# Economic Outlook: Tariff Clouds Roll In

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# Well, that's just tariffic

## Canada/United States

### U.S. actions and threats:

- 25% tariff on all Canadian imports (March 4th)
- 10% tariff on Canadian energy imports (March 4th)
- 25% tariff on steel (March 12th)
- 25% tariff on aluminum (March 12th)

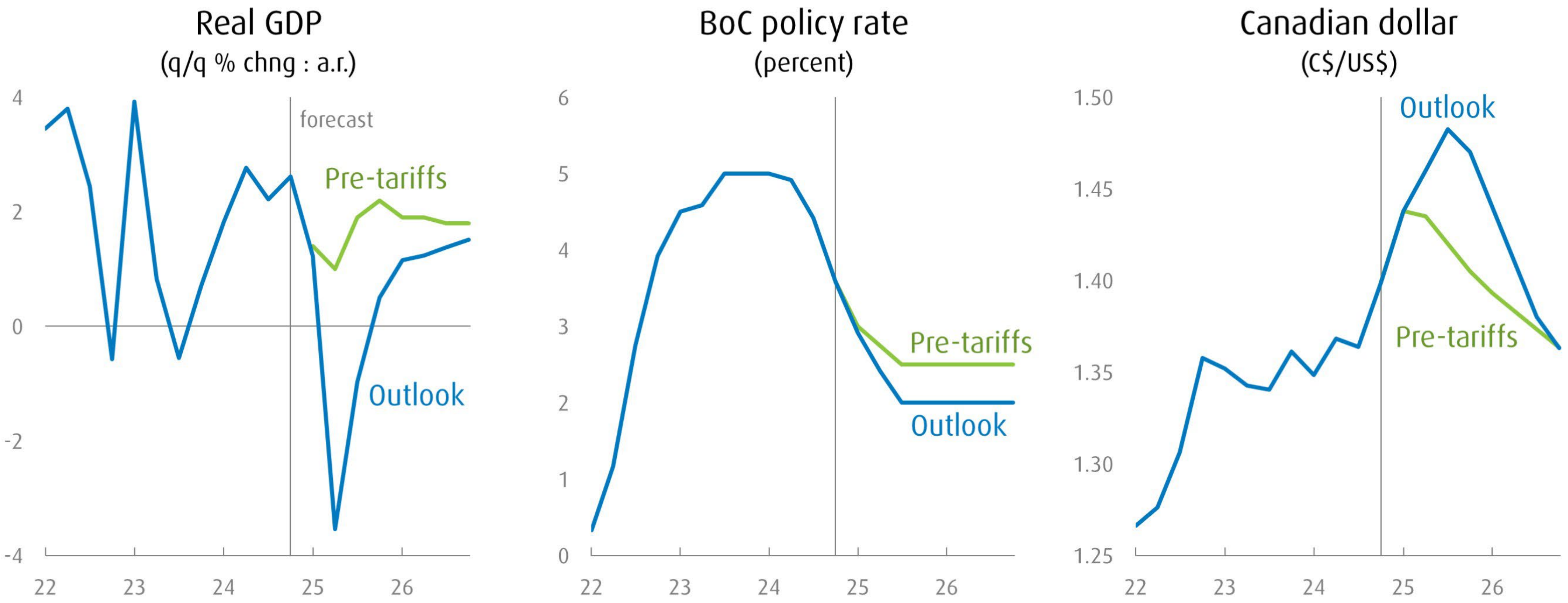
**Canadian retaliation on $30 bln of imports from U.S.** (rising to $155 bln)

Source: BMO Economics


monet

# Tariff impact on Canada

## Canada



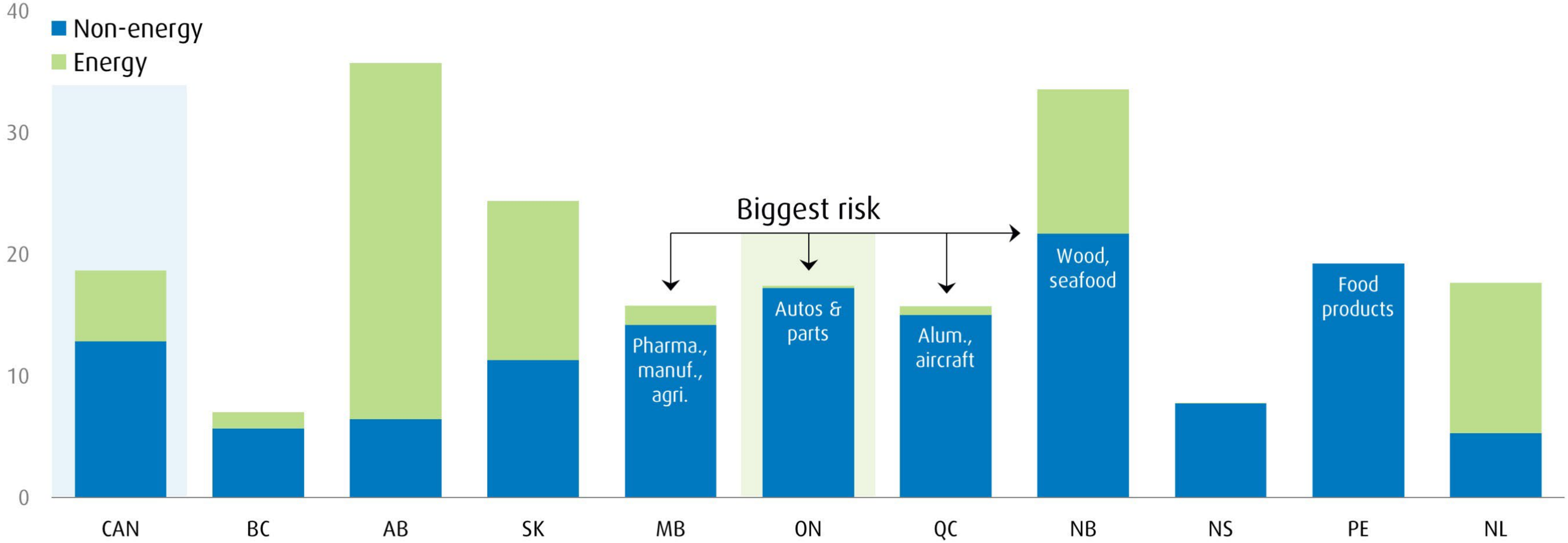

**Impacts highly uncertain and depend on policy responses**

Source: BMO Economics. Assumptions: 25% tariff by the U.S. on Canada for 1 year; 10% for energy products; Canadian retaliation covering $155 bln of U.S. imports

# Provincial exposure to U.S. exports

## Canada (% of GDP)

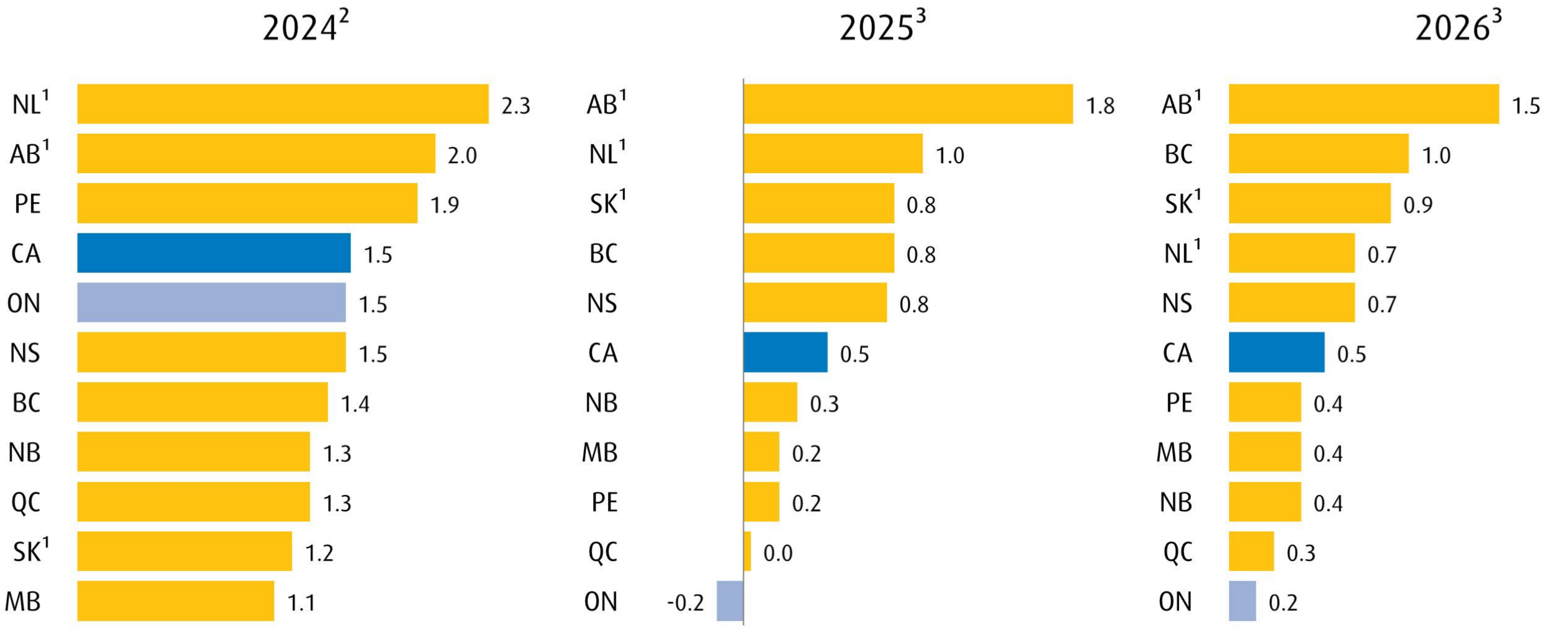
### Goods exports to U.S.




Central Canada most at risk

# Canada's regional outlook

## Canada – Real GDP (% chng)



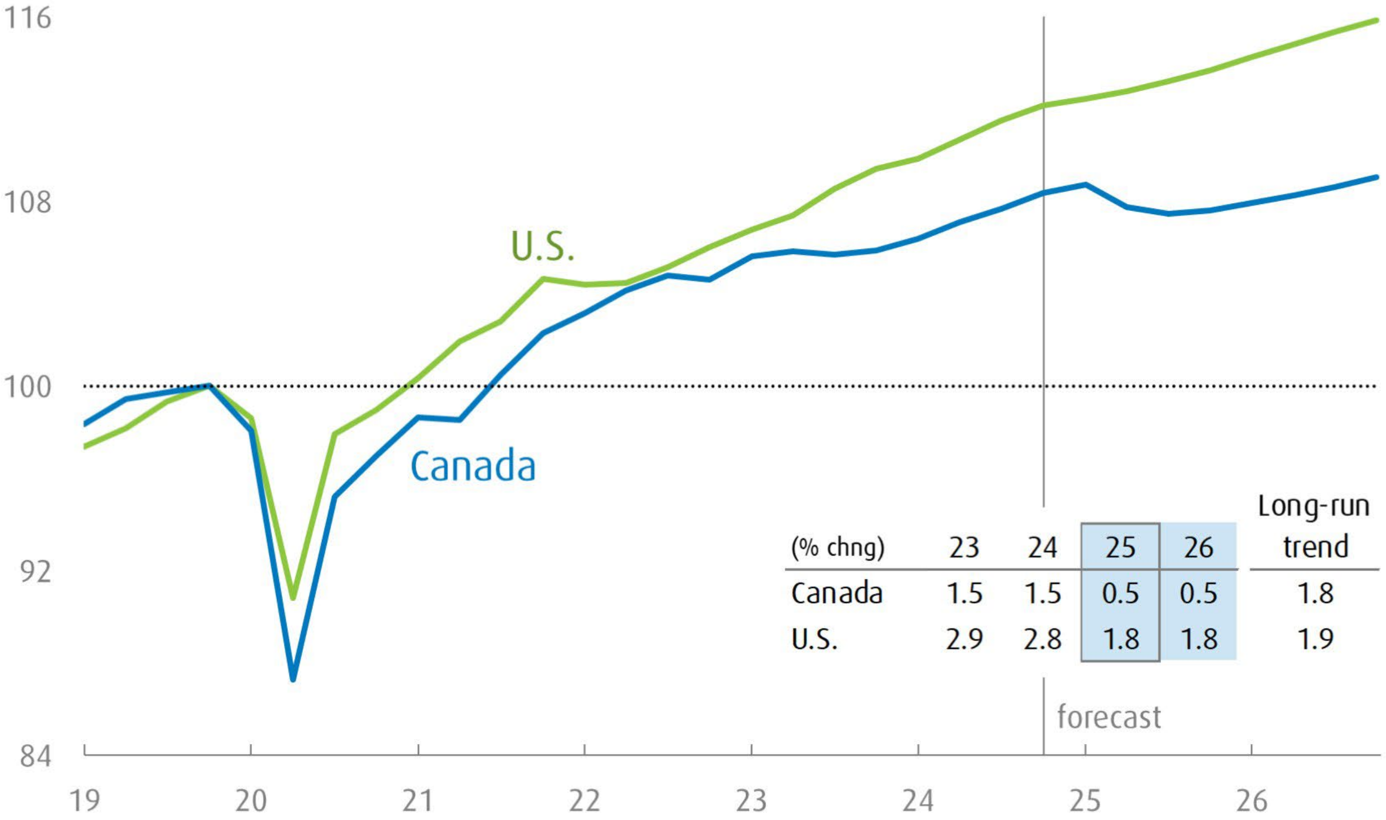

[1] Oil producers • [2] Estimate • [3] Forecast

Sources: BMO Economics • Haver Analytics

# Economic outlook: More than tariffs

(2019Q4 = 100)

## Real GDP




| (% chng) | 23 | 24 | 25 | 26 | Long-run trend |
|---|---|---|---|---|---|
| Canada | 1.5 | 1.5 | 0.5 | 0.5 | 1.8 |
| U.S. | 2.9 | 2.8 | 1.8 | 1.8 | 1.9 |

## Tailwinds:

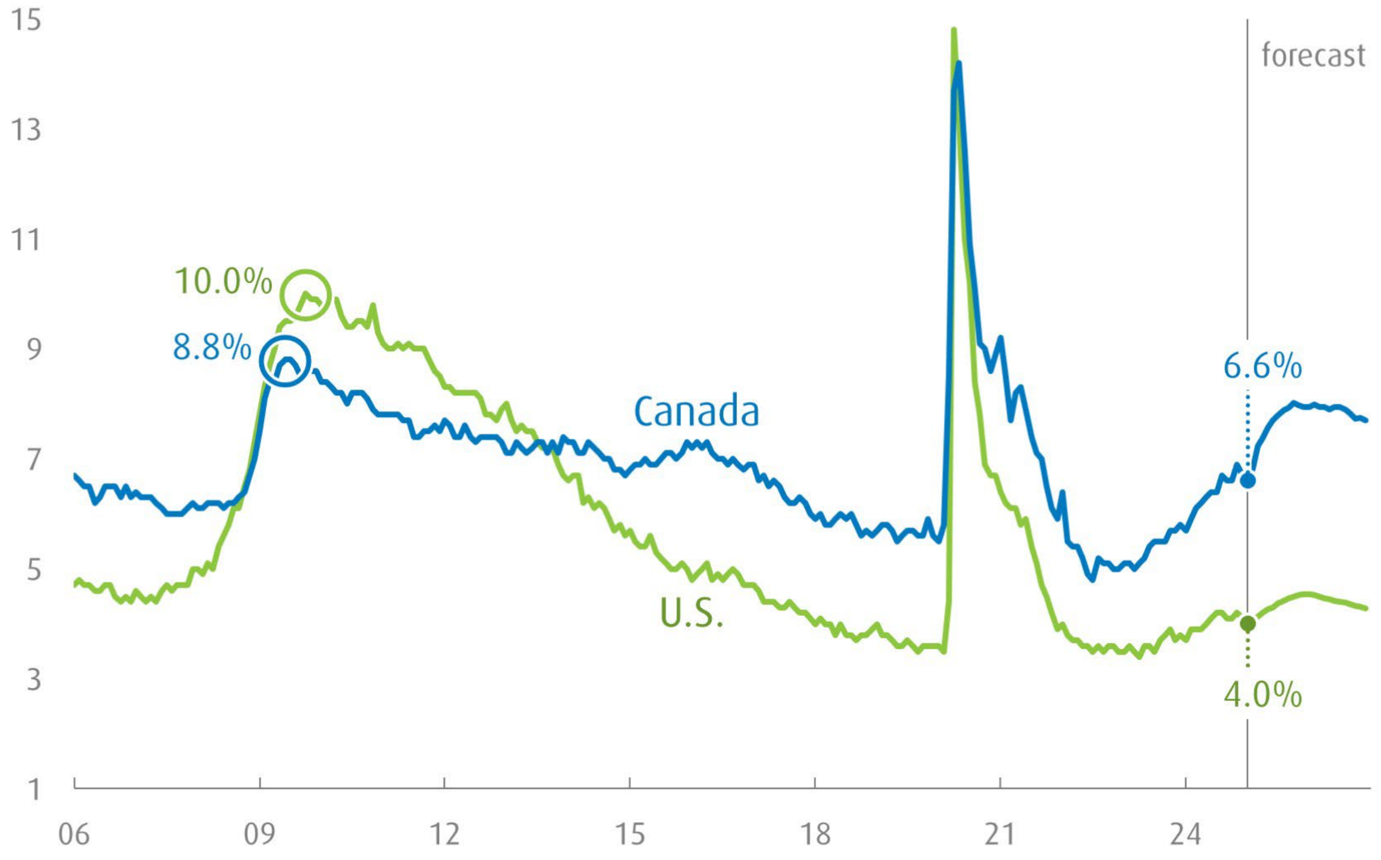
- Lower interest rates
- Rising real wages

## Headwinds:

- Trade dispute
- Business confidence
- Slower population growth

# Job markets softening

## Unemployment rate (percent)




| | Current | Pre-COVID[1] |
|---|---|---|
| Newfoundland and Labrador | 10.6 | 12.6 |
| Ontario | 7.6 | 5.6 |
| Prince Edward Island | 7.2 | 8.2 |
| Alberta | 6.7 | 7.4 |
| Canada | 6.6 | 5.8 |
| New Brunswick | 6.4 | 7.4 |
| Manitoba | 6.1 | 5.3 |
| British Columbia | 6.0 | 5.4 |
| Nova Scotia | 5.9 | 8.6 |
| Saskatchewan | 5.4 | 6.6 |
| Quebec | 5.4 | 4.5 |
| United States | 4.0 | 3.5 |

Vacancies vanishing

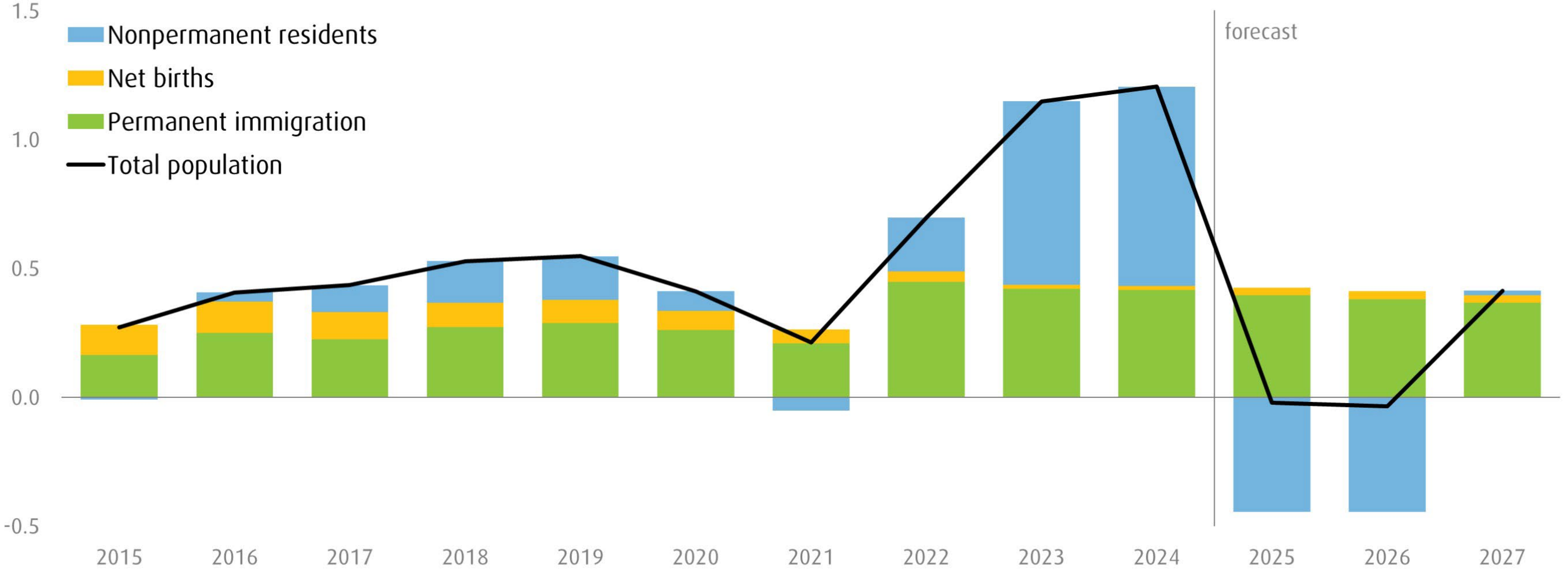
[1] February 2020

Sources: BMO Economics • Haver Analytics

# Immigration rethink

## Canada (mlns of persons)

### Population growth



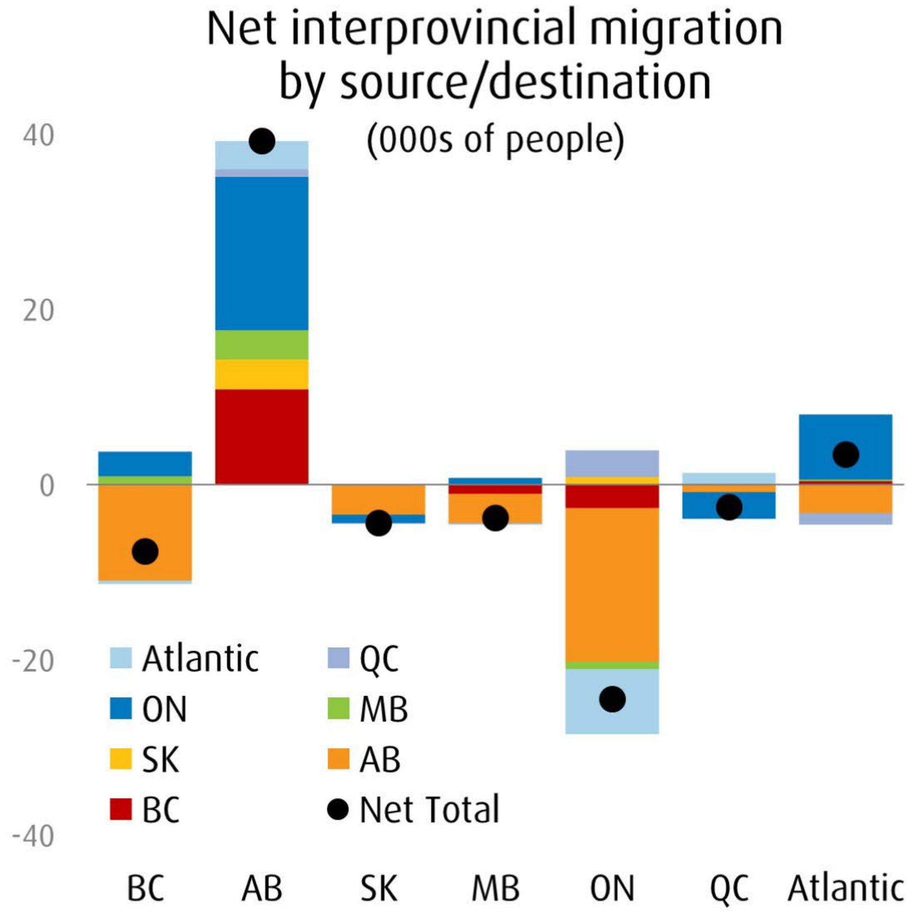

Sources: BMO Economics • Statistics Canada

# Go West, or East

## Canada (2024Q3)

**Contributions to population growth**
(ppts)

| | International | | | | |
|---|---|---|---|---|---|
| | Permanent residents | Nonpermanent residents | Interprovincial migration | Net births | Total[1] |
| Canada | 1.1 | 1.2 | 0.0 | 0.0 | 2.3 |
| British Columbia | 1.0 | 1.4 | -0.1 | 0.0 | 2.2 |
| Alberta | 1.2 | 1.5 | 0.8 | 0.3 | 3.9 |
| Saskatchewan | 1.9 | 0.5 | -0.4 | 0.1 | 2.2 |
| Manitoba | 1.6 | 0.8 | -0.2 | 0.2 | 2.4 |
| **Ontario** | **1.1** | **1.2** | **-0.2** | **0.1** | **2.2** |
| Quebec | 0.6 | 1.5 | 0.0 | 0.0 | 2.0 |
| Atlantic | 1.5 | 0.3 | 0.1 | -0.4 | 1.5 |

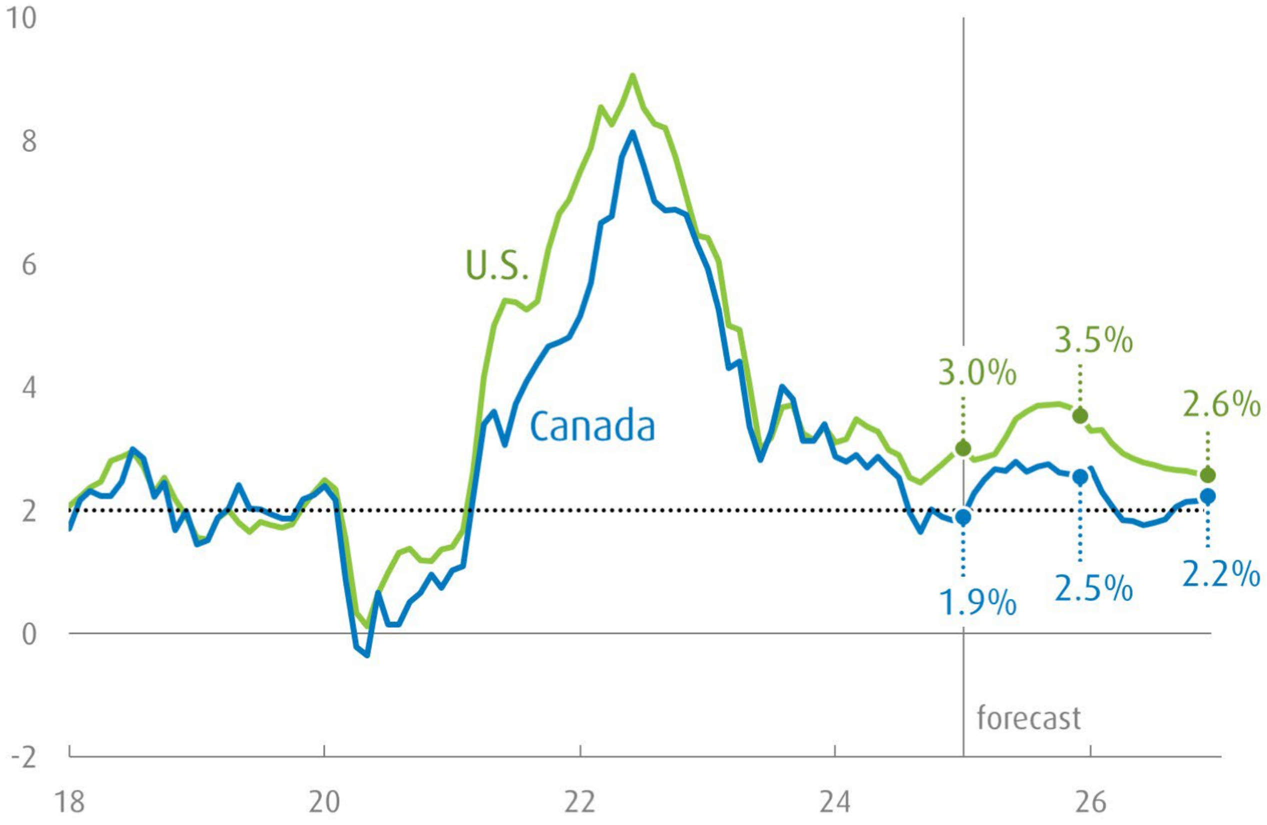



[1] May not add up due to rounding

# Inflation lingers

(y/y % chng)

Consumer price index



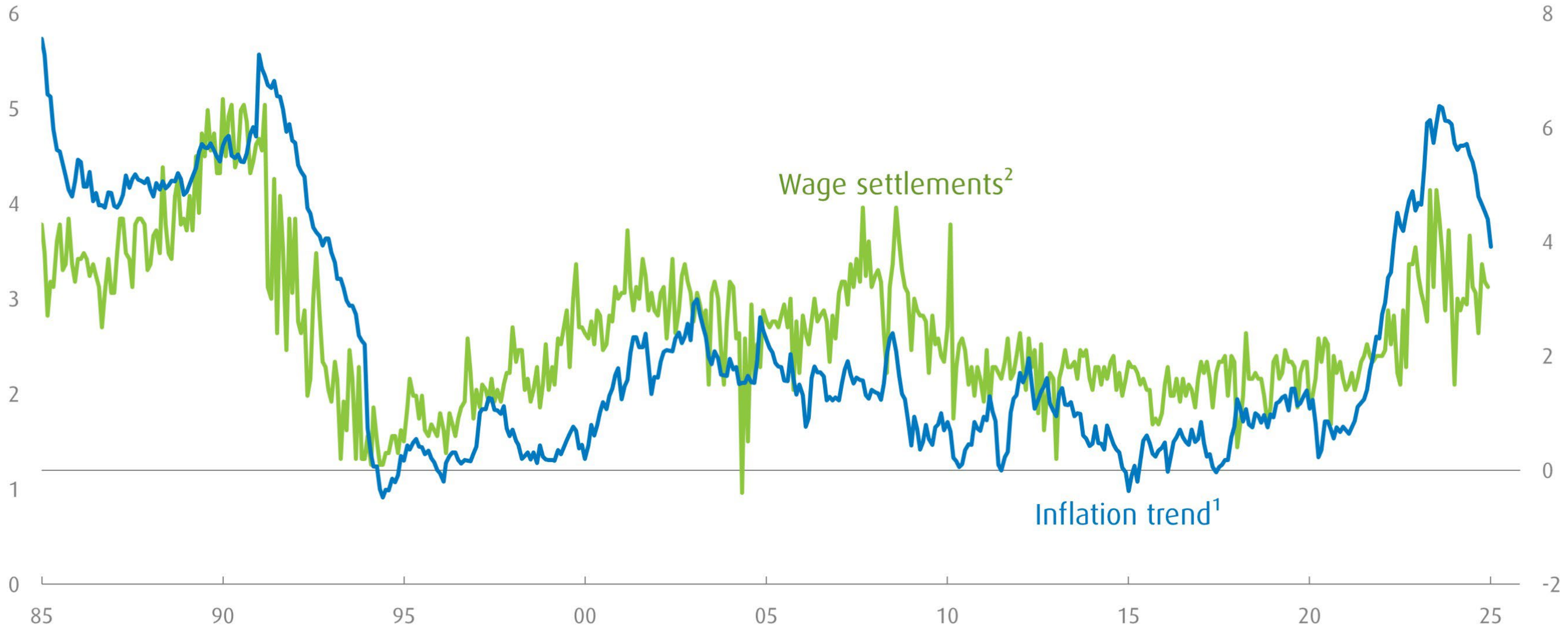

## Tracking the progress:

- ✓ Demand for goods
- ✓ Supply-chain snarls
- ✓ Resource and agriculture prices
- ✓ Housing/asset prices
- — Services
- ✗ Wage pressure
- ✗ Psychology

Sources: BMO Economics • Haver Analytics

# Wage train is rolling

## Canada

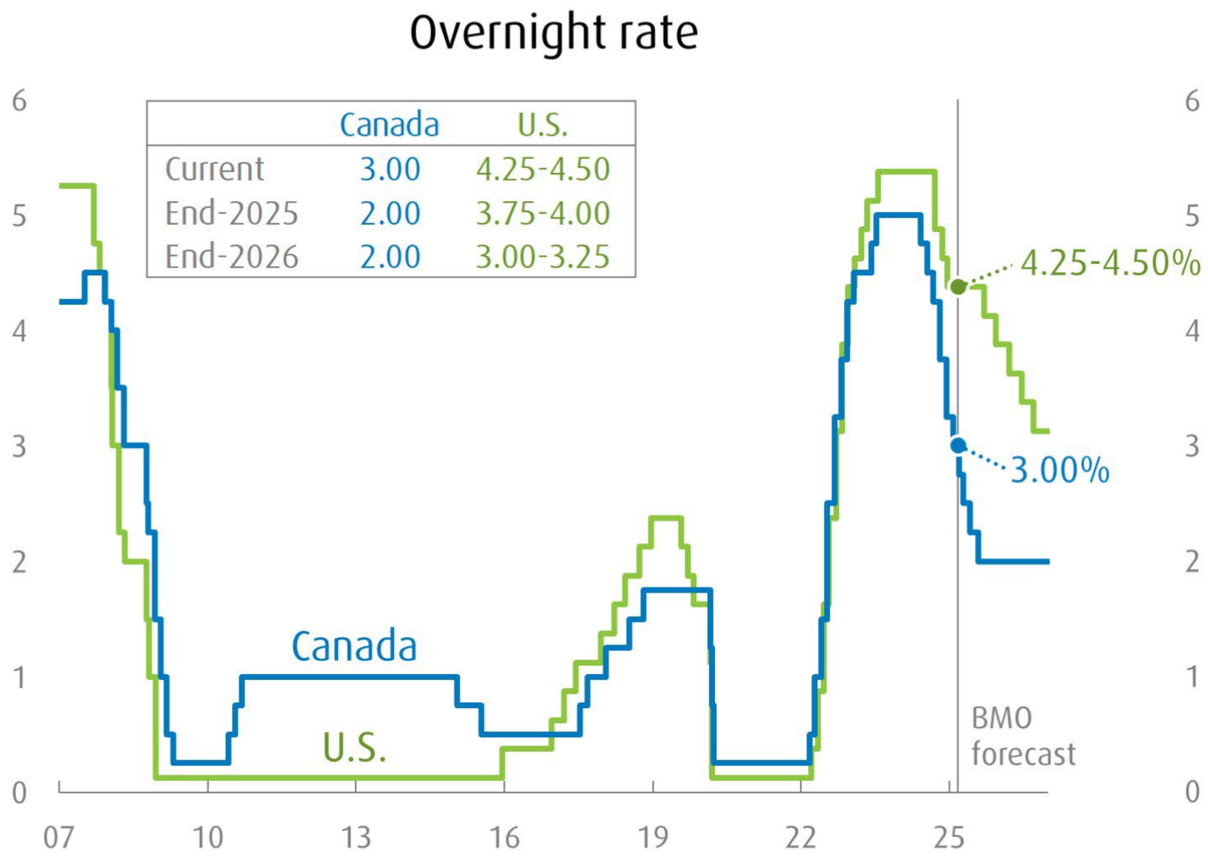



[1] (lhs : CPI : 3-yr ann. % chng) • [2] (rhs : annual % adjustment)

Sources: BMO Economics • Haver Analytics

# Easing cycle slows down

(% : as of March 4, 2025)

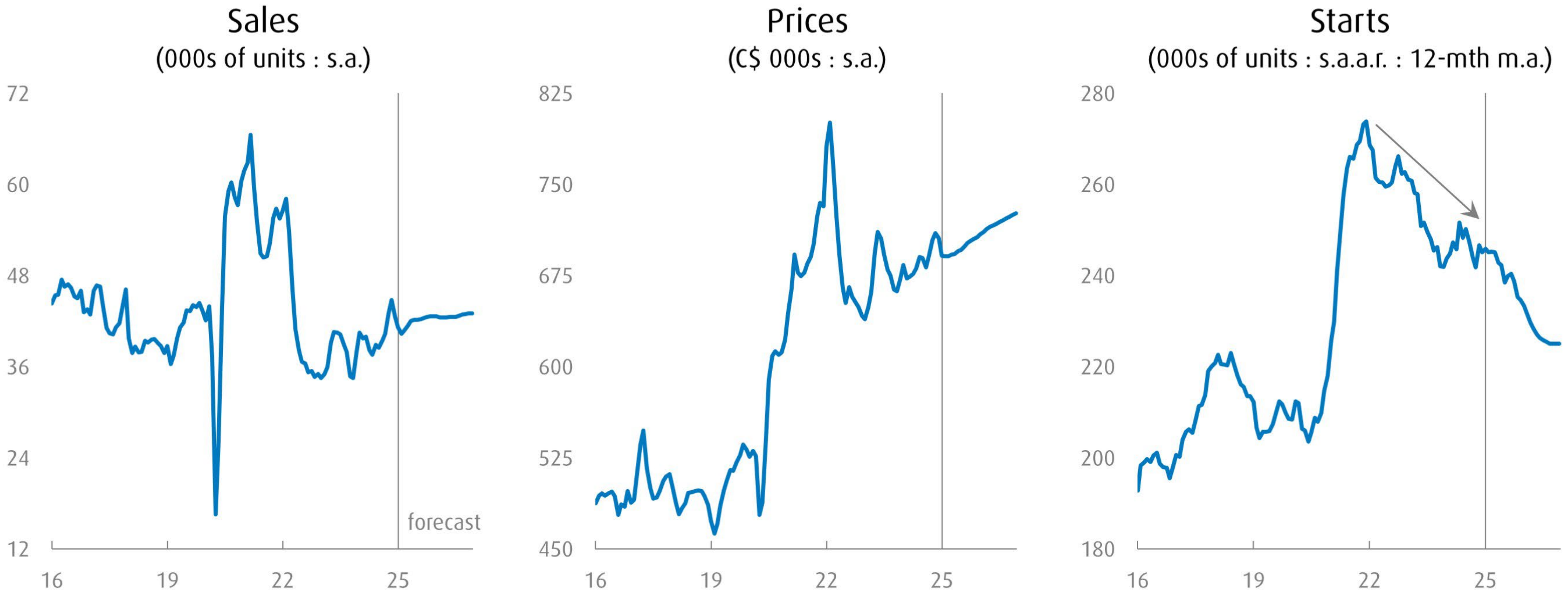




Neutral rates likely higher than past decade

# Housing outlook in a nutshell

## Canada – Housing



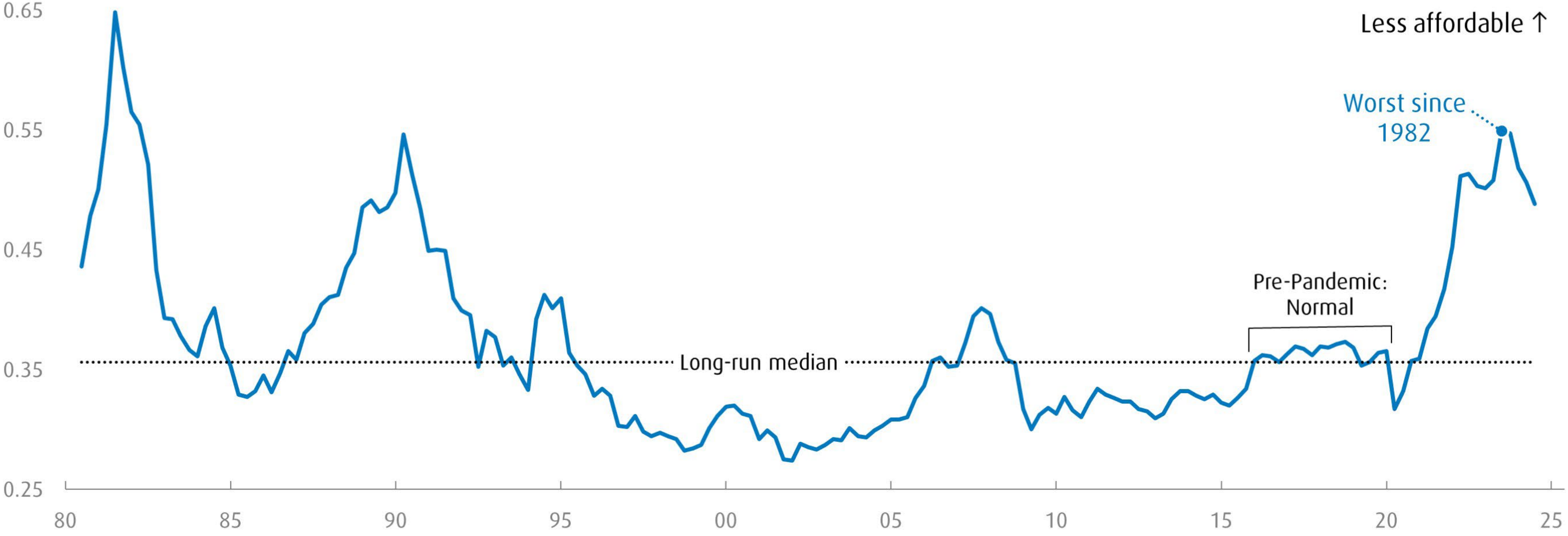

Rate cuts beginning to work

Sources: BMO Economics • Haver Analytics

# Affordability still crippled

## Canada

Housing 'Un-affordability' Index[1]




Mortgage service costs far above long-run norm

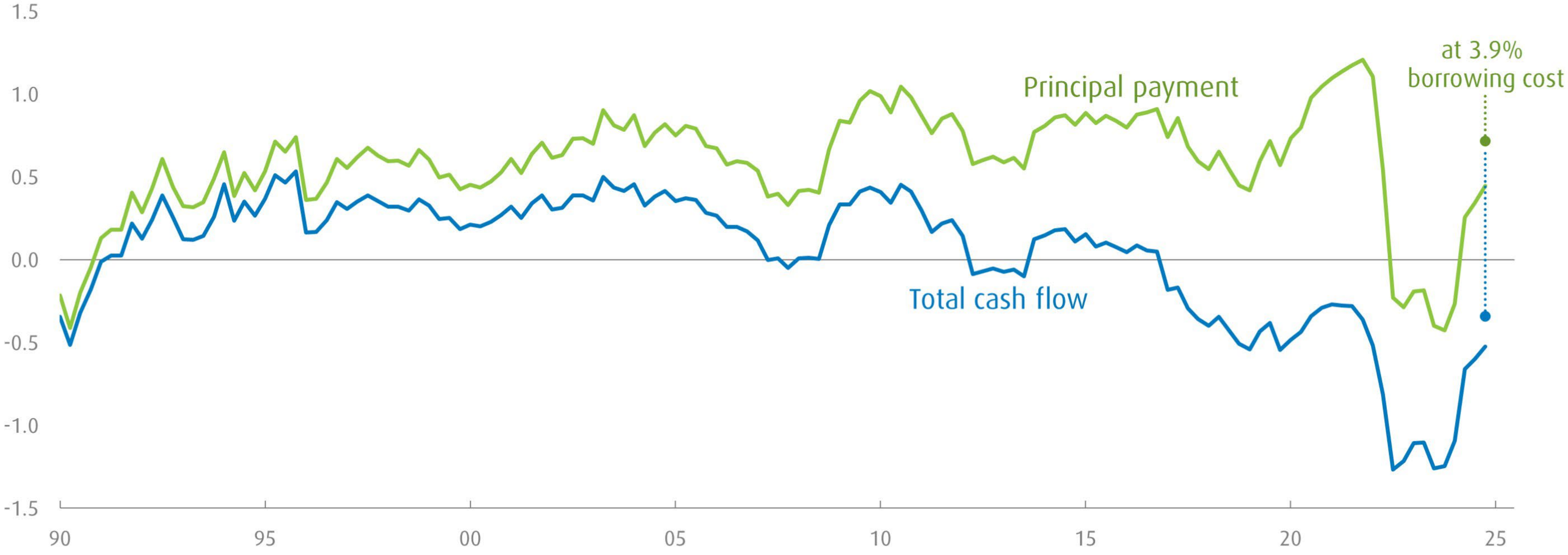
[1] (share of household disposable income spent on mortgage payments and utility fees)

Sources: BMO Economics • Haver Analytics • Bank of Canada

# Investors gone

## Toronto (inflation-adjusted $000s/month)

### Cash flow on new investment property[1]

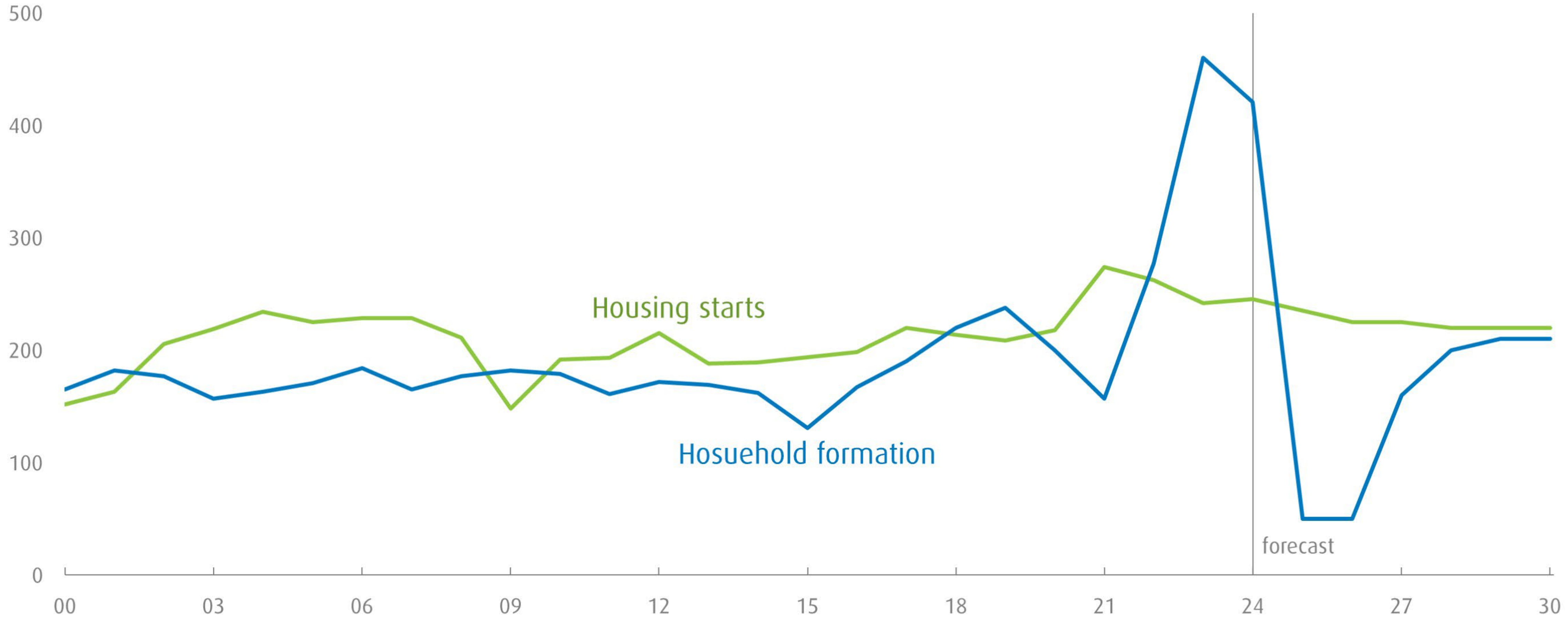



[1] Based on benchmark apartment price, 20% down payment and 25-year amortization

Sources: BMO Economics • Haver Analytics

# Housing rebalancing underway

## Canada (thousands)

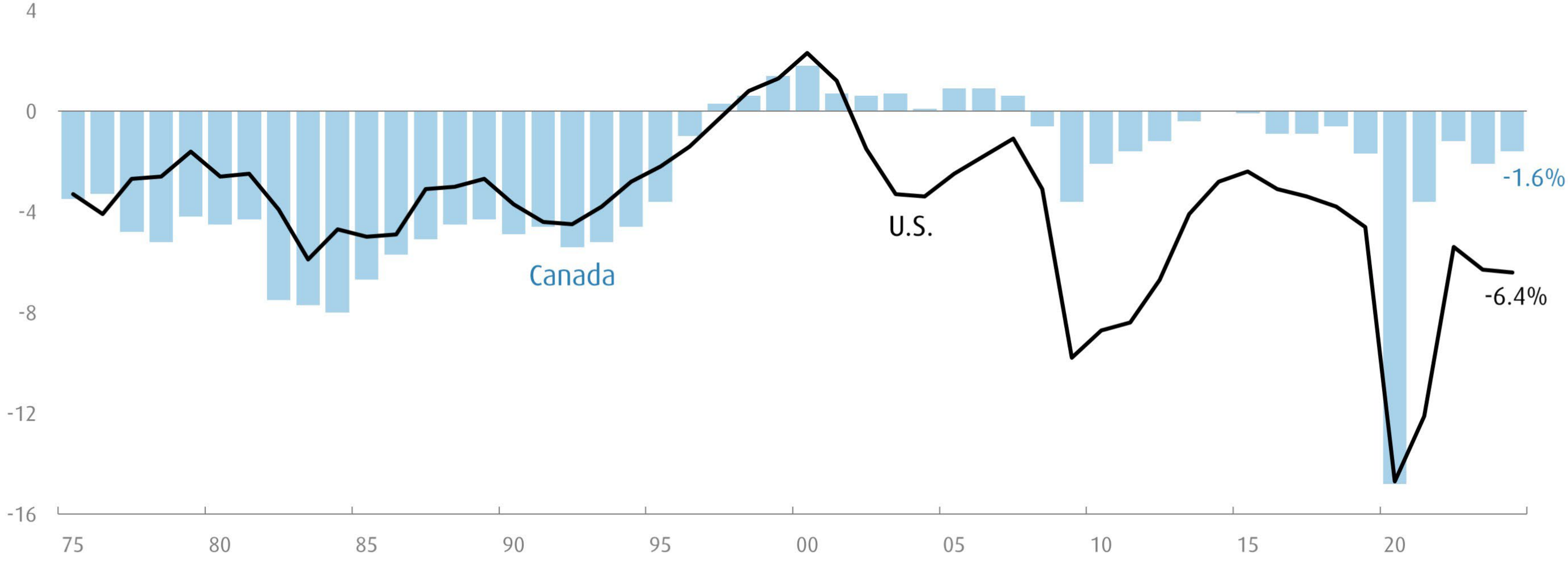



Sources: BMO Economics • Haver Analytics

# Fiscal matters: U.S. budget woes

(fiscal years : % of GDP)

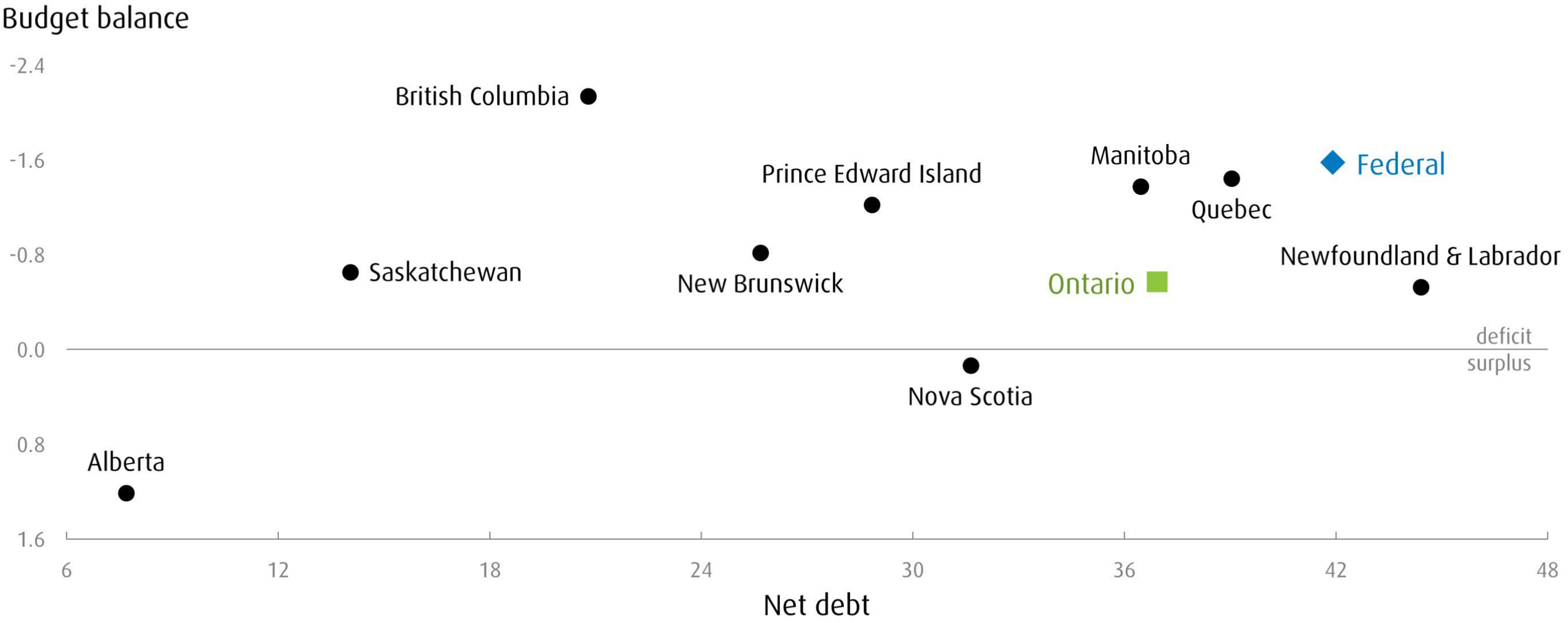
## Federal government budget balance




Canada: FY24/25 = estimate

# The lay of the fiscal land

## Canada – FY24/25 (% of GDP)

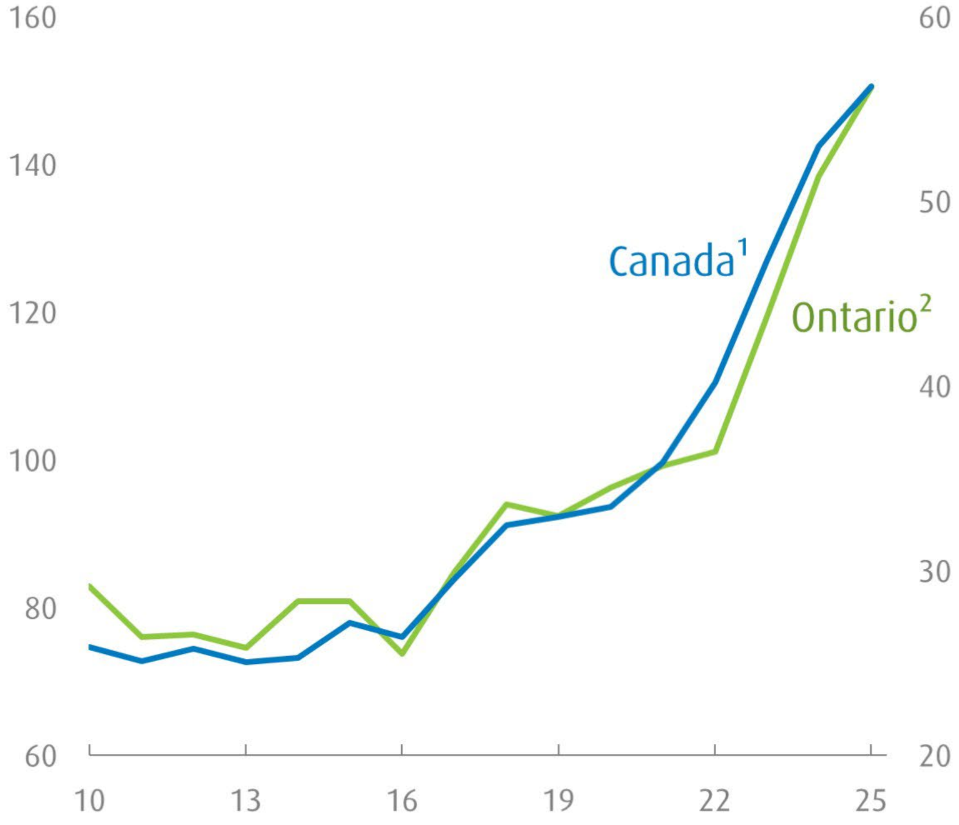



Sources: BMO Economics • Provincial/federal budgets/fiscal updates

# Capital spending boom continues

## Canada – Public sector organizations (C$ blns)

Capital expenditures




[1] (lhs) • [2] (rhs)

Major areas of capex:

- Transportation infrastructure
- Schools and hospitals
- Power infrastructure

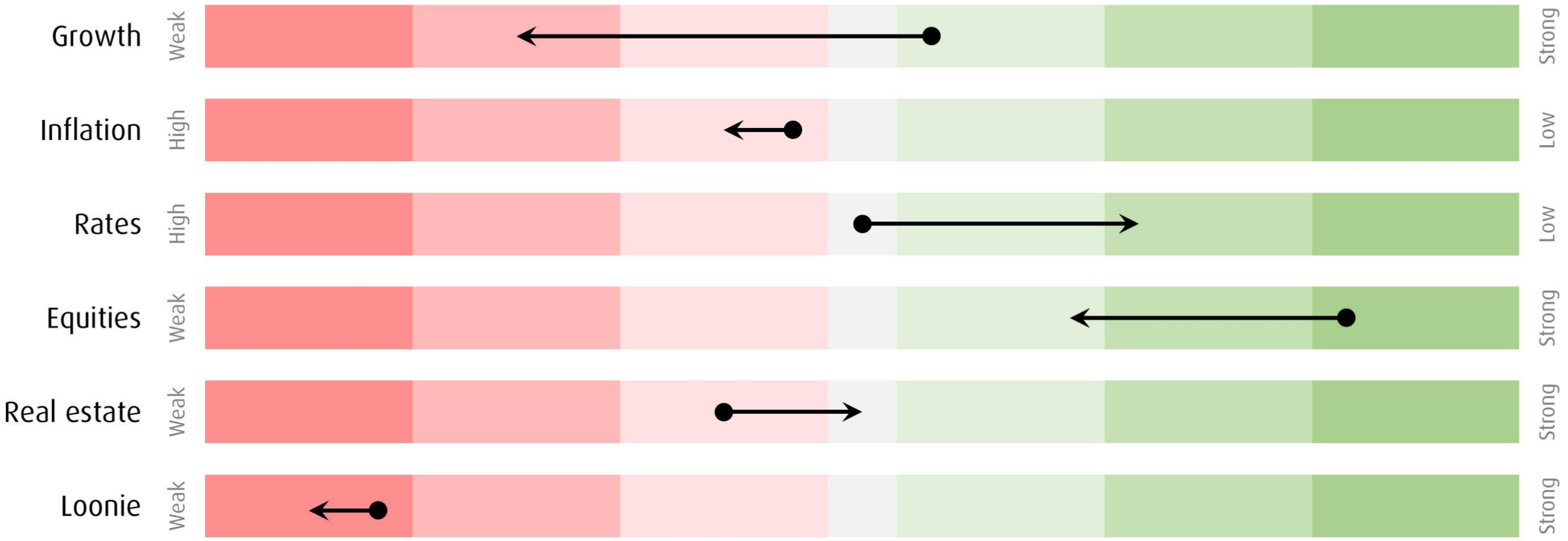
Provinces borrowing ~$140 bln vs. deficits of $26 bln

Private-sector could struggle during a trade war

Sources: BMO Economics • Haver Analytics

# Economic and financial market dashboard

## Canada




Arrows represent expected change over the next 6 to 12 months

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