



Global Economic Outlook

# ***The Growth Quandary***

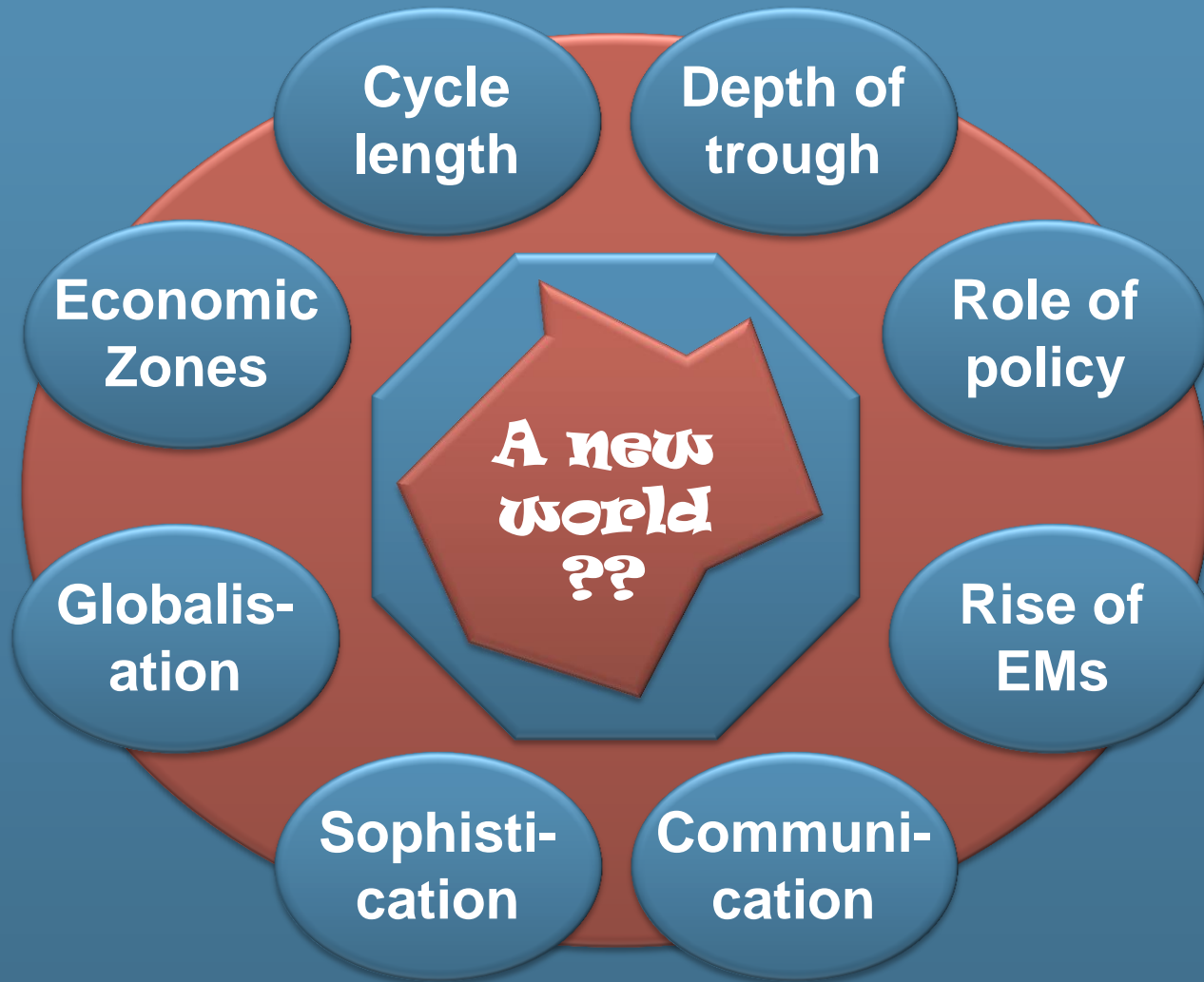
***September 26, 2013***

*Financial Executives International  
Rideau Club, Ottawa*

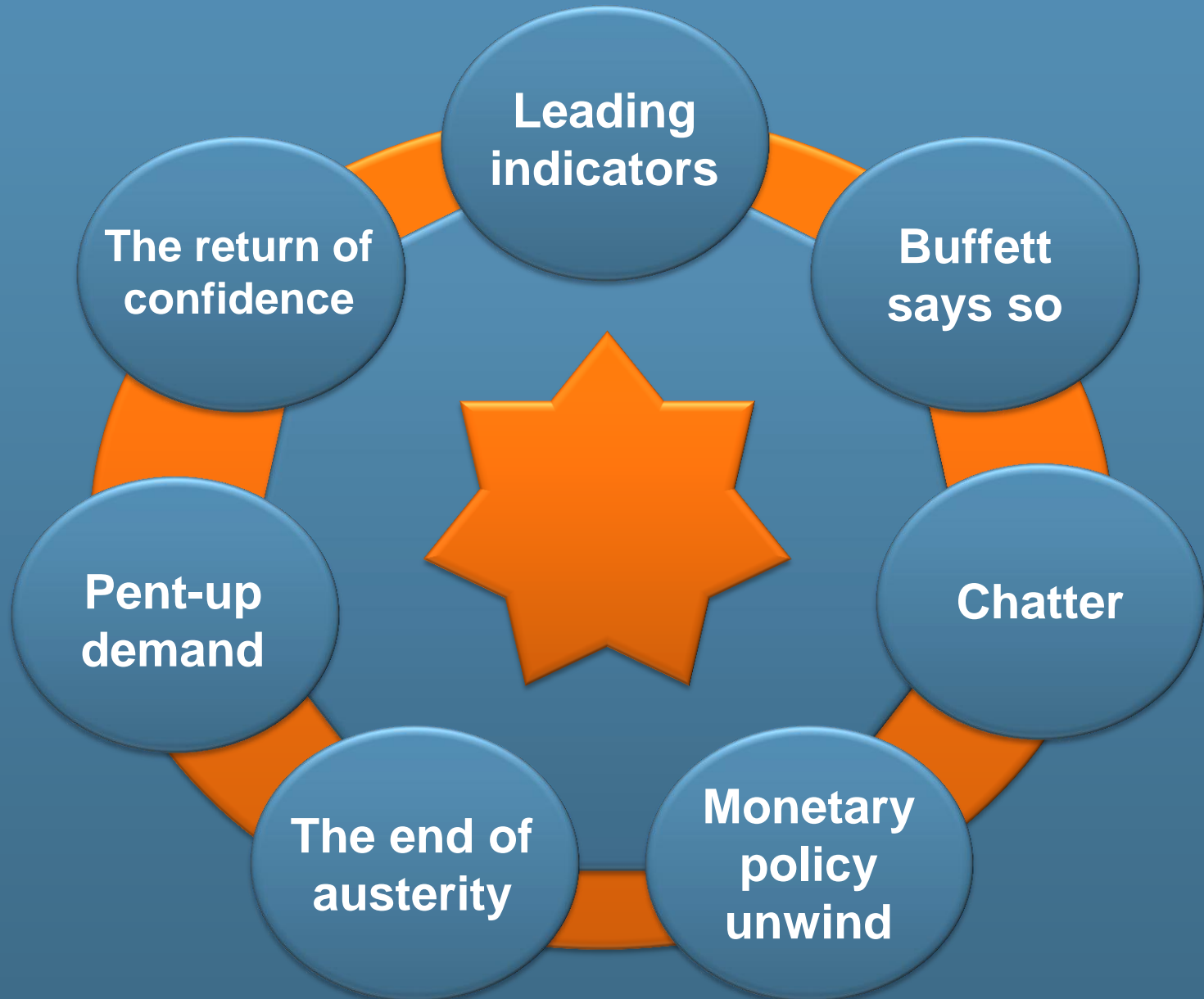
Peter Hall

Vice-President and Chief Economist

# “Unprecedenteds”

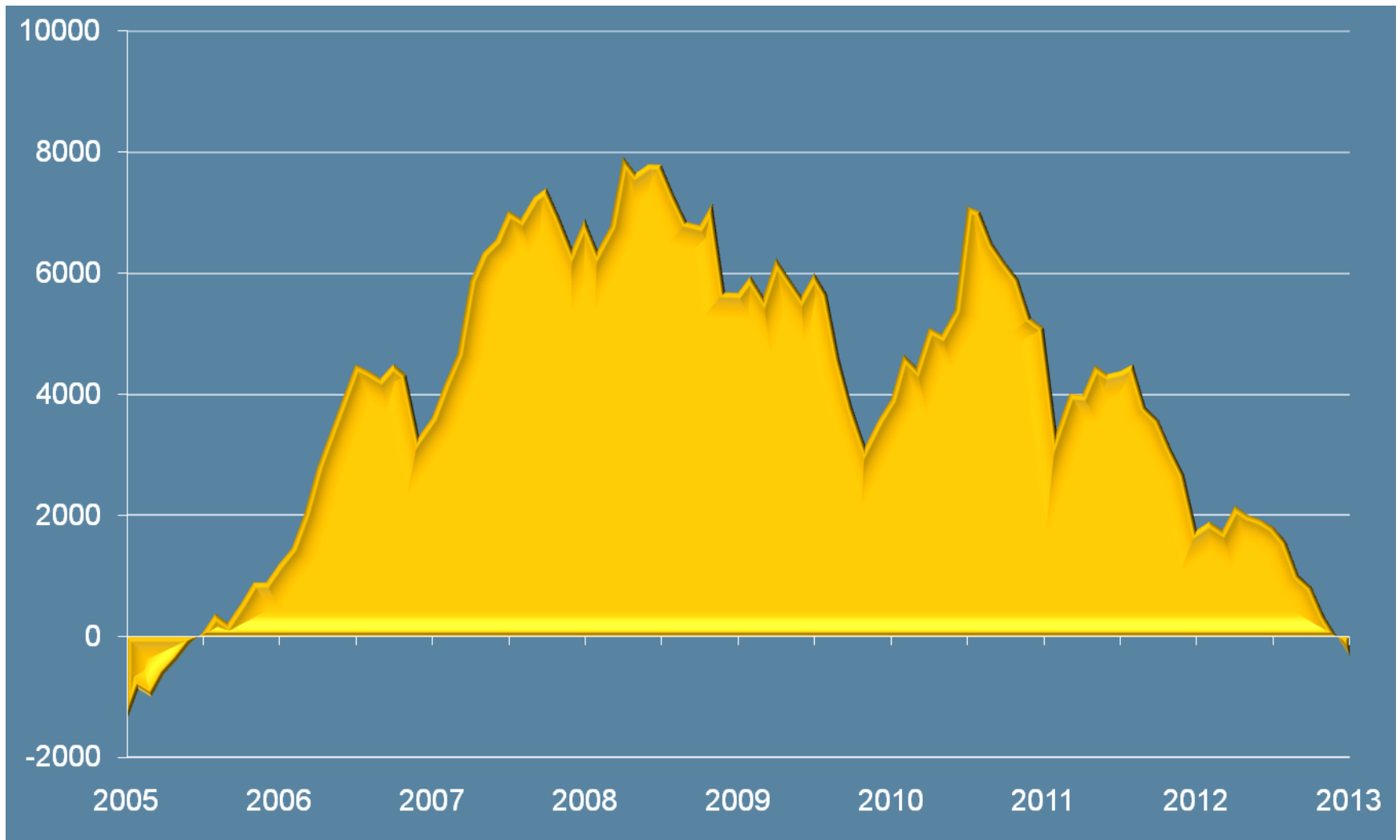


# Reasons the Recovery is Real



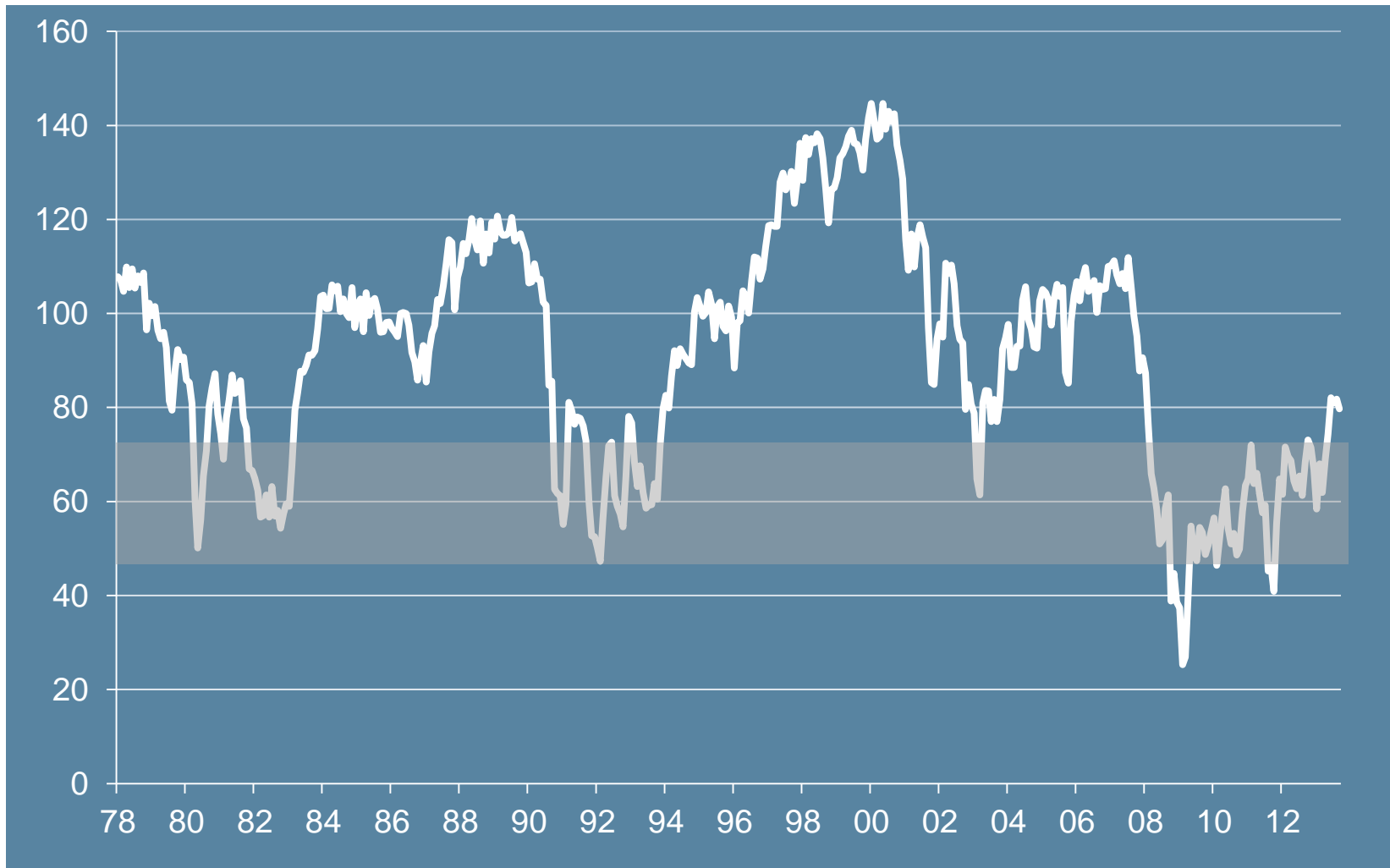
# US Housing: Back to balance!

(Surplus units, thousands)

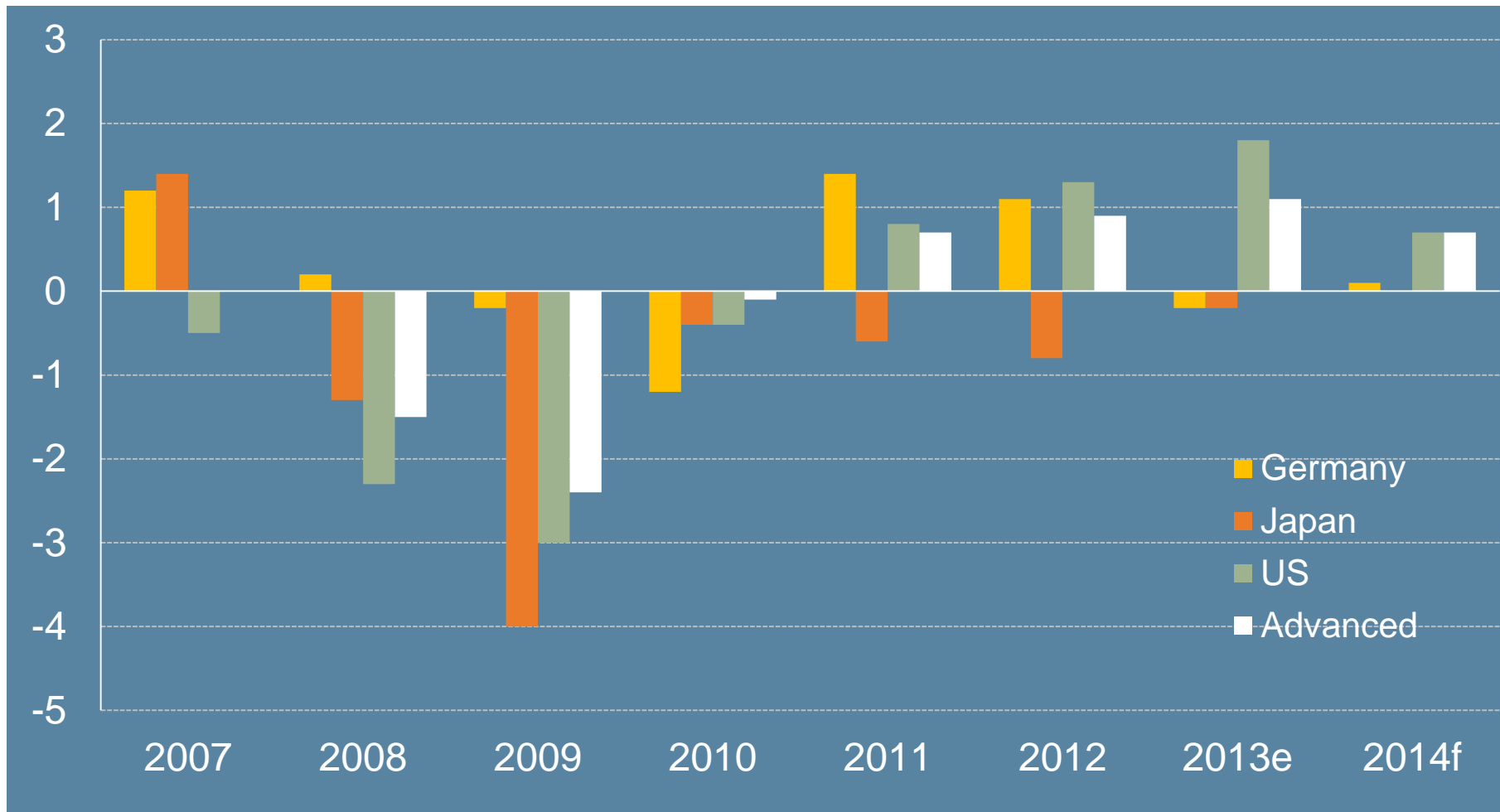


# Breakthrough!

(US Consumer Confidence, 1985=100)

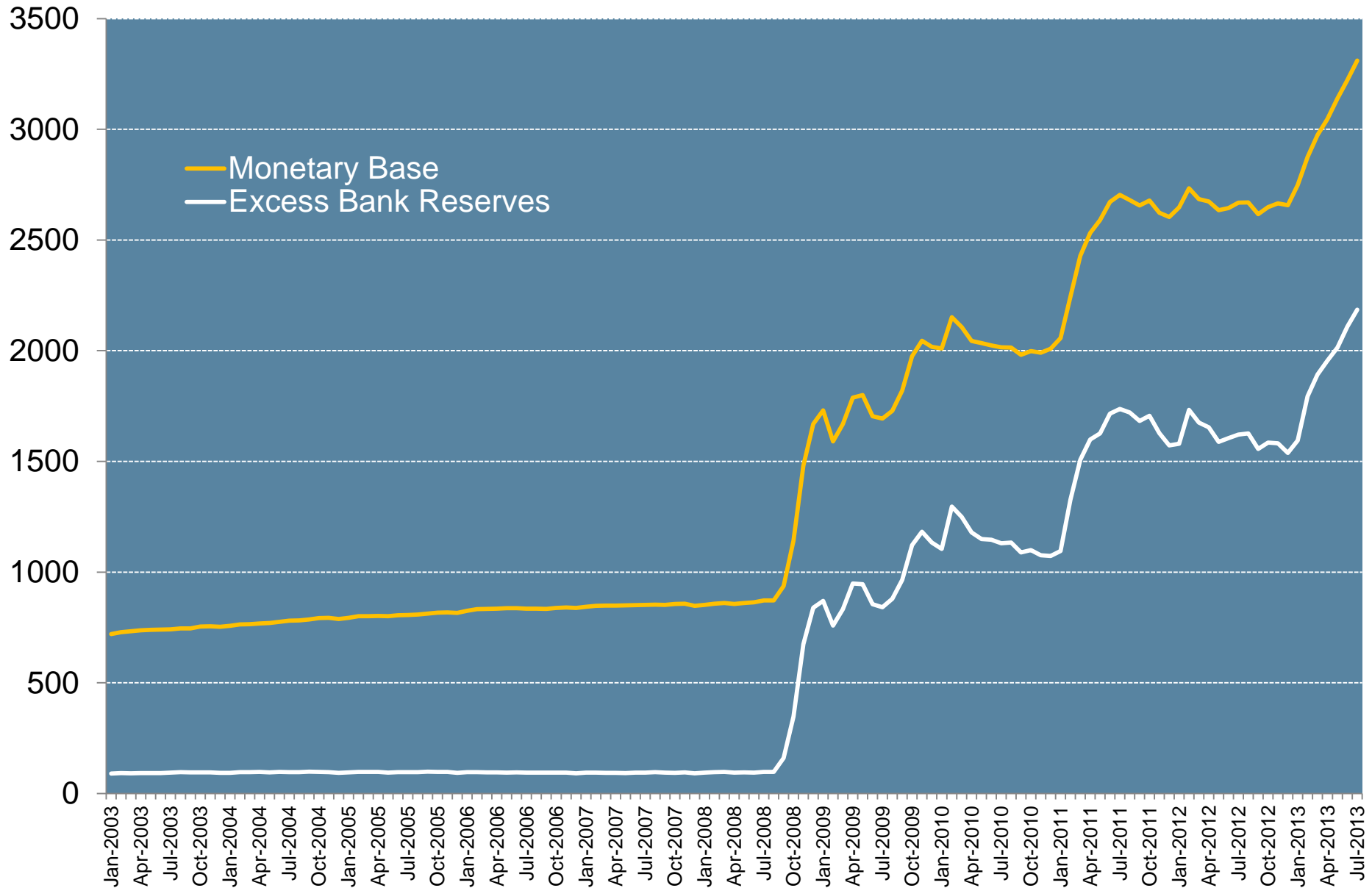


# Fiscal drag is disappearing...mostly (Government structural balances, % of GDP)

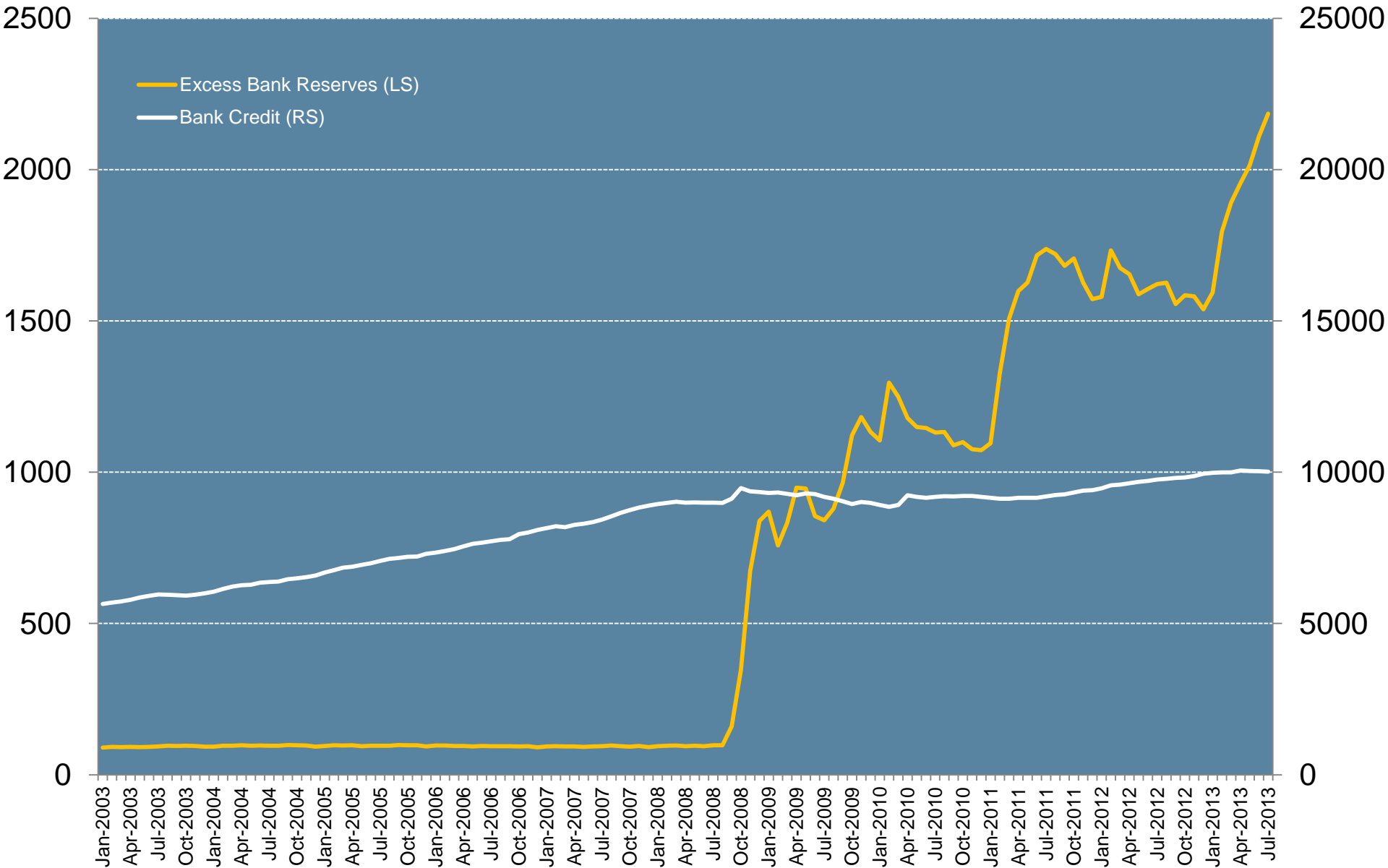


# QE: Quadrupling the Monetary base

(\$US, billions, 2003-2013)

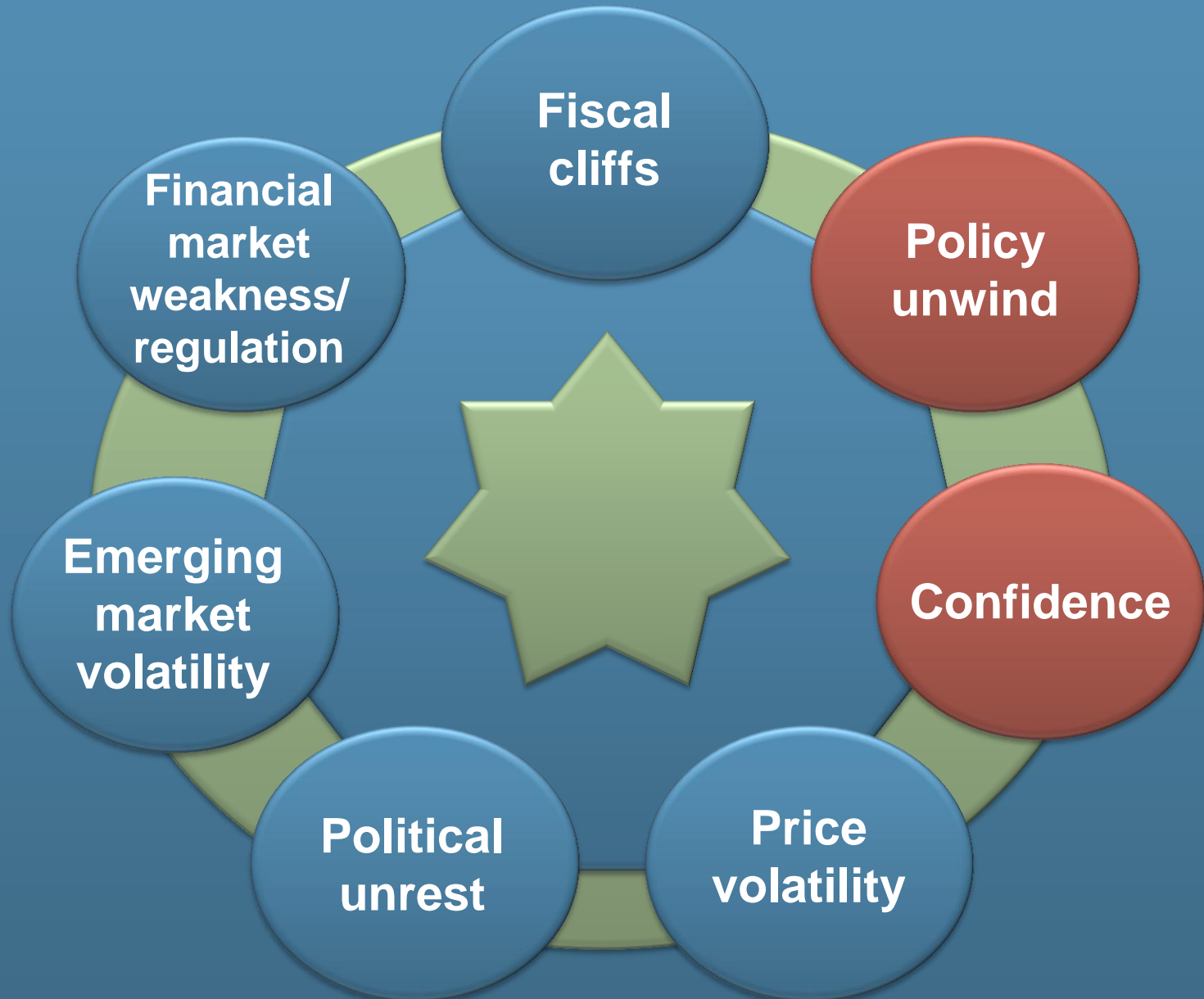


# QE3: Where's the Money??

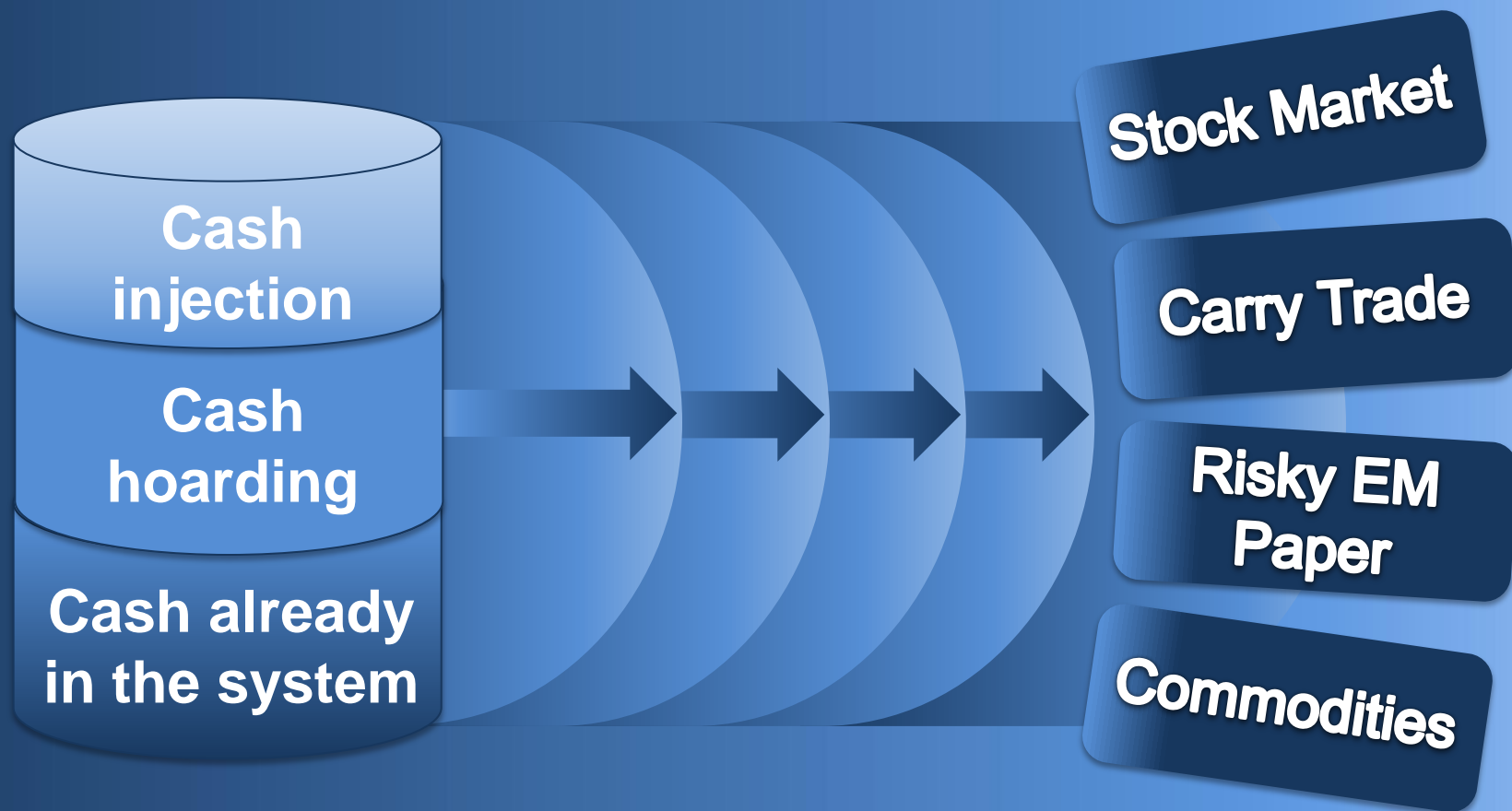




# Short-term risks

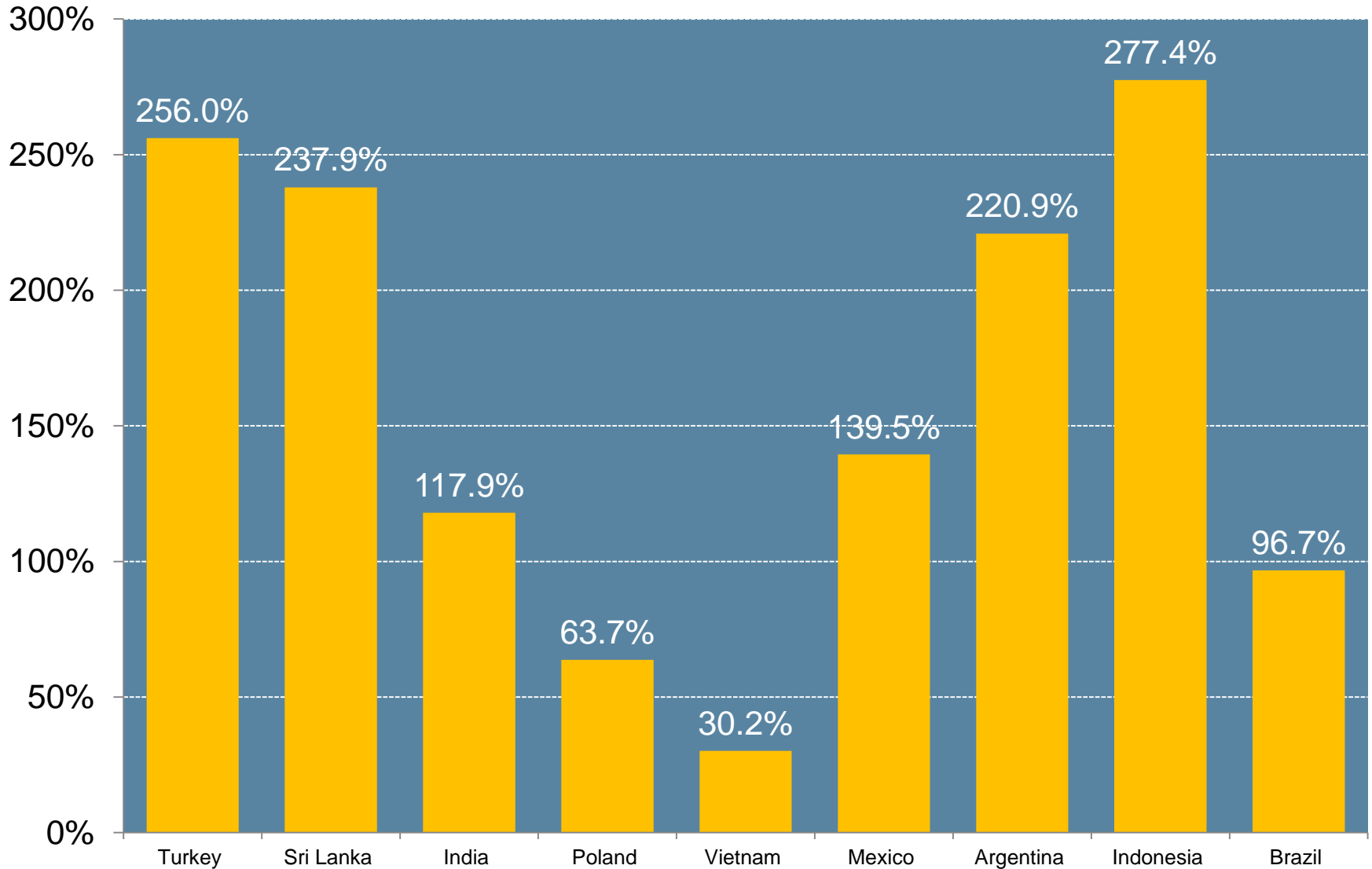


# Excess liquidity: distortions?



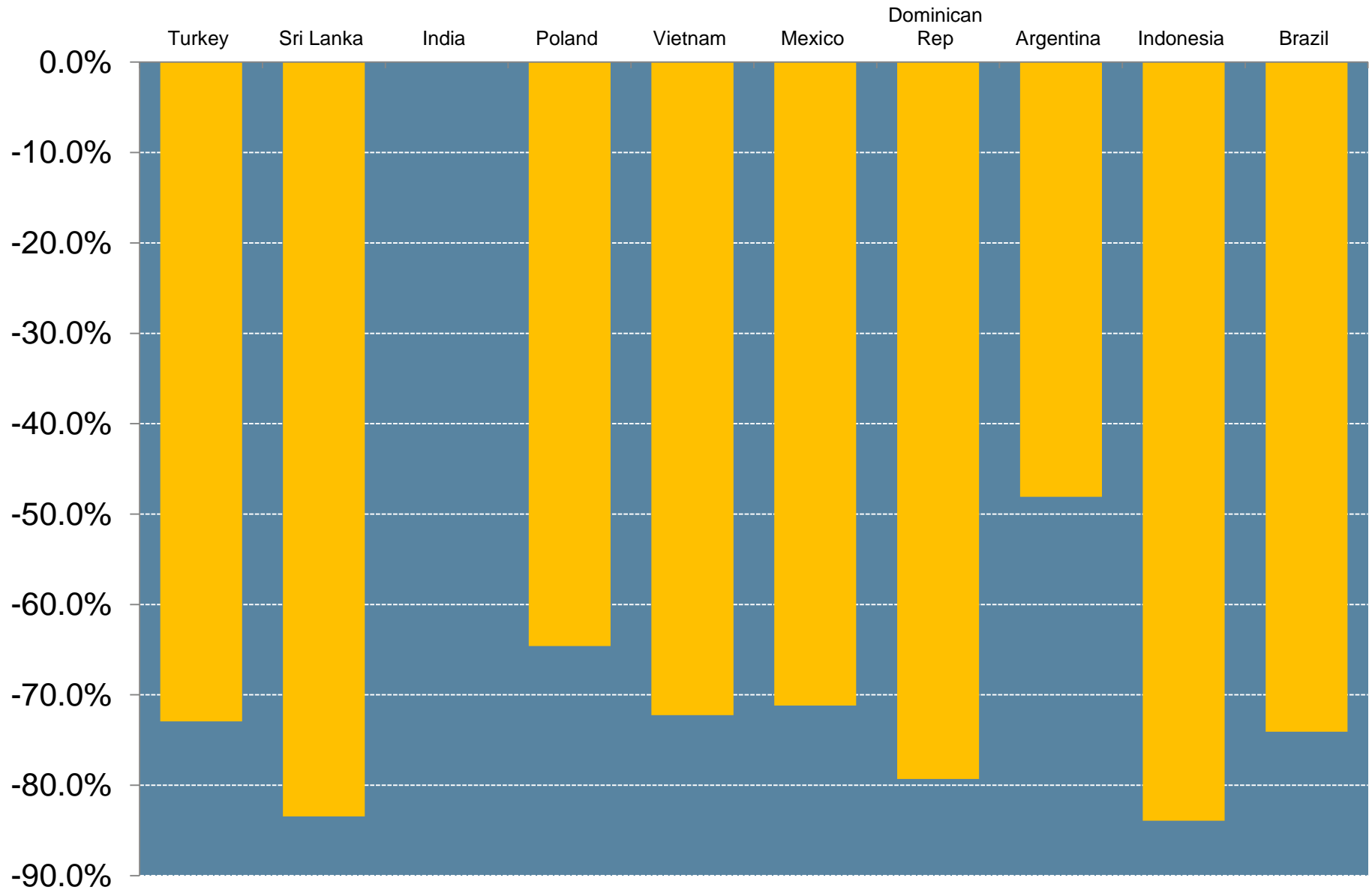
# Stockmarkets

(% Change between QE1 Announcement (Nov 25/08) and End 2012)

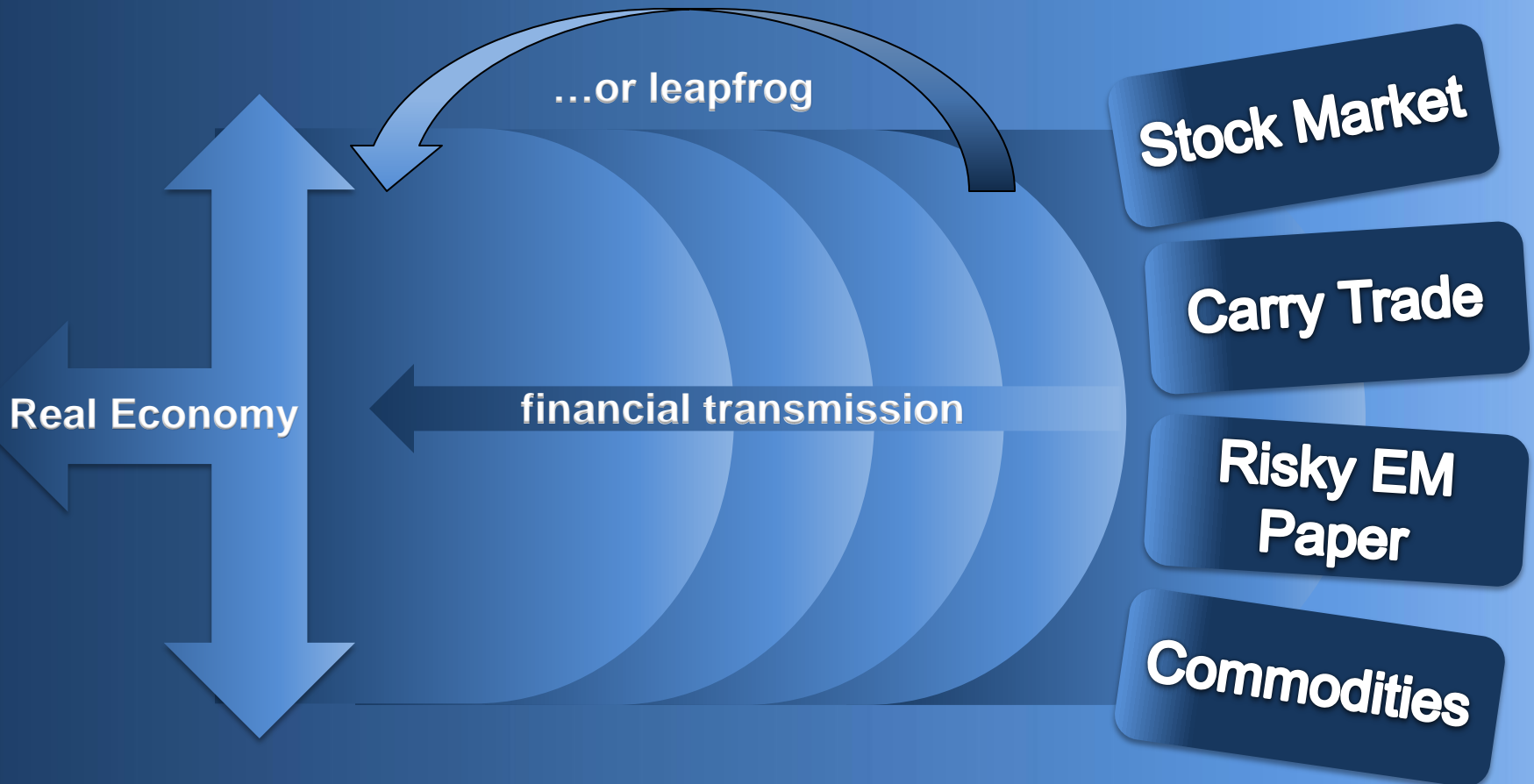


# Bond Spreads

% Change between QE1 Announcement (Nov 25/08) and End 2012

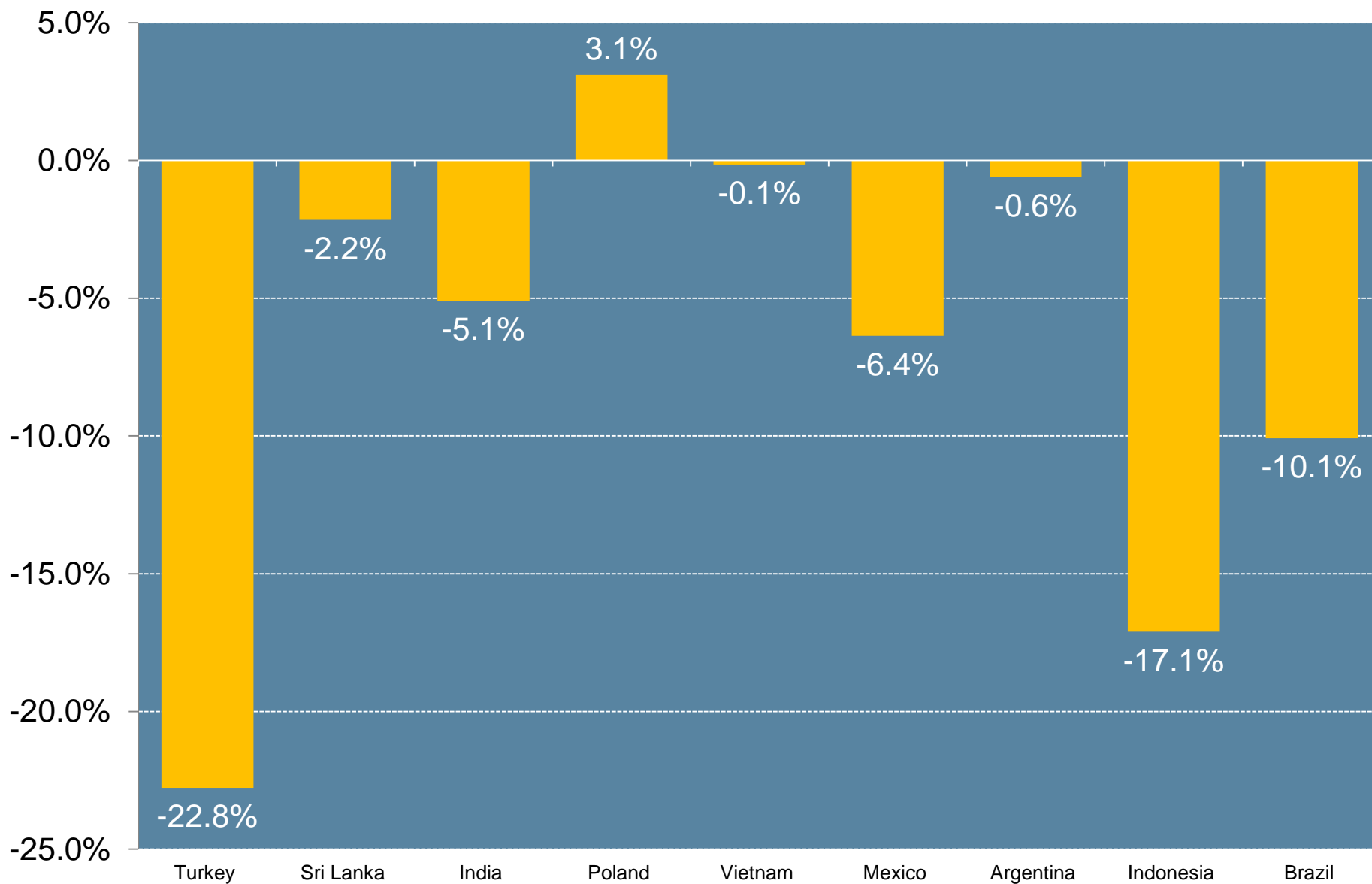


# ...and if growth really is here?



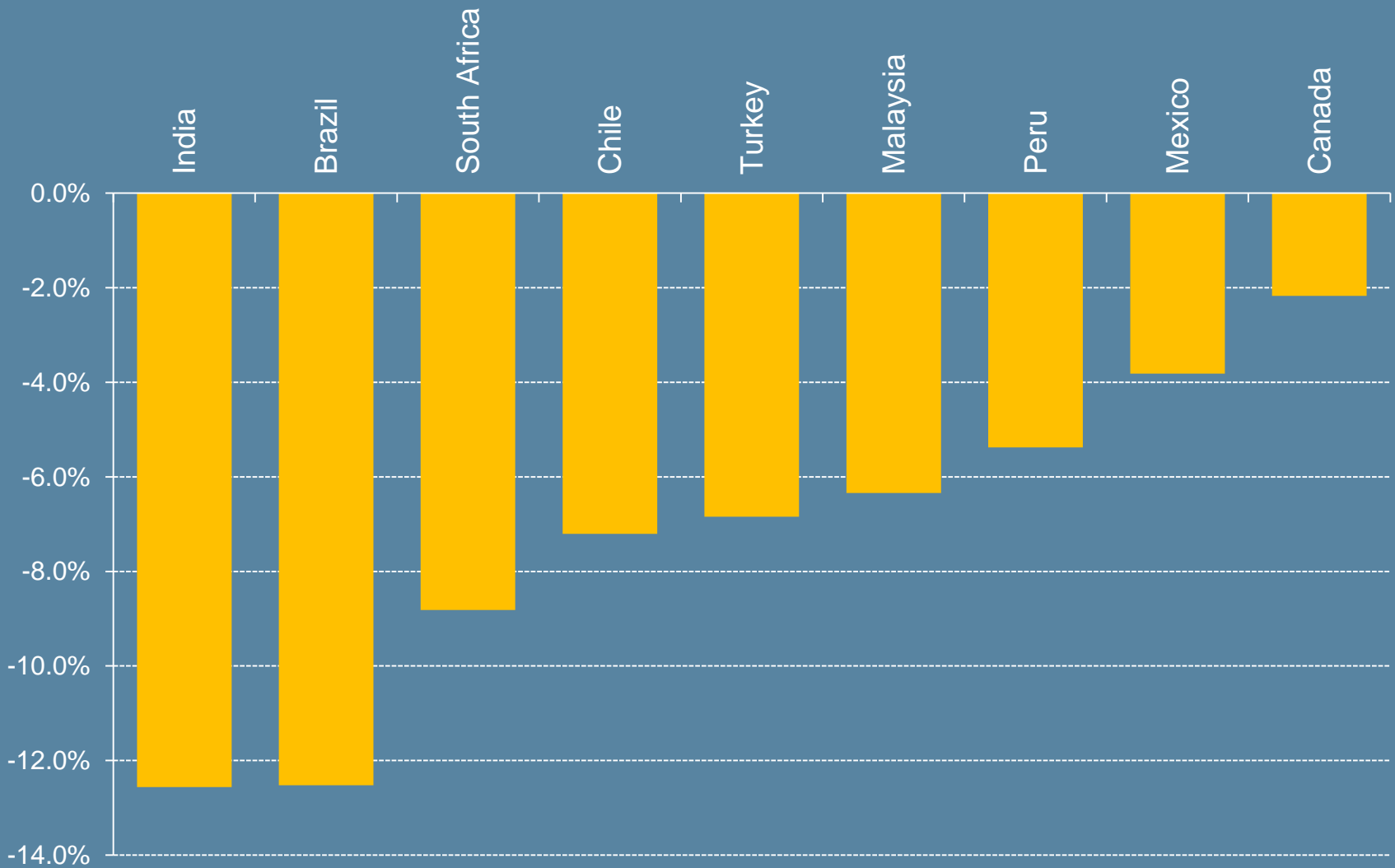
# QE unwind: Stock markets

% Change between QE Unwind Talk (May 1/13) and Aug 30/13



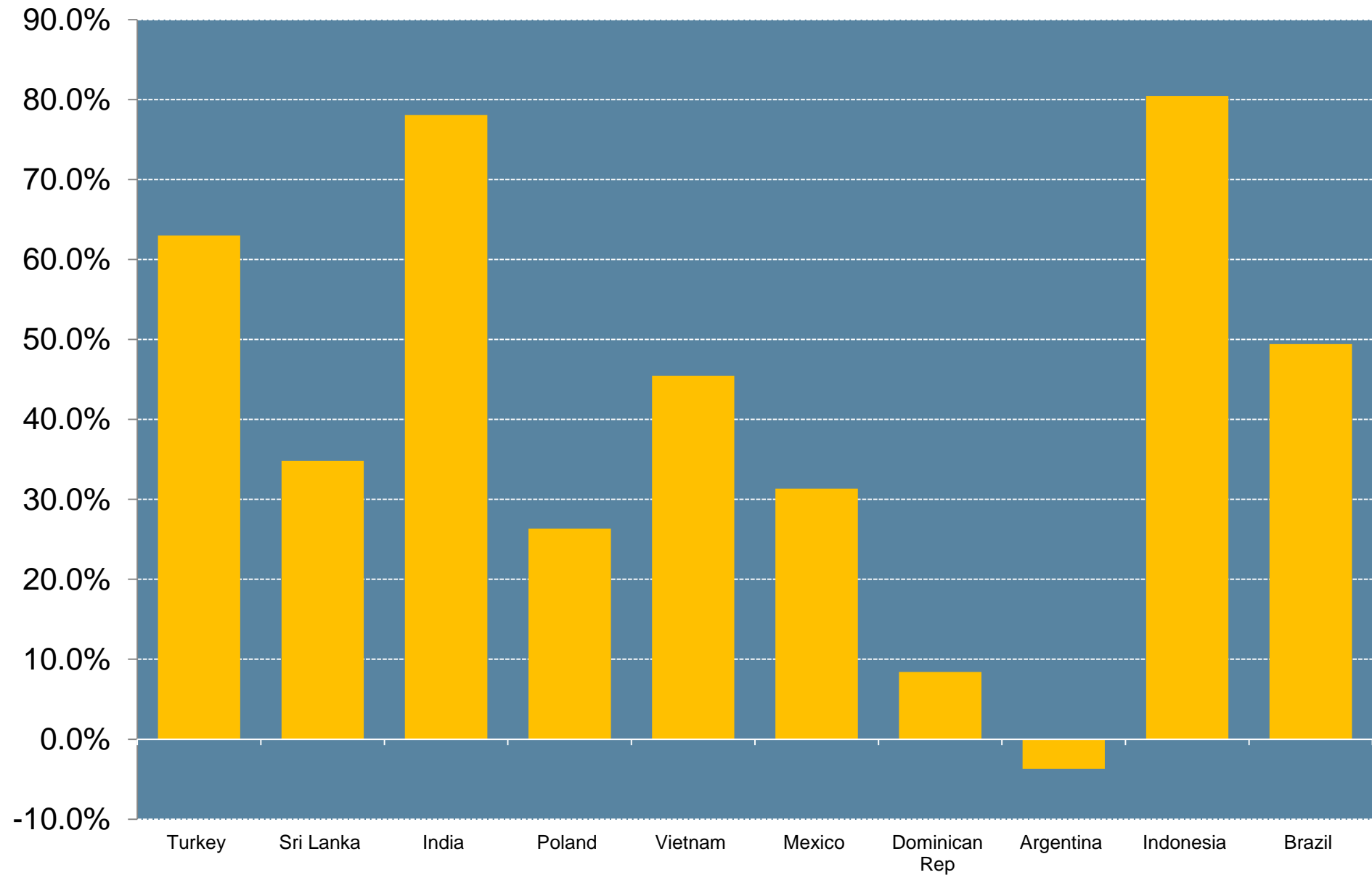
# QE unwind: currency trouble...

(% decline May-August, 2013)



# QE unwind: bond spreads

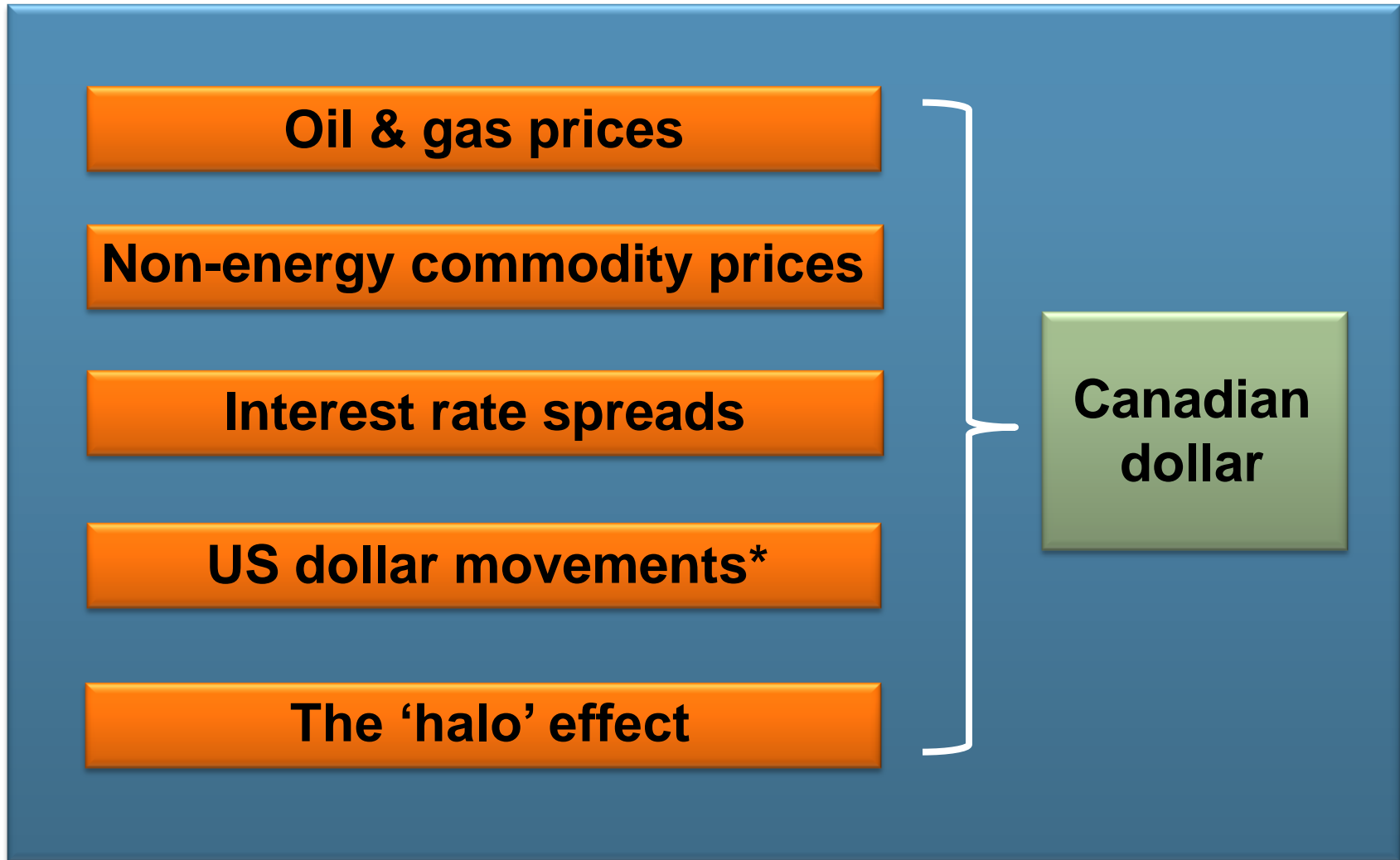
% Change between QE Unwind Talk (May 1/13) and Aug 30/13



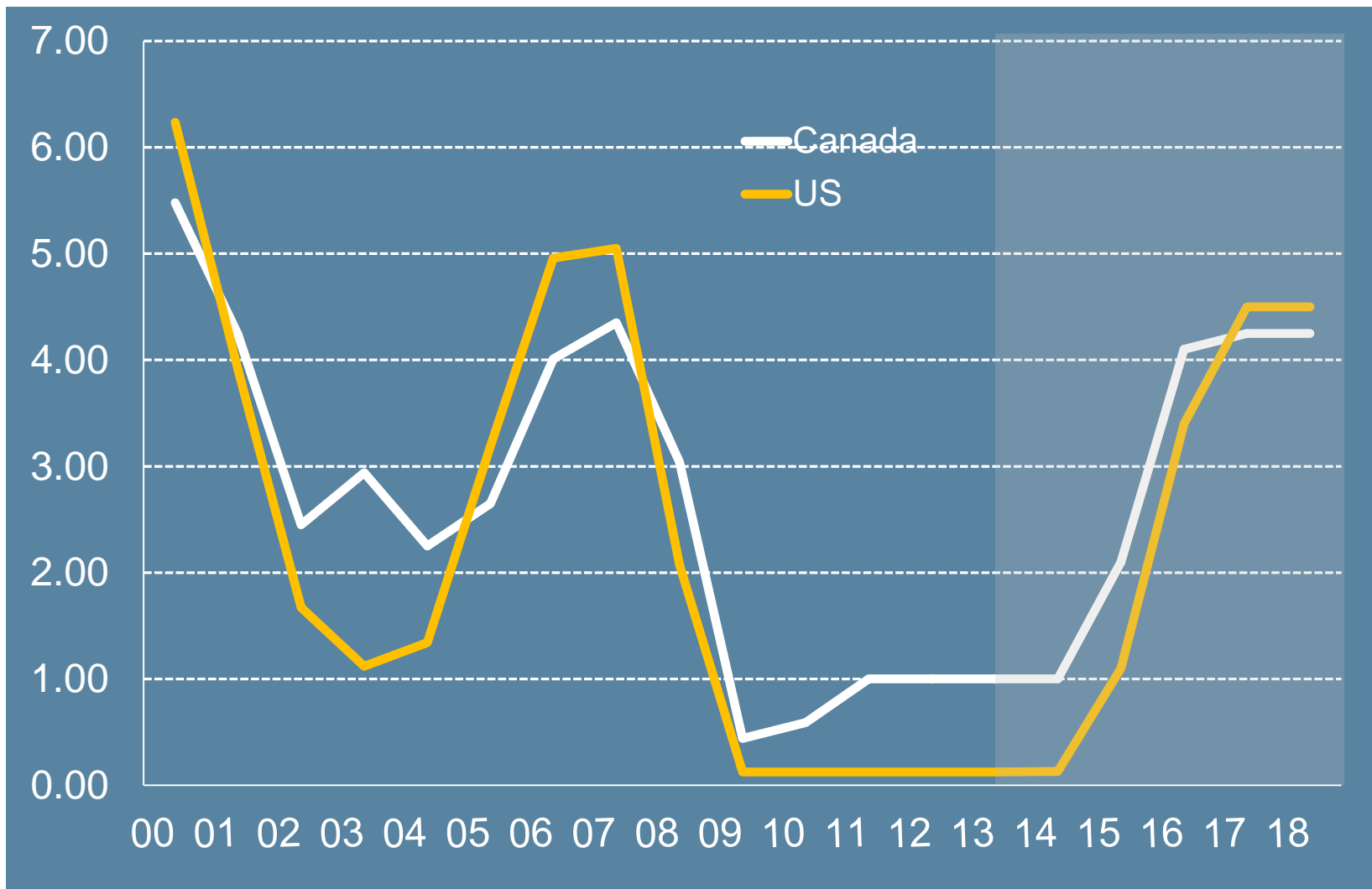


<i>Market</i>	<i>Share (2012)</i>	<i>2011</i>	<i>2012</i>	<i>2013 (f)</i>	<i>2014 (f)</i>
US	18.9	1.8	2.3	1.7	3.0
Canada	1.7	2.6	2.0	1.5	2.1
Mexico	2.1	3.9	3.8	1.5	3.8
Euro Area	13.7	1.4	-0.4	-0.3	1.0
Japan	5.6	-0.6	2.0	1.7	1.6
Emerging Asia	25.9	8.0	6.6	7.2	7.5
China	15.0	9.3	7.8	7.5	7.8
India	5.7	7.9	4.5	5.0	5.8
Brazil	2.9	2.7	1.0	2.8	3.5
Russia	3.0	4.3	3.6	2.0	2.9
<b>Industrialized</b>	<b>50.2</b>	<b>1.6</b>	<b>1.3</b>	<b>1.2</b>	<b>2.3</b>
<b>Emerging</b>	<b>49.8</b>	<b>6.3</b>	<b>5.2</b>	<b>5.0</b>	<b>5.5</b>
<b>Total World</b>	<b>100.0</b>	<b>3.9</b>	<b>3.2</b>	<b>3.2</b>	<b>3.9</b>

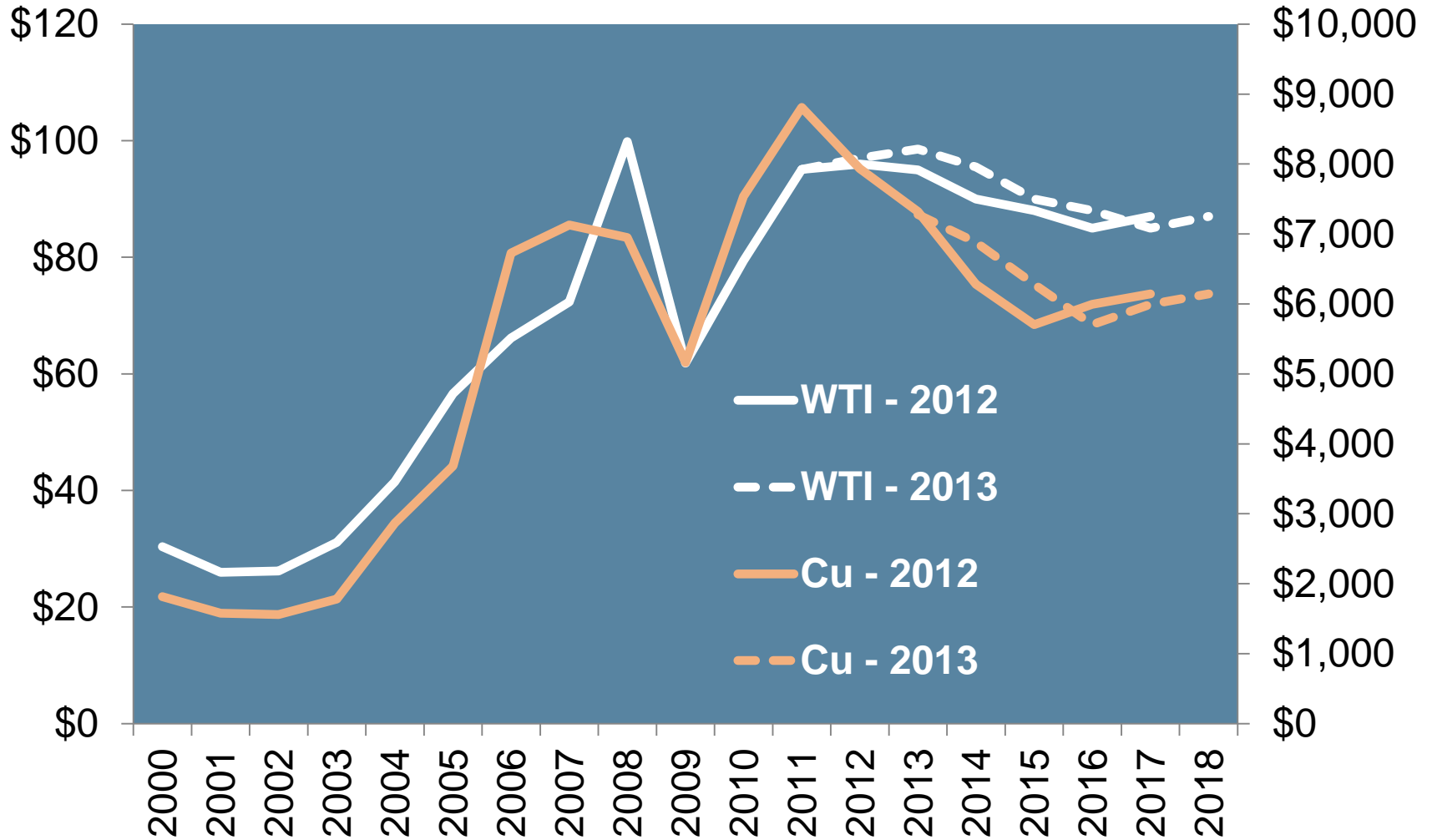
# Drivers of the Canadian Dollar



# Interest rate outlook

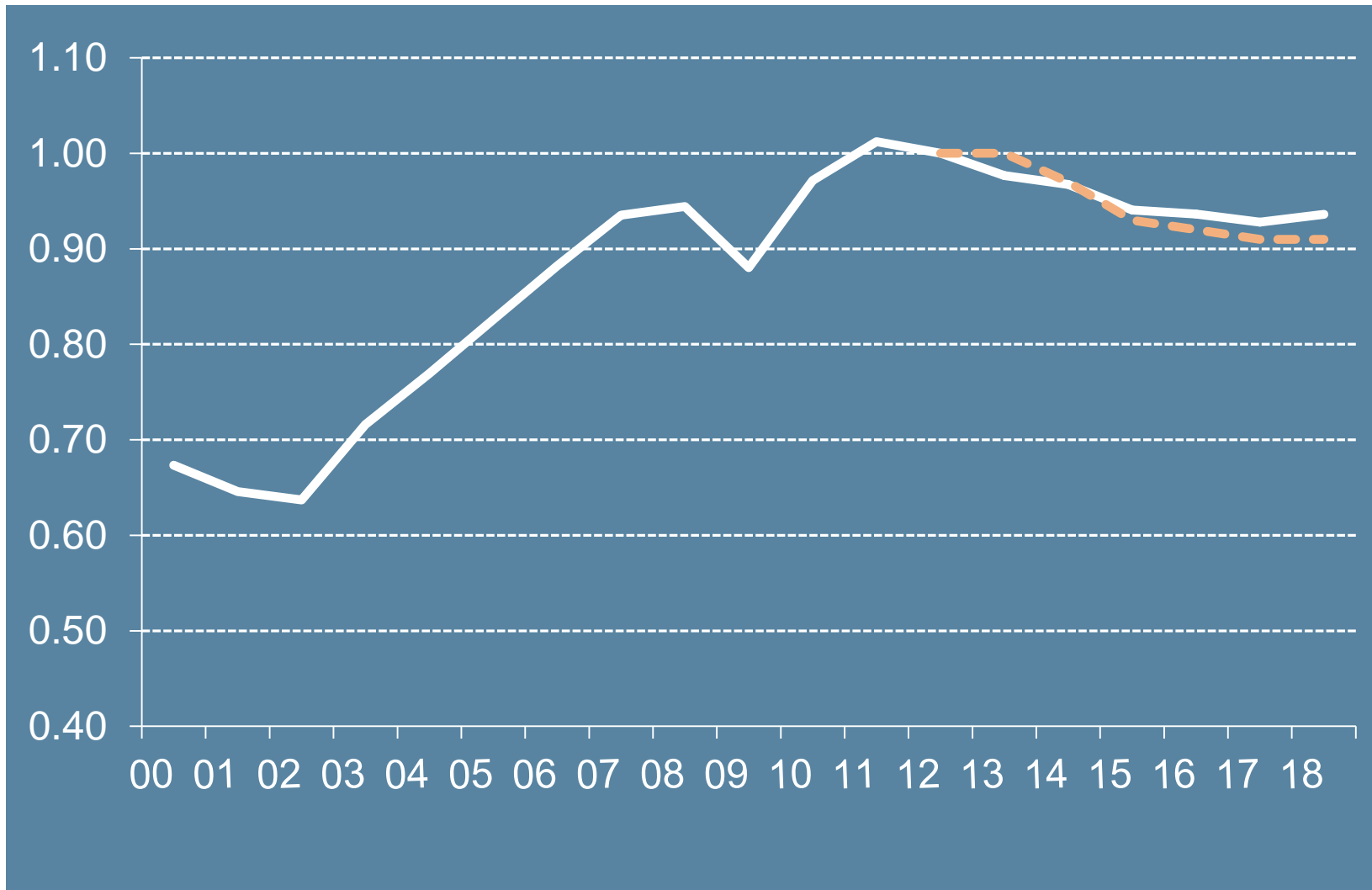


# Commodity Price Outlook



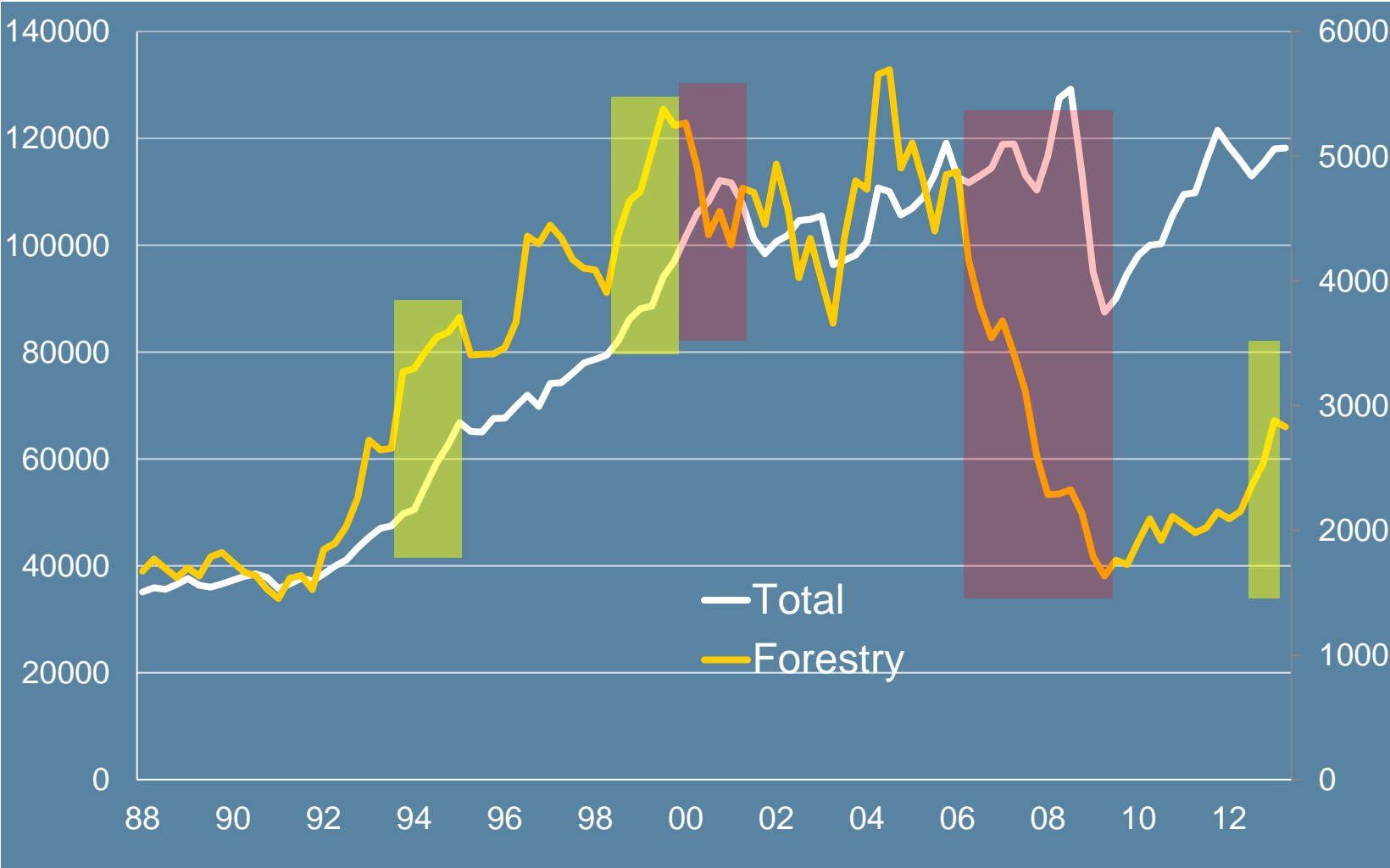
# Canadian dollar outlook

(USD per CAD, 2013 vs 2012)



# Canada: trade about to take off?

(Merchandise trade, total and wood products, \$M)



# Resource-sector investment

## NR Can assessment

- ❏ 600 resource-sector projects...
- ❏ ...estimated cost: \$650 billion
- ❏ Large draw on labour force
- ❏ All regions participate
- ❏ True North: next frontier

# Canada: Strengths

-  **Resource base**
-  **Fiscal policy**
-  **Financial institutions**
-  **Location**
-  **Cosmopolitan market**



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