
Top economic myths – demystified

National 29 April 2013



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Agenda

Top **economic** myths – demystified

- ❖ Canada's economy is immune from a downturn in the months ahead
- ❖ Employment in Canada will continue to grow due to a strong job climate
- ❖ Interest rates will always remain low
- ❖ There are risk free investment opportunities in the market
- ❖ Working with others will not have a meaningful economic impact on my business/profession

Myth 5: Canada's economy is immune from a downturn in the months ahead

The headlines.

Cyprus bailout

EU ECONOMY 8:38pm

Cyprus laments end of way of life



Deadline looms on the prosperity brought EU membership

- Cyprus runs out of bailout options
- Video Cyprus: a geopolitical crisis
- Tony Barber The tremors hitting Cyprus could shake the world
- Cyprus A poor diagnosis, a bitter pill

EU ECONOMY 1:19pm

Ex-Cyprus bank chief lashes out at Europe

From COMPANIES 11:02pm

Laiki pays price for Greek over-reach

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FEATURED



No Sign of Unity as Italy Awaits President's Decision

Friday, 22 Mar 2013 | 9:28 AM ET

Italian parties reacted skeptically on Fri... center-left leader Pier Luigi Bersani's c... government backed by all political force... complicating efforts to end the stalema... last month's election.

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THE NEW EUROPE

Russia bails on Cyprus as deadline looms

CNN Money

418 comments

By Charles Riley and Mark Thompson @CNNMoney March 22, 2013: 7:39 AM ET

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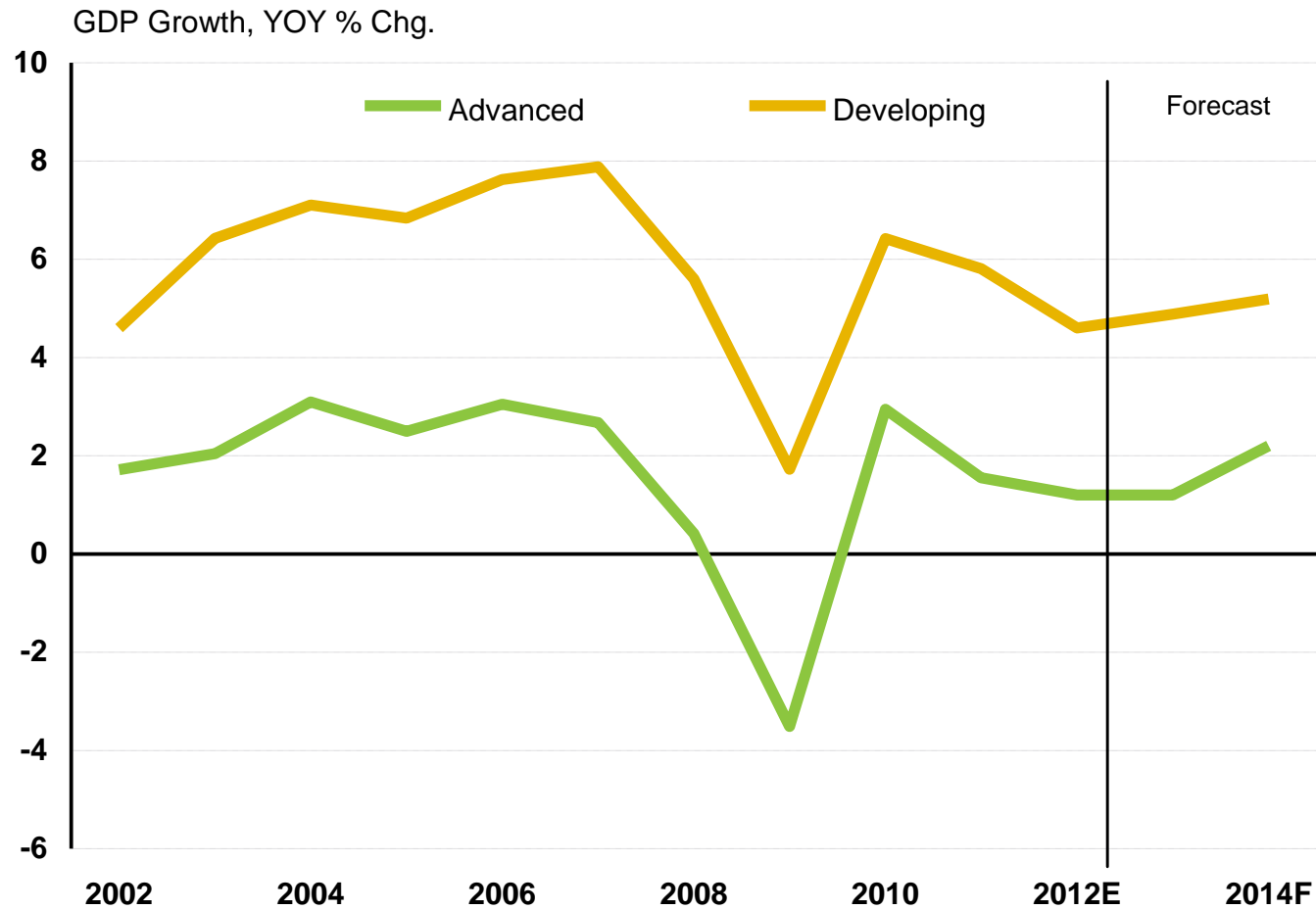


PHOTO: PATRICK BAZ/AFP/GETTY IMAGES

Just 5 euros left to feed 3 children

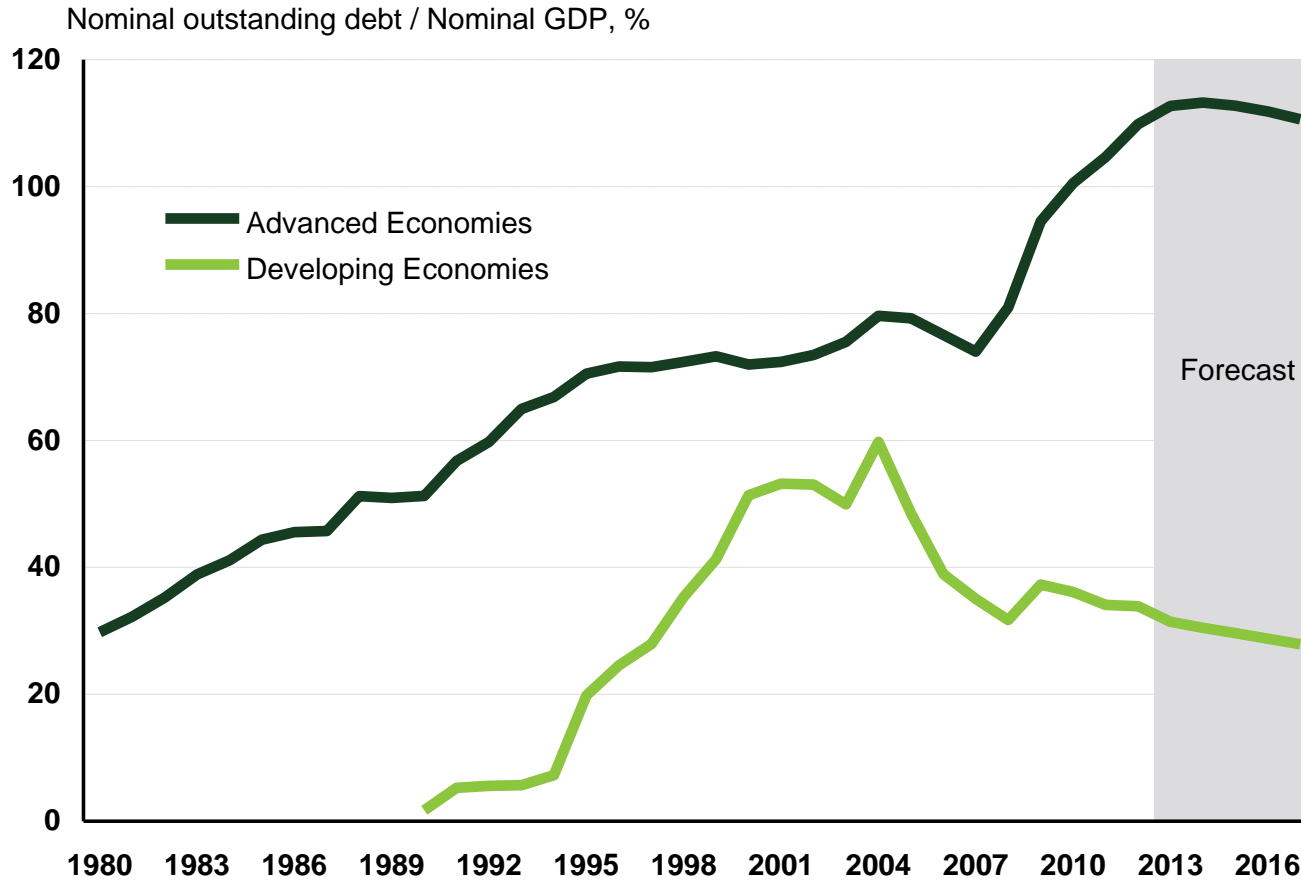
For ordinary people the crisis in Cyprus is very real. A 45 year-old single mother, with 1000 euros in her bank account, has no ATM card. With banks shut, she has only 5 euros left in her wallet to feed her 3 children. | RUSSIA BAILS ON CYPRUS

The world economy is growing slowly



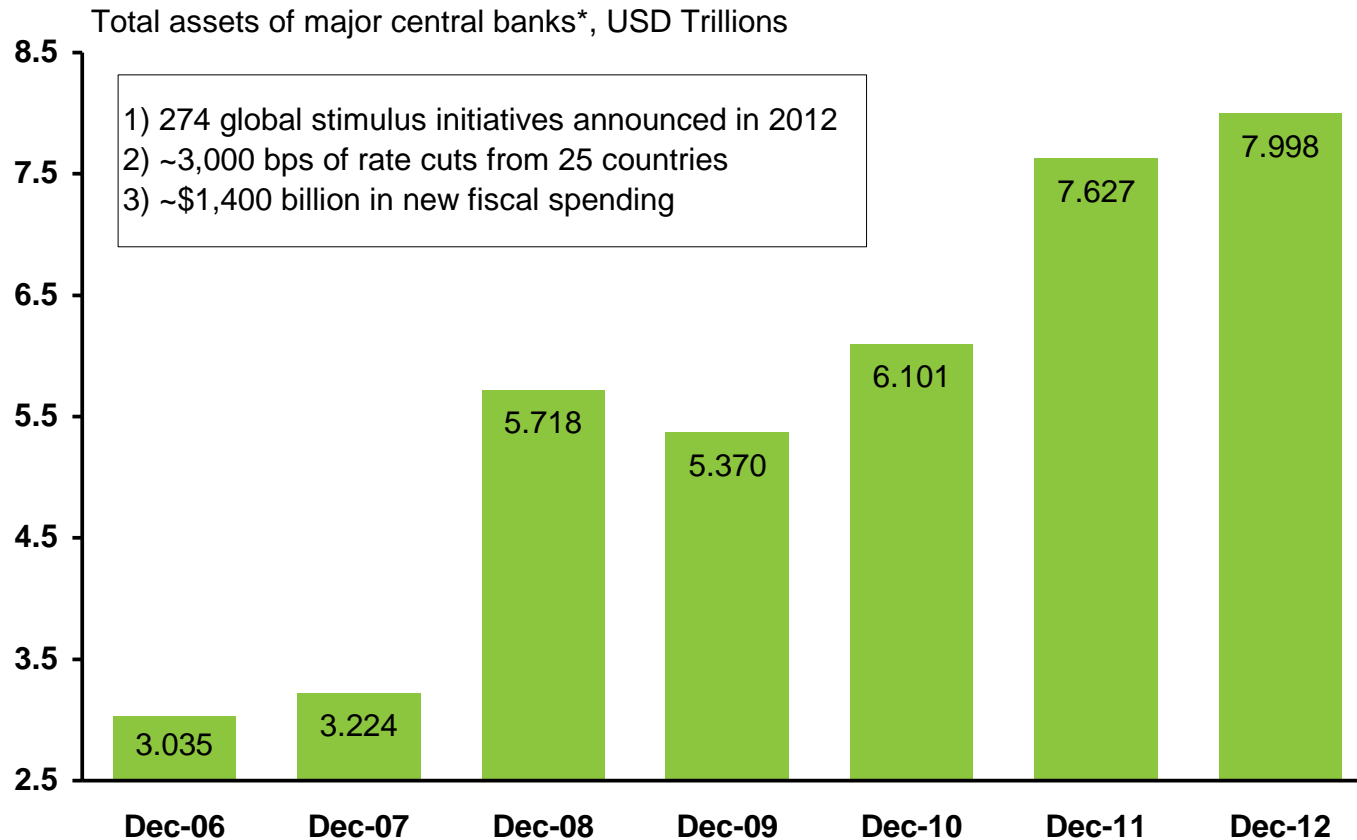
Source: IMF, Forecast by TD Economics as of March 2013.

A world awash in government debt



Source: IMF - WEO October 2012, TD Economics.

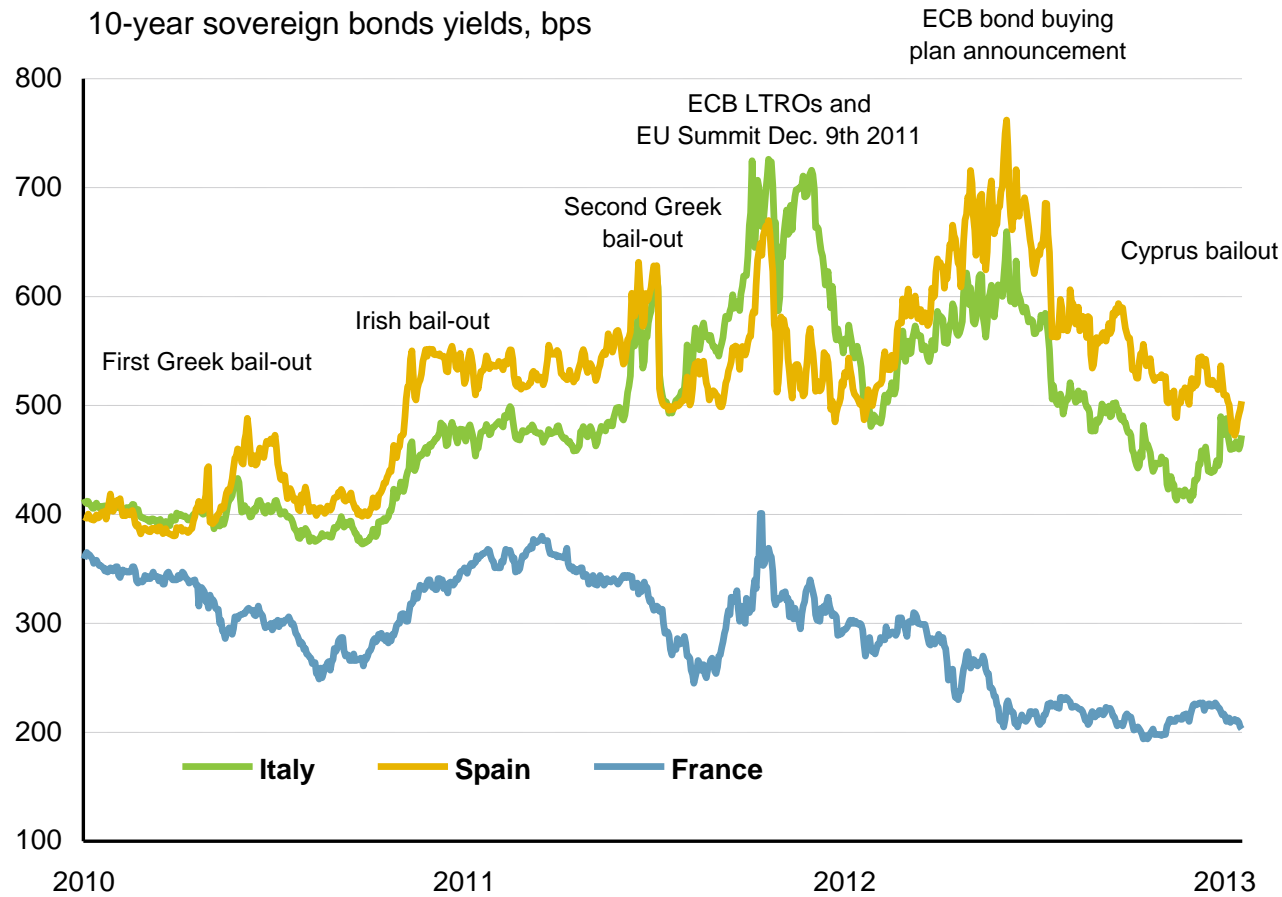
Central banks have flooded the global financial system with liquidity



*Sum total of balance sheet assets of Federal Reserve, ECB, BoJ, BoE, SNB, BoC, RBA; converted to USD at market prices; Source: TD Asset Management, Bloomberg

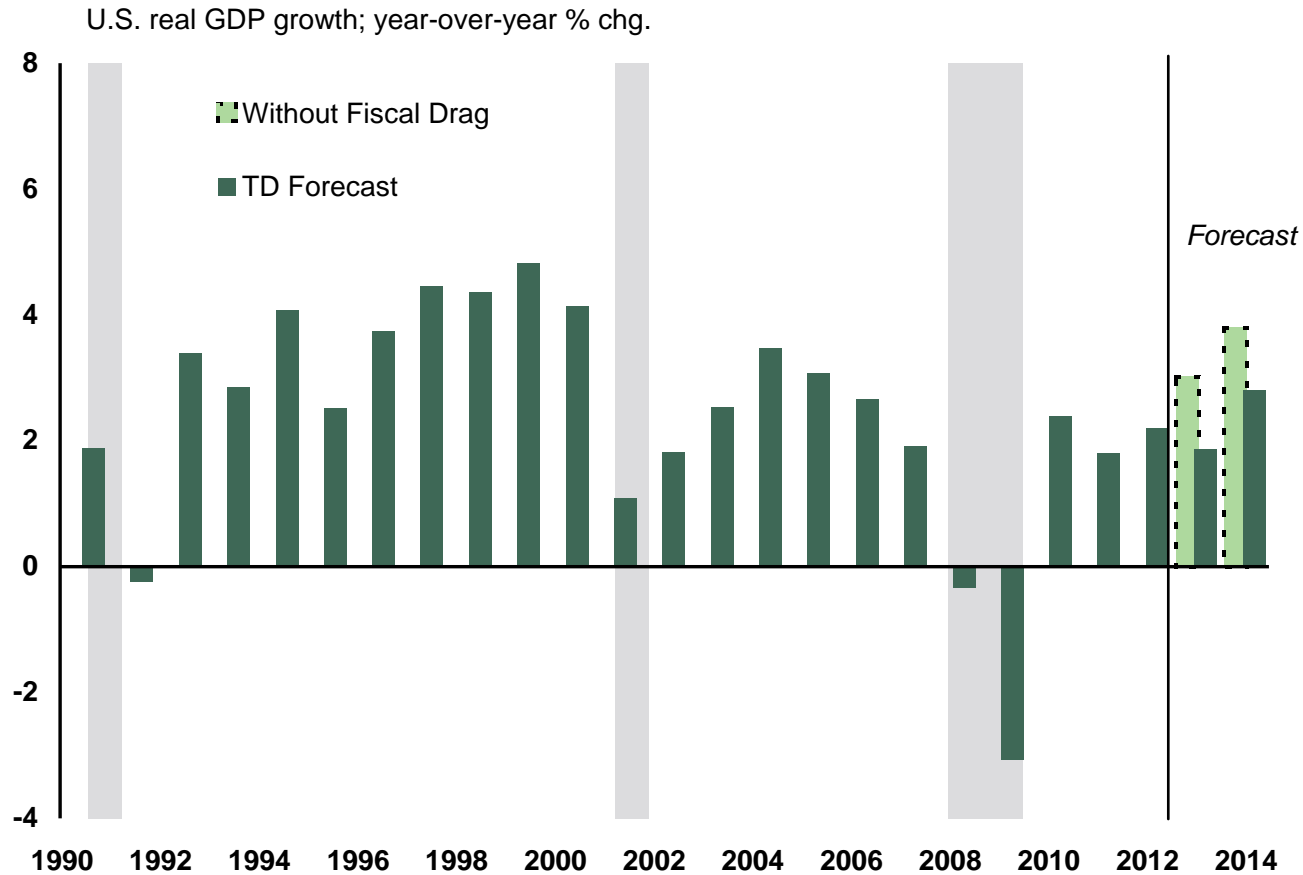
Global tail risks have diminished

Yield decreases as price recovers



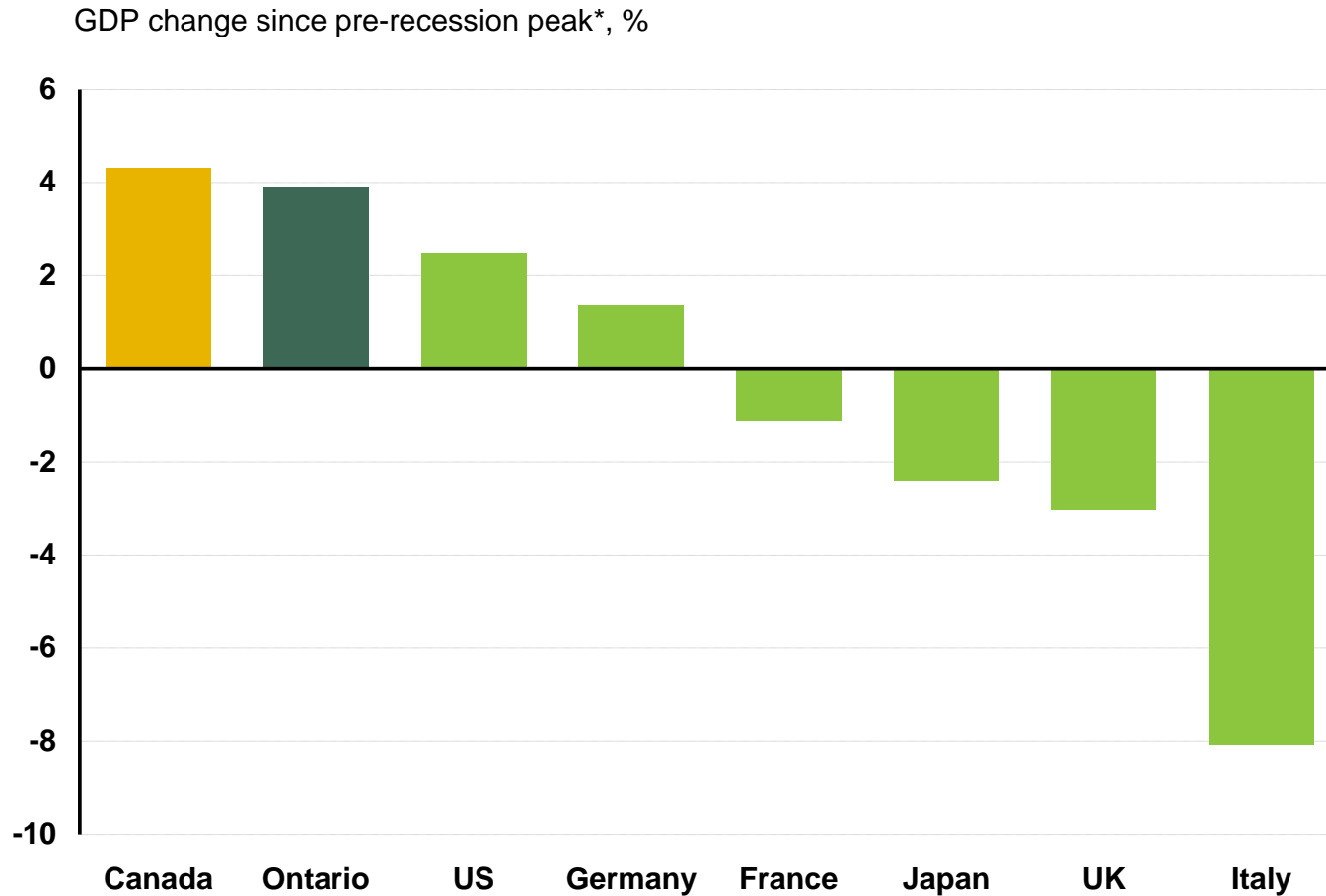
Source: Bloomberg. As of March 19th 2013.

US fiscal drag is coming, but still expect stronger growth in 2014



Source: BEA, Forecast by TD Economics. As of March 2013.

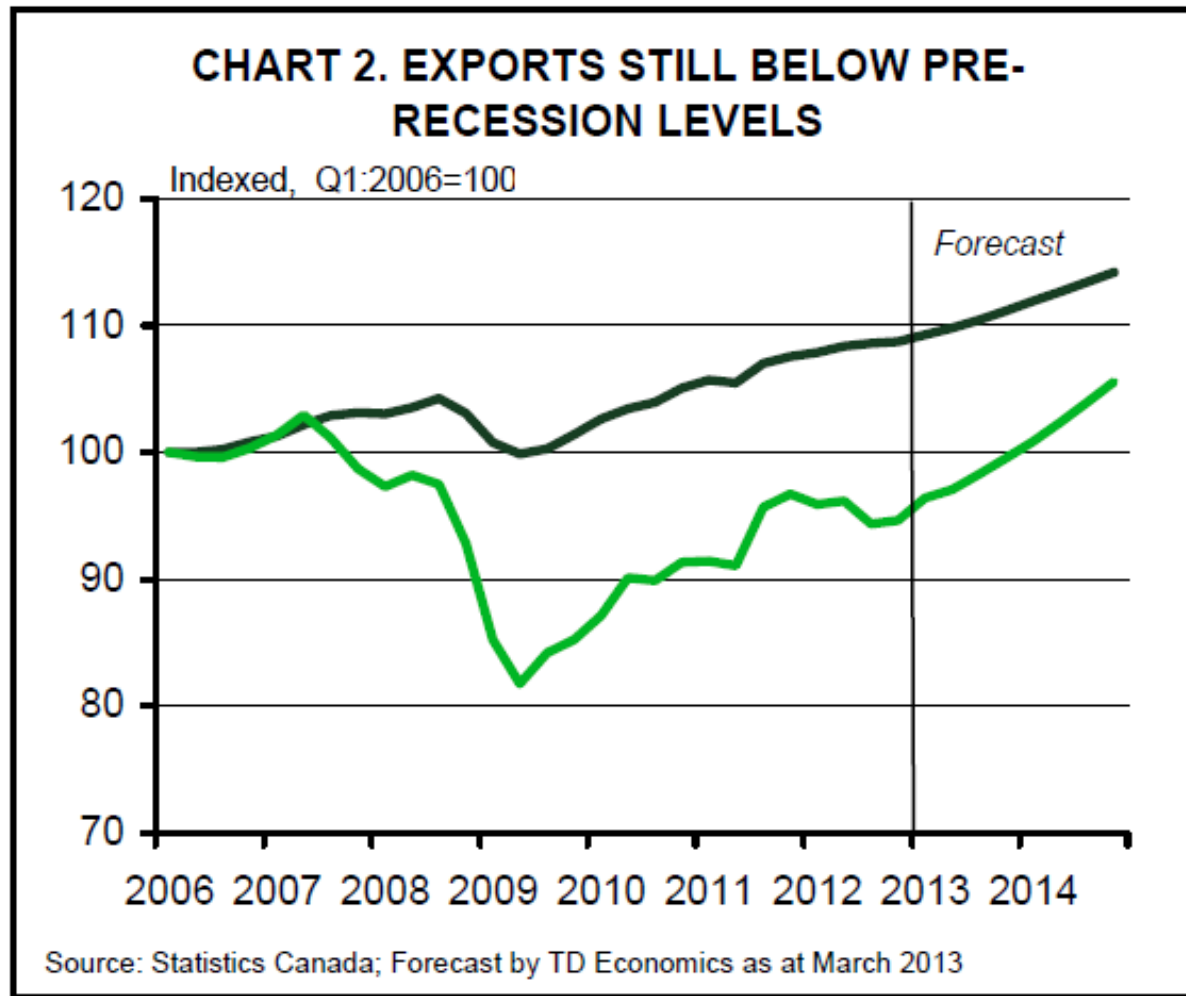
Canada has outperformed



*Source: Haver Analytics. Last data: Q4 2012, except for Ontario: Q3 2012.

Source: Haver Analytics. As of March 2013.

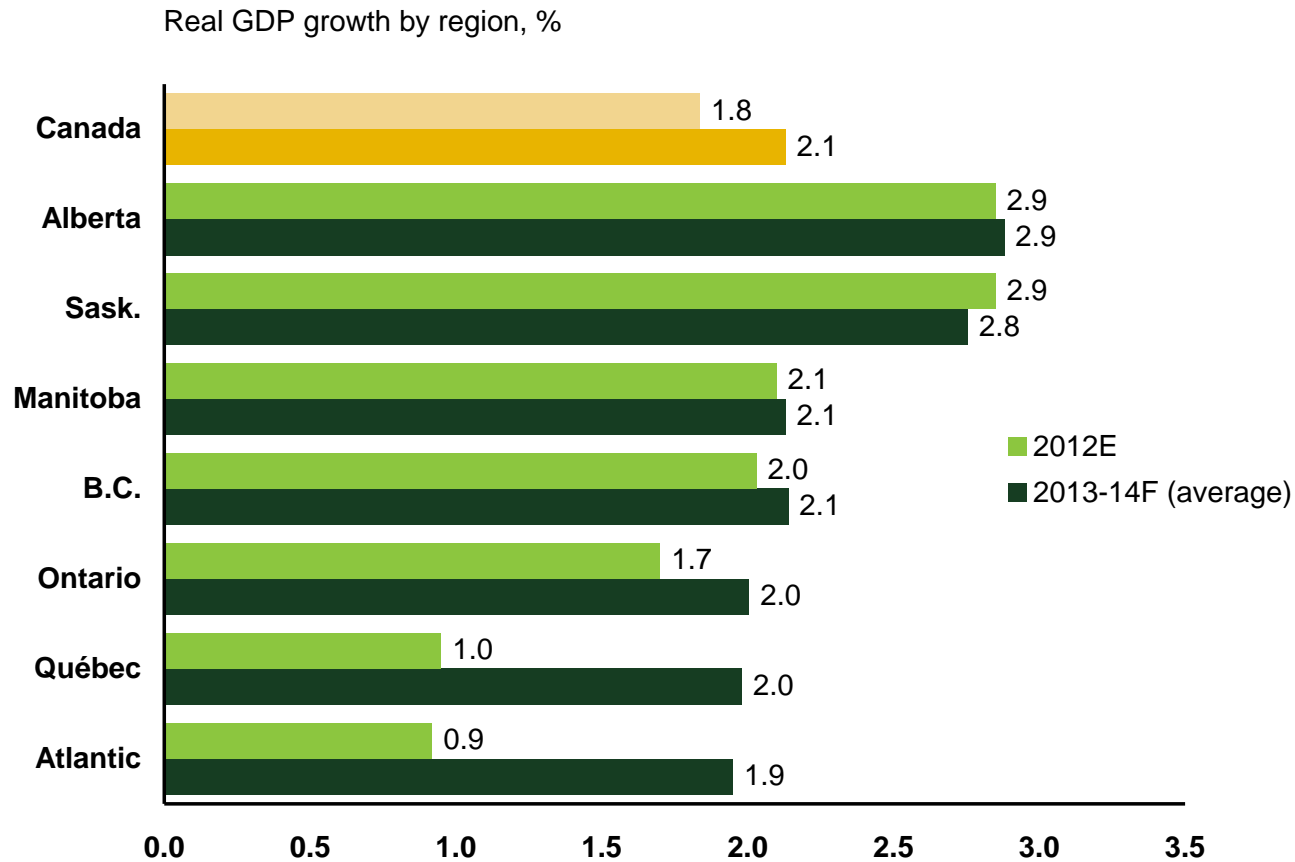
But...Canadian exports remain below pre-recession levels



US activity and Canadian real exports are expected to improve

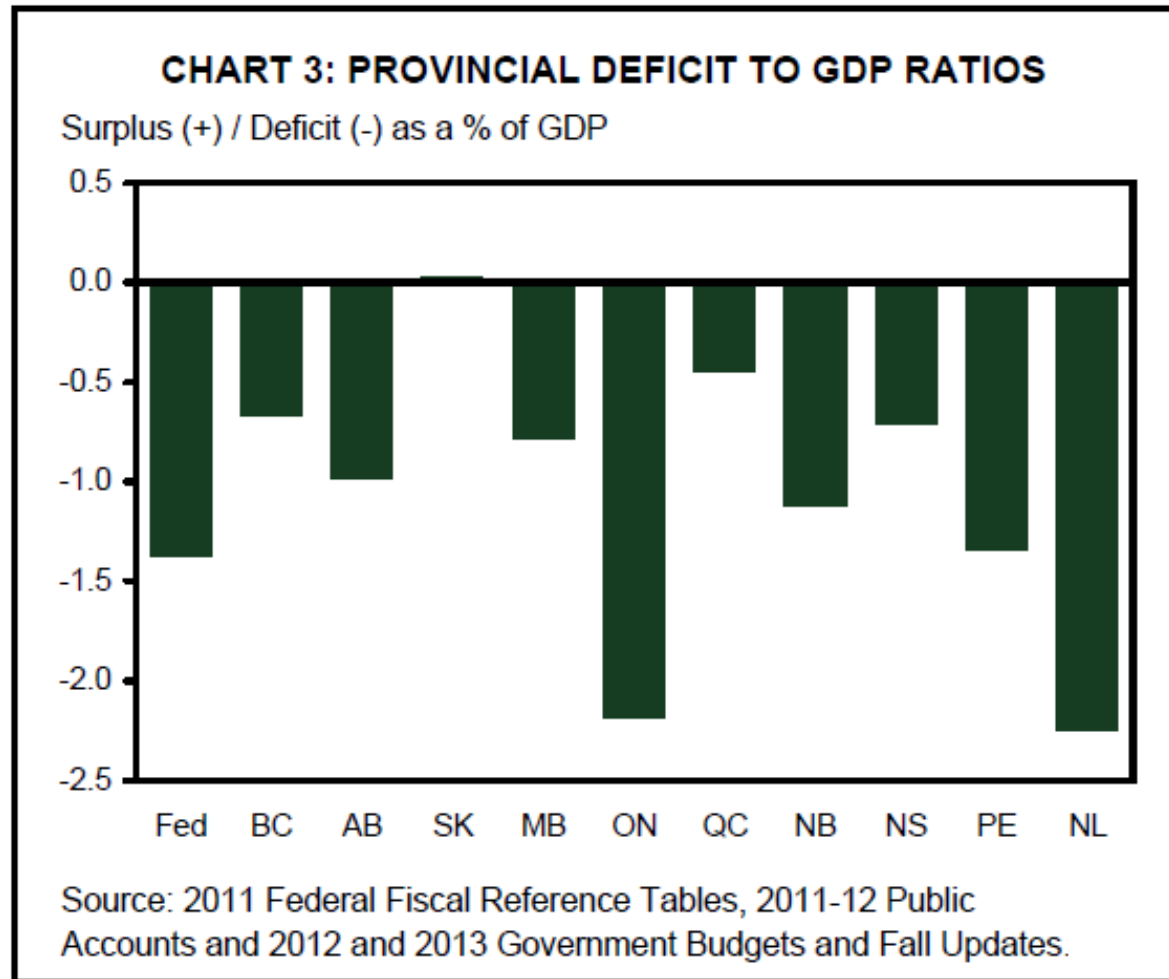


Moderate economic growth across the country



Source: Statistics Canada / Haver Analytics
Forecast by TD Economics as of March 2013

Ontario and Newfoundland, largest deficit to GDP



Regional differences continue to play out on the national scene



Alberta: Dark clouds barely dimming economic boom

- Forecasters estimate that the province led all other regions of the country in terms of growth in 2012 with a rate 3.5%, and we expect it to remain among the leaders again in 2013 with a 3.0% rate.
- Concerns about rapidly rising energy production in the United States, the emergence of pipeline bottlenecks, and the so called 'bitumen bubble', which have been depressing Alberta's heavy crude oil prices relative to global benchmarks late in 2012 and at the start of 2013, have weighed on energy project developers' plans in Alberta.
- Weaker than expected oil prices also drilled a multi-billion dollar hole in the government of Alberta's revenues, which led to greater public-sector spending restraint in the recent 2013 provincial budget.
- That being said, however, forecasters continue to believe that any let up in capital spending in areas such as the oil sands this year will be fairly short lived.
- The upcoming decision in the United States on the fate of the northern section of the Keystone XL pipeline project will provide a significant clue on the future investment prospects in the oil sands.

*RBC Provincial Outlook
March 2013*

British Columbia: Stronger growth delayed

- Forecasters continue to expect British Columbia's economy to grow modestly in 2013; however, we will have to wait until 2014 to see acceleration in the pace.
- Unexpectedly weak capital spending intentions prompted forecasters to revise our real GDP growth forecast downward for the province in 2013 to 1.6% from 2.3% previously, and this new rate represents a slight easing from the estimated 1.8% rate in 2012.
- On the upside, however, forecasters believe that the BC economy will see some export gains this year, as provincial exporters benefit from improving demand from the United States, more specifically from the turnaround in housing construction, and thus demand for lumber, that is taking place there.
- A ramp-up in capital spending next year will boost BC economic growth to a rate of 2.7% in 2014.

*RBC Provincial Outlook
March 2013*

Ontario: Rebuilding momentum

- Despite beginning 2013 with little wind in its sails, forecasters expect Ontario's economy to keep forging ahead during the remainder of this year.
- The lifting of some of the fiscal uncertainty bogging down its top trading partner—the United States—late last year will help to restore economic momentum in Ontario this year. Progressively rising US demand and a slightly weaker Canadian dollar will contribute to boost Ontario's external trade performance.
- At the same time, however, the slowing of domestic sectors such as residential investment will cap overall growth in the province. Forecasters project real GDP to grow by 1.6% in 2013, which would be down only slightly from the 1.9% rate estimated for 2012.

*RBC Provincial Outlook
March 2013*

Ottawa: Struggle in 2013 has to do with the major loss of jobs in the federal sector.

- Ottawa-Gatineau's economy grew just one per cent in 2012, ranking it at the bottom of 13 Canadian metropolitan areas in terms of economic growth.
- Layoffs in the federal public service are the primary reason why the economy grew at such a slow pace, and why Ottawa-Gatineau's economic growth is forecast to be the lowest of the 13 metropolitan areas for 2013 to 2016.

*Conference Board predicts slow growth in Ottawa,
CBC News*

- Employment in the capital region slipped to 707,300 in March — down 7,300 from February. That's a one-month drop of roughly one per cent compared a decline of just 0.3 per cent nationally over the same period.

Ottawa Citizen

Quebec: Outlook brighter but not a sea change

- With several of the obstacles that hampered growth in 2012 now cleared, the outlook for Quebec's economy is brighter for 2013 although the improvement will be more subtle than a sea change.
- Forecasters expect that two areas of weakness last year—consumer spending and the external trade sector—will turn a corner this year and contribute to an acceleration of real GDP growth to 1.2% in 2013 from a meagre 0.8% in 2012.
- This projected rate of 1.2%, however, will still position Quebec below the national mark of 1.8%.
- Among the factors holding the pace back in 2013 will be a slowdown in capital investment.
- Forecasters expect momentum in the provincial economy to continue to build in 2014 with real GDP growth reaching 2.0% activity.

*RBC Provincial Outlook
March 2013*

Myth 5: Canada's economy is immune from a downturn in the months ahead

Summary

The world economy is growing slowly. Global and US slow-down affects Canadian economic potential.

Impact

Provincial and local trade implication. Eastern Canada picking up steam in 2013/2014.

Recommendation

Consider planning for various economic risks and scenarios.

Myth 4: Employment in Canada will continue to grow due to a strong job climate

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THE VANCOUVER

London's unemployment rate soars

By Hank Daniszewski, The London Free Press
Friday, March 8, 2013 10:24:17 EST AM



NEWS OPINION **BUSINESS** SPORTS ENTERTAINMENT LIFE HEALTH TECHNOLOGY

B.C. adds 19,800 jobs in February, unemployment rate at 6.3%

Canada added a total of 50700 jobs with Ontario contributing maximum to the higher-than-expected numbers

BY TIFANNY CRAWFORD AND BRIAN CRAWFORD, VANCOUVER SUN MARCH 8, 2013



CBCnews | Canada

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Jobless rate stays steady at 7%

Canada gains 51,000 jobs in February

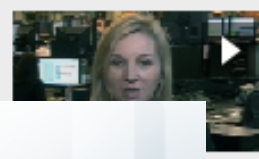
CBC News | Last Updated: March 8, 2013

CTV News: Jobless rate lowest point since '08



The national jobless rate has dipped to 7.1 per cent, the lowest since December 2008. CTV Ottawa Bureau Chief Robert Fife has the details.

CTV News Channel: Employment jump a good sign



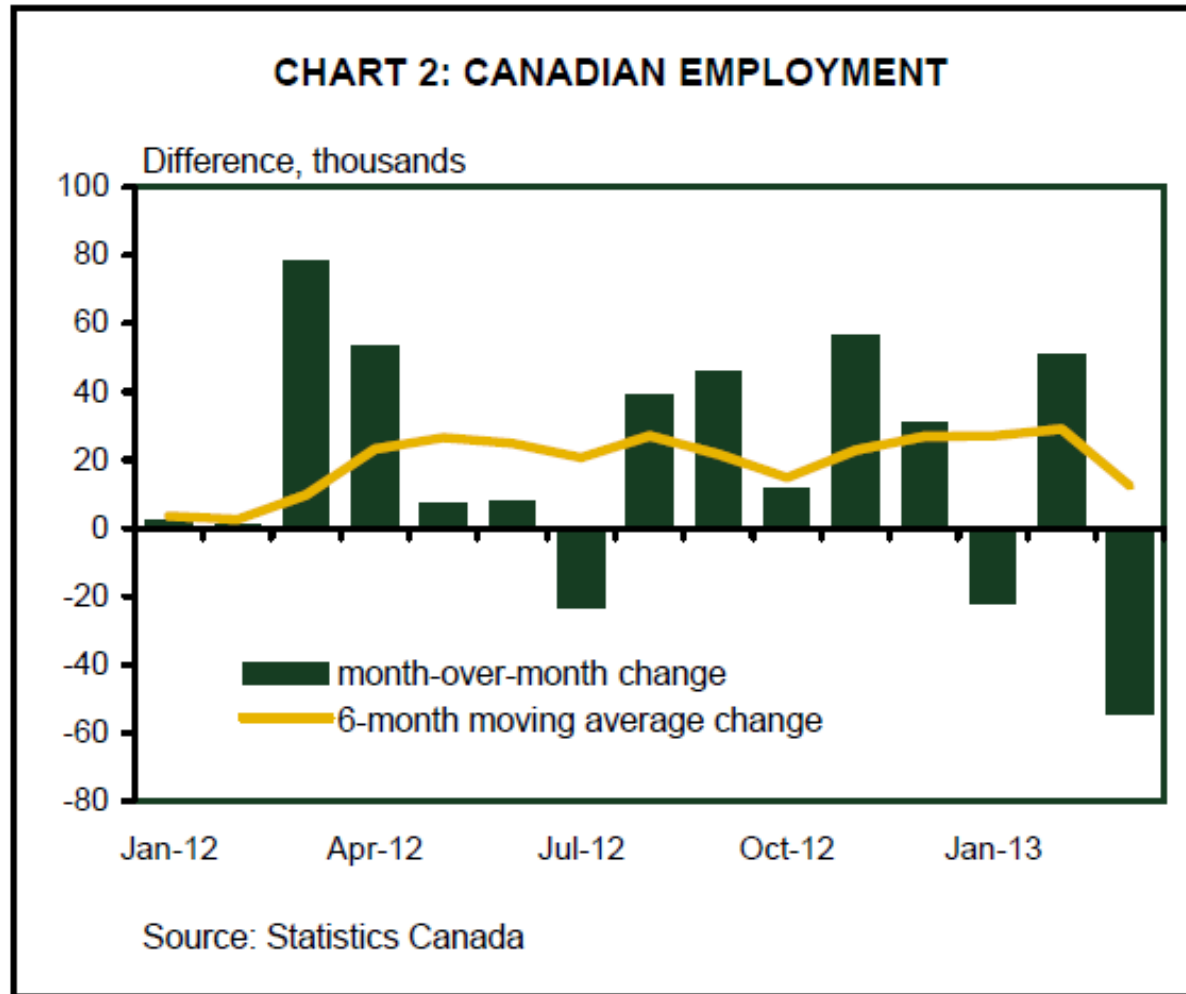
Chief economist Dawn Desjardins says 51,000 employment jump is a sign of a good economic activity in the first quarter.

CTV News Channel: Canada adds 51,000 jobs

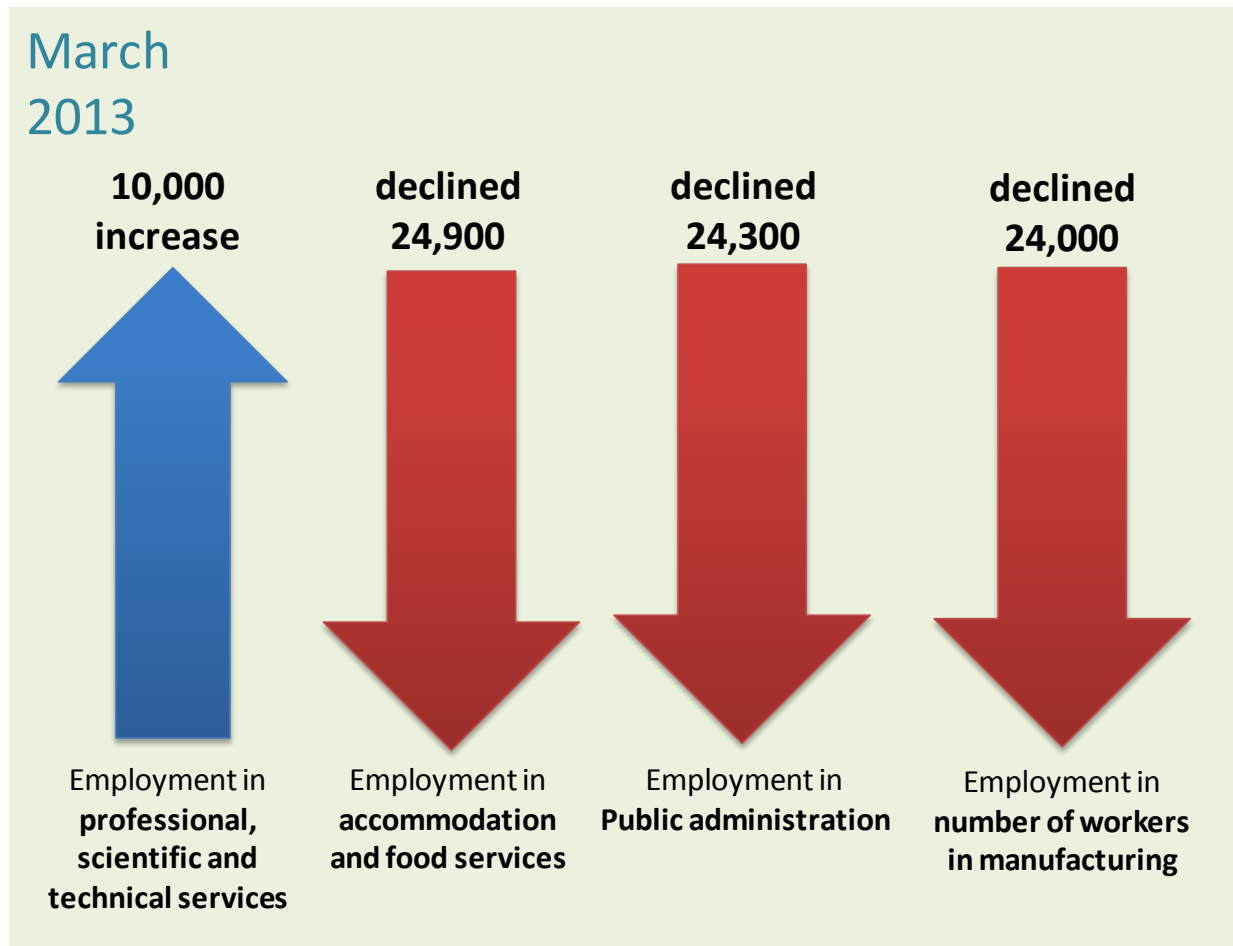


Financial commentator Pattie Lovett says Reid breaks down the jobs that were added and says the unemployment rate remained unchanged.

Canada's labour market shed 55,000 jobs in March, the largest monthly decline since the recession

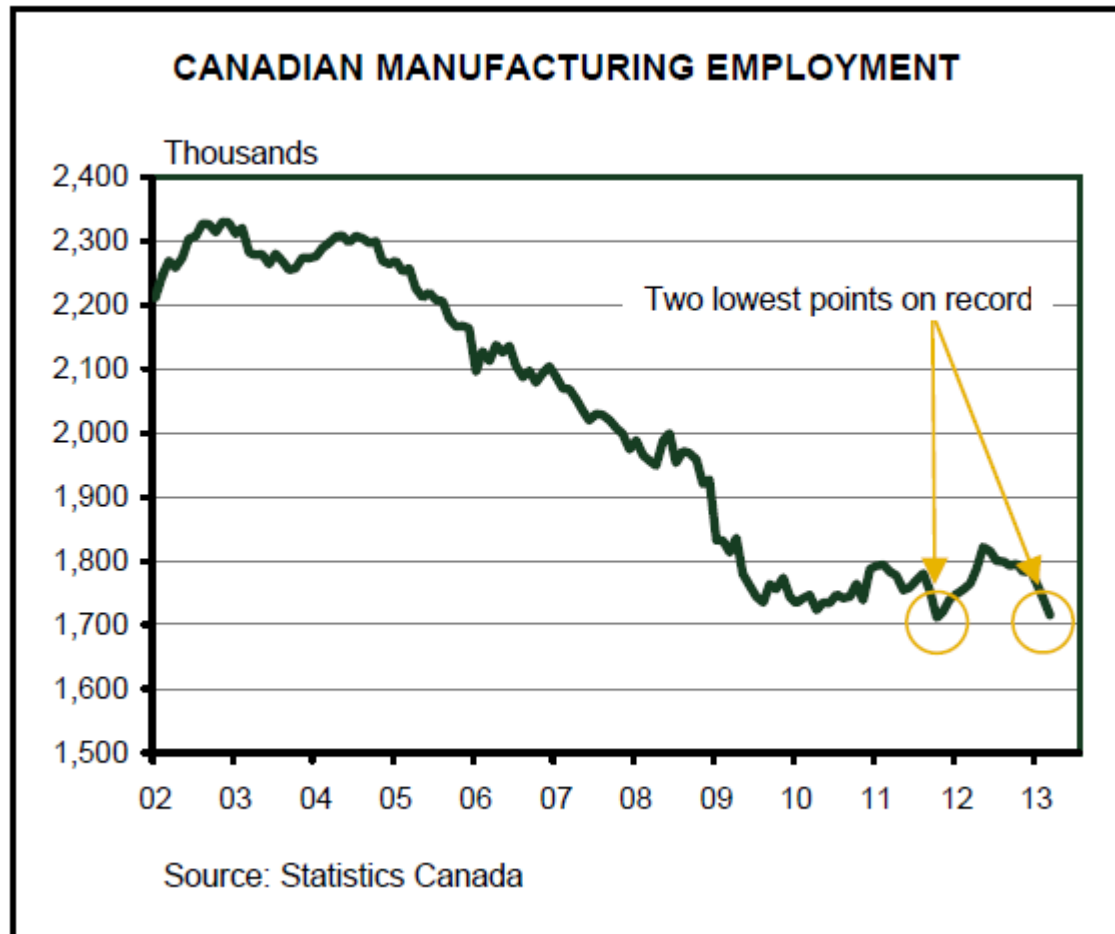


In March, there were fewer people employed in three industries: accommodation and food services, public administration and manufacturing

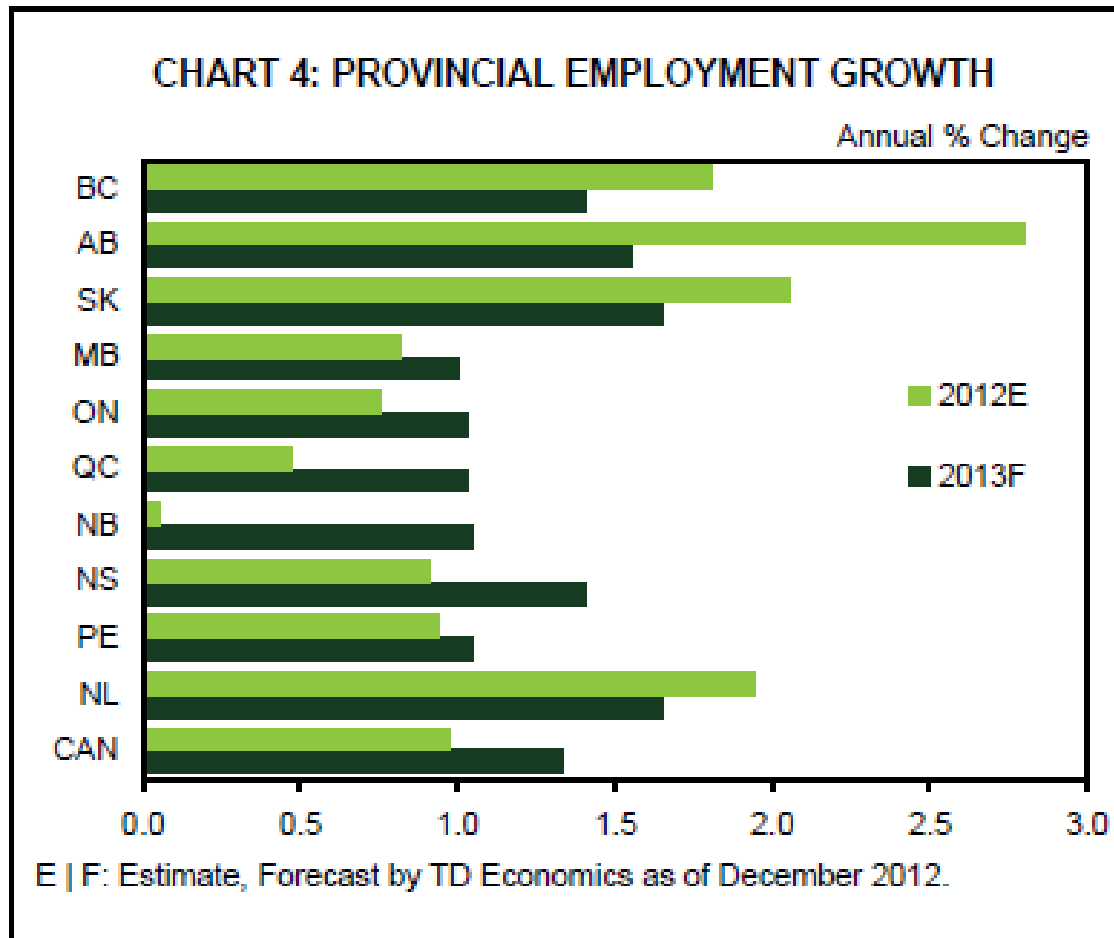


Labour Force Survey, March 2013
Statistics Canada

Manufacturing: Employment has fallen by nearly 106,000 since last May. Two-thirds of those losses occurred in the last three months



Employment growth to slow in BC, Alberta, Saskatchewan, and Newfoundland



“Everywhere I go, businesses of all sizes tell me that their number one concern is finding the right people to do the job.”

- The Canadian workplace is changing: Canadian workers need to get the education, training, and skills they need to get better jobs and employers need to invest in a skilled, flexible and diverse workforce to succeed.

Human Resources and Skills Development Canada

4 July 2012

- To improve Canada’s long-term economic growth, we need to get more of Canada’s underutilized workers and their skills to work. Canada’s well-trained and highly educated workers are one of our key advantages in competing and succeeding in the global economy.

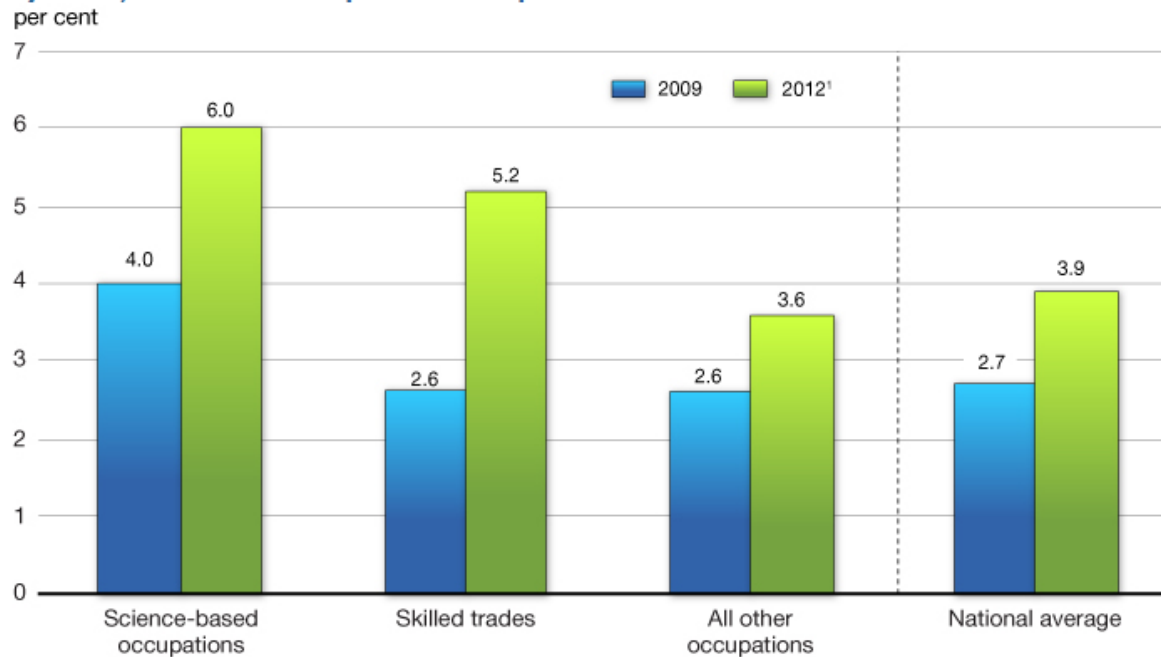
Budget 2012

Government of Canada

Federal budget 2013-14, continued focus on jobs and long-term growth. Connecting Canadians with available jobs

The number of available jobs has increased since 2009

Chart 3.1.1
Job Vacancy Rate, Selected Occupation Groups



¹ The job vacancy rate is defined as the number of online job postings divided by total labour demand, that is, job postings plus occupied positions (total employment).

Sources: Statistics Canada; WANTED Analytics Inc.; Department of Finance calculations.

Myth 4: Employment in Canada will continue to grow due to a strong job climate

Summary

Overall, employment rates in Canada have shown decline.

Certain sectors show more strength than others.

Evidence points to a skills shortage in certain sectors.

Impact

The Canadian workplace and career patterns are changing, there is a need for continued skills upgrading.

Recommendation

Life long learning and skills development.

Rule of thumb: Savings equivalent of 6 months of income.

Myth 3: Interest rates will always remain low

ECONOMY

Report on Business **Economy Lab**

Delving into the forces that shape our living standards
Best Business Blog, EPPY awards, 2011 and 2012

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TRENDING

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Interest rate hikes send dismal data mounts

NP

ALASTAIR SHARP AND SOLARINA H
13/02/08 9:13 PM ET
[More from Reuters](#)



The Flaherty-Dickson-Carney debt balancing act

KEVIN CARMICHAEL

Globe and Mail Update - includes correction
Published Thursday, Mar. 21 2013, 1:34 PM EDT
Last updated Friday, Mar. 22 2013, 2:47 PM EDT

Markets watch Bank of Canada for tone on rates

The Canadian Press | Posted: Mar 5, 2013 4:06 PM ET | Last Updated: Mar 5, 2013 4:04 PM ET



Bank of Canada Governor Mark Carney surprised markets in January when he declared the prospect of a policy interest rate hike now 'less imminent.' (Fred Chartrand/Canadian Press)

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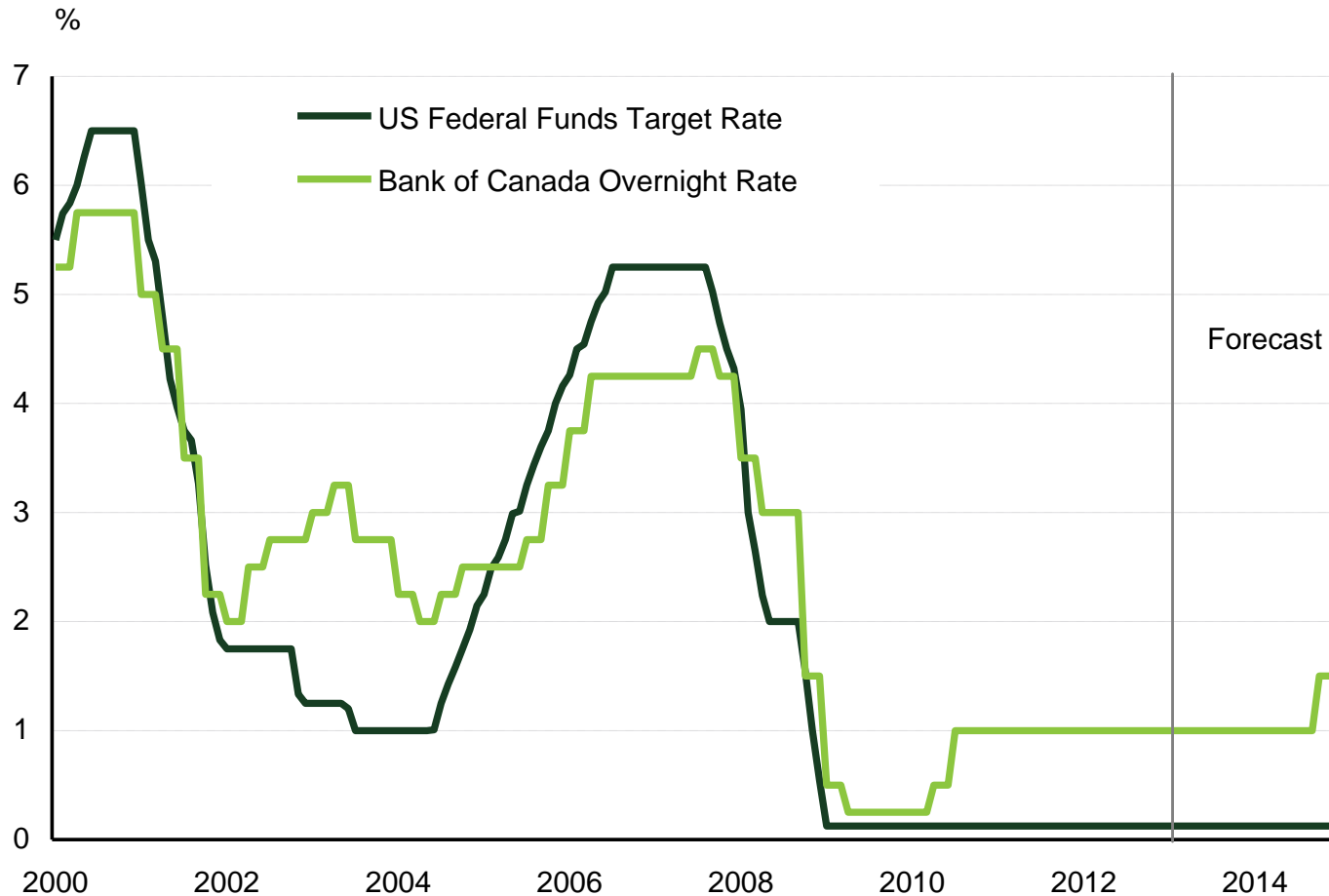
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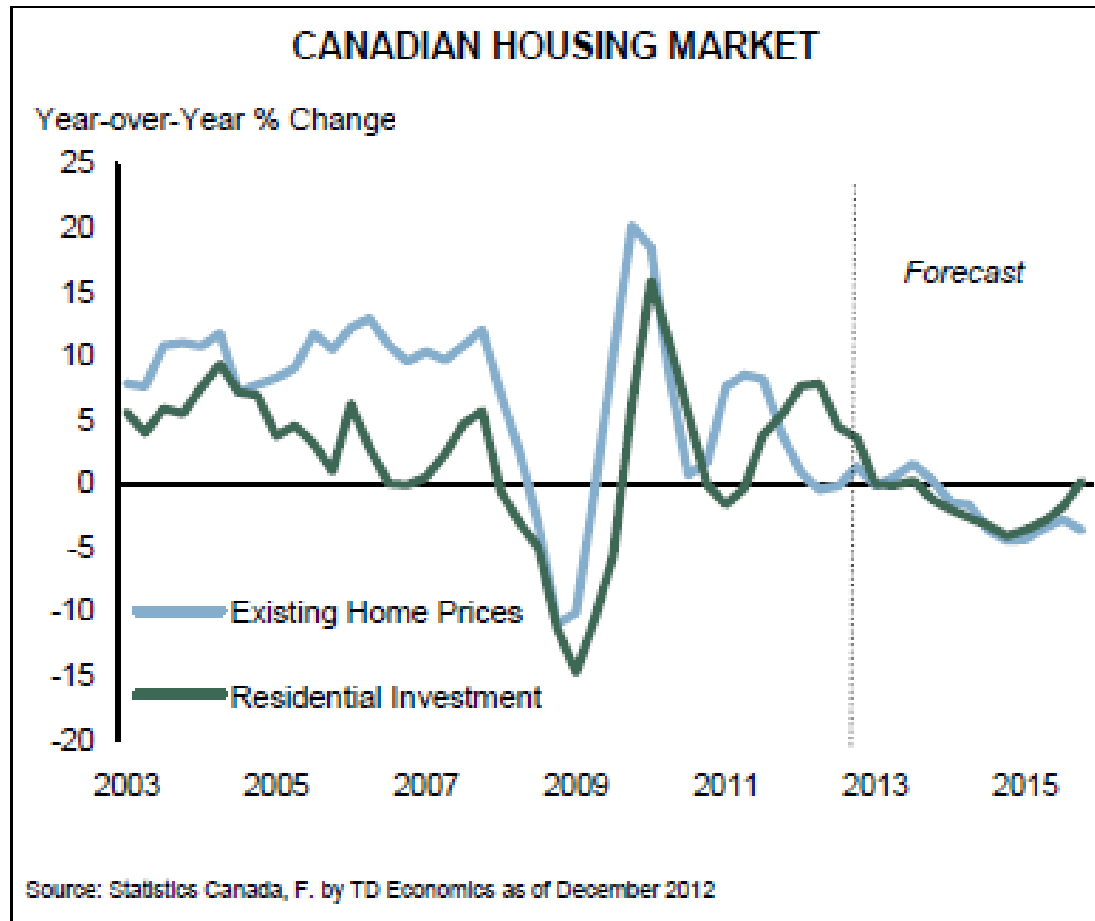
Whitewater
luxury cottage club

Interest rates to remain low to late 2014

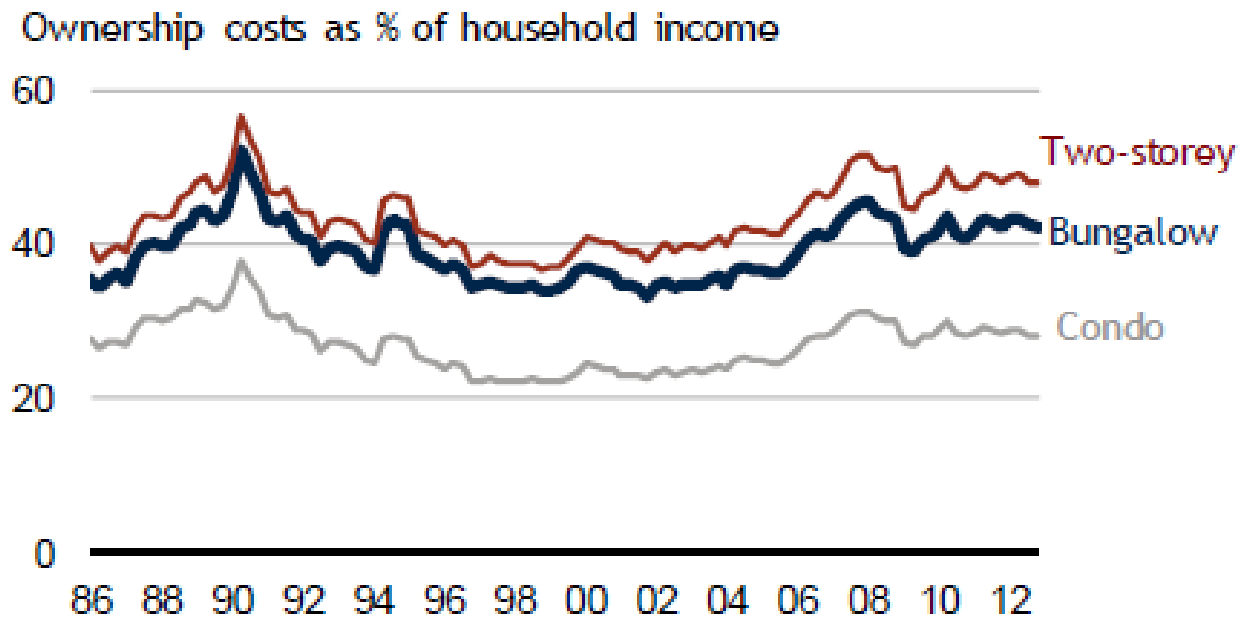


Source: Bank of Canada/Haver Analytics.
Forecast by TD Economics as of March 2013.

A cooling housing market



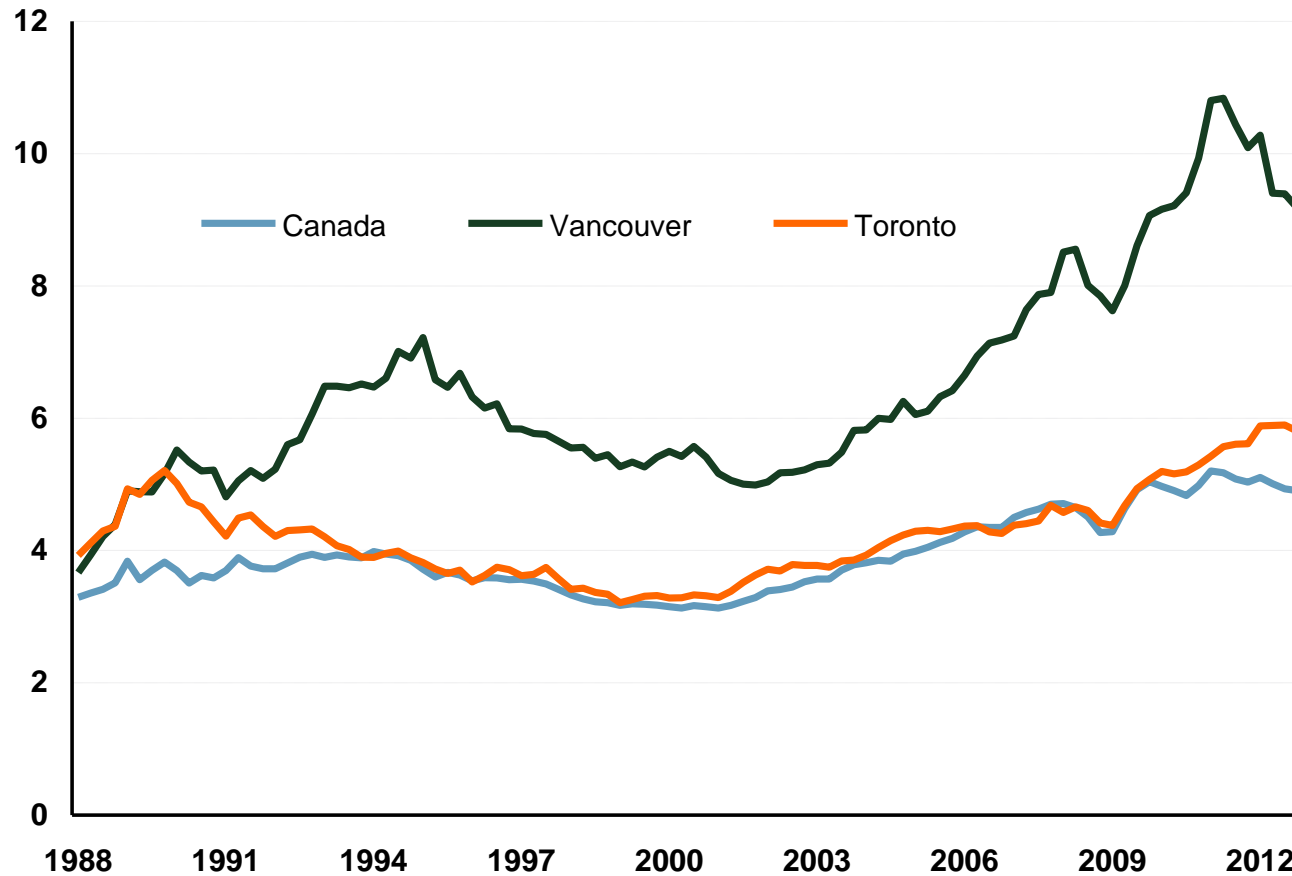
Housing affordability improved slightly in Canada in the fourth quarter of 2012



Source: Statistics Canada, Royal LePage, RBC Economics Research

National average exaggerated by Vancouver housing market

Average resale house price divided by household income



Source: Canadian Real Estate Association, Statistics Canada, Haver Analytics. As of February 2013.

Small changes in interest rate result in large fluctuations in housing affordability

- Over the past few years, interest rates have been at historical lows.
- While this helps to make homeownership affordable today, an increase in interest rates could have a significant impact on your future monthly housing costs.
- **For instance, homeowners renewing a mortgage of \$250,000 with a 5% interest rate could see an increase in payments of \$300 per month if rates were to increase by 2%.**
- Evaluating the impact of increasing interest rates on your monthly payment today may help you to avoid financial difficulties in the future.

*Canada Mortgage and Housing Corporation
(CMHC)*

Myth 3: Interest rates will always remain low

Summary

Interest rates to remain low to late 2014.

Data shows a cooling national housing market.

Impact

Housing affordability will increase.

Small increases in interest rates would result in large changes in housing affordability.

Recommendation

Assess affordability in the short, medium, long-term, and alternate scenarios.

Assess how external factors could influence rates.

Myth 2: There are risk free investment opportunities in the market



Intelligent Investing


IDEAS FROM FORBES INVESTOR TEAM



PRECIOUS-Gold down as Cyprus fears ease, notches weekly gain

INVESTING | 7/11/2011 @ 11:47AM | 7,874 views

The Best Ways To Learn About Investing

 Steve Schaefer, Forbes Staff



THE BUY SIDE

Risk-free? Be careful what you wish for

TOM BRADLEY

Special to The Globe and Mail

Published Thursday, Feb. 17 2011, 6:09 PM EST

Last updated Thursday, Aug. 23 2012, 5:00 PM EDT



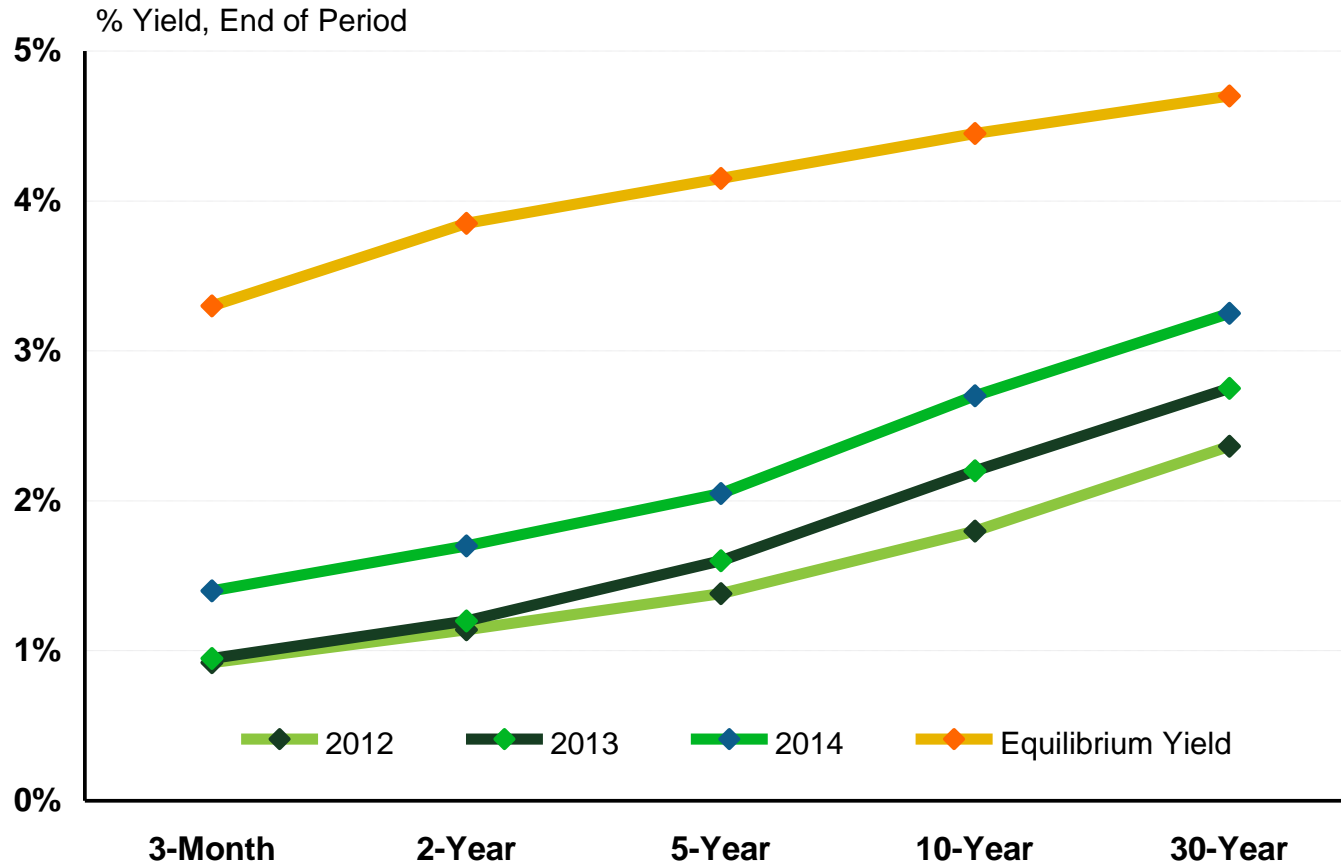
HOW CAN I PROTECT MY MONEY FROM INVESTMENT FRAUD

What are some recent scams?

Investor Education Fund

PRECIOUS-Gold heads for biggest weekly rise in 4 months on Cyprus

Bond yields rise, but remain well below normal



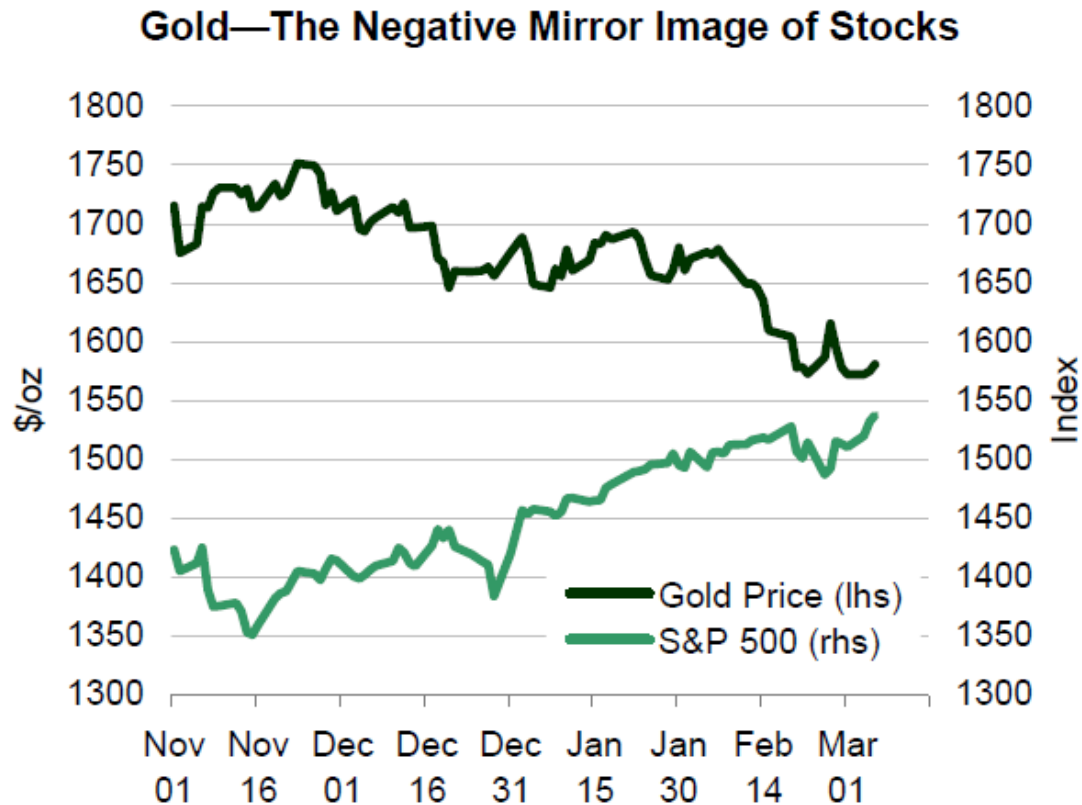
Source: TD Economics. Forecast as of March 2013.

Gold price sharp incline has shown recent declines



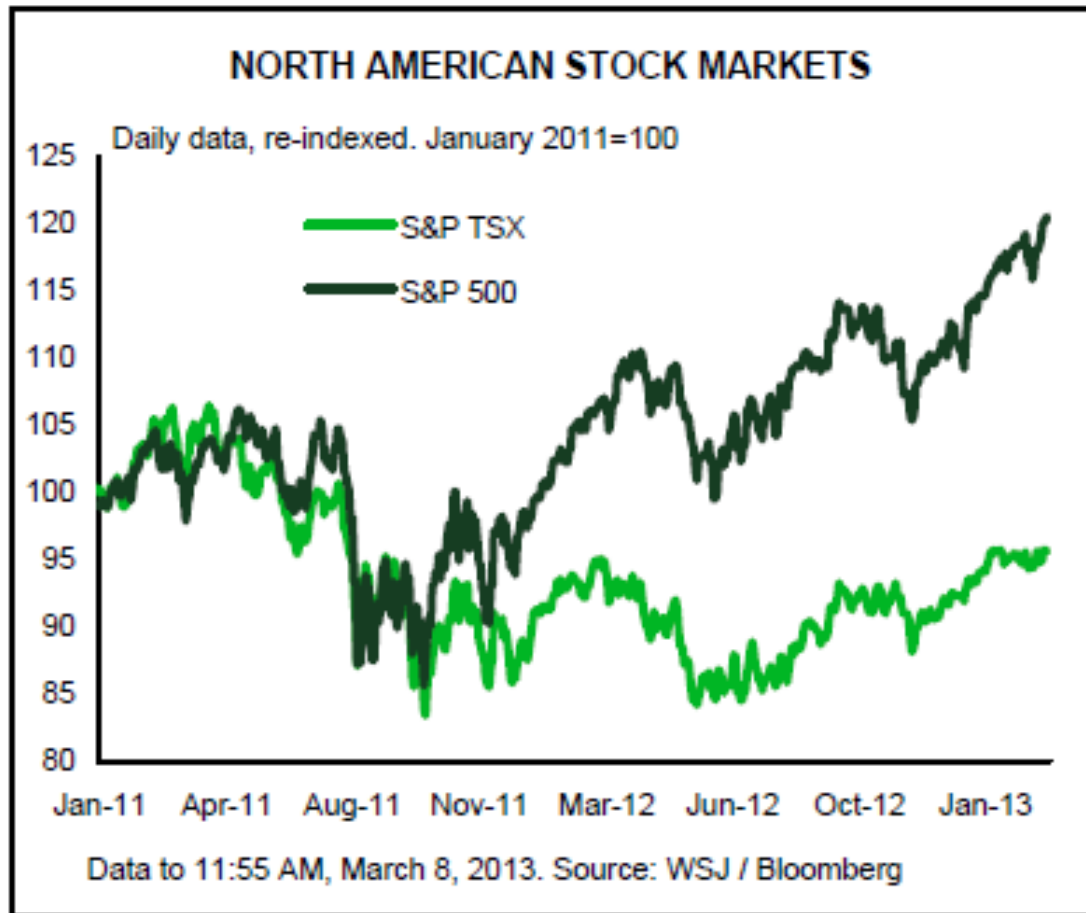
36 year gold price history in US Dollars per ounce. [^Top](#)

Investors continue to sell gold on rallies and buy US stocks

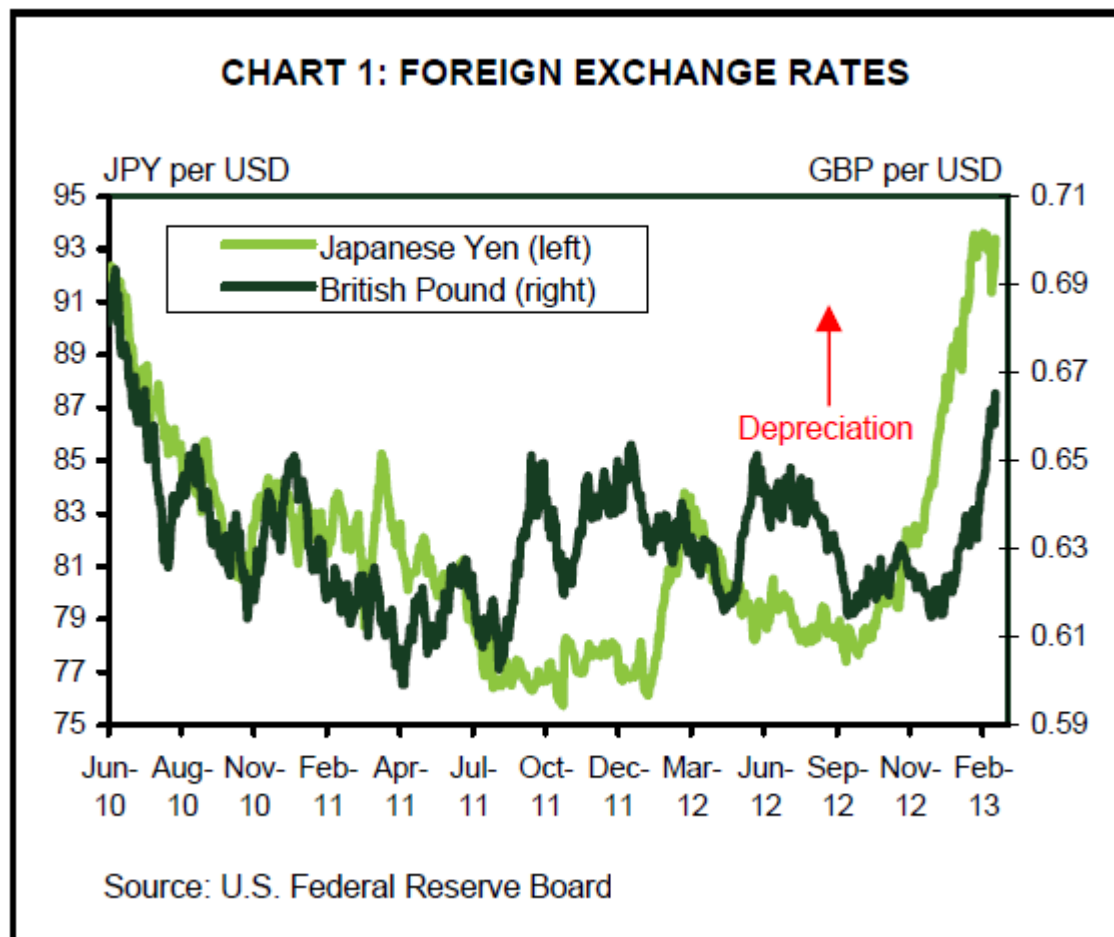


Source: Bloomberg, TD Securities

S&P 500 has been closing in on the heights reached prior to the financial crisis while the S&P/TSX sitting 15% below the peak reached in June 2008



Massive injections of stimulus by central banks are putting downward pressure on certain currencies



Myth 2: There are risk free investment opportunities in the market

Summary

General feeling of increased confidence in financial markets and the US economy.
All investments carry risk.

Impact

Return on your investment portfolio will correlate to risk.

Recommendation

Gain a good understanding of your risk profile and tolerance.
Research your investments.
Identify warning signs.

Myth 1: Working with others will not have a meaningful economic impact on my business/profession

4 Reasons Business Partnerships Fail

Keep your eyes open for these red flags; they could make a | rails.



Bloomberg Businessweek Small Business

Global Economics Companies & Industries Politics & Policy Technology Markets Finance

Small Business

When a Business Partnership Goes Wrong

By Karen E. Klein on June 04, 2008

[Twitter](#) [Facebook](#) [LinkedIn](#) [Google+](#) | [Comments](#) 0 Comments

Simple Rules for Making Alliances Work

by Jonathan Hughes and Jeff Weiss

Small Business > Running a Business > Benefits of a Business

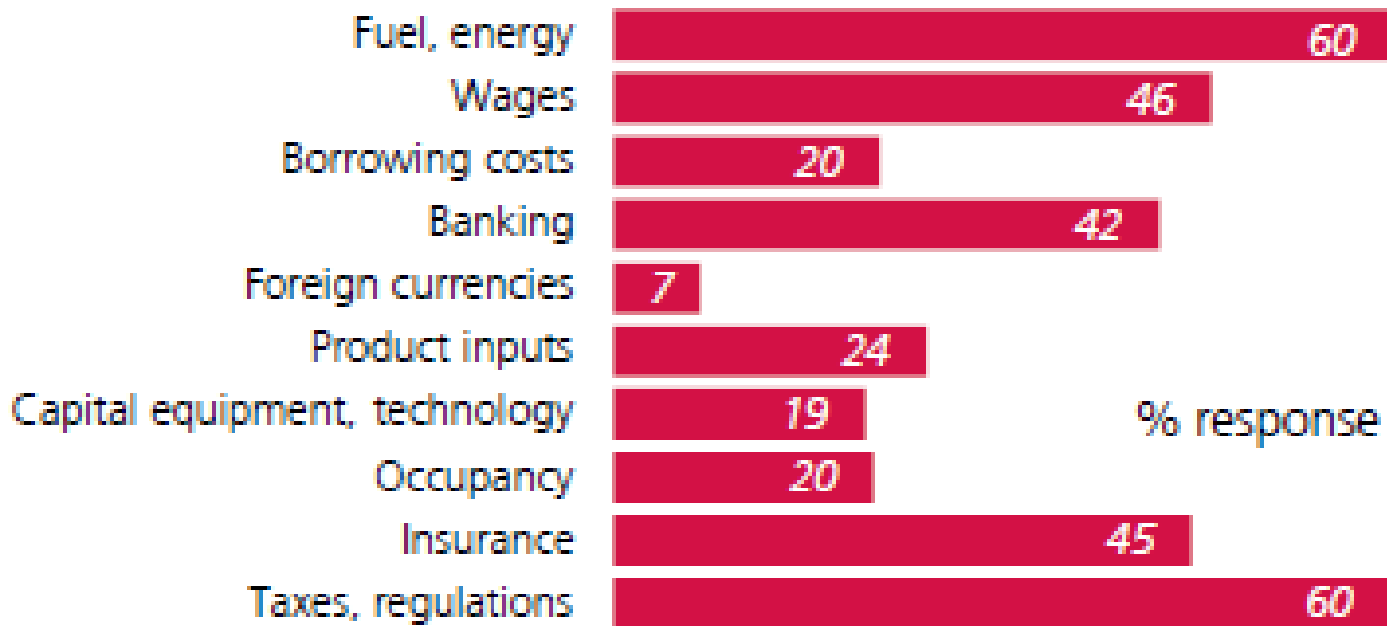
Examples of Successful Strategic Alliances

by Je' Czaja, Demand Media



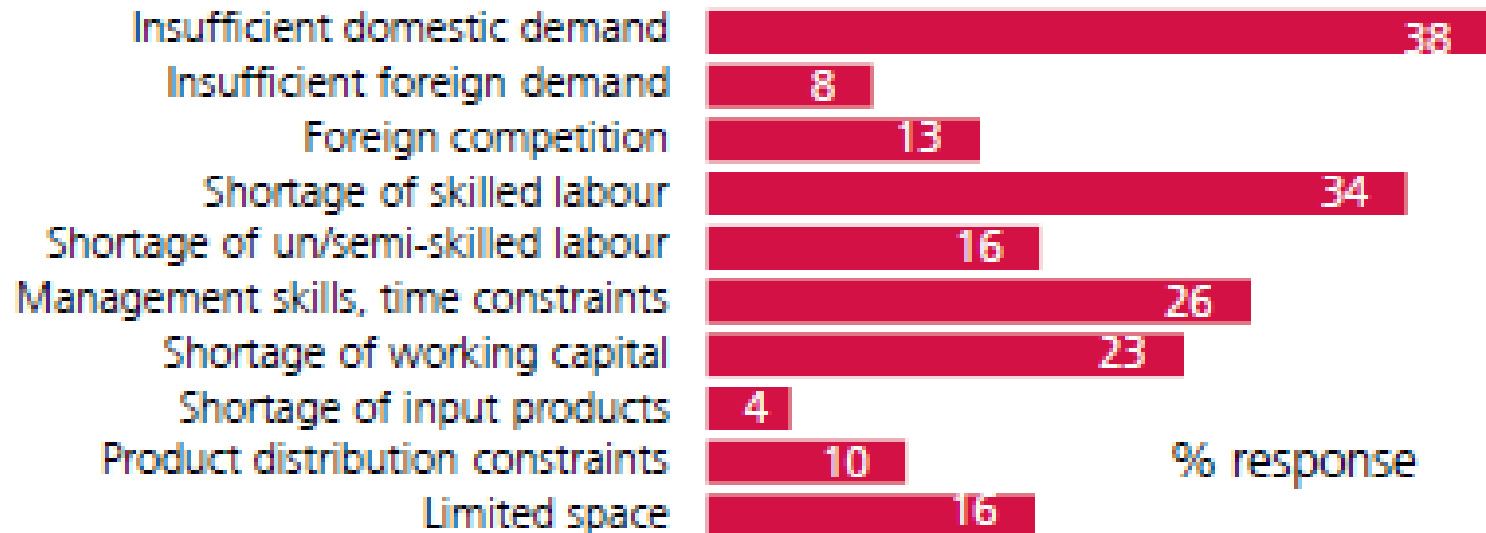
Major cost constraints to Canadian independent business

Major cost constraints



Limitations on sales or production growth

Limitations on sales or production growth



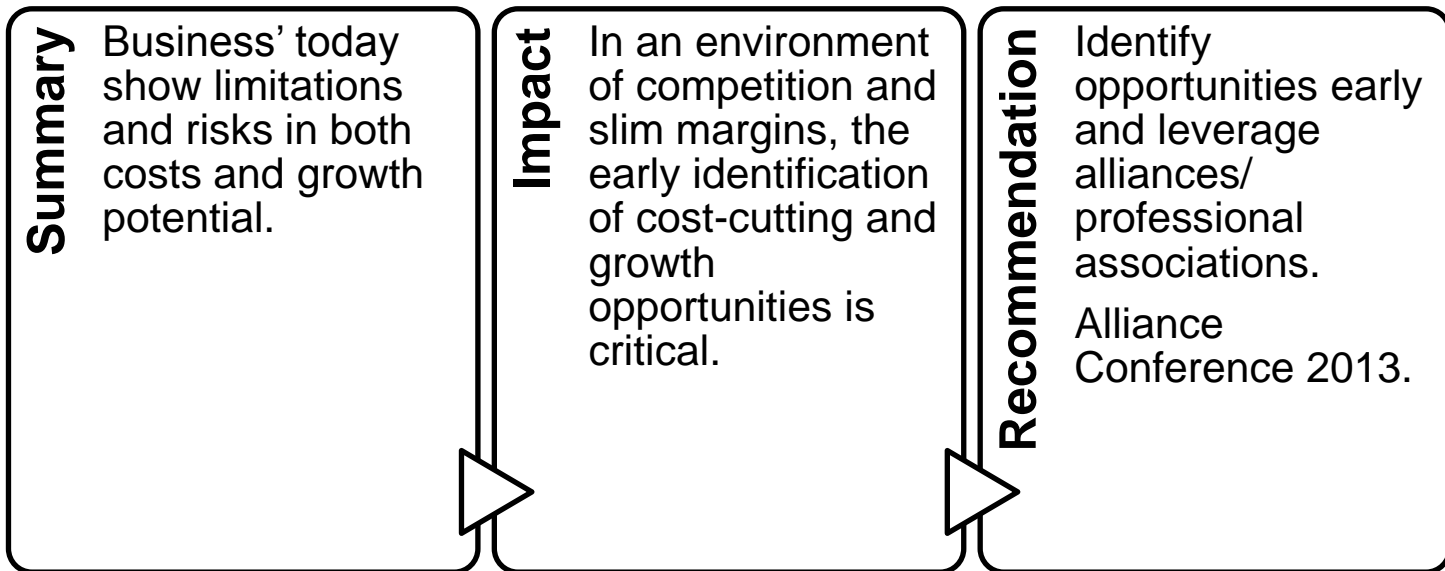
Benefits to working together

<http://www.youtube.com/watch?v=1qzzYrCTKuk>

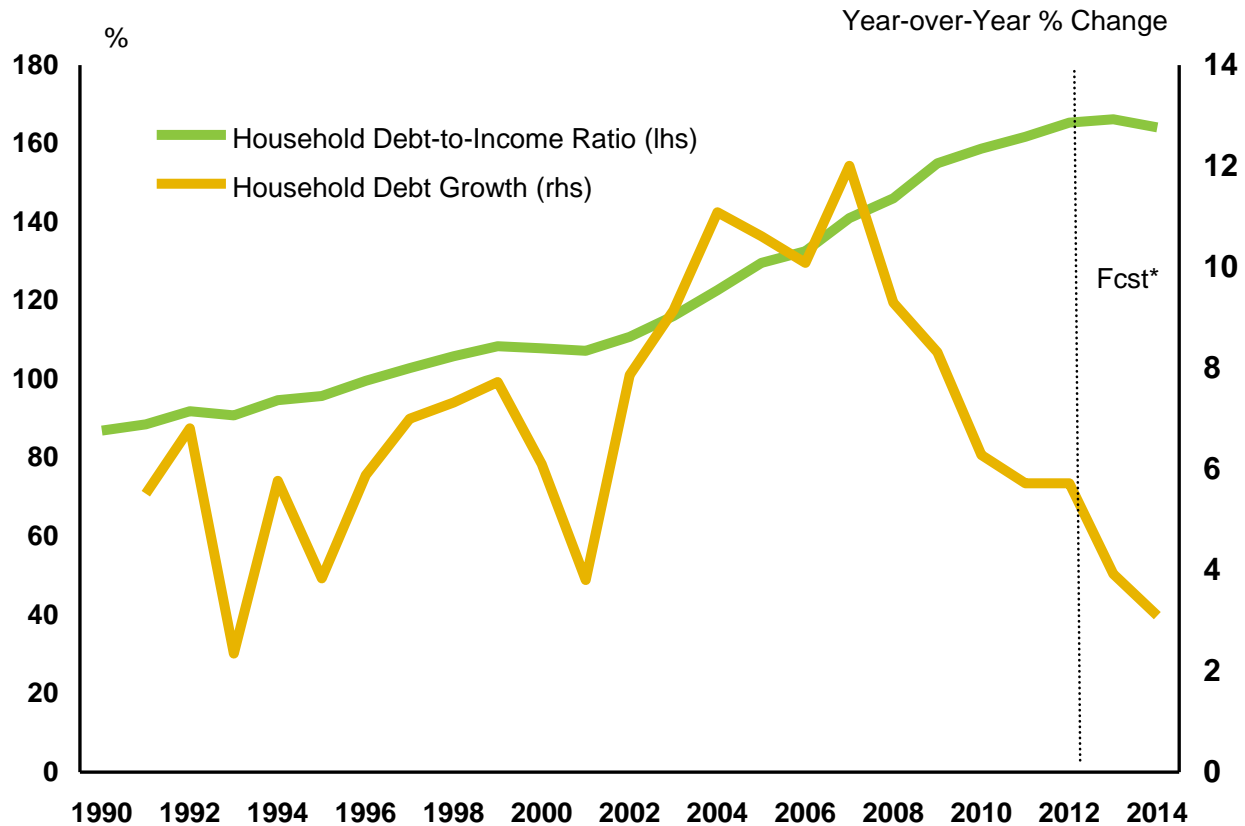
Alliances have generated cost savings

Alliance	Area of focus
Jubilee Hospitality Association Canada	✓ Purepages.ca: Hotel Wi-Fi solutions provider.
Jubilee Printing and Graphics Alliance Society	✓ Business Insurance.
Retirement Home Group Purchasing Alliance: Effective Pricing Solutions Inc.	✓ Fix My Bills: Consulting services on cellular telecom procurement.

Myth 1: Working with others will not have a meaningful economic impact on my business/profession

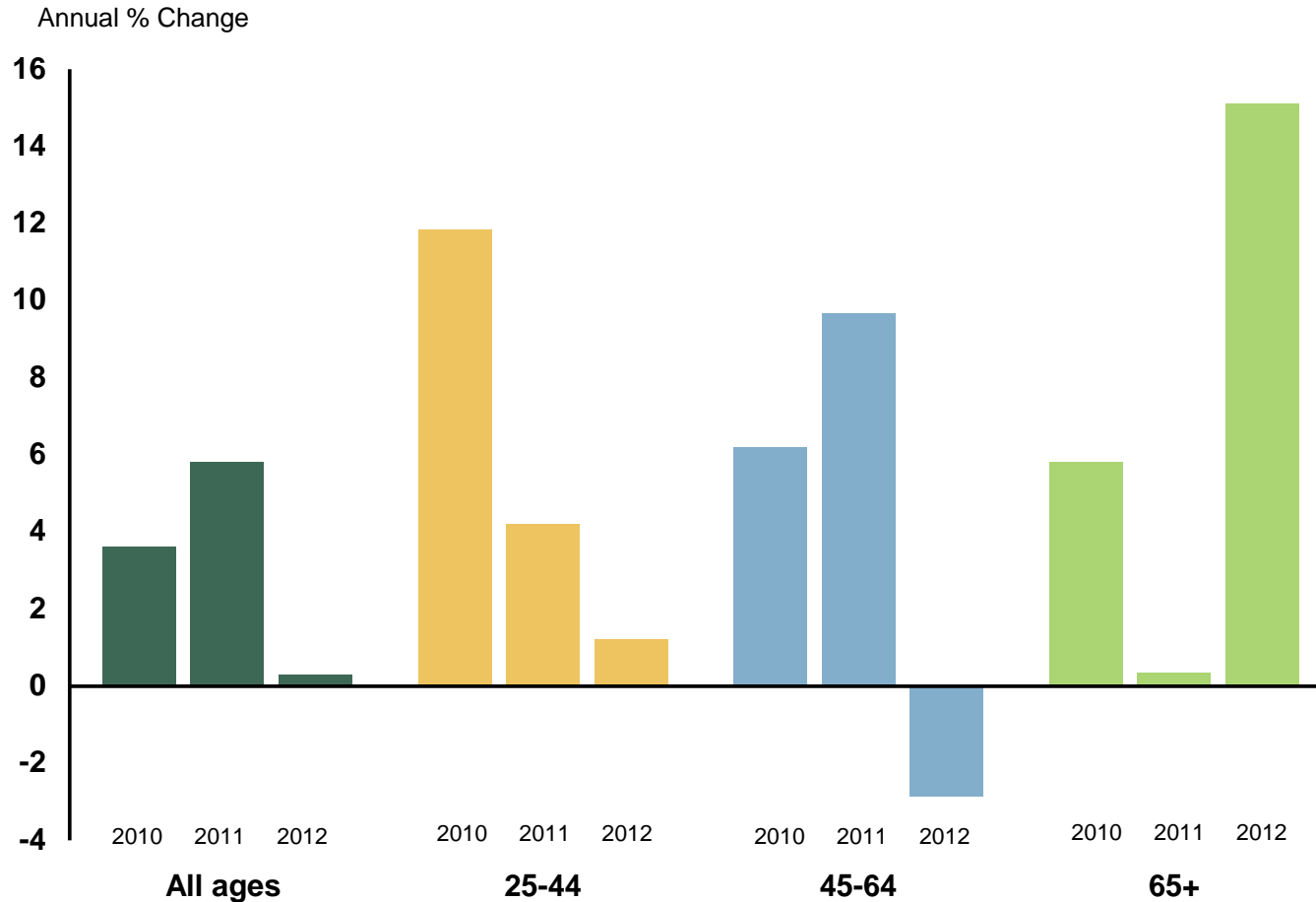


Appendix A: Household debt forecast to grow in line with income



Source: Statistics Canada.
Forecast by TD Economics as of March 2013.

Appendix B: Younger Canadians slowing debt growth, older Canadians have not



Source: Ipsos Reid.