

ECONOMIC CLUB OF CANADA'S 2018 ECONOMIC OUTLOOK

January 8, 2018

Featured Speakers:

- BC - Beata Caranci, Chief Economist & Senior Vice President, TD Bank Group
- DP - Douglas Porter, Chief Economist & Managing Director, BMO Financial Group
- AS - Avery Shenfeld, Chief Economist & Managing Director, CIBC Capital Markets
- CW - Craig Wright, Chief Economist & Senior Vice-President, RBC
- JF - Jean-François Perrault, Chief Economist & Senior Vice-President, Scotiabank

On January 8th, Wellington Consulting Group attended the Economic Club of Canada's 2018 Economic Outlook. Listening to the Big 5 Banks Chief Economists, we were able to gain perspective on the past year, and insight on what is to come in 2018.

Summary Notes

- 2017 was an incredible year for global economies with most of them outperforming forecasts (BC)
- 2018 looks to be more of the same with all 5 from the panel forecasting the most robust year in decades. (All)
- US GDP growth forecasts range between 2.2% to 2.6% (All)
- CDN GDP growth forecast range between 1.9% to 2.4% (All)
- Global GDP growth 3.5 to 4%, or even higher (JF)
- Growth was broad-based with most geographies and sectors participating. (JF)
- Interest rates in the U.S. forecast at 3 or 4 hikes for 75 to 100 basis point jump (All)
- Interest rates in Canada forecast at 2 or 3 hikes for 50 to 75 basis point jump (All)
- U.S. unemployment will stay around 4% (CW)
- CDN Unemployment will hover around or just under 6% (DP)
- Both U.S. and CDN are at full employment
- U.S. equity markets up 7% in 2018 (AS)
- Oil will drop to \$55 a barrel (AS)
- Canadian dollar will drop 5% because of NAFTA, Capital flowing to the U.S. and lower oil prices (AS)
- Volatility in GDP and Markets is very low (BC)
- Capacity is tightening (BC)

Note: We received Canada's December employment figures (79,000 jobs added in December and unemployment dropped to 5.7%) while the presentations were happening.

Major Risk

- NAFTA - However, even the works case scenarios by all major banks and the IMF do not show that CDN would go into a recession. The worst-case scenarios are between ½% and 1% impact on Canadian GDP. (BC)
- North Korea - This is not built into anyone's models.
- In Canada, our federal & provincial government's policies (Increase personal taxes, Small business tax changes, Carbon tax, minimum wage increases etc) are taking our economy in the wrong direction vis-a-vie the US. (CW)
- Economies are at capacity with excess demand creating pressure on wages. Broad based growth may not be sustainable past 2018 (CW & AS)
- Fiscal Stimulus in the U.S. - The level of complexity in the U.S. fiscal stimulus models and the assumptions that have been made because of the current environment (tax cuts, NAFTA, GDP growth, available corporate cash, etc.) are unprecedented. This is a concern to many economists. (BC)

Disclaimer: These are my notes taken during the event. I have not reviewed any comments or forecasts for accuracy. For verification of this information please visit the banks websites and review their individual economic forecasts.

ABOUT WELLINGTON

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