

Economic Update and Outlook

Fall Conference

British Columbia Expropriation Association

October 24, 2014

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Central 1Credit Union

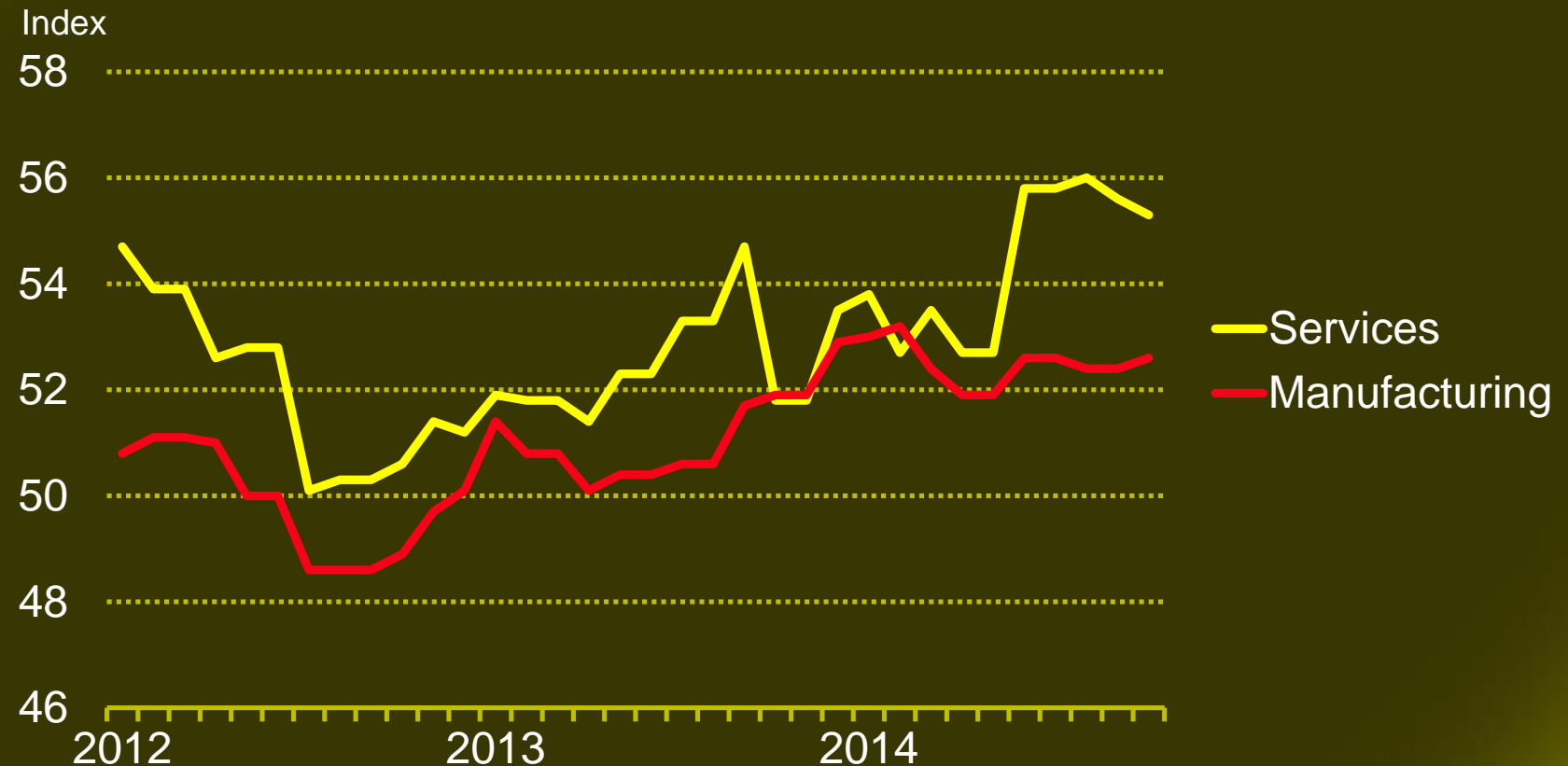
Outline:

- Macroeconomic trends and forecasts
- Canada's economic trends and forecasts
- Interest rate trends and forecast
- B.C. economic trends and forecasts
- Lower mainland population, economic, and housing trends
- Regional forecasts



Global economy still recovering, recent slowing

JP Morgan Global PMIs



Source: Bloomberg. Note: Seasonally adjusted.

Latest: Sep. 2014



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Large recent decline on lower demand and rising supply concerns; positive for global economy

Crude Oil Prices: West Texas Intermediate, Weekly

Dollars (USD)



Source: U.S. Dept. of Energy – EIA.

Latest: Oct. 17, 2014



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Recent sharp appreciation

Broad Trade Weighted US Dollar Index: Weekly

Jan. 1997 = 100



Source: U.S. Federal Reserve.

Latest: Oct. 17, 2014



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Bond yields dive past four weeks

10-year Government Bond Yields: U.S. and Canada

Per cent



Source: Bank of Canada, U.S. Federal Reserve.

Latest: 10/23/2014



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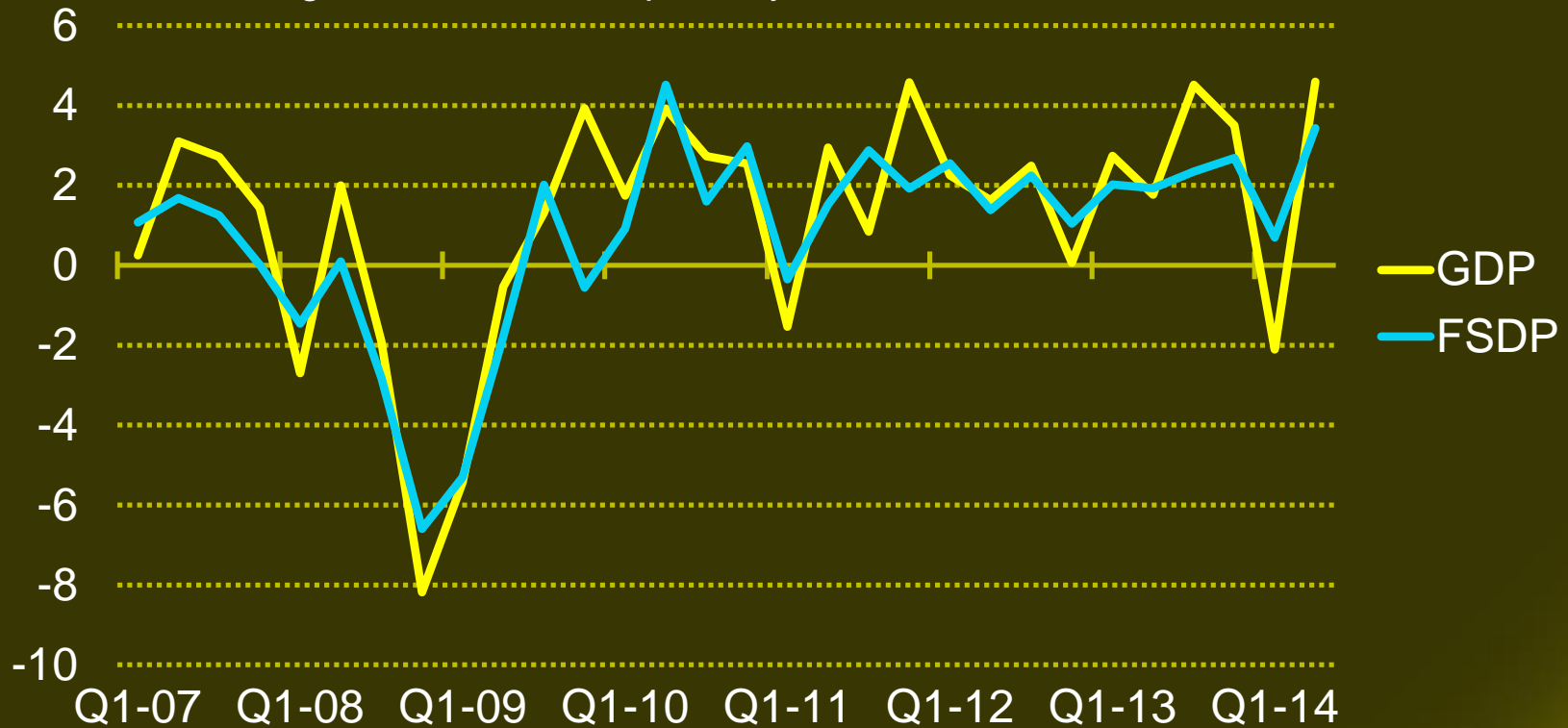


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Low-to-moderate growth in current recovery; gaining momentum?

Economic Growth: U.S.

Per cent change at annual rate, quarterly



Source: U.S. Bureau of Economic Analysis.

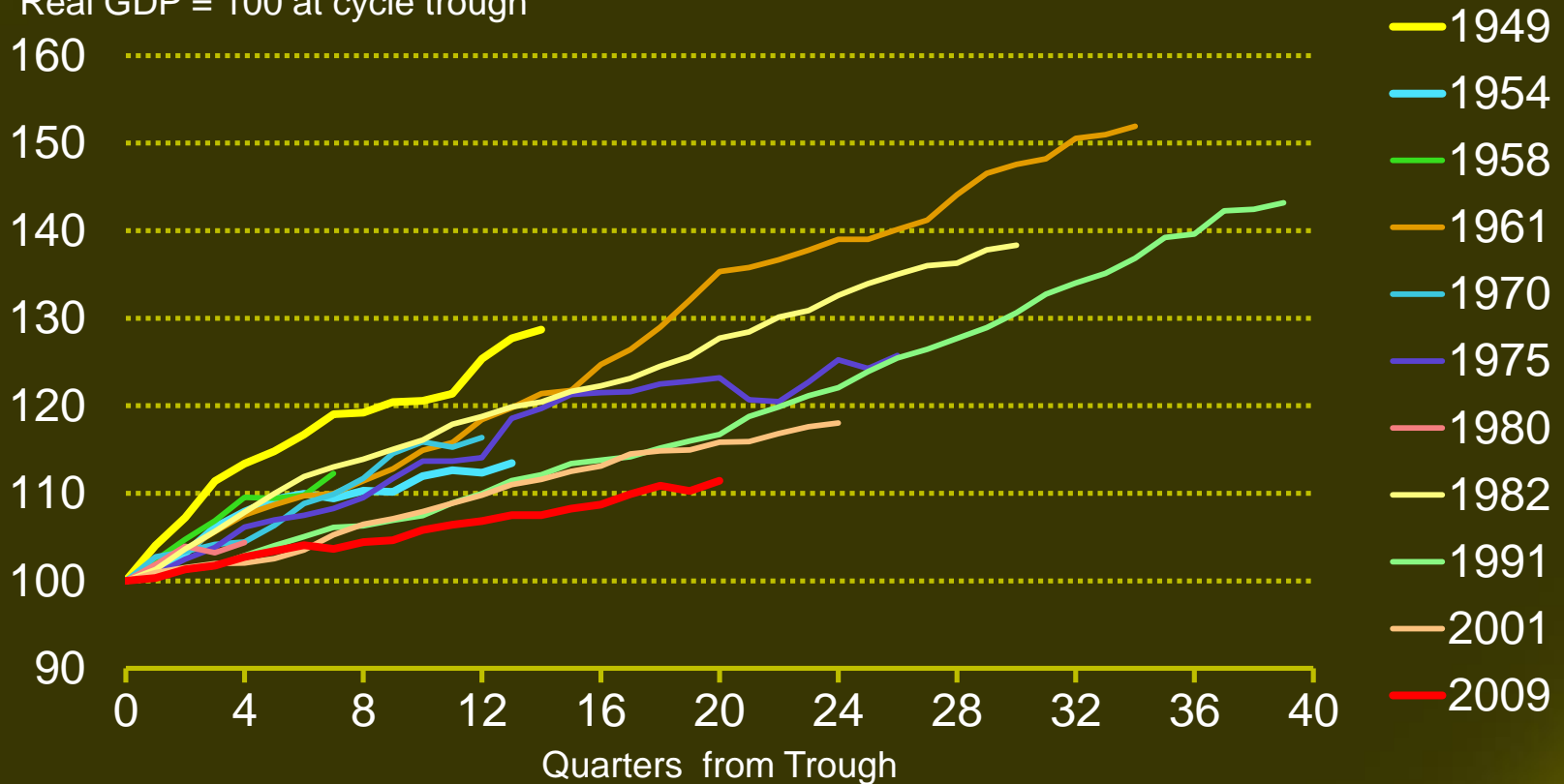
Latest: Q2-2014



Current U.S. recovery weakest in post-war era

Economic Recoveries: U.S.

Real GDP = 100 at cycle trough

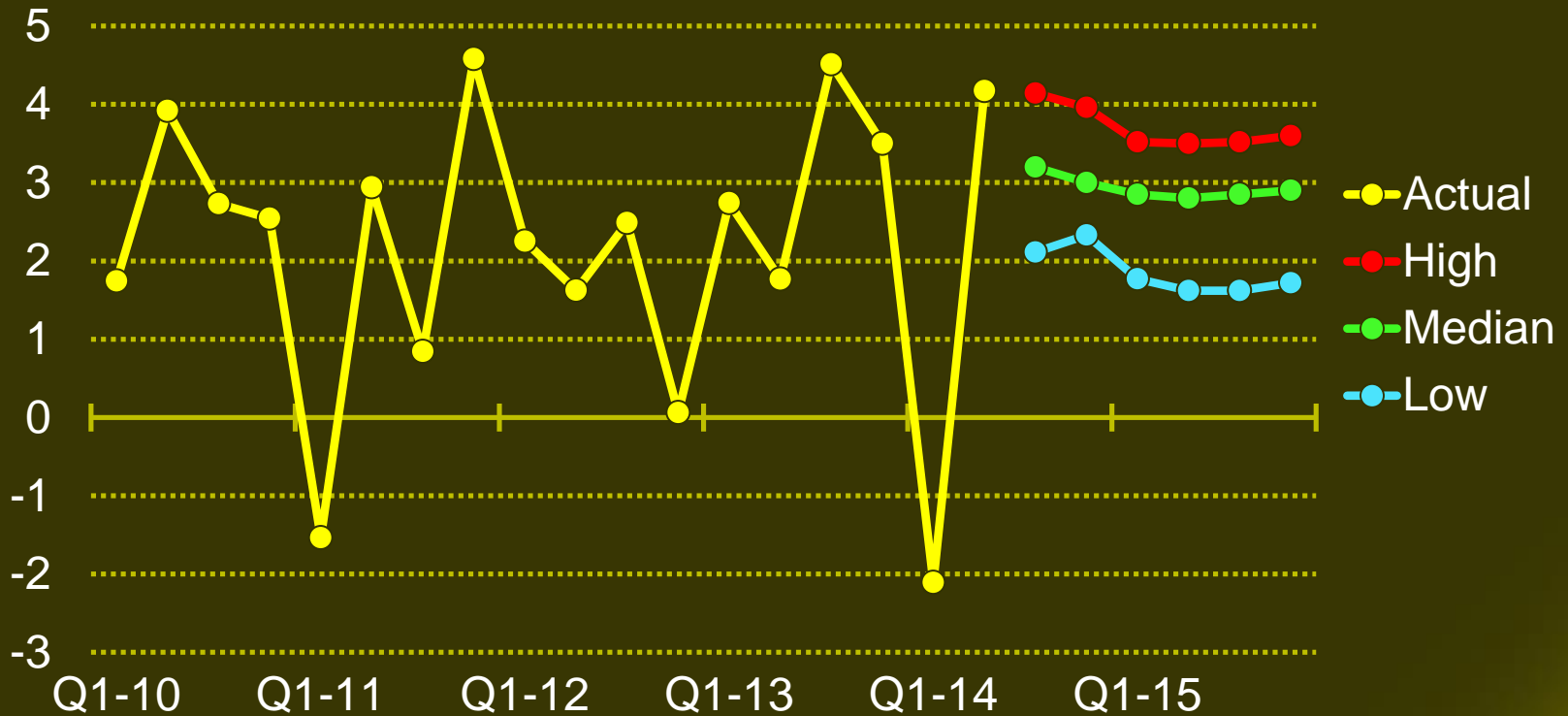


Source: U.S. BEA, Central 1 Credit Union.

Expansion to continue; higher trend growth ahead

Economic Growth: U.S.

Per cent change at annual rate in real GDP, quarterly



Source: U.S. BEA, WSJ Oct 2014. Latest actual: Q2-14. Forecast: Q3-14 to Q4-15.



U.S. economy to gain momentum, China slows, Japan stuck in low

Key External Economic Forecasts

Indicator	2013	2014	2015	2016	2017
U.S. real GDP, % chg.	2.2	2.1	3.1	3.0	2.9
Japan real GDP, % chg.	1.5	0.9	0.8	0.8	0.9
China real GDP, % chg.	7.7	7.4	7.1	6.8	6.6
EU real GDP, %	0.2	1.4	1.8	2.0	2.0
South Korea real GDP, %	2.9	3.7	4.0	4.0	3.9

Source: IMF WEO October 2014.



Q2-14 rebounds from weather-related weak Q1

Economic Growth: Canada

Per cent change at annual rate, quarterly



Source: Statistics Canada. FDD: Final Domestic Demand.

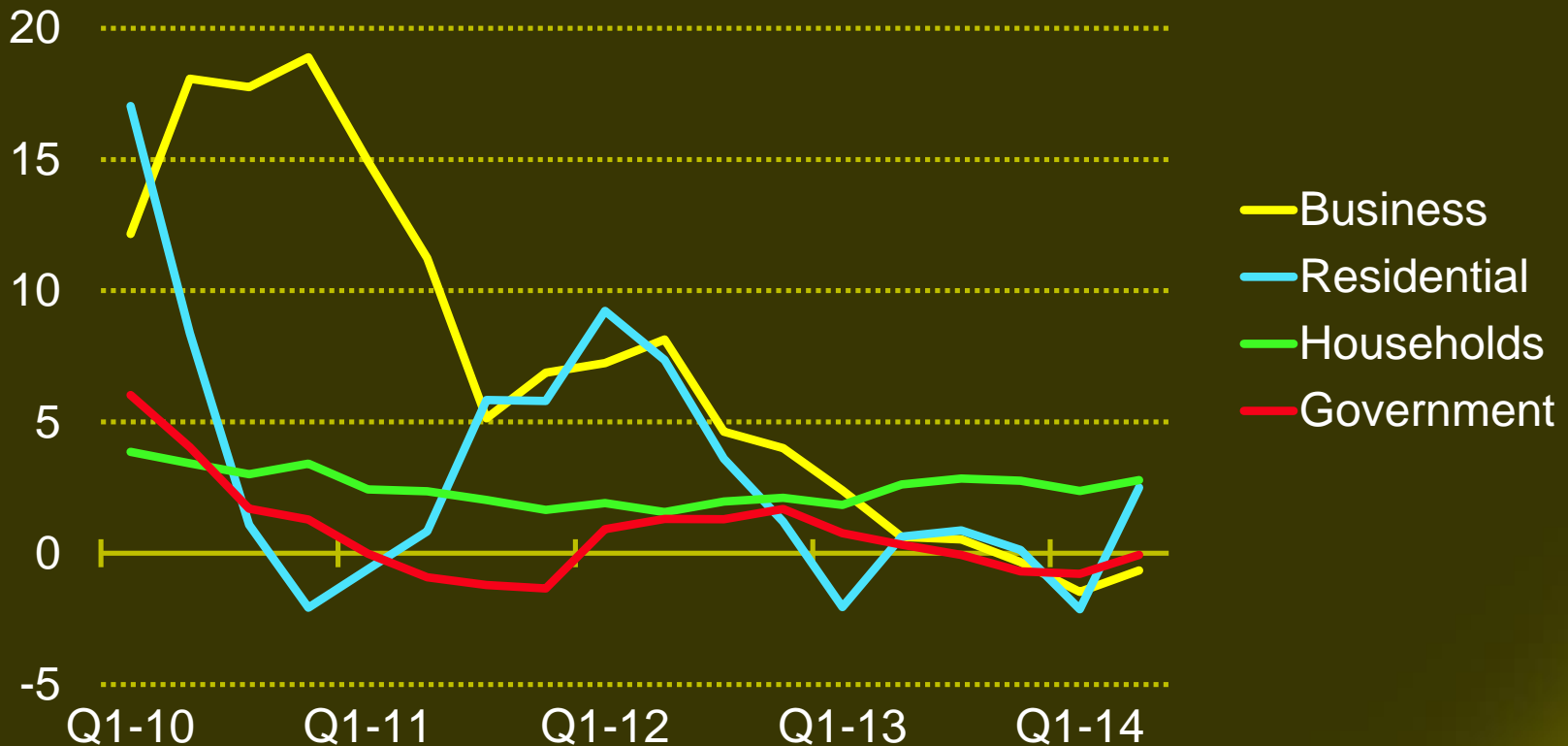
Latest: Q2-14



Household spending main growth driver since 2012

Final Domestic Demand Growth: Canada

Per cent change at annual rate, quarterly



Source: Statistics Canada, C1CU.

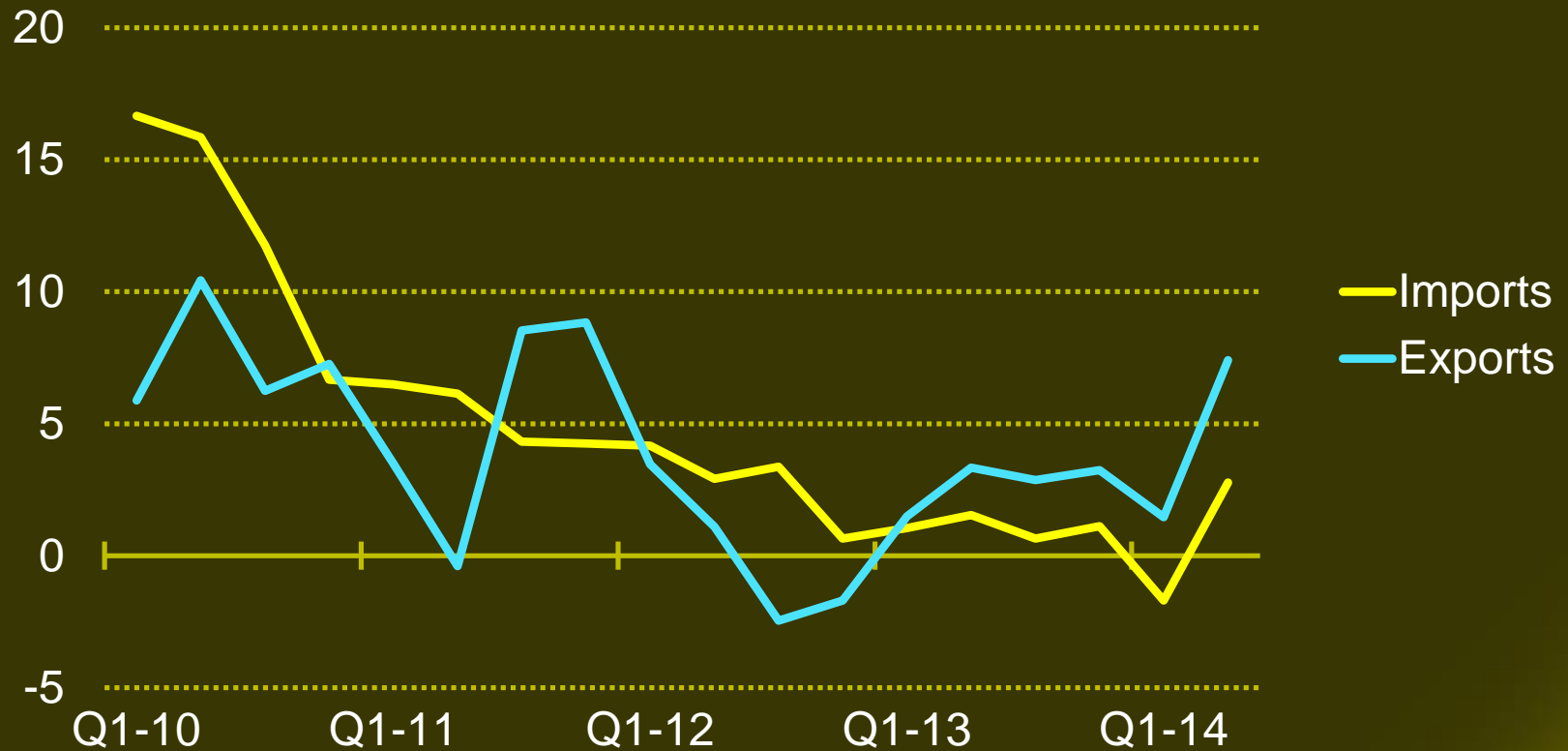
Latest: Q2-14



Declining import growth; exports turning corner?

Trade Sector Growth: Canada

Per cent change at annual rate, quarterly



Source: Statistics Canada, C1CU.

Latest: Q2-14

Recent CPI spike temporary

CPI and Core Inflation Rate: Canada

Per cent change year-over-year



Source: Statistics Canada.

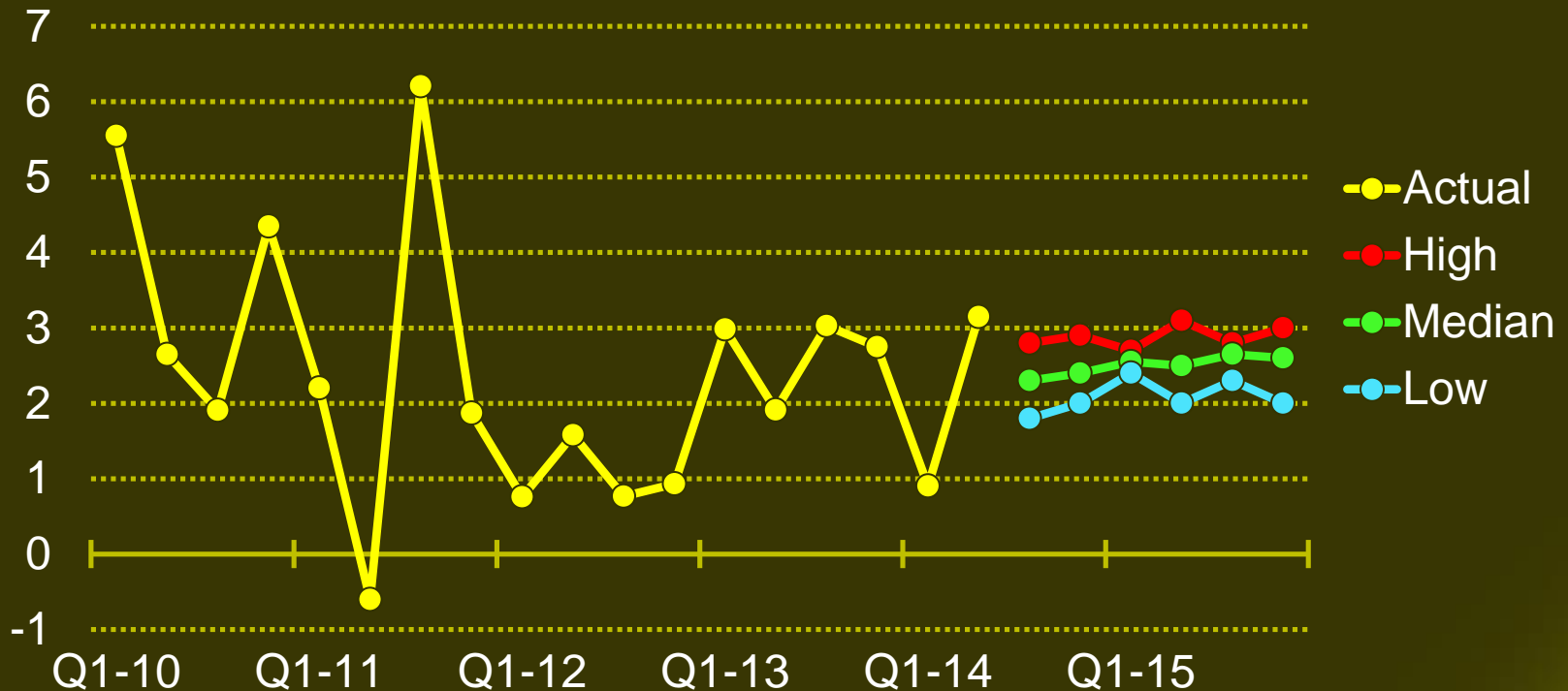
Latest: Sep-14



Moderate trend growth and no recession in near term

Economic Growth: Canada

Per cent change at annual rate in real GDP

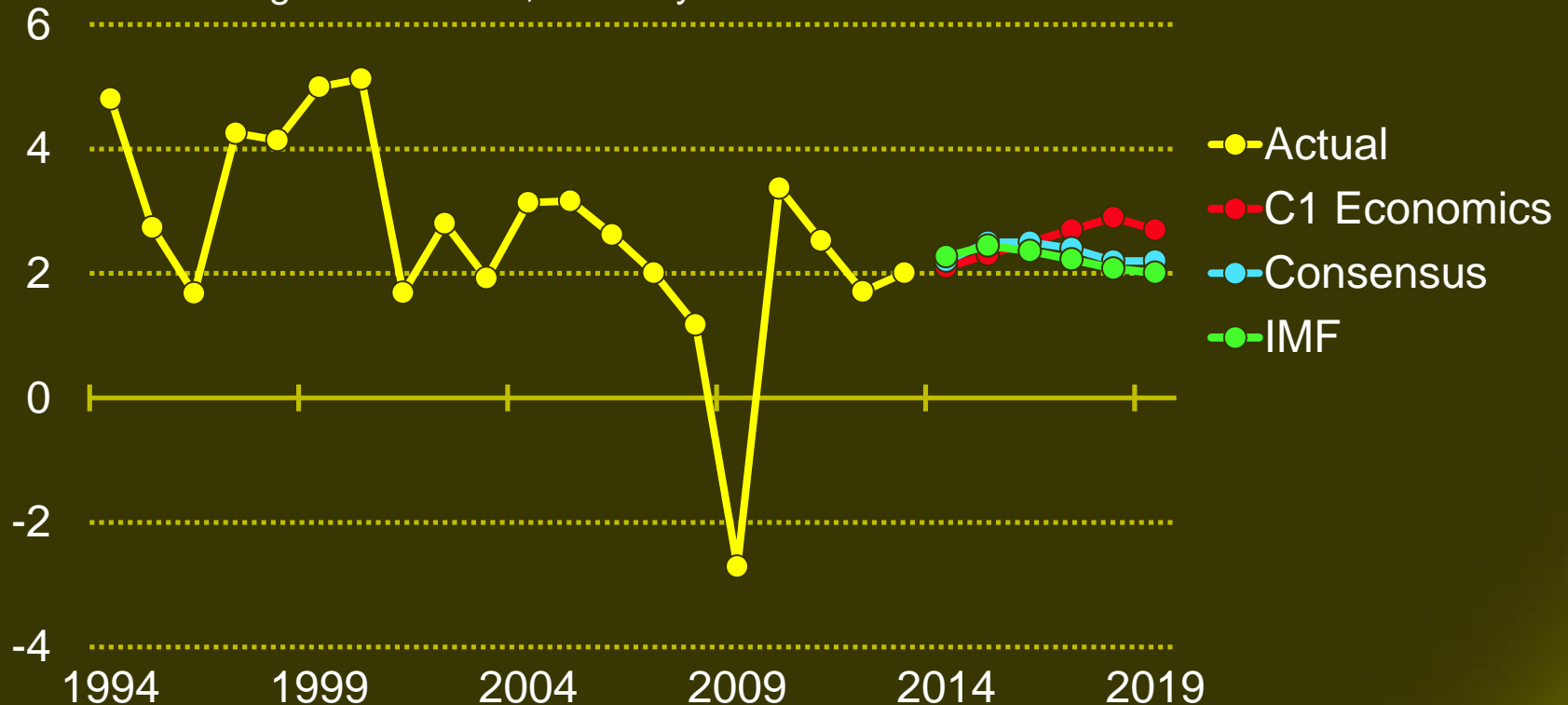


Source: Statistics Canada, C1CU. Latest actual: Q2-14. Forecast: Q3-14 to Q4-15

Below-average growth to continue in 2014, more robust profile after 2016

Economic Growth: Canada

Per cent change in real GDP, annually



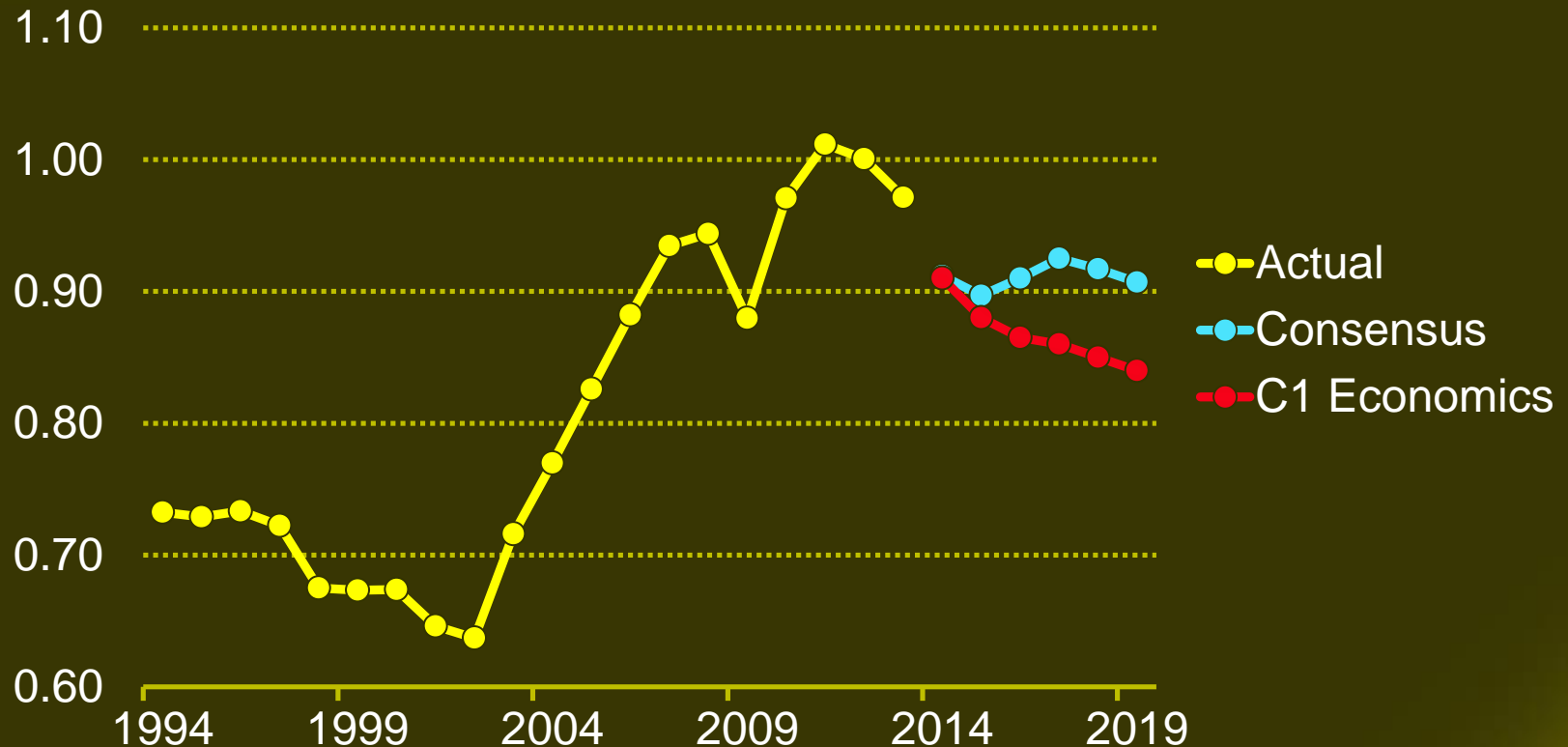
Source: Statistics Canada, Consensus Forecasts, IMF, C1CU. Forecast: 2014 - 2019.



Divergent views on Canadian dollar

U.S.-Canada Exchange Rate, Actual and Forecast

USD per CAD dollar

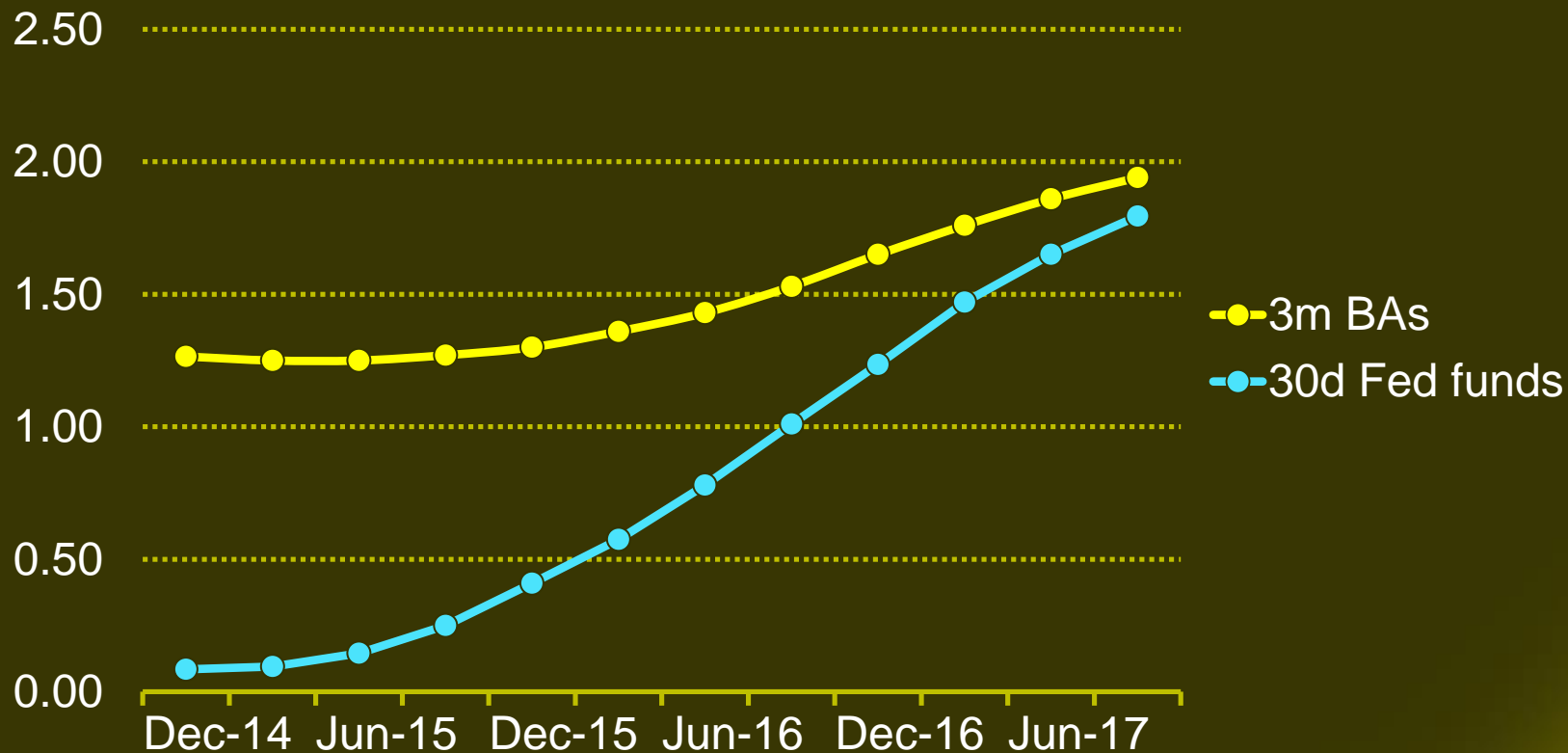


Source: BoC, Consensus Forecasts, C1CU. Note: Annual average. Latest actual: 2013.

Market expects Fed to move before Bank of Canada

Short-term Interest Rate Futures: Canada and U.S.

Per cent

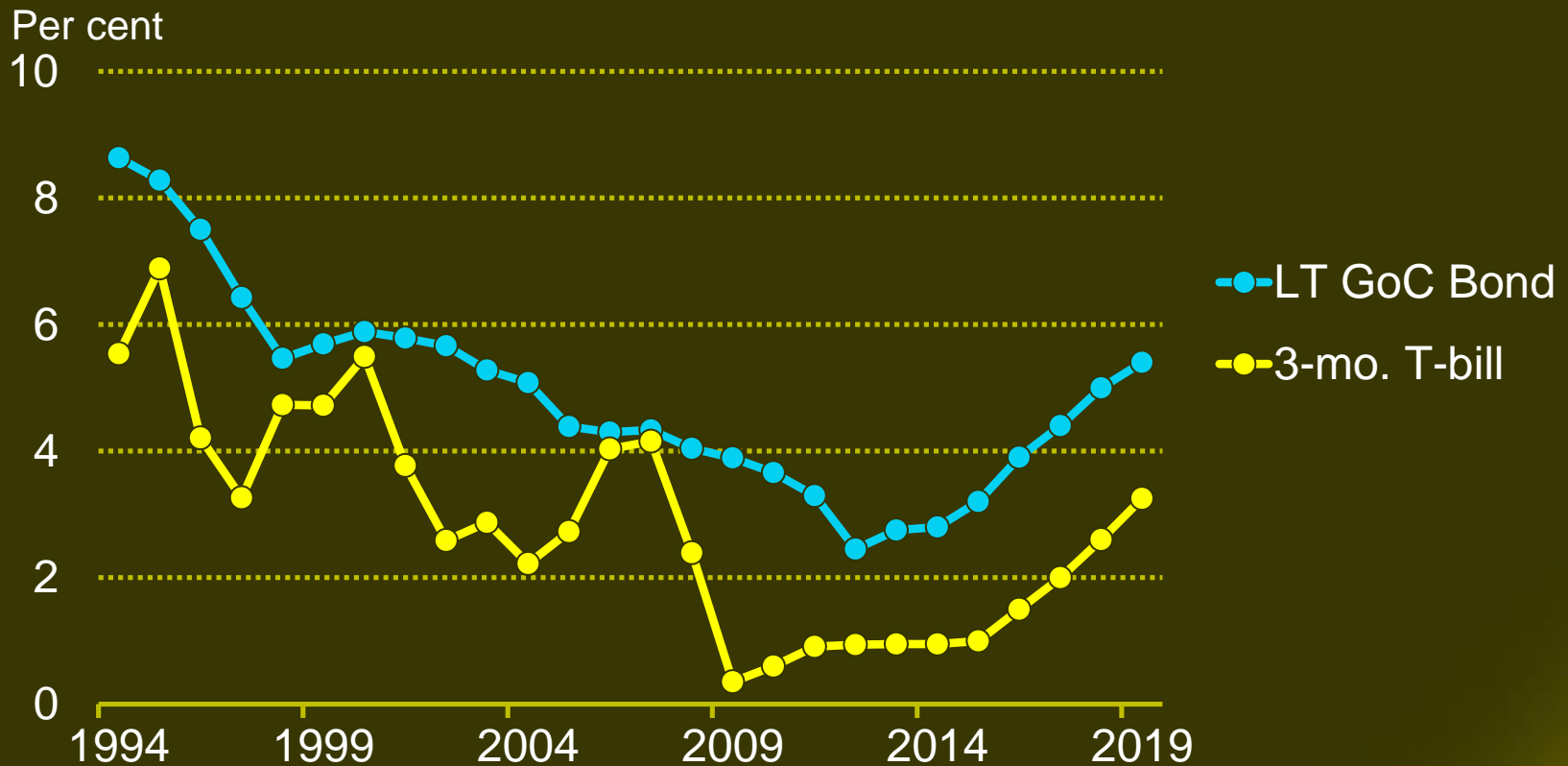


Source: Montreal Exchange, CME Group, C1CU. Latest: Sep-17



BoC begins raising rates in Q4-2015, risk is for later increase

Interest Rates, Actual and Forecast 2014-2019: Canada

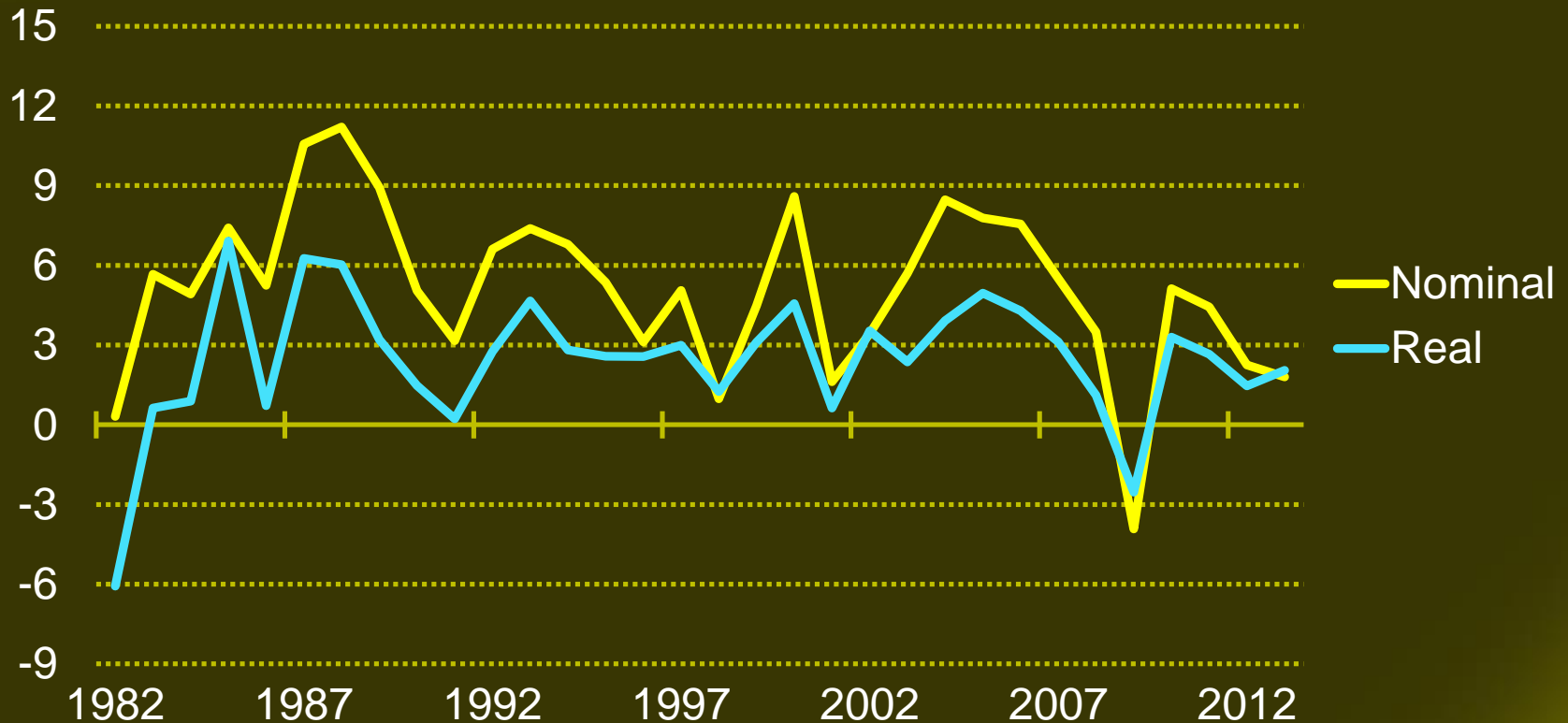


Source: Bank of Canada, C1 Economics. Note: Annual average. Latest actual: 2013.

Below-average growth last two years

Economic Growth: British Columbia

Per cent change in GDP



Source: Statistics Canada.

Latest: 2013



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Population growth rising?

Population Growth, Quarterly: British Columbia

Per cent change at annual rate



Source: Statistics Canada, Central 1Credit Union.

Latest: Q2-14



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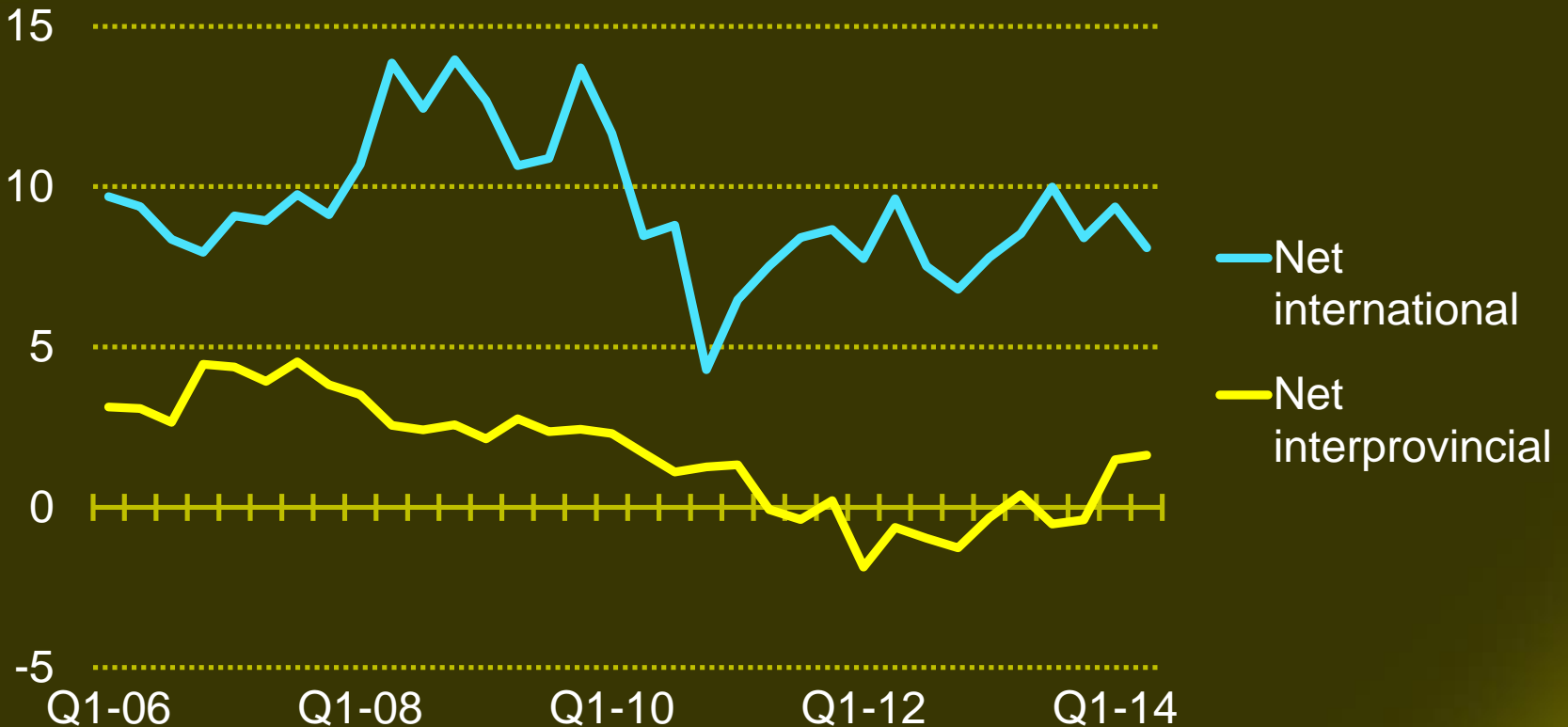


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Interprovincial turning up

Net Migration by Type, Quarterly: British Columbia

Persons - thousands



Source: Statistics Canada, C1CU. Note: Seasonally adjusted. Latest: Q2-14



Range-bound since early 2012; breaking out?

Employment: British Columbia

Persons - millions



Source: Statistics Canada. Note: Seasonally adjusted.

Latest: Sep-14



Recent upshift in Vancouver

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

2007=100



Source: Statistics Canada, C1CU. Note: Seasonally adjusted. Latest: Sep-14

Prices up recently, underlying trend little changed

International Goods Exports: British Columbia

Dollars - billions



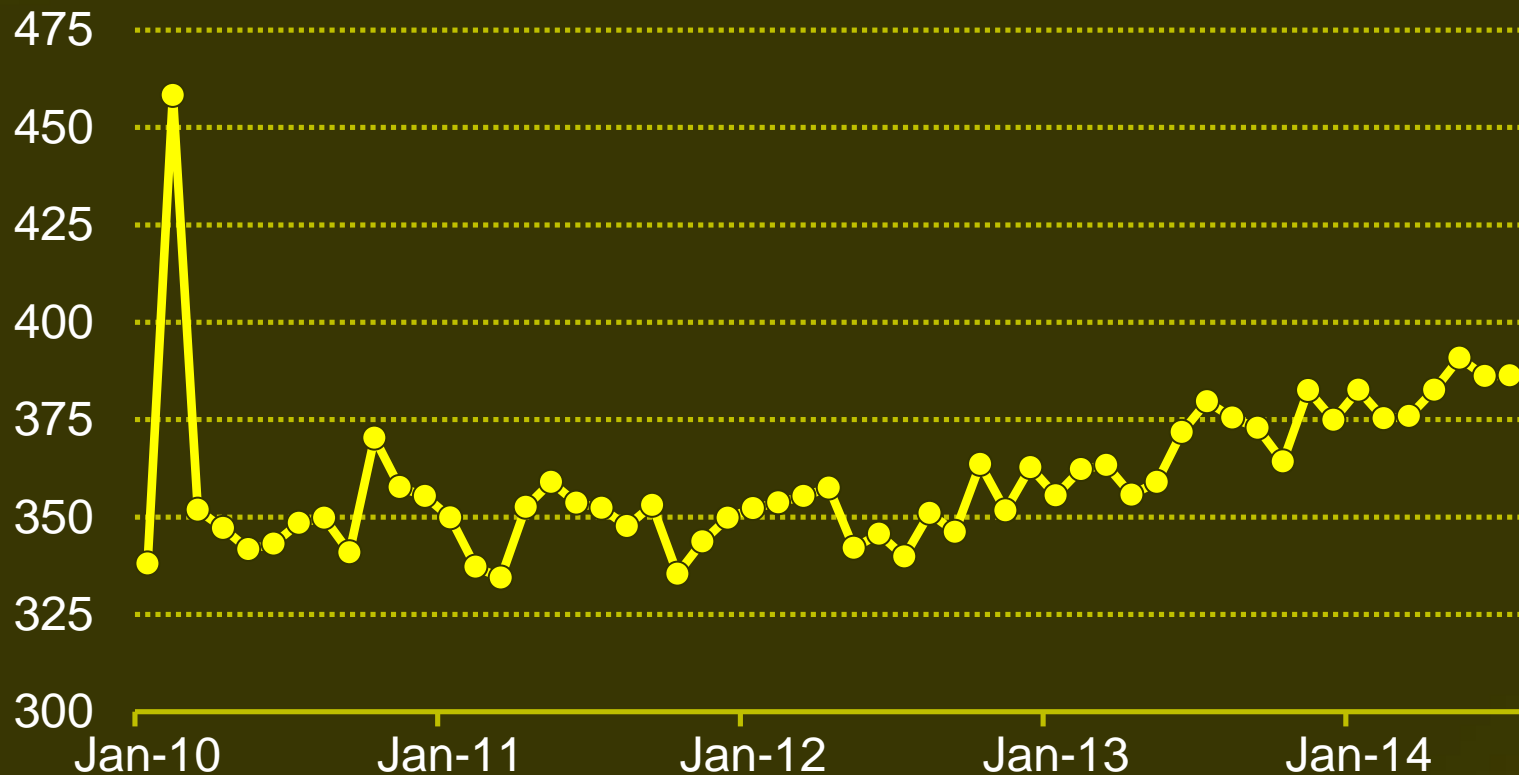
Source: Statistics Canada, C1CU. Note: Seasonally adjusted 3 mo. average. Latest: Aug-14



Modest uptrend developing

International Tourist Entries: British Columbia

Person - millions



Source: Statistics Canada. Note: Seasonally adjusted.

Latest: Jul-14



Uptrend revives in 2014

Retail Sales: British Columbia

Dollars - billions

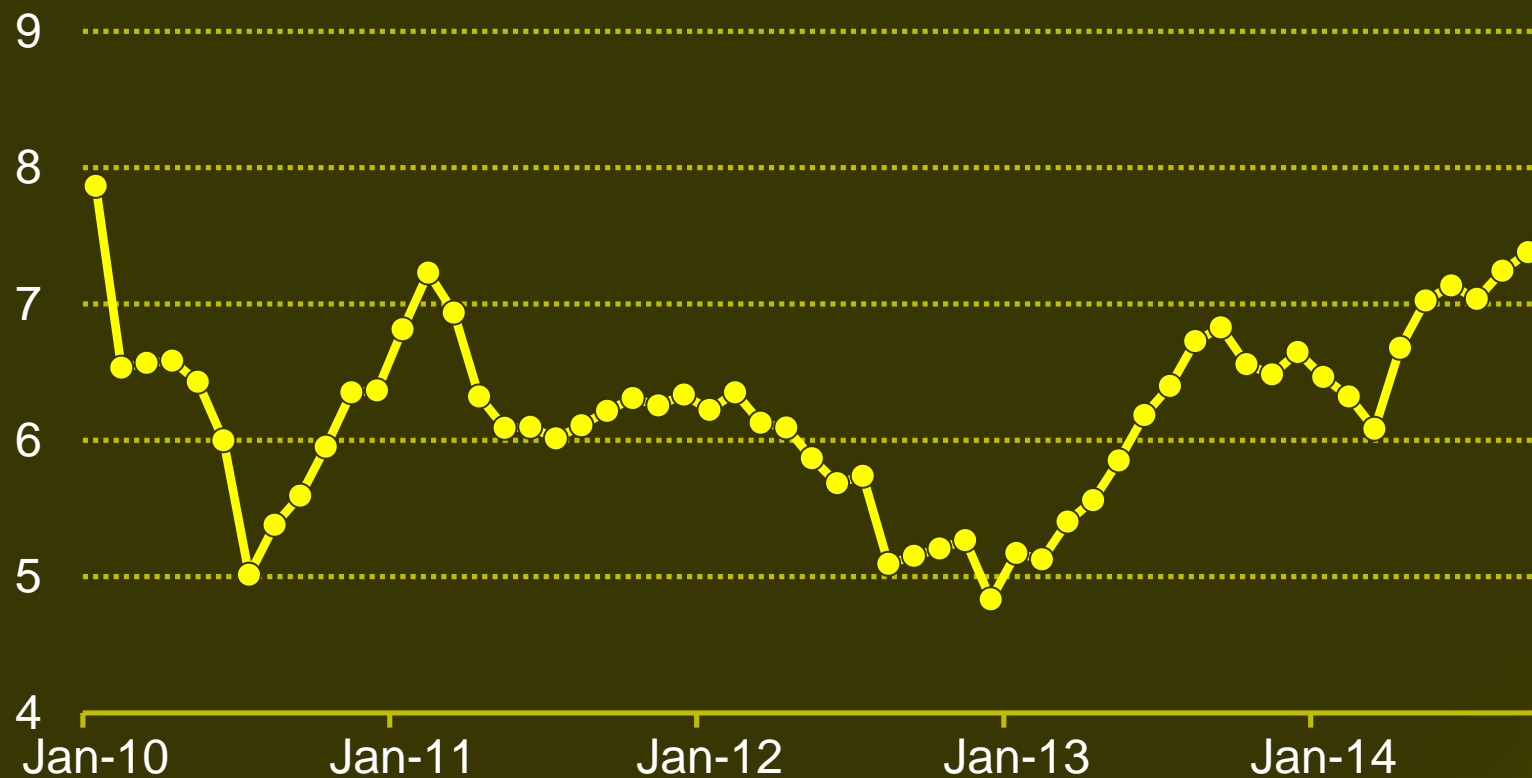


Source: Statistics Canada, C1CU. Note: Seasonally adjusted. Latest: Aug-14

Sales up this year

MLS Residential Sales: British Columbia

Units - thousands



Source: CREA. Note: Seasonally adjusted.

Latest: Sep-14



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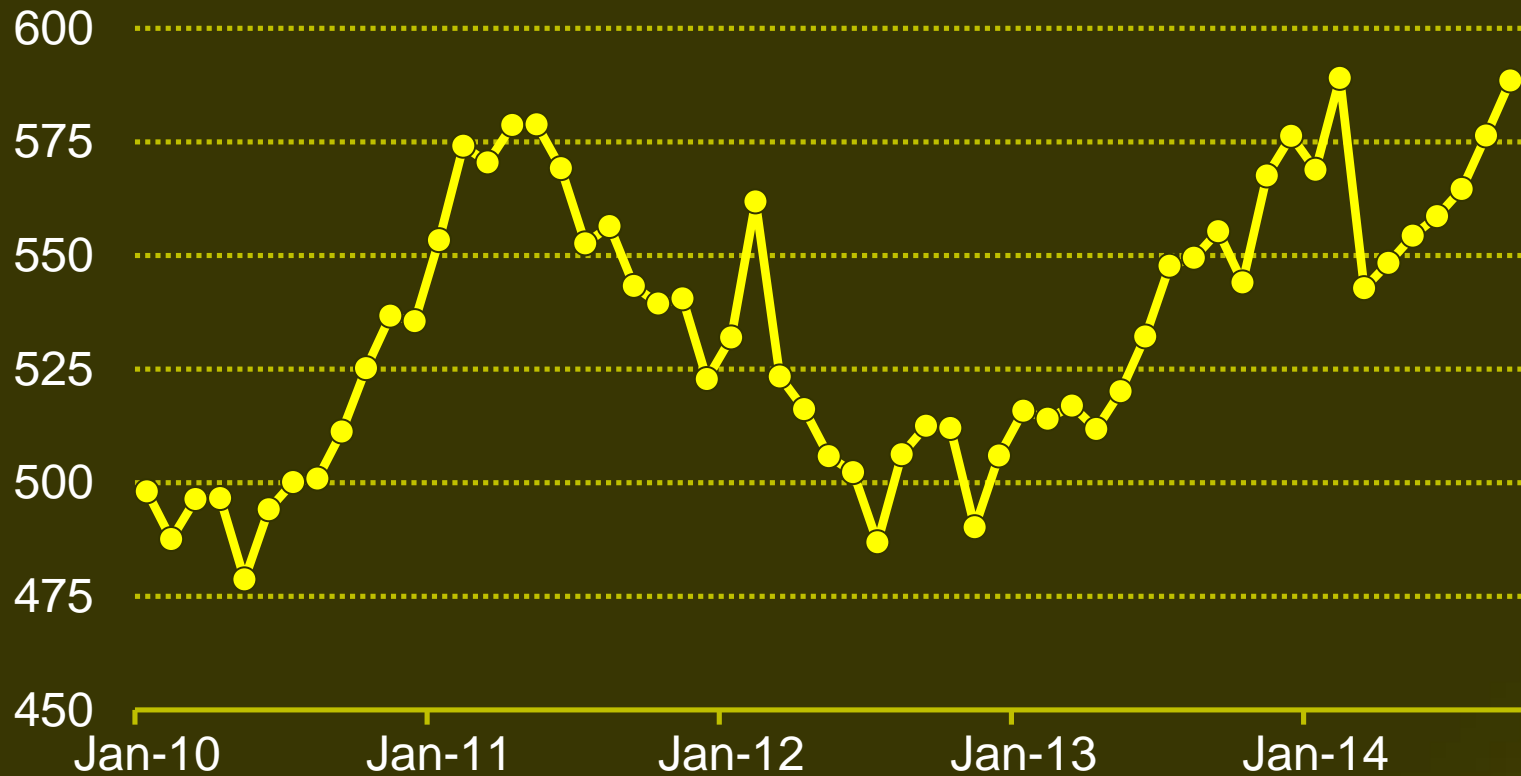


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Near record high average sale price

MLS Residential Average Sale Price: British Columbia

Dollars - thousands



Source: CREA. Note: Seasonally adjusted.

Latest: Sep-14



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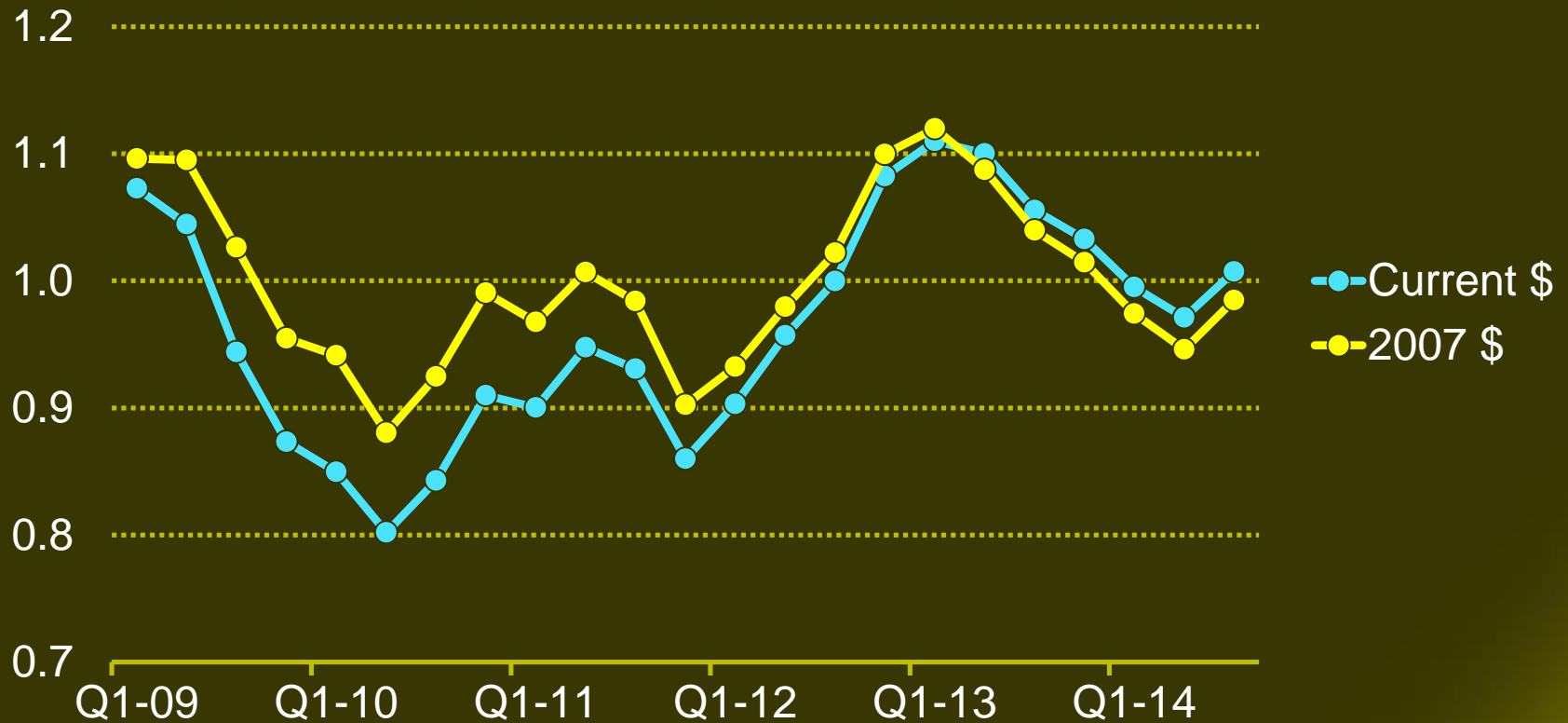


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First increase since early 2013

Private Building Construction Investment: British Columbia

Dollars - billions

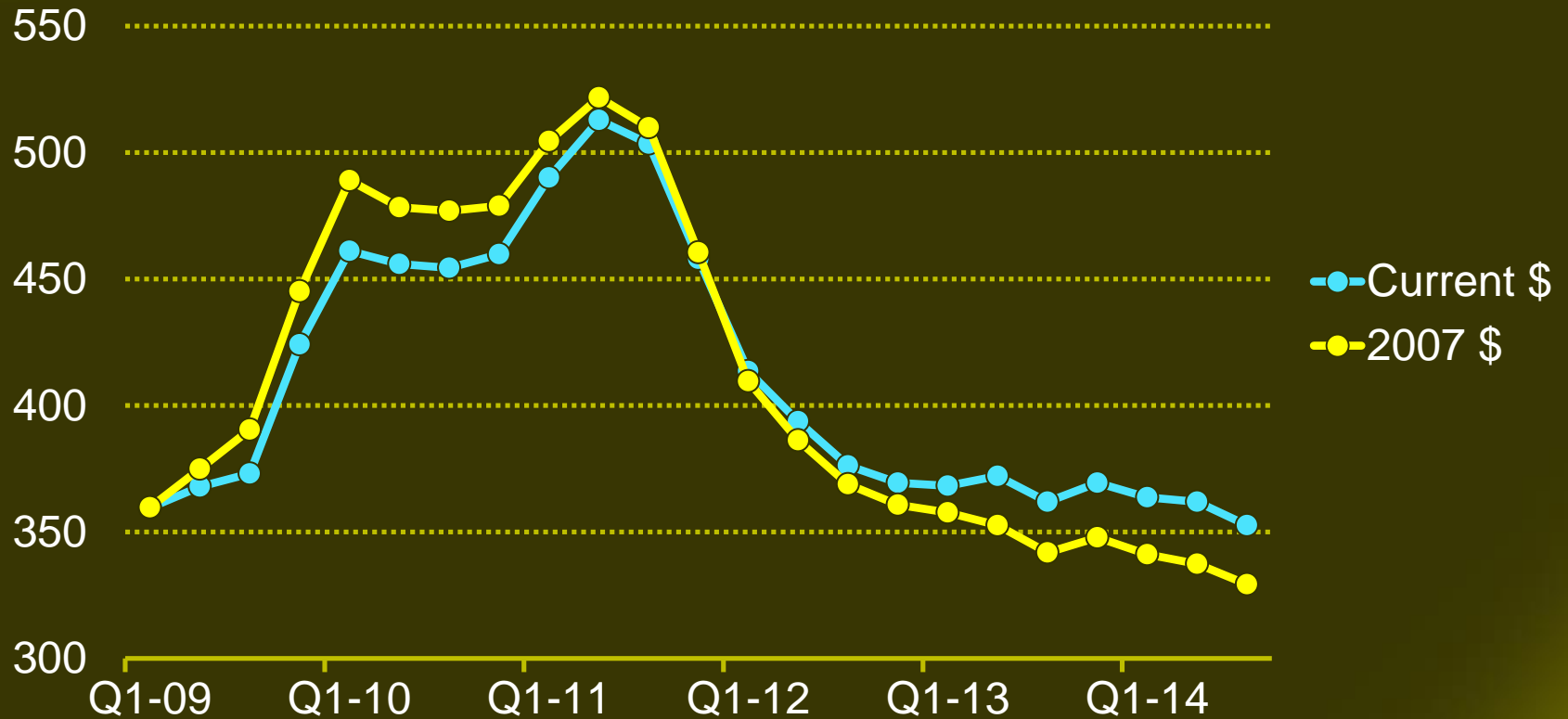


Source: Statistics Canada. Note Seasonally adjusted.

Latest: Q3-14

Declining spending

Government Building Construction Investment: B.C. Dollars - millions



Source: Statistics Canada. Note Seasonally adjusted.

Latest: Q3-14



Moderate growth in 2015, improving trend thereafter; housing holds up

B.C. Economic and Housing Forecasts					
Indicator	2013	2014	2015	2016	2017
Real GDP, % chg.	2.0	2.1	2.3	2.9	3.5
Nominal GDP, % chg.	2.8	3.4	3.8	5.1	5.6
Employment, % chg.	-0.2	0.7	1.3	2.0	2.5
Unemployment rate, %	6.6	6.4	6.2	5.9	5.3
Population, % chg.	0.9	1.1	1.1	1.2	1.3
Housing starts, (000s)	27.1	27.9	28.5	30.0	31.0
Housing sales, % chg.	7.8	14.0	4.0	5.0	7.0
Housing price, % chg.	4.4	6.5	3.0	4.0	5.0

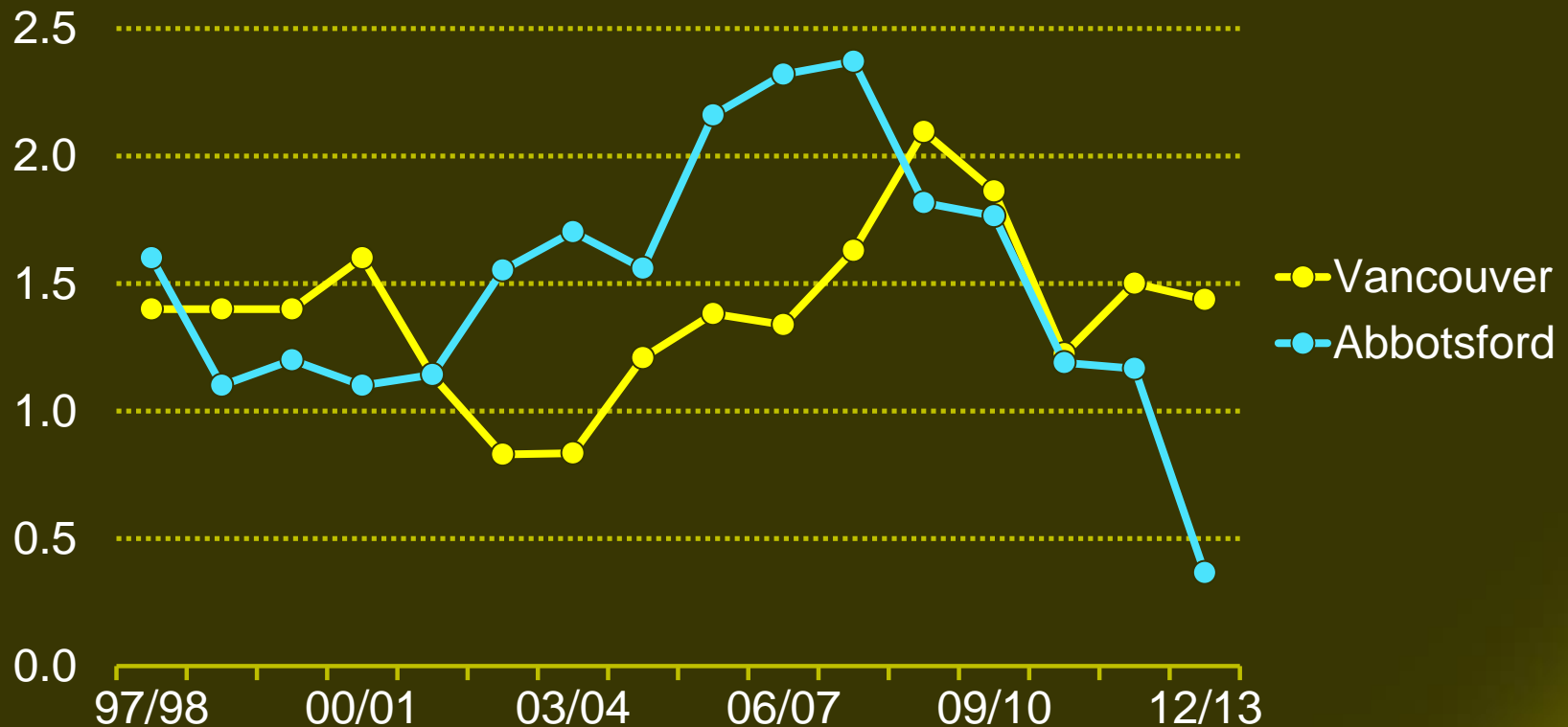
Source: Statistics Canada, CMHC, Central 1 Credit Union.



Growth downshift continues in Abbotsford

Population Growth by Selected Metropolitan Area

Per cent



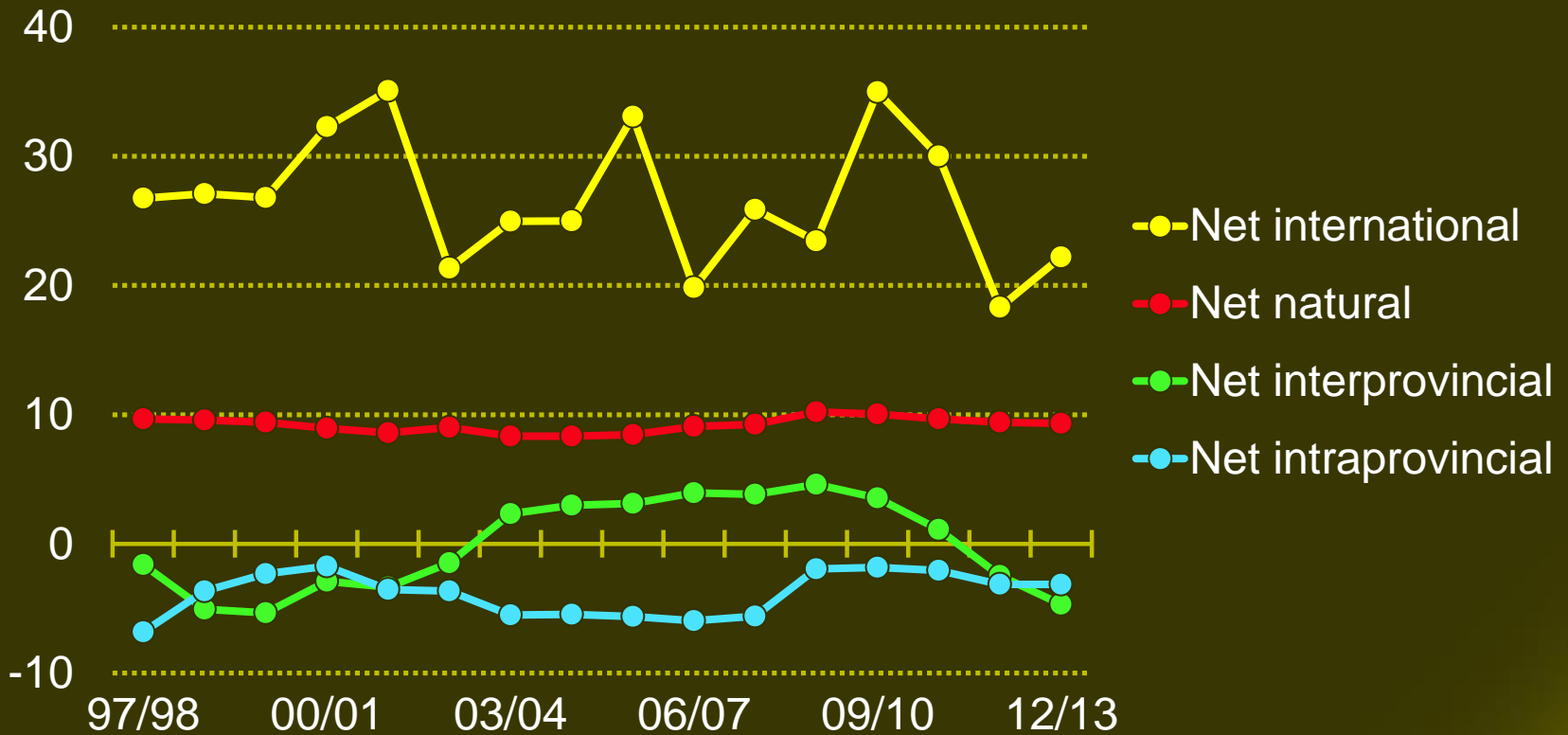
Source: Statistics Canada. Note: as of July 1. Latest are preliminary.



Interprovincial turns negative

Metro Vancouver Population Growth Components

Persons - thousands

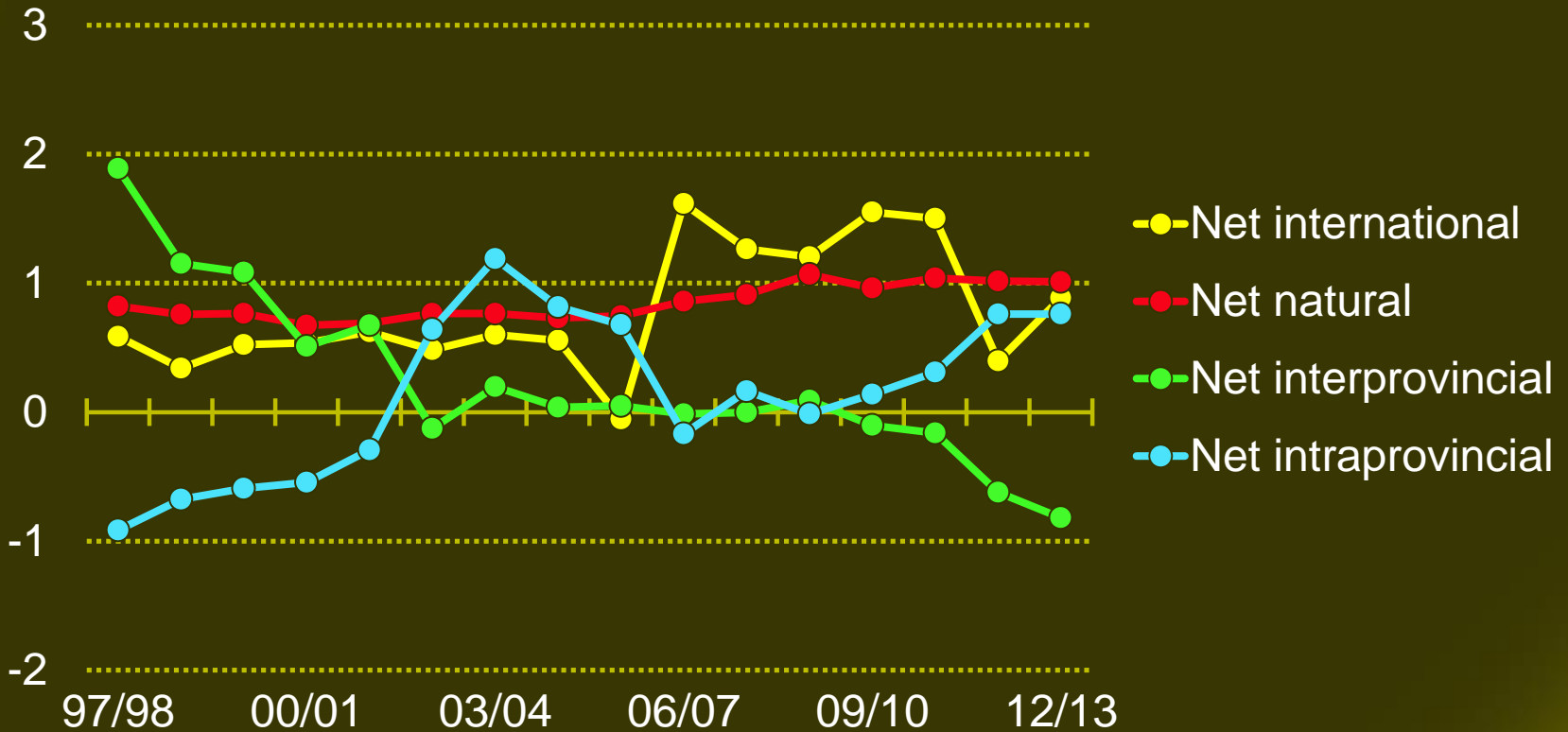


Source: Statistics Canada. Note: As of July 1. Latest are preliminary.

Negative interprovincial migration

Abbotsford CMA Population Growth Components

Persons - thousands



Source: Statistics Canada. Note: As of July 1. Latest are preliminary.

Robust employment growth in 2014; up 2.2%

Lower Mainland-Southwest Region Employment

Persons - millions



Source: Statistics Canada, C1CU. Note: Seasonally adjusted.

Latest: Q3-14



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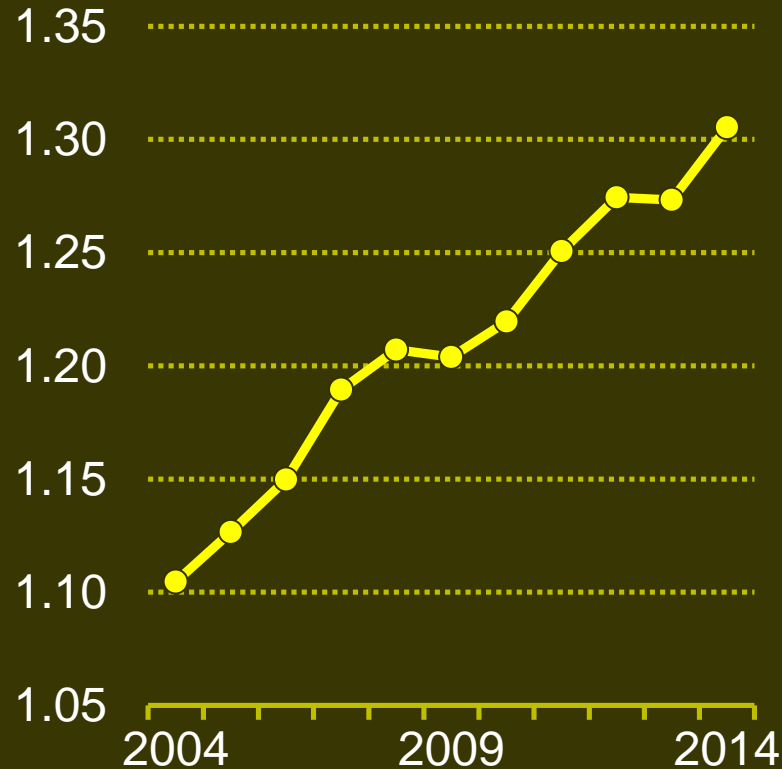


Central 1

Employment up 2.5% in 2014

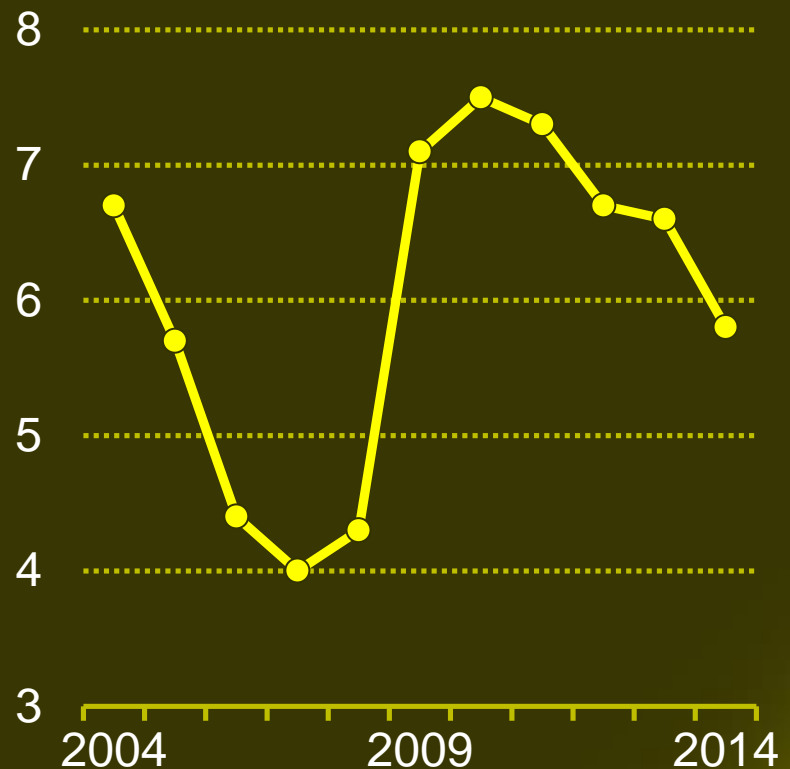
Employment: Vancouver CMA

Persons - millions



Unemployment Rate: Vancouver

Per cent of labour force



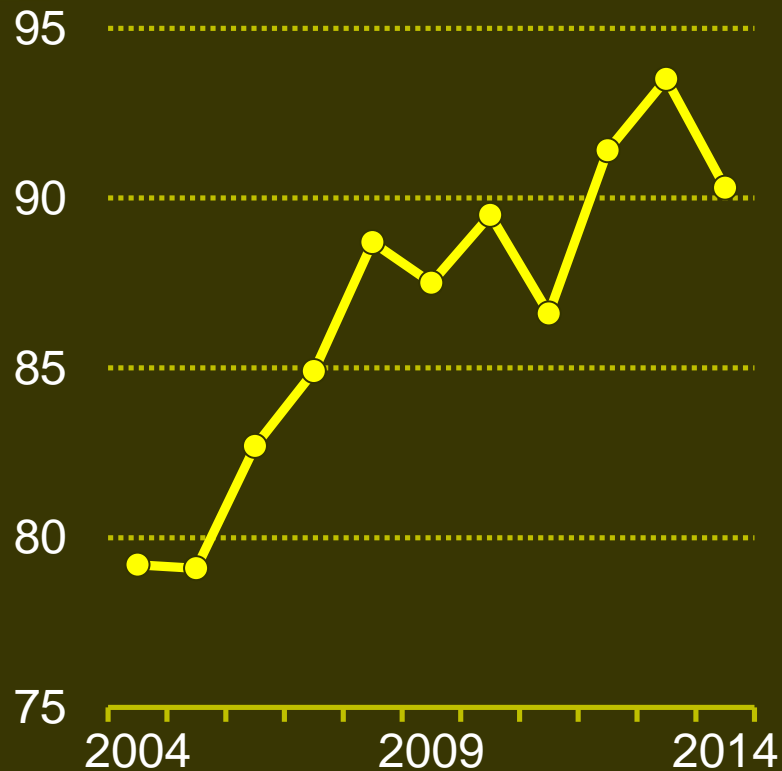
Source: Statistics Canada. Latest: Jan. – Sep. 2014 average



Employment down 3.4% in 2014

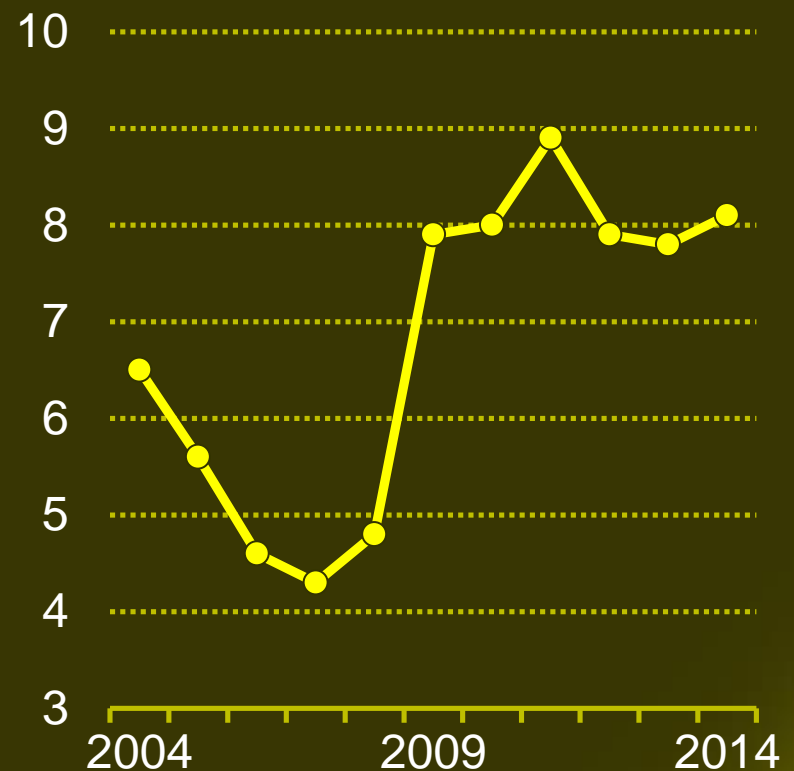
Employment: Abbotsford CMA

Persons - thousands



Unemployment Rate: Abbotsford

Per cent of labour force



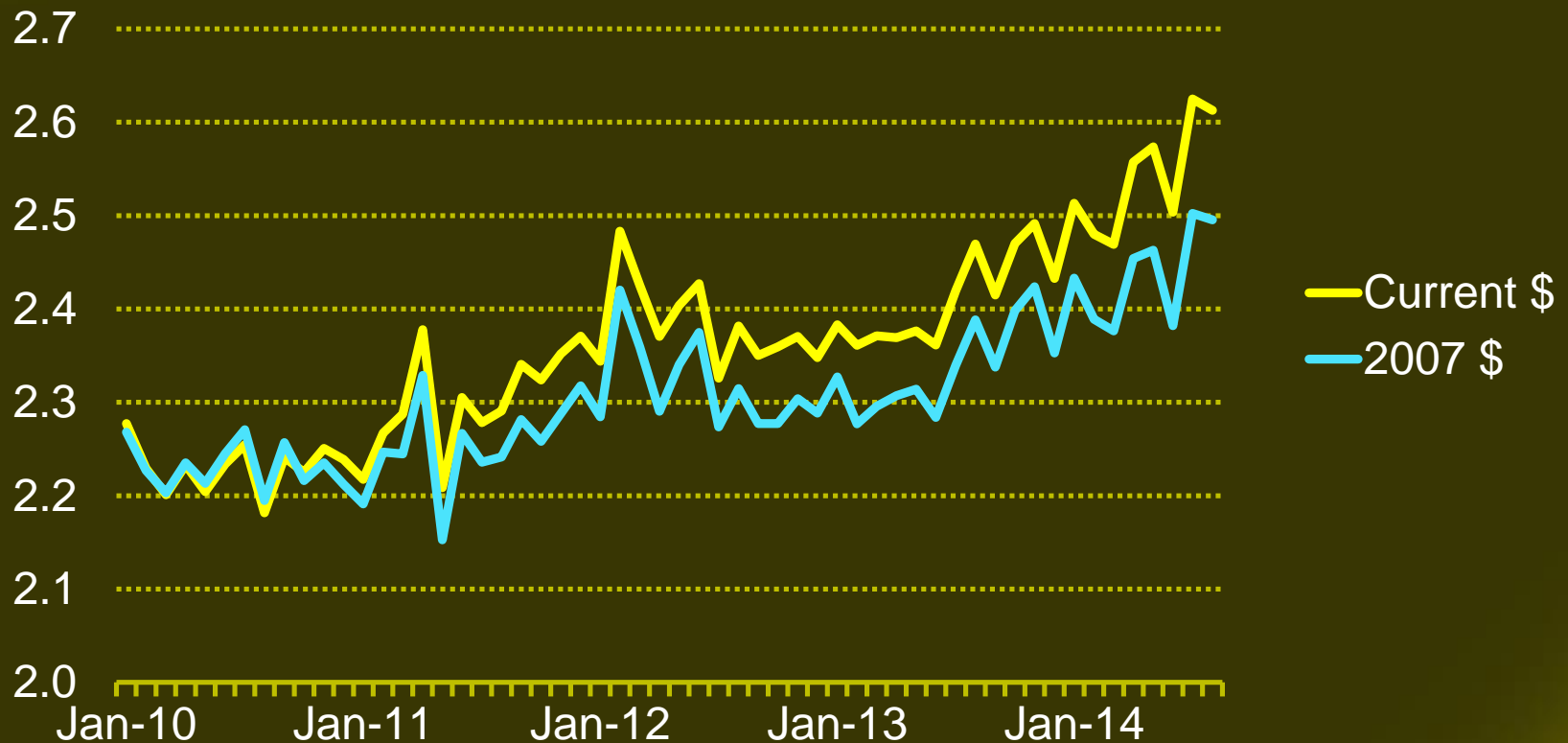
Source: Statistics Canada. Latest: Jan. – Sep. 2014 average



Sales up 6.4% this year

Retail Sales: Vancouver CMA

Dollars - billions



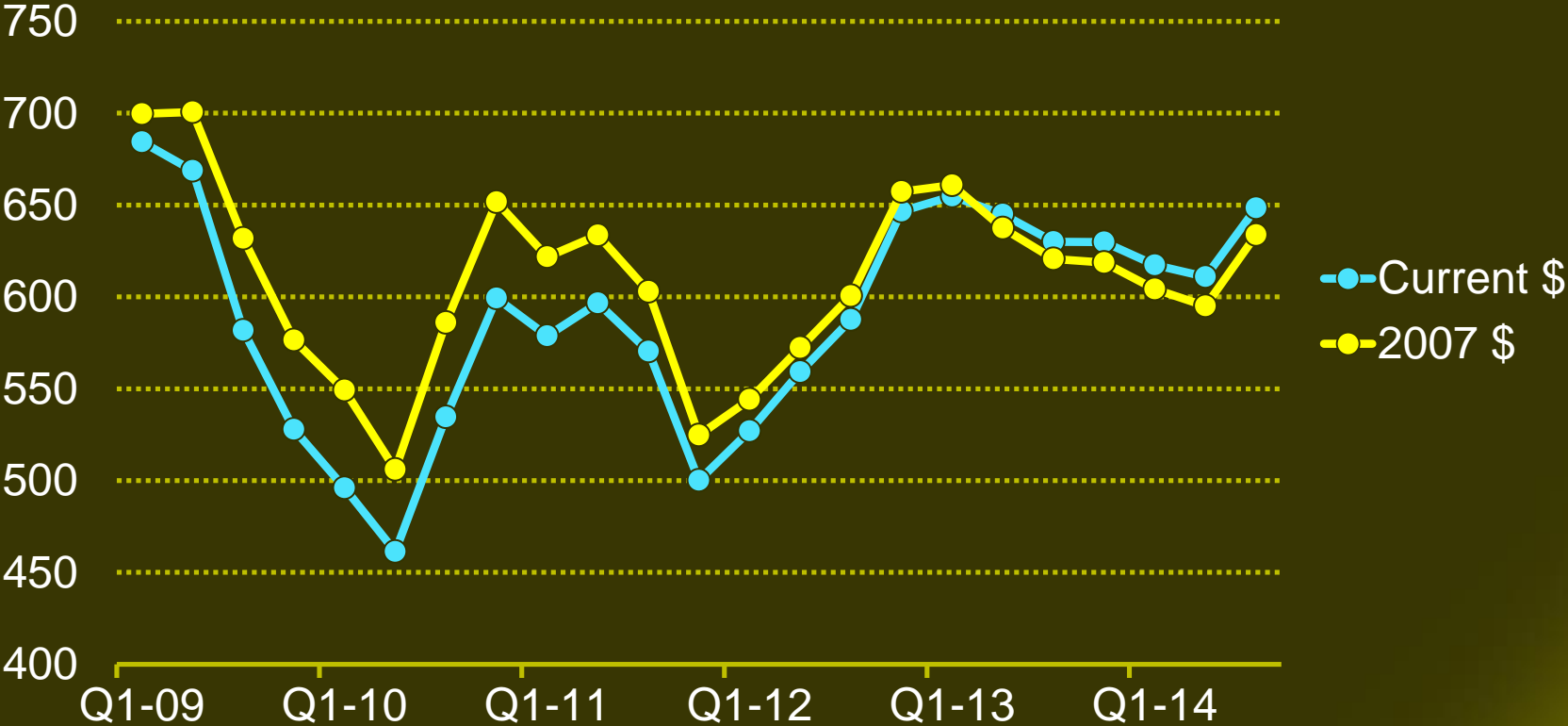
Source: Statistics Canada, C1CU. Note: Seasonally adjusted. Latest: Aug-14



First increase since early 2013

Private Building Construction Investment: Vancouver CMA

Dollars - millions



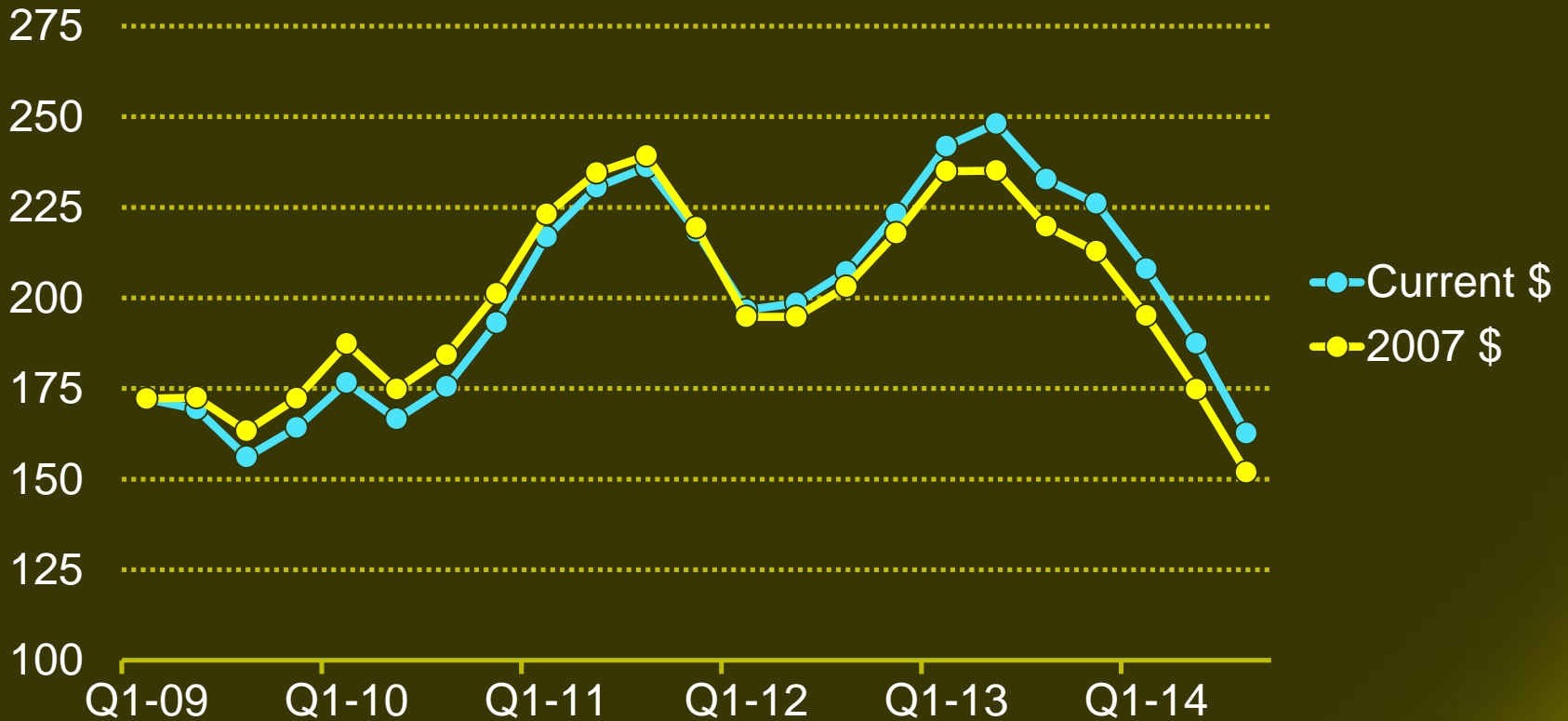
Source: Statistics Canada. Note Seasonally adjusted.

Latest: Q3-14

Declining spending

Government Building Construction Investment: Vancouver CMA

Dollars - millions



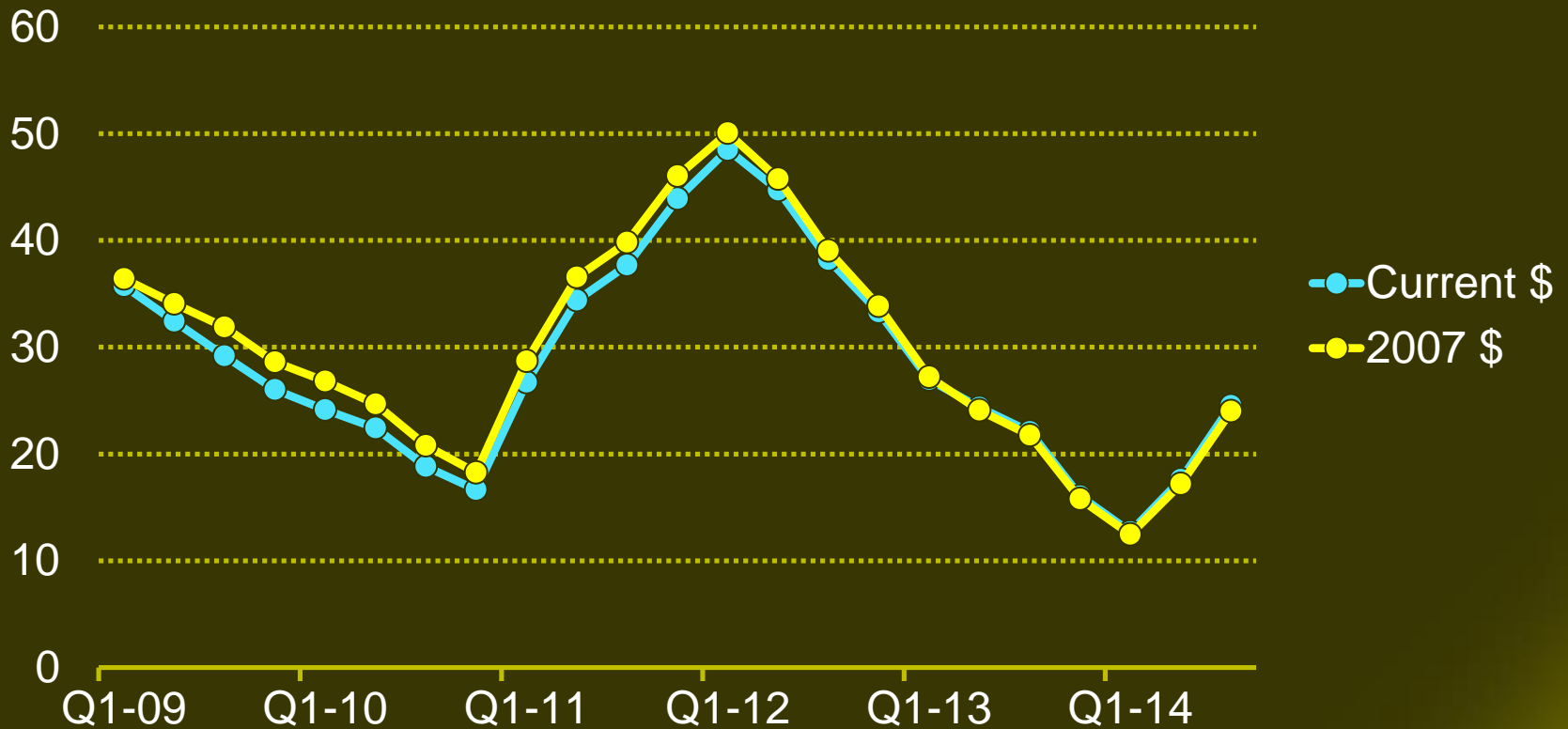
Source: Statistics Canada. Note Seasonally adjusted.

Latest: Q3-14

Recent gains in 2014

Private Building Construction Investment: Abbotsford CMA

Dollars - millions



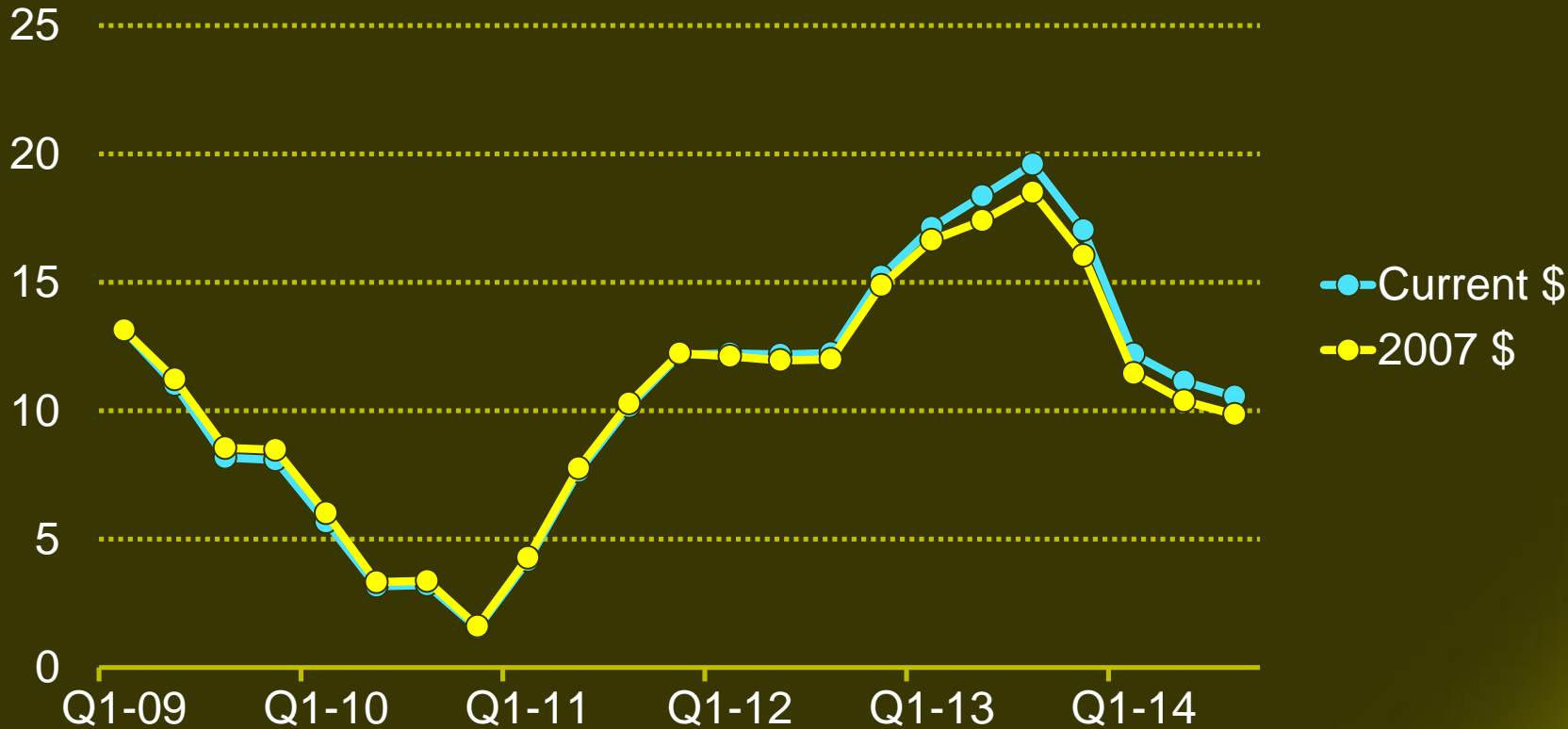
Source: Statistics Canada. Note Seasonally adjusted.

Latest: Q3-14

Declining spending

Government Building Construction Investment: Abbotsford CMA

Dollars - millions



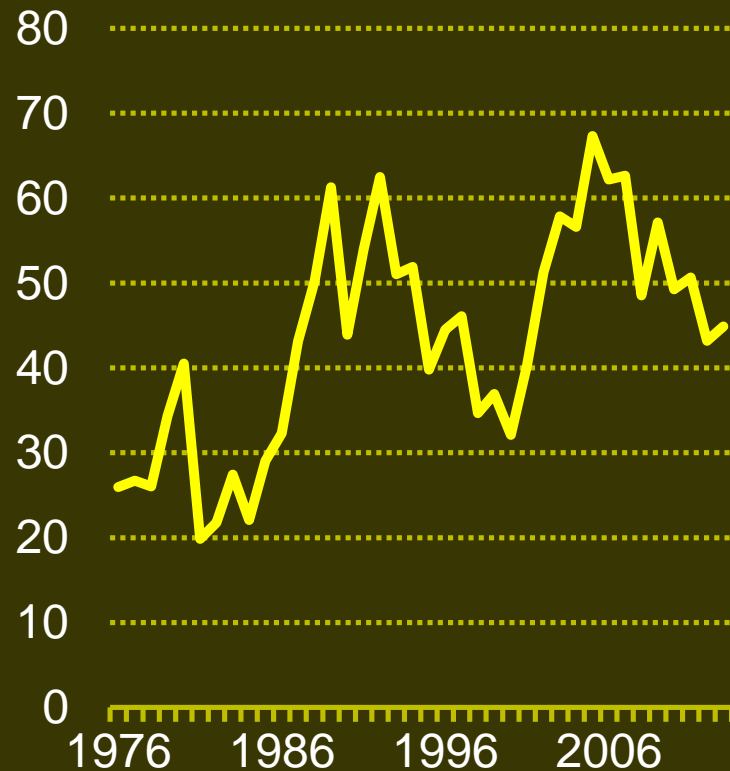
Source: Statistics Canada. Note Seasonally adjusted.

Latest: Q3-14

Housing market firmer in 2013

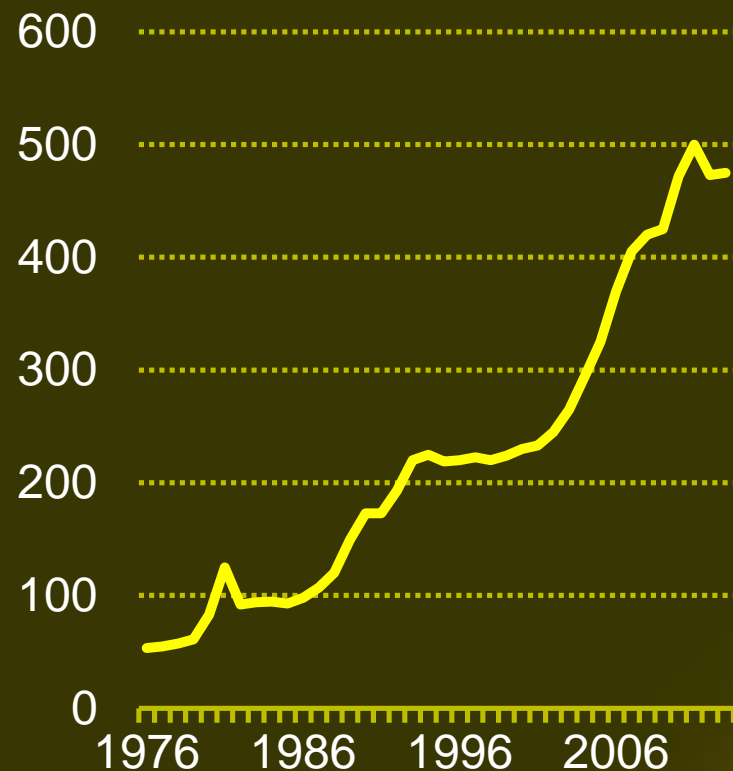
Res. Sales: Metro Vancouver

Units - thousands



Median Sale Price

Dollars - thousands



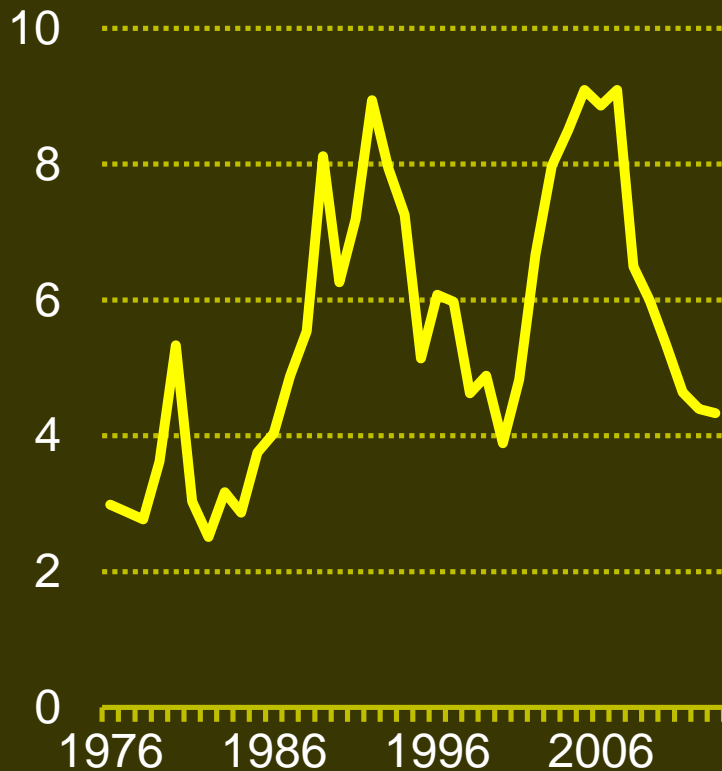
Source: Landcor Data Corp. Note: Arms-length transactions only. Latest: 2013



Housing market at or near cycle low

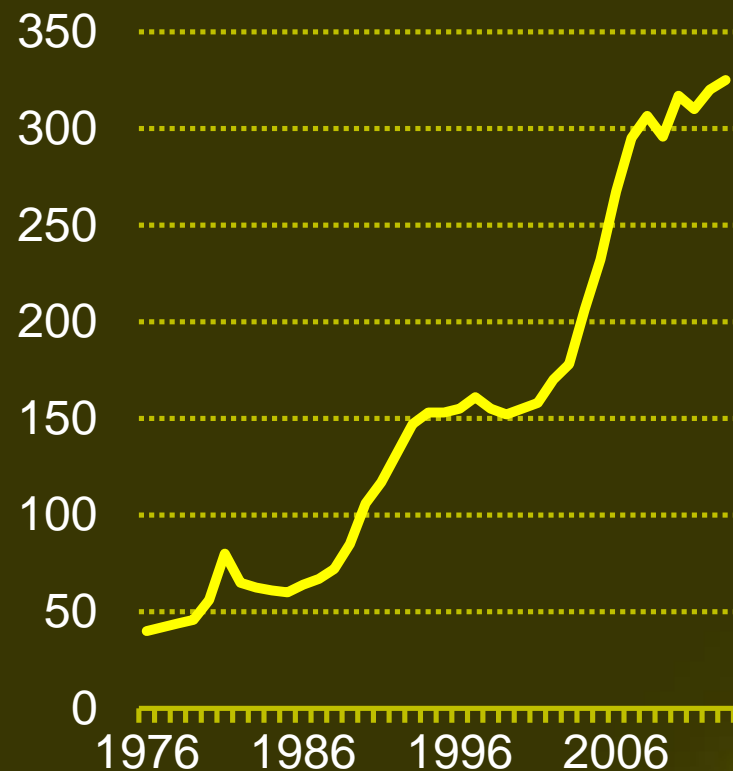
Res. Sales: Fraser Valley RD

Units - thousands



Median Sale Price

Dollars - thousands



Source: Landcor Data Corp. Note: Arms-length transactions only. Latest: 2013



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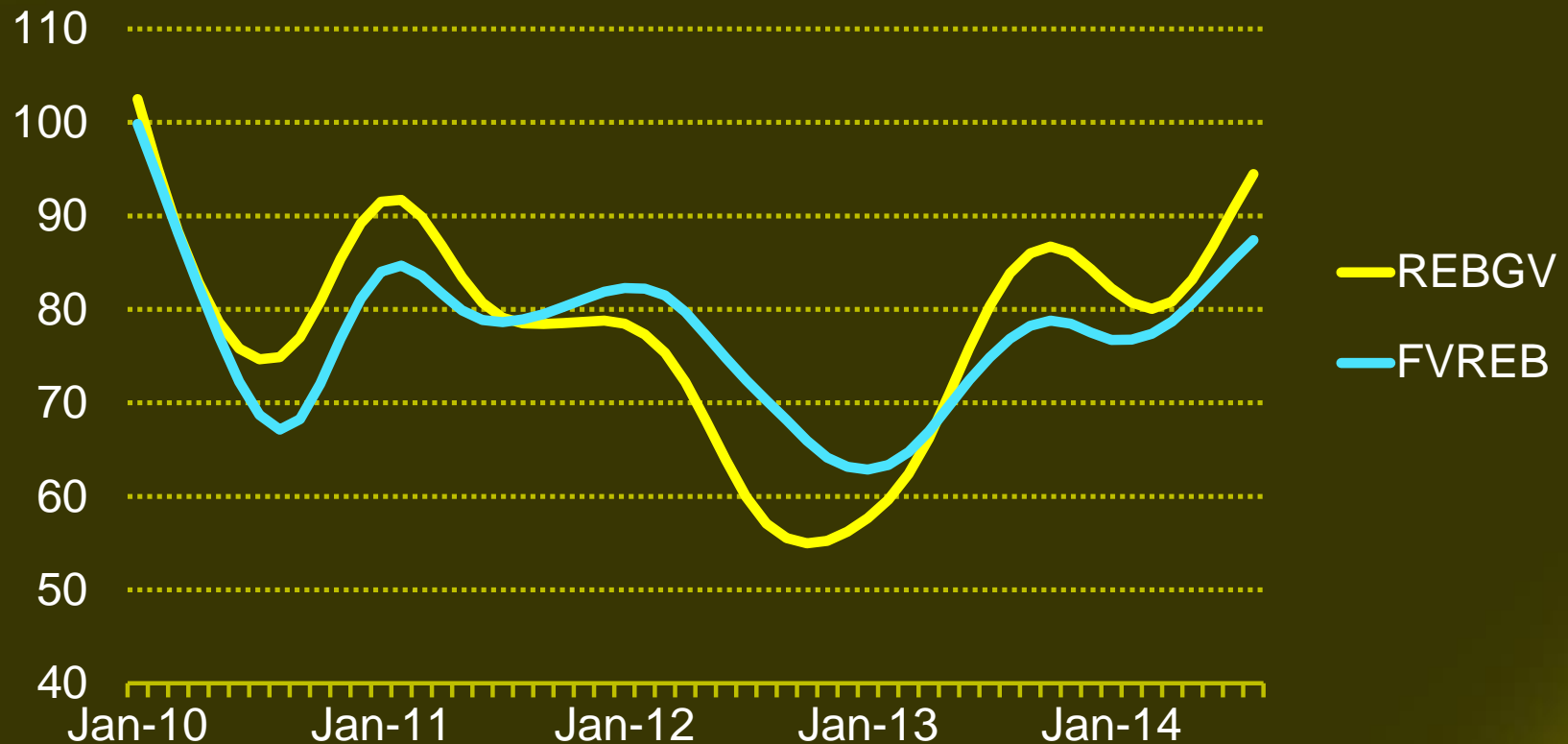


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Housing sales turn higher in 2014

MLS Residential Sales Trends: REBGV and FVREB

2007= 100



Source: CREA, C1CU.

Latest: Sep-14



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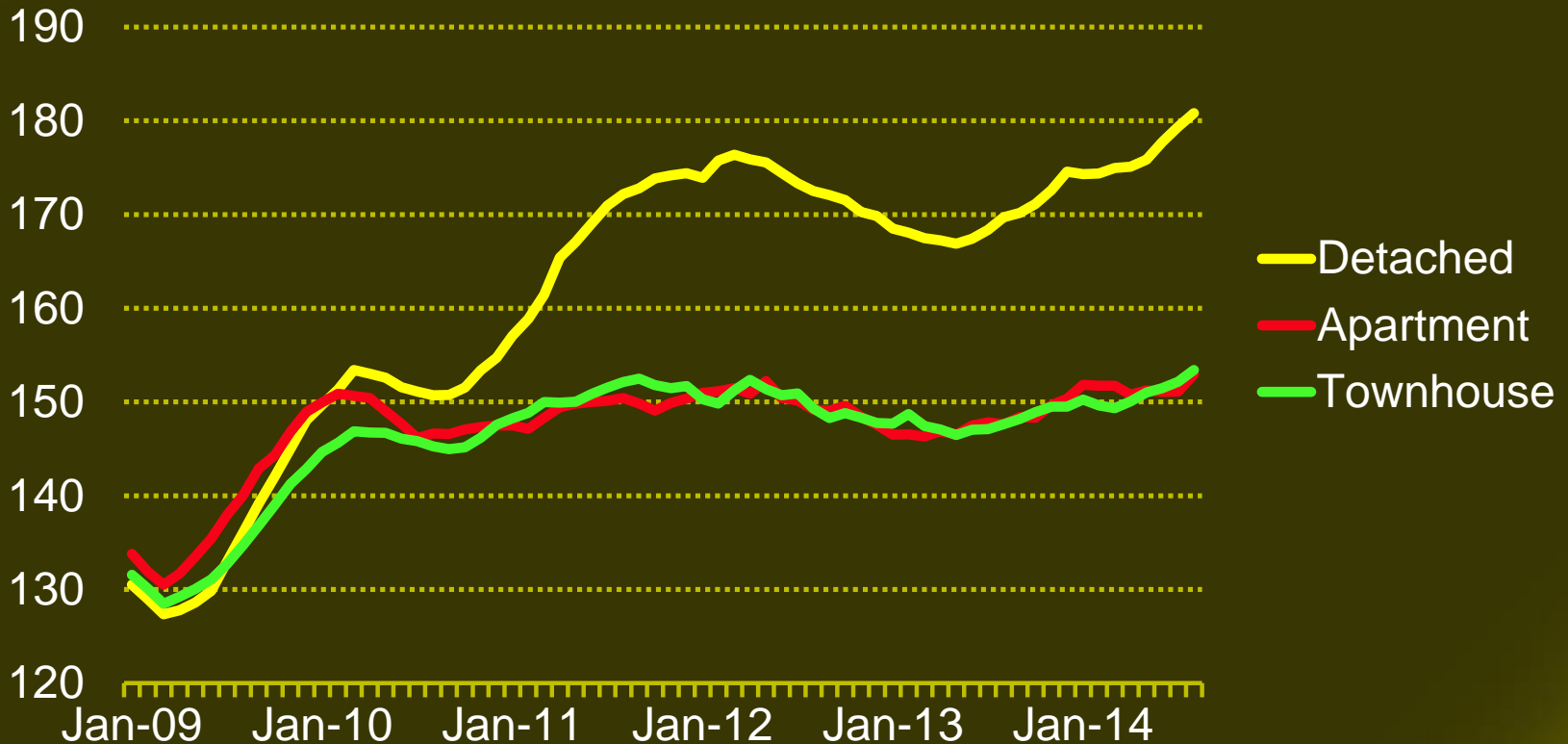


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Single detached prices rising more than condos

Home Price Index by Housing Type: REBGV

Jan. 2005 = 100

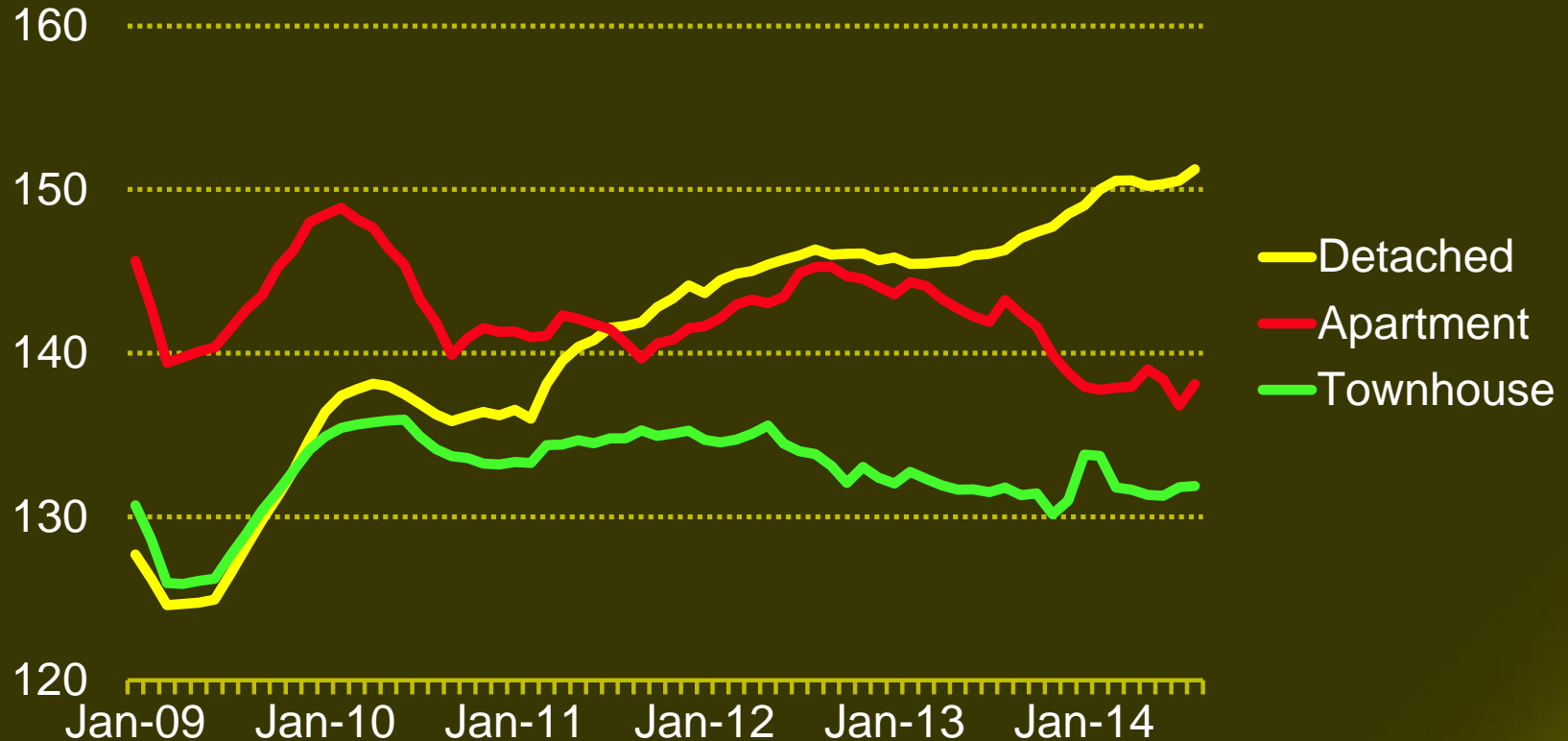


Source: CREA, C1CU. Note: Seasonally adjusted. Latest: Sep-14

Single family prices up, multi-family down

Home Price Index by Housing Type, FVREB

Jan. 2005 = 100

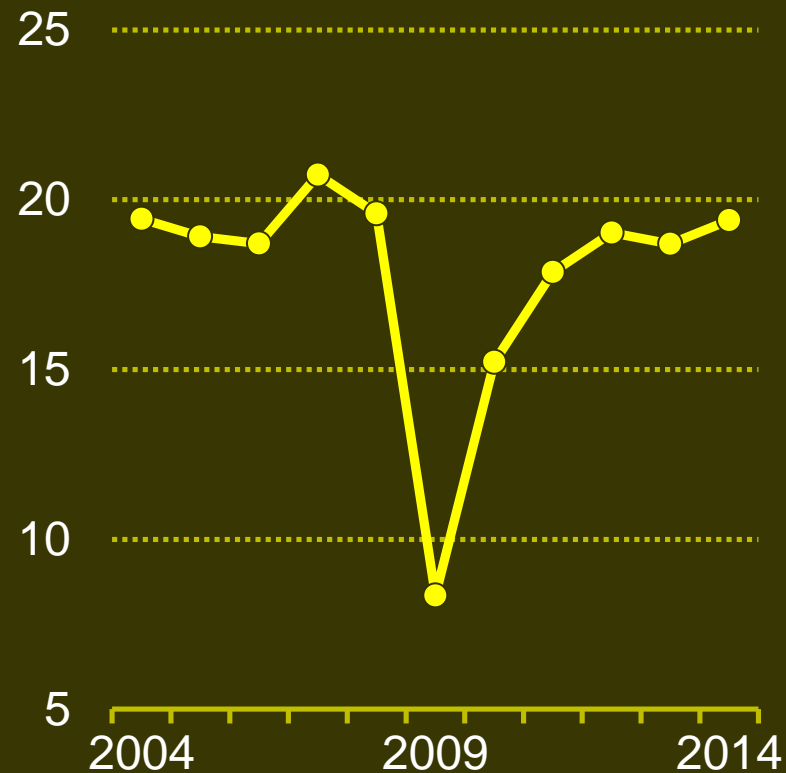


Source: CREA, C1CU. Note: Seasonally adjusted. Latest: Sep-14

Range-bound in Vancouver, gaining traction in Abbotsford

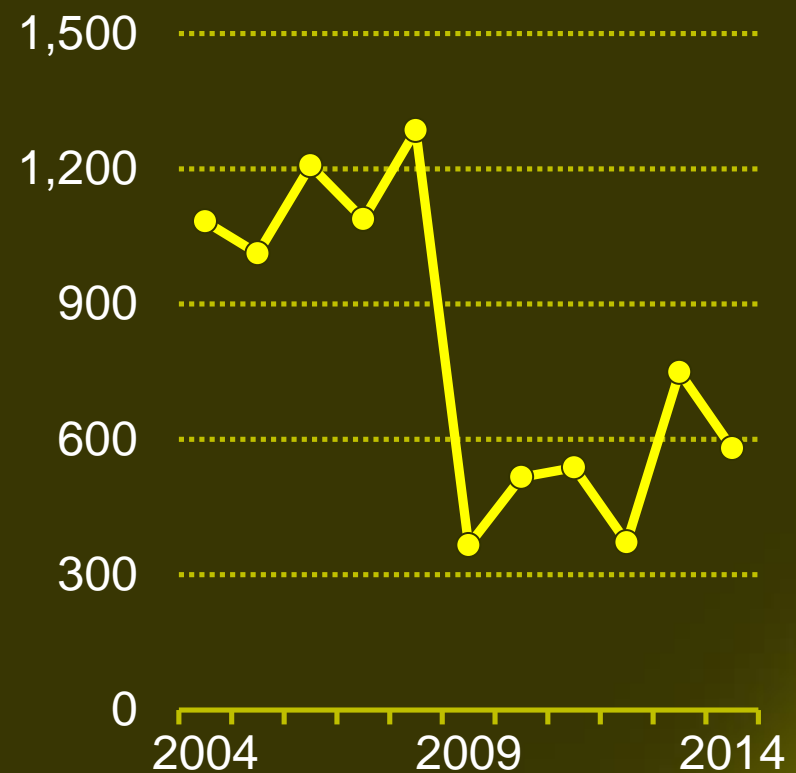
Housing Starts: Vancouver CMA

Units - thousands



Abbotsford CMA

Units



Source: Statistics Canada. Latest: 12 months ending Sep. 2014.



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Moderate growth ahead, housing makes gains

Economic and Housing Forecasts: Metro Vancouver					
Indicator	2012	2013	2014	2015	2016
Employment, % chg.	1.9	-0.1	2.2	1.6	2.3
Unemployment rate, %	6.7	6.6	5.8	5.6	5.3
Population, % chg.	1.5	1.4	1.4	1.4	1.5
Retail sales, % chg.	3.4	1.3	6.5	3.5	5.0
Housing sales, % chg.	-14.7	3.8	15.0	5.0	7.0
Housing price, % chg.	-5.4	0.4	10.0	2.0	3.0
Housing starts, % chg.	6.5	-1.7	6.0	5.0	9.0

Source: Statistics Canada, Landcor Data Corp., CMHC, Central 1 Credit Union.

Little growth in 2014, better prospects ahead

Economic and Housing Forecasts: Fraser Valley					
Indicator	2012	2013	2014	2015	2016
Employment, % chg.	3.4	5.3	-1.5	3.0	2.5
Unemployment rate, %	7.5	7.8	8.0	7.5	7.0
Population, % chg.	1.2	0.7	0.5	0.5	0.7
Housing sales, % chg.	4.9	-0.4	15.0	8.0	6.0
Housing price, % chg.	2.4	1.6	3.0	2.0	3.5
Housing starts, % chg.	-31	102	-23	20.0	15.0

Source: Statistics Canada, Landcor Data Corp., CMHC, Central 1 Credit Union.



Summary:

- U.S. economy poised to gain momentum; expansion extends a few more years
- Recent weakness in Europe and emerging market economies
- Canada's economy follows U.S.; export-led assisted by lower CAD
- Interest rates at low point; heading higher led by long-term yields; U.S. Fed begins raising mid-2015
- B.C.'s moderate growth phase to continue in near term; stronger growth largely dependent on external factors



Summary:

- No major housing correction unless an economic recession occurs
- Major projects such as LNG, pipelines, mines, etc. have uncertain timing
- Metro Vancouver economy best regional performer in B.C. since the recession
- Abbotsford economy grinding out of slow and sporadic growth



Thank you



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