



# 9<sup>th</sup> Annual Cross Border Economic Forecast

Webinar presented by the Canada-U.S. Business Association

February 2, 2021

# TODAY'S SPEAKERS



**Mark High | Moderator**  
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Member, Dickinson Wright PLLC



**Teresa Gordon**  
Shareholder, International  
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Consul General of Canada in Detroit



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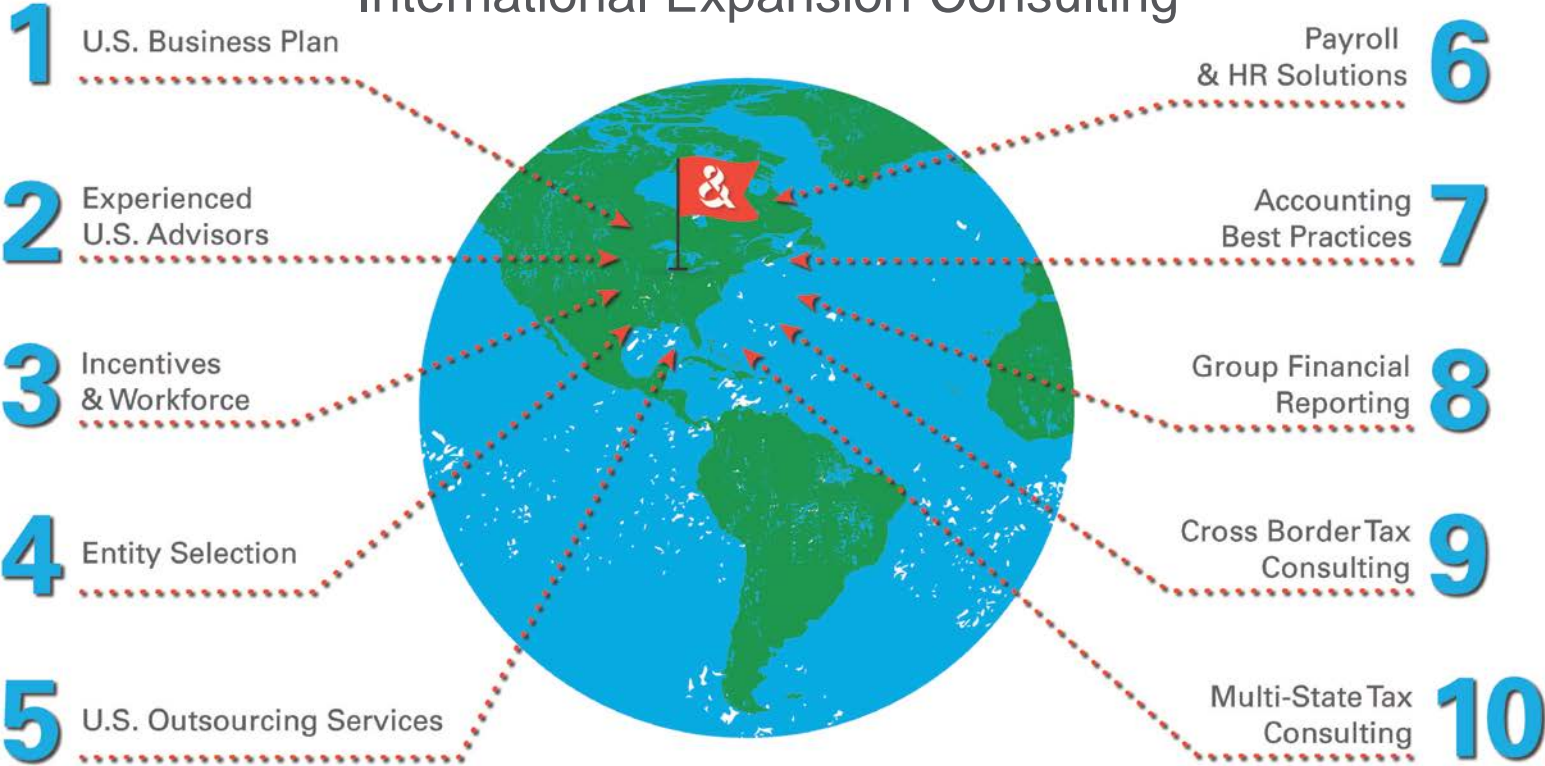
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# CUSBA Update

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- **Introductions**
- **Cross-Border Developments**
- **USMCA Effectiveness**
- **Update on Re-opening the Border Initiatives**

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## **Clayton & McKervey**

*Teresa Gordon, Shareholder, International*

## **Canadian Consul General**

*Joseph Comartin, Consul General of Canada in Detroit*

## **Canadian/Ontario Economy Update and Goals**

*Douglas Porter, CFA, Chief Economist, BMO Financial Group*

## **US/Michigan Economy Update and Goals**

*Paul Traub, Senior Business Economist, Federal Reserve Bank of Chicago*

## **Audience Questions and Discussion**

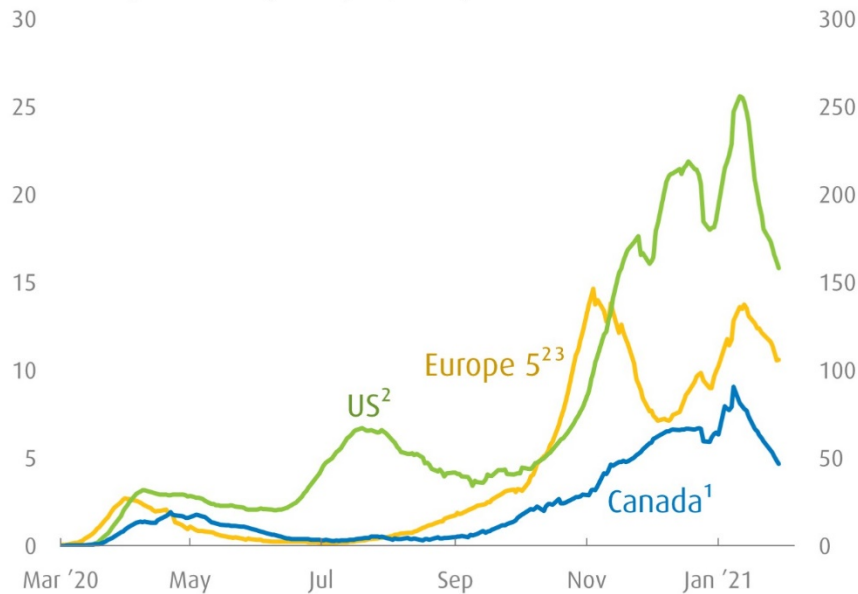
# Economic Outlook: The Amazing Race ...Vaccine vs Virus

Douglas Porter, CFA

Chief Economist and  
Managing Director,  
BMO Financial Group  
douglas.porter@bmo.com

## COVID-19 confirmed cases: Second wave

New confirmed COVID-19 cases  
(000s : 7-day ma : as of January 29, 2021)



<sup>1</sup> (lhs) • <sup>2</sup> (rhs) • <sup>3</sup> France, Germany, Italy, Spain, UK

More provinces, states and local jurisdictions increasing or extending restrictions

Mixed restrictions in Europe

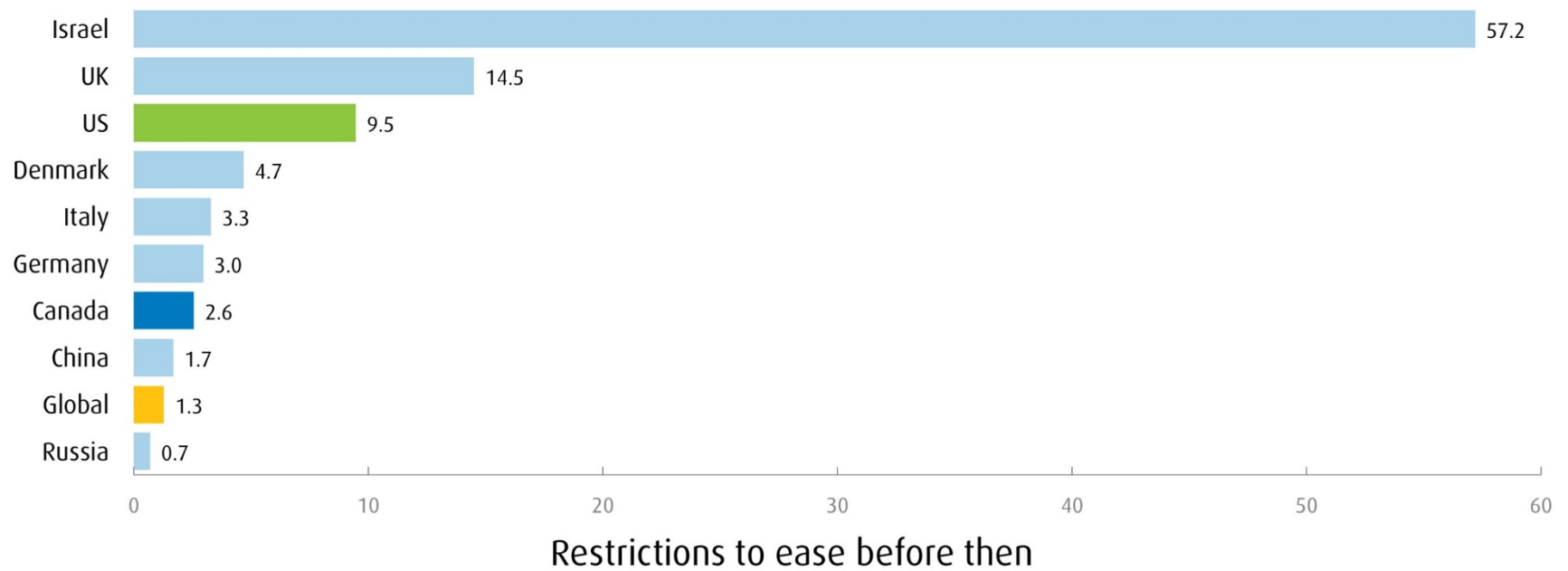
Another damper on business and consumer confidence

Good news on vaccine, but slow rollout so far

# Herd immunity by late summer?

Global (% of population : as of January 31, 2021)

COVID-19 vaccination doses administered



# 2020 US election implications

## United States



President Joe Biden

### President Biden faces a divided nation:

Stimulus measures

Dealing with pandemic

Climate change: Block Keystone XL

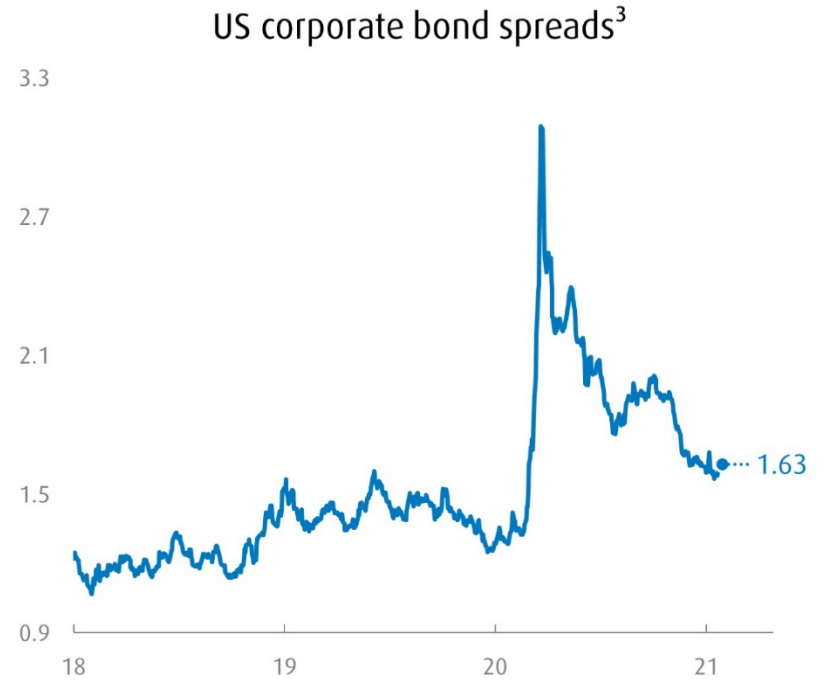
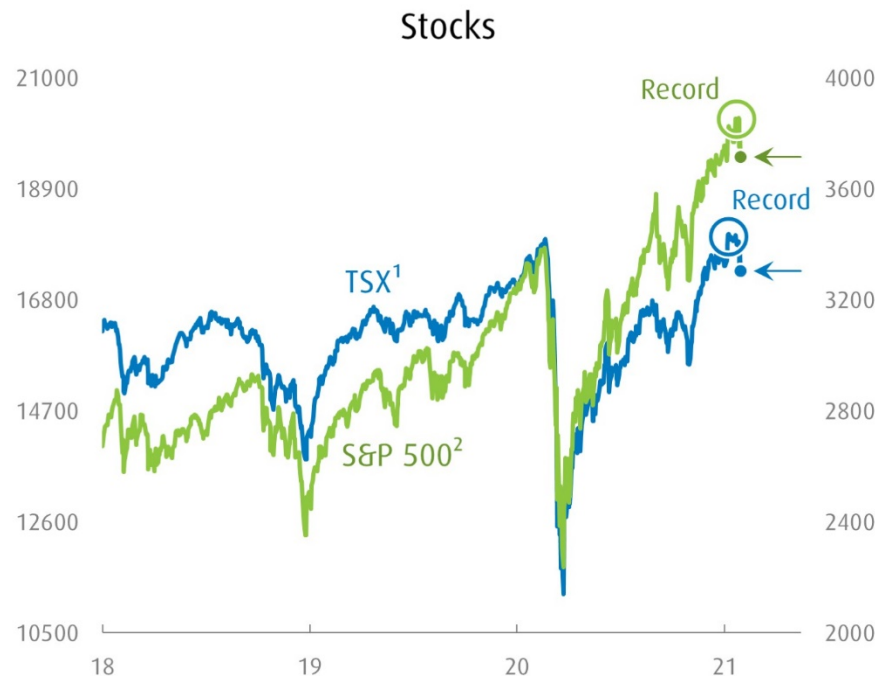
Trade: Buy American, support WTO

Immigration: Re-opening

Senate also swings to Democrats; Blue “wave”

# Markets look past COVID

(as of January 29, 2021)



<sup>1</sup> (lhs) • <sup>2</sup> (rhs) • <sup>3</sup> 15-year BoA Merrill Lynch AA Corporate yield less 10-year Treasury yield (ppts)

# Big bounce from deep drop

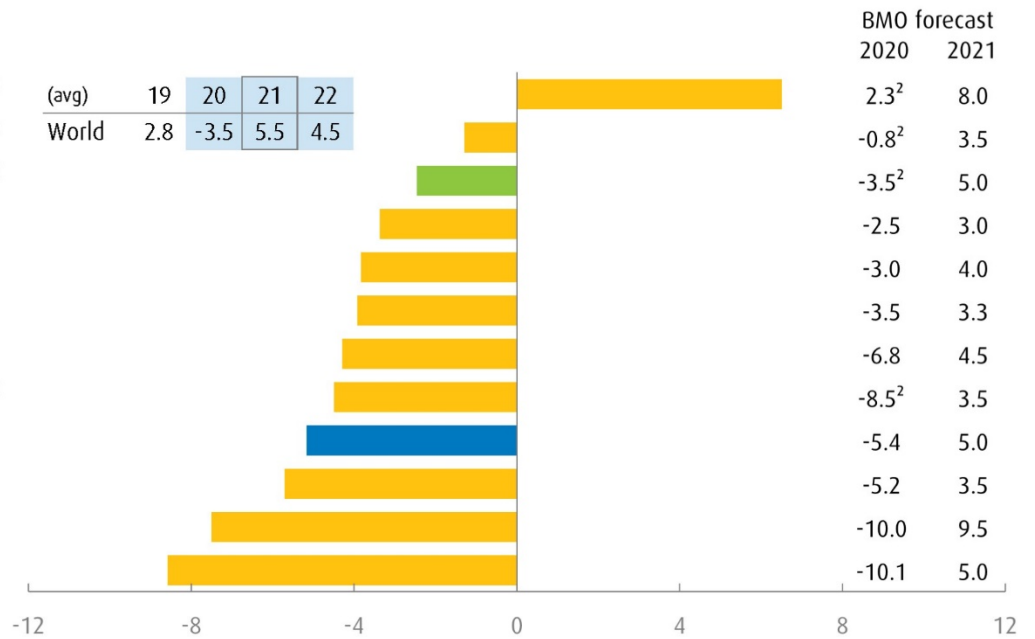
2020:Q3 (y/y % chng)



<sup>1</sup> 2020:Q4 • <sup>2</sup> actual

## Real GDP

	(avg)	19	20	21	22
China <sup>1</sup>					
South Korea <sup>1</sup>					
US <sup>1</sup>					
Russia					
Australia					
Brazil					
Euro Area					
Mexico <sup>1</sup>					
Canada					
Japan					
India					
UK					
World	2.8	-3.5	5.5	4.5	



Broad-based rebound in 2021

# Deep downturn in North America

Real GDP (y/y % chng)



Recession: Just two months long, but deepest on record

Recovery: Solid, so far, but much further to go

US: Relatively lighter hit versus other advanced economies

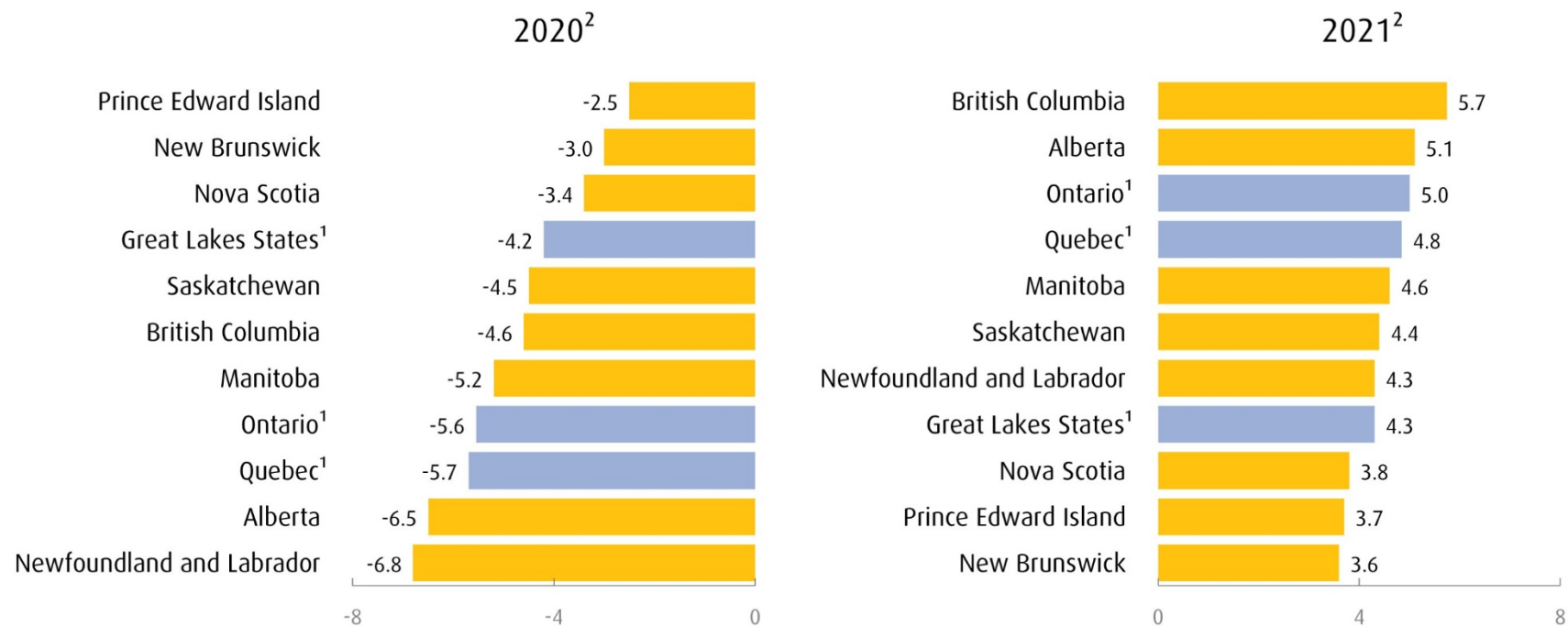
Canadian GDP: 18% drop in March/April; 18% rebound May to December

Canada: [2020:Q4] BMO Economics estimate



# Canada's double hit: Coronavirus and oil

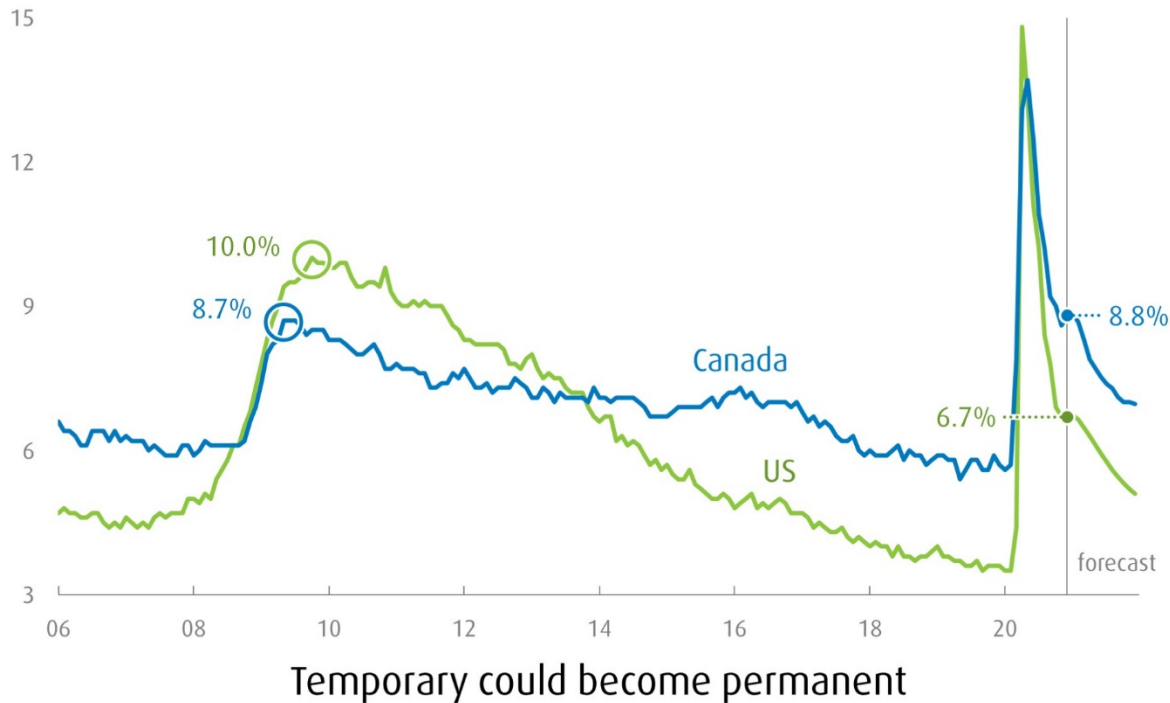
## Real GDP – Canada (y/y % chng)



<sup>1</sup> Great Lakes Region • <sup>2</sup> forecast

# Jobless rates: Lower, but not low

Unemployment rate (percent)

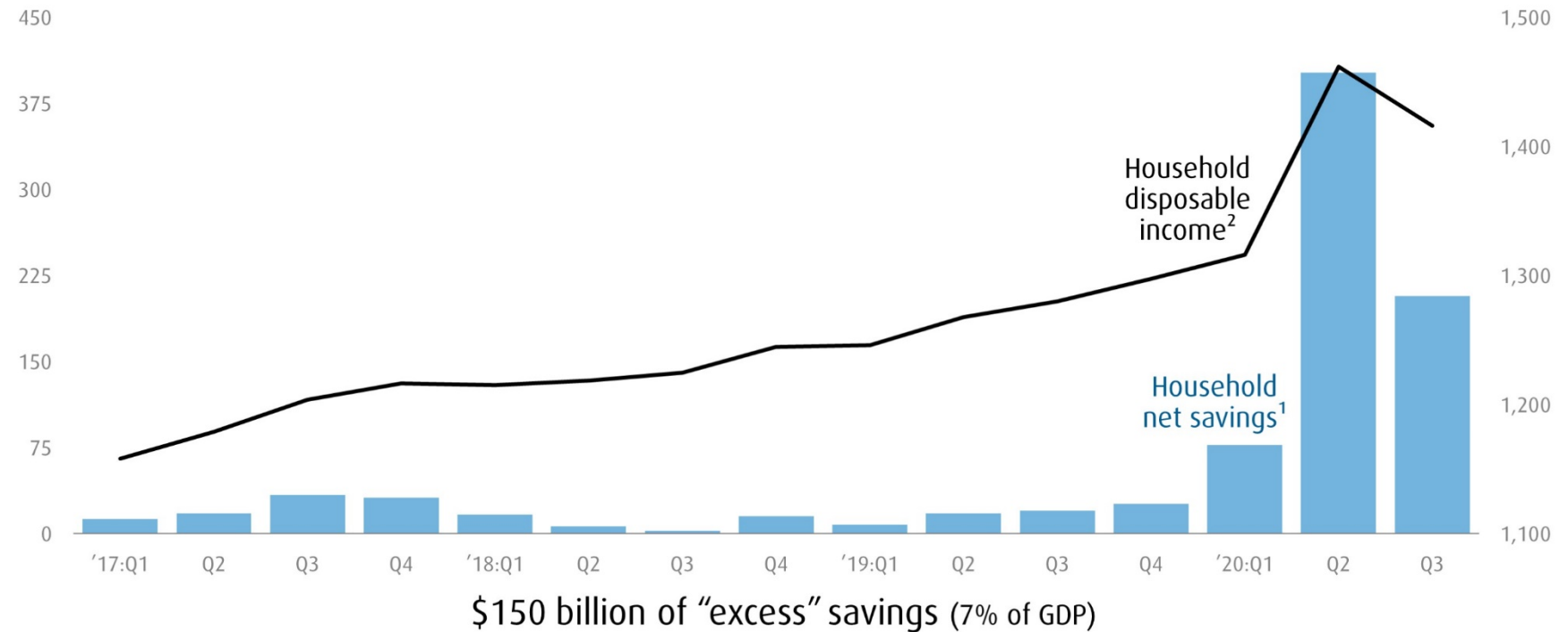


	Current	Pre-COVID <sup>1</sup>
Greece	16.7	15.5
Spain	16.2	13.6
Italy	9.0	9.4
France	8.9	7.5
Canada	8.8	5.7
Sweden	8.7	7.6
UK	7.4	3.4
Ireland	7.2	4.9
US	6.7	3.5
Australia	6.6	5.1
Portugal	6.5	6.4
Germany	4.6	3.6
Japan	2.9	2.4
<b>Great Lakes Region</b>	<b>6.6</b>	<b>3.9</b>

<sup>1</sup> February 2020

# Income and savings: It's different this time

Canada (C\$ blns)

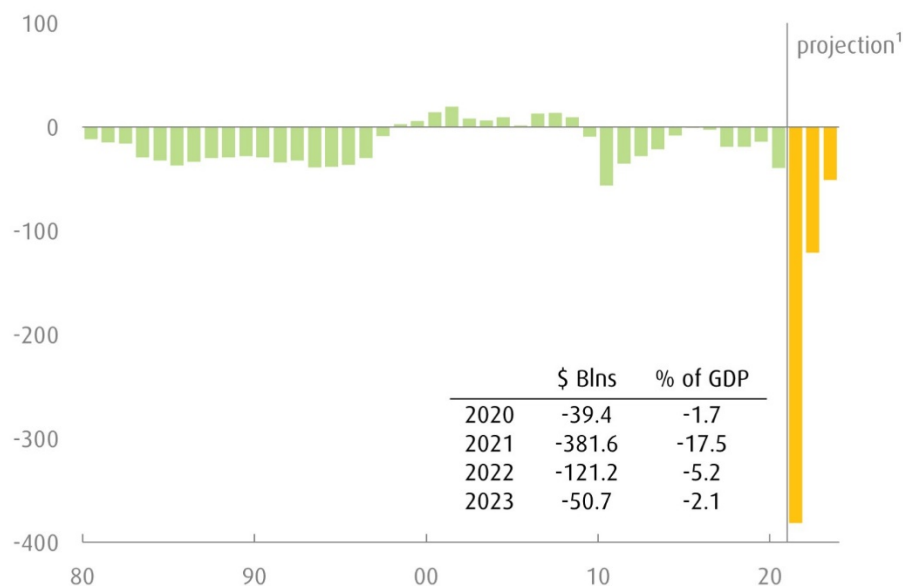


<sup>1</sup> (lhs) • <sup>2</sup> (rhs)

# Fiscal floodgates still open

## Canada

### Federal government budget balance (fiscal years : C\$ blns)



### From Ottawa:

\$450 bln of support

(\$275 bln direct spending, \$85 bln tax deferrals, \$83 bln loan/liquidity support)

\$75-to-\$100 bln more stimulus incoming

75% wage subsidy for businesses

Canada Emergency Response Benefit

(\$2,000/month) transitions to EI and other benefits

Provincial deficits >4% of GDP

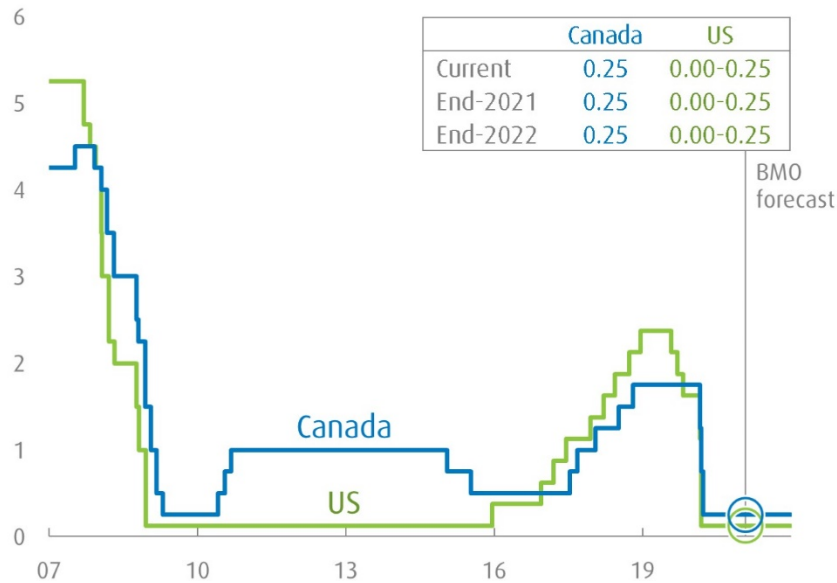
Total Direct Support ~12% of GDP  
...unprecedented

Fitch lowers credit rating from AAA to AA+; but S&P maintains

# Rates now low for even longer

(% : as of January 29, 2021)

### Overnight rate



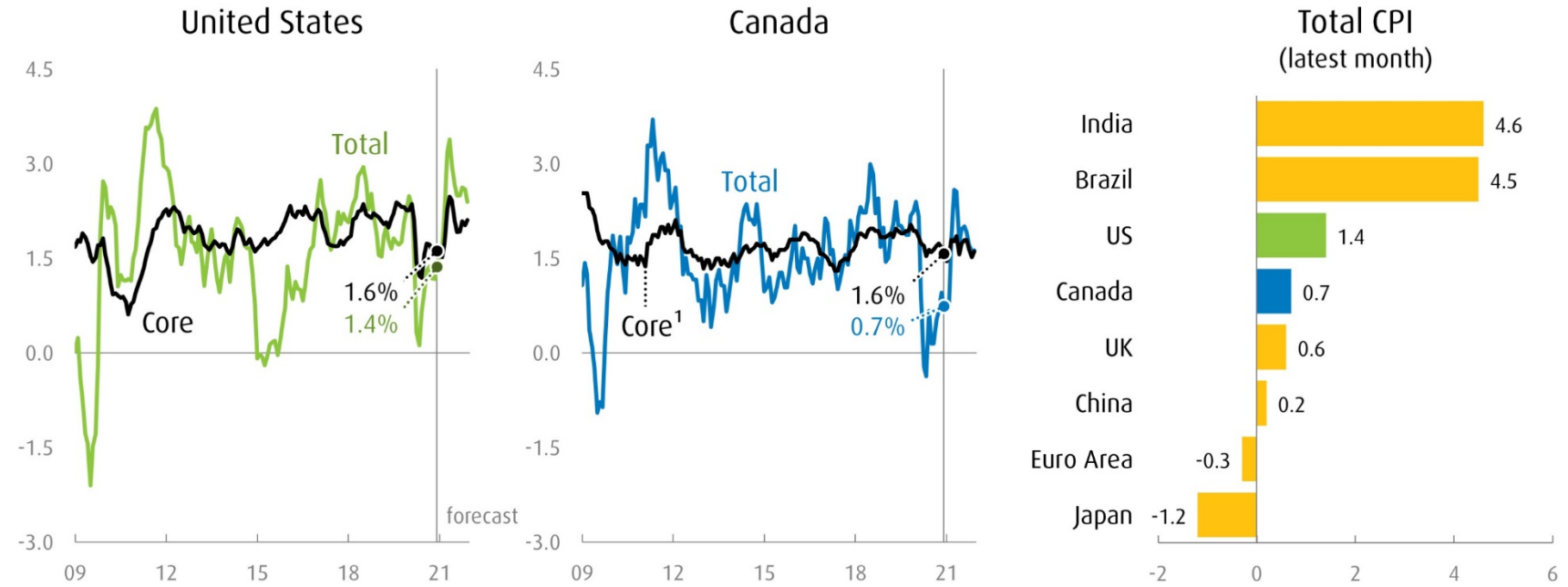
### 10-year bonds



Only modest upward pressure on bond yields as economic recovery continues

# Inflation outlook mixed, but rising

## Consumer price index (y/y % chng)



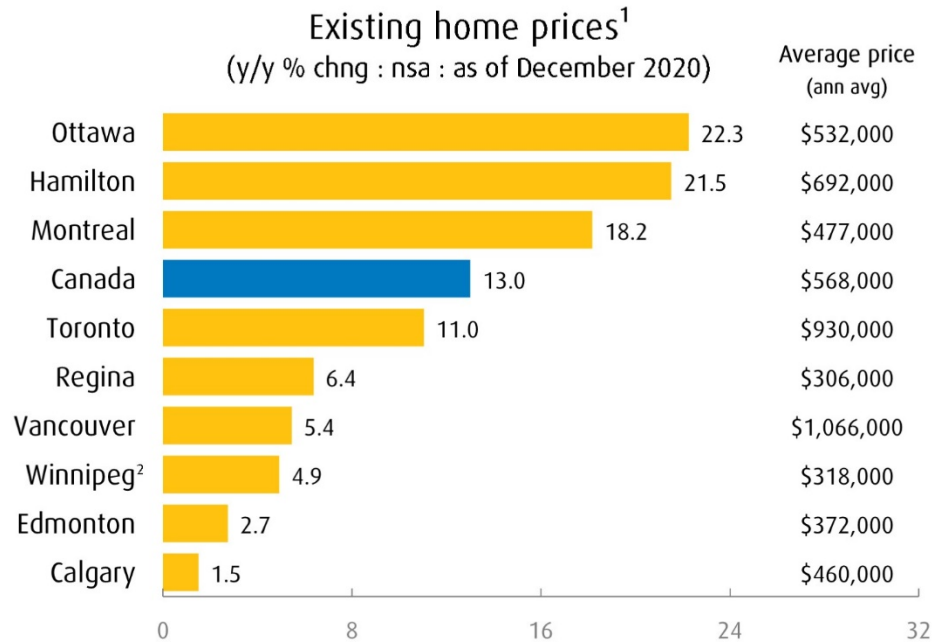
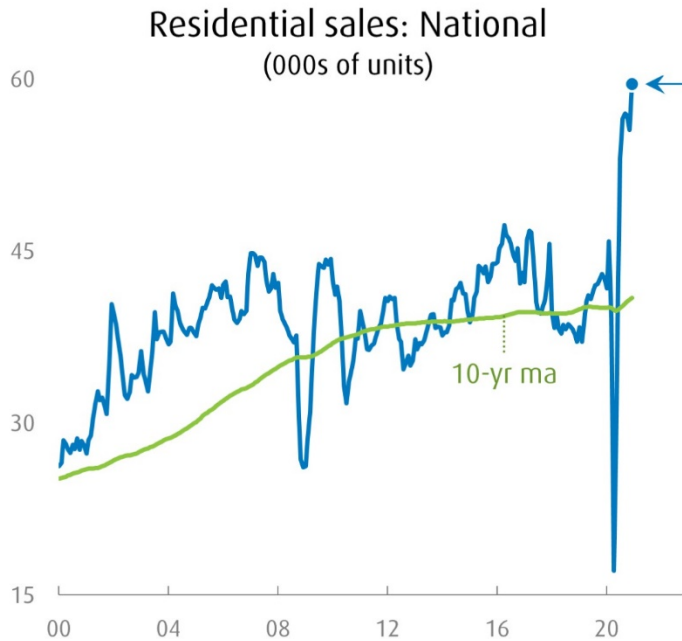
Fed's target: Average 2% inflation

Ontario: 0.7%  
Quebec: 0.8%

<sup>1</sup> Average of three new core inflation measures

# Canadian housing market snaps back

## Canada

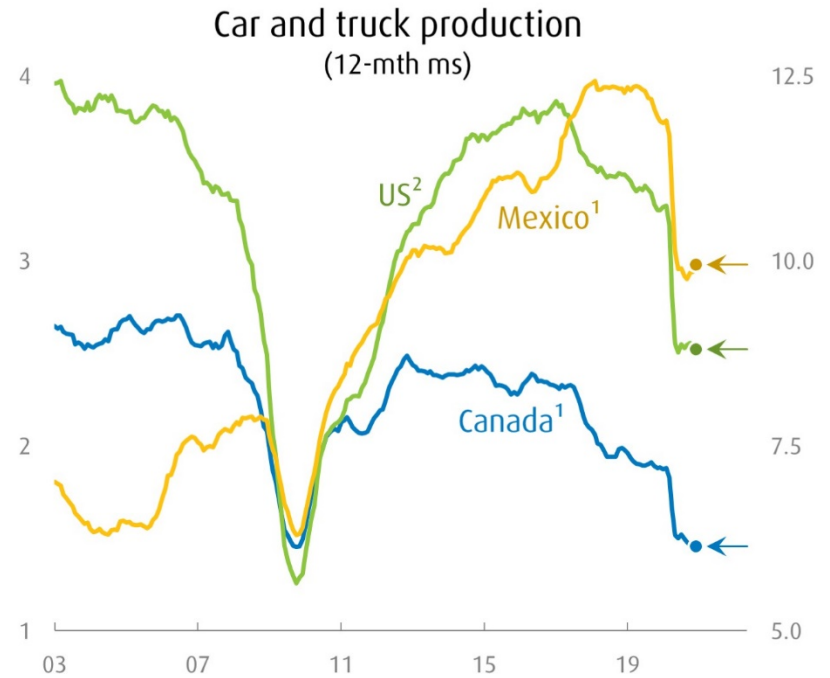
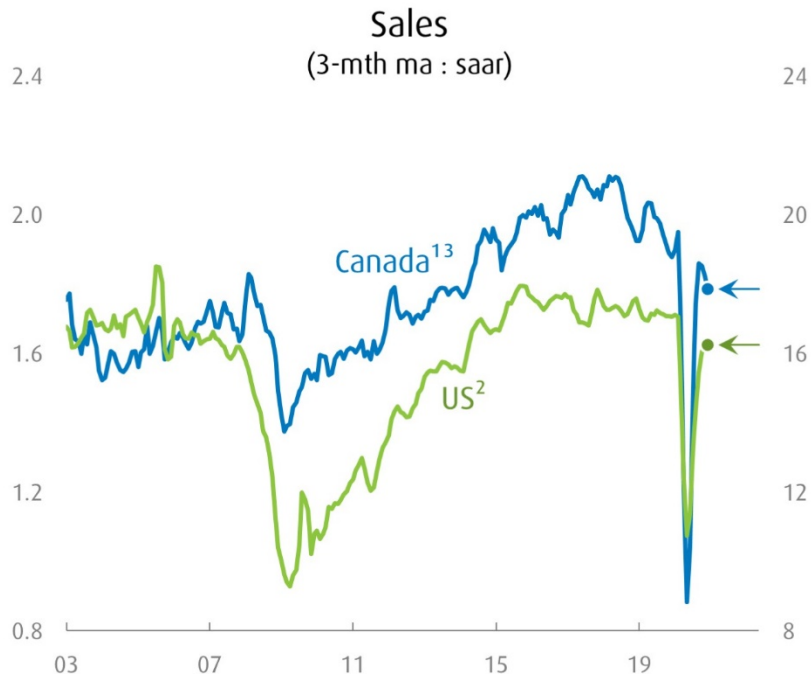


Prices rebound; surge in some segments

<sup>1</sup> HPI composite benchmark where available • <sup>2</sup> Average price

# North American auto sales: Fast rebound

Vehicles (mlns of units)

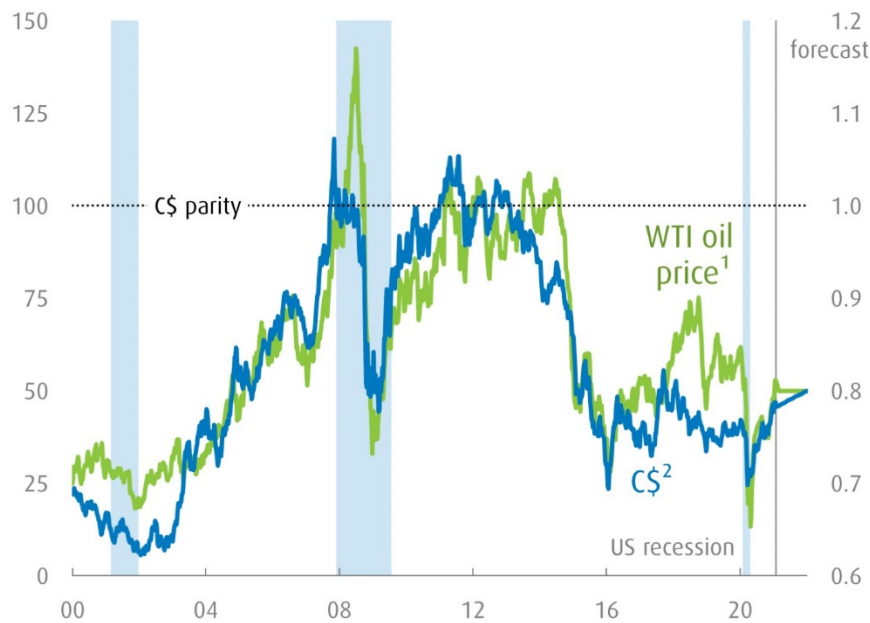


<sup>1</sup> (lhs) • <sup>2</sup> (rhs) • <sup>3</sup> December: BMO Economics estimate



# Canadian dollar recovers

(as of January 29, 2021)



[actuals] weekly averages • [forecast] monthly averages • <sup>1</sup> (lhs : US\$/bbl) • <sup>2</sup> (rhs : US\$/C\$)

Oil prices revive

Weakening US dollar

Current account deficit narrows

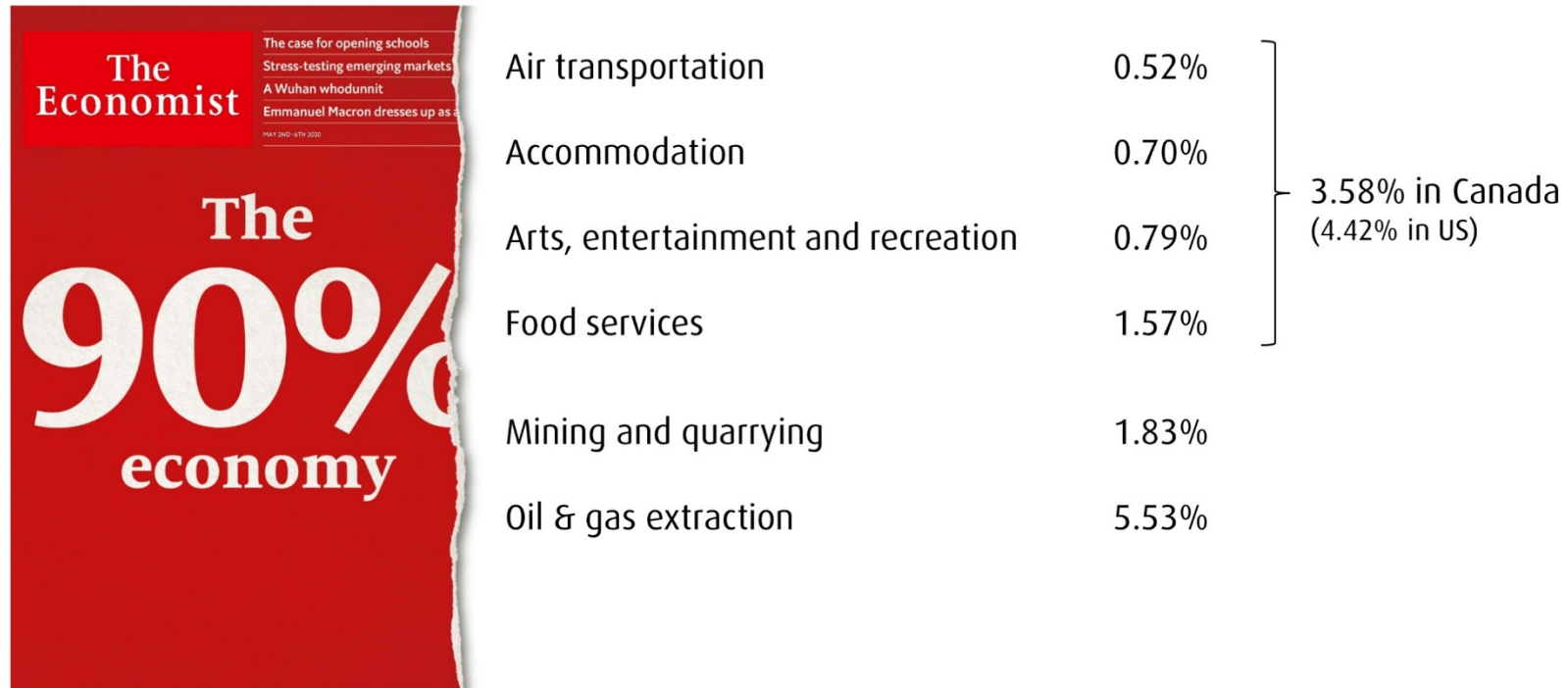
C\$ tracking stocks closely

Tiff Macklem took over at the BoC on June 3

Chrystia Freeland new Finance Minister on August 25

# How much of the economy could remain constrained?

## Share of the economy – Canada



# Q and A

## Douglas Porter, CFA

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# Economic Update

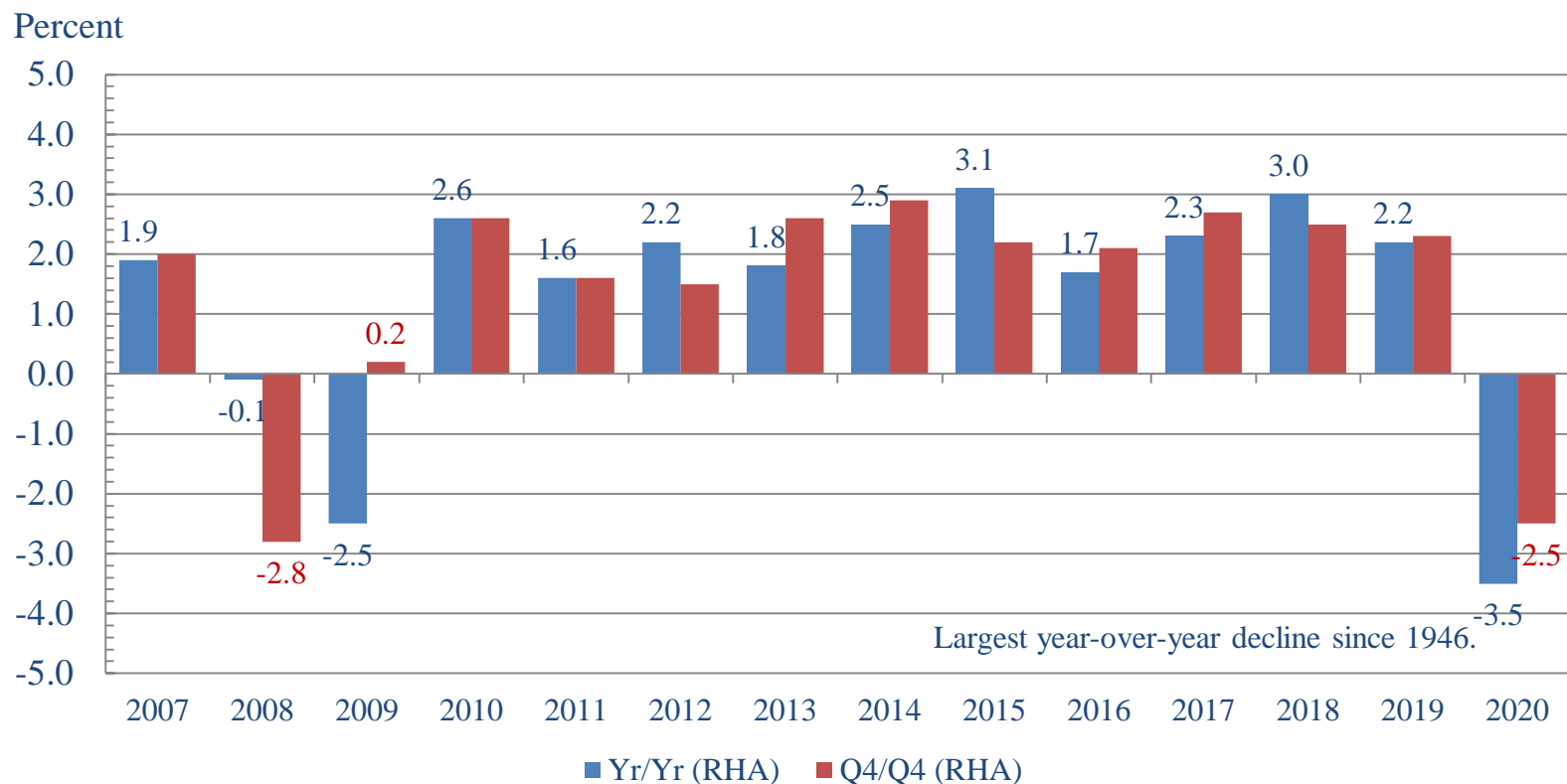
## Canada - United States Business Association

Paul Traub  
Senior Business Economist  
Federal Reserve Bank of Chicago/Detroit Branch  
February 2, 2021

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# U.S. Real GDP

Billions Chained \$2012, Percent Change Yr./Yr. and Q4/Q4 at SAAR

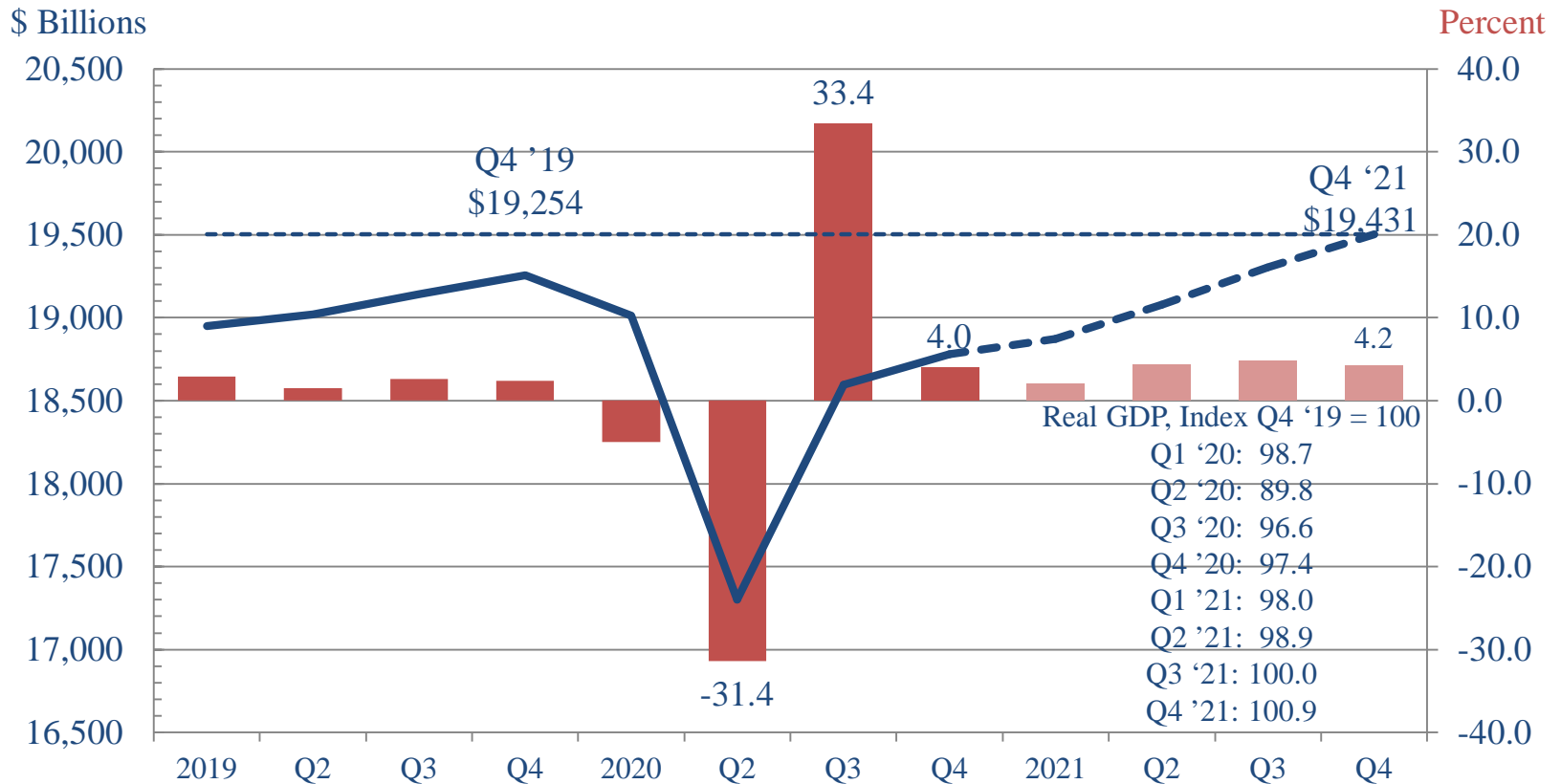


Note: The compound annual growth rate for GDP was 1.6% for 2009 through 2016, 2.3% for 2012 through 2016, and only 1.0% for 2017 through 2020.

Source: Author's calculations using data from U.S. Bureau of Economic Analysis and Blue Chip Economic Forecast, December 10, 2020.

# U.S. Real GDP

Billions Chained \$2012, Percent Change Q/Q at SAAR

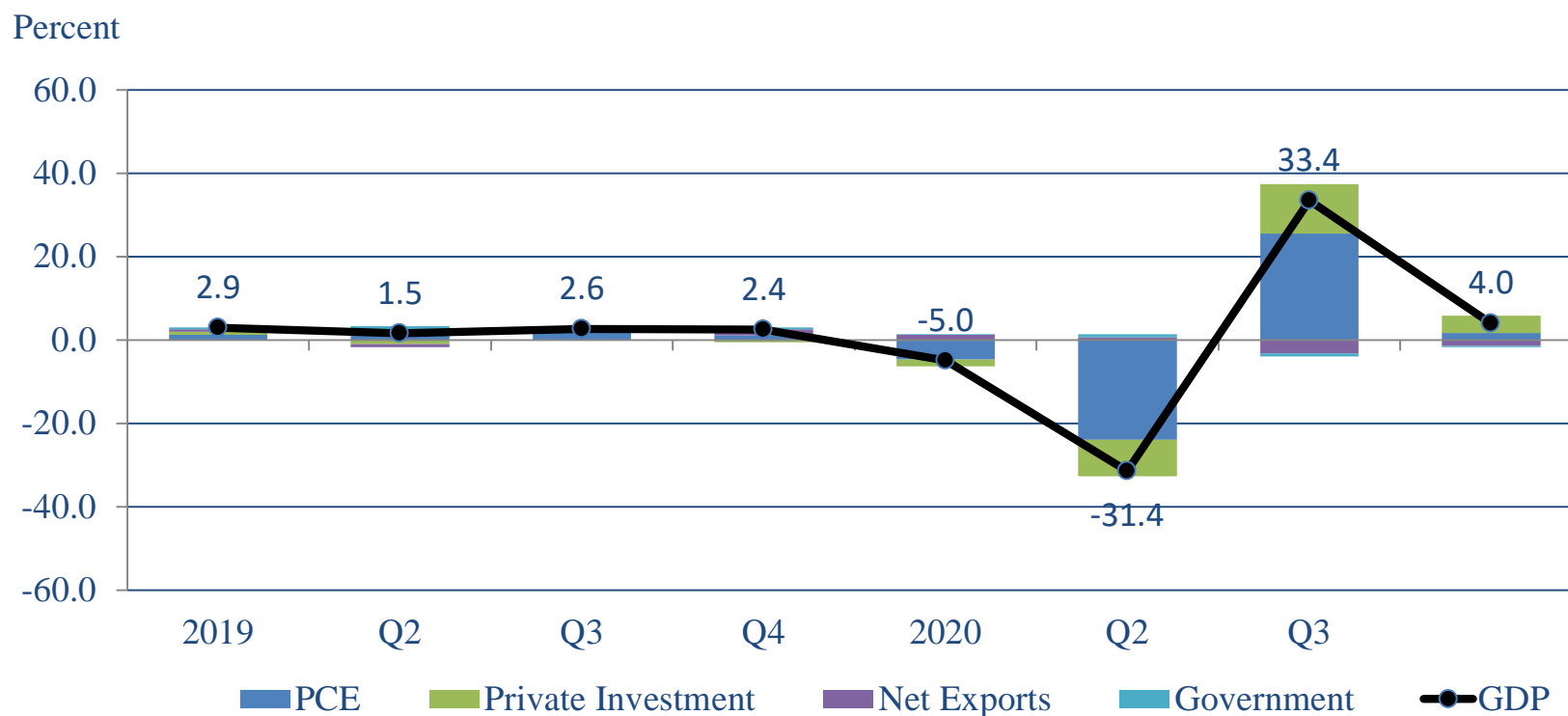


Note: The U.S. Economy declined \$1.952 trillion from its Q4 '19 peak on a SAAR basis.

Source: Author's calculations using data from U.S. Bureau of Economic Analysis and Blue Chip Economic Forecast, December 10, 2020.

# U.S. Real GDP

## Contribution to Percent Change - Q/Q at SAAR, \$2012



### Contributions Q4 2020

1.70%

4.06%

-1.52%

-0.22%

4.00%

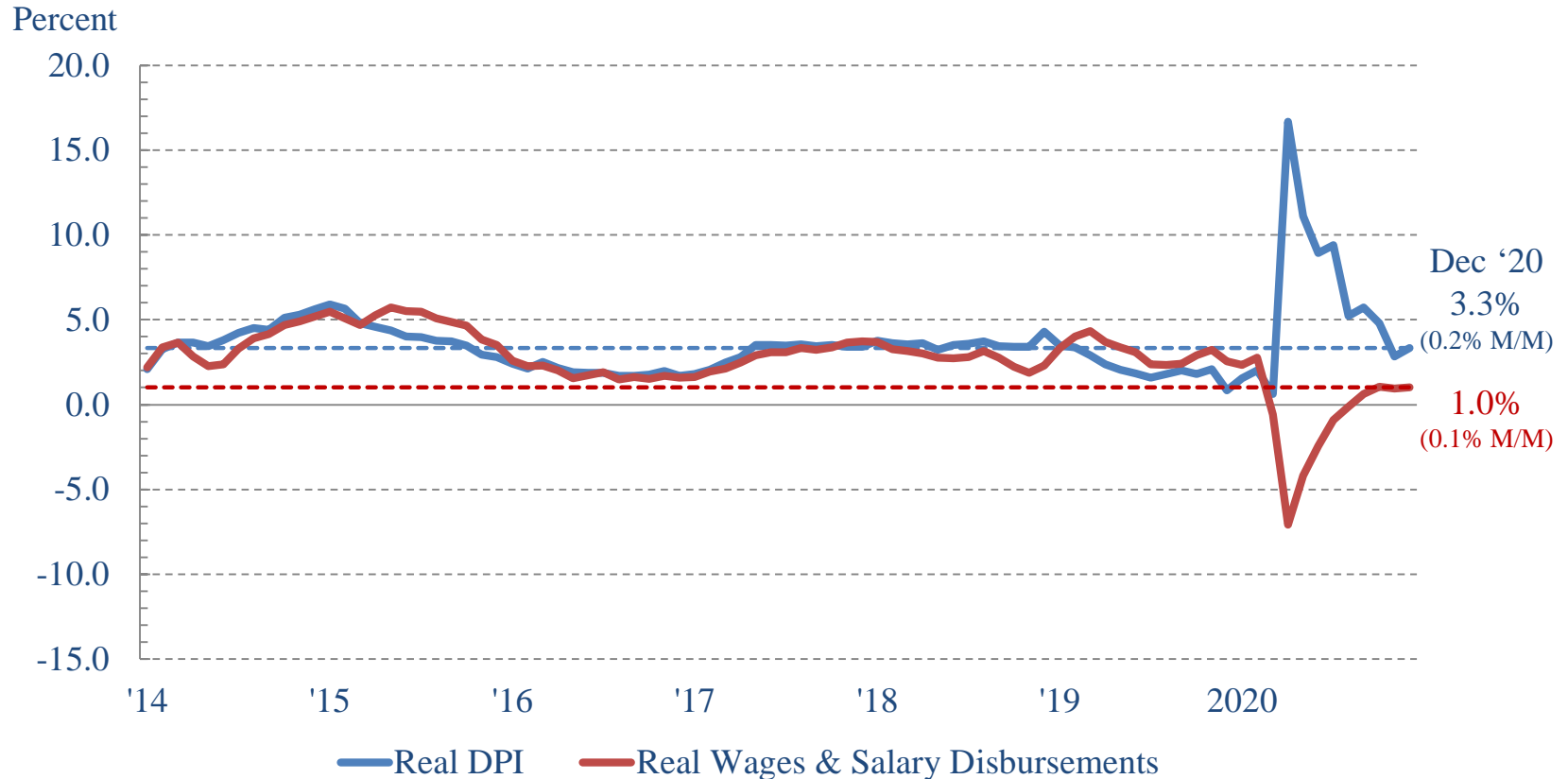
Note: Contributions by sector may not sum to total due to rounding errors.

Source: U.S. Bureau of Economic Analysis.



# Real Disposable Personal Income & Compensation

In Billions of Chained 2012 Dollars SAAR - Percent Change Yr./Yr.

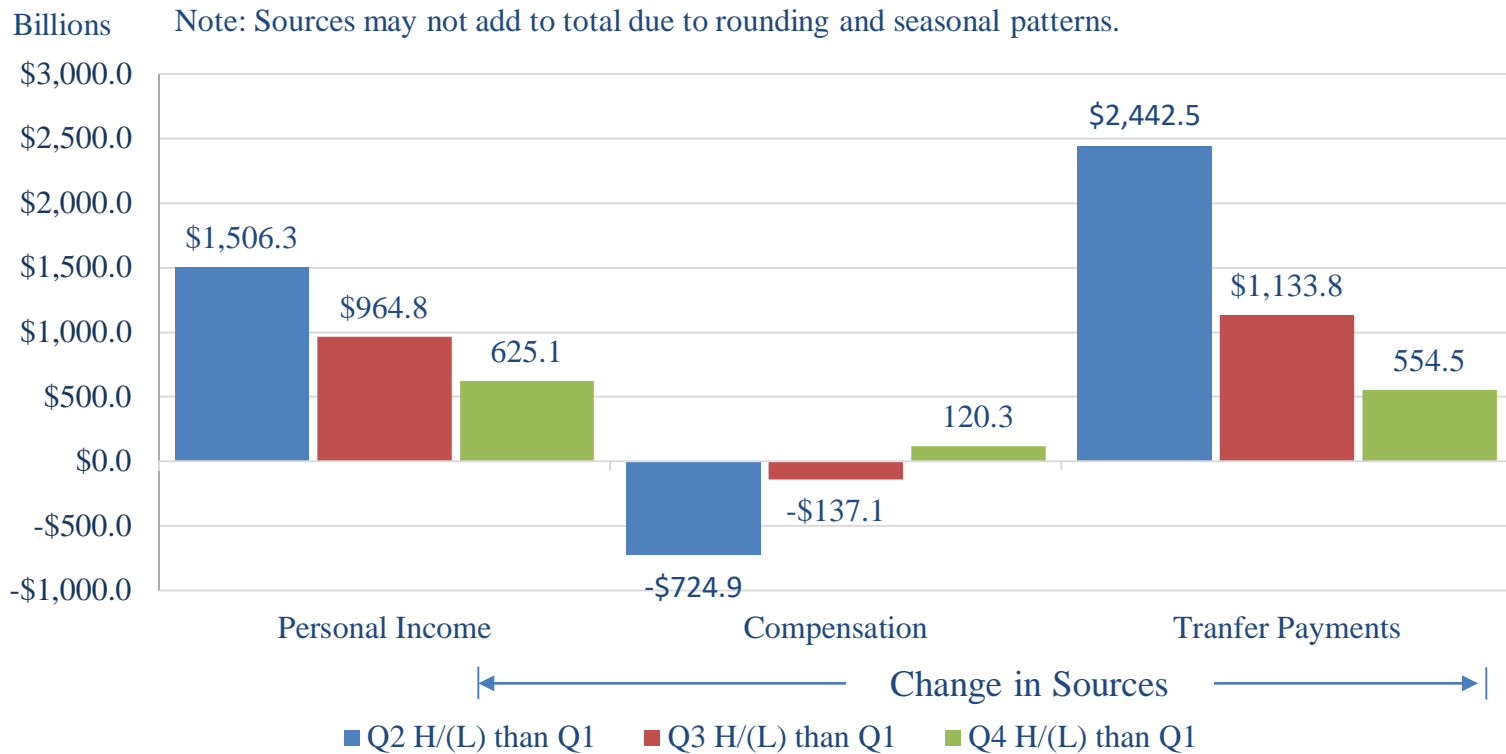


Note:

Source: Bureau of Economic Analysis.

# Personal Income by Source

## Changes Compared to Q1 2020 - Billions of Dollars -SAAR

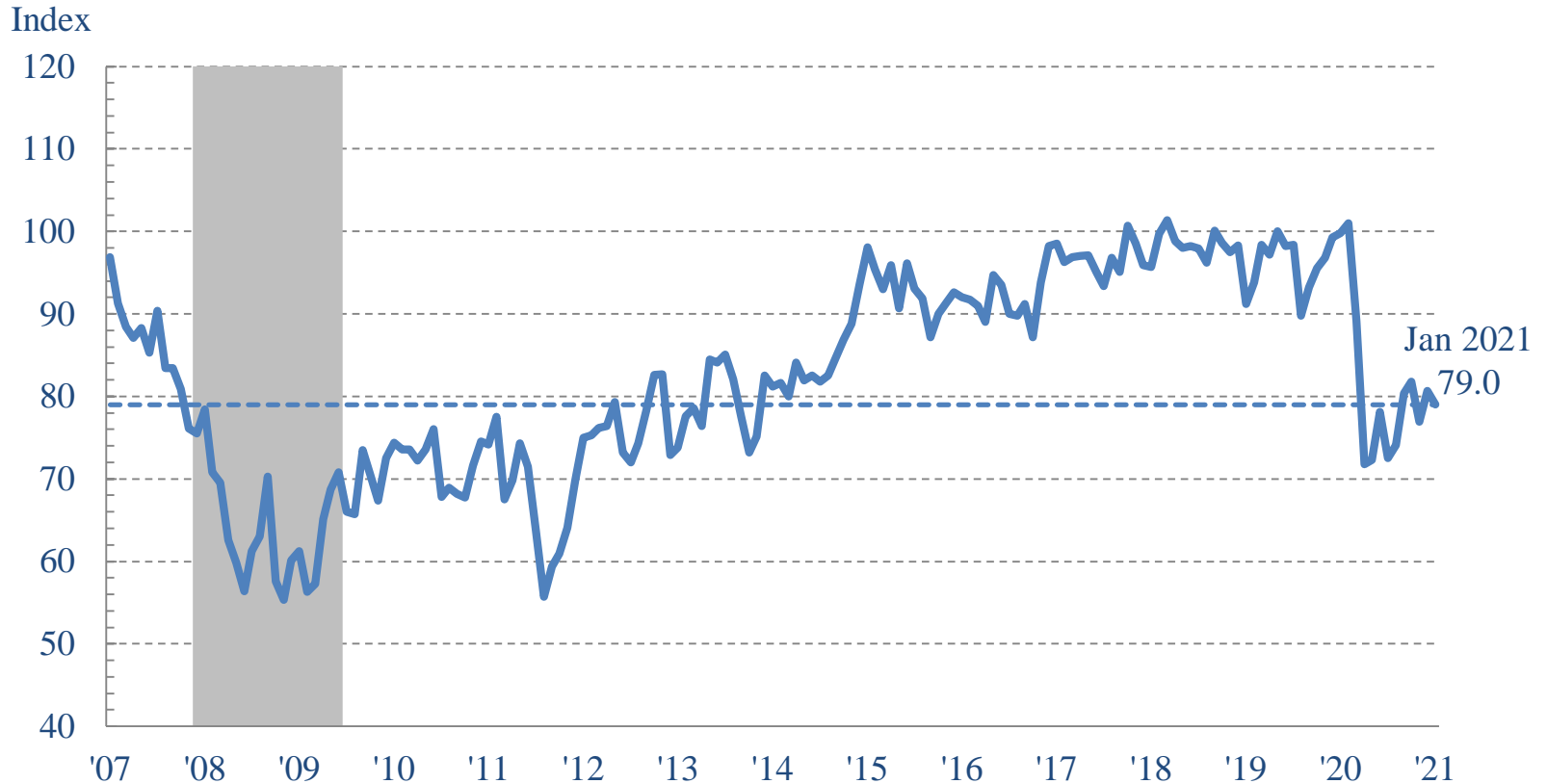


Note: Sources may not add to total due to rounding and seasonal patterns. Transfer payments include Federal pandemic relief programs such as pandemic emergency unemployment payments, economic impact payments, lost wages supplements, paycheck protection programs, provider relief fund, and increased Medicare reimbursements.

Source: U.S. Bureau of Economic Analysis

# Consumer Sentiment

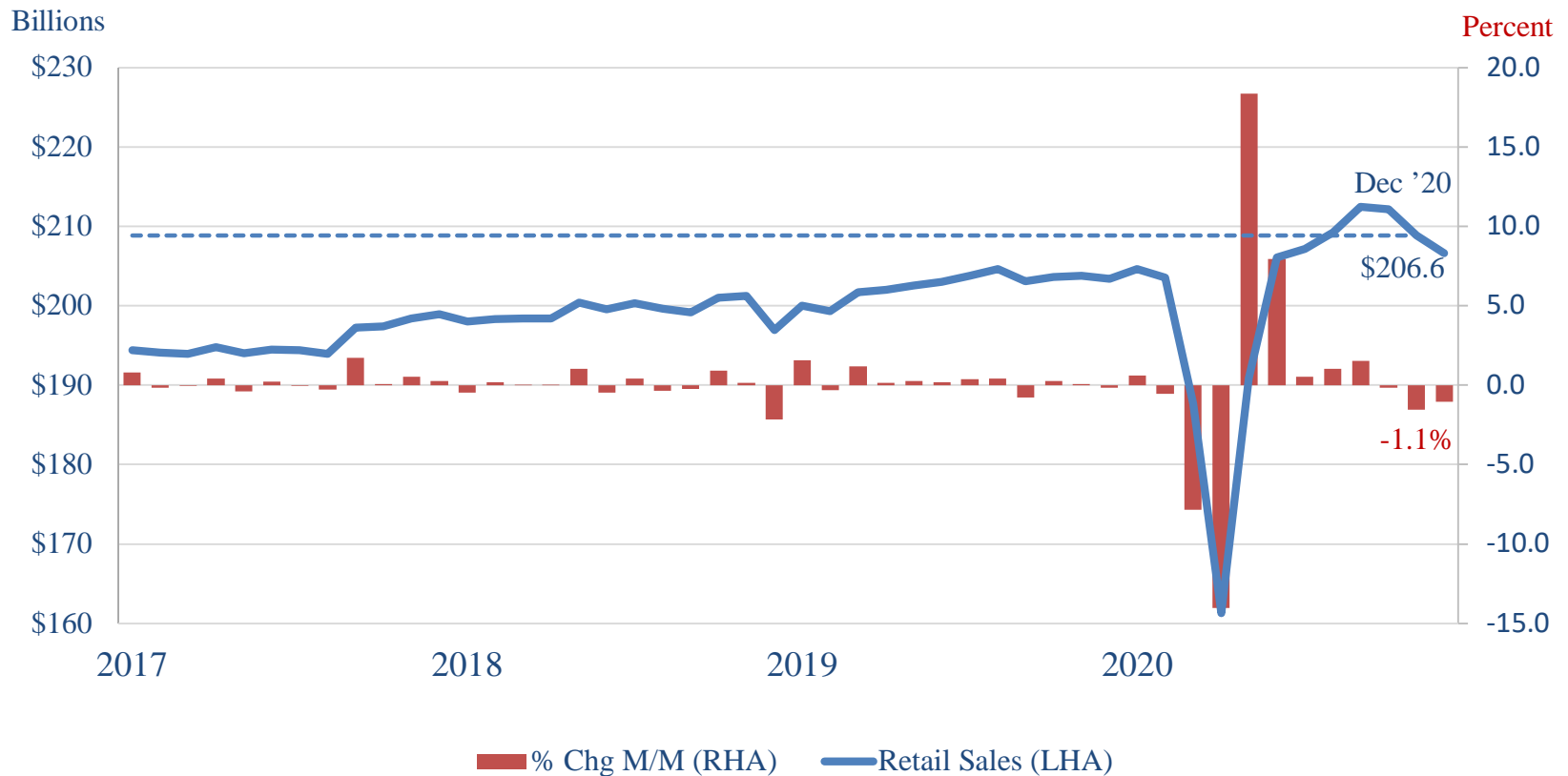
University of Michigan



Source: Thomson Reuters / University of Michigan

# U.S. Real Advanced Retail Sales

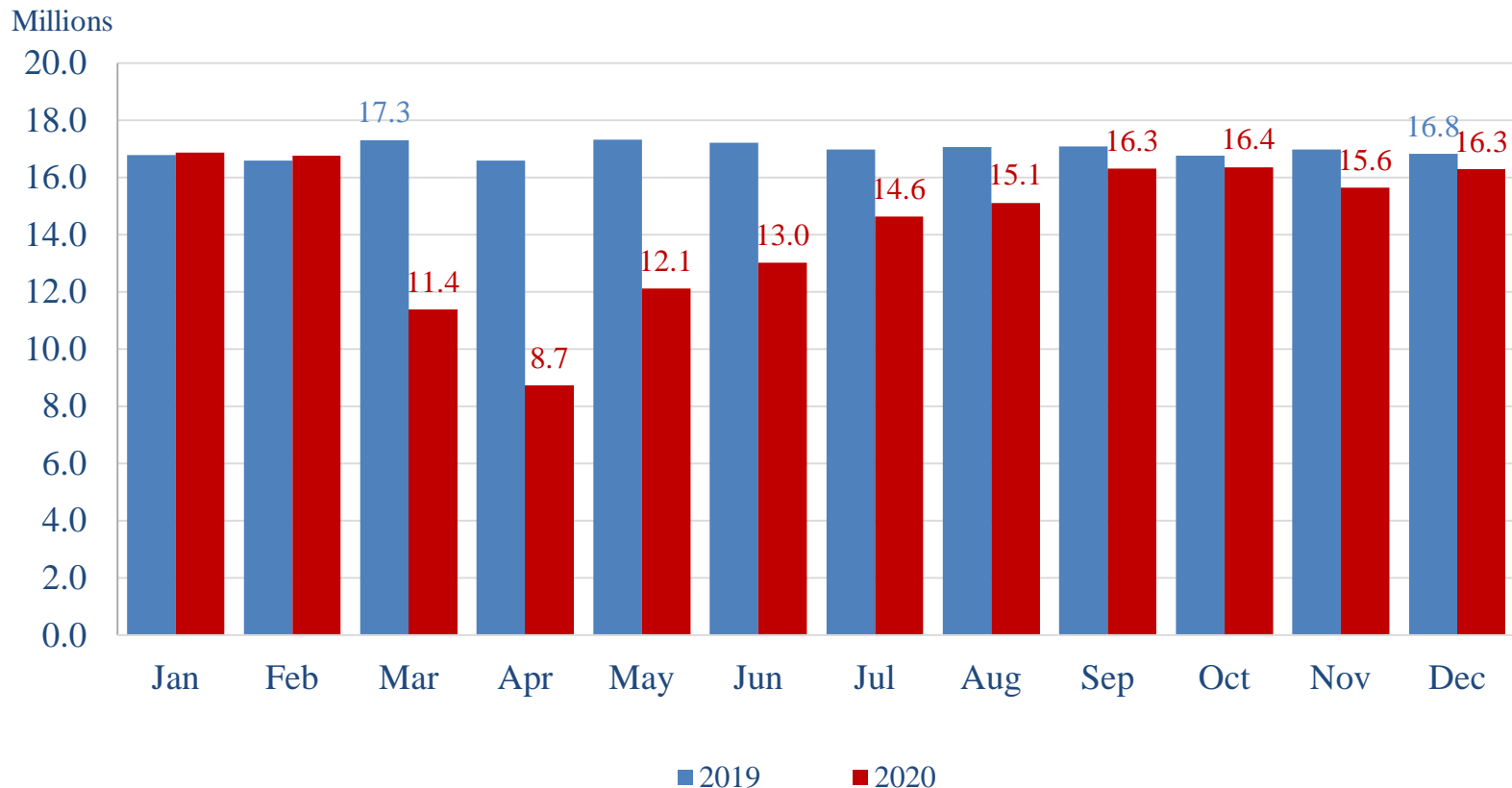
In Billions of Dollars and Percent Change M/M



Source: FRB St. Louis

# U.S. Light Vehicle Sales

In Millions of Units - SAAR



Note: The U.S. light vehicle sales totaled 16.953 and 14.464 in 2019 and 2020 respectively.

Source: WardsAuto Infobank.

# New Vehicle Buyer Demographics

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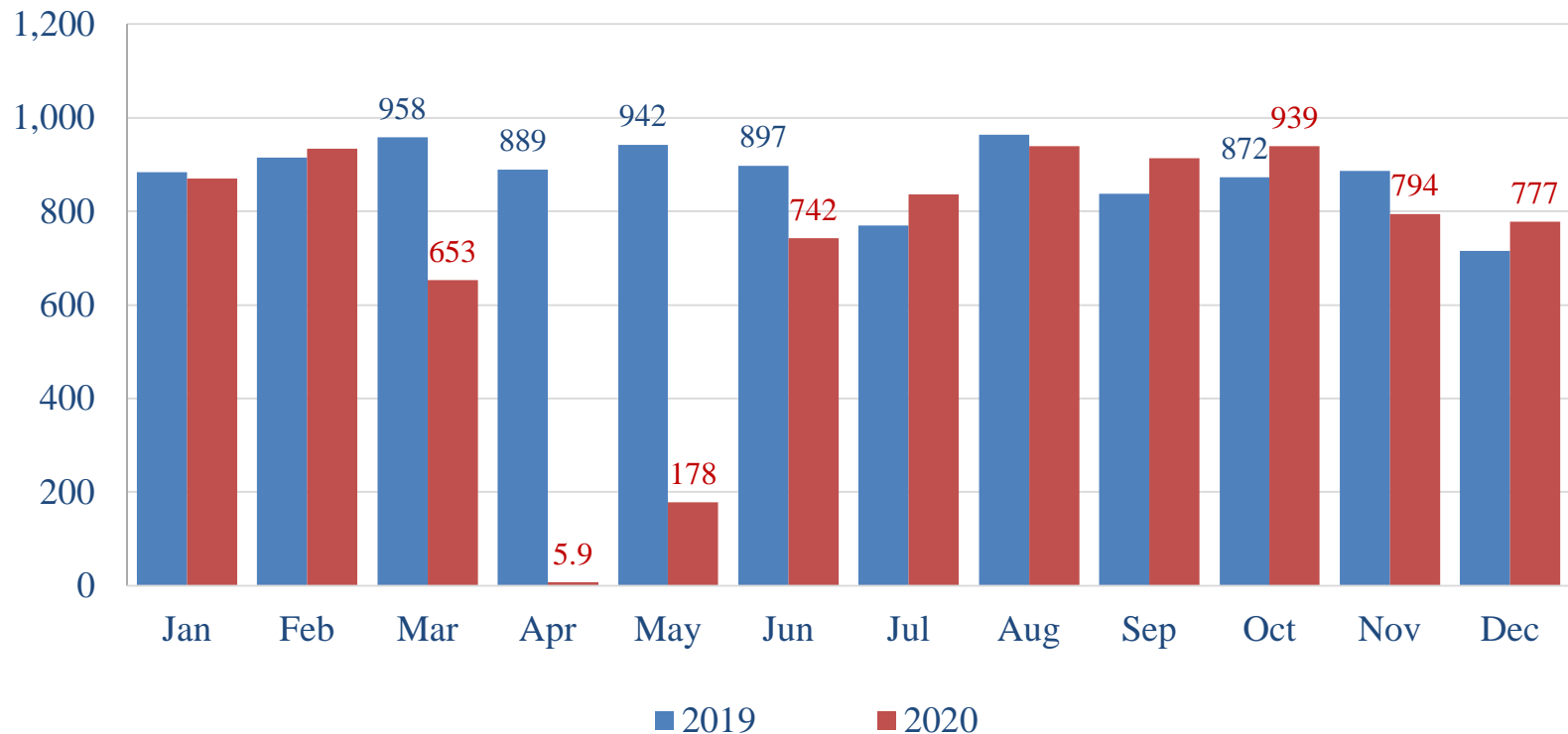
- The average age of a new vehicle buyer is around 53 years old.
- The age group 65+ purchase makes up 32% of new vehicle buyers.
- The average salary of a new car buyer was \$80,000 according to a NADA 2015 study.

Source: Hedges Company, National Auto Dealers Association, and Cox Automotive.

# U.S. Light Vehicle Production

In Thousands of Units - NSA

Thousands

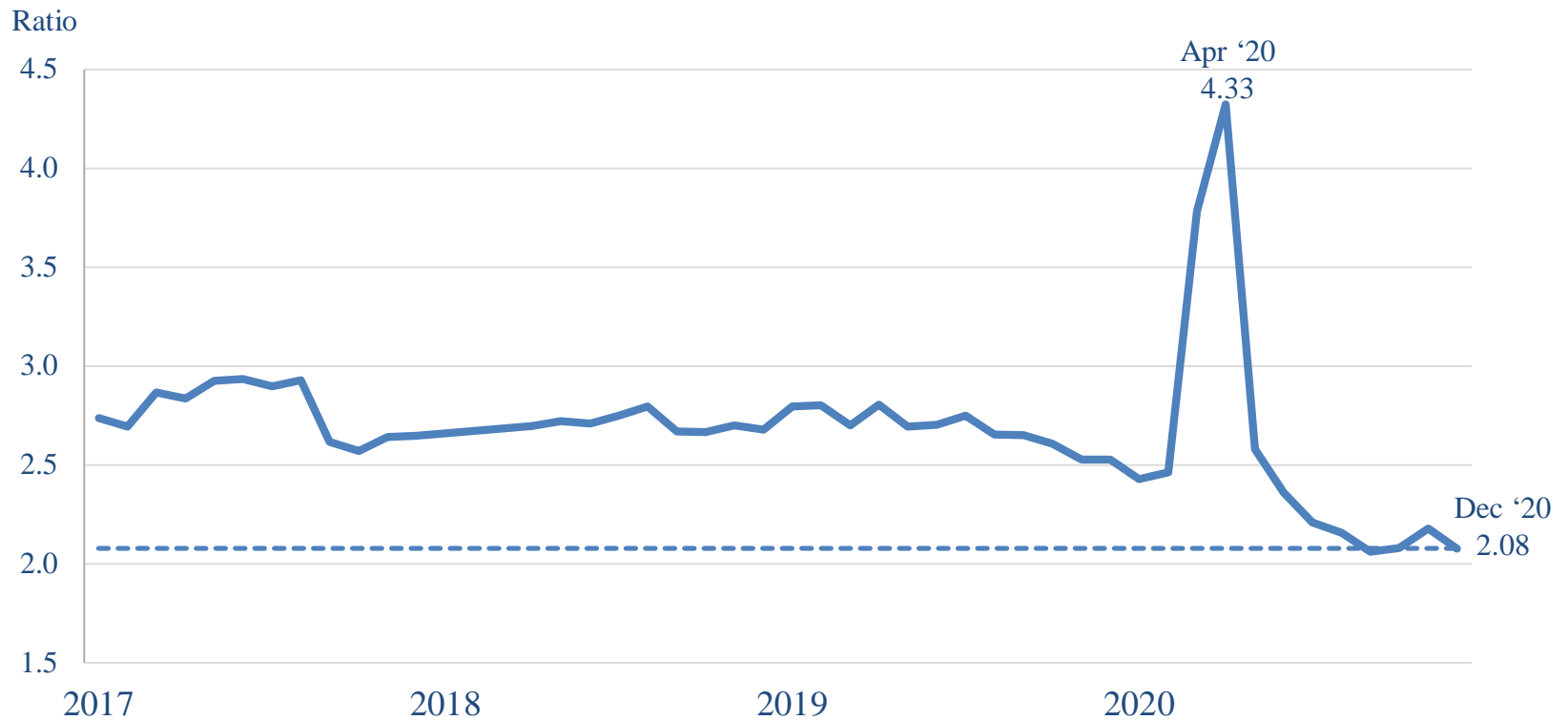


Note: OEMs produced 3.3 million fewer vehicles in March to June 2020 compared to the same three months in 2019.

Source: Wards Intelligence.

# Inventory to Sales Ratio

## U.S. Light Vehicle - SA

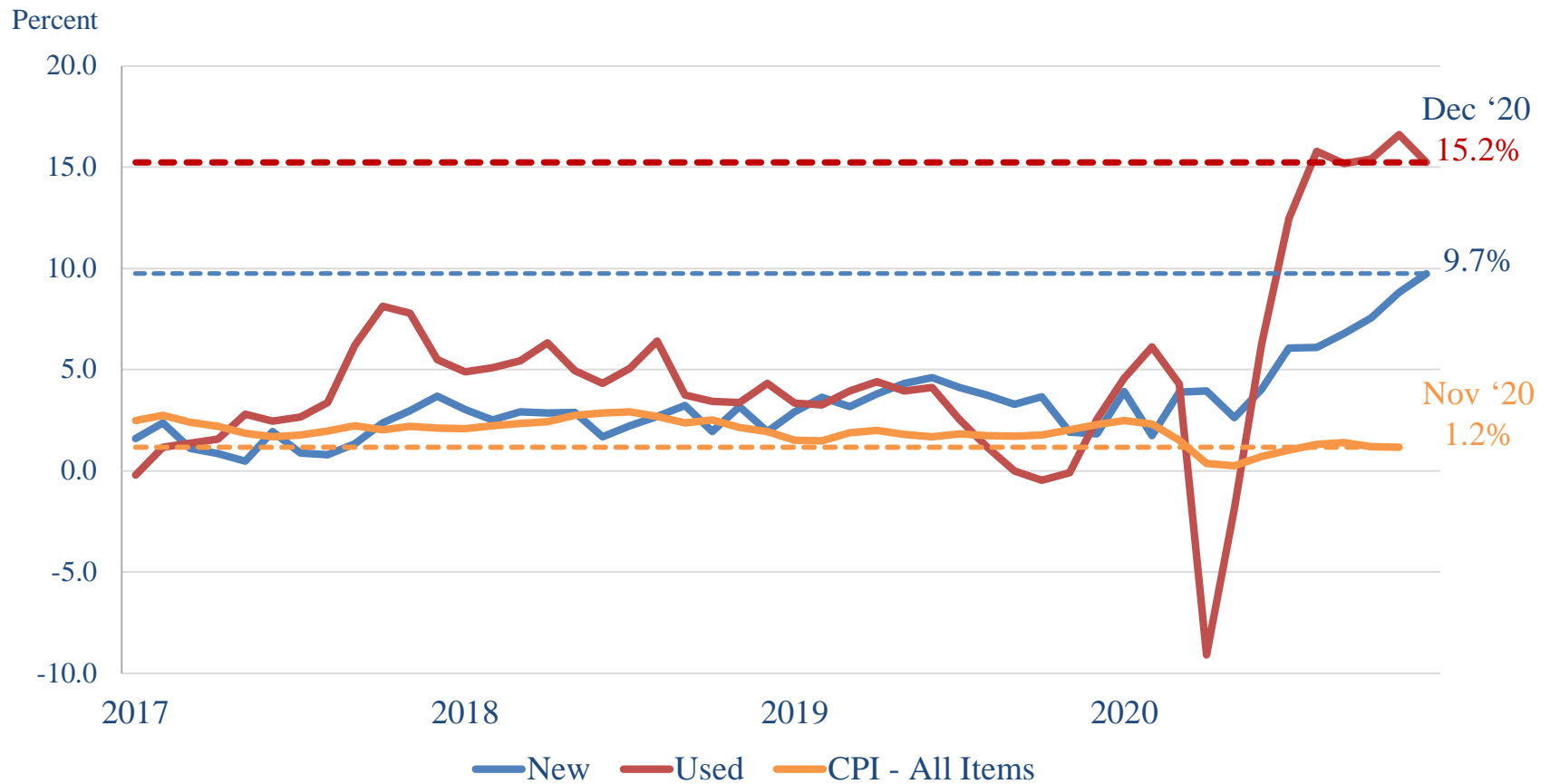


Source: Author's calculations using Wards Intelligence inventory data.



# Light Vehicle Price & CPI Inflation

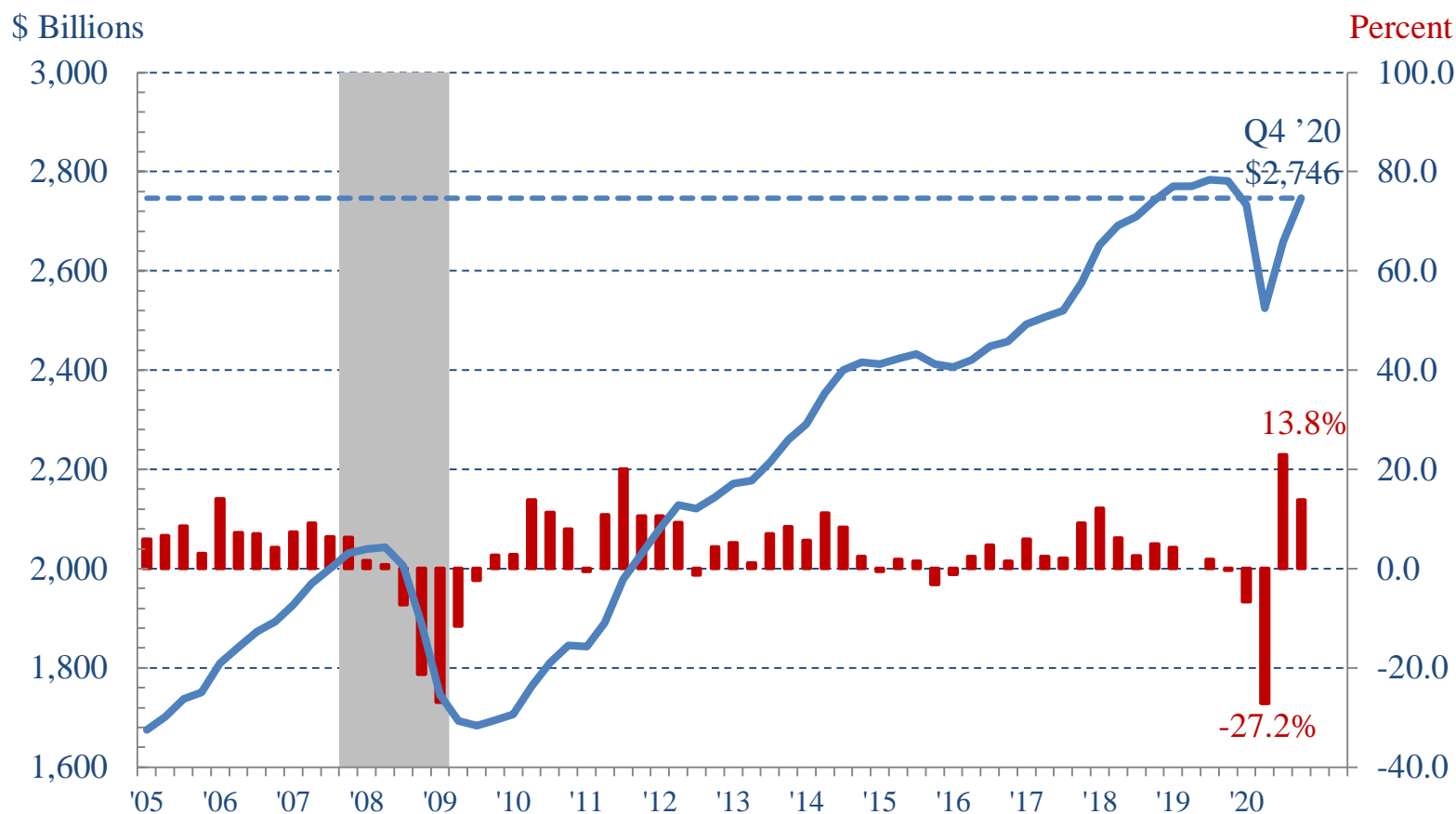
## Percent Change Year/Year



Source: Author's calculations using Wards Intelligence, J.D. Power, and Manhiem data.

# U.S. Real Private Non-residential Investment

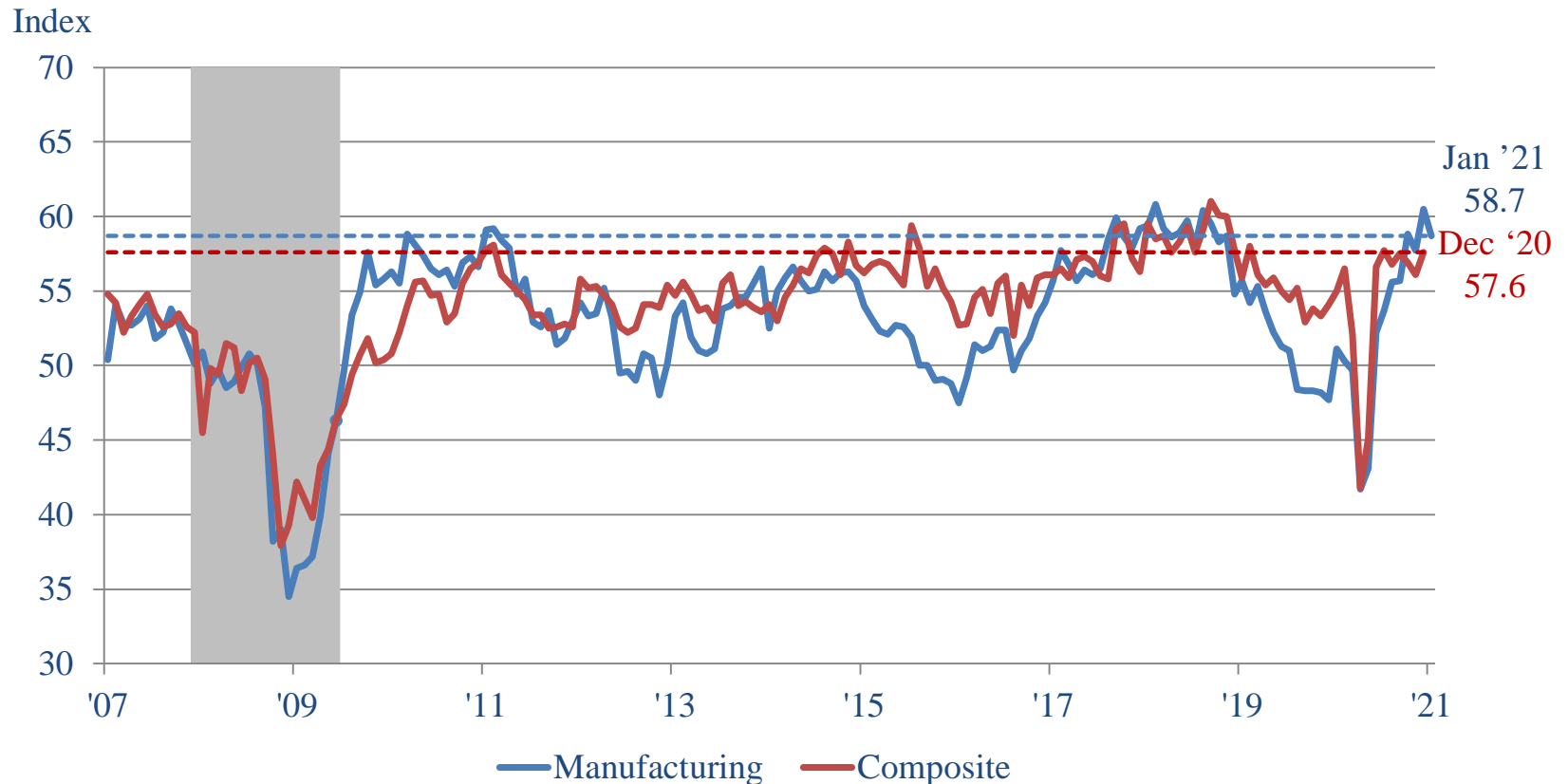
Billions Chained \$2012, % Change Q/Q at SAAR



Source: U.S. Bureau of Economic Analysis

# Purchasing Managers Index

## ISM Manufacturing and Composite Indexes

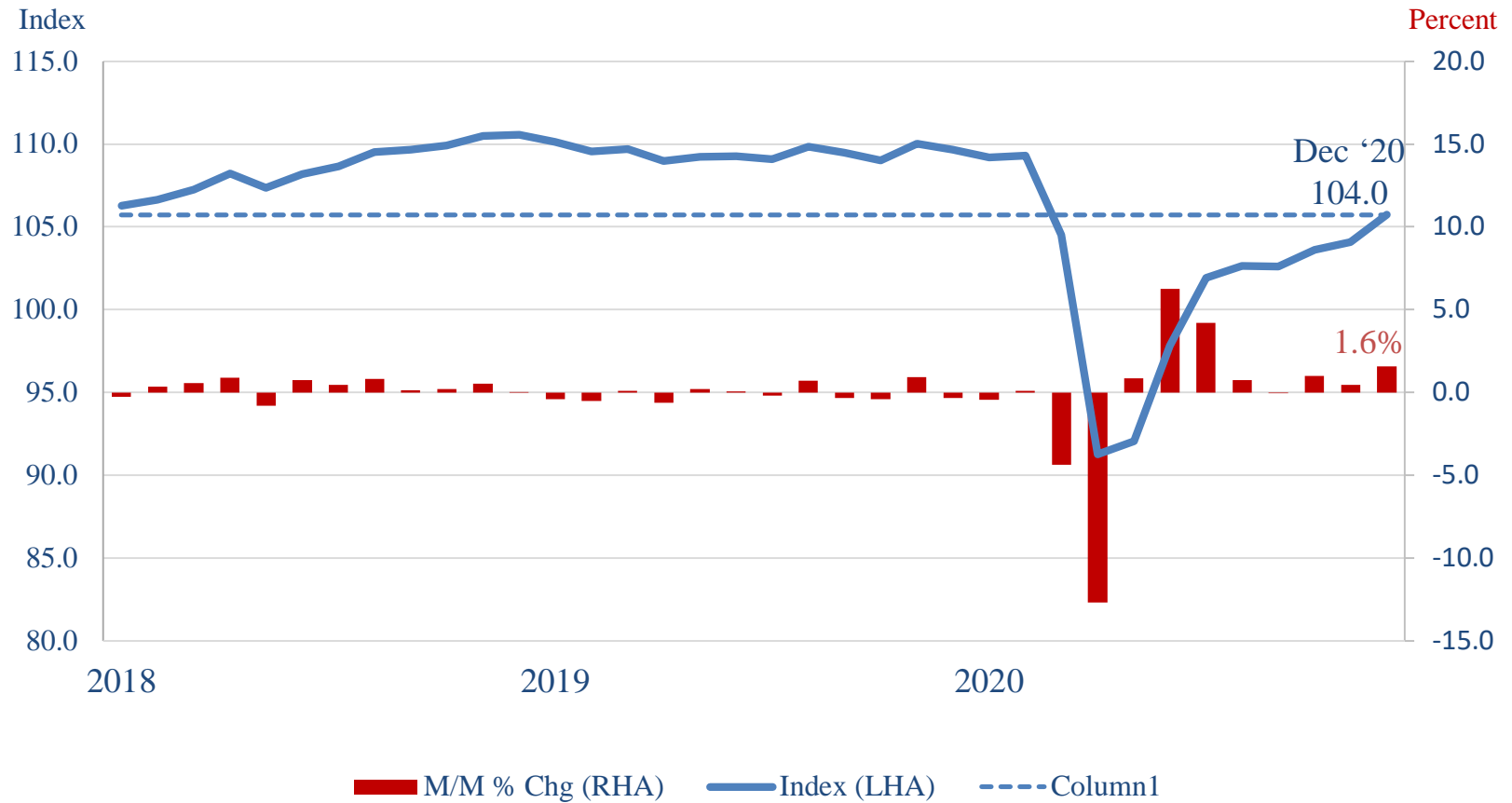


Note: ISM Manufacturing and Composite Index value greater than 50 means expansion.

Source: Institute for Supply Management, Richmond Federal Reserve, and Haver Analytics.

# Industrial Production - Total

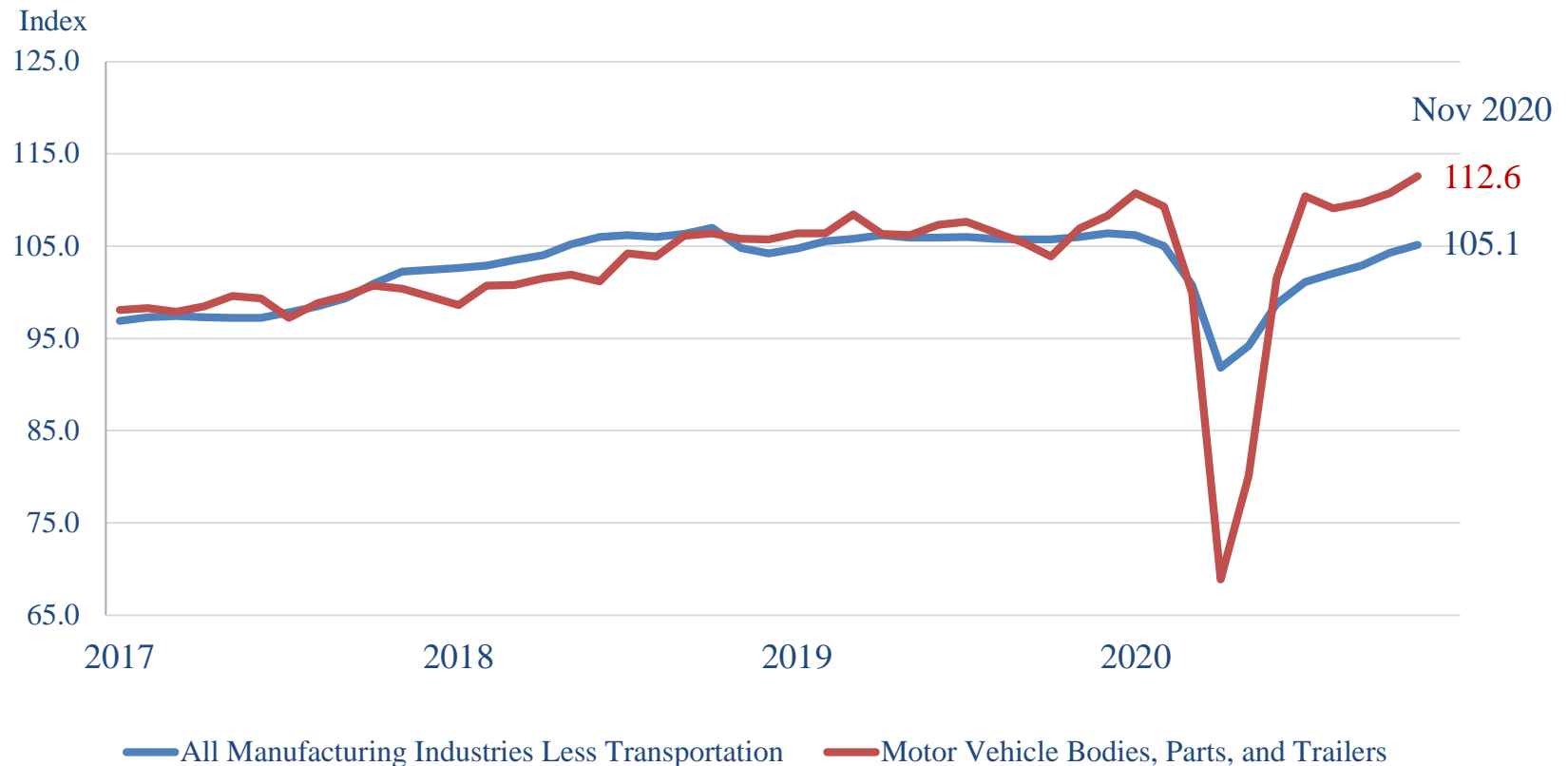
Index 2012 = 100 & Percent Change M/M



Source: Federal Reserve Board

# New Orders – Durable Goods

Index 2015 = 100

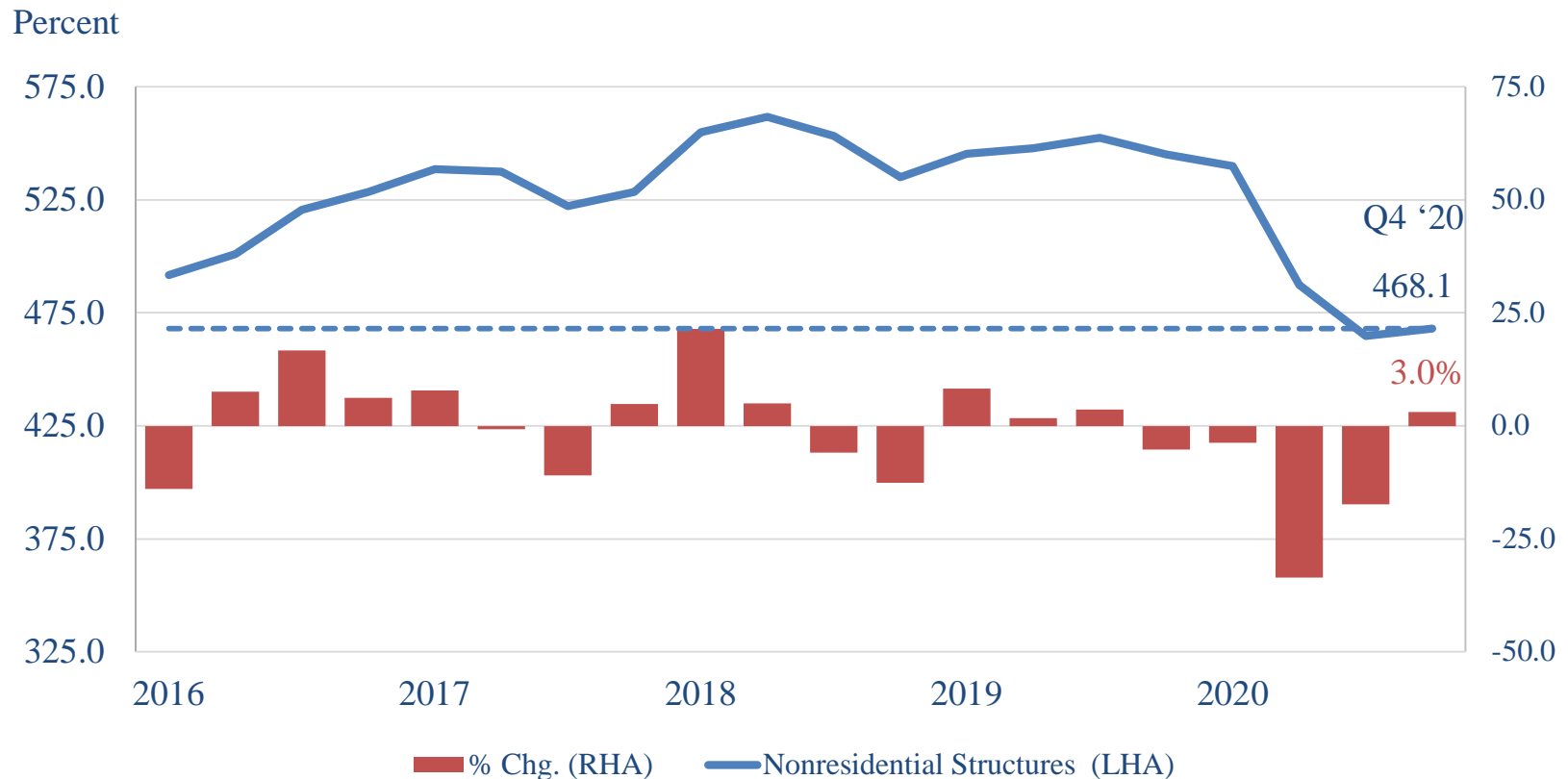


Note: All Manufacturing excludes semiconductor industry.

Source: Federal Reserve Board

# Gross Private Domestic Investment

## Nonresidential Structures, Percent Change Q/Q - SAAR

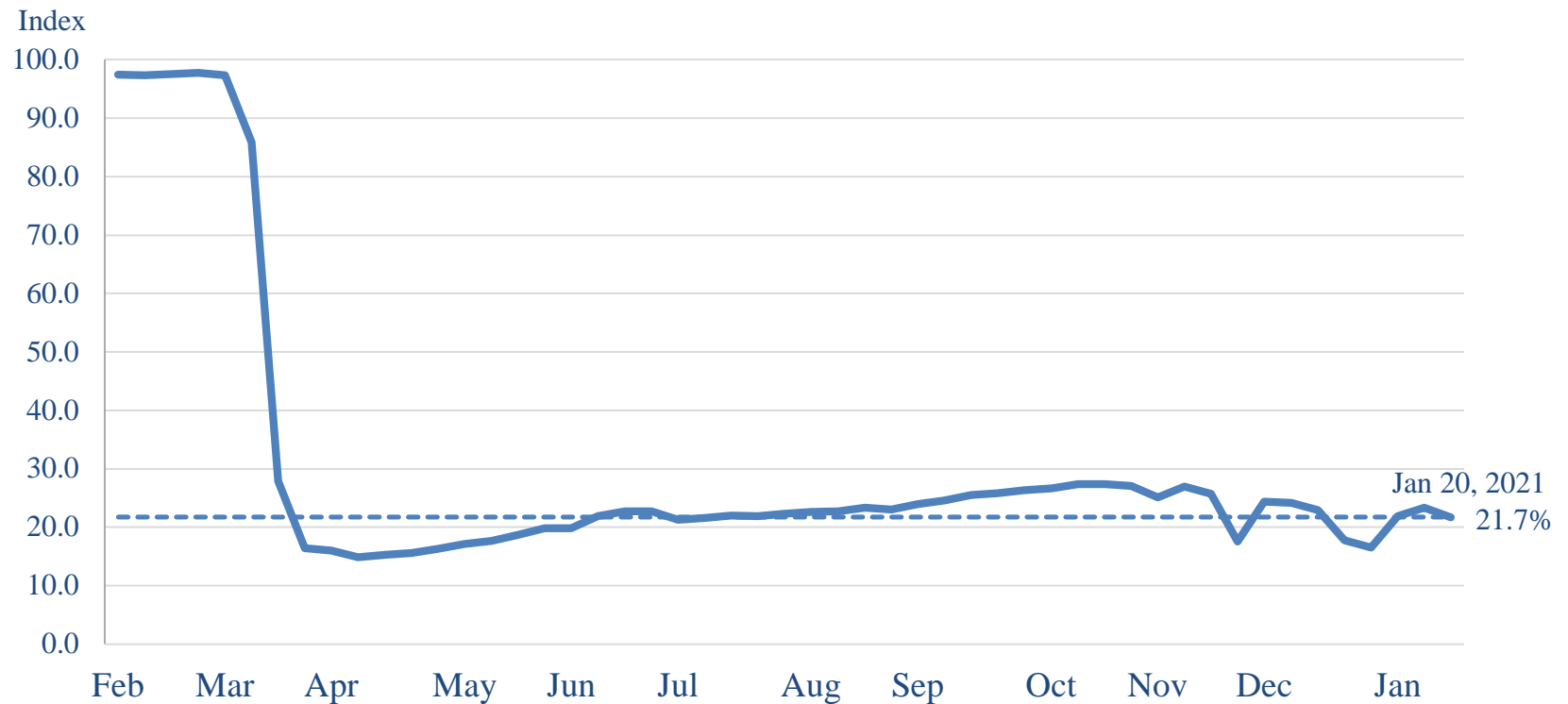


Note: Four year average (2016 – 2019) is 11.9%.

Source: Author's Calculations using J.D. Power and FOMC data.

# Workers Return to the Office Barometer

## Percent of Total - Weekly Data NSA



Note: Kastle Systems uses data from their 2,681 buildings in 138 cities. The Barometer reflects daily swipes of Kastle access codes from the top 10 cities for Wednesday's of each week.

Source: Kastle Systems

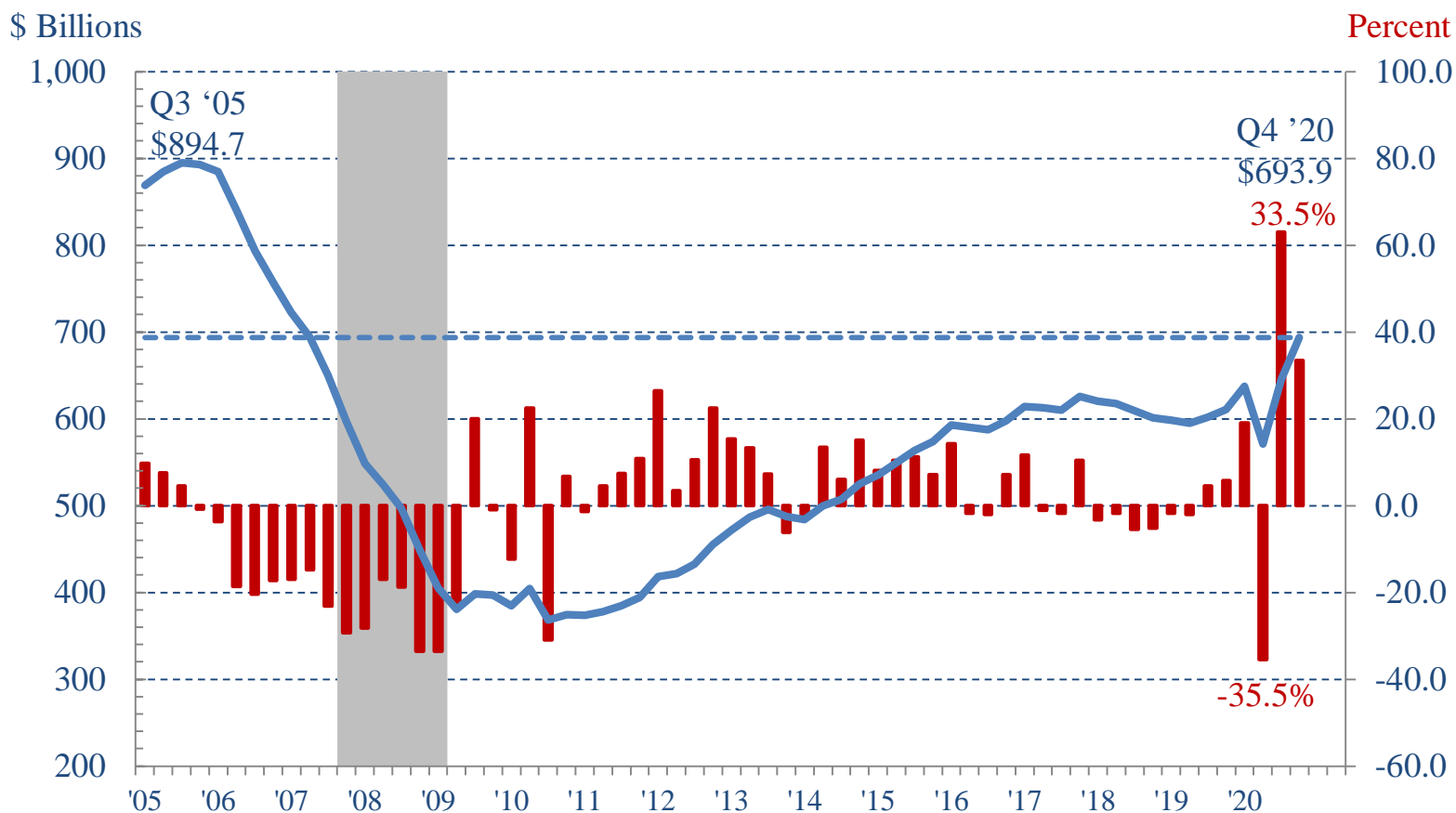
February 2, 2021

Federal Reserve Bank of Chicago

47

# U.S. Real Private Residential Investment

Billions Chained \$2012, % Change Q/Q at SAAR

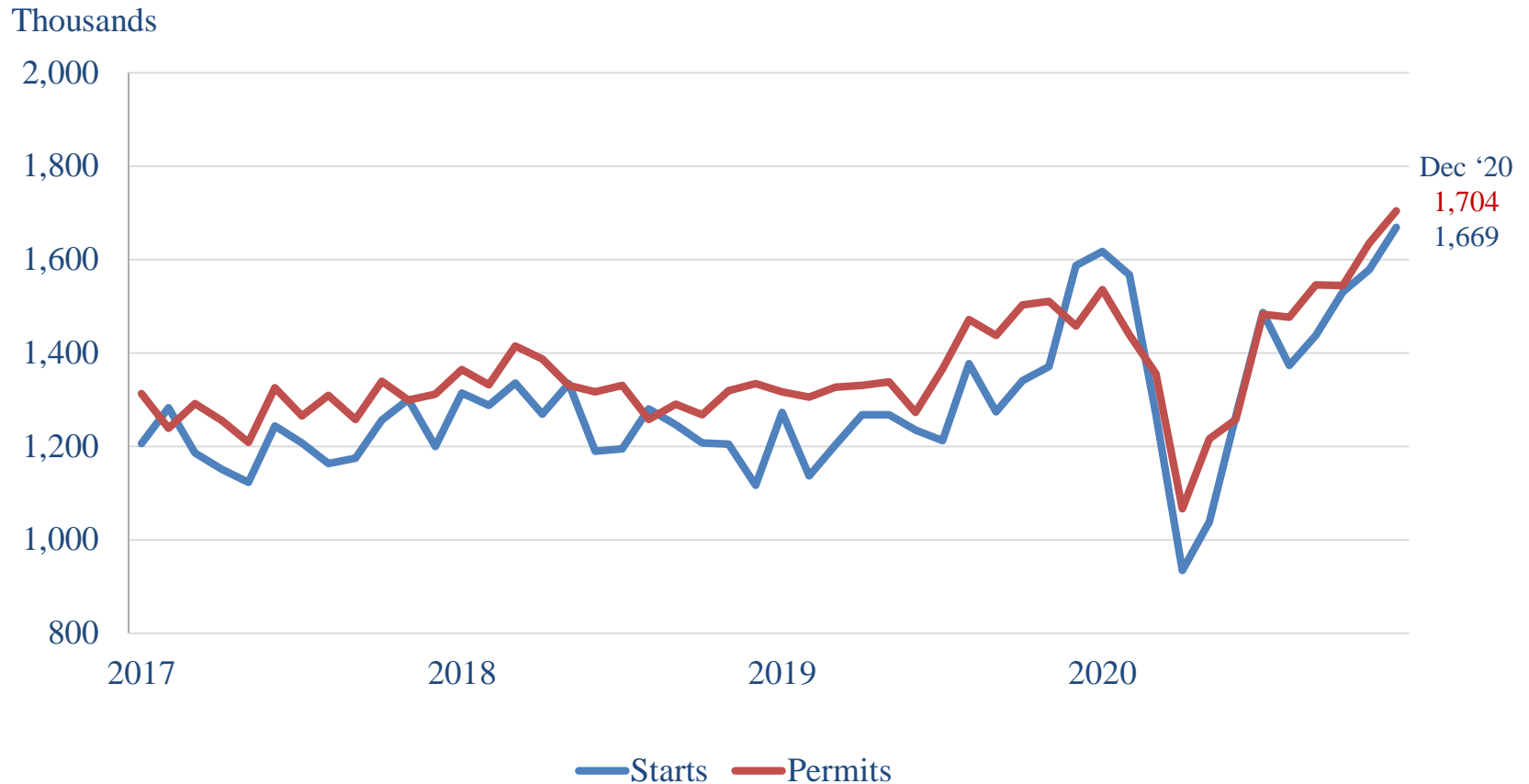


Source: U.S. Bureau of Economic Analysis



# U.S. Housing Starts and Permits

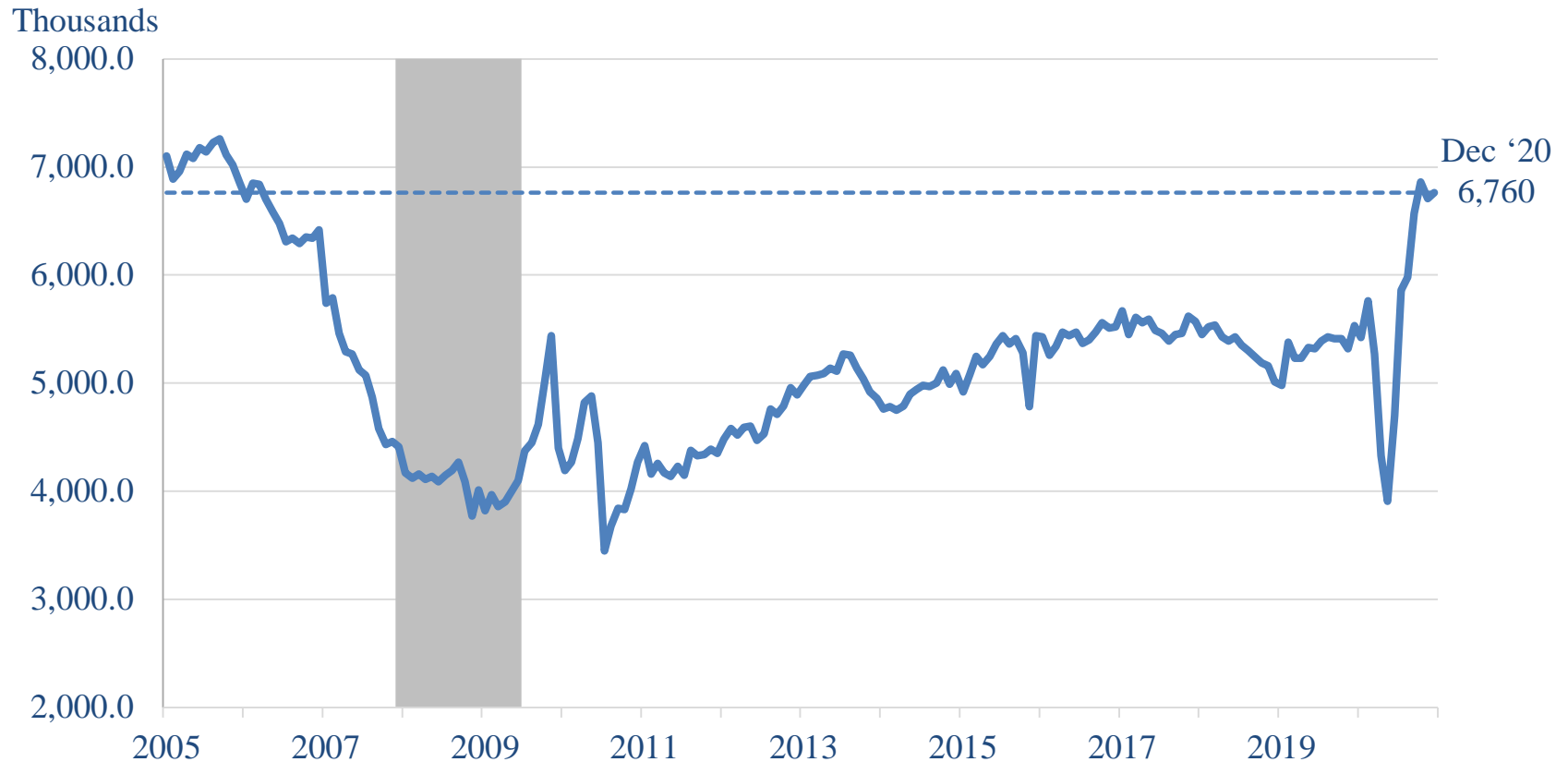
Thousands of Units – SAAR & Percent Change M/M



Source: U.S. Census Bureau

# Existing Home Sales

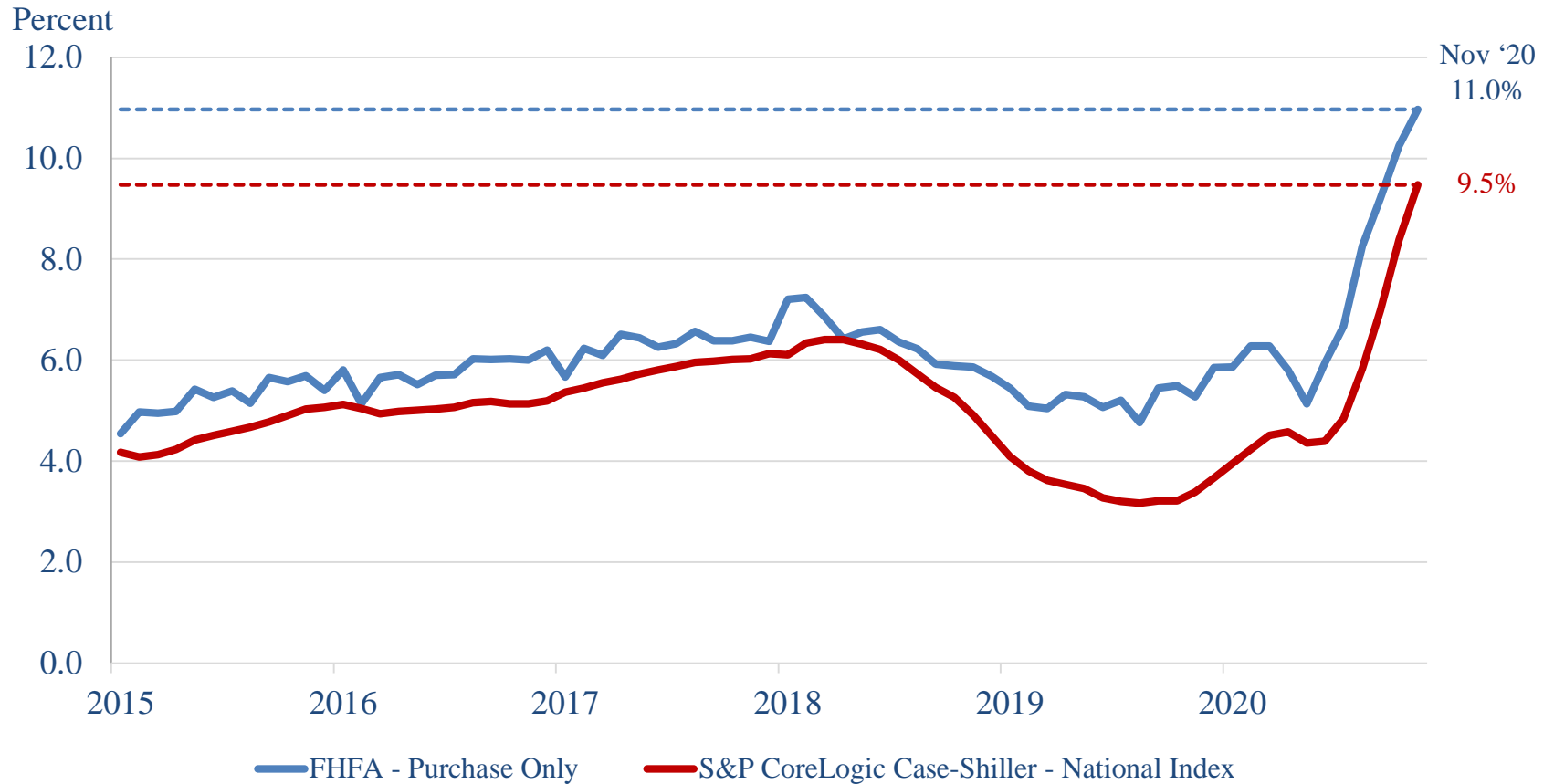
## Single Family & Condo and Co-op Sales - Thousands of Units



Source: National Association of Realtors

# U.S. Home Price Indexes

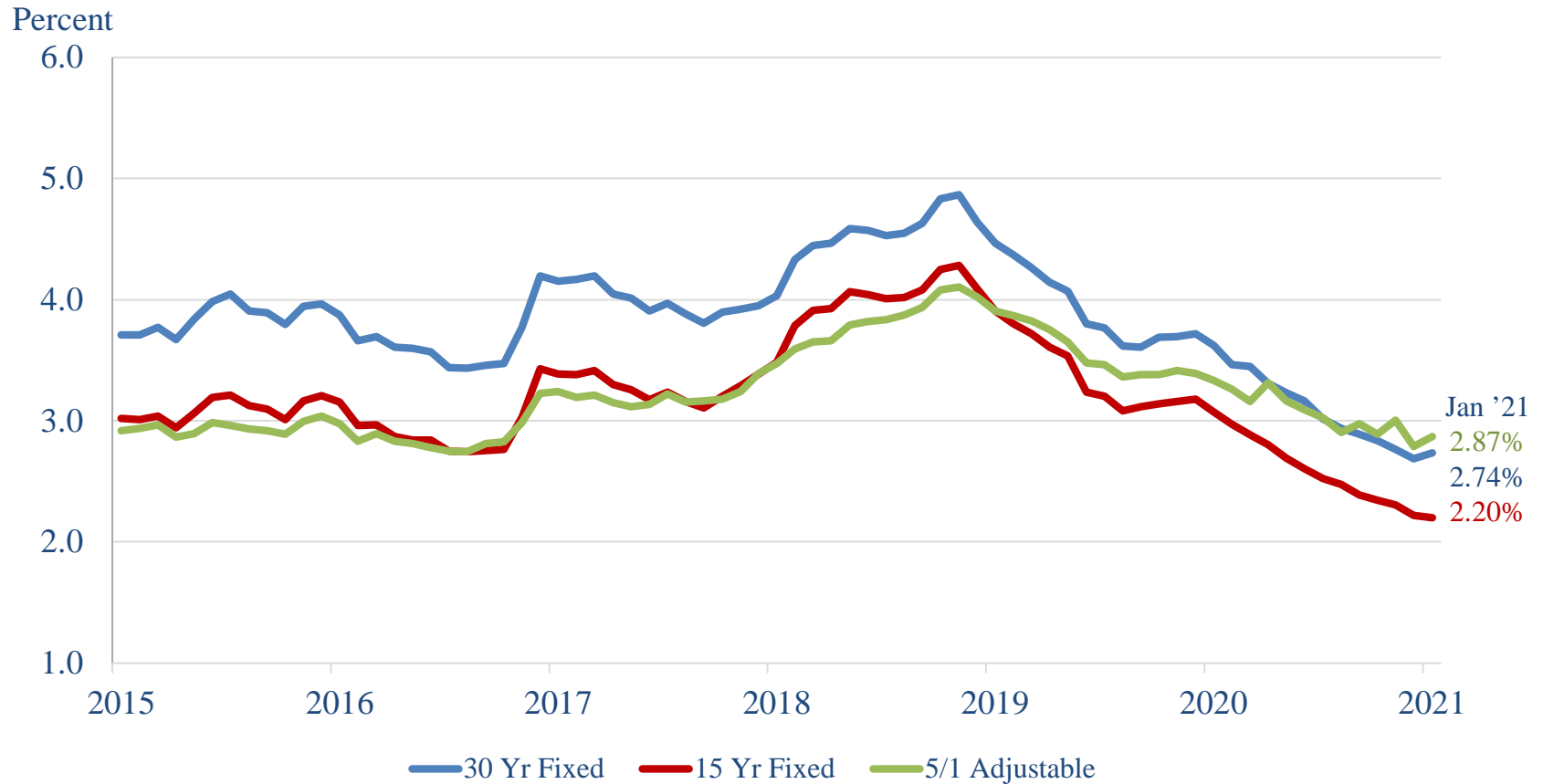
January 2000 = 100, SA - Percent Change Year/Year



Source: National Association of Realtors

# Current Mortgage Rates

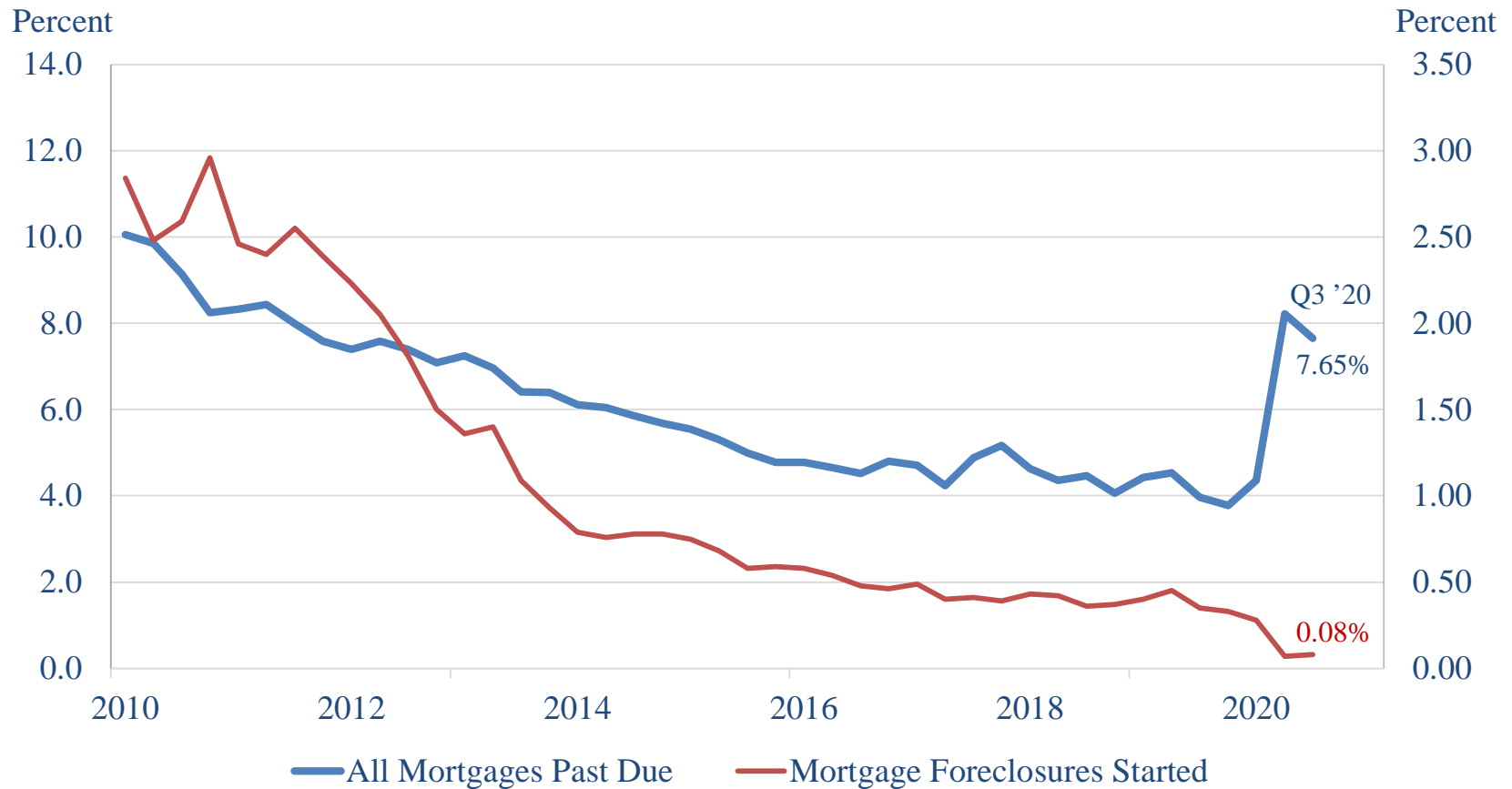
## Monthly Average - December 2020



Source: Federal Home Loan Mortgage Corporation

# Mortgage Delinquencies & Foreclosures Started

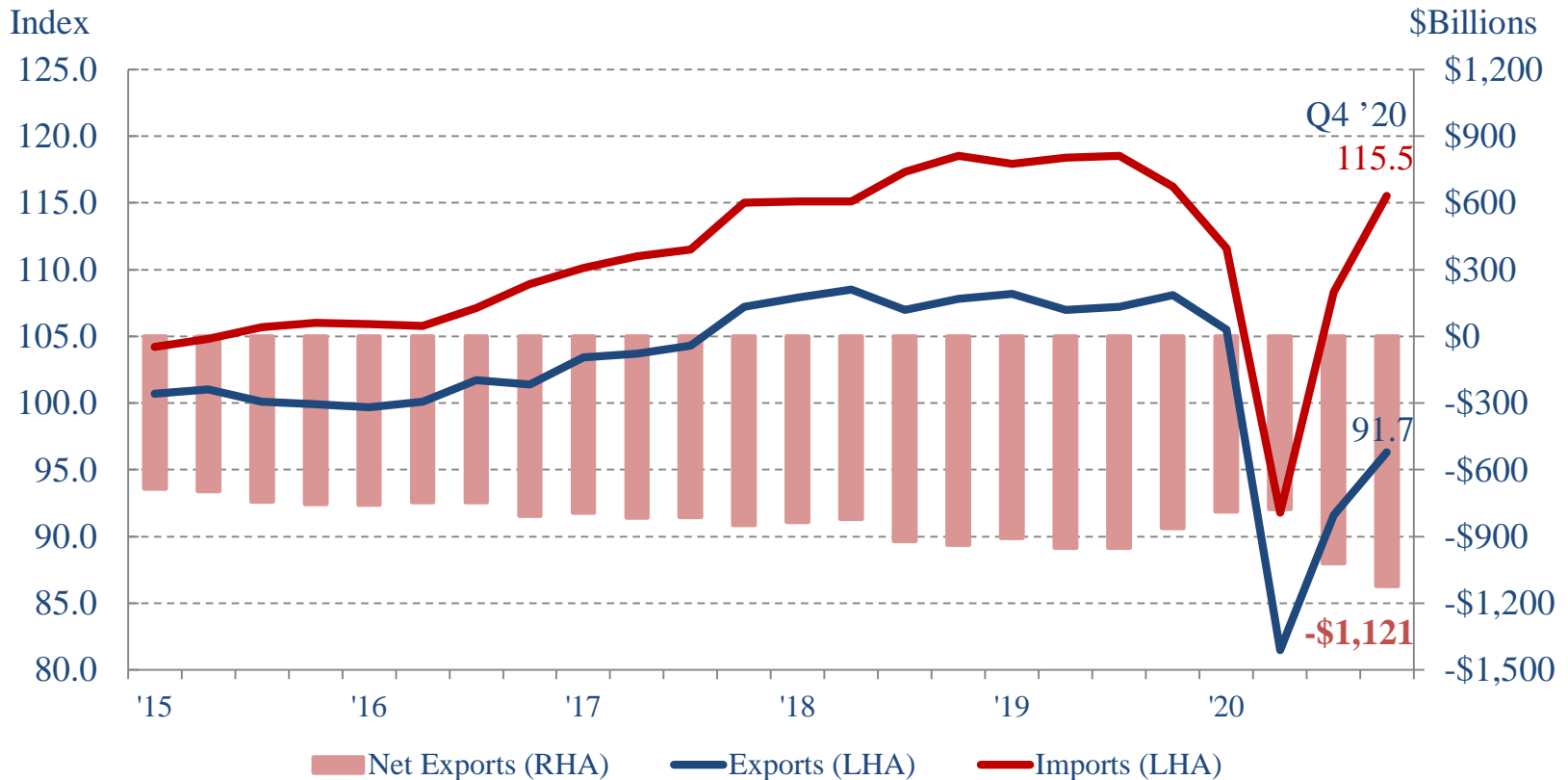
## Percent of All Mortgages



Source: Mortgage Bankers Association

# Real Imports and Exports

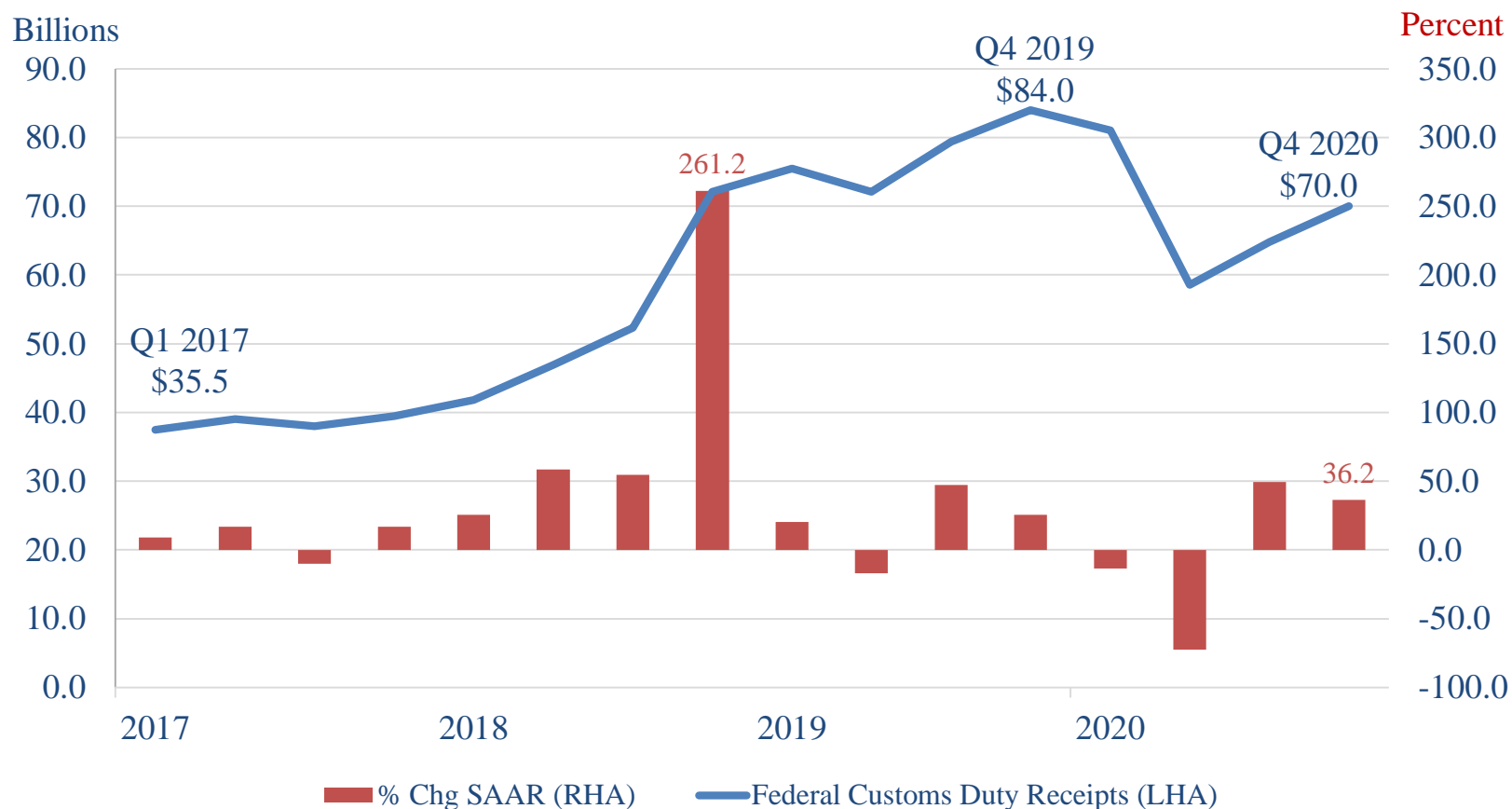
Index – 2015 = 100 & Billions Chained \$2012



Source: U.S. Bureau of Economic Analysis

# Federal Government Customs Duty Receipts

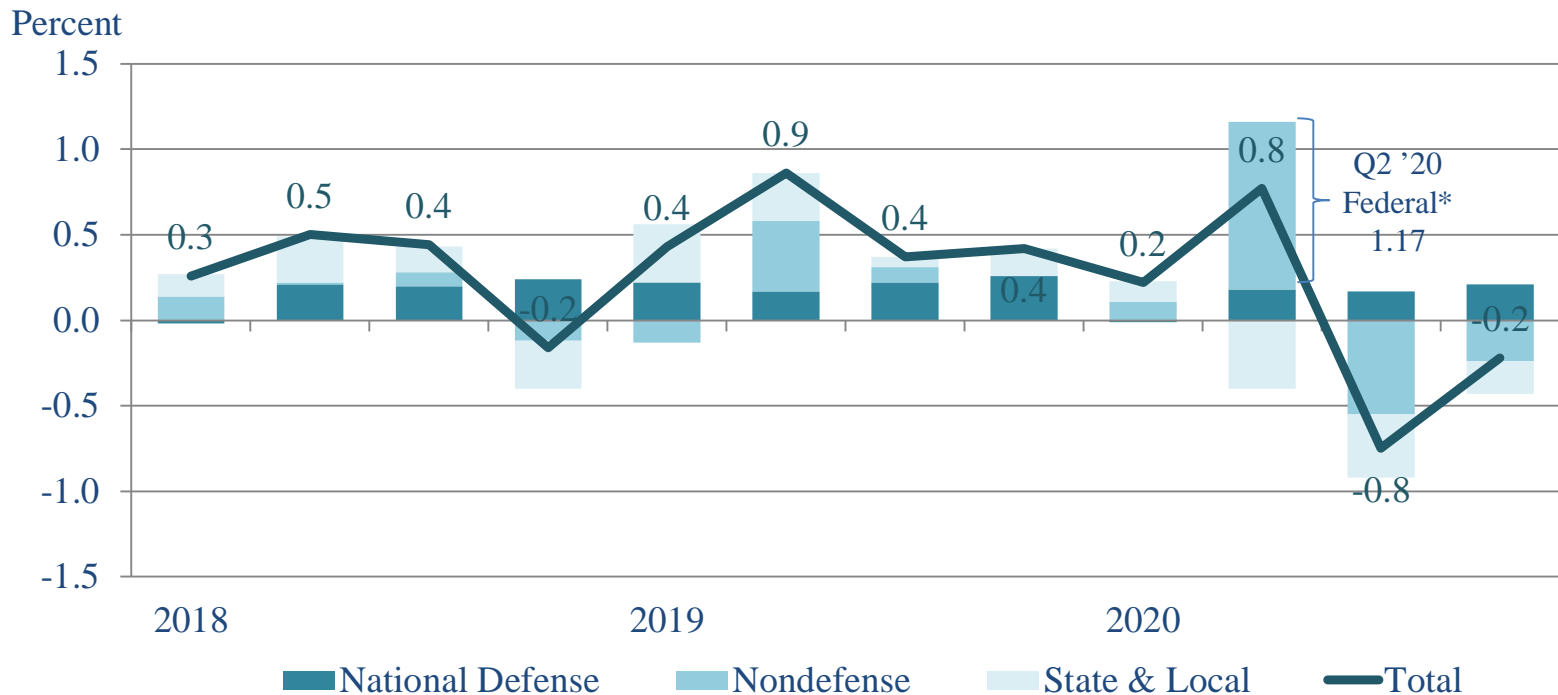
Billions of Dollars and Percent Change Q/Q - SAAR



Source: Bureau of Economic Analysis

# Real Government Consumption and Investment

Contribution to Percent Change to GDP - Q/Q at SAAR, \$2012



Contributions Q4 2020

0.21%      -0.24%      -0.19%      -0.22%

\* Largest Federal Government contribution since Q3 1986.

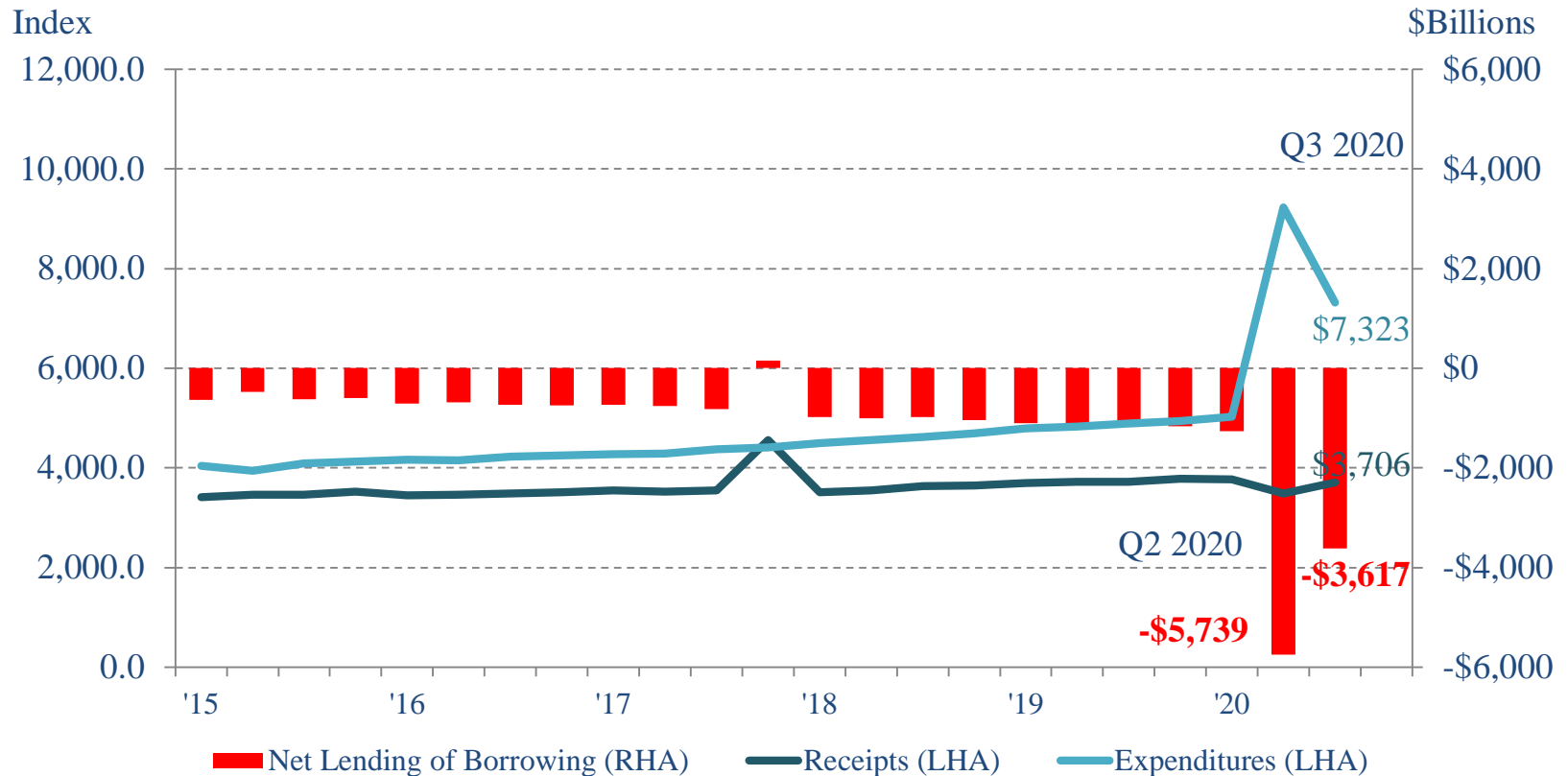
Note: Contributions by sector may not sum to total due to rounding errors.

Source: U.S. Bureau of Economic Analysis



# Federal Government Receipts and Expenditures

Billions of Dollars

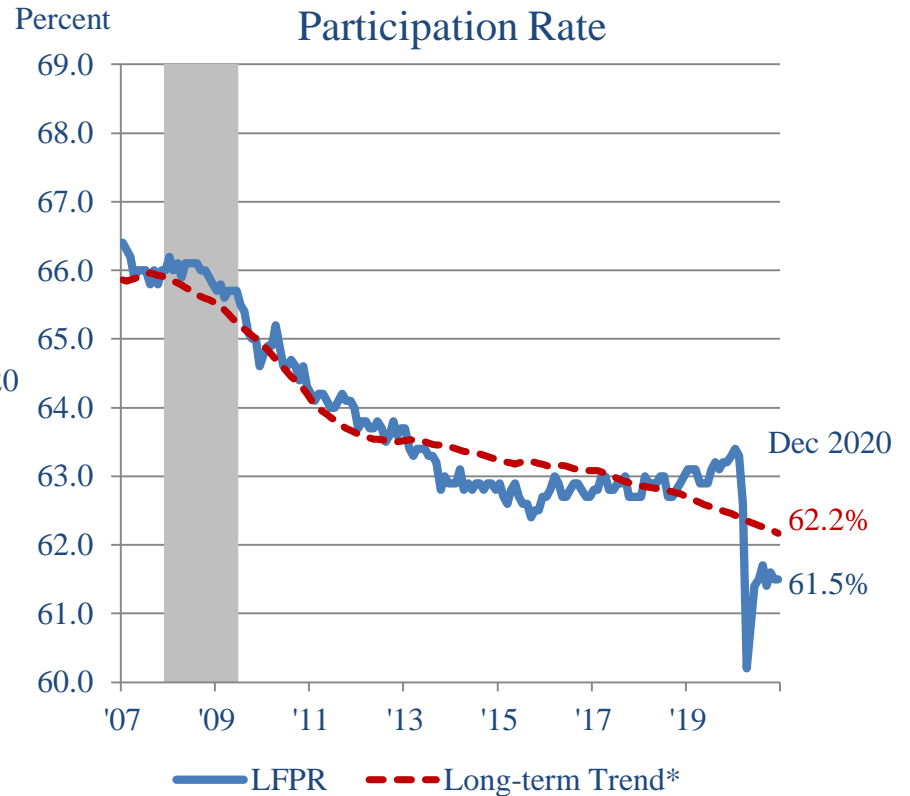
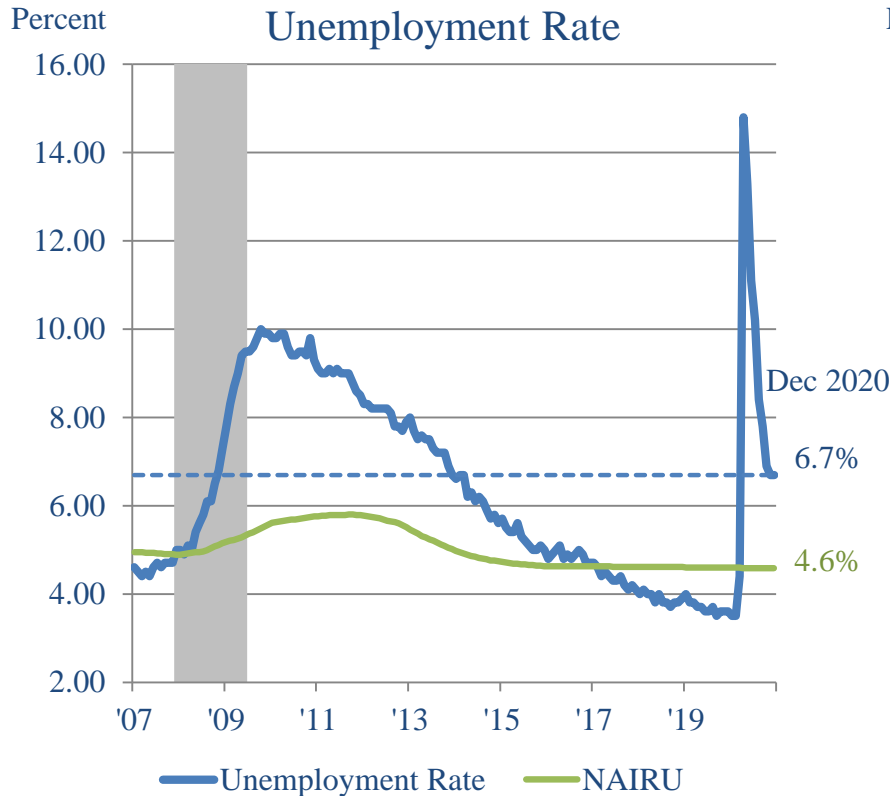


Source: U.S. Bureau of Economic Analysis

# Monetary Policy

# U.S. Labor Conditions

## Unemployment & Participation Rates

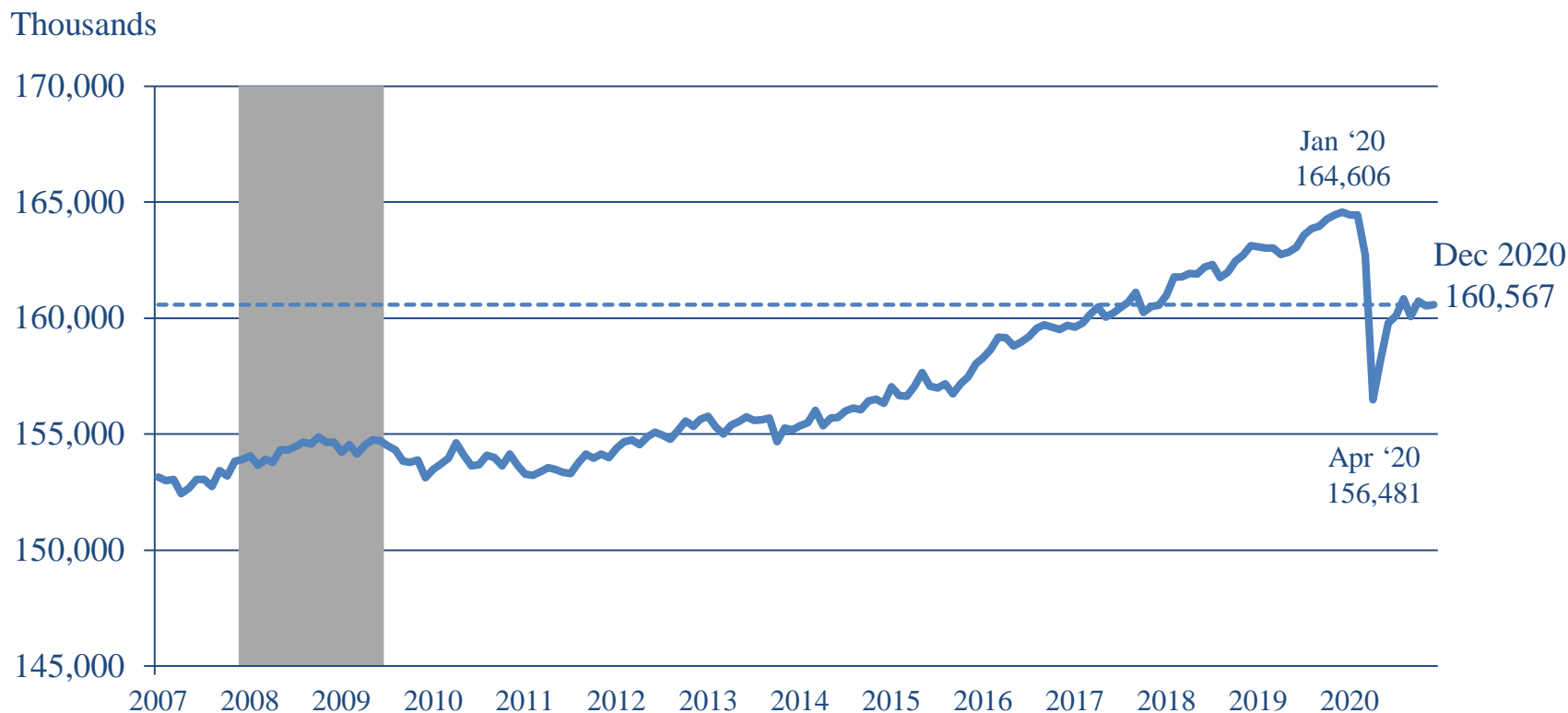


\* Predicted using unemployment rate.

Sources: U.S. Department of Labor and Chicago Fed Staff calculations.

# U.S. Labor Force

In Thousands

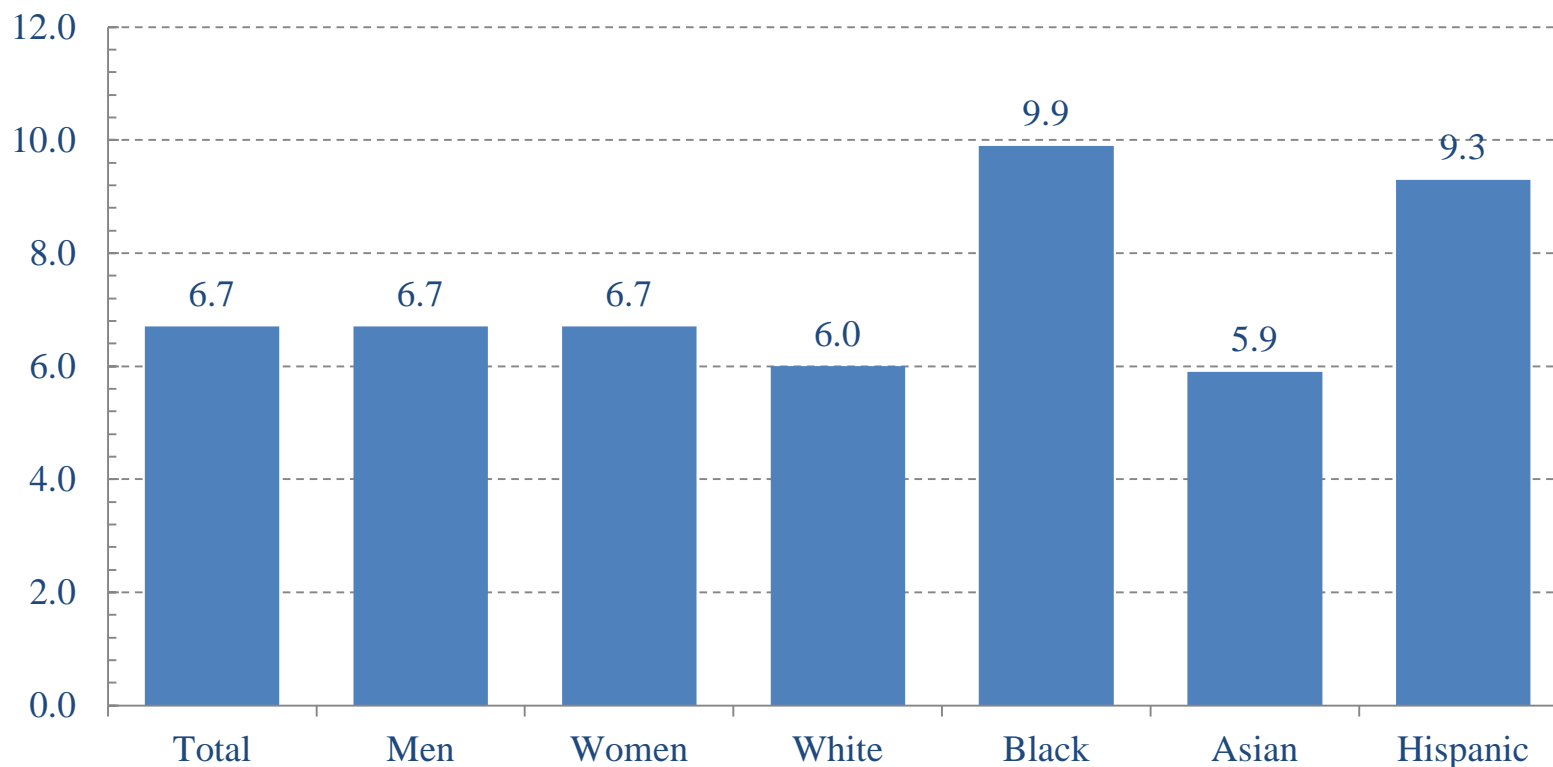


Note: The labor force declined 8.1 million from peak to trough (Jan '20 to Apr '20) and is still down 4.1 million workers.

Source: U.S. Department of Labor: Bureau of Labor Statistics and Haver Analytics

# Unemployment Rates by Gender and Race

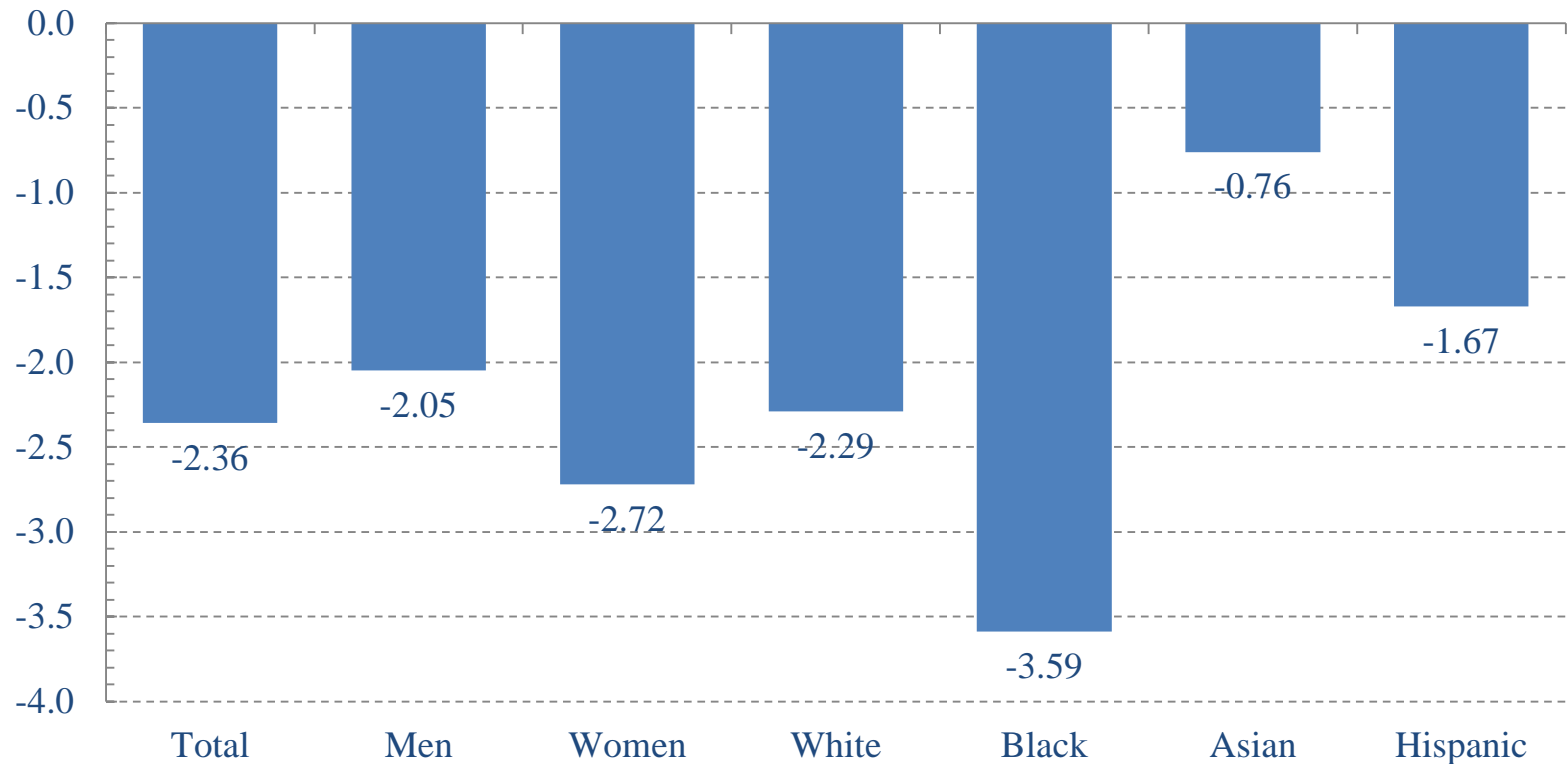
Percent of Labor Force – December 2020



Source: U.S. Department of Labor: Bureau of Labor Statistics and Haver Analytics

# Labor Force by Gender and Race

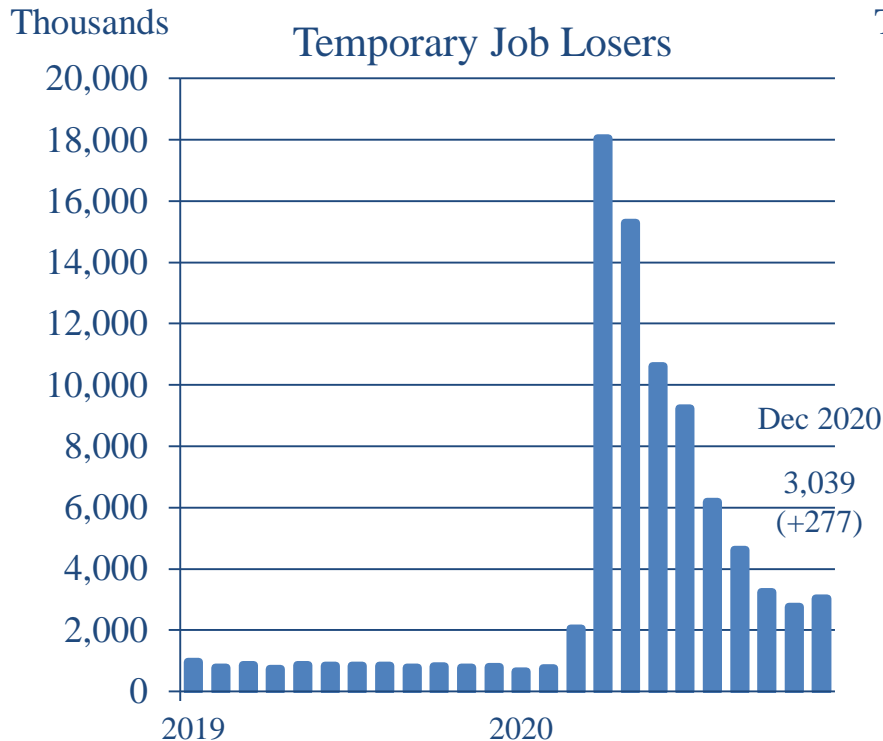
Percent Change January 2020 to December 2020



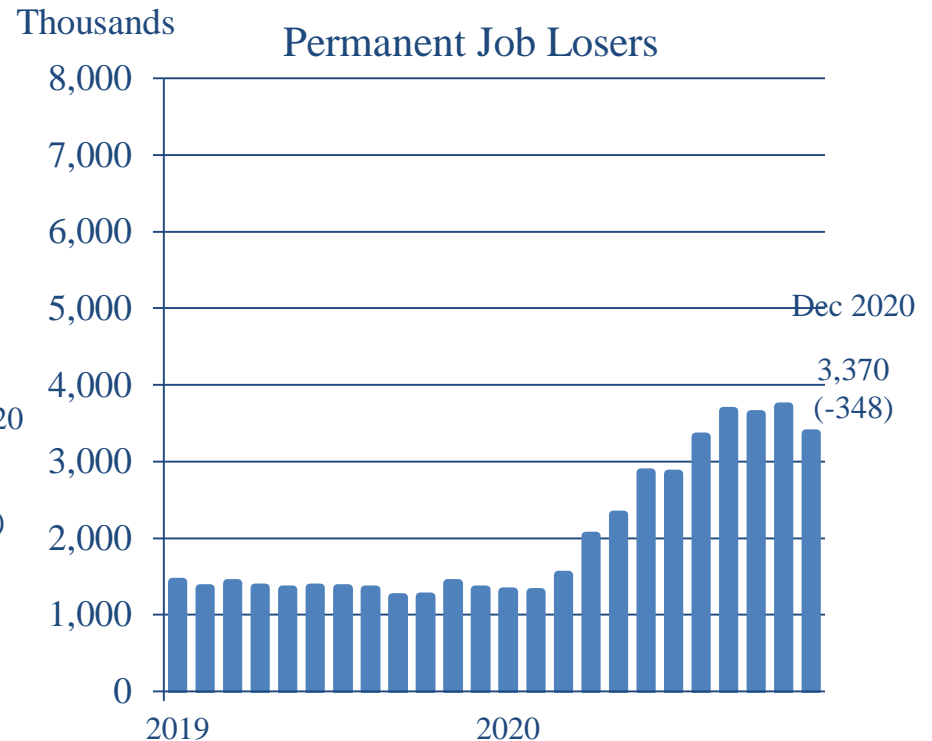
Source: Author's calculations using data from the U.S. Department of Labor: Bureau of Labor Statistics and Haver Analytics

# Job Losers

In Thousands of Workers



**Temporary Job losers (Current Population Survey)**  
 Unemployed persons expecting to return to work, or on temporary layoff.

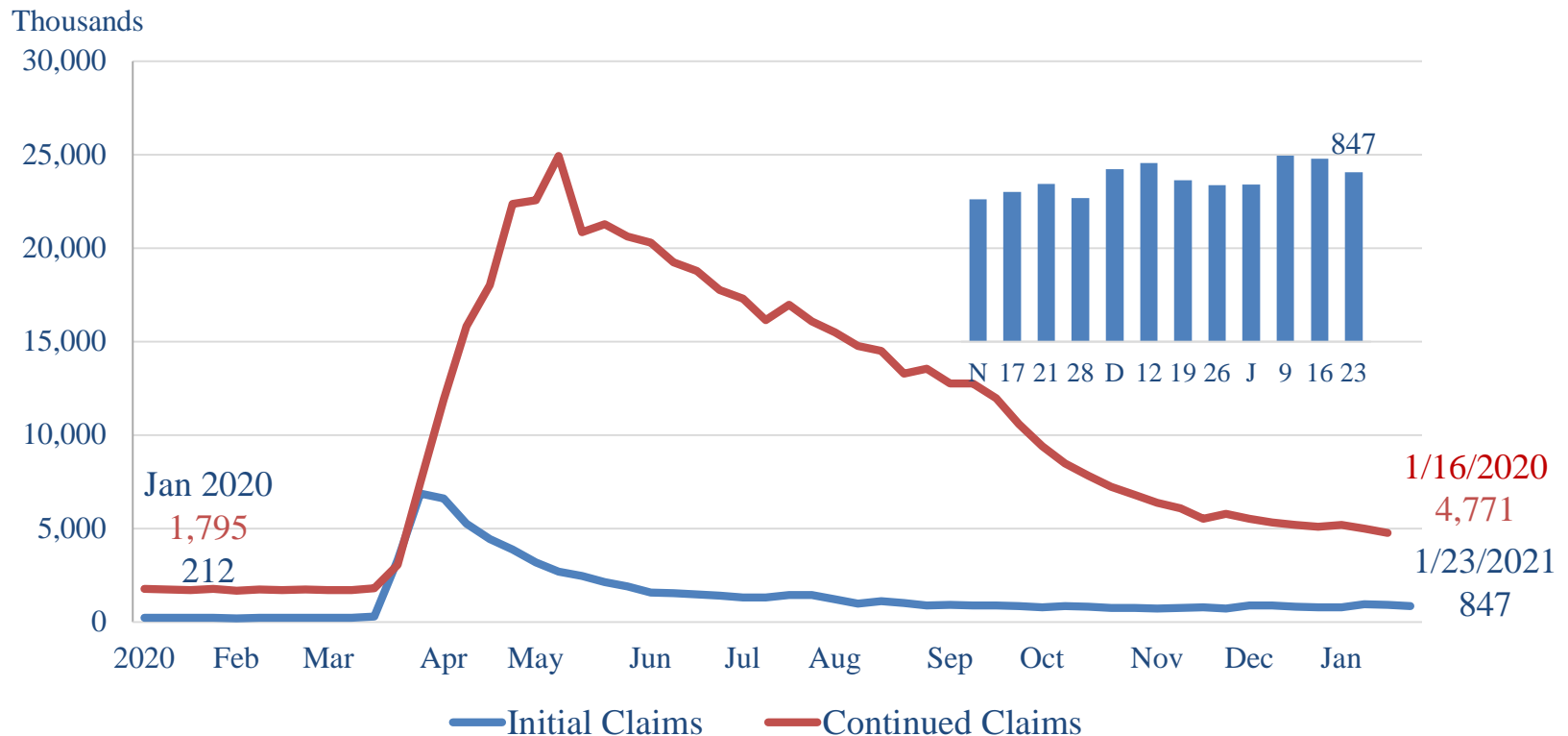


**Permanent job losers (Current Population Survey)**  
 Unemployed persons whose employment ended involuntarily and who began looking for work.

Source: U.S. Department of Labor: Bureau of Labor Statistics and Haver Analytics

# Initial Unemployment Claims

## Weekly Claims and Continued Claims, In Thousands



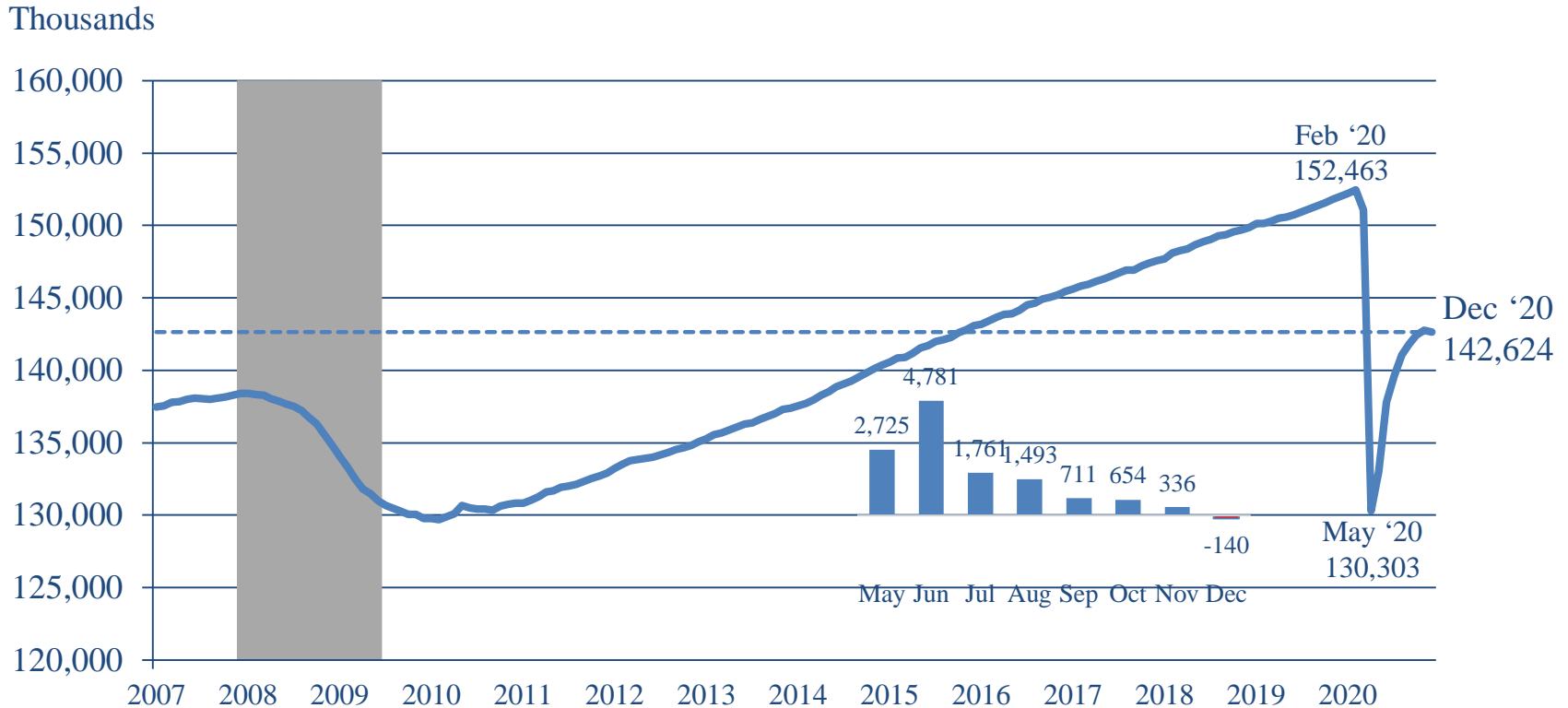
**Initial claimant:** A person who files any notice of unemployment to initiate a request either for a determination of entitlement to and eligibility for compensation, or for a subsequent period of unemployment within a benefit year or period of eligibility.

Source: U.S. Labor and Training Administration



# U.S. Nonfarm Payroll Jobs

In Thousands of Job

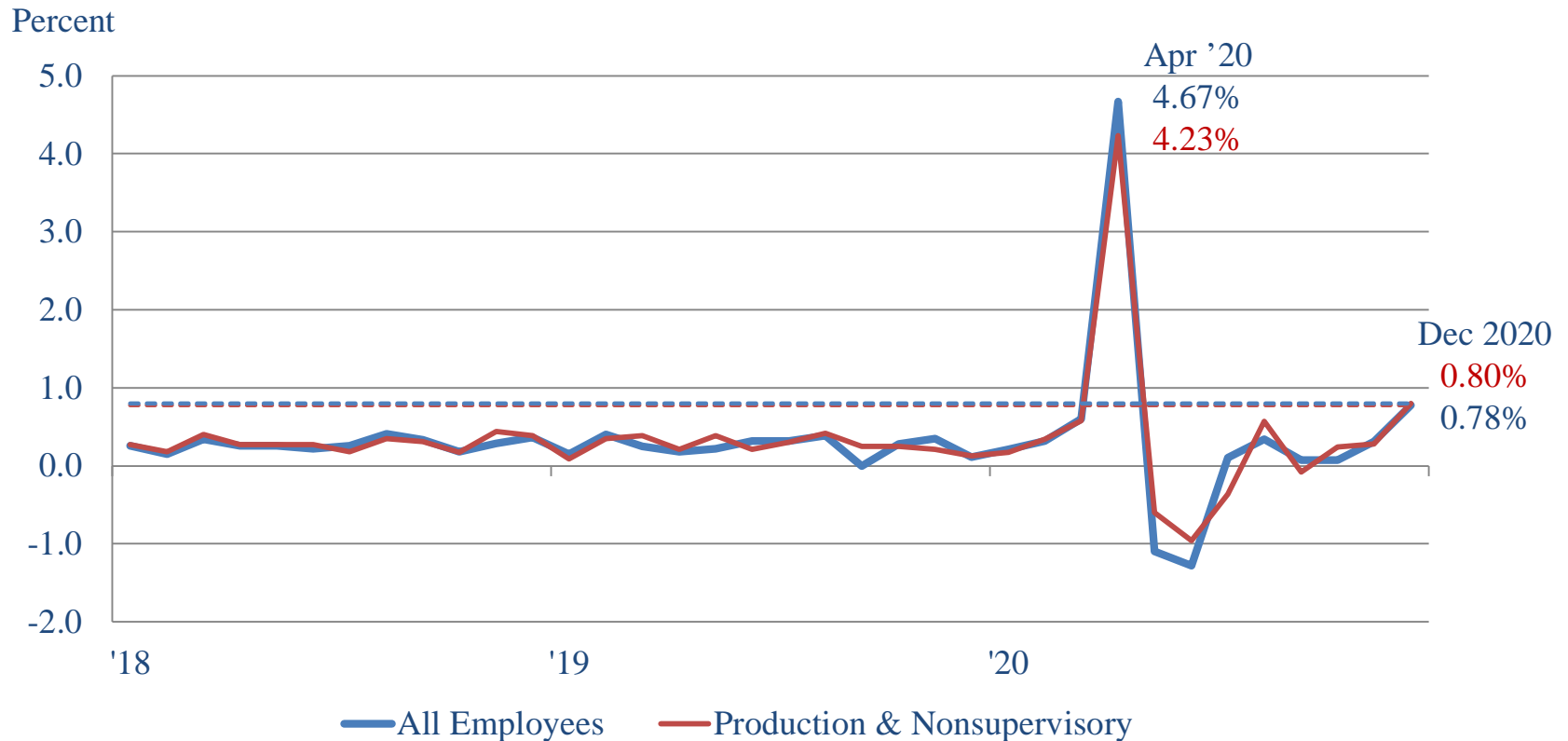


Note: Nonfarm employment declined 22.2 million from peak to trough and is still down 9.8 million jobs.

Source: U.S. Department of Labor: Bureau of Labor Statistics and Haver Analytics

# Average Hourly Earnings – Private Employees

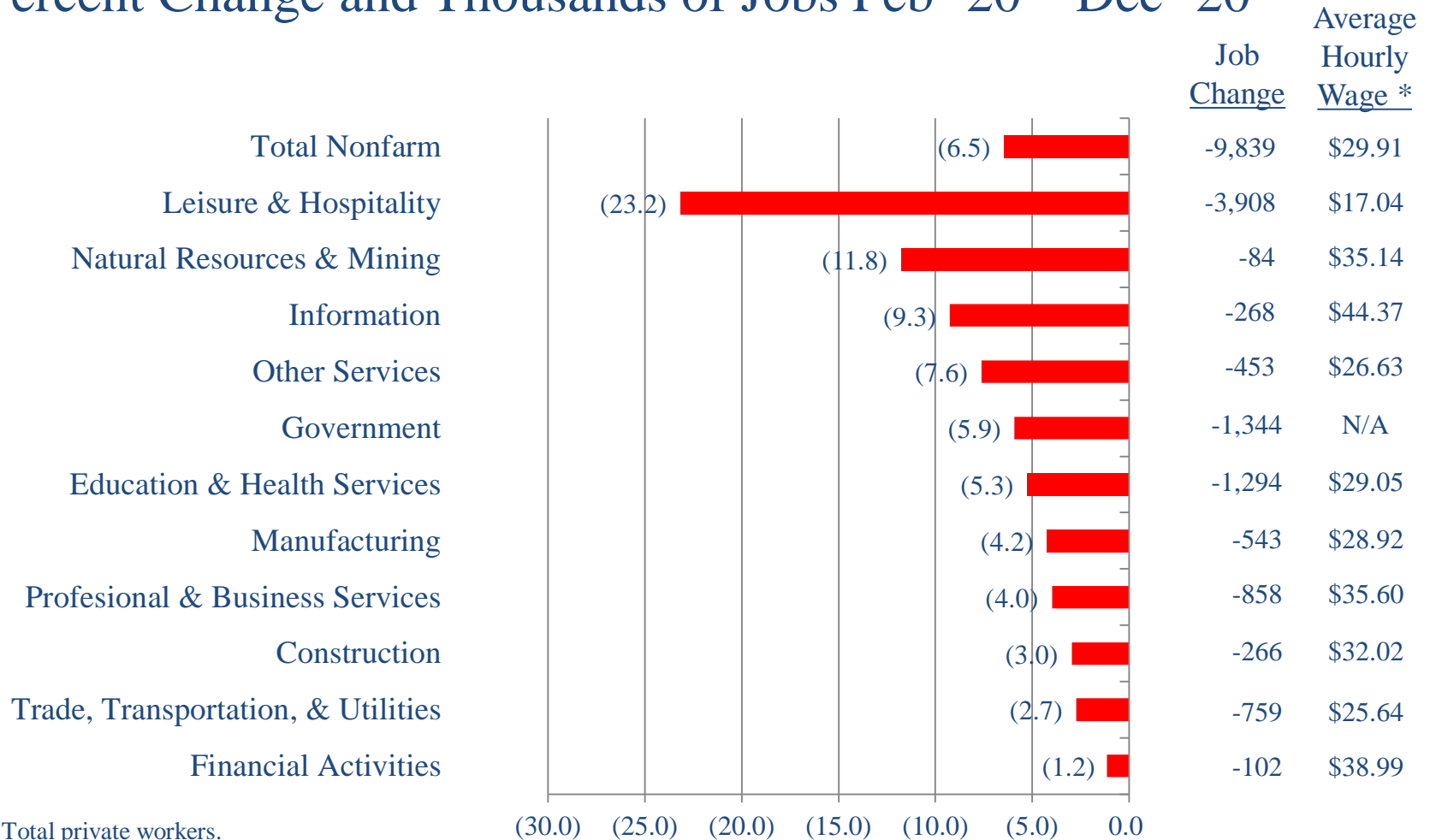
## Percent Change - Monthly



Source: U.S. Department of Labor: Bureau of Labor Statistics

# U.S. Nonfarm Payroll Employment by Sector

Percent Change and Thousands of Jobs Feb '20 – Dec '20

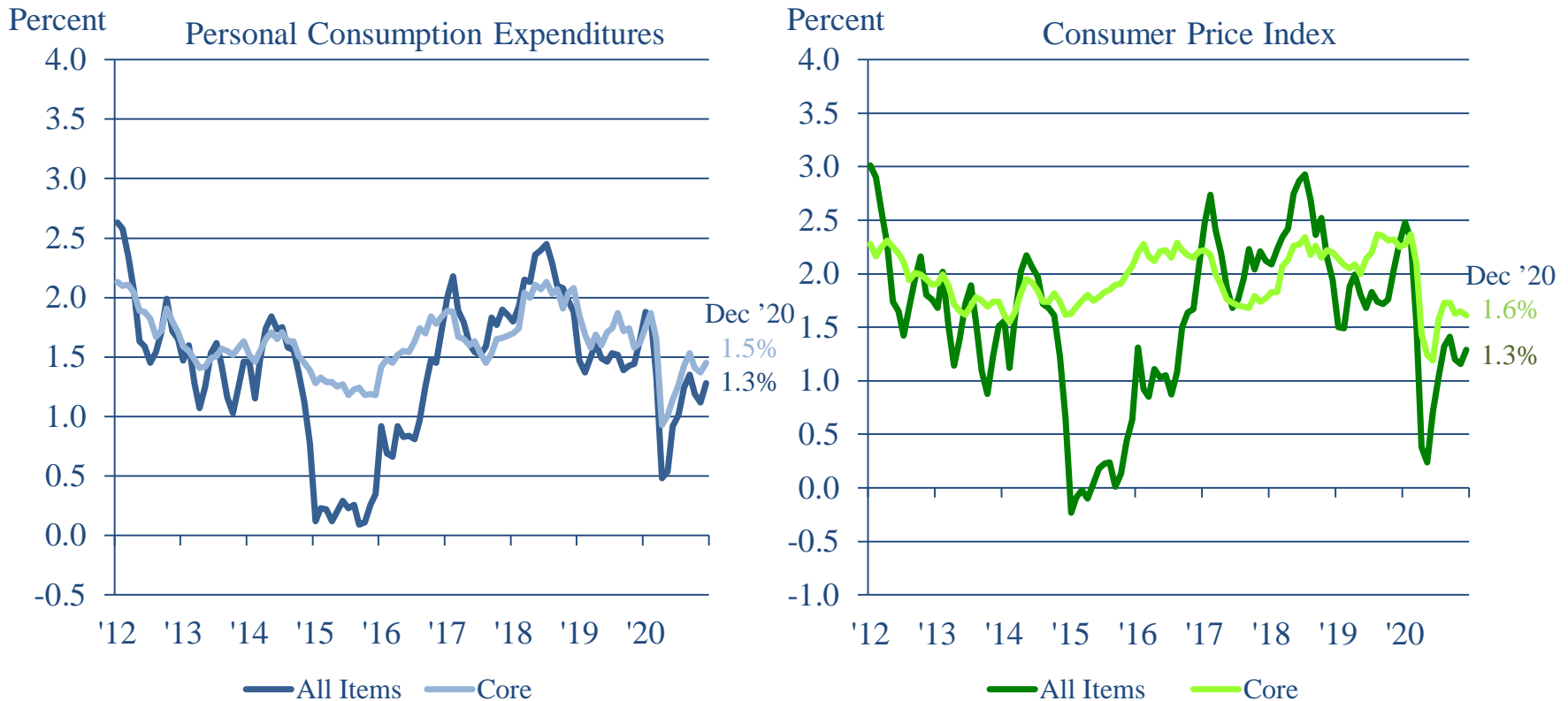


\* Total private workers.

Source: U.S. Department of Labor

# PCE & CPI Inflation

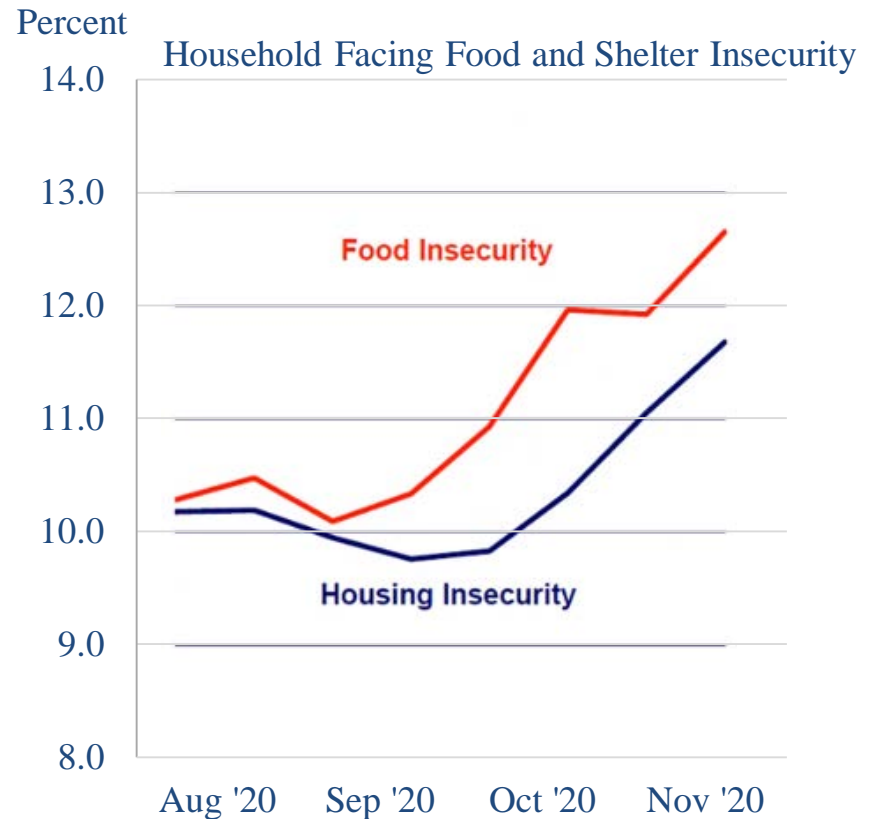
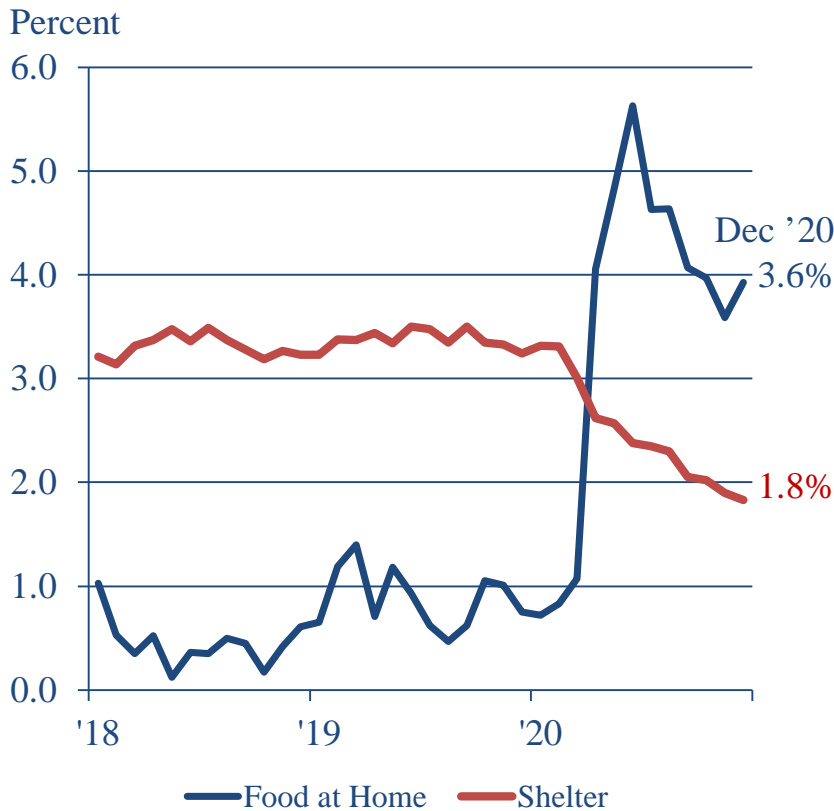
## All Items & Core, 12-Month Percent Change



Source: U.S. Department of Labor: Bureau of Labor Statistics, Bureau of Economic Analysis and the Federal Reserve

# Food and Housing Insecurity

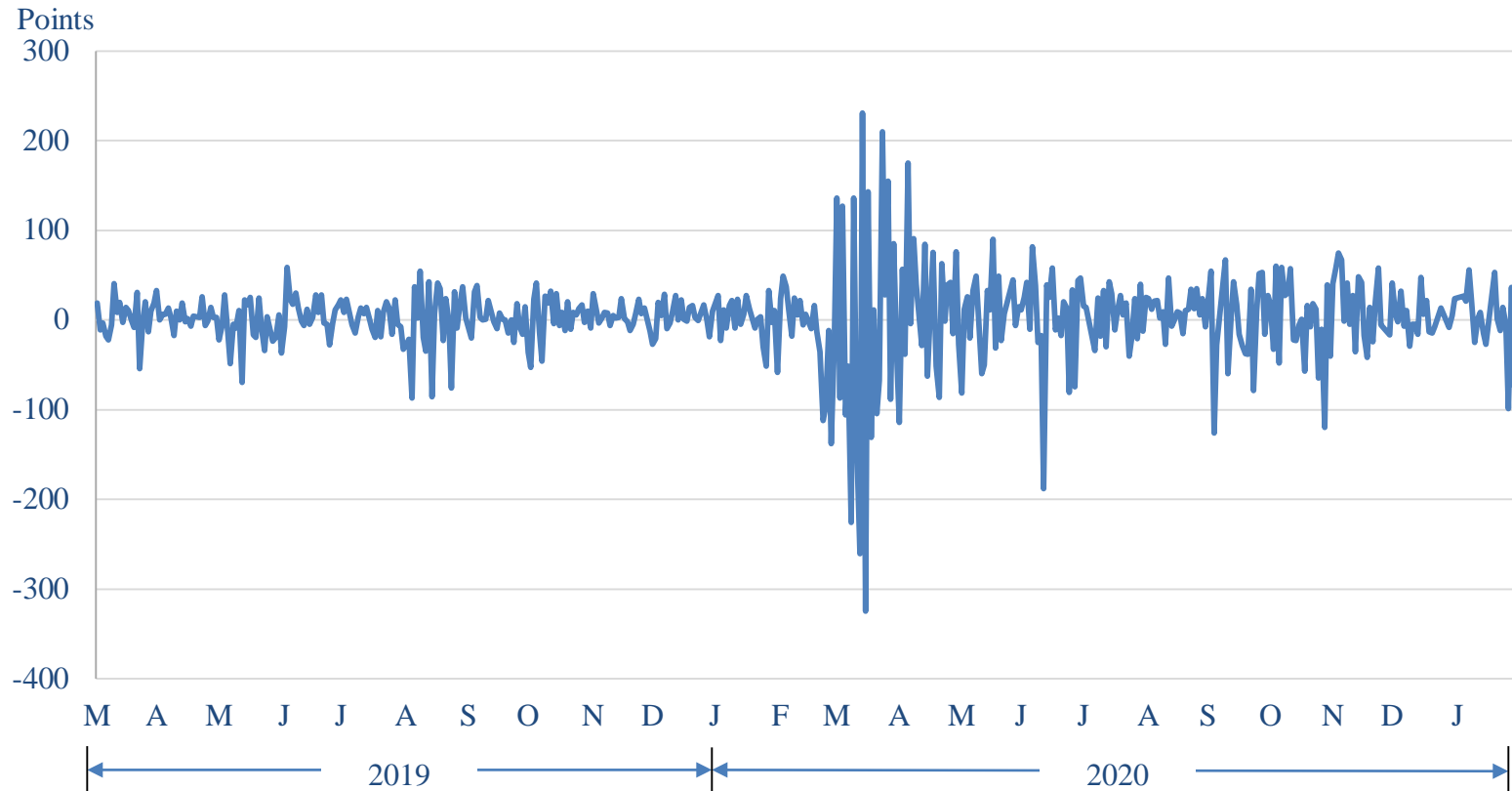
## CPI Food at home and Shelter , 12-Month Percent Change



Source: U.S. Department of Labor: Bureau of Labor Statistics , Bureau of Economic Analysis and the Federal Reserve, and the U.S. Census Bureau Household Pulse Survey.

# Stock Market Volatility

## S&P 500 Daily Change – Mar 1, 2019 to Jan 12, 2021



Source: Standard & Poor's and Haver Analytics

# Inflation Expectations

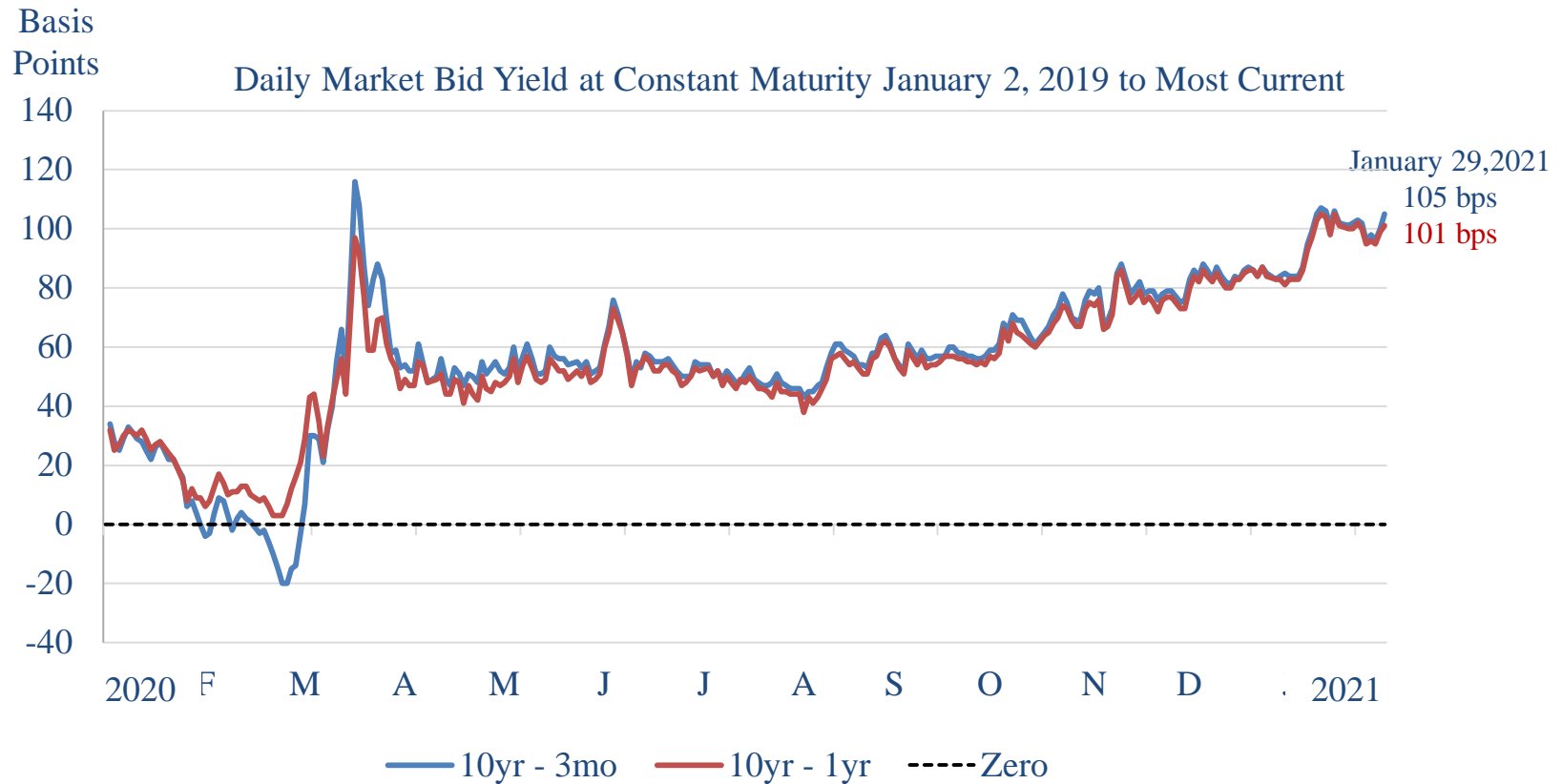
## TIPS - U.S. Inflation Compensation: Coupon Equivalent



Source: Survey of Consumers – University of Michigan and Federal Reserve Board

# Yield Curve

## 10 Year Minus 1 Yr. and 3 Mo. Treasuries in Basis Points



Source: Board of Governors – Federal Reserve System



# Economic Projections

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## Federal Reserve Board Members and Bank Presidents

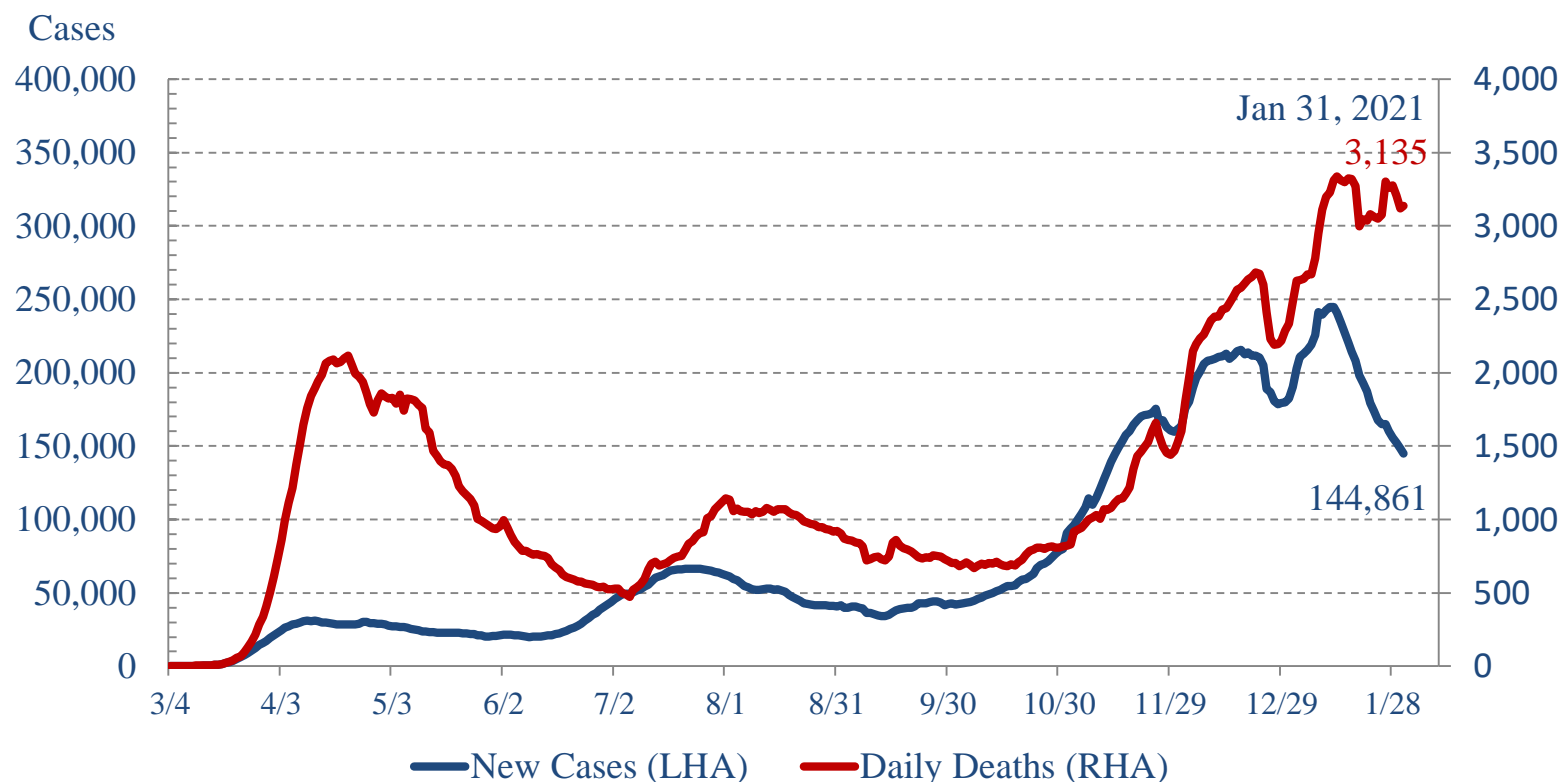
Variable	2020 Actual	2020 Forecast	2021	2022	2023	Longer run
Change in real GDP	-2.5%	-2.4%	4.2%	3.2%	2.4%	1.8%
Unemployment rate	6.8%	6.7%	5.0%	4.2%	3.7%	4.1%
PCE inflation	1.2%	1.2%	1.8%	1.9%	2.0%	2.0%
Core PCE inflation	1.4%	1.4%	1.8%	1.9%	2.0%	
Federal rate	0.1%	0.1%	0.1%	0.1%	0.1%	2.5%

Note: Projections for changes in real GDP and inflation are percent changes from the fourth quarter of previous year indicated. Projections for the unemployment rate are for the average of the fourth quarter of the year indicated. Projections are the median projection or the middle projection arranged from low to high. When the number of projections is even, the median is the average of the two middle projections. Projections are from the December 16, 2020 release.

Source: Board of Governors – Federal Reserve System

# U.S. Daily Covid-19 Cases and Deaths

## 7-Day Moving Average



Note: The Institute of Health Metrics' January 28, 2021 projection estimates that there will be over 507,264 Covid-19 related deaths in the U.S. by February 28, 2021 and 594,623 by May 1, 2021 with 973 Daily Deaths.

Source: The Covid Tracking Project and University of Washington IHME.



# Questions and Discussion

For more information please contact:



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Phone: 313.223.3650

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