

The global economic recovery and trade: smooth sailing or choppy waters ahead?



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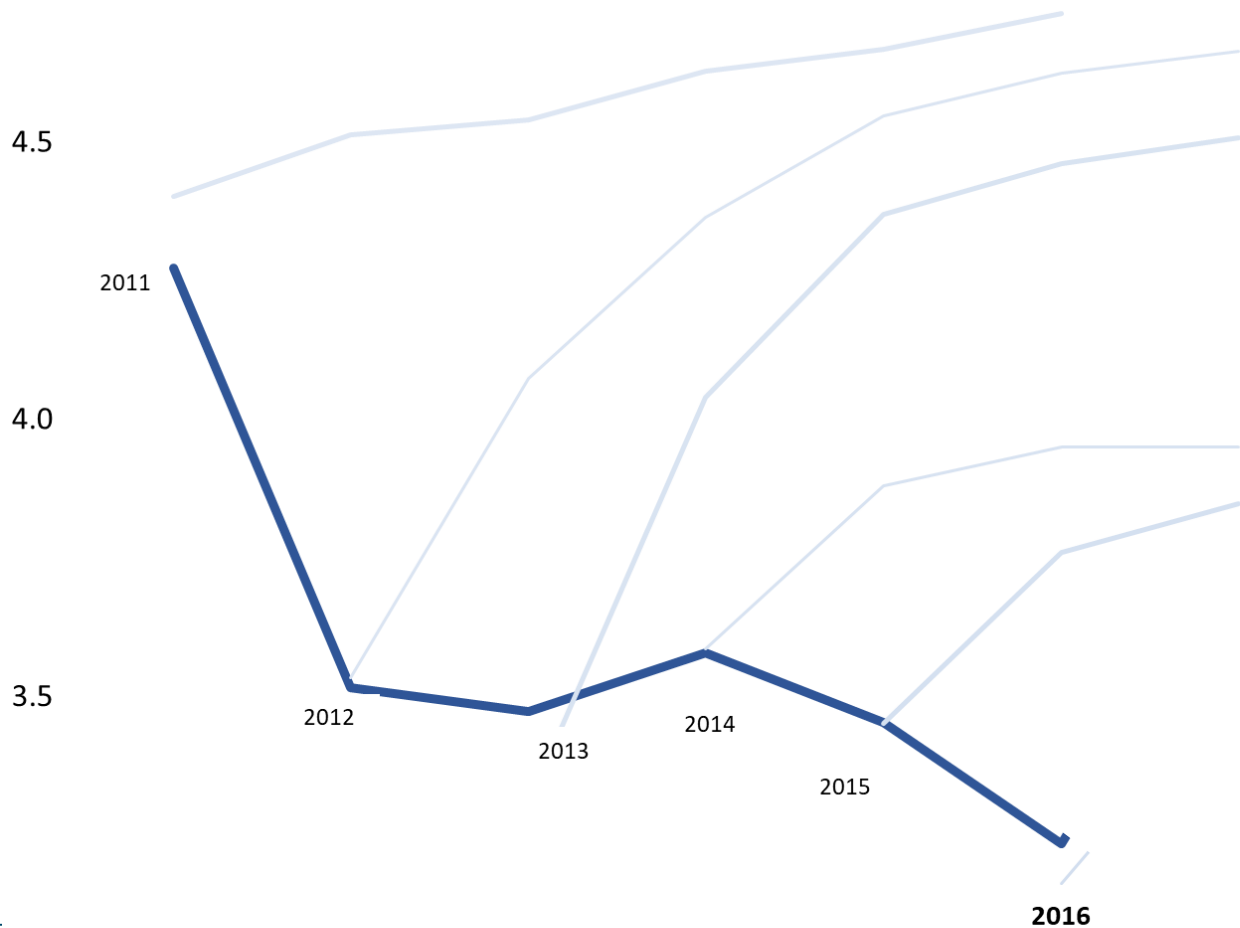
Shipping Federation of Canada
May 23, 2018



Realize a World of Opportunity

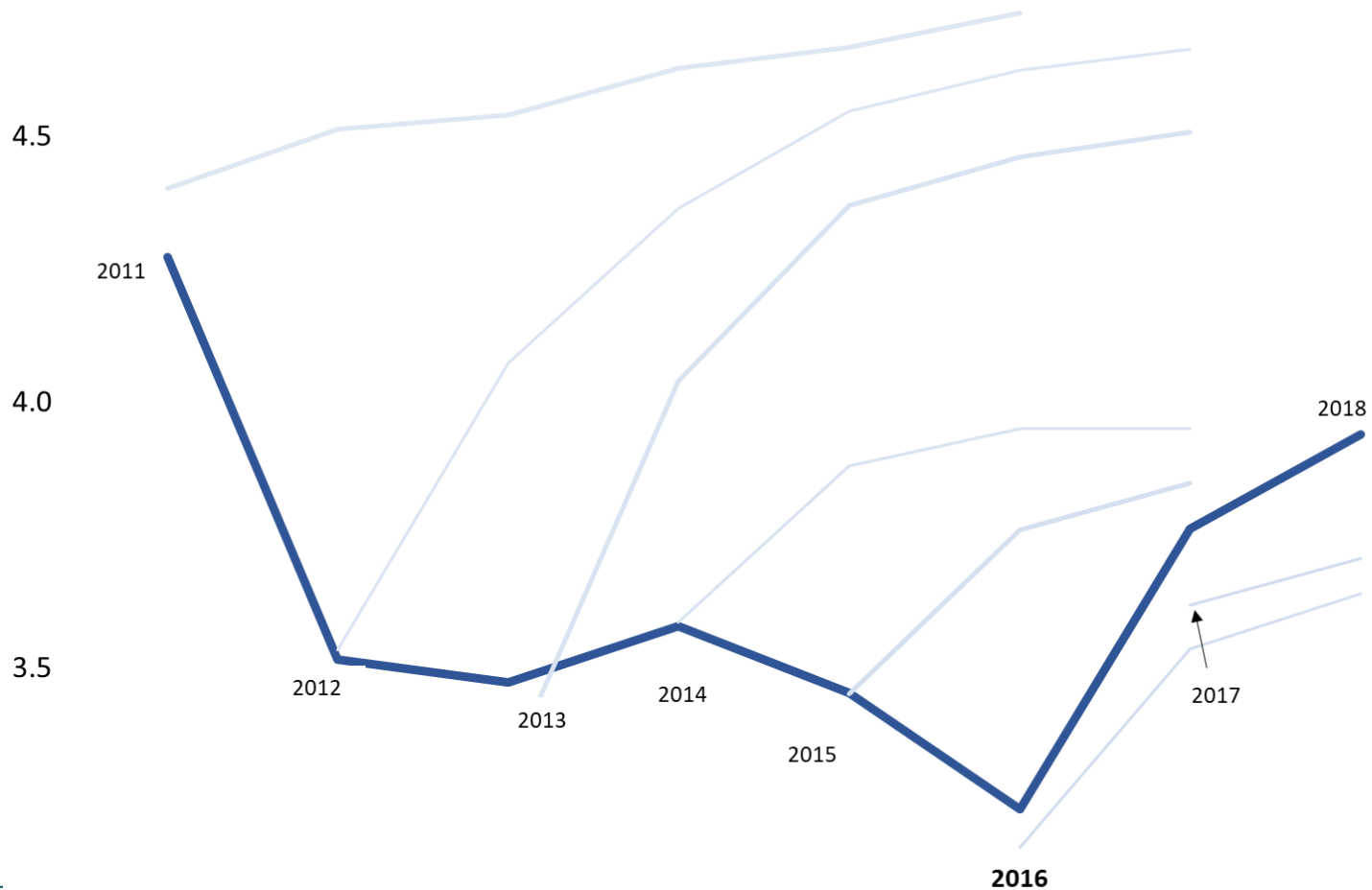
Serial disappointments...

World real GDP growth, forecasts vs. actual, %



...but recent upside surprises

World real GDP growth, forecasts vs. actual, %



Global economy gaining strength

Resurgence
of trade

Labour markets
improving

Economic slack
being absorbed

Inflation and
interest rates
rising

Global trade picking up

World merchandise export volumes
(annual growth rate, %)



World Trade Outlook Indicator 101.8
(Index, trend = 100)



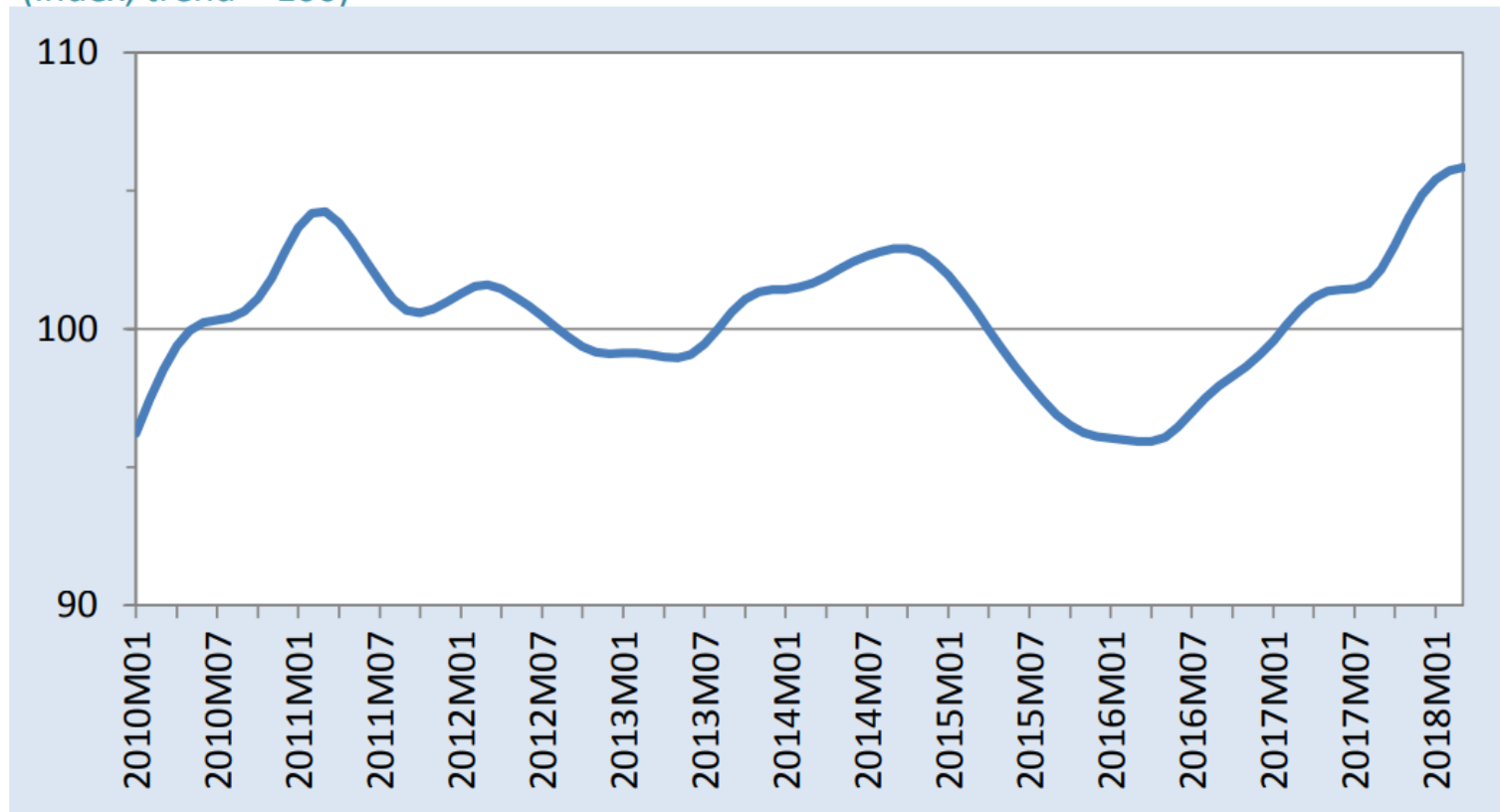
strong growth continues,
softer momentum in Q2

Stronger container shipping

Container port throughput

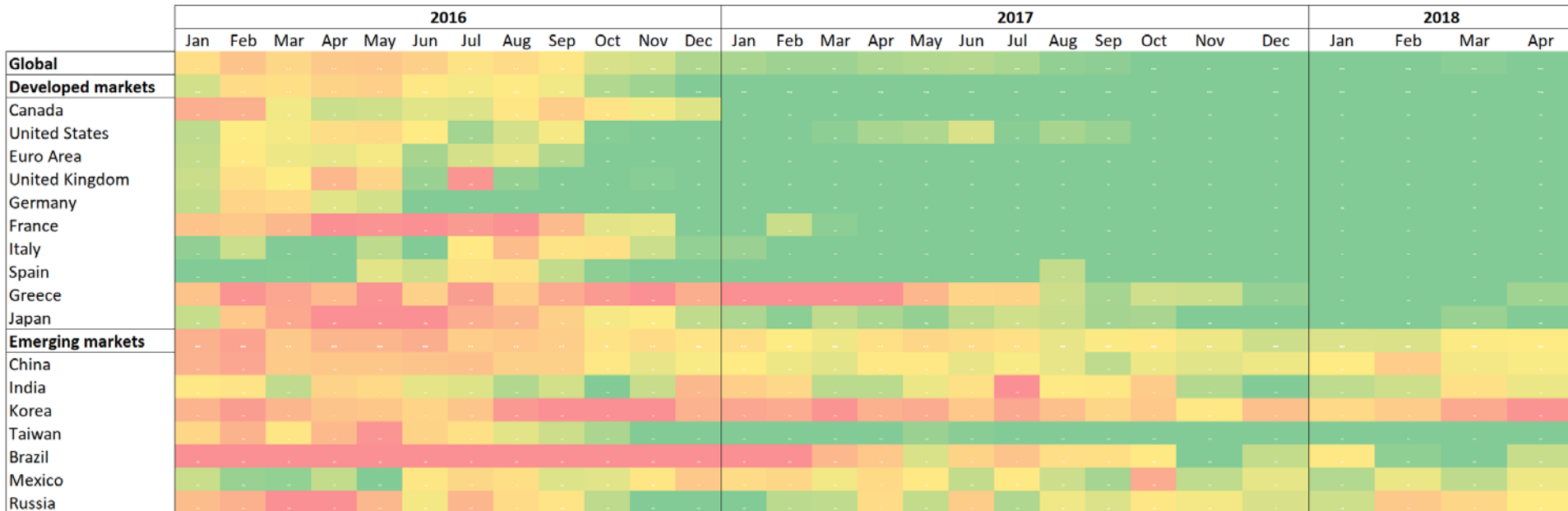
105.8

(Index, trend = 100)



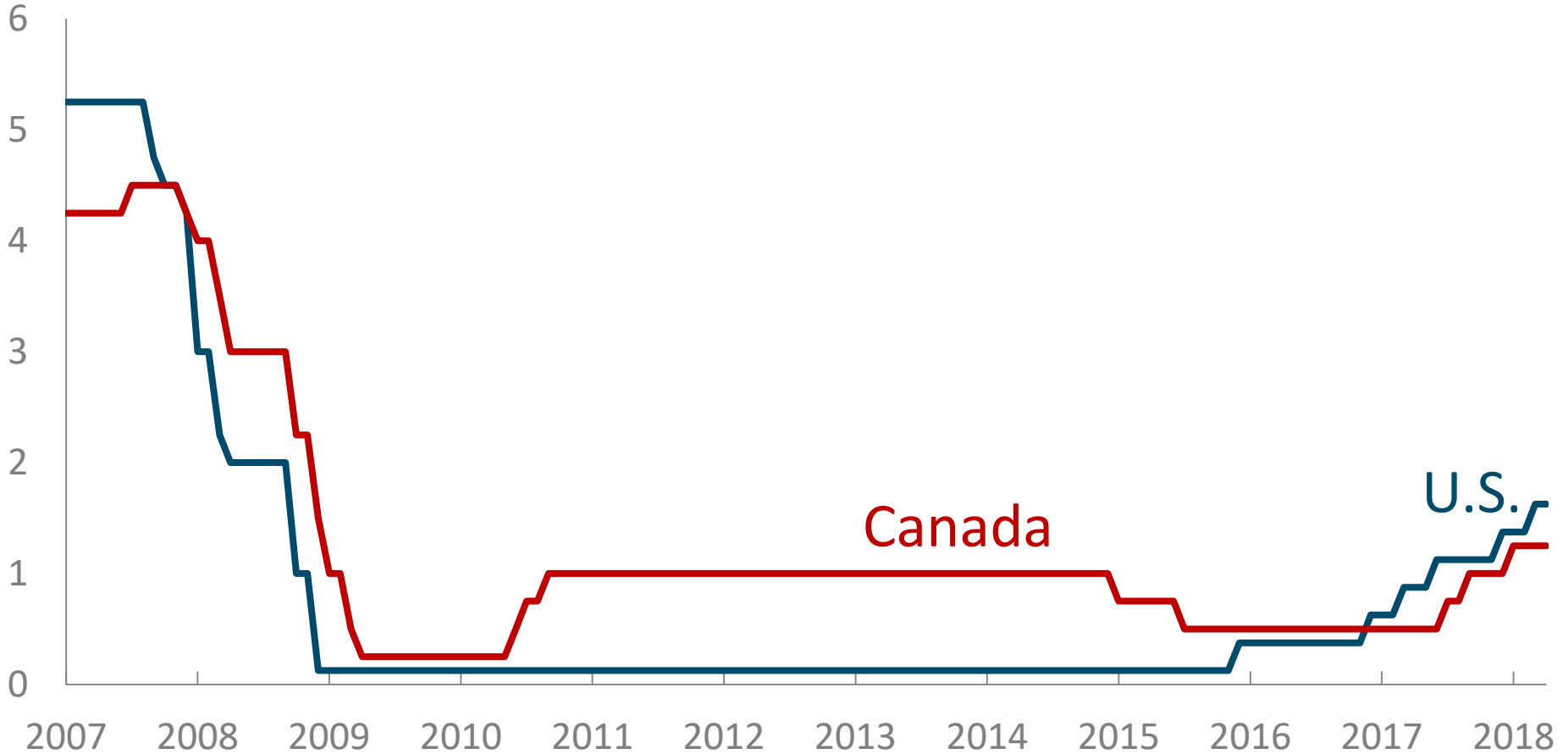
Order books green

Purchasing managers' indices
(Green = expansion; red = slowdown)



Stimulative rates, normalizing slowly

Policy interest rates, %



Trump tweets



Donald J. Trump 

@realDonaldTrump



When a country (USA) is losing many billions of dollars on trade with virtually every country it does business with, **trade wars are good, and easy to win.** Example, when we are down \$100 billion with a certain country and they get cute, don't trade anymore-we win big. It's easy!

5:50 AM - Mar 2, 2018

 93.9K  50.3K people are talking about this



3 Canadian strategies: invest in U.S.

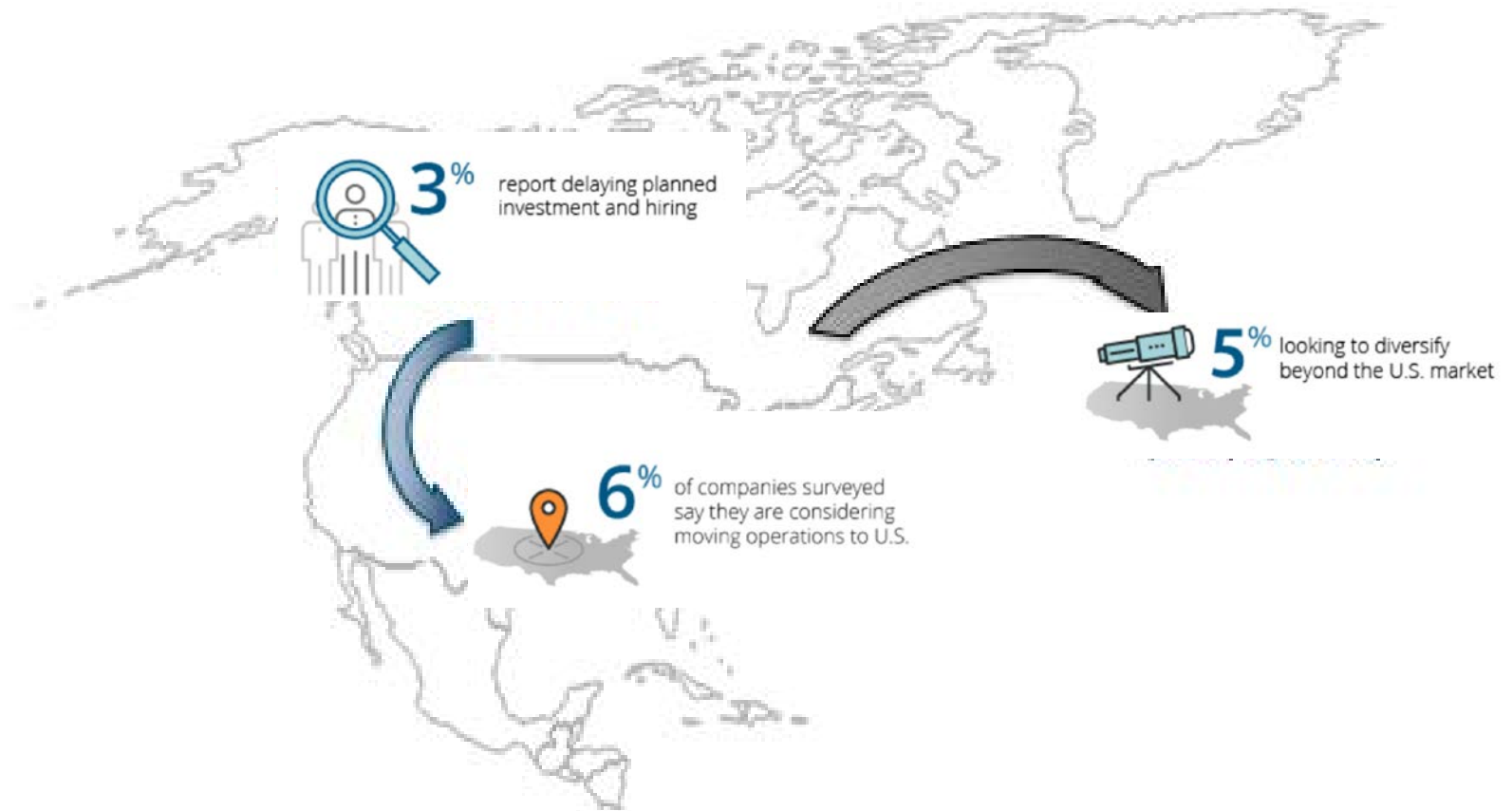
(% of firms)



Diversify



Wait and see



Stronger growth expected to continue

(% change)

	2016	2017	2018(f)	2019(f)
Advanced economies	1.6	2.3	2.6	2.4

Faster growth in emerging markets

(% change)

	2016	2017	2018(f)	2019(f)
Advanced	1.6	2.3	2.6	2.4
Emerging	3.6	4.5	4.8	4.8

**China and India contributed ~50%
of world GDP growth in 2017**

Faster *export* growth to emerging markets

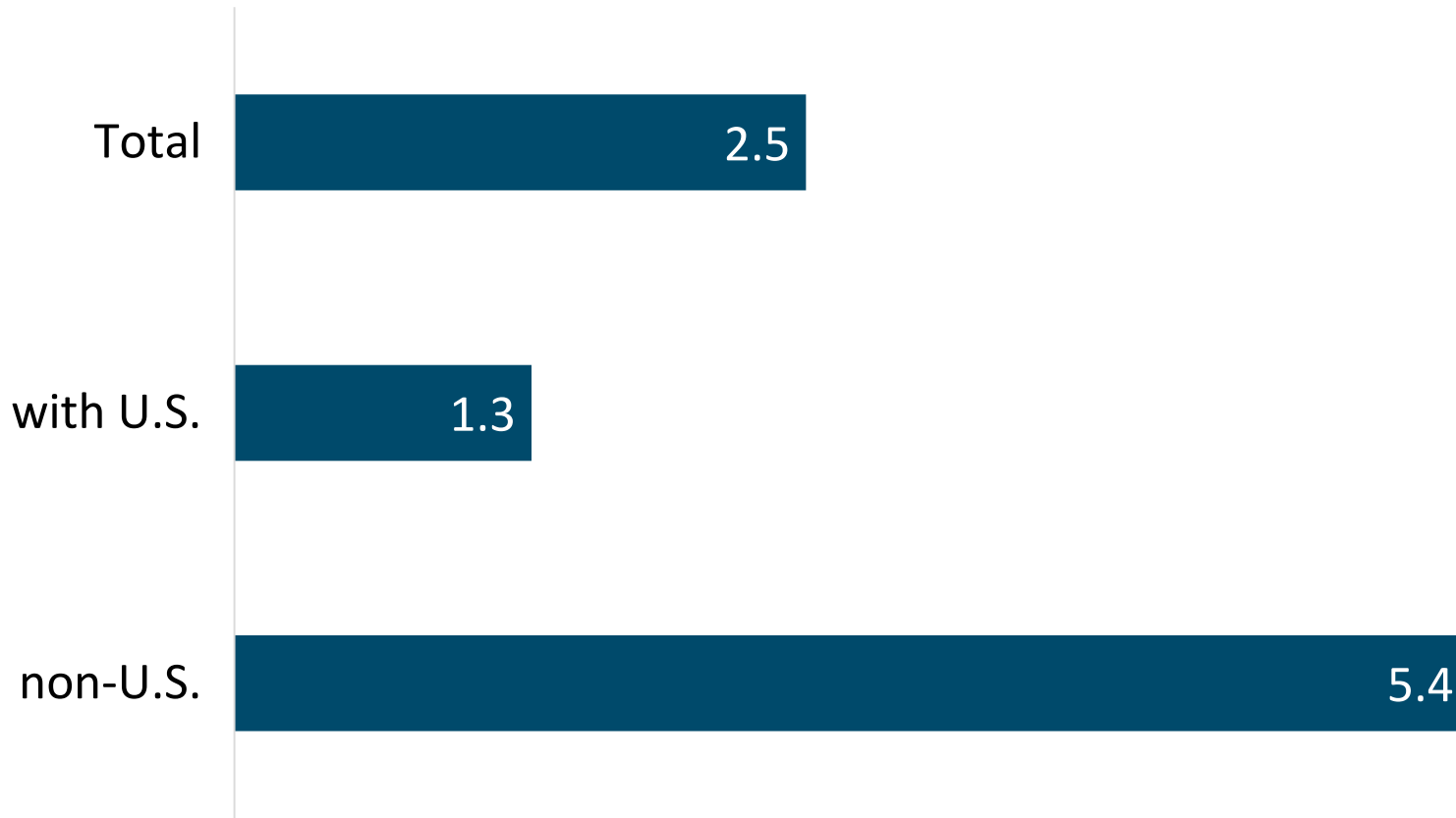
Canadian goods export outlook (% change)

	2017	2018(f)	2019(f)
Total	7	6	4
Advanced	7	5	3
Emerging	8	7	10

Diversification tailwinds

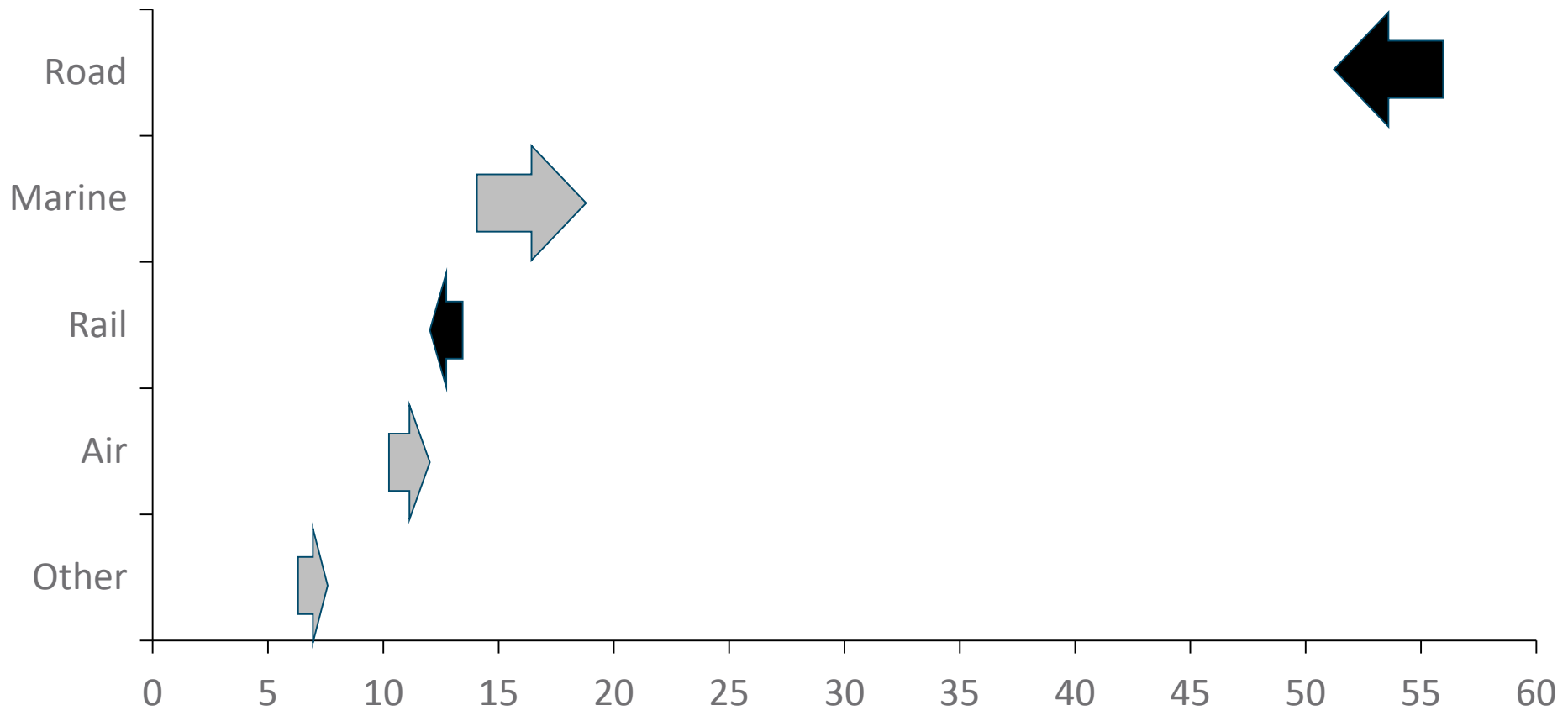
Stronger trade growth outside U.S.

Canada's merchandise trade, 2002-16, average annual growth, %



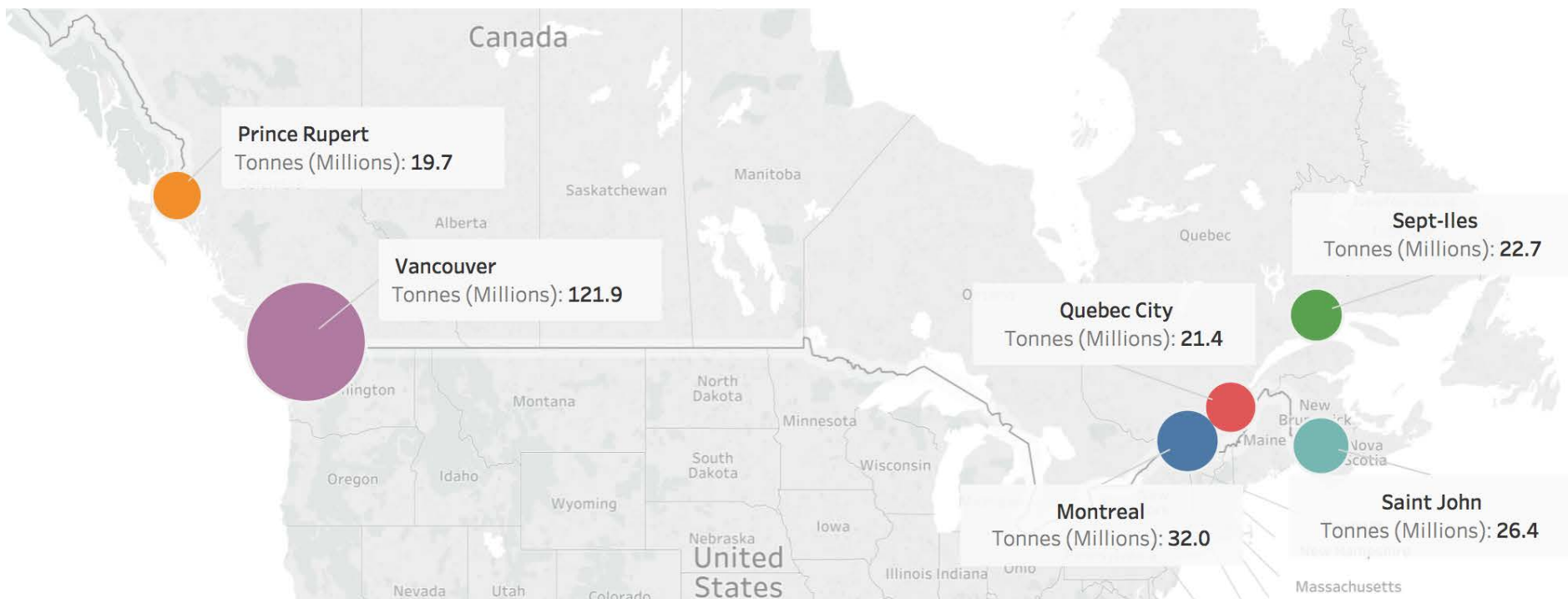
Trade shift from road and rail to marine and air

Canada's merchandise trade, by transportation mode 2002-16, share of total, %



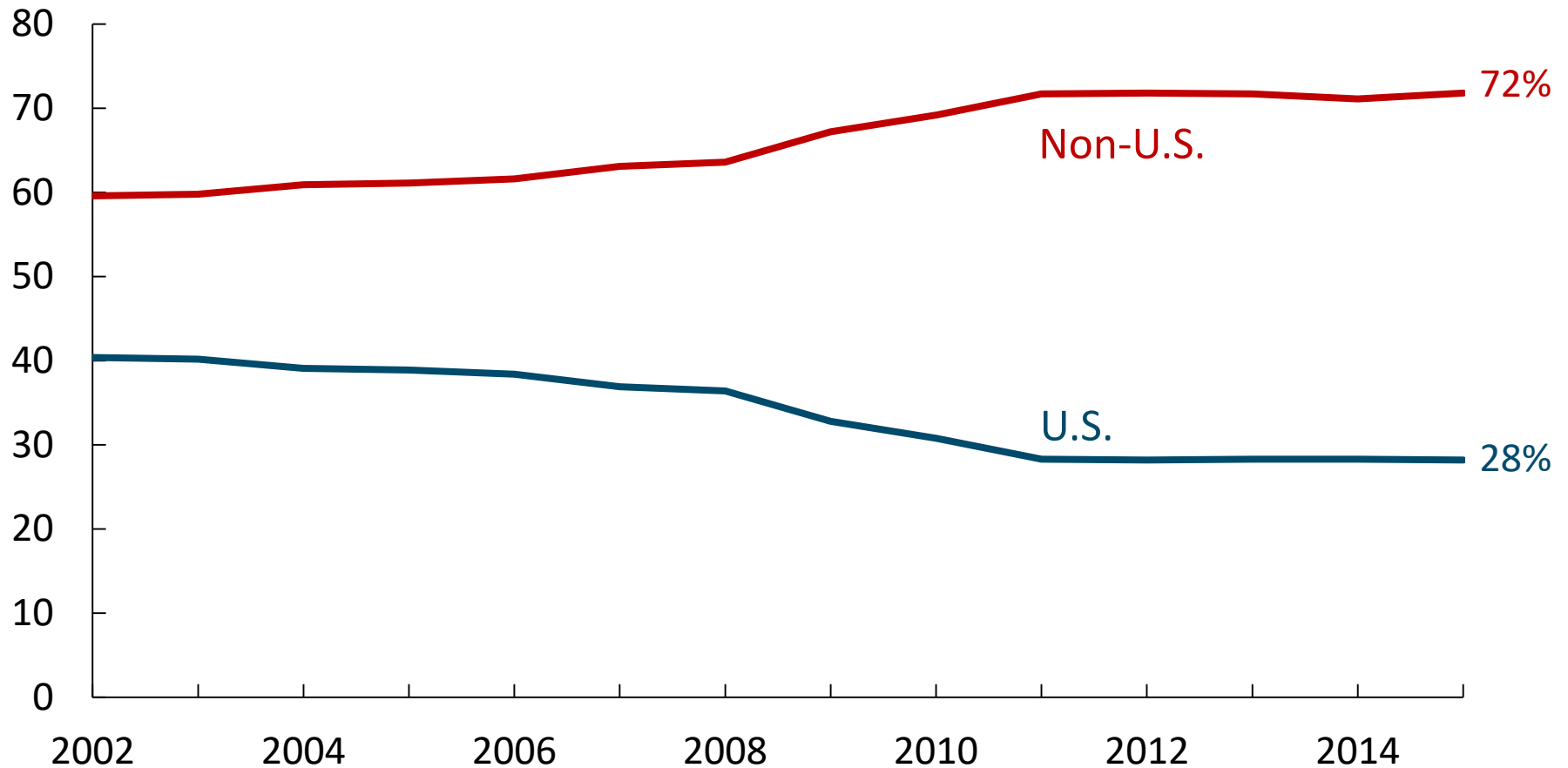
Busiest Canadian ports

Millions of tonnes, 2015



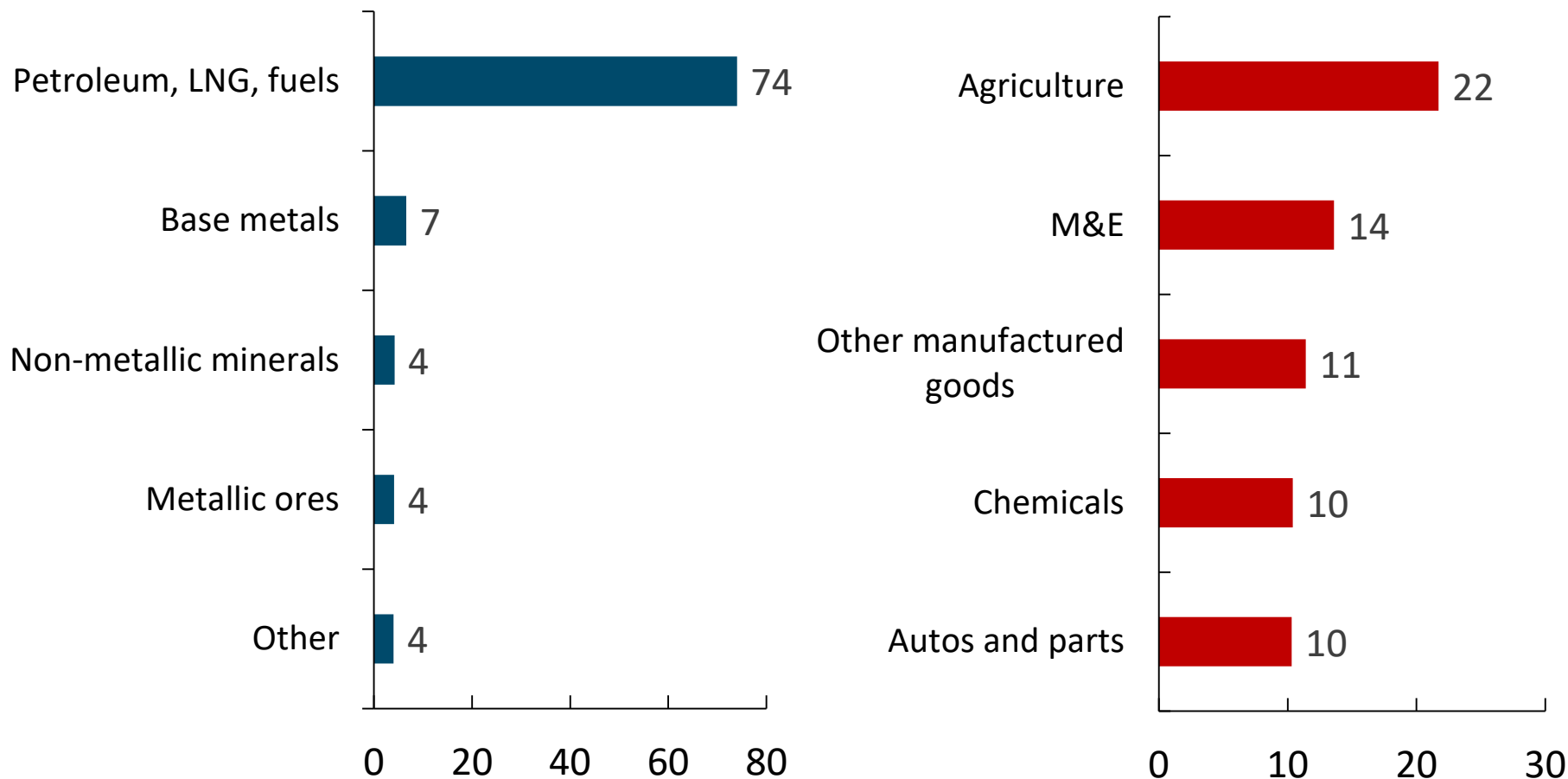
Diversification of Canada's marine trade

International marine traffic, share of Canada's total merchandise trade, %



More diversified shipments to non-U.S.

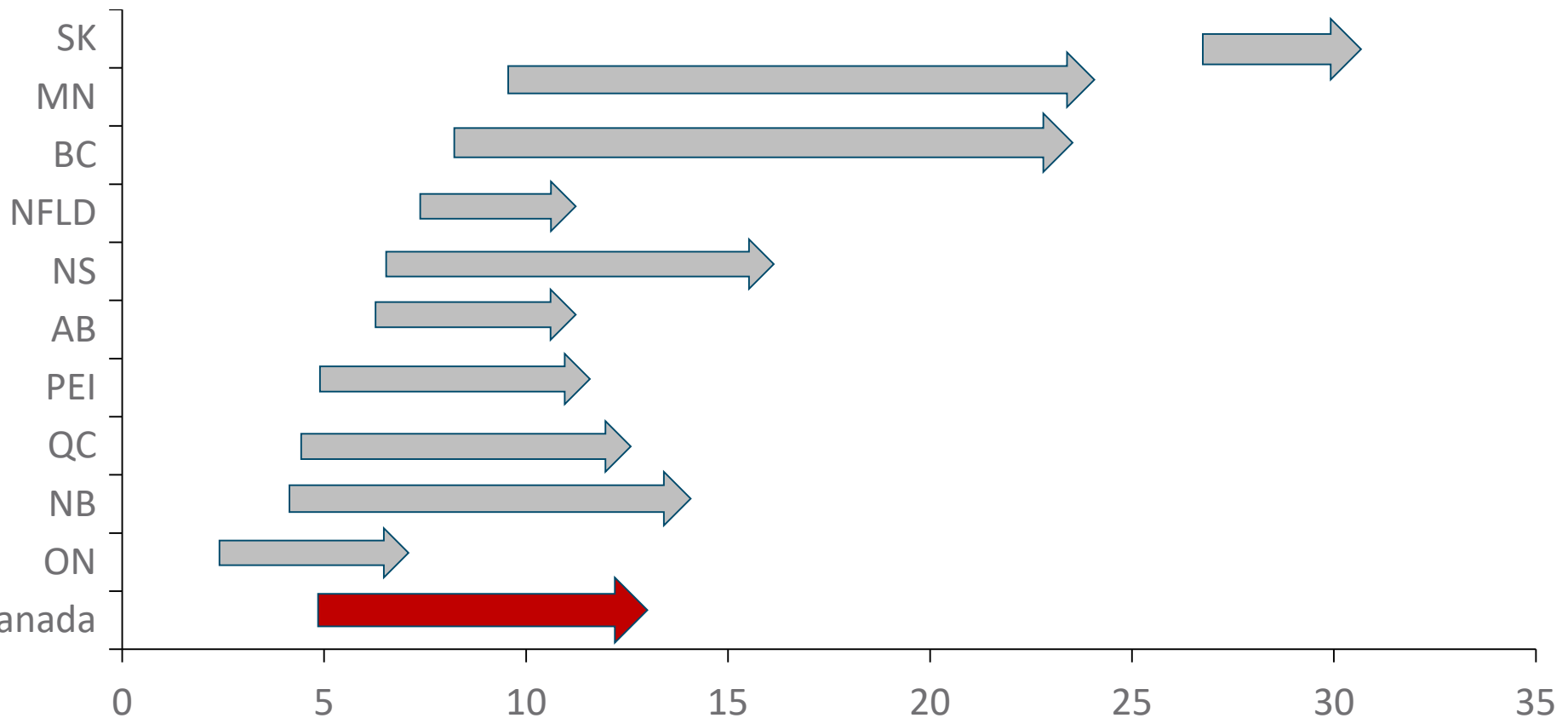
Main marine commodity exports, 2016, share of total trade, %



Provincial diversification

Share of merchandise exports to emerging markets, %

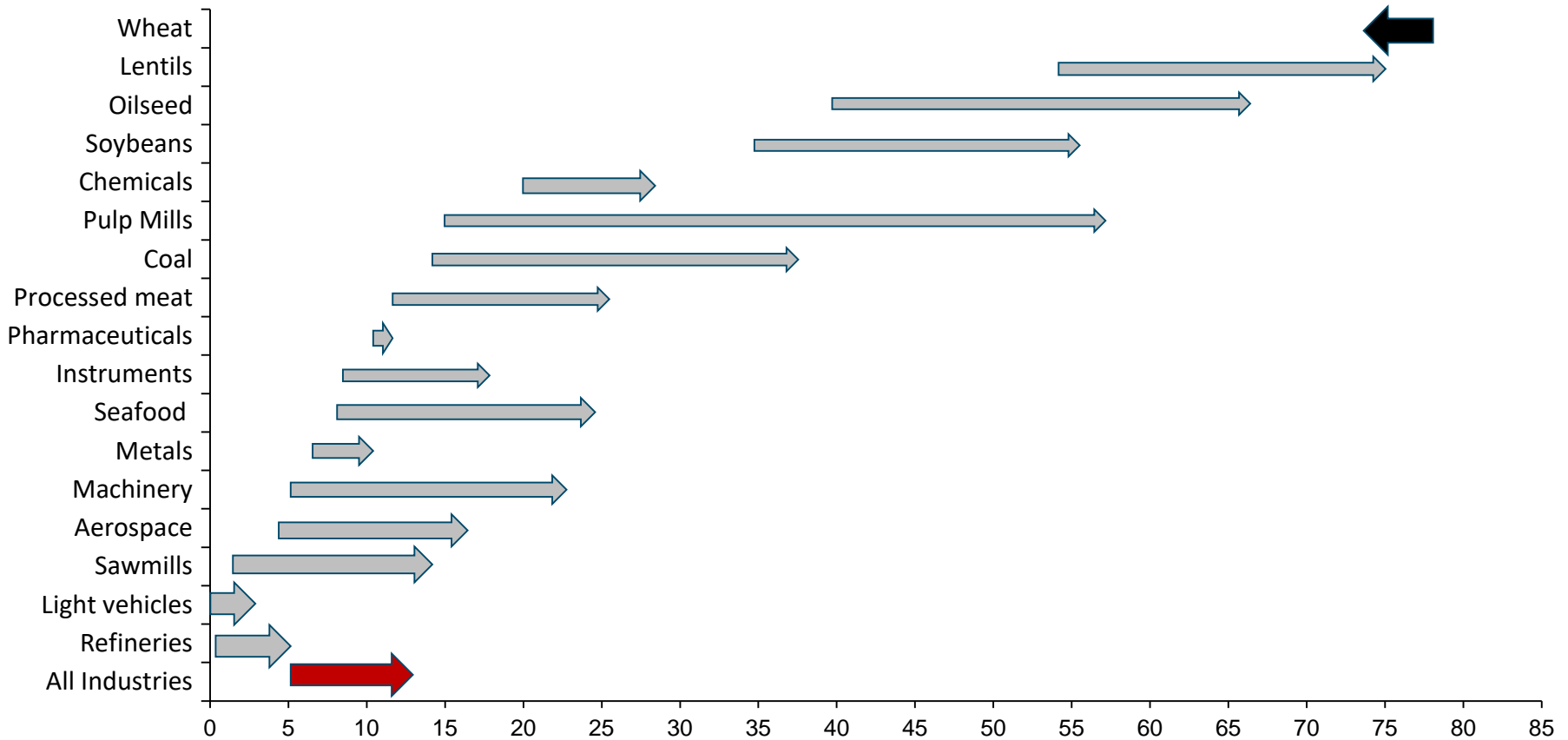
(← 2000, 2017 ⇒)



Product diversification

Share of merchandise exports to emerging markets, %

(← 2000, 2017 ⇒)



Shipping challenges

- **Global capacity restraining shipping rates**
- **Industry concentration**
- **Climate change**
- **Canadian inland transportation bottlenecks**

Shipping opportunities

- Pickup in global growth, trade and shipping
- Trade deals: Europe; Asia-Pacific
- Infrastructure spending

Key messages

- **Since 2016, global growth and trade have strengthened, spread, and surprised.**
- **Positive trends expected to continue, if trade tensions are contained.**
- **Trade diversification is benefitting Canadian shippers.**

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