



CIM-MES ECONOMIC SEMINAR

The Great Hesitation

November 30, 2016
Bay-Adelaide Centre, Toronto

Peter Hall
Vice-President and Chief Economist





THE GREAT
MODERATION

THE GREAT
MONETARY INFUSION

THE GREAT
INTERVENTION

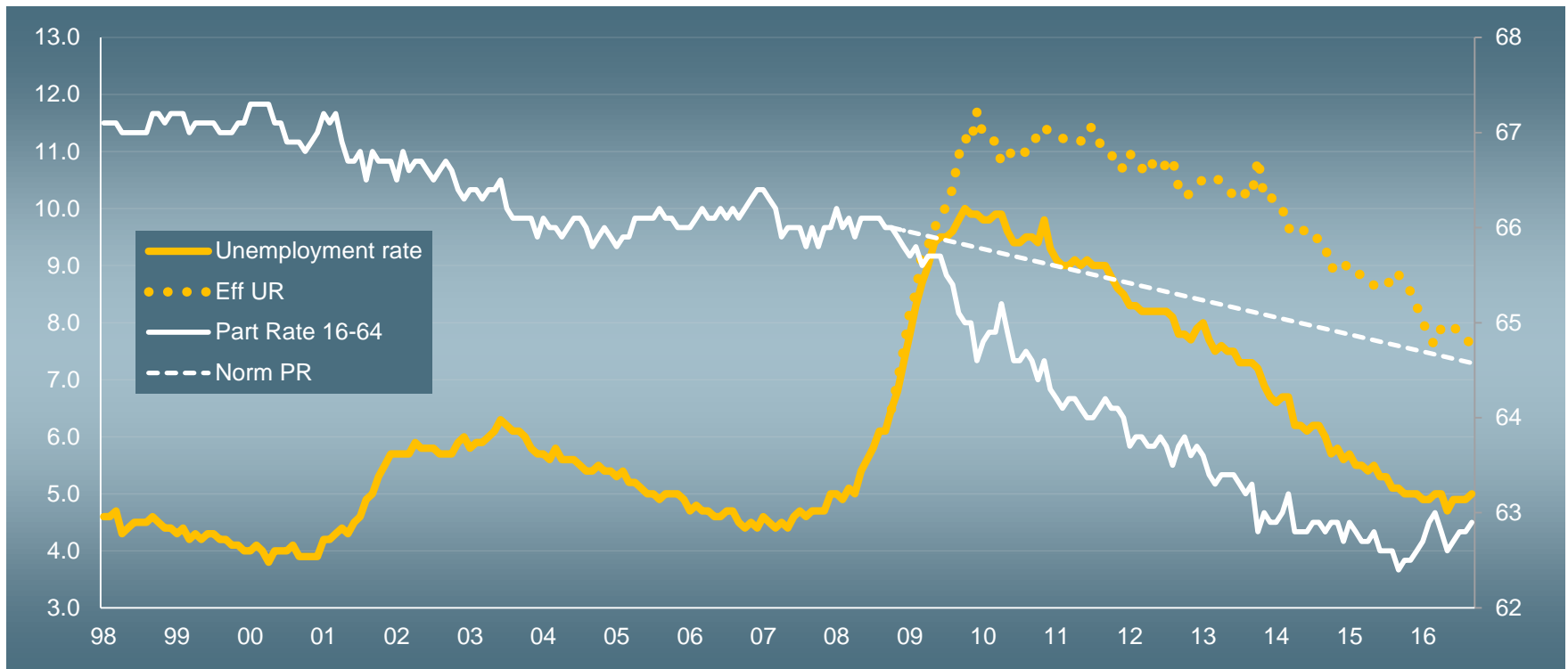
THE GREAT
RECESSION

THE GREAT
ACCUMULATION

THE GREAT
EXPANSION

US UNEMPLOYMENT: POSTED VS. 'EFFECTIVE'

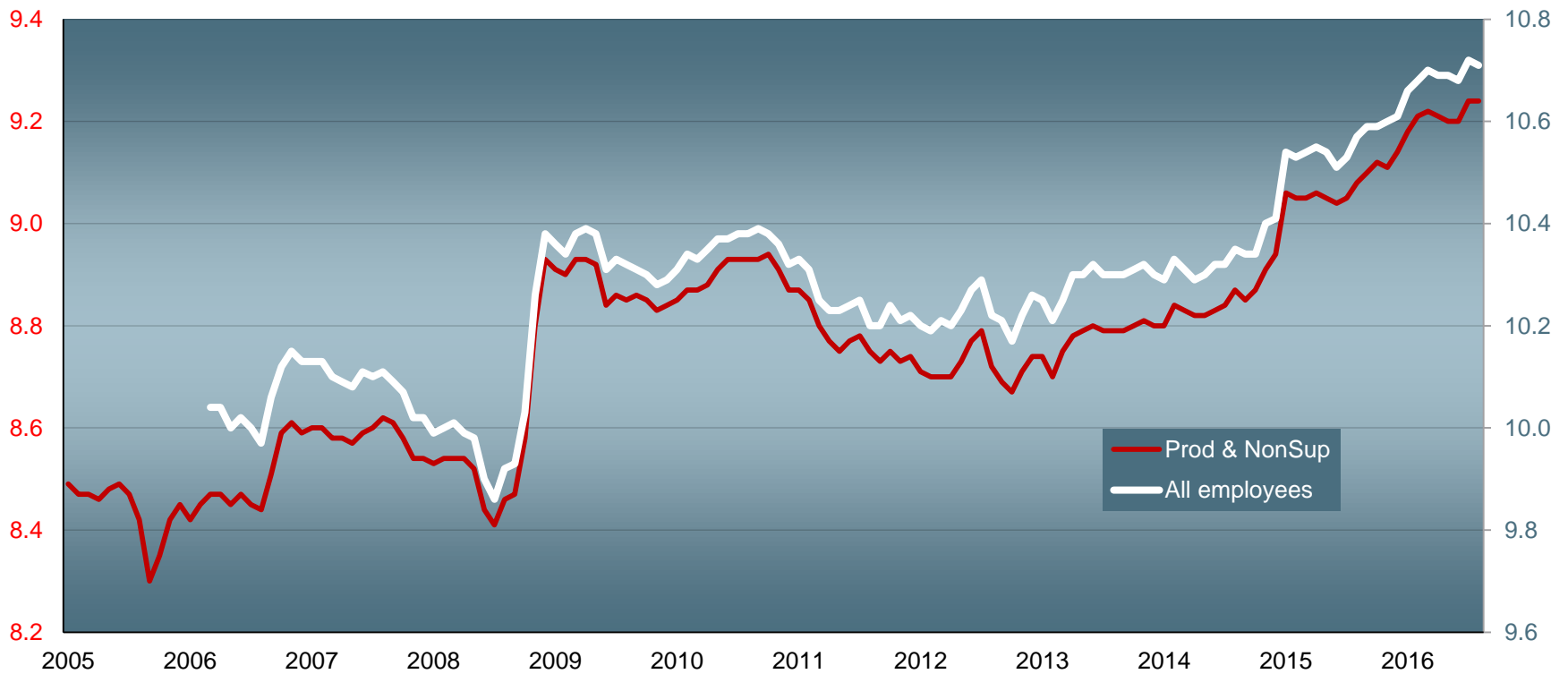
Unemployment rate, participation rate (%)



Sources: US BLS, Haver Analytics

US WAGES: CONSUMERS DON'T MIND...

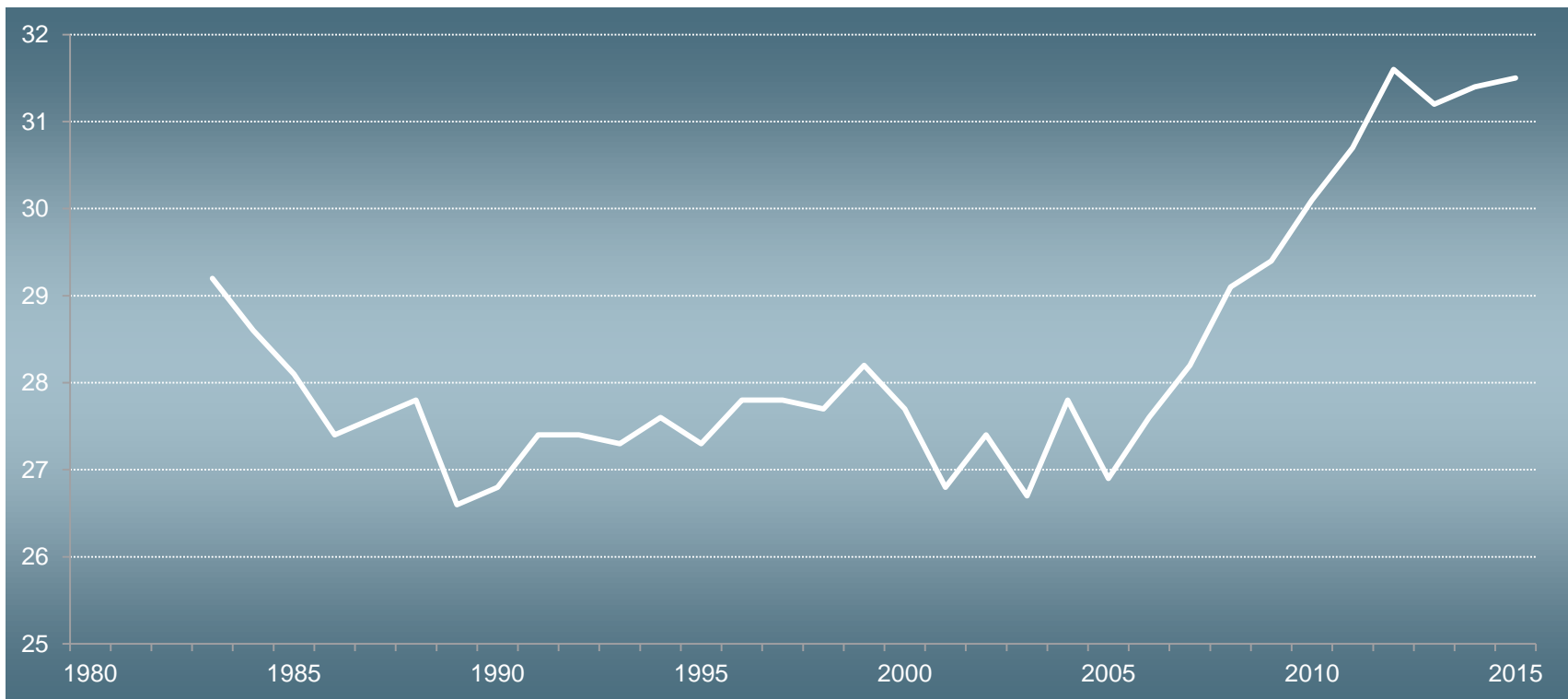
Real average hourly earnings, SA, \$1982-84



Sources: US BLS, Haver Analytics

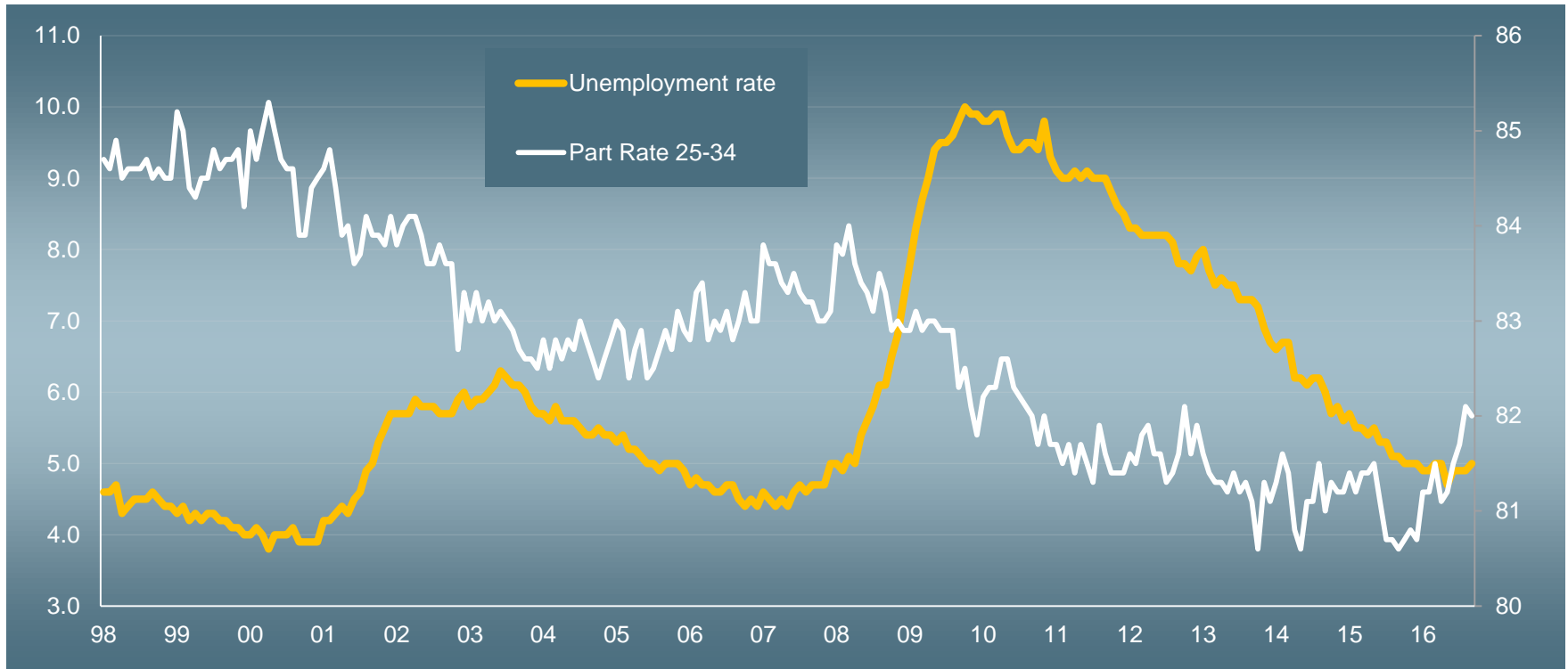
US CONSUMERS: YOUTH LEFT BEHIND?

Adult children of householder living at home: 18-34 years old (%)



US LABOUR FORCE: MILLENNIALS ARE COMING BACK

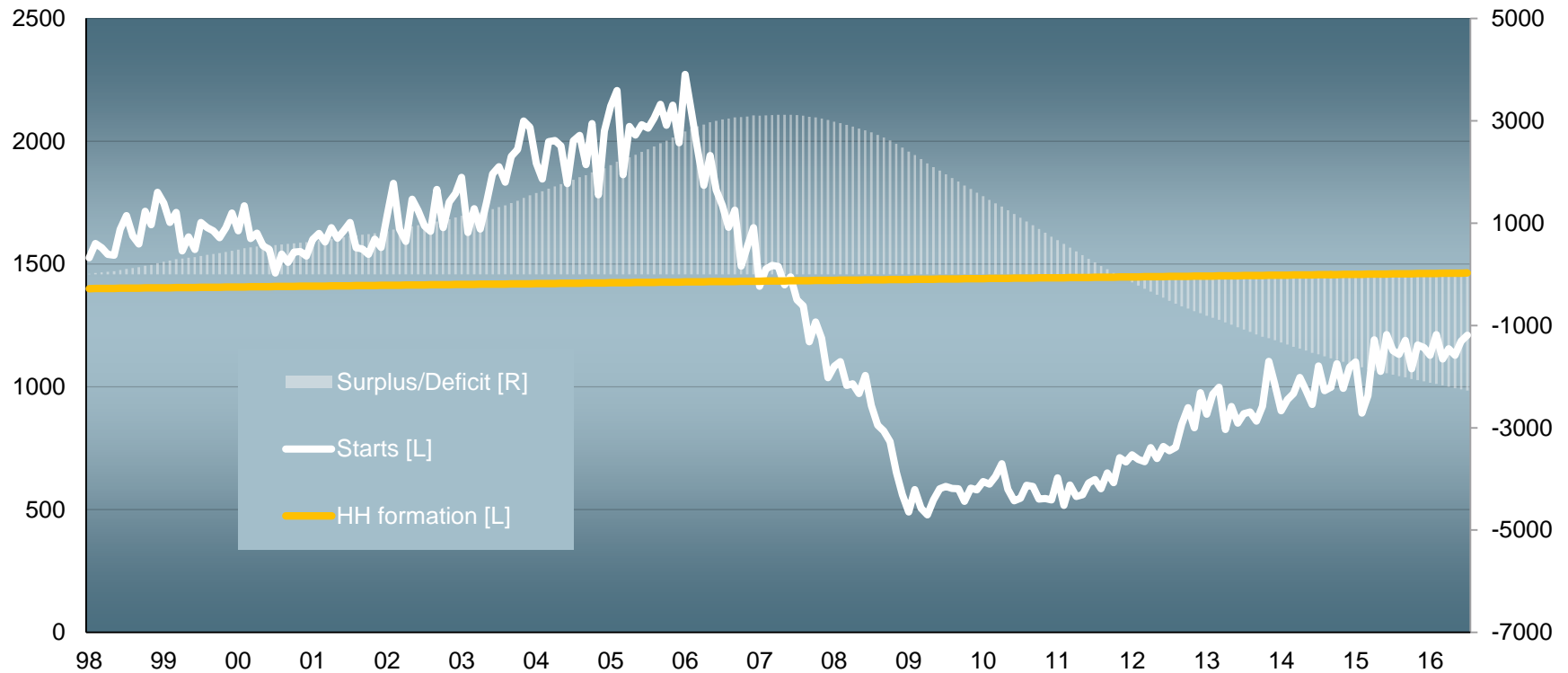
Unemployment rate, participation rate 25-34 (%)



Sources: US BLS, Haver Analytics

US HOUSING: WILL MILLENNIALS BUY IN?

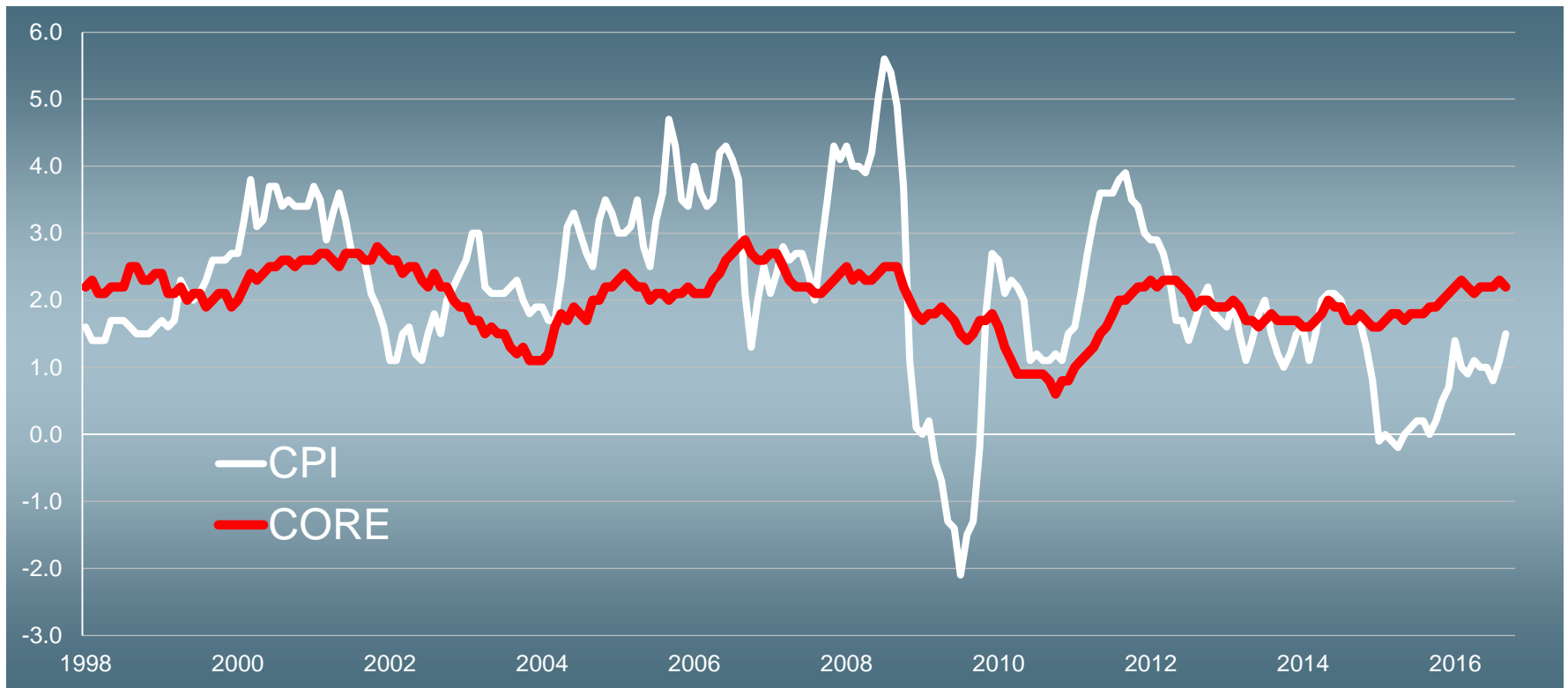
Housing starts, requirements, balance, SAAR, '000 units



Sources: US Census Bureau, NAR, Haver Analytics

US PRICES: TROUBLE?

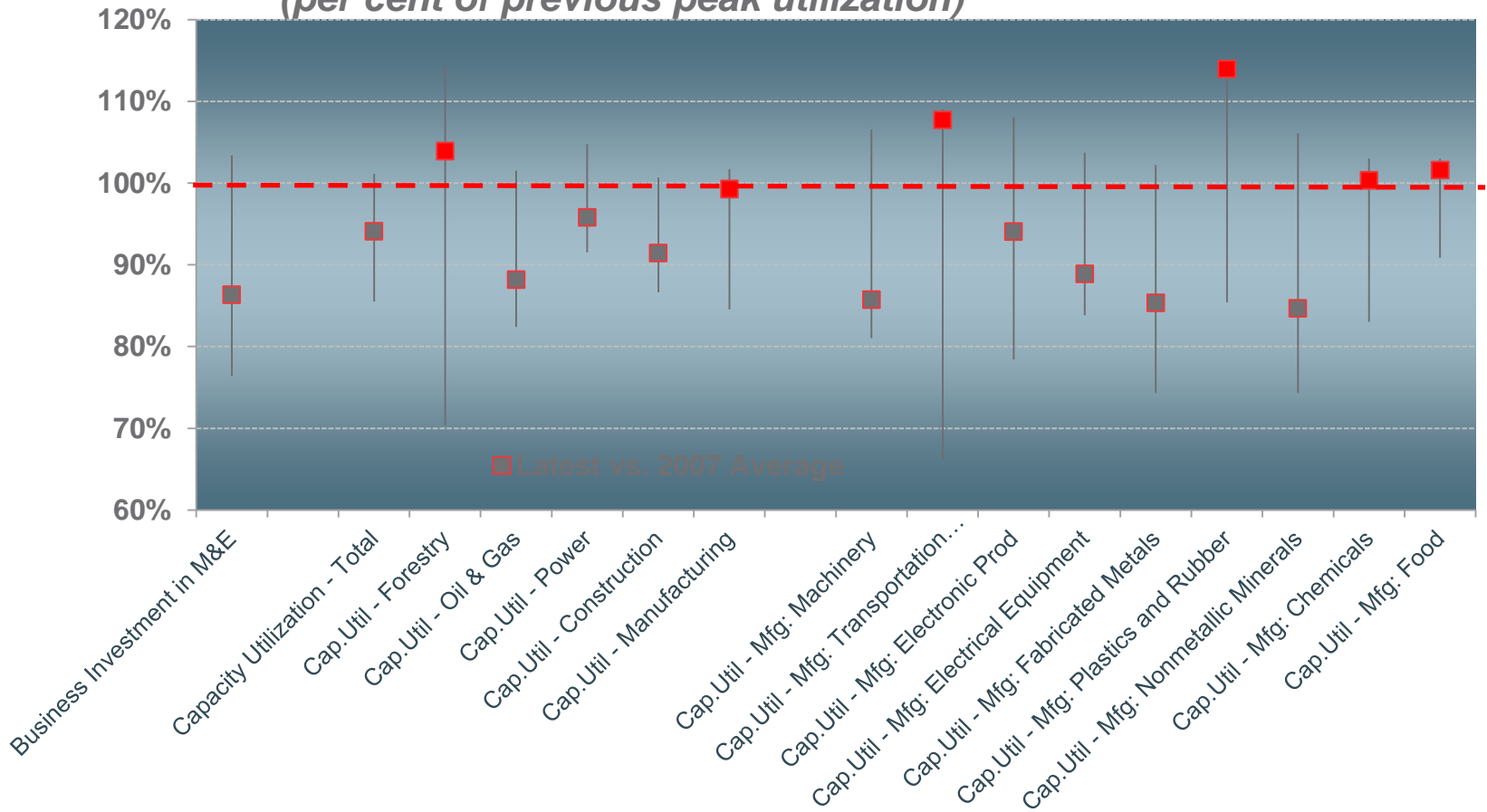
CPI, all Items and core, 1982-84=100



Sources: BLS, Haver Analytics

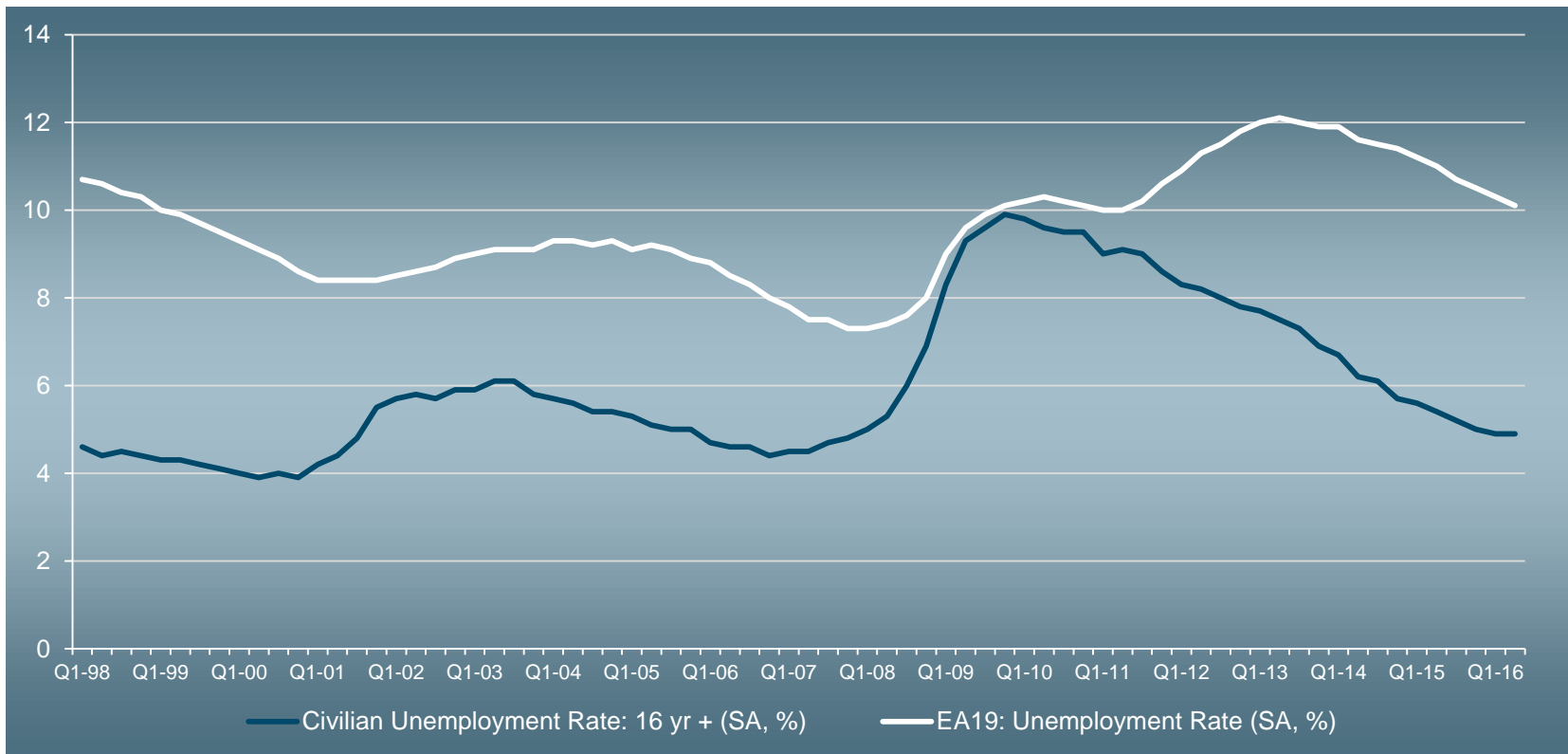
US INDUSTRIAL CAPACITY: STRETCHED?

Range and Current Level, Capacity Utilization
(per cent of previous peak utilization)



US, EU: SAME TRAJECTORY

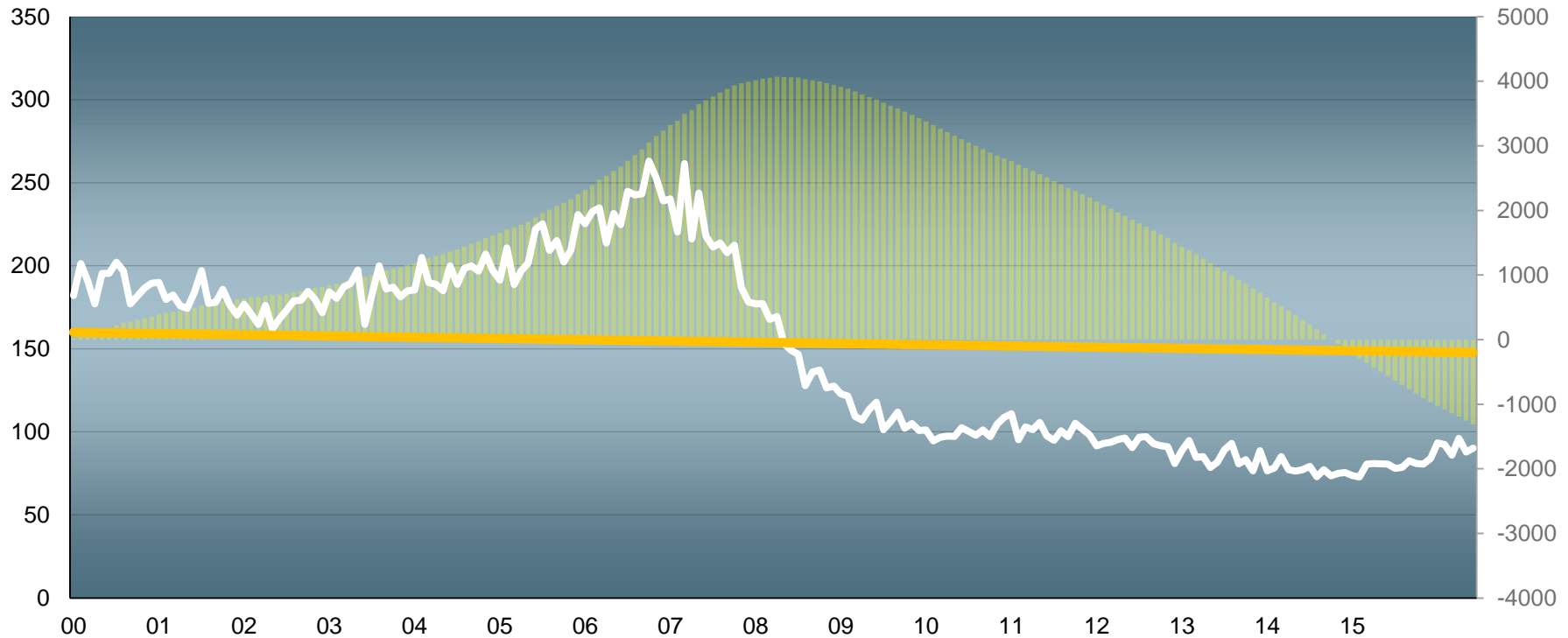
Unemployment rates, US, EA 19 (%)



Sources: US BLS, Statistical Office of the EC, Haver Analytics

EU: IS CONSTRUCTION PICKING UP?

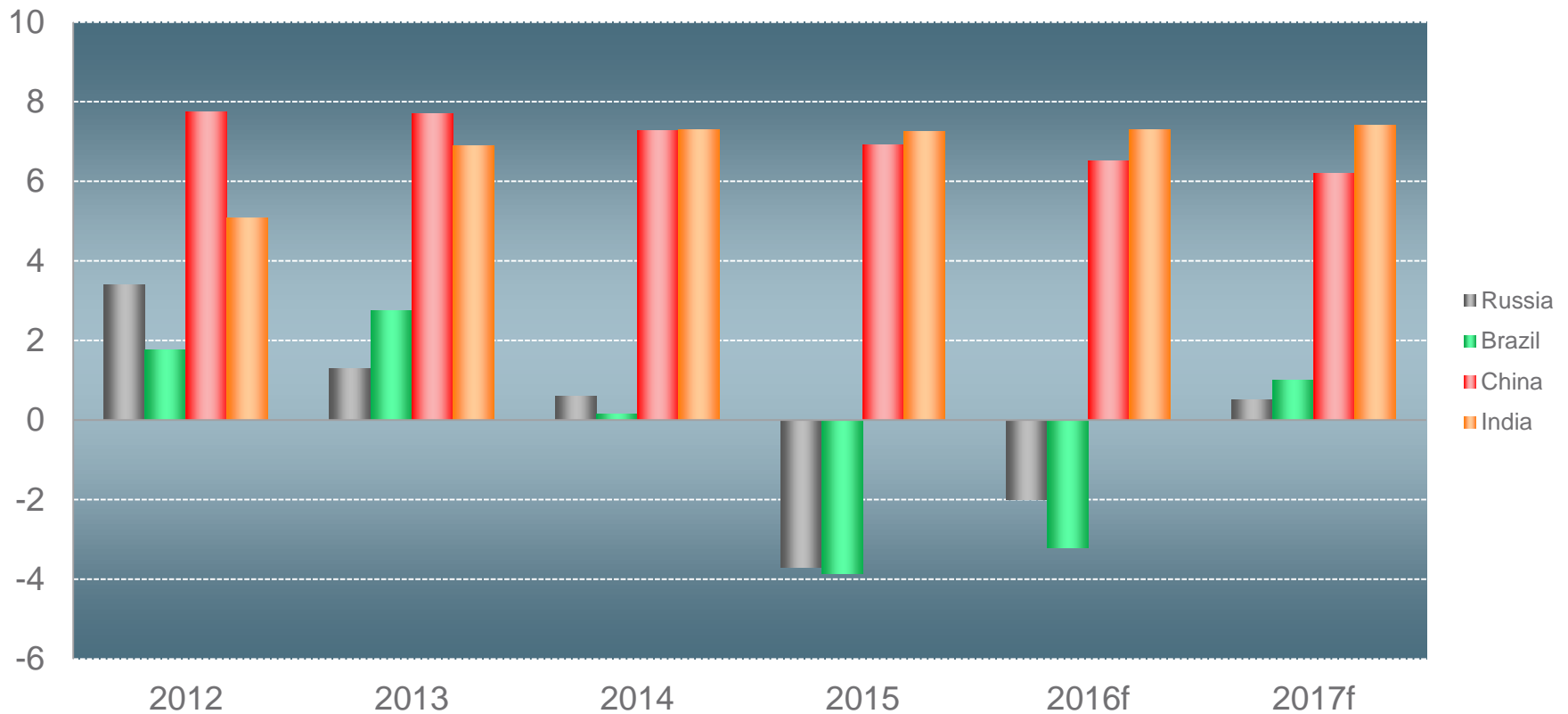
EA building permits, all buildings, '000 m²



Sources: Eurostat, Haver Analytics

BRICS: TROUBLE SPOTS?

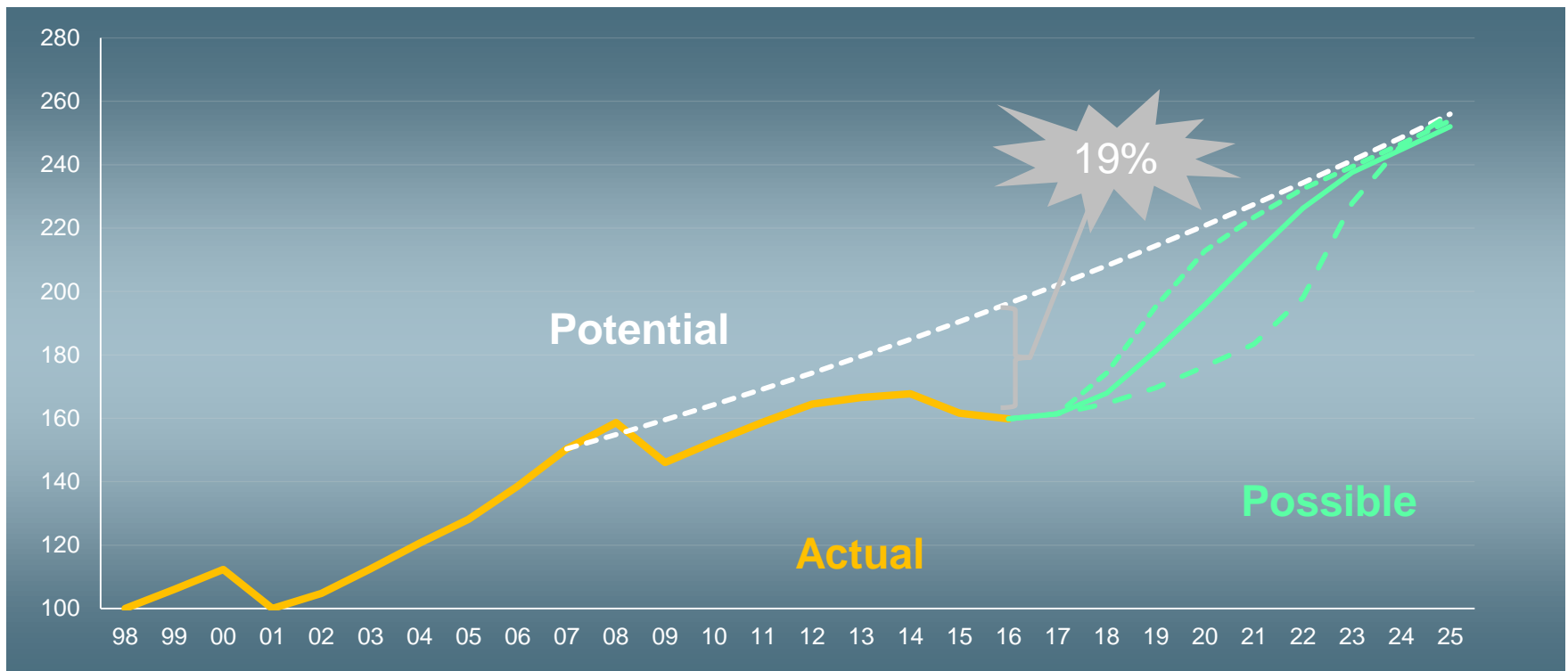
Expenditure-based GDP, chained local currency, SAAR, per cent



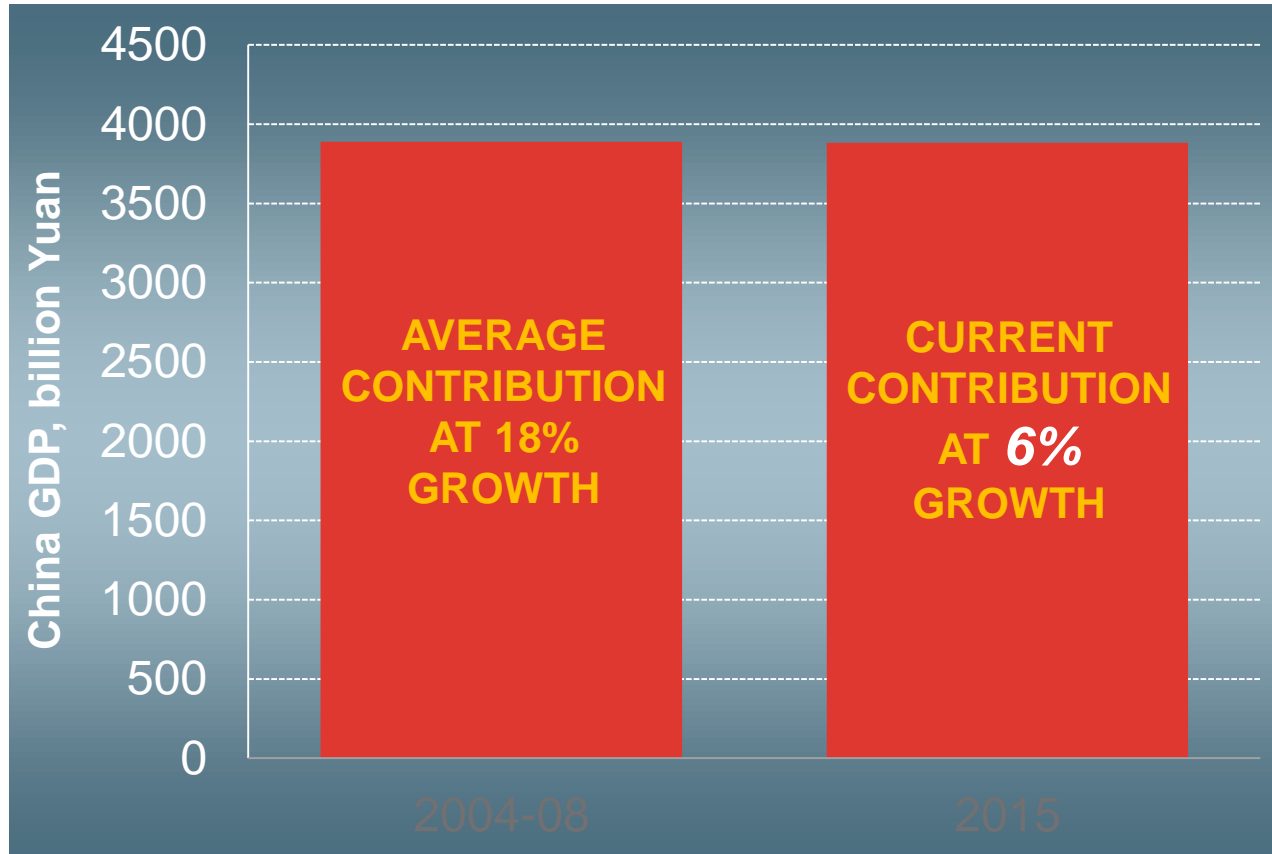
Sources: EIU, Haver Analytics

RECOVERING MARKET GROWTH DYNAMICS: E.G. RUSSIA

GDP growth, actual and potential



CHINA HAS GROWN!

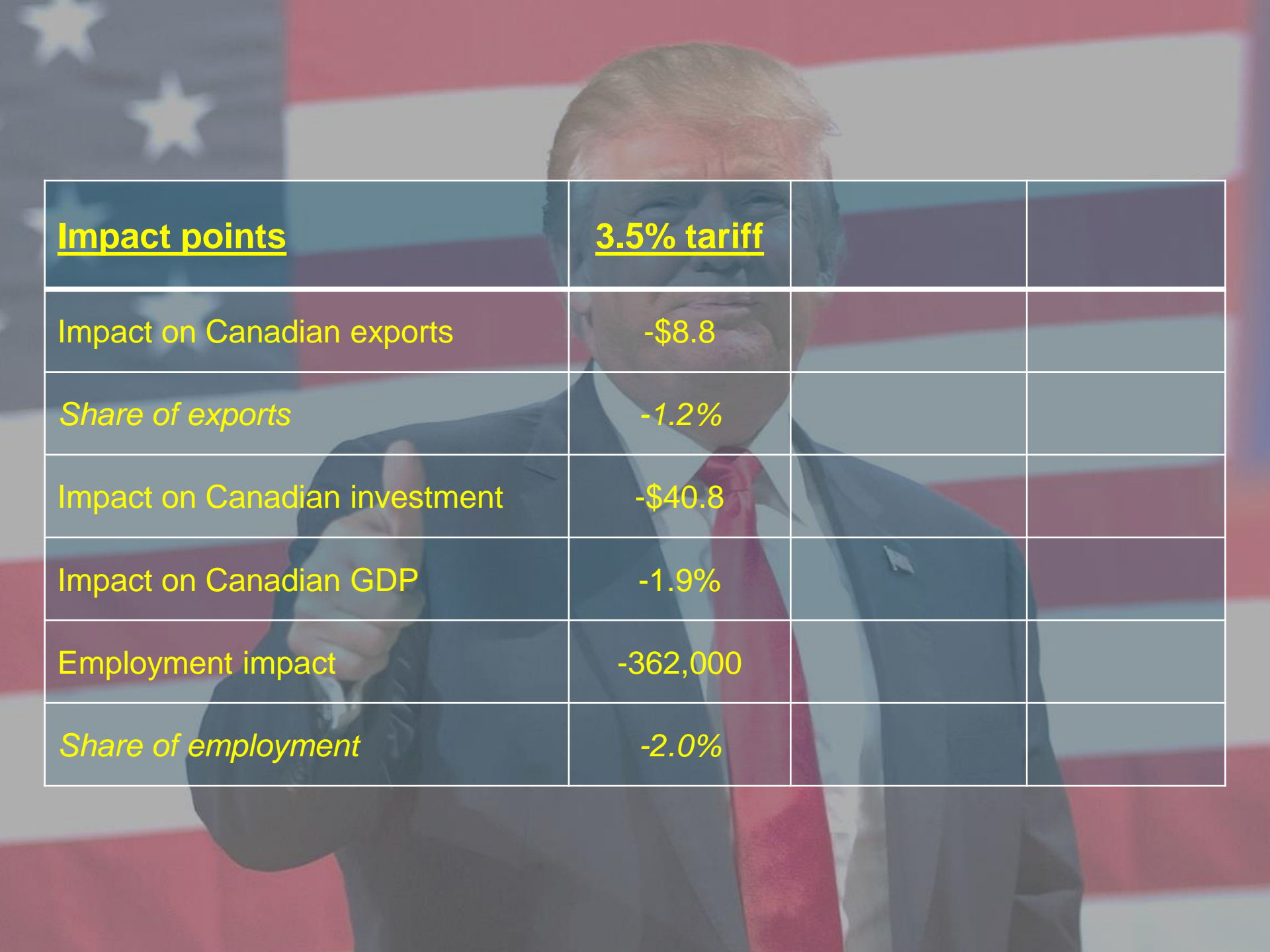


GLOBAL GROWTH FORECAST

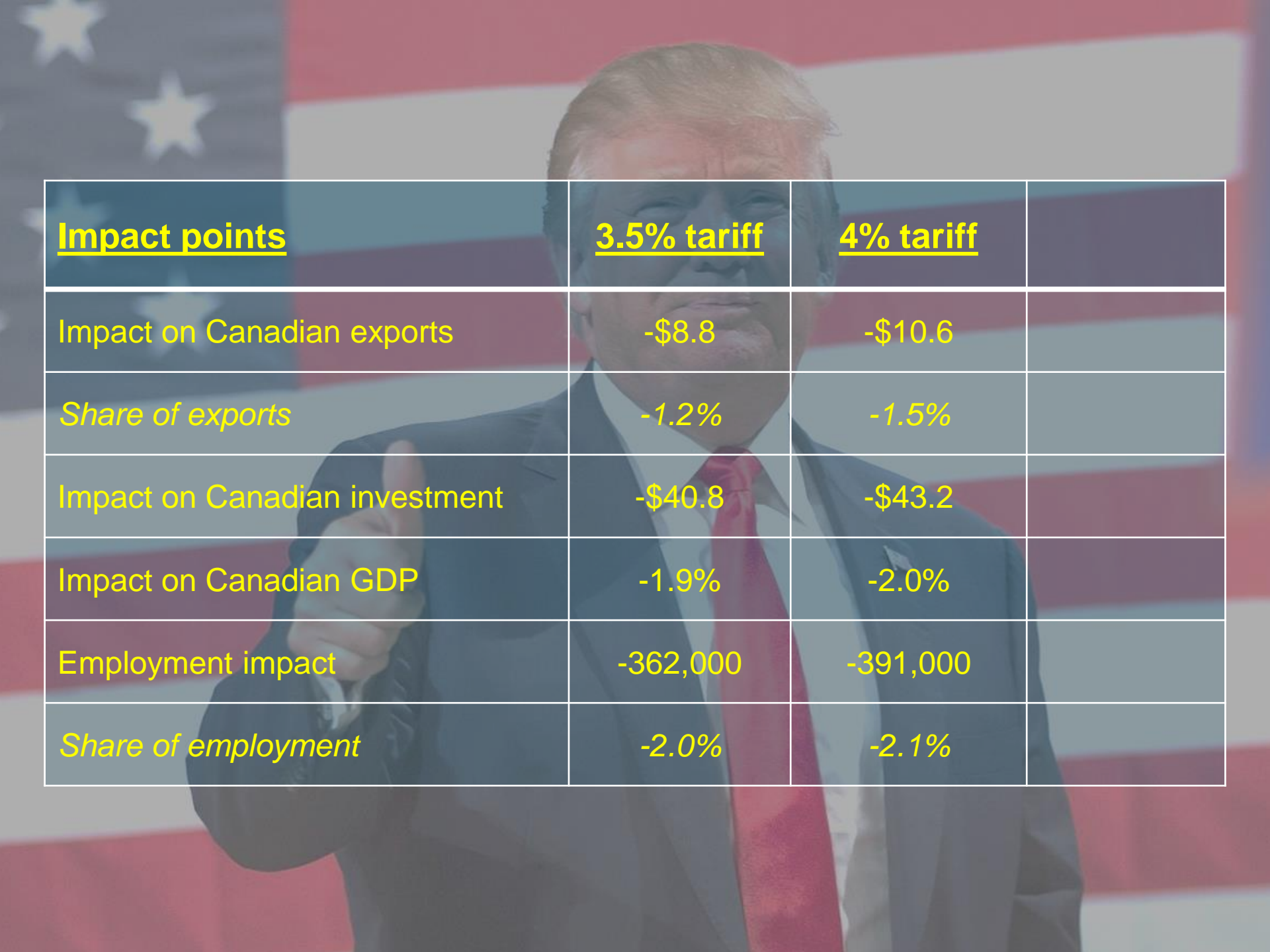
Market	2013	2014	2015	2016 (f)	2017 (f)
US	1.5	2.4	2.4	1.5	2.4
Canada	2.2	2.5	1.1	1.3	2.0
Mexico	1.6	2.3	2.5	1.9	2.5
Euro Area	-0.3	0.9	1.7	1.5	1.2
Japan	1.4	-0.1	0.5	0.5	0.8
Industrialized countries	1.1	1.8	1.9	1.5	1.8
Emerging Asia	7.0	6.8	6.6	6.4	6.4
› China	7.7	7.3	6.9	6.5	6.3
› India	6.9	7.3	7.6	7.5	7.4
LatAm/Caribbean	2.9	1.3	0.0	-0.5	1.7
› Brazil	2.7	0.1	-3.8	-3.2	1.0
Emerging Europe	4.2	3.4	2.0	1.0	1.9
› Russia	1.3	0.6	-3.7	-1.1	0.7
Africa/Mideast	3.0	3.3	2.6	2.8	3.3
Emerging countries	5.0	4.6	4.0	4.0	4.6
Total World	3.3	3.4	3.1	3.0	3.4

- **Confusion: What do they *really* want?**
- **What are politicians pushing?**
- **Reality: importance of trade relationships**
- **Continental risk: fragmentation**
- **Banking sector: unclear outcomes?**
- **Canadian strategy?**

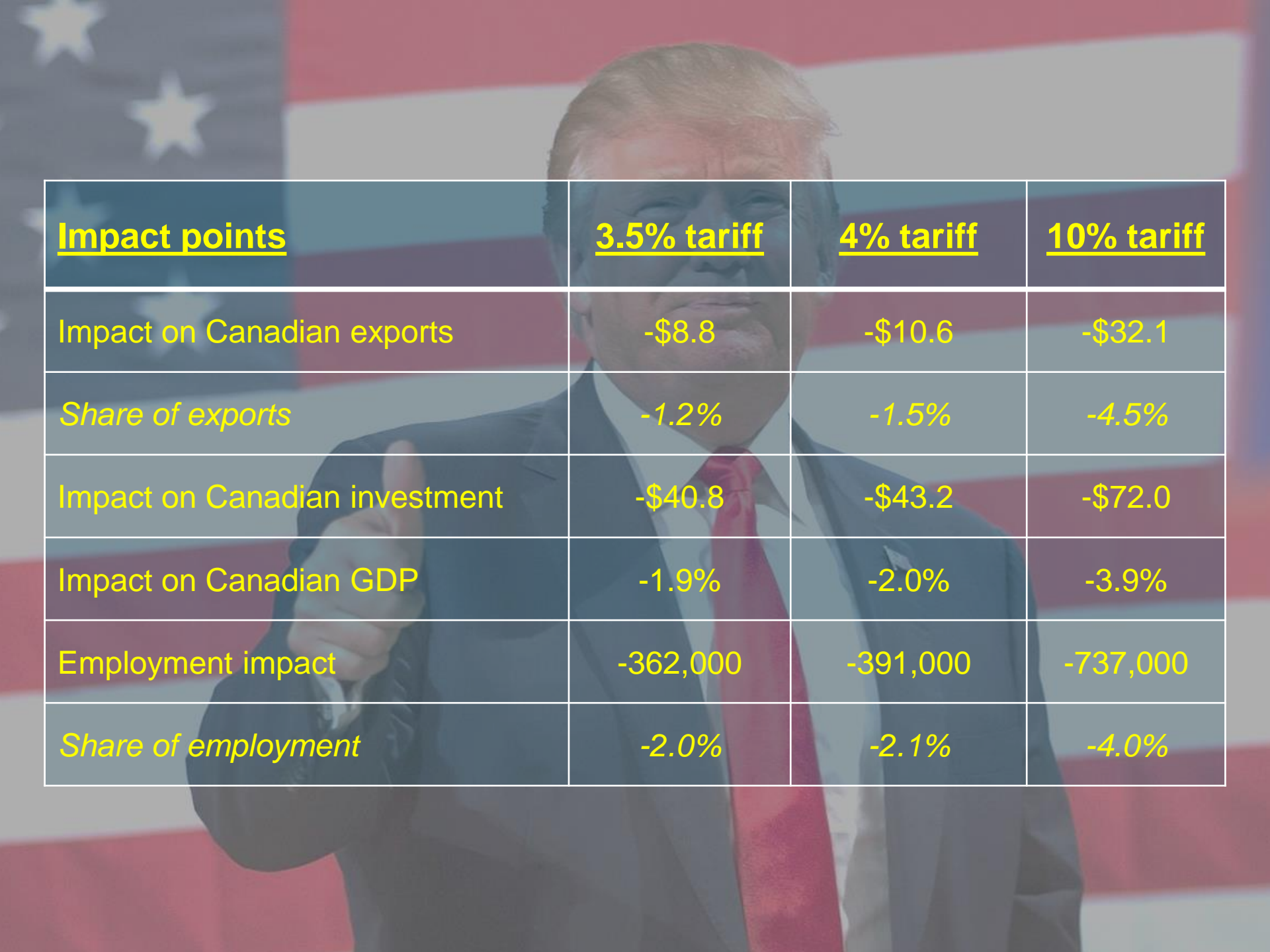




<u>Impact points</u>	<u>3.5% tariff</u>		
Impact on Canadian exports	-\$8.8		
<i>Share of exports</i>	-1.2%		
Impact on Canadian investment	-\$40.8		
Impact on Canadian GDP	-1.9%		
Employment impact	-362,000		
<i>Share of employment</i>	-2.0%		



<u>Impact points</u>	<u>3.5% tariff</u>	<u>4% tariff</u>	
Impact on Canadian exports	-\$8.8	-\$10.6	
<i>Share of exports</i>	-1.2%	-1.5%	
Impact on Canadian investment	-\$40.8	-\$43.2	
Impact on Canadian GDP	-1.9%	-2.0%	
Employment impact	-362,000	-391,000	
<i>Share of employment</i>	-2.0%	-2.1%	



<u>Impact points</u>	<u>3.5% tariff</u>	<u>4% tariff</u>	<u>10% tariff</u>
Impact on Canadian exports	-\$8.8	-\$10.6	-\$32.1
<i>Share of exports</i>	-1.2%	-1.5%	-4.5%
Impact on Canadian investment	-\$40.8	-\$43.2	-\$72.0
Impact on Canadian GDP	-1.9%	-2.0%	-3.9%
Employment impact	-362,000	-391,000	-737,000
<i>Share of employment</i>	-2.0%	-2.1%	-4.0%

INTERNATIONAL TRADE & THE US ELECTION

- **NAFTA effects at home**
- **Impact of a 35% tariff on Mexico**
- **TPP and US influence in Asia**
- **Other trade deals?**
- **Key objective, vs. rhetoric**
- **Policy actions: core, or periphery?**

THE US ELECTION: CANADIAN CONCERNS

- **Trans-border trade: will NAFTA hold?**
- **Lower US corporate taxes: impact**
- **Canadians with Mexican operations**
- **Softwood lumber**
- **Canadian carbon taxes & competitiveness**
- **TPP and the future of trade deals**

1. Canadian employment ***increases***
2. Canadian wages ***don't decrease***
3. Canadian firms ***get stronger***
4. CDIA ***not primarily for cost cutting***
5. Key to ***diversification of markets***



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DRIVERS OF THE CANADIAN DOLLAR

Oil & gas prices

Non-energy commodity prices

Interest rate spreads

US dollar movements*

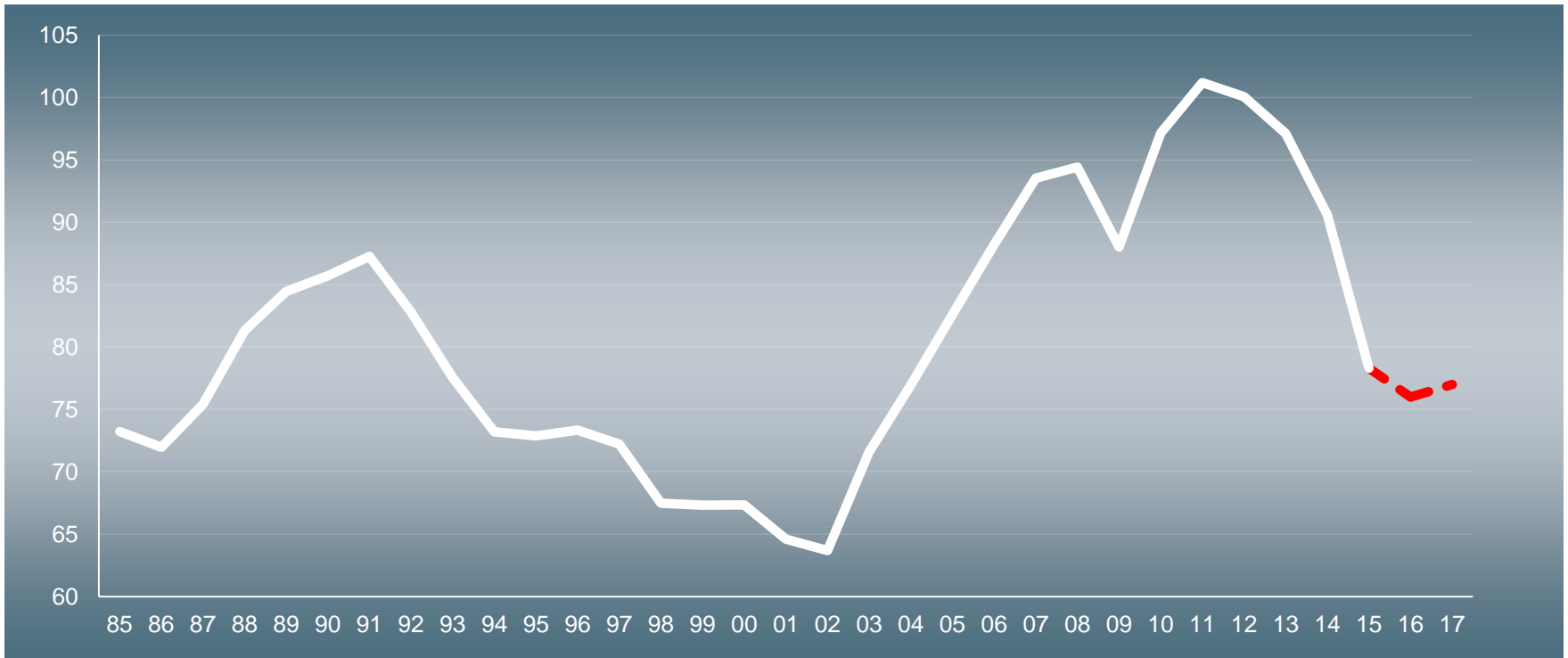
The 'halo' effect

Canadian dollar

Source: EDC Economics

CANADA: SMOOTHER CURRENCY MOVEMENT*

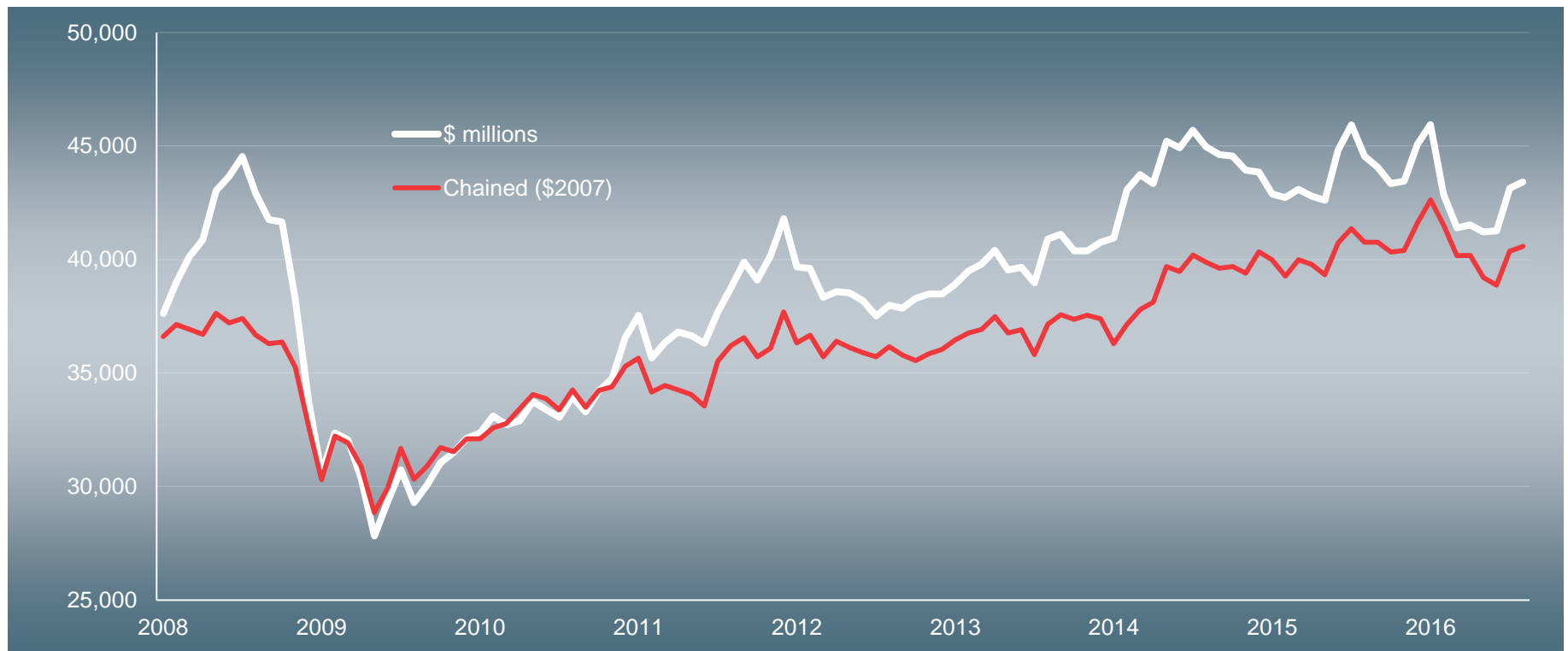
CAD-USD exchange rate, annual



Sources: JP Morgan, Haver Analytics

SETBACK FOR CANADIAN EXPORTS

Merchandise exports, BOP basis, \$millions, \$millions chained (2007)



Sources: Statistics Canada, Haver Analytics

YOUR TIME...

Questions? Discussion?

FREE RESOURCES ONLINE

- › www.edc.ca
- › **Country Risk Quarterly**
- › **Global Export Forecast**
- › **Weekly Commentary**
- › **Trade Confidence Index**
- › **The Commodity Tracker**
- › **Research reports on international trade**

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