

# B.C. Heading for Recession?

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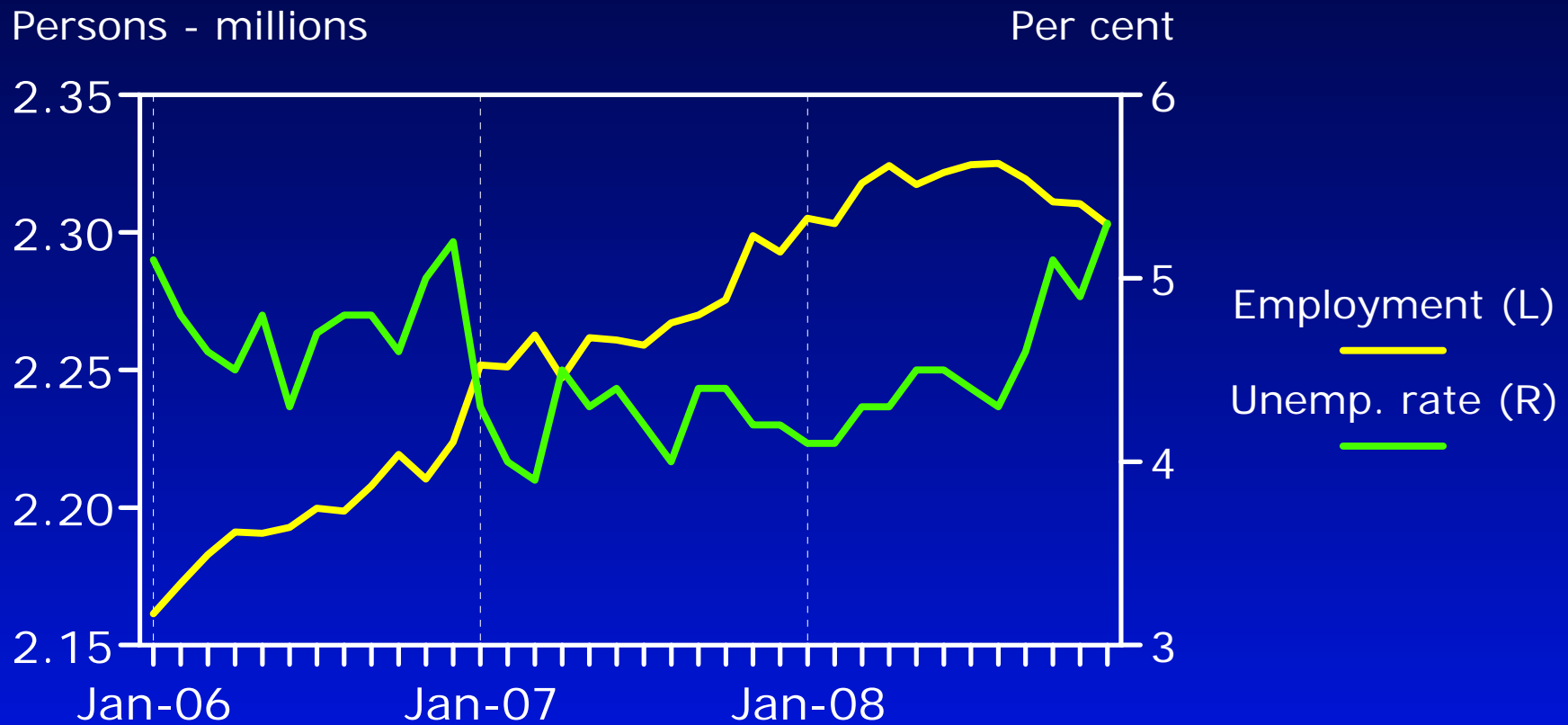
# Outline:

- Key current indicators
- Past B.C. recessions
- Forecast assumptions
- 2009 forecasts



# B.C. employment declining and unemployment rising

## B.C. Labour Market

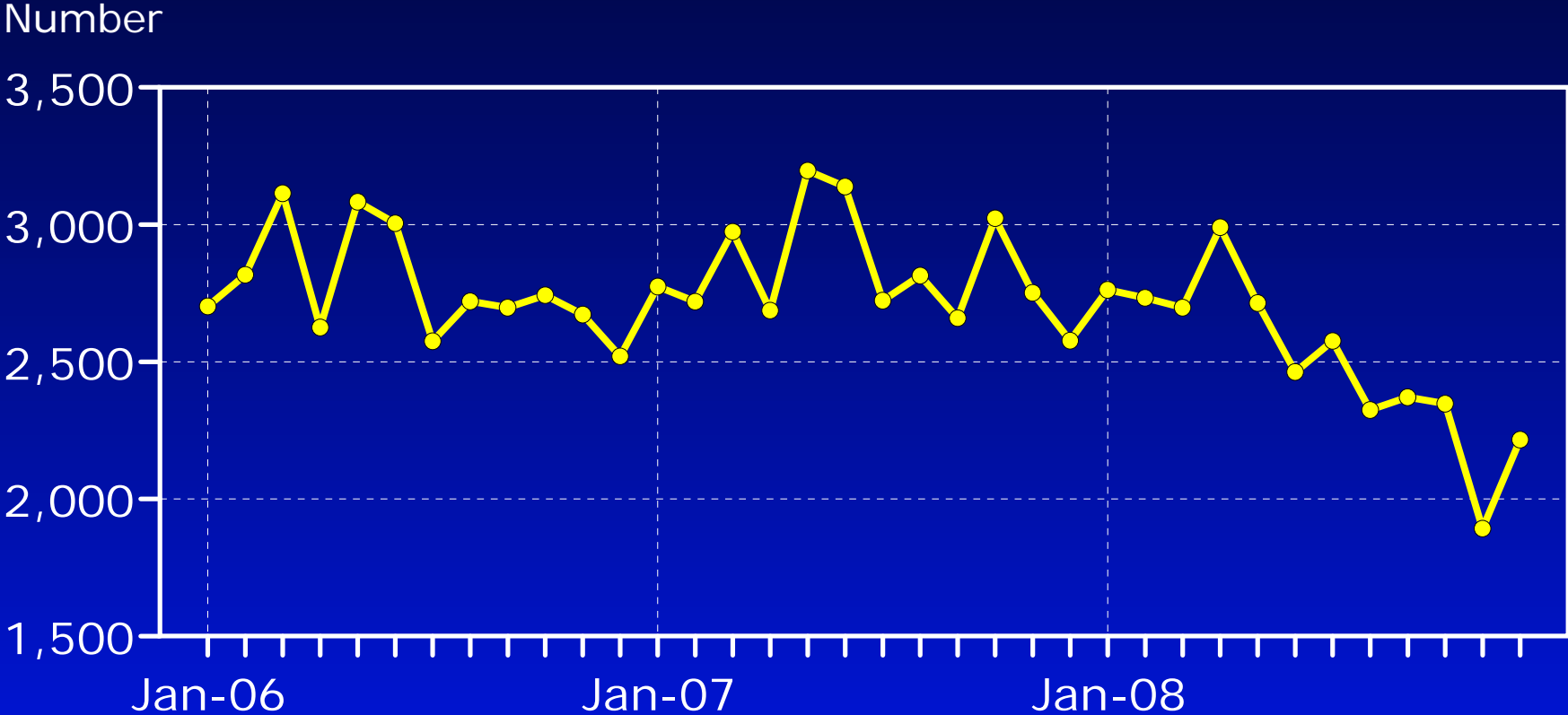


Source: Statistics Canada. Note: Seasonally adjusted. Latest: Dec-08



# Business start-ups turn down in 2008

## Business Incorporations, B.C.



Source: B.C. Finance and Corporate Relations.

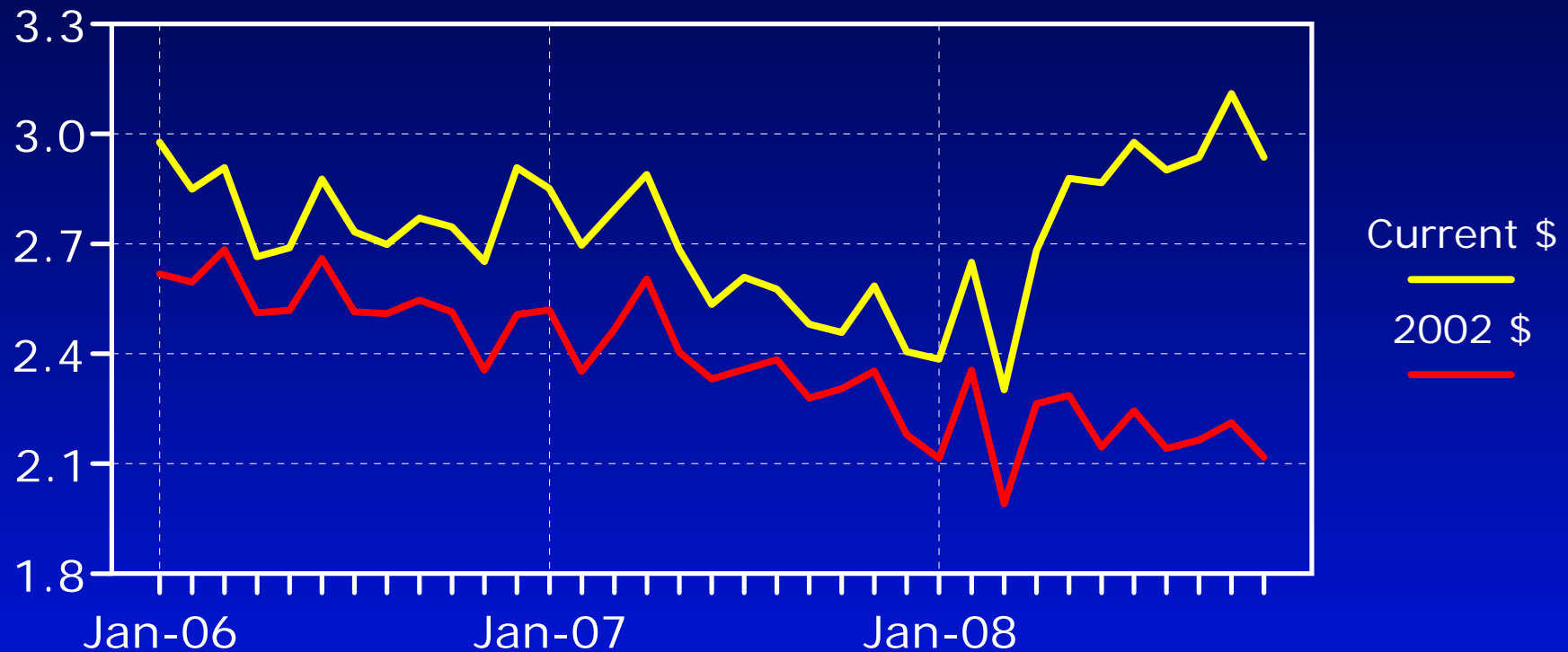
Latest: Dec-08



# Real goods exports trending lower

## B.C. International Merchandise Exports

Dollars - billions



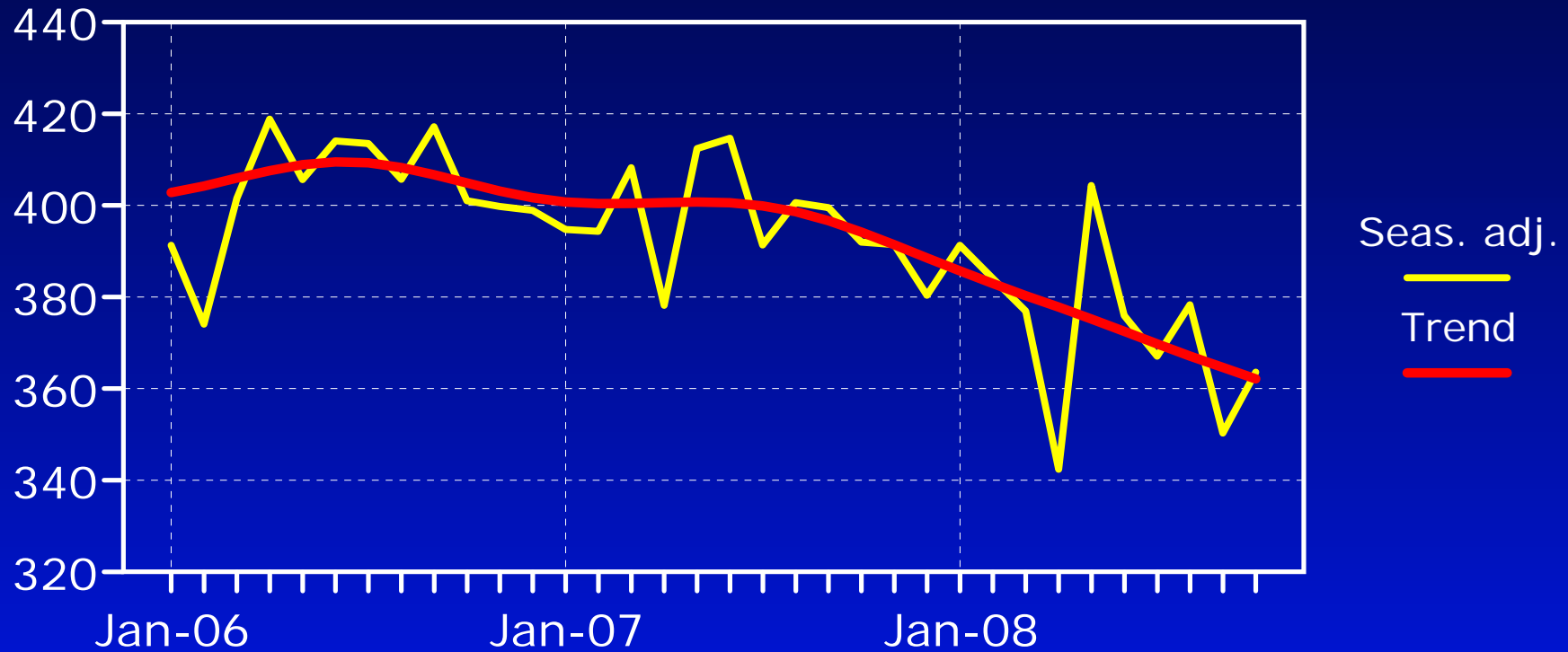
Source: Statistics Canada, C1CU. Note: Seasonally adjusted Latest: Nov-08



# Steeper decline in tourist visitors in 2008

## B.C. International Tourist Entries

Persons - thousands



Source: Statistics Canada, C1CU.

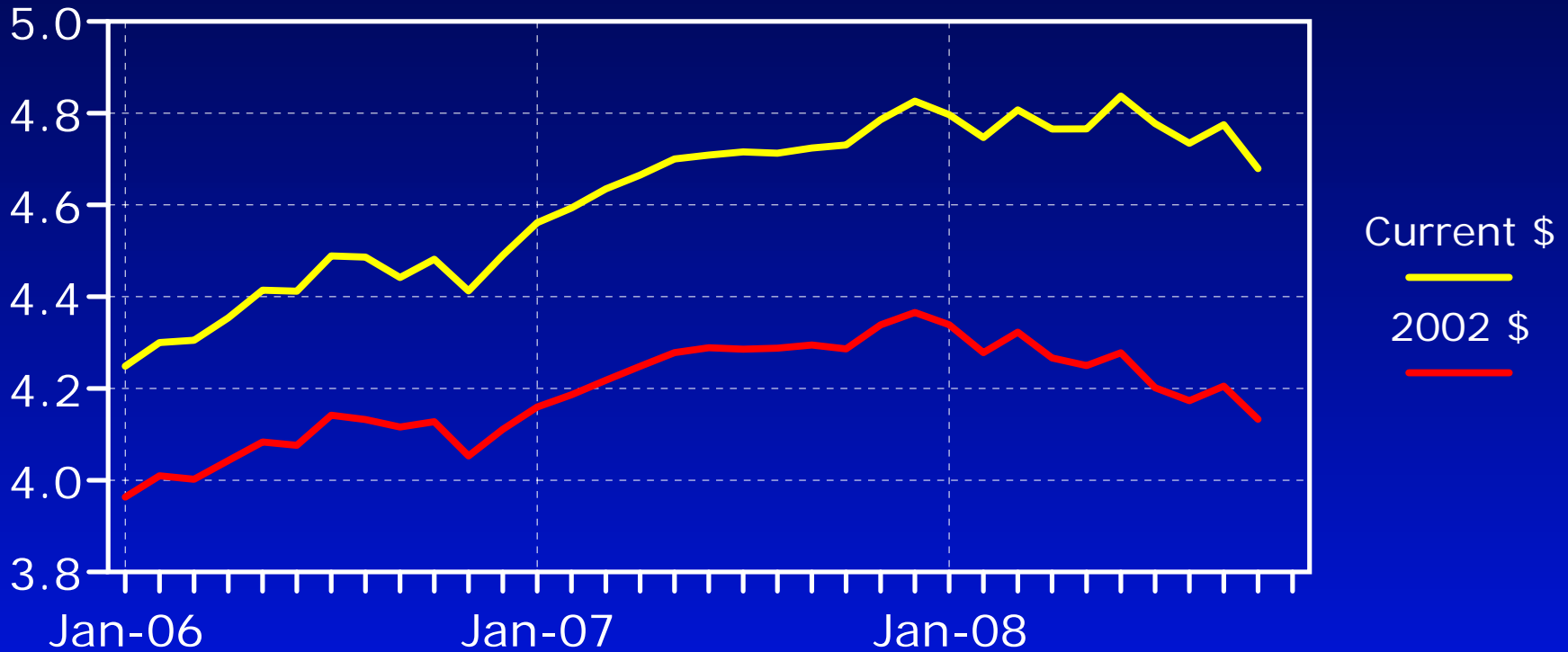
Latest: Oct-08



# Retail sales turn down

## B.C. Retail Sales

Dollars - billions



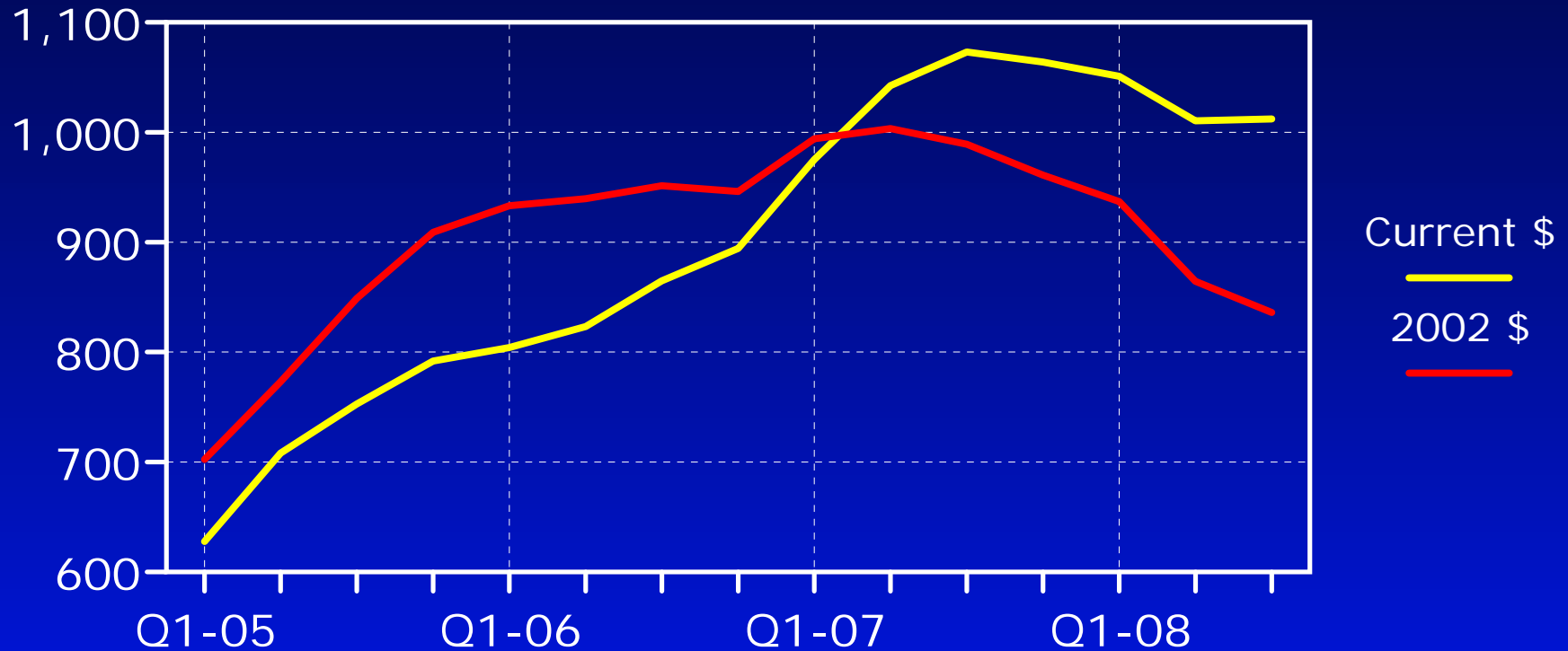
Source: Statistics Canada, C1CU. Note: Seasonally adjusted. Latest: Oct-08



# Declining investment in commercial and industrial buildings

## B.C. Private Non-residential Building Investment

Dollars - millions



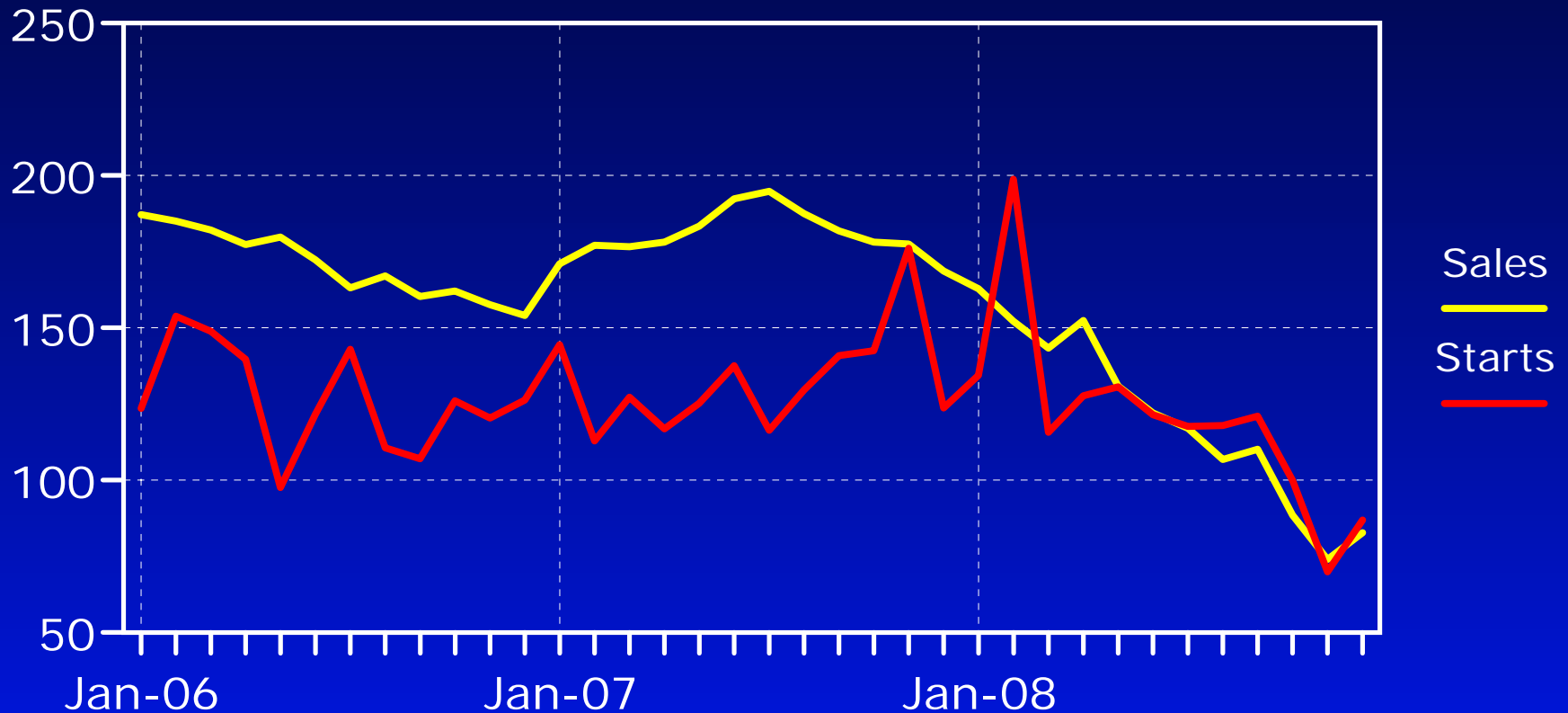
Source: Statistics Canada. Note: Seasonally adjusted. Latest: Q3-08



# Housing sales and starts declining

## B.C. Housing Activity Indexes

1980-2000=100



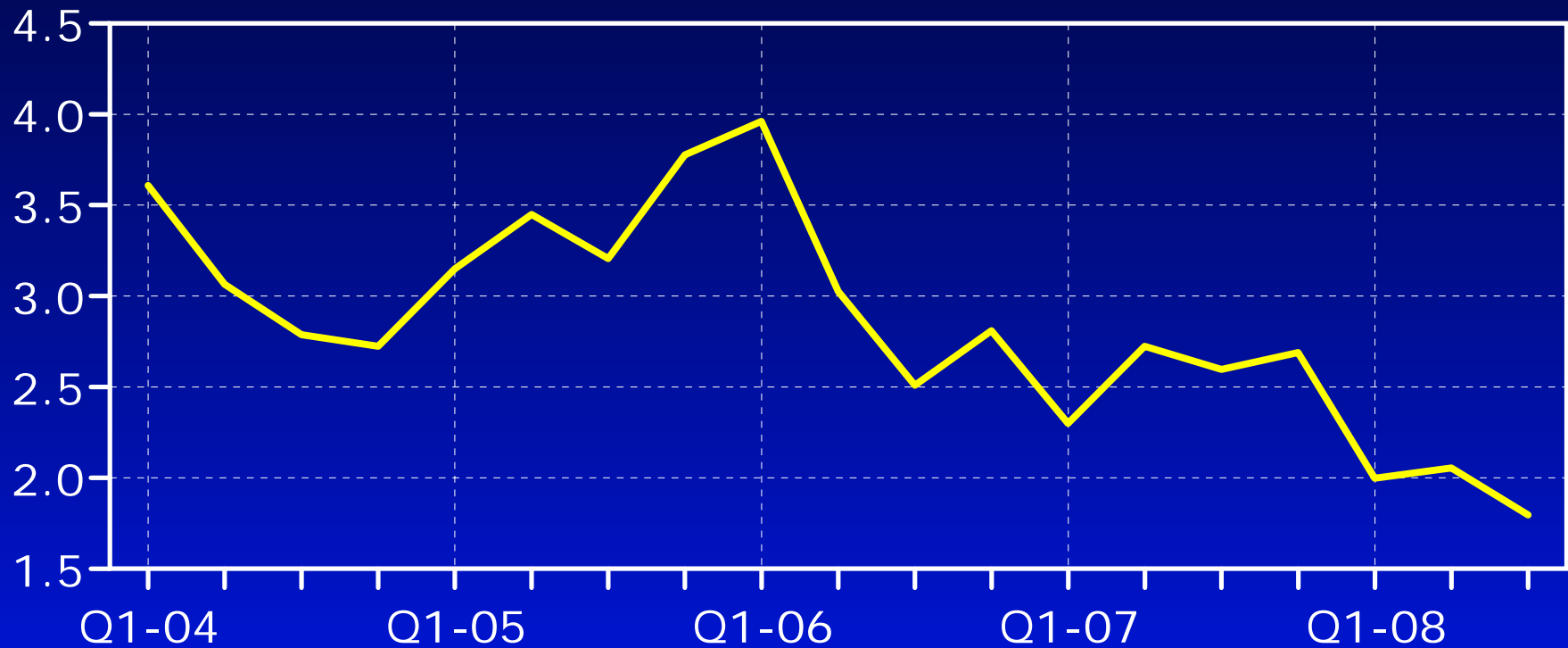
Source: CREA, CMHC, C1CU. Note: Seasonally adjusted. Latest: Dec-08



# Growth slowdown underway in B.C. economy

## B.C. Coincident Economic Index

Percentage change at annual rate



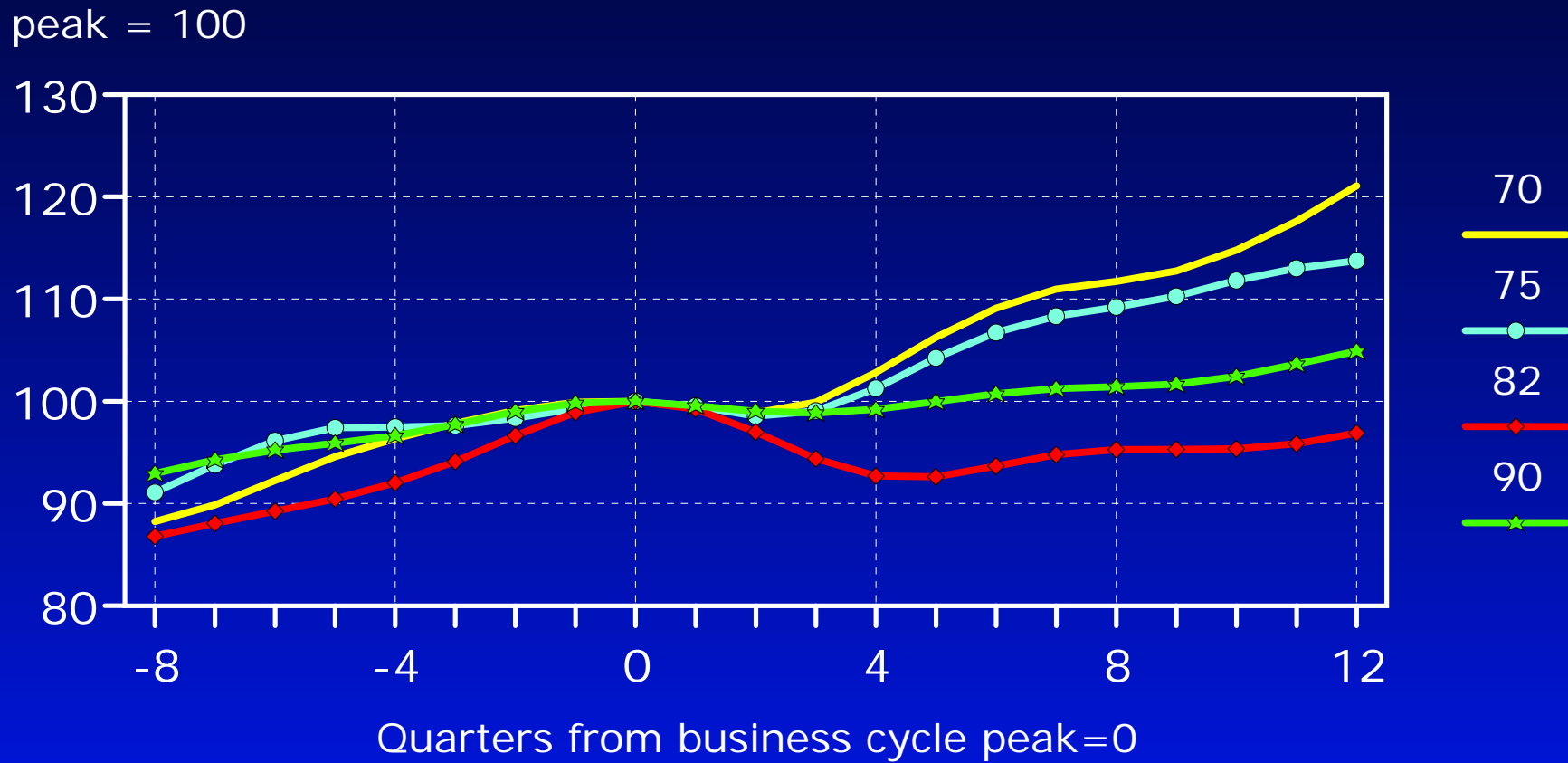
Source: C1CU.

Latest: Q3-08



# Past B.C. economic recessions

## B.C. Real GDP around Recessions



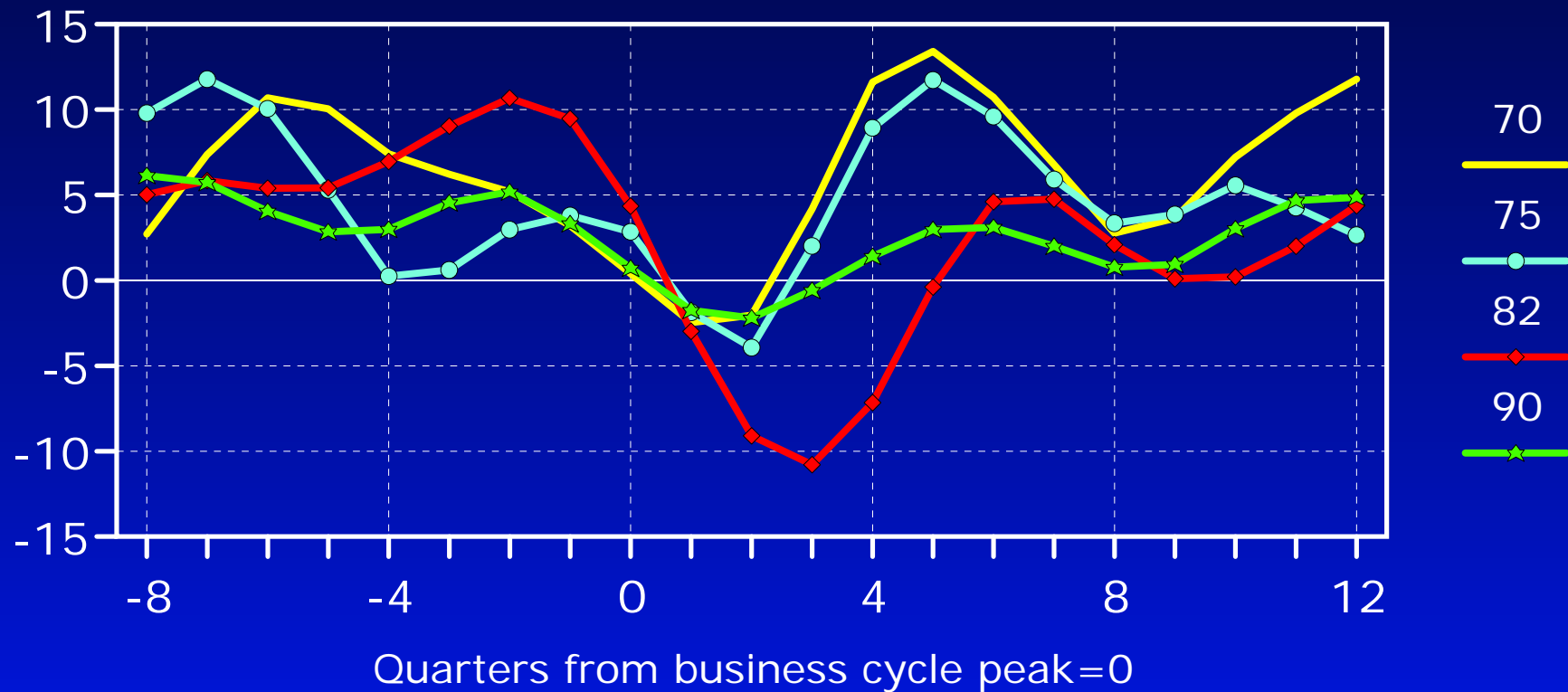
Source: BC Stats, C1CU.



# Most B.C. recessions short and shallow, except 1982

## B.C. Real GDP Growth Profile around Recessions

Percentage change at annual rate



Source: BC Stats, C1CU.



## Forecast assumptions:

Indicator	2007	2008	2009f
U.S. real GDP, % chg.	2.2	1.2*	-1.7
Japan real GDP, % chg.	2.1	0.4*	-1.3
Canada real GDP, % chg.	2.6	0.4*	-1.2
Prime lending rate, %	6.10	4.80	2.65
US-CAD exchange rate,	93.0	94.3	82.6
Wood price <sup>1</sup> , % chg.	-3.3	-4.2	8.5
Coal price <sup>1</sup> , % chg.	-21.0	92.1	-42.9

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



## B.C. economy in recession during 2009

Indicator	2007	2008	2009f
Real GDP, % chg.	3.0	1.3*	-1.0
Nominal GDP, % chg.	5.4	5.3*	-2.8
Employment, % chg.	3.2	2.1	-1.8
Unemployment rate, %	4.2	4.6	6.7
Personal income, % chg.	6.8	4.3*	-1.9
Corporate profits, % chg.	-3.2	-1.2*	-5.5
Retail sales, % chg.	6.7	1.3*	-1.2
CPI, % chg.	1.8	2.1*	0.8

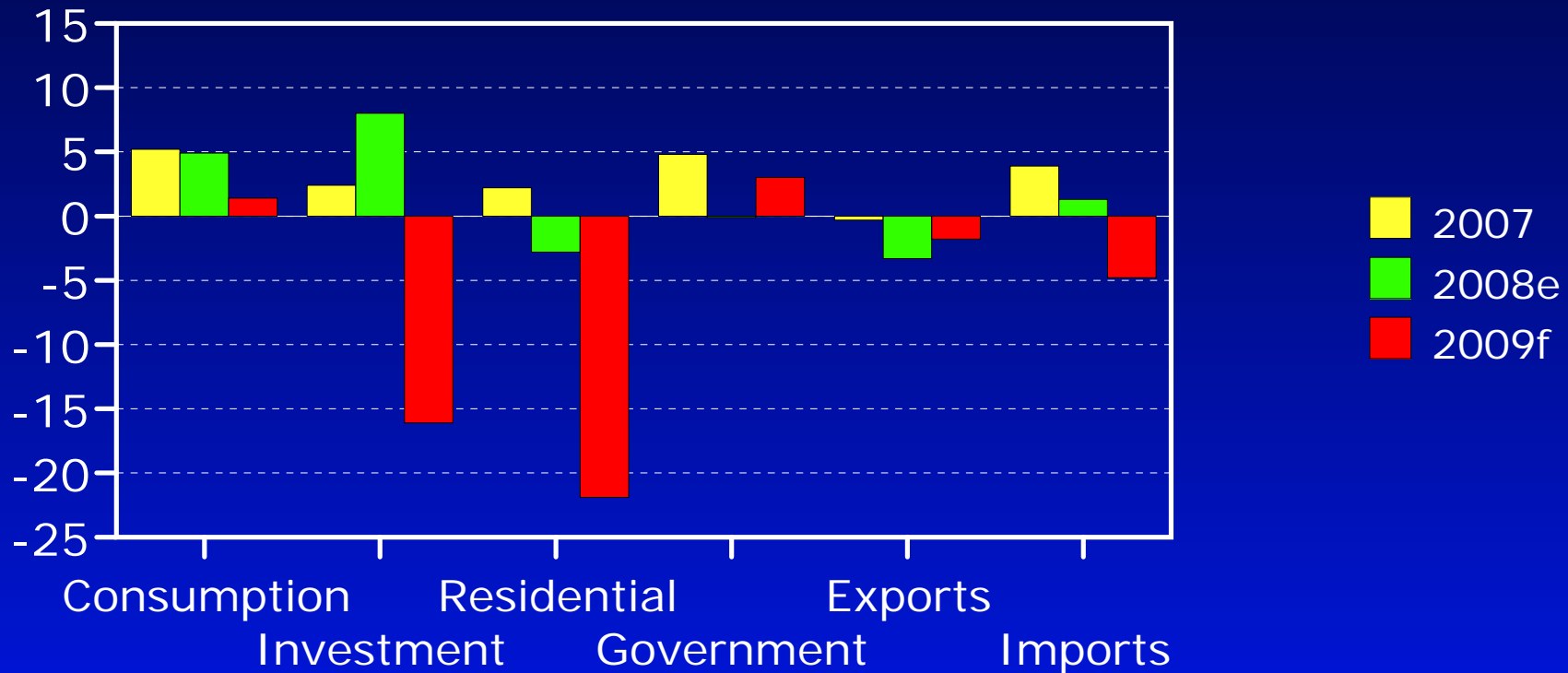
Source: Statistics Canada, \*C1CU estimate, forecast.



# Large investment declines; imports drop more than exports

## B.C. Real Expenditure Growth by Main Components

Percentage change



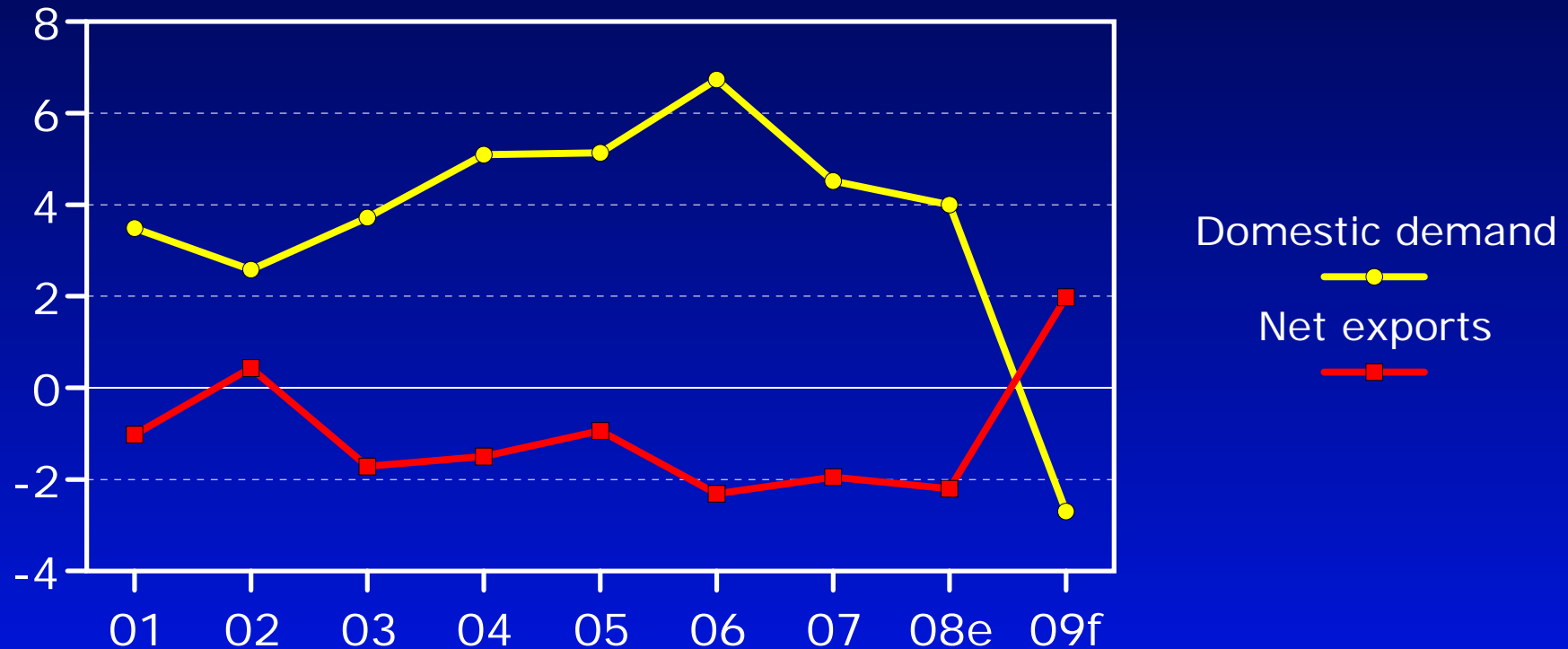
Source: Statistics Canada, C1CU estimate, forecast.



# Sharp drop in domestic economy and import-driven improvement in trade sector

Contribution to Percent Change in Real GDP, B.C.

Percentage points



Source: Statistics Canada, C1CU estimate, forecast.



# Largest declines in construction and resource industries during 2009

Industry Real GDP, 2002 dollars, per cent change

Industry	2007	2008*	2009f
Construction	-0.3	7.8	-14.5
Forestry & related mfg.	-8.2	-17.1	-7.2
Mining	-1.9	3.0	-4.7
Oil & Gas	-0.4	0.4	-1.3
Fin., Ins., R.E., Leasing <sup>1</sup>	4.4	2.1	-1.1
Prof., Bus., Info., Rec.	4.3	1.5	-0.9
Trade services	7.7	3.3	-0.8

Source: Statistics Canada, \*C1CU estimate, forecast.

1. Excludes owner-occupied housing.



# Summary:

- Current indicators negative
- B.C. economy in recession during 2009
- Job losses, higher unemployment, lower aggregate income in 2009
- Weaker consumer spending, substantially less private investment, fewer exports
- Construction and resource industries hardest hit
- Forecast risk on downside

