Canadian Economic Forecast

Handoff in Process

NACM 14th Annual Credit Conference and Expo
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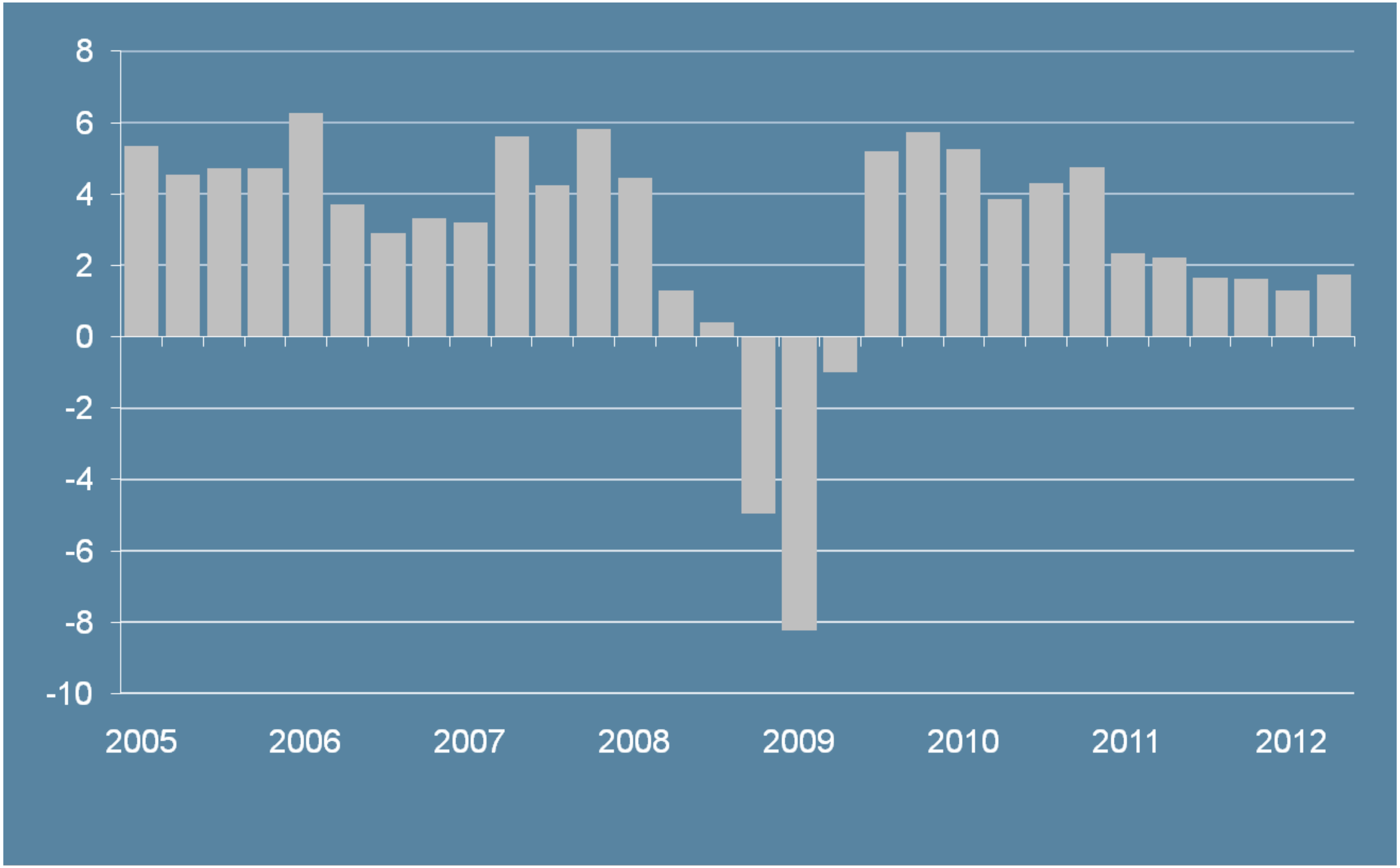
Airport Crowne Plaza, Toronto

Peter Hall
VP and Chief Economist

Canada

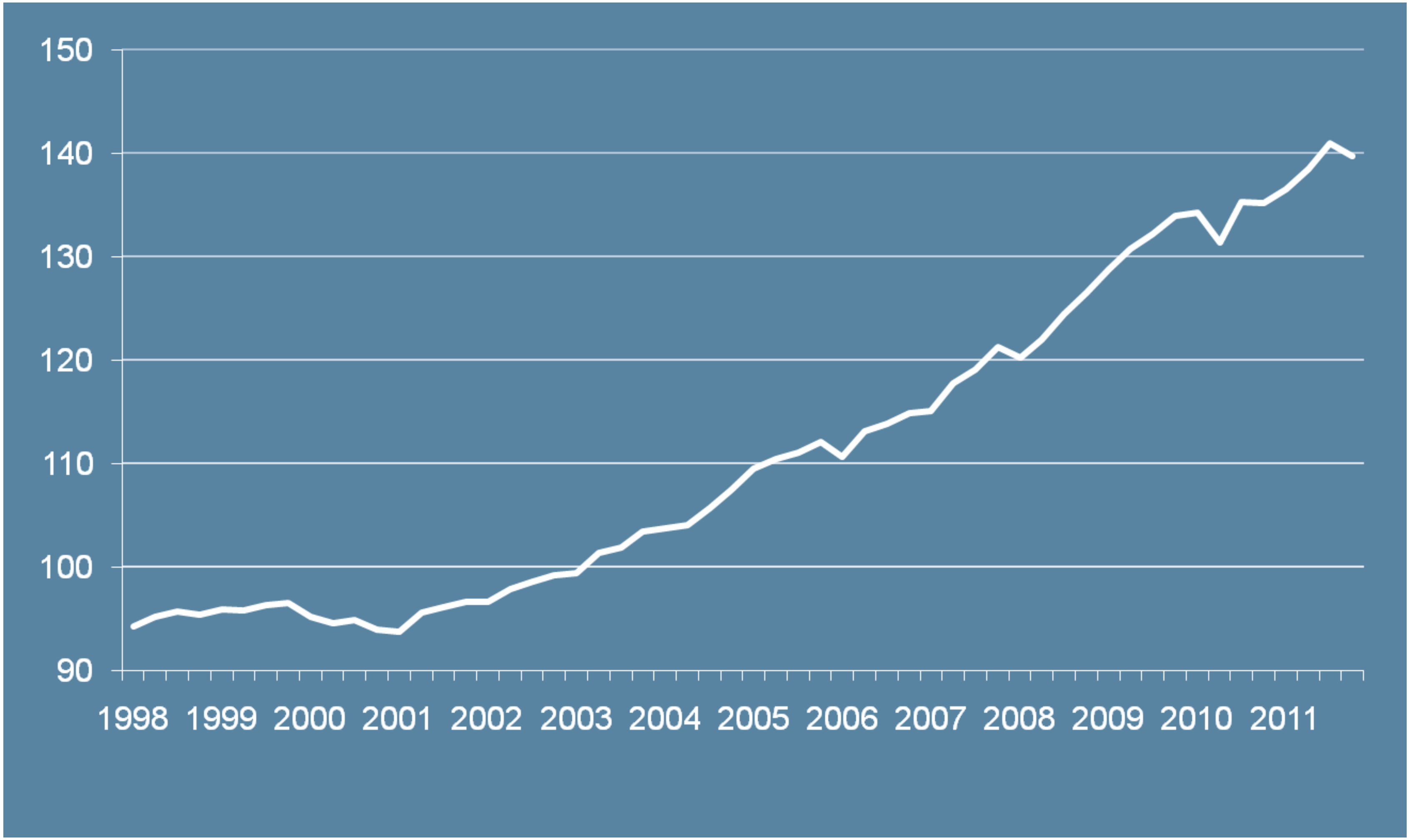
EDC
Realize a World of Opportunity

Canada: Domestic economy is slowing
(GDP, domestic economy, % SAAR)



Source: Statistics Canada

Canadian consumer debt: piling up
(consumer debt as a share of disposable income, %)



Source: Statistics Canada

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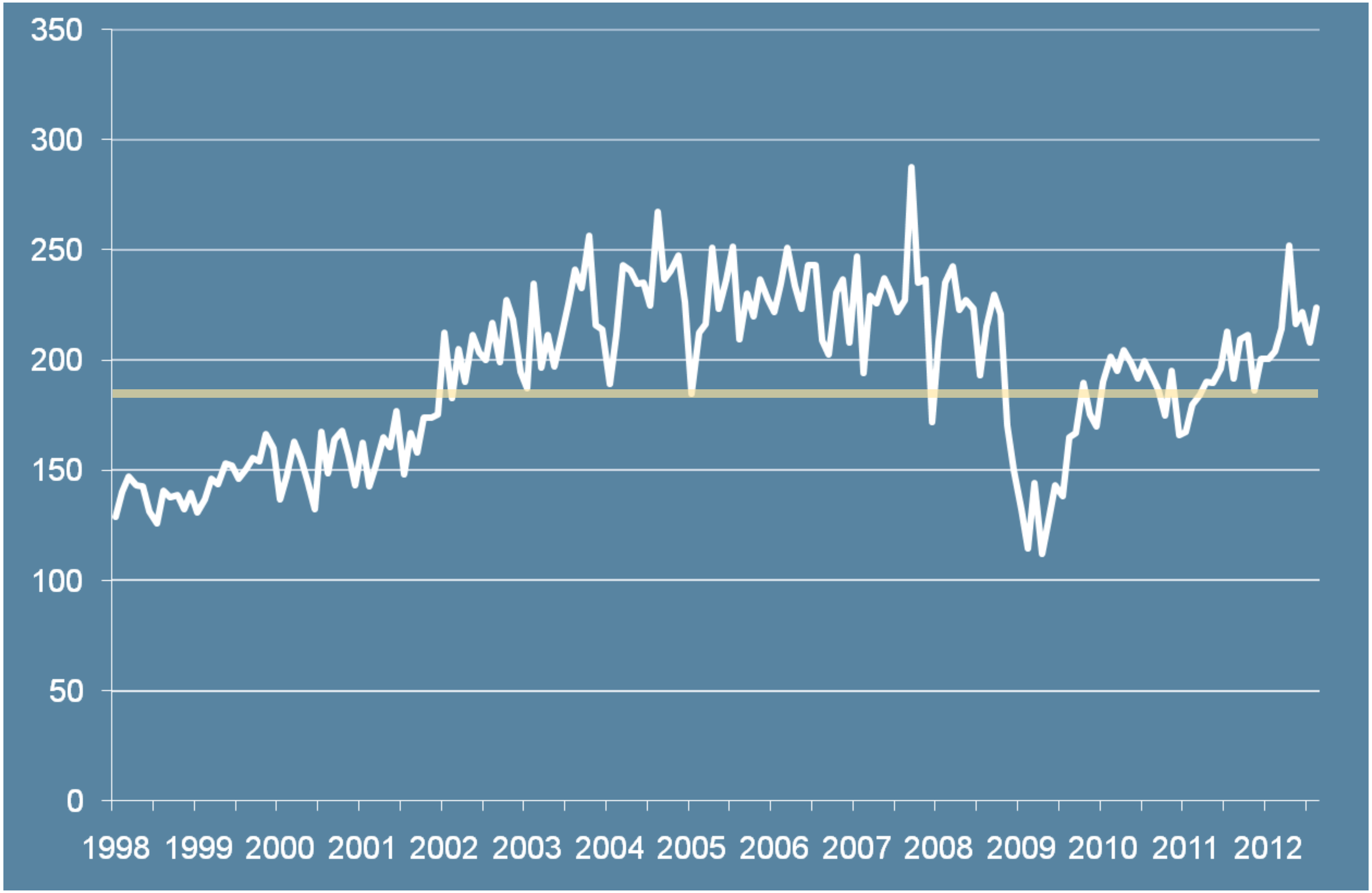
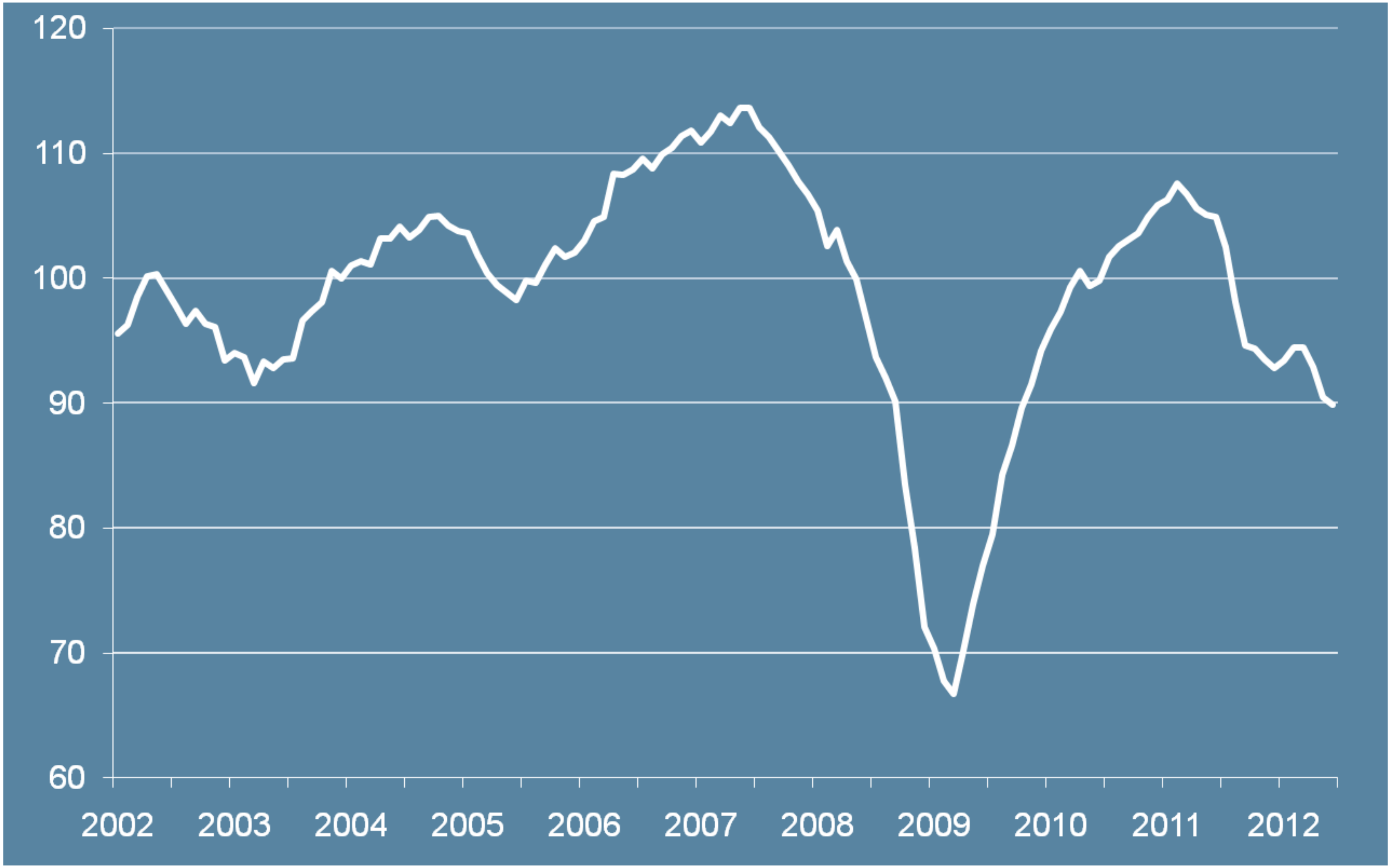
Canada: not like the US market
(Housing starts SAAR, '000 units)



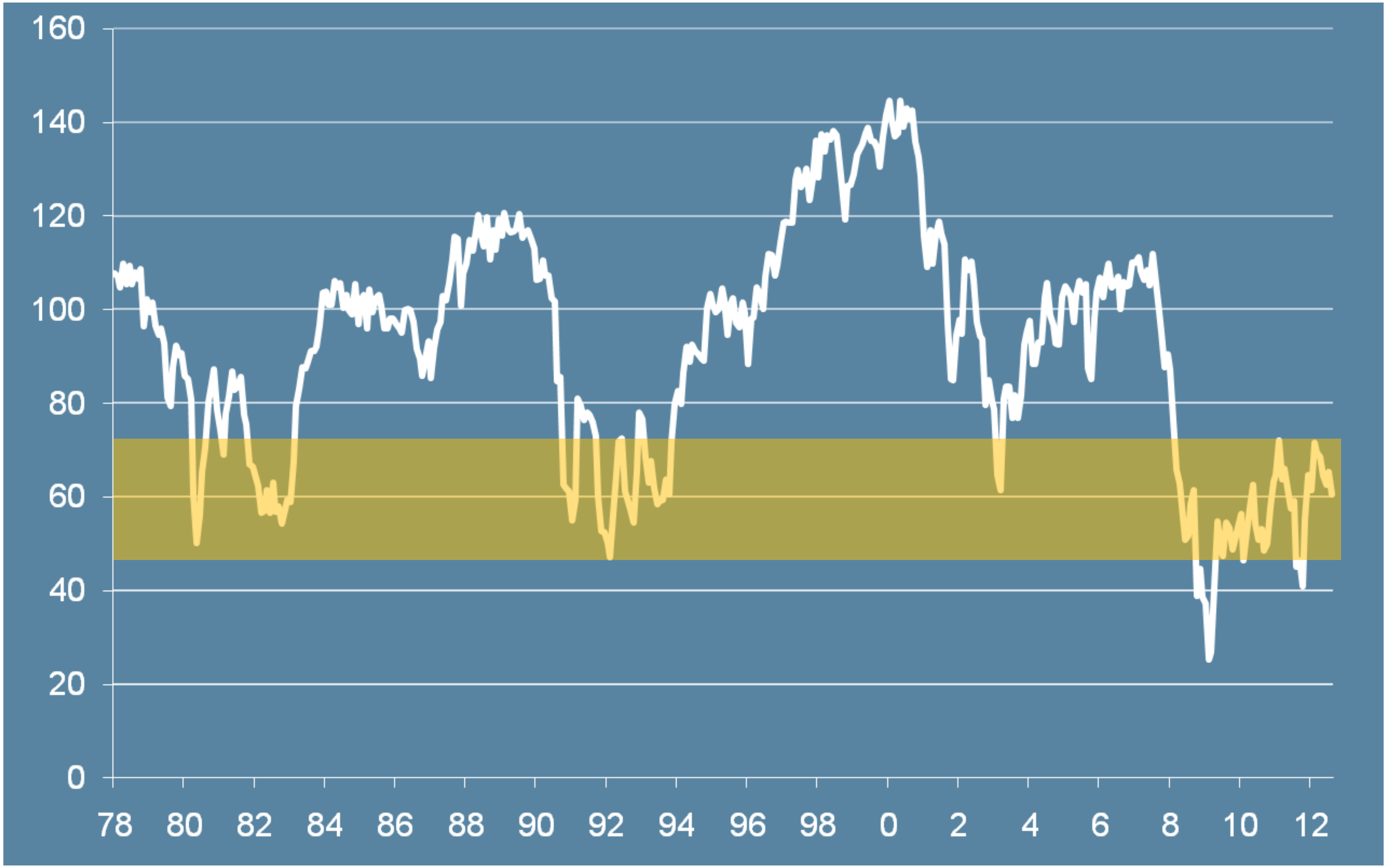
Sources: US Census Bureau, Haver Analytics

Gloomy all over again
(EU Economic Sentiment Indicator, LT=100)



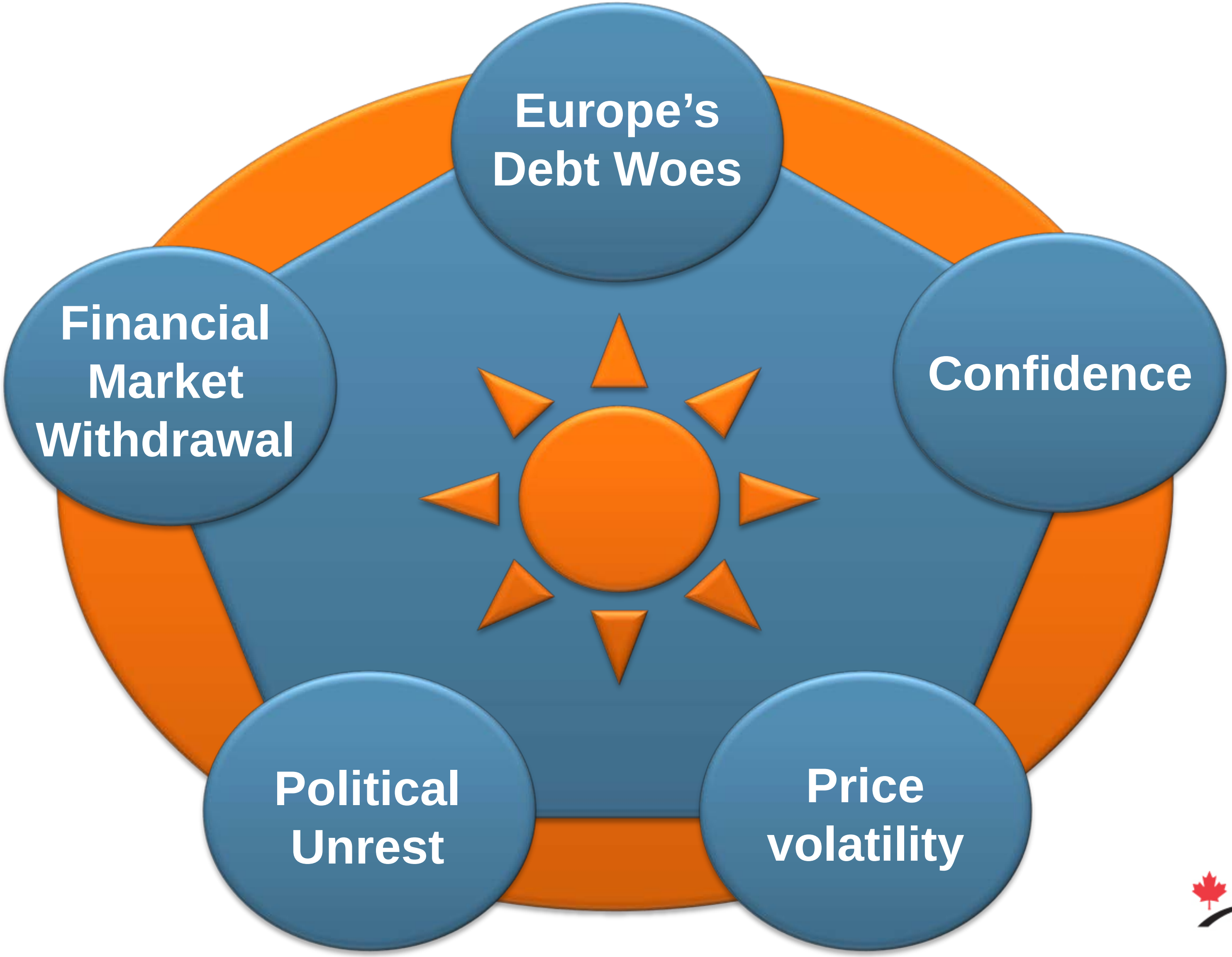
Sources: Eurostat

Unusually pervasive pessimism
(US Consumer Confidence, 1985=100)



Sources: Conference Board, Eurostat

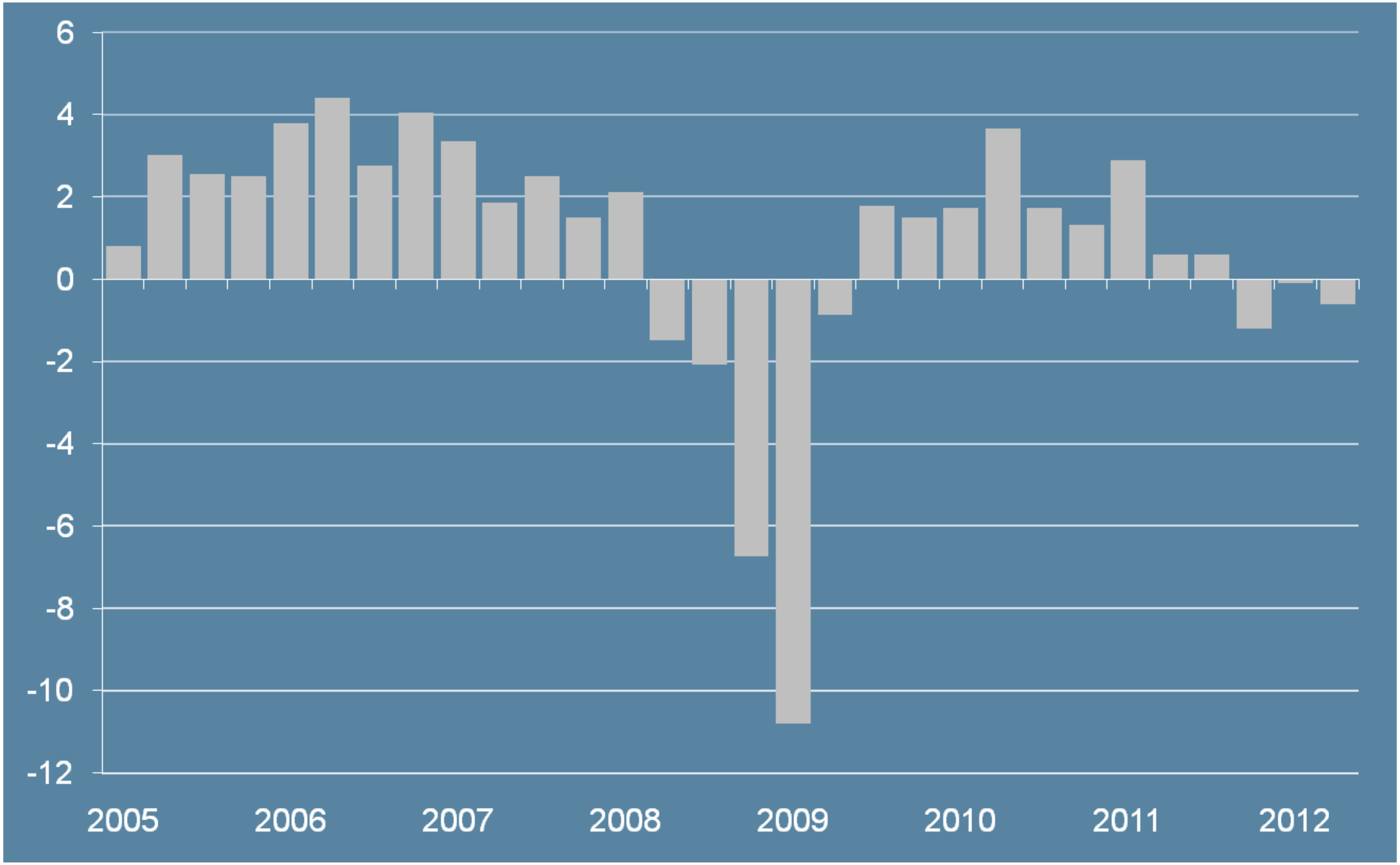
Debilitating risks?



QE: Alive and well

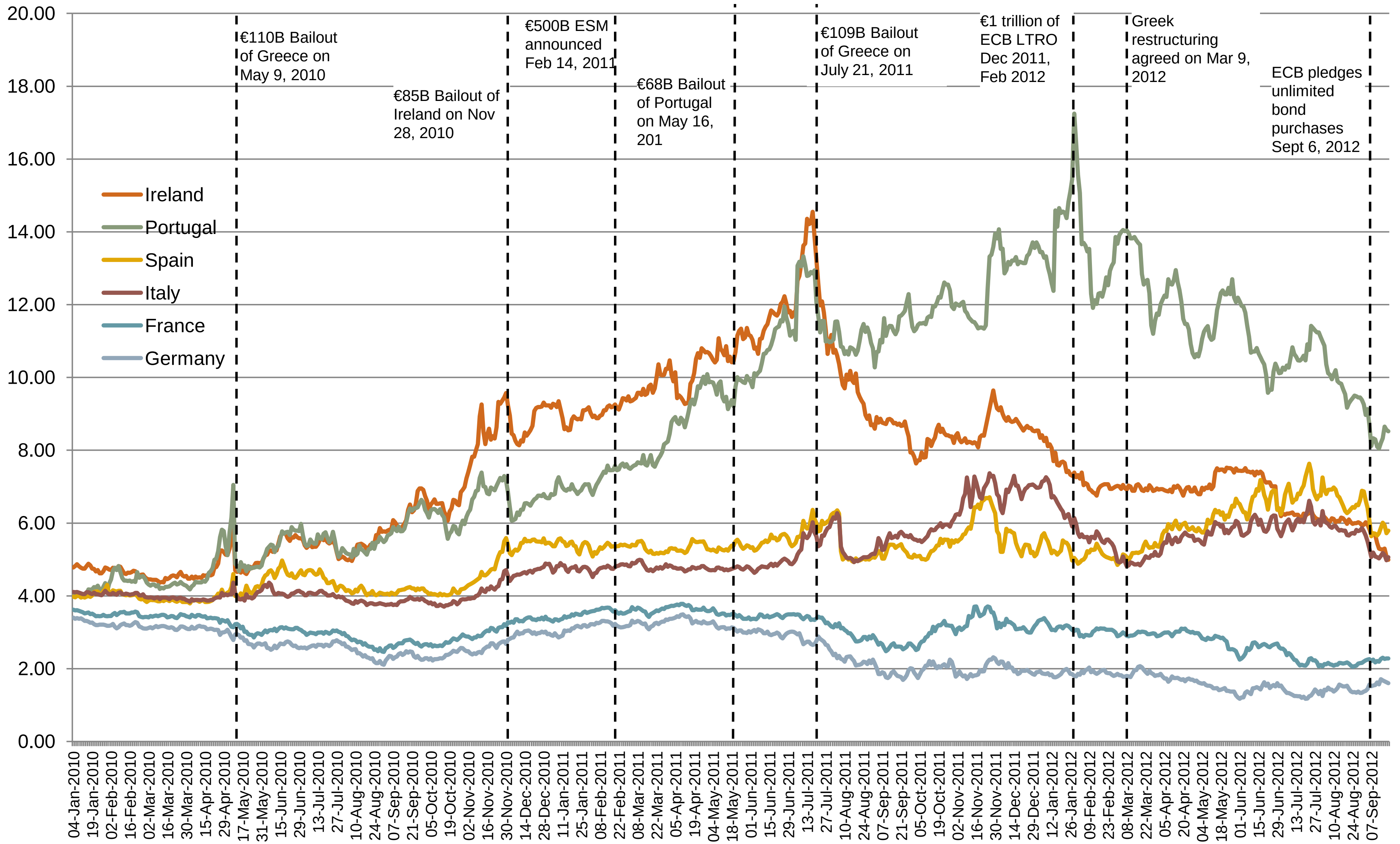
- ECB: new bond purchases
- BoJ: renewal of program
- Rumoured at BofE
- US: $40B/month program
- EMs: followers, for now

European Economies in Recession
(Euro Area-17 GDP, % SAAR)



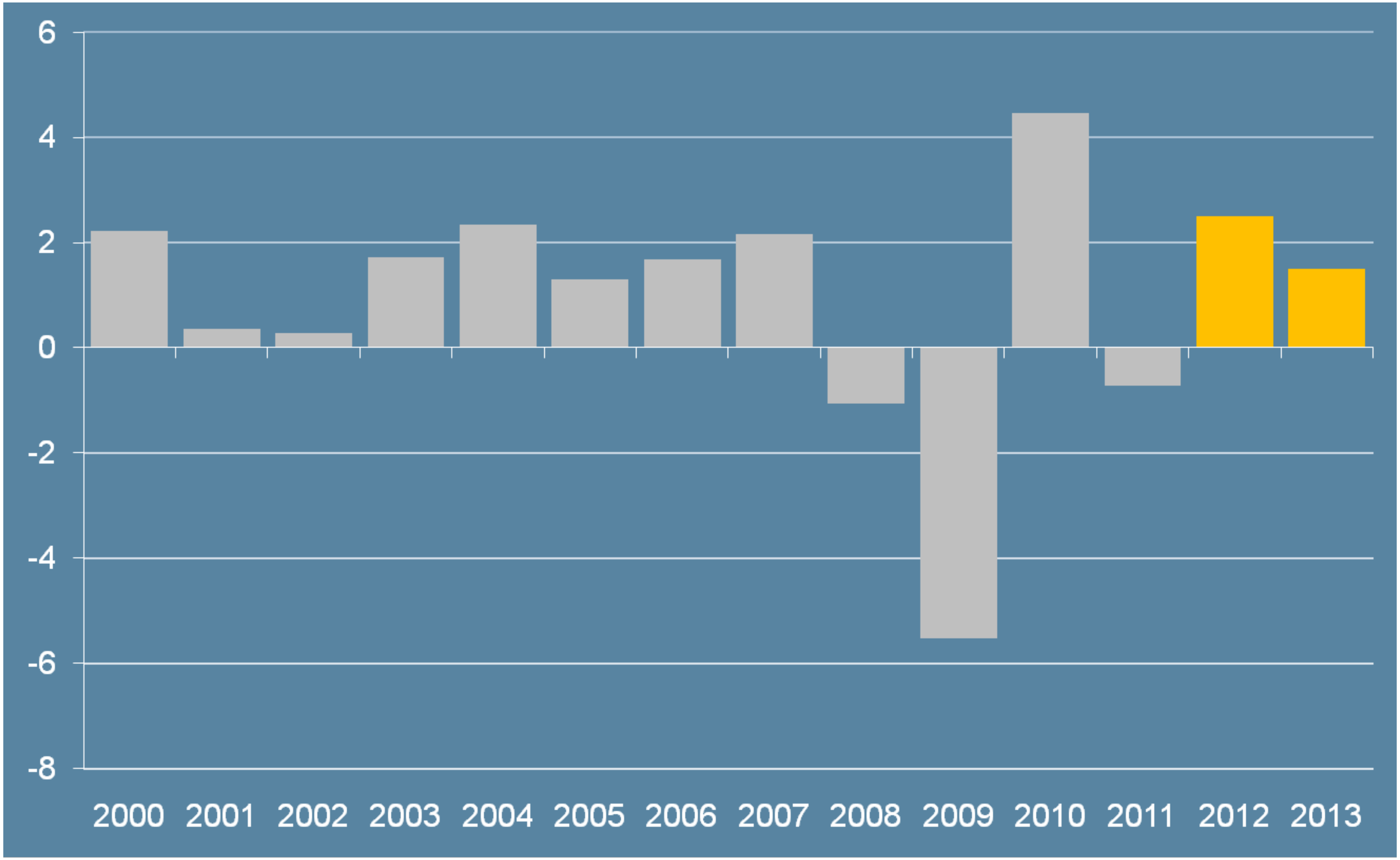
Source: Eudata

Is there a pattern here?
(Intervention and 10-year Sovereign Bond Yields)



Source: Financial Times / Haver Analytics

Japan: Any Chance?
(GDE, chained ¥2005, % SAAR)

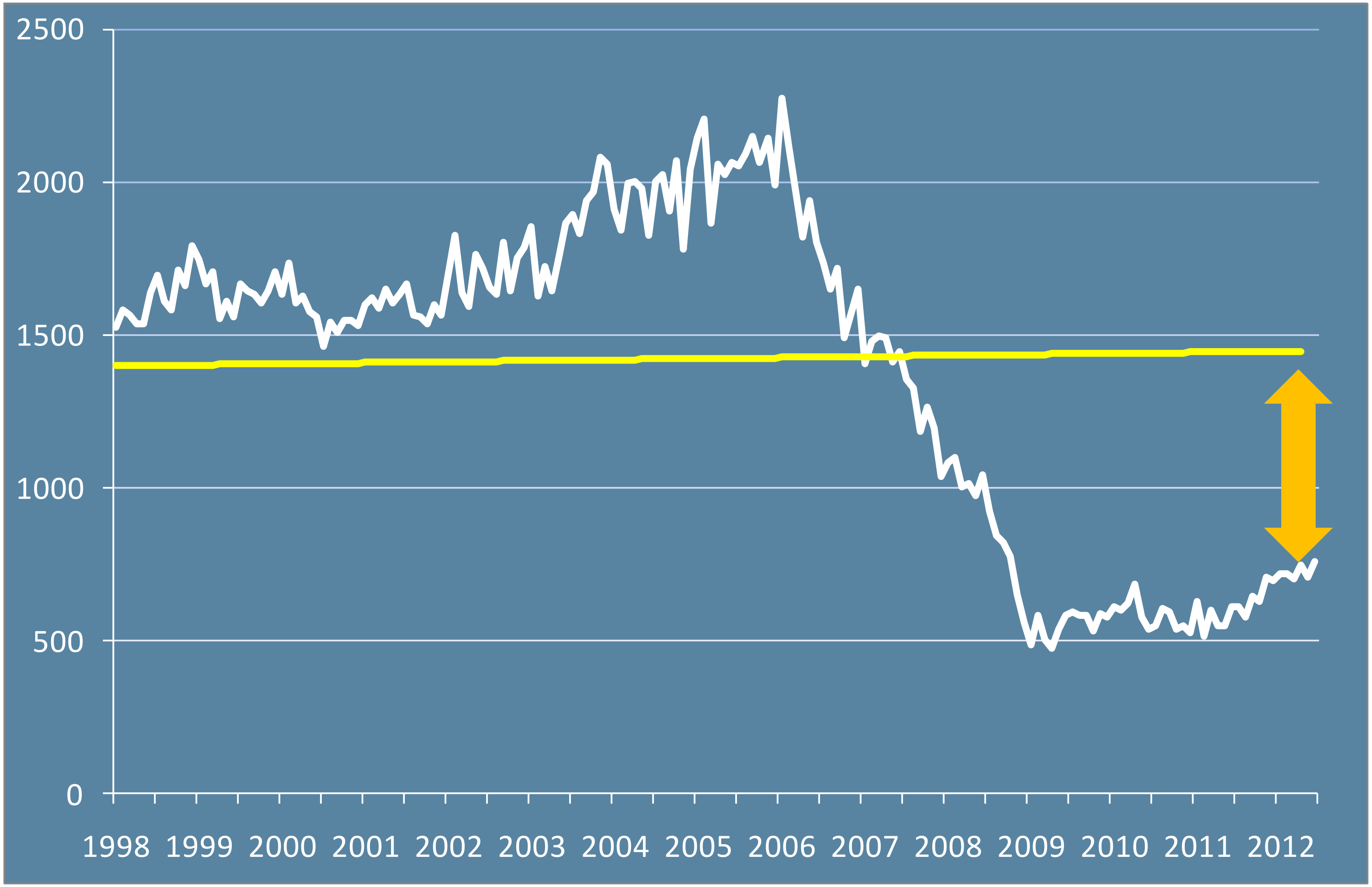


Source: Cabinet Office of Japan, Haver Analytics

BRIC Economies Slowing
(GDP, % yoy, quarterly SAAR)

Source: Eurostat

Pent-up demand in US housing
(Housing starts SAAR, '000 units)



Sources: US Census Bureau, Haver Analytics

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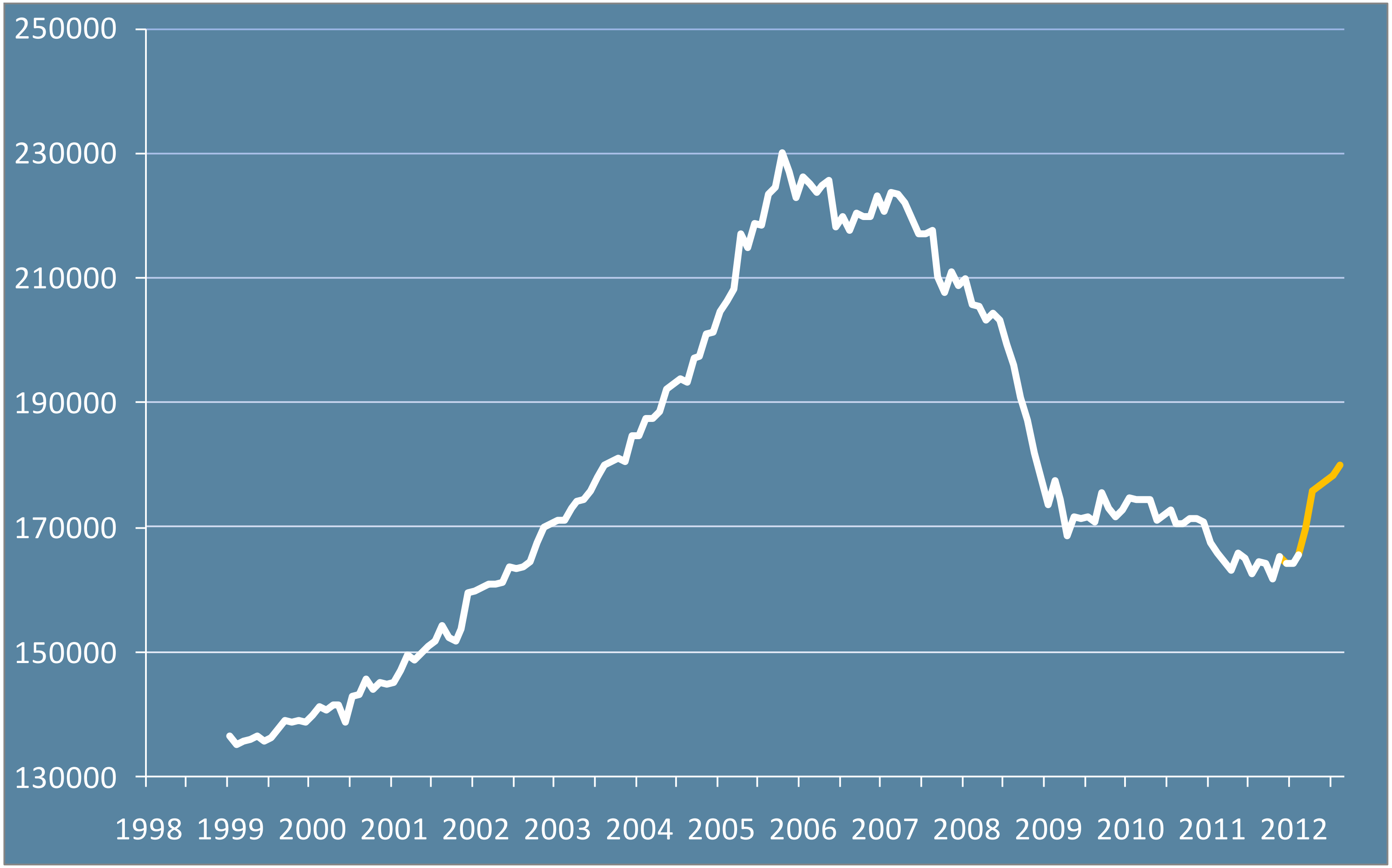
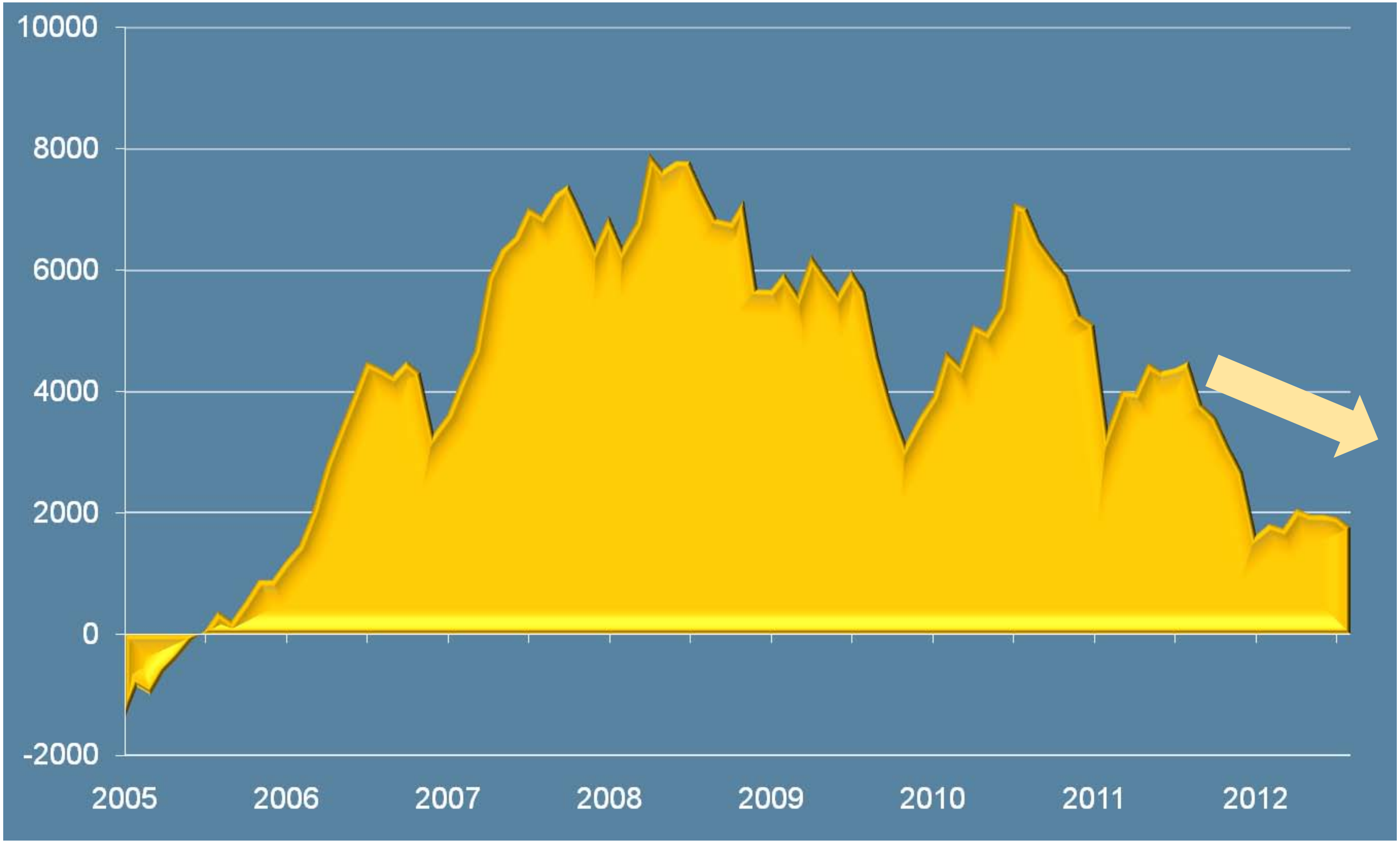
Prices: telling the tale?
(NAR Median Price, SA, USD)



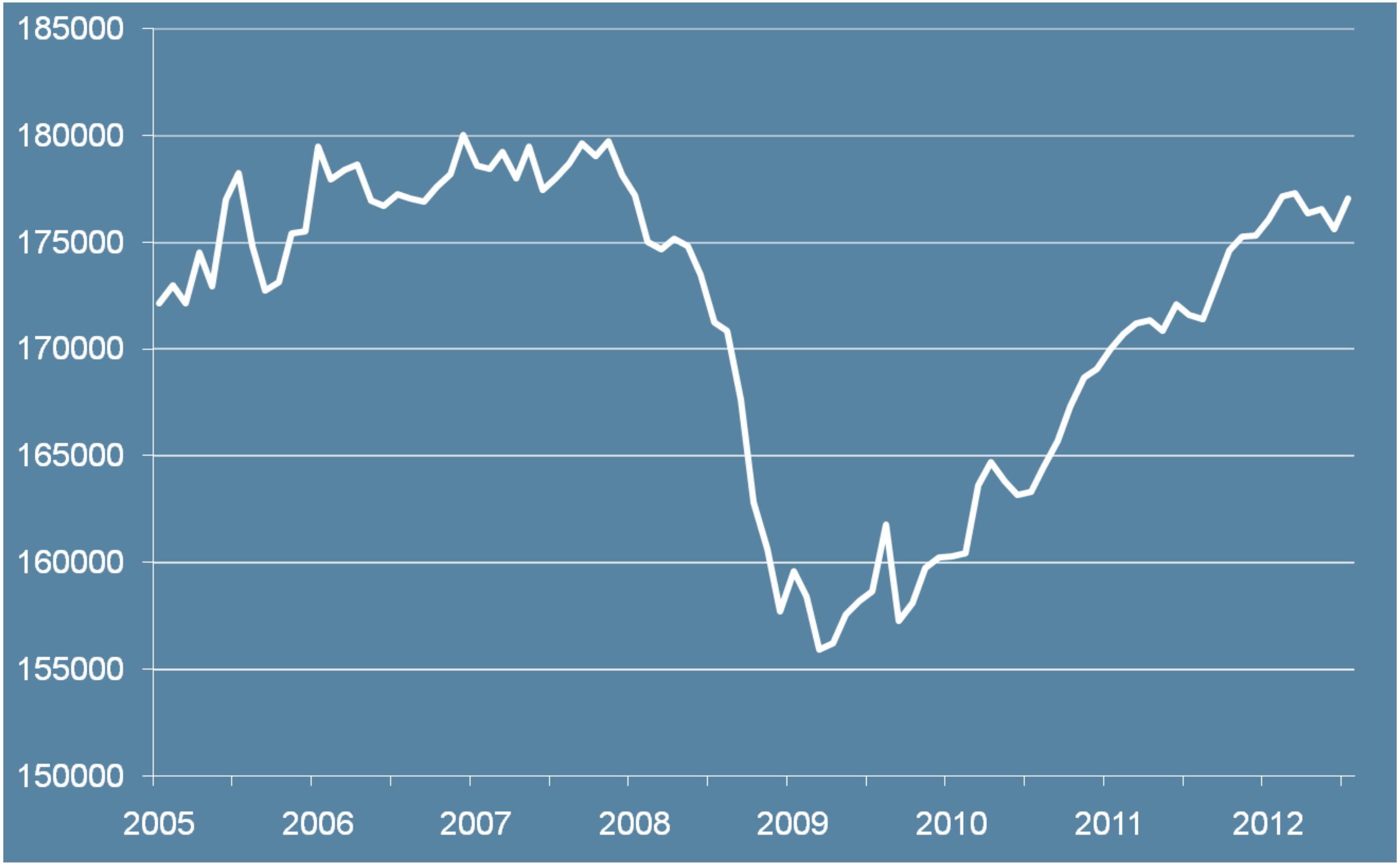
Sources: National Association of Realtors, Haver Analytics

US Housing: Getting back to balance
(Surplus units, thousands)



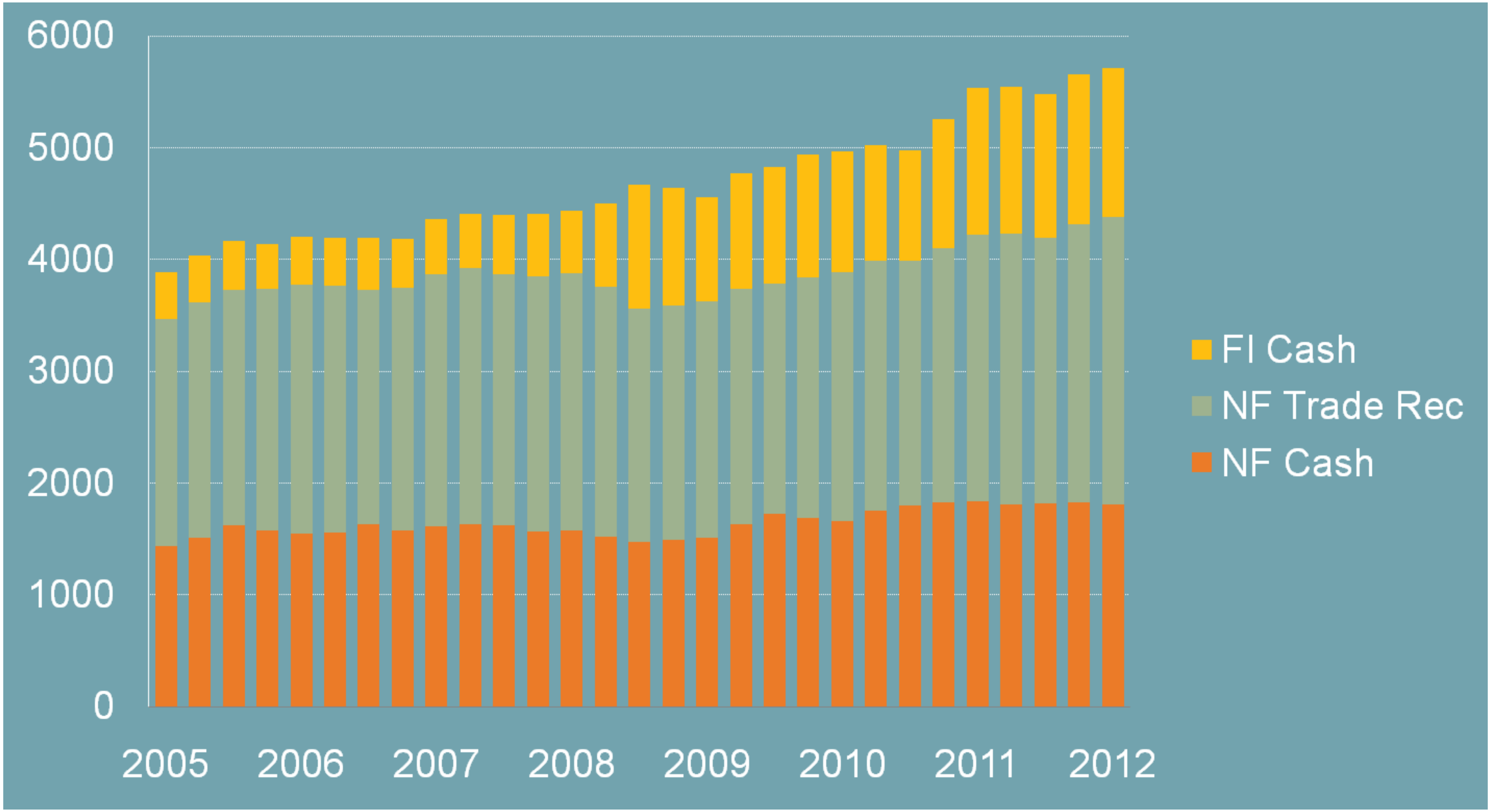
Source: EDC Economics

US Consumers back in the game
(Inflation-adjusted retail sales, $M)



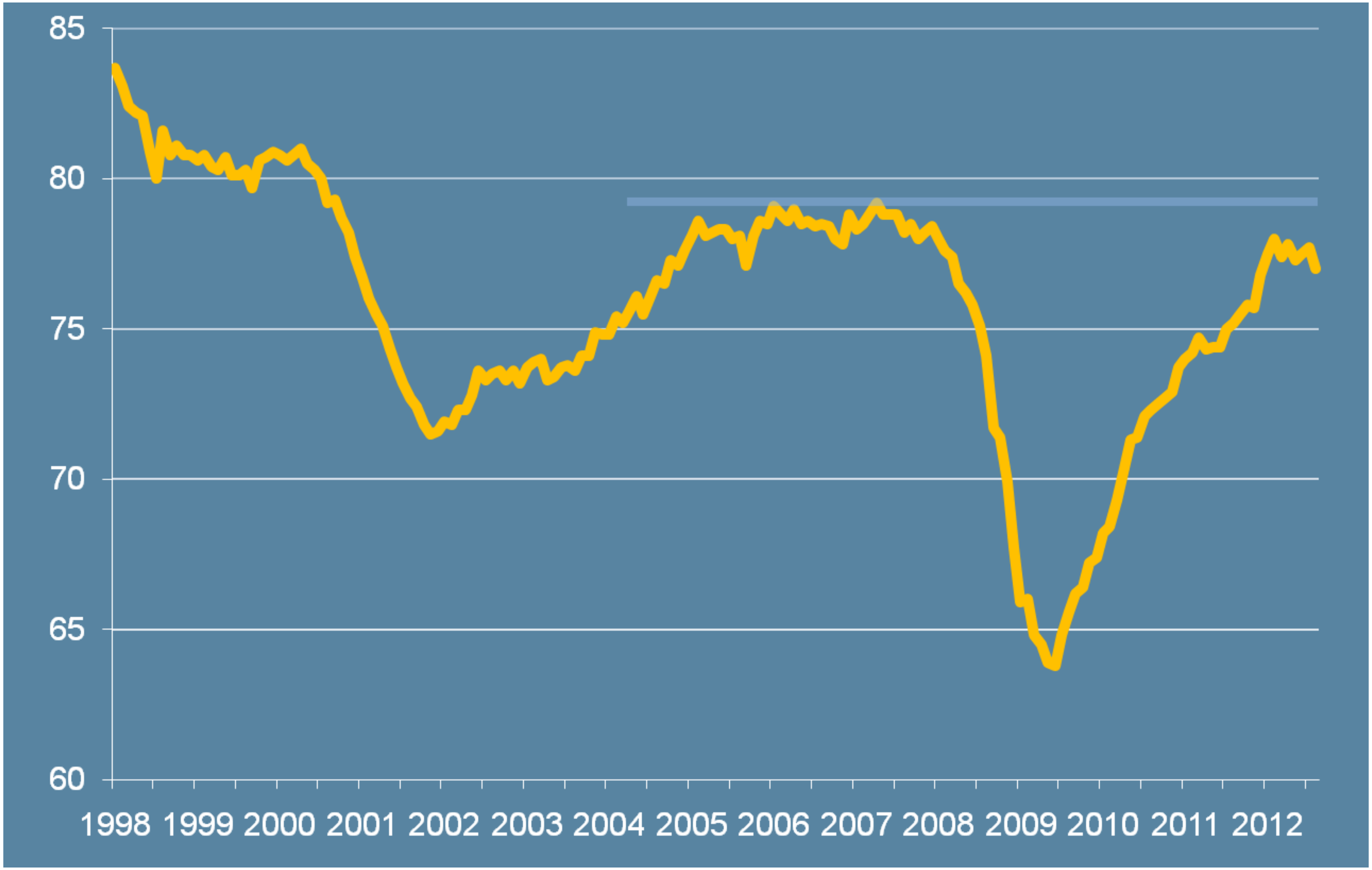
Source: Federal Reserve Bank of St. Louis

Cash & near-cash, US corporations, $B



June 2012

US spare capacity disappearing!
(Utilization of existing manufacturing capacity, %)



Sources: US Federal Reserve Board, Haver Analytics

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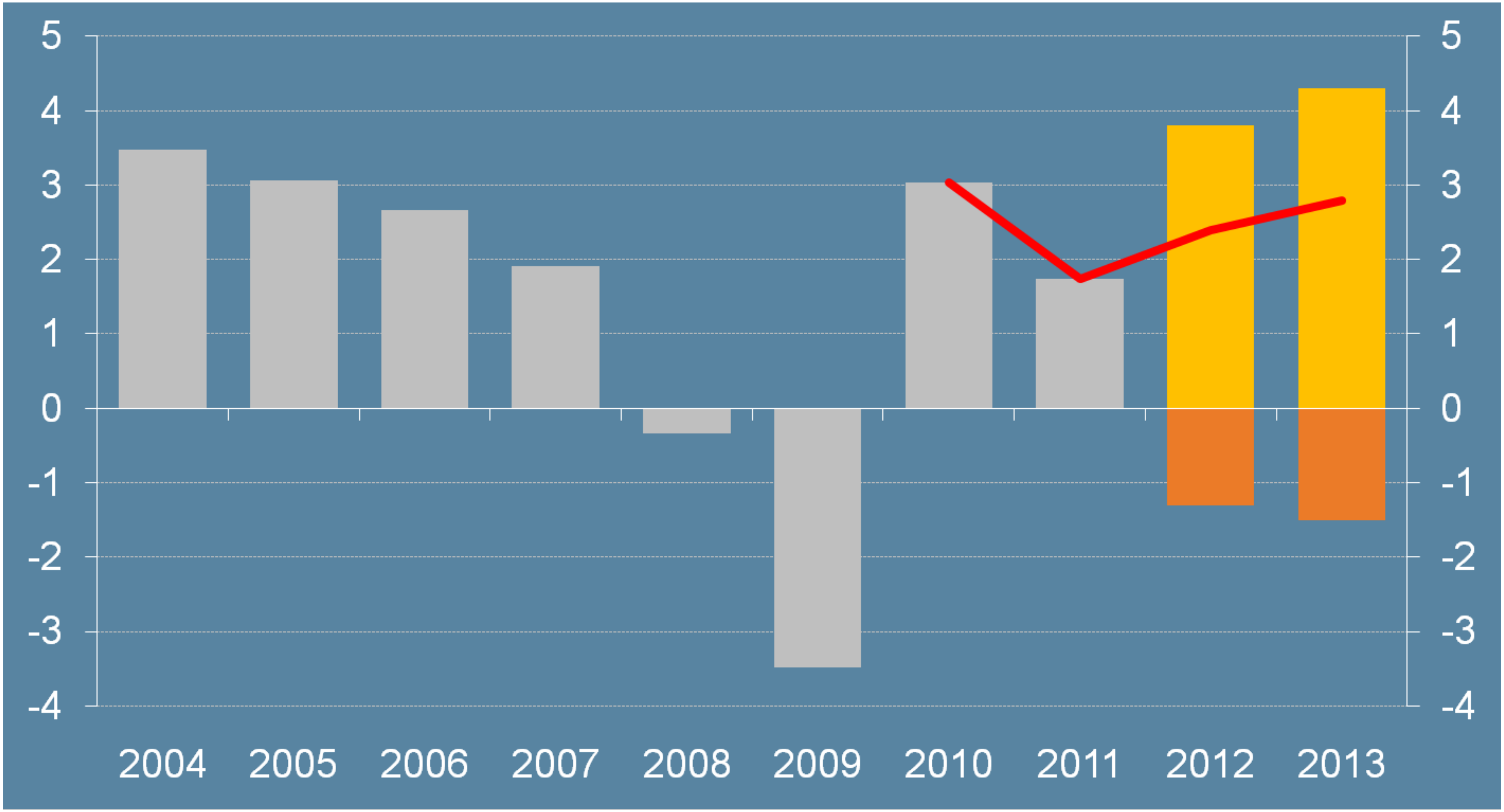
The Story Behind the Story
(US GDP, chained $2005, %)



Source: Cabinet Office of Japan, Haver Analytics

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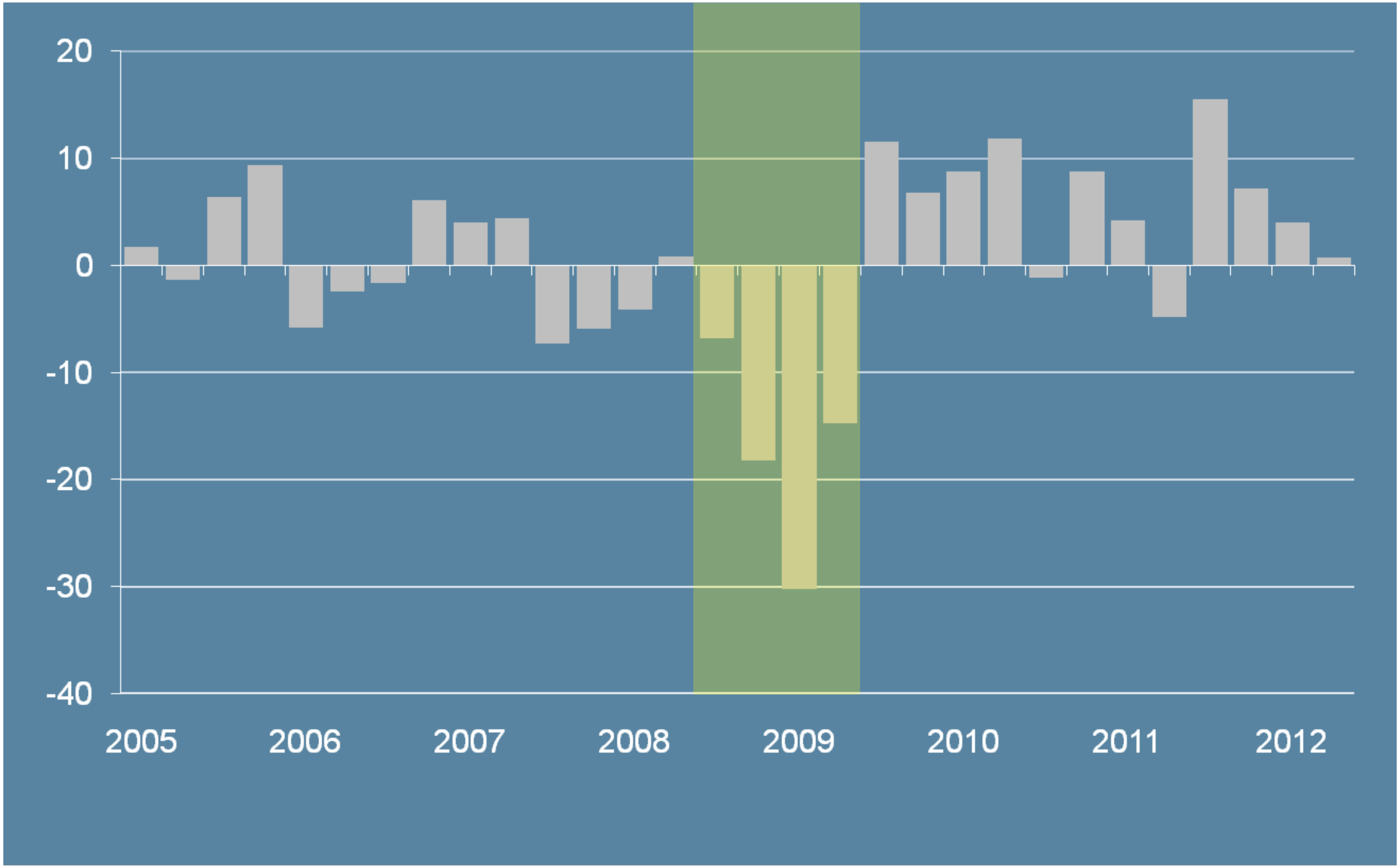
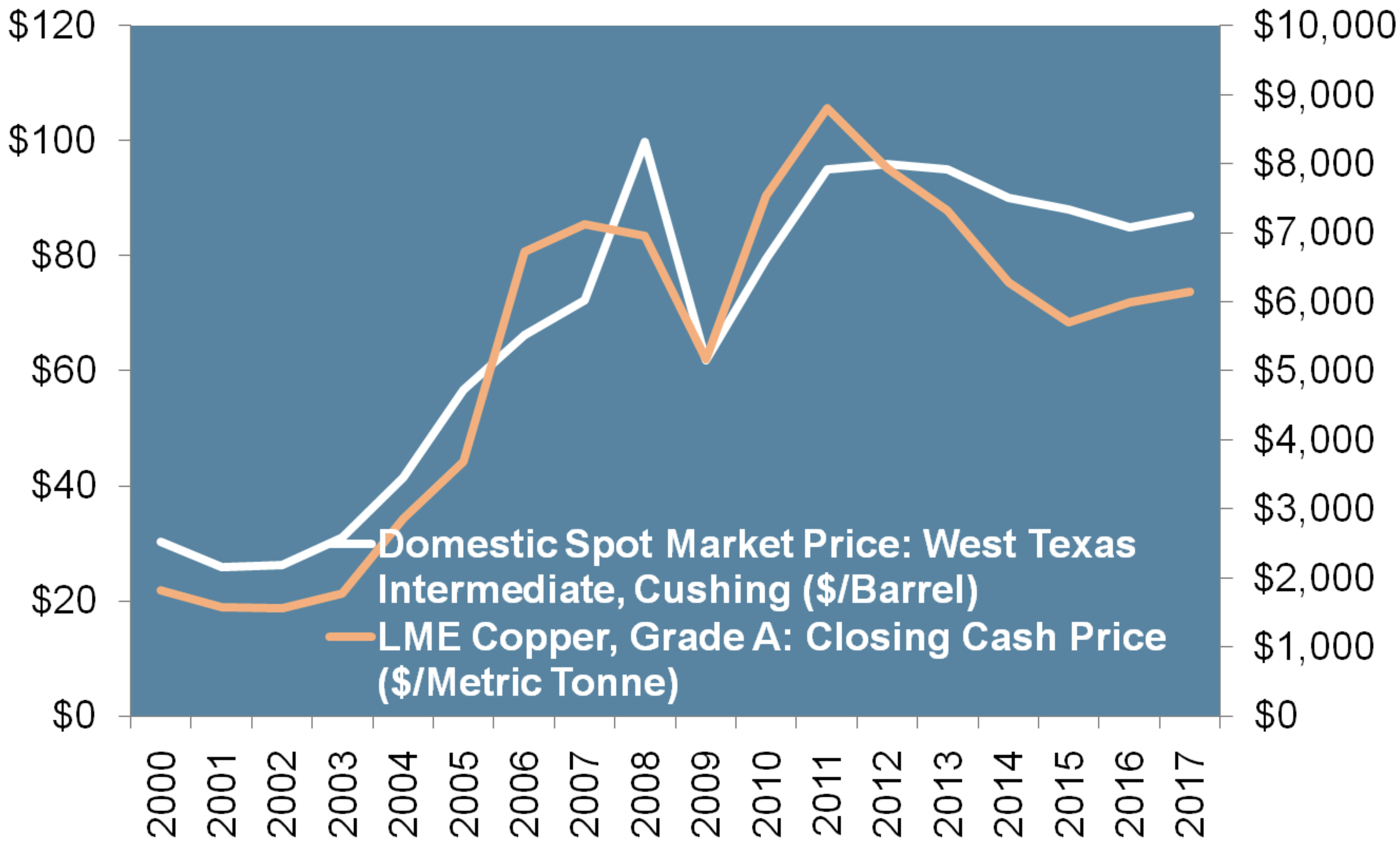
Market	*Share*	*2010*	*2011*	*2012 (f)*	*2013 (f)*
US	*19.1*	**3.0**	**1.7**	***2.4***	***2.8***
Canada	*1.7*	**3.2**	**2.4**	***2.0***	***2.2***
Mexico	*2.0*	**5.6**	**3.9**	***3.7***	***3.8***
W. Europe	*18.4*	**1.9**	**1.5**	***-0.5***	***0.7***
Japan	*5.6*	**4.4**	**-0.7**	***2.2***	***1.5***
Emerging Asia	*23.9*	**9.7**	**7.8**	***6.8***	***7.1***
China	*13.6*	**10.4**	**9.2**	***7.5***	***7.8***
India	*5.5*	**10.8**	**7.1**	***5.9***	***6.7***
Latin America	*8.6*	**6.2**	**4.5**	***3.2***	***4.1***
Brazil	*2.9*	**7.5**	**2.7**	***1.9***	***4.3***
Emerging Europe & Central Asia	*7.9*	**7.2**	**8.0**	***3.1***	***3.5***
Russia	*3.0*	**4.3**	**4.3**	***3.9***	***3.8***
Middle East & North Africa	*5.0*	**5.1**	**4.1**	***5.2***	***4.2***
Industrialized	*48.3*	**3.2**	**1.6**	***1.5***	***2.1***
Emerging	*51.7*	**7.5**	**6.2**	***5.3***	***5.6***
Total World	*100.0*	**5.3**	**3.9**	***3.4***	***3.9***

Canada: How are exports faring?
(exports, goods and services, % SAAR)

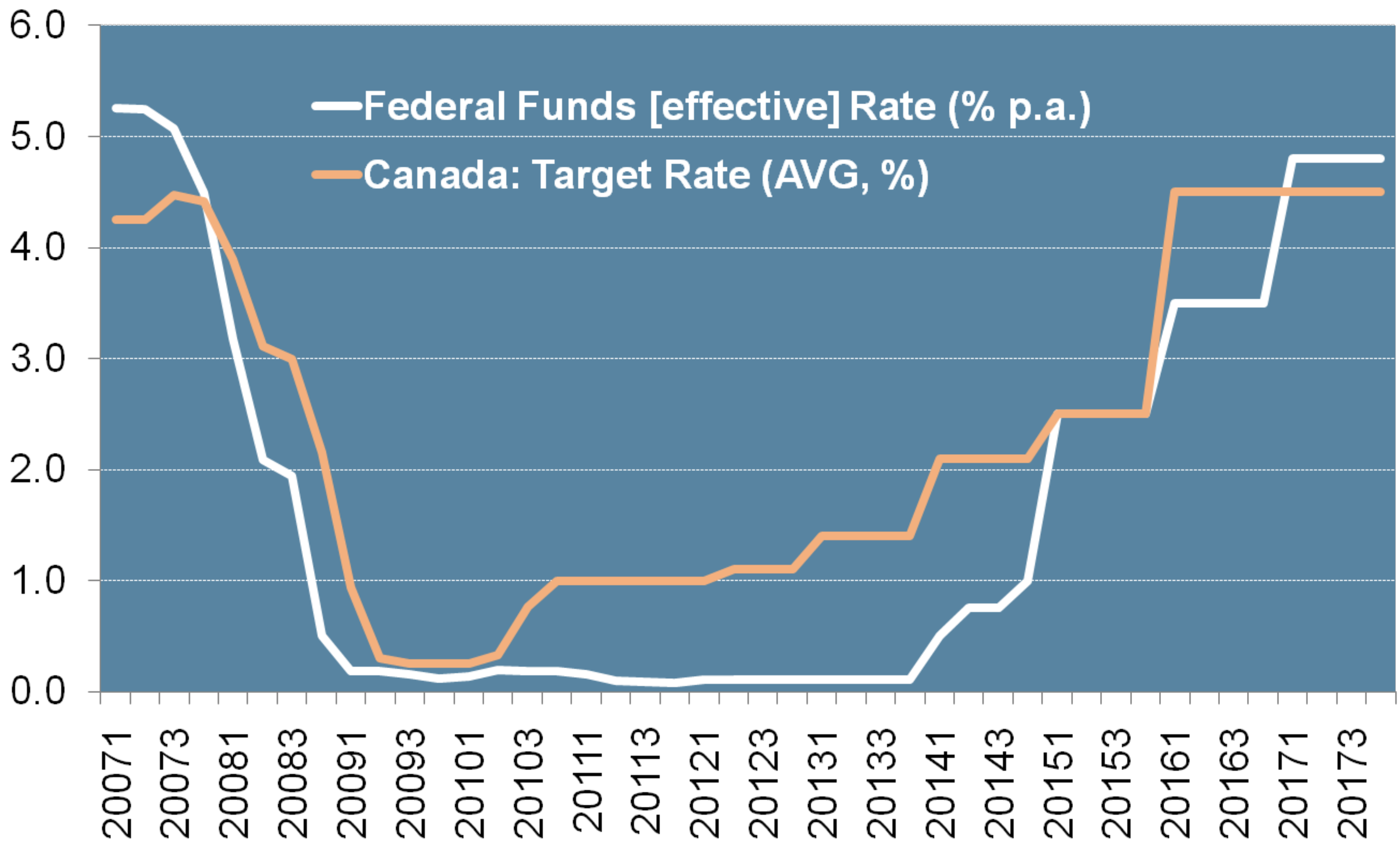


Source: Statistics Canada

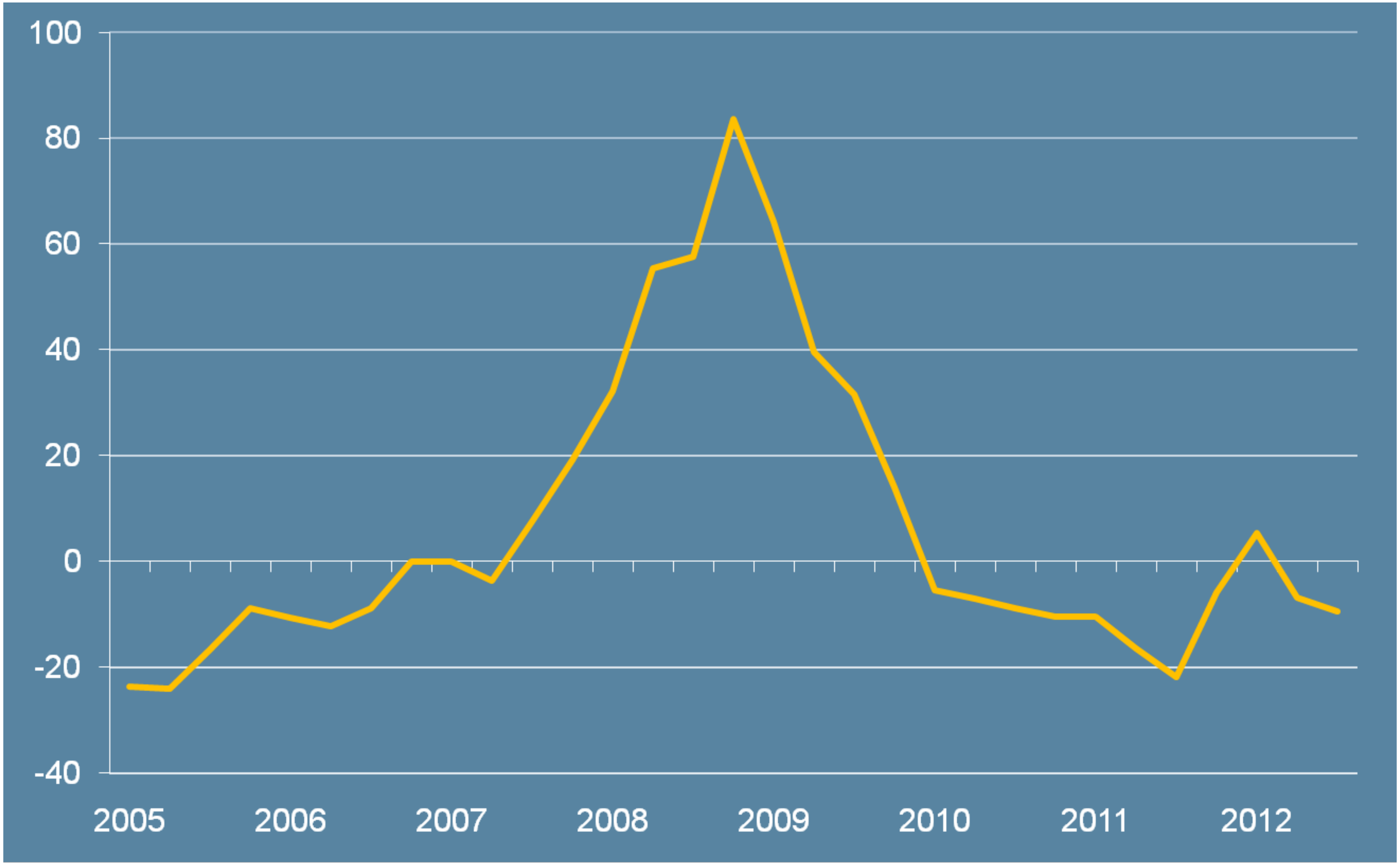
Commodity Price Outlook



Interest Rate Outlook



Credit standards, US domestic banks
(tightening minus easing, %)



Source: Federal Reserve Board

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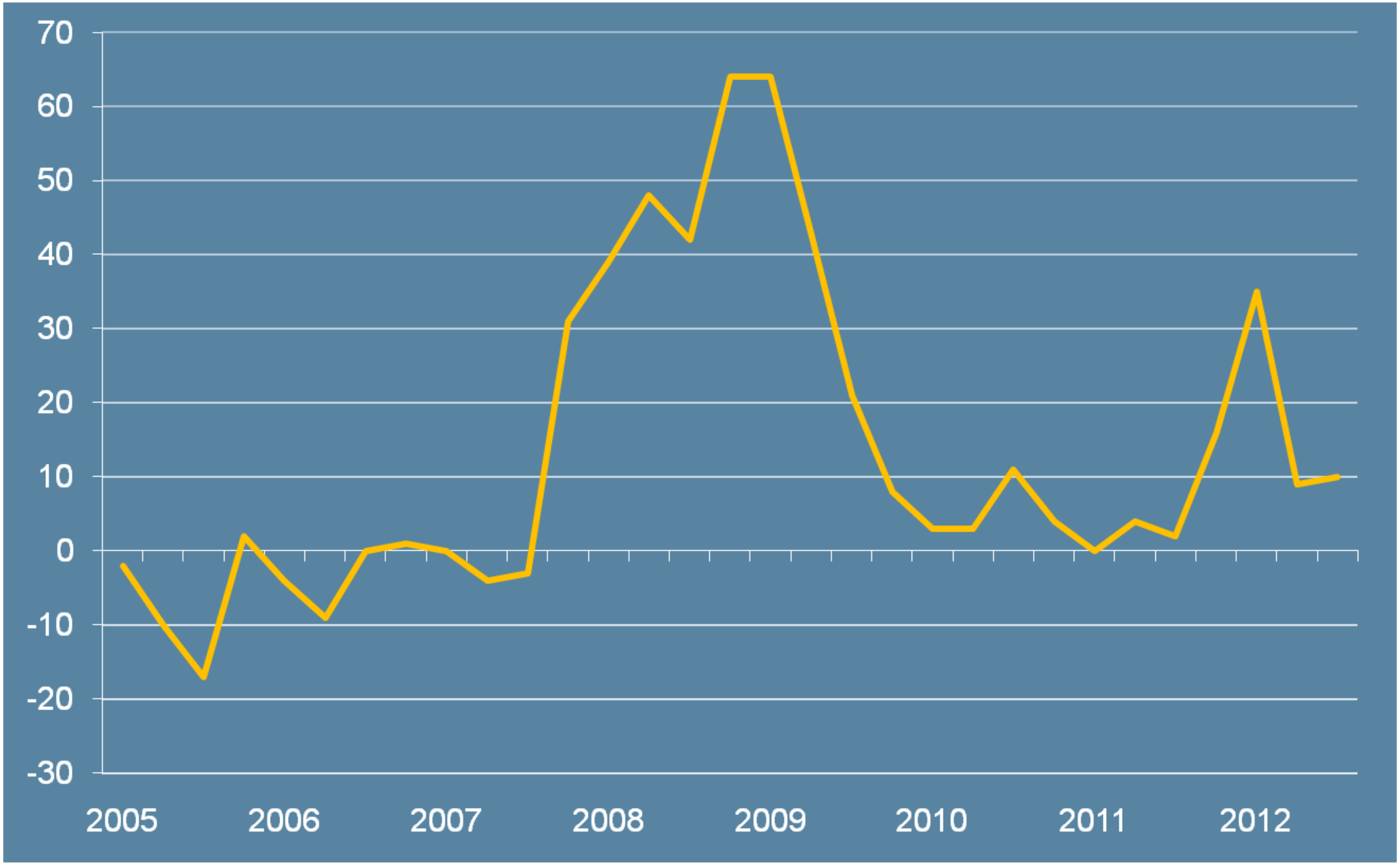
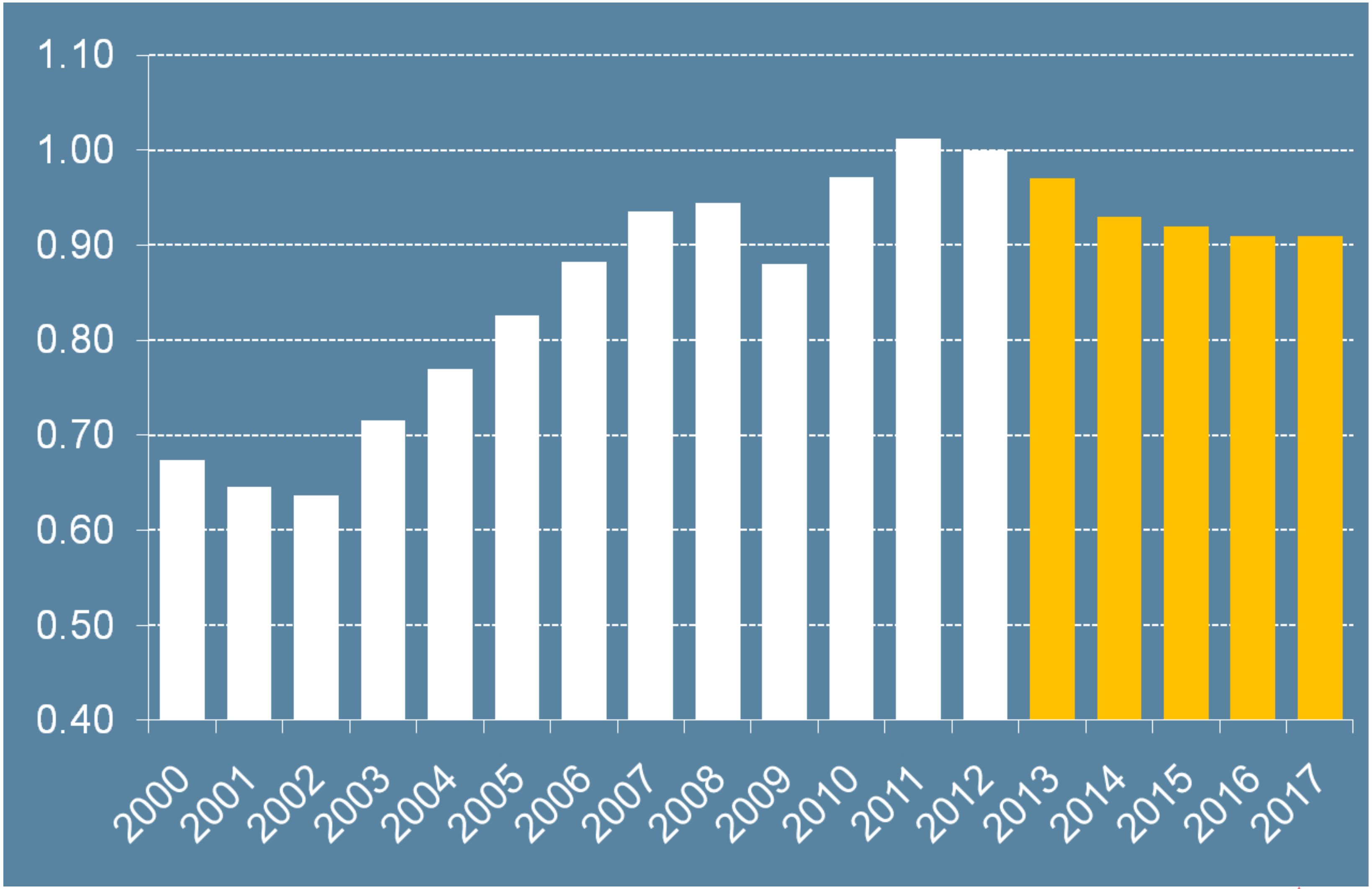
Credit standards, EU domestic banks
(tightening minus easing, %)

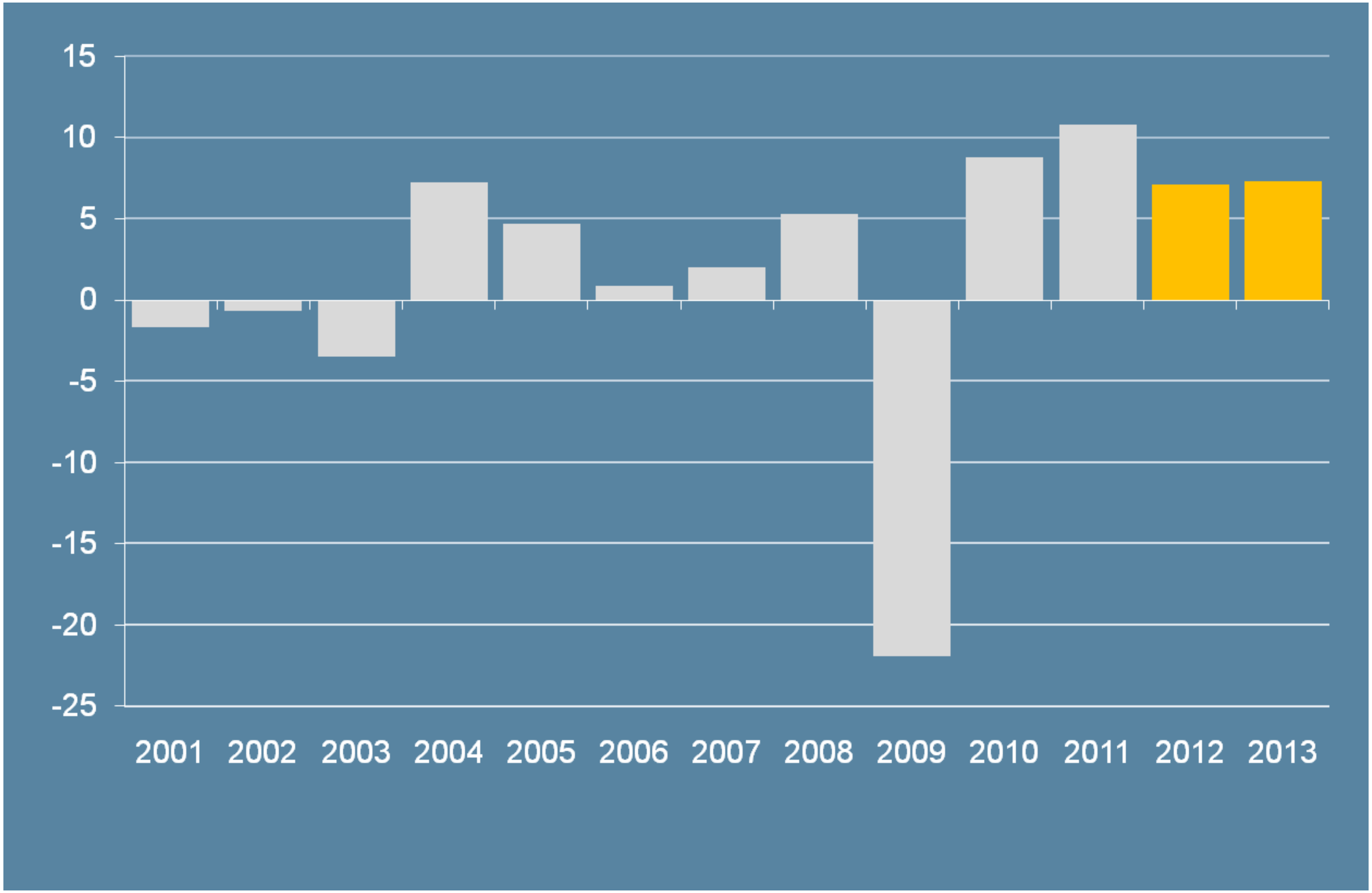


Source: ECB

Canadian dollar outlook



Canada: Export Forecast
(Current dollars, %)



Sources: Statistics Canada, EDC Economics

Industry outlook

Export Forecast Overview	CAD bn	% Share of Total Exports		Export Outlook (% growth)	
	2011	2011	2011	2012 (f)	2013 (f)
Agri-food	44.2	8.9	12.8	9	10
Energy	114.9	23.2	21.4	6	11
Forestry	27.0	5.5	1.5	-5	12
Chemical and Plastics	35.2	7.1	8.4	1	7
Fertilizers	8.7	1.8	29.24	-2	10
Metals, Ores & Other Industrial Products	66.4	13.4	18.1	1	-2
Industrial Machinery and Equip.	26.5	5.4	11.0	13	8
Aircraft and Parts	10.2	2.1	-0.2	1	8
Advanced Technology	13.9	2.8	-2.0	4	3
Motor Vehicles and Parts	54.4	11.0	3.6	14	2
Consumer Goods	8.1	1.6	6.7	-8	6
Special Transactions*	3.4	0.7	-7.9	0	8
Total Goods Sector	**419.1**	**84.8**	**12.0**	**5**	**7**
Total Service Sector	**75.3**	**15.2**	**5.7**	**3**	**4**
Total Exports	**494.4**	**100.0**	**11.0**	**5**	**6**
Memorandum					
Total Volumes		**100.0**	**3.5**	**4**	**4**
Total Goods Nominal (excl. Energy)	**304.2**	**61.5**	**8.9**	**5**	**5**
Total Goods Nominal (excl. Autos and Energy)	**249.8**	**50.5**	**10.1**	**3**	**6**

Source: Statistics Canada, EDC Economics. 2011 is actual data while 2012 and 2013 are forecasts. Special transactions mainly low-valued transactions, value of repairs to equipement and goods returned to country of origin.*

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Quick stats…

- 🇨🇦 600 major projects
- 🇨🇦 $650 billion in funds
- 🇨🇦 800,000 jobs in total
- 🇨🇦 Every province included
- 🇨🇦 Territories: a wild card

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Conclusions

- Gloom increases vulnerability
- Underlying momentum building
- US leads, others follow
- Interest rate cycle delayed
- Canada: a trade-centered cycle

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