



The Conference Board  
of Canada

# Canada's Economic Outlook:

## Waiting for America

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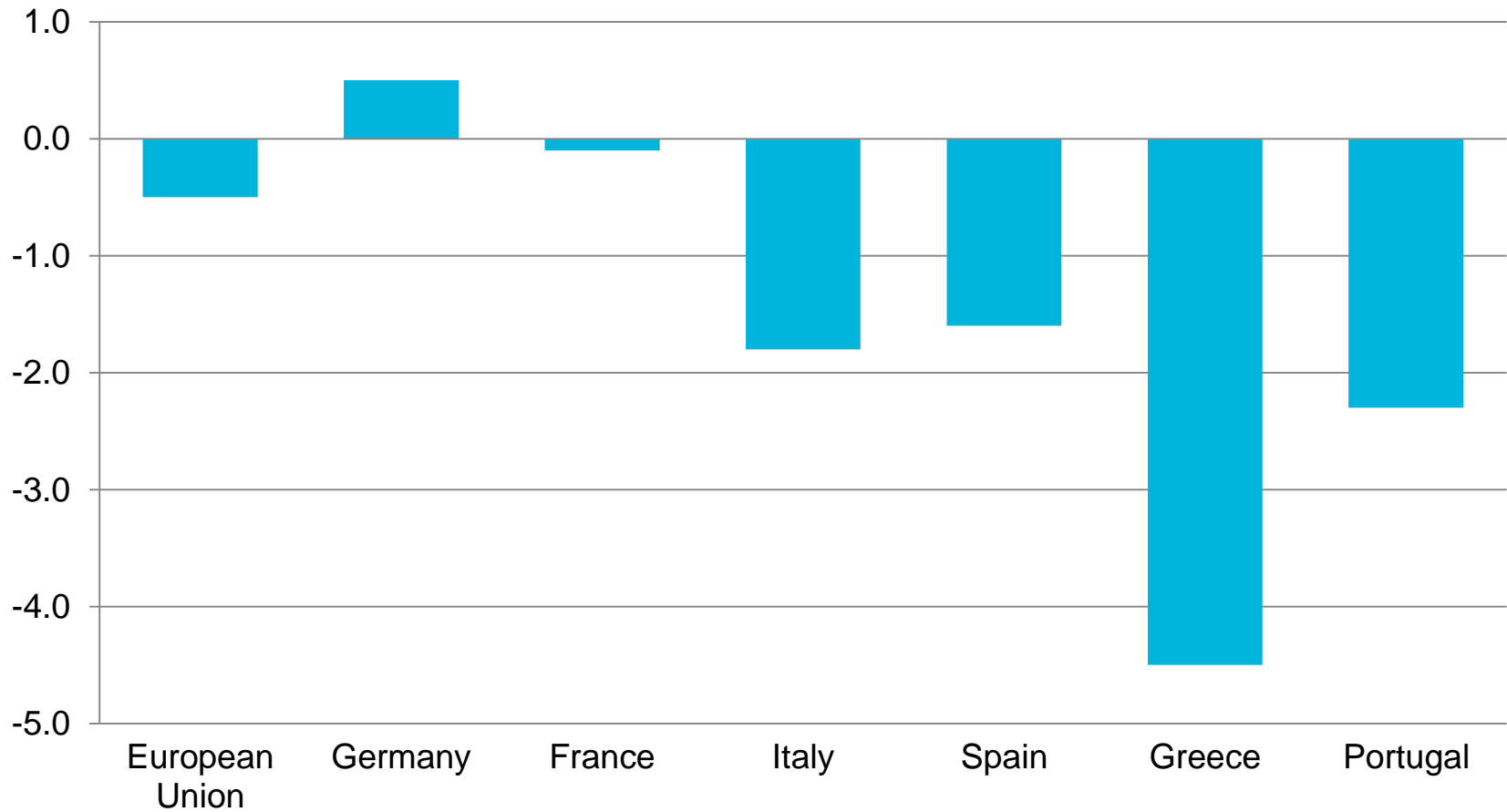
November 17, 2013

# Risks Remain at the Forefront

- Euro area improving....but will reforms suffice to hold Eurozone together?
- Geopolitical tensions
- Youth employment
- BRIC performance slipping
- U.S. Fiscal Policy

# Contraction in Western Europe.

per cent change, 2013, real GDP.



Source: Consensus Economics.

# Can Politicians be Trusted?

“Spain is not Greece.” Elena Salgado, Spanish Finance minister, Feb. 2010

“Portugal is not Greece.” The Economist, 22nd April 2010.

“Ireland is not in ‘Greek Territory.’” Irish Finance Minister Brian Lenihan, June, 2010.

“Greece is not Ireland.” Greek Finance minister, 8th November, 2010.

“Spain is neither Ireland nor Portugal.” Spanish Finance minister, 16 November 2010.

“Neither Spain nor Portugal is Ireland.” Angel Gurría, Secretary-general OECD, 18th November, 2010.

“Italy is not Spain” Fitch, 12 June 2012

“Spain is not Uganda” Spanish PM, June, 2012

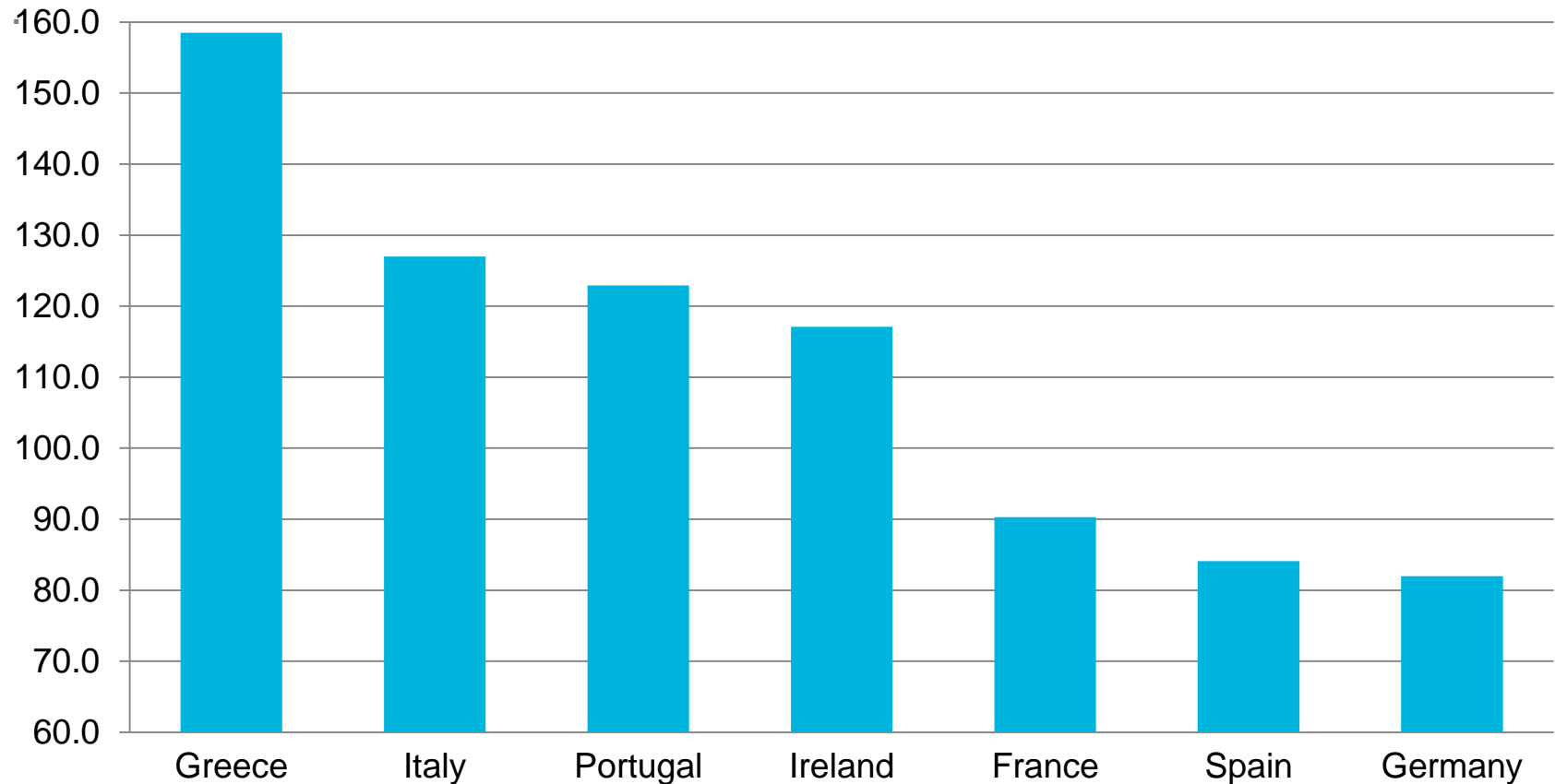
“Uganda does not want to be Spain” Uganda’s PM 24 hours later

“Cypriot banks are in good shape” EU official, beginning of March 2013



# Government Debt as a Share of GDP.

per cent, 2012 estimates, gross debt.



Source: International Monetary Fund.

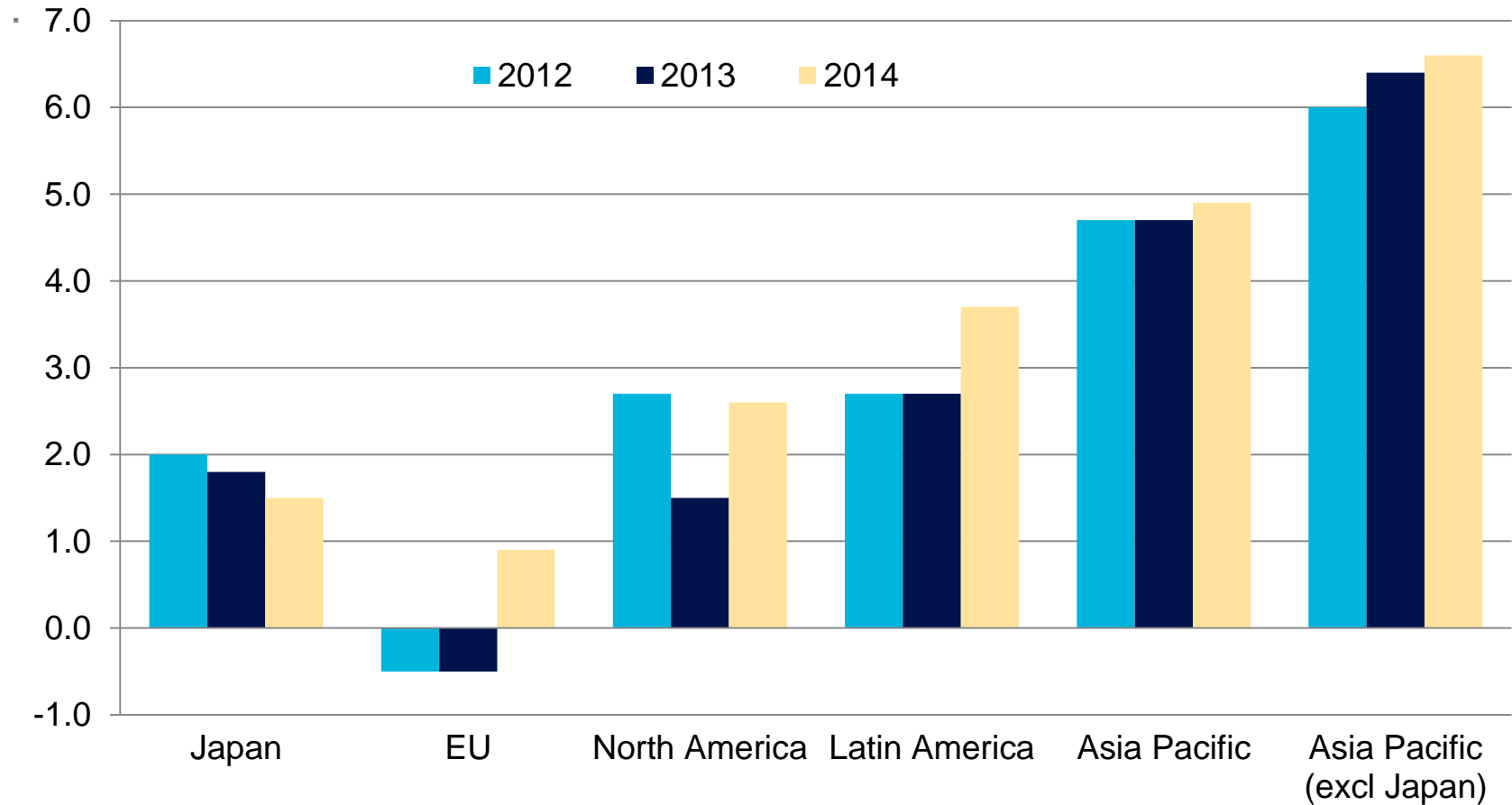


# Some Good News....

- Global economy still mustering ahead—a better performance is expected in 2014
- Abenomics is pushing Japan out of the doldrums
- BRIC countries not all the same...
- China and India stabilizing, stronger contribution from domestic economy.
- Can Brazil and Russia reach their potential
- Despite dysfunctional fiscal policy, U.S. private sector recovery picking up

# Uneven Growth in Global Economy.

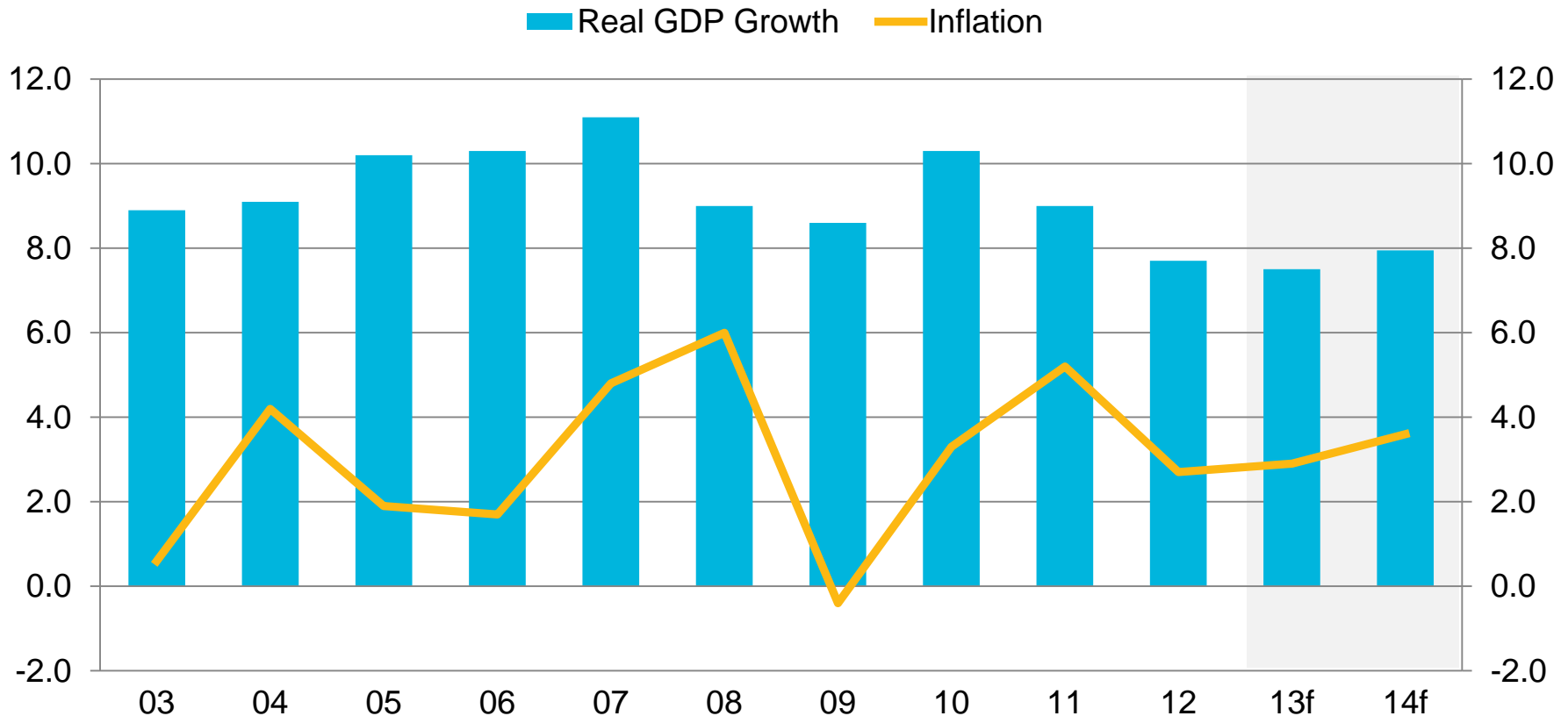
Per cent change, real GDP



Source: Consensus Economics

# China: Real GDP Growth and Inflation.

per cent change.

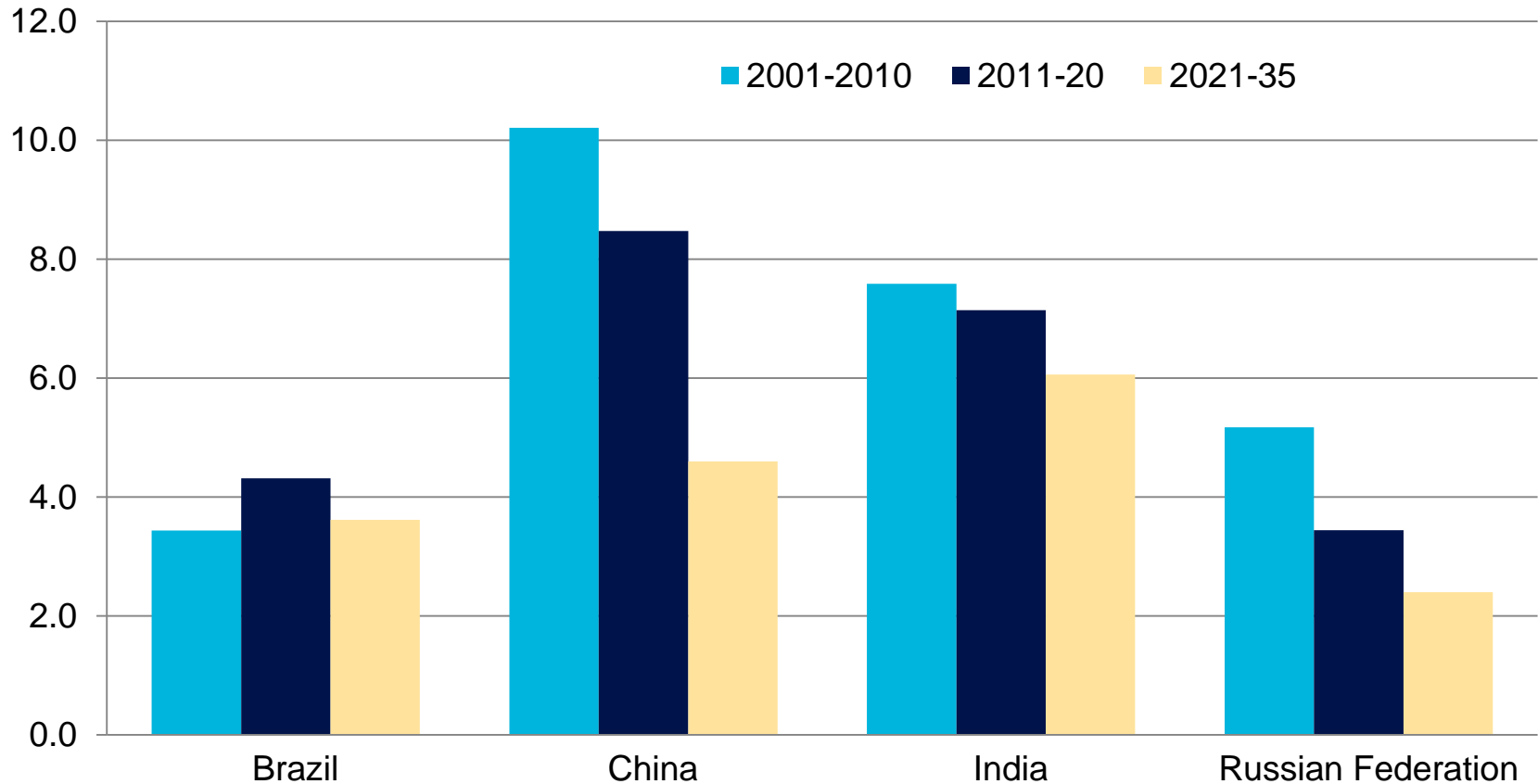


Source: Consensus Economics.



# Potential Output - Total Economy.

measured in 2005 PPP USD, average annual compound growth, per cent.



Source: OECD.



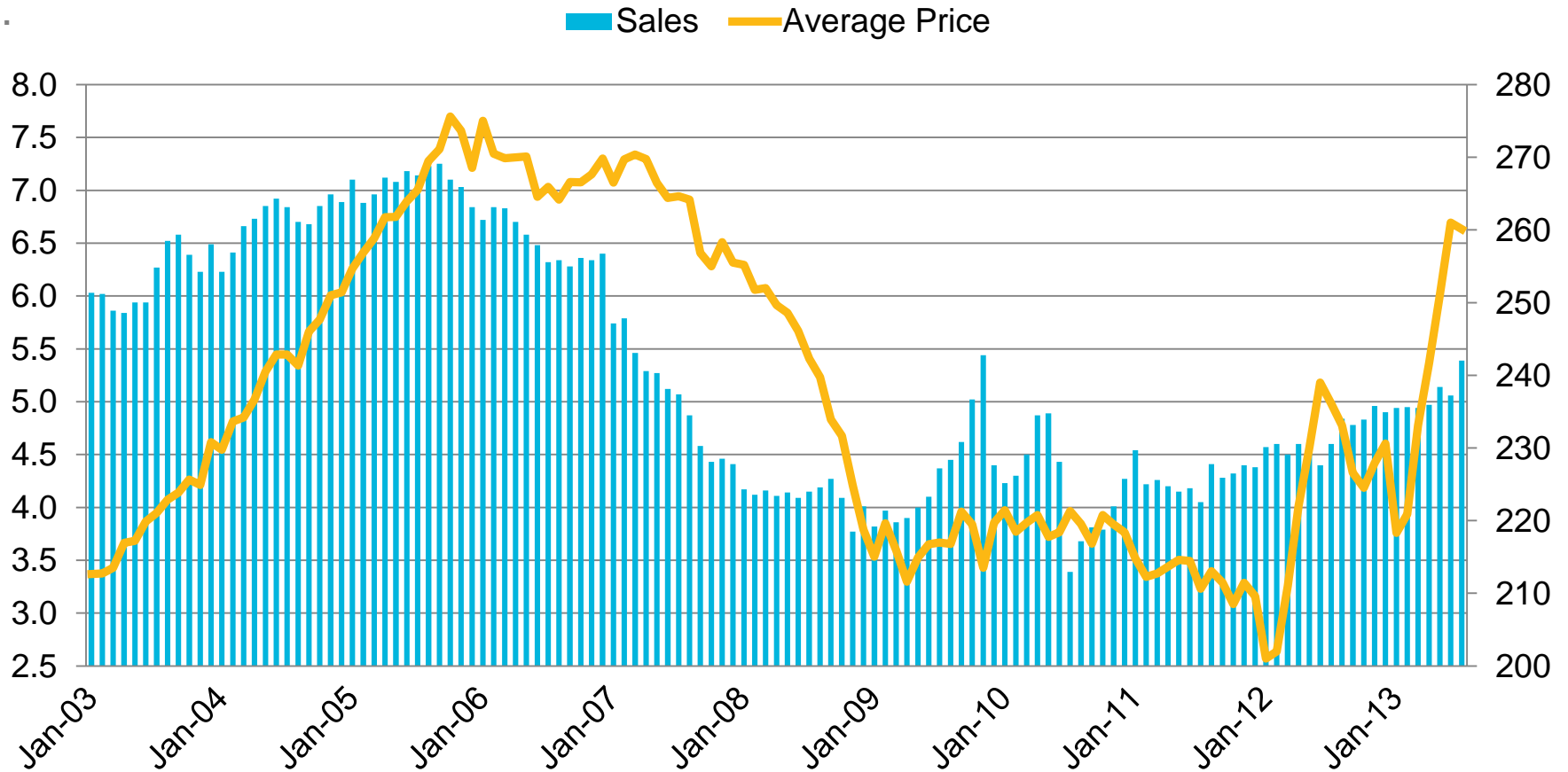
## U.S. Outlook

- Dysfunctional fiscal policy....debt ceiling issue to resurface in the new year
- Fed continues activist monetary policy—markets addicted to easy money
- Despite fiscal restraint, private sector is pulling ahead
- Increasing U.S. energy self-reliance, is leading to re-shoring of investment (and jobs)
- Growing recovery in the domestic economy– jobs, housing, autos, investment



# U.S. Existing Home Sales and Prices.

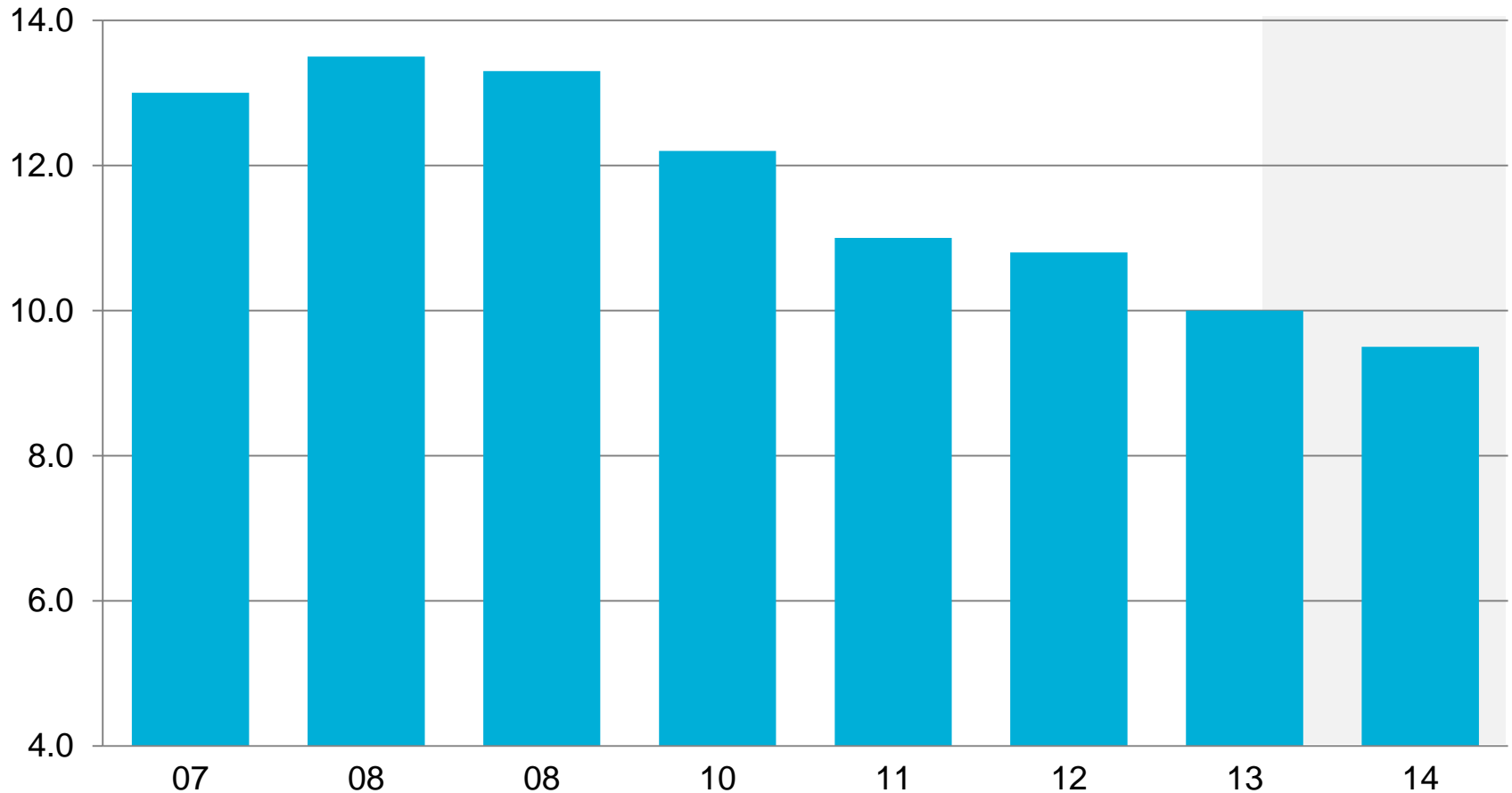
(millions SAAR; \$ 000s)



Source: National Association of Realtors

# Debt Payments as a % of Income

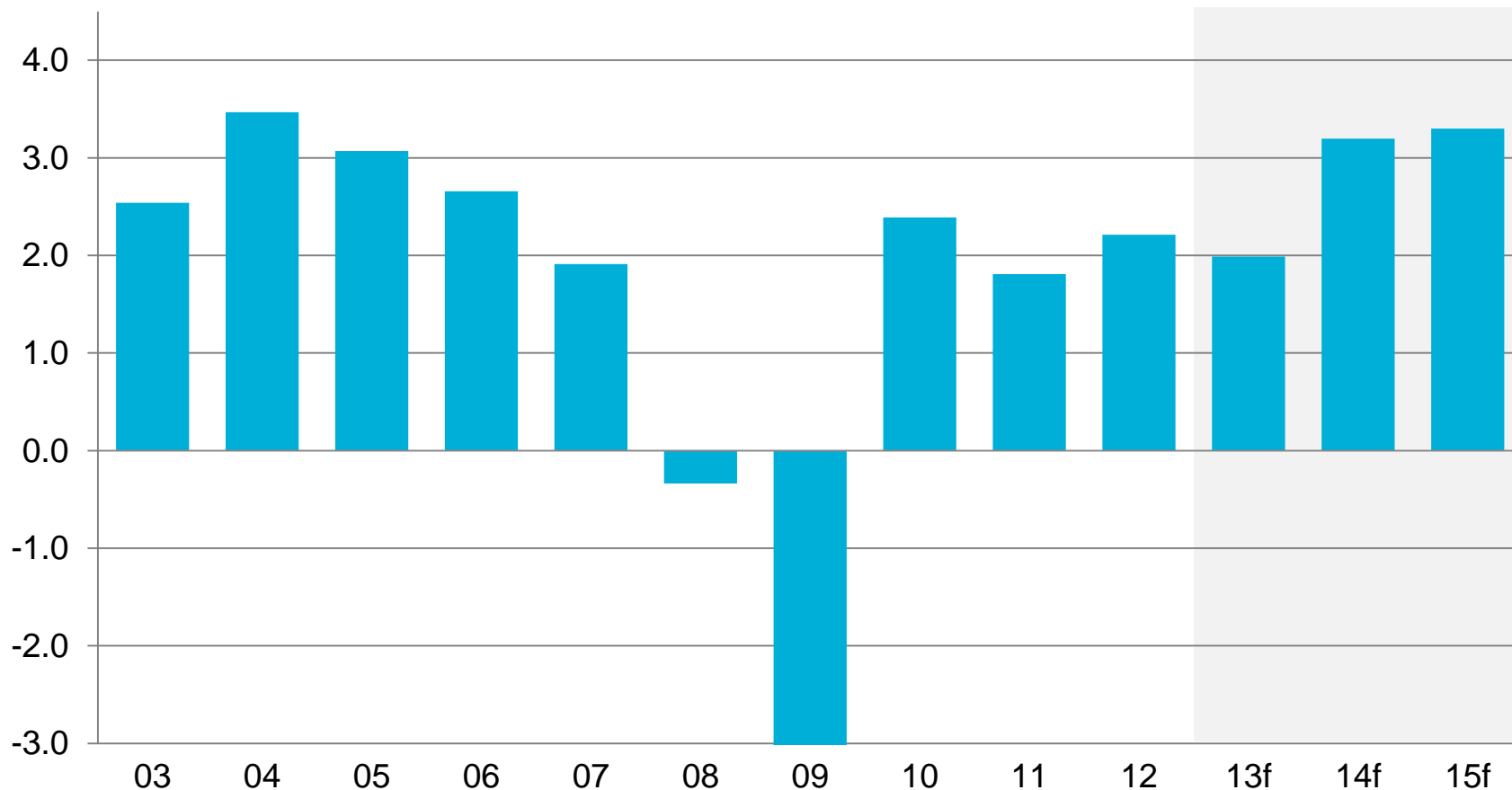
per cent



Source: FRB.

# U.S. Real GDP Growth.

per cent change.



Sources: Bureau of Economic Analysis The Conference Board of Canada.



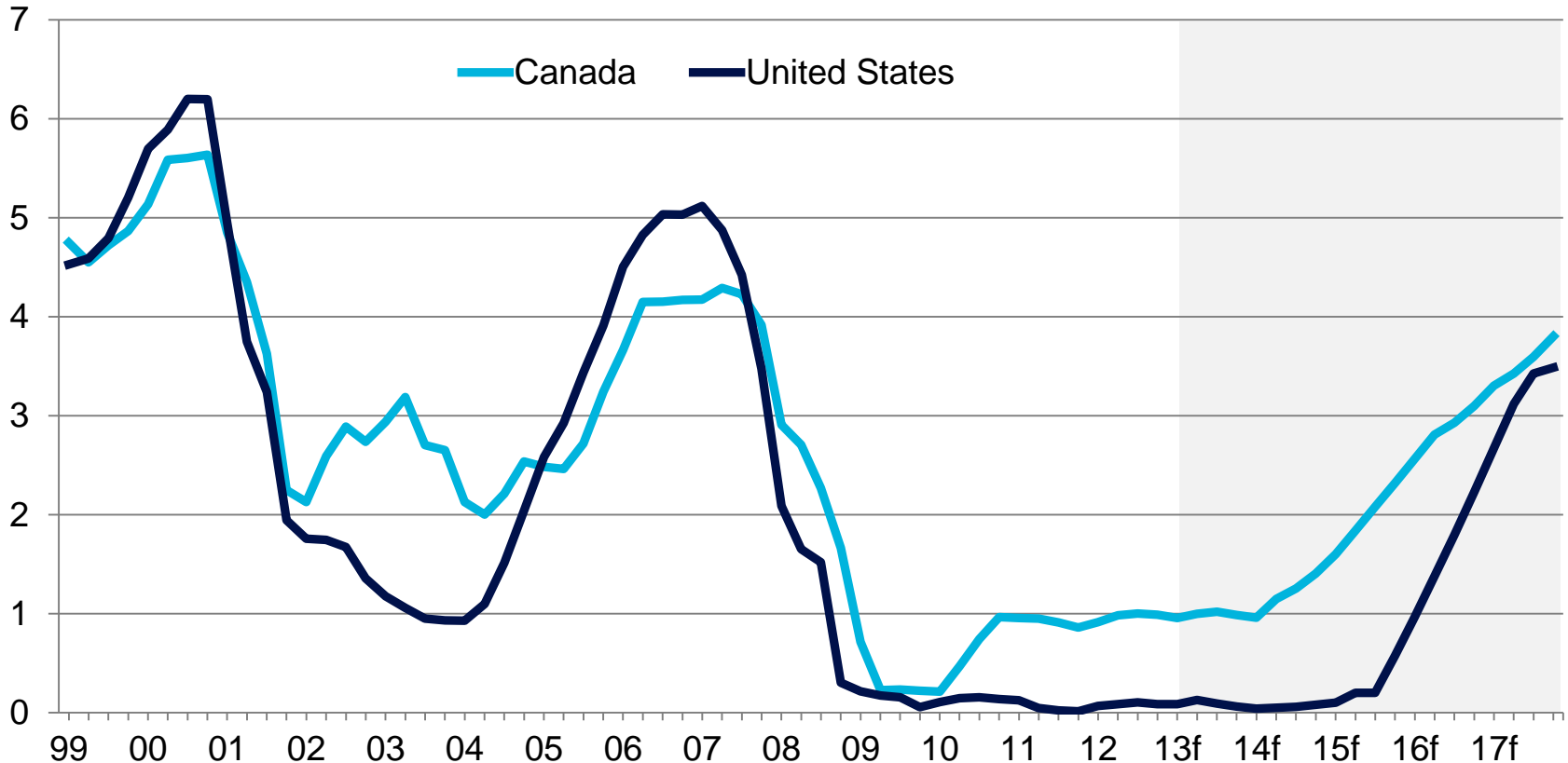


# Five Reasons for Canada's Lackluster Performance

- The Canadian Consumer is overstretched and rising interest rates will eventually hurt consumers.
- The external economy and capacity constraints in the energy sector are limiting trade growth.
- The business sector has been increasing private investment. However, the recent pace wont be maintained.
- Fiscal restraint will continue through the foreseeable future.
- Labour markets will continue to tighten, limiting growth.

# Short-Term Interest Rates.

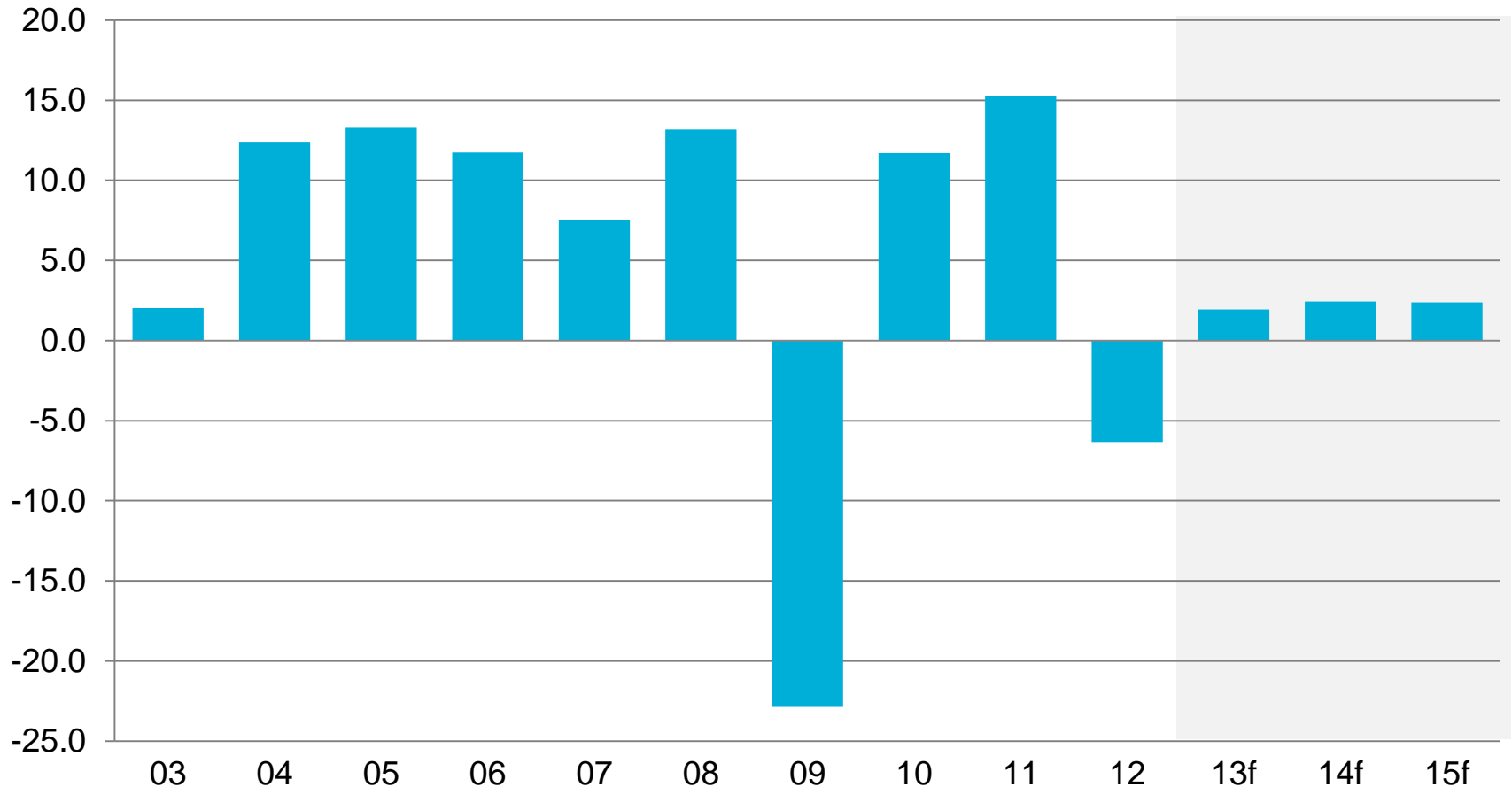
90-Day Treasury Bill Rates.



Sources: Statistics Canada; U.S. Bureau of Economic Analysis; The Conference Board of Canada.

# Raw Material Price Index.

per cent change.



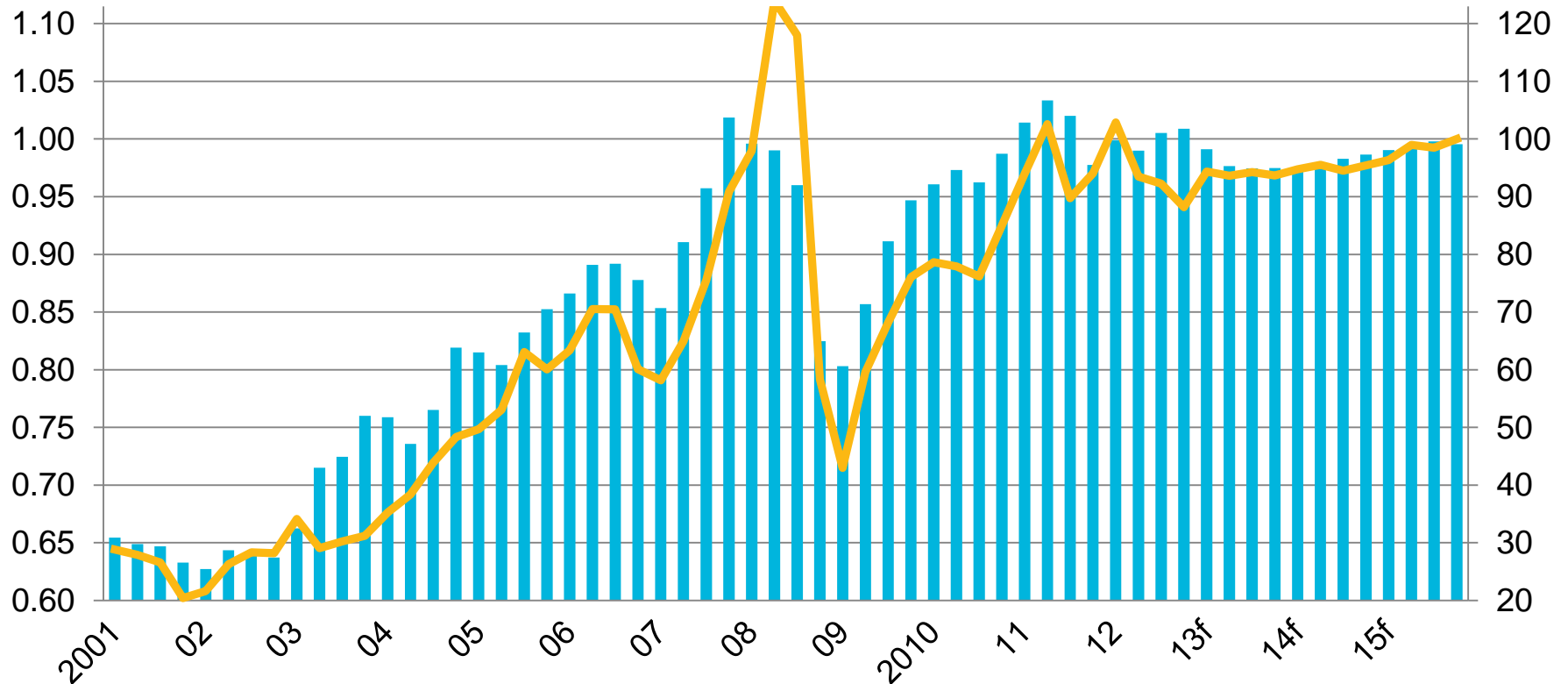
Sources: Statistics Canada; The Conference Board of Canada.



# The Loonie and the Oil Price.

(WTI \$US, \$US/\$C).

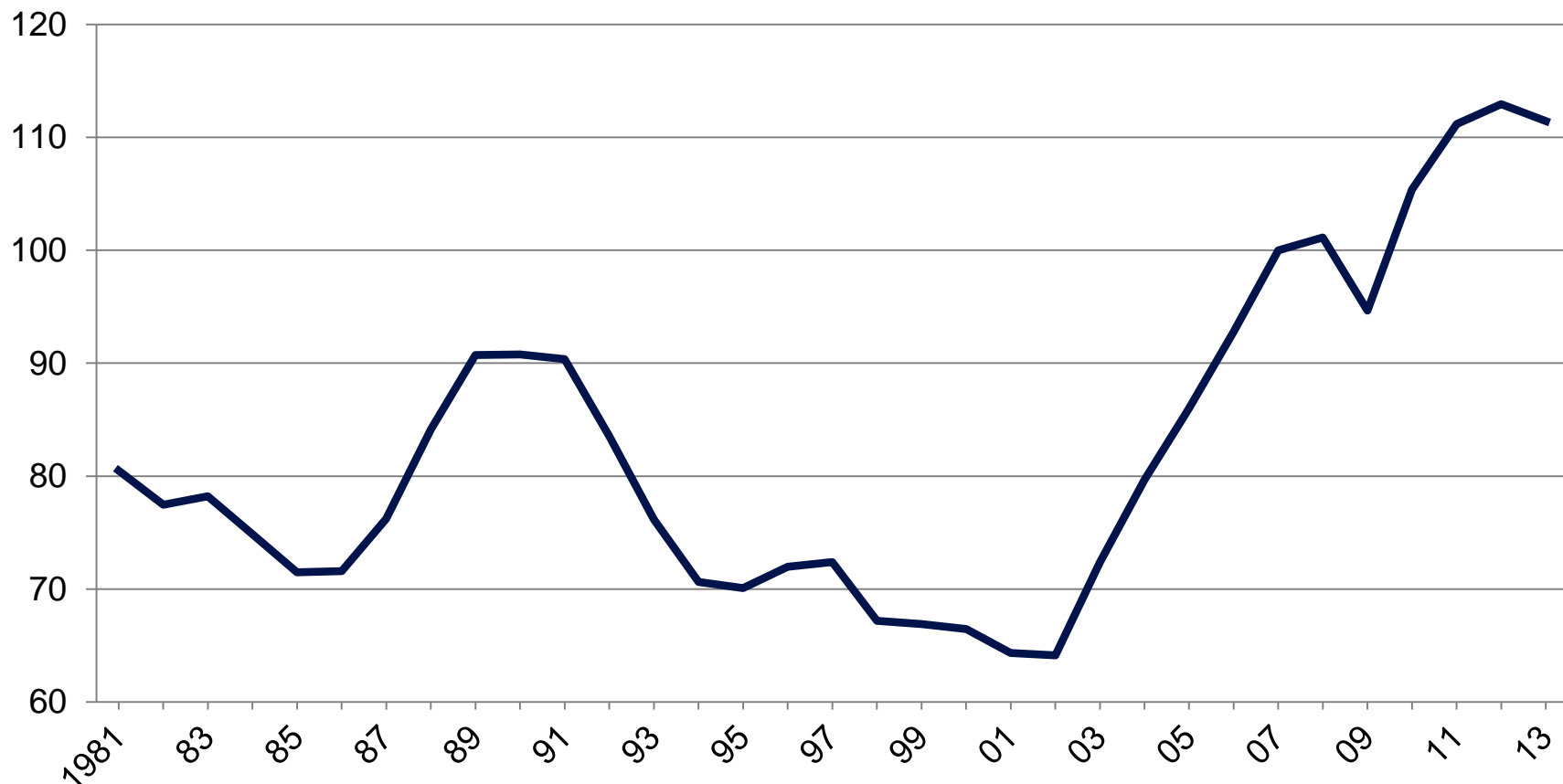
■ Dollar (left)    — Oil Price (right)



Sources: The Conference Board of Canada; U.S. EIA; Statistics Canada.

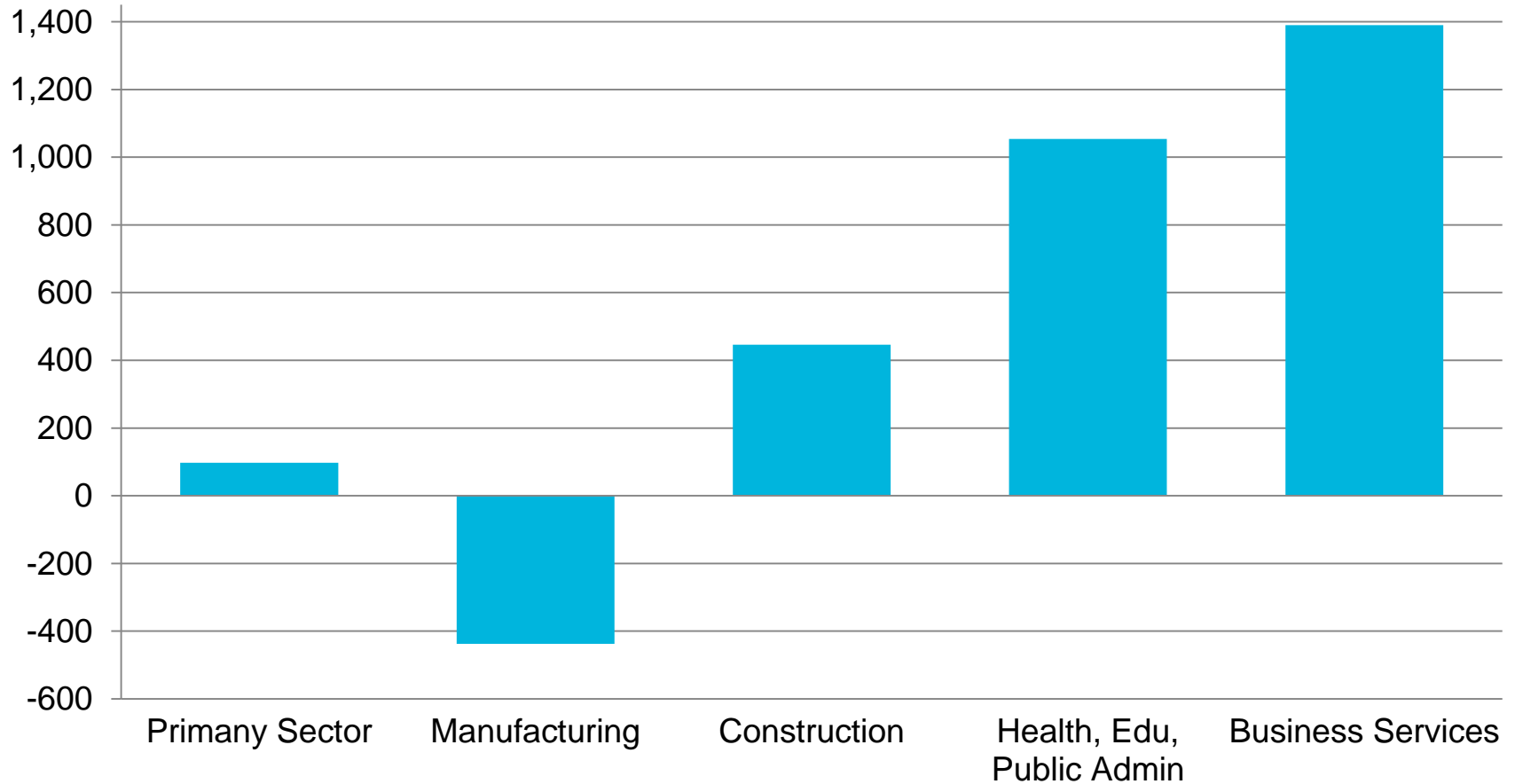
# Relative Unit Labour Cost Index.

Canadian/U.S. Industrial Composite, 2007=100.



Source: Statistics Canada.

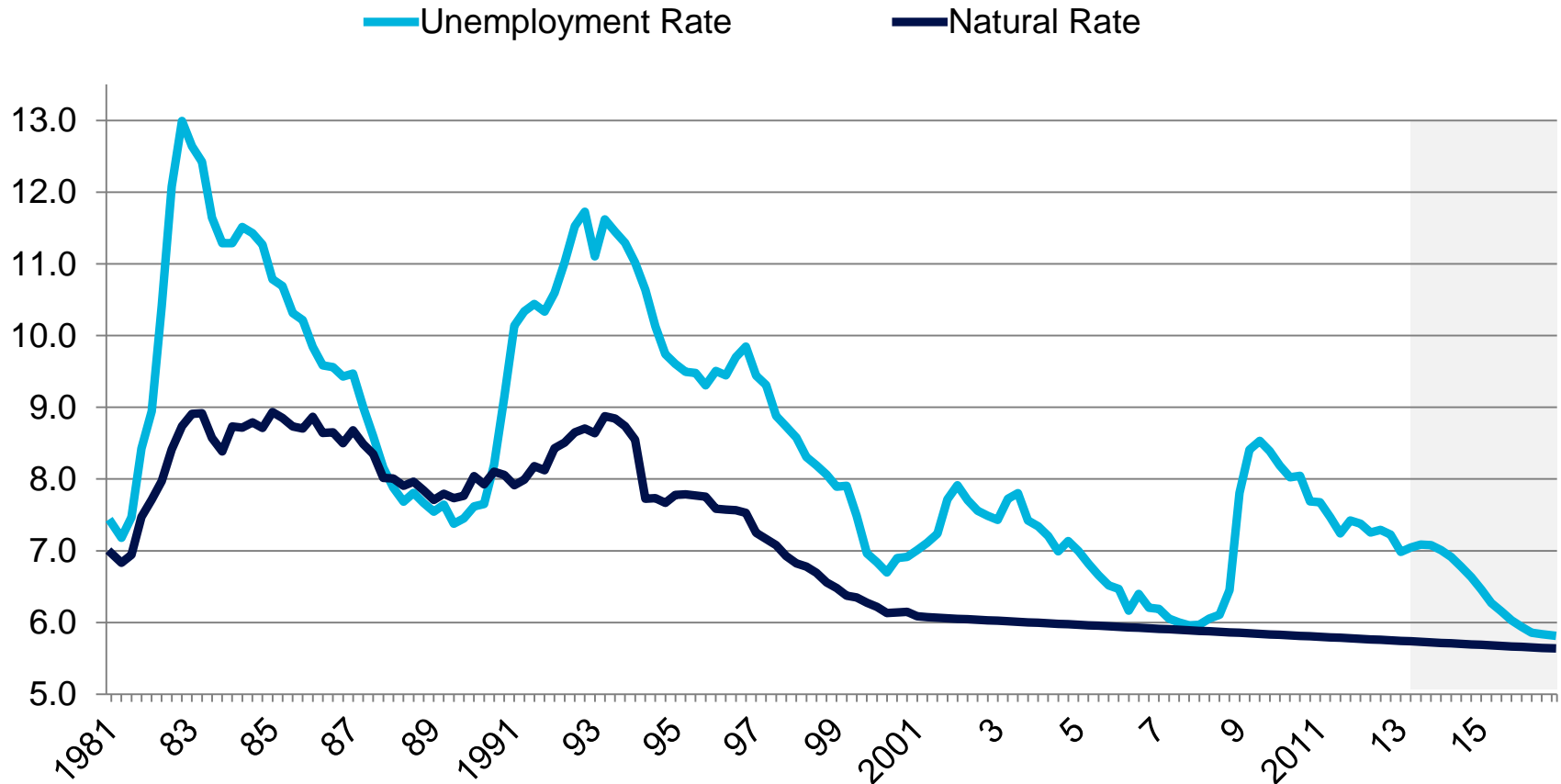
# Canada's Employment Growth 2002 to 2012, level change in 000's.



Sources: Statistics Canada; The Conference Board of Canada.

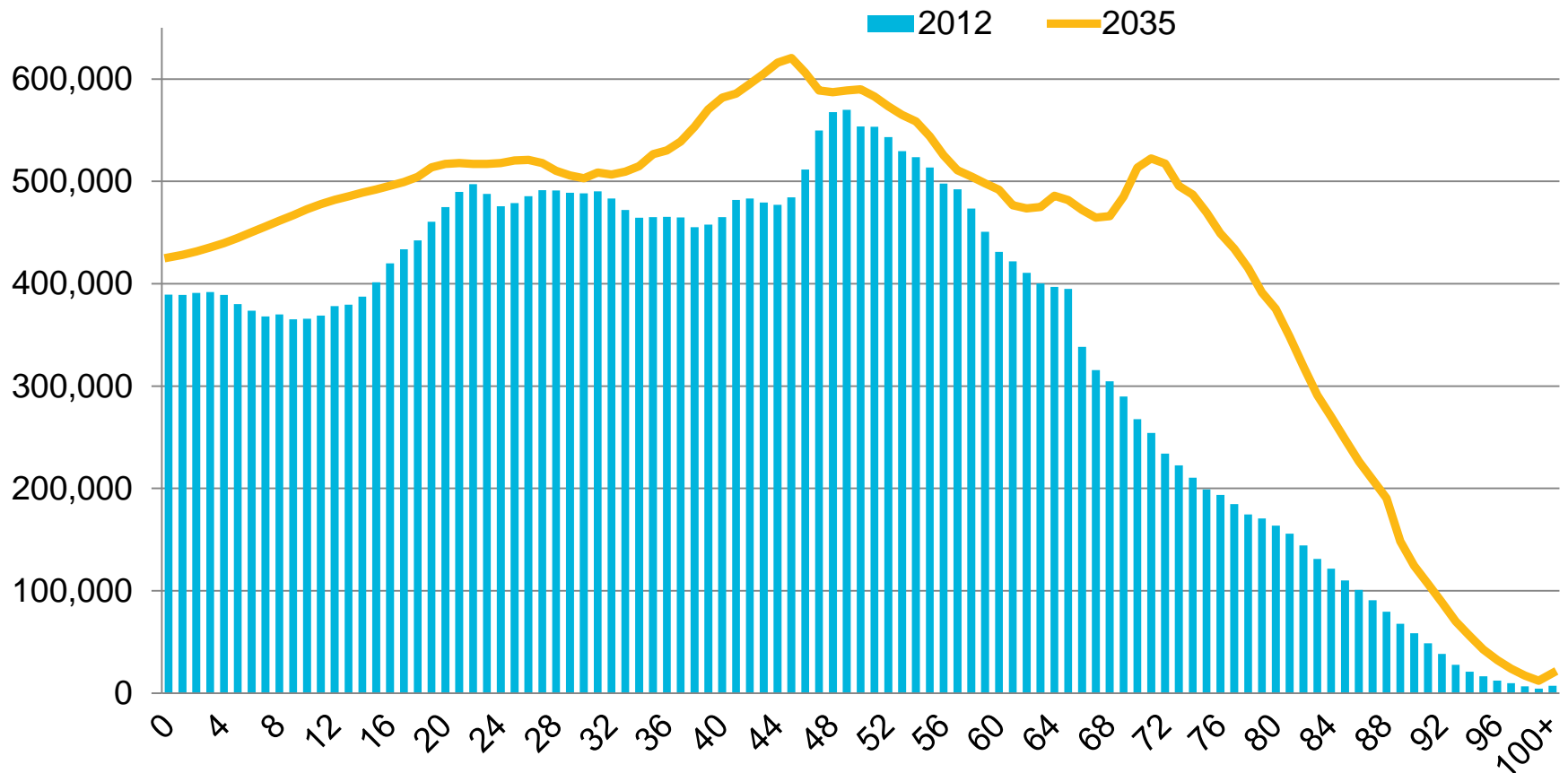
# Unemployment Rate vs. Natural Rate.

per cent.



Sources: Statistics Canada.; The Conference Board of Canada.

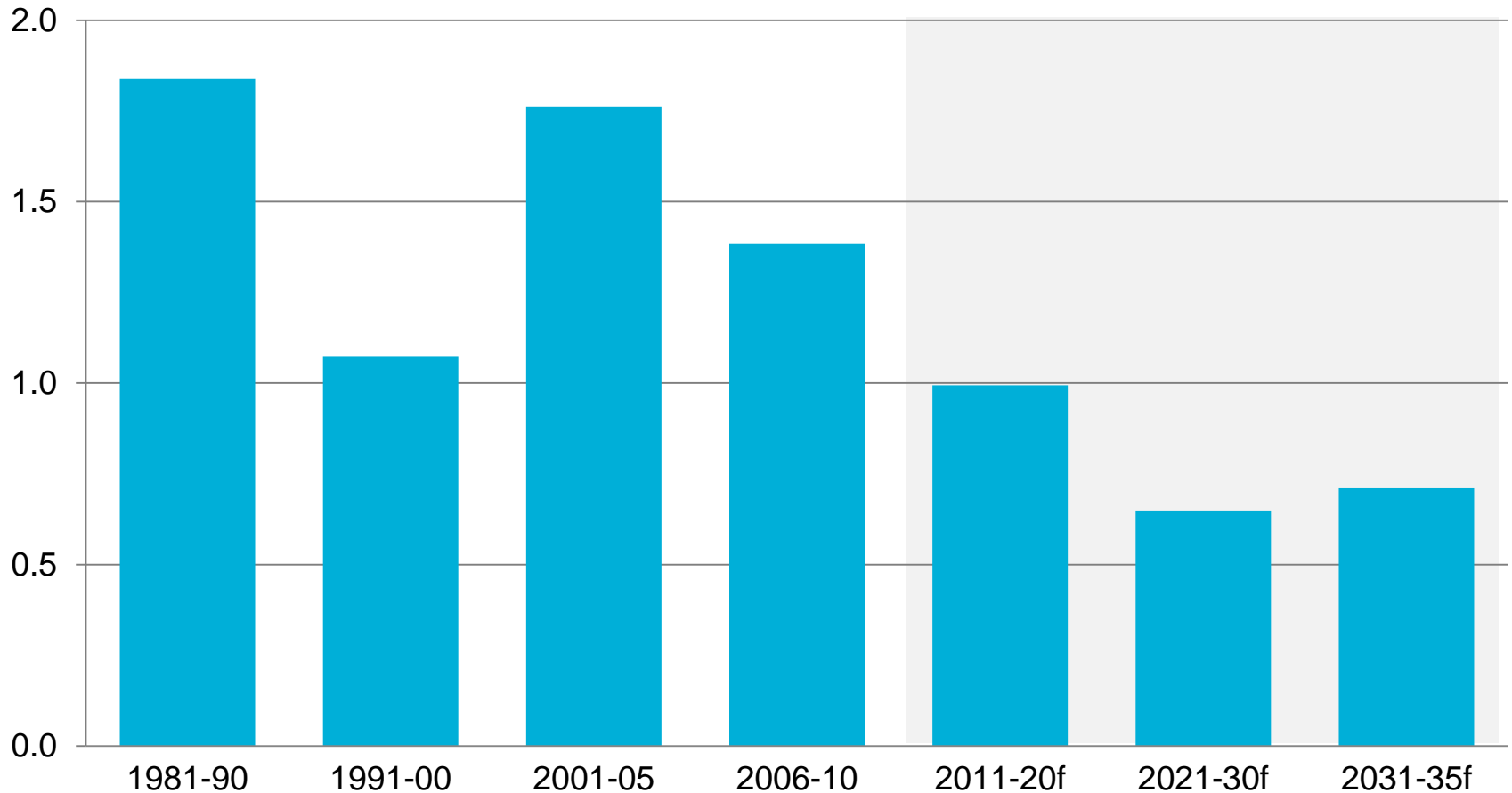
# Population distribution by age, 2012 and 2030.



Sources: The Conference Board of Canada; Statistics Canada.

# Labour Force Growth.

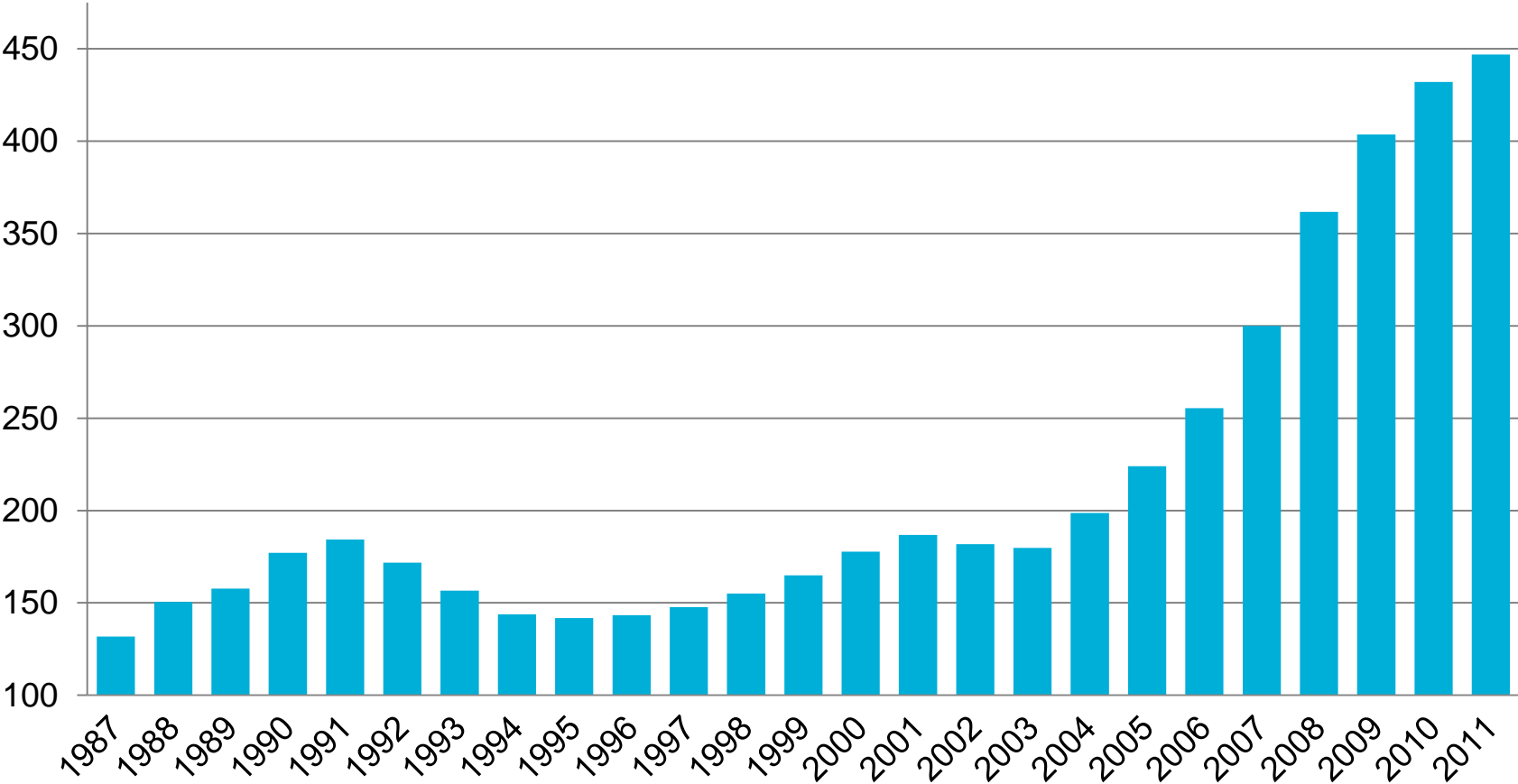
average annual compound growth, per cent.



Sources: Statistics Canada; The Conference Board of Canada.

# Temporary Foreign Workers in Canada.

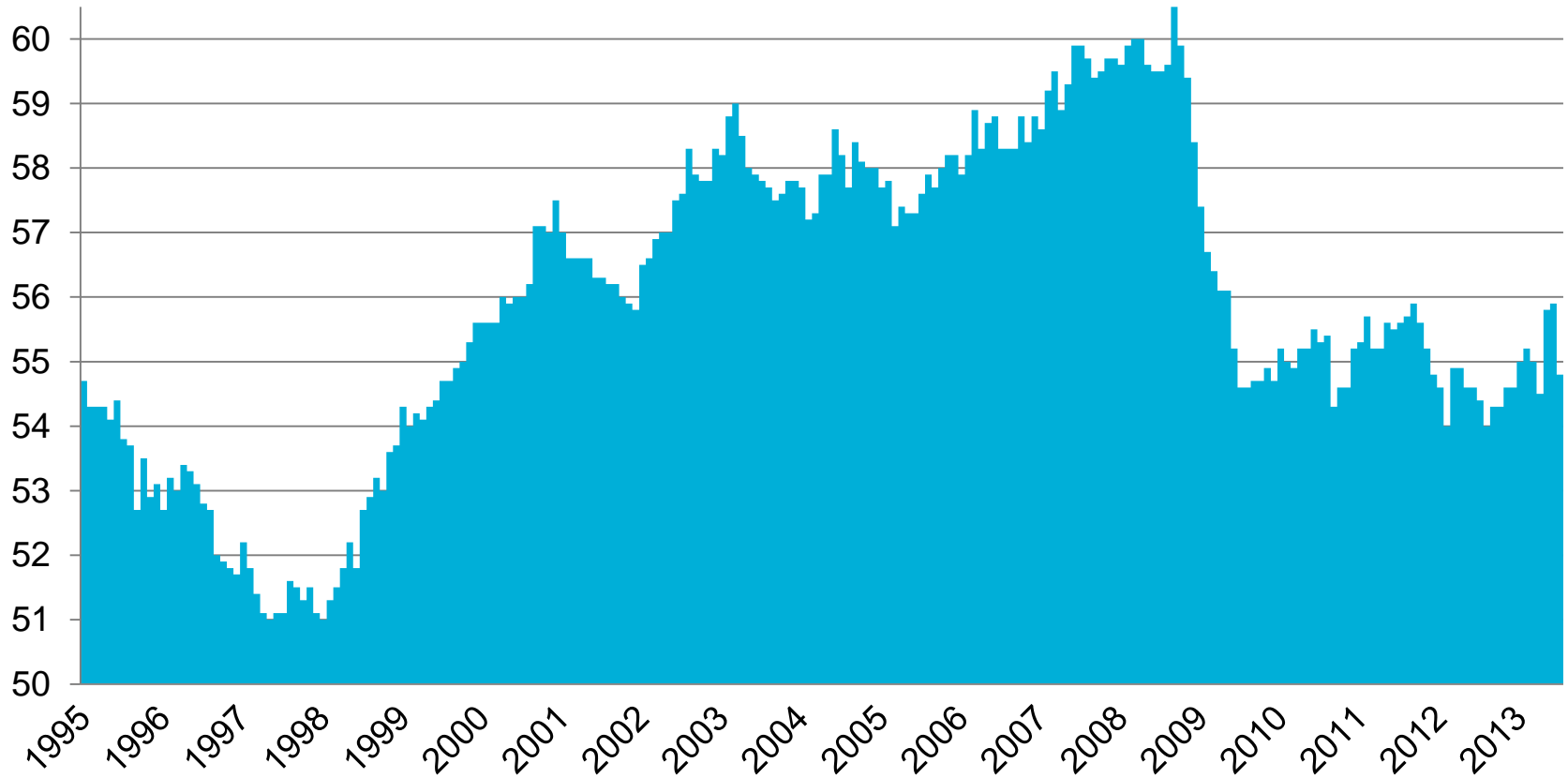
(000s)



Source: Citizenship and Immigration Canada.

# Youth employment rate (15-24 years of age).

per cent.



Source: Statistics Canada.

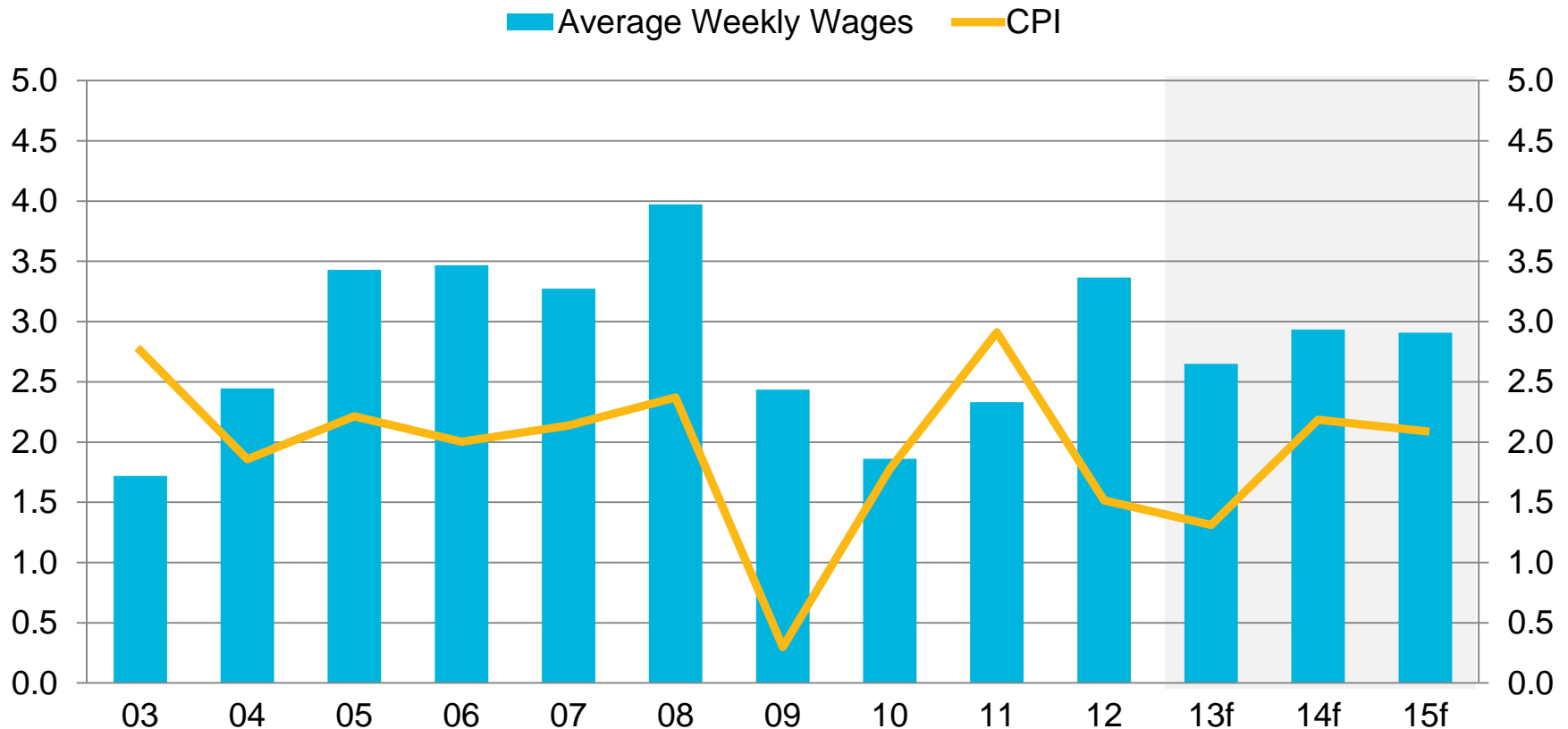


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# Growth in Industrial Composite Average Weekly Wage versus CPI.

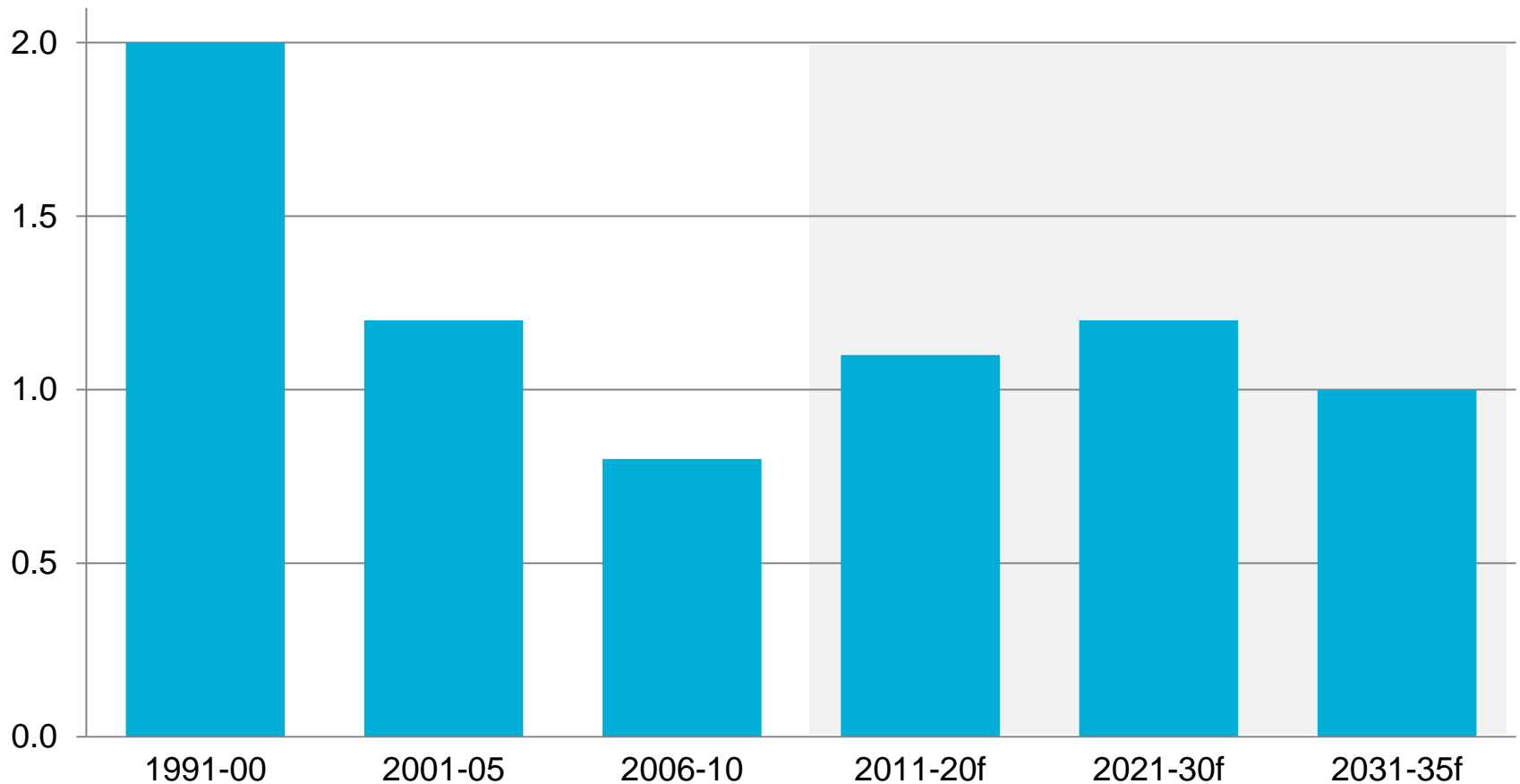
per cent change.



Sources: Statistics Canada; The Conference Board of Canada.

# Non Farm Labour Productivity.

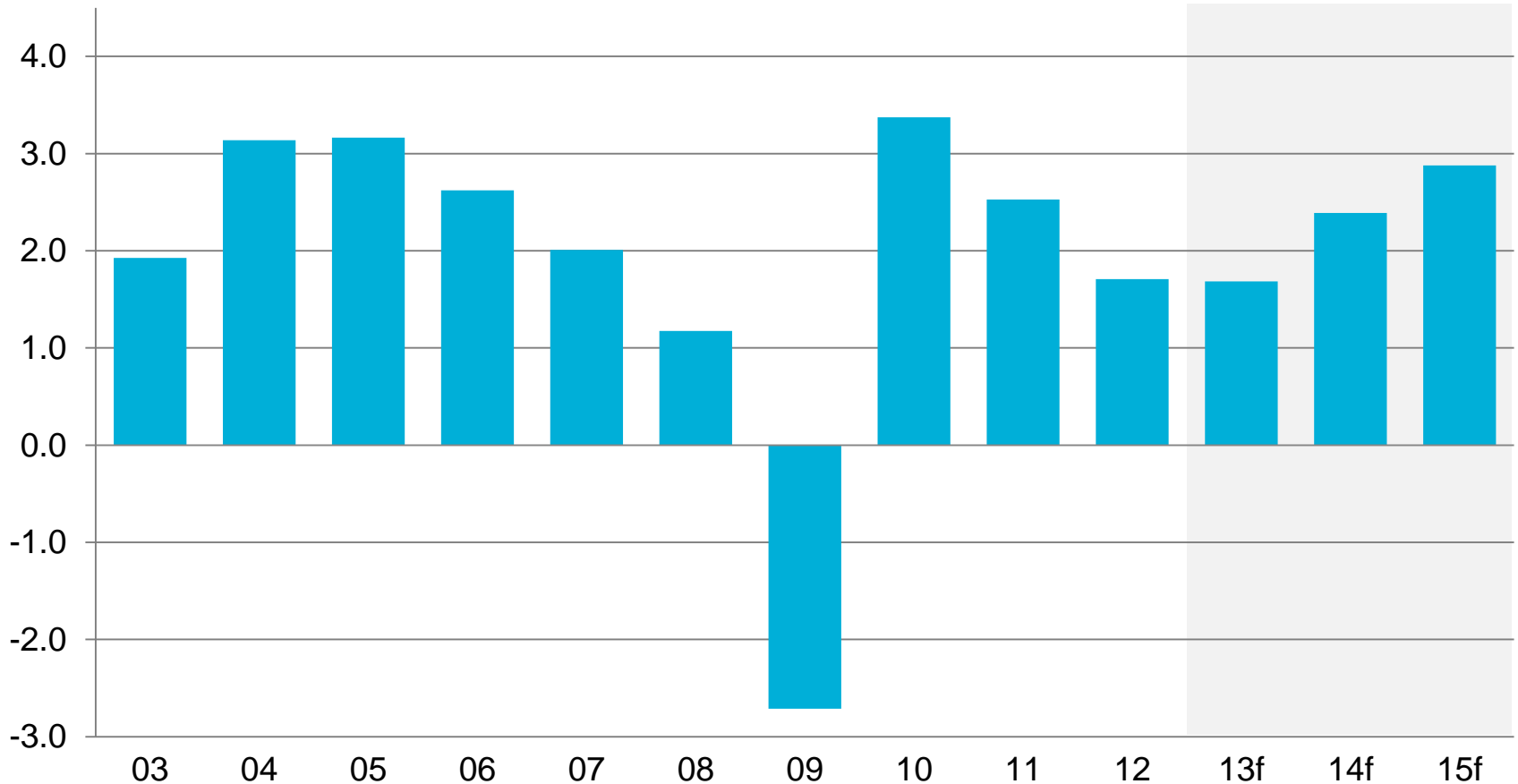
average annual compound growth, per cent.



Sources: Statistics Canada; The Conference Board of Canada.

# Canada's Real GDP Growth.

per cent change.



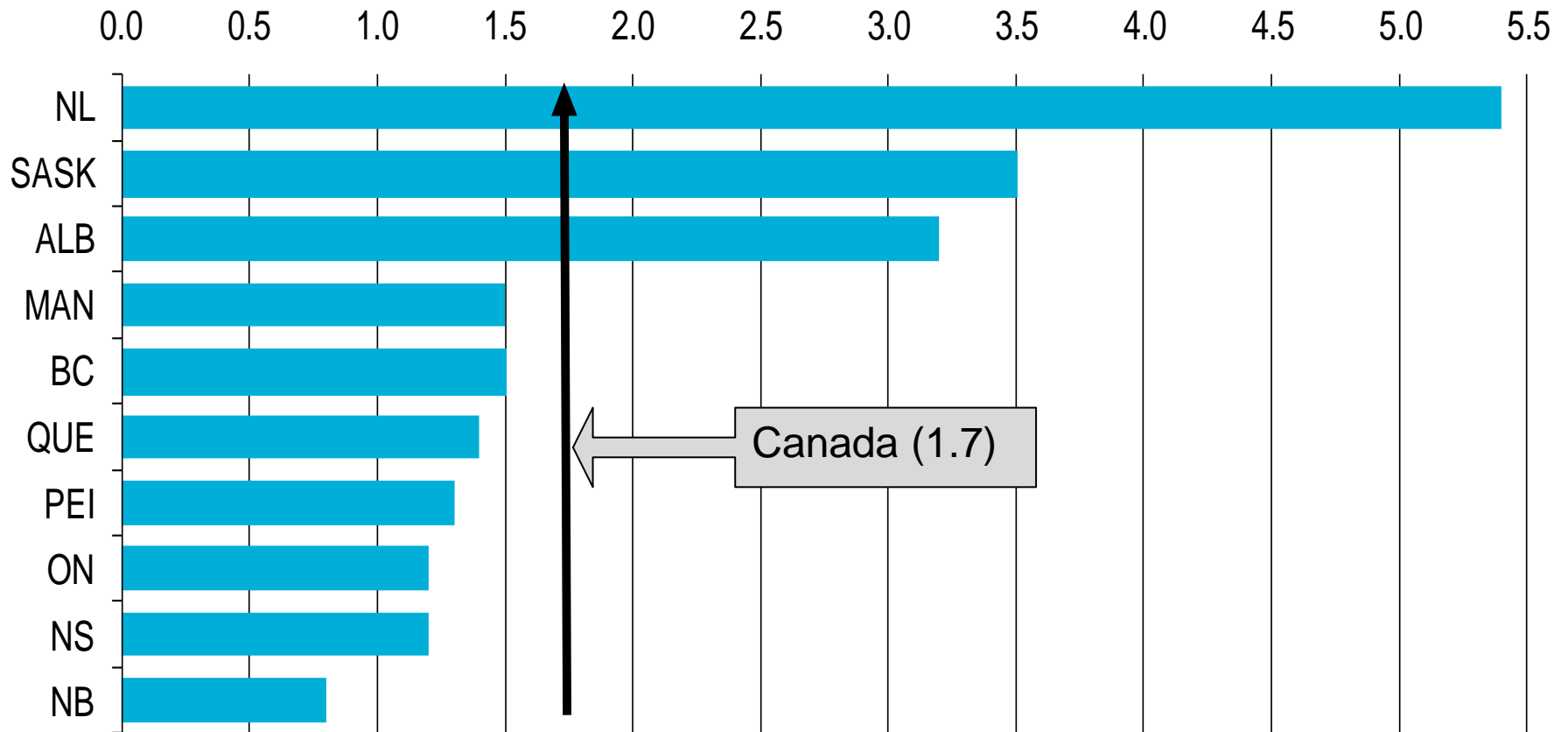
Sources: Statistics Canada; The Conference Board of Canada.

# Provincial Outlook

- Canada's economic profile remains uneven this year: economic growth is much stronger in Saskatchewan, Alberta, and Newfoundland and Labrador than in the other parts of the country.
- In 2014-15, most of the lagging provinces will experience better economic growth that will more closely match the national average.
- Better days are ahead for most provinces as they benefit from a stronger U.S. economy, improving business and consumer confidence, and a firmer domestic economy.
- The public sector will contribute only marginally to growth over the near term.

# 2013 Real GDP by Province.

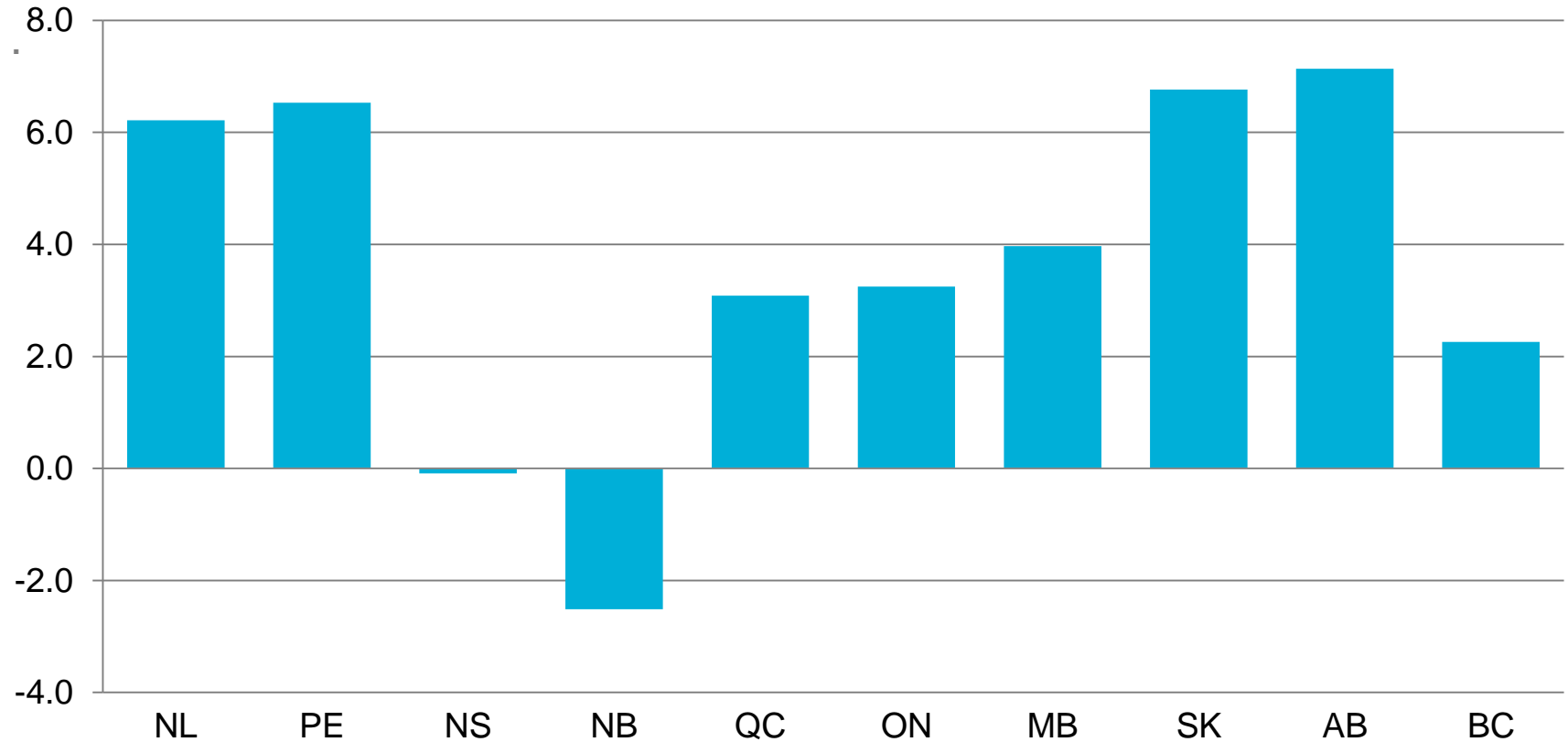
per cent change, basic prices, \$2007.



Sources: The Conference Board of Canada; Statistics Canada

# Employment Gains Since Recession.

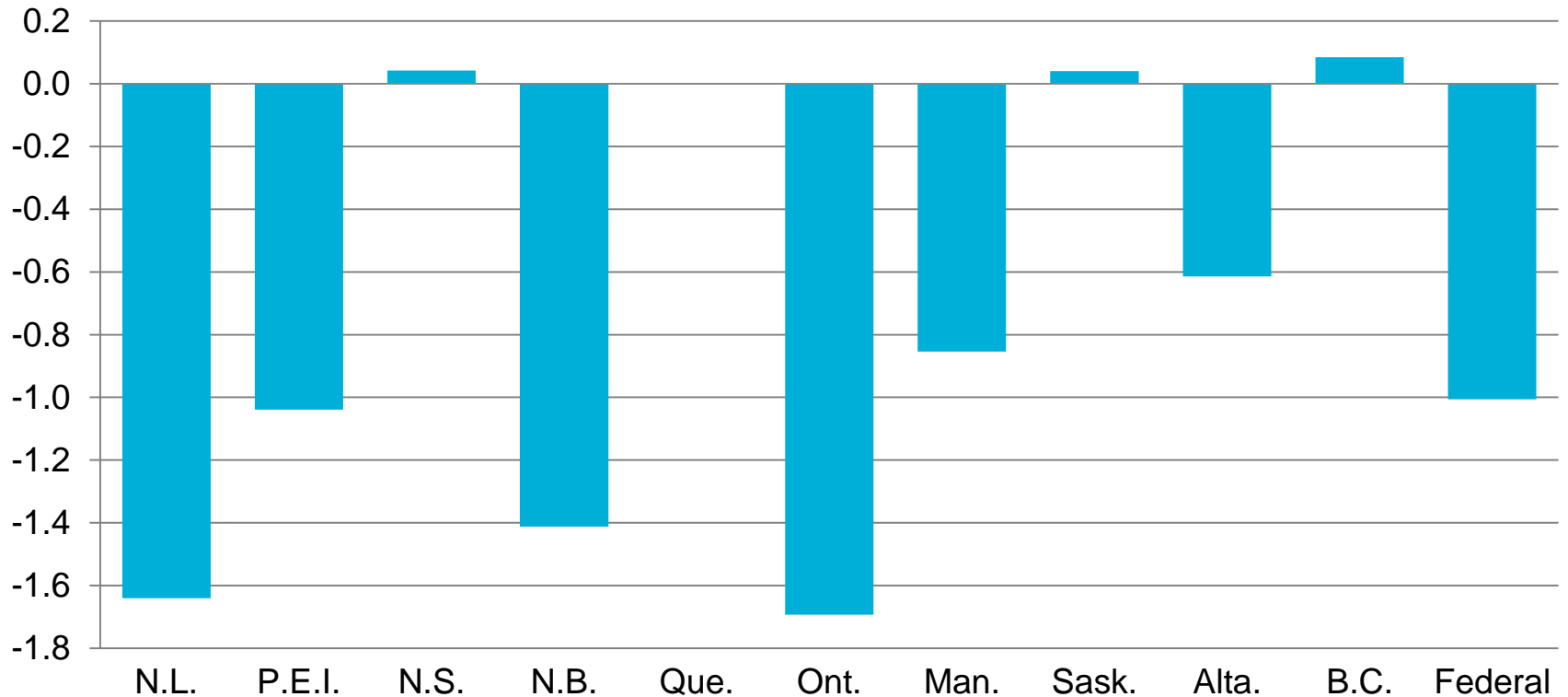
percentage change from pre-recession peak, October 2008 to September 2013



Sources: Statistics Canada; The Conference Board of Canada.

# Federal and Provincial Gov't Balances.

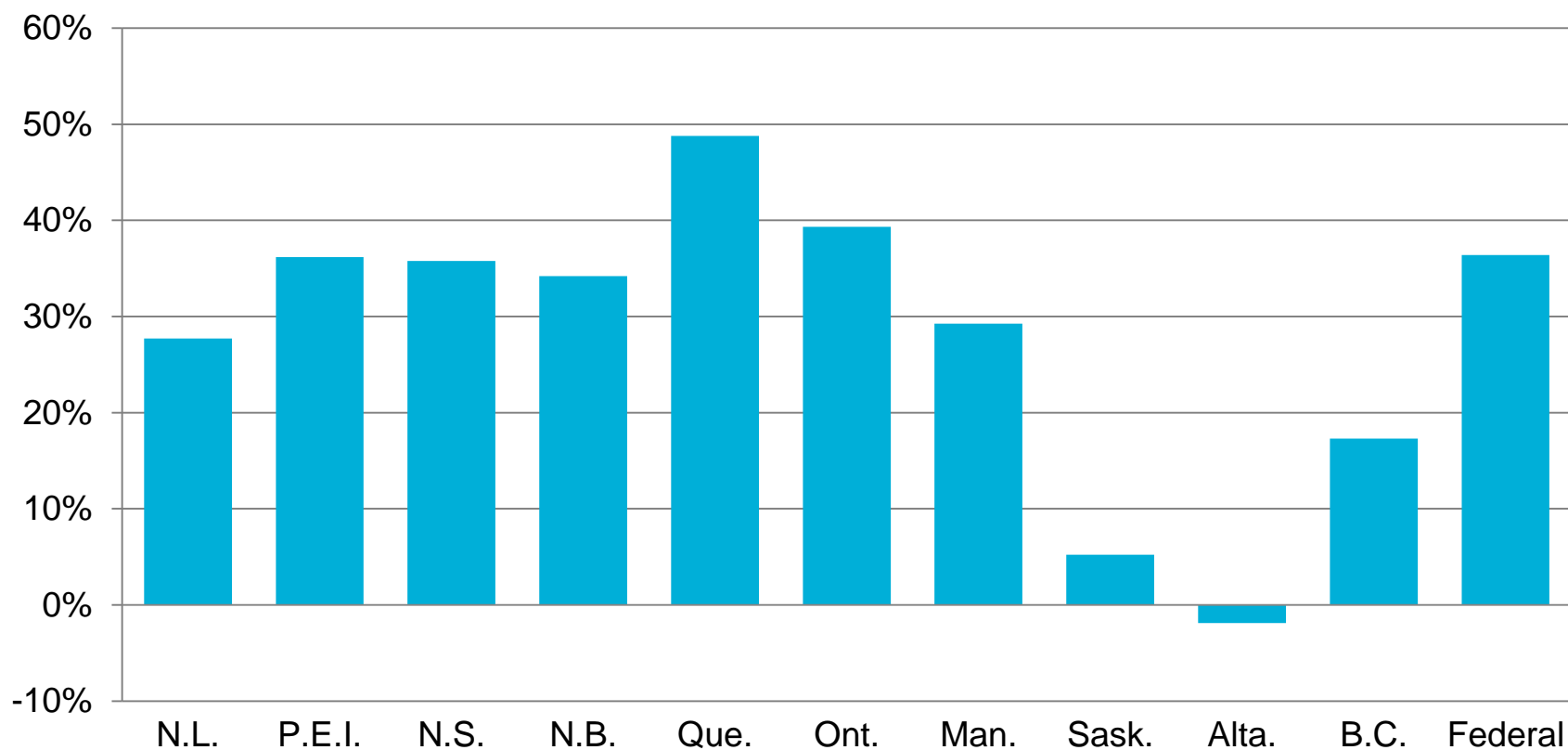
as a share of GDP, 2013-14.



Sources: The Conference Board of Canada; Statistics Canada; various government budgets.

# Federal and Provincial Gov't Net Debt.

as a share of GDP, 2013-14.

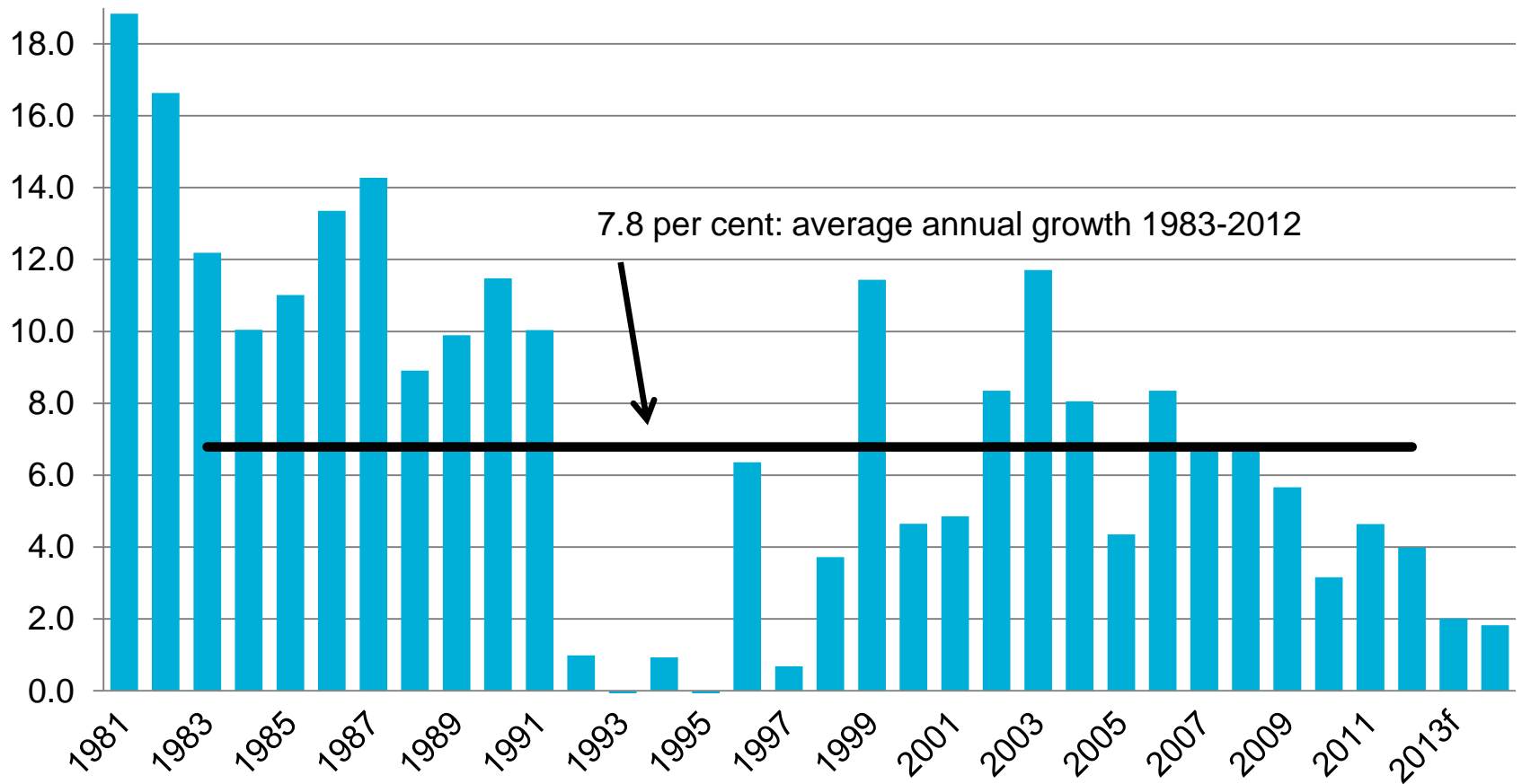


Sources: The Conference Board of Canada; Statistics Canada; various government budgets.



# Ontario's Health Care Spending.

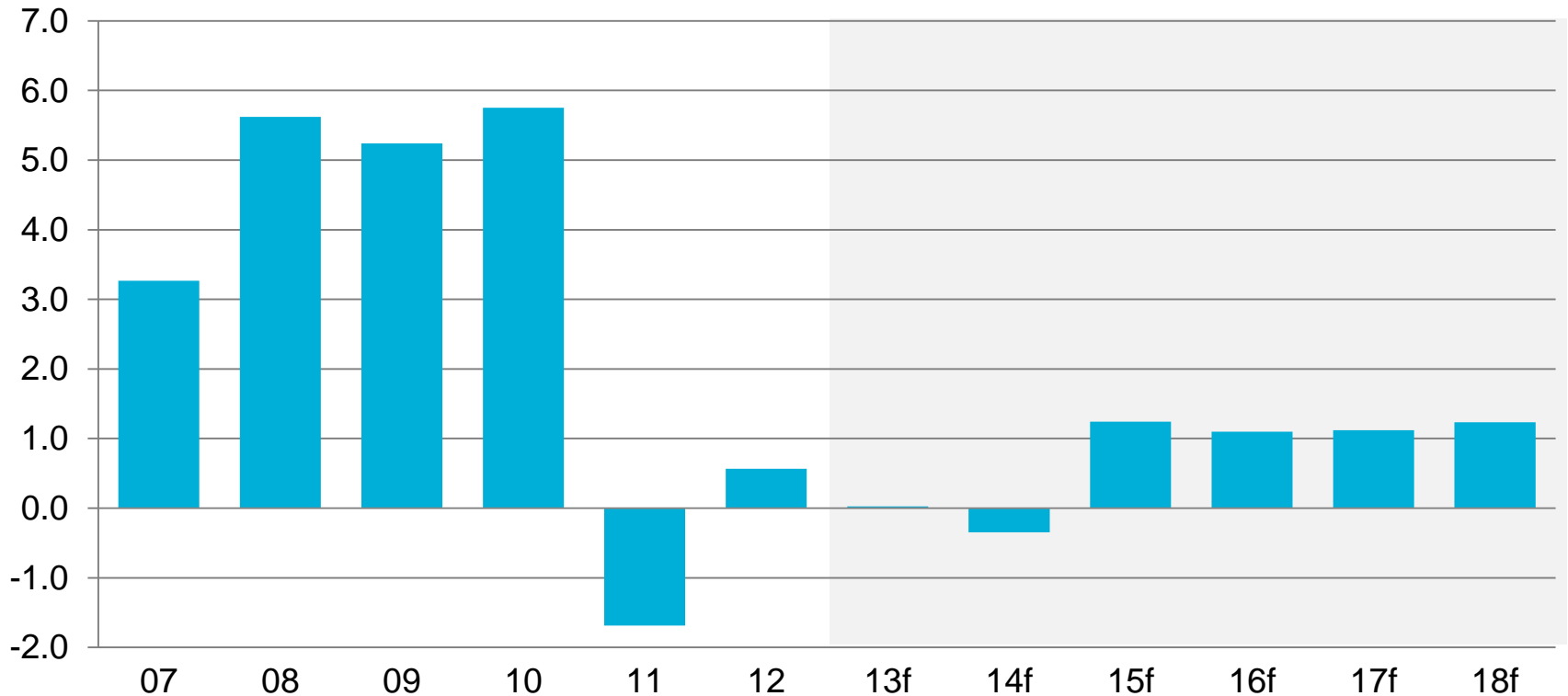
per cent change.



Sources: Provincial Public Accounts data and forecasts

# Real Government Spending on Goods, Services and Capital, Ontario.

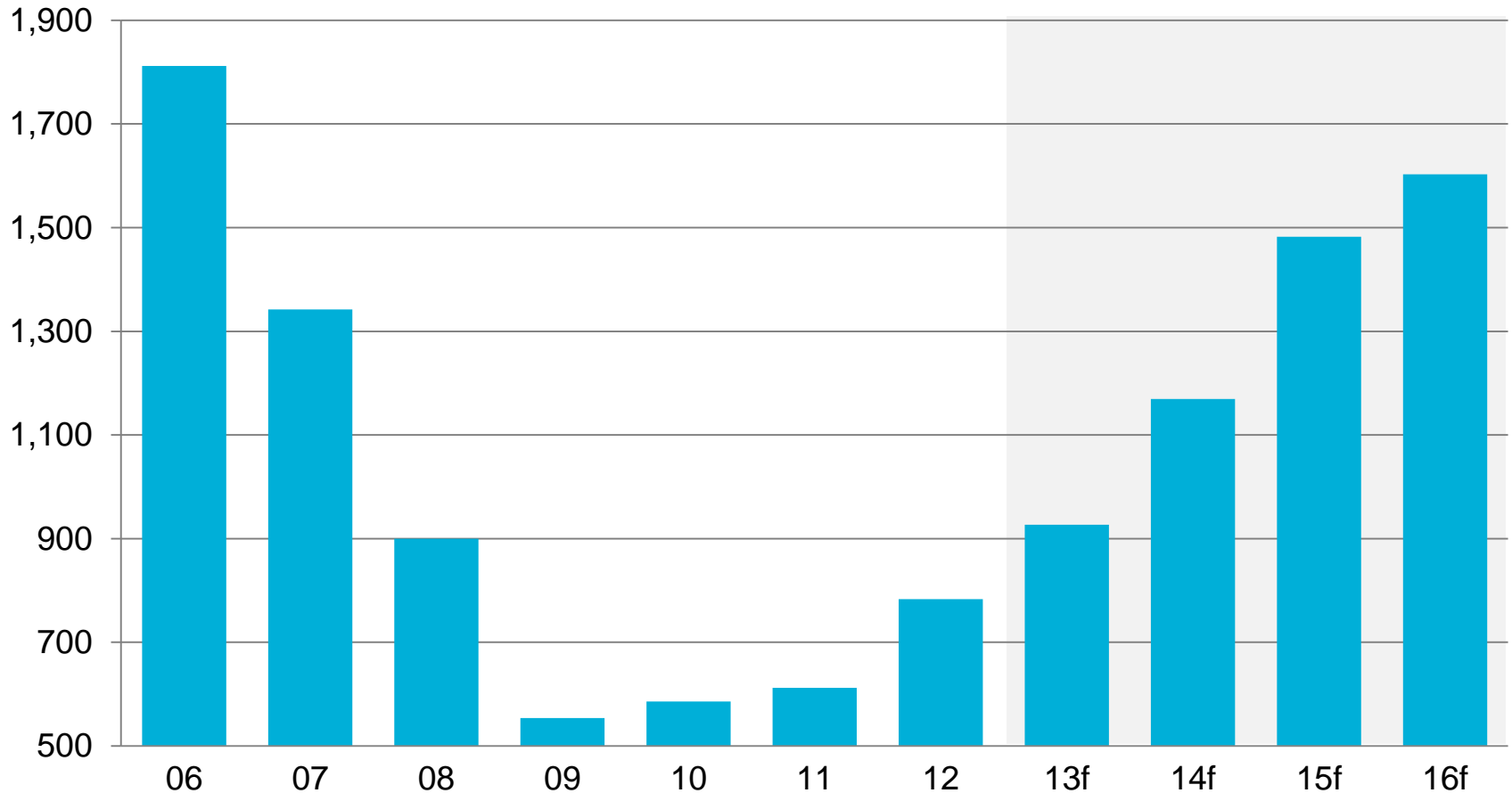
per cent change.



Sources: The Conference Board of Canada; Statistics Canada; various government budgets.

# U.S. Housing Starts.

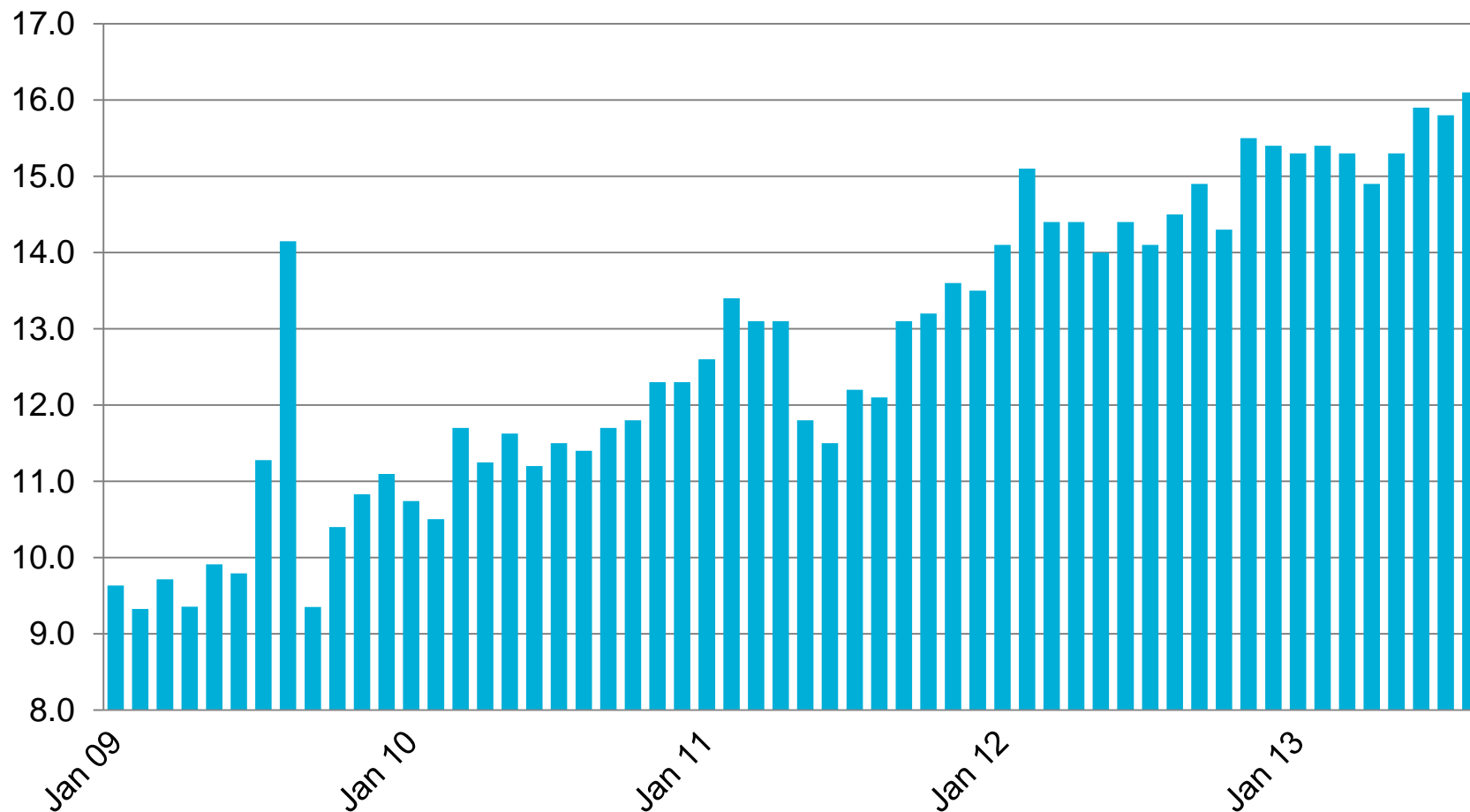
000s



Sources: Bureau of Economic Analysis; The Conference Board of Canada.

# U.S. Vehicle Sales Back to Normal.

millions, annualized.

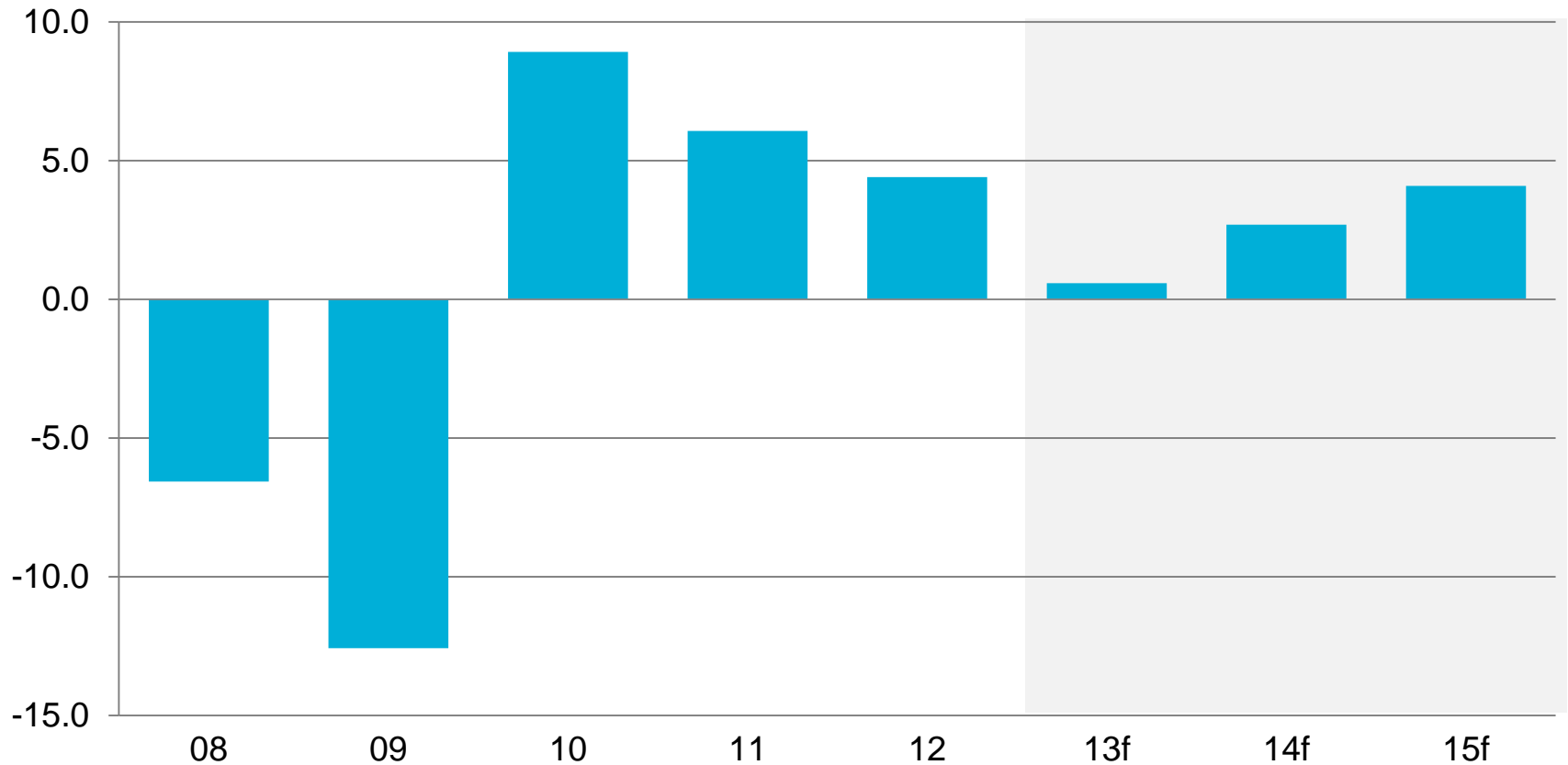


Source: Moody's Economy.com



# Real Merchandise Export, Ontario

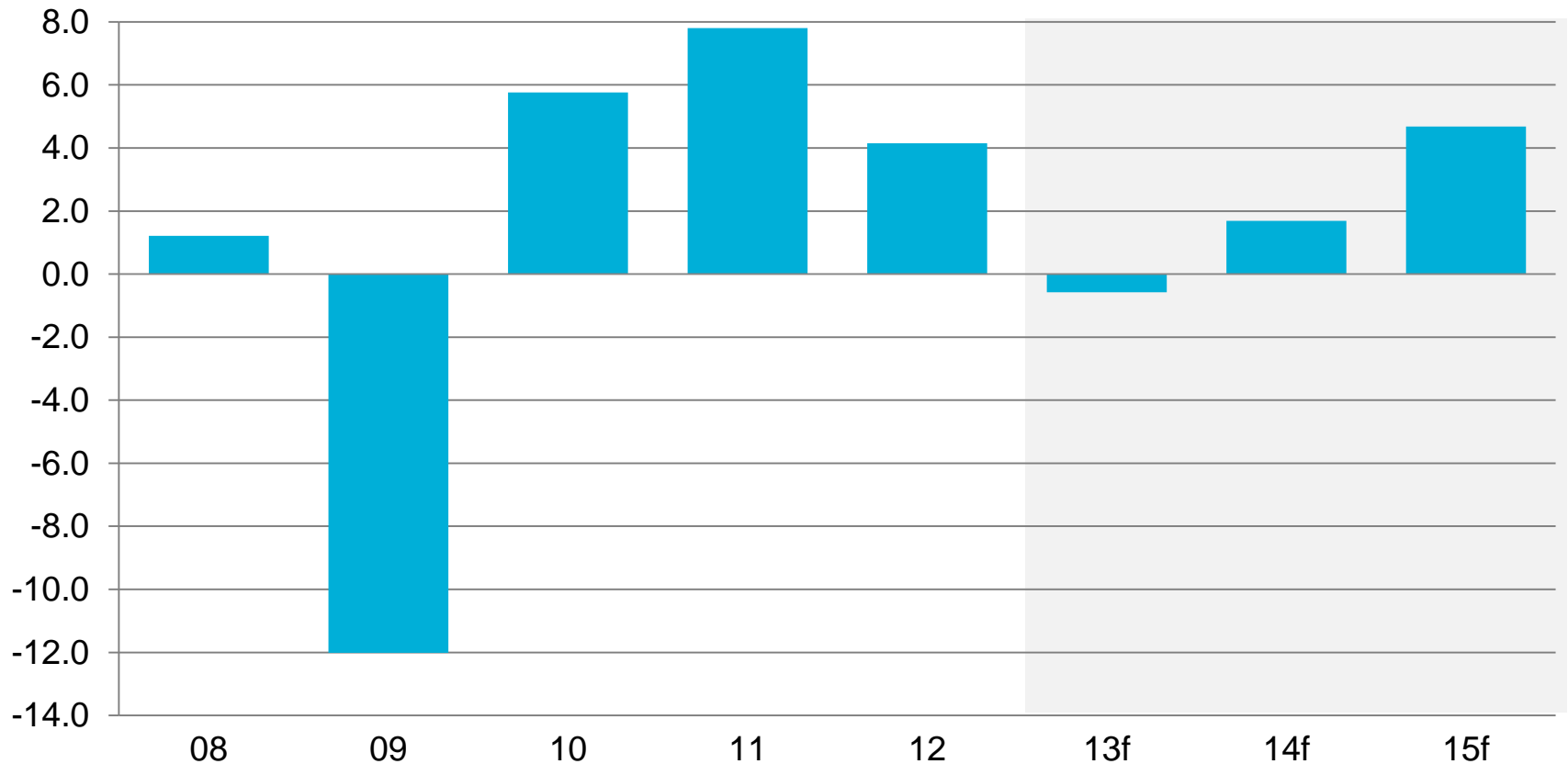
per cent change.



Sources: The Conference Board of Canada; Statistics Canada.

# Real Business Investment, Ontario

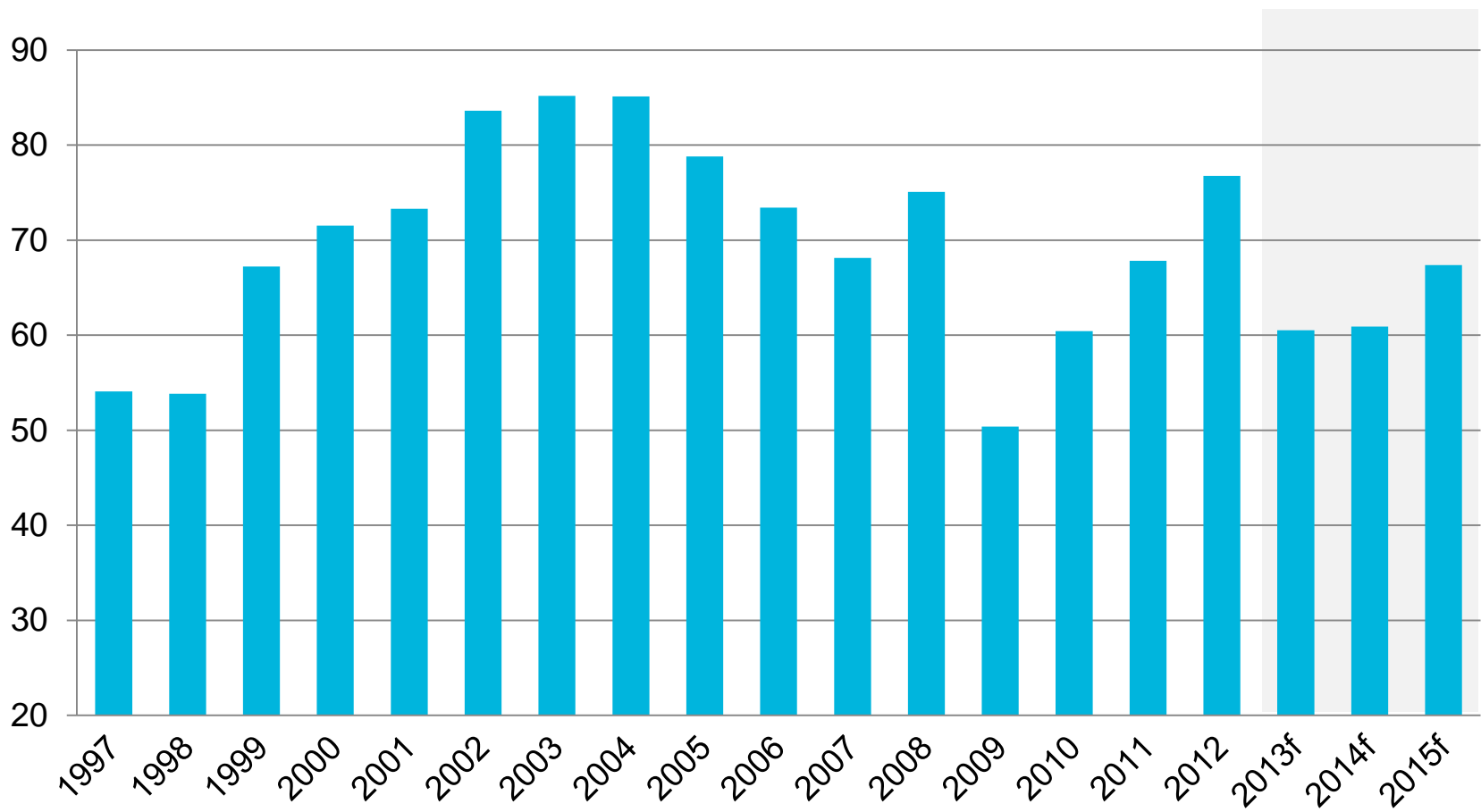
per cent change.



Sources: The Conference Board of Canada; Statistics Canada.

# Ontario Housing Starts.

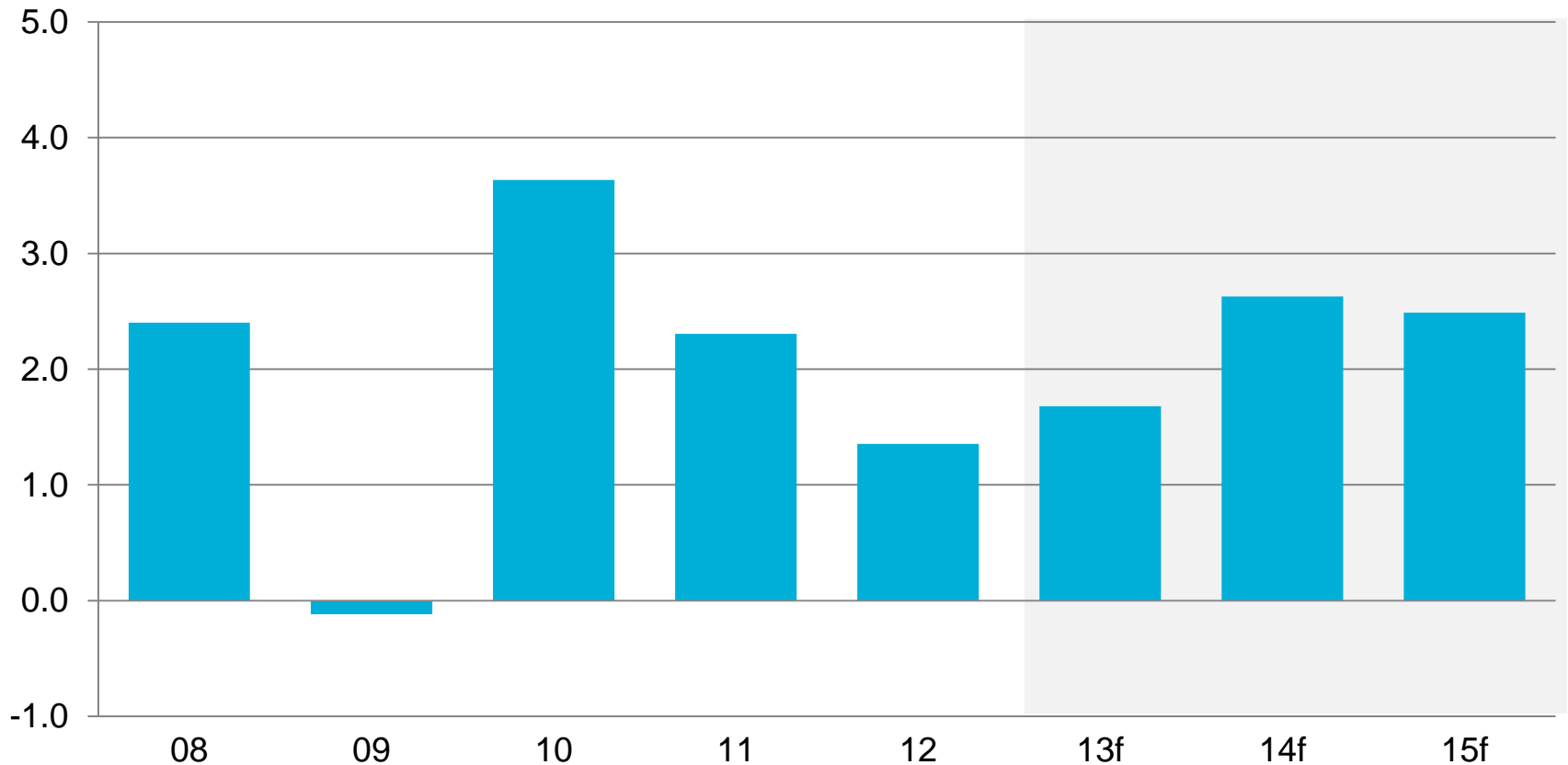
000's



Sources: Canada Mortgage and Housing Corporation; The Conference Board of Canada.

# Real Consumer Spending, Ontario

per cent change.

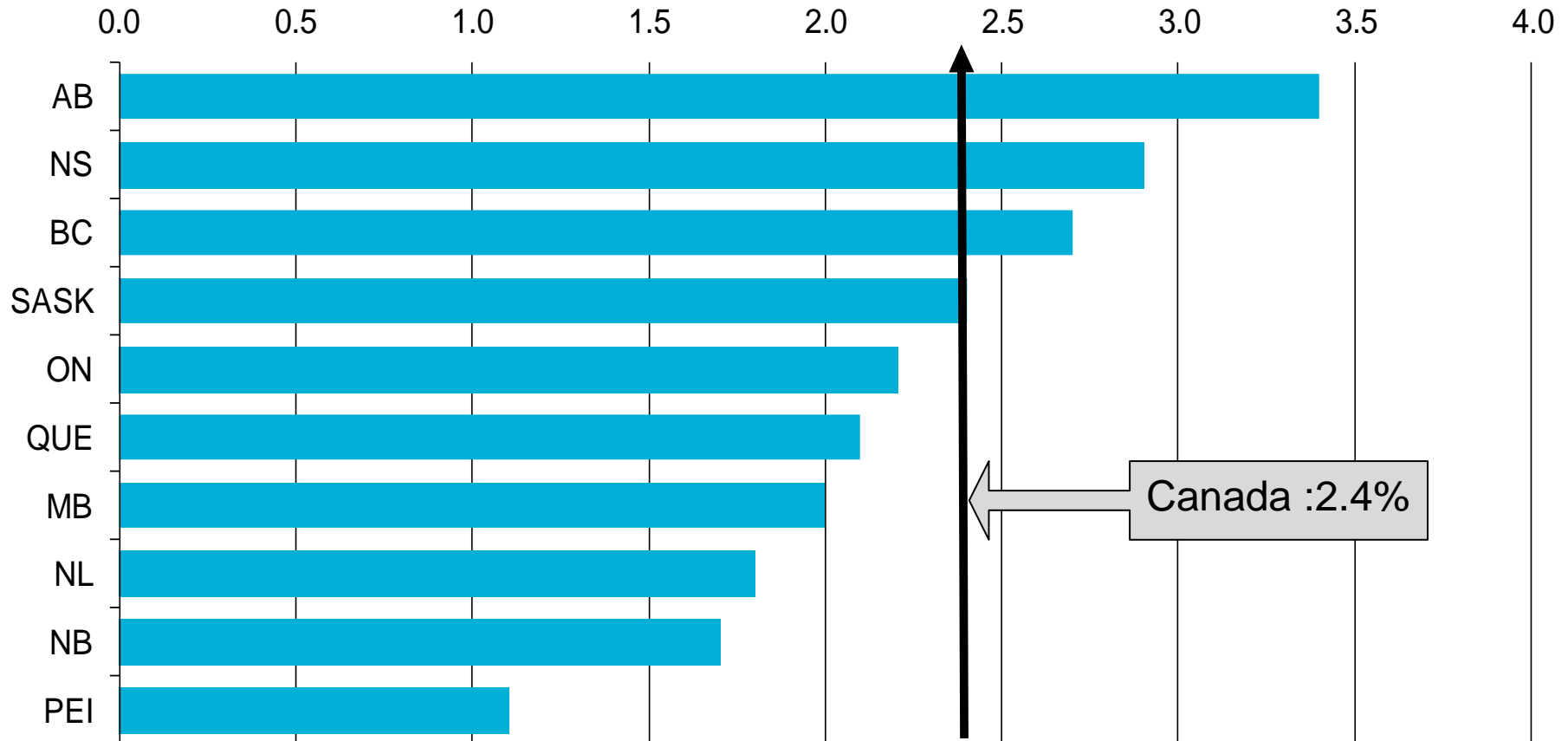


Sources: The Conference Board of Canada; Statistics Canada.



# 2014 Real GDP by Province.

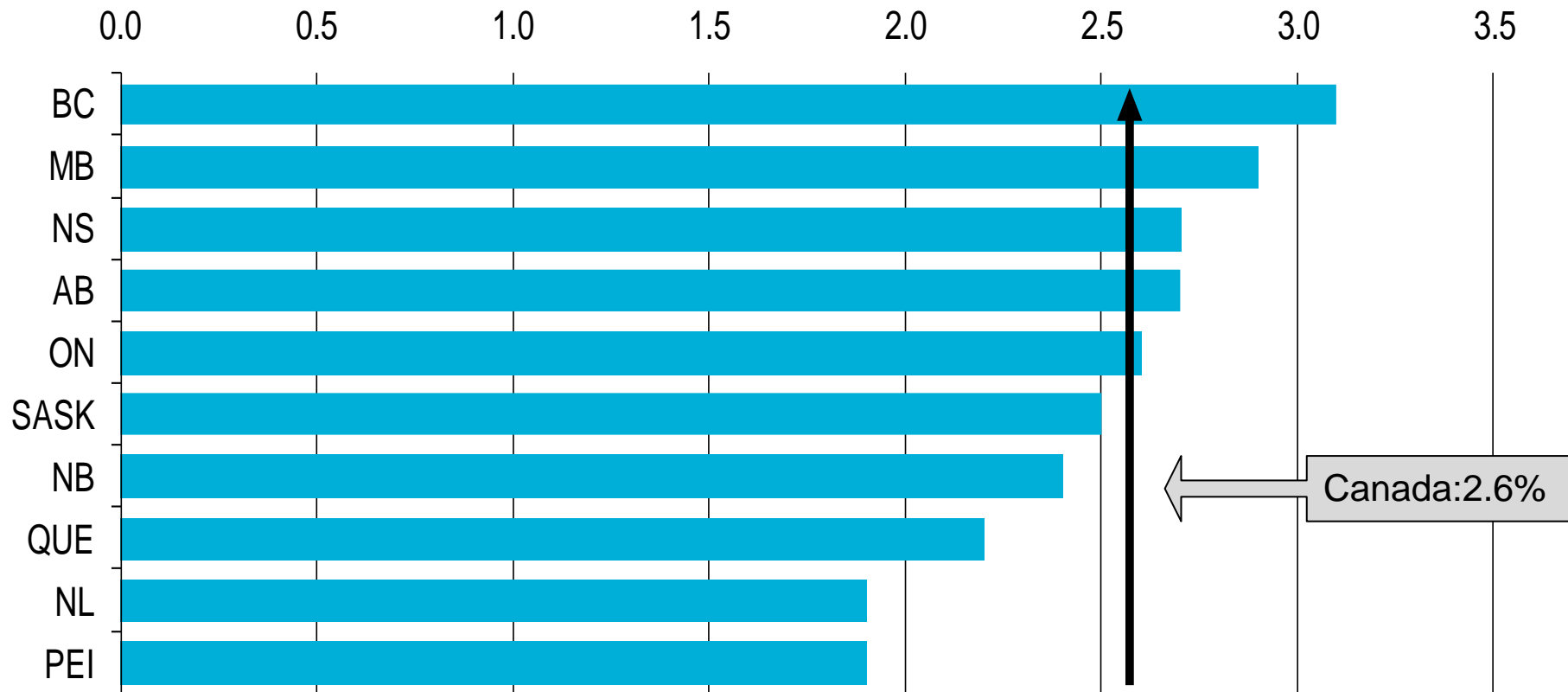
per cent change, basic prices, \$2007.



Sources: The Conference Board of Canada; Statistics Canada

# 2015 Real GDP by Province.

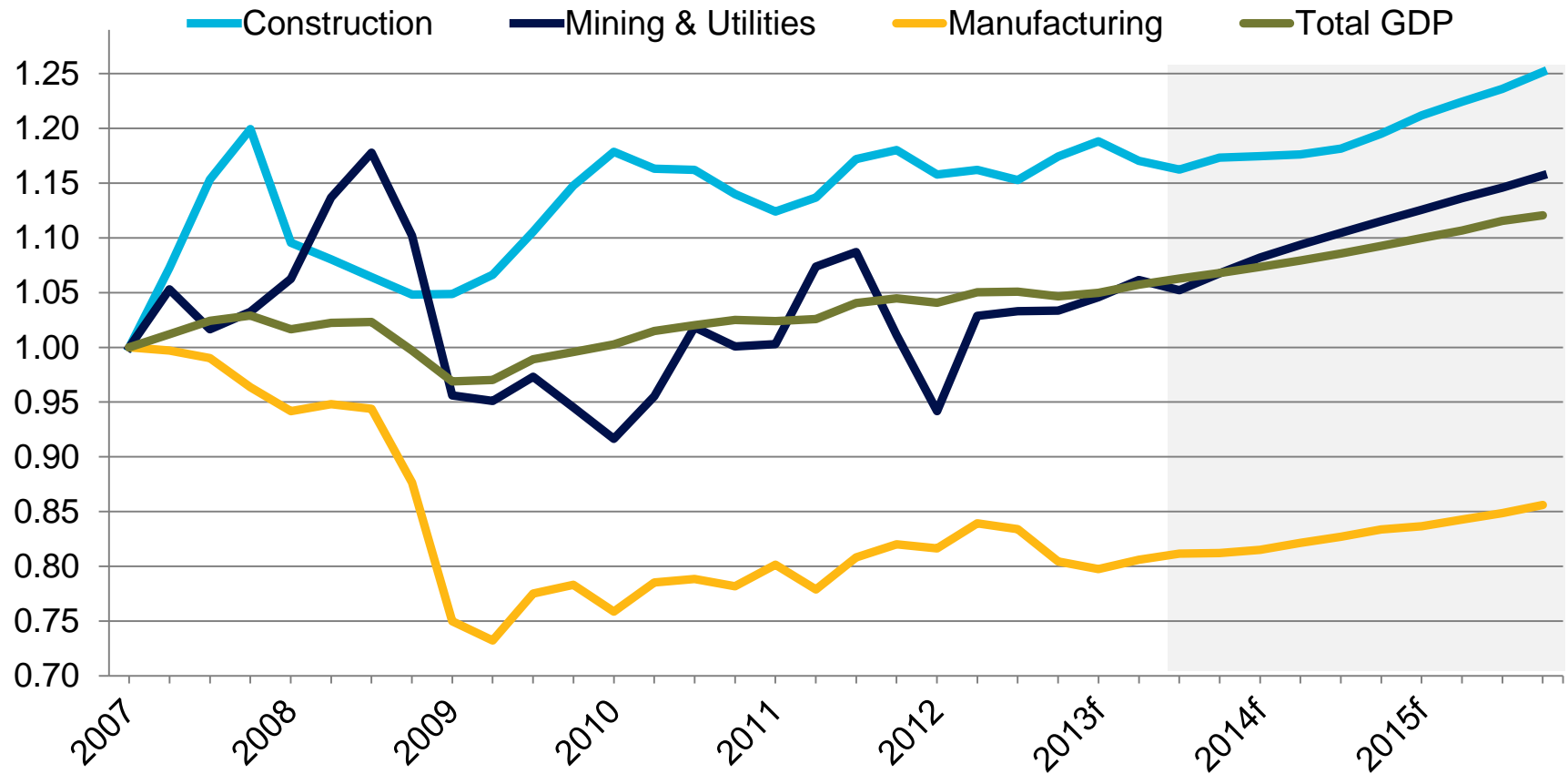
per cent change, basic prices, \$2007.



Sources: The Conference Board of Canada; Statistics Canada

# Ontario's real GDP by Industry.

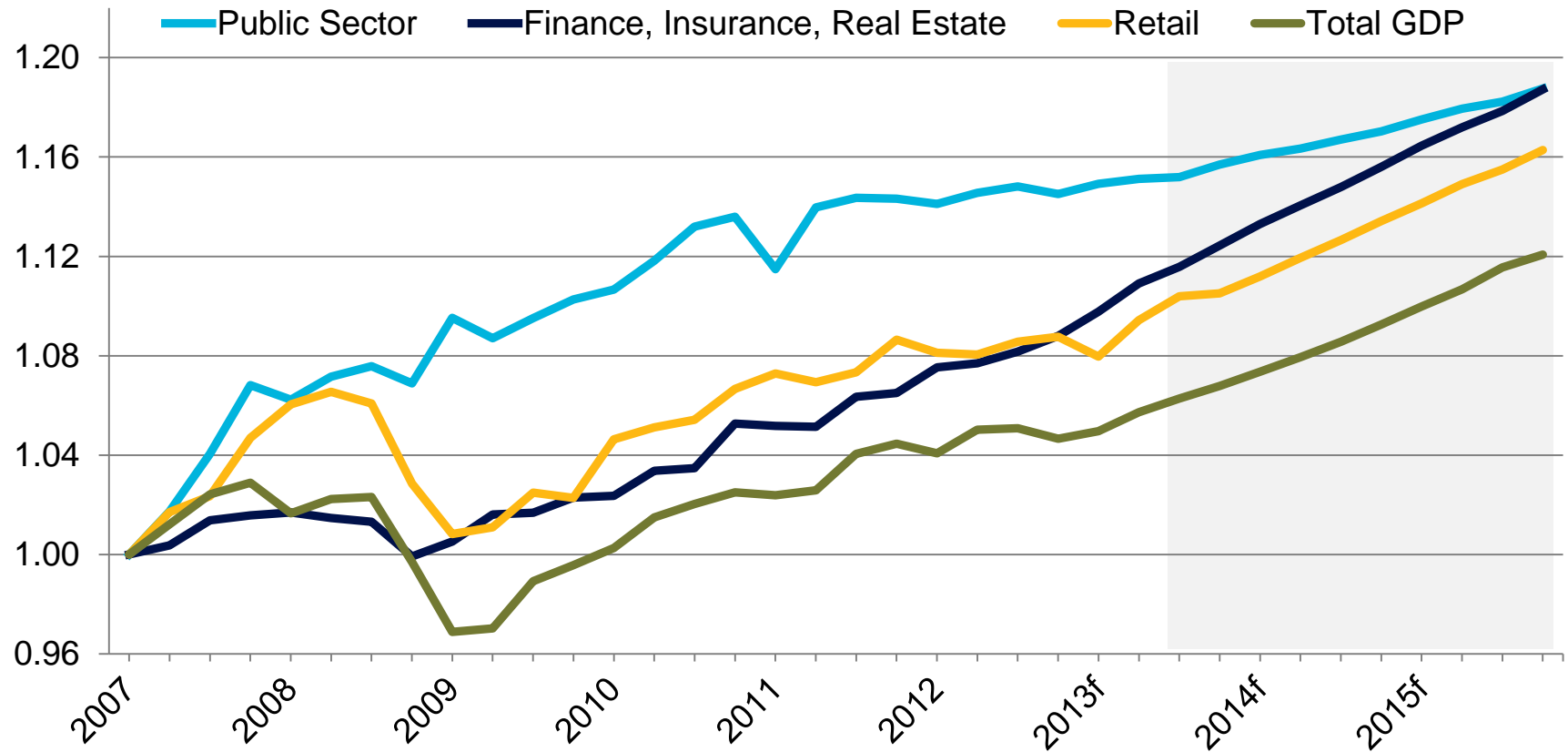
quarterly, indexed to 2007:1 = 100.



Sources: Statistics Canada; The Conference Board of Canada.

# Ontario real GDP by Industry.

quarterly, indexed to 2007:1 = 100.



Sources: Statistics Canada; The Conference Board of Canada.

# Implications

- Global risks remain elevated—need to wean ourselves off of cheap money
- Canadian growth moderate due to external environment, government and consumer de-leveraging
- Long-term challenges for Canadian businesses include adapting to a strong currency, dealing with an aging workforce and embracing innovation
- Fiscal situation remains a challenge for Ontario and many other provinces
- Canadian outlook is uneven but fundamentals are positive for all of Canada's regions.



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