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“The difficulty lies not so much in developing new ideas as in escaping from old ones.”

-John Maynard Keynes-
British economist



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Markets remain as hot as the weather this month, but the economic projections continue to be predictably unpredictable. Like weather forecasts, it can be useful to revisit those outlooks after a period and see how they have fared. To their credit, **Manulife** viewpoint research has done just that and provides a retrospective on the 2025 conjecture they issued at the beginning of the year. Mistakes in modelling the future are less an admission of failure but rather a great indicator of how capricious and complex systems can be and give us feedback to make course corrections based on new data. With **Manulife's** big five themes in their forecast, they have been on the mark on some of their predictions and less so on others. Global growth surprised them as the U.S. dollar, stock market, and economic performance were weaker than had been anticipated, while Europe has outperformed their estimates. Interest rate directions have also raised eyebrows, and many countries have not seen the universal decline in rates that they had thought would occur. **Manulife** has been more accurate on issues like changes in global trade, which continues to be a dominant factor in policy this year. Their prediction of a continued run-up in government debt has so far been accurate, and it is likely only to accelerate since they published this report in late June. Going forward,

what adjustments to their forecast do they see? While they think U.S. trends in the first half of the year will continue, they now concede that a resolution of some issues like tariffs and trade could have powerful reversal effects. Despite a rising currency and TSX index so far, they are concerned about both the Canadian market and economy for the balance of the year. The Eurozone may see more sluggish growth, but the comparative cheapness of its stock market, relative to the U.S., colours their optimistic view, and they remain constructive on Japanese equities longer term. Since their retrospective came out, we have seen U.S. trade deals announced with Japan and Europe and the passage of the Big, Beautiful Bill with stimulative tax cuts and more government spending. The upward bounce of stocks on these pieces of news illustrates how powerful removing uncertainty can be for energizing pools of capital into a more positive frame of mind.

Canada is close geographically and economically to the impact zone of those U.S. tax policy changes, especially as it pertains to personal income tax rates. As the global race for talent accelerates and Canada's GDP per capita falls further behind our southern neighbour, several recent papers have argued that our tax policy needs to be overhauled for us to remain competitive. Tax expert Kim Moody opines about this in a recent **Financial Post** article and focuses on these large tax differences and how they might be remedied with tax reform. Compared to many of our peers who rely more on corporate or consumption taxes, Canada derives a larger portion of tax revenues from taxing personal income. With Canada's government spending promises rising upwards, Moody argues that we should raise the GST to fund lower income taxes if we want to keep levels of tax revenue stable and prevent the reduction from being too easily pushed to more government debt. Looking south of the border, Canada's lowest taxing provinces are still at higher levels than the highest state jurisdictions in the U.S. when it comes to taxing individuals. As well, our higher tax brackets kick in at much lower levels than in the U.S., which skews the average tax bill upwards for Canadians. Another of the author's bugbears is not taxing the family as a unit but instead doing so individually. He points out with an example that two spouses making \$50,000 have a lower tax burden than if only one spouse works and earns \$100,000. Same household income but different tax rates, and this is another area of difference where the U.S. allows forms of family taxation. Admittedly, comprehensive tax reform is a complicated undertaking, but as Moody and others have argued, Canada's future prosperity and competitiveness depend on such a wholesale renovation of our current aging patchwork of tax policies.

Tax revenues are an important issue for another reason aside from basic fairness. The overarching issue is an aging population in many developed countries that requires increasing spending in health and home care. Eighteenth-century historian Edmund Burke's often-quoted line is that "society is a partnership between those who are living, those who are dead and those who are to be born." Demographics are powerful, and while immigration can blunt the age curve to a degree, **Visual Capitalist** has a very interesting piece that examines the 25 countries with the most seniors today and what those numbers are projected to look like over the next 75 years if present population rates continue. Not surprisingly, Japan has the greatest percentage of its population over 65 at present, followed closely by several southern European countries. However, with low birth rates and a resistance to immigration, China and a number of other East Asian countries are projected to have the fastest aging curves this century. By the turn of the century, Hong Kong could have over 60 per cent of its population as seniors. Canada and the U.S. are not on the lists at all, but typically, countries with higher immigration policies focus on younger newcomers, and for many of the countries with low birth rates, it is the only source of population growth. Aging countries that are closed to external population growth are faced with actual depopulation and a decreasing percentage that are still working. No doubt, there will be difficult policy decisions to be made on how to pay for social programs in places with a shrinking pool of workers. Many of the older countries like Japan already have large amounts of government debt on their balance sheets, and there is talk of adding or increasing wealth or inheritance taxes. However, the recent focus on AI and robotics may provide an alternative solution for aging countries. What if machines fill the missing worker gap and improve productivity so that they can prosper with fewer people rather than importing human capital?

Manulife Investment Management: Midyear 2025 global macro outlook - what's changed and what hasn't



At the beginning of 2025, we identified five macroeconomic themes we expected to persist throughout the year. Six months later, we take a geographic approach to our outlook, outlining region by region how we see the rest of the year unfolding.

At the beginning of 2025, we identified five key macroeconomic themes that we believed would likely persist throughout the year:

1. A mixed bag for global growth
2. A circuitous route to neutral rates

3. A mountain of government debt
4. A likely shift in global trade
5. Challenged emerging markets

What a difference six months can make. More forceful-than-expected government policy decisions, particularly by the United States, have swiftly overtaken some of our early 2025 views.

For example, while still stronger than in other regions, U.S. economic growth appears to be catching down to global counterparts; conversely, the eurozone economy now has some structural tailwinds behind it. And although the idea of world central banks moving toward neutral policy rates is somewhat intact, the clean convergence we'd anticipated hasn't occurred.

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Financial Post: Canada's personal tax rates need to come down. Here's how to do it

Many provinces in Canada have combined a federal–provincial personal income tax rate that exceeds 50 per cent at the highest rate. For example, Ontario, British Columbia Quebec and many of the Maritime provinces are in the 54 per cent range.

Jamie Golombek, managing director, Tax & Estate Planning, at CIBC, recently pointed out that Canada's highest rates are reached at much lower levels of income than in the United States while discussing whether income averaging and family taxation are solutions.

He also compared our rates to the U.S. and how Canada's highest rates are reached at much lower levels of income and discussed some possible solutions recently put forward by another tax practitioner: income averaging and family taxation.



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Visual Capitalist: The Countries with the Most Seniors (2025-2100P)



Key Takeaways

- European nations currently lead as countries with the most people aged 65+, but their increases through the century are projected to be slower and less extreme.
- On the other hand, China is projected to move from outside the top ranks in 2025 to the world's 3rd most senior-heavy population by 2100.

The world has entered a demographic transition that it's never quite contended with before.

As fertility rates fall and longevity rises, the share of people aged 65 and over is climbing rapidly.

This visualization ranks the nations—having a population of at least one million—with the biggest senior populations today. It also shows how that lineup is set to change by 2100.

Data for this visualization is sourced from the UN World Population Prospects, which tracks and projects the share of adults aged 65+ in every country.

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