

30<sup>th</sup>

# *IECA Annual Canadian Conference*

*June 4-7, 2023 • Calgary, Alberta*

CALGARY MARRIOTT DOWNTOWN



# **Global Economic Outlook**

*Stuck in the doldrums*

**Stuart Bergman**

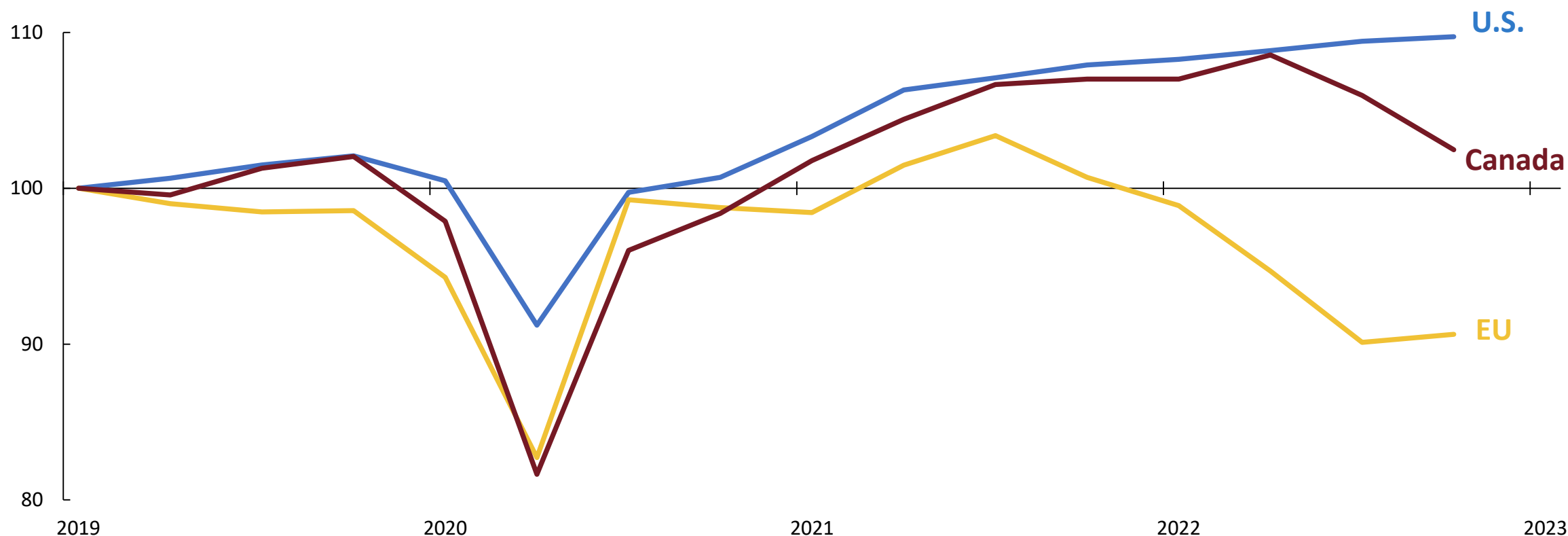
Vice President & Chief Economist

EDC Economics

# North American consumers entered 2023 in good shape

## Household consumption component of real GDP

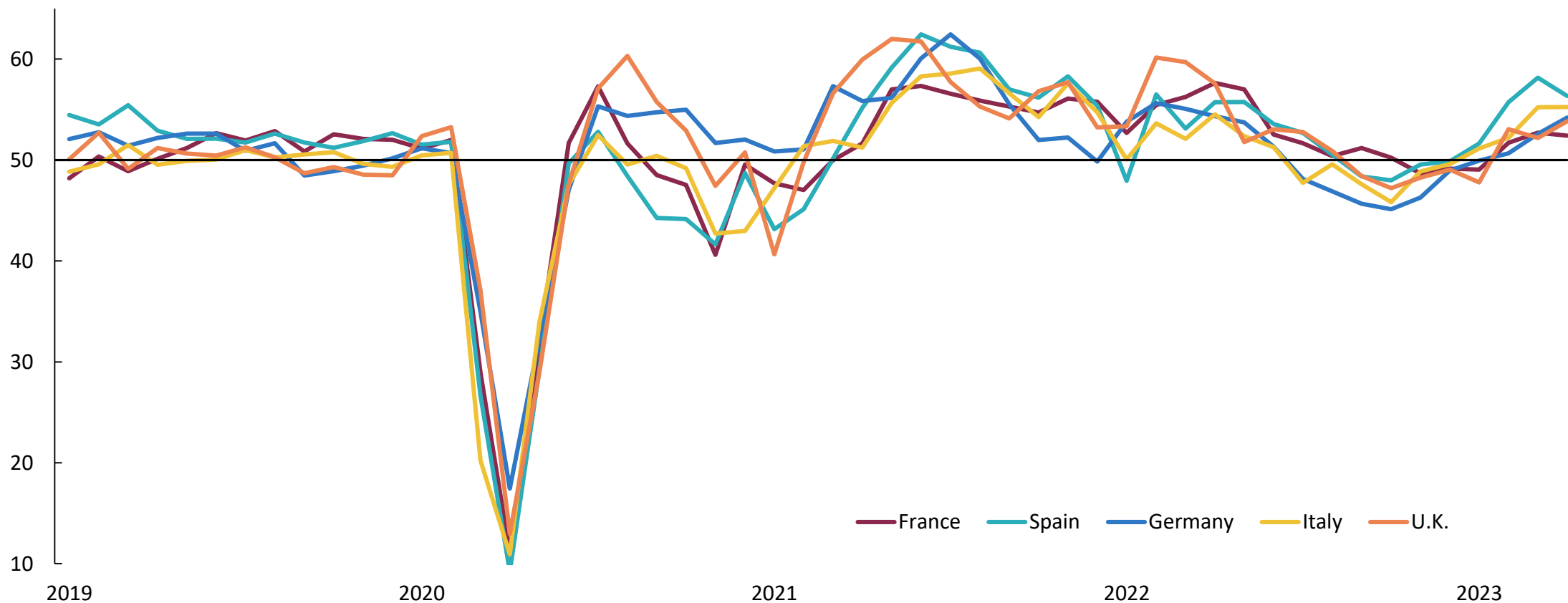
Indexed to Q1-2019, USD denominated GDP



# European industry made it through a difficult winter

## European composite output PMIs

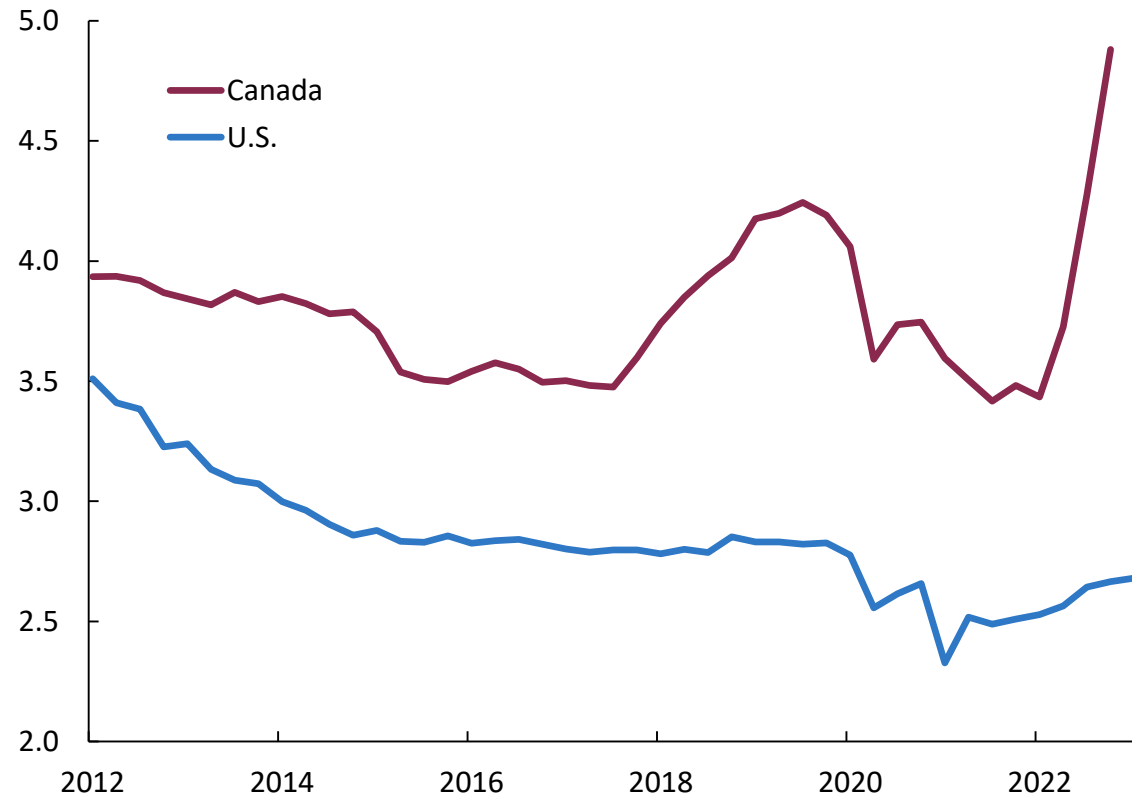
Seasonally adjusted (SA) - above 50 is expansionary



# Higher rates to hit key drivers of consumer spending

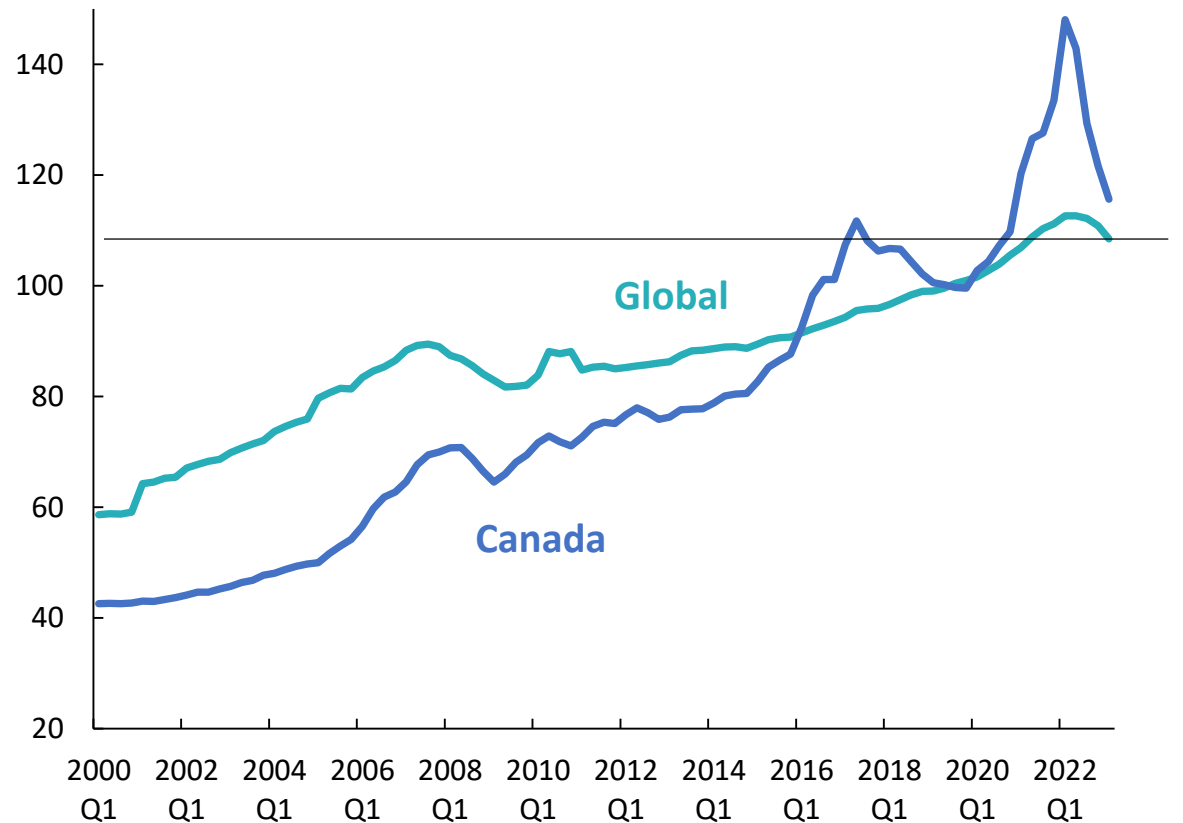
## Housing interest taking greater share of income

Mortgage interest payments as % of disposable income



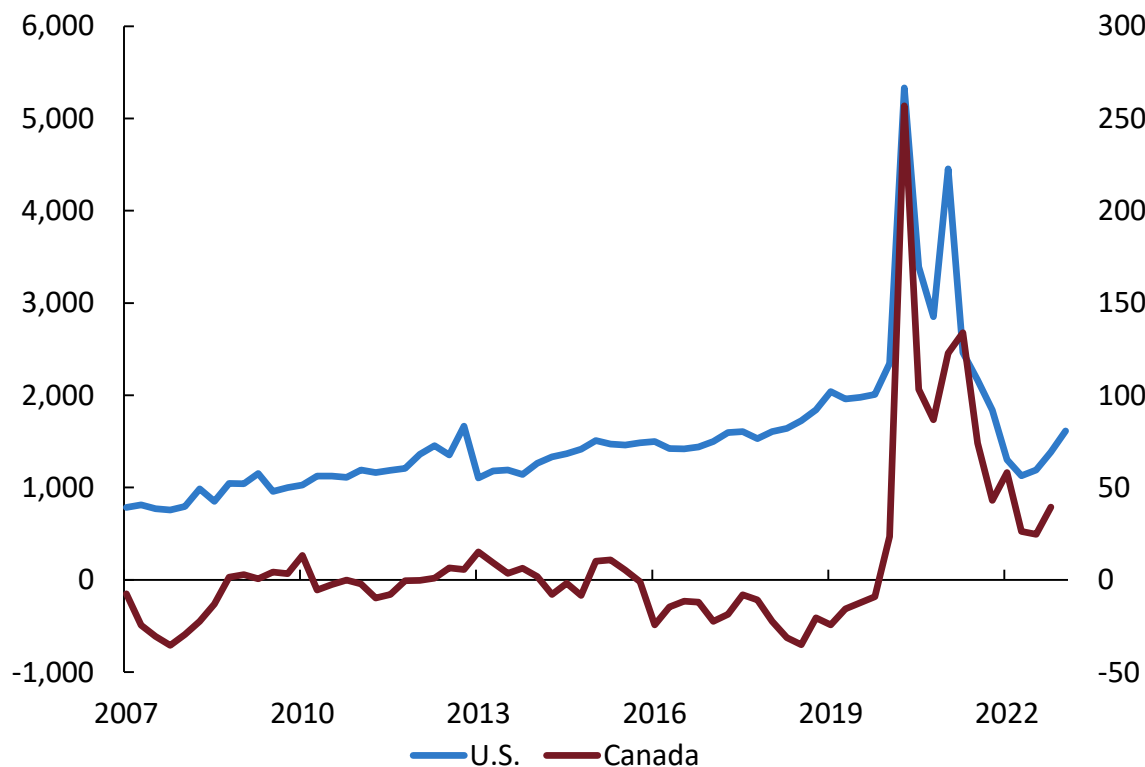
## EDC's housing price index

Indexed to 2019, real prices

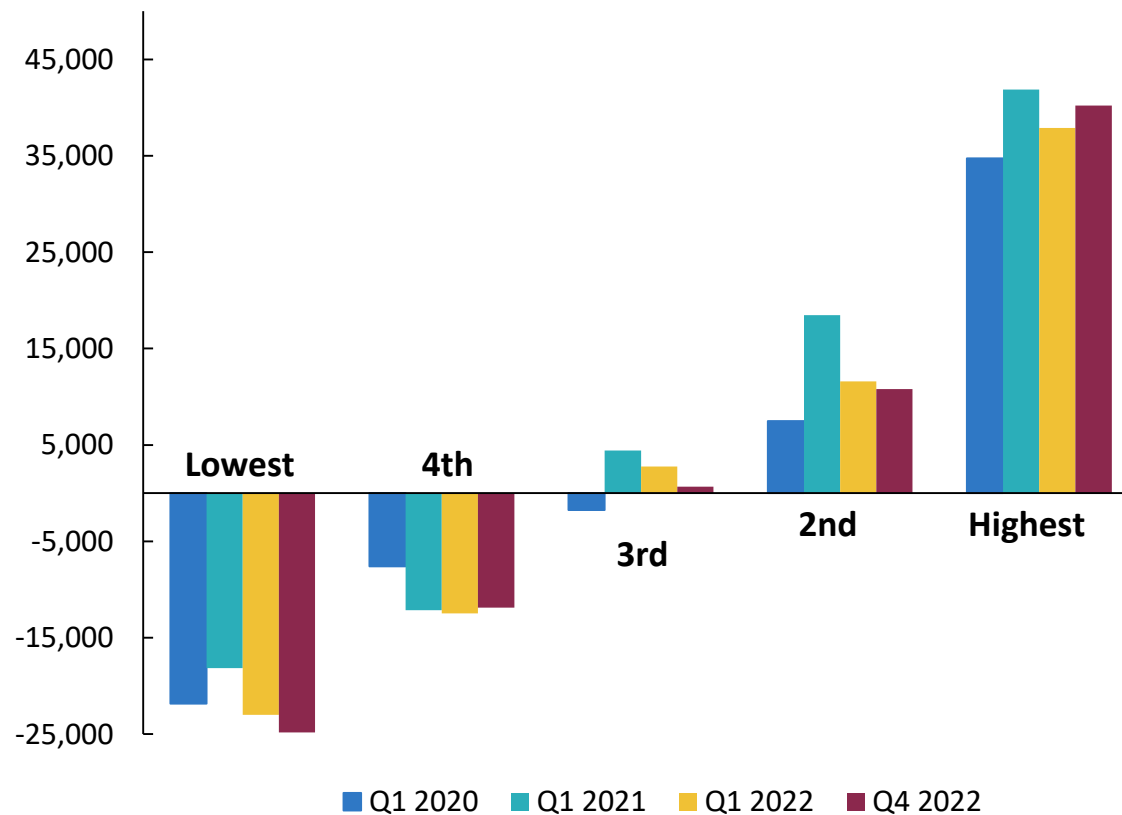


# Cash stash depleted to offset rising costs

**Cash-on-hand**  
 Quarterly, USD billions



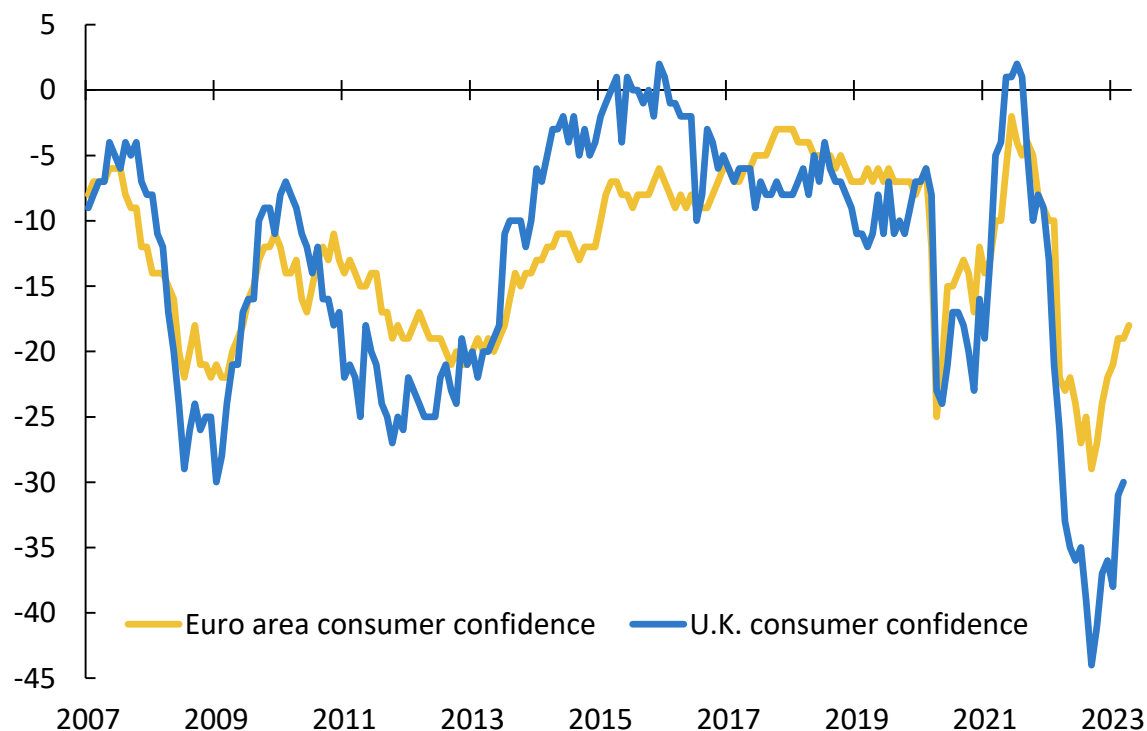
**Canada cash-on-hand by income quintile**  
 Quarterly, CAD millions



# European consumers still struggling with high gas prices

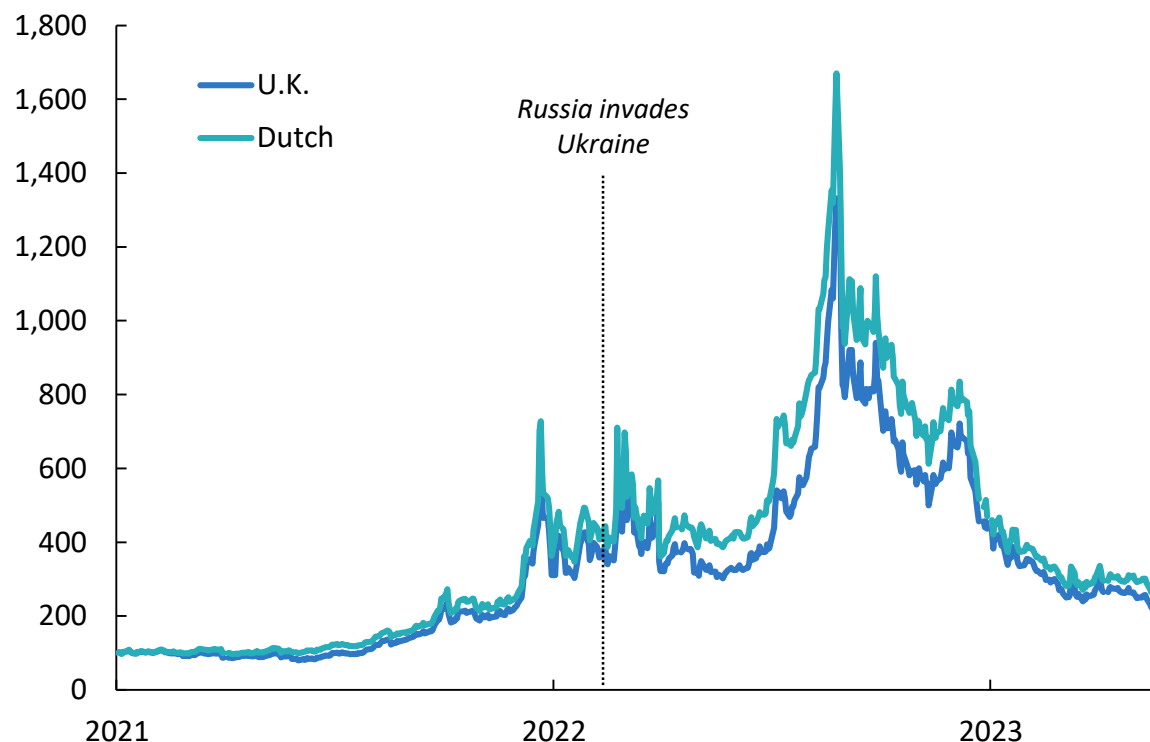
## European consumer confidence

Seasonally adjusted (SA) - % balance



## Dutch and U.K. TTF gas futures indices

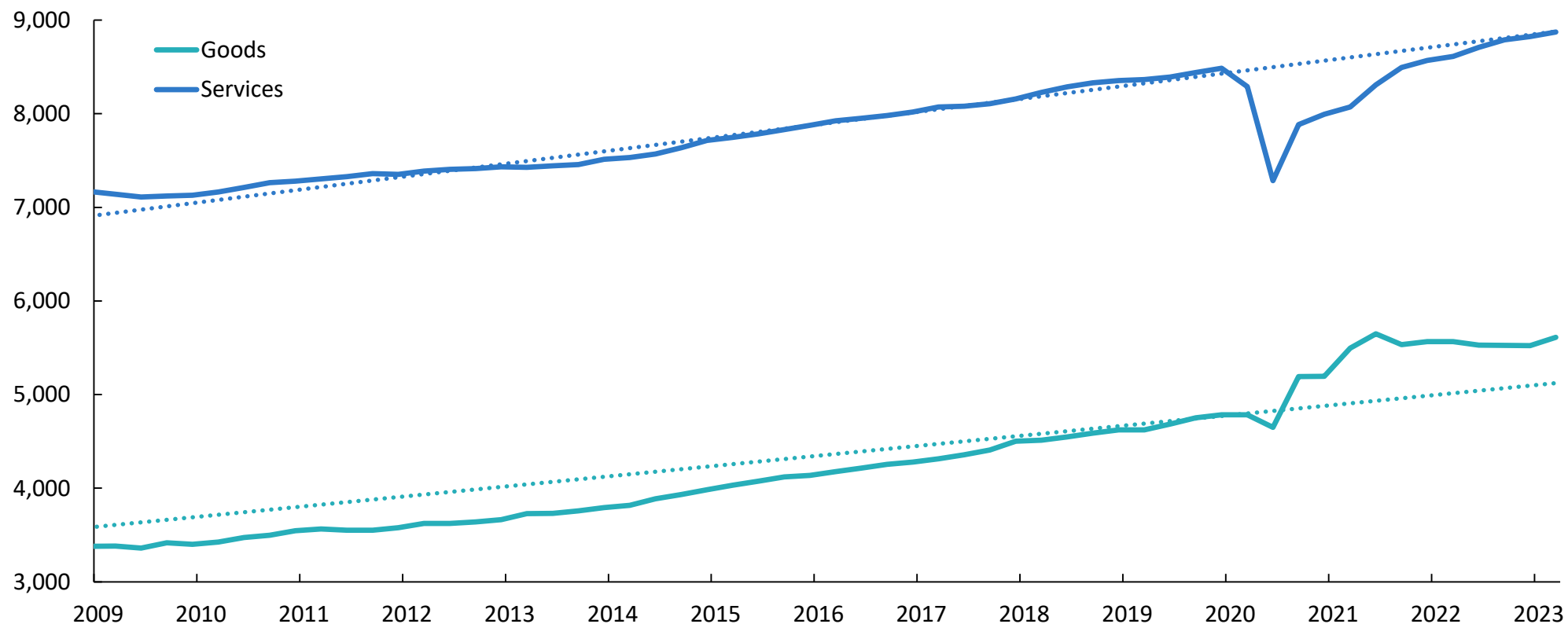
Jan. 1, 2021 = 100; 12-month futures



# Scope for additional pent-up demand?

## U.S. consumer spending

Quarterly, 2012 chained USD billions

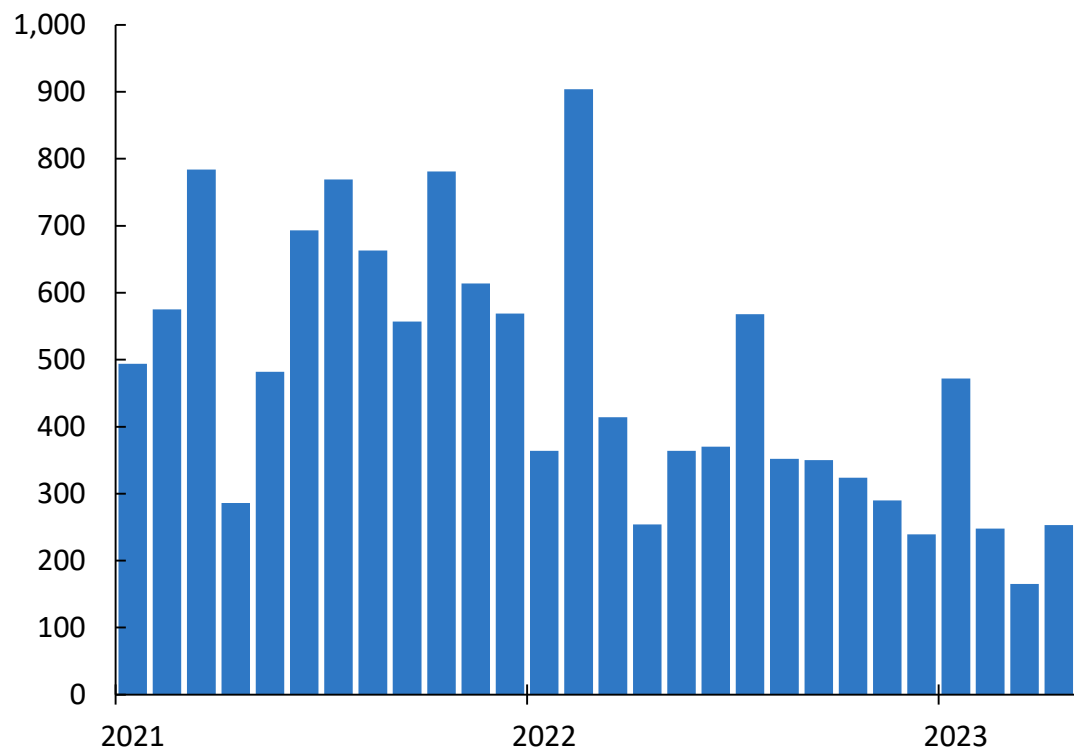




# Employment conditions still strong...for now

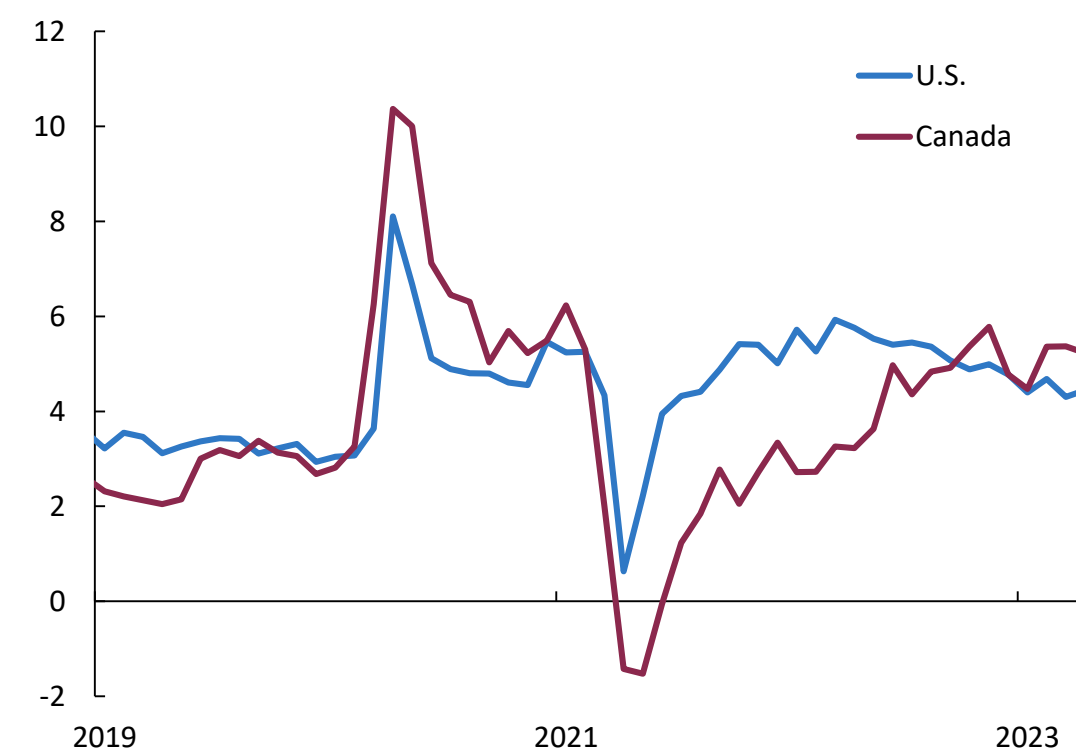
## Monthly U.S. jobs created

Month-over-month change in nonfarm employment, thousands of jobs, SA



## Average hourly wage changes

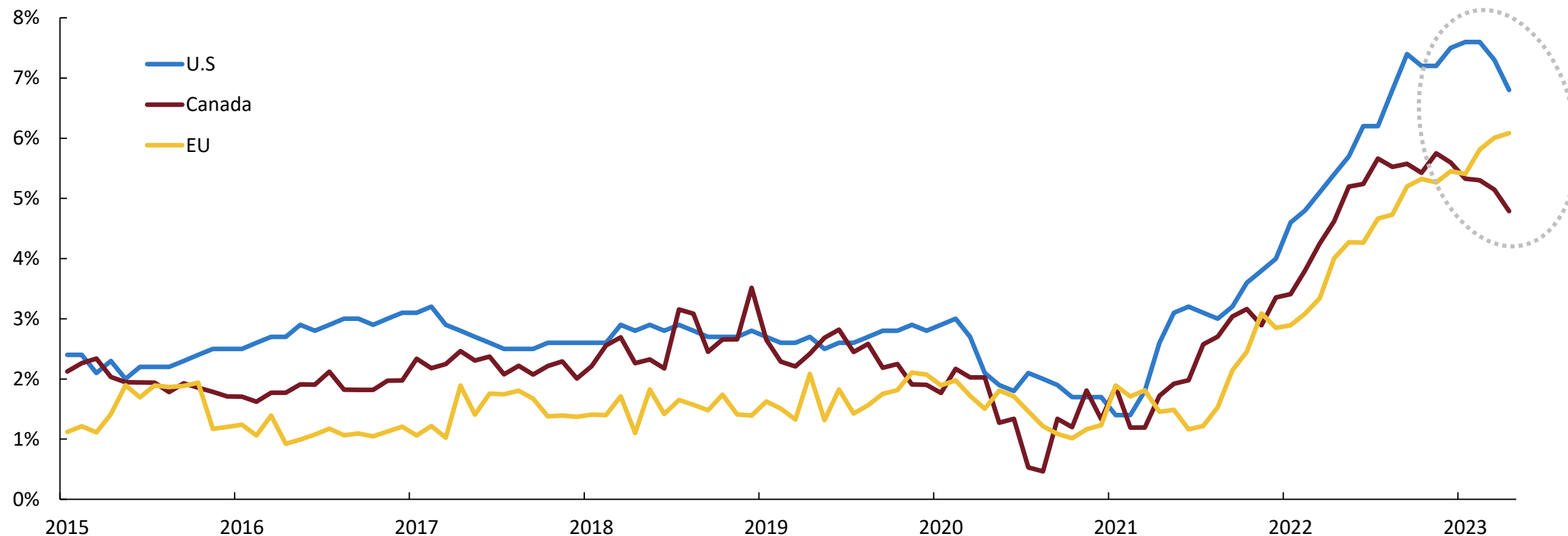
Year-over-year % change of average U.S. and Canadian hourly wages



# Sticky services: Service costs may take longer to fall

## Services inflation

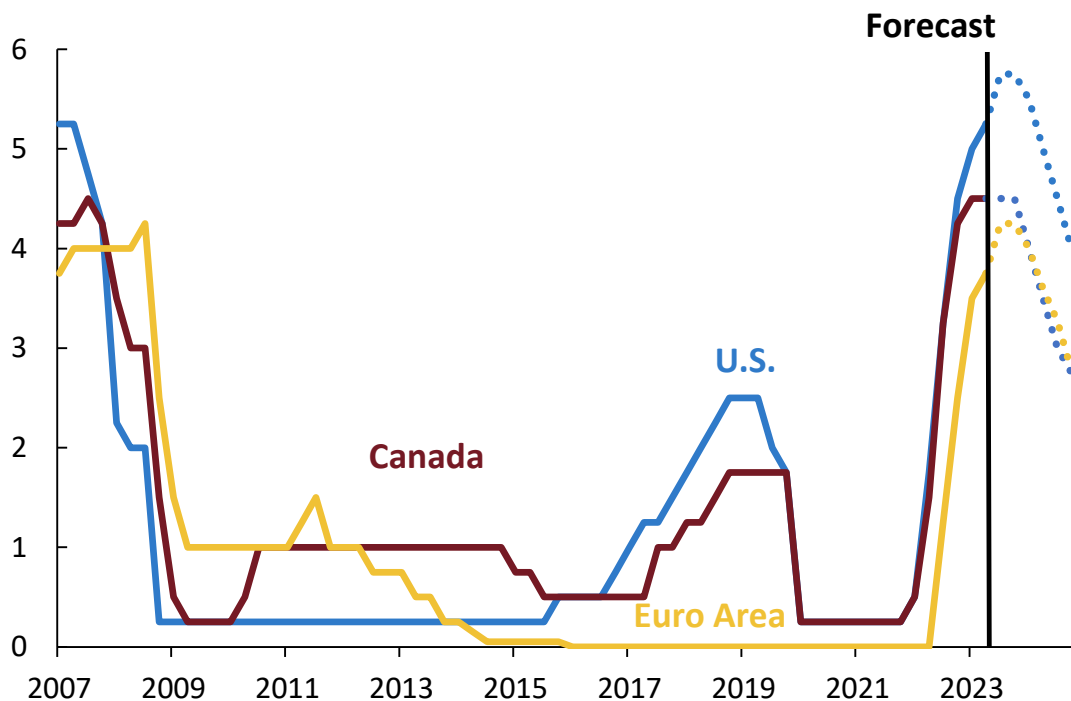
Year-over-year %, Monthly



# Rates increased at fastest pace in a quarter century

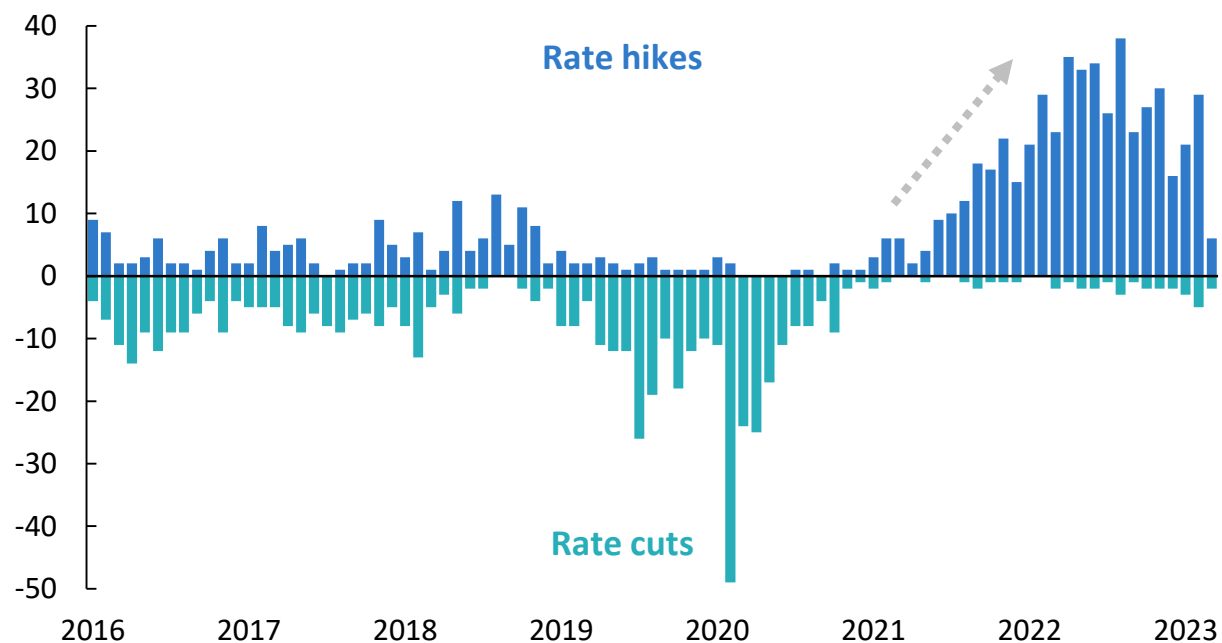
## Policy interest rates

End-of-period, %



## Monetary policy cycle

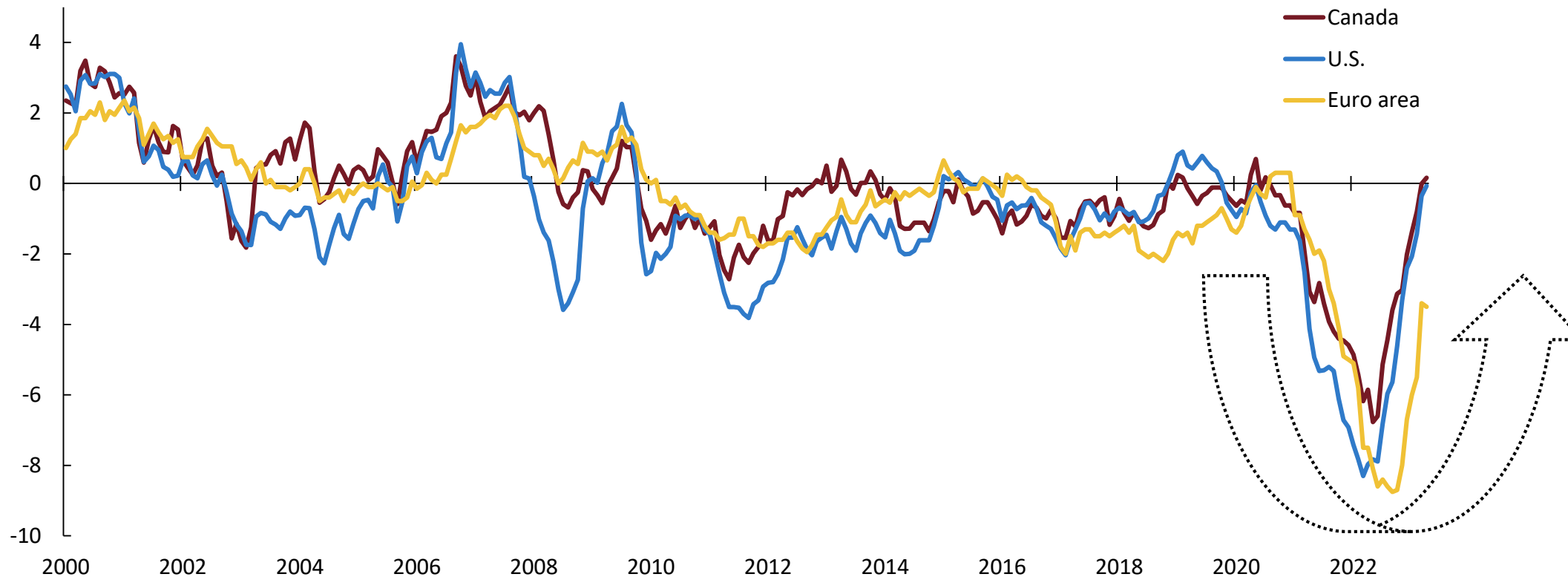
# of central banks, by policy decision

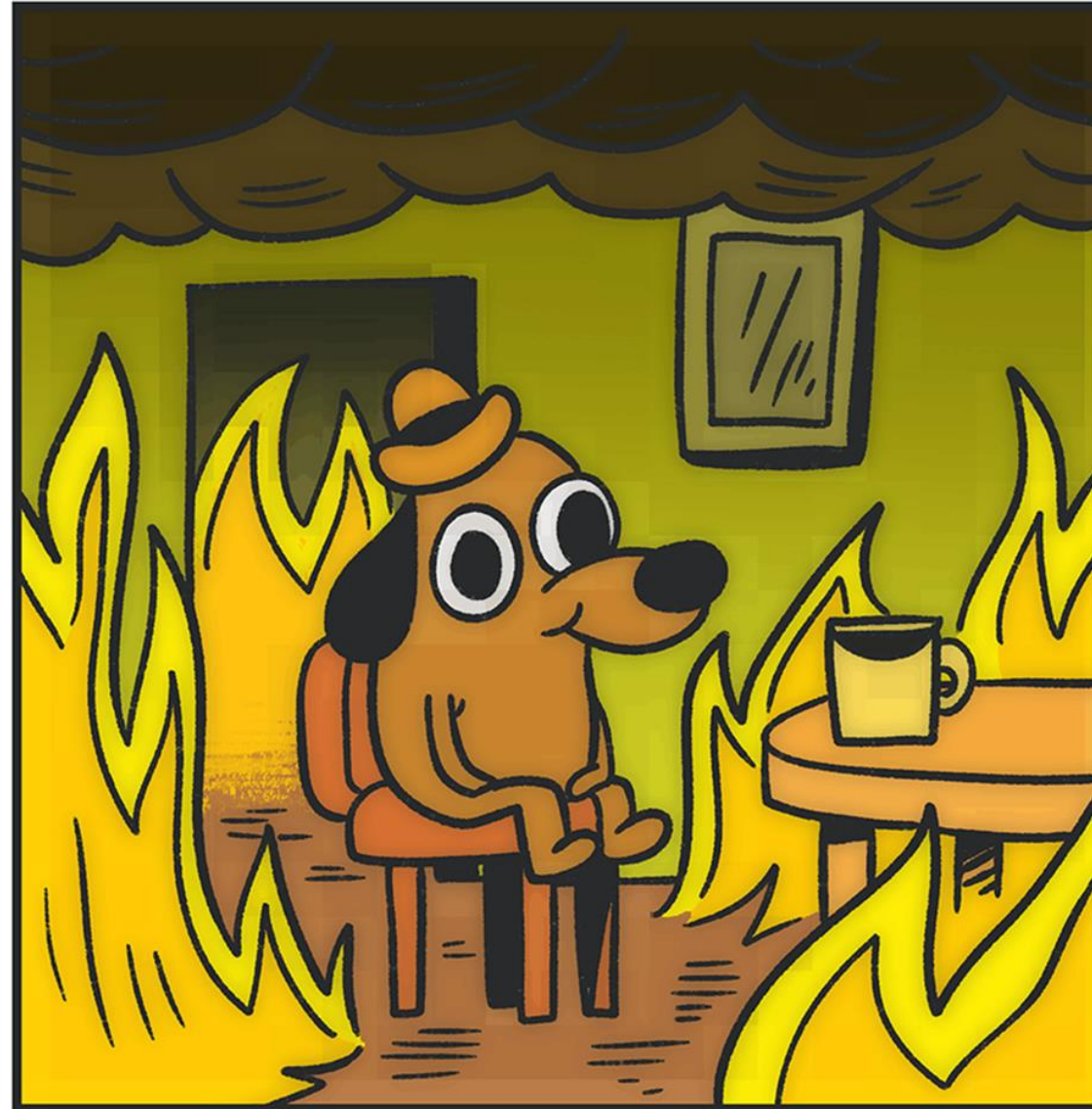


# The Great Speculation gives way to the Great Unwind

## Real interest rates

year-over-year %

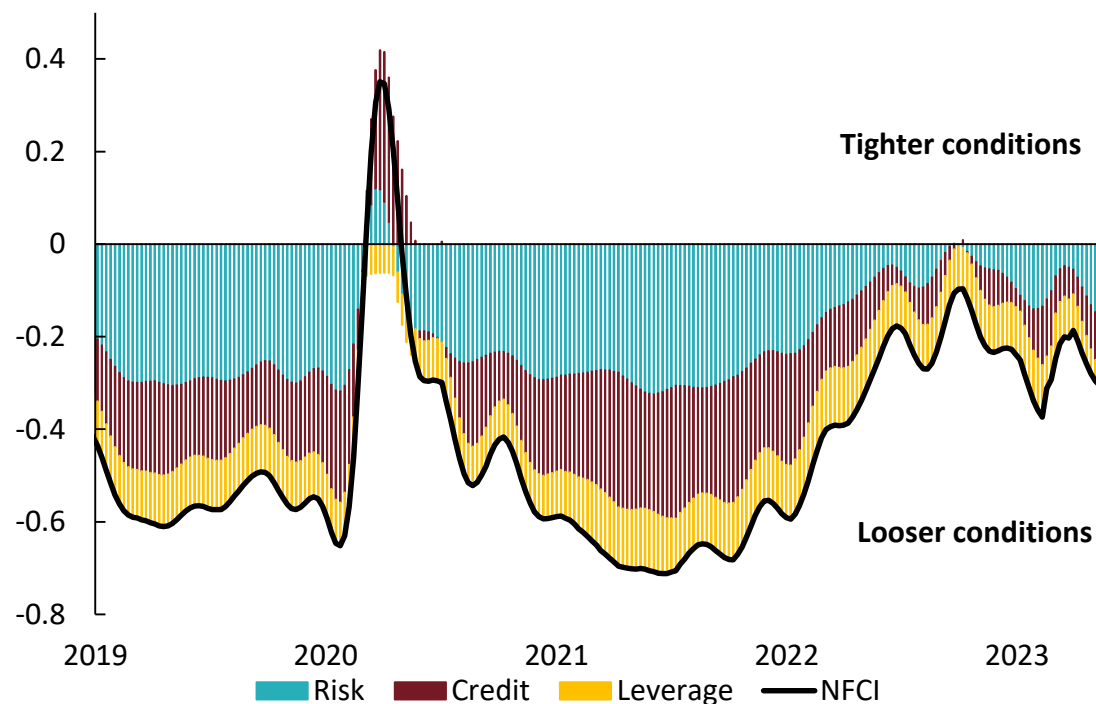




# Higher rates and tighter conditions reduce flow of credit

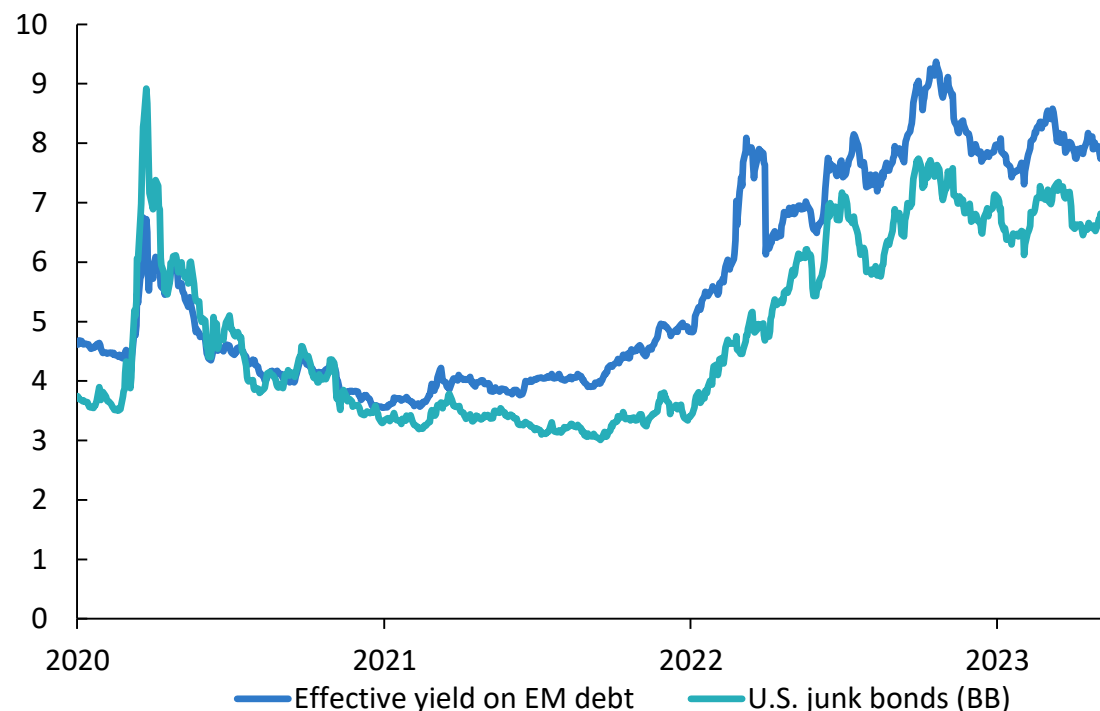
## U.S. National Financial Conditions Index (NFCI)

Contributions to index, standard deviation



## Debt markets

%



Data from NFCI as of week of May 19. Debt data as of May 24, 2023.

Note: Effective yield on EM debt calculated by adding the three-year U.S. treasury yield-maturity and the JP Morgan EMBI bond spread.

Sources: Haver Analytics, Federal Reserve Bank of Chicago, EDC Economics Global Financial Markets.

## EDC Economics Global Economic Outlook

Global Economic Outlook (Annual % change)	2022	2023*	2024*
<b>Developed countries</b>	<b>2</b>	<b>0.7</b>	<b>1.4</b>
Canada	3.4	0.1	1.8
United States	2.1	0.9	1.2
Eurozone	3.5	0.6	1.2
Germany	1.9	0	1.4
France	2.6	0.6	1.2
Japan	1.3	1	1.1
<b>Developing countries</b>	<b>3</b>	<b>3.7</b>	<b>4.5</b>
China	3	5	4.7
India	7	6.2	7.7
Brazil	3	0.8	2
Mexico	3.1	1.2	1.9
<b>World</b>	<b>2.6</b>	<b>2.4</b>	<b>3.2</b>

Note: \* denotes the forecast period. India's forecast based on fiscal year (2024 FY = Q2 2023 – Q1 2024, 2025 FY = Q2 2024 – Q1 2025)

Source: EDC Global Economic Outlook, March 2023

# QUESTIONS?

If I seem unduly clear to you, you must have misunderstood what I said.

– *Alan Greenspan*



## Currencies and interest rates

Global Economic Outlook		2022	2023*	2024*
<b>Currencies</b>	<b>Exchange rate</b>			
<b>U.S. dollar</b>	<b>USD per CAD</b>	\$0.8	\$0.73	\$0.75
<b>Euro</b>	<b>USD per EUR</b>	\$1.05	\$1.08	\$1.10
<b>Euro</b>	<b>CAD per EUR</b>	\$1.37	\$1.48	\$1.46
<b>Interest rates, annual average</b>				
<b>Bank of Canada, <i>Overnight target rate</i></b>		1.93	4.48	3.5
<b>U.S. Federal Reserve, <i>Fed Funds Target Rate (Upper limit)</i></b>		1.86	5.33	4.96
<b>European Central Bank, <i>Policy interest rate</i></b>		0.58	3.81	3.42

Note: \* denotes the forecast period.

Source: EDC Global Economic Outlook, March 2023

## Commodity prices

Global Economic Outlook	2022	2023*	2024*
<b>Brent Crude Spot</b> , USD / barrel (bbl)	\$100.78	\$84.7	\$80.2
<b>West Texas Intermediate</b> , USD / bbl	\$94.6	\$79.83	\$75.4
<b>Western Canada Select</b> , USD / bbl	\$75.02	\$59.83	\$58.4
<b>Natural gas</b> , USD / MMBtu	\$6.37	\$3.35	\$4.2
<b>Gold</b> , USD / troy ounce	\$1,801	\$1,820	\$1,680
<b>Copper</b> , USD / tonne	\$8,813	\$8,813	\$8,618

Note: \* denotes the forecast period.

Source: EDC Global Economic Outlook, March 2023

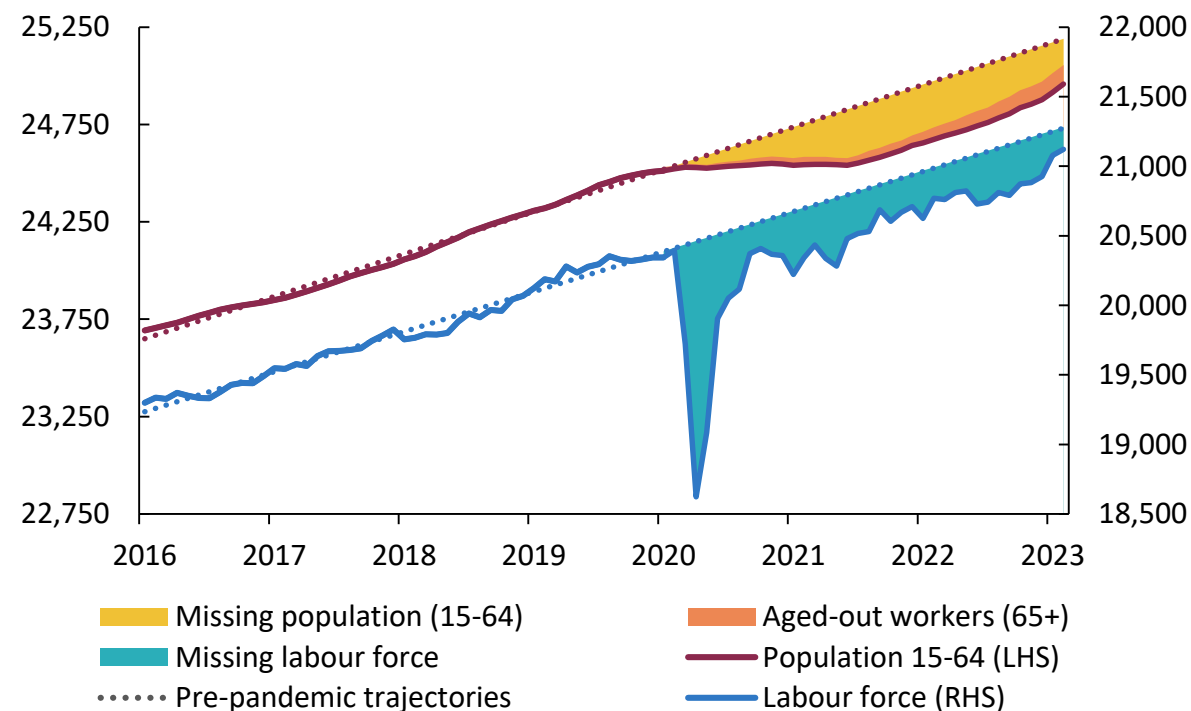
# Changes from previous forecast

<b>Global Economic Outlook</b>	<b>2023*</b>	<b>2024*</b>
Real GDP growth (percentage point change)		
<b>Developed countries</b>	<b>0.3</b>	<b>-0.5</b>
Canada	-0.1	-0.5
United States	0.5	-1.2
Eurozone	<b>0.5</b>	<b>-0.1</b>
Germany	0.8	0.9
France	0.3	0.1
Japan	-0.1	-
<b>Developing countries</b>	<b>-0.1</b>	<b>-0.1</b>
China	-0.3	0.1
India	-0.2	-
Brazil	0.7	-0.4
Mexico	0.4	-0.3
<b>World</b>	<b>0.1</b>	<b>-0.3</b>

# Canadian labour markets losing older workers

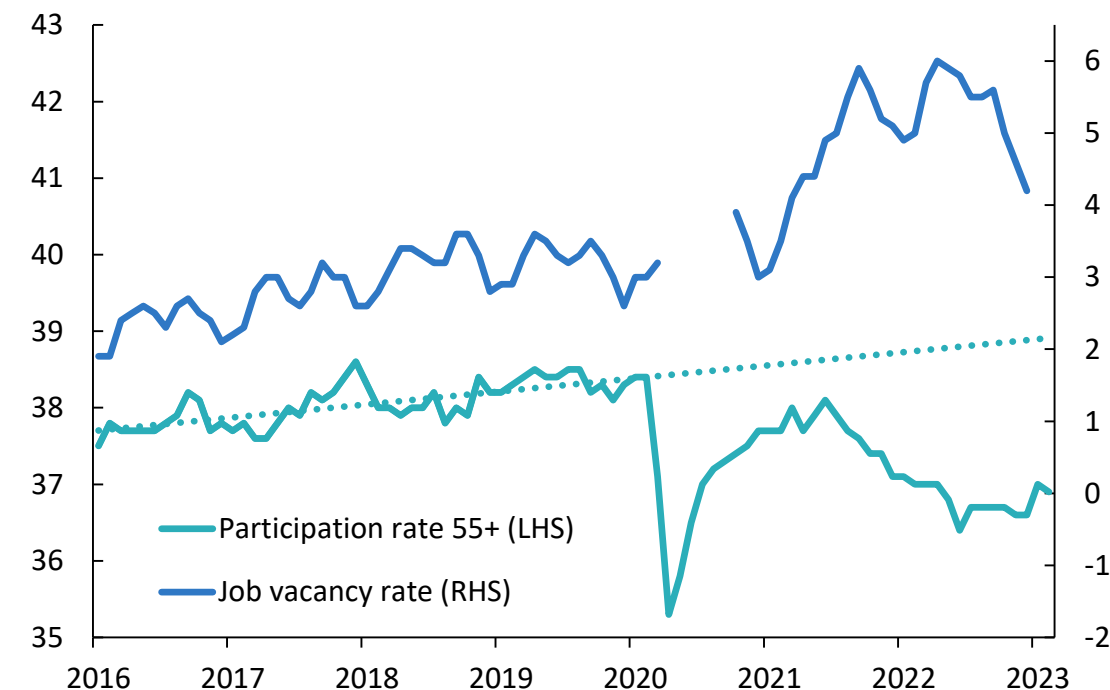
**Canadian workforce below pre-pandemic trajectory\***

Thousands of individuals



**Canadian job vacancies and participation rate**

% of population 55+ in labour force, SA% of jobs vacant, NSA



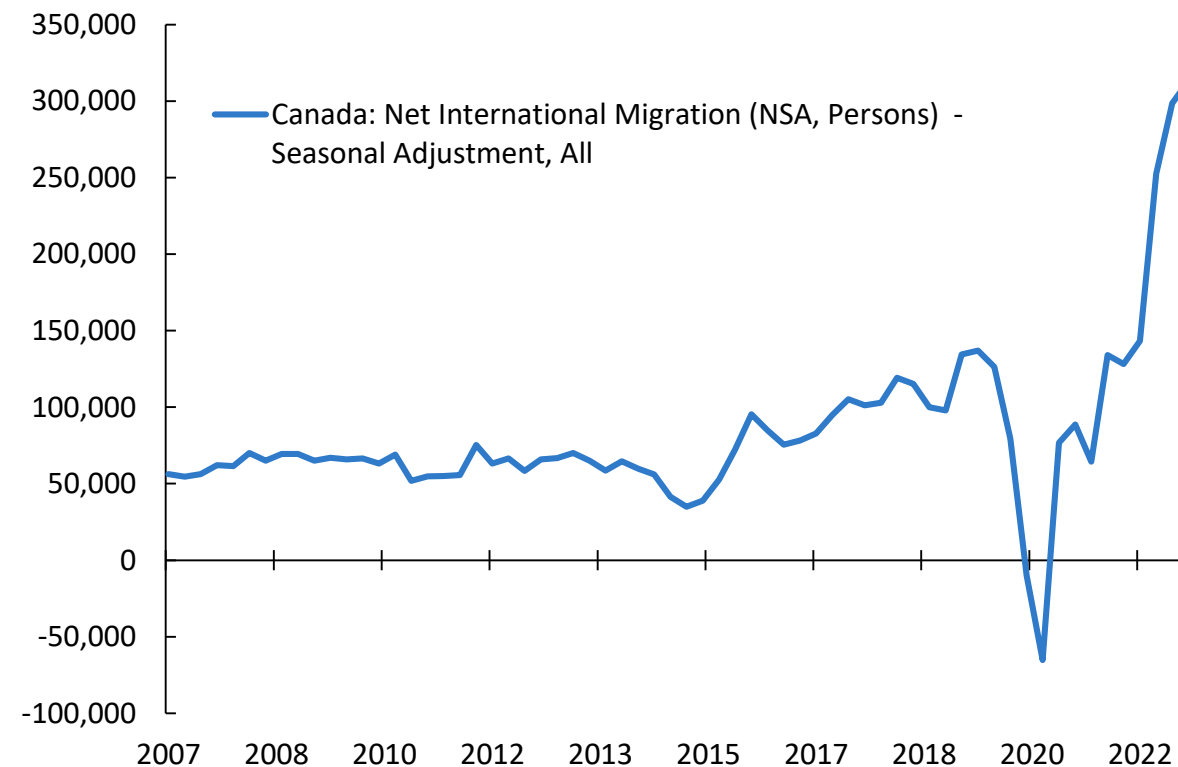
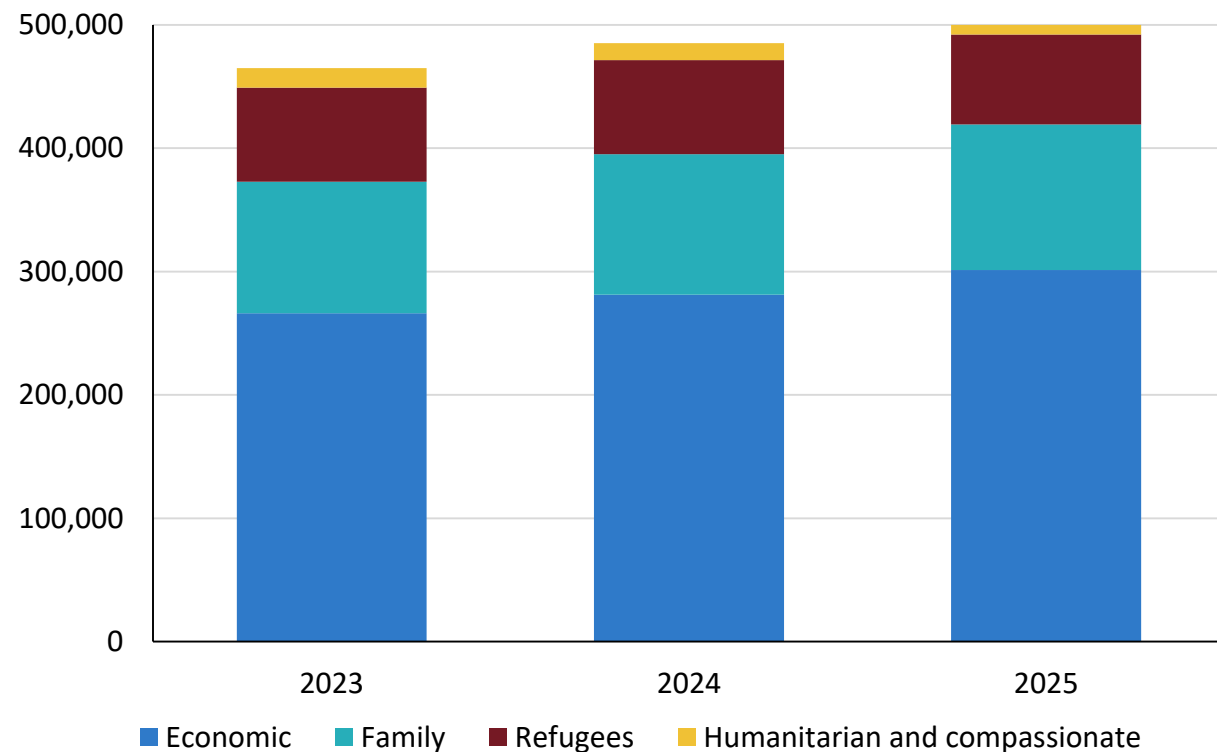
\*Pre-pandemic trajectories constructed using linear trend methods over 2016-2019 data; all data seasonally adjusted.

Note: NSA = Not seasonally adjusted

Sources: Haver Analytics, EDC Economics

**Rising immigration levels will reduce pressure on labour market**

Number of immigrants



Sources: Haver Analytics, Government of Canada, EDC Economics

TAKE ON  
**THE WORLD**



**UN MONDE**  
À CONQUÉRIR