

Your House, Your Time: Orientation for the 2019 newly elected Members of Parliament

January 21-22, 2020



FACEBOOK





THE ECONOMIC OUTLOOK: WILL THINGS IMPROVE?

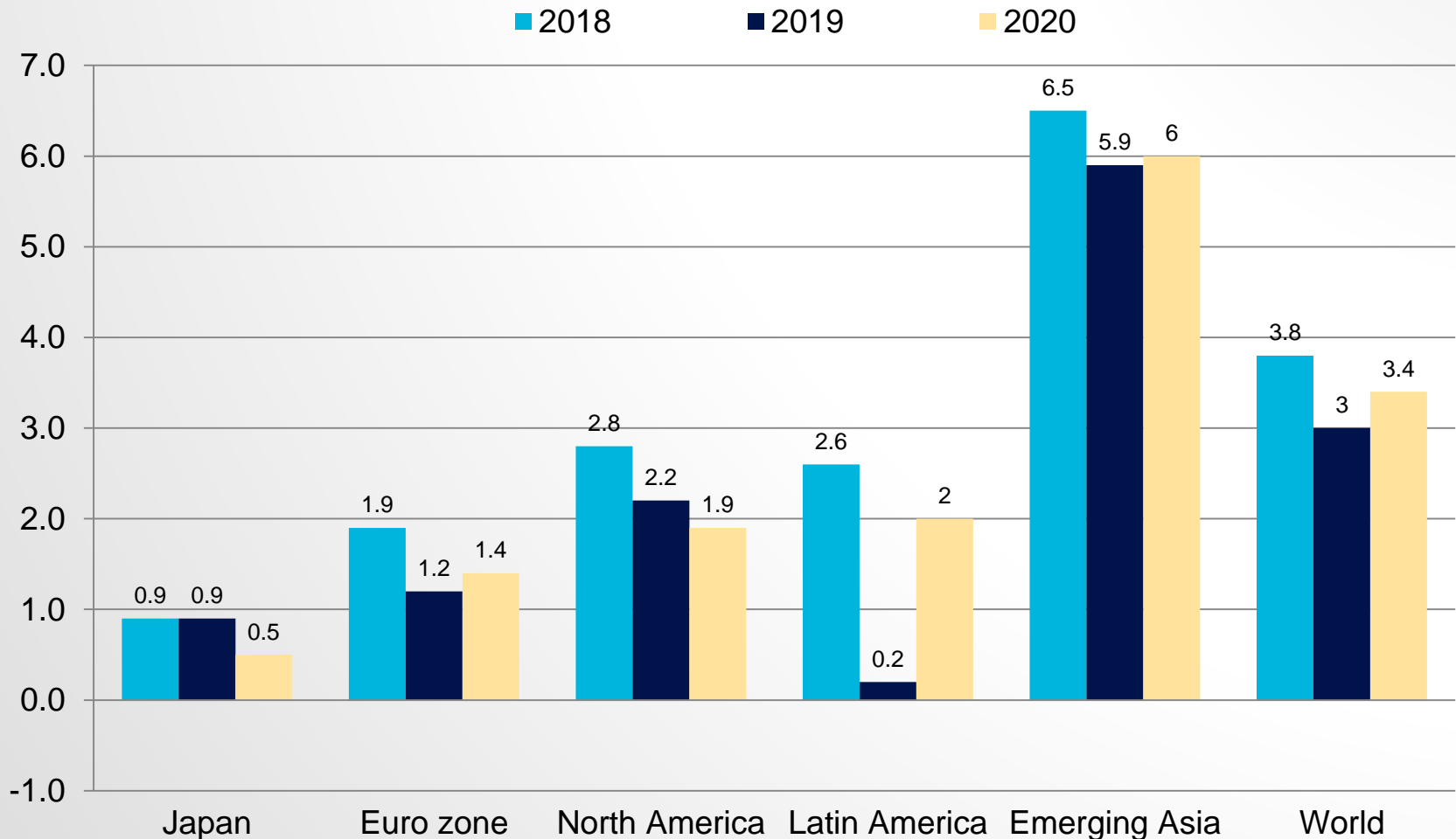
Glen Hodgson
January 2020

OVERVIEW

- Trump turmoil is fueling trade and investment uncertainty; many other global and local risks
- Slowing U.S. growth will constrain Canadian performance, with recession still a risk
- Demographics and climate change define the longer-term outlook.

UNEVEN GLOBAL REGIONAL GROWTH

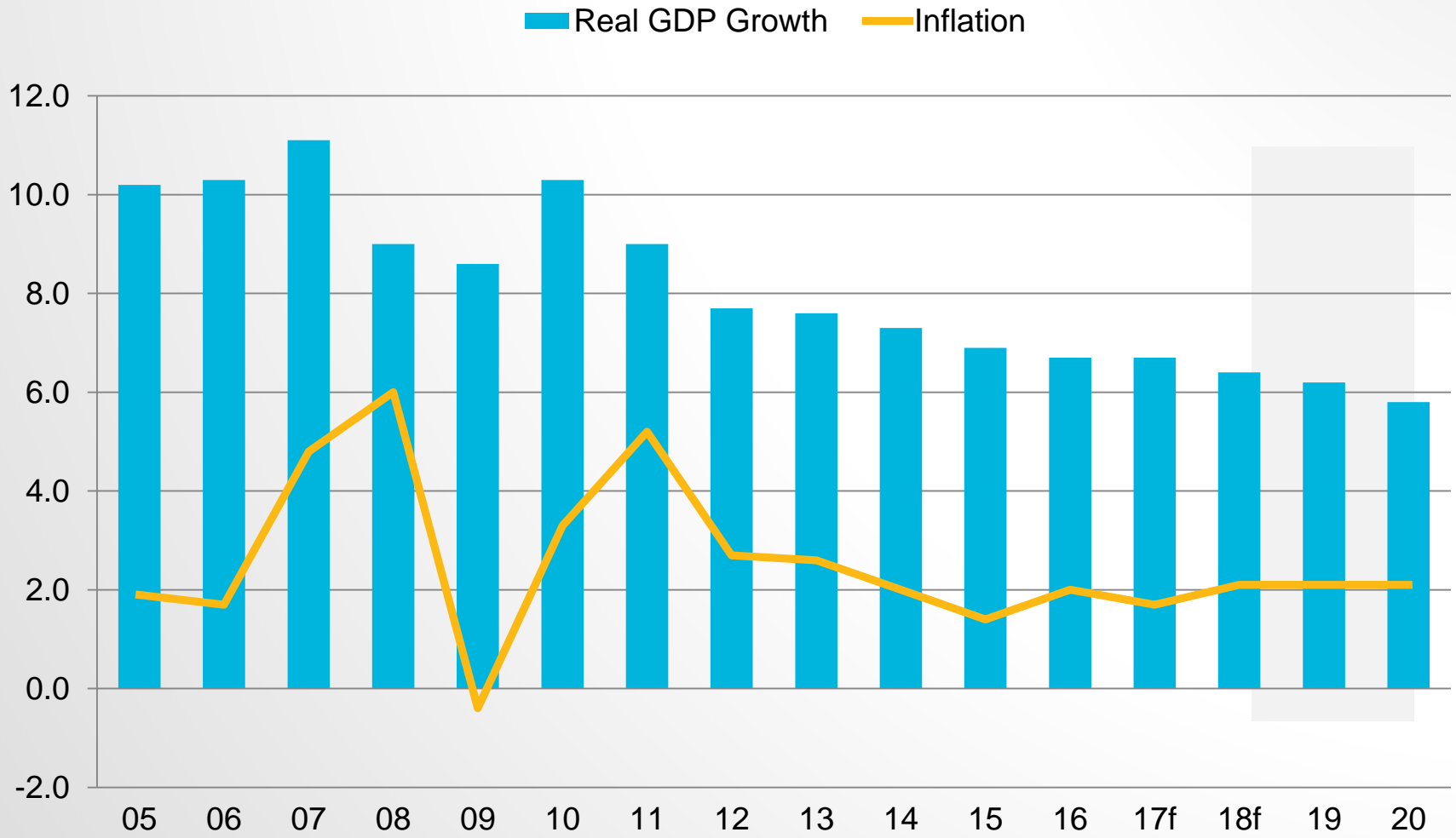
PER CENT CHANGE, REAL GDP



Source: IMF, Bloomberg, Consensus Economics.

SLOWING CHINESE GROWTH

PER CENT CHANGE



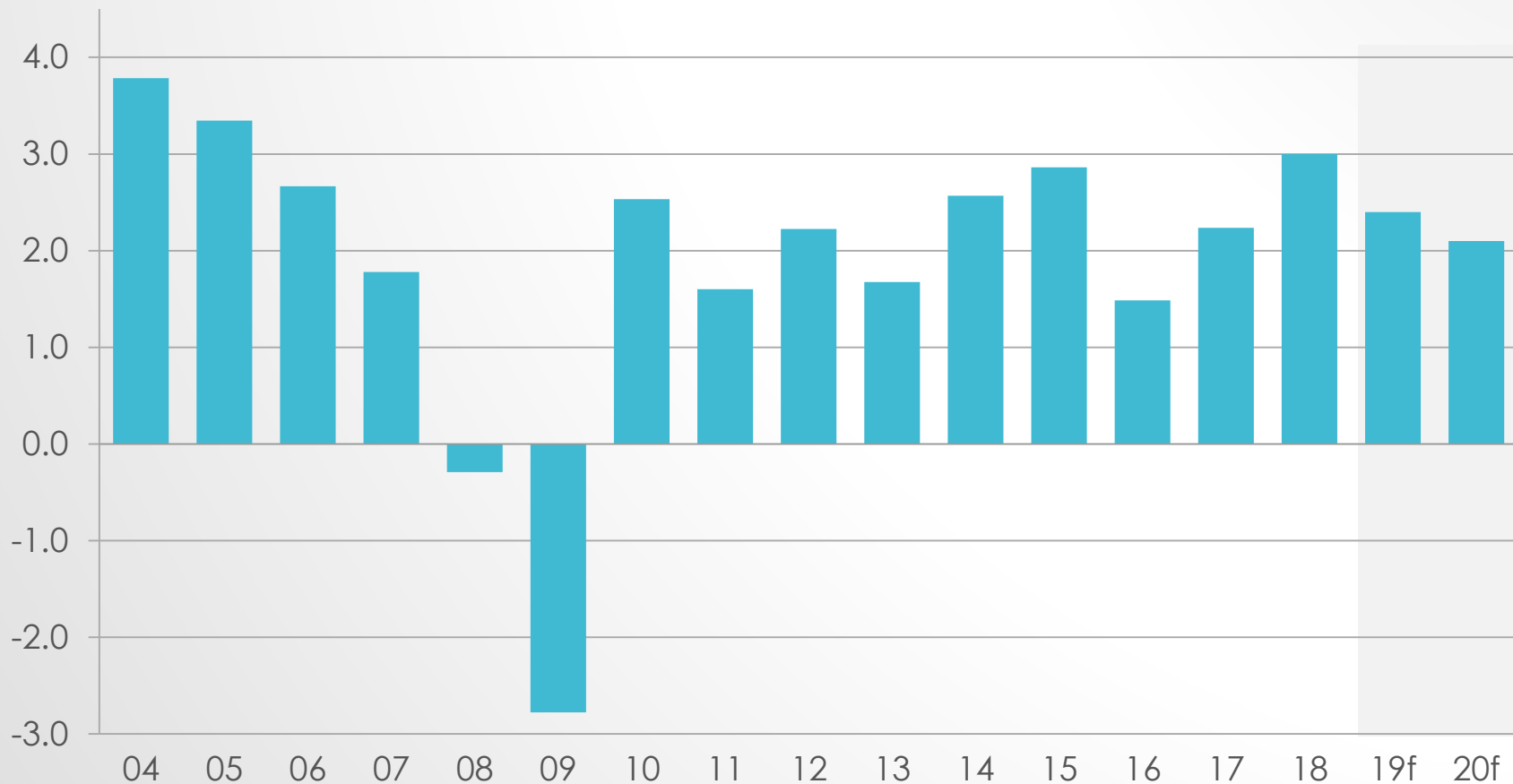
Source: Consensus Economics.

U.S. OUTLOOK

- On the surface, U.S. economy appears to be performing well
- Sustained job creation, moderate private investment
- Large fiscal deficits, rising debt
- But confidence has been weakened by disruptive Trump trade policy, tariffs
- Weaker growth projected for 2020, with residual recession risk

OVERALL: FADING U.S. GROWTH

U.S. real GDP growth, per cent change

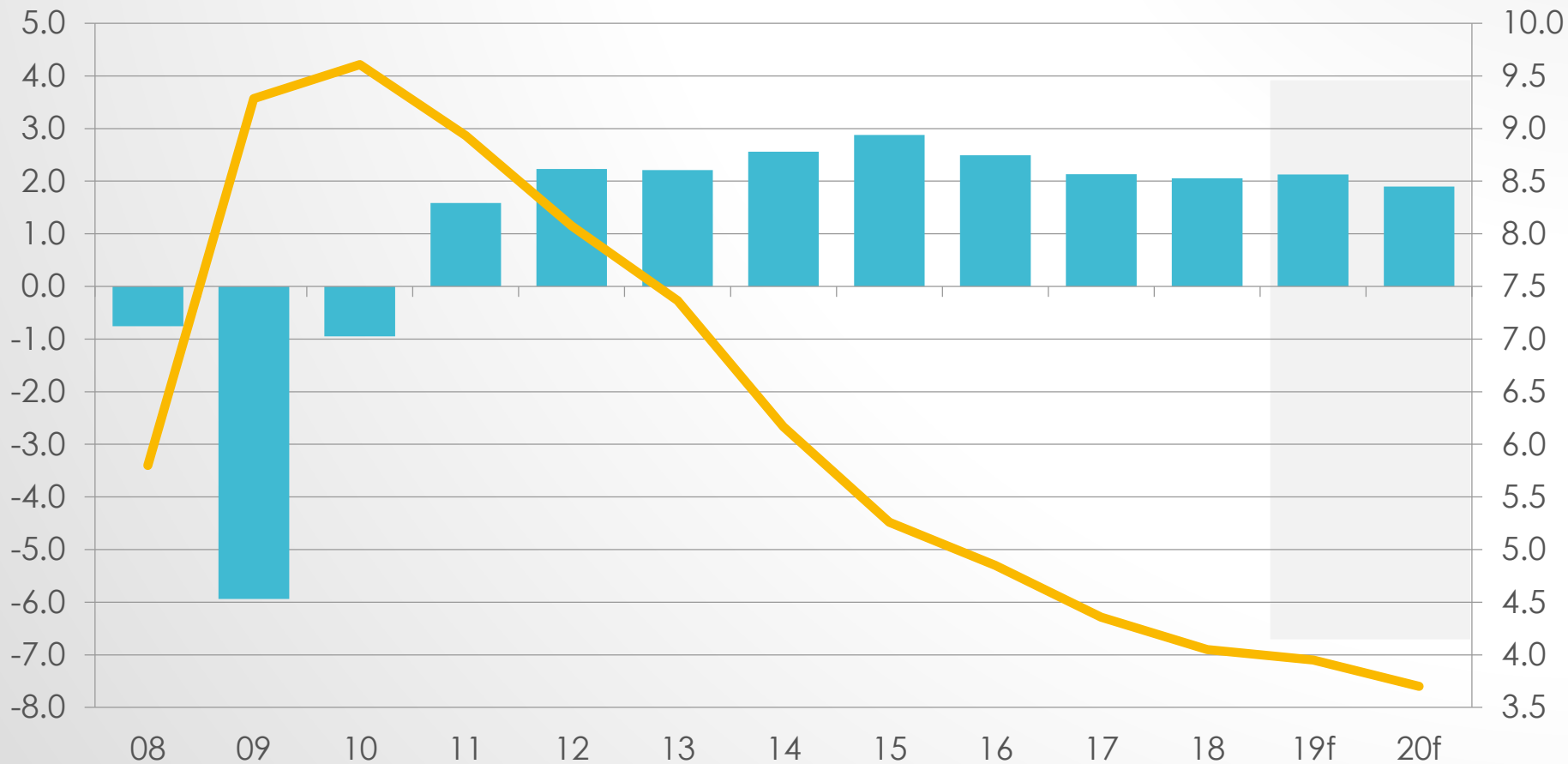


Sources: BEA, Fed, Bennett Jones.

TIGHT U.S. LABOUR MARKET

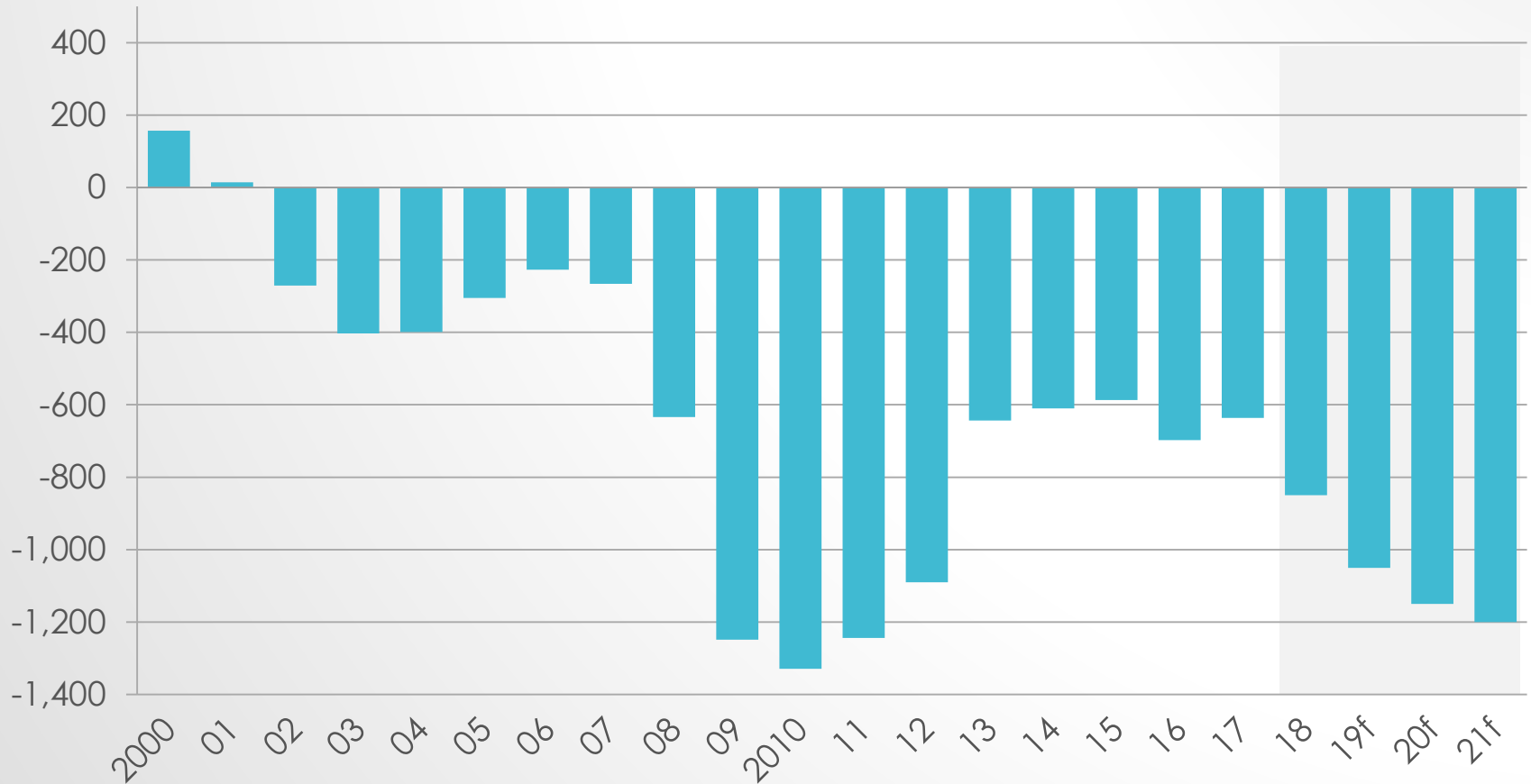
NET JOB CREATION, LEFT AXIS, MILLIONS; UNEMPLOYMENT RATE, RIGHT AXIS, PER CENT

■ Net job creation — Unemployment rate



SOARING U.S. FEDERAL DEFICIT

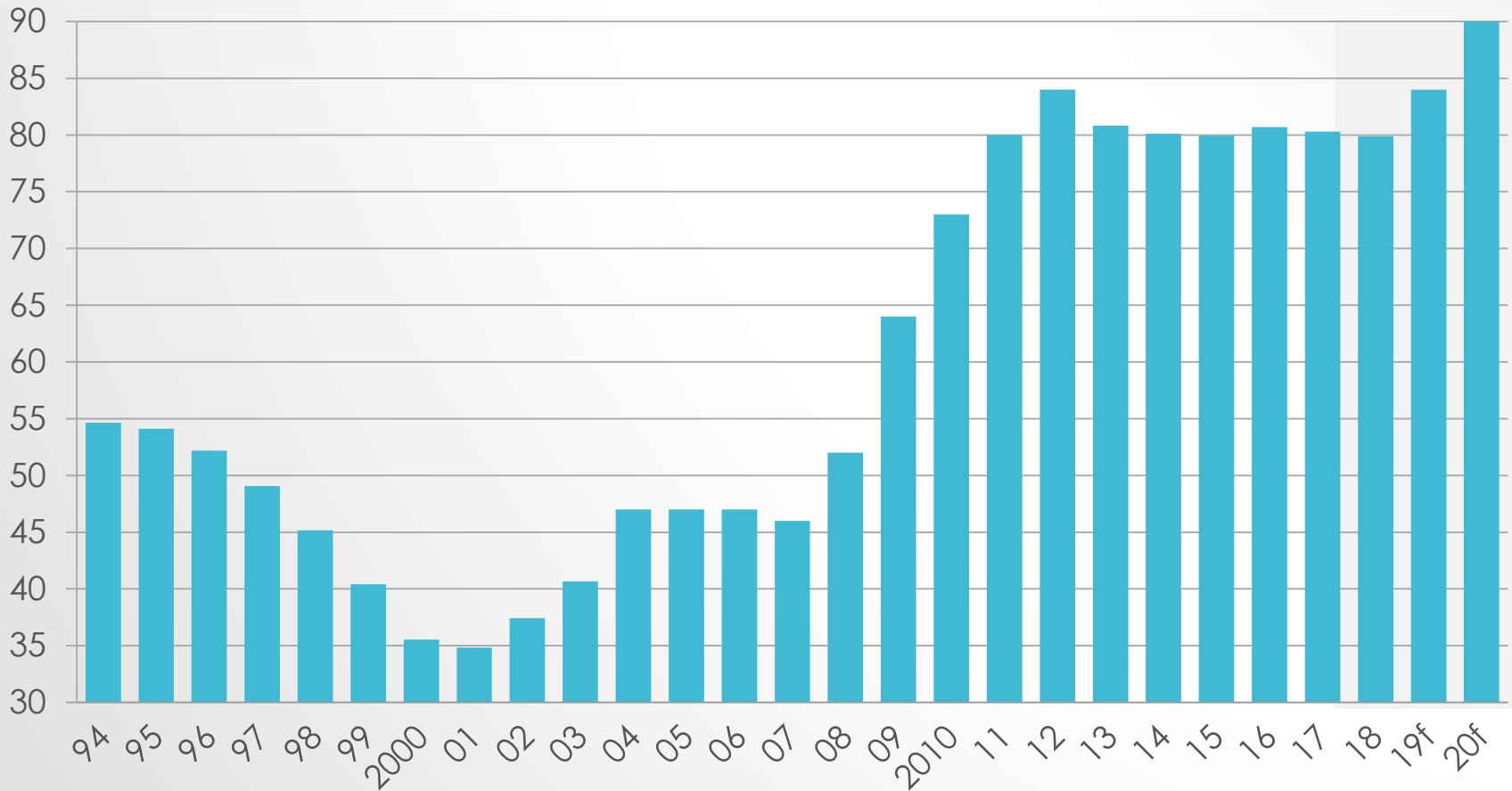
PA basis, billions of current \$



Sources: BEA; CBO

U.S. DEBT TAKEOFF

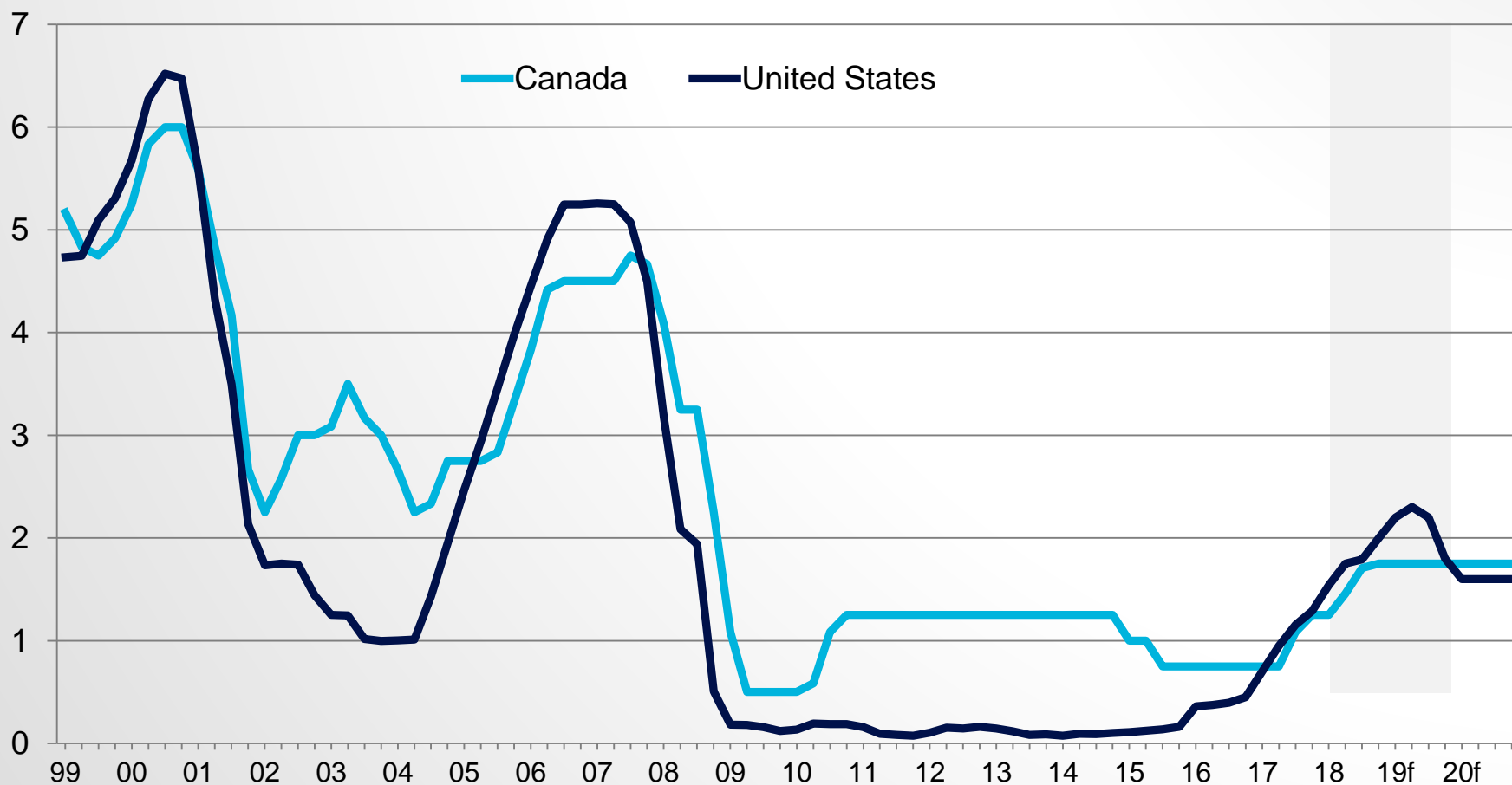
per cent of GDP



Source: IMF

INTEREST RATES – WHAT NEXT?

CANADIAN BANK RATE, U.S. FEDERAL FUNDS RATE



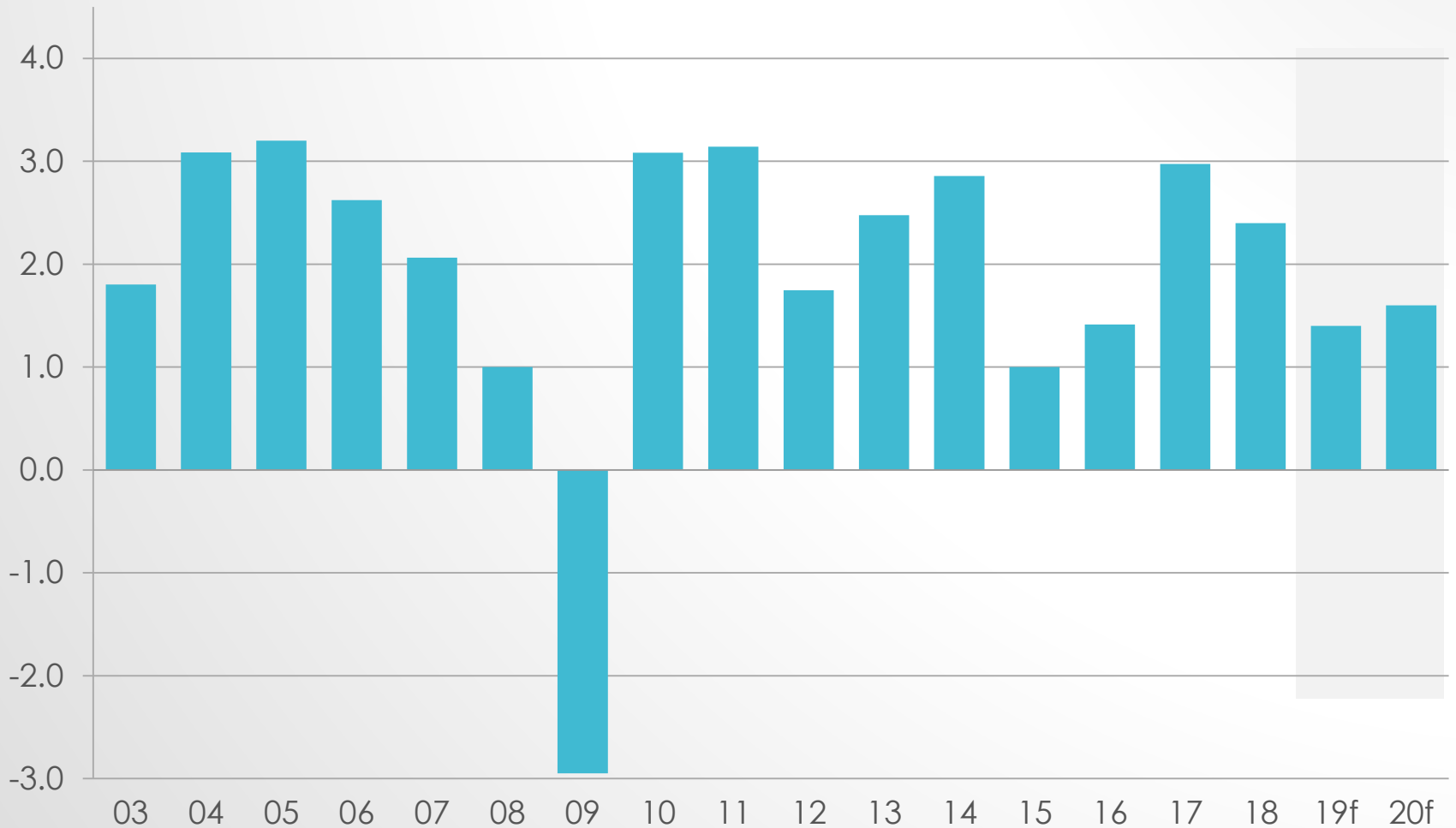
Sources: Statistics Canada; CBoC; Scotiabank; BMO..

CANADIAN OUTLOOK

- Canadian growth held back by external and internal factors
- High consumer debt, weak business investment, oil production restraint
- Some risk of an imported recession, due to Trump trade policy
- Large regional differences

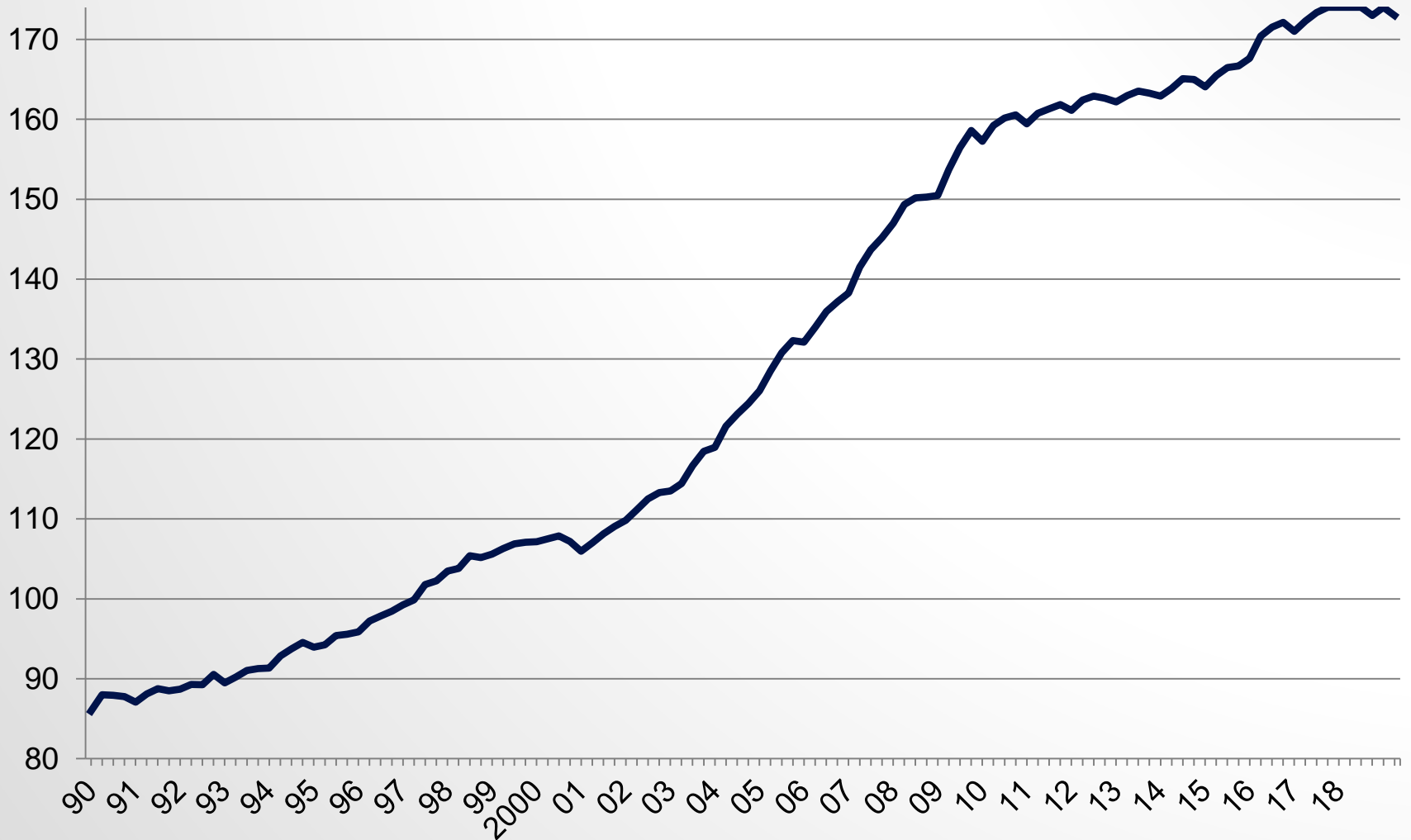
CANADIAN ECONOMY: BUMPING ALONG

Real GDP, per cent change



HIGH HOUSEHOLD DEBT

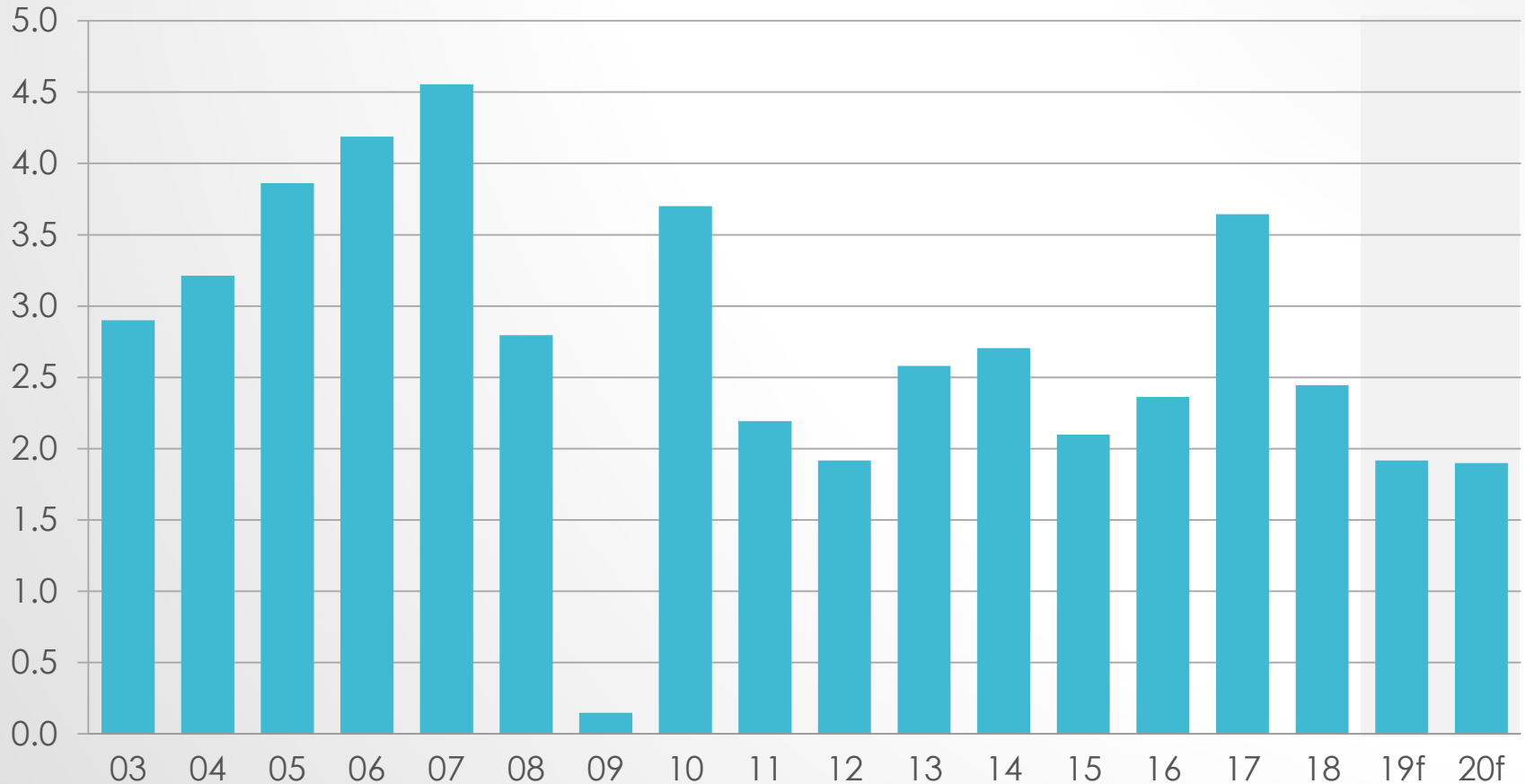
TOTAL MORTGAGE AND CONSUMER DEBT, RATIO TO DISPOSABLE INCOME



Source: Statistics Canada.

CAUTIOUS CANADIAN CONSUMERS

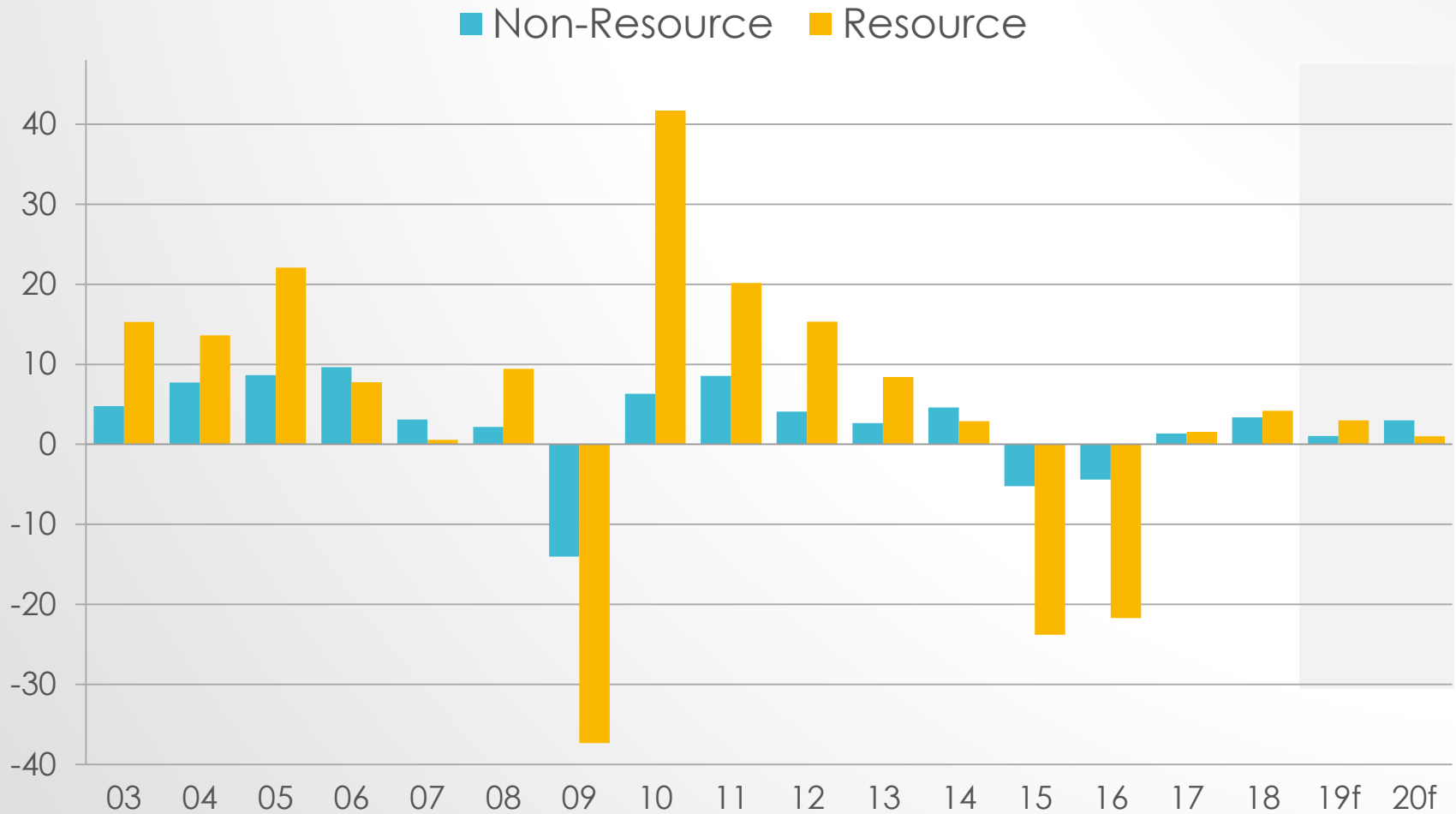
Real dollars, per cent change



Sources: Statistics Canada; Bennett Jones; CBoC, Scotiabank.

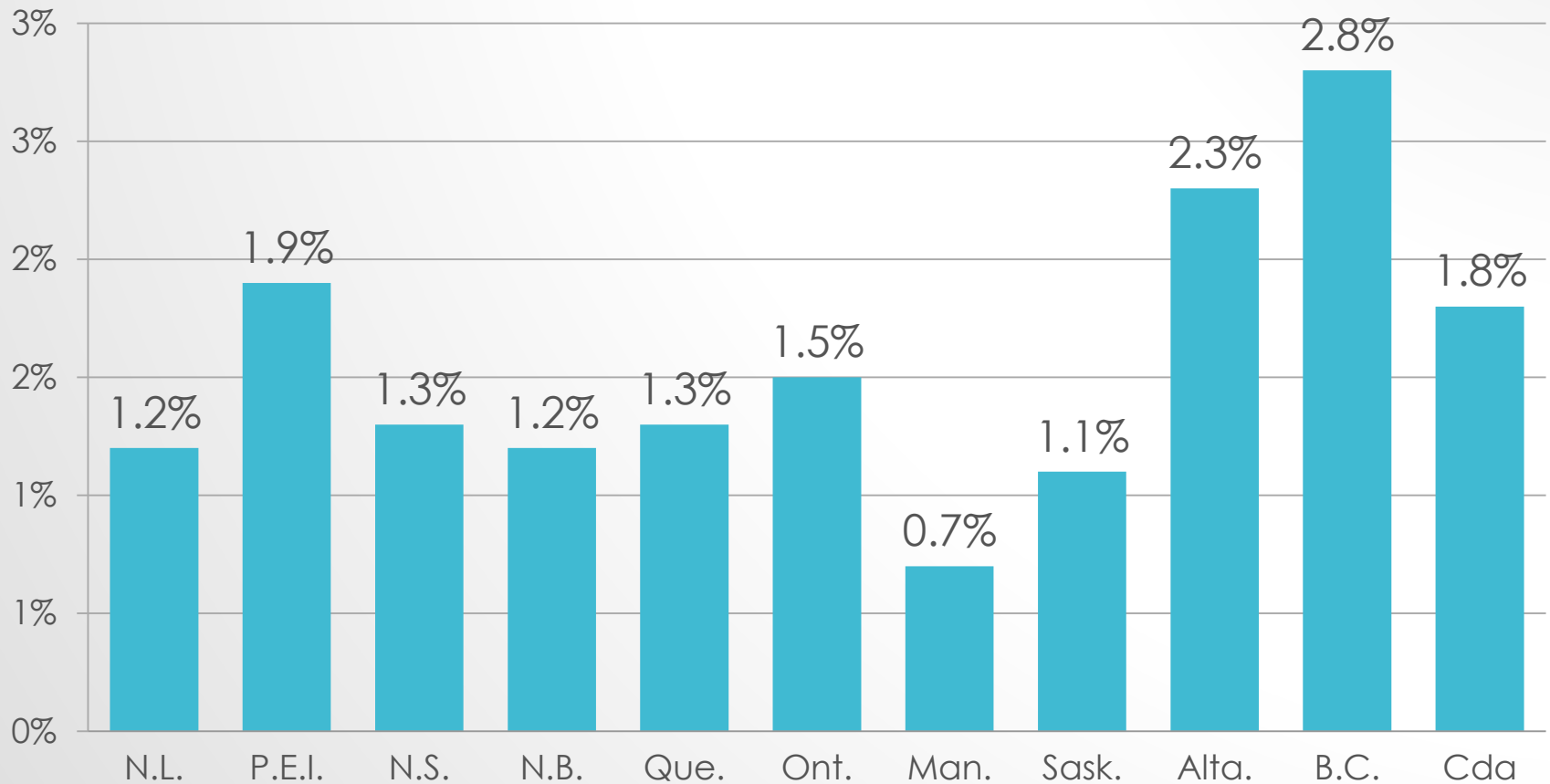
SLOW BUSINESS INVESTMENT

Non-residential structures and machinery, per cent change



2020 PROVINCIAL OUTLOOK

per cent change to real GDP



Sources: various government budgets; Scotiabank; CBoC.

MANY IMMEDIATE RISKS

- U.S.-China trade dispute
- Brexit and UK-EU trade negotiations
- NAFTA 2 ratification not completed
- Unpredictable Trump foreign policy
- Turmoil in Middle East


FADING LONG-TERM GROWTH POTENTIAL

- Aging demographics mean slower annual growth potential in many economies
- U.S.: has dropped from 3 per cent toward 2 per cent
- Canada: 1.8 per cent
- EU: 1.5 per cent
- Japan: under 1 per cent
- China: 4 per cent eventually



GLEN HODGSON
INTERNATIONAL ECONOMIST
AND FINANCIAL CONSULTANT

GLENHODGSON33@OUTLOOK.COM
TWITTER: @GLENHODGSON2
LINKEDIN: GLEN HODGSON



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