



# Canadian Economic Outlook

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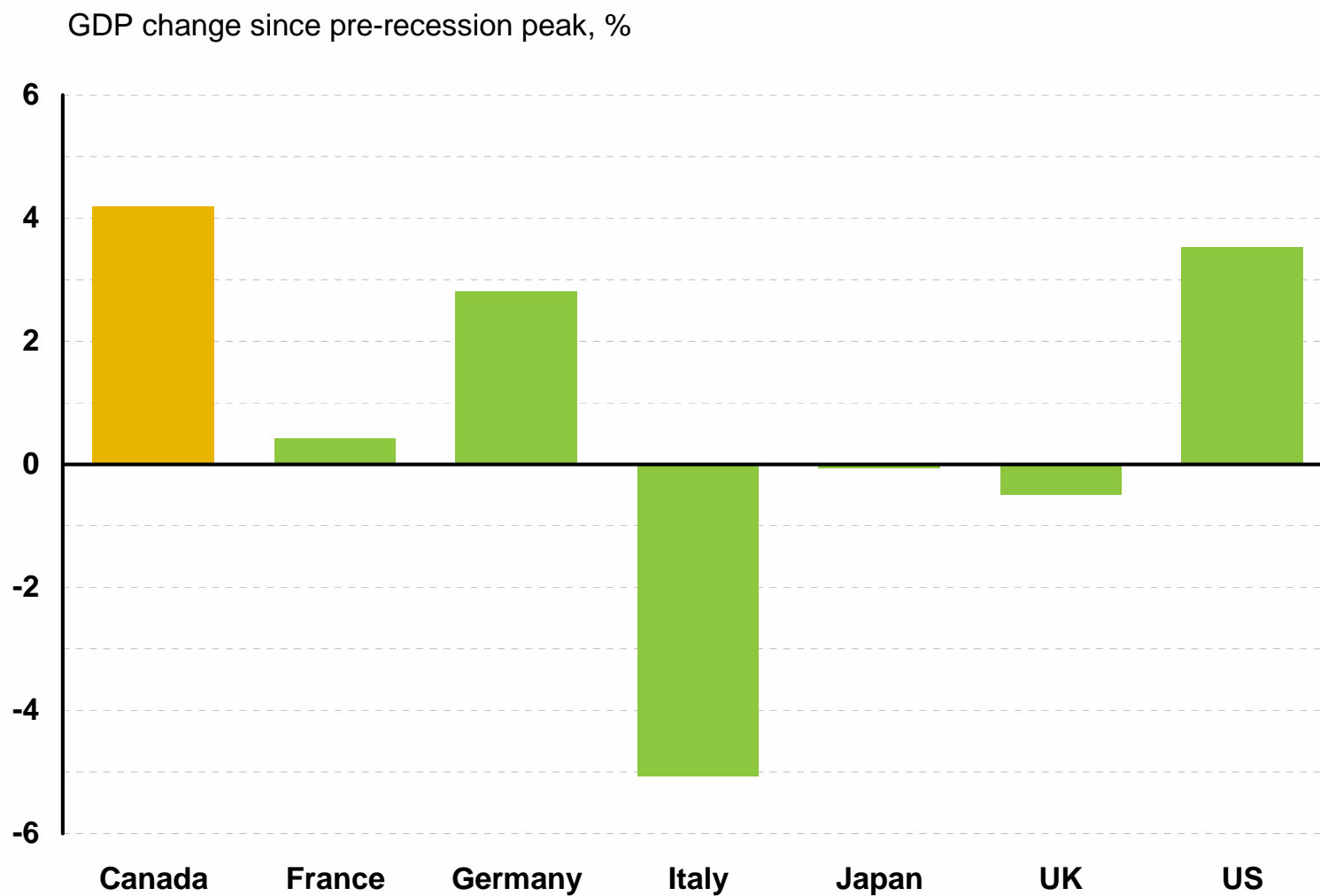
Martin Schwerdtfeger, Senior Economist  
February 2013

# WHAT'S IN STORE FOR THE CANADIAN ECONOMY?



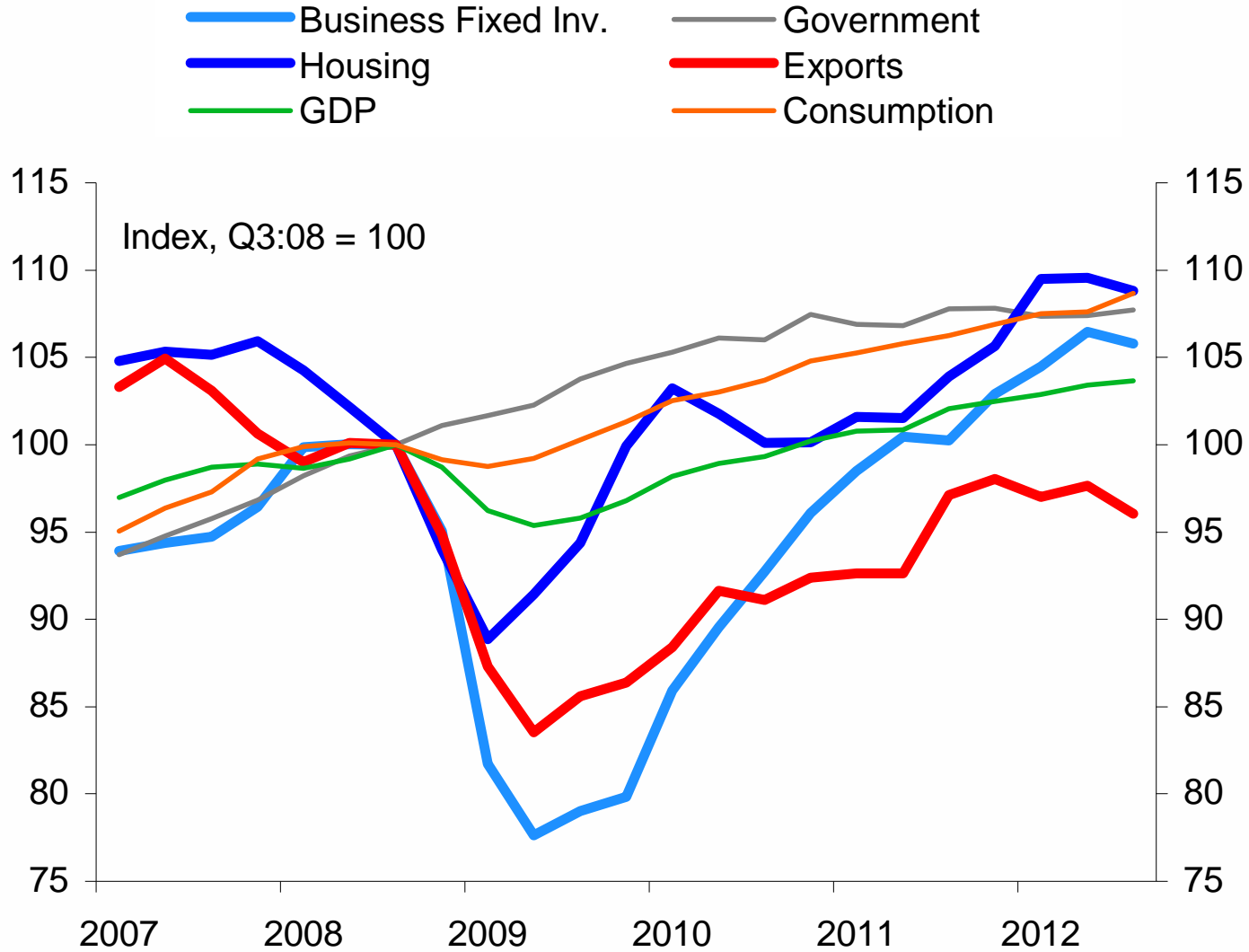
- Canada's economy has outperformed since 2007, led by growing consumer spending and vibrant housing markets
- Housing markets appear to have peaked and consumers are becoming more cautious to add to debt-loads
- Over the next few years, growing exports to the U.S. should sustain at least modest economic growth
- Subdued inflation and modest economic growth will keep the Bank of Canada on the sidelines until 2014

# CANADA HAS OUTPERFORMED



Source: Haver Analytics. As of December 2012.

# GROWTH DRIVERS WILL HAVE TO ROTATE

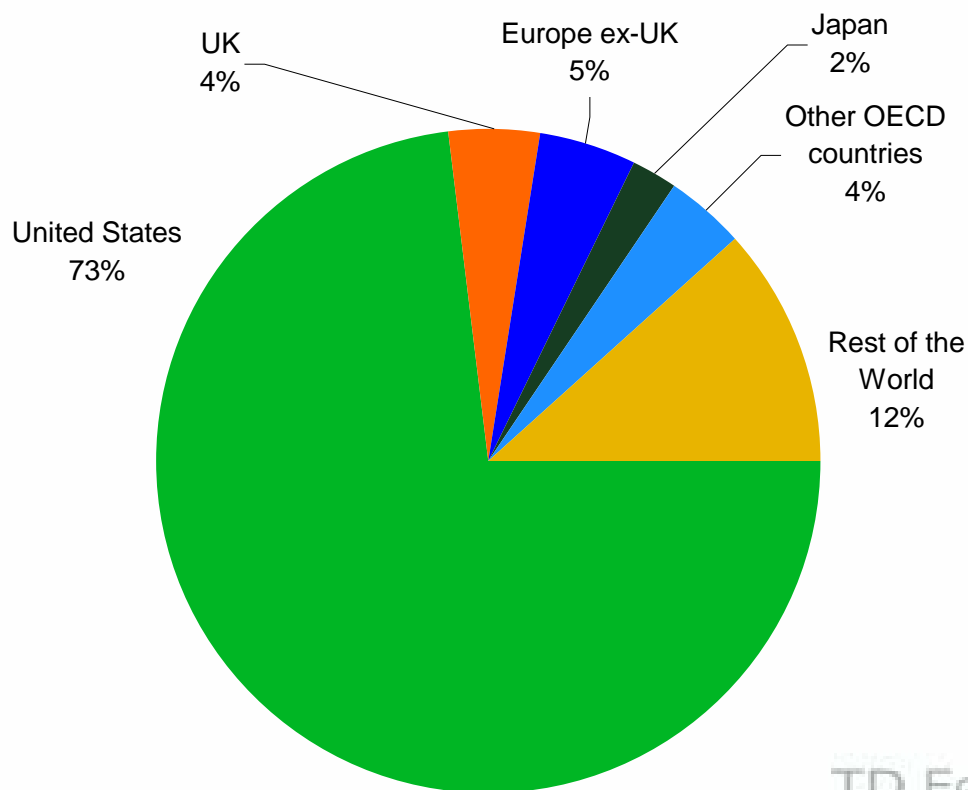


Source: Statistics Canada, TD Economics

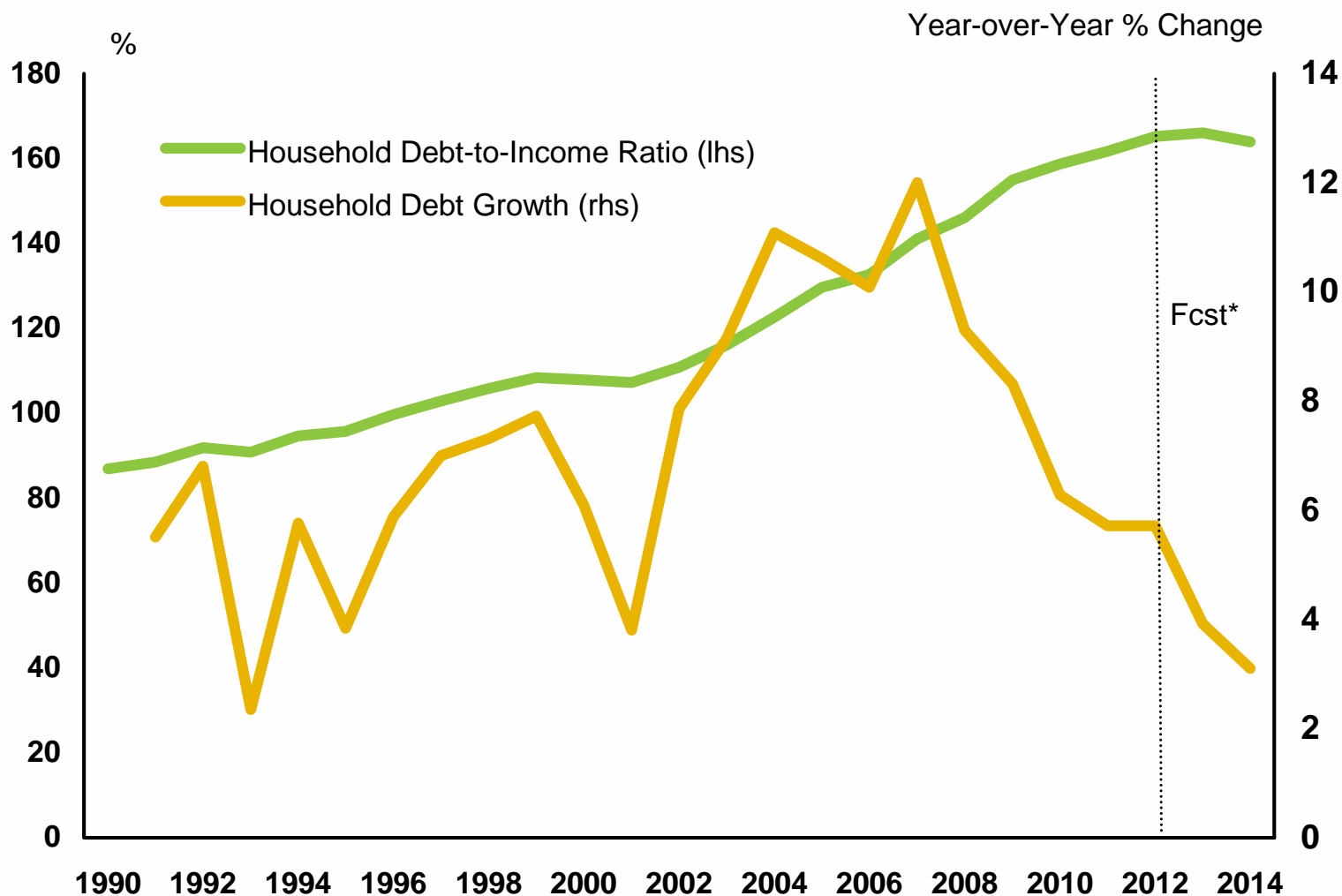
# CANADA-U.S. LINKS RUN DEEP



- The United States accounts for 73% of Canadian Exports
- The two economies have a synchronized business cycle
- U.S. economic activity also impacts the Canadian economy indirectly through commodity prices (terms of trade and wealth effect)

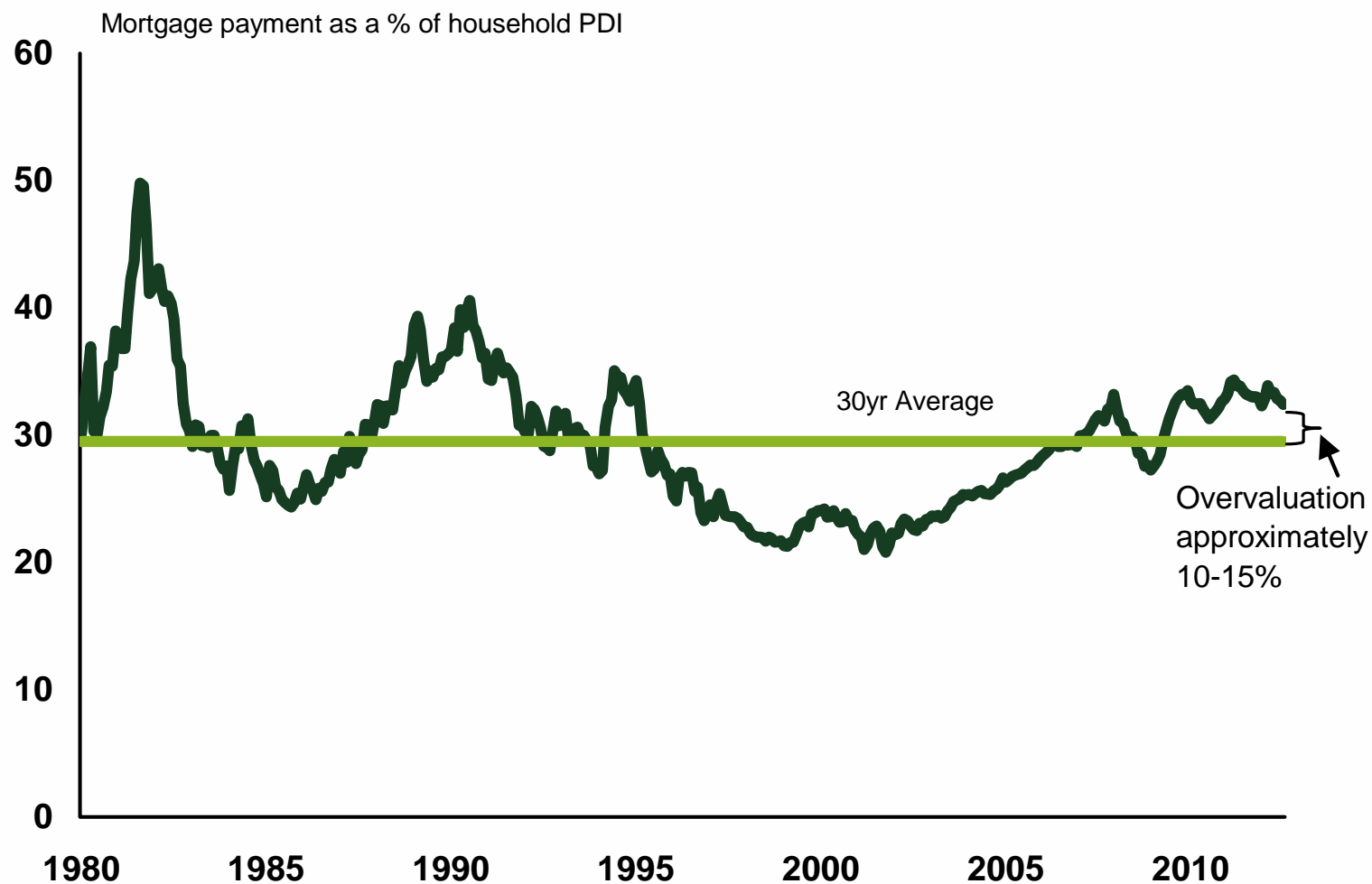


# HOUSEHOLD DEBT TO GROW MORE IN LINE WITH INCOME



Source: Statistics Canada  
 Forecast by TD Economics as of December 2012

# METRICS POINT TO SOME DEGREE OF OVERVALUATION IN HOUSING MARKET

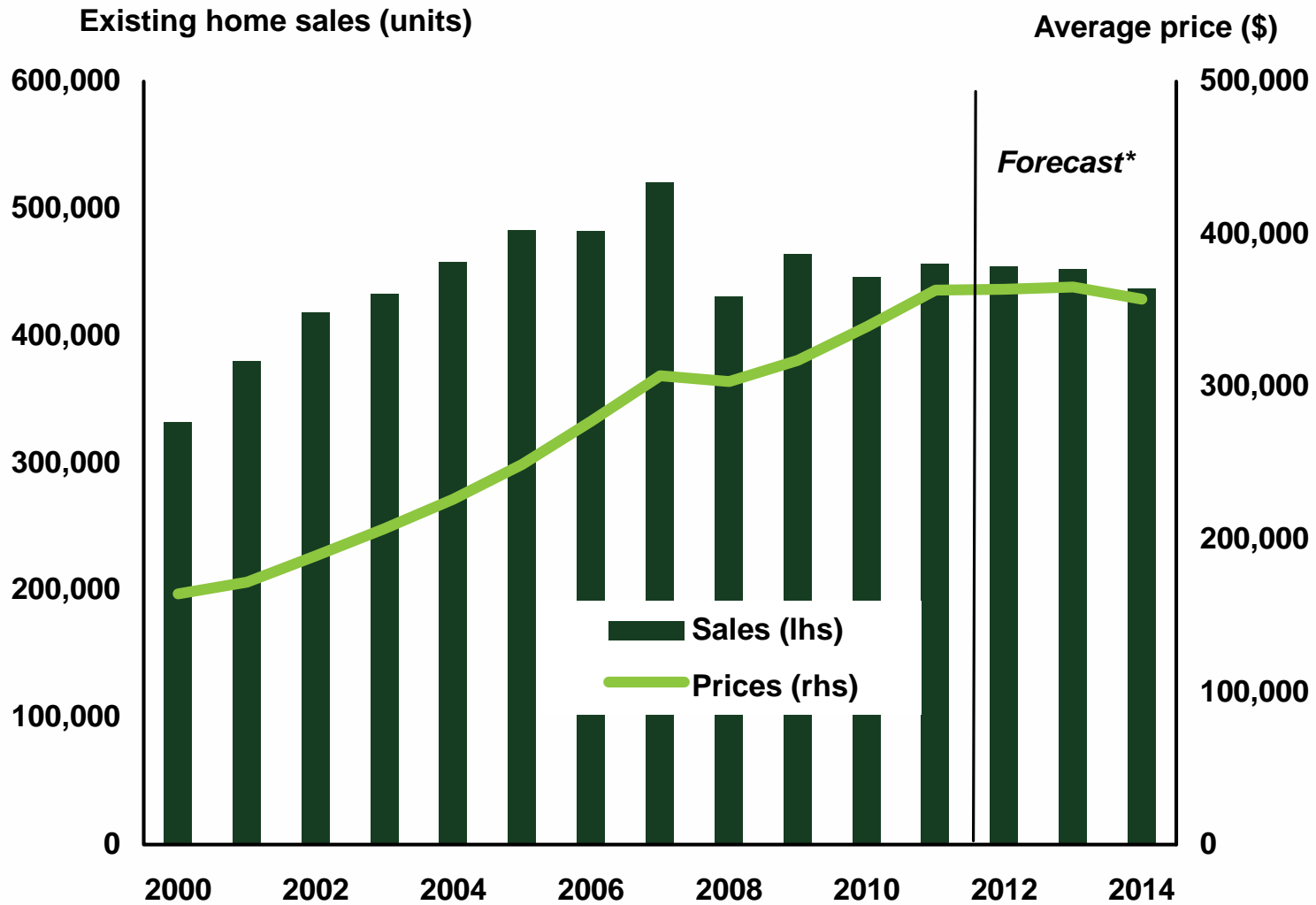


Source: Haver Analytics, Canadian Real Estate Association, Statistics Canada.

Note: Assumes 25% down, 5 year fixed posted rate, 25 year amortization.

Floor in mortgage rate such that rate <7% set equal to 7%.

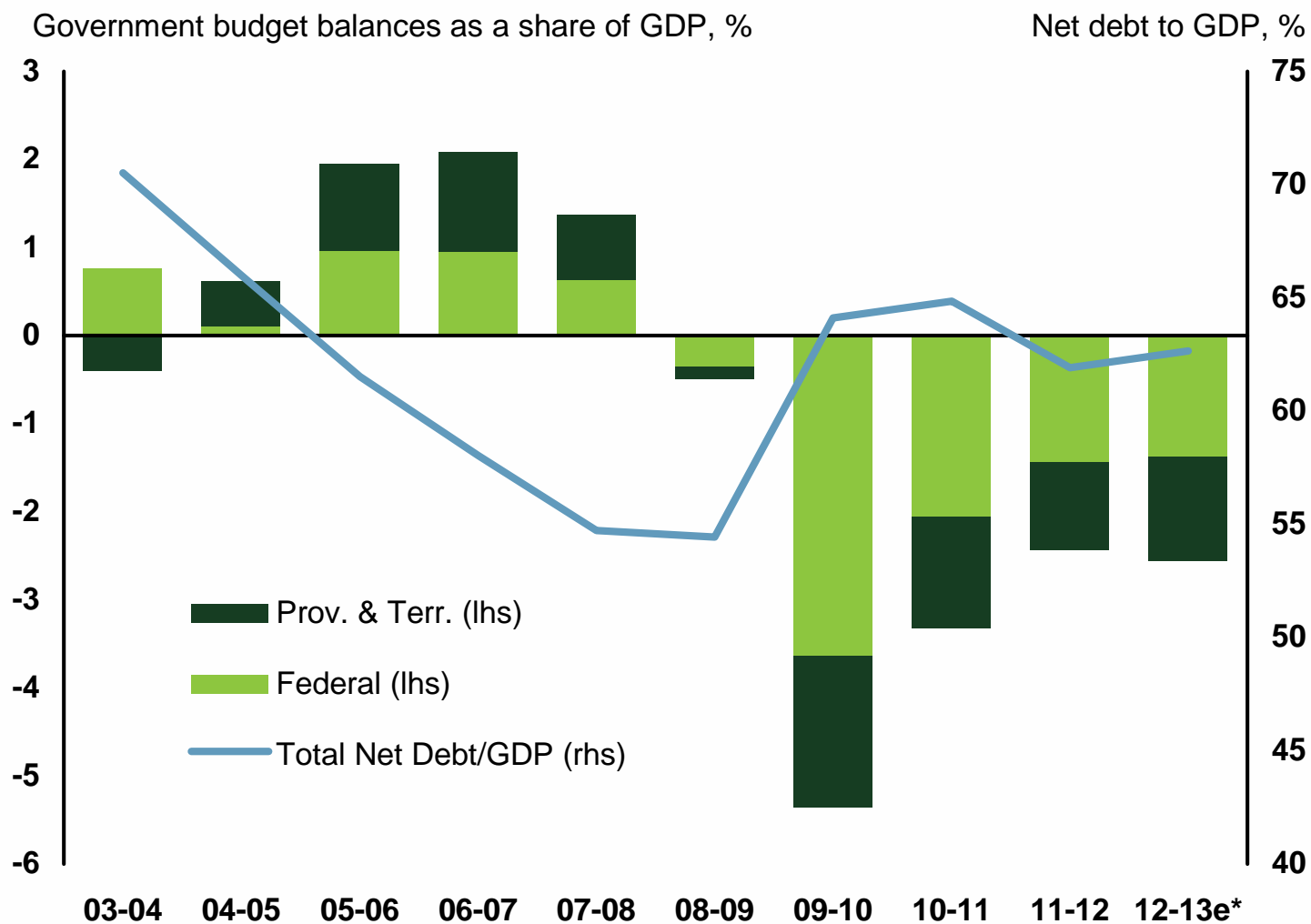
# HOUSING MARKET SET TO SLOW GRADUALLY



Source: CREA; Forecast by TD Economics as of December 2012.



# GOVERNMENTS HAVE TURNED THEIR ATTENTION TO DEFICITS



Source: Federal and Provincial Government Budgets. As of December 2012.

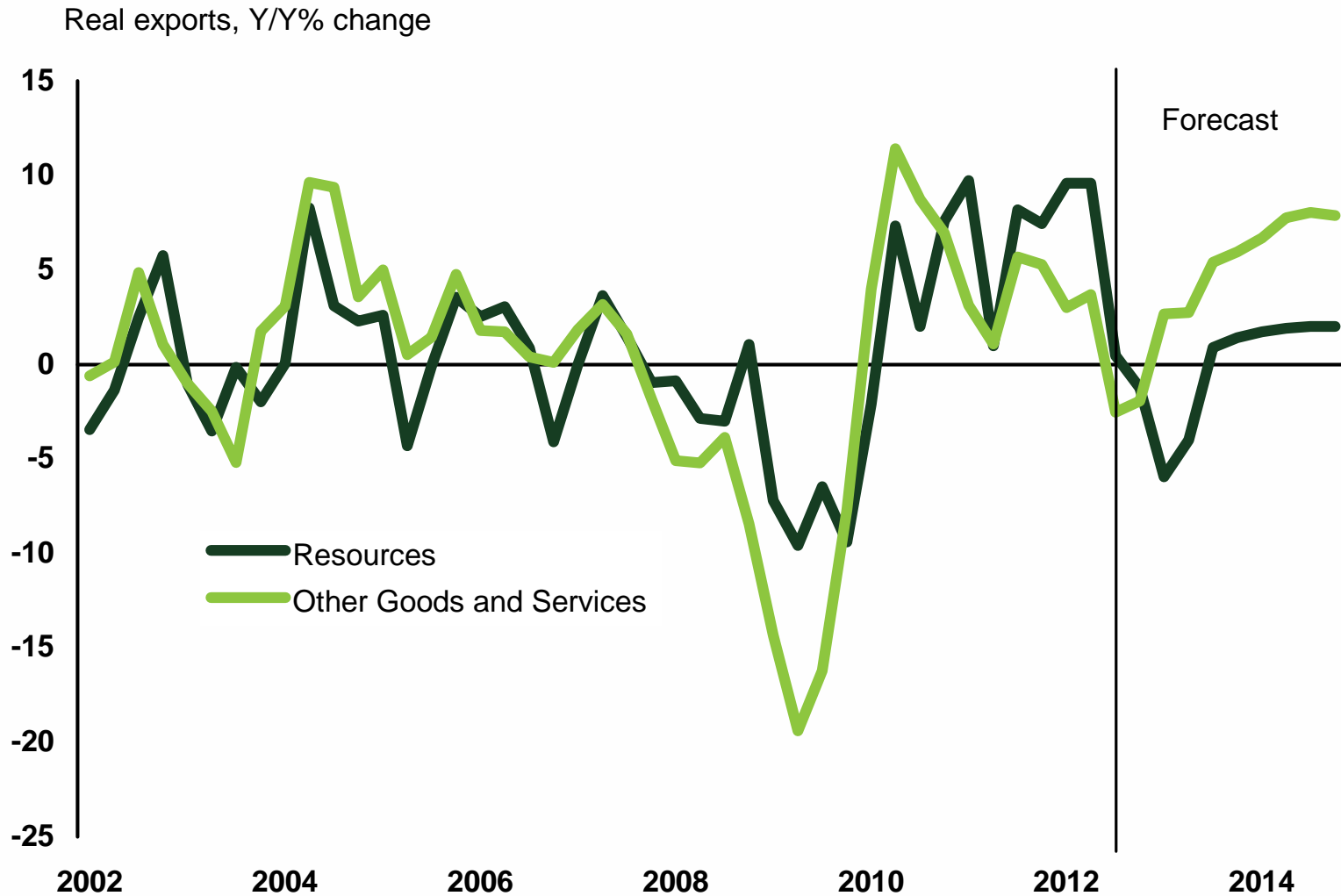
\*Estimated by TD Economics.

# GROWTH TO TRANSITION TO EXPORTS AND BUSINESS INVESTMENT



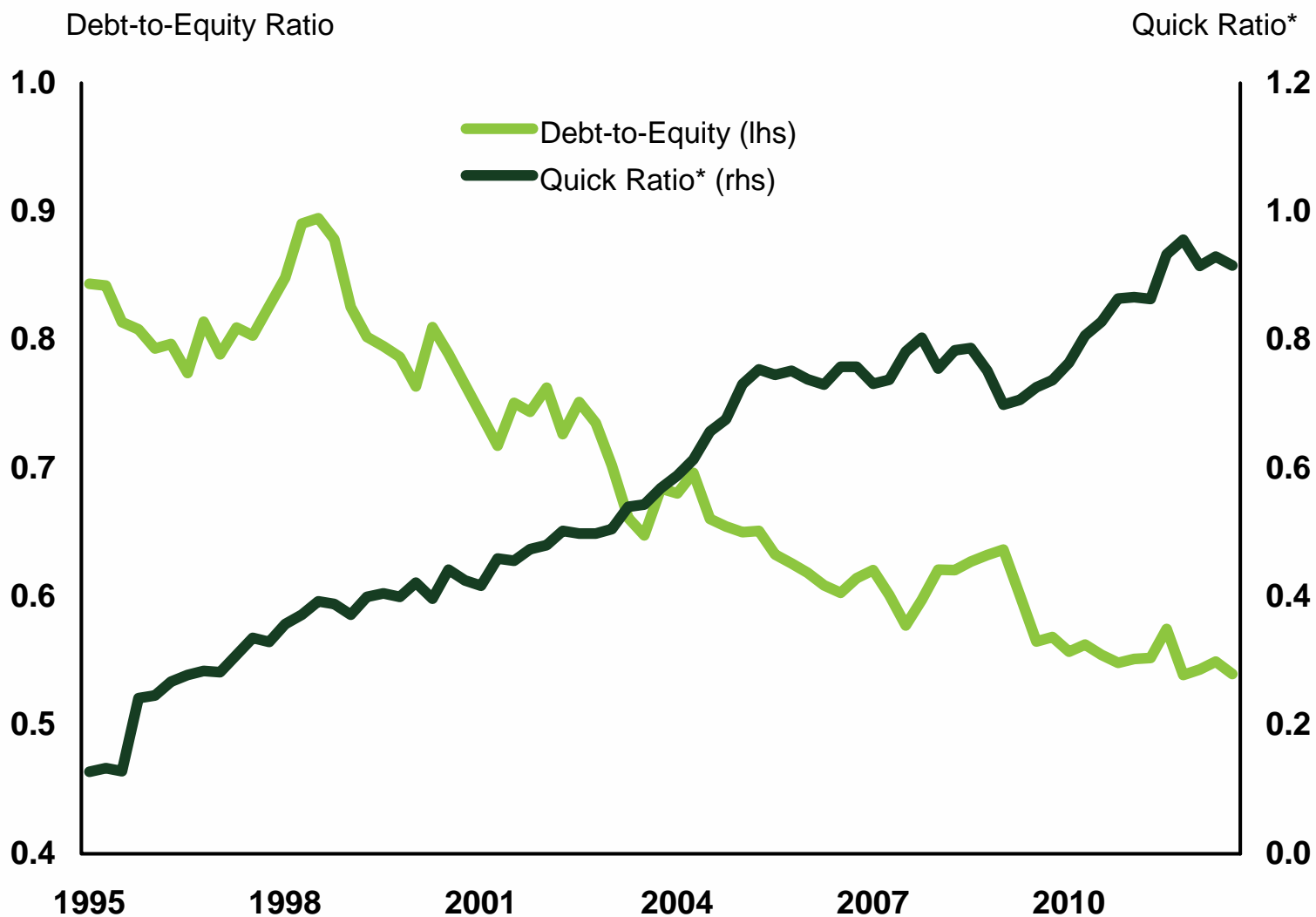
Source: Statistics Canada, Haver Analytics  
Forecast by TD Economics as of December 2012

# CANADIAN EXPORTS TO PICK UP MODERATELY IN 2013-14



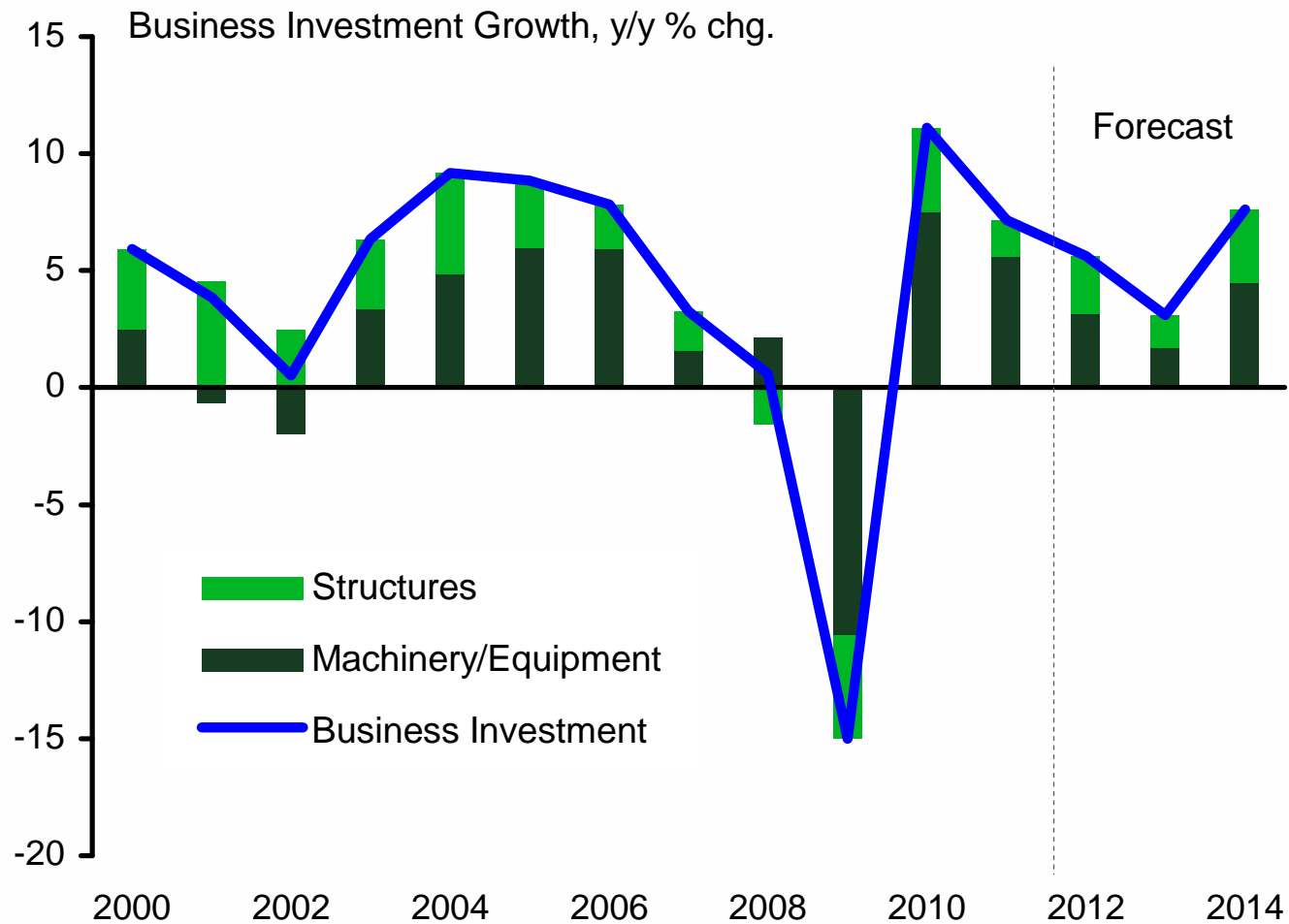
Source: Statistics Canada/Haver Analytics  
Forecast by TD Economics as of December 2012

# CANADIAN CORPORATE BALANCE SHEETS ARE HEALTHY...



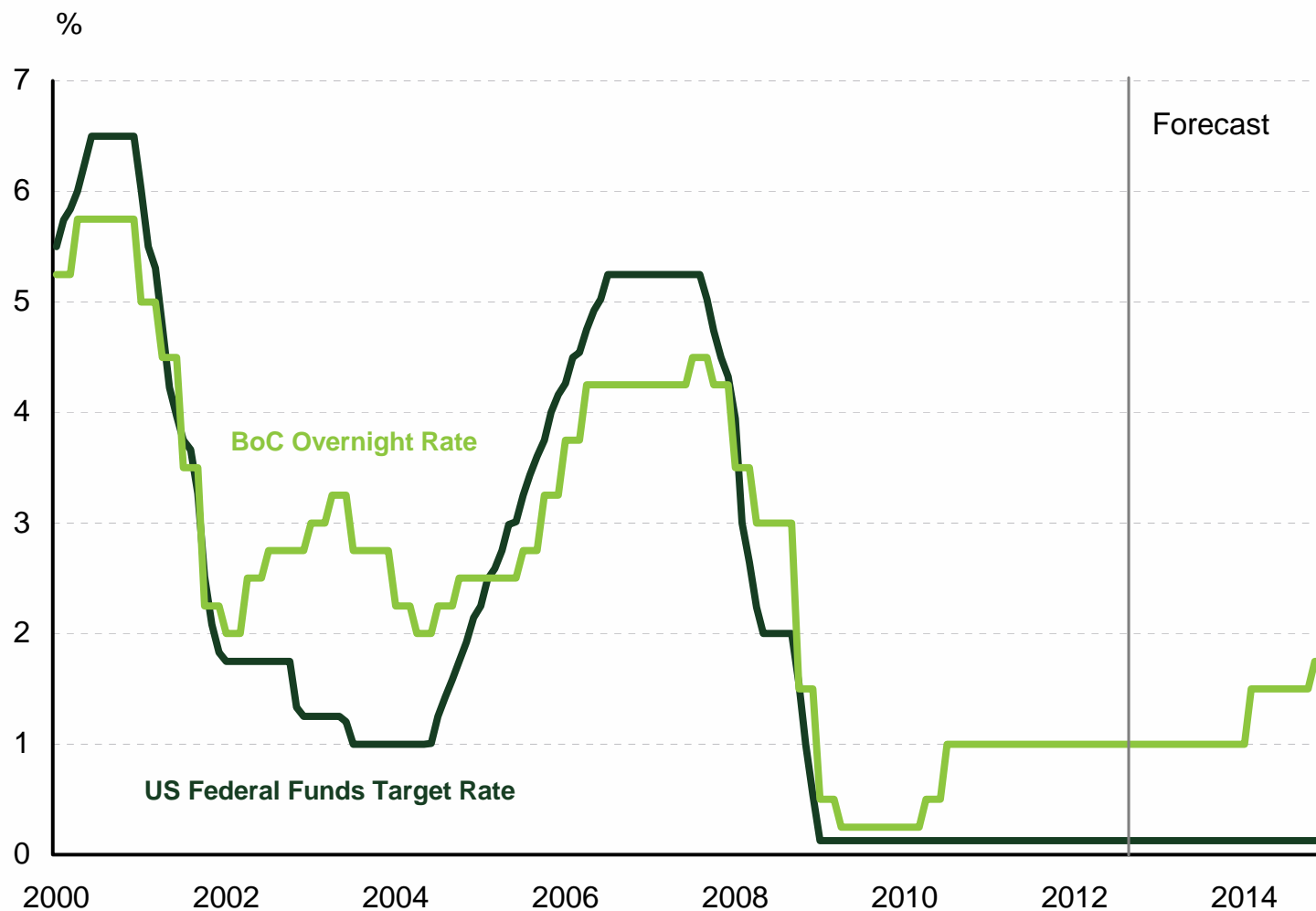
Source: Statistics Canada. Q3 2012. \*Quick Ratio = Liquid assets / Current liabilities

# ... WHICH WILL SUPPORT BUSINESS INVESTMENT GROWTH



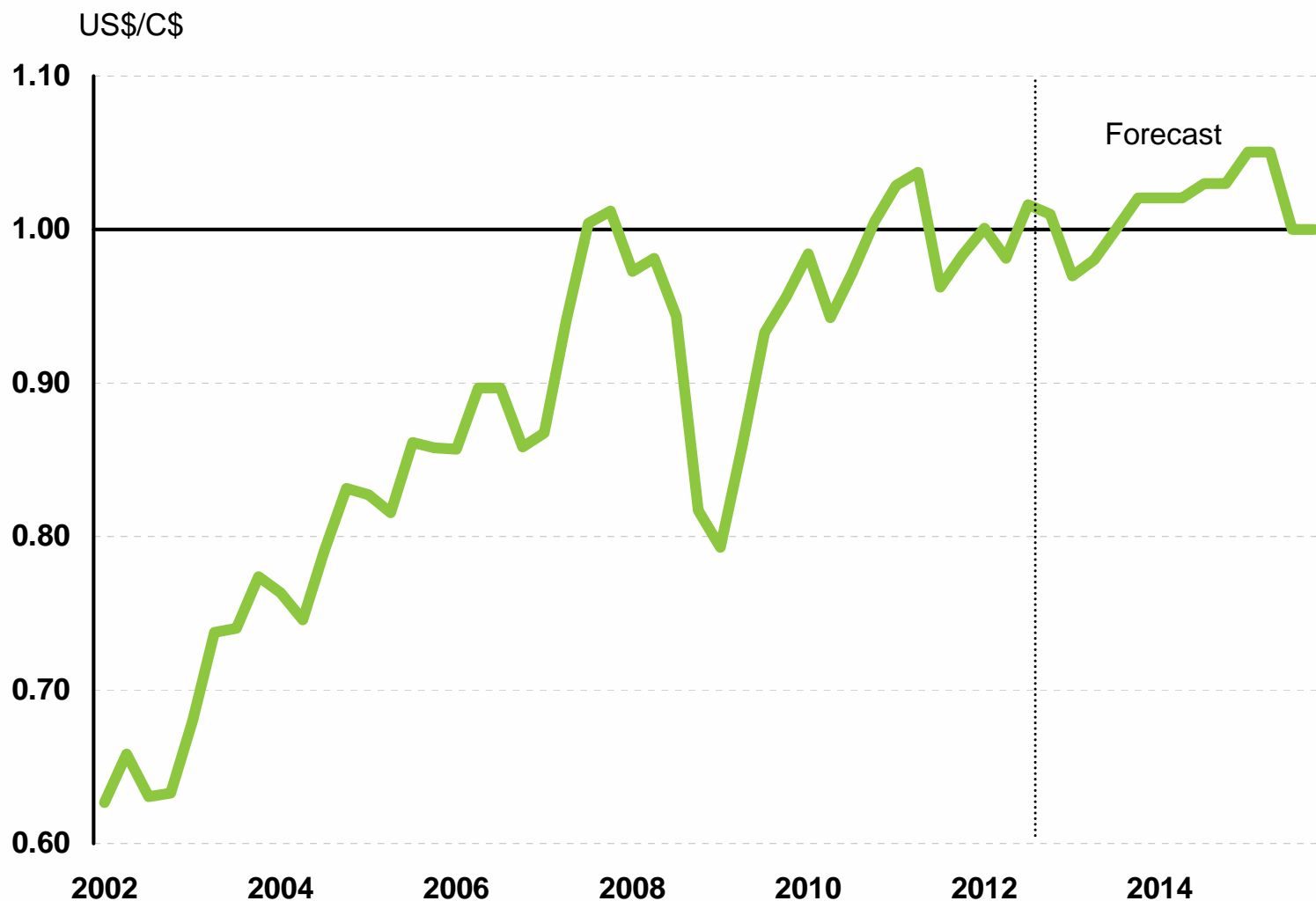
Source: Statistics Canada. Forecast by TD Economics as of December 2012

# CANADIAN INTEREST RATES TO RISE GRADUALLY BEGINNING IN EARLY-2014



Source: Bank of Canada/Haver Analytics.  
Forecast by TD Economics as of February 2013.

# CANADIAN DOLLAR – COMPETITIVE CHALLENGE GOING FORWARD



Source: Bank of Canada; Forecast by TD Economics as of December 2012.



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