

# Economic Outlook

## 2008 Fall Conference

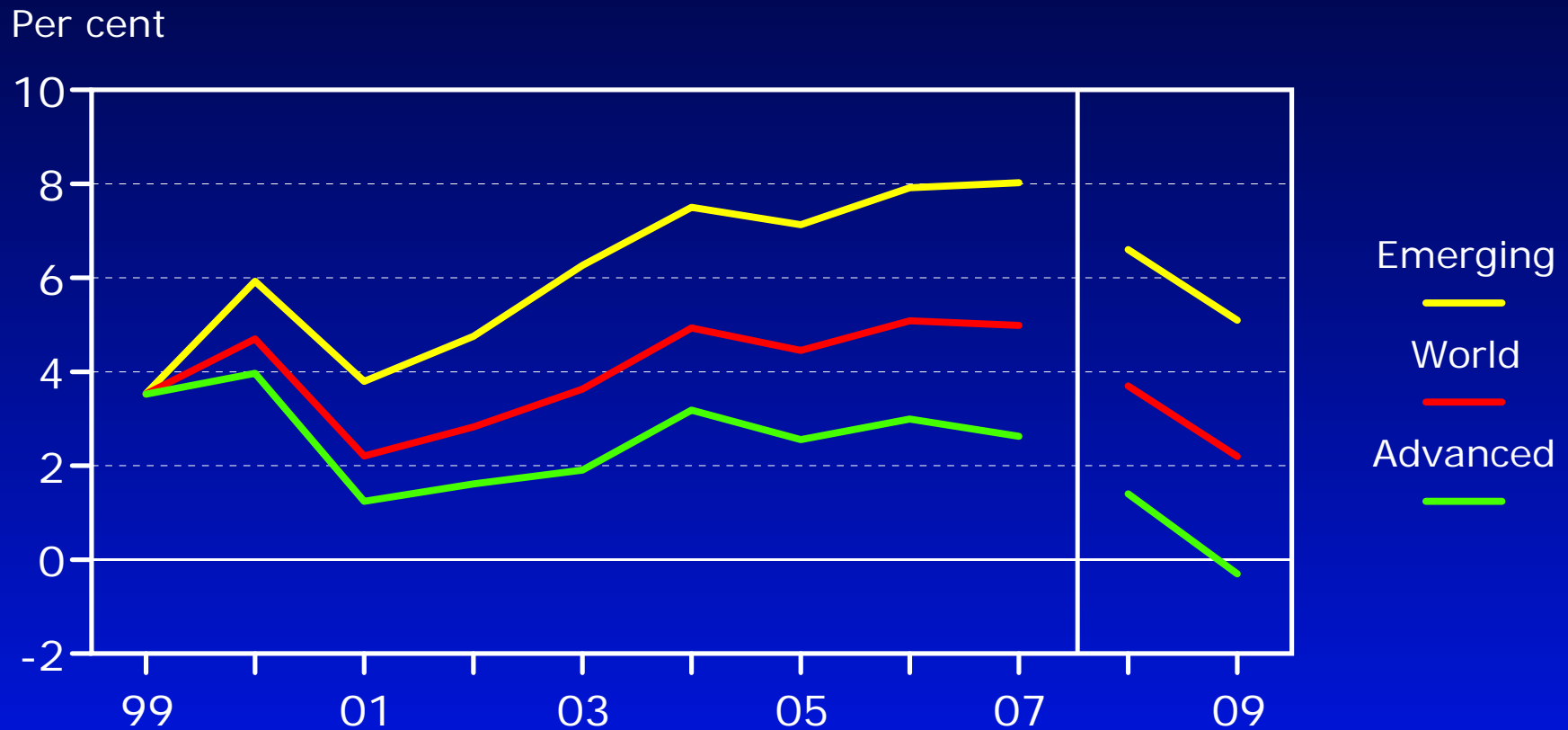
Friday, November 14, 2008

Helmut Pastrick  
Chief Economist  
Central 1 Credit Union



# Global economy heading for recession, led by industrialized economies

## Global Economic Growth Outlook



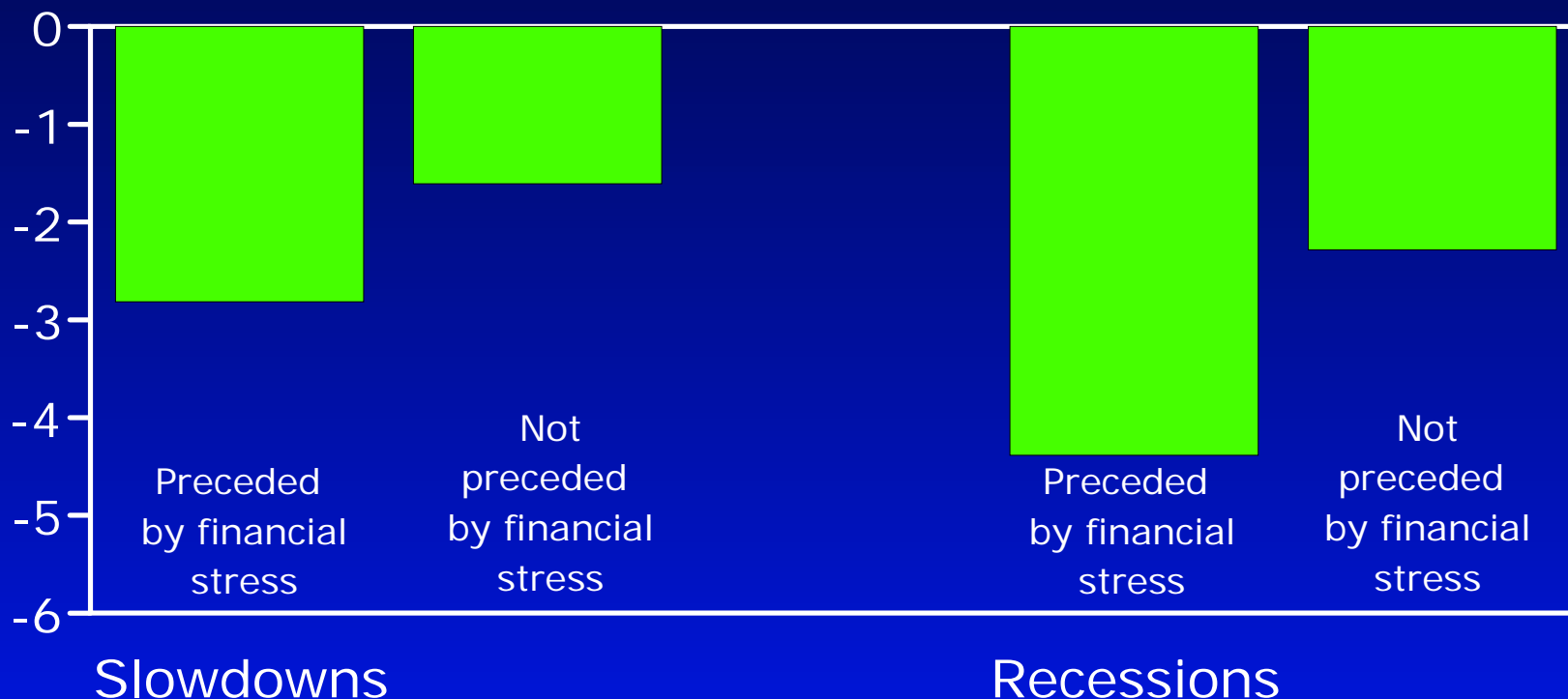
Source: International Monetary Fund. Forecast: 2008 to 2009.



# Financial stress episodes lead to larger economic losses

## Cumulative Output Loss for Advanced Economies

Median; percent of GDP



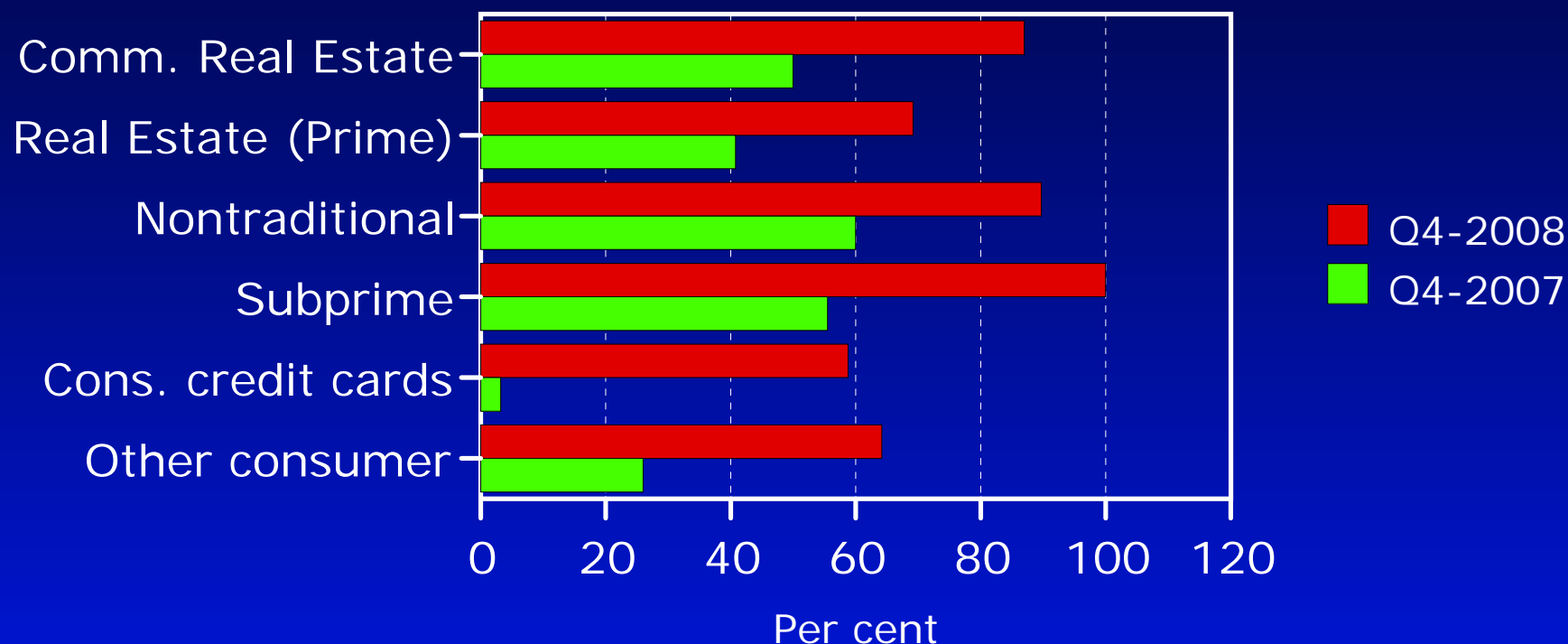
Source: IMF, WEO October 2008.



# Tighter credit conditions for all loans

## Net Percentage Of U.S. Banks Tightening Standards for Loans

Type of Loan



Source: U.S. Federal Reserve Board Senior Loan Officer Survey. Latest Q4-08



# Steep decline in commodity prices

## Commodity Price Index, Weekly

1982-90=100



Source: Bank of Canada.

Note: In U.S. dollar terms

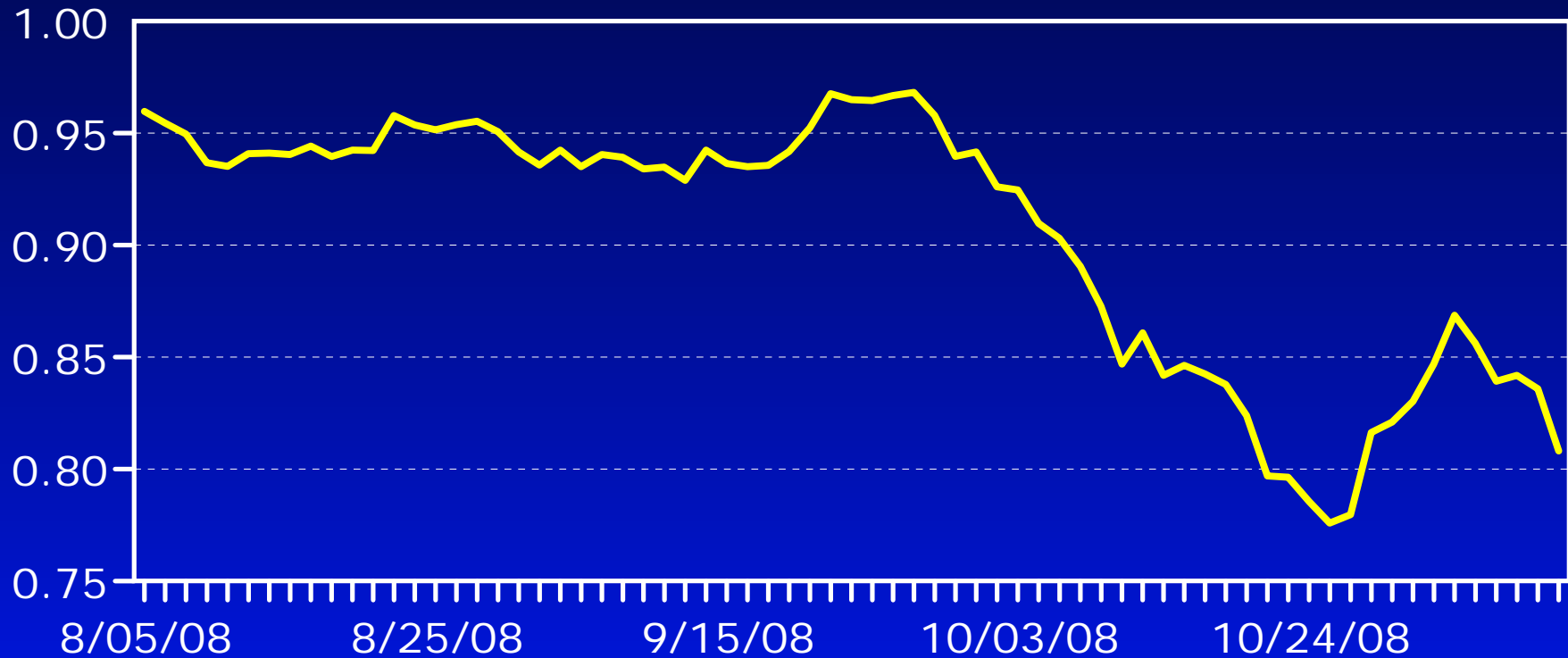
Latest: 11/05/2008



# Canadian dollar plummets against USD, remains volatile

## U.S.-Canada Exchange Rate, Daily

U.S. dollar per Canadian dollar



Source: Bank of Canada, C1CU.

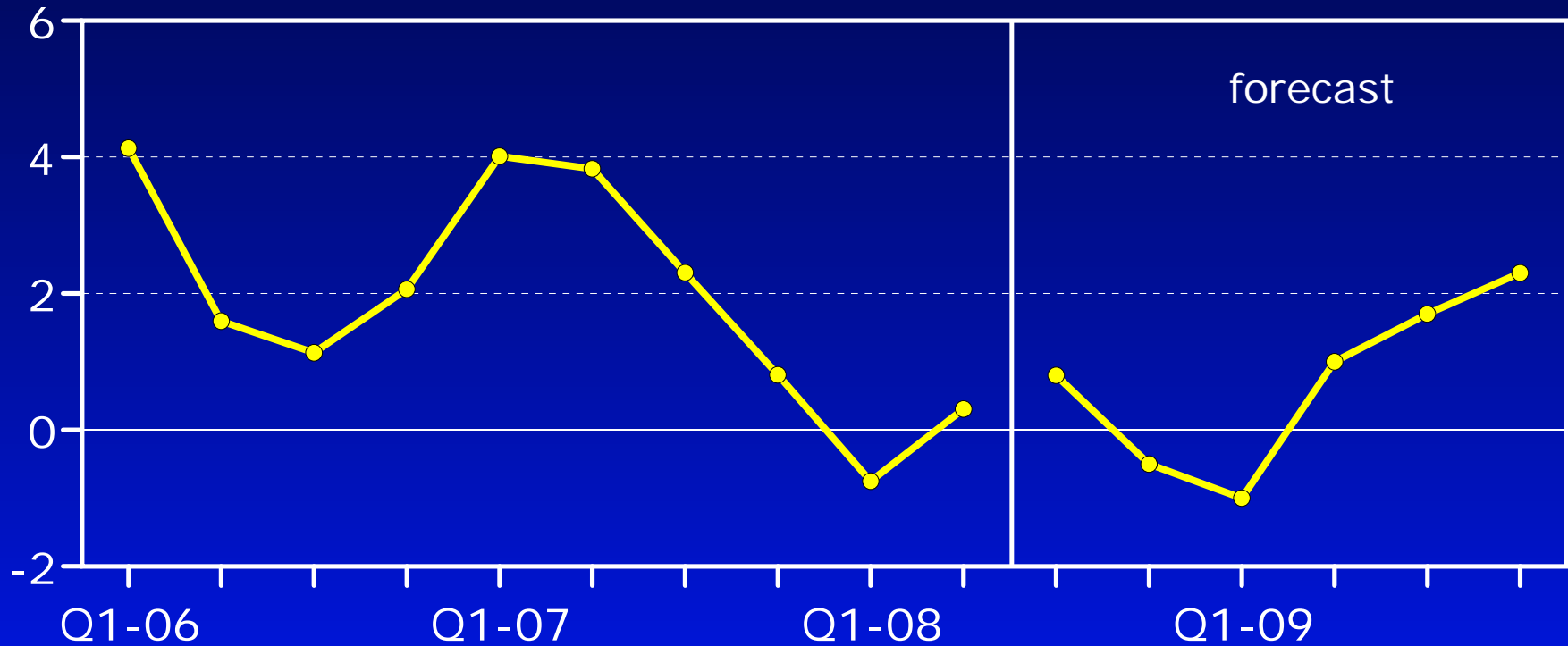
Latest: Nov. 12, 2008



# Canada's economy heading for a mild recession

## Canada Economic Forecast

Percentage change at annual rate in real GDP



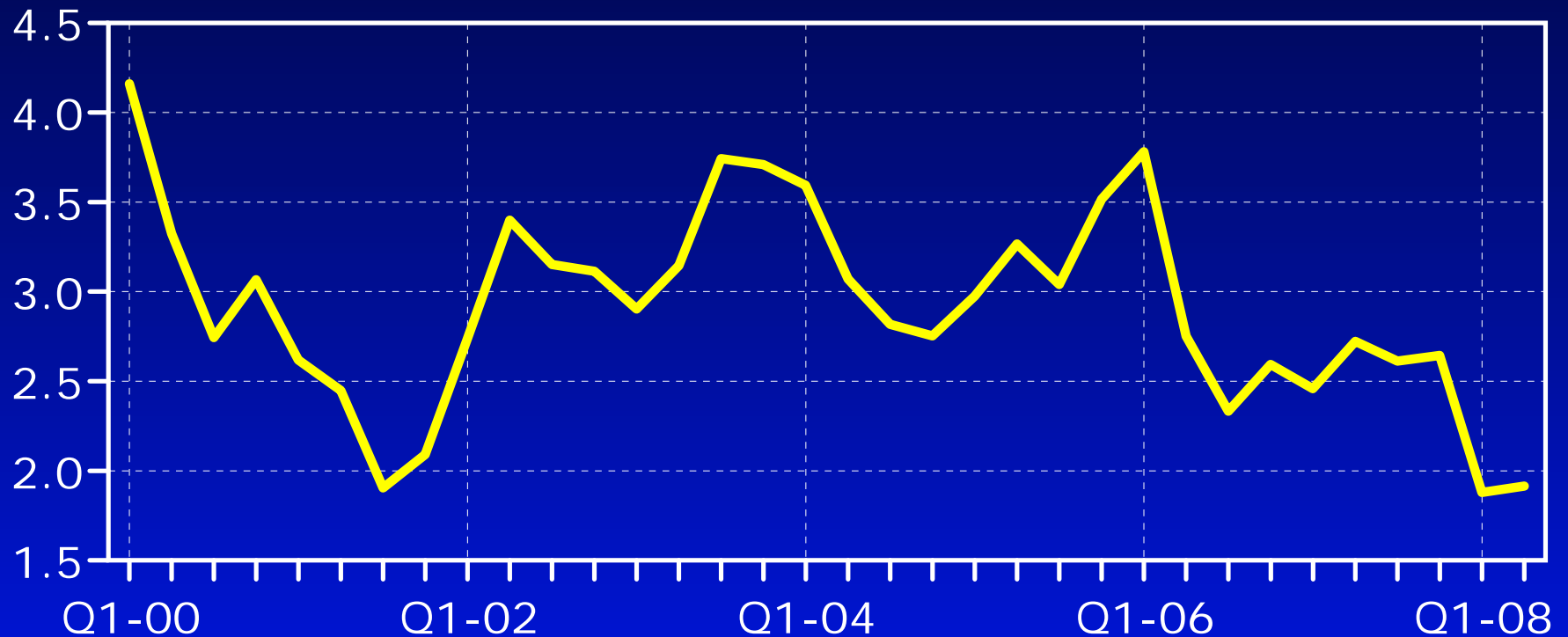
Source: Statistics Canada, C1CU.



# Growth slowdown underway in B.C. economy

## B.C. Coincident Economic Index

Percentage change at annual rate



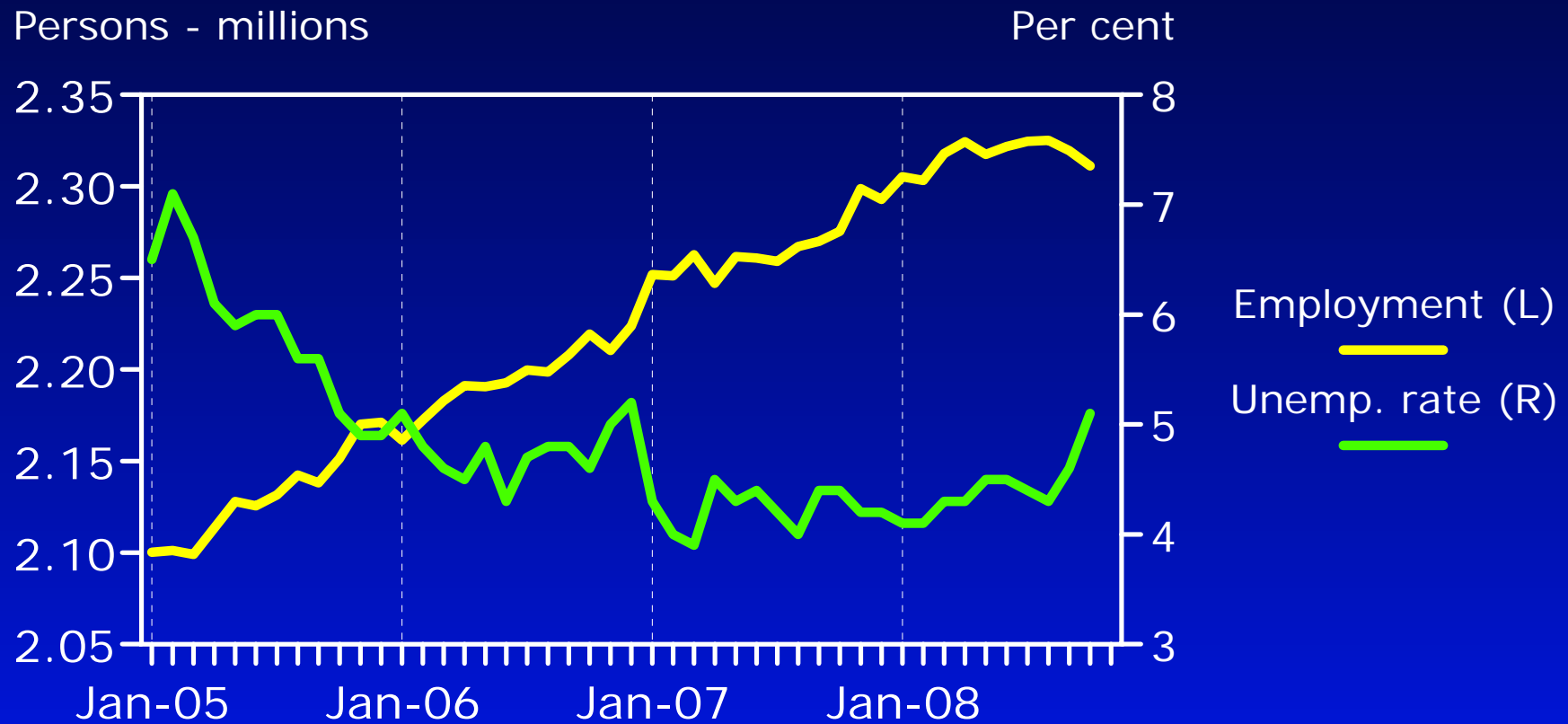
Source: C1CU.

Latest: Q2-2008



# B.C. employment no longer growing, unemployment rising

## B.C. Labour Market



Source: Statistics Canada. Note: Seasonally adjusted. Latest: Oct. 2008



# High level of new business start-ups, trending lower recently

## Business Incorporations, B.C.

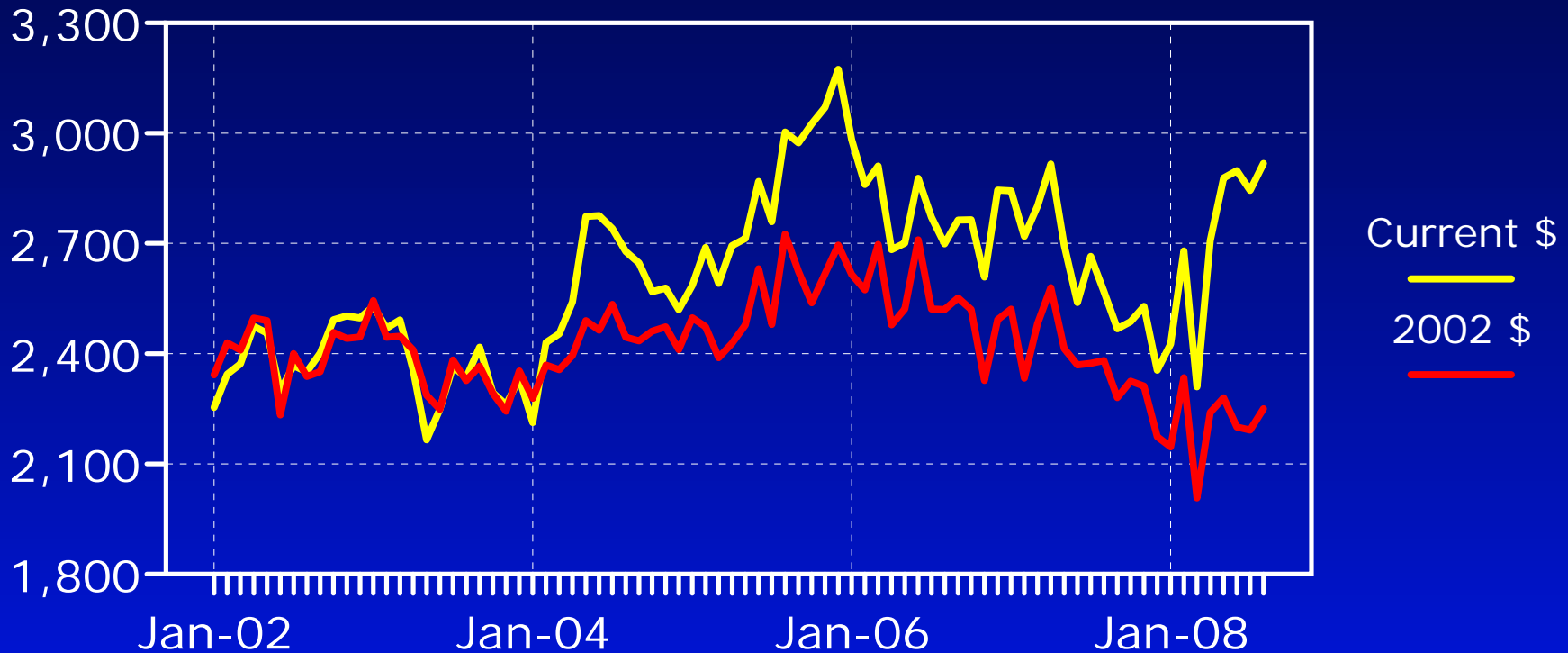


Source: B.C. Ministry of Finance and Corporate Relations. \*12 months ending Sept.

# B.C. exports trending lower

## B.C. Merchandise Exports, Seasonally Adjusted, Monthly

Dollars - millions



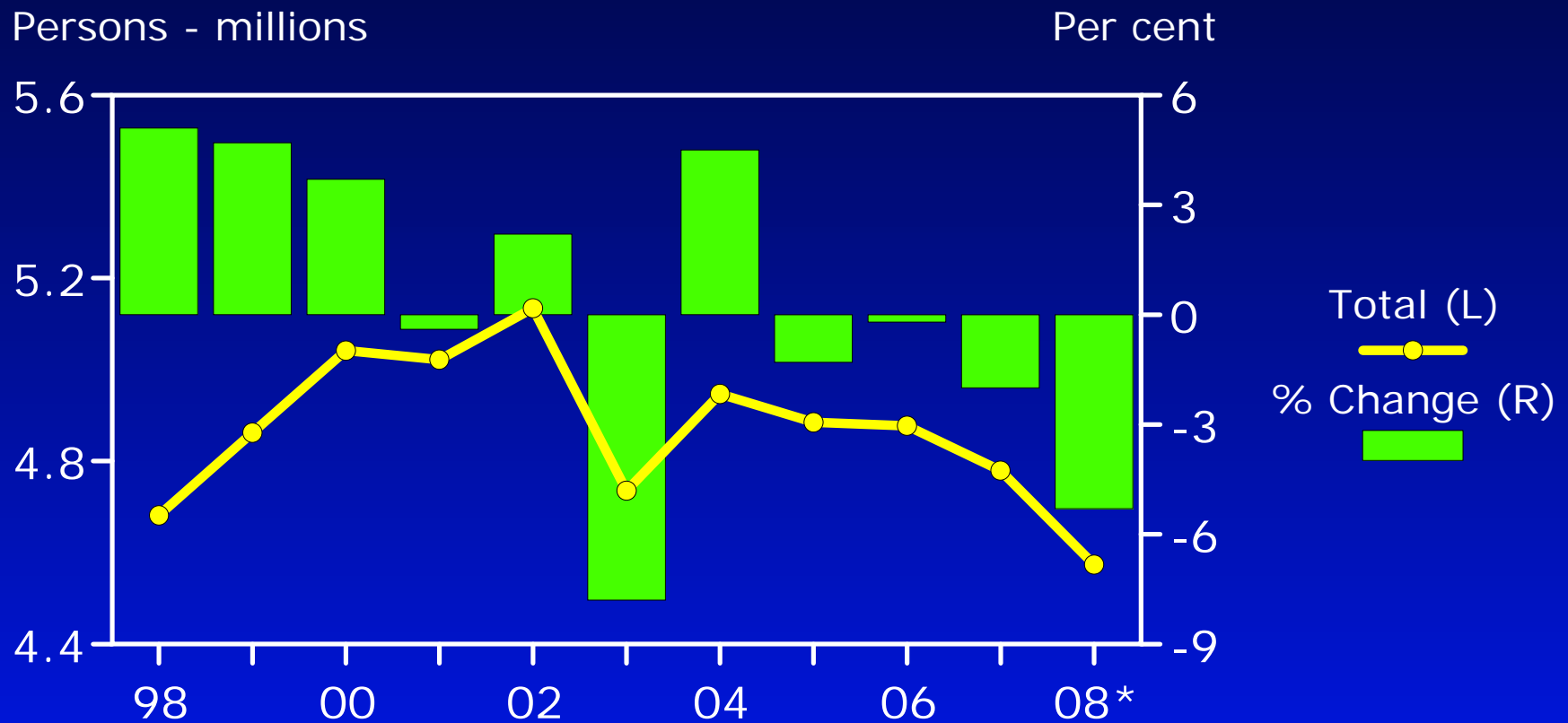
Source: Statistics Canada, C1CU.

Latest: Aug-08



# International tourist visits down - mainly U.S., overseas traffic up

## International Tourist Entries to B.C.

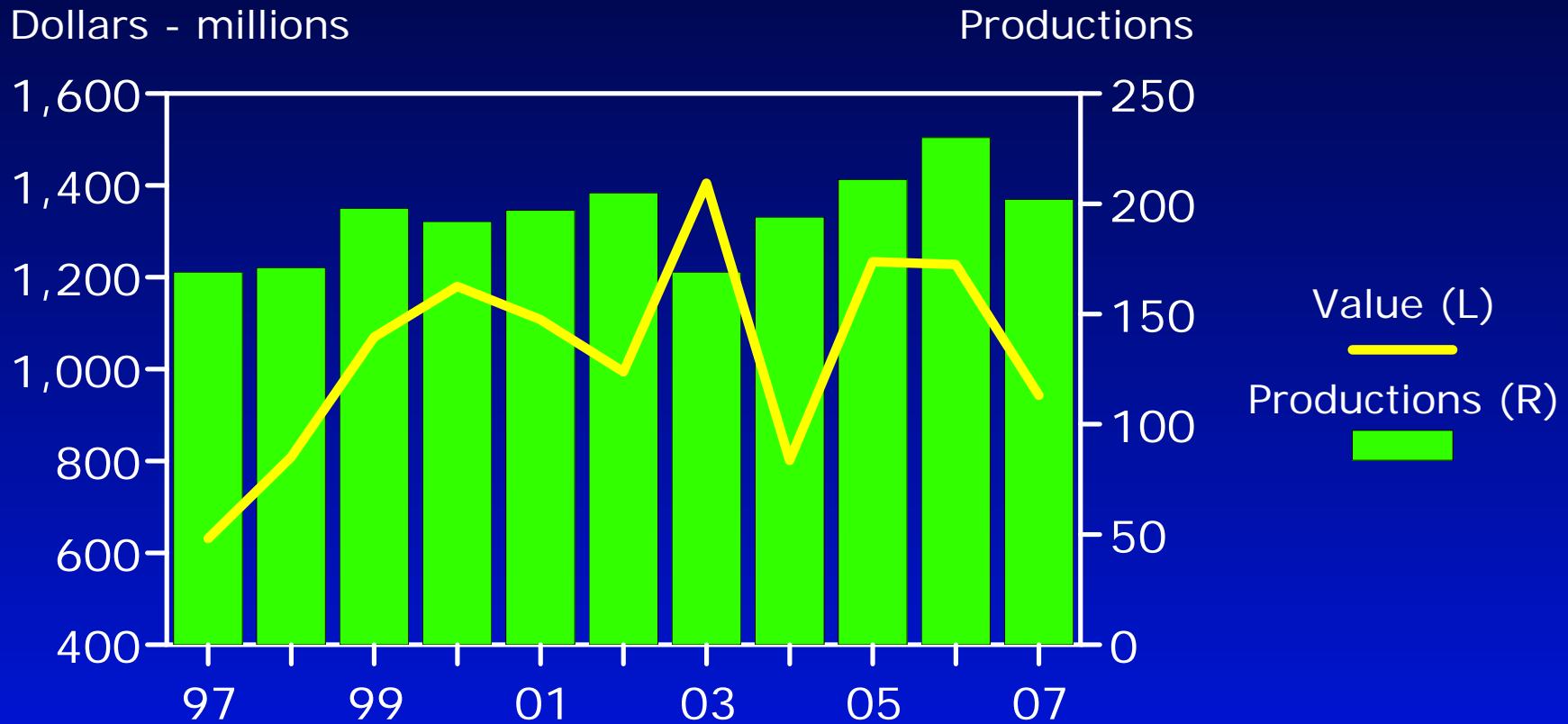


Source: Statistics Canada. \*12 months ending Aug-08



# Film-TV industry growth stalls

## B.C. Film and TV Production



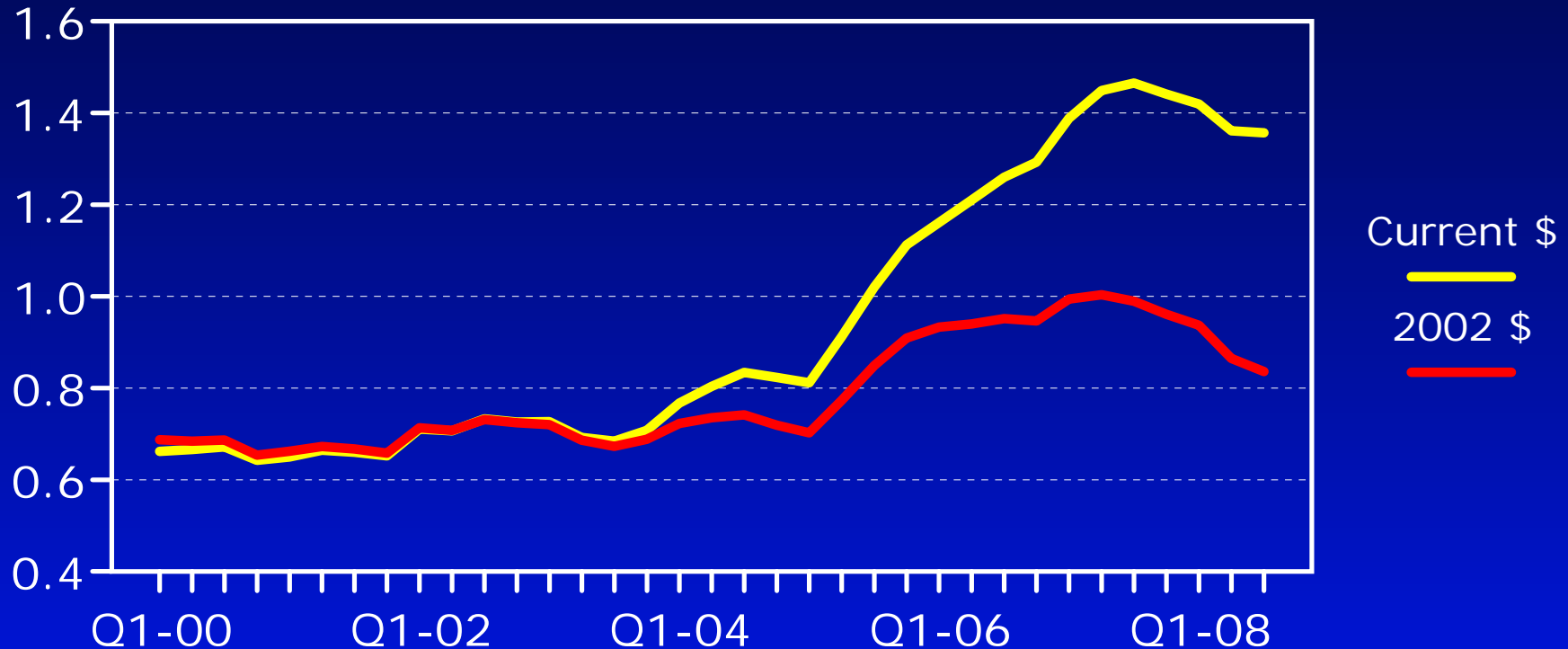
Source: B.C. Film Commission



# Spending declining on non-residential building construction

## Investment in Non-Residential Building Construction, B.C.

Dollars - billions



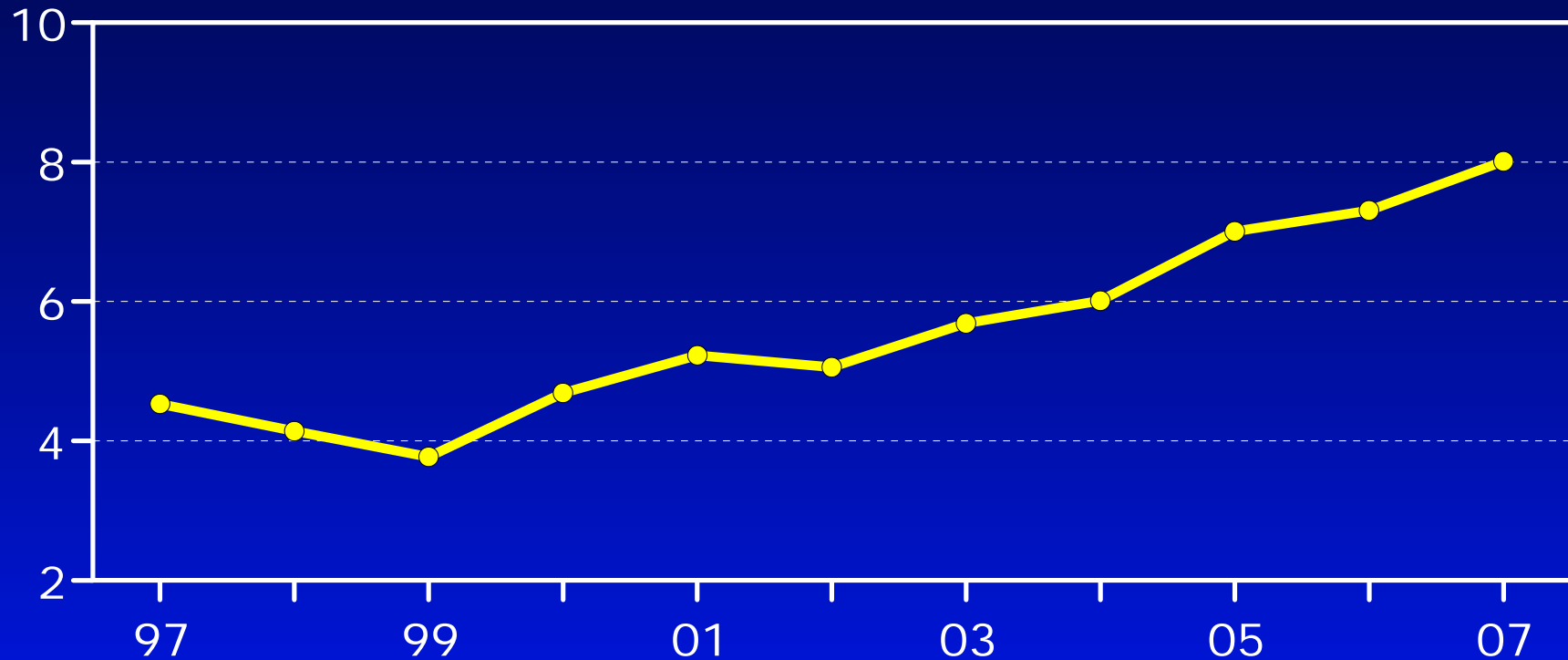
Source: Statistics Canada. Note: Seasonally adjusted. Latest: Q3-2008



# Engineering construction on strong uptrend

## Real Engineering Construction Investment Spending, B.C.

1997 dollars - billions



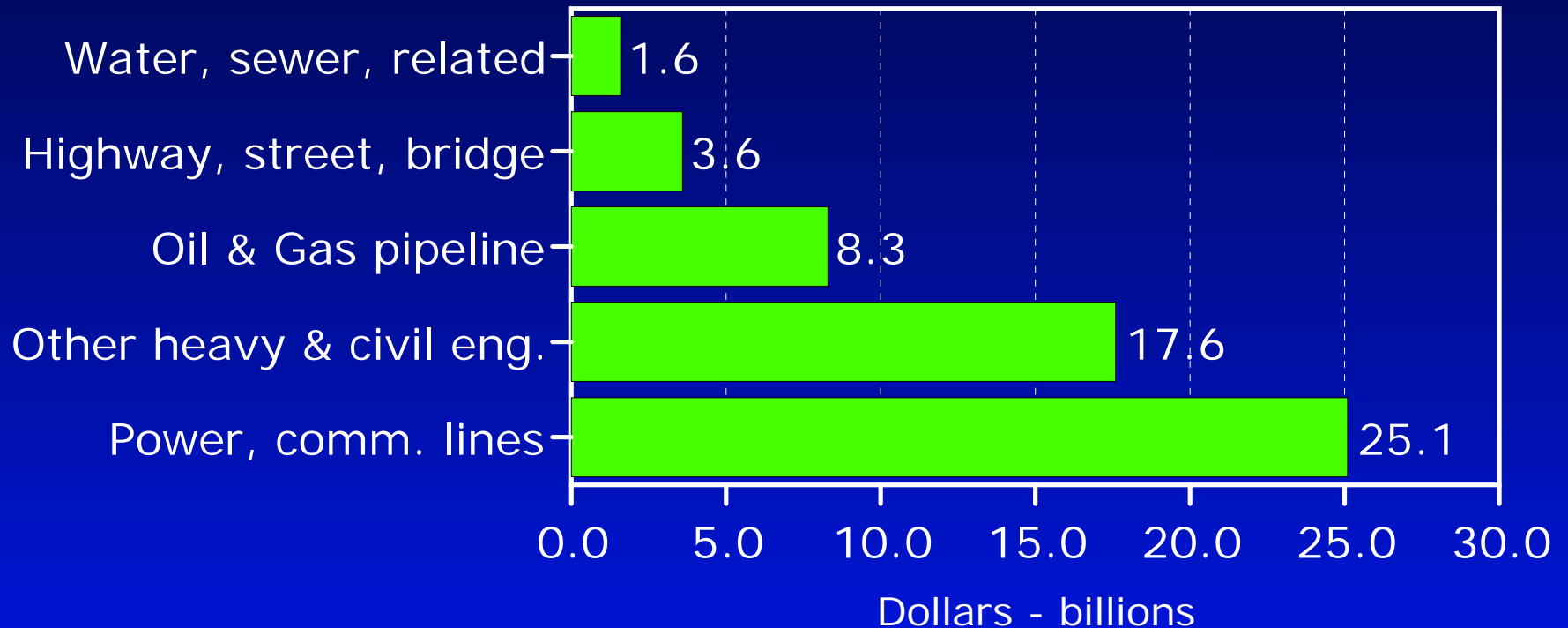
Source: Statistics Canada, C1CU.



# More than \$50 billion in proposed engineering construction projects

## Proposed Engineering Construction Projects by Type, B.C.

Project Type



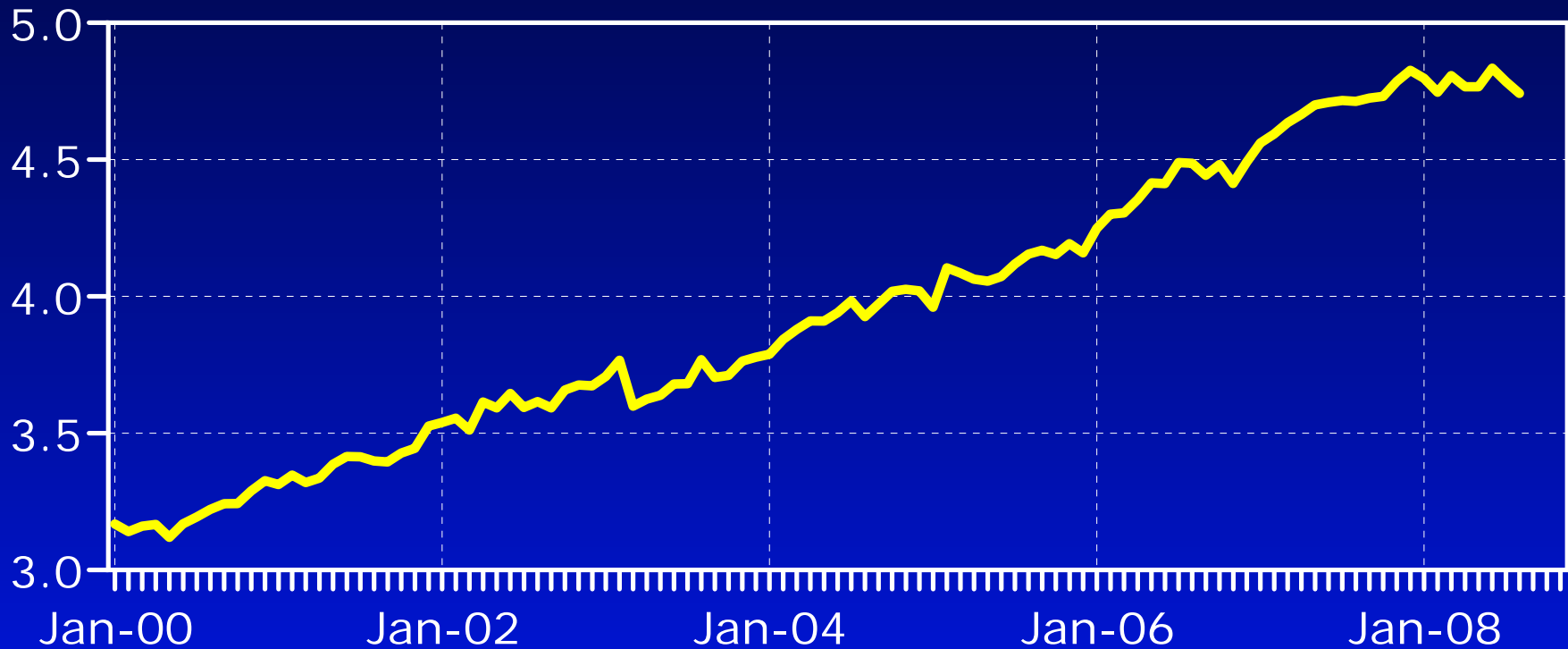
Source: B.C. Major Projects Inventory June 2008, C1CU. Note: Includes total capital costs.



# Retail sales no longer growing

## B.C. Retail Sales, Monthly

Dollars - billions



Source: Statistics Canada, C1CU.

Note: Seasonally adjusted.

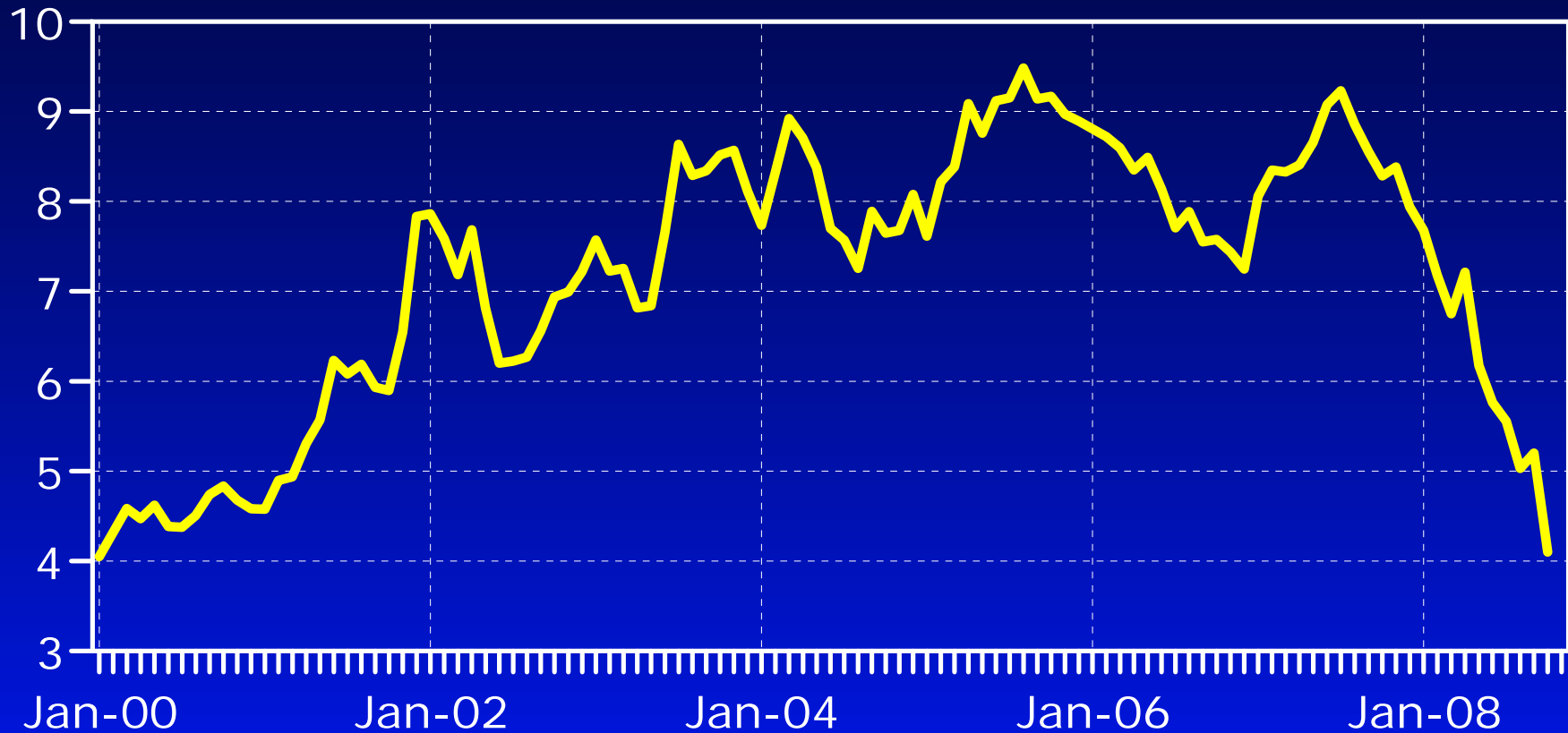
Latest: Aug. 2008



# Large drop in housing sales since mid-2007

## MLS Residential Sales, B.C.

Units - thousands



Source: CREA, C1CU.

Note: Seasonally adjusted.

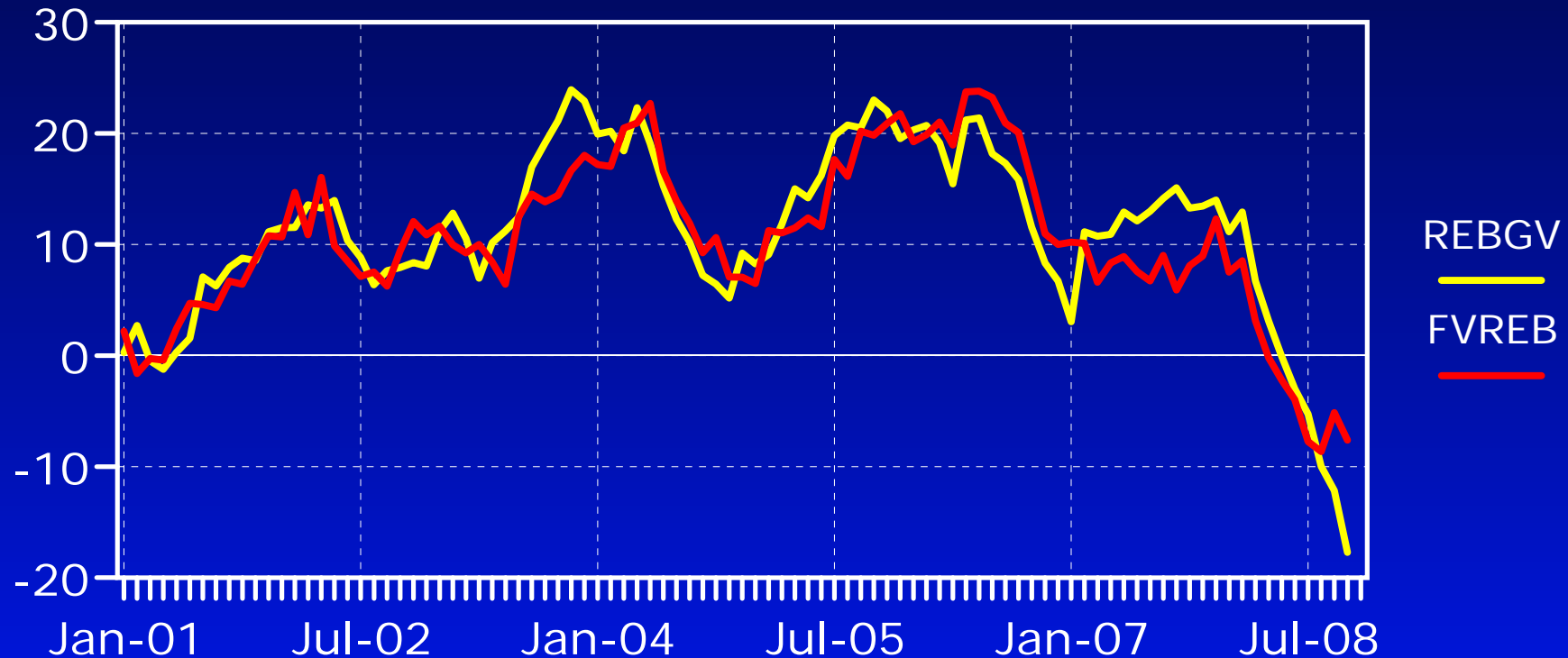
Latest: Oct. 2008



# Sharp reversal in housing prices this year

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

Percentage change at annual rate



Source: REBGV, C1CU.

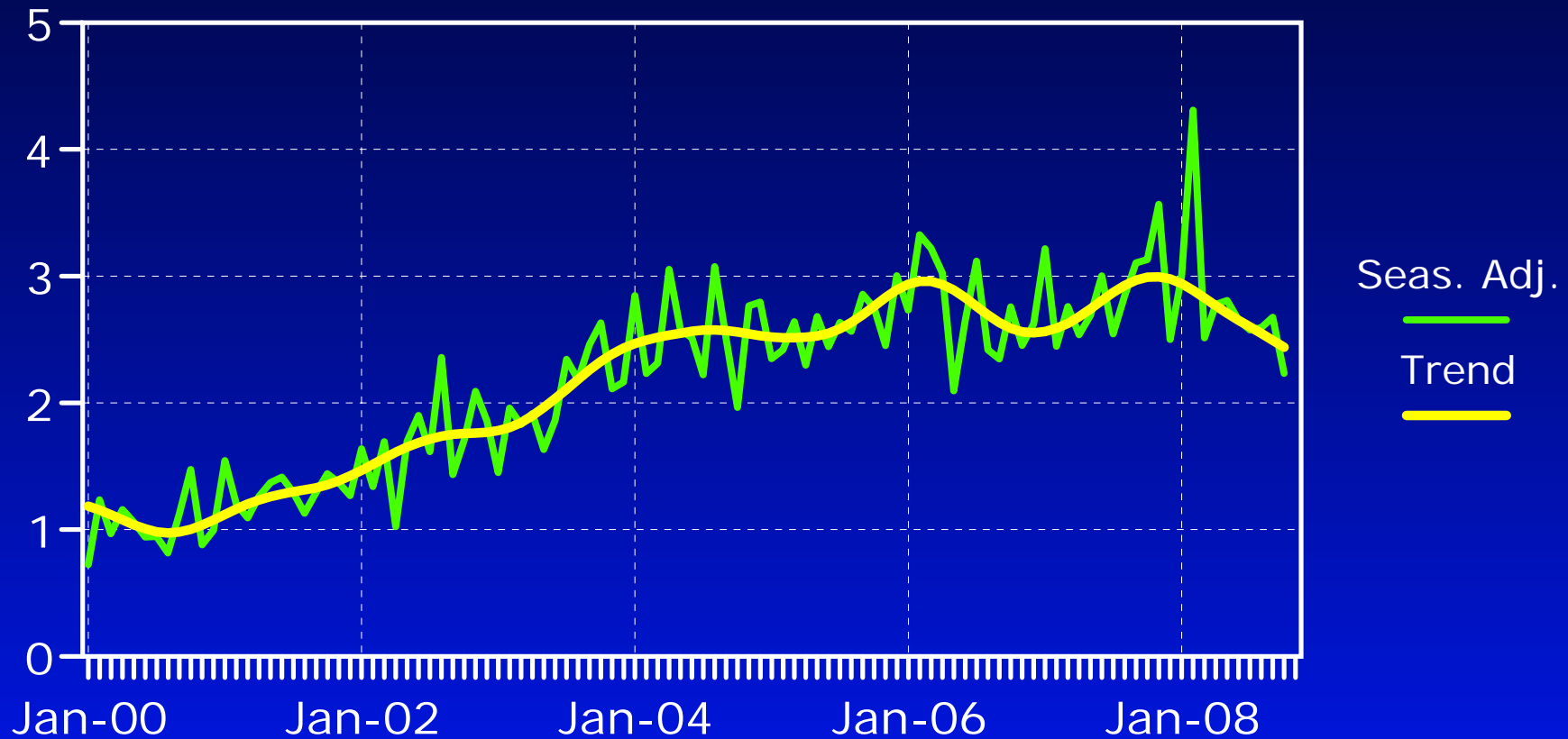
Latest: Oct.



# Housing starts turning down

## Housing Starts, Urban Centres of B.C.

Units - thousands



Source: CMHC, C1CU.

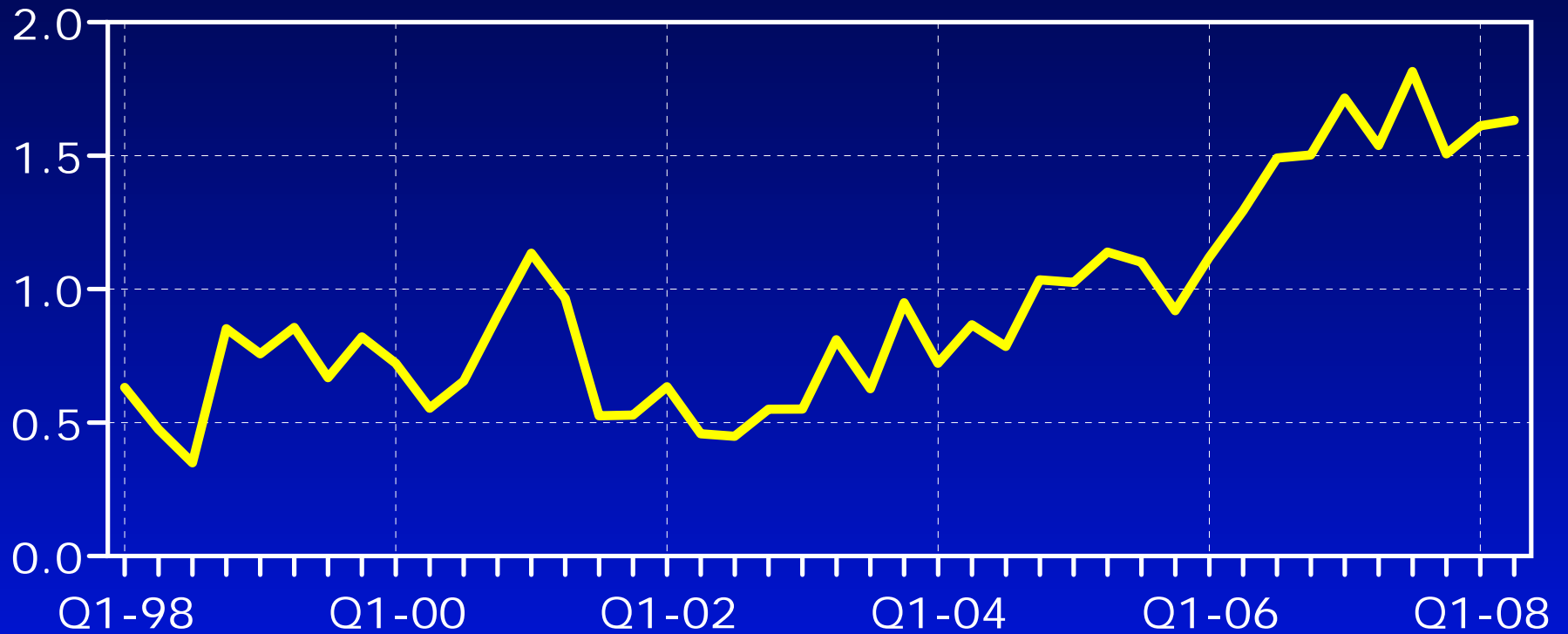
Latest: Oct. 2008



# Population growth plateaus

## B.C. Population Growth Rate, Quarterly

Percent change at annual rate



Source: Statistics Canada, C1CU.

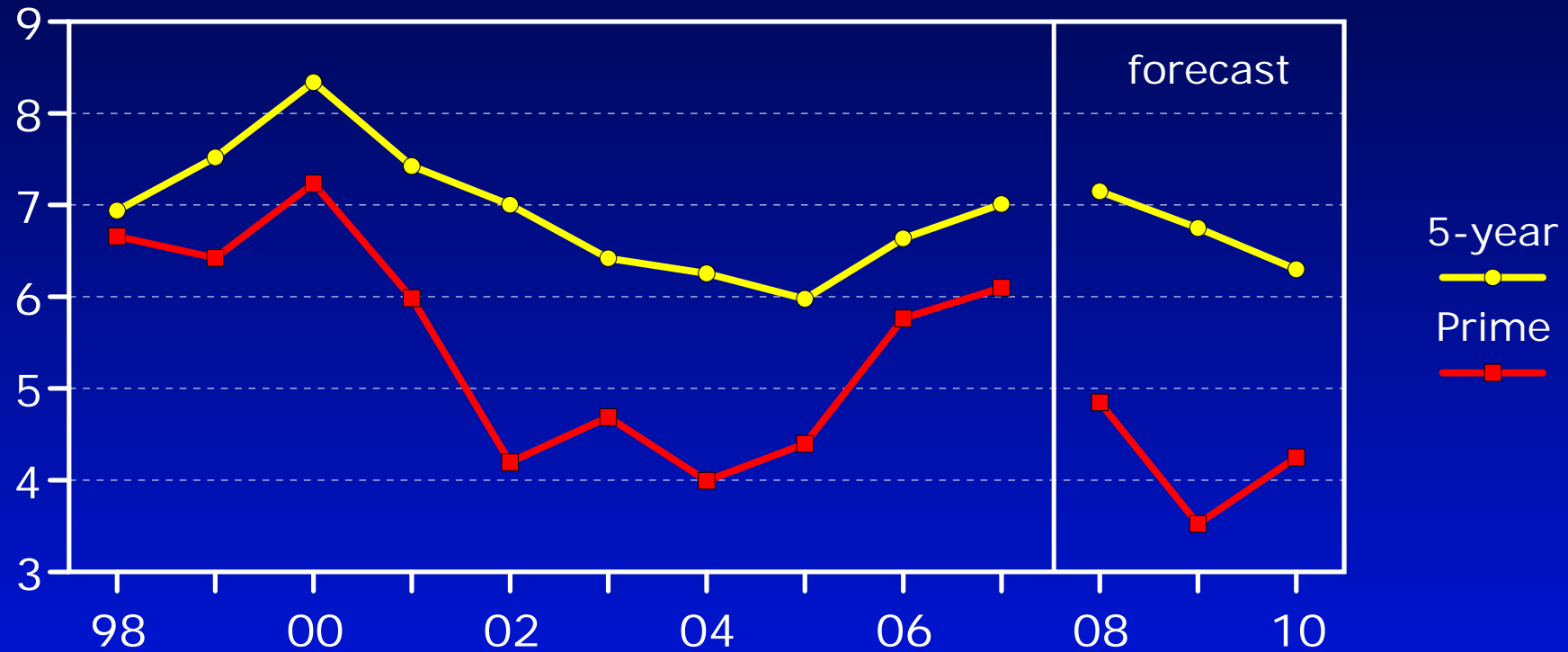
Latest: Q2-08



# Lower interest rates ahead

## Five-year Mortgage Rate and Prime Rate

Per cent



Source: Bank of Canada, C1CU.

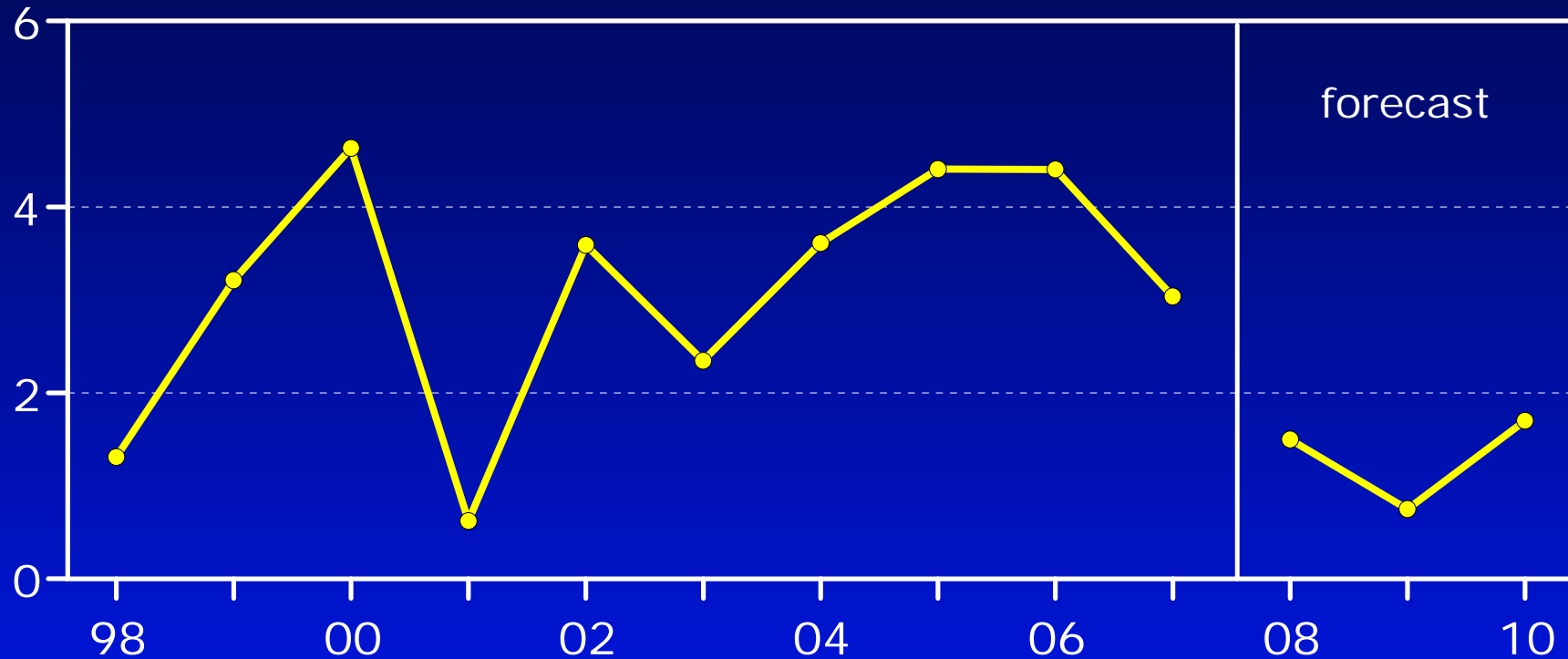
Note: Annual averages, posted rates.



# Weak growth in 2009, rising trend in 2010

## B.C. Economic Growth

Percentage change in real GDP



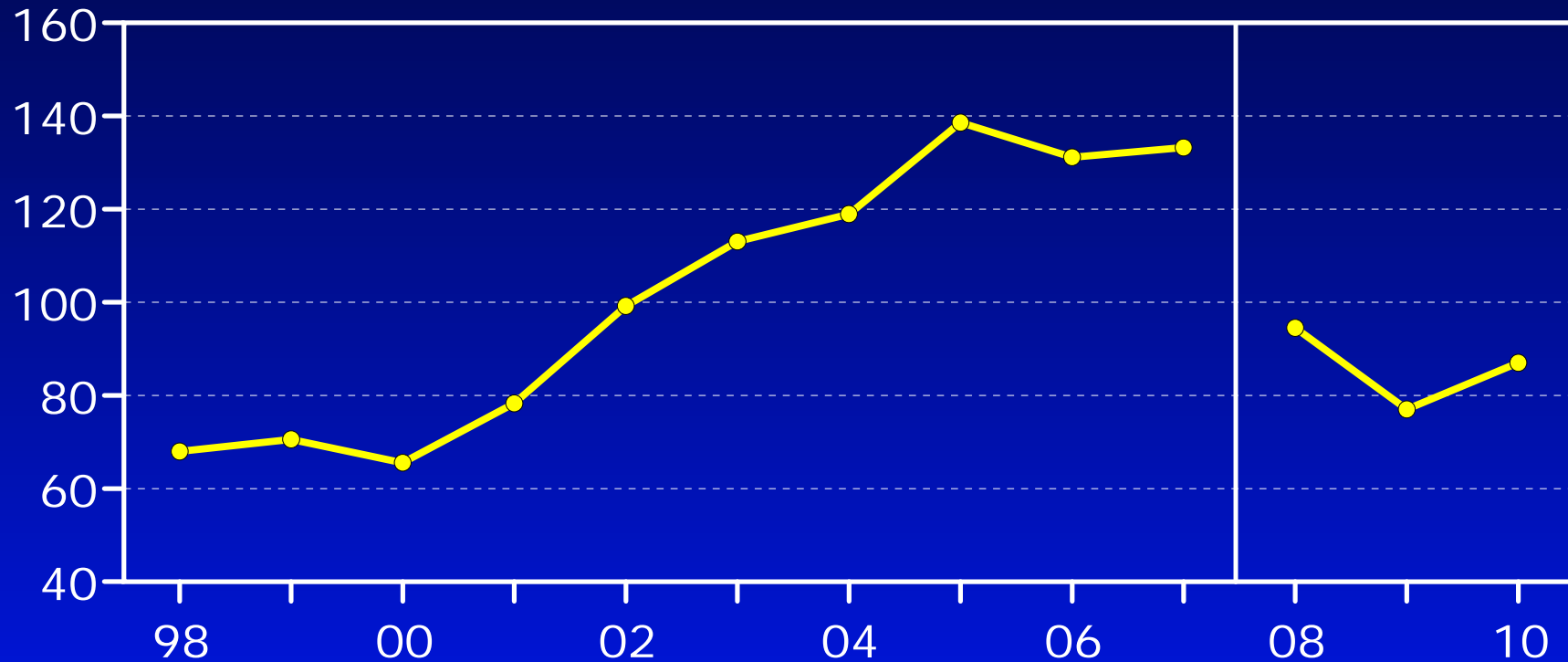
Source: Statistics Canada, C1CU.



# Housing sales down 30% in 2008 and 20% in 2009

Residential Sales\*, B.C.

Units - thousands



Source: Landcor data Corp., C1CU.

\*Market sales only

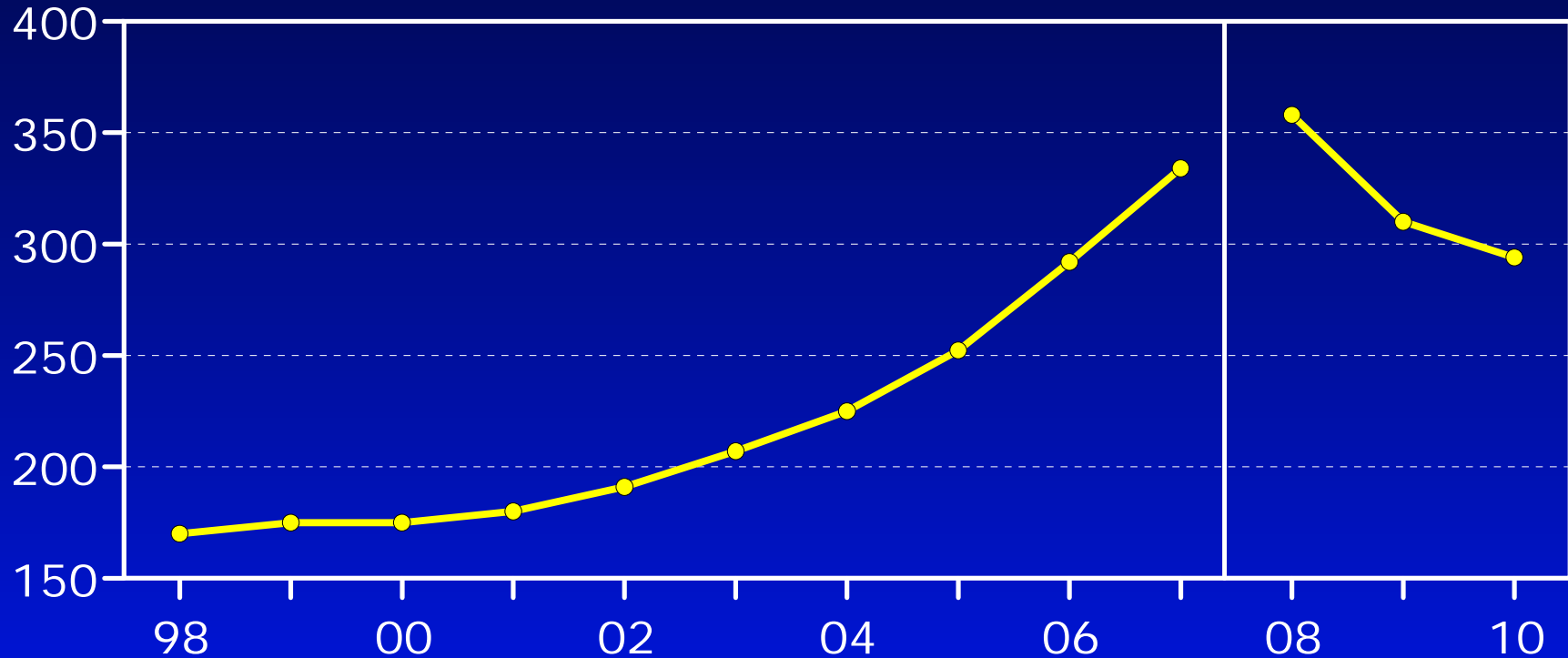
Forecast: 2008-2010.



# Lower housing prices in 2009 and 2010

## Residential Median Sales Price, B.C.

Dollars - thousands



Source: Landcor Data Corp., C1CU.

Forecast: 2008-2010.



# Summary:

- Weak external economic growth in 2009, picks up in 2010
- More bank rate cuts ahead, high cost of credit and tight credit conditions ease in 2009/2010
- B.C. economy in substantial growth slowdown, mild recession possible
- Weak consumer spending and less private investment spending
- Housing sector in decline

