



# 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)
- **US and Canada in a recession**
- **Business Investment strong still**
- **Business Investment Falling**
- **Exports picking up**
- **Exports dropping sharply**

# Canada

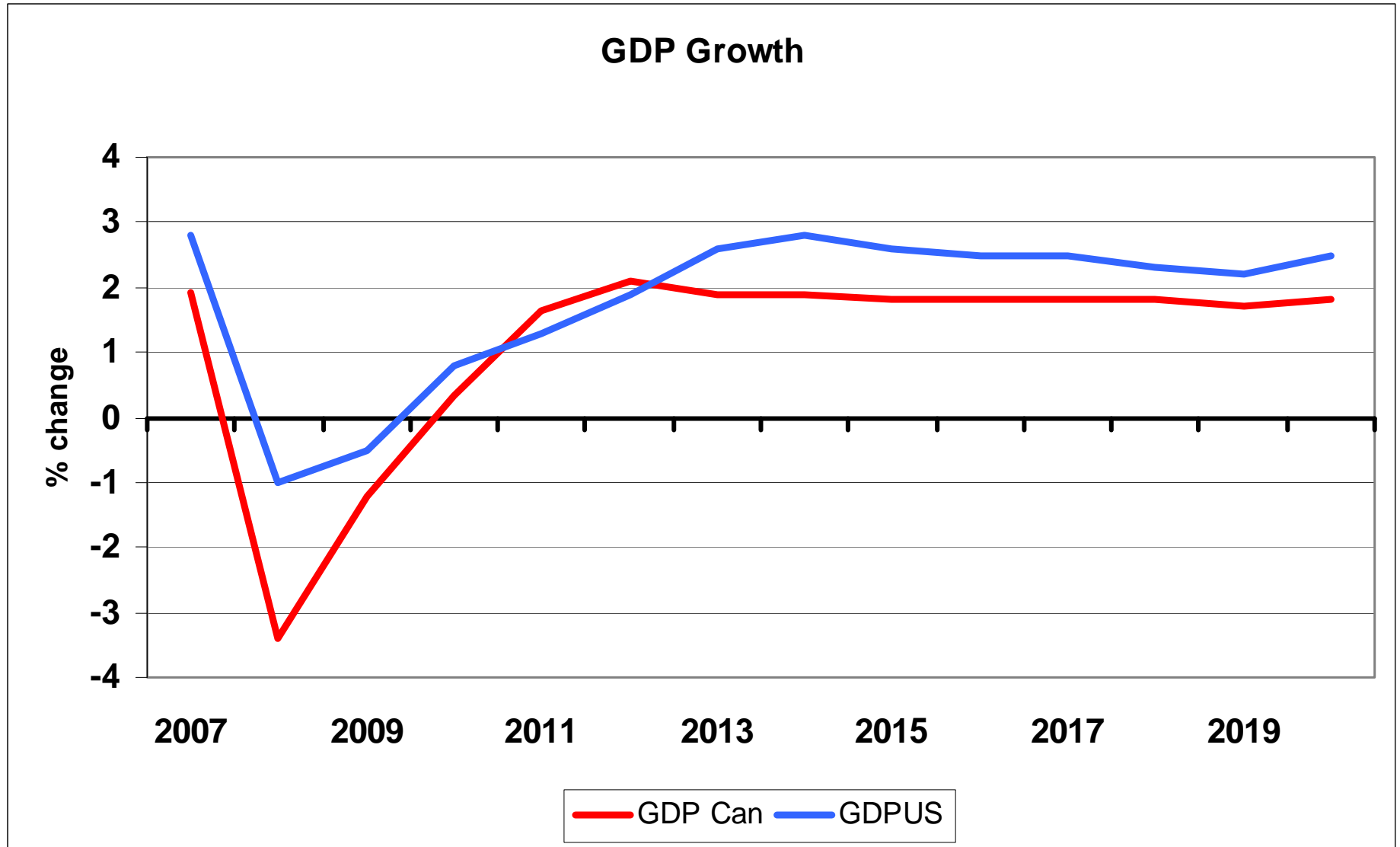
- Some financial problems (ABCP)
- Continuing credit problems – no trust
- Housing slowing, consumer slowing
- Housing starts down, consumer contracting
- Exports weakening, except for energy
- **Large export declines – autos, energy, resources**
- Manufacturing sector in continuing trouble
- **Manufacturing declines**
- Business investment, (e.g., energy strong)
- Fall-off in Investment, particularly oil sands

# 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 still high relative prices compared to 1990s

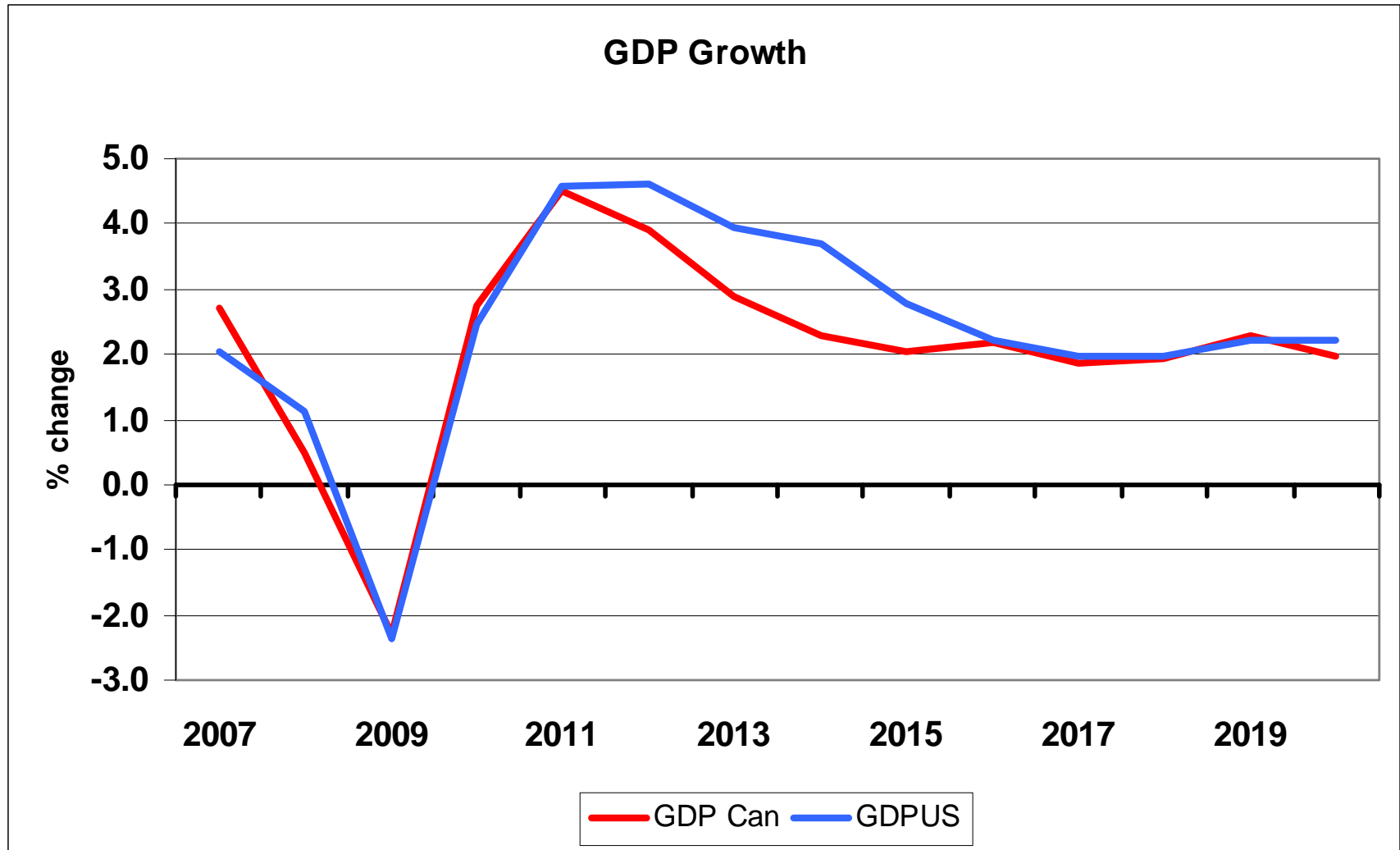


# GDP Growth (last year)





# GDP Growth (current forecast)





# Other Scenarios (2008 set)

- 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

# Other Scenarios (2009)

- Implementation of Carbon Tax or Equivalent
- Sharp recovery with multi-year growth above potential
- Interest rates return to more normal levels (prime rate to 5-6%); long-term government rates at 4-5%



# OFF (One Fatal Flaw)

- Pandemic flu like 1914-18 with 10% or more drop in population
- Massive problems from Climate Change much earlier than expected (ocean levels rising, temperature and rainfall extremes, collapse of agricultural trade )

# Longer Term Forces (2008 set)

- 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

# Longer Term Forces (2009 view)

- Environmental policy to increase fossil fuel prices, even if WOP less than \$60
- Plus 2008 set