

Filling the Output Gap From Lockdown to Sustained Recovery *That is Now the Challenge!*

Presented to

**ELECTRO-FEDERATION CANADA
ECONOMIC FORECAST SERIES – PART II**

Presented by

Maureen Farrow
Economist/Strategist
ECONOMAP INC.
(416) 364-2999

September 24, 2020

Current State of Pandemic

Global Cases Pass 29 Million as of Sept 16

215 Countries Affected

Government Reaction Around The World Was to:

- Shut down economic activity and lockdown social interaction.
- Use fiscal measures to support laid off workers and shut down businesses.
- Monetary policy injects liquidity.

Bottom-line: The Deepest shortest recession since the Great Depression.

The Numbers – September 16, 2020

Country, Other	Total Cases	Total Deaths
World	29,930,977	942,666
USA	6,803,927	200,853
India	5,112,431	83,208
Brazil	4,392,351	133,355
Russia	1,079,519	18,917
Spain	614,360	30,243
Iran	410,334	23,632
France	404,888	31,045
UK	378,219	41,684
Italy	291,442	35,645

Country, Other	Total Cases	Total Deaths
Germany	266,541	9,447
Canada	139,421	9,193
Belgium	94,795	9,930
China	85,214	4,634
Japan	75,958	1,451
Switzerland	48,265	2,039
S. Korea	22,504	367
New Zealand	1,802	25
Vietnam	1,063	35

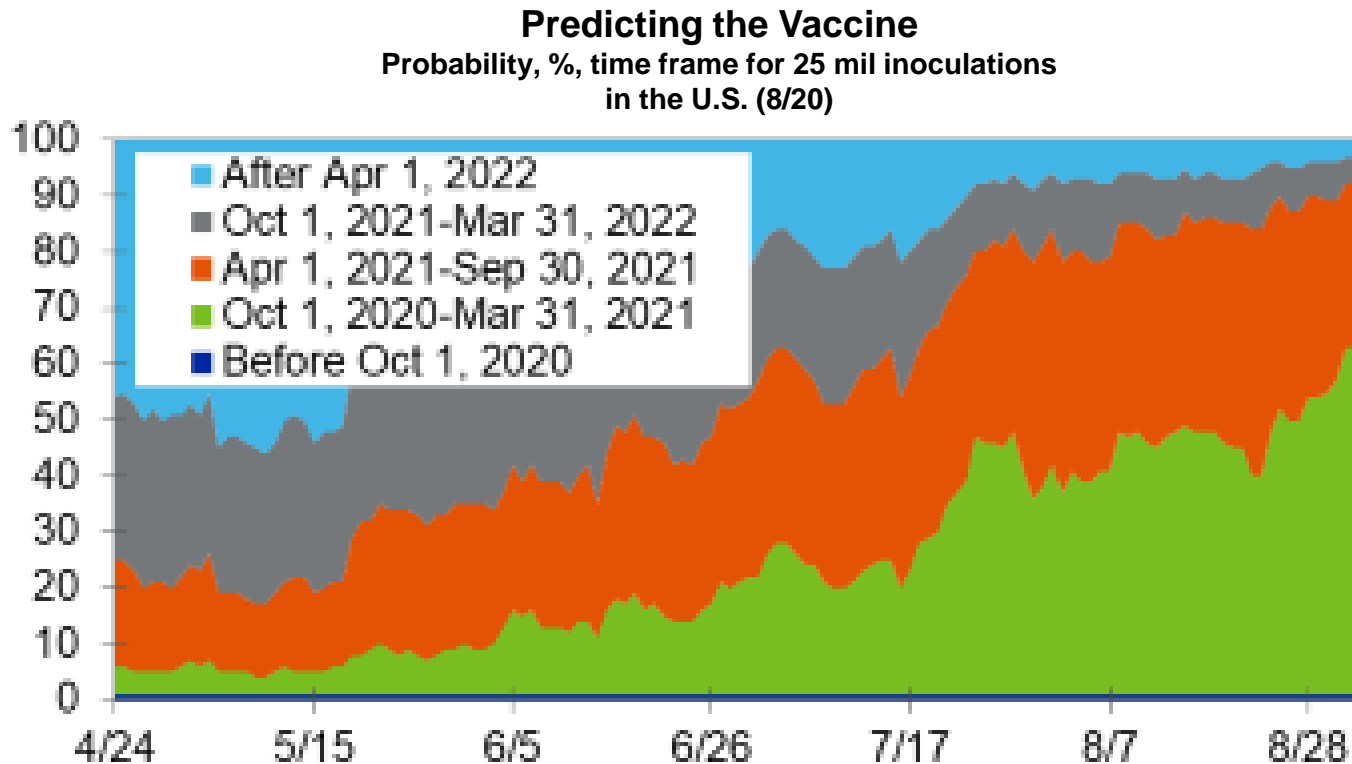
Source: worldometers.info/coronavirus, September 16

Second Wave Risk: Vaccine?

- Aim of lockdown was to flatten curve; Generally successful to date.
- But now as winter approaches, face likelihood of second wave.
- Already new spike in cases being reported.
- Trying to move from mitigation to suppression, until vaccine arrives or treatments improve.
- Suppression = isolate, test, trace, treat. Countries that have done this are: China, S. Korea, Vietnam, Singapore, New Zealand, Australia and Germany.
- Globally at critical point.

Vaccine Research Underway

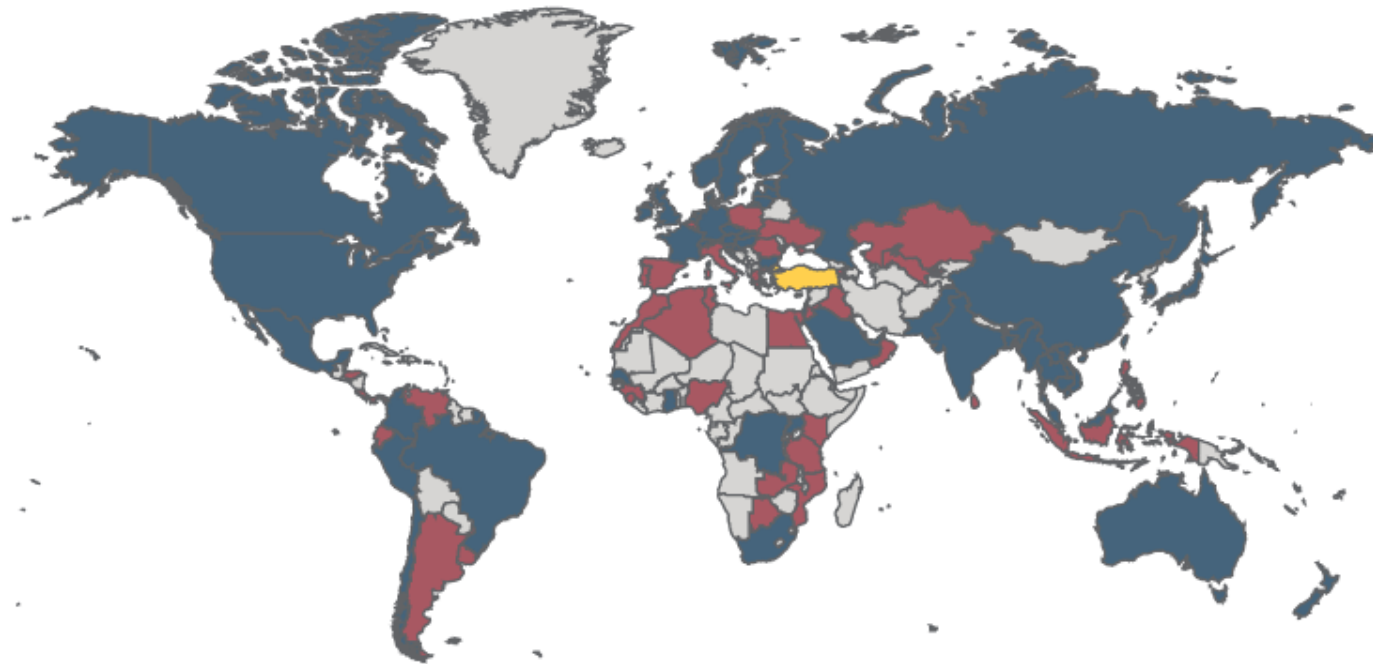
- Over 100 vaccines under development. Most promising are in trials. But earliest widely available likely mid to late 2021.



Source: Good Judgement Project, Moody's Analytics

Global Business Cycle Map

**Deep, Sharp But Short Recession – Depression Averted
But Likely a Slow, Uncertain Recovery Ahead**



Source: Moody's Analytics

Global Recovery Underway

OECD Composite Leading Indicator
Amplitude Adjusted



Source: OECD

August OECD CLI Indicators

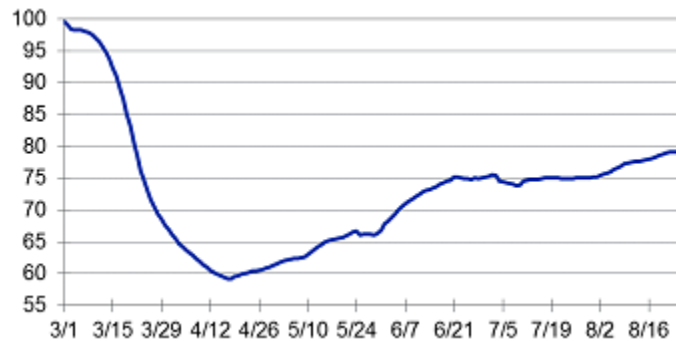
	August	Monthly Change
Total	98.3	↑
Brazil	100.4	↑
Germany	99.4	↑
U.K.	99.3	↑
Canada	98.9	↑
Japan	98.9	↑
China	98.8	↑
Major 5 Asia	98.2	↑
G7	98.2	↑
Eurozone	97.7	↑
USA	97.6	↑
France	97.3	↑
India	97.1	↑

Recovery Process Beginning

Moving From Lockdown to Sustainable Recovery

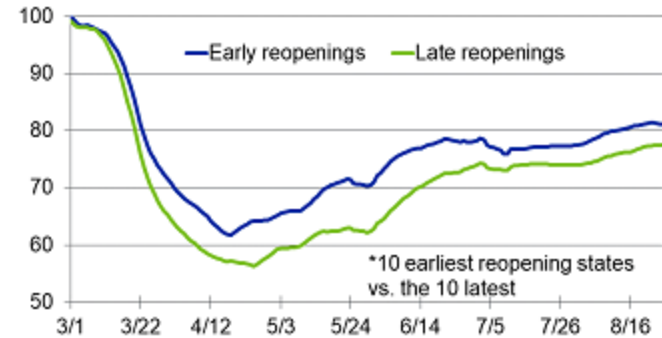
The Challenge

Not a “V” Shaped Recovery
Back-to-Normal Index, early Mar=100



Source: CNN, Moody's Analytics

Little Rebound in Early Reopening
Back-to-Normal Index, select groups, pop. Weighted avg



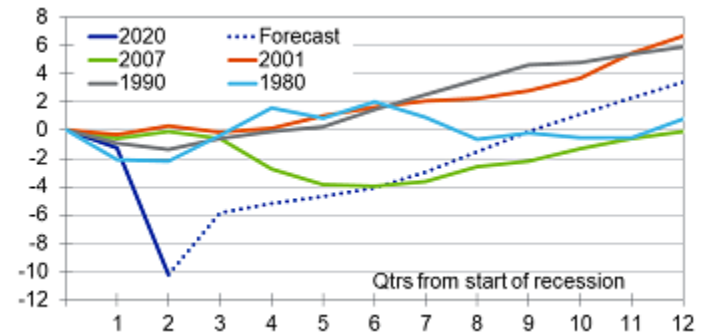
Source: New York Times, CNN, Moody's Analytics

Global Trade & IP Rebound
Global trade and industrial production, % change yr ago



Source: CPB World Trade Monitor, Moody's Analytics

Of a Different Magnitude
Real GDP, % diff to last prerecession qtr



Source: BEA, Moody's Analytics

Forecasting An Uncertain Future

2 Scenarios

SCENARIO 1

Basis of forecast but there are downside risks. The curve is flattened allowing prudent opening up of economic activity. No significant new outbreaks that result in a renewed lockdown. Vaccine becomes widely available in H2 2021.

This results in economic activity levels getting back to pre-COVID-19 levels in North America, Europe, Japan and China. But this only returns the economies to the level of late 2019 by end of 2021 – means two years growth lost – means 4% growth basically lost in Canada.

Monetary policy remains accommodative – low interest rates and low inflation. Shape of recovery after initial jump more like a “K”: Sectors Perform Differently.

SCENARIO 2

Vaccine delayed until 2022 plus. The current opening up of economies results in a new severe outbreak of virus with widespread lockdowns. This forces governments to extend fiscal and monetary supports. This would likely result in deflation as demand collapses.

The result is a deeper longer recession with economies not getting back to pre-COVID levels before mid-decade. Risk of a Double-Dip Recession “W”.

Global Economy Hit Hard by Lockdowns

Now Economies Opening Up: Q3 Bounce Back

What Shape Will The Recovery Take: “K”?

Until Vaccine Available – Recovery Road Likely Volatile and Bumpy!

	Real GDP Growth						
	2015	2016	2017	2018	2019	2020	2021
U.S.	2.9	1.6	2.4	3.0	2.2	-4.5↑	4.2↓
CHINA	6.9	6.7	6.8	6.6	6.1	2.0	8.0
JAPAN	1.3	0.5	2.2	0.3	0.7	-5.5	2.5↓
EUROZONE	2.0	1.8	2.8	1.8	1.3	-8.0↑	5.5↓
INDIA	8.0	8.3	7.0	6.1	4.8	-9.0↓	10.0↑
LATIN AMERICA	0.2	-0.4	1.9*	1.4*	0.6*	-7.9*↓	4.0*↑
CANADA	0.7	1.0	3.2	2.0	1.7	-5.6↑	5.7↑
WORLD	2.8	2.4	3.1	3.0	2.5	-4.7	5.2

**Ex-Venezuela*

Risk Remain to the Downside!

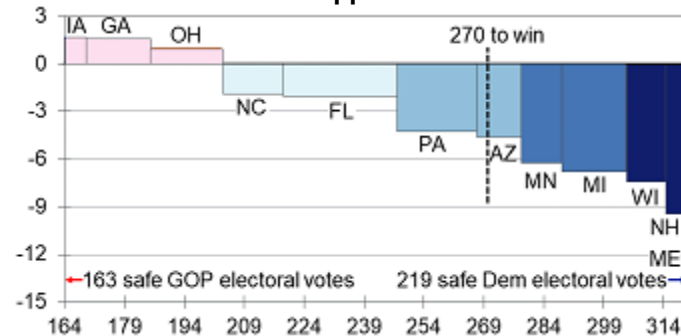
KEY RISKS

- Second COVID-19 wave forces widespread lockdowns.
- Vaccine delayed indefinitely.
- Public response to social distancing deteriorates.
- U.S. presidential election.
- U.K. Brexit = no deal.
- Global debt levels.
- Governments fail to grow economies above the interest rate level. The G-R challenge.

U.S. Election

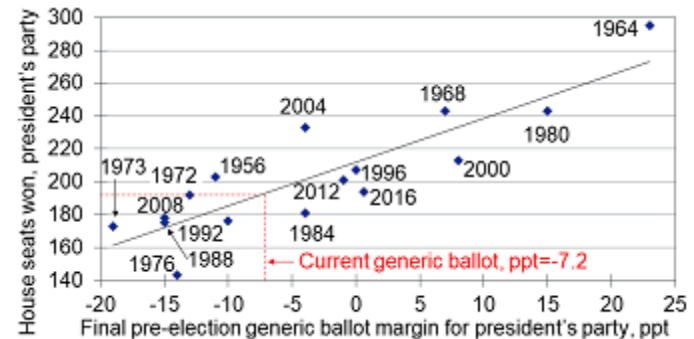
A Key Risk is Battleground States Unable to Handle Deluge of Mail-in-Ballots

Battleground Polling Points to Biden Win
Trump's support in head-to-head polls less VP Biden's, ppt



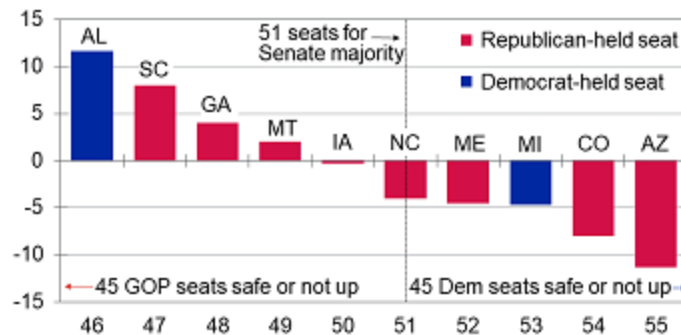
Source: FiveThirtyEight, Moody's Analytics

Democrats Poised to Retain House
Congressional elections in presidential election yrs



Source: Clerk of the House, FiveThirtyEight, Galup, Moody's Analytics

Senate Control is Up For Grabs
Republicans' support in head-to-head polls, less Democrats', ppt



Source: RealClearPolitics, Moody's Analytics

How Much is Too Much Debt?

Significant Changes in Budget Deficits

Government Budget Balances ¹		Historical Data ³	Consensus Forecasts for 2020 from Survey of:		2021 Consensus Forecasts
		2019	Feb '20	July '20	
United States	US\$bn	-984.0	1062.0	-3457.0	-2126
	% of GDP	-4.6	-4.8	-16.9	-9.8
Japan	¥tn	-26.3 e	-15.6	-68.6	-33.8
	% of GDP	-4.7 e	2.8	-13.1	-6.3
Germany	€bn	50.4	20.8	-259.4	-123.2
	% of GDP	1.5	0.6	-8.0	-3.6
Eurozone	€bn	-77.0	-117.0	-1019	-535.0
	% of GDP	-0.6	1.0	-9.3	-4.5
United Kingdom ²	£bn	-62.7	-55.3	-293.4	-151.4
	% of GDP	-2.8	-2.4	-14.5	-7.0
Canada	C\$bn	-21.8	-26.0	-291.8	-109.5
	% of GDP	-0.9	-1.1	-13.5	-4.7

1 Eurozone countries follow the Maastricht definition for budget balances. Others are home country definitions

2 The UK's Public Sector Net Borrowing (in £ bn) is normally shown as a positive figure but actually represents a deficit in the public accounts. Here we have changed it from + to - in order to highlight the deficit nature and make it comparable to other countries.

3 Germany and the Eurozone are Calendar year data. Others are Fiscal year.

Source: Consensus Economics July 2020

General Government Gross Debt Rises

		2019	2020	2021
United States	% of GDP	108.7	141.4	146.1
Japan	% of GDP	238.0	268.0	265.4
Germany	% of GDP	59.8	77.2	75.0
Euro area	% of GDP	84.1	105.1	103.0
United Kingdom	% of GDP	85.4	101.6	100.5
Canada	% of GDP	88.6	109.3	108.8

Source: IMF World Economic Outlook Update, June 24, 2020

Sovereign Credit Ratings July 13, 2020

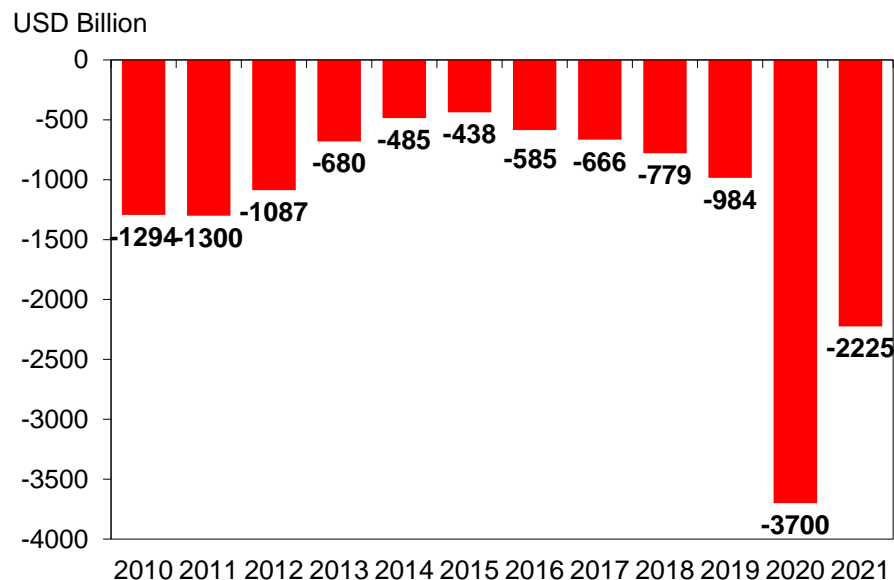
	Moody's	S&P	Fitch
United States	Aaa	AA+	AAA
Japan	A1	A+	A
Germany	Aaa	AAA	AAA
United Kingdom	Aa2 (Neg)	AA	AA- (Neg)
Canada	Aaa	AAA	AA+

(Neg) = Negative Outlook

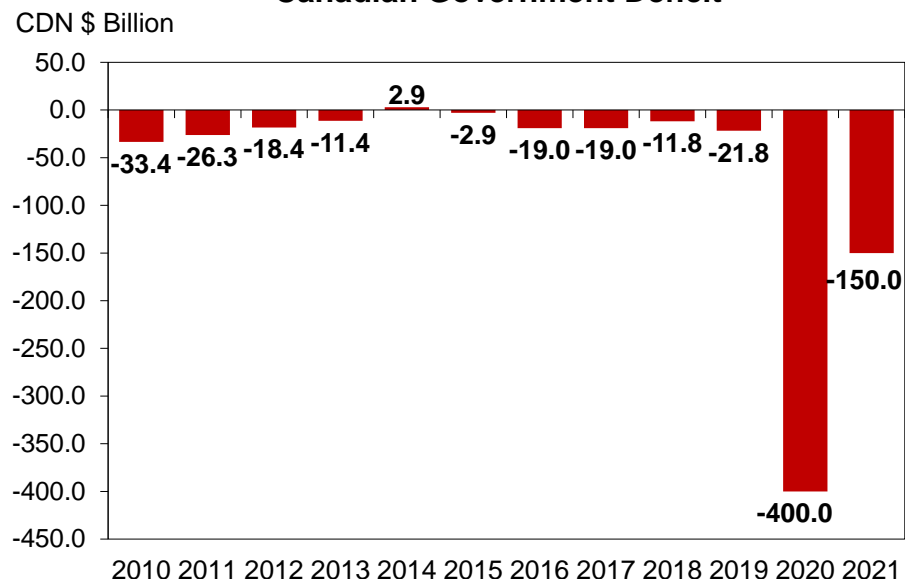
Source: Consensus Economics July 2020

U.S. and Canadian Deficits to Balloon

U.S. Government Deficit



Canadian Government Deficit



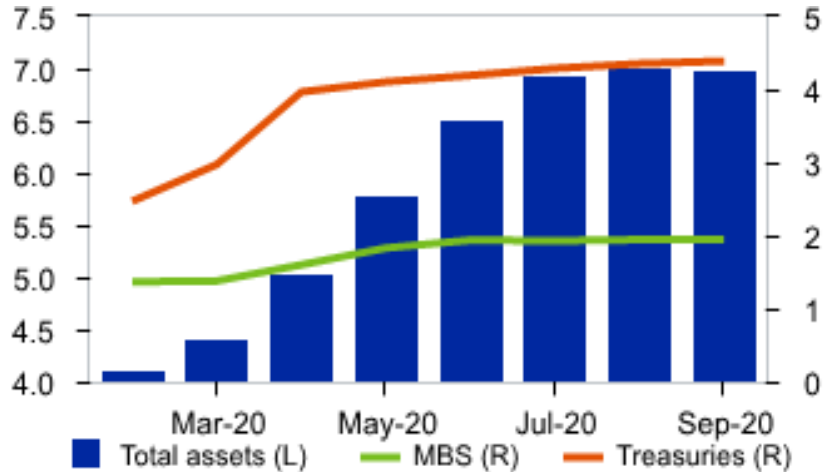
Longer Term Implications to Consider Nations and Organizations Will be Looking for Resiliency!

- Debt issues globally.
CANADA: Deficit likely \$400+ billion 2020/21 and \$150 billion 2021/22. Plus large provincial deficits.
- Massive expansion in central bank's balance sheets.
- Sharp rise in private sector debt.
- Will limit government expenditures/investment and increase taxes.
- Will be difficult to grow out of this debt accumulation.
- National Healthcare systems will be strengthened. Public will demand investments in critical care and control of infectious diseases. Government spending will shift focus.
- Globalization will be de-globalization. Supply chain disruptions and overreliance on China will push supply chains to be less centralized. Lead to higher costs – but could create jobs. Trade and investment patterns will shift.
- Nature of work will change. Business travel ↓, Electronic communication ↑.
- Geopolitics will shift towards nationalism, away from multinationalism. Bad for Canada as a mid-sized nation.

**Monetary Medicine Continues
All Central Banks to the Rescue
Liquidity, Liquidity, Liquidity
Low For Longer**

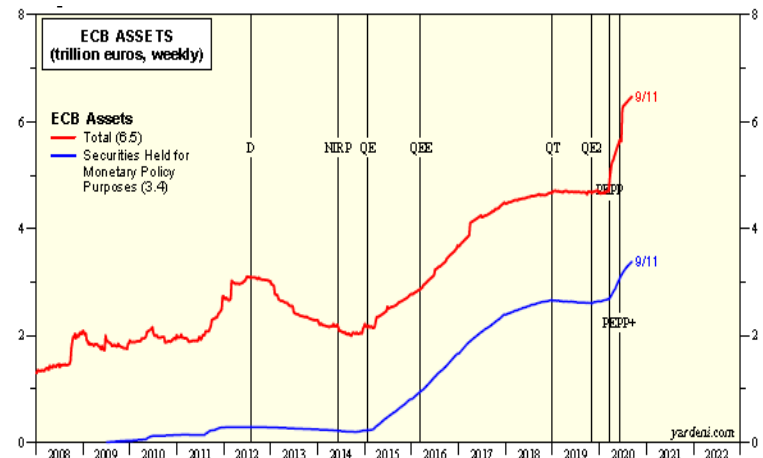
Central Bank Balance Sheets Balloon

Fed's Balance Sheet (\$tril)



Sources: Federal Reserve, Moody's Analytics

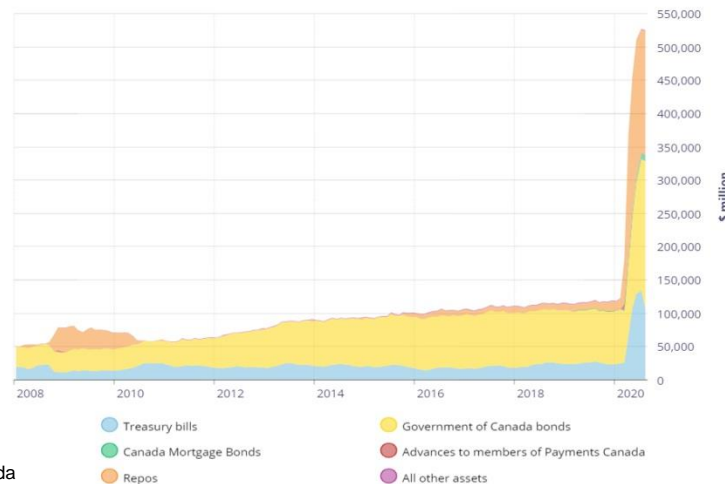
ECB Balance Sheet



Source: Yardeni Research Inc.

Bank of Canada Balance Sheet

Chart 3: Bank of Canada assets (month end)



Source: Bank of Canada

Central Banks Medicine Continues

Liquidity, Liquidity, Liquidity

Watch For Policies to Implement “Yield Curve Control”

Fed Introduces “Flexible Average Inflation Targeting”

- Post COVID-19 arrival, massive tilt to easing globally.
- **Federal Reserve:** No changes to target range for Fed funds, interest on excess reserves or discount rate. Will keep rates at rock bottom until at least 2023. Does not plan to raise rates until economy achieves full employment and inflation is on track to moderately exceed 2% objective. Adopted flexible average inflation targets. FOMC tied monetary policy to its new long-term objectives. No changes to treasury or MBS purchases. Balance sheet to remain elevated.
- **Bank of Canada:** Matched the Fed’s cut. Rates at 0-25 basis points. And introduced QE for first time. Balance sheet expanded from \$125.1 billion March 1 pre-COVID to \$535+ billion by September. New Governor Tiff Macklem now in place. Focus shifts to supporting economic recovery from stabilizing financial markets. Remains committed to current rate policy until 2% inflation target sustainably achieved. QE continues with some scaling back in T-Bill and provincial money-market programs. Currently, continuing with \$5 billion of GOC bonds weekly.

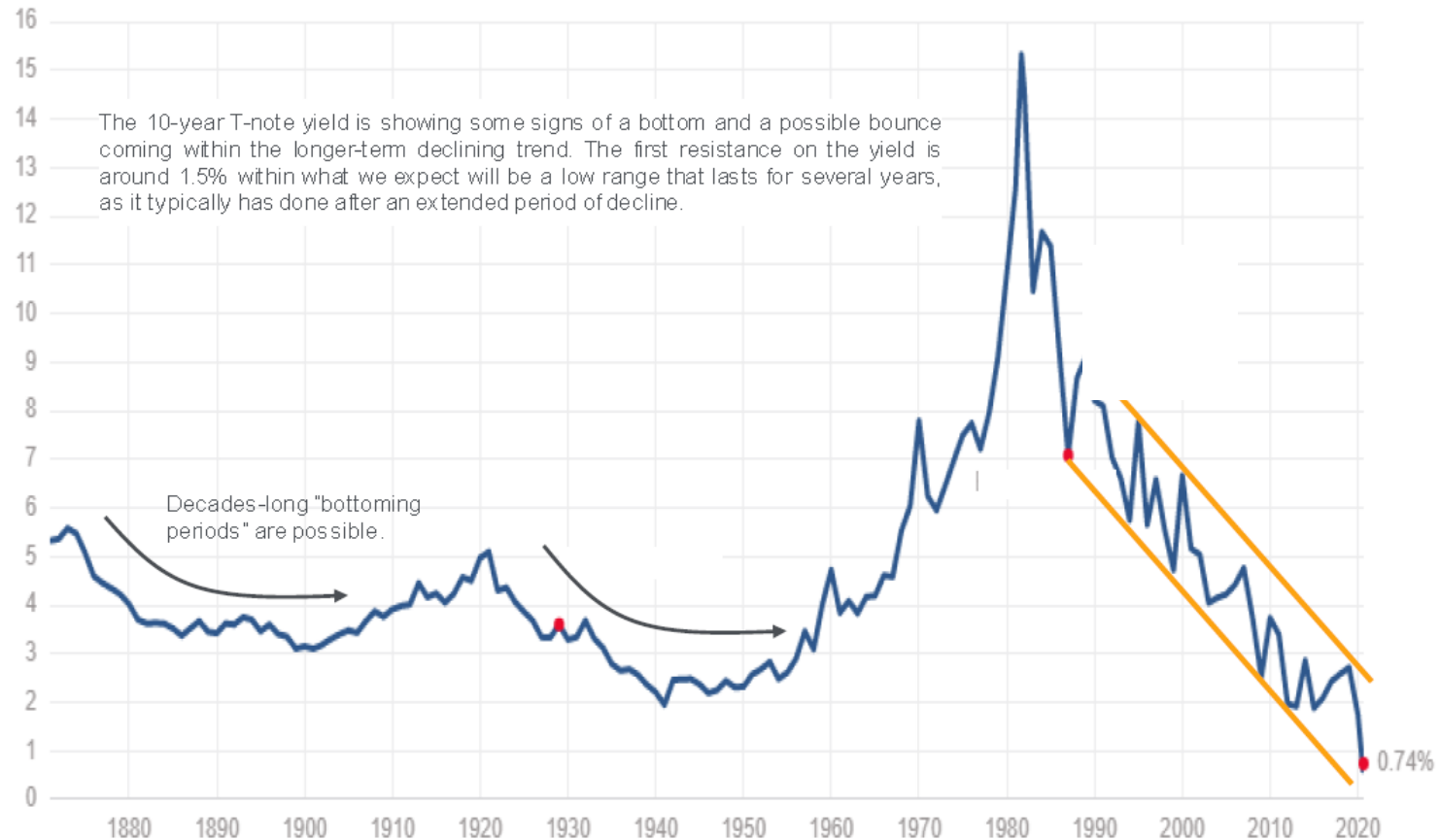
Central Banks Response, Liquidity, Liquidity, Liquidity (Cont'd)

- **ECB:** To HOLD refi rate (0.00%); marginal lending rate (0.25%) and deposit facility (-0.50%) until 2% inflation target met. Keep buying bonds under the 1.35 trillion euro PEPP, at least to end of June 2021. Keep making new purchases under APP at 20 billion euros monthly. Re-invest principal payments from maturing securities. Maintain TLTRO III. Stand ready to support the economy.
- **Bank of Japan:** Rates stay low, bond and equity purchases kick in. Full easing measures.
- **Bank of England:** New Governor slashed rates to just 0.1%, and moved aggressively on a £200 billion QE program. Put in place a liquidity scheme aimed at SMEs. Rates could move lower to 0% or negative.

A Very Long-Term Perspective for U.S. Long-Term Yields

Think “Low for Longer”

Maintaining Interest Rates Below Economic Growth Rates Key to Managing and Reducing Debt-to-GDP Levels Over Next Decade



Source: MultPL.com and RBC Wealth Management

September 18, 2020 **0.69%**

Average Yield for Canada 10 Yr+ Bonds

1936 – 2020



Source: Bank of Canada

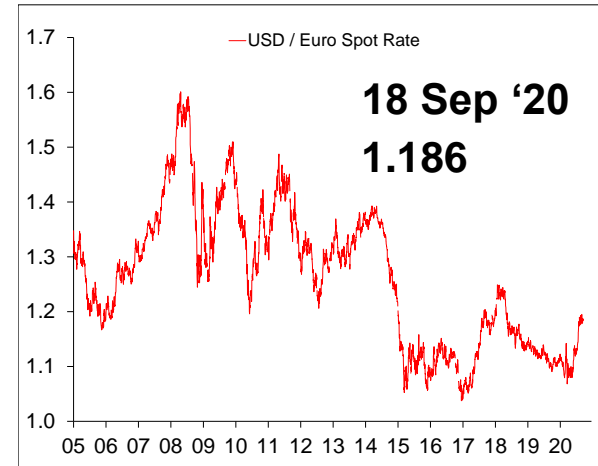
September 18, 2020 **0.57%**

Currencies

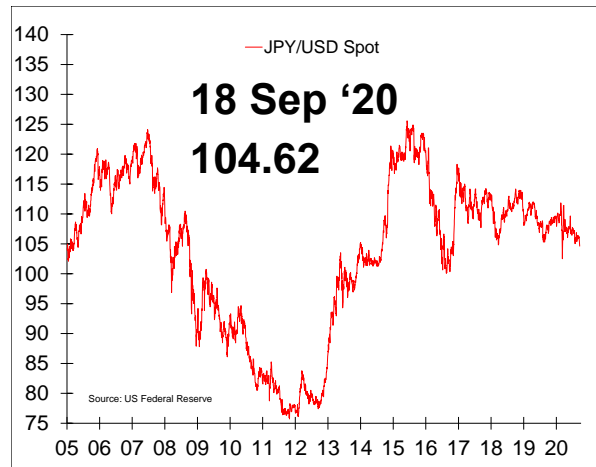
U.S. Dollar - Trade-weighted Broad Index



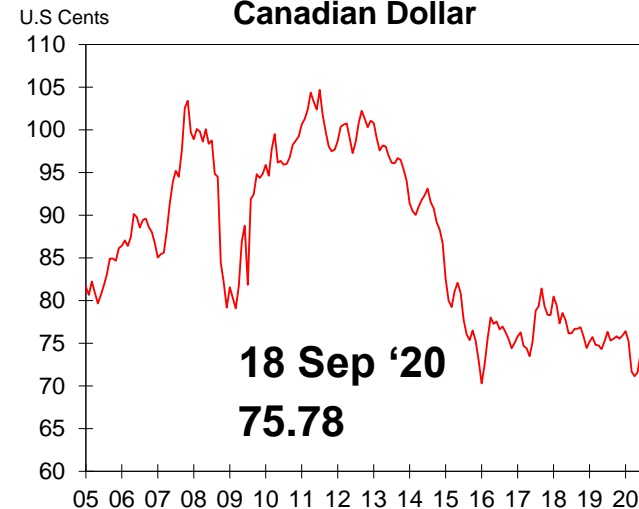
EURO



Japanese Yen



Canadian Dollar



**Price Environment Contained
Good News for Central Banks
Disinflationary Forces Persist**

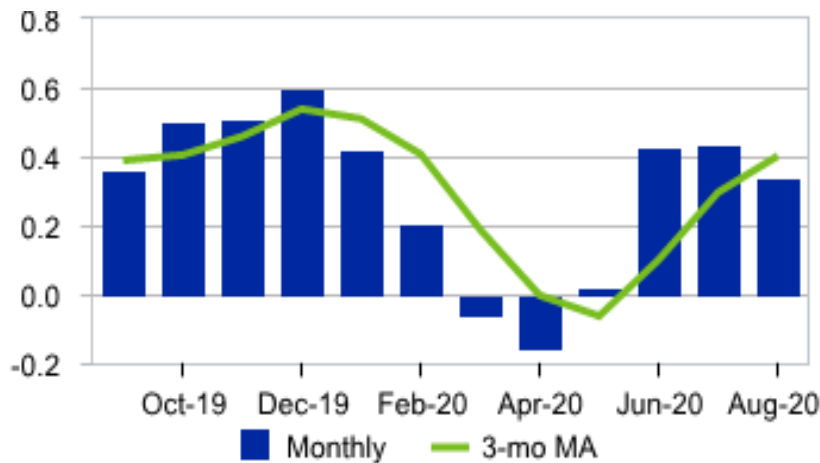
Global Price Environment

Remains Relatively Well Behaved

Disinflationary Forces Persist

Soft Demand Will Keep Underlying Inflation Pressures Weak
For Rest of 2020

Global CPI (% change)



Source: Moody's Analytics

Inflation Snapshot

Latest Data – August CPI % change year ago

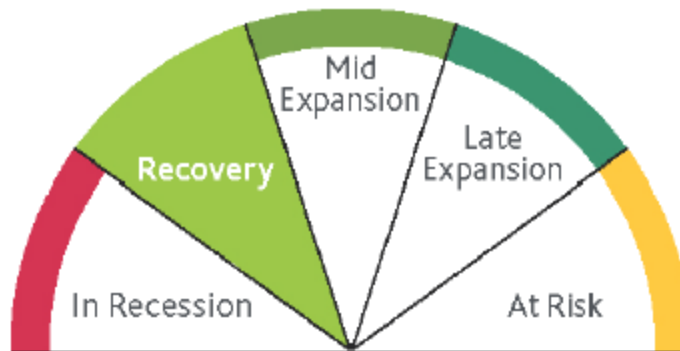
Country	YoY	Direction
U.S.	+1.3	↗
Canada	+0.1	↔
U.K.	+0.2	↘
Germany	0.0	↔
Euro Zone	-0.1	↘
China	+2.4	↘
Global	+3.7	↔
Developed Economies	+0.8	↗
Developing Economies	+5.2	↘

Source: ECONOMAP

United States Road to Recovery Opens Up But COVID-19 Cases Still High!

Risks:

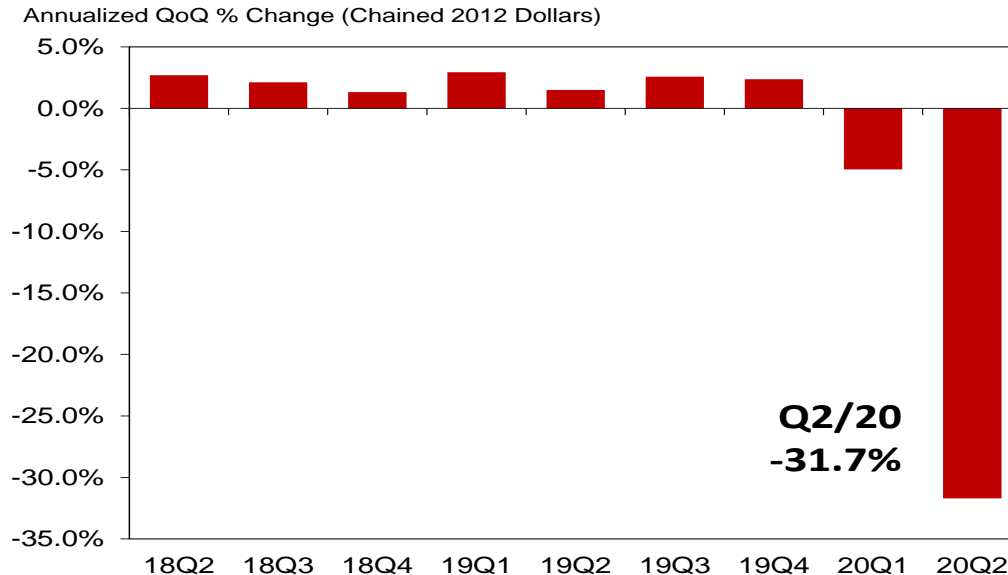
- **Second Wave Arrives – Forces Renewed Lockdowns**
- **Recovery Stumbles**
- **U.S. Election?**
- **Massive Monetary and Fiscal Stimulus Extended**



U.S. Economy Takes Hit From Lack of Pandemic Preparedness

States Opening Up Economies – Question: Will There be a Second Wave?

Election Concerns Start to Weigh!



	GDP
2010	2.6%
2011	1.6%
2012	2.2%
2013	1.8%
2014	2.5%
2015	2.9%
2016	1.7%
2017	2.3%
2018	3.0%
2019	2.2%
2020	-4.5%
2021	4.2%

- **Consumers key to exit / revival strategy. 70% of GDP.**
- Unemployment will not return to pre-COVID levels until 2023 or later.
- Housing sector leads recovery. Supported by low mortgage rates and pent-up demand.
- Business confidence still soft.
- Supply chain disruptions remain a challenge.
- Capex hit hard.
- Inflation contained.
- Fed in full support mode.
- Government stimulus package US\$2.3 Trillion plus runs out by September. Another package needed.

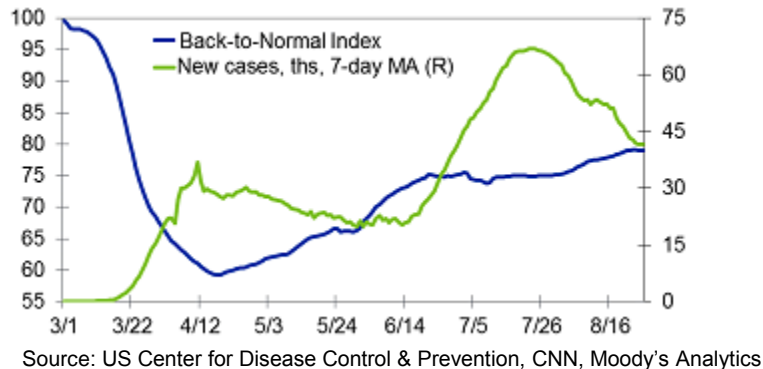
QUARTERLY GROWTH PROFILE (QoQ% AR)

	Q1	Q2	Q3	Q4
2014	-1.1	5.5	5.0	2.3
2015	3.9	2.7	1.5	0.6
2016	2.3	1.3	2.2	2.5
2017	2.3	1.7	2.9	3.9
2018	3.8	2.7	2.1	1.3
2019	2.9	1.5	2.6	2.4
2020	-5.0	-31.7	25.0	3.0
2021	5.5	5.7	4.2	3.5

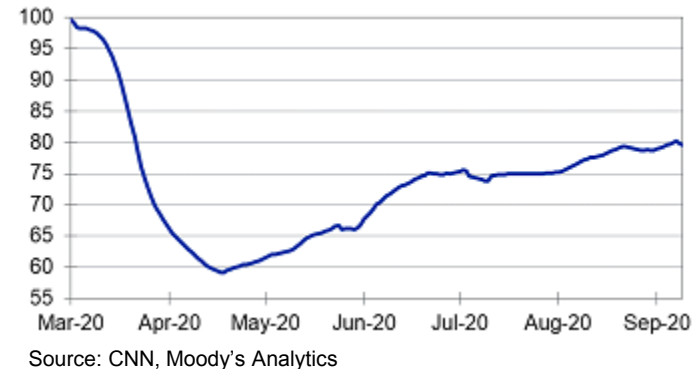
United States Reopening Process

Clear Relationship Between Economic Activity And COVID-19 Infections - Economy Currently Operating Around 80%

More Infections, Weaker Recovery



Recovery is Losing Steam
Back to Normal Index, Feb 29, 2020=100



Reopenings' Boost to Hiring Has Faded
Job openings and labour turnover, mil



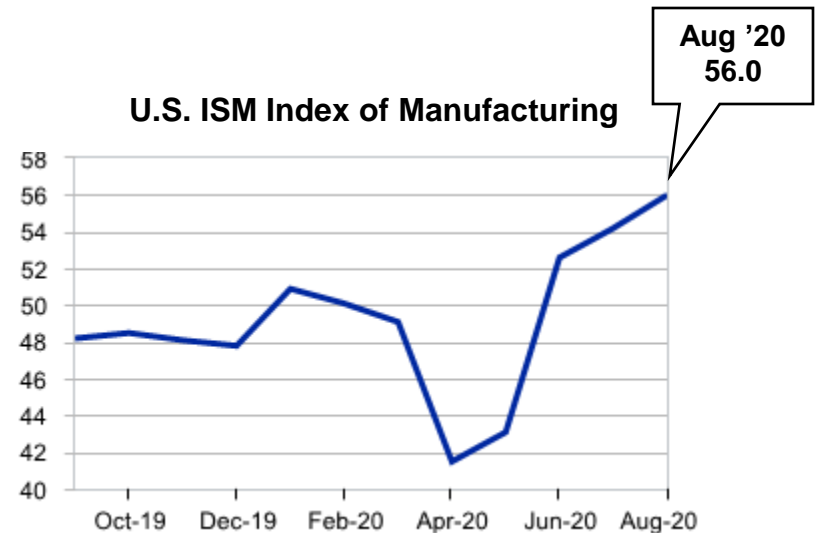
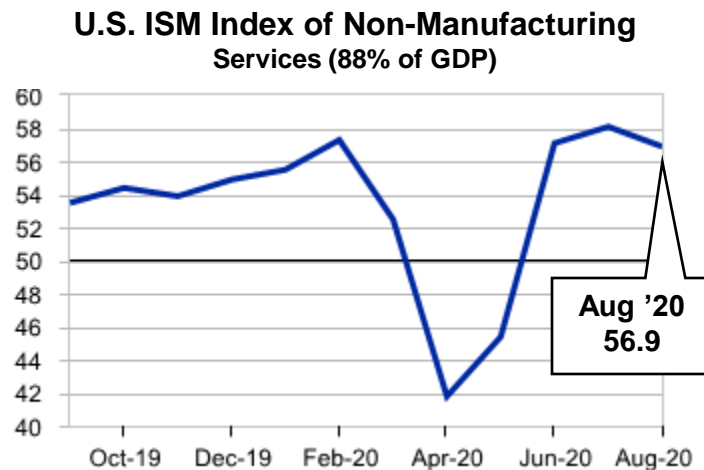
Big Regional Differences
Back-to-Normal Index, as of 8/26



Economic Activity

Recession Deep and Short – 3 Months – April Apex

Recovery So Far Slow and Modest

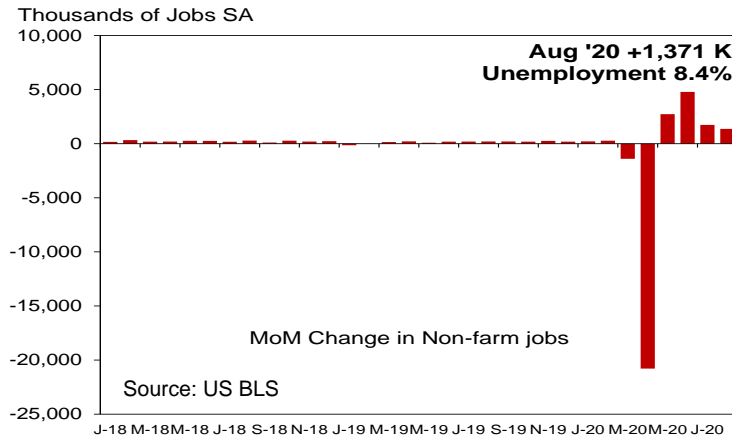


Workplace Pain

Unemployment to Remain High Through 2021 / Many Jobs Will Have Been Lost 9 Million Jobs Recovered, 12 Million Still Unemployed

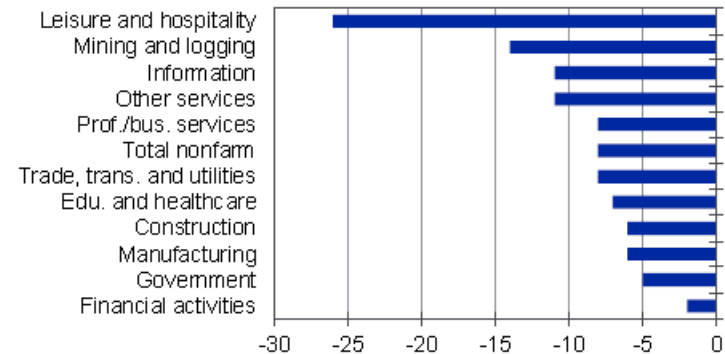
U.S. Employment

Net change in U.S. Nonfarm Payrolls, Ths, SA



Labour Market Climbs Back Some More

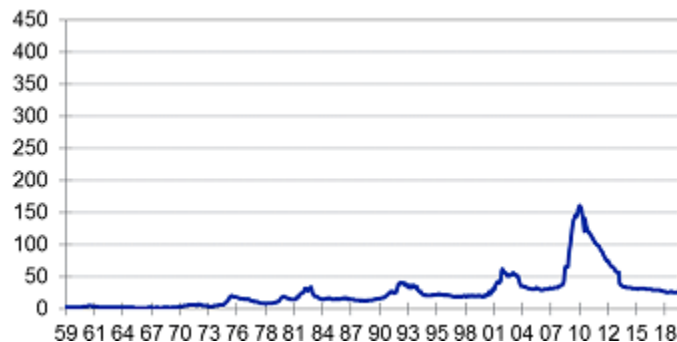
July employment, % change from February



Source: US BLS, Moody's Analytics

UI Payments Shatter Records...

Personal current transfer receipts for UI benefits, \$bil



Source: BEA, Moody's Analytics

...Supporting Millions of Unemployed

Transfer receipts for UI benefits as a share of\$ mil per ths



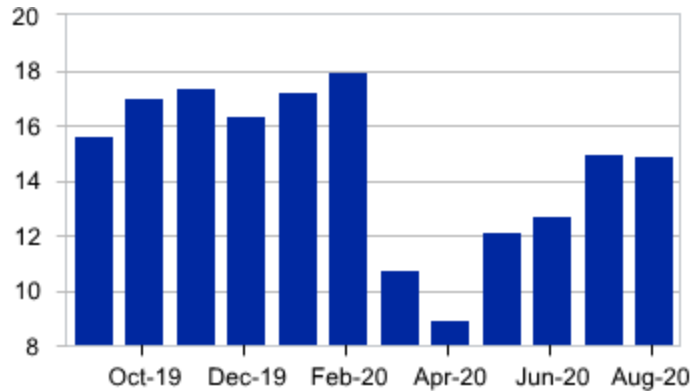
Source: BEA, BLS, Moody's Analytics

Pandemic Favours E-Commerce

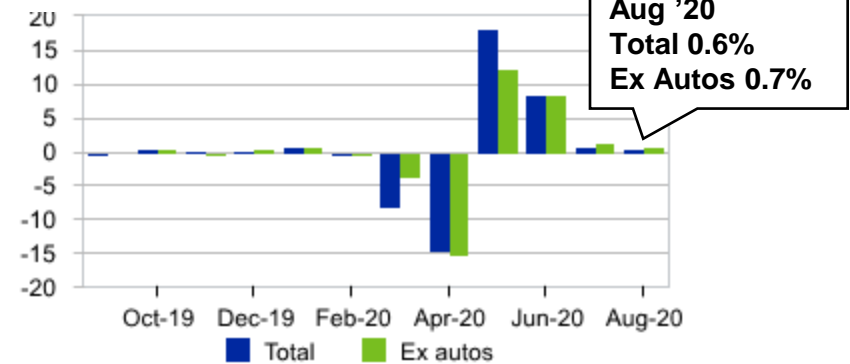
Bricks and Mortar Retail Hit Hard

Hospitality / Travel Slow to Recover

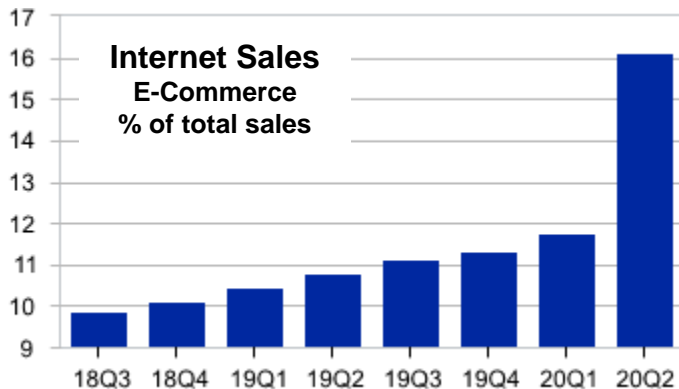
U.S. Vehicle Sales
Mil Units, SAAR



U.S. Retail Sales
% change



Shopping Patterns Changing



INTERNET SALES

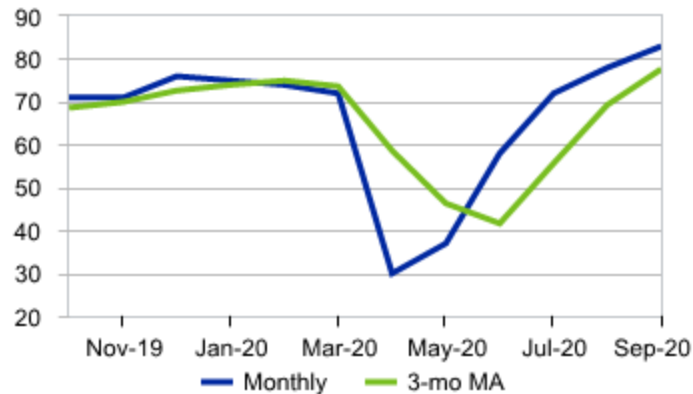
	20Q2	20Q1	19Q4	19Q3	19Q2	19Q1	18Q4
E-Commerce sales, \$ bil	211.5	160.4	156.6	153.3	146.4	139.7	134.3
% change	31.8	2.4	2.2	4.7	4.8	4.0	2.8
% change yr ago	44.5	14.8	16.6	17.3	13.8	11.8	11.0
E-Commerce as a % of retail sales	16.1	11.8	11.3	11.2	10.8	10.5	10.1

Housing Market

A Key Economic Drive To Date

Supported by Low Mortgage Rates and Pent-up Demand

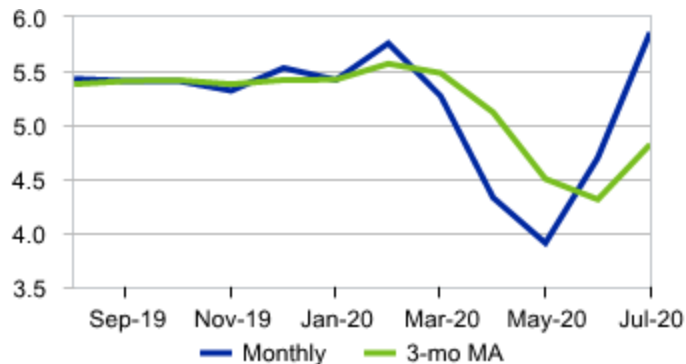
U.S. NAHB Housing Market Index



U.S. Housing Starts
Total privately owned, mil, SAAR



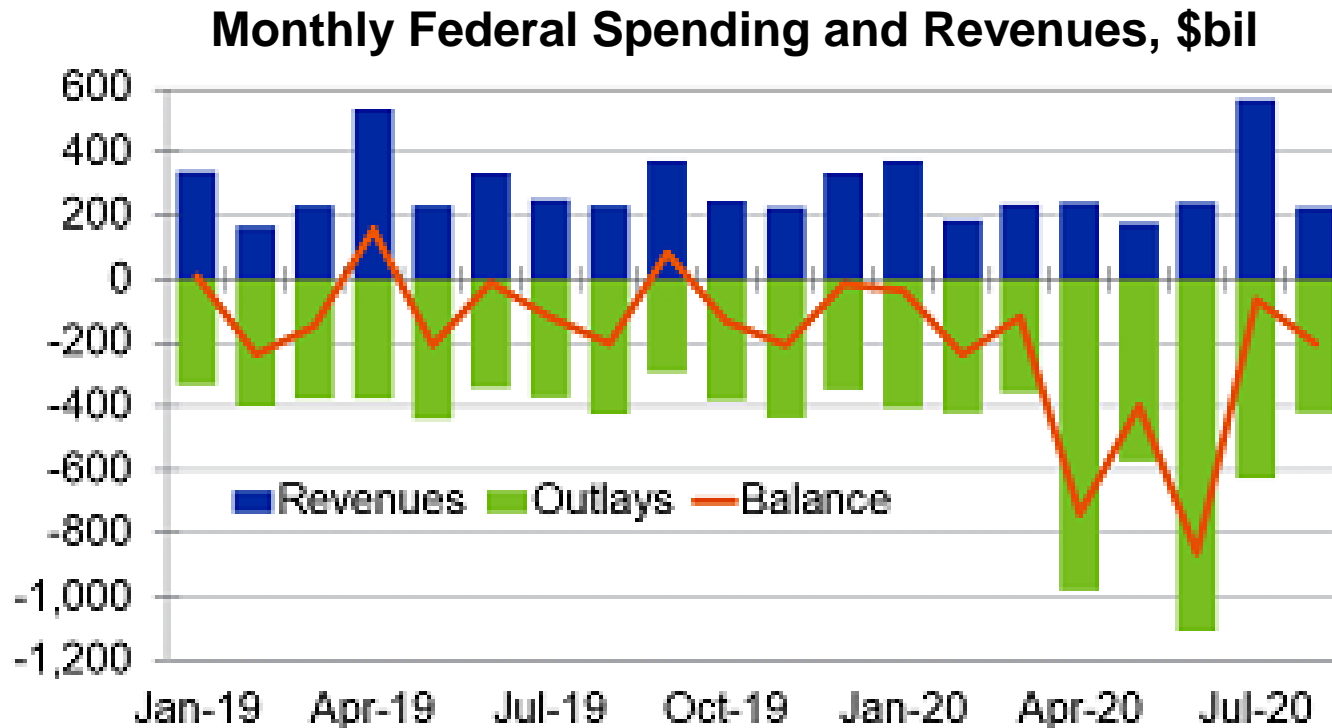
U.S. Existing Home Sales
Mil, SAAR



MBA Mortgage Applications
Composite, Mar 16, 1990=100



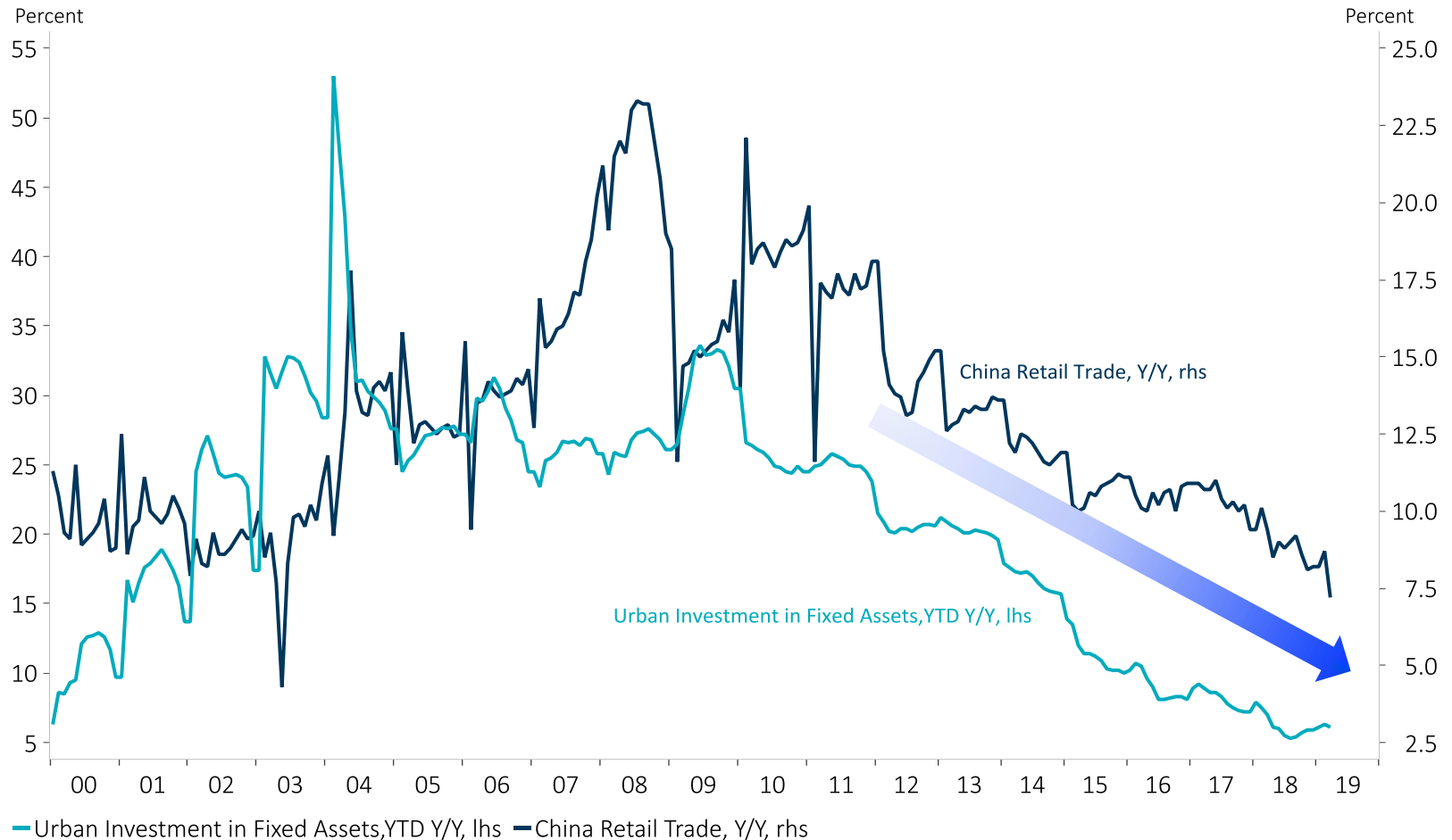
Federal Budget Balance Gushes Red Ink



Source: US Treasury, Moody's Analytics

Asia
Pandemic Started in Wuhan
China Focus of Recovery Path
India – Hit by Pandemic Hard
Japan – Continues to Stumble/Stimulate

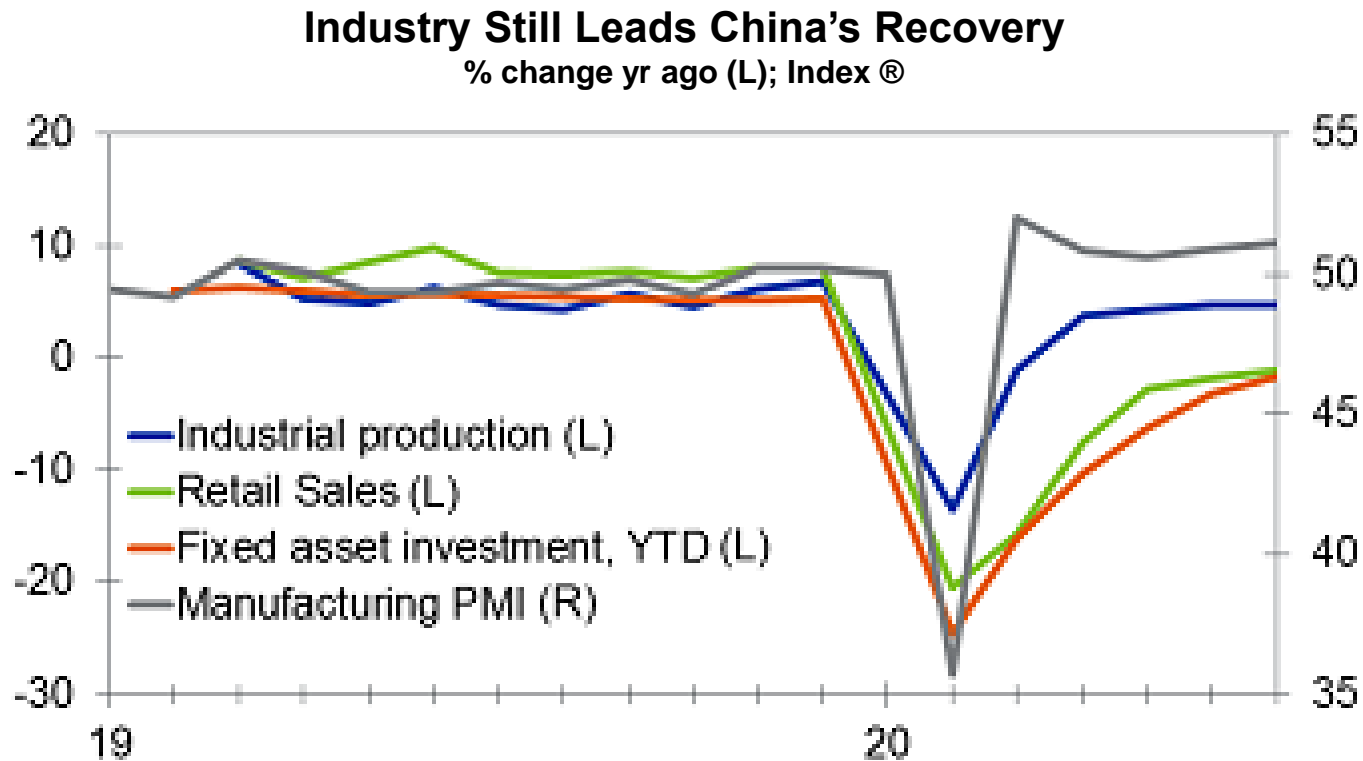
Slowing Chinese Domestic Activity Has Been a Key Drag on Growth Over the Past Several Years



Source: Macrobond, China National Bureau of Statistics (NBS)

China's Recovery Led by Goods-Producing Industries and Exports

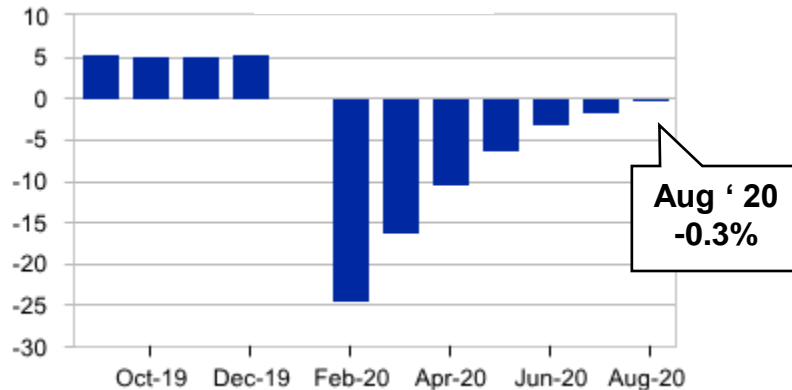
China's Stimulus Focussed on Industrial Sector and Construction Not on Direct Payments to the Unemployed



Source: NBS of China, Moody's Analytics

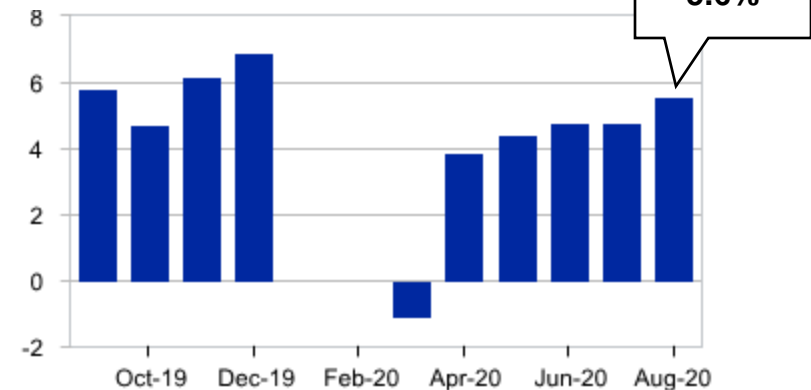
China on Recovery Path

China Urban Fixed Asset Investment
YTD, % change year ago



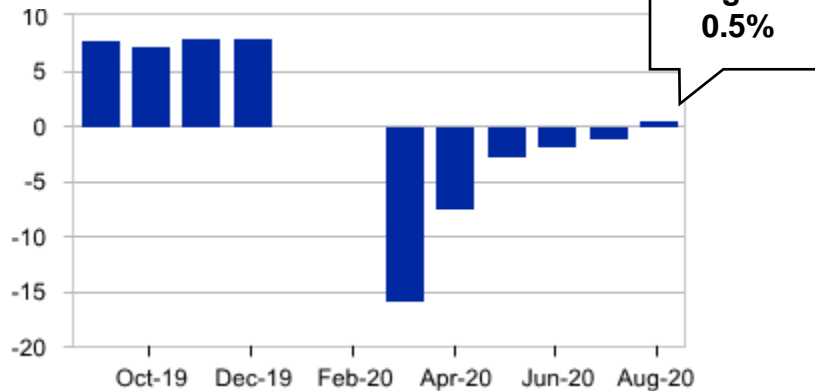
Source: China National Bureau of Statistics

China Industrial Production
% change year ago



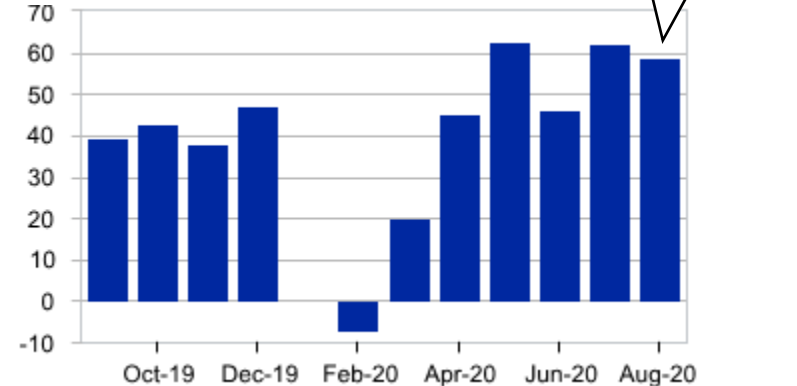
Source: China National Bureau of Statistics

China Retail Sales
% change year ago



Source: China National Bureau of Statistics

China Trade Balance
US\$ bil



Source: China General Administration of Customs

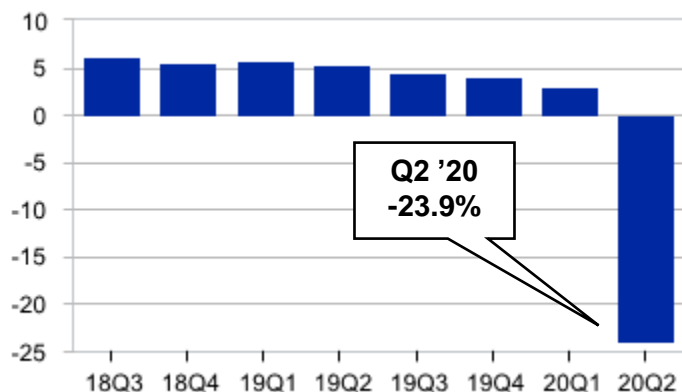
India Economy Hit Hard by Pandemic

Long Term – India's Growth to Outpace China's Performance

But Challenged in Short Term

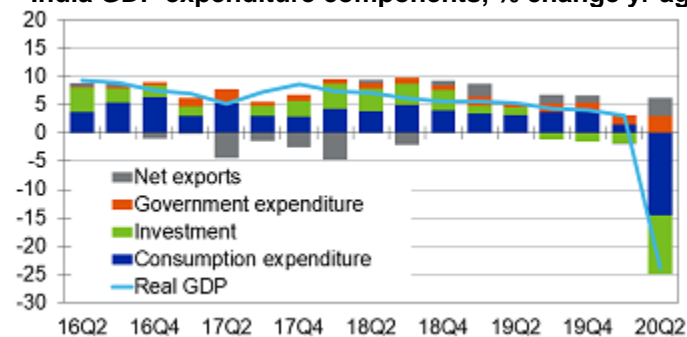
Pandemic Arrives: Recession Ahead

India Real GDP - % change yr ago



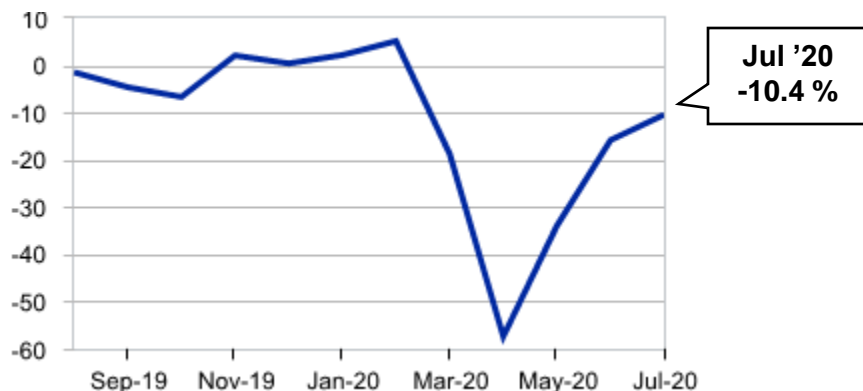
Downturn in Consumption, Investment

India GDP expenditure components, % change yr ago

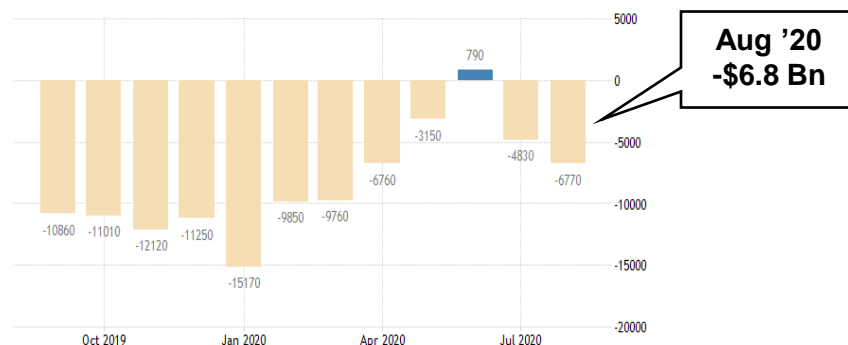


Source: MOSPI, Moody's Analytics

India Industrial Production - % change yr ago



India Trade Balance – US\$ Million



Source: tradingeconomics.com, Ministry of Commerce and Industry India

Japan – The Struggle Continues!

Tokyo 2020 Olympic Games Moved to 2021

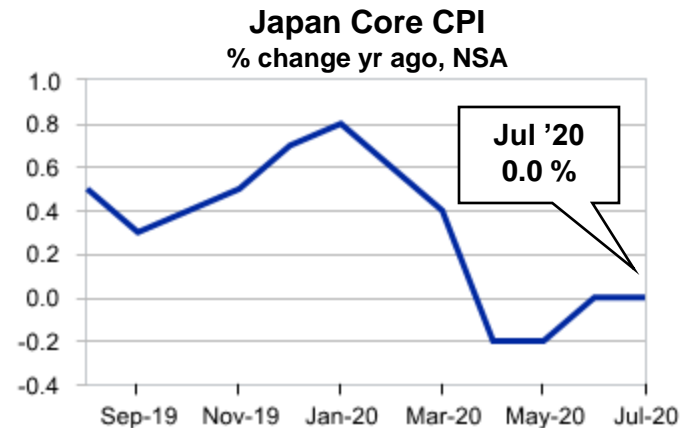
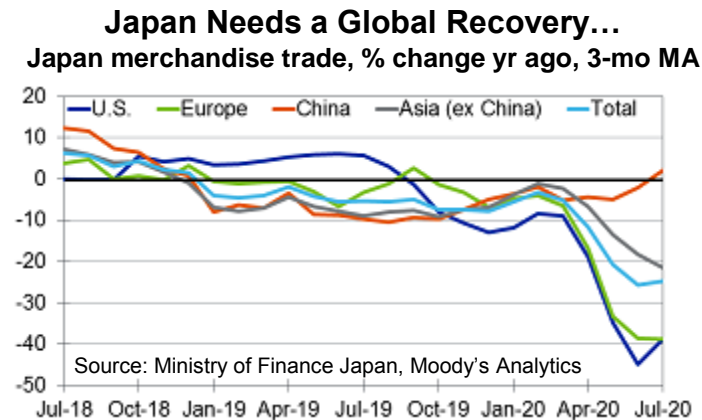
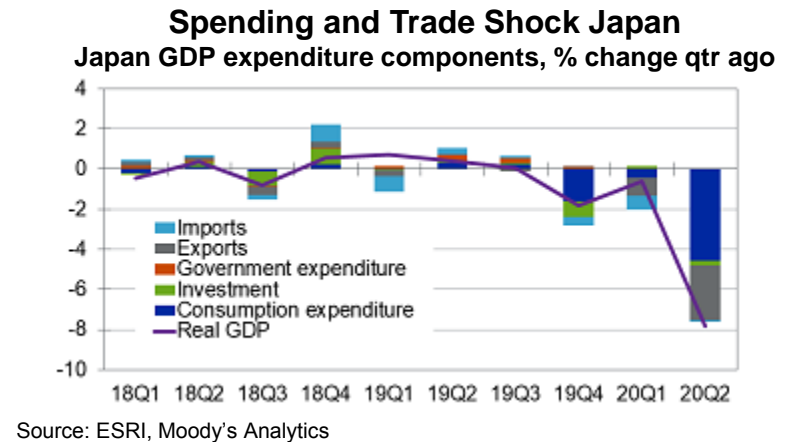
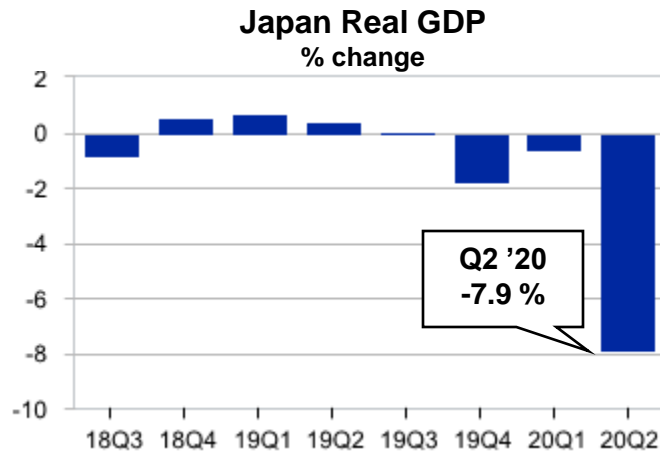
2% Increase in Consumption Tax in Oct Hurt Consumer Spending in 2020

Recession Started in Q4, 2019

Fiscal and Monetary Stimulus Kick In: US\$1.1 Trillion

Fiscal Deficit as % of GDP at 21.1% in 2020

Prime Minister Abe Resigns

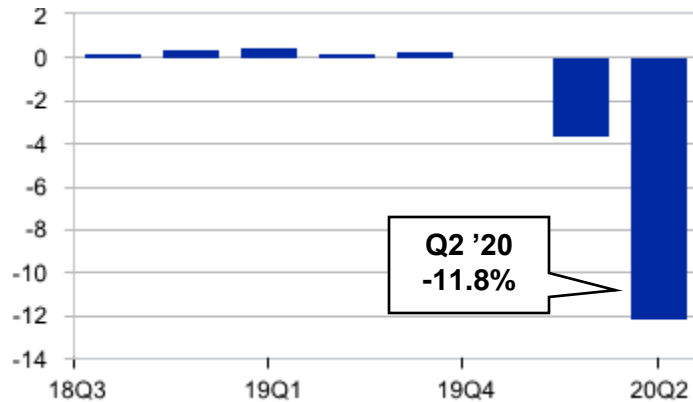


**Euro Zone Opens Up:
Uptick in COVID-19 Cases
ECB & BofE to Remain Supportive
All Nations Embrace Stimulus Measures
Risks:**

- **Pandemic creates another widespread lockdown**
- **Brexit Stalemate**
- **€750 billion Stimulus plus Monetary Easing**

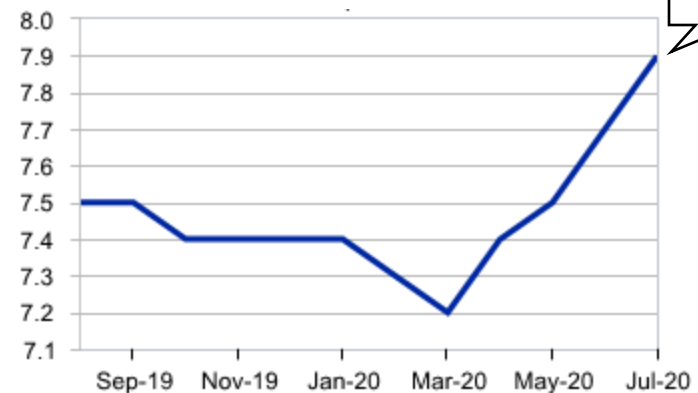
Euro Zone Hit Hard by COVID-19

**Euro Zone Real GDP
% change, SA**



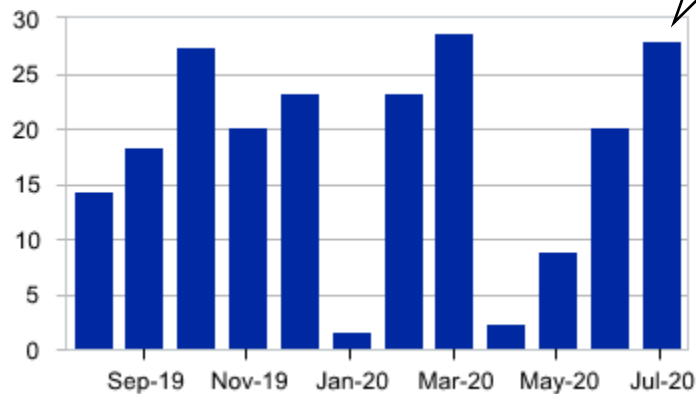
Source: EUROSTAT

**Euro Zone Unemployment Rate
%, SA**



Source: EUROSTAT

**Euro Zone External Trade Balance
€ bil**



Source: EUROSTAT

**Euro Zone Economic Sentiment Index
Long term average = 100, SA**



Source: European Commission

United Kingdom What Now?

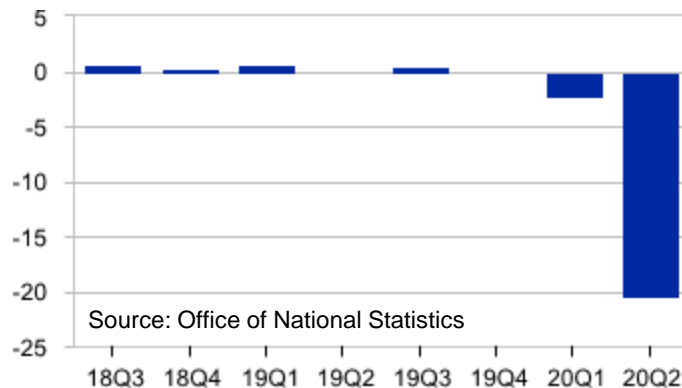
Brexit Stage 2 Negotiations Underway / U.K. Union Under Pressure

U.K. Joined The Lockdown Late – Result: Hit Hard

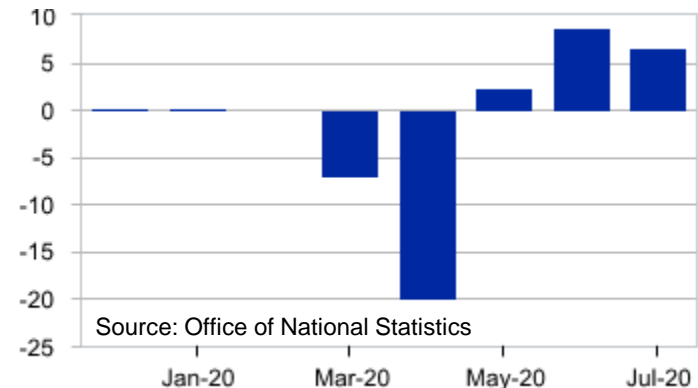
Leadership an Issue

World's Worst Performing Currency Stockmarket and Economy

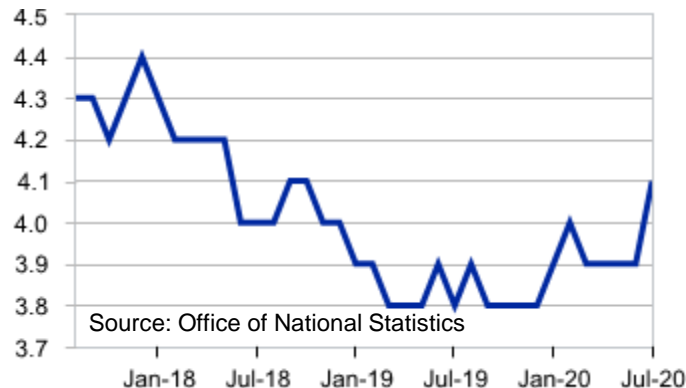
**U.K. Real GDP
% change**



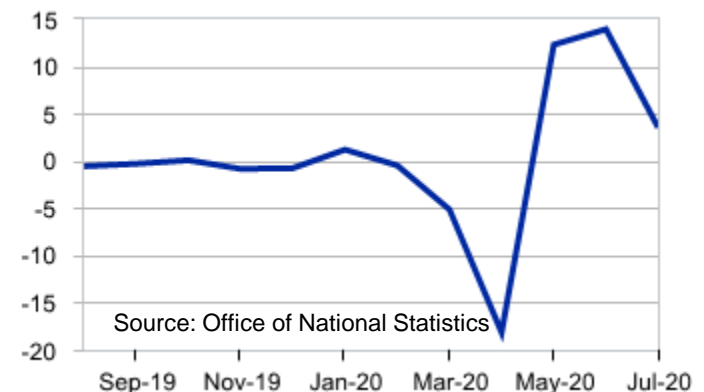
**U.K. Real GDP (Monthly)
% change**



**U.K. Unemployment Rate
%, 3-mo MA**



**U.K. Retail Sales Index
% change, SA**



Canada A Positive Story!

**So Far Fed & Provincial Governments Cooperated and
Listened to Scientific Advisors
Bottom-Line: Country Has Benefitted**

Key Issues:

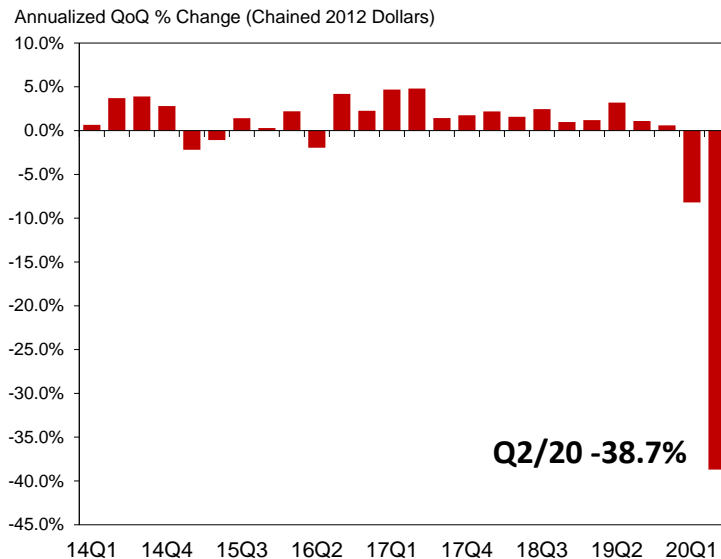
**Facing COVID-19 Second Wave?
China Trade / Political Issues
Market Access for Resources
High Household Debt Levels
Possible Federal Election?**

Growth Was Slowing in Q4, 2019

Collapses in Q1/20 Through Q2

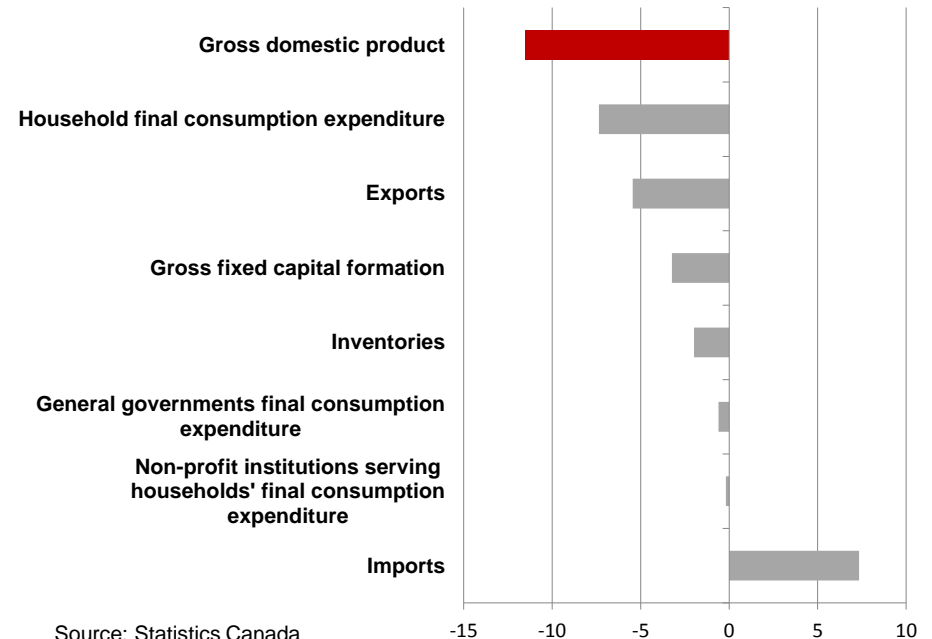
April Likely Apex of Decline

Canada Real GDP



Source: Statistics Canada

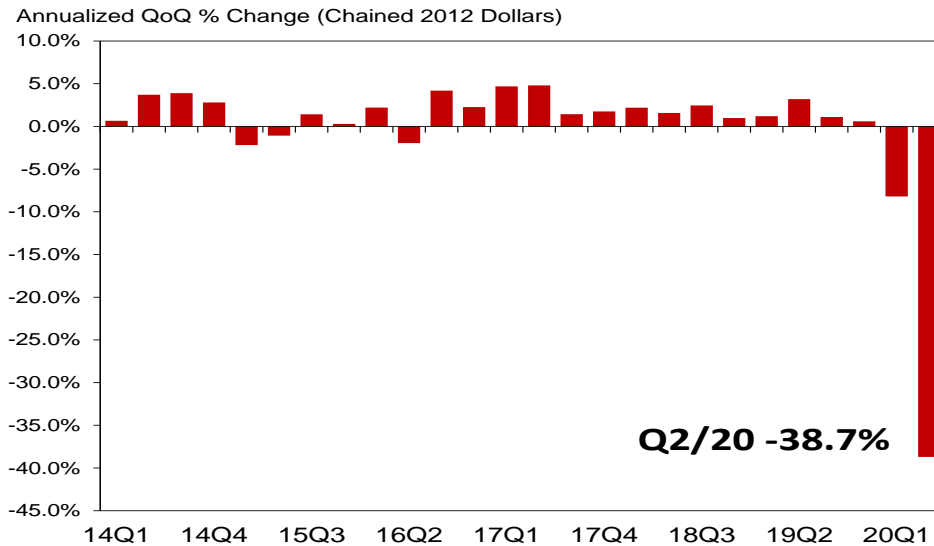
Contributions to percentage change in Real GDP Q2/20



Source: Statistics Canada

Canadian Economy Hit by COVID-19 & Oil Price War

May, Beginning of Opening up Economy / Will be Slow and Choppy Recovery



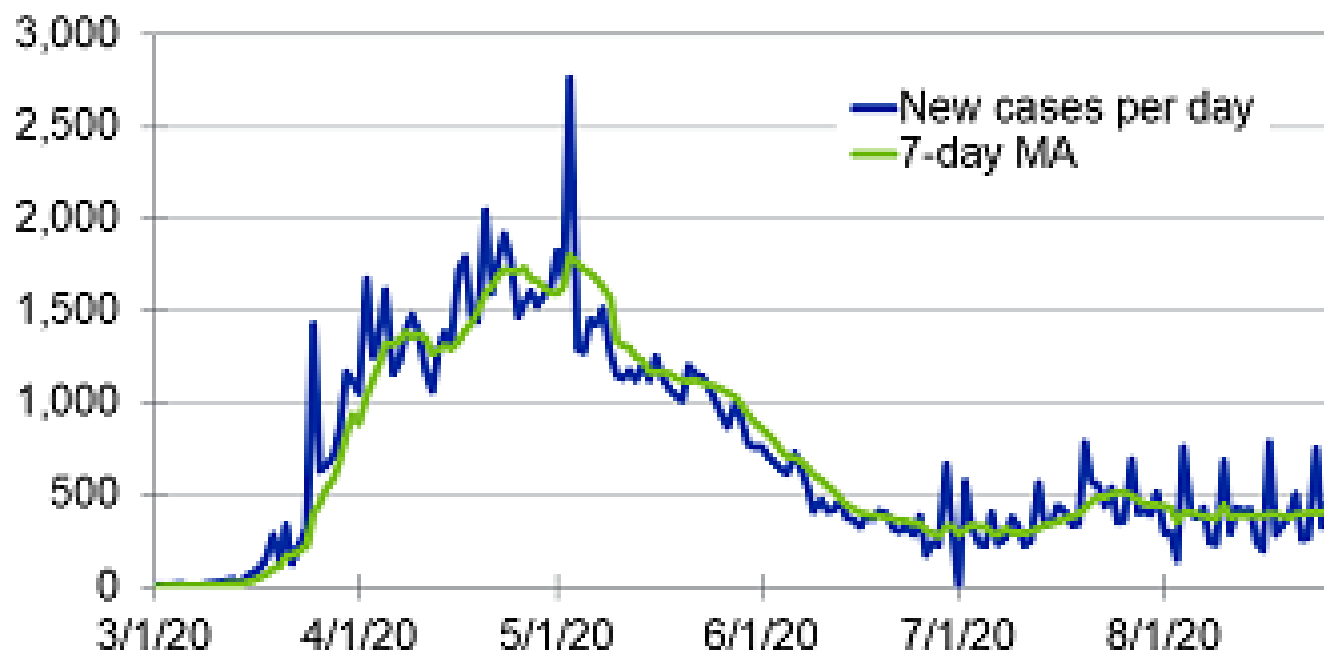
	GDP
2010	3.1%
2011	3.1%
2012	1.8%
2013	2.3%
2014	2.9%
2015	0.7%
2016	1.0%
2017	3.2%
2018	2.0%
2019	1.7%
2020	-5.6%
2021	5.7%

- Federal government commits \$400 Billion+ to support economy, businesses and people.
- Federal and Provincial governments working constructively.
- Low oil prices hurt Alberta and Saskatchewan.
- High level of household debt and loss of income halts non-essential spending in 2020/2021.
- Housing market remains solid.
- Business sentiment deteriorates. Capex remains weak.
- Monetary policy comes to the rescue. Rate cuts / QE.
- Provincial deficits and Federal deficit rise substantially.
- Getting resources to tidal water still a major problem.
- Infrastructure program slow to unfold.
- Challenging U.S. relations.
- China trade and politics remain difficult.

QUARTERLY GROWTH PROFILE				
	(QoQ% AR)			
	Q1	Q2	Q3	Q4
2014	0.7	3.7	3.9	2.8
2015	-2.2	-1.1	1.4	0.3
2016	2.2	-2.0	4.2	2.3
2017	4.7	4.8	1.4	1.8
2018	2.2	1.6	2.5	1.0
2019	1.2	3.2	1.1	0.6
2020	-8.2	-38.7	45.0	7.0
2021	6.5	4.5	4.2	3.4

New Cases Remain Relatively Stable and Low (Some Concerns Lately but Action Being Taken)

Canada New COVID-19 infections per day, as of Aug 27



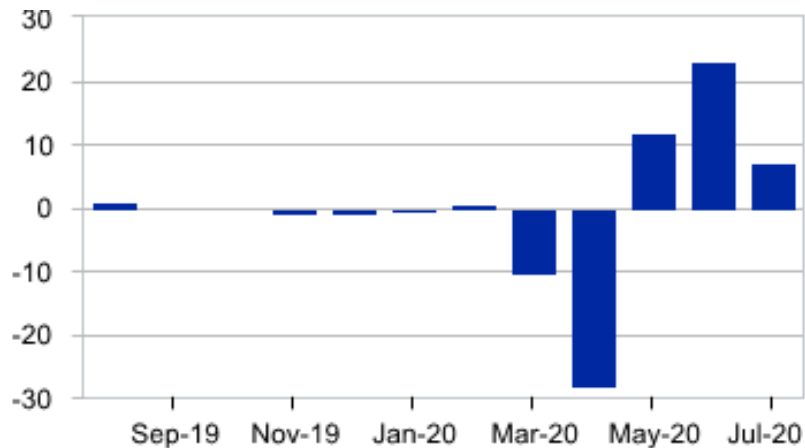
Source: Government of Canada, Moody's Analytics

Canada Manufacturing Challenged!

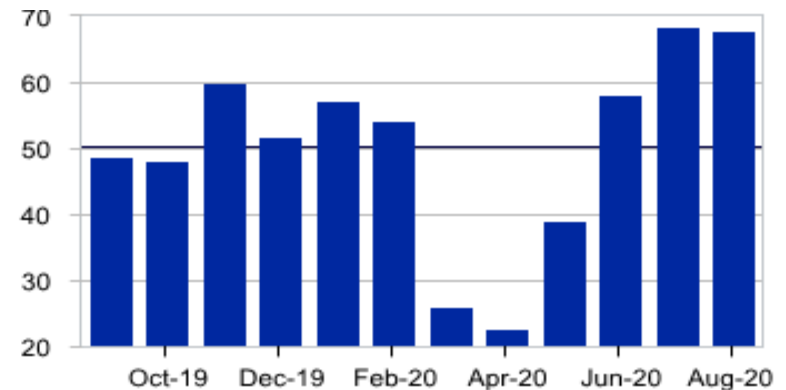
Supply Chain Disruptions and Plants Closed

Opening Up Started But Will Take Time as New Protocols Kick In

Canada Manufacturing
Shipments % change



IVEY Purchasing Managers Index



Industry Performance – Real GDP (relative to pre-virus levels)

Industry Performance		Recovery		Share
Real GDP (relative to pre-virus levels)		Aug 2020 (%)	Late 2021 ¹ (%)	(%)
Previously Expected Underperformers				
Air transportation	↓	20	70	0.52
Accommodation	—	48	70	0.70
Arts, entertainment and recreation	—	45	70	0.79
Food services	—	62	70	1.57
Oil and gas extraction	↑	93	85	5.53
Mining and quarrying	↑	94	90	1.83
Pipelines	↑	92	95	0.50
Transit and other ground transport.	↓	45	95	0.48
General merchandise stores	↑	110	95	0.54
Motor vehicle and parts dealers	↑	94	95	0.84
Other retailers	↑	100	95	2.82
Durable manufacturing	—	89	95	5.43
Real estate and rental and leasing	↑	102	95	12.85
Previously Expected Business as Usual				
Truck transportation	—	90	100	1.12
Other transportation	—	90	100	1.69
Agriculture, forestry, fishing & hunting	↑	102	100	2.03
Utilities	↑	100	100	2.20
Other services (ex. public admin.)	↓	81	100	1.92
Mgmt. of companies & enterprises	—	90	100	0.47
Administrative, waste mgmt., etc.	—	86	100	2.66
Construction	↑	99	100	7.20
Nondurable manufacturing	↑	98	100	4.63
Educational services	—	94	100	5.31
Finance and insurance	↑	102	100	6.73
Public administration	↑	98	100	6.75
Previously Expected Outperformers				
Wholesale trade	—	95	105	5.18
Professional, scientific & tech. services	—	95	105	6.09
Warehousing and storage	—	99	110	0.19
Food and beverage stores	—	104	115	0.97
Information and cultural industries	—	97	115	3.28
Health care and social assistance	↓	94	115	7.16
Total		94.5	100	100.00

Expectations: ↑ = exceeding; ↓ = below; — = as expected

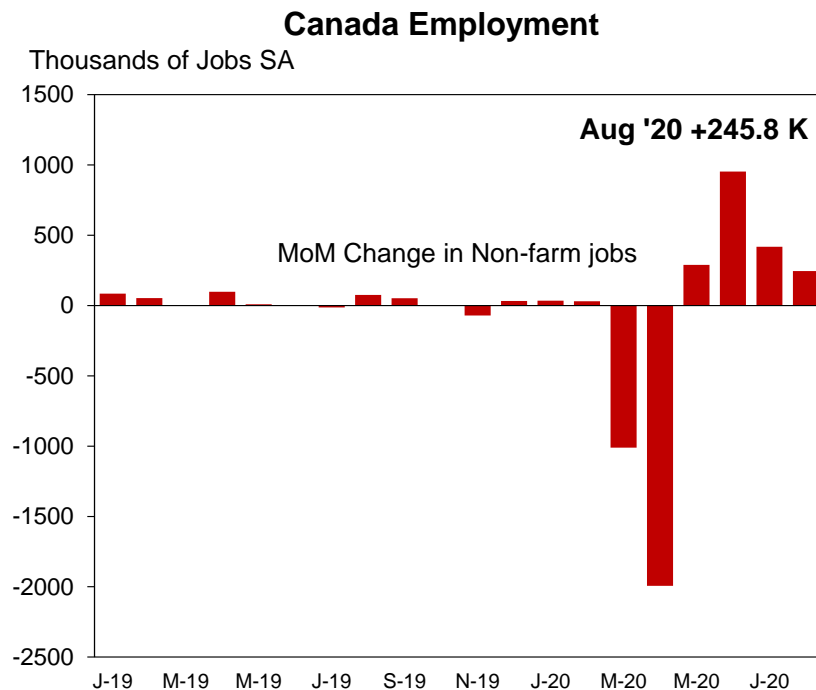
¹ previous expectation from our June 2020 report

Sources: BMO Economics, Haver Analytics

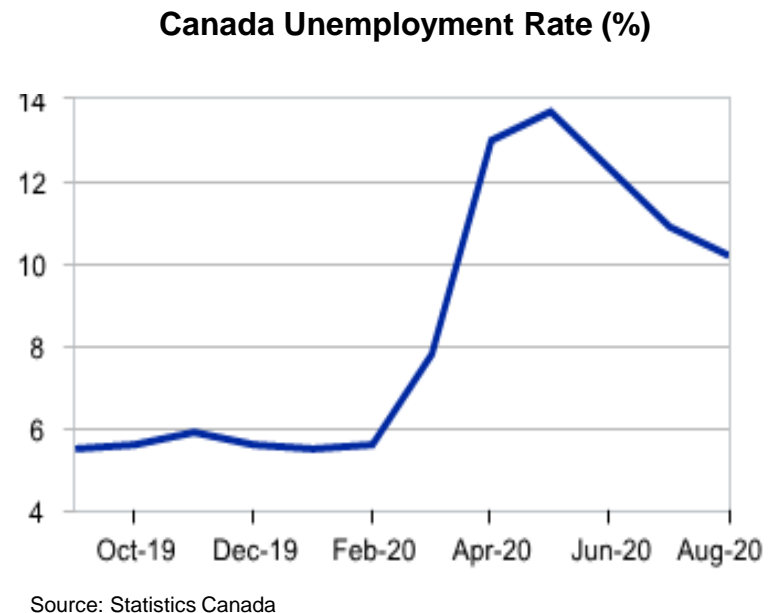
March/April Job Losses Hit as Lockdowns Took Effect

Will Take 2-plus Years for Unemployment Rate to Return to Pre-COVID Level

Some Permanent Job Loss Will Have Occurred



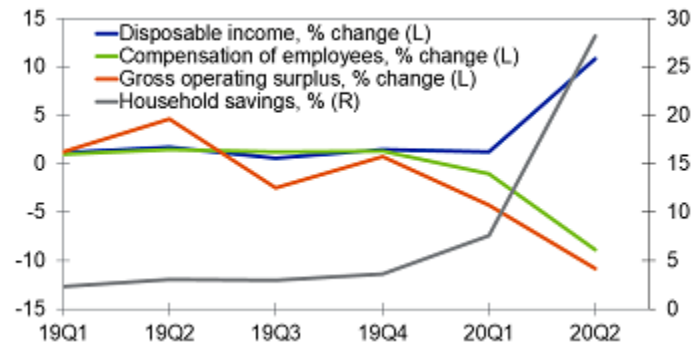
Source: Statistics Canada



Consumer Confidence Will Be Key to Recovery

Household Debt to Income Ratio Falls to 158.2%, Q2

Stimulus Drives Up Disposable Incomes



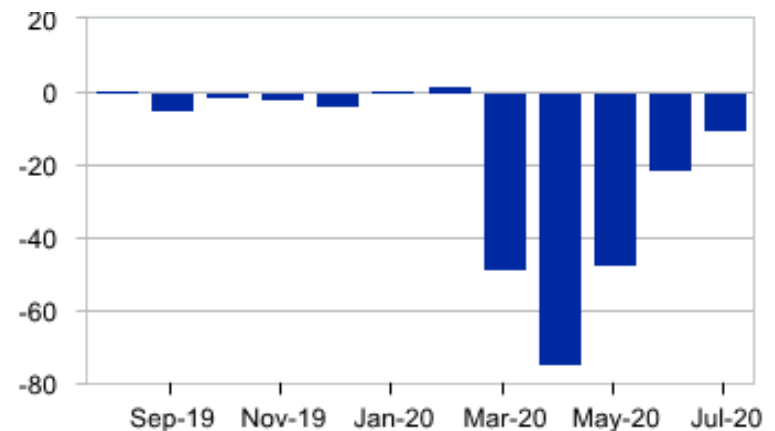
Source: Statistics Canada, Moody's Analytics

**Canada Retail Sales
% change**



Source: Statistics Canada

**Canada New Motor Vehicle Sales
% change yr ago**



Source: Statistics Canada

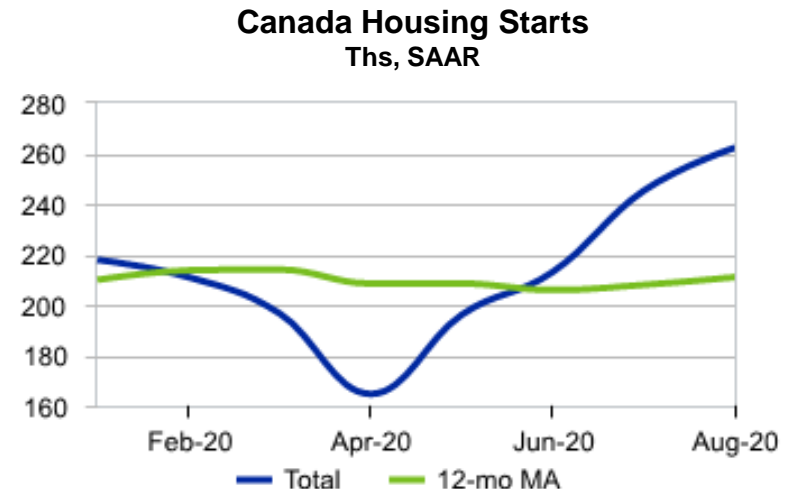
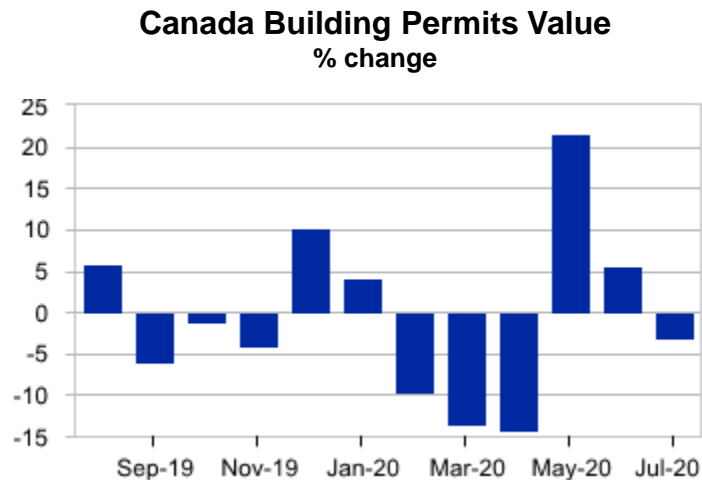
Housing Solid

But, Non-Residential Investment Lacks Conviction

Uncertainties Damage Business Confidence

Construction Now Back in Business / Housing Starts Pick up

Housing a Key Driver to Date, Supported by Low Mortgage Rates and Demand



Pandemic Hits Quebec, Ontario, B.C. & Alberta Hard

Resource Regions Under Pressure

Need Route to Tidal Water

Real GDP

	2015	2016	2017	2018	2019	2020	2021
CANADA	0.7	1.0	3.2	2.0	1.7	-5.6	5.7
B.C.	3.3	3.5	3.8	2.6	2.8	-5.0	6.2
ALBERTA	-3.6	-3.7	4.4	1.6	-0.6	-7.0	6.0
SASKATCHEWAN	-1.3	-0.5	2.2	1.3	-0.8	-5.9	5.3
MANITOBA	2.2	2.2	3.2	1.3	1.0	-4.7	5.5
ONTARIO	2.5	2.6	2.8	2.2	1.9	-5.5	5.7
QUEBEC	1.2	1.4	2.8	2.5	2.8	-5.7	5.8
NEW BRUNSWICK	2.3	1.2	1.8	0.8	1.0	-3.2	4.5
NOVA SCOTIA	1.0	0.8	1.5	1.5	2.1	-3.5	4.7
PEI	1.3	2.3	3.5	2.6	4.5	-2.5	4.5
NEWFOUNDLAND	-2.0	1.9	0.9	-3.5	4.0	-7.1	5.5