



5 Minutes for Business

Economic News Bulletin

Nov. 25, 2014

U.S. Economy is Booming

The U.S. economy is firing on all cylinders as third quarter growth came in at 3.5% last week, following on the heels of spectacular 4.6% growth in the previous quarter. The U.S. economy added 214,000 jobs in October, bringing the total to 2.3 million jobs created so far in 2014. With unemployment down to 5.8%, wages are picking up and headed higher. This is great news for consumers, and retailers are smacking their lips in expectation of a very merry Christmas season. This is also good news for Canada: exports to the U.S. are up 13% so far this year in spite of lower energy and commodity prices. All of the leading indicators point to continued strength in the U.S. economy in the months ahead. Get ready for growth!

Loonie Headed Lower

A combination of tumbling commodity prices and weak economic numbers in Canada set against a resurgent U.S. economy pushed the loonie to 88 cents on Tuesday. Wall Street expects that U.S. interest rates could start rising sooner than expected, pushing up investor demand for the greenback while weakness in Canada's domestic economy means that our rate hikes could be much further away. The Canadian Chamber is forecasting that the Canadian dollar will average 85 cents in 2015.

Canada Slows in August as Retail Sales Edge Down

The Canadian economy contracted by 0.1% in August after remaining essentially flat in July, the weakest results since last December. The big energy sector declined but this was mainly because of summer maintenance related shut-downs in the oil sands. On the consumer side, Canadians shopped less in August, with retail sales falling an unexpected 0.3%, the second consecutive month of decline. Softer domestic spending is expected this year and next as highly

indebted Canadians put their credit cards away. Exports and business investment will have to be the sources of growth in the years ahead.

China Intervenes to Prop up Real Estate Market

China is now in the midst of a serious housing correction with October's home prices falling for the sixth straight month and sales down 11% from a year earlier. China cut interest rates and down payment levels for the first time since the 2008 global financial crisis in a sign that the government is worried that further fall in home prices could threaten the economy. This could spell trouble for commodity prices because China is the world's biggest metal consumer, accounting for almost half of global demand for copper and two-thirds of the world's iron ore, where prices have fallen 22% and 40% respectively.

Japan Falls into Recession

The Japanese economy contracted by 1.6% in the third quarter, after a 7.3% decline in Q2, as the country's sales tax increase hammered the economy and pushed the country into its fourth recession since 2008. Japanese Prime Minister Shinzo Abe called snap elections in order to postpone another imminent rise in Japan's consumption tax. Japan's economy should return to positive growth in Q4, but more volatility should be expected as the yen continues to decline.

For more information, please contact:

Hendrik Brakel

Senior Director, Economic, Financial & Tax Policy

613.238.4000 (284) | hbrakel@chamber.ca