The Economic Outlook:
A Multi-speed Recovery in a Turbulent World

Beef 2011: International Livestock Congress
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The Conference Board of Canada
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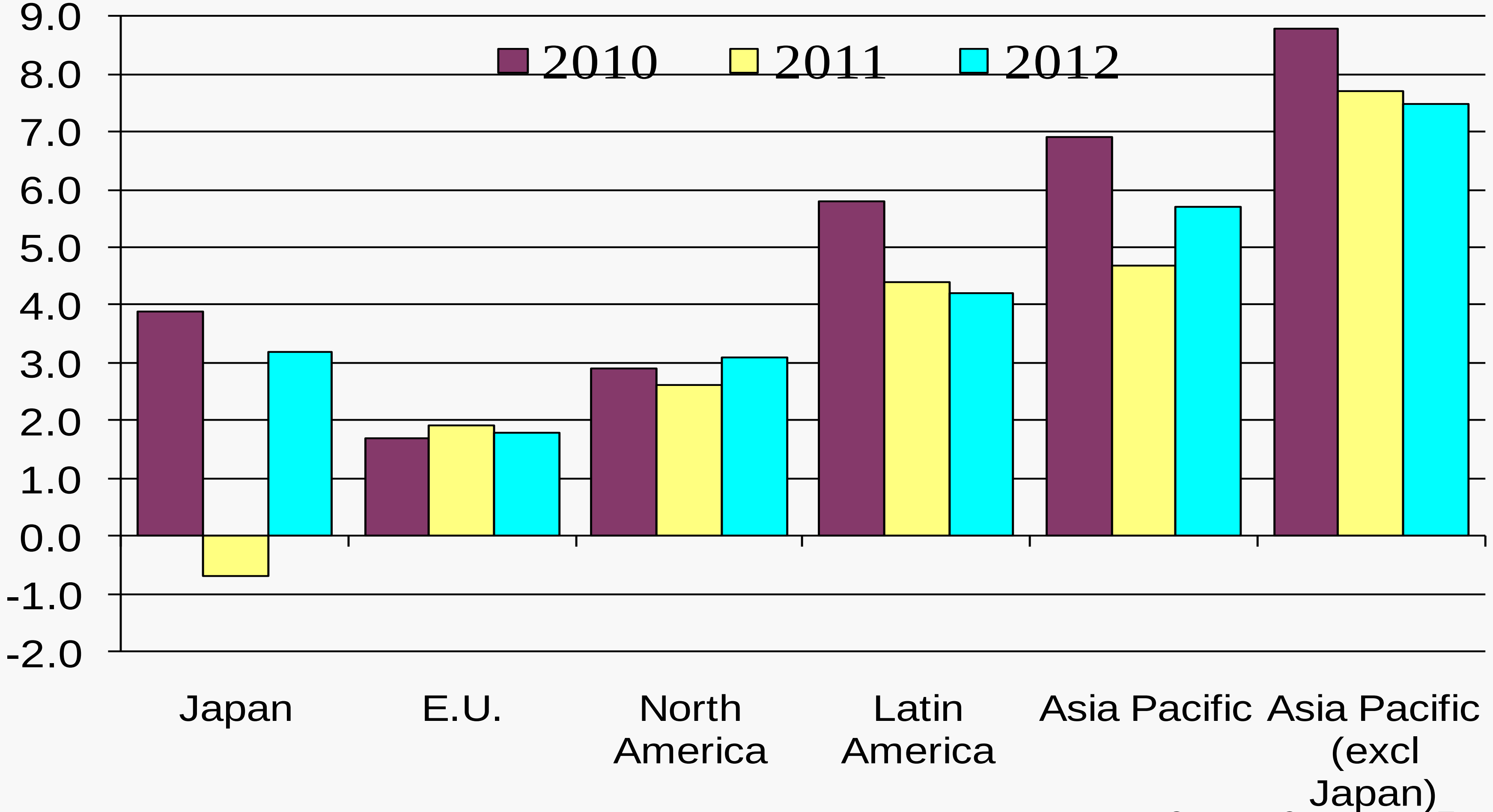
Global Outlook

- The global economy has recovered, but with sharp differences among regions
- Slow recovery in W. Europe, with continuing public debt and energy price risks
- Japan’s natural disaster and aftermath severely impacted short-term growth
- Medium speed in North America – real growth in Canada, too much artificial growth in the U.S.
- High speed growth in emerging markets

Uneven Growth in Global Economy

(per cent change, real GDP)



Source: Consensus Economics.

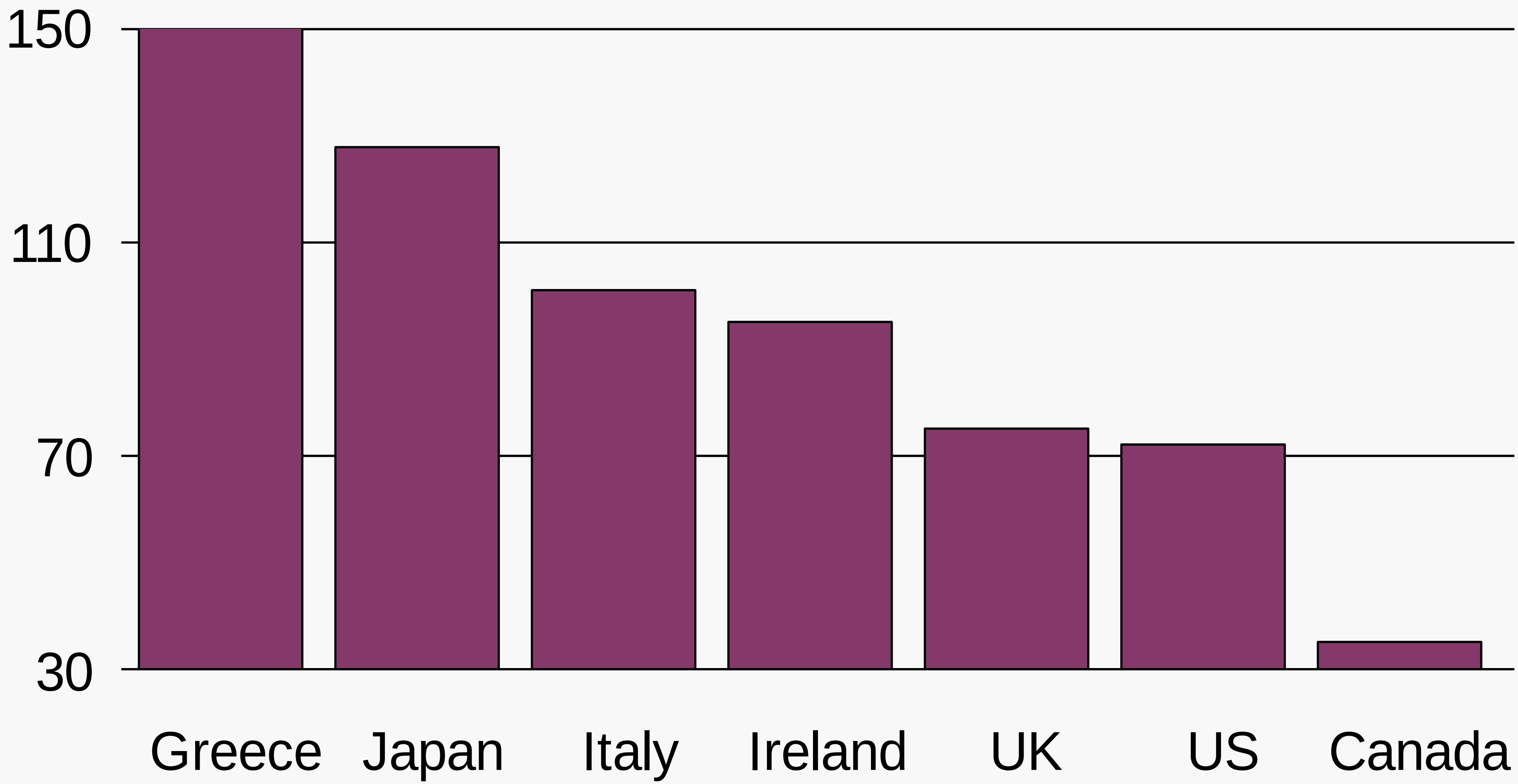
A Risky World

Plenty of risks to go around:

- Public sector debt in EU, U.S., Japan
- Global imbalances
- Political turmoil in N. Africa, Middle East
- Higher oil and food prices
- Inflation in emerging markets

Government Debt as a share of GDP

(per cent, 2011, net debt)



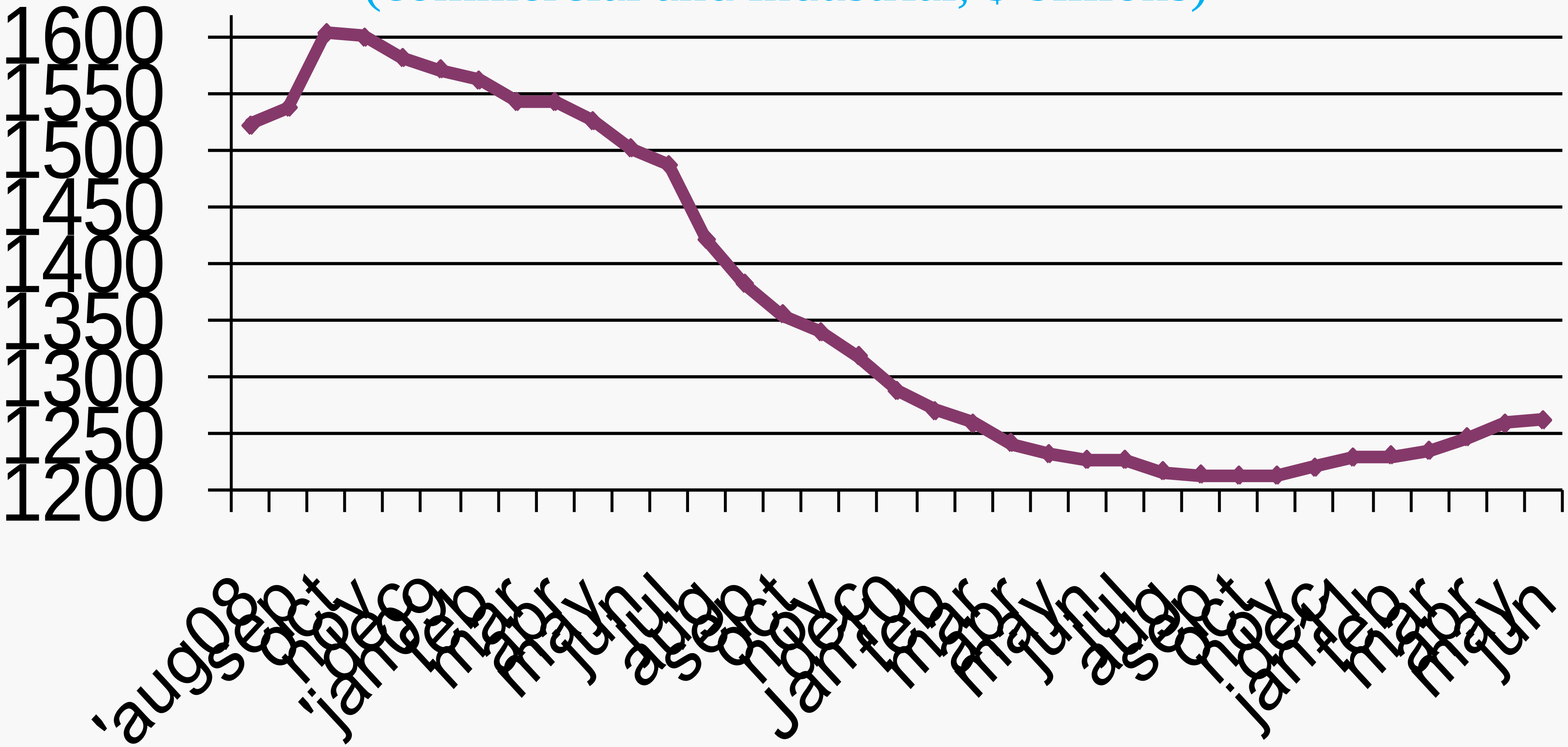
Source: IMF

U.S. Outlook

- U.S. growth weakened to 2 per cent in 1H 2011
- High gas prices, supply chain disruptions, floods and ongoing housing market mess are to blame
- Growth should rebound in second half of 2011 thanks to lower gas prices and slow improvements in labour markets
- Structural fiscal deficits and mounting public debt a growing risk
- U.S. debt ceiling debate just the opening act

U.S. Commercial Bank Lending Has Finally Turned the Corner

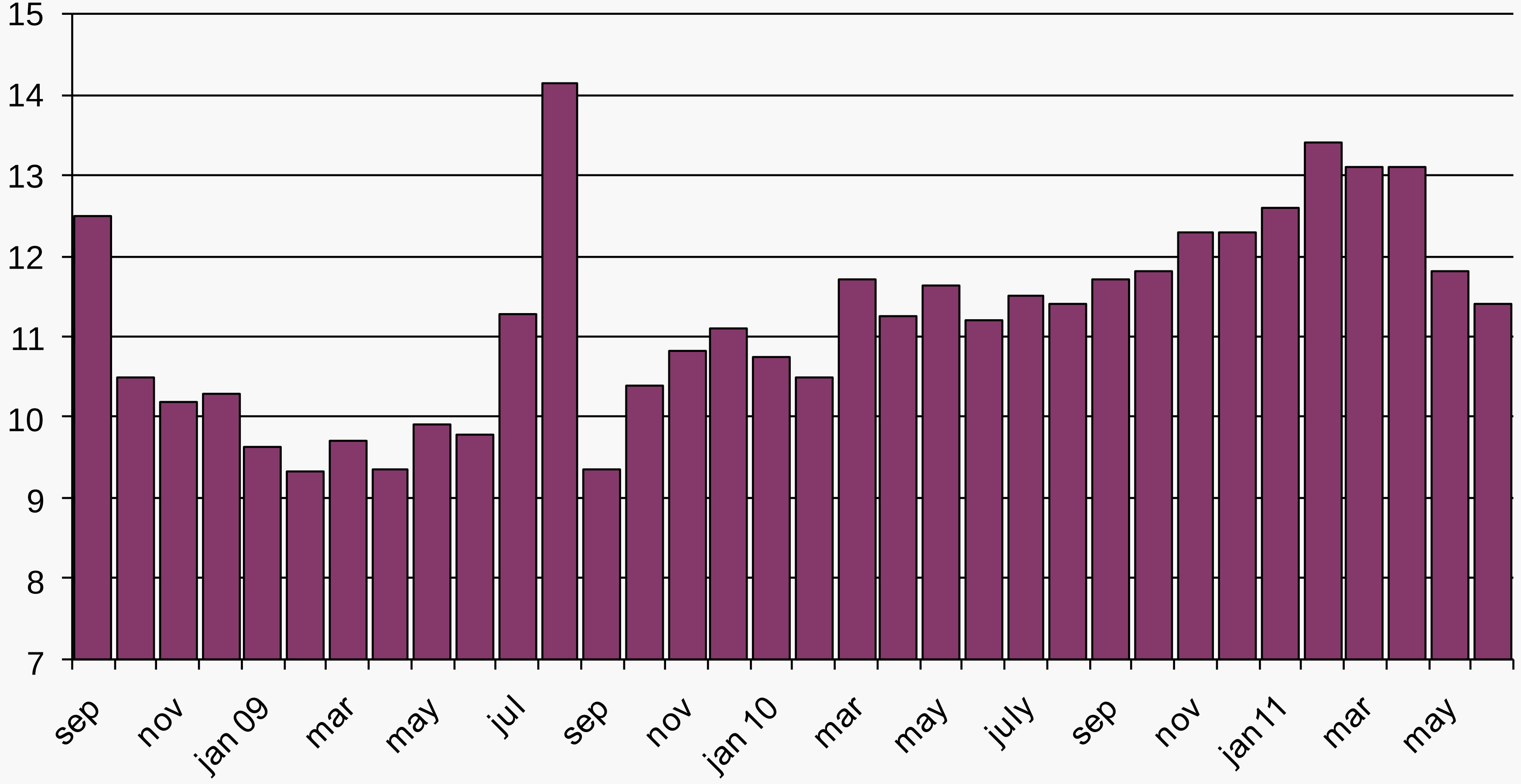
(commercial and industrial, $ billions)



Source: FRB

U.S. Vehicle Sales

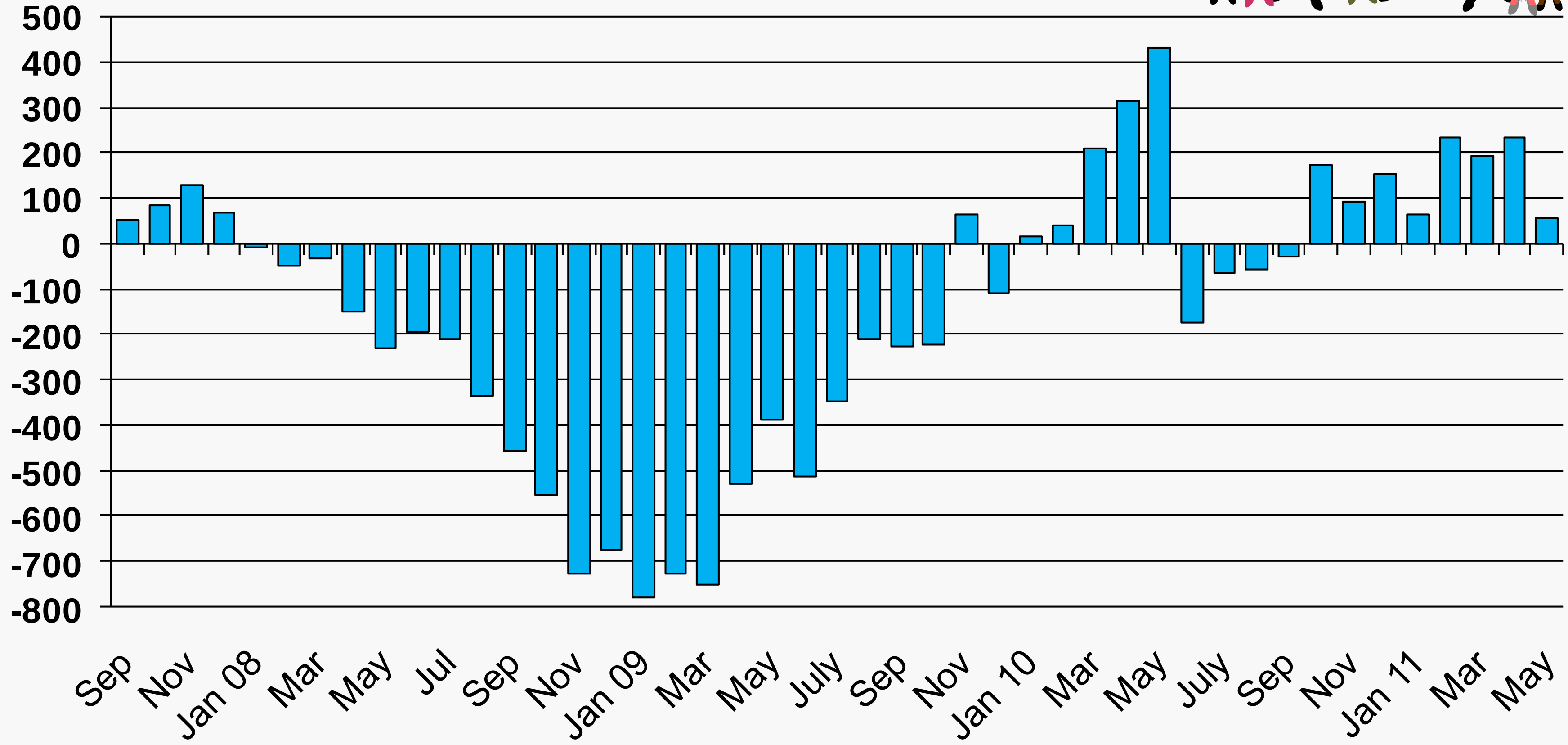
(millions, annualized)



Source: Moody's Economy.com

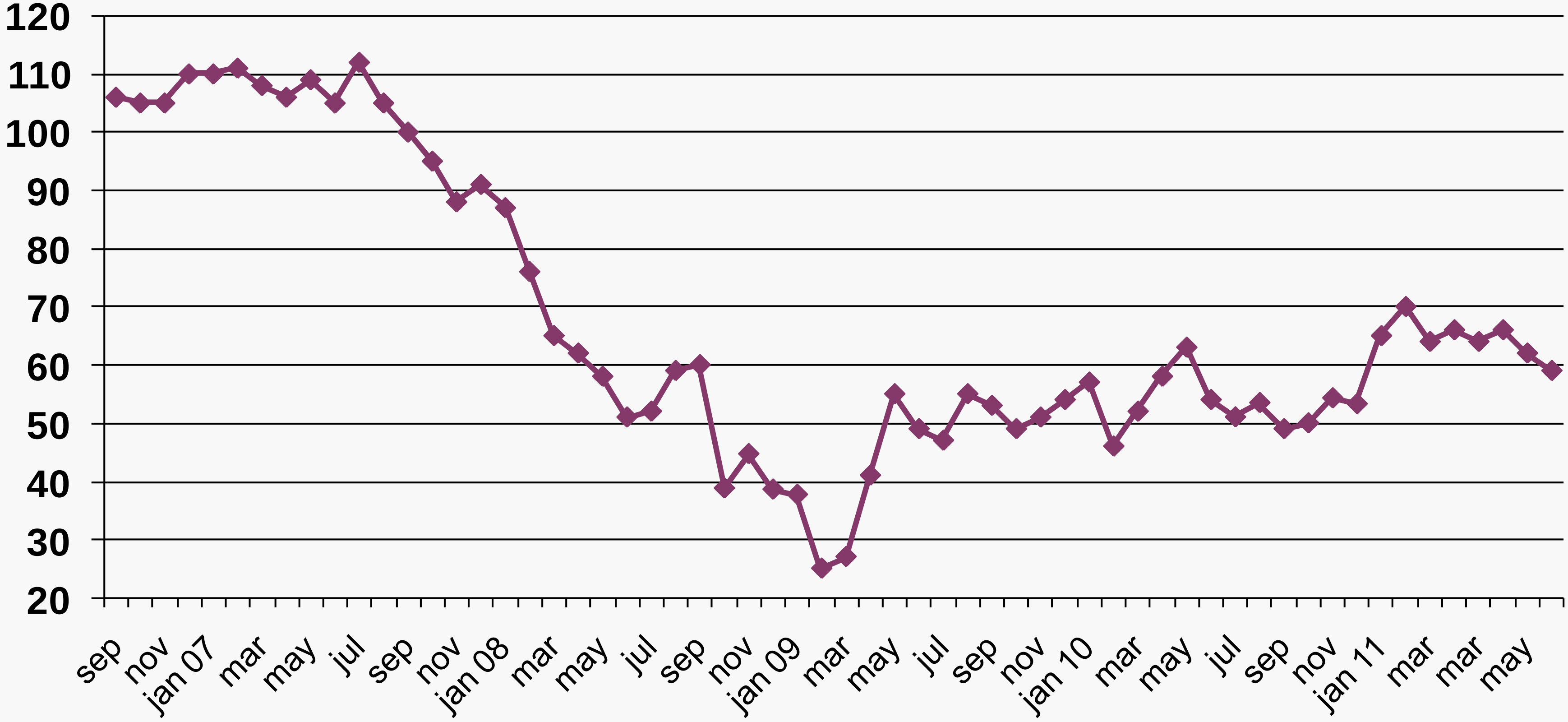
U.S. Labour Market

(Change in U.S. Employment, 000s)



Source: Bureau of Economic Analysis.

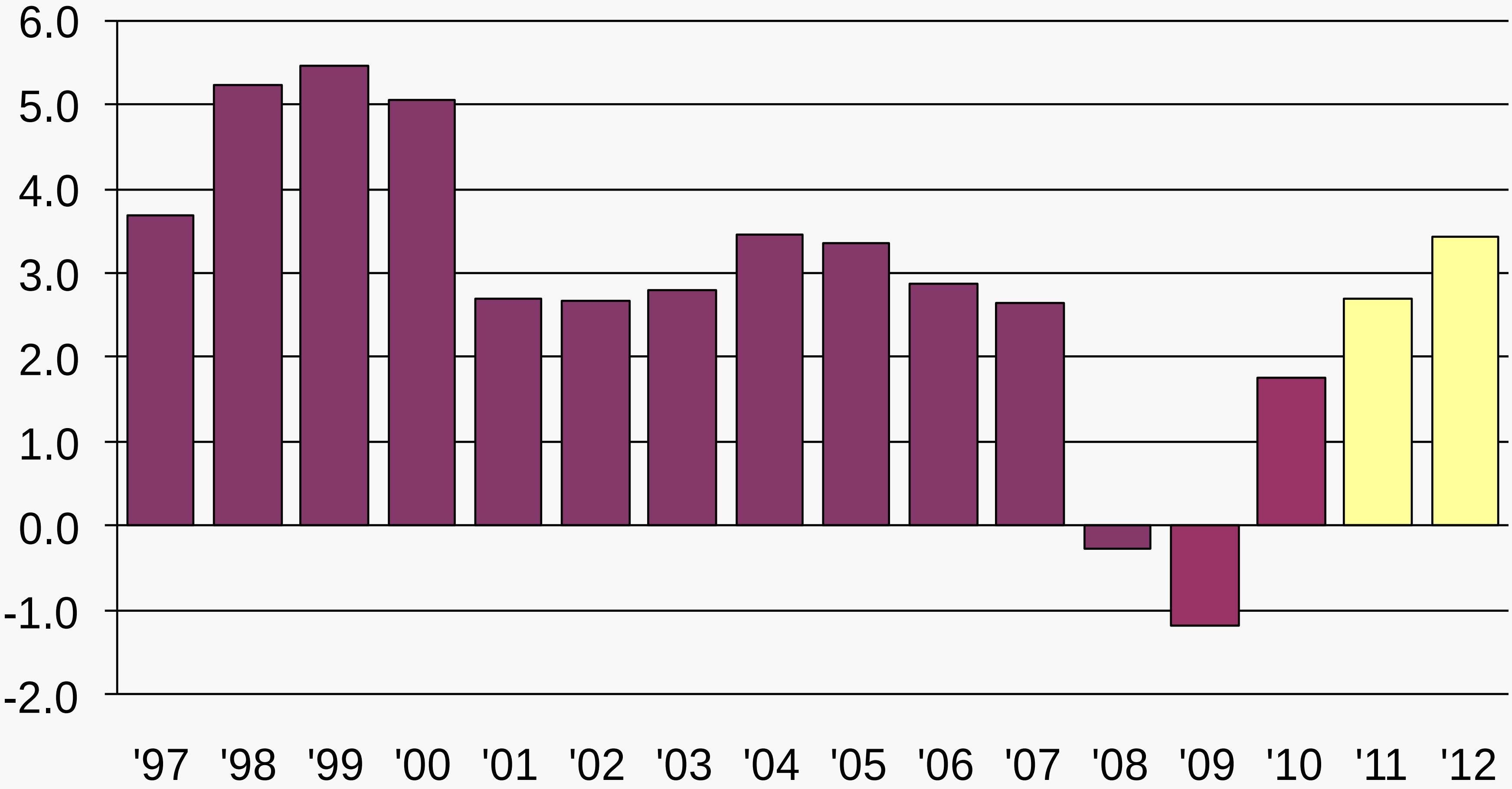
U.S. Consumer Confidence
(1985=100)



Source: The Conference Board Inc.

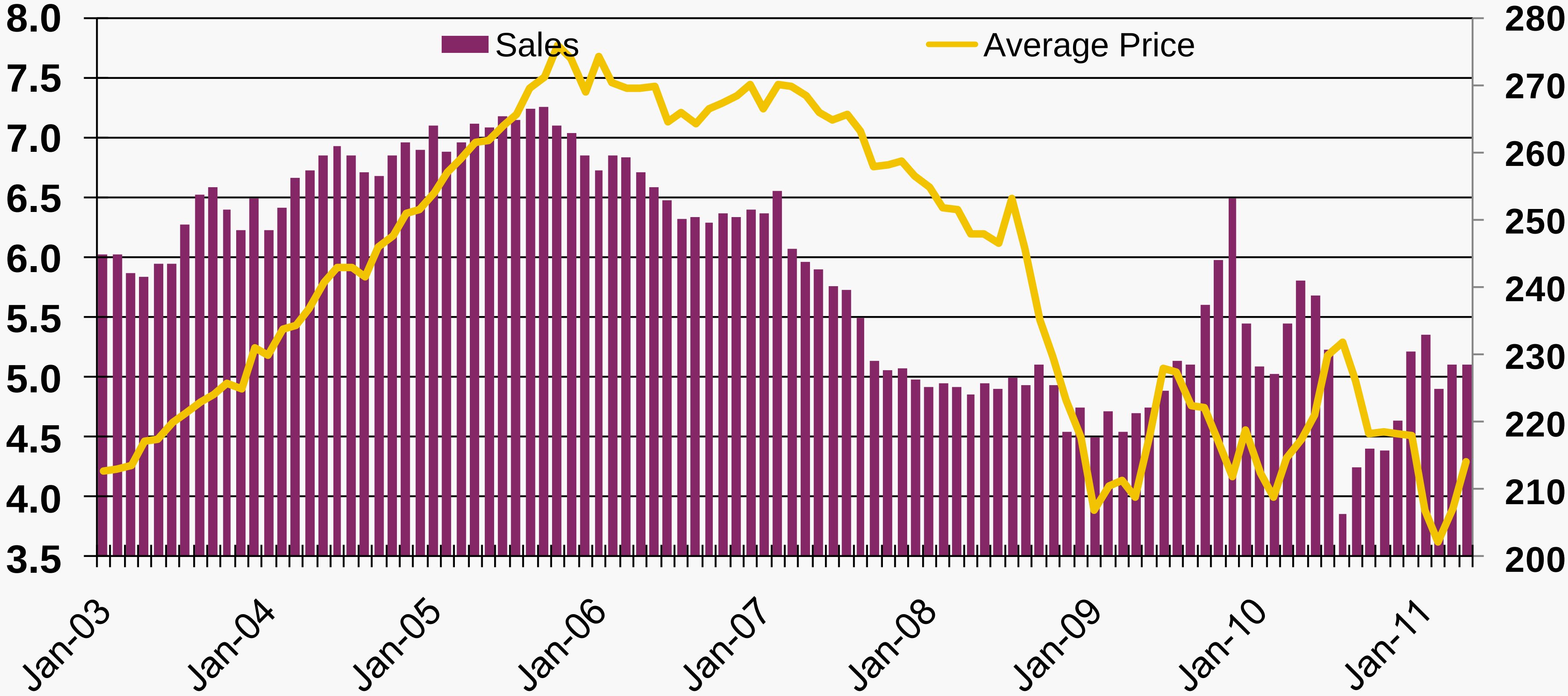
U.S. Real Consumer Spending

(per cent change)



Sources: BEA; CBoC

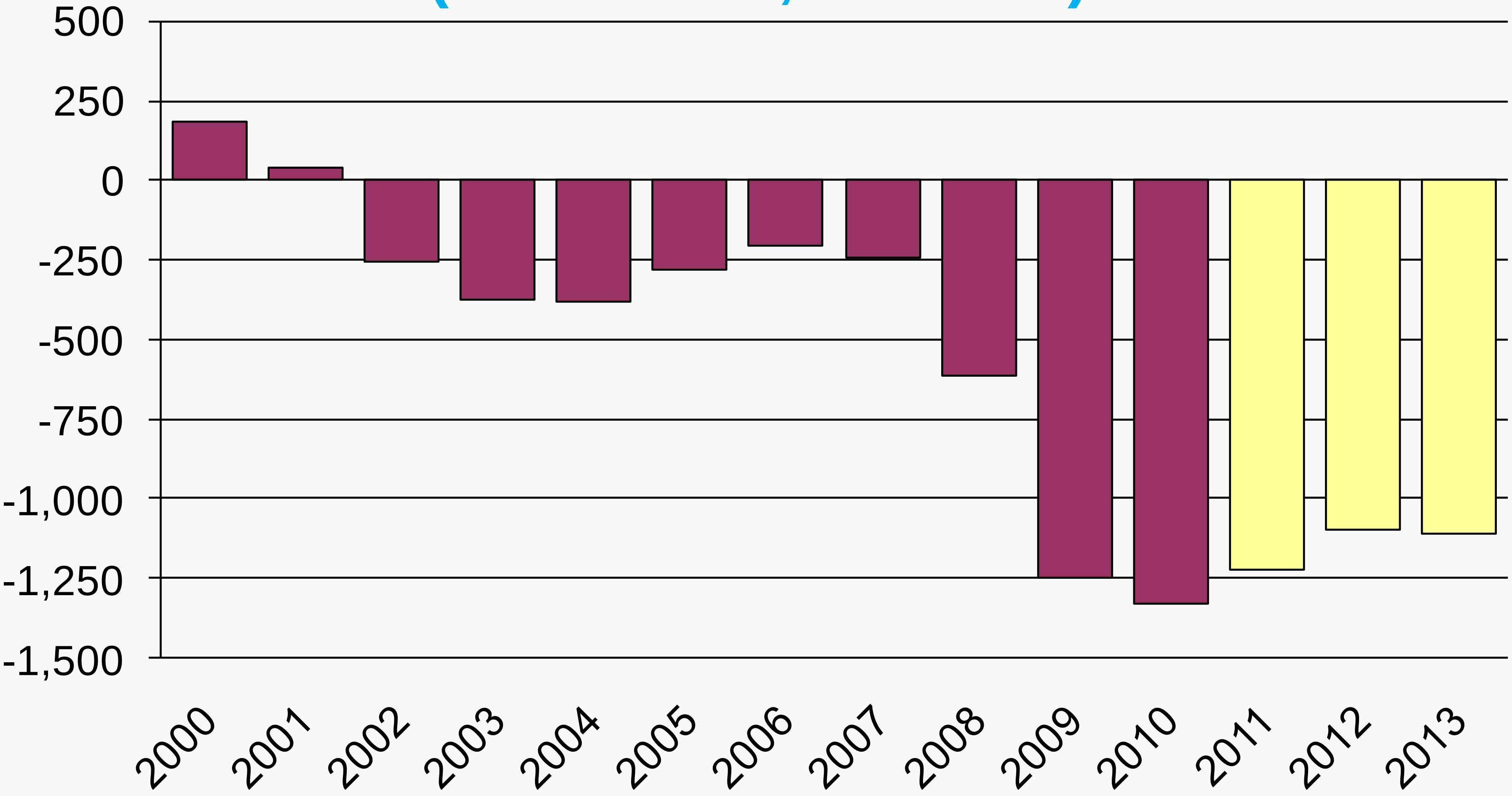
U.S. Existing Home Sales and Prices
(millions SAAR; $thousands)



Source: National Assn. of Realtors.

U.S. Federal Deficit

(NIPA basis, $billions)

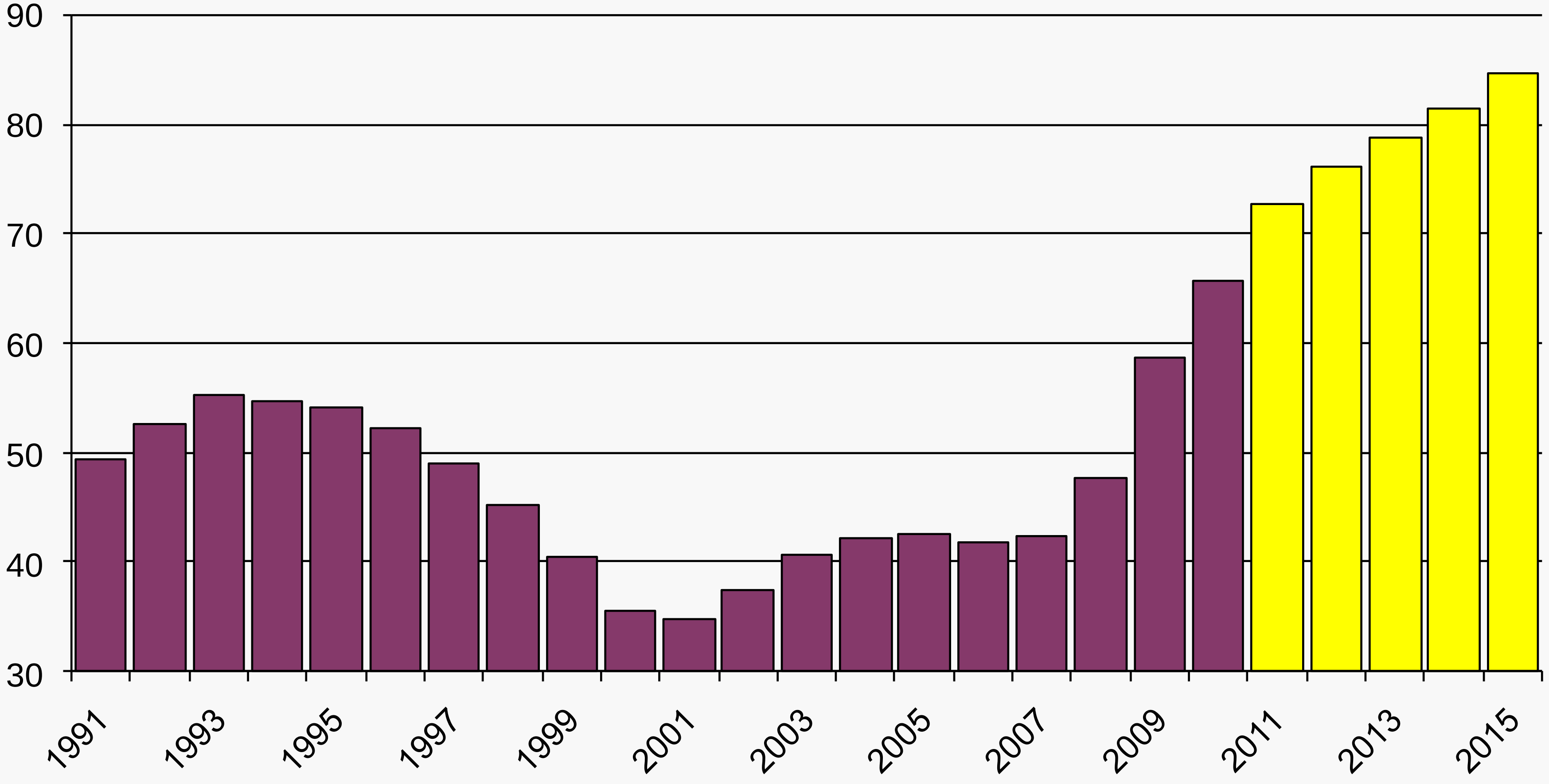


Sources: CBO; CBoC

U.S. 2010-11 Fiscal Position

	$ B	% GDP
Total spending:	3,456	23.7
of which:		
Defense and HS	711	4.8
Medicare, Medicaid	797	5.4
Social Security	747	5.0
Interest	414	2.8
Deficit:	1,332	9.1

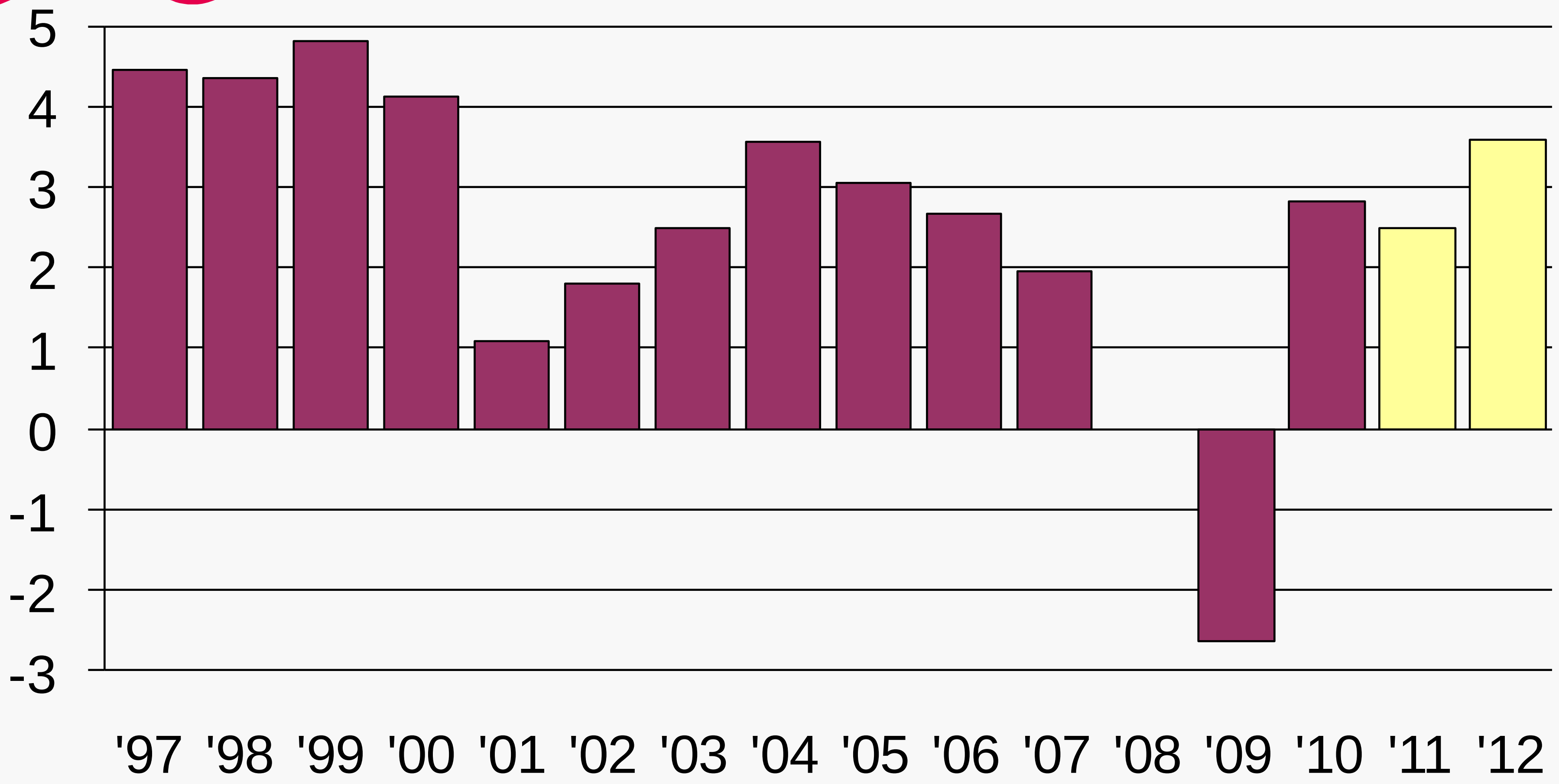
U.S. Net Debt as % of GDP



Source: IMF

U.S. Real GDP

(per cent change)



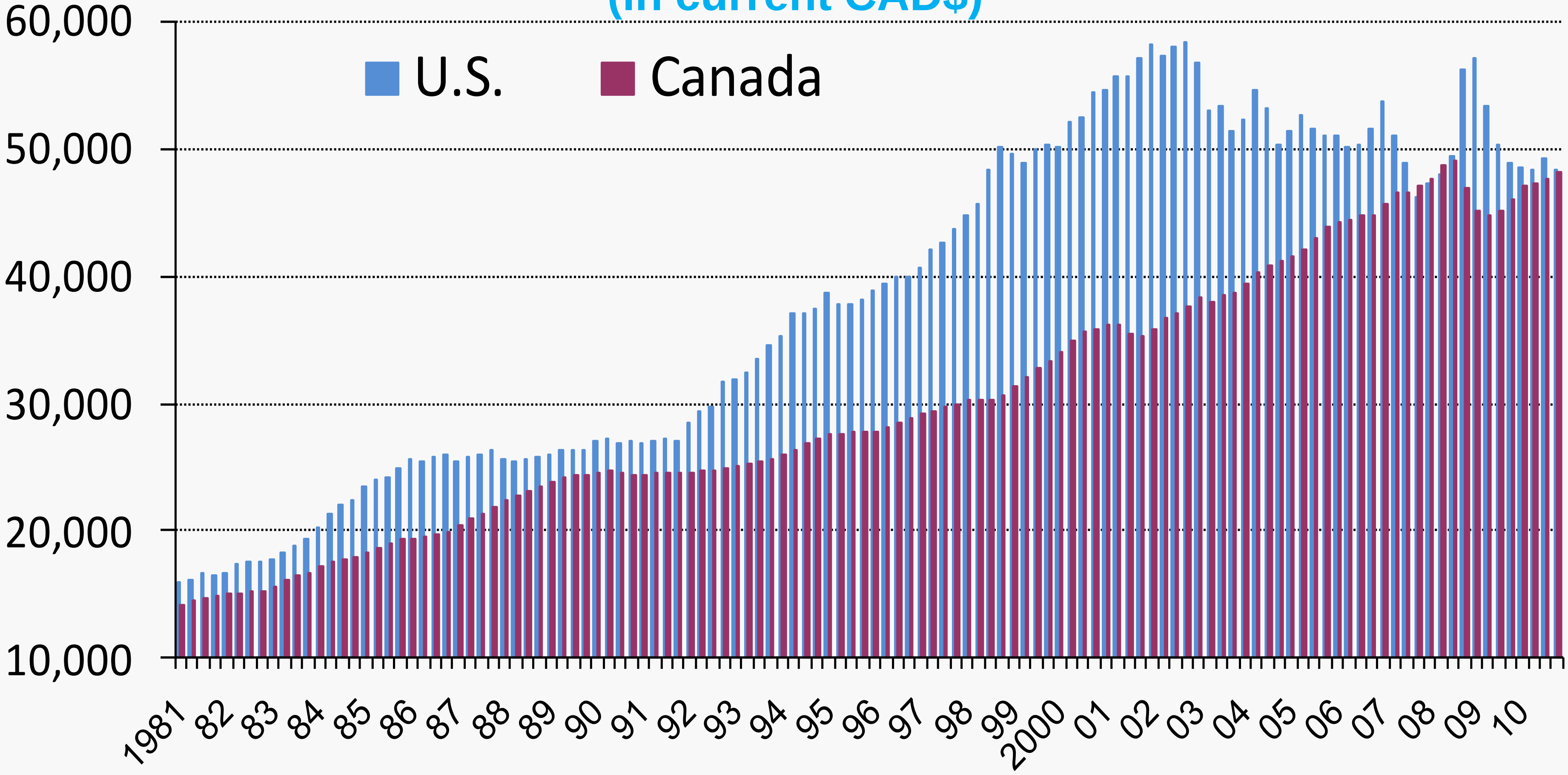
Sources: BEA; CBoC

Canadian Outlook

- Despite strong first quarter, fiscal and household restraint will hold overall GDP growth to 2.5 per cent in 2011.
- Stronger U.S. economy and global demand for resources helping to bolster exports.
- Overall inflation spike due to high gasoline and food prices—rate hikes are on the way.
- Economic outlook is positive enough to allow the federal government to return to fiscal balance, but some provinces will struggle.
- Numerous external risks can still derail the near-term growth path.

GDP per capita
U.S. and Canada

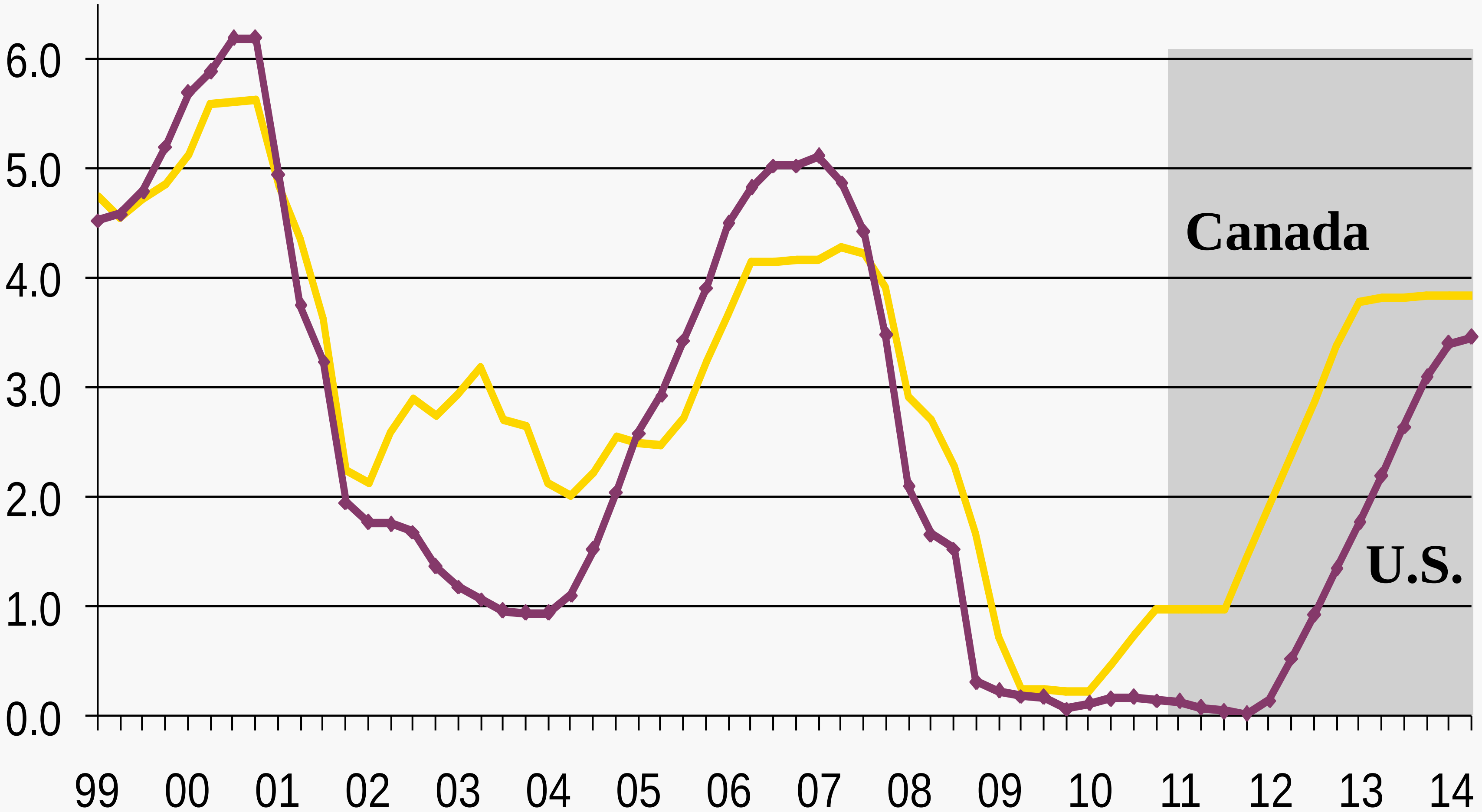
(in current CAD$)



Sources: CBoC, Stattistics Canada; BEA.

Interest Rates (90-Day T-Bill)

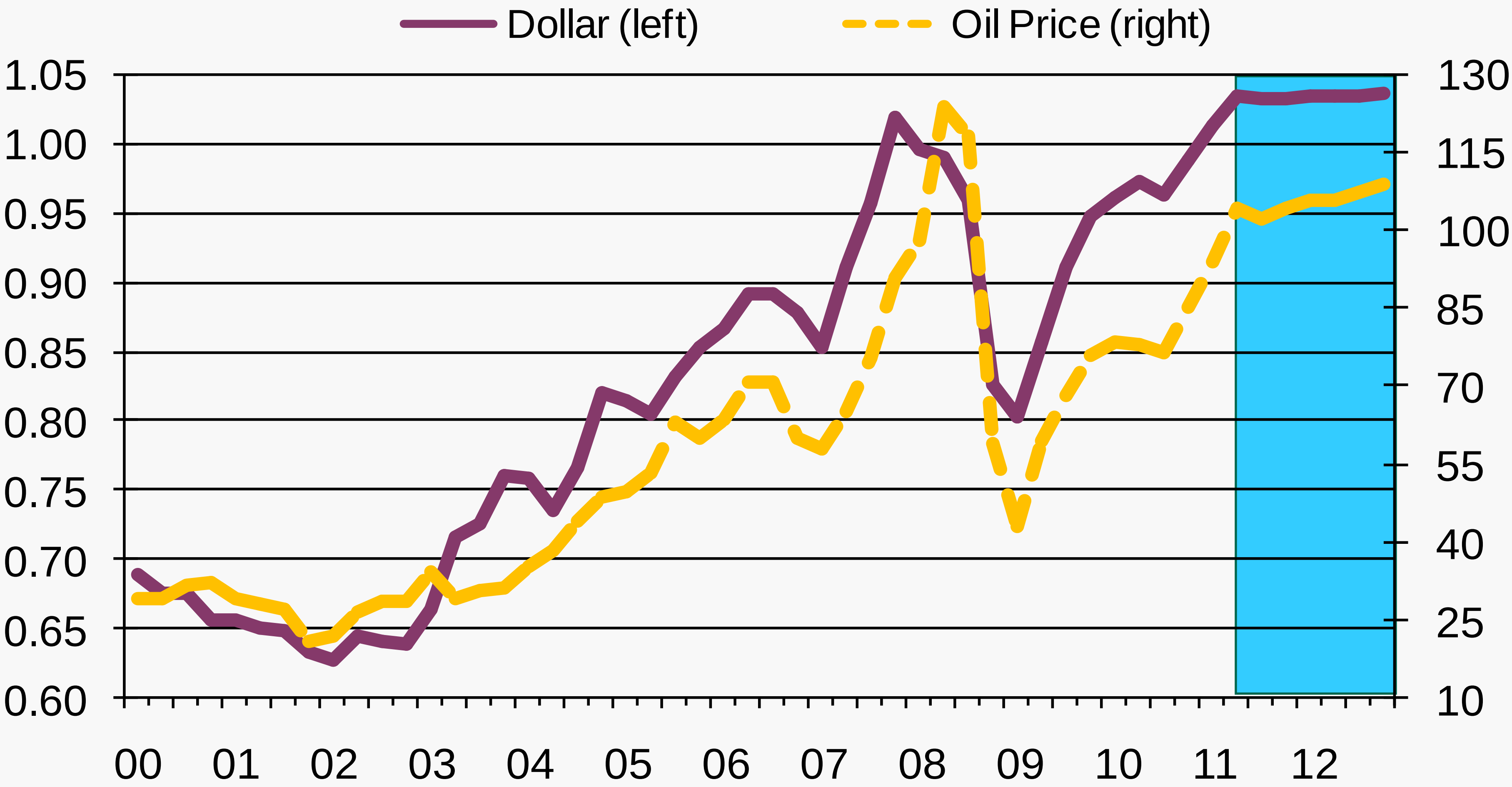
Quarterly 1999–14



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

The Loonie and the Oil Price

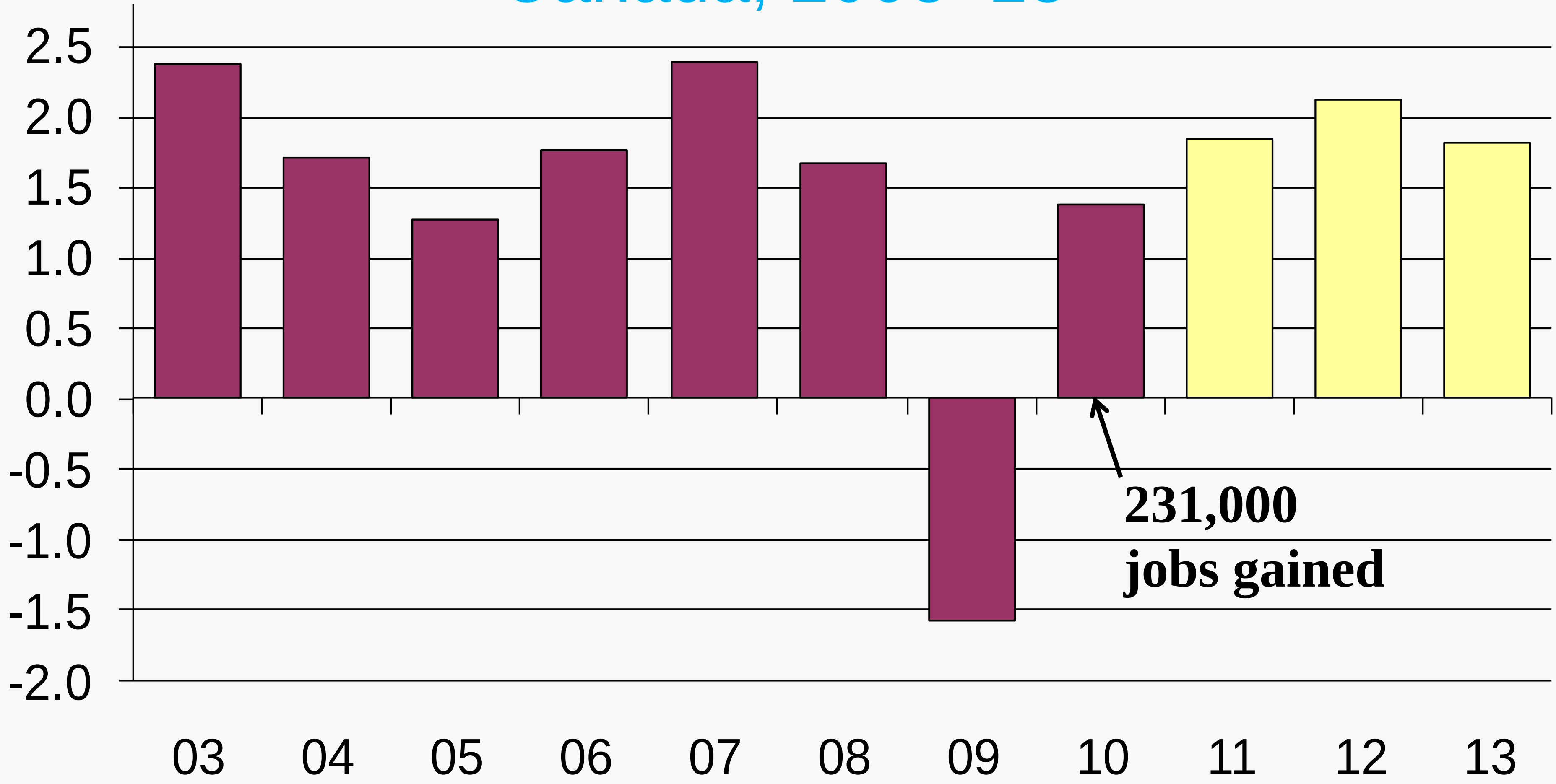
WTI $US, $US/$C



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

Employment Growth

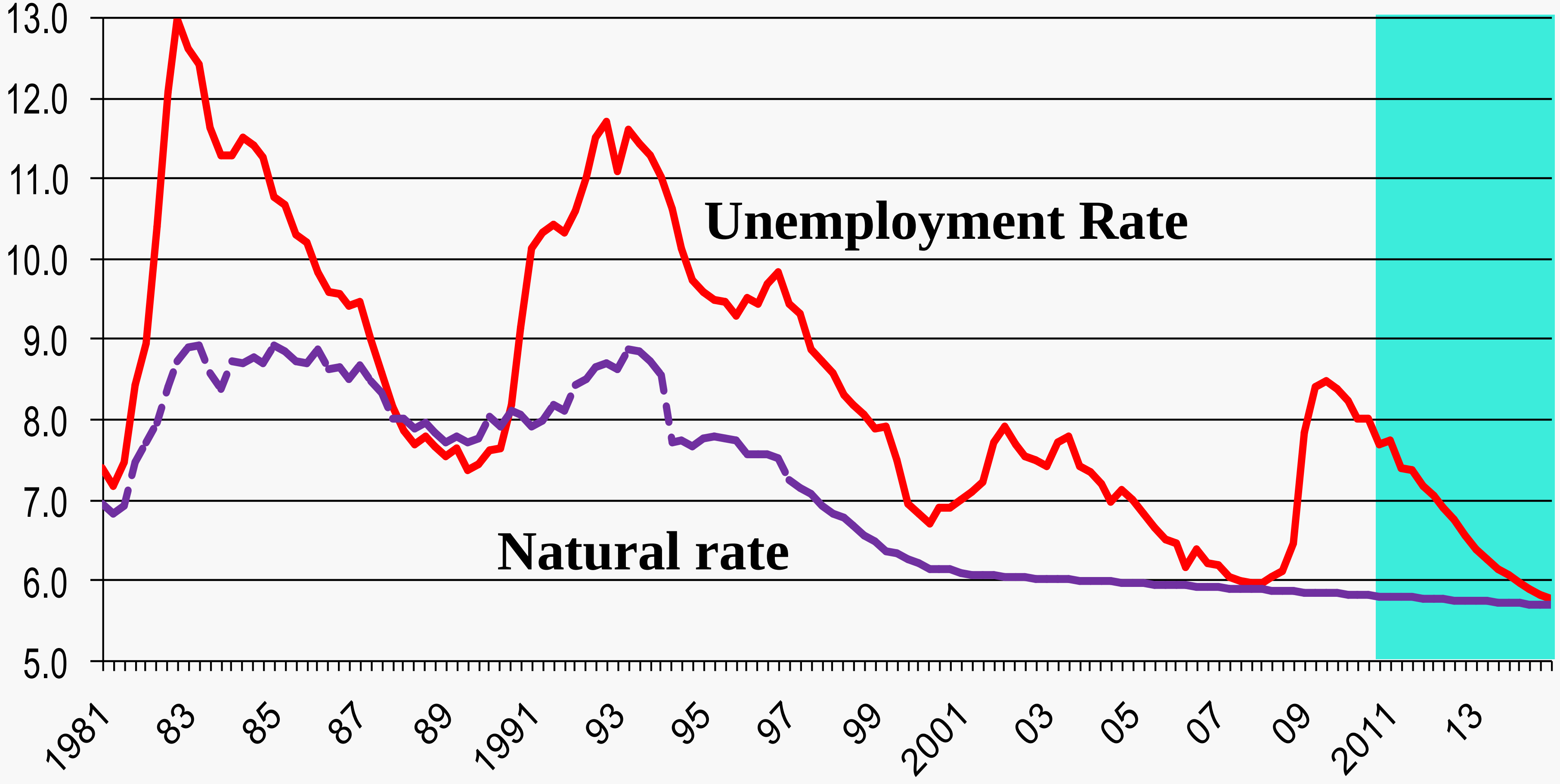
Canada, 2003–13



Sources: The Conference Board of Canada; Statistics Canada.

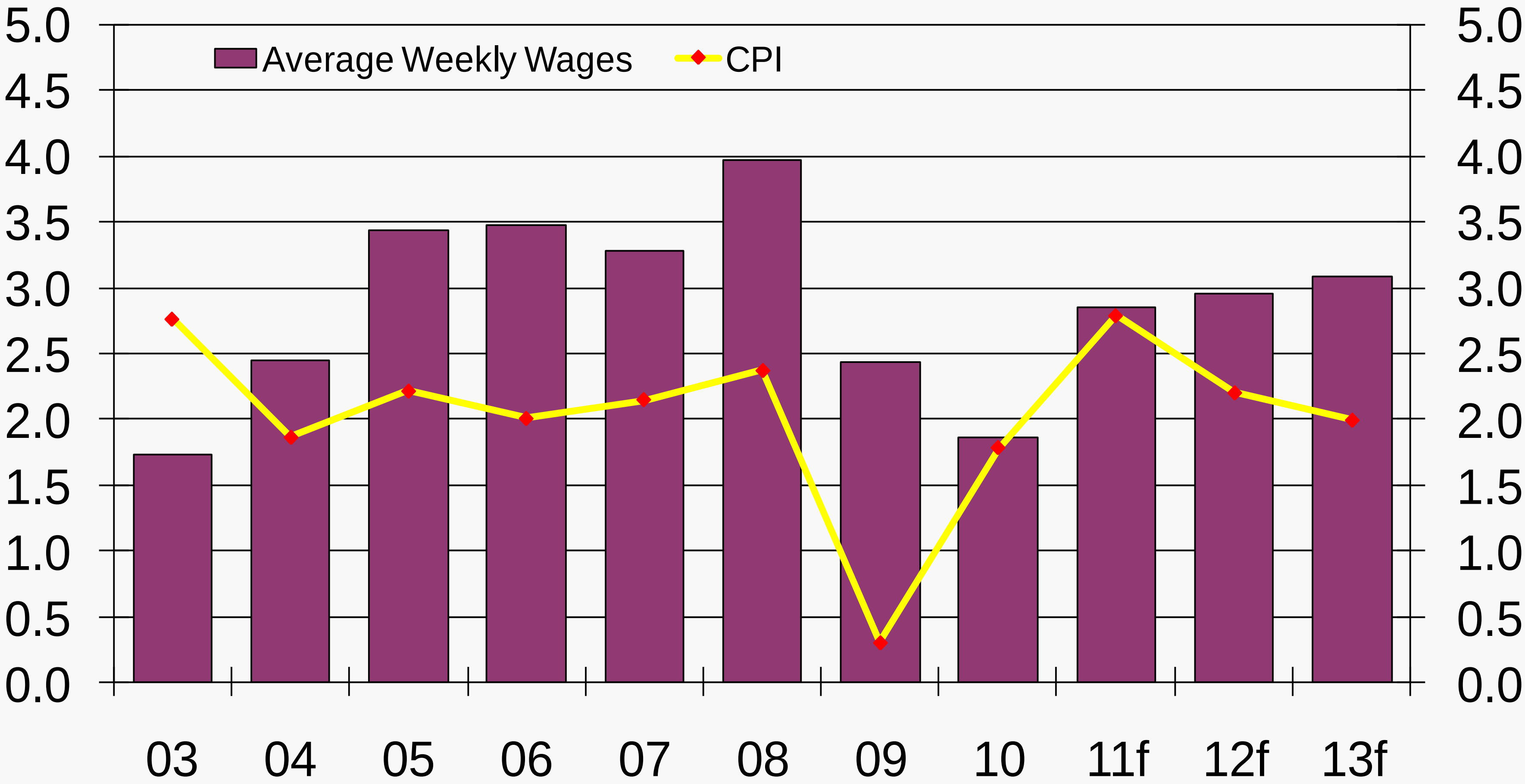
Unemployment Rate vs. Natural Rate

(percent), 1981-2015



Sources: The Conference Board of Canada; Statistics Canada.

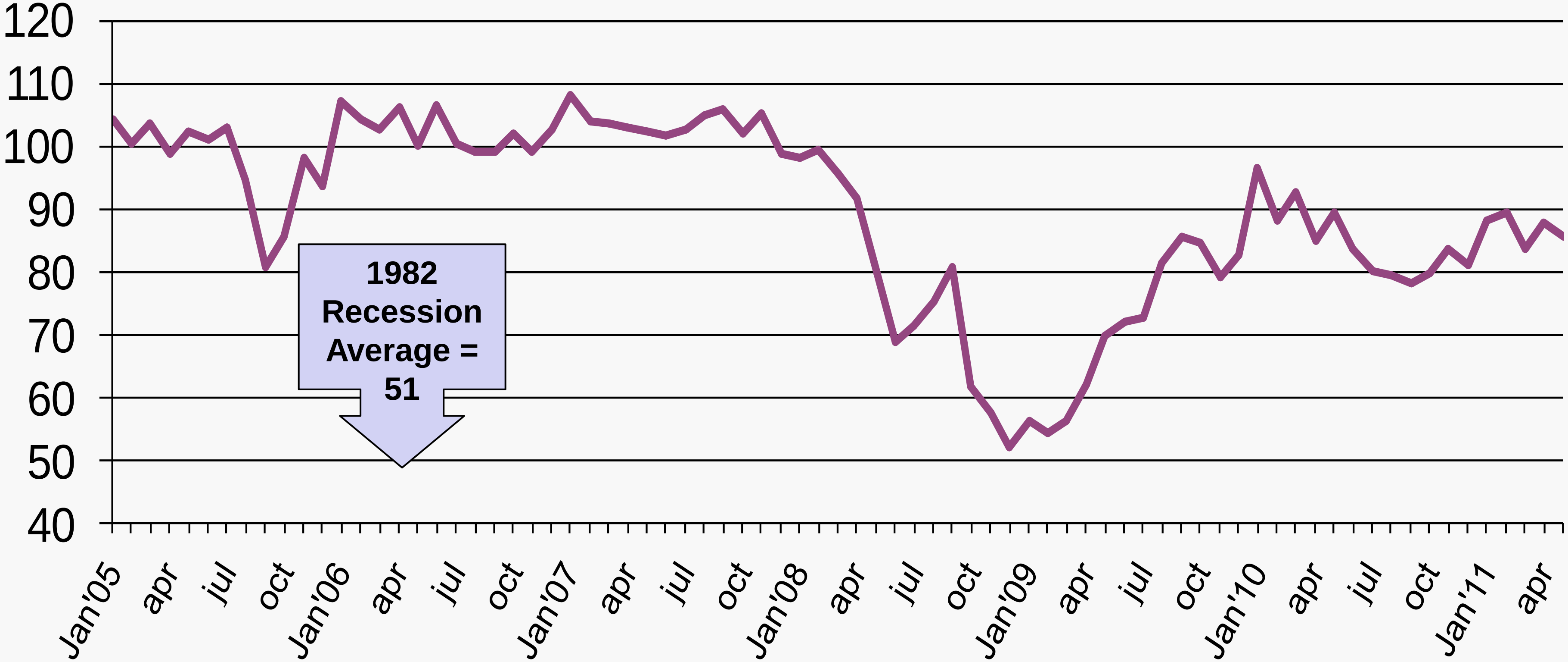
Growth in Industrial Composite Average Weekly Wage versus CPI (per cent change)



Sources: The Conference Board of Canada; Statistics Canada

Index of Consumer Confidence, Canada

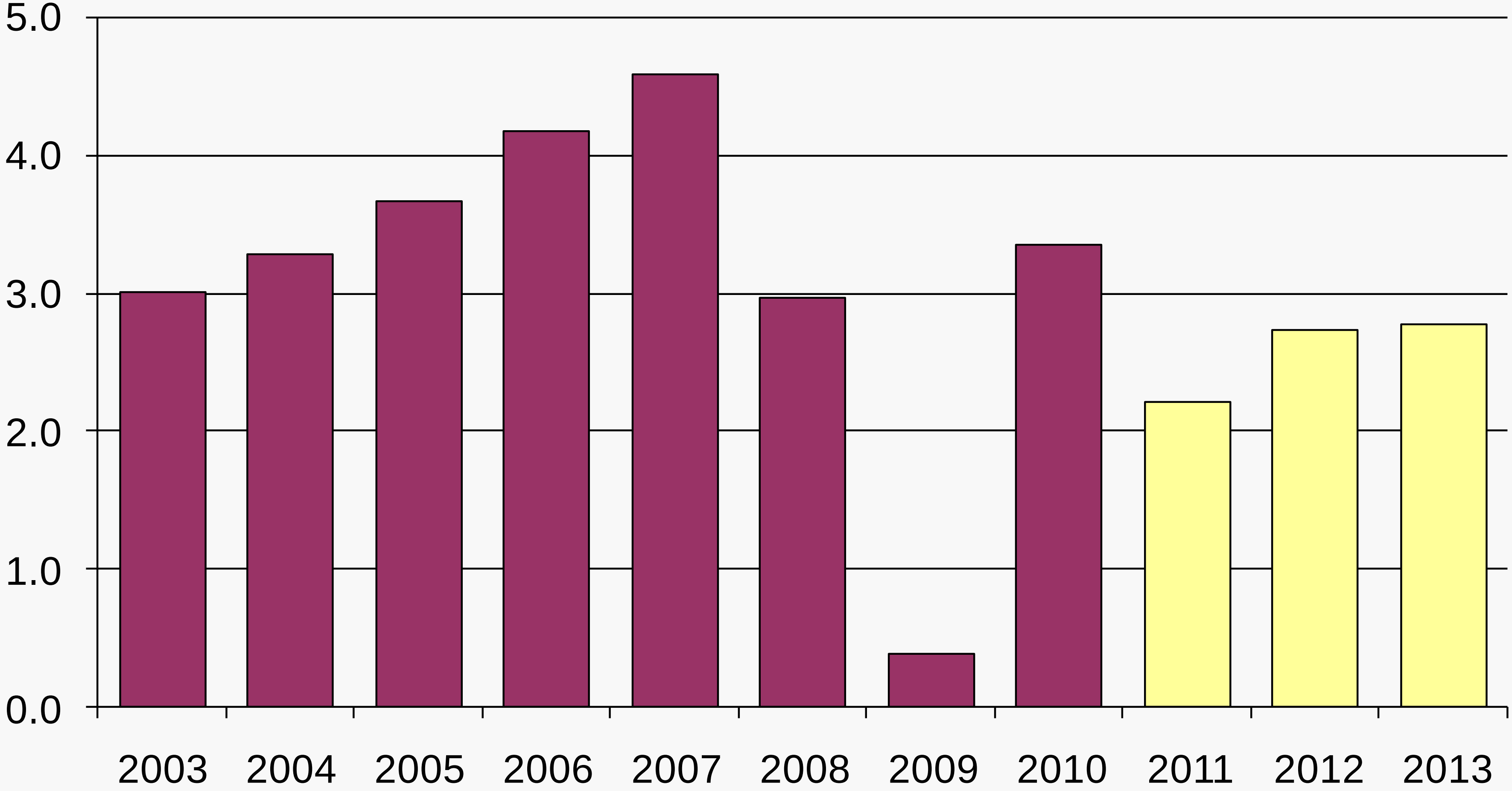
Jan 2005–May 2011 (2002 =100)



Source: The Conference Board of Canada.

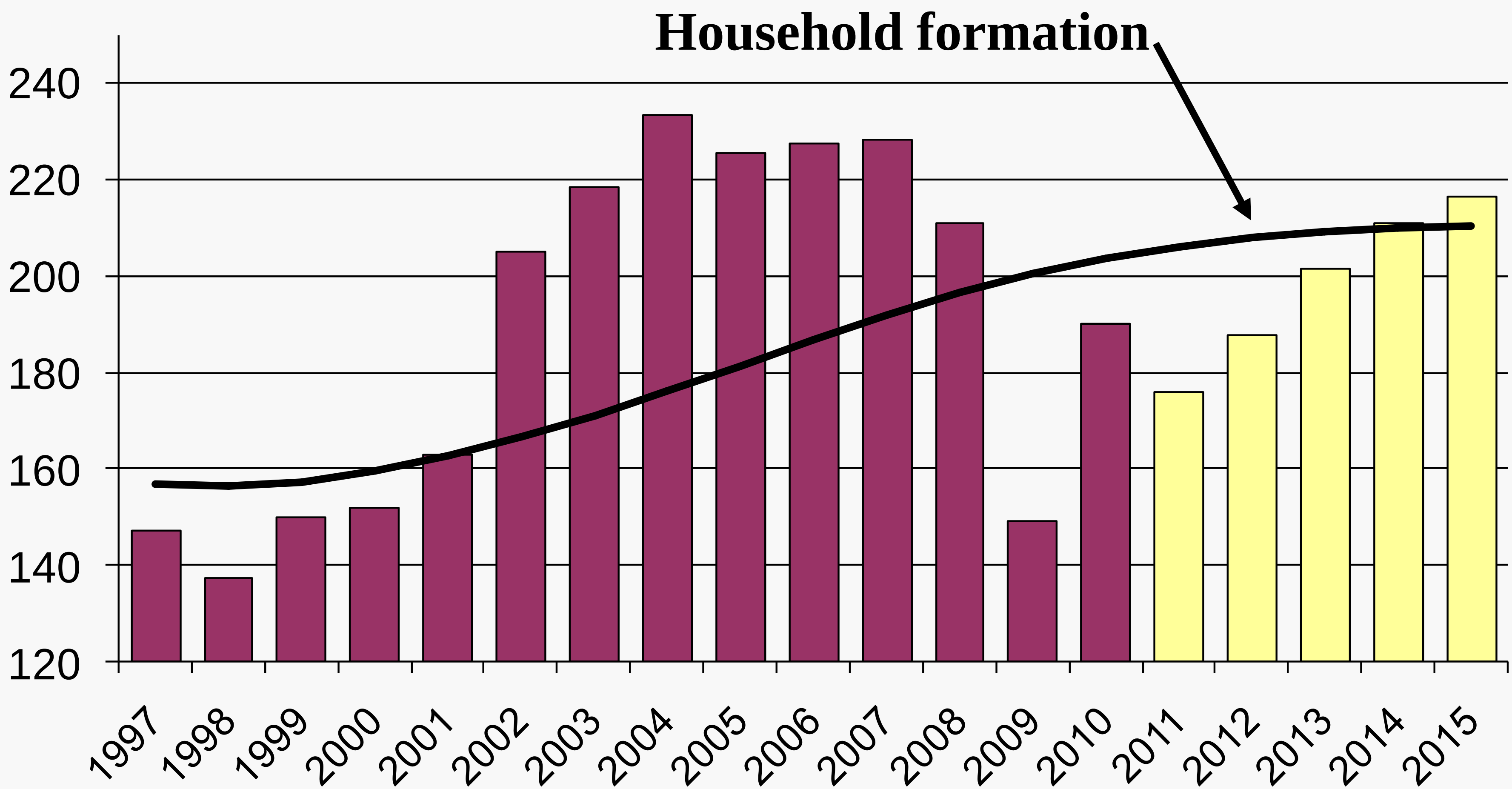
Real Consumer Spending Growth

Canada 2003–13



Sources: The Conference Board of Canada; Statistics Canada.

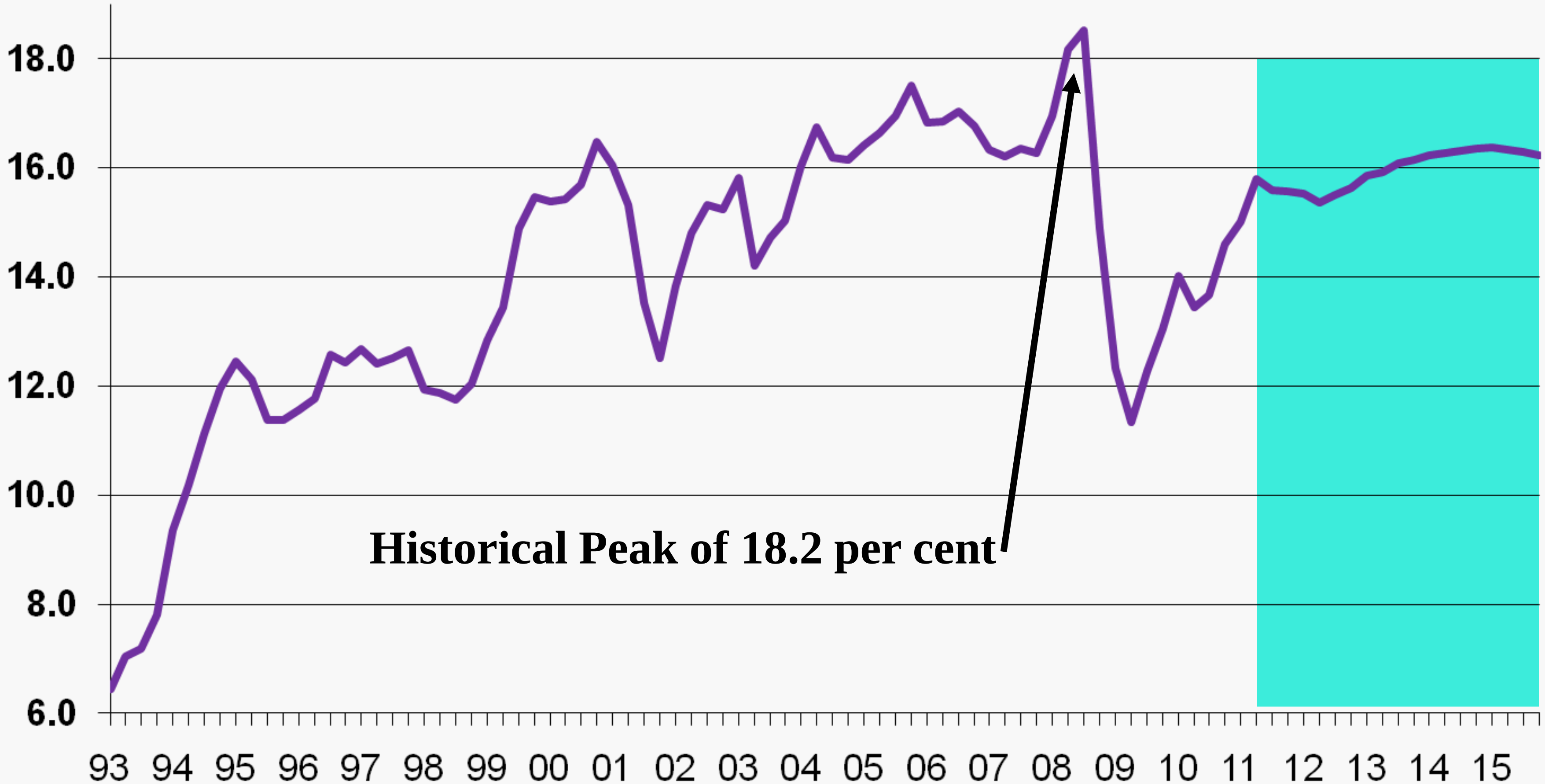
Housing Starts vs. Demographic Requirements Canada 1997—15 (000s)



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

Pre–Tax Corporate Profits

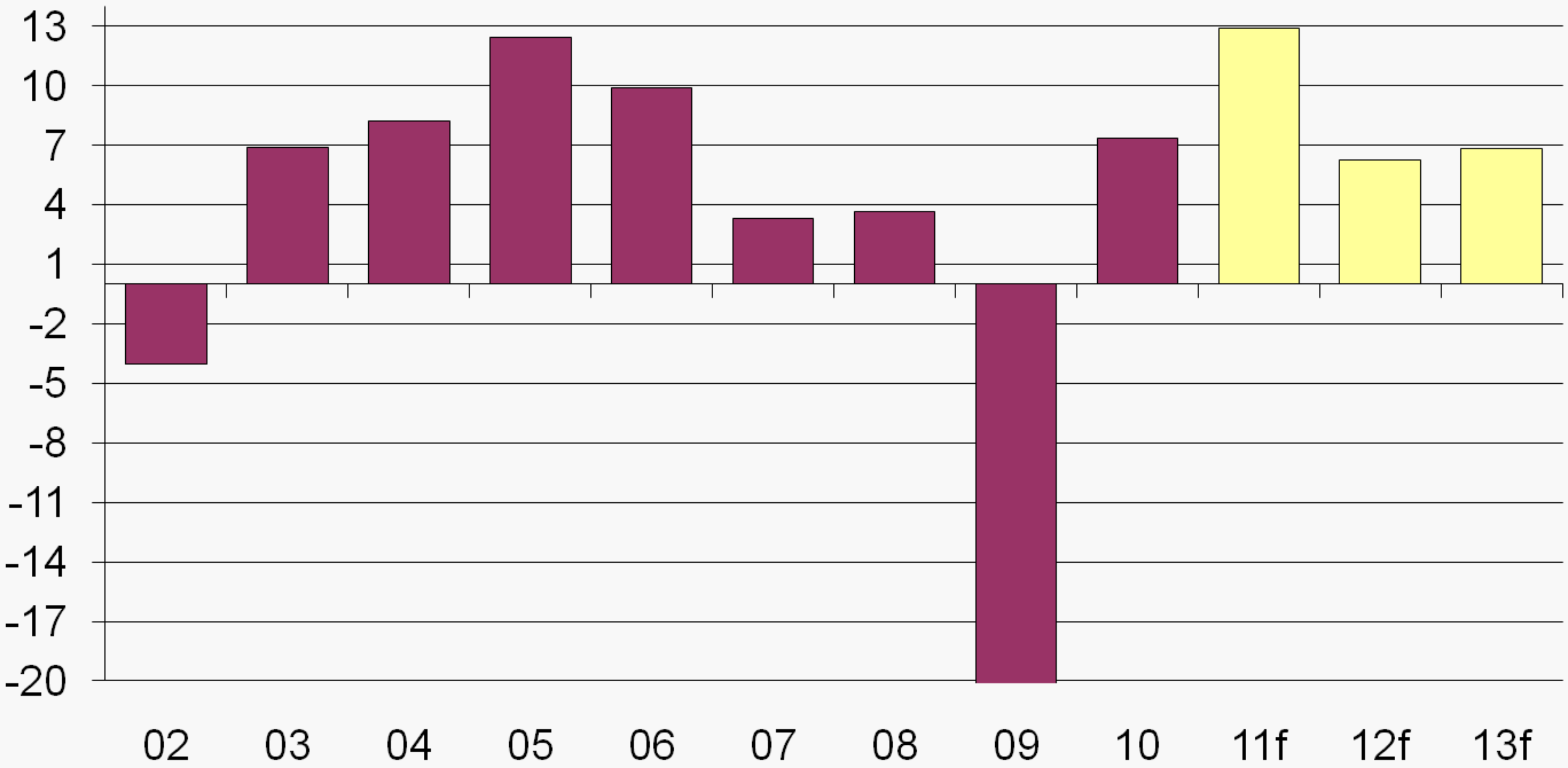
(per cent share of net domestic income)



Sources: The Conference Board of Canada; Statistics Canada.

Real Business Investment Growth

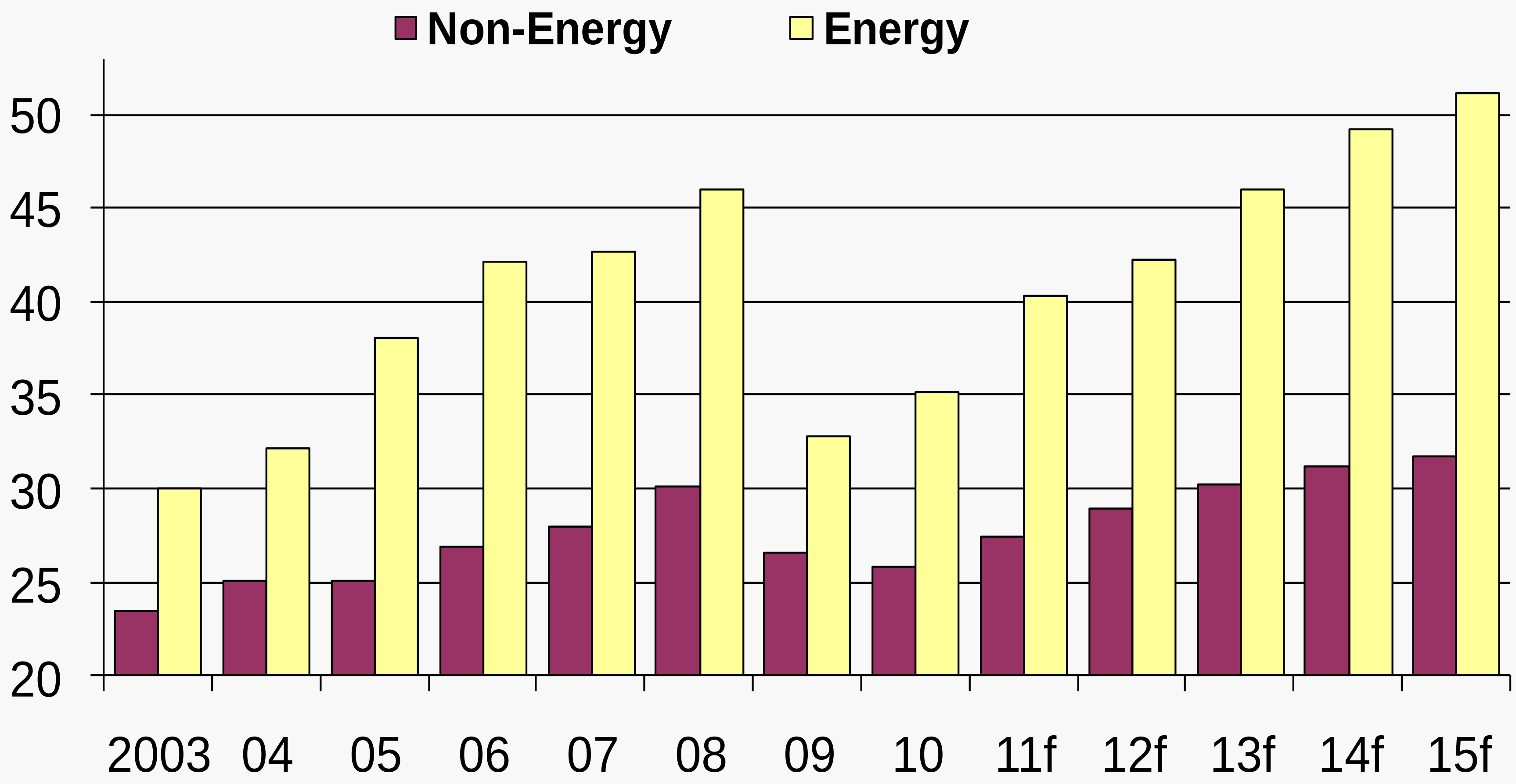
(Canada 2002–13)



Sources: The Conference Board of Canada; Statistics Canada.

Non-Residential, Capital Investment

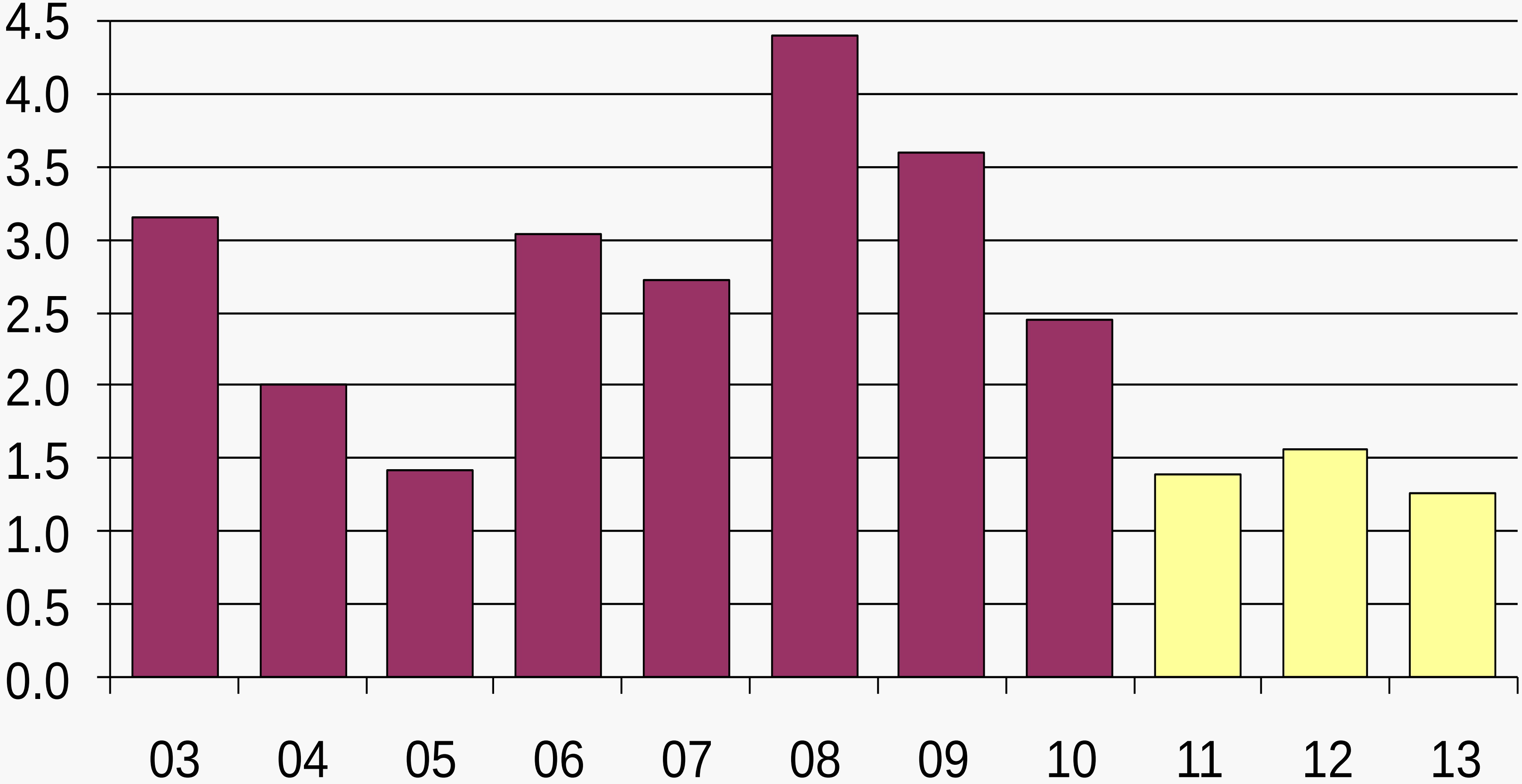
($ billions of $2002, 2003–15)



Sources: The Conference Board of Canada; Statistics Canada.

Real Government Spending on Goods and Services Canada

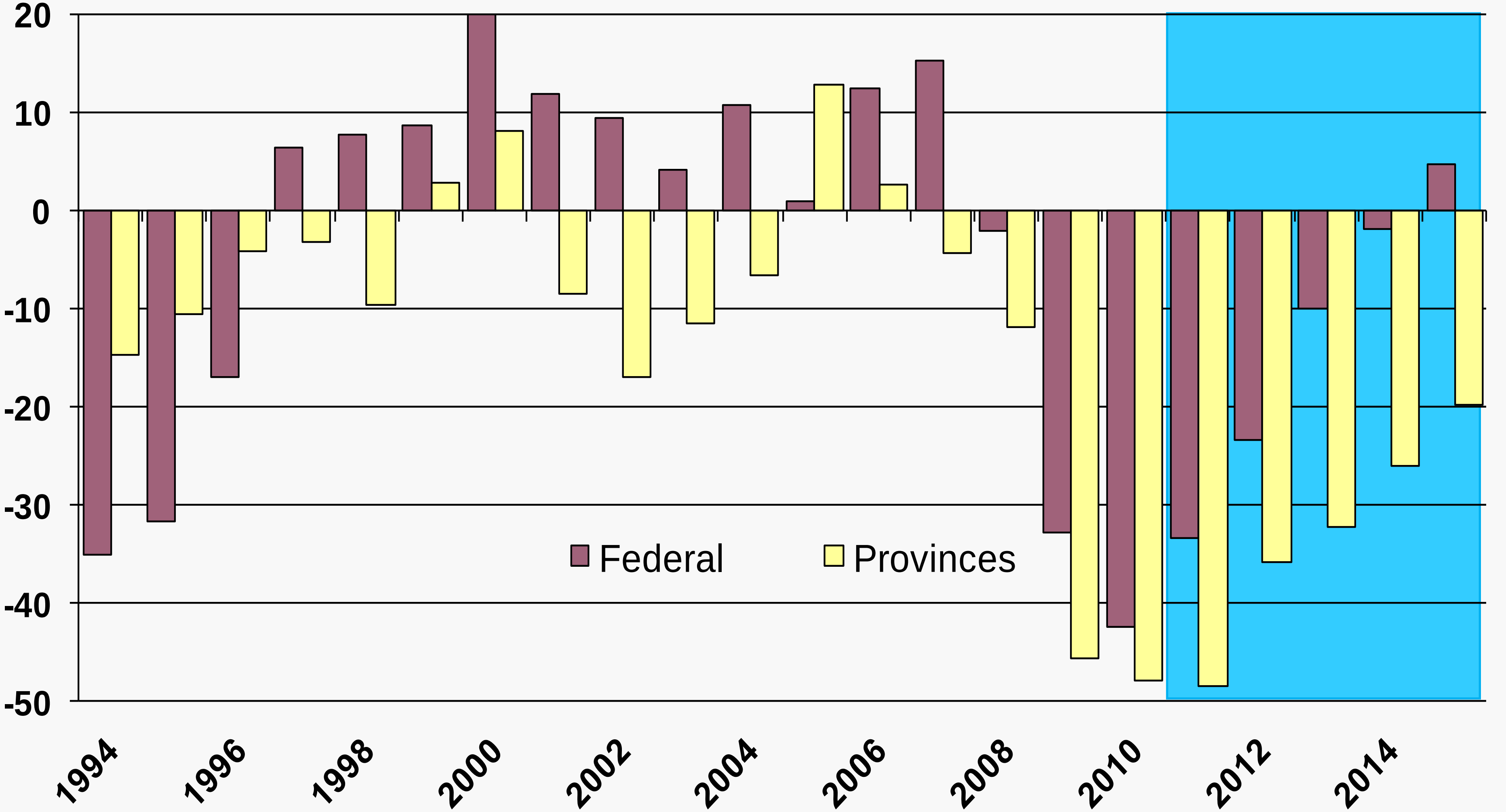
(per cent change, 2003–13)



Sources: The Conference Board of Canada; Statistics Canada.

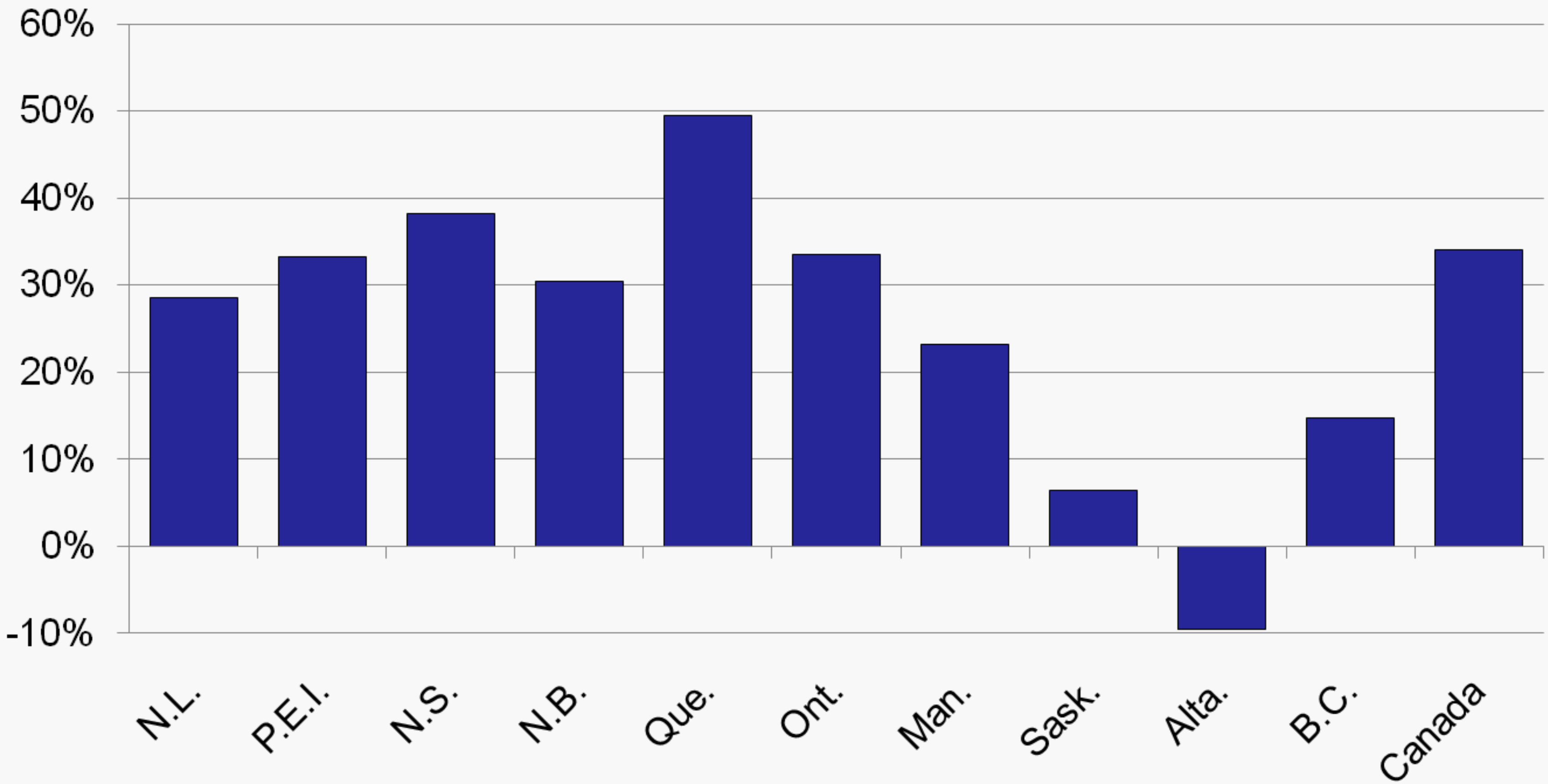
Federal and Regional Balances

National Accounts Basis ($ billions)



Sources: Statistics Canada; The Conference Board of Canada.

Federal and Provincial Gov't Debt
(as a Share of GDP 2010-11)



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

Real GDP Growth Rate

Canada 2003–13

Sources: The Conference Board of Canada; Statistics Canada.

Conclusion

- The U.S. economy is growing but confidence is still weak -- better job gains are needed.
- U.S. fiscal and monetary stimulus will support near-term growth but the path back to balanced budgets will be very painful for Americans.
- Canada's growth will moderate this year as consumer and government spending eases.
- The strong dollar is here to stay; Canadian business will need to stay focused on remaining competitive.

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