

# LIVING IN ECONOMIC EXTREMES

*A TERRIBLE YEAR, BUT MUCH  
BETTER THAN EXPECTED*

CGAI Conference

Feb. 9, 2021

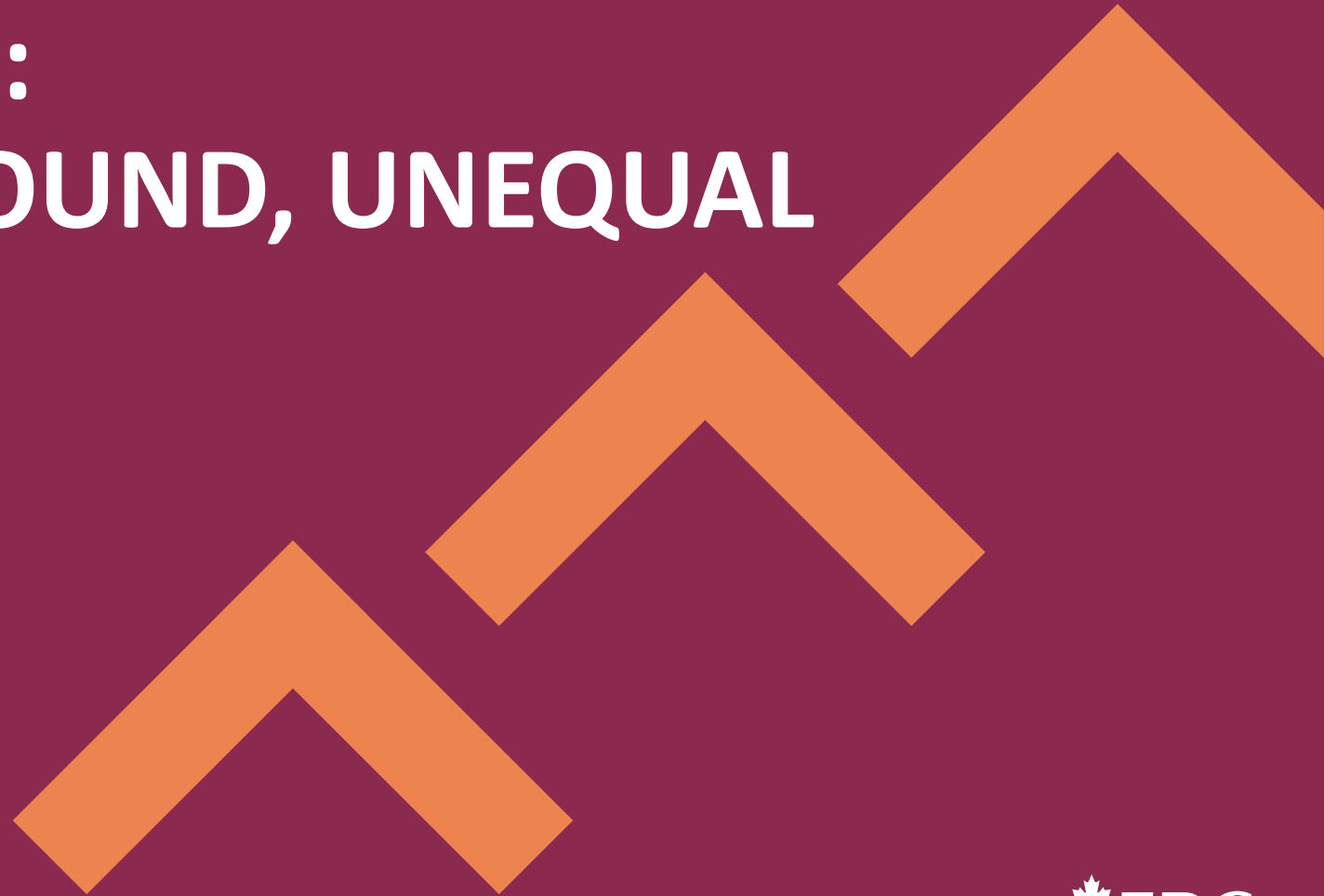
Stephen Tapp,  
Deputy Chief Economist and  
Director of Research

Canada

EDC

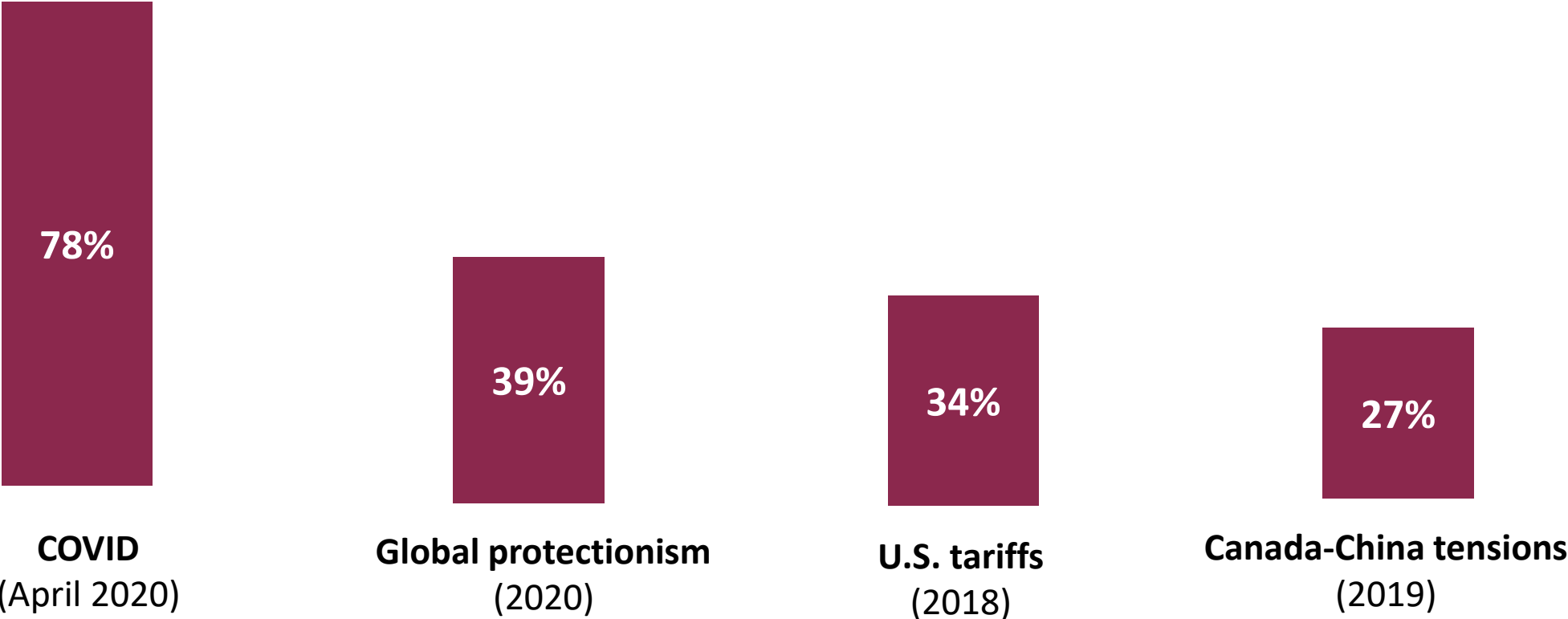


# THE COVID SHOCK: PERVASIVE, PROFOUND, UNEQUAL



# SCOPE

**Negative impact reported by Canadian exporters**  
% of respondents

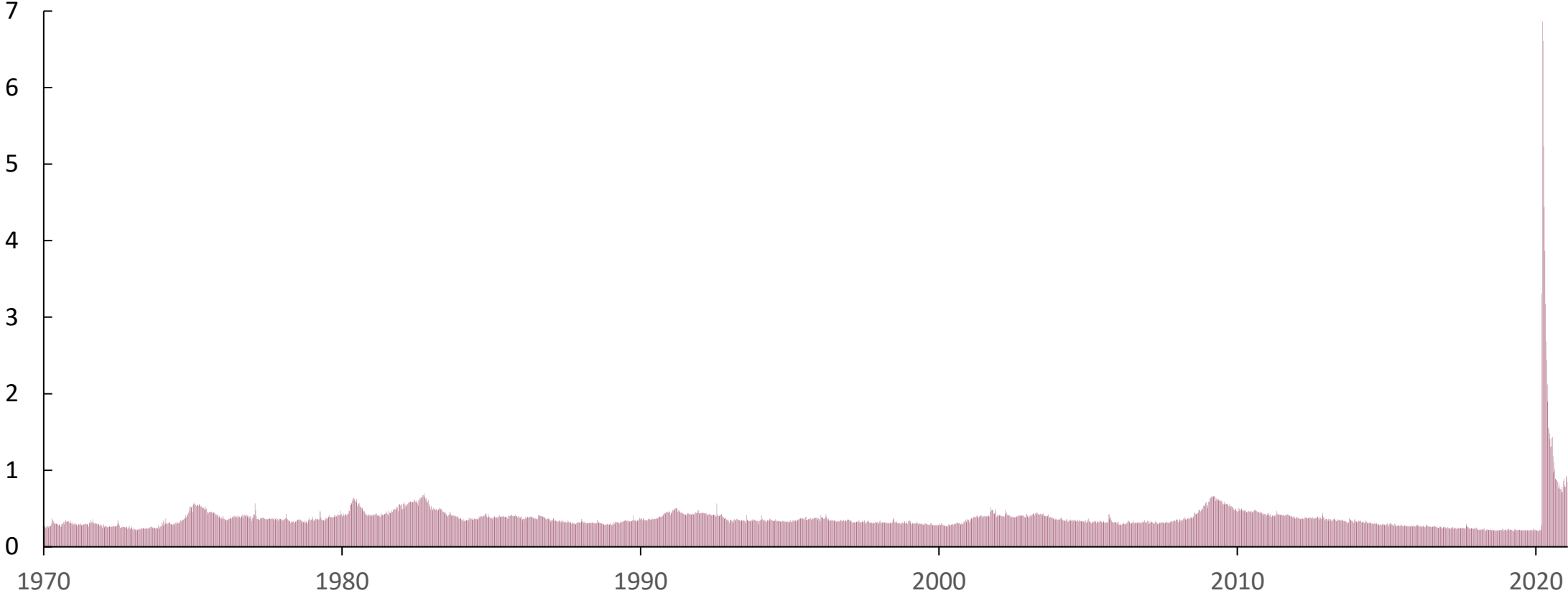


Source: Various EDC Trade Confidence Index surveys.

# SCALE

## U.S. initial unemployment claims

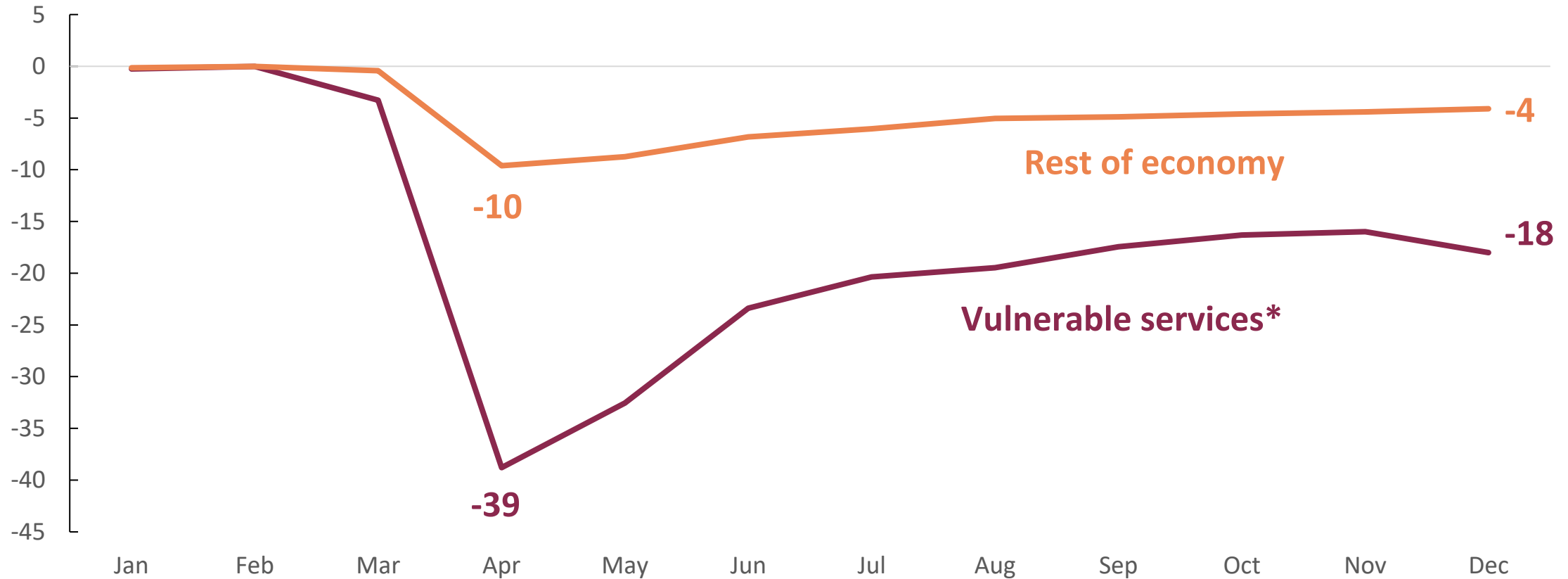
Millions per week



# UNEQUAL ACROSS SECTORS...

## U.S. employment

% change since Feb 2020

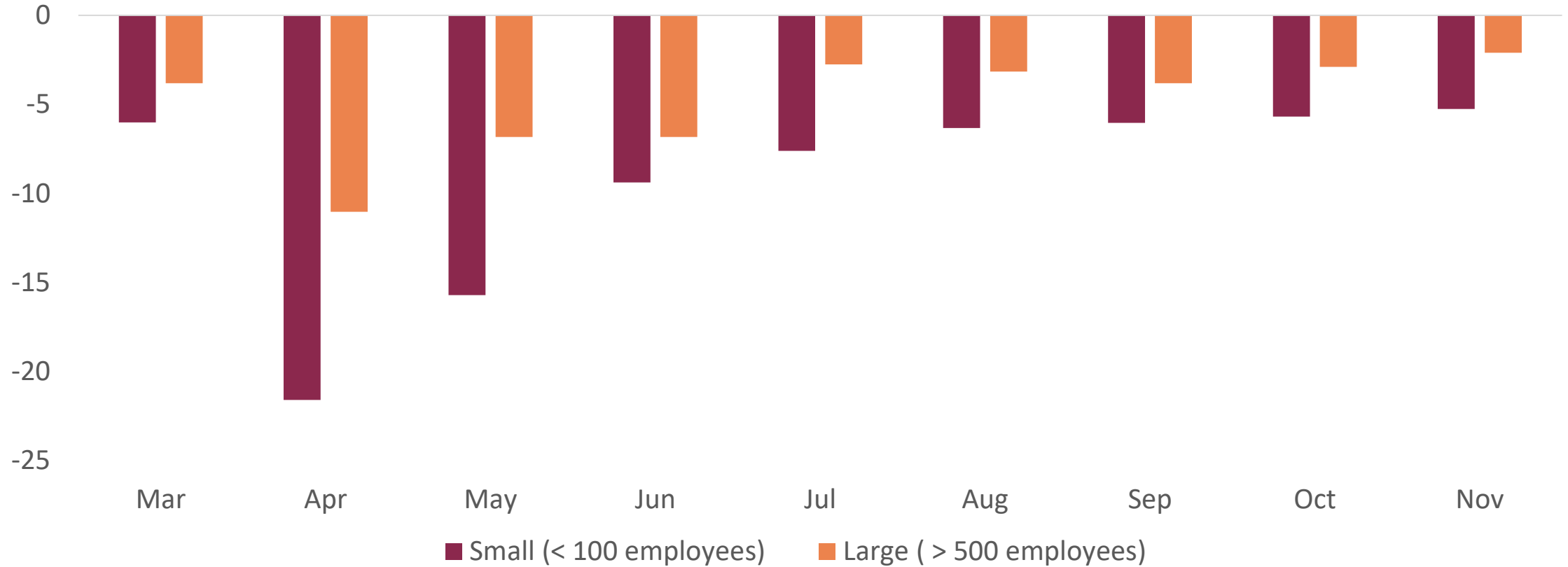


\*Includes restaurants, hospitality, arts, entertainment, recreation, other personal services

# ...AND FIRM SIZE

## Number of Canadian goods exporters

% change since Feb 2020

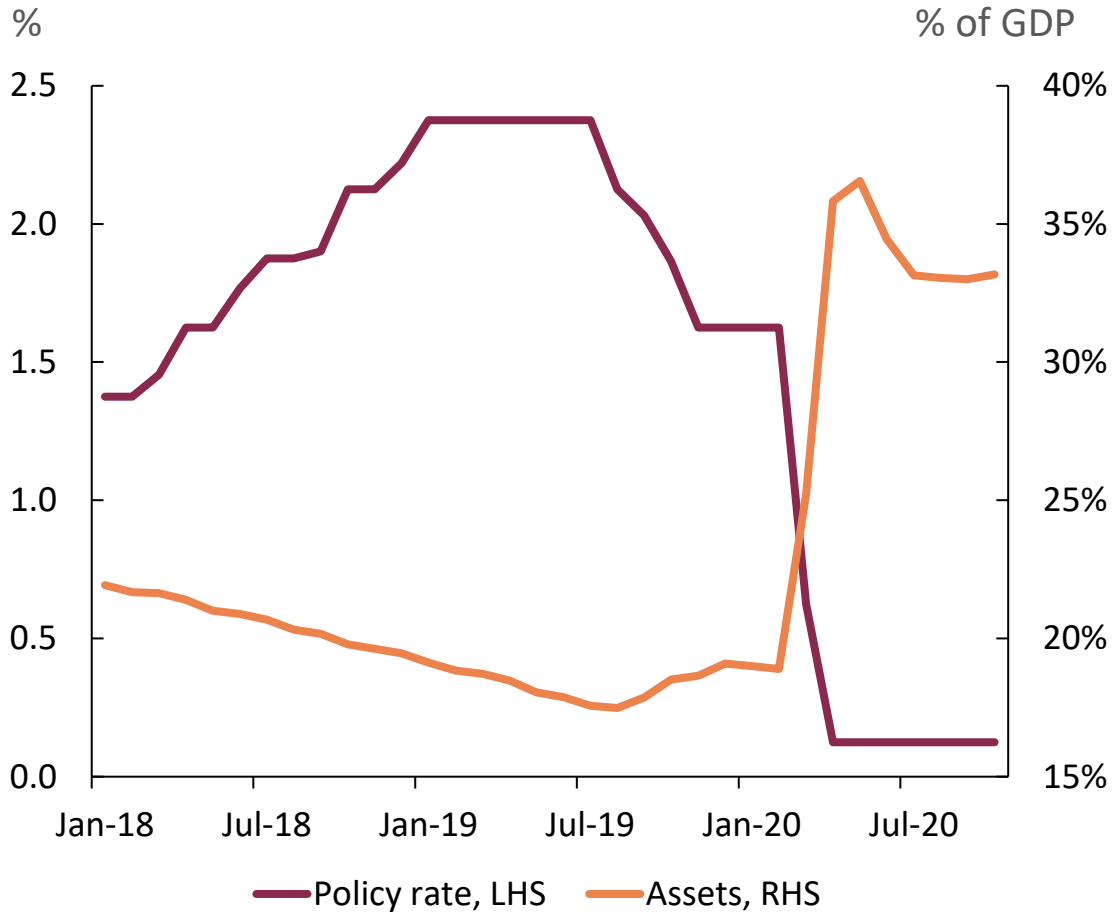


# THE POLICY RESPONSE: UNPRECEDENTED, EFFECTIVE



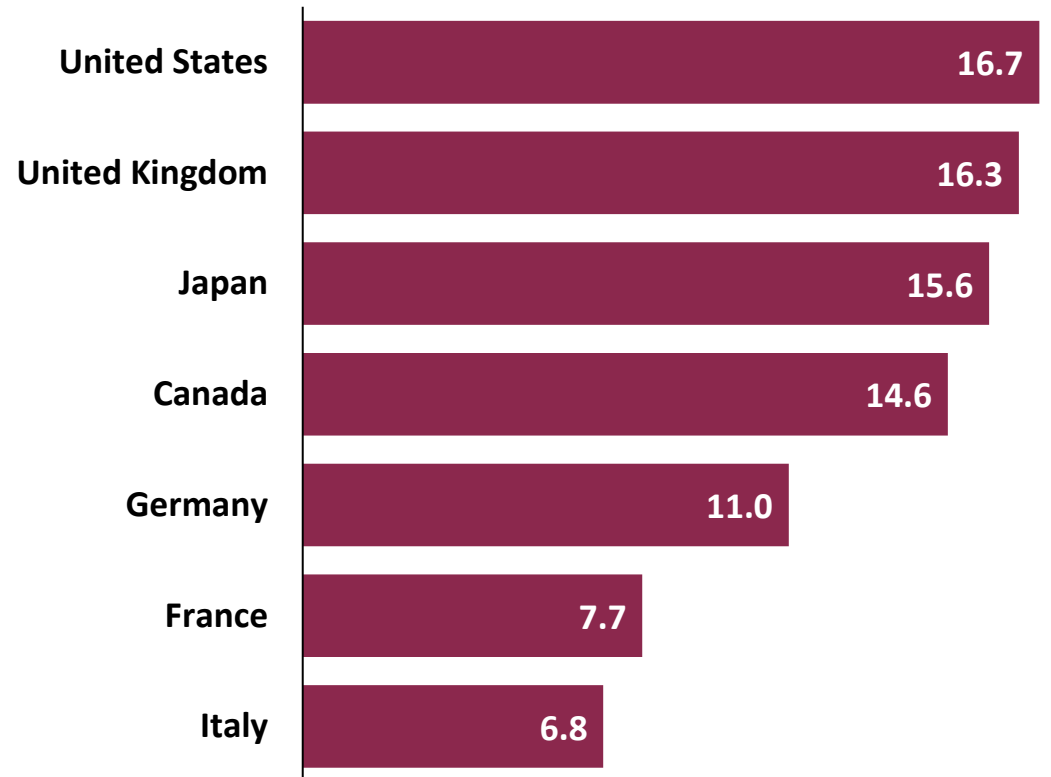
# MASSIVE RESPONSE

## Federal Reserve monetary policy



## Direct discretionary fiscal support

% of GDP, as of Feb. 1, 2021





# STABILIZED FINANCIAL MARKETS

## U.S. stock market

% change since Jan. 2020



## U.S. investment grade debt yield

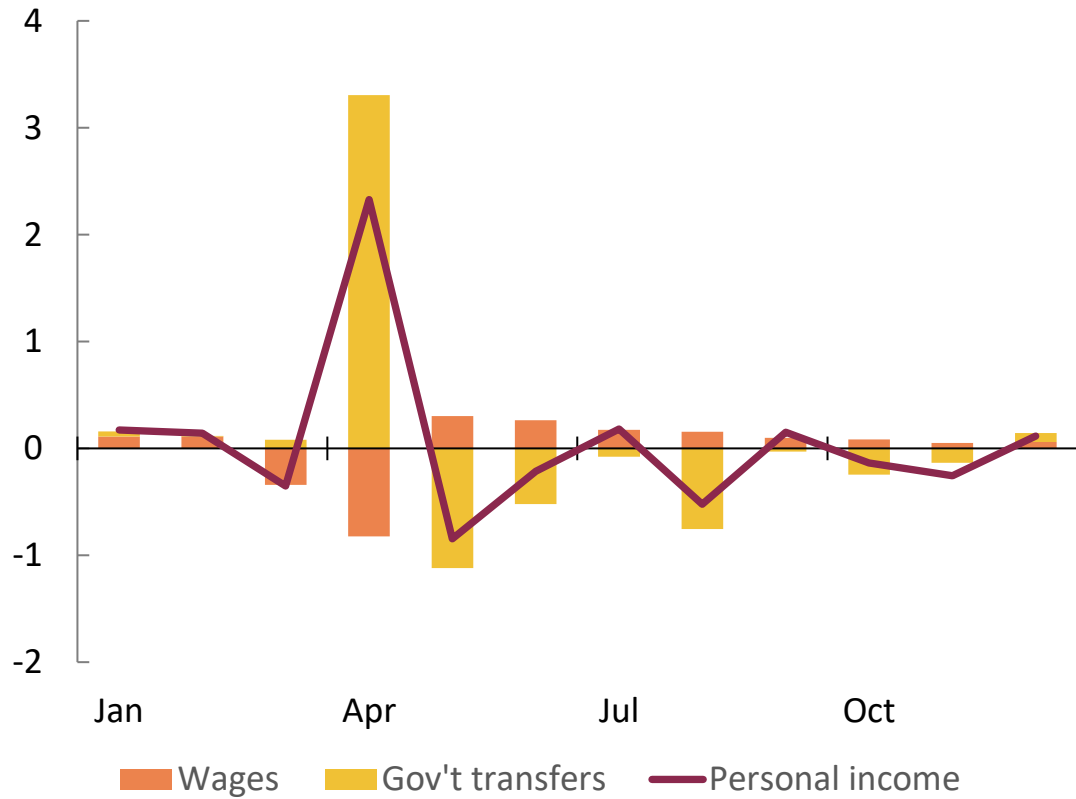
%



# SUPPORTED CONSUMERS

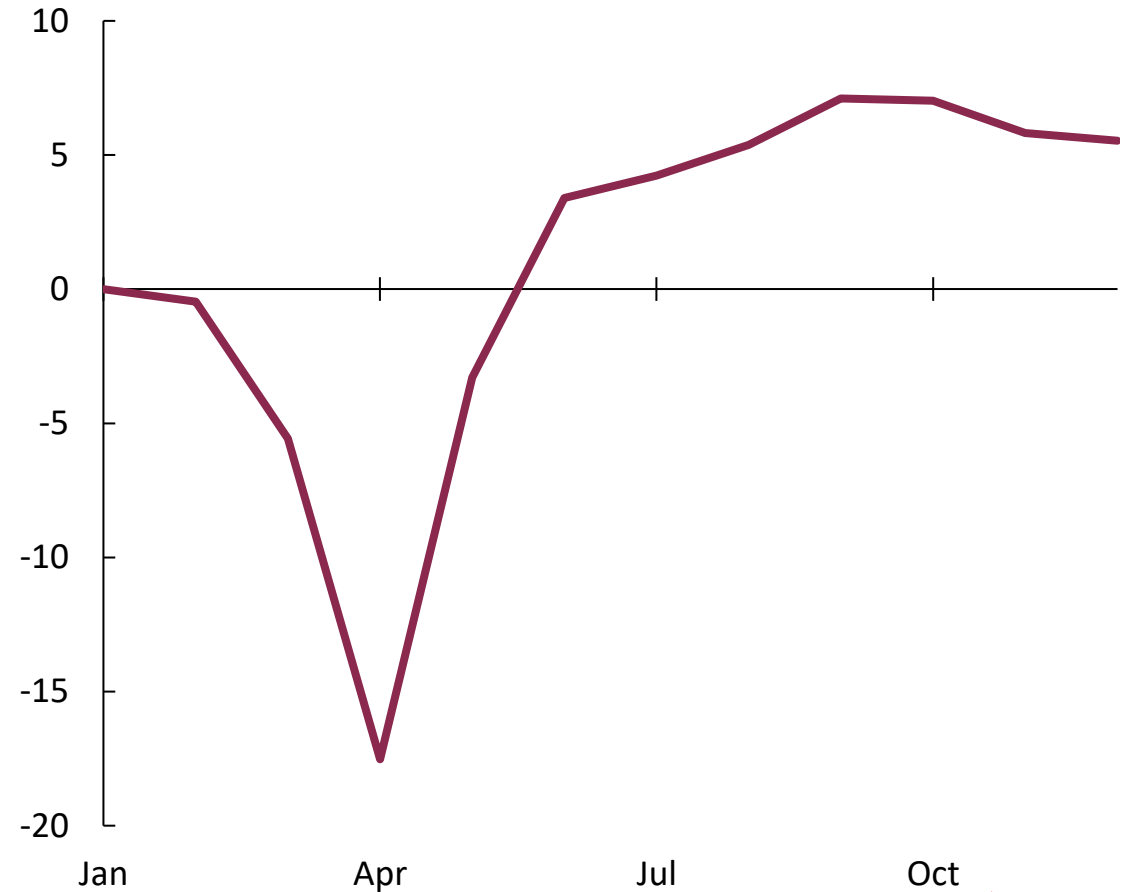
## Monthly change in U.S. personal income

Trillions of dollars



## U.S. retail sales

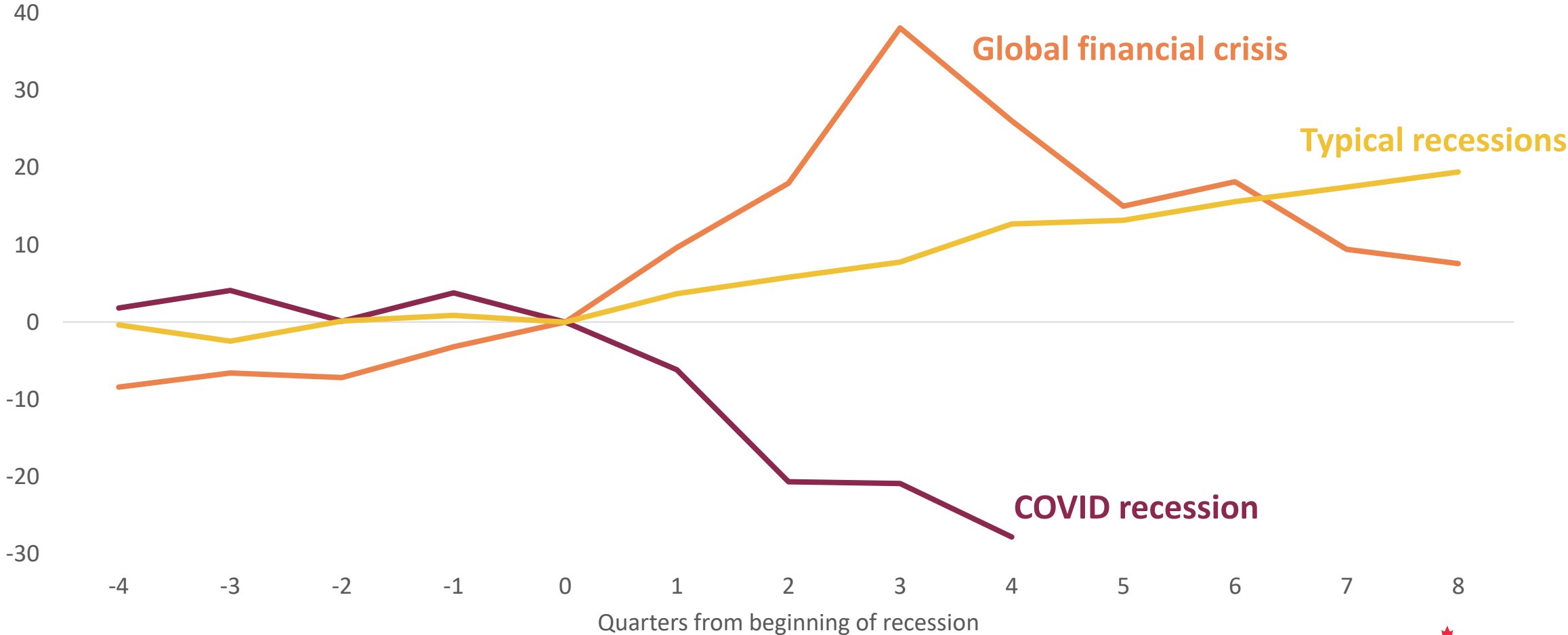
% change since Jan. 2020



# PREVENTED BANKRUPTCIES

## Business bankruptcy dynamics for major economies

% difference relative to level at the start of each recession



# GLOBAL GOODS TRADE RESILIENCE





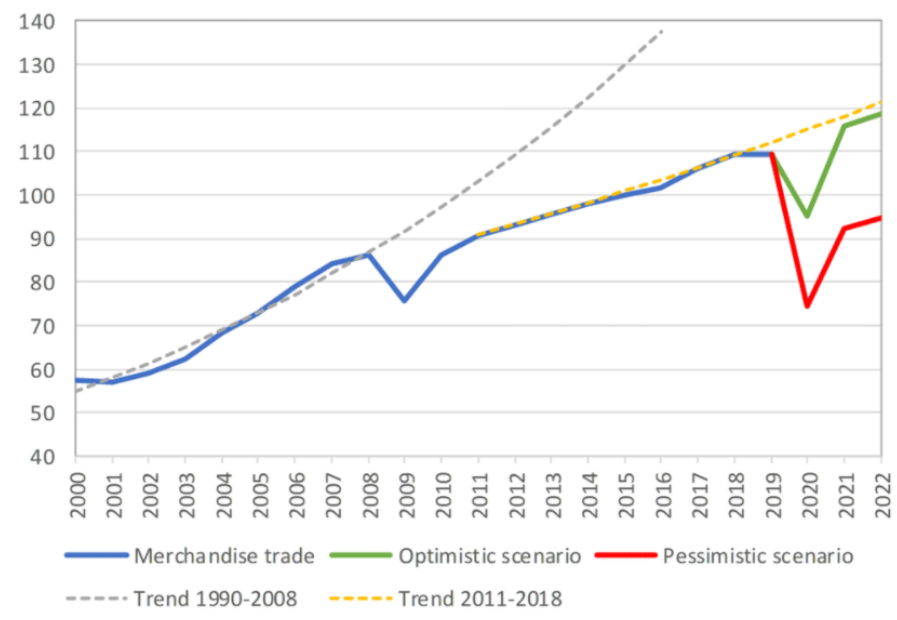
# DIRE INITIAL PREDICTIONS

***“2020 will show a trade collapse far larger than 2008-09.”***

Richard Baldwin, April 7, 2020

Chart 1 - World merchandise trade volume, 2000-2022

Index, 2015=100



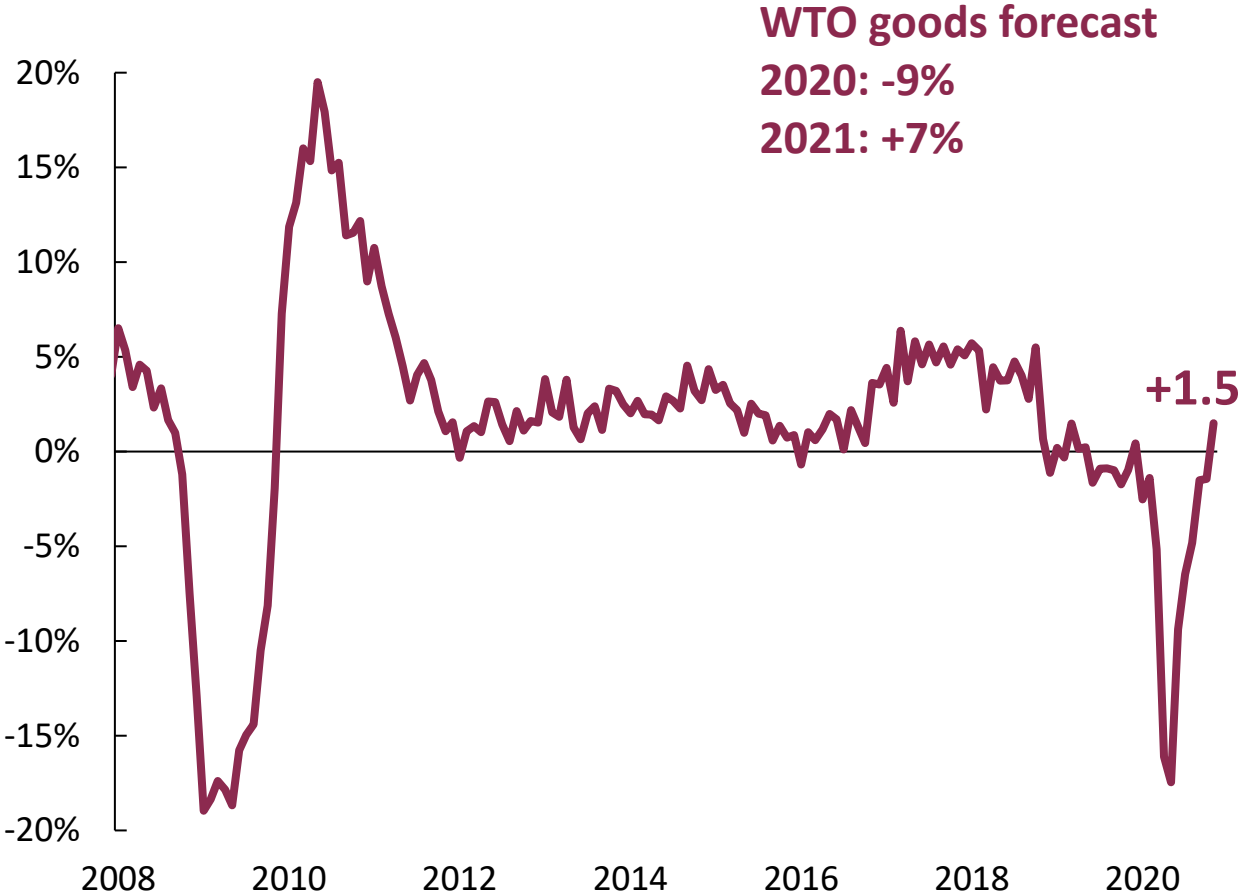
**World goods trade 2020 forecast in April**  
**-13% (optimistic scenario)**  
**-32% (pessimistic scenario)**

Sources: VoxEU; WTO

# SUPPLY CHAINS LARGELY HELD UP, SERVICES HIT HARDEST

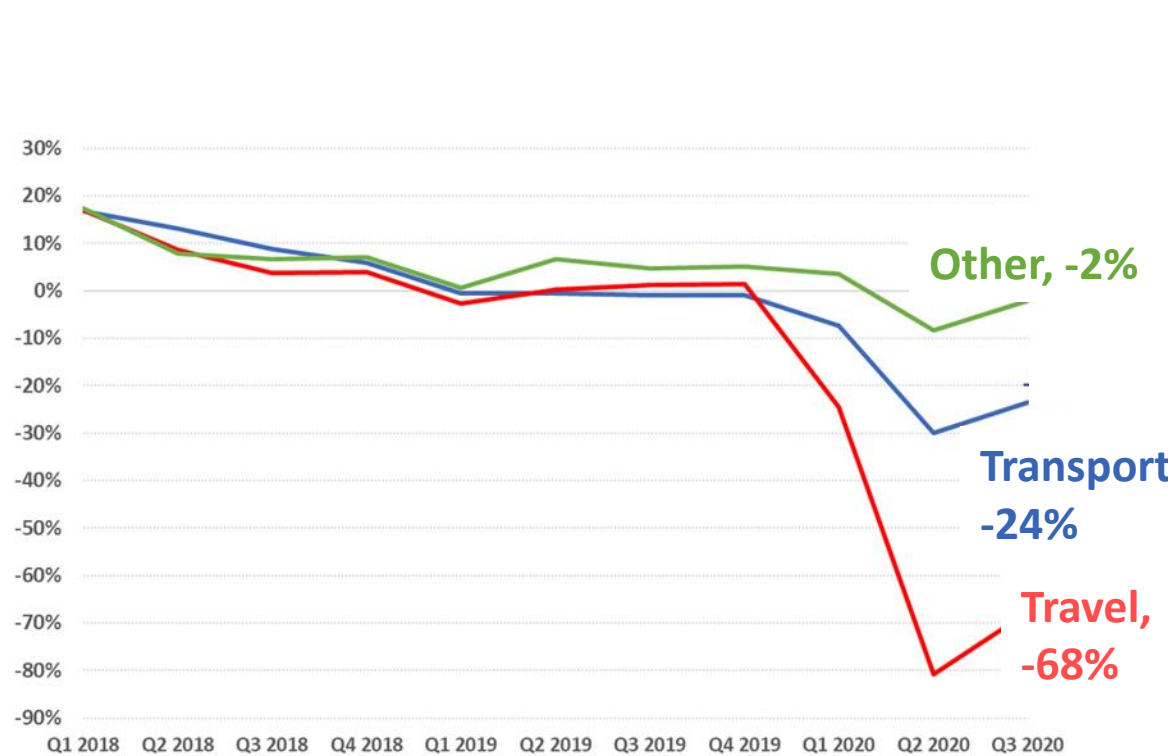
## Global goods trade

Year-over-year, % change



## Key services components

Year-over-year, % change



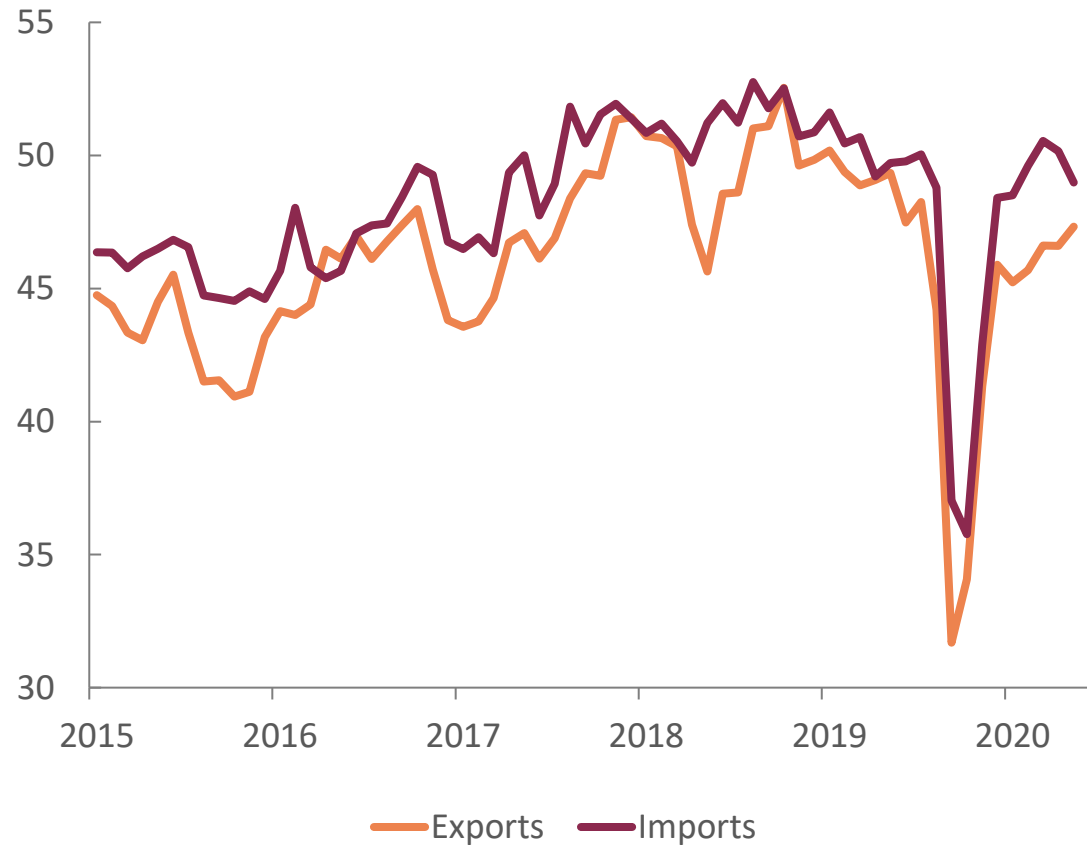
# CANADA'S SURPRISING PERFORMANCE



# V-SHAPED GOODS TRADE, L-SHAPED SERVICES

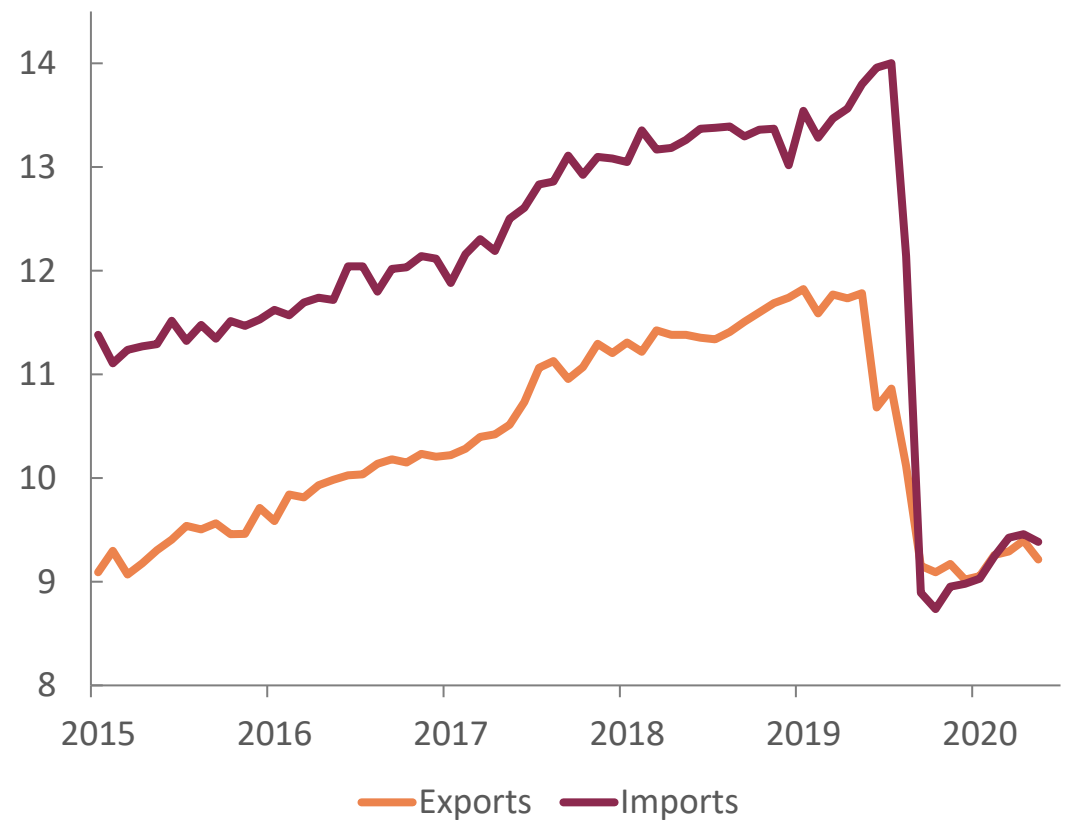
## Merchandise trade

Billions of dollars



## Services trade

Billions of dollars





# NOT AS BAD AS FEARED

## Canadian economic performance

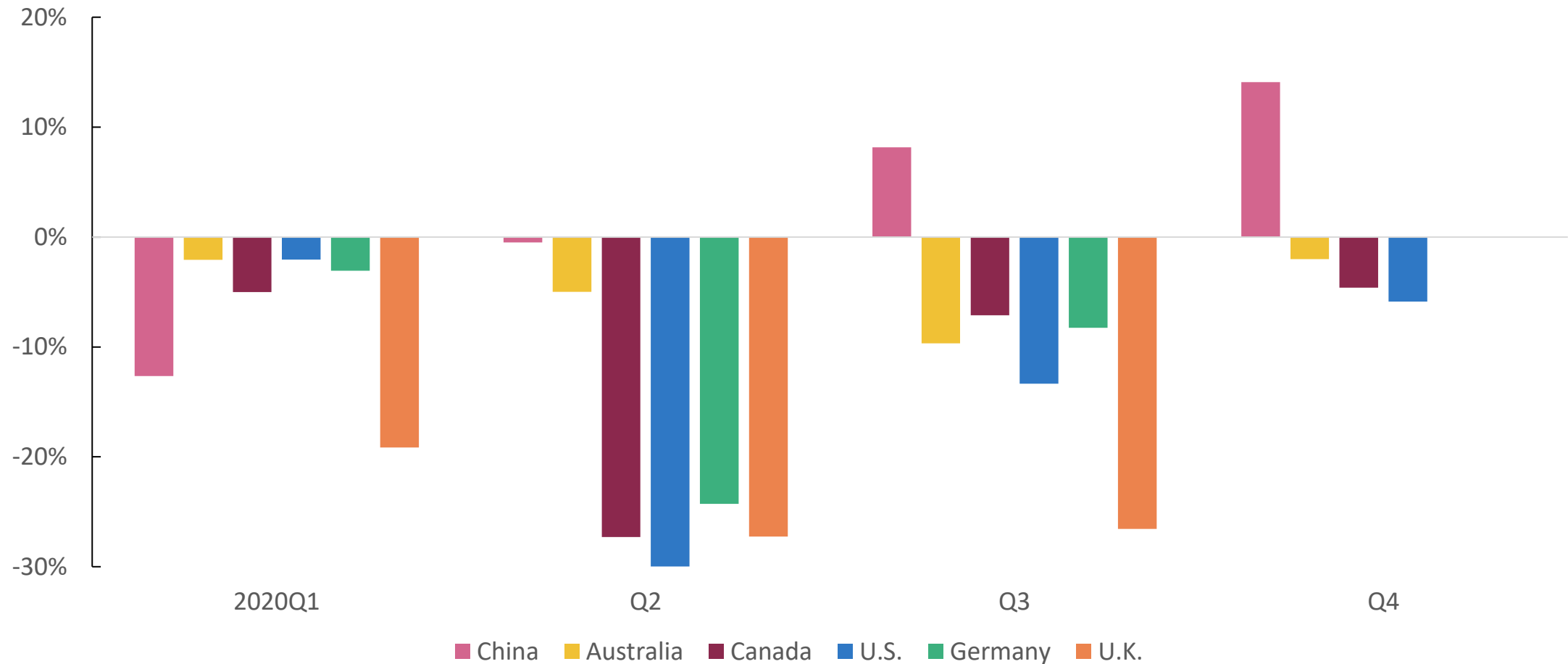
Year-over-year % change, annual



# CHINA LEADING, BUT STRONG CANADIAN PERFORMANCE...

## Goods exports

% nominal change from 2019Q4, in local currencies

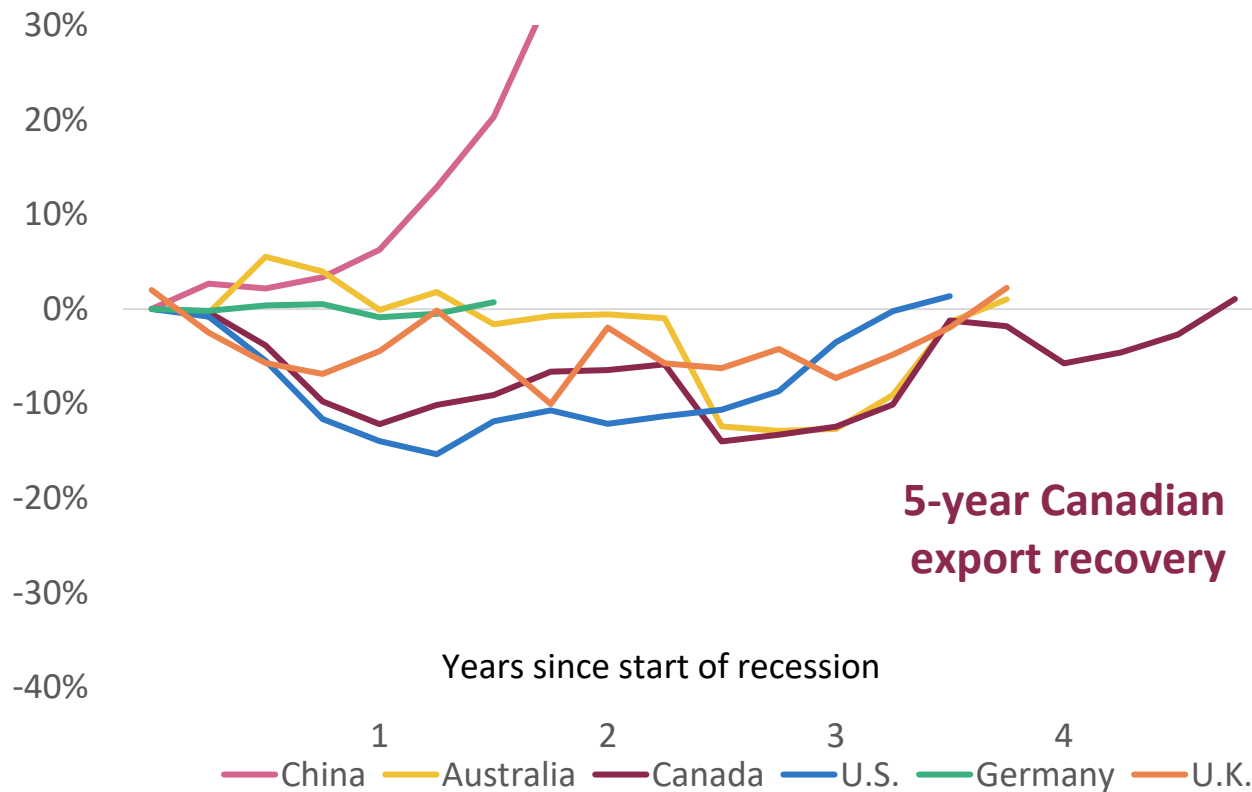


# ..UNLIKE PAST RECESSIONS WHEN CANADA LAGGED

## Goods exports

% change from start of recession

2001 recession



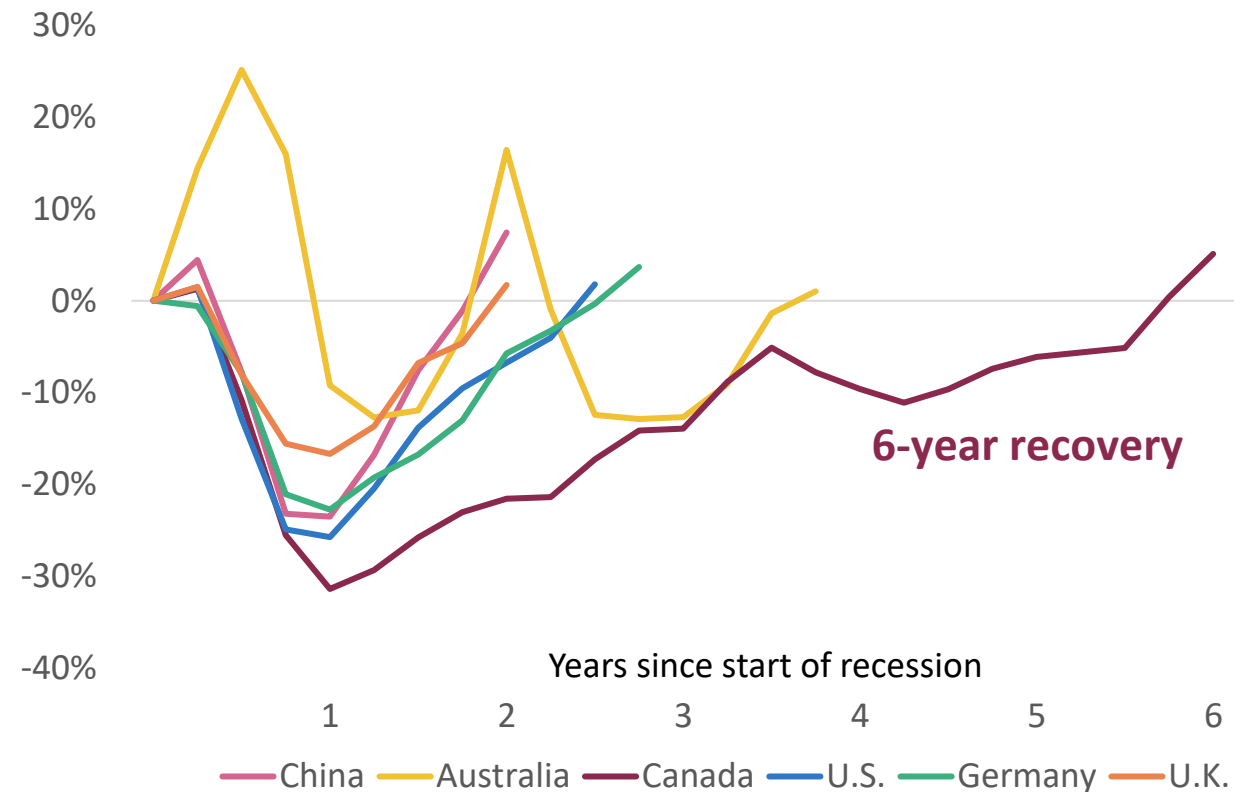
5-year Canadian export recovery

Years since start of recession

China Australia Canada U.S. Germany U.K.

T = 2000Q4

Global Financial Crisis 2008



6-year recovery

Years since start of recession

China Australia Canada U.S. Germany U.K.

T = 2008Q2

Source: EDC Economics, General Administration of Customs (China), Australian Bureau of Statistics, Deutsche Bundesbank, Office for National Statistics (U.K.), Census Bureau (U.S.), Statistics Canada, Haver Analytics

# A WELCOME U.S. RESET









MAN OF STEEL ...



David Parkin 2018

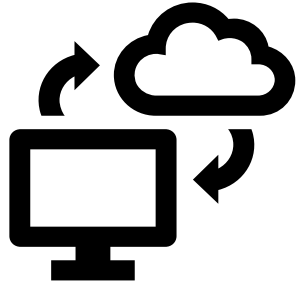


**BIDEN TIME**

# THE POST-PANDEMIC ECONOMY



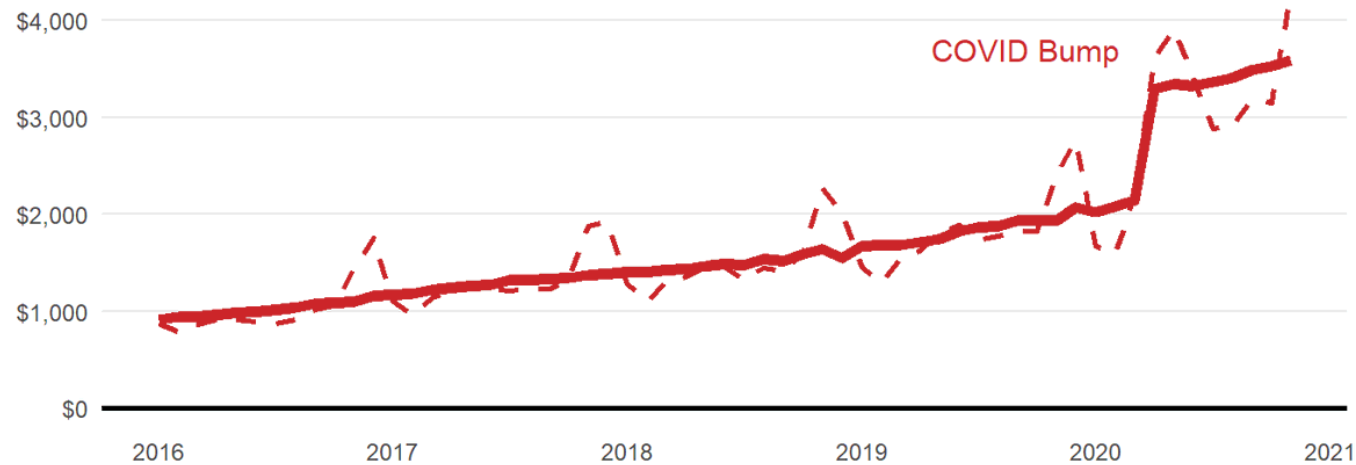




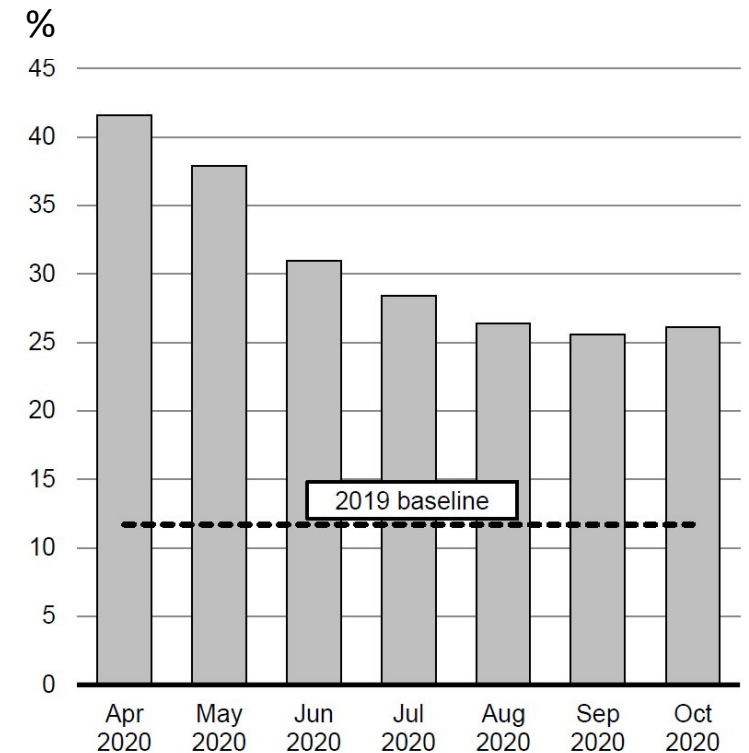
# MORE ONLINE ACTIVITY

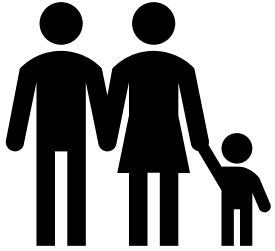
## E-commerce sales in Canada

Millions of dollars per month change since Jan 2020



## Share working remotely

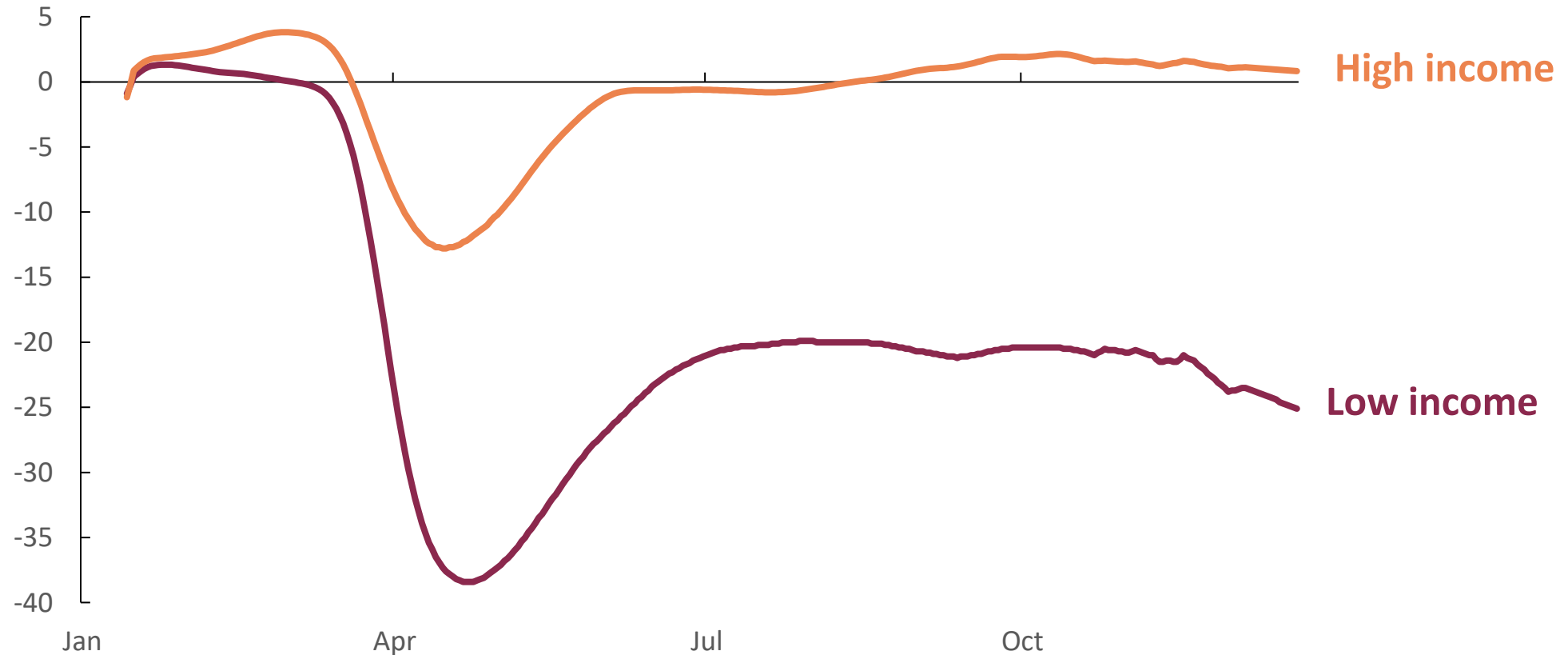


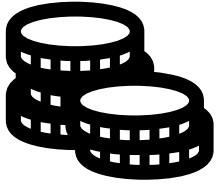


# MORE INEQUALITY

## Change in U.S. employment by income

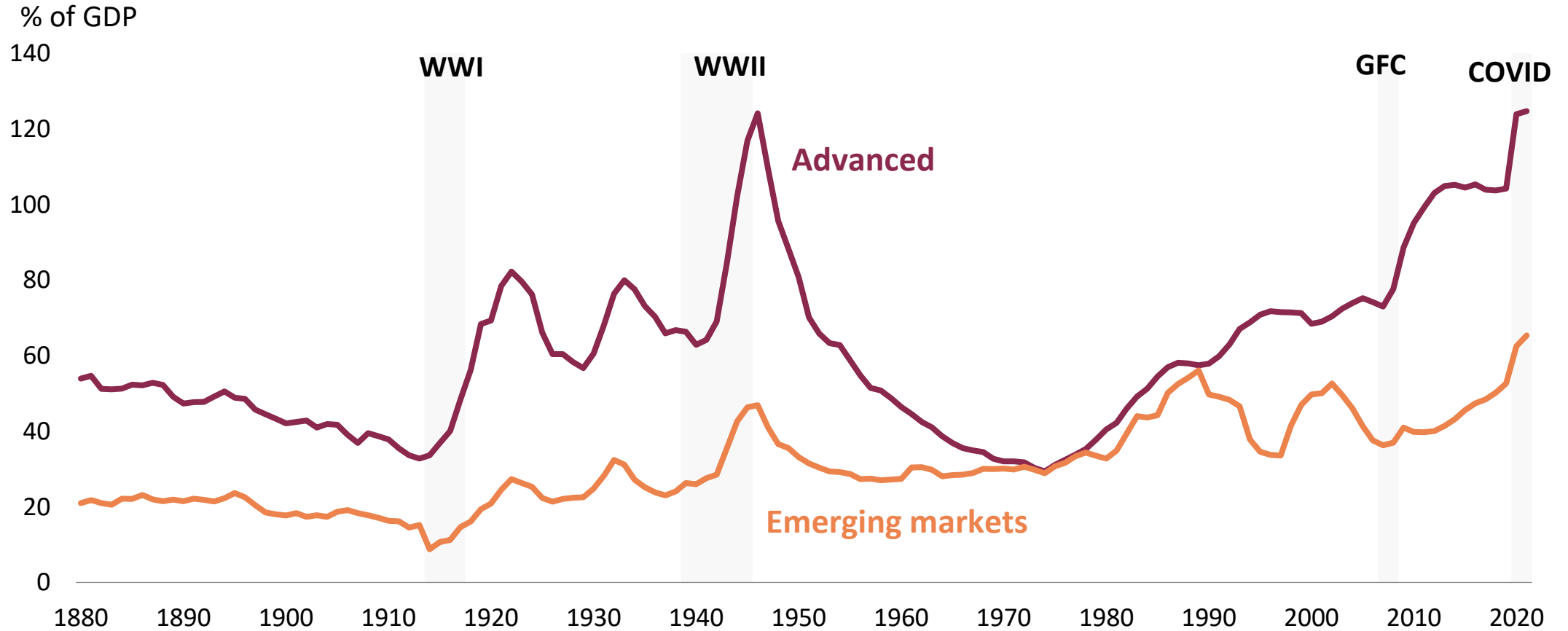
% change since Jan 2020





# MORE PUBLIC DEBT

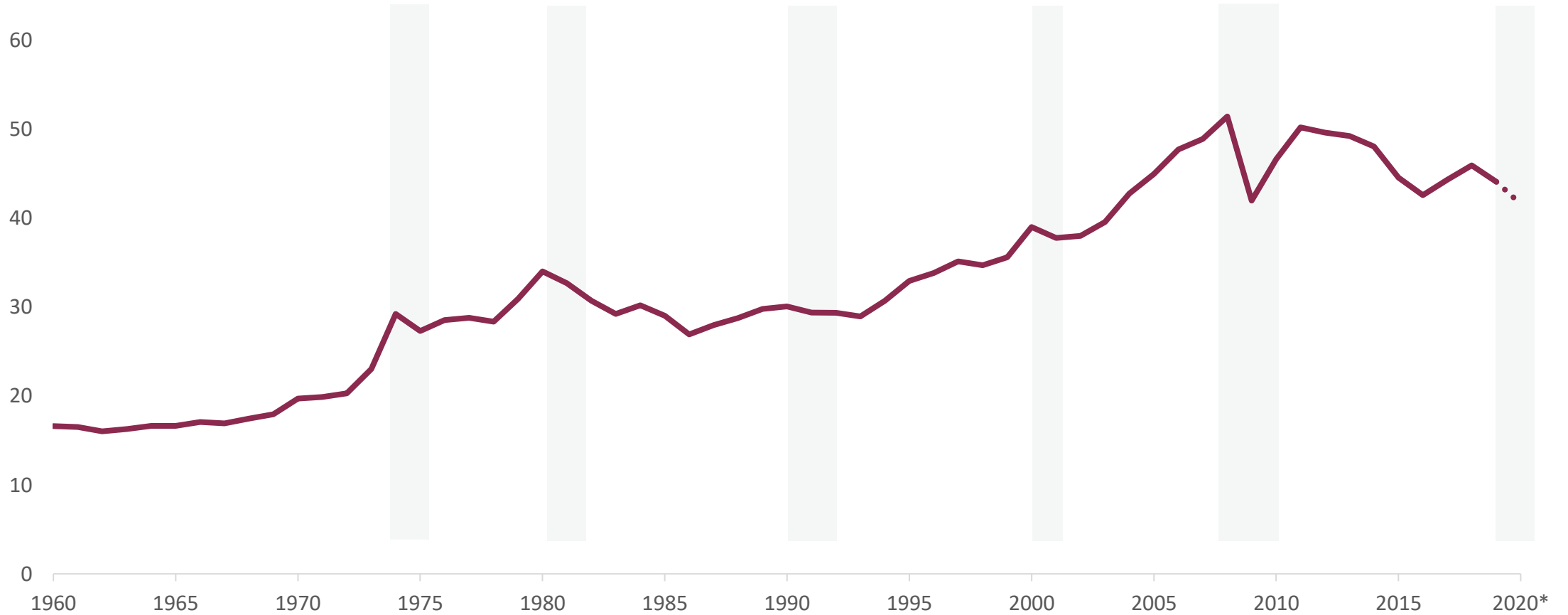
## General Government Debt





# LESS GLOBALIZED?

Global merchandise trade  
% of GDP

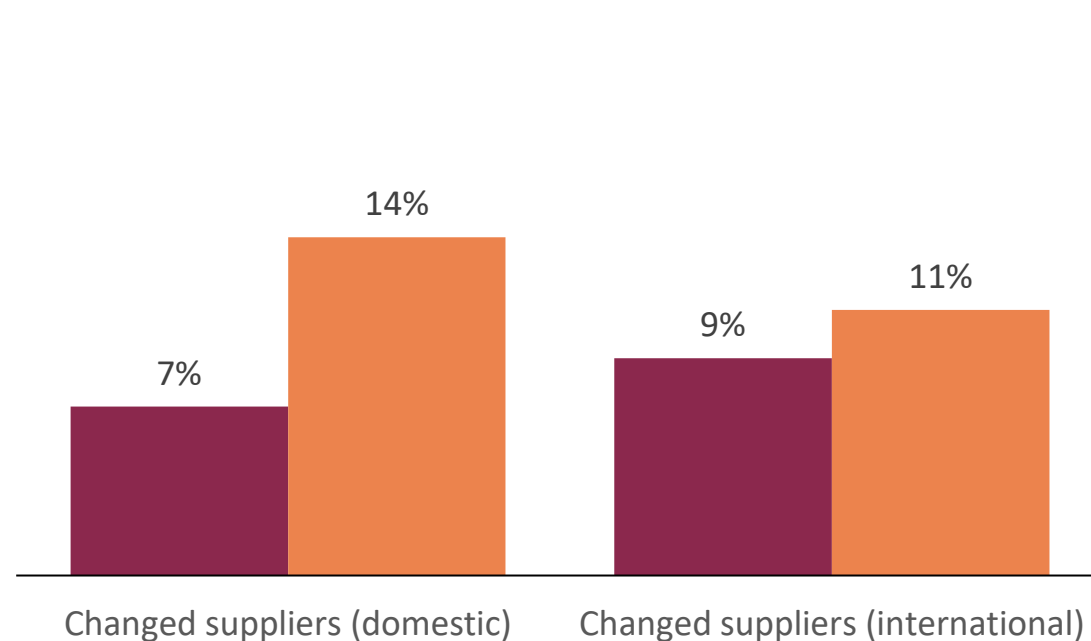




# MORE RESILIENT SUPPLY CHAINS?

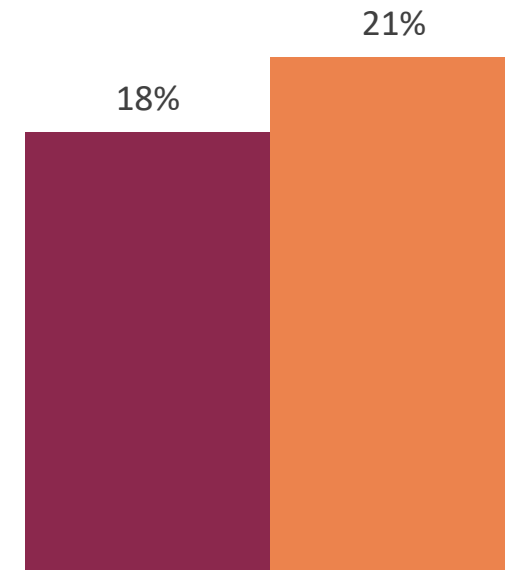
## Have changed suppliers

% of respondents



## Intend to *diversify* supply chains

% of respondents, “very likely” or “likely”



■ Apr 2020 ■ Oct 2020

■ May-Jul 2020 ■ Sep-Oct 2020

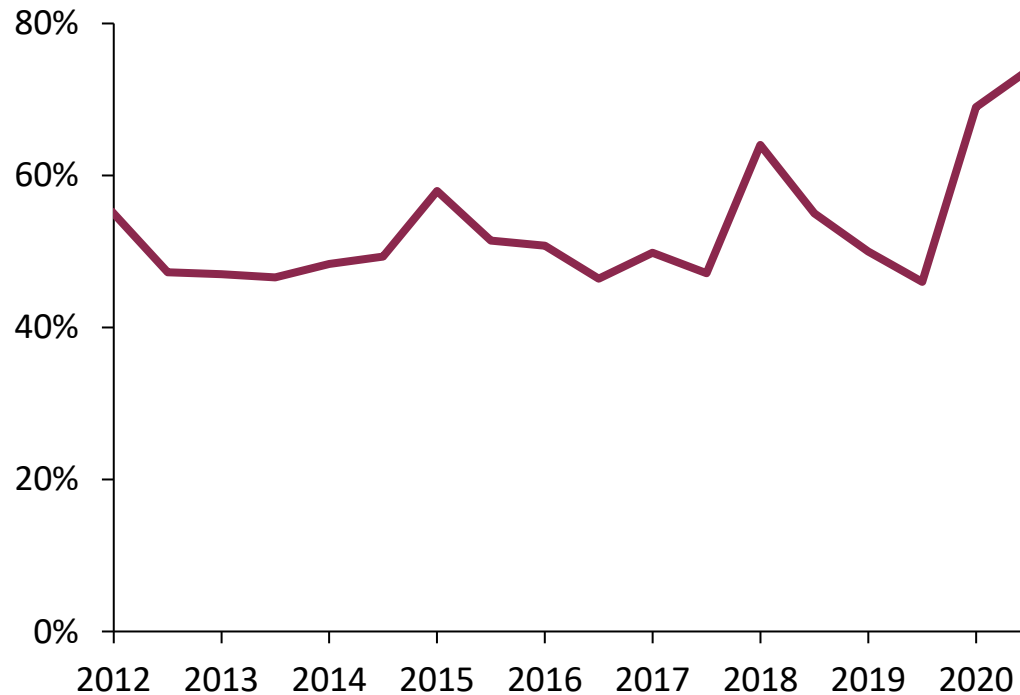




# MORE DIVERSIFIED, DIRECT GLOBAL COMMERCE?

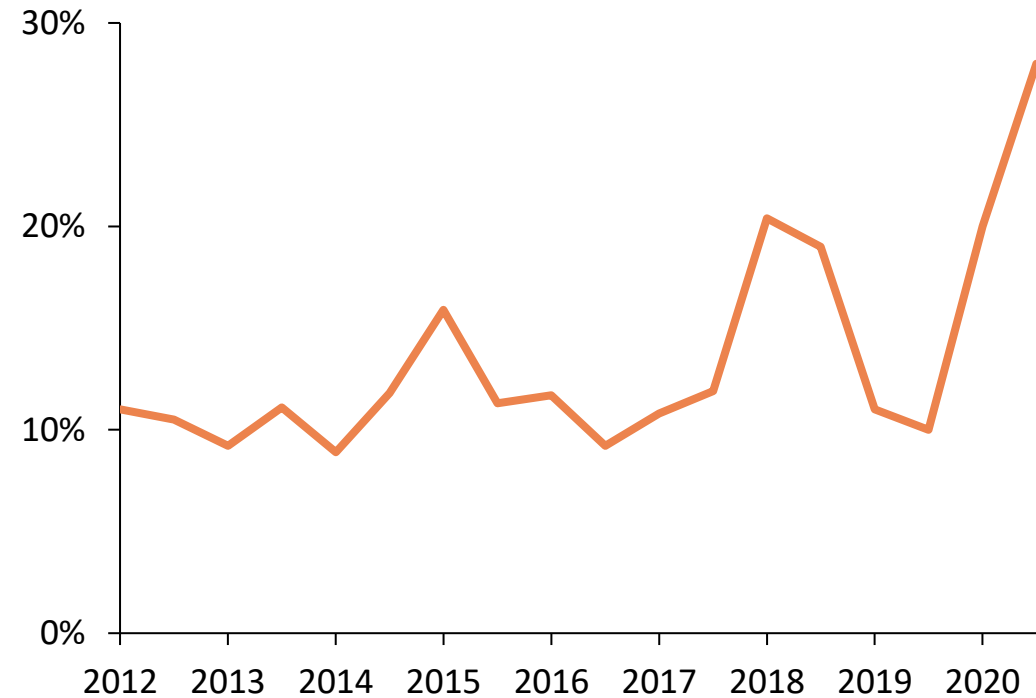
## Planning to export to new countries

% of respondents



## Planning to invest outside Canada

% of respondents



# CONCLUSIONS

- COVID is the most disruptive, transformative shock of our lifetimes.
- Policy support has helped.
- Trade has been surprisingly resilient.
- A welcome U.S. reset is underway.
- The post-pandemic economy *will* be more digital, unequal and indebted, it *might* also be more local, resilient, diversified and direct.



# NEXT YEAR?





# EDC ECONOMICS RESOURCES

- **Weekly Commentary, Economic Insights newsletter**
- **Global Economic Outlook**
- **Global Export Forecast**
- **Country Risk Quarterly**
- **Trade Confidence Index**
- **Top 10 Global Risks**
- **Trackers: Canadian Recovery, Commodities, Global Markets**
- **Research reports**



**@ExportDevCanada**

**[Export Help Hub](#)**  
**[ExportHelp@edc.ca](mailto:ExportHelp@edc.ca)**



**[edc.ca/en/tag/economic-insights.html](https://edc.ca/en/tag/economic-insights.html)**





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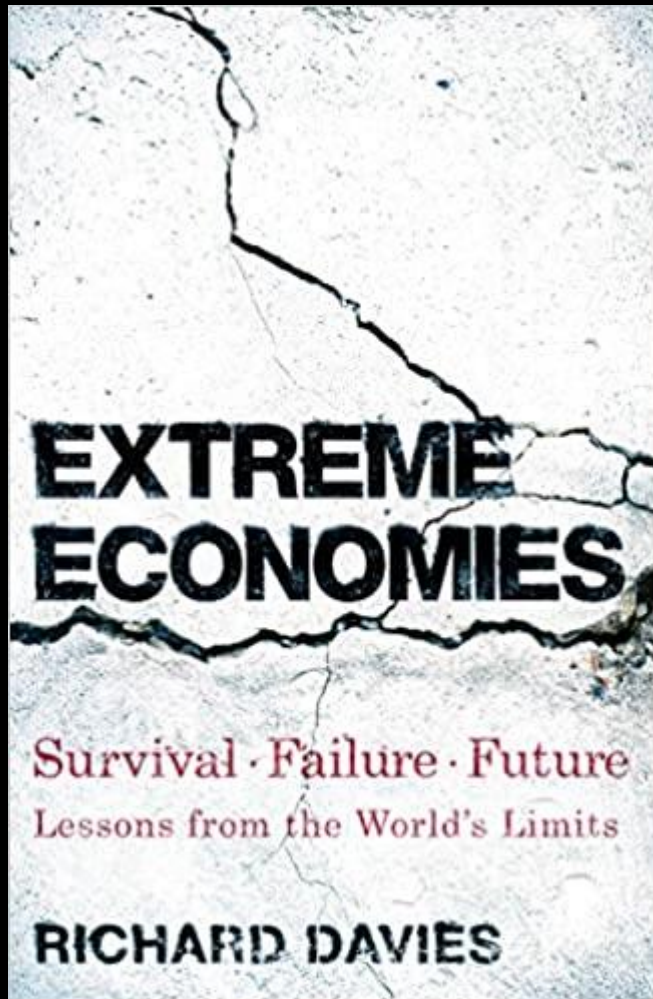


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# RECOMMENDED READING







**TAKE ON  
THE WORLD**



**UN MONDE  
À CONQUÉRIR**