

Economic Outlook

Northwest/Prince Rupert Chapter,
Real Estate Institute of British Columbia

Wednesday, June 3, 2009

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Chief Economist
Central 1 Credit Union



Outline:

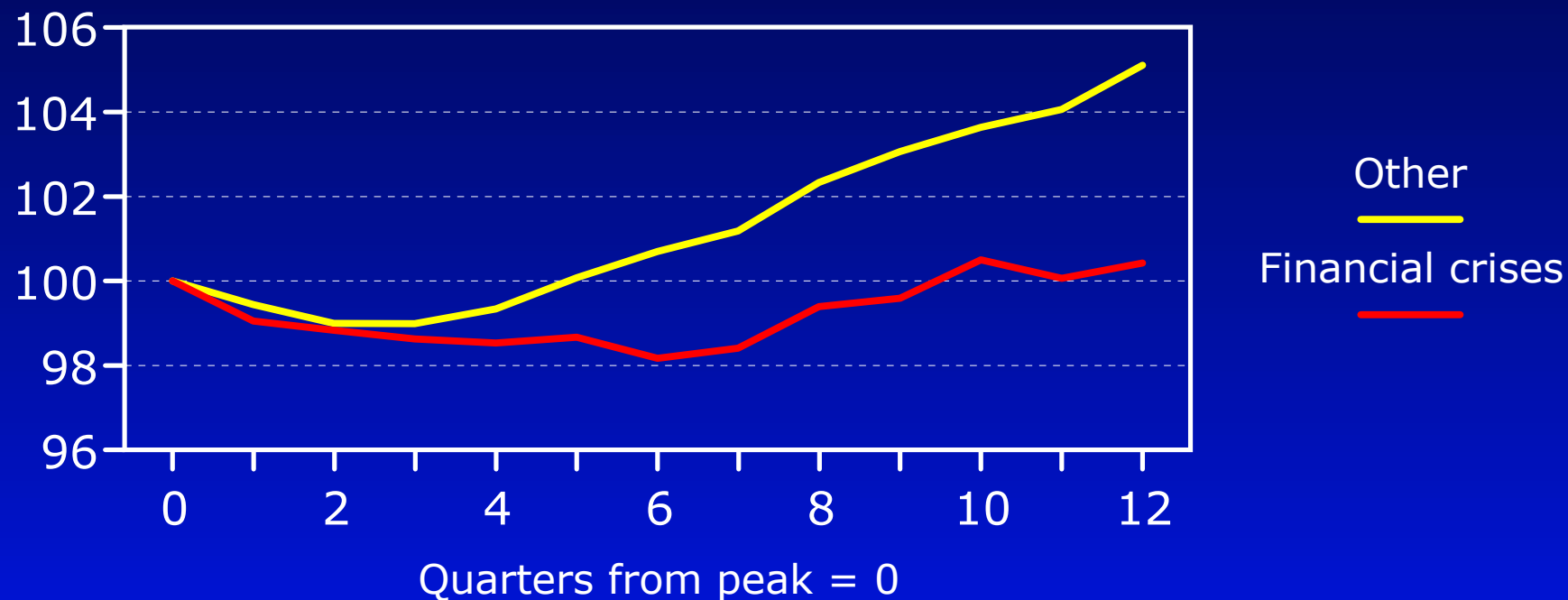
- Financial crisis and impacts
- U.S. and Canadian economies
- B. C. economic conditions
- Regional economy and housing market
- Forecasts and summary



Financial crises cause longer recessions and weaker recoveries

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

Median = 100



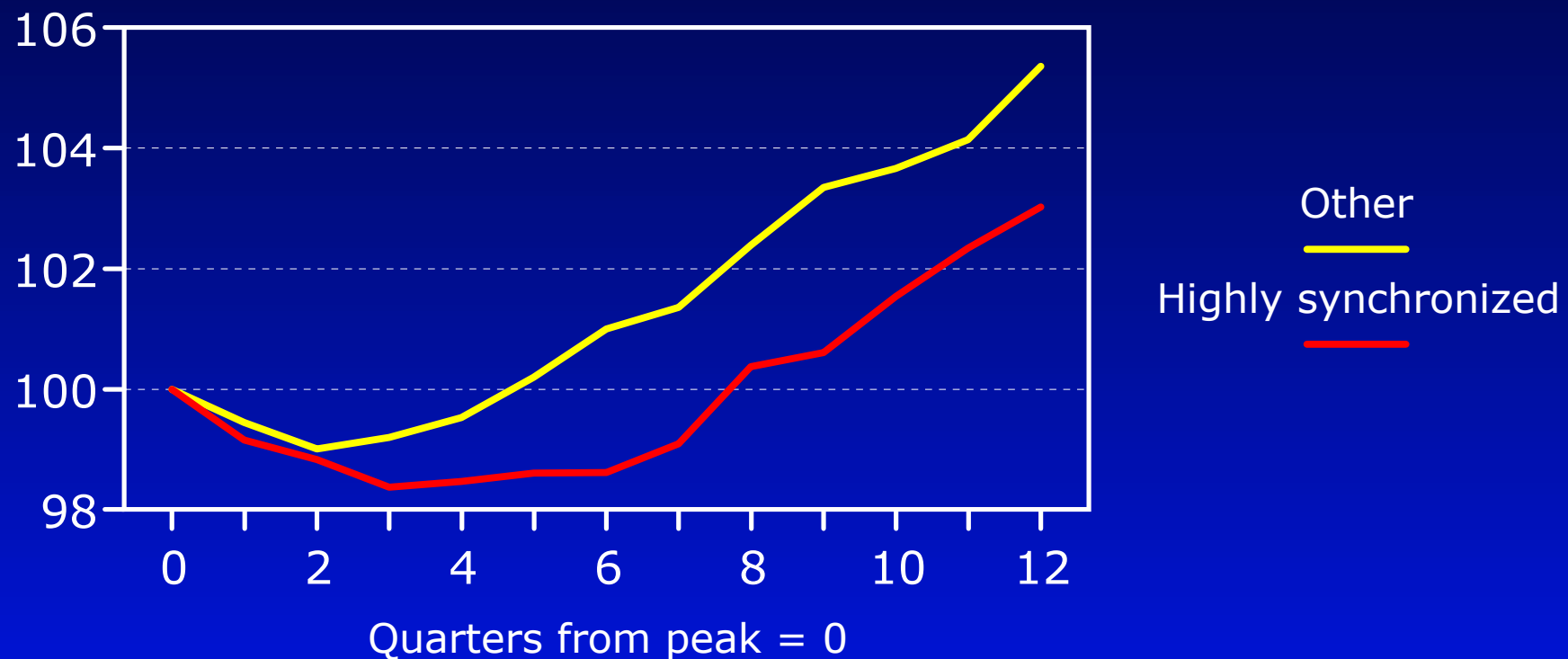
Source: IMF WEO April 2009.



Highly synchronized recessions more protracted and severe than other recessions

Output during highly synchronized recessions

Median = 100



Source: IMF WEO April 2009.



Financial conditions beginning to ease

Financial Conditions Index, Weekly, Canada

0 = average last 10 years



Source: Bank of Canada.

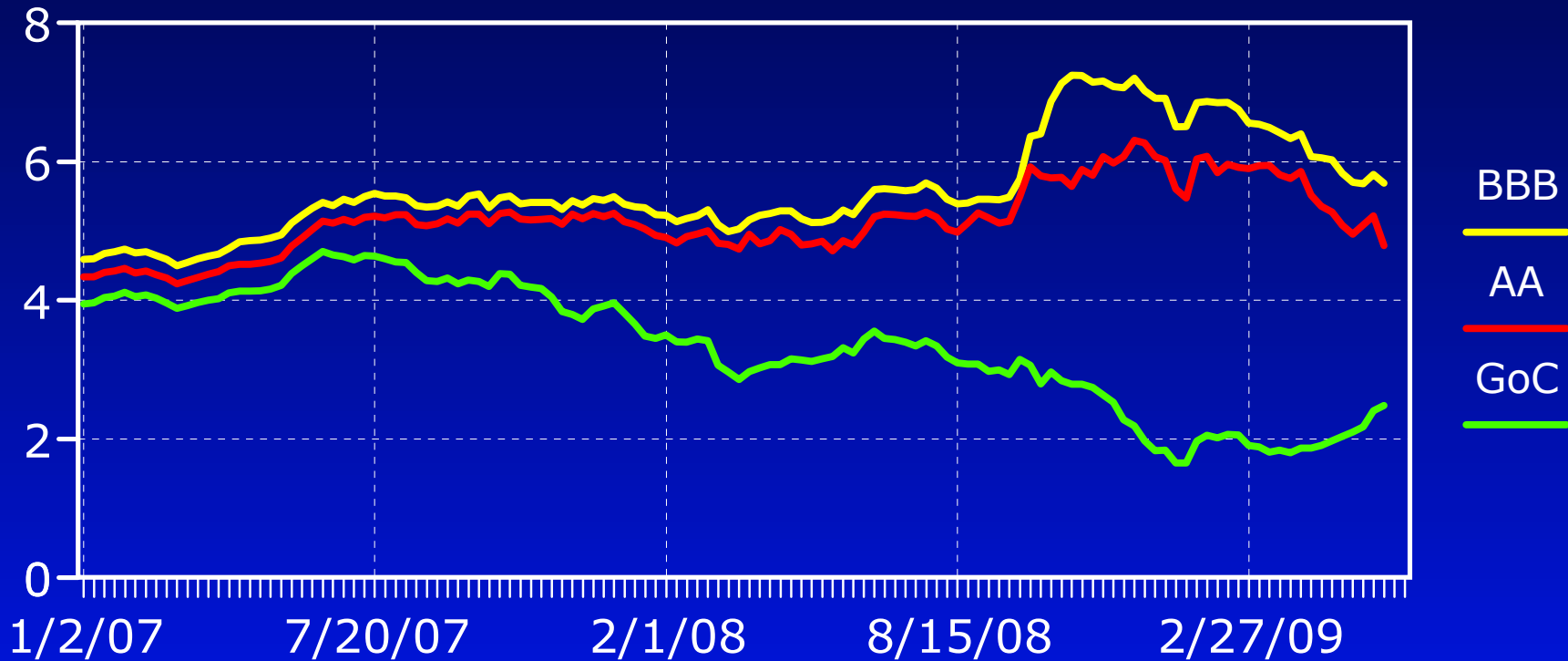
Latest: 5/8/09



Investor flight to safety, very low yield on government bonds; high corporate rates coming down

Five-year Corporate and Government Bond Yields, Weekly

Per cent



Source: BMOCM, Bank of Canada.

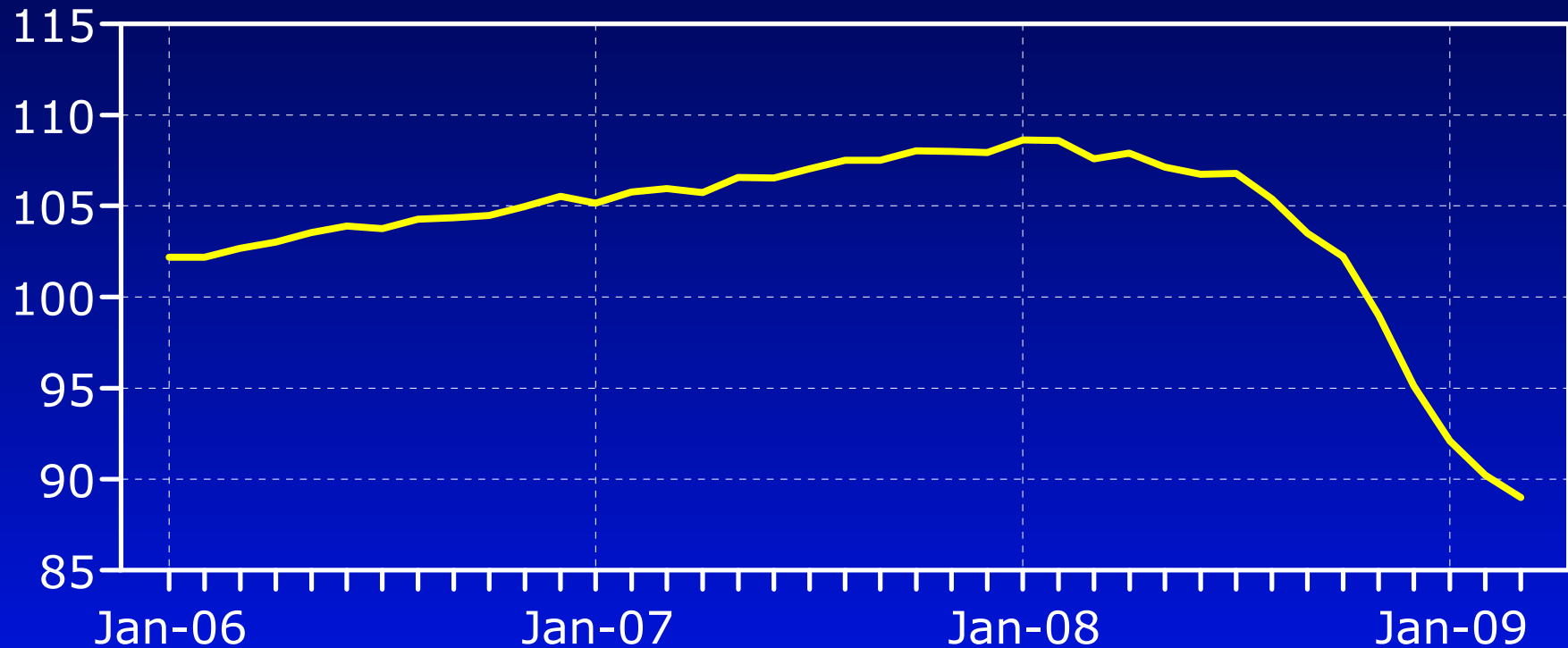
Latest: 5/29/09



Sharp fall in global production since July 2008, decline slowing

Industrial Production, OECD Total

2005 = 100



Source: OECD.

Note: Seasonally adjusted.

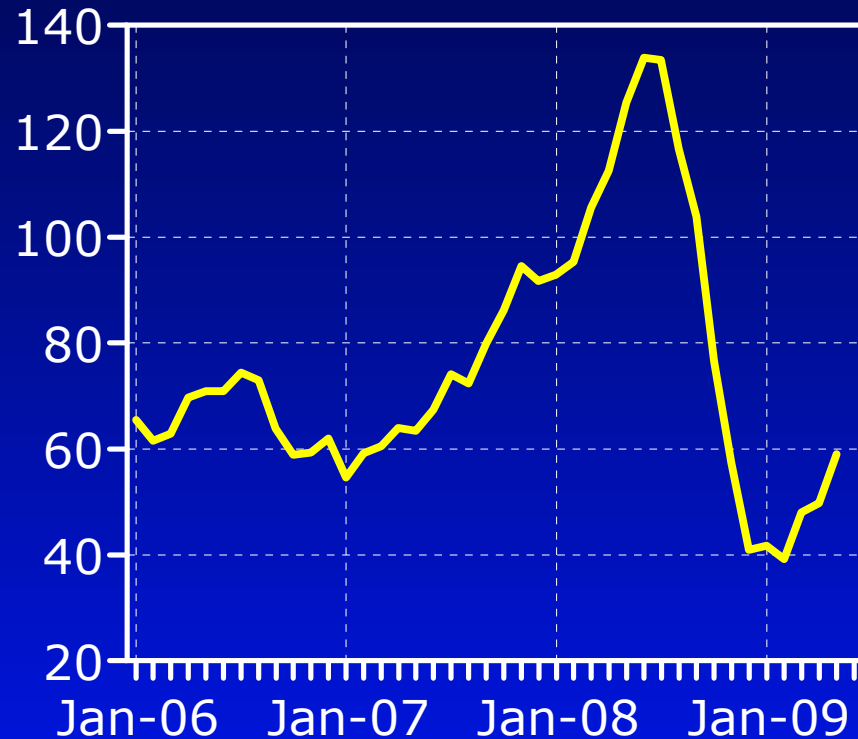
Latest: Mar-09 (preliminary)



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

Crude Oil WTI Spot Price

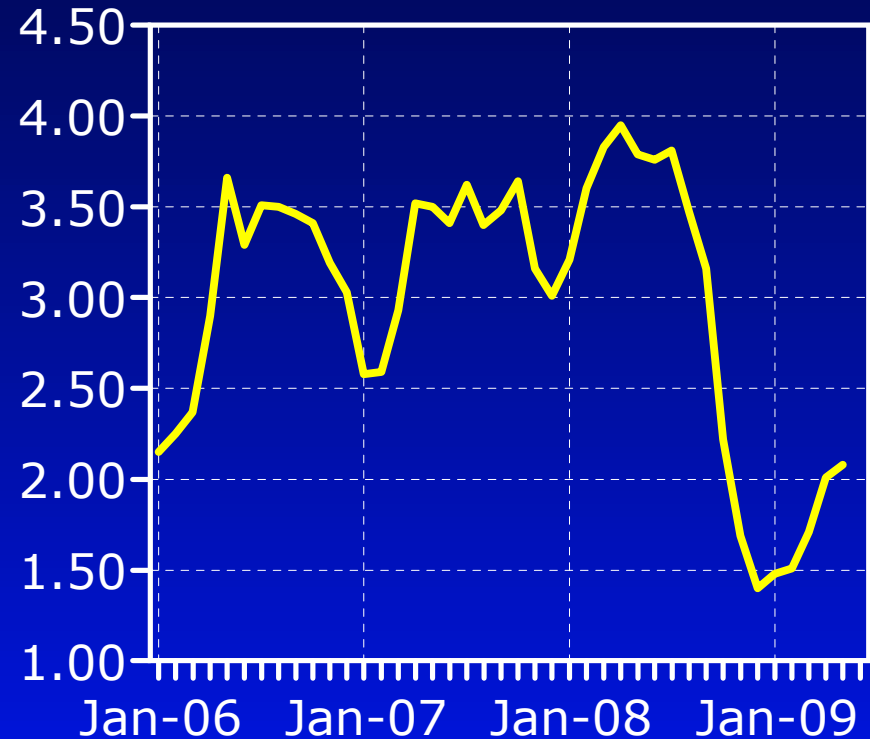
\$U.S. per barrel



Source: BC MEMPR.

Copper Spot Price

\$U.S. per lb.



Latest: May-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: 6/1/09



Canadian dollar falls, U.S. dollar rises during financial crisis; strong rebound on USD depreciation and rising commodity prices

U.S.-Canada Exchange Rate

U.S. dollar per Canadian dollar



Source: Bank of Canada. Latest: 5/26/09

U.S. Exchange Rate Index

Jan. 1997 = 100



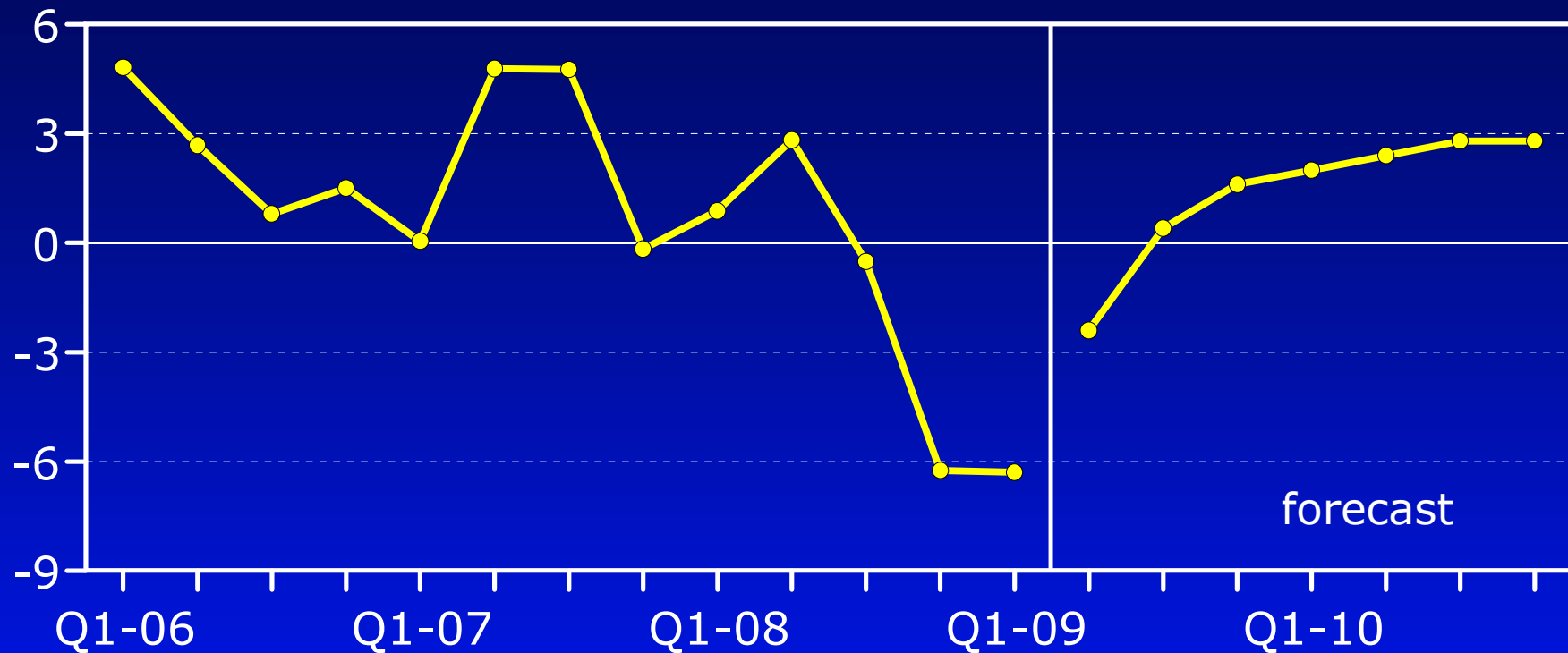
Source: US Fed. Reserve. Latest: 5/27/09



Consensus view sees recession ending in summer and weak recovery ahead

Consensus Economic Forecast, U.S.

Percentage change at annual rate in real GDP

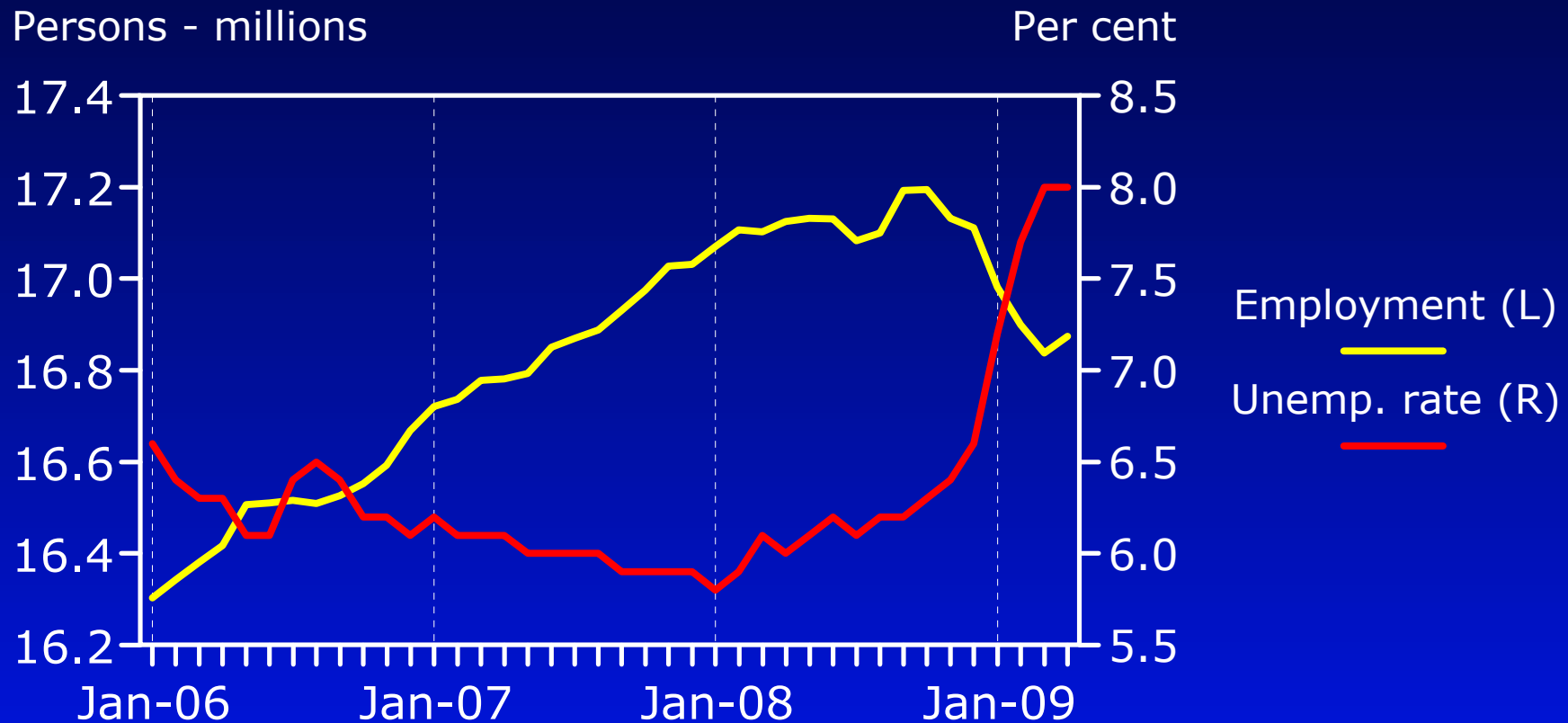


Source: BEA, Consensus Forecasts 2009. Latest actual: Q1-09



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

Canada Labour Market

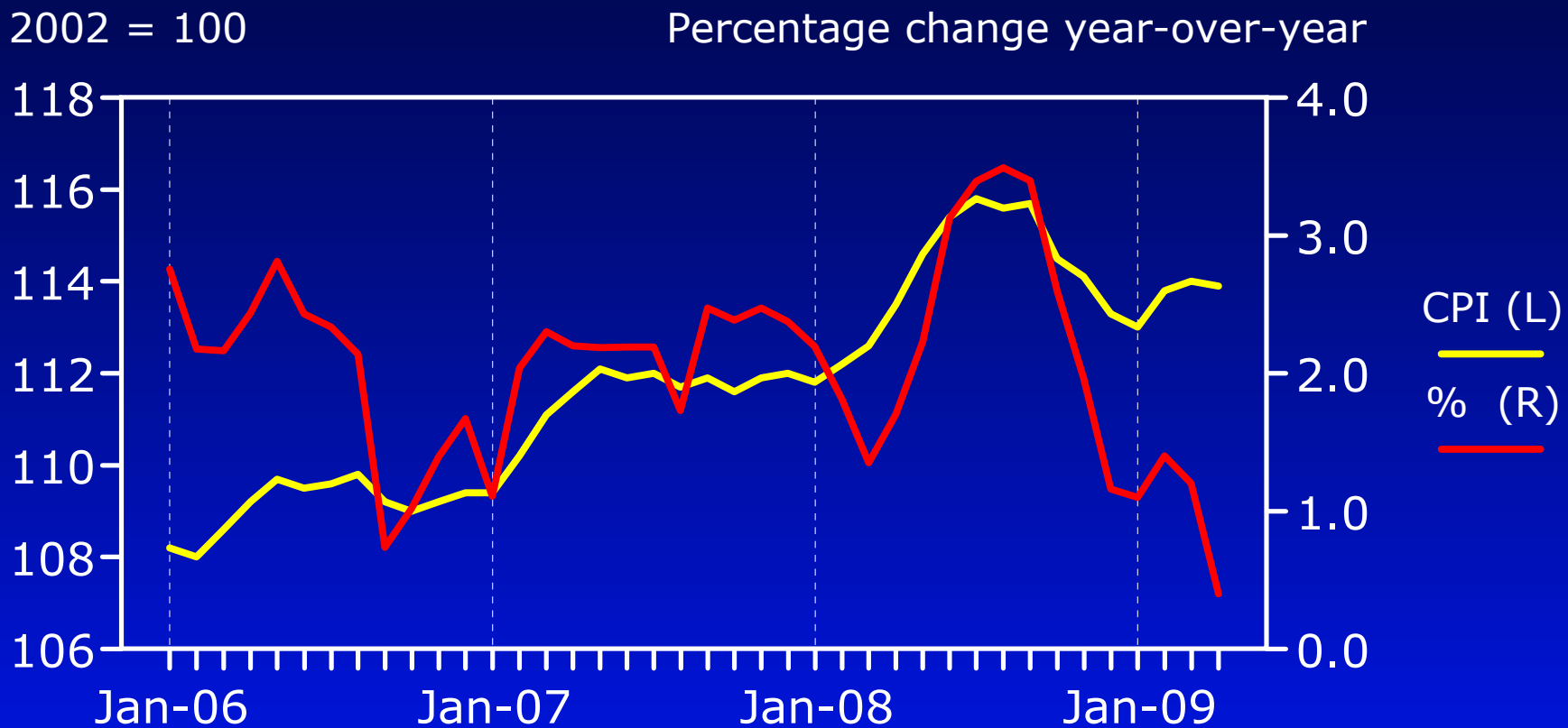


Source: Statistics Canada. Note: Seasonally adjusted. Latest: Apr-09



Total inflation rate dropping sharply due to lower energy prices

Consumer Price Index, Canada



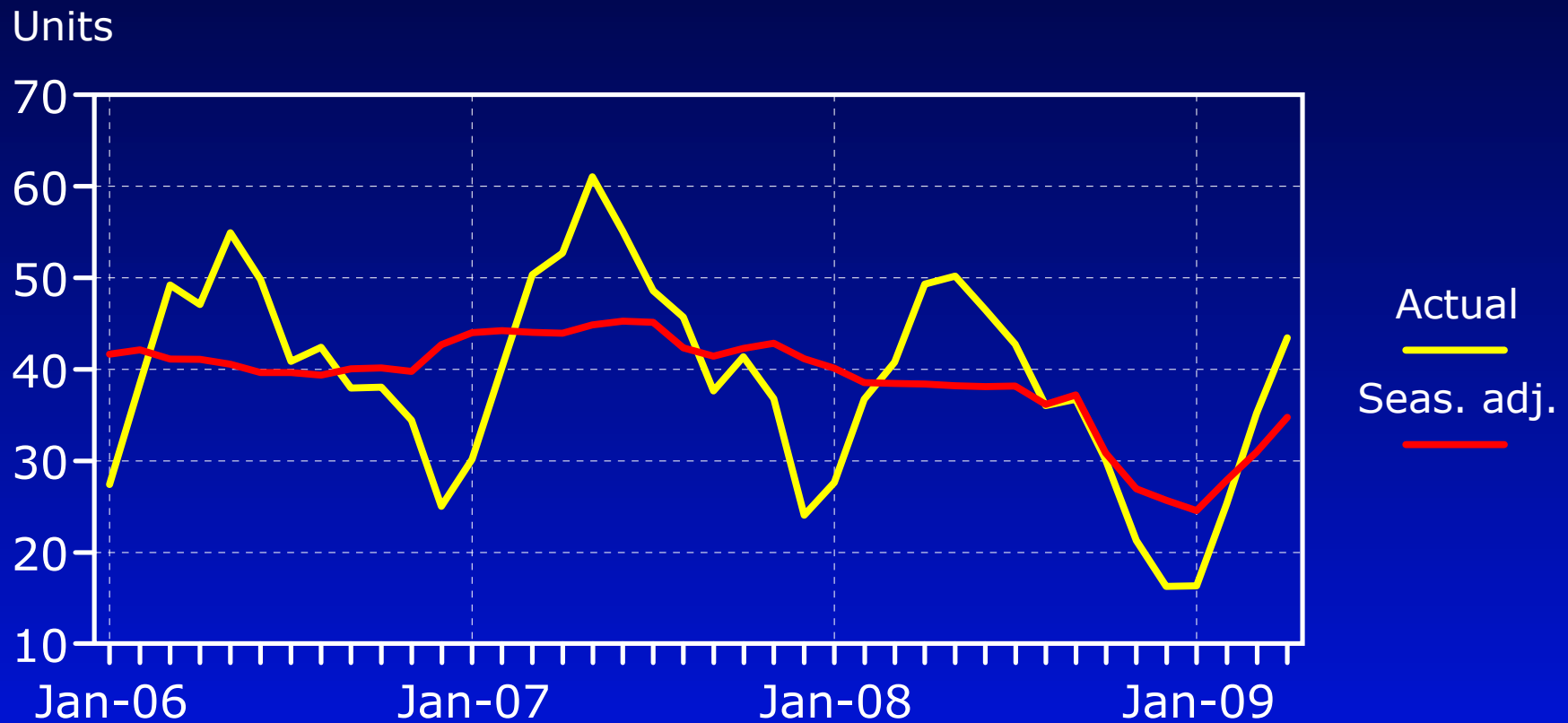
Source: Statistics Canada.

Latest: Apr-09



Canada's housing sales reviving

MLS Residential Sales, Canada



Source: CREA, C1CU.

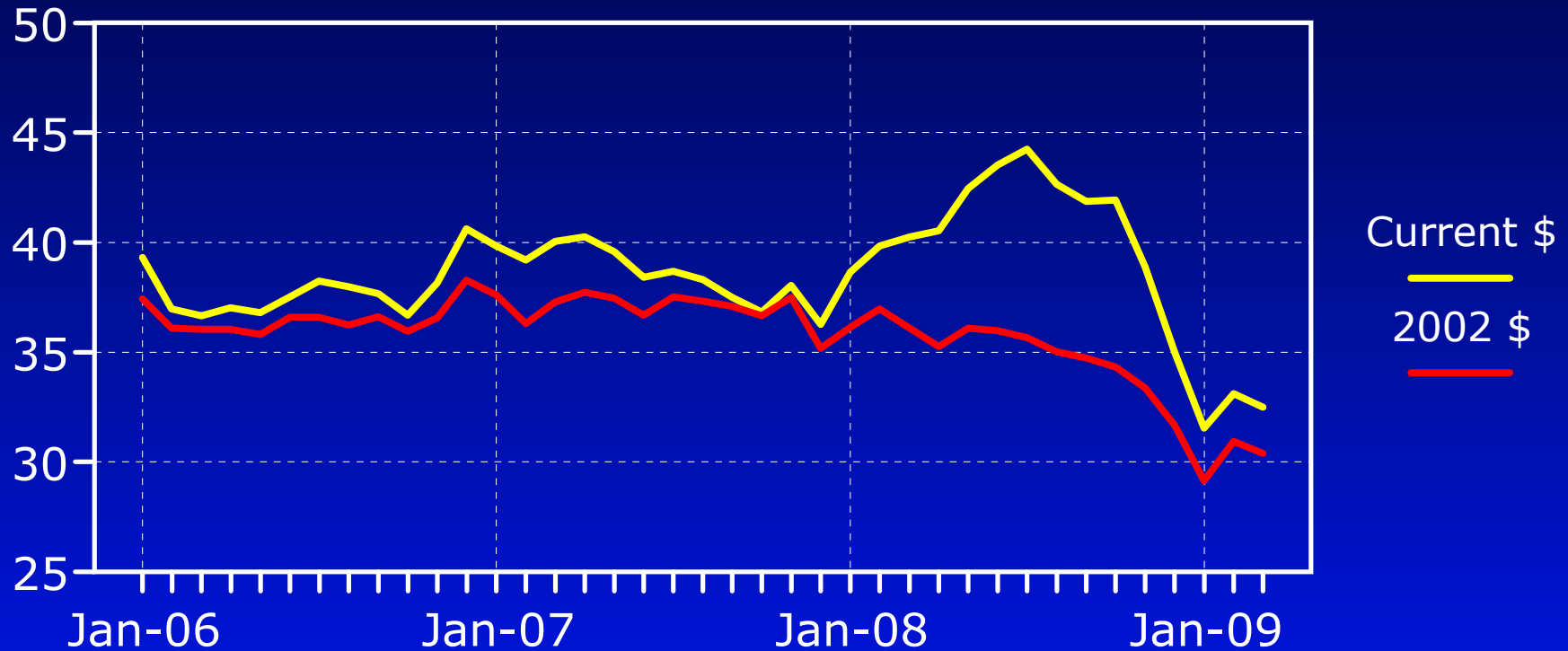
Latest: Apr-09.



Exports in cyclical decline

International Merchandise Exports, Canada

Dollars - billions



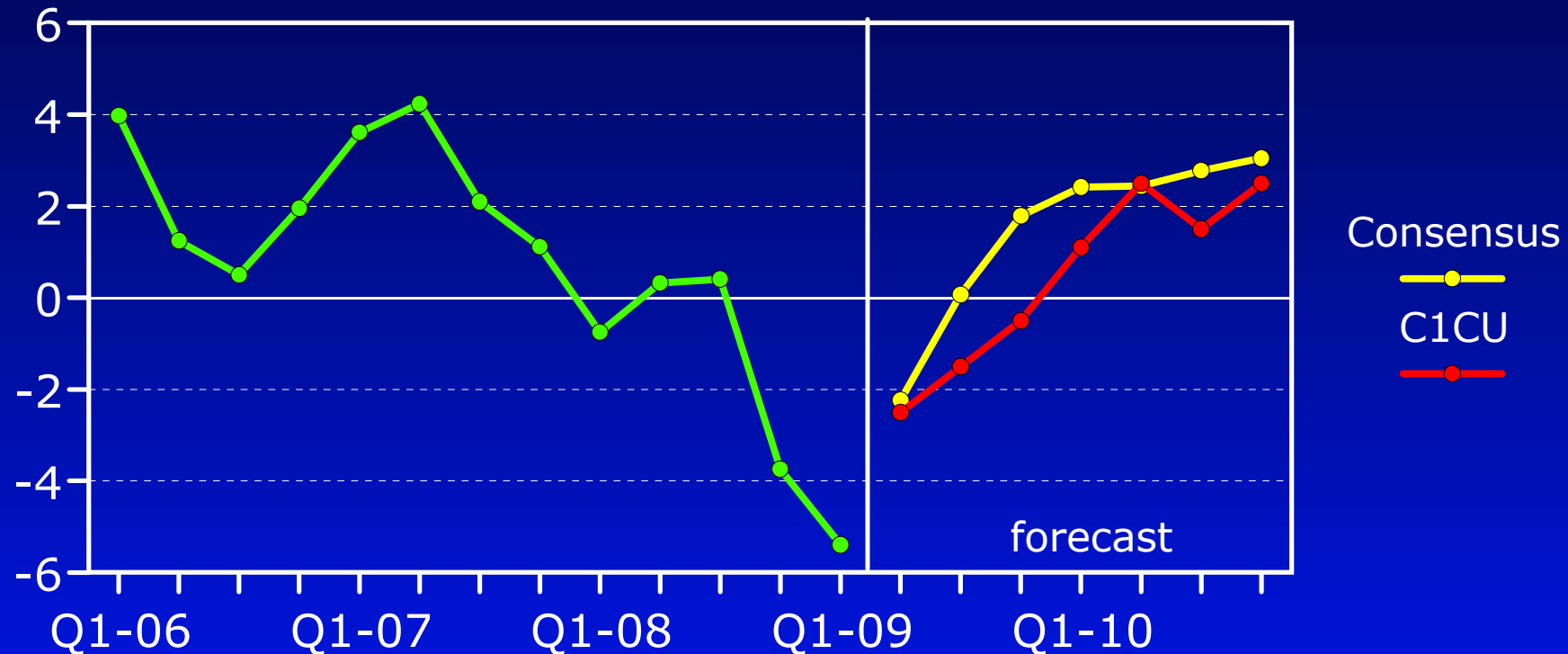
Source: Statistics Canada. Note: Seasonally adjusted Latest: Mar-09



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

Economic Forecasts, Canada

Percentage change at annual rate in real GDP



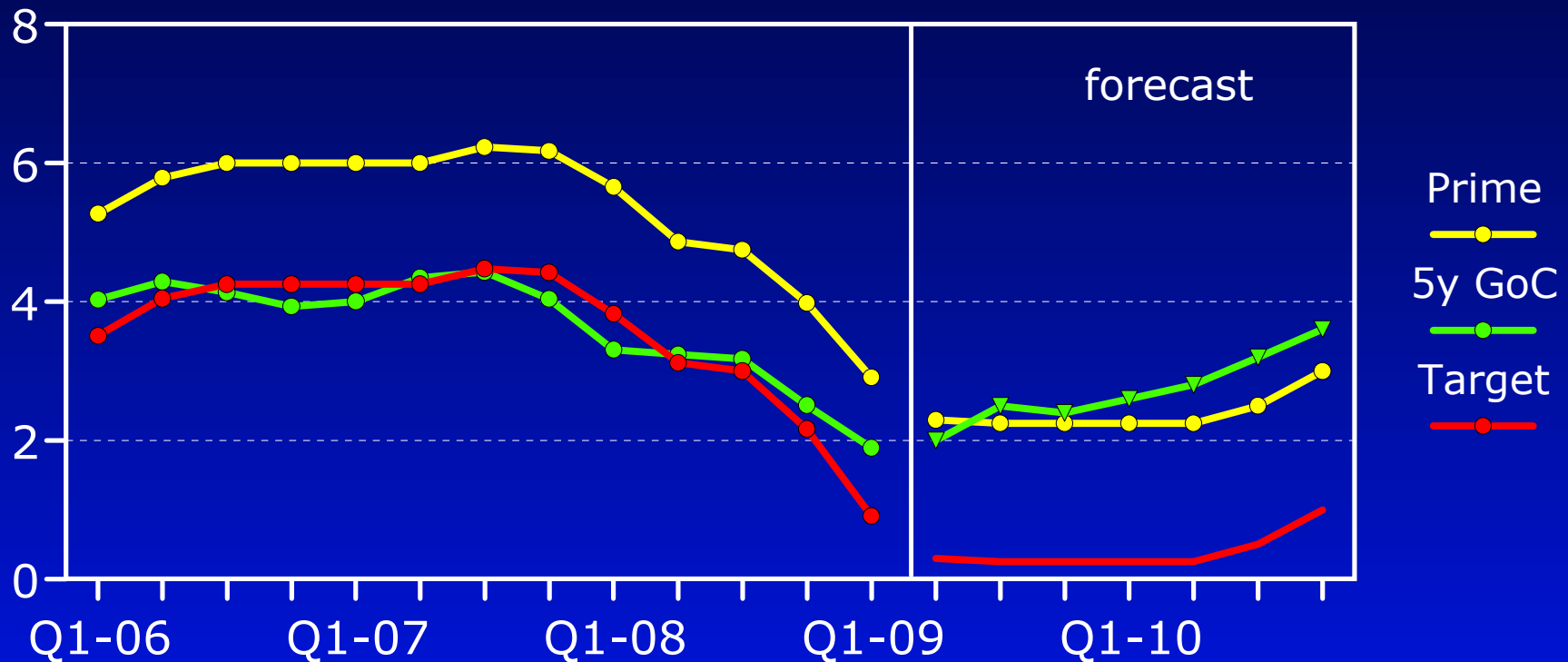
Source: Statistics Canada, C1CU Survey April 2009.



Rates begin climbing in 2010 led by longer-term

Rate Forecasts, Canada, Quarterly

Per cent



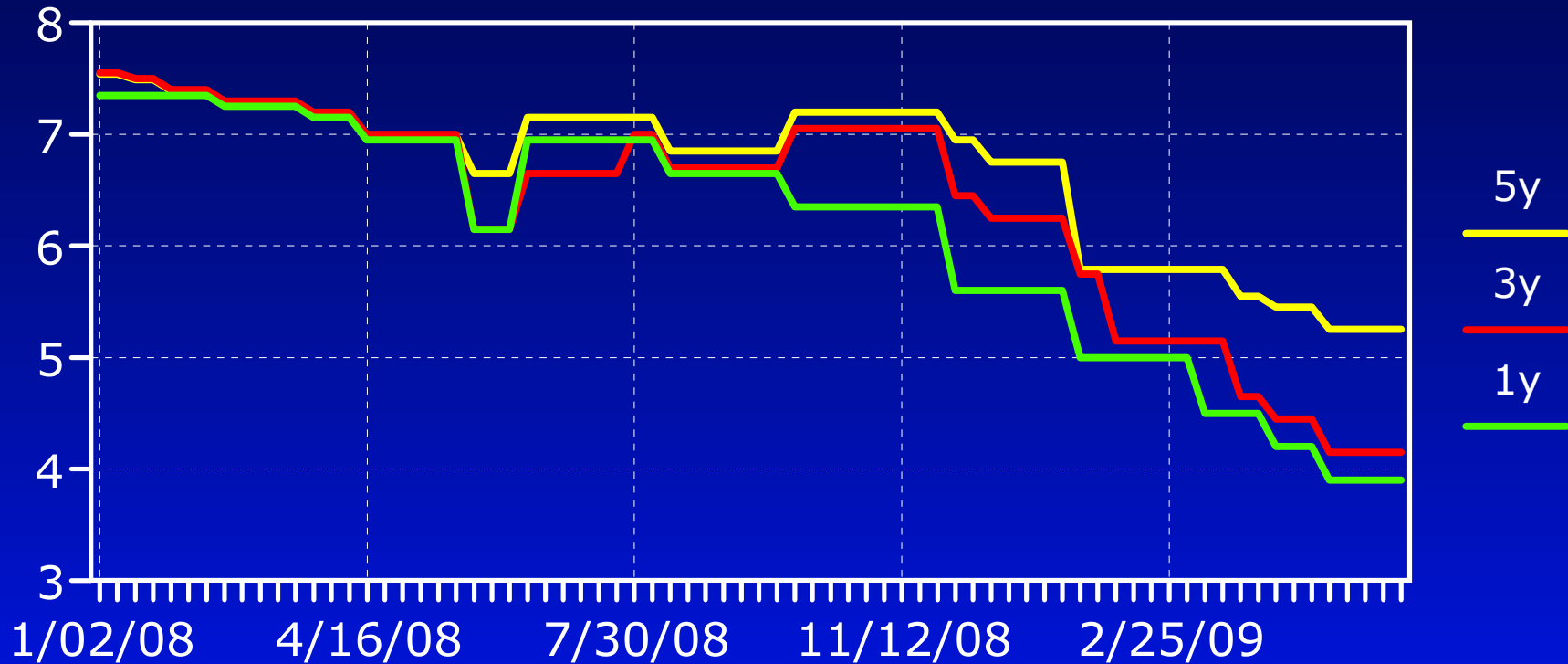
Source: Bank of Canada, C1CU. Latest actual: Q1-09



Mortgage rates down since November

Posted Mortgage Rates by Term, Weekly

Per cent



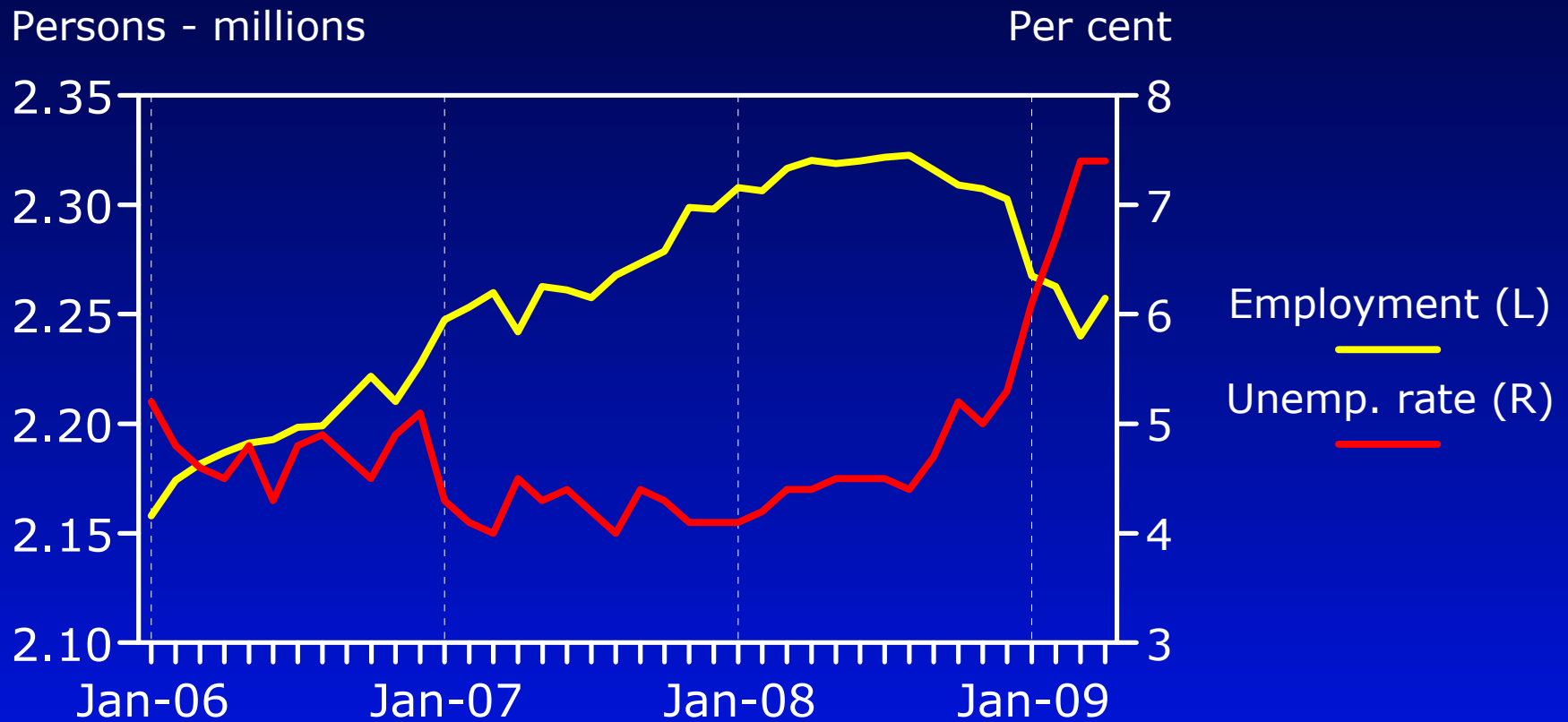
Source: Bank of Canada.

Latest: 5/27/09



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

B.C. Labour Market

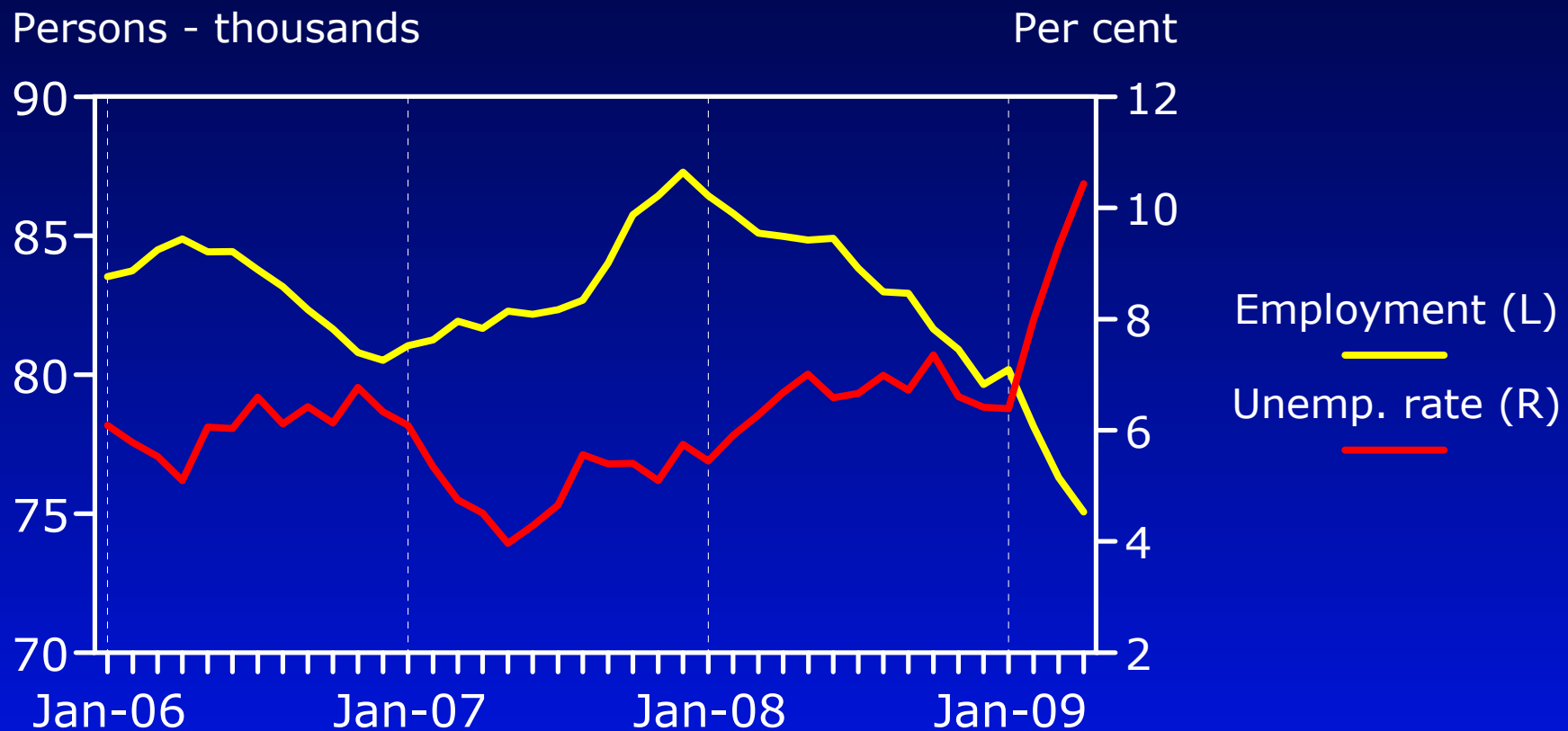


Source: Statistics Canada. Note: Seasonally adjusted. Latest: Apr-09



Employment down sharply in past year

Cariboo Region Labour Market

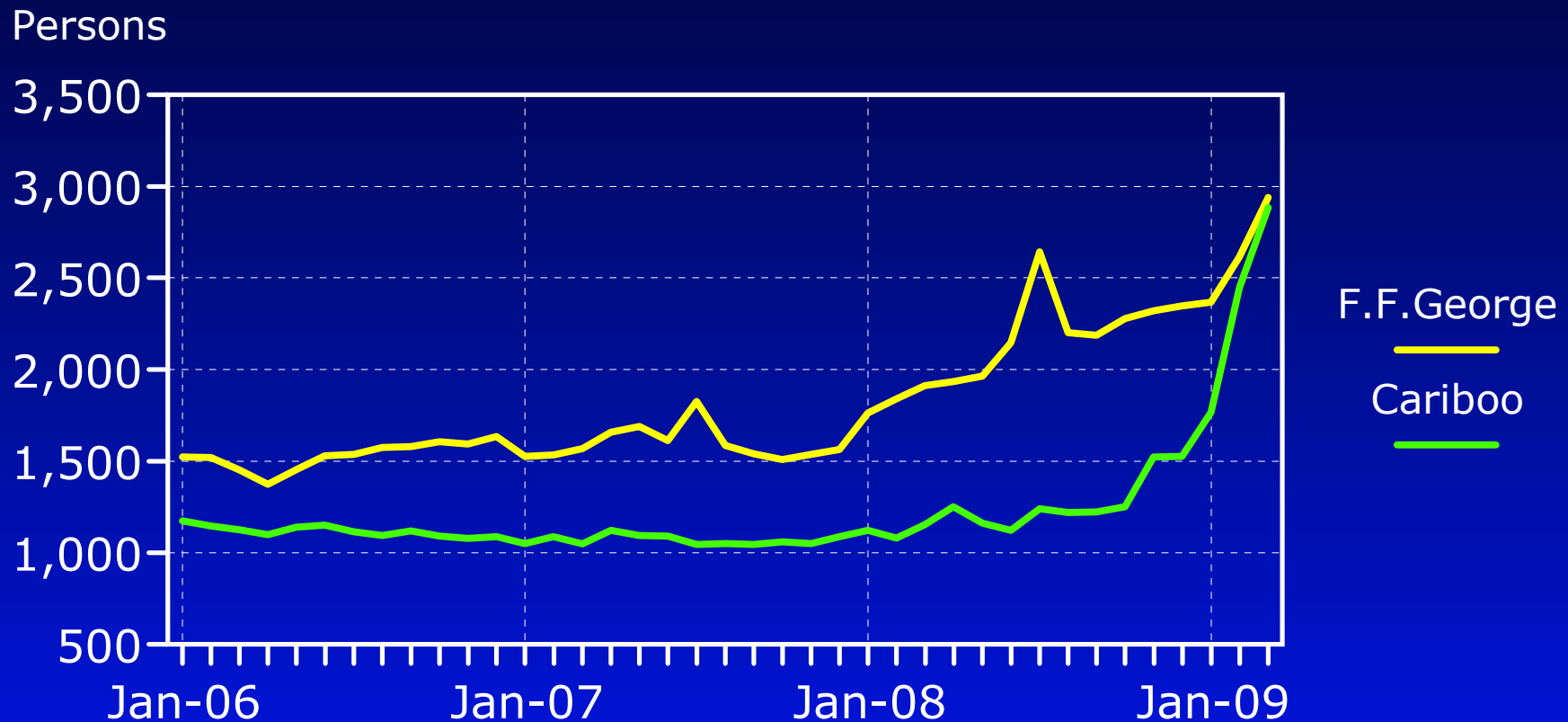


Source: Statistics Canada. Three-month moving average, seasonally adjusted. Latest: Apr-09



Unemployment sharply higher in Cariboo RD

E.I. Beneficiaries by Regional District, Cariboo

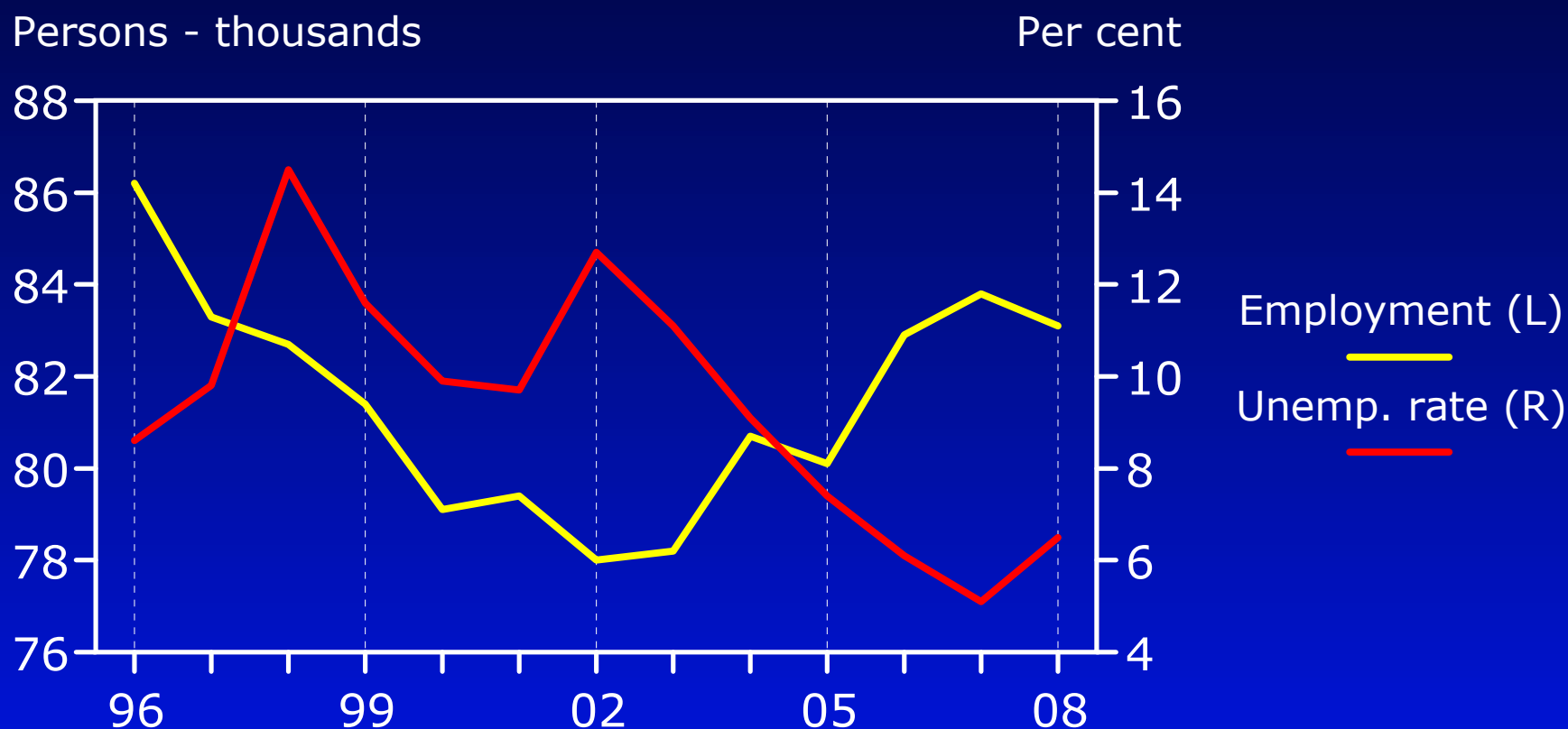


Source: Statistics Canada, C1CU. Note: Seasonally adjusted. Latest: Mar-09



A longer term perspective on the region's labour market

Cariboo Region Labour Market, Annually

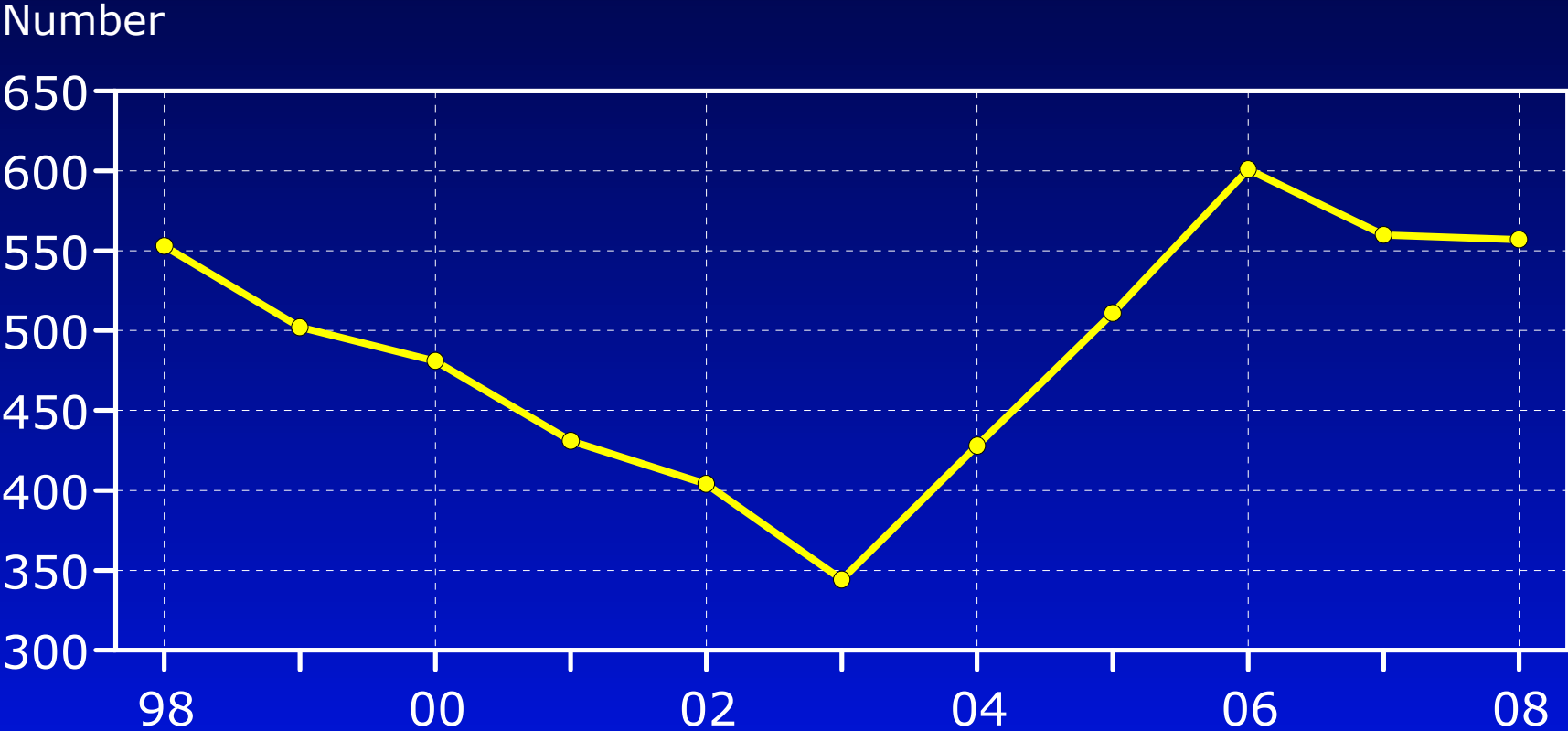


Source: Statistics Canada.



Business start-ups declining

Business Incorporations, Cariboo D.R.

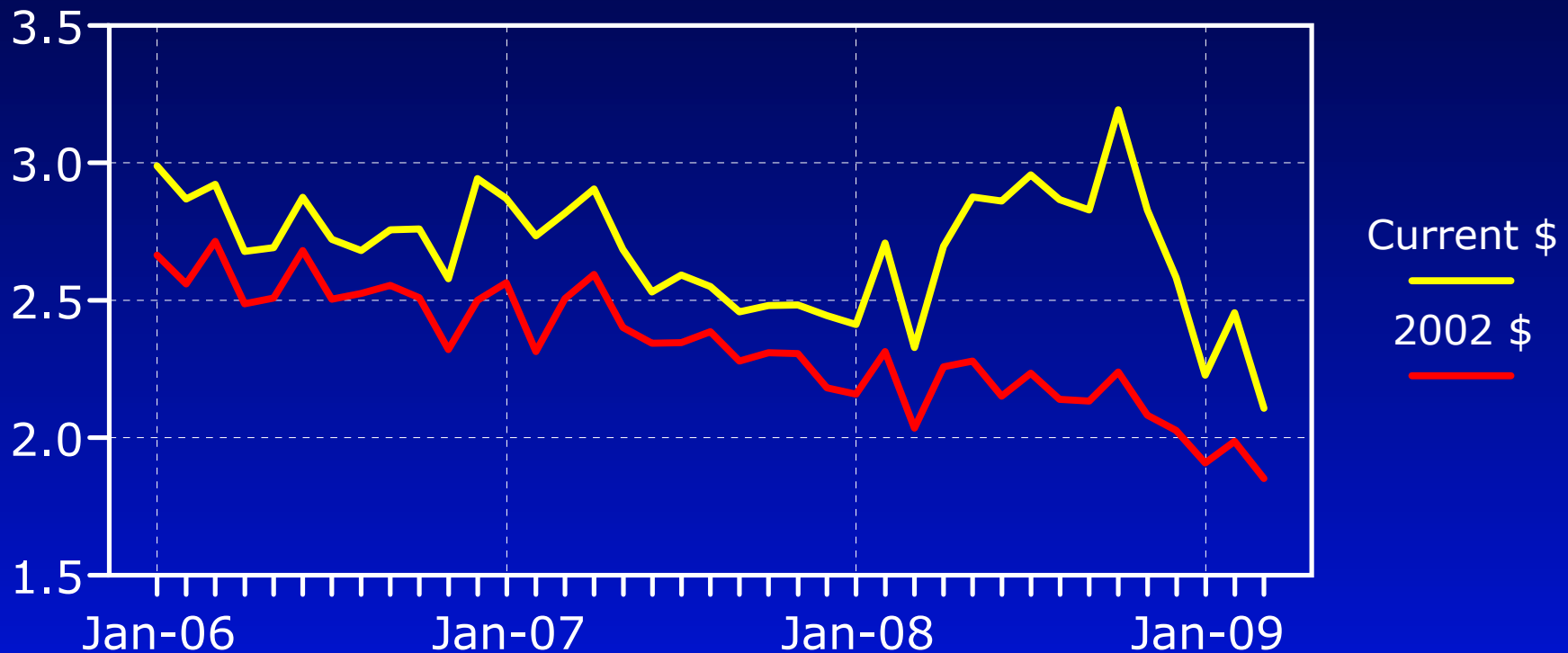


Source: B.C. Finance and Corporate Relations.

Goods exports continue declining

B.C. International Merchandise Exports

Dollars - billions



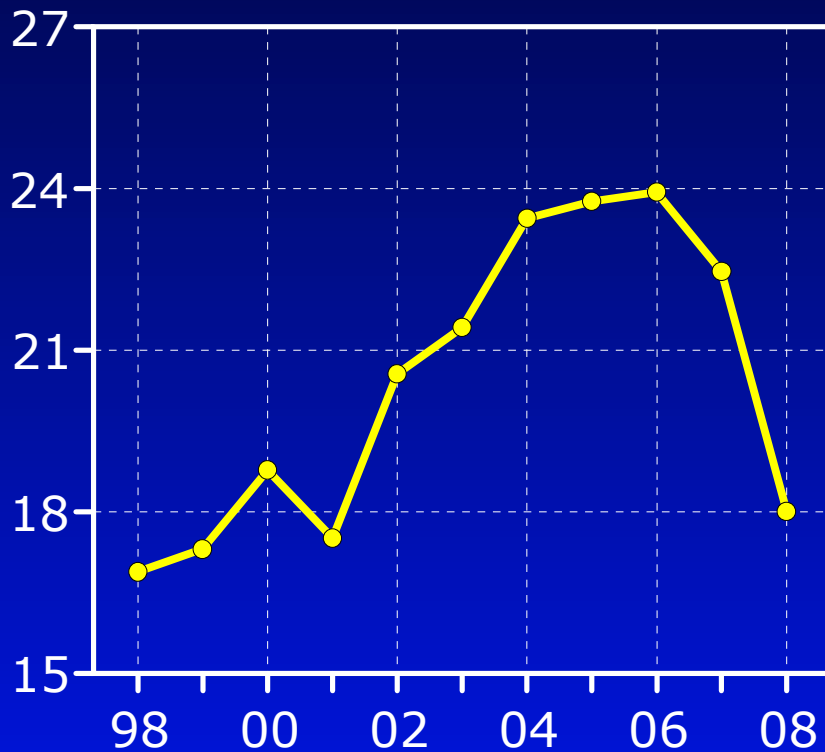
Source: Statistics Canada, C1CU. Note: Seasonally adjusted Latest: Mar-09



Large decline in region's lumber production

Sawn Lumber Production, Annually

Cubic metres dry - millions



Source: Statistics Canada.

Sawn Lumber Production, Monthly

Cubic metres dry - thousands



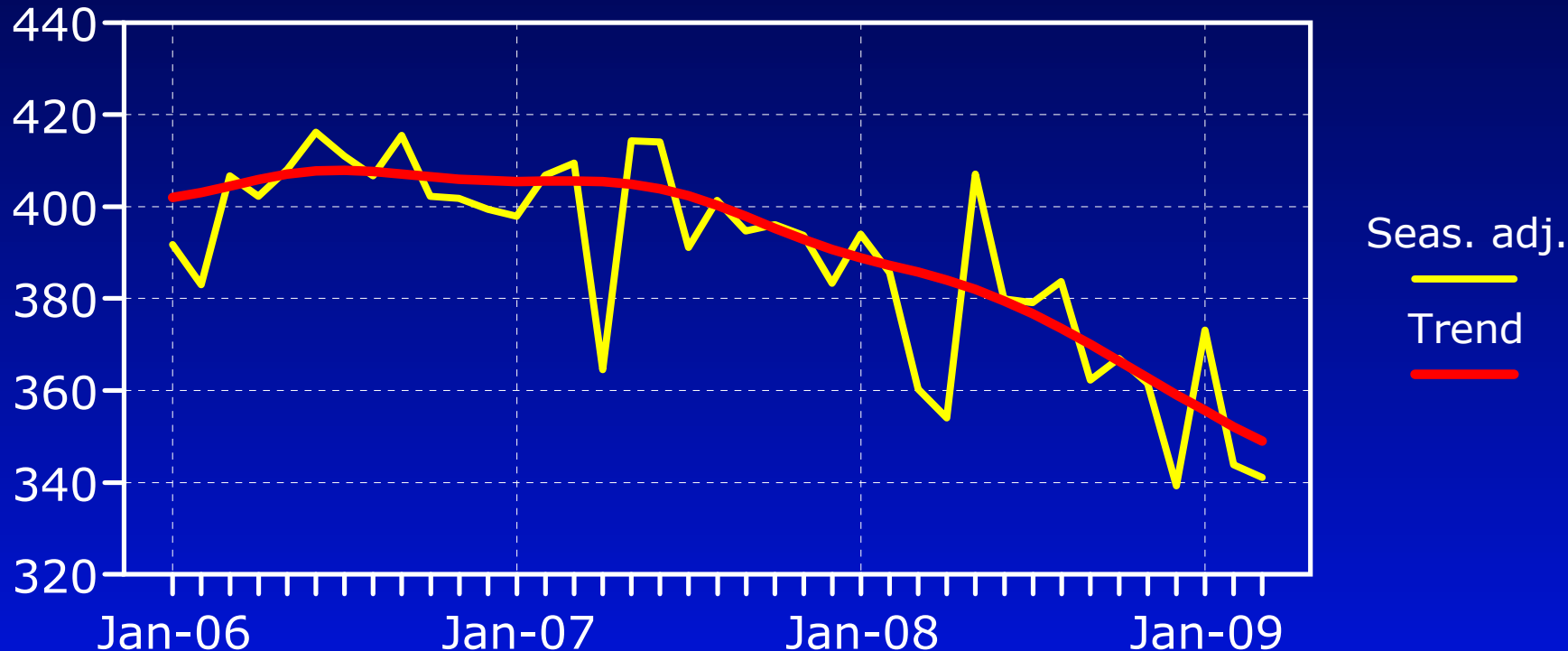
Latest: Mar-09



Tourist visits from other countries declining

B.C. International Tourist Entries

Persons - thousands



Source: Statistics Canada, C1CU.

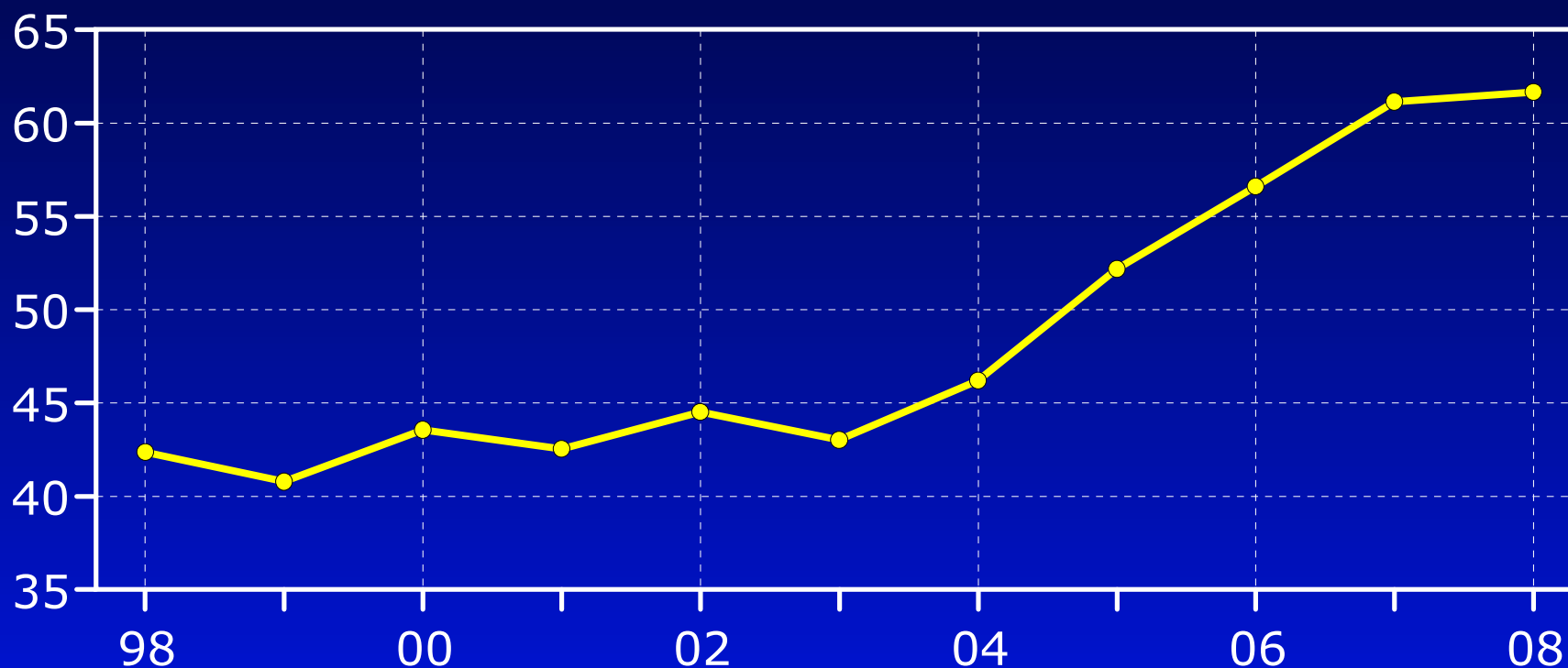
Latest: Mar-09



Tourism activity at near-term peak

Room Revenue, Cariboo D.R.

Dollars - millions



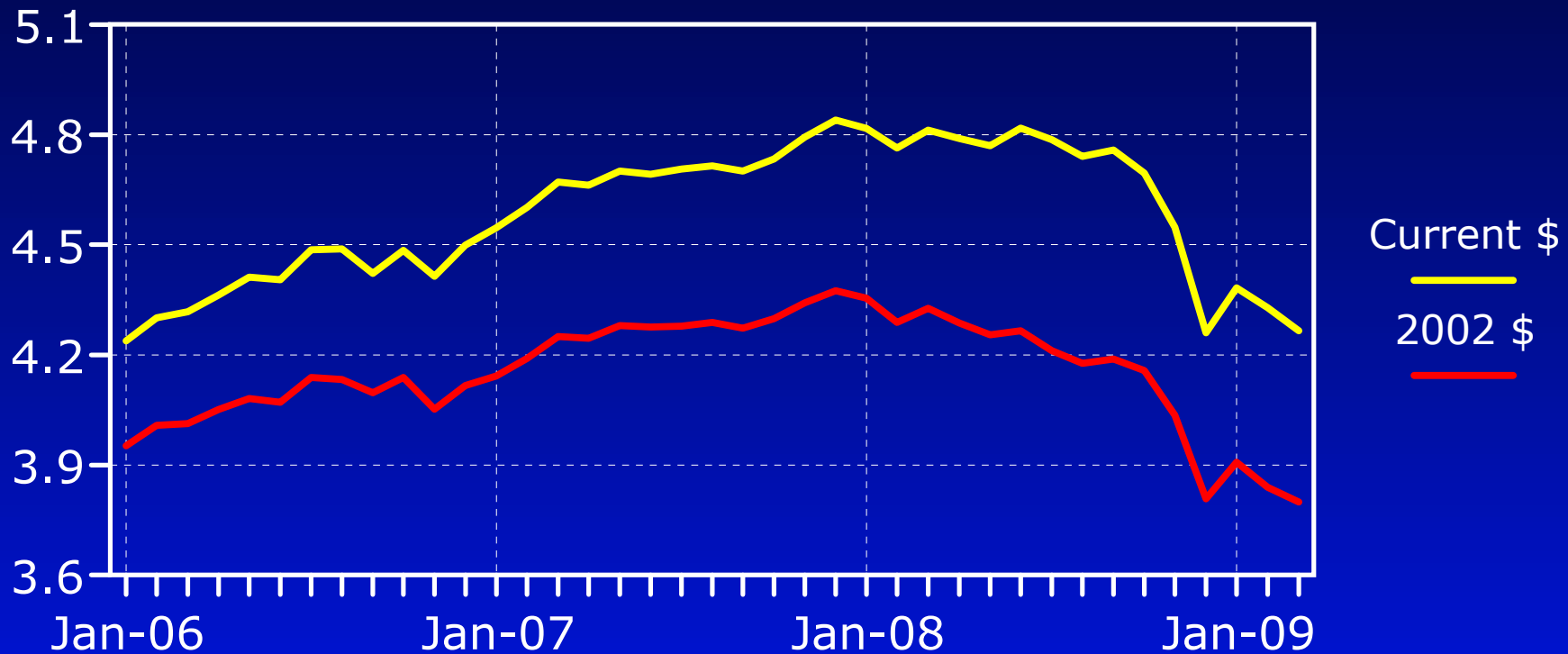
Source: B.C. Finance and Corporate Relations.



Retail sales turn down sharply

B.C. Retail Sales

Dollars - billions



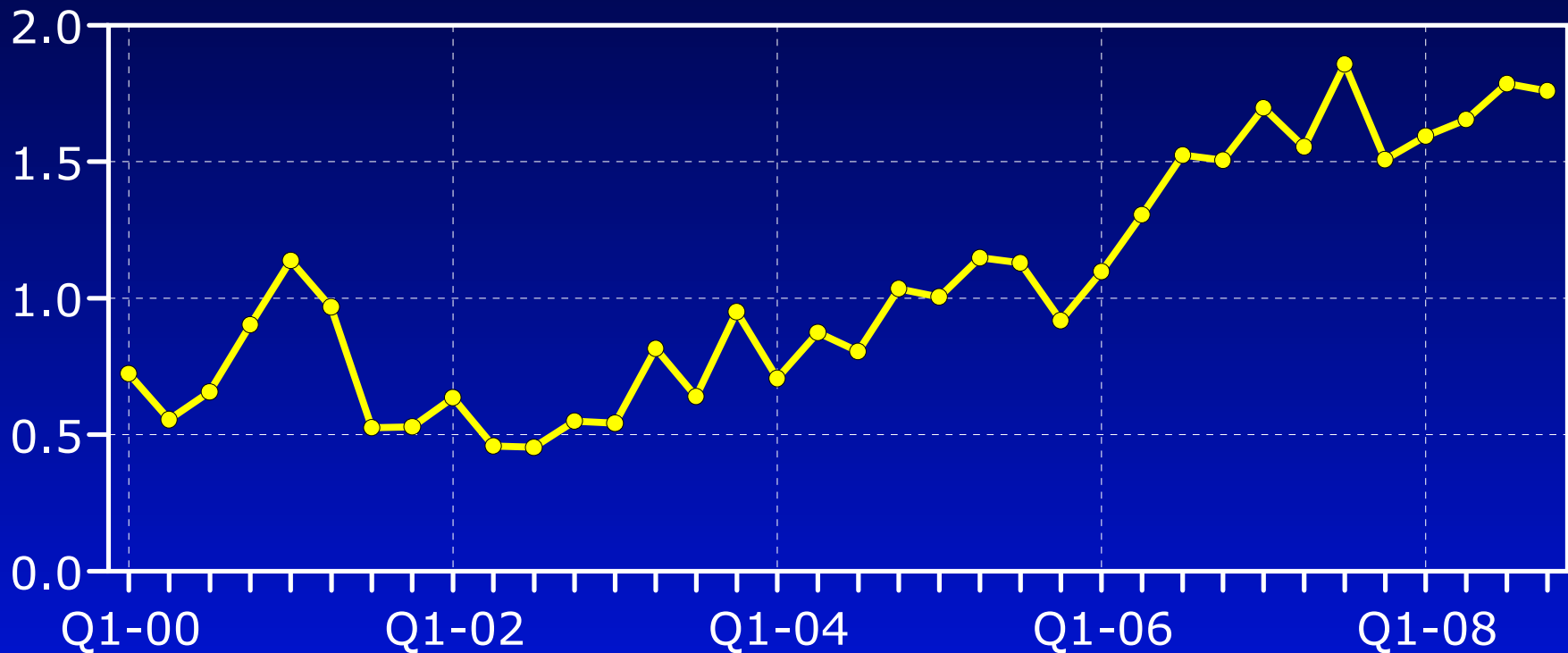
Source: Statistics Canada, C1CU. Note: Seasonally adjusted. Latest: Mar-09



Population growth plateaus

B.C. Population Growth Rate, Quarterly

Percent change at annual rate



Source: Statistics Canada, C1CU.

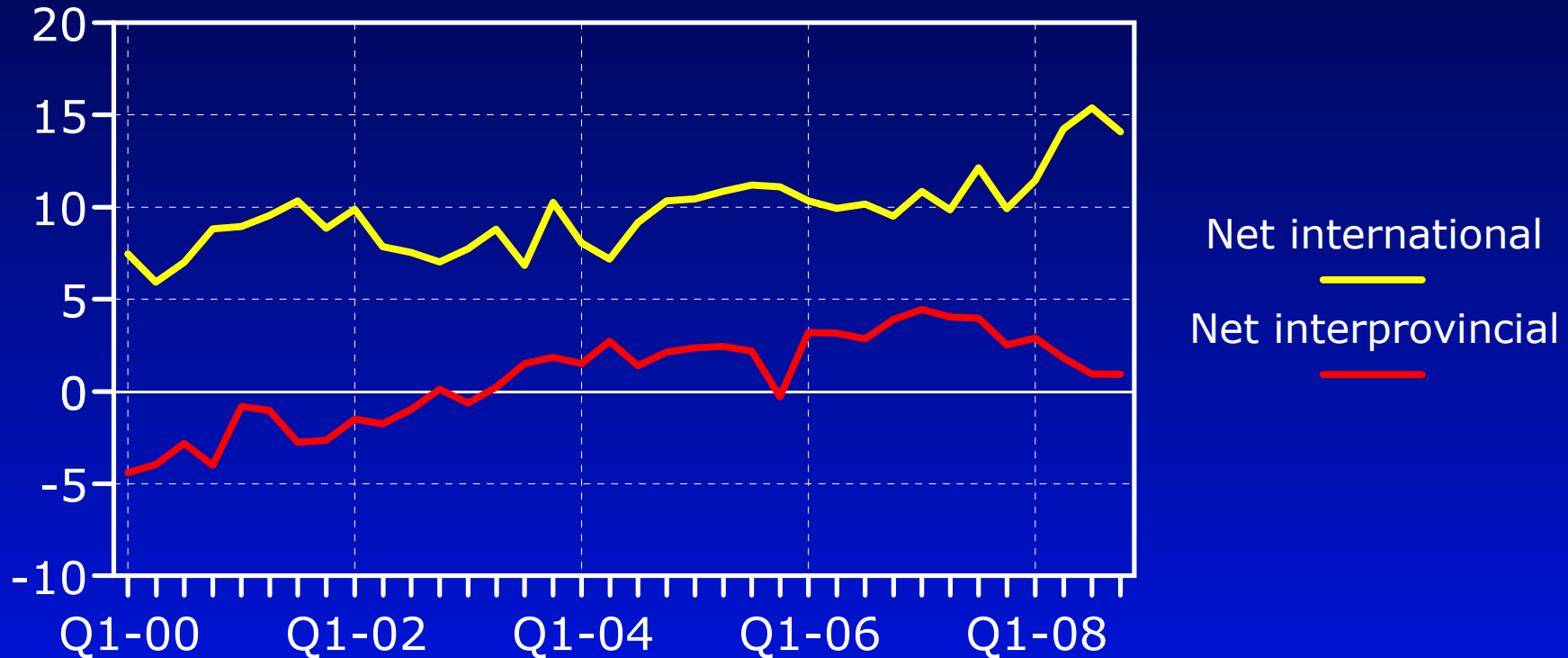
Latest: Q4-08



Interprovincial migration declining

Net Migration by Type, B.C., Quarterly

Persons - thousands

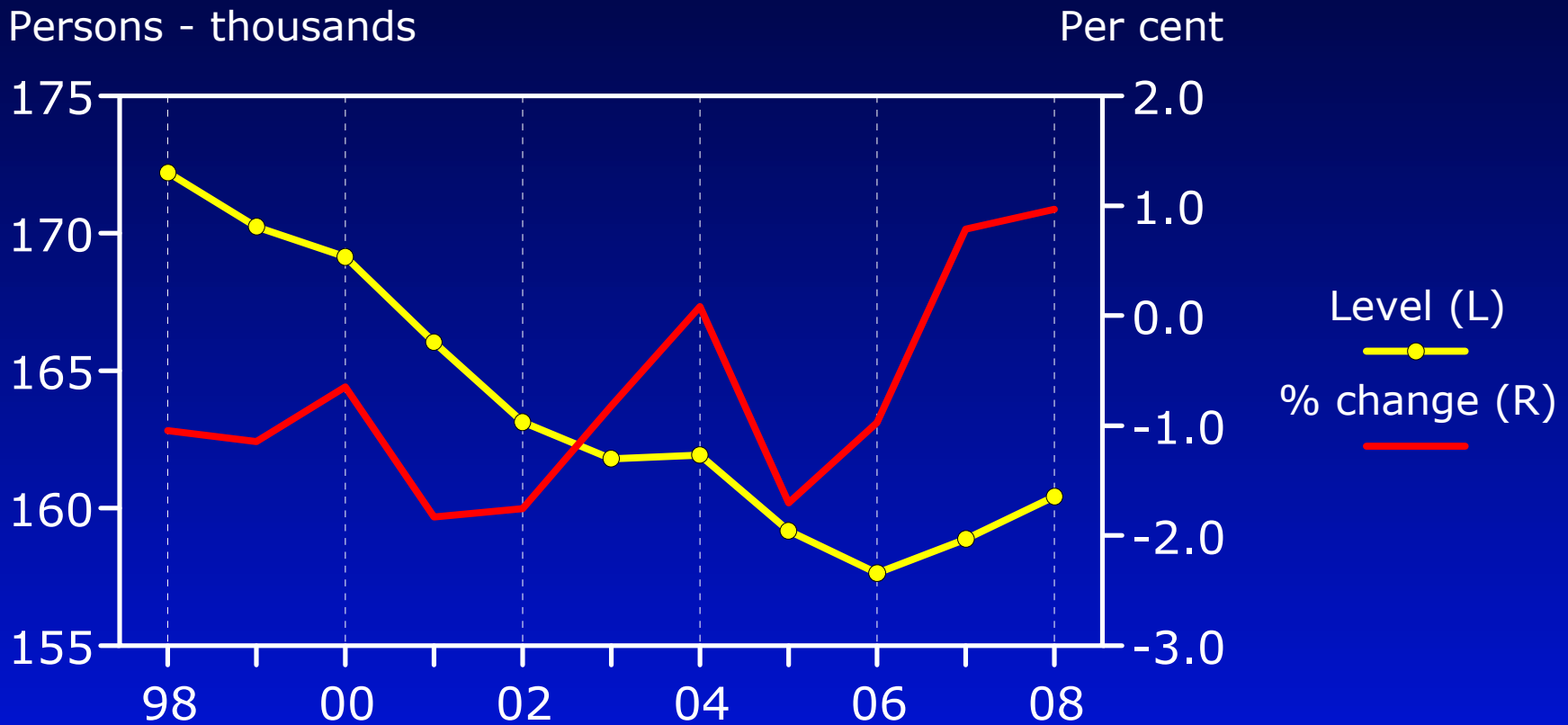


Source: Statistics Canada, C1CU. Note: Seasonally adjusted. Latest: Q4-08



Regional population trends

Population, Cariboo D.R.



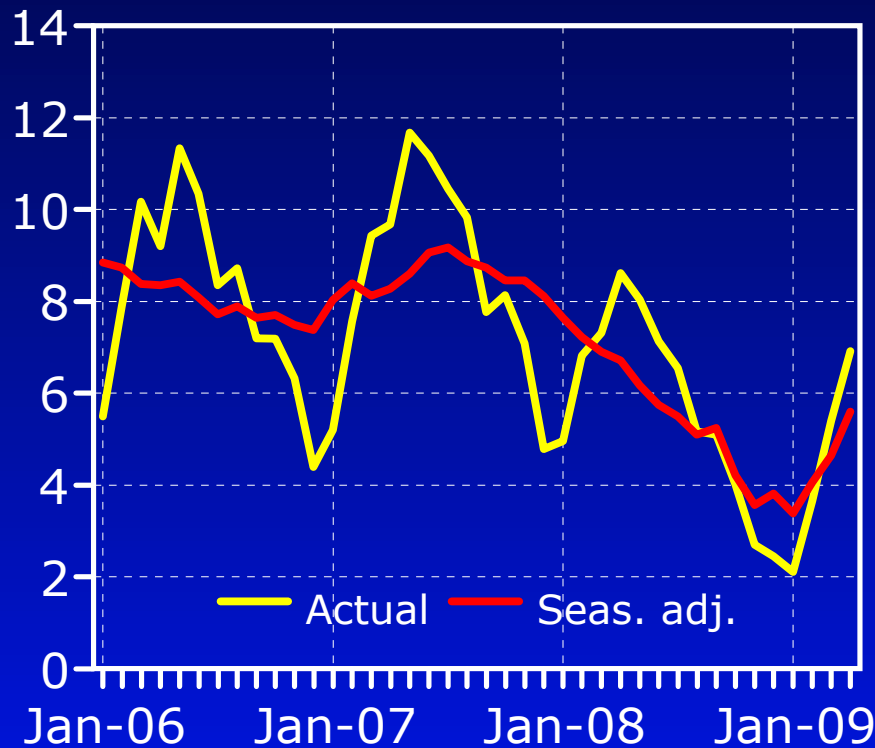
Source: B.C. STATS. Note: Population as of July 1, preliminary estimates.



Housing sales revival underway in B.C., more muted in northern B.C.

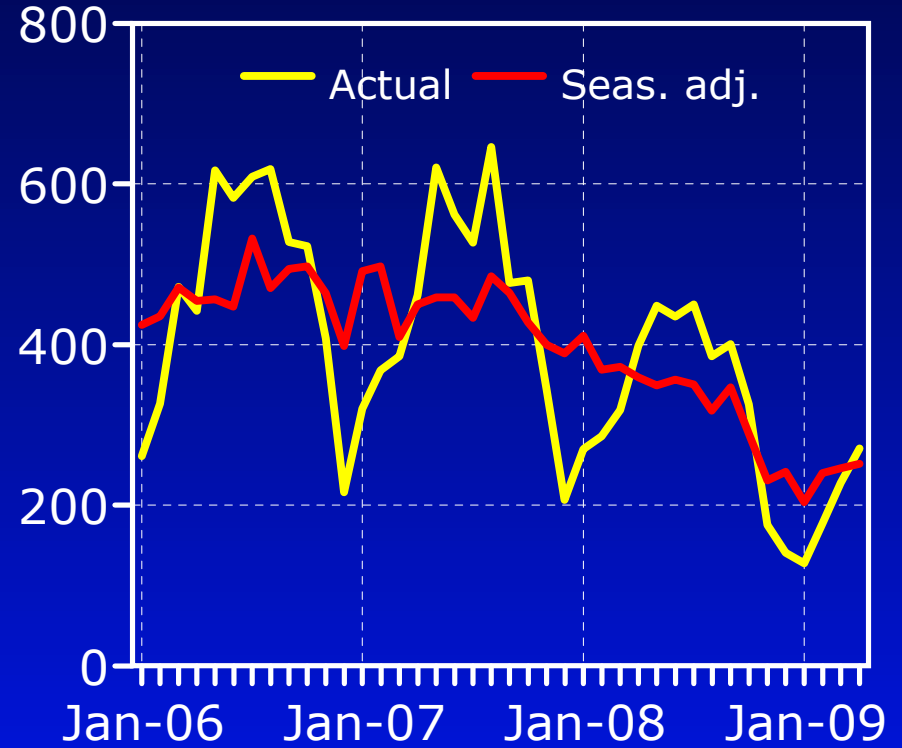
B.C. MLS Residential Sales

Units - thousands



BC Northern MLS Res. Sales

Units



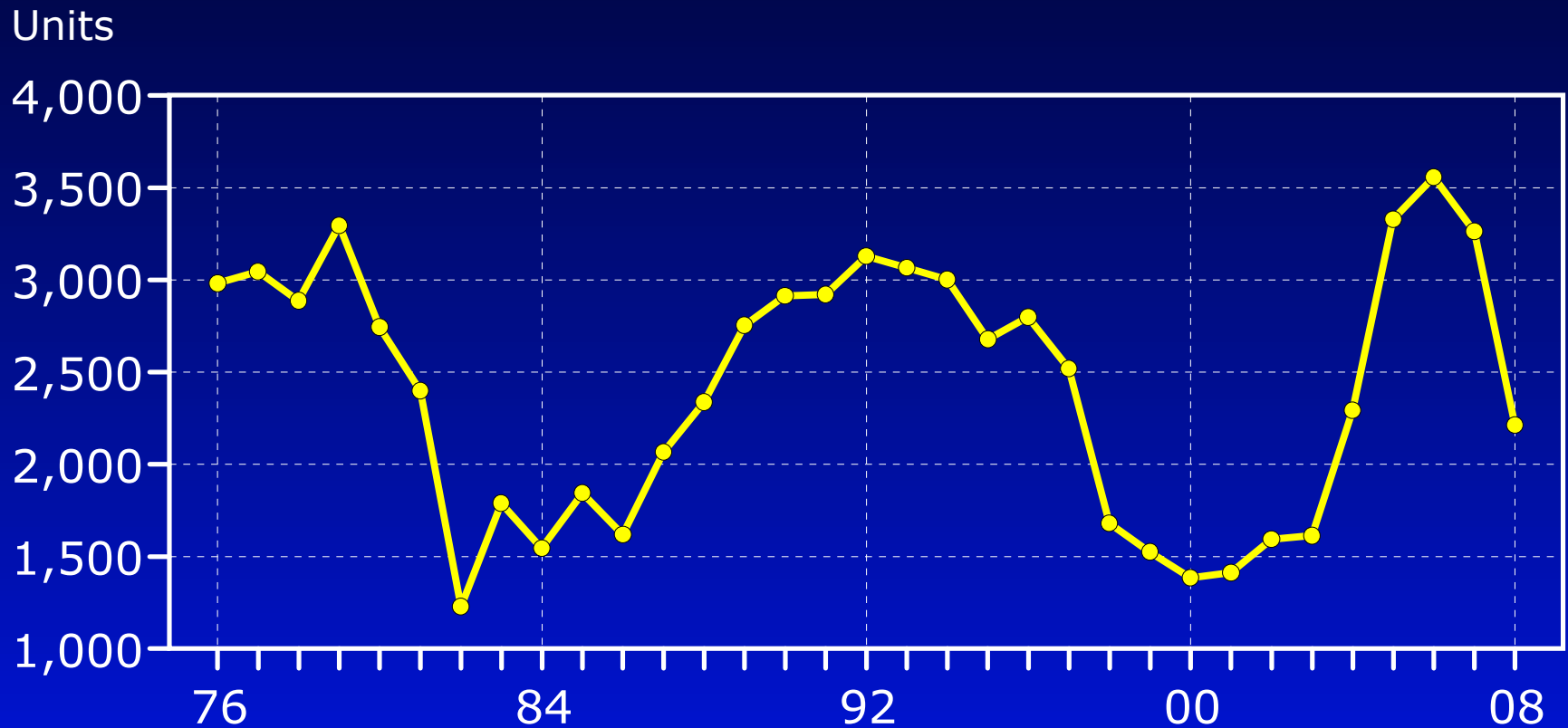
Source: CREA, C1CU.

Latest: Apr-04



Housing sales: a longer perspective

Residential Sales, Prince George Assessment Area



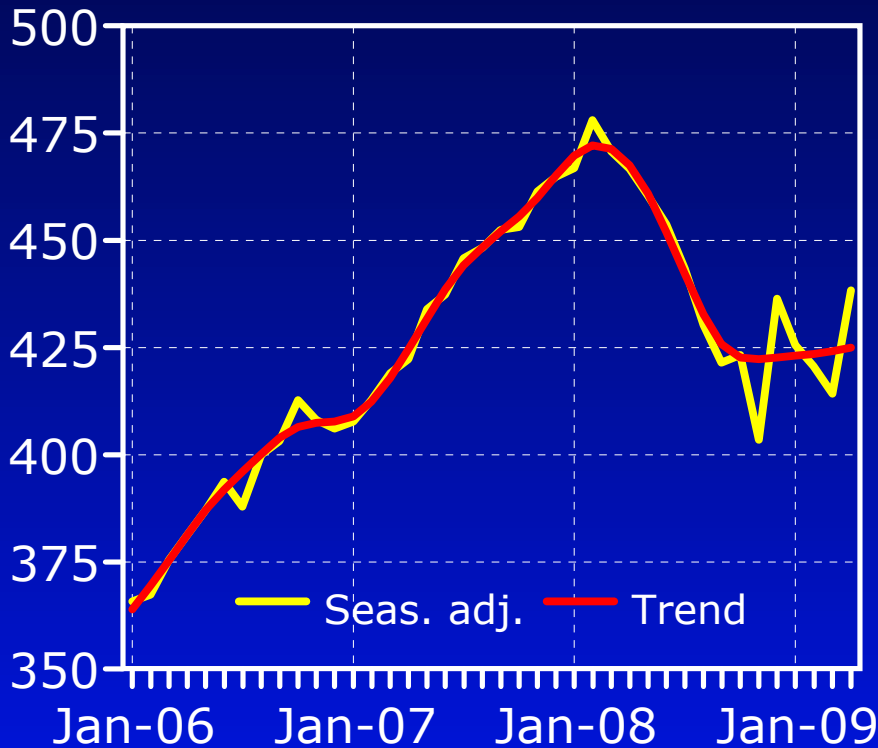
Source: Landcor Data Corp. Note: Excludes non-arm's length transactions.



Declining housing prices in northern B.C.

B.C. MLS Res. Ave. Sales Price

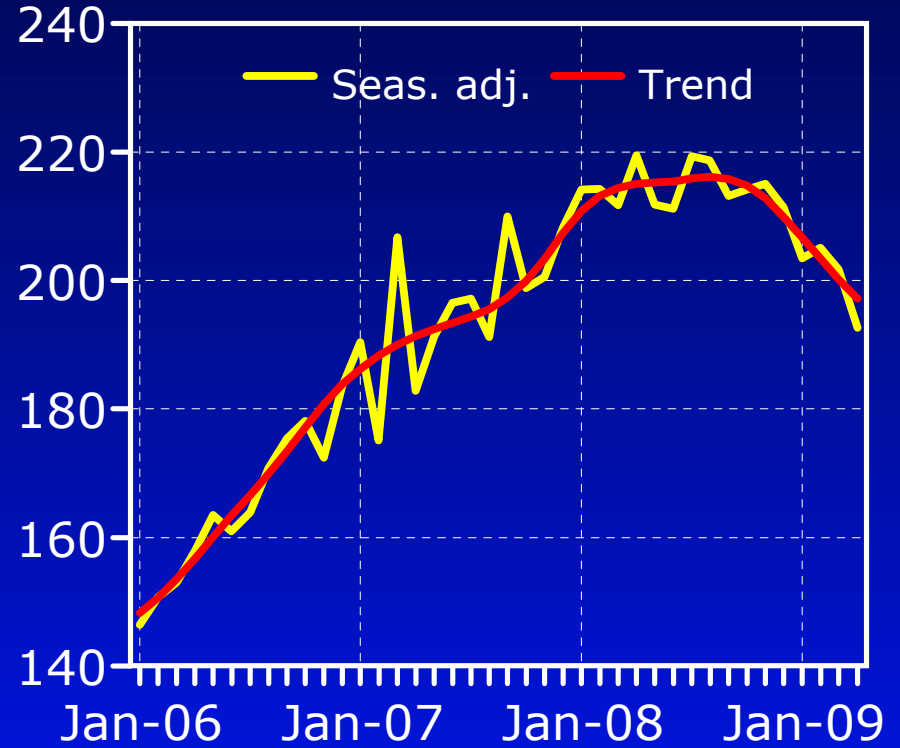
Dollars - thousands



Source: CREA, C1CU.

BC Northern MLS Ave. Sales Price

Dollars - thousands



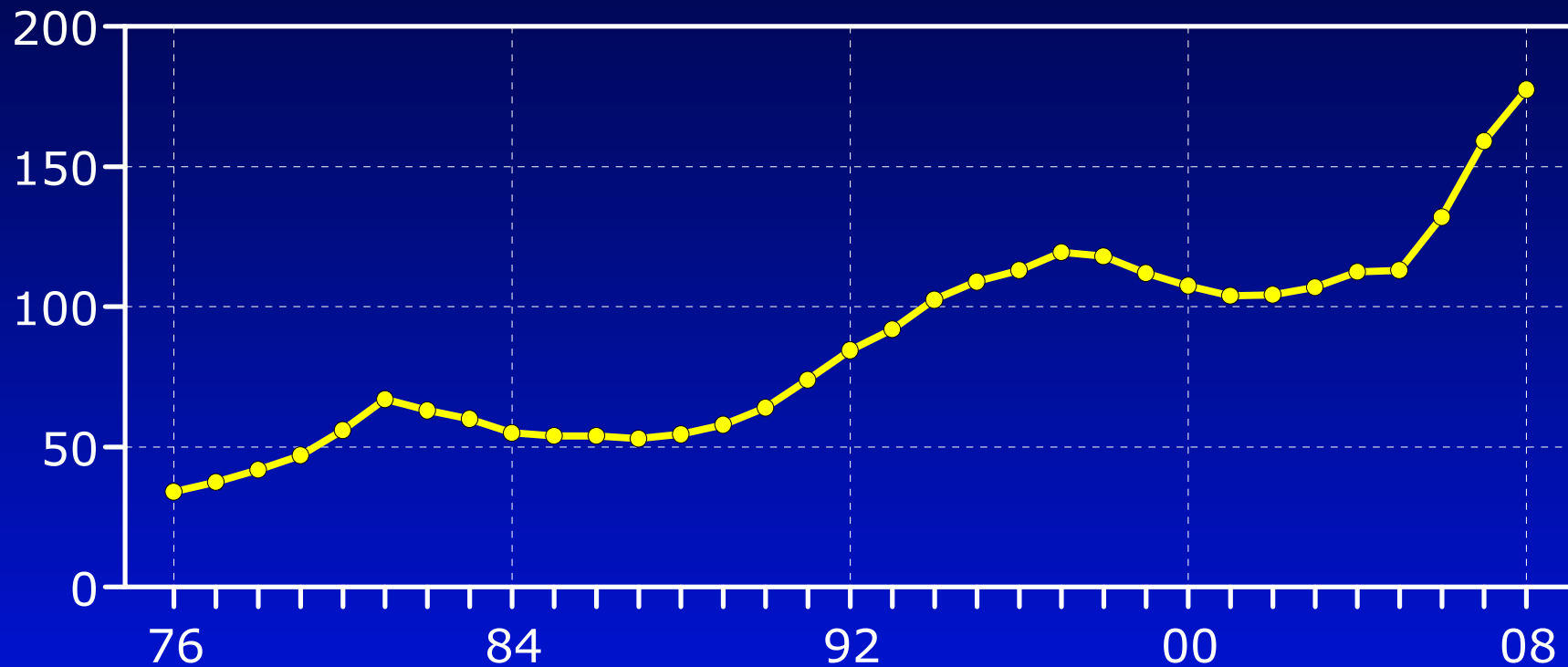
Latest: Apr-04



Housing prices: a longer perspective

Residential Median Sales Price, Prince George Assessment Area

Dollars - thousands

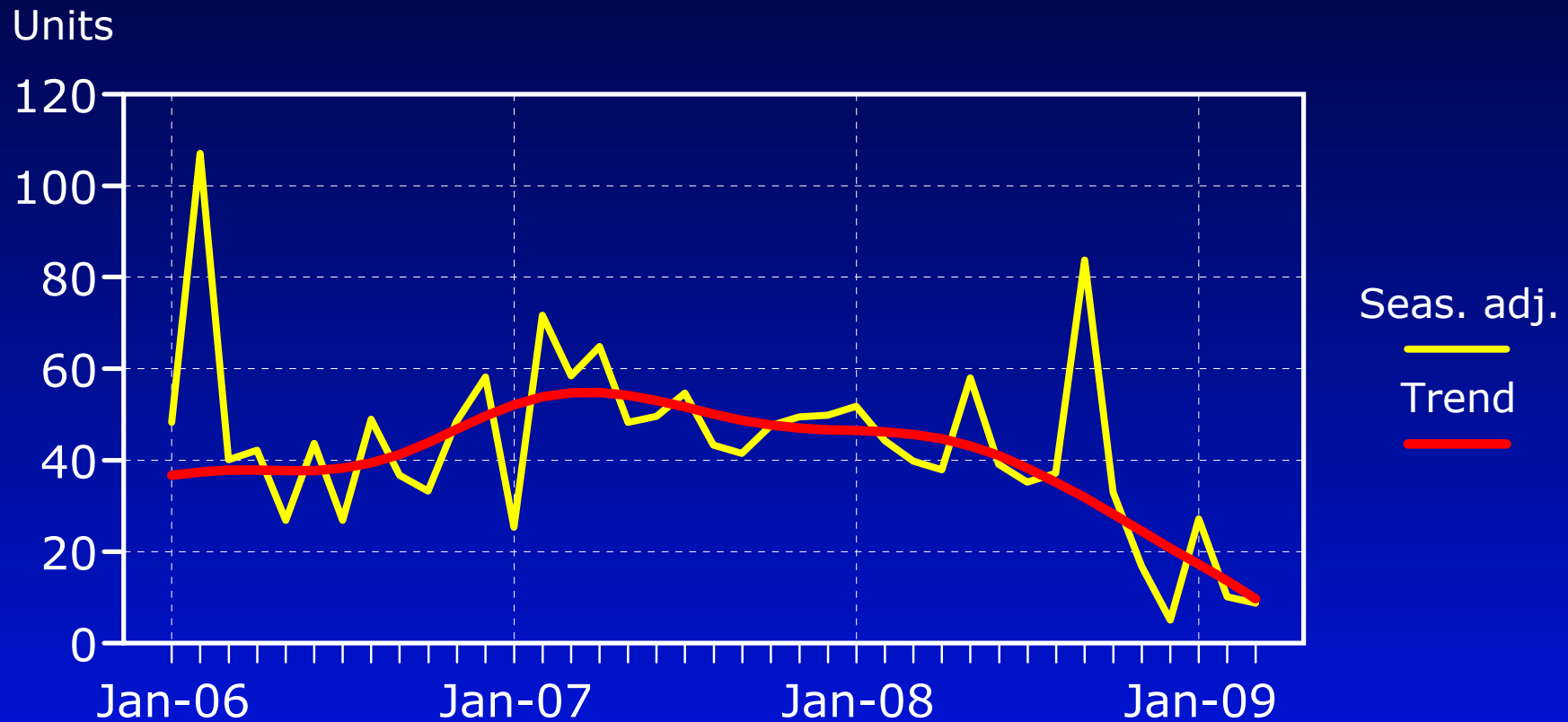


Source: Landcor Data Corp. Note: Excludes non-arm's length transactions.



New housing construction declining

Residential Building Permits Issued, Cariboo D.R.



Source: Statistics Canada, C1CU.

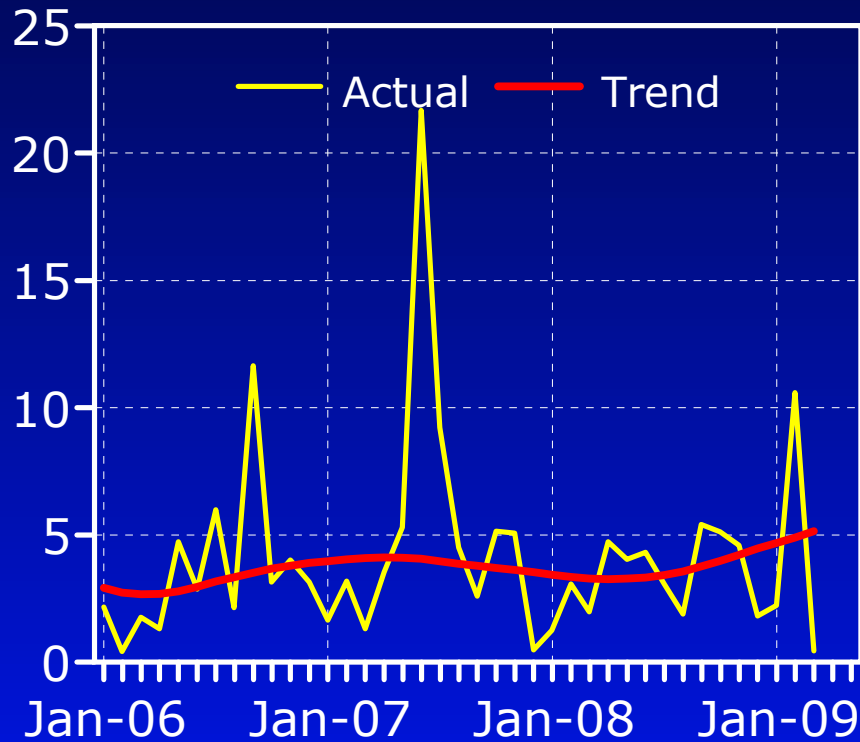
Latest: Mar-09



Regional non-residential building construction intentions

Private Building Permits

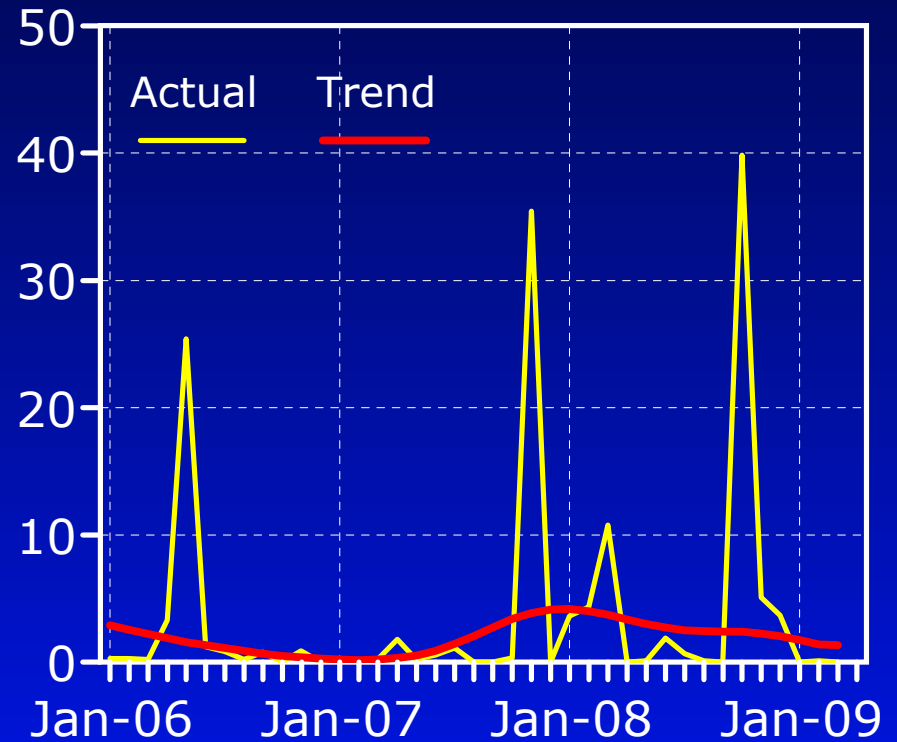
Dollars - millions



Source: Statistics Canada, C1CU.

Government Building Permits

Dollars - millions



Latest: Mar-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	-3.0	4.0
Housing starts, % change	-12.4	-55.0	8.0

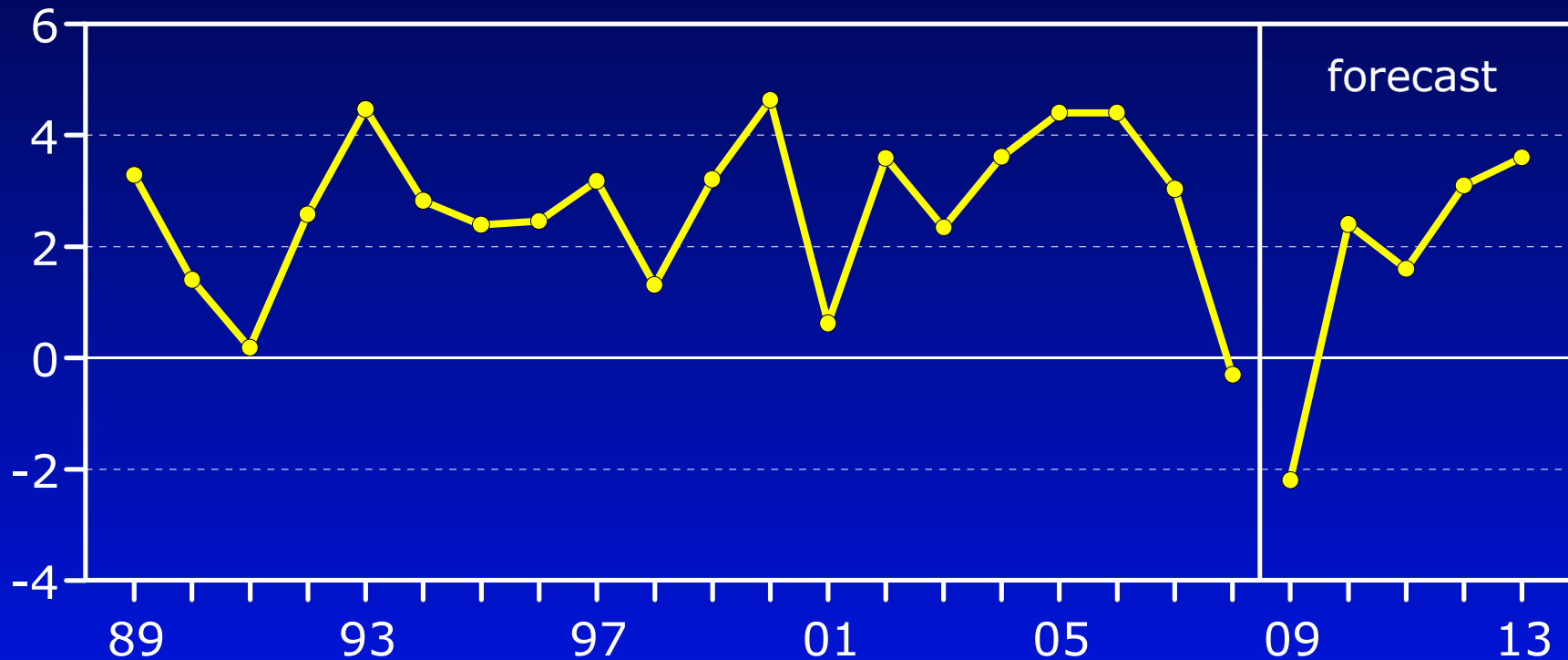
Source: Statistics Canada, CREA, CMHC, C1CU forecast.



Recession ends by 2010, return to normal growth in 2012

B.C. Economic Growth to 2013

Percentage change in real GDP



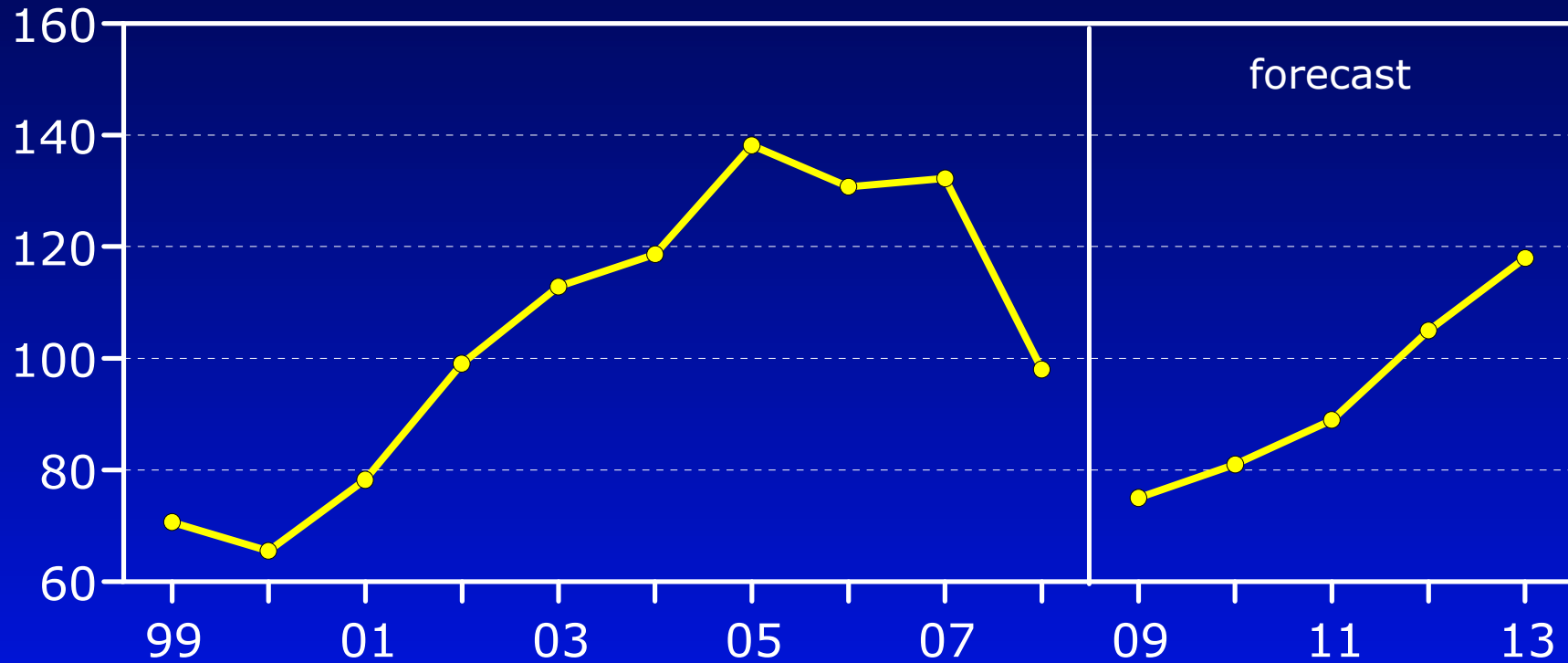
Source: Statistics Canada, C1CU.



Housing sales cycle bottom in 2009, moderate recovery 2010-11

B.C. Residential Sales, Annually

Units - thousands



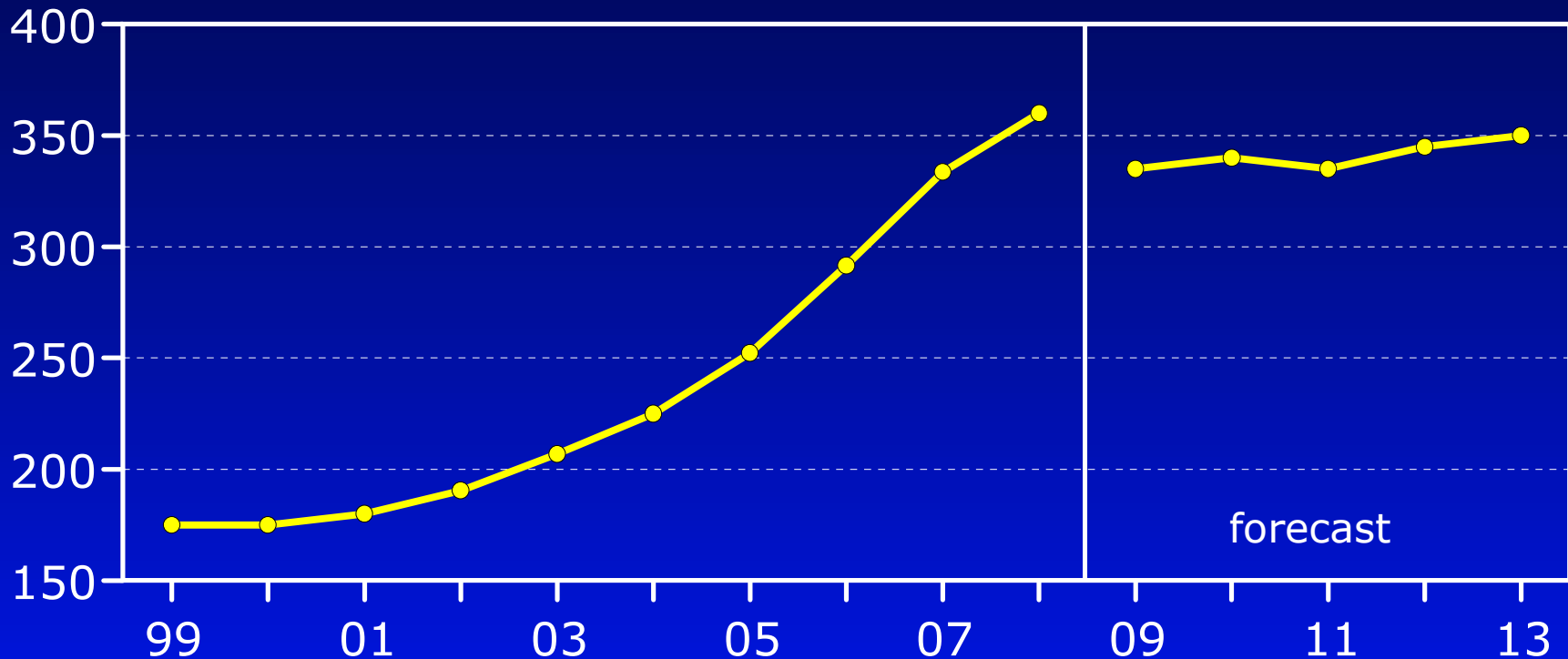
Source: Landcor Data Corp., C1CU.



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:

- Financial crisis results in longer recession and weaker recovery
- Credit markets improving but more needed
- Equity and commodity markets pricing in recovery
- Economic recession ends in 2009, U.S. leads Canada
- Below-average U.S. economic recovery
- Low interest rates in 2009, long-term rates turn higher first



Summary (cont'd):

- B.C. economy receives temporary boost from Winter Olympics
- Exports to remain weak
- Private investment spending down, public to increase
- Housing sales on cyclical upswing, moderate gains in 2010/11
- Housing prices turn up later this year and next

