

Economic Update and Outlook

Broker Advisory Council Meeting

Westminster Savings Credit Union

Friday, September 25, 2009

Helmut Pastrick
Chief Economist
Central 1 Credit Union



Outline:

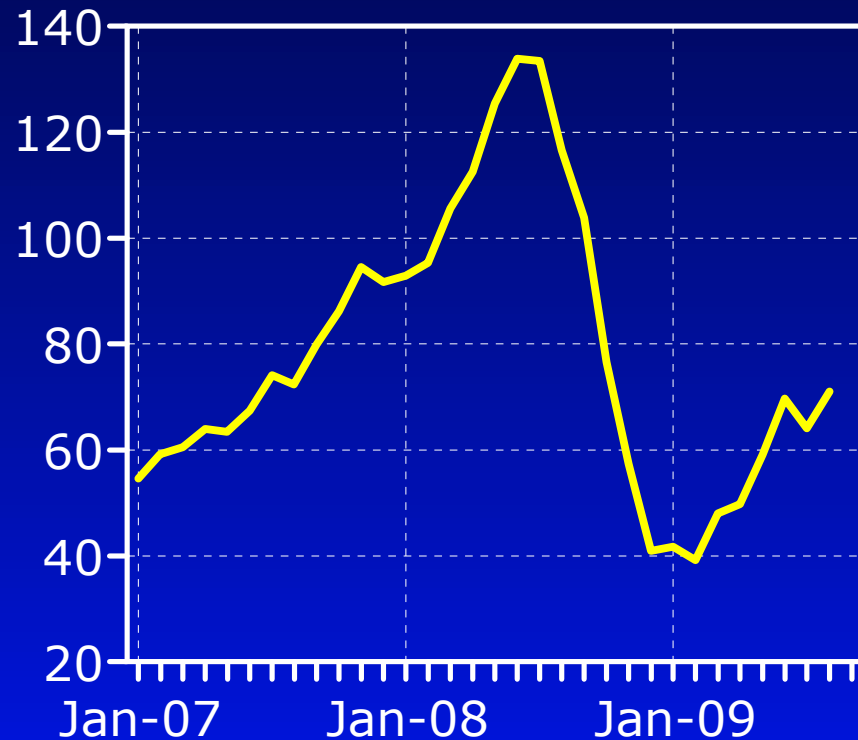
- Current trends and evidence of recovery in global economy
- Economic, interest rate, and currency forecasts
- B.C. economic conditions
- Vancouver economic and housing trends
- Forecasts: issues and summary



Steep plunge in commodity prices during financial shock, strong rebound off lows

Crude Oil WTI Spot Price

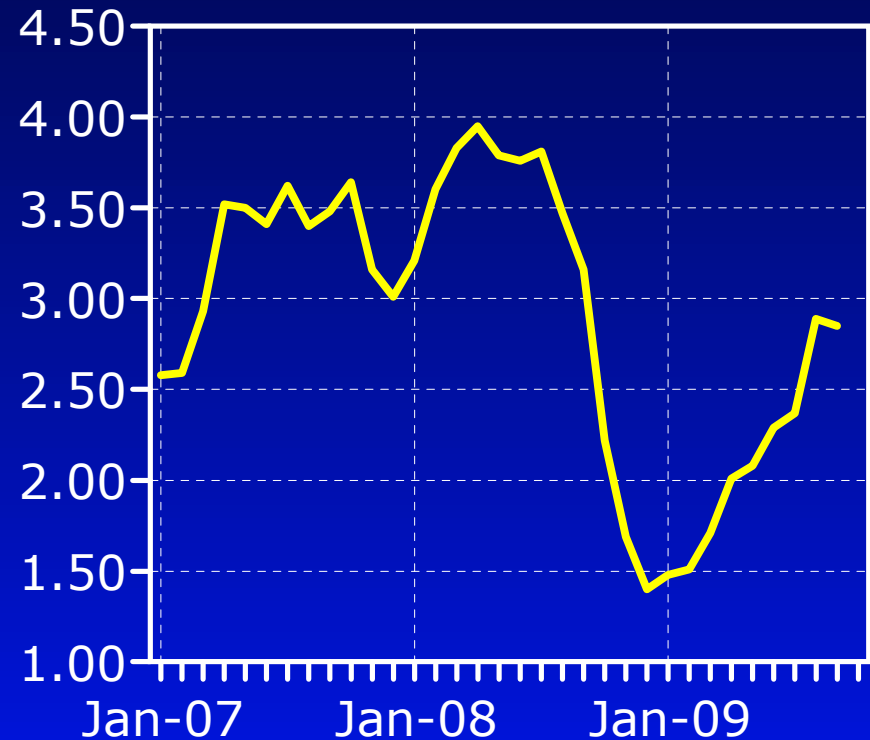
\$U.S. per barrel



Source: U.S. Federal Reserve, BC MEMPR.

Copper Spot Price

\$U.S. per lb.



Note: Mon. average. Latest: to Sept. 18-09



Sharp decline in equity markets, strong rally since early March

S&P/TSX Index, Weekly



S&P 500 Index, Weekly



Source: Yahoo Finance.

Latest: 9/22/09



Canadian dollar rebound on USD depreciation and rising commodity prices

U.S.-Canada Exchange Rate

U.S. dollar per Canadian dollar



Source: Bank of Canada. Latest: 9/17/09

U.S. Exchange Rate Index

Jan. 1997 = 100



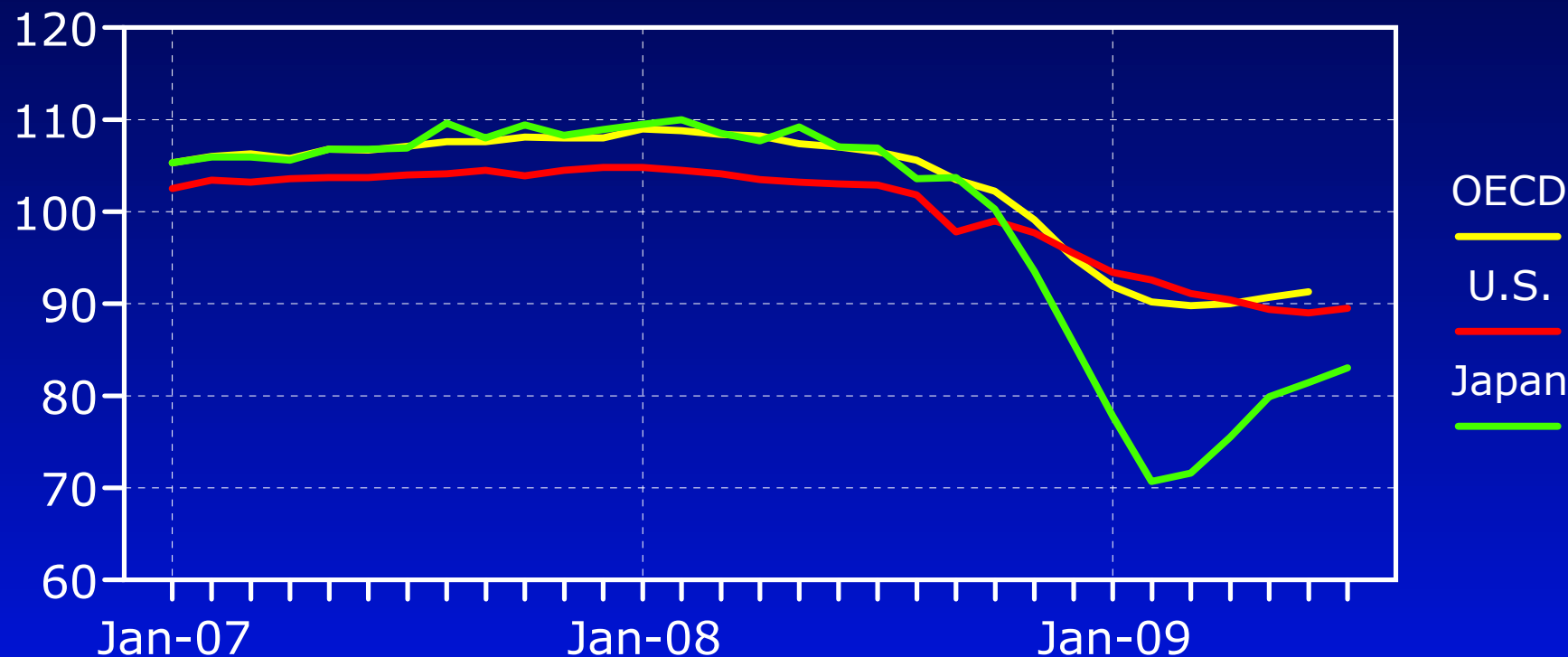
Source: US Fed. Reserve. Latest: 9/16/09



Sharp fall in production following financial shock, turning up recently

Industrial Production, Selected OECD Countries

2005 = 100



Source: OECD.

Note: Seasonally adjusted.

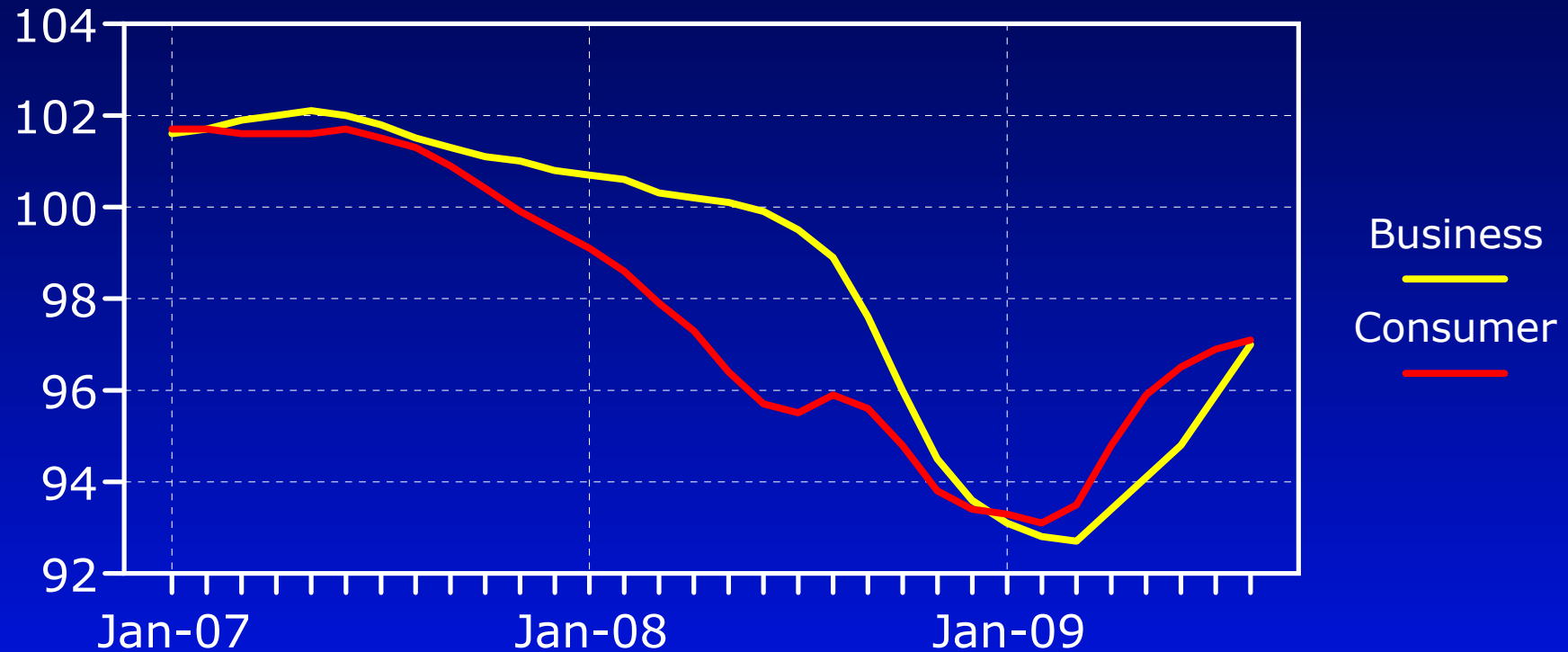
Latest: Jul-09



Marked improvement since financial crisis, but confidence remains low

Confidence Indicators, OECD Standardized

2005 = 100



Source: OECD.

Note: Seasonally adjusted.

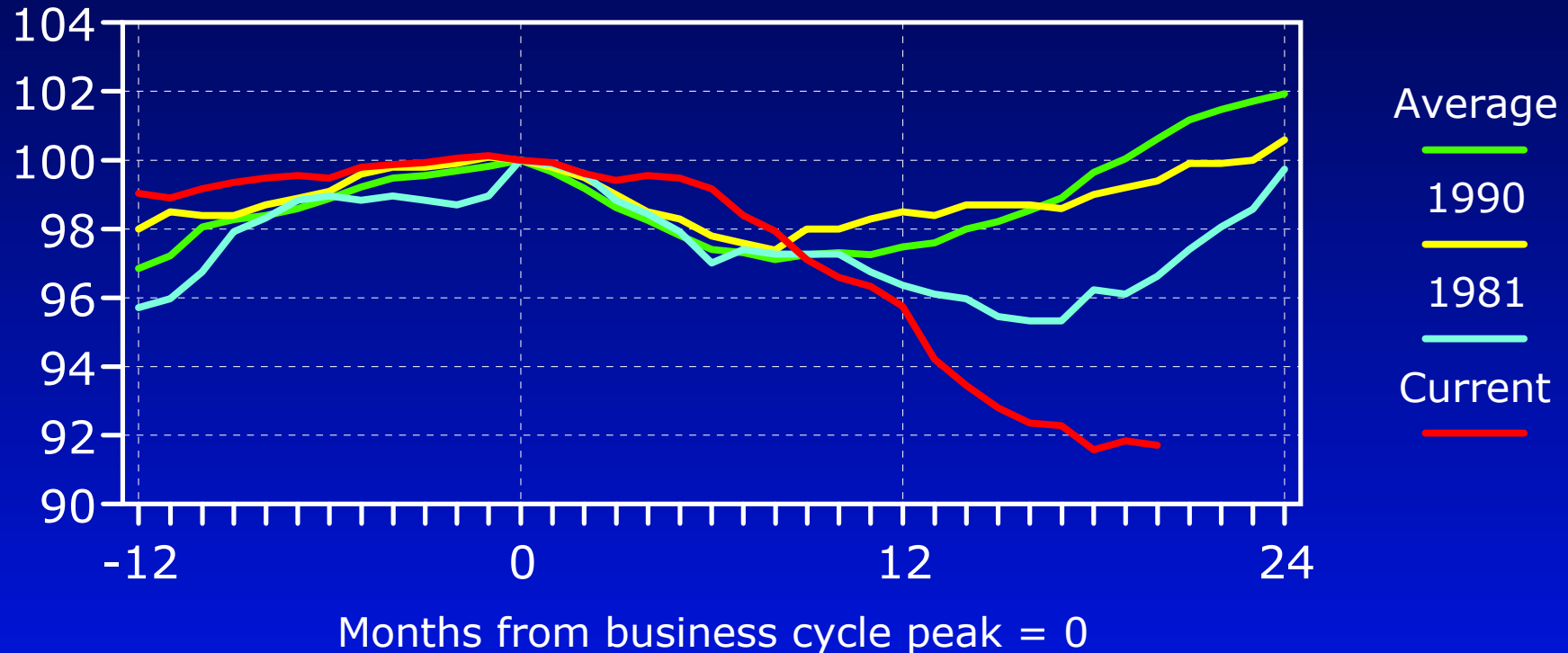
Latest: Aug-09



Current U.S. recession longer, deeper than average; at turning point

U.S. Economic Recessions

Peak = 100



Source: ECRI, C1CU.

Latest current: Aug-09

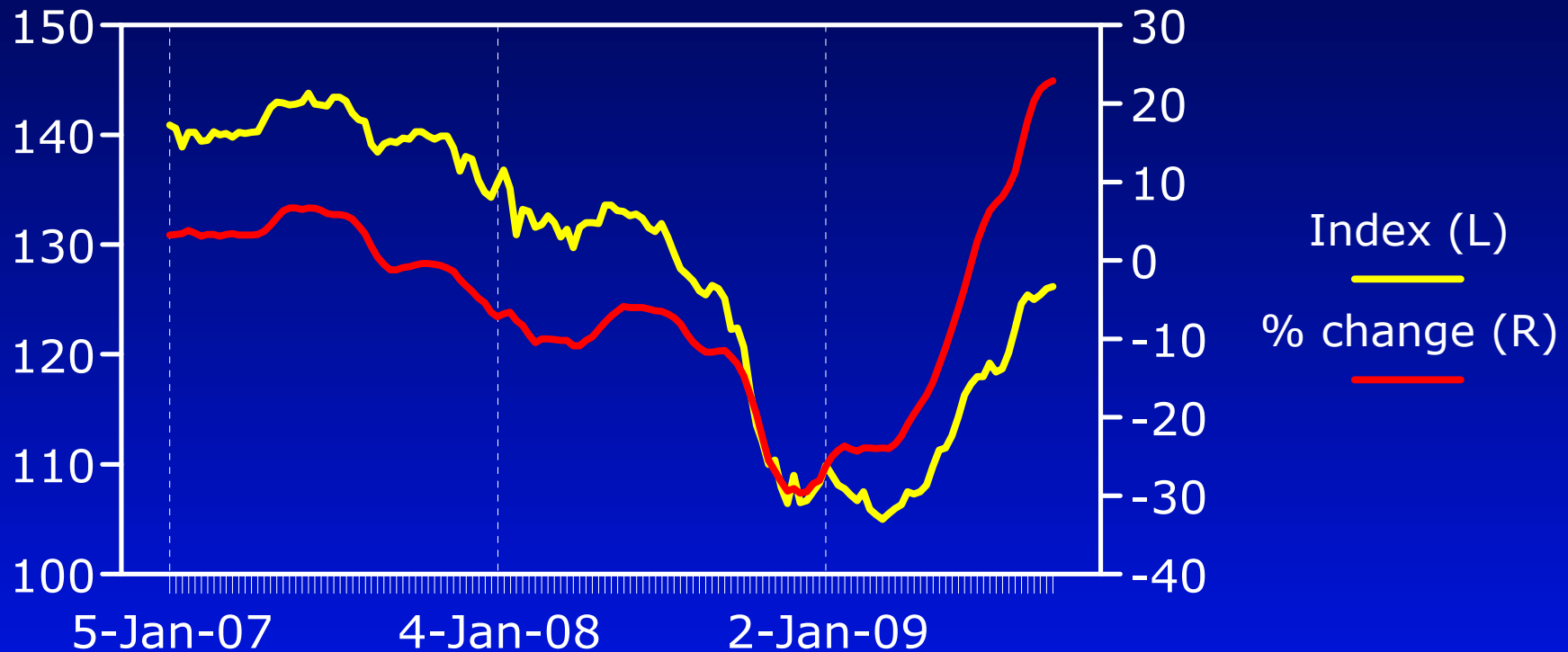


Leading index signals U.S. recession is over

U.S. Leading Economic Indicator, Weekly

1992 = 100

Percentage change at annual rate



Source: ECRI.

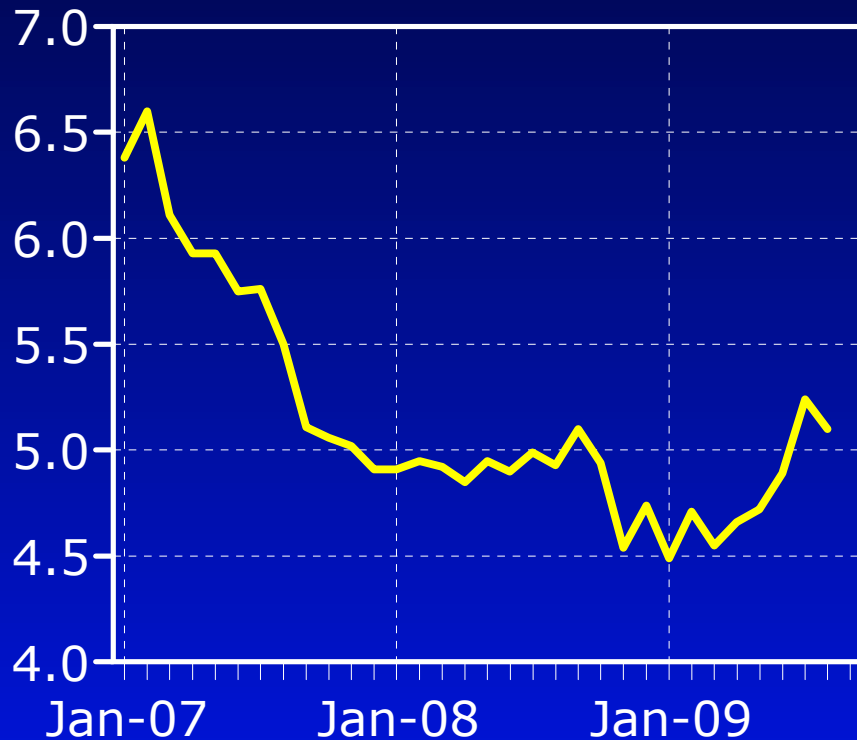
Latest: 11-Sep-09



U.S. housing and auto sales reviving

U.S. Existing Home Sales

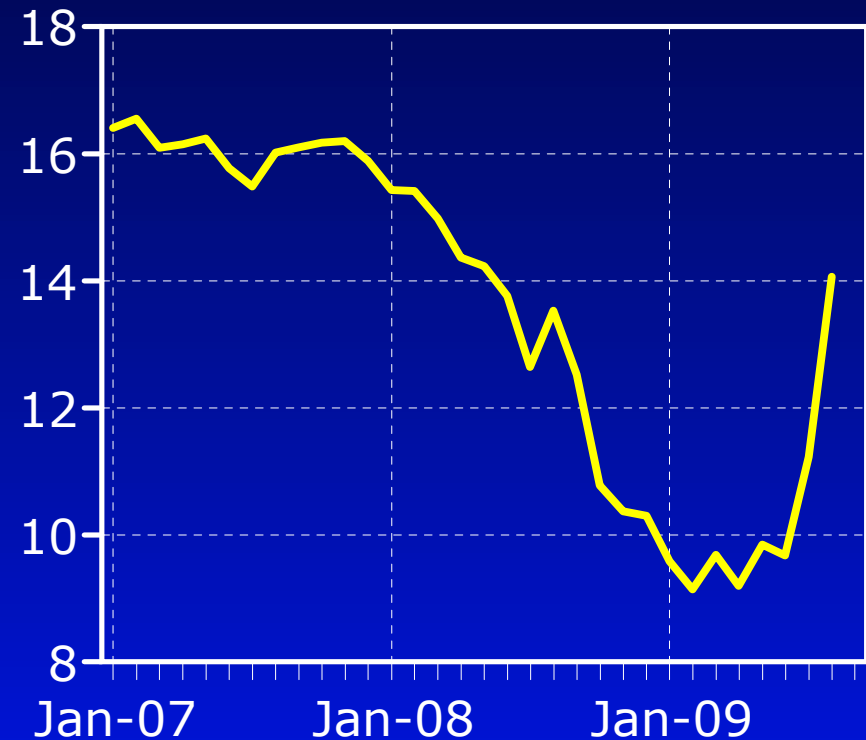
Units - millions



Source: NAR. Note: SAAR. Latest: Aug-09

U.S. Light Vehicle Sales

Units - millions



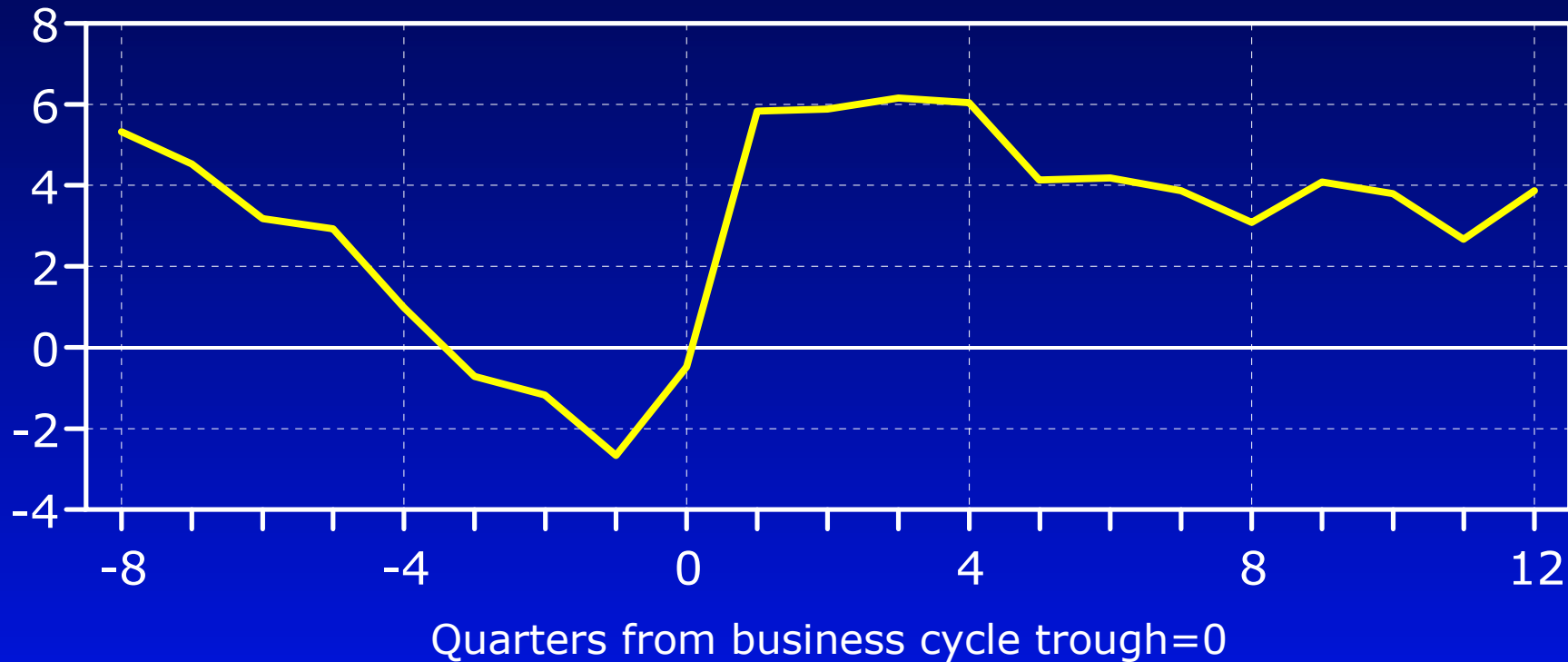
Source: US Federal Reserve. Latest: Aug-09



U.S. economic growth usually robust in first year of recovery

Typical U.S. Economic Recovery

Percentage change at annual rate in real GDP



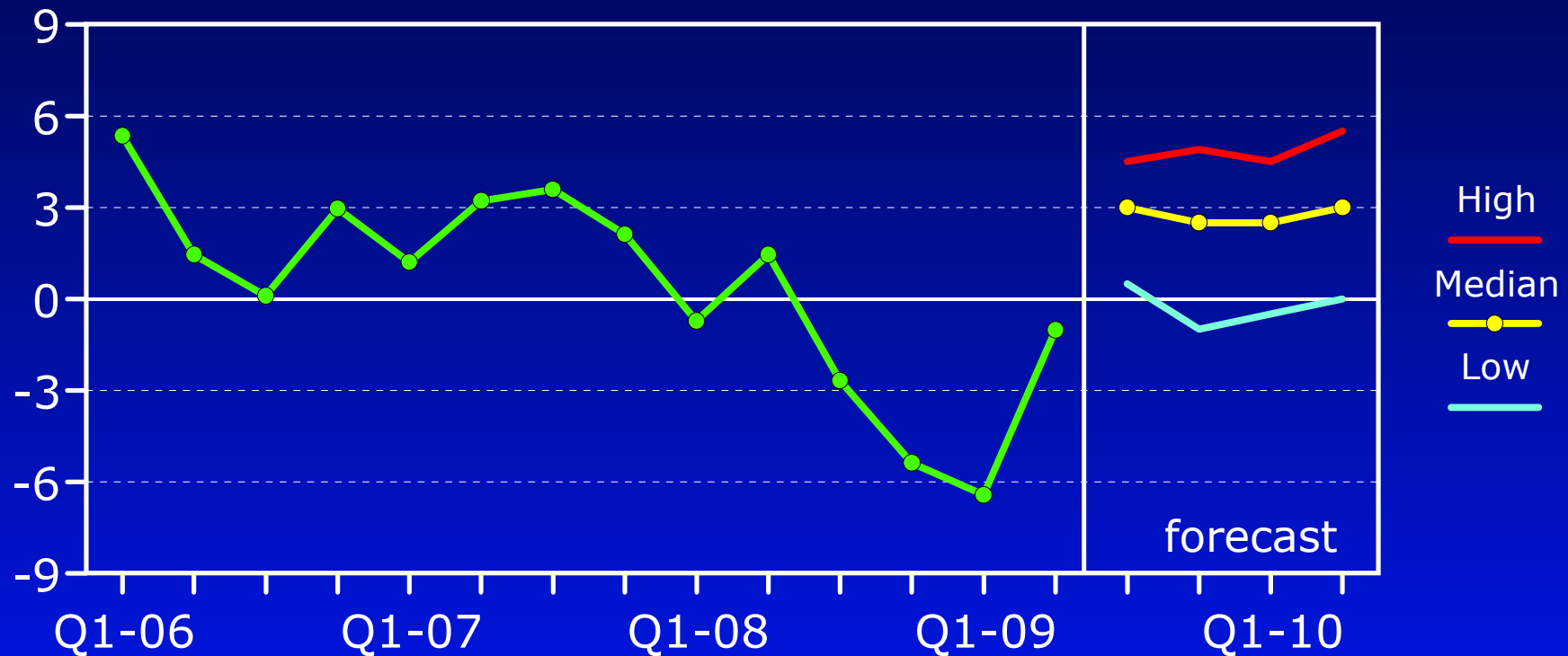
Source: US BEA, C1CU.



Consensus view sees recession ending in summer and below-average recovery

Economic Forecast, U.S.

Percentage change at annual rate in real GDP



Source: US BEA, WSJ Sept. 2009. Latest actual: Q2-09



Financial conditions easing in Canada

Financial Conditions Index, Weekly, Canada

0 = average last 10 years



Source: Bank of Canada.

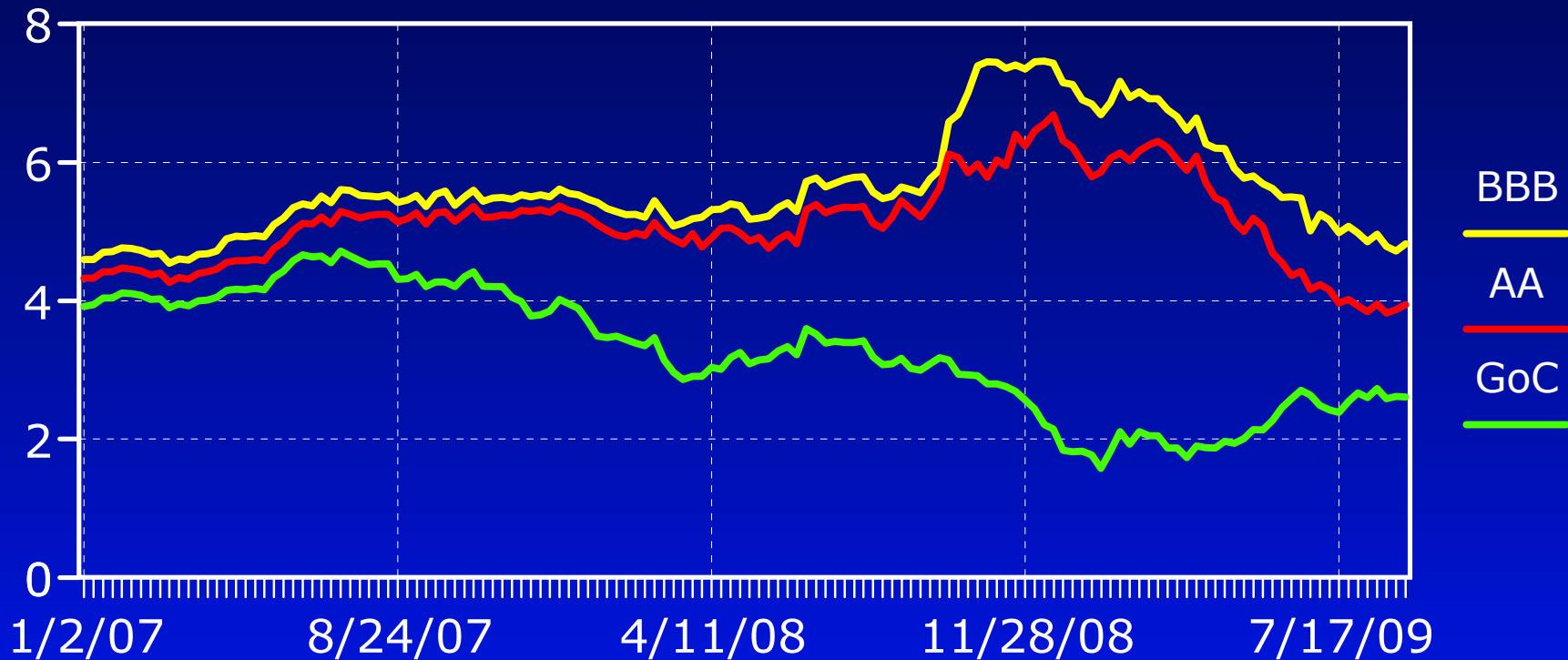
Latest: 9/04/09



High corporate borrowing costs and spreads coming down

Five-year Corporate and Government Bond Yields, Weekly

Per cent



Source: BMOCM, Bank of Canada.

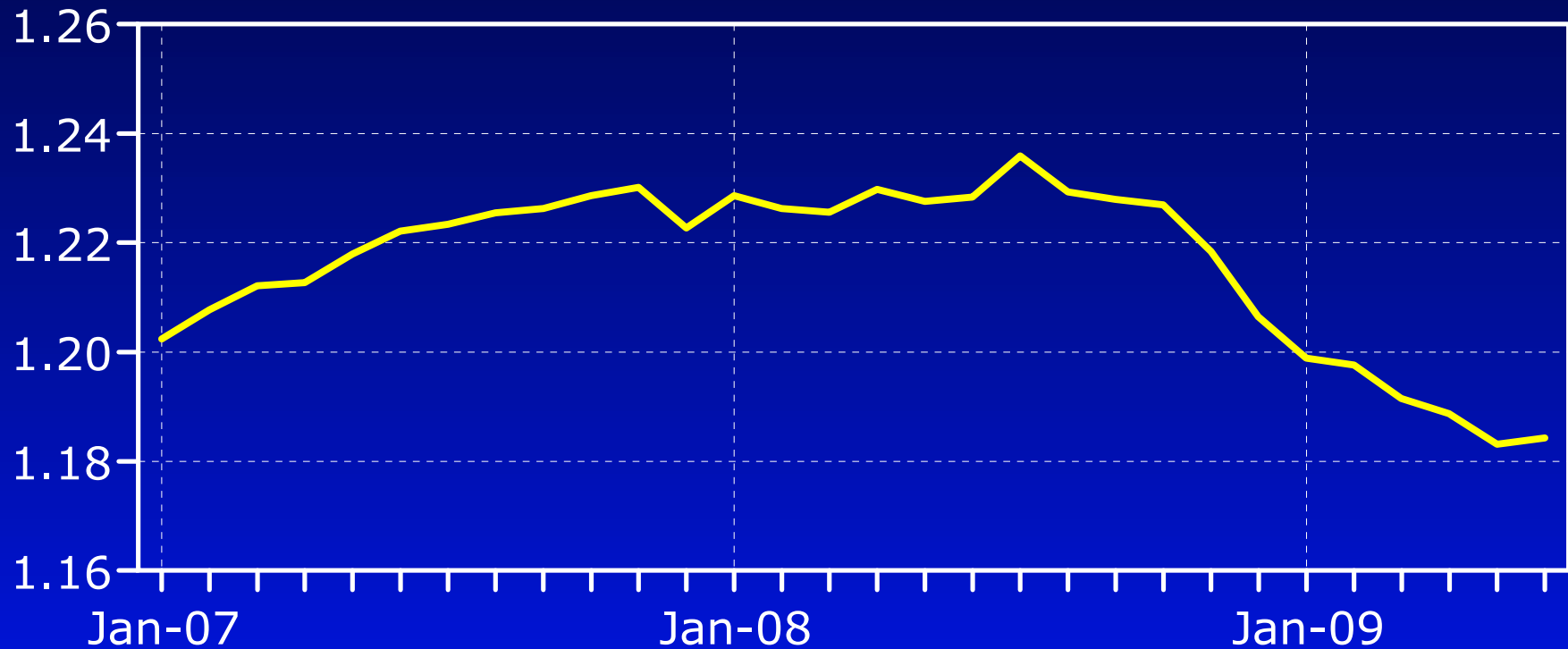
Latest: 9/4/09



First increase in economic output since recession began

Gross Domestic Product, Canada

Dollars - billions chained 2002

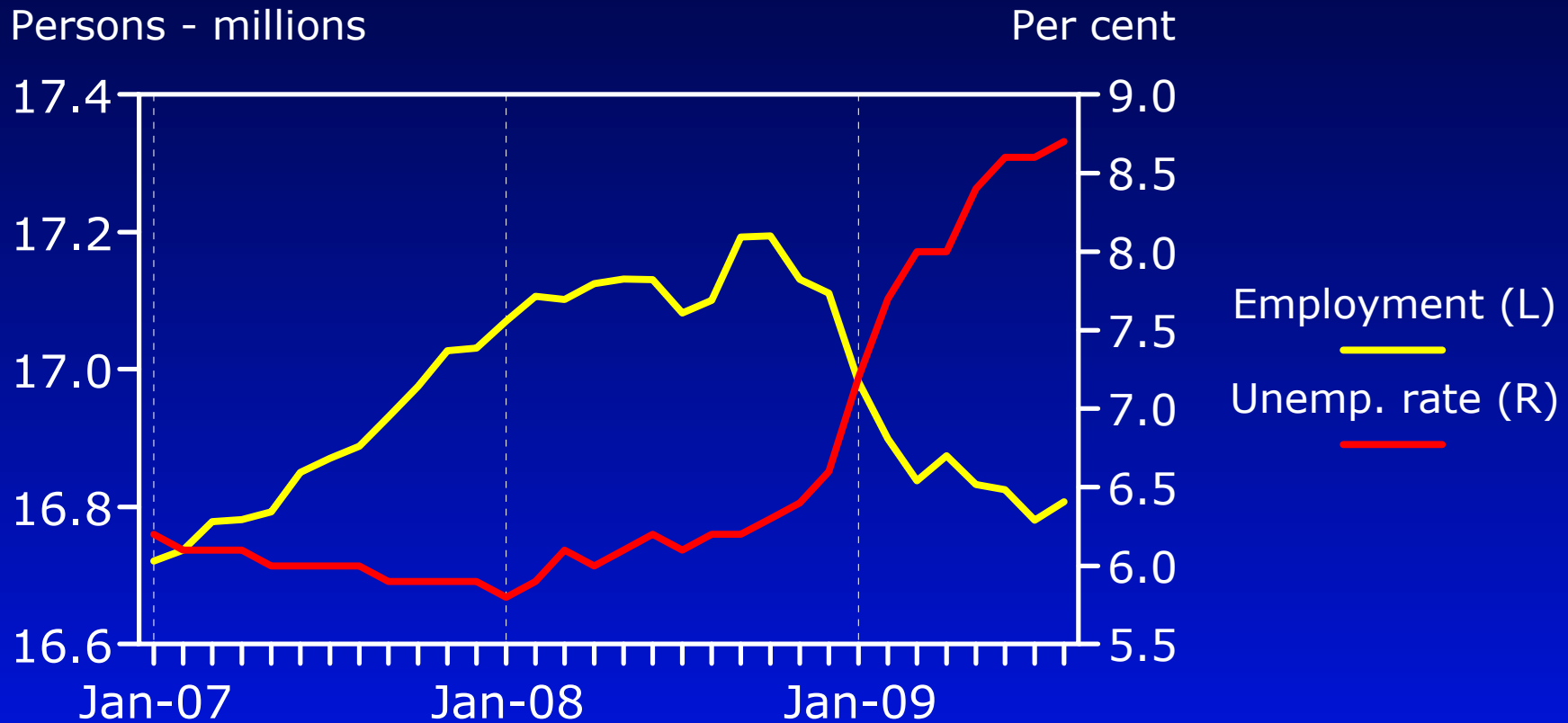


Source: Statistics Canada. Note: Seasonally adjusted annual rate. Latest: Jun-09



Sharp deterioration in national labour market since October 2008

Labour Market, Canada

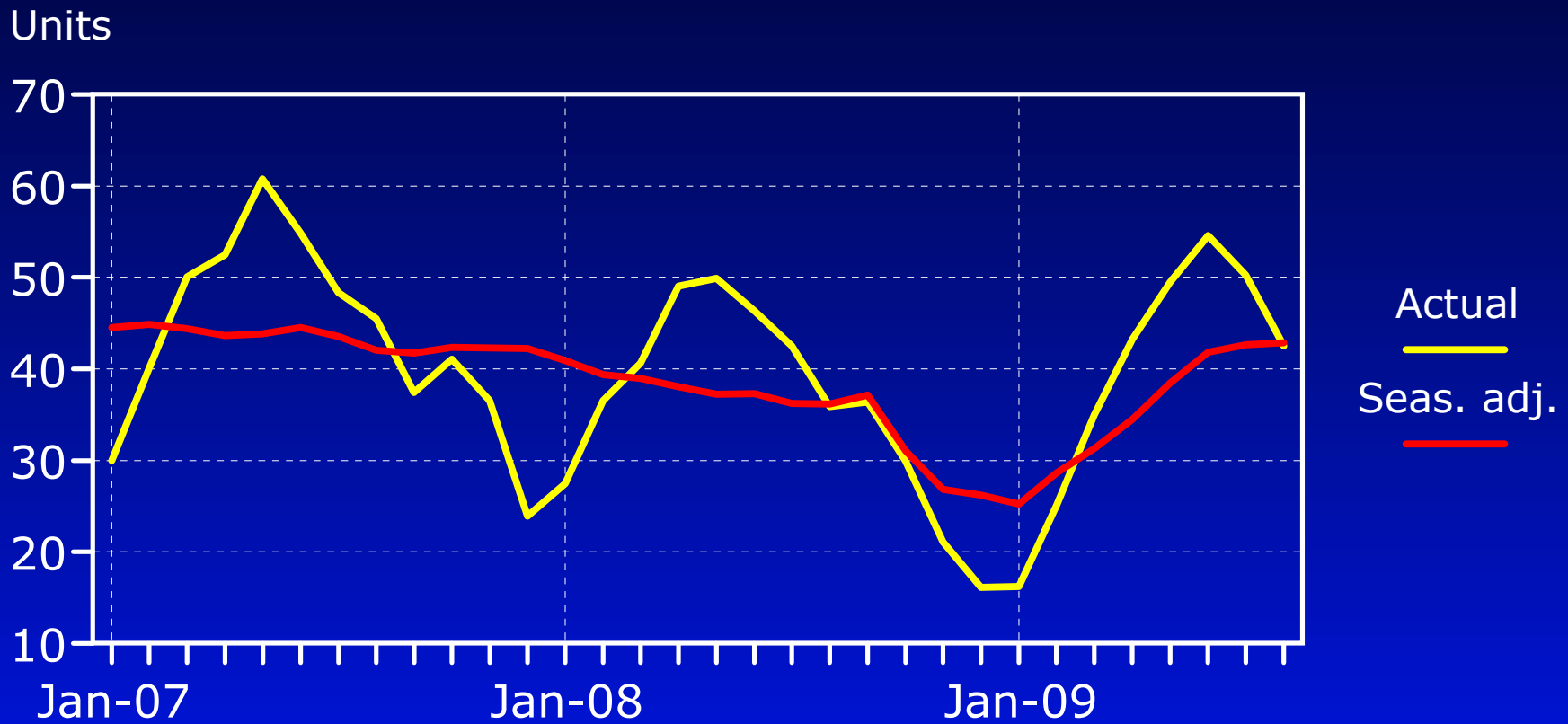


Source: Statistics Canada. Note: Seasonally adjusted. Latest: Aug-09



Canada's housing sales rebounding

MLS Residential Sales, Canada



Source: CREA, C1CU.

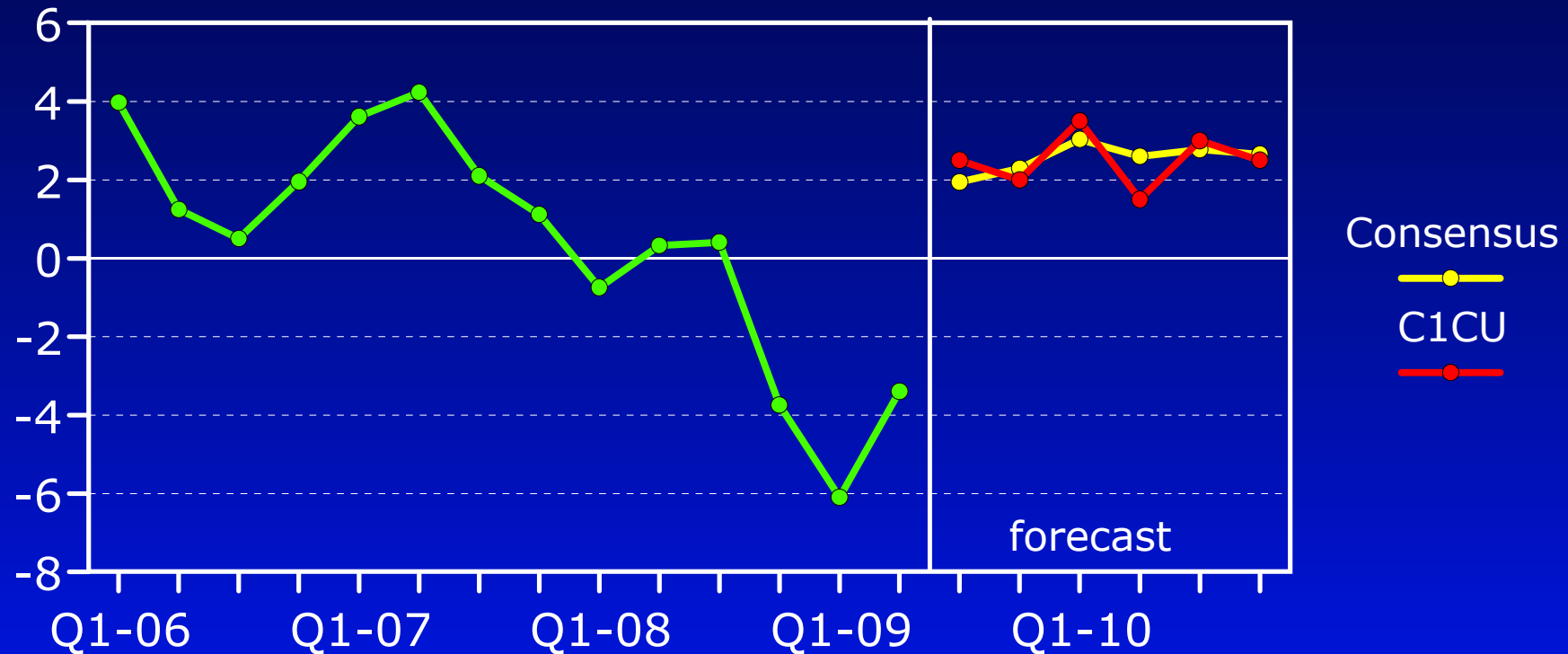
Latest: Aug-09.



Canada's economic recovery similar to U.S.

Economic Forecasts, Canada

Percentage change at annual rate in real GDP

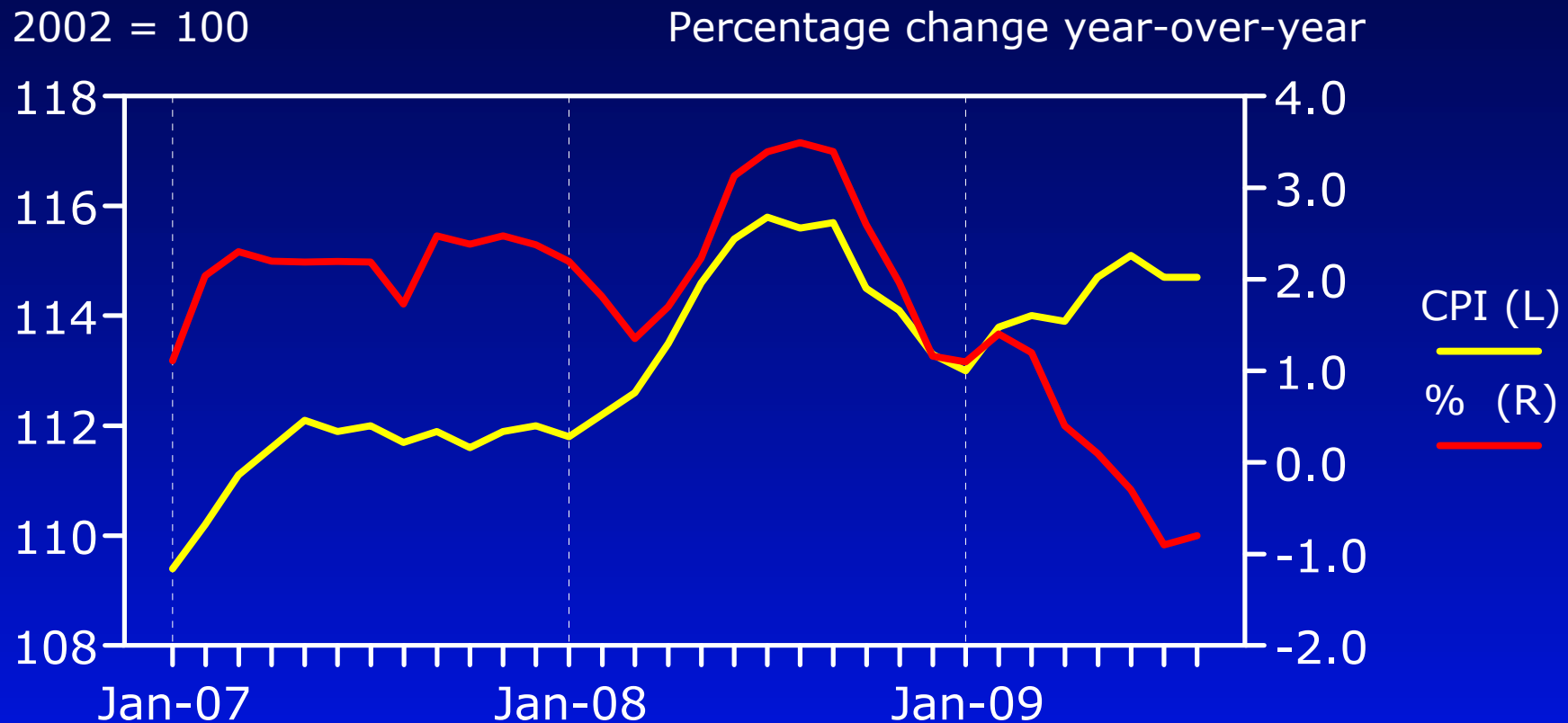


Source: Statistics Canada, C1CU Survey Sep-09. Latest actual: Q2-09



Total inflation rate dropping sharply due to lower energy prices

Consumer Price Index, Canada



Source: Statistics Canada.

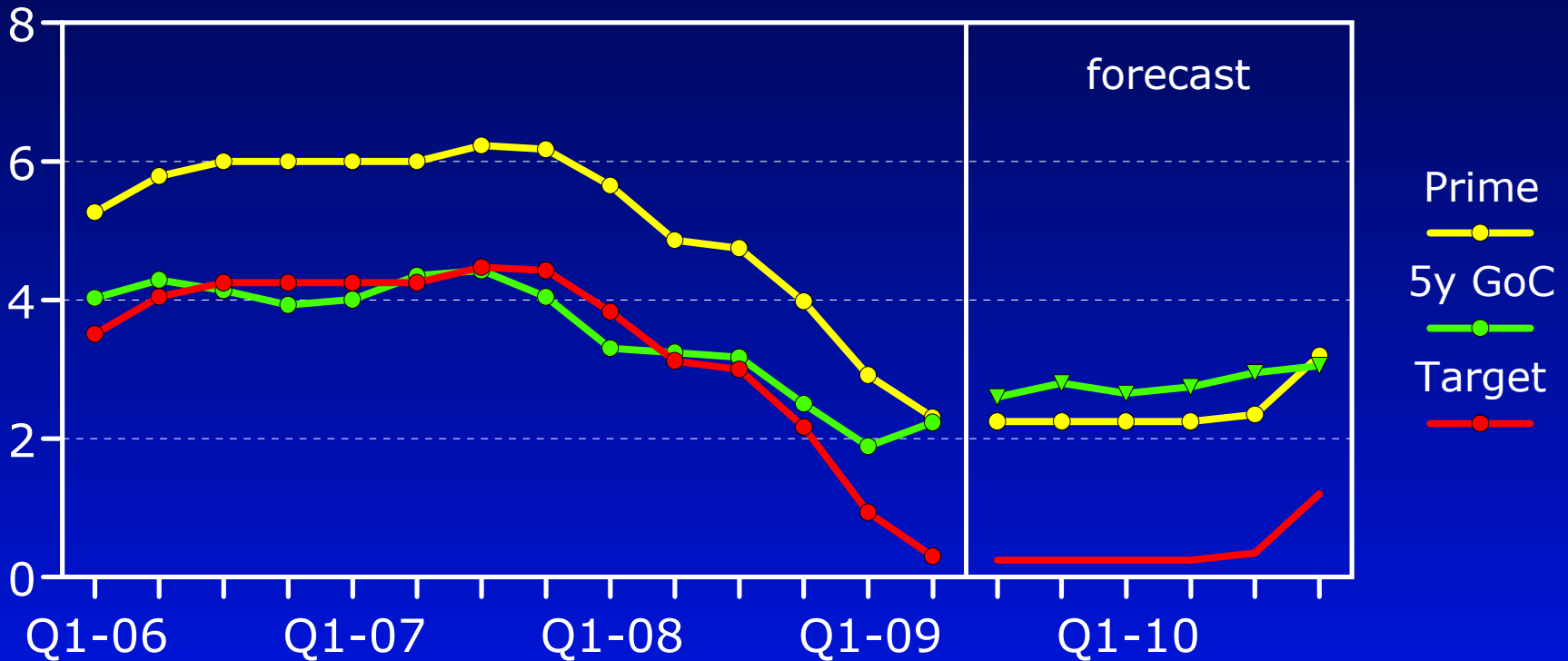
Latest: Aug-09



Rates begin climbing in later in 2010

Interest Rate Forecasts, Quarterly, Canada

Per cent



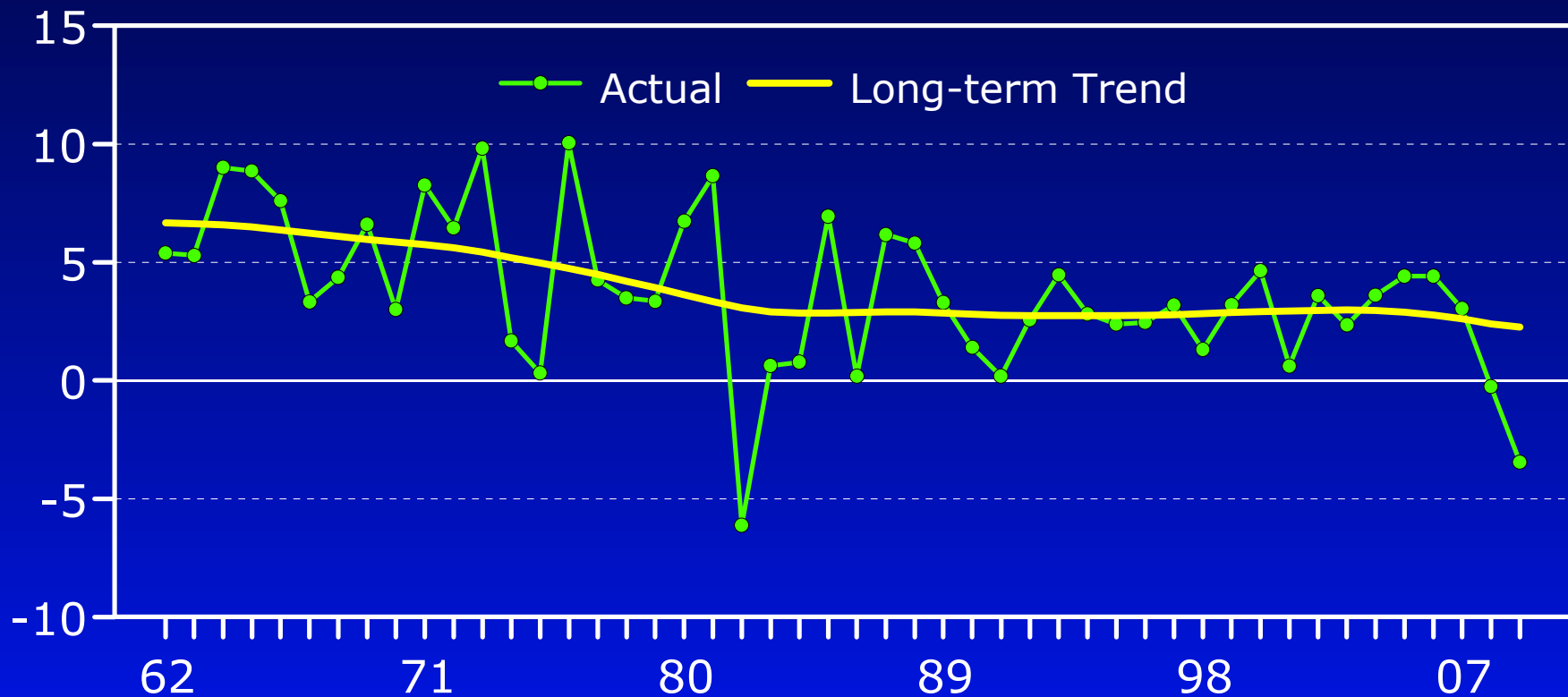
Source: Bank of Canada, C1CU. Note: Averages. Latest actual: Q2-09



Financial crisis causes first B.C. recession since 1991 and most severe since 1982

Economic Growth, B.C.

Percentage change in real GDP



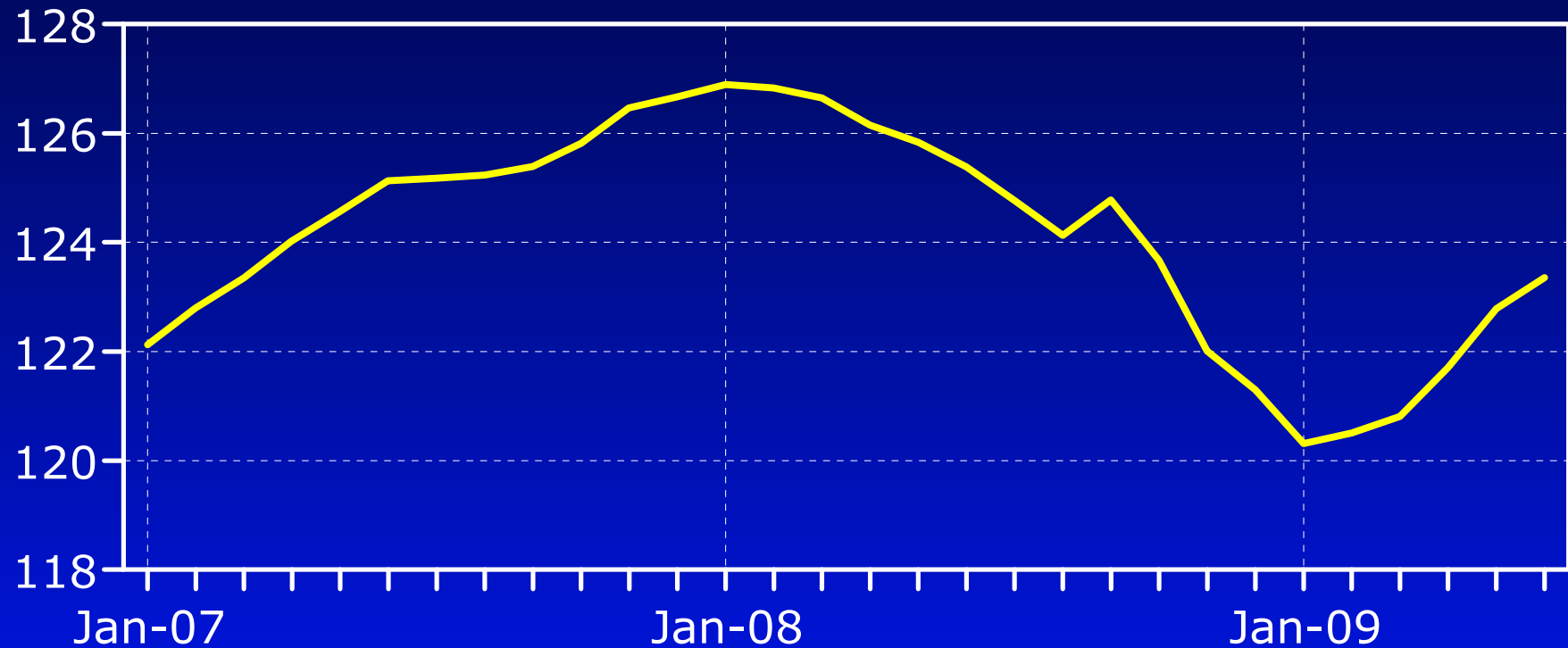
Source: Statistics Canada, C1CU. Latest actual 2008, 2009 forecast.



Index signals growth in B.C. economy

Coincident Economic Index, B.C.

Index 2001 = 100



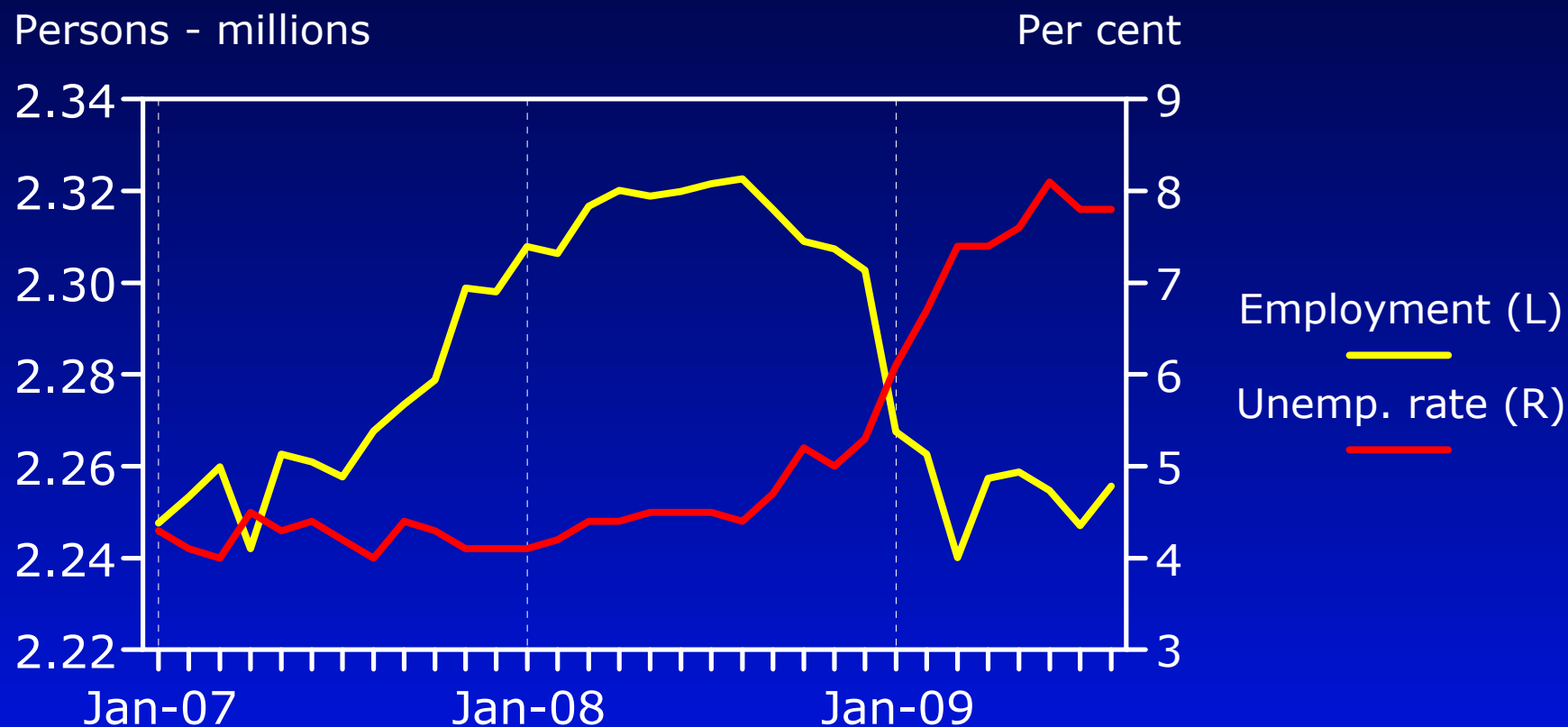
Source: C1CU.

Latest: Jun-09



B.C. employment level stabilizing

Labour Market, B.C.

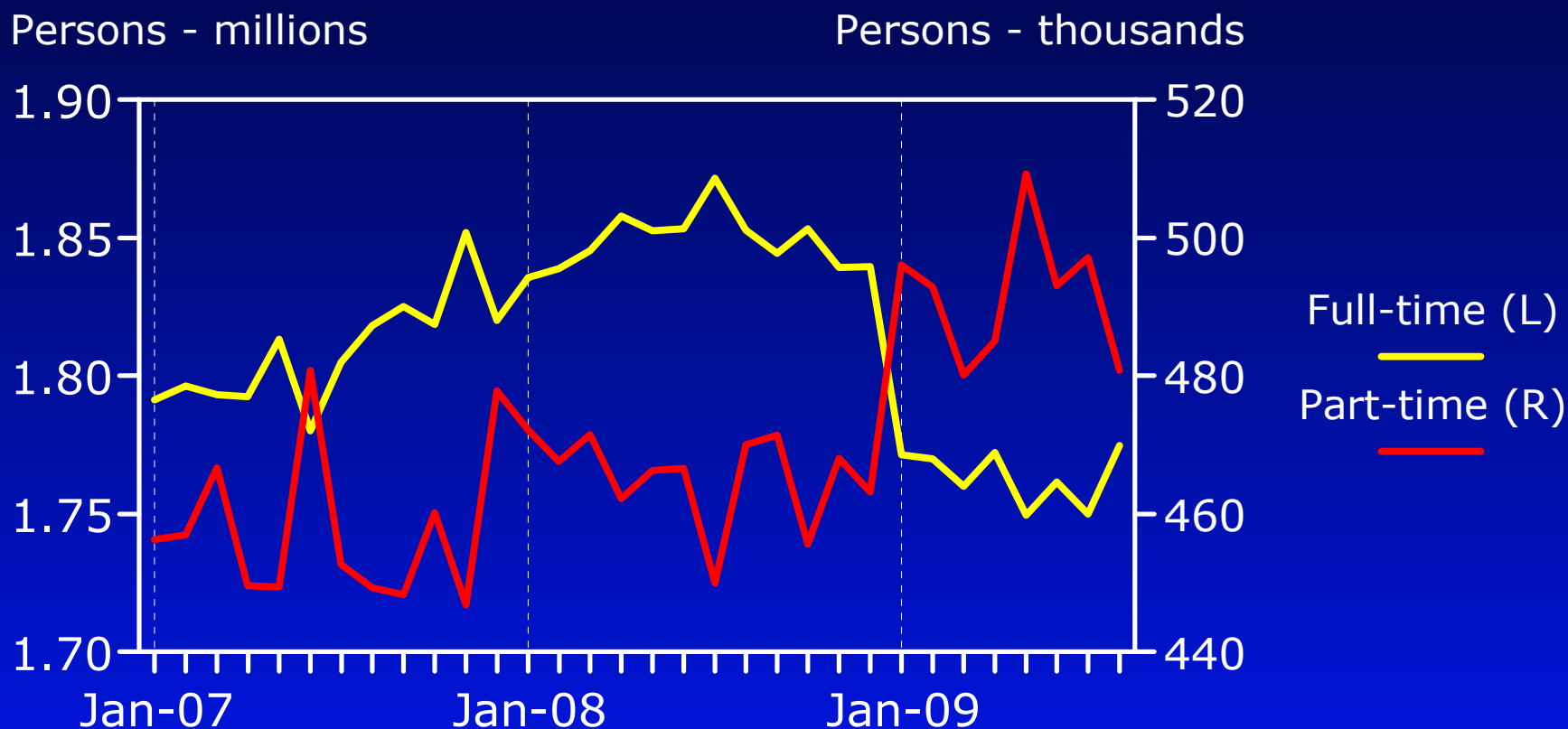


Source: Statistics Canada. Note: Seasonally adjusted. Latest: Aug-09



Full-time employment no longer dropping

Employment Status, B.C.

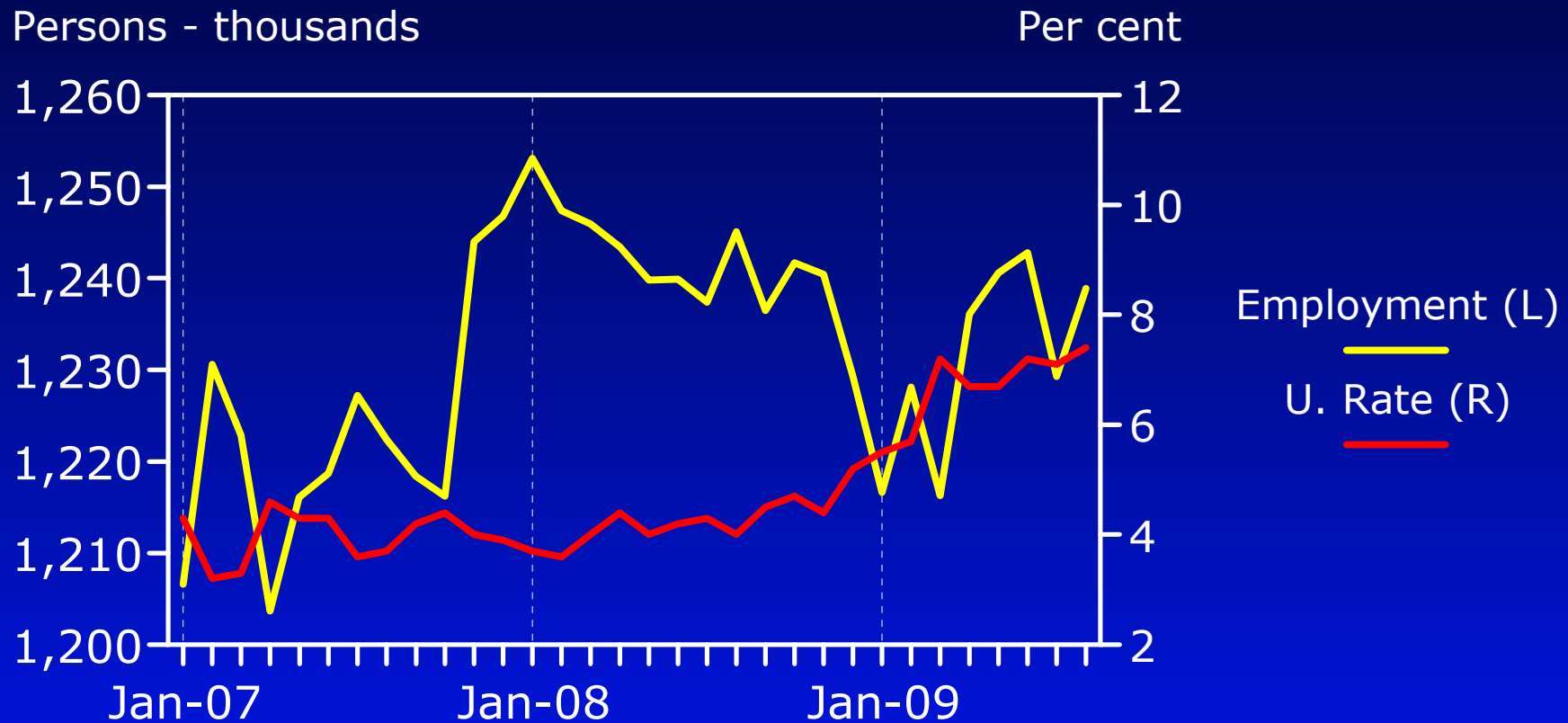


Source: Statistics Canada. Note: Seasonally adjusted. Latest: Aug-09



Local labour market gaining jobs

Labour Market, Vancouver CMA



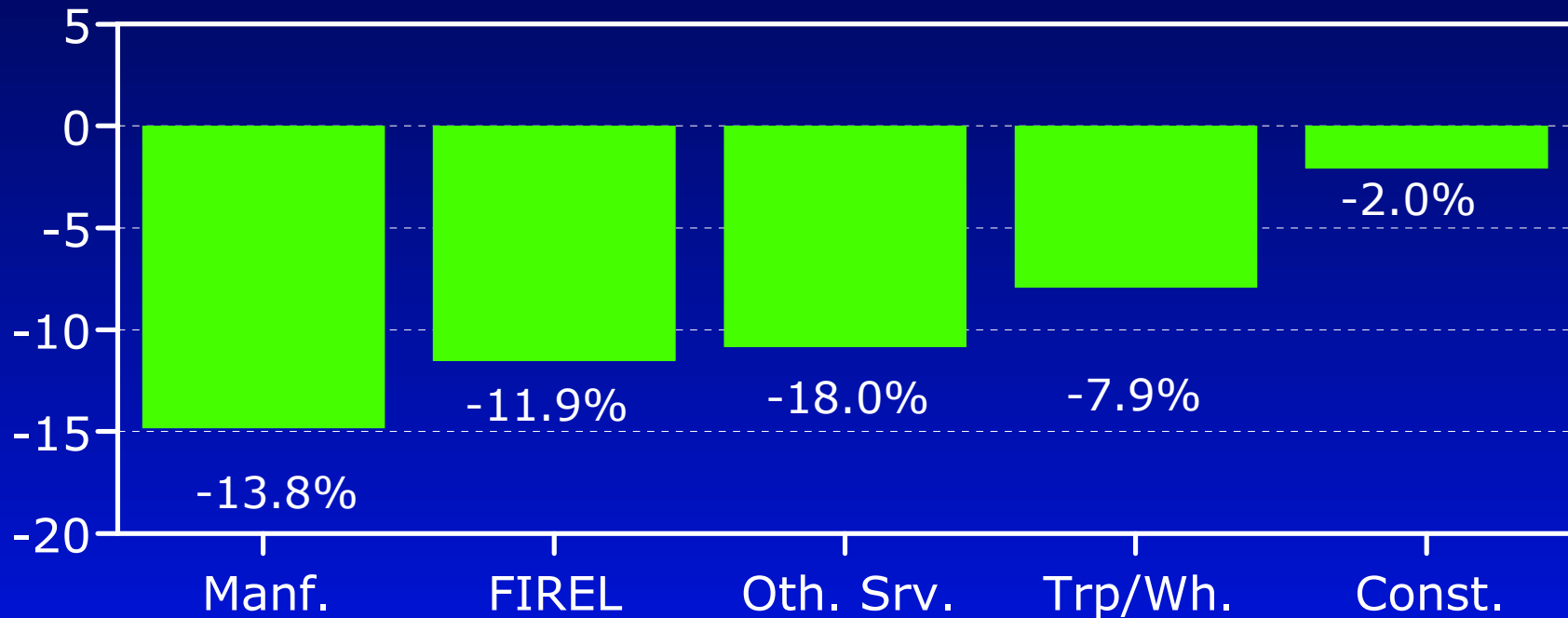
Source: Statistics Canada. Note: Seasonally adjusted. Latest: Aug-09



Manufacturing sector hardest hit during recession

Largest Industry Employment Losses during Recession, Vancouver CMA

Persons - thousands

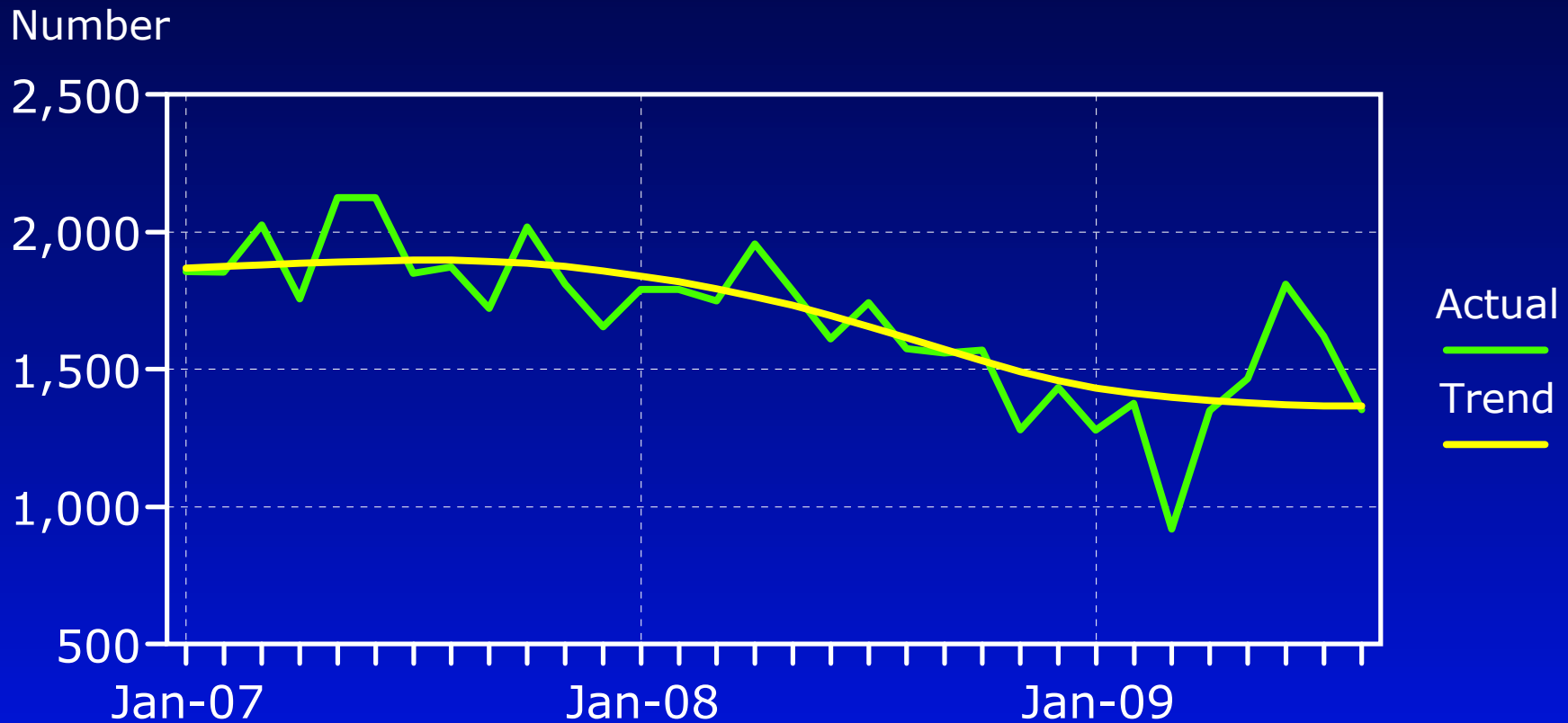


Source: Statistics Canada, C1CU. Note: Q3-08 to Jun-Aug/09



Decline slowing in business formations

Business Incorporations, Metro Vancouver



Source: BC Ministry of Finance, BC STATS, C1CU.

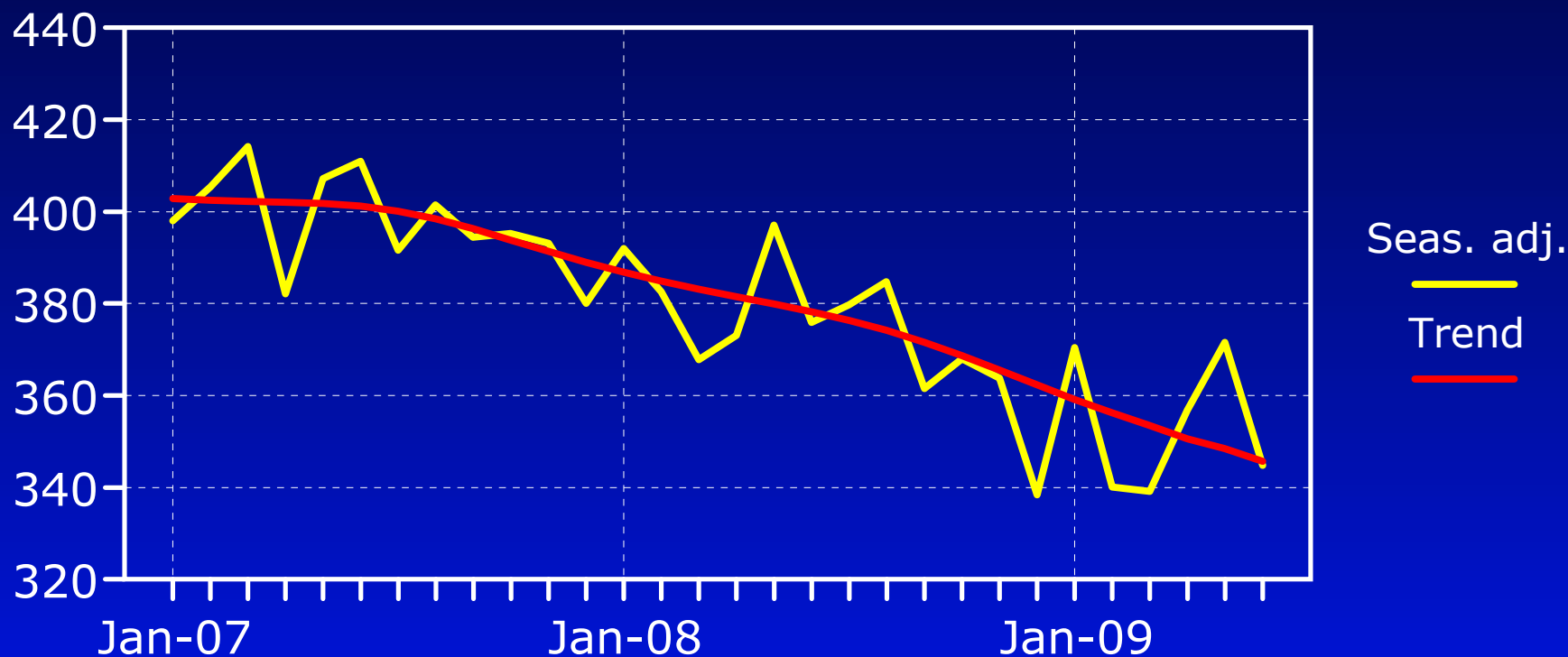
Latest: Aug-09



Tourists from other countries declining

B.C. International Tourist Entries

Persons - thousands



Source: Statistics Canada, C1CU.

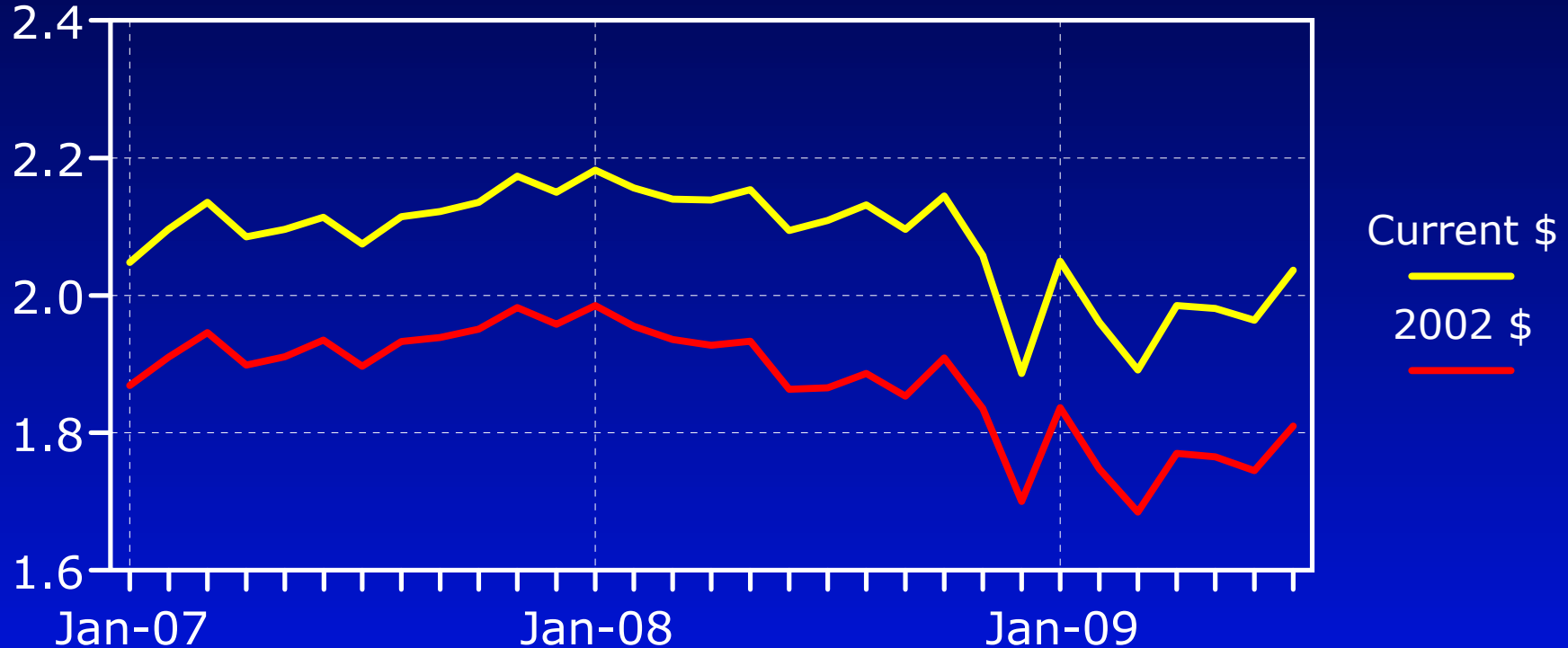
Latest: Jun-09



Retail sales stabilizing after sharp fall

Metro Vancouver Retail Sales, Monthly

Dollars - billions



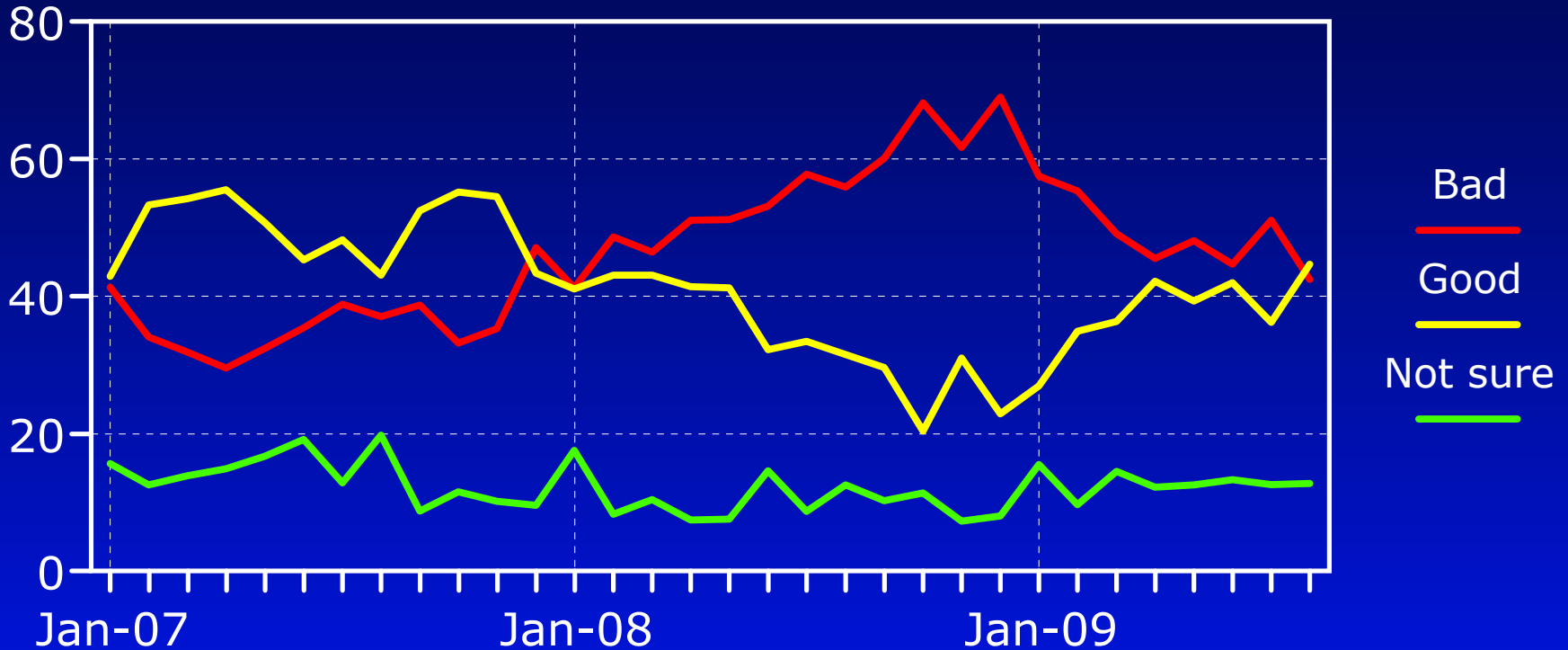
Source: Statistics Canada, C1CU. Note: Seasonally adjusted. Latest: Jul-09



Consumers view major purchases more favourably

Conditions for Major Purchase, B.C. Consumers, Monthly

2002 = 100



Source: Conference Board of Canada.

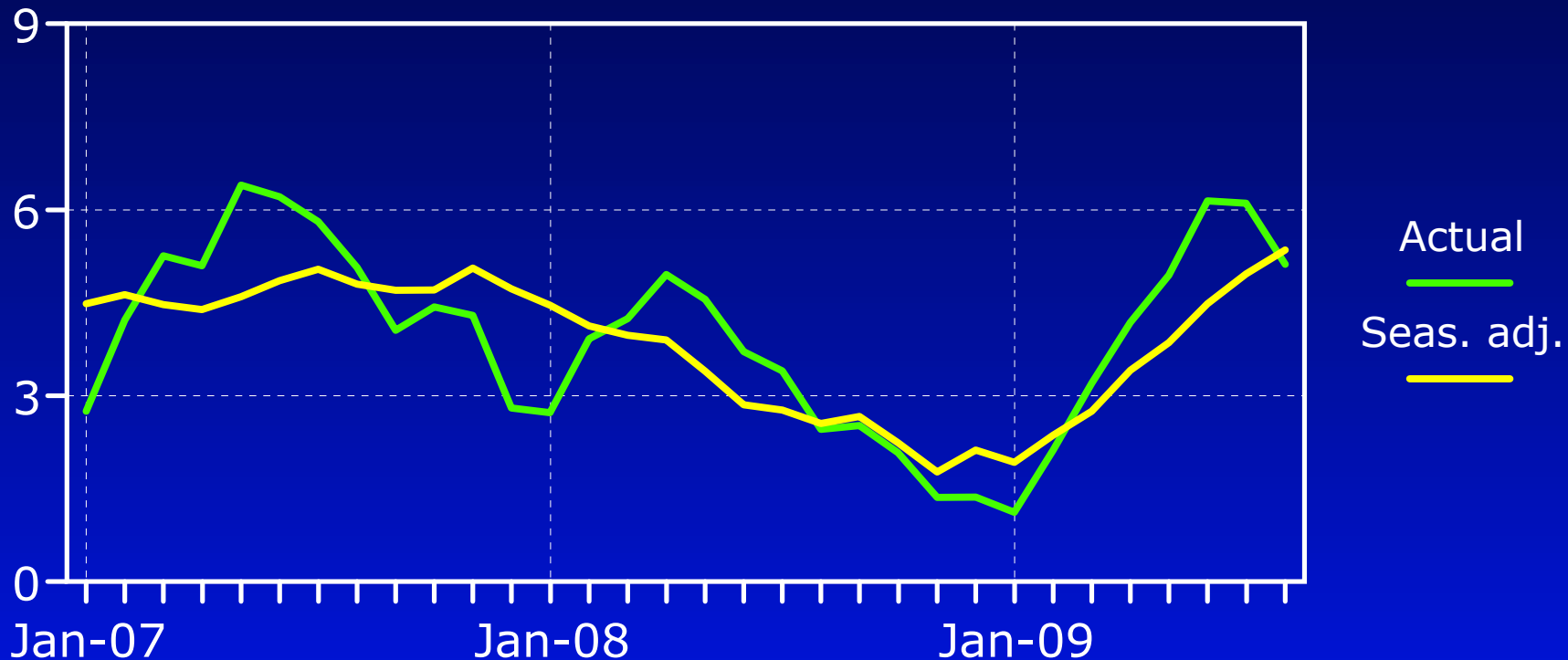
Latest: Aug-09



Housing sales rebound to 2007 levels; rate of increase slowed in August

MLS Residential Sales, Lower Mainland

Units - thousands



Source: REBGV, FVREB, C1CU.

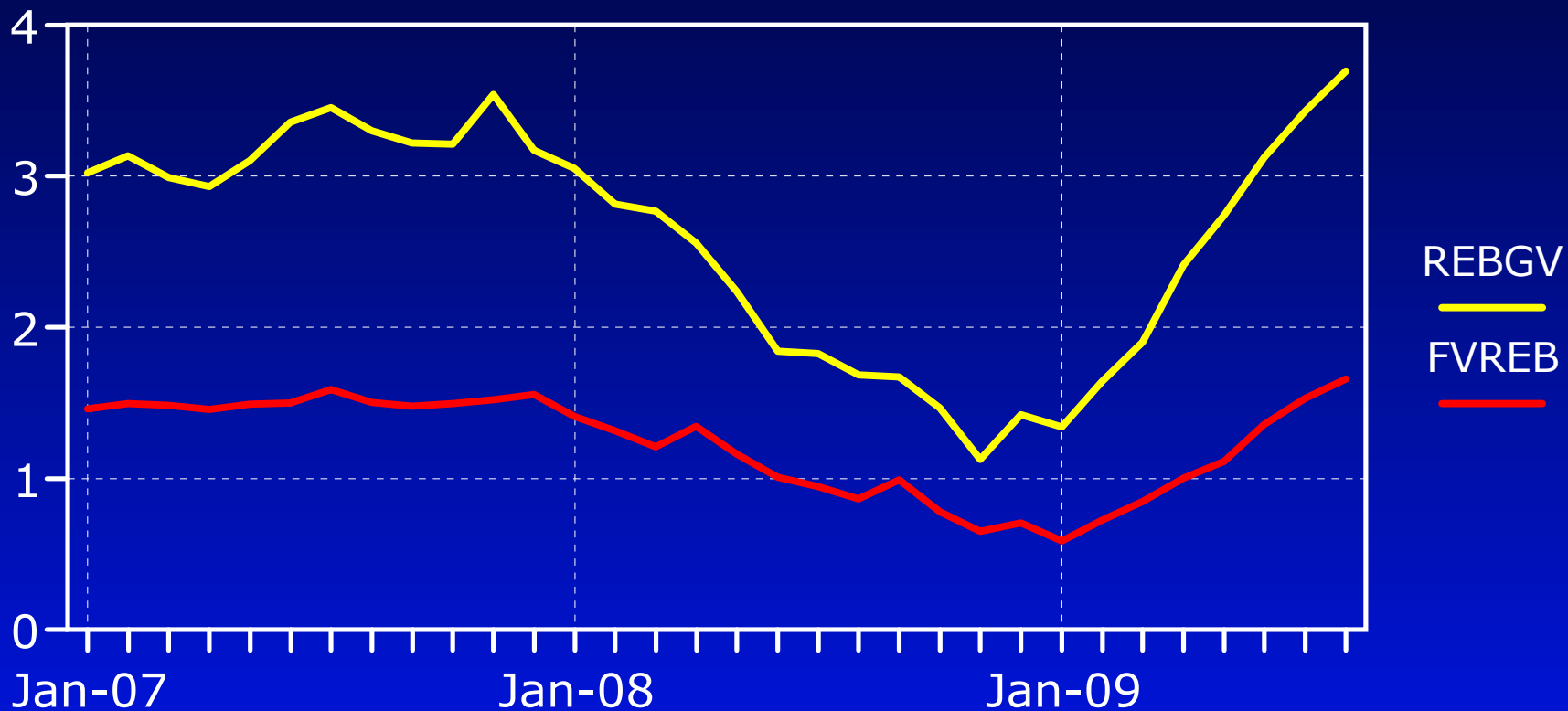
Latest: Aug-09



Vancouver area sales recovery stronger than in Fraser Valley

MLS Residential Sales, Vancouver and Fraser Valley REBs

Units - thousands



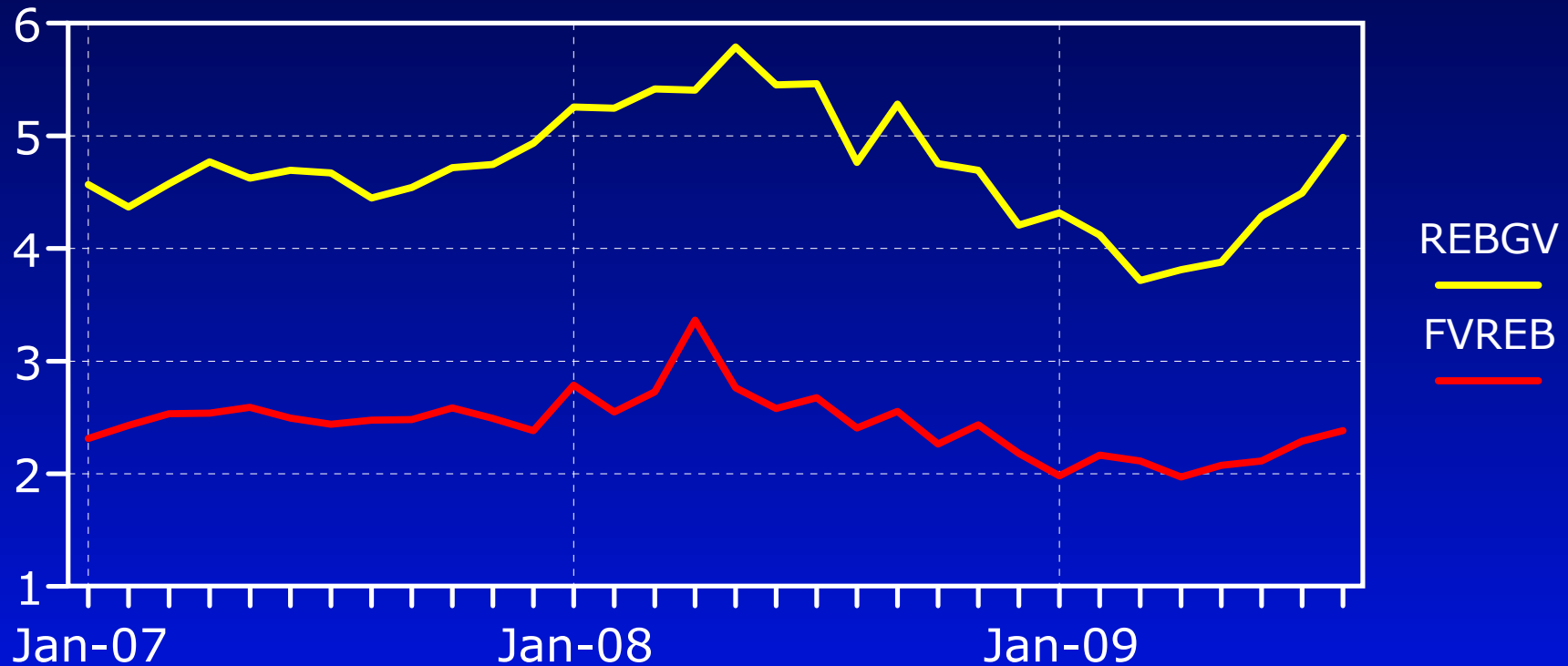
Source: REBGV, FVREB, C1CU. Note: Seasonally adjusted. Latest: Aug-09



Supply coming onto the market turning up

MLS Residential New Listings, Vancouver and Fraser Valley REBs

Units - thousands



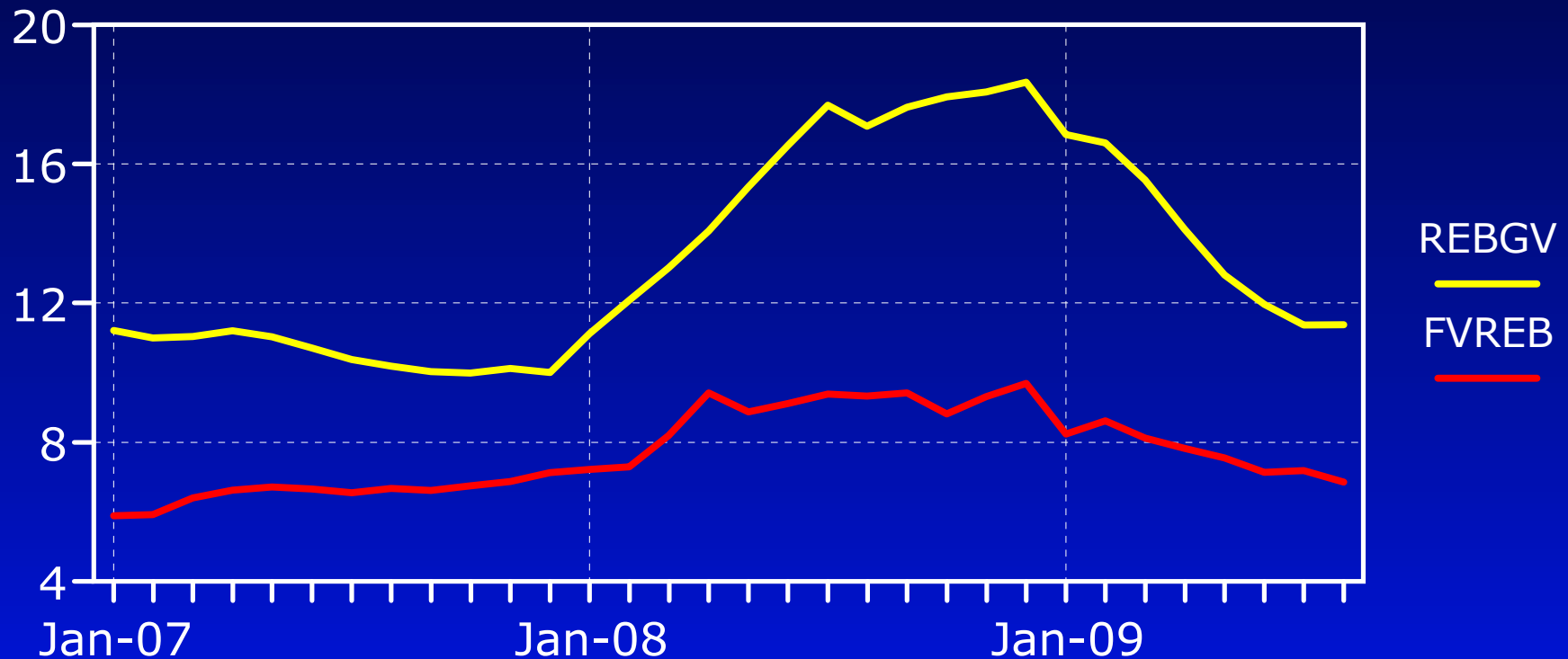
Source: REBGV, FVREB, C1CU. Note: Seasonally adjusted. Latest: Aug-09



Fewer units for sale at month-end, Vancouver approaching turning point

MLS Res. Active Listings, Vancouver and Fraser Valley REBs

Units - thousands

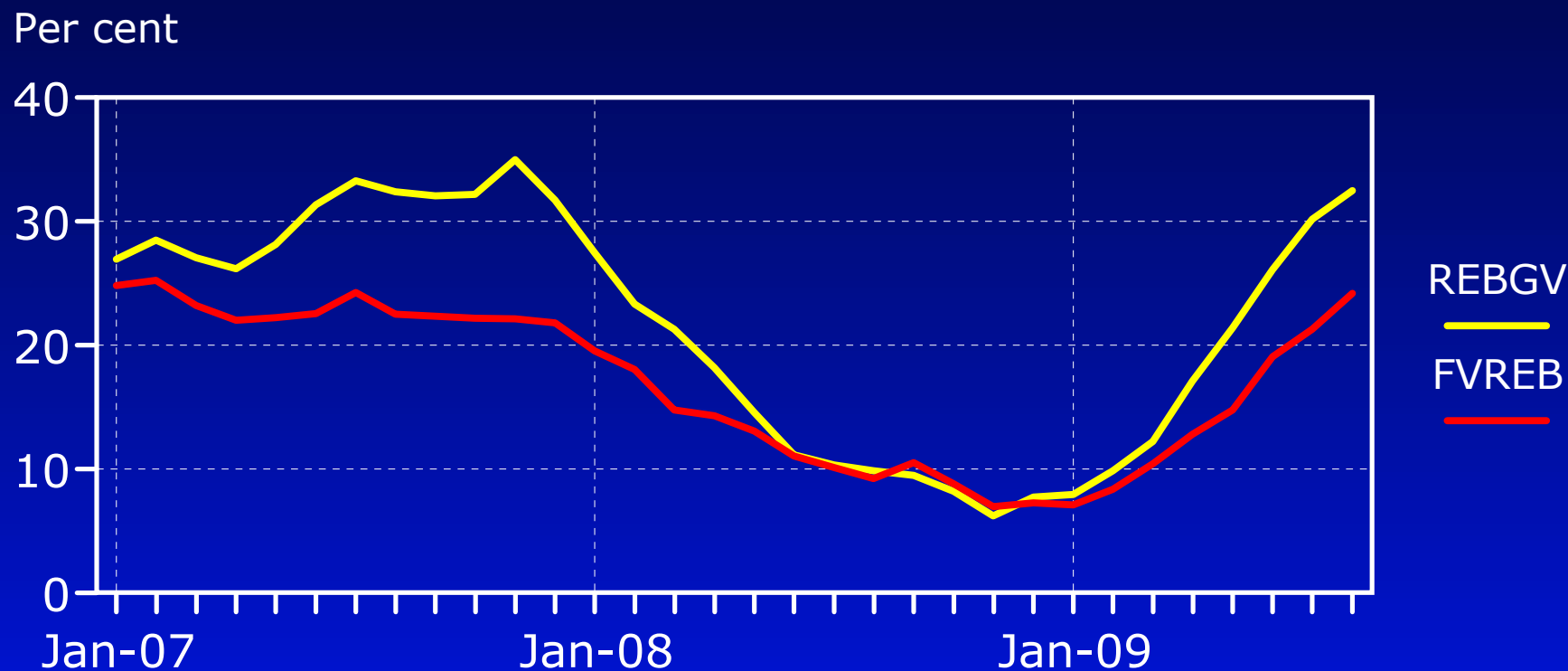


Source: REBGV, FVREB, C1CU. Note: Seasonally adjusted. Latest: Aug-09



Tighter housing market conditions

Sales-to-active Listings Ratio, Seasonally Adjusted,
Vancouver and Fraser Valley Real Estate Boards

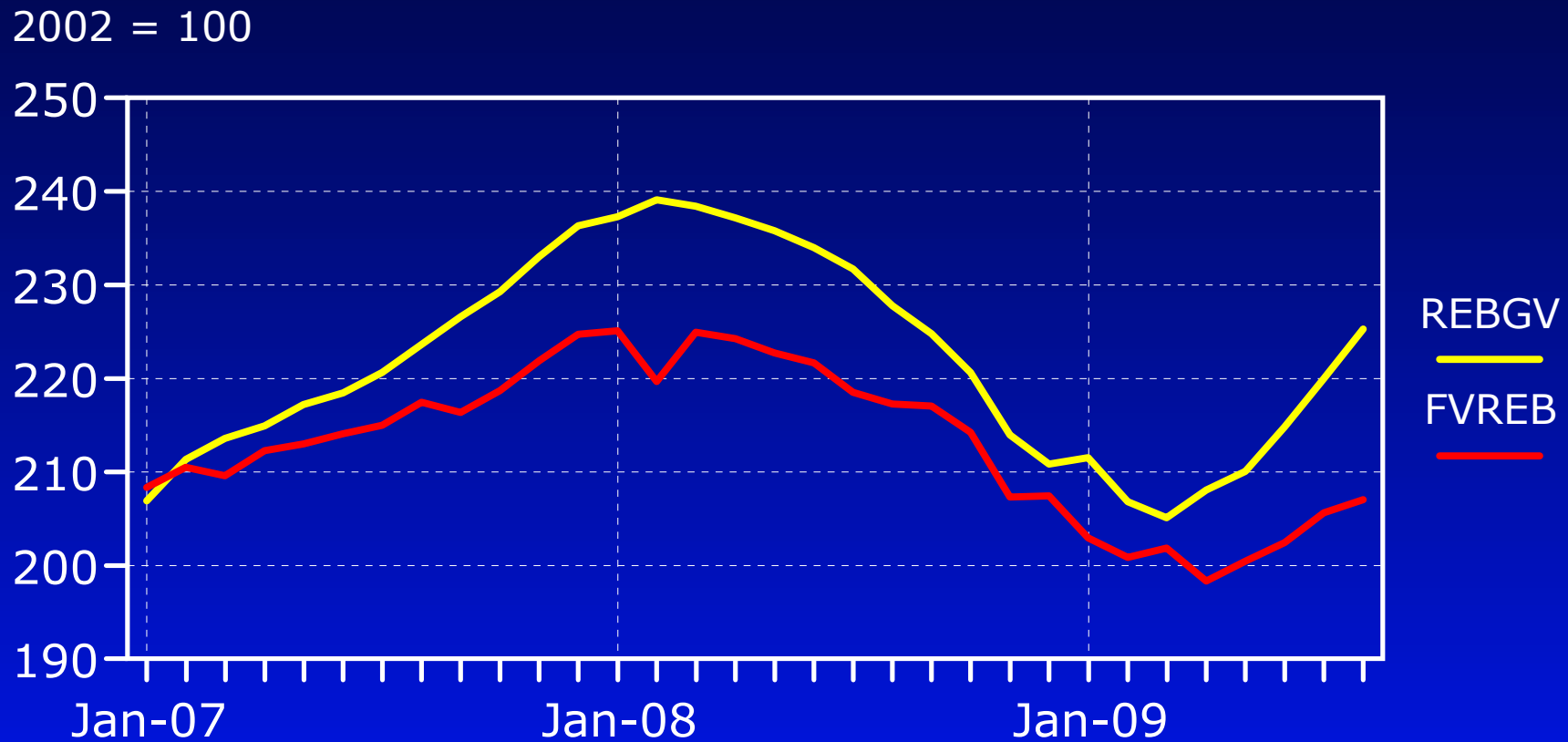


Source: REBGV, FVREB, C1CU. Note: Seasonally adjusted. Latest: Aug-09



Vancouver prices turn up first

MLS Housing Price Index,
Vancouver and Fraser Valley Real Estate Boards



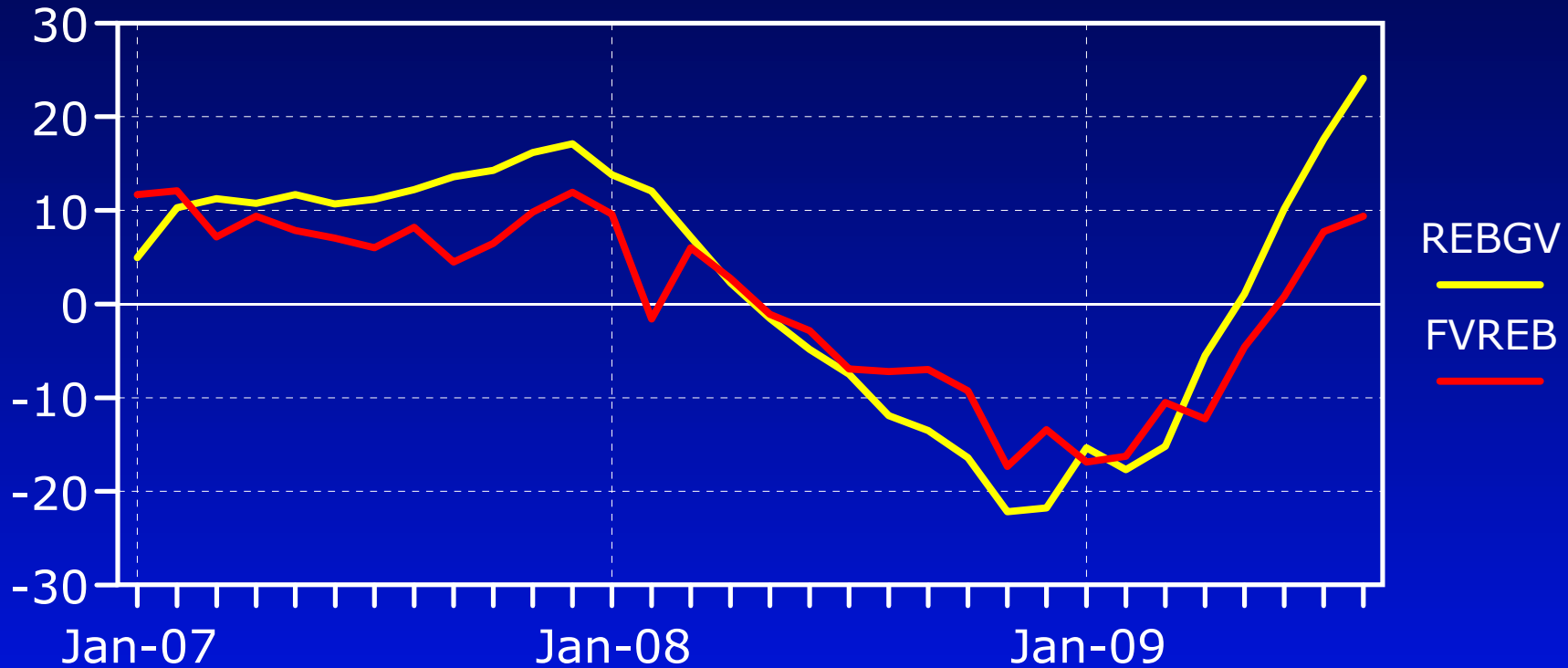
Source: REBGV, C1CU. Note: Based on seasonally adjusted price. Latest: Aug-09



Vancouver prices rising at faster pace

Change in MLS Housing Price Index,
Vancouver and Fraser Valley Real Estate Boards

Percentage change at annual rate

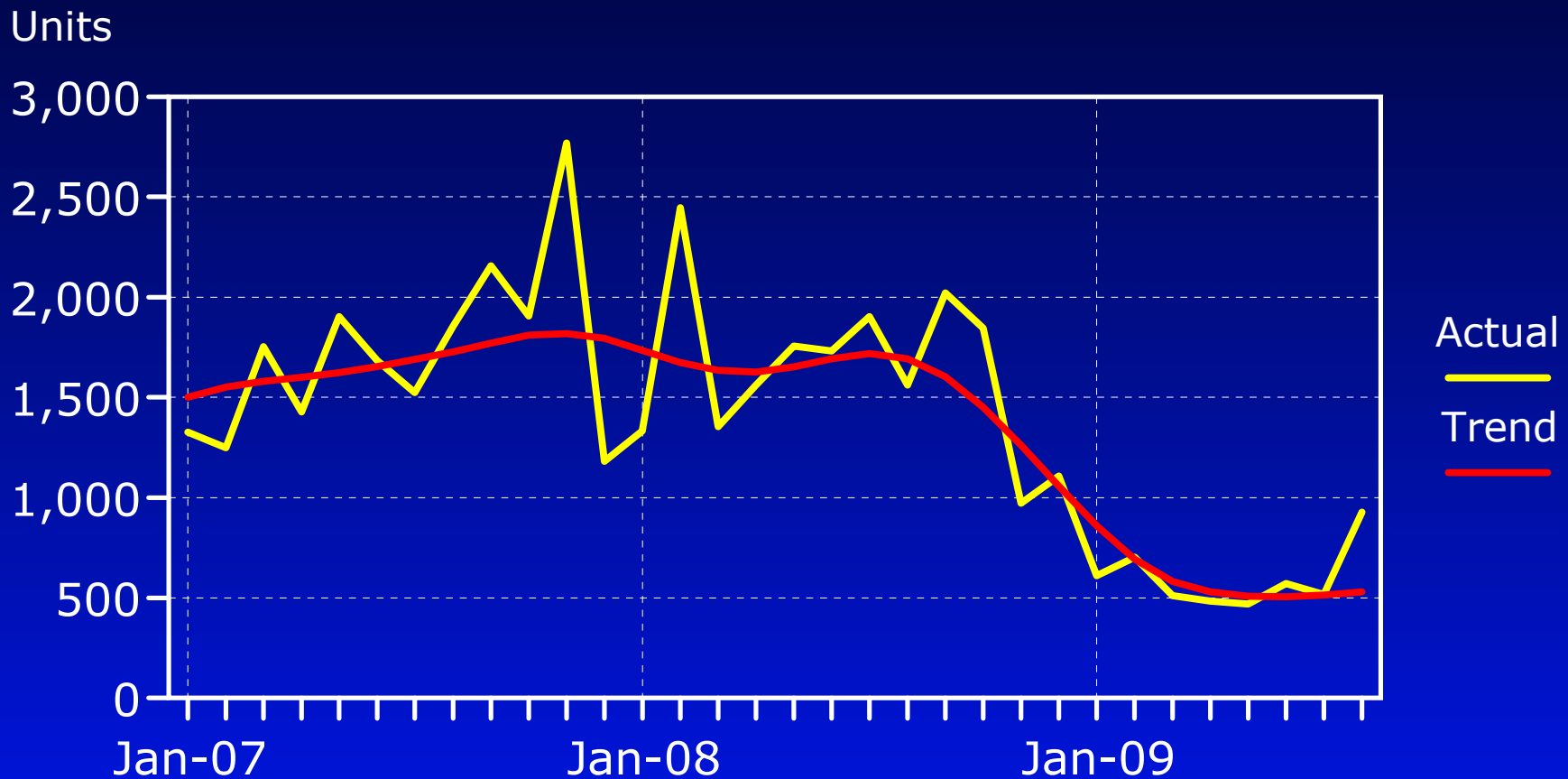


Source: REBGV, C1CU. Note: Based on seasonally adjusted price. Latest: Aug-09



New housing construction at cycle low, heading higher

Housing Starts, Vancouver CMA, Monthly



Source: CMHC, C1CU.

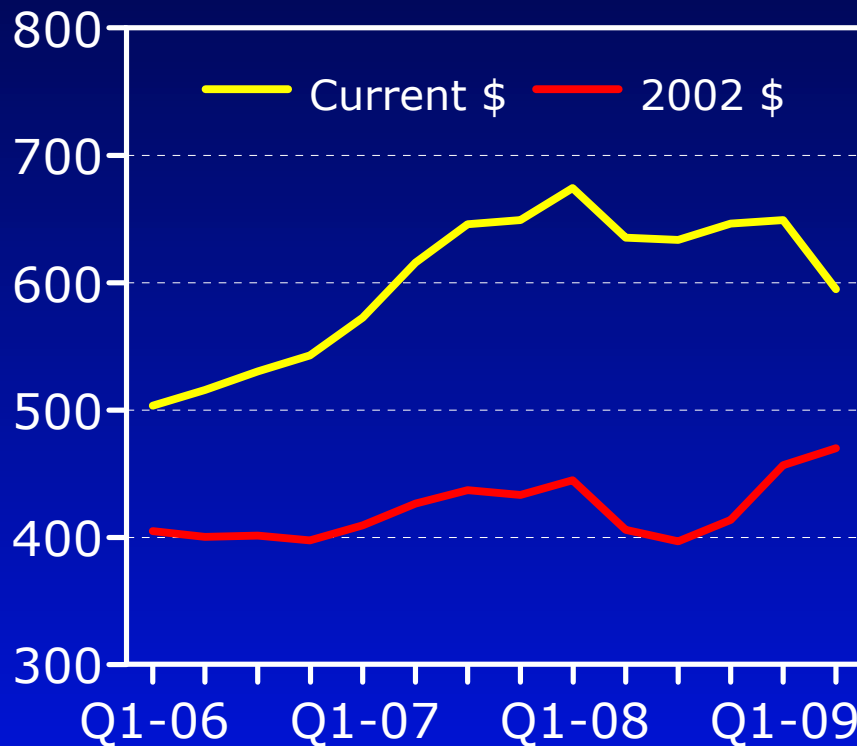
Latest: Aug-09



Non-residential building construction investment

Pvt. Construction, Vancouver

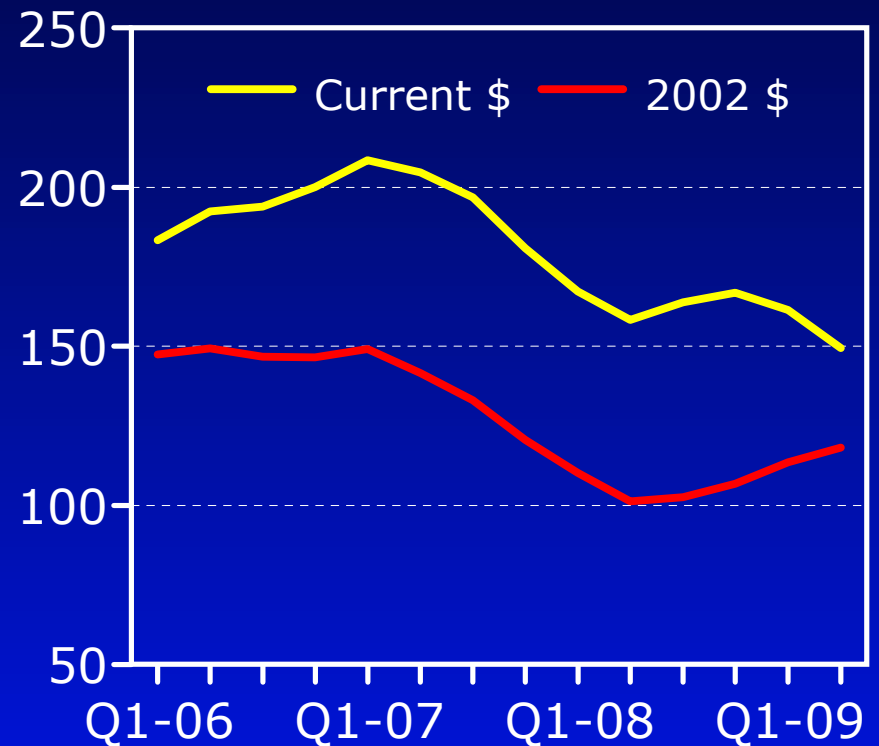
Dollars - millions



Source: Statistics Canada. Latest: Q2-09

Inst.-Govt. Const., Vancouver

Dollars - millions



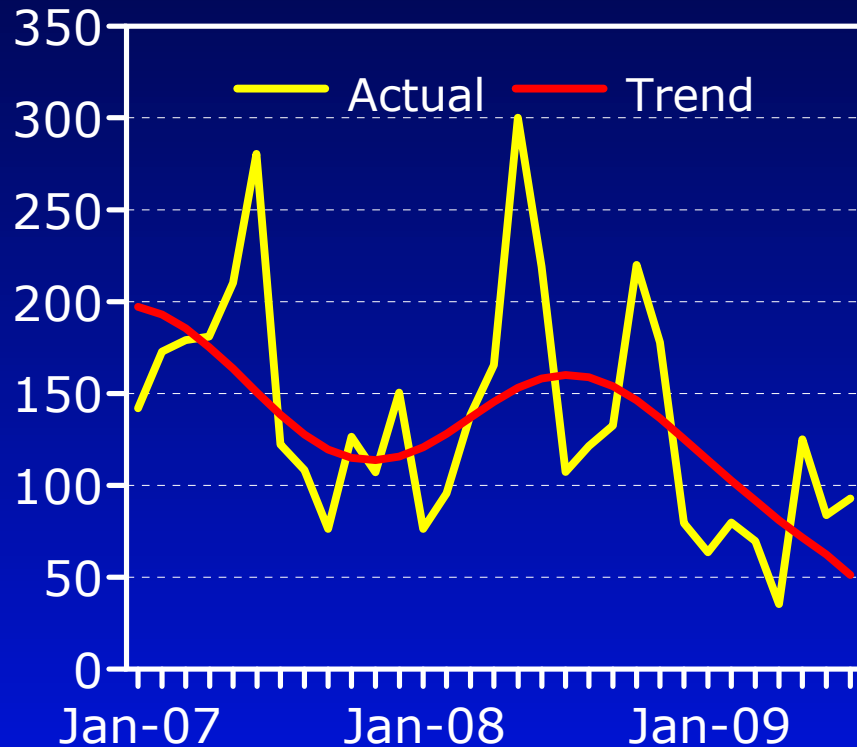
Note: Seasonally adjusted



Declining private building intentions

Pvt. Building Permits, Vancouveria

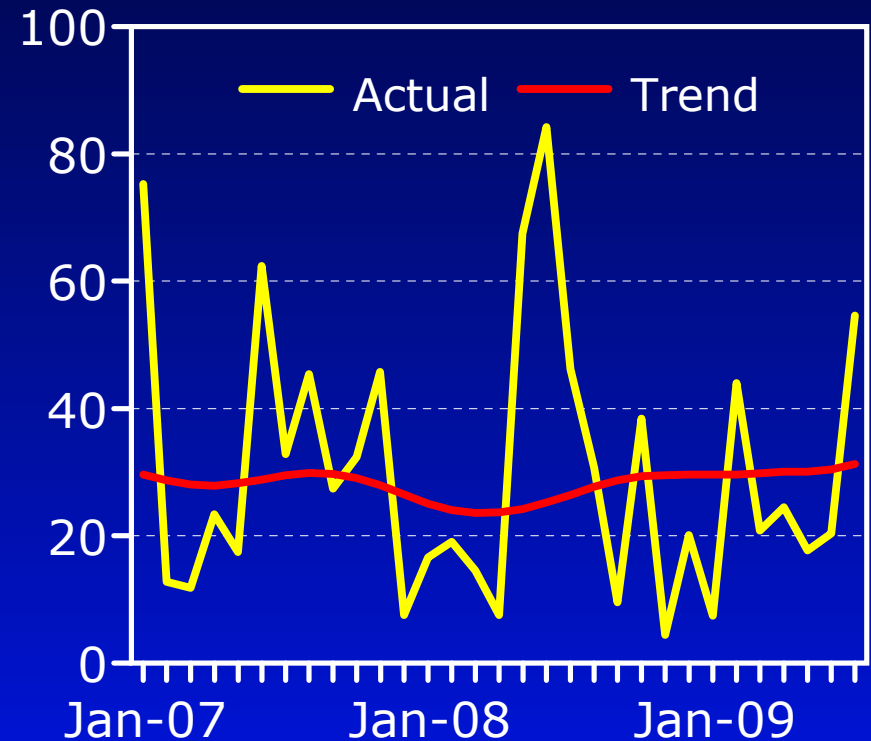
Dollars - millions



Source: Statistics Canada, C1CU.

Inst.-Govt. Building Permits

Dollars - millions



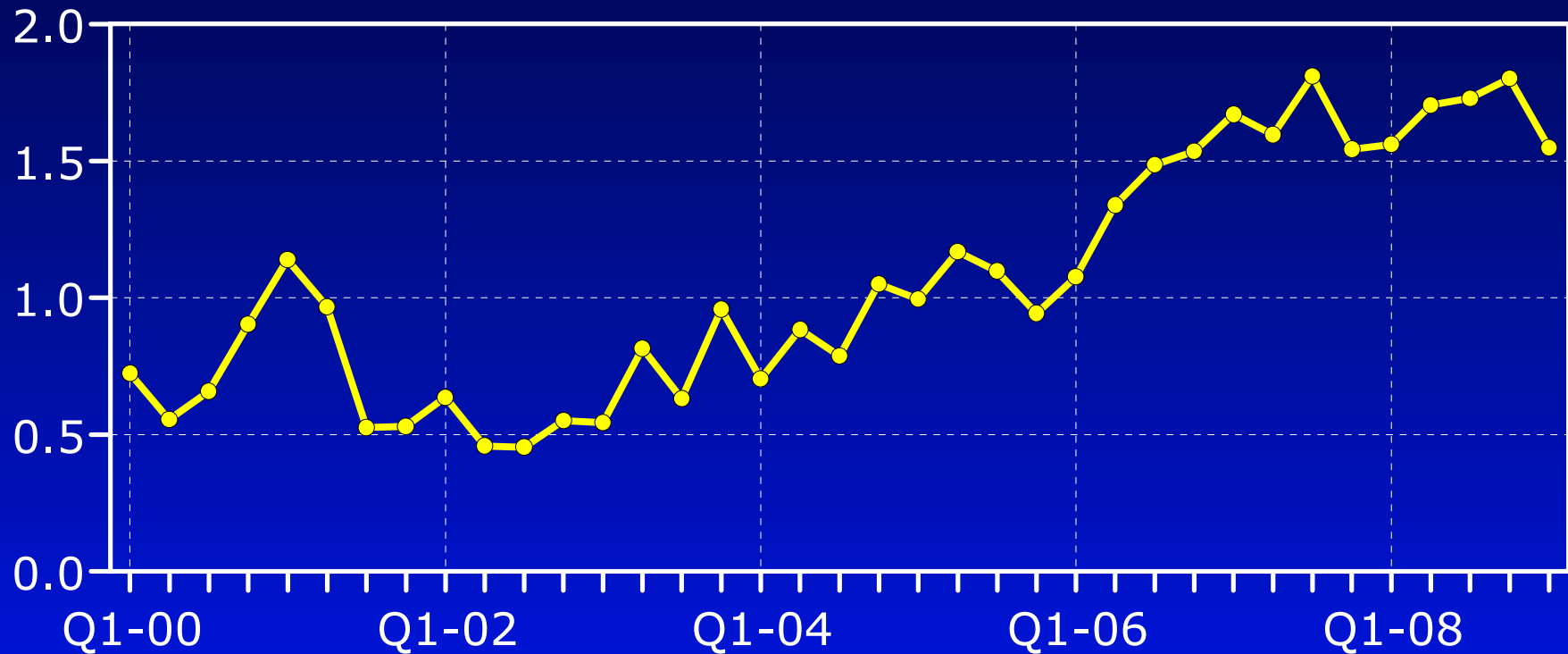
Latest: Jul-09



Population growth plateaus

B.C. Population Growth Rate, Quarterly

Percent change at annual rate



Source: Statistics Canada, C1CU.

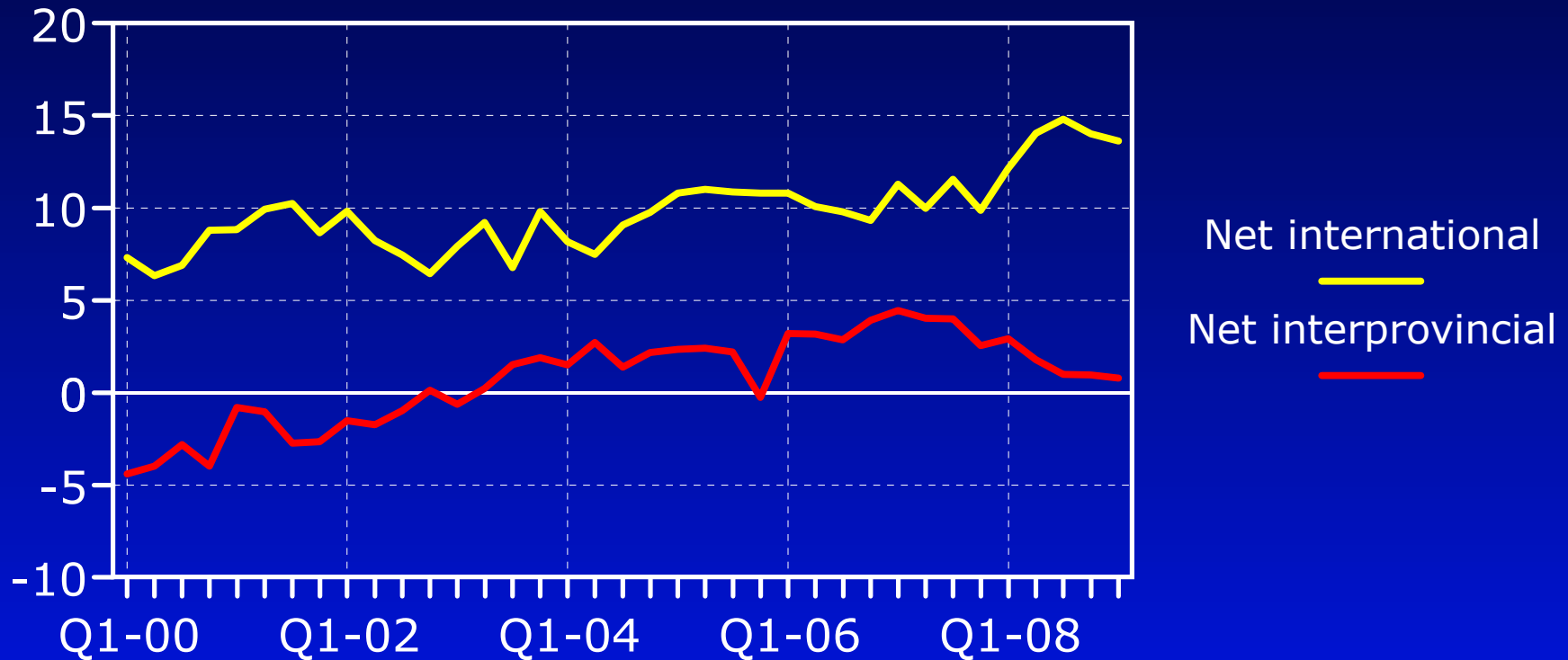
Latest: Q1-09



Interprovincial migration declining

Net Migration by Type, B.C., Quarterly

Persons - thousands



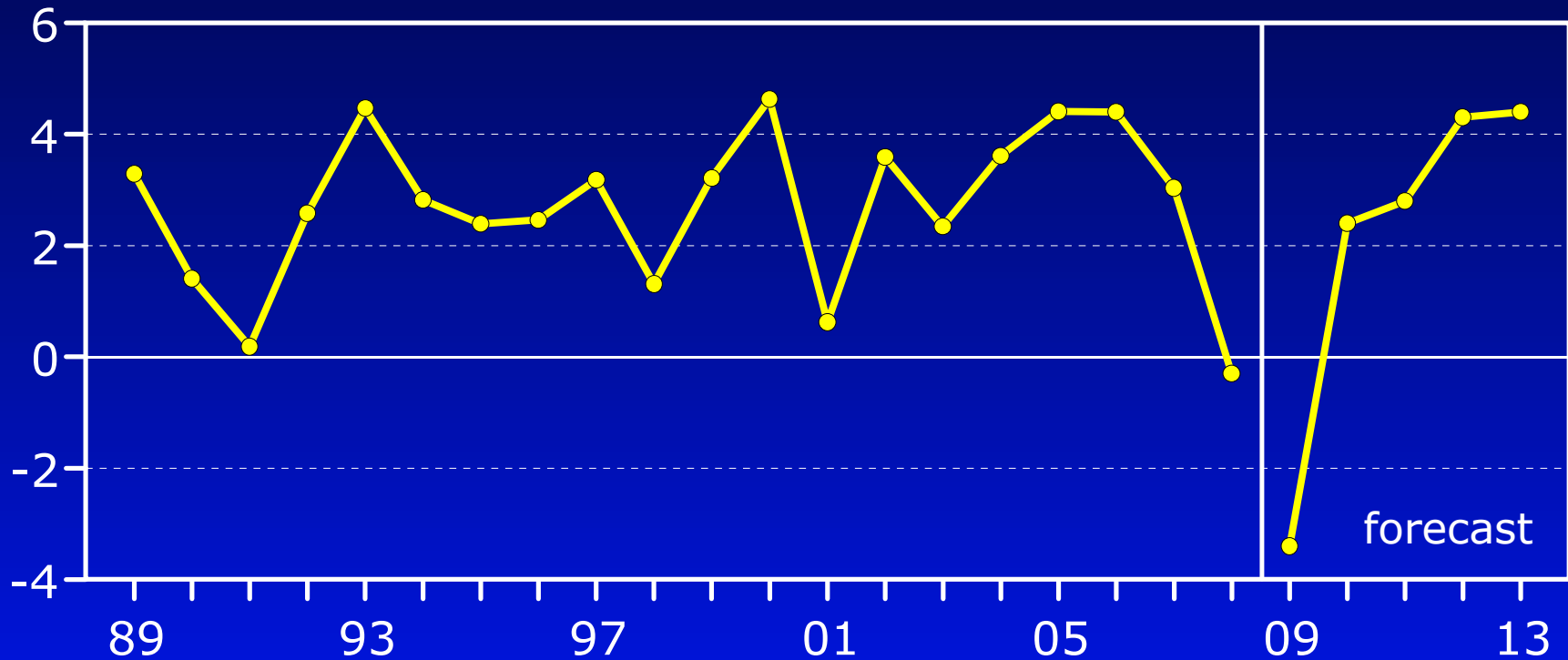
Source: Statistics Canada, C1CU. Note: Seasonally adjusted. Latest: Q1-09



Recession ends in 2009, return to above-average growth in 2012

B.C. Economic Growth to 2013

Percentage change in real GDP



Source: Statistics Canada, C1CU.



Forecast issues and summary:

- Policy-driven, temporary sources of growth
- Ongoing problems in some securitization markets
- Monetary policy actions - removing stimulus on a timely basis
- Inflation concerns re-ignite on rising commodity prices, high level of bank reserves
- Higher CAD worsens trade balance, restrains growth



Forecast issues and summary:

- Recovery more variable than usual, below-average trend growth
- B.C.- Vancouver economy receives temporary boost from Winter Olympics
- Housing market posts further gains; new construction surges before HST introduction
- Public non-residential investment spurs growth; private spending lags in 2010

