Canadian business cycles

Business

Canada became a self-governing dominion in 1867 while retaining ties to the British crown. Economically and technologically, the nation has developed in parallel with the US, its neighbor to the south across the World's longest unfortified border. Canada faces the political challenges of meeting public demands for quality improvements inhealthcare, andeducation, social services, and economic competitiveness, as well as responding to the particular concerns of predominantly francophone Quebec. In addition, Canada also aims to develop its diverse energy resources while maintaining its commitment to theenvironment.

Canada is a well-developed country that resembles the United States in its market oriented economic system. This system is characterized by the private ownership of resources and the use of markets and prices to coordinate and direct economic activity. It is an industrial society in the trillion-dollar class, and is currently The United States most important trading partner. Since World War II, the impressive growth of the manufacturing, mining, and service sectors has transformed the nation from a largely rural economy into one primarily industrial and urban.

The 1989 US-Canada Free Trade Agreement (FTA) and the 1994 North American Free Trade Agreement (NAFTA) (which includes Mexico) touched off a dramatic increase in trade and economic integration with the US. Canada enjoys a substantial trade surplus with the US, which absorbs about three-fourths of Canadian exports each year. Canada is the US's largest foreign supplier of energy, including oil, gas, uranium, and electric power. Given its great natural resources, skilled labor force, and modern capital plant, Canada enjoyed solid economic growth from 1993 through 2007.

The proceeds from the global economic crisis, dropped into a sharp recession in the final months of 2008 and Ottawa posted its first fiscal deficit in 2009 after 12 years of surplus. Canada's major banks, however, emerged from the financial crisis of 2008-09 among the strongest in the world, owing to the financial sector's tradition of conservative lending practices and strong capitalization. During 2010, Canada's economy grew only 3%, due to decreased global demand and a highly valued. The chart below shows a clear understanding of how the GDP rates were affected: •GDP (Purchasing Power Parity) 1. 335 trillion (2010 est.) $1. 297 trillion (2009 est.) •GDP (Official Exchange Rate) $1. 564 trillion (2010 est.) •GDP (Real Growth Rate) 3% (2010 est.) -2. 5% (2009 est.) •GDP Per Capita (PPP) $39, 600 (2010 est.) •GDP Composition by Sector Agriculture: 2% Industry: 20% Services: 78% (2010 est.) •Labor force 18. 59 million (2010 est.) Inflation rates are the rate at which prices for goods and services increase and measures against the standard level of purchasing power of the dollar.

The main source of measured data is through Consumer Price Index. The inflation rate in Canada was last reported at 3. 3 percent in March of 2011. Between 1915 and 2010, Canada’s Inflation Rate averaged 3. 26 percent. The highest rate of Inflation was reported in June of 1920 at 21. 60 percent, and the lowest was reported in June of 1921 at -17. 80 percent. The Public service is a term used to describe services that are provided by the Government to its citizens. They are generally provided through a public sector. These services are provided free of charge.

In addition, public services are offered to protect the welfare of citizens and are available to everyone regardless of income. It is often associated withhuman rights. Also, through public service are public goods which are non-rival and non-excludable. This means that everyone may benefit simultaneously and no one may be denied access. Canada has public police forces that enforce laws, maintain safety and fight crime. The military branches in Canada consist of Land Forces Command, Maritime Command, Air Command, and Canada Command which is homeland security.

Canada is a member of the Nato Alliance and its military services are regulated by the 1950 National Defense Act and the 1968 Canadian Forces Reorganization Act. In 2005 public expenditures on education were estimated at 1. 1 percent of GDP. There are several government social programs such asfamilyallowances, old-age security, universal health care and unemployment insurance, giving Canadians a high standard of living and desirable quality of life. Canada created a public school system in the 19th century and was established in all provinces except Quebec and Newfoundland.

In 2007 public expenditures on education were estimated at 4. 9 percent of GDP. They provide public transportation in the forms or subways, trains, streetcars and buses. Canada has a Public Health Agency that protects and improves the health of its citizens from illness and disease. Canada’s healthcare system provides coverage to all its citizens. This program is publicly funded and regulated by the federal government. All citizens are eligible for benefits regardless of medical history, existing conditions or income.

They receive preventative care, medical treatments, dental care, access to hospitals and other medical services. Canada is also known to have the highest life expectancy and lowest infant mortality rate; it is said to be contributed to their healthcare system. The labor force is comprised of individuals who are above the age of sixteen, who are not institutionalized and includes both employed and unemployed. Canada performs a monthly Labor Force Survey which estimates the rate of employment and unemployment. The results allow aid in measuring the performance of its economy.

The unemployment rate in Canada was last reported at 7. 6 percent in April of 2011, a rise by 58, 000 from the previous two months. Between 1976 and 2010, Canada’s Unemployment Rate averaged 8. 53 percent. The highest rate of Unemployment was reported in December of 1982 at 13. 10 percent, and the lowest was reported in September of 2007 at 5. 90 percent. Over the past year, employment in the public sector has grown by 2. 8 percent. The Canadian business cycles mostly compares to the one of the United States of America.

The Canadian and U. S economies are highly integrated and have an abundant correlation between the two. These two economies correspond with each other through strong trade and financial linkages. The United States accounts for over three quarters of Canadian exports, and are an important source of financing for Canadian firms. There are four stages of business cycles which are Expansion, Recession, Trough, and Recovery. The most relevant business cycle Canada is in right now is considered to be Expansion. Why Expansion?

Some may say more of a recession, but the main reason is because Canada between 2003 and 2009 went through its trough. Now Canada is moving to its peak where business activity and Gross Domestic Product (GDP) expands until it reaches its peak. Canadian business cycles are led through a series of shocks where situations in which events don't meet expectations. One negative shock highly related to the United States playing a major role because Canada being a net exporter of commodities, in which they suffered from negative terms of trade and wealth effects as world commodity prices started to decline.

The fall of U. S demand for tradable goods decreased the demand of Canadian Exports. As a consequence, the decline in the world commodity prices contributes to the fall in the Canadian businesses net worth, which creates additional pressure on Canadian Investment. This is a prime example of how the country went into a recession. On the other hand, Canada is now facing some positive results from their expansionary business cycle. Most recent statistics show that the domestic demand trade in billions of retail went up 3. 7 percent. The wholesale trade went up about 7 percent since last year.

Another important factor of Canada expanding shows the Exports rising to about 7. 7 percent and imports up to about 9. 1 percent. These simple statistics exemplifies how the Country is progressing. Since the late 1980s until the year 2000, the Canadian Federal economic policy was influenced by twogoalswhich were to eliminate the federal deficit and to reduce the total debt relative to economic output and to maintain the control over inflation.

Of course they wanted to keep this expansionary fiscal policy alive but, with world economic situations recessions are sometimes expected.

During the 2008-09 global recessions, Canada's economy suffered a major decline in real GDP which fell by 5. 4 percent which was the largest drop since 1991. Now in January 2009, the Canadian federal government released its budget for the 2009-10 fiscal year titles Canada's economic Action Plan. Still keeping its commitment for fiscal management as the key long term economic stability, there was a shift towards the expansionary fiscal policy and stimulus spending to try to stabilize the Canadian economy. Similar to the U.

S stimulus package, Canada also got involved in a stimulus package which dealt with income tax reductions, and focused merely on the demand of the Canadian economy. Some contents of the package focused on the Canadian skills and transition strategy, which provided support to those who lost they jobs seeking new skills, training, and development. Another positive aspect of the package allowed the government to provide 7. 8 billion in the form of tax credits and spending advantages to stimulate the housing market and construction.

These are just a few examples of how the Canadian government temporarily tried and of course are still trying today to get the economy back on its feet. Of course, since Canada is now focusing its basis on the expansionary fiscal policy, government spending is at its high and taxation is at its low. How is the Canadian government affording all of this? Canada's budget retains the federal government's commitment to fiscal management and balanced budgets as a key aspect of the long term economic policy. Well of course the debt levels are very high at this point and of course a major risk is taken place.

For example, in 2009-2010, TD bank reported as an estimate that Canada would hold about 170 billion in debt within that one year. But, it turned out to be that the government's debt rose to about 463 billion. This shows that the large spending to help could maybe hurt them in the long run, but they still have time to get out of it. The Bank of Canada is the Canadian central bank. This was created during theGreat depressionout of the Bank of Canada Act of 1934. The cause of the creation led to the country's political climate at the time which was very poor.

The bank of Canada is responsible for managing of government funds and the public debt as well as keeping inflation low and stable. Today, the Bank of Canada's main monetary policy is to keep the inflation rates between 1% and 3% through its power on determining the interest rates paid on the borrowedmoney. The bank projects economic growth of 2. 9% in 2011, 2. 6% in 2012, and 2. 1% in 2013. If this hypothesis does work out, Canada will be expected to be running at full capacity in the year of 2014. The Bank carries out monetary policy by influencing short-term interest rates.

It does this by raising and lowering the target for the overnight rate. The overnight rate is the interest rate at which major financial institutions borrow and lend one-day or overnight funds among them; the Bank sets a target level for that rate. This target for the overnight rate is often referred to as the Bank's key interest rate or key policy rate. Changes in the target for the overnight rate influence other interest rates, such as those for consumer loans and mortgages. They can also affect the exchange rate of the Canadian dollar.

In November 2000, the Bank introduced a system of eight fixed dates each year on which it announces whether or not it will change the key policy rate. Target for the overnight rate, recent data Date Target (%) Change (%) 12 April 20111. 00--- 1 March 20111. 00--- 18 January 20111. 00--- 7 December 20101. 00--- 19 October 20101. 00--- 8 September 20101. 00+ 0. 25 20 July 20100. 75+ 0. 25 1 June 20100. 50+ 0. 25 Canada has been referred to as one of the strongest economies in the world. It prominent productions include the following: gold, silver, copper, nickel, lead, wood.

In 1993, Canada signed the North American Free Trade Agreement (NAFTA) with Mexico and the United States. This agreement allows free trade and eliminated tariffs and fees between the three North American countries. Canada has a Canadian-Dollar exchange rate index (CERI) which is a weighted average of exchange rates for the Canadian dollar against the currencies of Canada’s main trading countries. The six major trading countries measured in the CERI are the U. S. dollar, the European Union euro, the Japanese yen, the U. K. pound, the Chinese Yuan, and theMexicanpeso.

The Canadian dollar is usually a little weaker than the U. S. dollar. The United States consumes 75 percent of Canada’s exports annually. Canada is the United States largest foreign supplier of energy. To conclude, Canada is very high in correlation with the United States. They follow the same business models and both countries respectfully feed off each other. Canada is known for its exports in commodities and if there are any issues globally, for instance a recession, Canada will decline. Currently, Canada is at its climbing point out of its recession and is currently pushing for expansion.

Canada’s main focus at this point is to grow and maintain a strong and healthy society, especially in the monetary aspect. Works Cited Statistics Canada. “ Economy inputs and outputs” March 2009. 5 May 2011 Canadian Business. “ Outlook 2007: Canada, by Province. January 2007”. 5 May 2011 < http://www. canadianbusiness. com/article/14236--outlook-2007-canada-by-province> Index Mundi. “ Canada Public Debt” June 2010. 5 May 2011 < http://www. indexmundi. com/canada/public_debt. html> IBTIMES. “ Canada employment picks up steam in April”. April 2011. 5 May 2011 < http://www. indexmundi. com/canada/public_debt. html>