



GLOBAL TRENDS

The Global Economy and Alberta – 2009/02

A snapshot, with information from “The Conference Board of Canada, Global Economic Trends and Prospects, World Outlook Winter 2009.”

As the US and global economies continue to suffer from credit constraints, and the collapse of financial institutions, Alberta manufacturers and exporters need to be aware of the impact on their bottom line. With Alberta’s largest export market suffering, it may be of interest to cast a wide glance at other potential markets around the world.

Europe, including Russia, has been hard hit by the recent economic downturn. The Russian economy has been significantly affected by the recent drop in oil prices. With 7,000 firms forced to reduce their payroll, and reduced government spending, the cutbacks and economic slowdown have hurt consumer spending. This turnaround is likely to affect Germany, as Russia is its largest non-EU trading partner.

By contrast, the Asia Pacific region has been affected indirectly by weaker demand for its exports. China has seen growing social unrest as a result of a decrease in demand for its goods and rising unemployment. Japan has also seen a decrease in exports, undermining consumer confidence, leading to a potential recession.

It is interesting to note that Asia holds approx. US\$795 billion in securities issued by the two US government–sponsored mortgage companies: Fannie Mae and Freddie Mac. However, the securities held by Asian institutions are not backed by sub-prime debt, but rather by high quality mortgages where the borrower (in the US) is on a relatively sound financial footing. In addition, international accounting rules insist that market to market losses be recorded for mortgage-backed securities if they are held for trading purposes rather than to maturity. The majority of Asia’s securities are held to maturity and, therefore, have not had to record the paper losses.

Exporters around the world are affected by the sweeping global economic changes. Alberta exporters could be impacted by the drop in consumer and government spending in their target export countries. The continued fluctuation of the Canadian dollar will dramatically effect manufacturers’ exports over the coming few years. As an oil producer, Alberta’s economy will also benefit from an increase in oil prices.

Source:

Conference Board of Canada, Global Economic Trends and Prospects, World Outlook Winter 2009.