

Canadian Economic Outlook

**2024 Annual Convention
Canadian Poultry & Egg Processors (CPEP)**

Florence Jean-Jacobs, Principal Economist, Desjardins

June 10, 2024



Global Economy

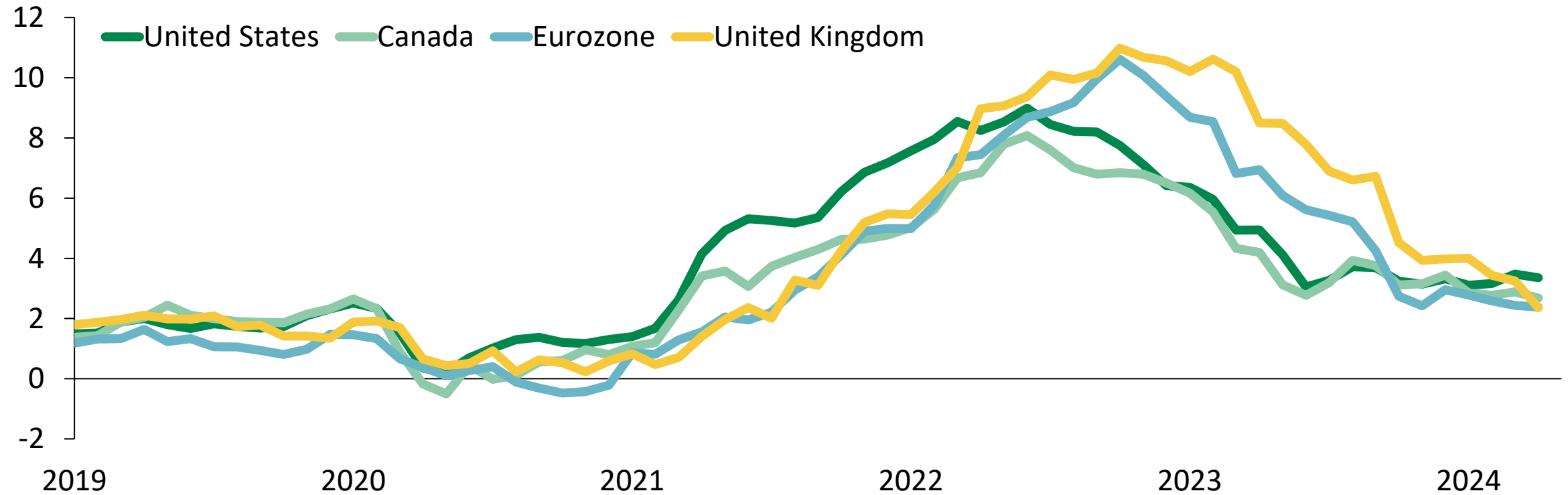


Global Economy

Inflation Has Come Down Substantially Around the Globe

Consumer price index

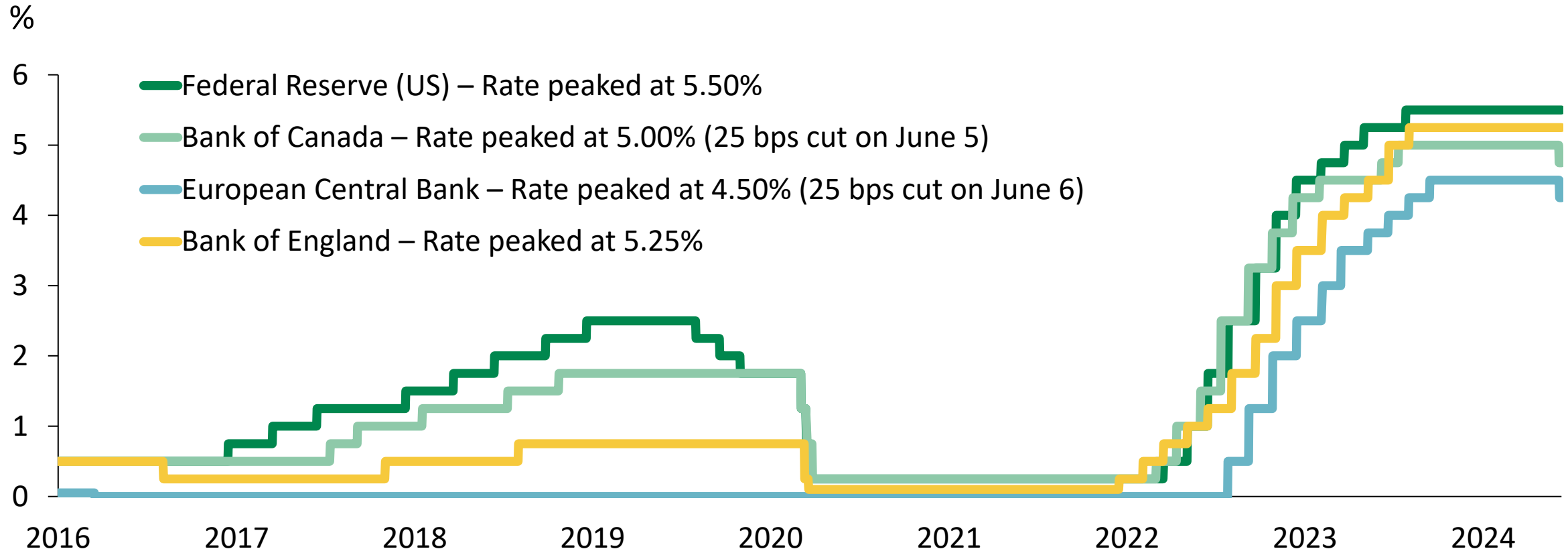
y/y % change



Global Economy

Aggressive Rate Hikes Have Helped to Rein In Inflation

Policy interest rates

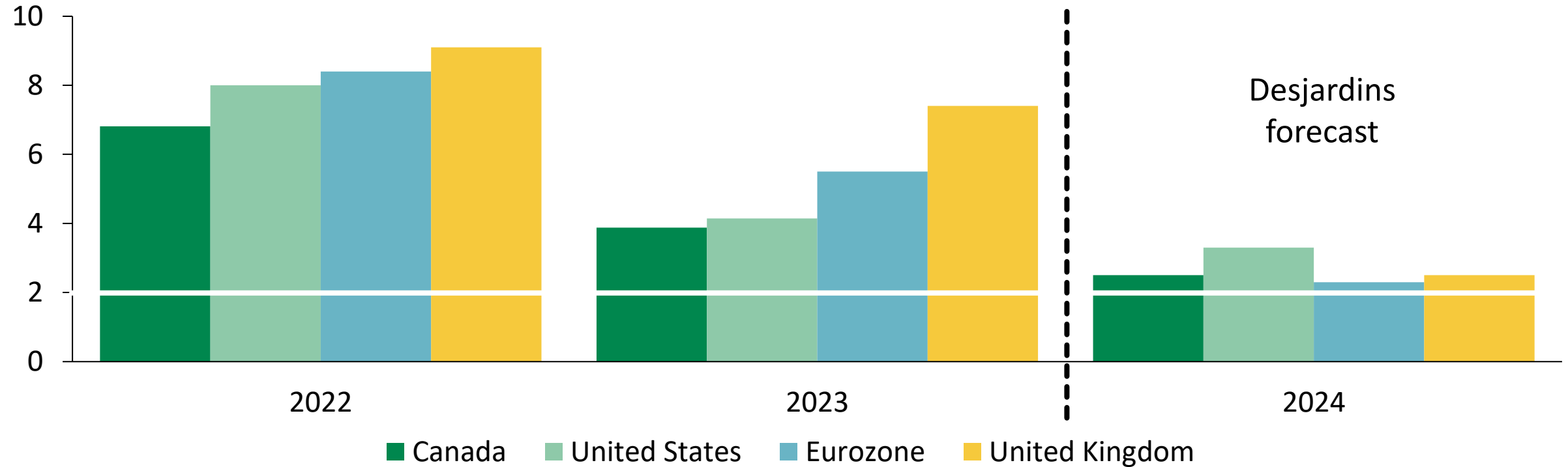


Global Economy

Inflation Is Expected to Steadily Slow toward 2% throughout 2024

Consumer price index

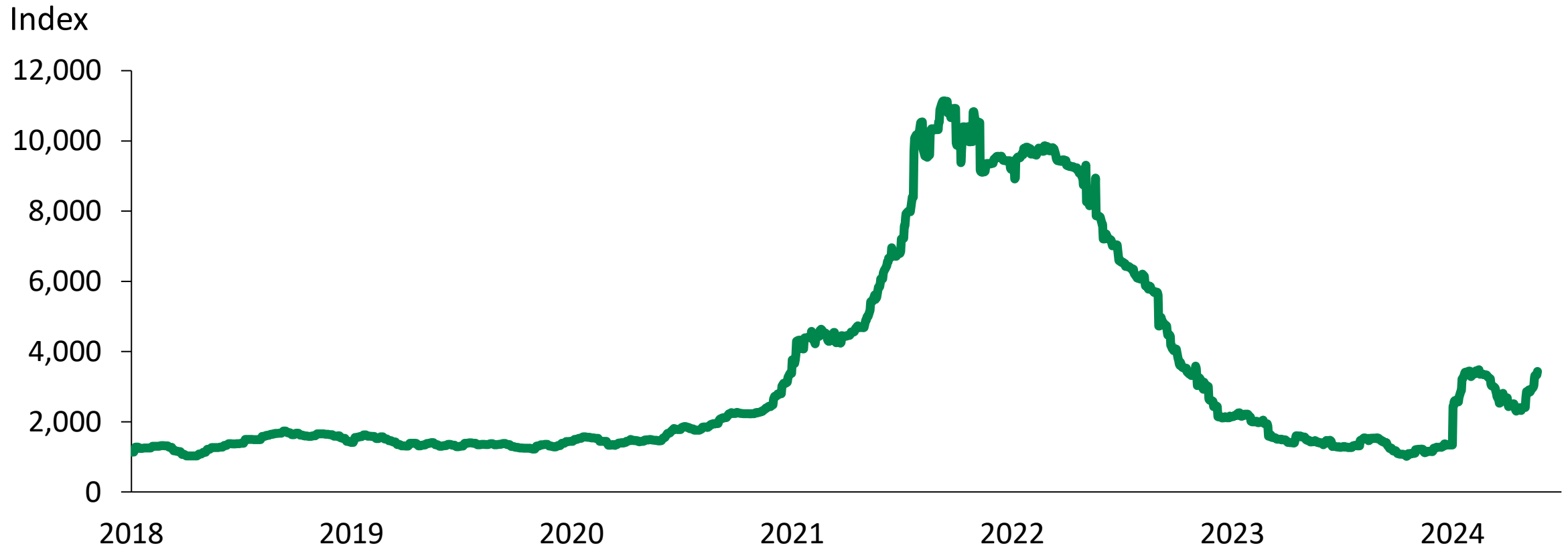
y/y % change



Global Economy

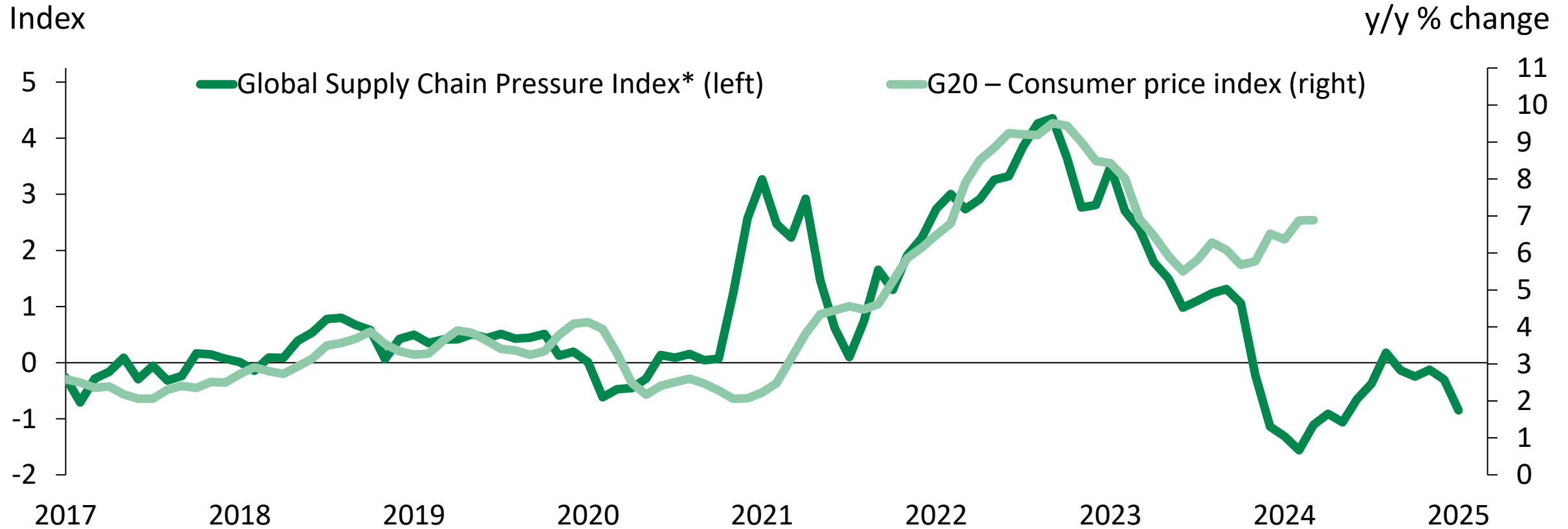
Ocean Freight Costs Have Fallen Sharply from Their Post-pandemic Peak, but Recently Edged Up

Freightos global container freight index (40' container)



Global Economy

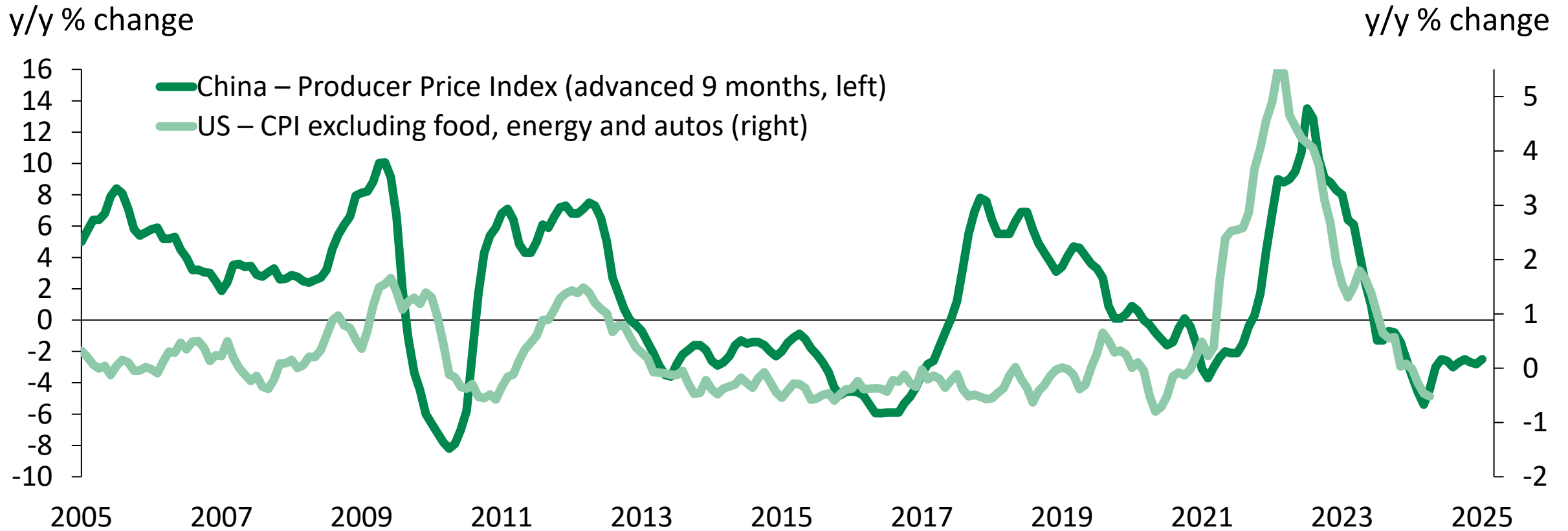
Declining Supply Chain Pressures Should Help Further Moderate Inflation



* Advanced 9 months.

Global Economy

A Weaker Global Economy Combined with Chinese Deflation Should Help Cool Inflation Worldwide

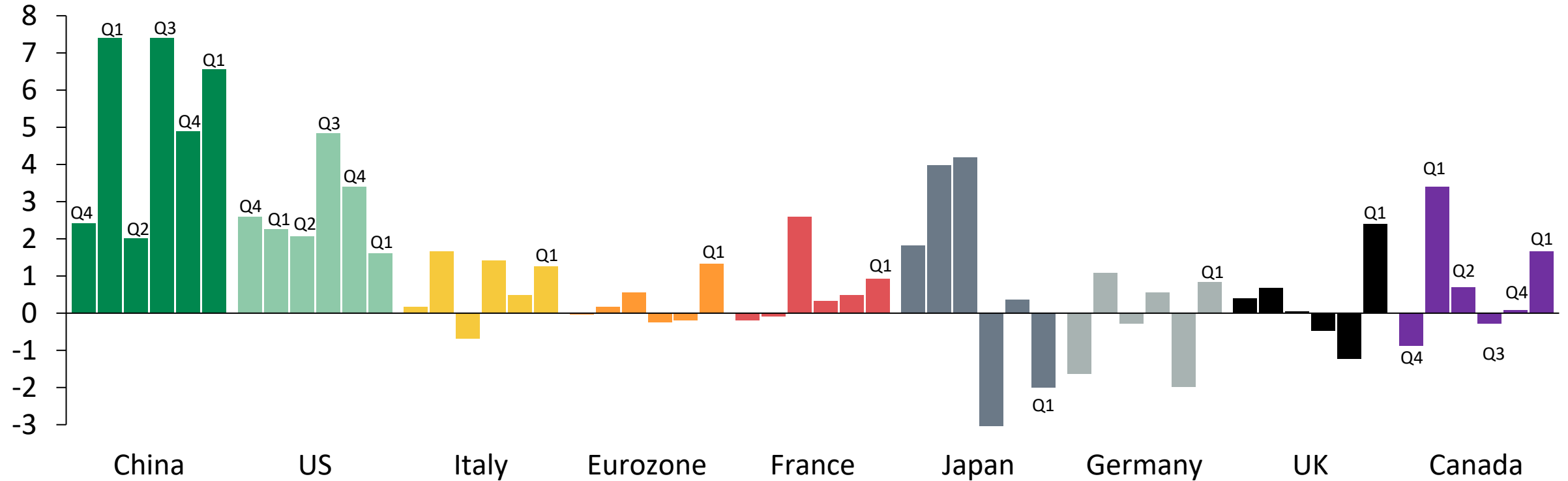


Global Economy

The Economic Slowdown Is More Apparent in Europe

Quarterly real GDP (starting with Q4 2022)

%, q/q, annualized

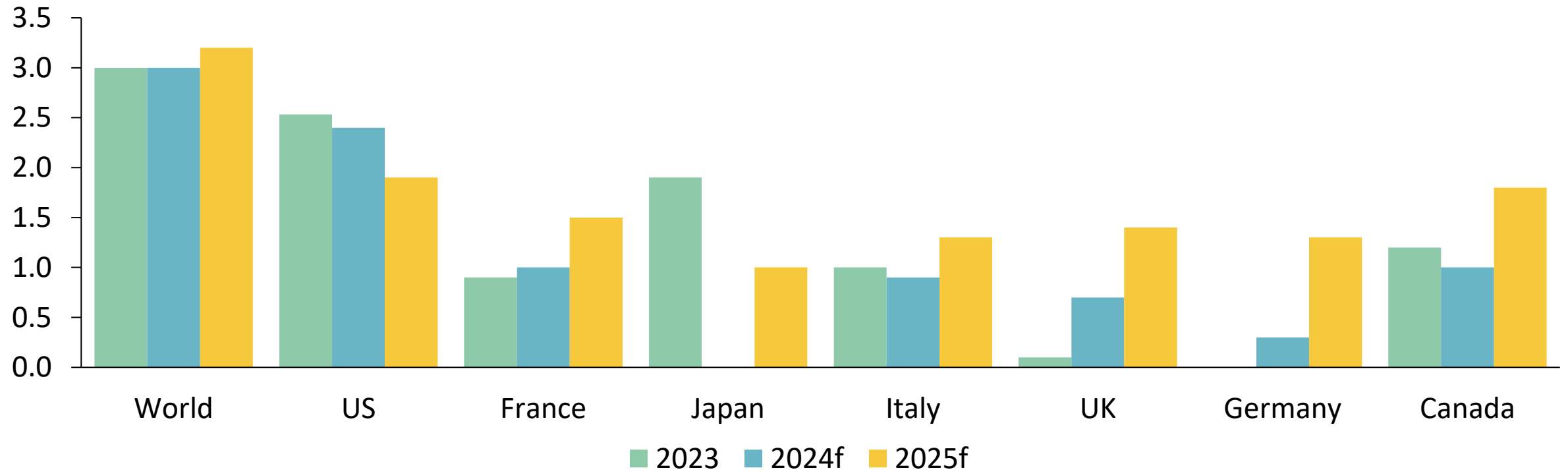


Global Economy

Rate Cuts Should Spur an Economic Rebound in 2025 for Most Advanced Economies

Real GDP

y/y % change



f: forecast

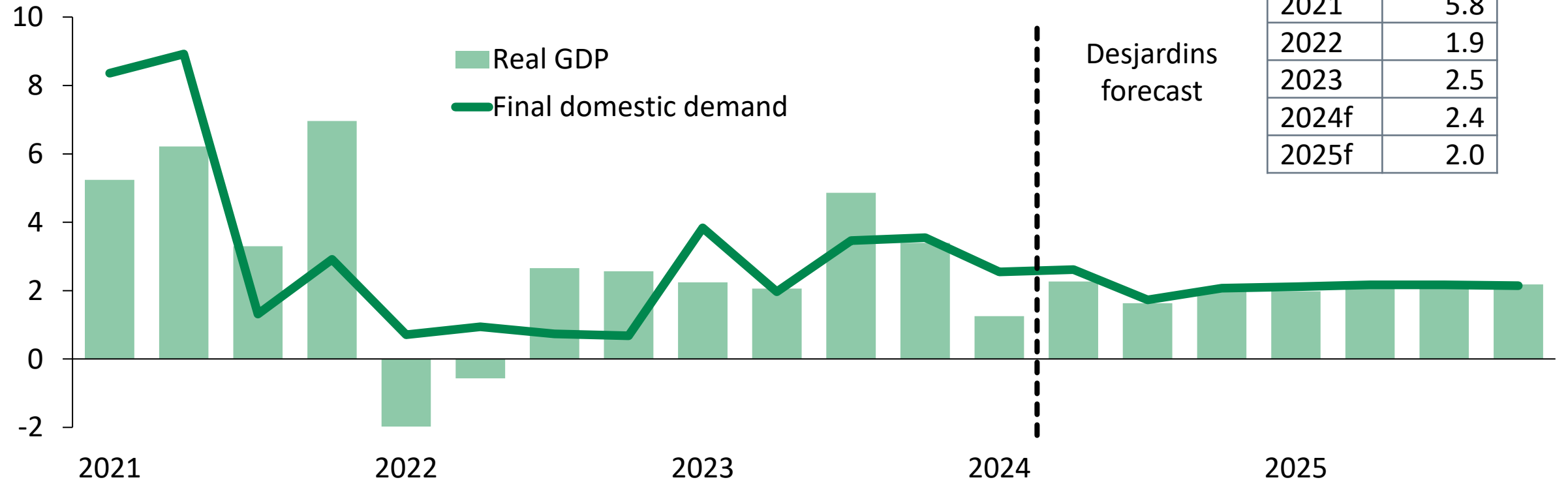
World Bank and Desjardins Economic Studies

United States

Real GDP Growth Slowed, but the US Avoided a Recession

United States

%, q/q, annualized

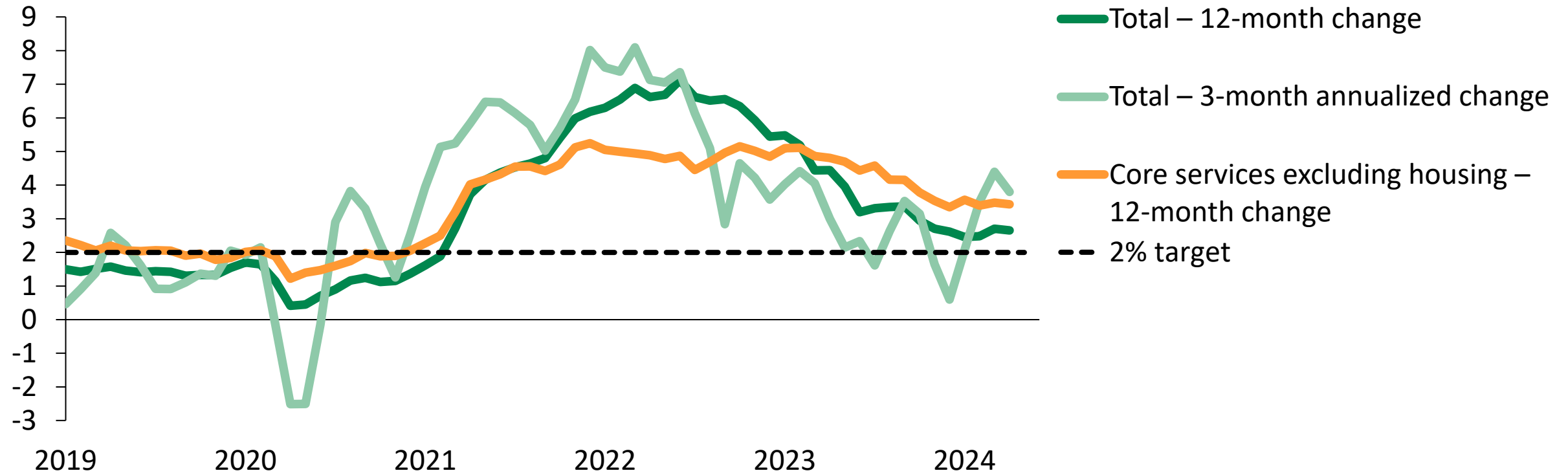


United States

Price Pressures Ticked Back Up in the US

United States – Personal Consumption Expenditures price index

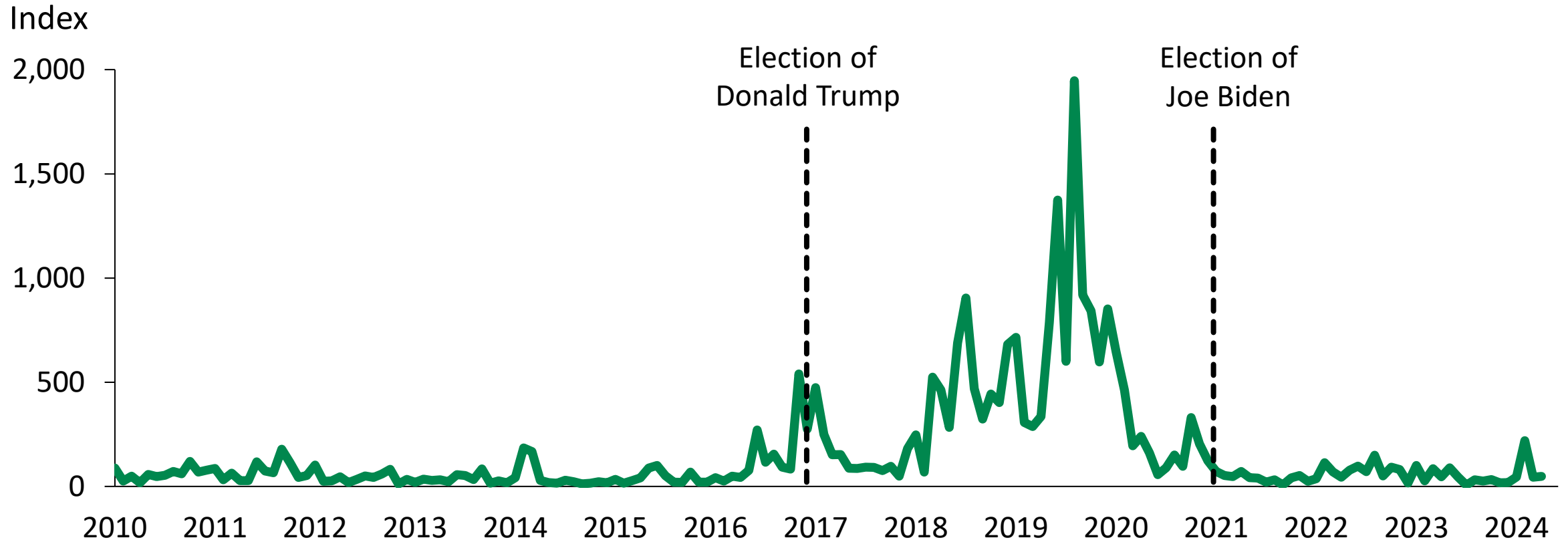
% change



United States

A Trump Presidency Could Increase Trade Policy Uncertainty

US economic policy uncertainty index – Trade policy



Global Economy

Five Themes to Watch in 2024

Themes

- 1 Monetary policy
- 2 US presidential election
- 3 Conflicts in Gaza and Ukraine
- 4 Climate change
- 5 Artificial intelligence (AI)

Canada



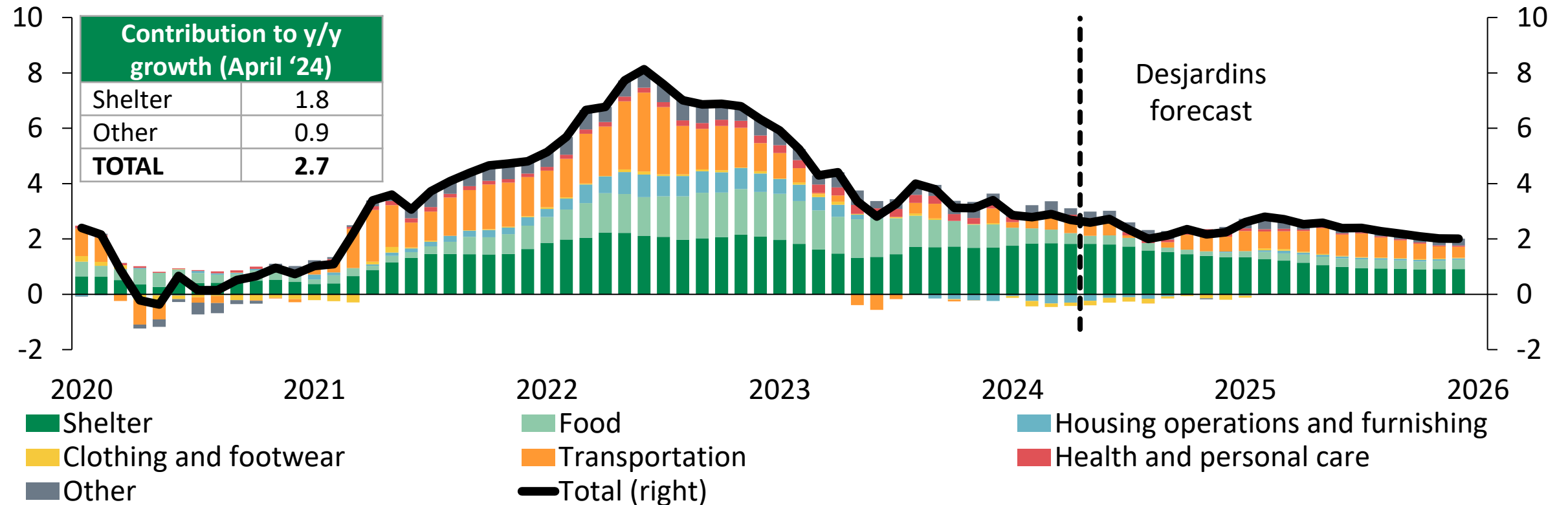
Canada

Inflation Is Expected to Hit 2% in 2024, but Shelter Price Growth Will Continue to Exert Upward Pressure

Total CPI inflation and its underlying decomposition

Percentage points

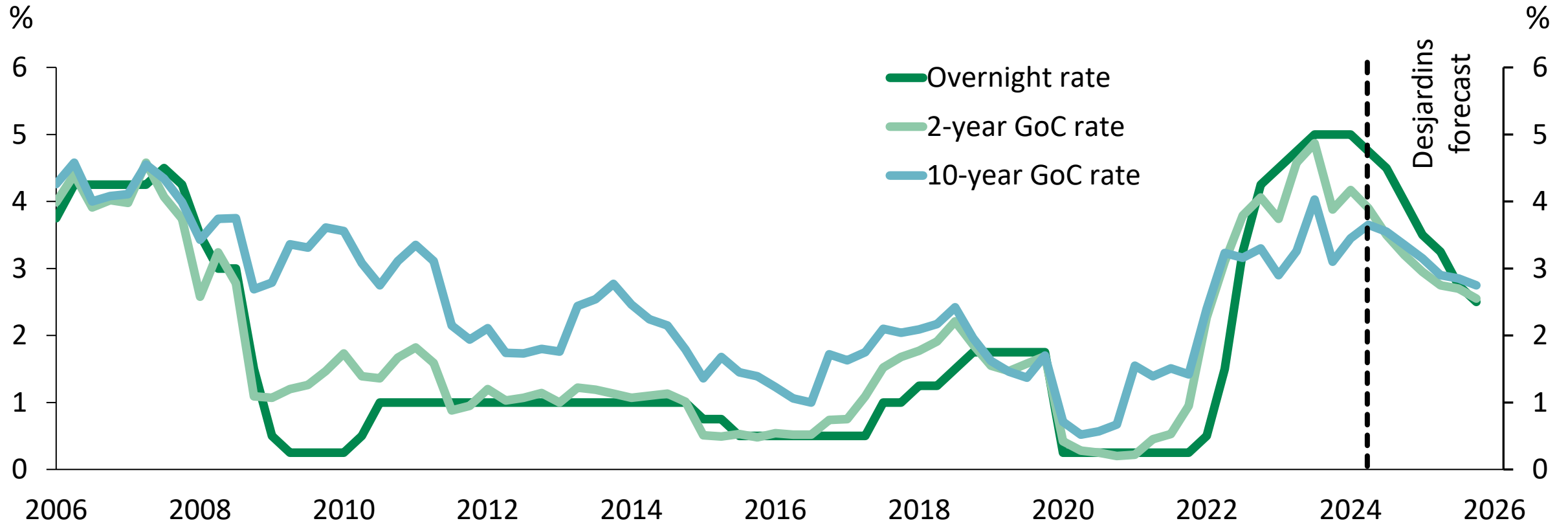
y/y % change



Canada

The Bank of Canada Began Monetary Easing on June 5

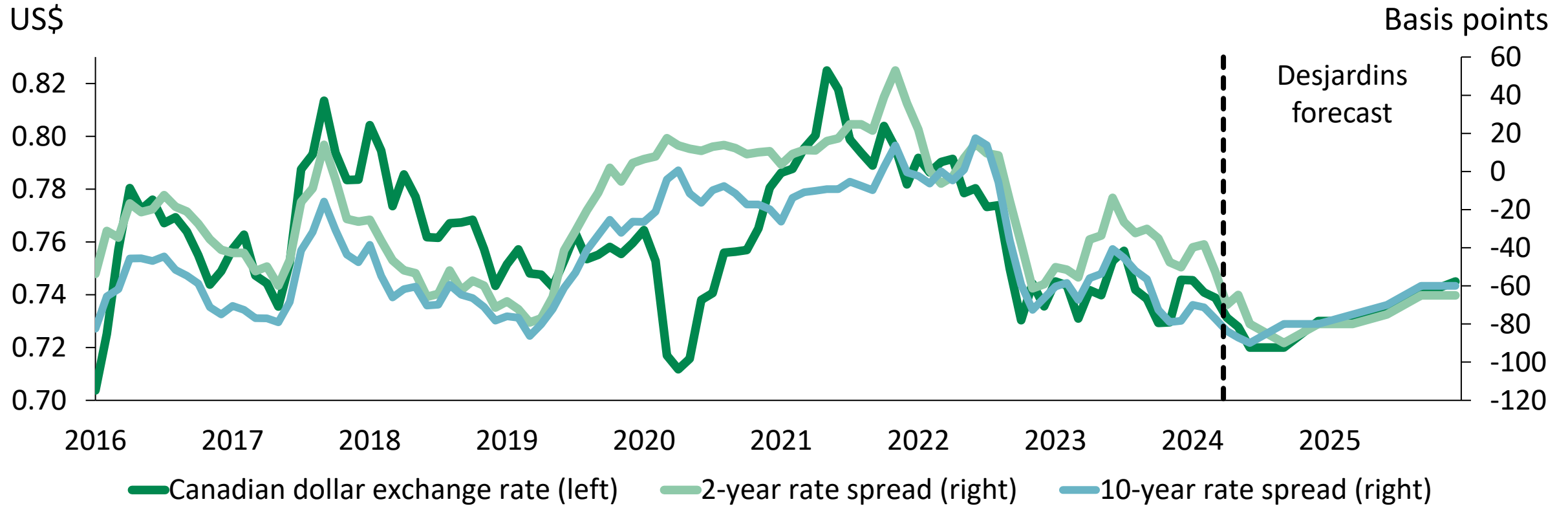
Policy rate and Government of Canada (GoC) bond yields



Canadian Dollar

Canada's Lower Interest Rates Will Likely Hold the Loonie Back in 2024 and 2025

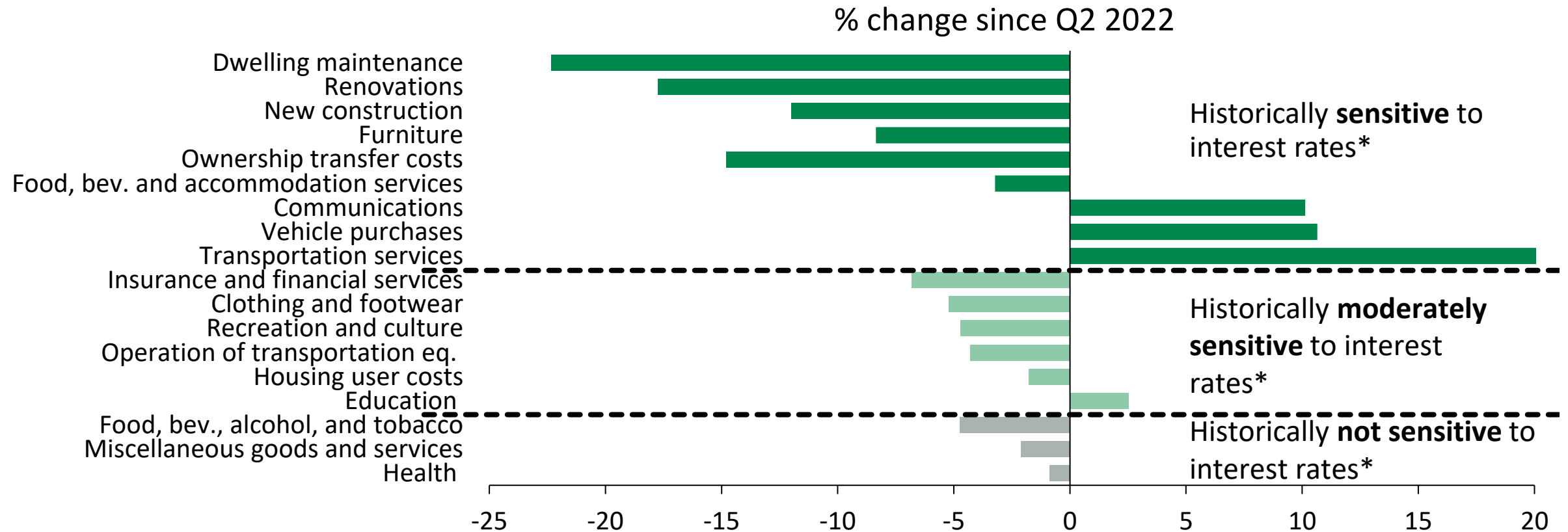
C\$ exchange rate



Canada

Past Rate Hikes Have Impacted Interest Rate-Sensitive Spending

Growth in per capita consumption and residential investment, by category



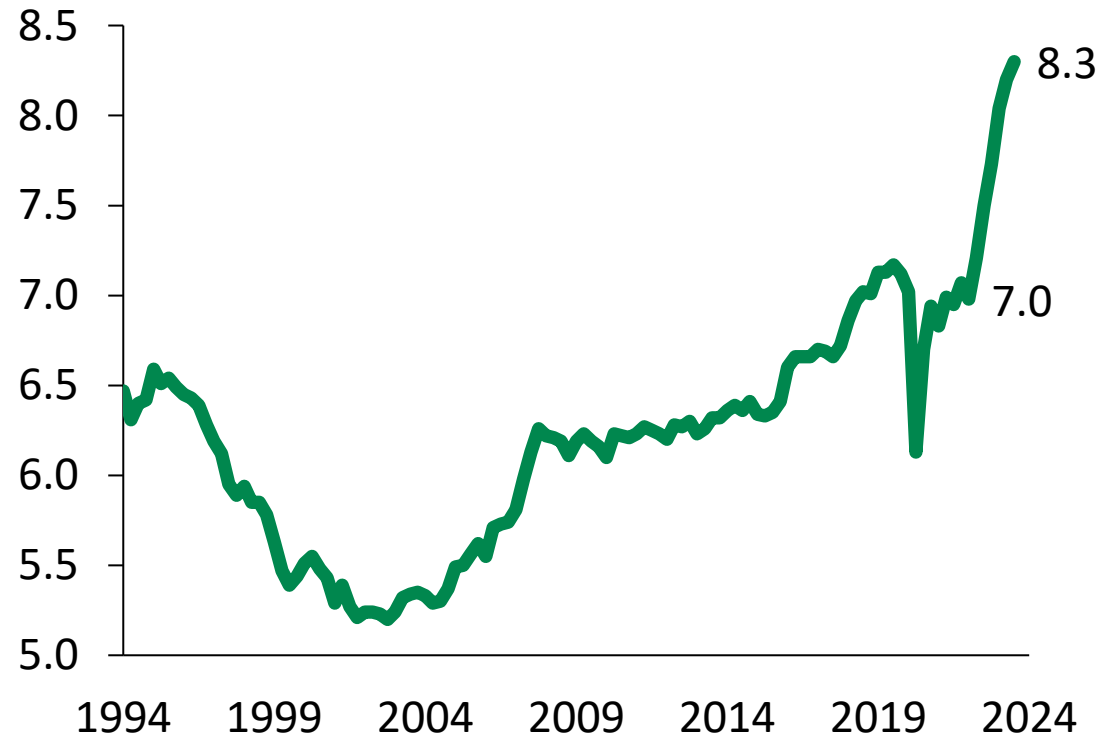
*Categories based on 2018 analysis by the Bank of Canada.

Canada

Interest Costs Have Driven Mortgage Payments to New Heights

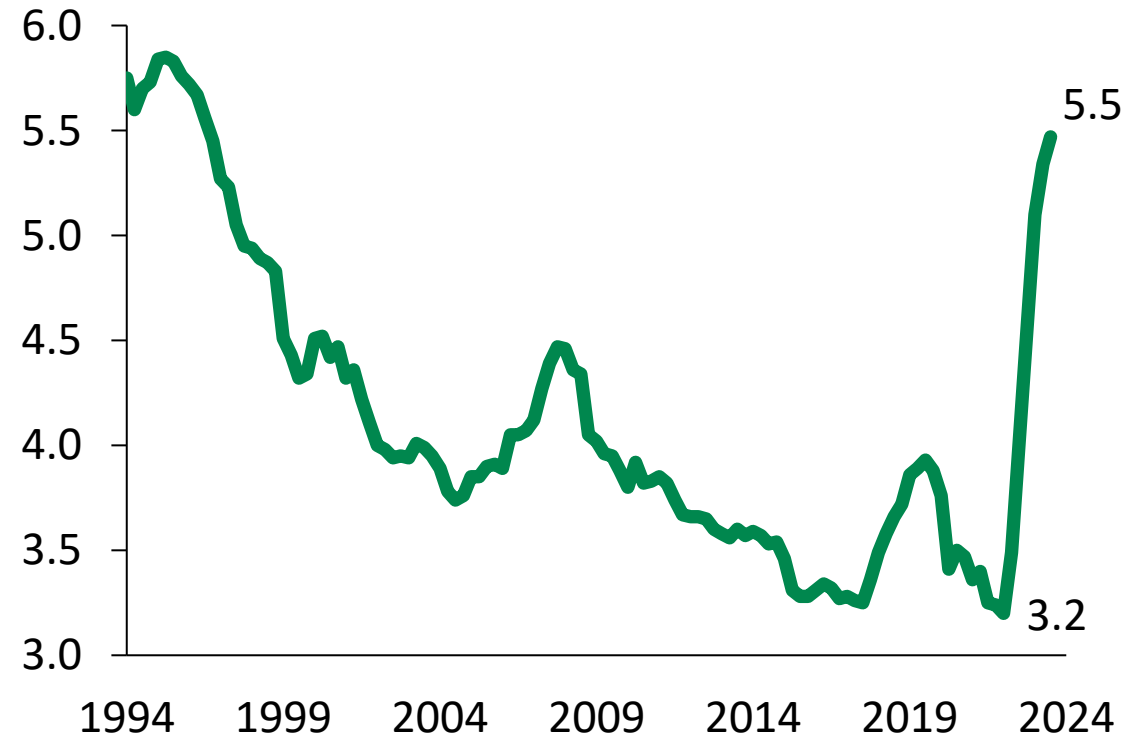
Mortgage debt service ratio

% of disposable income



Mortgage interest-only debt service ratio

% of disposable income



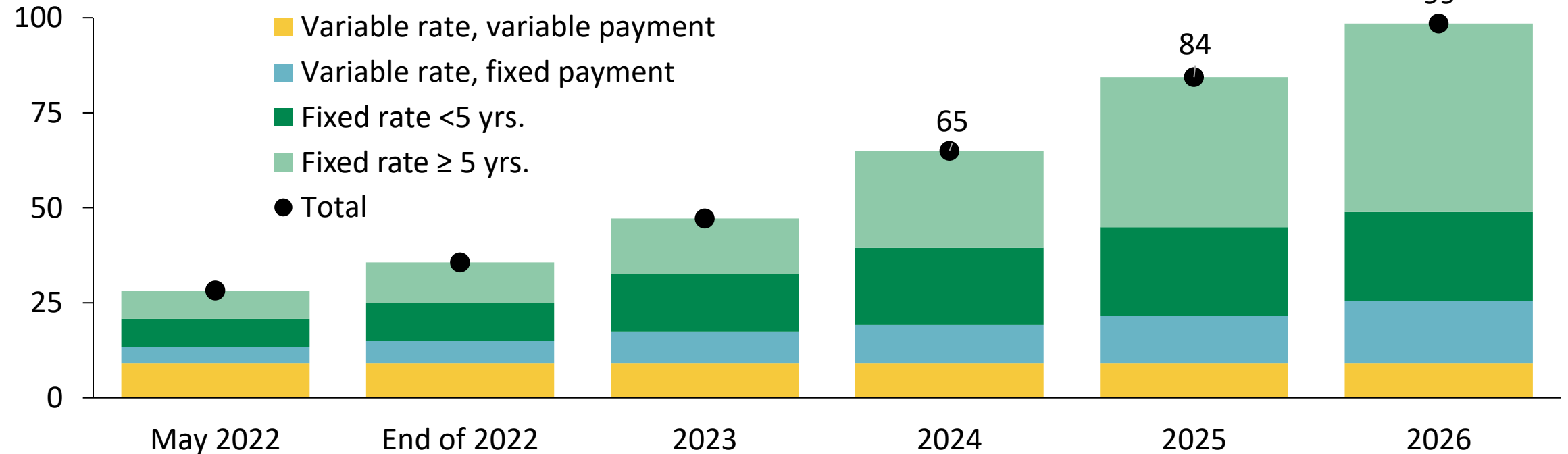
Note: The numbers in the graphs correspond to Q1 2022 and Q4 2023, respectively.

Canada

Higher Mortgage Payments Will Continue to Hit in 2025 and 2026

Mortgages subject to higher payments

% relative to Feb. 2022

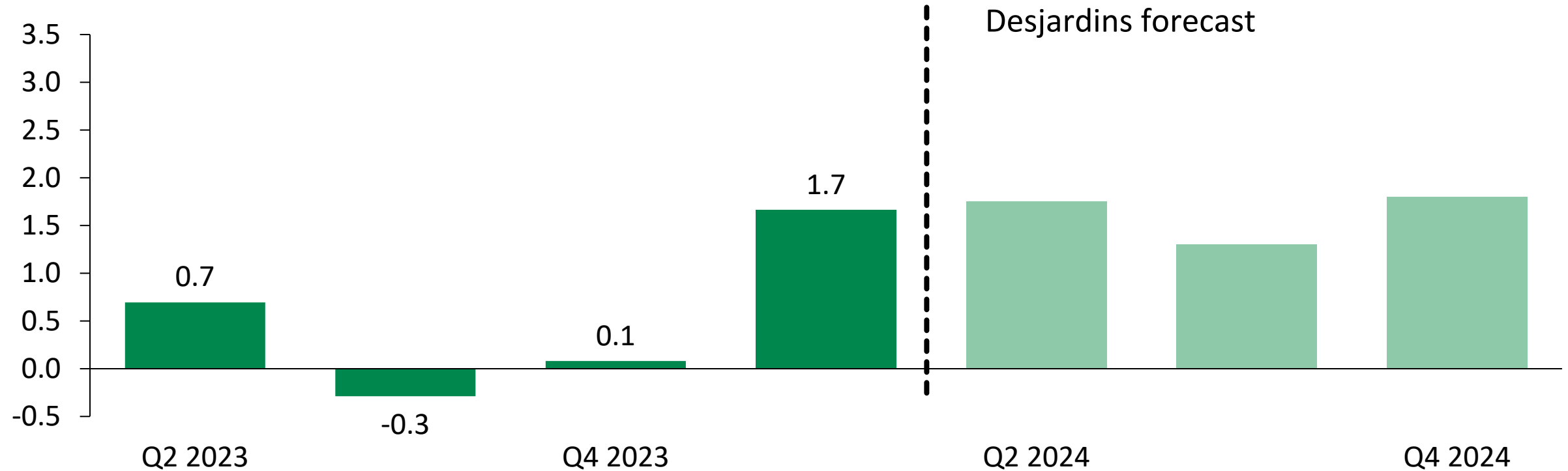


Canada

Canada Avoided a Recession

Real GDP growth

%, q/q, seasonally adjusted at annual rates

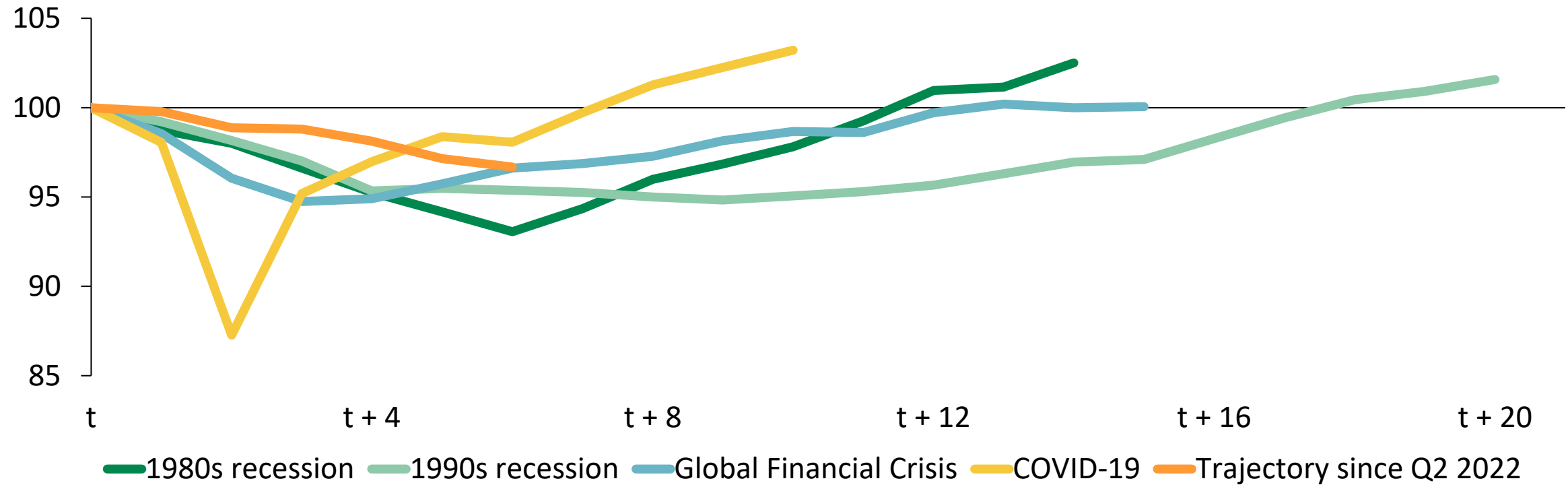


Canada

Real GDP per Capita Keeps Trending Lower Due to Population Gains

Canadian GDP per person

Index, pre-downturn quarter, t = 100

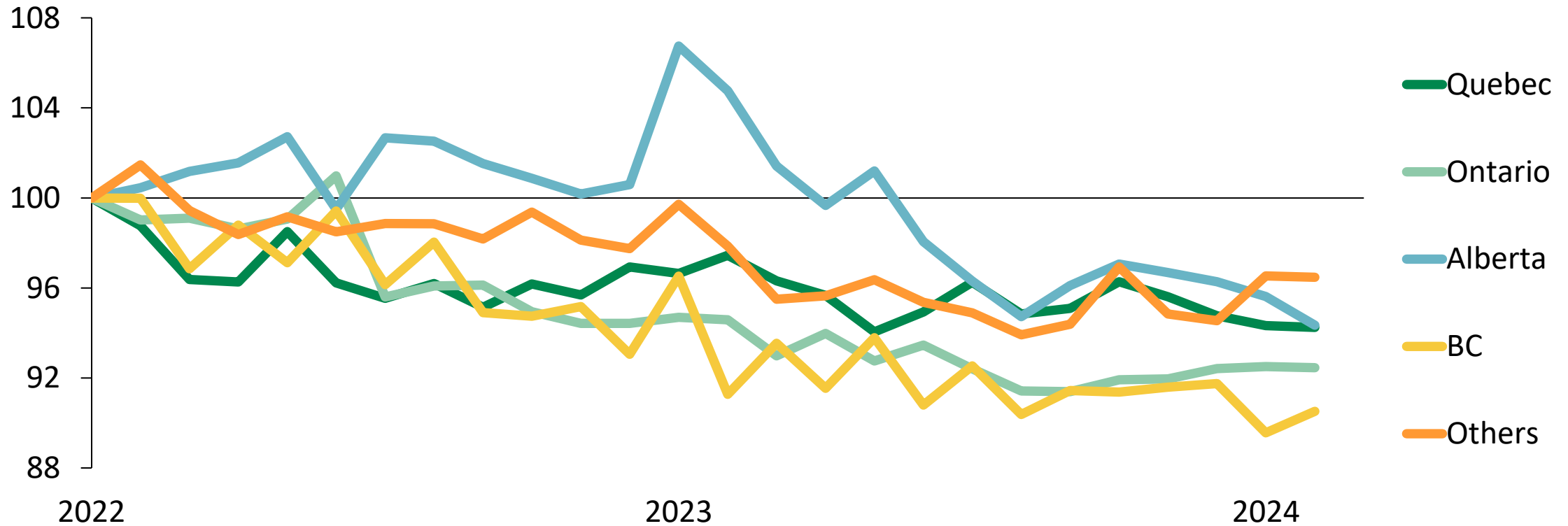


Canada

Population Growth Is Masking Consumer Weakness

Real* retail sales per person over 15

Index, Jan. 2022 = 100



* Deflated using the consumer price index for goods.

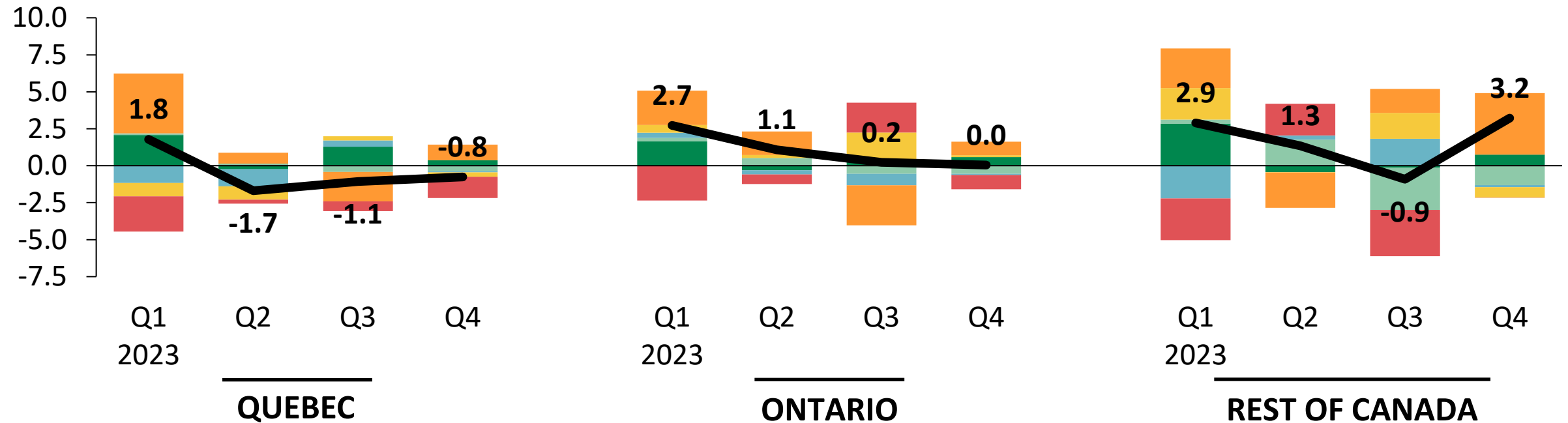
Statistics Canada and Desjardins Economic Studies

Canadian Provinces

Ontario and Quebec's Economies Were Weak to End 2023, but Growth Rebounded Elsewhere

Contributions to real GDP

Percentage points



■ Consumption
 ■ Bus. investment
 ■ Res. investment
 ■ Government
 ■ Net exports
 ■ Other
 — Real GDP

Statistics Canada, Institut de la Statistique du Québec, Ontario Ministry of Finance and Desjardins Economic Studies

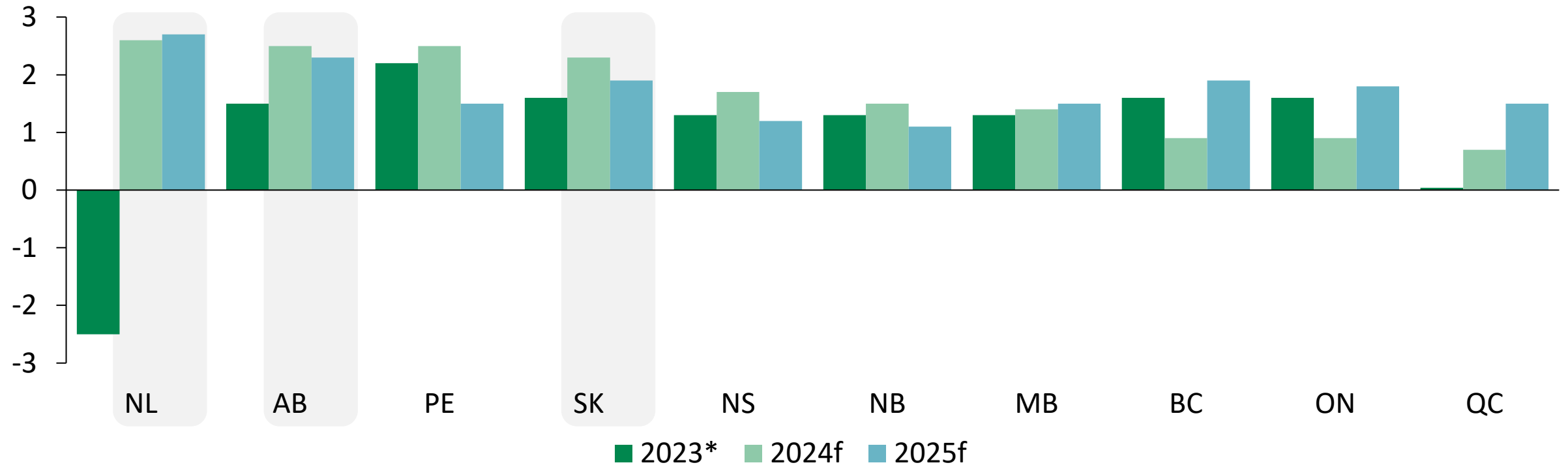
Contributions to real GDP

Canadian Provinces

Oil-Producing Provinces Face the Best Economic Prospects

Real GDP growth forecast by province

Annual % change



* Based on preliminary estimates of GDP by industry at basic prices. f: forecast

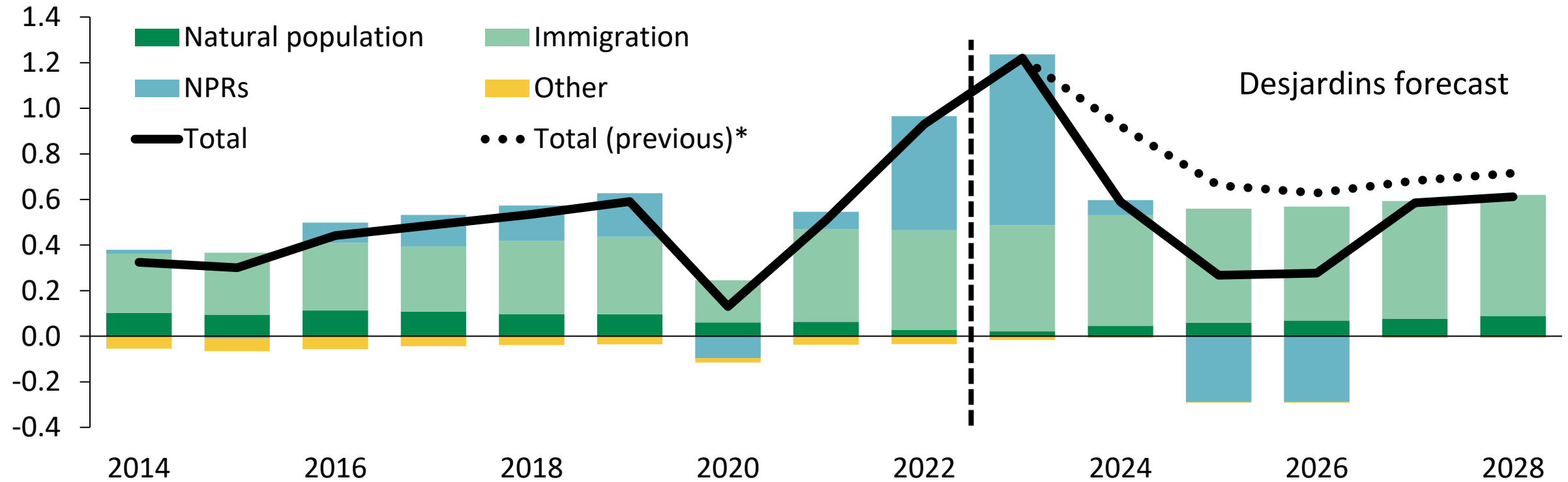
Statistics Canada and Desjardins Economic Studies

Canada

The Population Boom Has Boosted Demand, but It May Slow

Change in population level by source

Millions of people



NPR: Net non-permanent resident; *Basis for the population projection in our most recent Economic and Financial Outlook.

Statistics Canada, Immigration, Refugees and Citizenship Canada and Desjardins Economic Studies

Commodities

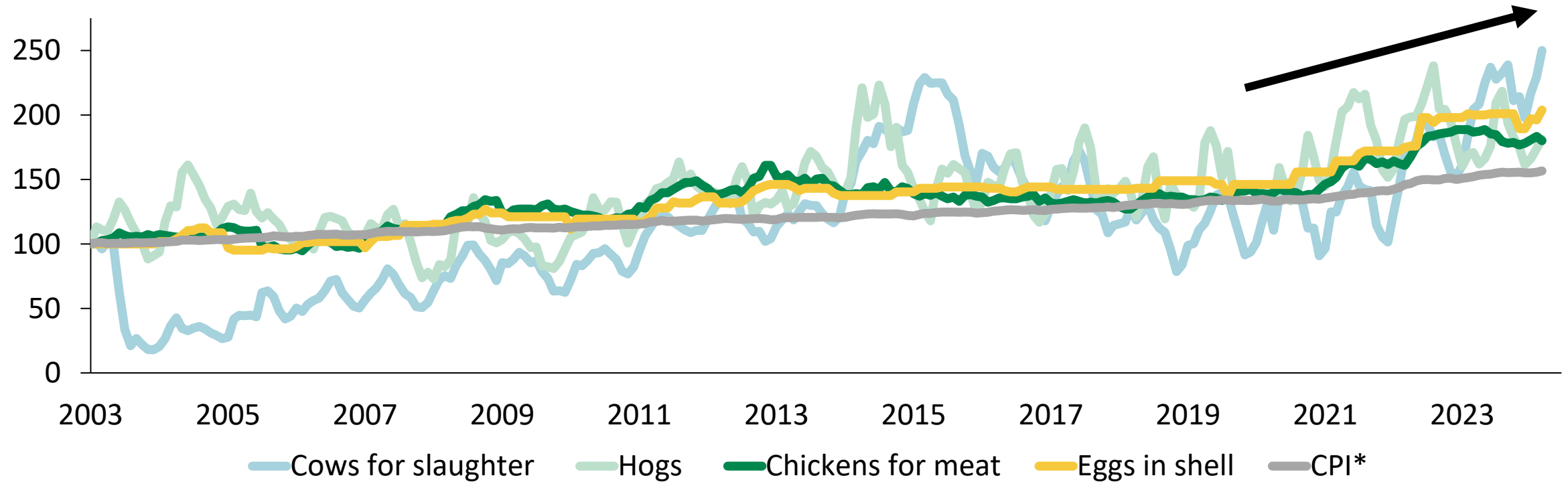


Agriculture

Animal and Egg Prices Beat Consumer Inflation in Canada

Consumer price index (Canada) and farm product prices (Ontario)

Index (January 2023 = 100)

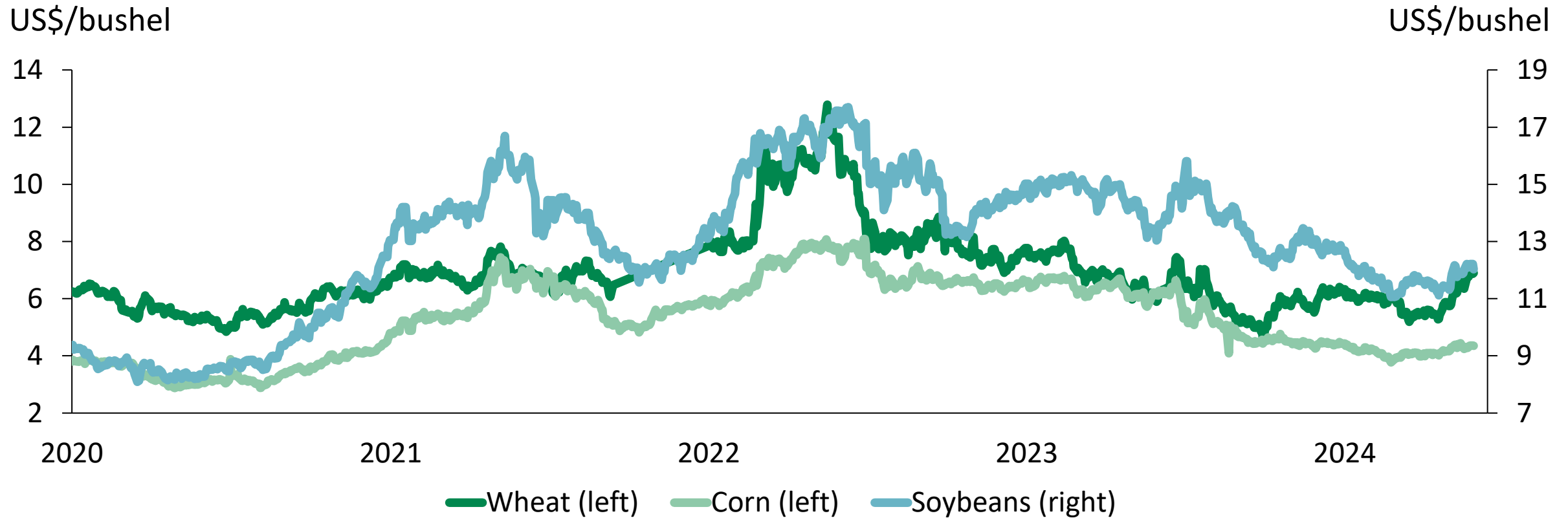


*Consumer price index, not seasonally adjusted.

Statistics Canada and Desjardins Economic Studies

Agriculture

Abundant Supply and Moderate Demand Are Curbing Grain and Oilseed Price Growth Globally

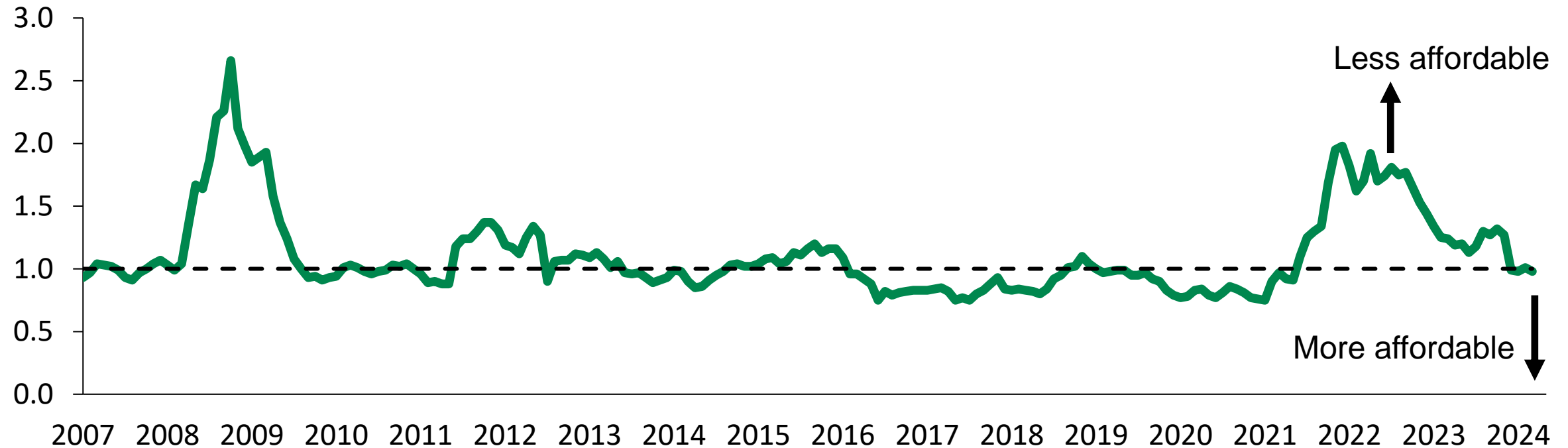


Agriculture

Fertilizer Is Becoming More Affordable Worldwide

Fertilizer affordability Index

Index (ratio of fertilizer prices to food price index)

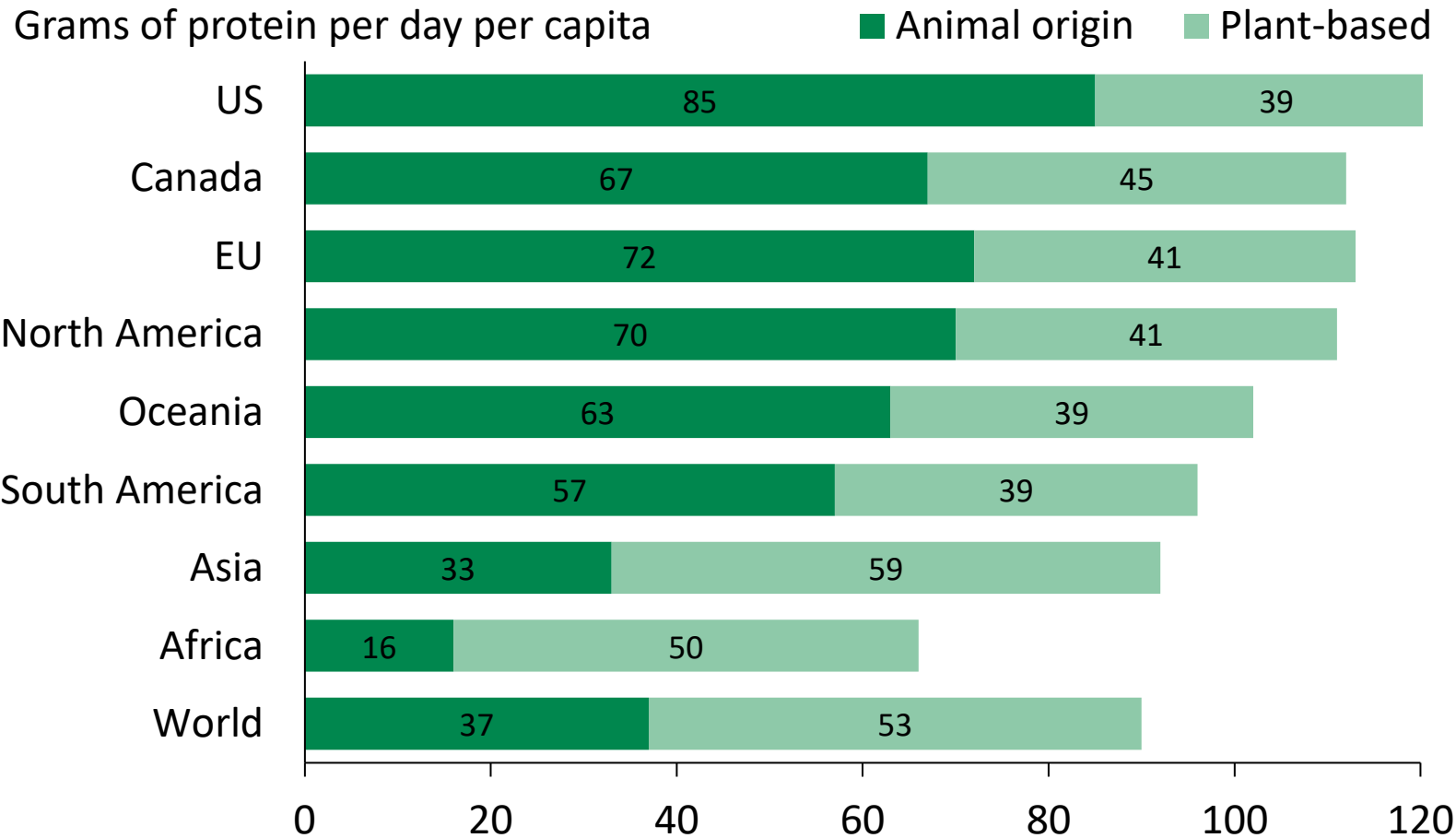


Agriculture

Global Demand for Animal Protein Continues to Grow

Daily protein intake – Animal vs. plant-based, 2021

Grams of protein per day per capita



2001–2021 change
(grams per day per person)

Region	Animal protein	Plant-based protein
US	+13	-2
Canada	+7	0
EU	+10	-2
North Am.	+12	-2
Oceania	0	+5
South Am.	+18	+1
Asia	+12	+10
Africa	+3	+1
World	+10	+7

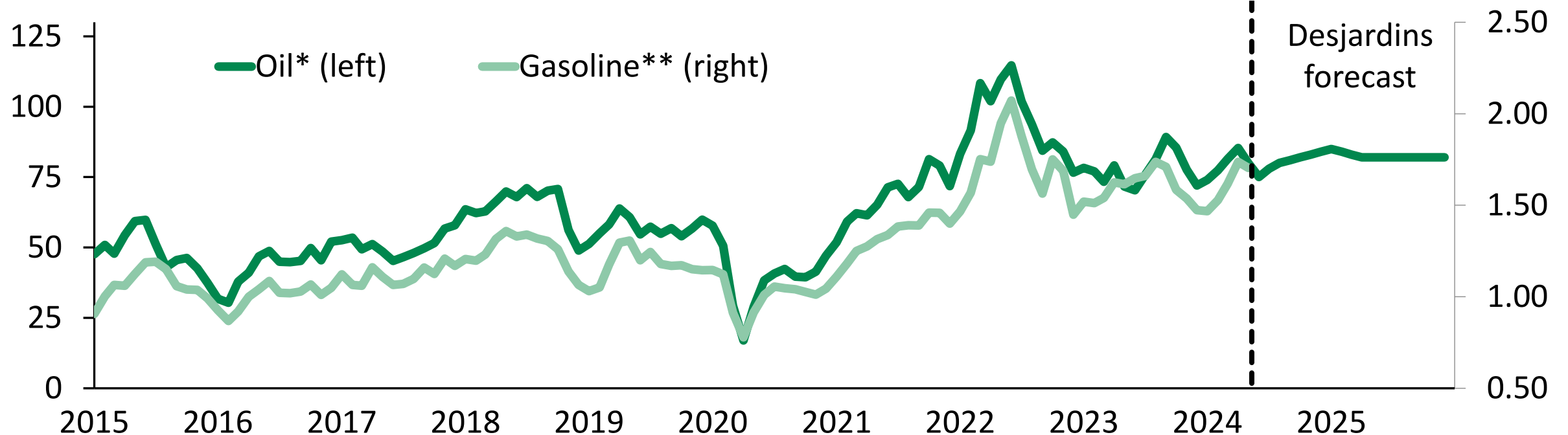
Energy

Disappointing Demand and Strong Supply Have Pushed Down Oil Prices

Price of oil and gasoline

US\$/barrel

CAN\$/litre



* WTI: West Texas Intermediate. ** Average price in Canada.

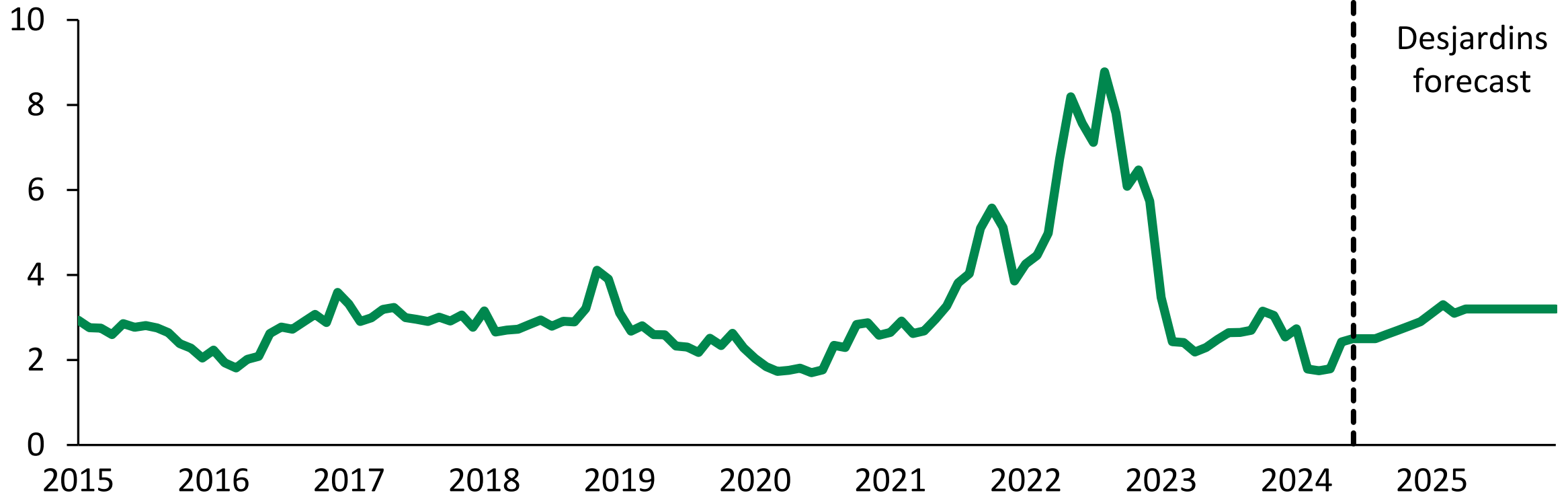
Datastream, Bloomberg and Desjardins Economic Studies

Energy

Natural Gas Prices Started Rising Again

Price of Henry Hub natural gas

US\$/MMBTU



Summary

WORLD

- › **Global economic growth continues to show signs of improvement.**
- › **Inflation has moderated across the globe and should continue on this trajectory.**
- › **Energy and commodity prices have also softened, but volatility and upside risks remain.**
- › **The US economy remains resilient, prompting stickier inflation and a cautious Fed.**

CANADA

- › **Monetary easing has begun, but record-low rates are a thing of the past.**
- › **Businesses are still feeling the pinch of past rate hikes and inflation.**
- › **The oil-producing provinces (AB, SK, NL) face the best economic prospects.**
- › **The exchange rate is favourable to exporters.**

Questions?



Thank you!

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