

HEADWINDS FOR CANADA, TAILWINDS FOR US

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Global Outlook



Tailwinds for US in 2013

US Grows 2.3%...
With Upside Potential

Canada Grows 1.8%

Risks:

- US Fiscal Cliff
- European Debt Crisis
- Canadian Household Debt
- Oil Patch Slowdown
- China Hard Landing

Global Growth Stronger Next Year

(ann % chng)	10	11	12	13	14
Global GDP	5.1	3.8	3.0	3.5	3.8

Modest Economic Growth Ahead

(q/q % chng : ar)

Real GDP



"2% is the New 3%"

Obama Wins Big!



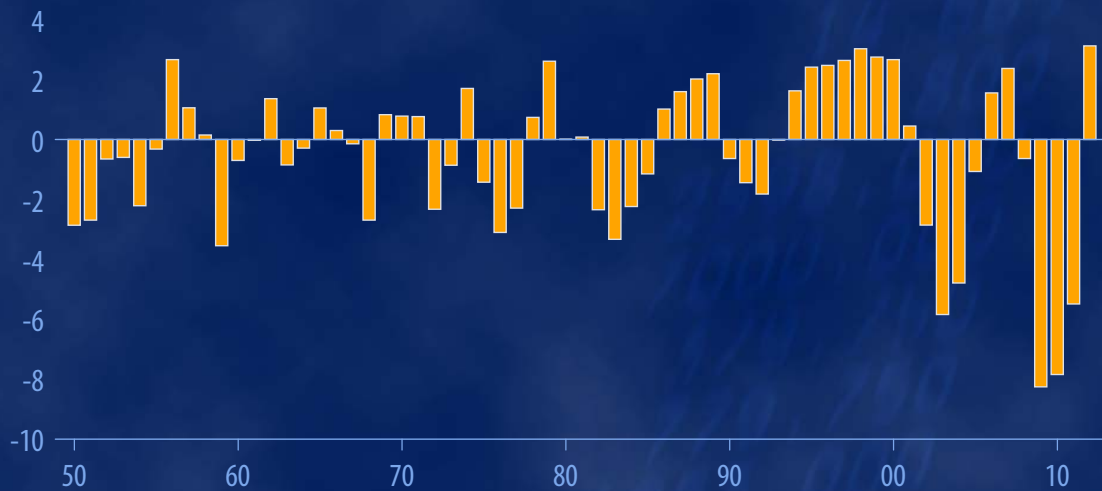
Grand Fiscal Deal

Coming
FINALLY!

Fiscal Tightening

United States (% of GDP)

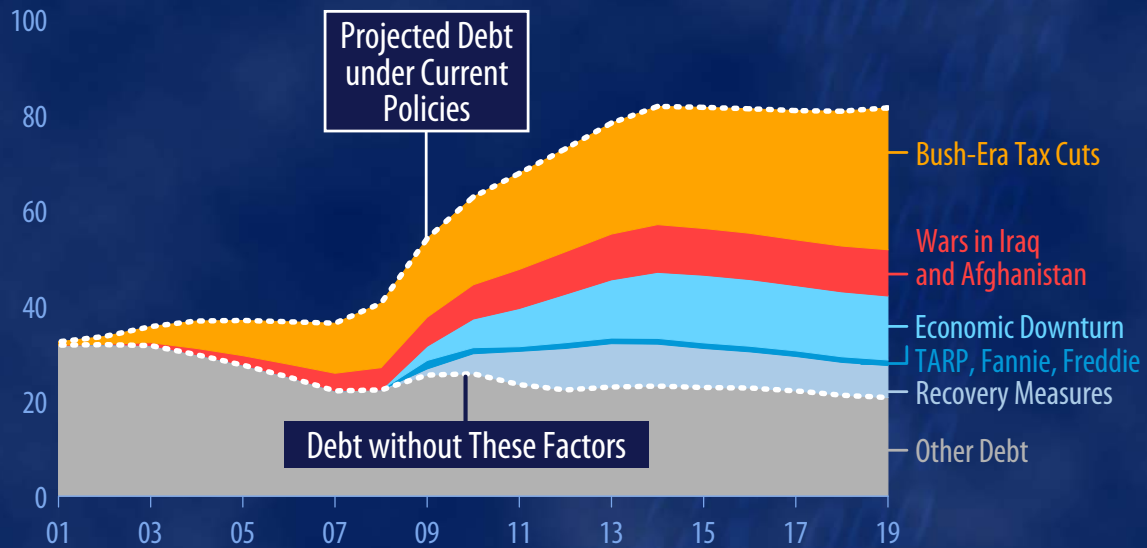
3-Year Change in Federal Budget Balance



Source: OMB

Why Did US Debt Ratio Rise?

Public Debt – United States (% of GDP)

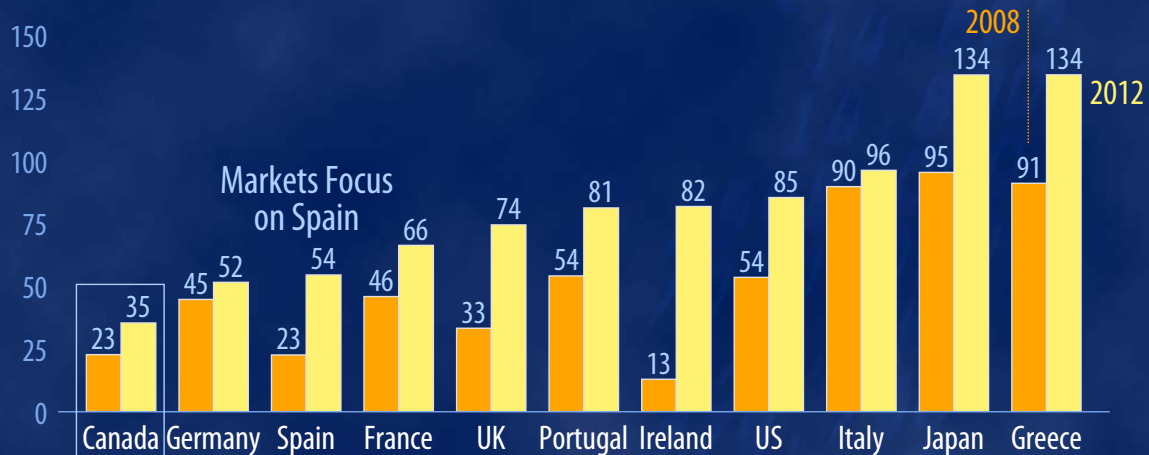


Source: CBPP analysis on Congressional Budget Office Estimates

Government Debt Concerns

(% of GDP)

Net Government Debt [2008, 2012]

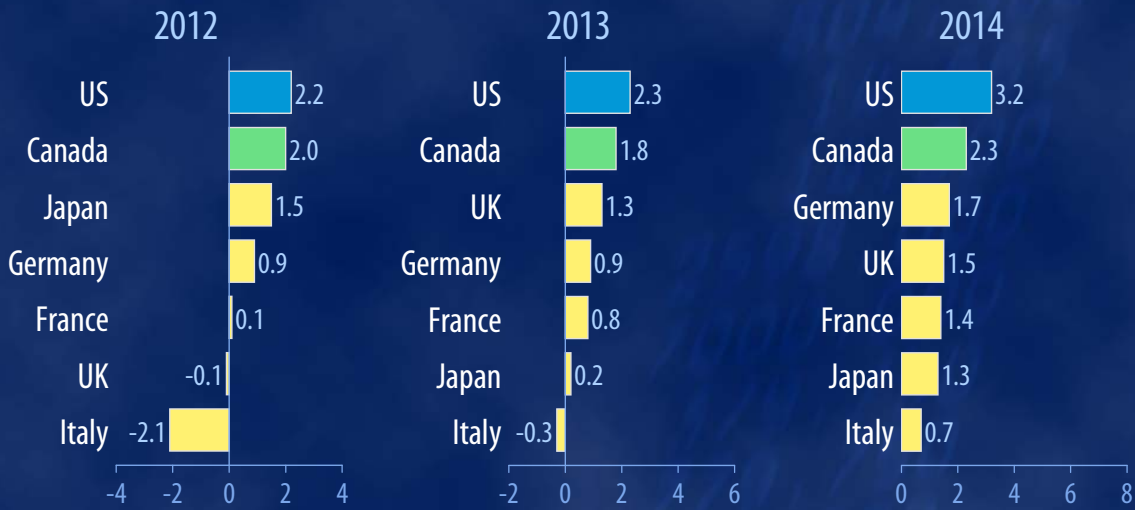


US "Fiscal Cliff", Major US Budget Deal in 2013

Source: OECD Economic Outlook, May 2012

North America Outperforms

Real GDP – G7 (y/y % chng)



Fiscal Austerity Weighs on Europe, 2013 Recovery

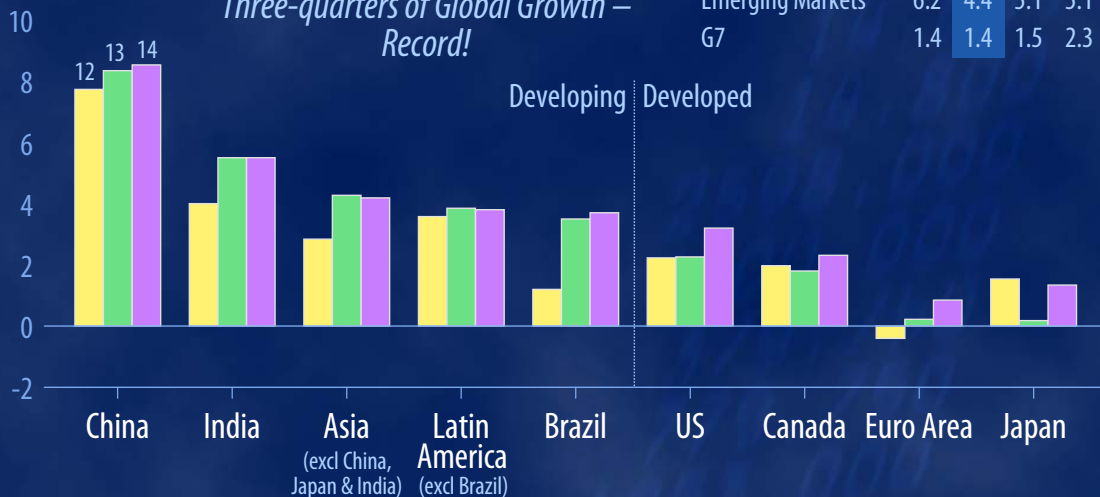
Source: [2012-14] BMO Capital Markets forecasts

Emerging Economies Continue to Lead ...But Clearly Slowing

(ann % chng)

Real GDP

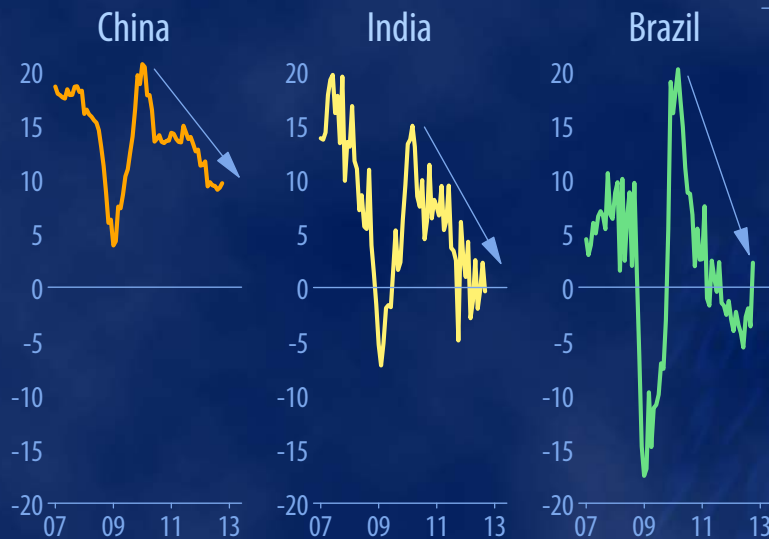
Emerging Markets Account for Three-quarters of Global Growth – Record!



Ranked by 2013 Source: [2012-14] BMO Capital Markets forecasts

Emerging Economies' Manufacturing Activity Cools

Industrial Production (y/y % chng)



Real GDP	11	12	13	14
China	9.3	7.7	8.3	8.5
India	6.5	4.0	5.5	5.5
Brazil	2.7	1.2	3.5	3.7

China Cuts Rates, Following India and Brazil

Easing Monetary and Fiscal Policy

Oil and Loonie Still Mix

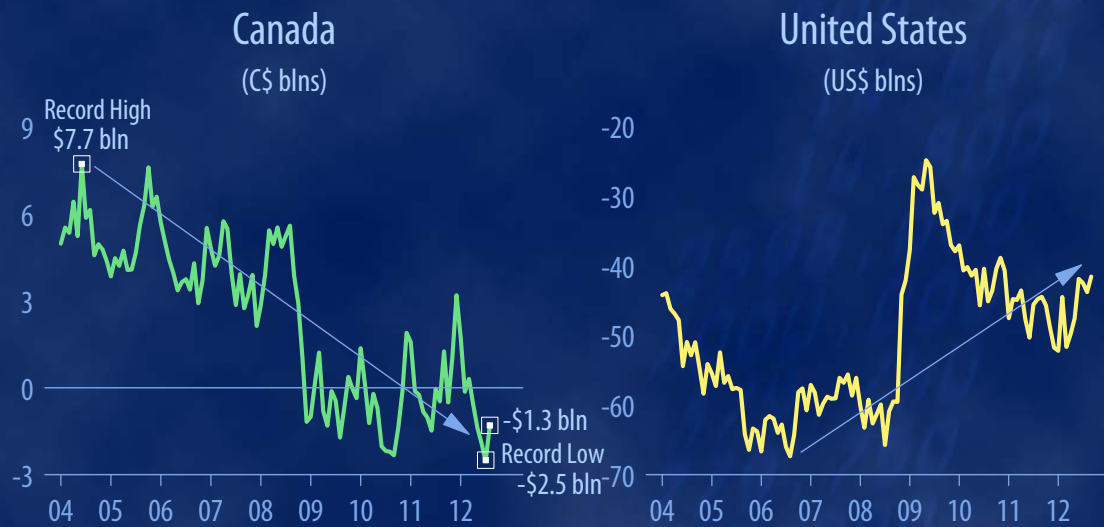
(as of December 4, 2012)



WTI Crude Oil = (US\$/bbl) Canadian Dollar = (US¢/C\$)

Trade Balances: Diverging Paths

Trade Balance



US Trade Deficit Improving

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Canadian Consumers Tighten Belts



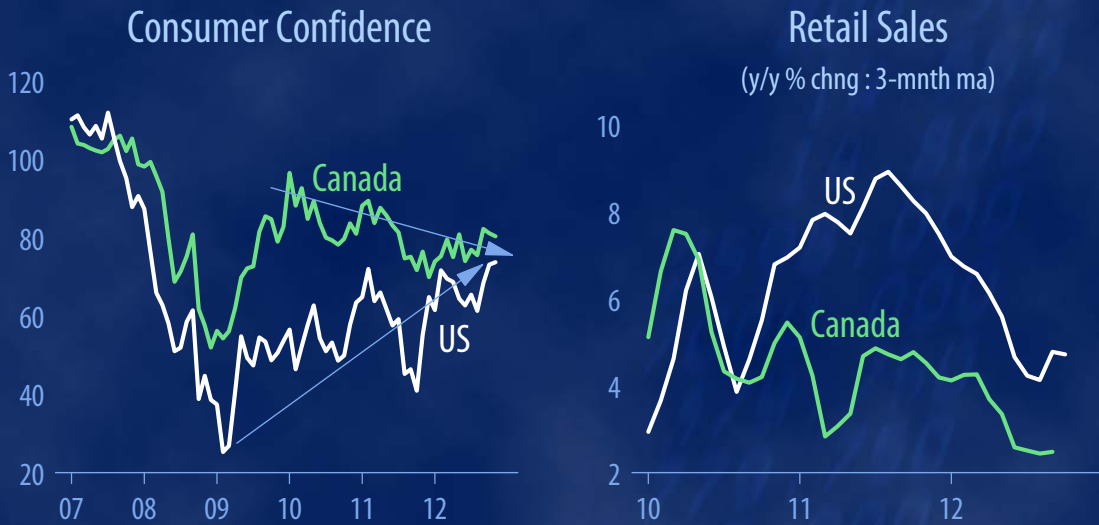
Canadian:
Deleveraging
Housing Cools

US Pent-up Demand... Not in Canada

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Consumer Confidence

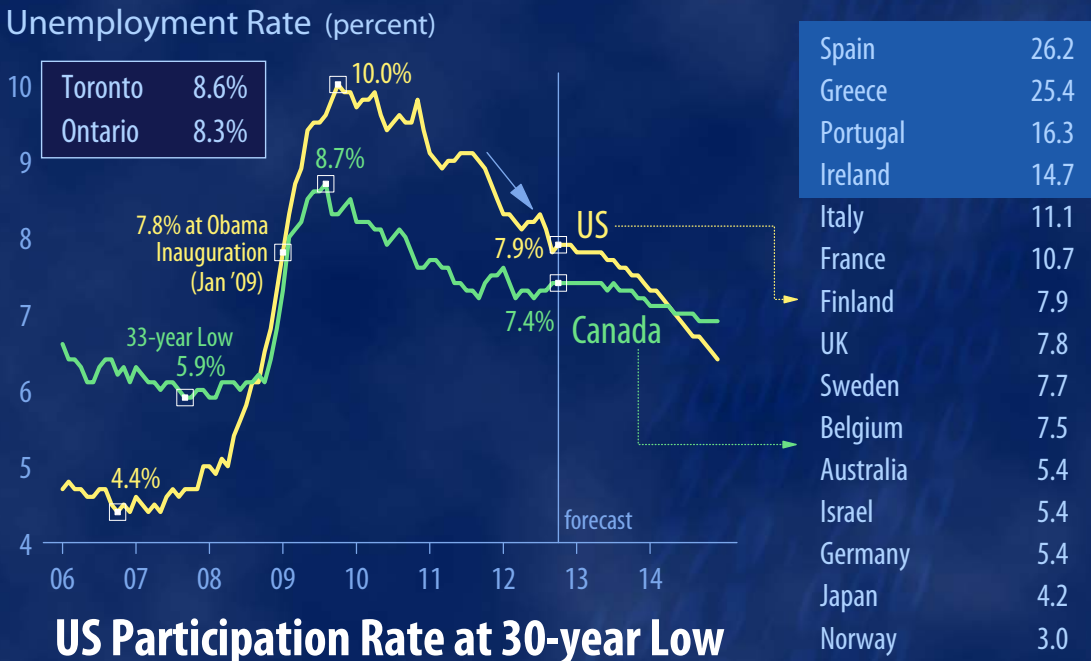


Spending Growth Slows

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Jobless Rates: Record Gap Narrows

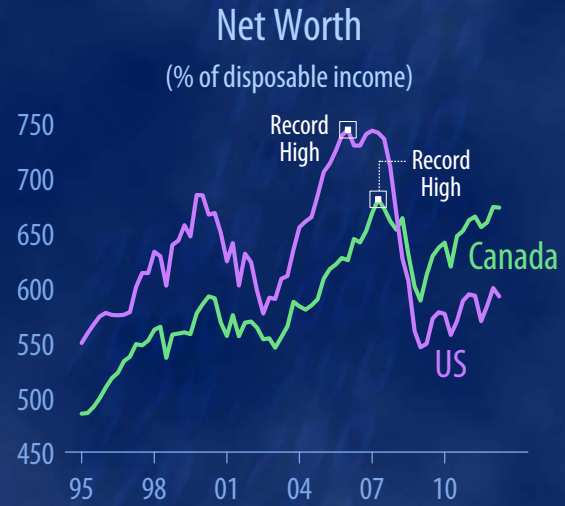
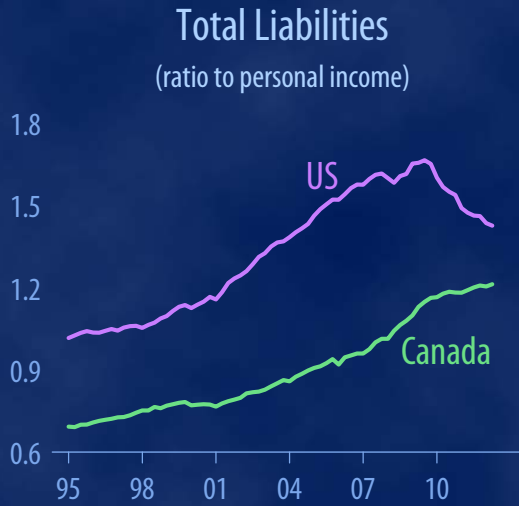


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US Household Balance Sheets Improve

Households

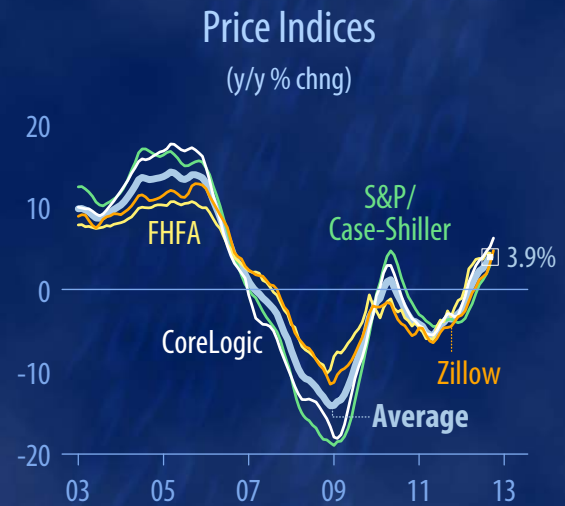


Thanks to Deleveraging, Stock Market Rally and Housing Recovery

Households include nonprofit organizations and unincorporated businesses

US Housing Improves

Homes – United States



Best Affordability in At Least 41 Years

Inventories = (nsa) include new and existing homes available for sale, and homes in foreclosure

Canadian Housing Momentum Fades

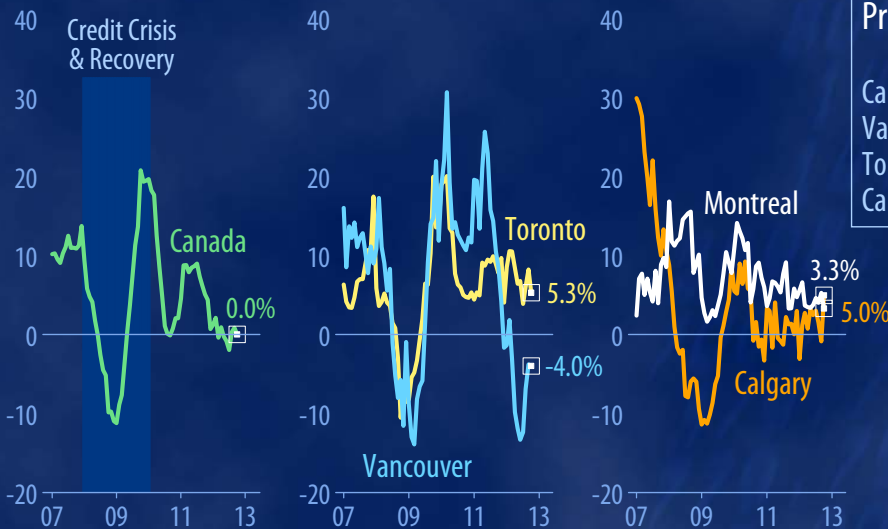


US Turning the Corner

House Prices = Canada: Teranet Composite 11 US: FHFA House Price Index

Canadian Prices Cooling

Average House Price – Canada (y/y % chng)



Toronto: Detached Homes Outperform Condos

Financial Markets



Interest Rates: Low for Long
Loonie Stays Strong
Canadian Stocks Underperform

Mark Carney Leaving BoC

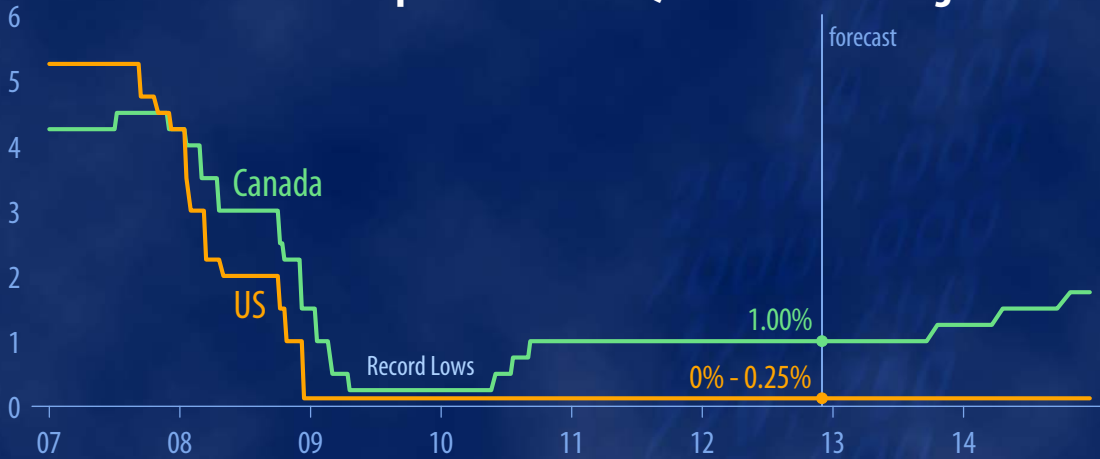


**No Change
in
BoC Policy**

BoC On Hold

(% : as of December 4, 2012)

Overnight Rate



Fed Commits to Low Rates Until Mid-2015

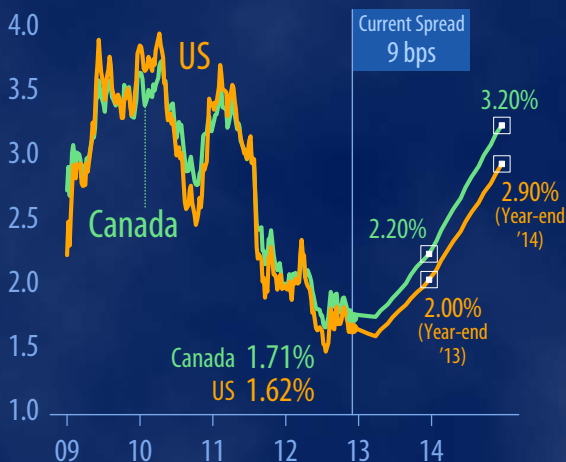
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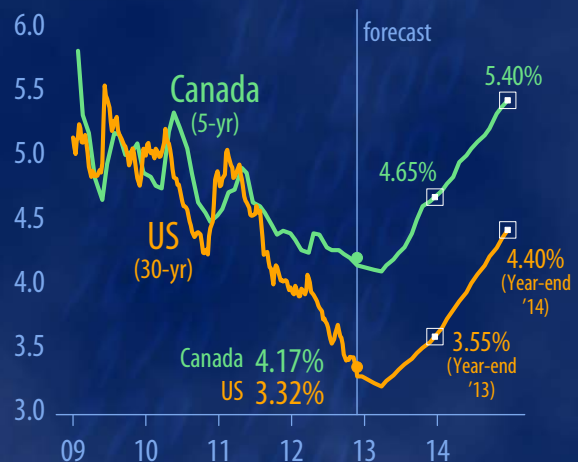
Long Yields Extremely Low

(% : as of December 4, 2012)

10-year Bonds



Fixed Mortgage Rate



Flight to Safety

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US Outperforms

(as of December 4, 2012)



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Canadian Economy: Challenges & Opportunities

Challenges:

- Global Government Debt
- Strong C\$
- High Household Debt
- Weak Productivity
- Declining US Energy Imports

Opportunities:

- Emerging Economy Demand
- Foreign Investment Inflows
- Canadian Banks Strong
- Fiscal Position Strong

Output Gap Closing

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