

Jefferies

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Why Jefferies Made a Big Bet on Canada TEST



John Manley

Chairman of Jefferies Canada

The International Monetary Fund [expects](#) Canada to be the world's third fastest growing economy in 2024, and that [growth](#) is coming from a more diverse mix of industries than ever before.

Canada is on the rise, which is why Jefferies recently [announced](#) the establishment of a full-service investment banking and capital markets presence in the country. It's a place where we see immense opportunity to help our clients grow, scale and acquire world-class assets.

To better understand Canada's growth story, we asked John Manley – the new Chairman of Jefferies Canada and a former Deputy Prime Minister with a decorated career in law, business and public service – to share his thoughts.

What's the state of the Canadian economy today?

It's been four years since the start of the COVID pandemic and I think we're still in the post-pandemic phase. We have a lot of parallels with the U.S. where both fiscal and monetary policy were more expansive and accommodative for longer than needed.

I previously chaired a large Canadian bank and saw our deposits going through the roof early in the pandemic because there was simply more income being replaced in the economy by the government than there was lost to the pandemic at a time when supply was disrupted. Inflation was inevitable.

Like the U.S., the Canadian central bank raised rates to tamp down inflation and now they are also on the cusp of cutting rates later this year. Even though the Bank of Canada [said](#) the economy has stalled since mid-2023, fiscal policy is still very supportive, and there are plenty of forces aligning to spur growth in the years ahead.

What do you see as the primary drivers of Canadian growth in the months and years ahead?

Historically, the Canadian economy has been more akin to Australia than the U.S. because we have such a strong base in natural resources. Energy and financial services alone account for almost half the value of the Toronto Stock Exchange (TSX). But on a relative basis, the share of energy and financial services is shrinking. Materials and industrials are expanding. Technology has almost doubled its presence in the TSX, and the third most valuable company in all of Canada is Shopify, an ecommerce retailer.

So the economy is becoming more diversified and many of our leading companies are in a position to both sell more into the U.S. and to attract more capital from all over the world. That said, I still believe that Canada's "family business" is the extraction and processing of our immense natural resources. Demand for energy and minerals, as well as the output from our agricultural, forestry and fishery industries are strong and growing.

What are the most important strengths of the Canadian economy?

It starts with the most important asset of any country or company: The people. Canada has a highly educated populace and in fact we [have](#) the second highest share

of people in the world with a post-secondary education behind only South Korea. We have one of the fastest growing [populations](#) in the world and much of that growth is fueled by immigrants, who now make up almost a quarter of the country. Canada brings in almost as many immigrants as the U.S. annually even though our population is only about one tenth the size.

though our population is only about one tenth the size. So we have a dynamic population that is also very entrepreneurial, and the low barriers to starting a business means that we have a very high rate of new business formation.

And then there is the family business of providing the food, fuels and minerals the world needs: We're the [5th](#) largest exporter of agri-food and seafood, [4th](#) largest of metallurgical coal and of [crude oil](#), and the 6th [largest](#) exporter of gas.

Where are the untapped opportunities in Canada?

For all of Canada's strengths, we only have 40 million people so companies can only get so big selling to our domestic market. I think one of Jefferies' biggest value adds for our clients will be helping them make more inroads into the U.S. and global markets.

Our openness to immigrants has been a significant strength but we've also been overly reliant on workforce growth as a driver of our economy because Canada has lagged U.S. productivity growth for an extended period of time. But I do think there are several developments on the horizon that could enhance our productivity. One example is the completion of the Trans Mountain Extension Pipeline which will expand our ability to transport oil from Alberta from the Port of Vancouver. Economically speaking, that's been all money going in

with no GDP growth to show for it. But once the extension comes online, that could increase GDP by as much as 0.5% and simultaneously improve the productivity measure. In addition, as Canada's technology sector continues to expand and artificial intelligence enables more efficiencies for all of our companies, that should also spur productivity.

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What has you most excited about Jefferies' opportunity in Canada?

Canada has everything the world needs. We have energy, water, agricultural and mineral resources, and so much else. We have an educated population and high standard of living that supports a vibrant consumer market. So this is a growing and diverse economy and whatever the sector, Jefferies has someone with expertise who can help our clients find opportunities in them.

All we lack is scale, which access to US markets can help provide. Enabling our clients to benefit from their proximity to that massive neighboring market is at the top of my list of objectives for Jefferies Canada in the short term.

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