



NWGA Energy Conference
Bend, Oregon
June 11-13, 2024

U.S. and Canadian Economic Outlook

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Nostalgia: The NWGA Energy Conference, 2016

Can we go back to a tutu (“2-2”) world?



2% GDP Growth & 2% Inflation

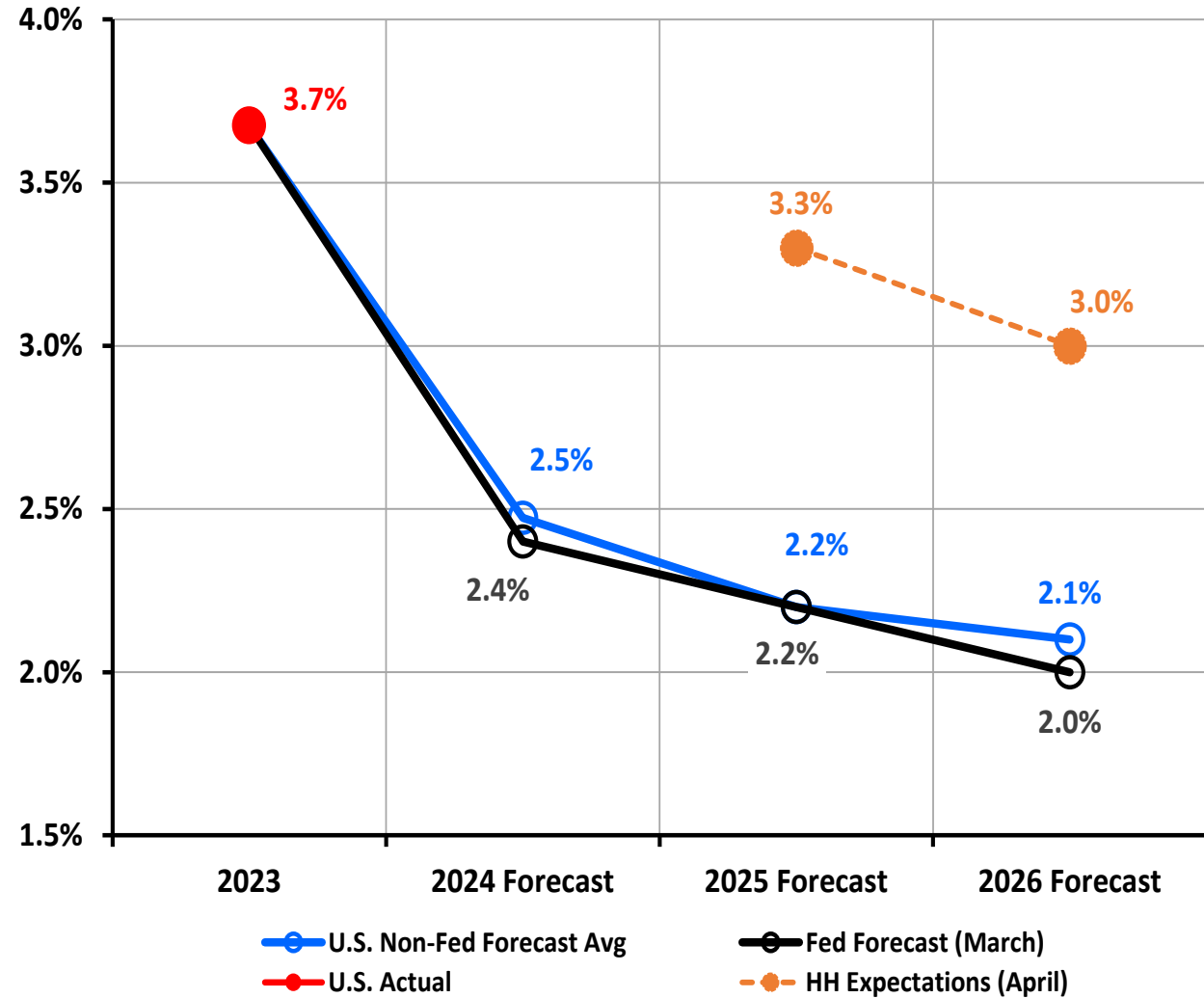
Takeaways

- **Consumer inflation remains stubborn because of service inflation. This has placed central banks in a bind and left households frustrated.**
- **Shelter costs are not the only problematic area of service inflation. Are we heading for a regional insurance market crisis?**
- **GDP growth in 2023 was stronger than expected, and recession fears have eased, but the geo-political realm remains a damn mess...and 1Q GDP was below expectations.**
- **National and Northwest employment growth has been relatively resilient but will likely slow in 2024.**
- **Immigration rage spreads from the U.S. and Europe to Canada. This could impact GDP growth unless labor productivity picks up.**

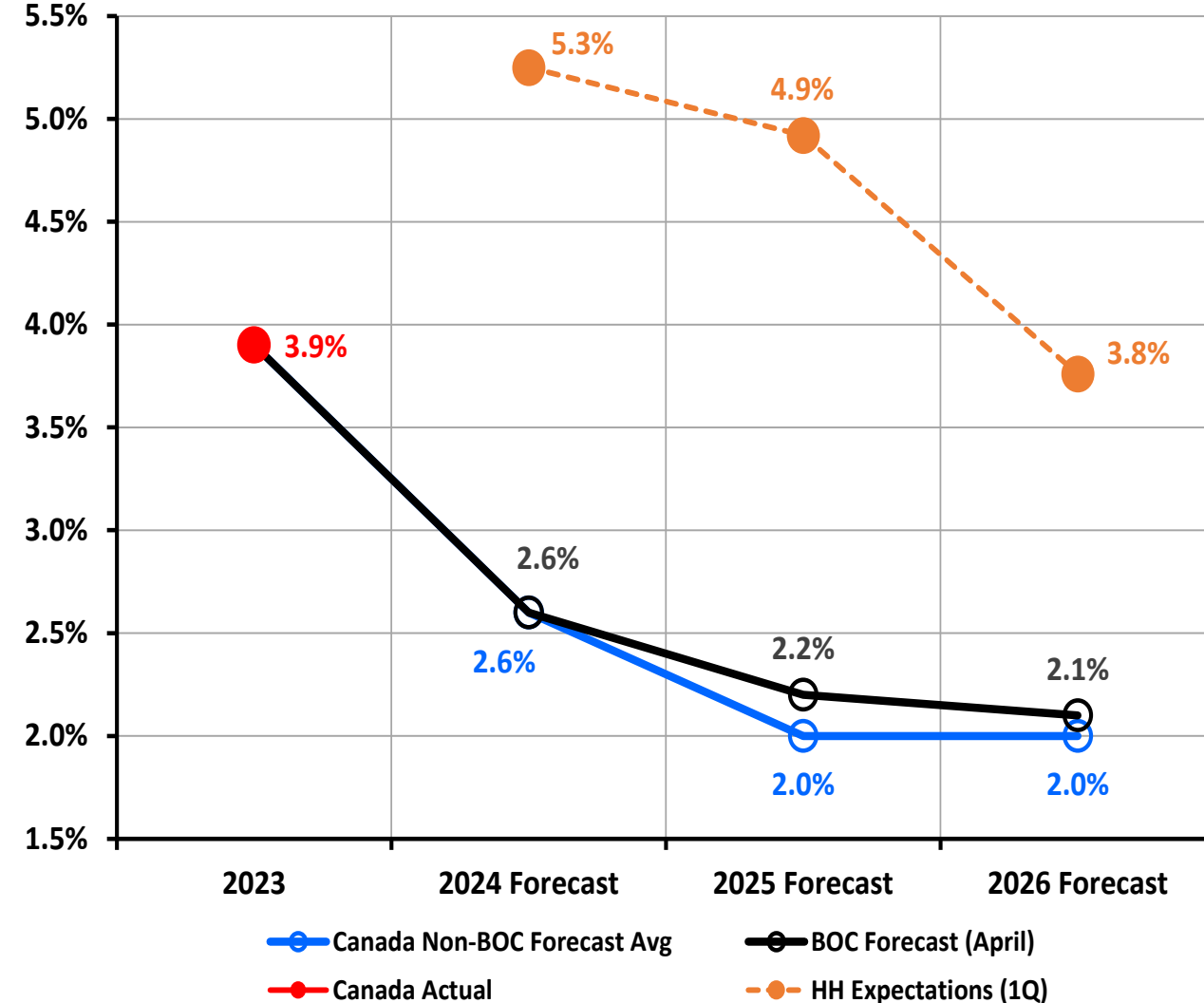
Consumer Inflation, 2023-2026

Reaching a 2% target is more likely in 2026.

U.S. PCEI Inflation



Canada CPI Inflation



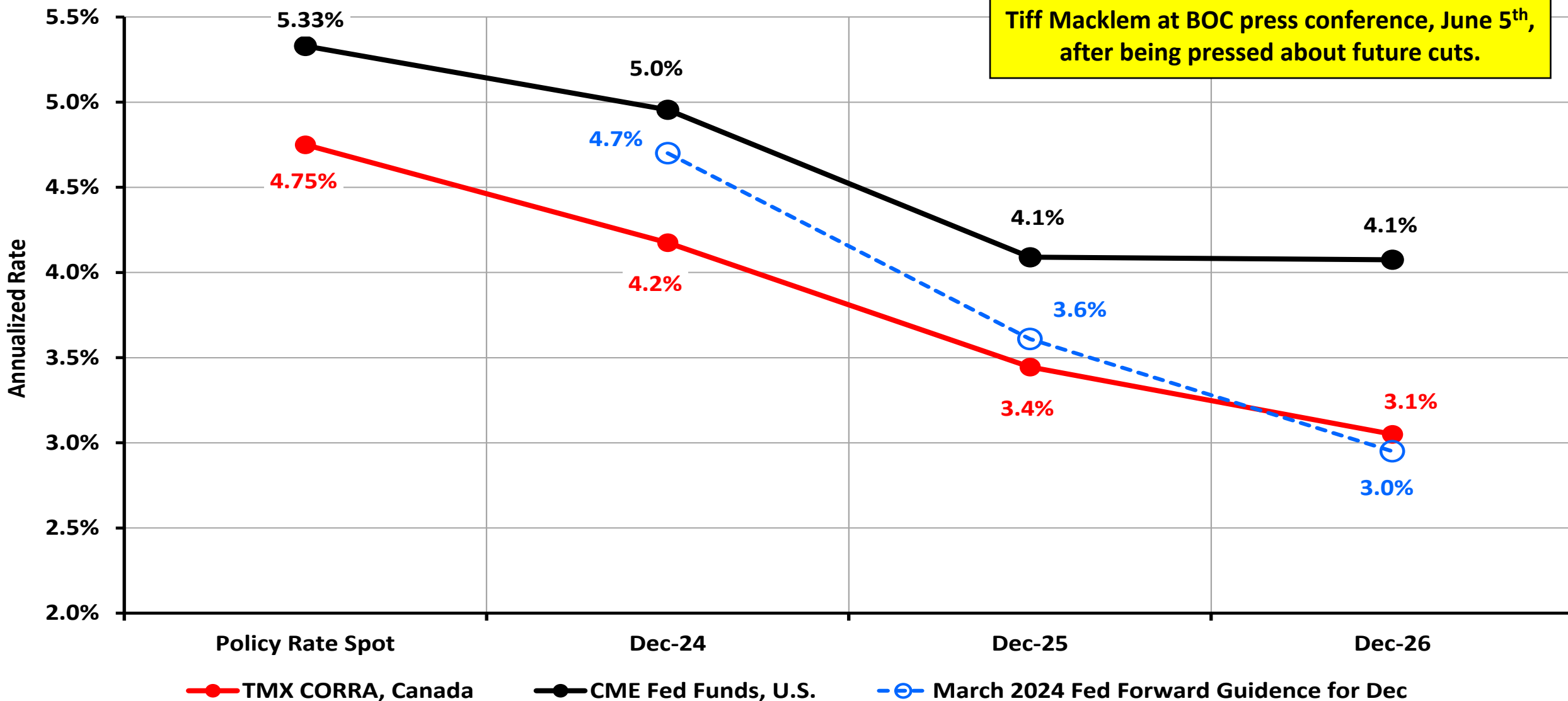
Source: Historical data from BEA and Statistics Canada. Forecasts from various sources. Consumer expectation surveys from Fed and Bank of Canada reports. Includes author's calculations.

Policy Rate Expectations on June 6, 2024

Will they, or won't they? Canada and the ECB did.

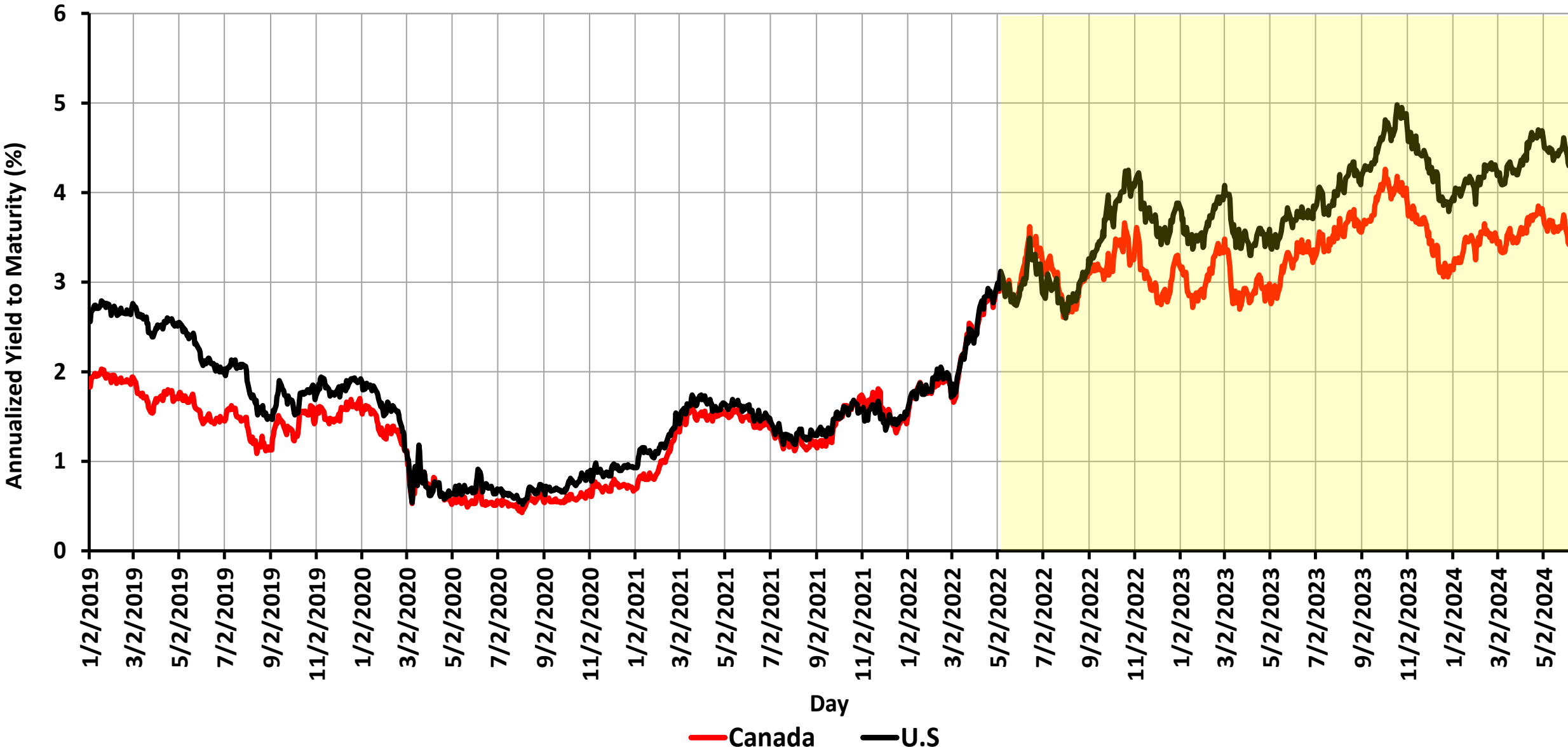
"Let's just enjoy the moment for a bit."

Tiff Macklem at BOC press conference, June 5th,
after being pressed about future cuts.



10 Year Government Bond Yield, 2019-2024

Shifting expectations of inflation, rate cuts, and world events.

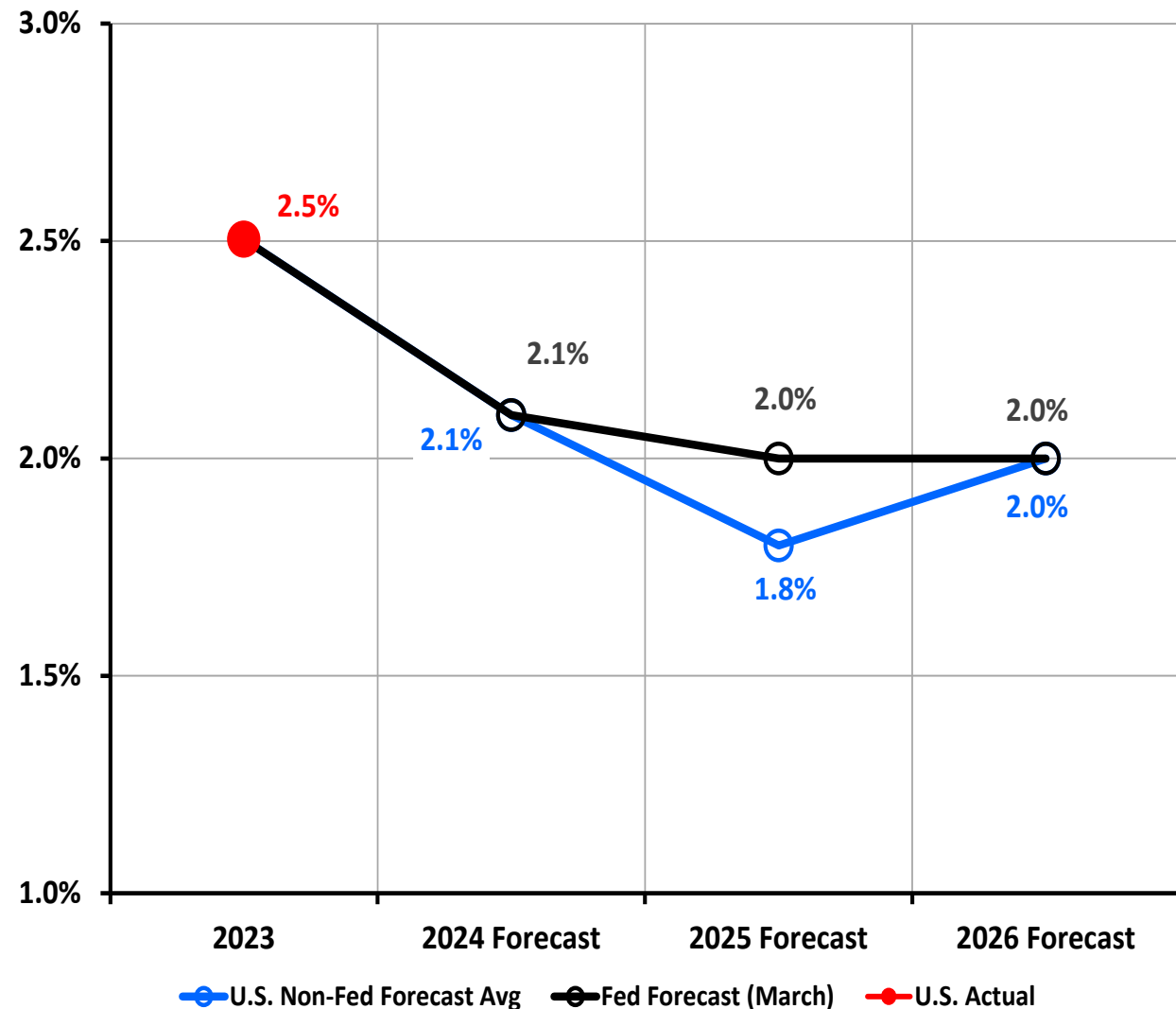


Source: FRED, Bank of Canada, and author's calculations.

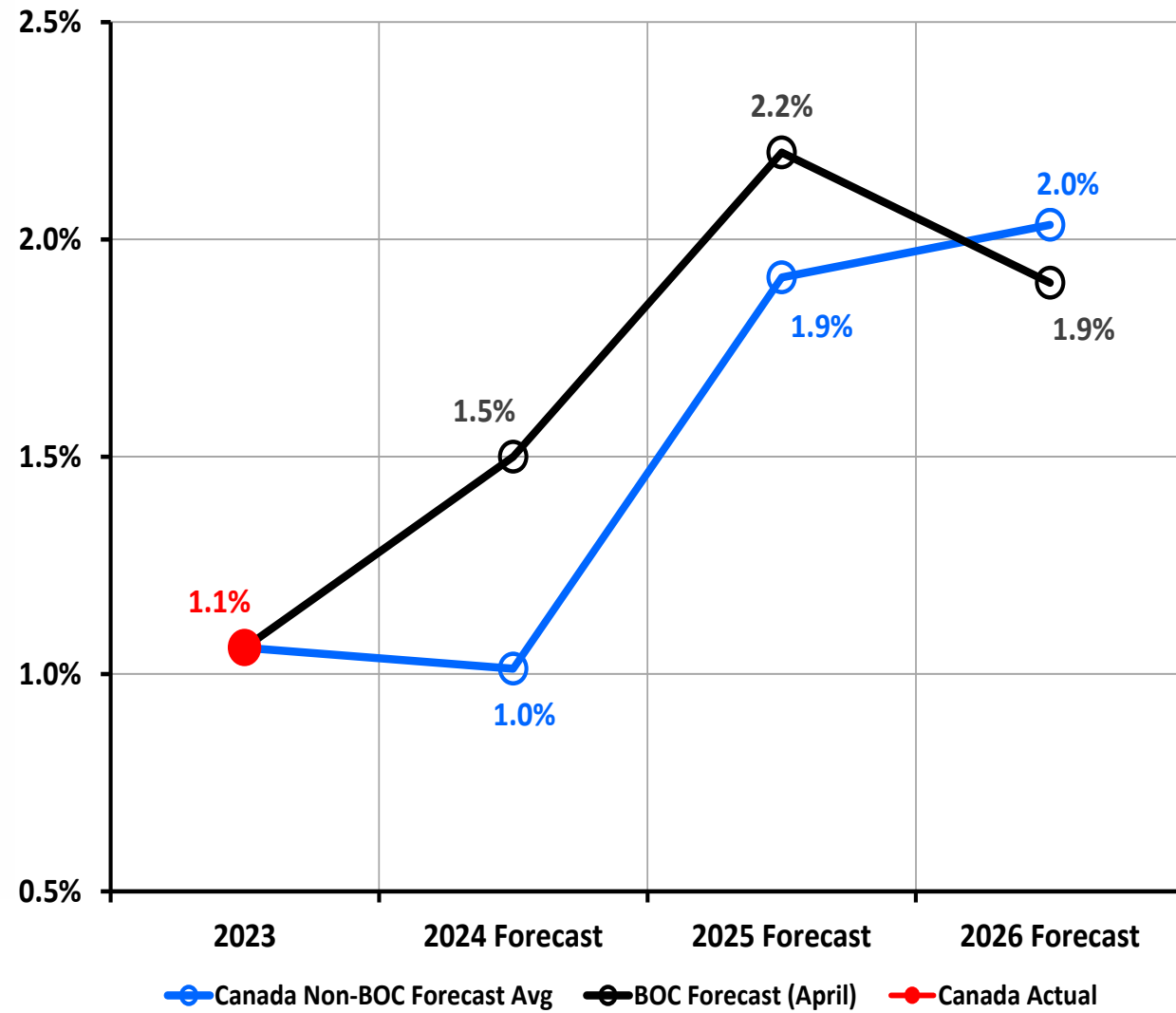
GDP Growth, 2023-2026

Forecasts still above stall speed and central banks are more optimistic.

U.S. GDP Growth

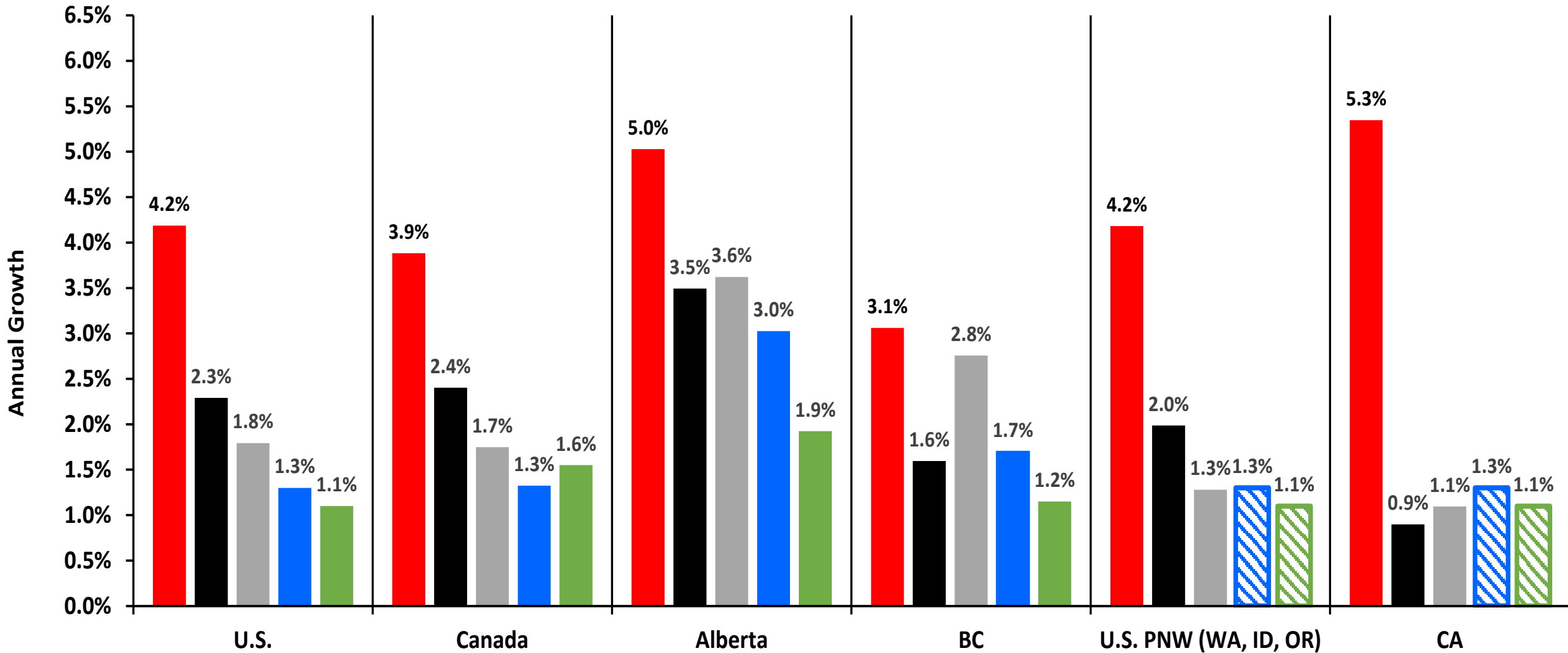


Canada GDP Growth



Employment Growth, 2022-2025

Moderating growth forecasted for 2024 and 2025.



Source: BLS, Statistics Canada, WA ESD, and OR Labor, Forecasts from various sources.

Includes author's calculations.

■ 2022
 ■ 2023
 ■ Jan-Apr 2024 Y-o-Y
 ■ 2024 Consensus Forecast
 ■ 2025 Consensus Forecast

The Unpleasant Long-Run Growth Equation

The math policymakers don't like to discuss.

Population Growth

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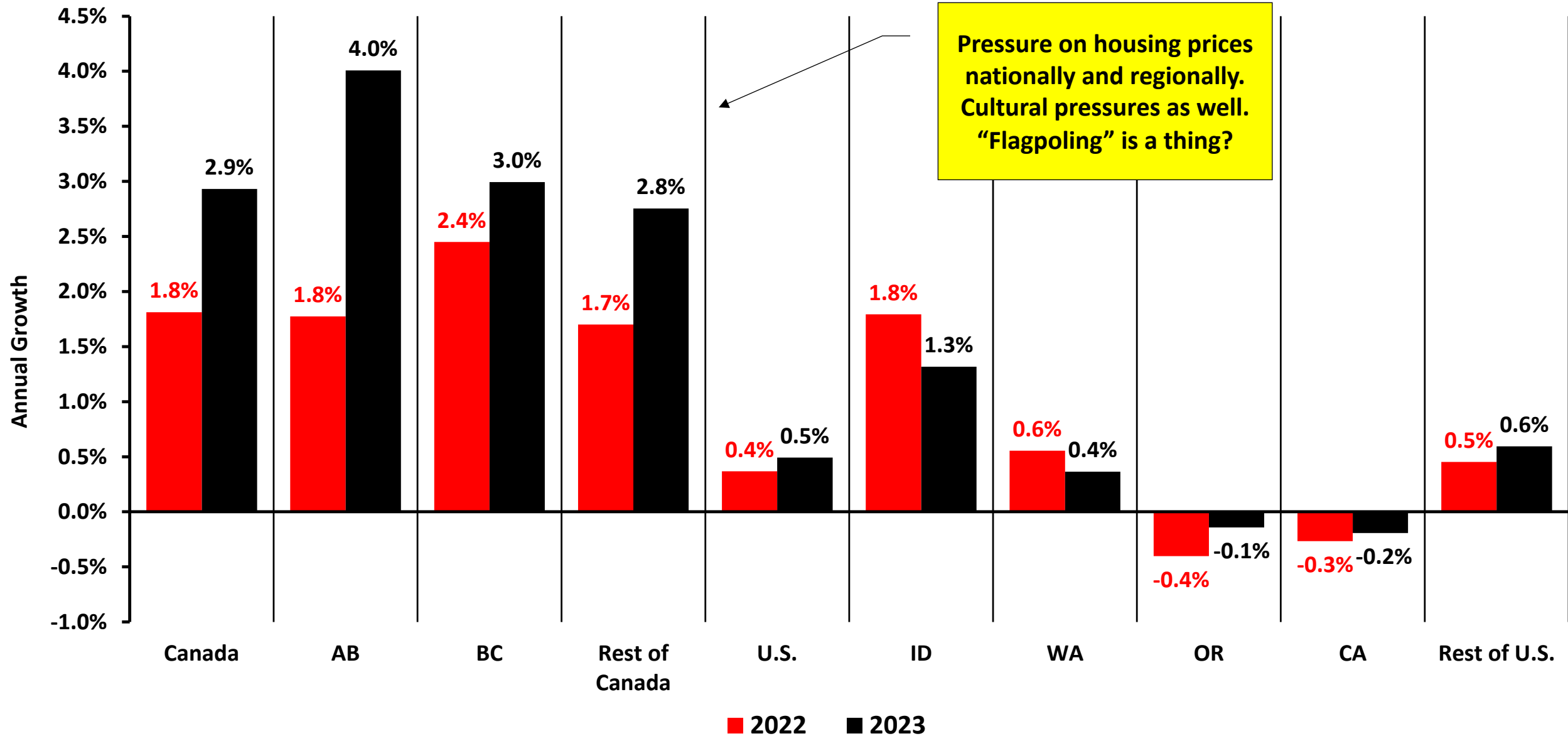
Labor Force Productivity Growth

=

GDP Growth

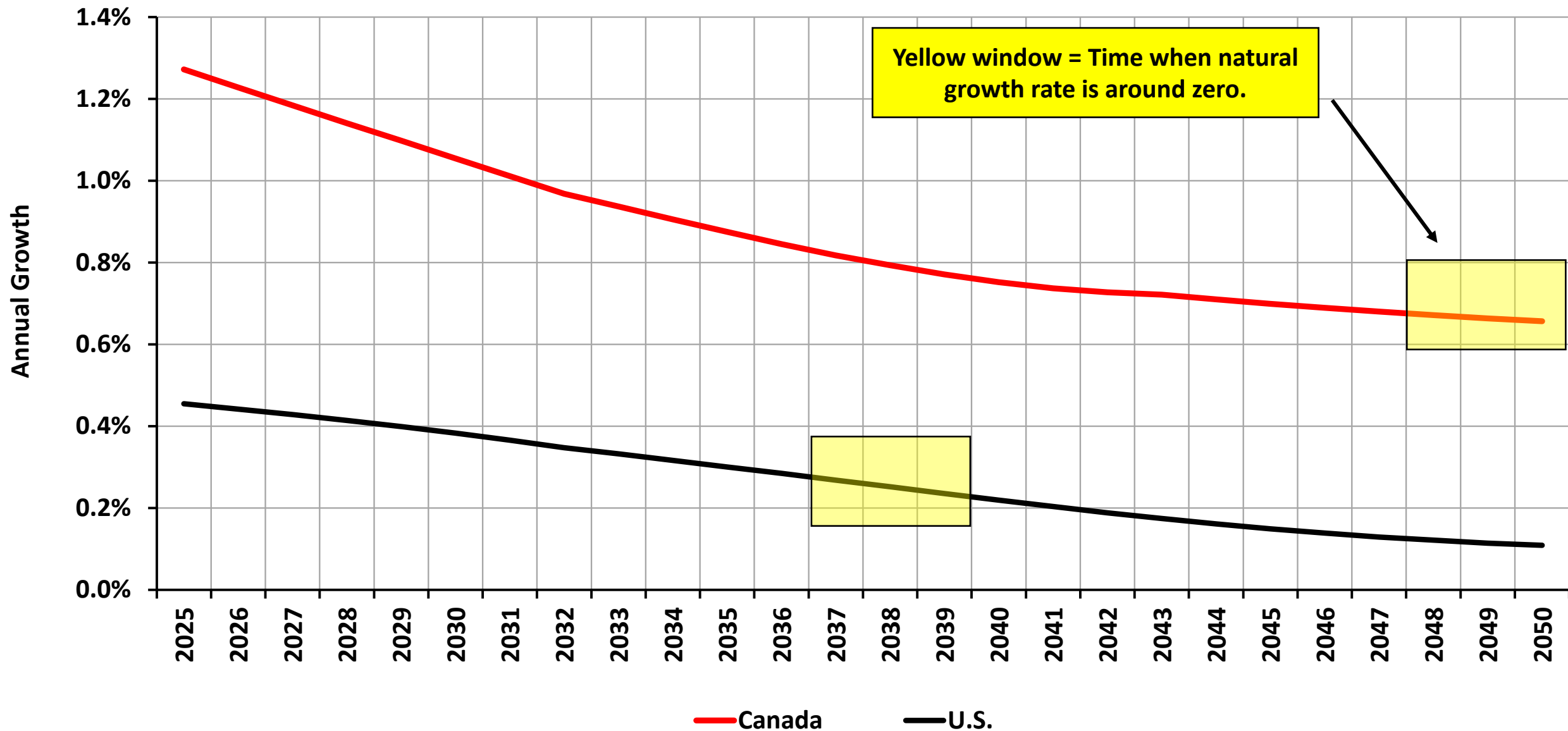
Population Growth, 2022-2023

Rage on both sides of the border.



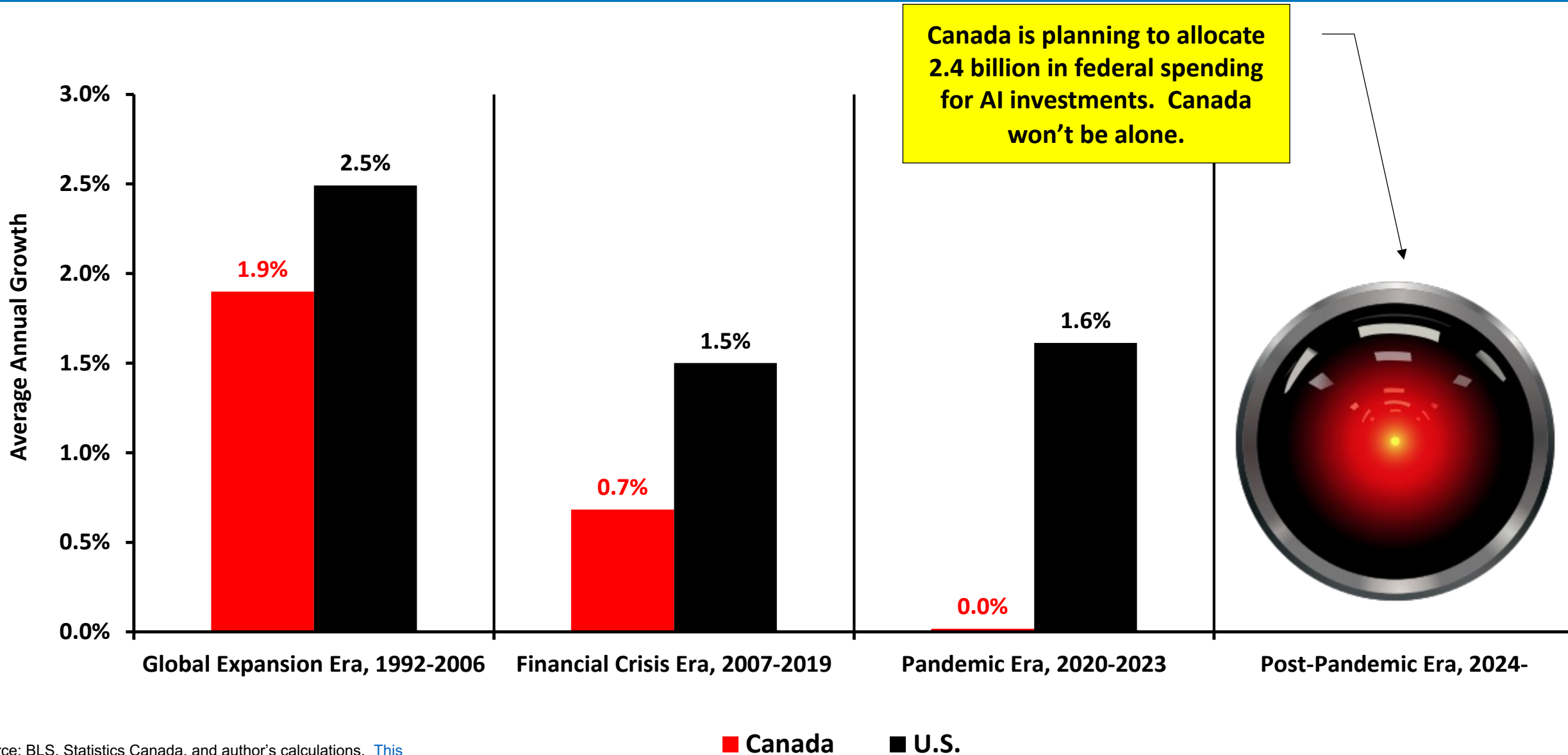
National Population Forecasts to 2050

No immigration, no population growth.



Labor Productivity Growth

Will AI save us from our demographic and productivity trends?



Thank You

Questions?