



# *The Global Economic Outlook: Shifting Tides*

*International Trade and Investment Centre Advisory Group  
November 30, 2006*

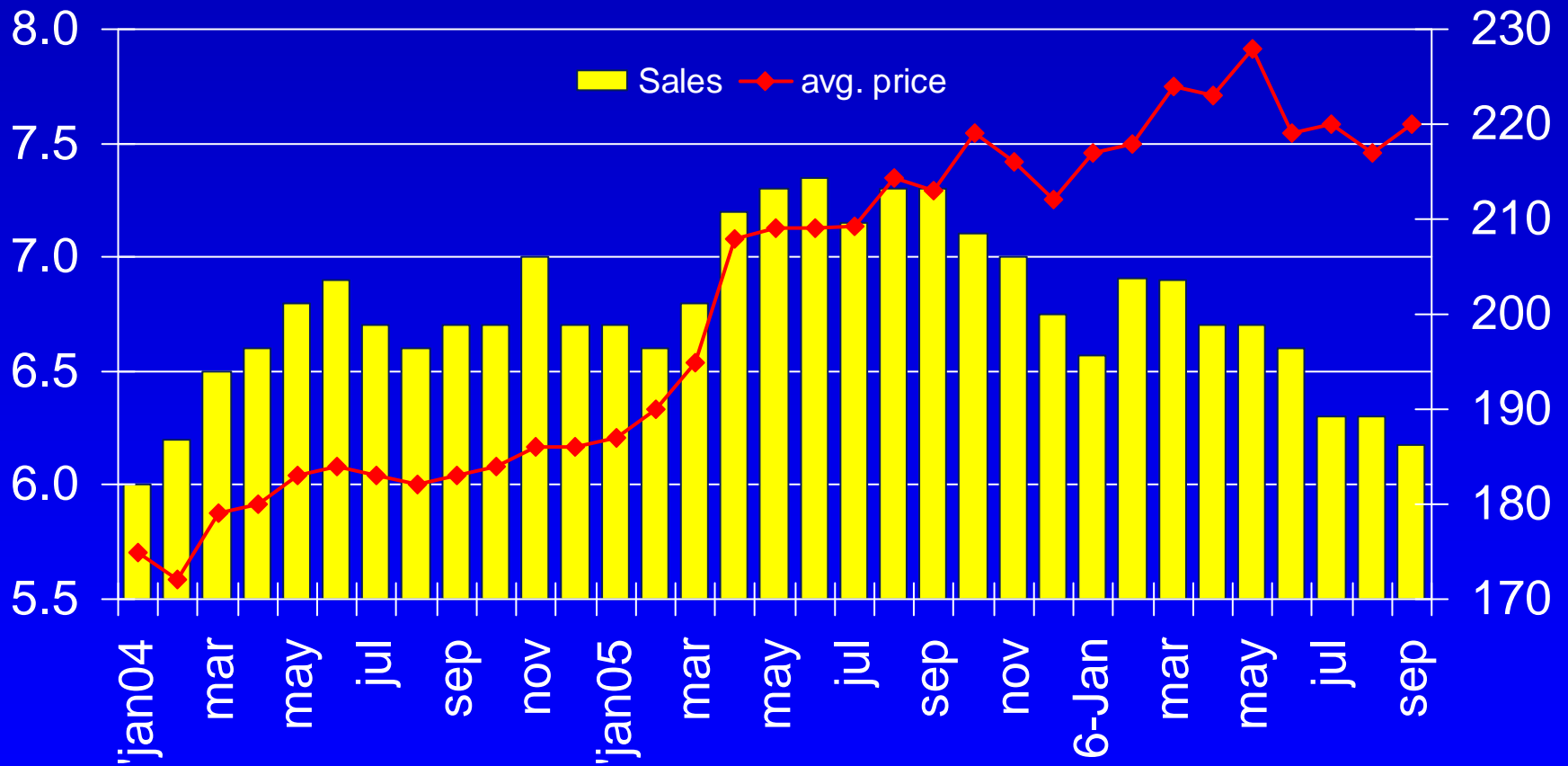
Kip Beckman, Principal Economist  
beckman@conferenceboard.ca

# US Outlook

- | Housing market correction restrains consumer spending in 07
- | Strength in exports, investment spending
- Economy avoids recession

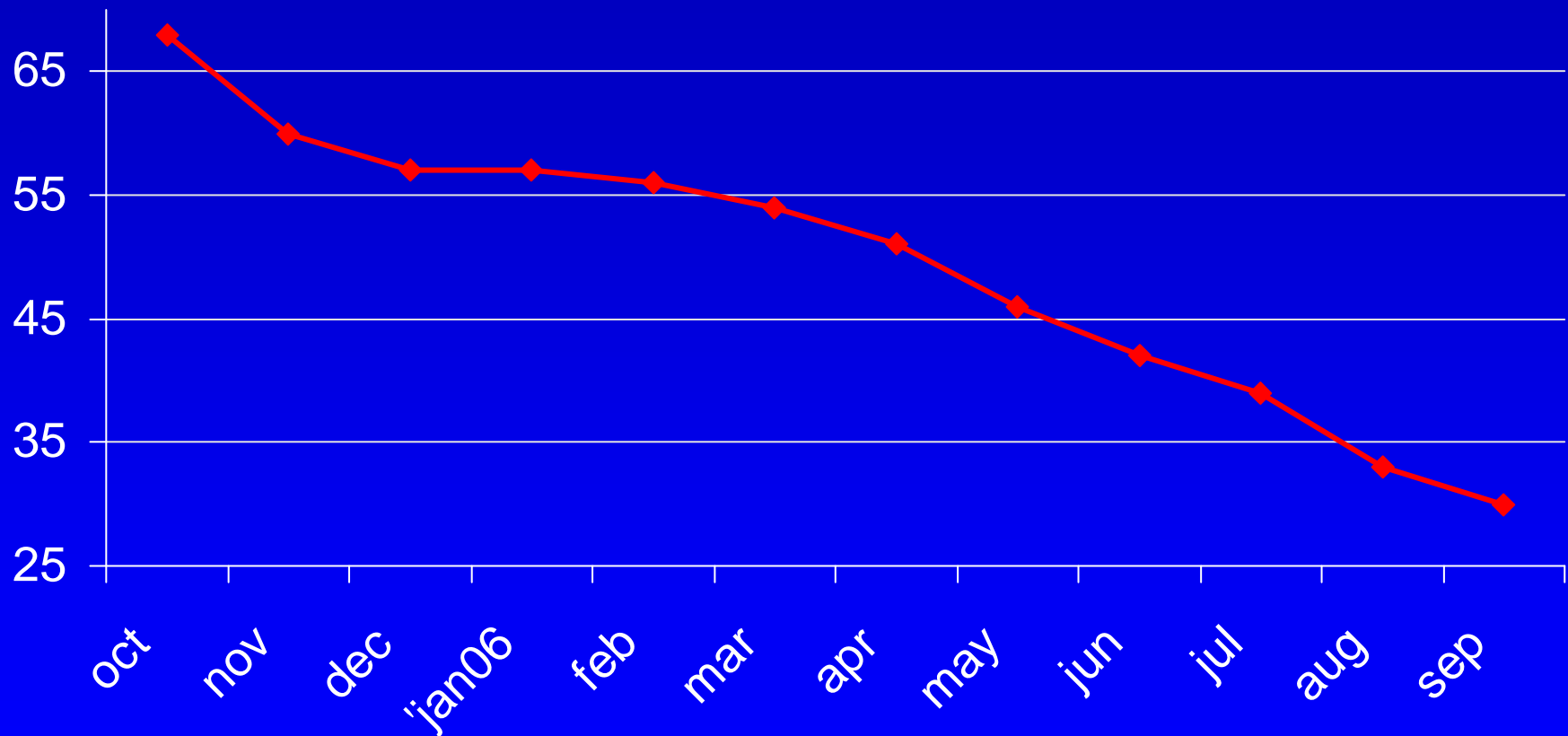


# US Existing Home Sales and Prices (millions, \$)



Source: National Assn. of Realtors.

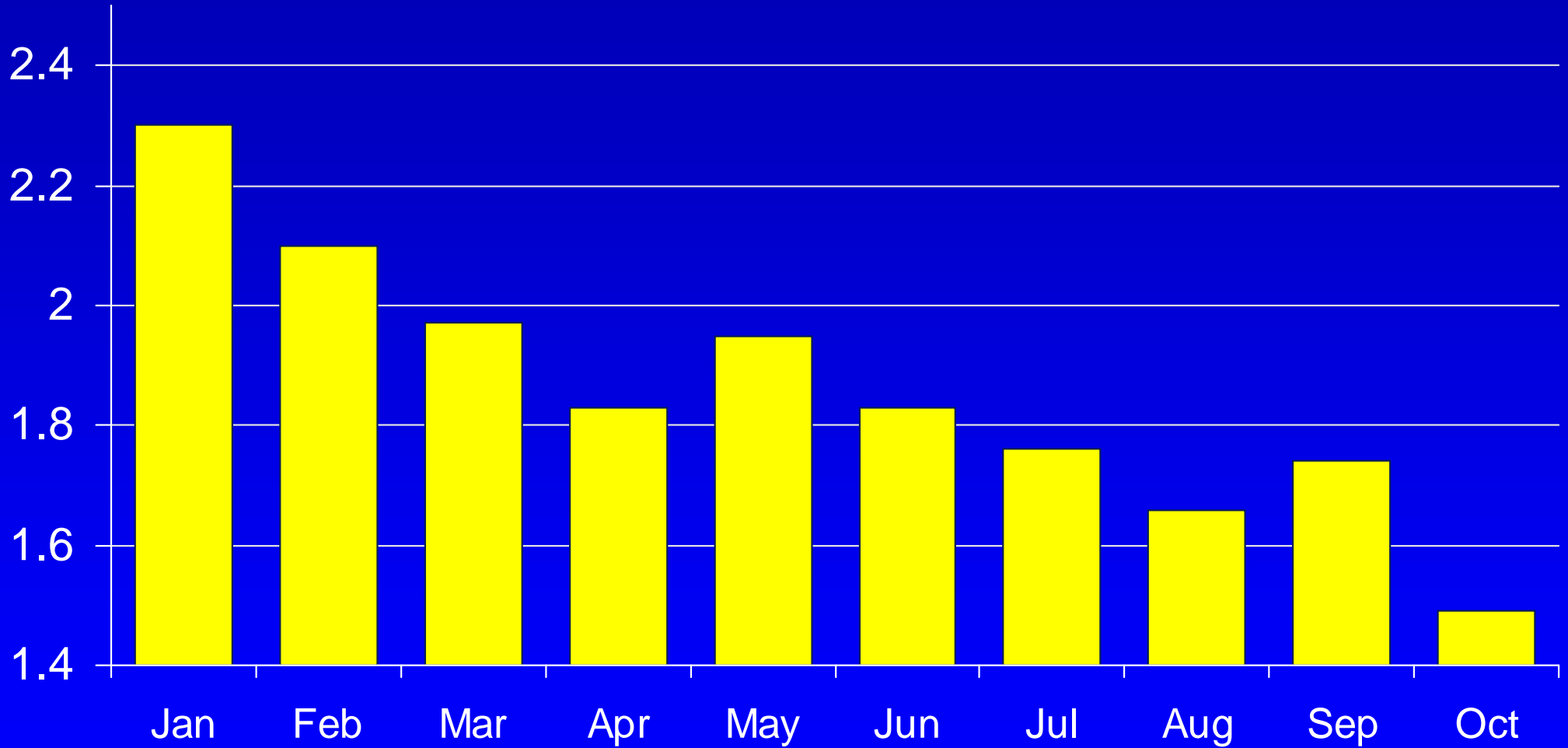
# NAHB Housing Market Index



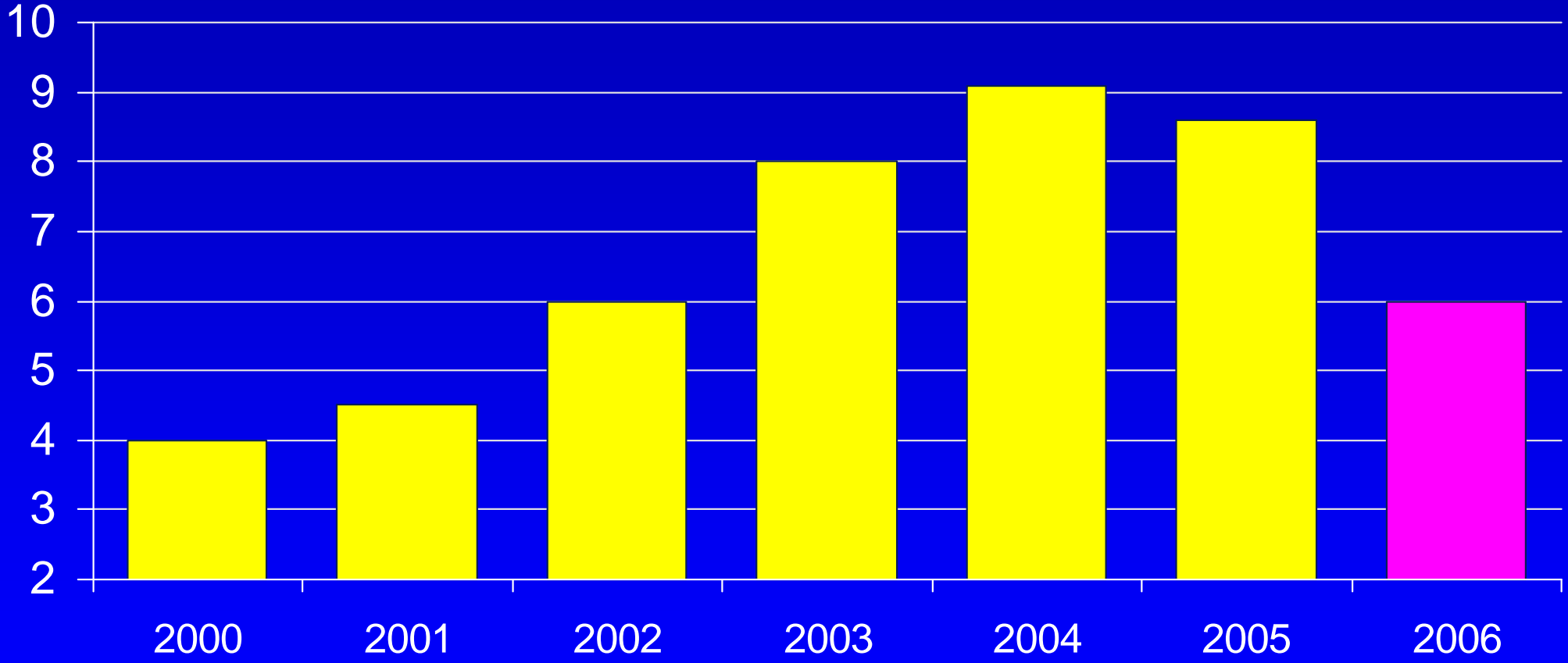
Source: National Ass. Of Home Builders.

# US Housing Starts

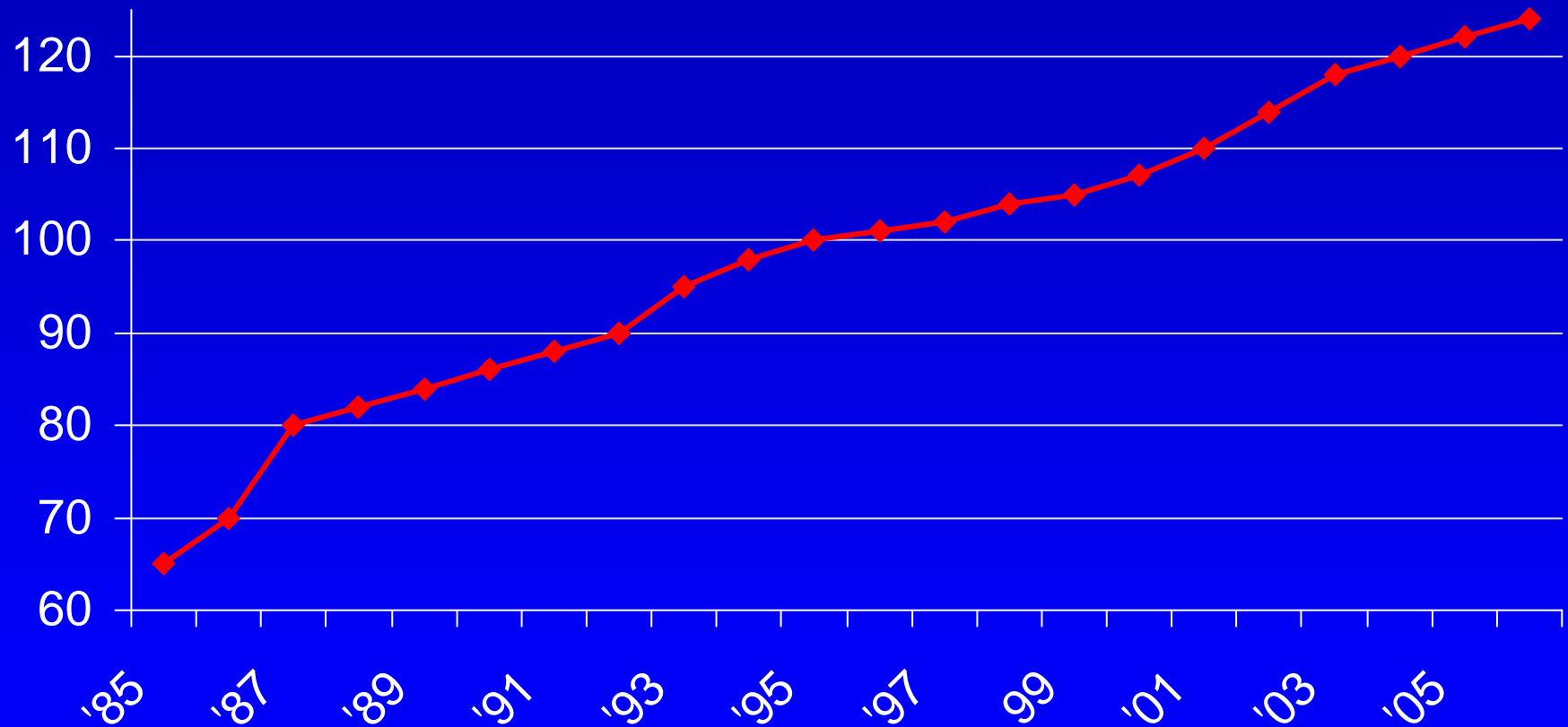
(millions, SAAR)



# Mortgage Equity Withdrawal (per cent of income)

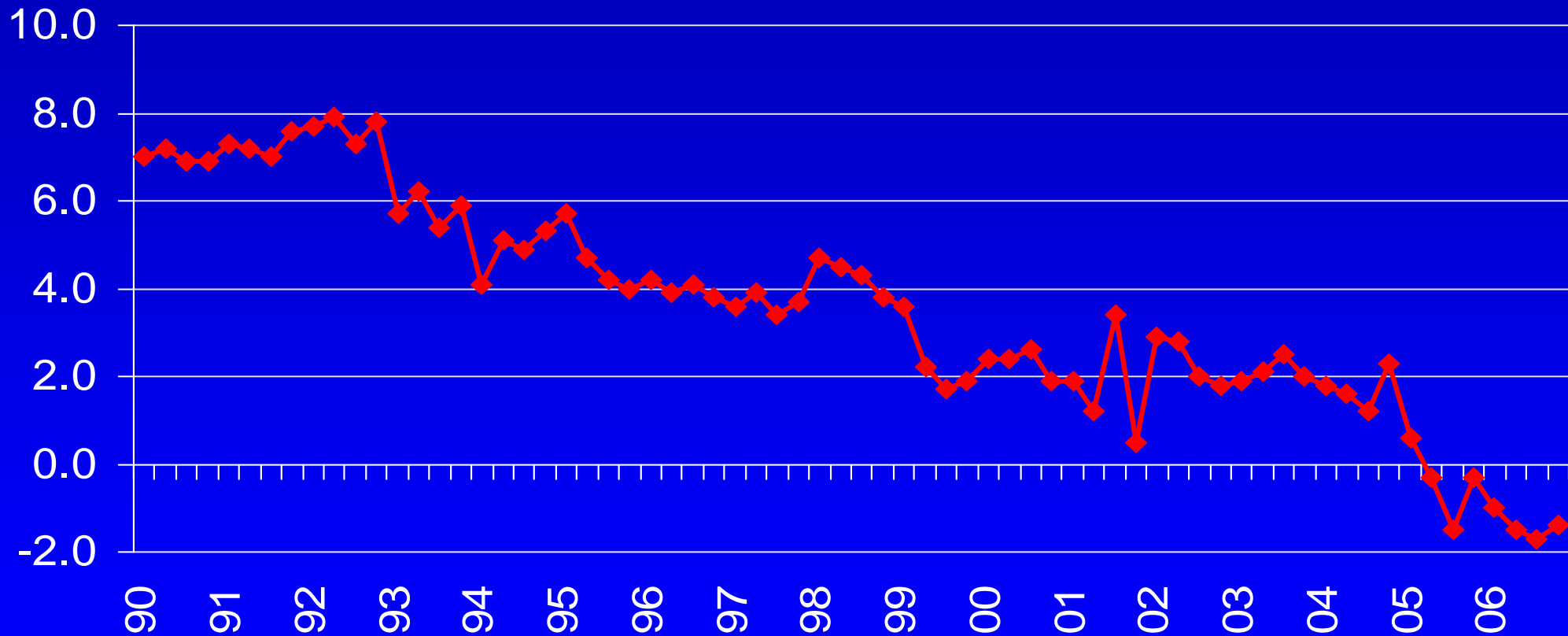


# US Household Debt as a Per Cent of Personal Disposable Income



Source: Treasury International Capital.

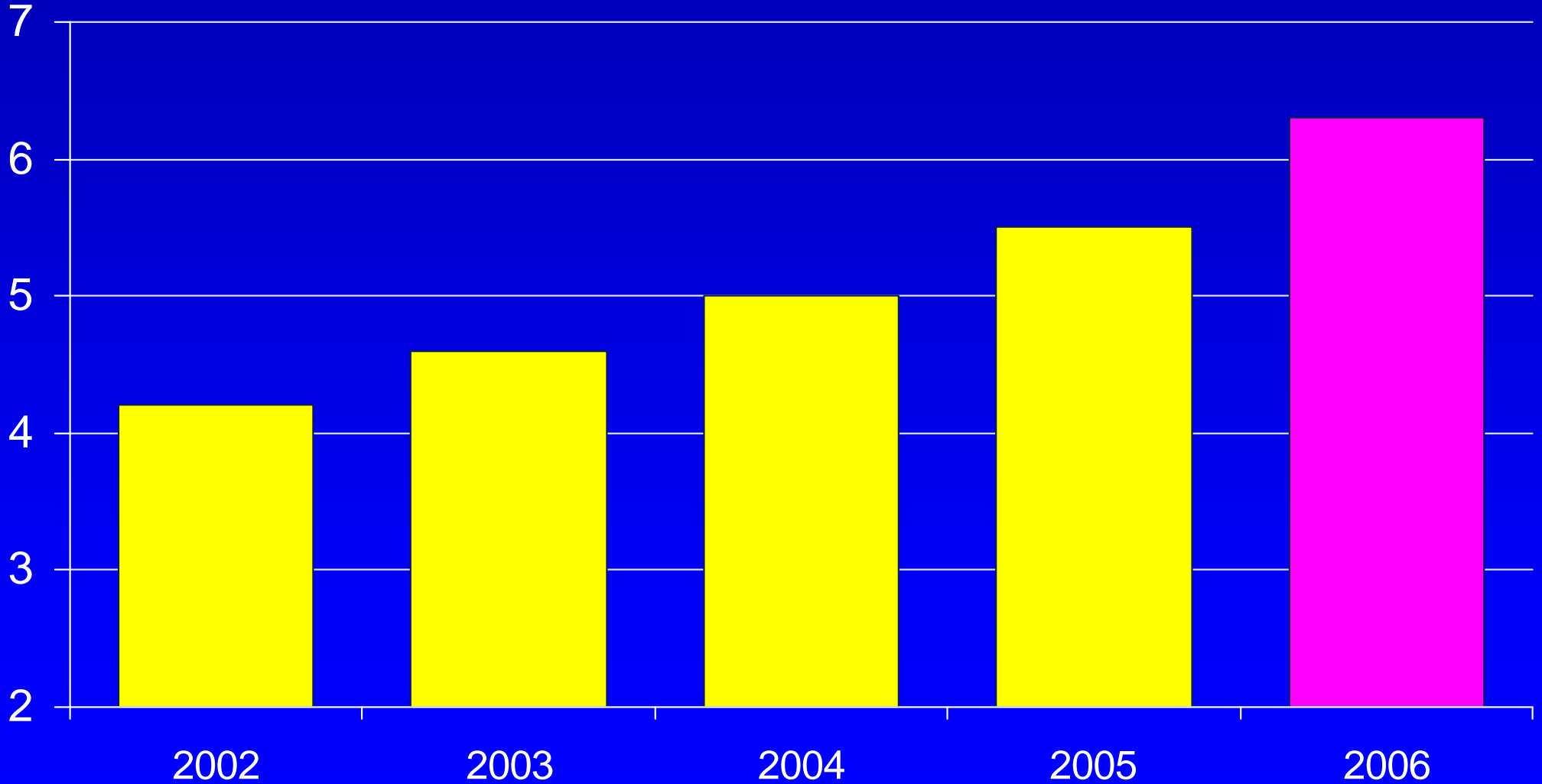
# U.S. Personal Savings Rate (per cent of income)



Sources: The Conference Board of Canada; Bureau of Economic Analysis.

# Consumer Spending on Energy

(per cent of income)



Source: International Monetary Fund

# US Consumer Spending (annual per cent change)



Sources: Bureau of Economic Analysis; The Conference Board of Canada.

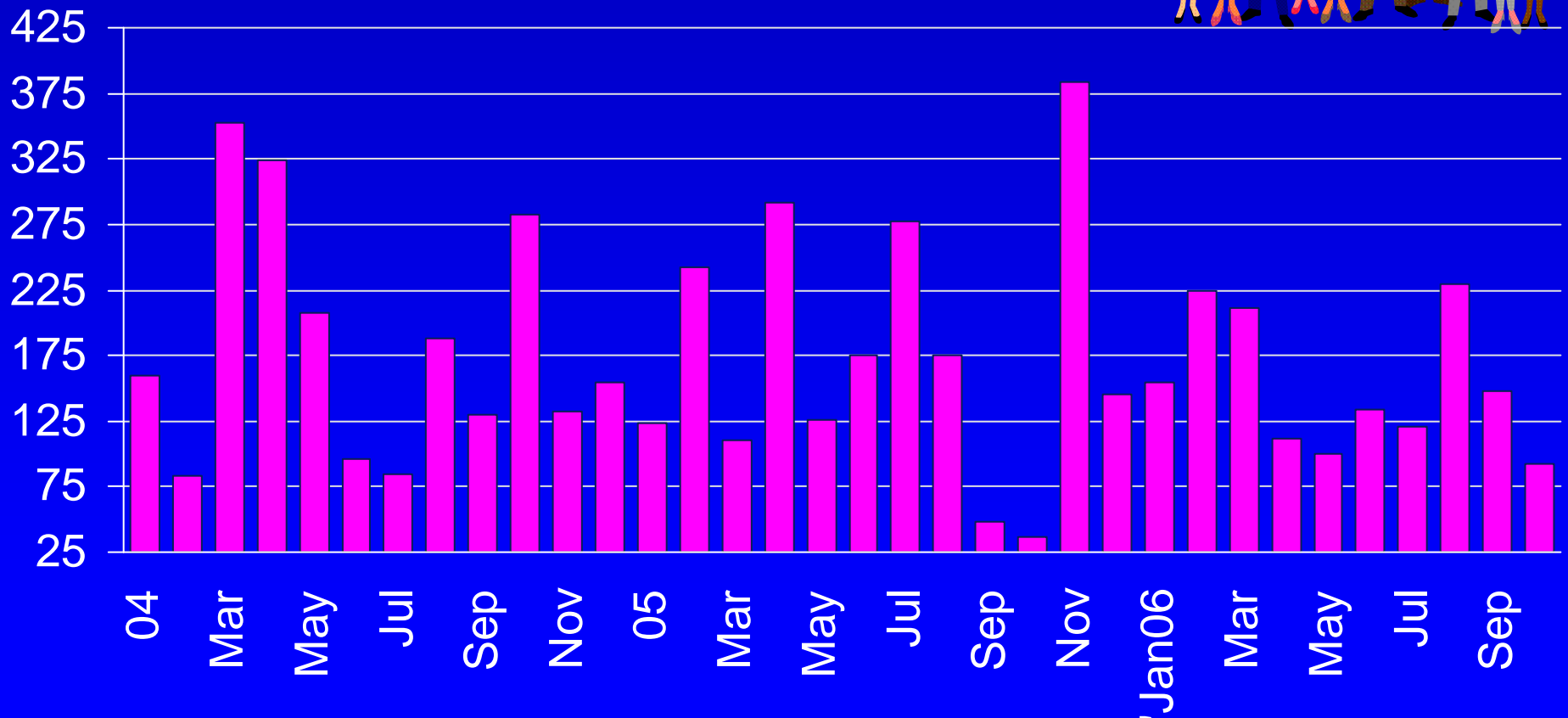
# Why US Avoids Recession

- | Employment still growing
- | Strength in exports, investment spending
- Interest rate increases over



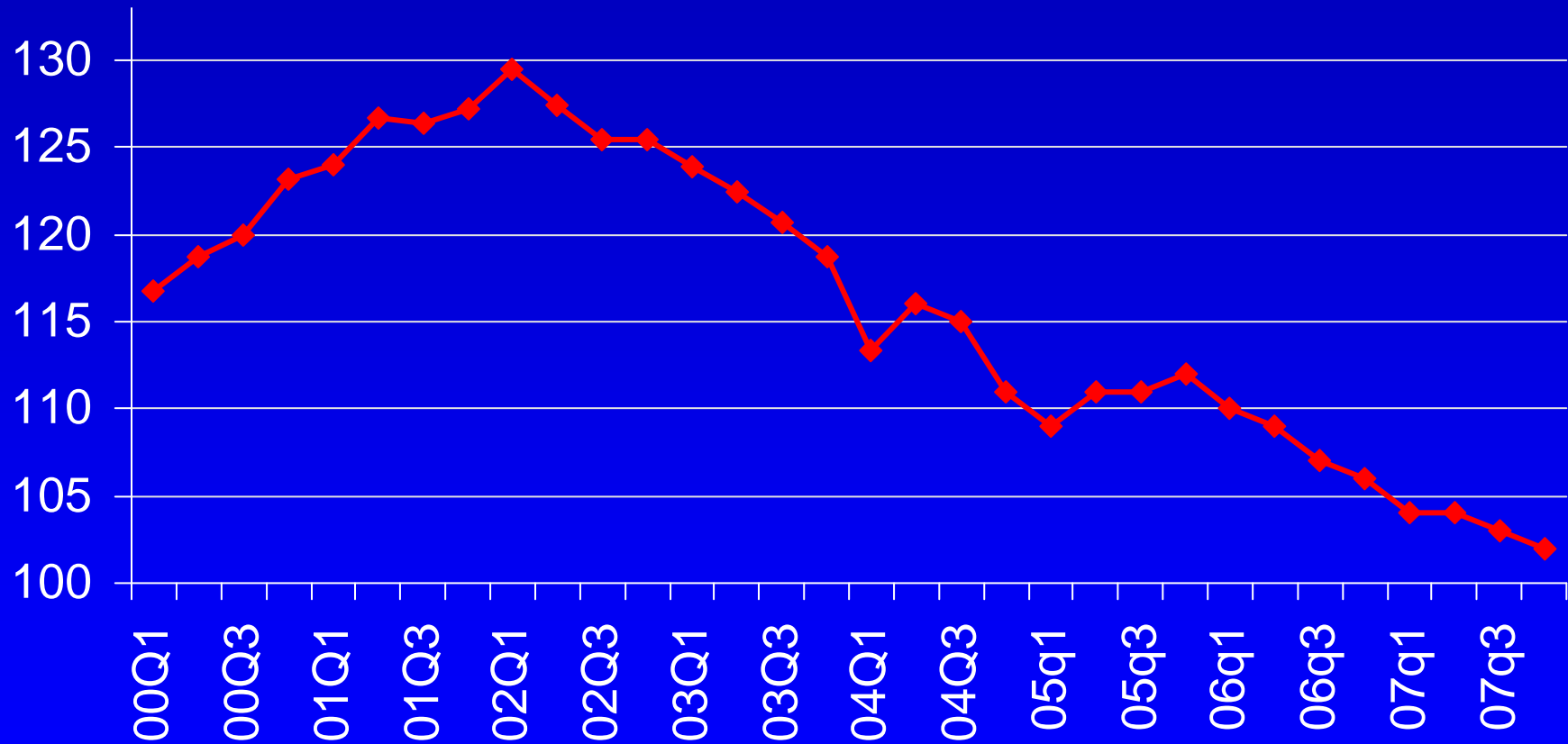
# U.S. Labour Market

(Change in U.S. Employment, 000s)



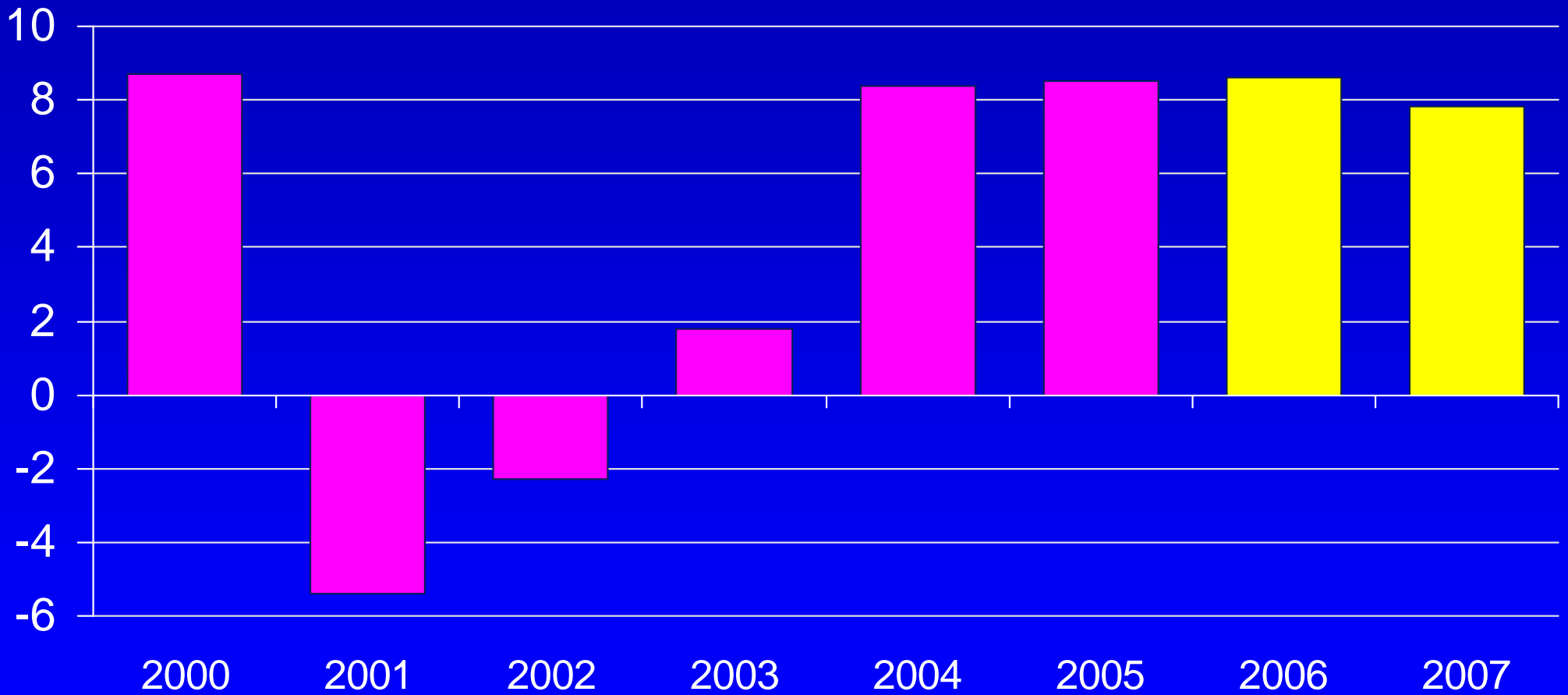
Source: Bureau of Economic Analysis.

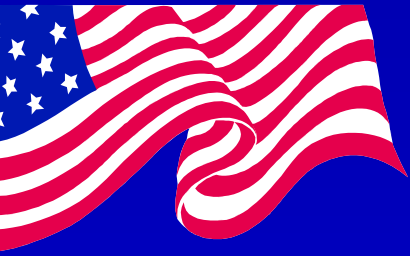
# U.S. Dollar (FRB 10 Country \$ Index)



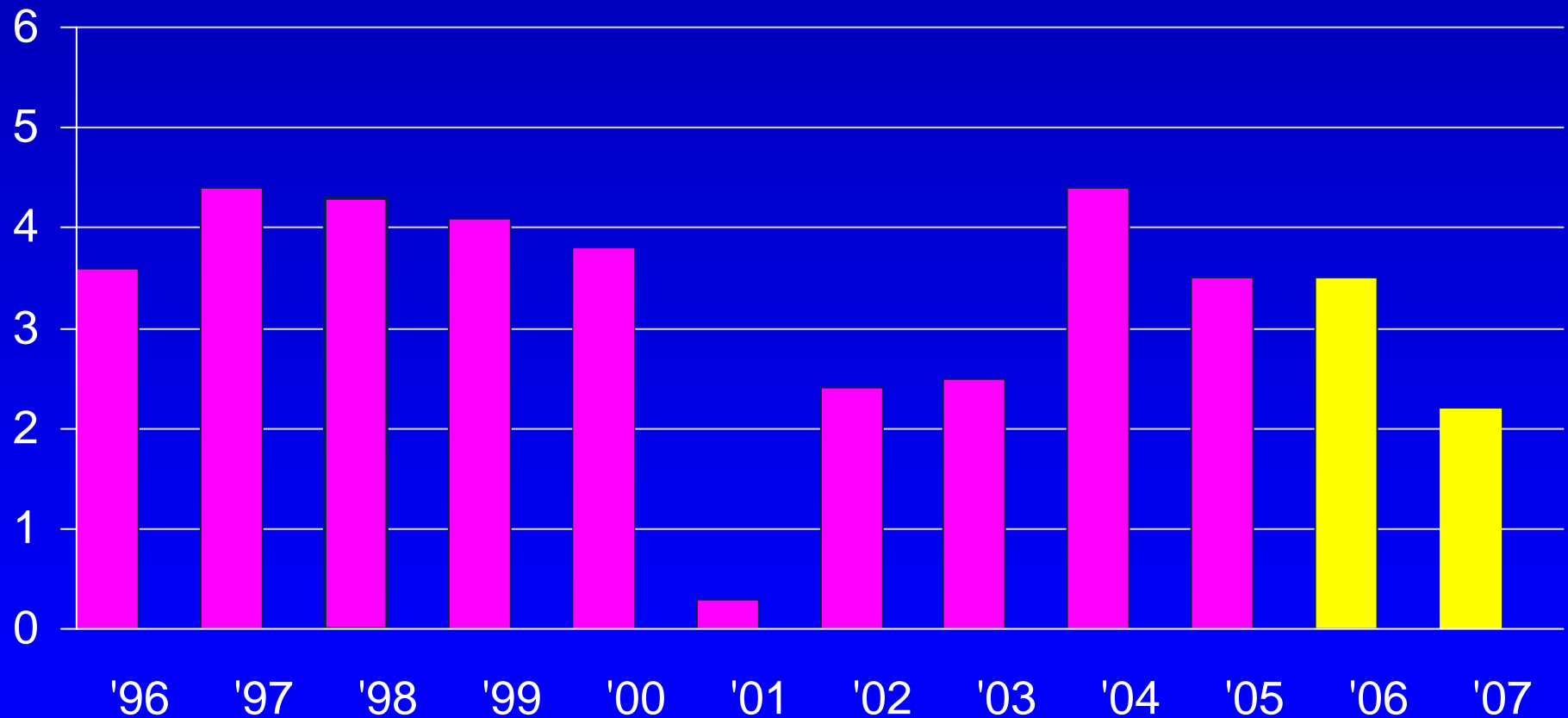
Source: Moody's Economy Inc.

# US Exports (per cent change)





# U.S. Real GDP (per cent change)



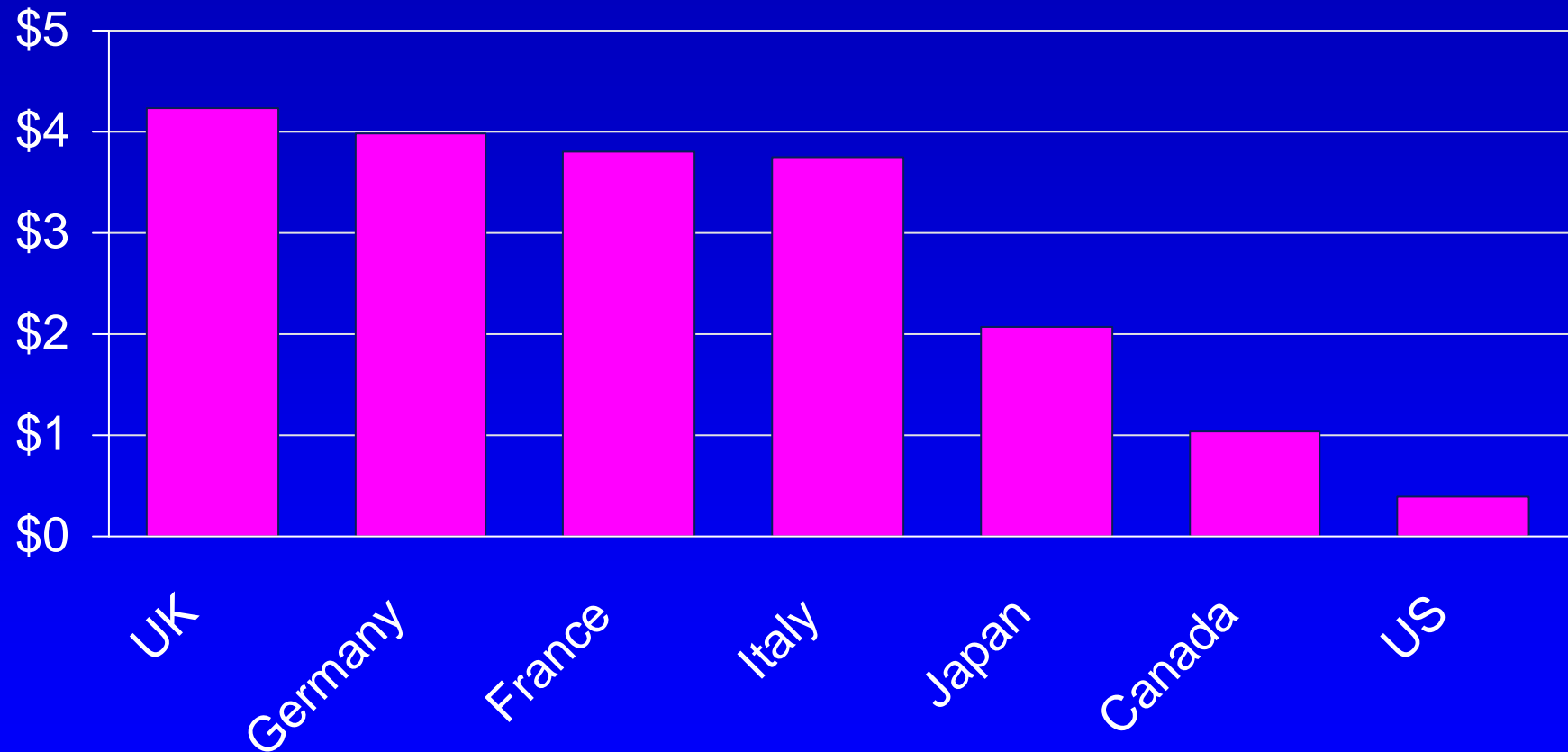
Sources: BEA; CBoC.

# U.S. Federal Government Balance (Billions of US\$)

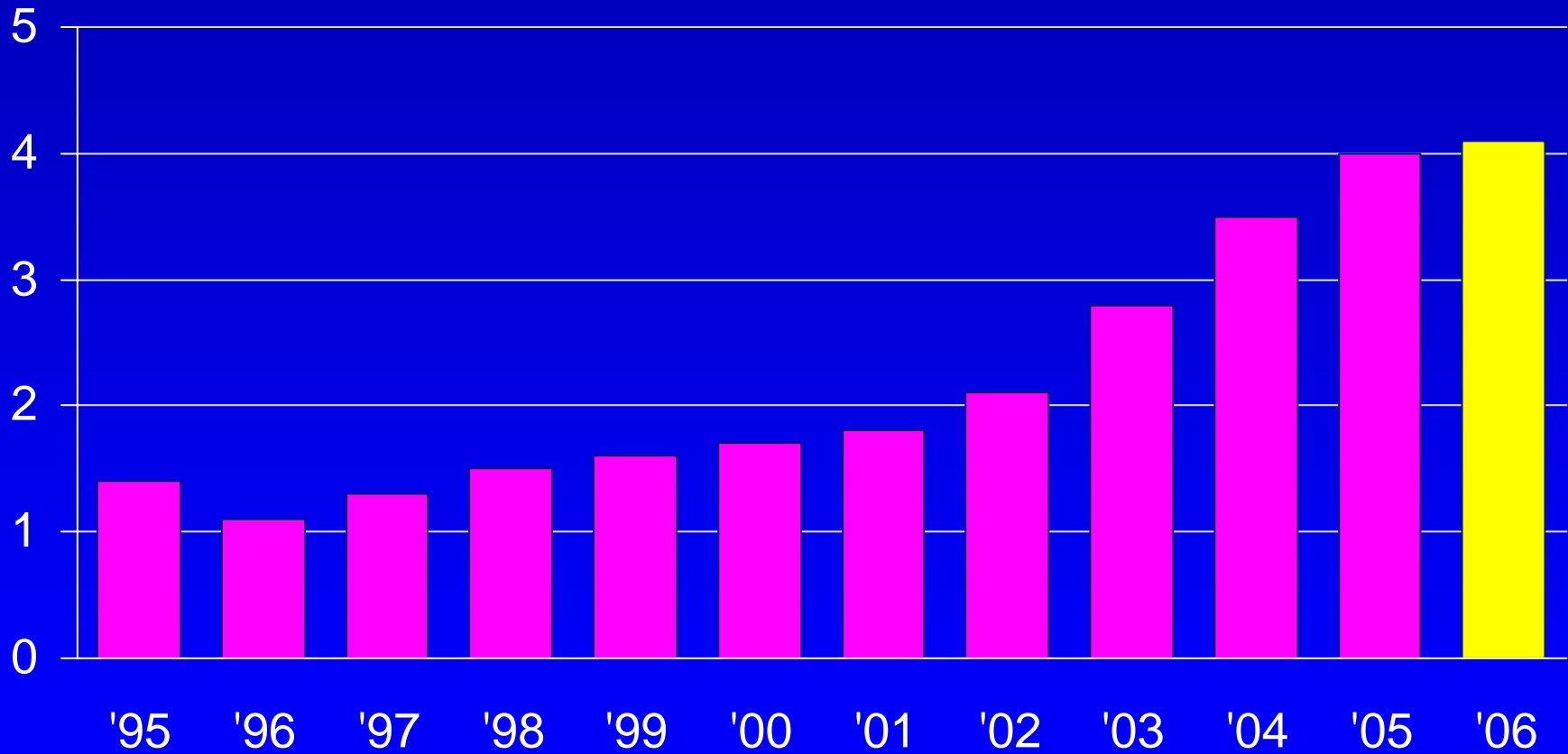


Source: BEA; The Conference Board of Canada.

# Average Gasoline Taxes per Gallon (August, 2006)

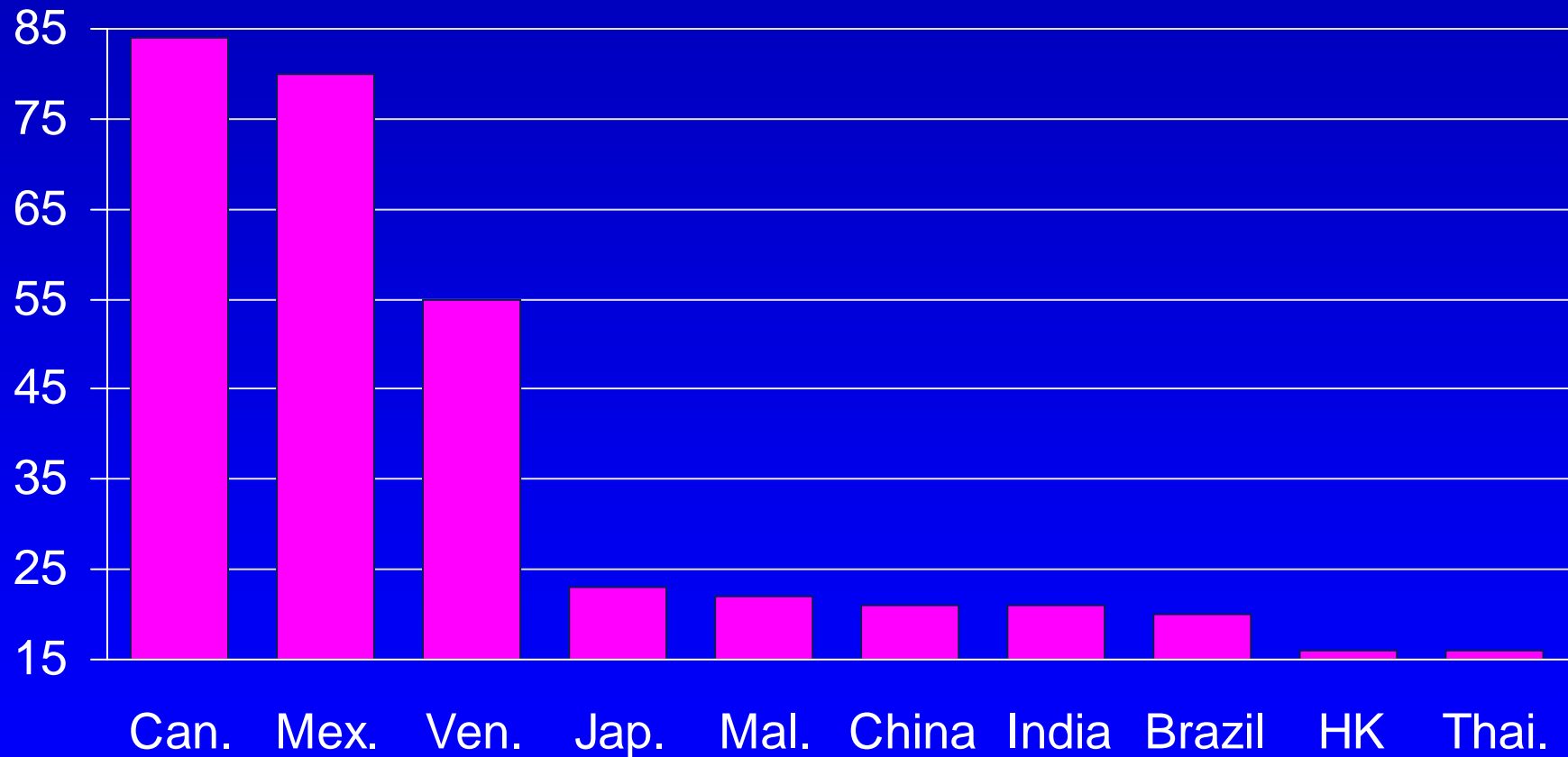


# Ethanol Production (billions of gallons)



Source: US Dept. of Agriculture.

# Countries Impacted by US Slowdown (per cent of total exports to US)



Source: Consensus Economics.

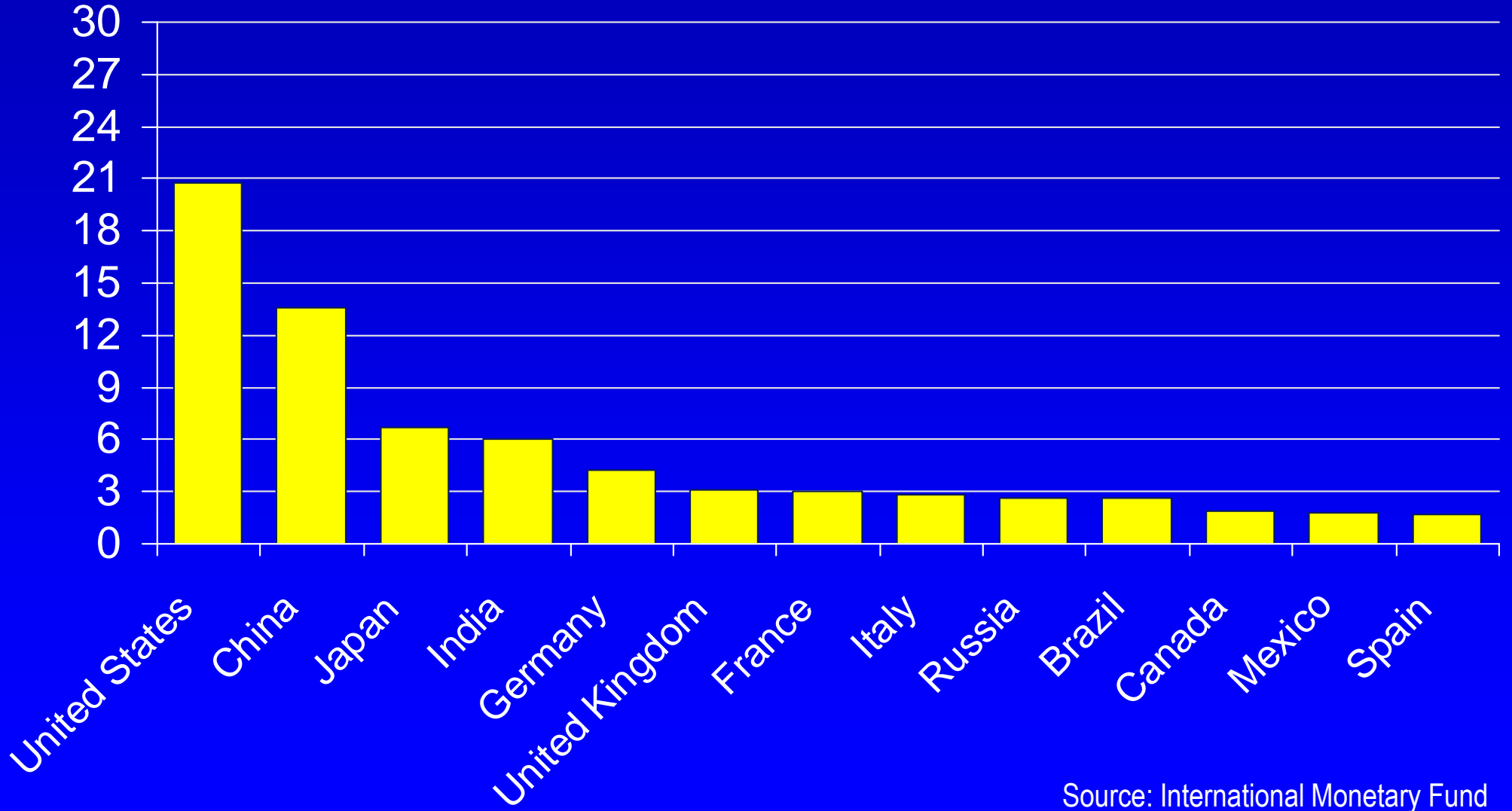
# The Rise of Emerging Nations

- | China, India, Brazil, plus many other growth markets in the developing world
- | Emerging markets now represent 50 % of global GDP, using PPP estimates
- Shift is structural and permanent



# Global GDP, Individual Country Shares <sup>10/06</sup>

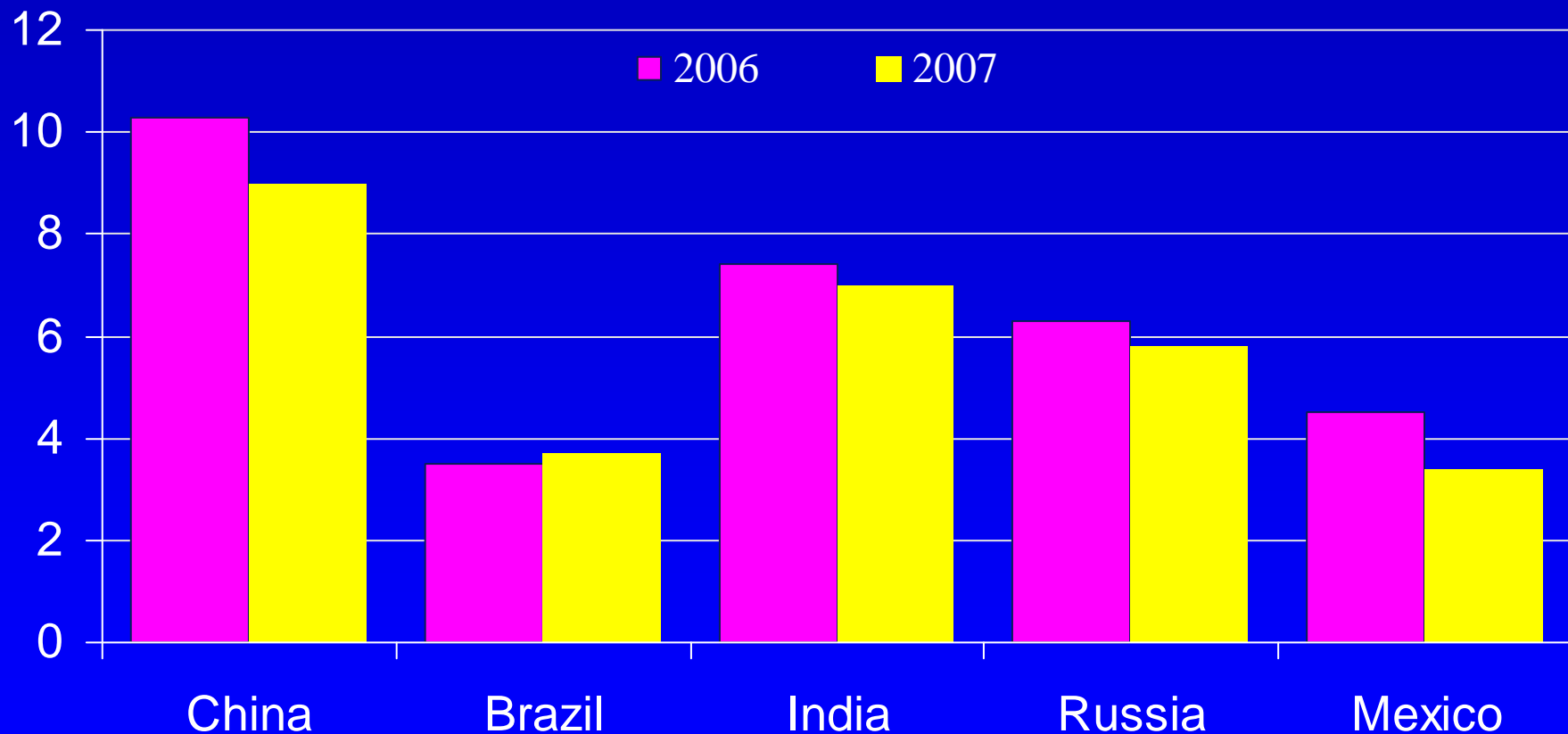
(PPP Valuation)



Source: International Monetary Fund

# Economic Growth in BRIC Countries Plus Mexico

(% change in real GDP)



Source: Consensus Economics.

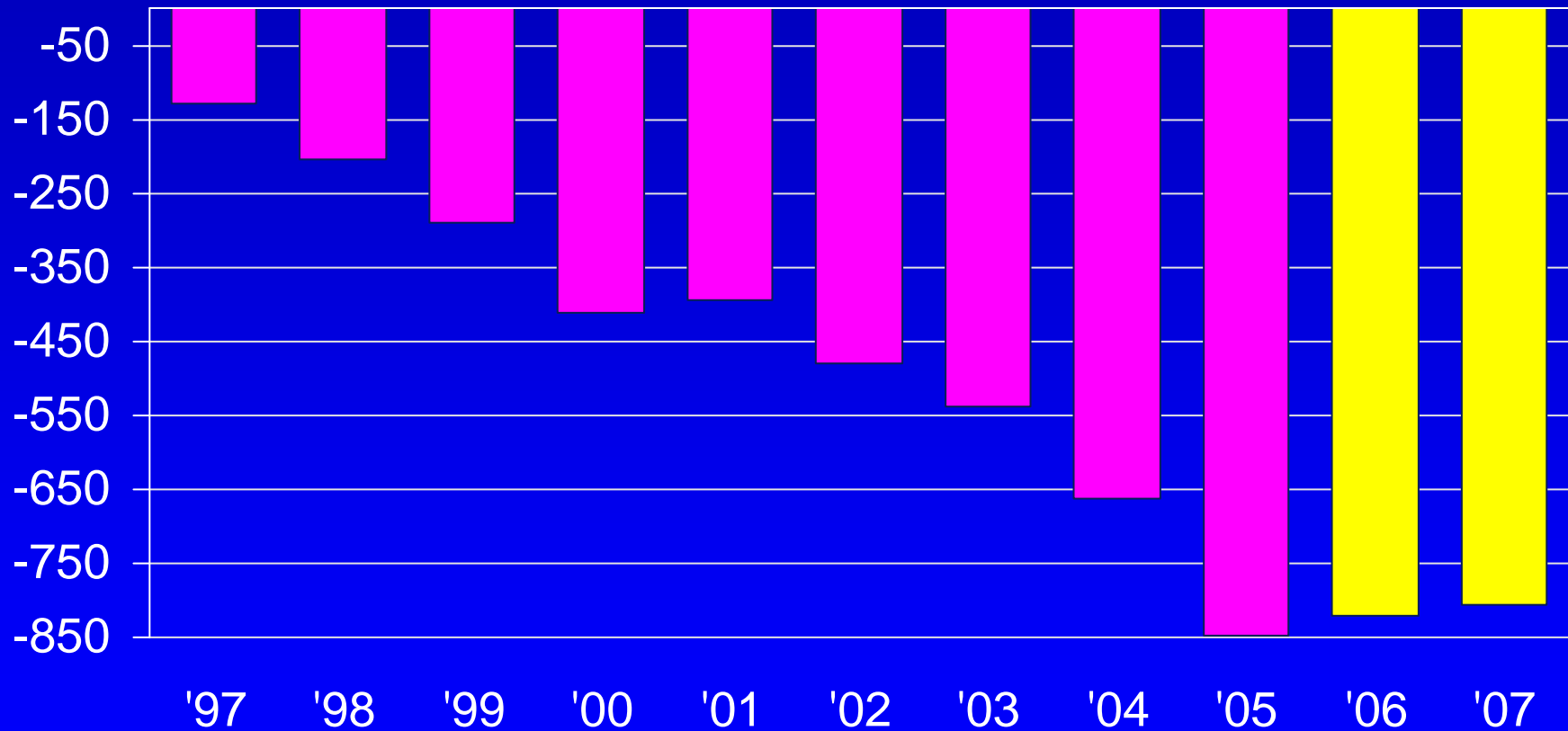
# Global Imbalances

## Imbalances continue to grow...

- | United States external and fiscal deficits
- | Chinese trade surpluses, massive FX reserves
- | Japanese surpluses and external assets
- | EU fiscal deficits
- | Oil exporters -- massive surpluses and savings

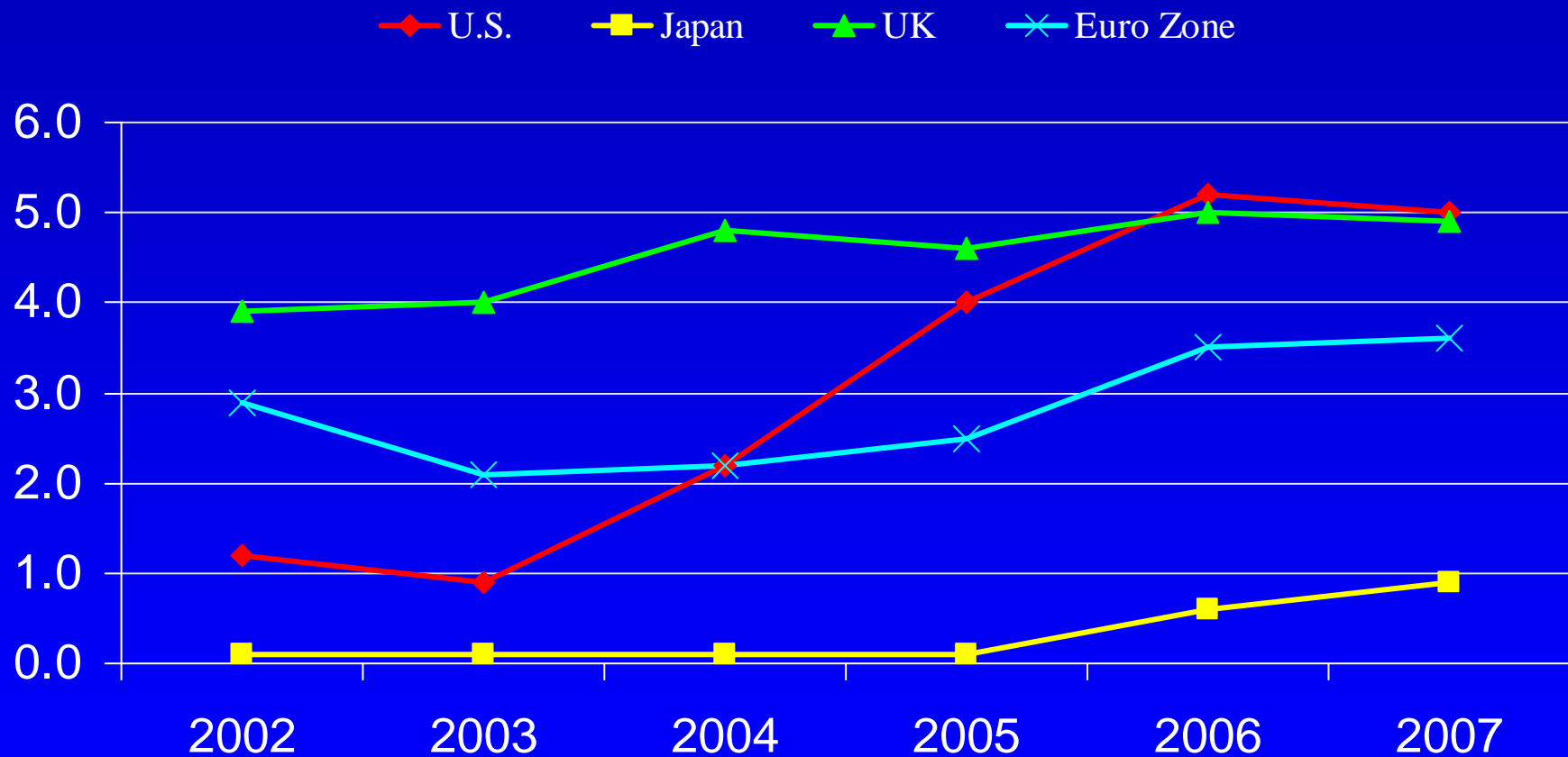


# U.S. Current Account Balance (Billions of US\$)



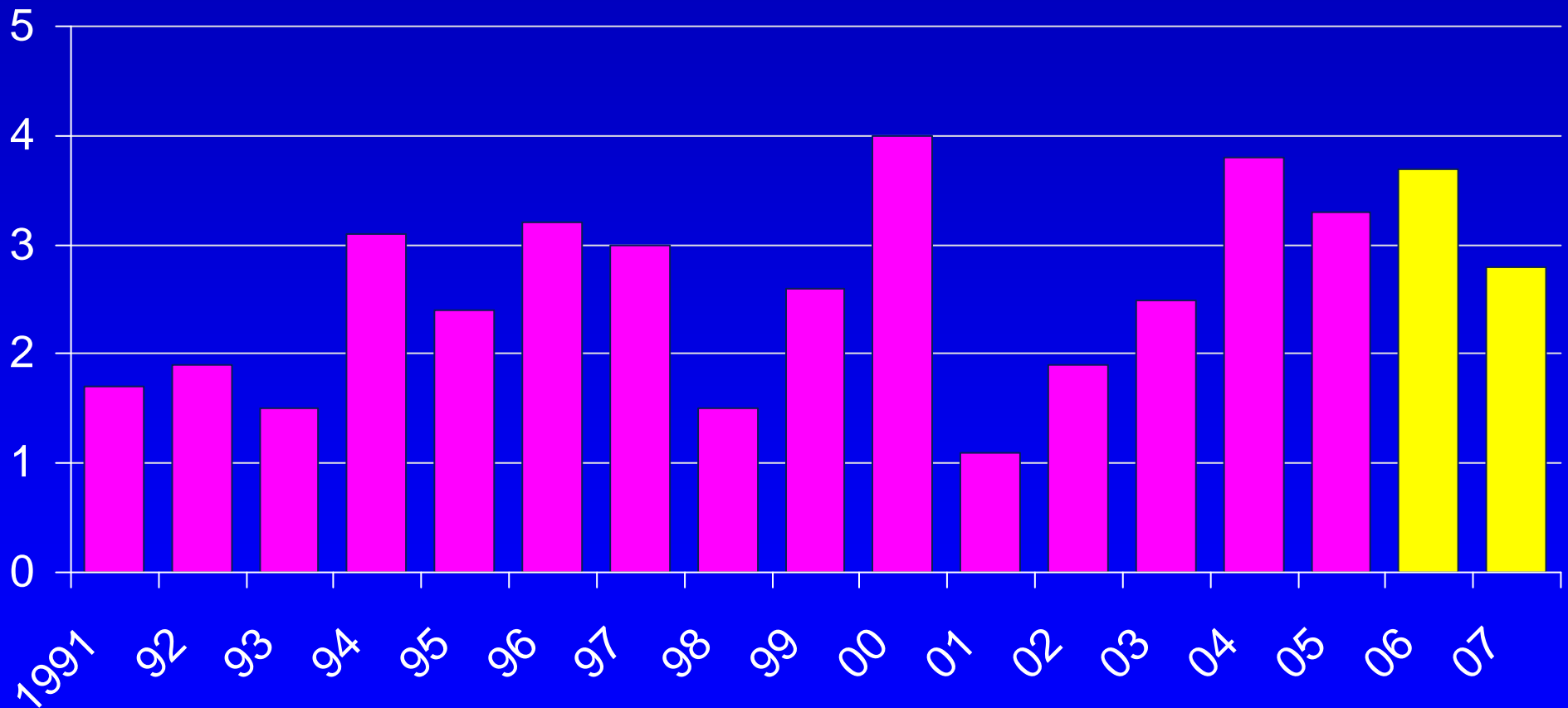
Sources: Bureau of Economic Analysis; The Conference Board of Canada.

# Short-term Interest Rates (%)



Source: Consensus Economics.

# World Real GDP Growth (annual per cent change)



Source: Consensus Economics.

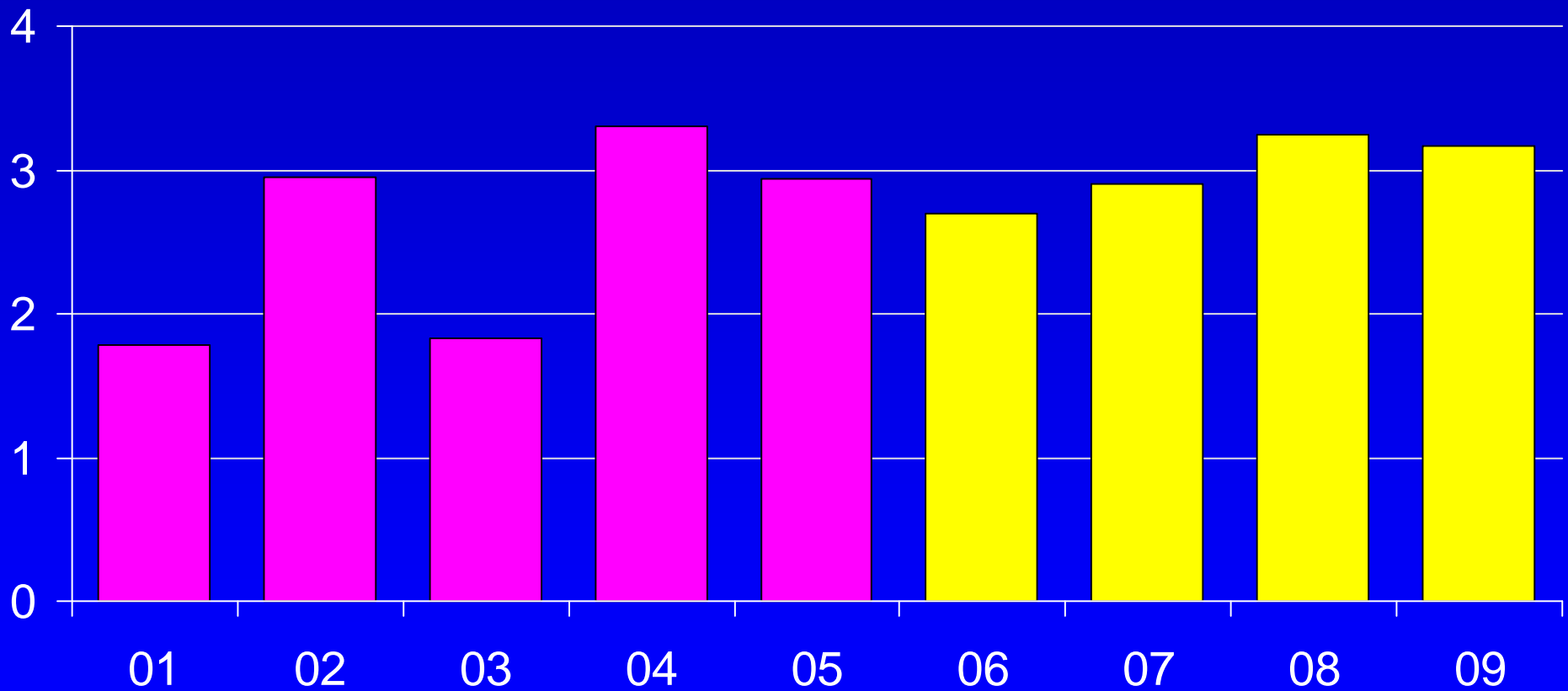
# Risks to the Outlook

- | Doha collapse could fuel protectionism in U.S. and elsewhere, especially with huge imbalances
- | Geopolitical tensions send oil prices soaring again
- | How will U.S. consumer react?



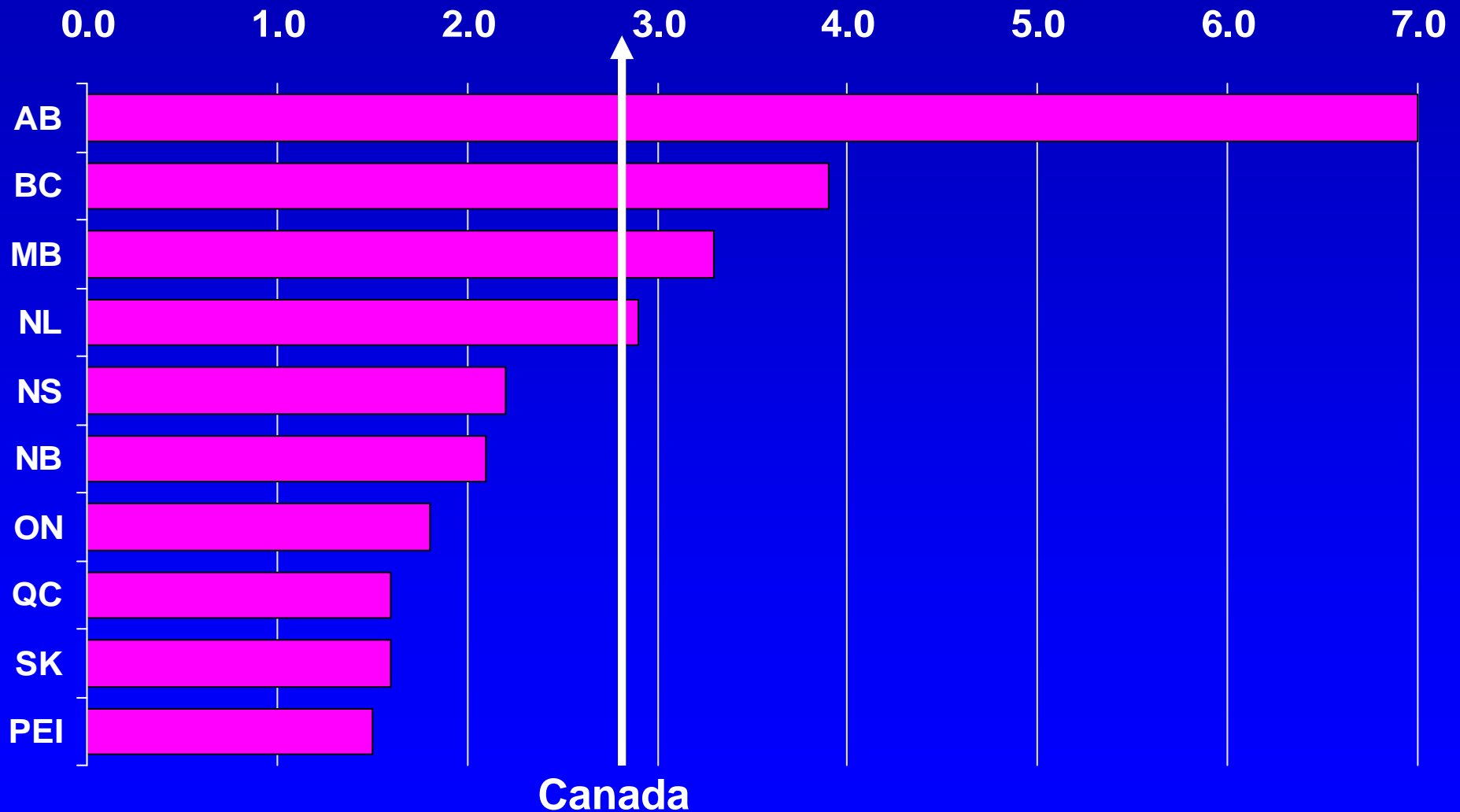
# Real GDP Growth

percent, Canada 2001–07



Sources: The Conference Board of Canada; Statistics Canada.

# 2006 Real GDP Growth by Province (per cent, basic prices, 1997 \$)





Visit us at

[www.conferenceboard.ca](http://www.conferenceboard.ca)