

Committed to a better Canada: The Bank of Canada's role in challenging economic times

Remarks to the Thunder Bay Chamber of Commerce
Thunder Bay, Ontario
8 September 2016



Overview

- Canada's economic outlook
- What the Bank of Canada does to promote the economic and financial welfare of Canada

Economic outlook

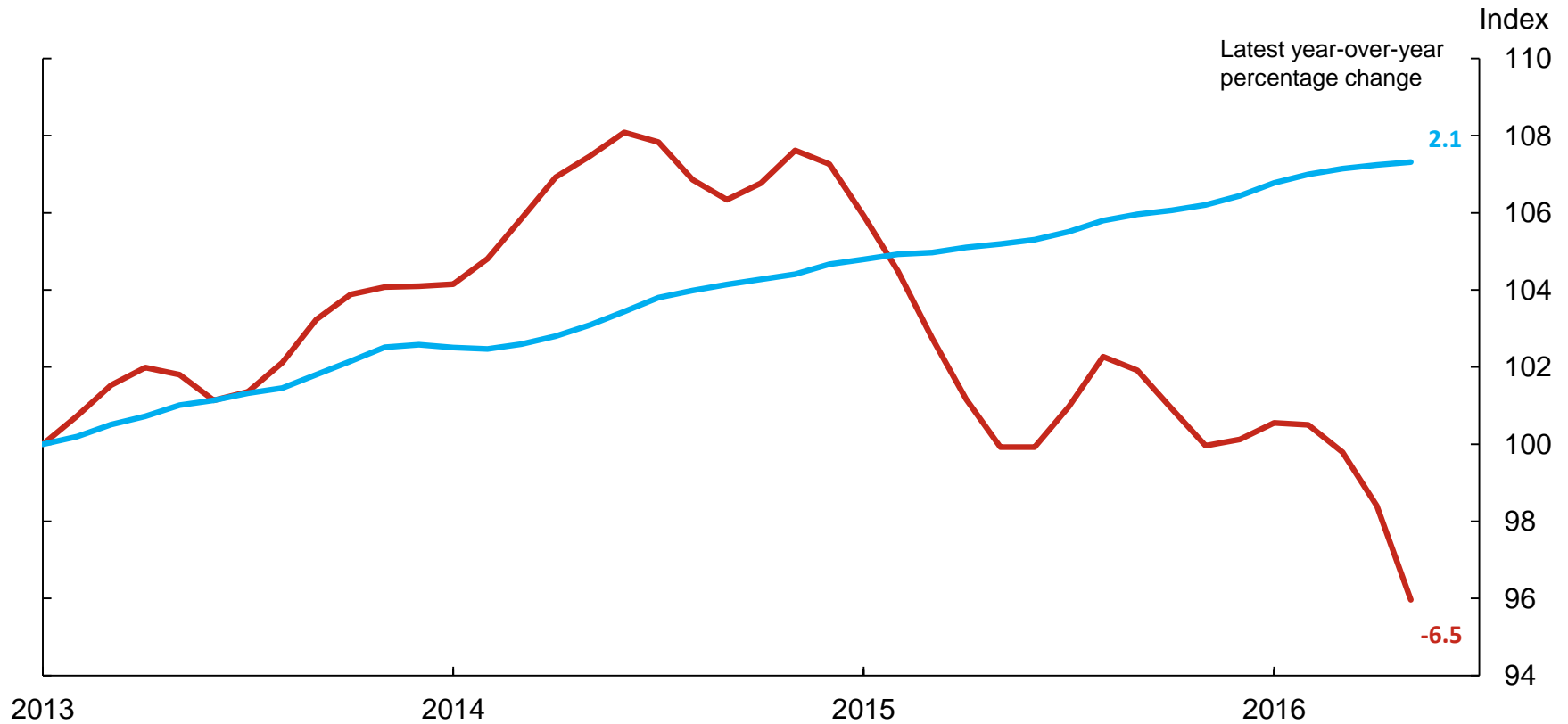


Several trends affect Canada's economy

- Two-speed economy
 - Commodity price shock
 - Two different housing markets
- Long recovery from the 2008 recession
 - US economy to provide lift to Canadian economy, but exports disappointing
 - Inflation close to target
- Longer-term trends at work
 - Demographics
 - Lower rates of economic growth

Canada's economy is running on two speeds

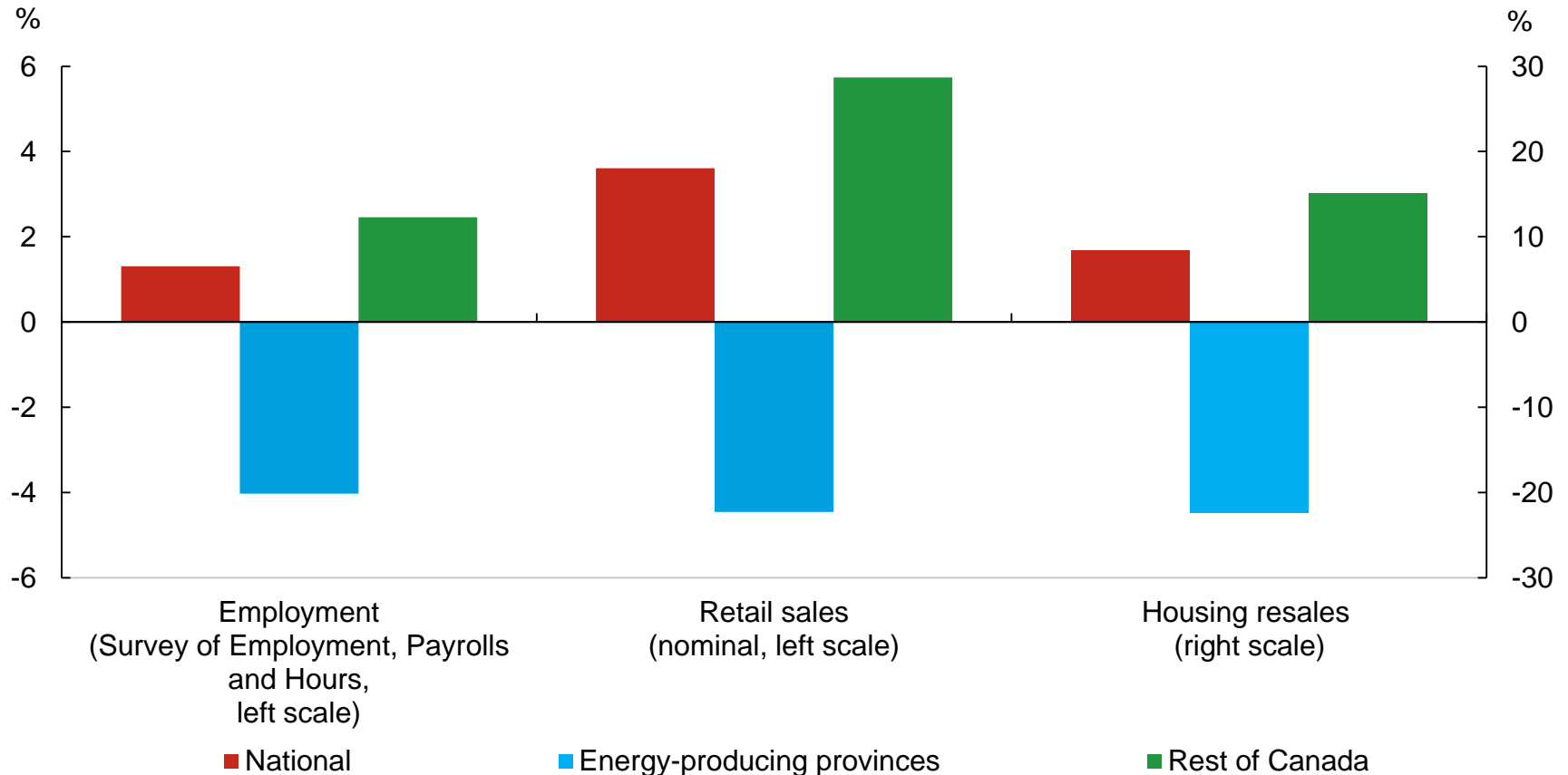
3-month moving average; index: January 2013 = 100, monthly data



— Industries most affected by commodity prices (13 per cent of GDP) — Rest of the economy (87 per cent of GDP)

Household spending growth has held up at the national level, despite weakness in energy-producing provinces

Percentage change since November 2014, monthly data

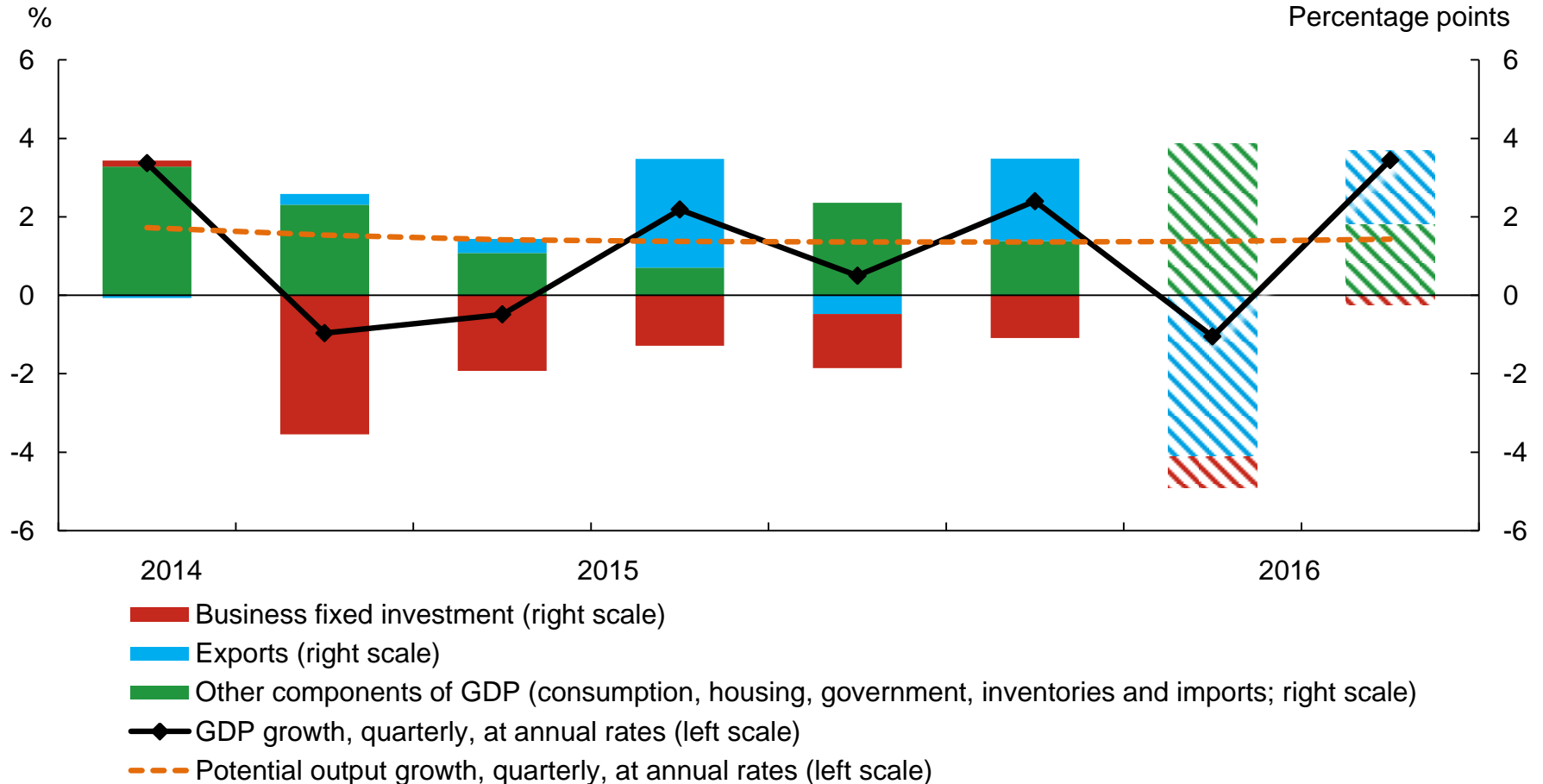


Note: The energy-producing provinces are Alberta, Saskatchewan and Newfoundland and Labrador.
Sources: Statistics Canada and Bank of Canada calculations

Last observations: Employment and retail sales: June 2016;
housing resales: July 2016

Canada's economic growth is uneven

Contribution to real GDP growth, quarterly data



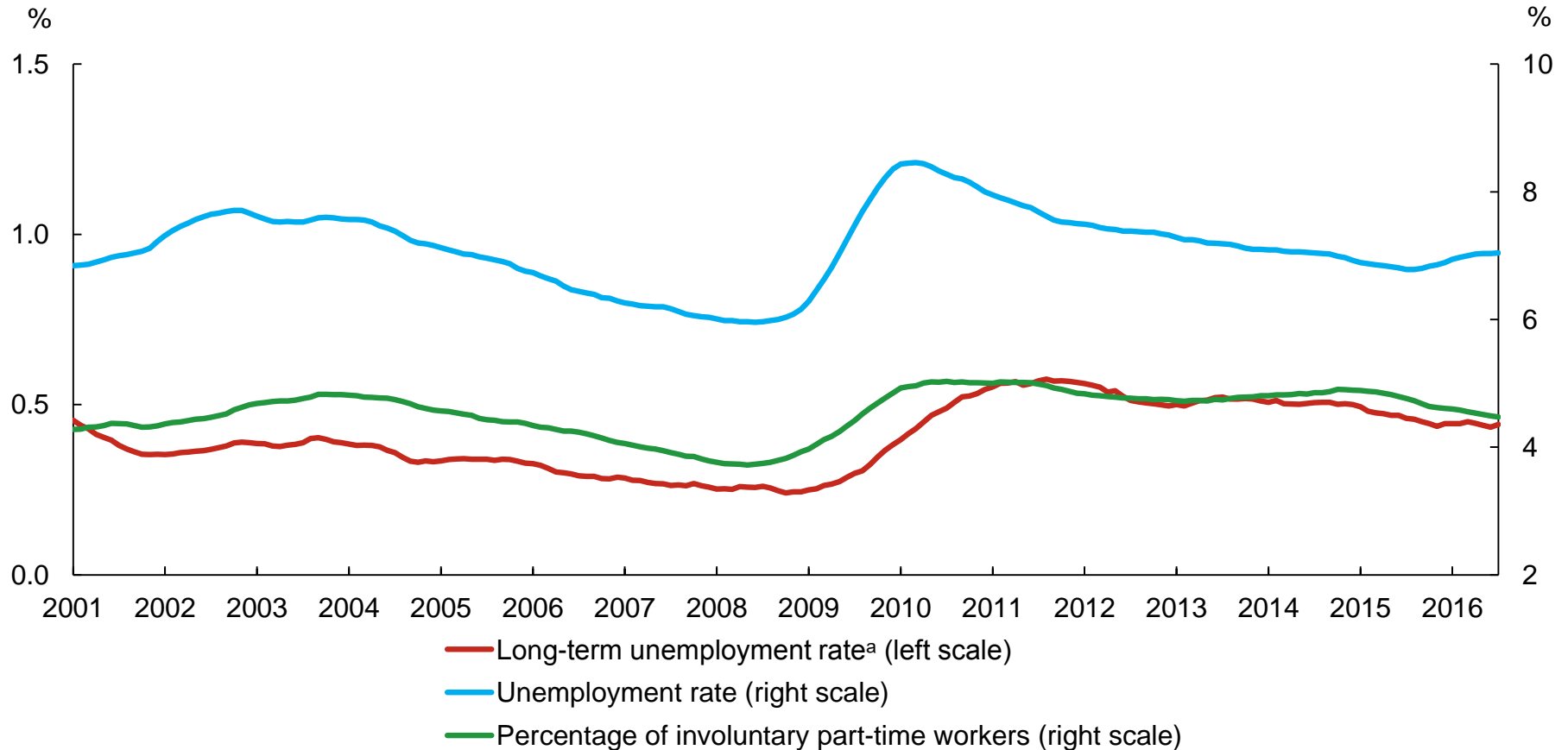
Note: From the July *Monetary Policy Report*

Sources: Statistics Canada and Bank of Canada estimates and calculations

Last data plotted: 2016Q3

Canada's labour market is still recovering

12-month moving average, monthly data



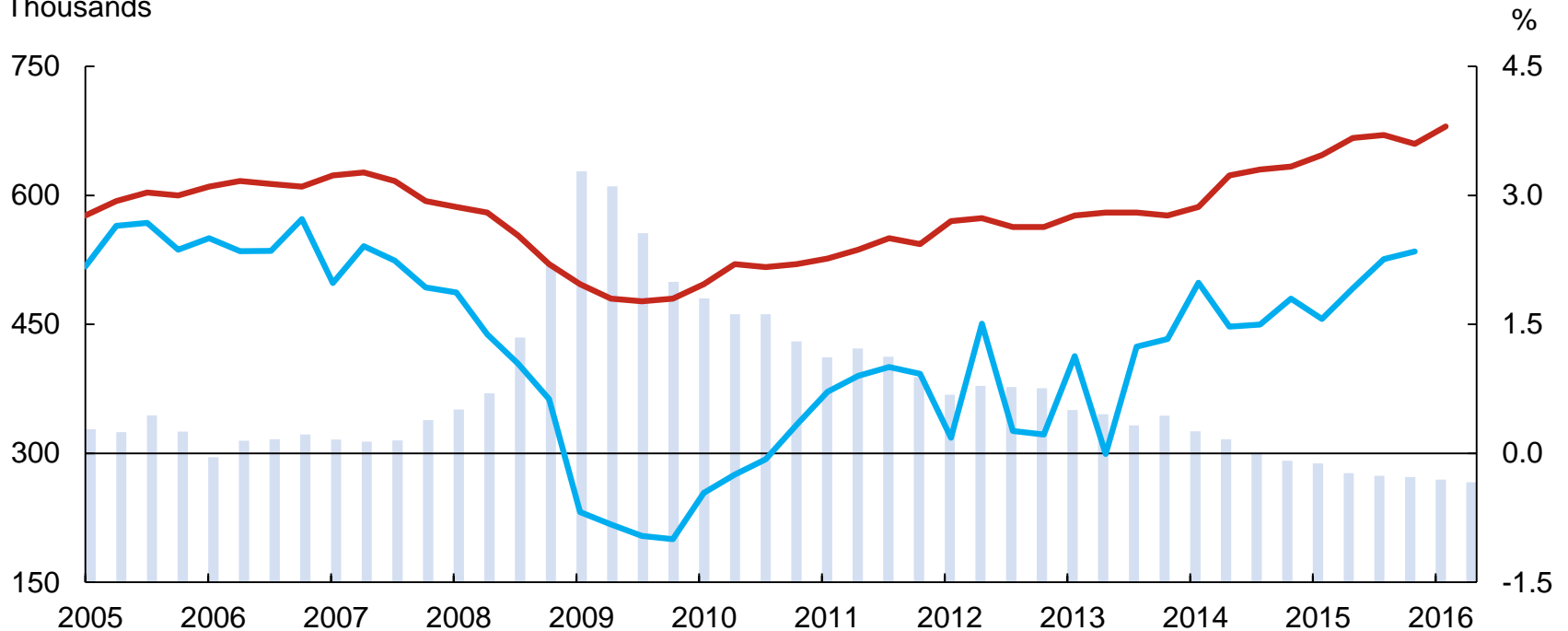
a. Individuals who are unemployed for 53 weeks or more
Note: Series shown are expressed as a percentage of the labour force.

Last observation: July 2016

In the US, more new firms are starting up and jobs are being created

Quarterly data

Thousands



- Initial claims for unemployment insurance (left scale)
- Job openings rate (right scale)
- Number of establishments (right scale, year-over-year percentage change)

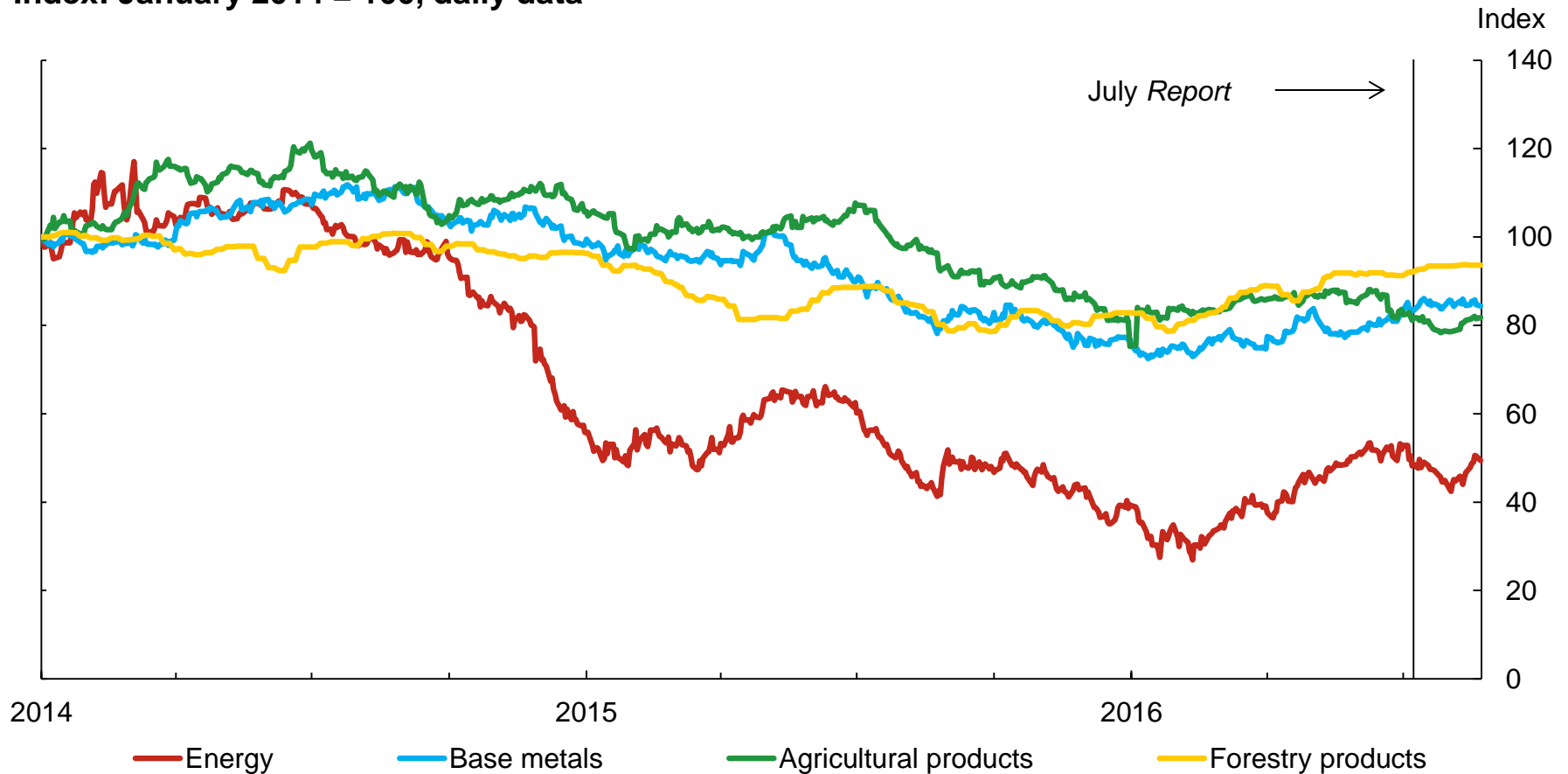
Note: The number of establishments includes those created by new and existing firms.

Sources: US Department of Labor and US Bureau of Labor Statistics via Haver Analytics

Last observations:
Establishments, 2015Q4;
job openings, 2016Q1;
unemployment insurance, 2016Q2

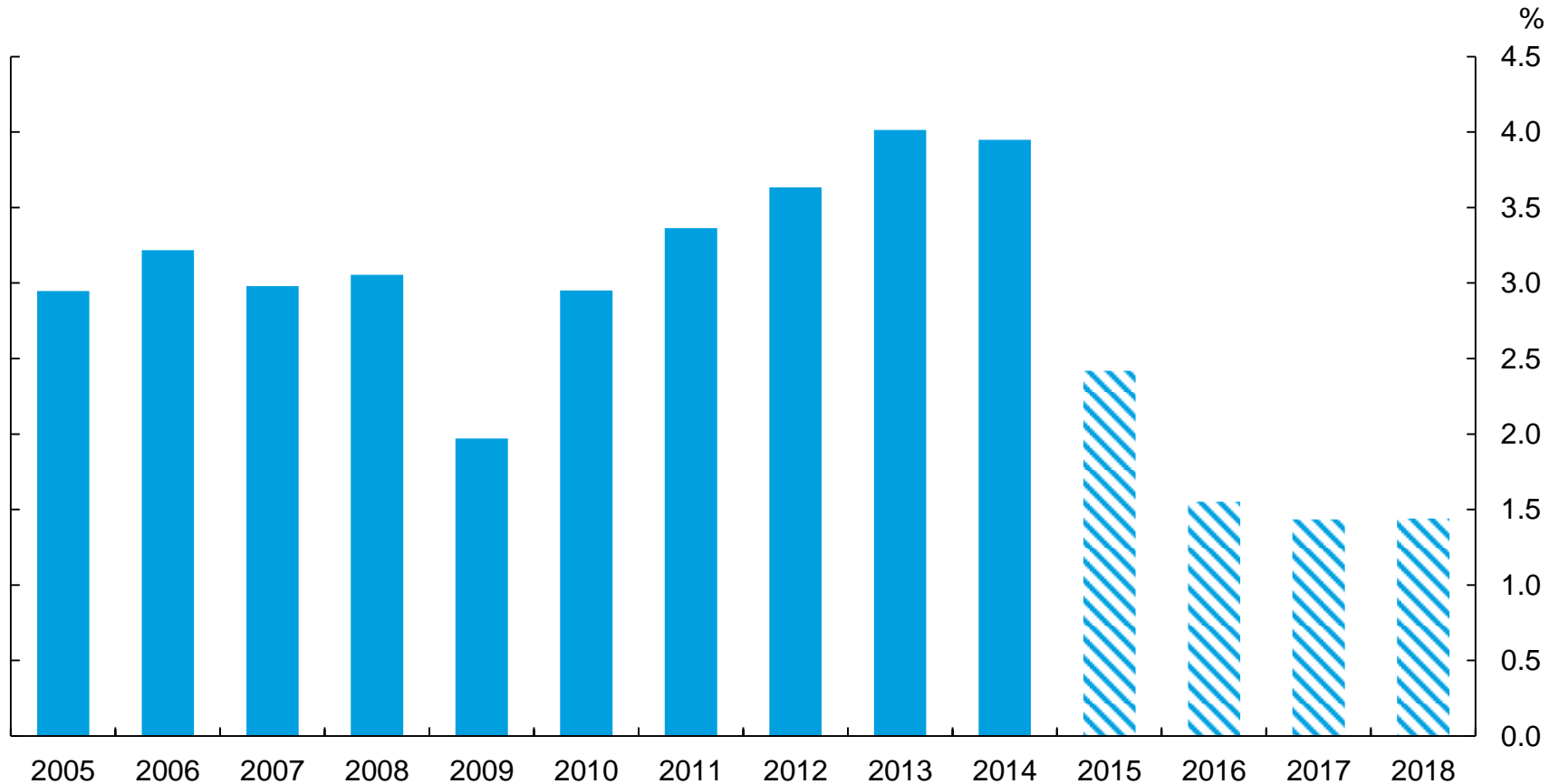
Many commodity prices remain low

Index: January 2014 = 100, daily data



Investment in the energy sector has shrunk rapidly

Investment in the oil and gas sector as a share of nominal GDP, annual data

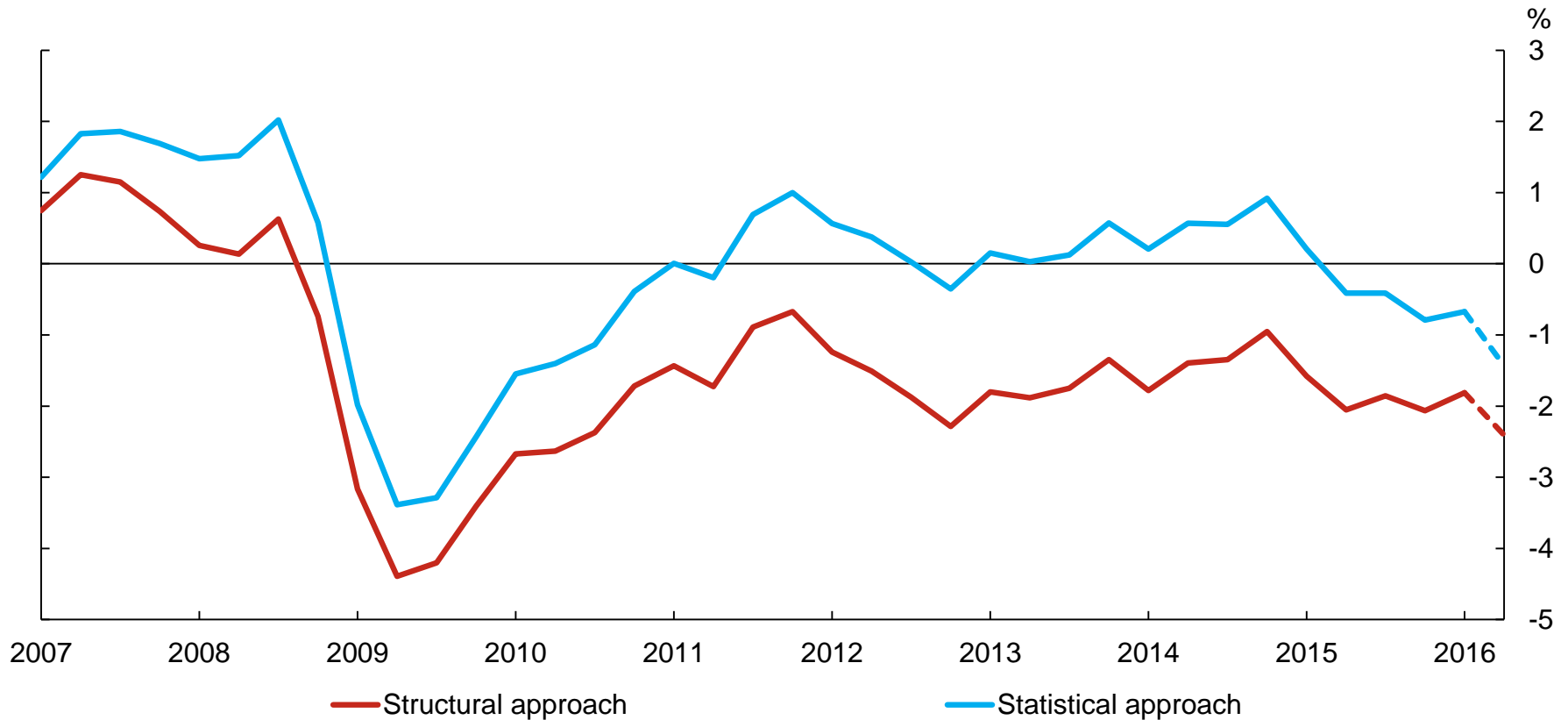


Note: From the July *Monetary Policy Report*

Sources: Statistics Canada and Bank of Canada calculations, estimates and projections

The economy is still operating below potential

Excess capacity in the Canadian economy, quarterly data



Note: Estimates for the second quarter of 2016 are based on a decline in output of 1.0 per cent (at annual rates) for the quarter.

Source: Bank of Canada

Last data plotted: 2016Q2

Mandate



The Bank's mandate

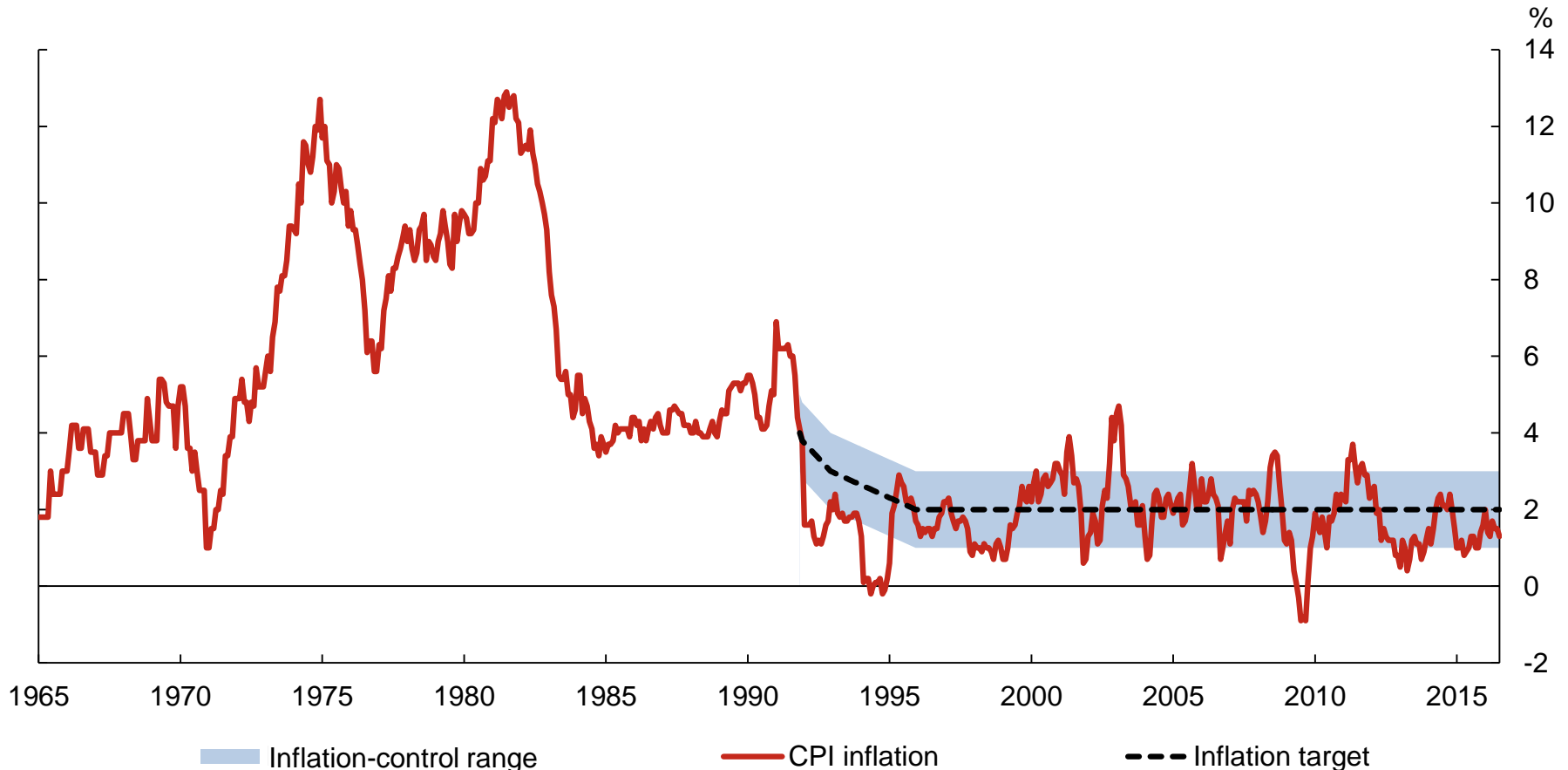
The Bank of Canada's mandate is to contribute to the economic well-being of Canadians.

Four key responsibilities:

- Monetary policy
- Financial system
- Currency
- Funds management

Responsibility 1: Monetary policy to achieve low and stable inflation

12-month rate of increase, monthly data



Central bank policy rates are at historic lows



Sources: Bank of Canada, US Federal Reserve, European Central Bank and Bank of Japan

Last observation: 23 August 2016

Responsibility 2:

To promote the stability and efficiency of the financial system

- Major efforts under way to make financial systems more resilient in wake of global financial crisis
- In Canada, Bank shares responsibility for financial stability with other national and provincial agencies

Responsibility 3: Bank notes Canadians can use with confidence



Metallic portrait

Large window

Transparent text

Small numbers

Maple leaf border

Metallic building

Frosted maple
leaf window

Hidden
numbers

Raised
ink

Metallic portrait

Small numbers

Metallic building

Maple leaf border



Canada

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CANADIAN NATIONAL VIMY MEMORIAL

The Next Series will feature a Bank NOTE-able Woman



Responsibility 4: Funds management



Manage Canada's foreign exchange reserves and federal government's cash balances as well as public debt with the Department of Finance



Provide the means of final settlement of daily flows of payments among financial institutions



Canada Savings Bonds Program

Economic outlook summary

- Two-speed Canadian economy
- Long recovery from recession
- Longer-term global economic trends at work