



THE
FORECASTING ADVISOR

Outlook on the Business Cycle in Canada

The Forecasting Advisor

www.theforecastingadvisor.com

December 18, 2017

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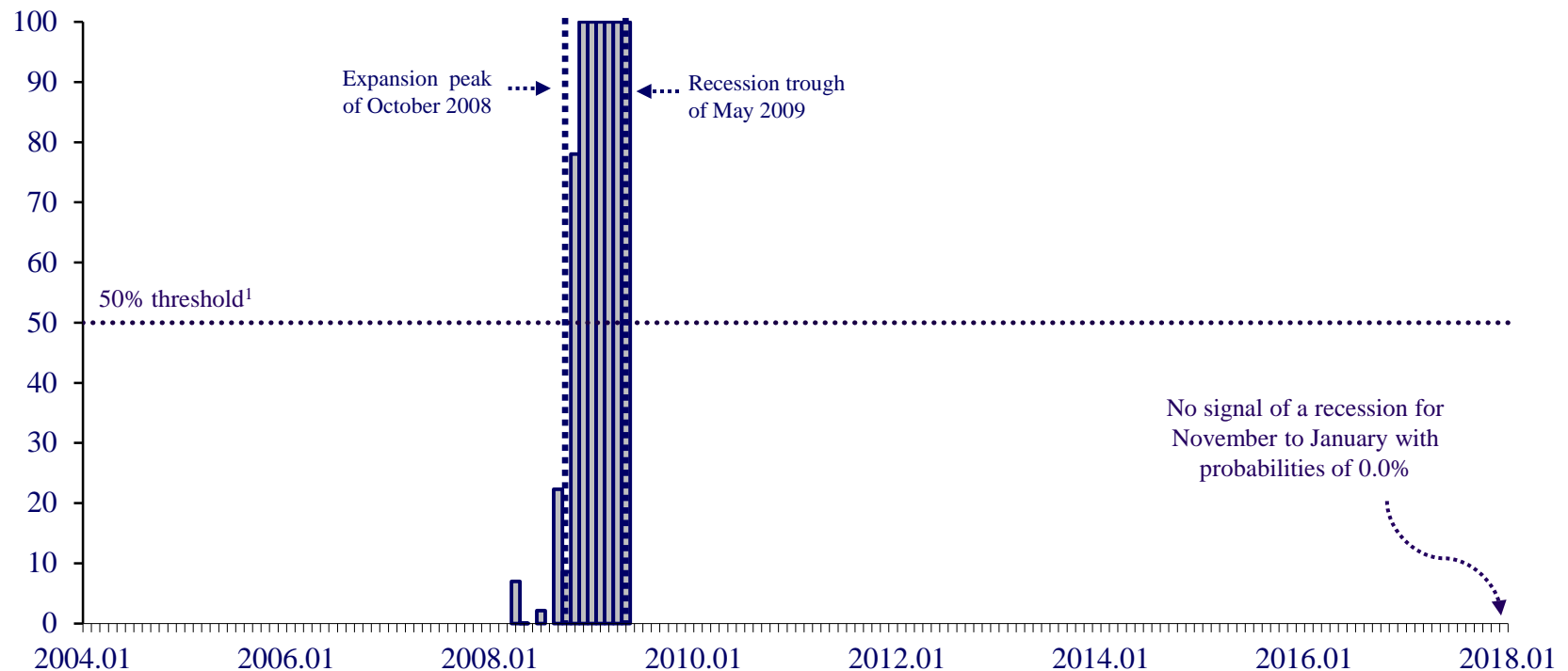
Model's Forecast	Phase of the Economy ¹			
	Actual	Outlook ²		
	October 2017	November 2017	December 2017	January 2018
	Expansion			
Probability of Being in a Recession³		0.0%	0.0%	0.0%
Predicted Outcome for the Economy⁴		The expansion will continue	The expansion will continue	The expansion will continue

1. The prediction for the business cycle is determined with a regression probit model. The probability of being in a recession is calculated for a forecast horizon of one to three months.
2. The probabilities for November to January were calculated on December 18, 2017.
3. A predicted outcome for the business cycle is determined with the usual 50% threshold:
 - When the economy is an expansion, the model predicts a reversal of the business cycle to a recession if the probability is equal to or exceeds 50%. Otherwise, the model predicts the continuation of the expansion.
 - When the economy is in a recession, the model predicts a reversal of the business cycle to an expansion if the probability is equal to or falls below 50%. Otherwise, the model predicts the continuation of the recession.



Probability of Being in a Recession in Canada: January 2004 to January 2018

probability, %



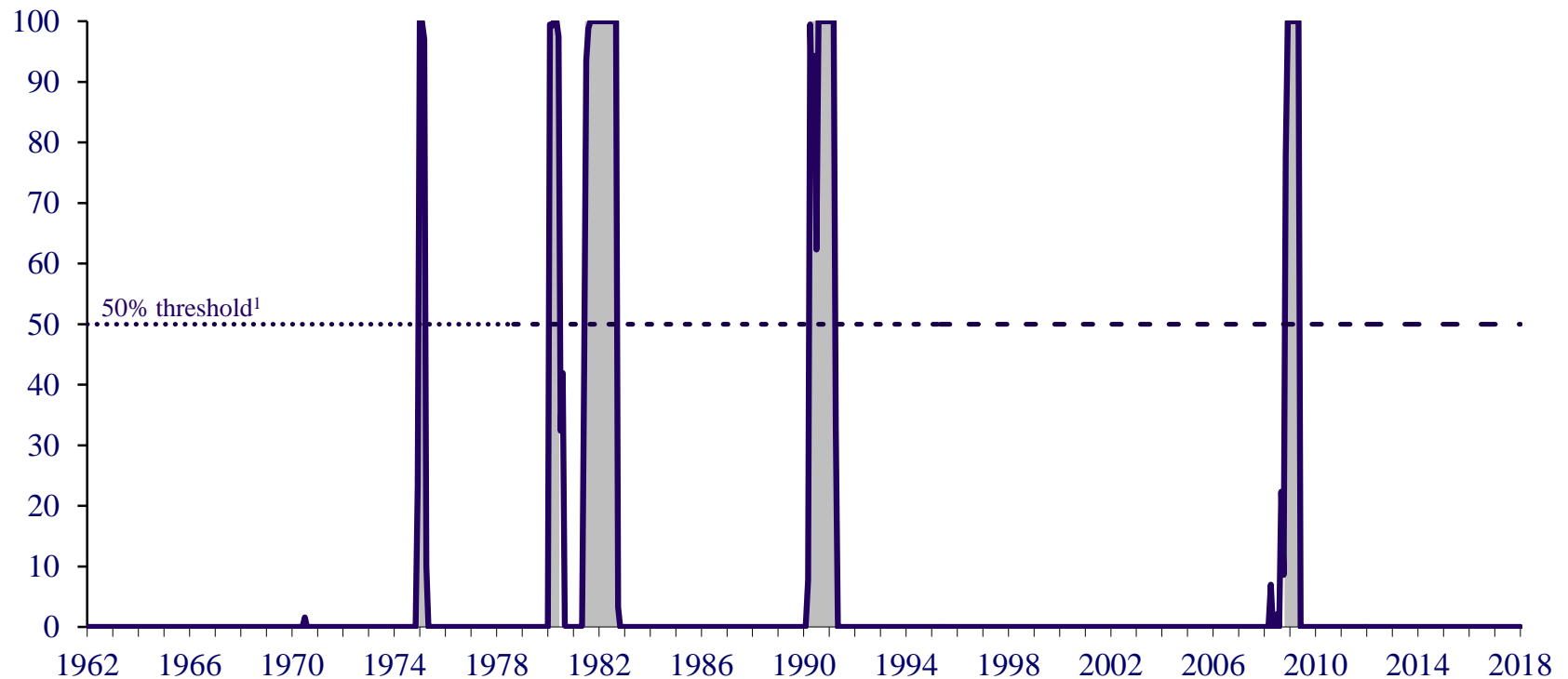
Source: The Forecasting Advisor. Last observation is January 2018. The probabilities are calculated in real time from January 2013. The model predicts a reversal of the business cycle in a recession if the probability is equal to or exceeds the threshold of 50%. Otherwise, the model predicts the continuation of the expansion.

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Probability of Being in a Recession in Canada: January 1962 to January 2018

probability, %



Source: The Forecasting Advisor. Last observation is January 2018. The probabilities are calculated in real time from January 2013. 1. The model predicts a reversal of the business cycle in a recession (expansion) if the probability is equal to or exceeds (falls below) the threshold of 50%. Otherwise, the model predicts the continuation of the expansion (recession).

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