

# State of the Great Lakes Economy

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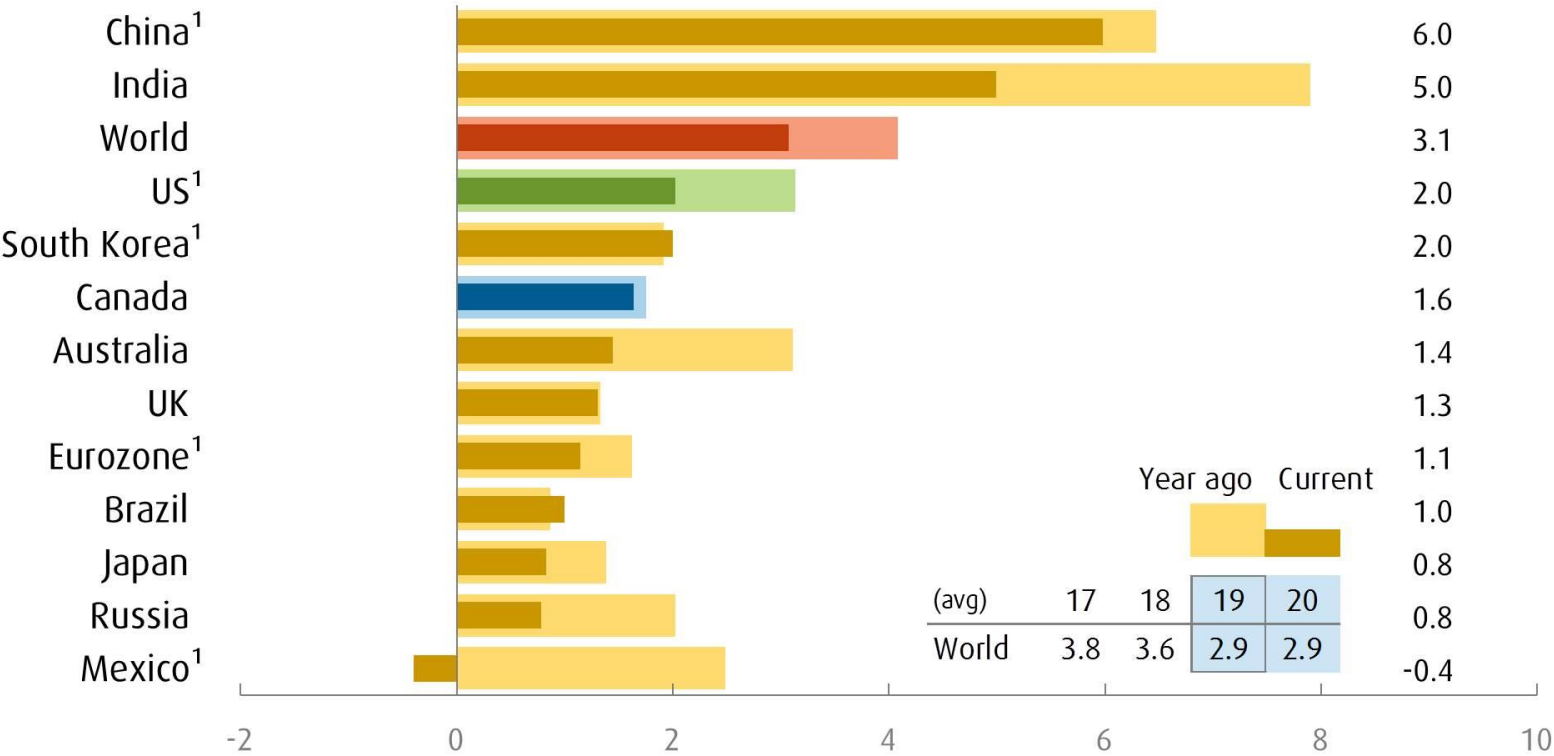
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# Global growth: Fading

2019:Q2 (y/y % chng)



## Real GDP



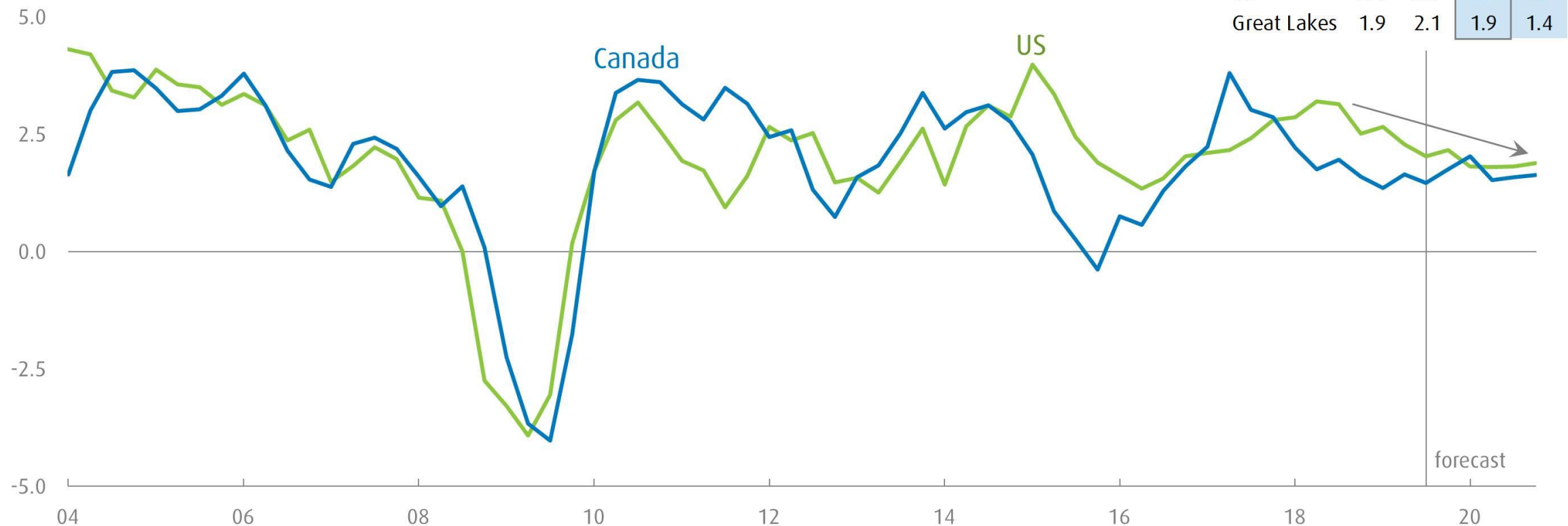
## Trade war weighs

Sorted by current • World GDP based on 74 of 75 countries that regularly report GDP growth, weighted by GDP shares (converted via IMF's PPP estimates) • <sup>1</sup> 2019:Q3

# North American growth: Slowing below potential

(y/y % chng)

Real GDP



US fiscal stimulus dwindling, trade war cost mounting

Canada: [2019:Q3] BMO Economics estimate

# Recession obsession: How close are we?

## United States



### Old age?

Longest. Expansion. Ever.

### Labour market?

Late-cycle capacity constraints

### Inflation pressure?

Missing in action

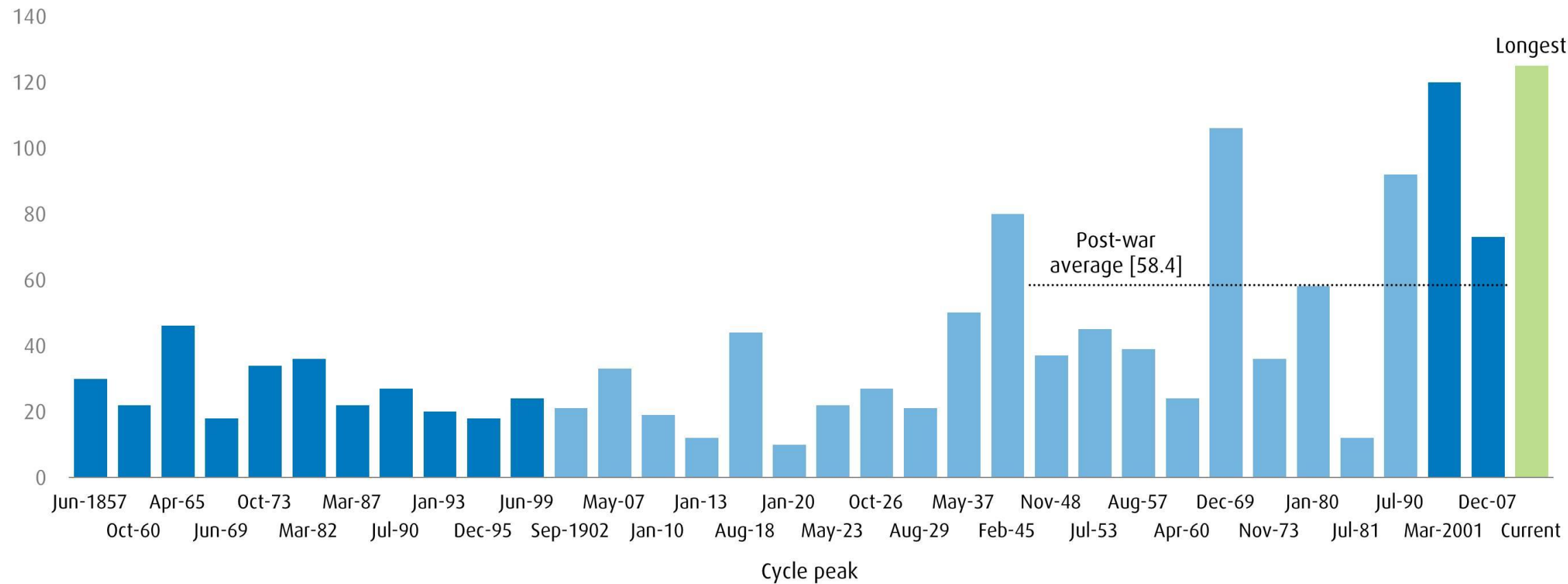
### Yield curve?

Inversion warning still premature

# Record US expansion

United States (months)

Duration of economic expansion

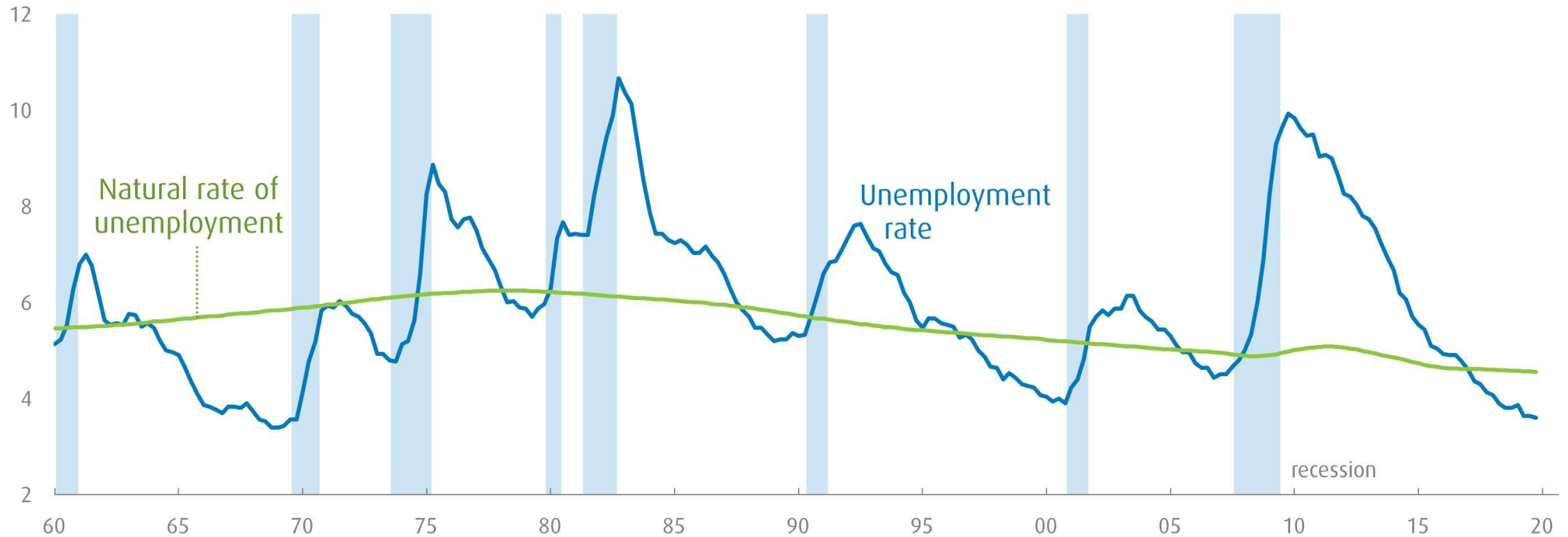




# Labour market: Late-cycle dynamics

United States (percent)

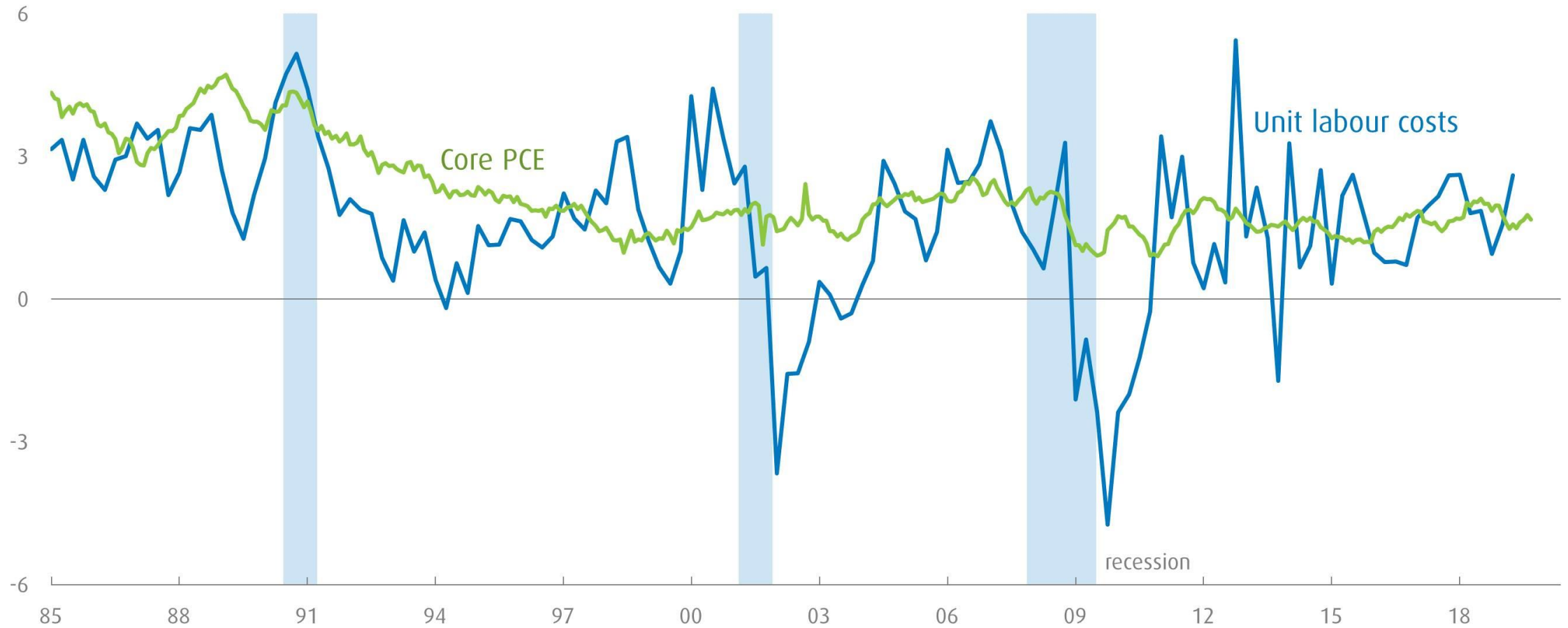
Unemployment



Capacity constraints should drive inflation

# Missing: Late-cycle inflation pressure

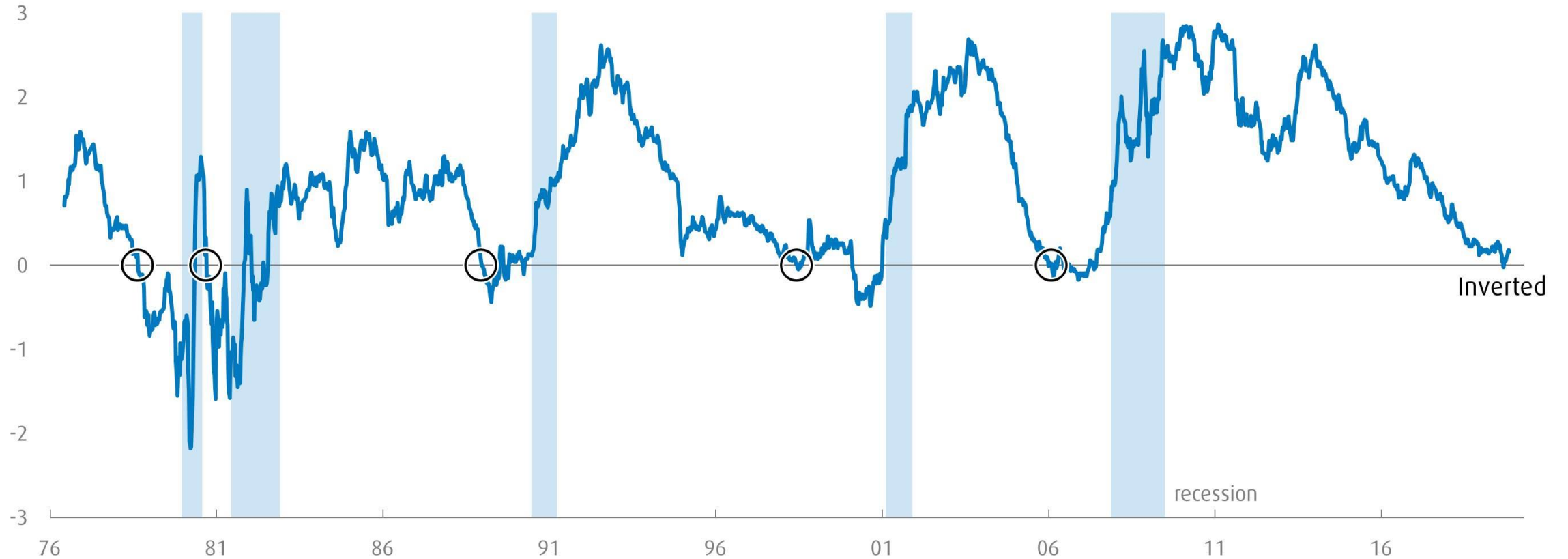
United States (y/y % chng)



# Eye on the yield curve

United States (ppts : as of November 1, 2019 : weekly data)

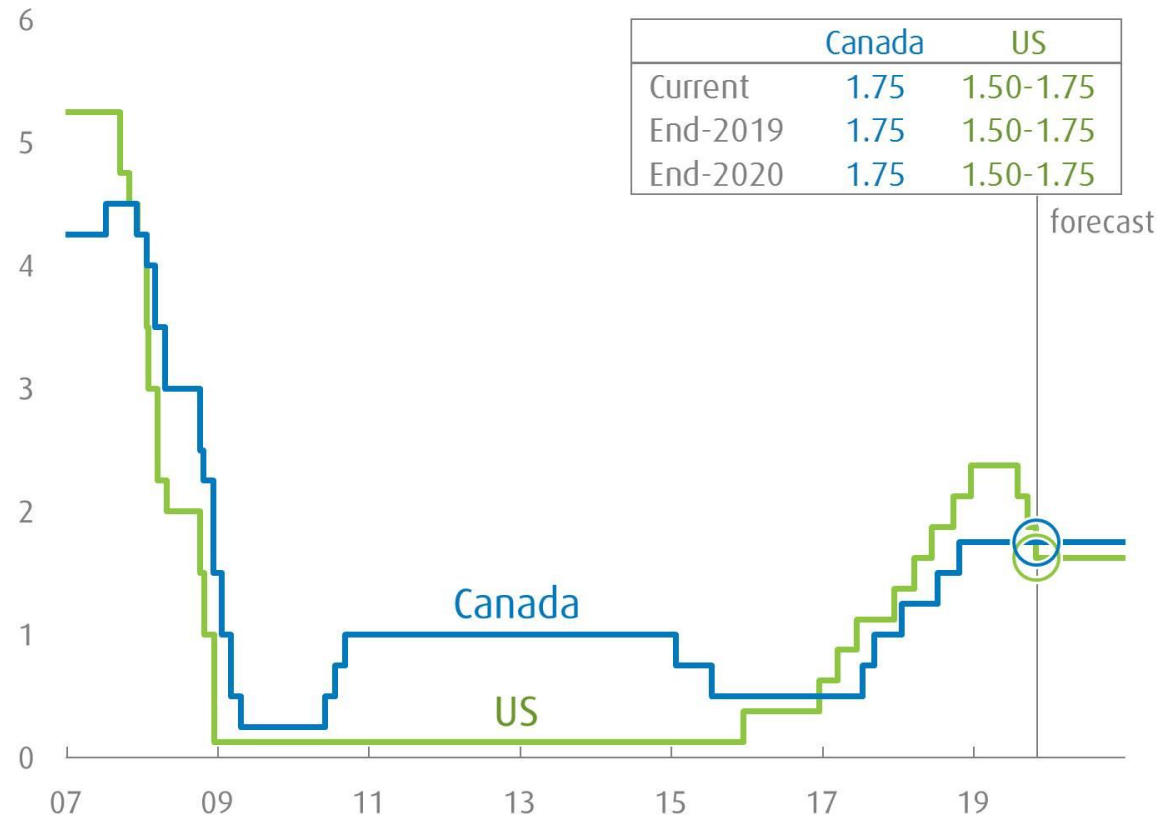
Treasury yield spread – 10-year less 2-year





# Monetary policy: Central banks to the rescue

Overnight rate (% : as of November 1, 2019)



Fed:

Three rate cuts

Mid-cycle easing that extends the cycle

BoC:

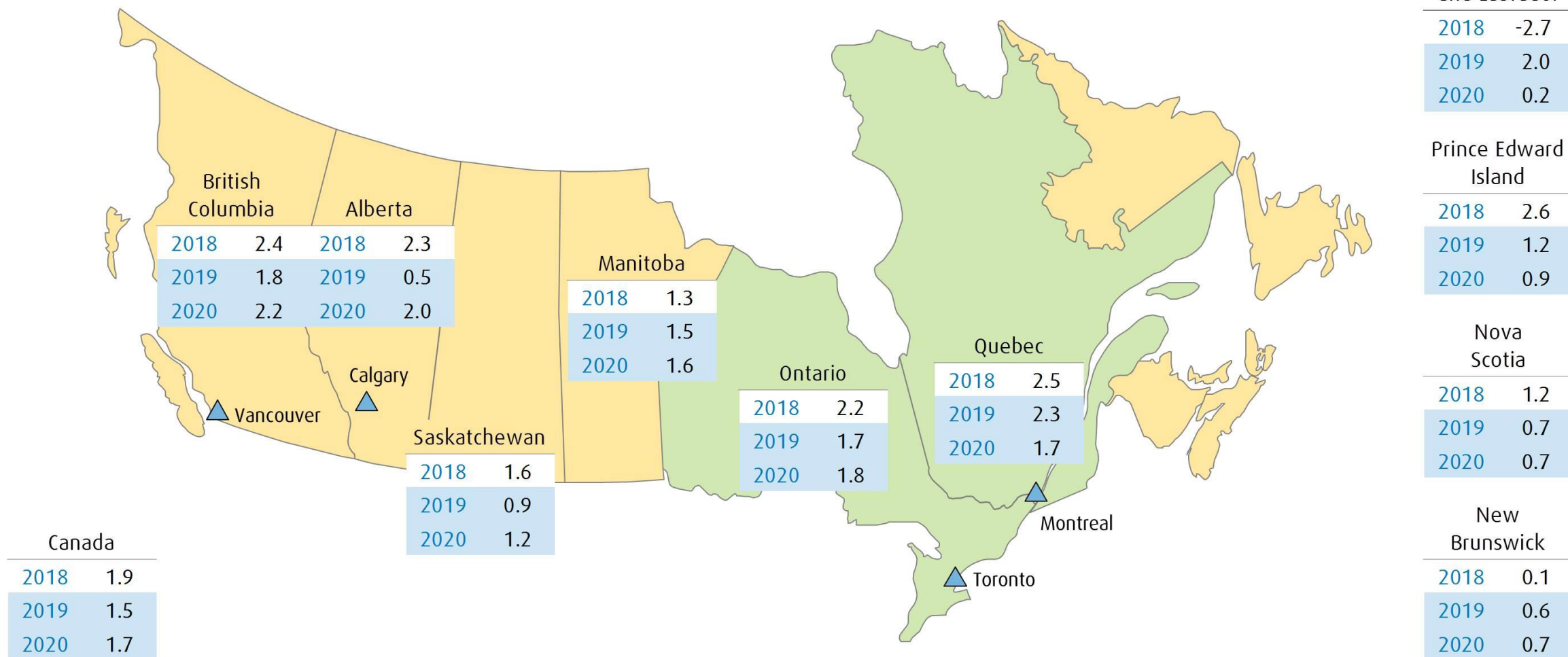
Rate cut unlikely

Why not? Lower starting point, firmer inflation and housing acceleration

**Low long-term interest rates persist**

# Canada: Strength has shifted

Real GDP – Canada (avg ann % chng)



# Great Lakes outlook

## Great Lakes-St Lawrence Region



### Strengths:

Strong and diverse labour market

Tight trade linkages

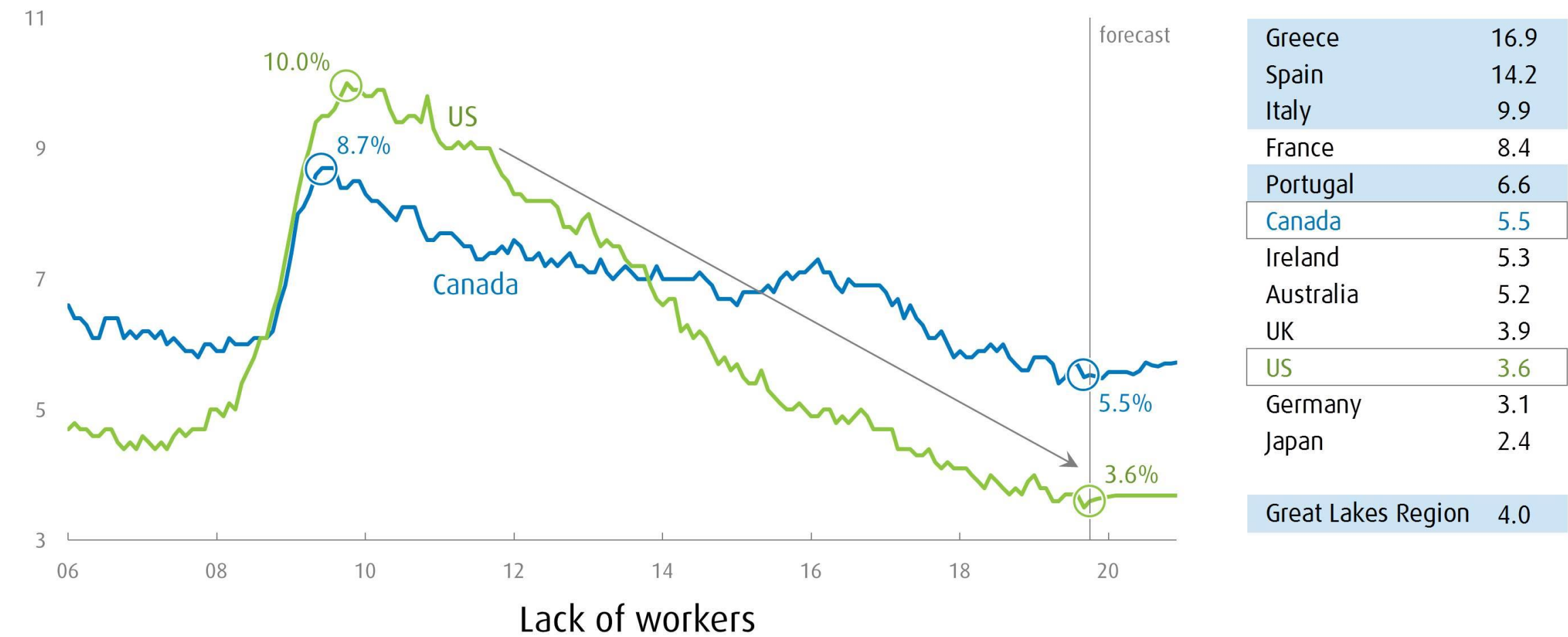
### Challenges:

Demographic drain on the US side

Trade war hurts business confidence and investment

# Jobless rates at multi-decade lows

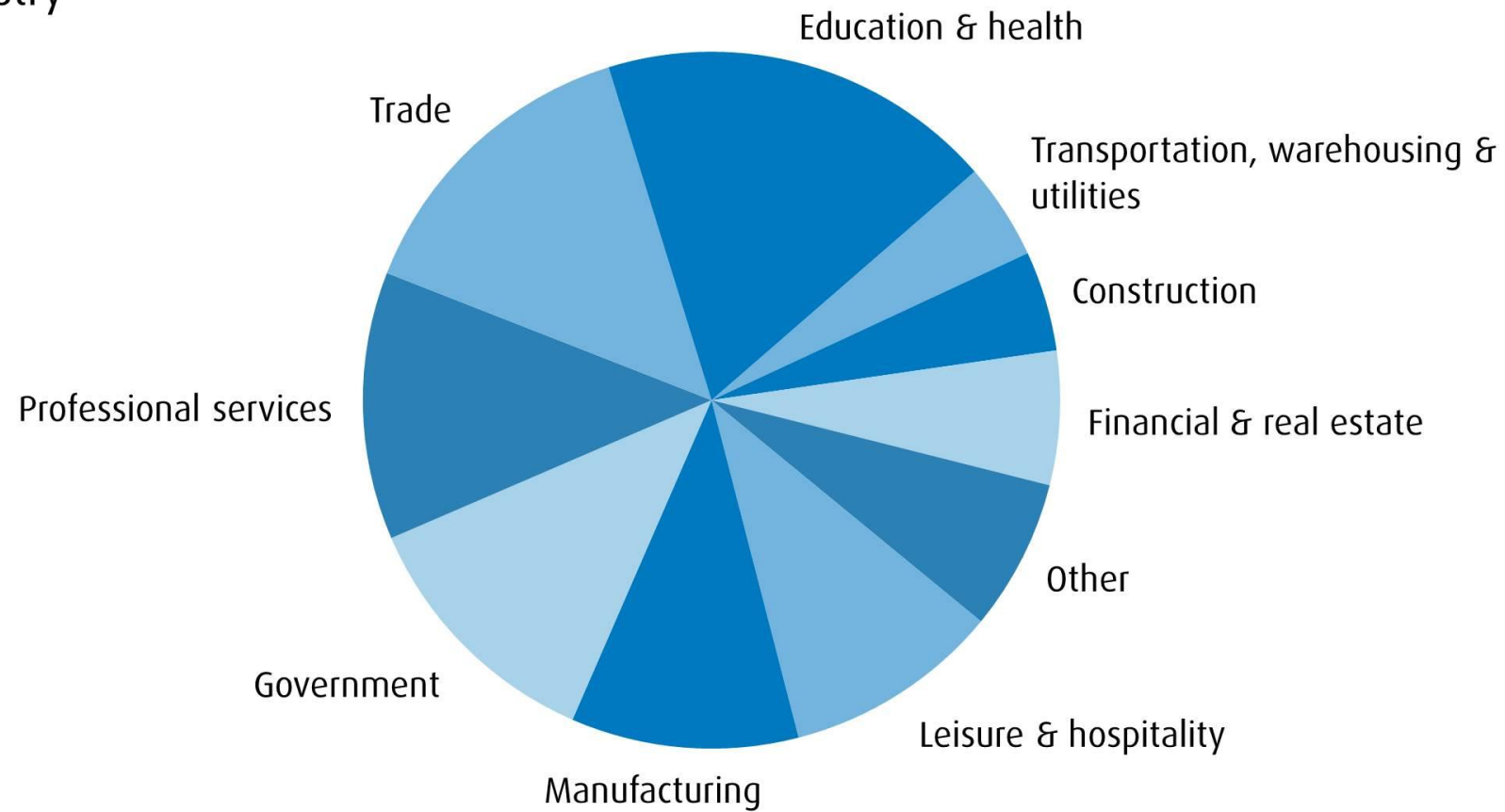
Unemployment rate (percent)



# Diverse labour market

Great Lakes-St Lawrence Region – 2018 (% of Great Lakes Region employment)

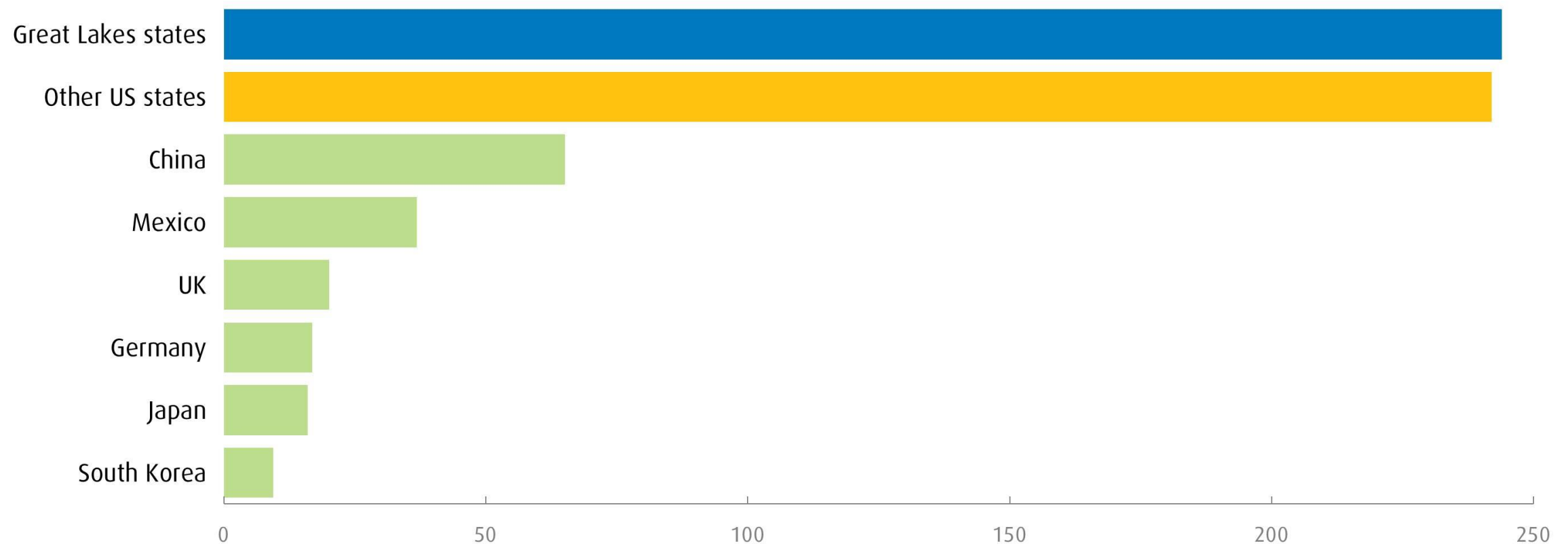
Employment by industry



# Strong cross-border ties

2018 (total trade : C\$ blns)

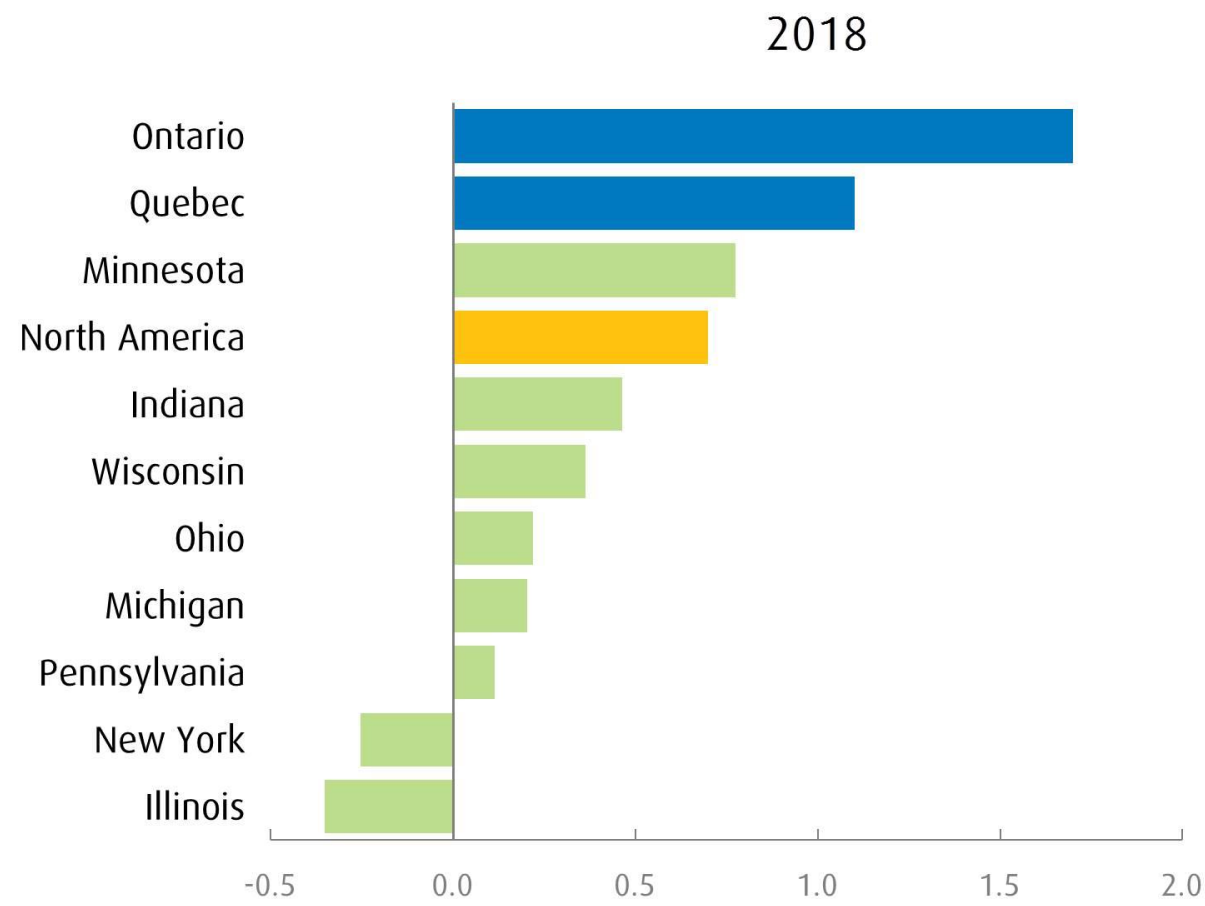
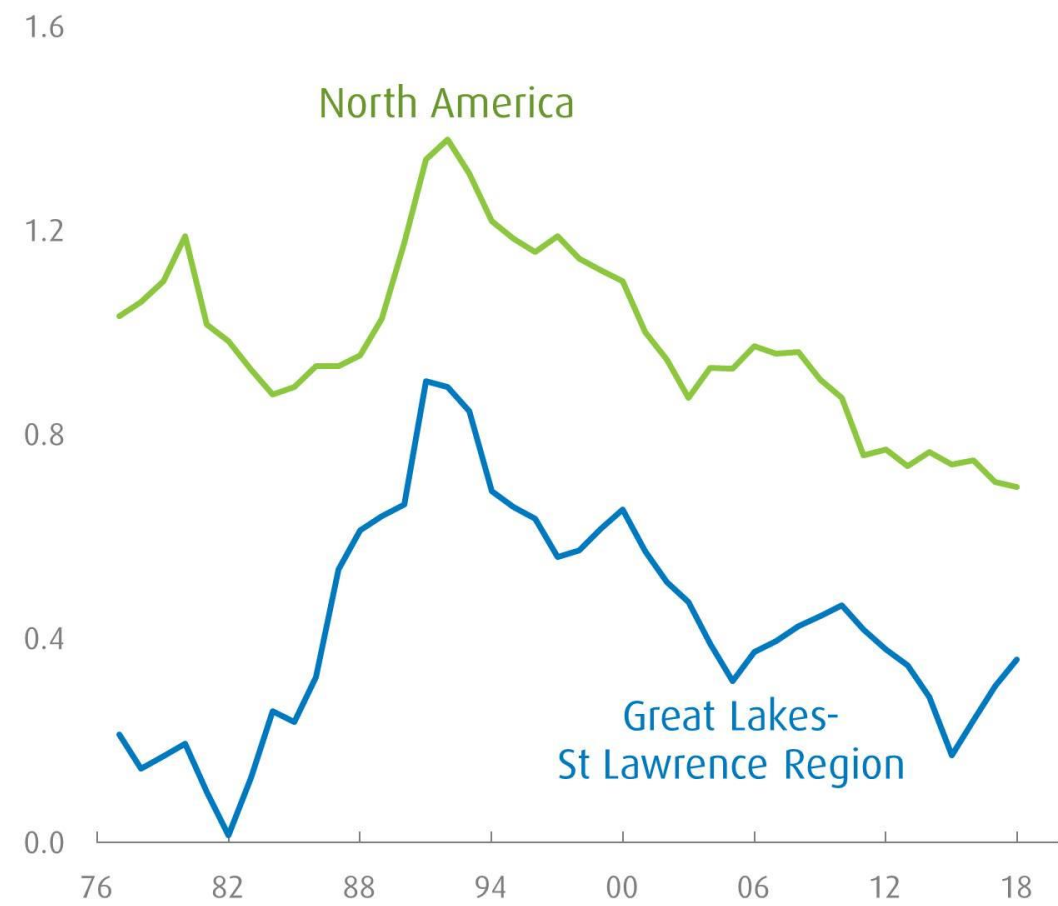
## Ontario and Quebec trading partners





# Demographics a challenge, for some

Population – North America (y/y % chng)



# Trade uncertainty persists

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## United States



### NAFTA → CUSMA:

Must still get through Congress

### Trade tensions:

Tariff battle with China disrupts some sectors

Business confidence suffers; M&E investment slows

### Monetary policy:

President calls on Fed to cut aggressively

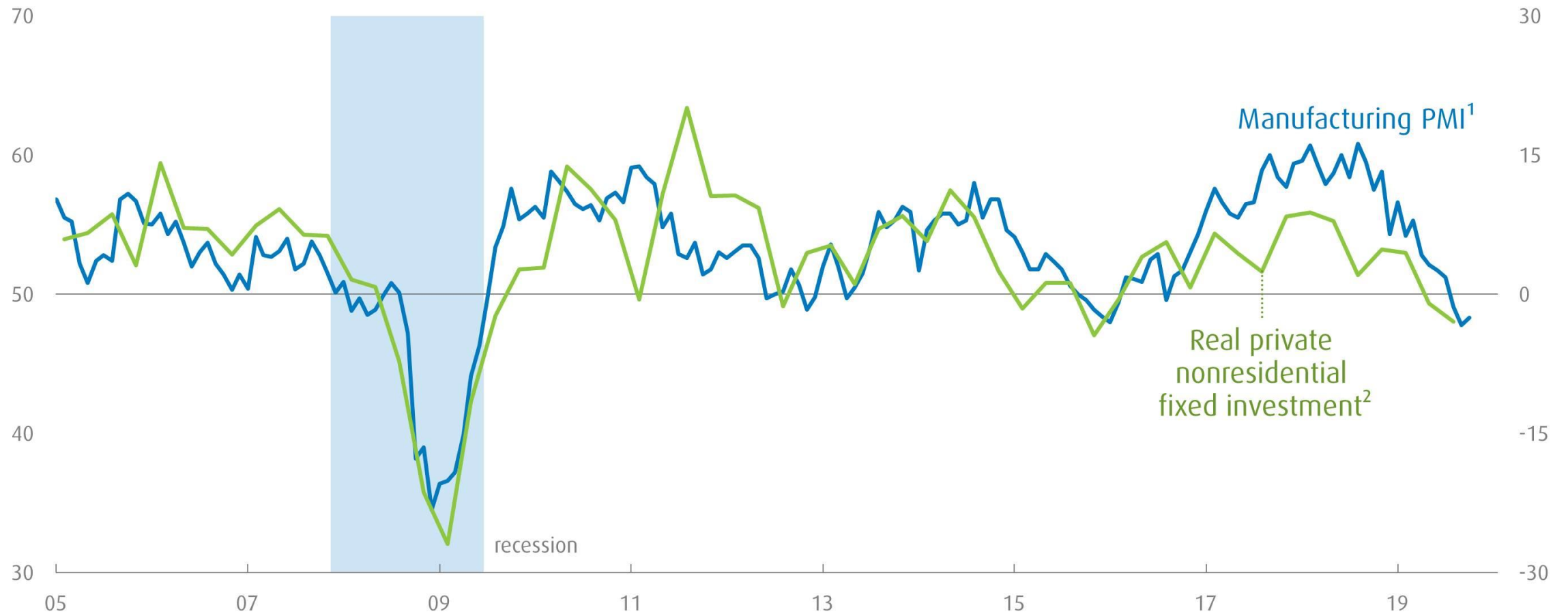
### Other:

Brexit, Hong Kong, Iran, North Korea, Argentina... 2020 US election

### Impeachment process?

# Business confidence slumps

## United States



<sup>1</sup> (lhs : sa : 50+ = economic expansion) • (rhs : saar : q/q % chng : ar)

# Key takeaways

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## Economy:

US: Late-cycle expansion ongoing

Canada: Growth, but below potential

## Great Lakes-St Lawrence Region:

Strong and diverse job market

Trade integration a key advantage

Demographic drain (US side) concerning

Trade tensions weighing on investment



# Q and A

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