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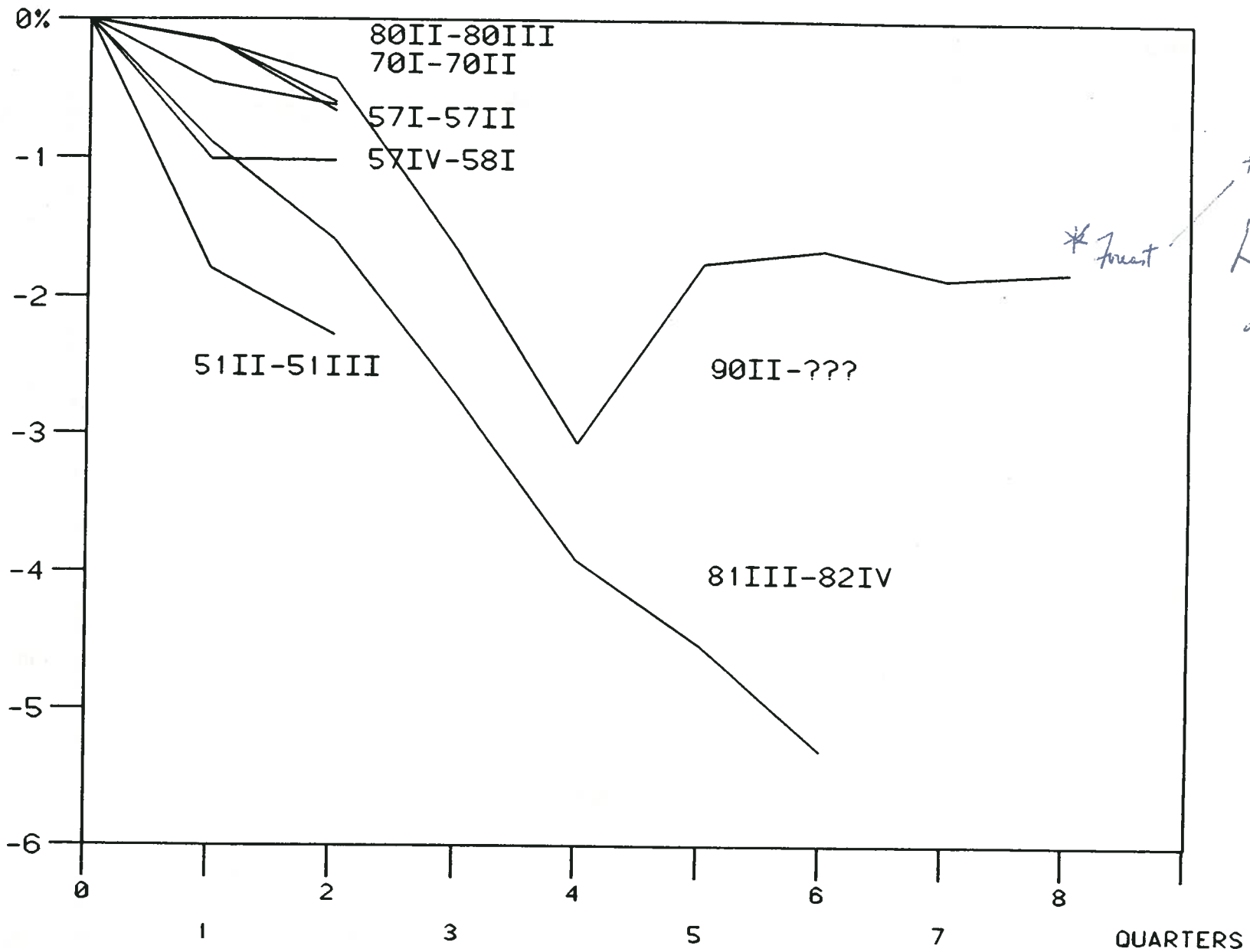
A Retrospective Look at the Recession: An Informetrica Perspective

*Retrospective
by
Recession*

**CEA/CABE Panel
Charlottetown, PEI**

**Mike McCracken
Informetrica Limited
June 6, 1992**

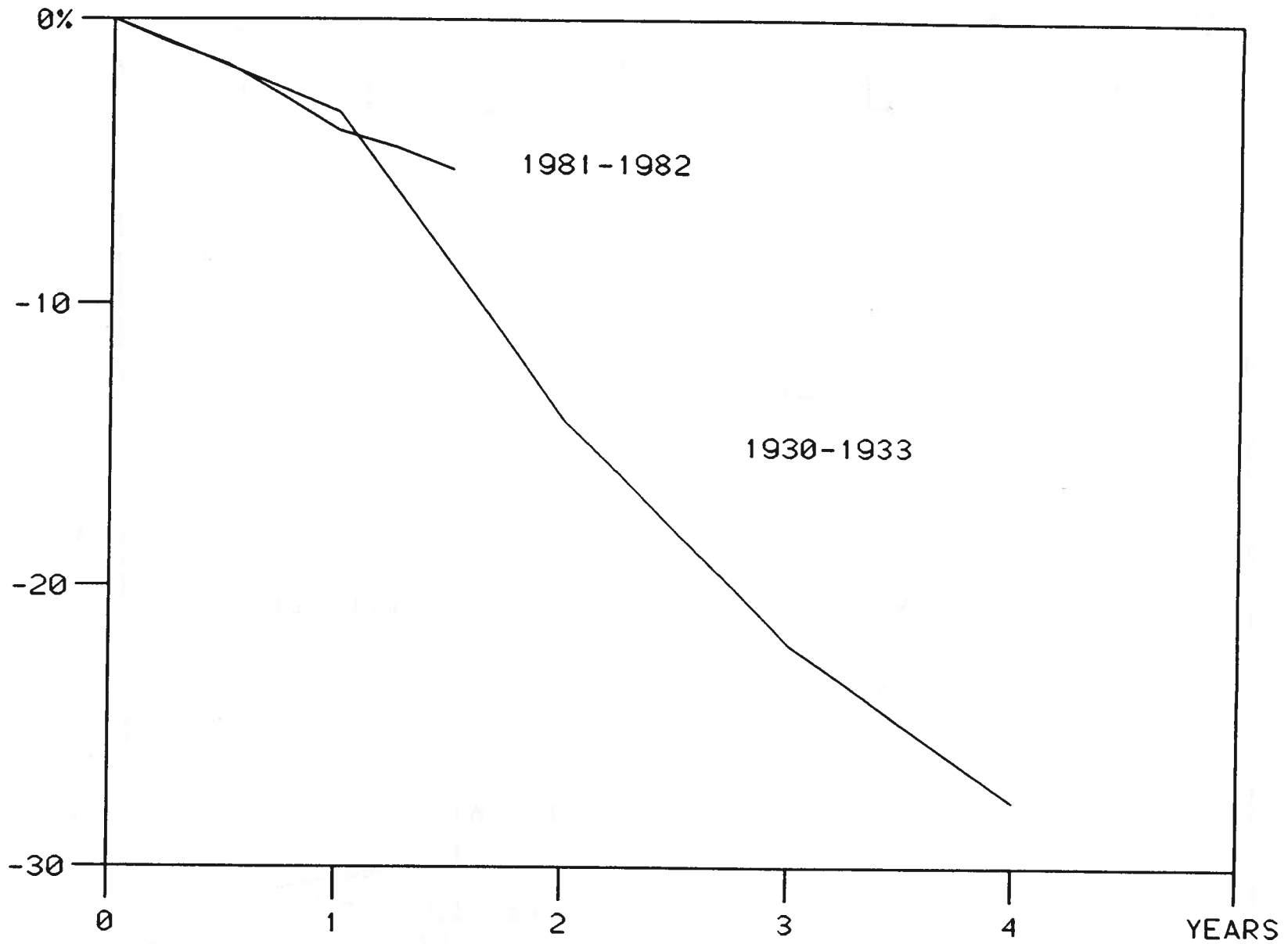
DEPTH AND LENGTH OF RECESSIONS SINCE 1950
 PEAK-TO-TROUGH DECLINE IN QUARTERLY GDP



+0.12
 LONGEST?
 2nd Depest

* Forecast

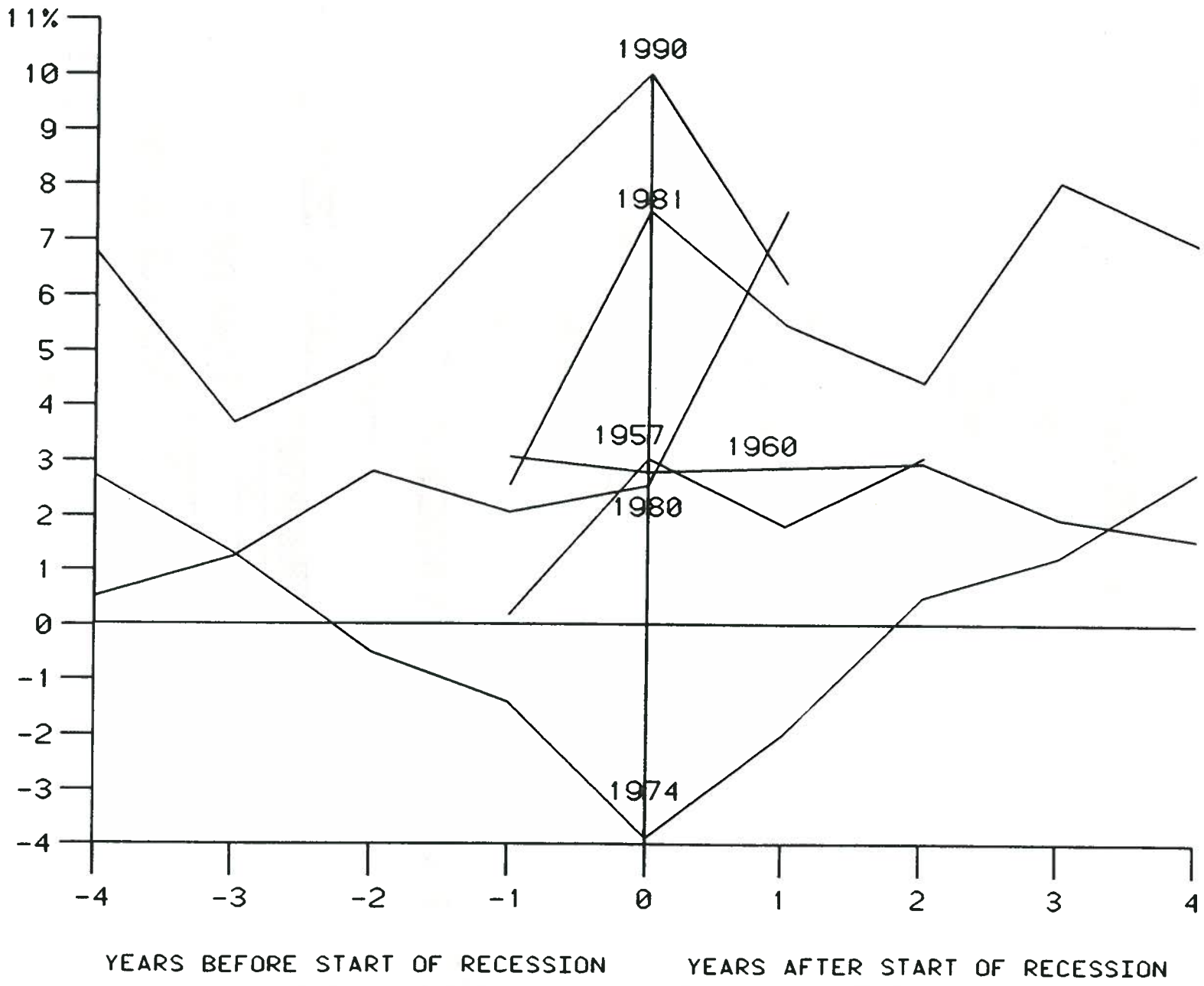
DEPTH AND LENGTH OF TWO RECESSIONS
PEAK-TO-TROUGH DECLINE
(per cent)



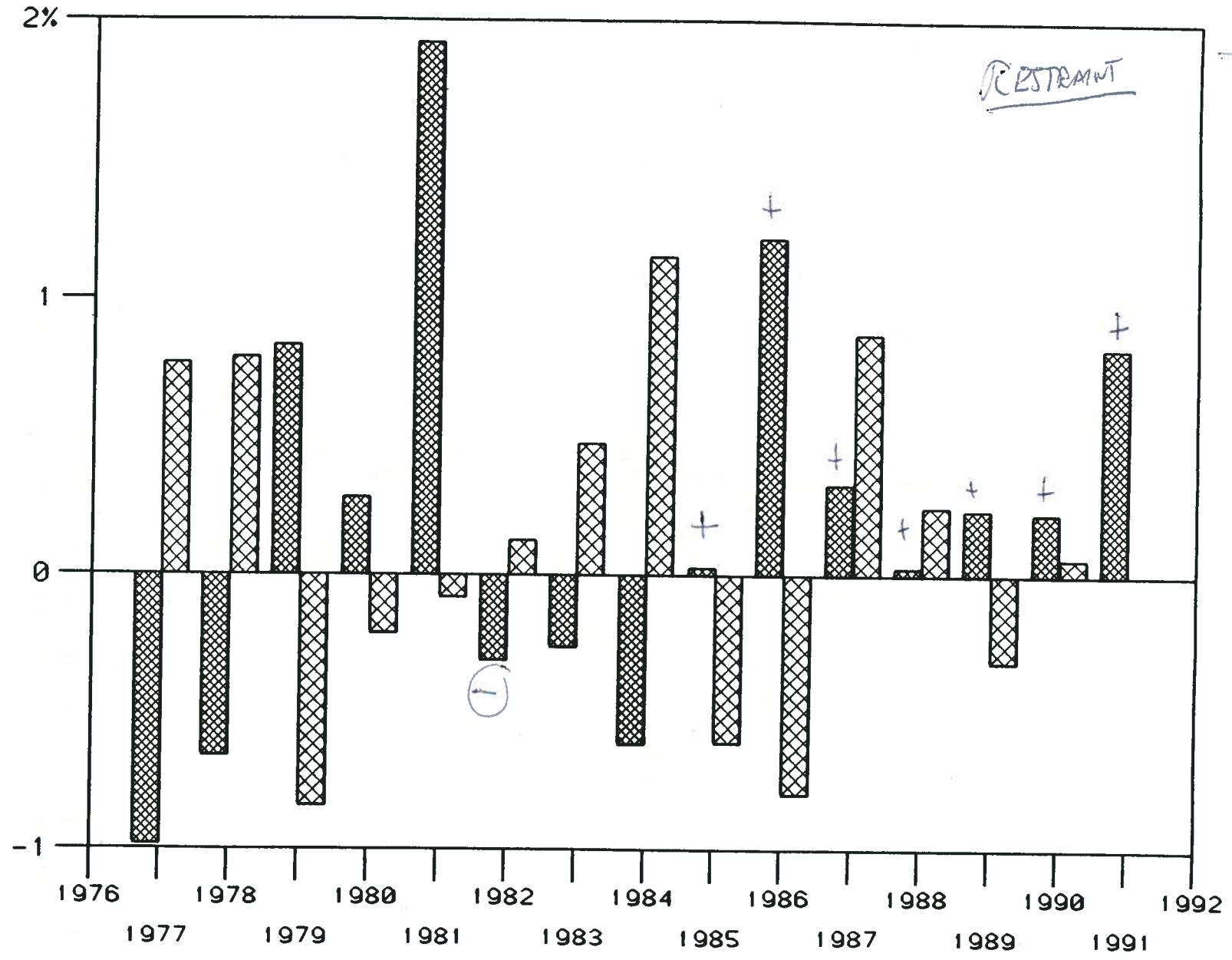
REAL SHORT-TERM INTEREST RATES
BEFORE AND AFTER A RECESSION

HIGHER
COMING
IN

+ HIGHER
COMING
OUT



CHANGE IN CYCLICALLY-ADJUSTED PRIMARY BALANCE
(as a per cent of trend GDP)



FISCAL THROUST

RESTRAINT

NO REVERSAL

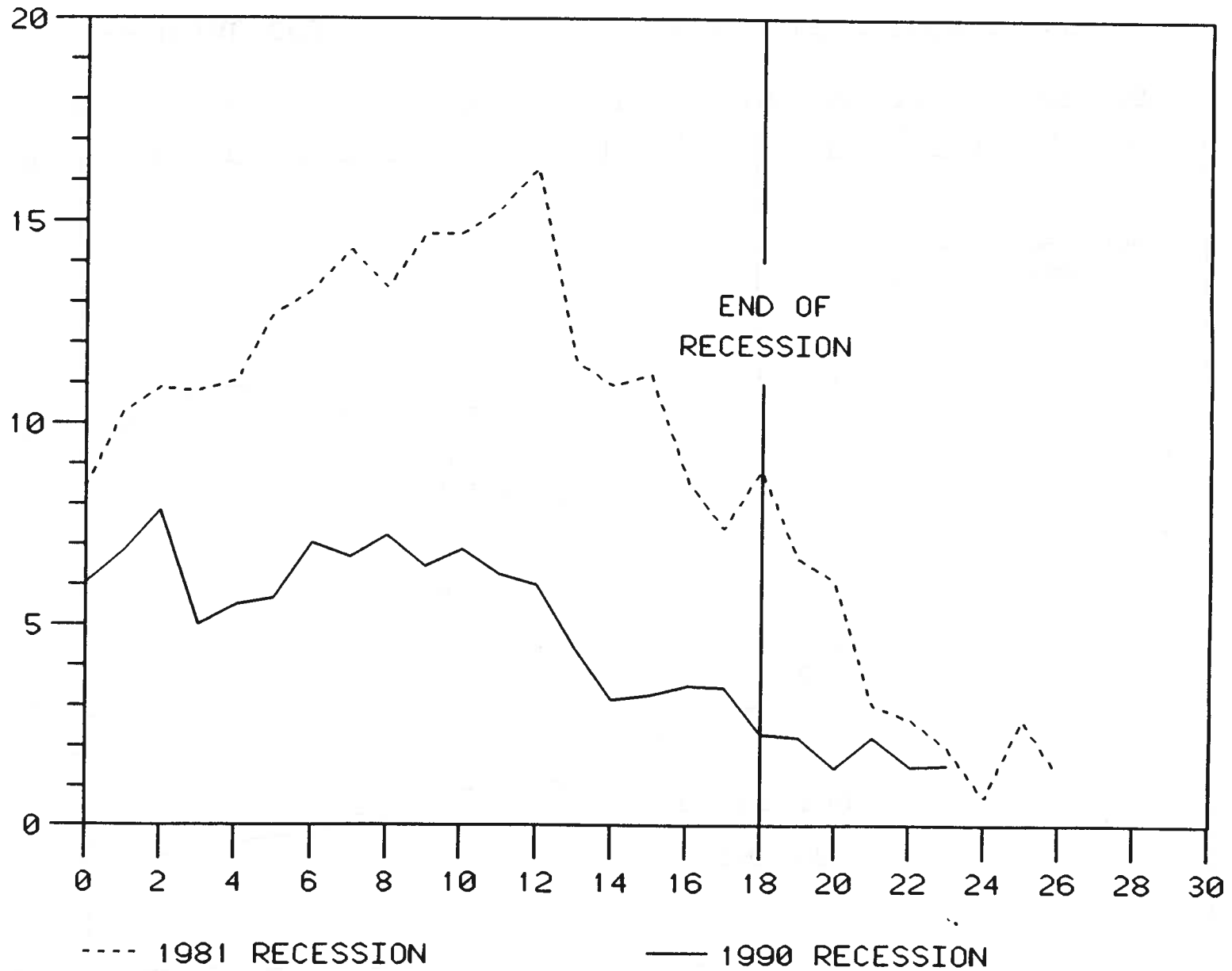
7 years of increasing restraint

In 80-82 3 years was enough to break economy!

 FEDERAL  PROVINCES

Sources: Statistics Canada and Informetrica Ltd

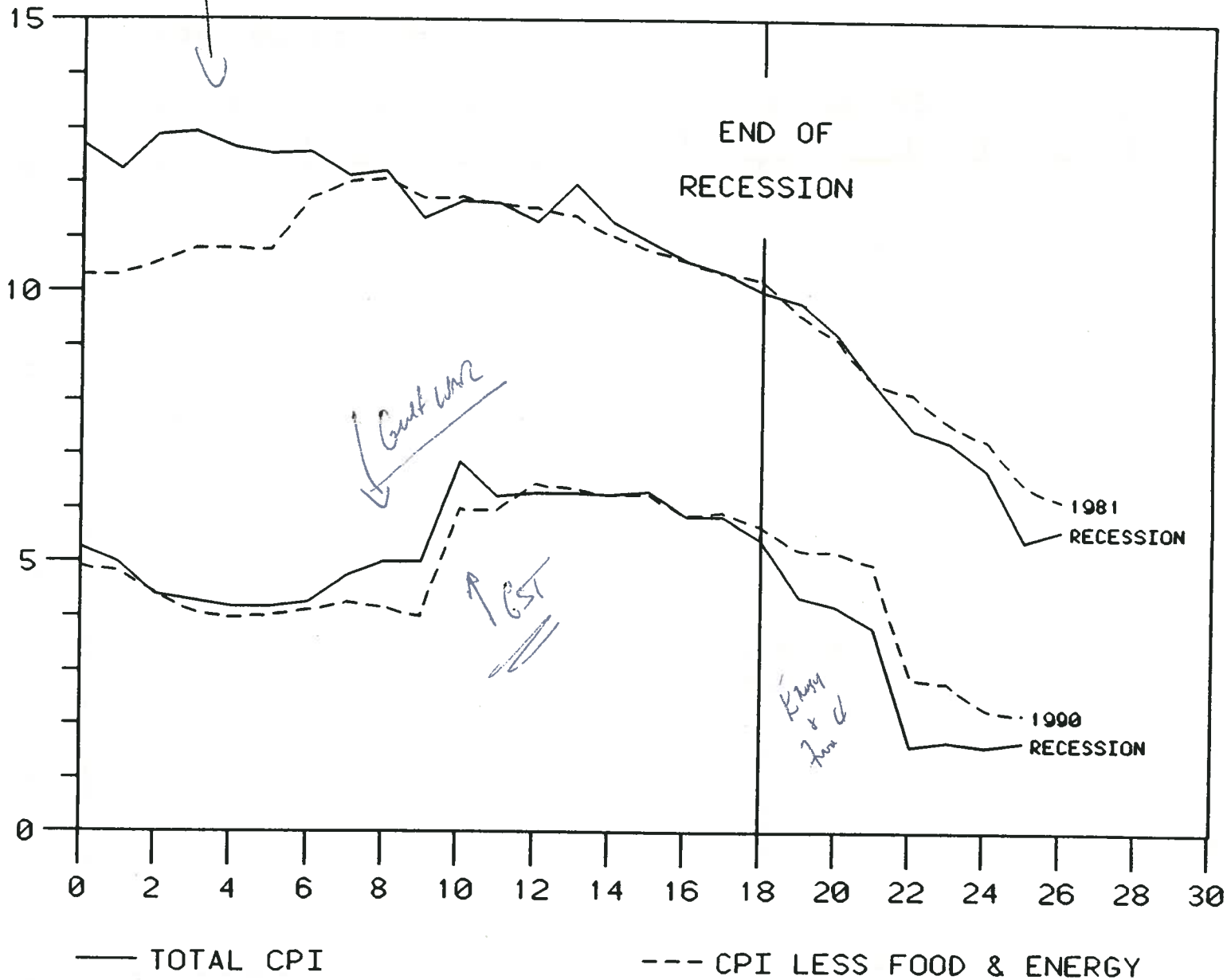
UNI LABOUR COSTS
(year-over-year % change, monthly)



*less of
a decline*

X-axis: # of months since beginning of recessions,
0 is April 1981 and March 1990

CONSUMER PRICE INDEX
(year-over-year % change, monthly)



Lower inflation - post recession phenomenon (4/4)

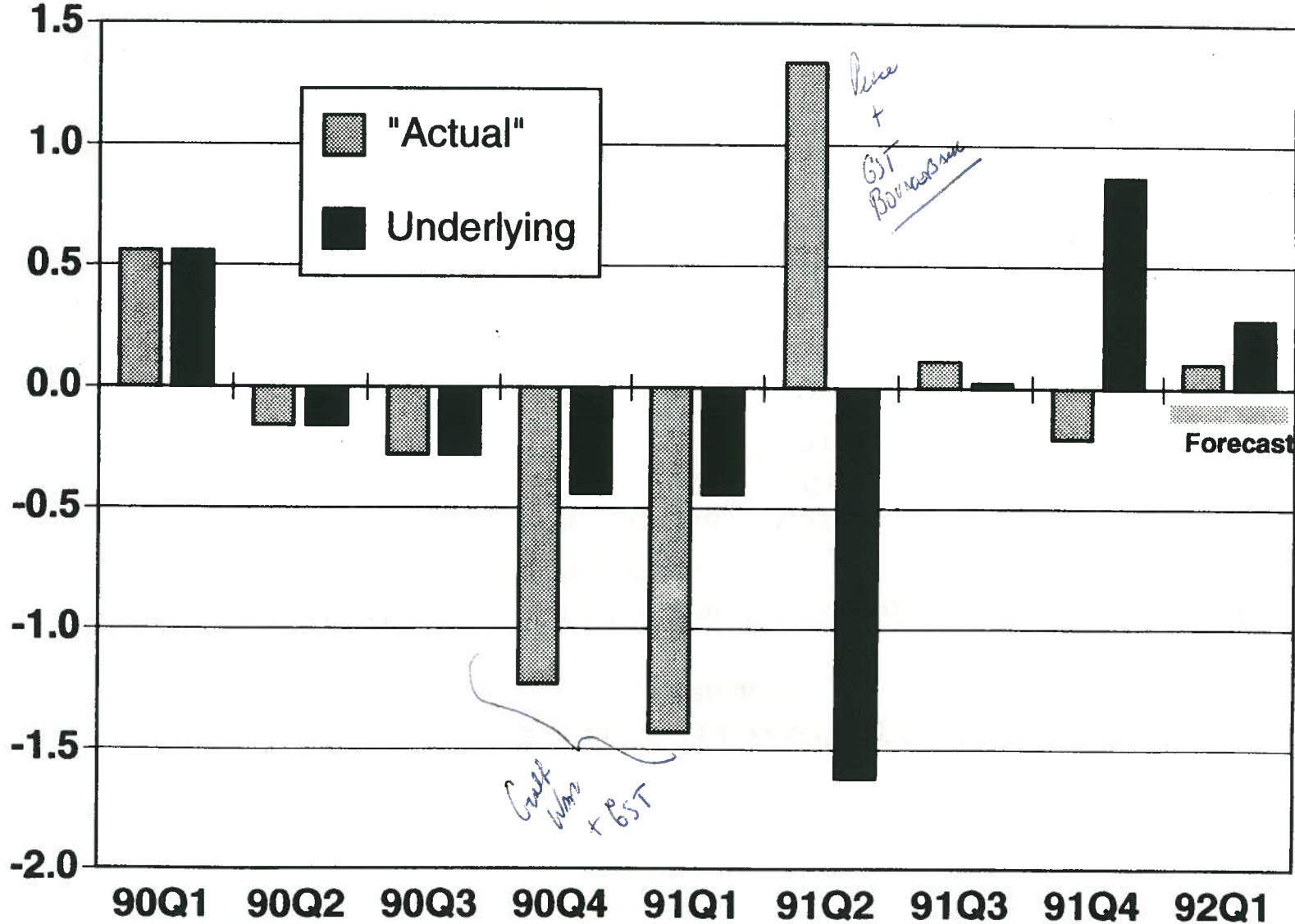
X-axis: # of months since beginning of recessions, 0 is April 1981 and March 1990

Canada: Real Growth of GDP
(Billions \$)

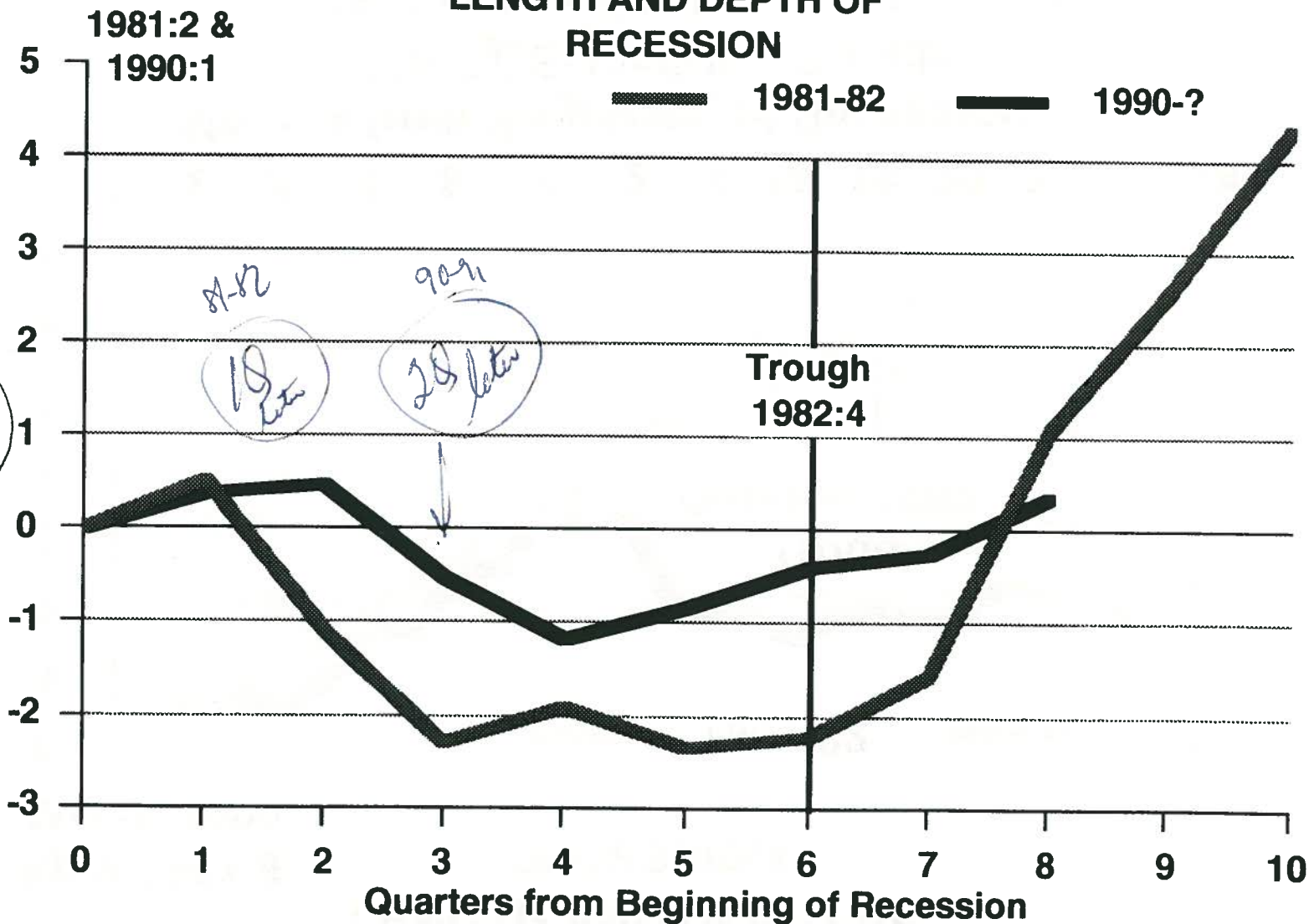
Actual GDP			Gulf War and GST effects				Underlying GDP	
1986 K\$	%Change	Gulf War Effects				1986 K\$	%Change	
		External Shock	Domestic Reaction	GST Effect	Total Effect			
1989 Q4	567.6	-	0.0	0.0	0.0	0.0	567.6	-
1990 Q1	570.8	0.6	0.0	0.0	0.0	0.0	570.8	0.6
1990 Q2	569.9	-0.2	0.0	0.0	0.0	0.0	569.9	-0.2
1990 Q3	568.3	-0.3	0.0	0.0	0.0	0.0	568.3	-0.3
1990 Q4	561.3	-1.2	-3.0	-2.0	0.5	-4.5	565.8	-0.4
1991 Q1	553.3	-1.4	-5.0	-2.0	-3.0	-10.0	563.3	-0.4
1991 Q2	560.7	1.3	4.0	2.0	0.5	6.5	554.2	-1.6
1991 Q3	561.3	0.1	4.0	2.0	1.0	7.0	554.3	0.0
1991 Q4	560.1	-0.2	0.0	0.0	1.0	1.0	559.1	0.9
1992 Q1	560.7	0.1	0.0	0.0	0.0	0.0	560.7	0.3

*Revised
Foot*

Canada Real Growth of GDP



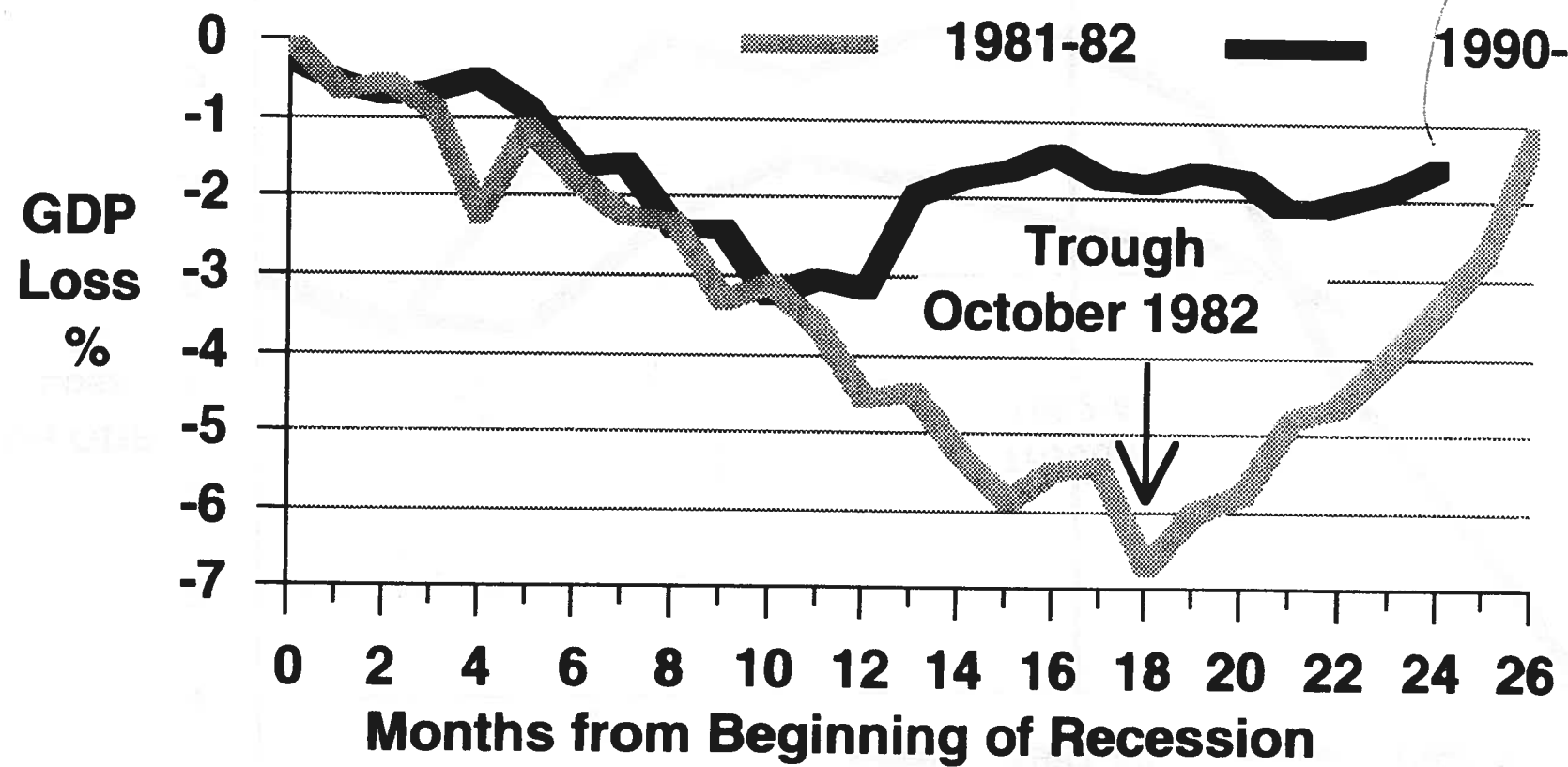
LENGTH AND DEPTH OF RECESSION



SOURCE: US Bureau of Economic Analysis, US GDP, \$K

LENGTH AND DEPTH OF RECESSION

April 1981 & March 1990

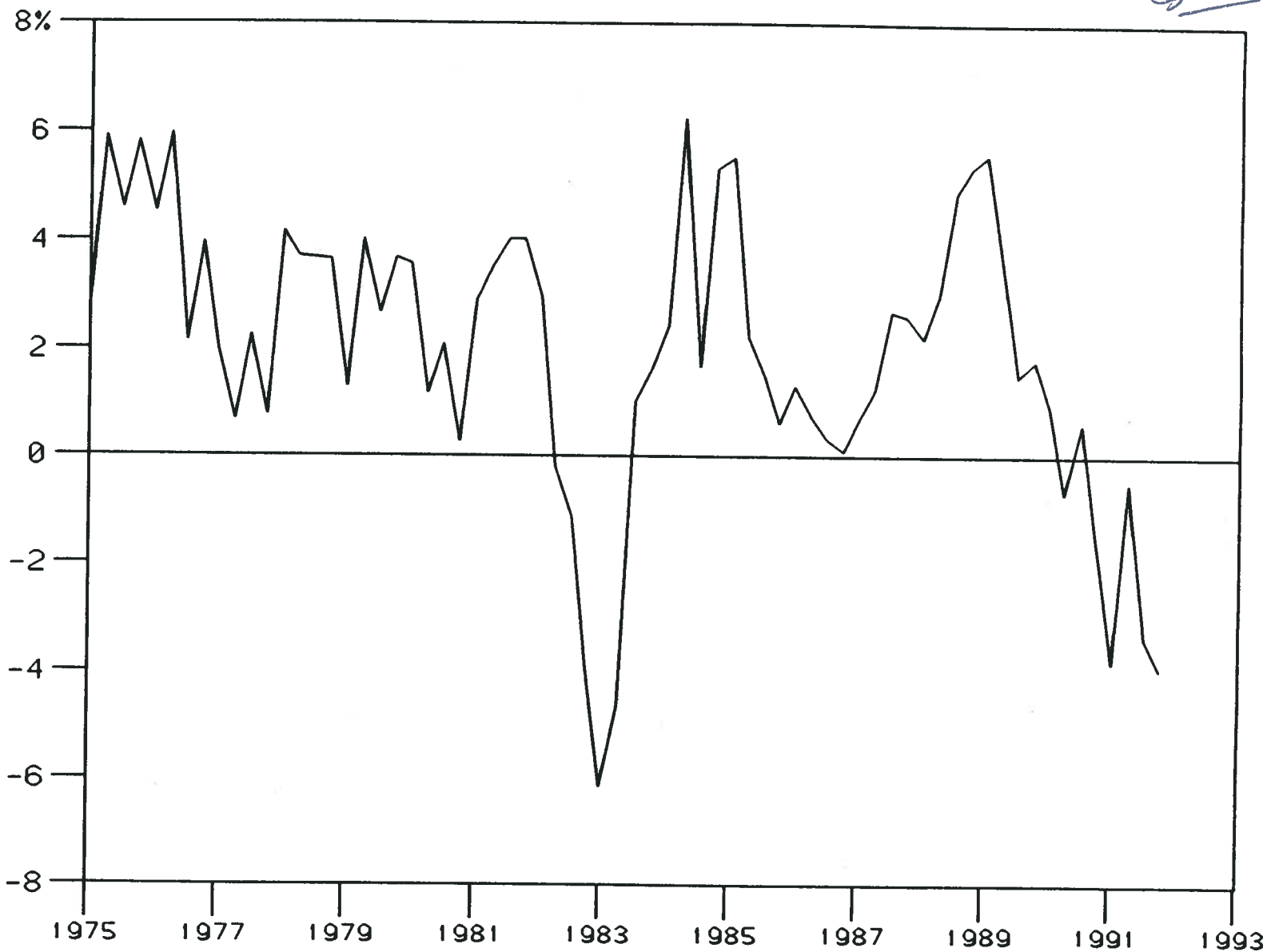


F0.3 market 92

SOURCE: Statistics Canada,
Gross Domestic Product at Factor Cost

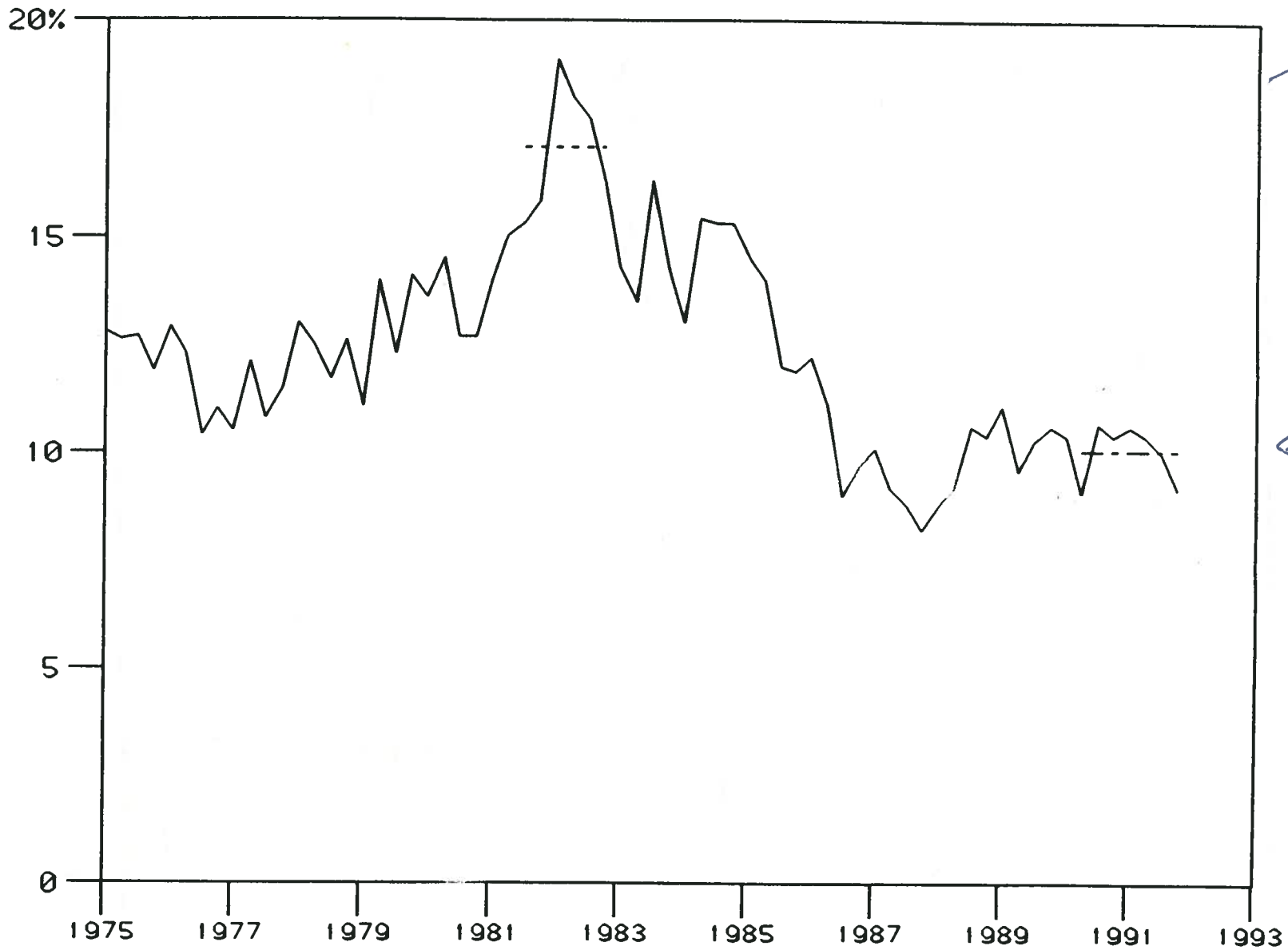
GROWTH OF PER CAPITA REAL PERSONAL DISPOSABLE INCOME
(year-over-year percentage change)

Quality



Extended
(Wholly to
Continue R
92.

PERSONAL SAVINGS RATE
(per cent of personal disposable income)



12% → 18%
↓ then peak
Consumption
83-87

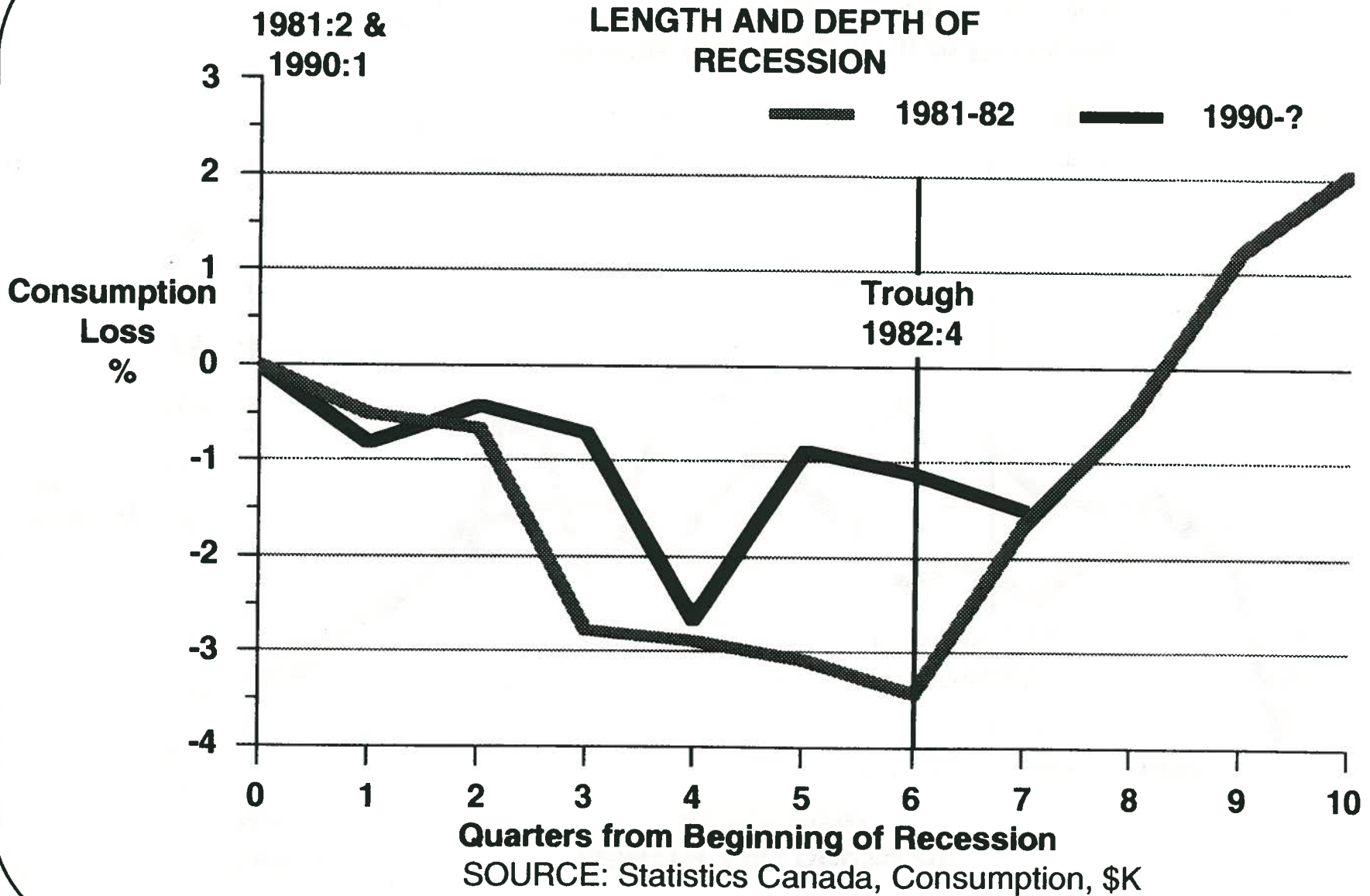
← No
surge!

— SAVINGS RATE

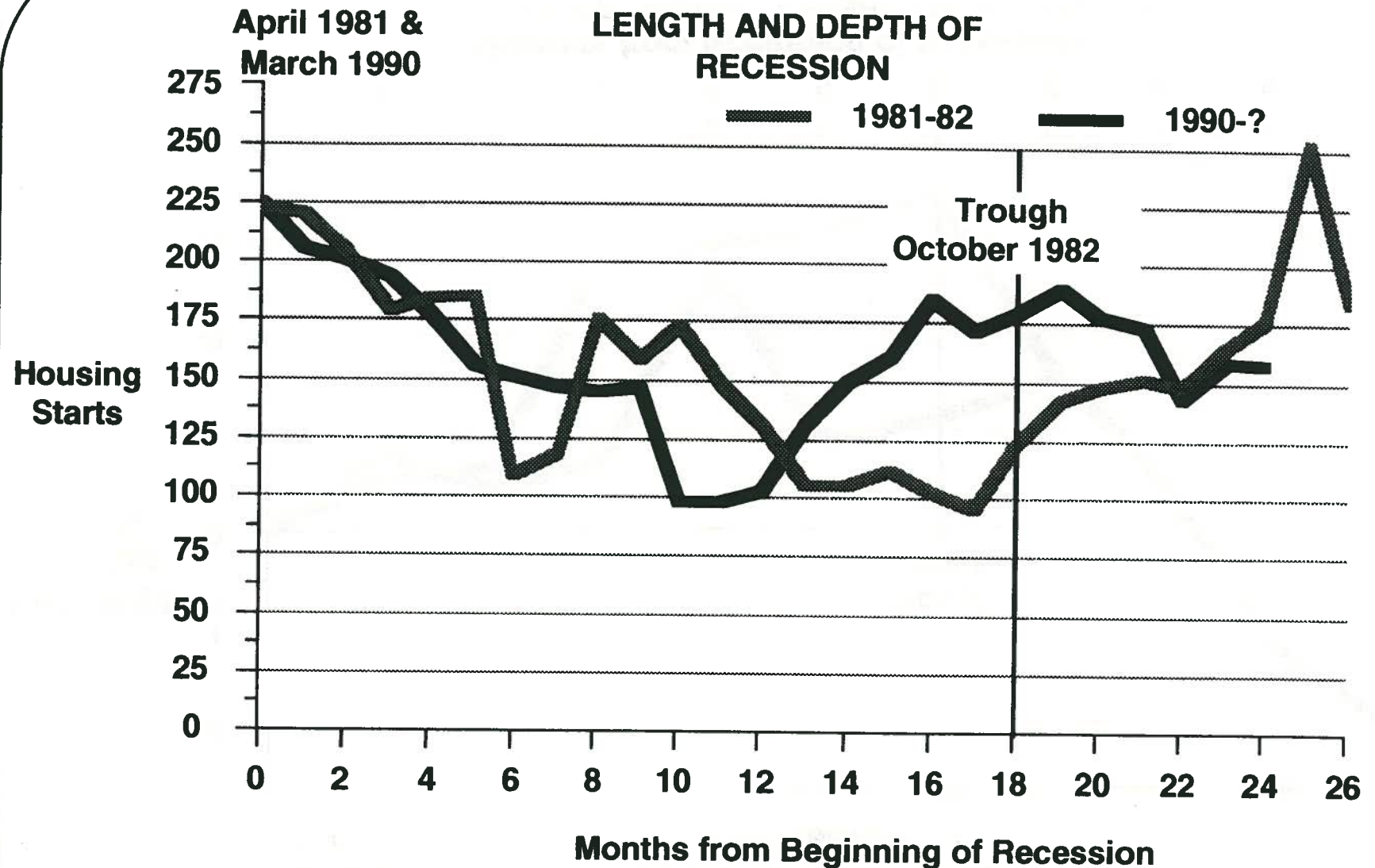
---- AVG RATE (1981:3-1982:4)

--- AVG RATE (1990:2-1991:4)

90/91 • Definite Double Dip



HS - sharper decline in 1981-82 -
Some recovery - but



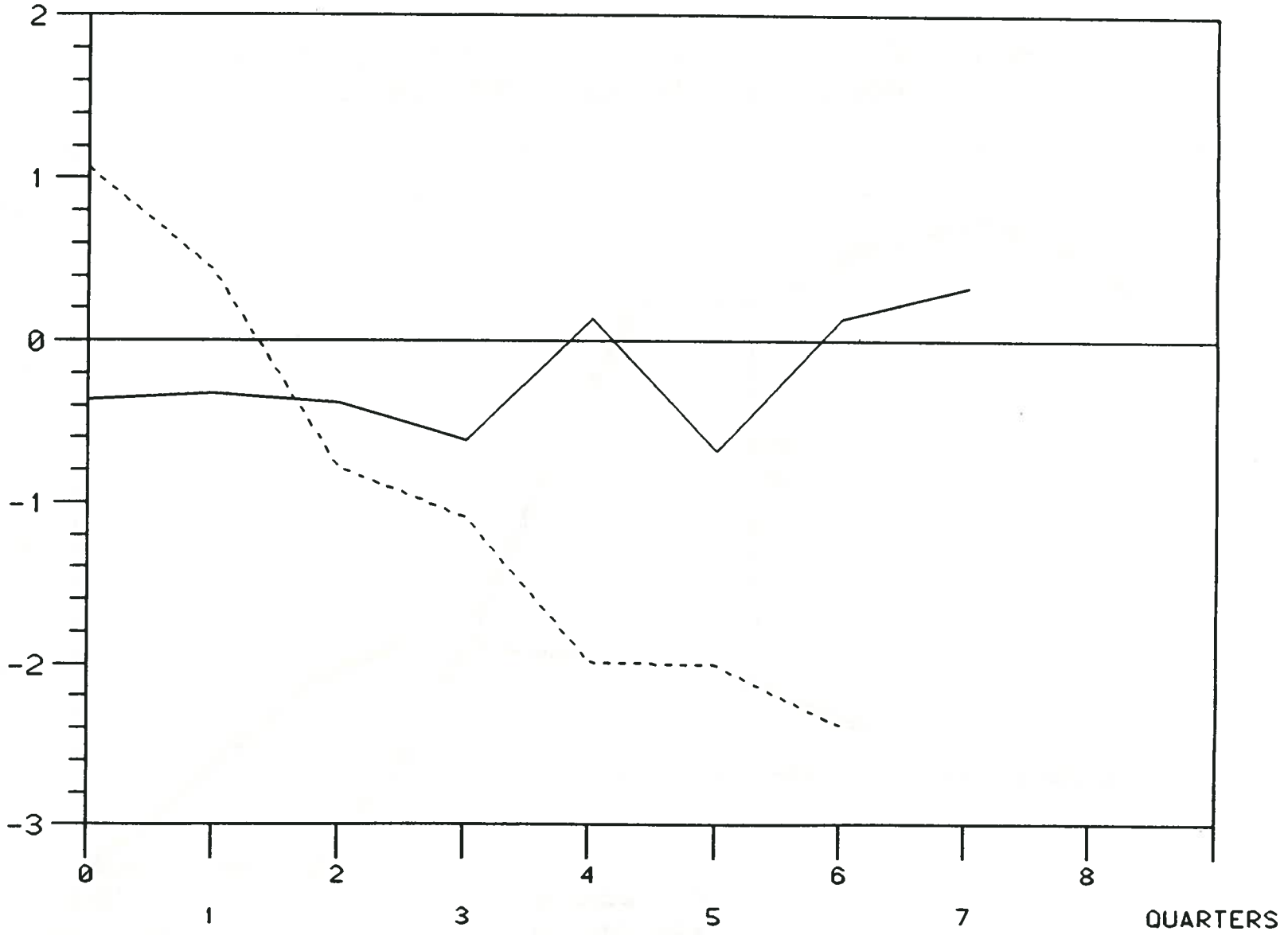
SOURCE: CMHC, Housing Starts, Seasonally Adjusted at Annual Rates

Inventory "manage"

- Smaller, no
major runoff



QUARTER INVENTORY CHANGE CONTRIBUTION TO GDP GROWTH DURING TWO RECESSIONS



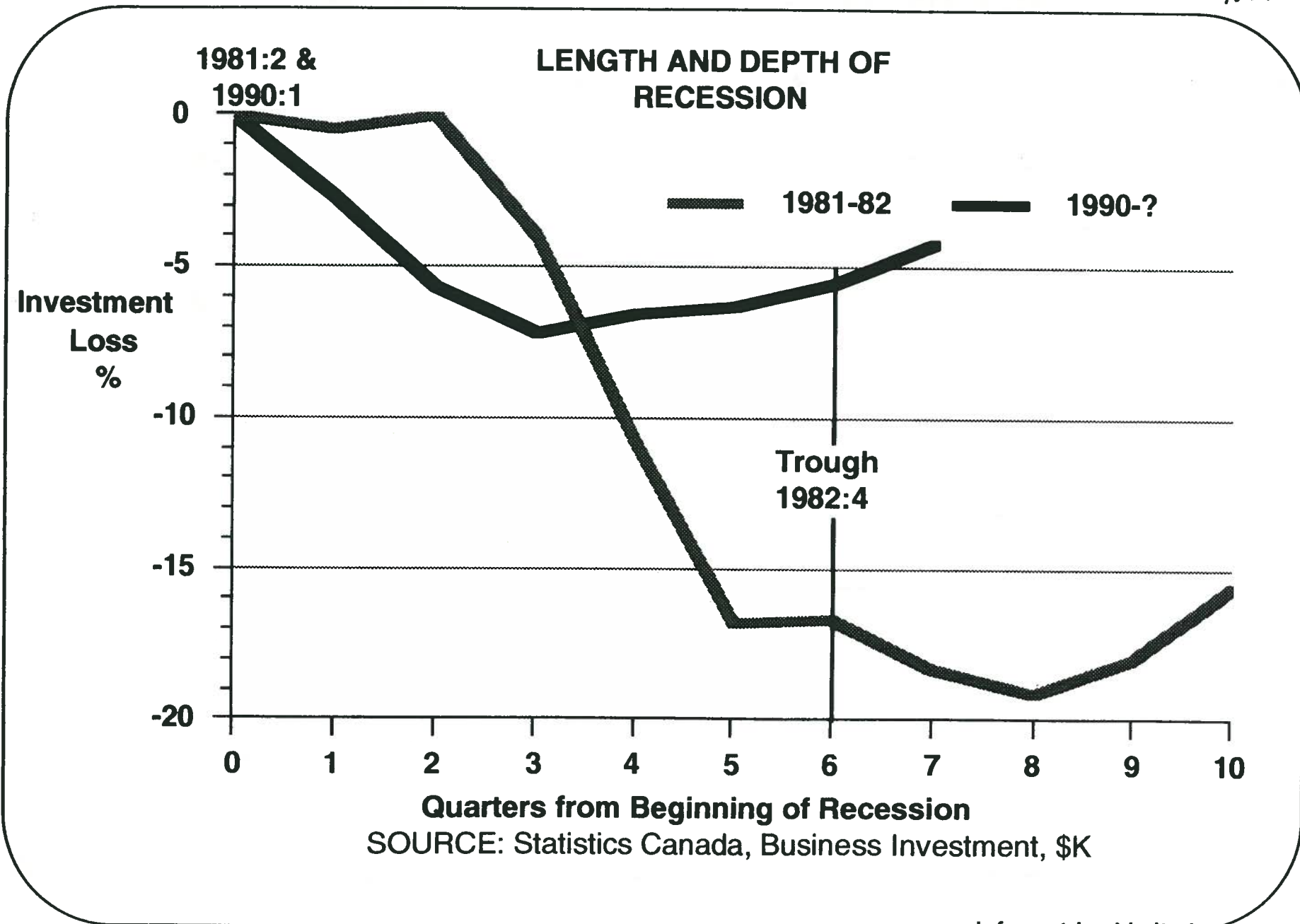
---- 1981 RECESSION

— 1990 RECESSION

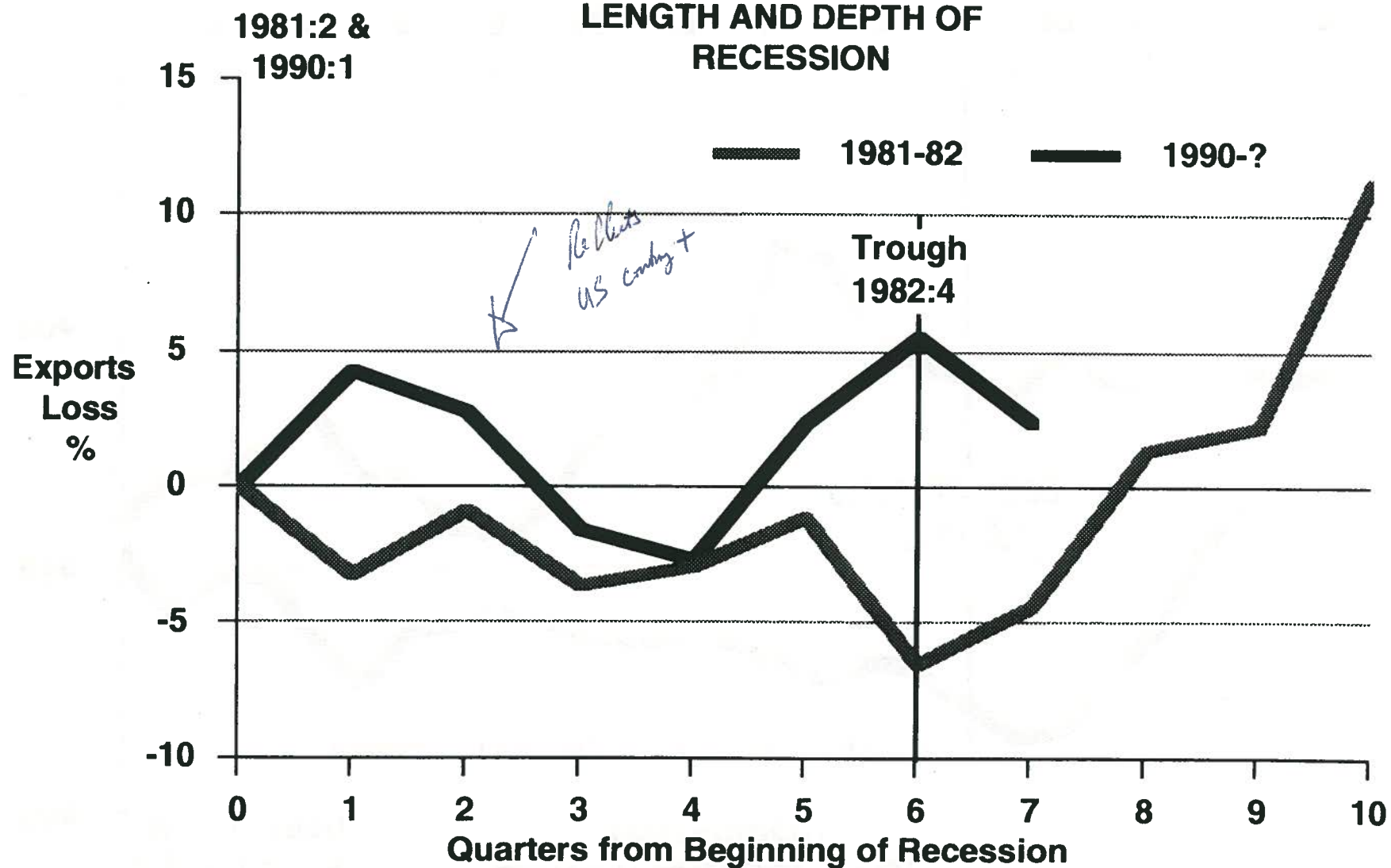
X-axis: # of quarters since the beginning of recessions,
0 is 1981 quarter II and 1990 quarter I

*Quarter Decline, MVE reflecting GST in Q4 + IV 1990
SHALLOWER / FTA?*

Here Restructuring led to a deal + some t. in money.



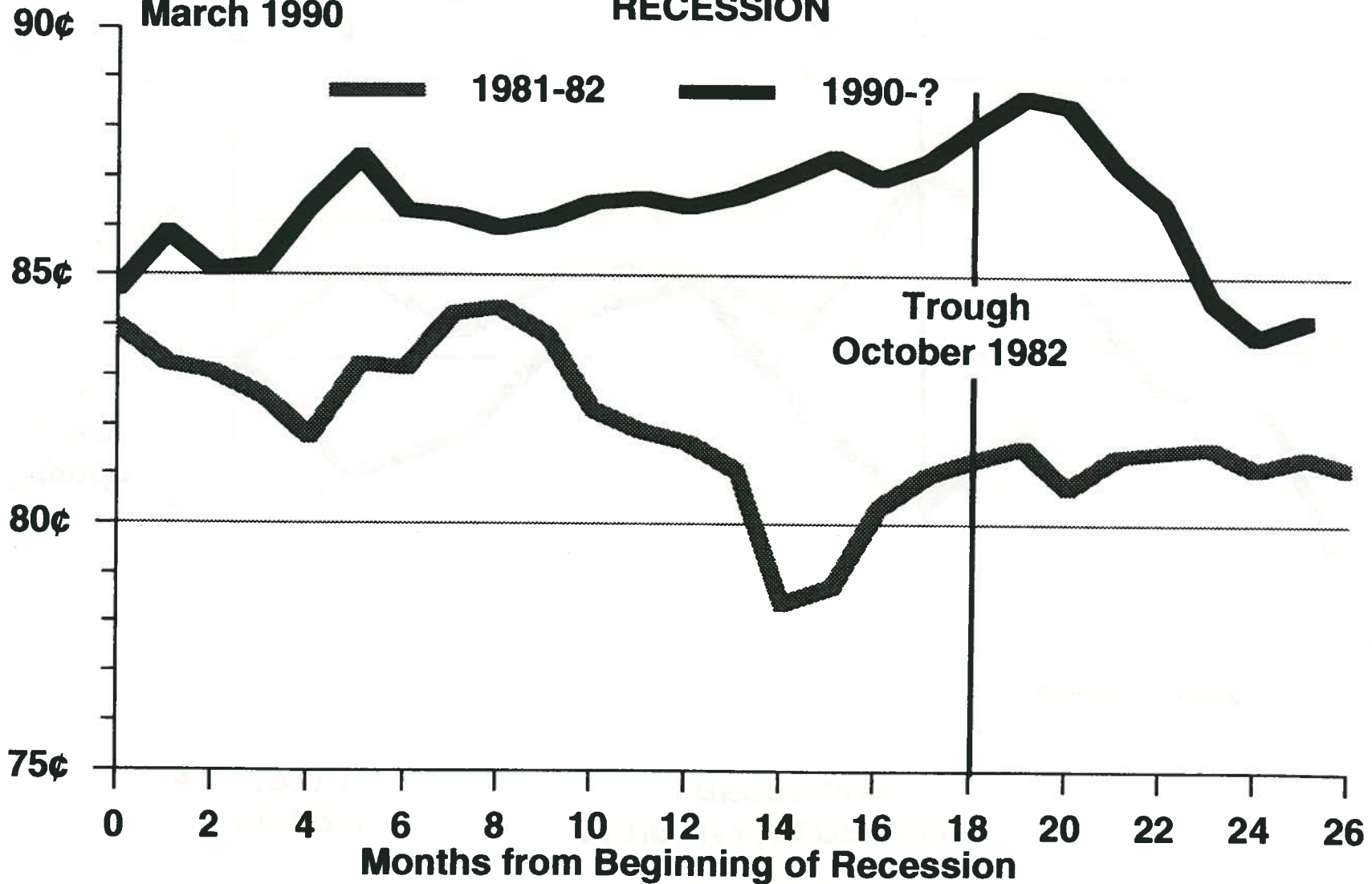
LENGTH AND DEPTH OF RECESSION



SOURCE: Statistics Canada, Exports of Goods and Services, \$K

April 1981 &
March 1990

LENGTH AND DEPTH OF RECESSION



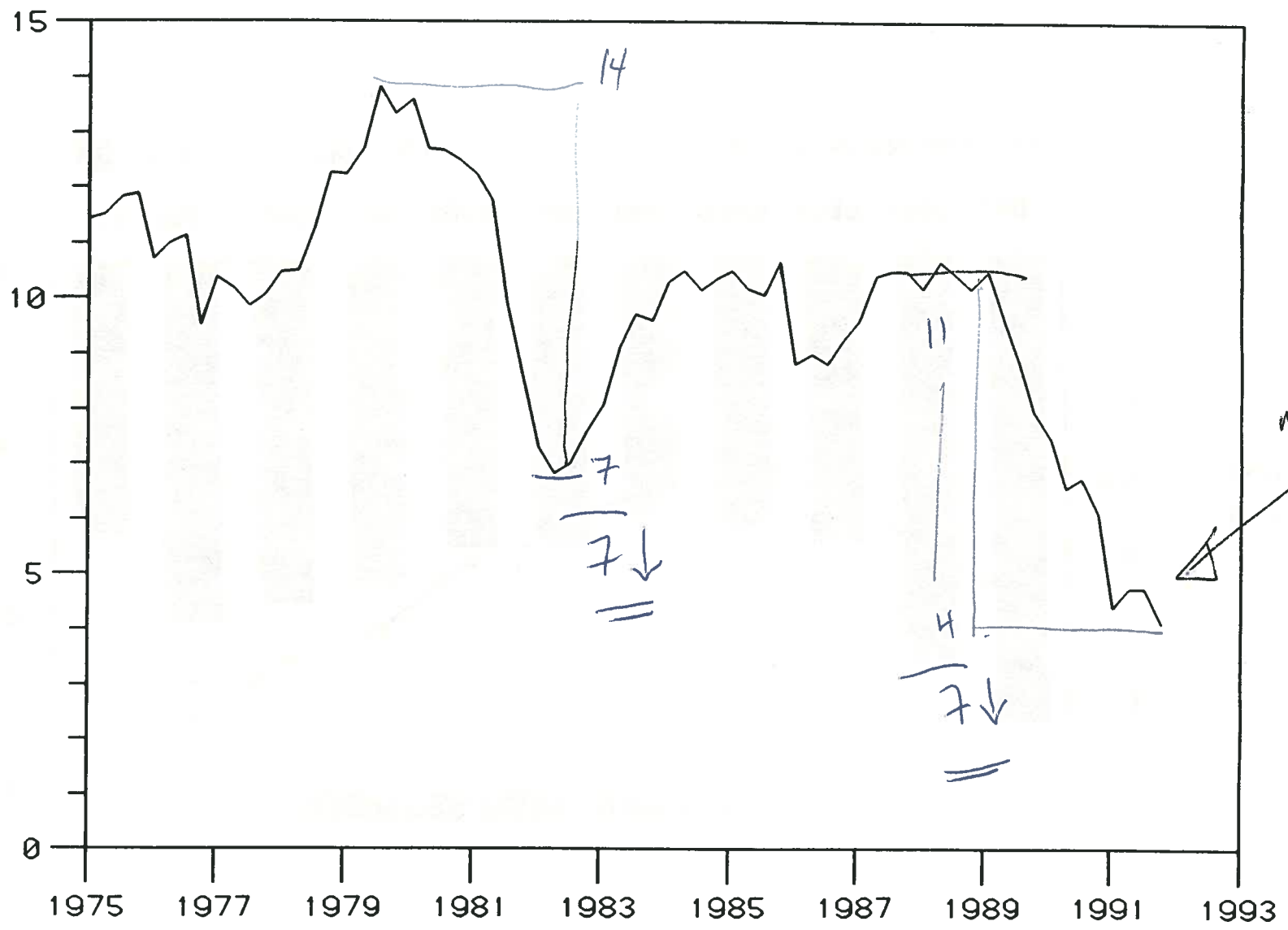
SOURCE: Bank of Canada, Average Spot Exchange Rate

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Amend

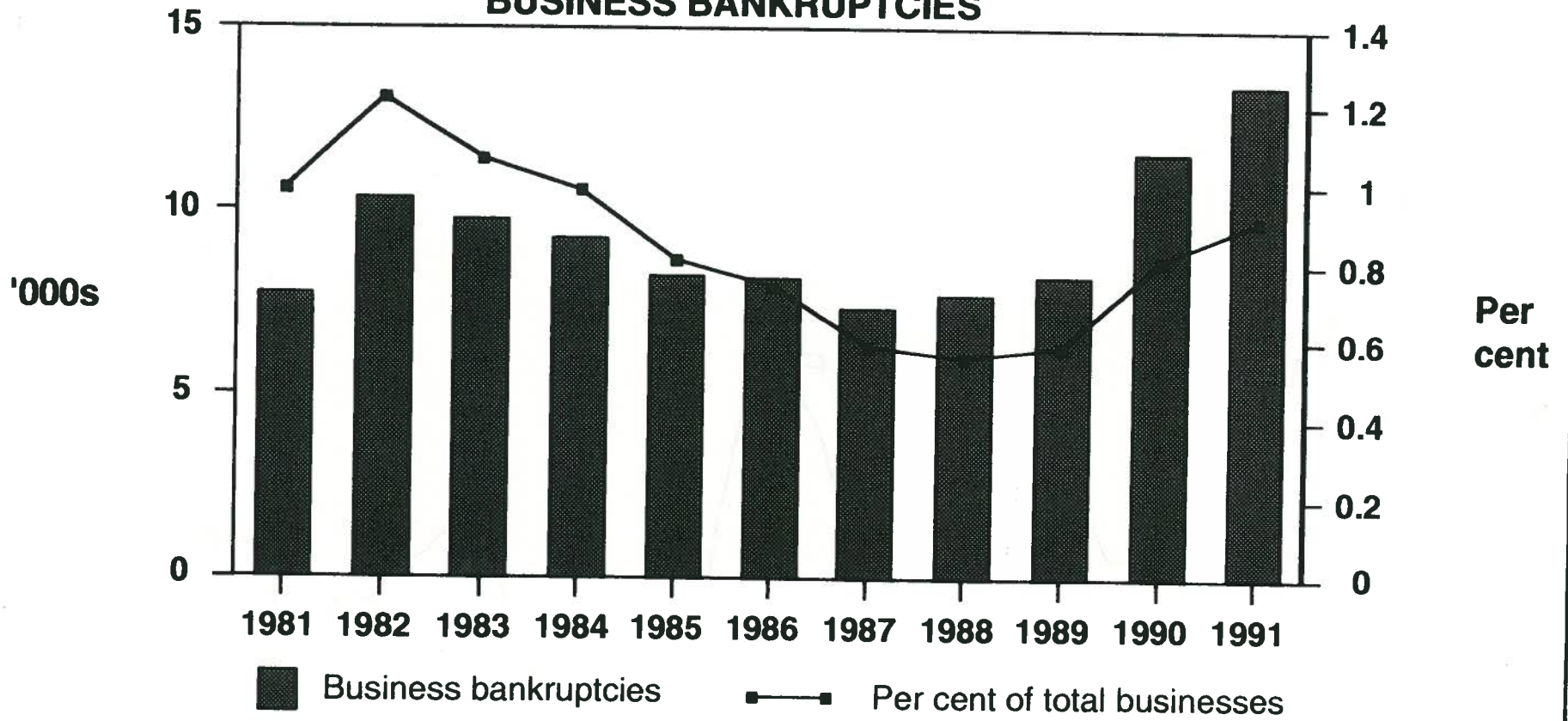
Amend
8/1/82

CORPORATE PROFITS (% of GDP)



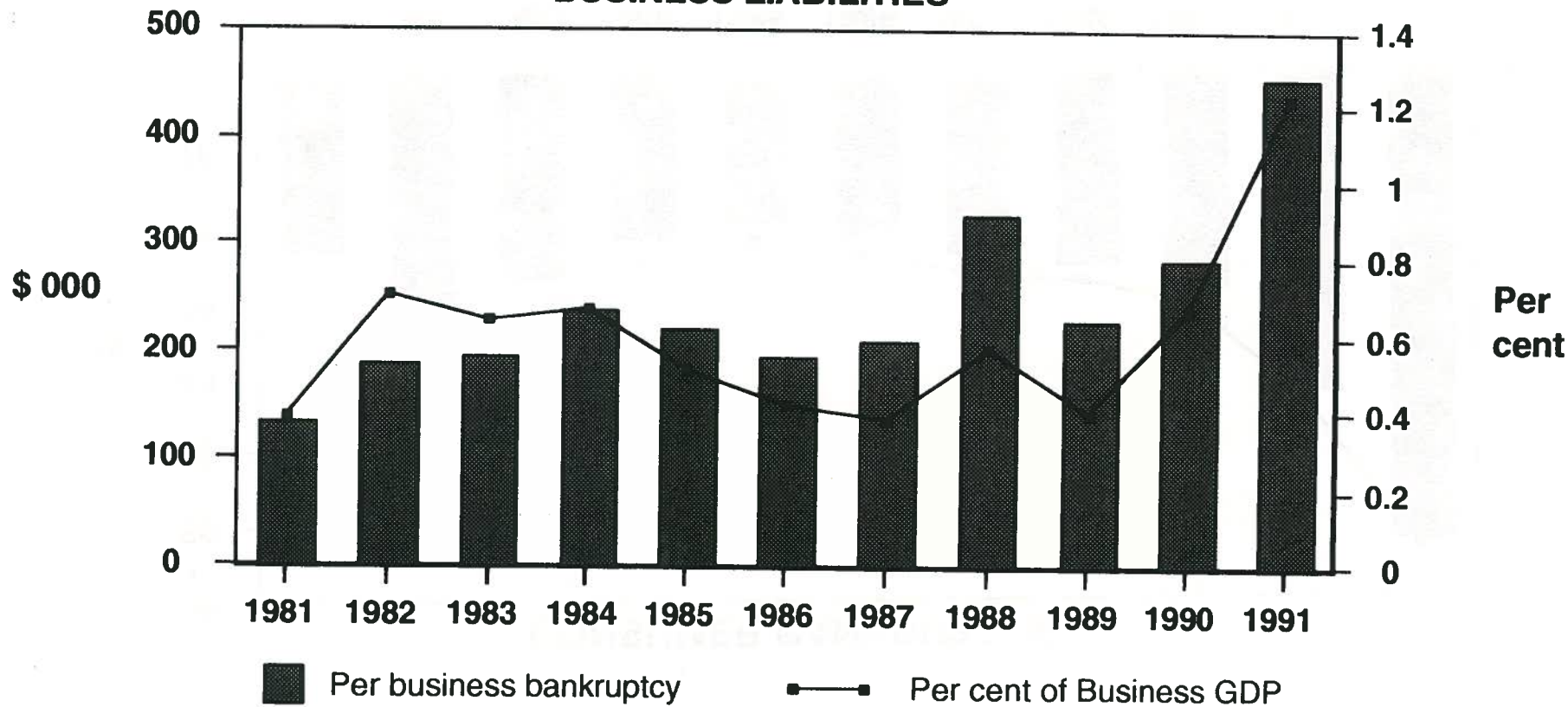
New low

BUSINESS BANKRUPTCIES



#s ↑
% from slightly lower
But ↓

BUSINESS LIABILITIES



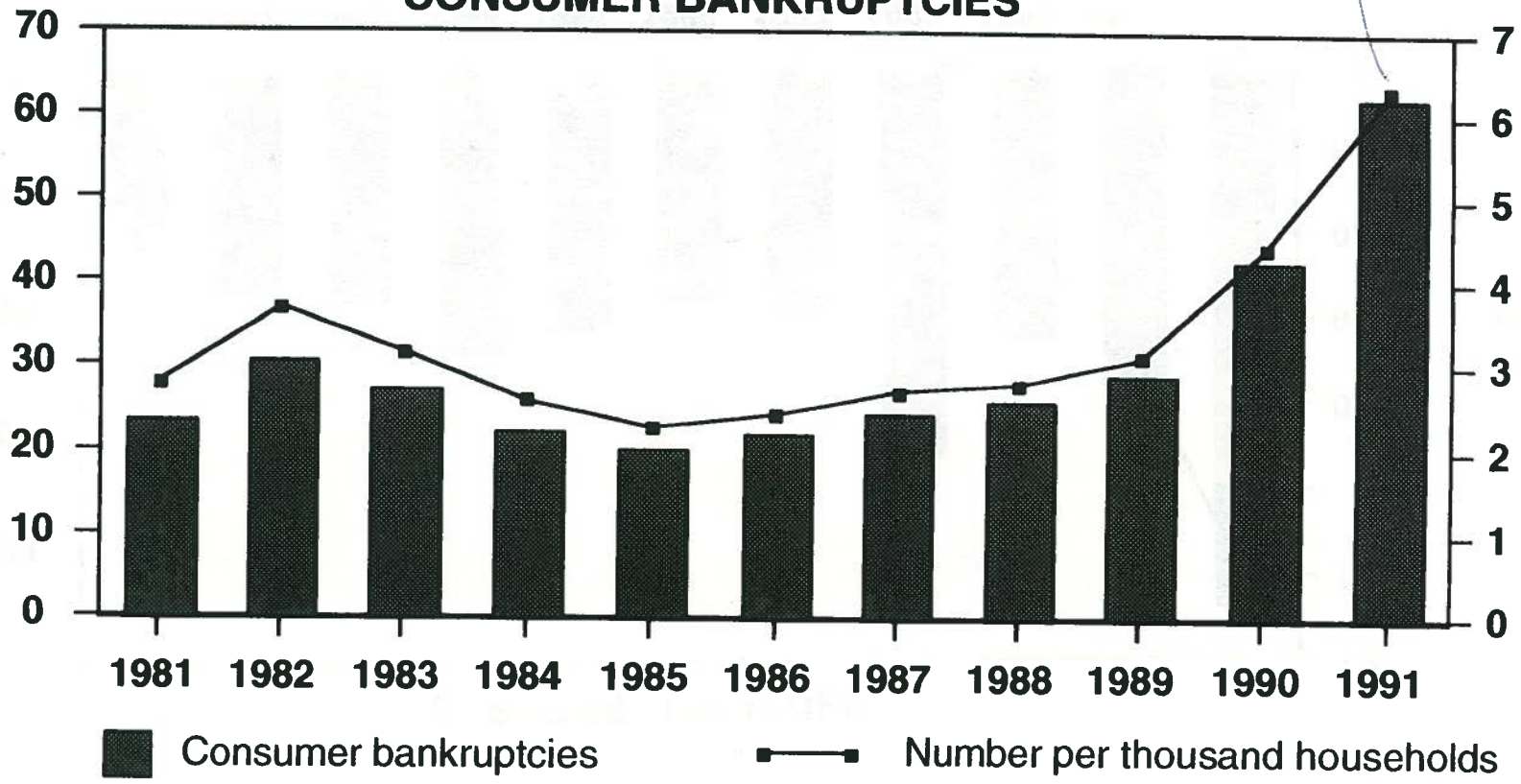
90
f91
New
Bank
LNB.
GDP BUS

CONSUMER BANKRUPTCIES

*2x in
#s*

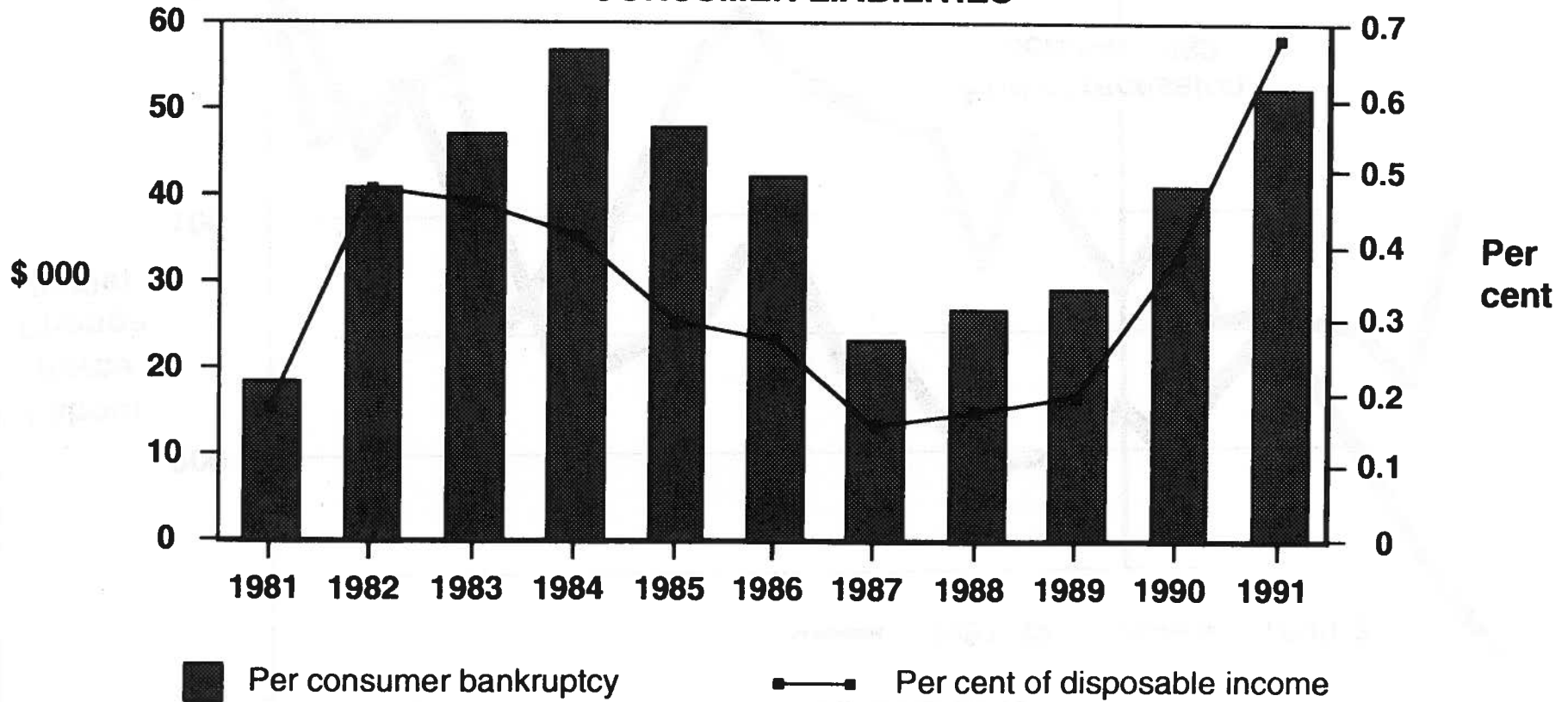
*2x in
% of HH*

'000s



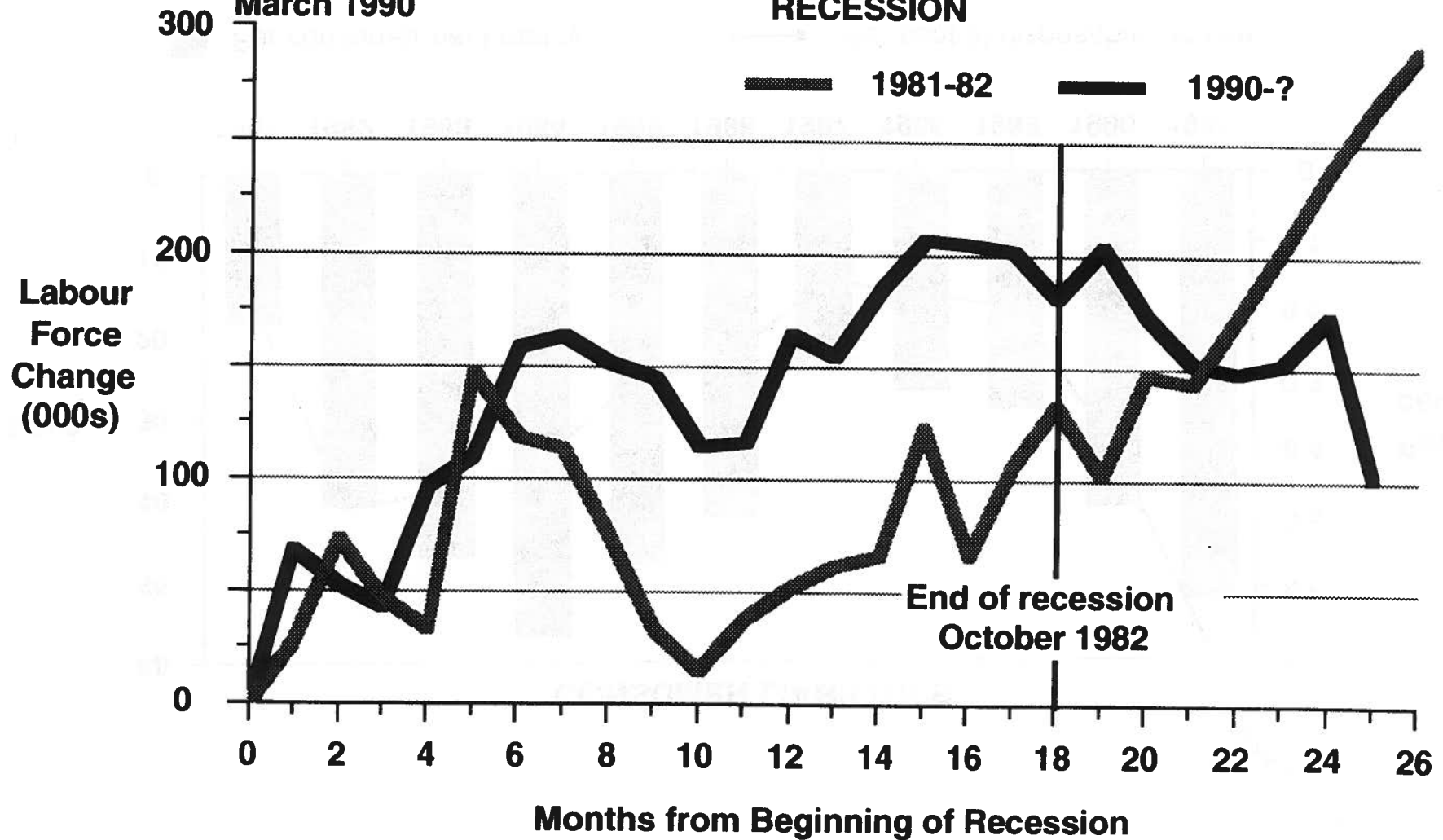
new
1416k!

CONSUMER LIABILITIES



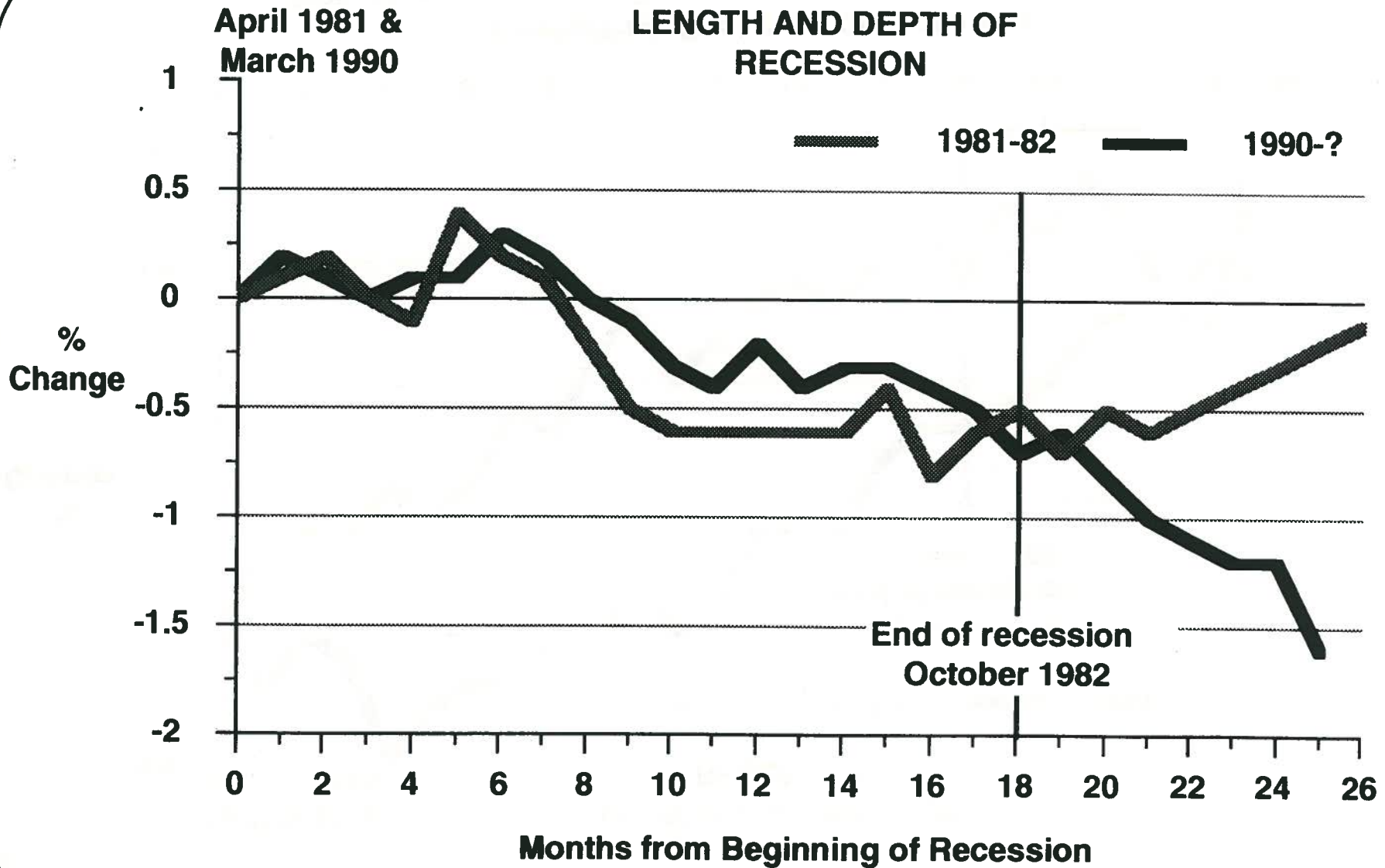
April 1981 &
March 1990

LENGTH AND DEPTH OF RECESSION



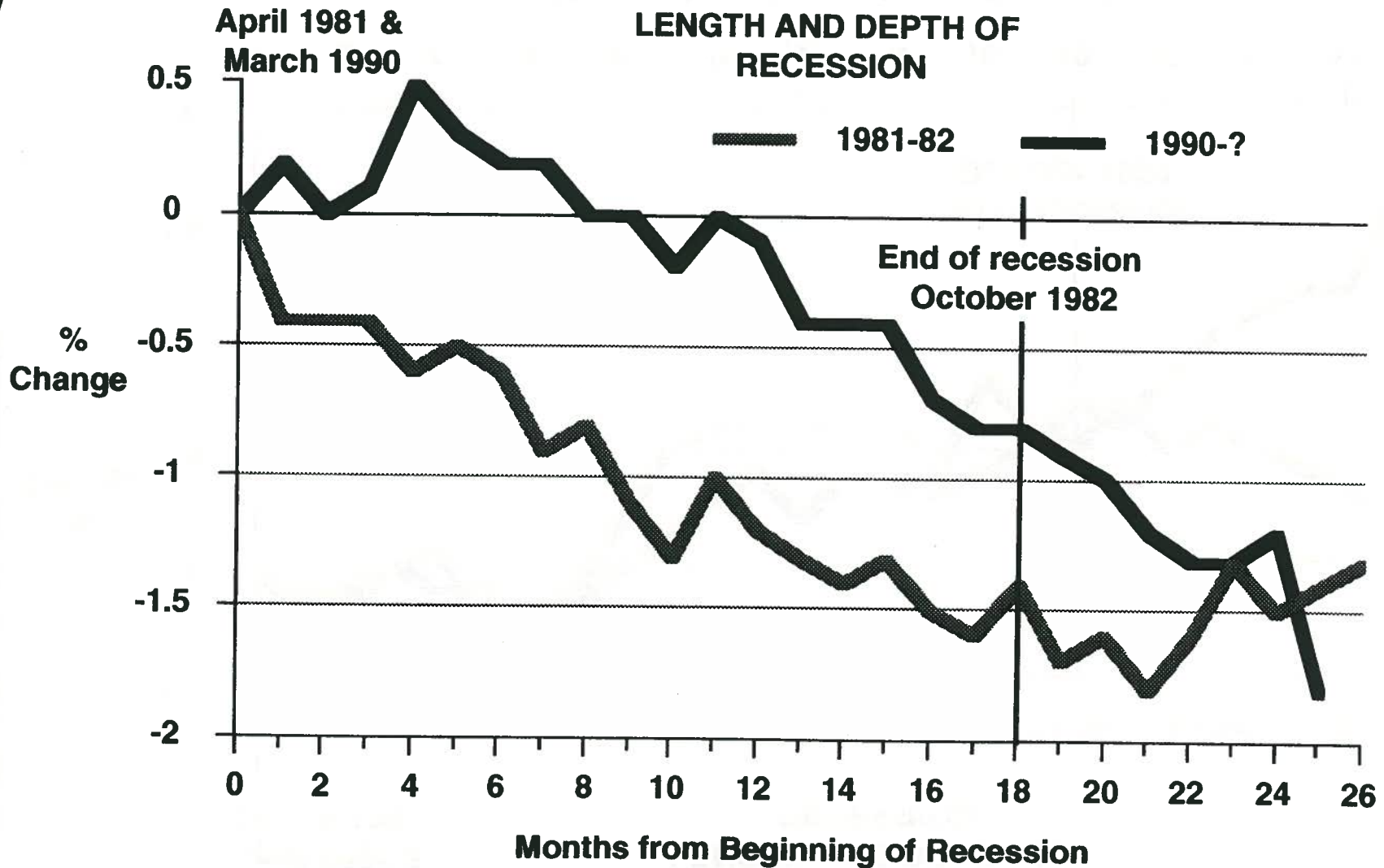
SOURCE: Statistics Canada, Labour Force (Seasonally Adjusted)

SHARP decline!



SOURCE: Statistics Canada, Participation rate (Seasonally Adjusted)

Similar + other problems!

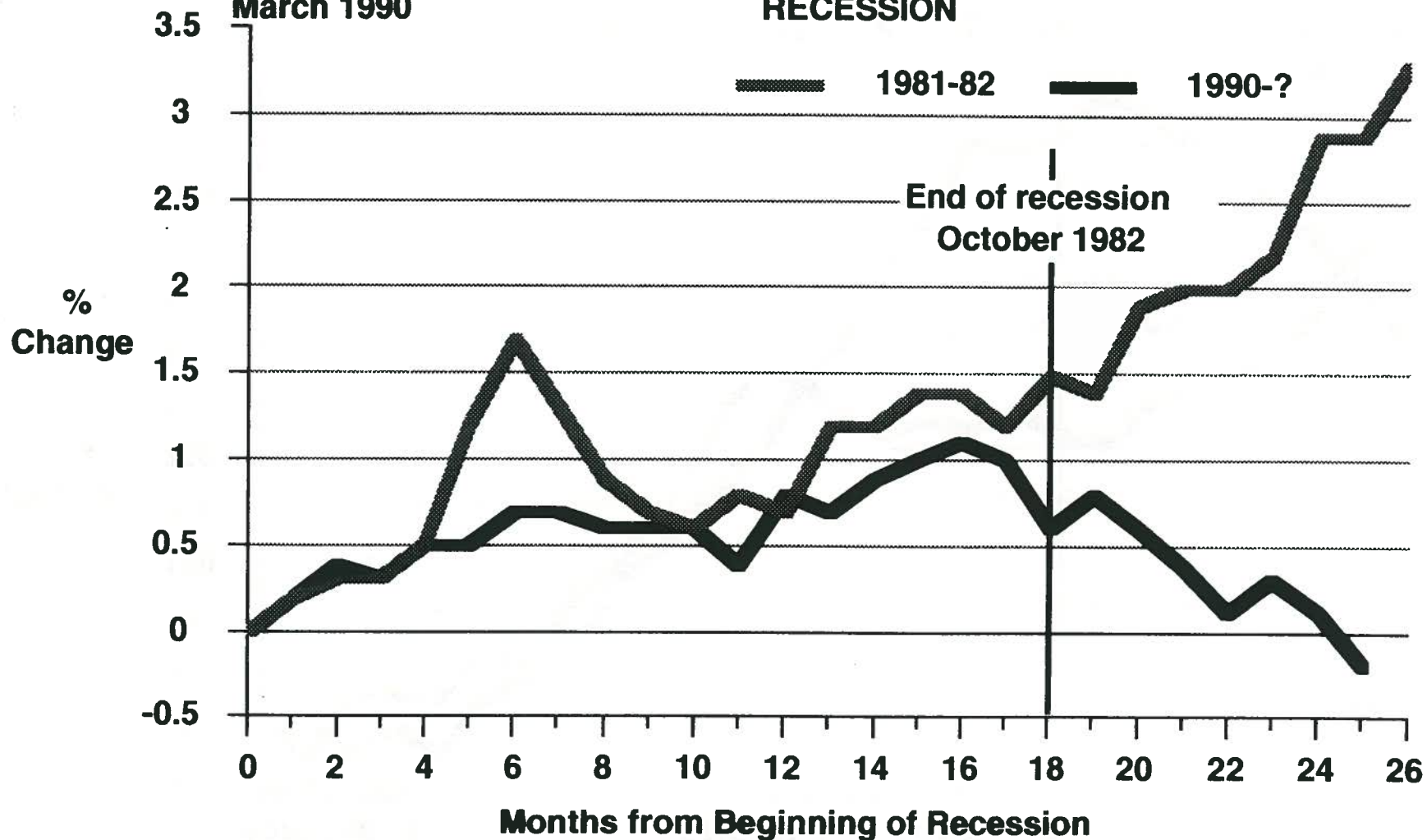


SOURCE: Statistics Canada, Participation rate, males 25-54 (Seasonally Adjusted)

Families - More Hours Wk

April 1981 &
March 1990

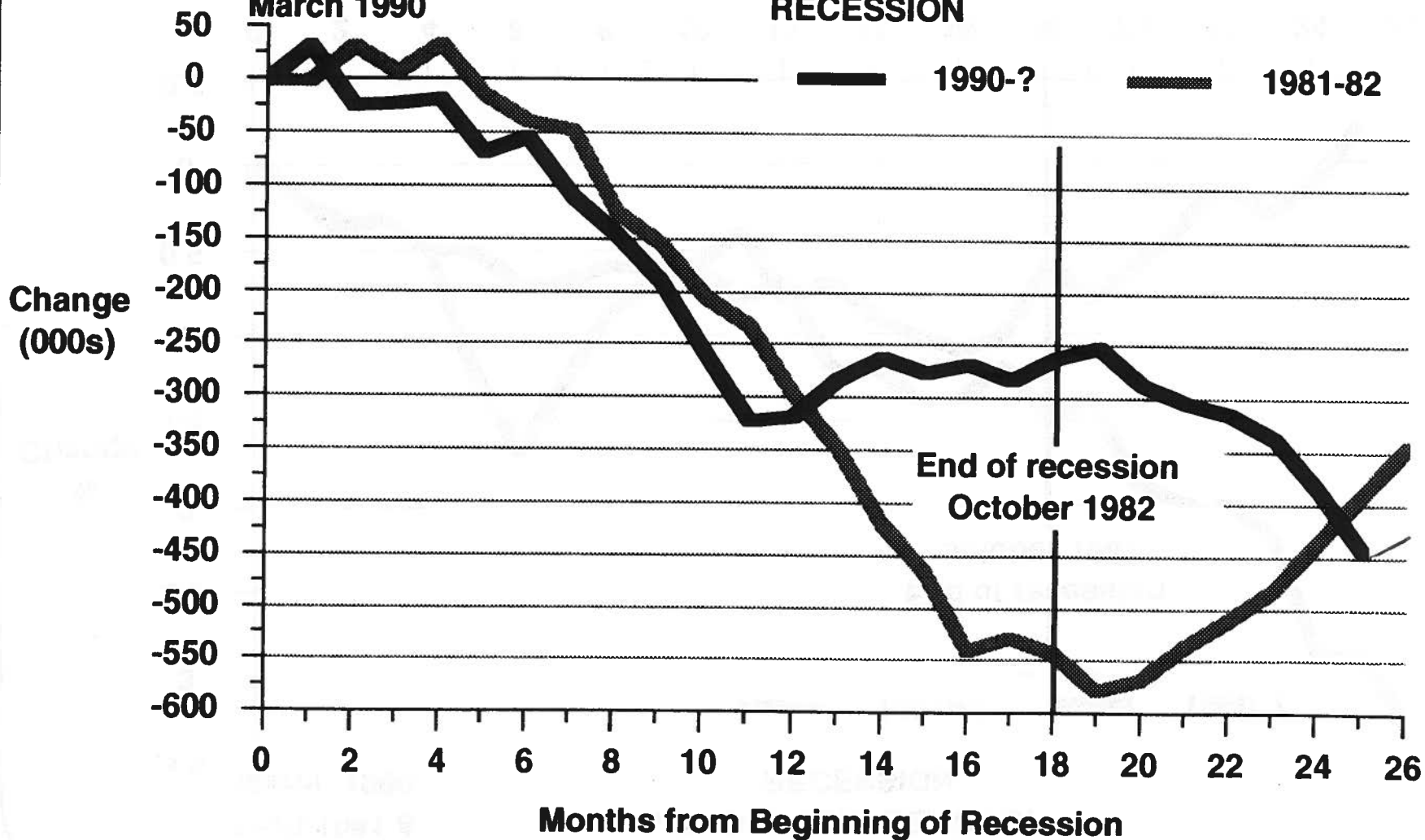
LENGTH AND DEPTH OF RECESSION



SOURCE: Statistics Canada, Participation rate, females 25-54 (Seasonally Adjusted)

April 1981 &
March 1990

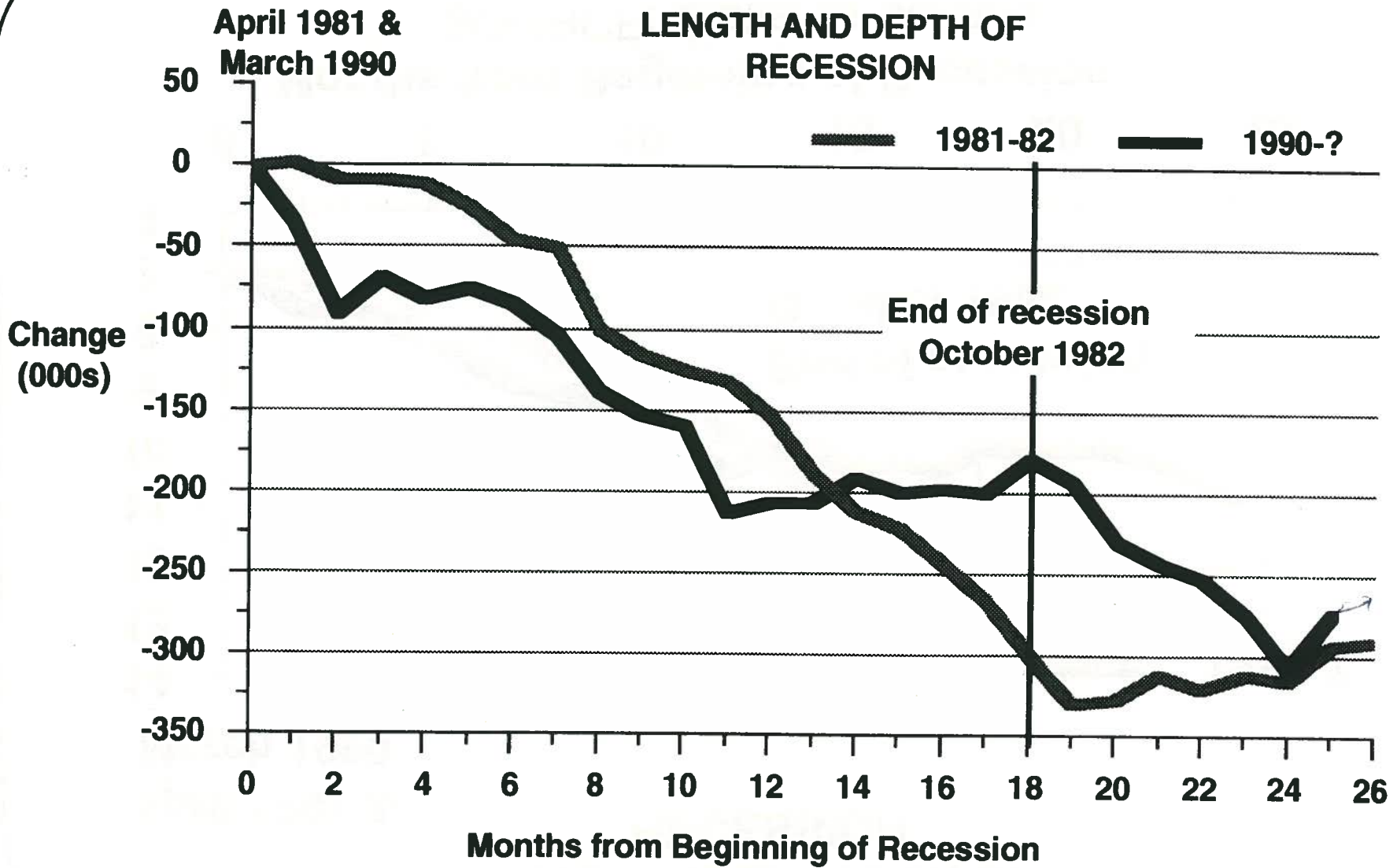
LENGTH AND DEPTH OF RECESSION



SOURCE: Statistics Canada, Employment (Seasonally Adjusted)

Matched 8/82 in H's

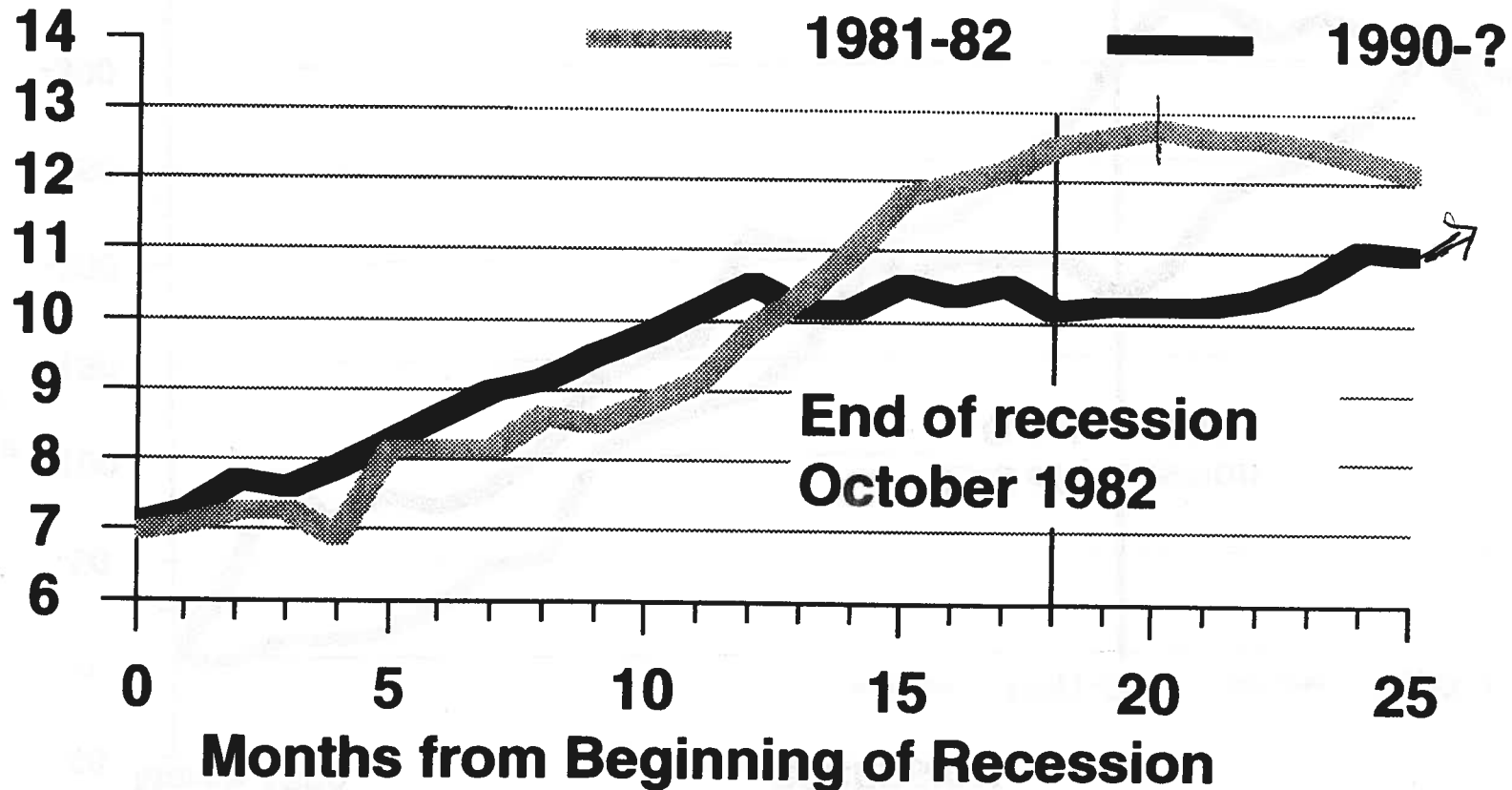
LENGTH AND DEPTH OF RECESSION



SOURCE: Statistics Canada, Manufacturing employment (Seasonally Adjusted)

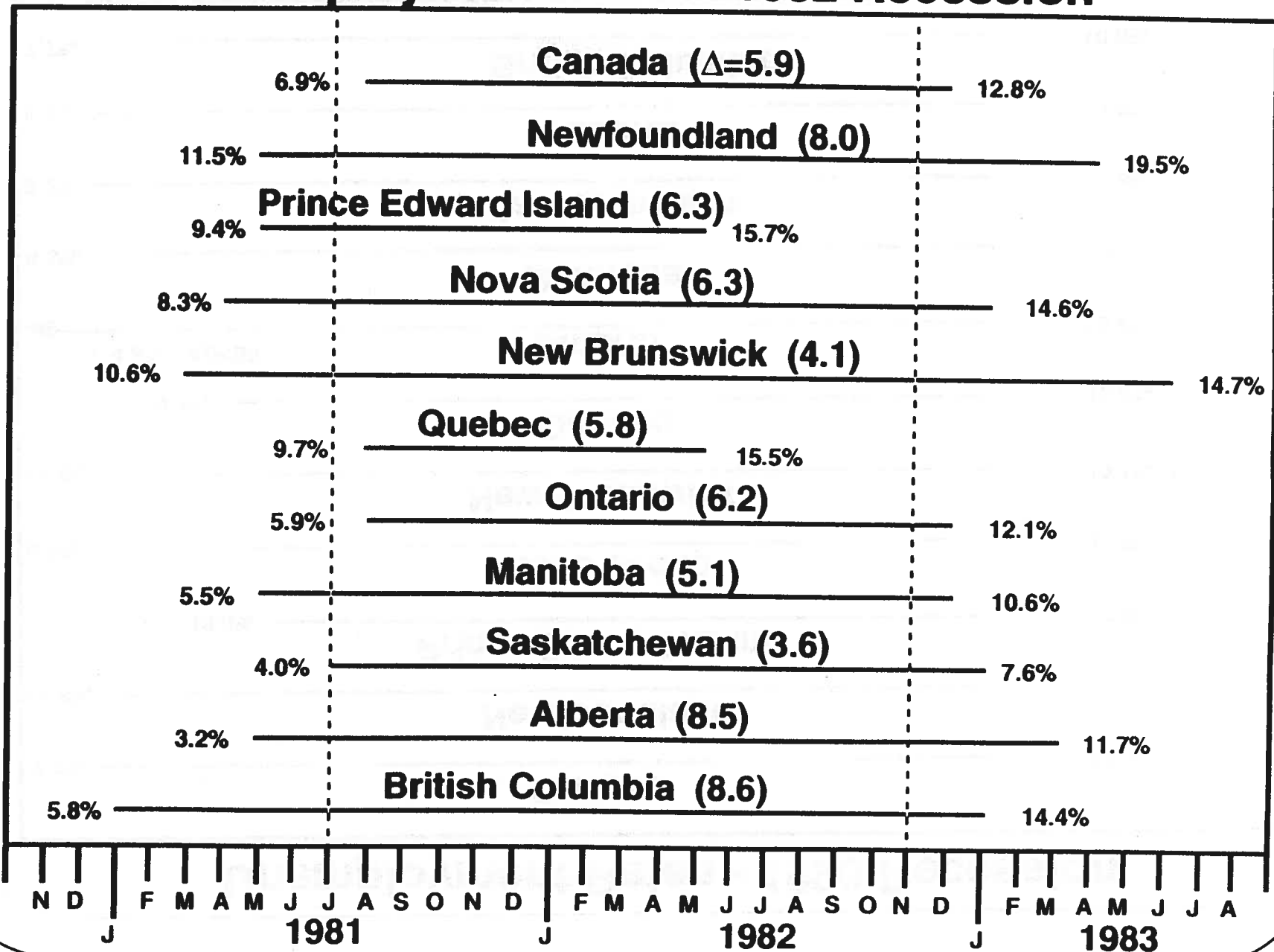
LENGTH AND DEPTH OF RECESSION

April 1981 &
March 1990

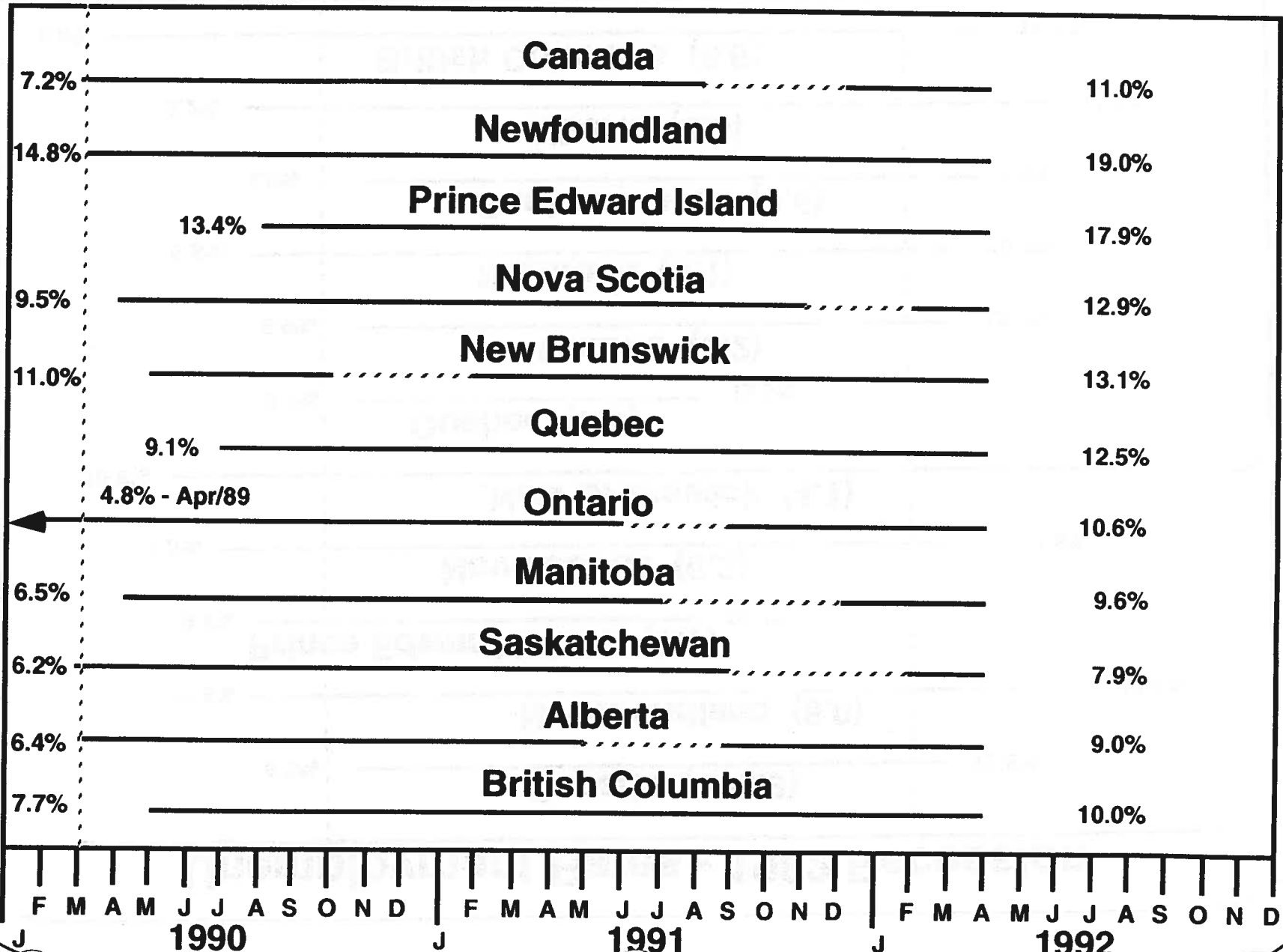


SOURCE: Statistics Canada,
Unemployment Rate (Seasonally Adjusted)

Unemployment Rates - 1982 Recession

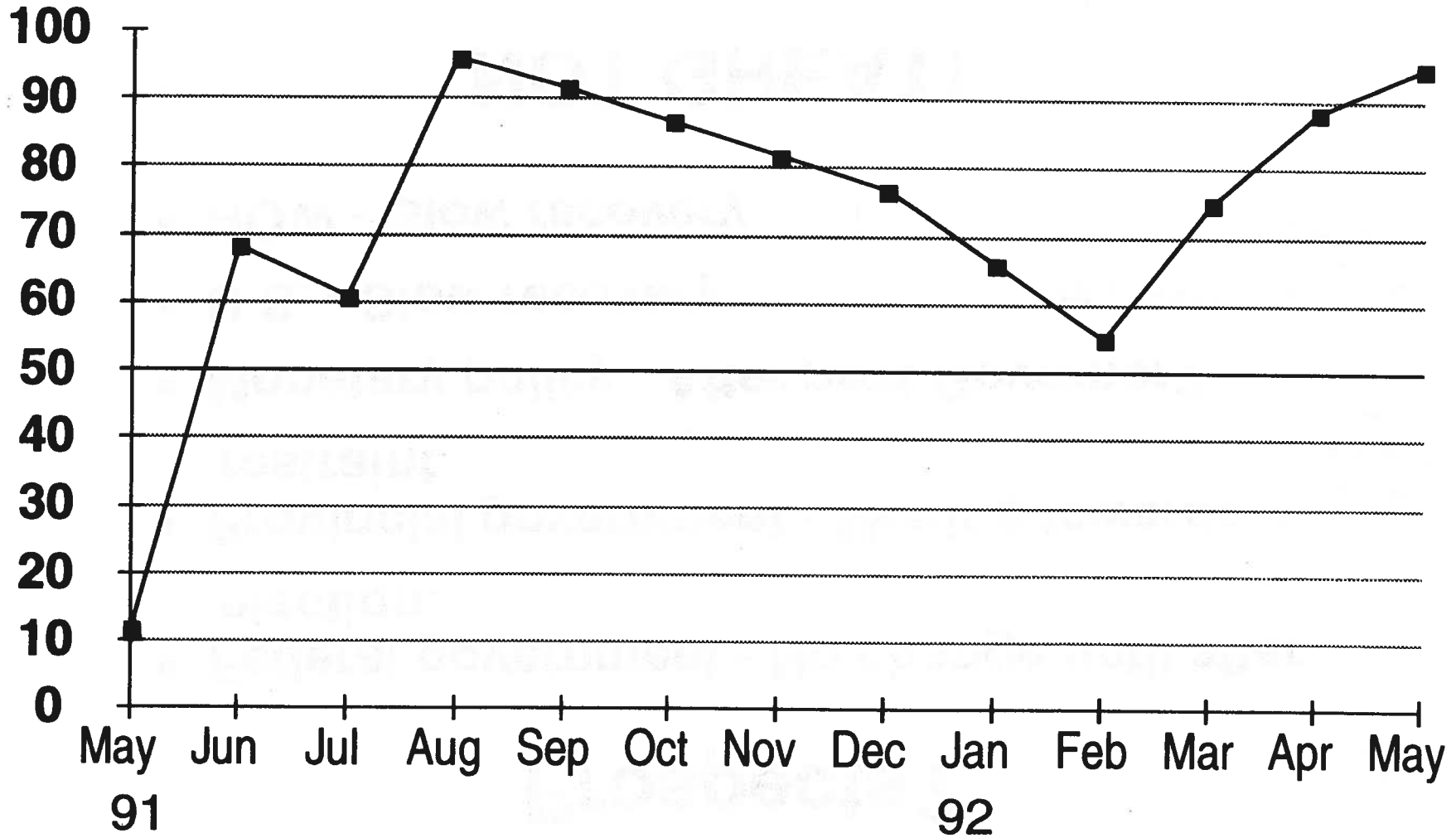


Unemployment Rates - 1990 Recession



PROBABILITY OF A RECOVERY

(SIGNIFICANT
↓ WITHIN 3mo.)



Prospects?

- **Federal government - No change until after election.**
- **Provincial government - Moving towards restraint.**
- **Monetary policy - After next Governor?**
- **U.S. - Slow recovery**
- **ROW - Slow recovery**

UI ?
Munich ?

(only MONTROSE
& MONTROSE
stood up a bit
in last year)

} Count on TB & EXPORTS; yet $R \uparrow \rightarrow$
 $R > g$

NOT GREAT!

"LACKLUSTRE"