



The Economic Outlook: Well Positioned for Growth

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Beef 2006: Strategic Thinking for a Changing Industry

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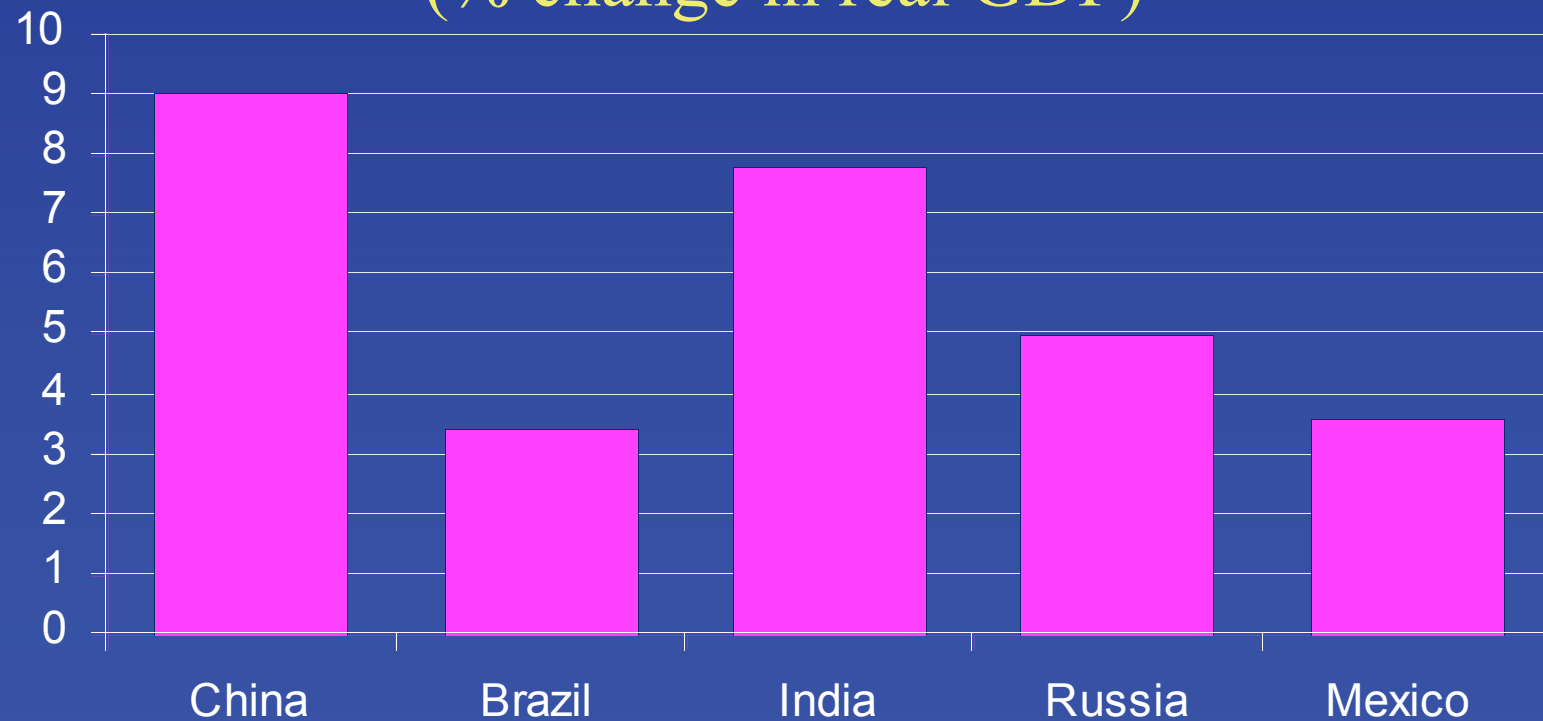
The Rise of Emerging Markets

- Fundamental shift occurring in global economic tectonic plates
- Industrial economies -- aging labour force means slower growth potential
- Emerging markets, led by China, are growing in global status
- Driven by much improved economic policies and strong labour force growth



Projected Economic Growth in Major Emerging Markets, 2006

(% change in real GDP)



Source: Consensus Economics.

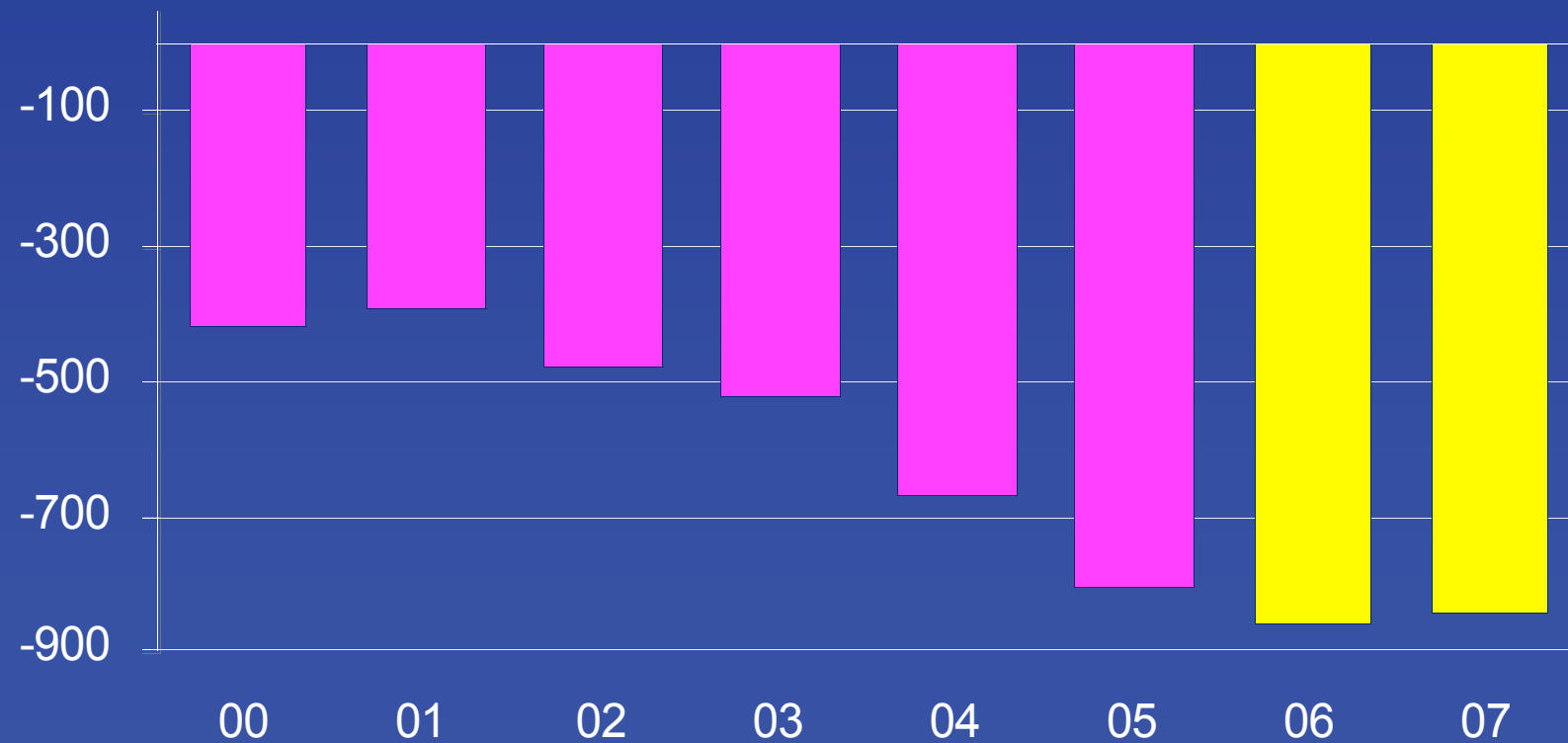


U.S. Pressure Points

- United States twin deficits – current account and fiscal
- High energy prices
- U.S. property markets
- Yet despite imbalances, U.S. economy should manage a soft landing



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



Source: BEA; The Conference Board of Canada.

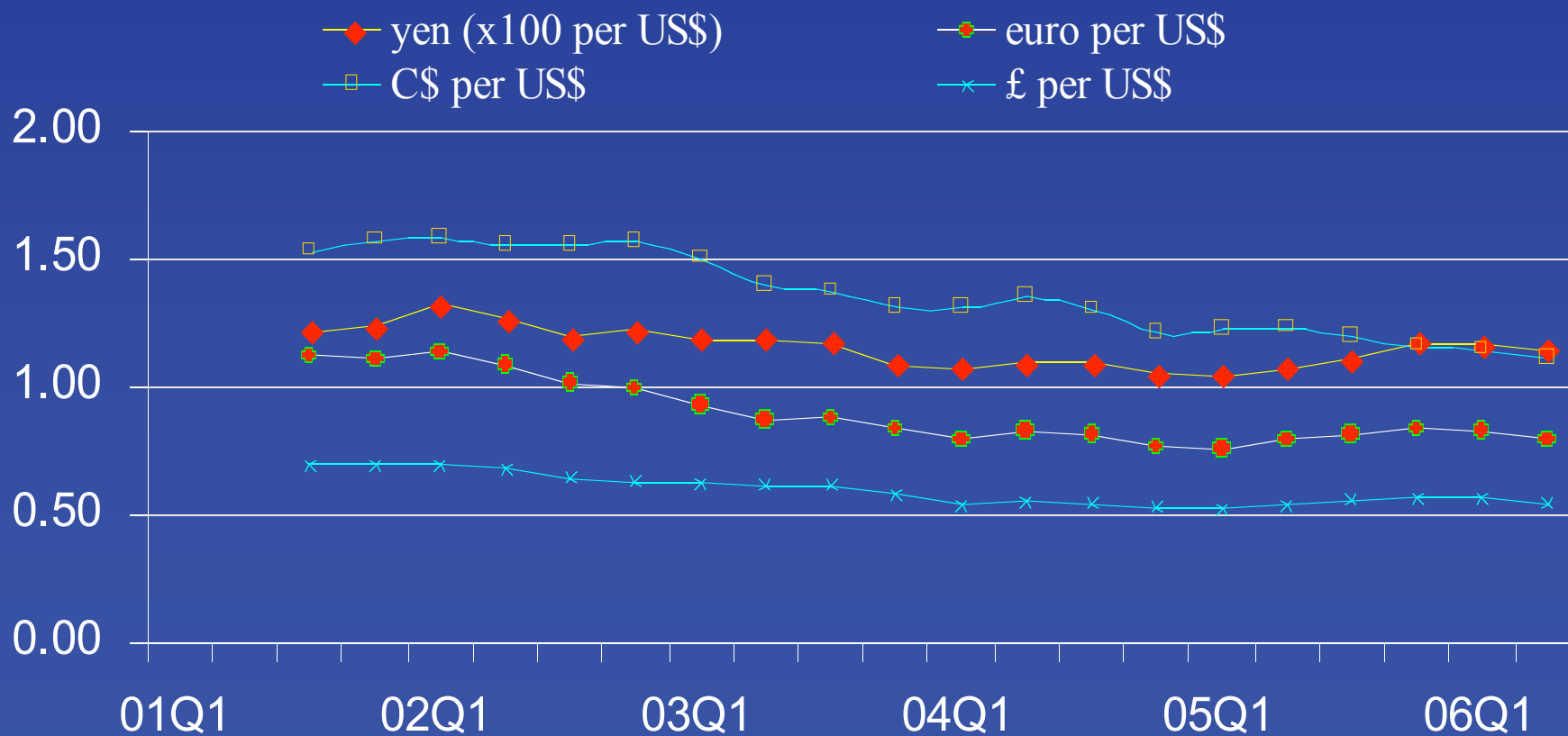
U.S. Federal Government Balance (Billions of US\$)



Source: BEA; The Conference Board of Canada.

Major Global Currencies vs. U.S. Dollar

Quarterly 2001(q3)–06 (q2)



Source: Moody's Economy.com.

Canada's Outlook 2006–07



- Domestic demand carrying Canada's economy
- GST and PIT cuts will produce large gains in after tax income this year
- Upside risk from latest budget
- Easing resource prices will take some pressure off the Canadian dollar
- But growth will be unbalanced, west to east



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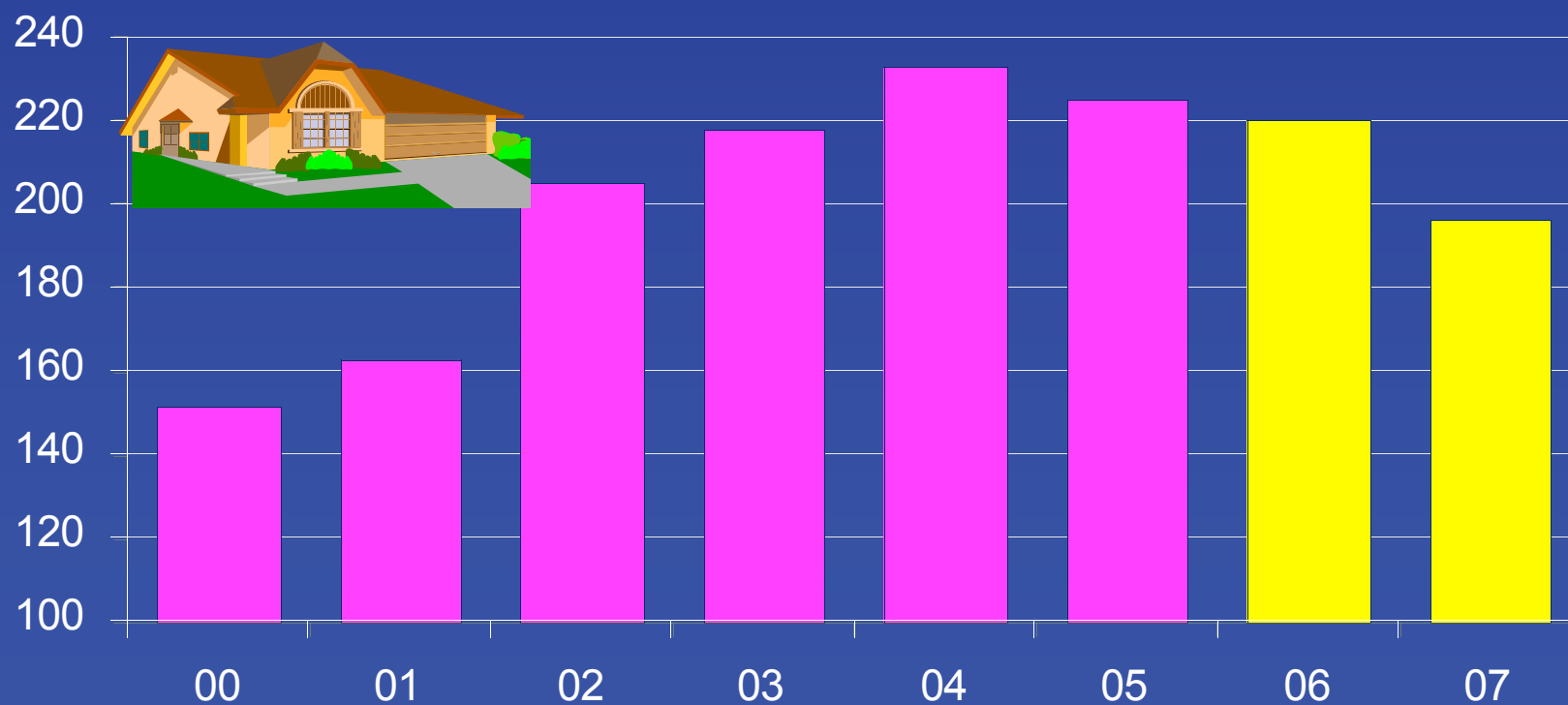
Interest Rates (90-Day T-Bill) Quarterly 2000–07



Sources: BEA; CBoC; Statistics Canada.

Housing Starts (000s)

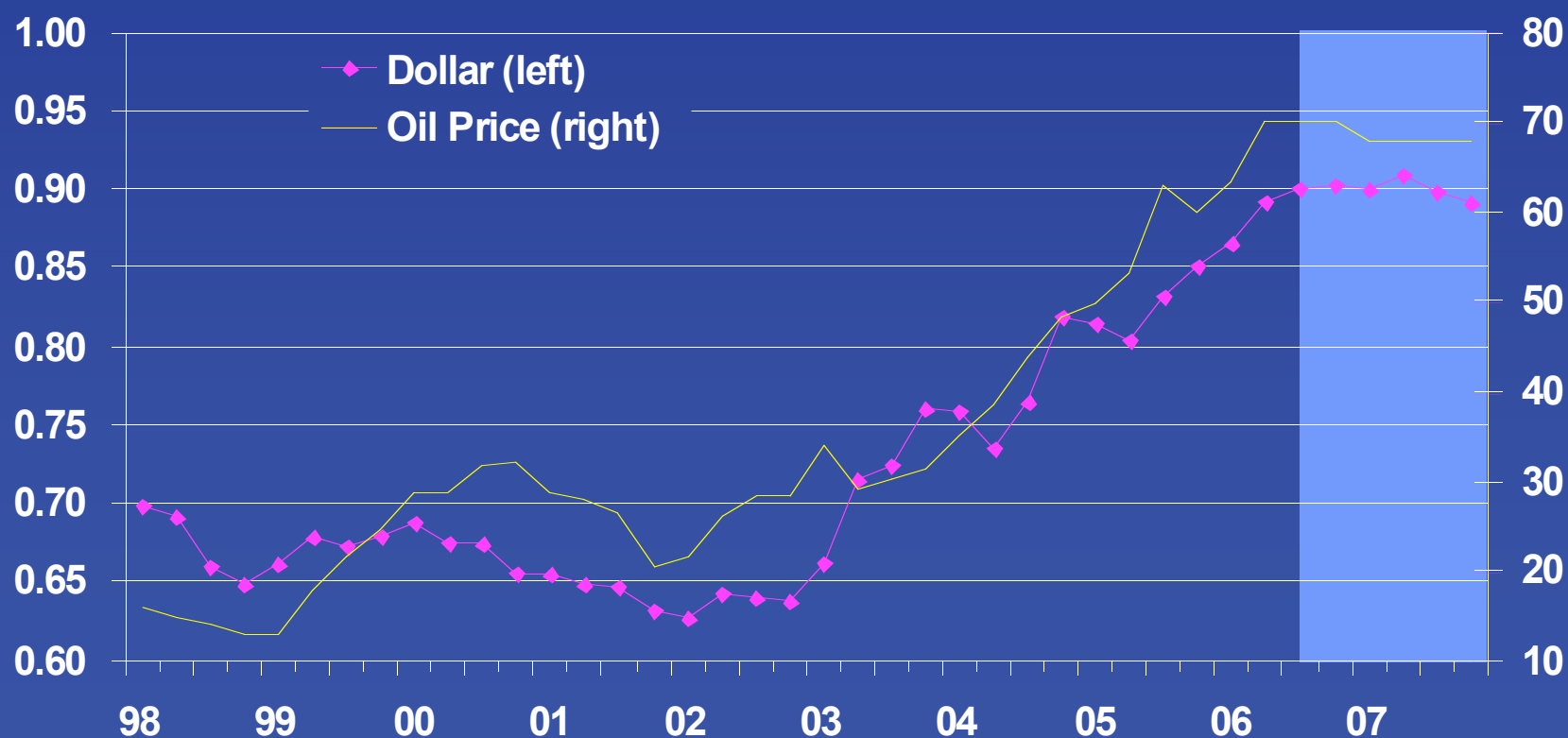
Canada 2000–07



Sources: The Conference Board of Canada; Statistics Canada.

The Loonie and the Oil Price

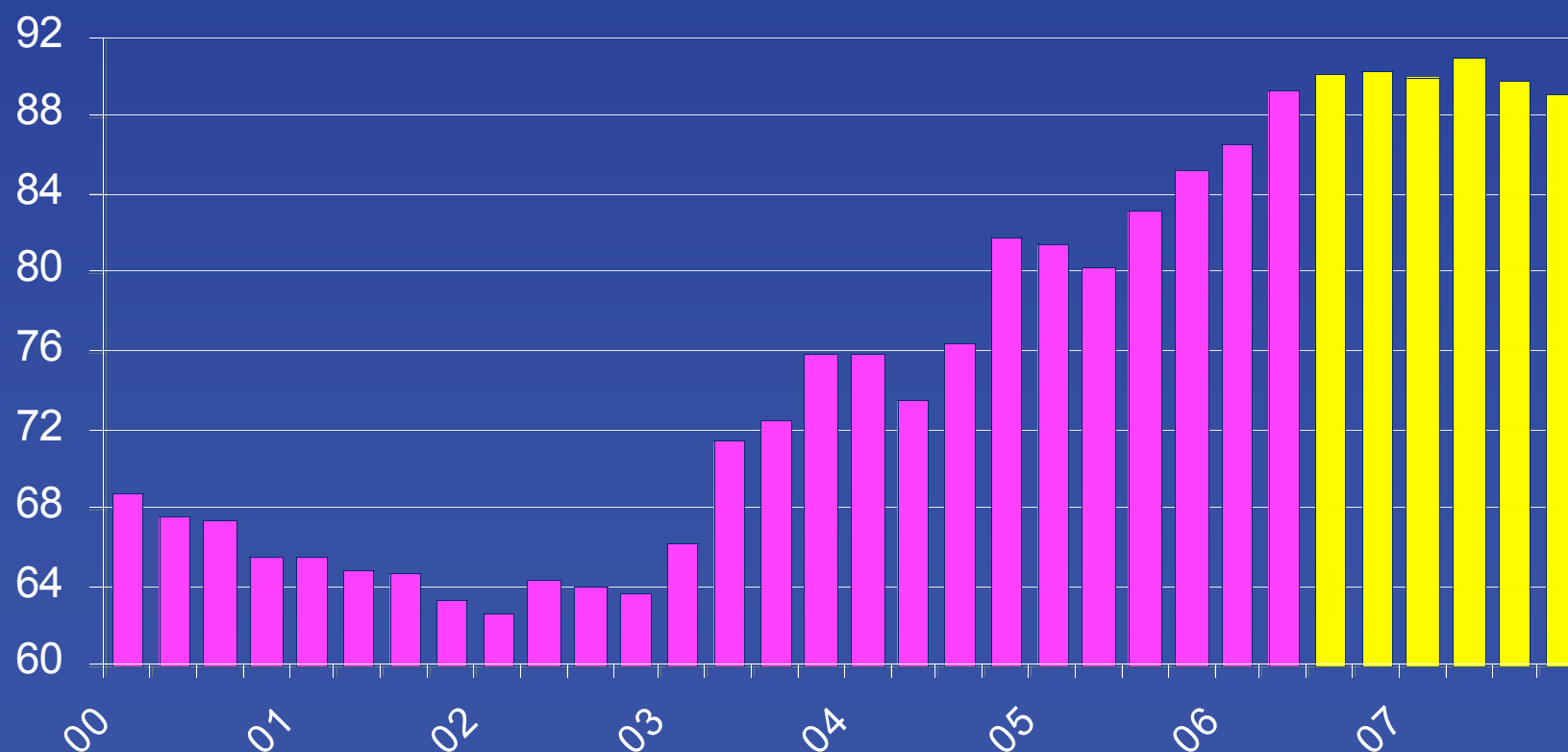
WTI \$US, \$US/\$C



Sources: U.S. Energy Information Administration; Statistics Canada; The Conference Board of Canada.

Exchange Rate 2000–07

U.S. cents per Canadian dollar



Sources: The Conference Board of Canada; Statistics Canada.

Real Export Growth

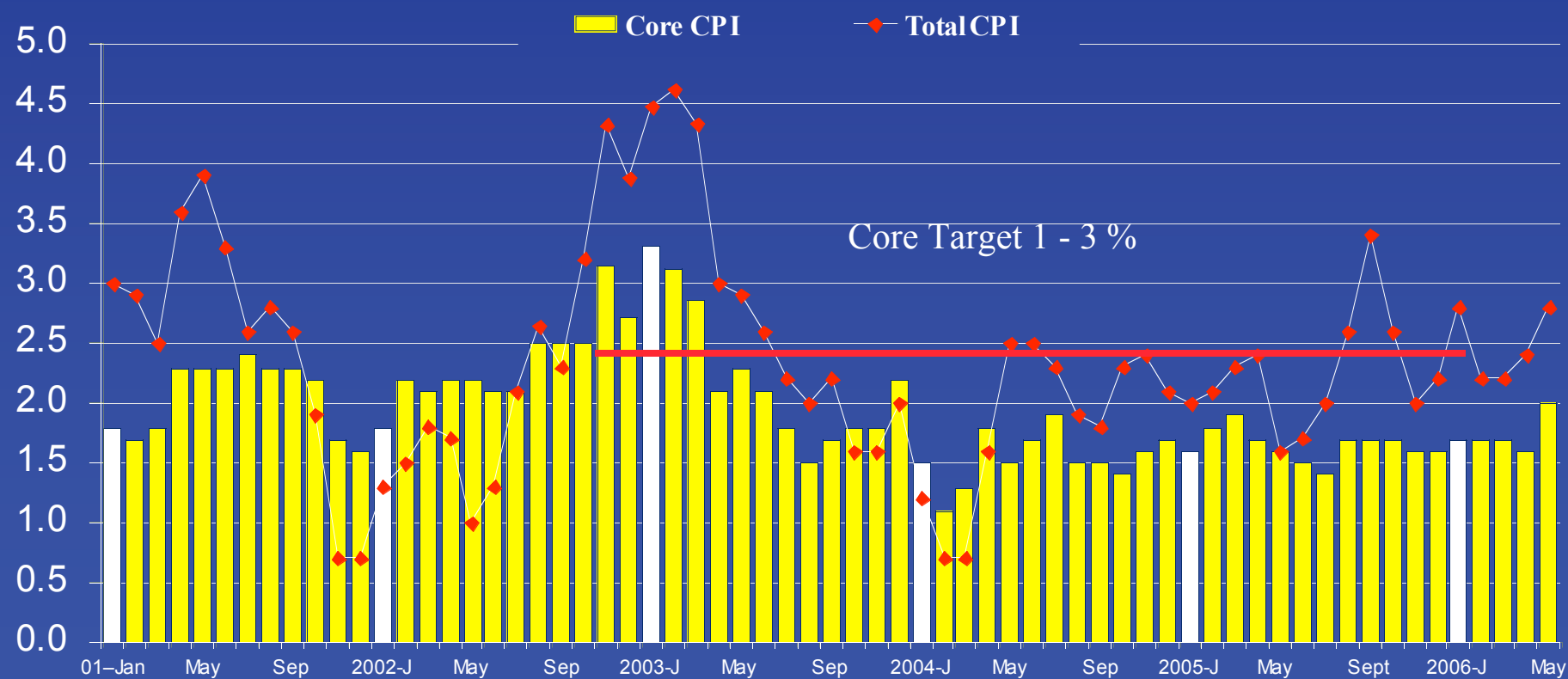
Canada 2000–07



Sources: The Conference Board of Canada; Statistics Canada.

CPI Shows Inflation Risk Rising

Jan 2001 – May 2006 (annual per cent change)



Sources: The Conference Board of Canada; Statistics Canada.

Consumer Price Inflation

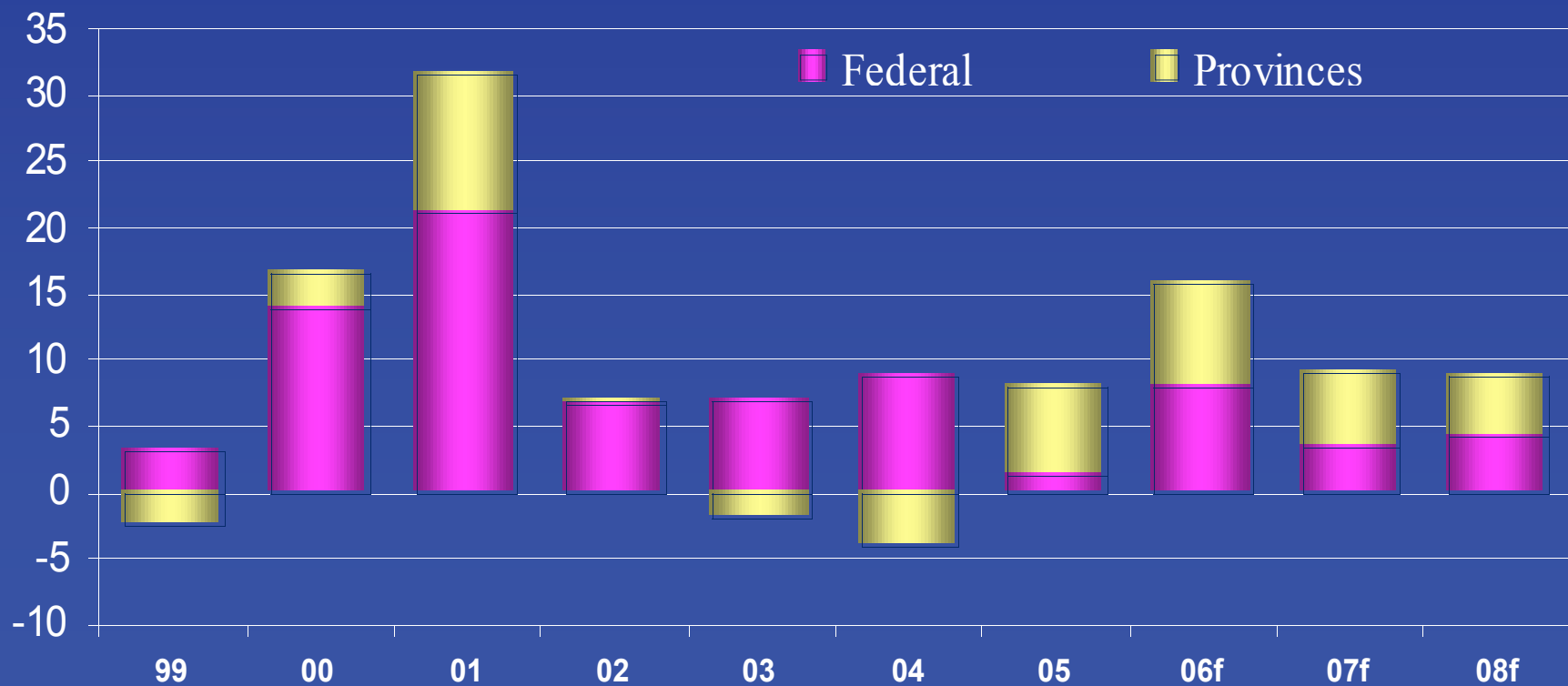
Canada 2000–07



Sources: The Conference Board of Canada; Statistics Canada.

Federal and Provincial Gov't Balances

(Public Accounts Basis, fiscal year ending, \$billions)



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

Real Government Spending on Goods and Services Canada (2000–07)



Sources: The Conference Board of Canada; Statistics Canada.

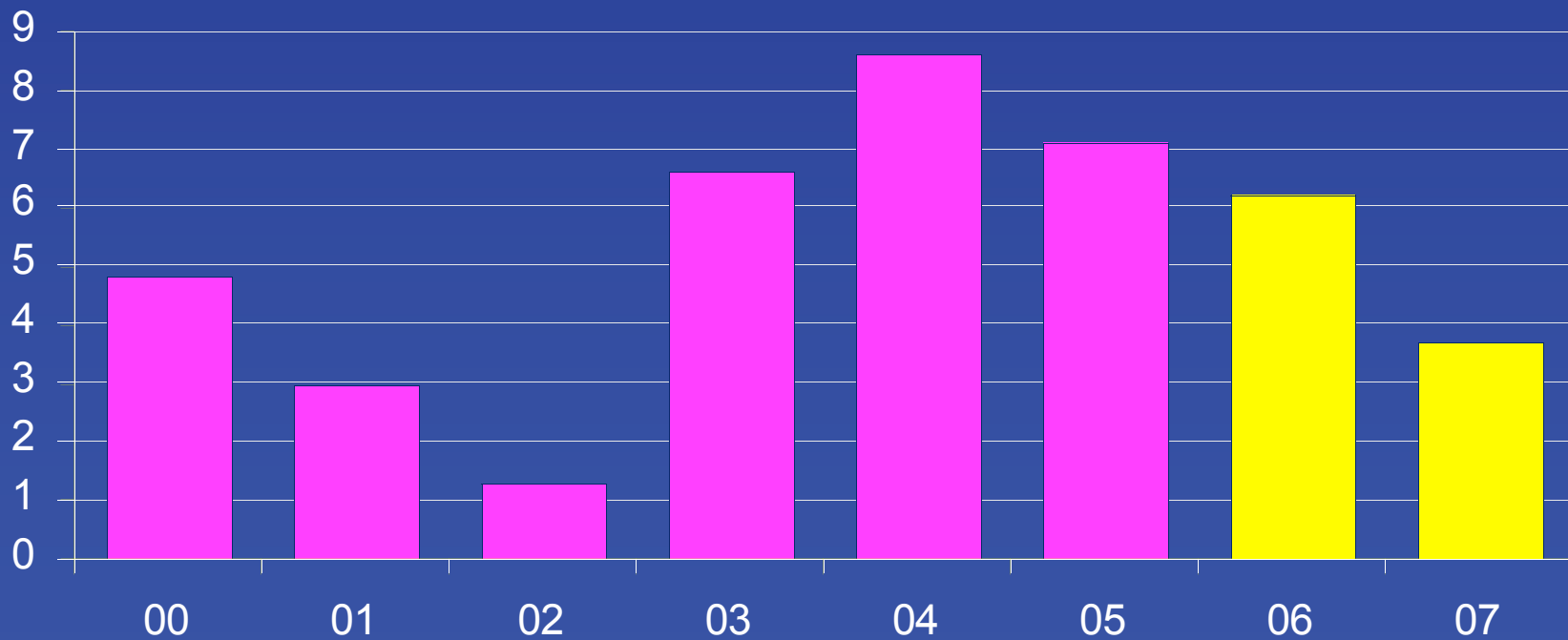
Pre-Tax Corporate Profits

Canada 2000–07 (\$ billions)



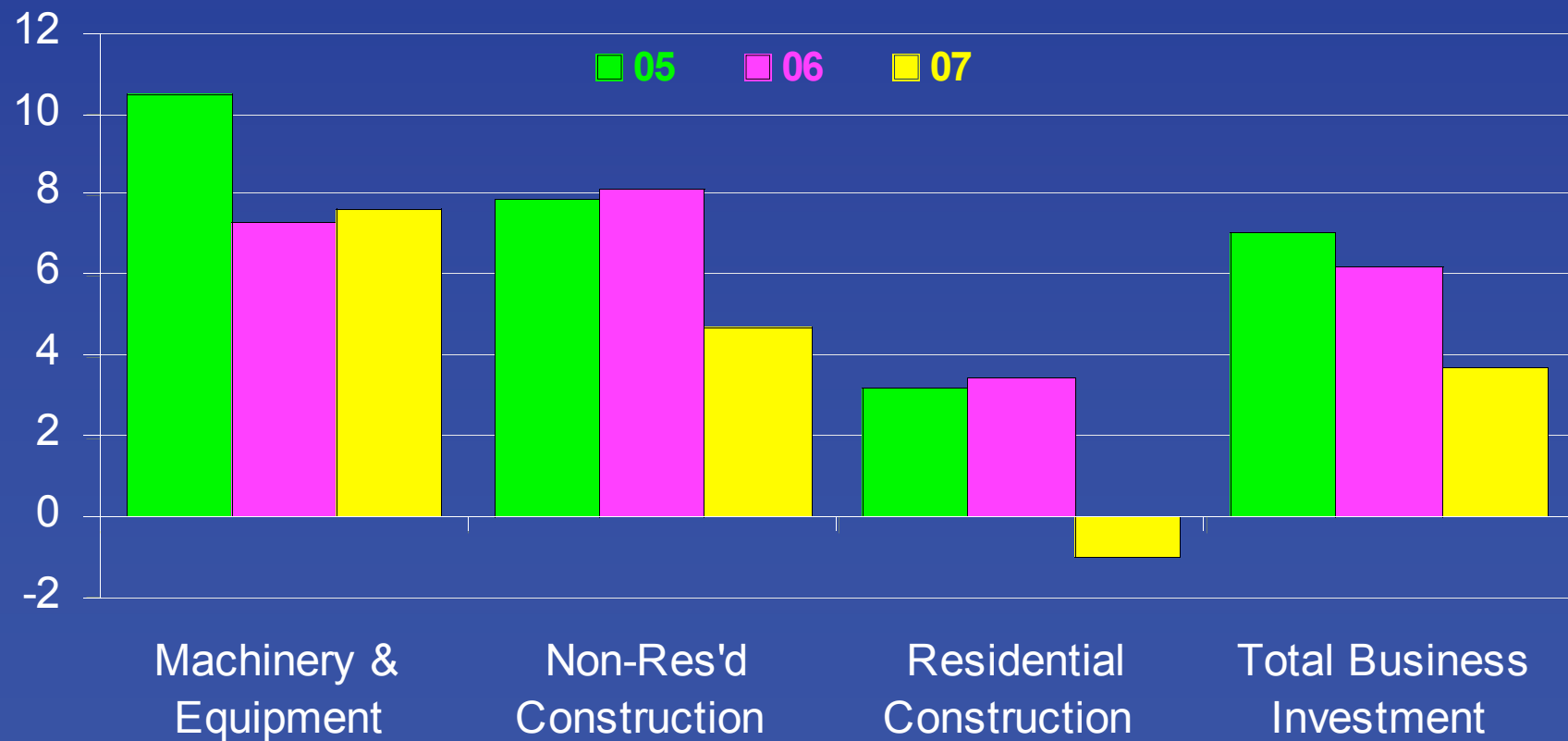
Source: The Conference Board of Canada.

Real Business Investment Growth (Canada 2000–07)



Sources: The Conference Board of Canada; Statistics Canada.

Composition of Real Business Investment Growth, Canada (2005–07)



Sources: The Conference Board of Canada; Statistics Canada.

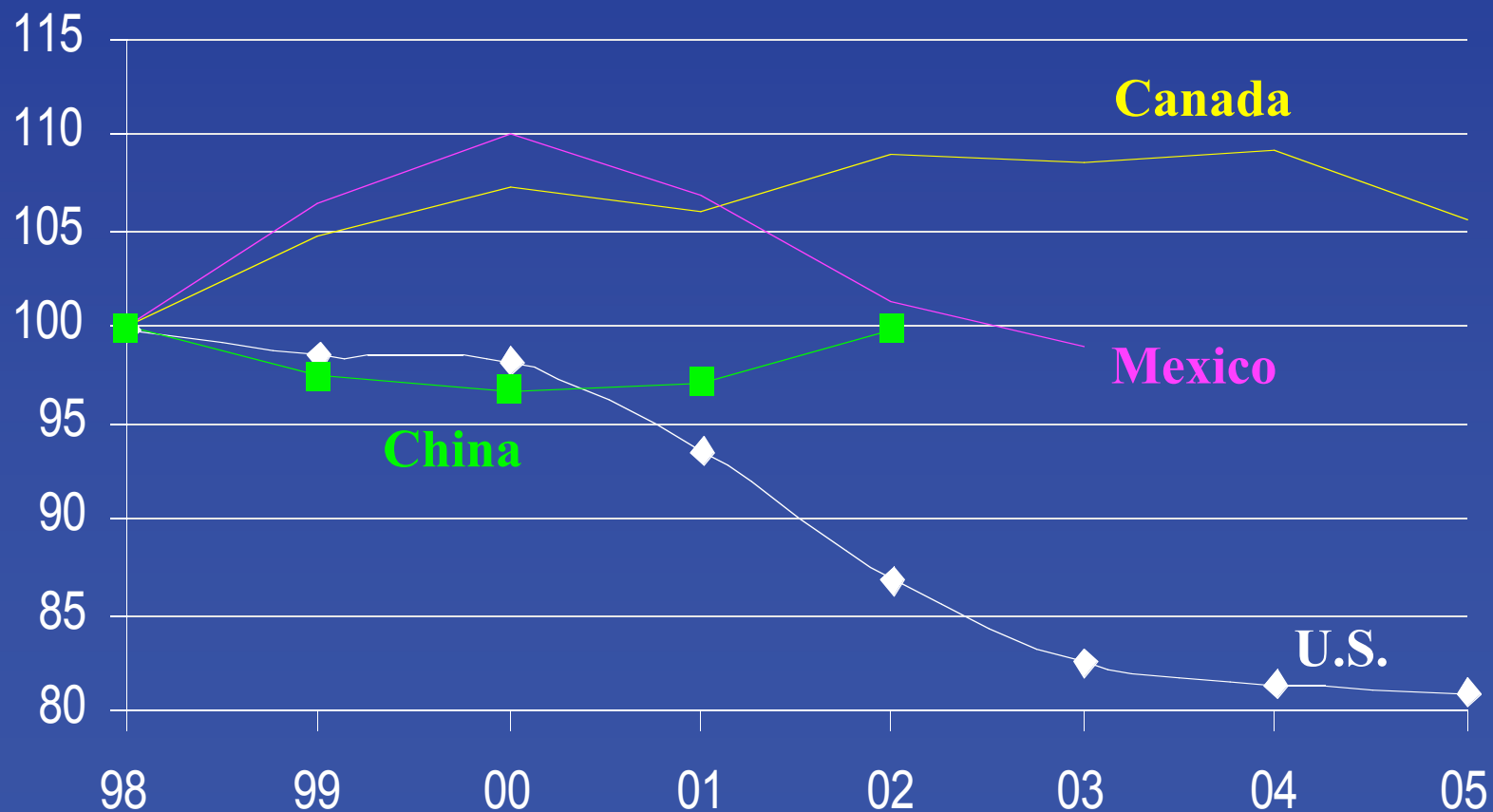
Employment Growth

Canada, 2000–07



Sources: The Conference Board of Canada; Statistics Canada.

Manufacturing Employment (Indexed 1998 = 100)



Sources: BLS; OECD; China National Bureau of Statistics; Statistics Canada.

Real Disposable Income Growth

percent, Canada 2000–07



Sources: The Conference Board of Canada; Statistics Canada.

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Index of Consumer Attitudes, Canada

1988:1–2001(Qtly); Jan 02–June 06 (Mthly)
(1991=100)



Source: The Conference Board of Canada.

Real Consumer Spending Growth

percent, Canada 2000–07



Sources: The Conference Board of Canada; Statistics Canada.

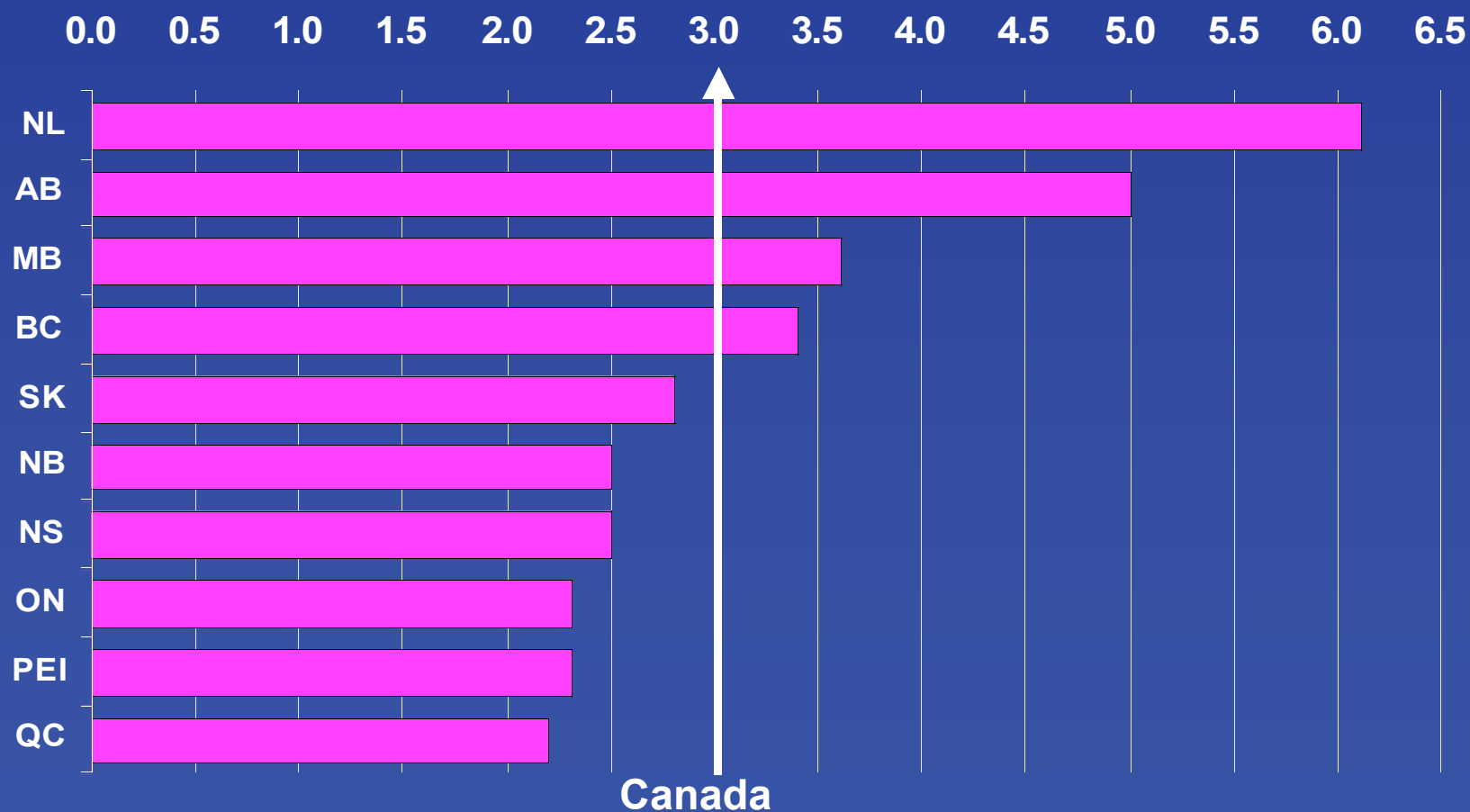
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Real GDP Growth percent, Canada 2000–07



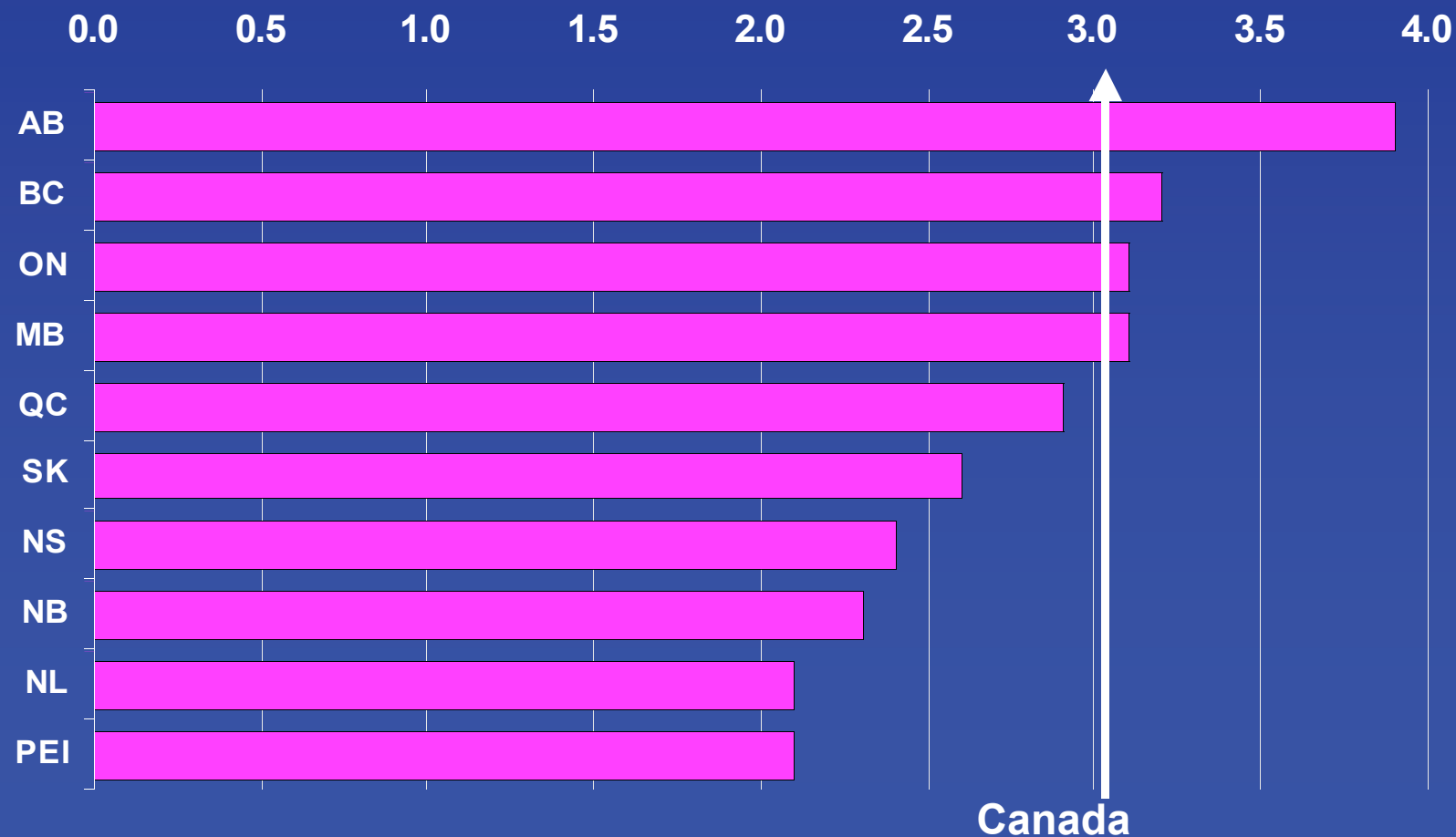
Sources: The Conference Board of Canada; Statistics Canada.

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



Sources: The Conference Board of Canada; Statistics Canada.

2007 Real GDP Growth by Province (per cent, basic prices, 1997 \$)



Sources: The Conference Board of Canada; Statistics Canada.

Conclusion

- Strong structural forces at work in the global economy: aging, emerging markets, U.S. imbalances, oil prices
- Strong income gains support Canadian economy despite lackluster trade performance
- Manufacturers and exporters to suffer through another year of adjustment
- Regional growth disparity will continue in the near term
- Alberta the land of opportunity...
- ... and it can remain so, if the challenges and bottlenecks are managed

