

Economic Update and Outlook

Vancouver Island Construction Association

Wednesday, October 28, 2009

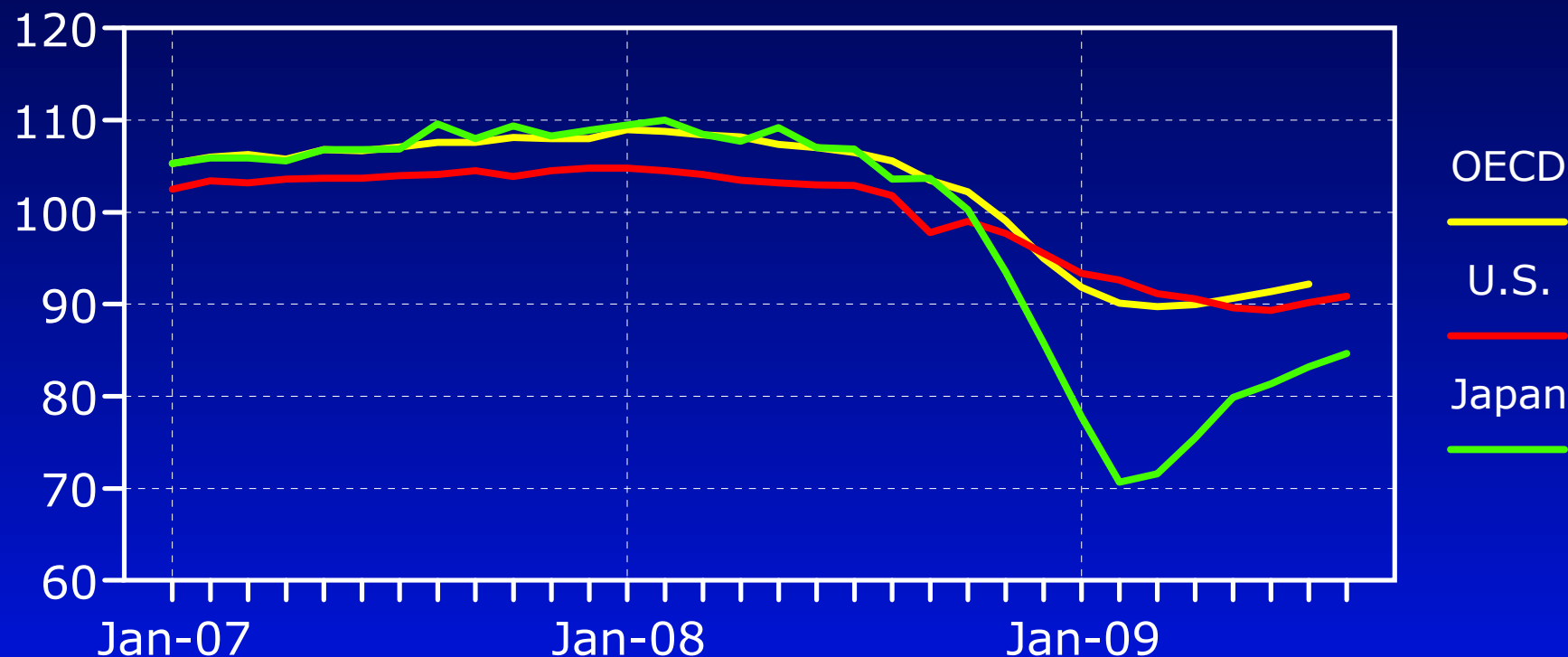
Helmut Pastrick
Chief Economist
Central 1 Credit Union



Sharp fall in production following financial shock, turning up recently

Industrial Production, OECD and Selected Countries

2005 = 100



Source: OECD.

Note: Seasonally adjusted.

Latest: Jul-09 to Aug-09

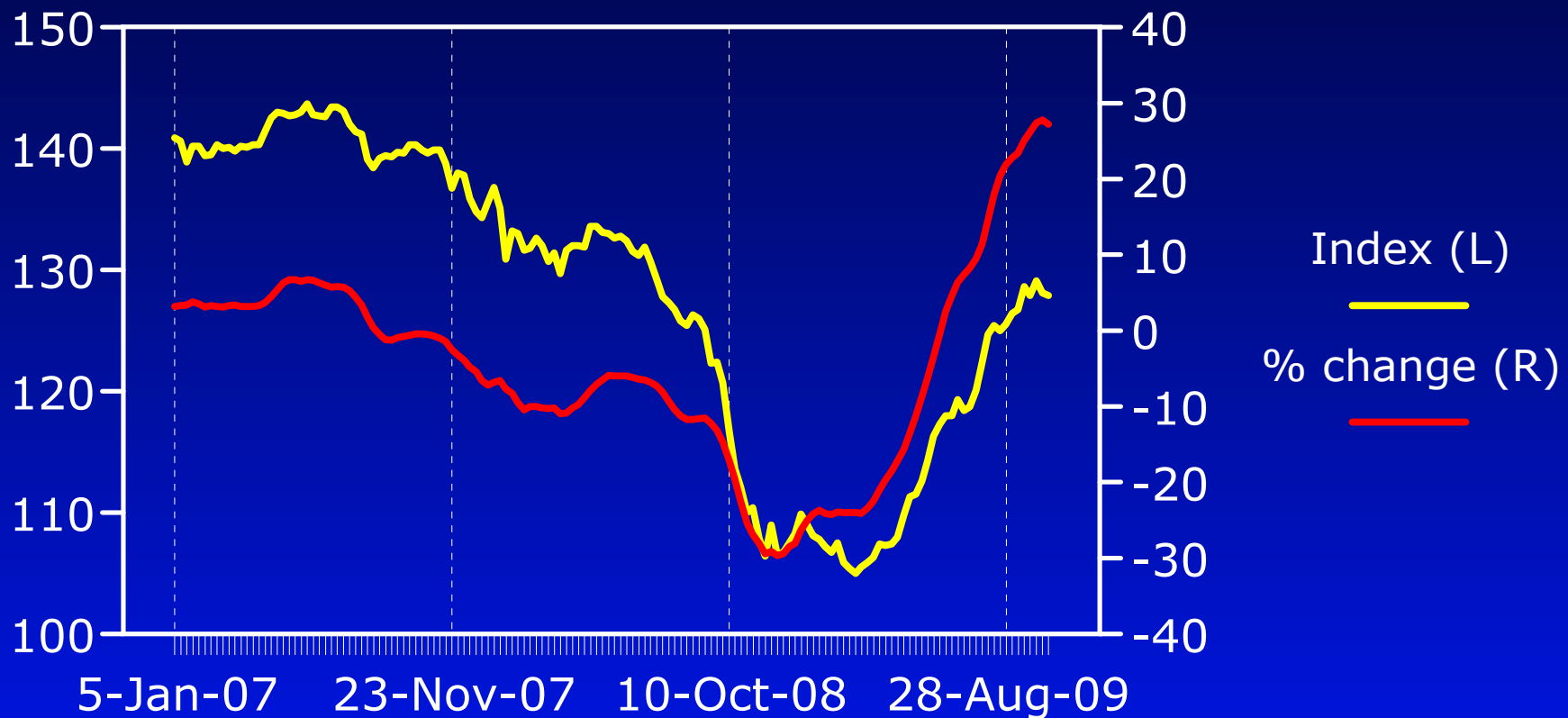


Leading index signals U.S. recession is over

U.S. Leading Economic Indicator, Weekly

1992 = 100

Percentage change at annual rate



Source: ECRI.

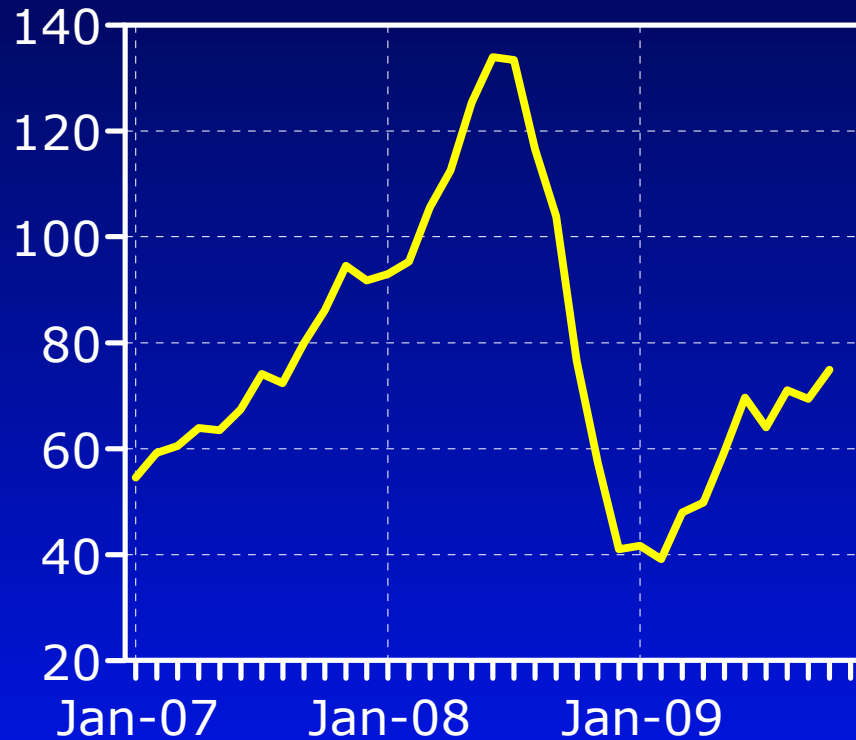
Latest: 16-Oct-09



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

Crude Oil WTI Spot Price

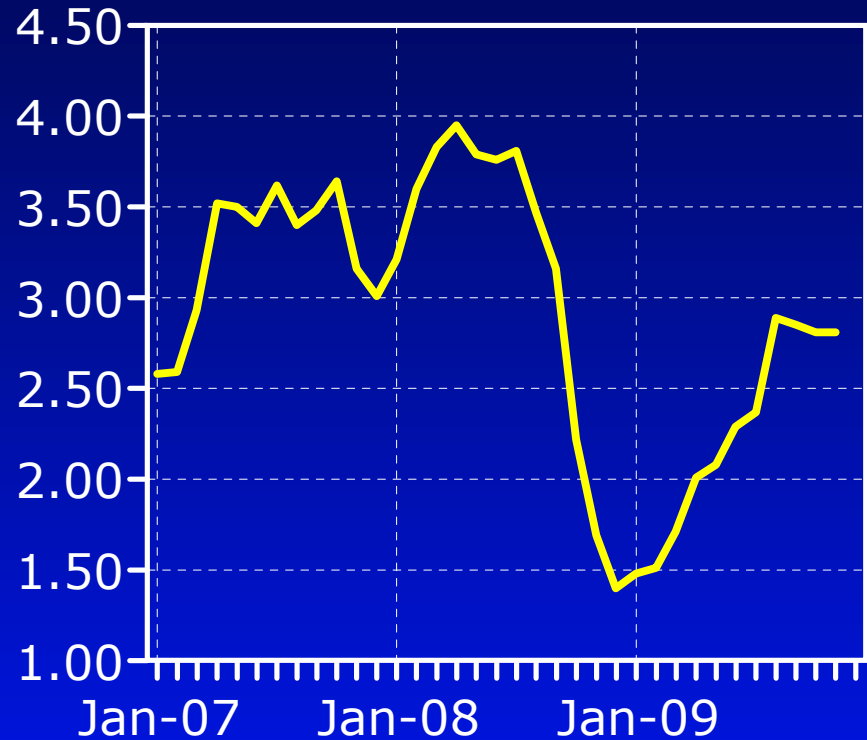
\$U.S. per barrel



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

Copper Spot Price

\$U.S. per lb.



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



Sharp decline in equity markets, strong rally since early March

S&P/TSX Index, Weekly

1975 = 100



S&P 500 Index, Weekly

1941-43 = 10



Source: Yahoo Finance.

Latest: 10/27/09



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: 10/21/09

U.S. Exchange Rate Index

Jan. 1997 = 100



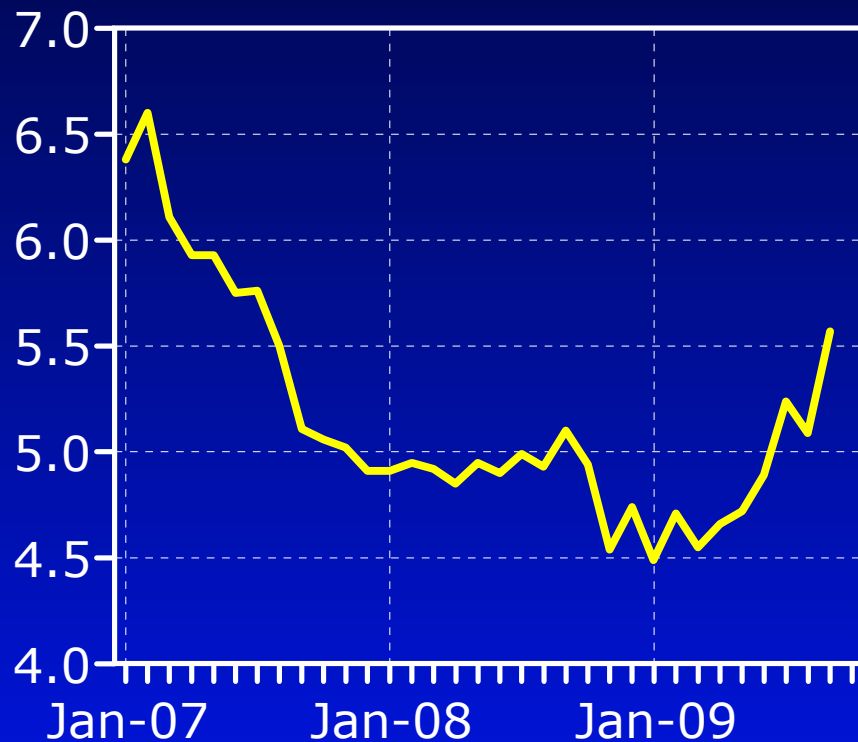
Source: US Fed. Reserve. Latest: 10/14/09



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

U.S. Existing Home Sales

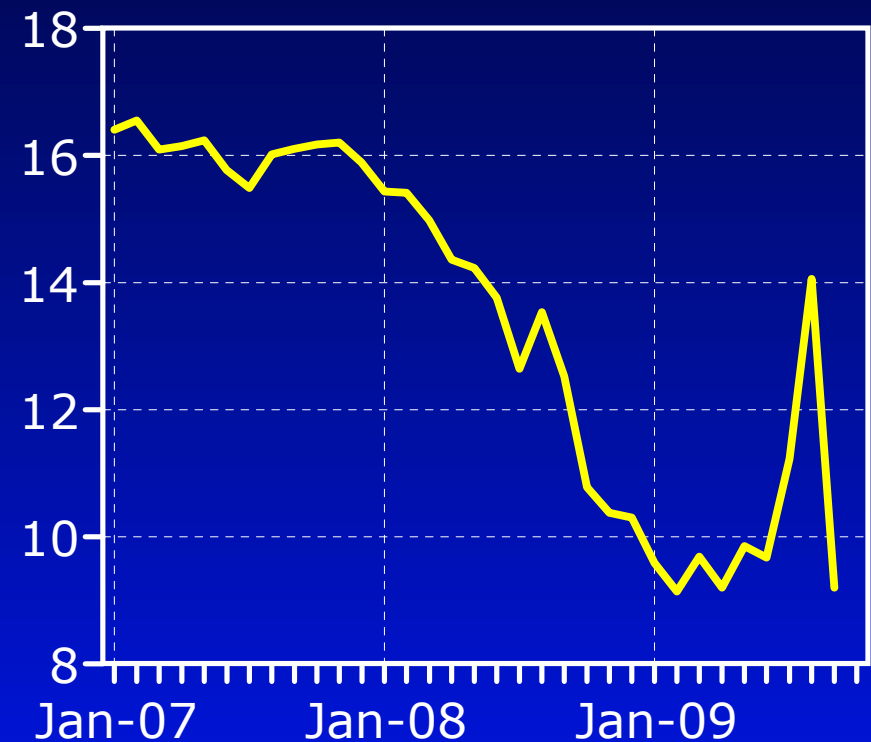
Units - millions



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

U.S. Light Vehicle Sales

Units - millions



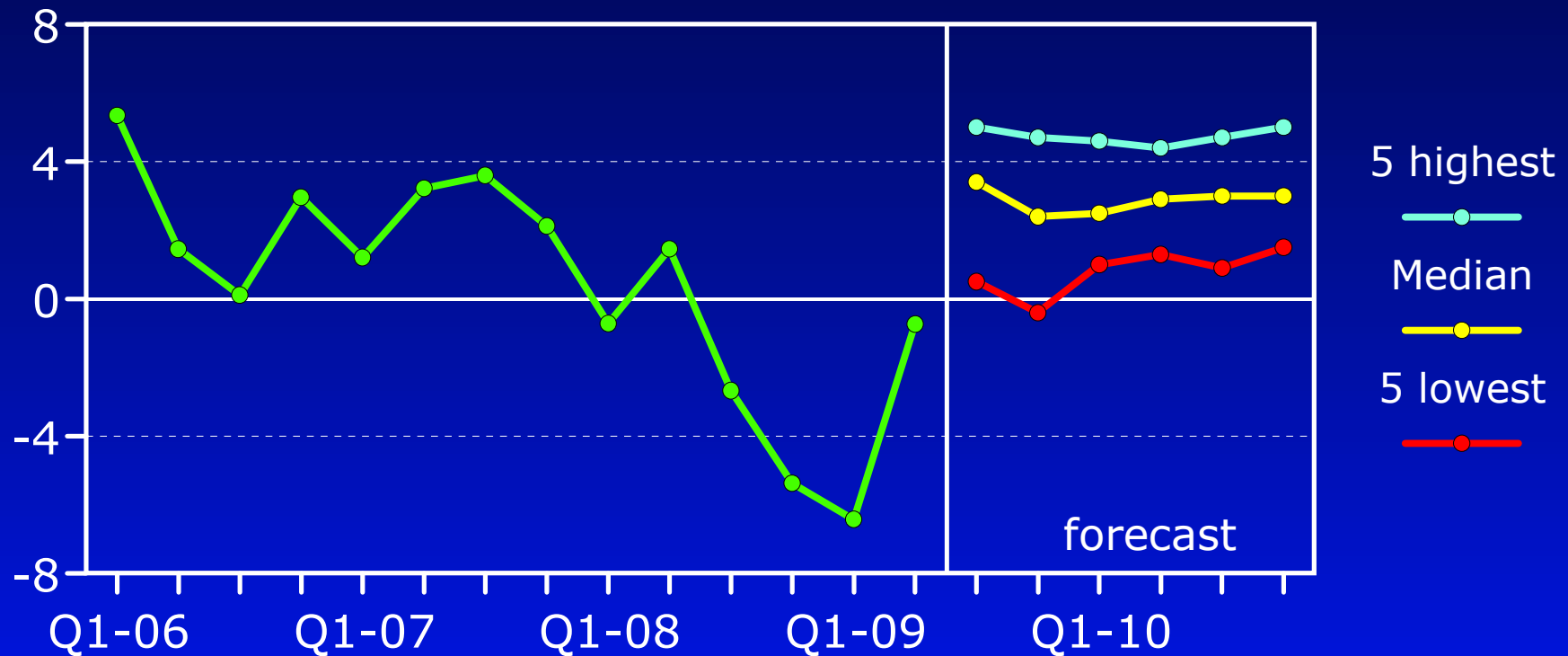
Source: US Federal Reserve. Latest: Sep-09



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



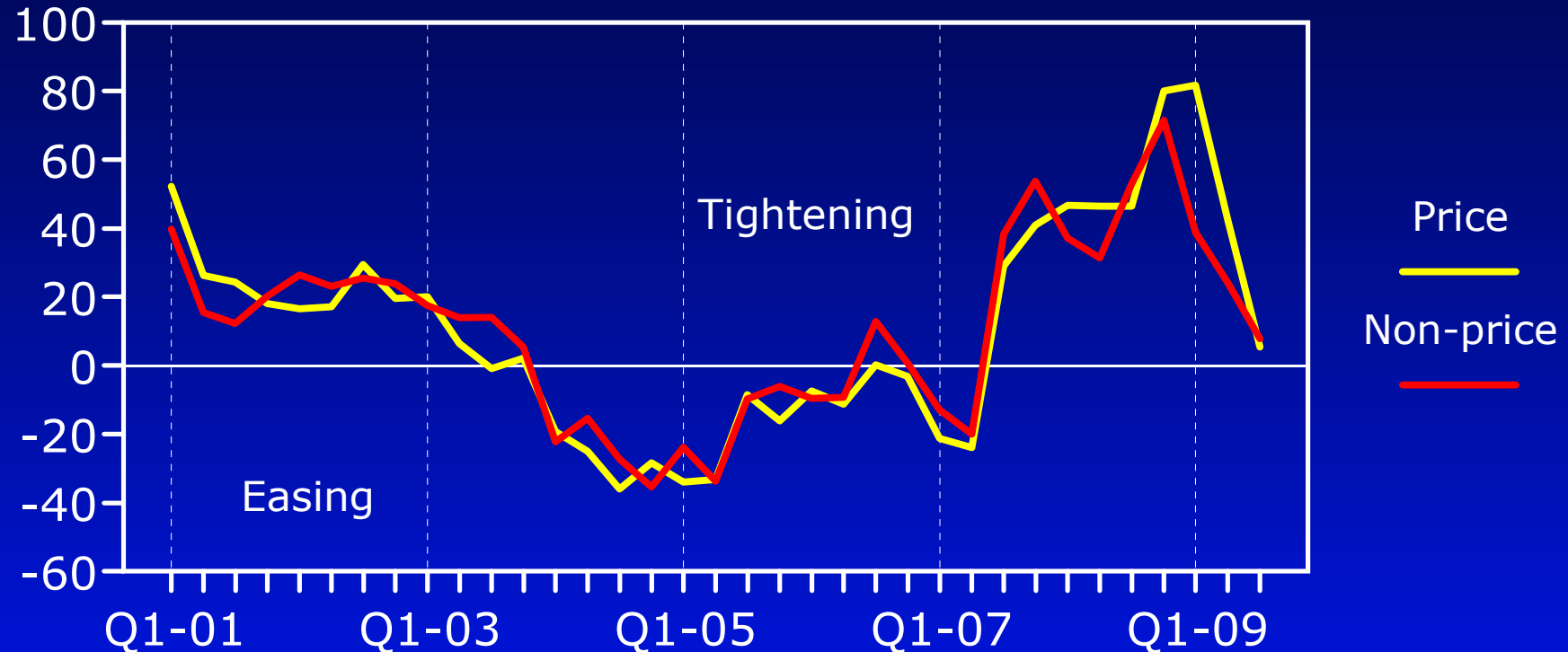
Source: US BEA, NABE Outlook Survey Oct. 2009. Latest actual: Q2-09



Business credit conditions remain tight, but no longer tightening

Business Lending Conditions, Senior Loan Officer Survey

Per cent, balance of opinion



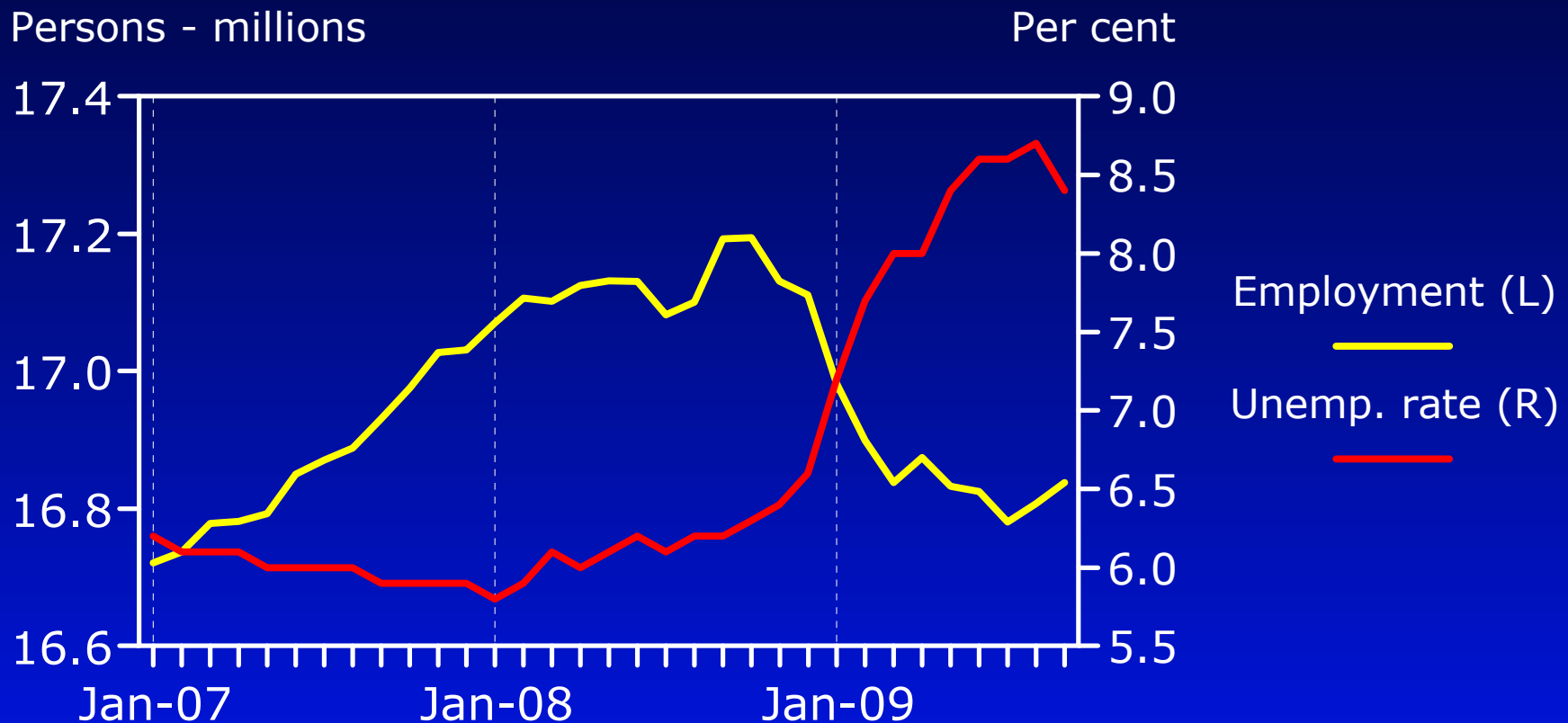
Source: Bank of Canada.

Latest: Q3-09



Sharp deterioration in national labour market since October 2008

Labour Market, Canada

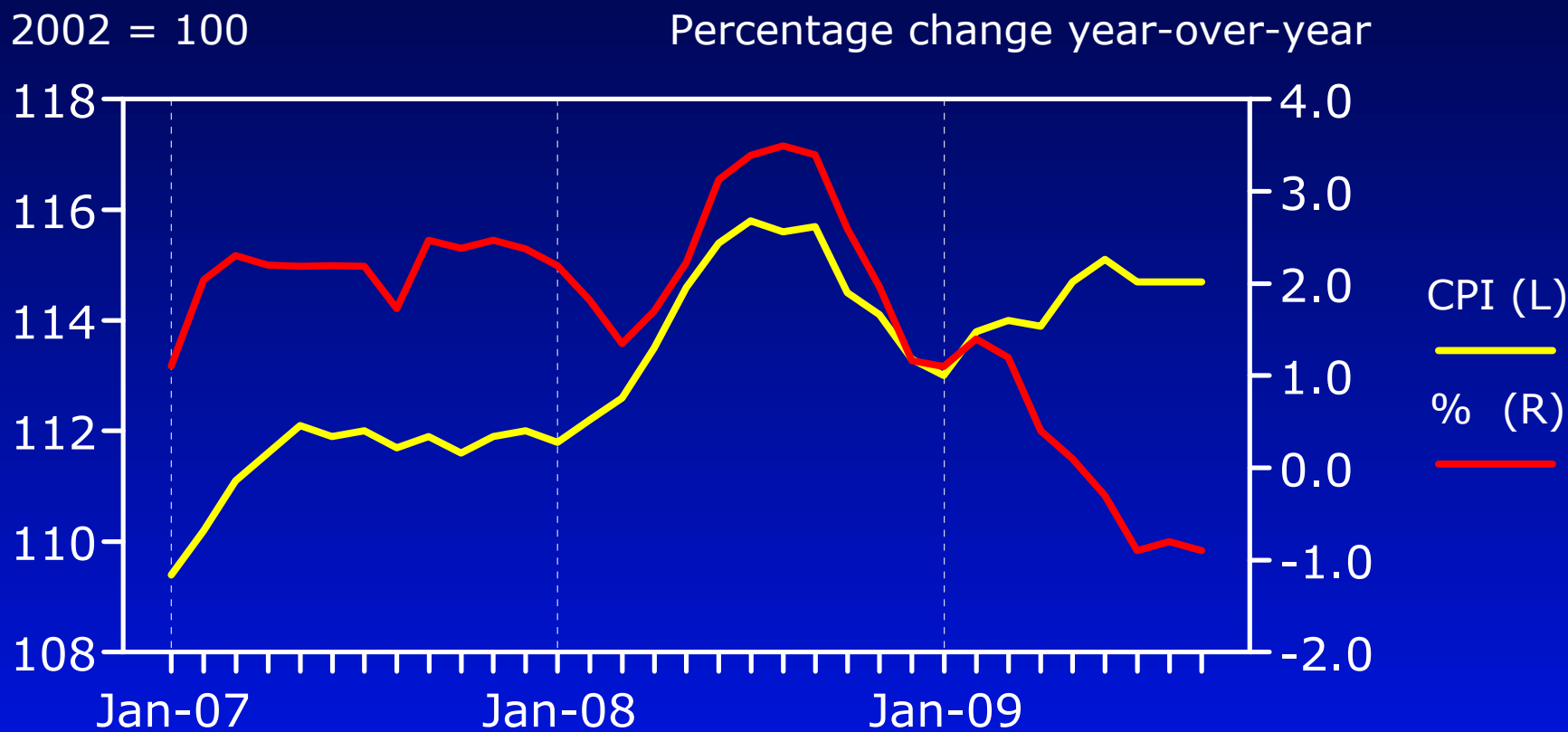


Source: Statistics Canada. Note: Seasonally adjusted. Latest: Sep-09



Total inflation rate dropping sharply due to lower energy prices

Consumer Price Index, Canada



Source: Statistics Canada.

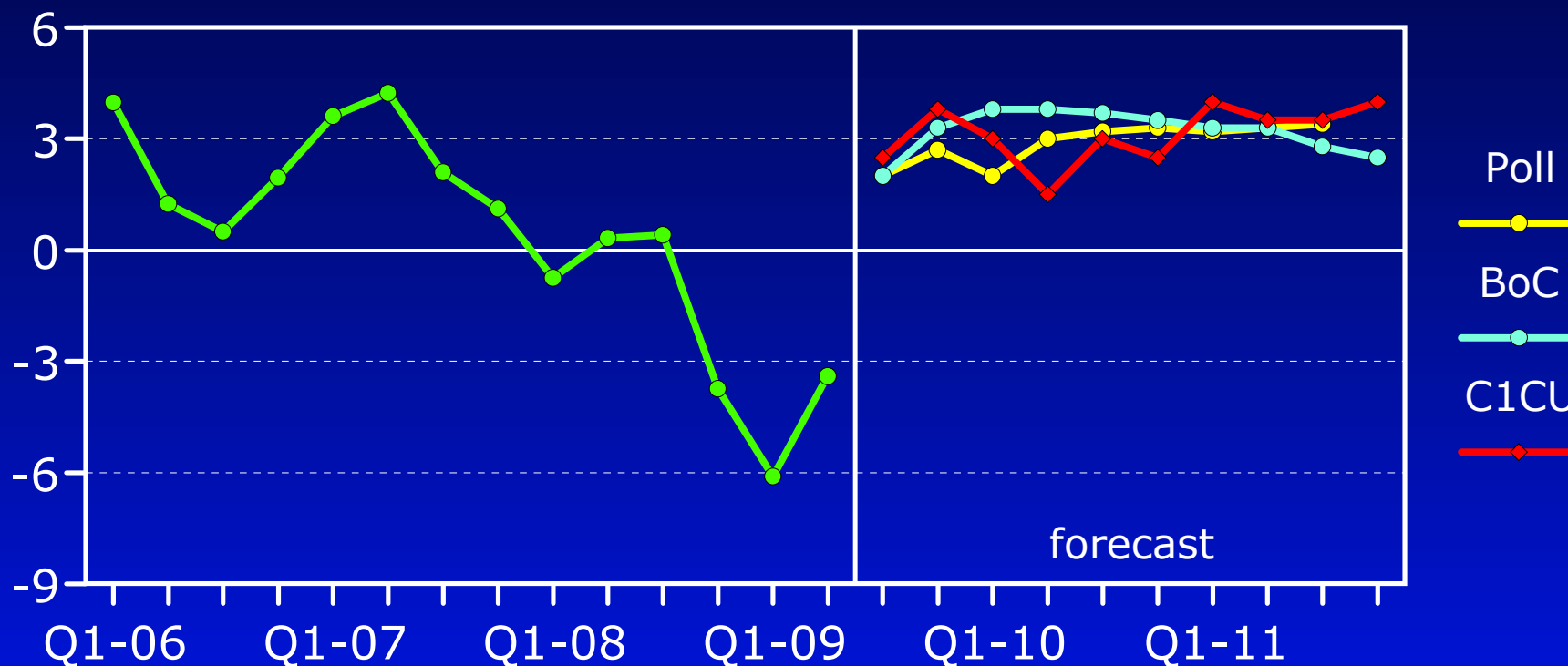
Latest: Sep-09



Canada's economic recovery profile similar to U.S. economy

Economic Forecasts, Canada

Percentage change at annual rate in real GDP



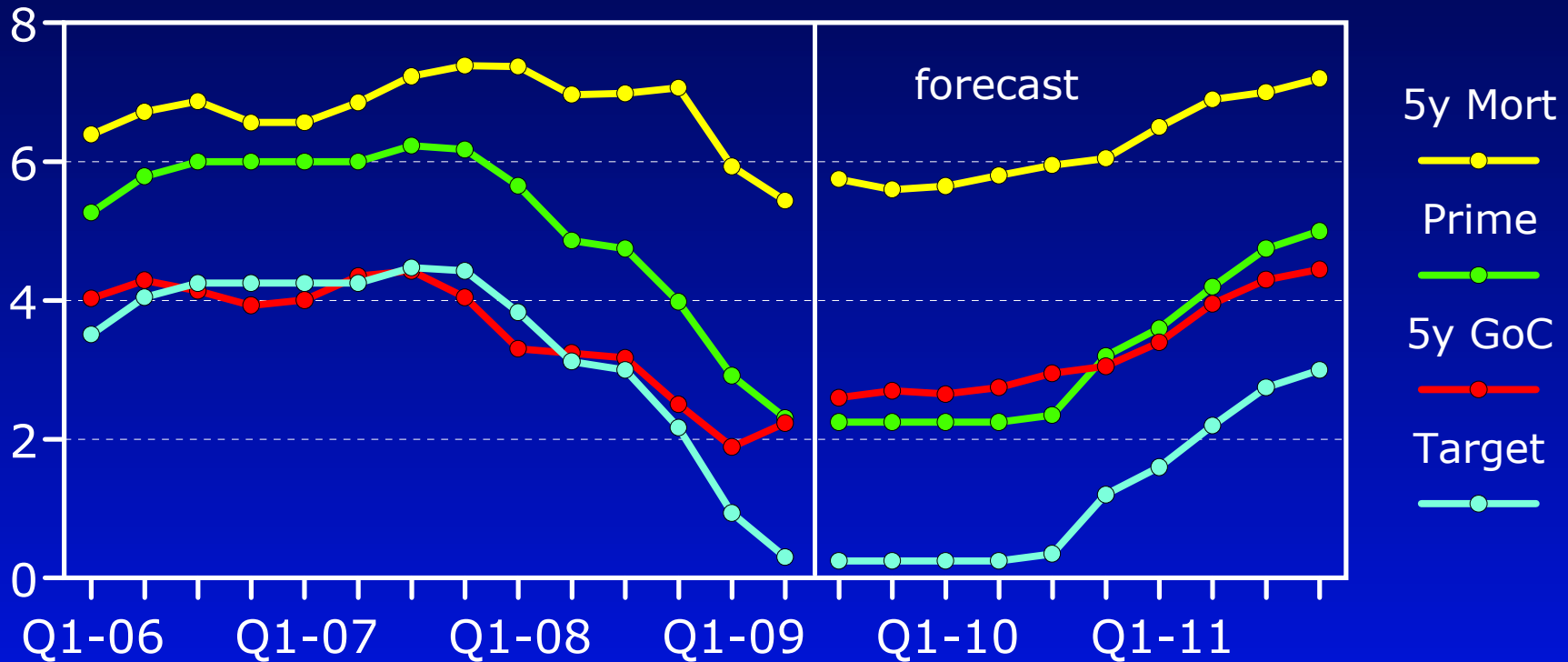
Source: Statistics Canada, Reuters, BoC, C1CU. Latest actual: Q2-09



Rates begin climbing in later in 2010

Interest Rate Forecasts, Quarterly, Canada

Per cent



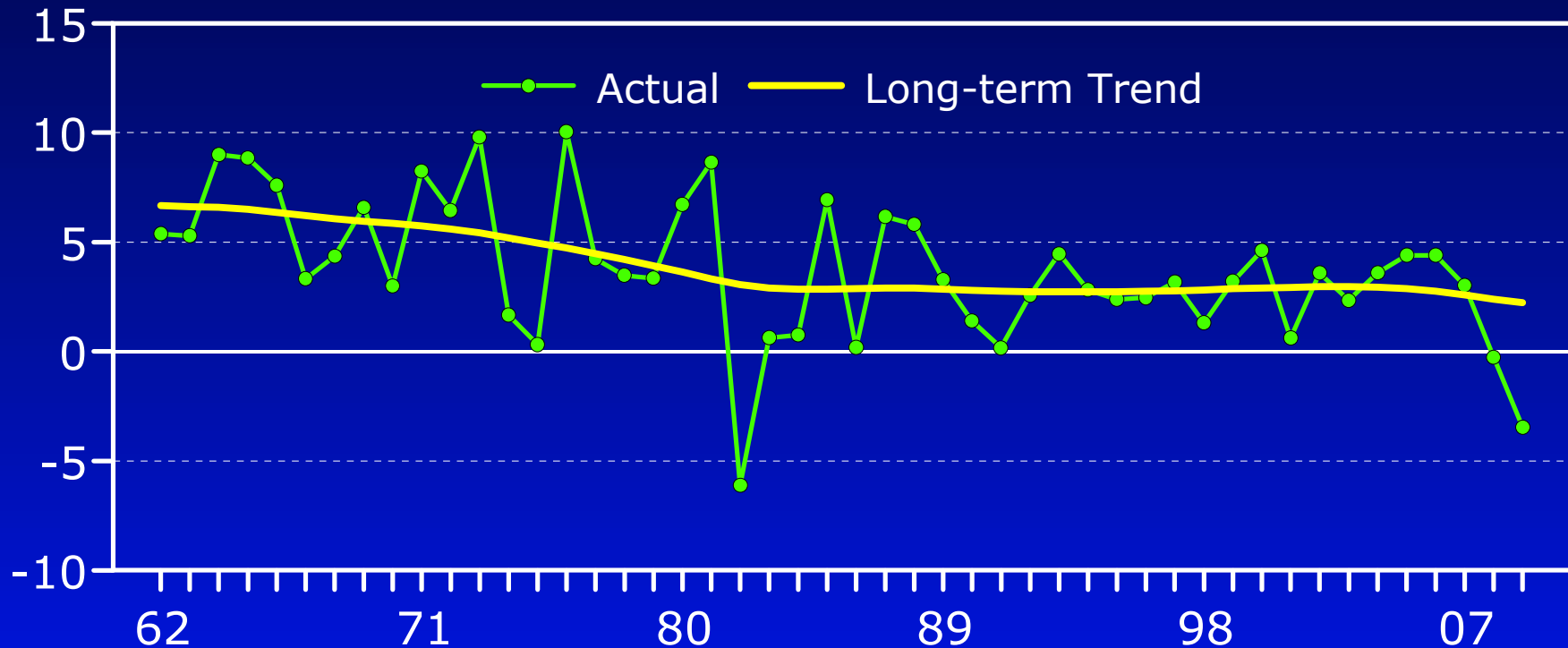
Source: Bank of Canada, C1CU. Note: Averages. Latest actual: Q2-09



Financial crisis causes first B.C. recession since 1991 and most severe since 1982

Economic Growth, B.C.

Percentage change in real GDP

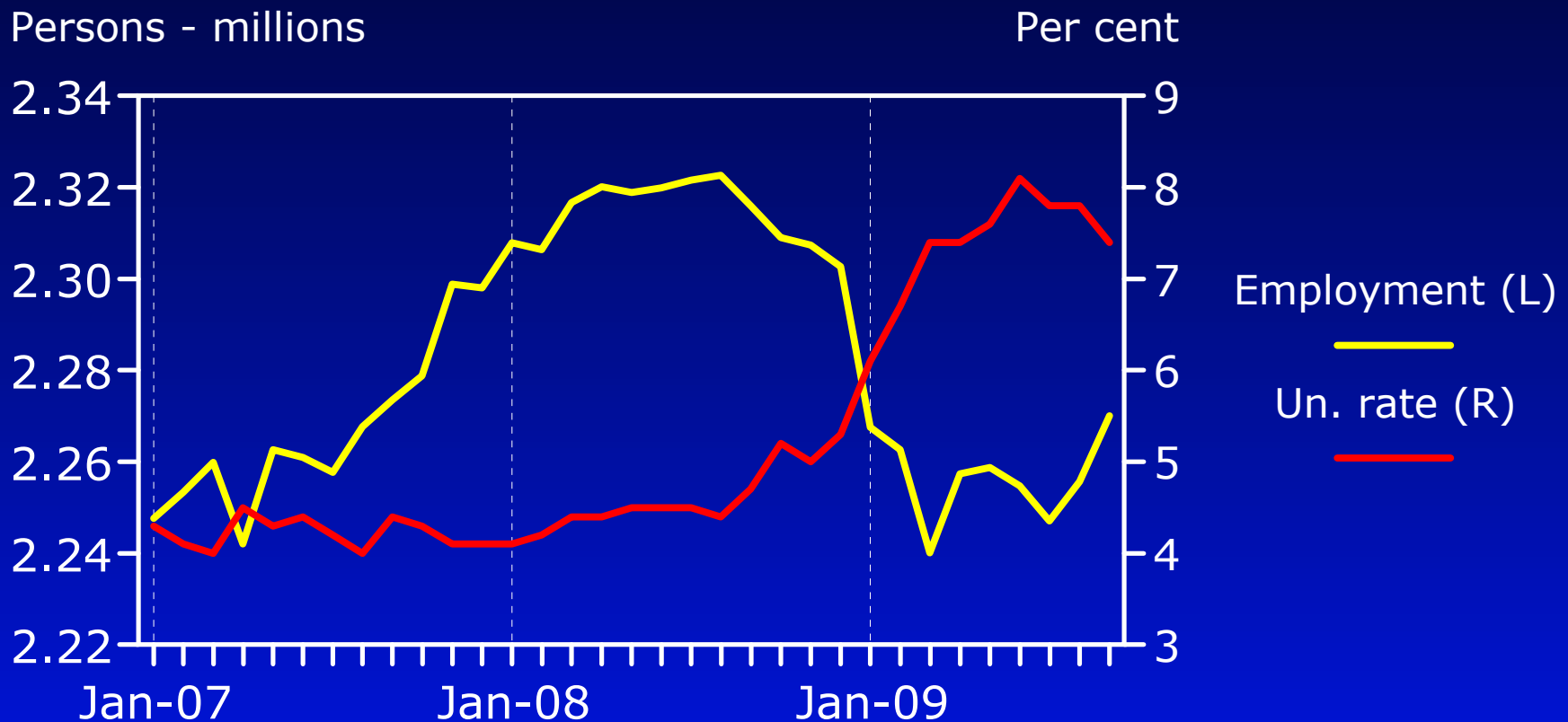


Source: Statistics Canada, C1CU. Latest actual 2008, 2009 forecast.



B.C. employment up last two months

Labour Market, B.C.

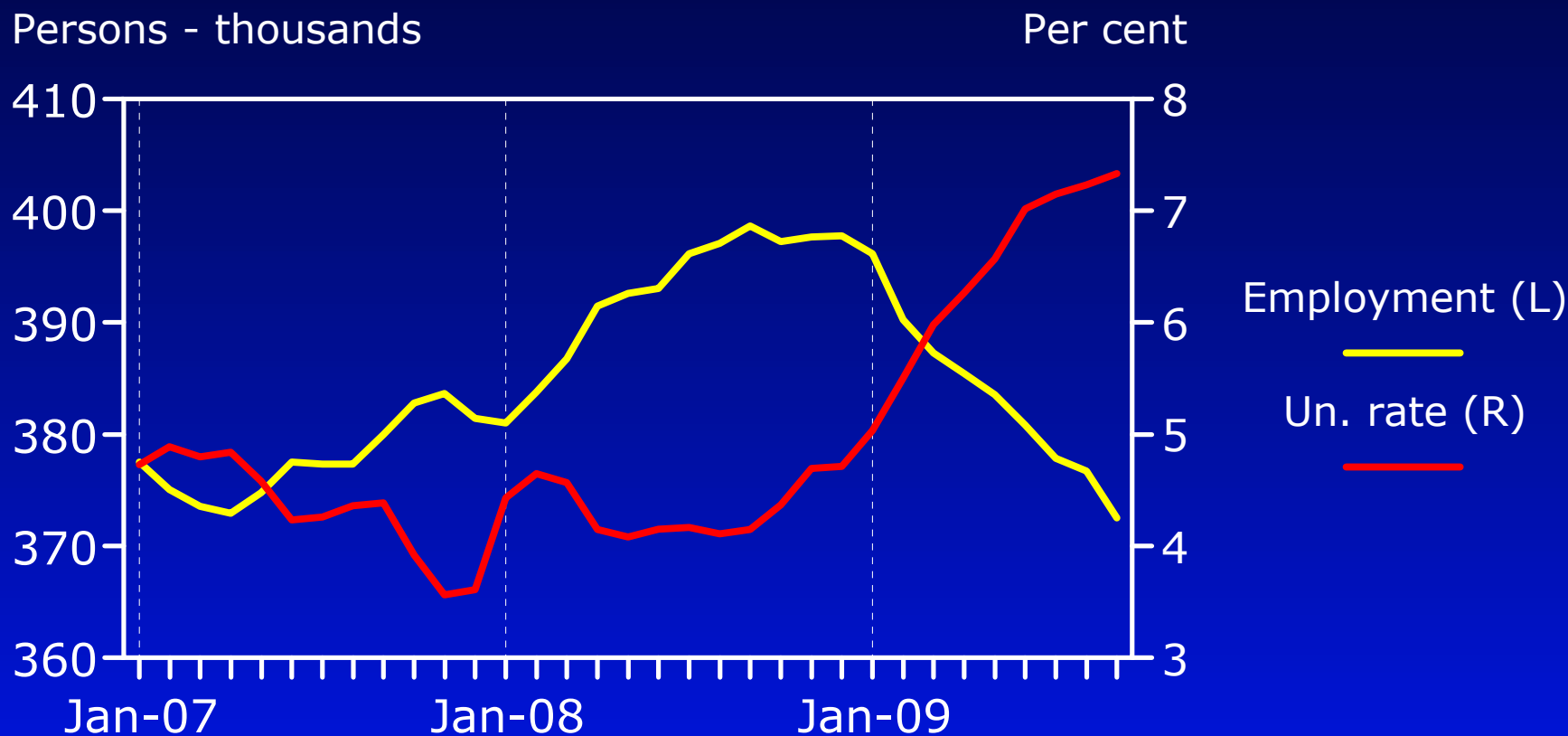


Source: Statistics Canada. Note: Seasonally adjusted. Latest: Sep-09



Regional employment down, unemployment rate rising

Labour Market, Vancouver Island

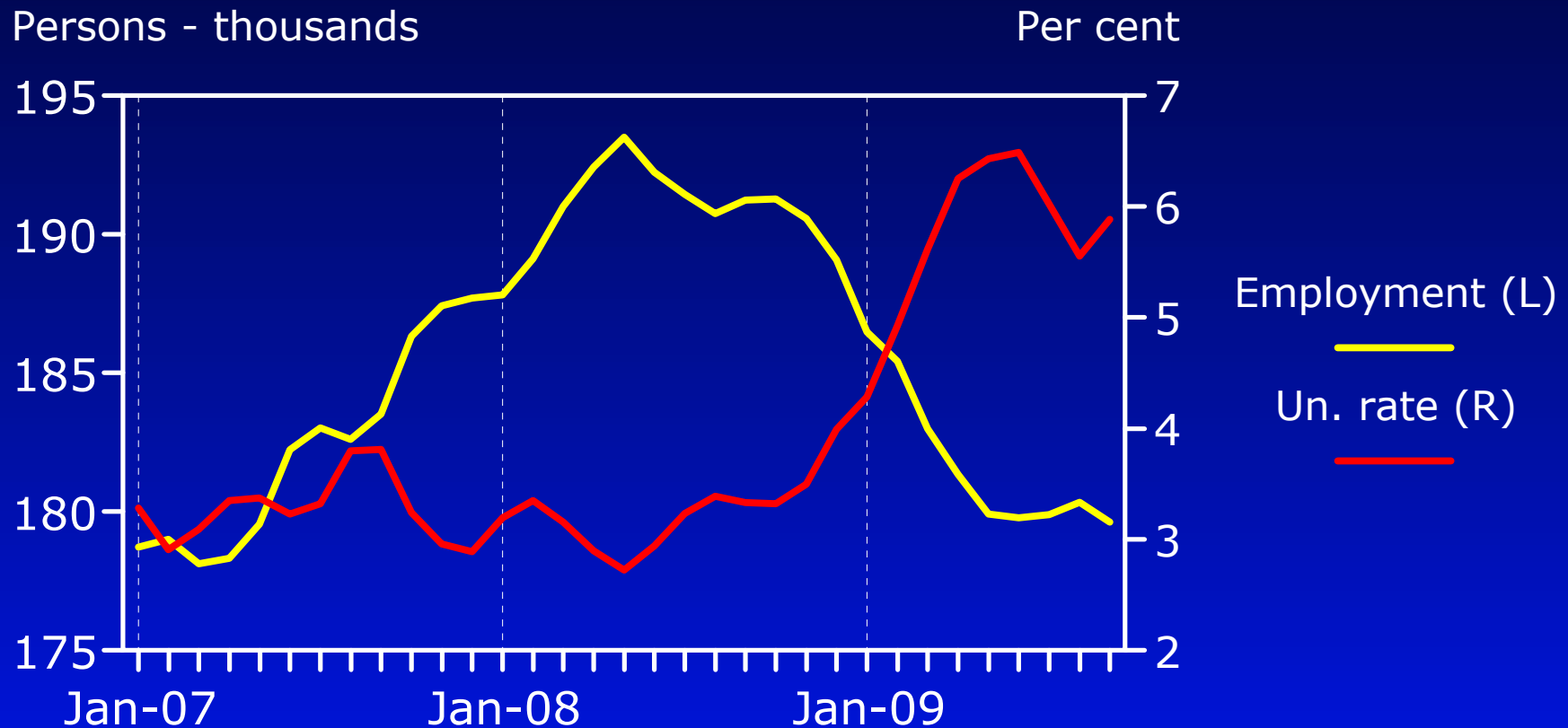


Source: Statistics Canada. Three-month moving average, seasonally adjusted. Latest: Sep-09



Victoria's labour market stabilizing

Labour Market, Victoria CMA

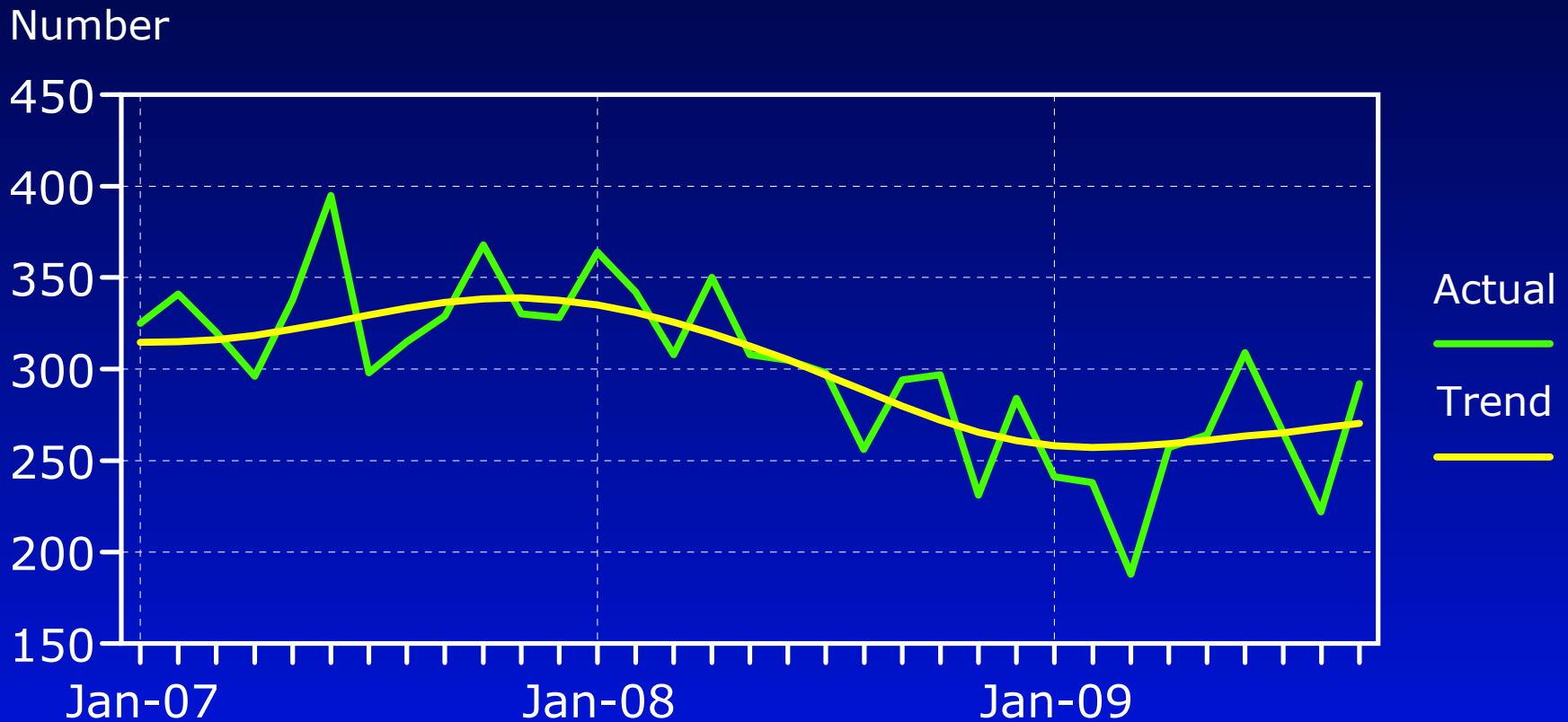


Source: Statistics Canada. Three-month moving average, seasonally adjusted. Latest: Sep-09



Downtrend in business formations ending?

Business Incorporations, Vancouver Island



Source: BC Ministry of Finance.

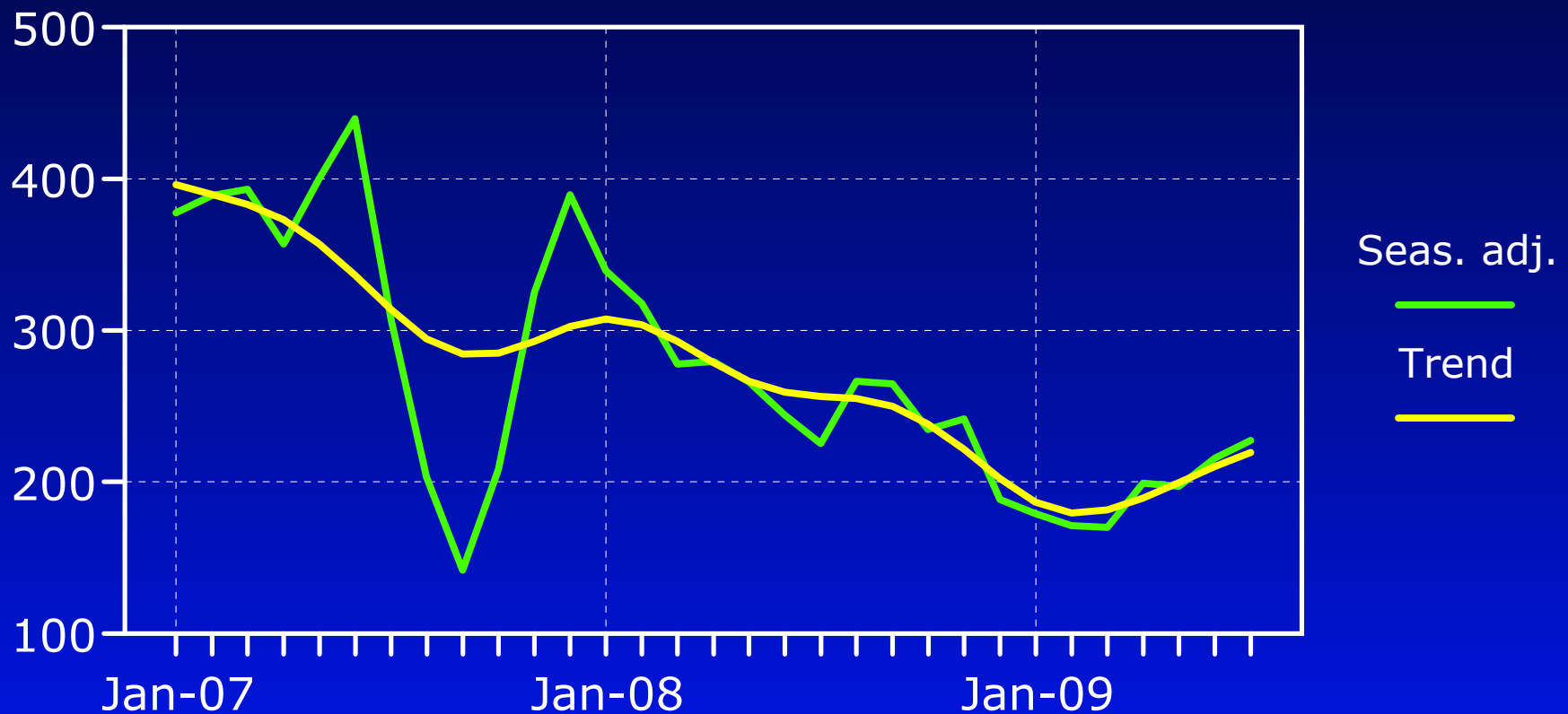
Latest: Sep-09



Large decline in coast region lumber production, turning up recently

Sawn Lumber Production, Coastal Region

Cubic metres dry - thousands



Source: Statistics Canada.

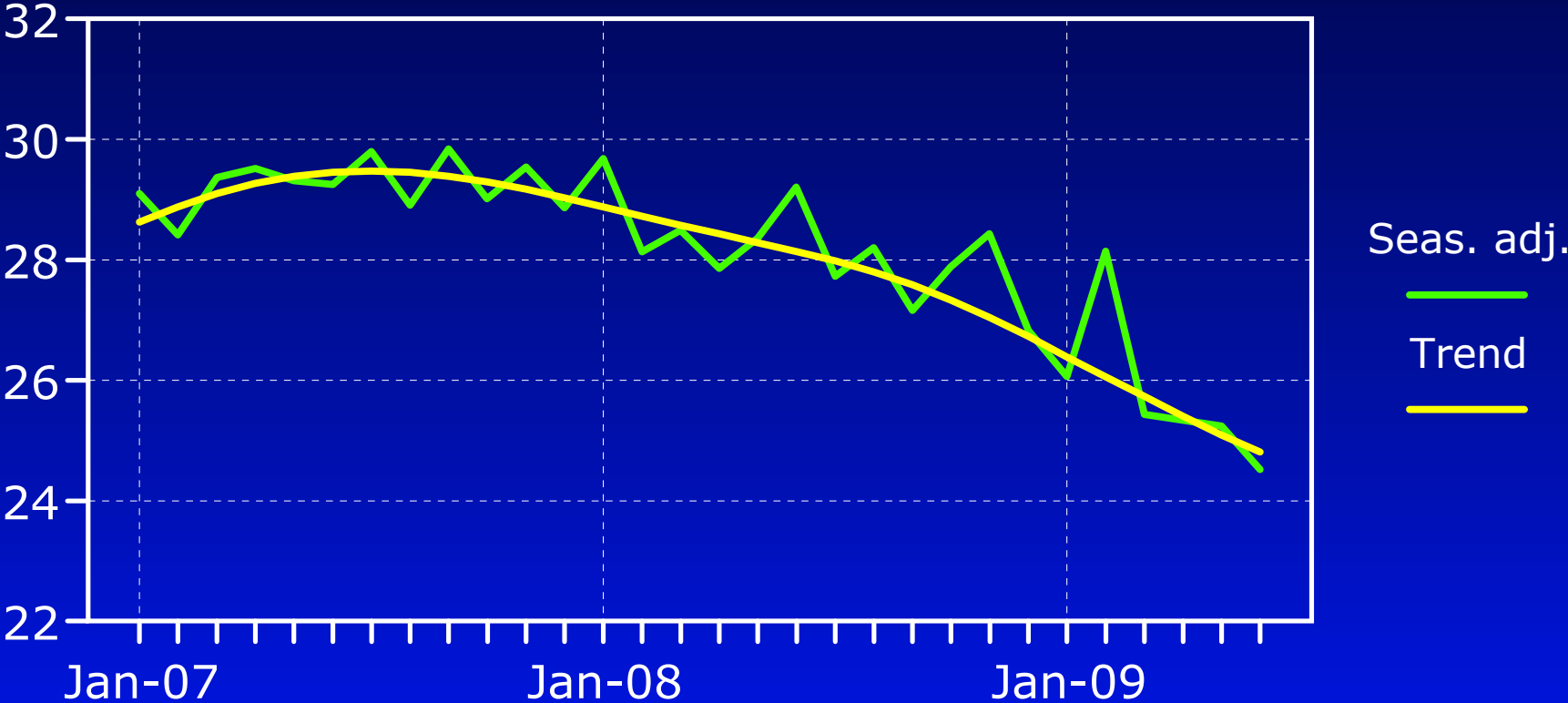
Latest: Jul-09



Regional tourism activity down since 2007

Room Revenue, Vancouver Island

Dollars - millions



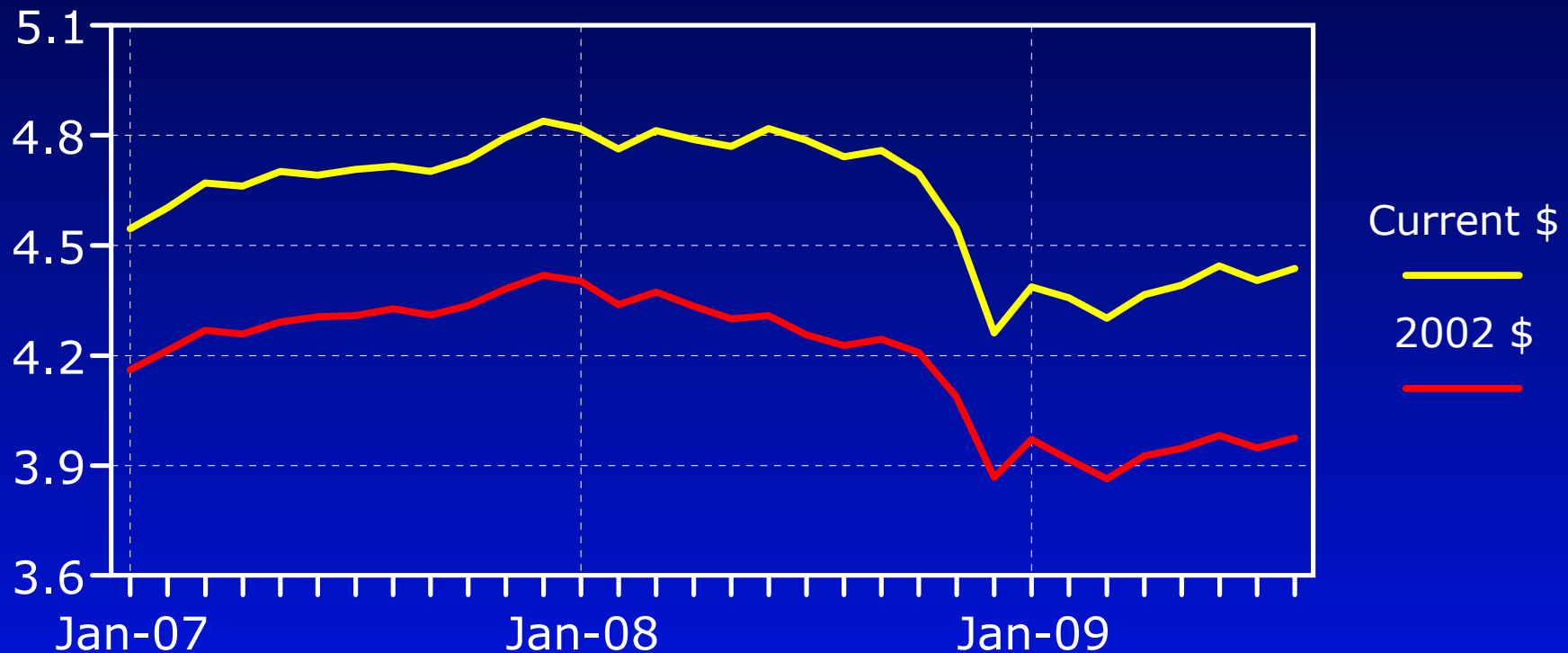
Source: BC STATS, C1CU.

Latest: Jun-09

Retail sales stabilizing after sharp fall

Retail Sales, B.C.

Dollars - billions

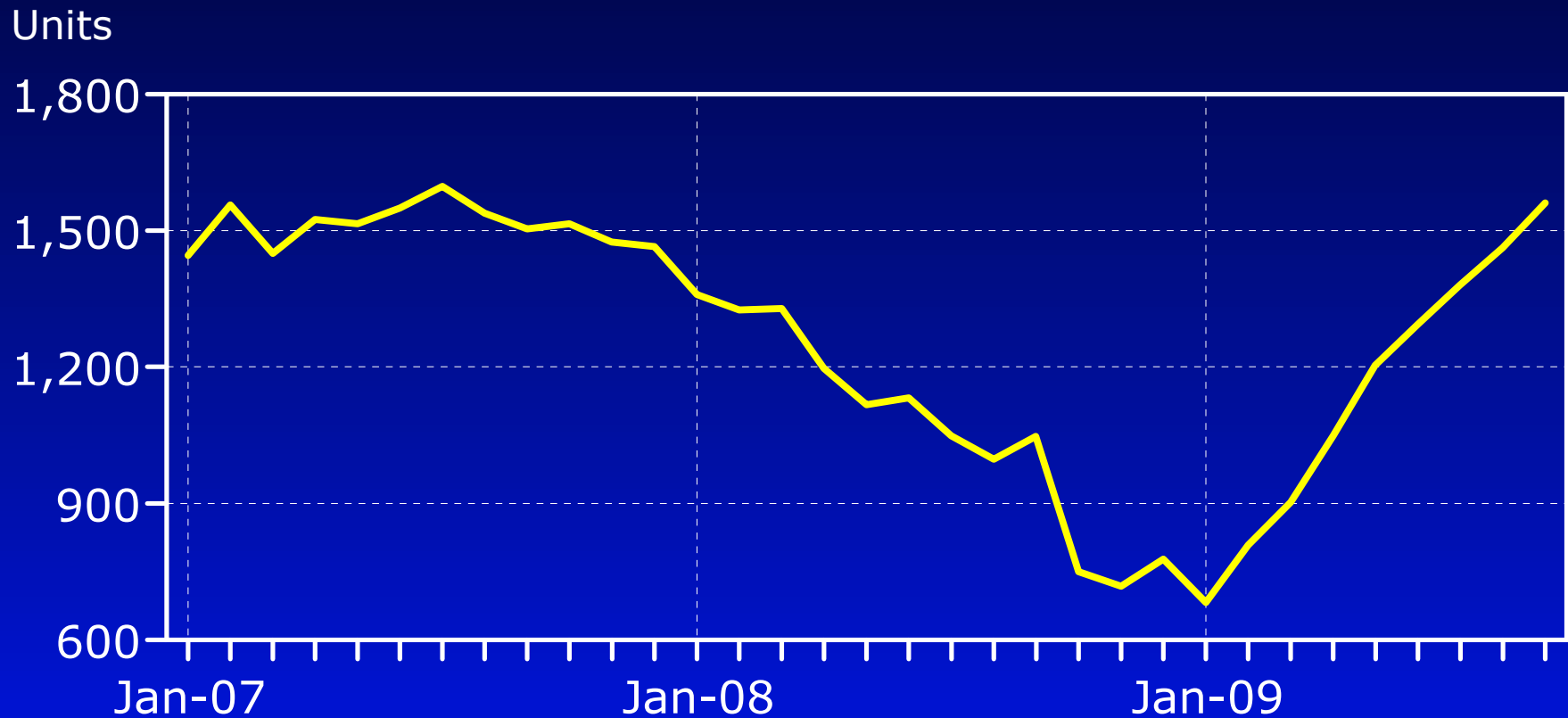


Source: Statistics Canada, C1CU. Note: Seasonally adjusted. Latest: Aug-09



Housing sales rebounding sharply

MLS Residential Sales, Vancouver Island



Source: CREA, C1CU.

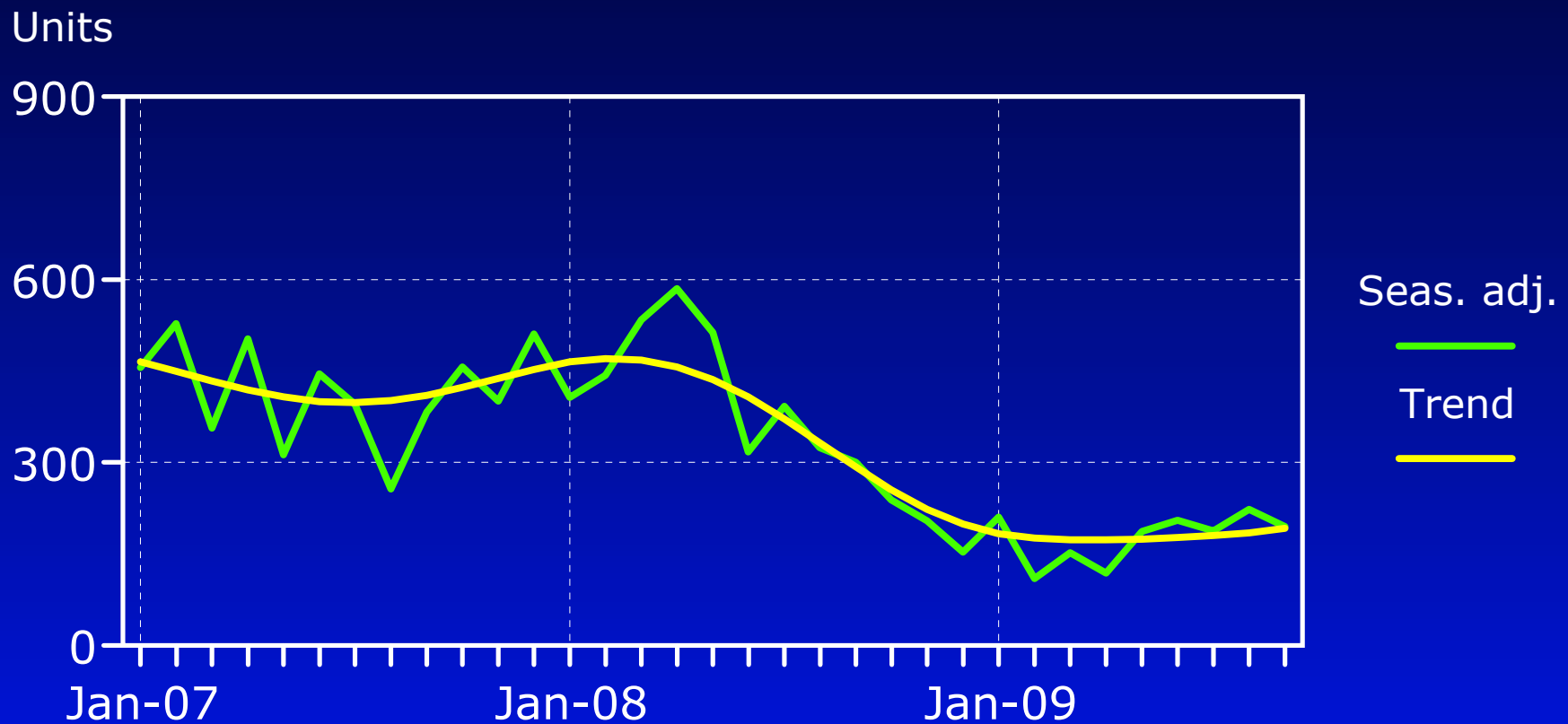
Note: Seasonally adjusted.

Latest: Sep-09



Housing starts no longer declining

Housing Starts, Vancouver Island Urban Centres



Source: CMHC, C1CU.

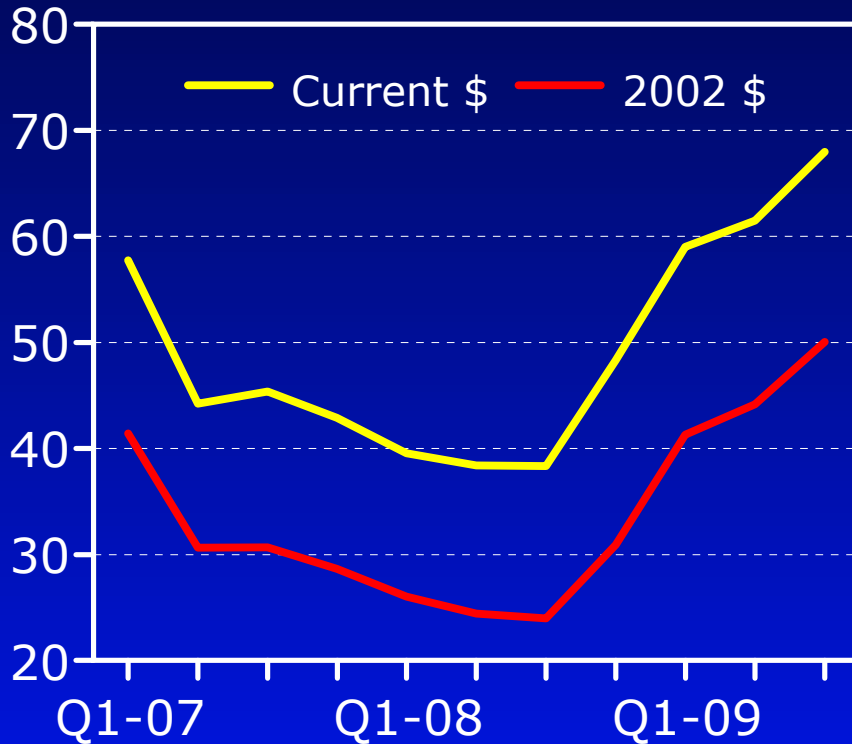
Latest: Sep-09



Private investment declining, public rising in Victoria CMA

Private Building Construction

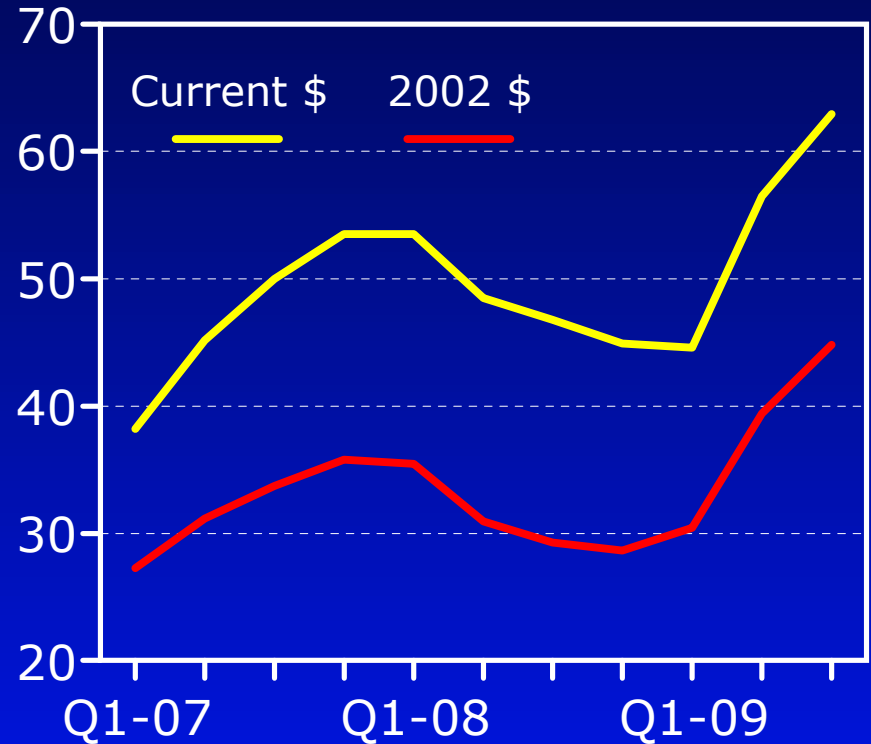
Dollars - millions



Source: Statistics Canada.

Government Building Const.

Dollars - millions



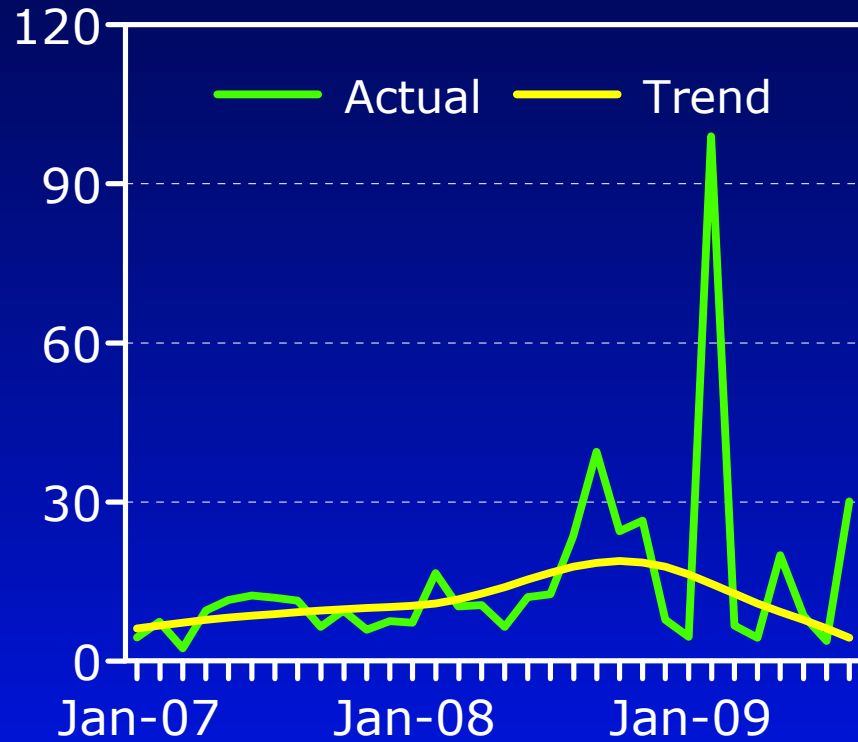
Note: Seasonally adjusted



Large projects started in first quarter

Pvt. Building Permits, Victoria

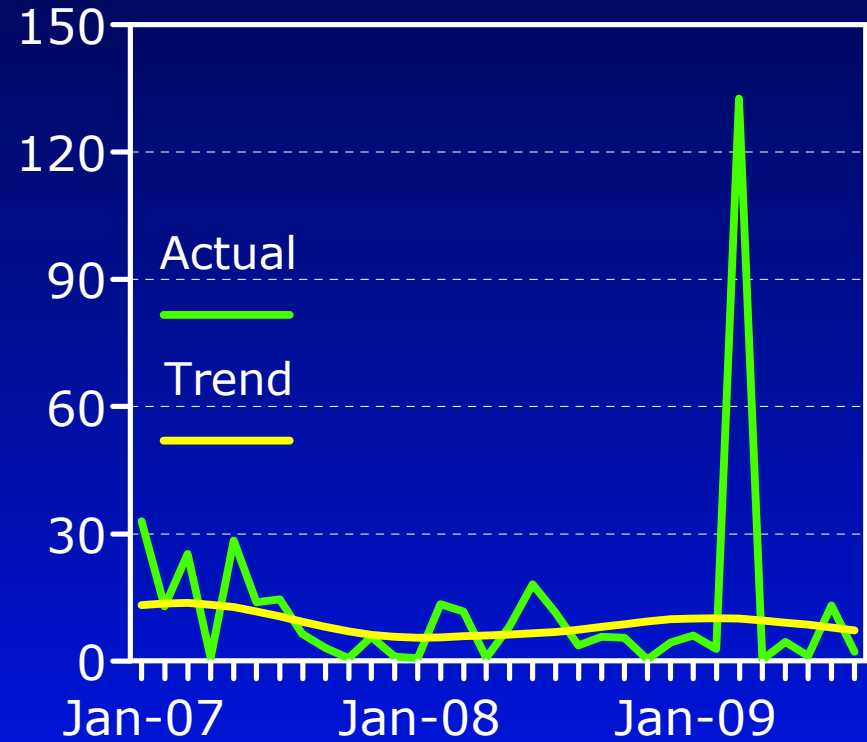
Dollars - millions



Source: Statistics Canada, C1CU.

Inst.-Govt. Building Permits

Dollars - millions



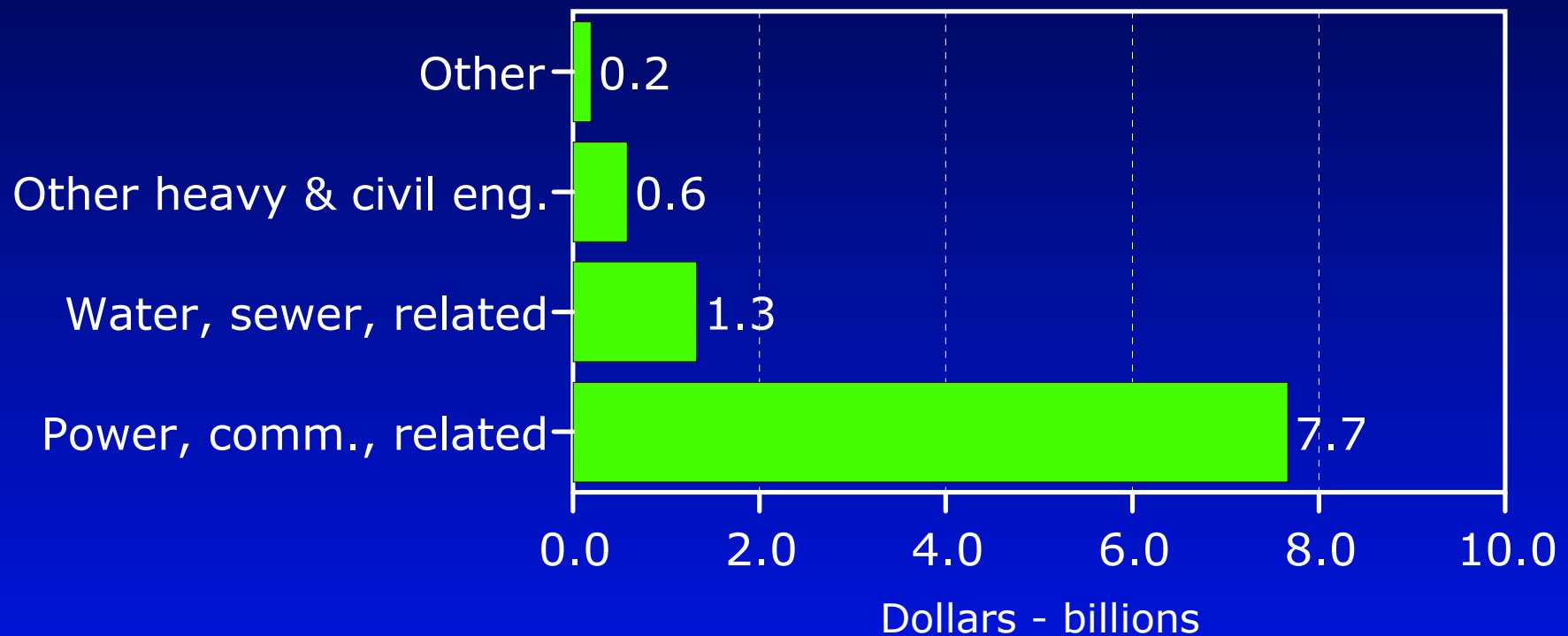
Latest: Aug-09



Power projects dominate proposed major projects list

Proposed Engineering Construction Projects, Vancouver Island

Construction Type



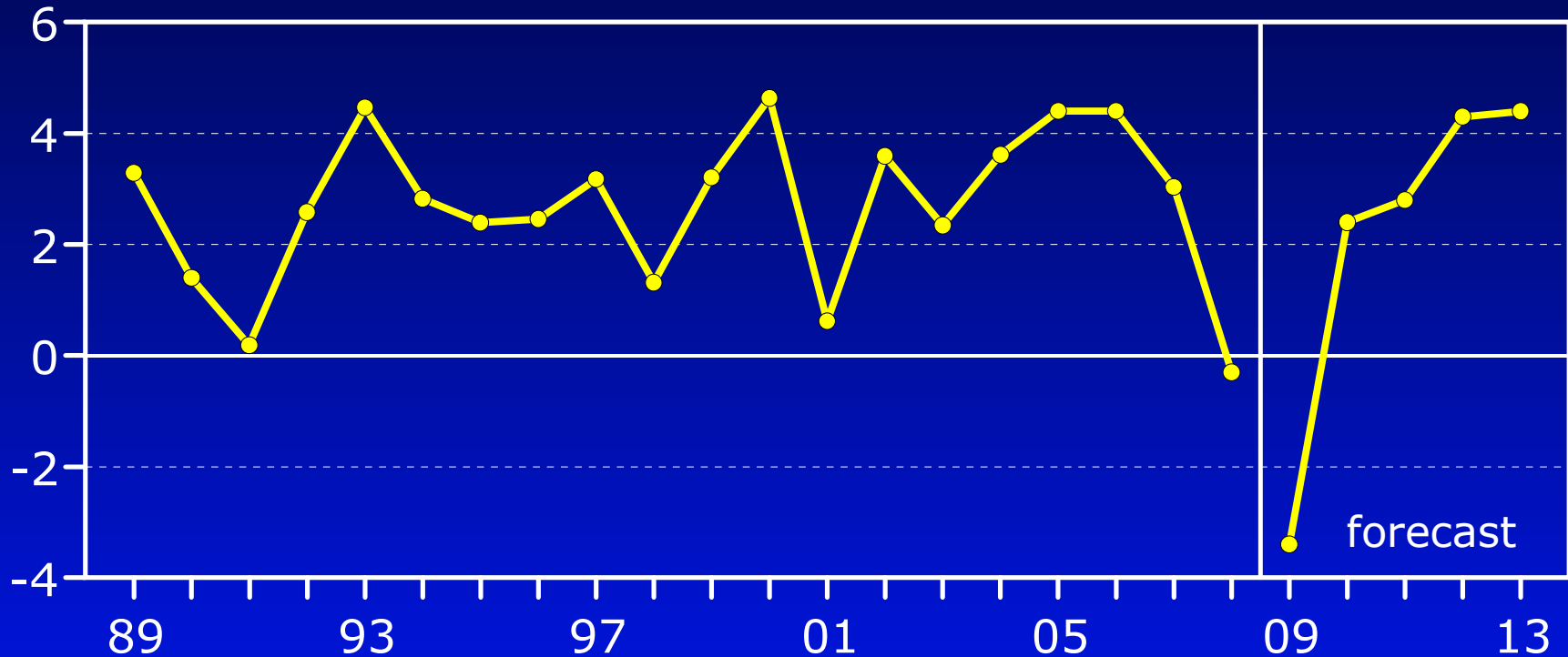
Source: B.C. Major Projects Inventory June 2009, C1CU. Note: Includes total capital costs.



Recession ends by 2010, above-average growth in 2012

B.C. Economic Growth to 2013

Percentage change in real GDP



Source: Statistics Canada, C1CU.



Forecast issues and summary:

- Policy-driven, temporary sources of growth
- Ongoing problems in some securitization markets
- Monetary policy actions - removing stimulus on a timely basis
- Inflation concerns re-ignite on rising commodity prices, high level of bank reserves
- Higher CAD worsens trade balance, restrains growth
- Recovery more variable than usual, below-average trend growth

