



Bank of Montreal (TSX:BMO) Report: Here's Where the Economy Is Headed

Description

Bank of Montreal ([TSX:BMO](#))([NYSE:BMO](#)) is one of the largest banks in North America. It has a valuation of nearly \$50 billion. Its opinion moves markets. That's why all investors should pay close attention to its recent [report](#) on the economy.

This week, the bank revealed its predictions for the Canadian economy. Some predictions many shock you.

If you own [stocks](#) and want to know where the economy is headed, read the highlights below.

Staging a recovery

"Following the steepest, deepest, and fastest recession in history, there are clear signs that the Canadian and global economies have begun the initial stages of recovery," BMO's economic report began. That's a promising start.

Since the year began, Canada's workforce has been reduced by millions. Many more are working fewer hours than they're used to. On paper, and in real life, it's a disaster. But BMO thinks the hard times may be turning a corner.

"As workplaces have gradually started to re-open, consumer spending, construction, and manufacturing are reviving, in some cases rapidly so," the report added.

Just don't think that everything is rosy. Yes conditions are turning a corner, but that's coming from a very low base. The job losses earlier this year were the steepest on record. Tax revenues plummeted as stimulus programs ramped, meaning both citizens *and* the government are facing troublesome financial situations.

The economy is still hurting

The start of a recovery is always promising. But the length of the recovery is a critical consideration. Will it takes months to return to normal, or years? BMO suggests that investors err on the side of caution.

“With some restrictions still in place, borders still closed, and many Canadians understandably reluctant to venture out, a complete recovery will likely take an extended period of time,” BMO warned. “In particular, there are a variety of sectors that could face an extremely rocky road over the next year (notably travel, dining, and entertainment), and may never fully return to pre-pandemic levels.”

That final consideration is most concerning. To repeat: some sections of the economy will *never* fully recover.

It’s not just BMO that believes this. Several airline CEOs have recently stated that the industry will be permanently smaller following the COVID-19 crisis.

But what if a vaccine is discovered quickly, and countries mobilize effectively to inoculate their citizens before the year is finished? This scenario would be wildly optimistic, and still, Canada’s economy would continue to suffer. That’s because economic reverberations can last entire lifetimes.

“The hit to confidence, wealth, and employment prospects from the swift downturn will keep some households and businesses cautious in their spending plans,” BMO stressed.

Want proof that people are less optimistic about the future? Just look at birth rates.

“Prior to the pandemic, Canada’s population was growing about 1.5% per year (the fastest rate in three decades), but we suspect that may cool to something closer to 1% on the other side of the divide,” BMO concluded.

There are many reasons to be optimistic about an economic rebound, just know that the duration of that recovery could take years or even decades.

CATEGORY

1. Bank Stocks
2. Coronavirus
3. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. TSX:BMO (Bank Of Montreal)

PARTNER-FEEDS

1. Business Insider

2. Koyfin
3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

Category

1. Bank Stocks
2. Coronavirus
3. Investing

Tags

1. Editor's Choice

Date

2025/08/24

Date Created

2020/07/30

Author

rvanzo

default watermark

default watermark