



The Economic Outlook: Fiscal and Agri-food Implications

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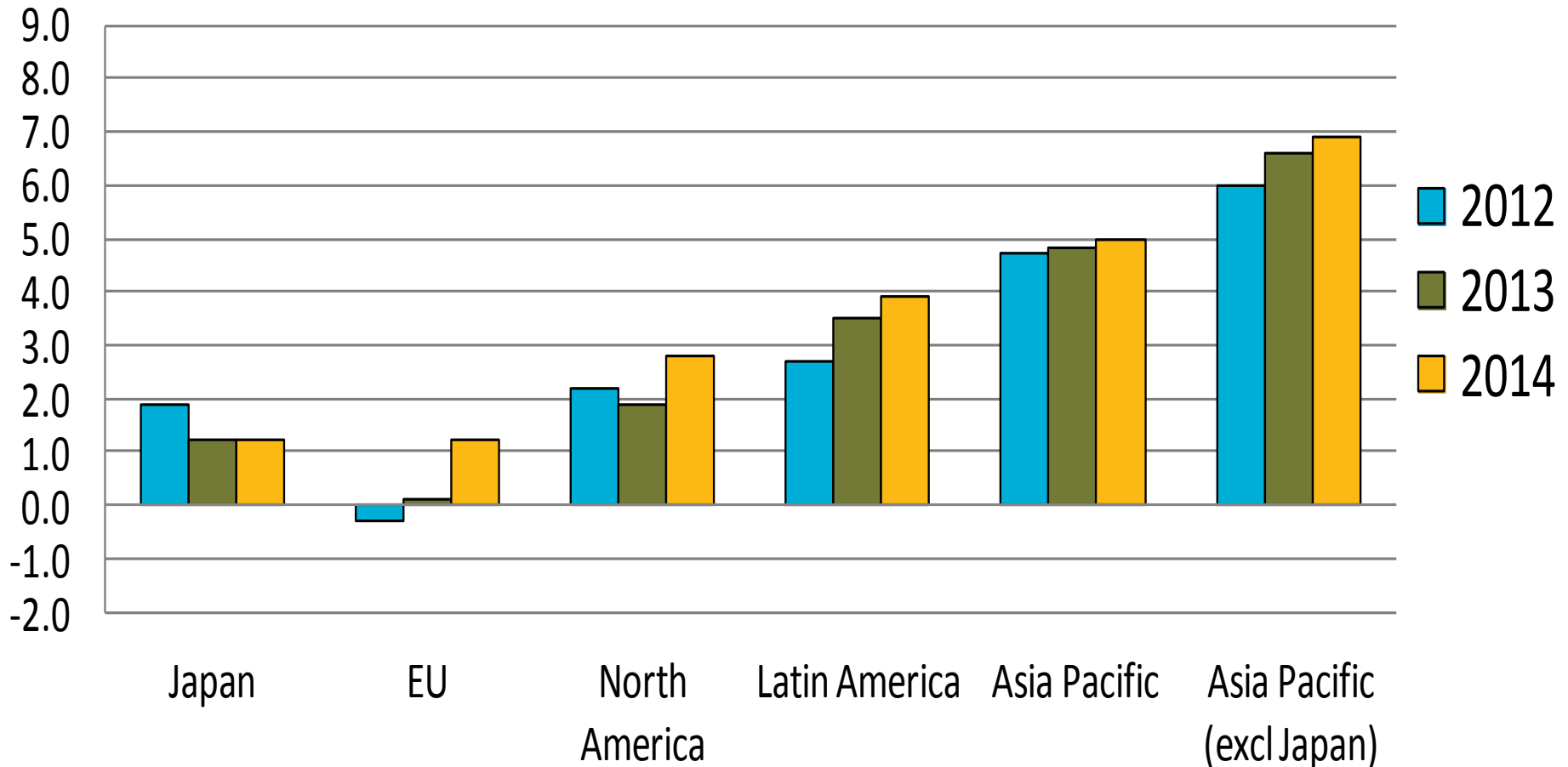
Global Outlook

- Continuing weakness in global growth
- Sustained albeit slower growth in emerging markets – China turning the corner and picking up
- Numerous countries in western Europe in recession due to fiscal austerity – Cyprus another shock to confidence
- U.S. private sector recovery picking up, but fiscal policy context de-stabilizing – a long-term fiscal plan needed
- Japan's weak recovery affected by underlying fundamentals, tensions with China



Uneven Growth in Global Economy

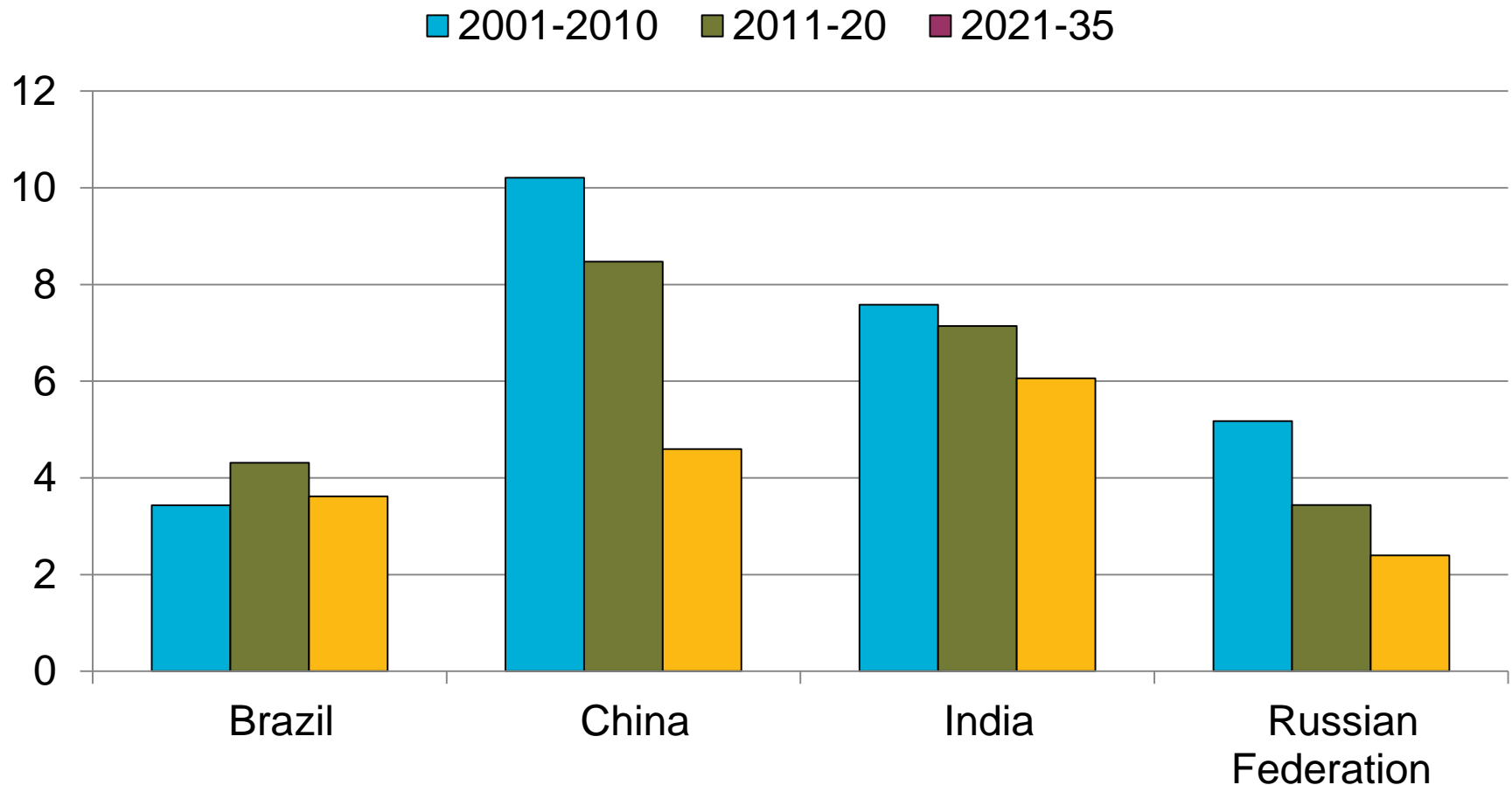
Per cent change, real GDP





Potential Output - Total Economy

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



Sources: OECD; The Conference Board of Canada



U.S. Outlook

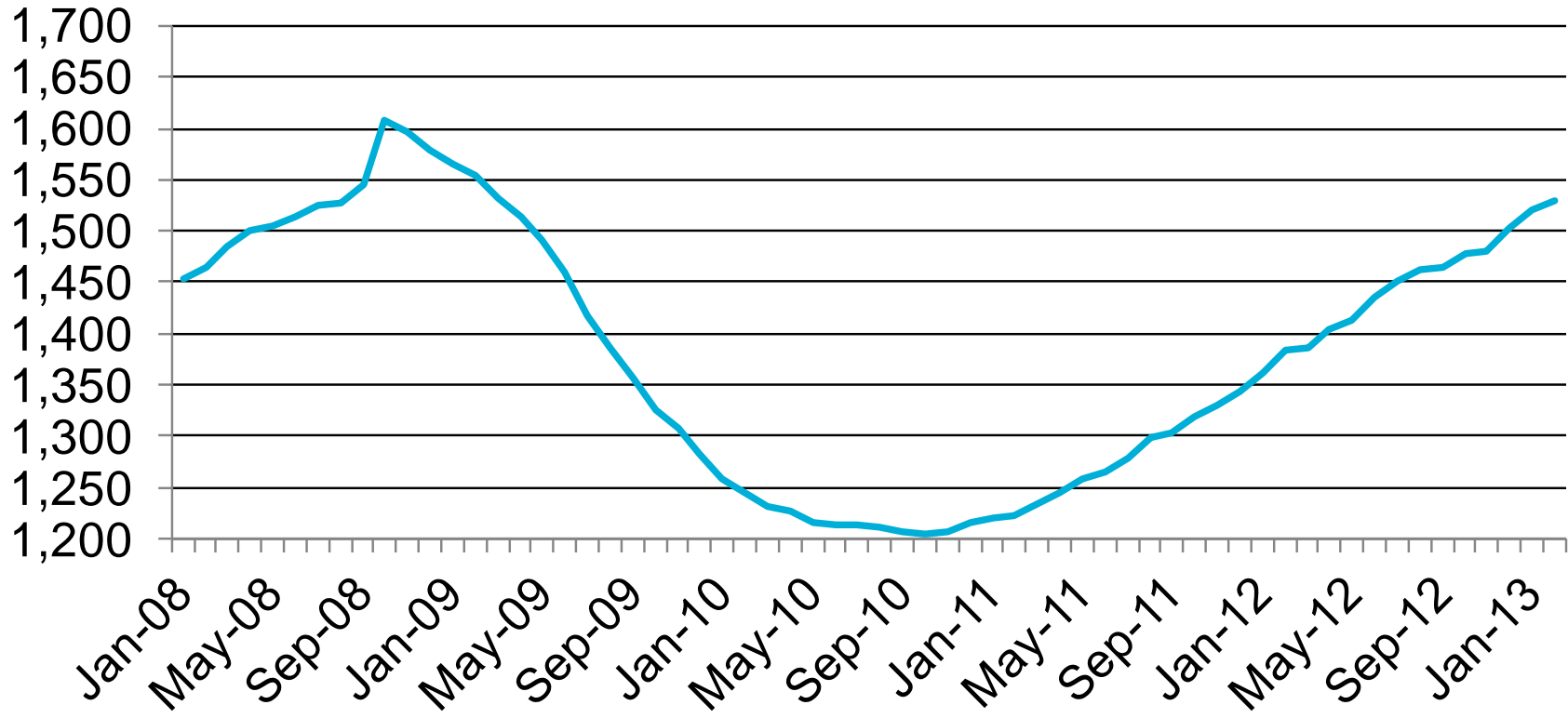


- Modest near-term growth in the 2 per cent range, picking up into 2014.
- Increasing U.S. energy self-reliance, thanks to sophisticated extractive technologies
- Growing recovery in the private sector – jobs, housing, autos, investment
- But overall 2013 growth restrained by fiscal turmoil, higher taxes and spending cuts
- Fed continues activist monetary policy—short-term rates are frozen until 2015, quantitative easing still in effect



U.S. Commercial Bank Lending On the Rise

(\$ billions)

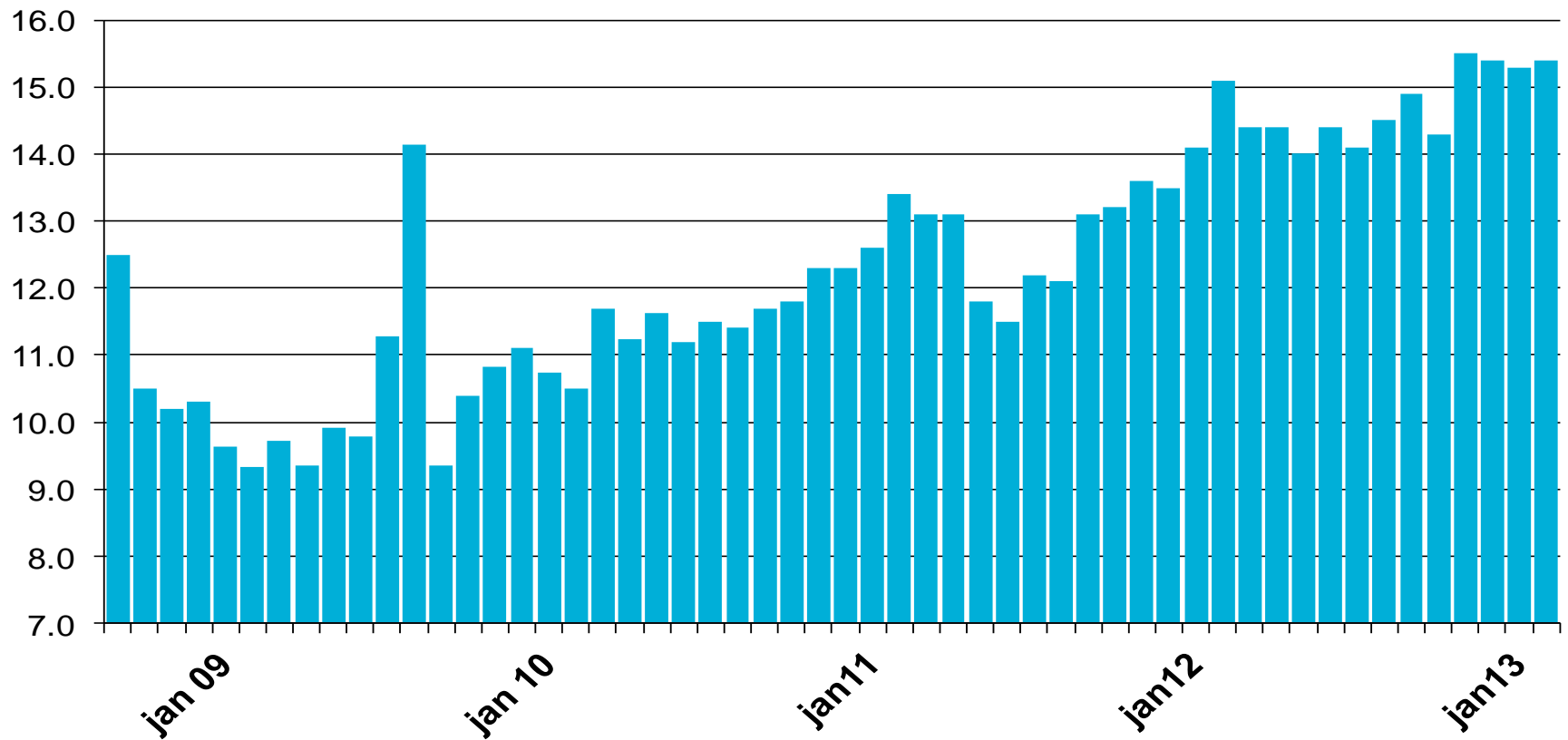


Source: Federal Reserve Board



U.S. Vehicle Sales Back to Normal

(millions, annualized)

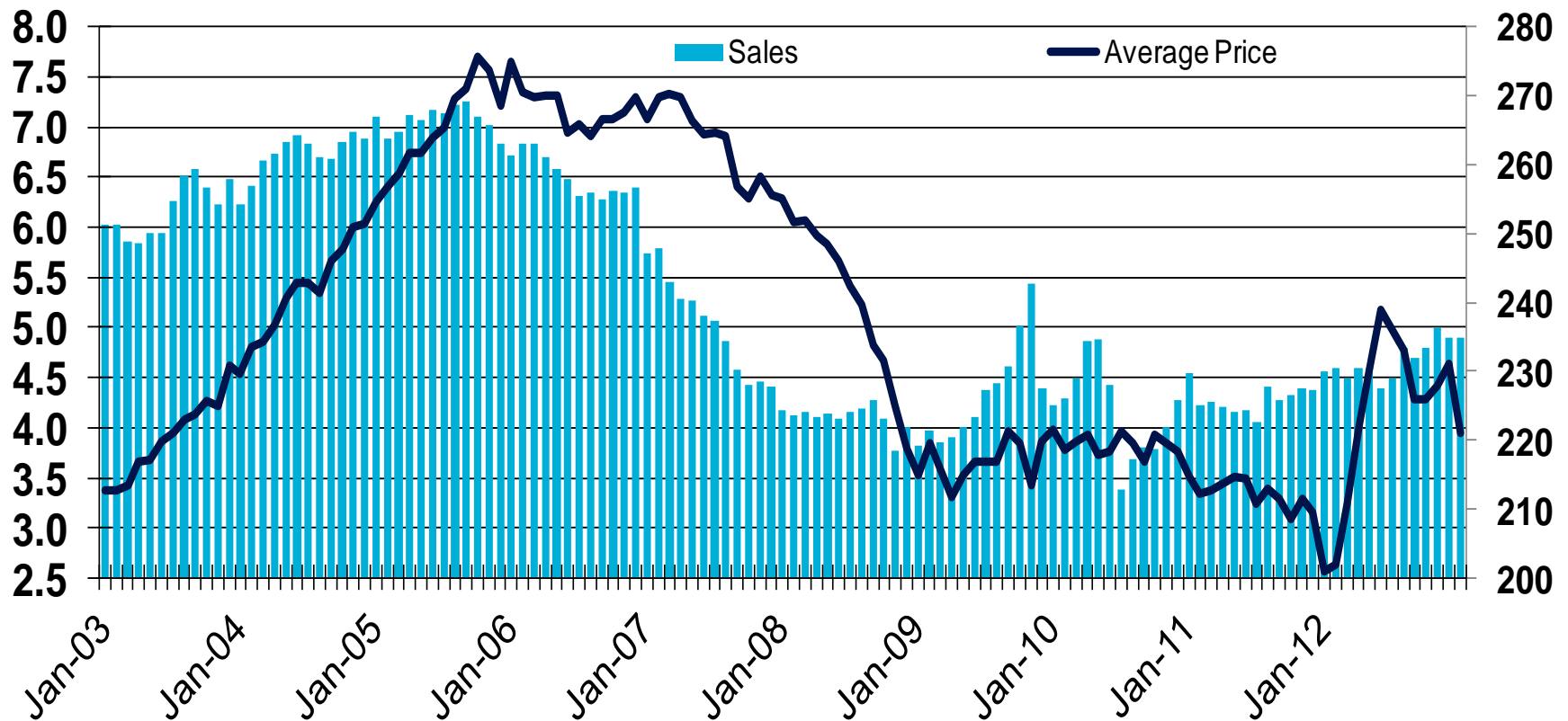


Source: Moody's Economy.com



U.S. Existing Home Sales and Prices

(millions SAAR *; \$ thousands)

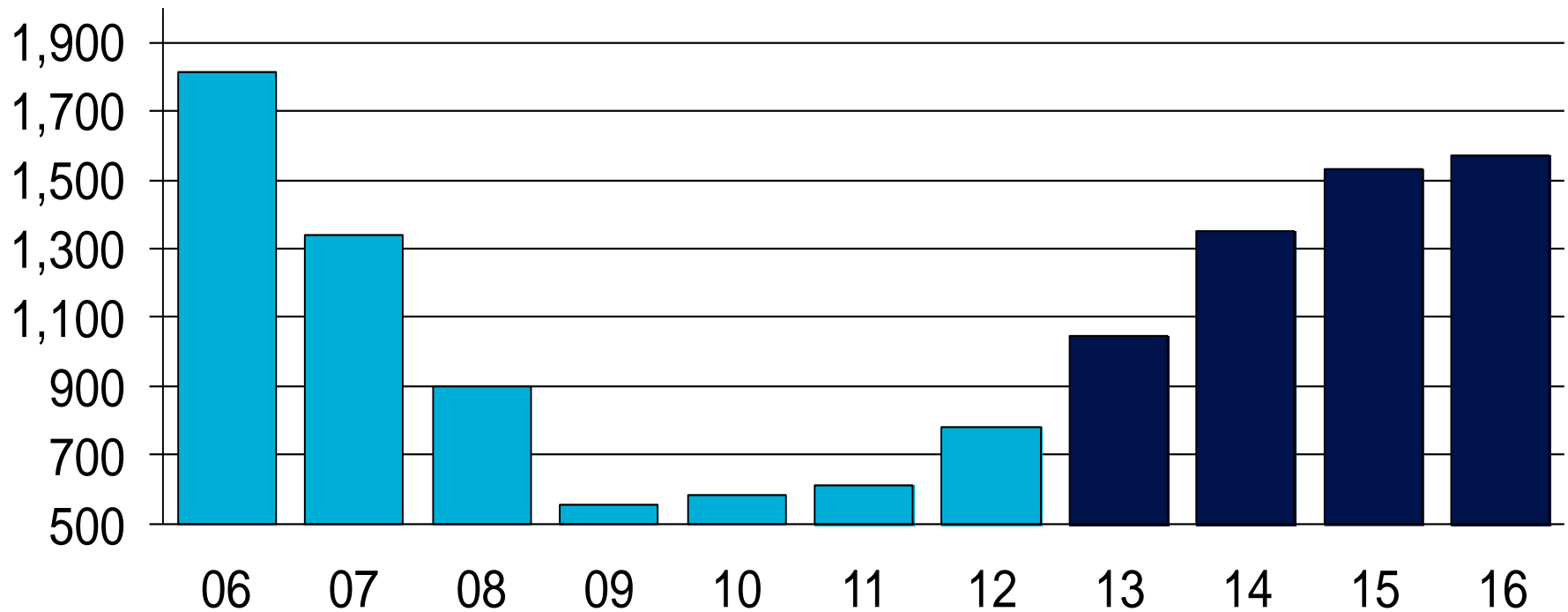


Source: National Assn. of Realtors



U.S. Housing Starts

(thousands)

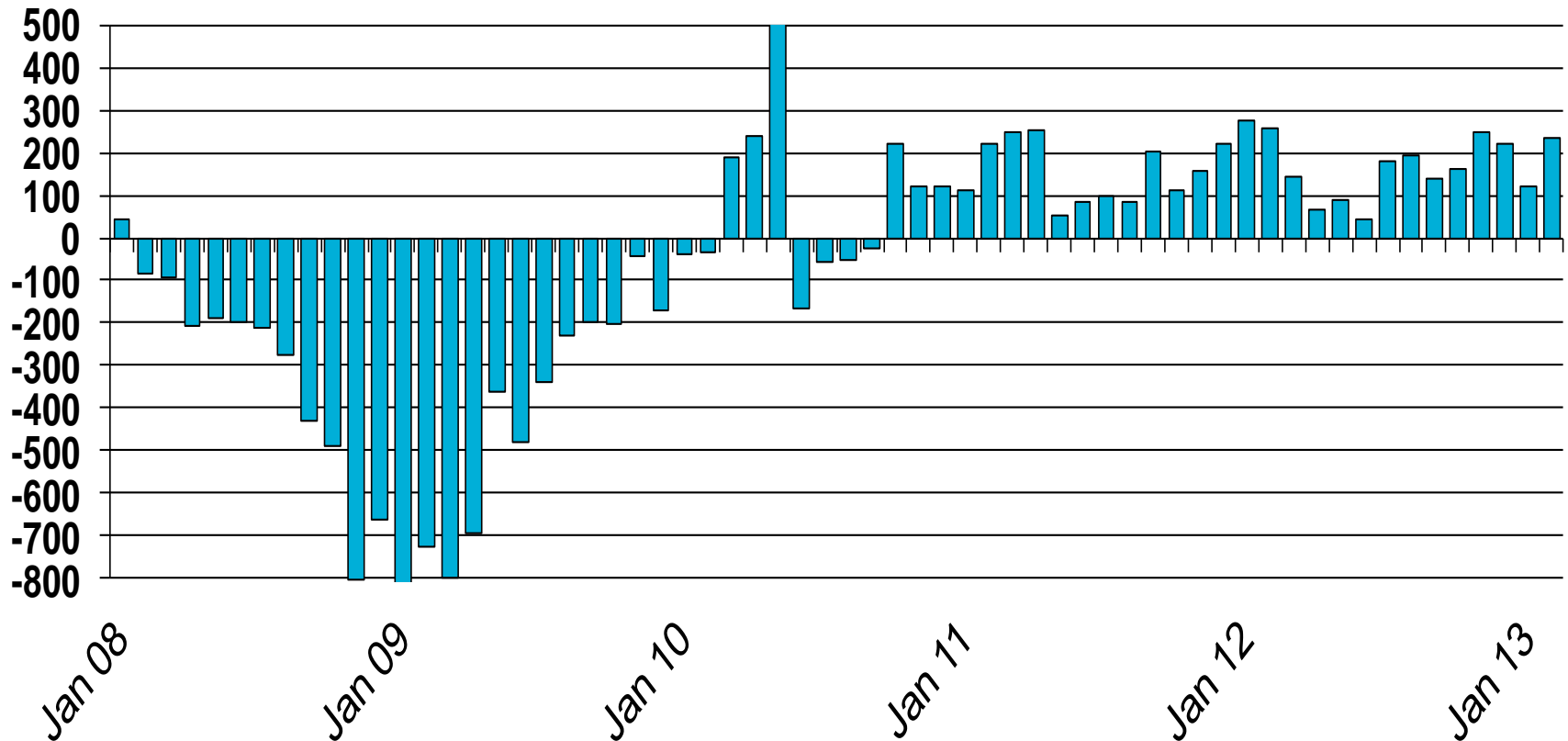


Sources: BEA; CBoC



U.S. Labour Market

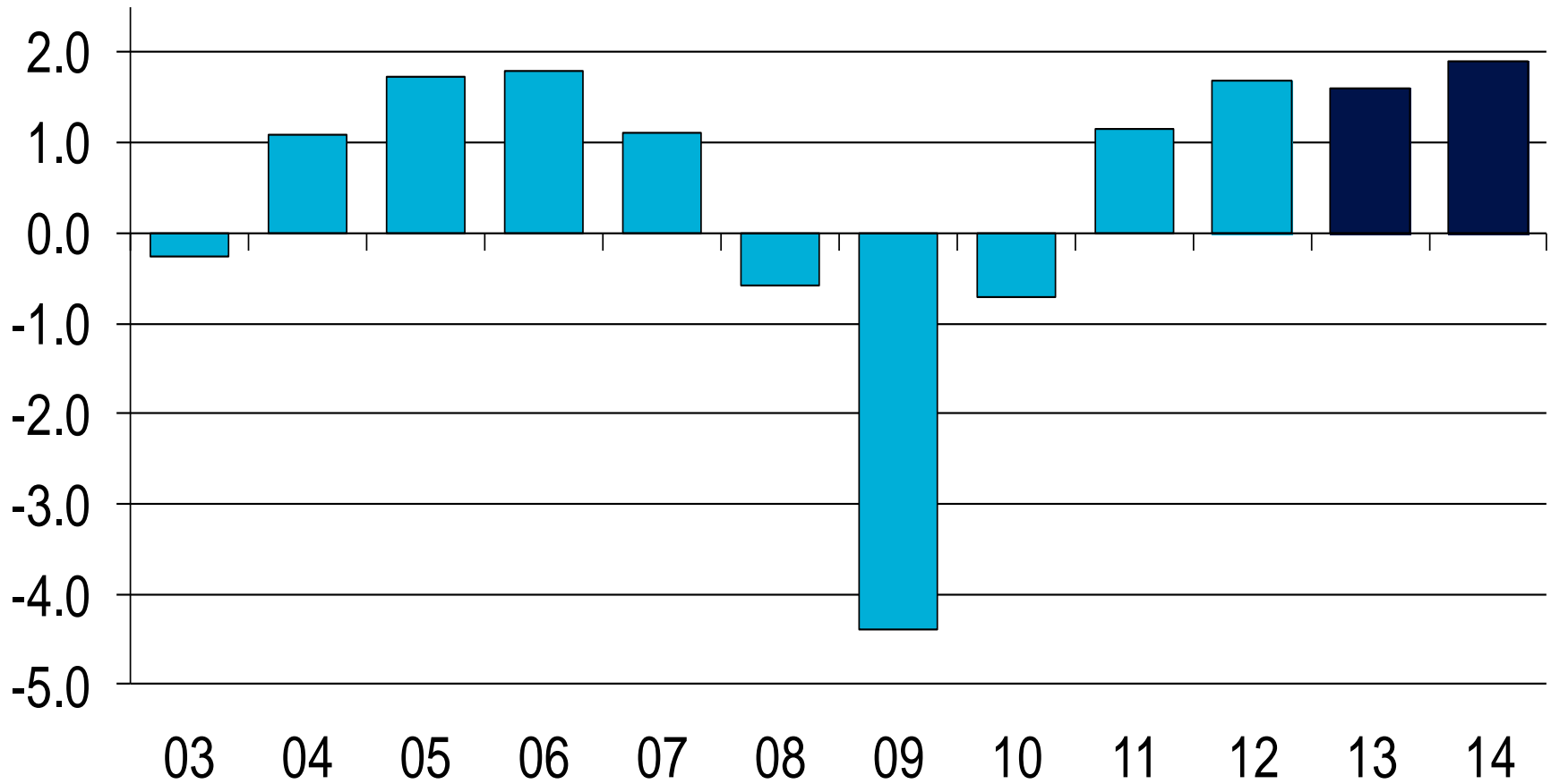
(change in U.S. employment, thousands)



Source: Bureau of Economic Analysis



U.S. Employment

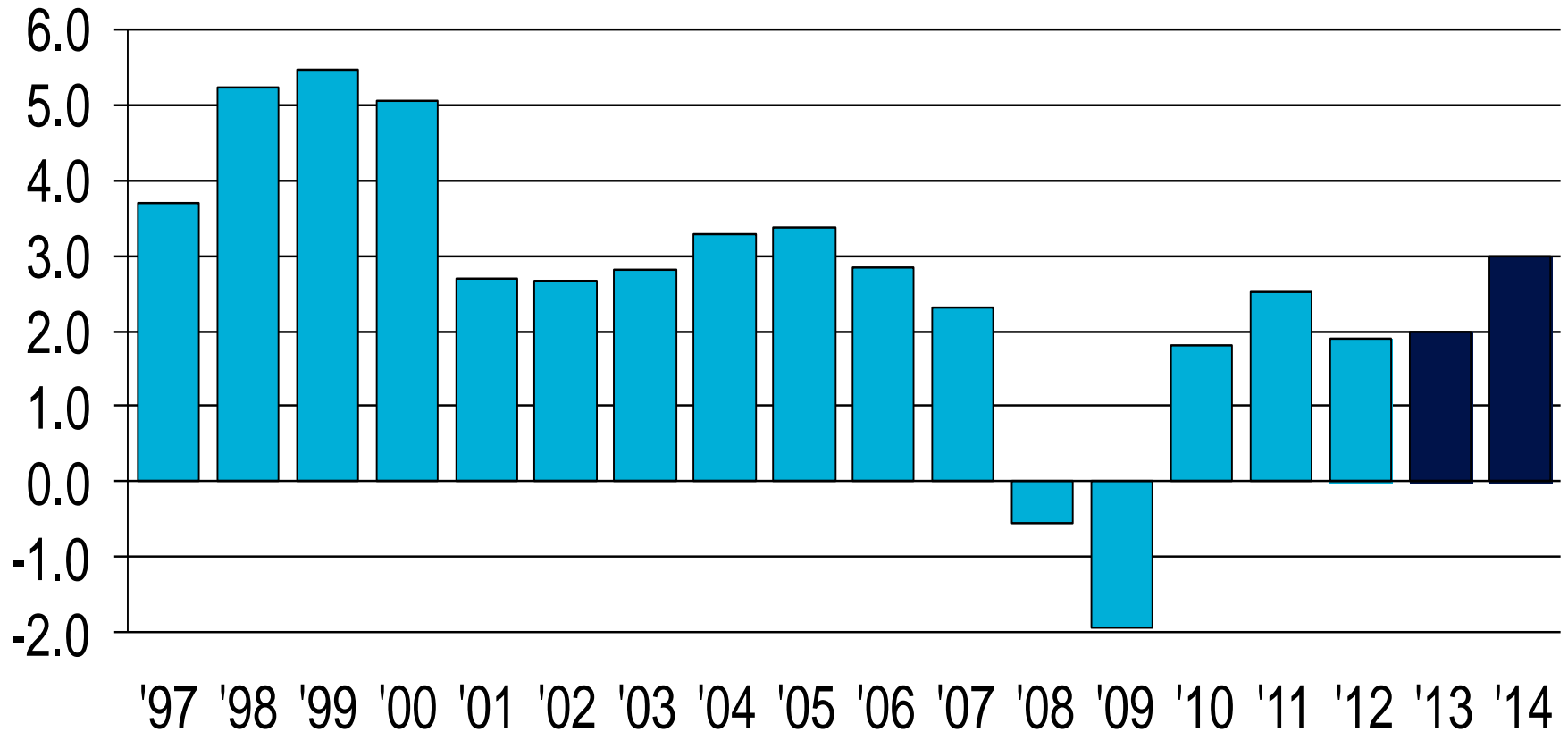


Sources: BEA;CBoC.



U.S. Real Consumer Spending

(per cent change)

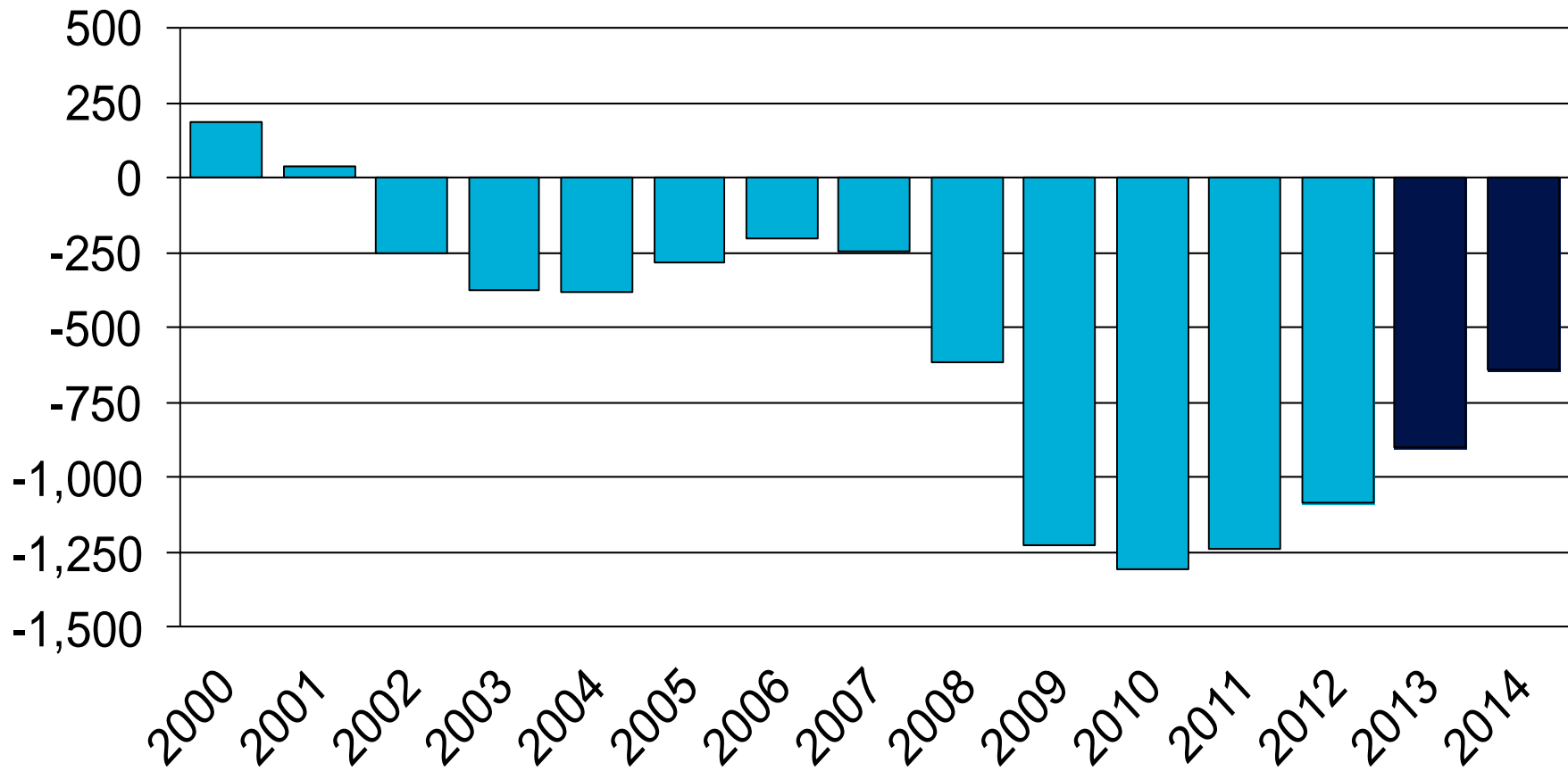


Sources: BEA; CBoC



U.S. Federal Deficit

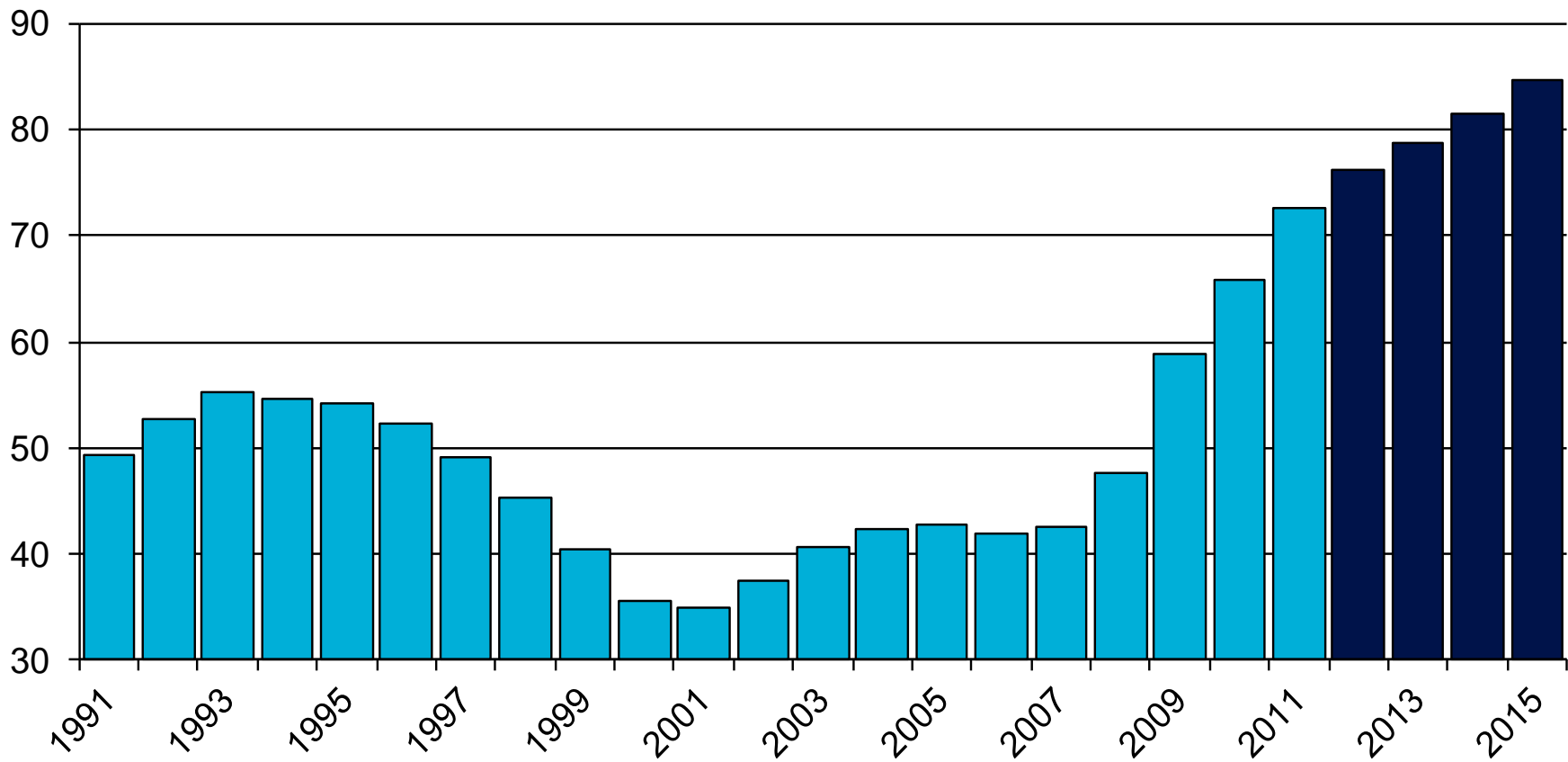
(NIPA basis, \$billions)



Sources: CBO; CBoC



U.S. Net Debt as % of GDP



Source: IMF



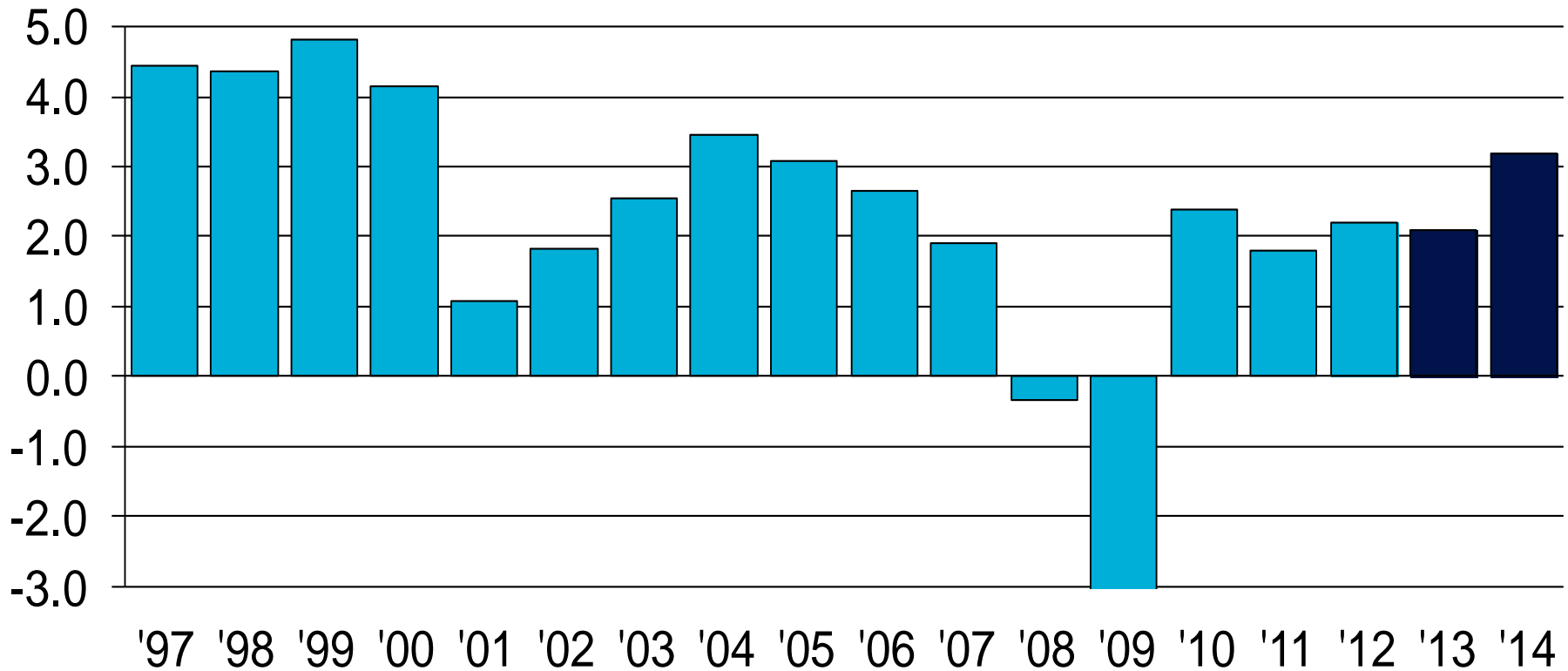
Medium-term Fiscal Action Required

- Obama administration has tabled a budget for 2013-14 that attempts to find a middle ground
- Administration's budget proposal would slowly reduce the deficit and stabilize debt/GDP by about 2018...but still not reach fiscal balance by 2023
- A medium-term plan should ideally include expenditure action, tax and entitlement reform and added revenues -- Simpson-Bowles plan a good reference point



U.S. Real GDP

(per cent change)



Sources: BEA; CBoC



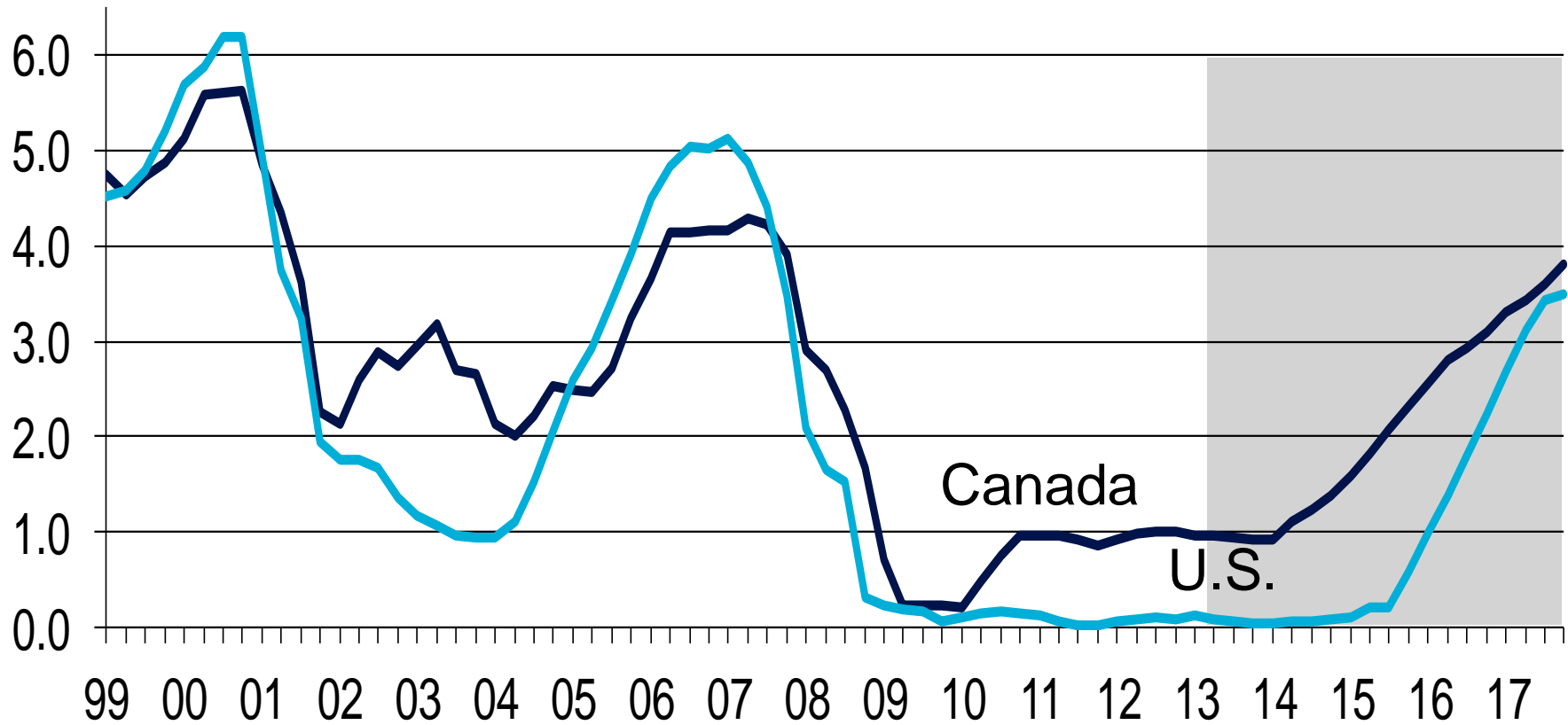
Canadian Outlook



- A soft domestic economy has slowed GDP growth to a modest 1.8 per cent in 2013.
- Resource sector investment is waning following two years of strong growth.
- Fed promise to keep rates exceptionally low through 2015, coupled with upward pressure on the dollar, will keep the Bank of Canada sidelined for now.
- Fiscal adjustment will continue through the medium term.
- External risks have moderated but they remain high.

Interest Rates (90-Day T-Bill)

Quarterly 1999–16

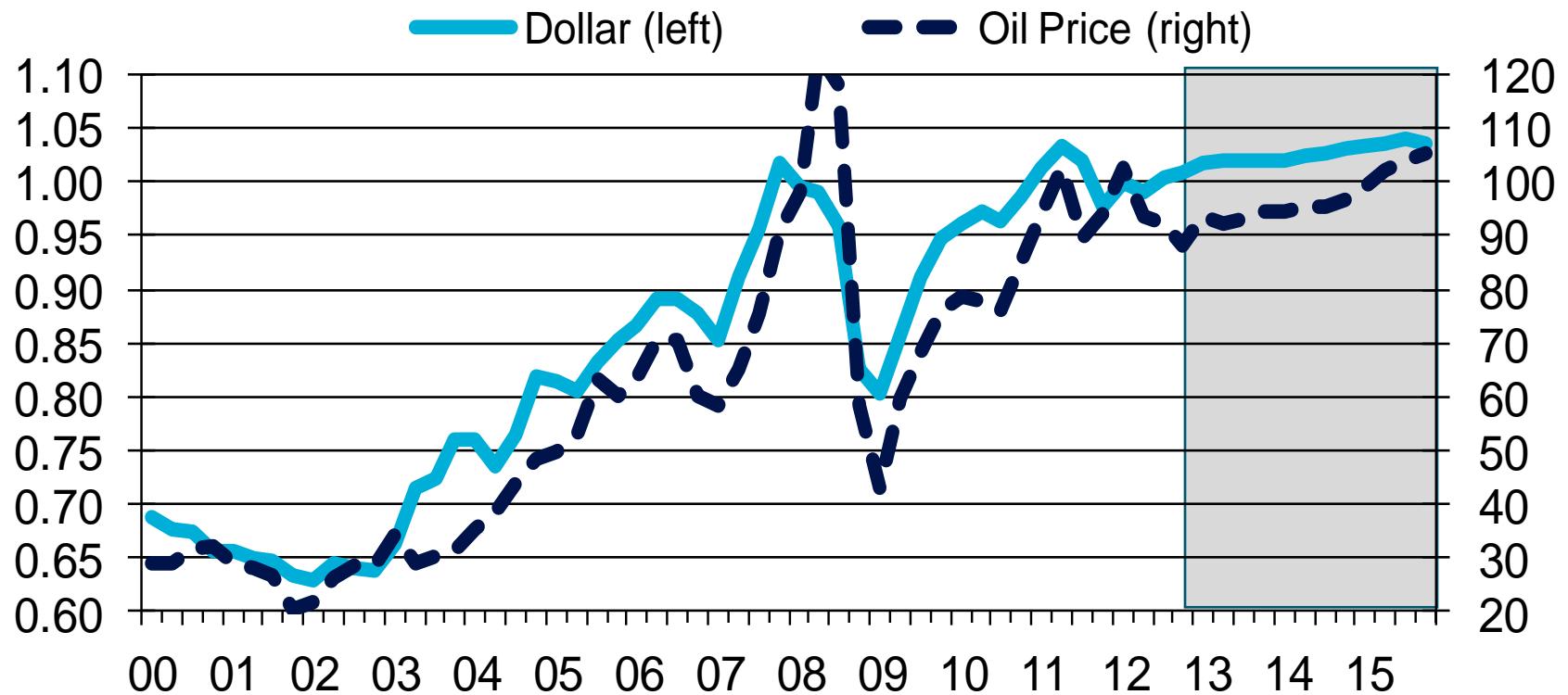


Sources: The Conference Board of Canada; BEA; Statistics Canada



The Loonie and the Oil Price

WTI \$US, \$US/\$C

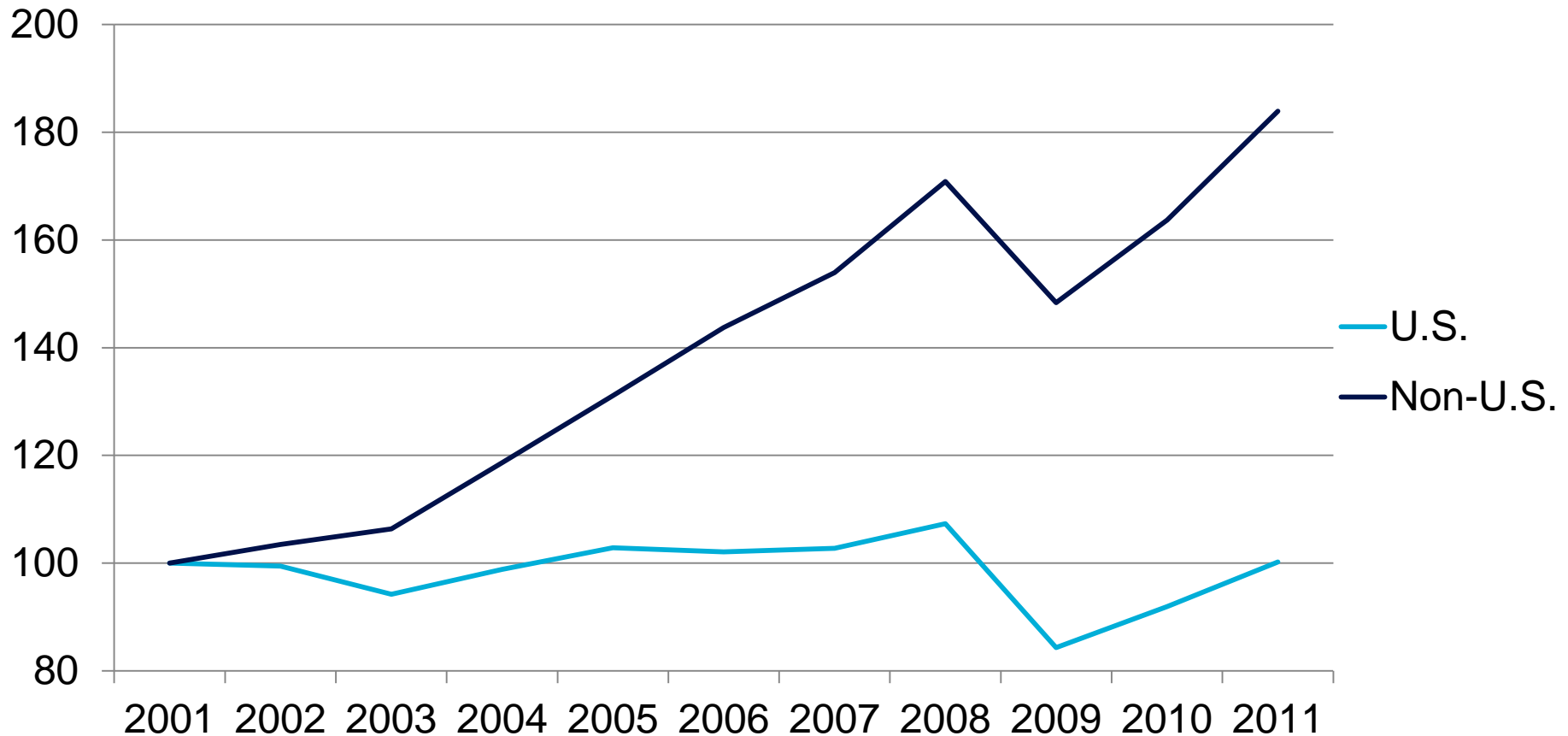


Sources: The Conference Board of Canada; U.S. EIA; Statistics Canada.



Canada's Two-Gear Trade

(Canadian bilateral trade, index 2001=100)

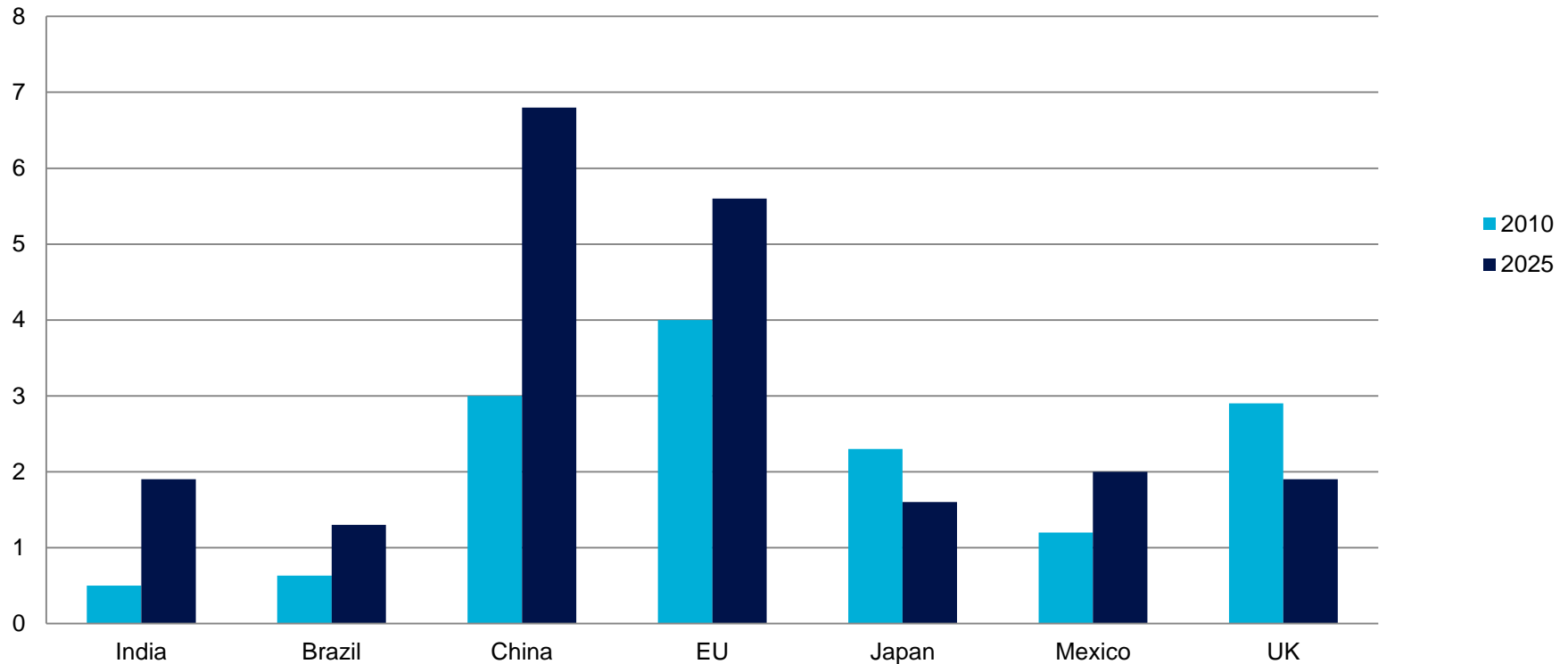


Sources: Industry Canada; Statistics Canada; The Conference Board of Canada



Canada's trade in 2025

(Goods exports, share of total)

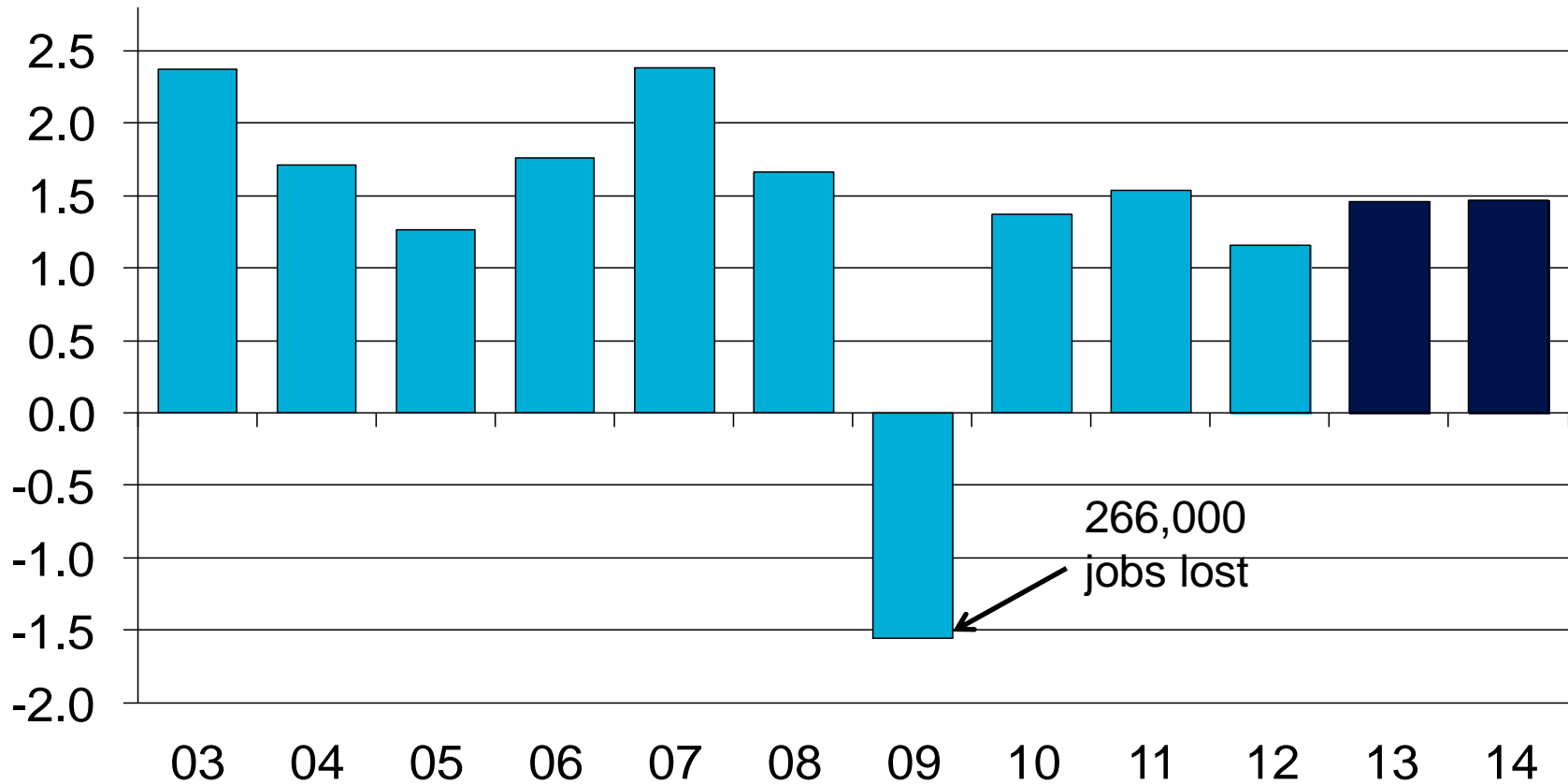


Sources: Industry Canada; CBoC.



Employment Growth

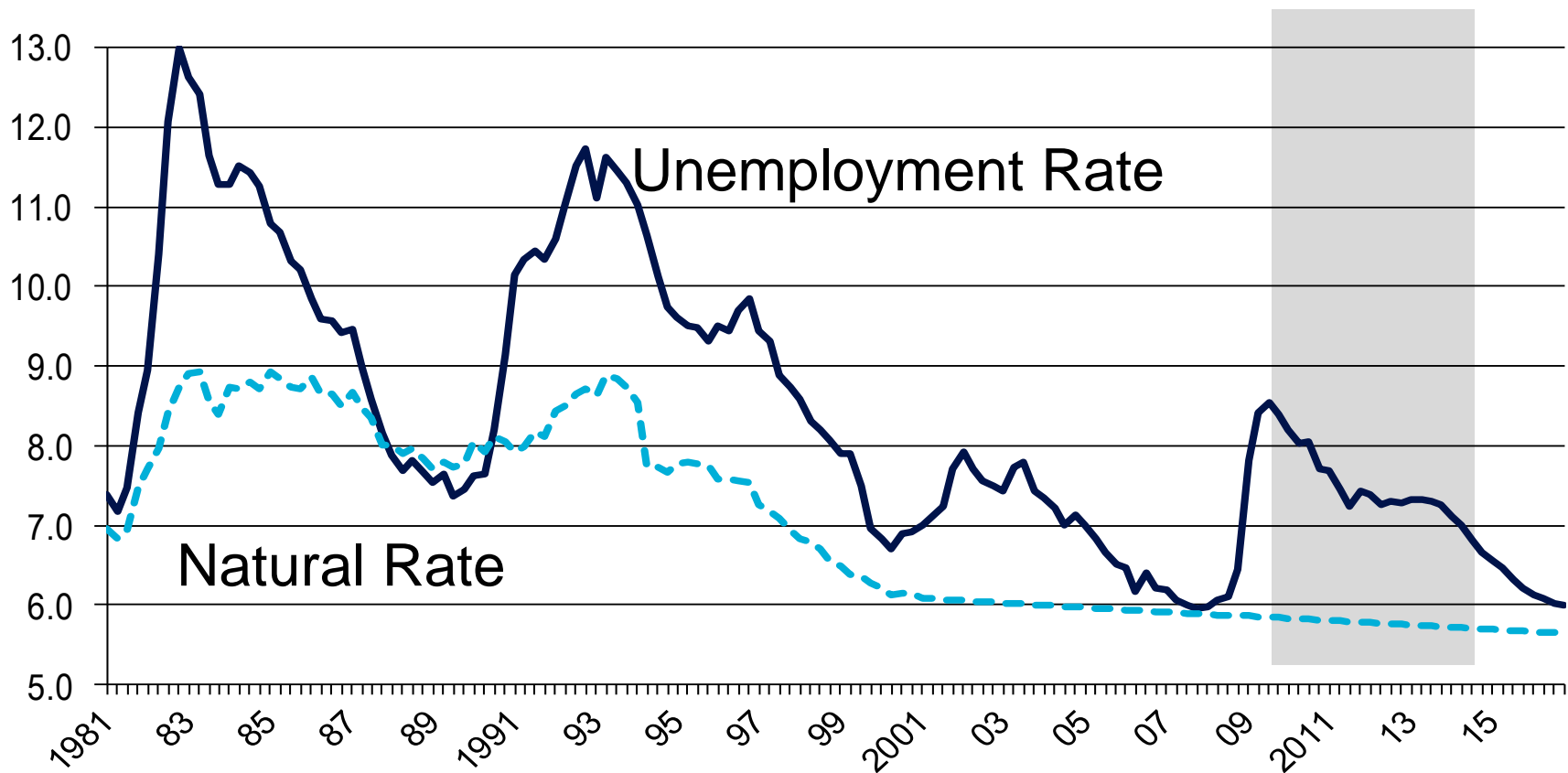
(per cent change)



Sources: The Conference Board of Canada; Statistics Canada.



Unemployment Rate vs. Natural Rate (percent), 1981-2016

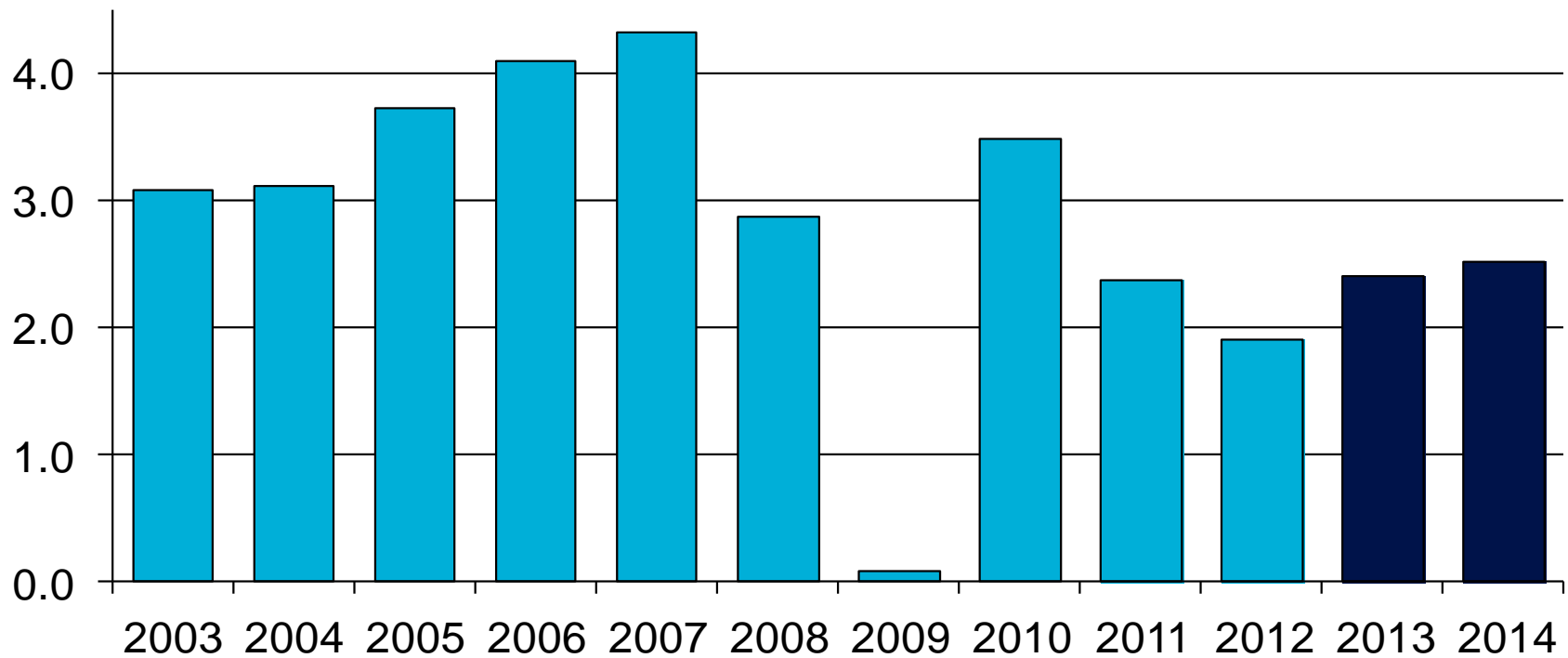


Sources: The Conference Board of Canada; Statistics Canada



Real Consumer Spending

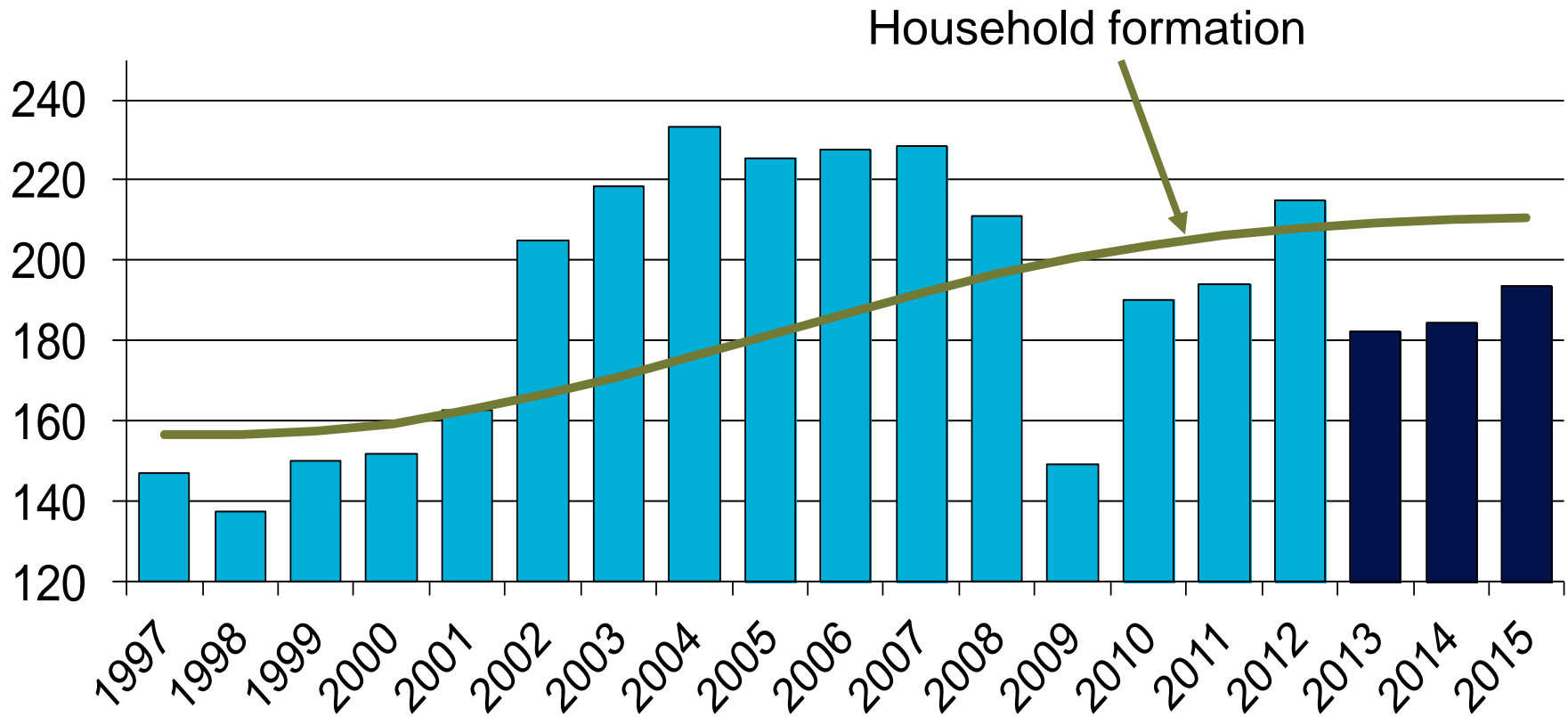
(per cent change)



Sources: The Conference Board of Canada; Statistics Canada



Canada, Housing Starts vs. Demographics (000s)

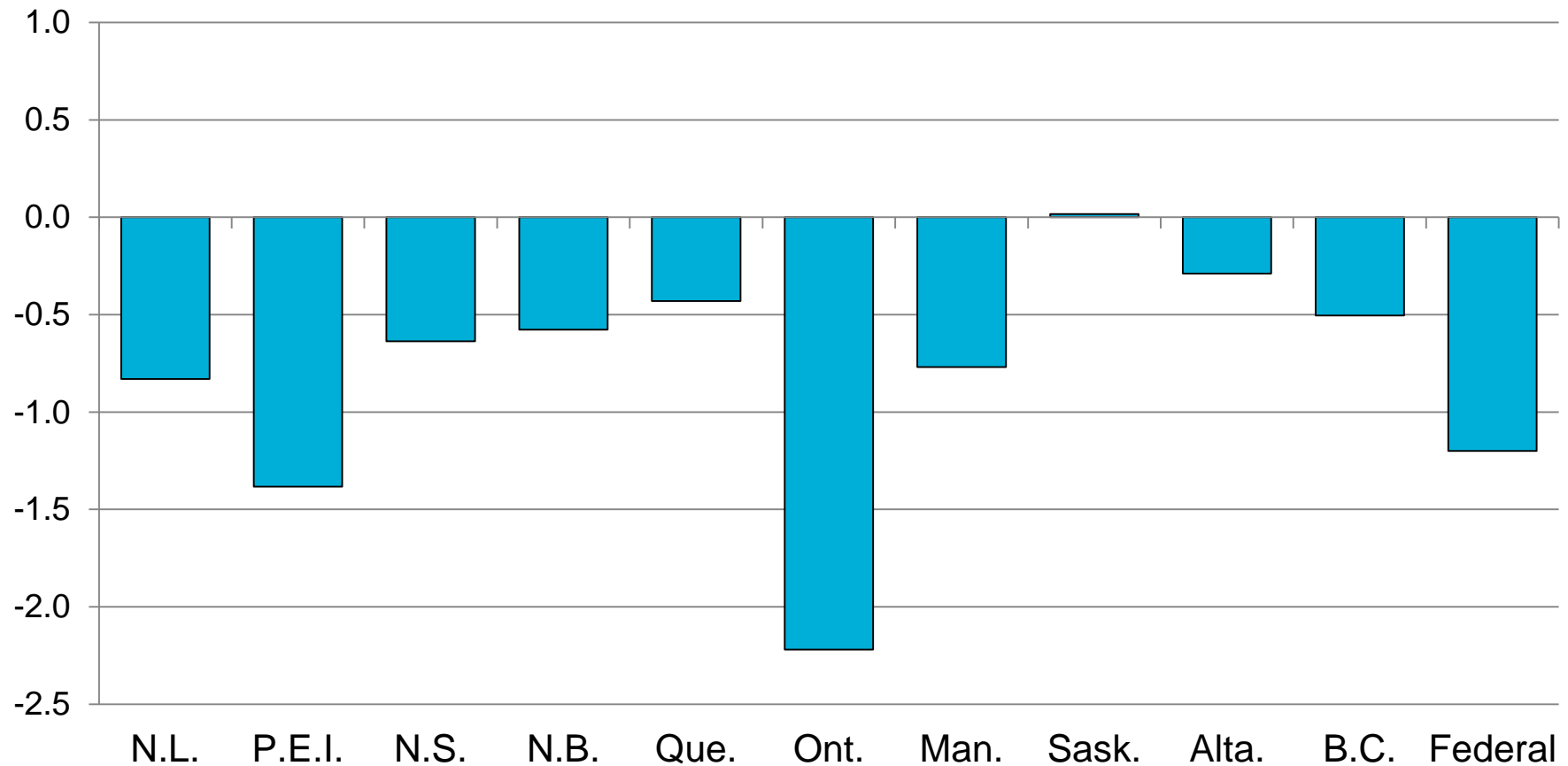


Sources: The Conference Board of Canada; Canada Mortgage and Housing Corporation



Federal and Provincial Gov't Balances

(as a Share of GDP 2012-13)

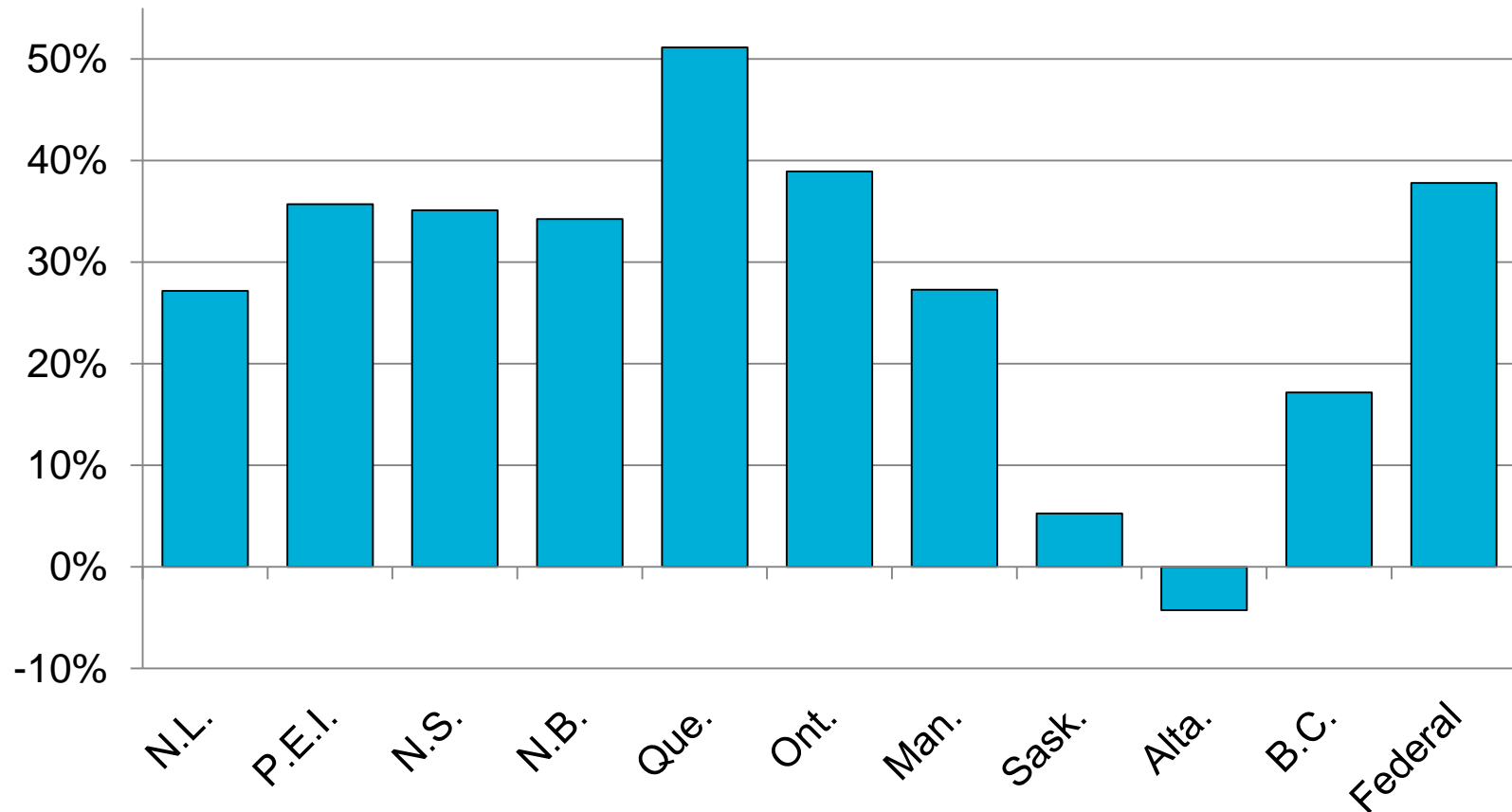


Sources: The Conference Board of Canada; Statistics Canada; various government budgets



Federal and Provincial Gov't Net Debt

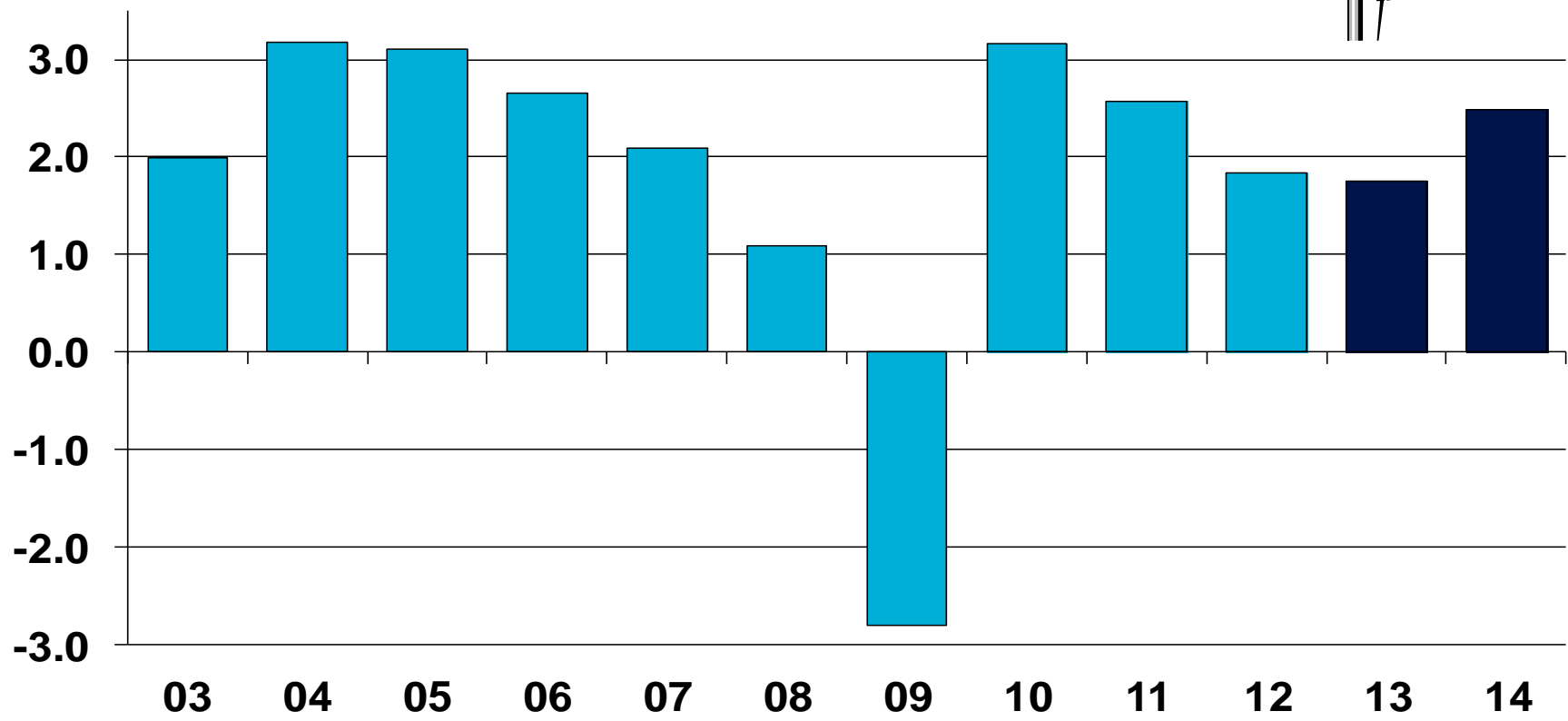
(as a Share of GDP 2012-13)



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



Canadian Real GDP Growth Rate

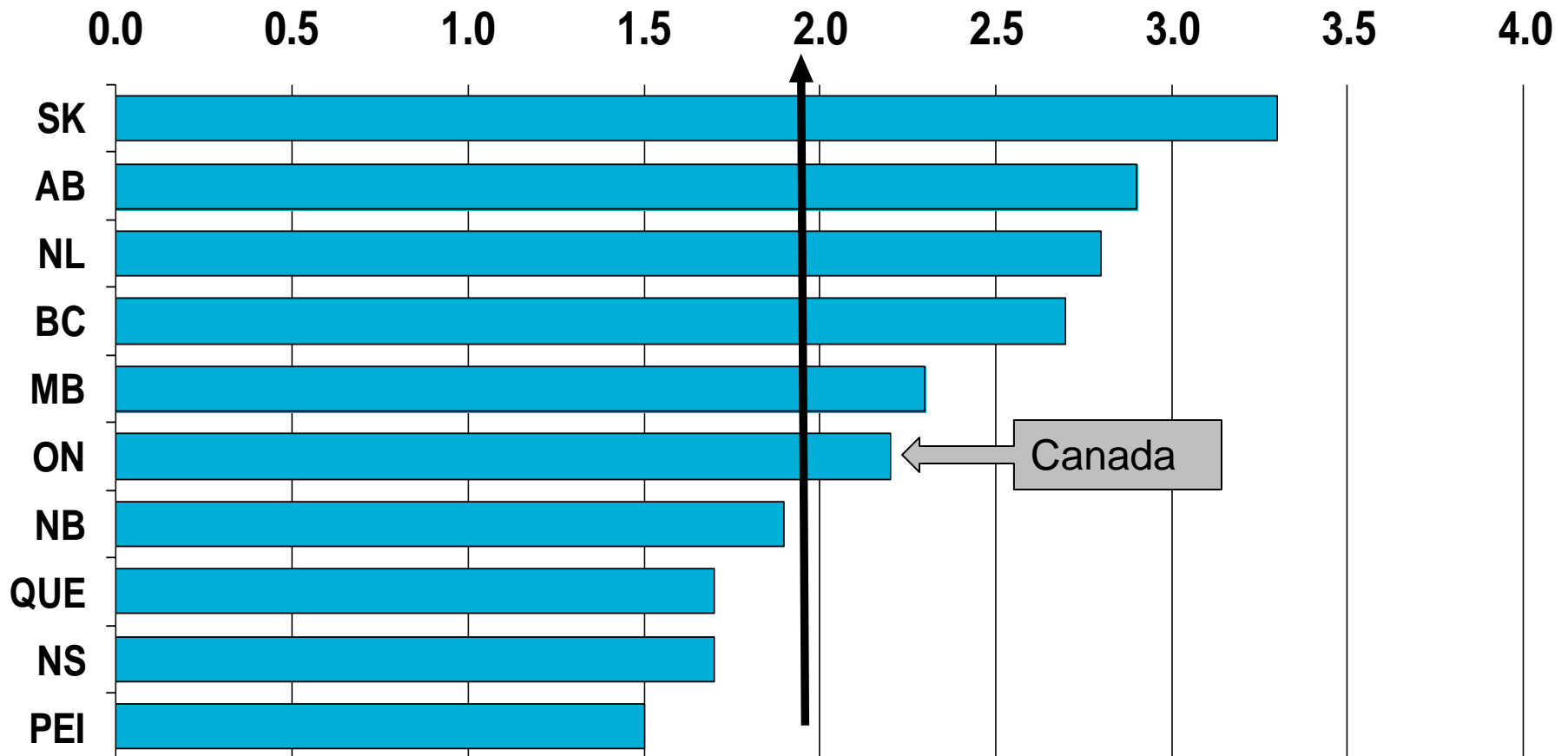


Sources: The Conference Board of Canada; Statistics Canada



Provincial Real GDP Growth, 2013

(per cent, basic prices, 2002 \$)

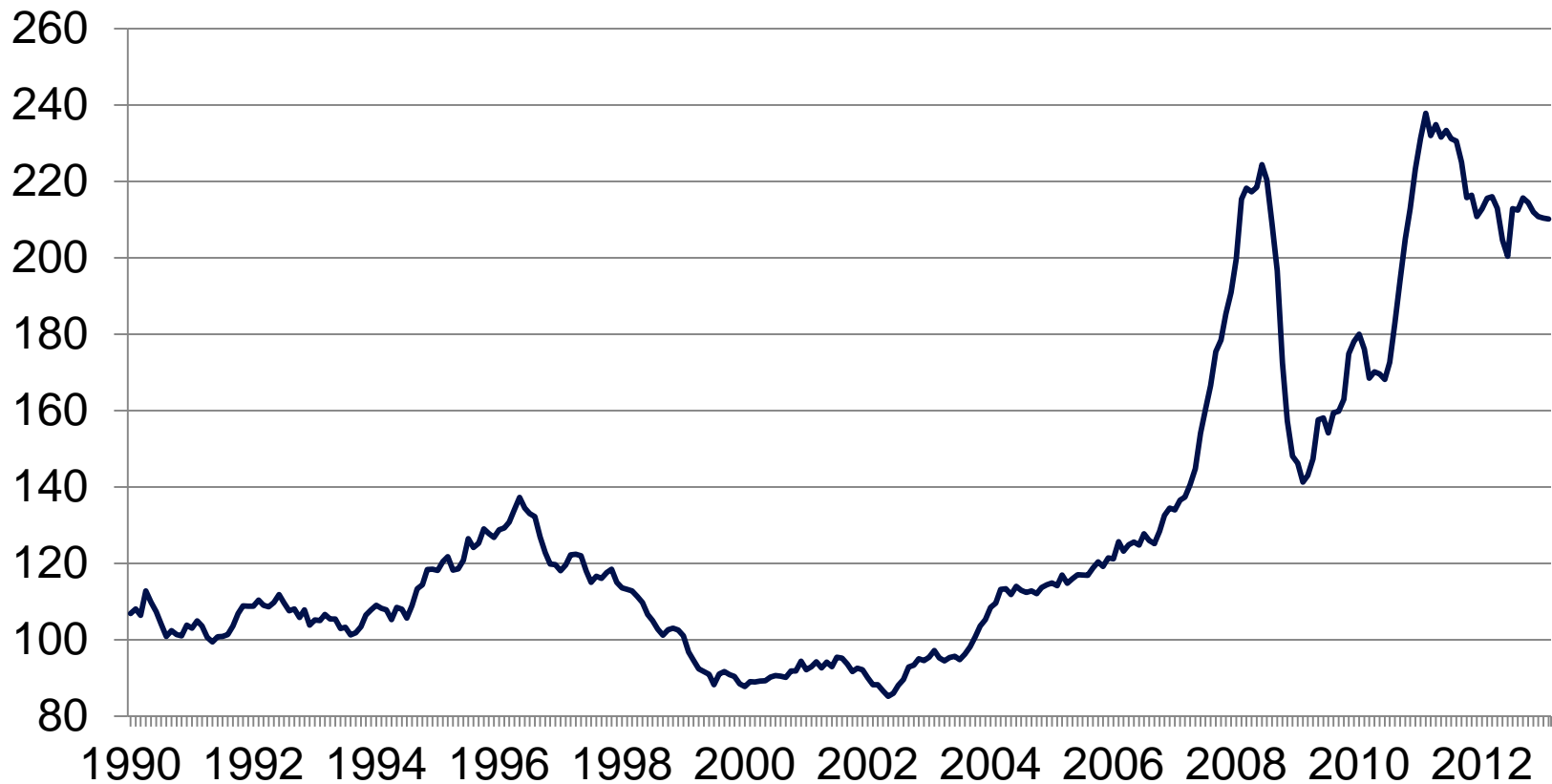


Sources: The Conference Board of Canada; Statistics Canada



The Era of Low Food Prices Is at an End

FAO food price index, 2002-2004=100

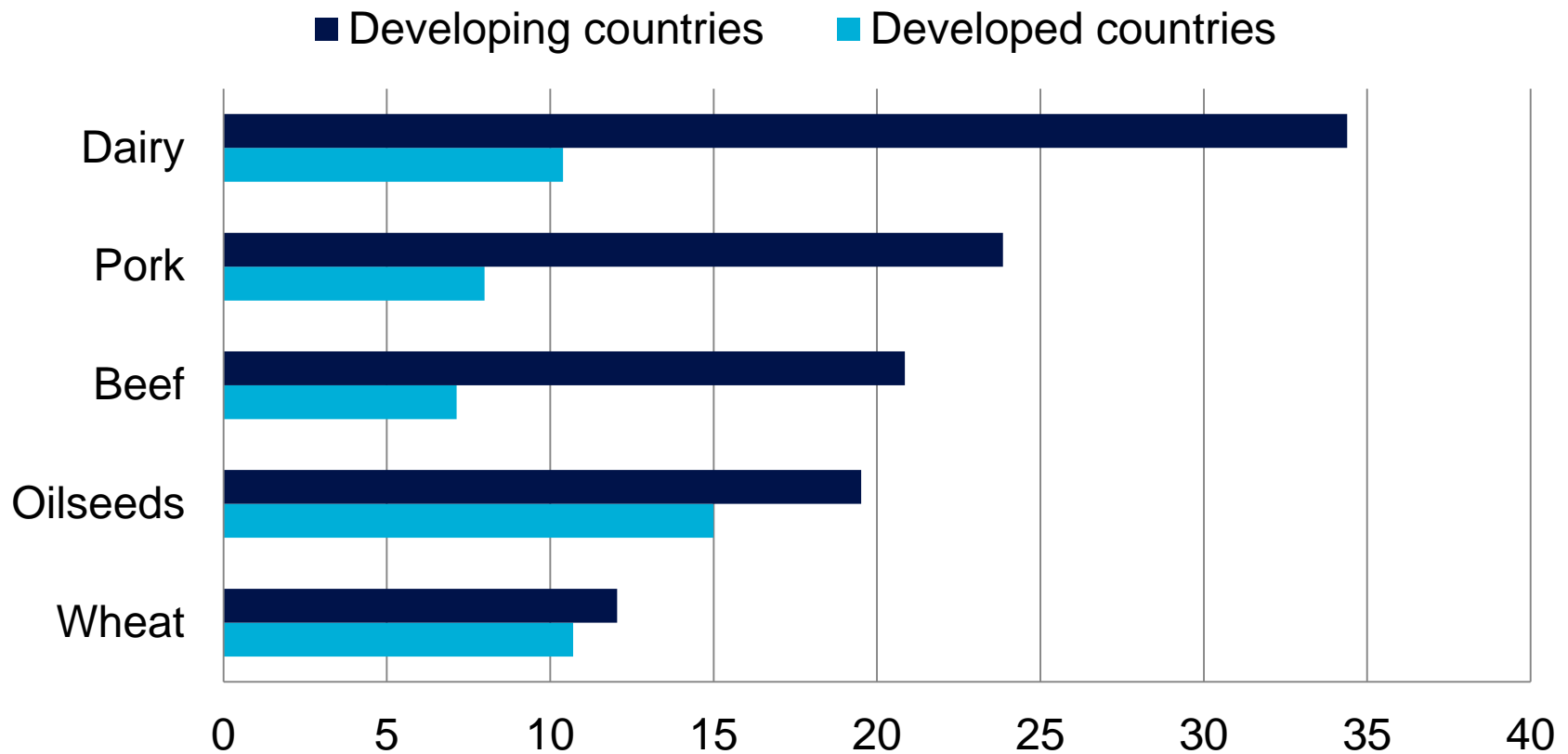


Source: Food and Agricultural Organization of the United Nations.



Rising Demand is the Key Cause

change in demand for key food products 2012 to 2021, per cent

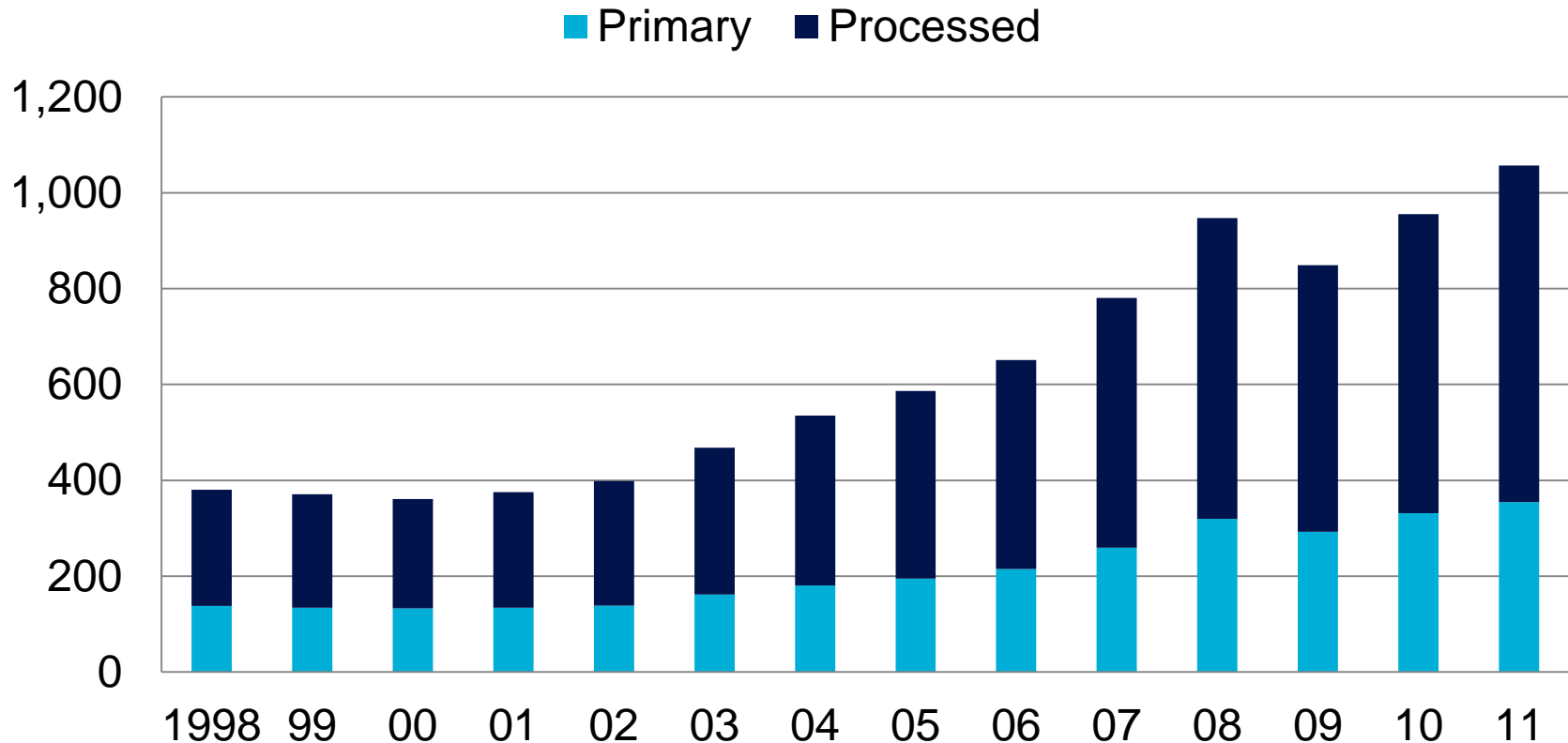


Source: OECD-FAO Agricultural Outlook 2012-2021.



Trade Liberalization Has Driven Growing Global Trade in Food

global agri-food exports, billions of US\$

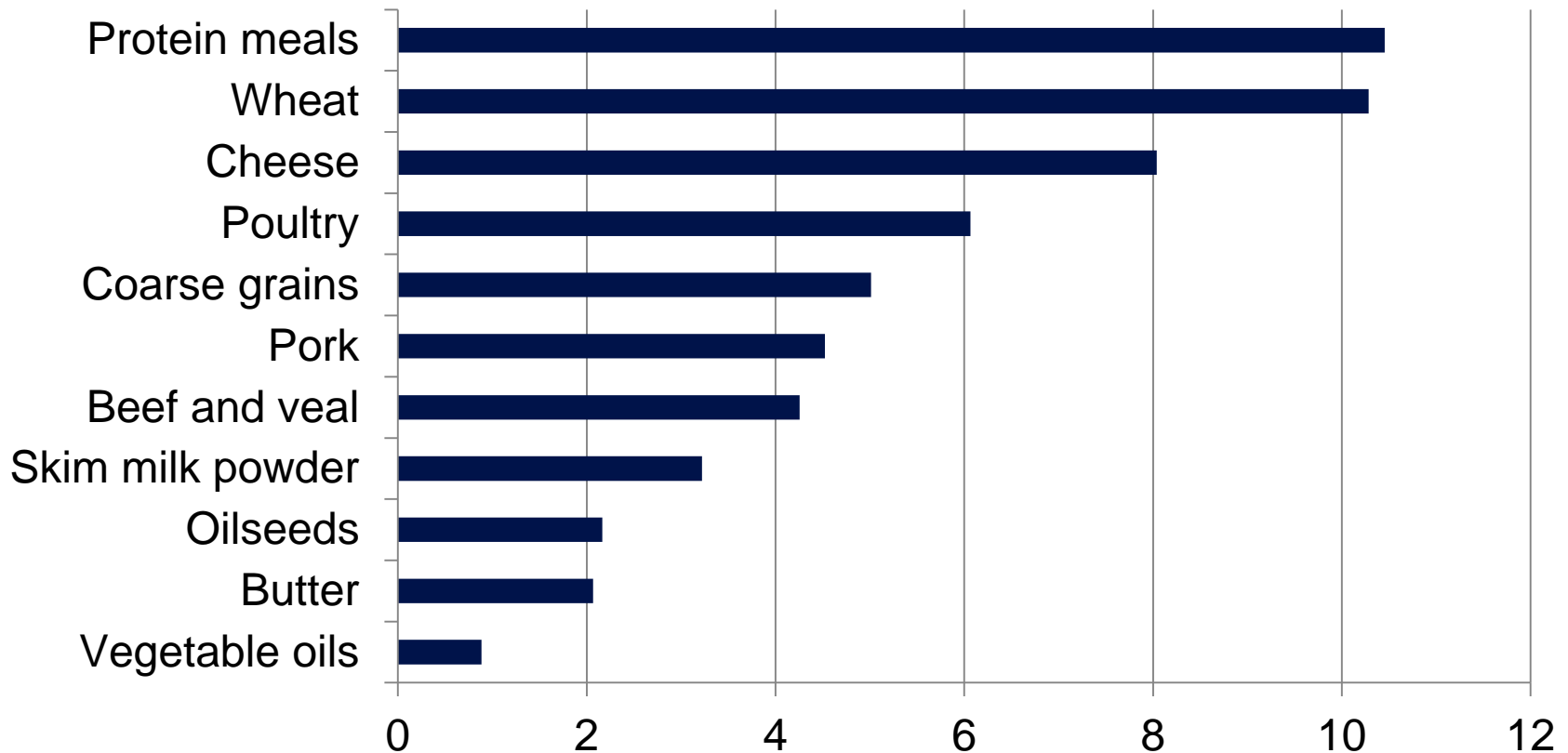


Source: UN Comtrade.



China Represents Agriculture Opportunities

average annual growth in Chinese imports, 2011-2021, per cent



Source: OECD-FAO Agricultural Outlook 2012-2021.



A shared agri-food strategy for North America?

1. Maximize global market access for agri-food
2. Work toward an integrated Canada-US economic space
3. Minimize the impact of the border
 - Harmonize standards and processes wherever possible
 - If not, seek mutual recognition of each others' standards and regulations, and streamline the processes
4. In Canada, eliminate internal trade barriers to create one national market
5. Address our "sacred cows" in agriculture to speed transformation and build a global agri-food trade platform



Implications

- Elevated global risks
- Exceptionally low interest rate environment, still
- U.S. recovery strengthening, but fiscal debt overhang is a drag on the recovery
- Canadian growth moderate due to external environment, consumer and government de-leveraging
- Canadian outlook is uneven – “the west is best”
- Global agri-food markets offer huge potential to N.A. food producers

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