

Global and Canada's Economic Prospects

Financial Management Institute – Professional Development Week

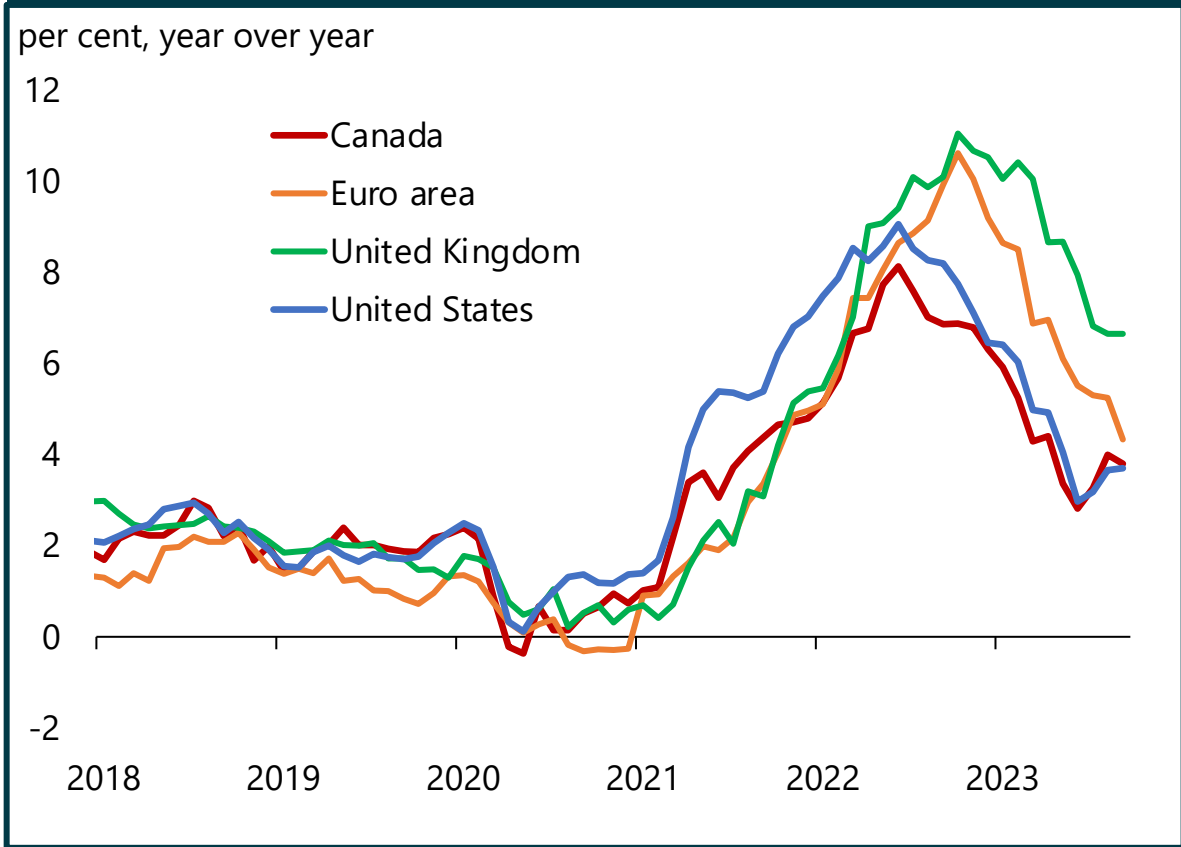
November 22, 2023

Overview – Key Themes

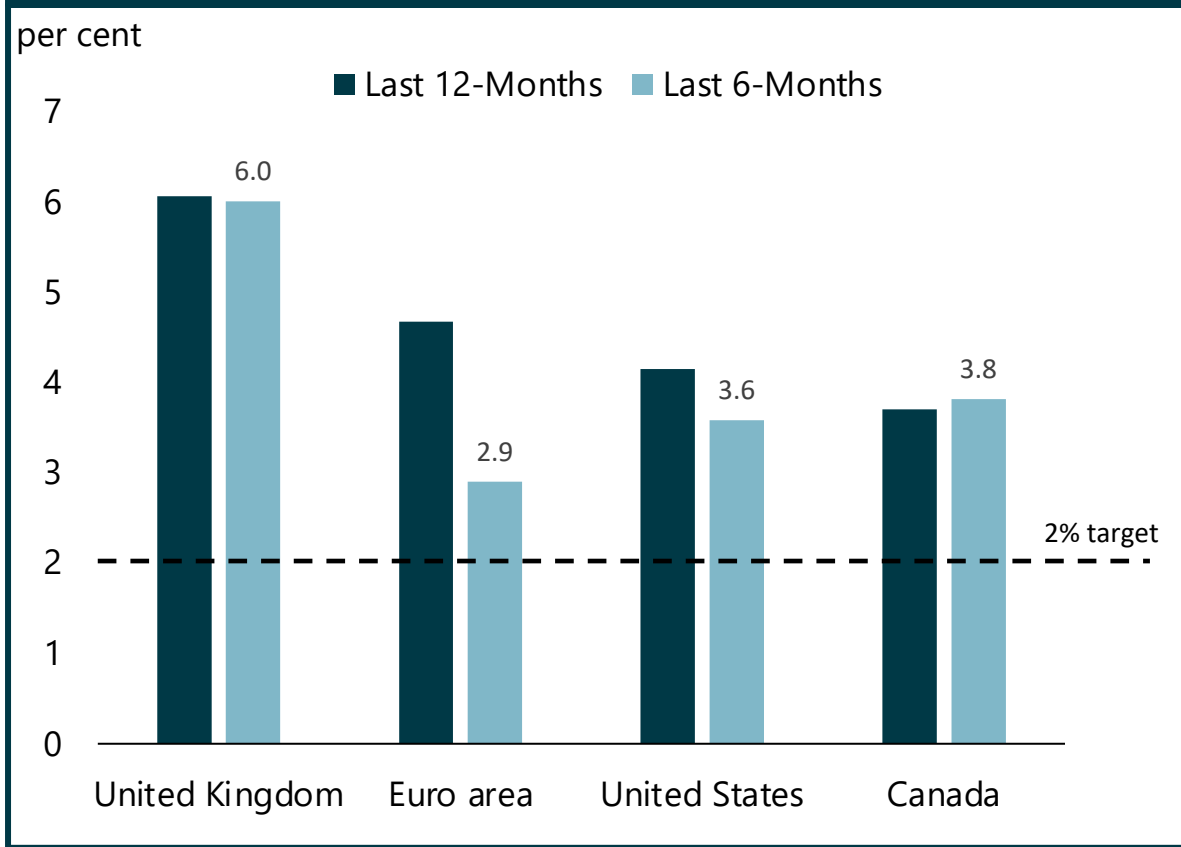
1. Global economy slowing and set to moderate further
2. Inflation has fallen from peak but remains elevated
3. Canadian economy approaching balance
4. Interest rates are high and expected to ease only gradually
5. Ensuring sustainable fiscal balances while addressing structural challenges

Inflation fell sharply as supply shocks resolve, but is persistent

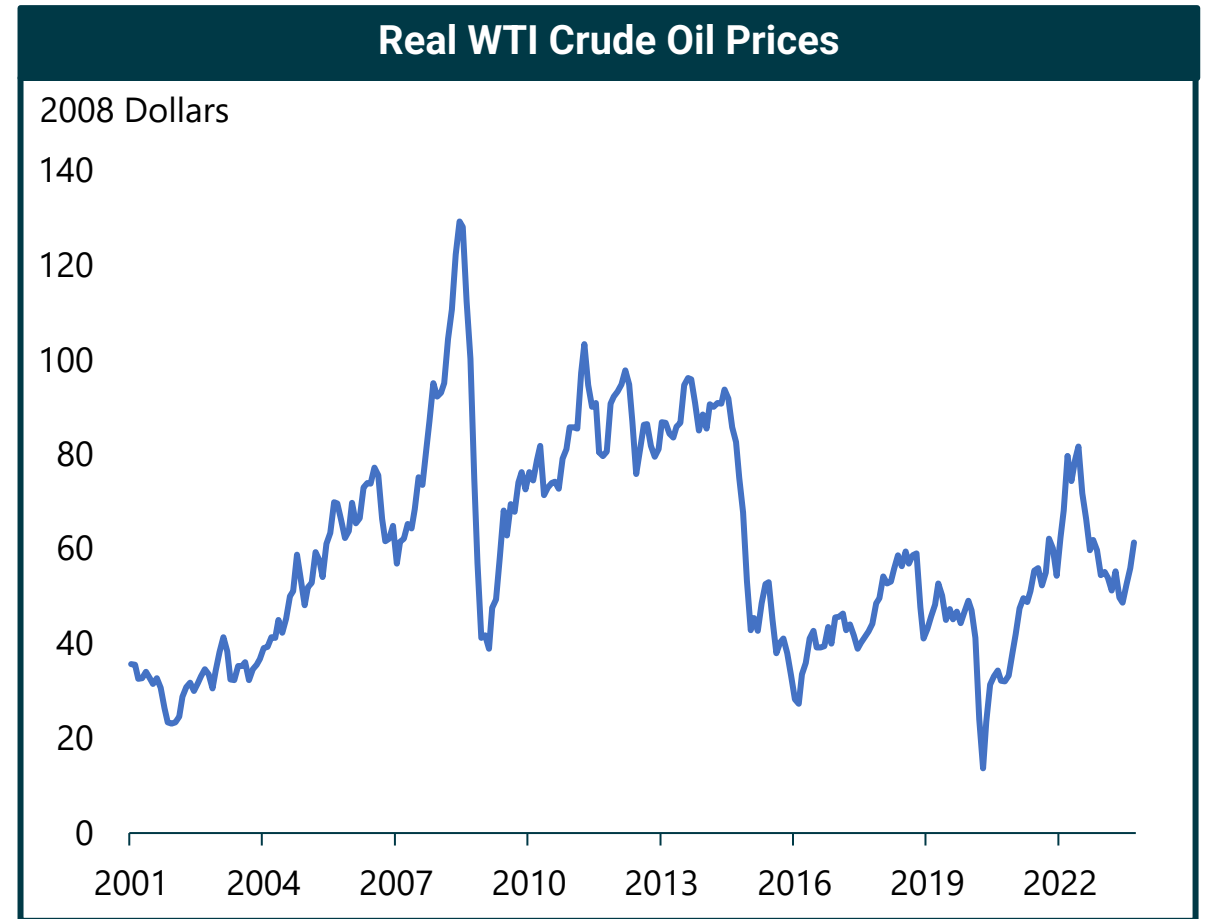
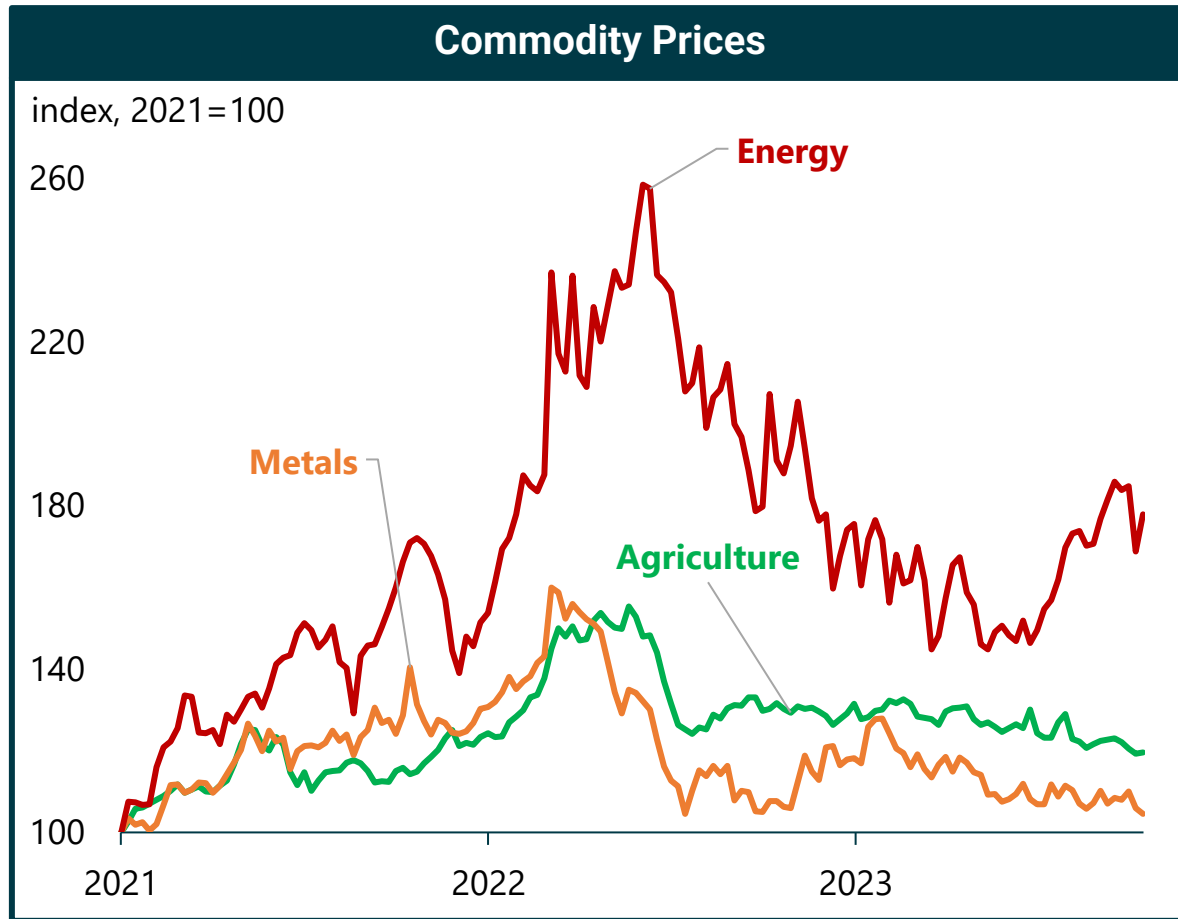
Consumer Price Inflation, G7 Countries



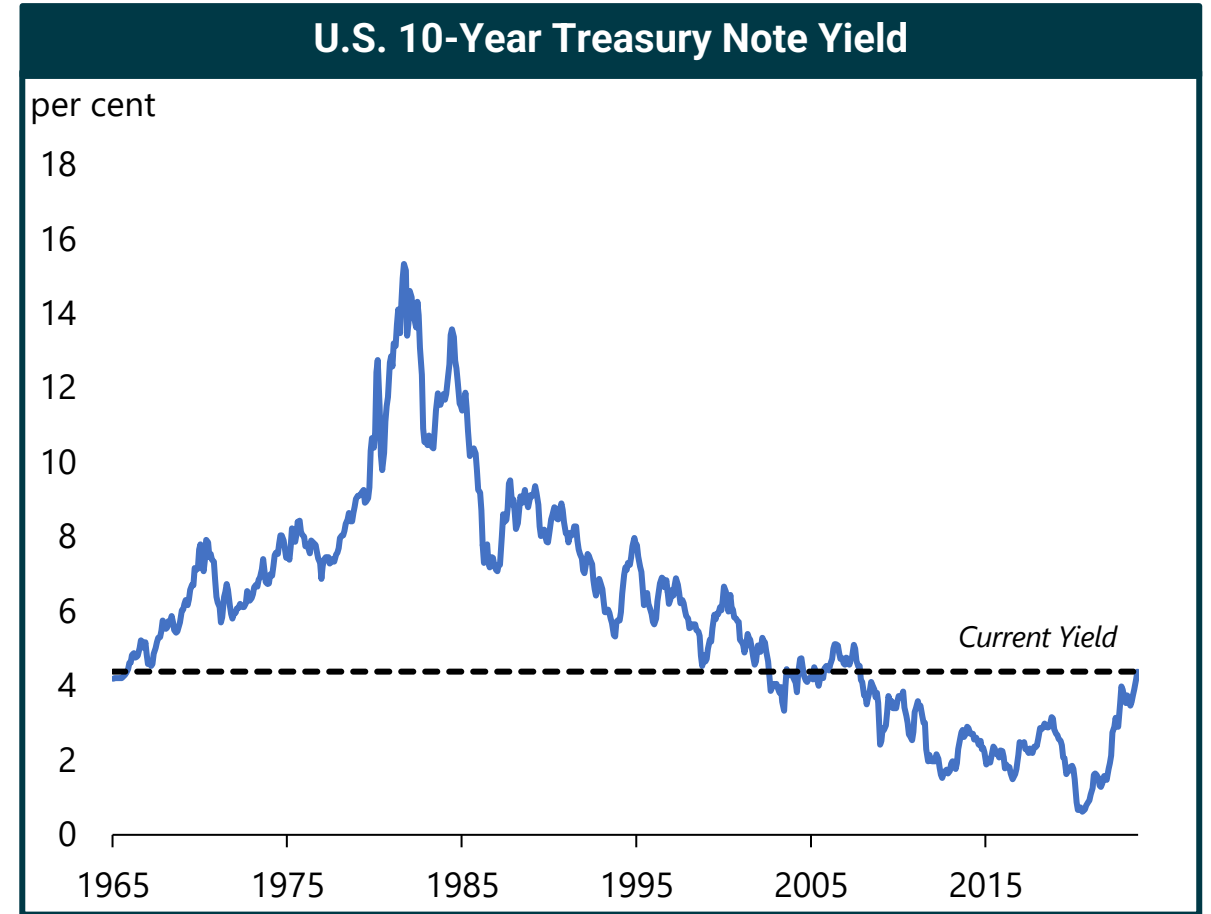
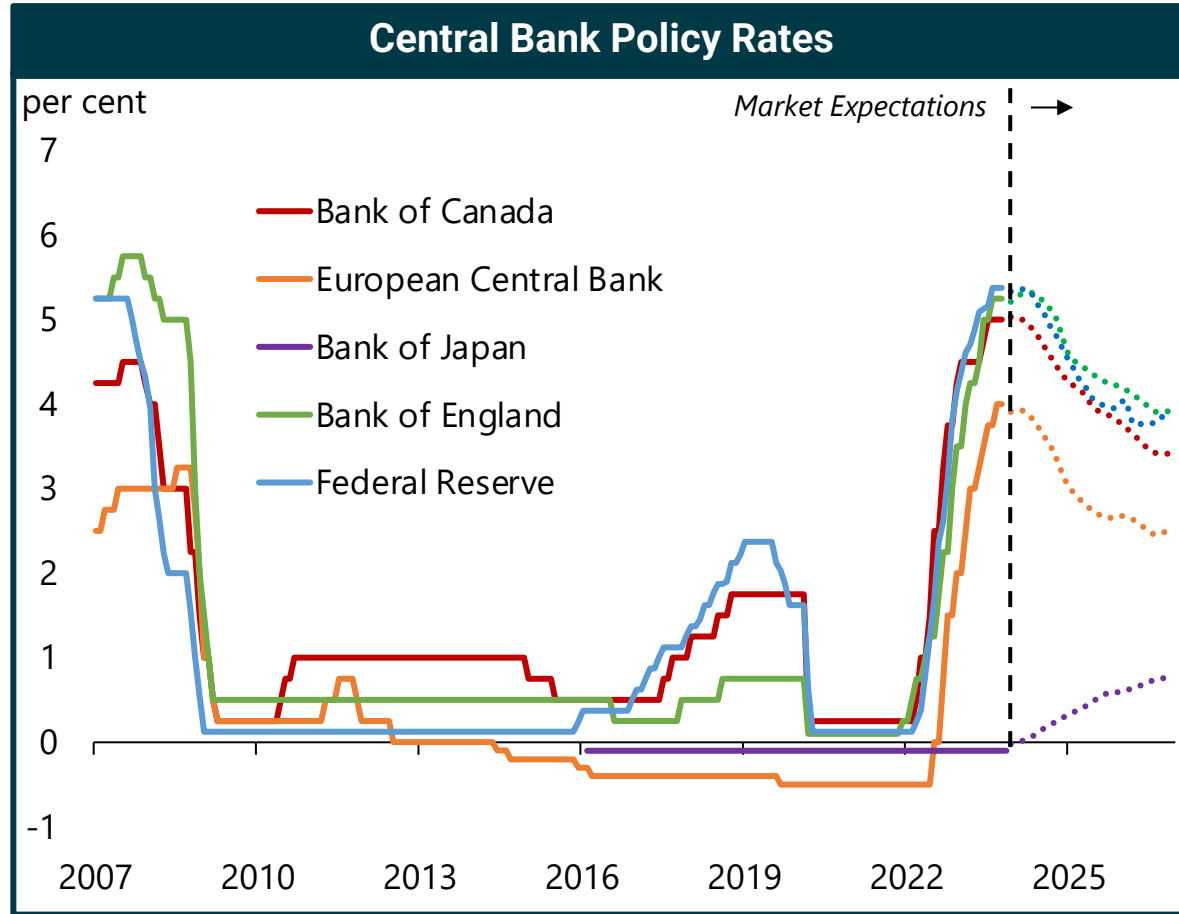
Core Consumer Price Inflation, G7 Countries



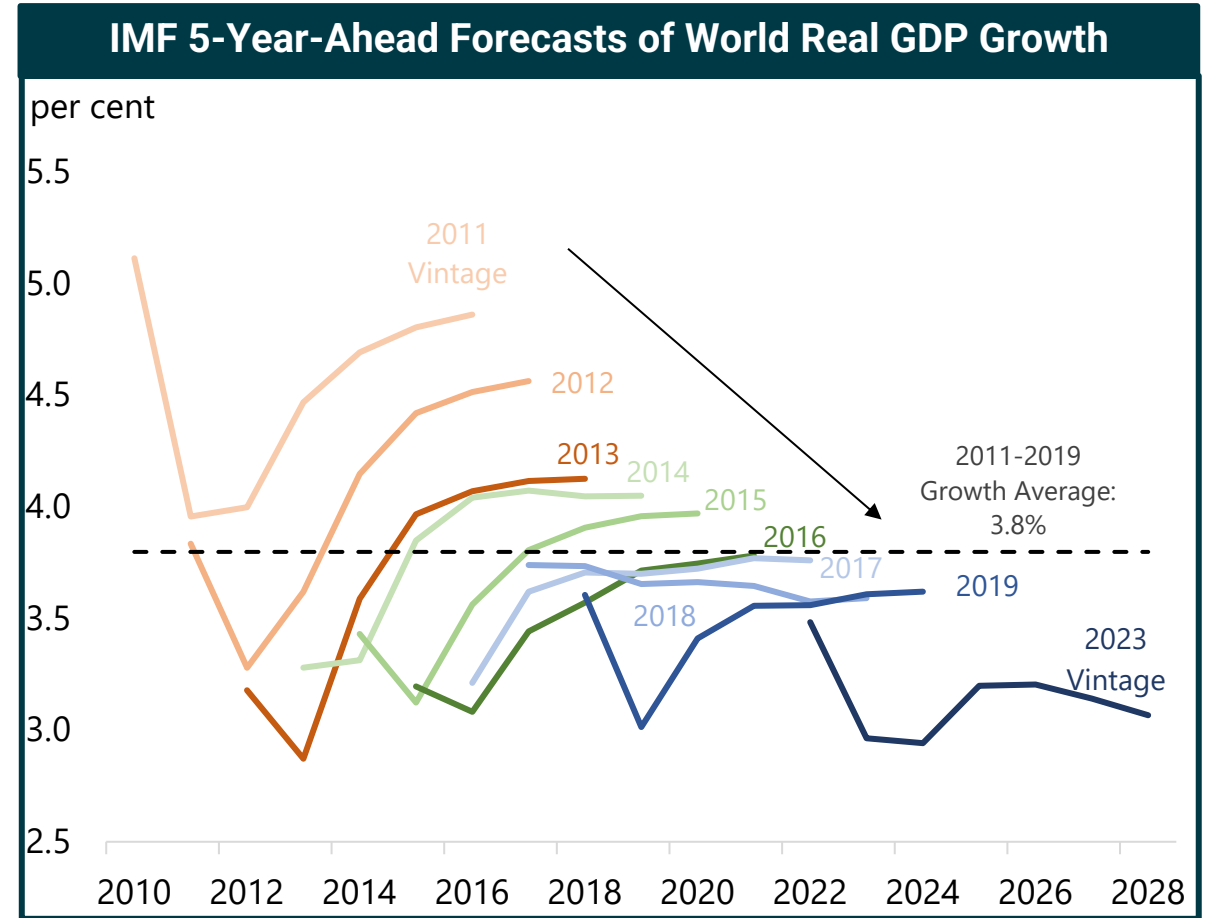
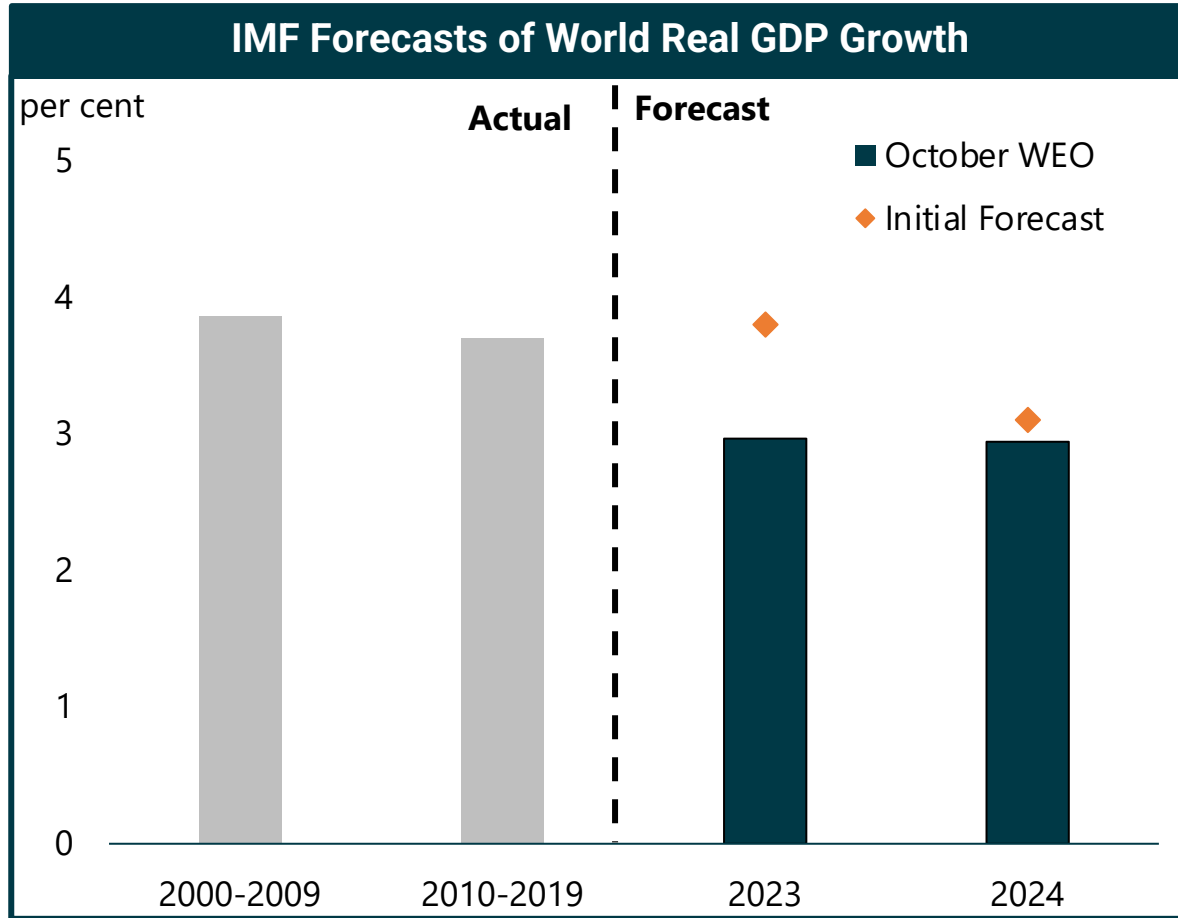
Commodity prices have come down, but remain volatile



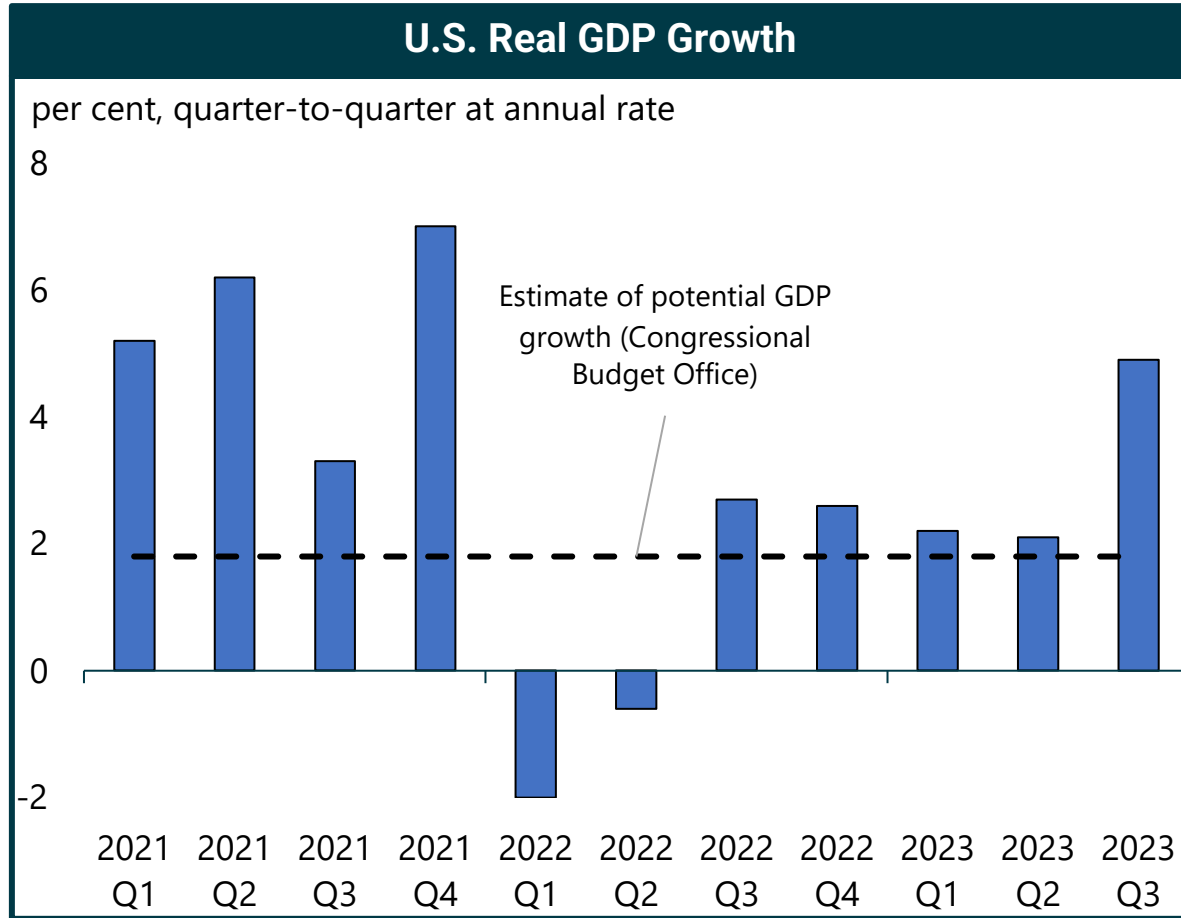
Central banks getting close to peak policy rates



Global growth to remain moderate

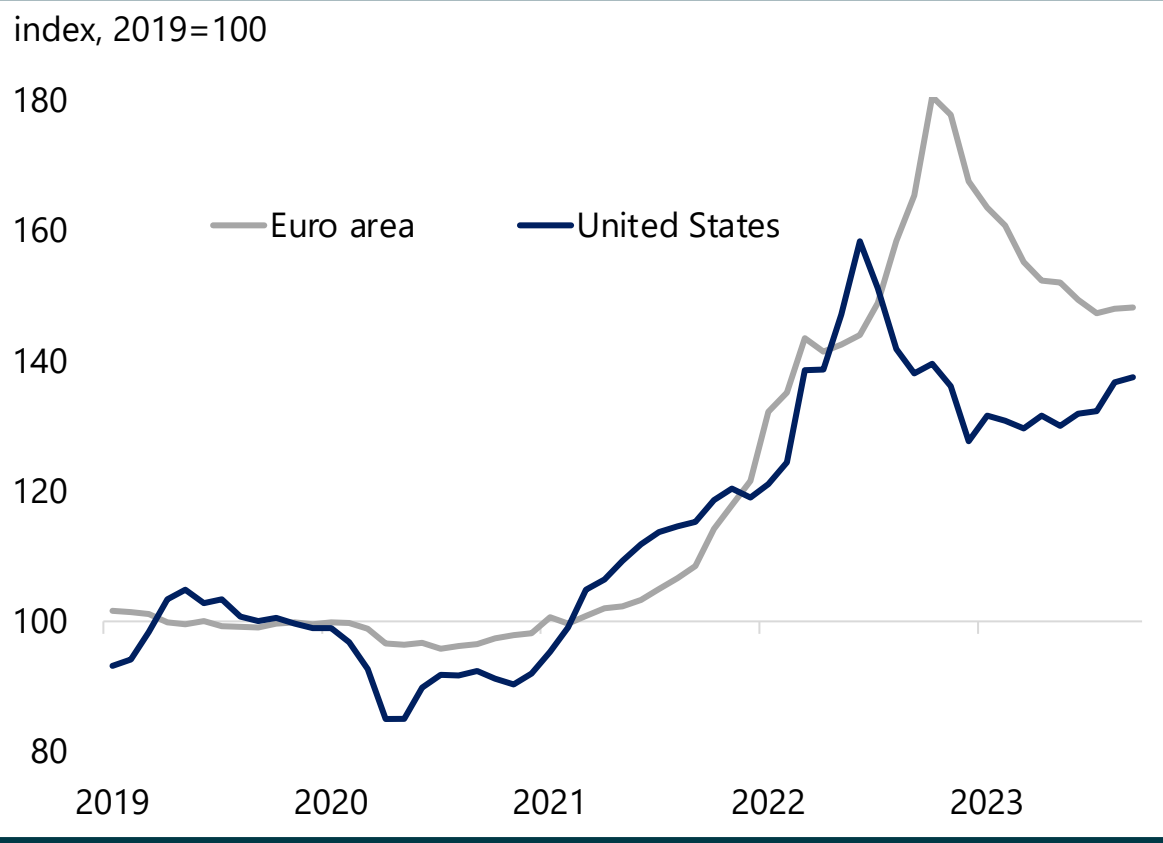


U.S. growth surprisingly strong

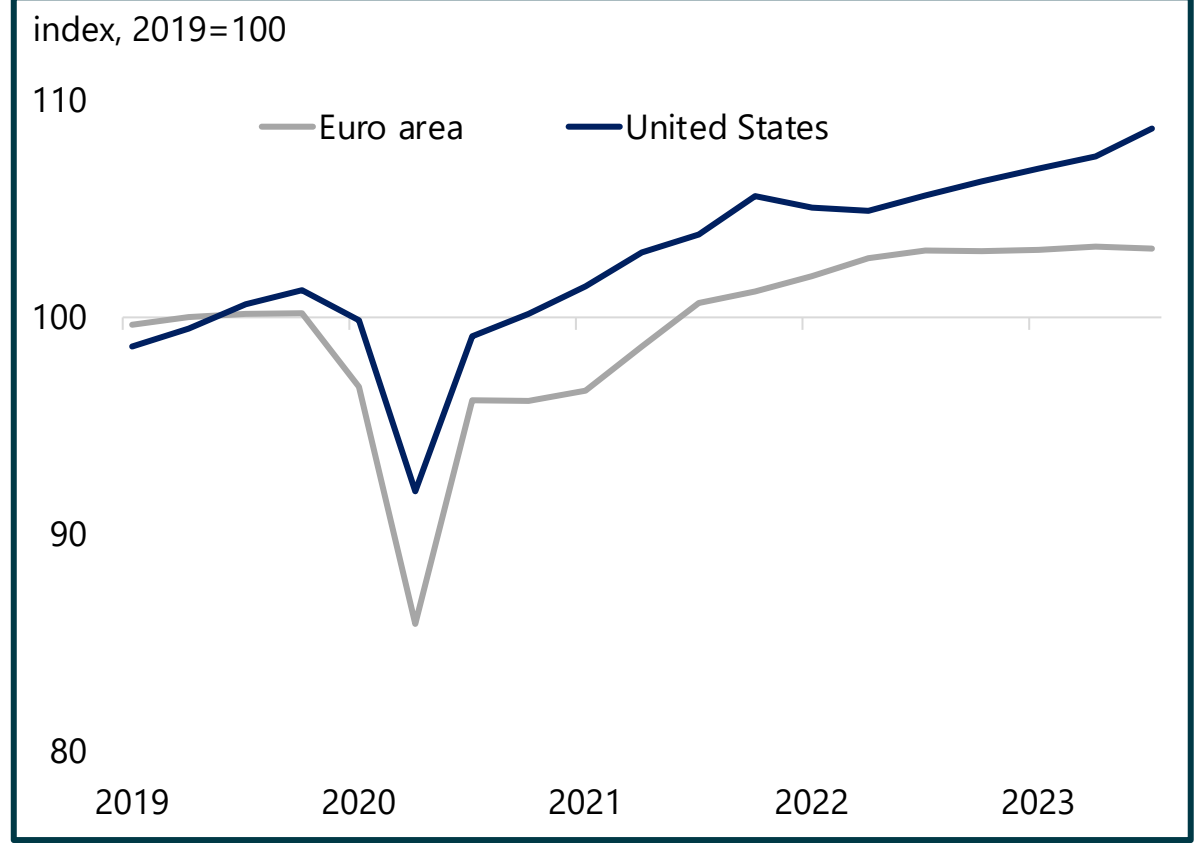


Euro area adjusting to large energy shock

Energy Component in CPI

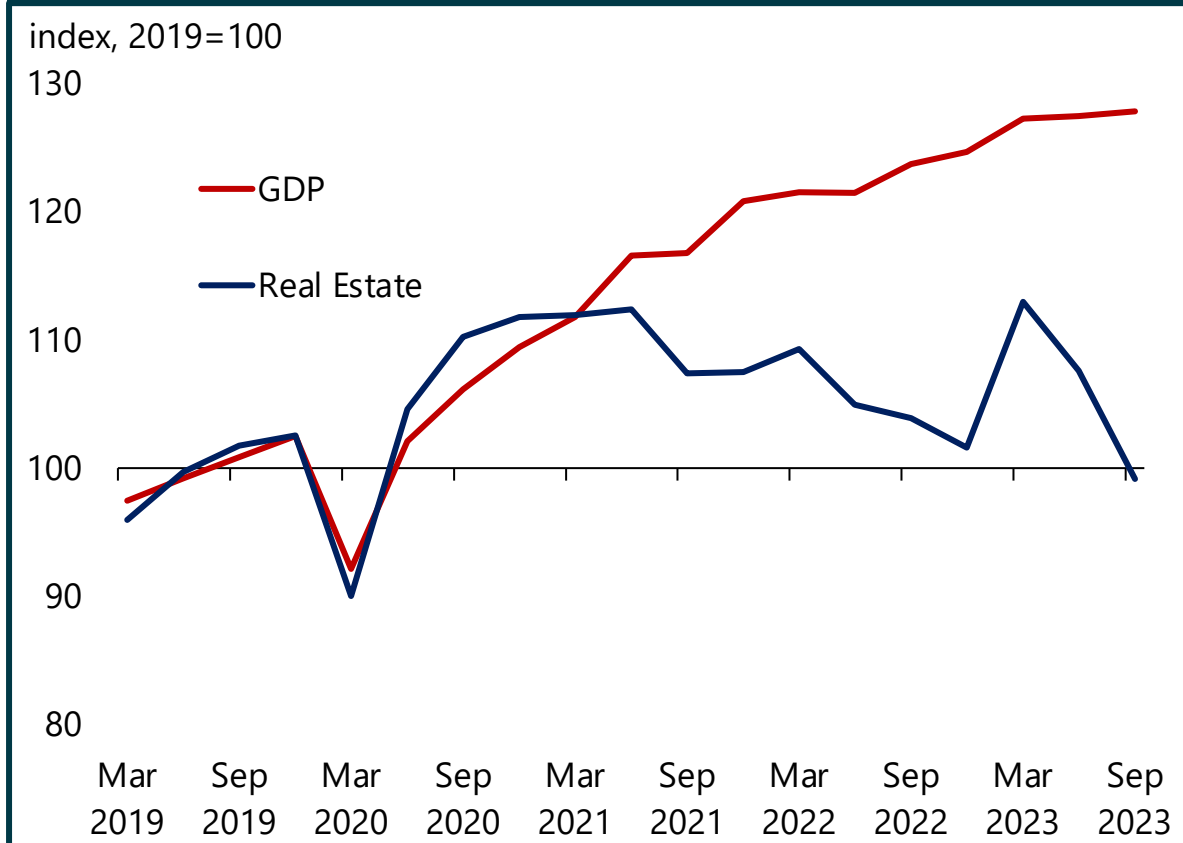


Real GDP

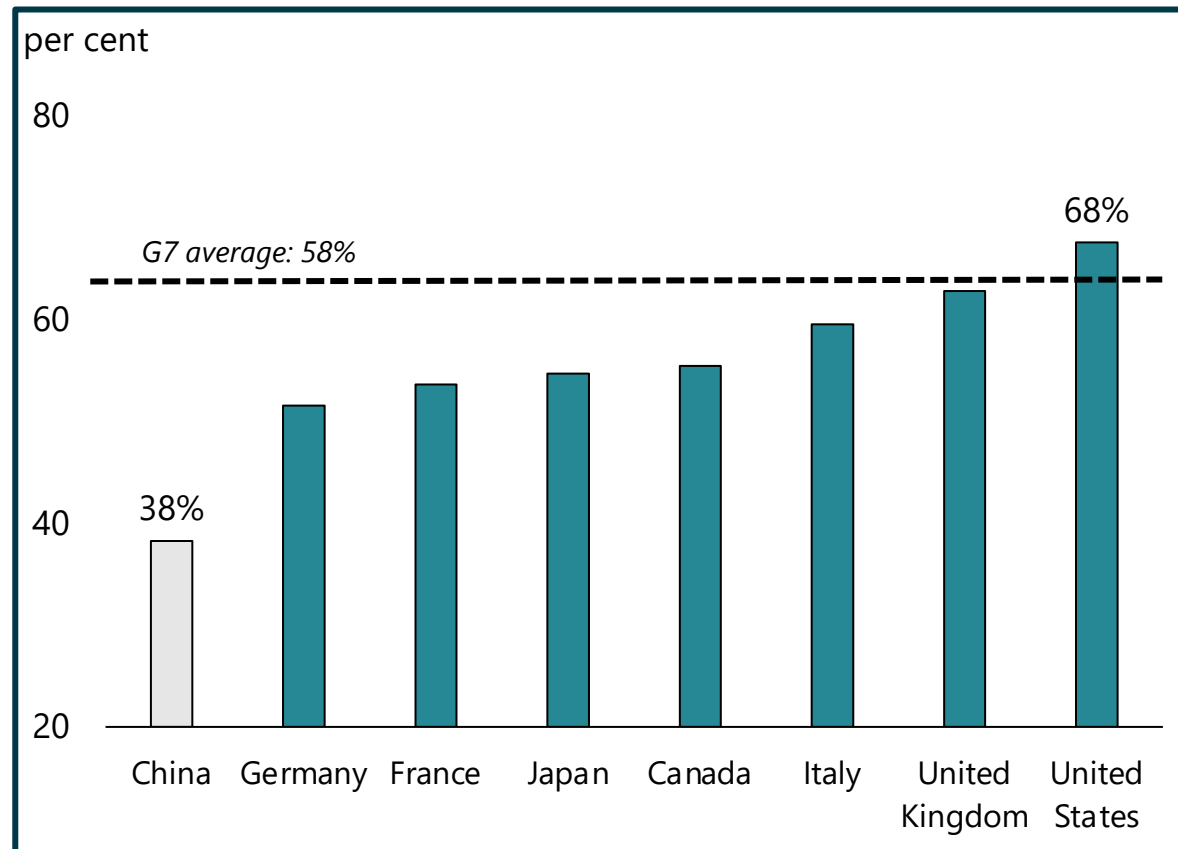


Chinese economy facing cyclical and structural challenges

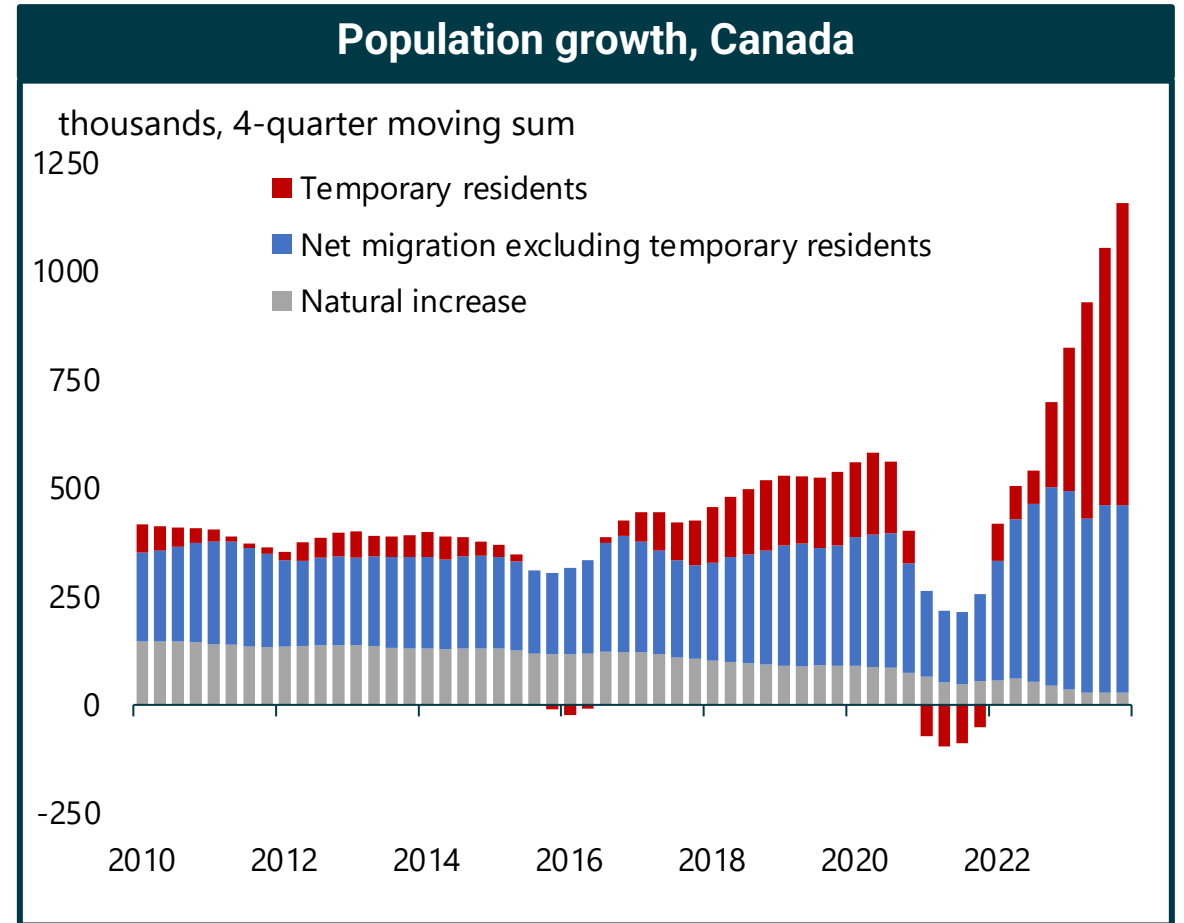
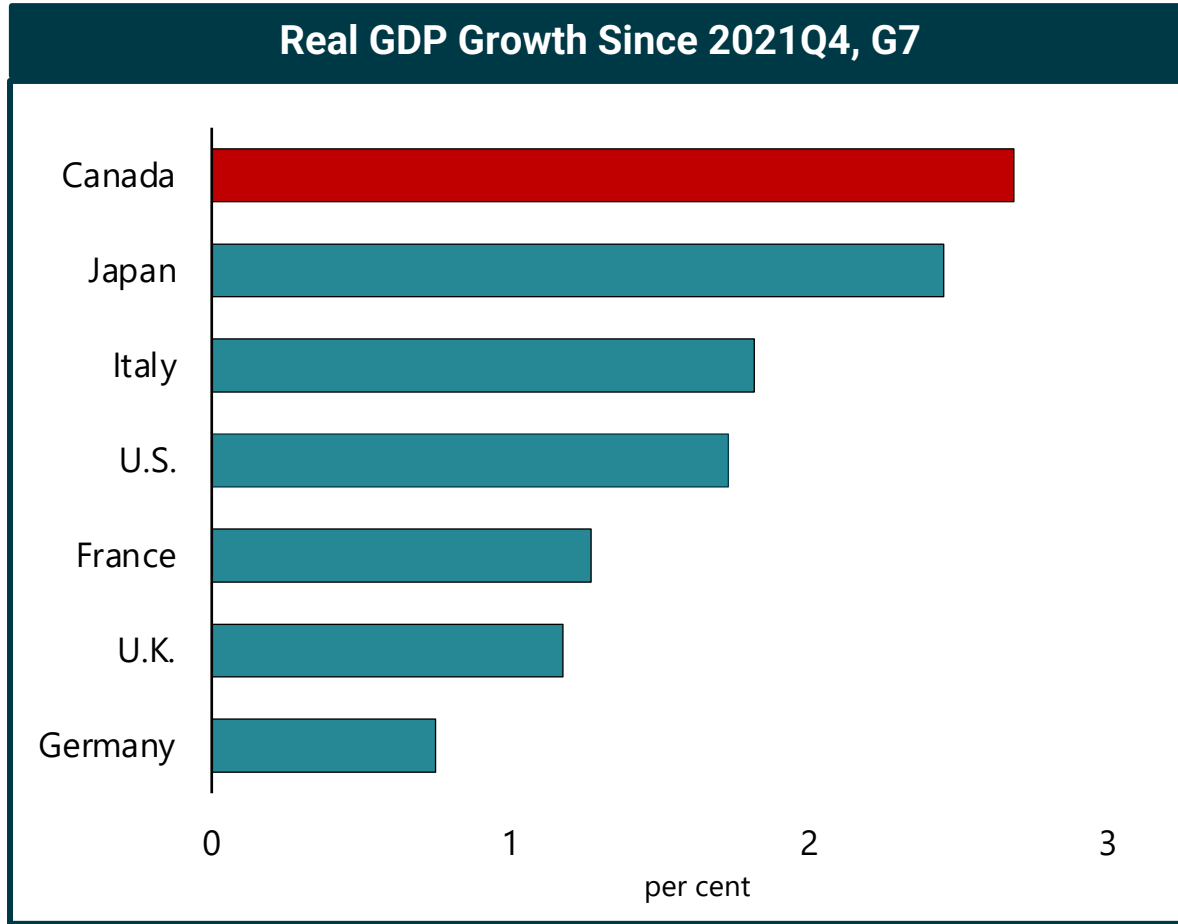
China GDP and Real Estate



Consumption Share of GDP

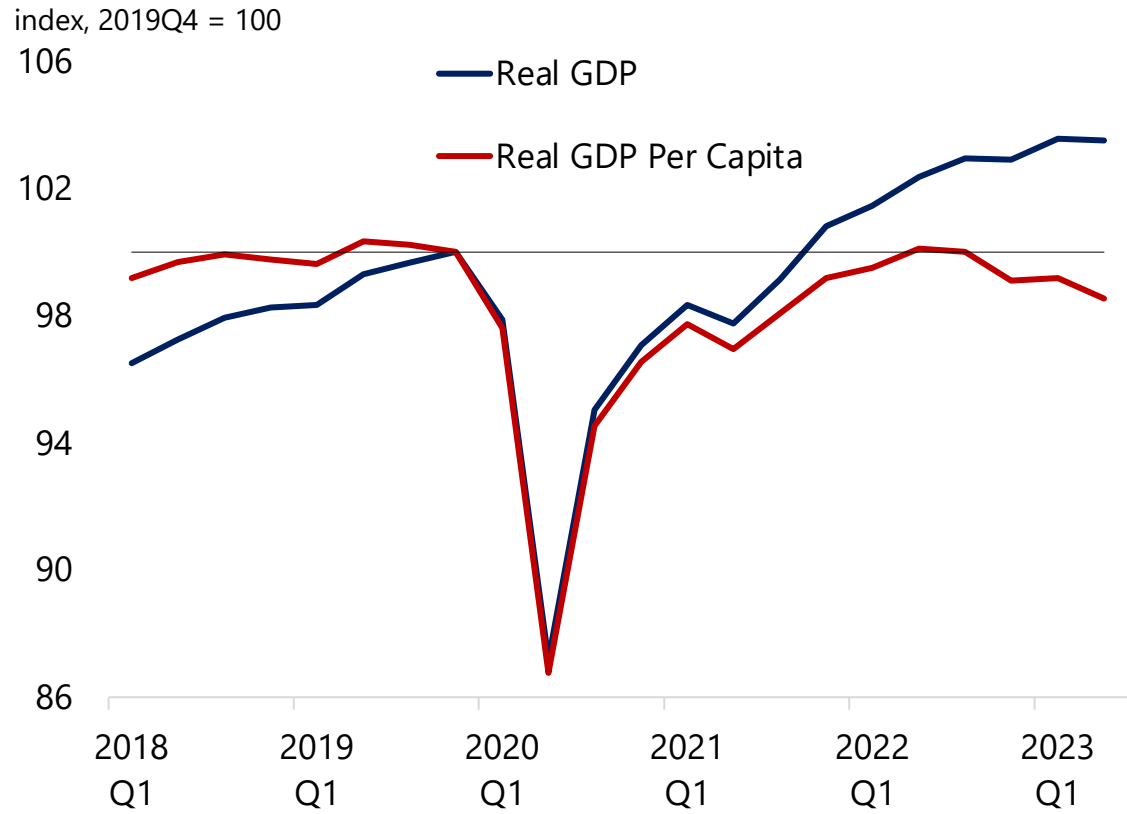


Canada's economy has proven more resilient than expected

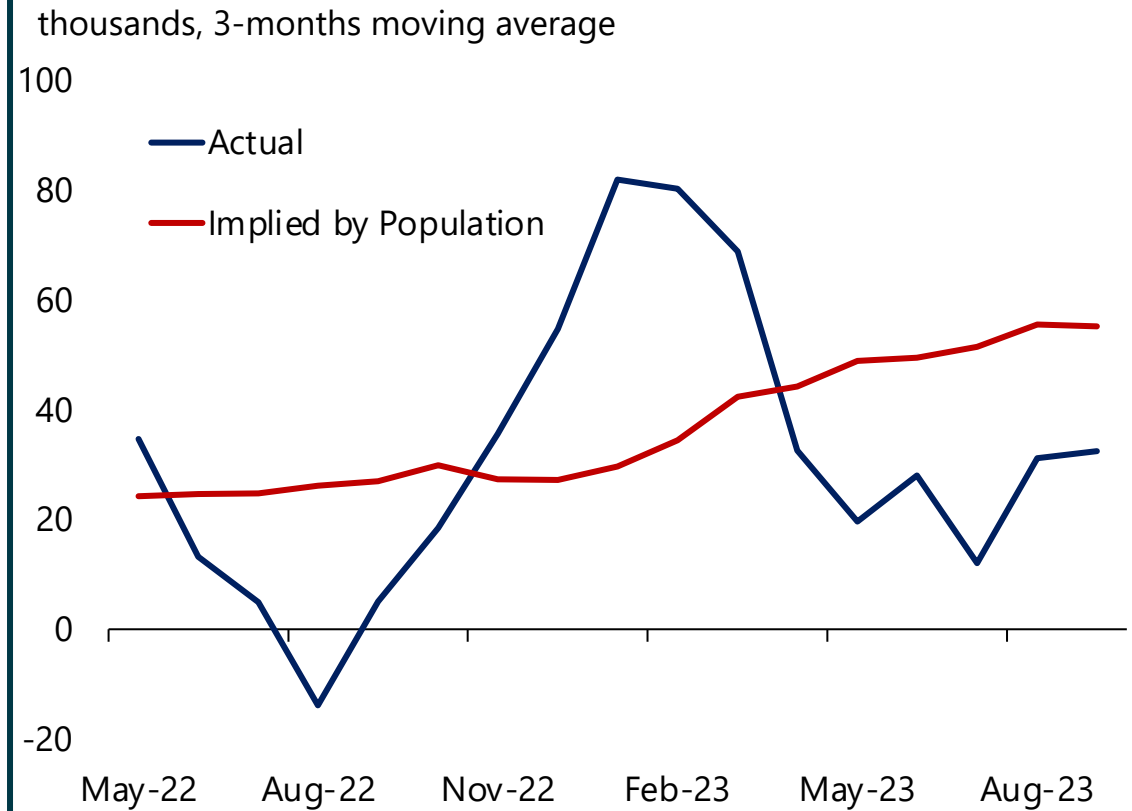


Immigration boosting spending and labour supply

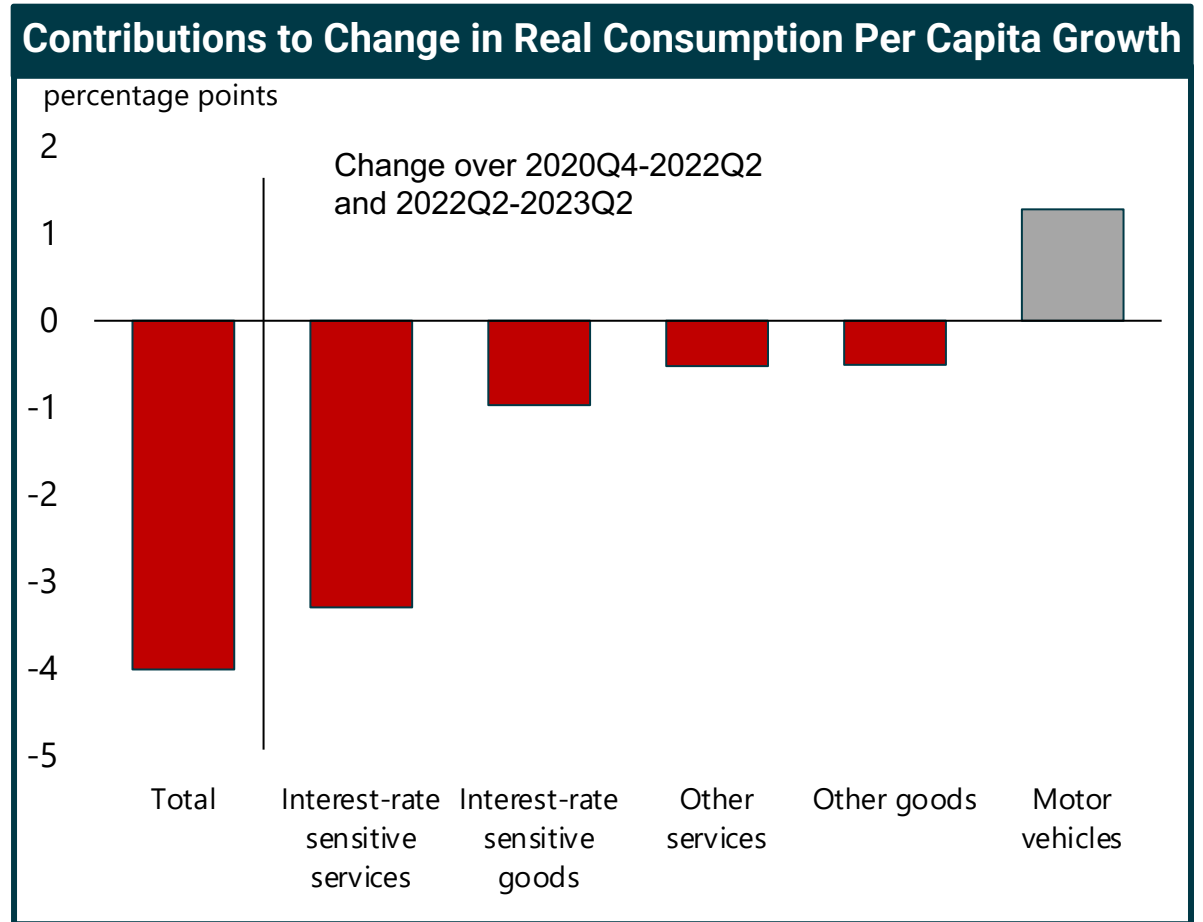
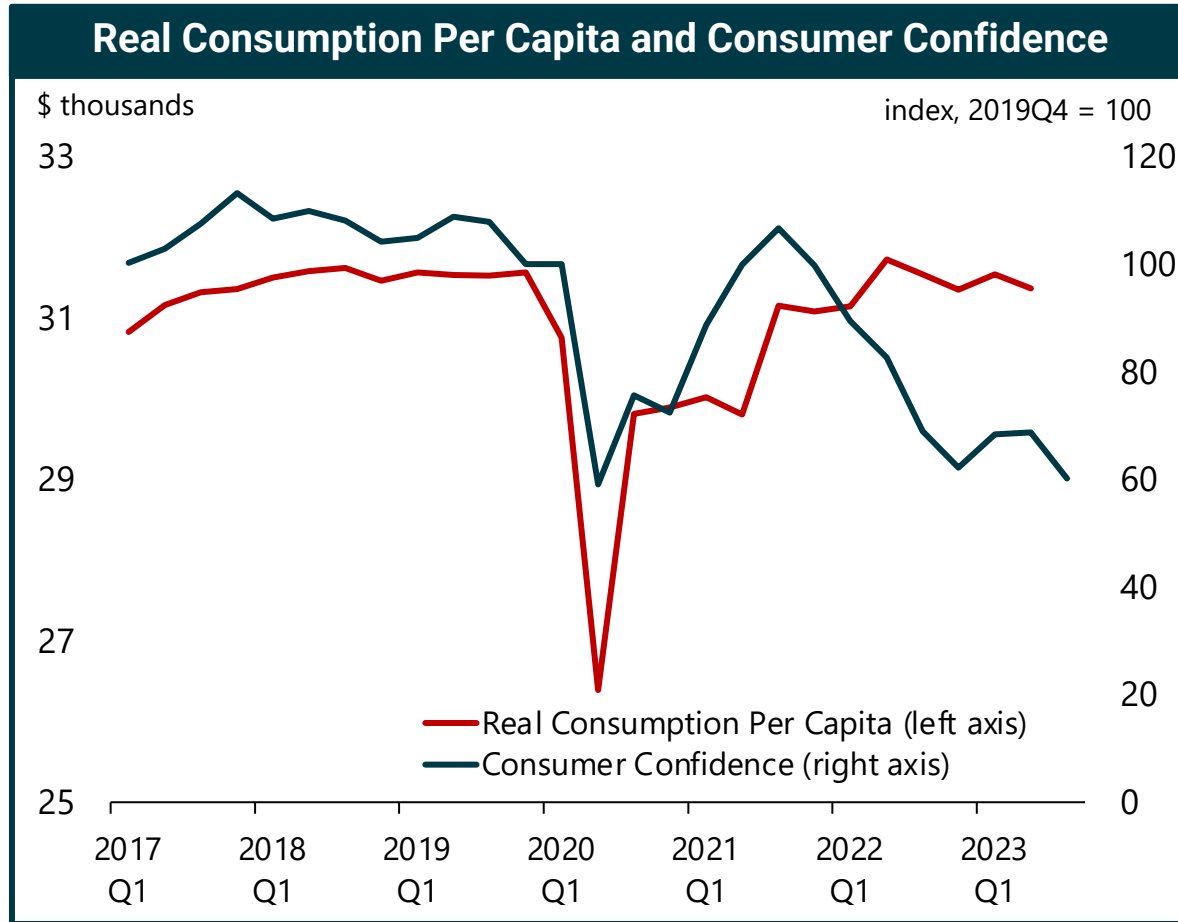
Real GDP and Real GDP per Capita, Canada



Employment Growth

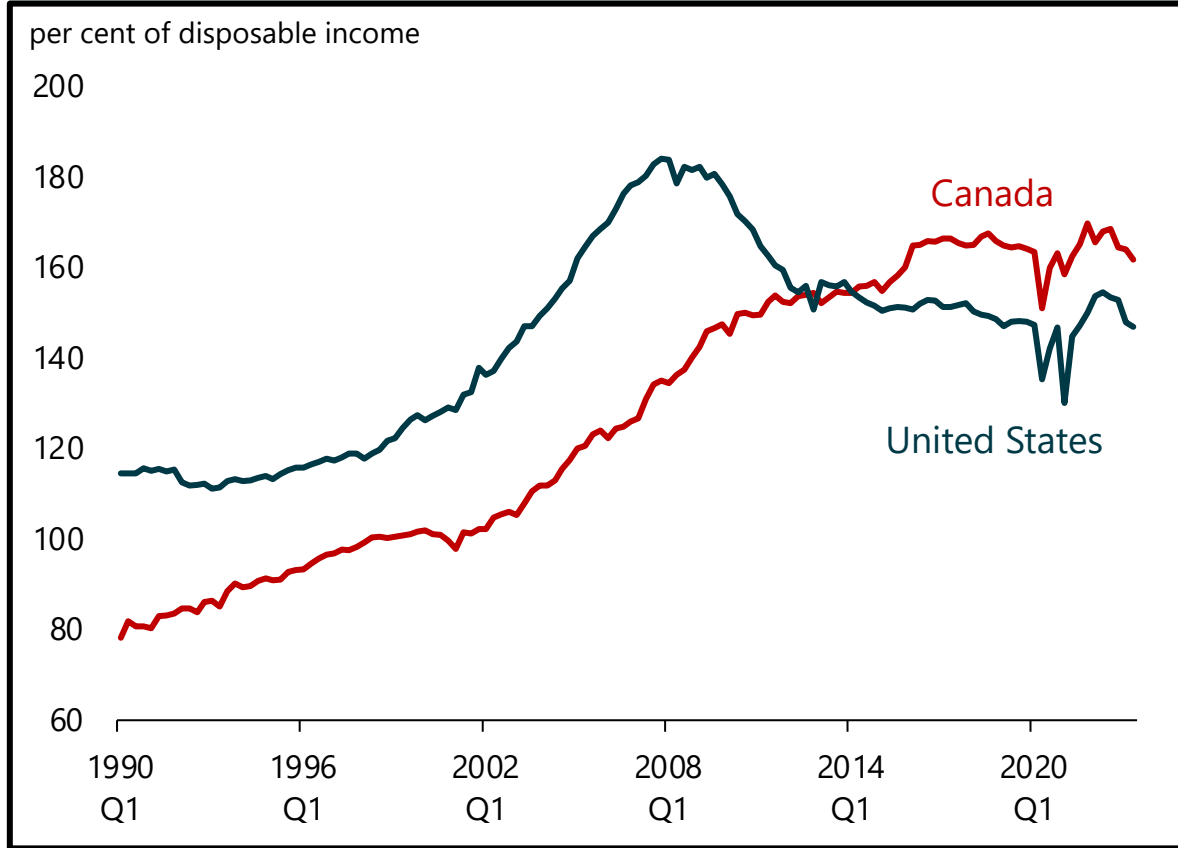


Higher interest rates weighing on consumers with impacts continuing to build

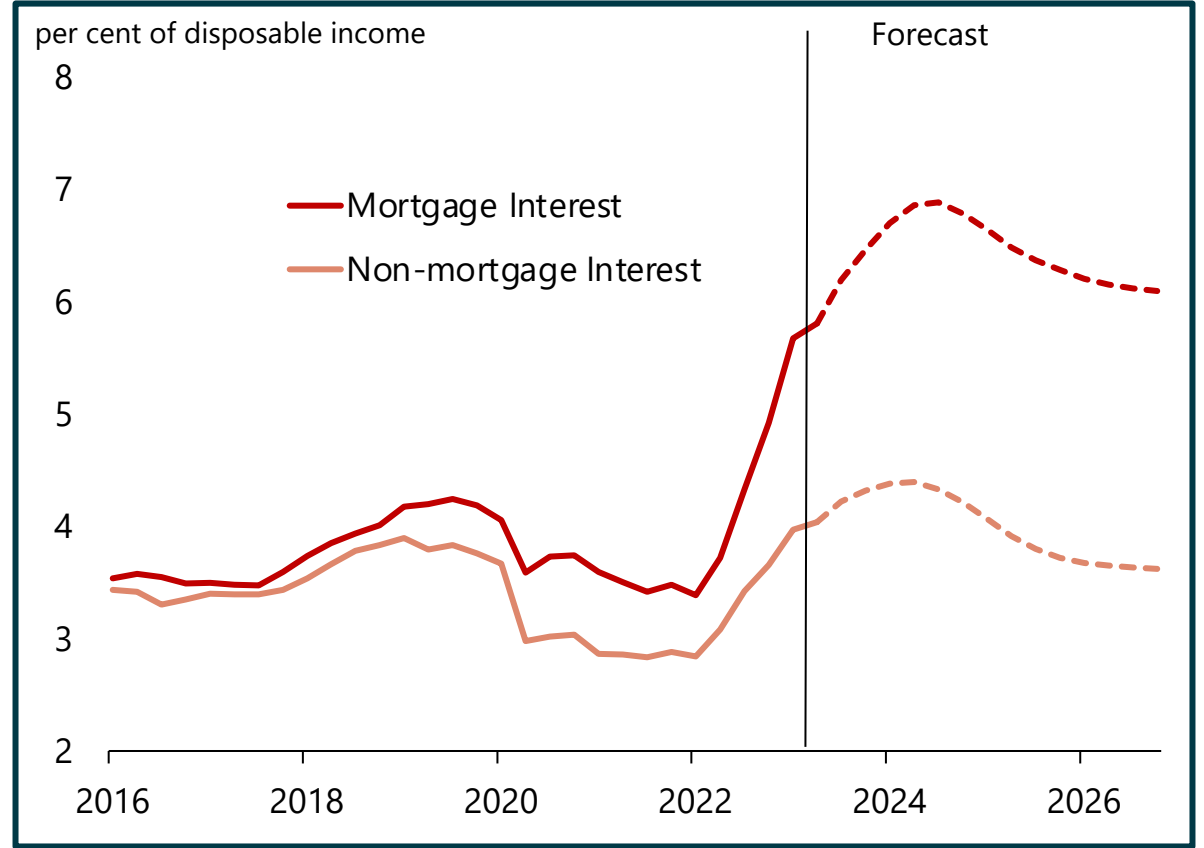


Elevated debt burden putting pressure on household budgets

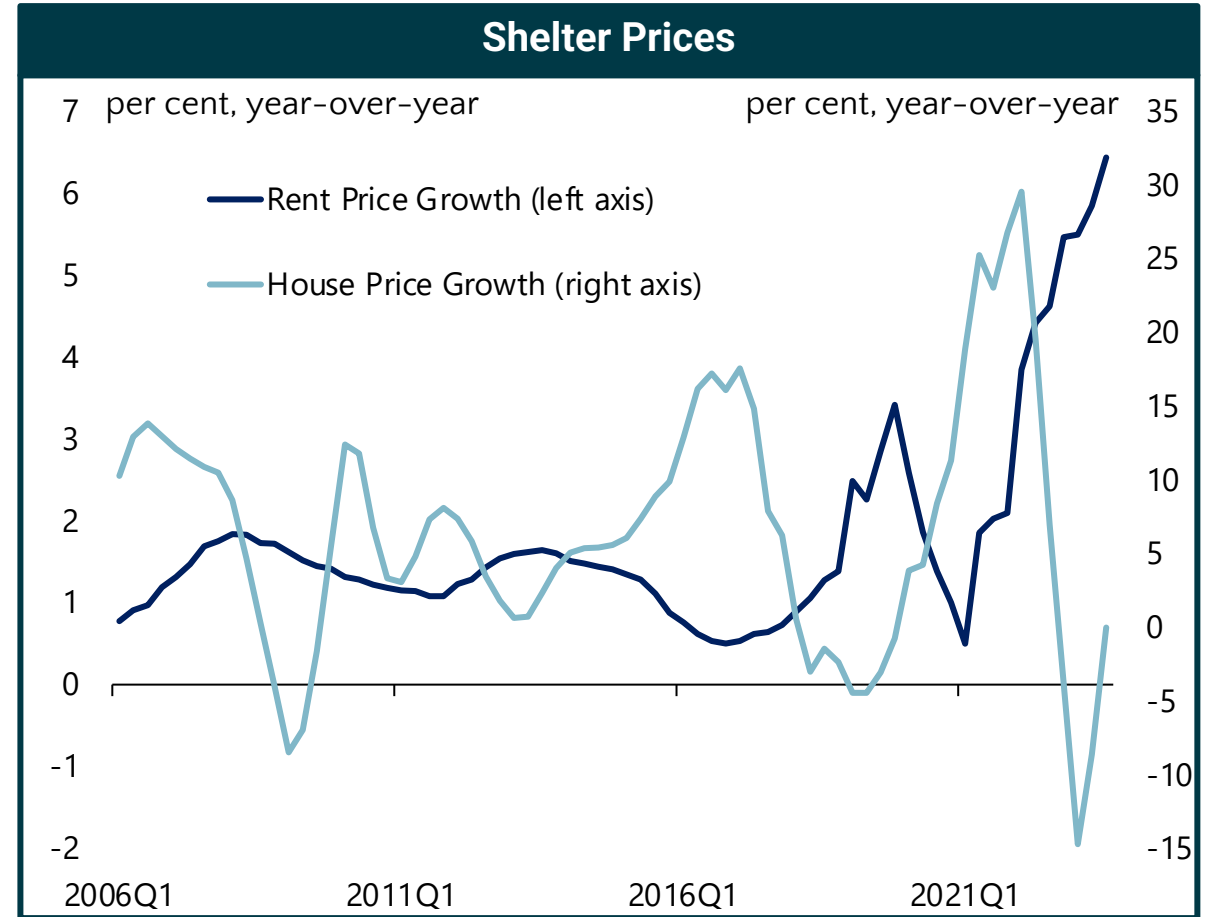
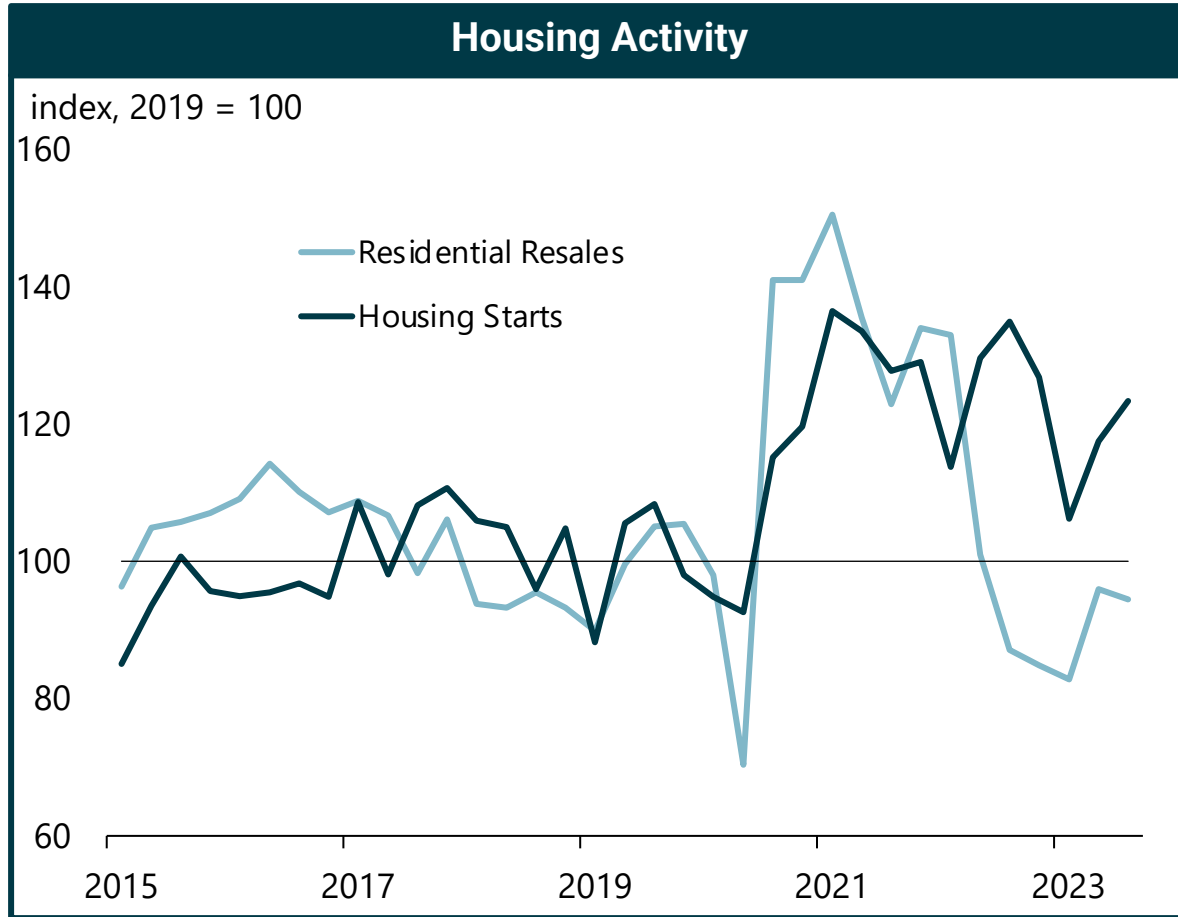
Household Debt to Disposable Income Ratio



Effective Interest Payments, Canada

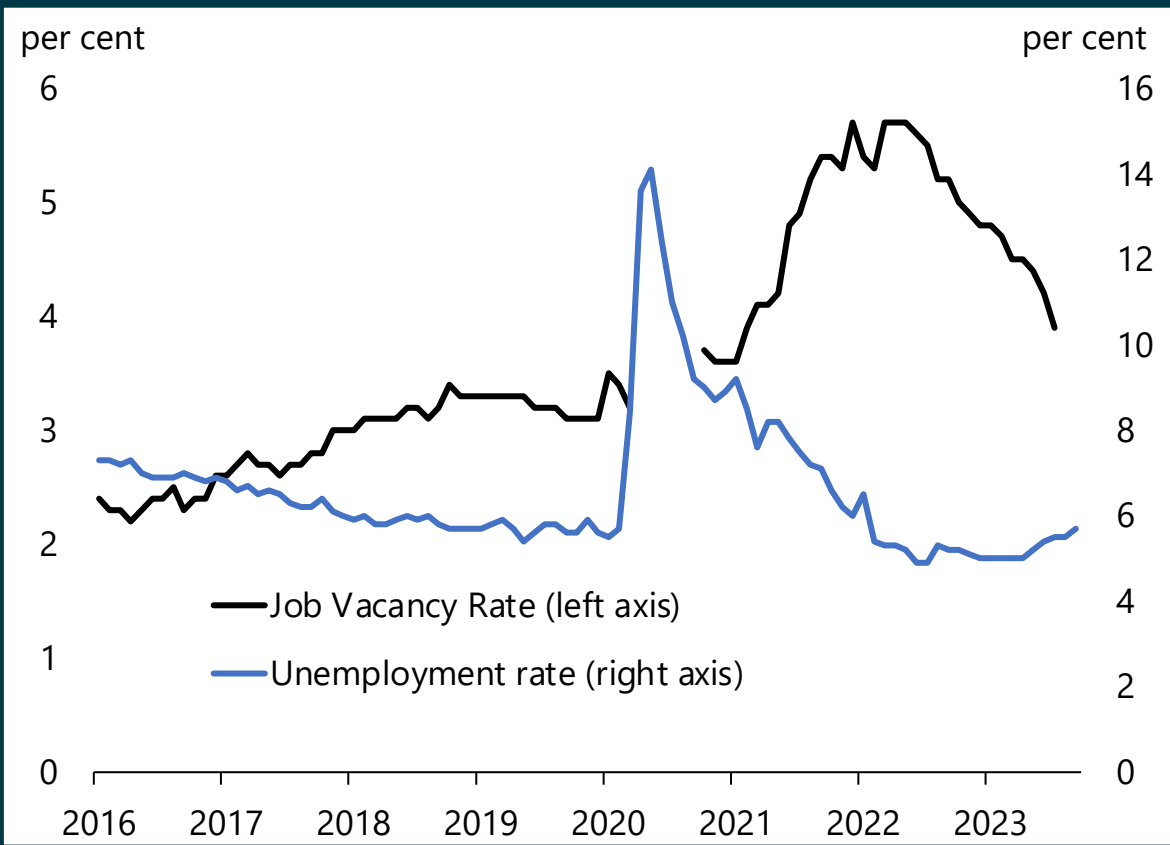


Structural pressures in the housing market

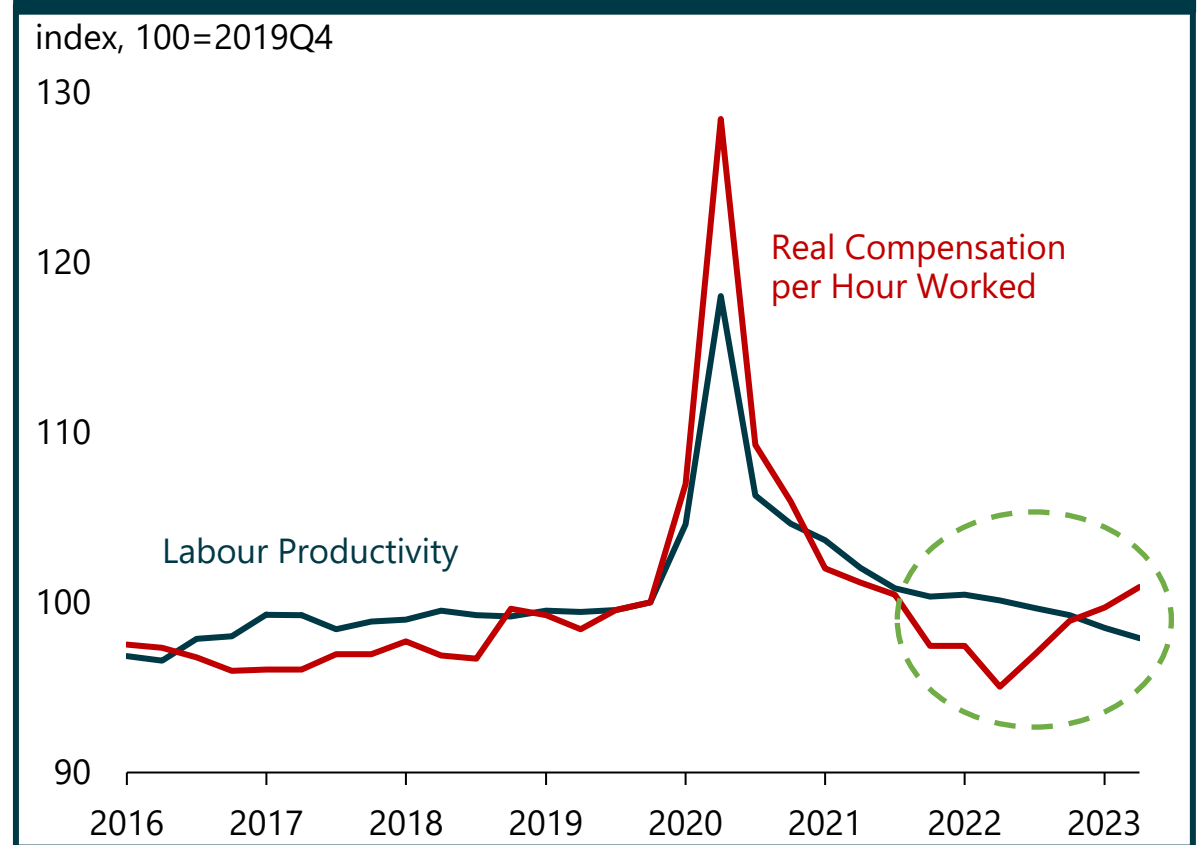


Labour market re-balancing but wage growth not yet slowing

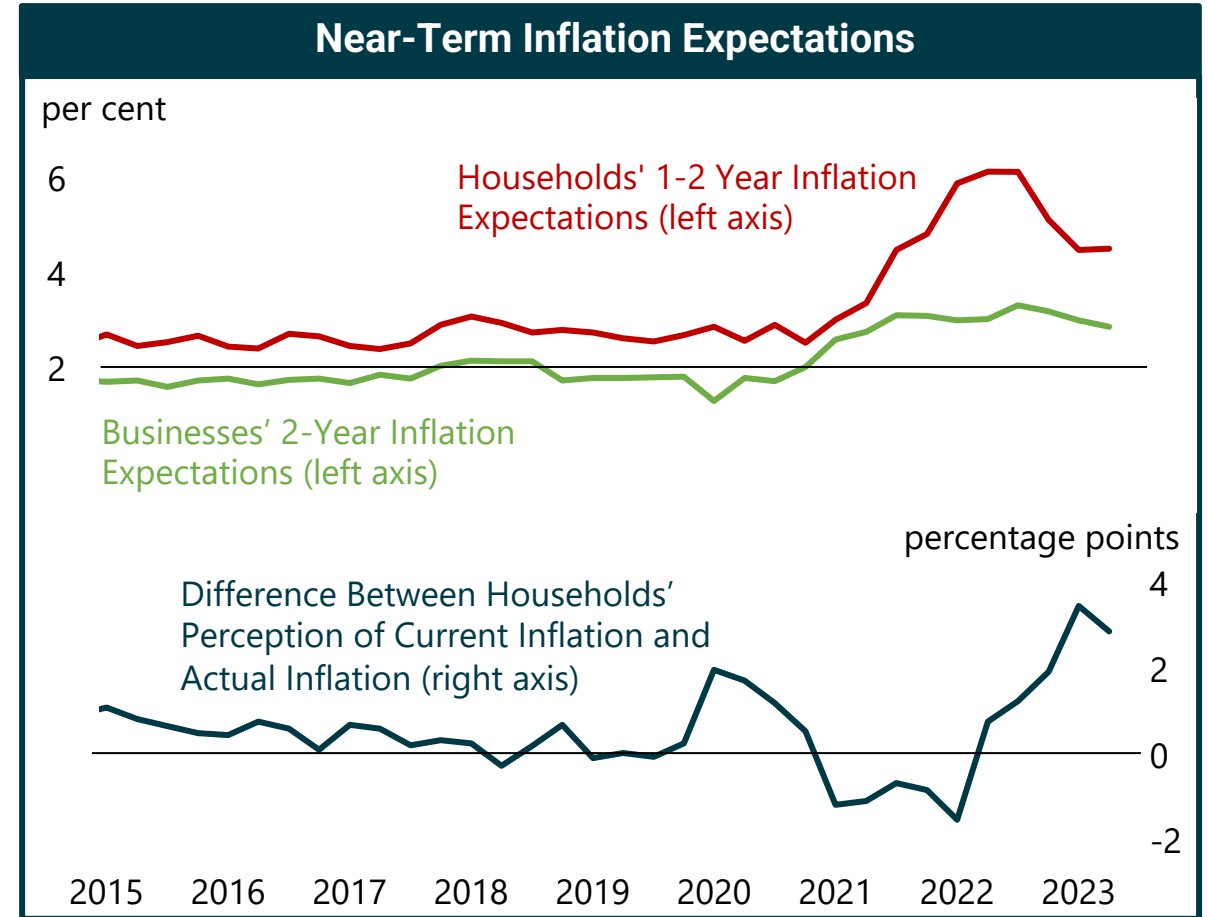
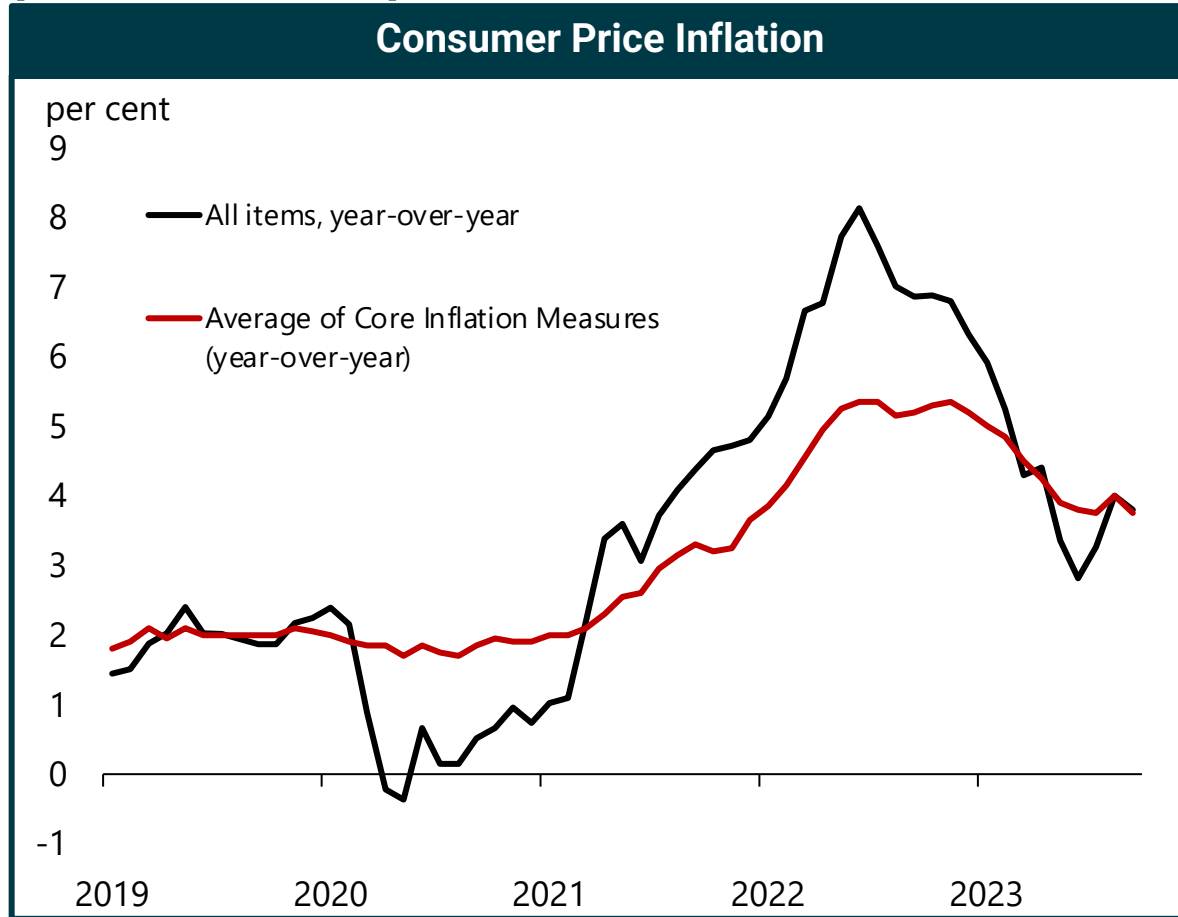
Labour Market Tightness



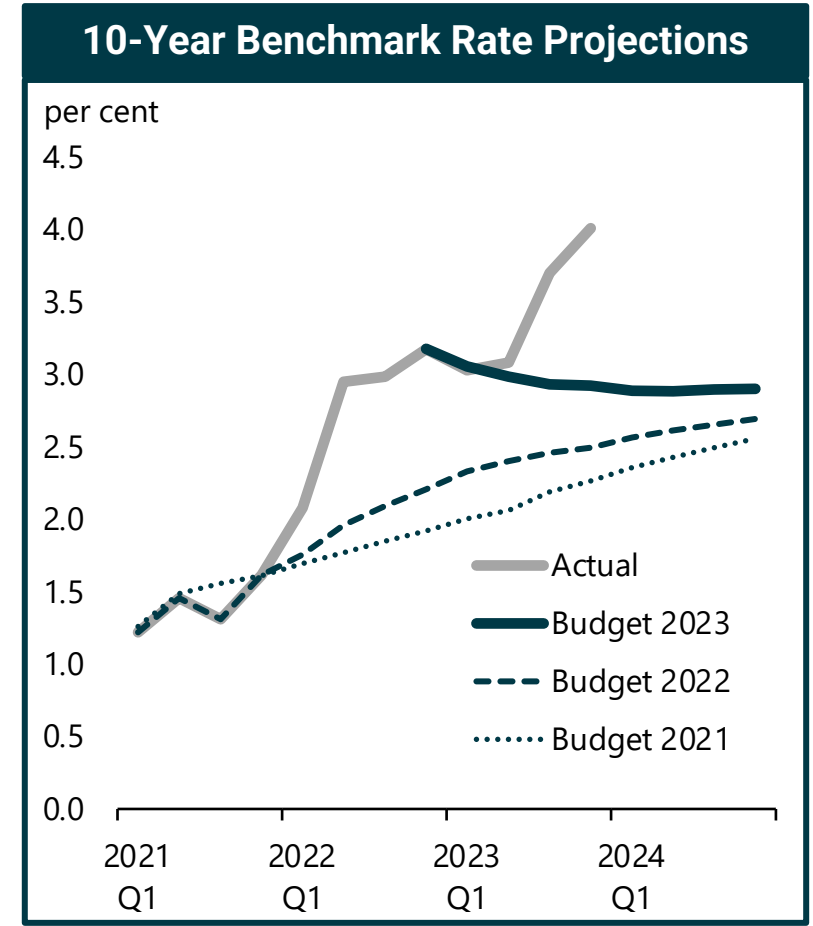
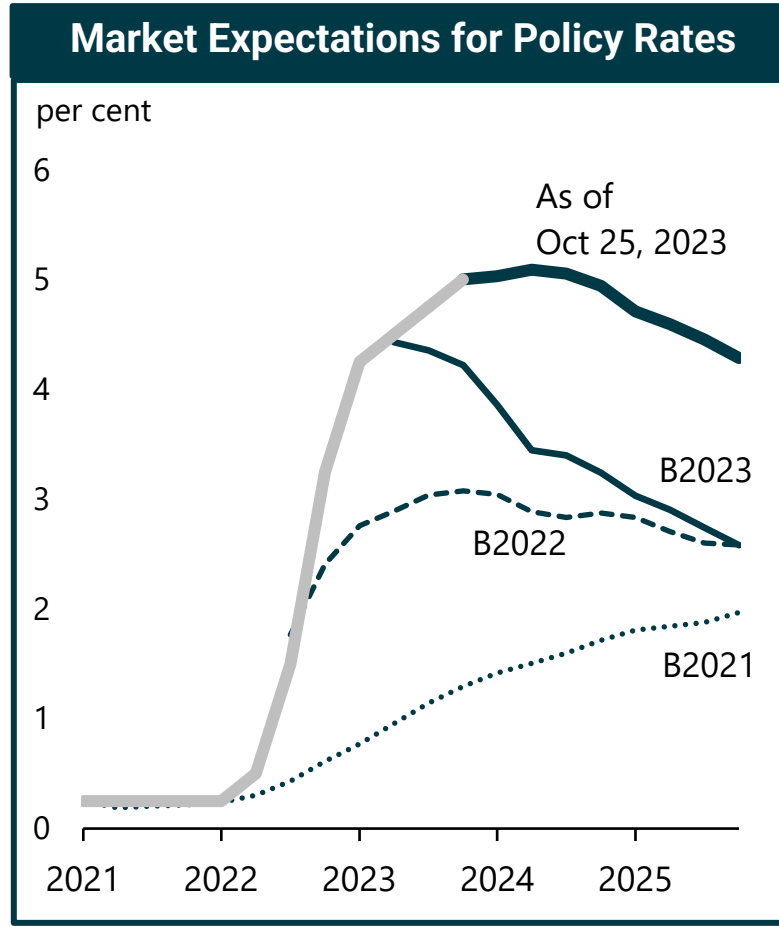
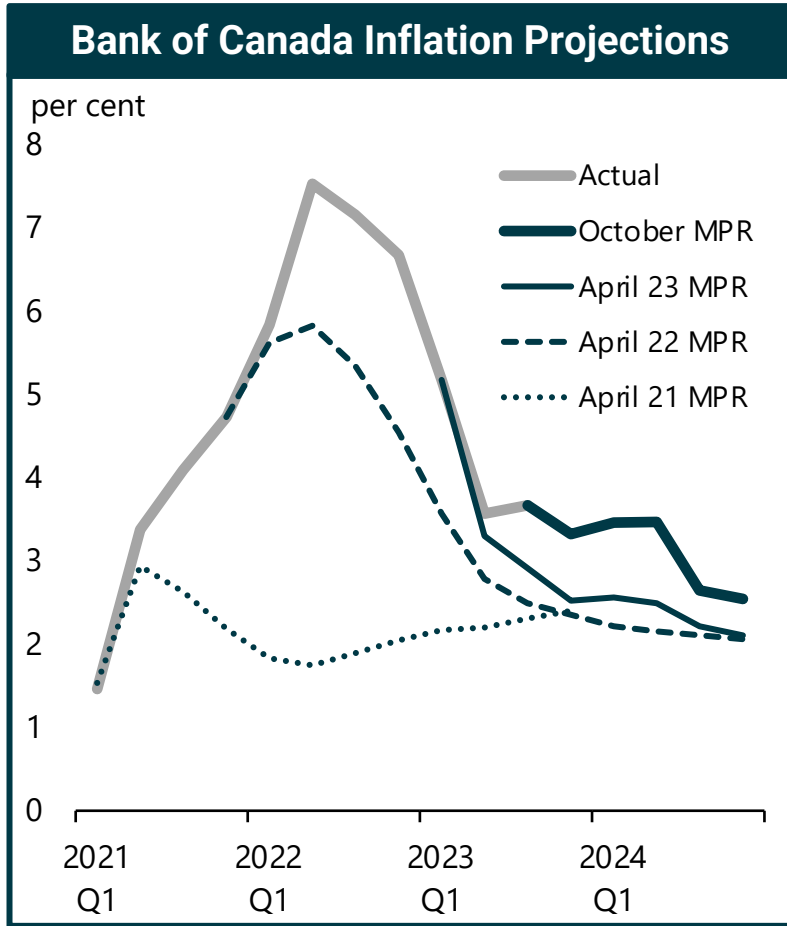
Business Real Hourly Compensation and Productivity



Resilient economy accompanied by easing inflation, but price pressures persist



Top economic challenge is to lower inflation, and interest rates



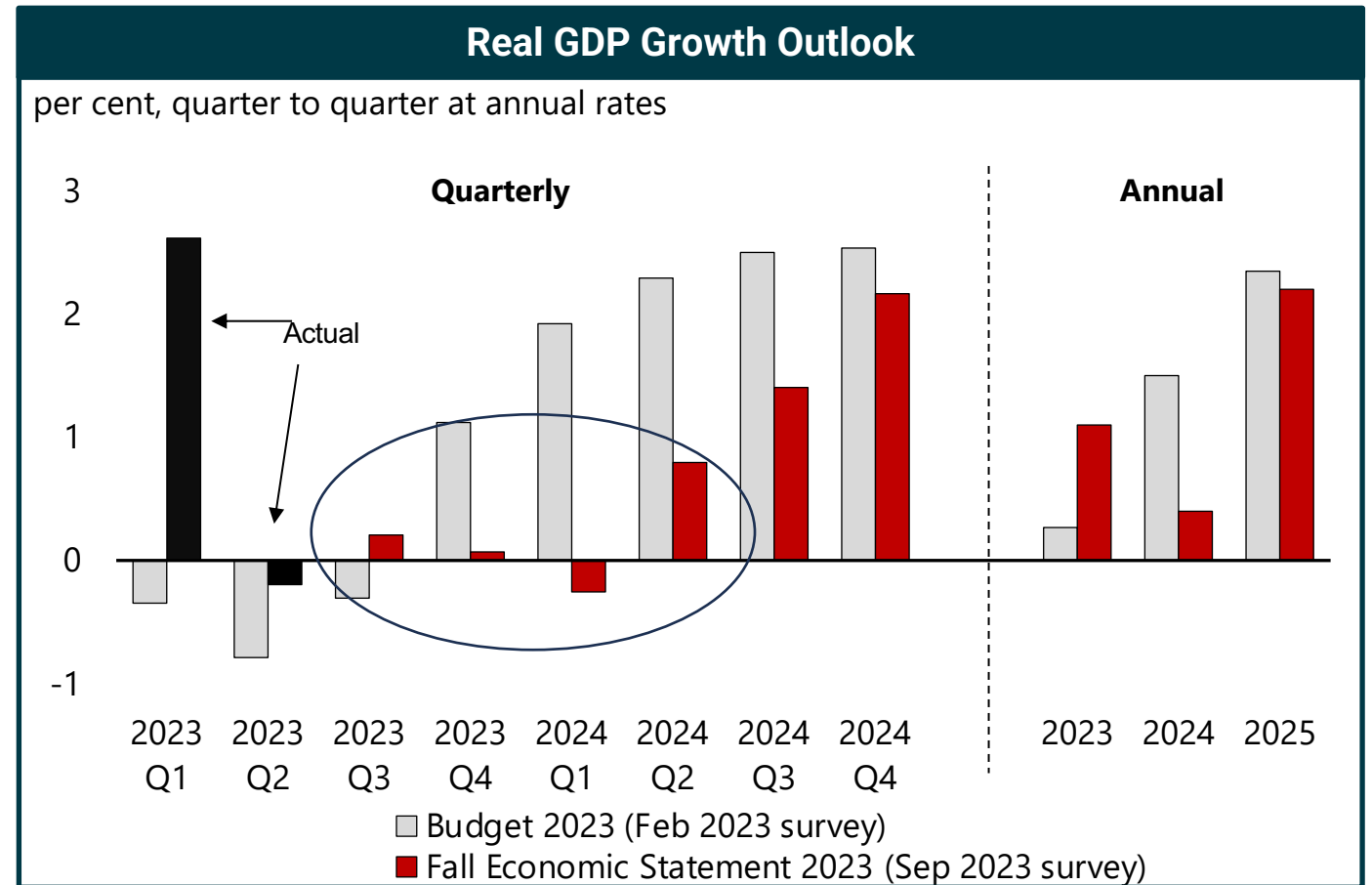
Canada projected to avoid a shallow recession, but risks remain

- On the path for a “soft landing”:

Subdued growth (less than 1%) over the next year

Easing inflation (to reach 2% by end of 2024)

Resilient labour market (unemployment rate to peak at 6.5% by 2024Q2)



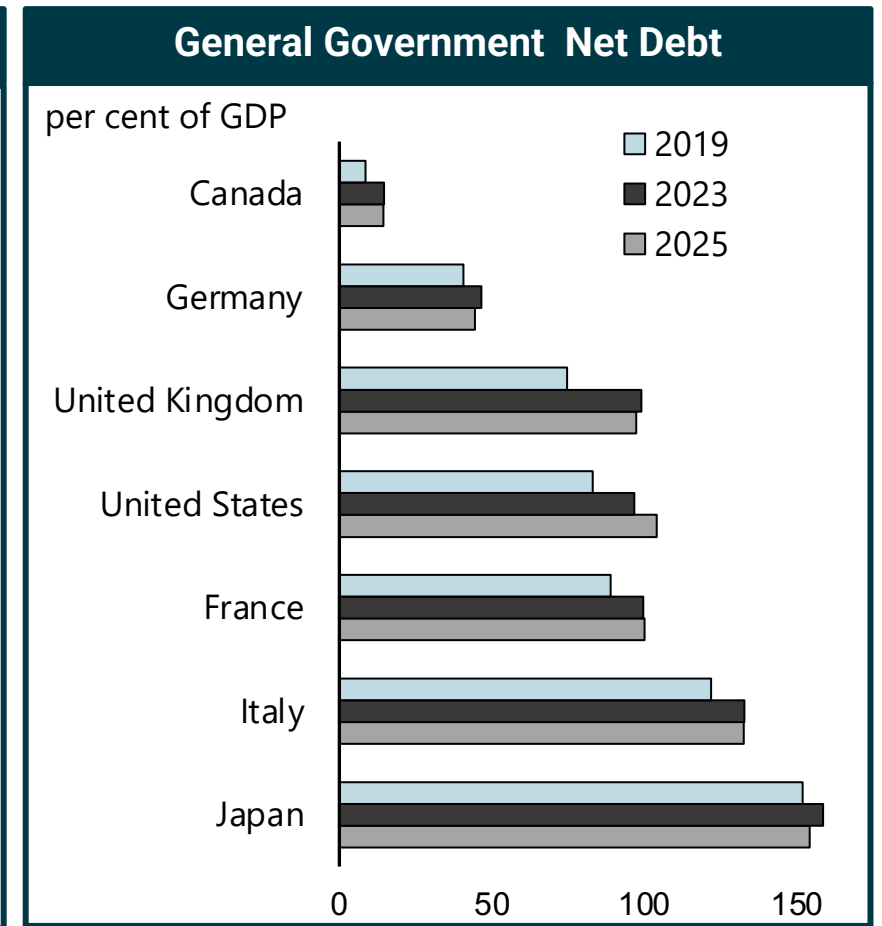
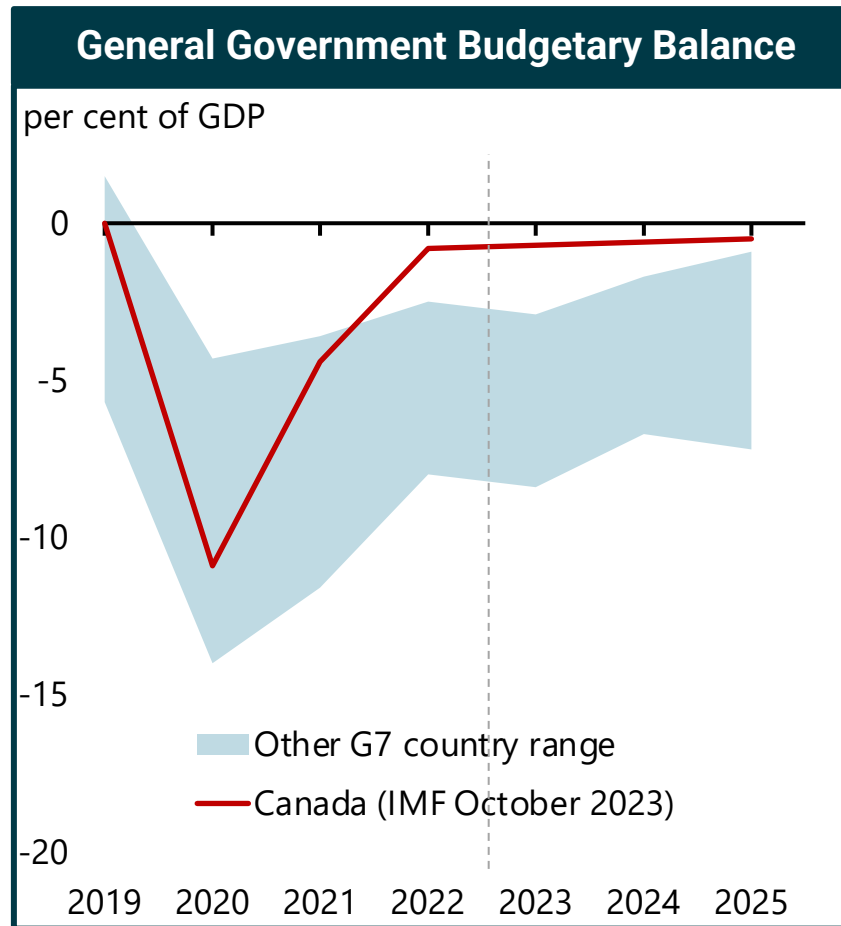
Transitioning to a world of slow growth and higher interest rates

- Global growth to remain moderate
- Interest rates to remain elevated
- Debt burdens harder to manage

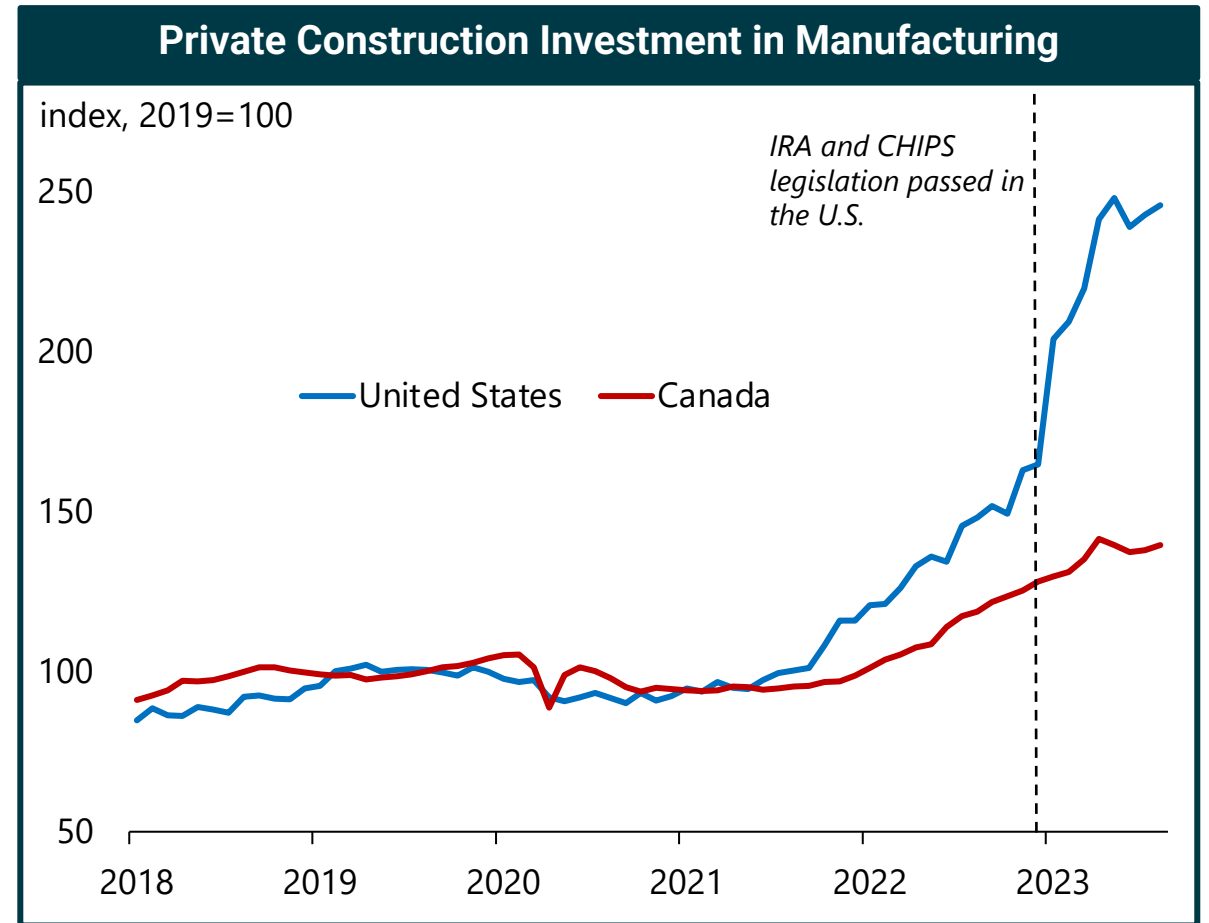
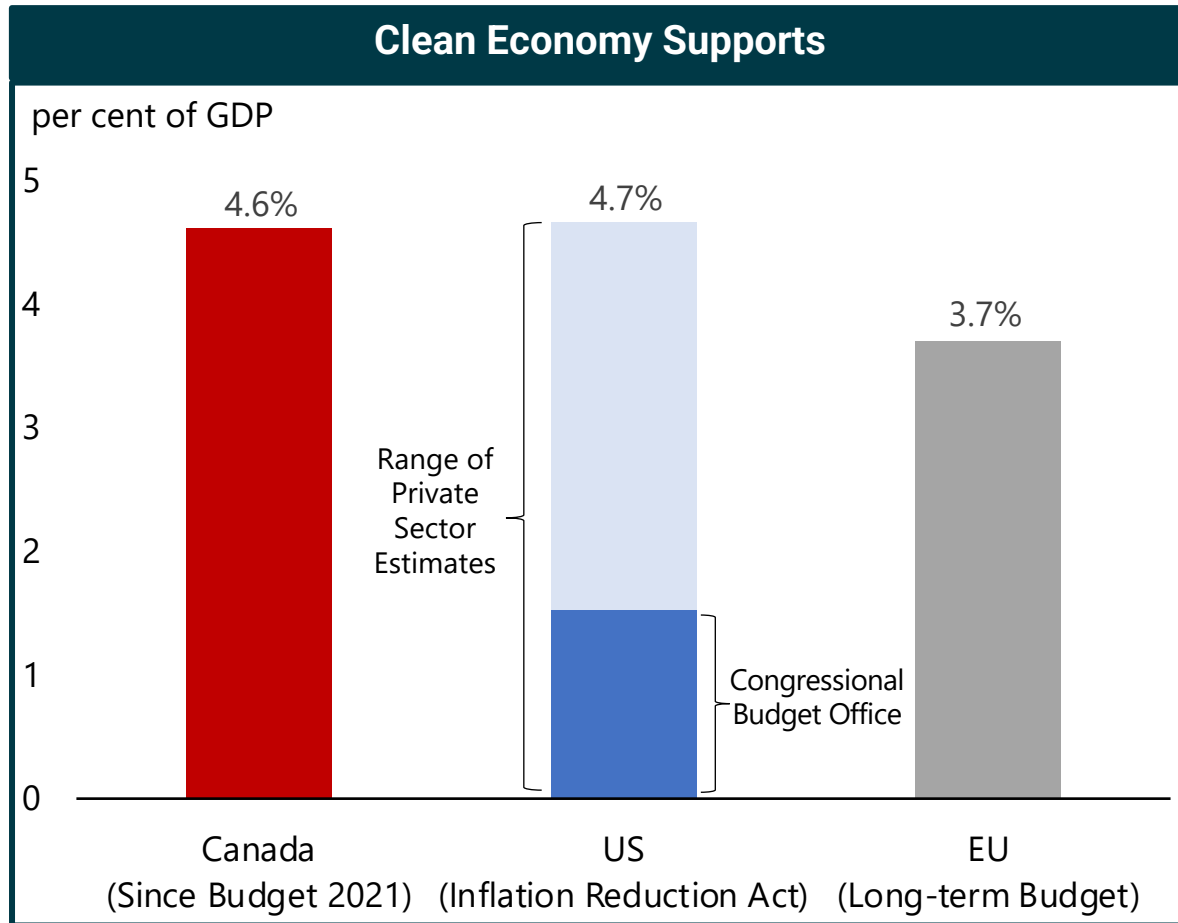
This is a challenging landscape at a time when major structural investments are needed to support the climate transition, reconfigure supply chains, and make housing more affordable

Canada's fiscal situation places well among G7 countries

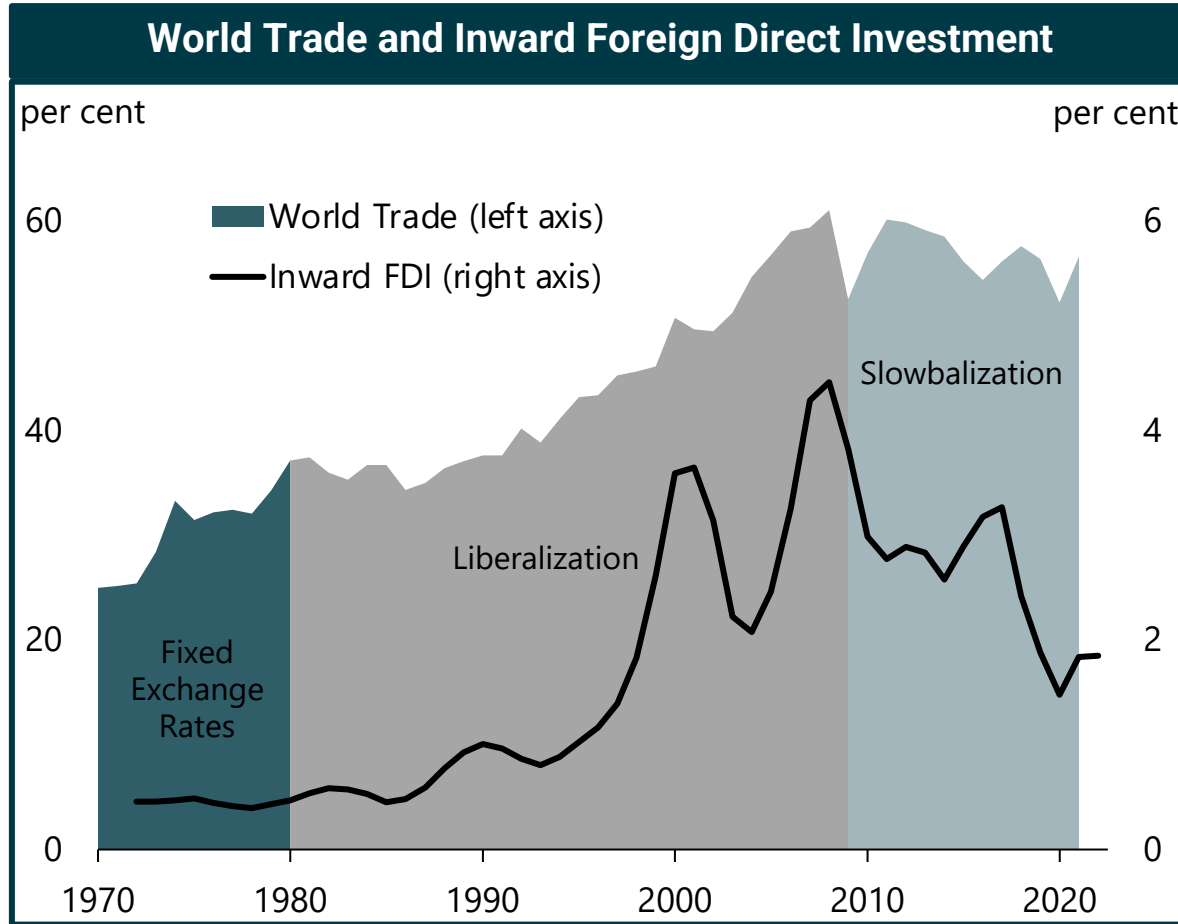
- Fastest rate of fiscal consolidation in the G7
- Fiscal objectives:
 - Maintain the 2023-24 deficit at about \$40B, as projected in B2023
 - Lowering the debt-to-GDP ratio in 2024-25, and keeping it on a declining track
 - Keeping deficits below 1% of GDP in 2026-27 and all future years



Building Canada's clean economy



Globalization has slowed and trade patterns are shifting



Key Considerations

- Managing public finances in a low growth, higher interest rate environment
- Balancing the roles and capacity of fiscal policies
- Ensuring we can keep investing in Canadians and our economy in the future