

Economic Outlook

Annual General Meeting 2010 Central 1 Credit Union

Saturday, May 1, 2010

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Chief Economist
Central 1 Credit Union



Outline:

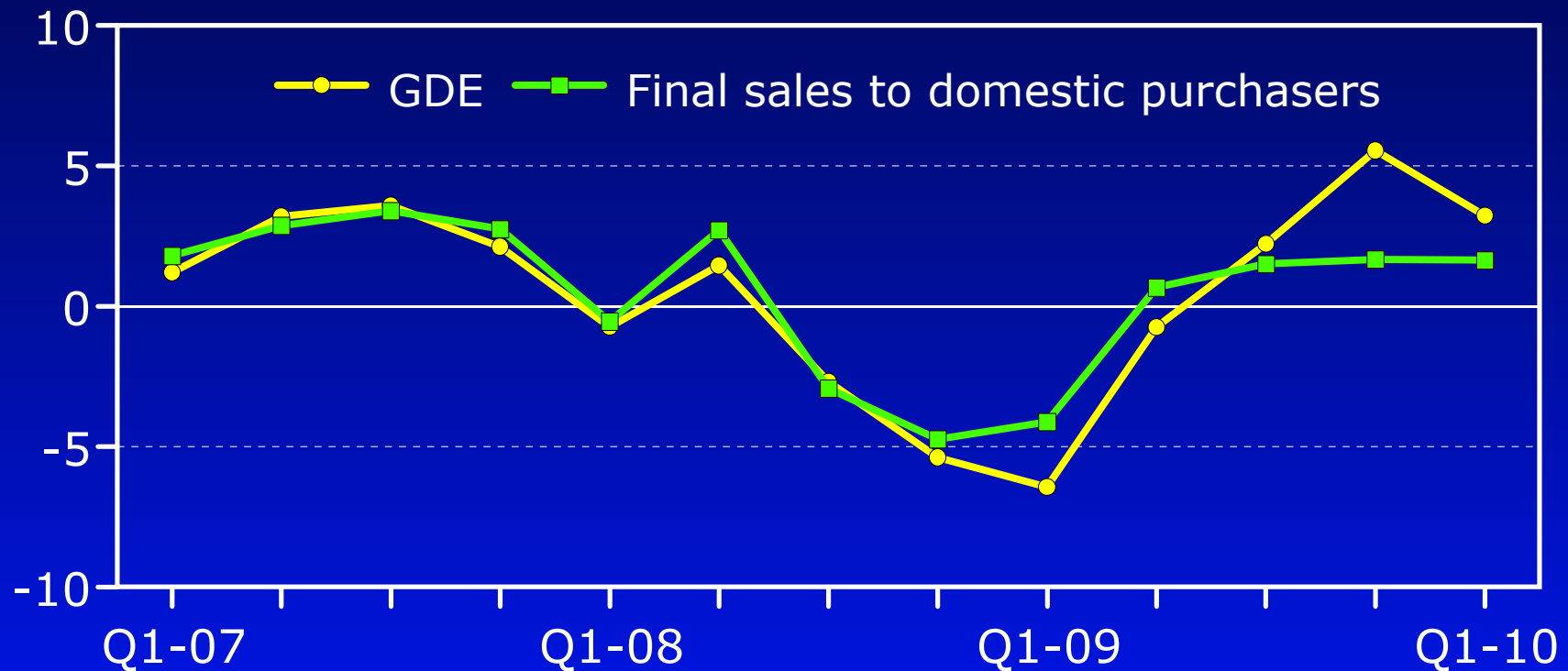
- U.S. economy and forecast
- Canadian economy, currency and interest rate forecasts
- Ontario and B.C. economies
- Housing market trends and conditions
- Forecasts and summary



Inventory cycle distorts growth profile, U.S. demand growing at a moderate pace

U.S. Economic Growth, Quarterly

Q/Q percentage change at annual rate



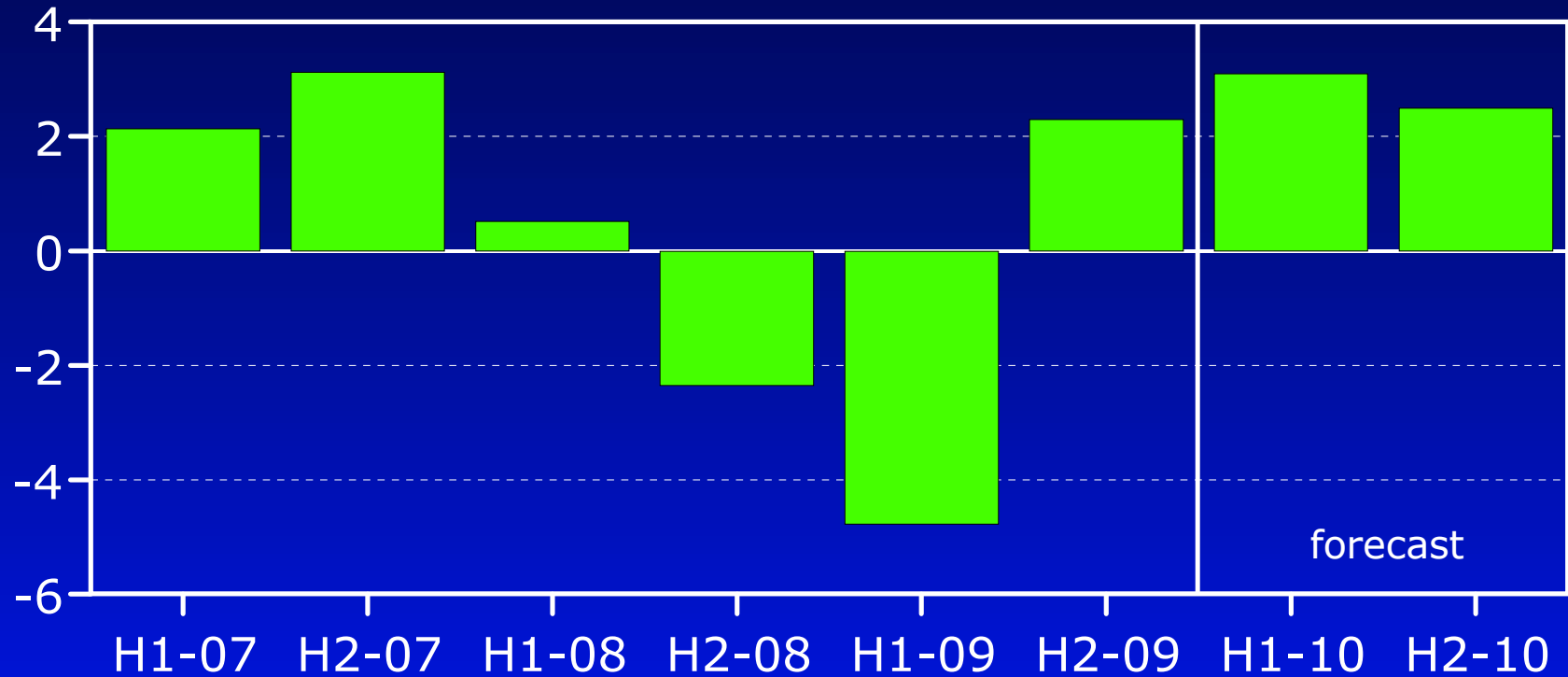
Source: U.S. Bureau of Economic Analysis.



U.S. economy to slow in second half 2010

U.S. Real GDP Growth, Semi-annually

Q/Q percentage change at annual rate



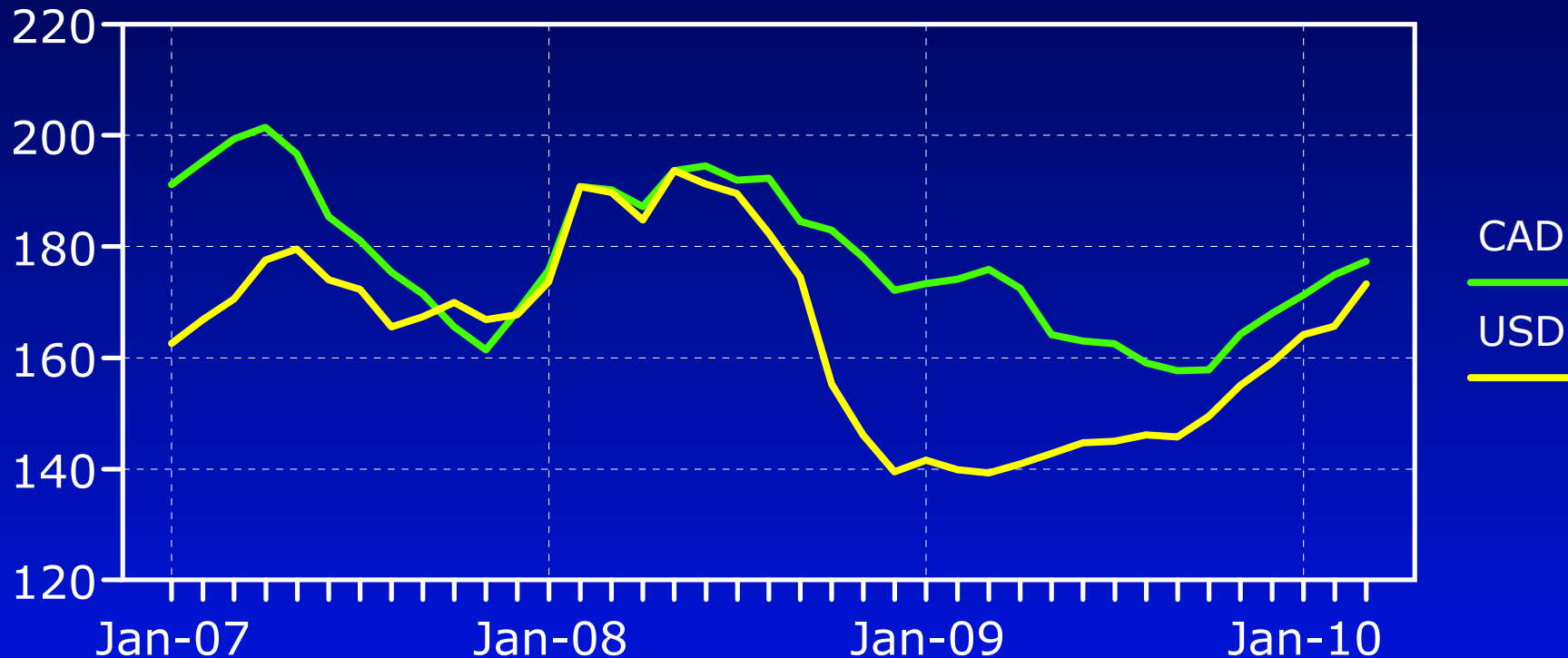
Source: U.S. BEA, WSJ April 2010 Survey, C1CU.



Export commodity prices up less in Canadian dollars

Bank of Canada Commodity Price Index*, Monthly

1982-90=100



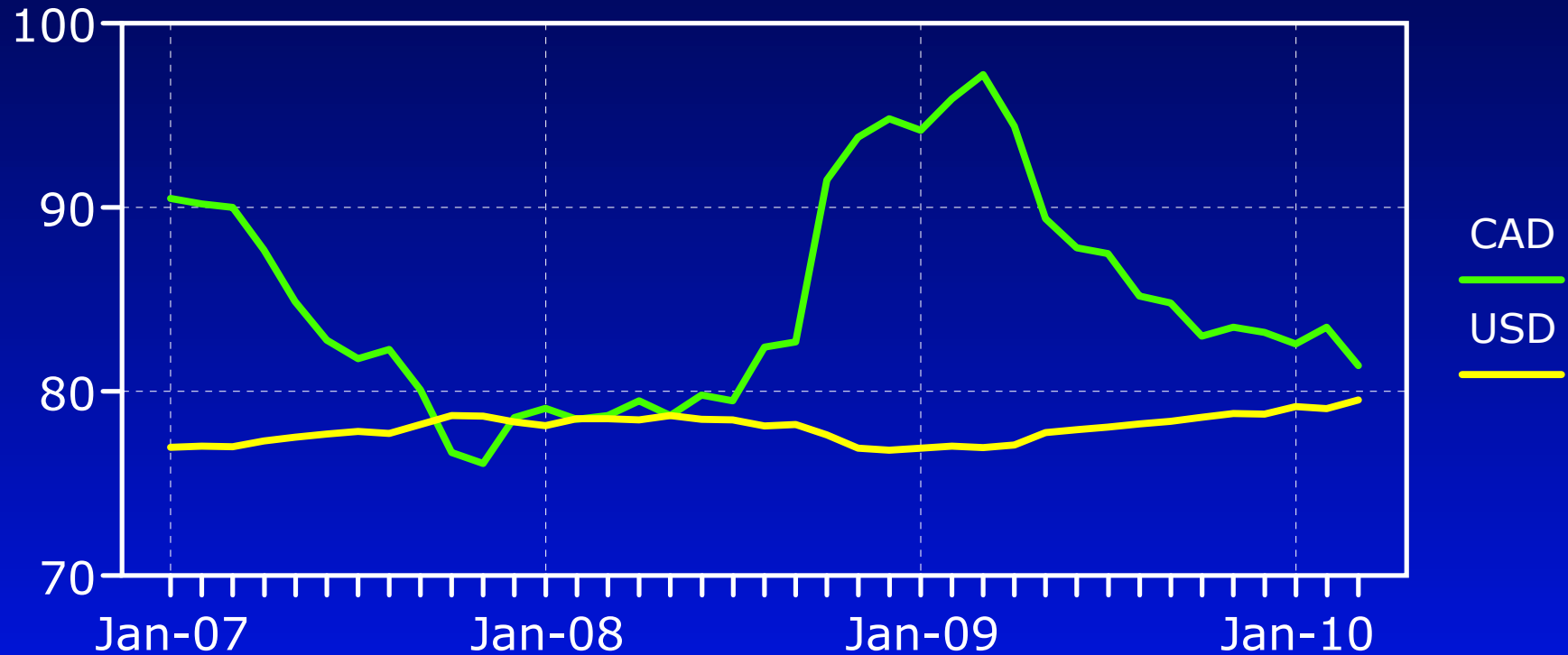
Source: Bank of Canada, C1CU. * Excludes energy Latest: Mar-10



Currency plays large role in motor vehicle domestic producer prices

Motor Vehicles Industrial Product Price Index, Monthly

1997=100



Source: Statistics Canada, C1CU.

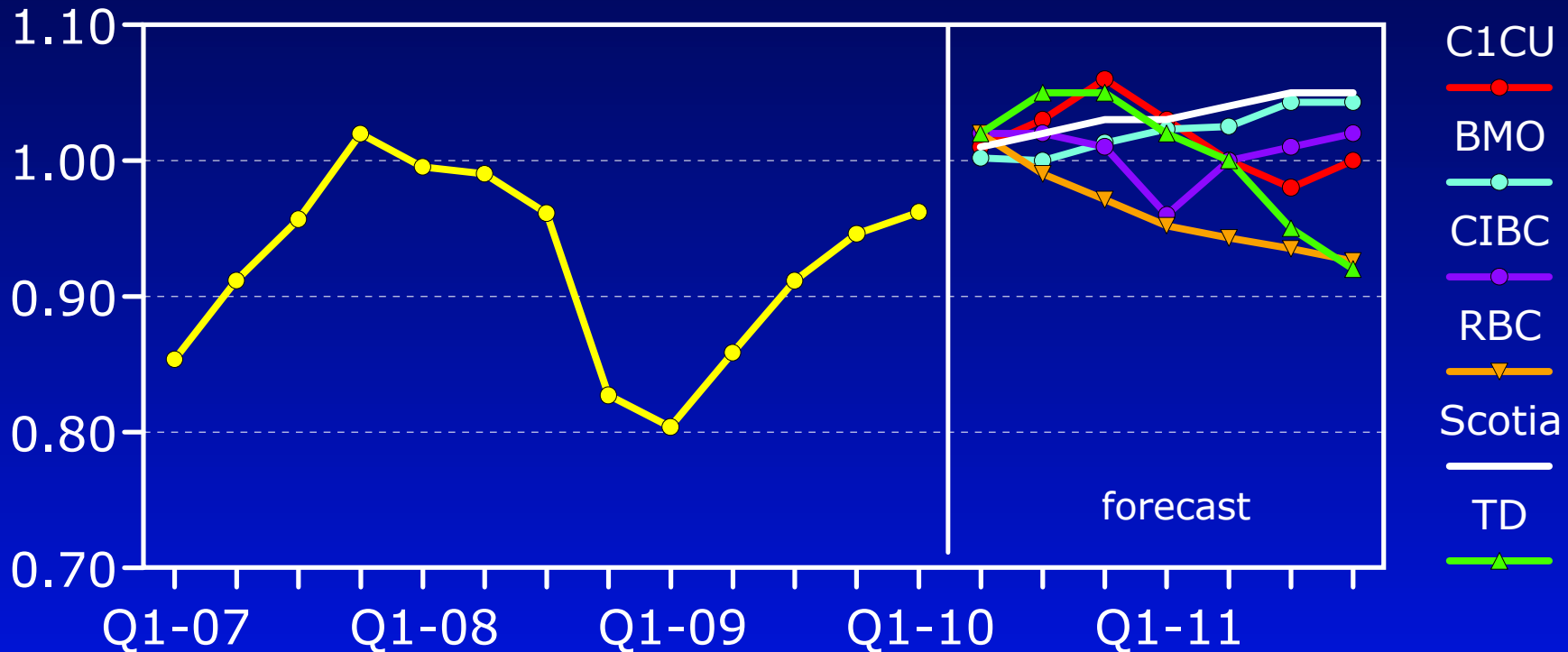
Latest: Mar-10



Higher Canadian dollar expected in 2010, divergent views for 2011

Exchange Rate Forecasts, Quarterly, Canada

USD per CAD



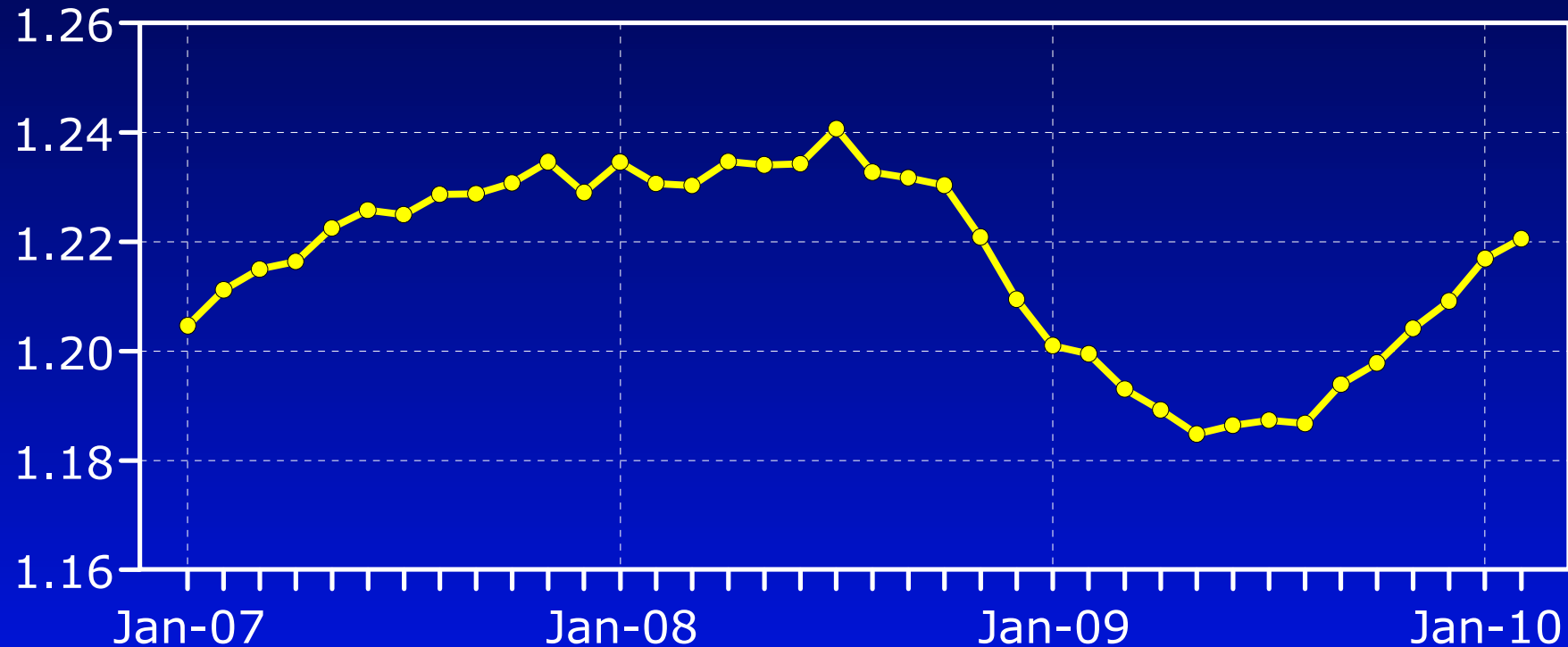
Source: Bank of Canada, C1CU Survey. Latest actual: Q1-10



Canada's economy growing since mid-2009

Canada Gross Domestic Product, All Industries, Monthly

Dollars - trillions chained 2002

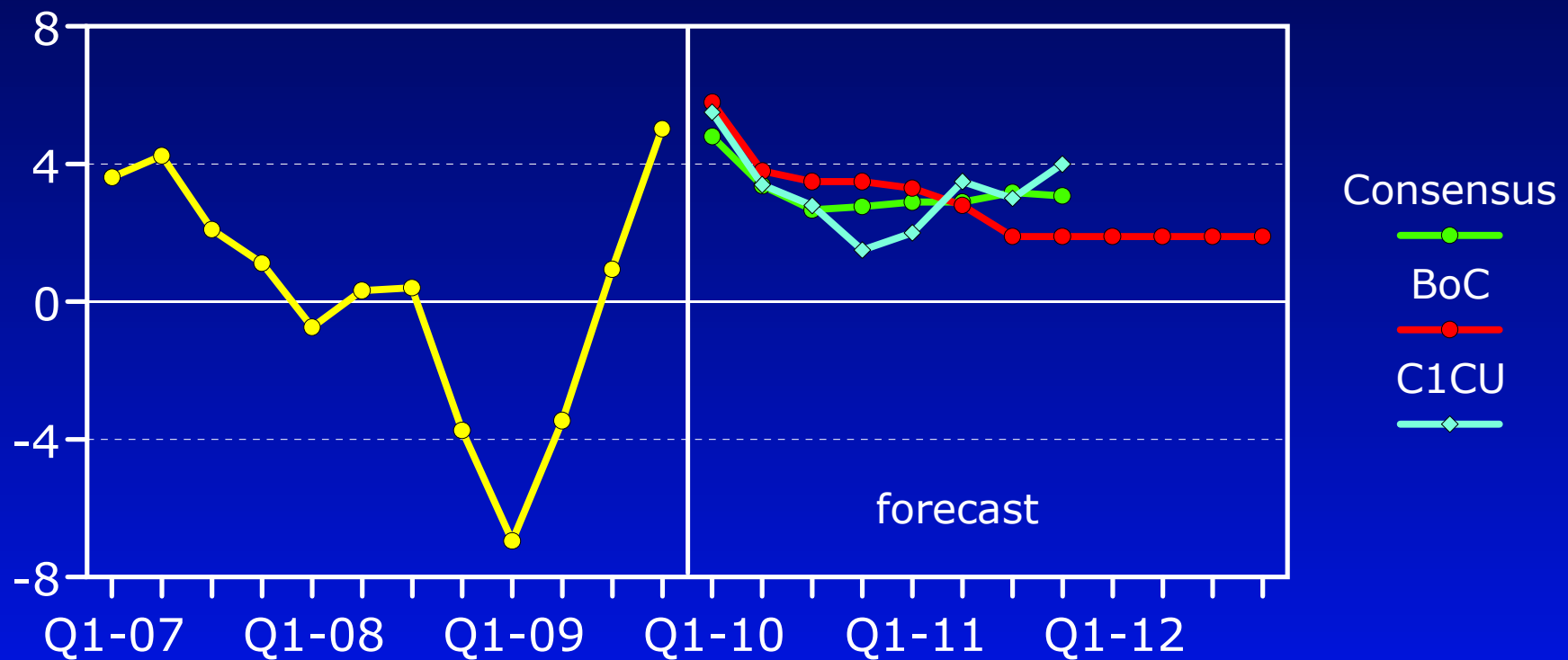


Source: Statistics Canada. Note: Seasonally adjusted annual rate. Latest: Feb-10



Initial recovery surge ending, growth slowdown ahead

Canada's Economic Growth and Forecasts, Quarterly
Percentage change at annual rate in real GDP



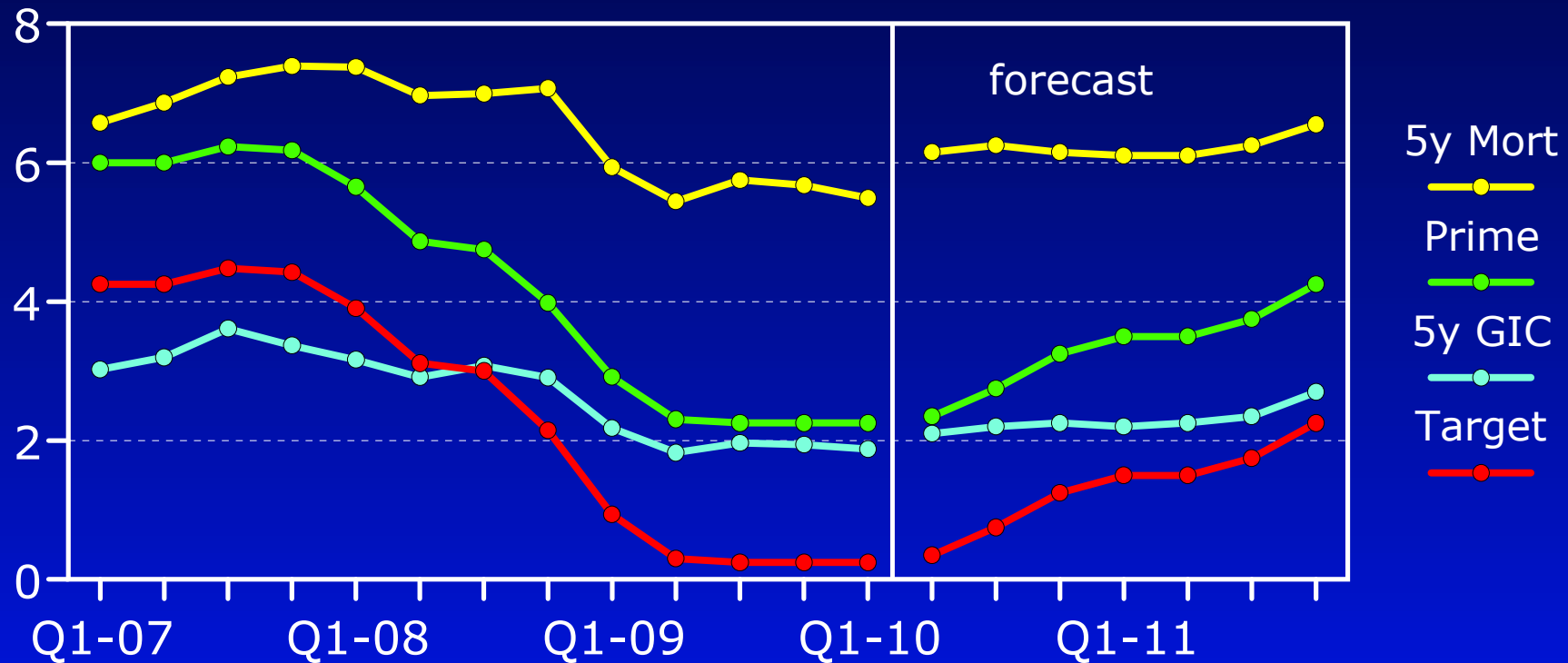
Source: Statistics Canada, Bank of Canada, C1CU. Latest actual: Q4-09



Bank of Canada raises rates on June 1 and continues until year-end

Interest Rate Forecasts, Quarterly

Per cent



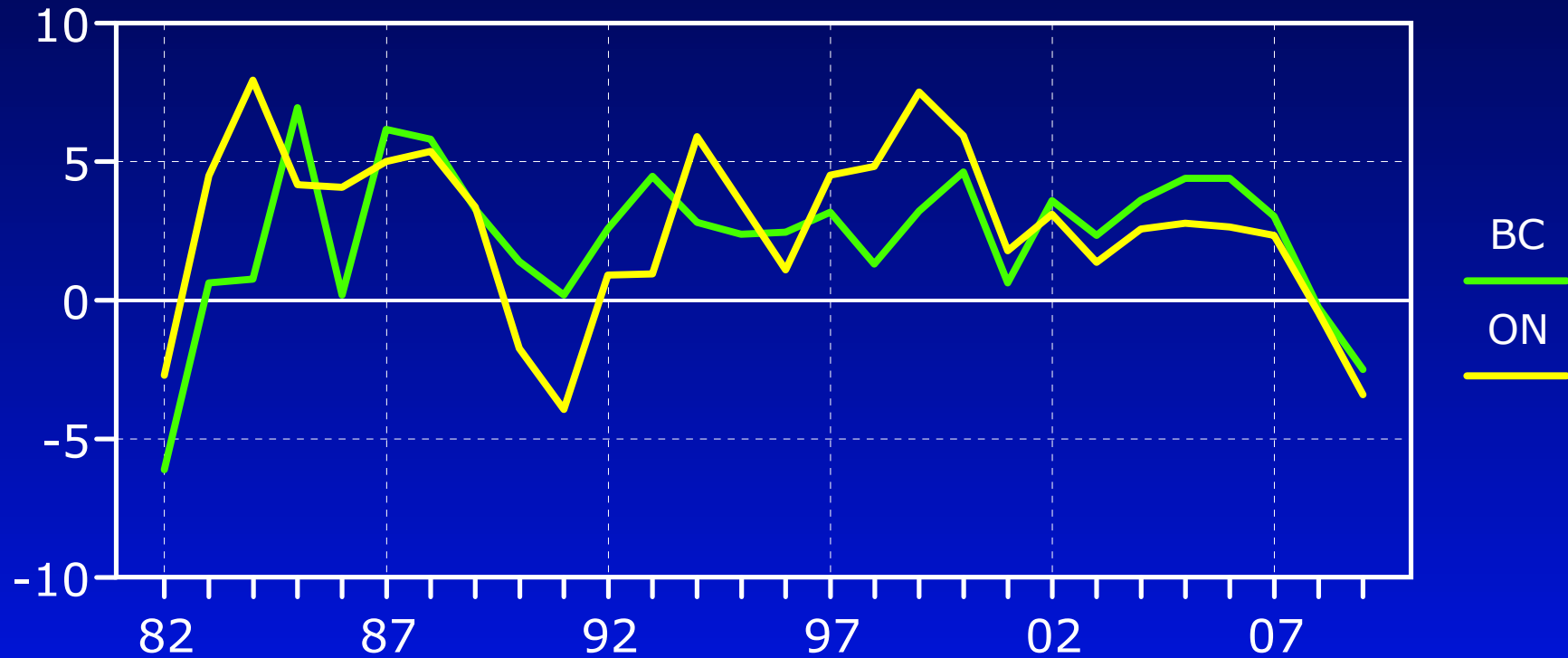
Source: Bank of Canada, C1CU. Note: Averages. Latest actual: Q1-10



Economic recessions in Ontario and B.C. following financial crisis

Economic Growth, B.C. and Ontario

Percentage change in real GDP



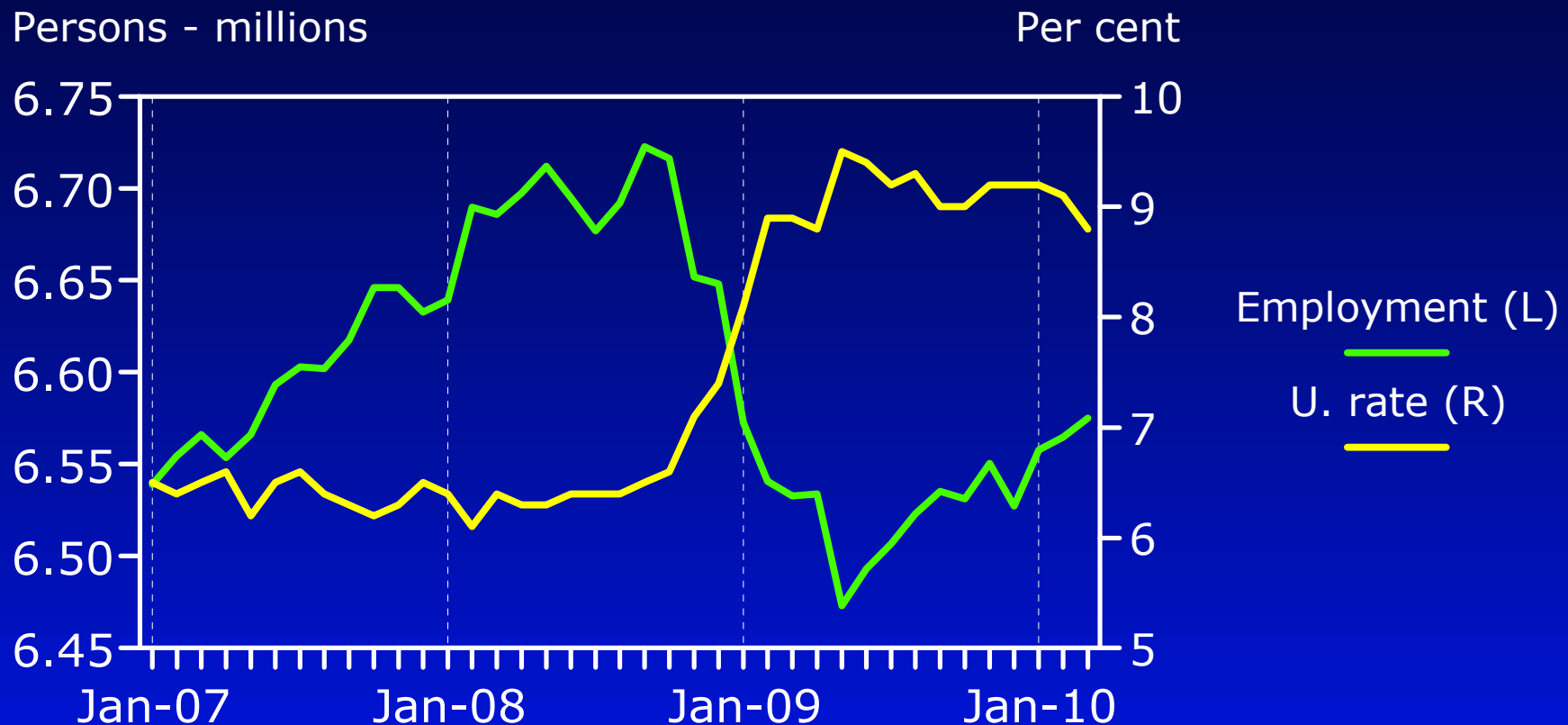
Source: Statistics Canada.

Latest actual 2009.



Ontario economy generating jobs, unemployment remains high

Ontario Labour Market, Monthly



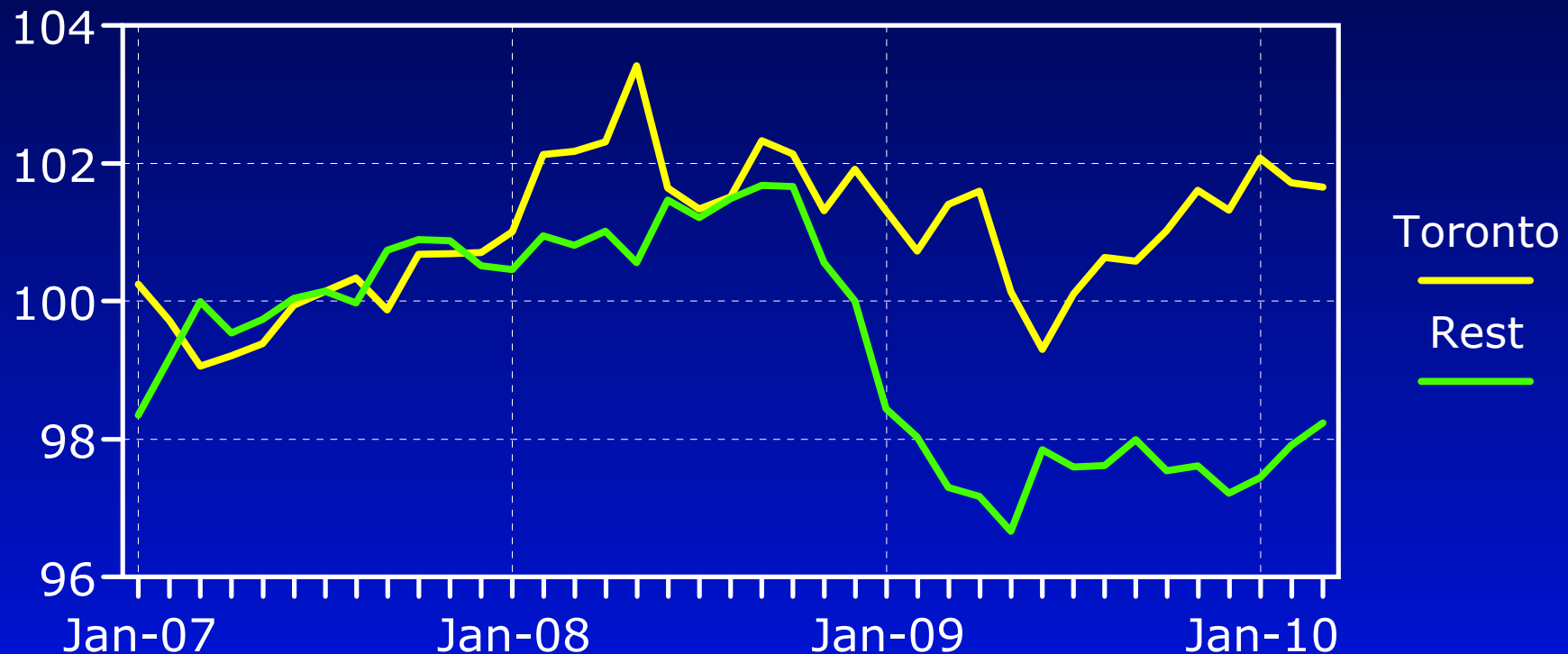
Source: Statistics Canada. Note: Seasonally adjusted. Latest: Mar-10



Larger job losses outside Toronto, recent job growth mainly in GTA

Employment Trends, Toronto CMA and Rest of Ontario

2007=100

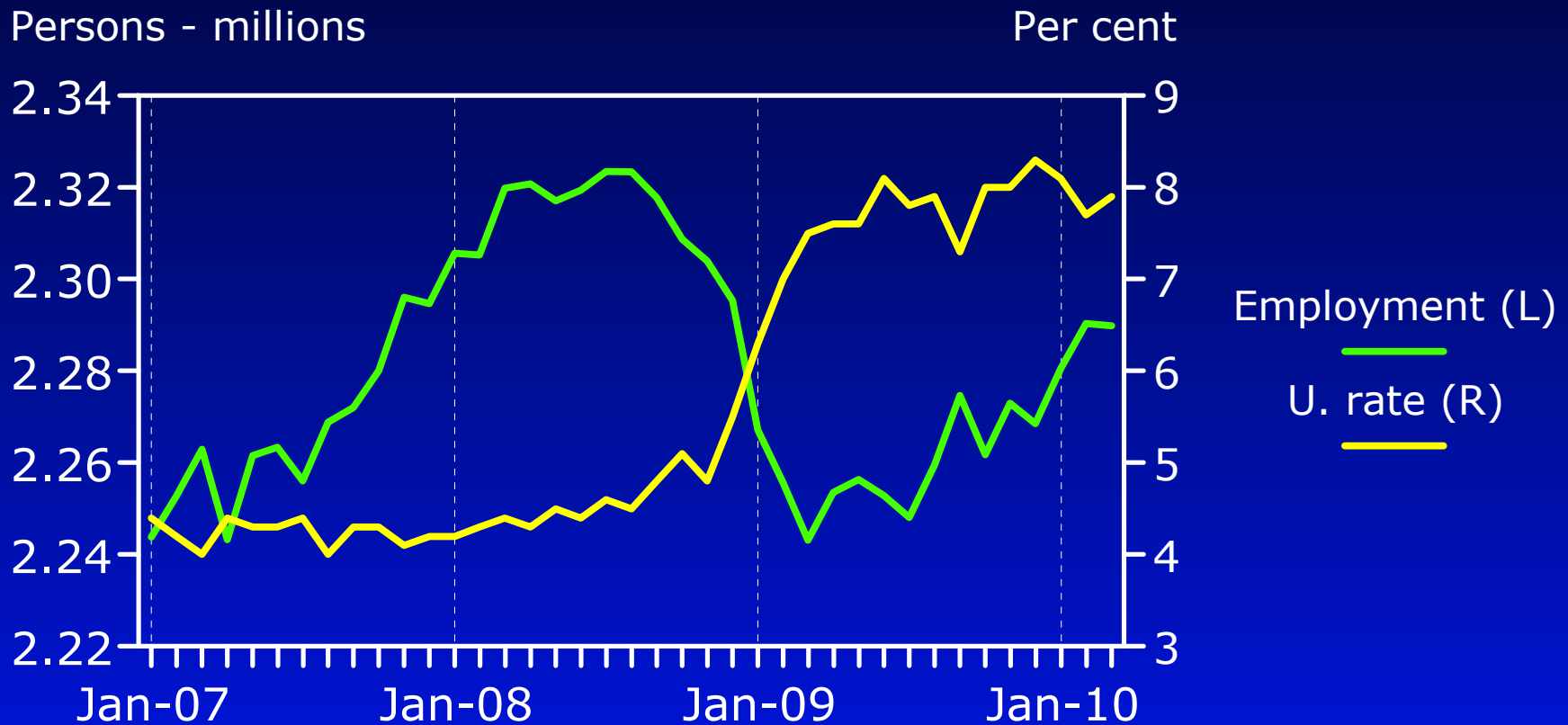


Source: Statistics Canada, C1CU. Note: Seasonally adjusted. Latest: Mar-10



B.C. employment trending higher since mid-2009

B.C. Labour Market, Monthly



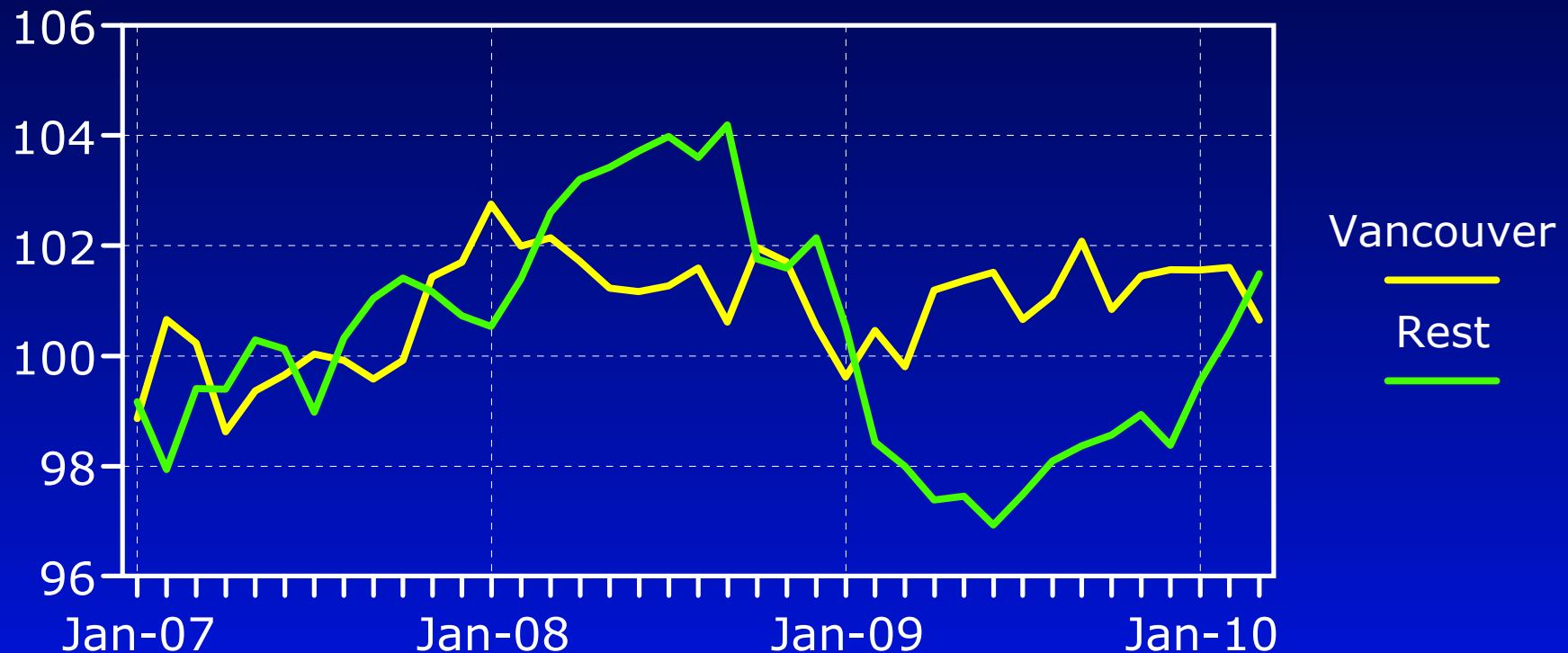
Source: Statistics Canada. Note: Seasonally adjusted. Latest: Mar-10



Vancouver employment held up, rest of B.C. hit hard by recession

Employment Trends, Vancouver CMA and Rest of B.C.

2007=100



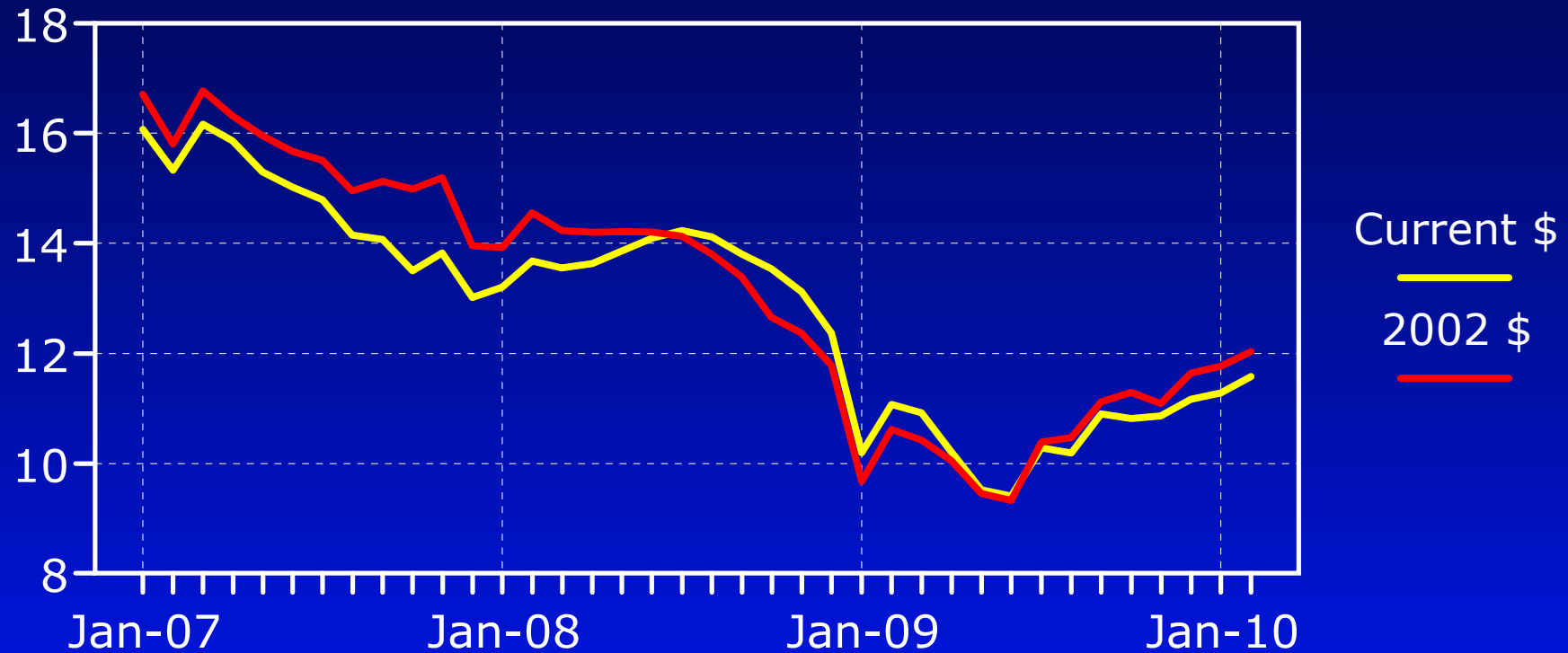
Source: Statistics Canada, C1CU. Note: Seasonally adjusted. Latest: Mar-10



Ontario exports turning up

Ontario International Merchandise Exports, Monthly

Dollars - billions



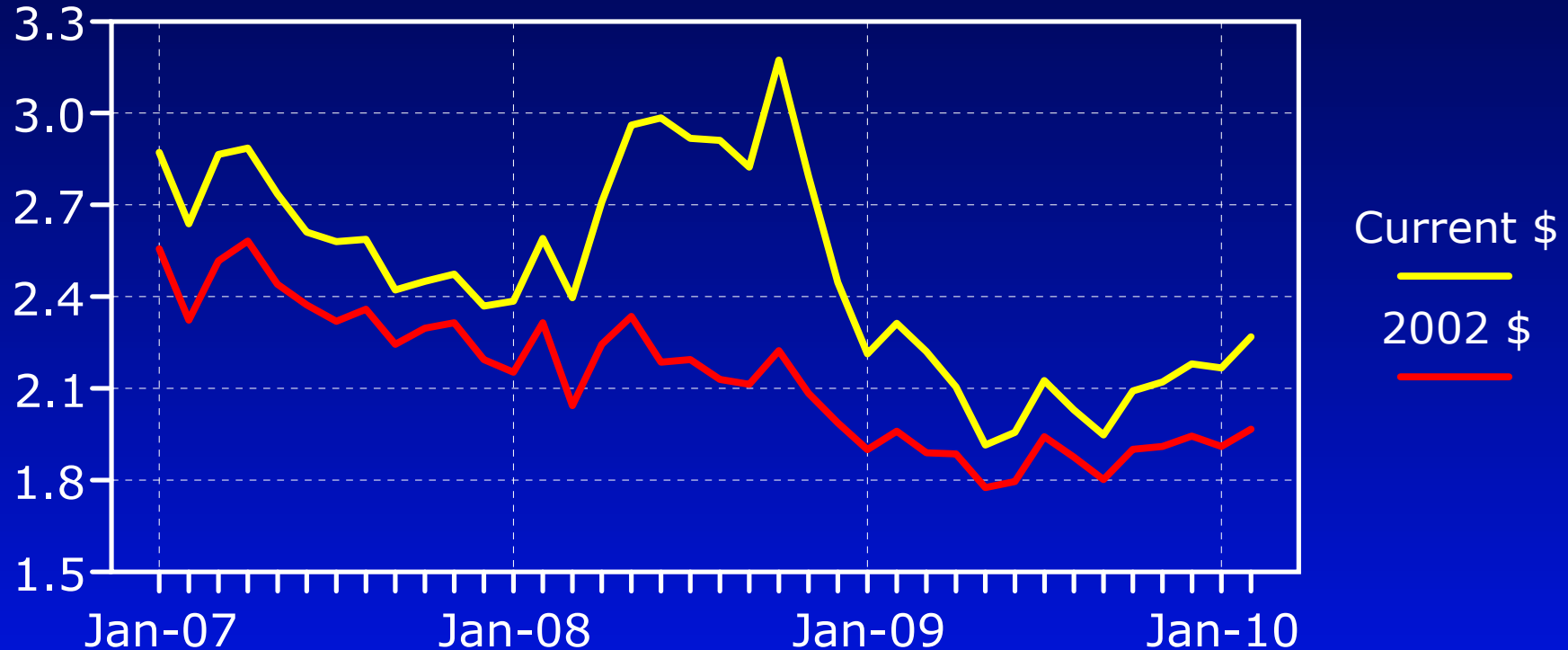
Source: Statistics Canada, C1CU. Note: Seasonally adjusted. Latest: Feb-10



B.C. goods exports no longer declining

B.C. International Merchandise Exports, Monthly

Dollars - billions



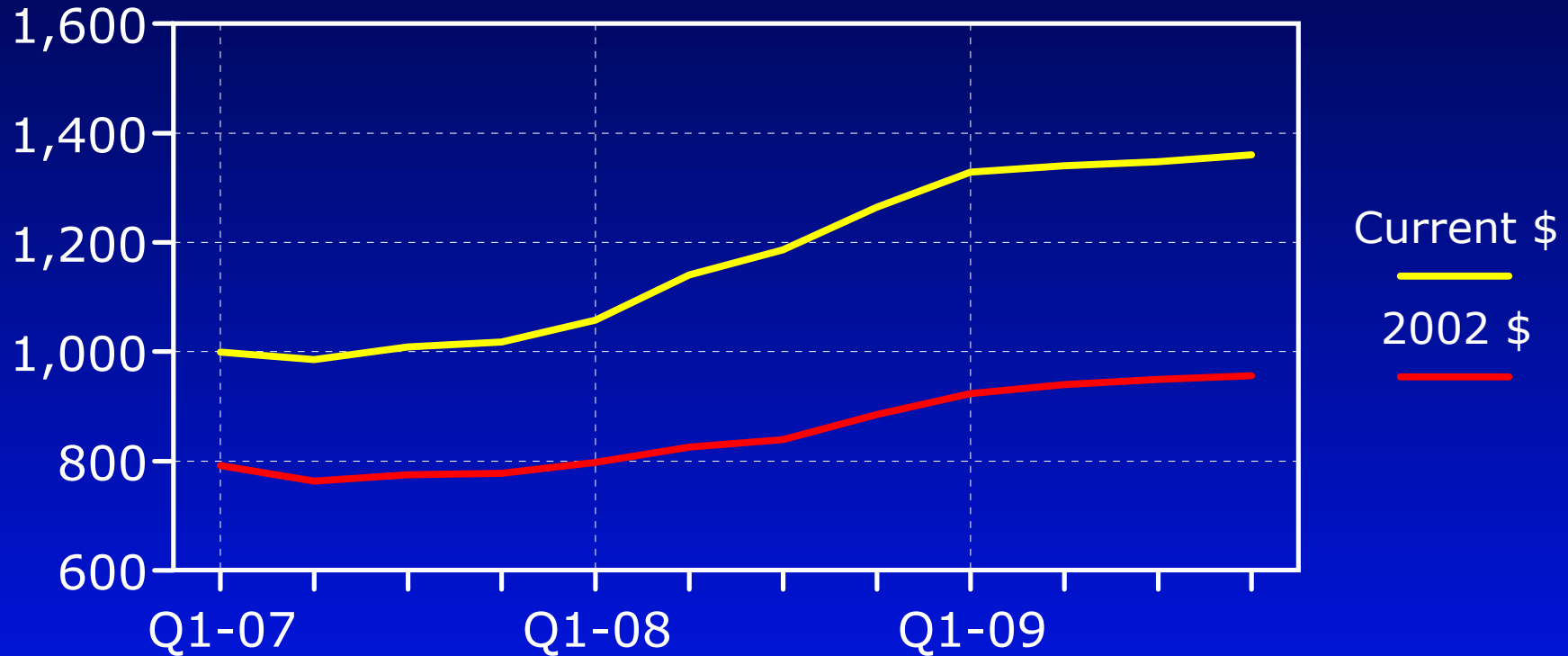
Source: Statistics Canada, C1CU. Note: Seasonally adjusted Latest: Feb-10



More gains expected from fiscal stimulus spending

Ontario Public Non-residential Building Construction

Dollars - millions



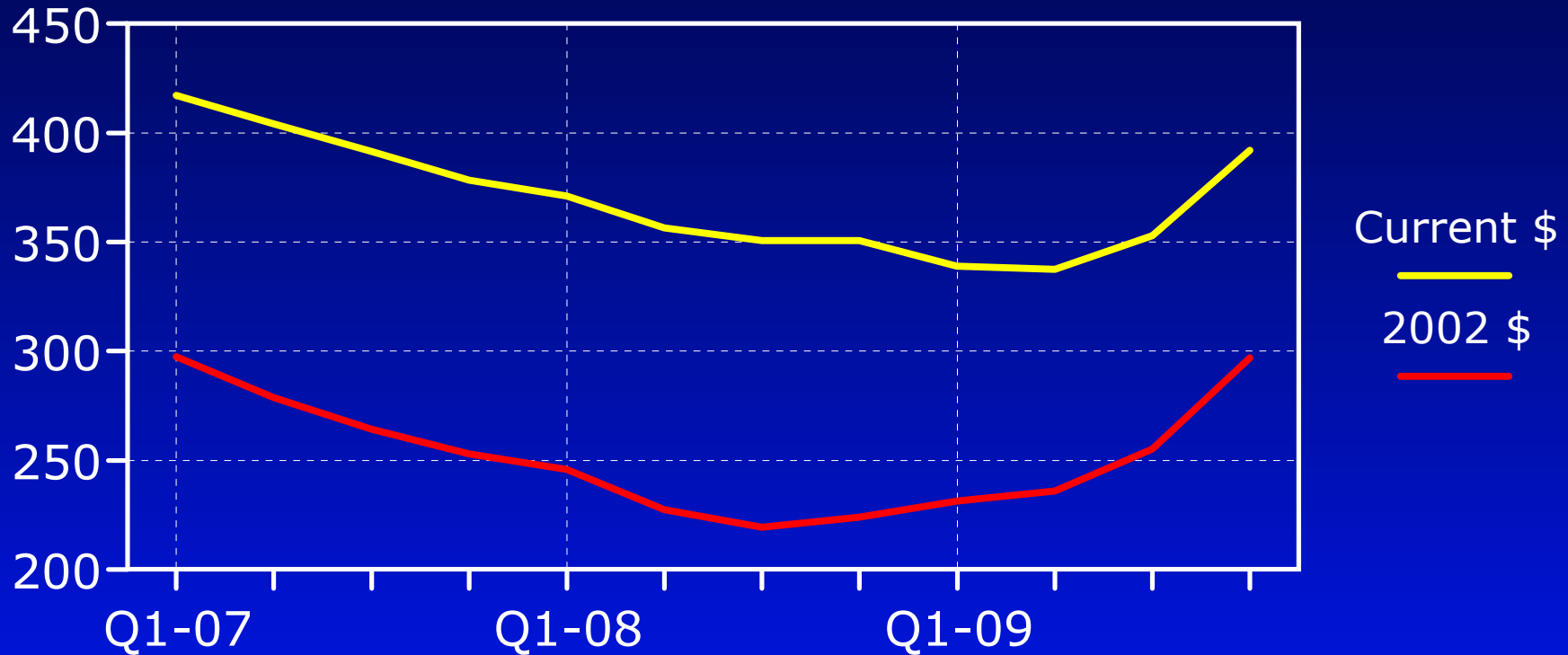
Source: Statistics Canada. Note: Seasonally adjusted. Latest: Q4-09



Public construction spending up

B.C. Public Non-residential Building Construction Investment

Dollars - millions



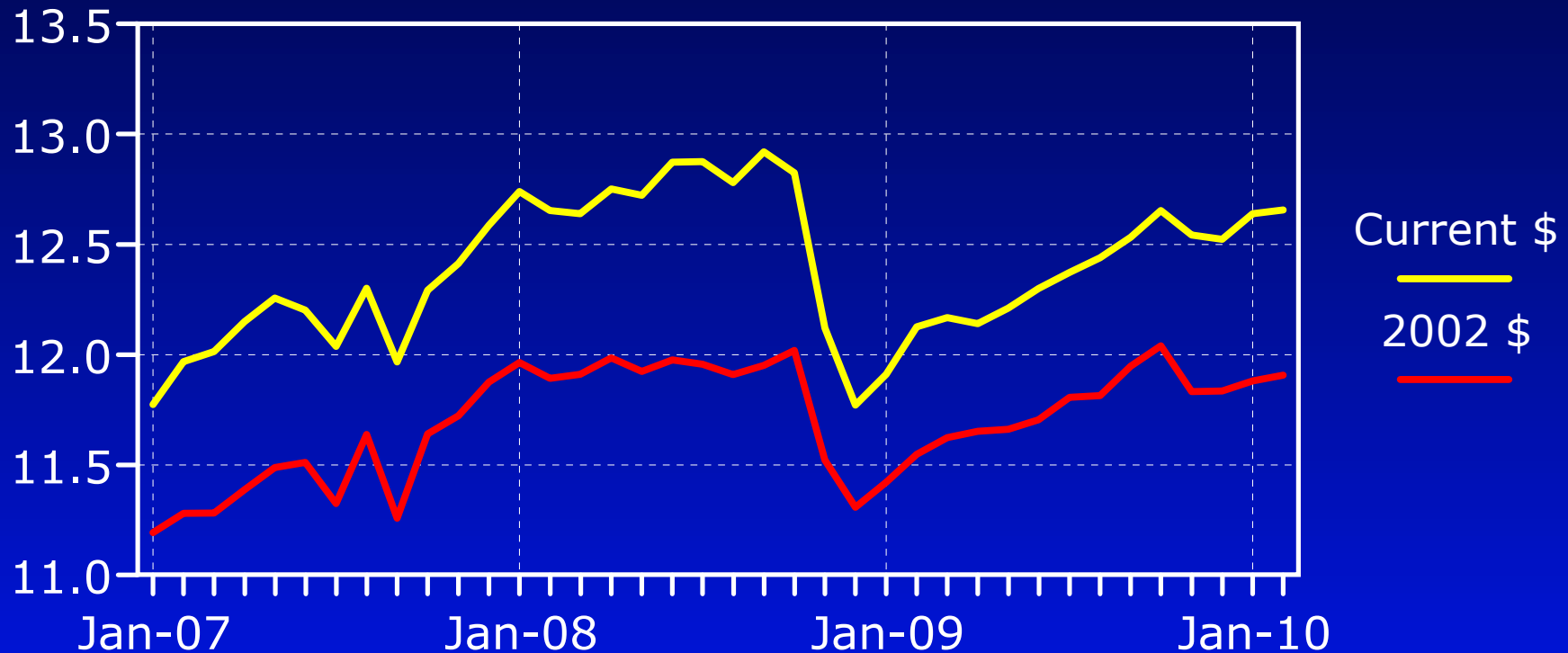
Source: Statistics Canada. Note: Seasonally adjusted. Latest: Q4-09



Little gain in consumer spending since October 2009

Ontario Retail Sales, Monthly

Dollars - billions



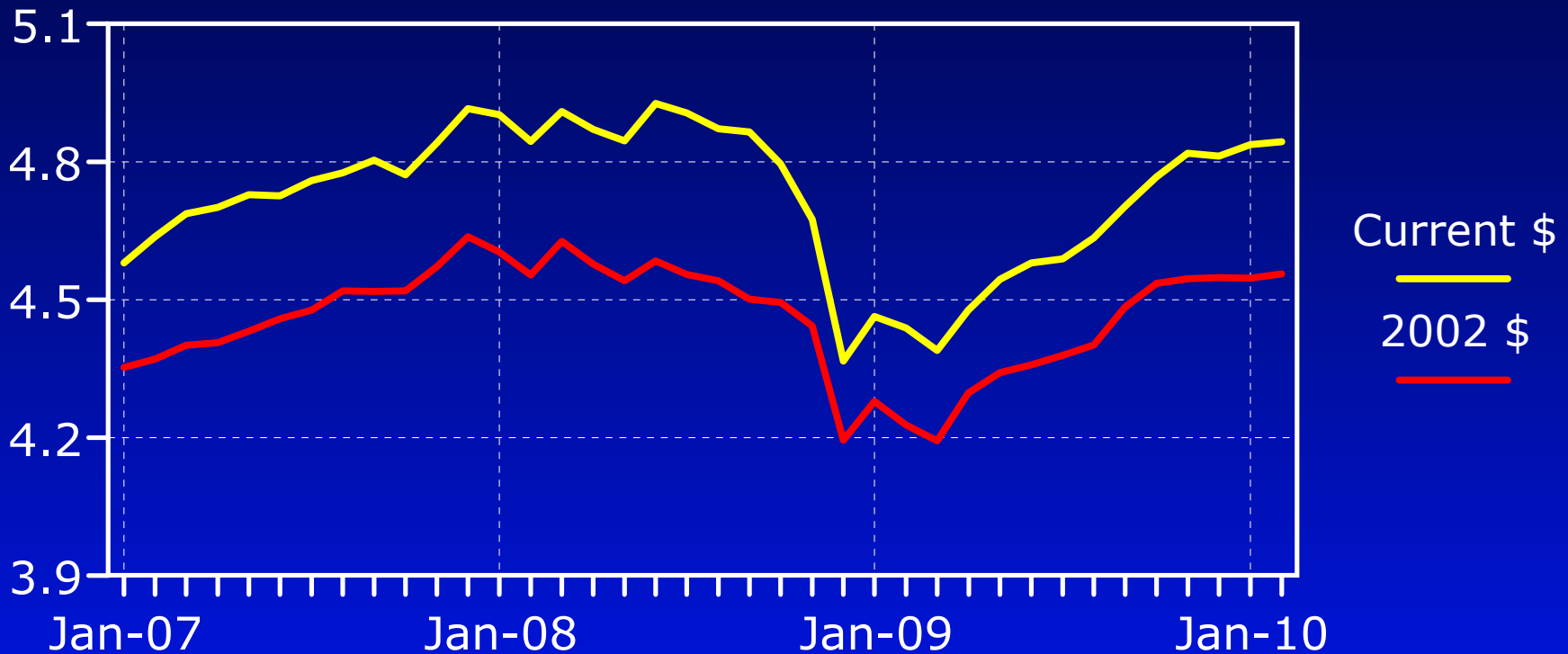
Source: Statistics Canada, C1CU. Note: Seasonally adjusted. Latest: Feb-10



B.C. consumer spending growth slows

B.C. Retail Sales, Monthly

Dollars - billions



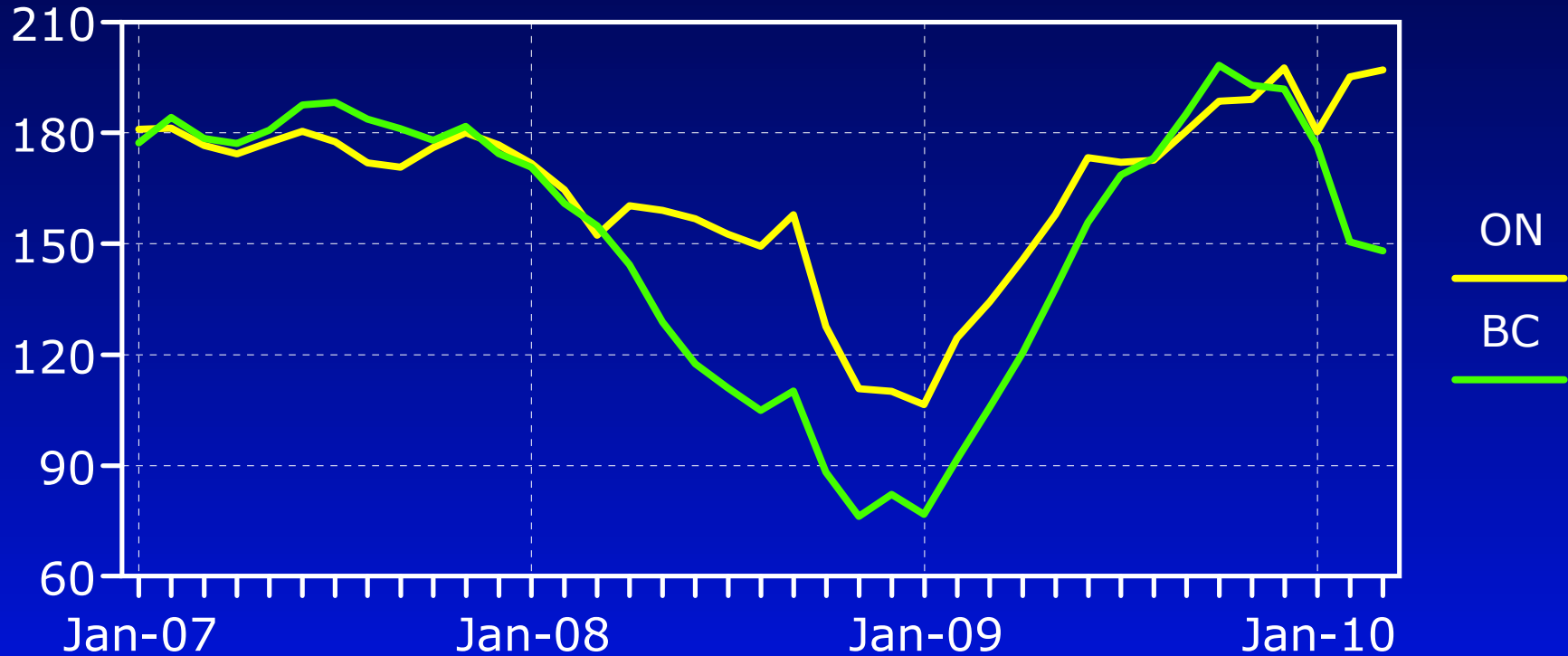
Source: Statistics Canada, C1CU. Note: Seasonally adjusted. Latest: Feb-10



B.C. housing sales down recently, Ontario sales topping out

MLS Residential Sales Trends, B.C. and Ontario

1980-2000=100



Source: CREA, C1CU. Note: Seasonally adjusted

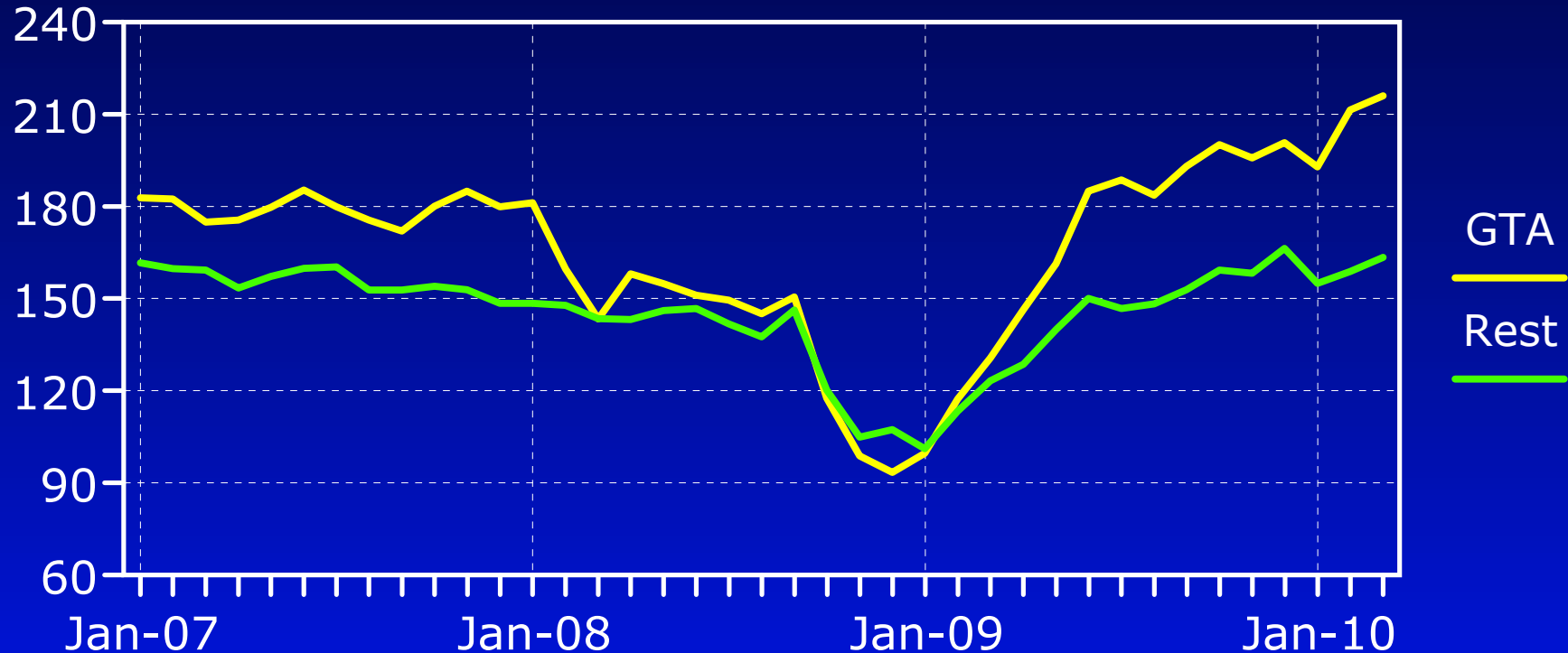
Latest: Mar-10



Greater Toronto Area housing sales continue to climb

MLS Residential Sales Trends, the GTA and Rest of Ontario

1990-2000=100



Source: CREA, C1CU. Note: Seasonally adjusted

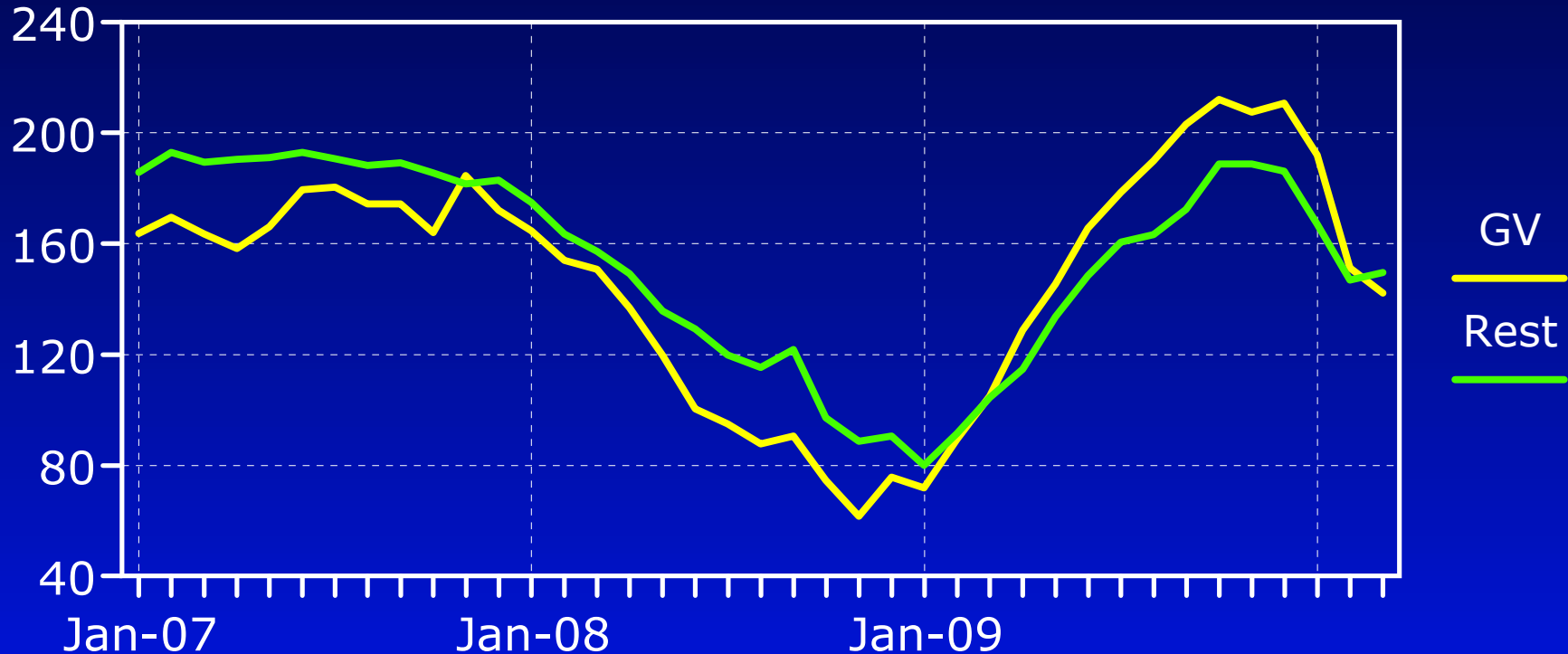
Latest: Mar-10



Recent housing sales down across B.C.

MLS Res. Sales Trends, Greater Vancouver and Rest of B.C.

1980-2000=100



Source: CREA, C1CU. Note: Seasonally adjusted.

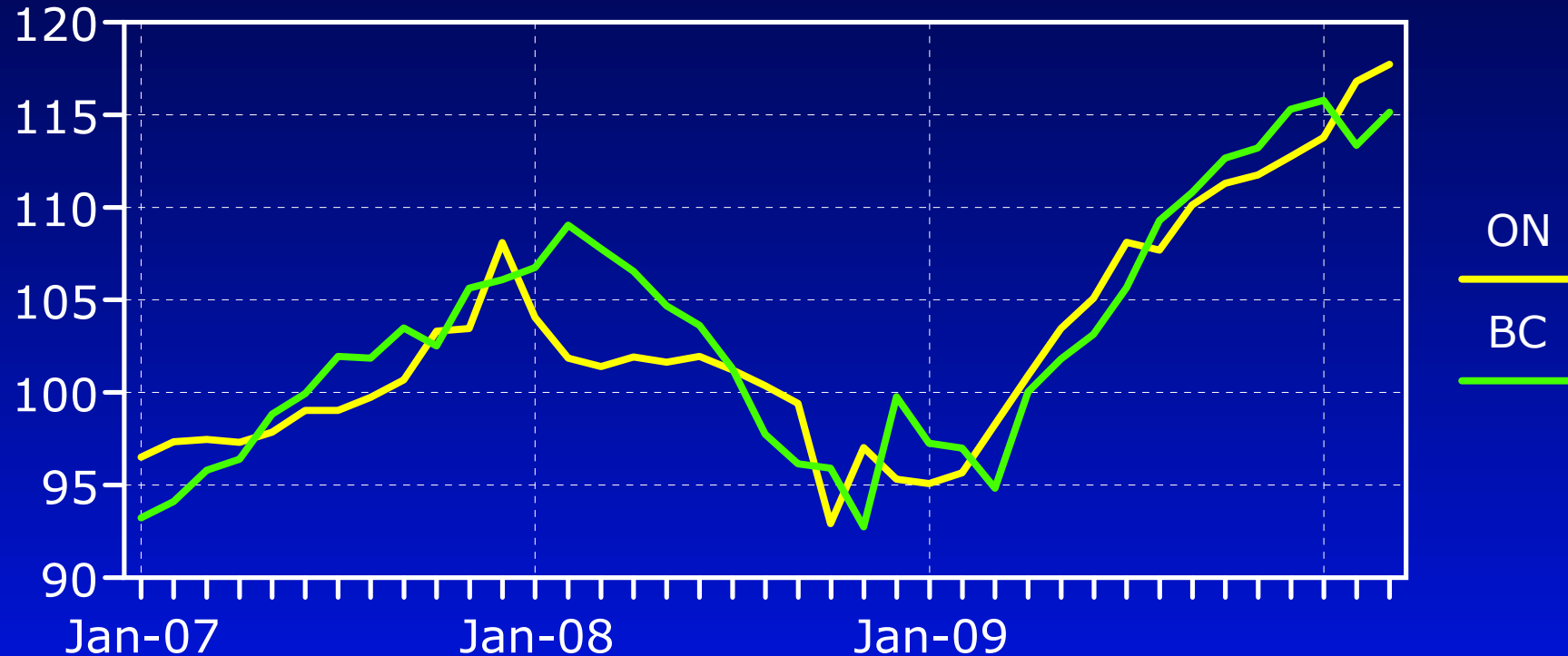
Latest: Mar-10



B.C. housing price rise abating, Ontario prices rising

MLS Residential Avg. Sales Price Trends, Ontario and B.C.

2007=100



Source: CREA, C1CU. Note: Seasonally adjusted.

Latest: Mar-10



Exports rebound in 2010; housing and public construction main growth contributors

Ontario Indicators	2009	2010f	2011f
Real GDP, % chg.	-3.1	3.2	2.4
Employment, % chg.	-2.4	1.7	1.5
Unemployment rate, %	9.0	8.6	8.5
Intl. goods exports, % chg.	-23.3	16.0	-5.0
Housing sales, % chg.	8.2	12.0	-6.0
Housing prices, % chg.	5.3	15.0	-2.0
Housing starts, % chg.	-32.9	23.0	-8.0

Source: Statistics Canada, Ontario Ministry of Finance, CREA, CMHC, C1CU forecast.



Olympic boost and small export lift in 2010; assisted by housing and public construction

B.C. Indicators	2009	2010f	2011f
Real GDP, % chg.	-2.3	3.4	2.5
Employment, % chg.	-2.4	1.5	1.6
Unemployment rate, %	7.6	7.5	7.3
Intl. goods exports, % chg.	-24.0	9.0	-3.0
Housing sales, % chg.	23.4	-4.0	6.0
Housing prices, % chg.	2.4	8.0	2.0
Housing starts, % chg.	-53.2	45.0	5.0

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

