

B.C. Economic and Housing Outlook

Mortgage Investment Association of B.C.

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Outline:

- Review of 2009 forecasts
- Key current indicators
- Housing market conditions
- 2010 Winter Olympics
- Harmonized Sales Tax
- 2010 forecasts



Review of 2009 forecasts

Economic Forecasts	2008	2009 (f)	2009 (a)	Diff.	Trend
BC employment, % chg.	2.1	-1.8	-2.4	0.6	Y
BC unemp. rate, %, average	4.6	6.7	7.6	-1.0	Y
BC pop. growth*, % chg.	1.7	1.4	1.6	-0.2	Y
Prime rate, %, average	4.8	2.65	2.42	0.23	Y
5-year mortgage rate, % ave.	7.10	5.85	5.70	0.15	Y

Notes: f - forecast, a - actual, *3rd Q.



Review of 2009 forecasts

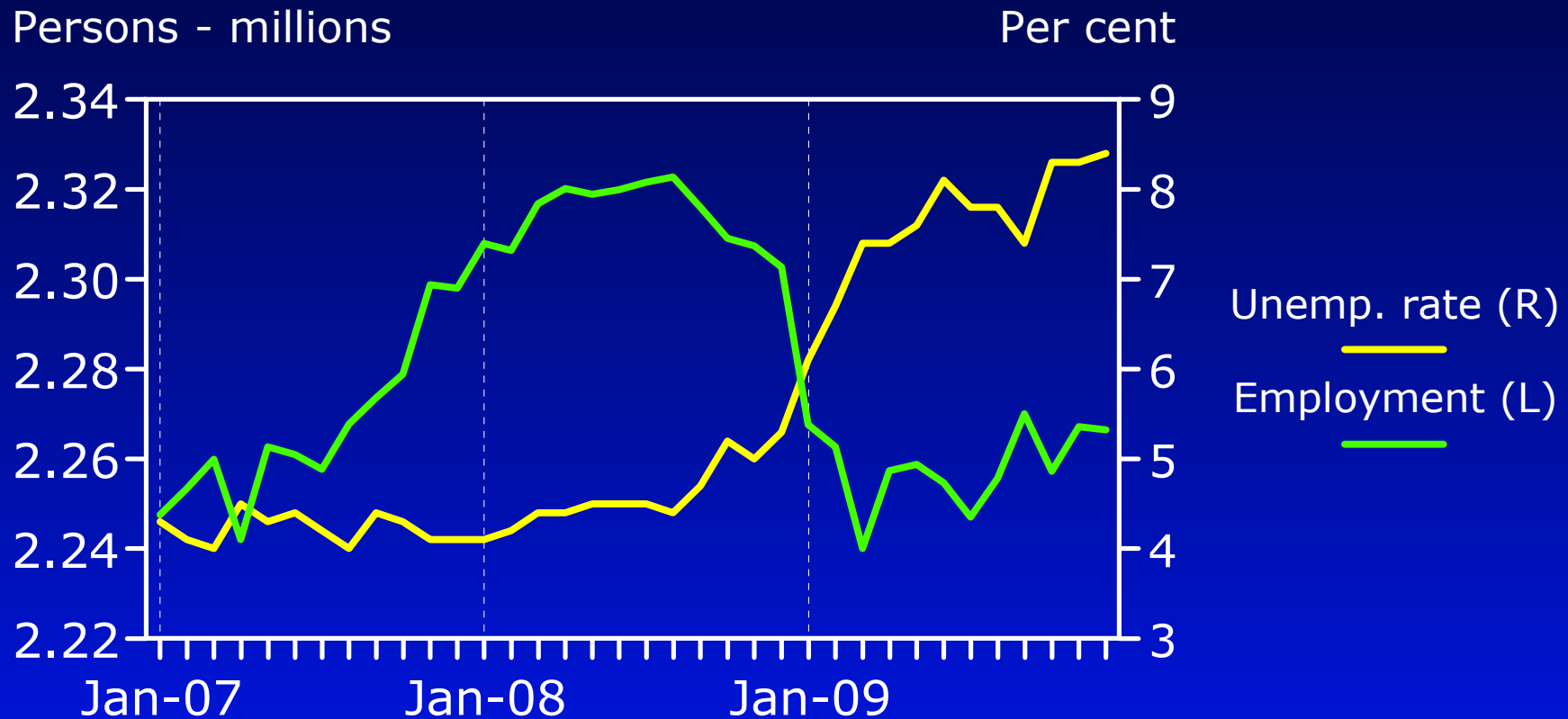
Housing Forecasts	2008	2009 (f)	2009 (a)	Diff.	Trend
BC housing sales, % chg.	-33.0	-16.0	23.4	-39.4	N
BC housing starts* % chg.	-10.2	-51.0	-56.6	-5.6	Y
BC res. sales price, %, chg	3.5	-18.0	2.4	-20.4	N
BC NHPI, % chg.	2.1	-5.0	-6.6 ⁿ	-1.6	Y
BC rental vac. rate**, %	1.1	1.7	2.8	-1.1	Y

Notes: MLS sales and prices, f - forecast, a - actual, n - November, *Urban BC housing starts, **Private sector.



B.C.'s employment edging upward; high unemployment rate

B.C. Labour Market

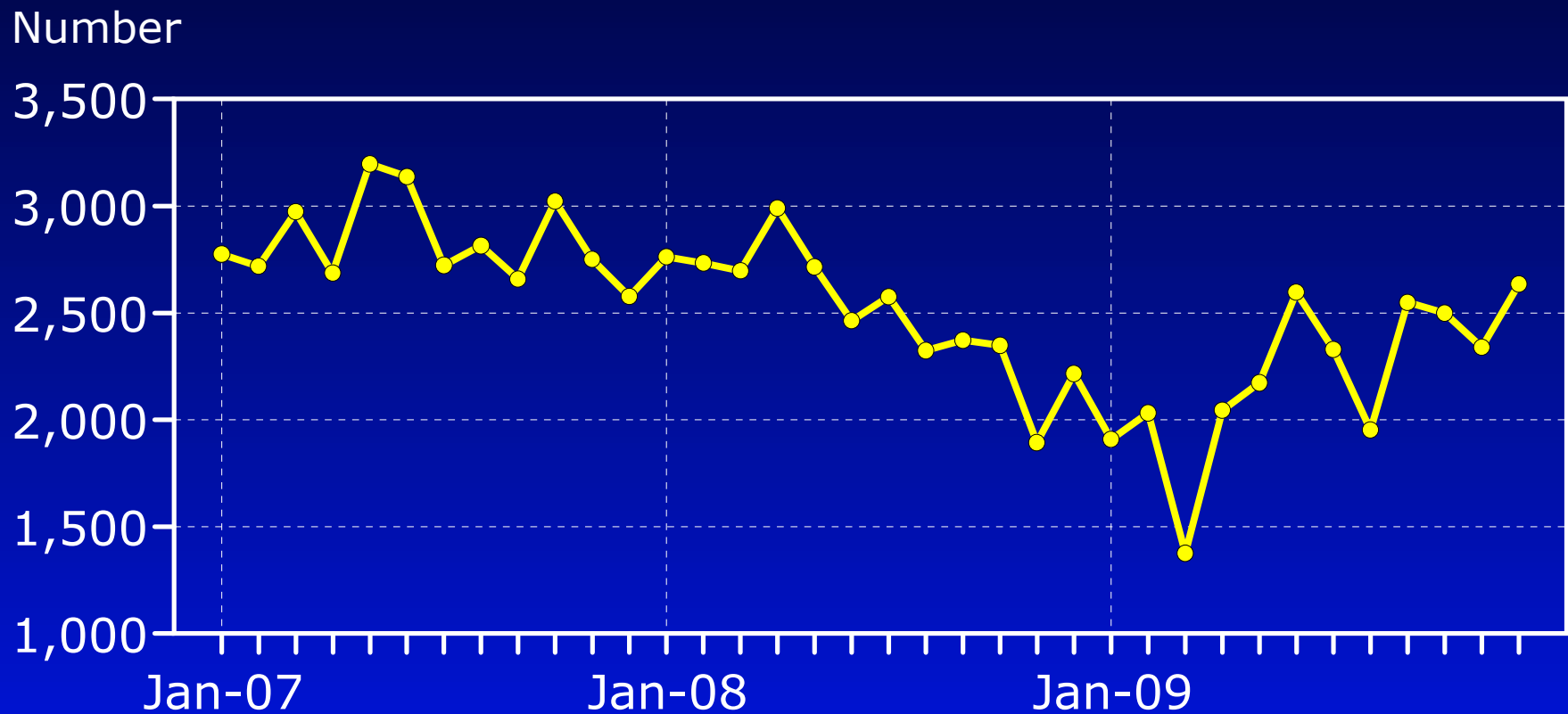


Source: Statistics Canada. Note: Seasonally adjusted. Latest: Dec-09



Business start-ups rising during 2009

Business Incorporations, B.C.



Source: B.C. Finance and Corporate Relations.

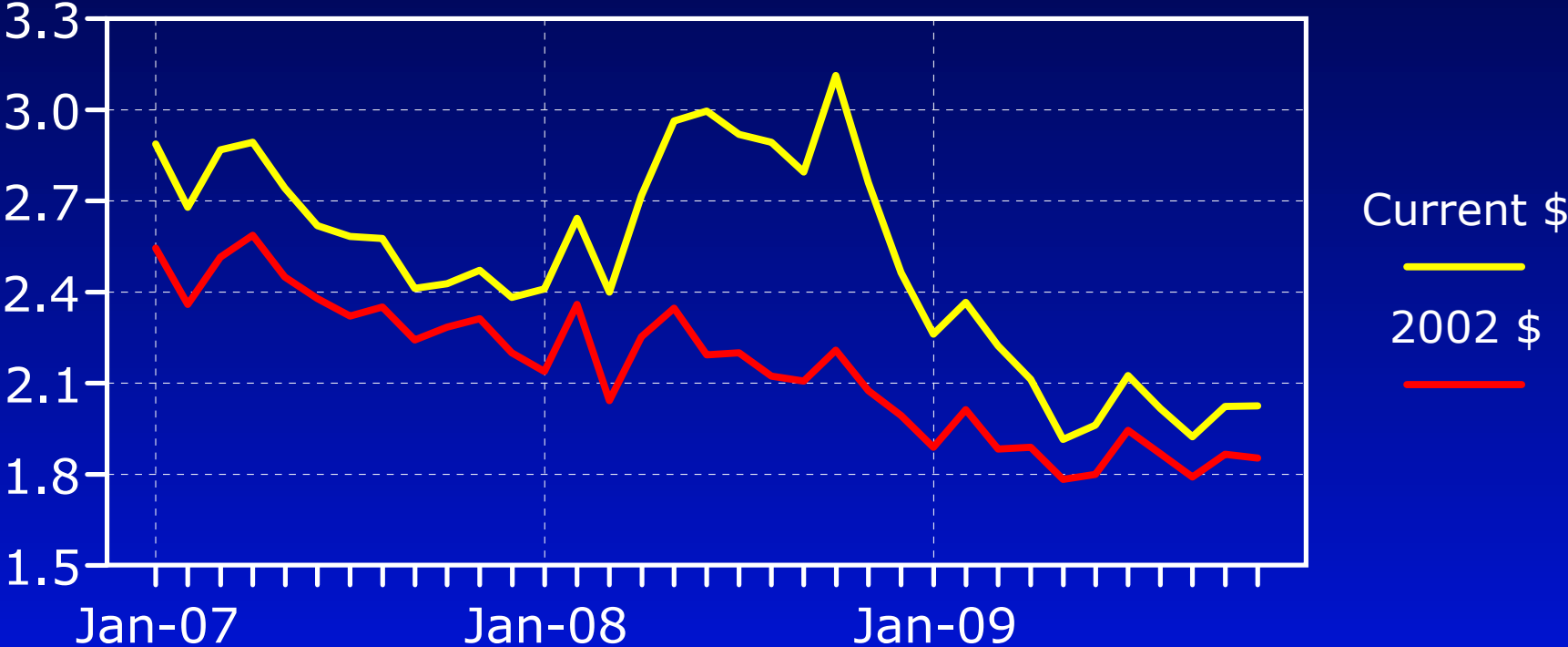
Latest: Dec-09



Goods exports no longer declining

B.C. International Merchandise Exports

Dollars - billions

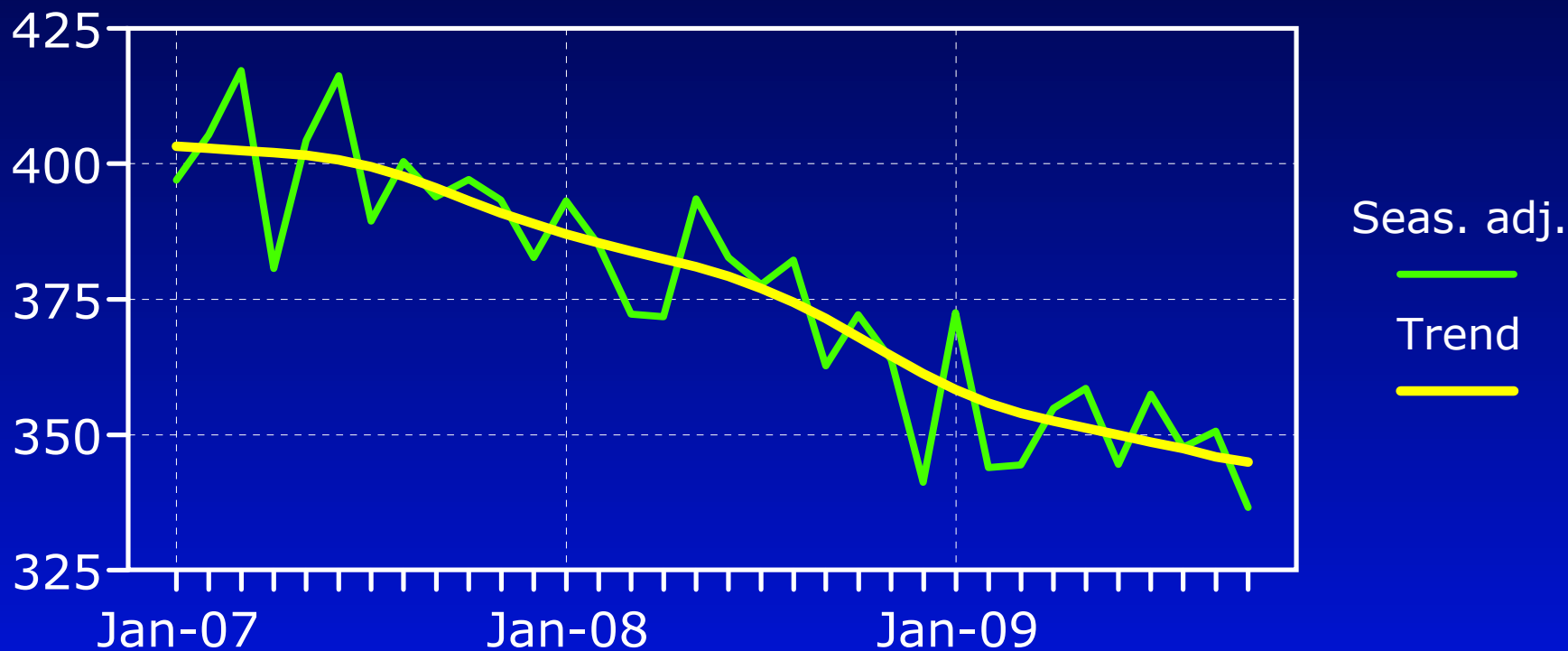


Source: Statistics Canada, C1CU. Note: Seasonally adjusted Latest: Nov-09

Ongoing decline in tourist visits from other countries

B.C. International Tourist Entries

Persons - thousands



Source: Statistics Canada, C1CU.

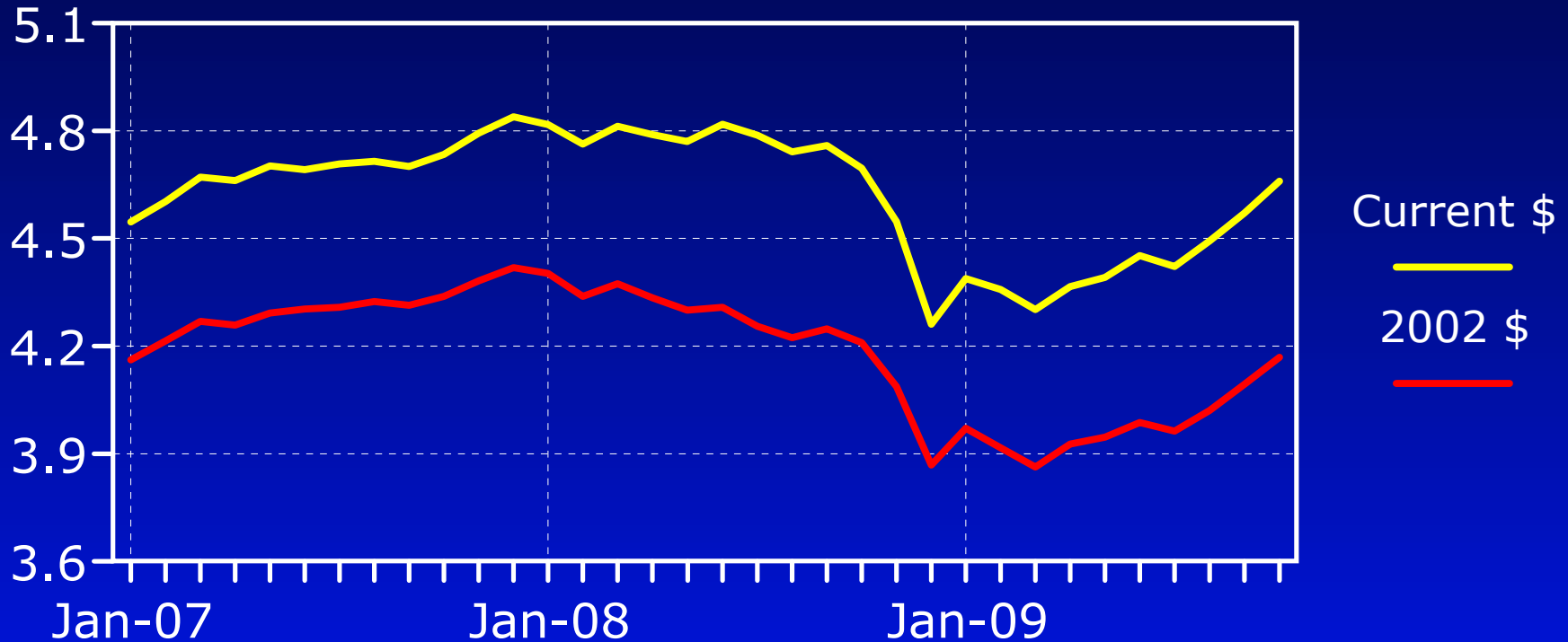
Latest: Oct-09



Consumer spending recovering

B.C. Retail Sales

Dollars - billions



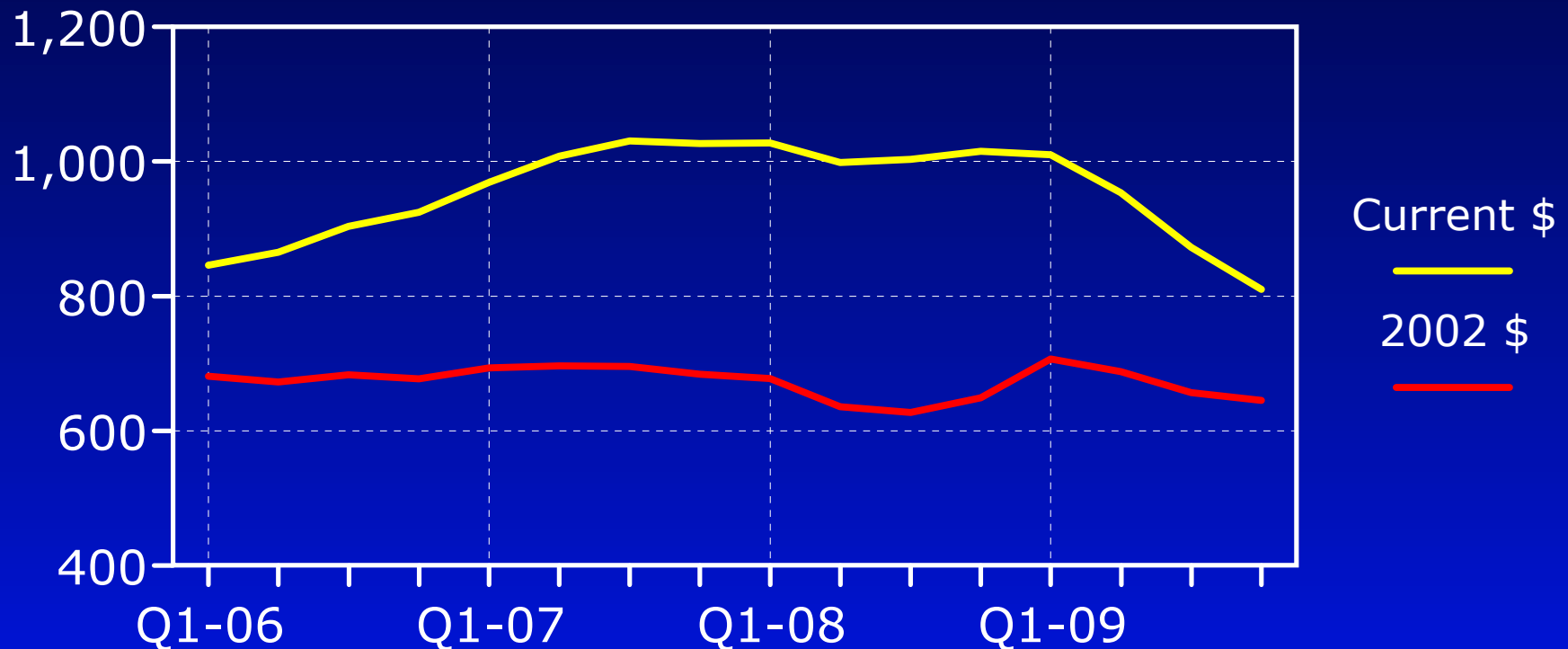
Source: Statistics Canada, C1CU. Note: Seasonally adjusted. Latest: Oct-09



Declining investment in commercial and industrial buildings

B.C. Private Non-residential Building Construction Investment

Dollars - millions



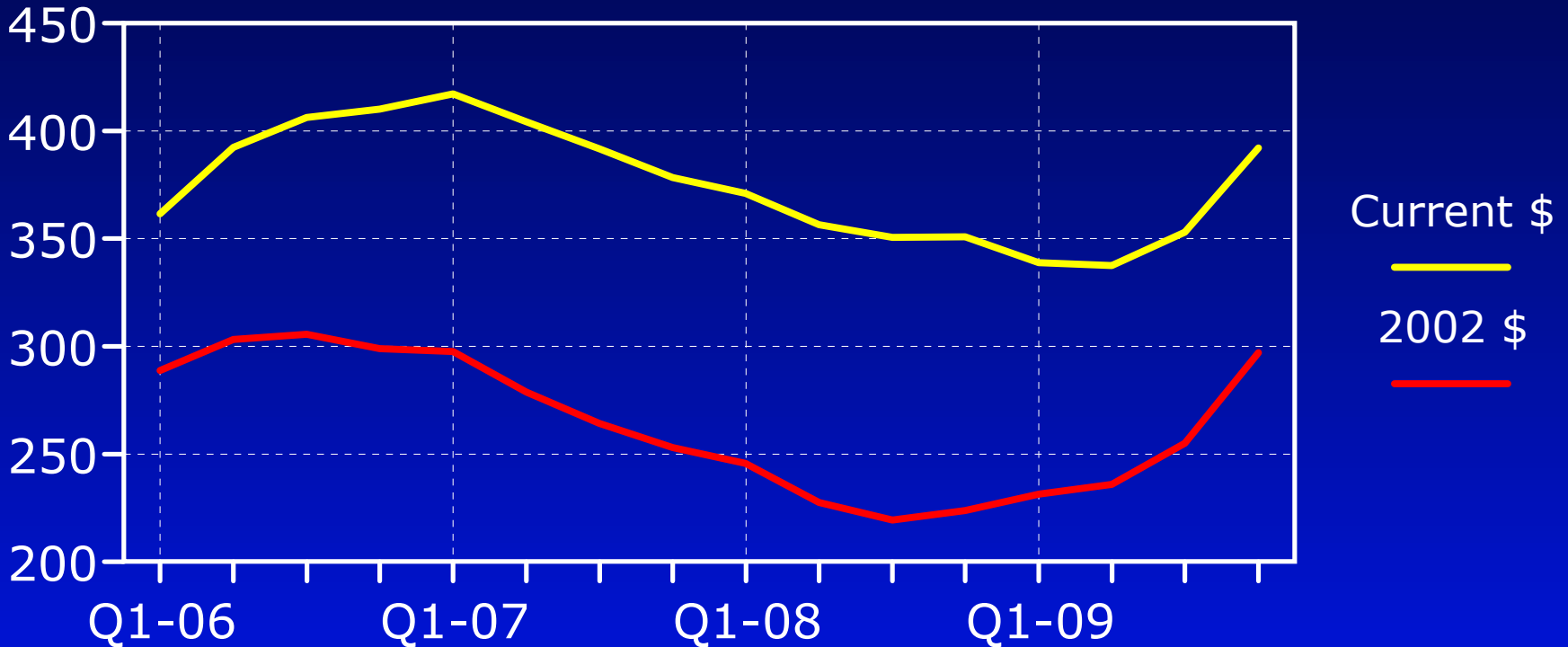
Source: Statistics Canada. Note: Seasonally adjusted. Latest: Q4-09



Public spending on the upswing

B.C. Public Non-residential Building Construction Investment

Dollars - millions



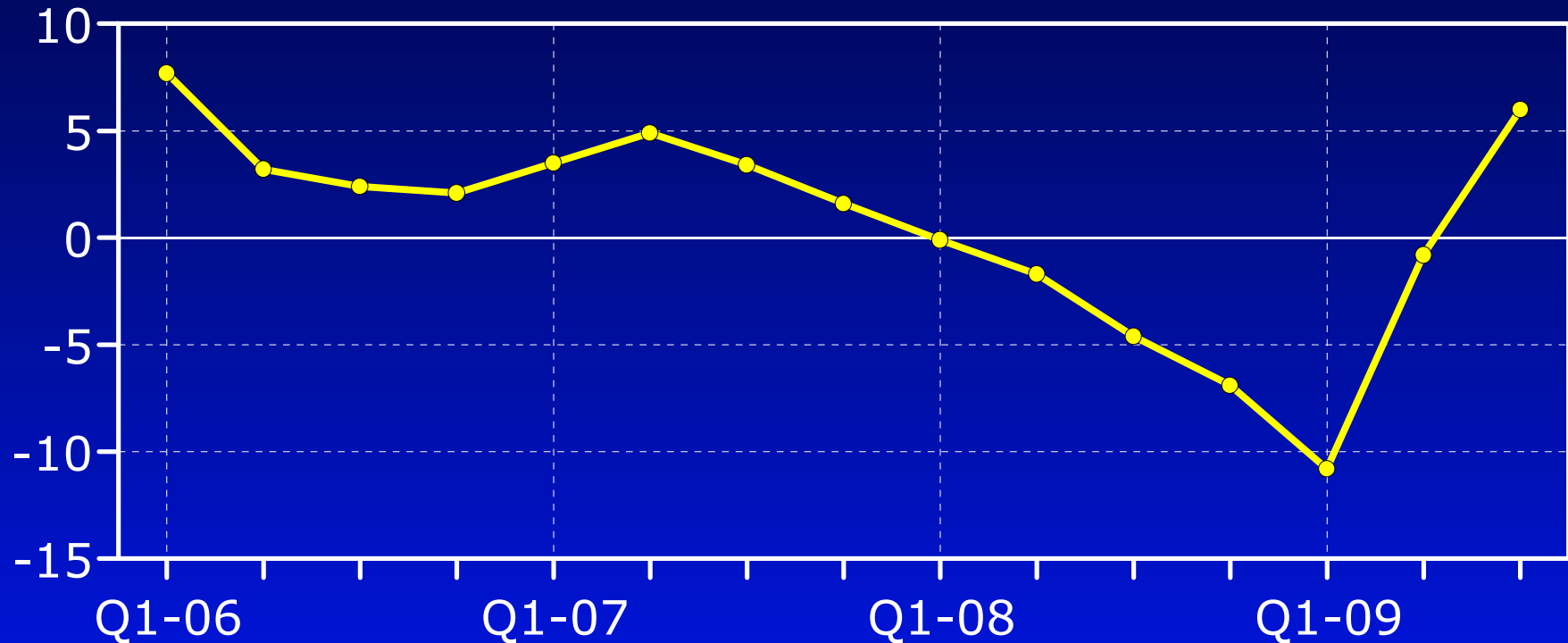
Source: Statistics Canada. Note: Seasonally adjusted. Latest: Q4-09



Recession over, economic recovery underway

B.C. Coincident Economic Index

Percentage change at annual rate



Source: C1CU.

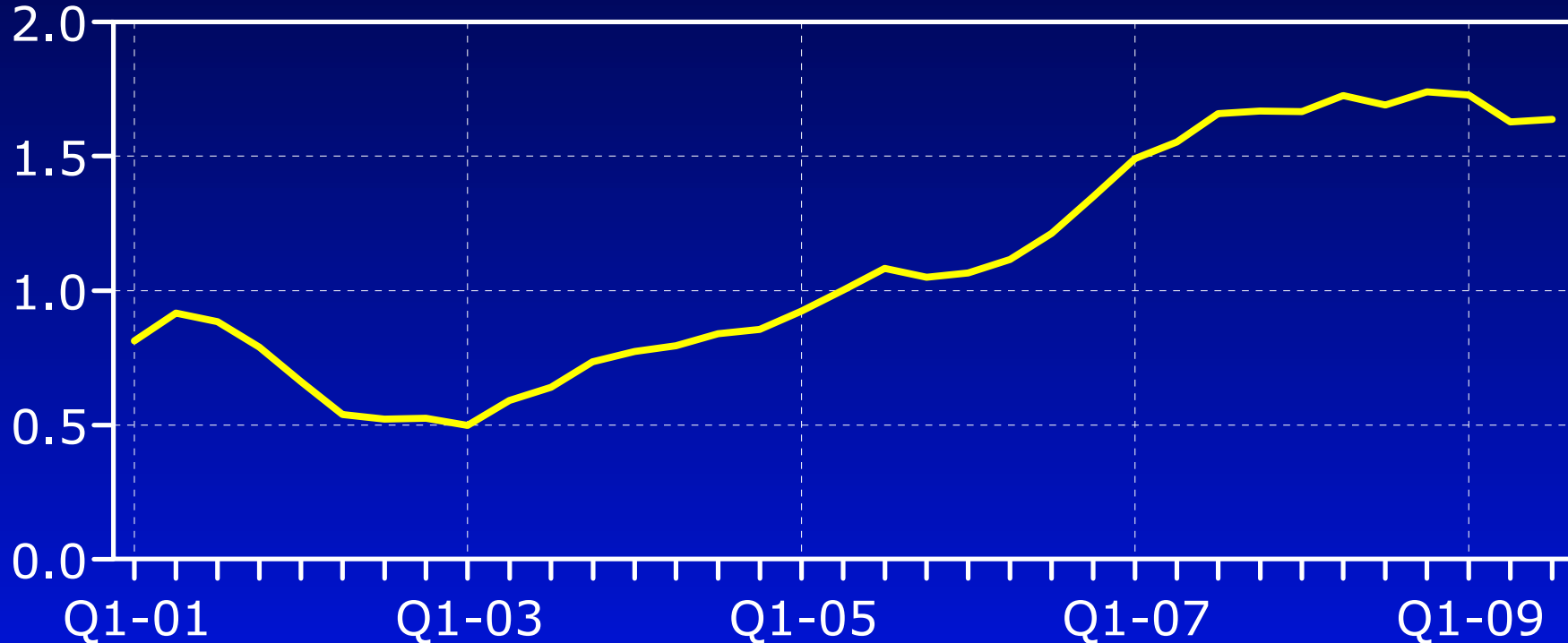
Latest: Q3-09



Population growth edges lower

B.C. Population Growth Rate, Quarterly

Percent change year-over-year



Source: Statistics Canada, C1CU.

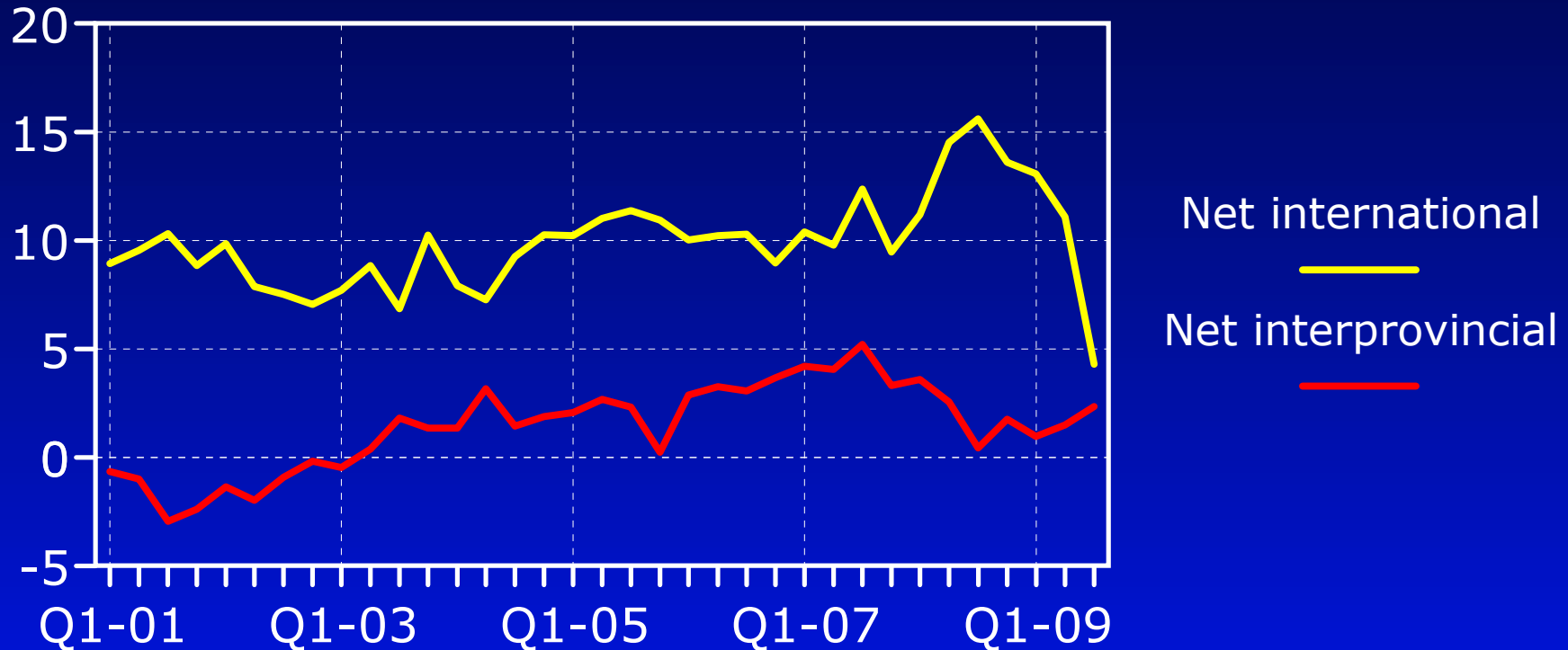
Latest: Q3-09



Interprovincial migration holding up; large decline in international but preliminary

Net Migration by Type, B.C., Quarterly

Persons - thousands



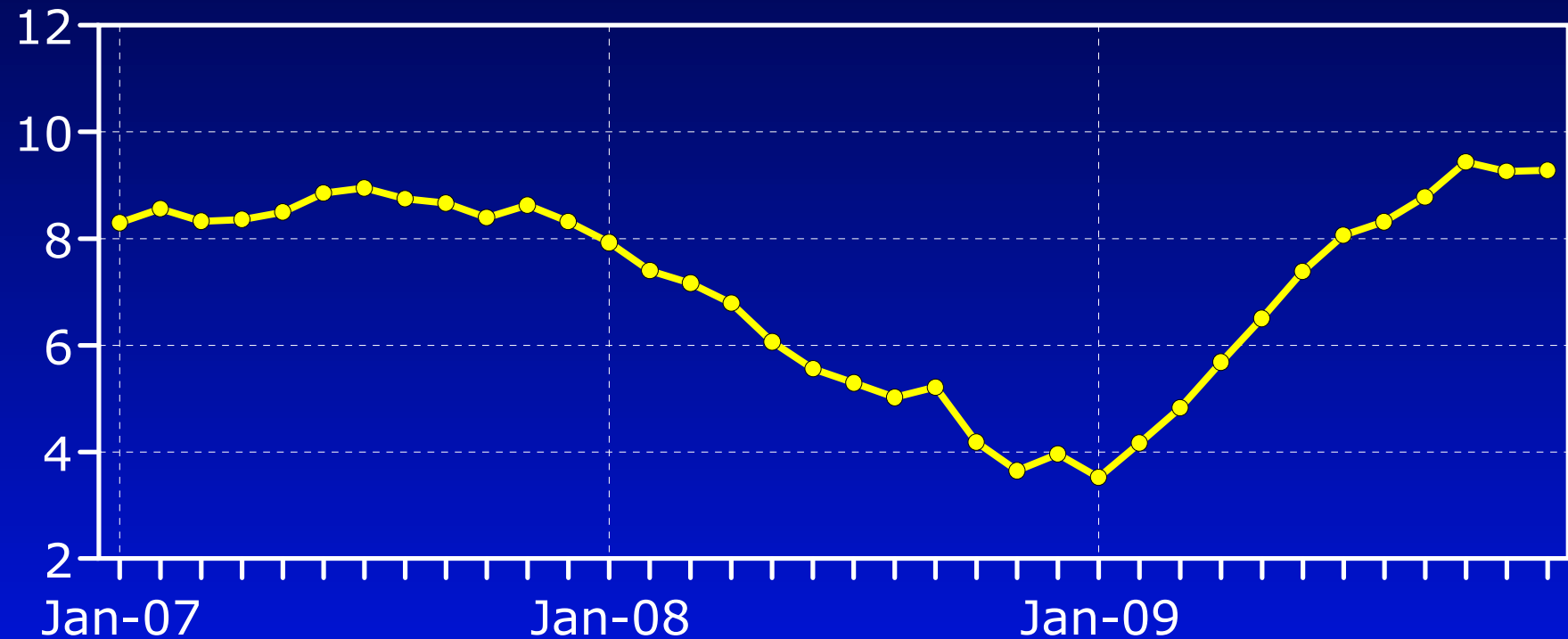
Source: Statistics Canada, C1CU. Note: Seasonally adjusted. Latest: Q3-09



Sharp run-up in sales ending?

B.C. MLS Residential Sales

Units - thousands



Source: CREA, C1CU. Note: Seasonally adjusted

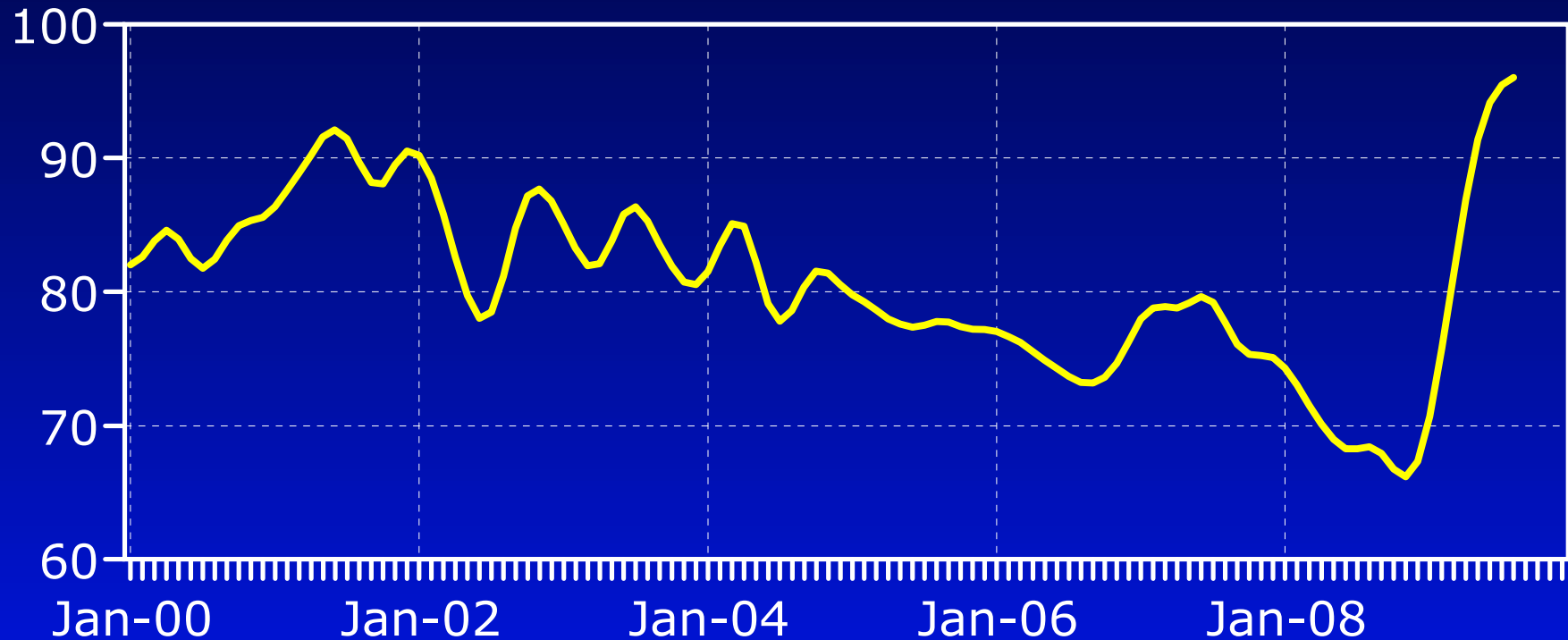
Latest: Dec-09



Sharp jump in MLS market share

Market Share of B.C. MLS Residential Sales

Per cent



Source: Landcor Data Corp, CREA, C1CU.

Note: Trend-cycle

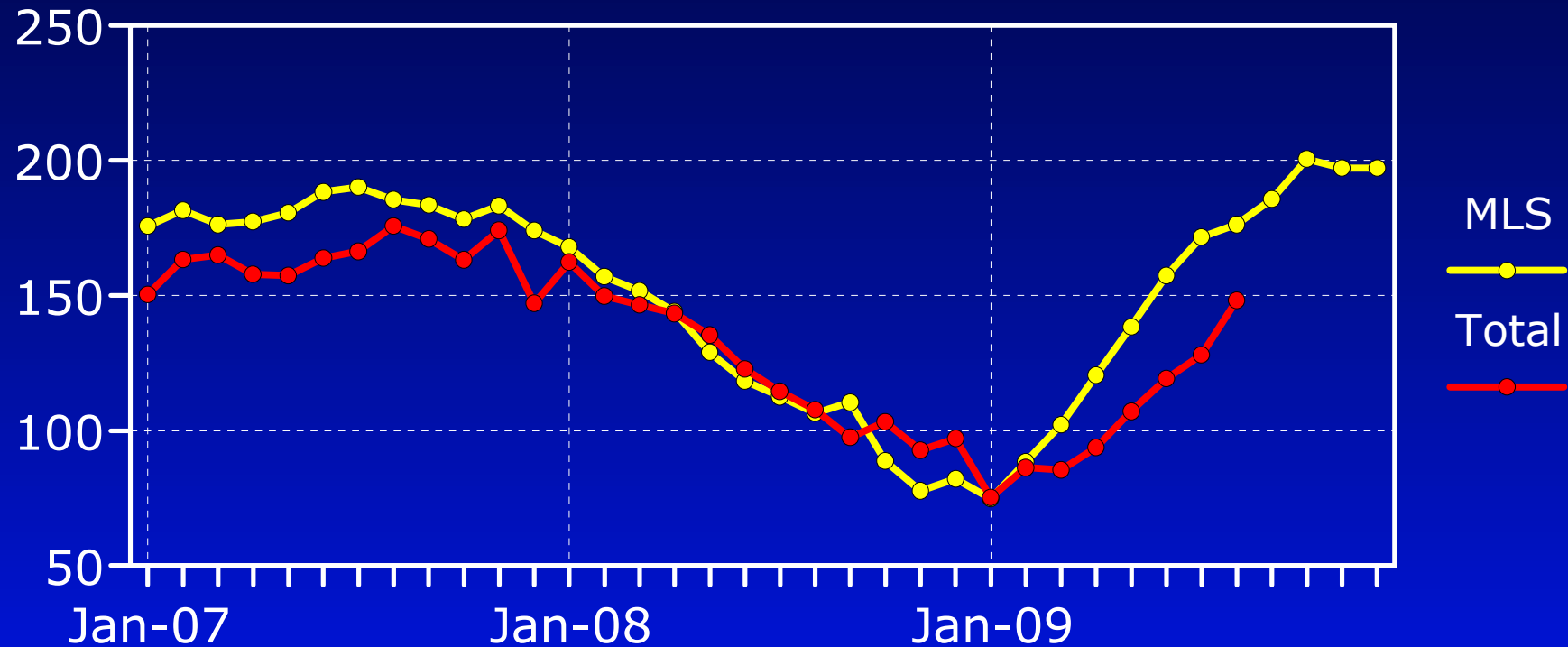
Latest: Aug-09



MLS data overstates sales increase

B.C. Residential Sales, MLS and Total

Index 1980-2000 = 100



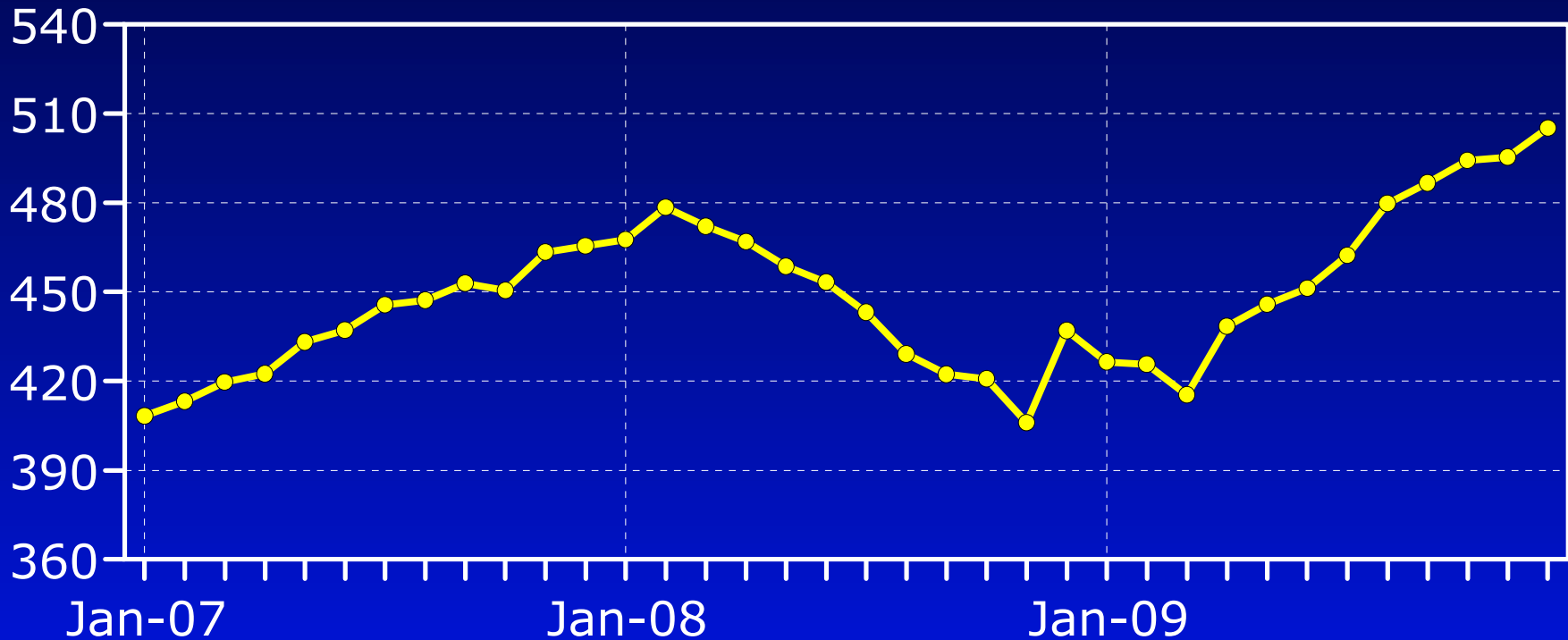
Source: Landcor Data Corp., CREA, C1CU. Note: Seasonally adjusted



Prices up 20% from the cycle low

B.C. MLS Residential Average Sales Price

Dollars - thousands



Source: CREA, C1CU. Note: Seasonally adjusted

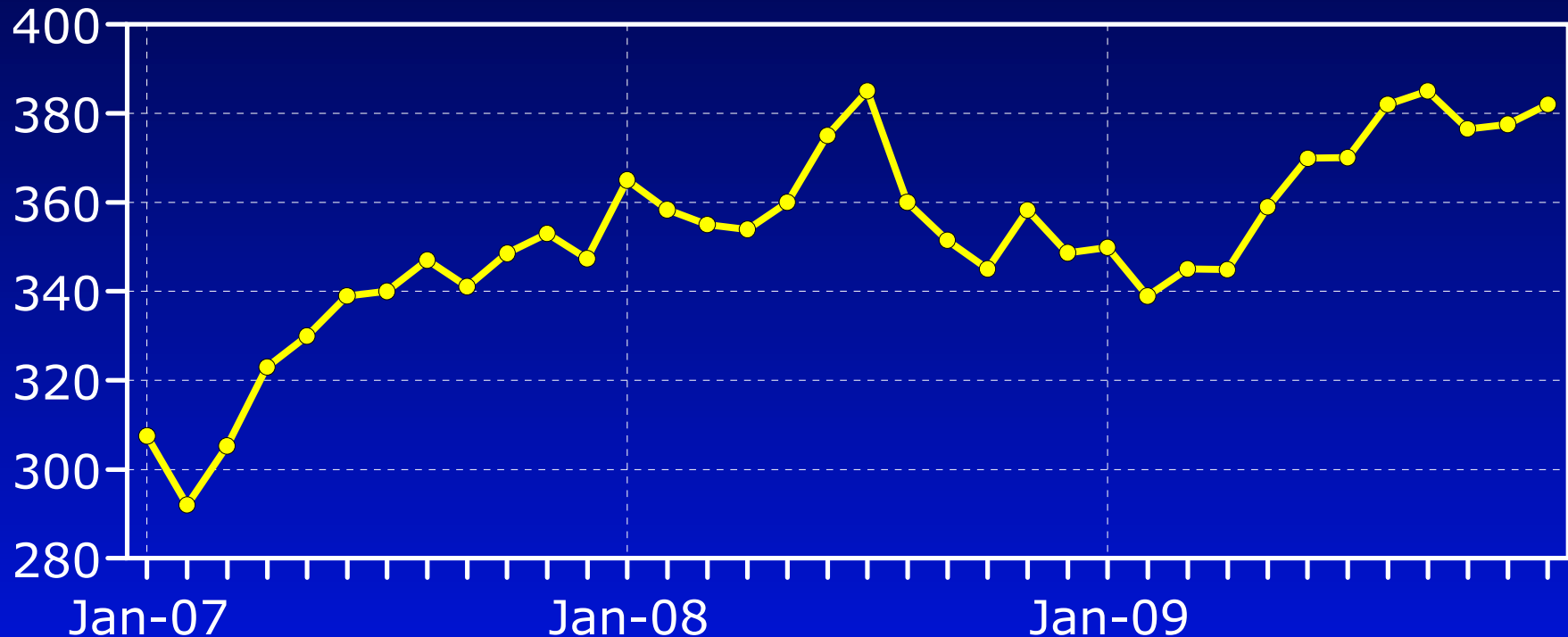
Latest: Dec-09



Prices up only 12% using the median price of all sales

B.C. Residential Median Sales Price

Dollars - thousands



Source: Landcor Data Corp.

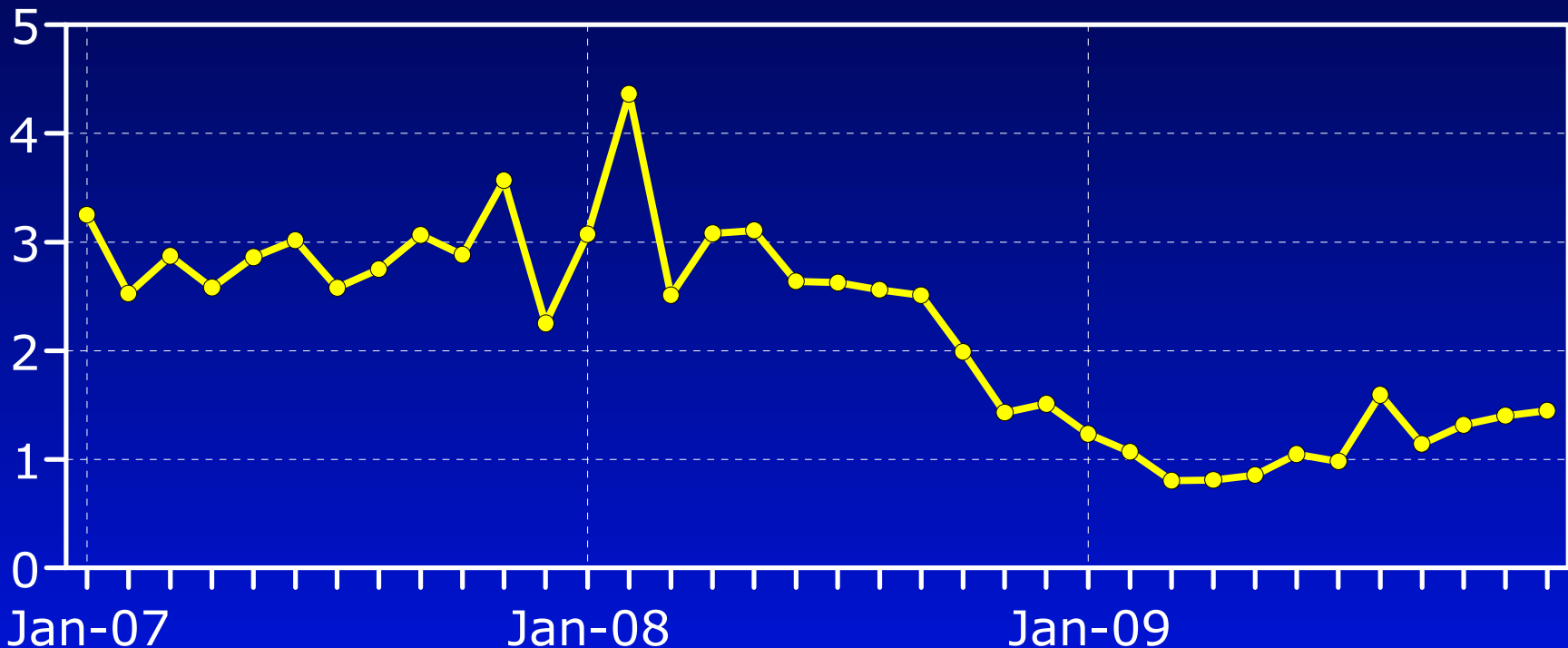
Latest: Dec-09



Housing starts rising from cycle low

Housing Starts, B.C. Urban Centres

Units - thousands



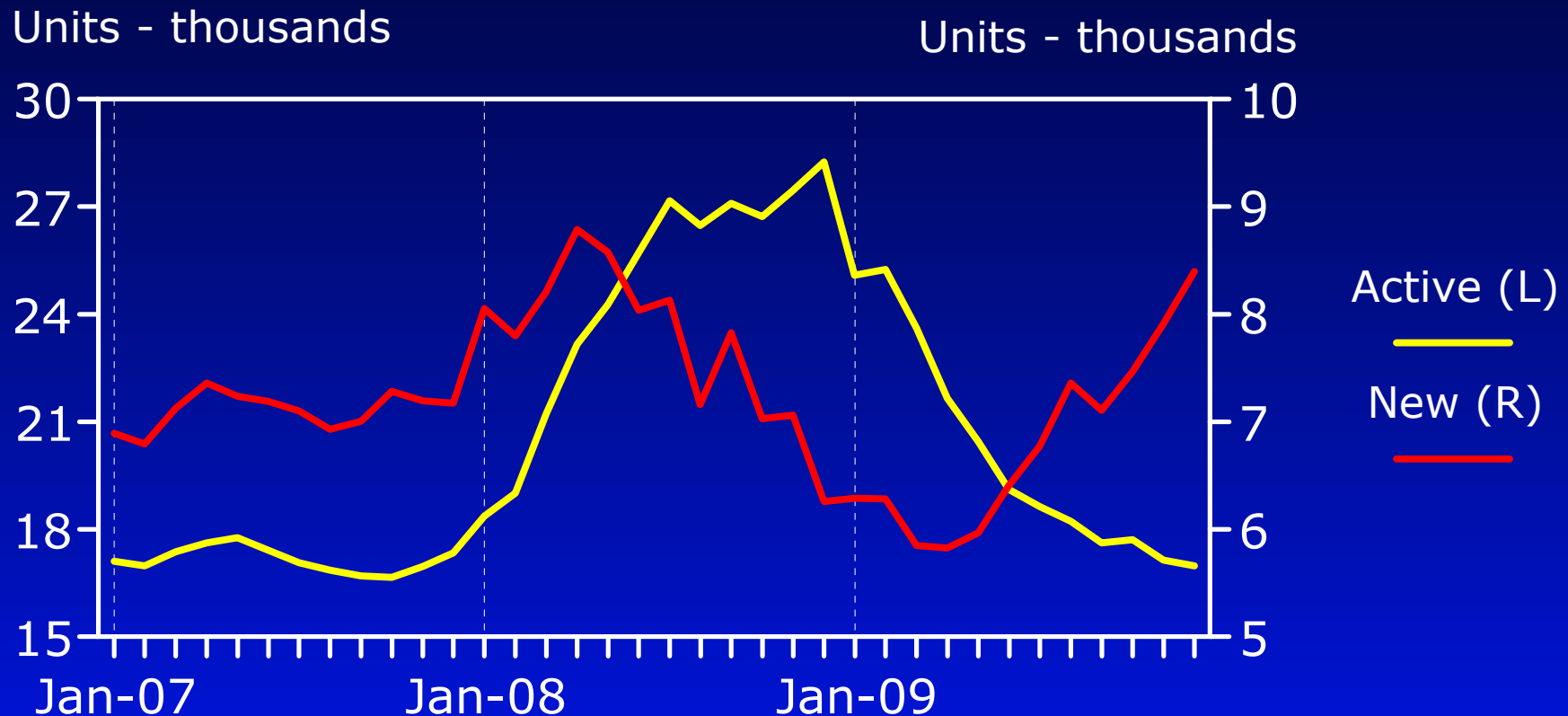
Source: CMHC, C1CU. Note: Seasonally adjusted

Latest: Dec-09



Housing supply on the market to increase

MLS Residential Listings, Lower Mainland REBs



Source: REBGV, FVREB, C1CU. Note: Seasonally adjusted Latest: Dec-09



2010 Winter Olympics:

- Total operating costs \$1.75b, about one-half occurs in 2010
- Operational eight days before Games, 17 days during, and three days after; total 28 days
- About 15k to 20k athletes, media, Olympic officials, sponsors and guests
- External tourists: 10k to 49k; other Canadians: 25k to 45k
- Total economic impact in 2010, including multiplier: \$0.9b to \$1.9b (current dollars)



Harmonized Sales Tax :

- Effective July 1, 2010, PST becomes value-added tax similar to GST
- Increases consumer taxes, reduces business taxes
- One-half year impact in 2010
- Consumer spending lower by 0.3%
- CPI higher by 0.3%
- Business investment is 0.7% higher, 0.9% higher for machinery and equipment



Forecast assumptions:

Indicator	2008	2009	2010f
U.S. real GDP, % chg.	0.4	-2.5*	2.7
Canada real GDP, % chg.	0.3	-2.4*	2.6
Japan real GDP, % chg.	-2.4	-5.3*	1.5
US-CAD exchange rate,	94.4	87.9	100.0
Wood price ¹ , % chg.	-2.3	0.6	-2.3
Coal price ¹ , % chg.	51.1	-30.1	12.5

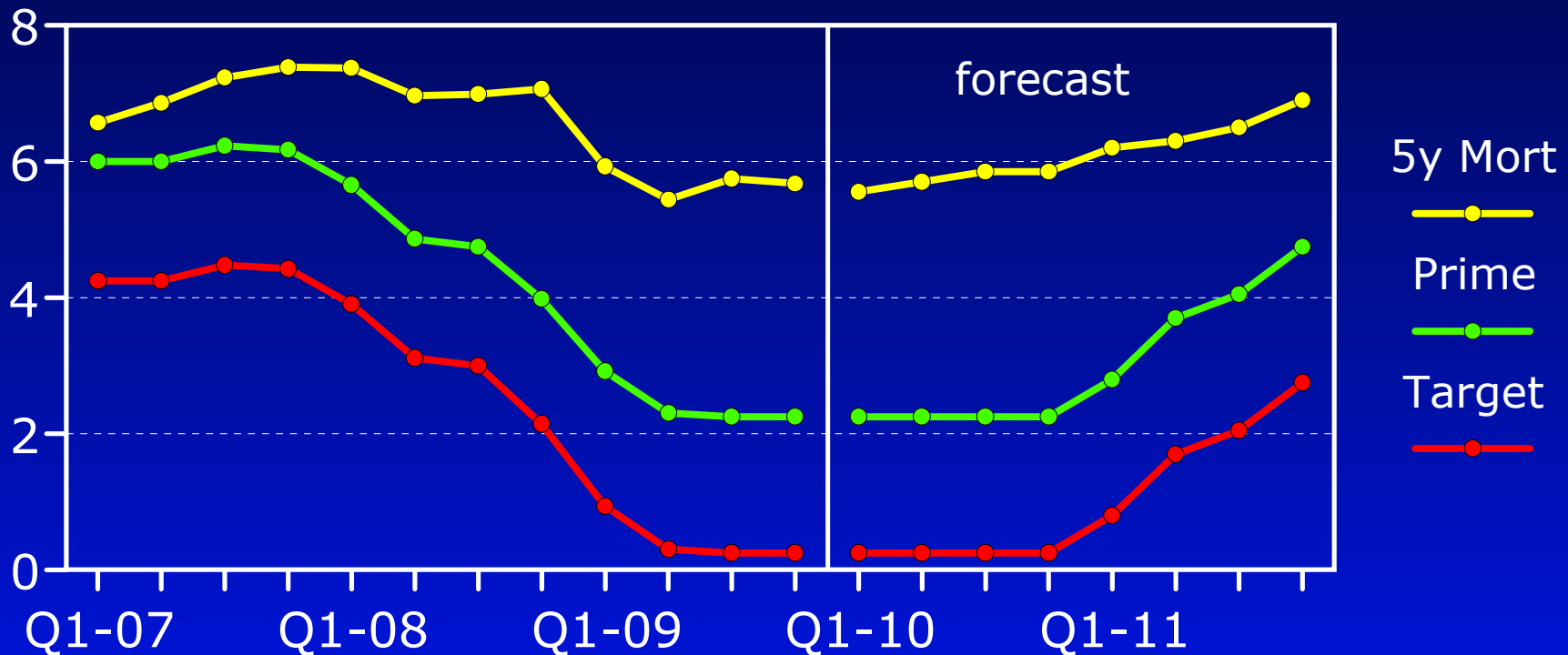
Source: Statistics Canada, 1. in CAD dollars, *estimate, C1CU forecast.



Central bank holds until early 2011

Interest Rate Forecasts, Quarterly, Canada

Per cent



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



2010 economic forecasts

BC Economic Forecast	2008	2009	2010f
Employment, % chg.	2.1	-2.4	0.9
Unemployment rate, %, ave.	4.6	7.6	8.1
Population growth, % chg.*	1.7	1.6	1.6
Retail sales, % chg.	0.3	-7.0o	4.3
Prime rate, %, average	4.80	2.42	2.25
5-year mortgage rate, % av.	7.10	5.70	5.75

f = forecast * 3Q. o - October



2010 housing forecasts

BC Housing Forecast	2008	2009	2010f
Housing sales, % chg.	-33.0	23.4	13.0
Housing starts, % chg.	-10.2	-56.6	55.0
Average sales price, % ch.	3.5	2.4	12.0
NHPI, % chg.	2.1	-6.6n	3.5
Pvt. rental vacancy rate, %	1.1	2.8	3.3

Notes: MLS sales and prices, f = forecast, n = November

