

Economic Update – December 19, 2014

eLN wishes to provide an economic update in relation to the recent fall in oil prices and the potential impact to Canada. This recent decline is primarily a result of an oversupply caused by oil producing countries, in combination with declining global demand.

It is anticipated that oil prices will remain low for some time. Some producers believe that oil prices could slip below 50 dollars per barrel.

Investors have reacted by selling shares of Canadian resource based companies and the Canadian dollar, which is currently trading at 86 cents versus the US dollar. Companies that are adversely impacted by lower oil prices are planning to reduce spending. This will result in job losses and a cooling of the real estate market in oil producing regions of the country. At the same time, however, households across the country will benefit from lower gas prices and continued lower interest rates.

The manufacturing, services and export sectors in Canada will benefit in the current environment. In addition, lower prices will positively impact global oil importing and consumer driven economies, such as the US and Europe.

Overall, economists expect Canada's rate of economic growth to slow, but do not feel there is a threat of a recession. They have also expressed concerns about Canadian housing valuations and the recently reported record high average household debt to income levels.

It is important for families to ensure their personal and household finances can stand up to the risks the current economic environment poses. At the same time, families should continue to live within their means and be able to handle a reduction in the value of their investments or home.

Families should evaluate and strengthen their economic resilience by ensuring meritocratic performance at work and ongoing strengthening of skills.

Whatever your situation, it is encouraged for you to adopt a savings mindset rather than a borrowing mindset. This means spending wisely and not taking on any unnecessary or extensive commitments.