

*A Global Economic Perspective:
The World Economy and
Trade Trends for the Future*

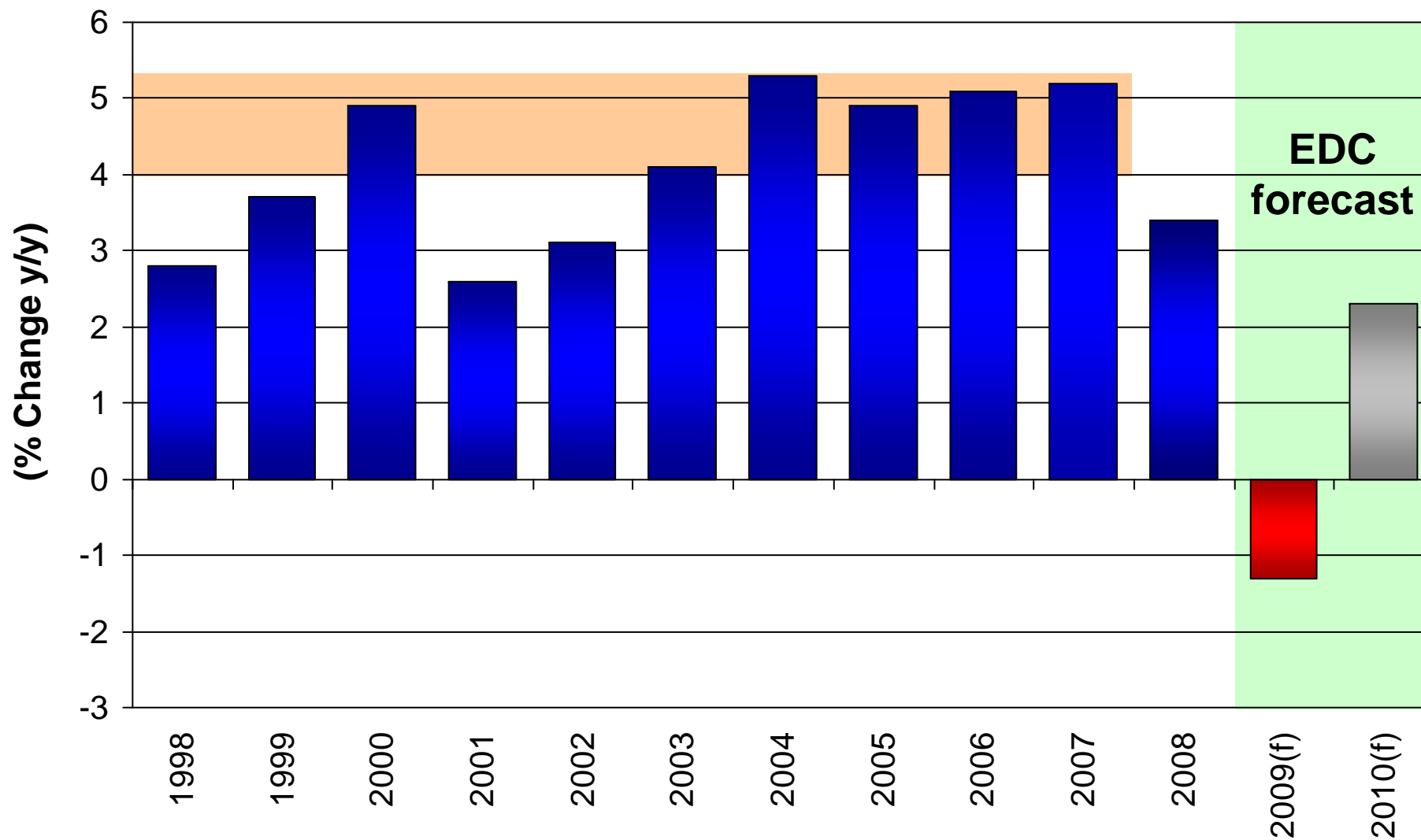
*CILTNA Conference
Ottawa – May 11, 2009*

Peter Hall
Vice-President and Chief Economist
EDC Economics

Five key questions

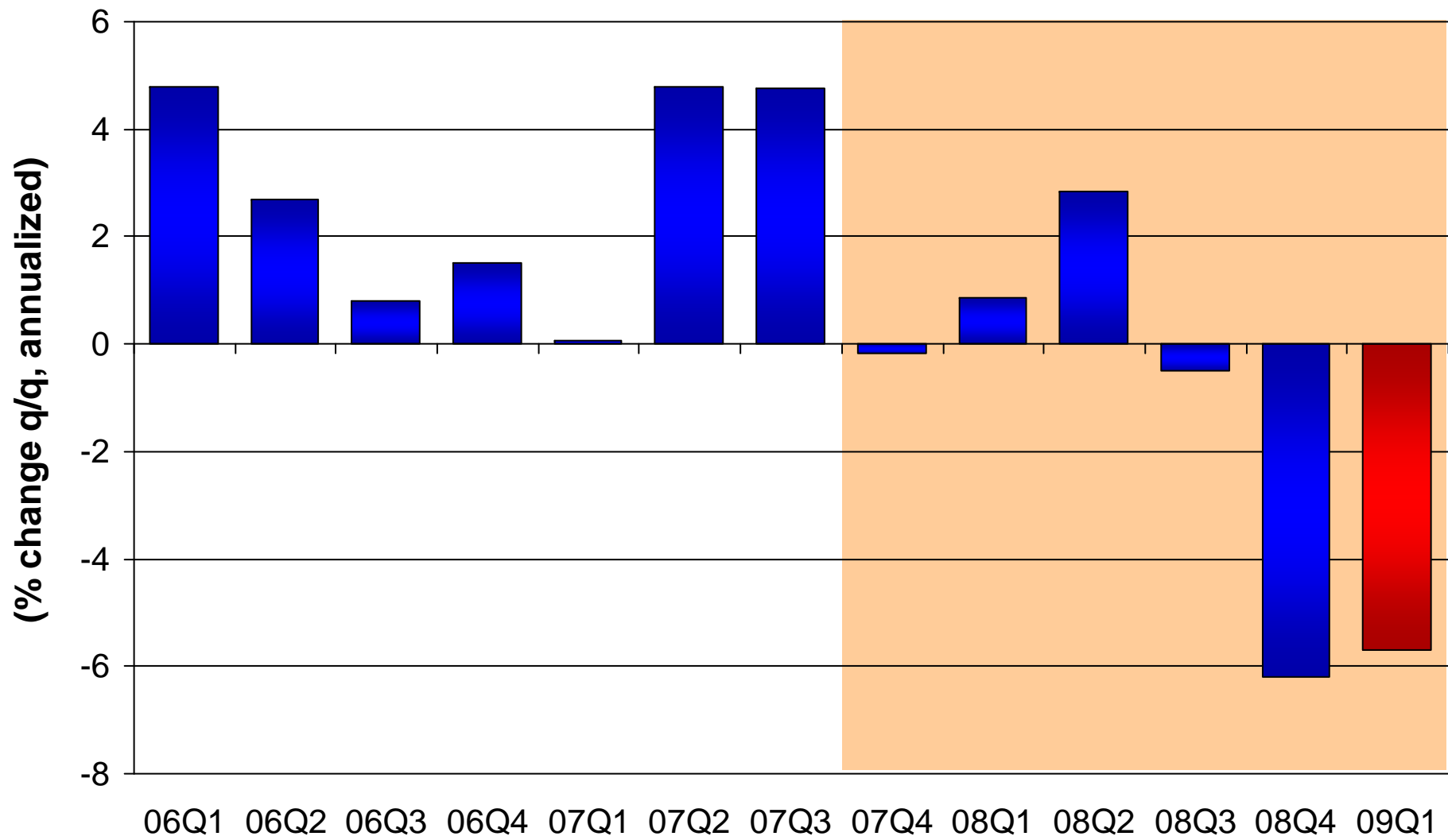
- 1. How did we get here?***
- 2. How bad is it?***
- 3. How long will it last?***
- 4. Policy: an antidote?***
- 5. Global trade's future?***

Global economy: restoring balance

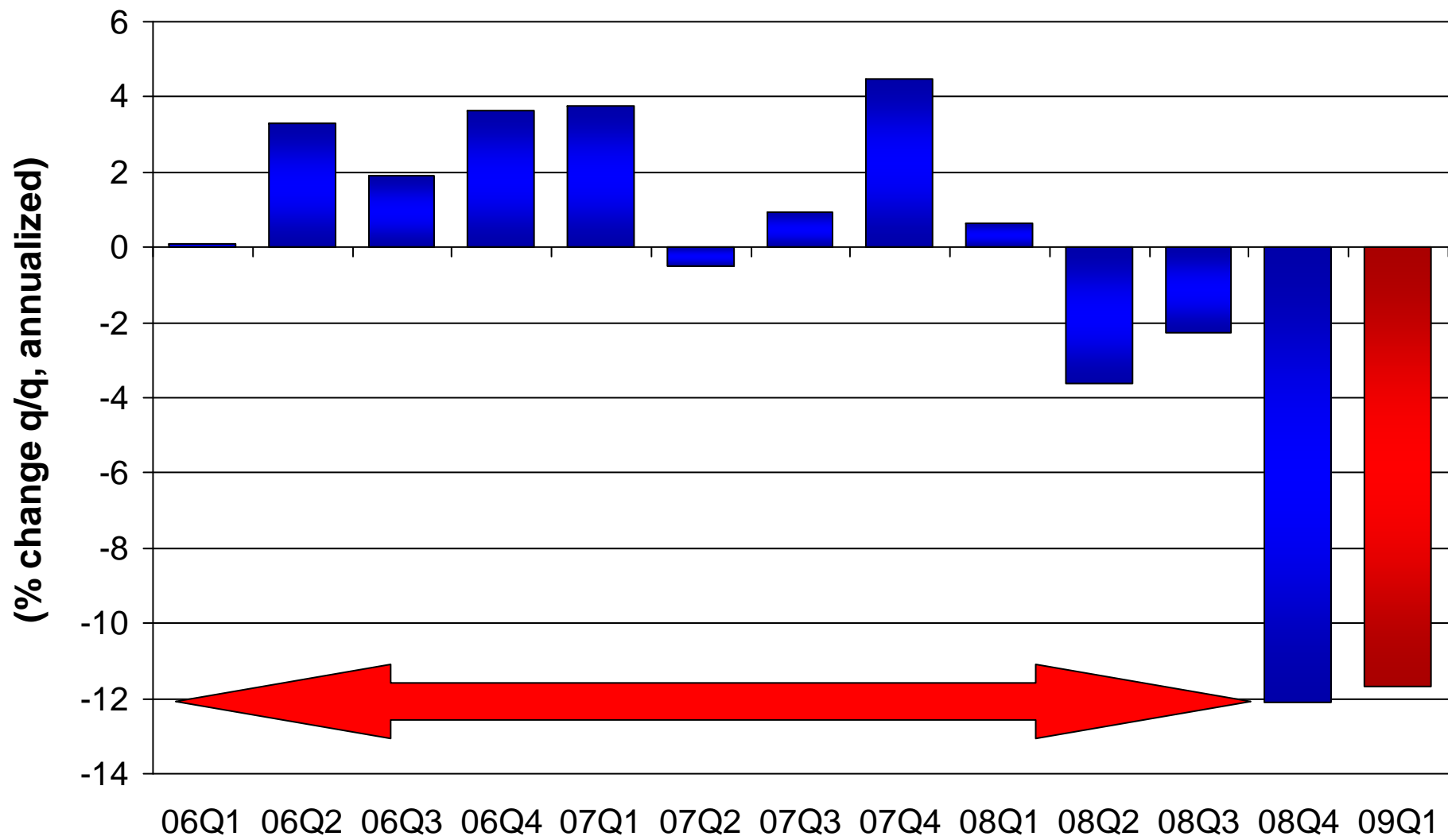


Source: IMF.

US economy: first to go down



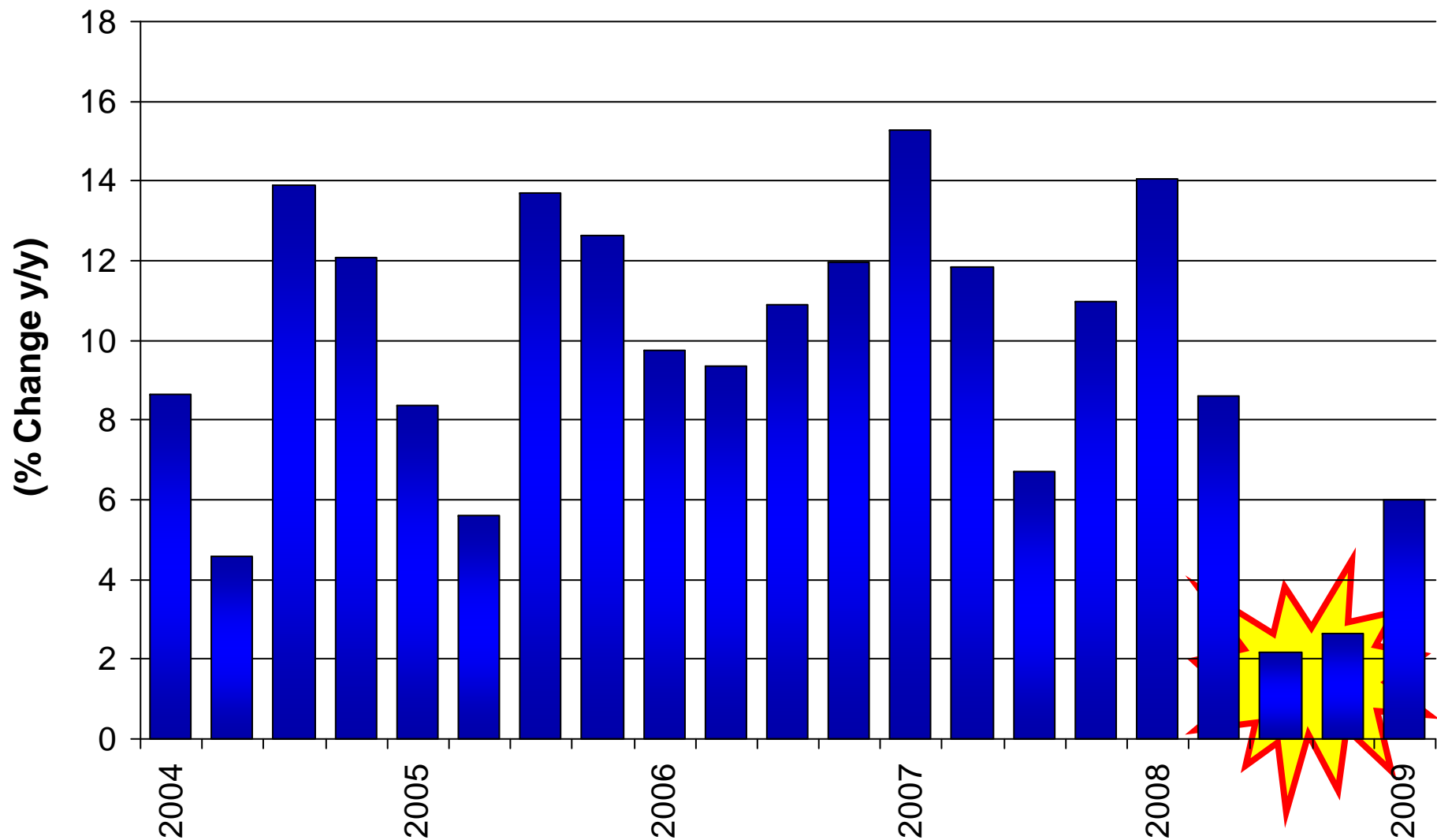
Japan: in even deeper



Source: Economic Planning Agency, Japan.

China's great deceleration

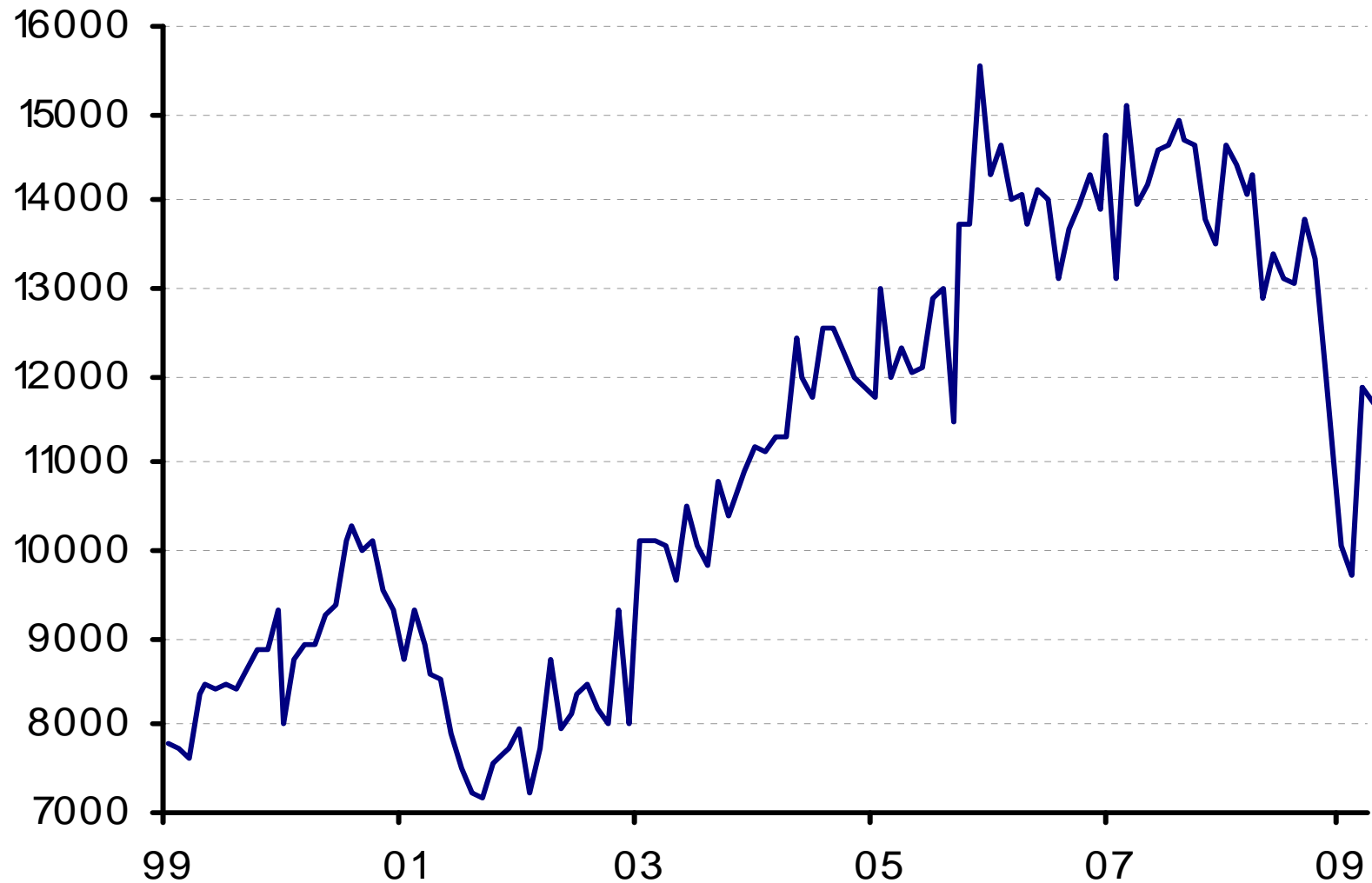
(Implied quarterly GDP growth, annualized, %)



Source: Bloomberg, EDC Economics.

Singapore: Export performance

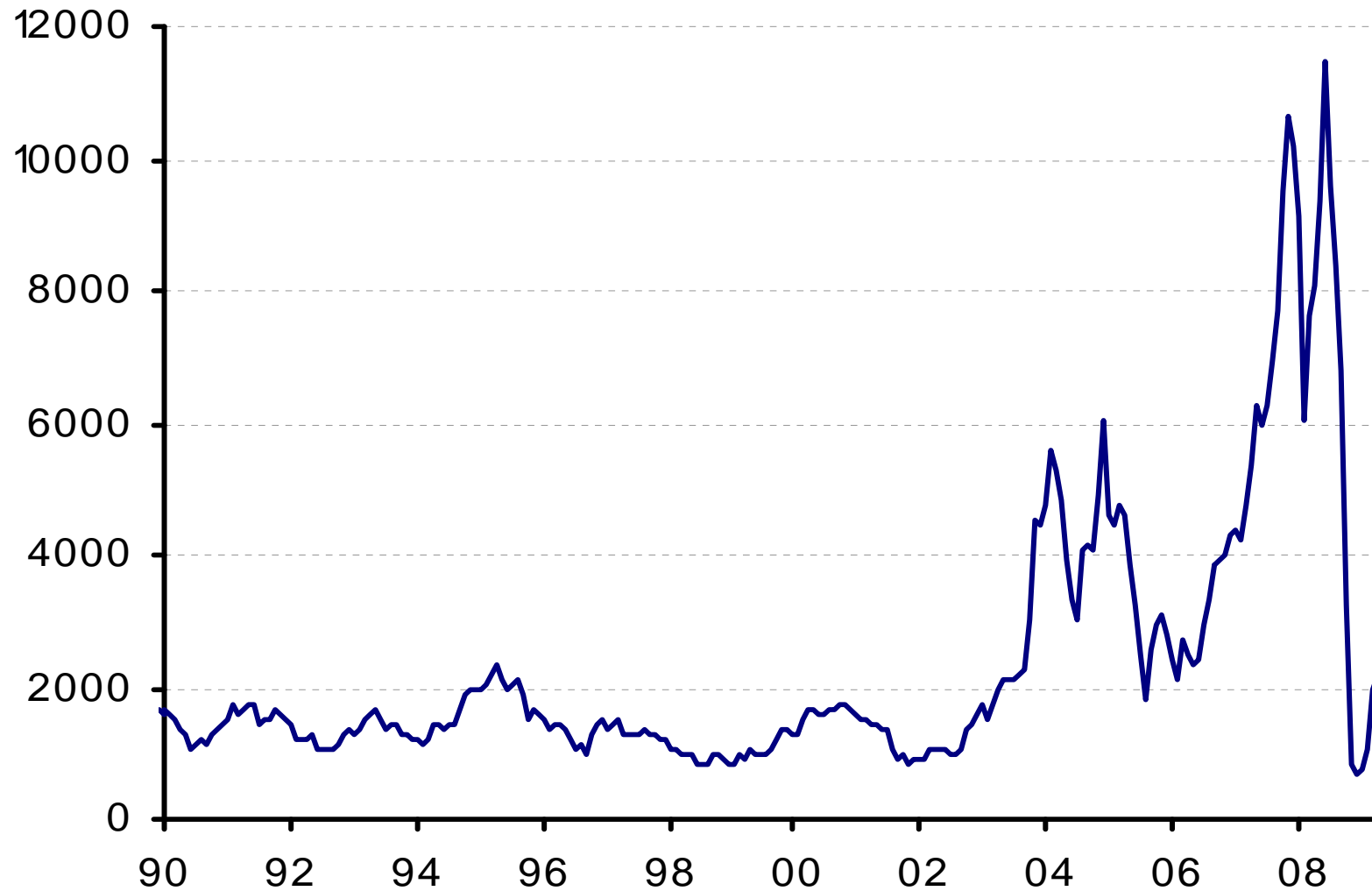
(non-oil domestic exports, \$million, monthly)



Source: Bloomberg.

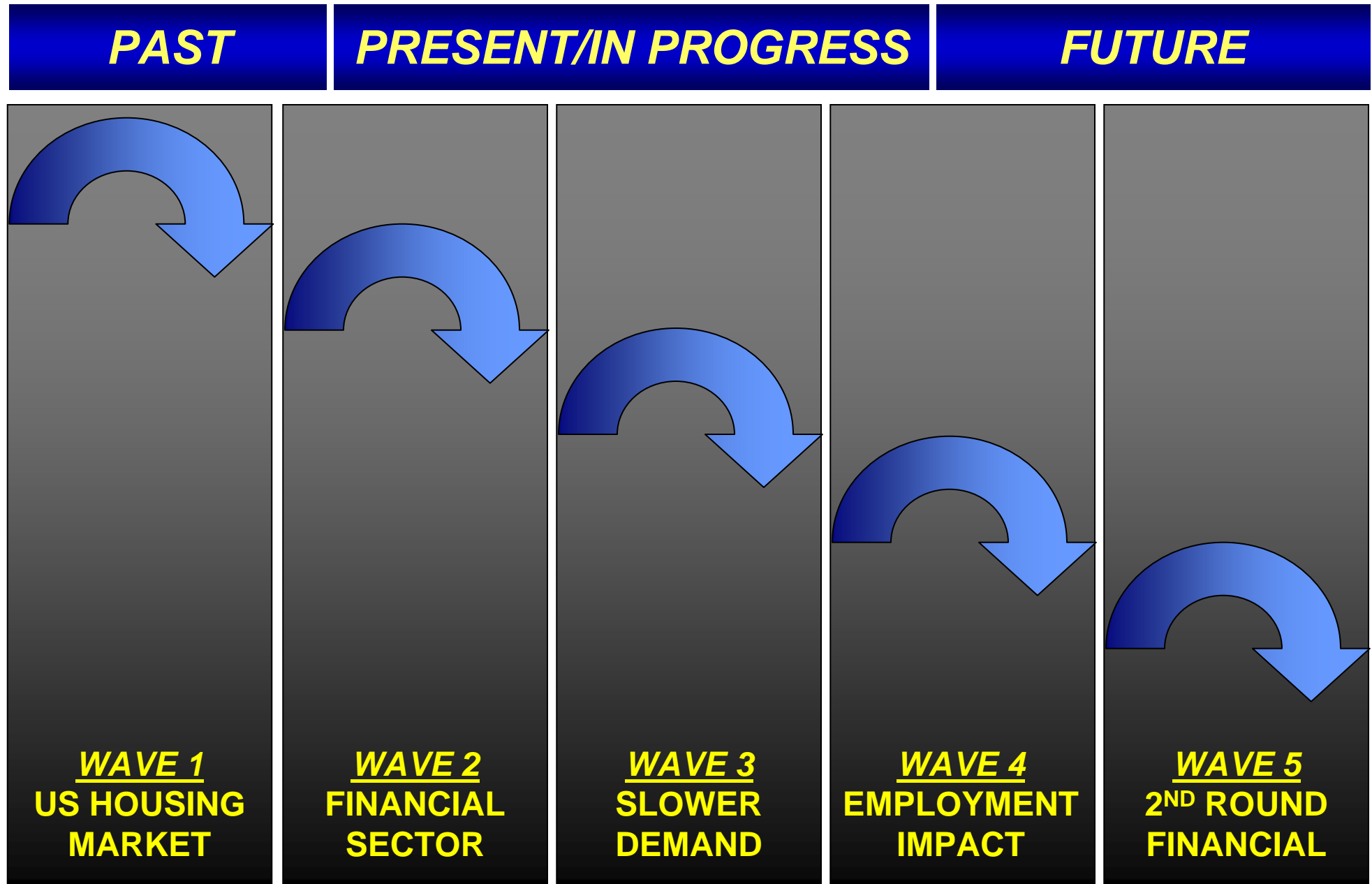
Baltic Dry Index

(composite cost of shipping bulk goods)



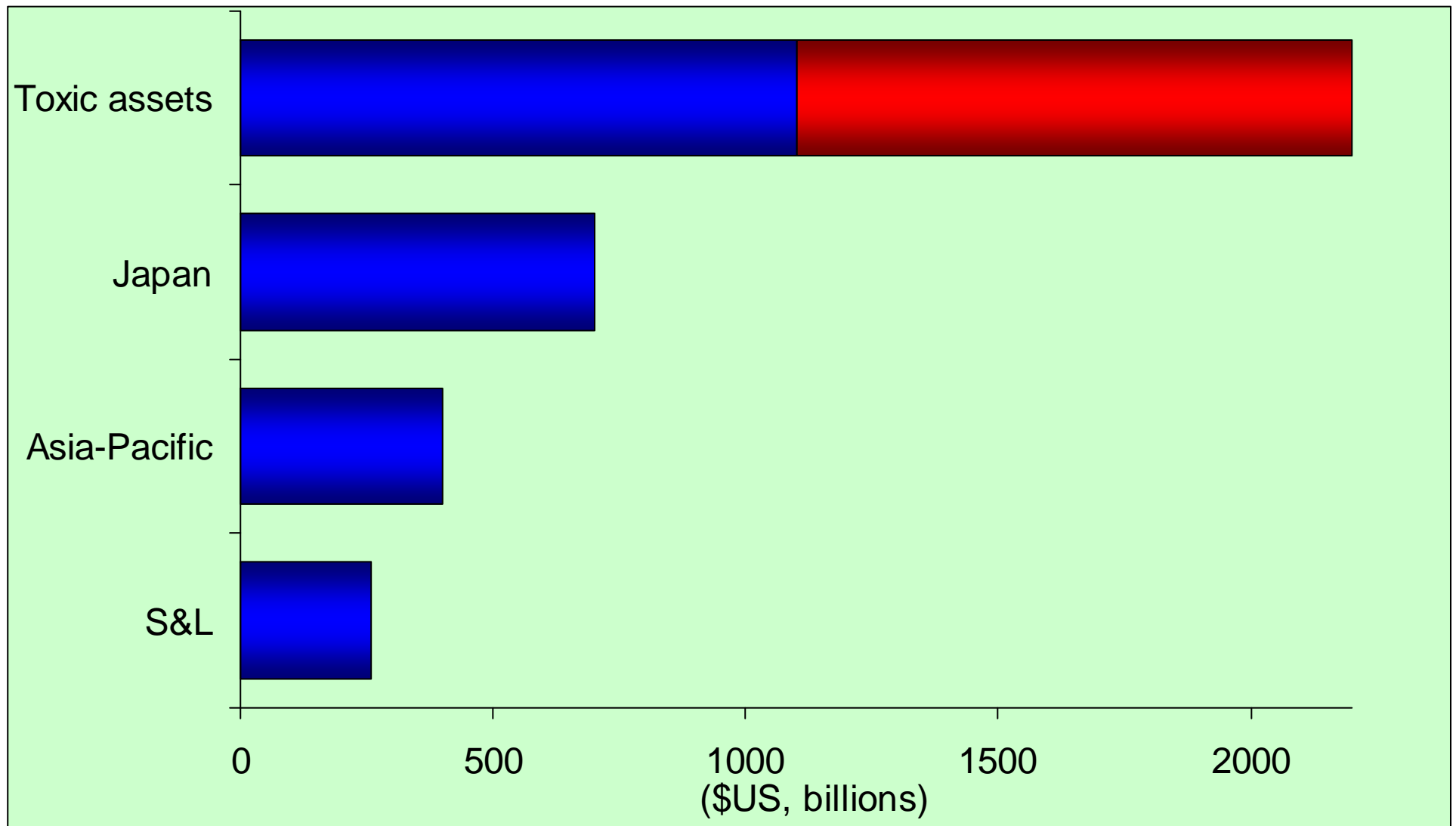
Source: Bloomberg.

Sequence of the slowdown: 5 waves



Wave 2: financial sector impact

(declared losses and writedowns, banks/insurers/GSEs)



Source: Financial Times, Bloomberg, IMF.

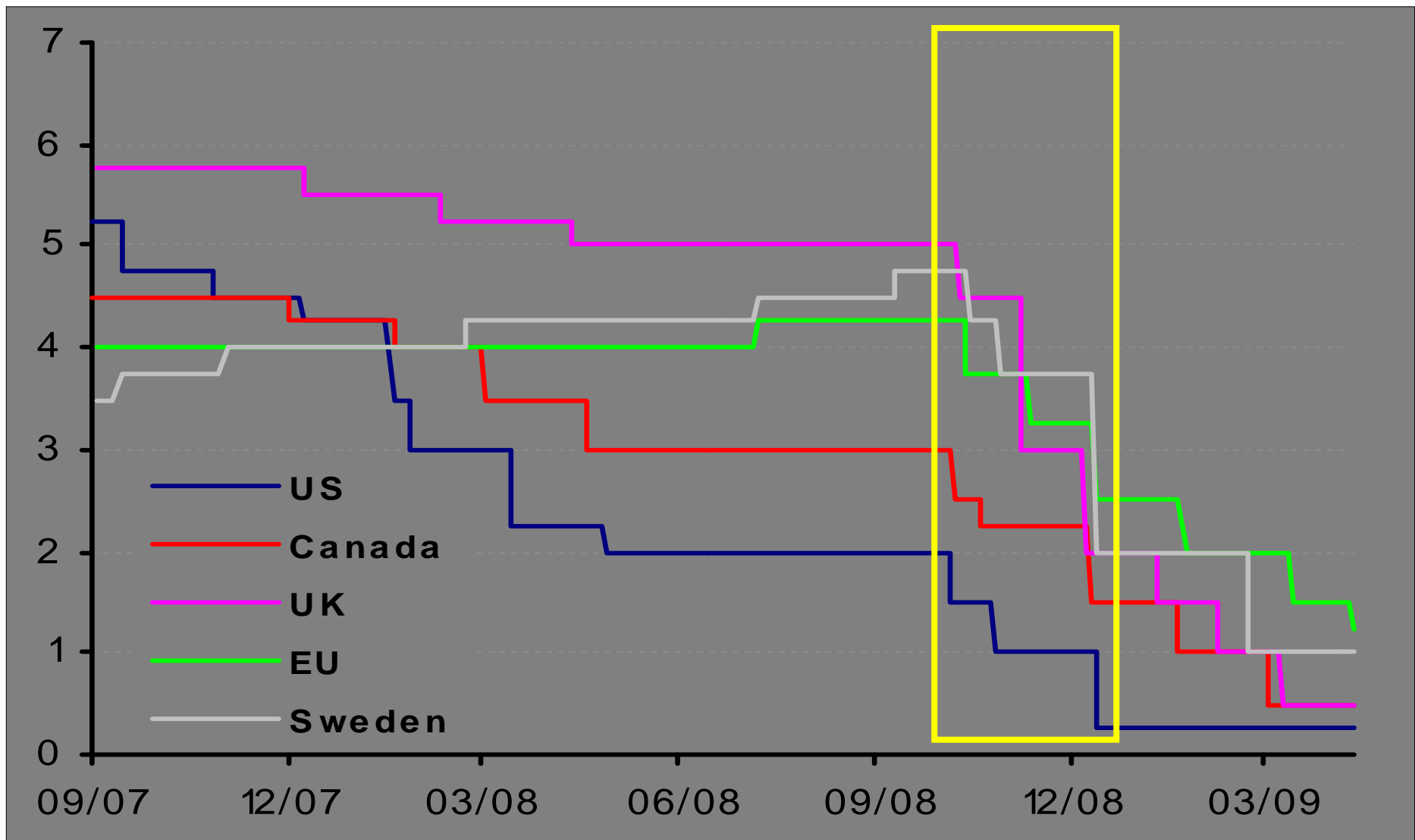


Key policy actions

- *Financial sector recapitalization*
- *Stimulative monetary policy*
- *Huge fiscal stimulus*

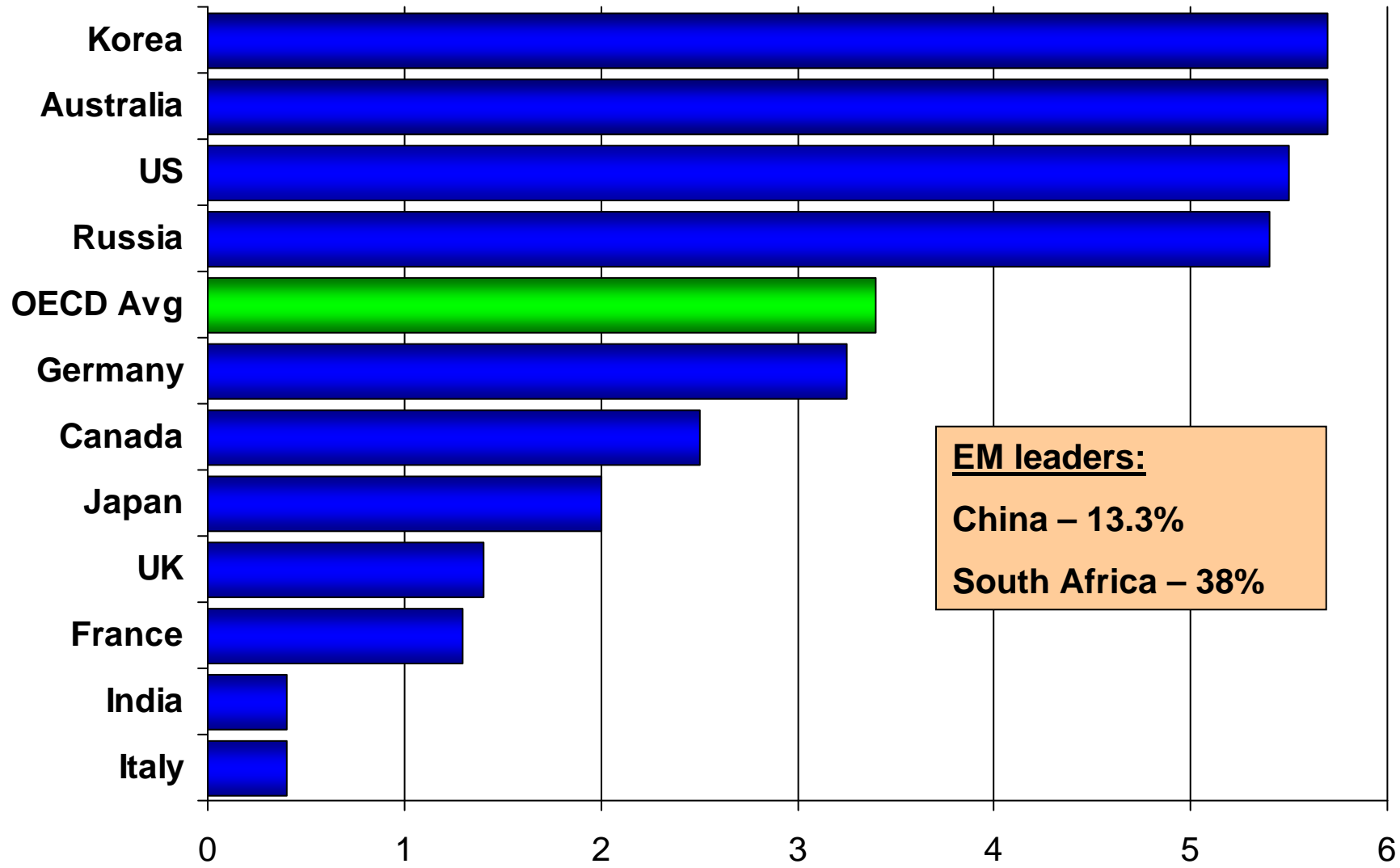
Interest rates tumble

(official rates, daily, %)



Fiscal spending plans

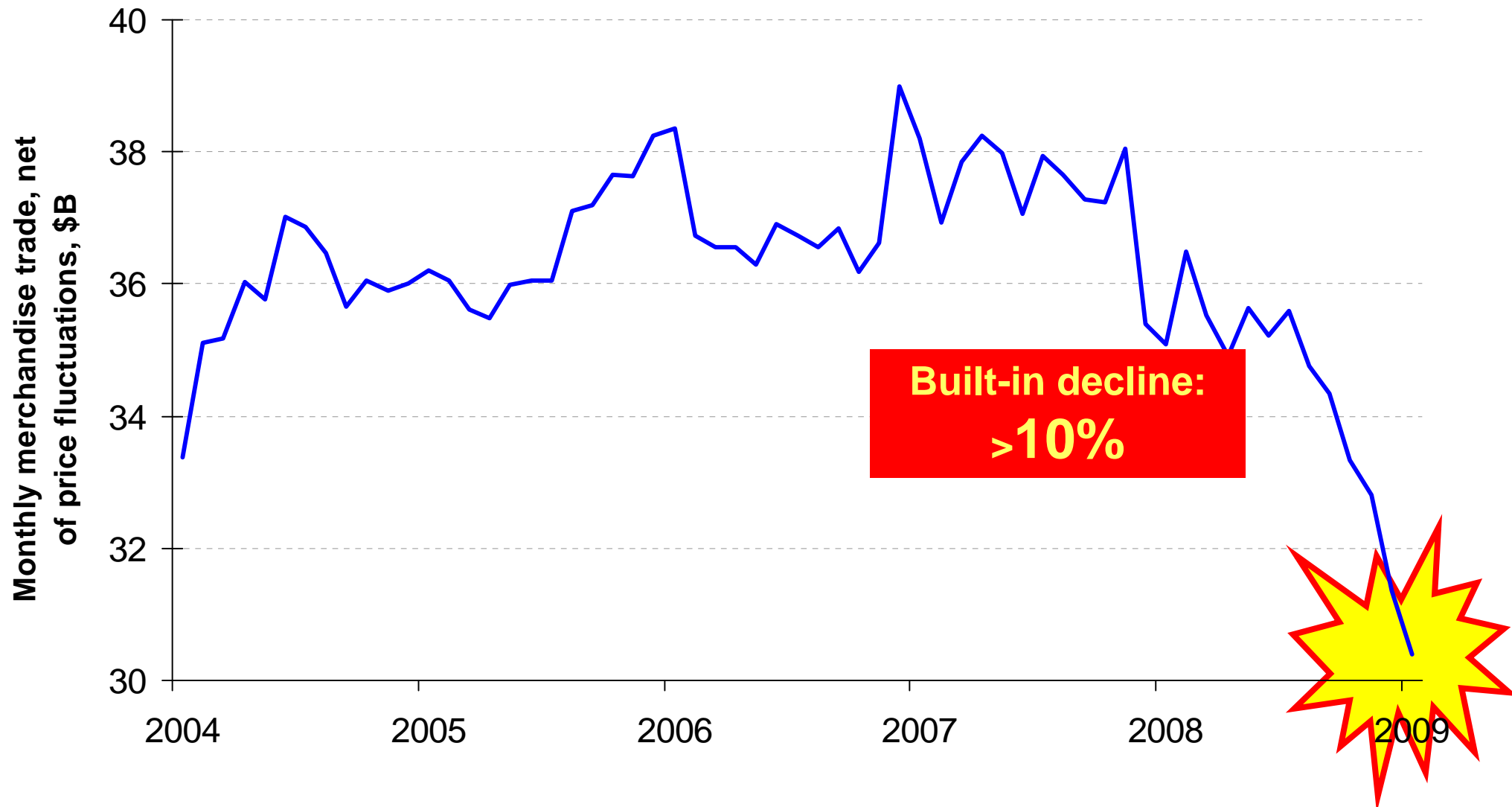
(% of 2008 GDP)



Global outlook: summary

- *Few now expect a quick recovery*
- *Rate cuts give way to quantitative easing*
- *Further fiscal stimulus likely*
- *Modestly stronger US dollar*
- *Commodity prices: slight rebound*
- *Competition is fierce*

Canada's exports: the 'real' story



Source: Statistics Canada.

Impact on Canadian Exports

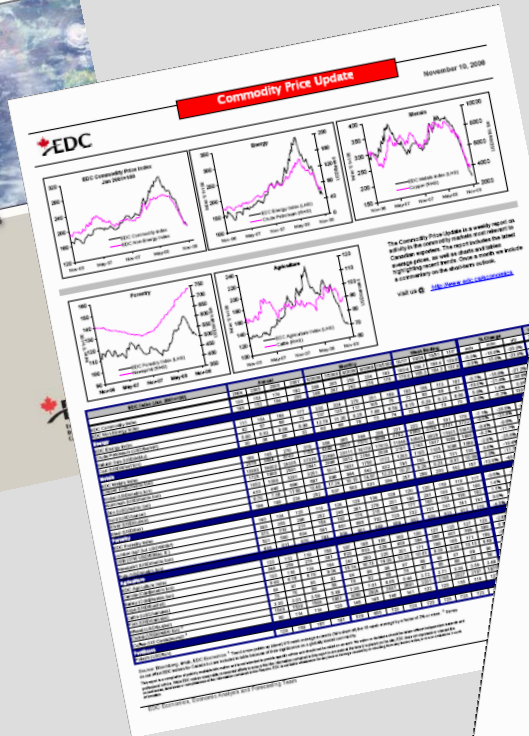
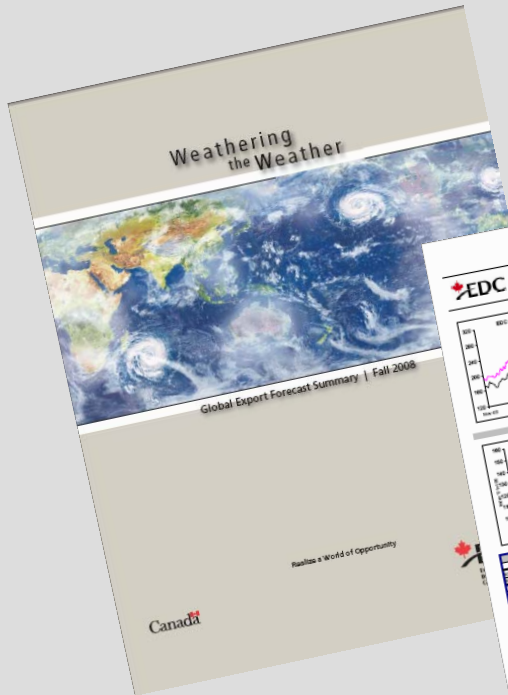
Canadian Export Forecast				
	<i>Share</i>	<i>2008</i>	<i>2009(f)</i>	<i>2010(f)</i>
Goods sector	87.0	8.3	-22.0	7.2
Goods, ex-energy	61.3	-1.9	-14.0	5.0
Goods, ex-auto, ex-energy	50.8	3.6	-17.0	3.0
Service sector	13.0	1.1	-1.0	3.0
Total	100.0	7.3	-20.0	7.0
Total volumes, goods	100.0	-6.6	-8.3	1.0

Remaining Issues

- *Speed of the recovery*
 - *Financial concerns*
 - *Fiscal concerns*
 - *Inflation concerns*
- *A return of 'heyday' growth?*
- *Protectionism?*
- *The future of globalisation*

Opportunities

- ✓ *Reduced input costs*
- ✓ *Lower dollar*
- ✓ *...but not too low!*
- ✓ *Emerging markets*
- ✓ *Infrastructure*



EDC Economic

Credit Agencies: Moody's B1, S&P CCC

FDI in Investment (2007): USD 145.1 billion

Population (2007): 164 million

Total Trade (2007): 32.7%

Current: Pakistan: 100%

Emerging region: 100%

Manufacturing: 100%

Services: 100%

CAO 400 index (2007): 128.7%

Index of Services: 100%

Trade surplus: 100%

Legal residence: 100%

Pakistan

Economics

Merit Savings: The real deterioration of external accounts has led to a balance of payment crisis forcing the government to seek external assistance from the IMF after negotiating with bilateral and multilateral organizations. The economy will still be vulnerable to the risk of a credit crunch.

Recent performance: After reaching a record 7% growth rate in FY 2006-07 starting July 1st (GDP growth based on a core sustainable base of 6.2%), in 2007-08 the economy has shown a marked improvement. The rate of inflation has also improved. The government has shown a marked improvement in manufacturing output during the last 2 quarters of the year, and has also shown a marked improvement in the services sector. The government has also shown a marked improvement in the services sector. The government has also shown a marked improvement in the services sector.

Fiscal policy: Last year's budget deficit, reduced in anticipation of the election, prompted to expand the deficit. The government has been reported to have a deficit of 1.5% of GDP in 2007-08. The government has also shown a marked improvement in the services sector.

Monetary policy: With inflation rising to 22.9% in September 2008, the State Bank of Pakistan (SBP) has been reported to have a deficit of 1.5% of GDP in 2007-08. The government has also shown a marked improvement in the services sector.

EDC ECONOMICS

Weekly Commentary

The Diversification Dilemma

October 1, 2008

Briefly known as the 'China shock', the diversification dilemma is the challenge of finding a way to diversify away from a reliance on a single market. The diversification dilemma is the challenge of finding a way to diversify away from a reliance on a single market. The diversification dilemma is the challenge of finding a way to diversify away from a reliance on a single market.

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Pakistan Manufacturing Output Index (99% change)

Year	Index
2000	100
2001	102
2002	105
2003	108
2004	112
2005	115
2006	118
2007	120
2008	122
2009	125
2010	128
2011	130
2012	132
2013	135
2014	138
2015	140
2016	142
2017	145
2018	148
2019	150
2020	152
2021	155
2022	158
2023	160
2024	162
2025	165
2026	168
2027	170
2028	172
2029	175
2030	178

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