

Economic Outlook

Fall Conference
Central 1 Credit Union

Friday, November 6, 2009

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Central 1 Credit Union



Outline:

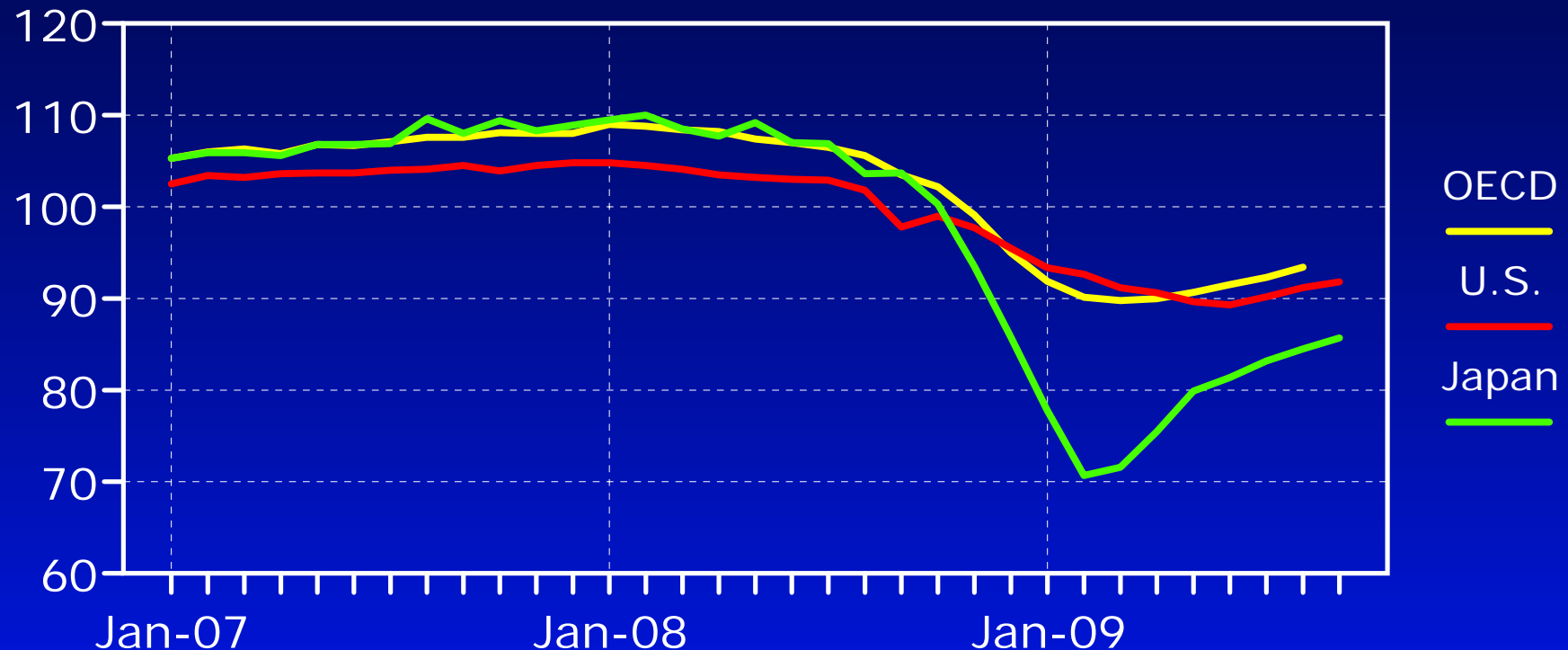
- Global recovery prospects - temporary or sustainable growth or double-dip recession?
- Currency and interest rate forecasts
- B.C. and Ontario economies
- Housing market trends and conditions
- Forecasts and summary



Sharp fall in global production following financial shock, turning up in latest months

Industrial Production, OECD and Selected Countries

2005 = 100



Source: OECD.

Note: Seasonally adjusted.

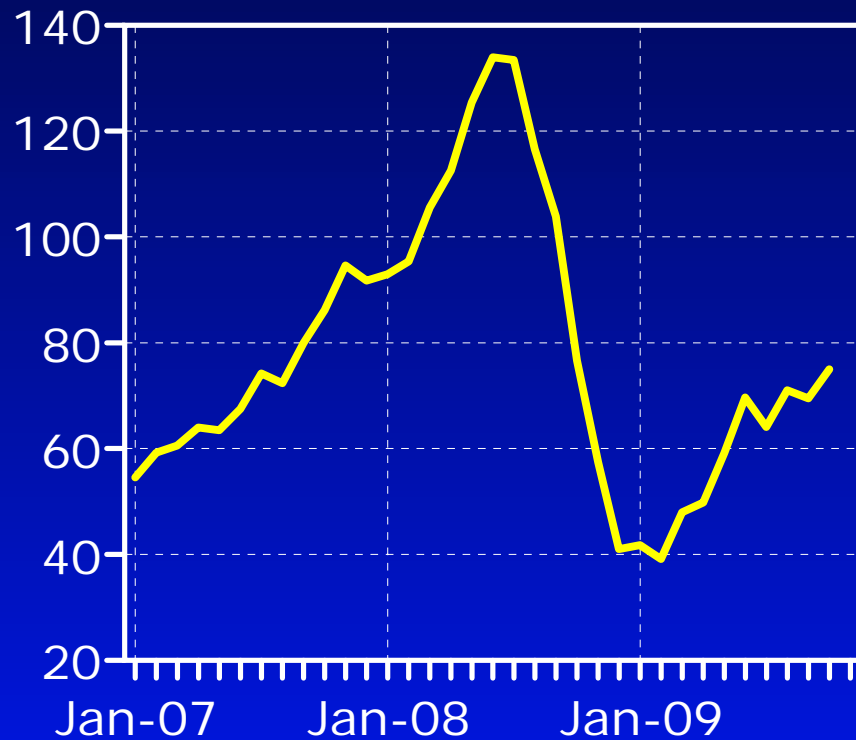
Latest: Aug-09 to Sep-09



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

Crude Oil WTI Spot Price

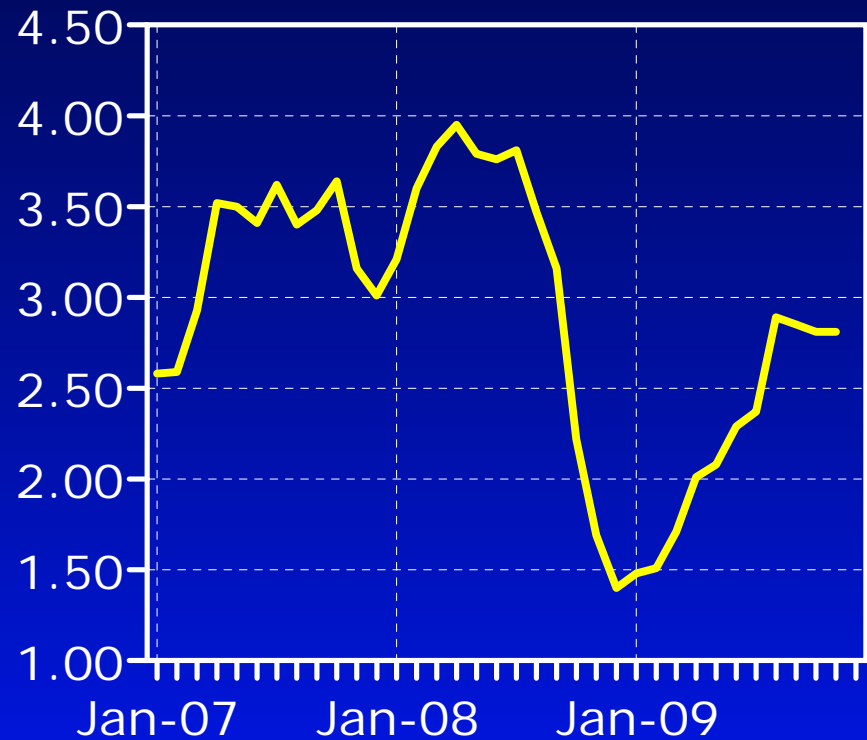
\$U.S. per barrel



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

Copper Spot Price

\$U.S. per lb.



Note: Mon. average. Latest: to Oct. 23/09



Canadian dollar up on USD depreciation and rising commodity prices

U.S.-Canada Exchange Rate

U.S. dollar per Canadian dollar



Source: Bank of Canada. Latest: 10/28/09

U.S. Exchange Rate Index

Jan. 1997 = 100

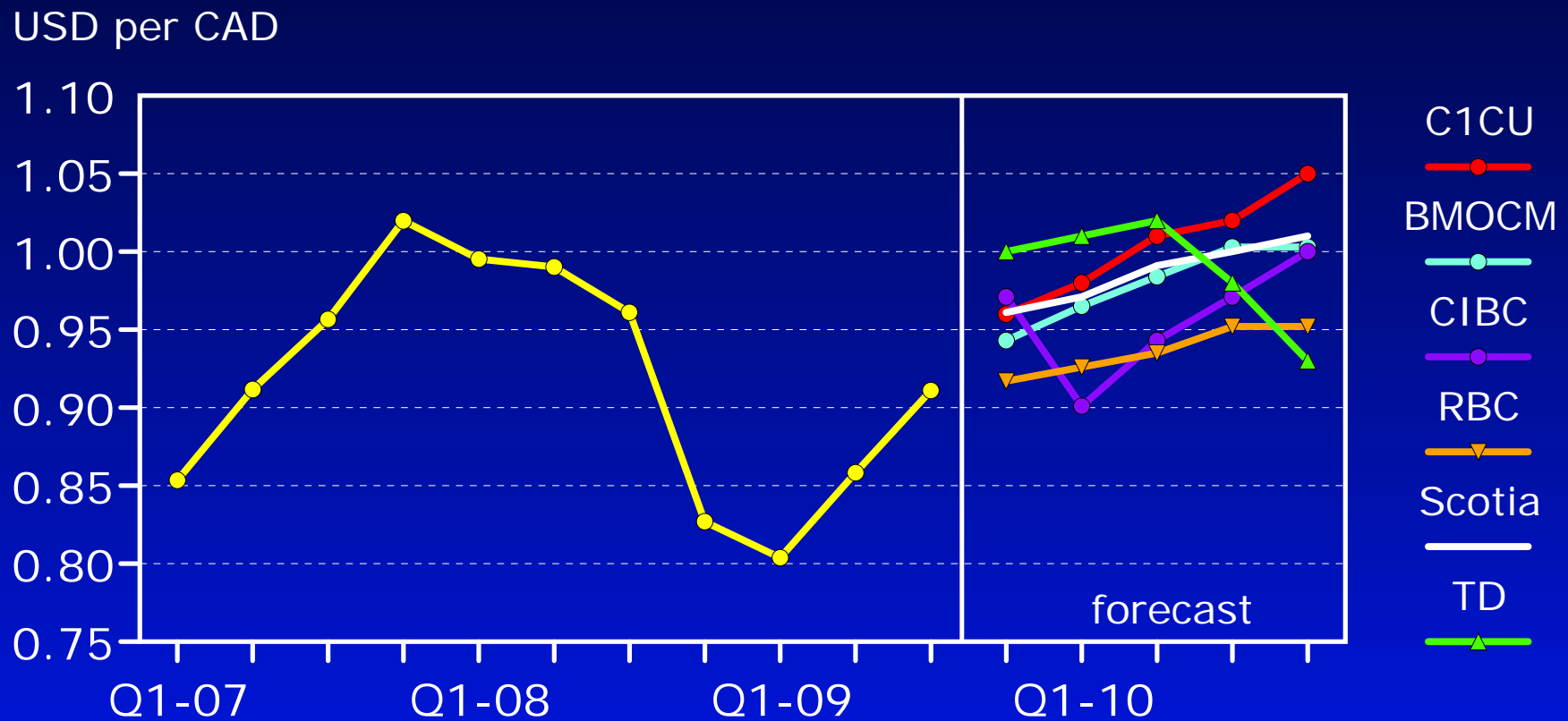


Source: US Fed. Reserve. Latest: 10/28/09



Higher Canadian dollar expected in 2010

Exchange Rate Forecasts, Quarterly, Canada



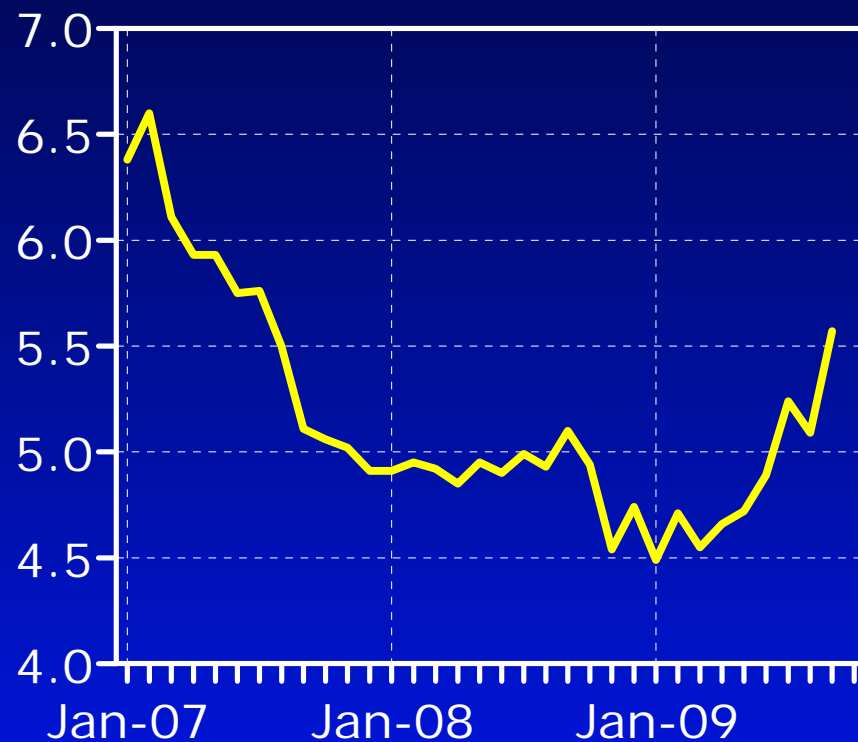
Source: Bank of Canada, C1CU. Note: Averages. Latest actual: Q3-09



U.S. housing sales reviving, auto sales spike on fiscal stimulus

U.S. Existing Home Sales

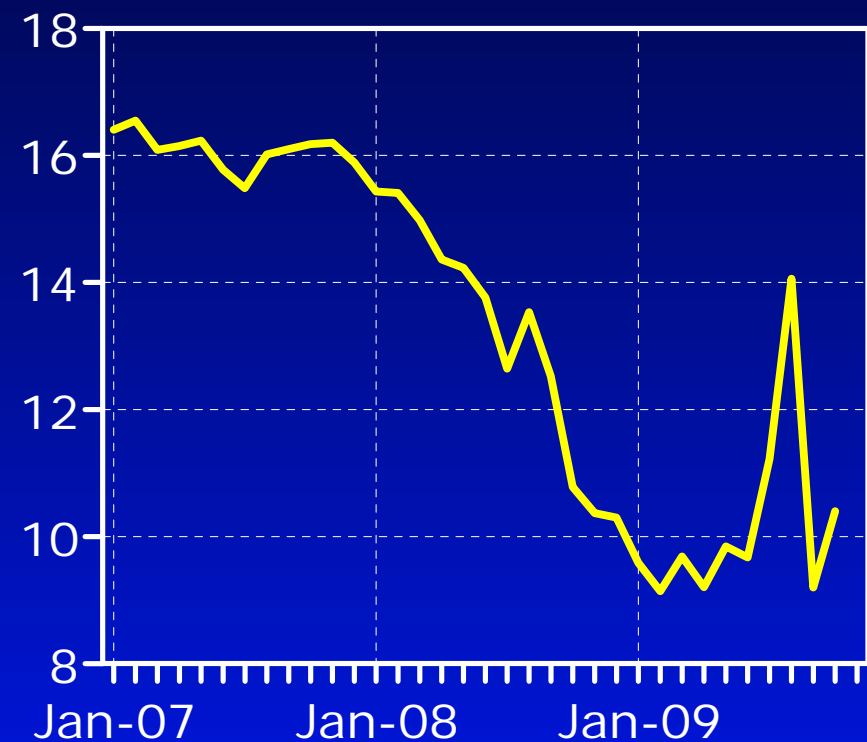
Units - millions



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

U.S. Light Vehicle Sales

Units - millions



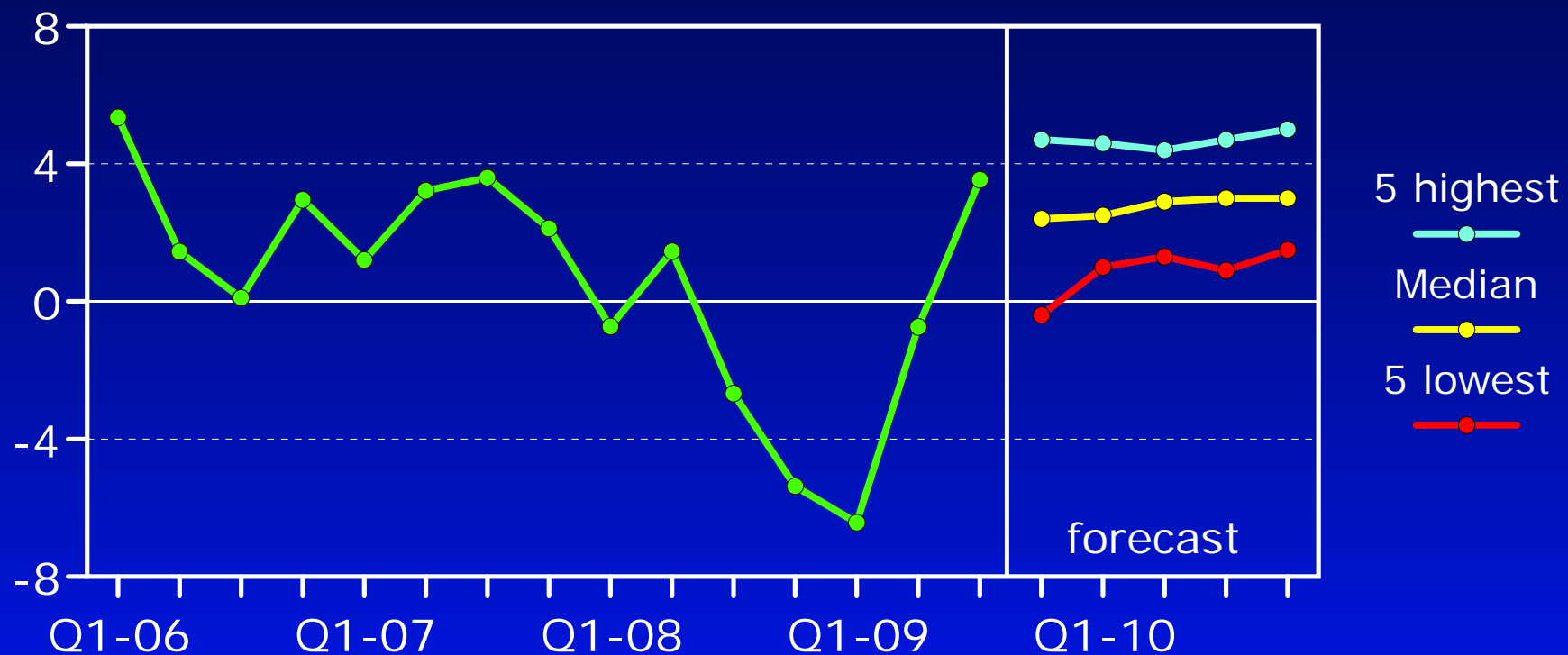
Source: US Federal Reserve. Latest: Oct-09



Consensus view sees recession ending in summer and below-average recovery ahead; odds of a double-dip recession low

Economic Forecast, U.S.

Percentage change at annual rate in real GDP

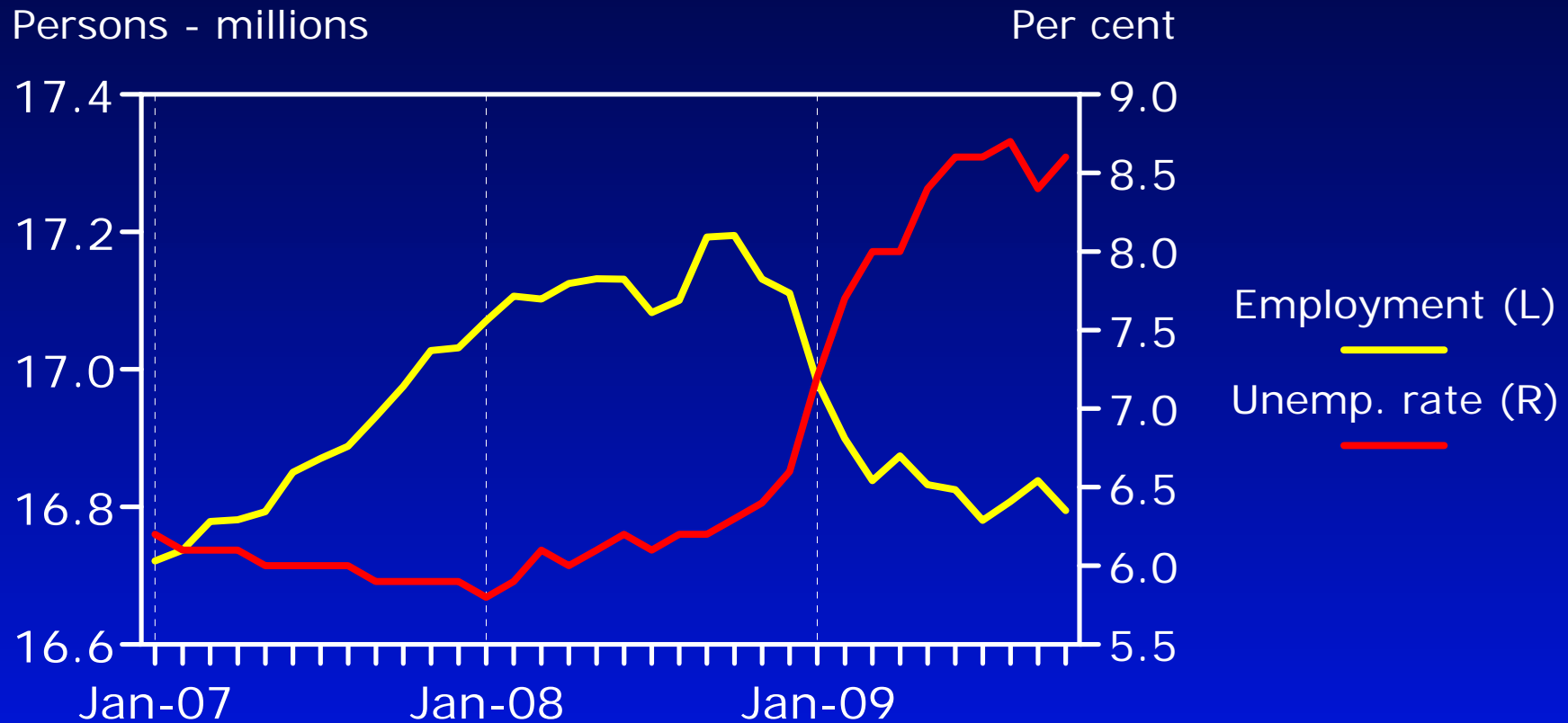


Source: US BEA, NABE Outlook Survey Oct. 2009. Latest actual: Q3-09



Employment stabilizing, unemployment rate remains high

Labour Market, Canada



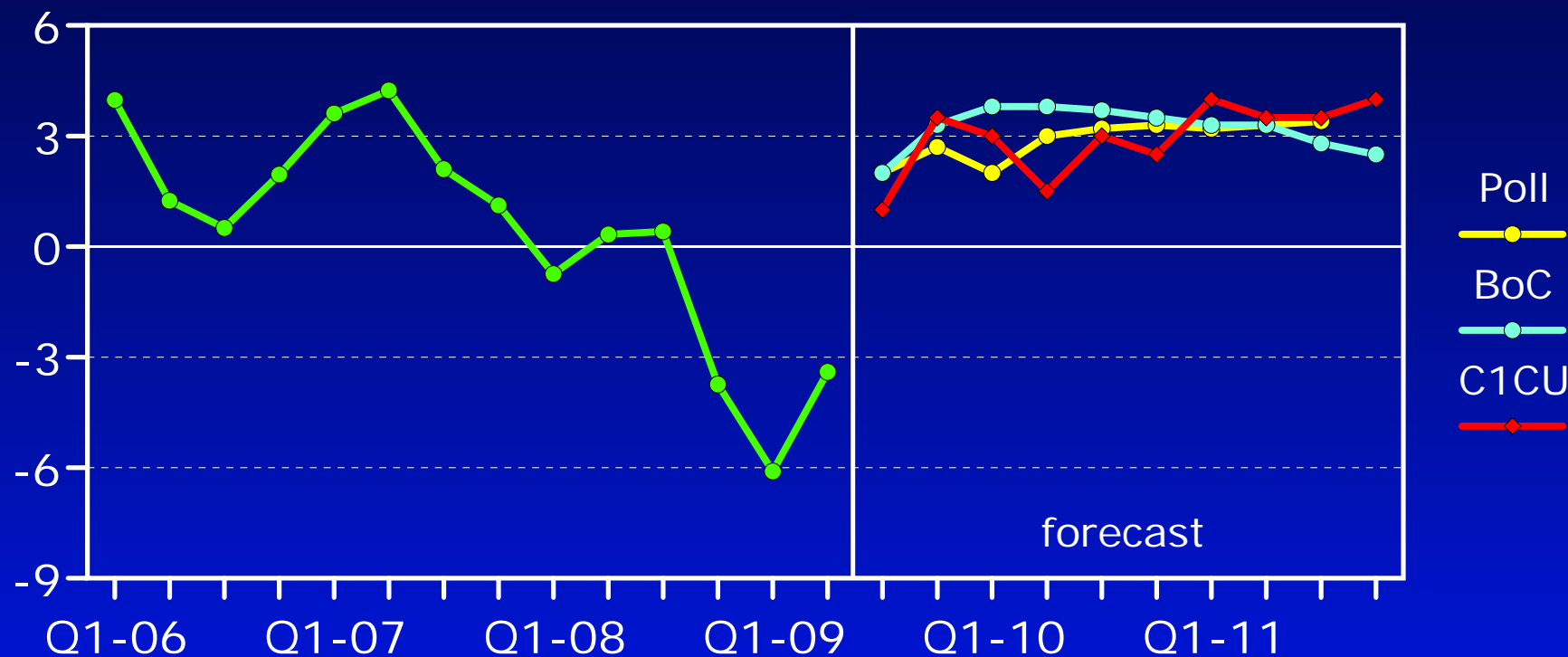
Source: Statistics Canada. Note: Seasonally adjusted. Latest: Oct-09



Canada's economic recovery tracks the U.S., though more moderate

Economic Forecasts, Canada

Percentage change at annual rate in real GDP



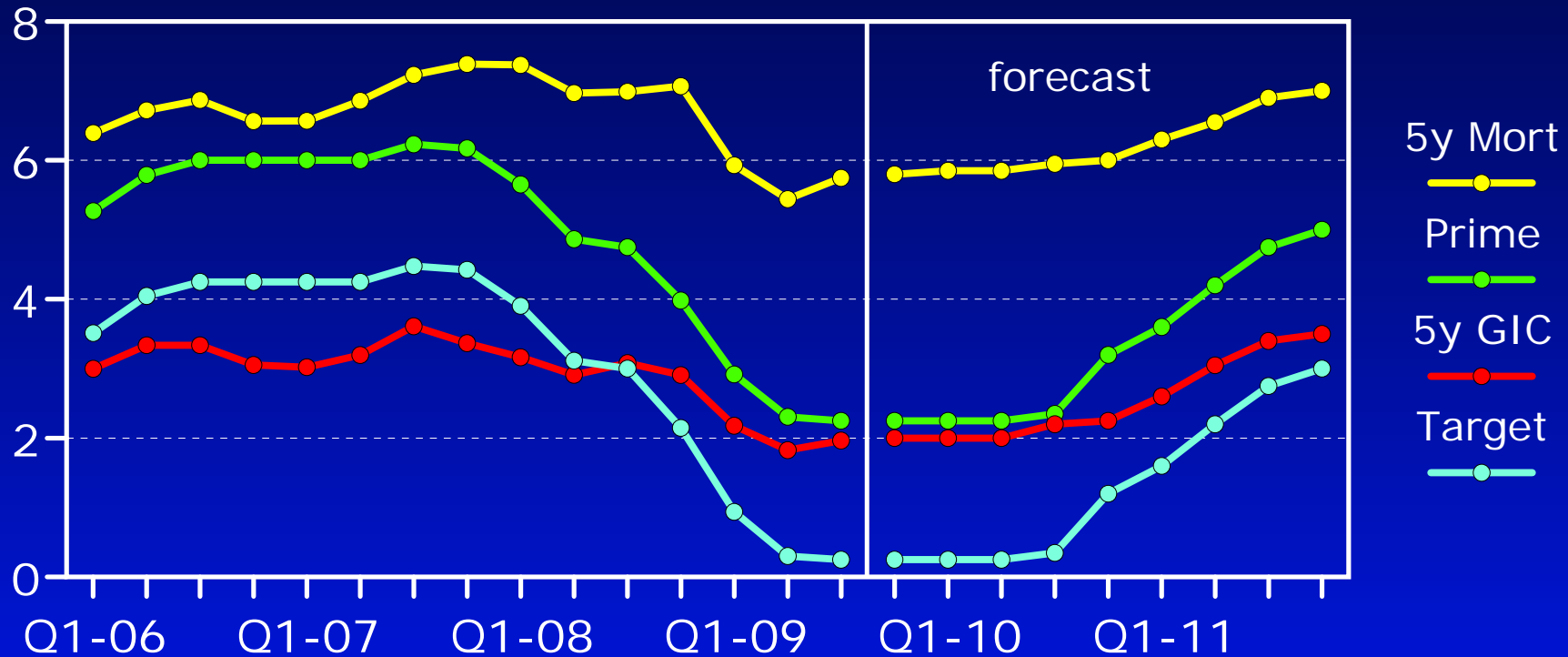
Source: Statistics Canada, Reuters, BoC, C1CU. Latest actual: Q2-09



Rates begin climbing in later in 2010

Interest Rate Forecasts, Quarterly, Canada

Per cent



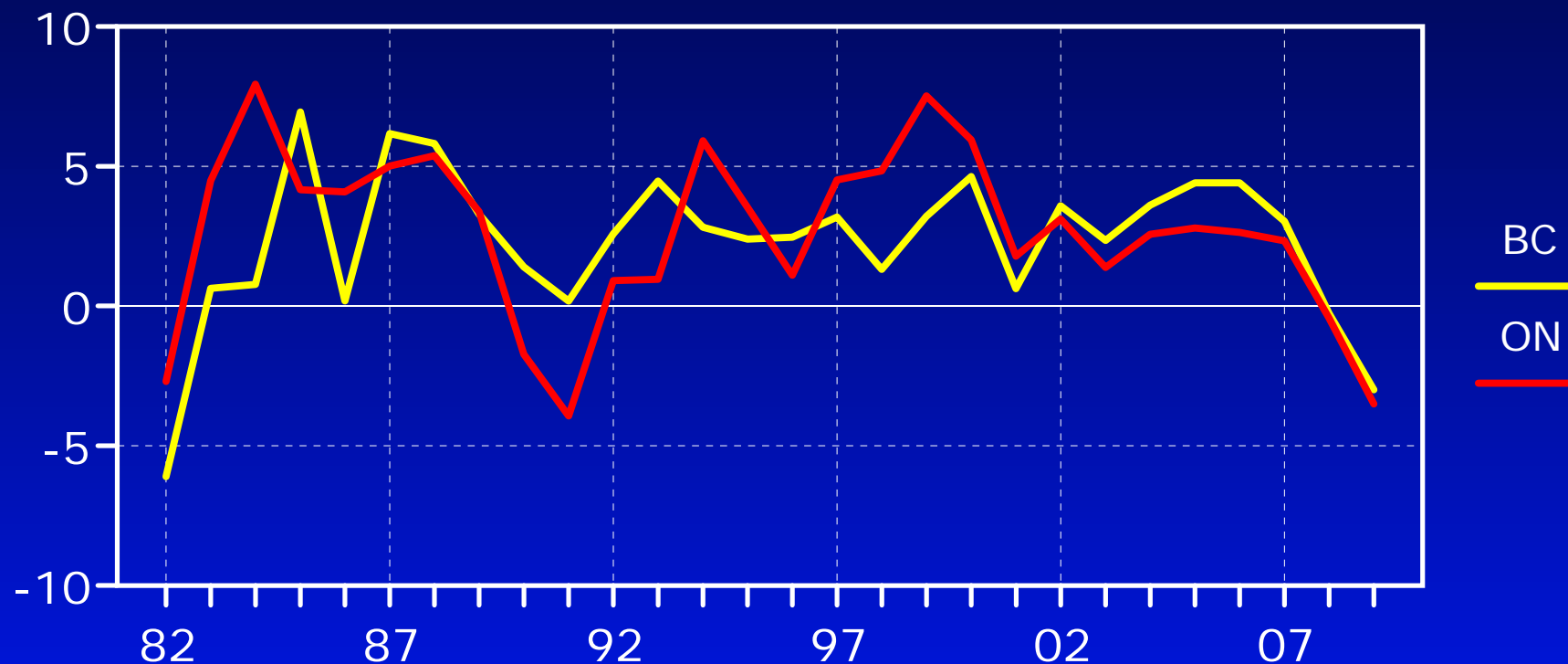
Source: Bank of Canada, C1CU. Note: Averages. Latest actual: Q3-09



Substantial economic recessions in B.C. and Ontario following financial crisis

Economic Growth, B.C. and Ontario

Percentage change in real GDP

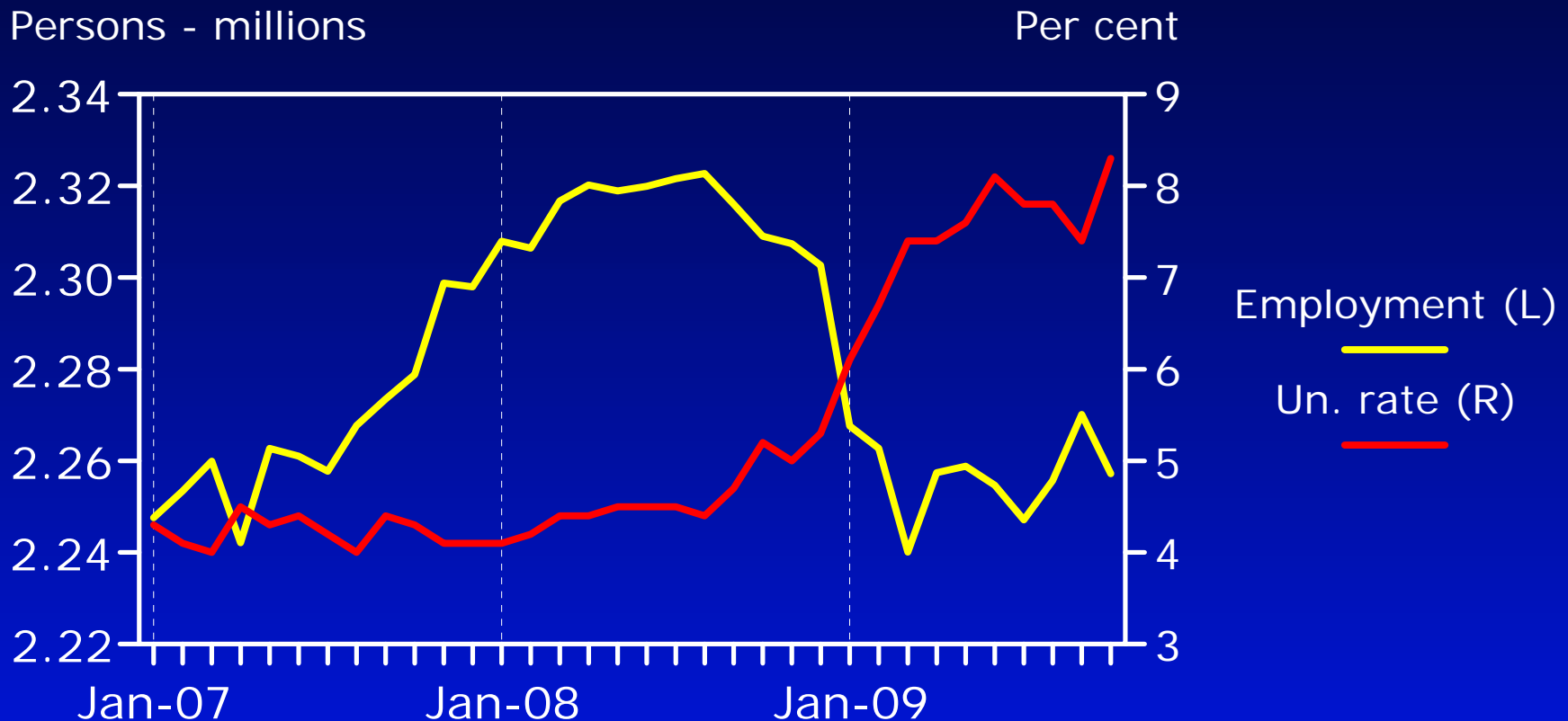


Source: Statistics Canada, C1CU. Latest actual 2008, 2009 forecast.



B.C. employment trending higher

Labour Market, B.C.



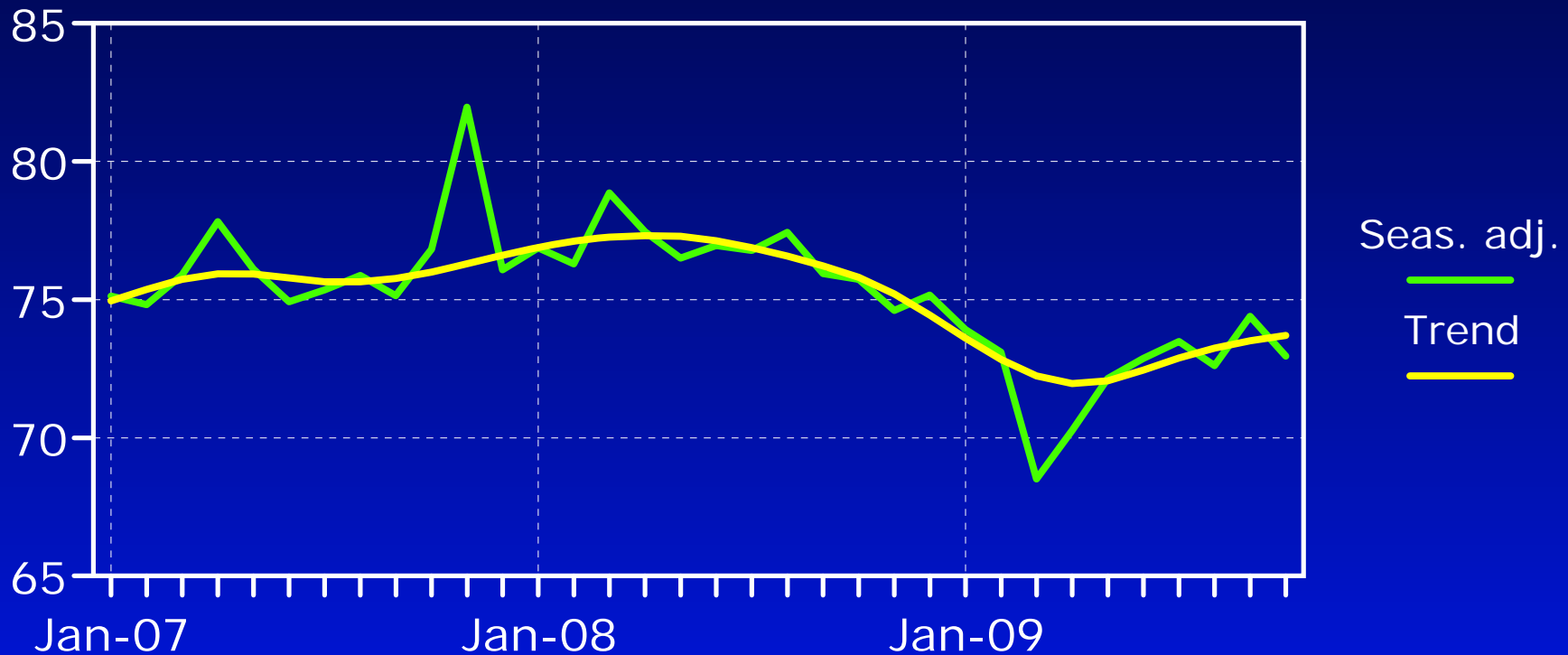
Source: Statistics Canada. Note: Seasonally adjusted. Latest: Oct-09



Total hours worked on uptrend from recession low

Total Hours Worked, B.C.

Hours - millions



Source: Statistics Canada, C1CU.

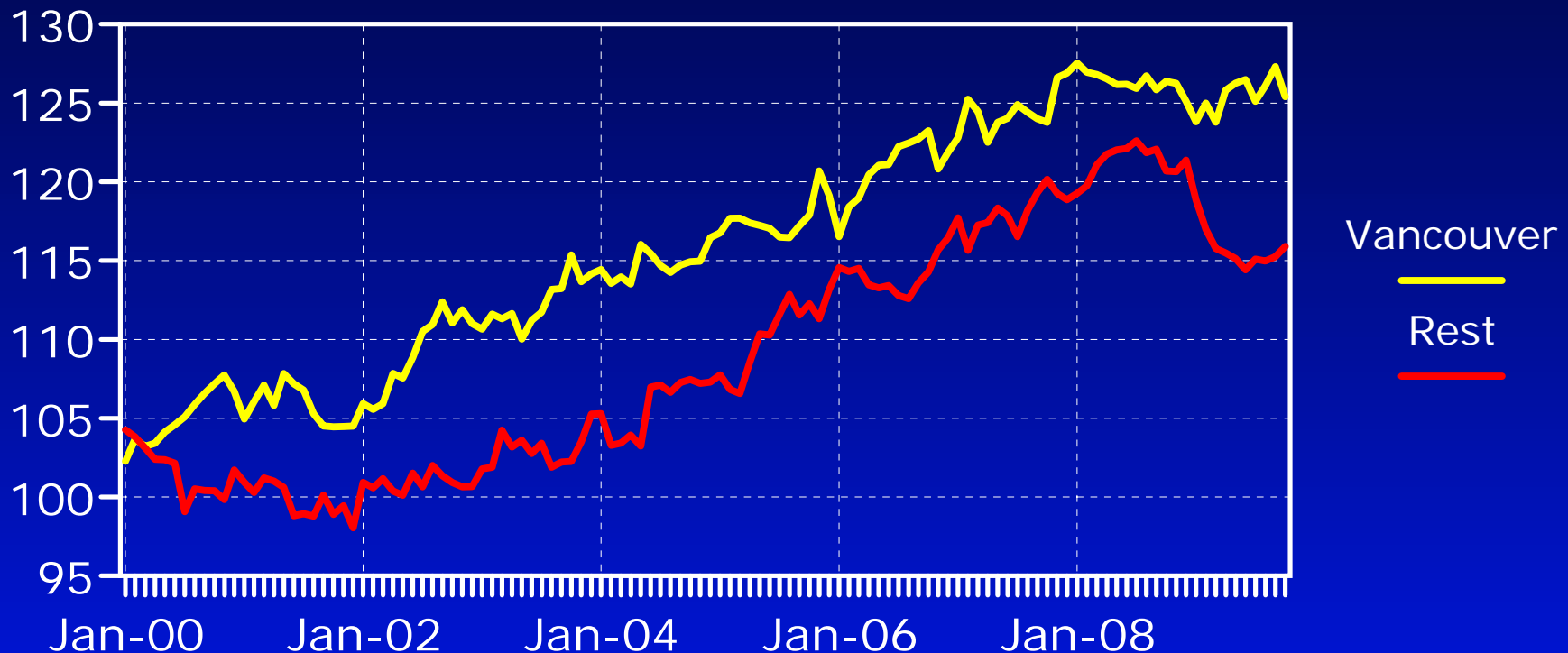
Latest: Oct-09



Vancouver employment holds up, rest of B.C. harder hit by recession

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

Index 1995-2001 = 100

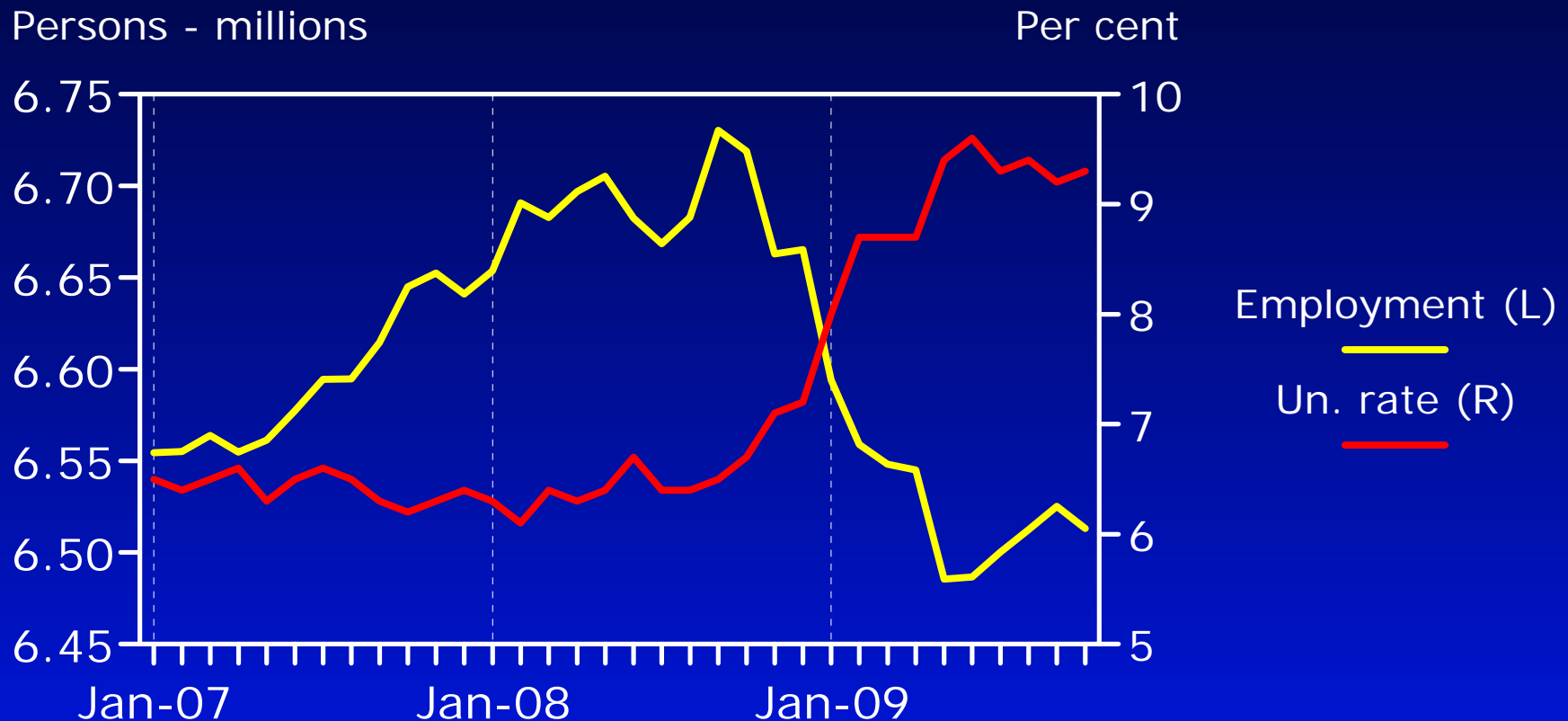


Source: Statistics Canada, C1CU. Note: Seasonally adjusted. Latest: Oct-09



Ontario employment up from recession low

Labour Market, Ontario



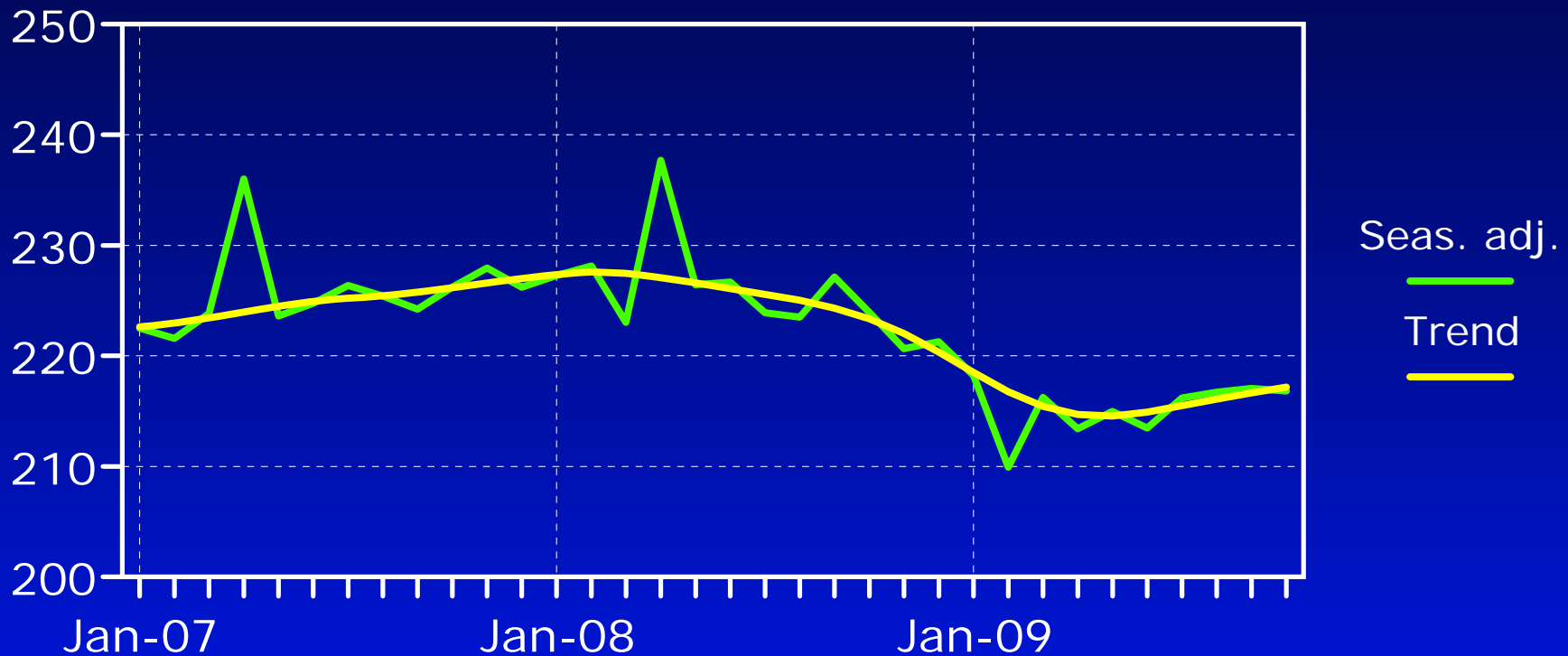
Source: Statistics Canada. Note: Seasonally adjusted. Latest: Oct-09



Total hours worked on uptrend from recession low

Total Hours Worked, Ontario

Hours - millions



Source: Statistics Canada, C1CU.

Latest: Oct-09



Larger job losses in regions outside Toronto

Employment Trends, Toronto CMA and Rest of Ontario

Index 1987-2006 = 100



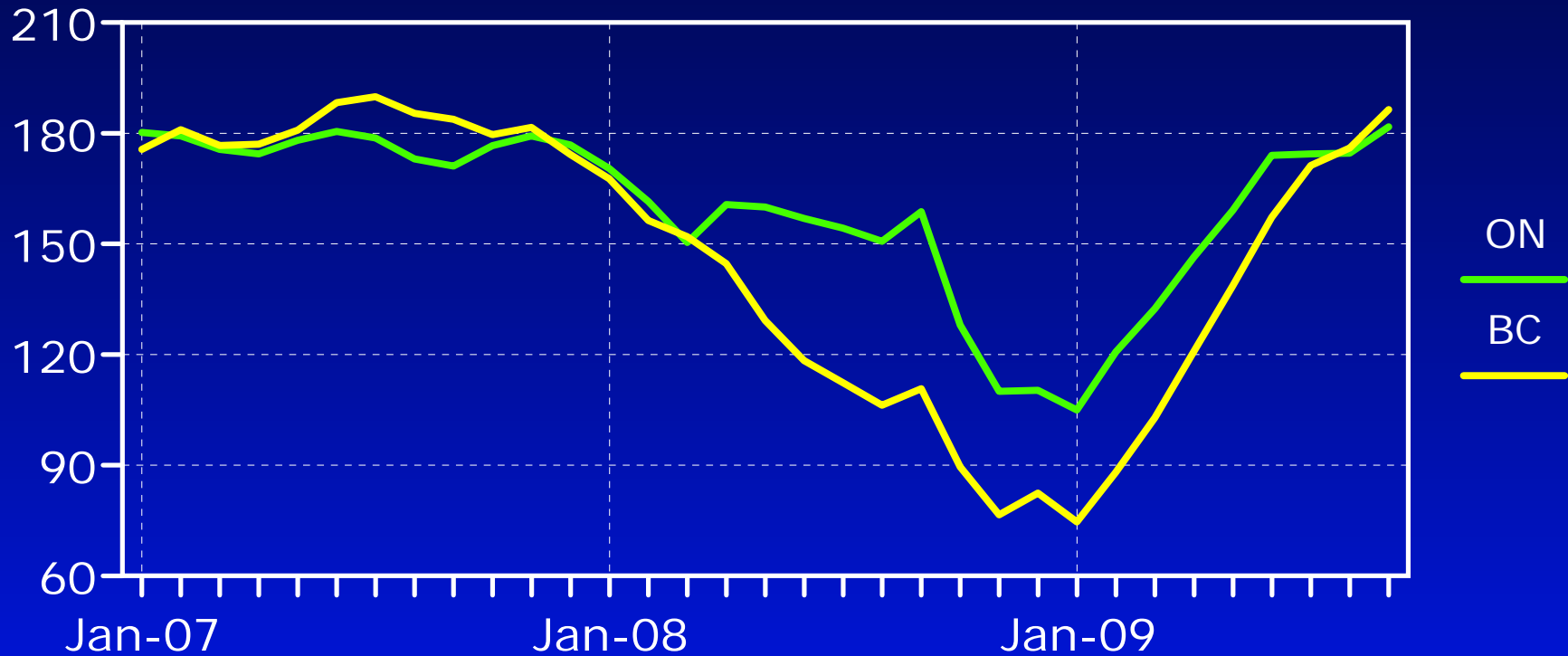
Source: Statistics Canada, C1CU. Note: Seasonally adjusted. Latest: Oct-09



Housing sales rebound to 2007 levels, rate of increase slowing

MLS Residential Sales, B.C. and Ontario

Index 1980-2000 = 100



Source: CREA, C1CU. Note: Seasonally adjusted

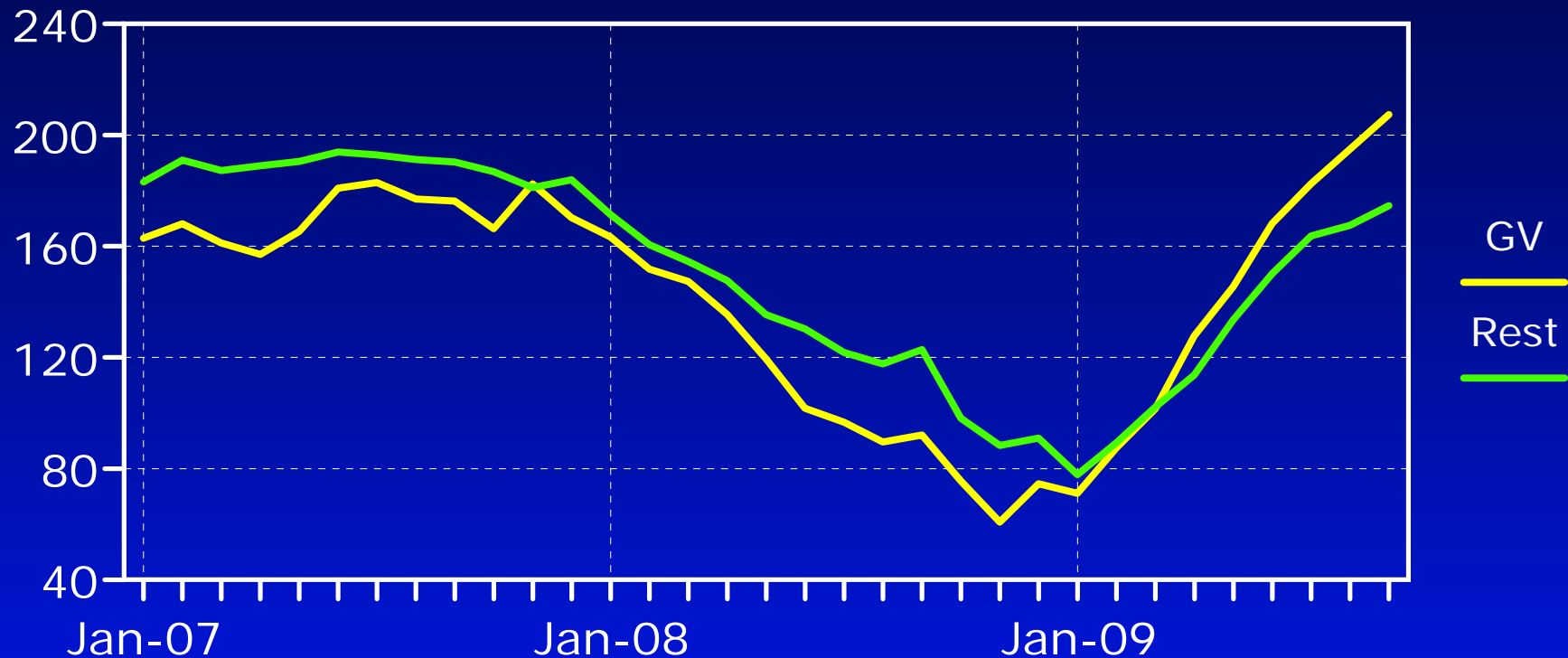
Latest: Sep-09



Sales rebound stronger in Vancouver area, other markets up strongly as well

MLS Residential Sales, Greater Vancouver Area and Rest of B.C.

Index 1980-2000 = 100



Source: CREA, C1CU. Note: Seasonally adjusted

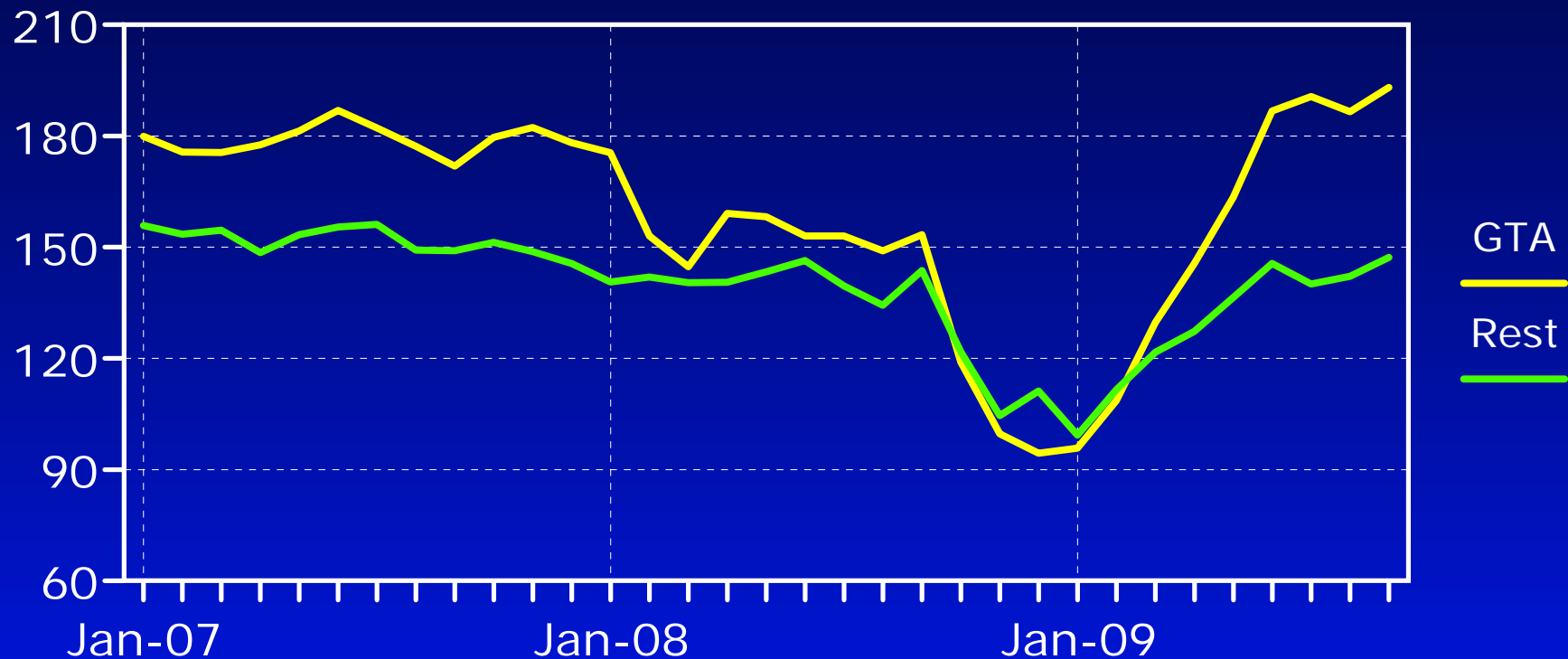
Latest: Sep-09



Greater Toronto sales lead province higher

MLS Residential Sales, Greater Toronto Area and Rest of Ontario

Index 1990-2000 = 100



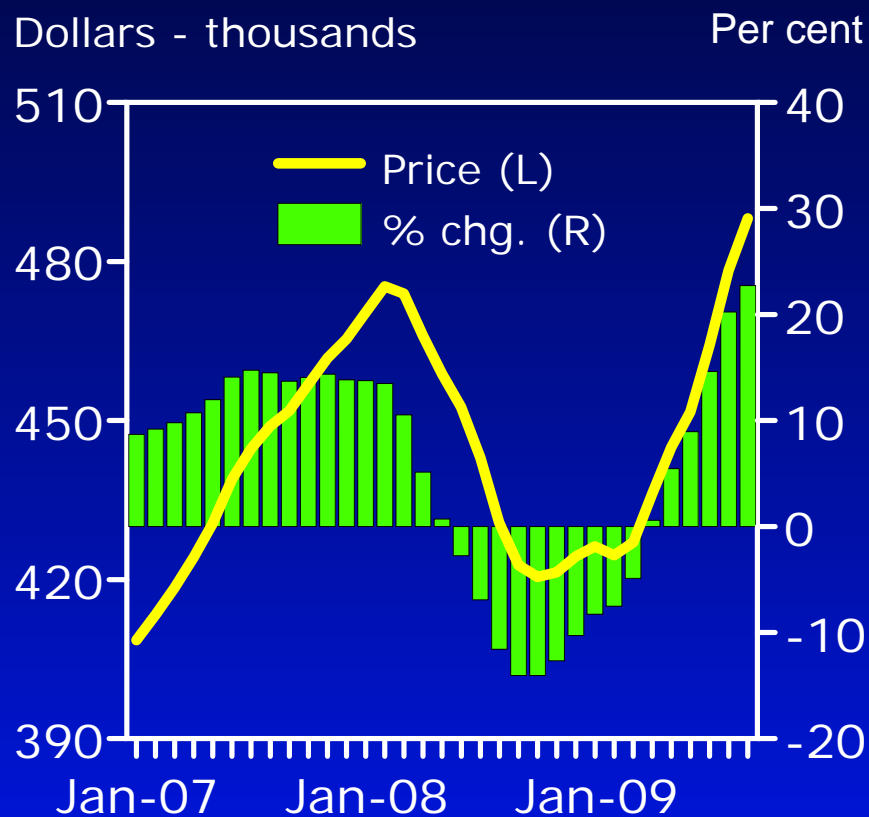
Source: CREA, C1CU. Note: Seasonally adjusted

Latest: Sep-09



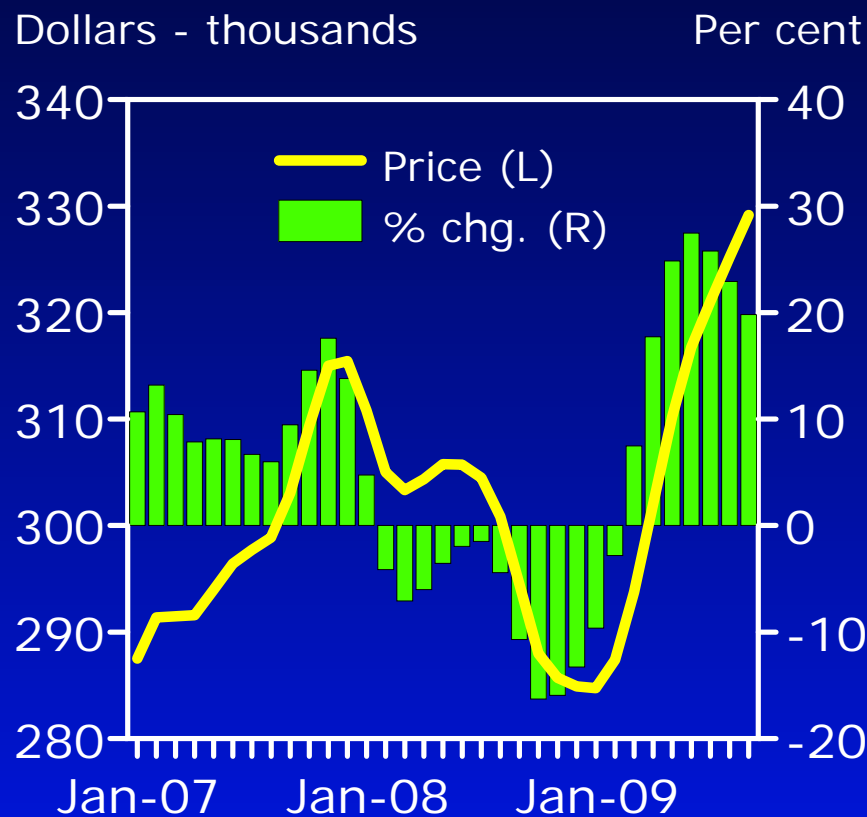
Housing prices above prior high, rising at double-digit pace

B.C. MLS Res. Ave. Sales Price



Source: CREA, C1CU. Latest: Sep-09

Ontario MLS Res. Av. Sales Price



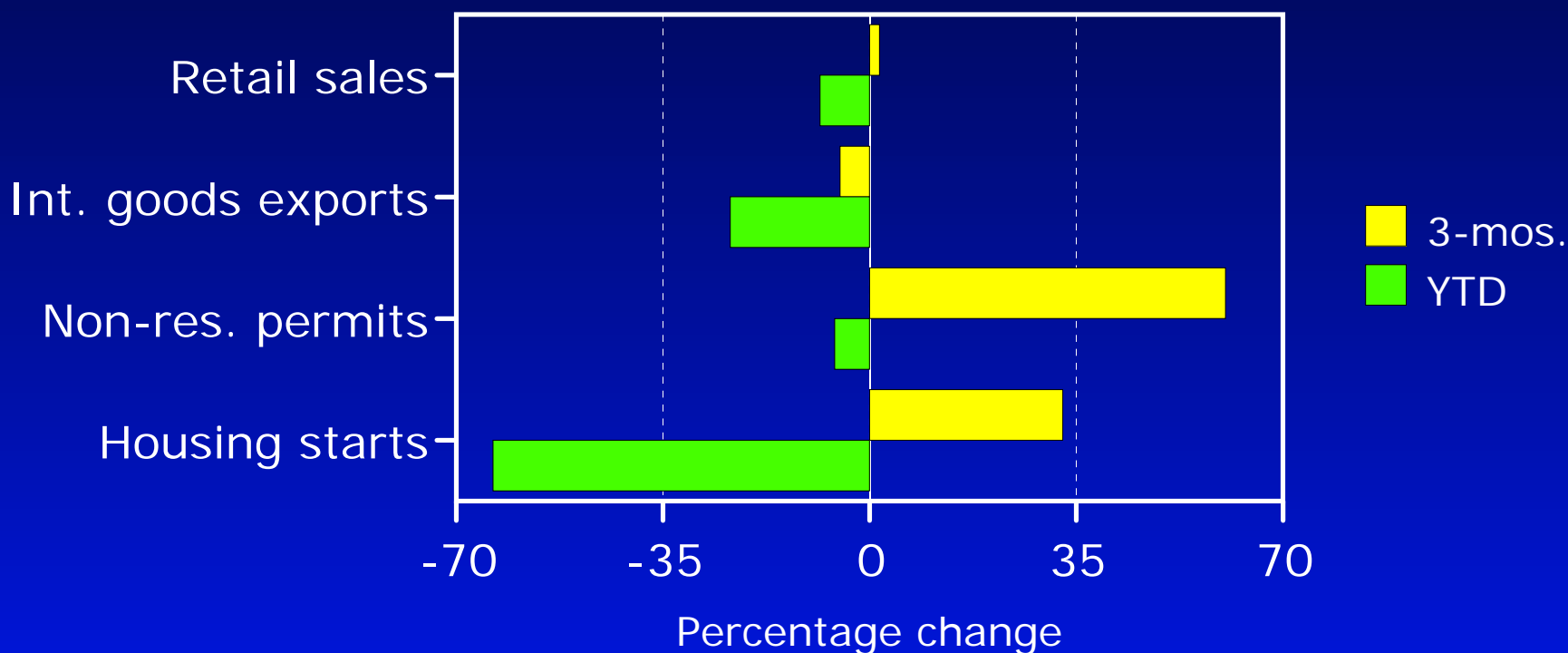
Note: Trended prices



Recent gains in construction and consumer spending, exports stabilizing

B.C. Key Economic Indicators, latest 3 mo. and year-to-date

Indicator



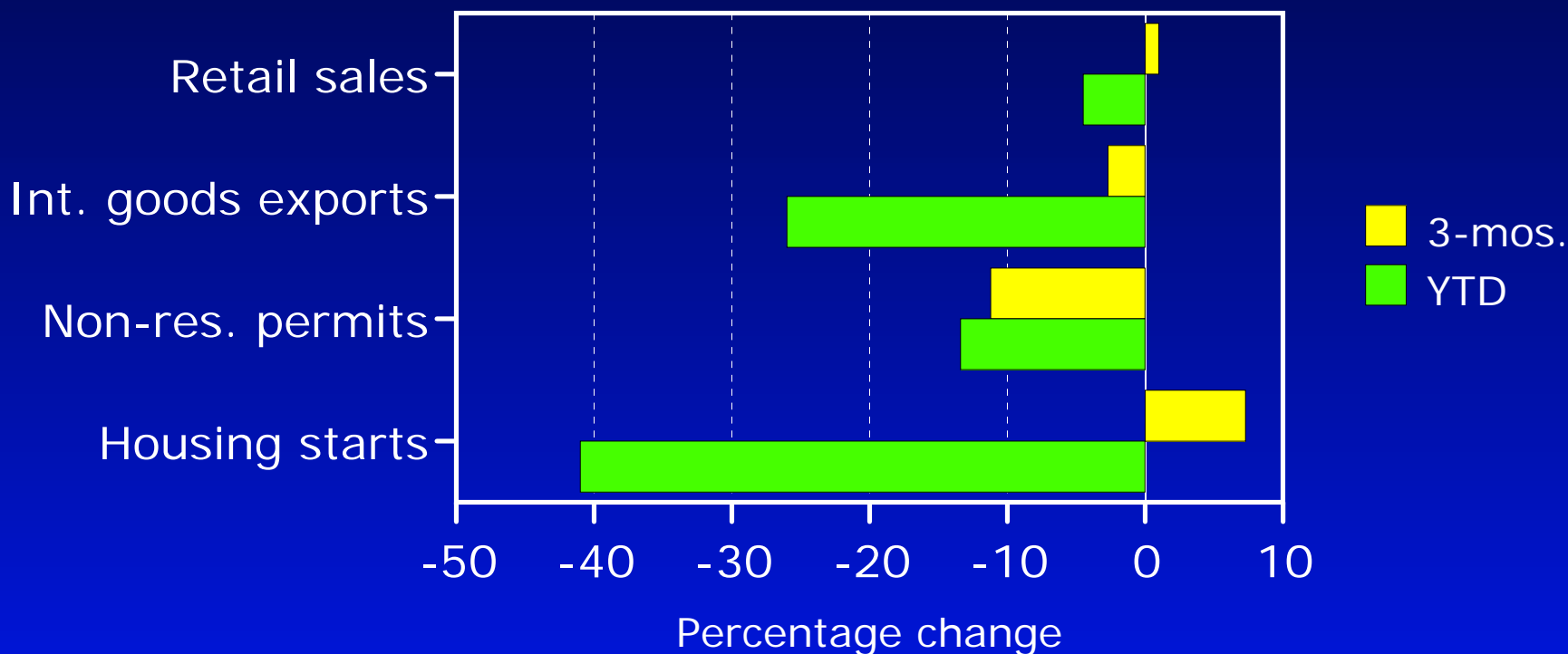
Source: Statistics Canada, C1CU.



Exports stabilizing, consumer and residential construction turn up

Ontario Key Economic Indicators, latest 3 mo. and year-to-date

Indicator



Source: Statistics Canada, C1CU.



Moderate overall growth in 2010, boost from Olympics, housing, and public construction

| B.C. Indicators | 2008 | 2009f | 2010f |
|----------------------------|-------|-------|-------|
| Real GDP, % chg. | -0.3 | -3.0 | 2.4 |
| Employment, % change | 2.1 | -2.4 | 1.8 |
| Unemployment rate, % | 4.6 | 7.6 | 7.3 |
| Int. goods exports, % chg. | 5.1 | -25.0 | 9.0 |
| Retail sales, % chg. | 0.3 | -6.1 | 3.7 |
| Housing sales, % chg. | -33.0 | 24.1 | 27.5 |
| Housing prices, % chg. | 3.5 | 2.0 | 7.3 |
| Housing starts, % chg. | -12.4 | -57.5 | 46.6 |

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



Ontario's outlook improves, modest growth in 2010 led by domestic sectors

| Ontario Indicators | 2008 | 2009f | 2010f |
|----------------------------|-------|-------|-------|
| Real GDP, % chg. | -0.5 | -3.4 | 2.0 |
| Employment, % change | 1.4 | -2.5 | 1.1 |
| Unemployment rate, % | 6.5 | 9.1 | 9.3 |
| Int. goods exports, % chg. | -7.8 | -22.0 | 5.0 |
| Retail sales, % chg. | 3.5 | -4.1 | 3.2 |
| Housing sales, % chg. | -15.2 | 5.0 | 9.0 |
| Housing prices, % chg. | 0.9 | 3.9 | 5.7 |
| Housing starts, % chg. | 10.2 | -35.0 | 25.0 |

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

