World, US and Canadian Outlooks

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World economies are underperforming and Canada is no exception. Some regions in Canada are growing at more impressive rates: BC and Ontario in general, and the Greater Toronto Area in particular. Headwinds against growth include historic declines in commodity prices with slim hopes for robust bouncebacks. The energy sector remains depressed with oversupply and no new markets without new infrastructure. “You have an aging population and when you combine a slow-growth labour force, low productivity and low population growth, the potential for growth in the economy has been substantially reduced,” says Gampel. Additionally, the global financial sector is being hobbled by regulatory overburden. Geopolitical risk factors such as terrorism and nationalist movements are dampening economies. Markets are also imbalanced with businesses reporting low profitability while equities offer high market valuations, and bond prices skim record lows. “Central banks lowered interest rates during the great recession to historically low levels in order to generate growth and that attempt to stimulate growth has not worked,” says Gampel. “However world economies need low interest rates and probably need additional fiscal stimulus to keep them growing.” In the US, the consumer sector is returning to life, which will stimulate growth in Canada and other countries. The Chinese economy also appears to be stabilizing as it transitions from manufacturing to a consumer and service orientation.

Key takeaway: Long-term interest rates will remain low and a low Canadian dollar will help competition. However, more fiscal stimulus is required in Canada and globally. The missing link remains confidence of businesses to expand.