

Prospects For The Global Economy

Presented to
The Canadian Meat Council

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Prospects For The Global Economy – Presentation Outline



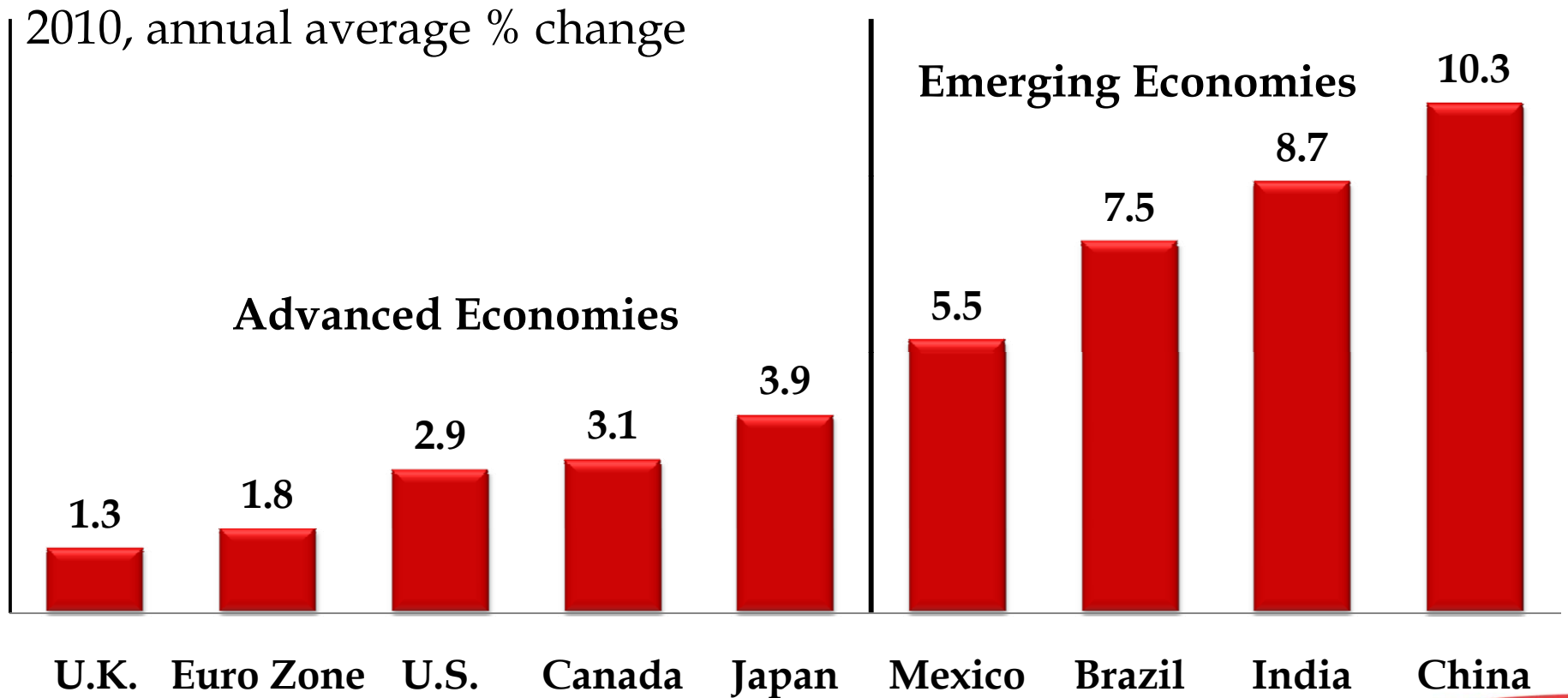
- Overview and outlook for the global economy looking at how various regions are performing
- How the changing economic landscape is transforming international trade, and
- What Canada and Canada's meat processors can do to succeed and prosper in the highly competitive global marketplace



Real GDP Growth Highlights Contrasting Performance



2010, annual average % change

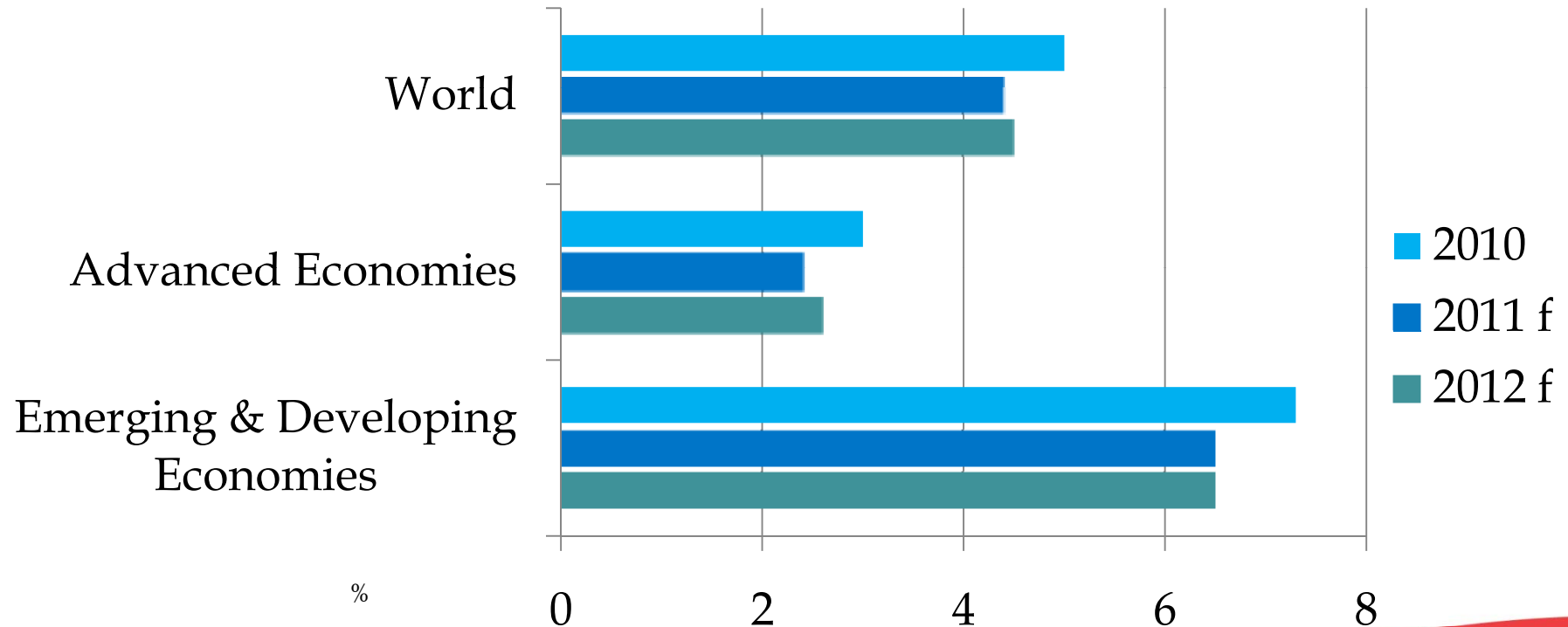


Source: National Statistics Agencies; Canadian Chamber of Commerce

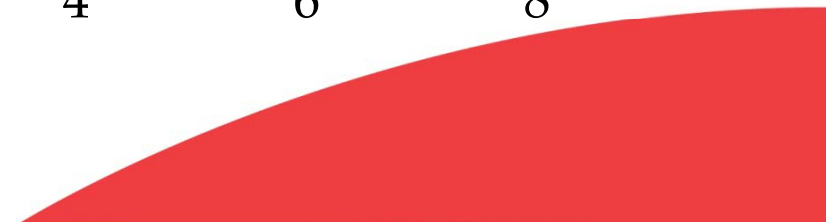
Global Economic Recovery Is Set To Continue But Will Remain Uneven



Real GDP Growth, year-over-year % change



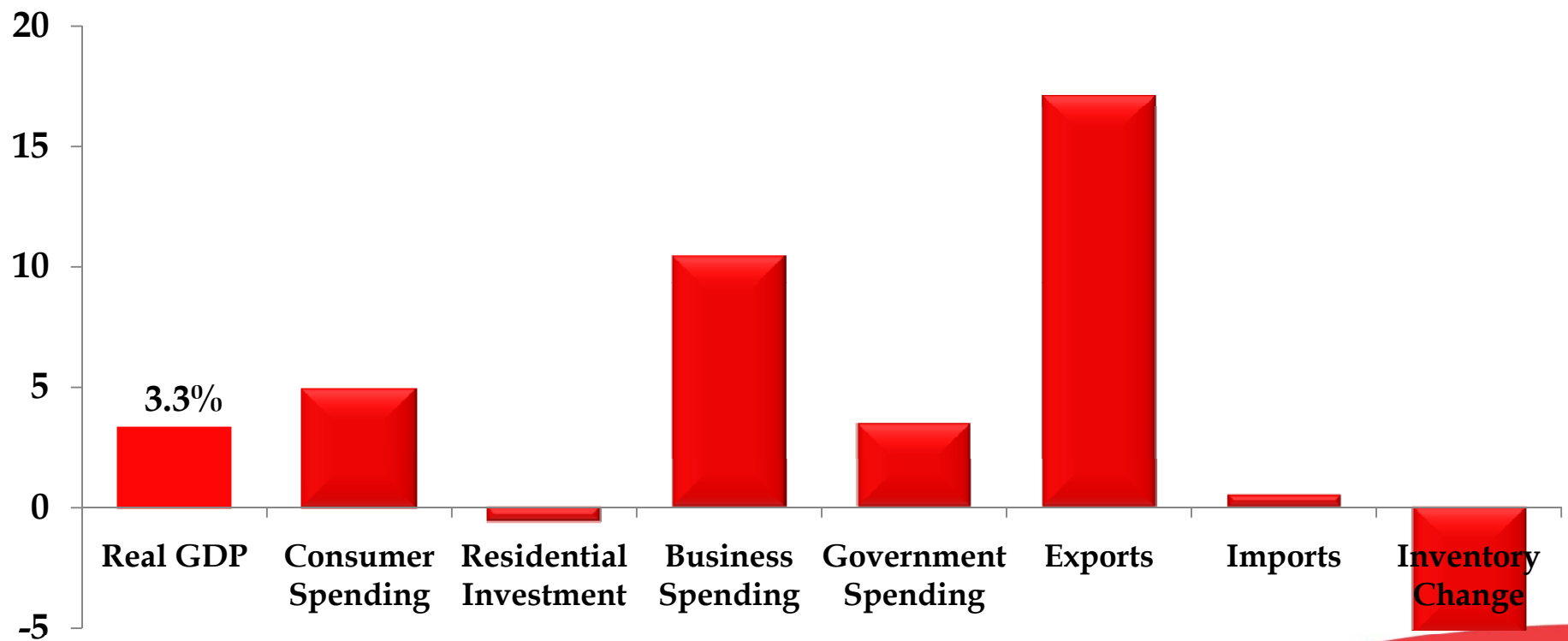
Source: International Monetary Fund, April 2011;
Canadian Chamber of Commerce. f = forecast



Canada's Economy Ended 2010 On A Strong Note, Led By Exports



Q4, Real GDP growth, quarter/quarter % change, annualized

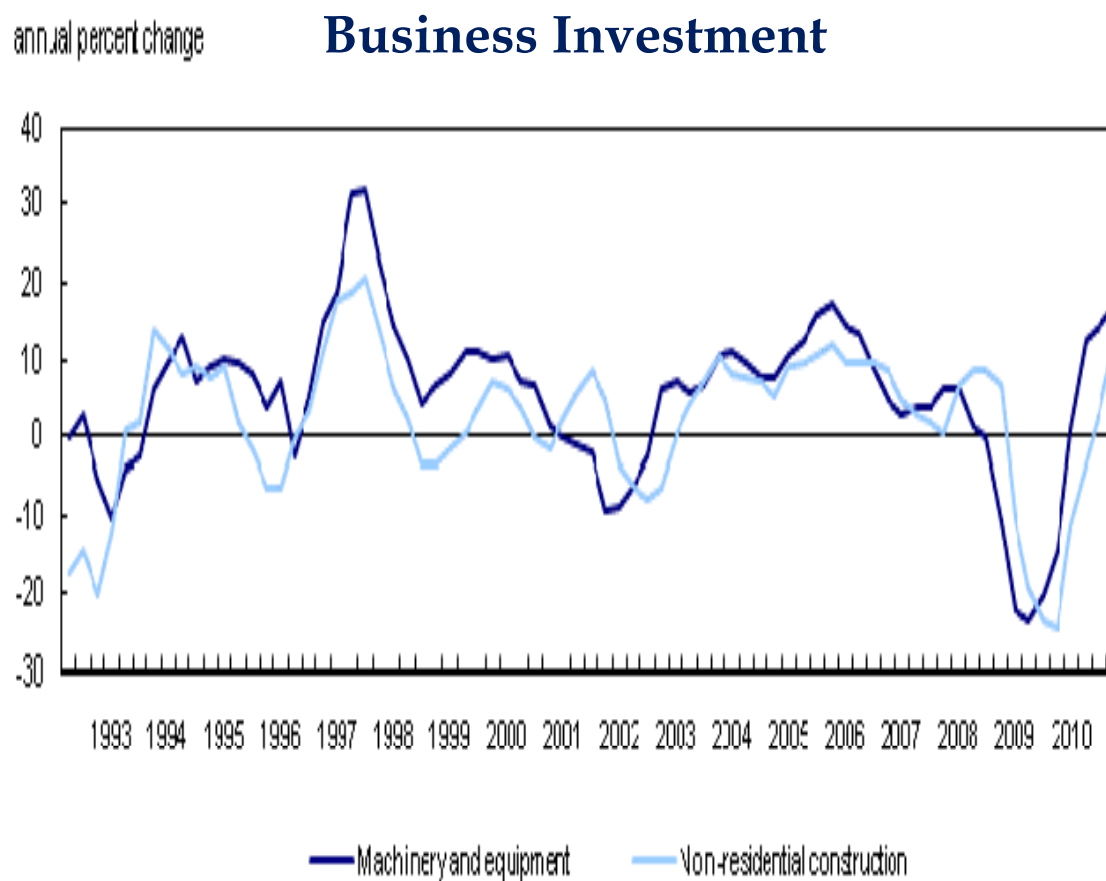


Source: Statistics Canada; Canadian Chamber of Commerce

Bright Prospects For Business Investment



- Firms plan to boost nominal investment in structures and machinery & equipment by 7% in 2011
- Energy and mining capital outlays are projected to rise by 11%, more than double the 4.8% increase projected for the non-energy business sector
- The other notable increases in investment intentions are in manufacturing and transportation

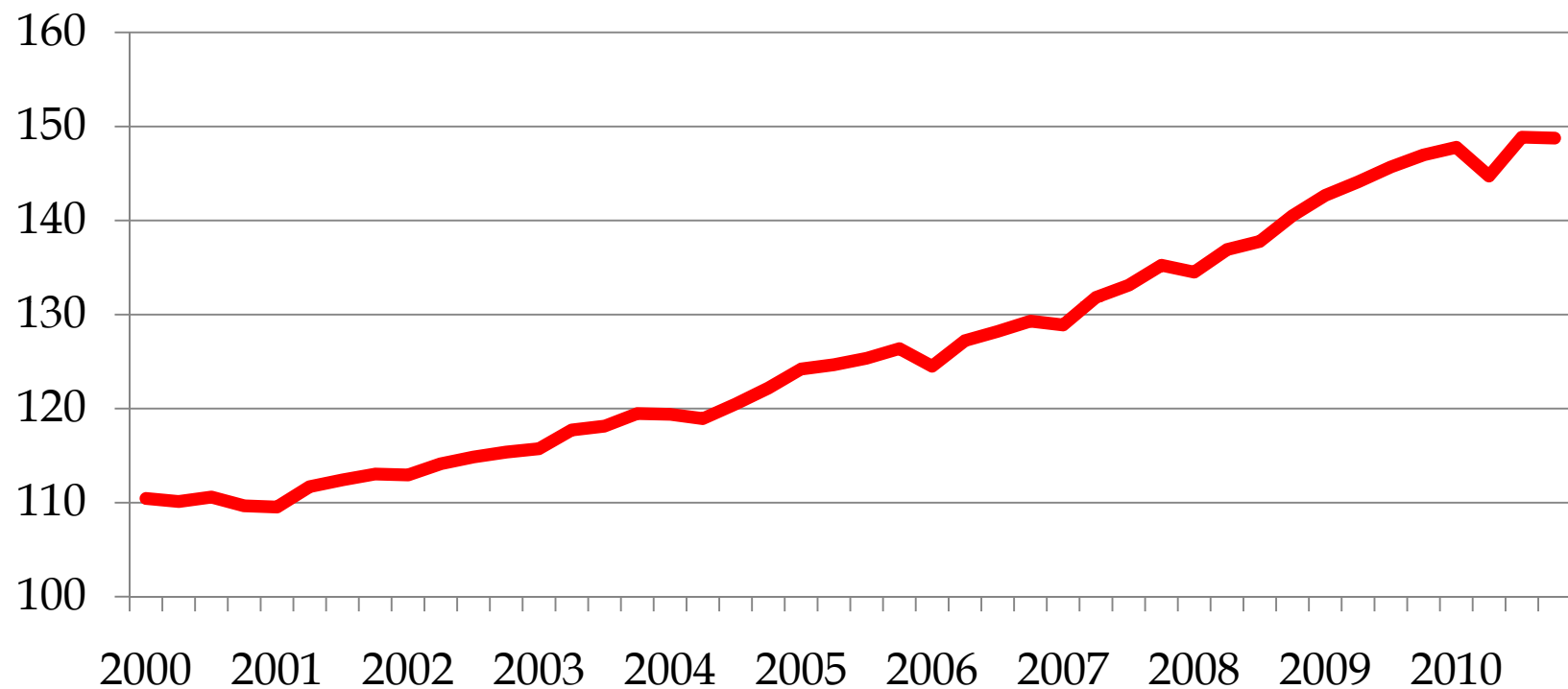


Source: Statistics Canada

High Household Debt Burdens Will Weigh On Consumer Spending



Household Debt to Personal Disposable Income (%)

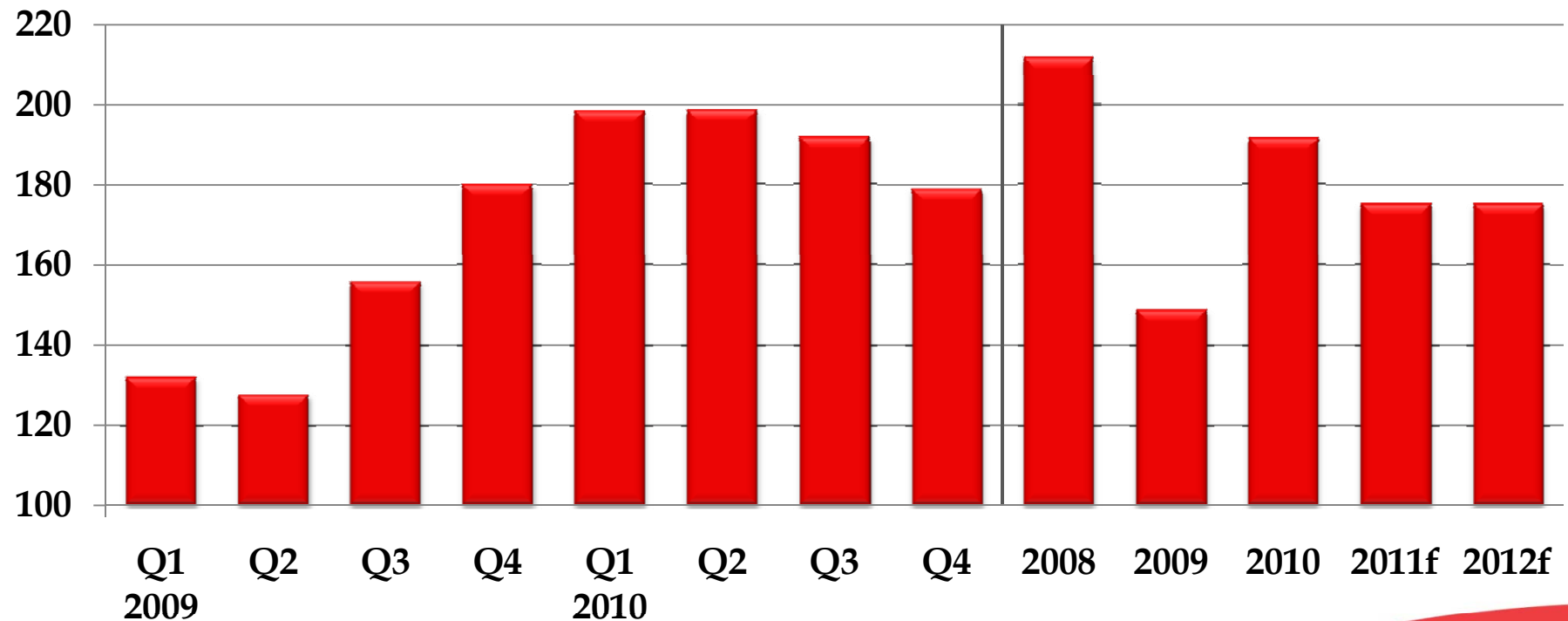


Source: Statistics Canada; Canadian Chamber of Commerce

Canadian Housing Activity – No Boom, No Bust



Housing Starts, '000 of units, seasonally adjusted at annual rates

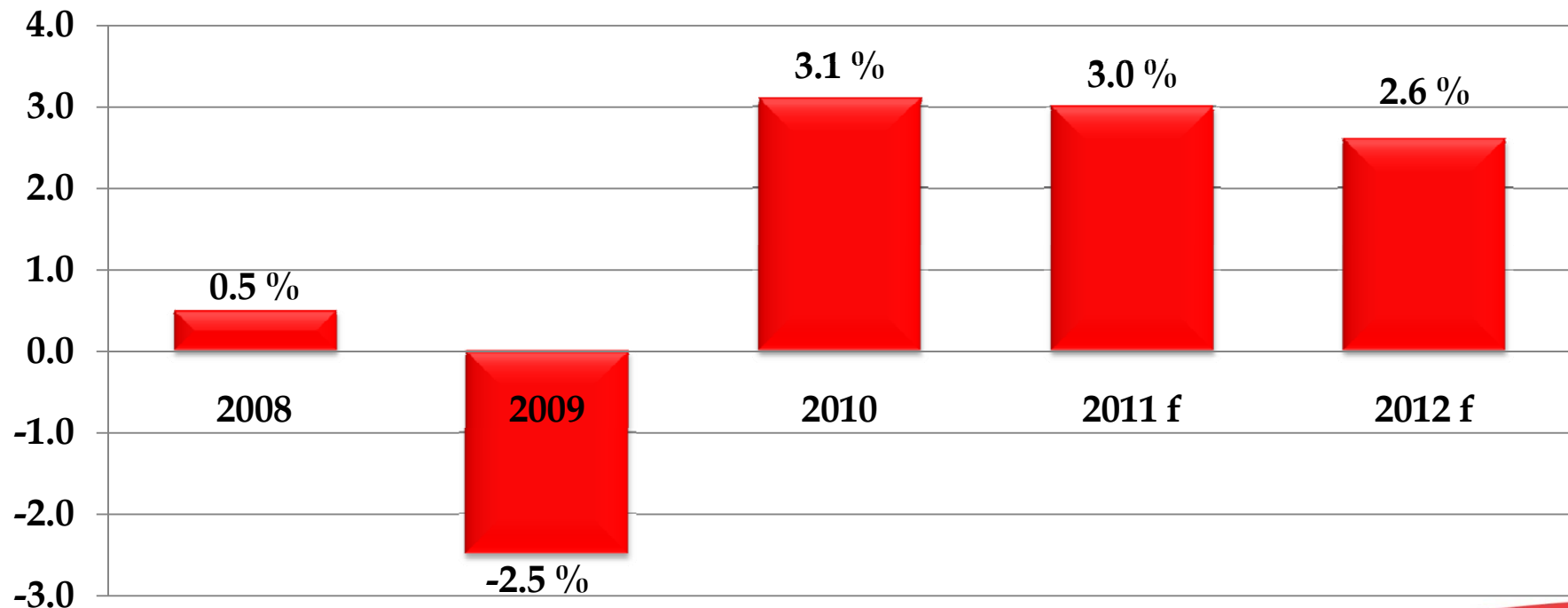


Source: CMHC; Canadian Chamber of Commerce. f = forecast

Outlook For Canada – Continued Healthy Economic Performance



Real GDP Growth (year-over-year annual % change)



Source: Statistics Canada; Canadian Chamber of Commerce

U.S. Economic Recovery – Gradual Repair And Improvement



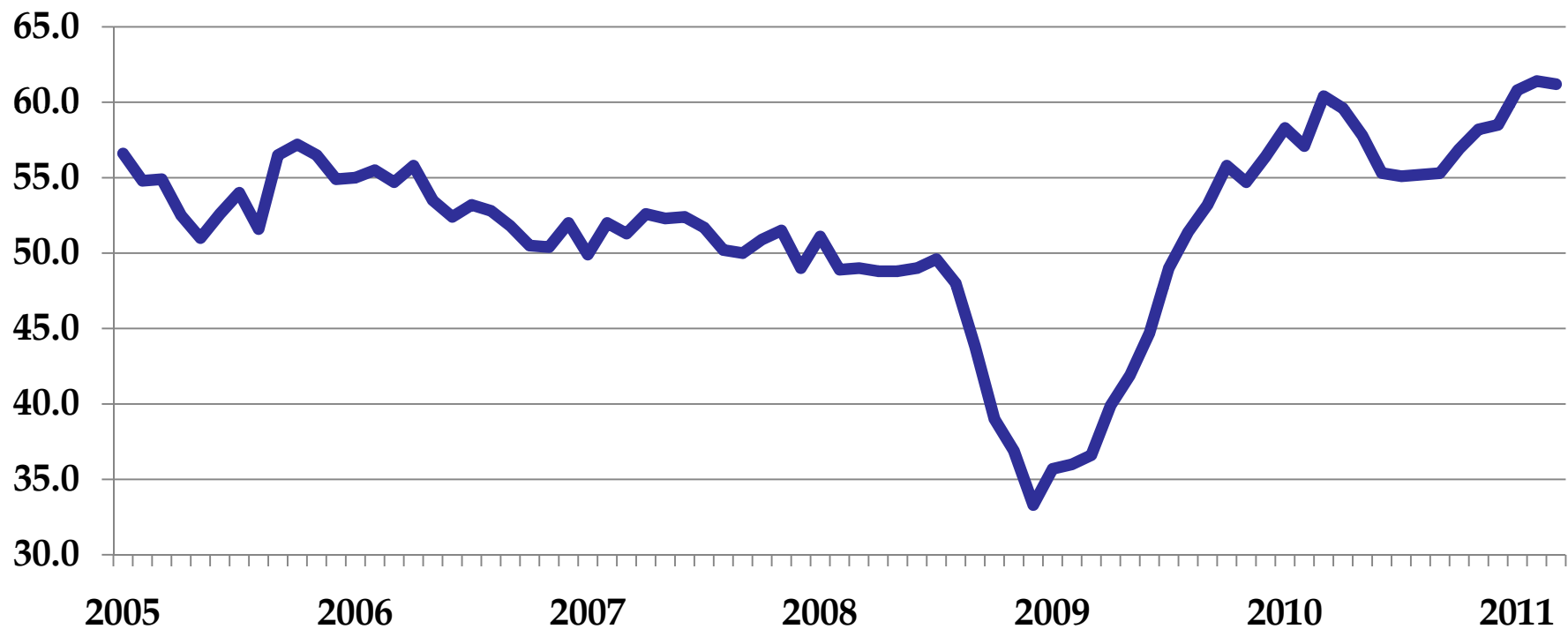
Good News	Bad News
Household wealth recovering	Housing sector exceptionally weak
Credit conditions slowly improving	Services sector underperforming
Job growth gaining momentum	Unemployment rate remains high
Manufacturing performing strongly	Significant fiscal challenges
Business investment continues to expand	
Vehicle sales up sharply	



Manufacturing Drives The U.S. Out Of Recession And Will Continue To Buoy Economic Growth



Institute for Supply Management (ISM) Manufacturing Index



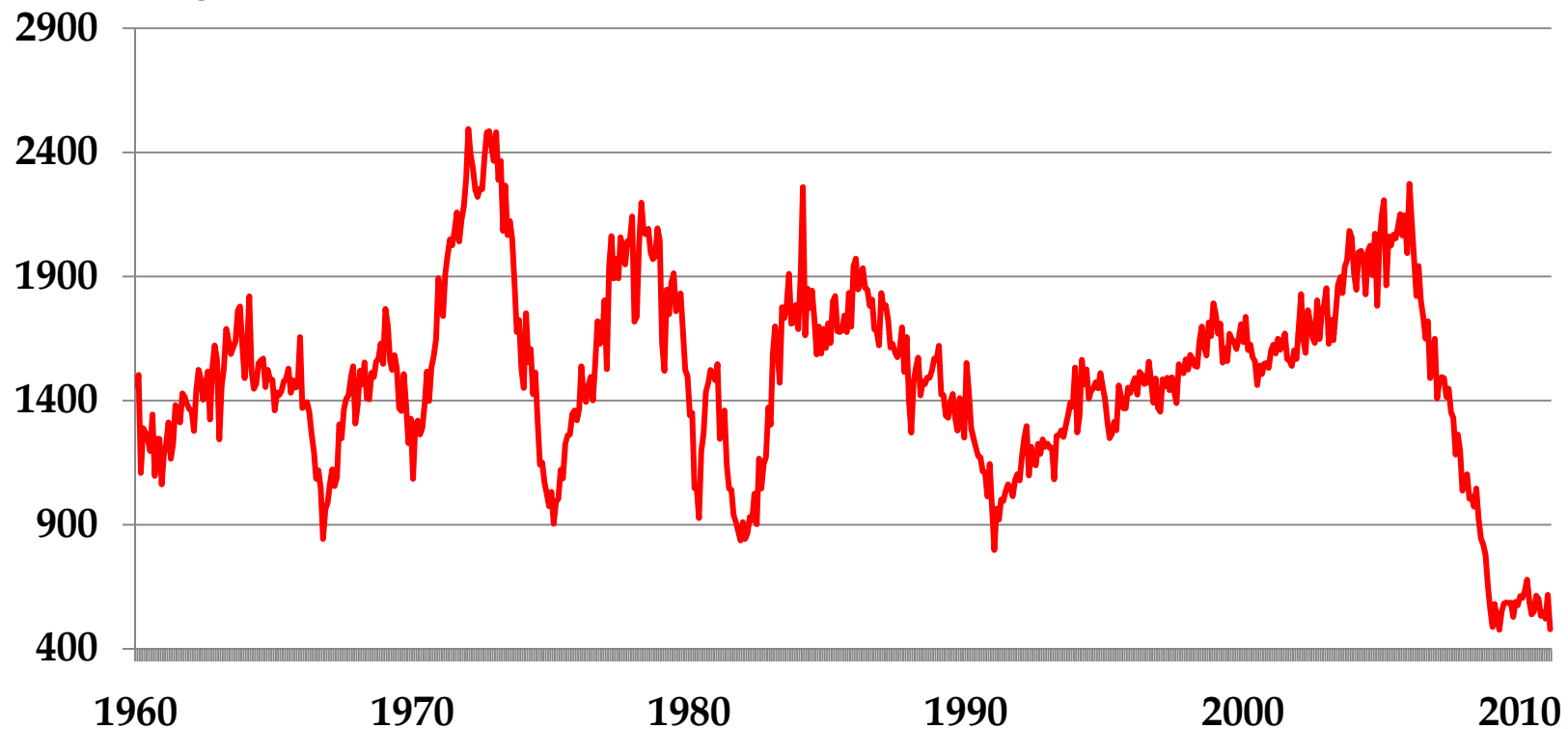
Source: Institute for Supply Management; Canadian Chamber of Commerce



Housing Remains Achilles Heel Of U.S. Recovery



Housing Starts, '000 of units

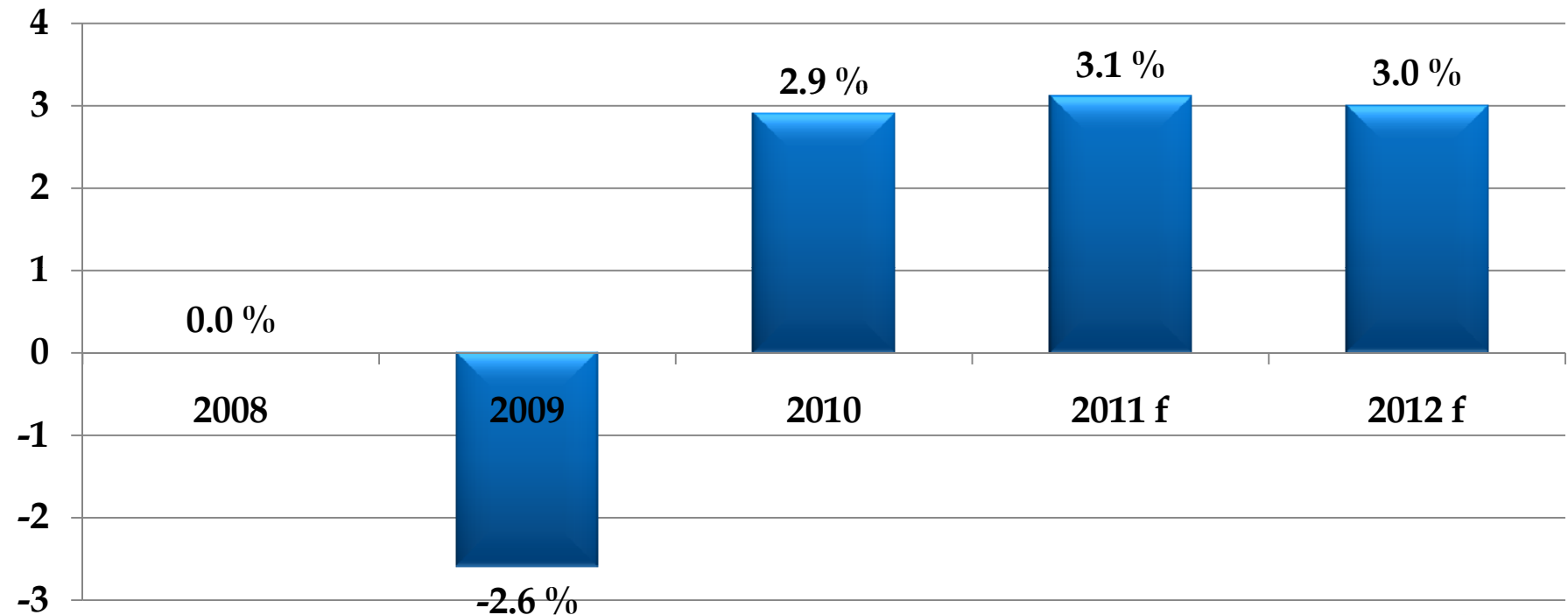


Source: U.S. Department of Commerce, Census Bureau;
Canadian Chamber of Commerce

Outlook For The U.S. – Sustainable, Economic Expansion



Real GDP Growth (year-over-year annual % change)

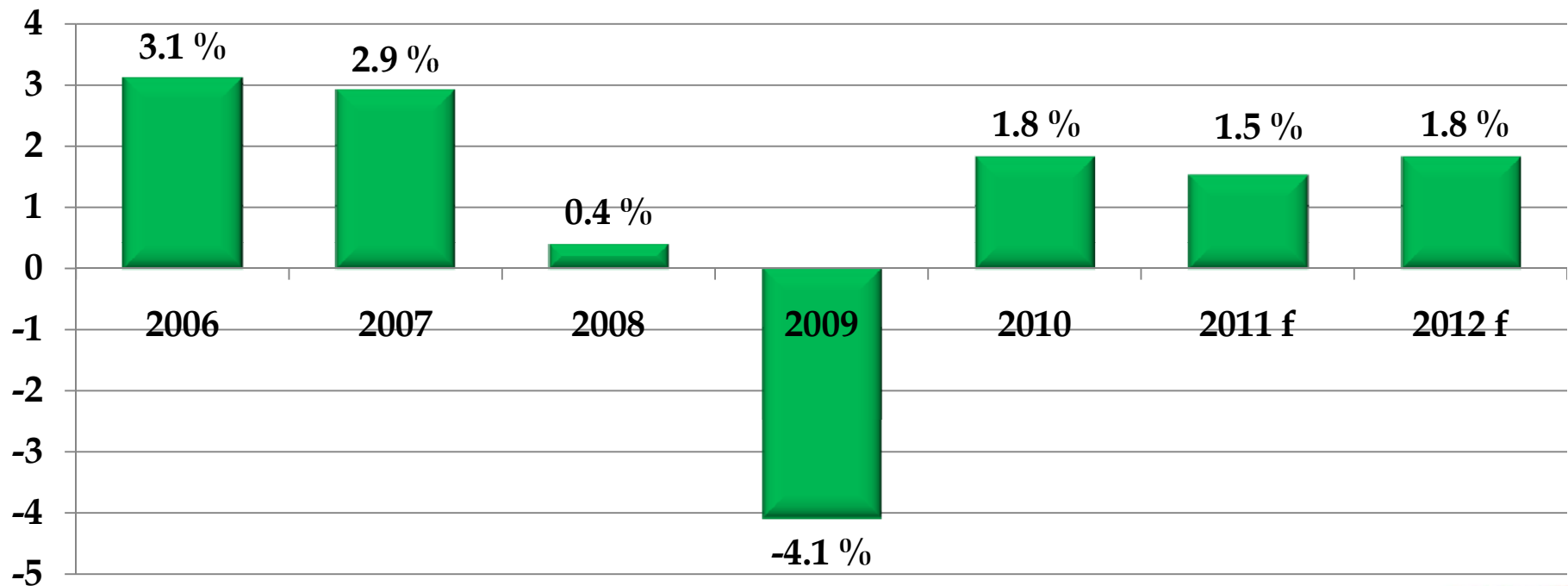


Source: U.S. Bureau of Economic Analysis; Canadian Chamber of Commerce. f = forecast

Positive Underlying Economic Momentum In The Euro Zone



Real GDP Growth (year-over-year annual % change)



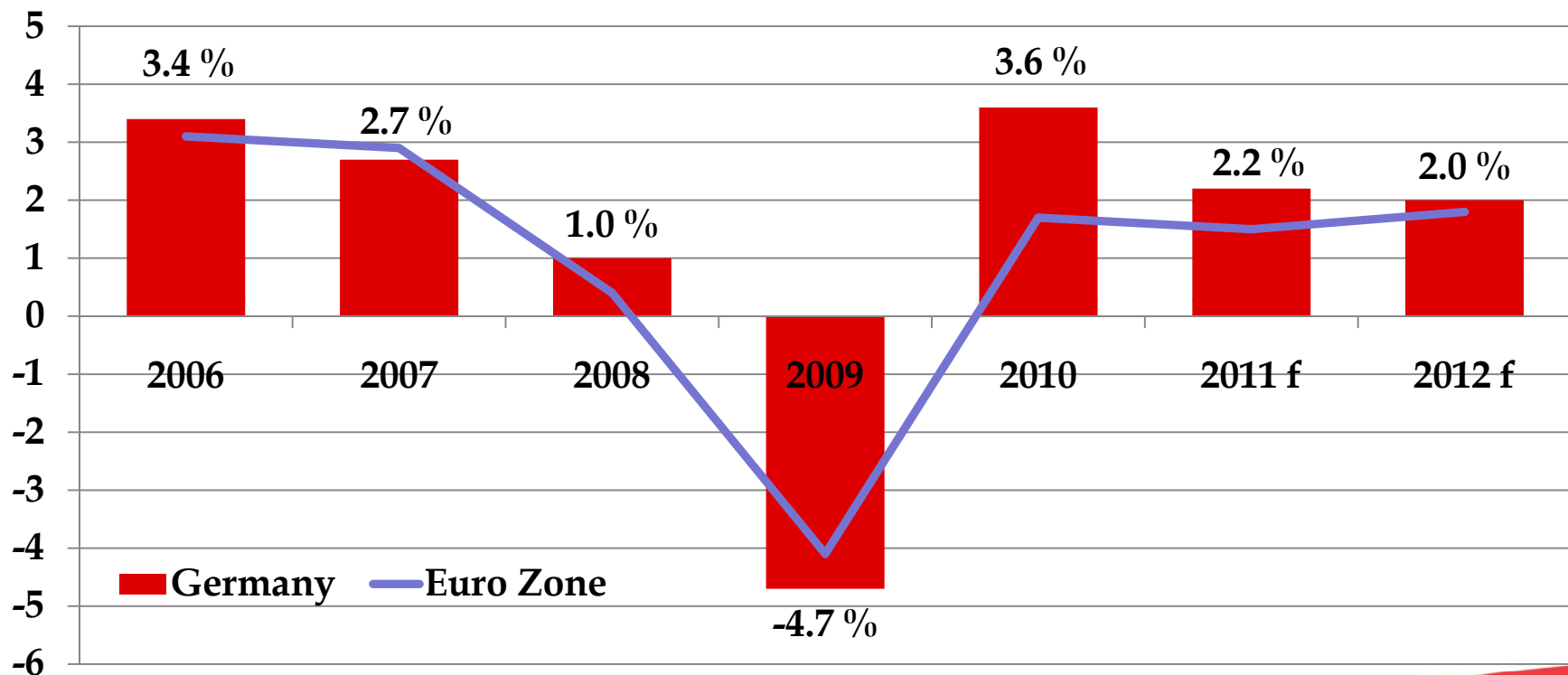
Source: Eurostat; Canadian Chamber of Commerce. f = forecast

Note: Data refers to the EU-17.

German Juggernaut Propels Euro Zone GDP



Real GDP Growth (year-over-year annual % change)

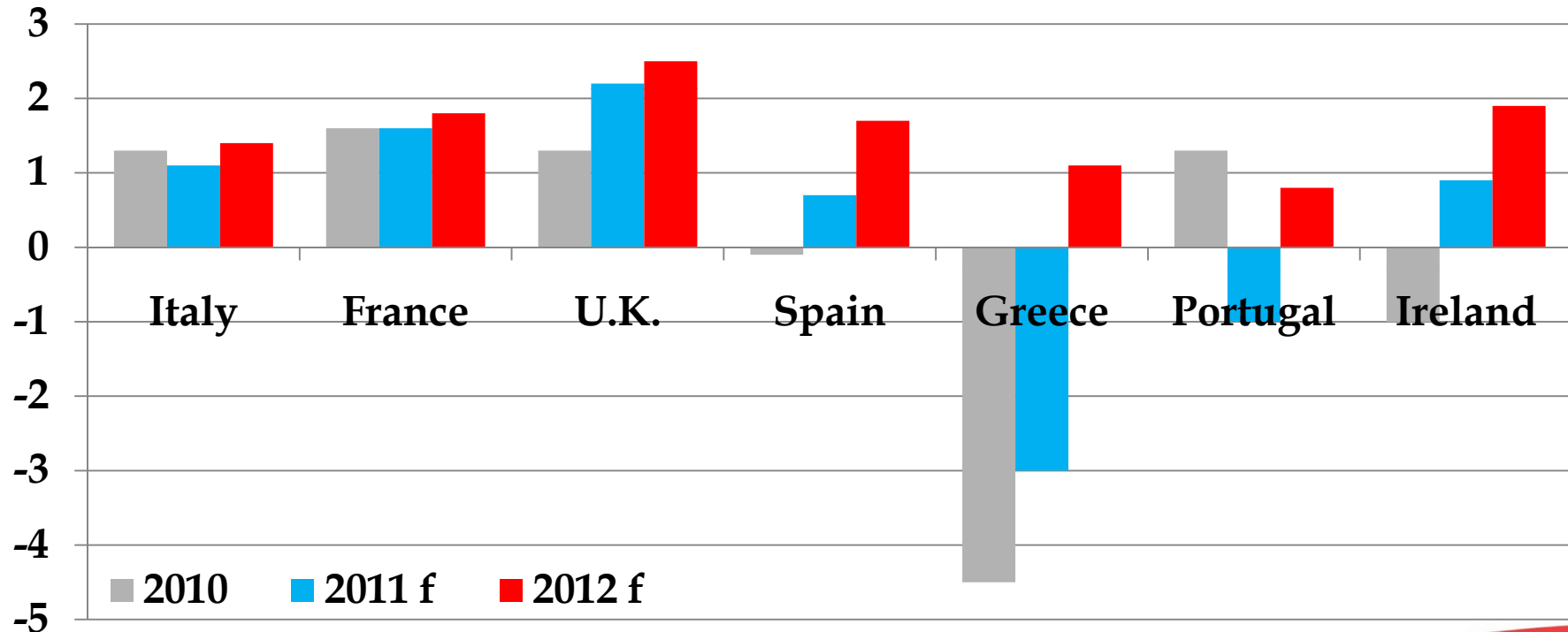


Source: Eurostat; Canadian Chamber of Commerce. f = forecast

European Economies Most Affected By Debt Struggle To Grow



Real GDP Growth (year-over-year annual % change)

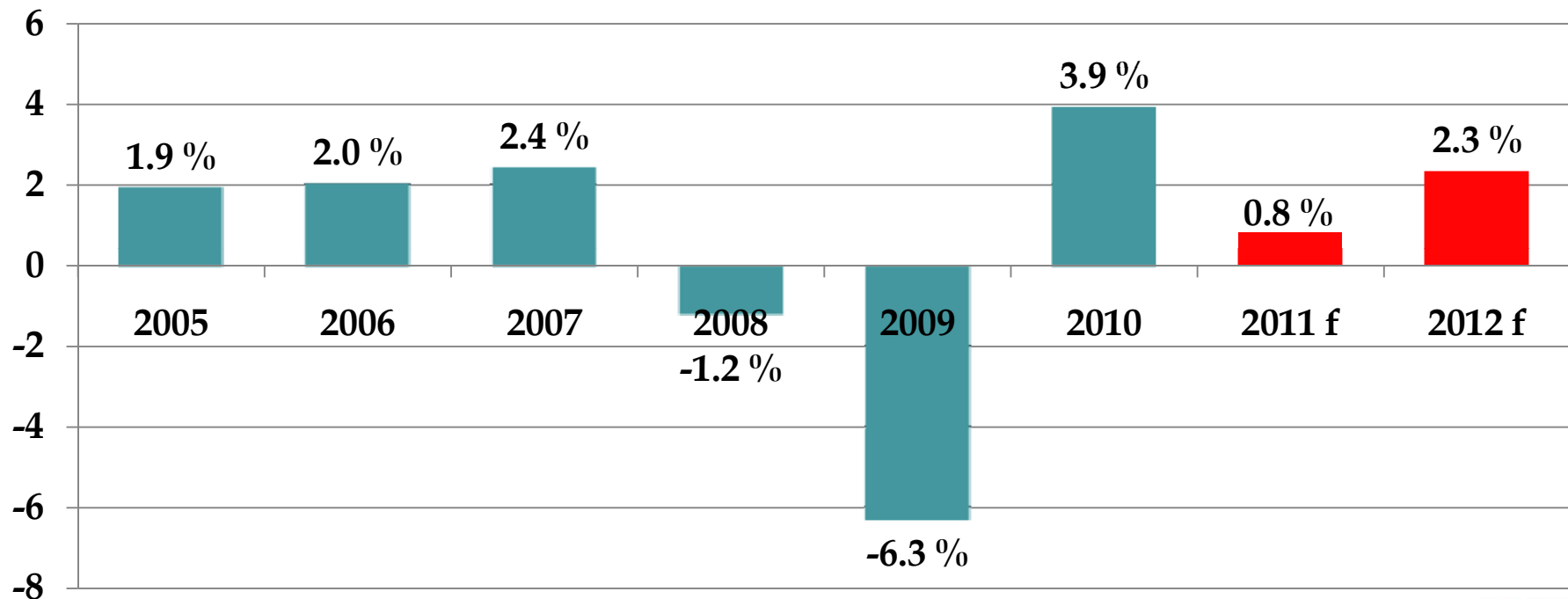


Source: Eurostat; Canadian Chamber of Commerce. f = forecast

The Japanese Economy Was Turning Up, But Its Ability To Sustain The Recovery In The Short-Run Is Weak



Real GDP Growth (year-over-year annual % change)



Source: OECD; Canadian Chamber of Commerce. f = forecast

Japan Plays A Critical Role In Some Manufacturing Supply Chains



- Japan produces about 30% of the world's flash memory used in electronic cameras and smartphones and around 15% of the D-Ram memory used in PCs (source: Financial Times, March 16, 2011)
- Supply of batteries, Blu-ray compact discs, and magnetic heads used in hard disk drives also affected by the quake and power shortage (source: TrendForce, March 14, 2011)
- Supply chain disruptions have forced at least one global automaker to delay the launch of two new models and are forcing other industries to shutter plants and rethink their logistical infrastructure (source: Chicago Tribune, March 23, 2011)
- Auto parts shortages disrupt vehicle production in Ontario assembly plants – Toyota, Honda, Chrysler affected

Japan Is A Major Trading Partner For Canada But Represents Only 2.3% Of Canadian Exports



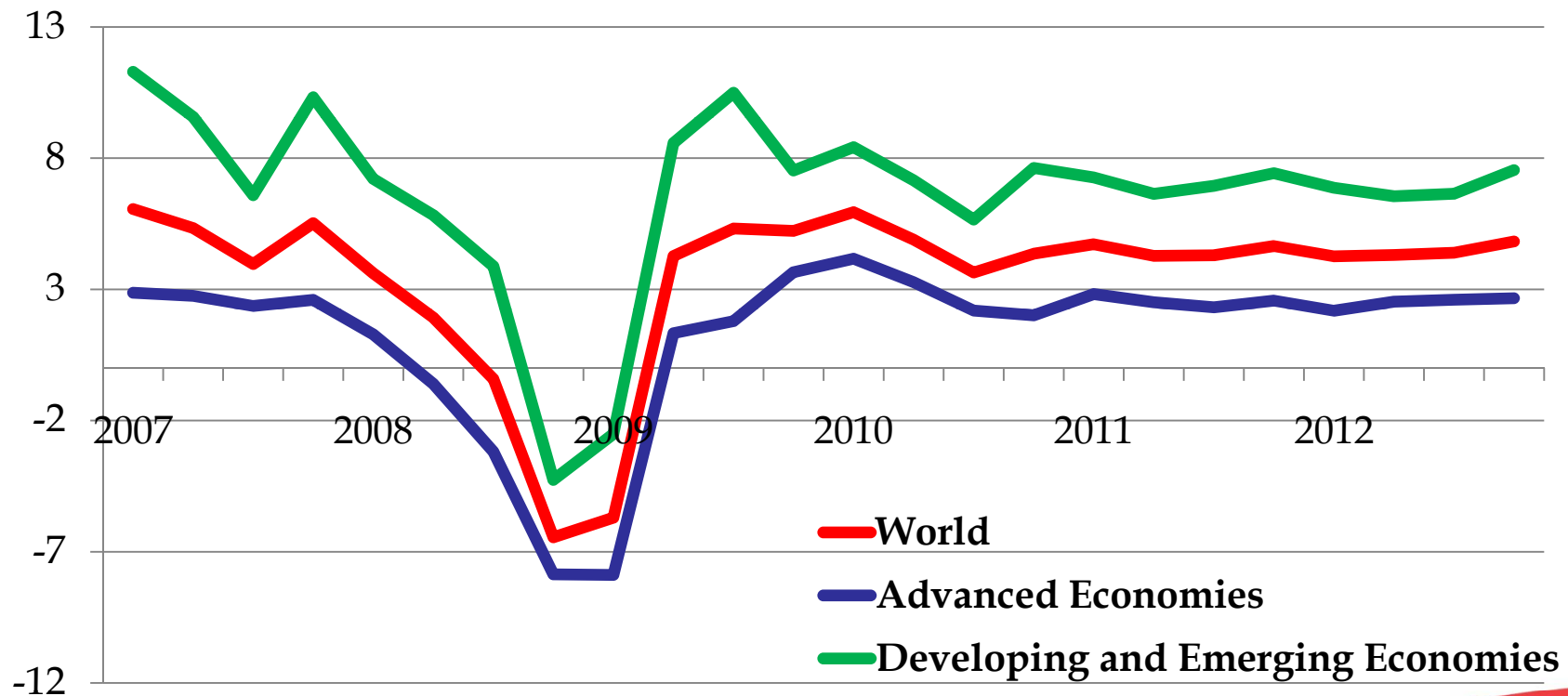
Top Canadian Exports to Japan	% of total exports to Japan	Top Canadian Imports from Japan	% of total Japanese imports
Mineral Fuels, oils	22.3%	Motor Vehicles, cycles, trailers	42.5%
Oil seeds, fruit, grain	15.3%	Boilers, mechanical appliances	19.4%
Meat	11.7%	Electrical machinery & equip	13.8%
Wood, charcoal	9.7%	Optical, medical, instruments	4.6%
Ores, slag & ash	16.5%	Rubber	3.4%
Cereals	4.6%	Iron and steel	3.4%
Woodpulp, paper	3.6%	Aircraft, spacecraft	2.9%
Seafood	3.2%	Plastic	0.9%
Aluminum	2.6%	Iron, steel	0.9%

Source: Asia Pacific Association of Canada

Developing And Emerging-Market Economies Are Leading The Way



Real GDP growth (quarter/quarter % change, annualized)

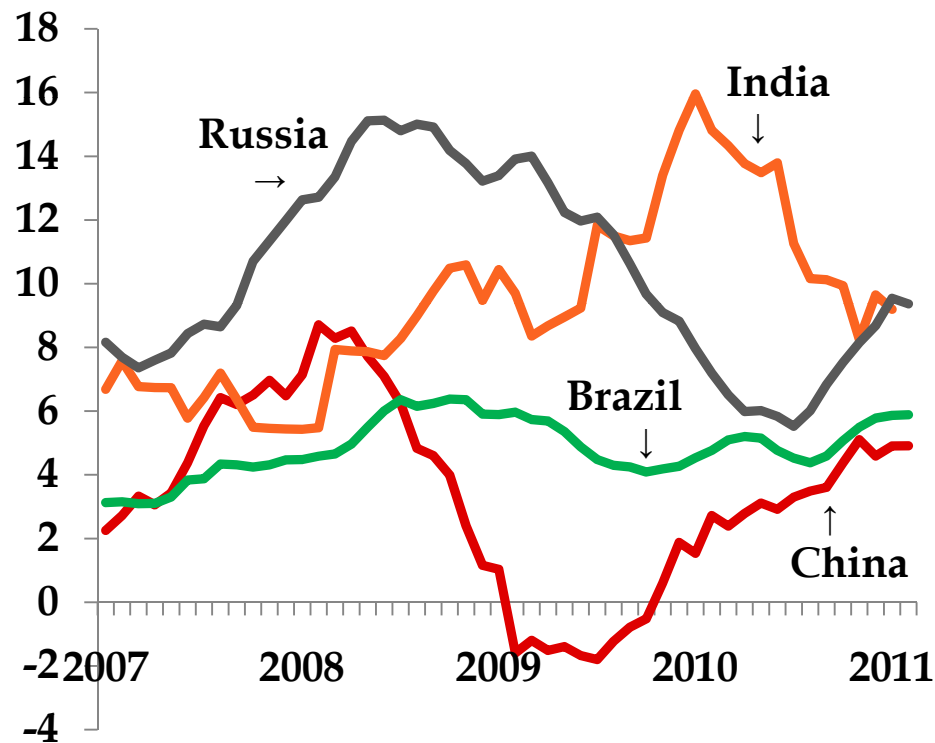


Source: International Monetary Fund; Canadian Chamber of Commerce

Inflationary Pressures Are Mounting In Emerging-Market Economies



Headline Inflation (year/year % change)



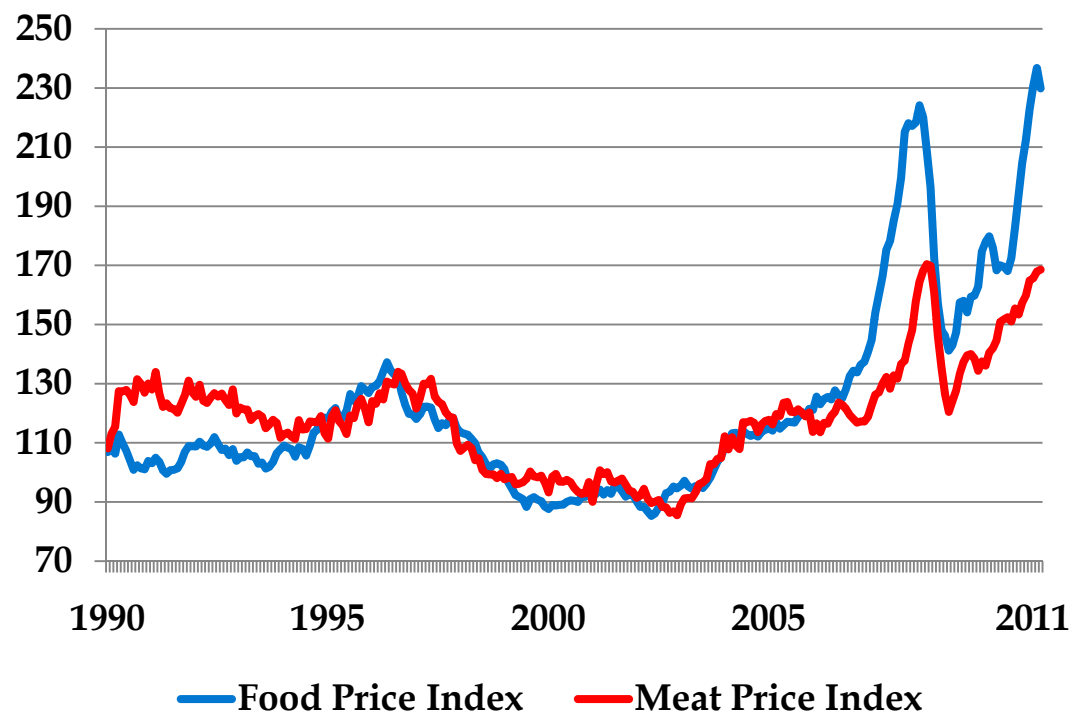
The uptick in consumer price inflation in emerging economies in 2010 was attributable partly to rising food prices. But the recent bout of high food price inflation has been quite persistent, straining the budgets of low-income households and beginning to feed into overall price inflation in a number of economies. (Source: IMF, January 25, 2011).

Source: International Monetary Fund;
Canadian Chamber of Commerce

Food Inflation Is A Serious Issue



UN Monthly Price Indices (2002-2004=100)



Food inflation (March):
+3.3% y/y in Canada
and +2.9% y/y in the
U.S.

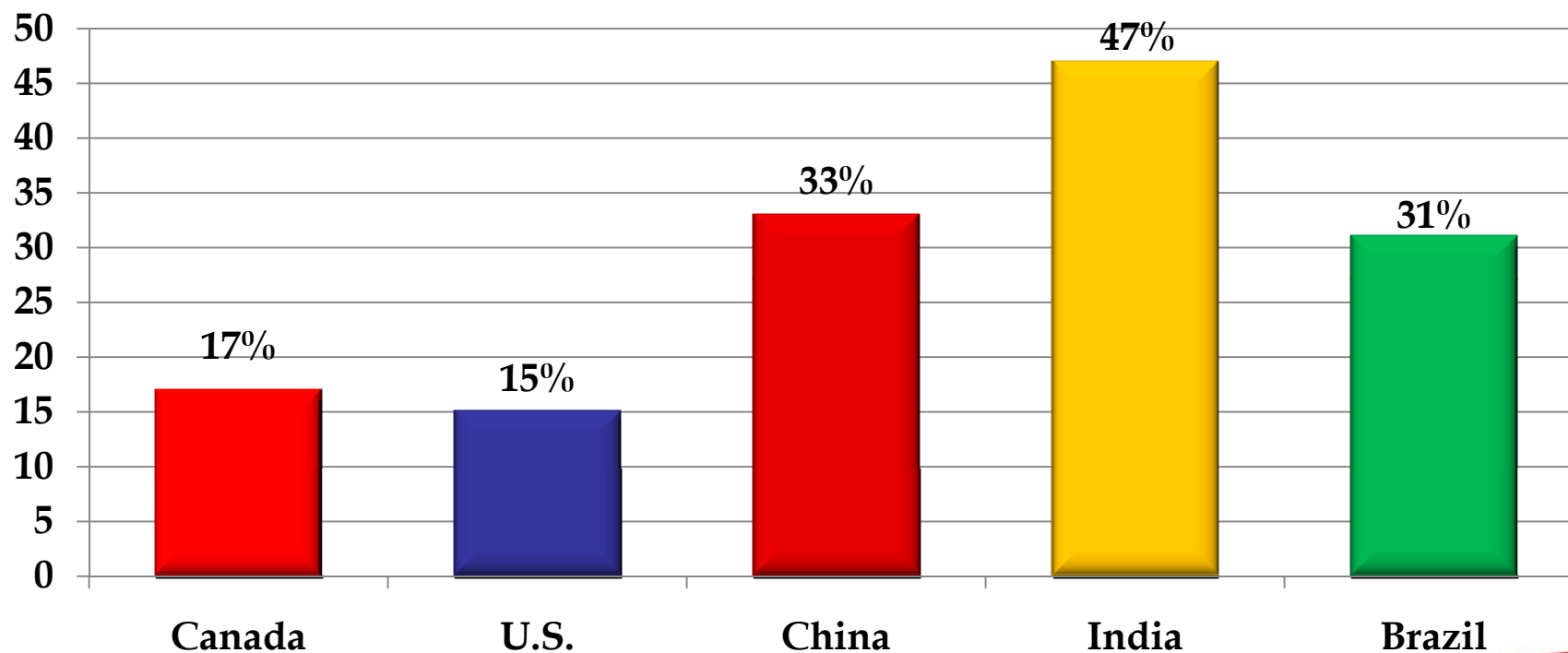
In sharp contrast, food
inflation in emerging
market economies, like
China, India, Brazil and
Indonesia, is in the 9%-
14% range.

Source: Food and Agriculture Organization of the
United Nations; Canadian Chamber of Commerce

Food Accounts For A Larger Share Of Household Expenditures In Developing And Emerging-Market Economies



Food Weighting in Average Household's Consumption Basket



Source: National Statistical Agencies;
Canadian Chamber of Commerce

Powerful Economic Momentum In China Is Benefiting Other Countries In The Region Through Ever-Growing Trade Ties



China's Economy has grown at an average annual rate of 10.3% over the last decade and is expected to expand by over 9% this year and next.

China's Top Import Suppliers

Japan	\$130.9 B
South Korea	\$102.6
Taiwan	\$85.7
U.S.	\$77.4
Germany	\$55.8
Australia	\$39.4
Malaysia	\$32.3
Brazil	\$28.3
Thailand	\$24.9
Saudi Arabia	\$23.6

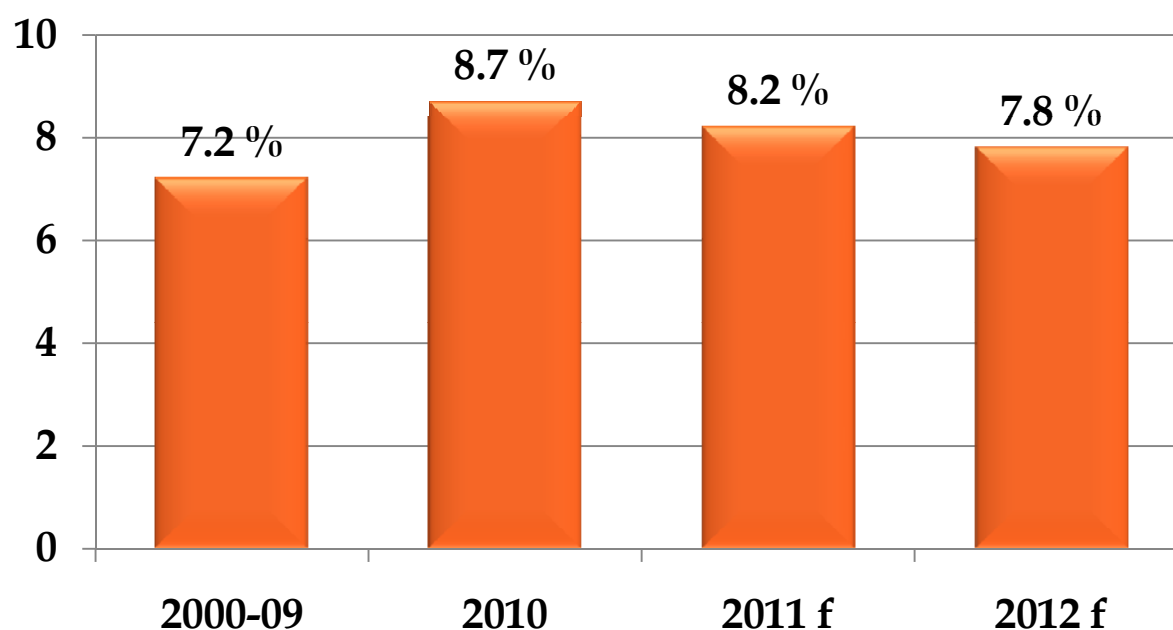
Source: PRC General Administration of Customs, *China's Customs Statistics*

India Is Witnessing An Unprecedented Level Of Economic Expansion



India is a cost effective and labor intensive economy, and has benefited immensely from outsourcing of work from developed countries, and has a strong manufacturing and export oriented industrial framework. (Source: EconomyWatch)

Real GDP Growth (year-over-year annual % change)



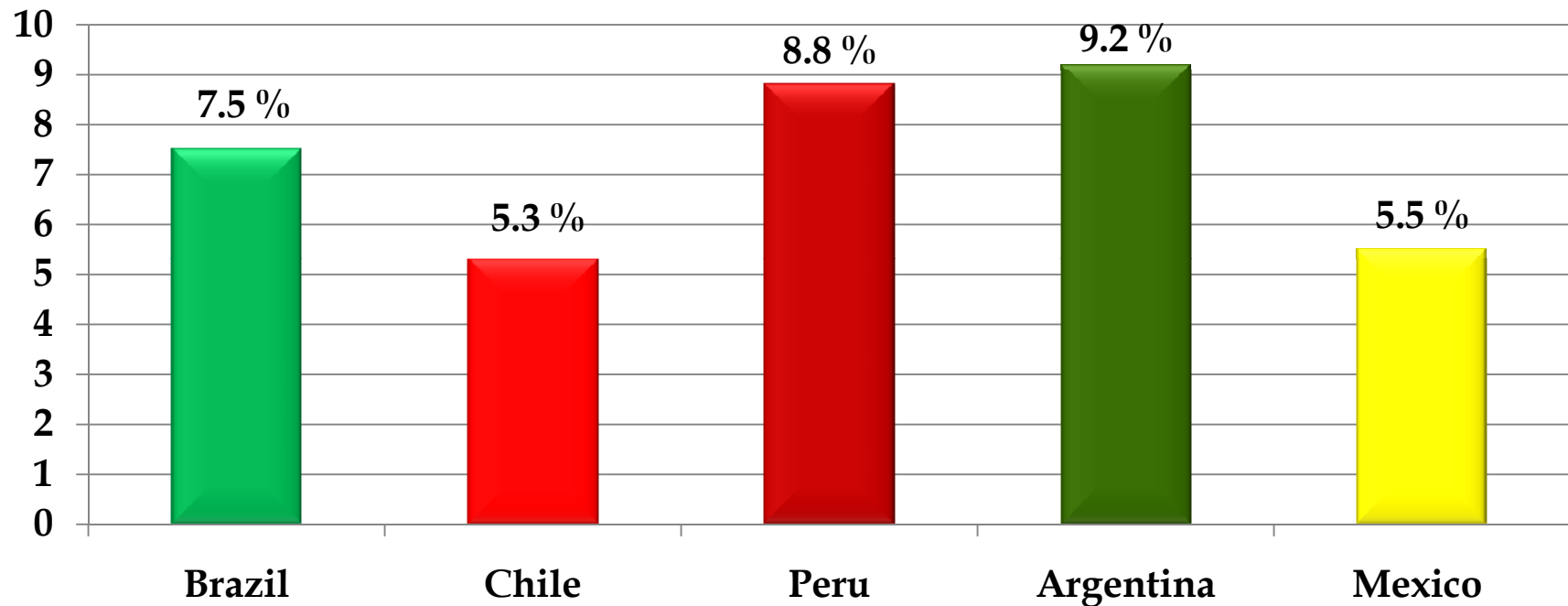
Source: International Monetary Fund; Canadian Chamber of Commerce



Many Latin American Countries Galloped Away From The Global Recession At Top Speed



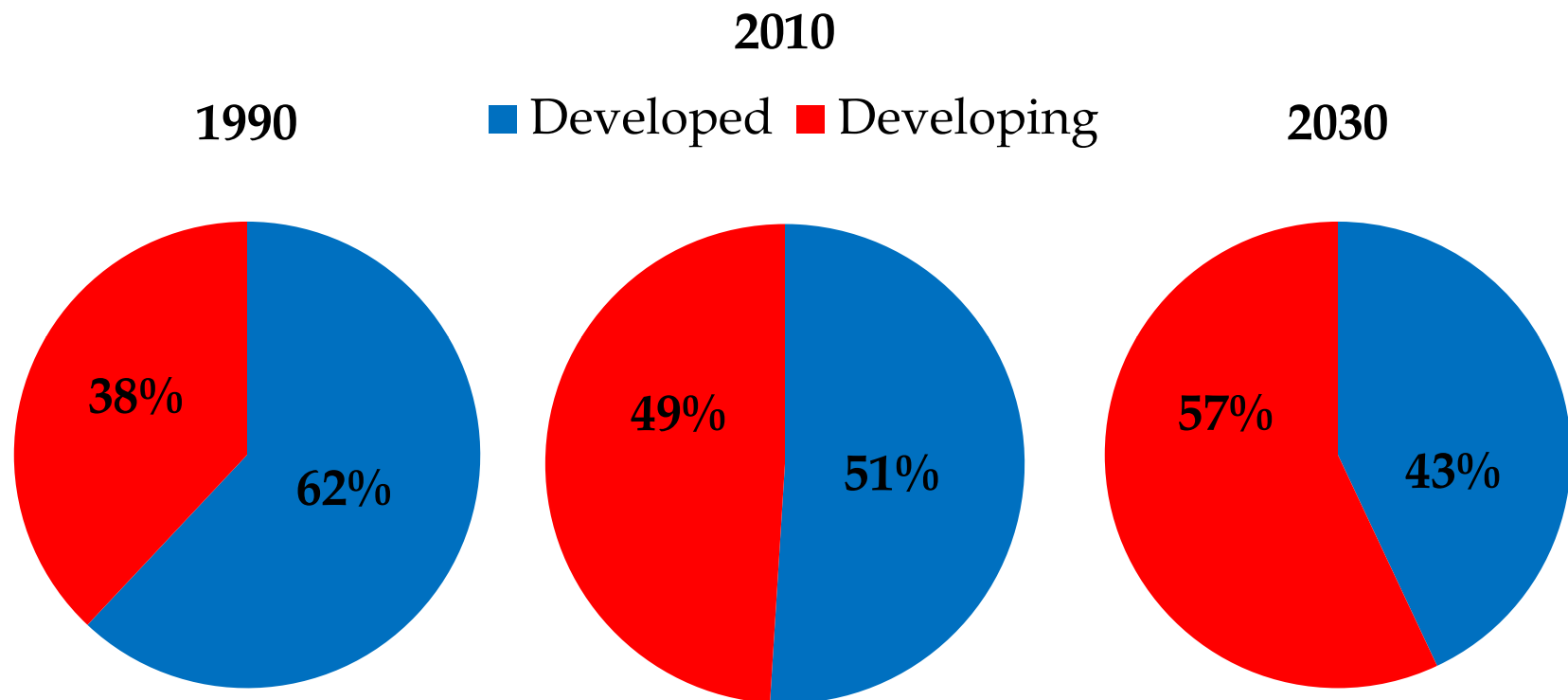
2010 Real GDP Growth (year-over-year annual % change)



Source: National Statistics Agencies; Canadian Chamber of Commerce



Developing Countries' Share Of Global Output Is Rising Rapidly



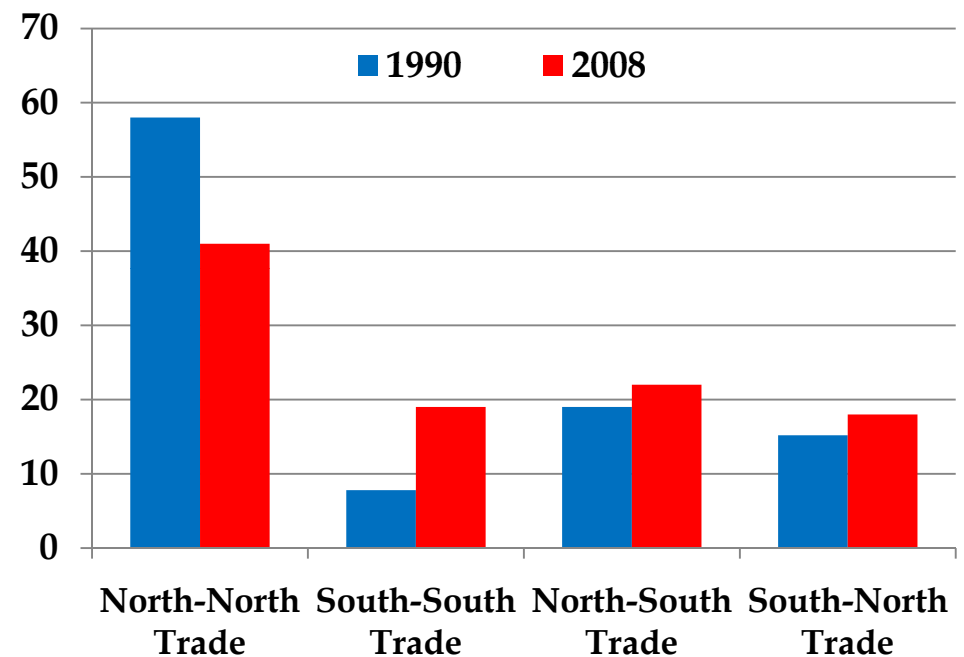
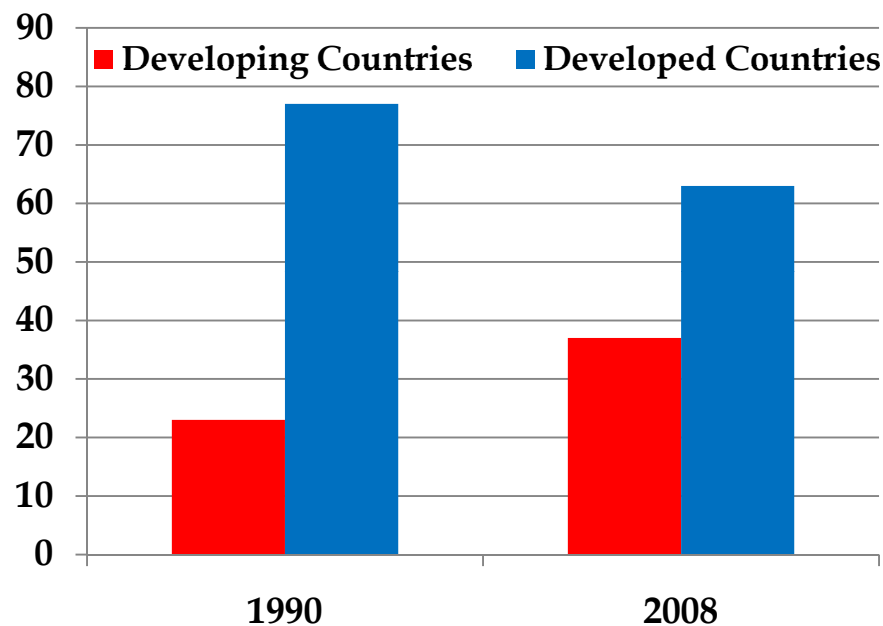
Source: OECD; Canadian Chamber of Commerce



Global Trade Is Being Transformed



Share of Global Trade (%)

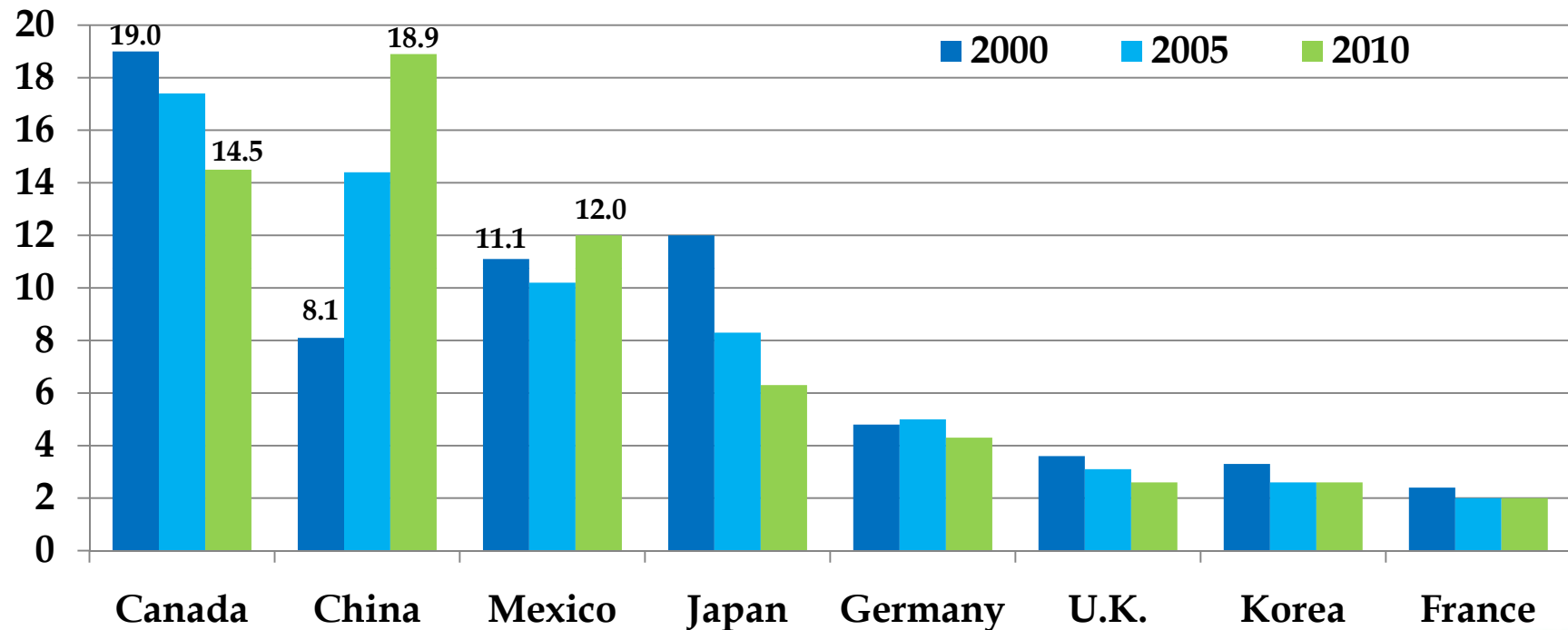


Source: UNCTAD (2010a); Canadian Chamber of Commerce

Canada Is Losing Share Of The U.S. Import Market



Share of U.S. Imports (%)



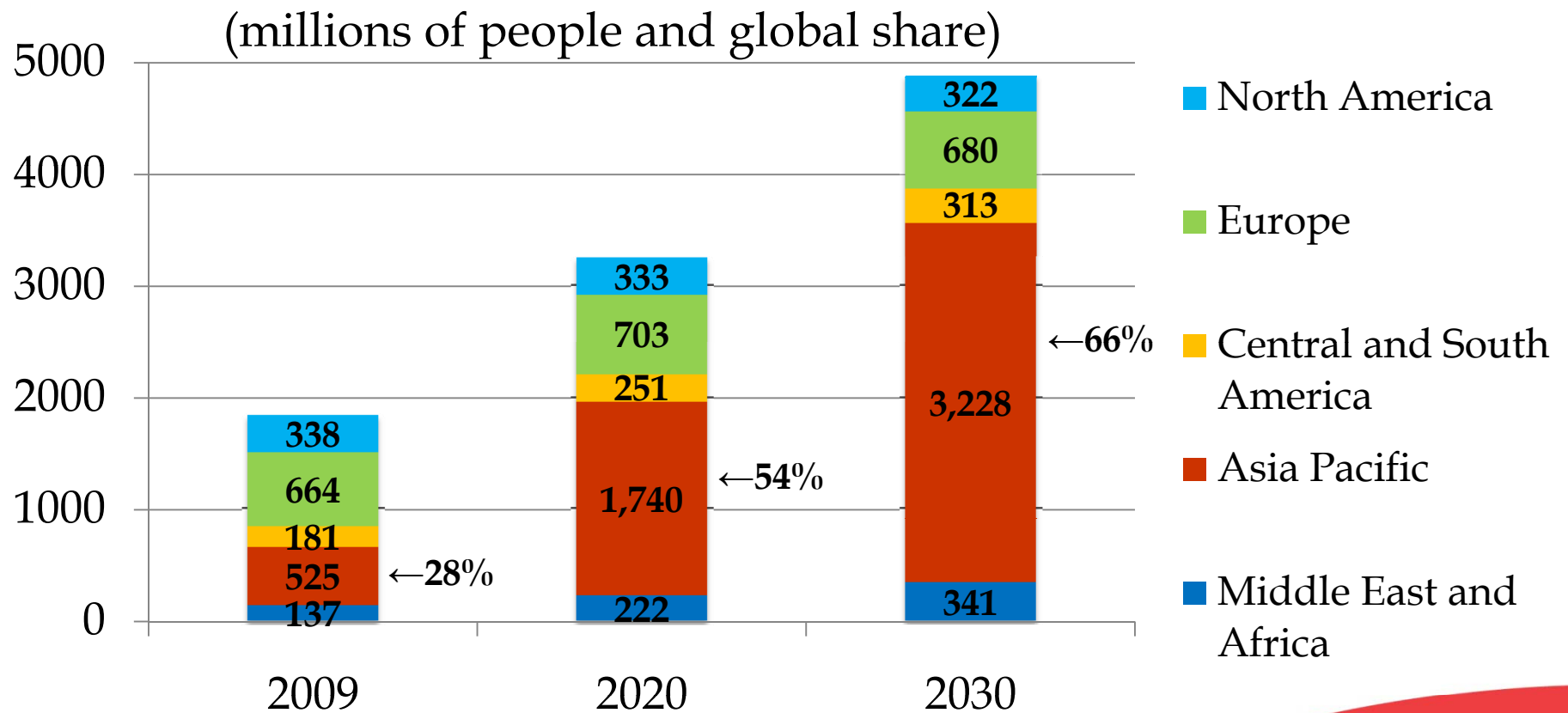
Source: U.S. Bureau of Economic Analysis; Canadian Chamber of Commerce

Developing Countries Offer Enormous Opportunities For Canadian Exporters



- In 2010, only 3.3% of Canada's merchandise exports – roughly \$13 billion worth – went to China accounting for just **1.1%** of Chinese goods imports
- Just 0.5% of Canada's merchandise exports – about \$2 billion worth – headed for India supplying just **0.8%** of India's import demand
- 0.9% of our exports were destined for South Korea – valued at \$3.7 billion – representing **1.1%** of Korean imports
- There are also enormous trading opportunities in Latin America's strongest and freest economies

A New Global Middle Class Is Rising Up



Source: The Brookings Institution; Canadian Chamber of Commerce

Middle Class Consumption Shifting From West To East And From North To South



Share of global middle class consumption (%)

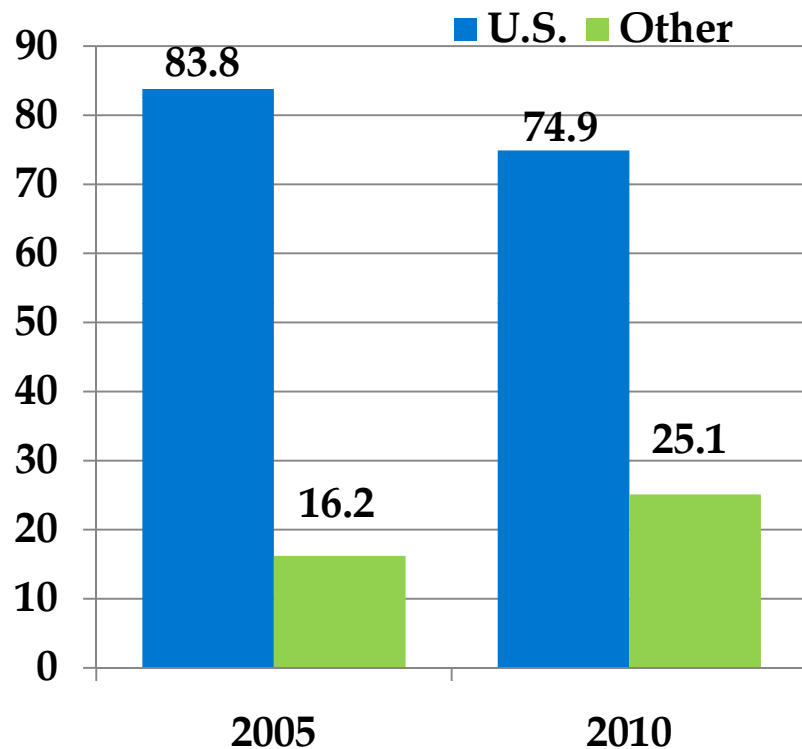
2009		2020		2030	
United States	21%	China	13%	India	23%
Japan	8%	United States	12%	China	18%
Germany	6%	India	11%	United States	7%
France	4%	Japan	6%	Indonesia	4%
United Kingdom	4%	Germany	4%	Japan	4%
Russia	4%	Russia	3%	Russia	3%
China	4%	France	3%	Germany	2%
Italy	3%	Indonesia	3%	Mexico	2%
Mexico	3%	Mexico	3%	Brazil	2%
Brazil	3%	United Kingdom	3%	France	2%

Source: The Brookings Institution

Canadian Exporters Are Looking Beyond The Traditional U.S. Market And Are Expanding Internationally



Share of Canadian Merchandise Exports (%)



	2005	2010
United States	83.8	74.9 ↓
Mexico	0.8	1.3 ↑
W. Europe	6.2	9.4 ↑
Other Europe	0.4	0.7 ↑
Asia-Pacific	6.5	9.9 ↑
Middle East	0.6	1.1 ↑
Africa	0.5	0.8 ↑
L. America/Caribbean	1.1	1.9 ↑

Source: Foreign Affairs and International Trade Canada;
Canadian Chamber of Commerce

Positioning Canada For Success In The Global Marketplace – Government's Role



- Ensure the efficient and timely flow of goods across the Canada-U.S. border and make Canada a competitive gateway for North America
- Create new market opportunities for Canadian companies by seeking multilateral, regional and bilateral agreements with key trading partners
- Inject new political energy to expeditiously complete the WTO Doha Round of multilateral trade negotiations
- Maintain continued vigilance against protectionism



The Onus Is On Businesses To Craft A Sustainable Competitive Advantage To Capitalize On New Market Opportunities



- Better promote products and build internationally recognizable brands that contribute to the priorities of increasingly health-conscious and environmentally aware consumers
- Continue to modernize and automate facilities to improve productivity
- Differentiate products from the competition by adding value and bringing new innovative products to market
- Champion unencumbered global trade to improve market access in rapidly growing emerging markets
- Significantly increase investment in R&D, machinery & equipment and training of skilled workers
- Relentlessly focus on improving business operational efficiency and reducing operating costs



In Closing



- The economic balance of power is rapidly shifting from the North to the South and world trade is being transformed
- Immense consumer markets in developing and emerging-market economies, especially in Asia and Latin America, offer tremendous opportunities for Canadian meat processors
- Canada requires an ambitious, comprehensive and forward-looking strategy to boost our country's trade with other nations and remove trade barriers
- In the all-important U.S. market, our focus must be on ensuring the Canada-U.S. border does not impede the safe and efficient flow of goods
- The Canadian Meat Council has a vital role to play in ensuring Canada continues to be a leader in the global economic stage