

Canadian recovery will strengthen throughout 2010 but fragilities remain: Canadian Chamber

Ottawa, December 28, 2009 – As 2009 comes to a close, the global economy has turned a corner on the road to recovery. A wide range of indicators point to improving conditions - global trade volume has stabilized, share prices have rebounded, commodity price indices are trending up, and consumer and business confidence is gradually returning worldwide. “While important progress has been made, the outlook for global growth remains subject to considerable uncertainty” says Canadian Chamber President and CEO Perrin Beatty. “Premature withdrawal of stimulus measures would stall recovery, endanger confidence, and put jobs at risk.”

While some emerging-market economies have returned to remarkably high growth rates, the pace of recovery in the U.S. and other advanced economies looks likely to remain subdued. This will weigh on Canadian exports in 2010, but there is scope for continued expansion underpinned by domestic demand.

The Canadian economy is projected to grow at an average annual rate of 2.6 percent in 2010. This performance is fairly modest compared to the average of previous economic cycles.

The unemployment rate is expected to peak in early 2010 at about 8.8 percent as previously discouraged workers re-enter the labour force and resume job searches. “Hiring intentions have improved, but employers remain guarded. As a result, the unemployment rate is expected to remain well above pre-recession levels, and gains in real personal disposable income are likely to be modest” says Mr. Beatty.

The persistently high dollar, substantial excess supply, high unemployment, and competitive pressures will continue to subdue inflation pressures. Headline inflation is projected to average about 1.6 percent in 2010, and around 2.0 percent in 2011.

In 2011, economic momentum should pick up, with real GDP growth forecasted at 3.3 percent. The improvement in the outlook reflects better growth prospects in the U.S. and other trading partners (this will stimulate exports), firmer commodity prices (albeit partly offset by the high Canadian dollar), and the transition from policy-driven to private sector-driven growth.

“The post-recession environment will look very different from what existed before the crisis. The ‘new normal’ demands that even the smallest of businesses find ways to improve their competitiveness, says Mr. Beatty. “Economic upheavals always create new opportunities, and the highest rewards will go to those that seize them.”

The Canadian Chamber’s *Economic Outlook 2010* can be viewed at www.chamber.ca

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