

Top Economic Trends to Monitor in 2018



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Canada™

Farm Credit Canada
Advancing the business of agriculture



Agenda

Macroeconomic
environment

Sector snapshots



Optimistic forecasts for 2018

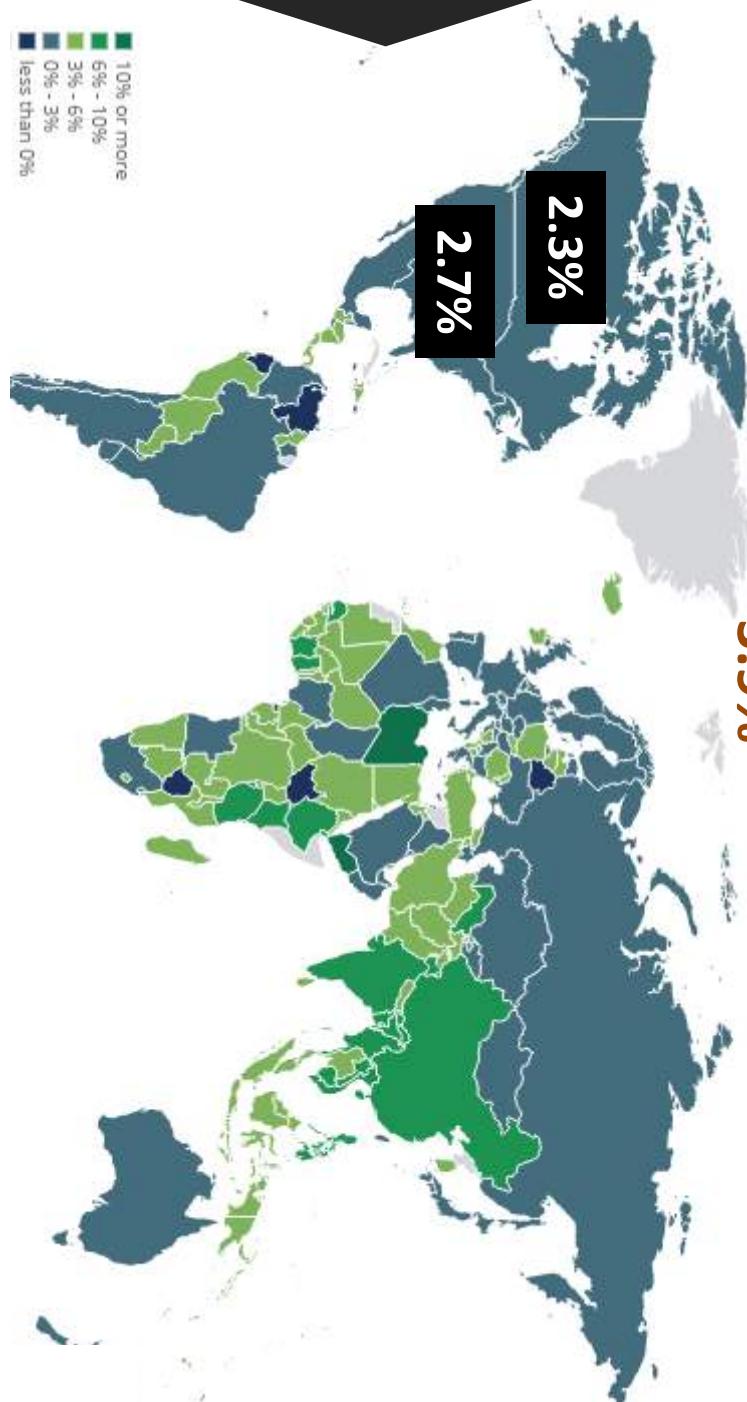
Global GDP

3.9%

2.7%

2.3%

10% or more
6% - 10%
3% - 6%
0% - 3%
less than 0%



2.2%



7.4%



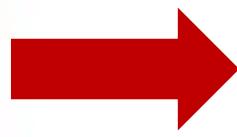
6.6%



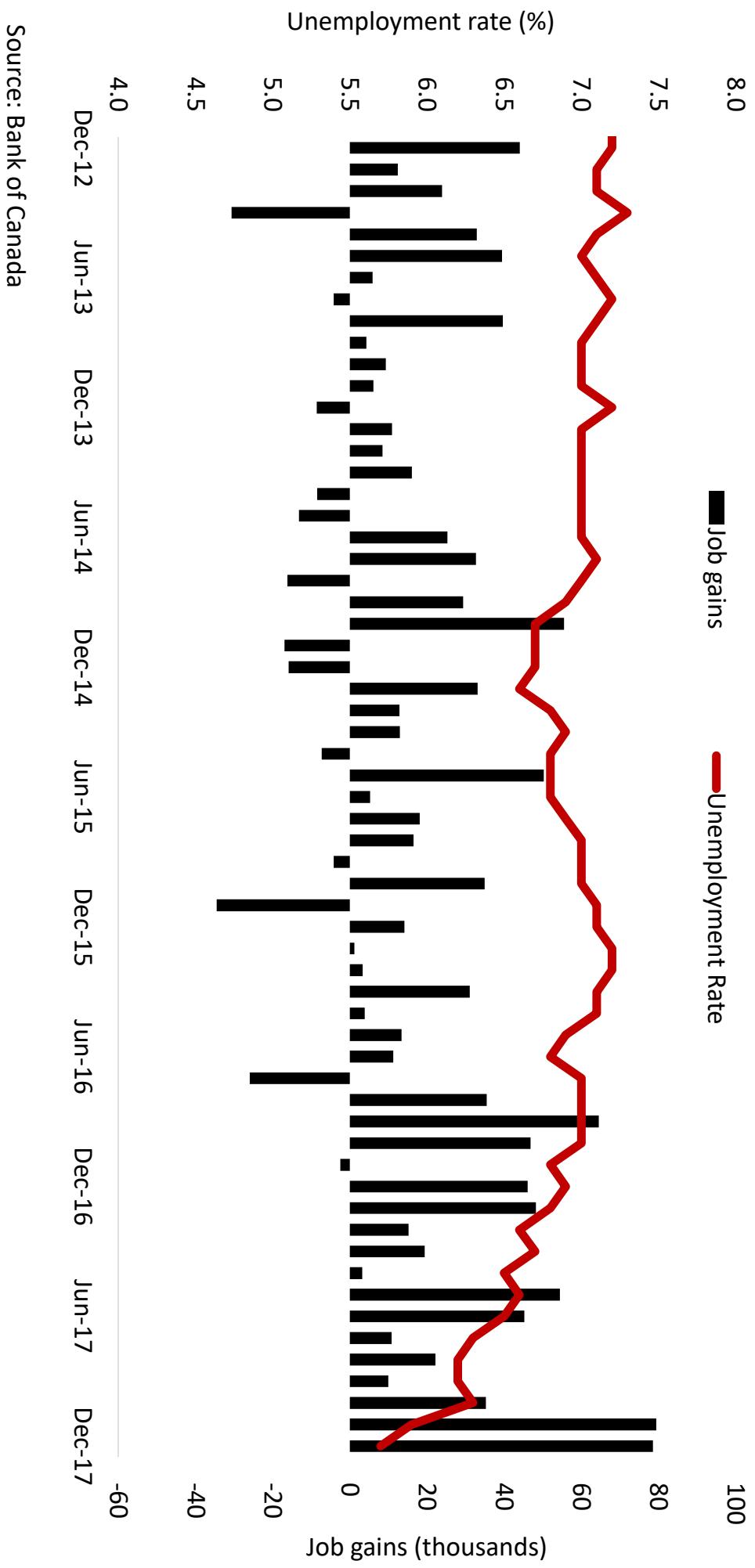
How sustainable is Canada's GDP growth?

GDP:

1.7% in Q3
4.5% in Q2
3.7% in Q1



Labour market is on fire!



Household debt ratio concerns ... overblown?

171%

**Canada's household debt levels
higher than any other country,
report says**

- The OECD found Canada's household debt-to-GDP ratio had ballooned to 101 percent – significantly higher than any of the 35 developed and developing countries the group monitors.
- The rapid accumulation of household debt for Canadians could also leave its economy particularly vulnerable to shocks, the organization said.
- While virtually all countries witnessed soaring debt loads ahead of the credit crisis a decade ago, most have seen their indebtedness reduce over time.

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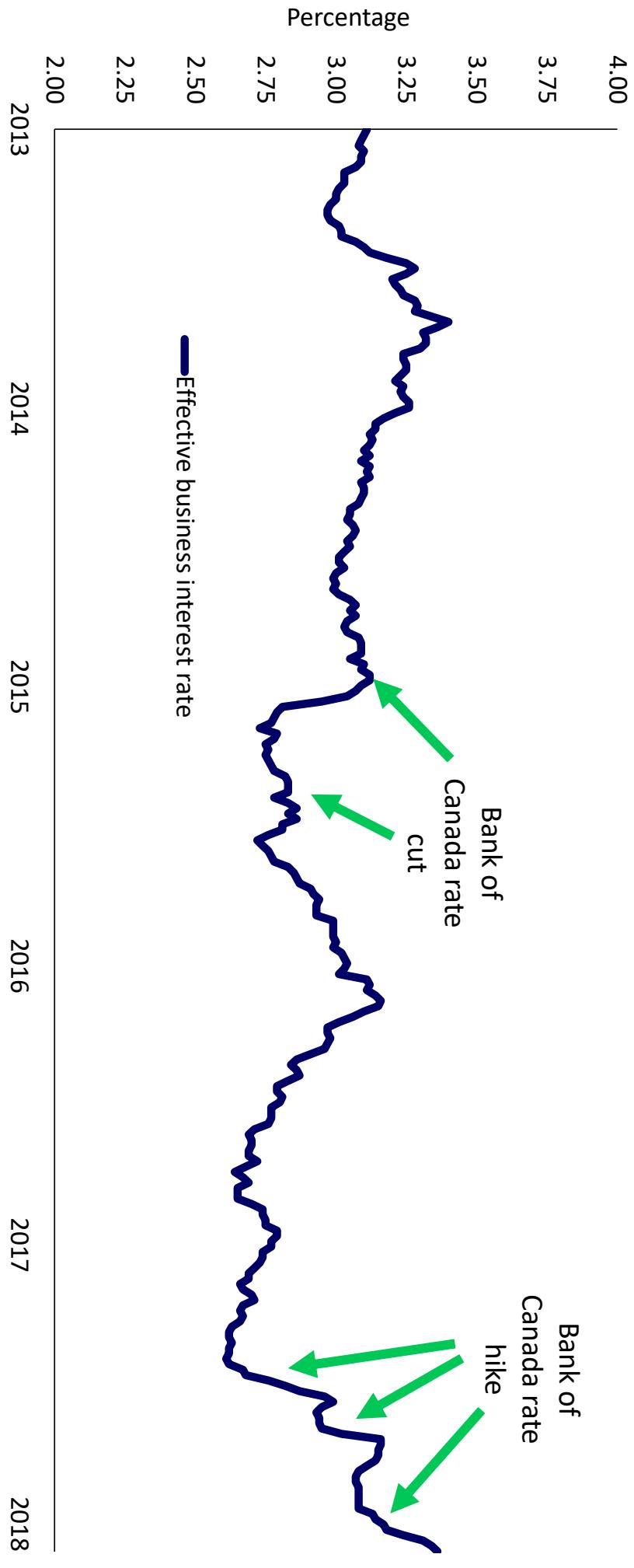
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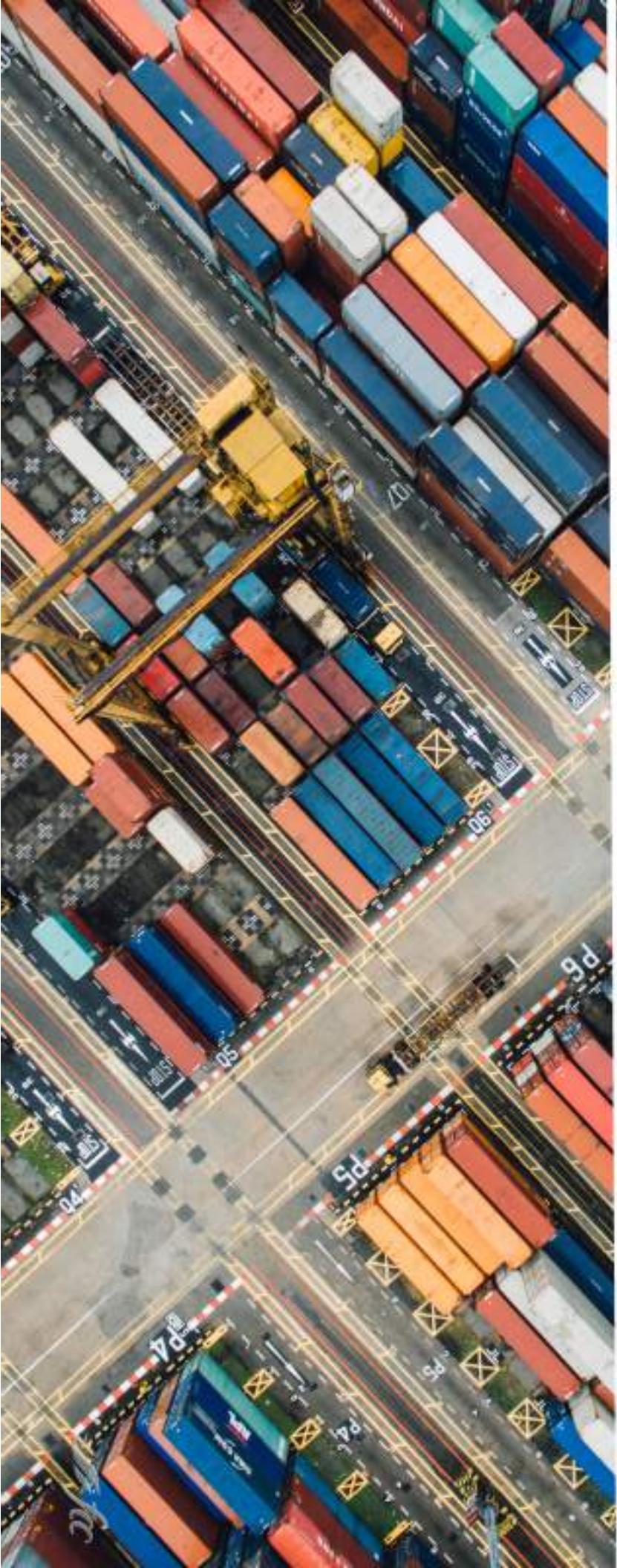
Are recent rate hikes the beginning of a long-term trend?



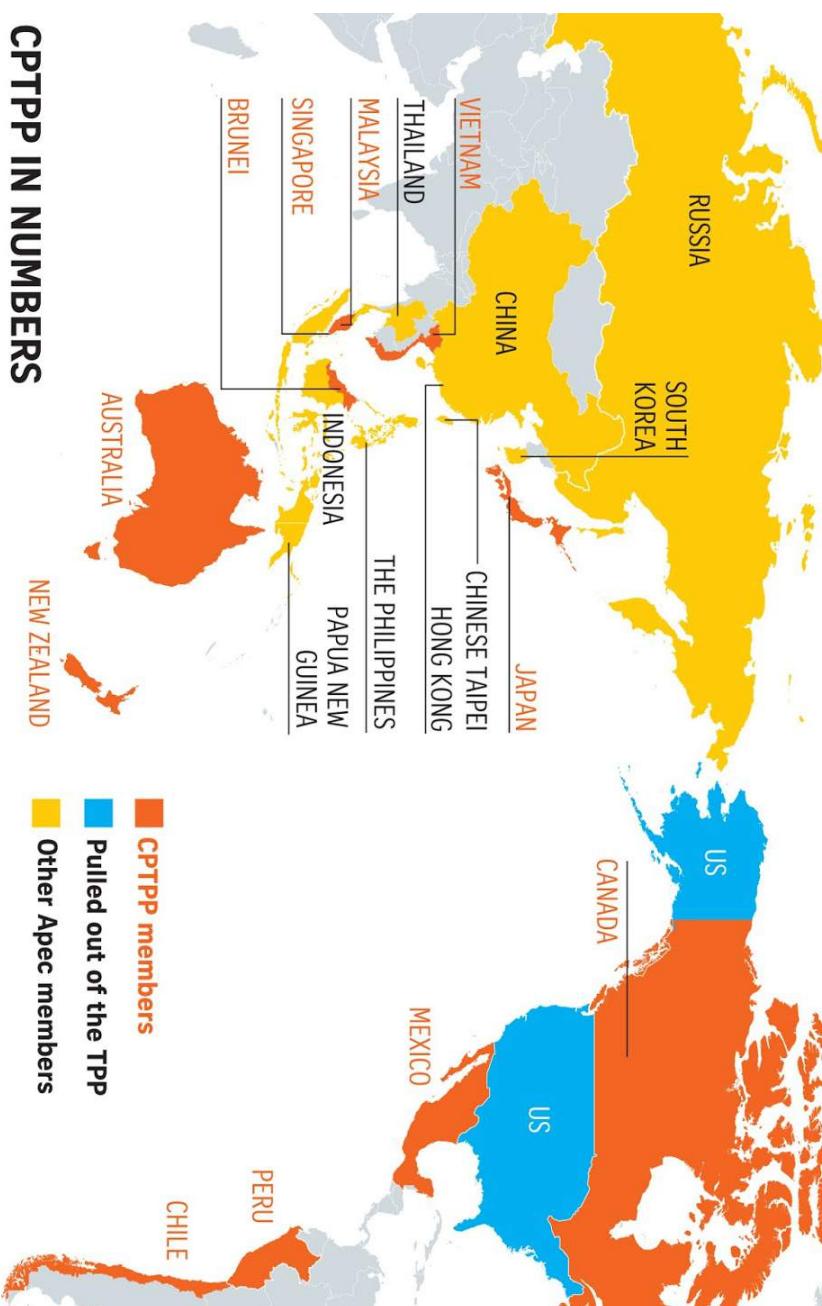
Source: Bank of Canada



Trade agreements offer opportunities ... & some risks



Comprehensive & Progressive TPP to be implemented in 2019?



13.5%

Share of global GDP, down from 40 per cent had the US stayed in the TPP

S\$13.6 trillion

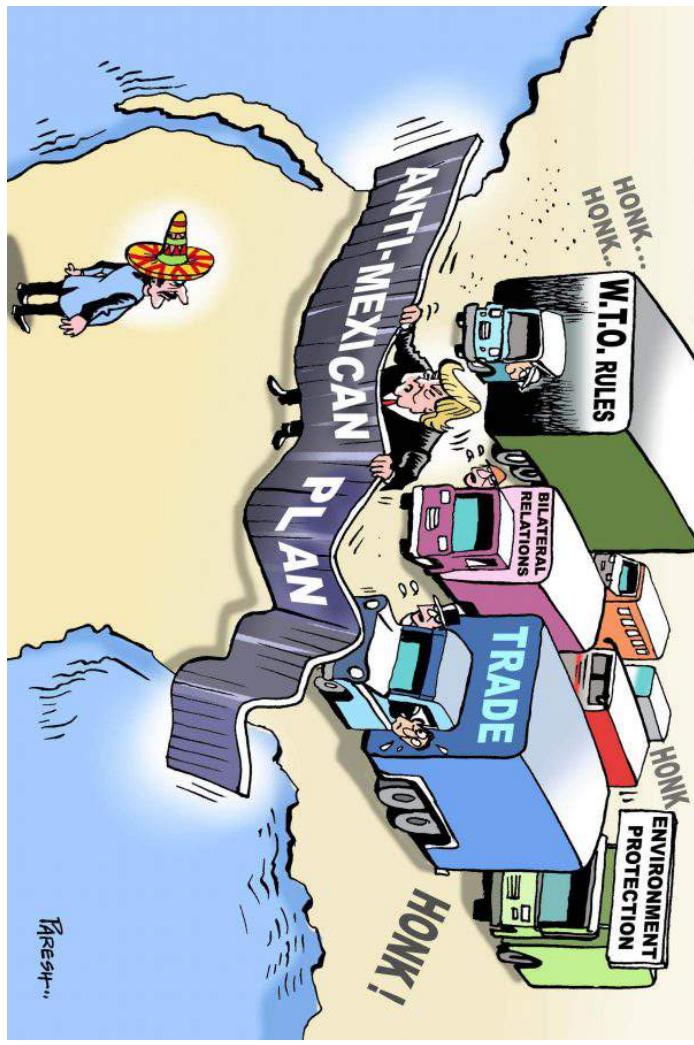
Economic output of members

Modernizing NAFTA or withdrawal?



If President Trump withdraws the U.S. from NAFTA...

- Will the U.S. Congress and/or Corporate America stand up?
- Do we go back to the US-CAN FTA ? WTO rules?
- What happens to the loonie? commodity prices?
- Etc.

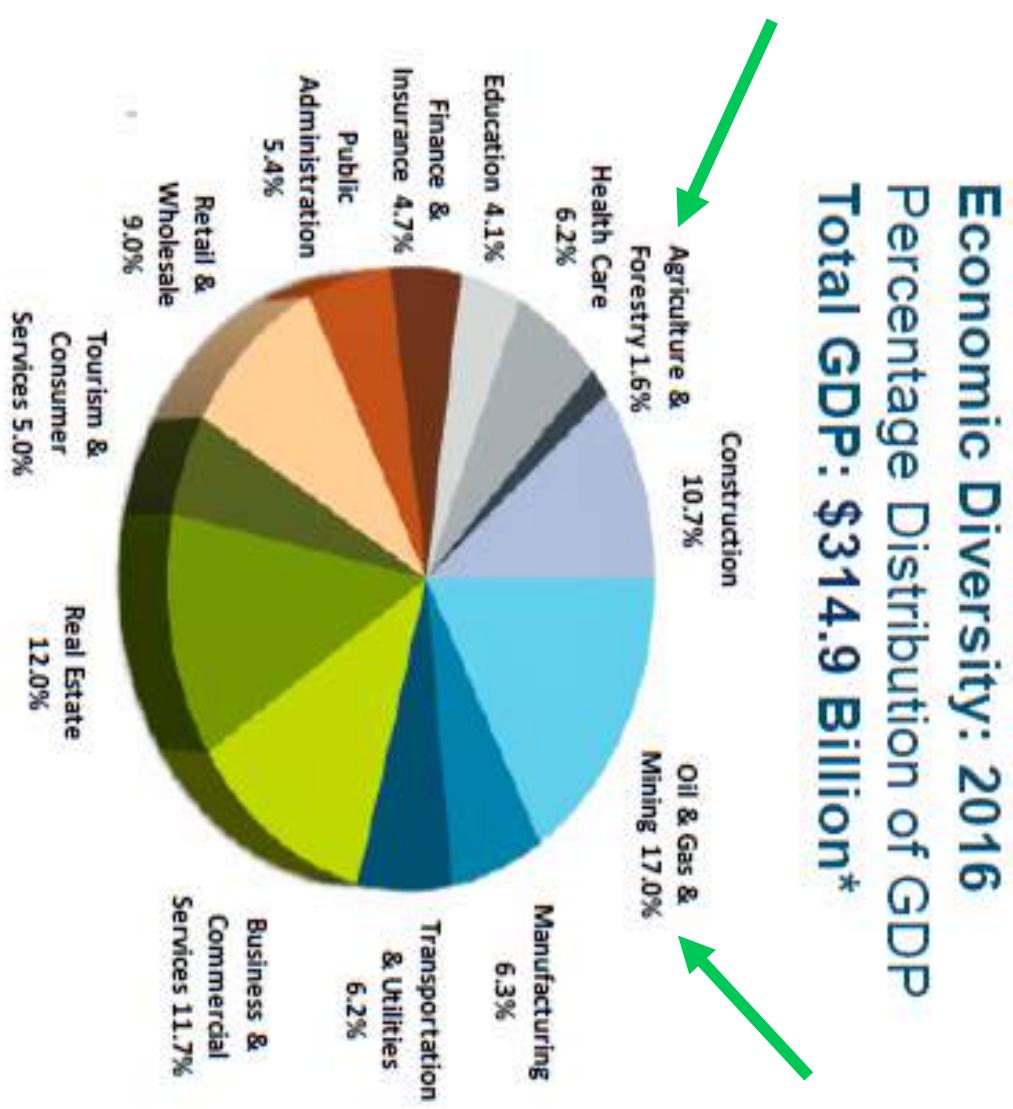


Alberta GDP
up more than
6.5% in 2017...

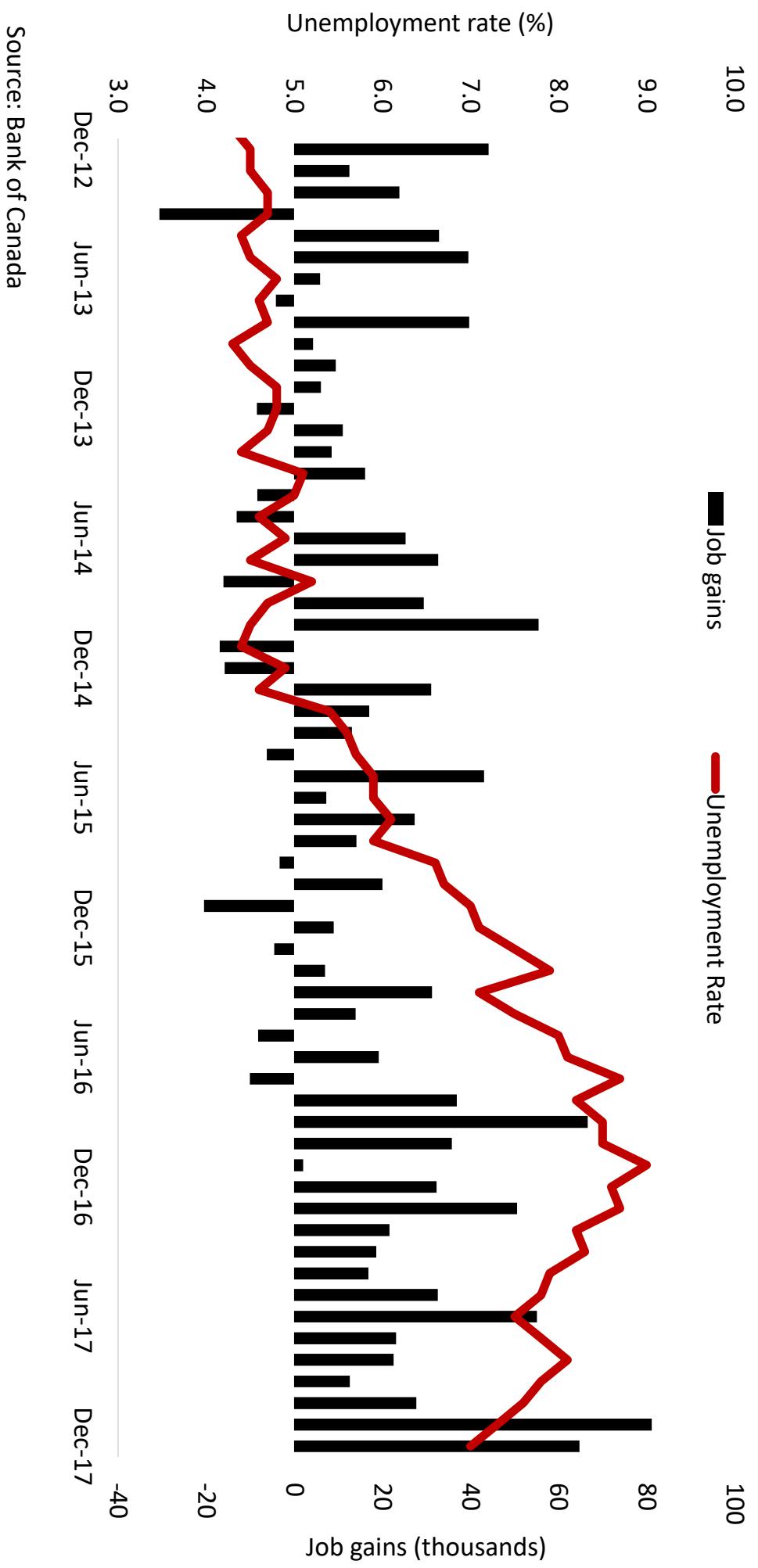
to grow close
to 3% in 2018?



**GDP does not always tell
the whole economic story**



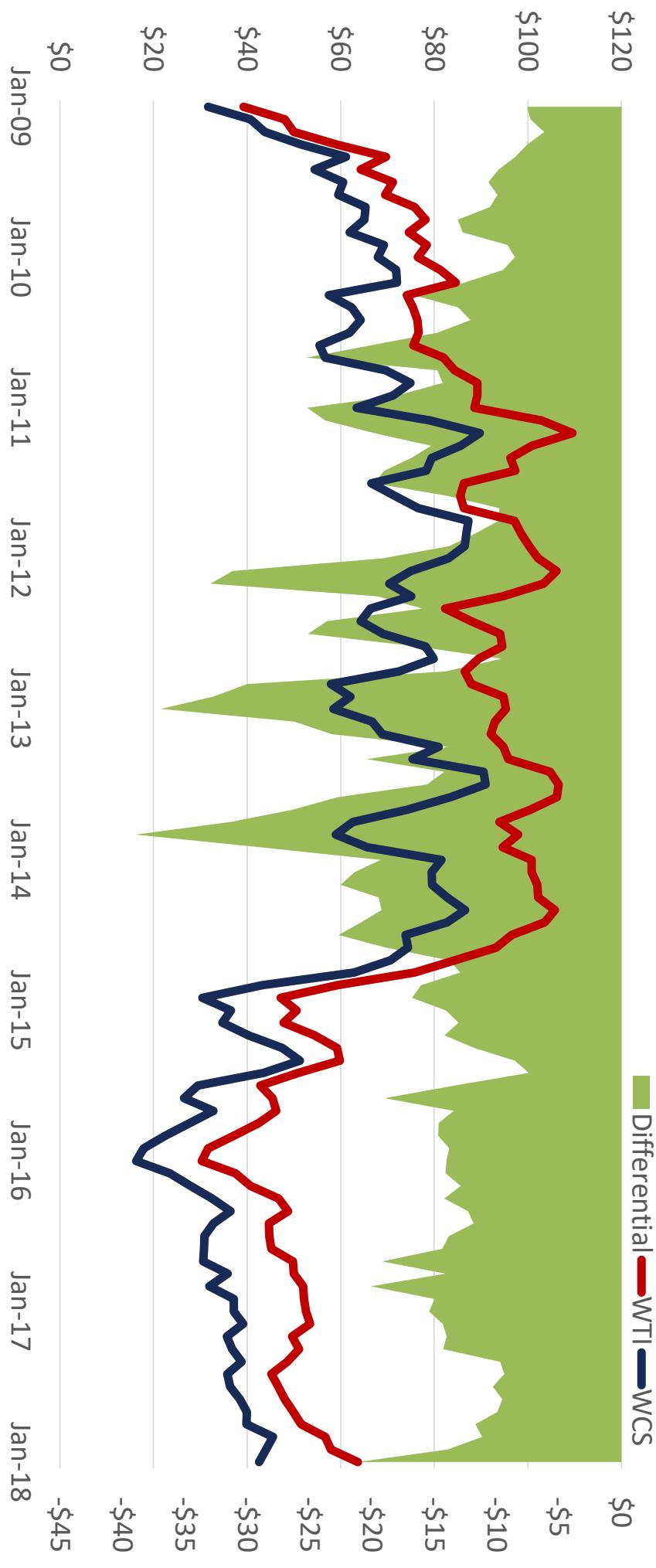
Alberta labour market is also doing very well



Oil and gas GDP is rising; despite a few headwinds

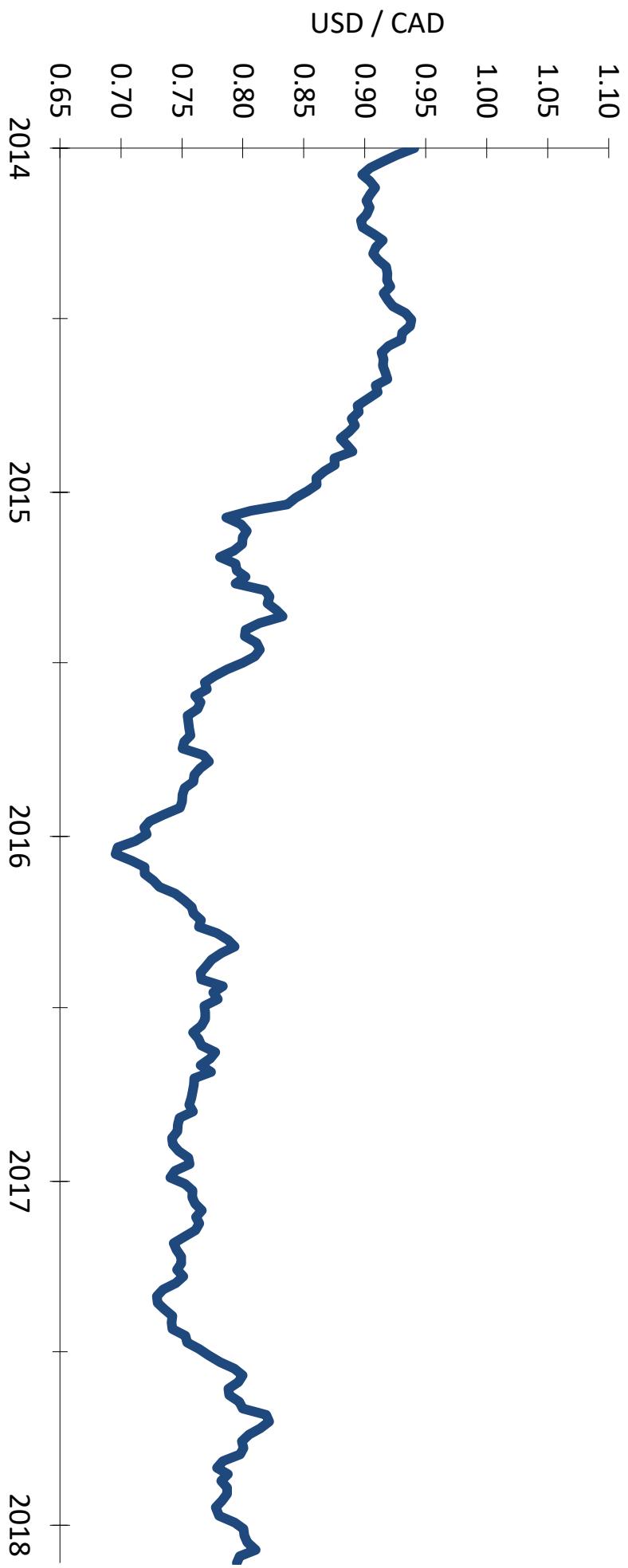


WCS and WTI oil price differential widens – how likely is it that the WTI stays above \$60?



Source: Baytex Energy

**Oil steady(?) and rates in US/CAN moving together
imply a loonie below US \$0.80**



Source: Bank of Canada

A large stack of cut tree logs, likely pine, is shown in a close-up, low-angle shot. The logs are piled high, with their light-colored, textured ends pointing upwards. The background is blurred, showing more logs and a forested area.

Lumber industry outlook is positive on the basis of strong U.S. demand, lower Canadian supplies and stronger import demand

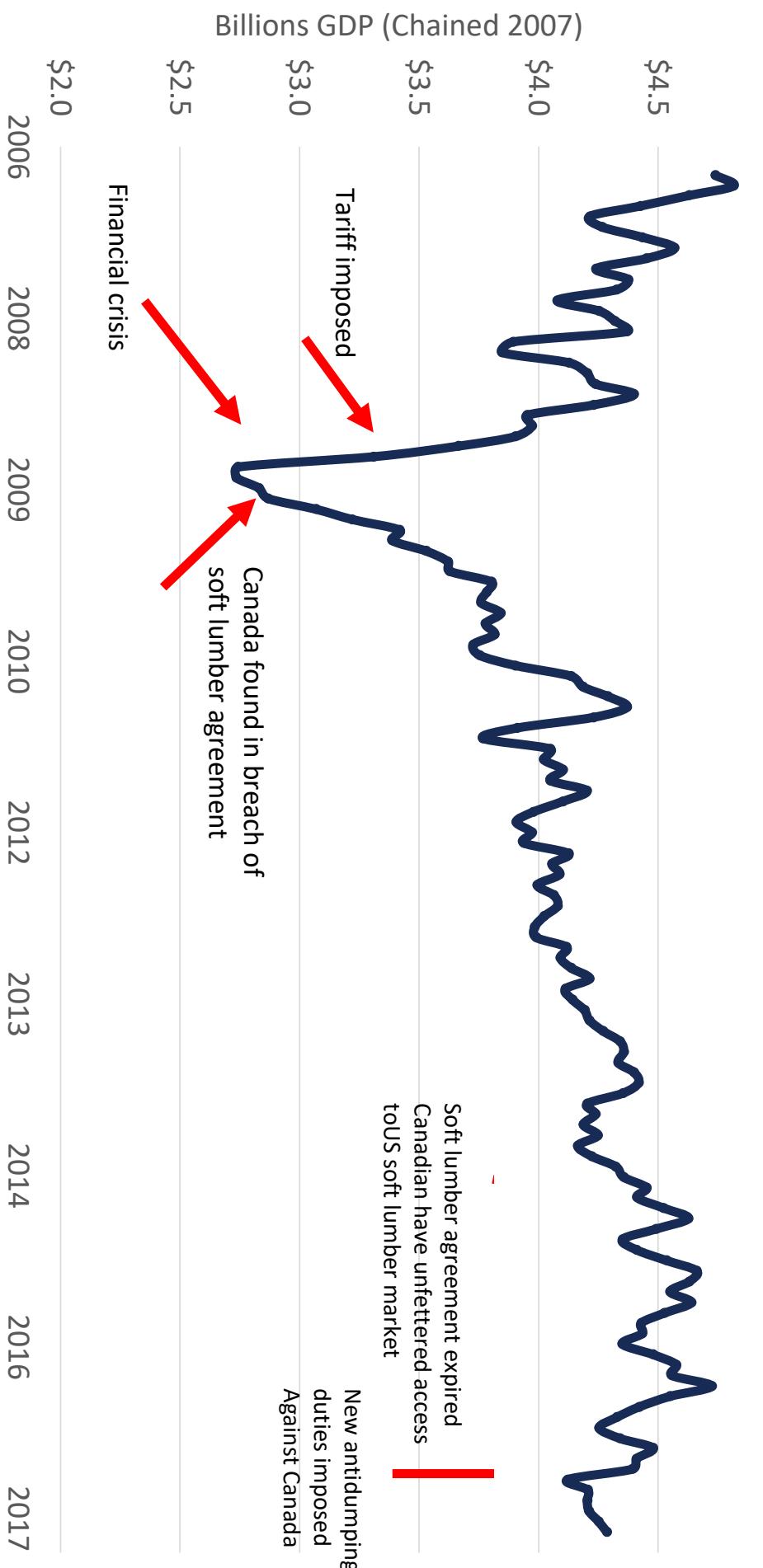
The U.S. economy is
expanding faster

GDP:

2.9% in Q4
3.0% in Q3
3.1% in Q2
1.2% in Q1



Forestry and Logging GDP



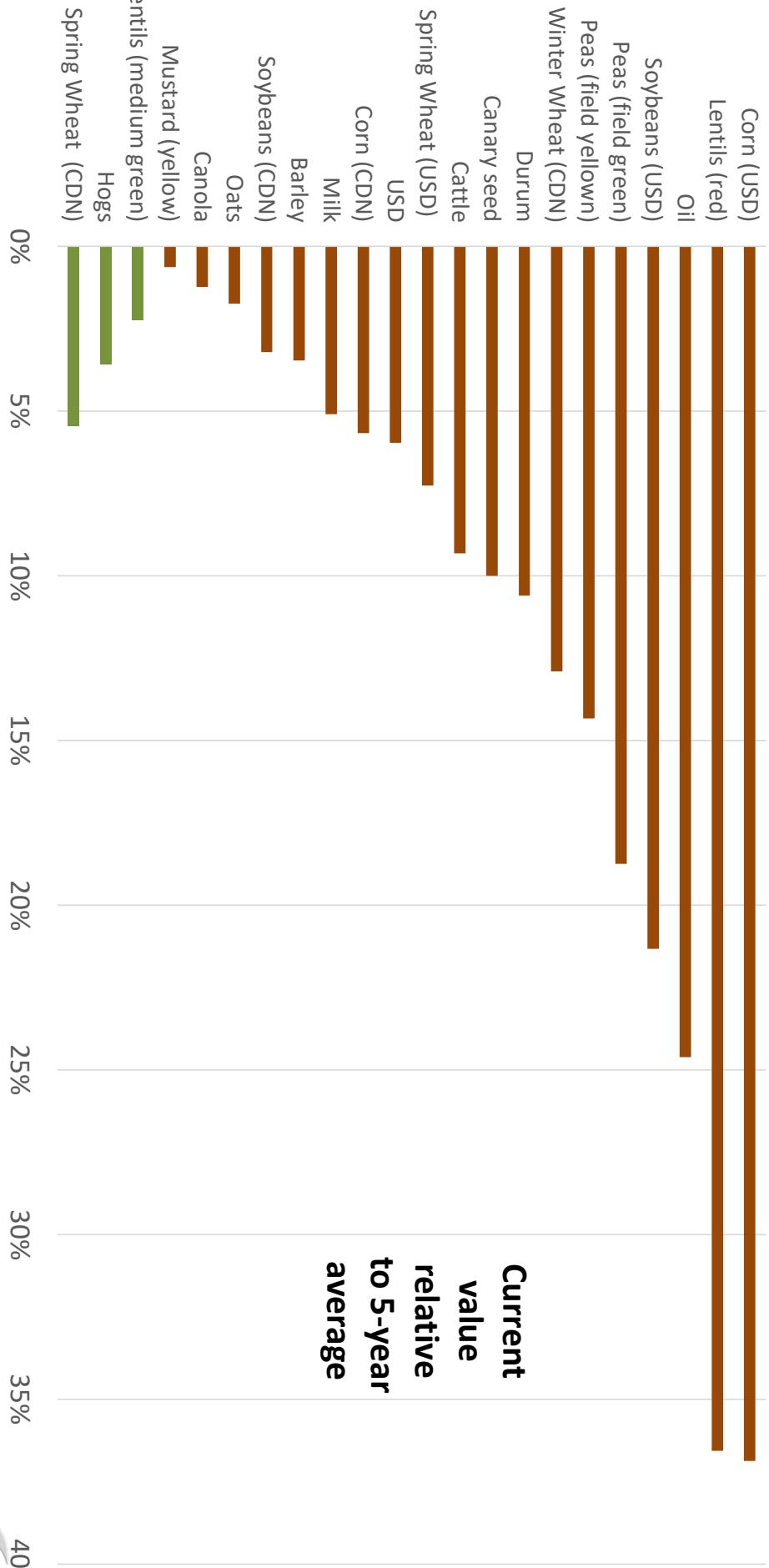
Source: Statistics Canada



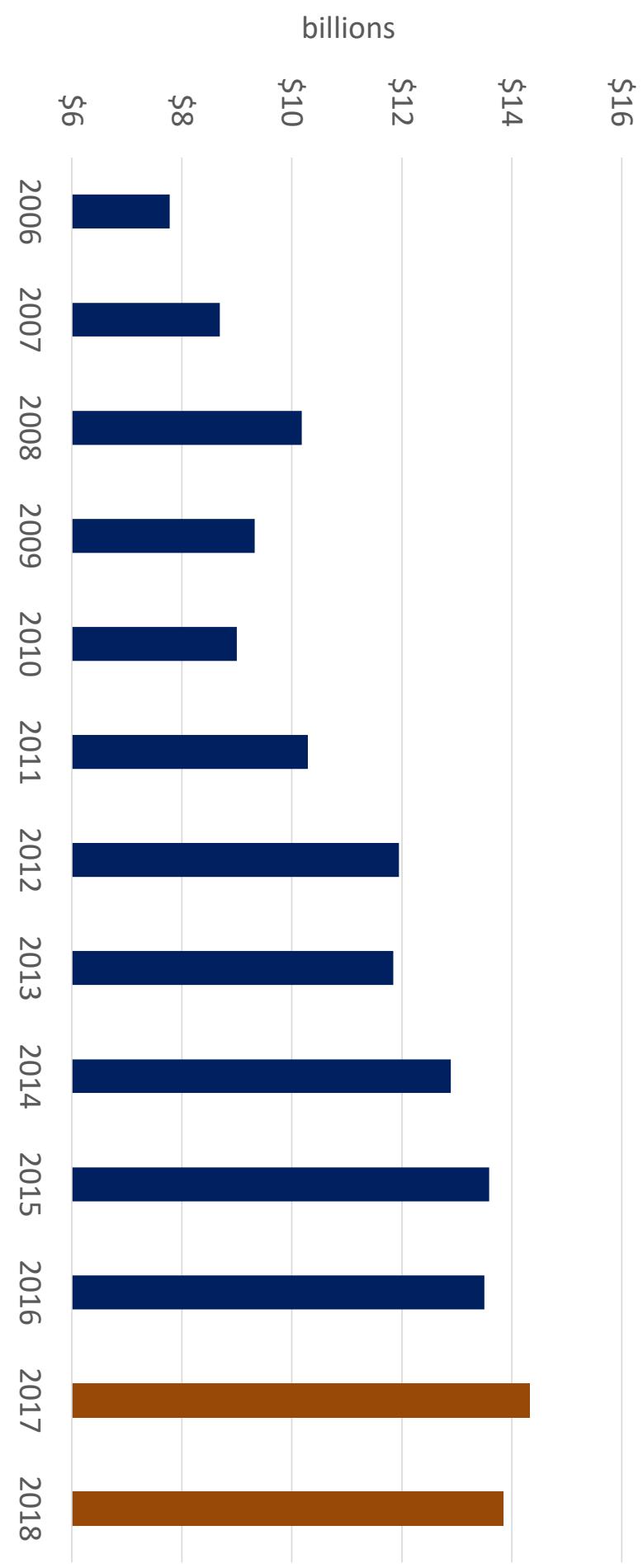
Baseline for agriculture

WFC

Where are we at in the ag cycle?



AB farm cash receipts get a bounce in 2017 but projected to grow at a slower pace



Source: Statistics Canada, FCC computations



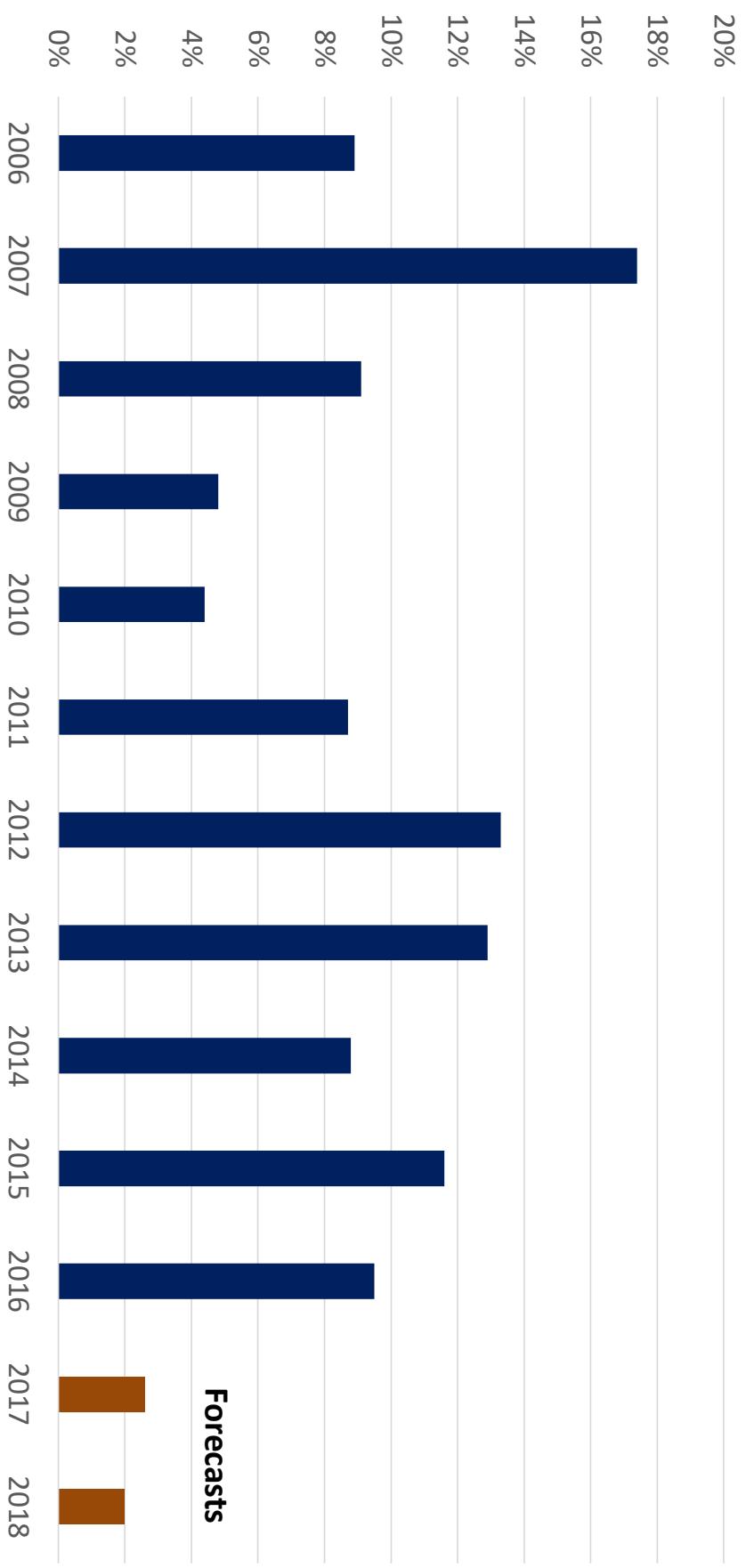
Canada
7.9%

FCC Farmland Values Report
Change by province
January 1 – December 31, 2016



*There was an insufficient number of publicly reported transactions in 2016 to accurately assess farmland values in Newfoundland and Labrador.

Growth in AB farmland values slowing



Source: FCC

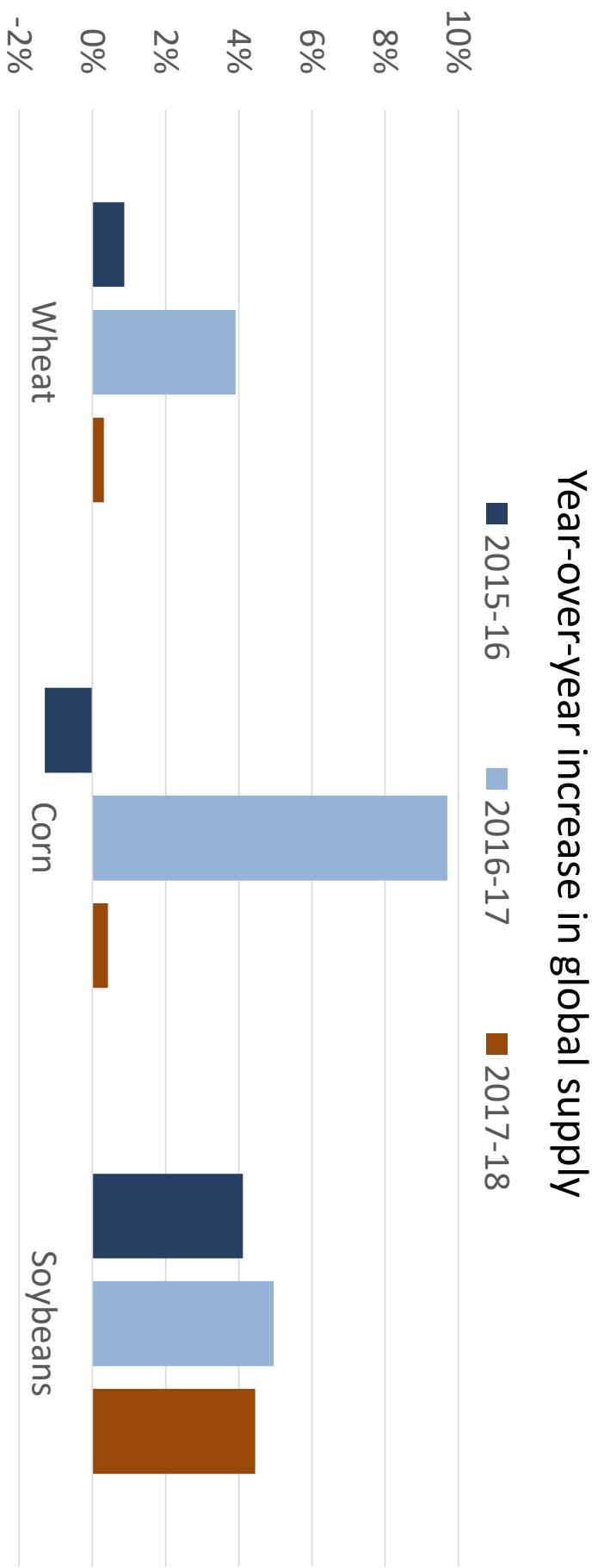




Global production of grains and oilseeds
is climbing across the globe



China absorbs more than 50% of the growth in oilseed production



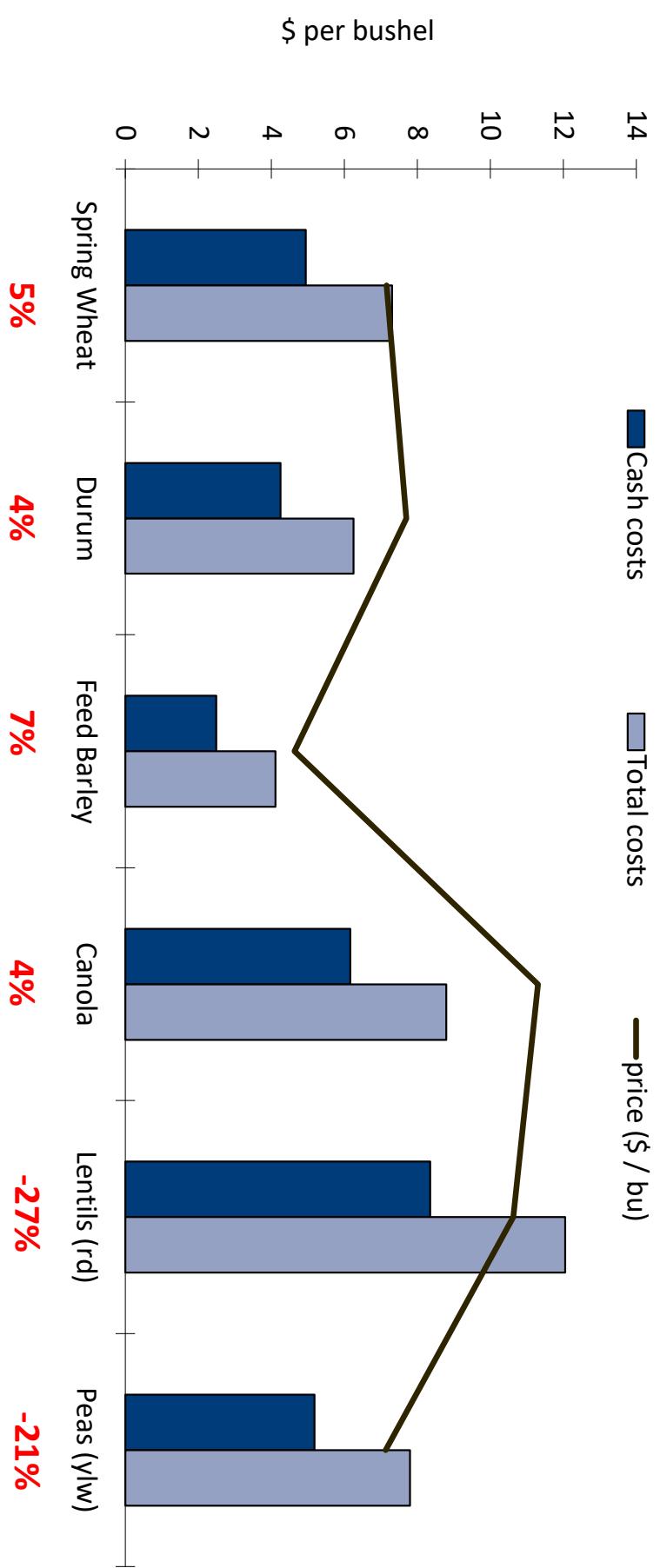
Source: USDA-WASDE

Shift in paradigm

volume vs price

value?

Canola and wheat acres to increase on lower pulse prices



Source: AAFC, FCC computations

Beef

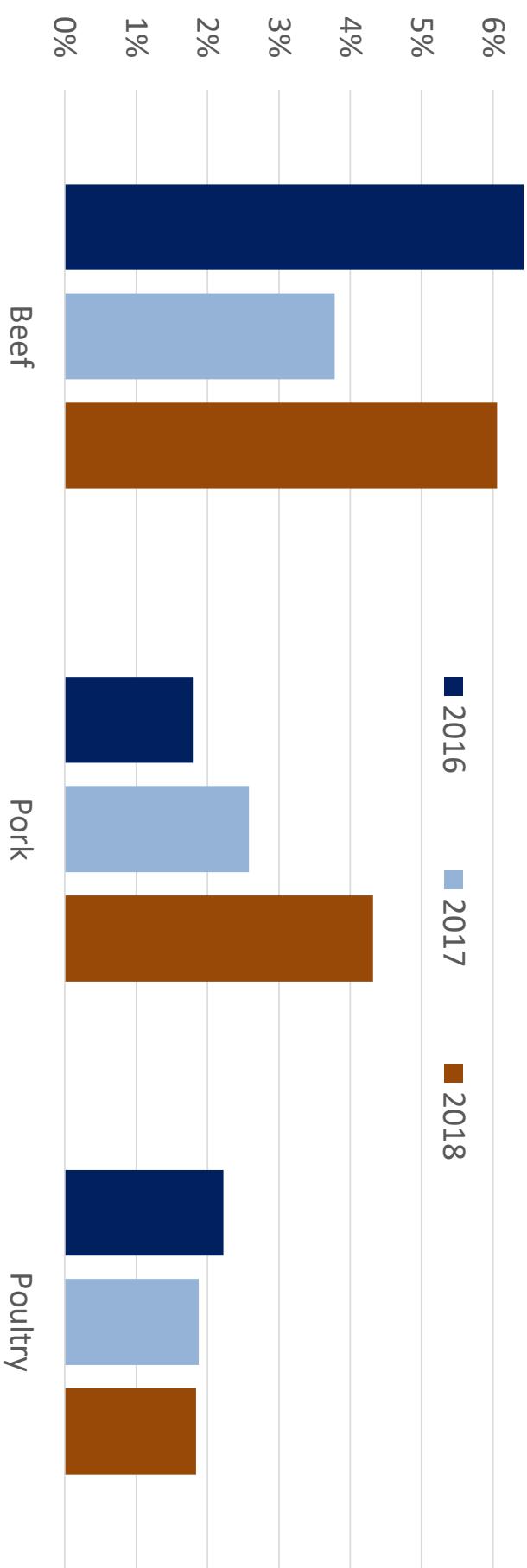


- Expansion of cattle herd in the U.S.
- Cost of production
- Strength in demand



Protein market driven by U.S. production numbers

Year-over-year increase in U.S. supply



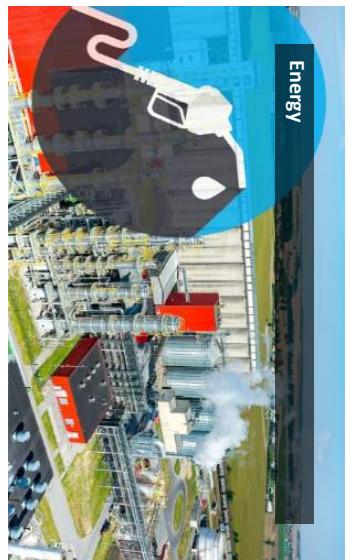
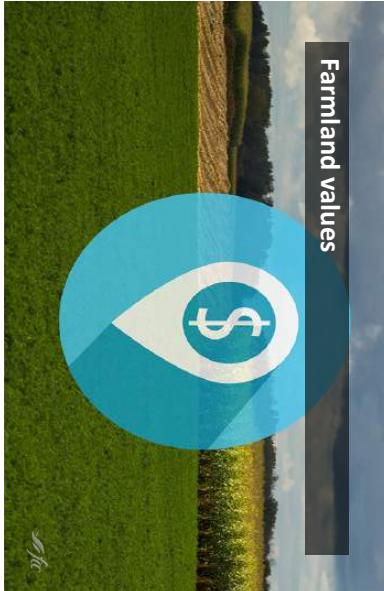
Source: USDA-WASDE



Profitability is positive in 2018 for cattle operations



Trends to monitor in 2018



A photograph of a man and a young child walking through a field of tall, green grass. The man is in the foreground, slightly to the right, wearing a light-colored shirt and dark pants. He is holding the hand of a young child who is wearing a purple shirt and light-colored pants. They are walking away from the camera, towards a bright, hazy horizon. The sky is clear and blue. The overall atmosphere is peaceful and suggests a positive future.

**The economic outlook is positive after getting
out of the worst recession in 50+ years**

Canada

