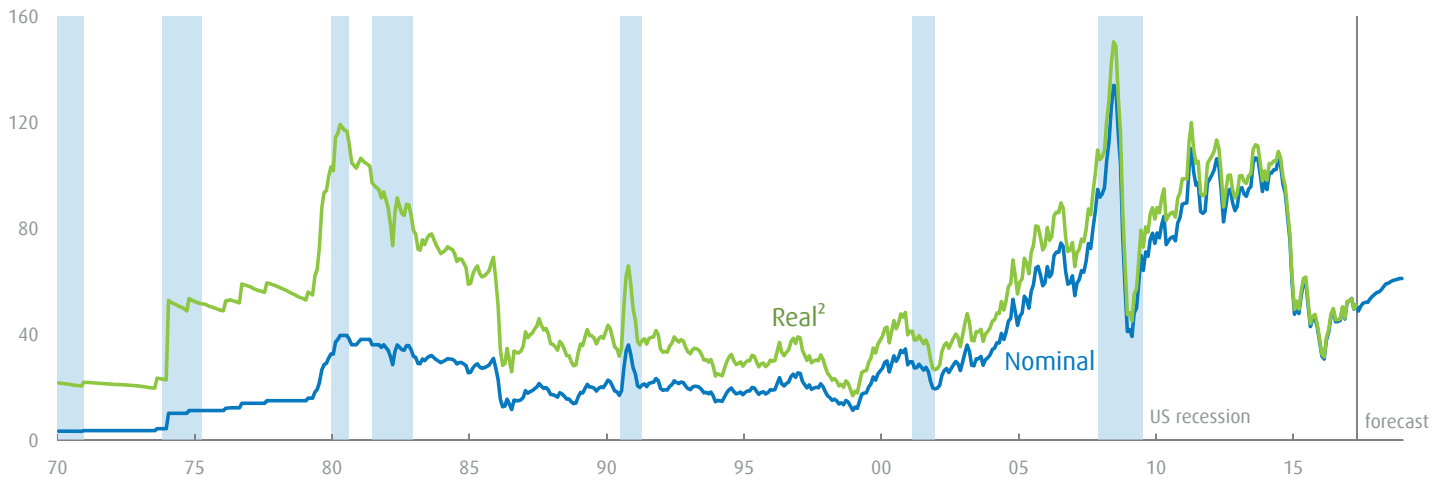
Greece	23.2
Spain	18.2
Italy	11.7
France	10.1
Portugal	9.8
Canada	6.5
Ireland	6.4
Australia	5.7
UK	4.6
US	4.4
Germany	3.9
Japan	2.8



Oil price collapse in perspective

(US\$/bbl)

Crude oil price¹



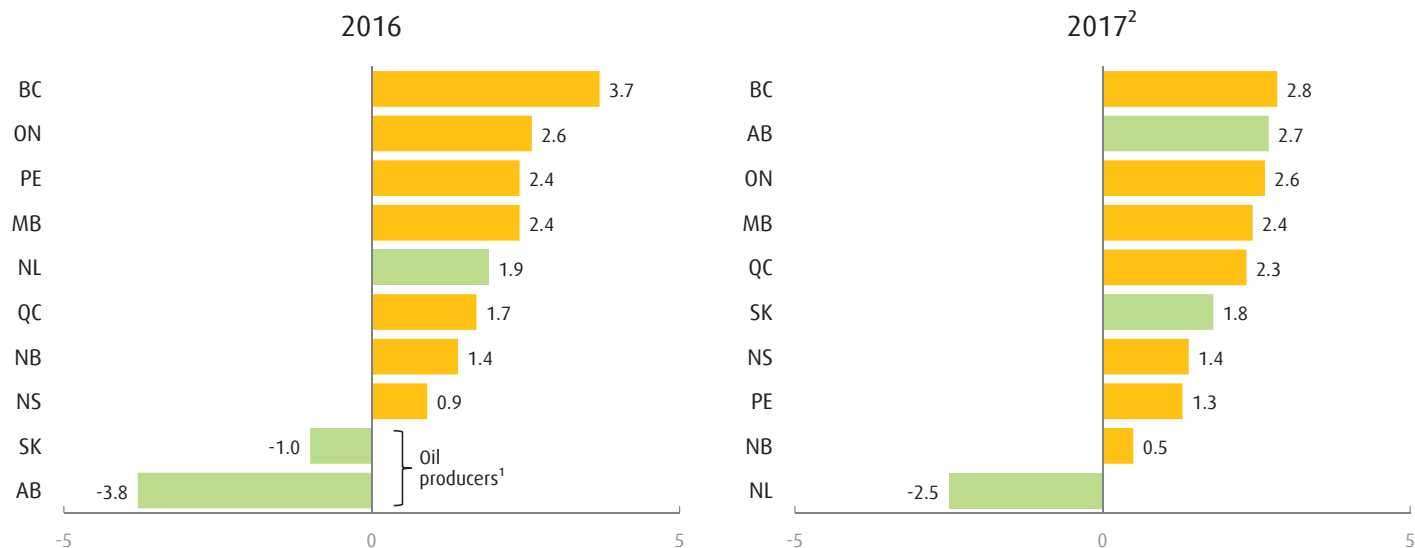
Long-term average price = \$55 (today's dollars)

¹ West Texas Intermediate ² April 2017 US dollars



Regional outlook: Ch-Ch-changes

Real GDP – Canada (y/y % chng)

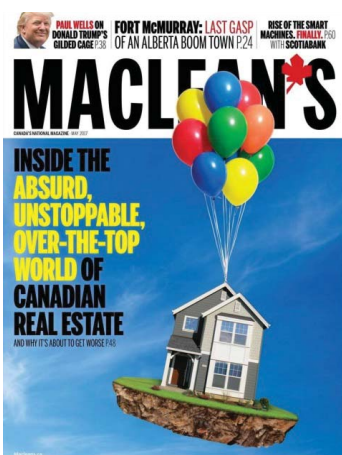


¹ Oil producers: Alberta, Saskatchewan, Newfoundland and Labrador

Source: ² BMO Economics forecasts

Housing: Bubble Trouble?

Canada



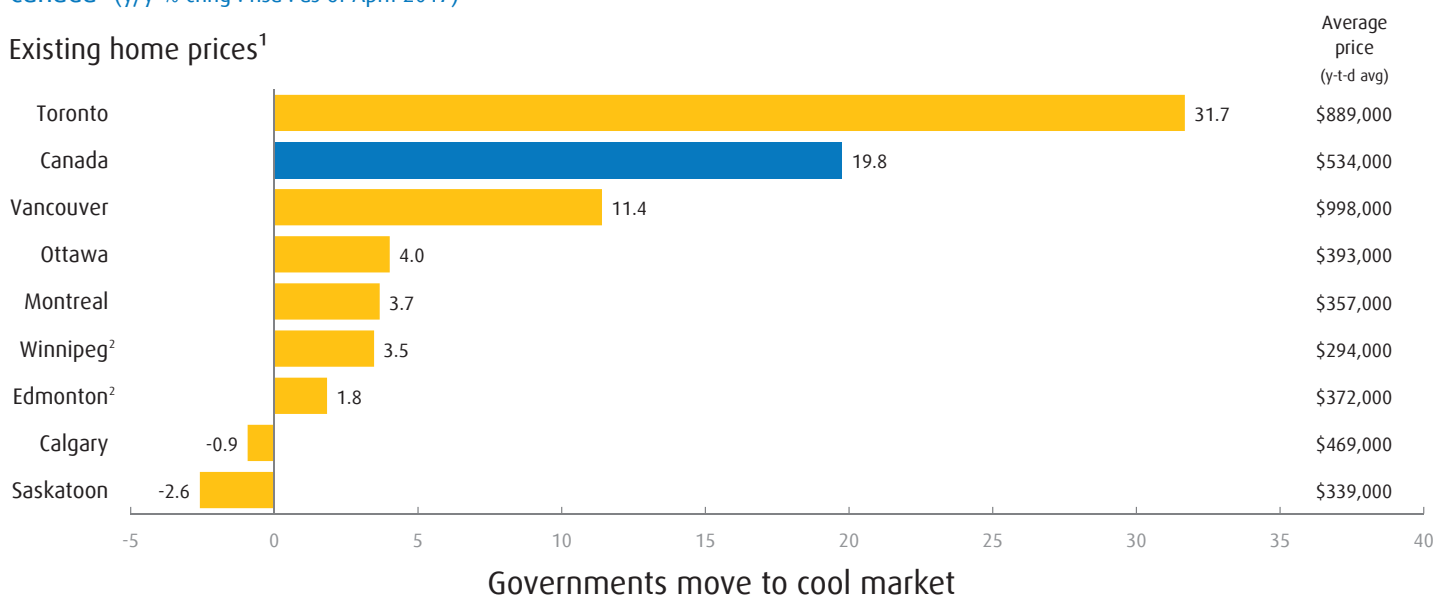
- 2017: "Toronto and surrounding cities are in a housing bubble"
- 2016: "Party will end in the Toronto and Vancouver housing markets this year"
- 2015: "Canada is in serious trouble"
- 2014: "Why Canada isn't immune to a US-style housing crash"
- 2013: "Inside the great real estate crash of 2013"
- 2012: "Canada's housing crash begins"
- 2011: "Canada's housing bubble deemed close to bursting"
- 2010: "Canada's housing bubble: An accident waiting to happen"
- 2009: "Why Canada's housing bubble will burst"
- 2008: "Canada's housing bubble could soon burst"

- BMO Economics
- Canadian bank
- Deutsche Bank 2015
- Maclean's
- Maclean's
- Canadian Business
- CBC News
- CCPA
- The Tye
- US investment firm

Canadian house prices: Location, location, location

Canada (y/y % chng : nsa : as of April 2017)

Existing home prices¹



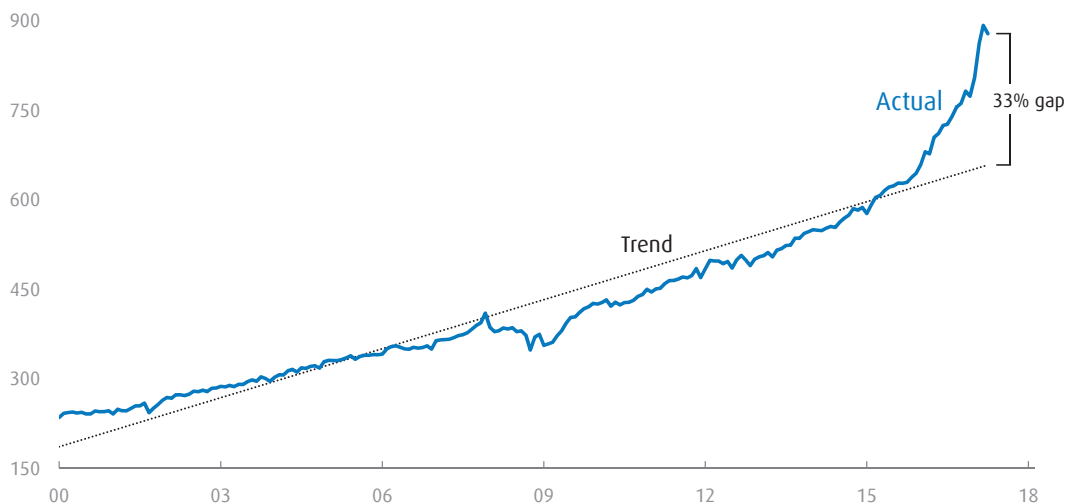
¹ HPI composite benchmark where available ² Average price (y-t-d)

Toronto home prices: Any questions?

Homes - Greater Toronto Area (\$ 000s)

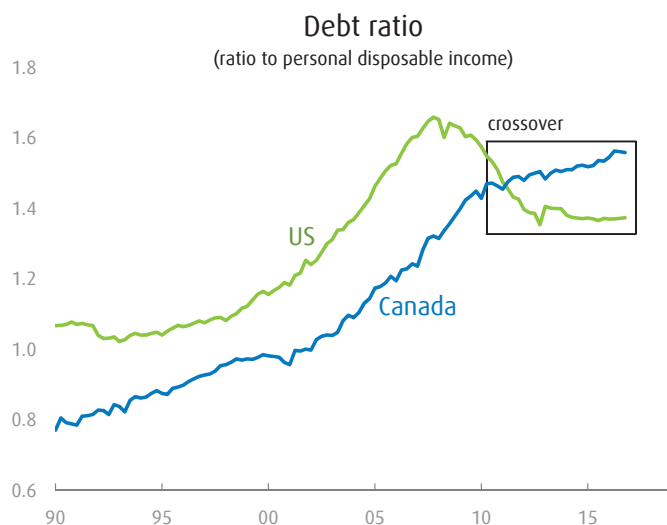


Average sale price



Canadian consumers: "Vulnerabilities are elevated and rising"

Households¹



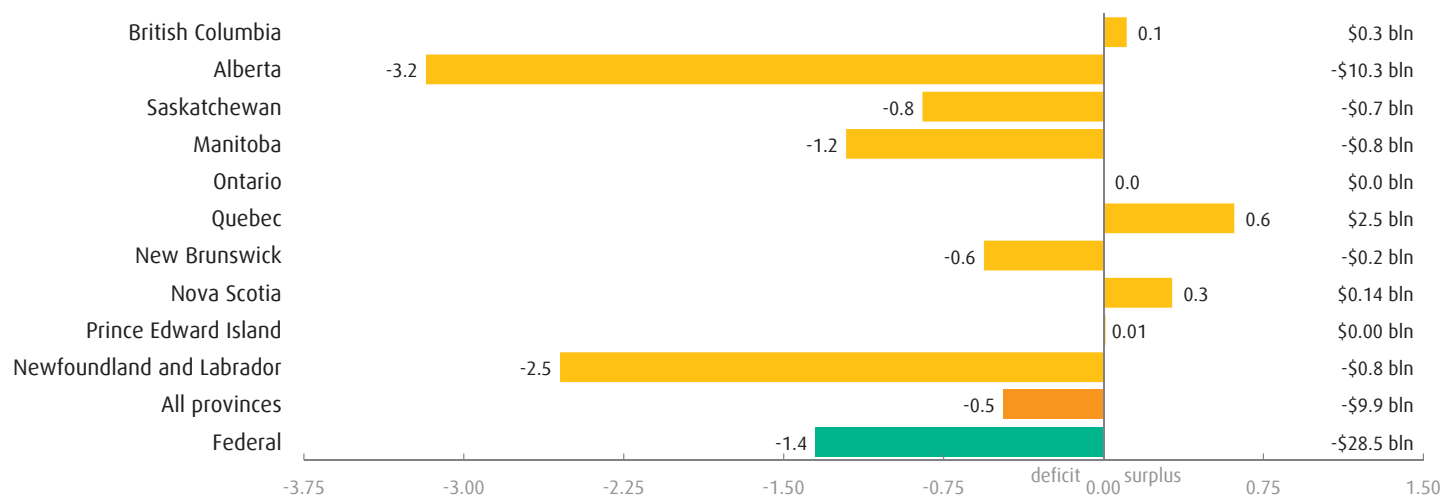
Debt ratio at record highs, more to come

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

Provincial deficits: Some progress, some trouble

Canada - FY17/18 (% of GDP)

Budget balance

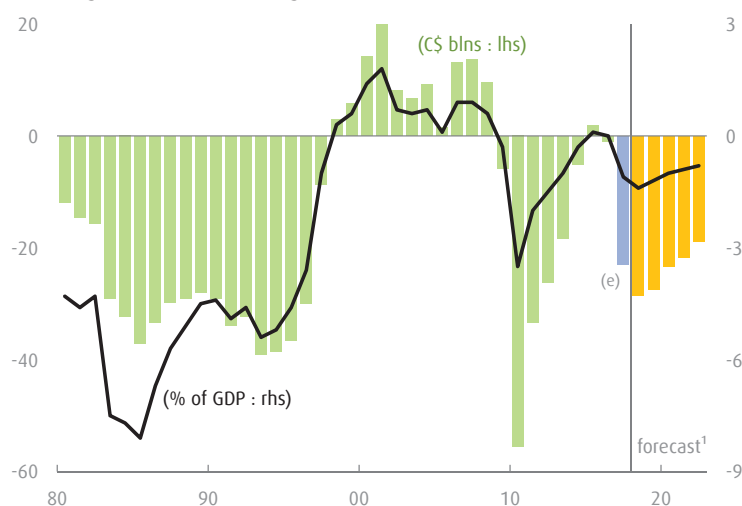


Quebec: Before GF transfers

Budget 2017: Beauty (economy) and Beast (deficit)

Canada

Federal government budget balance



Fiscal 17/18 deficit \$28.1 bln

Strengthening economy provides upside versus budget assumptions

Little in the way of new measures, but “infrastructure” spending detailed

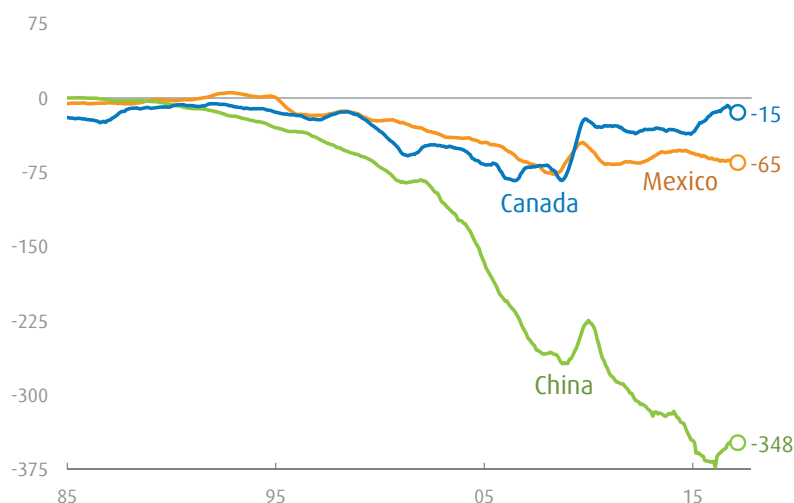
Deficits persist through forecast horizon

Debt/GDP stable

US trade trends

United States

Goods trade balance with... (US\$ blns : 12-mnth ms)



	Exports to:	Imports from:	Total trade
	(US\$ blns : 12-mnth total) ¹		
Canada	270.1	284.7	554.8
Mexico	234.0	299.3	533.3
China	120.1	468.0	588.1

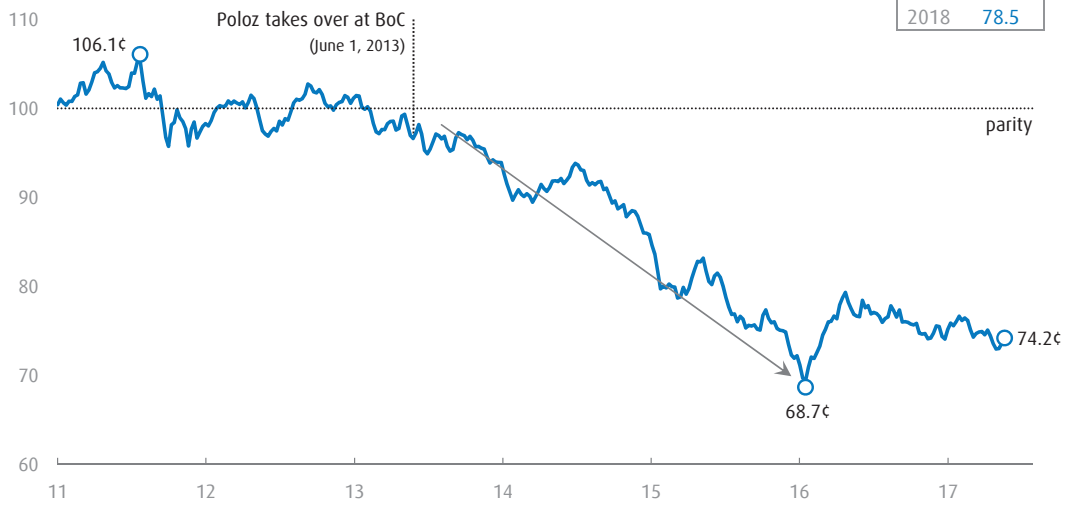
¹ (to March 2017)

Canadian dollar: Where next?

Canada



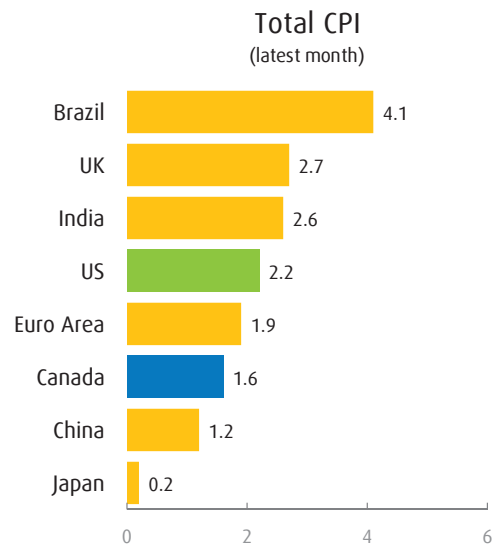
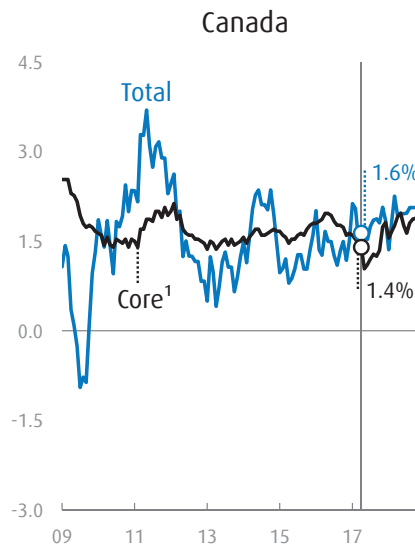
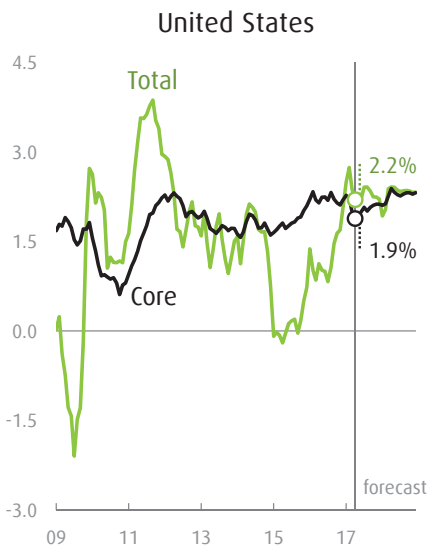
Canadian dollar (US¢ : as of May 25, 2017)



Trade uncertainties, housing worries, oil

Inflation edging up... except in Canada

Consumer price index (y/y % chng)



Inflation and deflation

Consumer price index – Canada (y/y % chng : as of April 2017)

Deflationary

Bread	-7.3%
Fresh fruit	-6.2%
Fresh vegetables	-5.9%
Home entertainment equipment	-5.3%
Beef	-4.8%
Sports equipment	-4.2%
Women’s clothing	-2.8%
Dairy and eggs	-1.5%
Electricity	-1.3%
Coffee and tea	-1.1%

Down 5.1% y/y in Ontario

Inflationary

Gasoline	15.9%
Books	7.3%
Air fares	3.9%
Cigarettes	3.9%
Home insurance	3.6%
Health care services	3.3%
Property taxes	2.8%
Tuition fees	2.8%
Child care	2.2%
Beer	2.1%

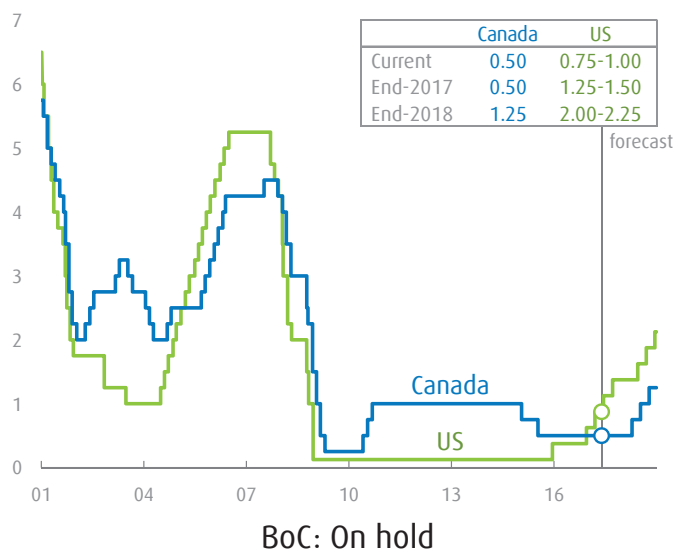
Up 4.8% y/y in late May

Overall CPI: 1.6%

Interest rates: More US rate hikes coming

(% : as of May 25, 2017)

Overnight rate

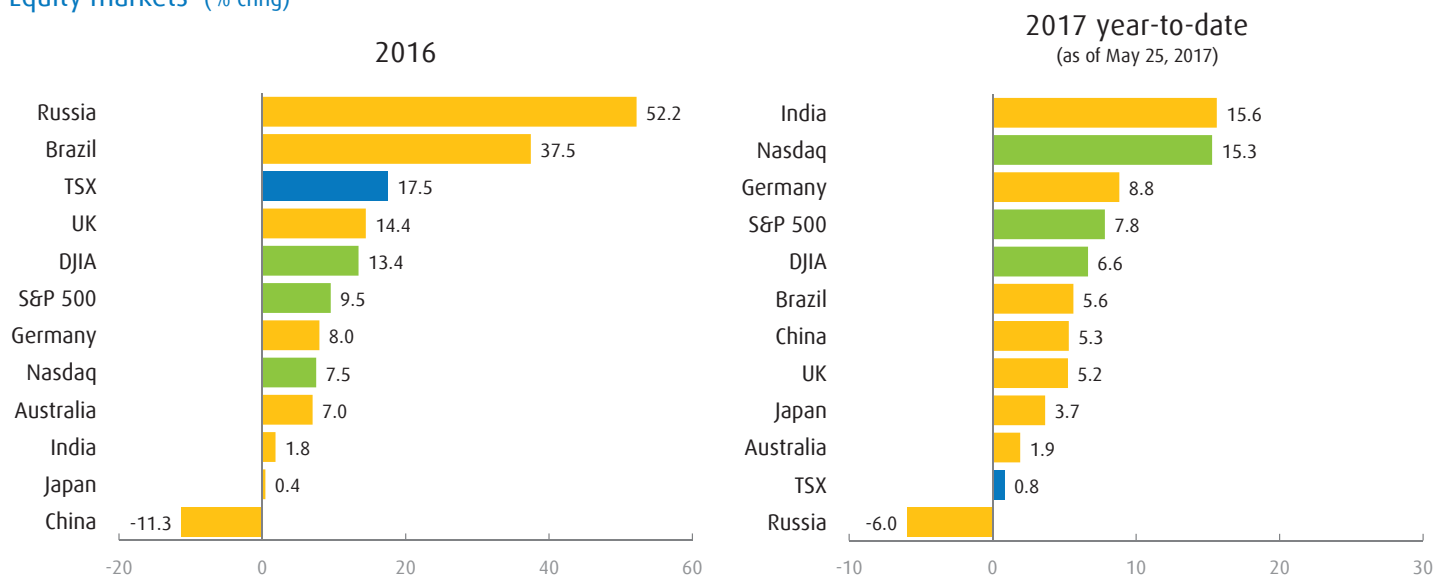


10-year bonds



Global stocks: Tables turn

Equity markets (% chng)



Outlook in a nutshell



Canadian economy:

Worst of the oil shock over
Better 2017 outlook

US economy:

Trump policies a wildcard

Global economy:

Stronger in 2017
Geopolitics: North Korea, Syria

Financial markets:

Fed hikes could pressure risk assets in 2017
Trump disappointment a risk

Uncertainties loom: EU elections, Brexit