



The Conference Board
of Canada

The Economic Outlook:

Prospects Rising

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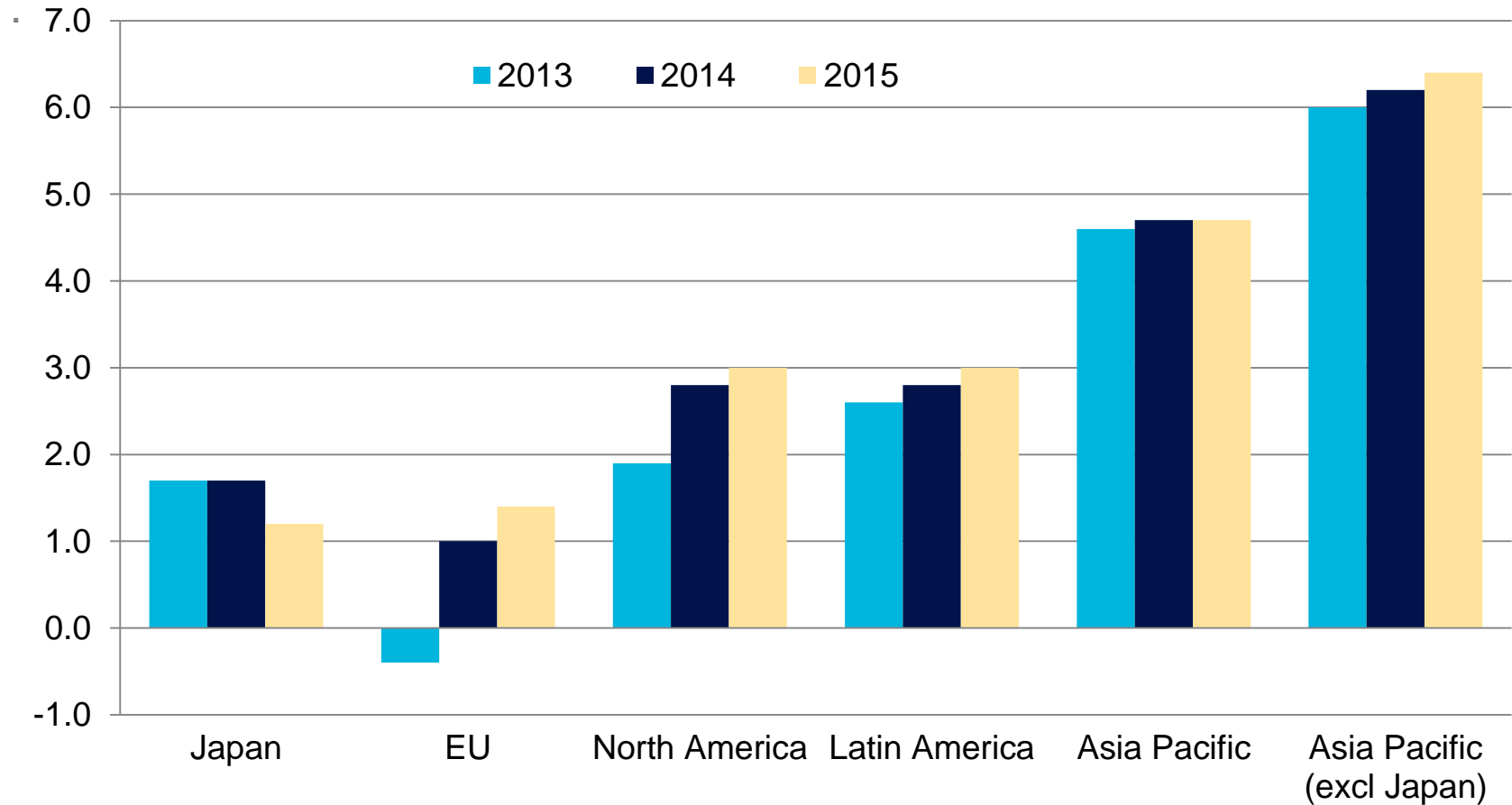
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Global Outlook

- Global growth building into 2015
- Sustained albeit slower growth in emerging markets
 - China stabilizing in 7-8 per cent range
 - Mexico undertaking market-opening policy changes
 - Growth in India, Brazil has slipped – reforms required
 - Russia on verge of recession
- U.S. private sector recovery picking up after negative Q1
- Can Japan restore growth through structural reform – third element of Abenomics?
- EU emerging from recession, but uneven recovery with serious structural issues

Uneven Growth in Global Economy.

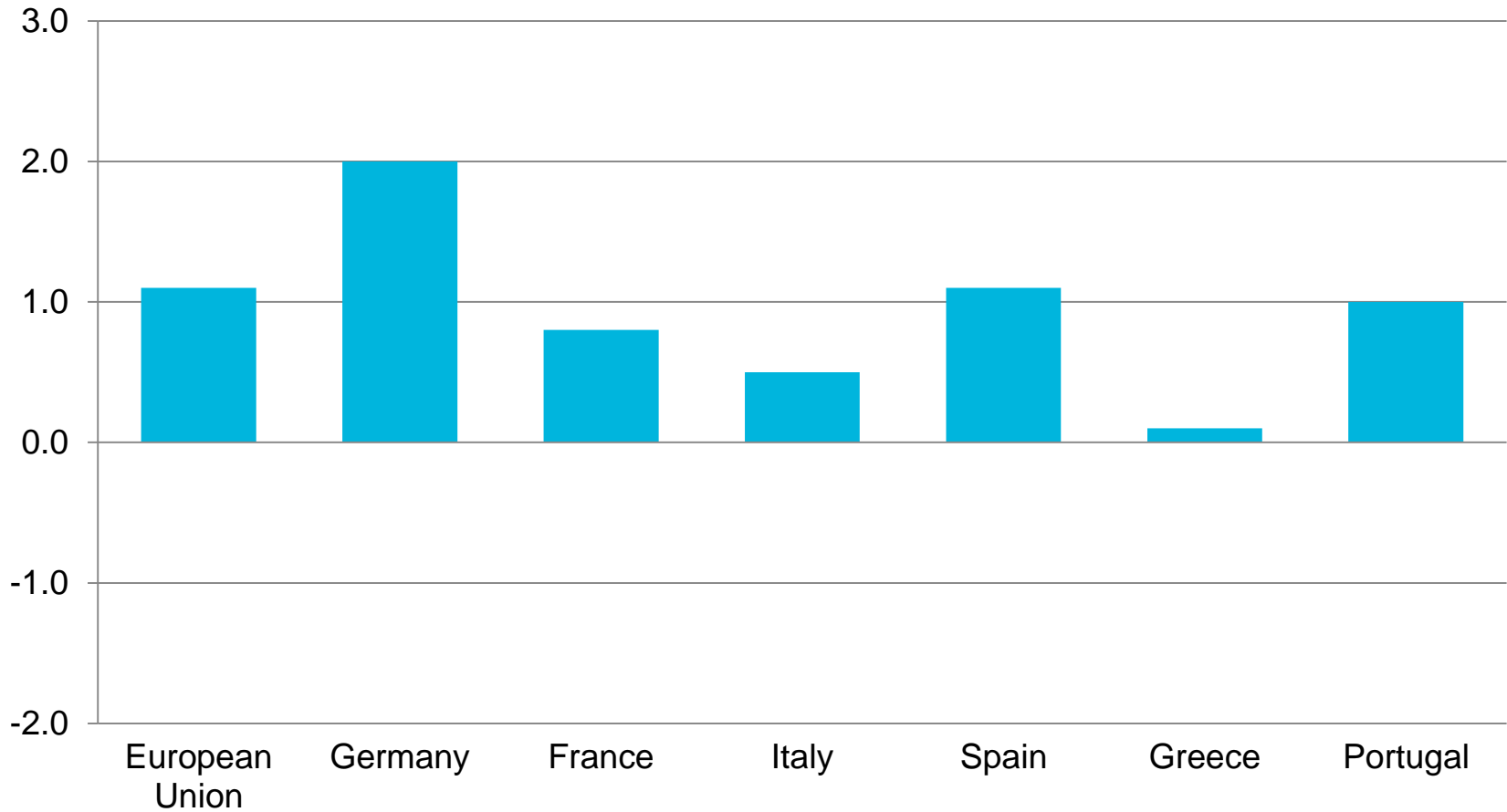
Per cent change, real GDP



Source: Consensus Economics

Growth Emerging in Western Europe

per cent change, 2014, real GDP



Source: Consensus Economics.



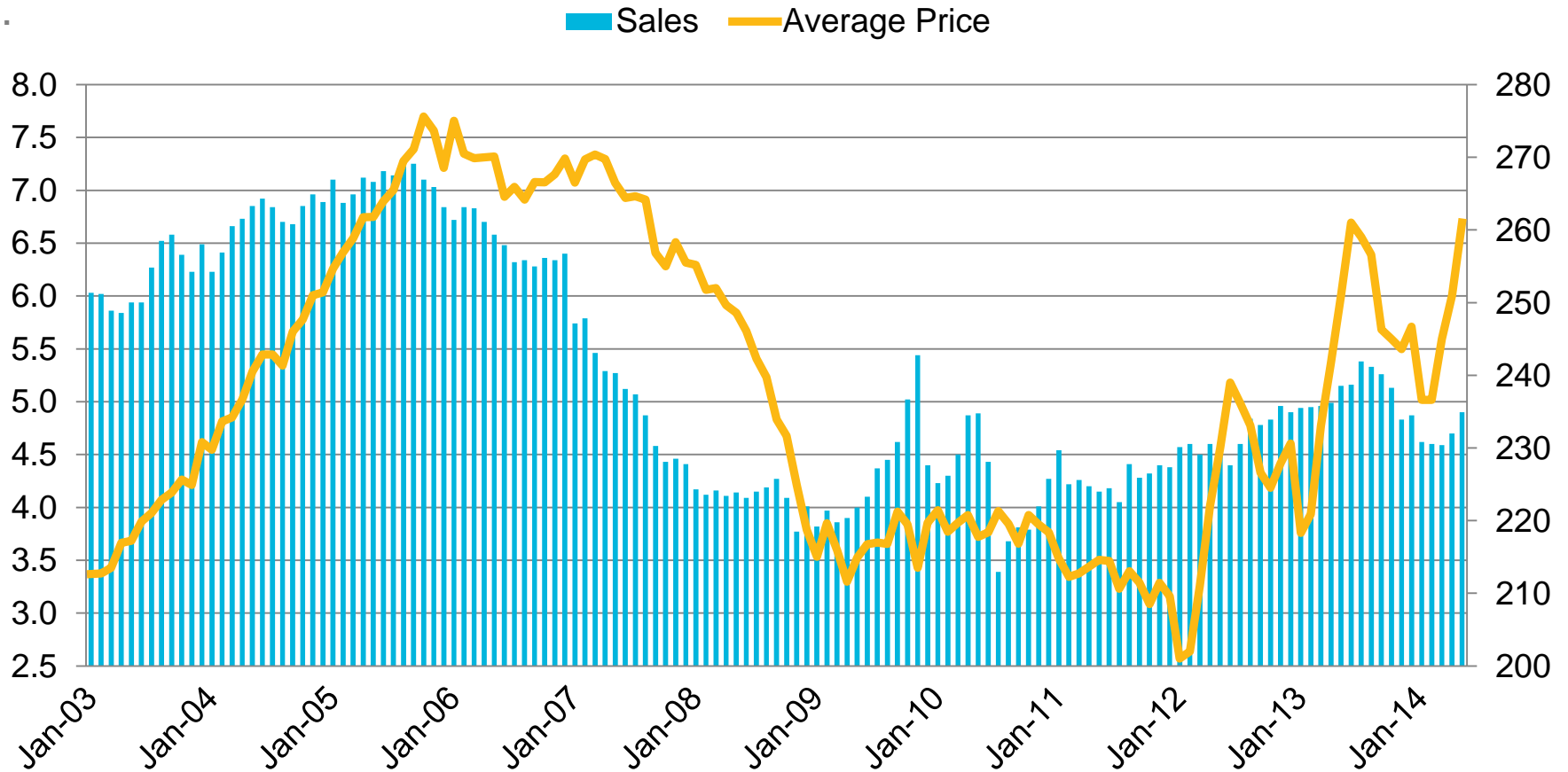


U.S. Outlook

- Growth to rebound in 2014 following weather-induced decline in Q1; above 3 per cent in 2015
- Private sector recovery is building—jobs, housing, autos, investment
- Fiscal agreement in Congress offers two years of stability
- Fed continues activist monetary policy—short-term rates on hold until 2015-16, QE3 ramping down
- U.S. energy self-reliance keeps growing

U.S. Existing Home Sales and Prices

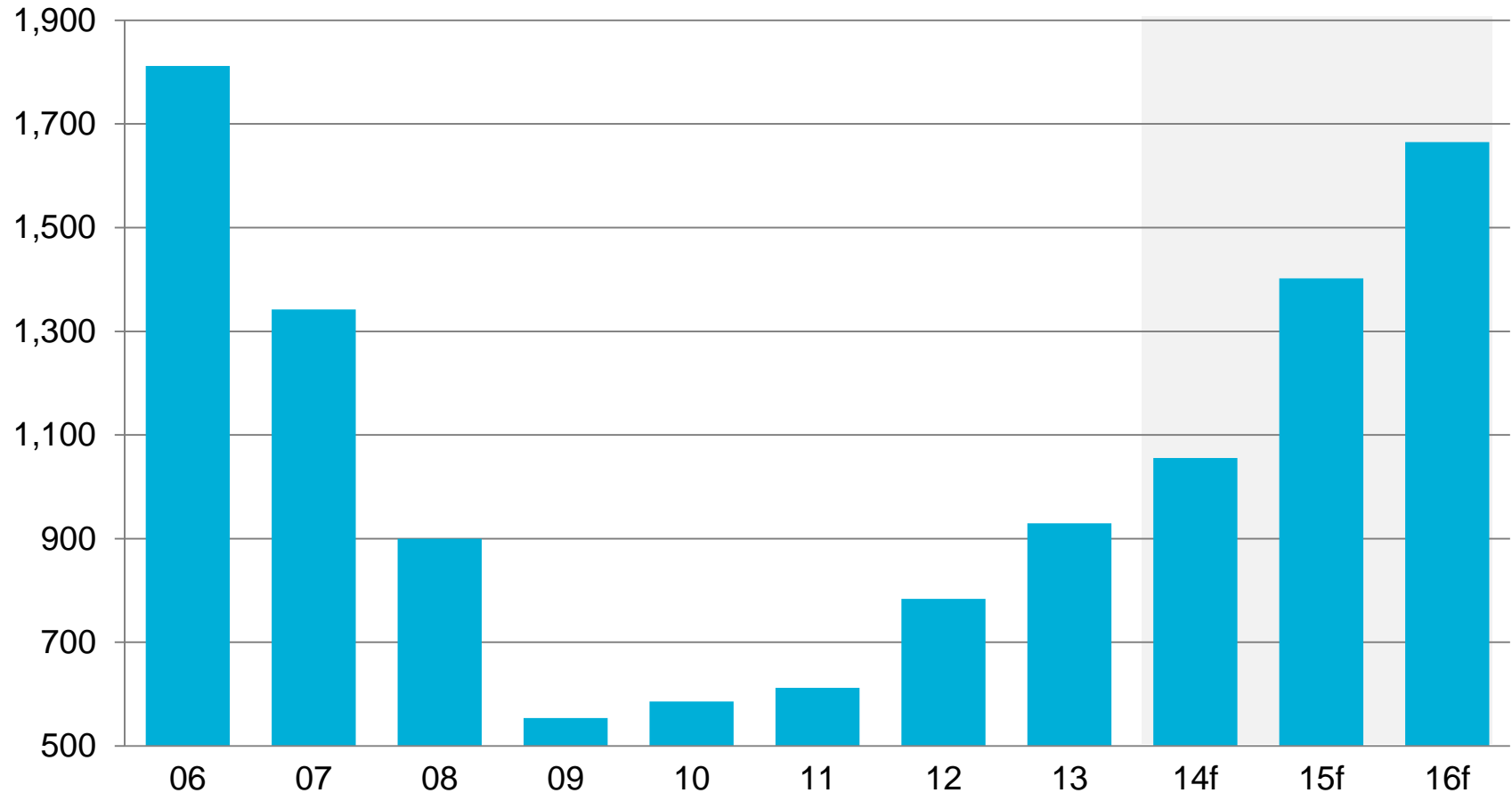
millions SAAR; \$ 000s



Source: National Association of Realtors

U.S. Housing Starts.

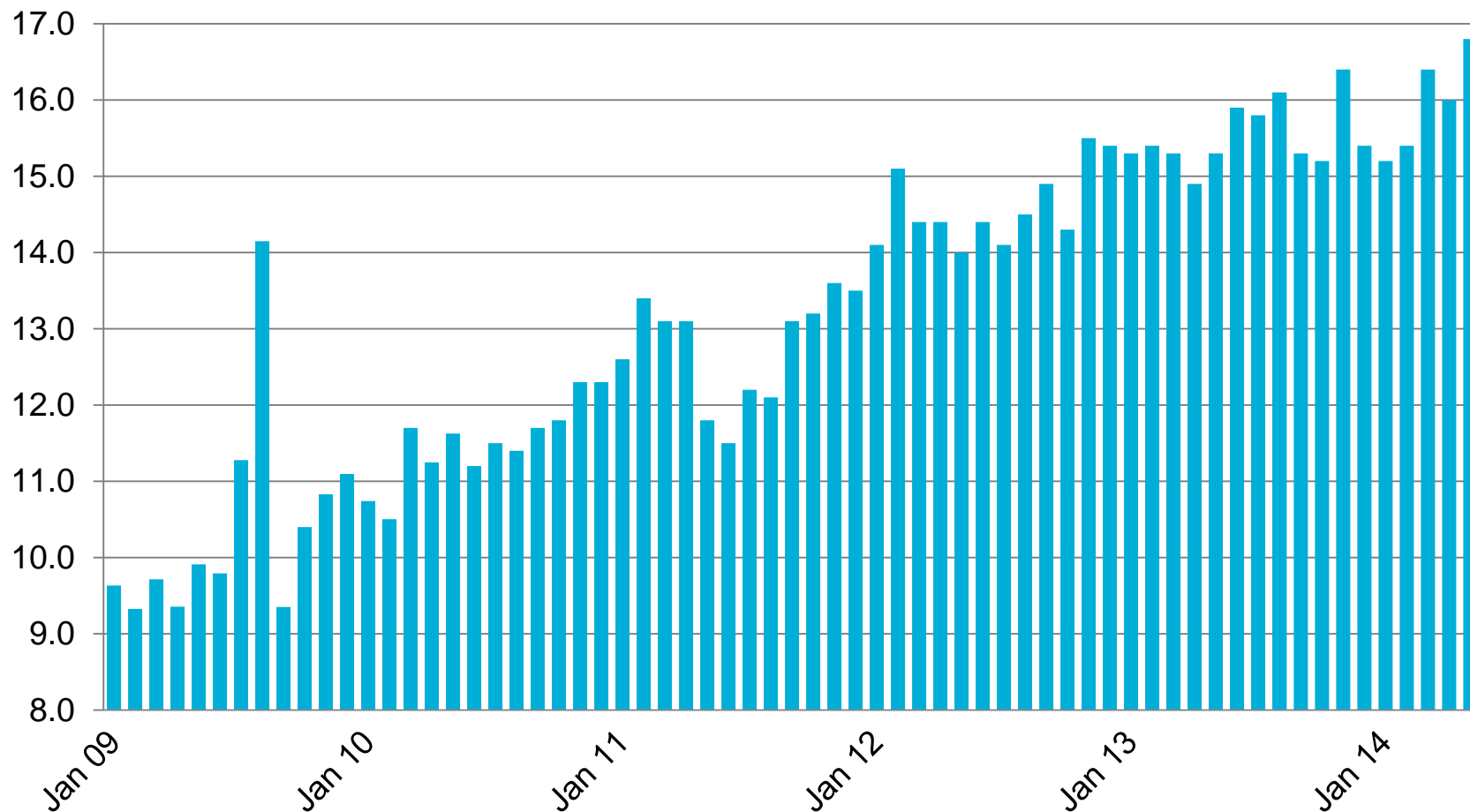
000s



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

U.S. Vehicle Sales Back to Normal.

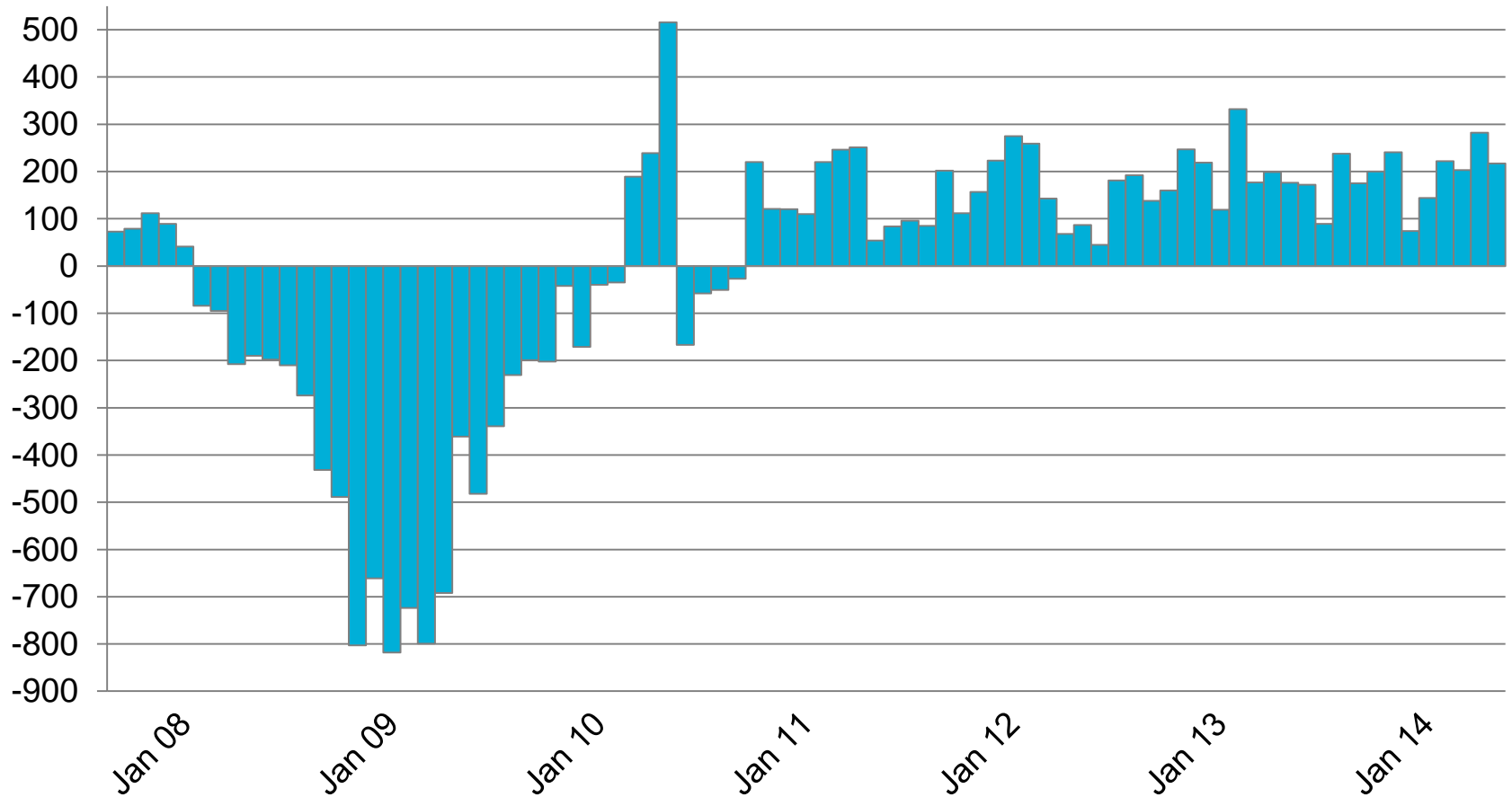
millions, annualized.



Source: Moody's Economy.com

U.S. Labour Market.

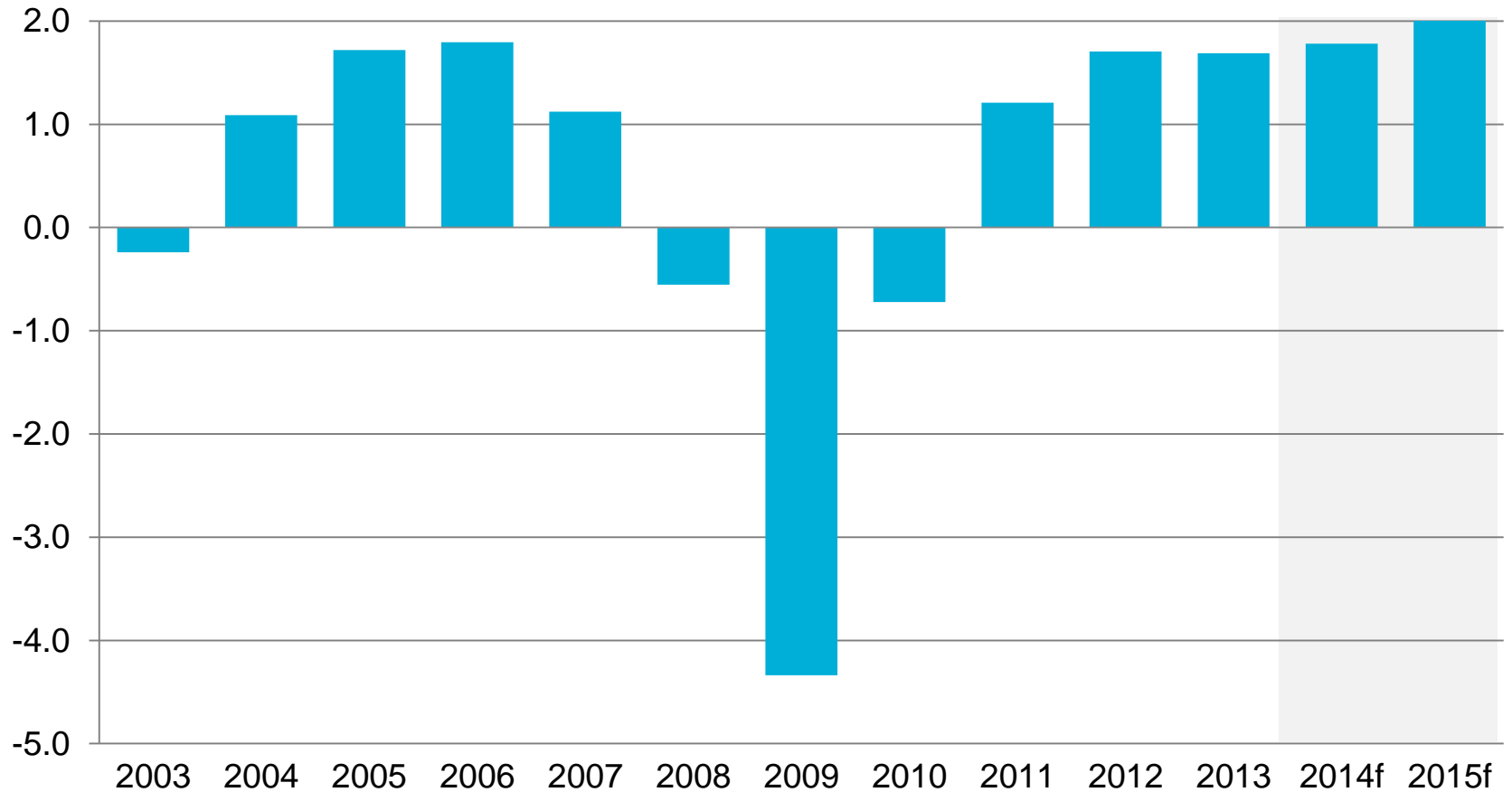
change in U.S. employment, 000s.



Source: Bureau of Economic Analysis.

U.S. Employment Growth.

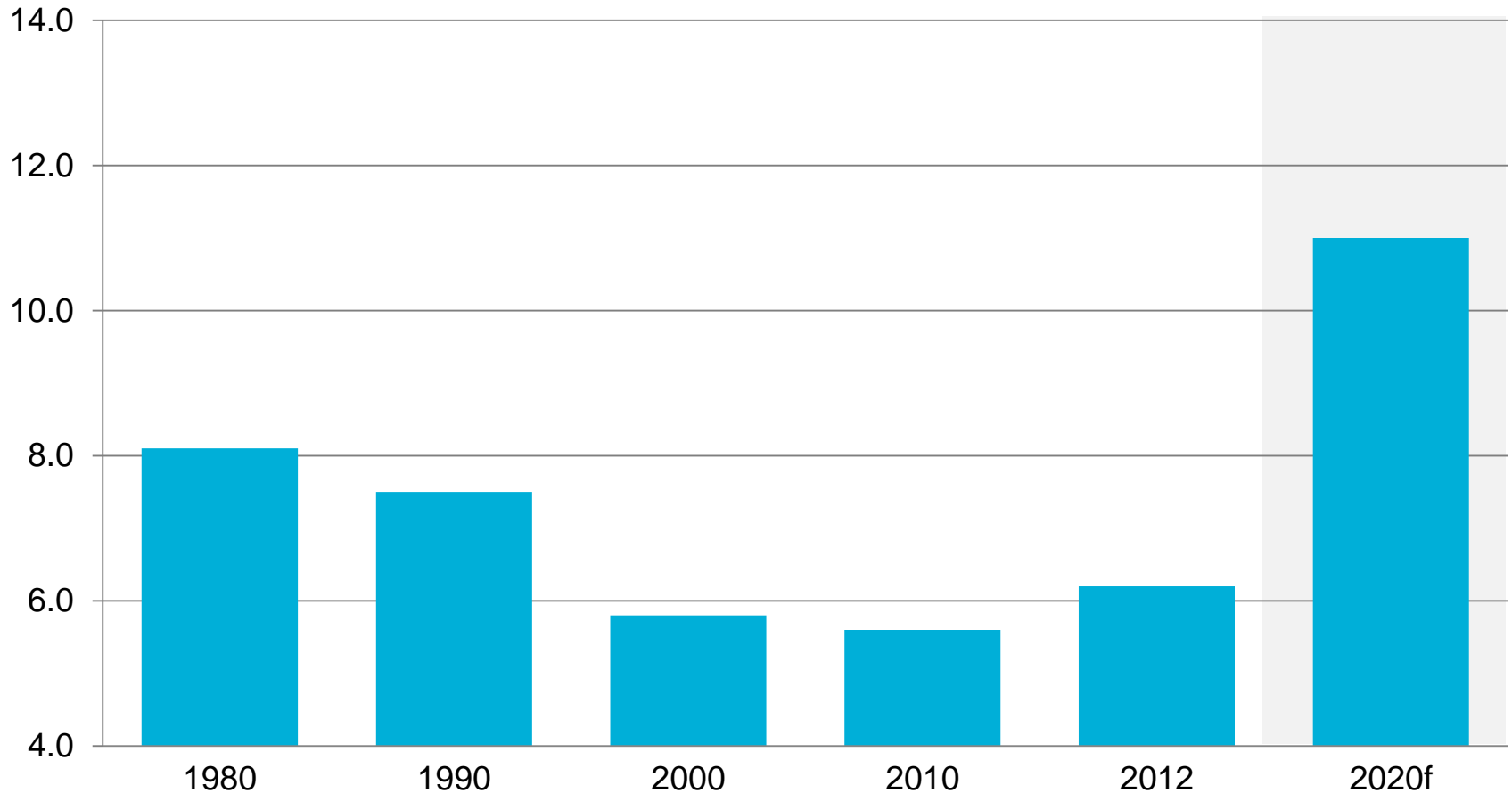
per cent change.



Sources: BEA; The Conference Board of Canada.

US Oil Production

millions of barrels per day

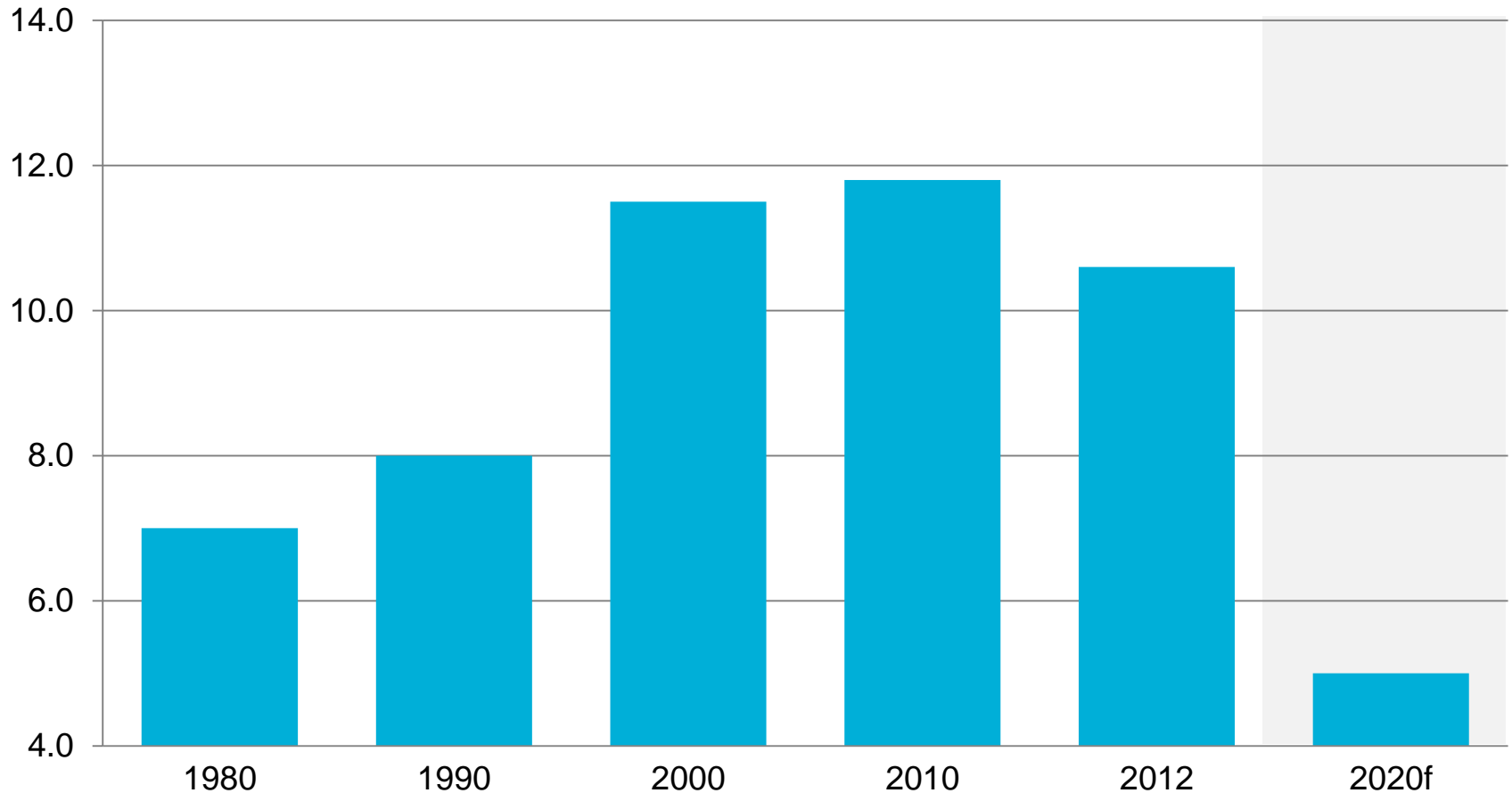


Source: IEA.



US Oil Imports

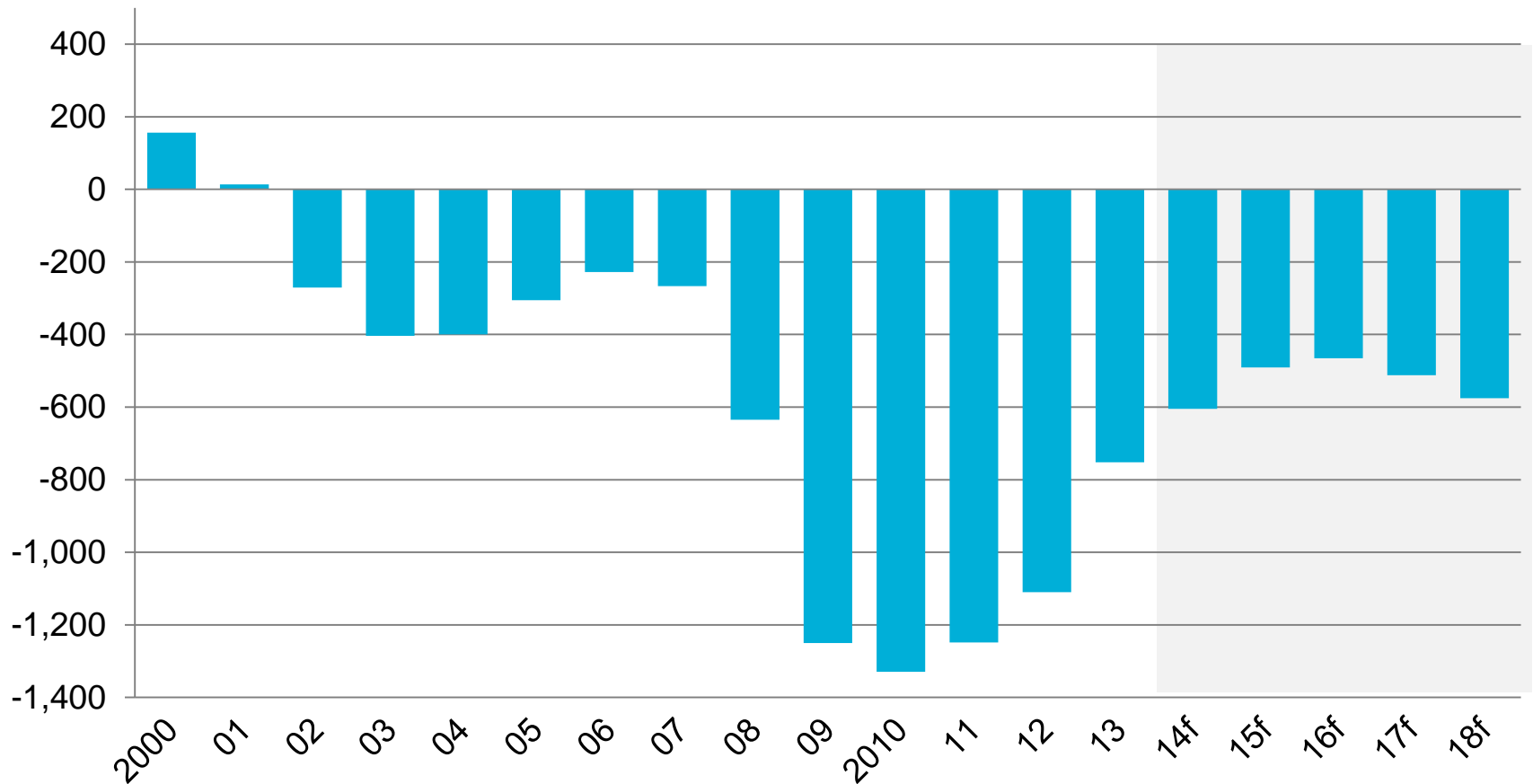
millions of barrels per day



Source: IEA.

U.S. Federal Deficit

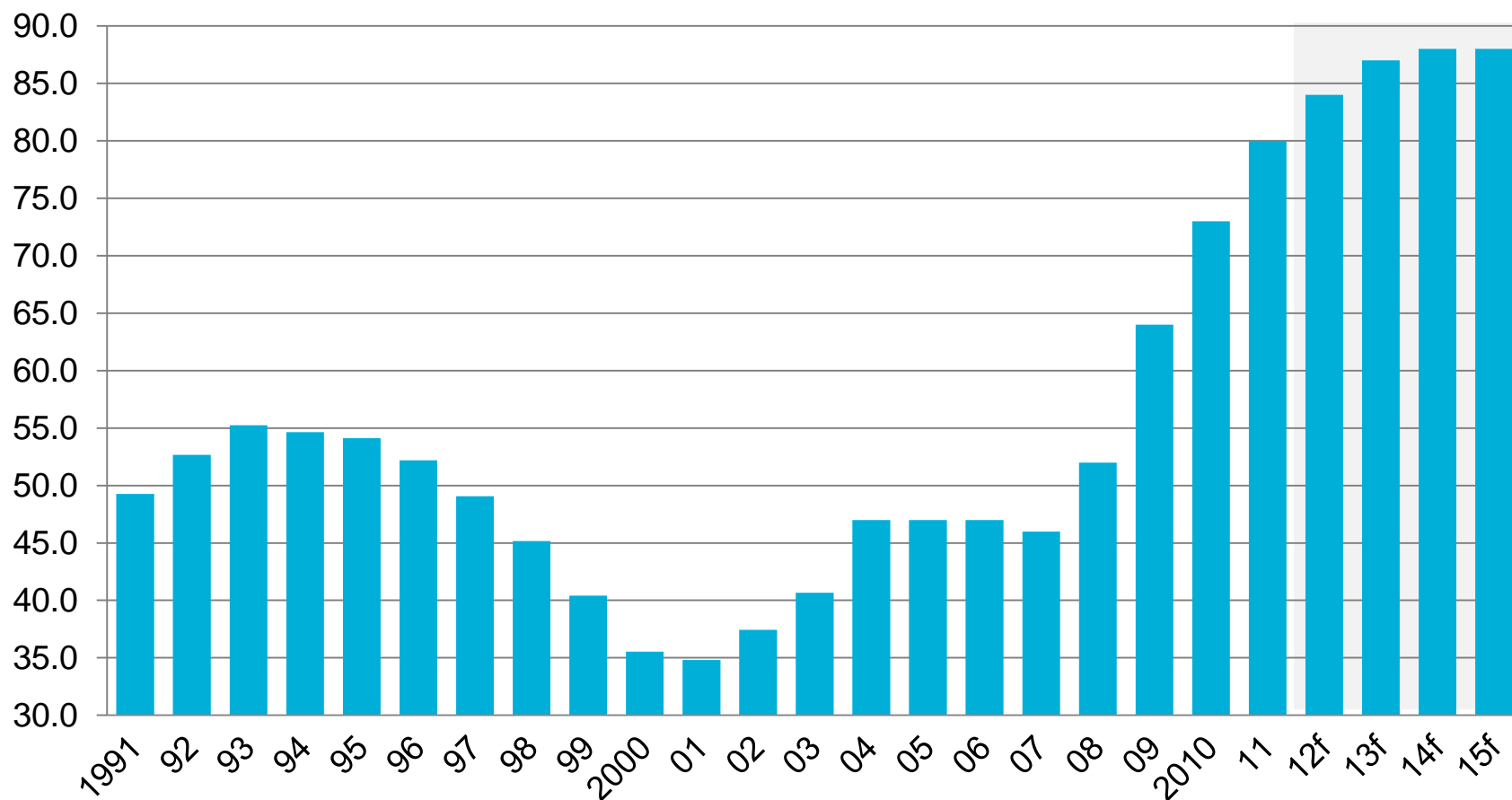
NIPA basis, billions of current \$



Sources: BEA; The Conference Board of Canada.

U.S. Net Debt as a share of GDP.

per cent.



Source: IMF



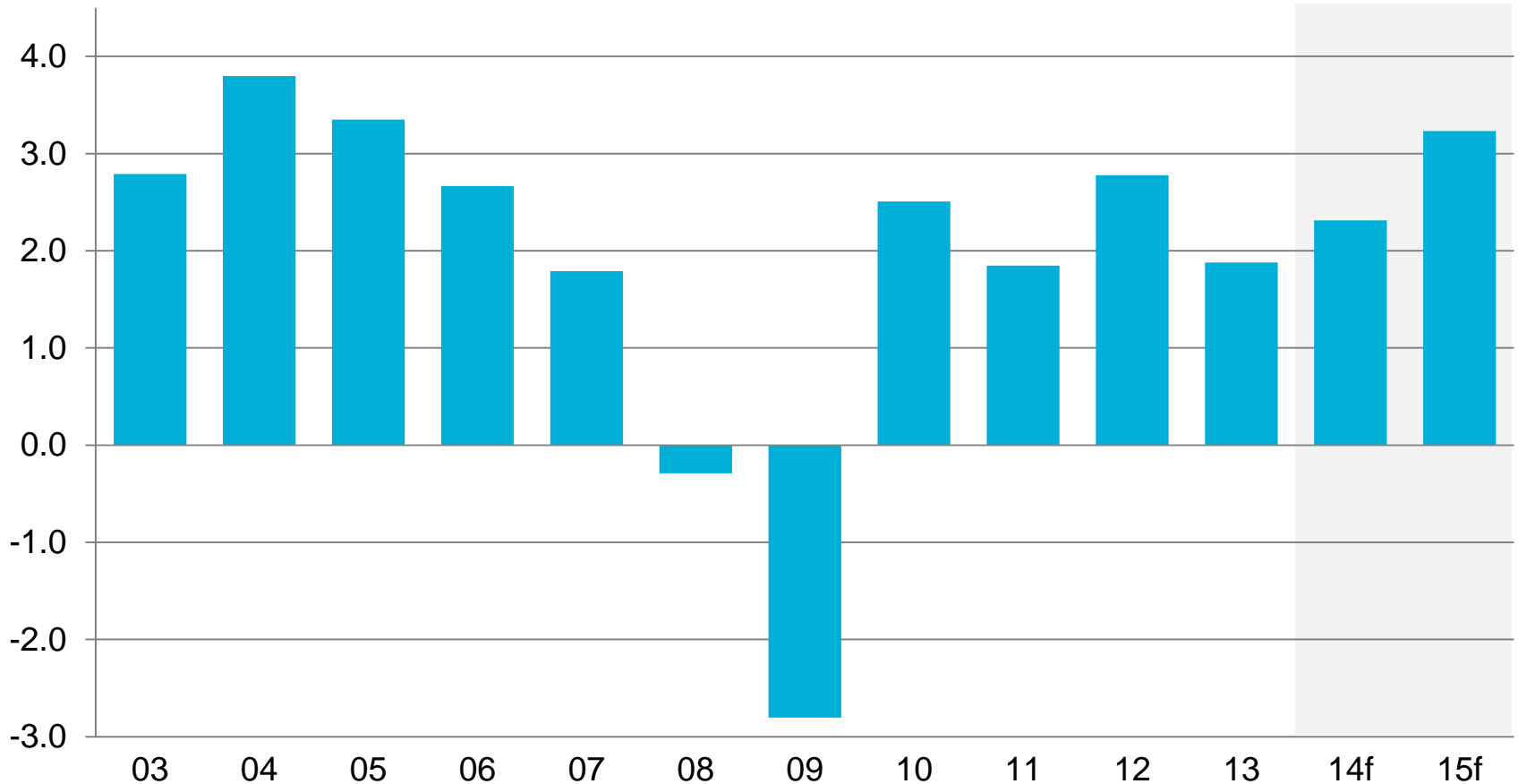
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Medium-term Fiscal Action Still Required

- Congress has agreed to a two year budget plan, providing some fiscal peace
- But unless steps are taken to address entitlements, the structural fiscal deficit will increase again after 2016
- A medium-term plan should include expenditure action, tax and entitlement reform and added revenues
- A job for the next president!

U.S. Real GDP Growth

per cent change



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

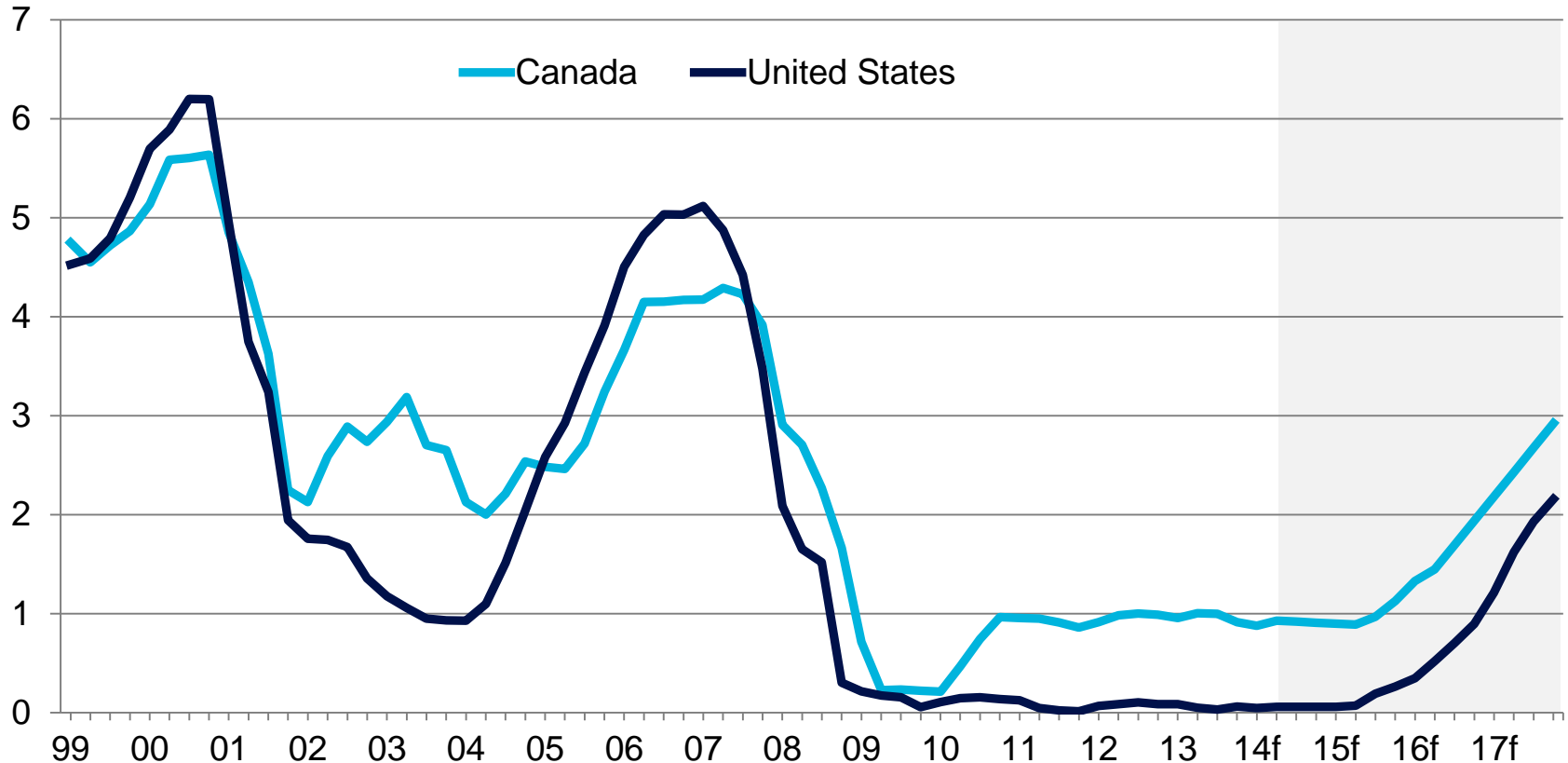


Canadian Outlook

- Canadian 2014 growth outlook is modest at just 2 per cent, picking up in 2015.
- More positive external environment and continued low interest rates.
- De-leveraging by governments is necessary, but a brake on growth.
- Investment intentions in the business sector are disappointing this year.
- A weaker dollar coupled with stronger US demand will help exports.

Short-Term Interest Rates

90-Day Treasury Bill Rates

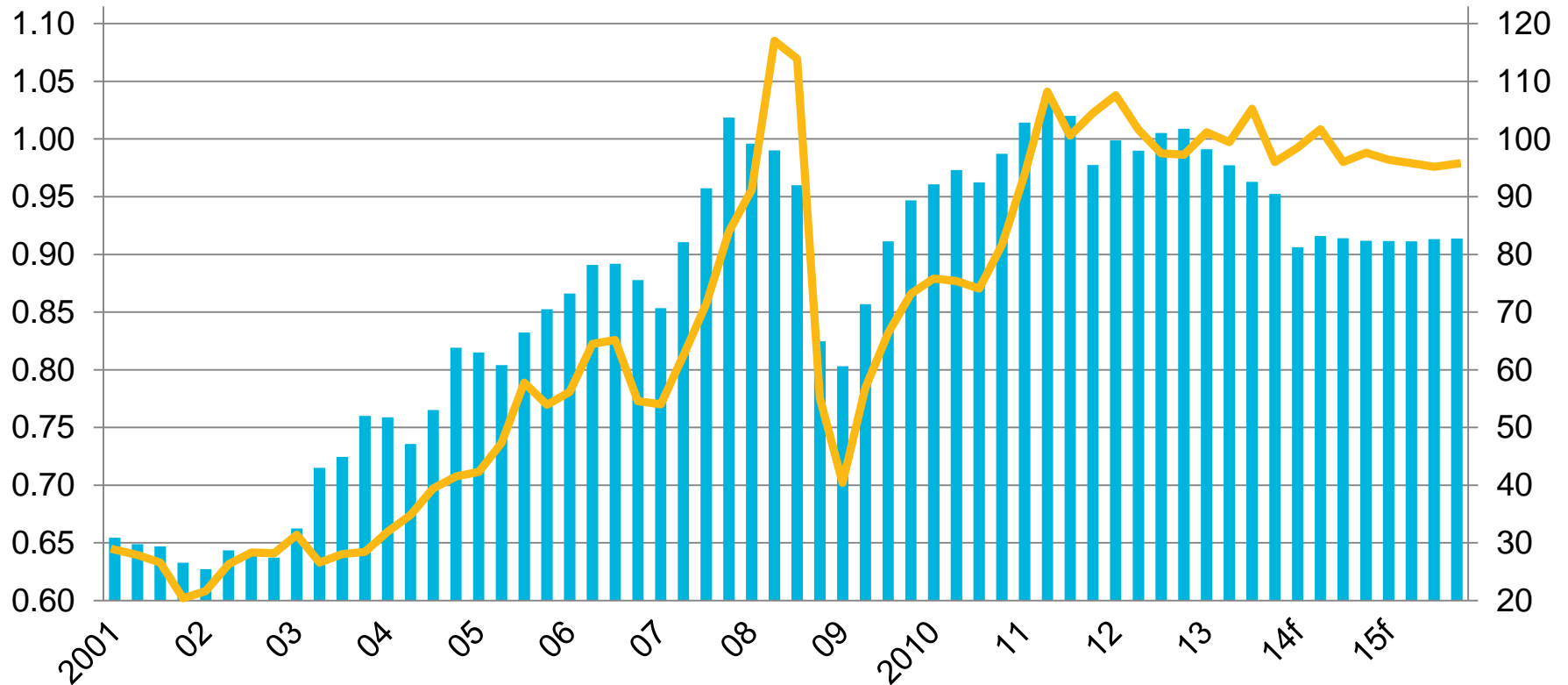


Sources: Statistics Canada; U.S. Bureau of Economic Analysis; The Conference Board of Canada.

The Loonie and the Oil Price

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

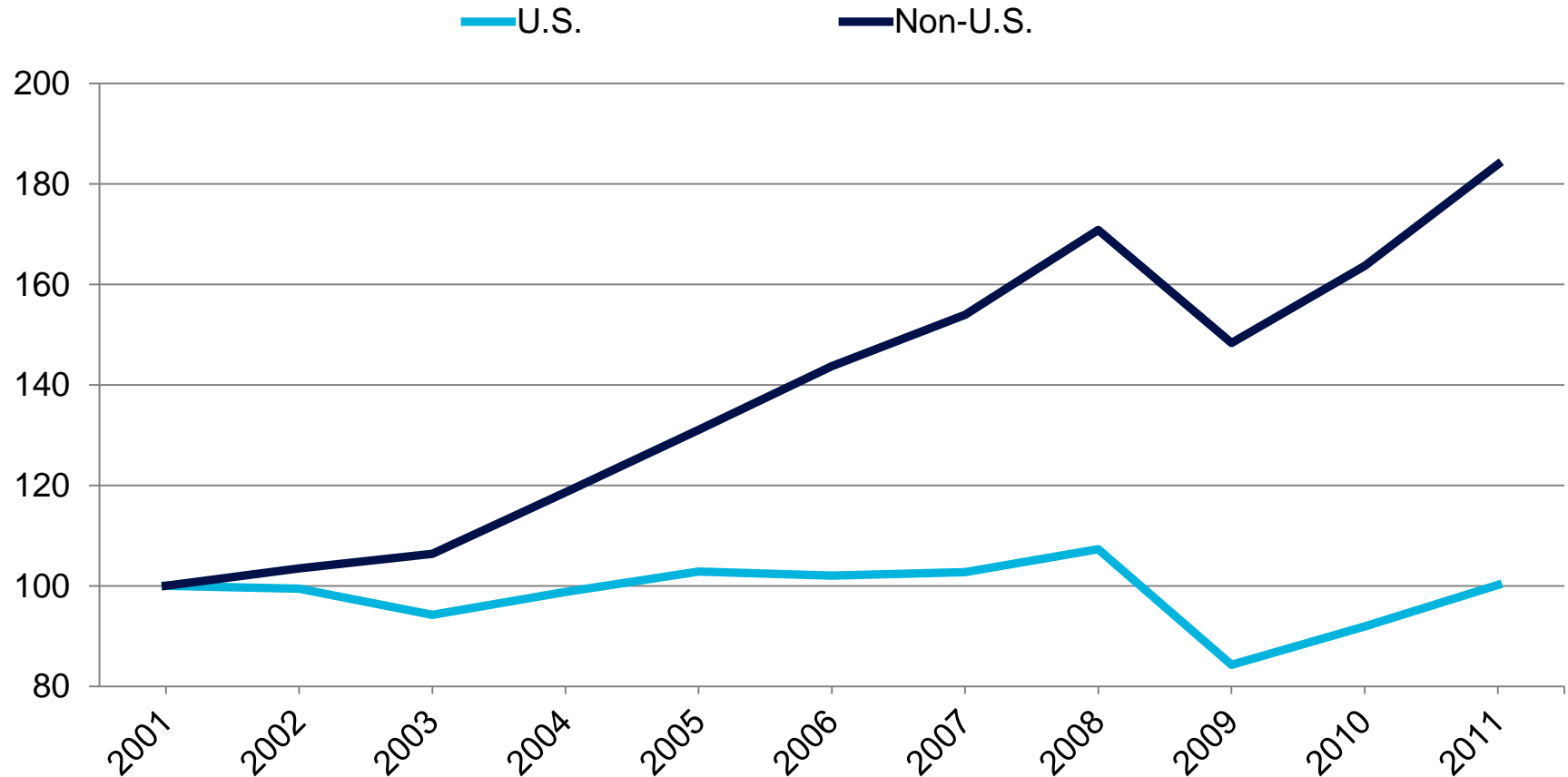
■ Dollar (left) — Oil Price (right)



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

Canada's Two-Gear Trade.

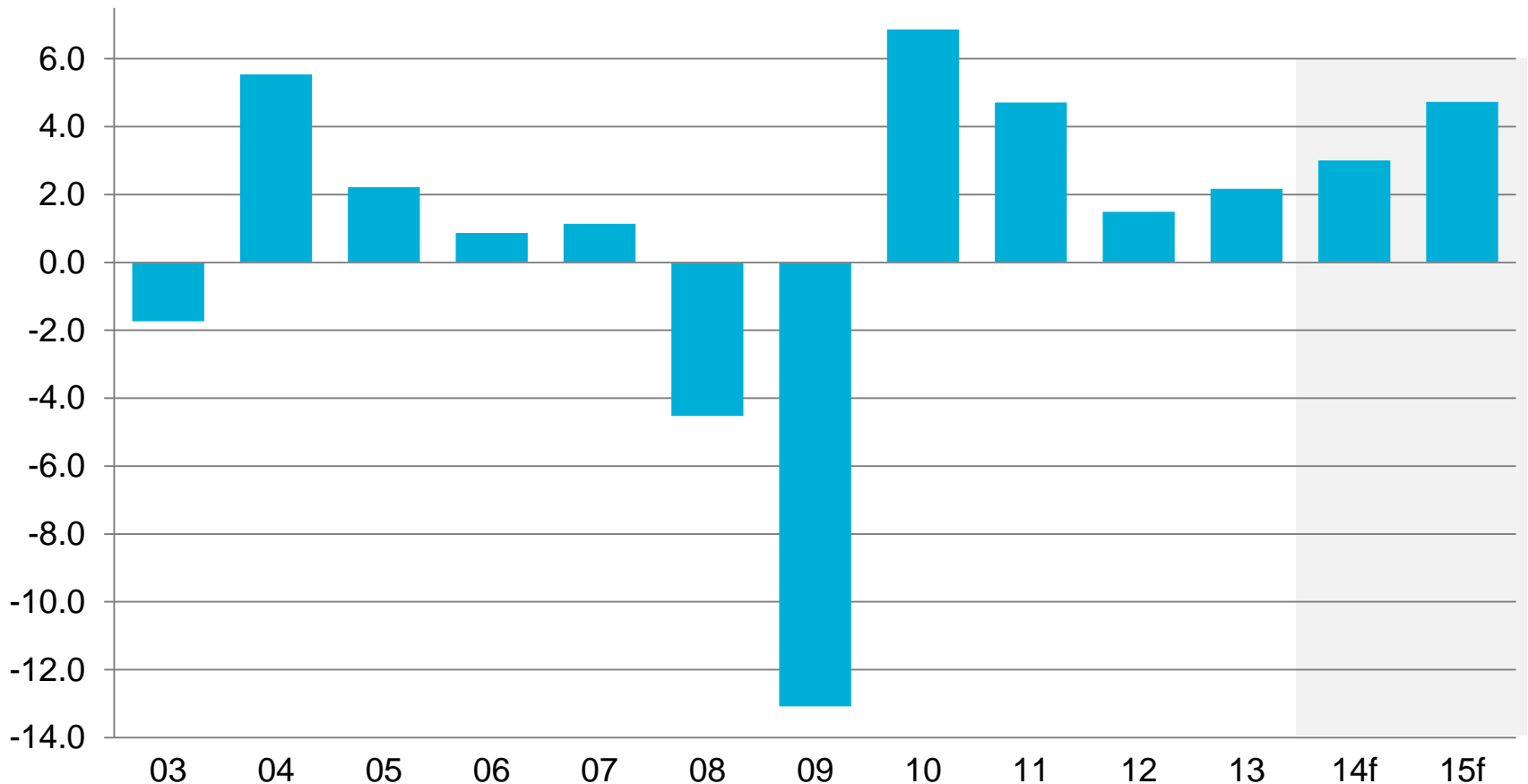
Canadian bilateral trade, index 2001=100.



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

Export Volumes

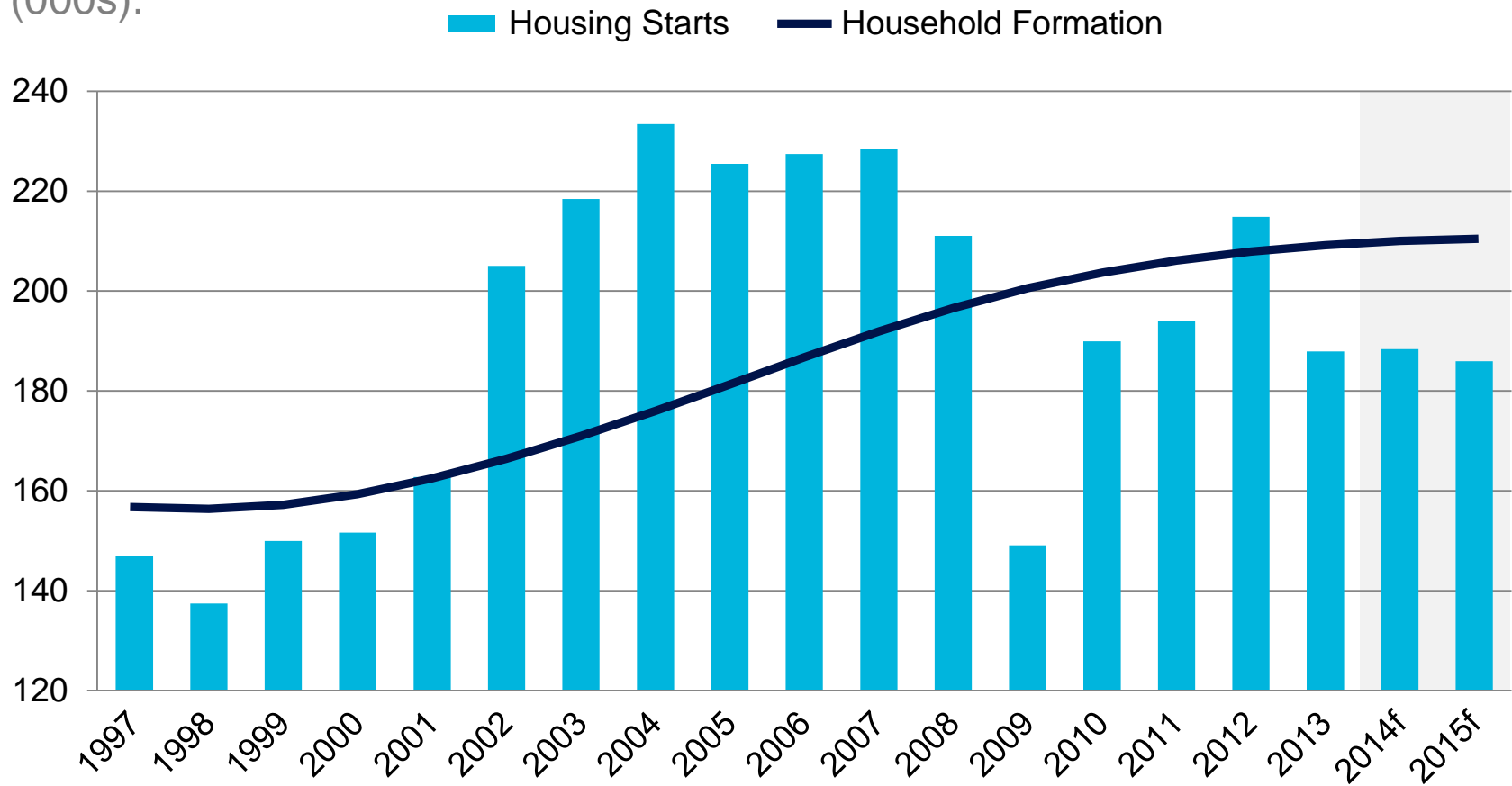
per cent change



Sources: Statistics Canada; The Conference Board of Canada.

Canada, Housing Starts vs. Demographic Requirements.

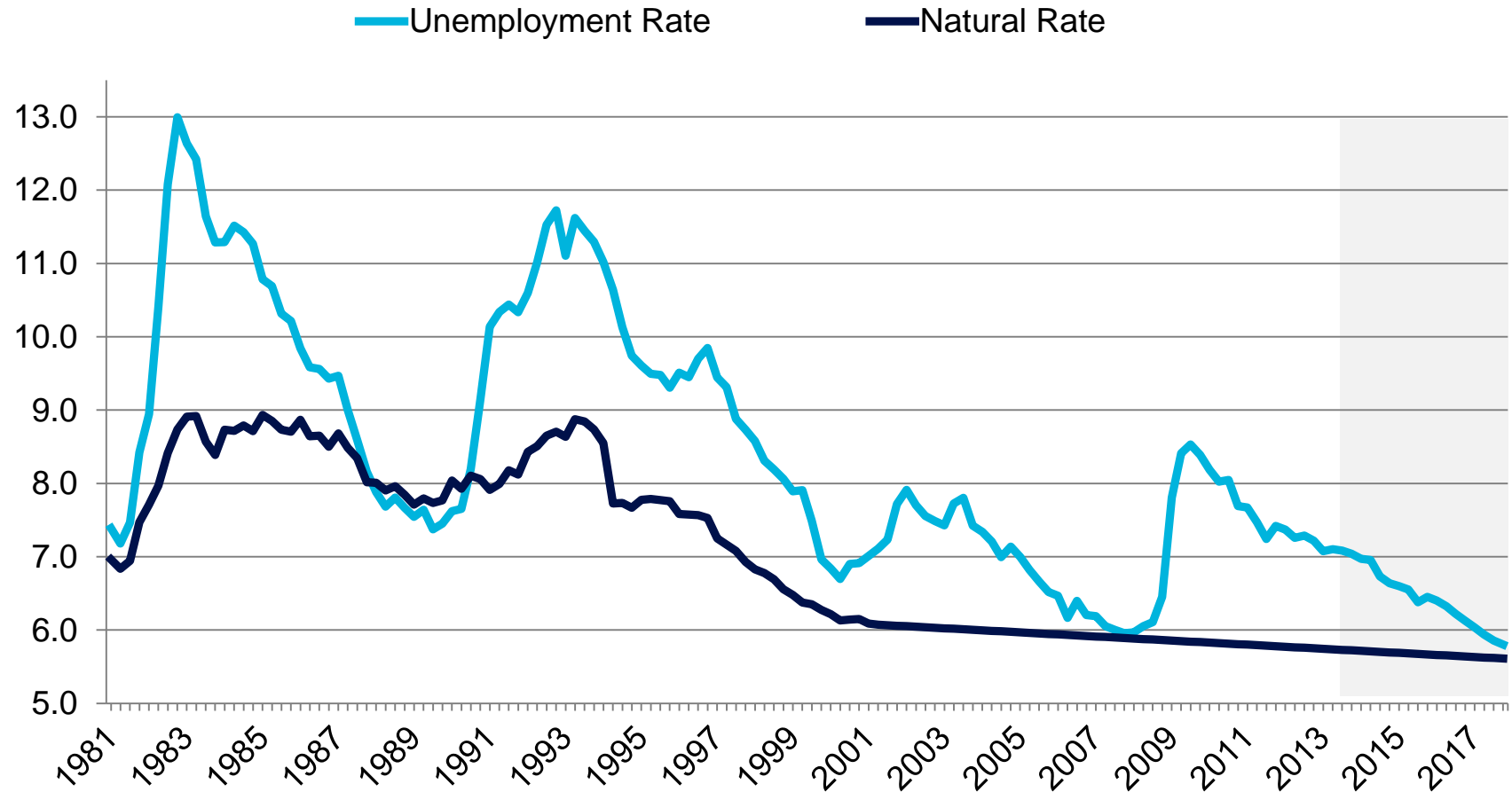
(000s).



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

Unemployment Rate vs. Natural Rate

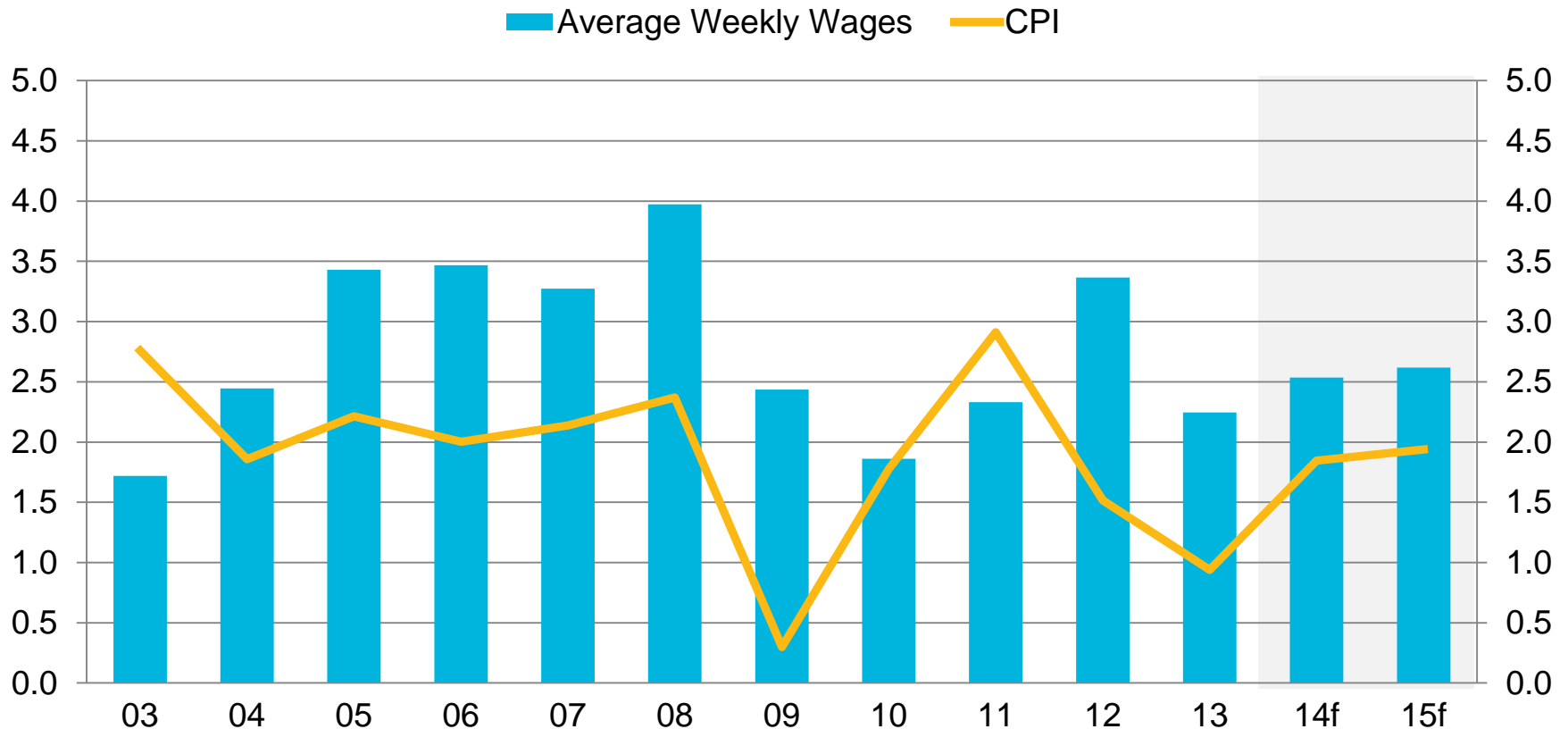
per cent



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

Growth in Industrial Composite Average Weekly Wage versus CPI

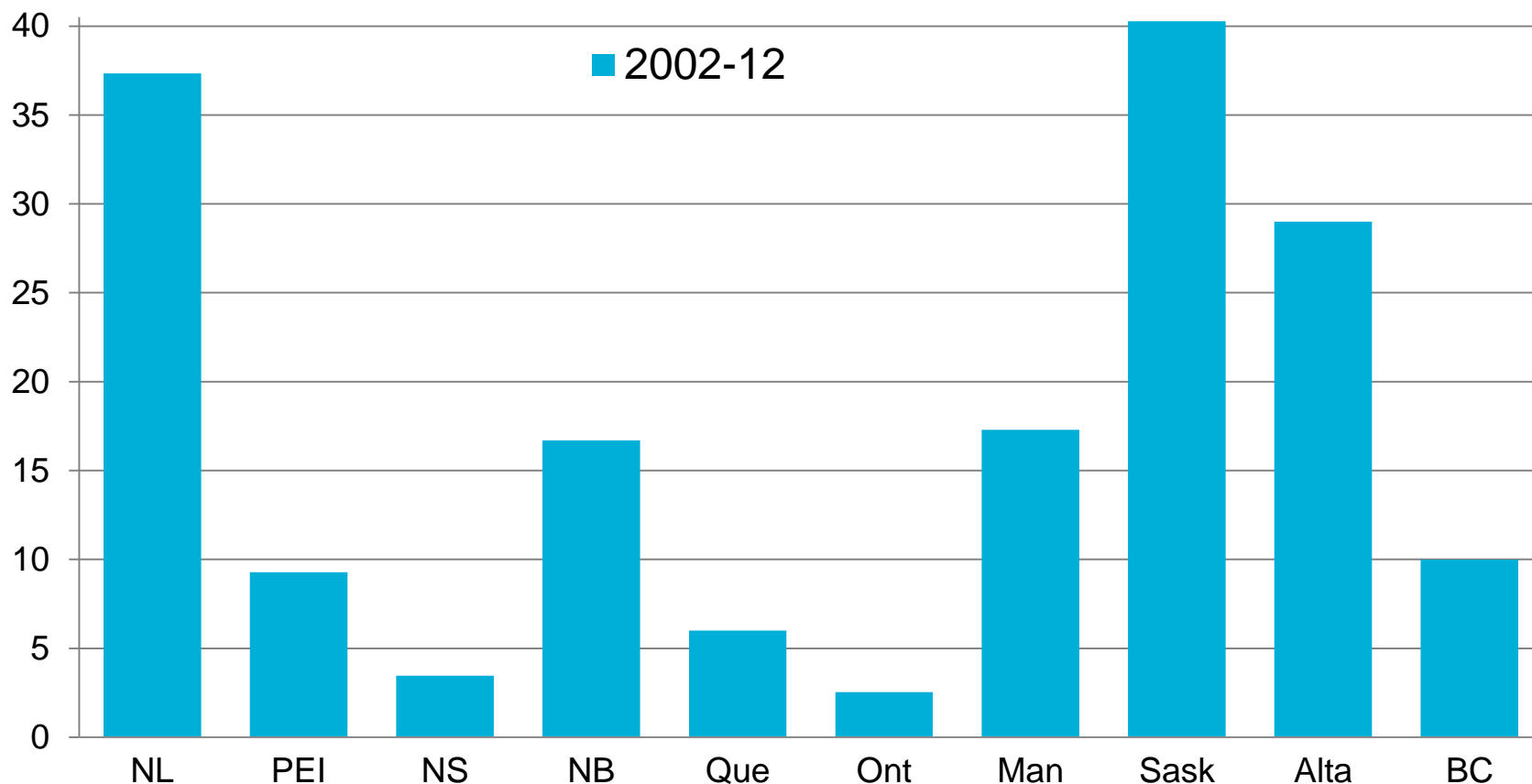
per cent change



Sources: Statistics Canada; The Conference Board of Canada.

Real Wage Gains by Province.

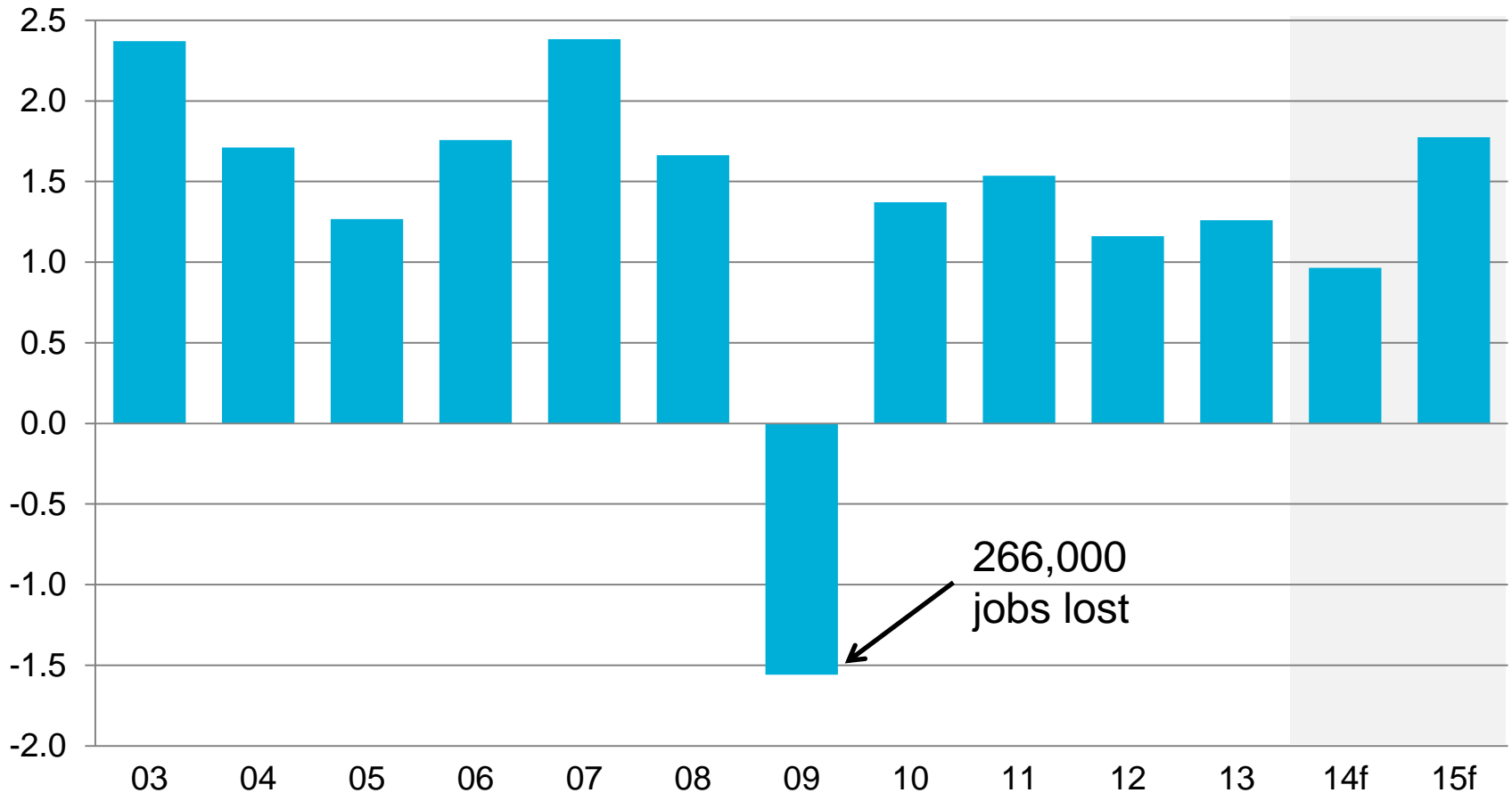
per cent change over the period



Sources: Statistics Canada; The Conference Board of Canada.

Employment Growth

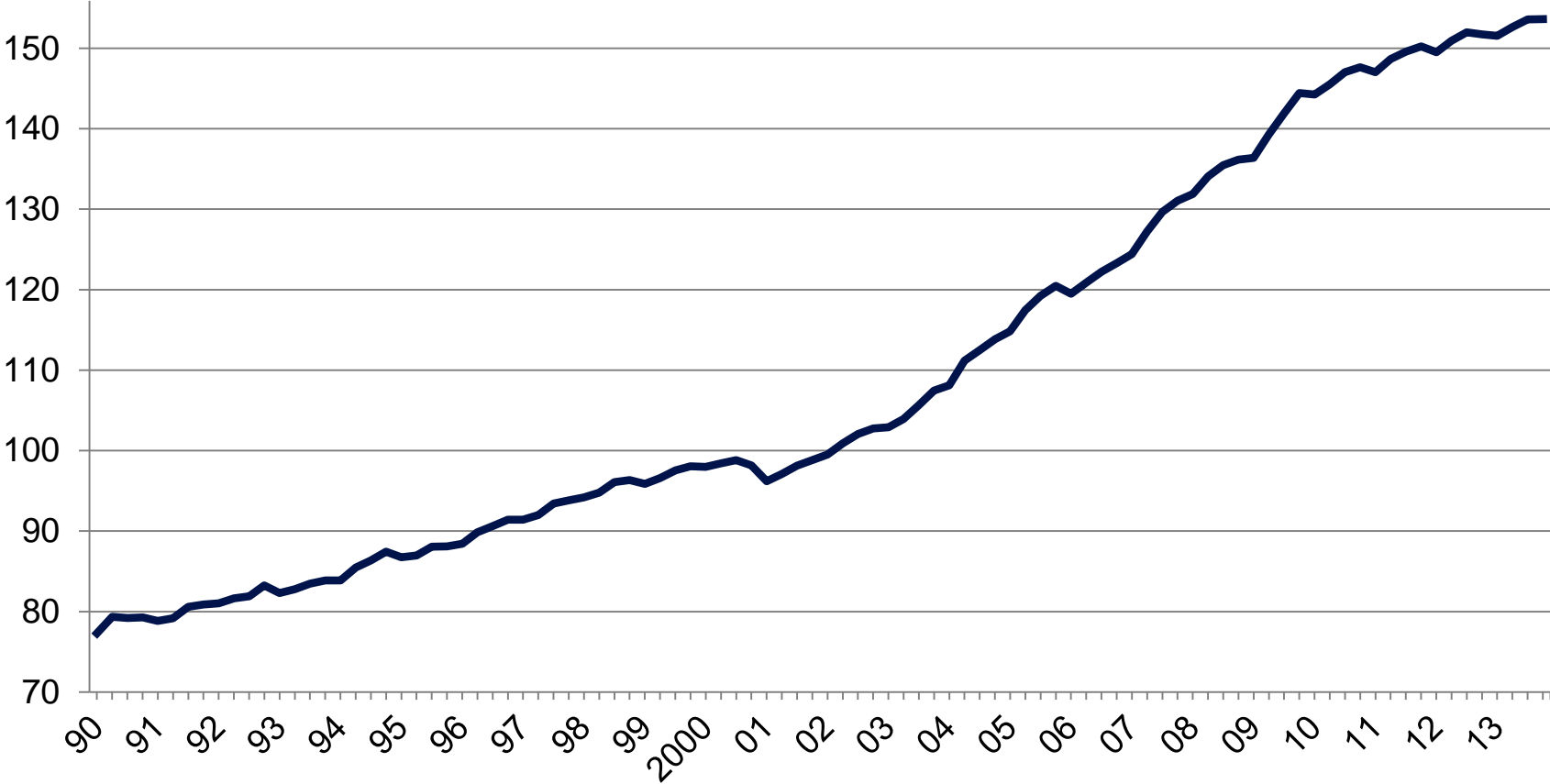
per cent change



Sources: Statistics Canada; The Conference Board of Canada.

Total Consumer & Mortgage Debt as Per Cent of Disposable Income.

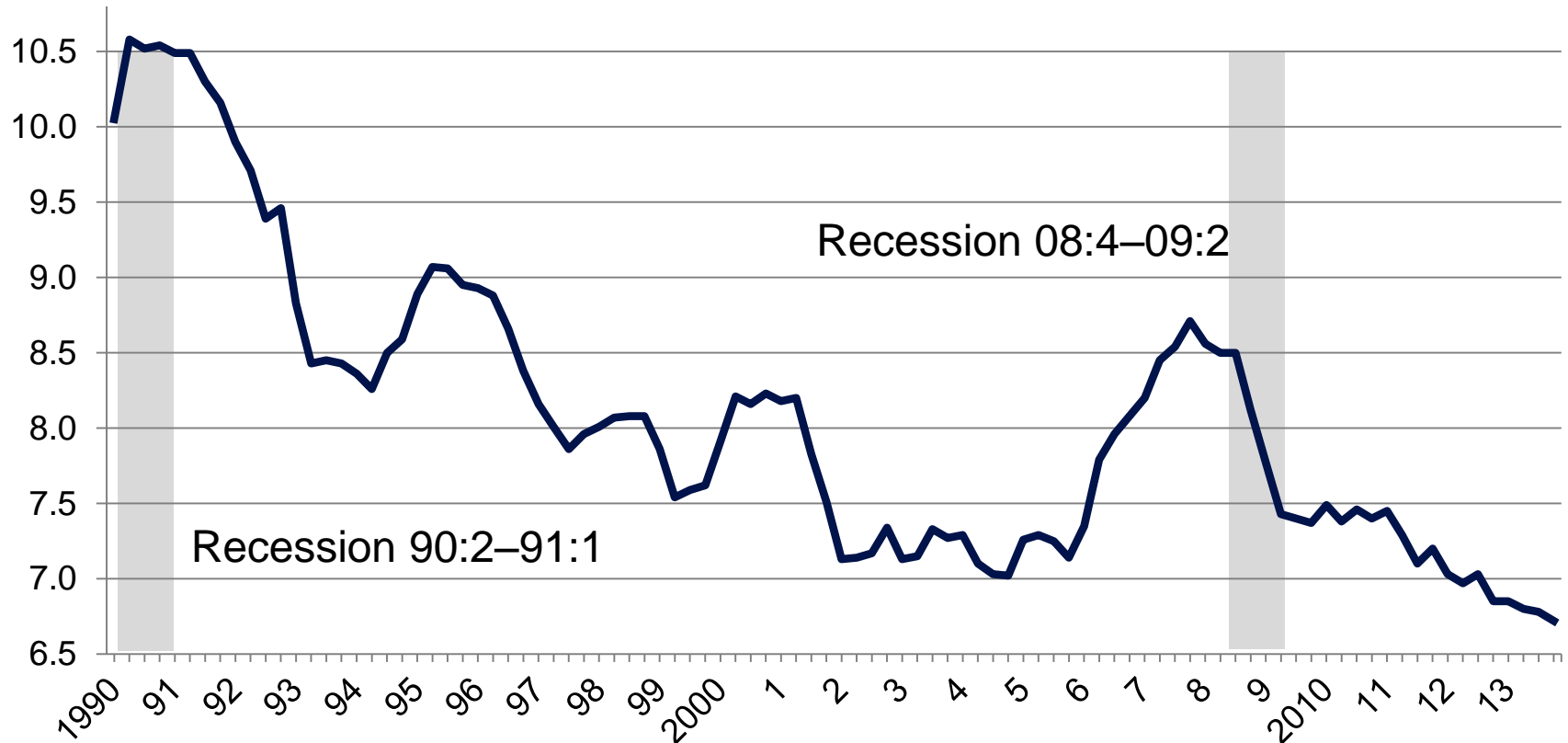
quarterly, 1990Q1 2013Q4.



Source: Statistics Canada.

Mortgage and Consumer Debt Service.

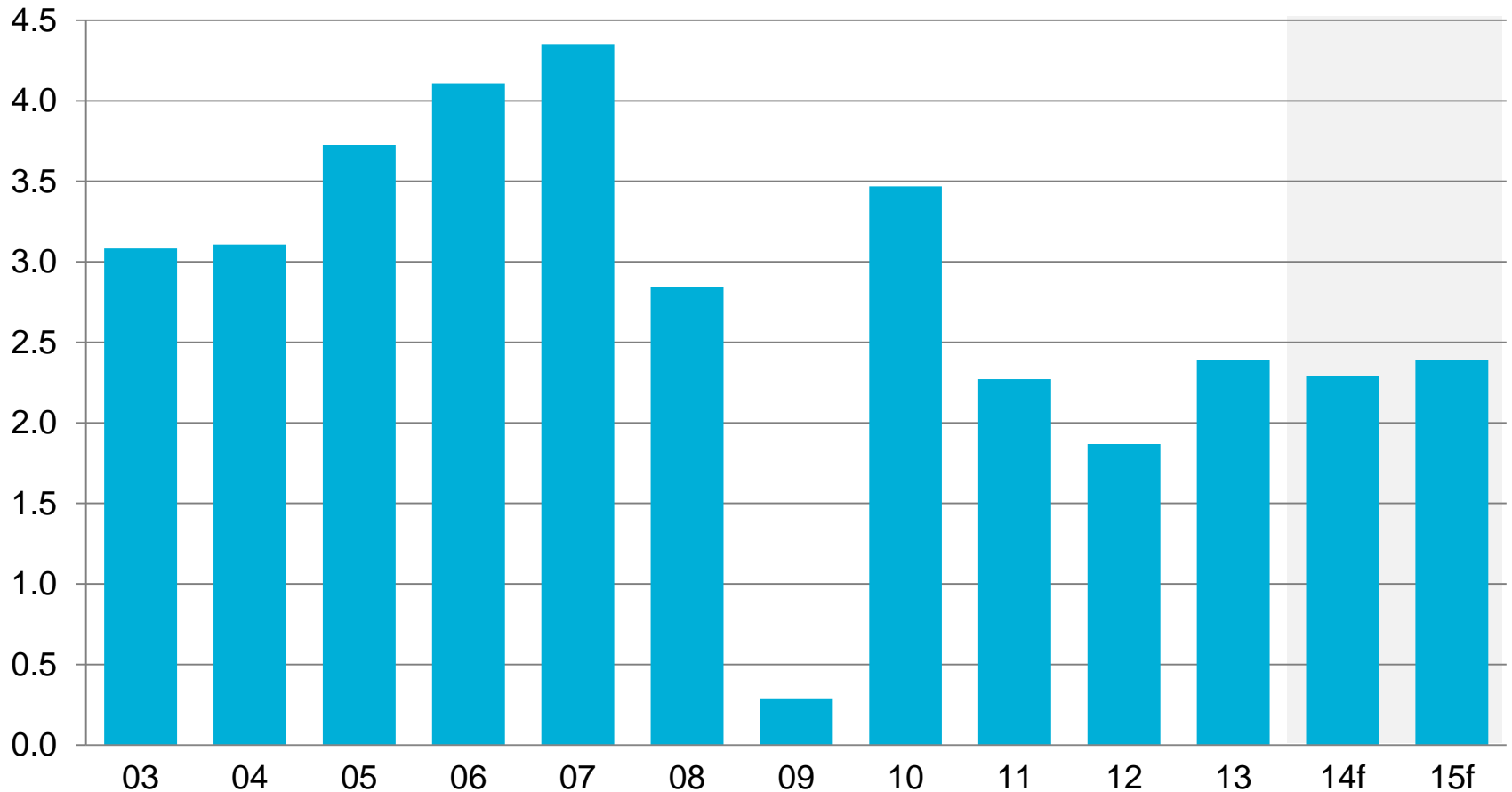
share of disposable income 1990Q1 to 2013Q4.



Source: Statistics Canada.

Real Consumer Spending.

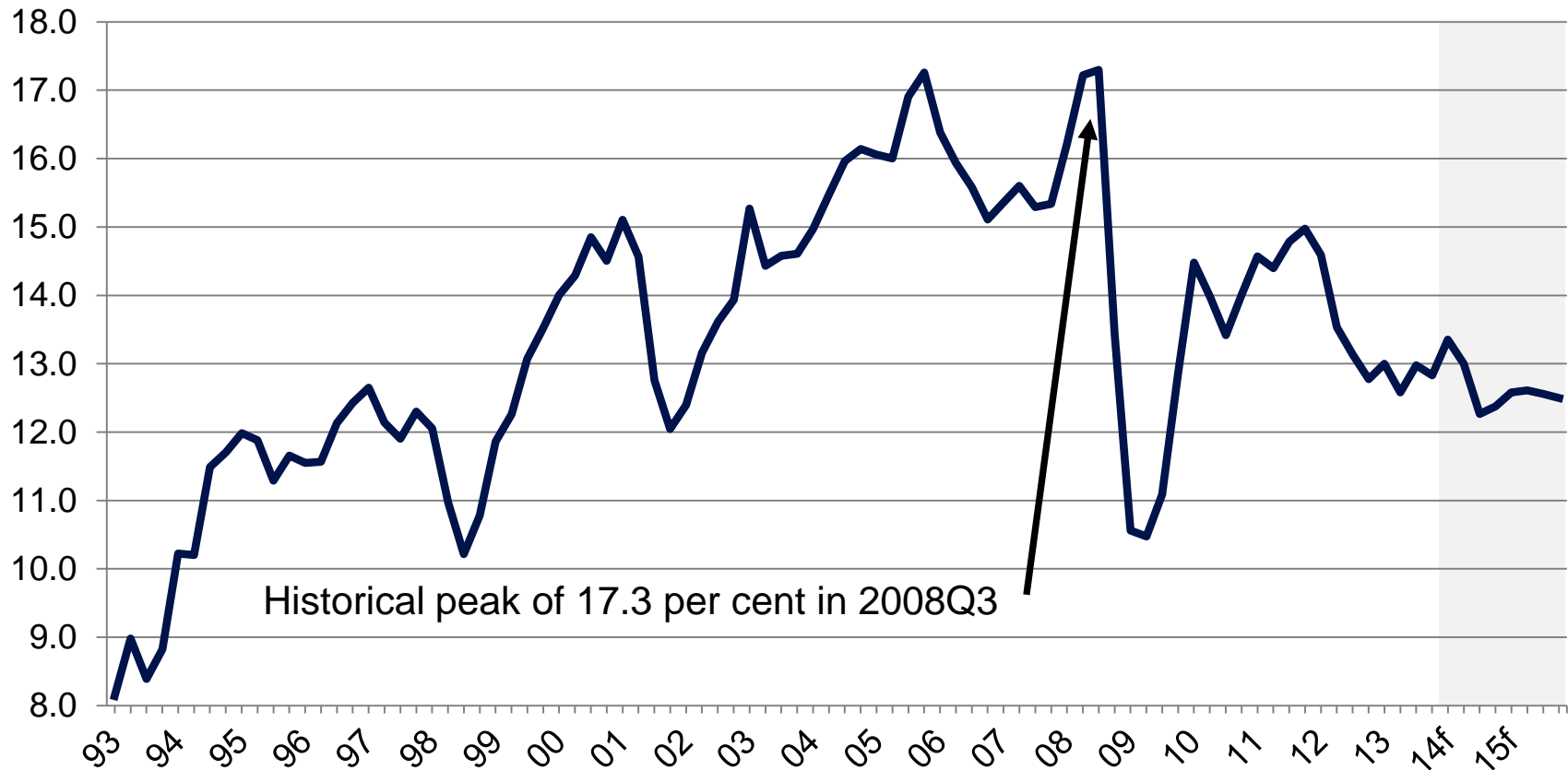
per cent change.



Sources: Statistics Canada; The Conference Board of Canada.

Pre-Tax Net operating surplus: corporations

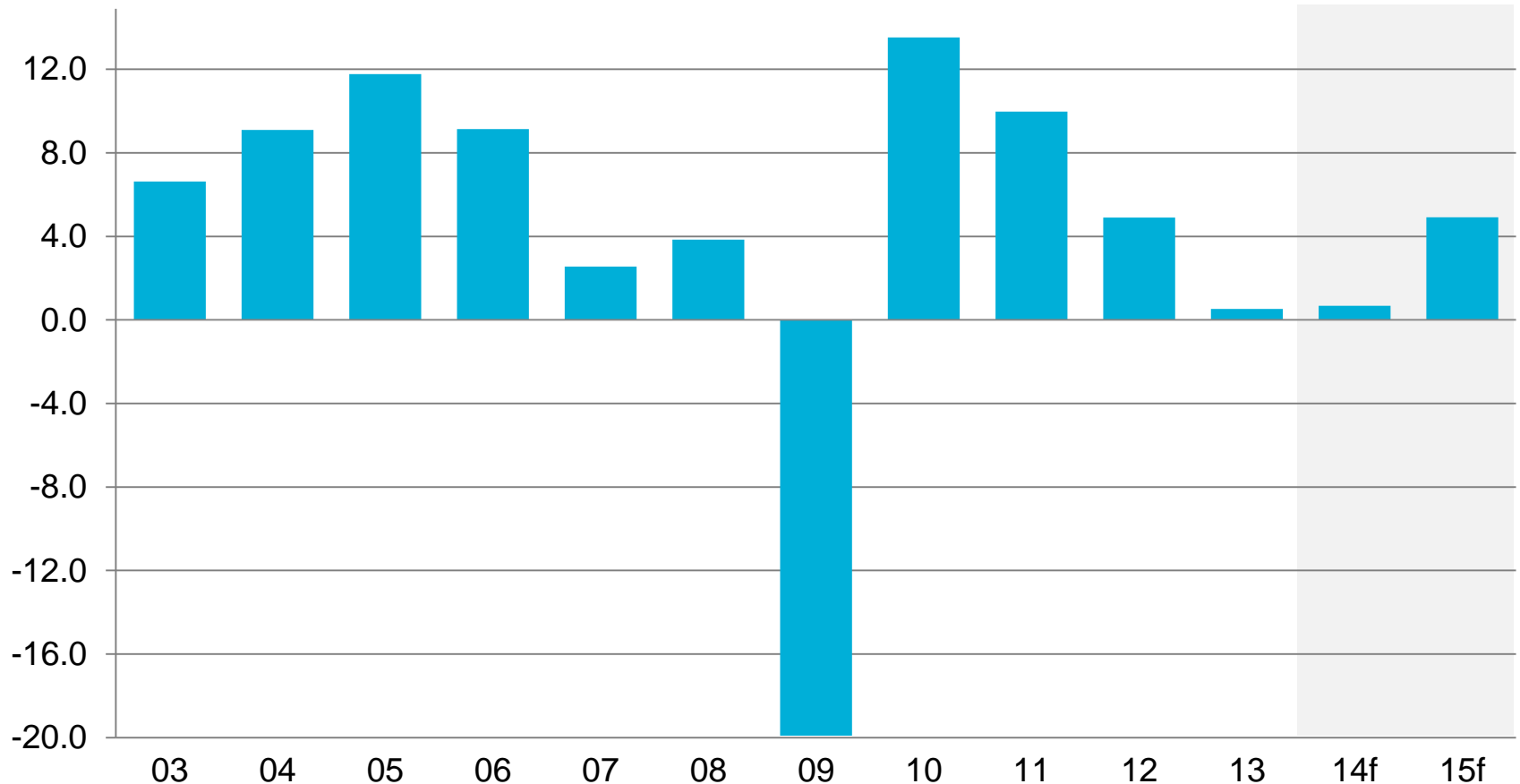
per cent share of GDP



Sources: Statistics Canada; The Conference Board of Canada.

Real Business Investment

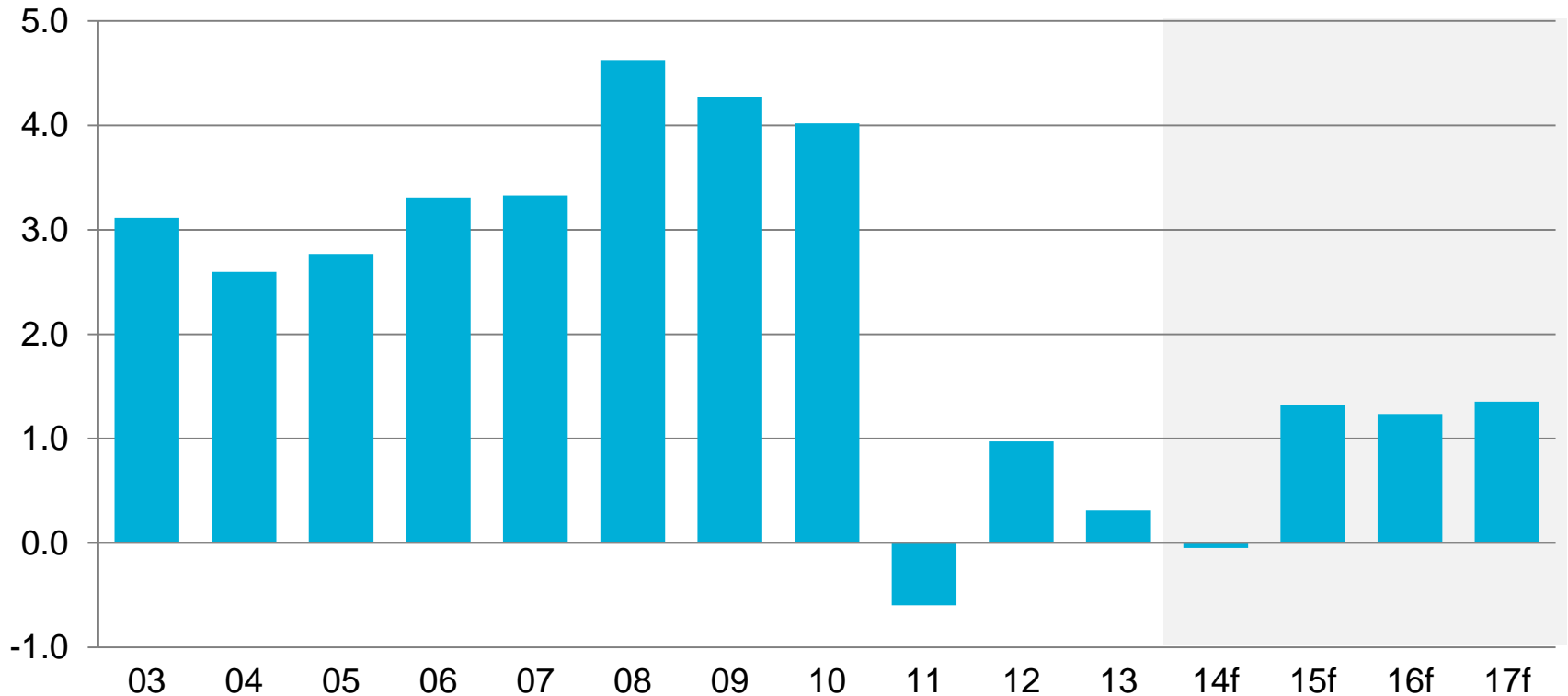
non-residential structures and machinery, per cent change



Sources: Statistics Canada; The Conference Board of Canada.

Real Government Spending on Goods, Services and Capital, Canada

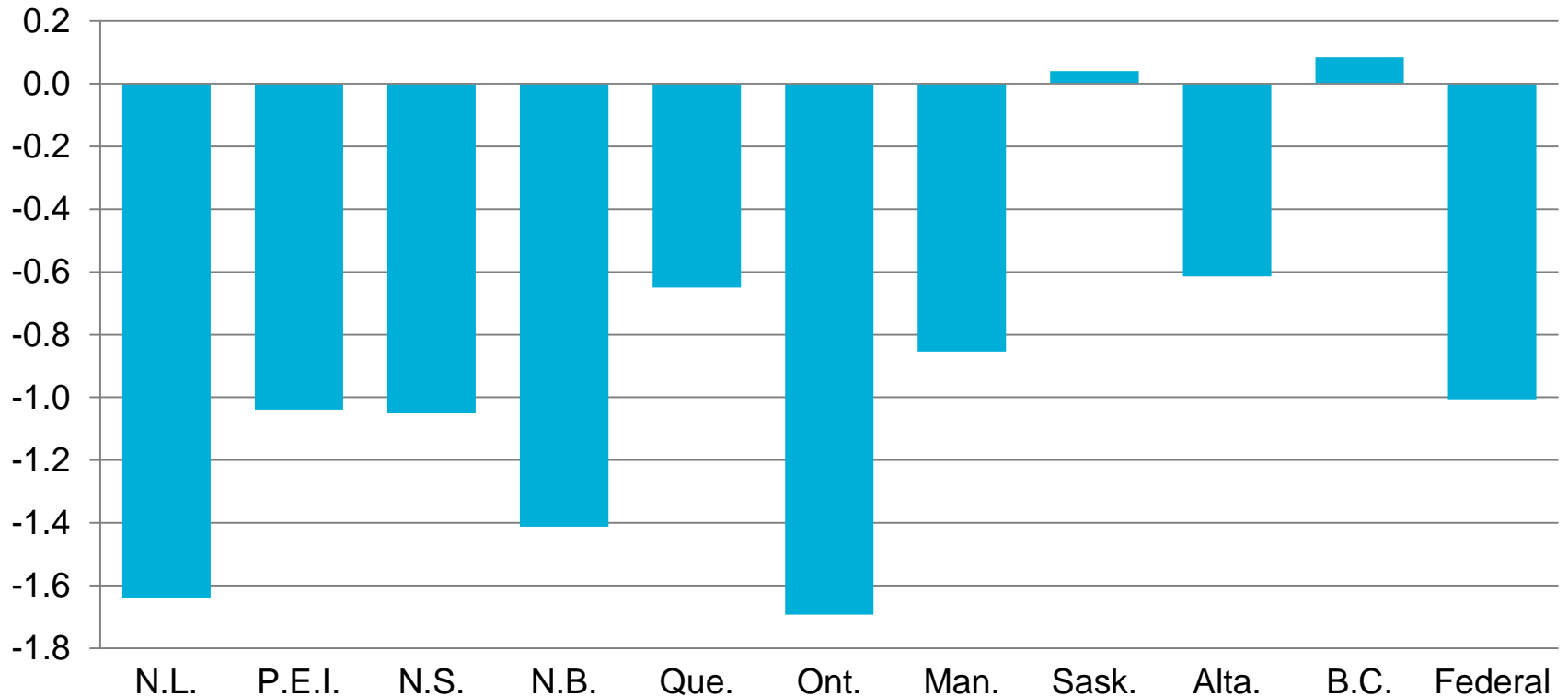
per cent change



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

Federal and Provincial Gov't Balances.

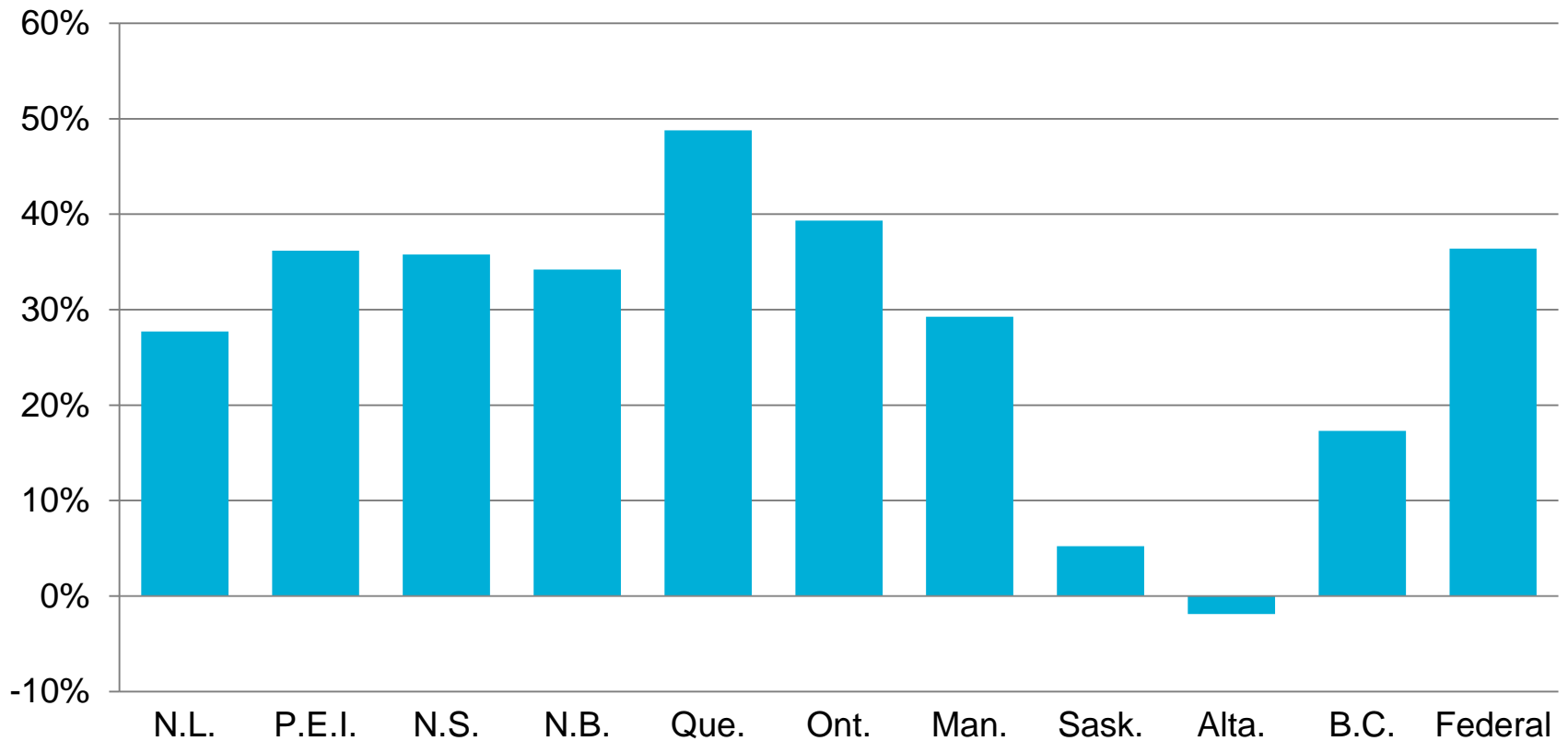
as a share of GDP, 2013-14.



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

Federal and Provincial Gov't Net Debt.

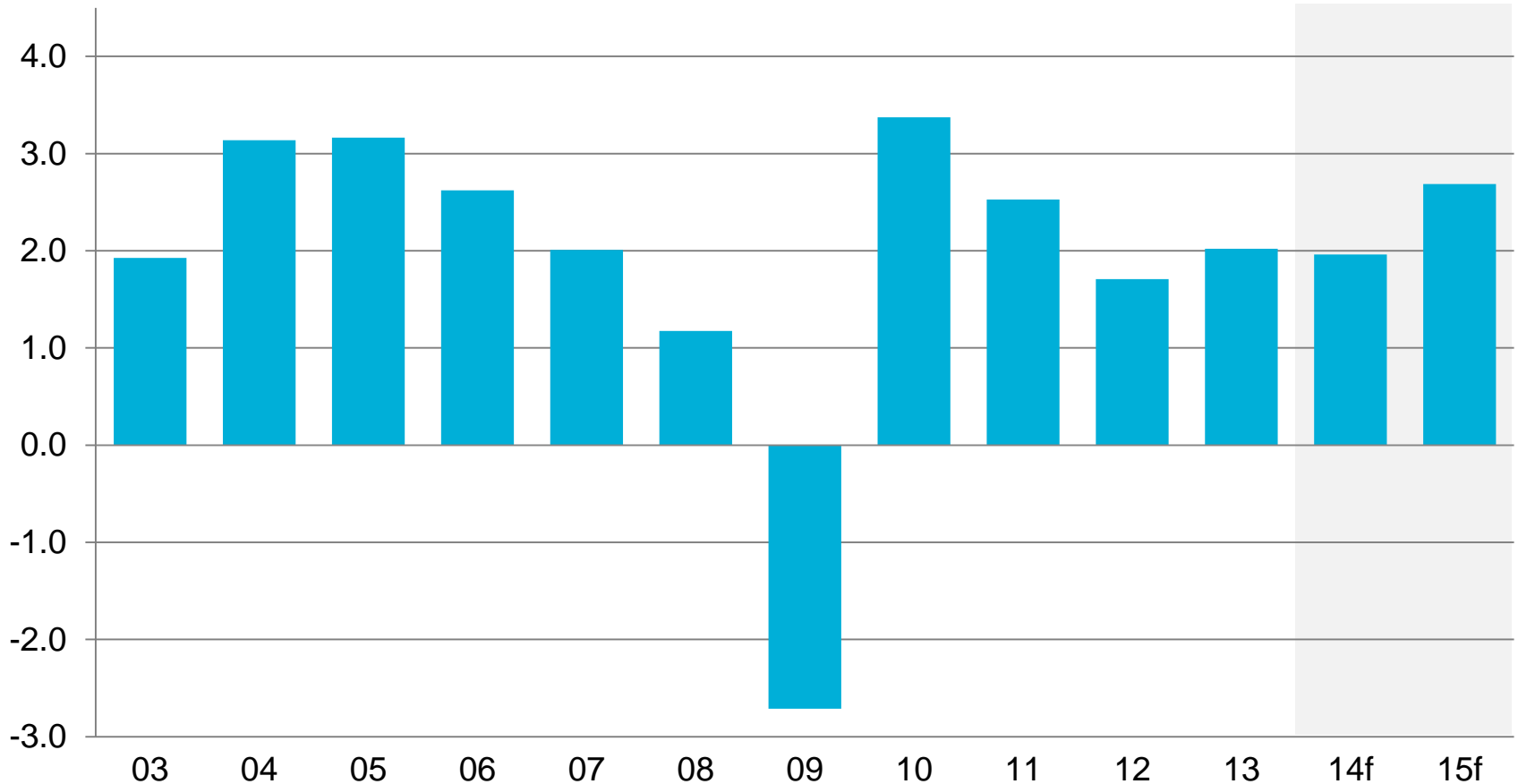
as a share of GDP, 2013-14.



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

Canada's Real GDP Growth

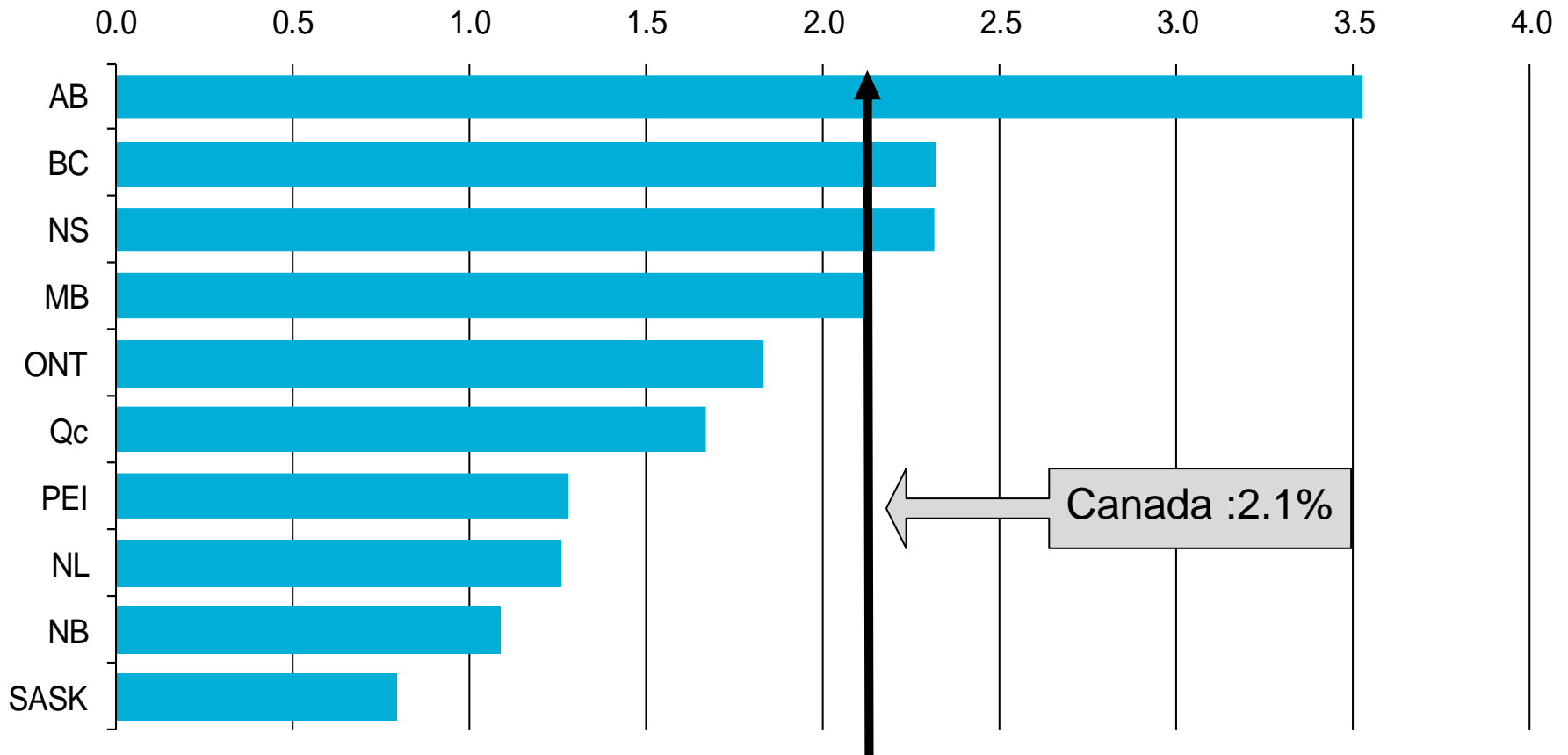
per cent change



Sources: Statistics Canada; The Conference Board of Canada.

2014 Real GDP by Province.

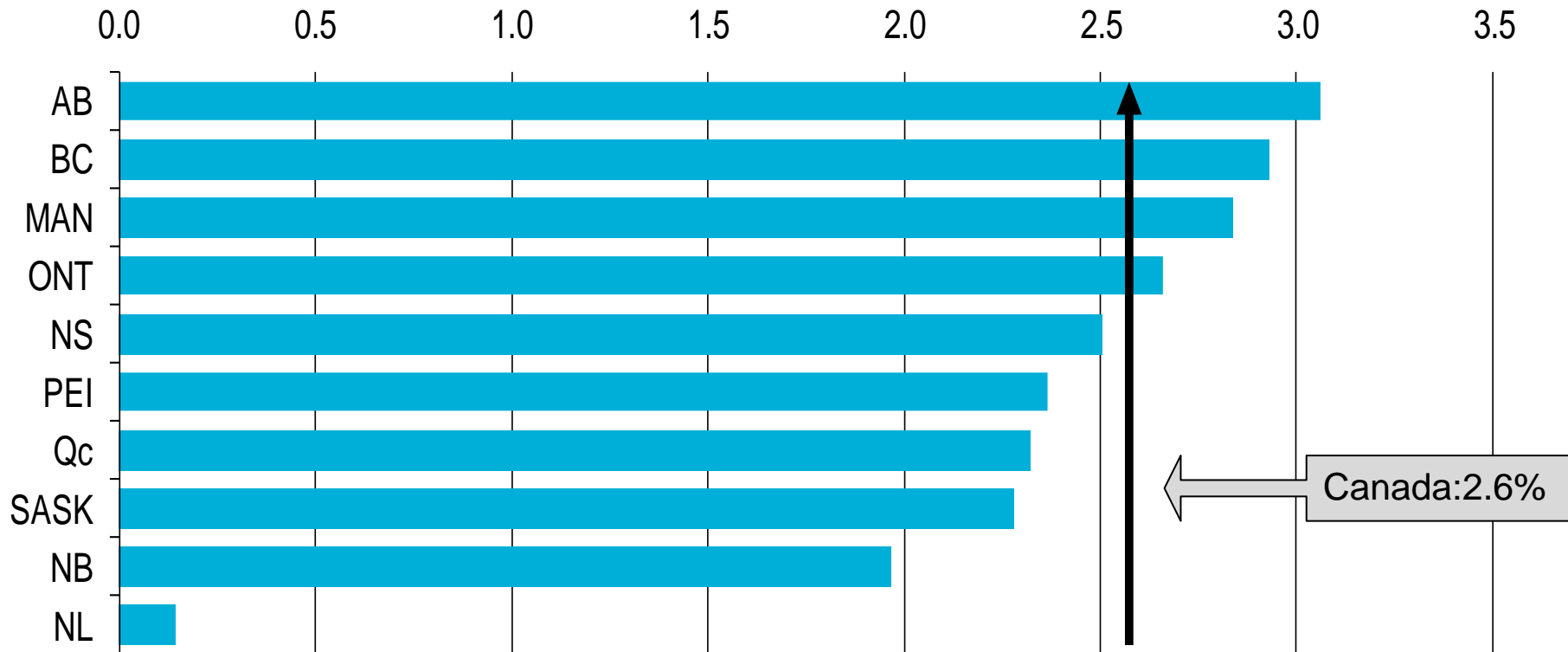
per cent change, basic prices, \$2007.



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

REPORT CARD

Economy

1	Alta.	A+	10	Ont.	B	19	Japan	C
2	Sask.	A+	11	U.K.	B	20	Denmark	C
3	N.L.	A+	12	B.C.	B	21	Netherlands	C
4	Australia	A	13	Sweden	B	22	Belgium	D
5	Ireland	A	14	Germany	B	23	N.S.	D
6	U.S.	A	15	P.E.I.	B	24	Finland	D
7	Norway	A	16	Austria	B	25	N.B.	D
8	Canada	B	17	Man.	C	26	France	D
9	Switzerland	B	18	Que.	C			

Note: Data for the most recent year available were used.

Source: The Conference Board of Canada.

Implications

- Global risks down but still elevated
- Weaning ourselves from cheap money
- U.S. private sector recovery is real
- Canadian growth moderate
- Governments de-leveraging, very modest private investment
- Growth prospects uneven across the country



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