

INVESTMENT SOLUTIONS & PRODUCTS

Chief Investment Office Switzerland | Swiss Macro Economics & Strategy (WJVE 1)

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# Canada: Macroeconomic Outlook

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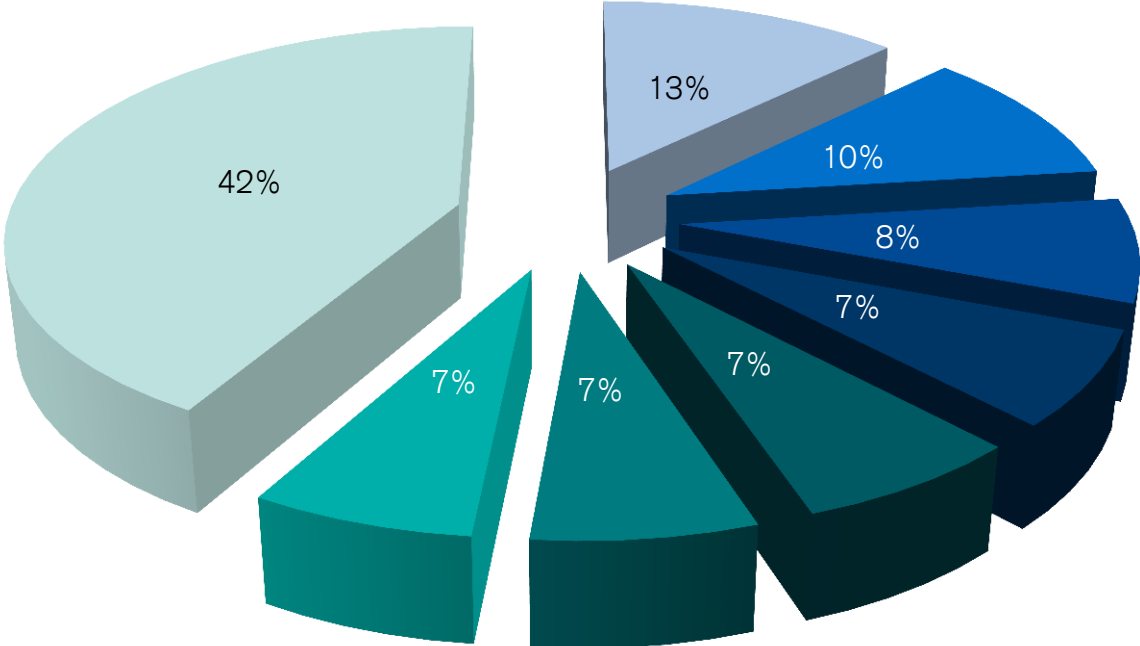
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# Overview

# Largest industries in terms of Canadian GDP

Canada Nominal GDP in 2018: USD 1.82 tn



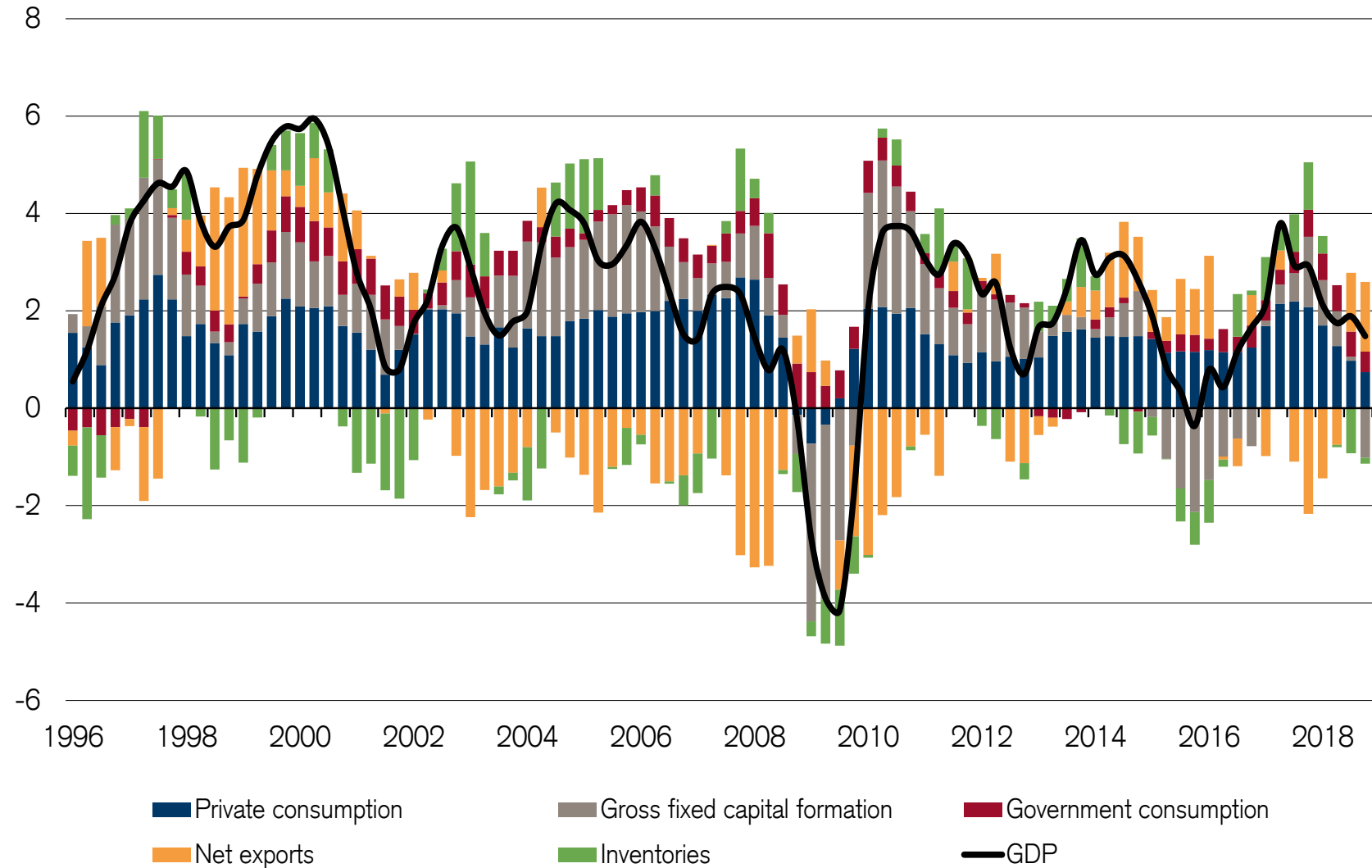
- Real estate, rental, and leasing
- Manufacturing
- Mining, quarrying, oil and gas extraction
- Health care
- Construction
- Finance and insurance
- Public administration
- Other

Last data point: December 2018

Source: Credit Suisse / Statista / IMF

# Investment dragged on growth

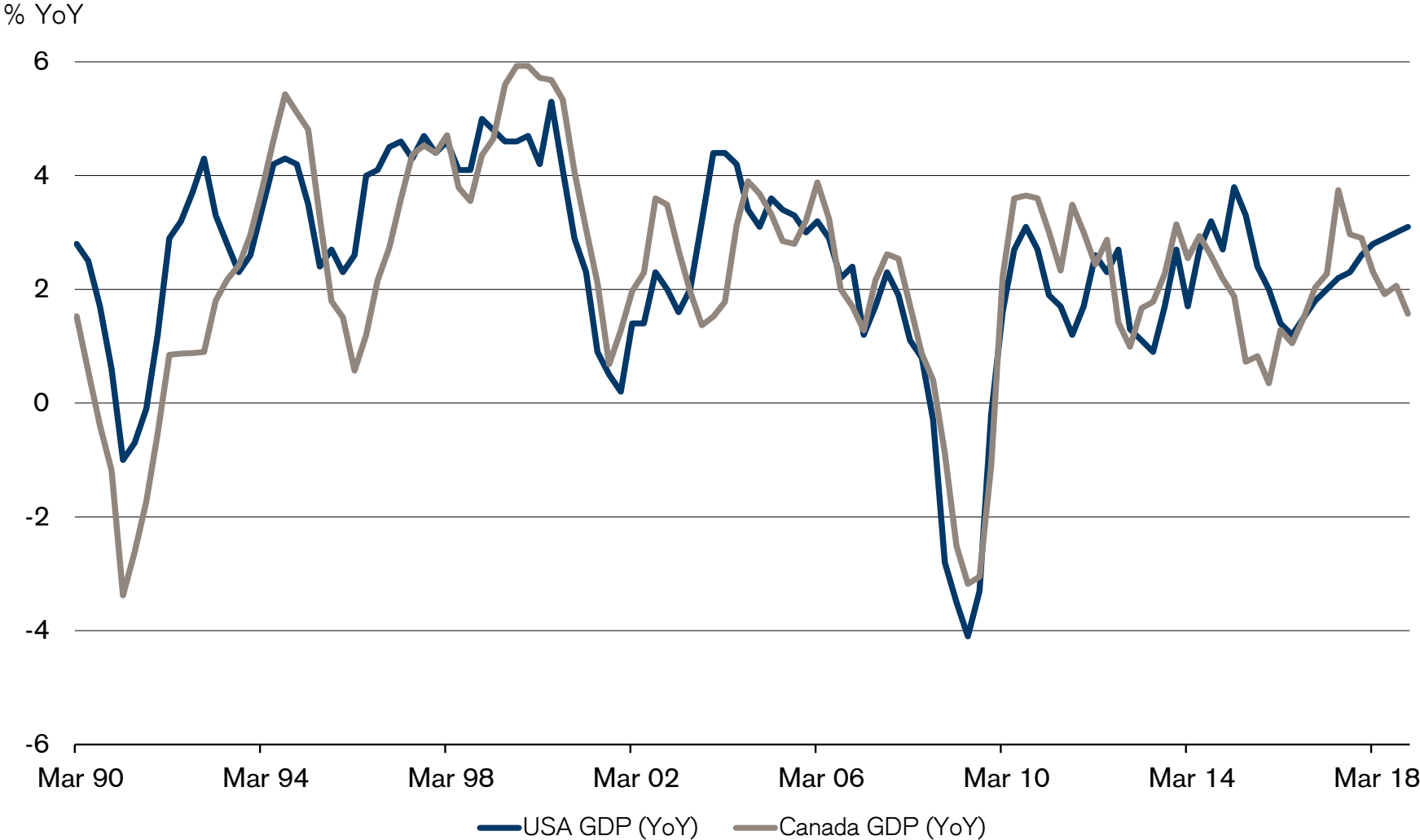
% YoY



Last data point: 15.11.2018

Source: Datastream, Credit Suisse / IDC

# Canadian business cycle usually closely linked to USA

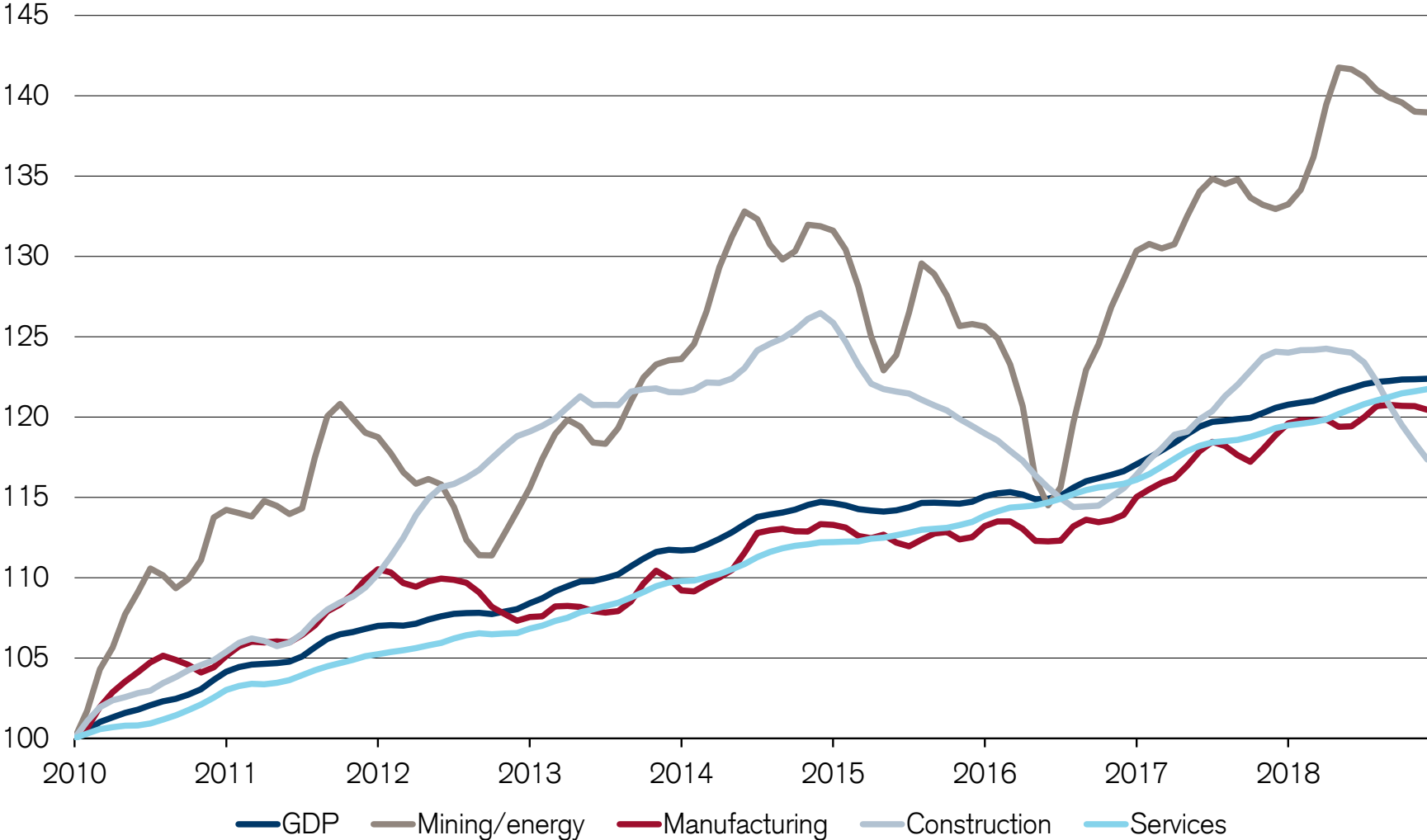


Last data point: 31.12.2018

Source: Bloomberg, Credit Suisse / IDC

# Return to broad-based growth

Index Jan 2000 = 100 (3m MA)



Last data point: 15.12.2018

Source: Datastream, Credit Suisse / IDC

# USMCA – Amendments of the not yet ratified but signed «new NAFTA»

## Autos

Zero tariffs for cars or trucks with at least 75% of their components made in the US, Mexico, or Canada

## 16-year sunset clause

agreement subject to review every six years with the possibility of an additional 16-year extension

# USMCA

## Extended Copyrights in Canada

Copyright extended to life plus 70 years and 75 years for sound recordings

## Enhanced duty-free limit

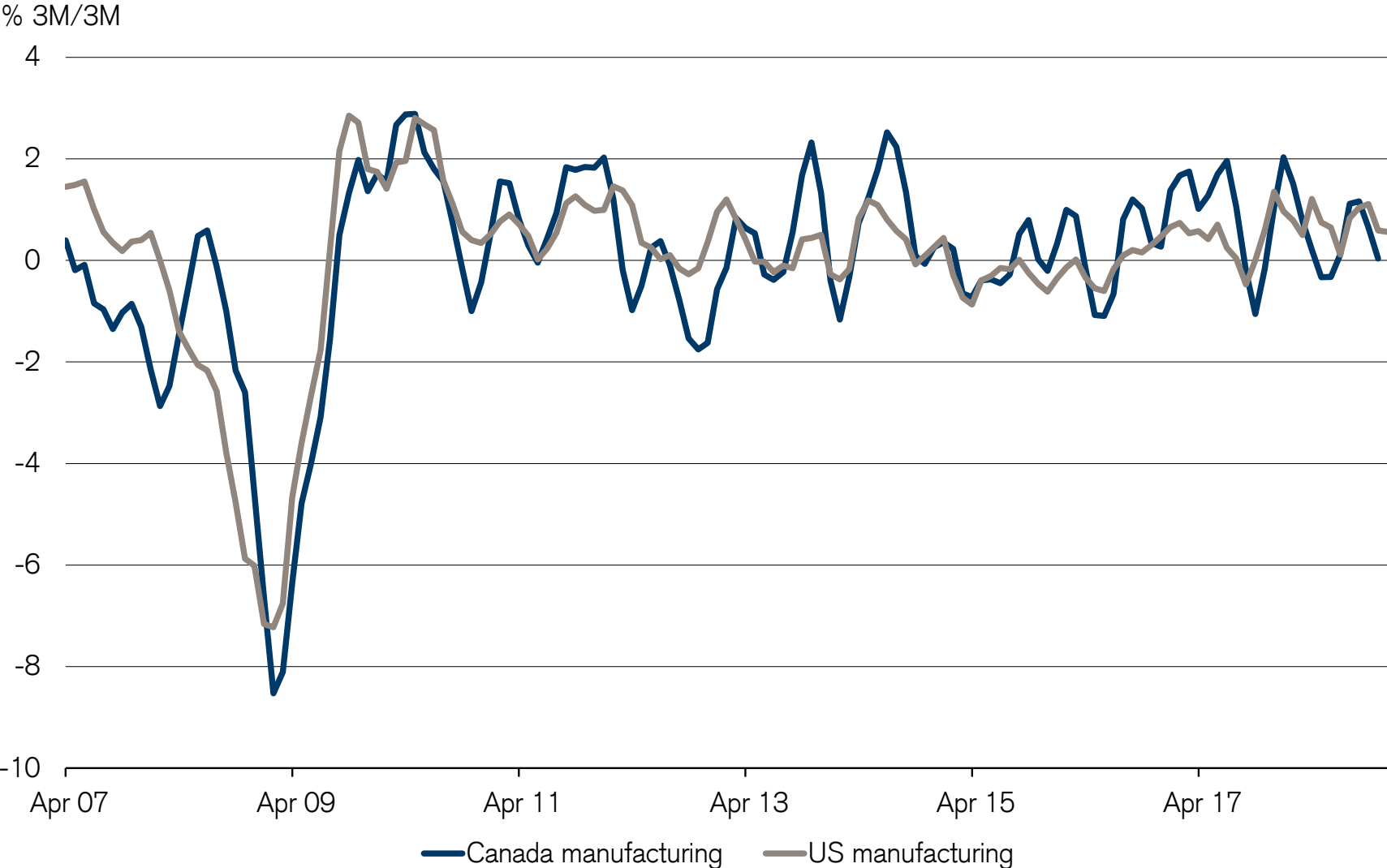
for purchases of Canadian customers from the US up to CAD 150 (from CAD 20)

Source: Government of Canada, Credit Suisse

# Manufacturing and investment



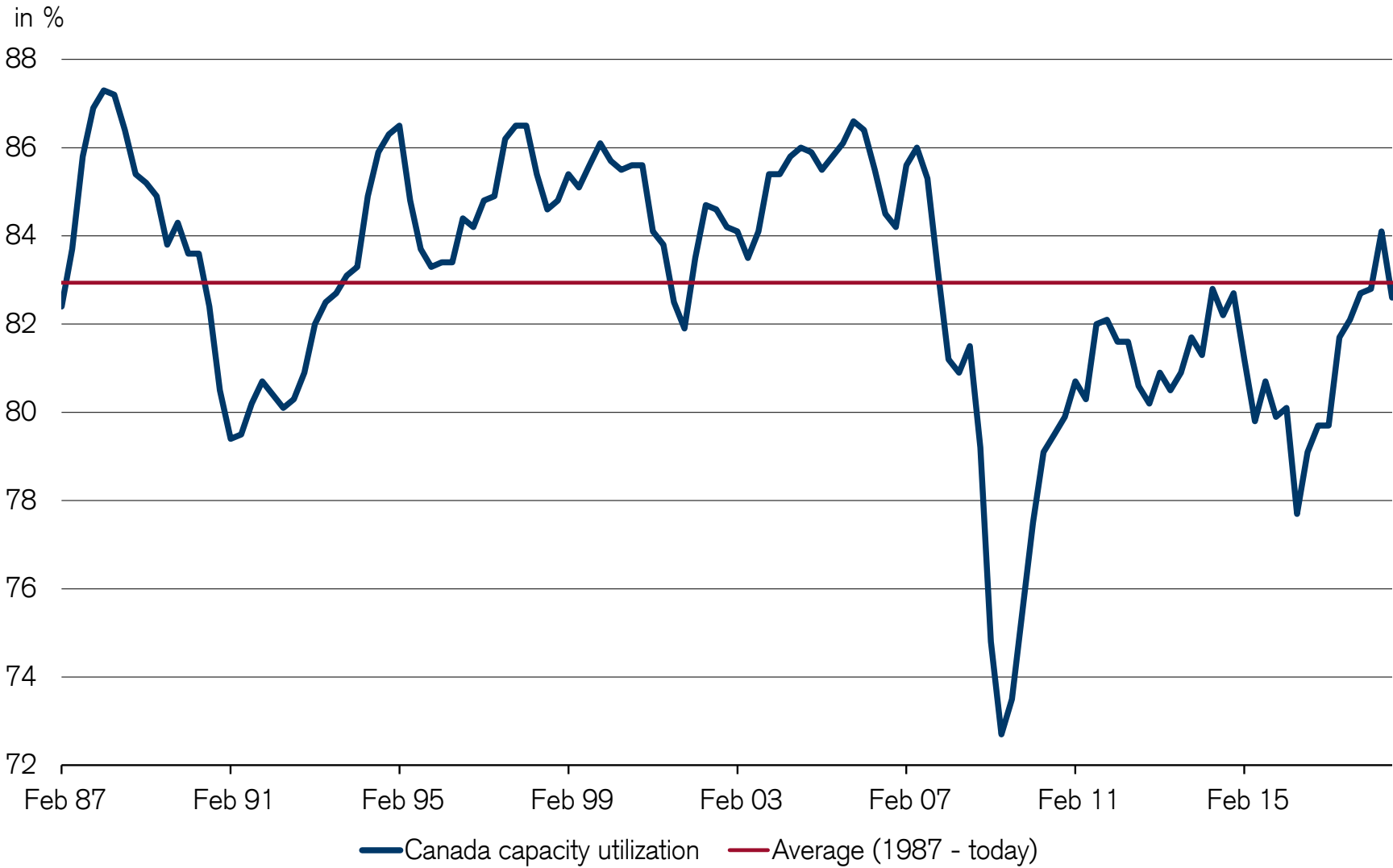
# Industrial production linked to US, but more volatile



Last data point: 15.01.2019

Source: Datastream, Credit Suisse / IDC

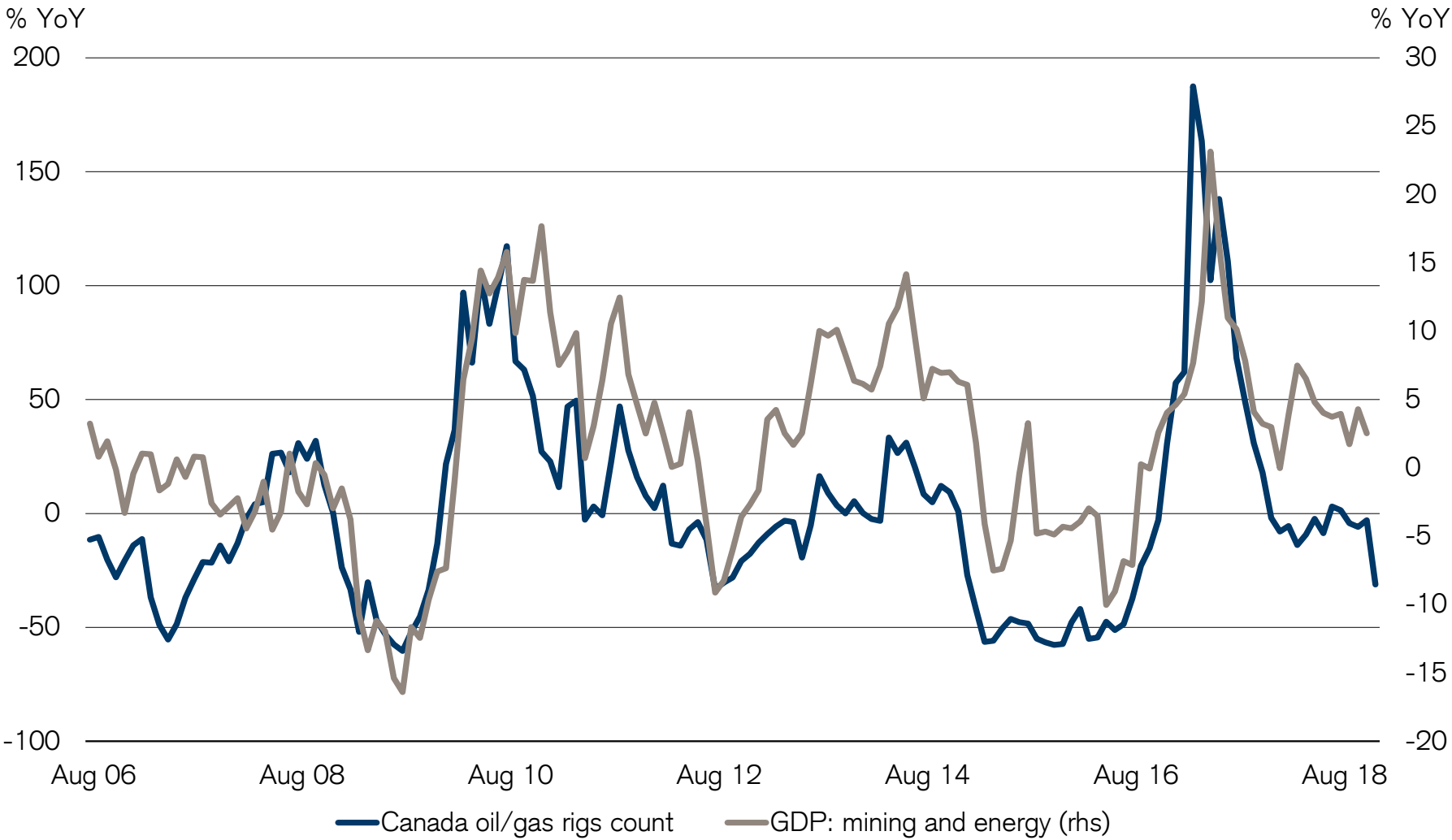
# Capacity utilization has significantly improved



Last data point: 15.08.2018

Source: Datastream, Credit Suisse / IDC

# Energy sector back to growth



Last data point: 31.01.2019

Source: Datastream, Credit Suisse / IDC

## Trade and external balance

# CAD recently softer against the USD

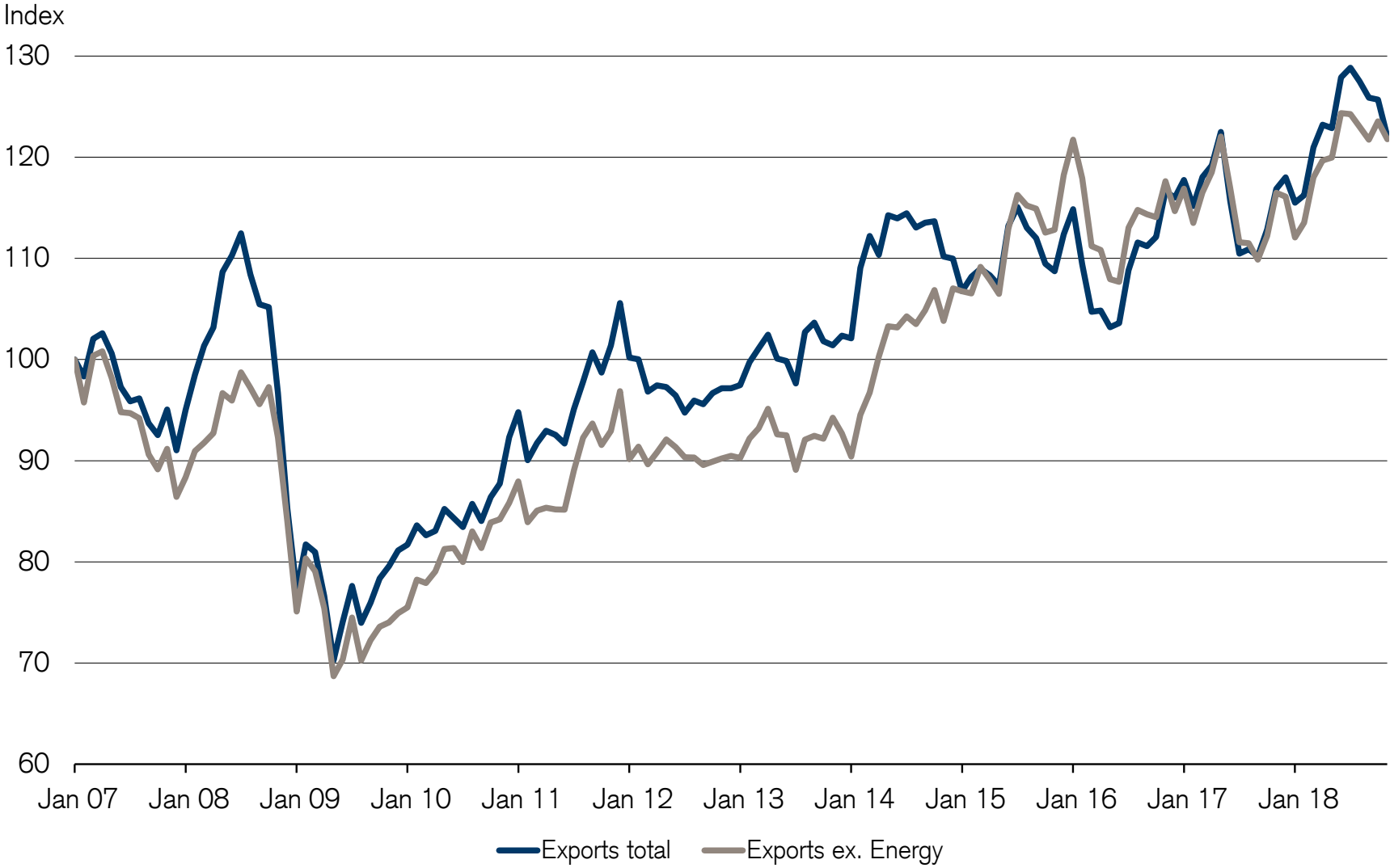
USD/CAD



Last data point: 05.03.2019

Source: Bloomberg, Credit Suisse

# Recent swings in nominal exports also driven by currency



Last data point: 15.11.2018

Source: Datastream, Credit Suisse / IDC



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# Significant export dependence on the USA



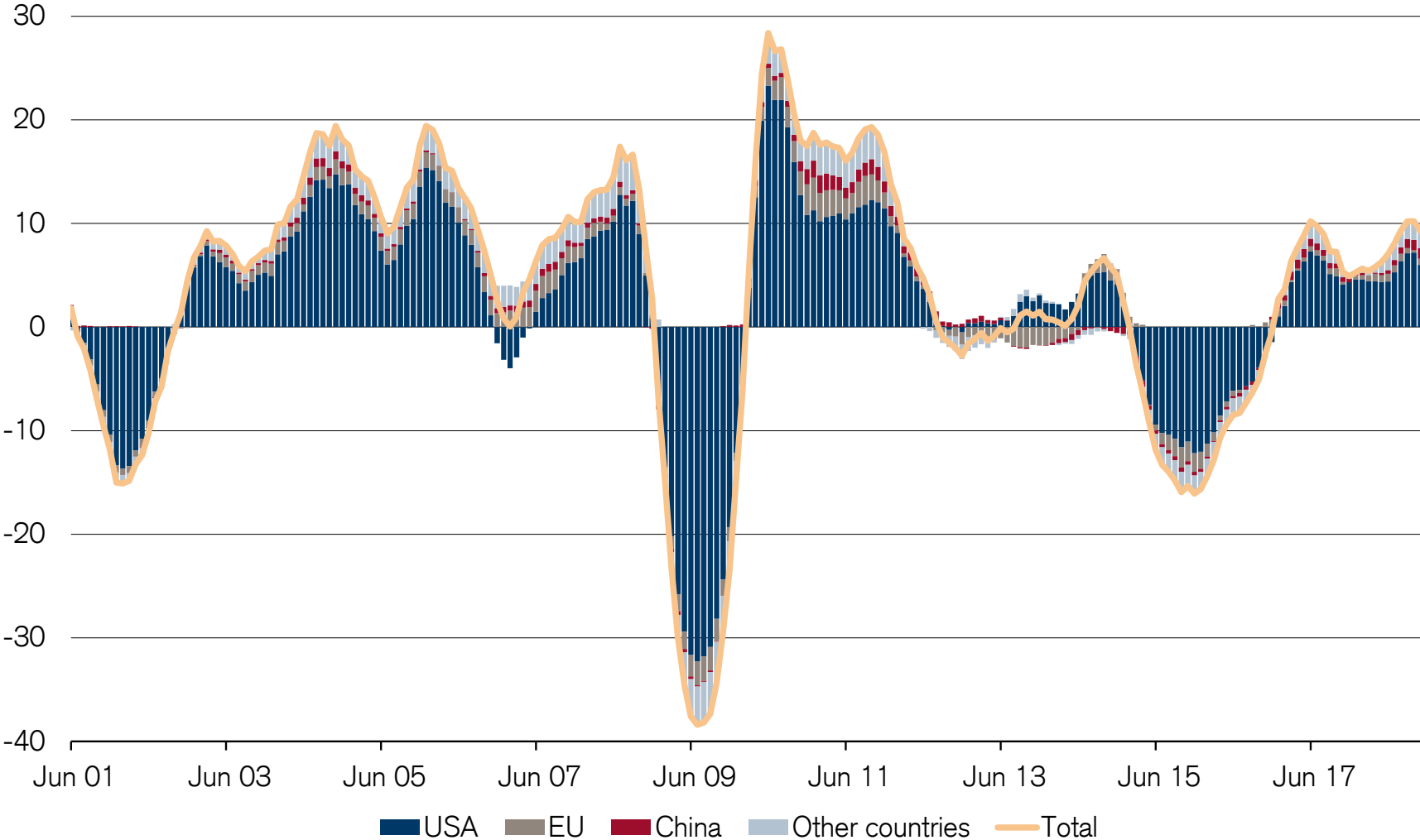
— Canada exports to US in % of total exports

Last data point: 15.11.2018

Source: Datastream, Credit Suisse / IDC

# Canadian exports: Contributions of specific economies

YoY% (base: 6m MA)

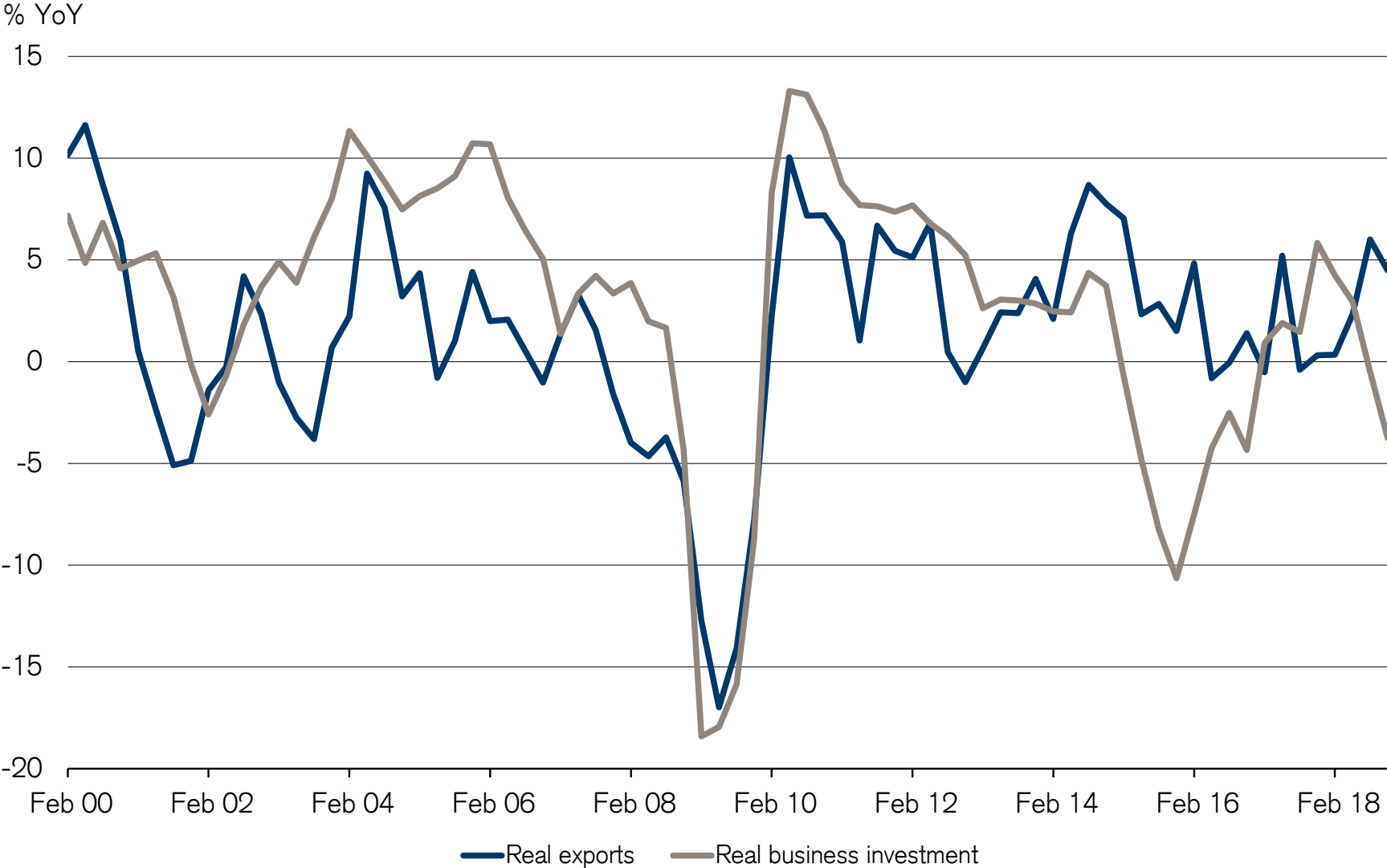


Last data point: 15.11.2018

Source: Datastream, Credit Suisse / IDC



# Investment recently weaker while exports grow



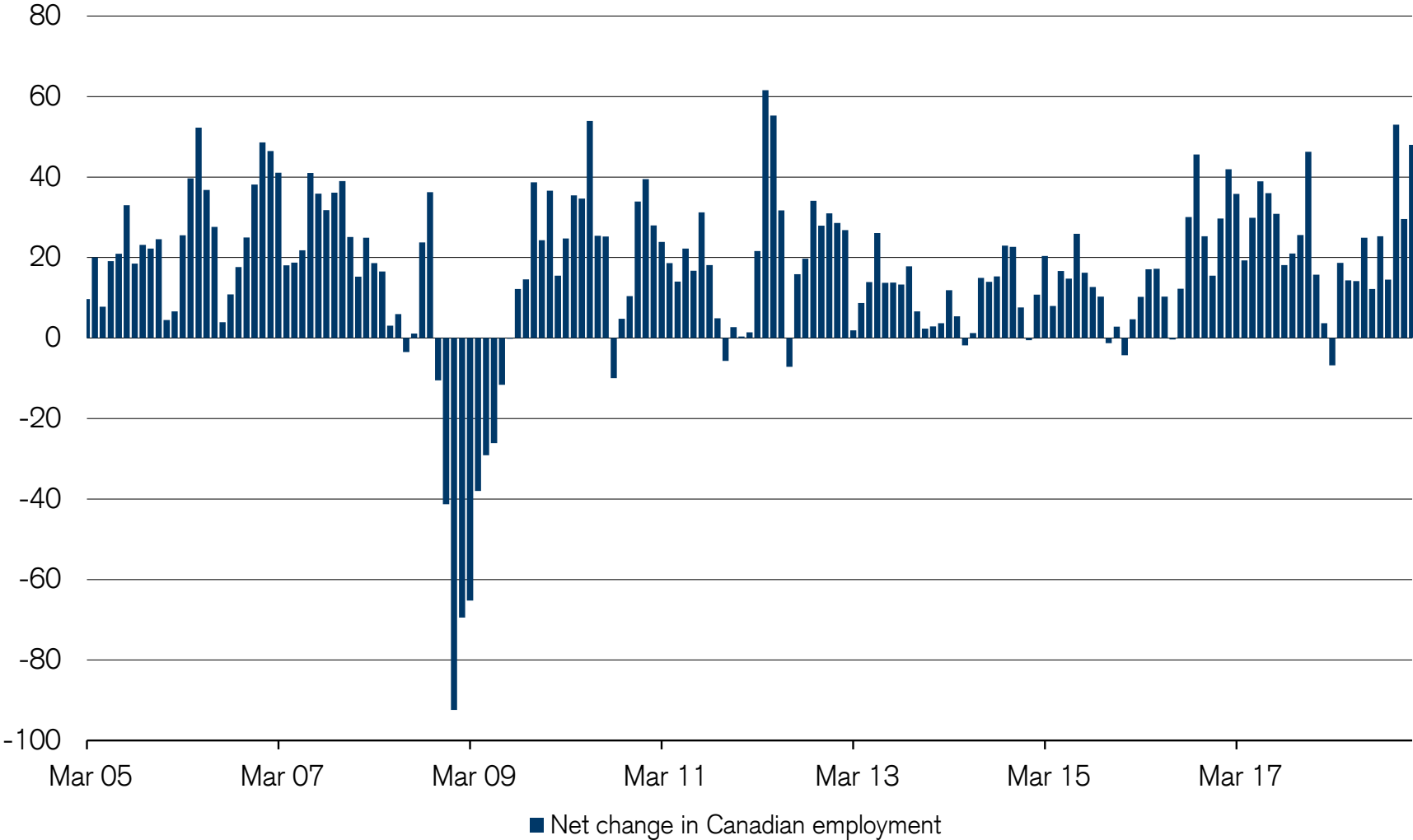
Last data point: 15.11.2018

Source: Datastream, Credit Suisse / IDC

## Labor market and consumption

# Employment growth has picked up

thousands, 3mma

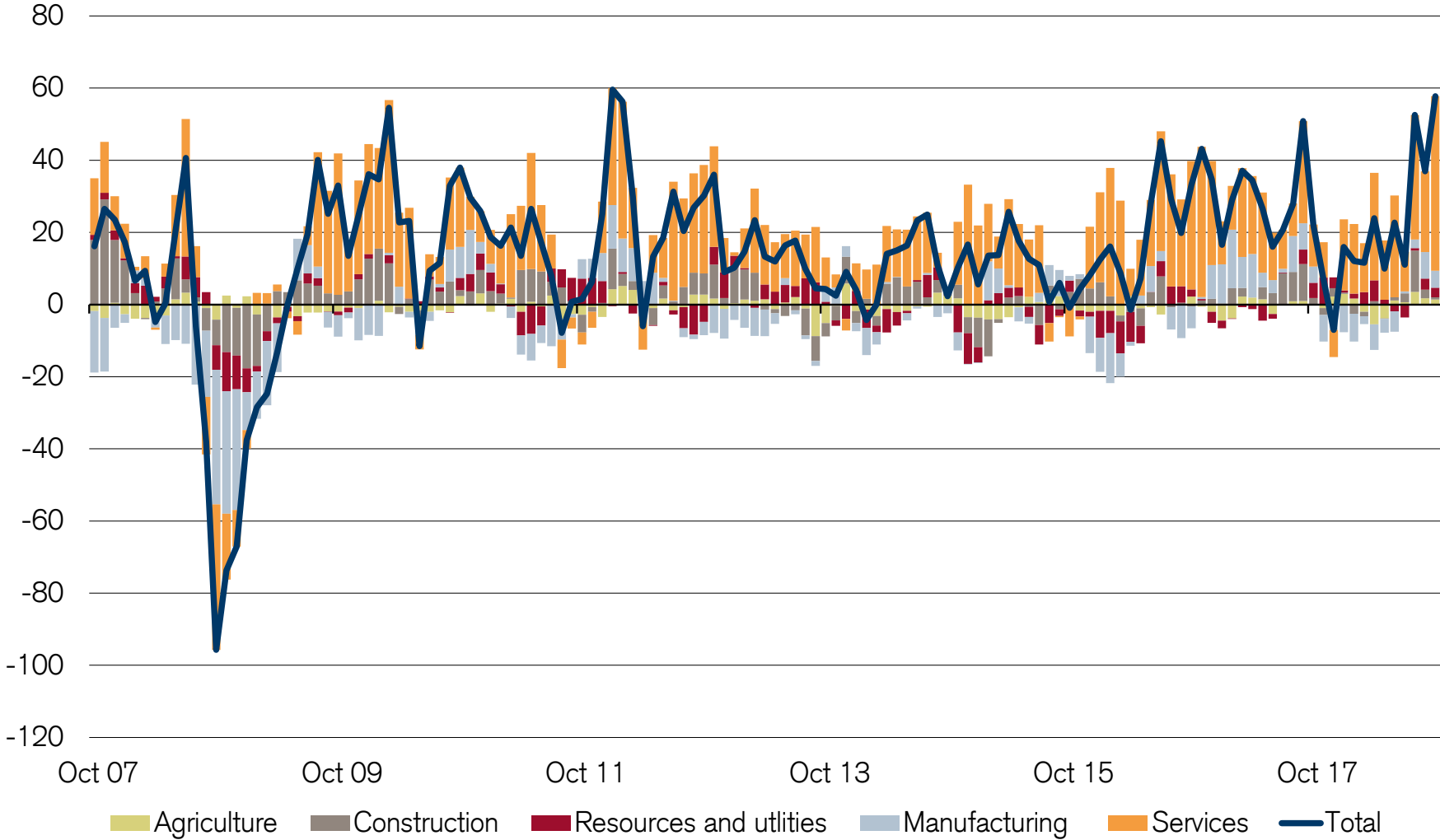


Last data point: 15.01.2019

Source: Datastream, Credit Suisse / IDC

# Employment growth driven by services sector

in thousands s.a. (3mma)

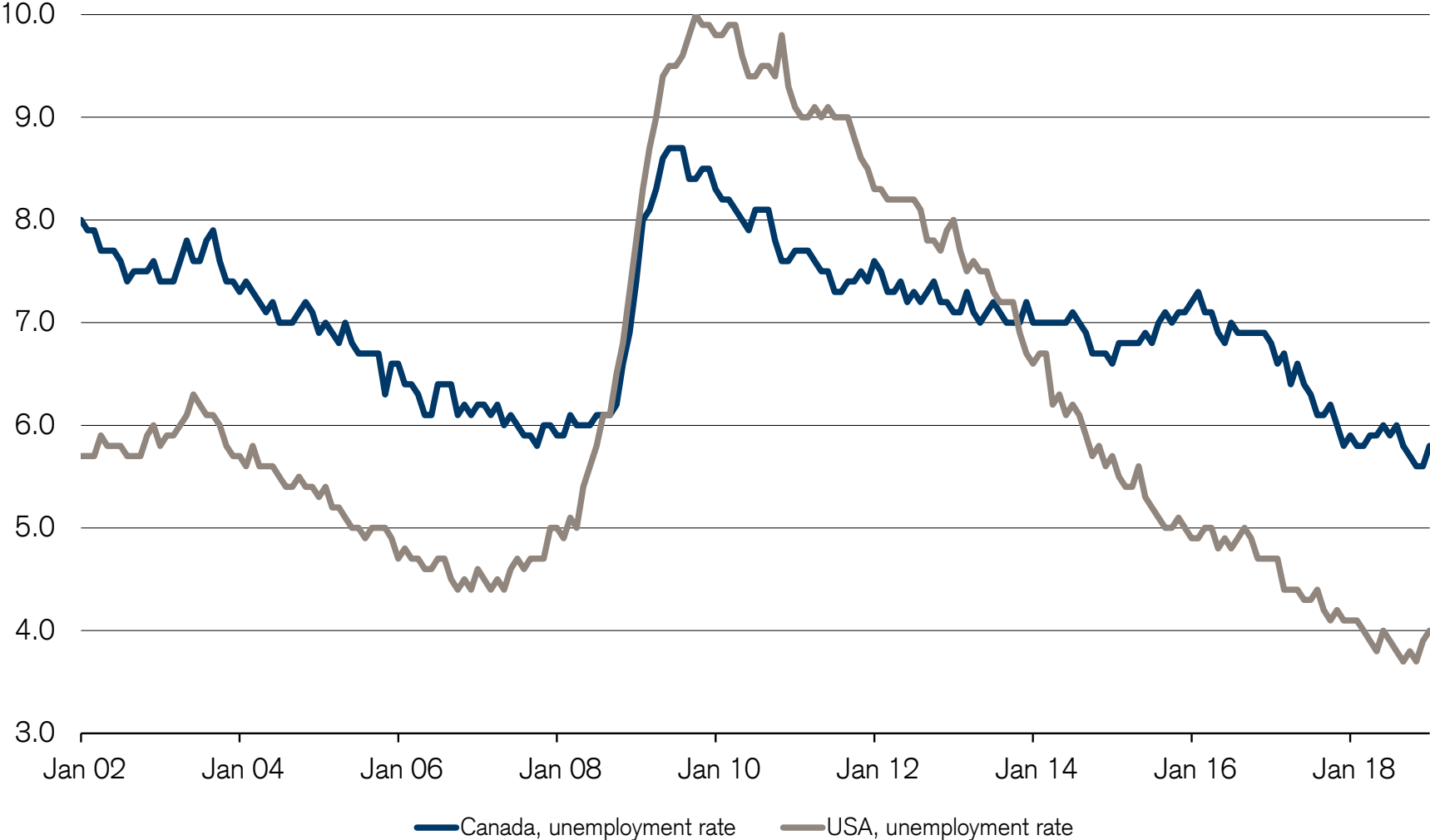


Last data point: 15.01.2019

Source: Datastream, Credit Suisse / IDC

# Labor market slack still considerable...

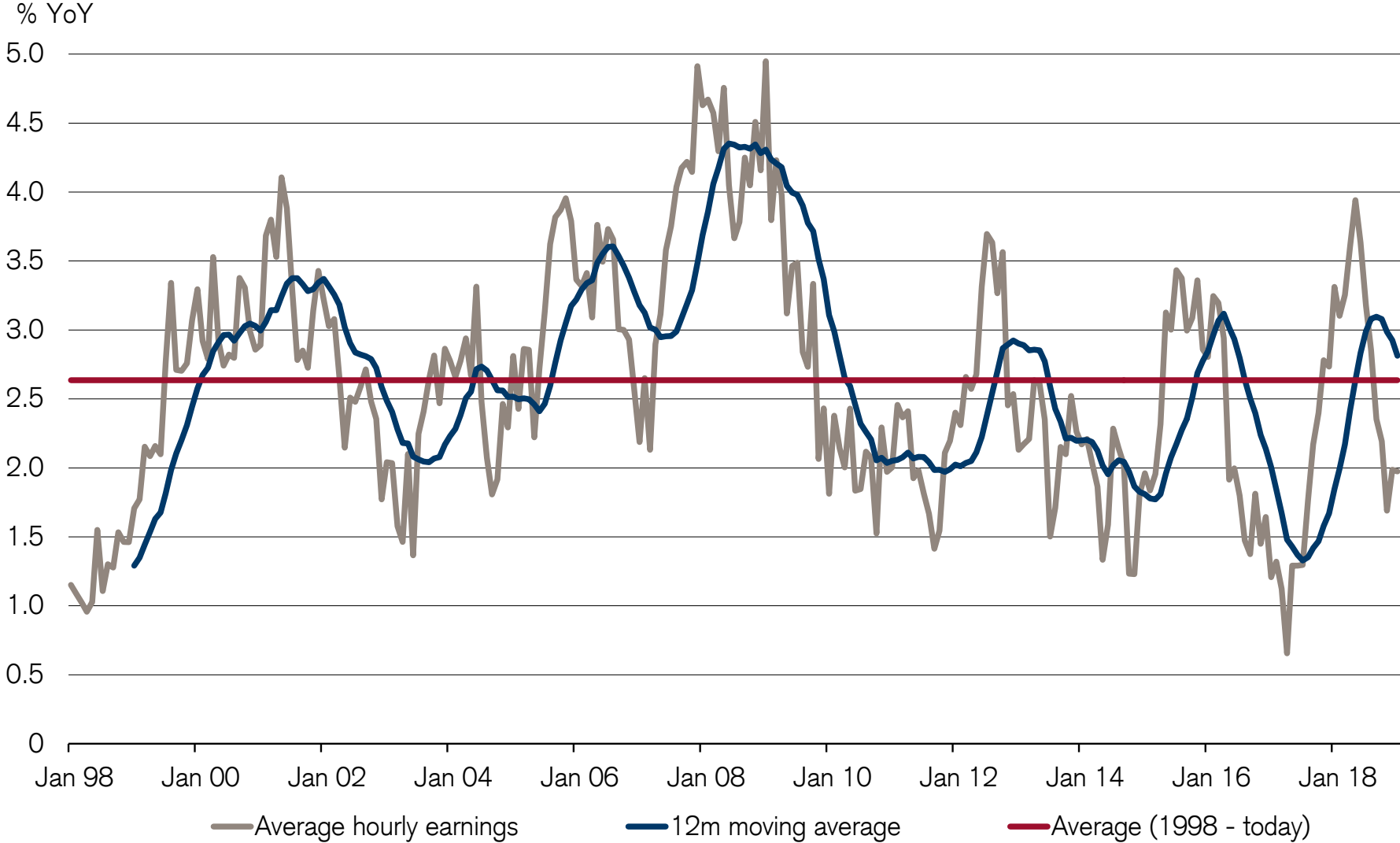
% of labor force



Last data point: 15.01.2019

Source: Datastream, Credit Suisse / IDC

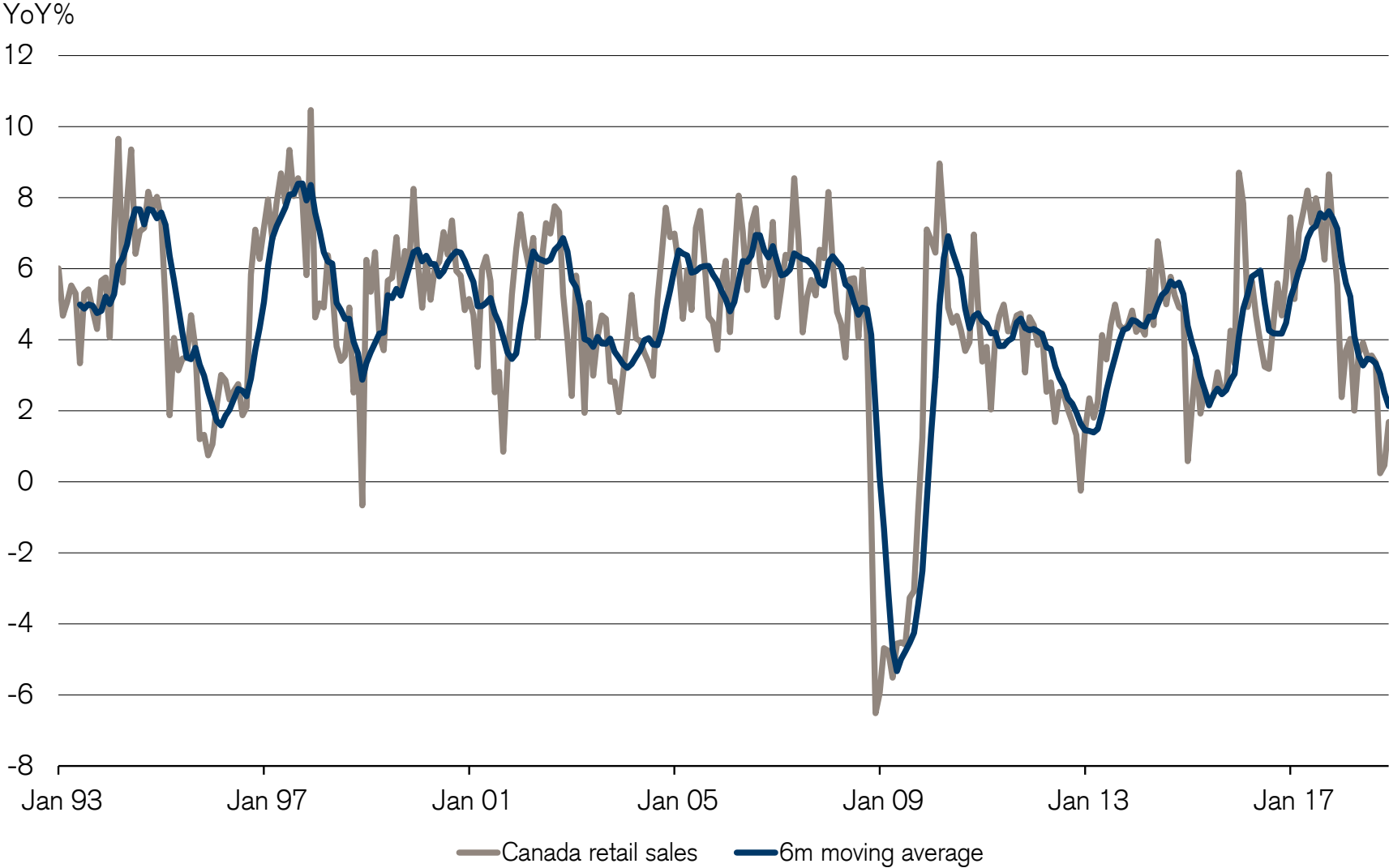
# ... and wage growth is back to subdued levels



Last data point: 15.01.2019

Source: Datastream, Credit Suisse / IDC

# Canadian retail sales growth slowing



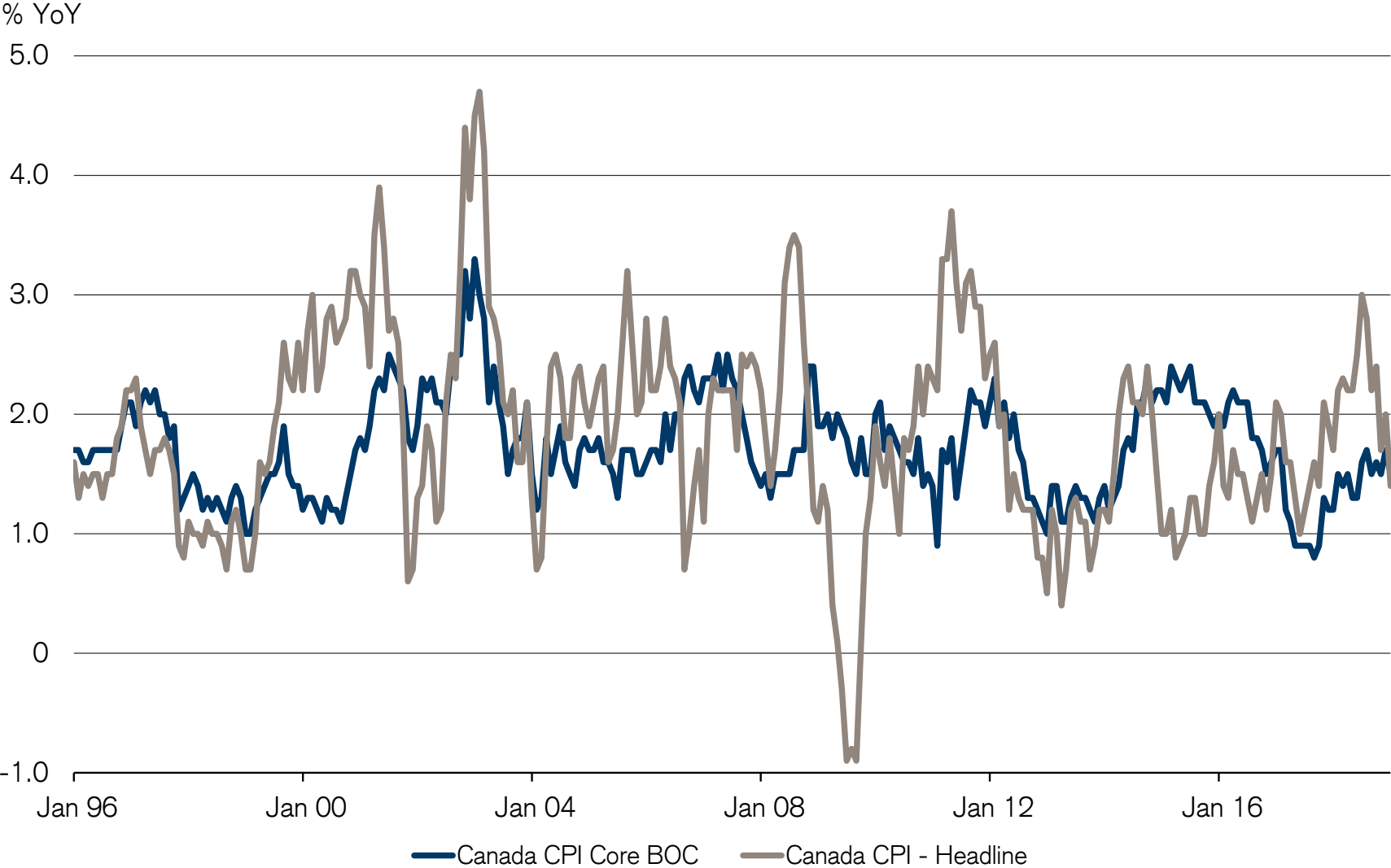
Last data point: 15.12.2018

Source: Bloomberg, Credit Suisse / IDC

# Monetary policy and inflation



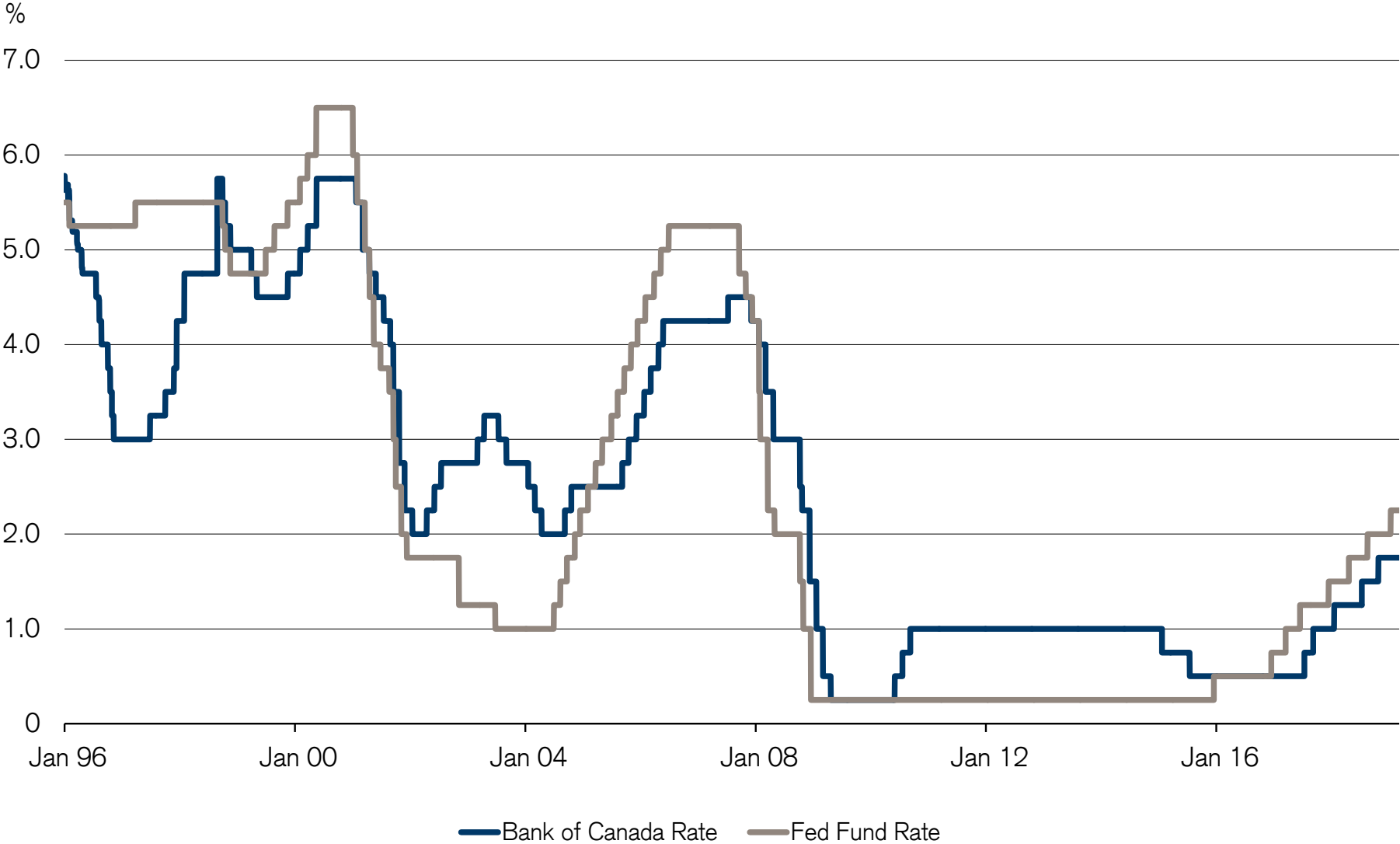
# Inflation back in the lower half of the 1–3% target range



Last data point: 31.01.2019

Source: Bloomberg, Datastream, Credit Suisse / IDC

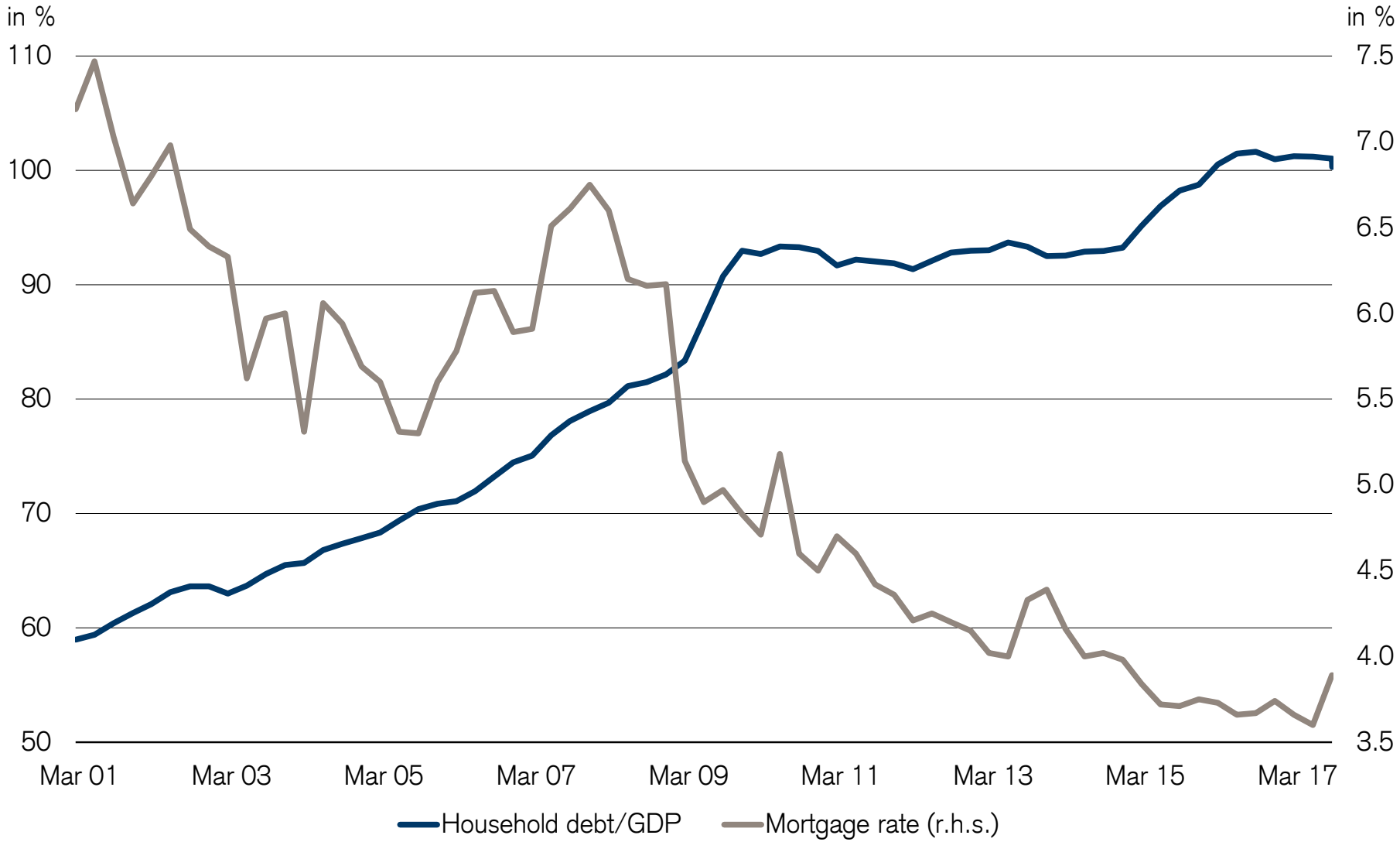
# Bank of Canada following the Fed with a certain lag



Last data point: 04.03.2019

Source: Bloomberg, Credit Suisse / IDC

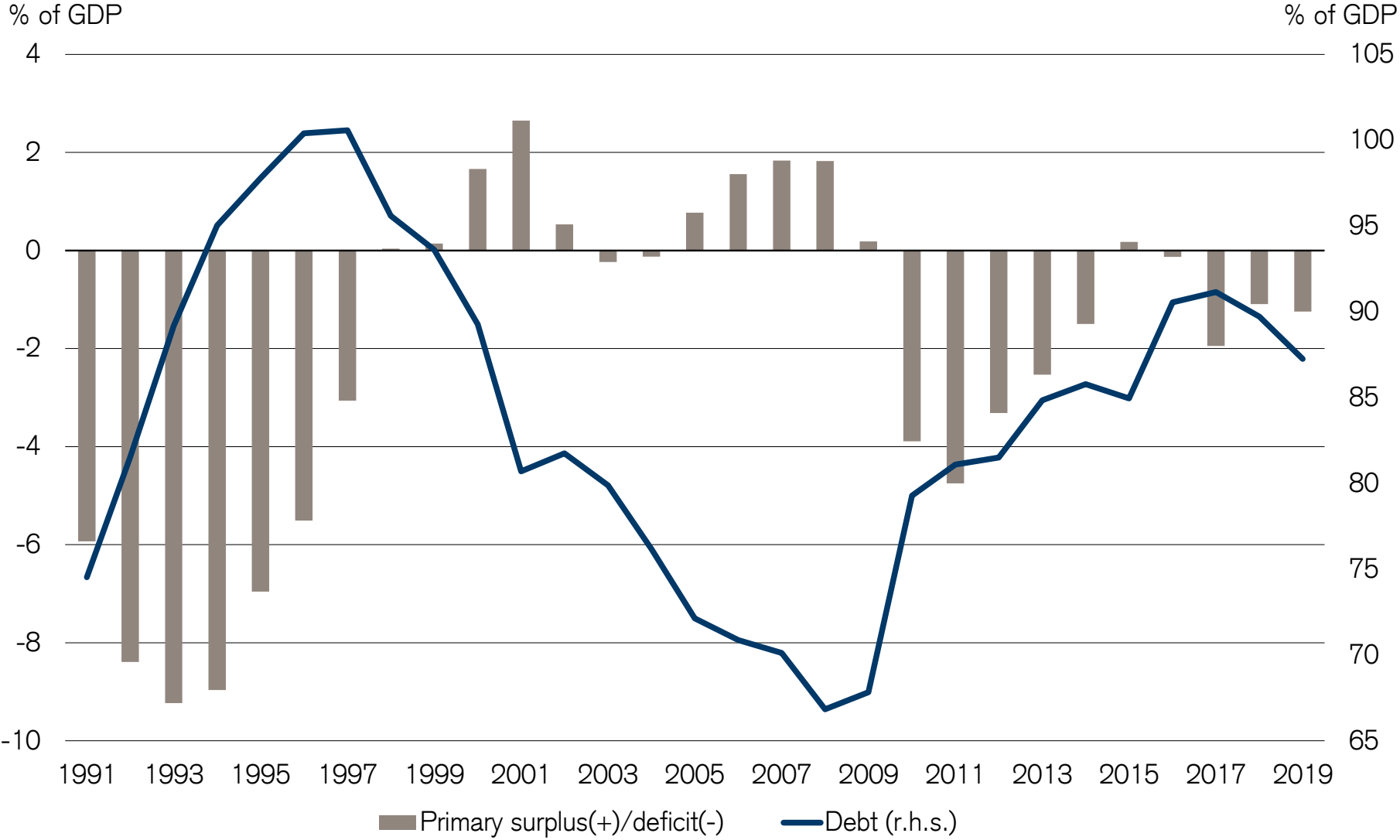
# Low mortgage rates have led to high household debt



Last data point: 15.08.2018

Source: Datastream, Credit Suisse / IDC

# Budget deficit to deteriorate again...



Last data point: 05.03.2019

Source: Datastream, IMF, Credit Suisse / IDC

# Forecast Table GDP and inflation

	GDP			Inflation				GDP			Inflation		
Country / region	2018F	2019F	2020F	2018F	2019F	2020F	Country / region	2018F	2019F	2020F	2018F	2019F	2020F
<b>Global</b>	<b>3.2</b>	<b>2.8</b>	<b>2.9</b>	<b>2.7</b>	<b>2.5</b>	<b>2.5</b>	<b>Non-Japan Asia</b>	<b>6.0</b>	<b>5.7</b>	<b>5.5</b>	<b>2.3</b>	<b>2.3</b>	<b>2.3</b>
<b>G-3</b>	<b>2.2</b>	<b>1.7</b>	<b>1.8</b>	<b>2.0</b>	<b>1.3</b>	<b>1.8</b>	China	6.6	6.2	6.0	2.1	1.9	2.0
<b>BRIC</b>	<b>5.7</b>	<b>5.6</b>	<b>5.4</b>	<b>2.5</b>	<b>2.7</b>	<b>2.8</b>	Hong Kong	3.6	2.7	2.5	2.3	2.3	2.1
<b>EM</b>	<b>4.7</b>	<b>4.5</b>	<b>4.6</b>	<b>3.8</b>	<b>4.2</b>	<b>3.6</b>	India (fiscal year)	7.2	7.2	7.3	3.5	4.3	4.5
USA	2.8	2.3	2.1	2.4	1.5	2.2	Indonesia	5.2	5.1	5.0	3.2	3.5	3.4
Canada	2.1	1.5	2.0	2.2	1.9	2.0	South Korea	2.6	2.4	2.2	1.5	1.3	1.2
<b>Eurozone</b>	<b>1.8</b>	<b>1.2</b>	<b>1.6</b>	<b>1.7</b>	<b>1.3</b>	<b>1.5</b>	Singapore	3.2	2.7	2.5	0.4	1.4	1.2
Germany	1.4	0.9	1.5	1.9	1.6	1.6	Thailand	4.4	3.8	3.7	1.2	1.4	1.3
Italy	0.8	0.1	0.9	1.2	0.9	1.4	<b>EEMEA</b>	<b>2.5</b>	<b>1.7</b>	<b>2.5</b>	<b>6.3</b>	<b>7.2</b>	<b>6.5</b>
France	1.5	1.0	1.4	2.1	1.4	1.7	Poland	5.0	3.6	3.5	1.8	2.5	3.0
Spain	2.5	2.1	1.8	1.7	0.9	1.6	Russia	1.6	1.4	1.8	2.9	4.9	4.0
United Kingdom	1.4	1.0	1.4	2.5	1.9	2.1	Turkey	2.6	-0.8	3.1	16.3	16.5	13.7
Norway	2.4	2.1	1.6	2.7	1.8	1.6	Israel	3.6	3.4	3.3	0.8	1.2	1.6
Sweden	2.2	1.6	1.8	2.0	2.1	2.6	GCC	2.5	2.8	2.6	2.8	2.1	2.1
Switzerland	2.7	1.7	2.0	0.9	0.7	0.5	South Africa	0.9	1.8	1.8	5.0	5.5	5.4
<b>Japan-Pacific</b>	<b>1.2</b>	<b>1.3</b>	<b>1.2</b>	<b>1.1</b>	<b>1.0</b>	<b>0.9</b>	<b>Latin America</b>	<b>1.4</b>	<b>2.1</b>	<b>2.7</b>	<b>7.7</b>	<b>9.1</b>	<b>6.4</b>
Japan	0.7	0.8	0.7	0.8	0.6	0.5	Argentina	-2.1	-0.5	2.6	33.8	43.5	22.7
Australia	3.0	2.8	2.7	2.0	2.2	2.3	Brazil	1.4	3.0	2.5	3.7	3.8	4.2
New Zealand	2.8	2.8	2.6	1.6	2.0	2.0	Mexico	2.0	1.2	2.8	4.9	4.5	4.0

G-3: EMU, Japan, USA. EM-8: Brazil, China, India, Indonesia, South Korea, Mexico, Turkey and South Africa.

GCC: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, UAE. Regional figures are weighted using nominal GDP at market exchange rates.

Source: Credit Suisse Forecasts as of: 28/02/2019

Source: Bloomberg, Datastream, Credit Suisse / IDC

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