



# Economic Outlook

Thompson/Okanagan Chapter  
The Real Estate Institute of British Columbia

Thursday, May 14, 2009

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Central 1 Credit Union



# Outline:

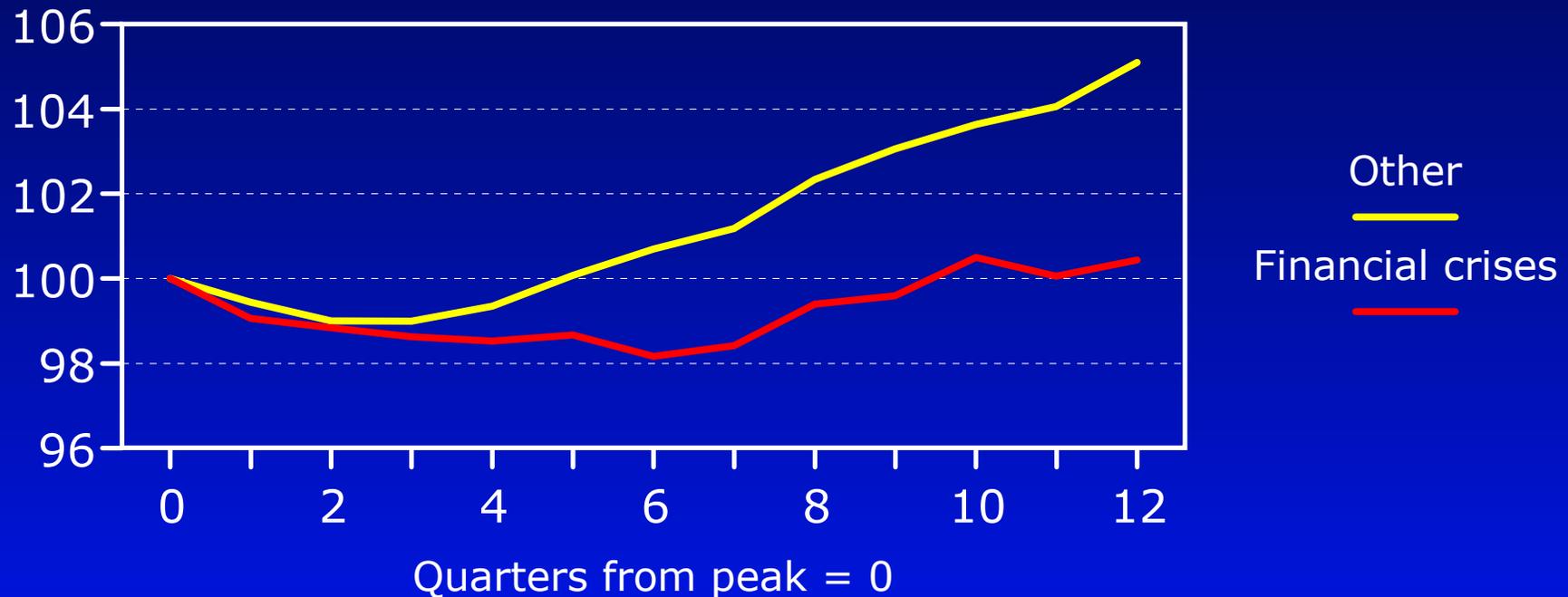
- Financial crisis impacts
- Global and U.S. economies
- Canadian economic conditions
- B.C. economic trends
- Thompson-Okanagan region economic and housing market trends
- Forecasts and summary



# Financial crises cause longer recessions and weaker recoveries

Output during recessions and recoveries associated with financial crises and other shocks

Median = 100



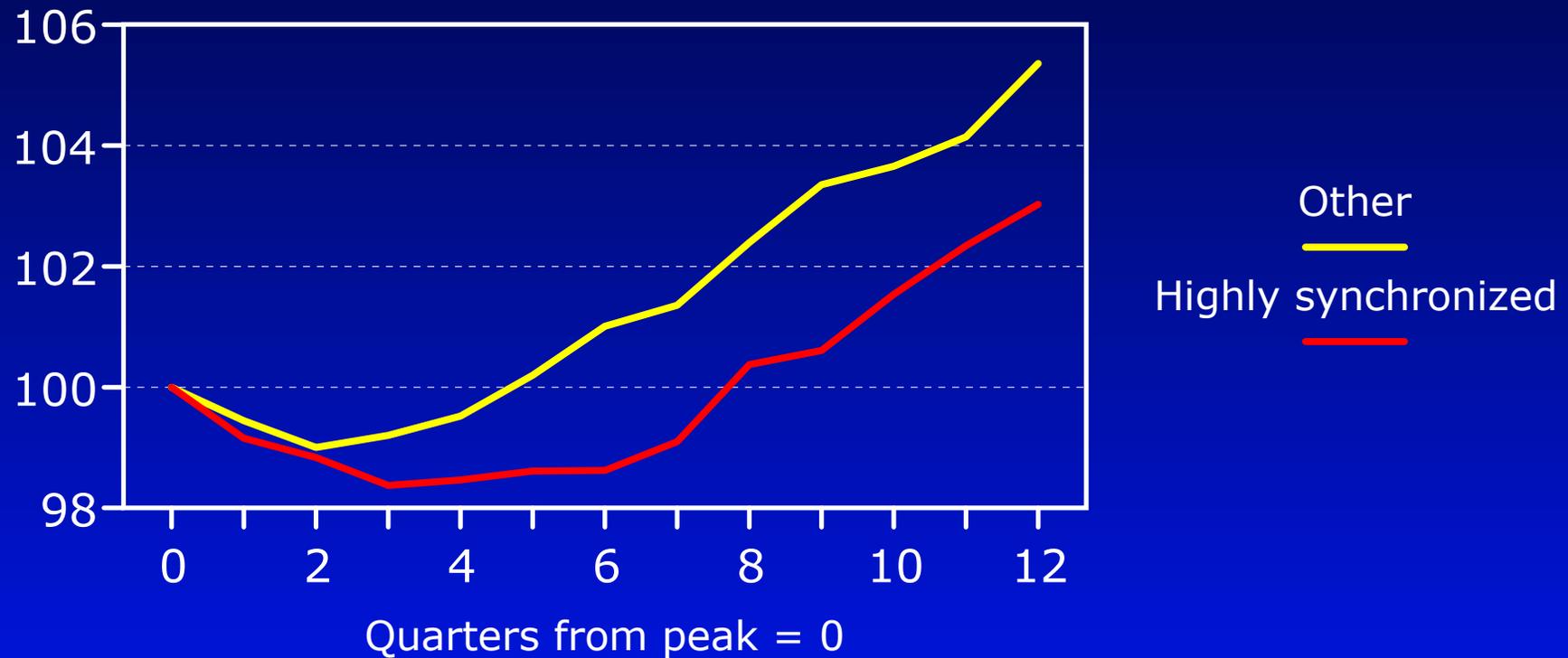
Source: IMF WEO April 2009.



# Highly synchronized recessions more protracted and severe than other recessions

Output during highly synchronized recessions

Median = 100



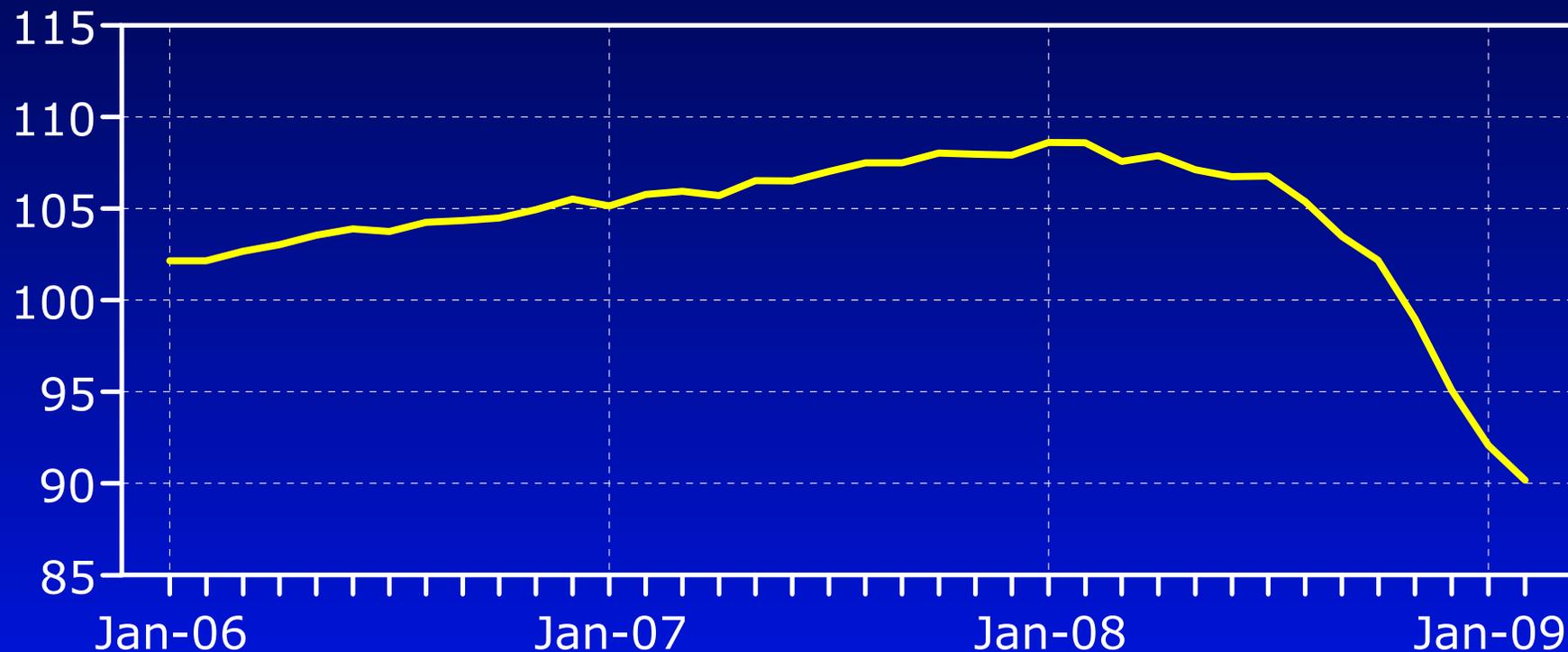
Source: IMF WEO April 2009.



# Sharp fall in global production since July 2008, decline slowing

## Industrial Production, OECD Total

2005 = 100



Source: OECD.

Note: Seasonally adjusted.

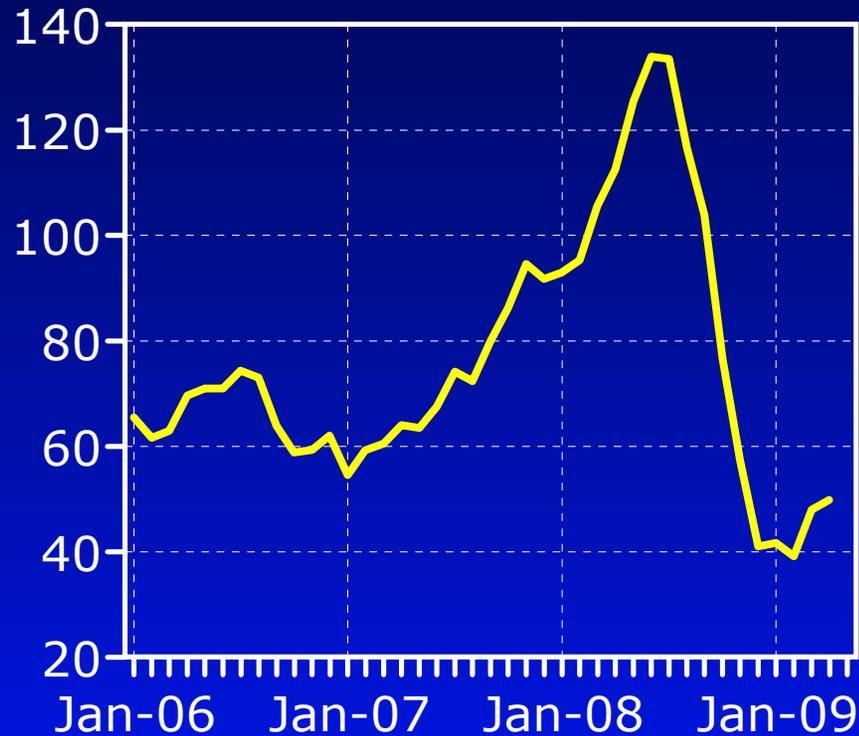
Latest: Feb-09



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

## Crude Oil WTI Spot Price

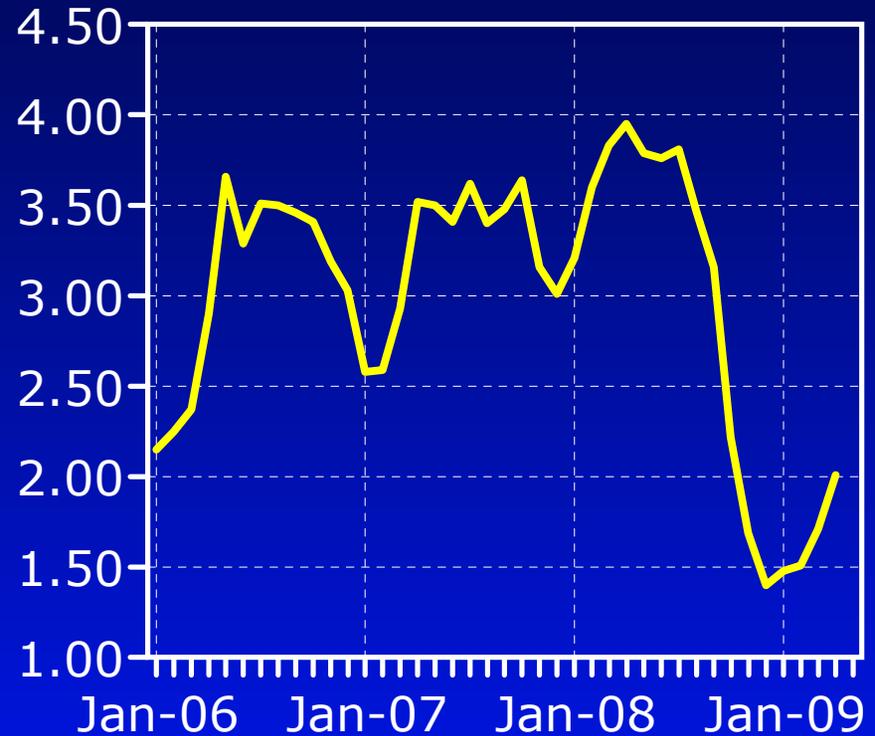
\$U.S. per barrel



Source: BC MEMPR.

## Copper Spot Price

\$U.S. per lb.



Latest: Apr-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: 5/11/09



# Canadian dollar falls, U.S. dollar rises during financial crisis; loonie rebounding

## U.S.-Canada Exchange Rate

U.S. dollar per Canadian dollar



Source: Bank of Canada. Latest: 5/7/09

## U.S. Exchange Rate Index

Jan. 1997 = 100



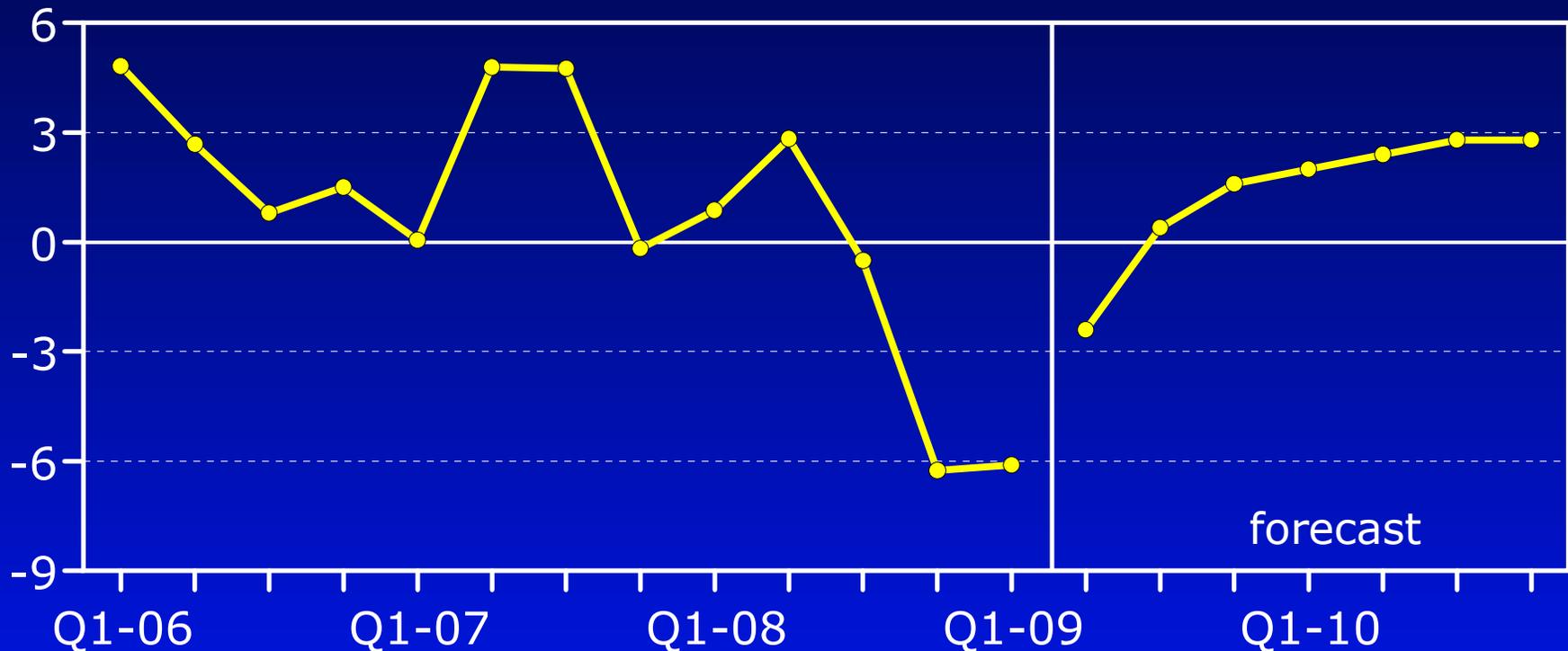
Source: US Fed. Reserve. Latest: 5/6/09



# Consensus view sees recession ending in summer and weak recovery ahead

## Consensus Economic Forecast, U.S.

Percentage change at annual rate in real GDP

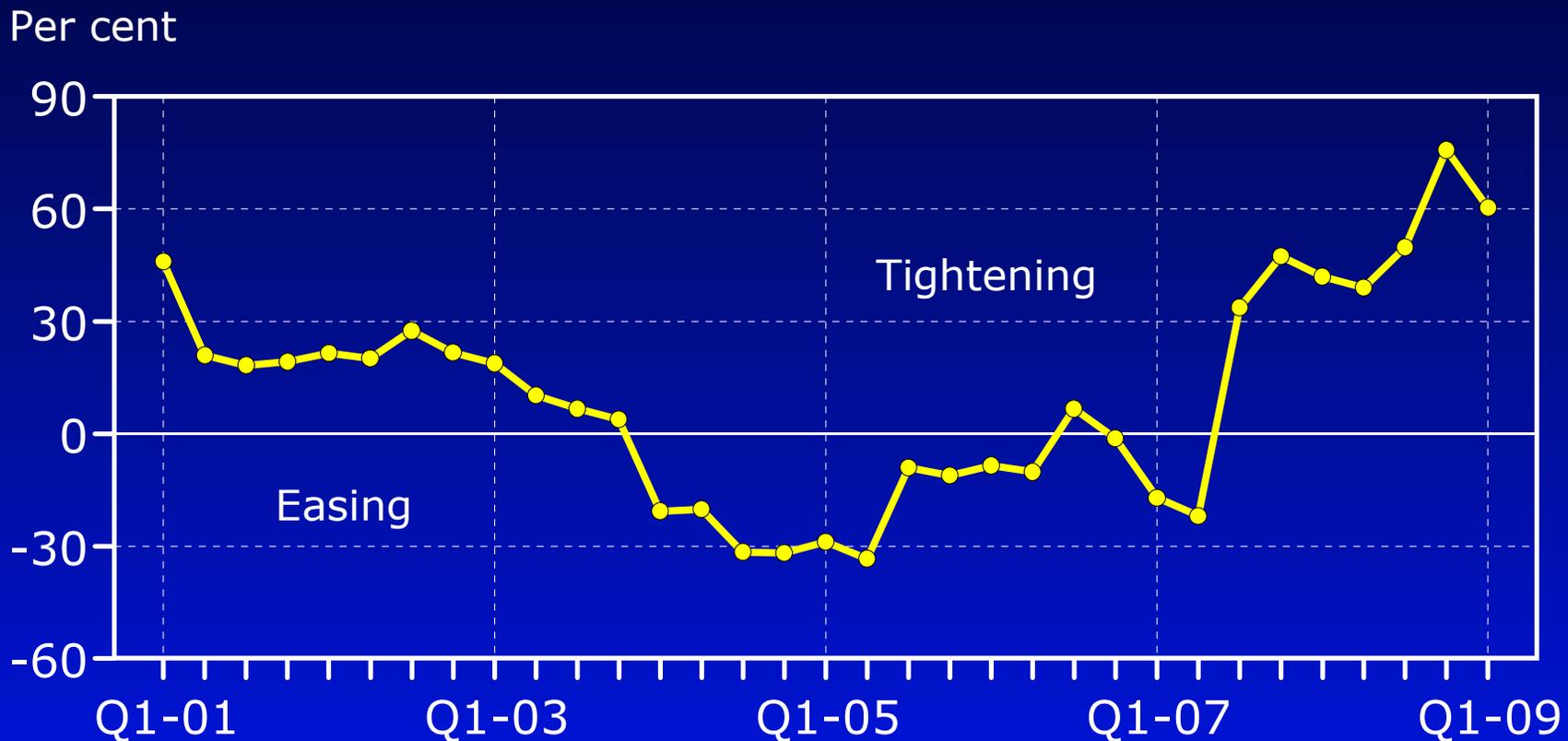


Source: BEA, Consensus Forecasts March 2009.



# Canadian businesses face tighter credit conditions

## Overall Business Lending Conditions: Balance of Opinion



Source: Bank of Canada Senior Loan Officer Survey.



# Investors seek safety, very low yield on government bonds, high corporate borrowing rates trending down

## Five-year Corporate and Government Bond Yields, Weekly

Per cent

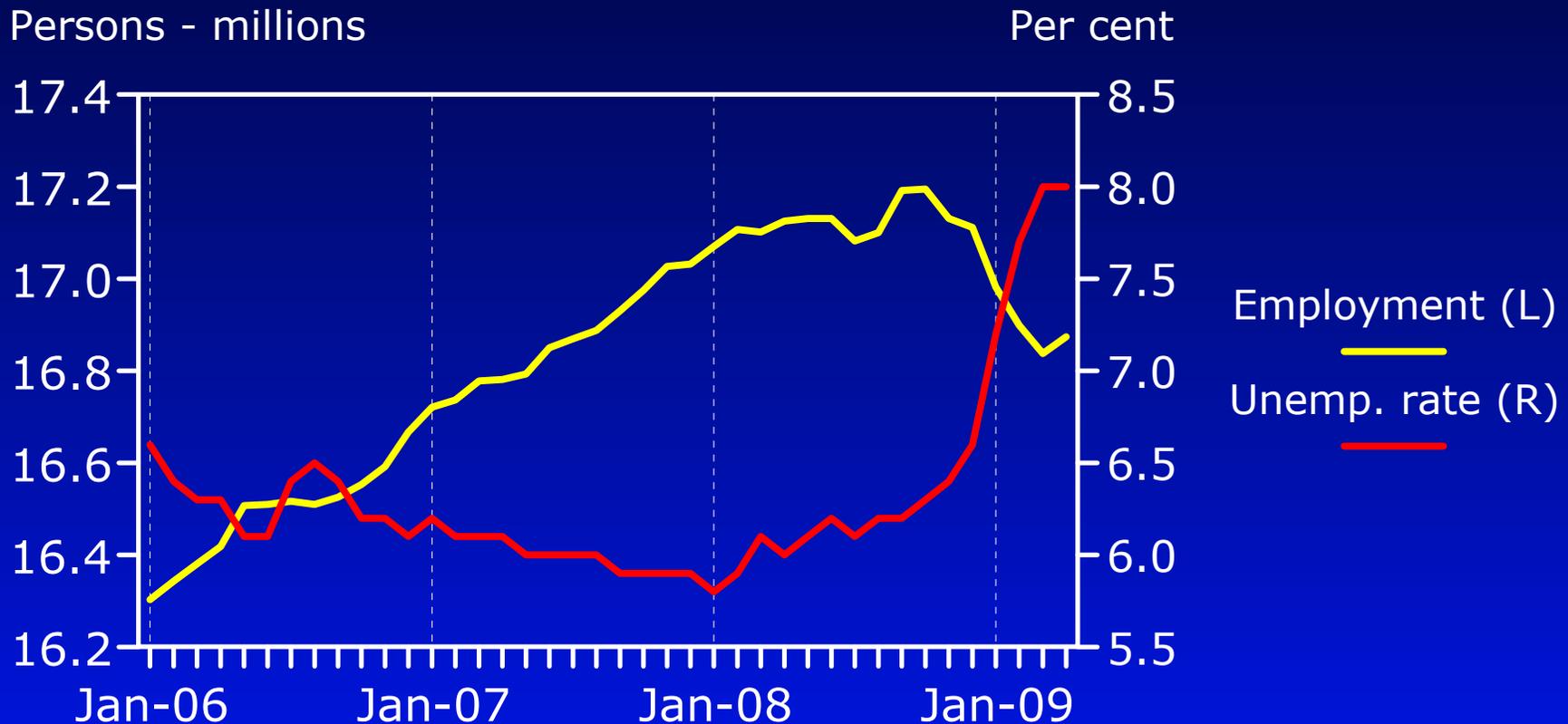


Source: BMOCM, Bank of Canada.

Latest: 4-May-09

# Sharp deterioration in national labour market since October 2008, unexpected gain in April

## Canada Labour Market

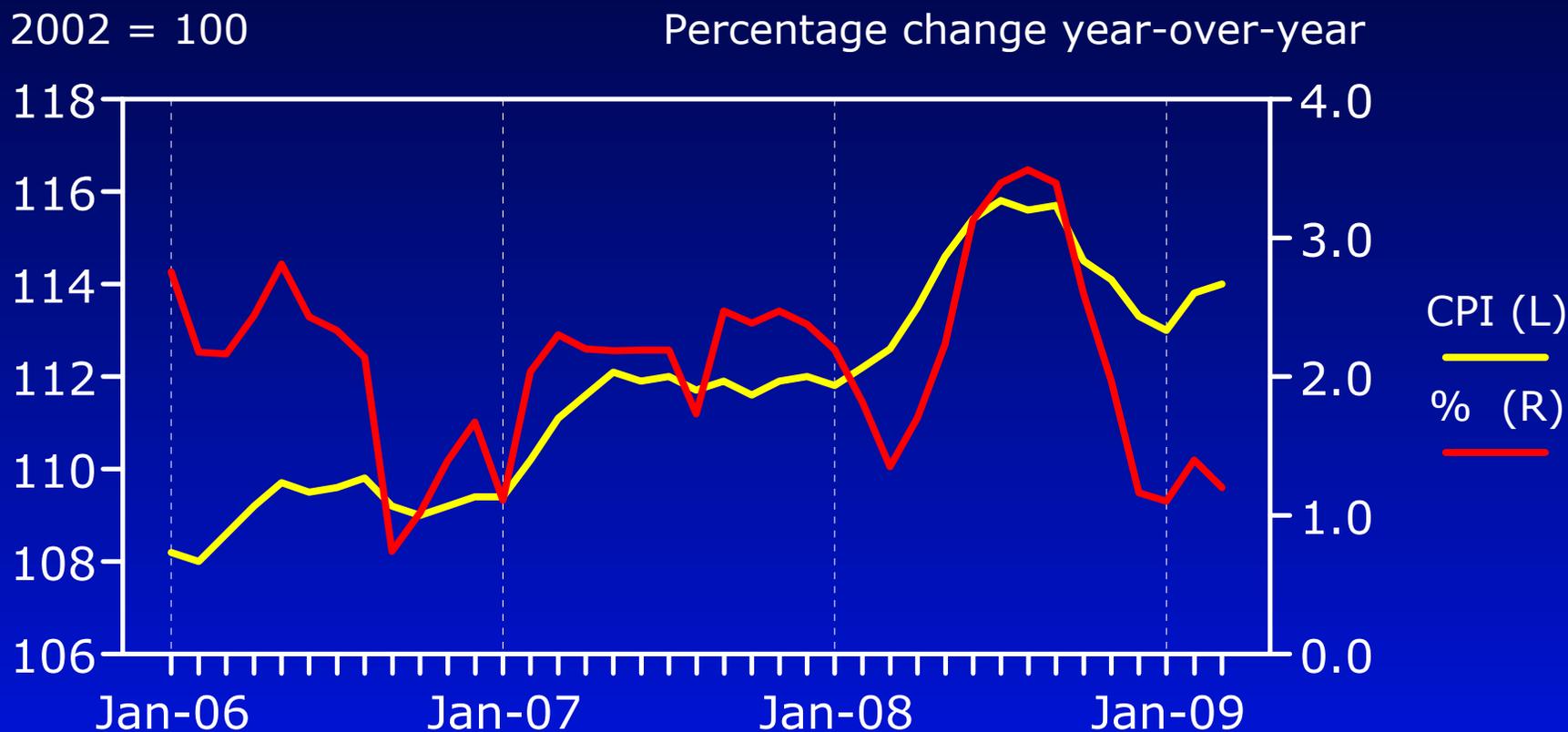


Source: Statistics Canada. Note: Seasonally adjusted. Latest: Apr-09



# Total inflation rate dropping sharply due to lower energy prices

## Consumer Price Index, Canada



Source: Statistics Canada.

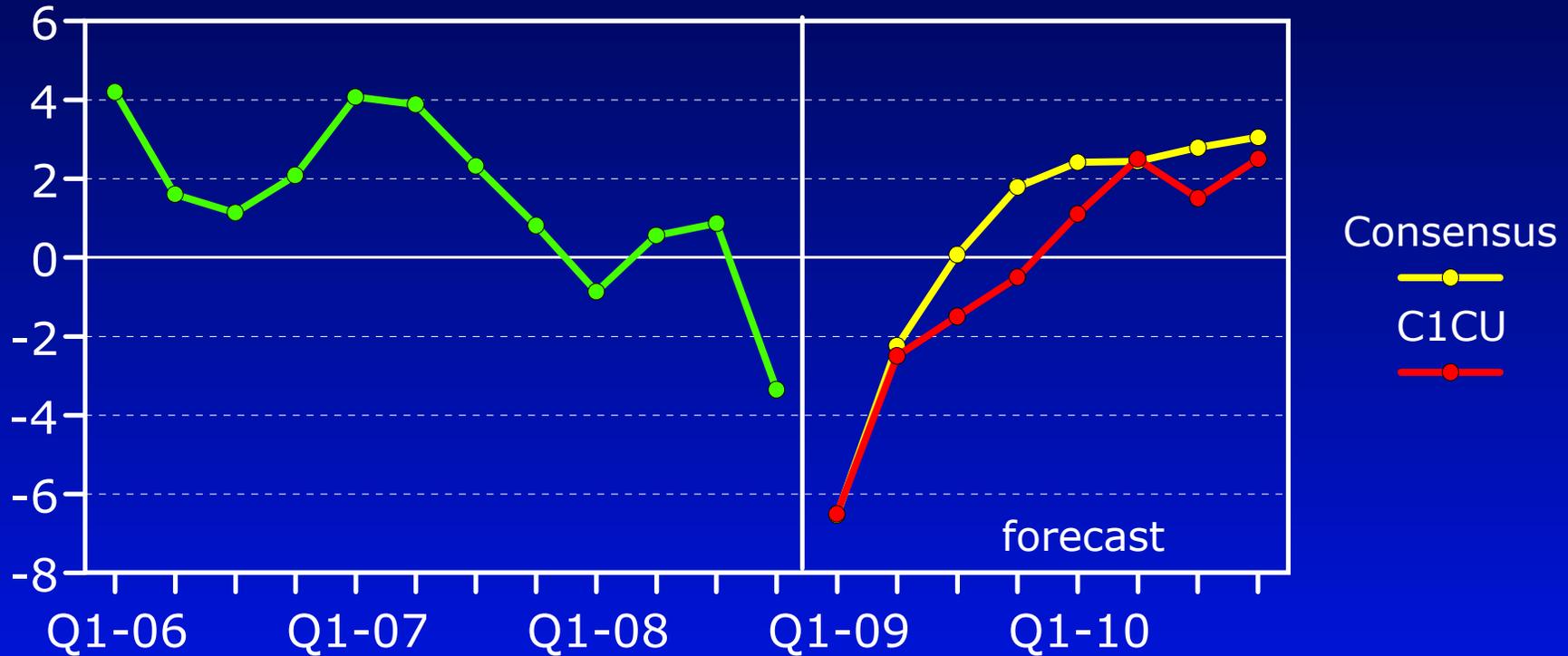
Latest: Mar-09



# Canada's economic performance closely tied to U.S. economic growth profile

## Economic Forecasts, Canada

Percentage change at annual rate in real GDP



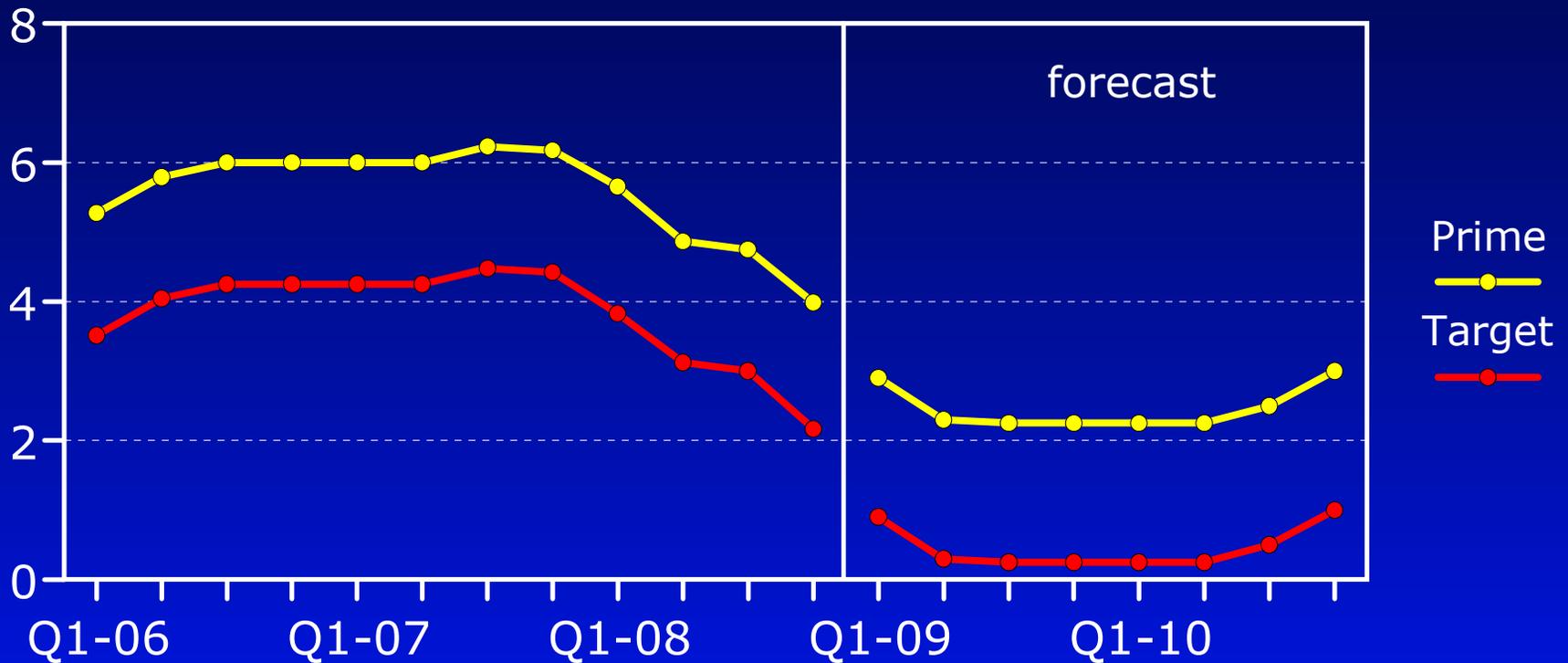
Source: Statistics Canada, C1CU Survey April 2009.



# Near-zero target rate this year

## Prime Lending Rate and Bank of Canada Overnight Target Rate

Per cent



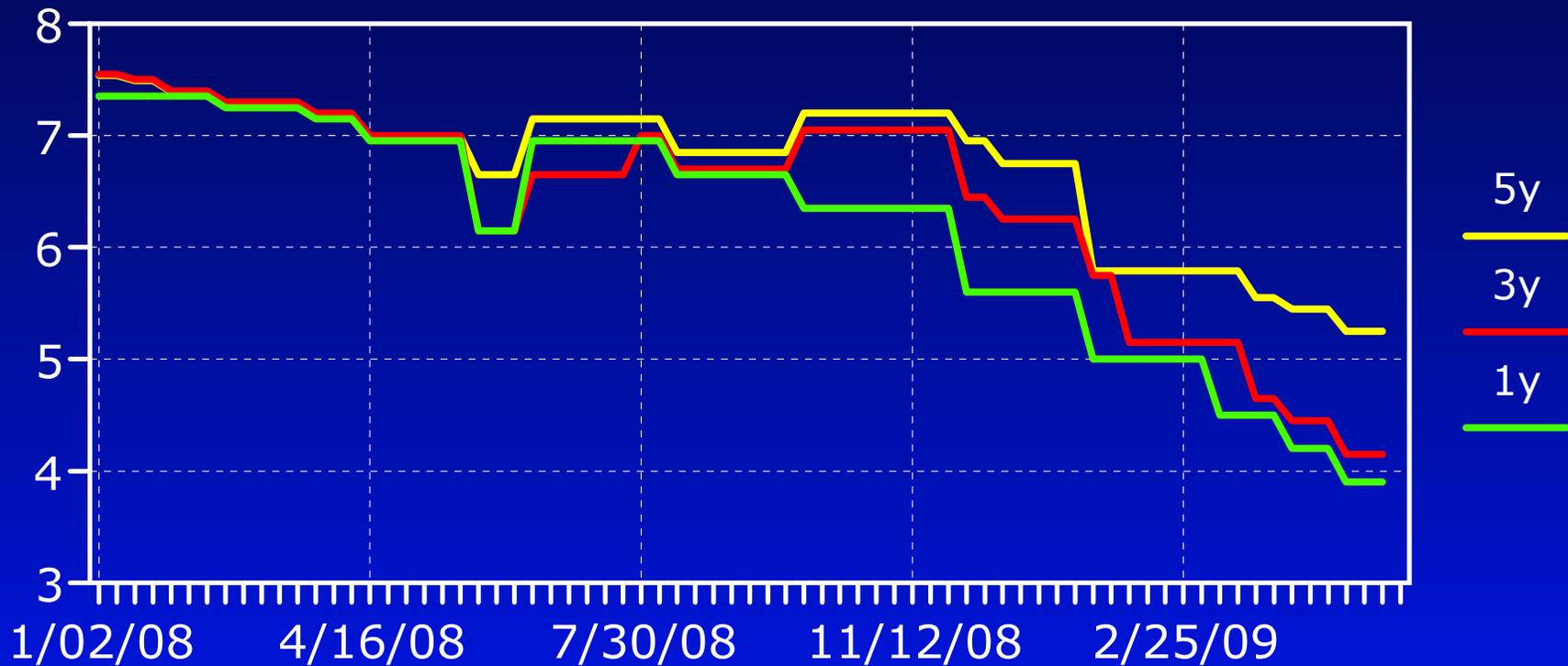
Source: Bank of Canada, C1CU.



# Mortgage rates down since November, modest declines ahead

## Posted Mortgage Rates by Term, Weekly

Per cent



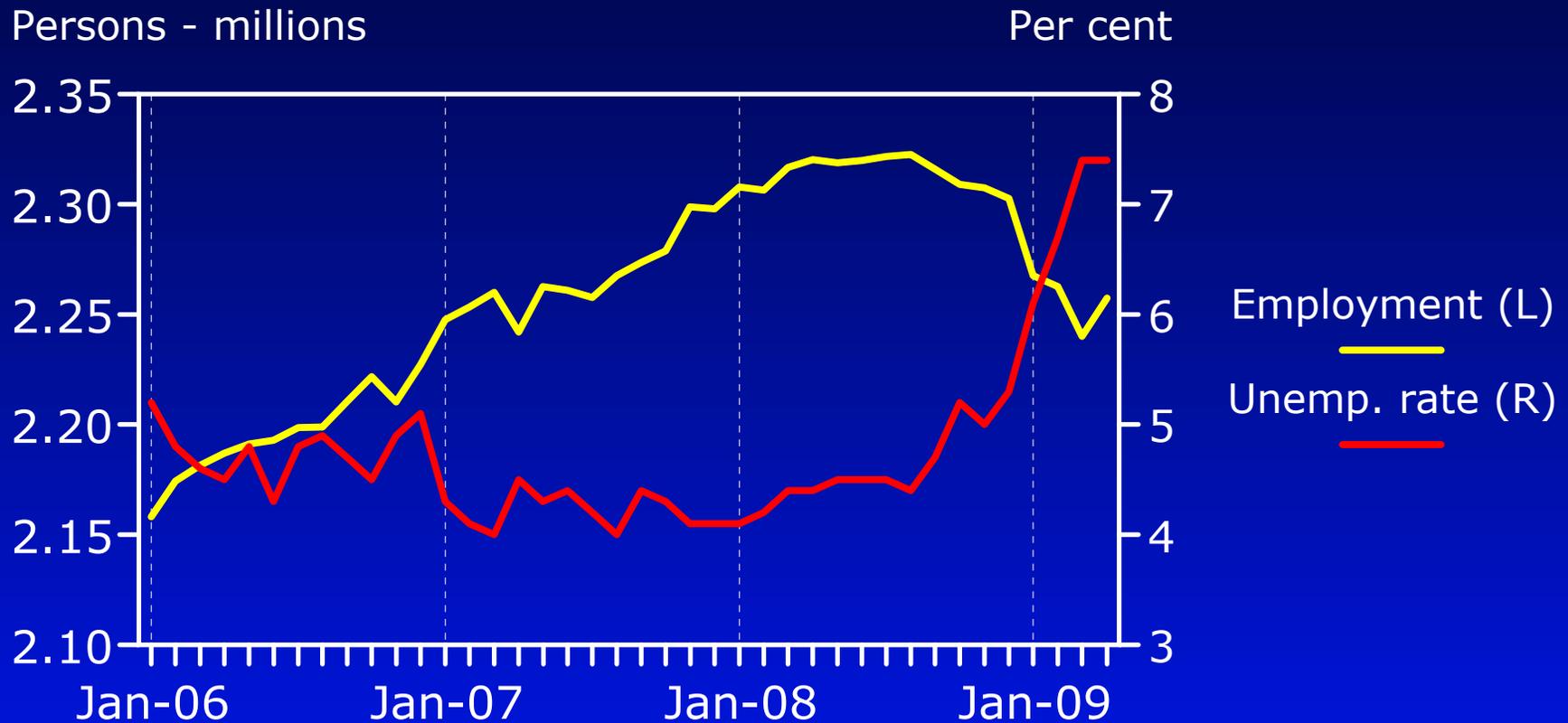
Source: Bank of Canada.

Latest: 5/13/09



# B.C. employment down 65,300 or 2.8% from August 2008 peak

## B.C. Labour Market

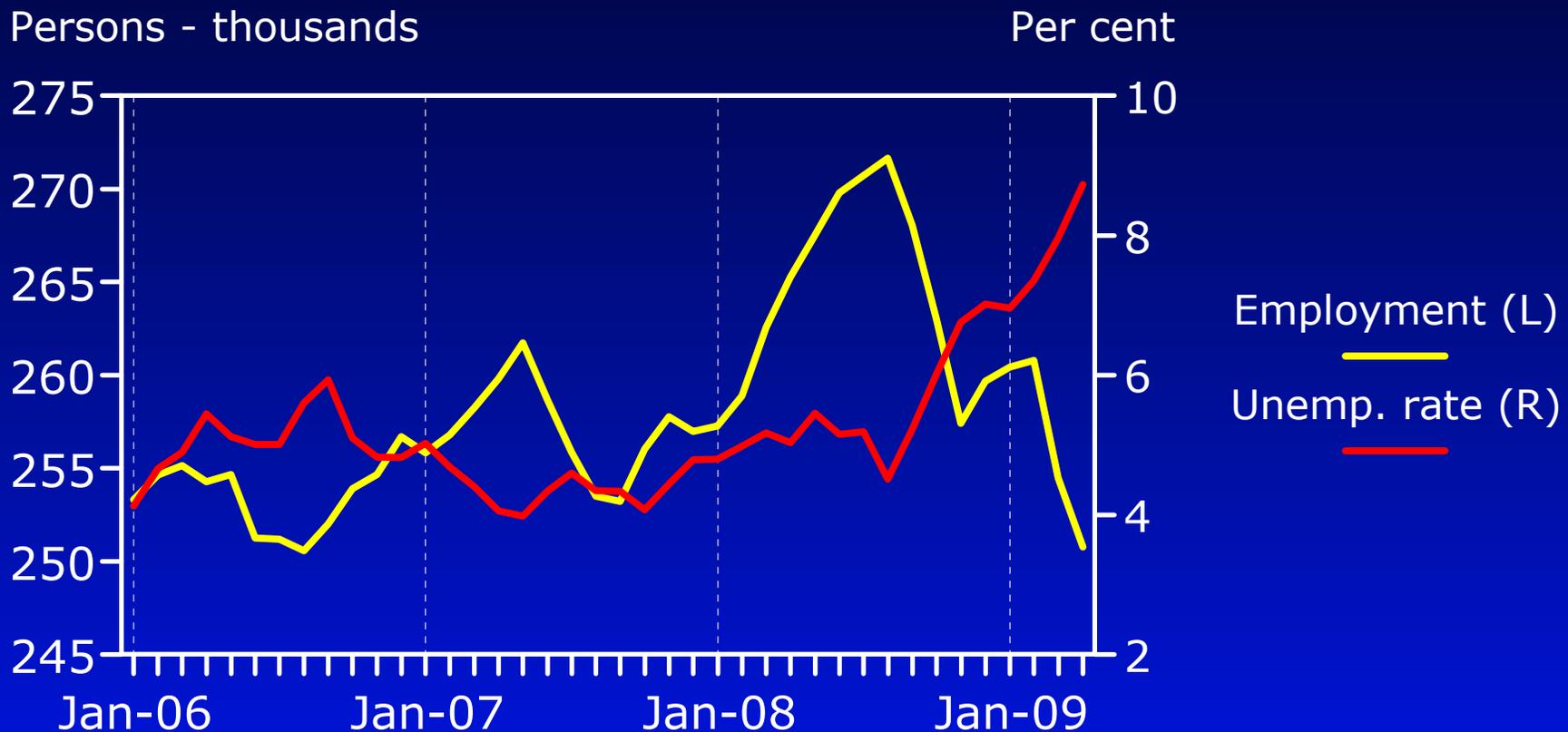


Source: Statistics Canada. Note: Seasonally adjusted. Latest: Apr-09



# Unemployment rate sharply higher since mid-2008

## Thompson-Okanagan Labour Market

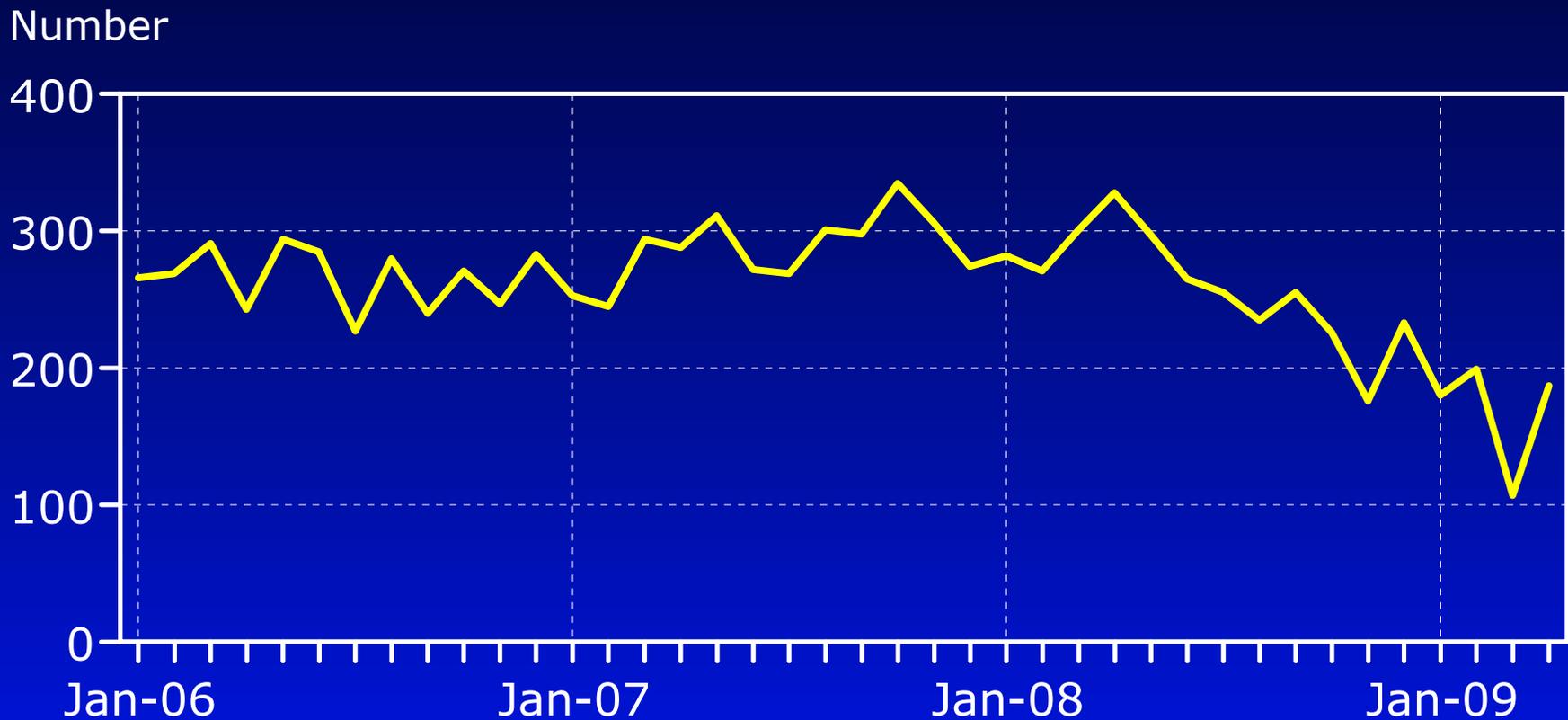


Source: Statistics Canada. Three-month moving average, seasonally adjusted. Latest: Apr-09



# Business incorporations turn lower

## Business Incorporations, Thompson-Okanagan Region



Source: BC STATS.

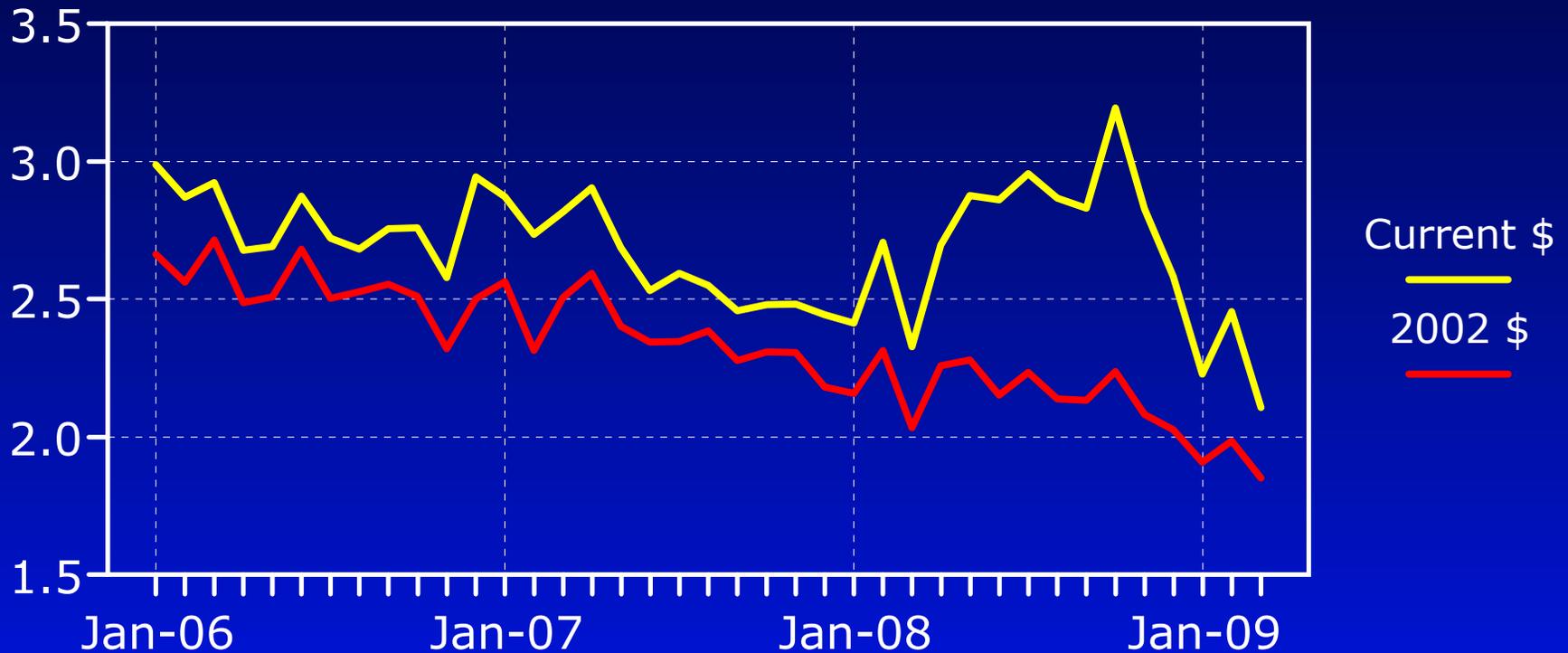
Latest: Apr-09



# Goods exports continue declining

## B.C. International Merchandise Exports

Dollars - billions



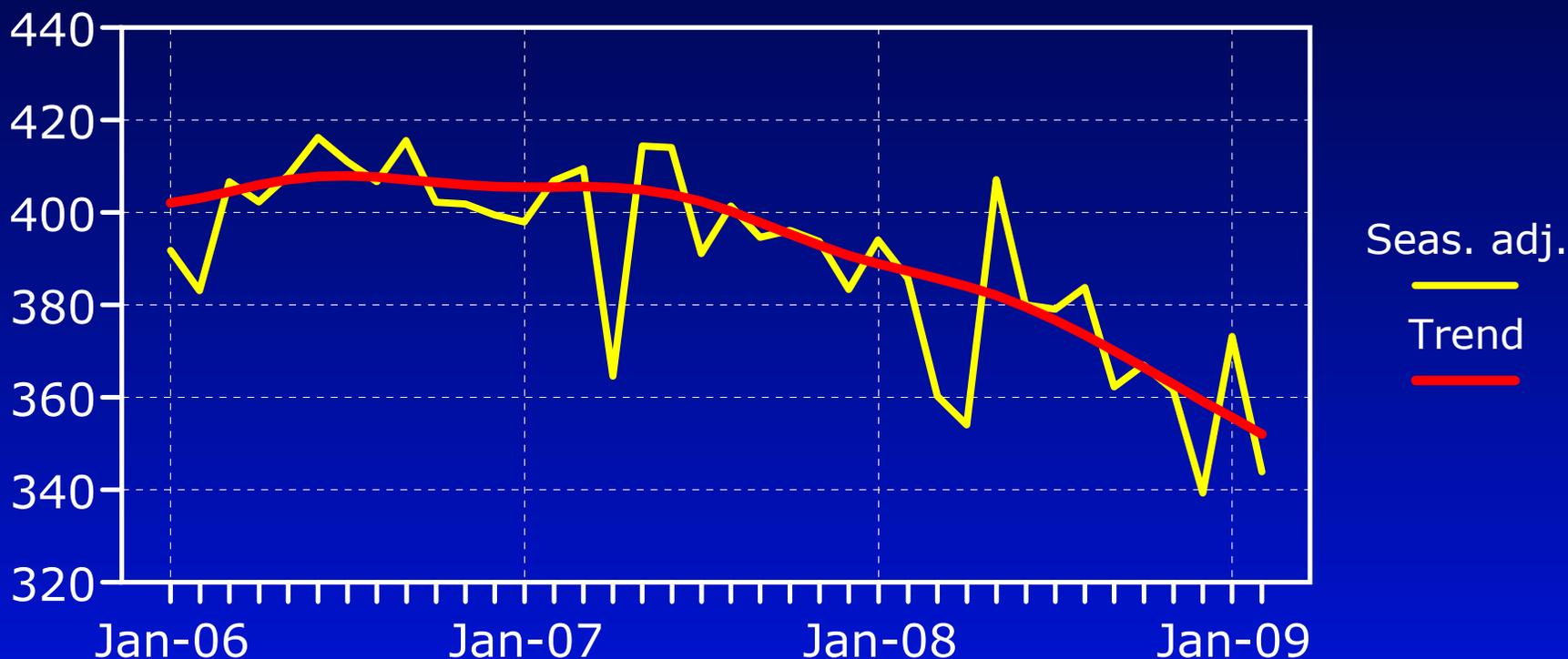
Source: Statistics Canada, C1CU. Note: Seasonally adjusted Latest: Mar-09



# Tourist visits from other countries declining

## B.C. International Tourist Entries

Persons - thousands



Source: Statistics Canada, C1CU.

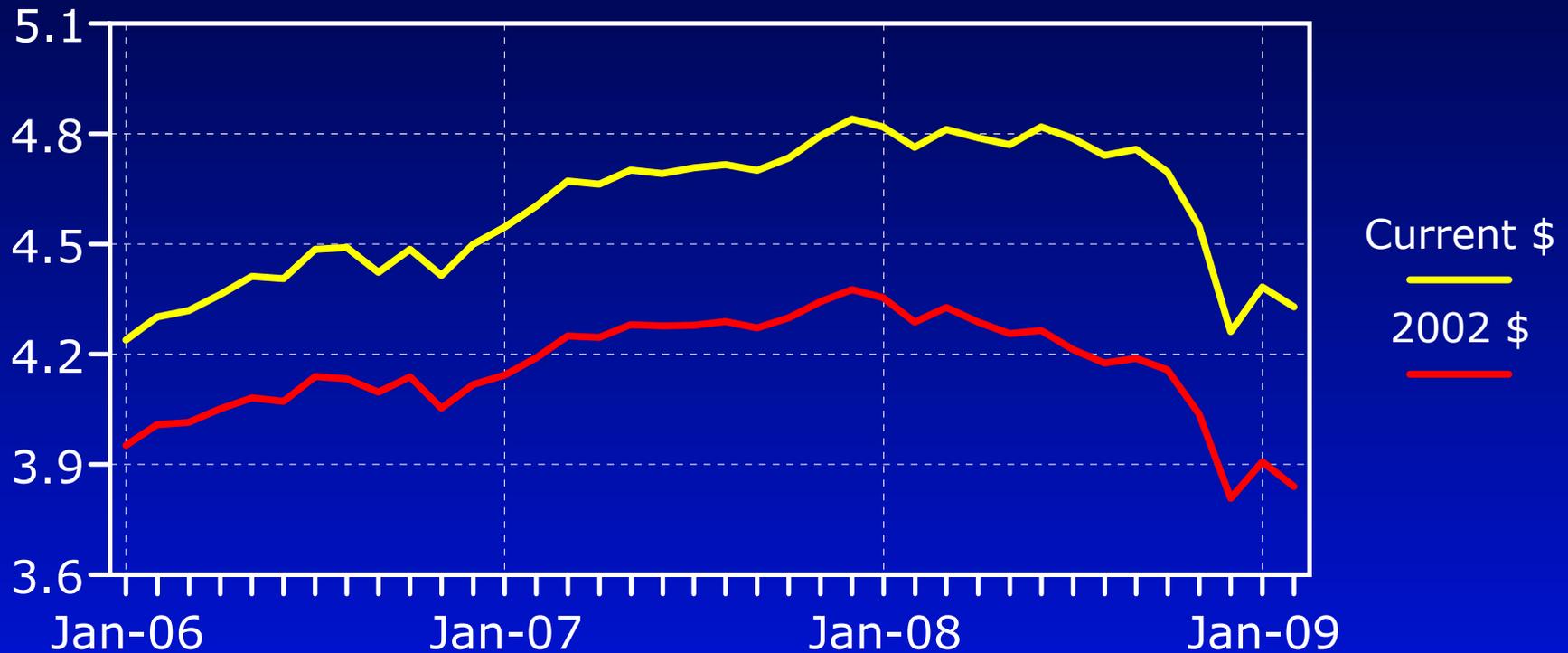
Latest: Feb-09



# Retail sales turn down sharply

## B.C. Retail Sales

Dollars - billions



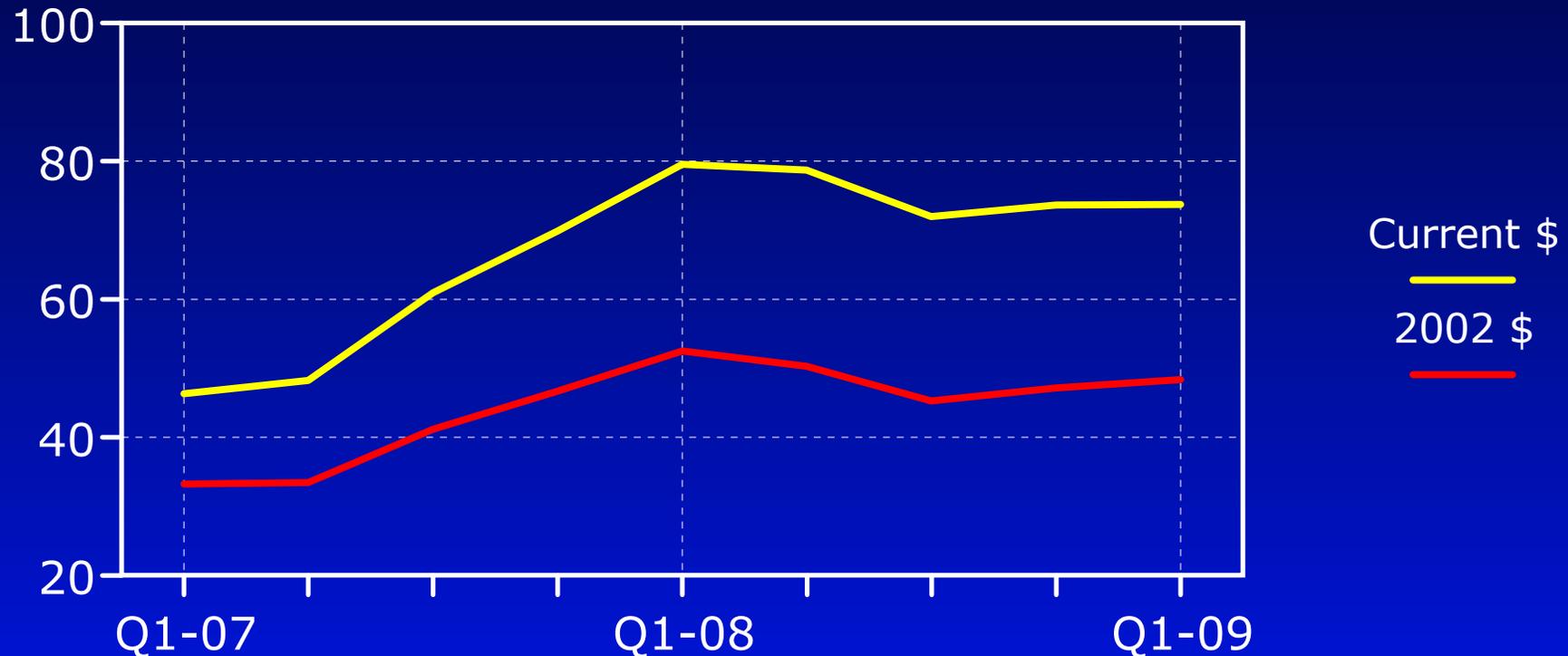
Source: Statistics Canada, C1CU. Note: Seasonally adjusted. Latest: Feb-09



# Total investment spending holding up

## Investment Non-residential Building Construction, Kelowna CMA

Dollars - millions



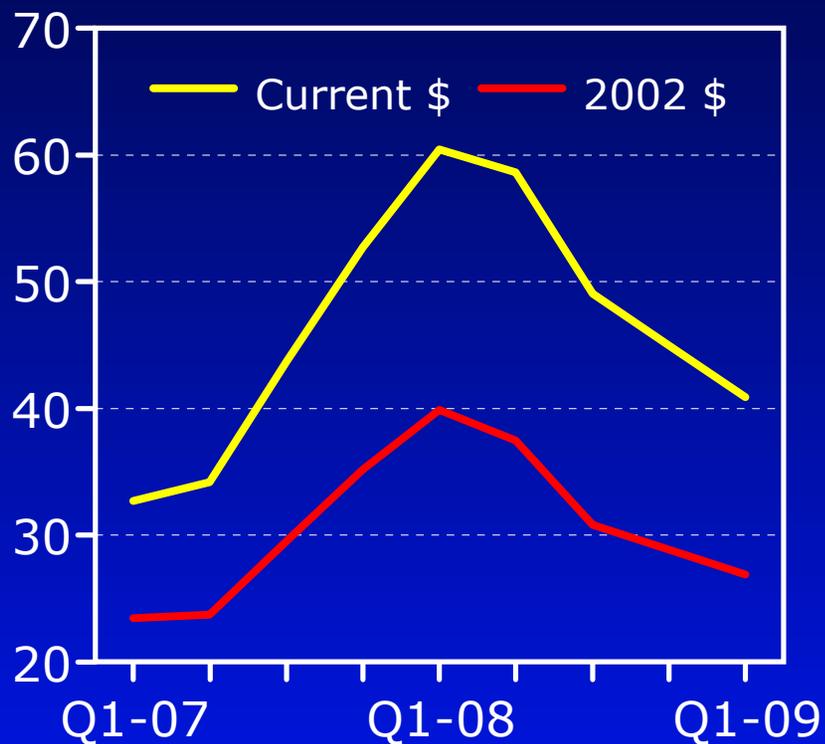
Source: Statistics Canada. Note: Seasonally adjusted.



# Private investment declining, public rising in Kelowna CMA

## Private Construction

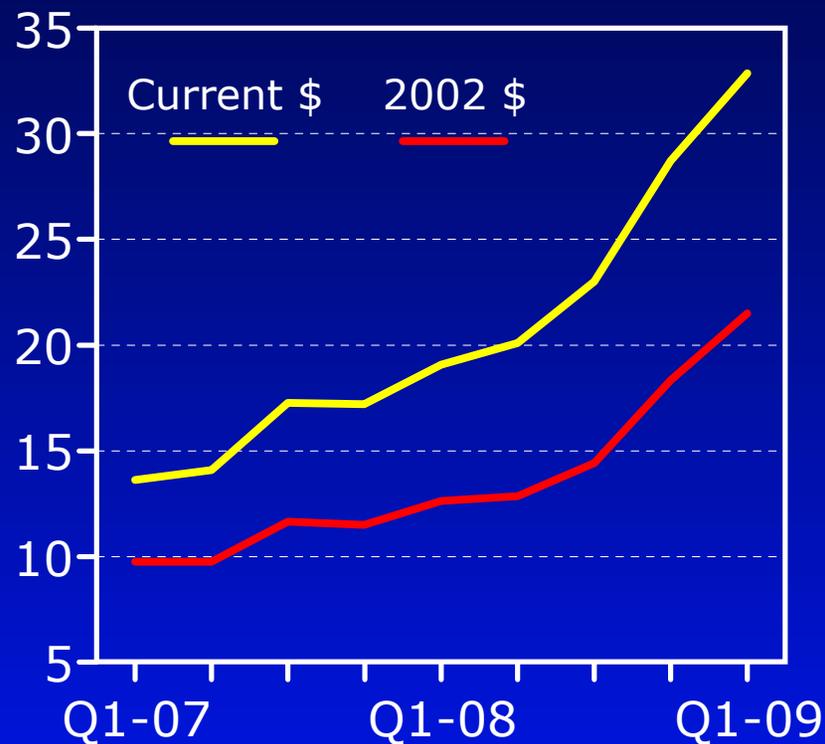
Dollars - millions



Source: Statistics Canada.

## Government Construction

Dollars - millions



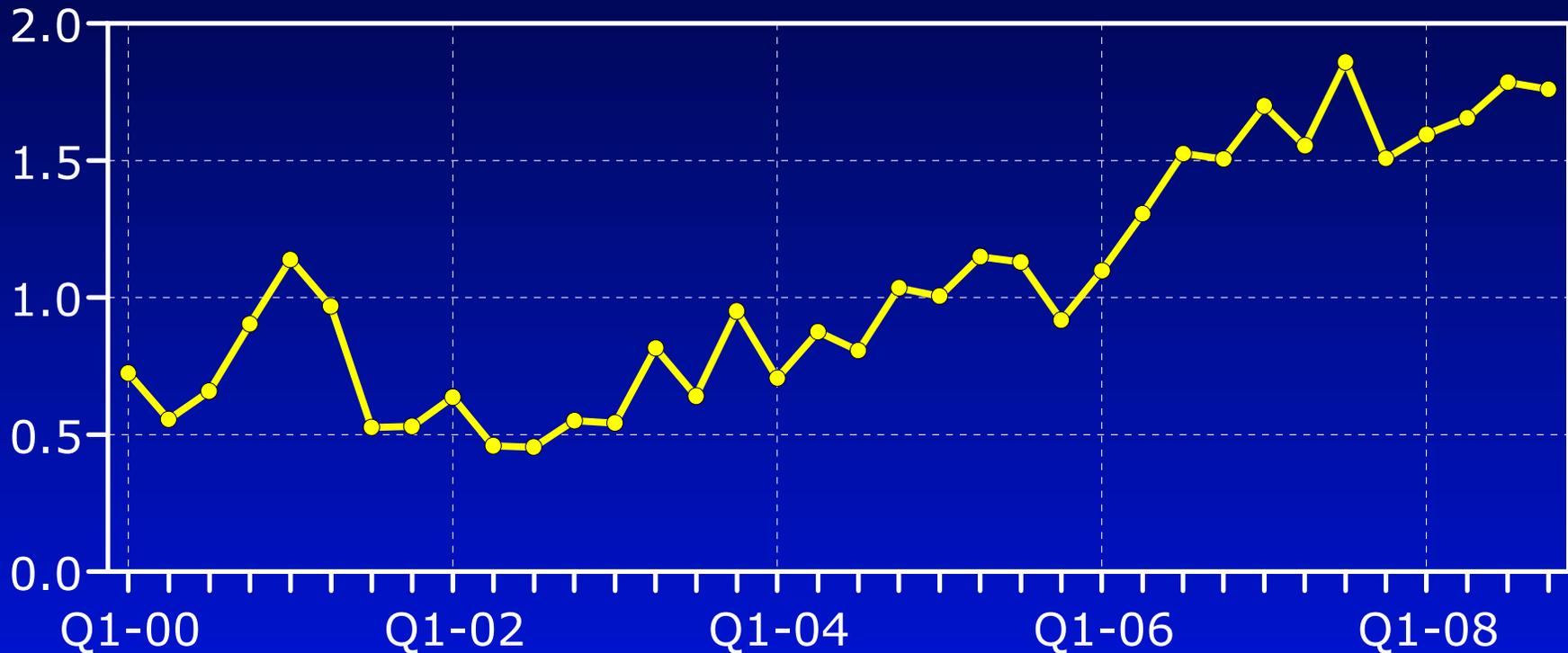
Note: Seasonally adjusted



# Population growth plateaus

## B.C. Population Growth Rate, Quarterly

Percent change at annual rate



Source: Statistics Canada, C1CU.

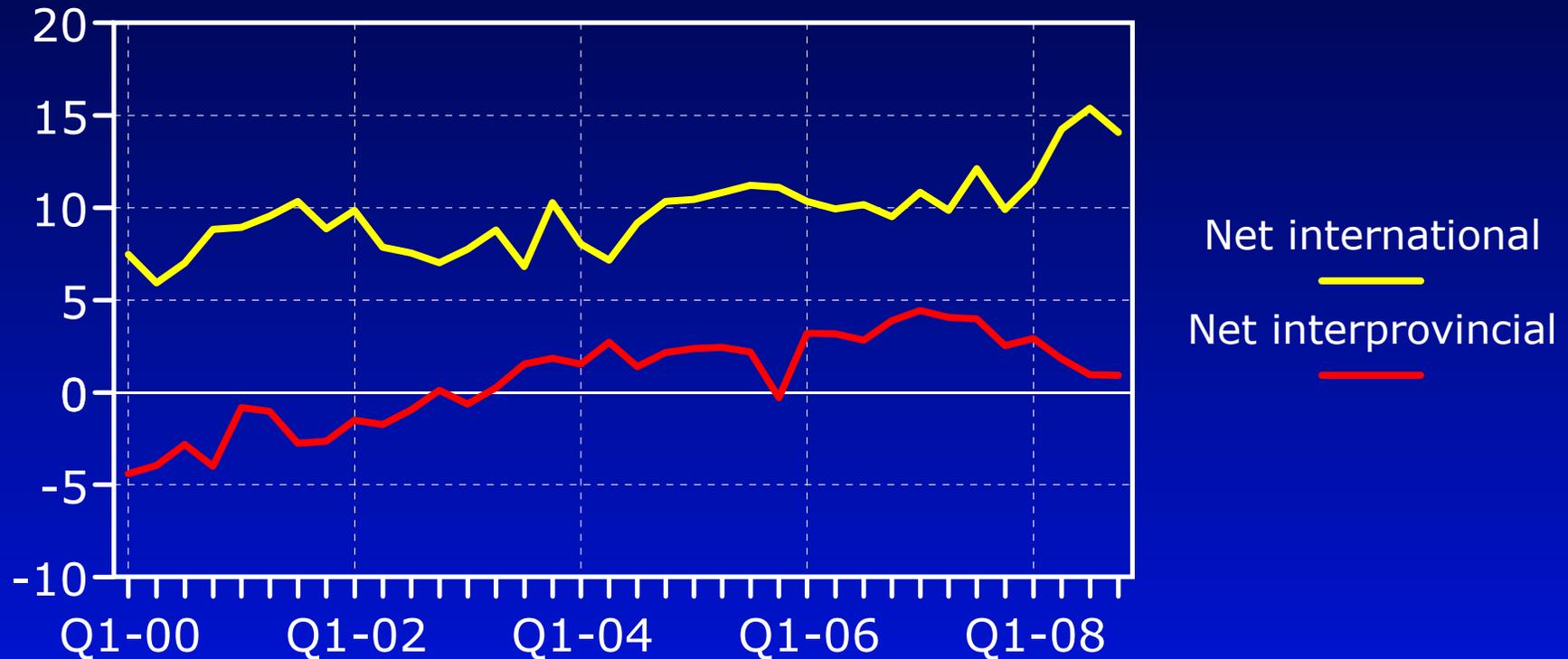
Latest: Q4-08



# Interprovincial migration declining

## Net Migration by Type, B.C., Quarterly

Persons - thousands

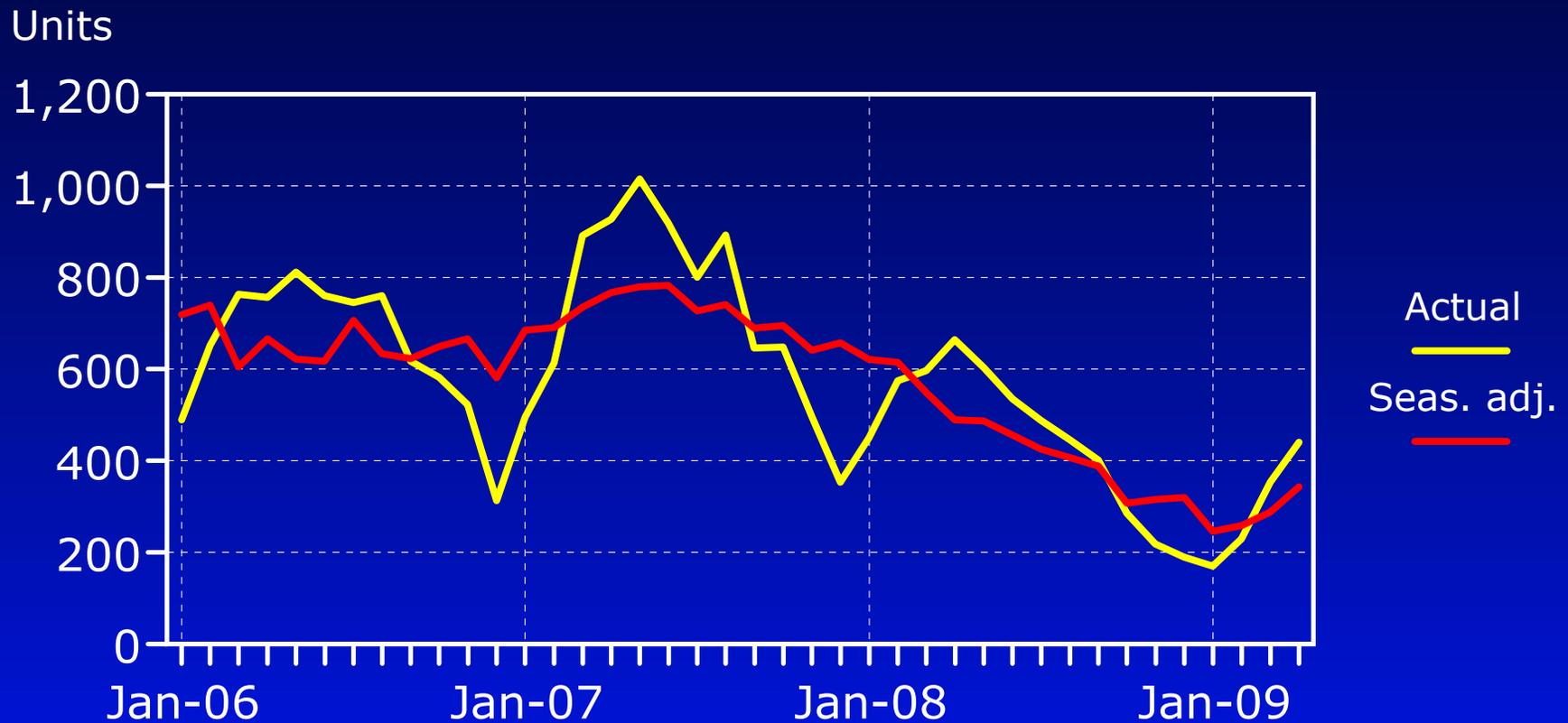


Source: Statistics Canada, C1CU. Note: Seasonally adjusted. Latest: Q4-08



# Housing sales down since mid-2007, minor revival underway

## Okanagan-Mainline MLS Residential Sales



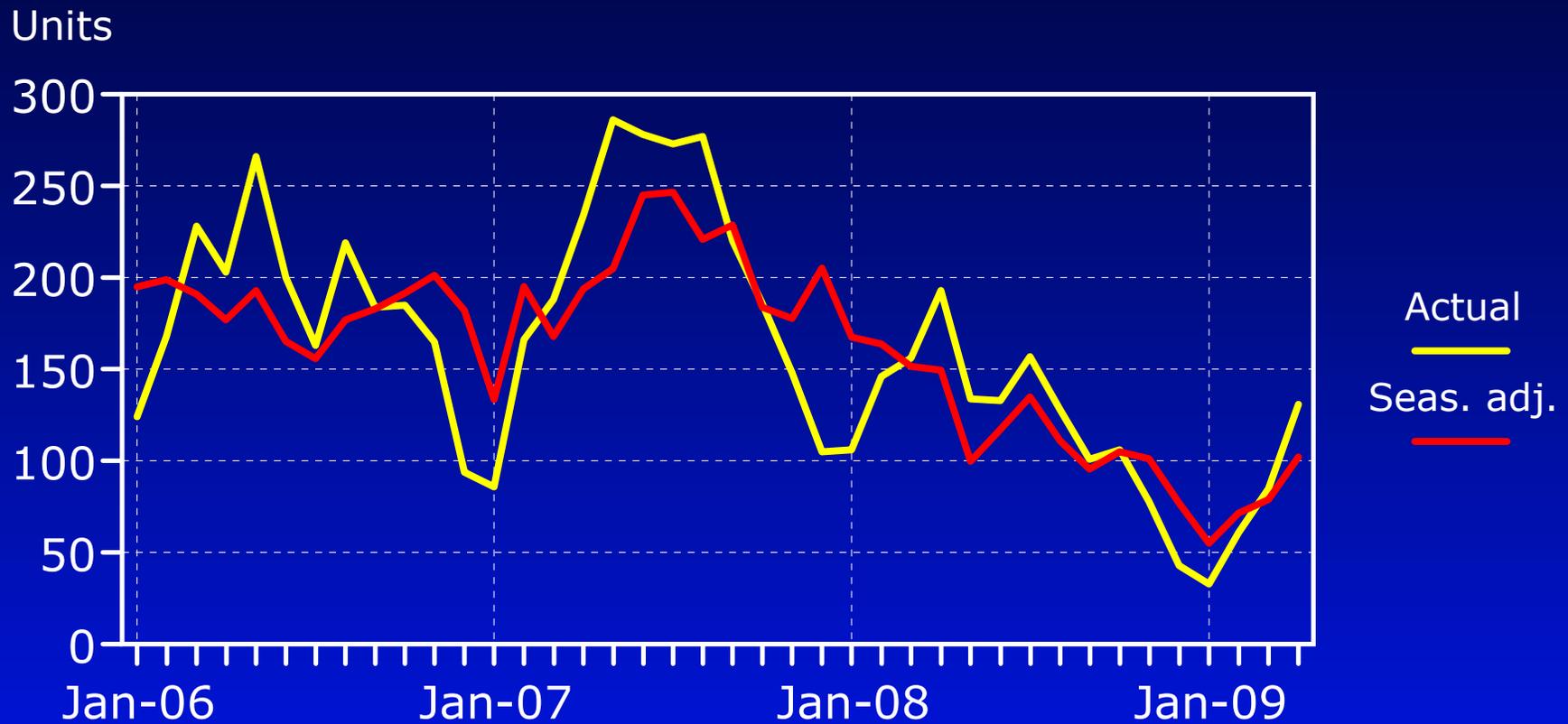
Source: CREA, C1CU.

Latest: Apr-09



# Stronger sales upturn in 2009

## South Okanagan MLS Residential Sales



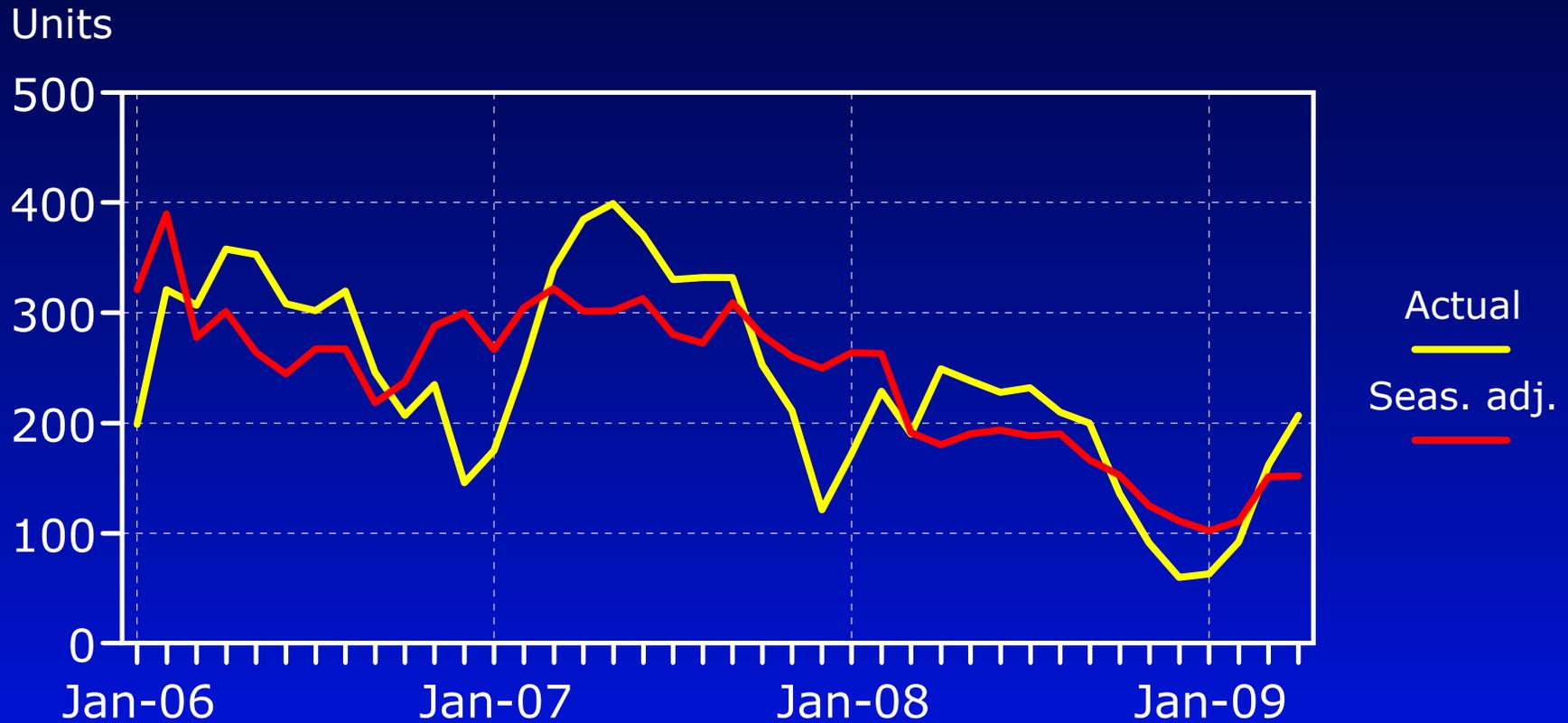
Source: CREA, C1CU.

Latest: Apr-09



# Kamloops sales revival stalls in April

## Kamloops MLS Residential Sales



Source: CREA, C1CU.

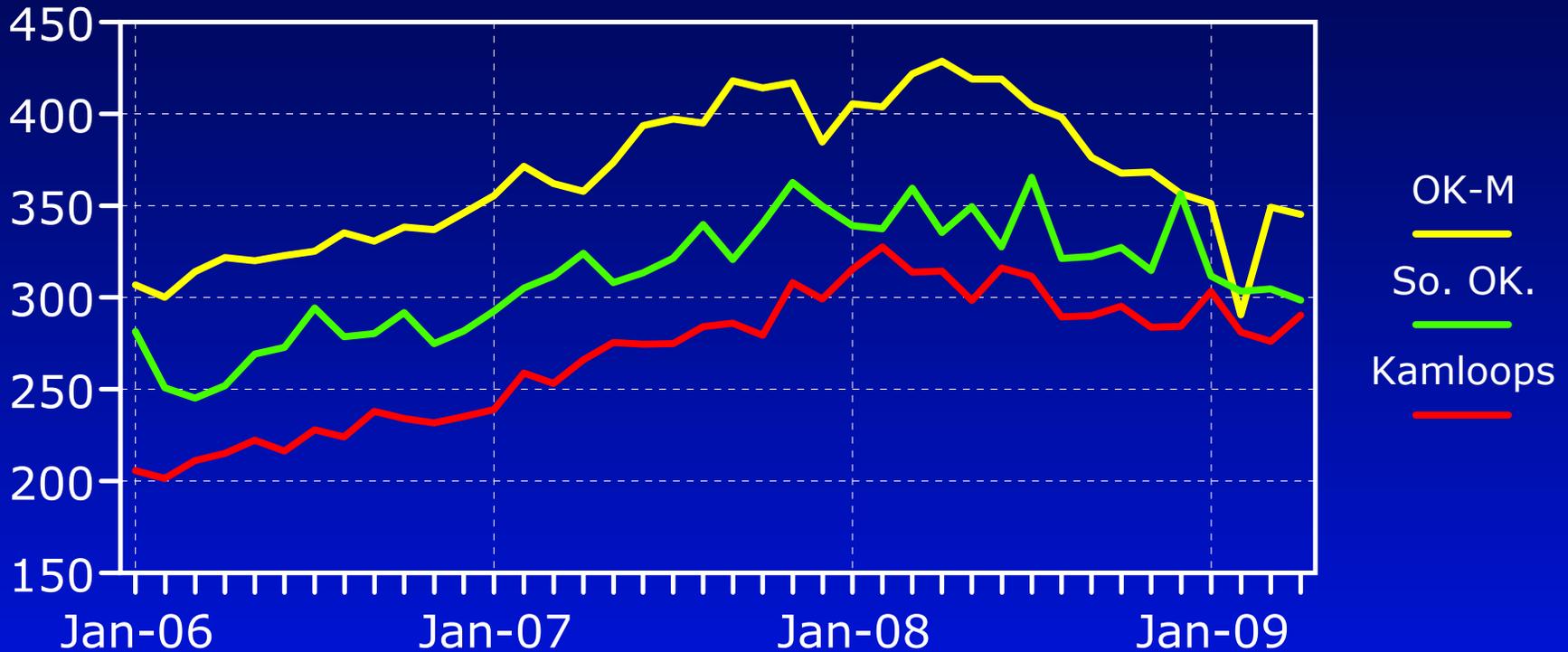
Latest: Apr-09



# Housing prices trending down

## MLS Residential Average Sales Price by Real Estate Board

Dollars - thousands



Source: CREA, C1CU. Note: seasonally adjusted.

Latest: Apr-09



# Sales cyclical turning point approaching?

## MLS Residential Sales Cycle, Thompson-Okanagan

Per cent of cycle deviation from trend



Source: C1CU.

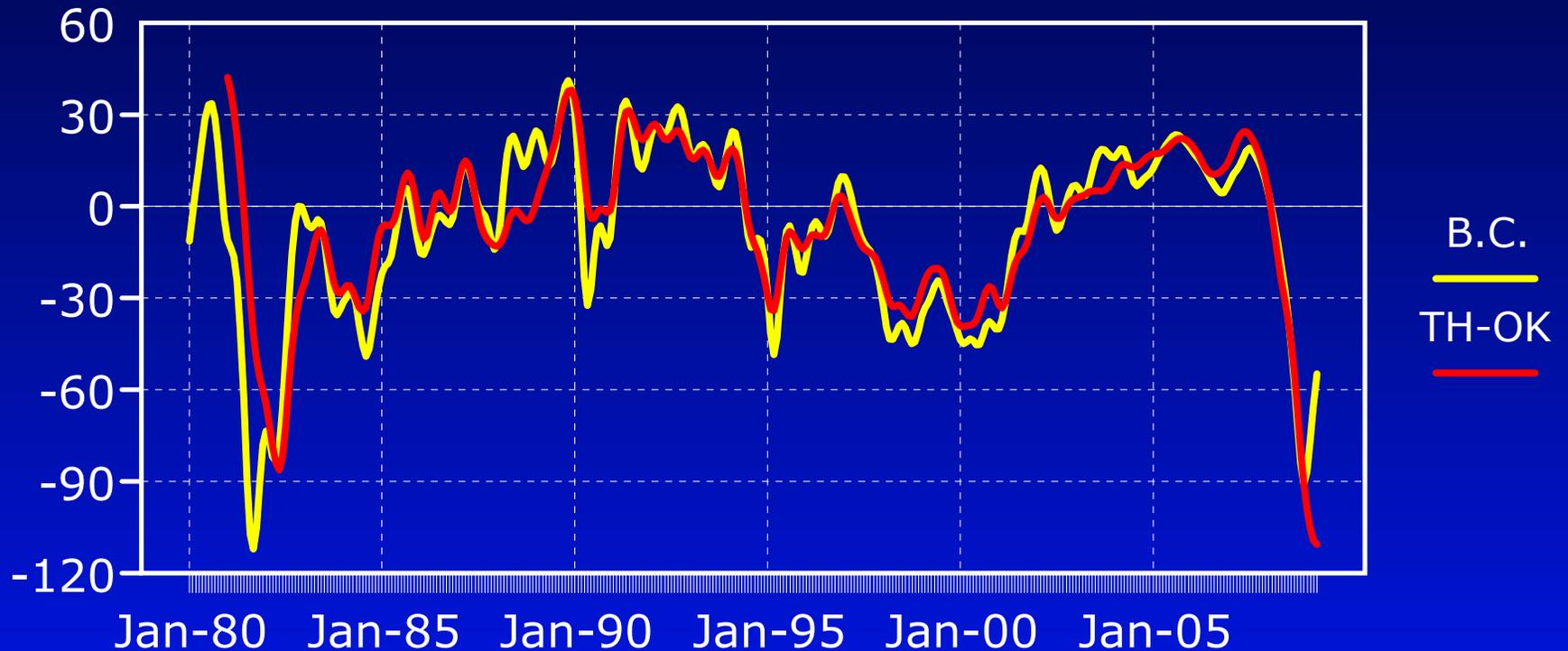
Latest: Apr-09.



# Close relationship between B.C. and Thompson-Okanagan sales cycles

## MLS Residential Sales Cycle, B.C. and Thompson-Okanagan

Per cent of cycle deviation from trend



Source: C1CU.

Latest: Apr-09.



# Regional housing prices in cyclical decline

## MLS Residential Average Sales Price Cycle, Thompson-Okanaga

Per cent of cycle deviation from trend



Source: C1CU.

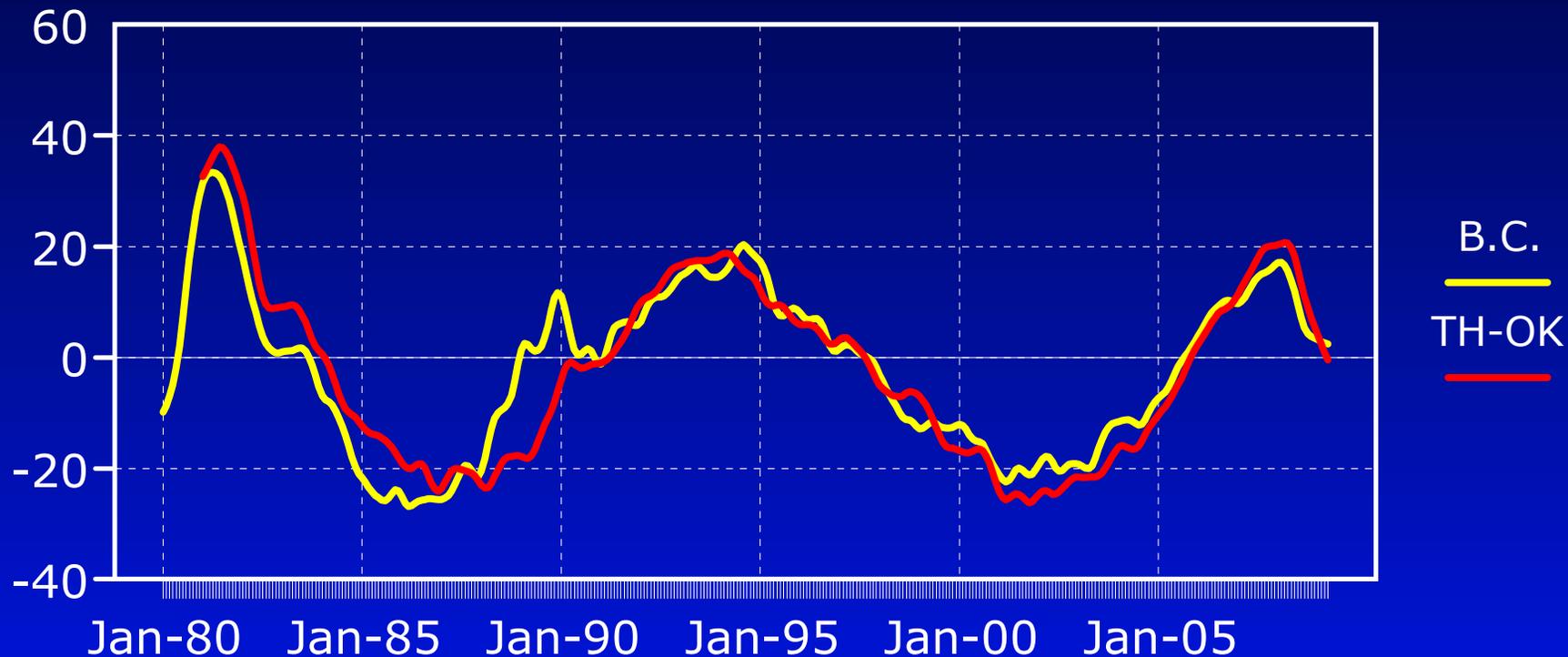
Latest: Apr-09.



# B.C. price cycle decline slowing

## MLS Residential Average Sales Price Cycle, B.C. and TH-OK

Per cent of cycle deviation from trend



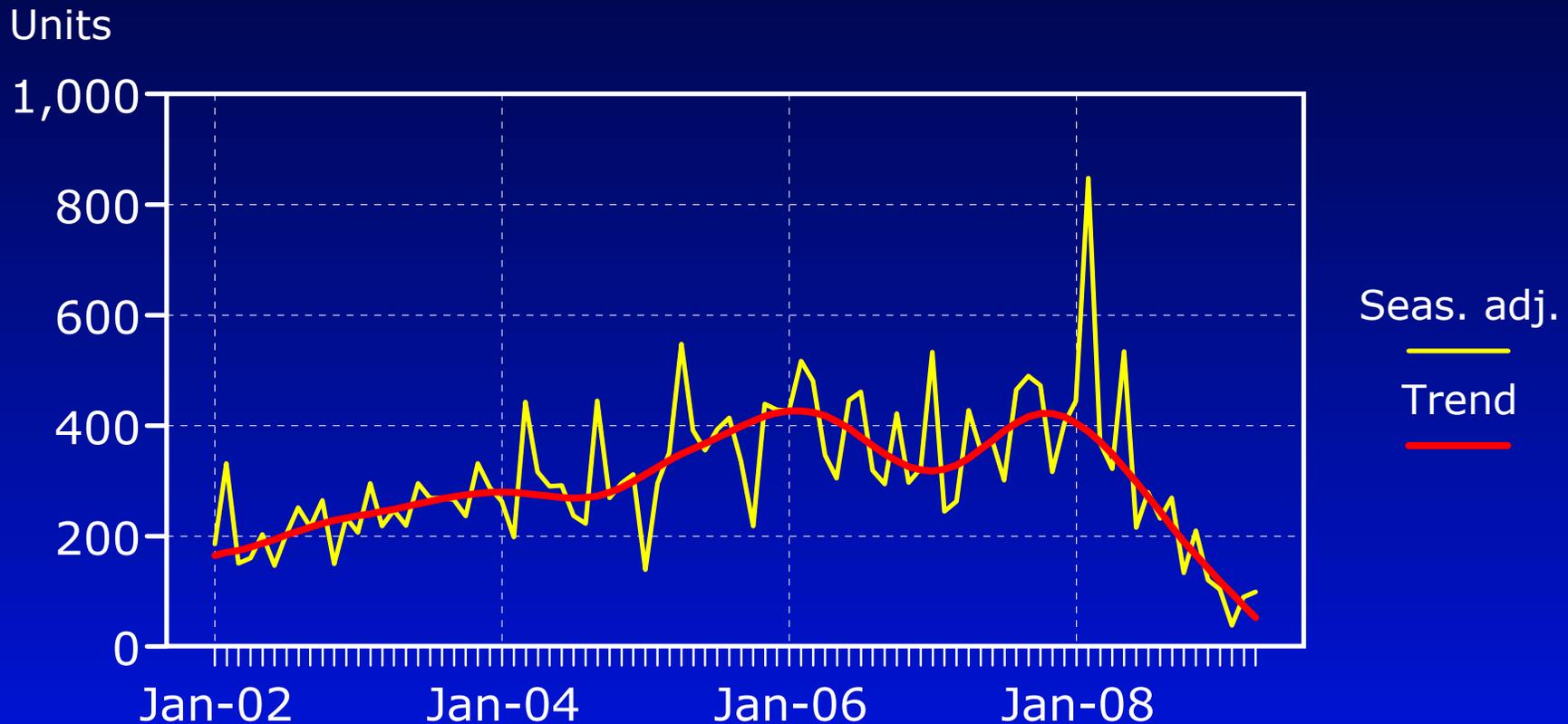
Source: C1CU.

Latest: Apr-09.



# Sharp drop in new construction

## Housing Starts, Thompson-Okanagan Urban Centres



Source: CMHC, C1CU.

Latest: Apr-09



## B.C. economy in recession during 2009, Olympic bounce in 2010

Indicator	2008	2009f	2010f
Real GDP, % change	-0.3	-2.2	2.4
Nominal GDP, % change	3.5	-4.4	3.5
Personal income, % change	5.2	-3.7	-0.6
Employment, % change	2.1	-3.5	0.7
Unemployment rate, %	4.6	8.0	8.3
Corporate profits, % change	2.2	-8.9	11.5

Source: Statistics Canada, C1CU forecast.



# Modest gains in B.C. housing market next year

Indicator	2008	2009f	2010f
Population growth, % change	1.7	1.6	1.4
CPI, % change	2.1	0.4	1.3
Retail sales, % change	0.2	-2.8	0.5
Housing sales, % change	-33.0	-9.0	15.0
Housing prices, % change	3.5	-5.0	-3.0
Housing starts, % change	-12.4	-55.0	8.0

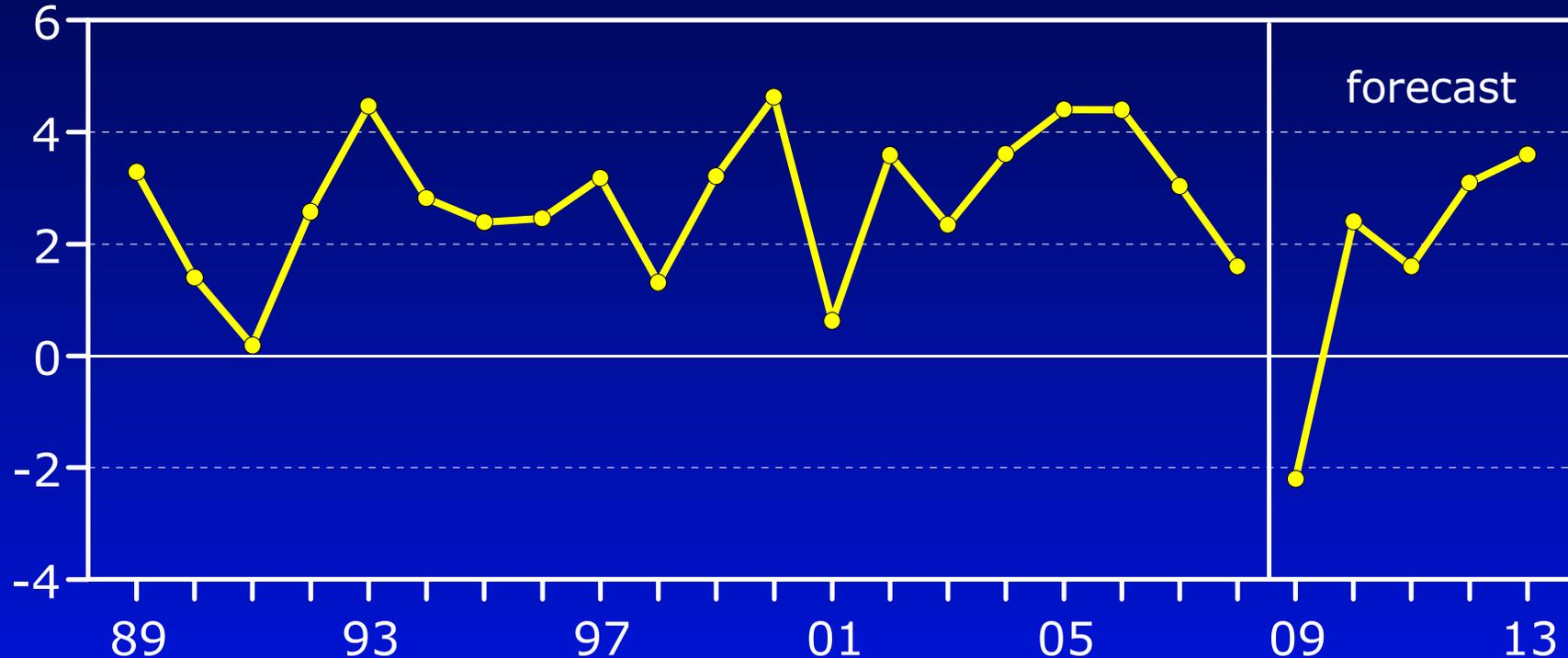
Source: Statistics Canada, CREA, CMHC, C1CU forecast.



# Recession ends by 2010, return to normal growth in 2012

## B.C. Economic Growth to 2013

Percentage change in real GDP



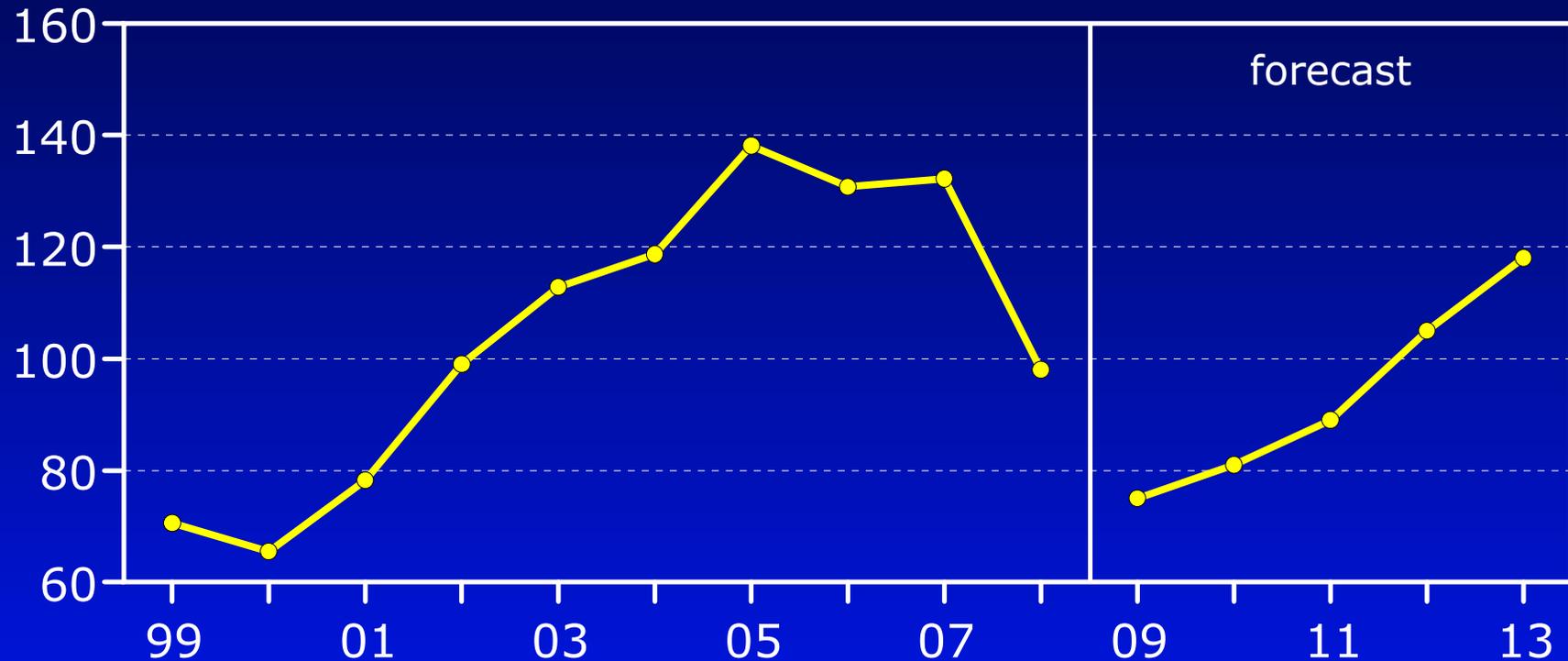
Source: Statistics Canada, C1CU. Note: 2008 estimate by C1CU



# Housing sales cycle bottom in 2009, moderate recovery

## B.C. Residential Sales, Annually

Units - thousands



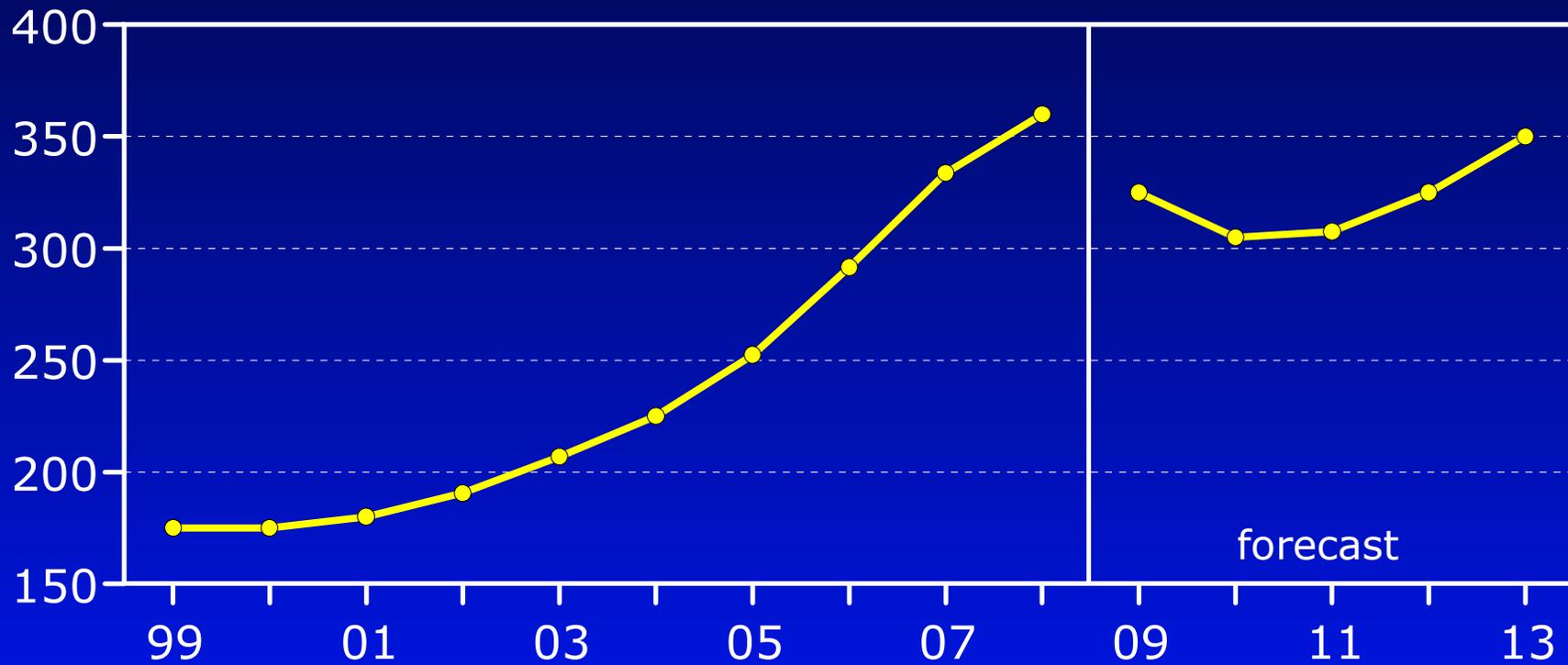
Source: Landcor Data Corp., C1CU.



# Lower prices through 2009 and 2010, weak recovery to 2012

## B.C. Residential Median Sales Price, Annually

Dollars - thousands



Source: Landcor Data Corp., C1CU.



# Summary:

- Economic recession in 2009, modest recovery in 2010
- Job losses, higher unemployment, lower aggregate income in 2009
- Weaker consumer spending, substantially less private investment, fewer exports
- Housing prices stabilize in 2009, moderate sales recovery
- Return to normal economic growth by 2012



