

North American Economic Perspectives

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Current Situation

- **US entering into a recession**
 - So far, housing and financial sector
 - Consumer decline beginning (e.g., autos)
- **Business Investment strong still**
- **Exports picking up**

Canada

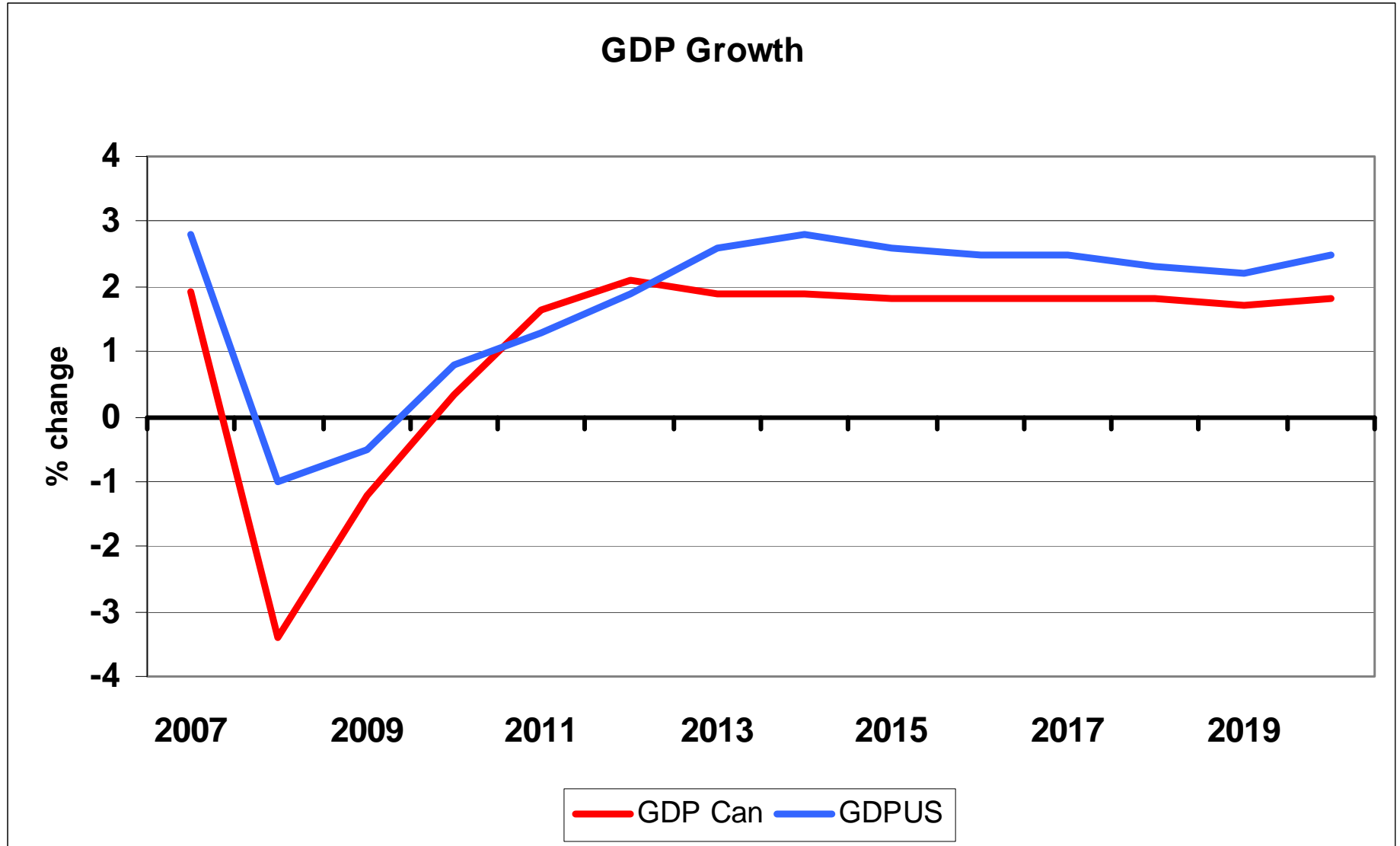
- Some financial problems (ABCPC)
- Housing slowing, consumer slowing
- Exports weakening, except for energy
- Manufacturing sector in continuing trouble
- Business investment, (e.g., energy strong)



Look Longer Term

- Both Canada and the US will return to annual growth of about 2.0 – 2.5% per year
- Labour force growth of about 1%, labour productivity near 1.5%
- Inflation, fiscal balances, and exchange rates fairly stable
- Commodity prices come off somewhat but high relative prices compared to 1990s

GDP Growth



Longer Term Forces

- Fuel Prices – High Prices are a Plus for Water Transportation and Rail
- Global Imbalances of Food and Materials are a Plus – transportation helps in balancing
- Regulatory Frameworks under scrutiny



Other Scenarios

- Drop of Oil Prices to \$60 or less
- Easing of Commodity Prices – metals, food, & building materials
- Major financial shock to Developed World institutions – collapse of business investment and consumer spending