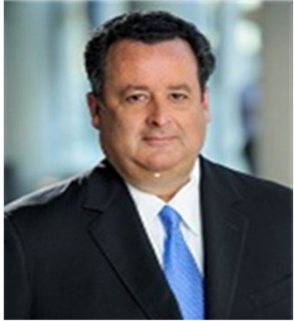




## CANADA 2021 ECONOMIC OUTLOOK: RECOVERY AMID SUPPLY CHAIN DISRUPTIONS

November 2021

## Today's presenters



**Joe Brusuelas**  
*Chief Economist*



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*Economist & ESG Director*



**Alex Kotsopoulos**  
*Partner, Projects & Economics*

# Canadian Economy: Recovery



## Canada Growth Picture

- Q1'21: RSM Forecast 5.5%
- Q2'21: RSM Forecast -1.1%
- Q3'21: RSM Forecast 3.2%
- Q4'21: RSM Forecast 5.0%
- 2021 Growth Rate of 4.9%, 2022 3.5%, 2023 2.6%



## Interest Rate Outlook

- 10-year yield rising to 1.65% by end of 2021 with risk of higher yields
- Front end of the curve anchored at Zero by BoC, real negative rates along the curve
- Expect 50 basis points in rate hikes in 2022, implies stronger CAD
- Strong financial conditions key to optimistic outlook













## Inflation and Risk to the Economic Outlook

- Supply chain constraints will last into 2H'2022.
- CPI to remain above 3% well into 2022.
- Rising oil and energy prices

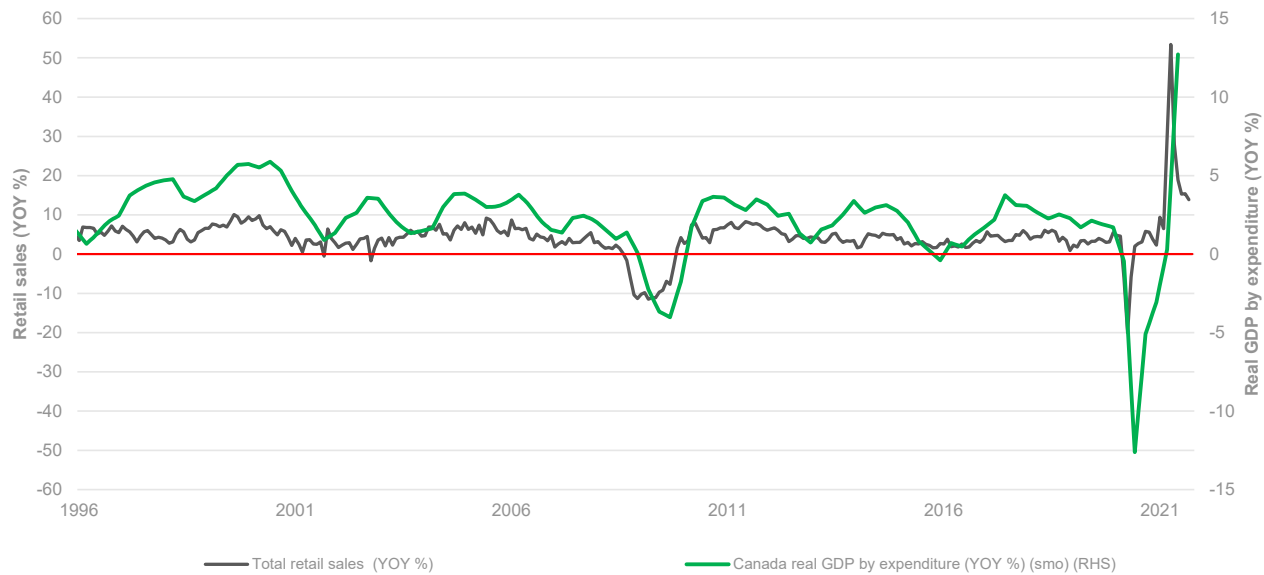
# Canadian Economy: Recovery

## Canadian Economy: Activity Momentum Indicator

Sector	Most Recent Trend	Notes	
<b>Monetary and Fiscal Policy / Financial Conditions</b>			
Economic Policy Uncertainty	Expected to improve after the election.	Policy uncertainty remains elevated by historical standards.	 Stable
Bank of Canada Policy	Forward guidance of maintaining liquidity and encouraging investment via holding the policy rate at the zero bound, while investing in long-term securities for as long as necessary.	Next BoC announcement on October 27, 2021.	 Stable
Financial Conditions Index	A drift lower in still accommodative conditions in recent months as markets price in risk of higher inflation. Increasing oil prices are expected to bolster the C\$.	The aggregate level of risk inherent in the financial markets remains lower than normally expected.	 Stable
<b>Goods Producing Sector</b>			
Manufacturing Shipments	A summer swoon likely to continue until supply chain bottlenecks are resolved.	As of July 2021, shipments are 4.8% higher than pre-pandemic levels.	
Manufacturing New Orders	The deceleration in new orders is likely to continue until resolution of supply chain issues.	As of July 2021, new orders are 1.6% higher than pre-pandemic levels.	
<b>Labour market</b>			
Employment	Service sector employment is finally back to pre-pandemic levels. Employment in goods producing sector worsened over the summer months.	The unemployment rate at 6.9% has moved below its long-term average. But there's still a ways to go before breaching its 2019 low of 5.4%, suggesting unresolved issues for segments of the work force.	
Labor force participation	Labour force participation is back to pre-pandemic rate.	There was an increase in workers leaving the labour force in the latest month.	
<b>Consumer Sector</b>			
Consumer Confidence -- Financial Wellbeing	Incremental declines in elevated confidence in regarding household finances over the past three months.	Concerns regarding house prices and rising prices.	
Consumer Confidence -- Expectations	Expectations for the economy have worsened over the last four months.	Declining expectations imply more careful spending and increases in household savings.	
Retail Sales	Deceleration of retail sales growth signals return to normality after initial burst spending.	Growth of restaurant and bar sales also show signs of decelerating after initial release of pent-up demand.	 Stable

# Canadian Outlook: Recovery and Retail Sales

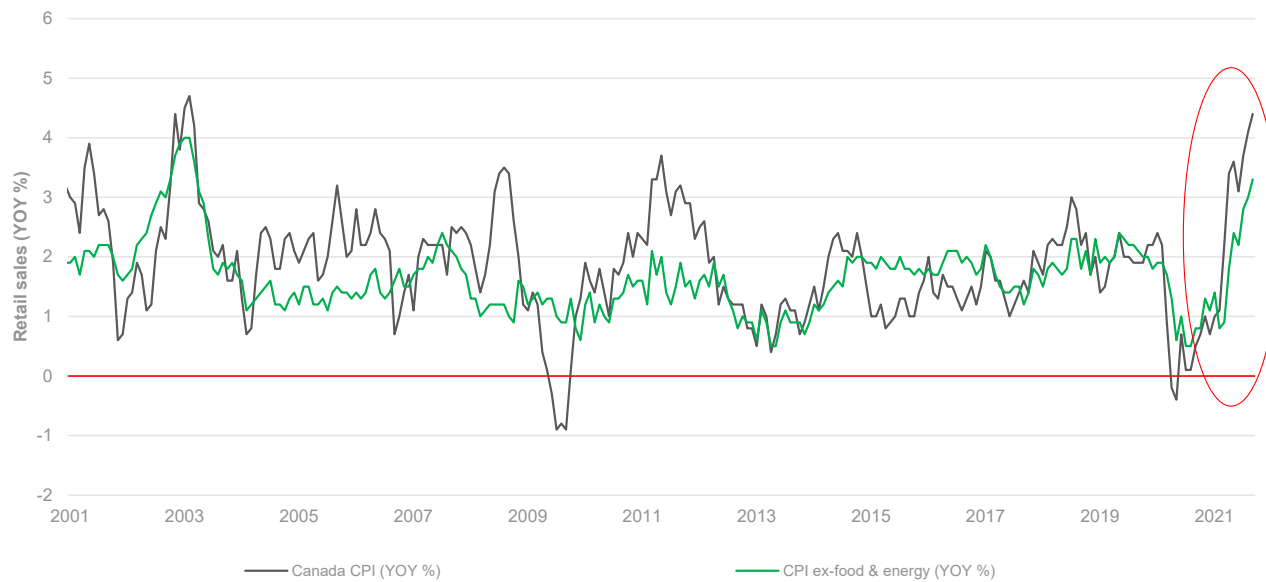
## Canada nominal retail sales and real GDP by expenditure



Source: StatsCan; Bloomberg; RSM Canada

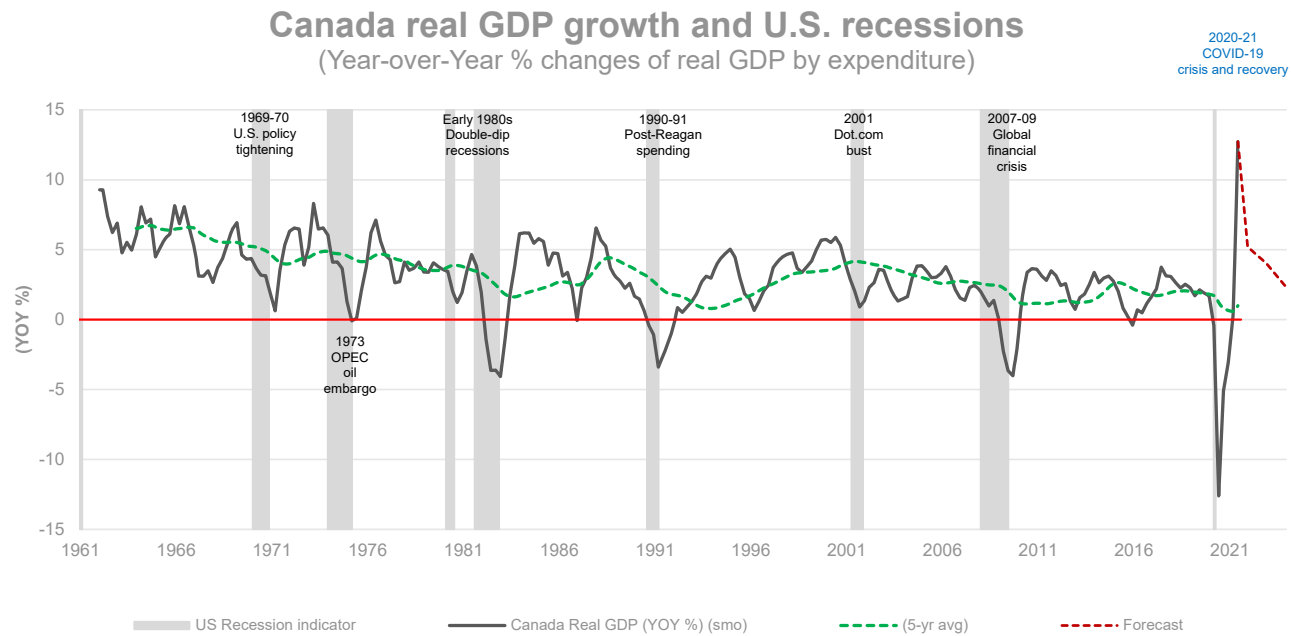
# Canadian Outlook: Inflation

## Canada all items CPI and CPI excluding food & energy



Source: StatsCan; Bloomberg; RSM Canada

# Canadian Outlook: GDP and US Recessions



Source: Statscan; Bloomberg; RSM US

# Canadian Outlook: Employment Recovery

## 19 months of pandemic era job deficits in the goods-producing sector and 18 months of service sector deficits

Increase or decrease in 2020-21 employees relative to February 2020

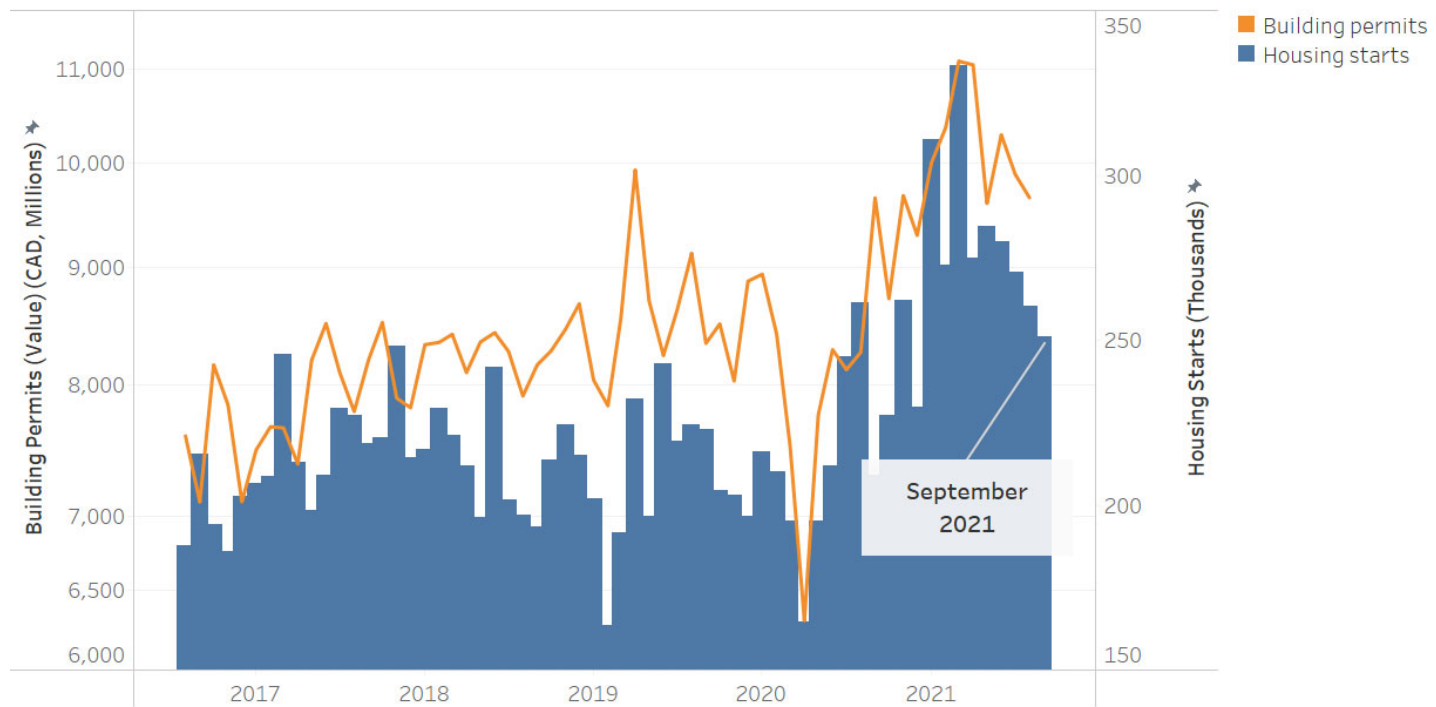


Source: StatsCan; Bloomberg; RSM Canada



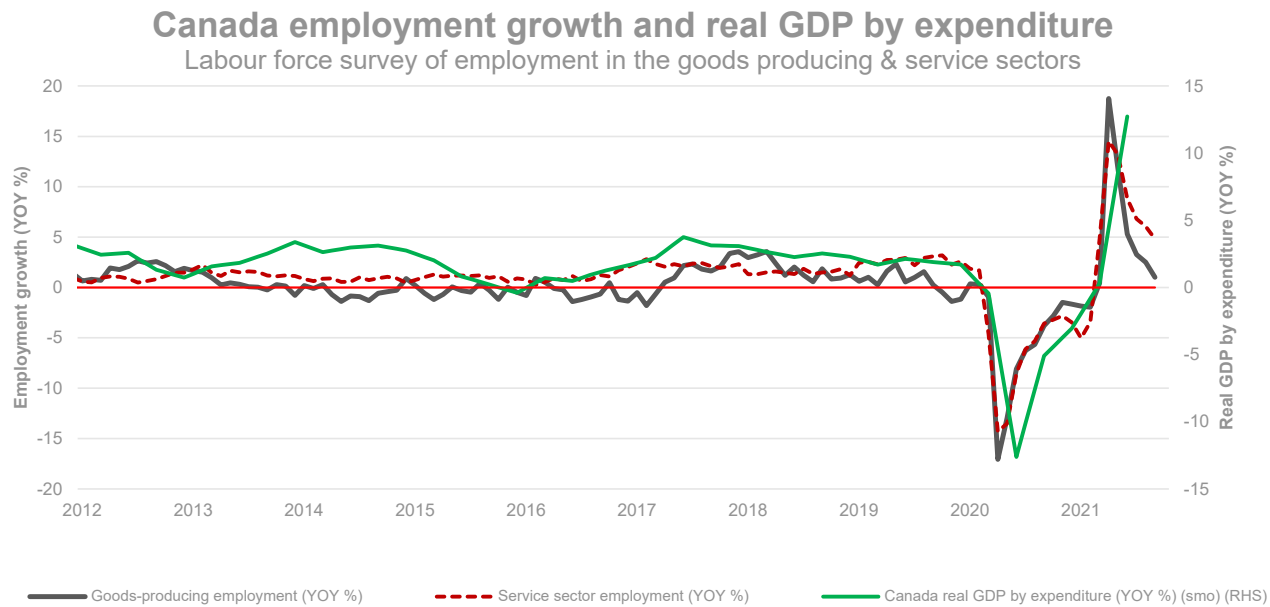
# Canadian Outlook: Housing Market

Housing starts and building permits



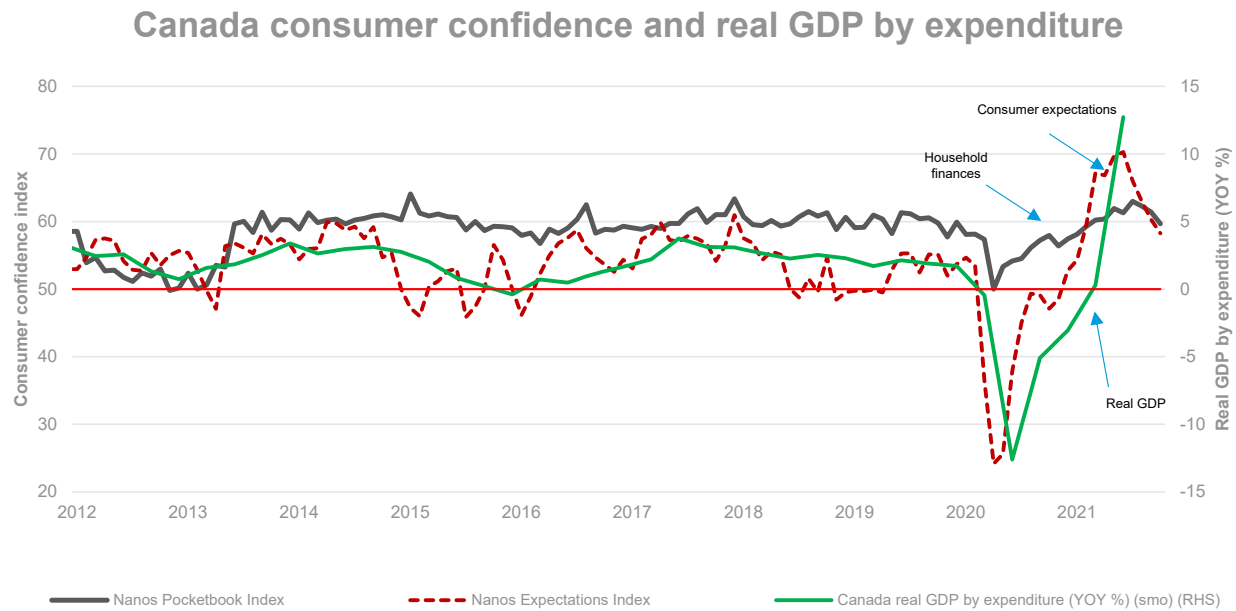
Source: Statistics Canada, RSM Canada

# Canadian Outlook: Employment and GDP



Source: StatsCan; Bloomberg; RSM Canada

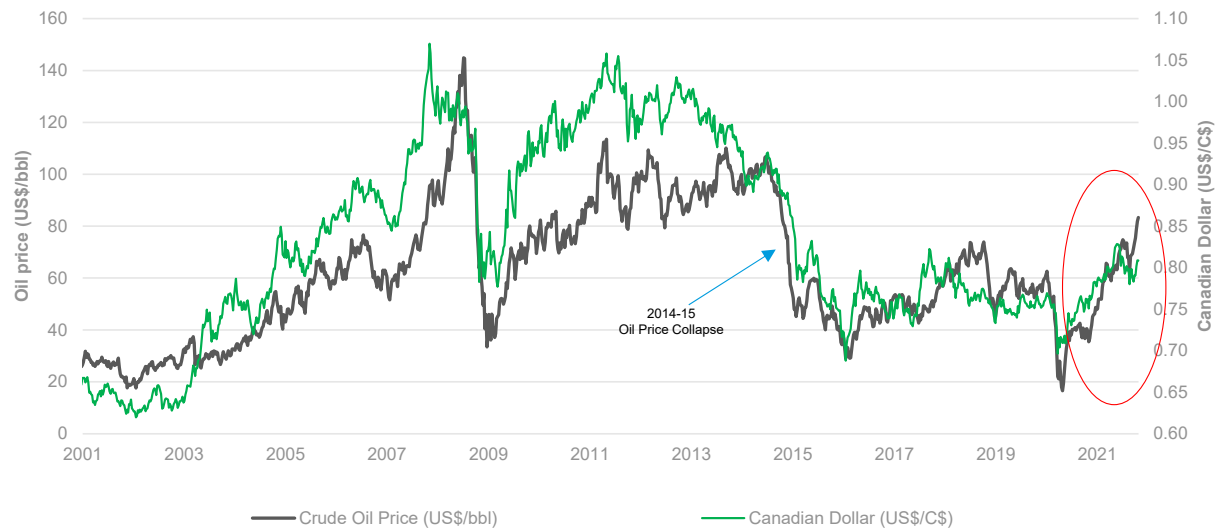
# Canadian Outlook: Growth and Consumer Confidence



Source: Nanos Research; StatsCan; Bloomberg; RSM Canada

# Canadian Outlook: CAD and Oil

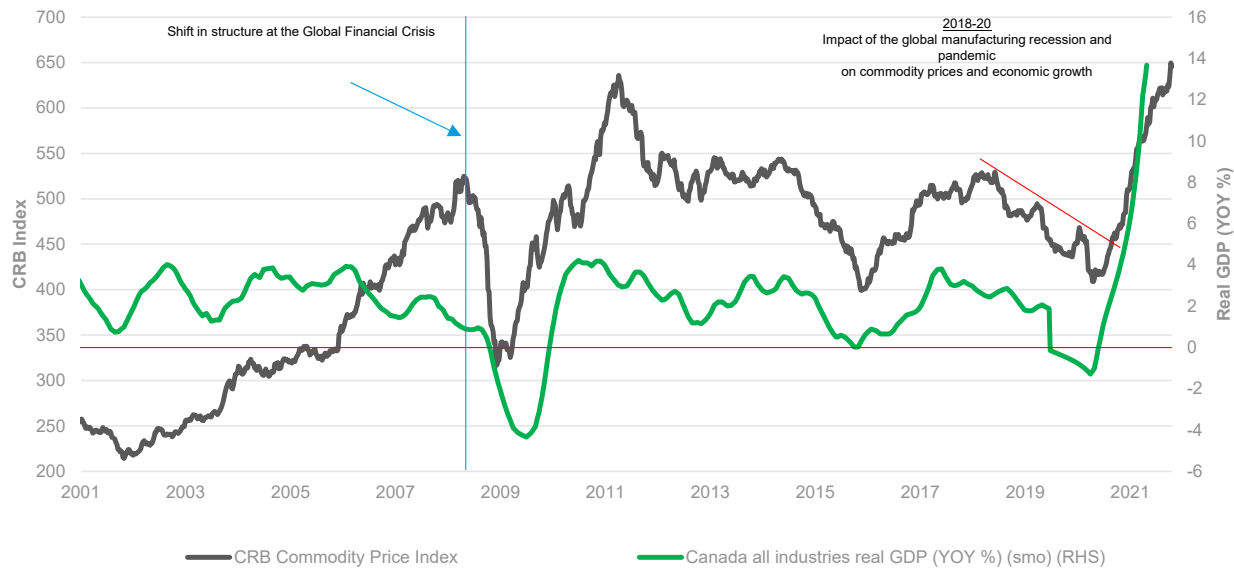
## Crude oil prices and the Canadian dollar



Source: Bloomberg; RSM US

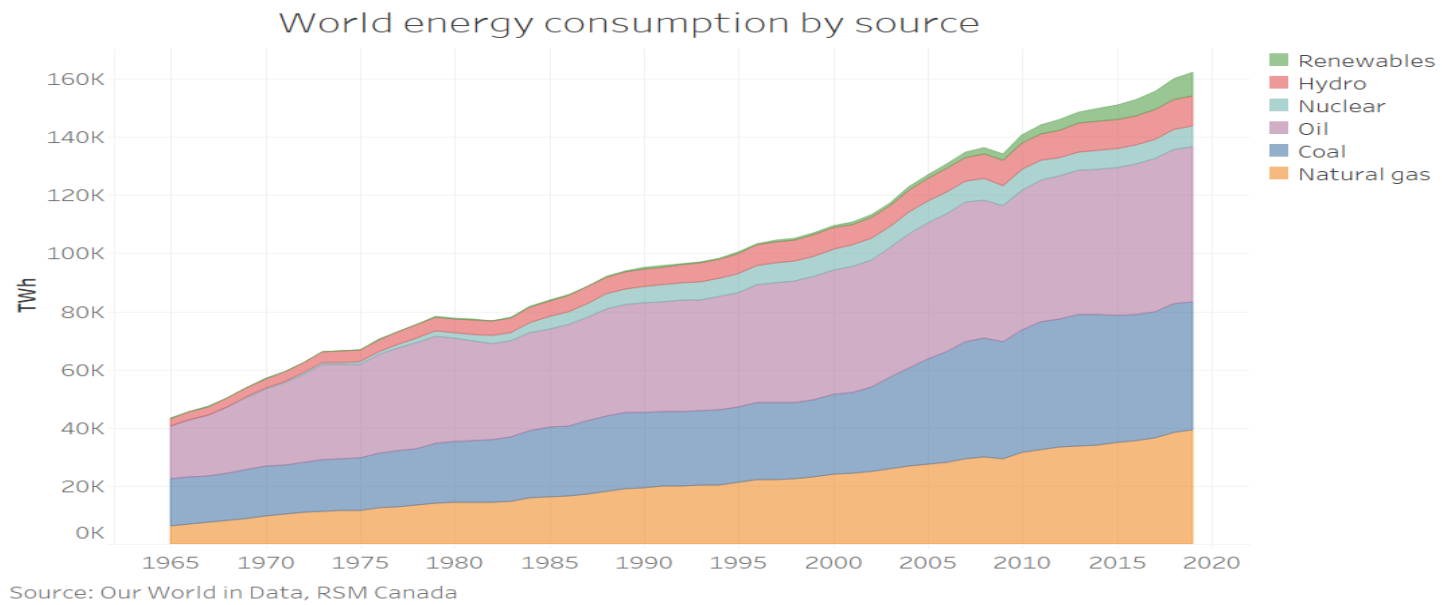
# Canadian Outlook: GDP and Commodities

## Commodity prices and Canada real GDP growth

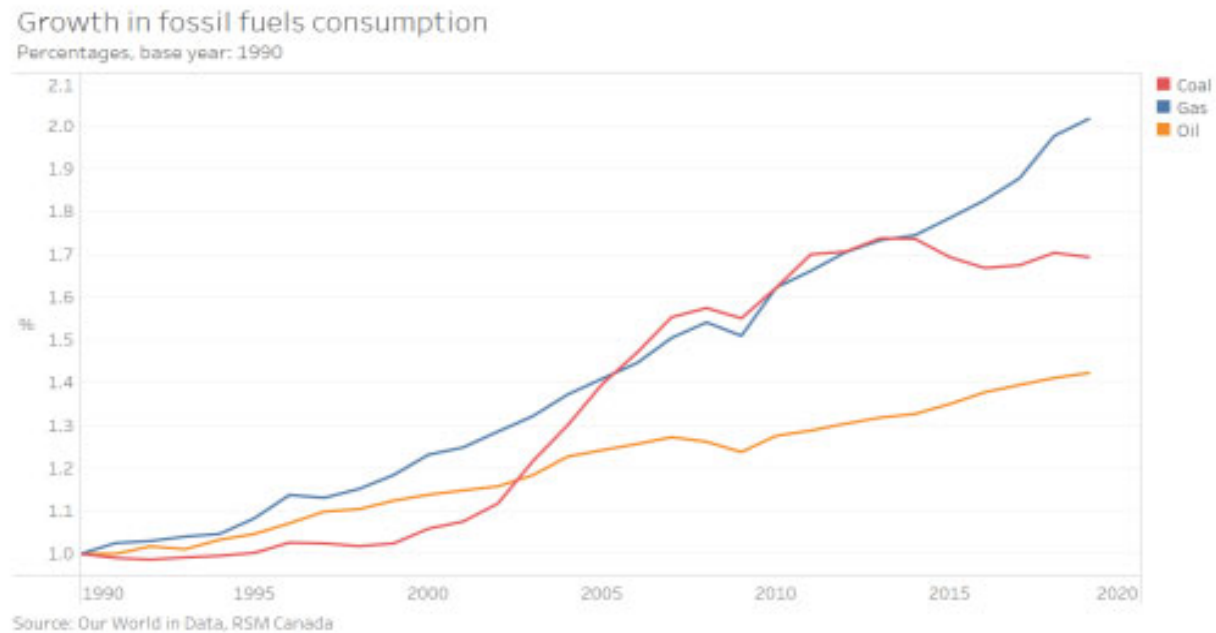


Source: StatsCan; Bloomberg; RSM

# Global Energy Supply by Sources

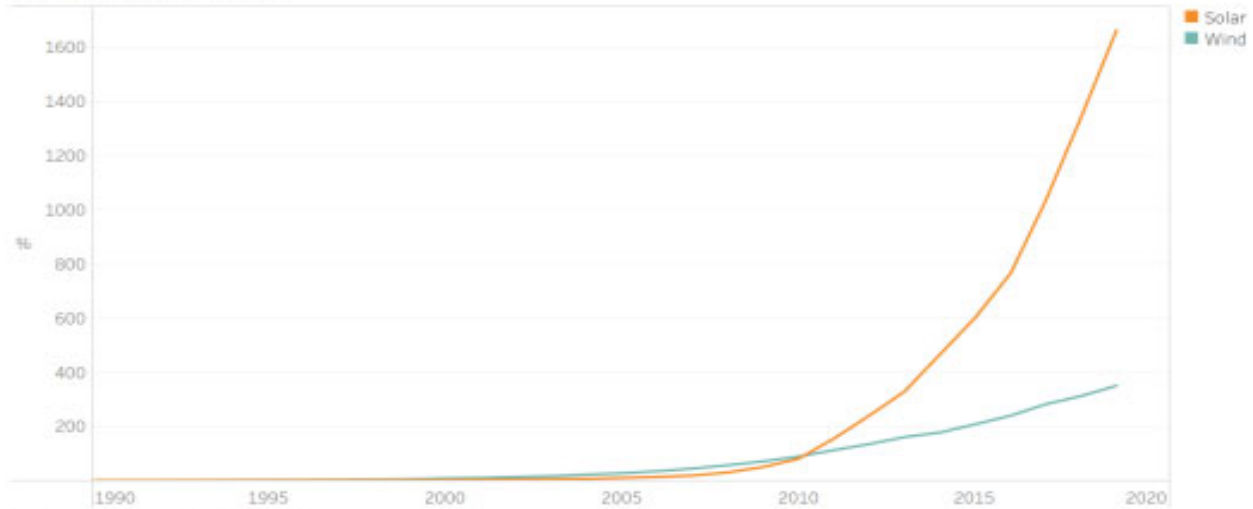


# Global Energy Growth: Fossil Fuels



# Global Energy Growth: Renewables

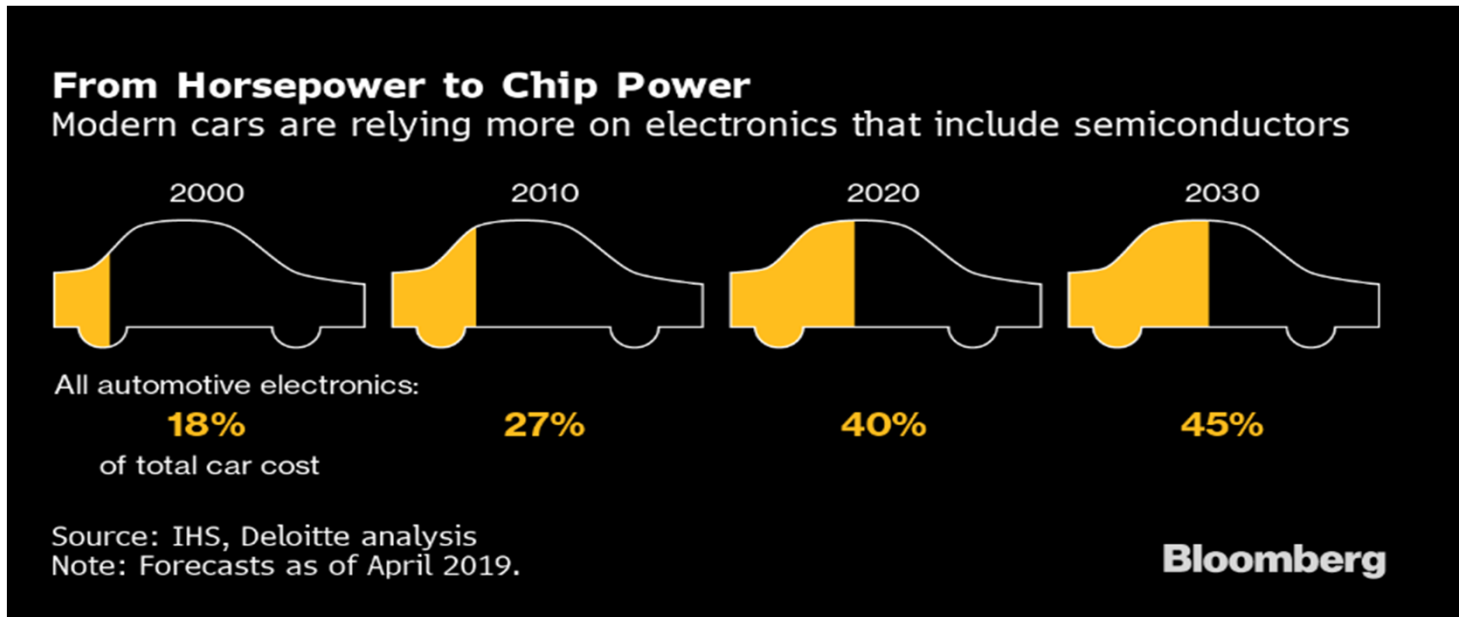
Growth in renewables consumption  
Percentages, base year: 1990



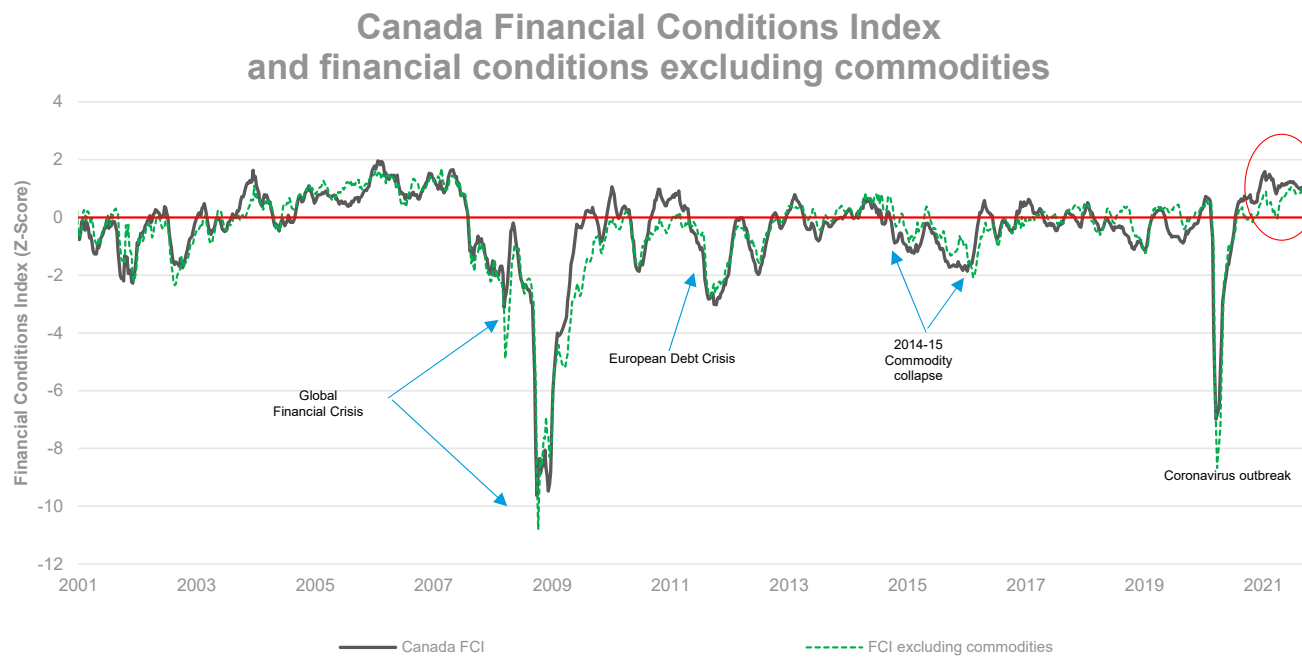
Source: Our World in Data, RSM Canada



# Canada Economic Outlook; Supply Chain Disruptions



# Canadian Outlook: Financial Conditions



Source: Bloomberg; RSM Canada

# Canadian Outlook: Risk Appetite

## Canada equity market return & real GDP growth



Source: Statscan; Bloomberg; RSM Canada

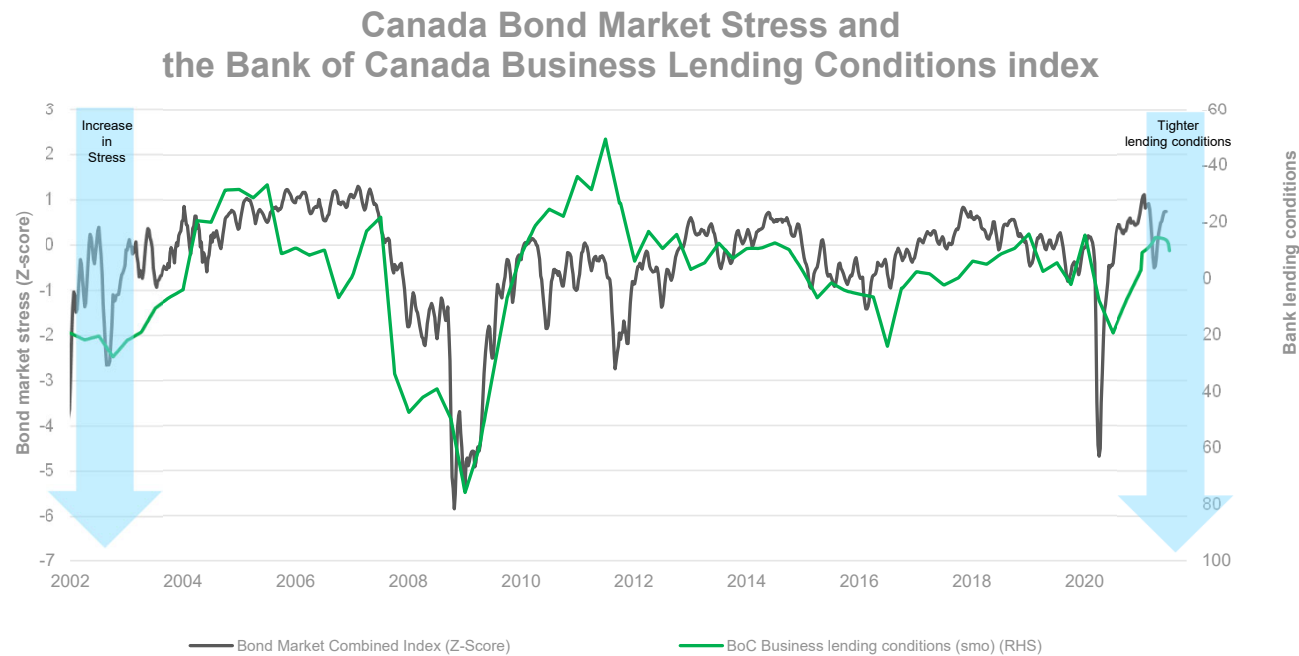
# Canadian Outlook: 10-Year Yield

## Canada and U.S. 10-Year Yields



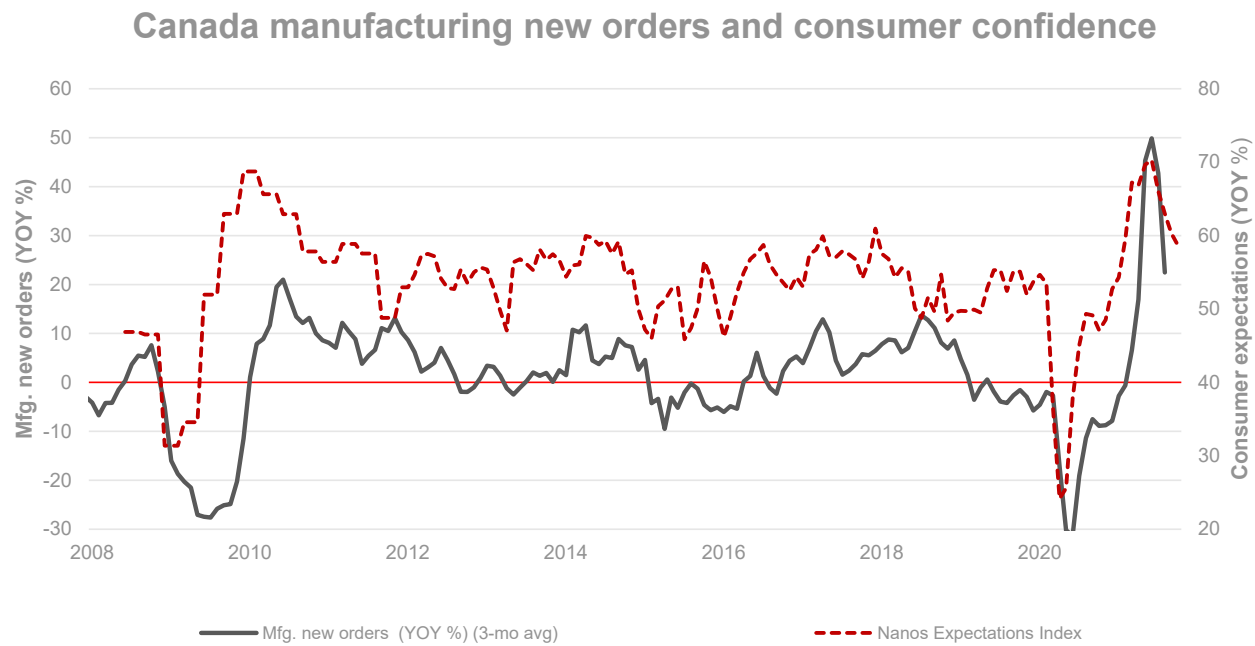
Source: Bloomberg; RSM Canada

# Canadian Outlook: Lending Conditions Recovering



Source: RSM US; Bloomberg

# Canadian Outlook: Manufacturing, New Orders & Consumer Confidence



Source: Nanos Research; Statscan; Bloomberg; RSM Canada

# Canadian Outlook: Manufacturing Shipments



Source: StatCan; Bank of Canada; Bloomberg; RSM Canada

THANK YOU FOR  
YOUR TIME AND  
ATTENTION





# QUESTIONS AND ANSWERS?



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