



## Economic Update – A Global Perspective

Every year CKCA attends a seminar presented by RBC, Baker Tilly and Nelligan O'Brien Payne. These companies cover topics on legal, accounting and banking – aka “LAB”. Hearing from the experts you know you are getting sound advice and insights and we are pleased to share some of these with you.

So what's happening out there in the global economy? In order for people to know what assets to buy, or how to prepare your business for the year ahead, you need to have a global perspective. This can be somewhat daunting with the politics these days. Impeachment, US/China relations, Brexit and much more, all creating uncertainty and impact on the global economy. How do you as an individual or business owner reduce the risk, protect your portfolios of investment and anticipate how the markets will affect your business in the future?

### **First thing is to be informed.**

According to RBC Dominion Securities VP & Portfolio Manager, they are optimistic and not as concerned with what's happening in the US. In the beginning of 2019 many were cautious, thinking a recession was imminent. But even though the economy has slowed, a recession is not happening and that means people are still willing to take some risk. RBC thinks interest rates will fall (more in the US than in Canada) because the central banks want to provide support to the economy. In 2019, YTD, stocks and bonds etc. have had positive returns, the US economy has still performed well even though people were worried.

Manufacturing (goods production) has been affected a lot more than others because there's more exports and imports on a global scale. The decline in manufacturing appears to be stabilizing or slowed down, according to RBC, but they are still optimistic because 70% of the US economy comes from the consumer and the health of consumer spending. We are at record lows on unemployment, even in Canada as projected by BDC, wages are rising, people are working, inflation hasn't increased. People are richer and therefore are buying.

Interest rates fell (i.e. mortgage) and people have more free cash from refinancing. RBC thinks interest rates will still fall. The Federal Reserve in the US sets the rates to keep things stable and people employed, they engineer stability in the economy. There is “quantitative easing” which is stimulus to the economy (printing money) which will help the economy and the US will likely continue to do this in 2020. There is a chance that interest rates will go lower and returns on stocks won't be high but will provide a return.

China adds more to the global economy than the US and Europe combined. Trade tensions will hurt growth in China and their slowdown is because previously engineered stimulus programs (roads, infrastructure in China) have driven debt and it's increased exponentially. China's government knows it can't keep accumulating debt. China knows it needs to focus on consumers to provide more economic stability. For more data, check out this excellent summary from Woodworking Network [here](#).

## **And in Canada...**

In Canada there's a lot of negative thinking and its true housing has slowed, consumer purchasing has slowed. But wage growth in Canada is outpacing the US and people have more money to spend. The Toronto housing market had a strong summer, as did cities such as Ottawa and Montreal, but other markets have had a "soft landing", but overall this is good for consumers because housing prices had increased significantly. Canada's inflation rate is at 2%, the Bank of Canada is being careful and walks a fine line, but the economy doesn't need to cut interest rates, things are fairly stable and won't need much adjustment.

## **Best practice**

It's important that companies and organizations (such as CKCA) remember they have a duty of care, so make sure you manage the financials, read the financial statements and have financial investment policy statements for your company. The best practice on investment money is to line up fixed incomes to come due when you need them and the tighter and more robust your investment policy – the better! It's important to have defined risks, manage the portfolio, be mindful of your fiduciary responsibility or duty of care of company (or organization) monies.

If you have an investment policy it is good to review it every 36 months. Banks can offer someone who can give you advice on this and it's a complimentary service.

Whether you are a small business owner or on a Board of an organization, it's important to have perspective on the global economy, how it impacts your business and how and what you should be doing to remain sustainable. No one has the crystal ball, but there are companies such as the three companies who presented this information, who can give you important insights. Also, check out what the BDC (Business Development Bank of Canada) and the CFIB (Canadian Federation of Independent Business) has to say. These organizations are monitoring the economy for Canadian business. For those eligible, with CKCA membership you now also get CFIB membership. Be sure to make good use of the value add CFIB provides and get informed, even if financials are your least favourite thing, having a good perspective is an ingredient for success.

Wishing you all a profitable and sustainable 2020!

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