

## **Canadian Economic Update - July 23, 2009:**

OTTAWA -- The Bank of Canada is declaring the recession essentially over in Canada and projecting the economy will bounce back at least twice as strongly as in the United States.

The bank's quarterly monetary policy report released Thursday contains many cautions about how the world and Canada is coming out of the deepest and most painful downturn since the Second World War.

The bank remains concerned that the fragile financial systems in the United States and Europe may contain more unpleasant surprises that will sideswipe the global economy once more, and it believes the strengthening loonie is not helpful given the Canada's dependence on exports. But overall, the new outlook represents a clearly more optimistic view of the Canadian economy than governor Mark Carney presented in April, when he saw the contraction that began last October lasting at least until the fourth quarter of 2009, and the dip in the first month of this year breaking all records. However, with the economy supported by better financial conditions and higher levels of business and consumer confidence than anticipated, the downturn in activity in the first half of the year has been less severe, and growth is now projected to turn positive in the third quarter (of 2009)," the bank now says.

Canada's economy is starting to grow after three quarters of sharp contraction, the report states, and will advance by 1.3 per cent during the current July-September period, and three per cent in the fourth quarter, both at annualized rates. That effectively means that the downturn that cost Canadians close to 400,000 jobs since October has ended, although the recovery will be modest by historic standards. The bigger bounce the bank is projecting starting this quarter does not change its overall view that it will take until mid-2011 for Canada's economy to return to full capacity.

Canada will do better than many other industrialized countries, the bank predicts. The U.S. has stopped shrinking, but is still likely not growing. And Europe may still be in recession, along with Japan. Next year, the U.S. will only rebound by 1.4 per cent, less than half Canada's rate, and the European area by a mere 0.7 per cent. The strongest engine of growth globally is China, expected to rebound to 8.3 per cent growth next year, almost two points higher than predicted three months ago. The bank credits Canada's ability to grow out of recession earlier than it thought in April to a sooner bounce-back in commodity prices and underlying strengths in the economy, including a relatively stable financial sector and households that were less indebted than in the United States.