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Transcript

Kim Carrigan - Bloomberg

TD Garden still full today, but this time it's with bankers and business people. Our Janet Wu is back from moderating the US Canada Financial, Economic and Investment Forum and Janet full of lots of important folks.

Janet Wu - Bloomberg

Yeah, that's that is a mouthful. I know the title of this forum and indeed we tackled big ideas. As you say, it's an off day for the Bruins, but an on day for cross-border business executives TD Bank, which is of course headquartered in Canada, has a huge presence here in Boston. The bank was a major sponsor of this Economic Forum and they held the discussions in the Legends Room inside their signature sponsorship property of the TD Garden. I moderated the discussion with TD Bank's Chief Economist Beata Caranci. Canada and the US are quite interconnected economically because of course, we share our biggest boarder. I asked her how much trade is going on.

Beata Caranci – TD Chief Economist

Canada has as a share of its GDP of its economy. Trade makes up a larger portion in Canada. In the US, the consumer makes up a larger portion of the economy, so it's just the way the economies are configured. Canada, as a small country, has a high dependence on other countries for growth and trade, and hence exports and imports make up a larger share.

Janet Wu - Bloomberg

Is there anything in particular that can be said about New England? Is there more trade coming from New England with Canada, or is it about even around the country?

Beata Caranci - TD Chief Economist

The good question is actually about even in terms of shares. Now what gets exported and import differs. So for example, if you're in Ontario, it's the auto parts and sourcing that gets shipped back and forth through the supply chain. If you're in the East Coast, the maritime provinces, there's more resources shipped into New England and New England in turn shifts back more machinery, equipment and chemicals, process resources in effect.

Janet Wu - Bloomberg

Of course, TD Bank is a Canadian based bank, but a very, very big presence here in Boston as well as the presence in Europe and Asia for certain sectors of the bank. I want to ask you about your outlook for the US economy, there's been a lot of talk about will we have recession? Will it be shallow? How long will it be, or will we have a soft landing? What are your thoughts?

Beata Caranci – TD Chief Economist

So the question on the recession could only ever be known retrospectively once you actually have the markers in the data and the predominant one that the NBER uses is a rise in the unemployment rate and a decline in peoples incomes. Clearly that is not happening right now, so we're not in the recession right now. Doesn't mean we won't be at a later date, but the reason most think it's going to be if it occurs, it's going to be shallow is simply because we've had such a run up in terms of job gains and it's still an ongoing shortage relative to the job postings. Many perceive it difficult to say well, there's not a financial imbalance that we're addressing. There's not a household imbalance in the US that we're addressing. So it's really an interest rate shock that will feed through and it will likely be absorbed disproportionately by businesses as opposed to households, meaning businesses are likely to lead the downturn rather than the household side.

Janet Wu - Bloomberg

Let's talk about jobs. Labor force growth is much different in Canada, in part because of its immigration policy, which is very different from the US talk about that.

Beata Caranci - TD Chief Economist

That so the labor force growth is much stronger in Canada and it directly corresponds to the fact that Canada's population growth is significantly stronger and that is directly related to immigration as a share of the total population, Canada takes in four times more immigrants than the US it is the strongest in the G7. And so that continues to support why businesses can continue to hire in an already tight job market without really pressing on the margins of wage growth to a greater extent than you would expect when you have historically low unemployment rates. Canada's immigration policy is by design it's intended to bring in immigrants, mostly through the economic class, meaning they get more points if they have higher levels of education. If they've been educated in Canada, there's a pathway to stay in Canada. So through this checklist, about 60% of immigrants are coming through as opposed to the US equivalent economic class only about 20% of all immigrants are coming through. As like labor or workforce ready. So there's a big big gap between the approaches the countries take.

Janet Wu - Bloomberg

And we should also mention there's a path to citizenship with the amount of money that you bring in and the amount of money that you are able to invest and the amount of money being invested in you or your idea in Canada.

Beata Caranci - TD Chief Economist

So you could come in if you have a job offer for, as an example from a company that's investing in you, in effect that you can come in if you're entering to do a start up a company to your point and they'll look for where the funding is coming from and the amounts that will range somewhere between 50,000 and 200,000 depending on what type of company you're doing. Again, all of these fall into that economic class, and why that number is so much higher in Canada than what you see in the US today.

Janet Wu - Bloomberg

I learned that more and more companies from this region actually setting up a presence in Canada, including Moderna, as I learned today. Do you expect that to grow?

Beata Caranci - TD Chief Economist

Well, there's a couple of things happening. Changes are happening in climate change policies. And there are quite a few tax credits and subsidies occurring to invest in these innovative areas. So companies looking to take advantage of those will definitely think to consider Canada these tax credits and subsidies are of the scale or greater than what we're seeing in the US, and also for companies to think about their supply chains. So one of the things happening is companies are moving away from areas like China and if they're going to set up in neighboring areas to the US to service the US market, Canada looks like a good option because it has a tremendous amount of Labor force growth and available workers.

Janet Wu - Bloomberg

Is that ally shoring or friend shoring?

Beata Caranci - TD Chief Economist

It's exactly what it is. Which countries looking to reorient their supply chains to other countries that are very like-minded in ideology philosophy policies. So Canada and US are very, you know, they're kissing cousins in this area and so they rely on each other quite a bit.