



A Not-so-full Recovery

MONEY MANAGERS WEIGH IN ON CANADA'S ECONOMIC OUTLOOK FOR THE NEXT FEW YEARS. BY DENISA FARROW

Over the past couple of years, the world's stock markets have experienced a steep decline followed by a dramatic recovery.

Although the Canadian stock market (as measured by the S&P/TSX Composite Index) has risen 57.6% in the year ending March 8, 2010, the underlying economic recovery has not matched this meteoric rise.

Many investors would agree that there is still a high degree of uncertainty surrounding the economic recovery going forward. Segal Advisors surveyed a group of 25 Canadian money managers to get a sense of how the economy will develop over the next few years.

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forward. The projections for the technology sector were much the same as those for the finance sector.

Market Matters

Managers rated the outlook for the Canadian real estate market as weak to moderate for both the commercial and residential areas, with only 5% of participants projecting strong growth in the commercial sector and 11% forecasting a strong recovery in the residential sector.

On the unemployment front, the money managers projected a slight improvement from 2009. Not surprisingly, most participants forecast a small increase in Bank of Canada rates by the end of this year. About 10% thought the rates would be significantly higher.

The most popular view of the Canadian dollar versus the U.S. dollar at the end of 2010 is that it will continue trading within the current range, between 90 and 99 cents. About a third of the survey participants predicted that the dollar will top 100 cents.

Minimal Growth

When asked at what rate they expect Canada's GDP to grow by in 2010, most of the respondents (53%) projected 2% to 2.9% growth. Just over one-third (37%) were slightly more optimistic, forecasting 3% to 3.9% growth. The smallest group (11%) predicted less than 2% growth.

When the question was asked again, extending the period to three years, the responses were similar. Fifty-three percent of participants projected 2% to 3.9% GDP growth, and 37% predicted 4% to 4.9% growth. Again, a small percentage was more pessimistic about the next three years, forecasting growth of less than 2%.

Regarding their outlook for Canada's economic sectors, the money managers were closely united in a weak forecast for the manufacturing sector (79%) and strong projections for the commodities sector (84%). The outlook for the finance sector was moderate (42%), with the next largest percentage of participants (37%) having a strong view of this sector going

World Views

The projections for U.S. GDP growth over the next year were decidedly less positive than those for Canadian GDP growth. Three-quarters of participants foresaw 2% to 2.9% growth, with none projecting U.S. GDP growth of more than 2.9%.

When asked about the global GDP over the next three years, most of the money managers projected that it would grow in the 2% to 3.9% range, with a very small but optimistic group projecting 4% to 4.9% growth. The most frequently cited country/region for the best growth opportunity over the next three to five years was China, followed by India and other emerging countries.

The overall forecast of the money managers is for a mild to moderate economic recovery in Canada, the U.S. and other developed nations, with China, India and other emerging economies leading the way. Commodities are projected to be the strongest sector, with finance and technology also expected to contribute to the recovery. **BC**

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