Trump, Tariffs and Trade: Canada’s Near-Term Economic Outlook | February 24, 2025

Transcript

0:02
Hello, everyone and thank you for joining us today.

0:06
My name is Michael Bergen, Vice President of the Conference Board of Canada, and I have the pleasure of opening our events today.

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I will say the interest that we've had in this event with more than 1400 people registered really is a strong signal of the unsettling times that we find ourselves in.

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The current administration in the US has clearly indicated that the norms of the Canadian and US relationship are being reset.

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The nature of our partnership, which has been developed over the last 80 years since the end of the Second World War, is now changing.

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And Trump has clearly indicated that he's willing to use coercive diplomacy with Canada to achieve his goals.

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And it's during this time of uncertainty that we need to rethink how Canada engaged with the US and the rest of the world.

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And we at the Conference Board have been examining what Canada needs to do not just to survive, but thrive in this world under the banner of a new series called Canada in a Changing World.

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For example, in the last couple of weeks, we've published our a couple of pieces.

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First, our outlook for the change in our outlook from the from the national and provincial economies if the Trump tariffs were going to play into play.

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And we're also going to, in the coming weeks, examine what is required to expand our national security capabilities, change how we engage with the rest of the world, build our economic resilience and address our just domestic priorities.

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Stay tuned as we continue to publish these content pieces in the coming days.

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And the presentation today is really part of this initiative.

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I have the pleasure, distinct pleasure really, today to introduce a longtime friend and colleague, Pedro Antunes.

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He's our Chief Economist of the Conference Board of Canada, where he provides insights and general direction for our suite of economic products.

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Pedro started his professional career in 1987 with the Bank of Canada before joining the Conference Board in 1992.

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Since then, he's contributed to a wide variety of projects with the economic forecasting and policy analysis.

2:03
Pedro has widely sought to speak to industry on a wide range of issues and topics impacting Canadians.

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He's also, He also frequently appears in the media and both English and French.

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The last thing I'll note is that we will have time for questions at the end of the session today.

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I'll be monitoring the questioning panel and would be posing your questions to Pedro at the end.

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So please have a look for that on your screens.

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With that, I'll turn it over to you.

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Pedro.

2:31
Welcome and thank you.

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Yeah, thanks so much, Mike, and good afternoon, everybody.

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Yeah, we have had a lot of interest in in the webinar today because of course there's a lot of uncertainty and upheaval happening.

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And, you know, even within our organization and our economics team, we're struggling to understand and, and to get a handle on, you know, what this all means.

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The essentially candidate in a, in a new global world, in a new world and how this impacts not only our forecast, but our view of essentially the economic situation that that we're currently facing.

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So today I'll try and guide our thinking, the team's thinking and guide you through what we feel is kind of the most likely outcomes with respect to the situations we're currently living.

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And I'll start us off by getting right into it.

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Three things I think that we want to chat about today, or at least that I plan for our chat today.

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One, of course, is the main theme of this presentation, Trump's tariffs and trade.

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And I'm going to bring you back to Murphy's Law of economics revisited because I've used that in the past and I it just keeps coming back.

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You all know about Murphy's law.

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If anything can go wrong, it will.

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Well, Murphy's Law of economics is a little bit similar to that.

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We'll get into that and, and why it's it's being revisited today.

4:02
This is not the official title, Michael, for our our national forecast, but I thought I'd revise this title to a skinny chicken, our baseline forecast.

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And the point here is that the economic outlook for Canada isn't looking so great even in our baseline forecast, which doesn't include these these these tariffs.

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And I'll get into some of the reasons why that is.

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But nonetheless, there's not a whole lot of room to manoeuvre with respect to the strength certainly or the weakness of our economy.

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And finally, another major policy piece that seems to be forgotten and that is, you know, essentially we've heard from our, sorry, our immigration minister that we are going to be

cutting back on essentially non permanent resident population and on a permanent resident population, sorry, immigration going forward.

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And there's been, I think very little attention paid to the implications of thought on the economic outlook.

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So I'll, I'll talk a little bit about that and what that I think means for, for employers.

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If indeed we do see such a dramatic, drastic really change in immigration policy starting, it should be starting right now.

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So let's let's jump right into it.

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Let's get right into it and start with the tariff.

5:23
The tariff war.

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It is very much a tariff war that we're being faced with and it's really a situation where essentially globalization and opening up a free trade that has been a policy for Canada for a long, a long, long time now.

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Our free trade agreement with the US as as many of you probably know dates back to 1994 and that proposition and in fact you know globalization in general has been win win for for most countries.

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When we think about developed economies in general, we've been able to purchase products that have been more efficient.

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Our purchasing power for most developed economies have have has grown over the last 30 years.

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And for developing economies we've seen essentially a massive reduction in in poverty in a lot of those economies including China.

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So this about face on the perception and view of the positives, if you'd like, of free trade is going to take us from this kind of win win scenario to a lose lose scenario.

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So we'll talk a little bit about that right now.

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In fact, let's let's get right into it.

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And you know, this is where I bring up Murphy's law.

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Now, Murphy's law of economics was something that Alan Blender came up with way back during the Reagan years.

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He's a monetary economist out of the US and he essentially states that where economists are most agreed on things, you know, essentially the politics tends to ignore those those certain policies and where they are the least agreed on things.

7:02
This is where often, you know, politicians will pick some, you know, some outlandish, how should I say, or, or less less agreed to policy as the mainstay of economic policy.

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And back in the Reagan years, it was the idea that you could lower taxes and grow your your, your government revenues by more than by even more by lowering tax revenues.

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Now, that was false back in the day.

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We saw that again, by the way, during President Trump's first term, you may recall, there was a, the idea that we would lower taxes, get very, very strong economic growth.

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And in fact, replenish the the coffers with even stronger revenue growth.

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Now those things were false.

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And today I think Murphy's law of economics applies to this idea that that trade is a 0 sum gain.

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I think in in many of the advisors and, and the message that we're hearing from the US administration, the idea is that if the US is trading with other countries and other countries are benefiting from that trade in some way, then certainly the US must be losing from that.

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And so this whole idea of how should I say of this subsidies or trade imbalances that the US envisions with other countries is, is wrongly seen as some sort of subsidy.

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And we can take a look at that, I guess a little more closely here for Canada.

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If we look at essentially what President Trump is talking about, here's, here's our essentially, essentially our trade with with the US, our bilateral trade with the US imports in the darker blue bars exports as you can see above that.

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So in essence, we have essentially a trade surplus in our view with the US.

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Now interestingly, President Trump originally started using I think U.S.

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data, which is a little different then certainly in U.S.

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dollars that the numbers would be different.

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But the balance or the trade deficit with Canada, originally President Trump was talking about $100 billion.

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But when you look at the the data from this side of the border, from our own statistical agencies, our trade balance is closer to $200 billion.

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And so I think President Trump's now been using the Canadian dollar number, although he's incremented this up to 250 billion, but in actual fact it's somewhere around $200 billion.

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Now if you include services trade.

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That is where we are.

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Essentially we are, how should I say, we have a deficit with US and that's because a lot of Canadians fly S.

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We have a lot of snowbirds.

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And so if we include services trade, in fact this this amount is is reduced in the US dollars.

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The overall trade deficit with the US is, is about 40 billion, not even close to 100 billion.

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Forty 50 billion is a number that you're looking at in U.S.

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dollars and that's what I think President Trump should be looking at.

10:01
But in any case, this is not a subsidy.

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This is essentially the US being an over consumer.

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the US runs trade deficits with the rest of the world and it's because it consumes more from the rest of the world than it produces with within its its economy.

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And you know as as essentially this idea that in some way this is a subsidy to Canada is untrue.

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Most of our exports to the US, in fact over half of them are resource based.

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And what in fact the US is, is doing is benefiting from the products that the the, the resources and products and energy that we sell on a in a competitive way to the rest of the world.

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And the US is benefiting from that as inputs into their own production process.

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So we'll come back to, to, to some of the issues and as to why this is such a bad idea this this lose, lose scenario that we're facing with these tariffs.

11:01
But let me start off by looking at what is the essentially what are the assumptions under this trade war scenario?

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I'm going to present this first as as not within our baseline forecast, but essentially we've looked at the the implications of a trade war under these assumptions and what that would mean, what would be the hit to our baseline forecast from these changes.

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Now the first piece is that we've assumed that the tariff war, the trade war would last only three months, that that is the tariffs will be imposed as they've been described.

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Now this is a moving target.

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These things have changed, but at the time that we started to do the analysis, we were talking essentially about 25% tariffs across the board on all non energy exports, or in fact I should say they're US tariffs on Canadian imports and 10 per cent tariffs on all energy exports.

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So broad based tariffs, massive tariffs when you think about it, especially across some of our manufactured products which you know traverse the border many times, often with the value added that's being generated in, in in the US or in Mexico.

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Even as those products as we know, especially in the auto sector traverse the border back and forth, they would get tariffed on a, how should I say tariff each time with this 25% add on.

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So really massive tariff, tariffs on on Canada's exports.

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It's important to note too that the US in our assumption, in our scenario, we've also assumed that the US applies similar tariffs on, on Mexico and 10% tariffs on, on China.

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So we also assume in our scenario that we would have retaliatory tariffs from Canada on US products.

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There's these are the phase one and phase two tariffs, so 30 billion and another 100 and 5055 billion and those are implemented in our arm for our own analysis as well.

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The US economy is impacted not only by our counter tariffs and by the in fact by the tariffs they place themselves, but they're also impacted by counter tariffs from Mexico and China.

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And so the hit to the US economy is quite substantial as well.

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And then lastly, just some assumptions on the policy response.

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We do, we do expect that well within our, for our scenario here that the tariff revenue that Canada collects from those imports from the US is redistributed back to households and businesses.

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There is no additional spending.

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Although you know, we can already hear the the talk from the provincial governments that they will, you know, buttress the economy with all sorts of programs should it, should these tariff wars hit.

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But for this scenario, we've really assumed essentially programs like employment insurance are already in place the what we call the automatic stabilizers if you'd like.

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But in addition to that, we would have some policy measures seeing some revenues or some support for households and businesses.

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The last piece is we don't see the Bank of Canada responding.

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And that's because this kind of a trade war is a really terrible scenario in the sense that it will add not only to inflationary pressures, but it will be a hit to the economy.

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So on the on, on both ends of, of, of the, of this piece, we end up with this kind of, if you recall, the stagflation scenarios.

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In other words, we're hitting the economy down and at the same time we're seeing an increase in, in prices and inflationary impact.

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So it becomes very hard for Bank Canada to apply policy because of course, it has to be concerned with the inflationary pressures.

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It doesn't want to lower interest rates necessarily in light of that.

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But on the other hand, you know, you've got this very weak economy.

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And so in essence, we assume no response from from the Bank of Canada in this scenario.

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So what does this look like?

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Well, this is let me initiate you to to essentially what is an economics jargon is shock minus control.

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But what you're looking at here is the, you know, GDP or GDP, which is just the income generated from economic activity.

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It's a, it's a flow of activity.

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And if we were to compare the flow of a non tariff scenario to the flow of activity or the the activity generated in a tariff scenario, the difference between those is what's captured in these lines.

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So we assume the tariffs are all hit in the second quarter just essentially we have a quarterly model.

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So that makes it a little bit simpler.

15:52
And in the second quarter we end up with a massive hit to our economy from the tariffs that I've just described.

16:00
In fact, the the hit is about 1.3%, almost 1.4% for Canada's economy.

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As you can see, that's on the left about 35, almost $35 billion out of the economy in terms of employment in that one quarter.

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We would see about 136,000 jobs lost in that quarter.

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Now because we assume that the impact is only in 1/4, that these tariffs are temporary, the economy recovers in the in the next quarter, in quarter three, everything kind of bounces back.

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And so the losses for the year are really concentrated in that one quarter, but they average out to be less than that.

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And the point I want to make here is that if in fact these tariffs were to last two quarters or three quarters, then the impact would be permanent.

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If we for the year, for example, So we'd see this decline of at least 1.3% in the first quarter.

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And those impacts would grow over time if these things were not temporary.

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In other words, the, the repercussions of a, of a tariff war that were lasting, that were in any way permanent would be a dramatic dramatically bigger impacts than what we've shown here in the 1/4.

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And I'm again, I'm going to go through why we think this is going to be just a temporary shock And, and well, most of the reasons because this is just really bad policy both for the US and for Canada.

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And just for those reasons, we think there's other objectives perhaps in mind here with these tariff threats and tariff wars.

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The other piece that's important here is that the impact even of the tariffs for 1/4, even of the tariffs threats has an impact on investment.

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And if you have an impact on investment, you will have a kind of a permanent impact on your GDP.

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So even as the tariffs are only temporary, you can see that the impact on GDP is kind of permanent here and the impact on employment is also kind of permanent.

18:02
We see these losses being lasting.

18:04
So this really goes down to the impact of this uncertainty on our investment on our productive capacity, which has longer term implications.

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And of course A2 quarter tariff war or a three quarter tariff war would have longer long term implications in terms of their impact on our productive capacity and on our employment.

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So there are the impacts, there's a lot of numbers here.

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I'm just going to highlight a few things that again I mentioned that the hit to the, to the on a quarterly basis, the hit was 1.3% or almost 1.4% on a, on a, on an annual average basis.

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As the tariffs come off, we see that it's only about .4% percent on the year.

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So in an economy, and I'm going to give you some news a little bit later, I talked about that skinny chicken, an economy that's growing softly to take .4 percentage points out of growth is, you know, a big hit to to our outlook already.

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If you can imagine if there this would to last two or three quarters, we may bring that economic growth down to 0 very, very quickly with this kind of of tariff shock.

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You can see the the repercussions.

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So .4 percentage points on the year, about 9 billion out of GDP, but a huge hit to household spending.

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I fairly substandard.

19:26
In fact the biggest hit as I mentioned here is to business investment, 3.5 billion out of business investment, that's a .6% hit in that in that category.

19:35
And of course exports seeing the biggest hit of 15 or almost 16 billion hit out of exports of which almost all of that or you know sizeable share of that is motor vehicles and parts.

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We have a very detailed, well a very detailed macro, national macro model in in which we can get out very detailed export categories including exports of motor vehicles and parts.

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So you can see a 14% decline in that category in fact at annual rates.

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In other words, if we were to see a tariff.

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On manufactured goods that were lasting, you know this is almost 50% knocked out out of the sector in in one shot, one fell swoop.

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And if it was permanent, I think this would be disastrous essentially for our auto sector, auto sector and other manufacturing sector.

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So in terms of employment, again I mentioned 136,000 in the quarter, but on a year the average is 46,000 jobs lost and you can see where the biggest hits are essentially manufacturing just a couple of categories there, transportation and storage.

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In terms of the percentage hits, those were some of the bigger ones.

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Rate of inflation goes up for the year .3%.

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Again, that's not nothing for just a one quarter hit and there are some impacts on labor income, but most of the impact on corporate profits in the year on average.

21:04
All right.

21:05
Well, we also took this right down to the provincial level.

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And by the way those, those the economic impacts and the reports from these are on our website, they are available to everyone.

21:16
And here is the provincial impacts.

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And I think the important piece on the provincial impacts is that it's not just the share of exports that each province has with the rest of the world.

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It's the share of exports to the US, but also the the, the share of exports to the US as a share of the province's GDP, which are really important.

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And the point being here we have provinces like for example, Alberta, Saskatchewan, Newfoundland, Labrador, these are energy producing provinces, but a high share of their of their domestic GDP is associated with that sector.

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So even though the impact on energy, especially on oil and gas exports, it's only a 10% tariff, it's lesser than some of the tariffs on the other products.

22:04
Those provinces have a a very big dependence on those sectors and they have a, you know, essentially the US market is a, a very important market as a share of their total GDP, not just their total trade.

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You can see that Canada's exports as a share of total GDP are about 30% are exports to the US as a share of total GDP are are 20%.

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You can see that in the lighter blue bars and you can see those provinces that are above that, that then then tend to take a bigger hit when we look at their impacts.

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And that's what we're seeing here.

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So again, even though, well, let's say that there's no province that is immune from these, these impacts, but all the way through and the energy producers being the bigger, the bigger hit provinces along with Ontario, which is so dependent as I mentioned on manufacturing sector, especially auto sector manufacturing, which also takes a bigger hit.

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Anyhow, I won't go into too much detail here except to say that no province is immune.

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And, you know, this is just bad news for everyone.

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Now going back to the one quarter hit, I'm going to take a few moments here just to talk about, you know, the implications of this.

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And I think the US is already, how should I say, reacting to some of the, you know, essentially some of the bad policies that we're seeing.

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I don't think there's been, you know, a lot of evidence certainly that these tariffs, well certainly none of the tariffs have really come into play yet.

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And there's already certainly a lot of concern about what these kinds of tariffs would mean for the US economy.

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And again, This is why I don't think this is necessarily something that will be lasting because a protracted trade war will hurt the economy, the US economy just as much as in, in Canada.

24:03
And in fact, I mentioned the 1.3 percentage point hit on the quarter.

24:08
We have about the same hit in the US because the tariffs are being applied and the counter tariffs are being applied to essentially all the trade partners that the US has, Mexico, Canada and China all at the same time.

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In this scenario, the idea that these tariffs will automatically bring essentially production back home, this kind of idea that you need we need to reassure supply chains.

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Well, I mean certainly you may see some of that impact, but it will take you know years if not decades to bring some of these some of that production home.

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So the near term impact of these kinds of tariffs you know will not succeed in disentangling the very intricate and integrated trade that certainly that the US has in manufacturing within all of North America, within the US, Canada and Mexico.

25:07
So these, these tariffs, especially on manufacturing, would just add to the domestic inflation.

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And of course, if we add on top of that, tariffs on raw materials, imagine putting tariffs on the inputs that, that render you, that allow you to generate your production raw materials energy that just erodes your competitiveness.

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And there's, you know, example and time and time again of tariffs on, you know, on essentially the raw materials or inputs into your production process just being a bad idea and, and eroding the, the, the economy's competitiveness.

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And much perhaps counter to what we've heard, the US does need Canadian oil, lumber, metals and potash and uranium and grain.

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We are, you know, we are a big producer.

26:01
And again, as I go back to that same point, we are producing these products at global prices.

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We're selling them on the global market and the US is purchasing these goods at a global, globally set price as critical inputs into their production.

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And we even argue some of those prices, especially Canadian oil, are in fact discounted for the US market because in fact we don't have as much access as we may have wanted to other markets.

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So if these tariff wars are a bad idea for the US, what is the end game?

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And here's, I mean, I'd go back to what we lived through in 2016 during President Trump's first term.

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You may recall that at the time it wasn't as focused on tariffs, but what we were hearing was, you know, NAFTA was being threatened.

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Essentially we were hearing about dissolving NAFTA even before President Trump came into to being president, being president that first time around.

27:03
We were already hearing about essentially how should I say that the the fear of access to the US consumer and that was moving investment even prior to, you know, the NAFTA renegotiation.

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And what what did happen?

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Well, in, in essence, we created this or President Trump created this environment of uncertainty, this environment of fear.

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And in the end, when we renegotiated Kuzma, the, the new trade deal, it in fact was very similar to the the prior deal we had and placed.

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It was very similar to NAFTA.

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And in fact, in, in many respects, it had some, you know, modernized pieces around mobility of Labor and others.

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So, you know, is this Deja vu again?

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Is this another attempt?

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And I, and I think in part this is what it, what the strategy is, is to create this environment where there's uncertainty about access to the US consumer.

28:02
And that on its own is going to have an impact on moving investment S moving investment to the US without actually having to live through the pain of these tariffs being applied again for, for both countries.

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Now, you know, we, we certainly, it's a very tough situation to predict.

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It's certainly hard to be sure of what the strategy is.

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But if that is the strategy, it's bullish, it's undiplomatic, if you'd like, but it worked last time.

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And I think it's, you know, possibly going to work again.

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I think we're already seeing signs of, of some of these movements happening.

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So in terms of our response to this, well, I don't know what to say except I think, you know, we, we ran around in panic a little bit too, too much, too quickly, too soon.

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Certainly when we first, first heard about these tariffs, these things have kept moving.

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Now they've been pushed out a little bit.

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I, I think we need to take a calmer approach to how to deal with the, the, you know, the countering these things and, and perhaps a more unified approach.

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I think throwing Mexico under the bus in in the first interview on the 1st sound at the first sound of tariffs were originally and the idea of the, you know, the border being the issue, you know, I think that was a mistake as well.

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There's no doubt.

29:21
I think the other piece around the tariff threat will be to push us on other issues will be pushed on border security as we already have been, will be pushed on defense spending with with reason there.

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I mean, we've been laggards in keeping up with in all the NATO requirements.

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And when we go to renegotiate our our Kuzma agreement in 2026, perhaps even prior to that, we're going to get pushed again, I'm sure on supply managed agriculture and perhaps on in other areas as well as well.

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So I think I believe that this is the end game move investment use tariffs as a as a bargaining chip, as a bullish approach to, to, to diplomacy, but again to, to force us to move on some of these other issues that that we've discussed.

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And again, just in terms of the investment, you know, I think this is very much working.

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If we, if we look at first of all, I mean, I, I think investments already been a problem for, for many years.

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And when we look at business confidence, it is at record low levels.

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This is the, our index of business confidence.

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We essentially survey businesses across Canada and ask them the same questions, ask them if now is a good time to invest.

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And it seems that we're still at very low levels.

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In fact, we're not at COVID levels of confidence in terms of investment, but we're certainly at 2008, 2009 recession levels of of confidence.

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And when you look at the pattern of investment recent quarters, that's the blue bars, the quarterly data, I mean it's up and down, but mostly down, very, very weak investment.

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We've still not recovered from the declines that we saw in 2020 and and even prior to that when we lost oil and gas investment.

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This is what we'll see in this chart here you can see our private investment, this is non residential investment.

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So investment in productive structures like machinery and equipment or, or other structures, you know, you can think of factories or, or wholesale buildings, sort of storage buildings, etcetera.

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Or you can think of IP investment, investment in software, investment in R&D, intellectual property.

31:38
And when we look at and tally our level of investment as a share of GDP, this is what drives our our future economy.

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It is at at very low levels.

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We're barely at 11 percent.

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the US is you know, tallying around 15%.

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And this goes right to our productivity issue.

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I think the core piece around Canada's lagging productivity when we compare to other countries as well, whether it be you know European countries, most of them, you know France or Germany, they're running around 1314% of GDP.

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So I think again we've not I'm in a lot of the decline as I mentioned in 20/15/2016 that was the energy sector.

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The problem is we have not seen investment recover anywhere else and we need to bring investment levels back up if we're going to compete and if we're going to be productive and if we're going to drive our productive capacity and prosperity going forward.

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So it's a, it's a tough time.

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Unfortunately, it's a really tough time to do so.

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And part of the reason is that our tax competitors is, is has been eroded.

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You can, you know, if you go back to 20/14/2015, we were kind of in line not too bad.

32:52
And this is not the posted rates that we, we see.

32:55
This is the overall tax paid as a share of corporate income and or net operating surplus if you'd like our profits.

33:04
And these, these data are national accounts data.

33:07
They're measures, they're measures that we pull from the statistical agencies and they tell us that the US is essentially paying a heck of a lot lower corporate overall corporate tax as a share of its profits than in Canada.

33:20
You can see they're around 13% in recent years.

33:24
Lately it's come up to about 18%, but we're well above that near that 33% range in Canada.

33:31
So this is something that needs addressing.

33:34
We need I think a closer look at the combination of taxes and and subsidies that that are happening in the US driving their essentially their competitiveness on this factor.

33:47
Now, the reason I say this is a tough time to address this is, you know, the US is essentially running massive deficits and other their subsidy programs are essentially sort of these deficits are essentially driving a lot of the subsidy programs to to allow for corporations to pay very little tax.

34:10
What have we done instead?

34:11
Well, to compete with those programs.

34:13
You know, the IRA is one of them, the Inflation Reduction Act, there's the CHIPS Act.

34:18
the US is essentially subsidizing investment South of the border.

34:22
We've rather than subsidized across the board, we've decided to subsidize in a few key areas.

34:27
And in fact, we've, we were considering these as wins.

34:31
I've got to say I'm very concerned about the change in policy around environment in the US and what we're going to do with our battery plants and whether we'll be able to essentially.

34:41
Certainly if we have an environment where we're applying tariffs to manufacture products, this is going to be a challenge.

34:47
But even without that, you know, we've got the US moving away from electric vehicles.

34:52
So this is going to be a challenge no matter what.

34:56
I've got to say that, you know, we didn't really need to invest in these battery plants if we got the critical minerals.

35:03
There's no, there's no certainly there's no guarantee that if we have the battery plants that we're going to develop the supply chains for those.

35:11
If the battery plants in the US and US needs critical minerals, that would be fine too.

35:16
There's nothing to, to impede or well, assuming there's no tariffs, the investments that would be required to bring those, those products or those, those minerals that's to market.

35:30
I, I do want to note that the last federal economic update, the fall economic statement, that was the first time we'd seen in a long time, you know, I think the right thing in terms of money targeted at boosting private investment.

35:44
We keep hearing about aiming to do things around productivity, but finally we got something in the, in the last economic statement.

35:51
There's also a patent box that's been announced that we're hoping we'll see in the next budget.

35:56
Of course, everything is up in the air, as we know, with respect to our own federal politics.

36:03
So lots of challenges for attracting private investment.

36:06
I see that I'm running a little bit low on time, but I'm going to try and speed it up as we go forward here.

36:12
But all sorts of challenges.

36:14
And again now with this protectionist attitude from the US and, and the threat of tariffs, I, I think it's going to be very, very hard to turn around.

36:23
I do think we can do a few things, clarity around approval process and timelines for resource projects that is really important.

36:31
This is a continued snag for investment in resource projects here in Canada and corporate tax competitiveness.

36:40
I think we do need to take a broad look at that, especially when it comes to essentially investing in tech and R&D and generating or promoting investment in those areas.

36:53
So what can we do?

36:55
I think we'll need to boost defense spending.

36:57
This is an area where we could essentially, if we do boost defense spending.

37:01
And a lot of NATO countries have done that very quickly, in fact.

37:06
But we, you know, it may be in fact a way that we can generate some economic activity in the, in the economy without necessarily putting our bets on, on battery plants.

37:15
I think we can use defense spending, defense spending strategically to support economic growth and, and, and activity here in Canada as well.

37:27
Well, I just talked about the tax reform strategy.

37:30
We need a comprehensive look at that.

37:33
Well, the talk of removing internal barriers to trade is all the rage these days.

37:39
Let's see if we can take advantage of it.

37:41
I mean, Mike and I, we've been at the Conference Board for a long time.

37:44
We've talked about this issue for a long time.

37:46
If it finally happens, I'd be so relieved to see it.

37:49
So let's let's hope that we do make some progress on that.

37:52
And finally, I'll say we need to look at where we are strong.

37:57
We are strong in the knowledge economy and professional services and and we've done exceptionally well in growing those services over the last number of years.

38:07
And by the way, you know with the adoption of technologies, cloud based tech and AII think this is an area where we can continue to grow those that part of the economy and in fact help to generate some productivity gains that we're all talking about these days.

38:26
And just on that point, a really quick chart here that shows you essentially our manufacturing employment, which is now around 9% of GDP in Canada compared to on the same scale here, professional scientific technical services, which are now over 2.7 million jobs in Canada.

38:46
And in, by the way, since 2015, we've seen 4% growth in employment in professional scientific technical services.

38:54
This is four times the pace of growth, growth in other private sector employment.

38:59
So this is our strength, our comparative advantage.

39:02
And by the way, professional services, services exports, all of these things seem low on the radar for President Trump.

39:10
He seems more focused on the idea of manufacturing and bringing back steel workers perhaps.

39:16
And perhaps this is something that will go unscathed.

39:19
Fingers crossed.

39:22
All right, very quickly on Canada's outlook, a skinny chicken.

39:26
This is not the official Conference Board title, but I think it tells the story.

39:30
There's Canada's economic growth in 2324.

39:34
You can see below 2% growth now.

39:36
A Goodyear for Canada is a little bit above 2%.

39:38
A bad year is a little bit below.

39:41
I think the real challenge for Canada in the last two years has, has been that essentially our economic growth has been almost sustained if you'd like by very strong population growth.

39:53
And you know, we we think that that is going to turn around going forward.

39:57
I mentioned I'll be talking to that in the last part, but this is a very, very poor performance on a per capita basis.

40:05
The other thing that's interesting and I like to compare Canada, US here, especially in 2324, you can see how monetary policy, high interest rates in Canada really had an impact on slowing.

40:17
Our domestic economy, but in the US they continue to forge ahead and in fact in the in, in at the time when monetary policy should have been having their it's peak impact U.S.

40:26
economy just forging ahead at a nearly 3% pace of growth in both those years.

40:32
So going forward, this scenario, as I mentioned early on, tariffs are not incorporated in our baseline forecast.

40:41
We still don't know what they will be.

40:43
And we will, we will see some tariffs, I'm sure, and we'll put them, we'll put them into the forecast as we hear more and get more information.

40:51
But for now, no tariffs applied.

40:53
But if tariffs come, you know that 1.4% growth that we have in 2025, that'd be reduced very, very quickly to to 1% or or less.

41:02
If we had tariffs that were lasting, you can see that growth would be eroded even more.

41:07
So a couple of points I wanted to make here.

41:11
You know, I've been back and forth inflation back to target range.

41:15
Now inflation kind of back to top of target range.

41:18
You can see the kind of major economies across the world, US, European Union, the UK, inflation all ticking back up to the top range of the one to 3% band.

41:30
In Canada, by the way, we have a retail sales tax holiday.

41:33
We thought that that takes about half a percentage point out of inflation.

41:37
So the January number that you see there, it's 1.9%, but in fact it would be at least 2.4.

41:45
And we've heard some estimates from Statistics Canada that could be as high as 2.7 if it weren't for the retail sales tax holiday.

41:52
So that's a temporary holiday, one that once that kicks back in and at the end of, well, in mid February and then into March, we're going to see inflationary pressures that are running more around 2.7% as the core measures of inflation are telling us from Statistics Canada and the central bank.

42:10
So we're not quite out of the woods yet I'd say on inflation and tariffs by the way, would be very inflationary as we, as we talked about earlier.

42:18
The point I want to make here is that tariffs are no tariffs.

42:24
You know, even as interest rates have come down, we have not seen much, much relief on longer term bond yields.

42:31
So you can see the blue, light blue line, that's the Bank of Canada rate, that's what the bank lends to other chartered banks and that's dropped from 5 / 5% to right now we're at 3%, the Bank rate.

42:46
We think it's going to continue to drop perhaps to 275.

42:50
You know, maybe if there's a recession we would see lower than that.

42:53
But the bank's neutral rate is somewhere around 2:50 to 275 S.

42:57
Not much more room to be gained from in terms of lowering rates in a kind of normal scenario.

43:03
The, the point, however, is that when we look at bond yields, and that's what drives mortgage rates and the rates that you and I borrow with those rates have barely moved since the Bank of Canada started lowering rates.

43:17
And that's because the bond market is really reacting to all that debt that's out there on the, in the global economy, foreign debt from the US and advanced economies, essentially sovereign debt has ramped up during the during the pandemic and it stayed high.

43:36
And, and so this is what's driving kind of global bond yields.

43:40
I think there's, you know, if we see another weakening of the economy as we're as we may see with this tariff war that's about to to unfold, you know, the concern here will be more debt, weaker economic growth and you know, at the same time inflationary pressures.

43:58
You know, I just don't see bonds or bond yields coming down very much from from where they are right now.

44:04
And that's going to be important as we talk about Canadian consumers.

44:07
But the other point I want to make here is US in 2025 now according to Congressional Budget Office will be at about 100% of GDP and their deficit is still running at 6.2% of GDP.

44:21
So they're still very much adding and tacking on to that global debt.

44:25
And many countries in Europe are running sizeable debts or sizeable deficits as well, and certainly in comparison to our own.

44:34

All right, So just very quickly here, I just want to say that this is real income and real spending for households.

44:42
Those are the bars, the blue bars.

44:43
Of course, there's all sorts of crazy things happened during the pandemic where we couldn't spend and we had served money coming in to support our and supplement our our incomes.

44:52
Our savings rate went through the roof.

44:54
The point I want to make here is that the savings rate is, is still quite high, but you can see consumer spending and incomes are are are are real quite low.

45:03
That's essentially inflation has eroded and taken away a lot from our, our incomes.

45:09
And of course we don't have those programs supporting income like we did during the during the survey days.

45:14
So we're looking at a fairly weak economic outlook for consumer spending overall, despite the fact that household spending on on aggregate is is is a story.

45:25
Household savings on aggregate is pretty good.

45:28
And the reason is there's a very big dichotomy on how interest rates are affecting different households.

45:34
And I just want to talk about essentially how much debt, you know, you can see here this is the amount of of savings that we had as households during the pandemic, 200 billion, another 130 billion or so saved up in those years.

45:49
We put a lot of that towards real estate, but we also borrowed another 164 billion.

45:55
So in 2020, 2122, massive amounts of new borrowing for mortgages that took place in those years and a lot of those mortgages were put in five year terms that are now coming due that are being renewed.

46:10
So the point is that even as housing prices took off and now have stabilized, when we look at essentially the debt load that households have and the interest payments that households are going to have to deal with, they're still very much on the rise as we look ahead.

46:28
So this is our total debt servicing cost for Canadian households as a share of their disposable income.

46:35
And despite the fact that we have interest rates coming down a little bit, the the impact on households is still putting a lot of pressure, especially as I think there's over a million mortgage renewals due in 2025.

46:49
And I know that a lot of the charter banks are putting funds aside to help cover for some of that risk.

46:55
So This is why we're seeing that kind of weak overall economic growth for Canada.

47:02
And certainly when we look on a real per capita basis, you can see, I mean real GDP of course is just our income.

47:09
When we put GDP on growing at 1 essentially at 1% and we put population growth at 3%, then your income per person in the economy is really declining.

47:22
That's what we saw in 2023, excuse me.

47:25

And in 2024, we're expecting fairly weak economic growth in 25, but now we've got a real turn around in population growth.

47:34
And that's going to help in some ways recover, help us recover in terms of our real GDP per capita.

47:41
But it's also going to mean a bit of a pain point in terms of growing our overall economy and certainly in terms of the supply of Labor.

47:53
Excuse me, just a quick breather here as I quench my, my thirst here.

48:00
All right, so just to finish off here, Mike, I know we're running slow on time for questions, but a word on immigration policy, just very quickly.

48:09
I've been, as Mike pointed out, in the forecasting world for a long time, but rarely have I seen a situation where such a dramatic policy change is occurring in the most fundamental piece around what drives an economy, and that is the demography.

48:24
And I don't, as I mentioned earlier on, I don't think there's enough attention being paid to the implications of this on on households.

48:32
So very quickly, this is the immigration, the inflows of immigration into Canada.

48:38
You can see what happened in 22/23/24, the permanent immigration that's the darker blue shaded area that stayed fairly stable or increased a little bit to 450,000 was the target as you may have heard.

48:53
But our non permanent immigration, remember we had like a million job vacancies in 2022 and we opened the doors really and in fact policies to facilitate non permanent residents, temporary foreign workers, foreign students and other programs to bring in workers temporarily to fill those jobs.

49:11
And that's exactly what employers did through that.

49:15
And then in the past year, we've talked more and more about reducing those net inflows so that we have a net outflow.

49:22
And the federal government in fact in October announced that they were going to essentially see a reduction, not a reduction in in essentially a decline.

49:32
In other words, we're going to halt the renewal of work permits to see outflows that in fact are greater than what we've assumed in our forecast here, the outflows would be 450,000 in 2025 and 2026.

49:48
So even deeper than this, along with cuts in the targets for the permanent resident immigration.

49:55
So this is a huge, huge change in a policy that drives essentially the fundamentals that we talk about in terms of, you know, the demography driving the economy.

50:07
So we haven't gone as far as the measures that are announced from the federal government.

50:14
In fact, the federal government is talking about population growth being negative both in 25 and 26.

50:20
We've gone with a slightly less aggressive I guess outflow of non permanent residents, but we do have a fairly in fact very weak population growth in 202526 massive change.

50:34
When I talk to employers about this they they tell me, tell me it isn't.

50:39
So is the is the message I get because a lot of employers have taken advantage.

50:43
In fact, as I mentioned, we encourage them to take advantage of non permanent resident inflows and now they're faced with the situation where, you know they've got a lot of non permanent residents in there and on their staffing and they're very worried about the situation with the potential outflows.

51:01
Now just to go back to the demography and how it drives so many things, I'm just going to talk about one piece of the demography.

51:09
What you're seeing here is our population pyramid on its side kind of thing.

51:14
So you can pick your age out on the bottom rung there.

51:18
And if you go all the way to that 60 to 78 age cohort, the darker blue bars, that's where our baby boom cohort is today.

51:28
And our baby Boom cohort, the last, the tail end boomers, the, the older boomers, they're 60 to 65, they're still very much in the workforce.

51:37
And so what's going to happen between now and not, you know, not 2040, not 10-15 years down the road, but in fact, over the next five years is we're going to see that baby boom cohort completely exit the workforce.

51:51
And that's where you see essentially in 2035 here, the dark dotted line, that's where the population will be in 10 years down 10 years down the road.

52:00
So where the black line is below the blue bars, that's a decline in population and where it's above, of course, that's an increase.

52:09
And these these dramatic changes in our older cohorts, for example, that'll have all sorts of implications for healthcare spending.

52:16
For instance, you know, the baby boom cohort has had its biggest impact recently on leaving the workforce, but now they're going to have that big impact on driving healthcare expenditures.

52:26
The other notable piece is if you look at our young, our youth, we're seeing declines especially for, you know, colleges and universities, a decline in the school age population, that 18 to 24 year cohort.

52:40
And that's why a lot of universities, educational establishments are very worried essentially about the cutbacks to temporary, foreign to temporary, sorry to international students.

52:54
All right, anyhow, there's lots to talk about in this one chart, but I'm going to focus in on that baby boom retiring.

52:59
And that's what you're seeing here.

53:02
So a fundamental pressure on the labor market is that of the number of baby boomers retiring, that's going to peak.

53:09
And I mentioned in the next four or five years, we're going to see those numbers reach about 300,000 a year.

53:14
And in fact, there's more to it than this.

53:16
There's just people that leave for other reasons.

53:18
This is solely from Statistics Canada survey saying I'm leaving because I retired, not because my I'm sick, not because my spouse is is ill and I have to take care of her, him or her.

53:31
This is really just one tick of the box.

53:34
And we're seeing that tick of the box leading to a fundamental pressure on labor markets with the exodus that we're seeing.

53:42
So the point I want to make here is despite this kind of weak economy, the skinny chicken that we talked about, the policies that we're seeing in place from the federal government on non permanent residents will mean that the the labor market is going to re tighten very quickly.

54:00
And what you're seeing here is the essentially the the blue bars are the levels of employment.

54:05
You know, we're well above 20 million people employed in Canada.

54:08
We can we assume that that is going to continue to rise over the forecast horizon.

54:14
But despite the but with this weak growth in employment, we still have this unemployment rate that tightens right back to that 5% range.

54:23
In fact, I think it's an unemployment rate closer to 6% is something that is more tenable more normal for Canada's economy long term.

54:32
So we're going to have a re tightening of the labor market despite this kind of fairly weak economic outlook.

54:42
All right, just a few minutes for questions.

54:44
But bottom line, the US will impose tariffs just we don't feel it's going to impose tariffs for any

length of time to the extent that the threats are that we're facing right now are are are threatening, I guess so you know, we're just all of us on the edge of our seat.

55:02
But the objective here again I think is move investment without necessarily having to impose the the pain of these tariffs.

55:11
And also again to bargain it's to bargain it's and and bully it's way or the US it's it's way to you know, winning on other on other fronts, defense spending, renegotiating our Kusum agreement, etcetera.

55:28
The, the, I guess the, the issue around attracting private investment is one that I just don't know how to address at this point in time, but it's something that we at least need to look at more carefully, especially with respect to our tax competitiveness.

55:43
And the last two points I've just finished off on them.

55:46
So Mike, I think we'll, we'll leave it here and see if there's a maybe a few questions we can get to.

55:53
Thank you.

55:55
Thanks, Trejo.

55:56
We had tons of questions.

55:57
I'd do my best to try and stay on top of them, but what I'll say is maybe there, there were a few that fell into common buckets since we have a number of questions around reductions in internal trade barriers.

56:11
Would it would it be beneficial or would it be moral or making only a marginal difference?

56:16
Basically, do we see a benefit from reducing internal trade barriers?

56:21
Yeah.

56:22
Well, we've, I, I mentioned that Mike and I have been involved in this for a long time.

56:27
And the last report we did actually itemizing and looking at all of the trade barriers was, is quite dated.

56:34
And we kind of gave up to be honest, that we just didn't see progress happening.

56:38
And so I think in a way this is an opportunity to really to make some substantial changes there.

56:44
You know, you see a number of studies, one from Statscan telling us that, you know, we could see a substantial reduction in prices and inflation if we were to remove a lot of these barriers.

56:56
This is terrific.

56:58
And some studies have are using kind of the macro analysis.

57:01
So I'm not trying to itemize, you know, regulation by regulation, but rather looking at how you know essentially how services are produced and delivered across the country and looking for inconsistencies in how those services are are delivered.

57:16
That gives us a sense of what those costs might be.

57:19
Why aren't we as efficient as we might be delivering those?

57:22
And some of those studies talk about, you know, at a minimum 4% gain in GDP.

57:28
It could be as high as 6 or 8% gains in GDP.

57:31
But to put that in perspective, you know, it wouldn't be overnight, but a 4% gain in GDP that would add to the level of our, you know, national income on a permanent basis over time.

57:45
So we're talking, you know, 1% of GDP is somewhere around 30 billion.

57:50
Each percentage point we get, we would add to that flow over on a permanent way over time.

57:57
So let's hope that we can make real progress on some of these issues and fingers crossed.

58:05
Thanks, Pedro.

58:06
Another one we got in a few different ways was around basically, you know, obviously you lay out the case for why we think only a few months for, for a tariff scenario.

58:15
But questions around what are the implications of a longer term scenario where there were tariffs are in place for an extended parade.

58:23
Are we going to model that or what do we think the impacts of that might be?

58:26
Yeah, yeah, I think we haven't gone that route because we, you know, we, we want to be prudent and I, I think our belief is that there will be tariffs, but our baseline forecast again doesn't have them in there.

58:38

And our belief is that if, if there are tariffs imposed they will be there will be temporary again for all the reasons I talked about.

58:46
But this is a really good question and a tariff war that would be lasting would be a disastrous.

58:52
In fact, it wouldn't be linear as I I tried to to, to describe.

58:56
In other words, A1 quarter tariff would take a big hit.

58:59
But A1A2 quarter tariff or a three quarter or a year long tariff war like we've described, this would take a growing proportion out of our economy because these impacts would build over time.

59:12
And as you can imagine tariffs on things like manufacturing, I talked about manufacturing about essentially a hit that almost half of our manufacturing exports from a 25% tariff.

59:24
But if we had a permanent tariff on things that were manufactured with most of our market being US, the the initial hit would be massive.

59:32
We could possibly shut down much of our manufacturing in Canada.

59:37
That's 9% of our economy, right?

59:39
I talked about 9% of employment, 9% of our economy.

59:43
So really tough to know for sure because again, our models are limited.

59:47
This is not something that is necessarily linear in that way.

59:51

And you know, we'd have to think very, very carefully about sector by sector, you know, how these these impacts would would play out, But it would be a massive, I mean, we would definitely see a deep recession in Canada from something that was extended, you know, a year, let's say next, Pedro, we'll stick around for a few more minutes if if people want to stay on and try and get through a few more of these questions.

1:00:14
But assuming you're OK with that, Pedro, But the.

1:00:19
We had a number of questions about the investment situation that I think that really that chart that shows the gap between Canada and the US really stands up for folks.

1:00:27
So couple questions around why the crash in 2014 and then you've talked a bit about tax policy, but is there anything else we can do to stimulate business investment beyond looking at tax competitiveness?

1:00:41
Yeah, I mean, yeah, Well, it's, yeah, it's a great point.

1:00:45
And I, you know, I do understand that the situation is really tough at this time given what's just transpired with the new administration.

1:00:54
And I think that the objective really is to erode our investment in this country with with this strategy.

1:01:01
On tariffs, the big decline in 2015 at, well, it was at the end of 2014, we saw collapse in oil prices and that led to a massive decline in energy investment.

1:01:14
I think it took us somewhere around $40 billion out of investment in in that sector in those years.

1:01:21
And in fact, investment never recovered in the oil patch.

1:01:24

And that's because of course we've, you know, really changed our policies with the emissions reduction plan.

1:01:30
And you know, essentially we're not seeing big investments in developing more capacity for in the oil patch, you know, investments recovered a little bit just in terms of maintenance in the oil patch itself.

1:01:42
So this is let's say the, the, the, the, the, the fervor has gone out of energy investment, even if profitability has come back.

1:01:51
The point I want to make though, is that Despite that, we need to bring our investment levels back up.

1:01:55
I mean we cannot compete globally and we can't aspire to have the the kind of productivity and prosperity that other countries are having if we're lagging on our productive capacity by that much.

1:02:07
What to do?

1:02:07
Well, again, I go back to targeted, we need to target at specific.

1:02:13
I think, you know, if we focus in on the sector that we have done well, the knowledge economy, how can we encourage more investment in R&D?

1:02:22
How can we encourage adoption of technology?

1:02:25
Perhaps those are areas where we can win without, you know, too much concern around retribution or, or, or challenges from the US side.

1:02:34
I think that's one piece on the resource side, which I think we're, you know, that's a winner for Canada.

1:02:39
There's no doubt about it, especially in the world that we're seeing.

1:02:42
You know, we have everything.

1:02:43
We've got potash, we've got grains, we've got minerals, all of the things that the world needs.

1:02:48
What we need is infrastructure to get stuff to to market.

1:02:52
And that's very apparent these days on on the oil.

1:02:56
But we also I think need to look at the the time the approval process around developing new energy project, new resource project.

1:03:05
It takes years, if not over a decade for many of these projects from, you know, initial, an initial concept or initial proposal to, to production.

1:03:16
So we need to we need to look at that and I don't think it's so much from what we hear from business how stringent the regulations are, but how much time and then certainly there is around the approval process.

1:03:27
So those are two quick wins I think that we could, we could address even in this environment.

1:03:33
Thanks, Pedro.

1:03:34
We'll take one or two more questions just given our time, but I think it's a good segue from what you just said.

1:03:40

We had a couple because we didn't have the territorial impacts in in the the slide that you showed.

1:03:45
So there we had a couple questions around where the implications for the tariffs and the territories in particular, given the dependence for some of the territorial economies on things like gold and you know, gold prices tend to go up when you have periods of uncertainty, like what are like, is this actually a good thing for the territories?

1:04:02
Was, was one of the questions.

1:04:03
So, well, I mean, it, it depends on which territory, I would say, but certainly in terms of resources, I, I personally, I don't think that we will see tariffs on, on energy, for example.

1:04:18
I, I think that's just nonsense from AUS perspective.

1:04:21
It would be almost silly and crazy to do it.

1:04:24
And I, you know, I think one of the things that will keep the Trump administration from applying some of these things will be what happens with, you know, essentially stock markets.

1:04:33
And I think that will keep, that will make stock markets very nervous.

1:04:37
And I think it'll keep those tariffs at Bay on the rest of the resources.

1:04:41
We may see tariffs on some products, but I, I would, you know, certainly if you're looking at steel, sorry, if you're looking at gold or, or precious metals or diamonds, you know, I don't see these as being hit at all.

1:04:54
And there's a global market for these things and we, those products are high value.

1:04:59
So there's no problem in terms of the, you know, tariffs being applied to those products.

1:05:02
The other thing I'd say is the territories are very, you know, government, there's a lot of government administration that's part of the GDP in the territories and that tends to be a more stable piece.

1:05:13
So I think the impacts that we saw at the provincial level would be lesser certainly for most of the territories, if not all of them.

1:05:20
I don't know if that completely addresses a question.

1:05:23
It's a tough question.

1:05:24
I think we'd have to dig in a little more.

1:05:25
But in general, I, I think that the territories wouldn't see this, you know, wouldn't see a sizeable impact.

1:05:31
Good, good question.

1:05:33
Thanks Pedro.

1:05:34
Maybe I'll do one more and then we can draw things to a close.

1:05:38
There was a number of questions around the can we dig in a little more on the inflationary, deflationary impacts of the tariffs and how the Bank of Canada might respond to a longer term tariff scenario.

1:05:50
Yeah, I think well, you know, certainly the tariffs would be one thing I didn't discuss was the

the fact that a tariff or even though the one quarter tariff or that we put in it, I'm glad you asked a question because I forgot to mention this, but there would be a major devaluation in the value of our currency vis a vis the US dollar and that would eat up part of the tariff for certain.

1:06:14
So it's it's just a part of a shock absorber if you'd like natural shock absorber to this kind of tariff war.

1:06:21
It would be painful for Canada though, you know, devaluation in our currency means we're just a little bit poorer and also means that there's would be inflationary pressures from that.

1:06:31
So I think most of the inflationary pressure from a tariff war would be through the, you know, the devaluation in our currency.

1:06:39
And of course then there would be counter tariffs that the that the Government of Canada is intending to apply.

1:06:45
I think for the most part, certainly what we saw from the Phase 1 tariffs, the 30 billion amount that would be applied to I think goods that we have substitutes for.

1:06:57
So hopefully, you know, we'd minimize the inflationary pressure on Canada by, you know, essentially targeting products that you know would not necessarily be full on in our basket we could substitute for in terms of our basket.

1:07:11
So, yeah, good, good, good question.

1:07:15
What would be the response from the bank?

1:07:17
Well, I do think the bank would be hand tied in in a tariff or they have a lot of trouble with, you know, Can you imagine an ongoing tariff war where the currency devalues by 6 percent, 10%, who who knows 12% even in a 25% tariff scenario, You know, that would, you know, be a massive push to to underlying inflationary pressures and the bank rumors most concerned about essentially our expectation.

1:07:47
So if all of a sudden prices do come up, even if it is, you know, a temporary hit from from a from a, from a devalued currency, you know, I think the bank would be concerned about that and want to be careful about loosening monetary policy too much.

1:08:01
So, you know, on the other hand, if we saw a recession, if we saw the economy really collapse from this, you know, I think there may be some monetary policy response.

1:08:12
Thanks, Peter.

1:08:14
All right, well, I think I'll draw it to a close there.

1:08:17
Thank you for your patience.

1:08:19
Those of you who stuck with us until now, really appreciate your questions and your engagements and thank you, Pedro for this, these great insights.

1:08:26
I know we've had a few questions around are we, are we going to share a recording of this or the slide deck?

1:08:31
I'm not sure if we decided that yet, but but I certainly think we can explore and see what we can do to share with those of you who are able to to join us.

1:08:39
So thank you again, Pedro, and thank you to our audience.

1:08:42
I really appreciate you sticking with us.

1:08:46
Take care.

1:08:46
Thank you, Mike.

1:08:48
Have a great afternoon everybody.

1:08:50
Bye bye.