

# Economic Update and Outlook

## Vancouver Island Economic Alliance

Wednesday, October 19, 2011

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Chief Economist  
Central 1 Credit Union



# Outline:

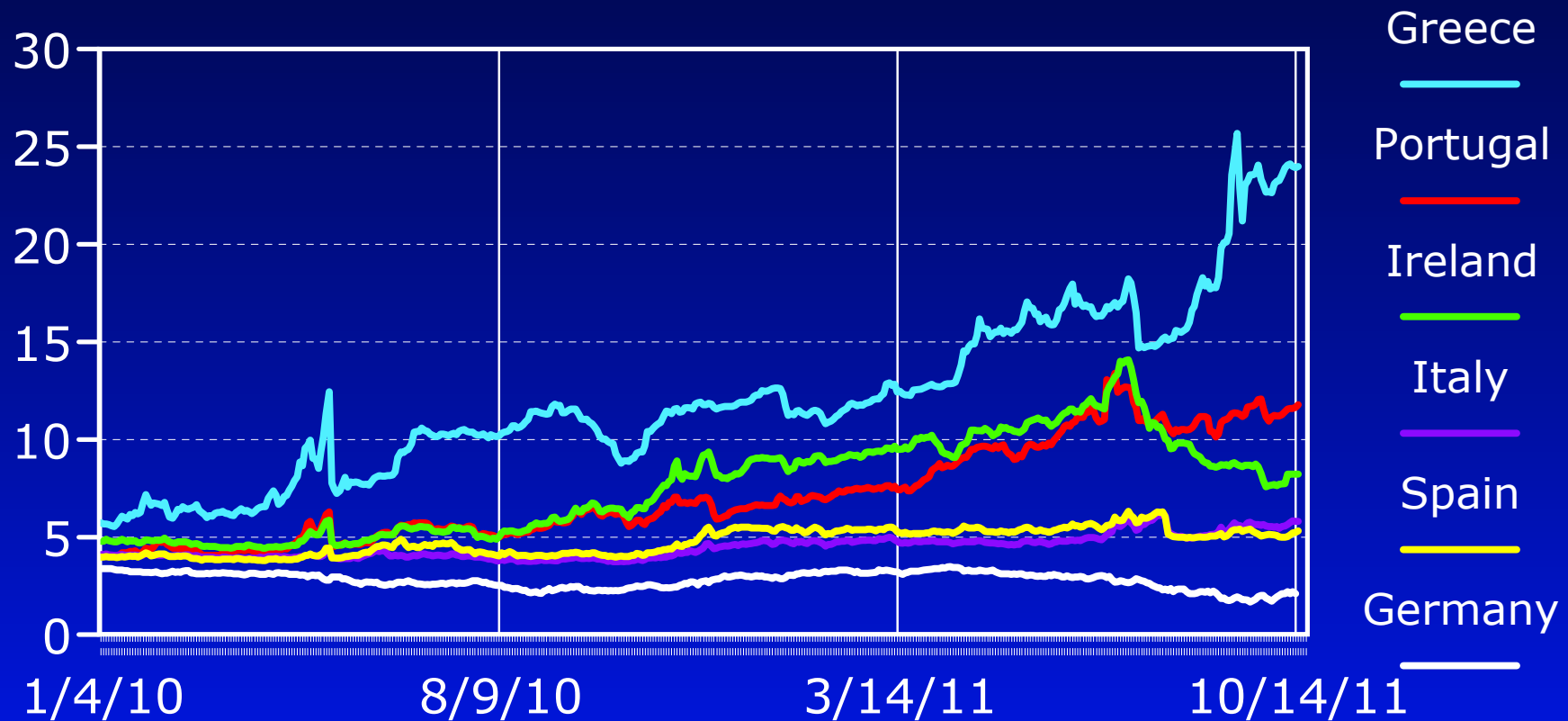
- European sovereign debt crisis
- U.S. economic forecast
- Canada's economic, interest rate, and currency forecasts
- B.C. economic trends and forecasts
- Vancouver Island economic trends
- Vancouver Island longer term economic developments



# Heightened market concerns on sovereign debt - notably Greece

## 10-year Govt. Bond Yields, Selected European Economies

Per cent



Source: Bloomberg.

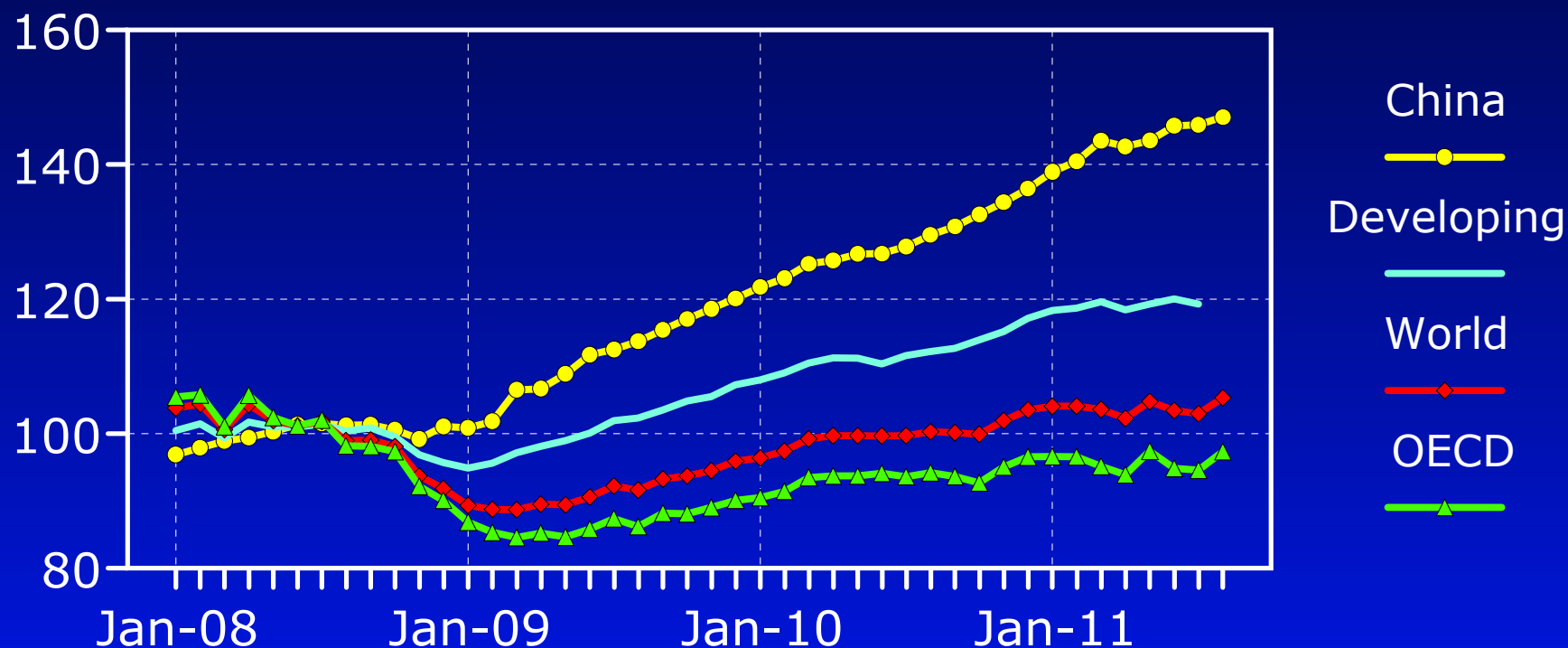
Latest: 10/17/2011



# Emerging and developing economies lead recovery, industrialized economies lag

## World Industrial Production, Selected Economies

2008=100



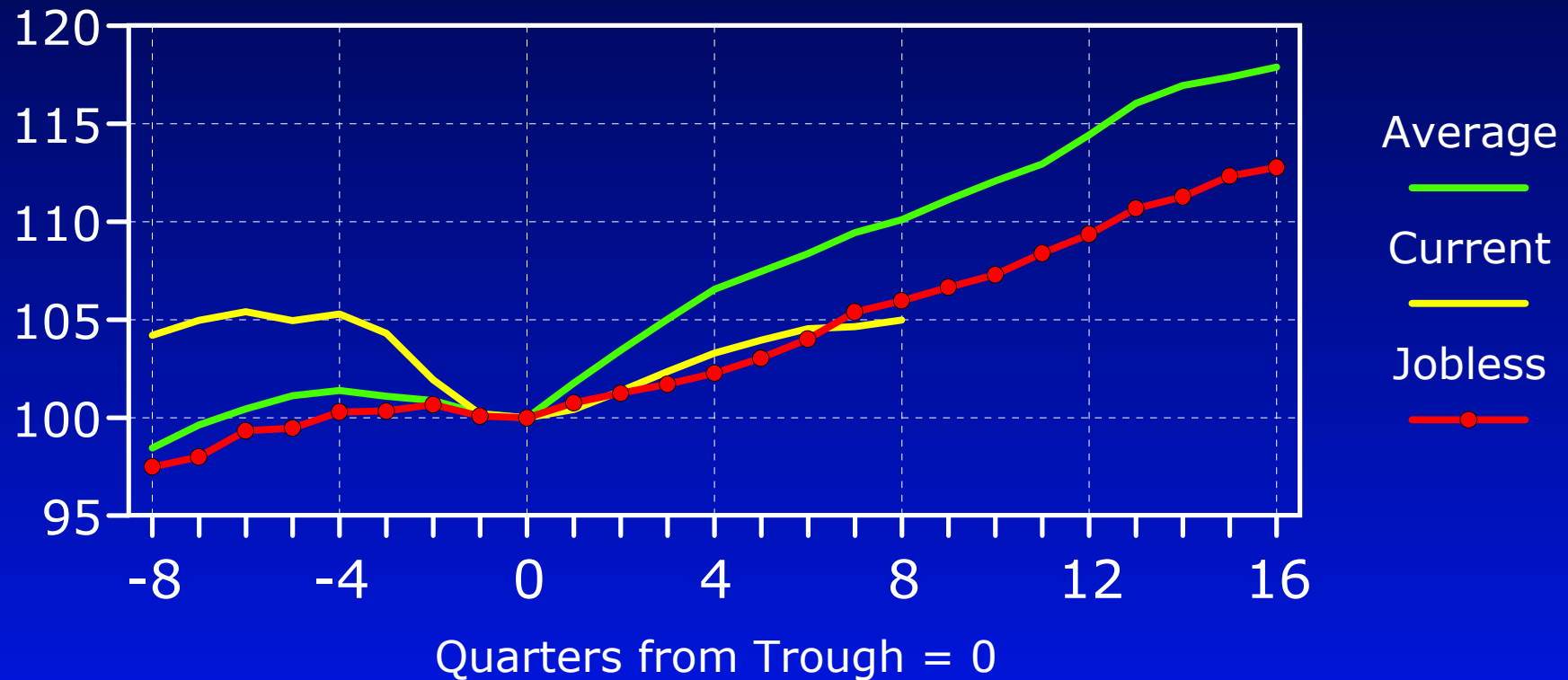
Source: World Bank. Note: Seasonally adjusted. Latest: Aug-11



# Current U.S. economic recovery sub-par, tracking close to past jobless recoveries

## Recoveries in U.S. Real GDP

Cycle trough = 100



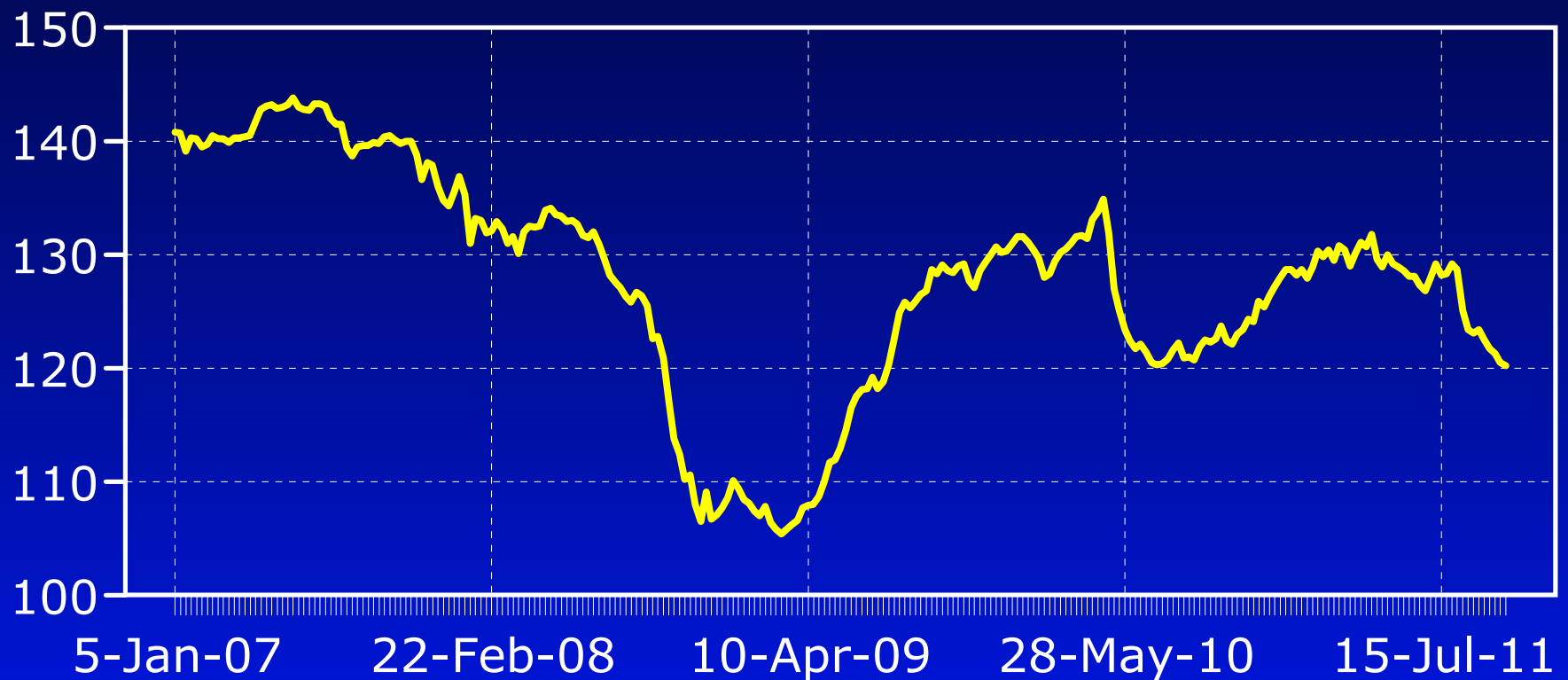
Source: Central 1 Credit Union.



# ECRI issues recession call for U.S. economy

## U.S. Weekly Leading Economic Indicator

1992=100



Source: Economic Cycle Research Institute.

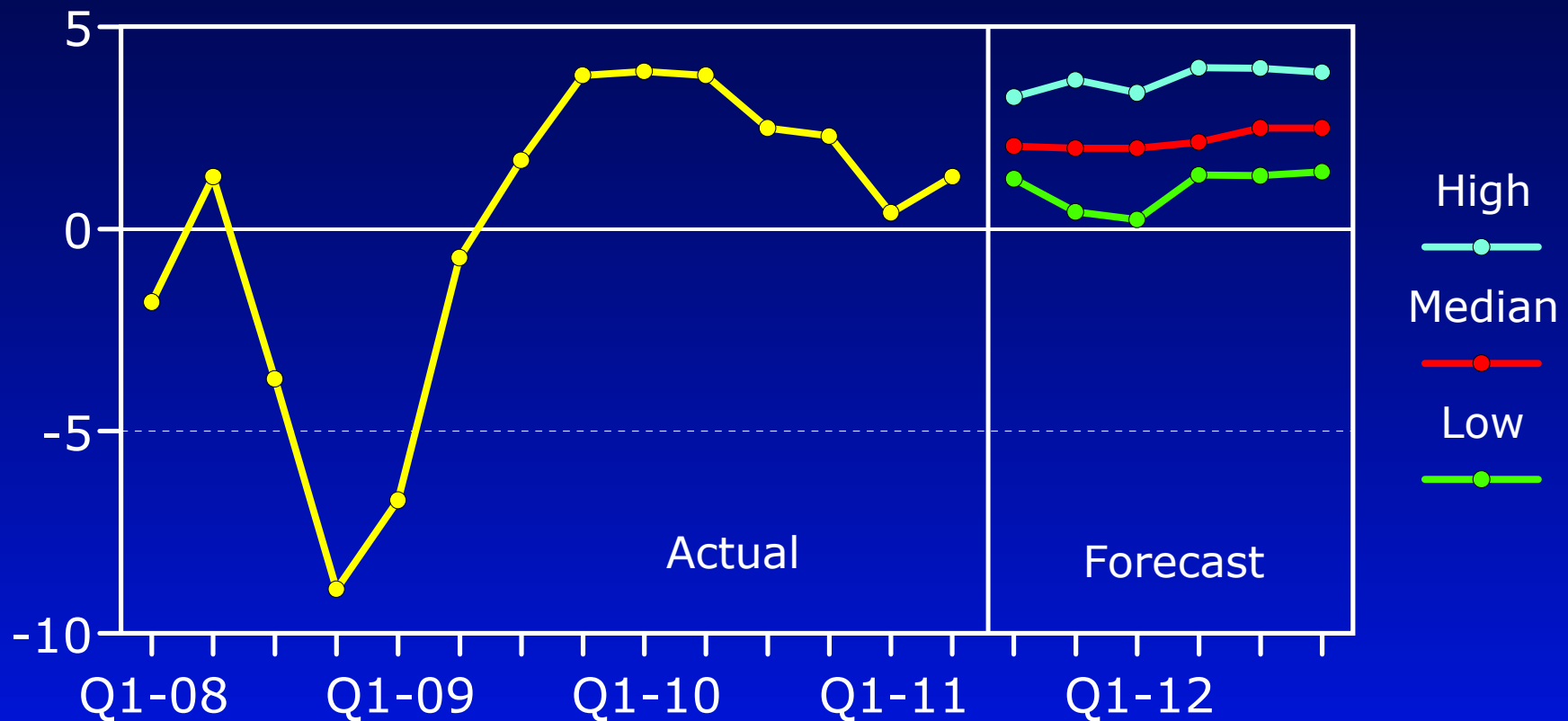
Latest: 07-Oct-11



# No recession forecast by economists, more sub-par growth ahead

## U.S. Economic Forecast

Percentage change at annual rate in real GDP



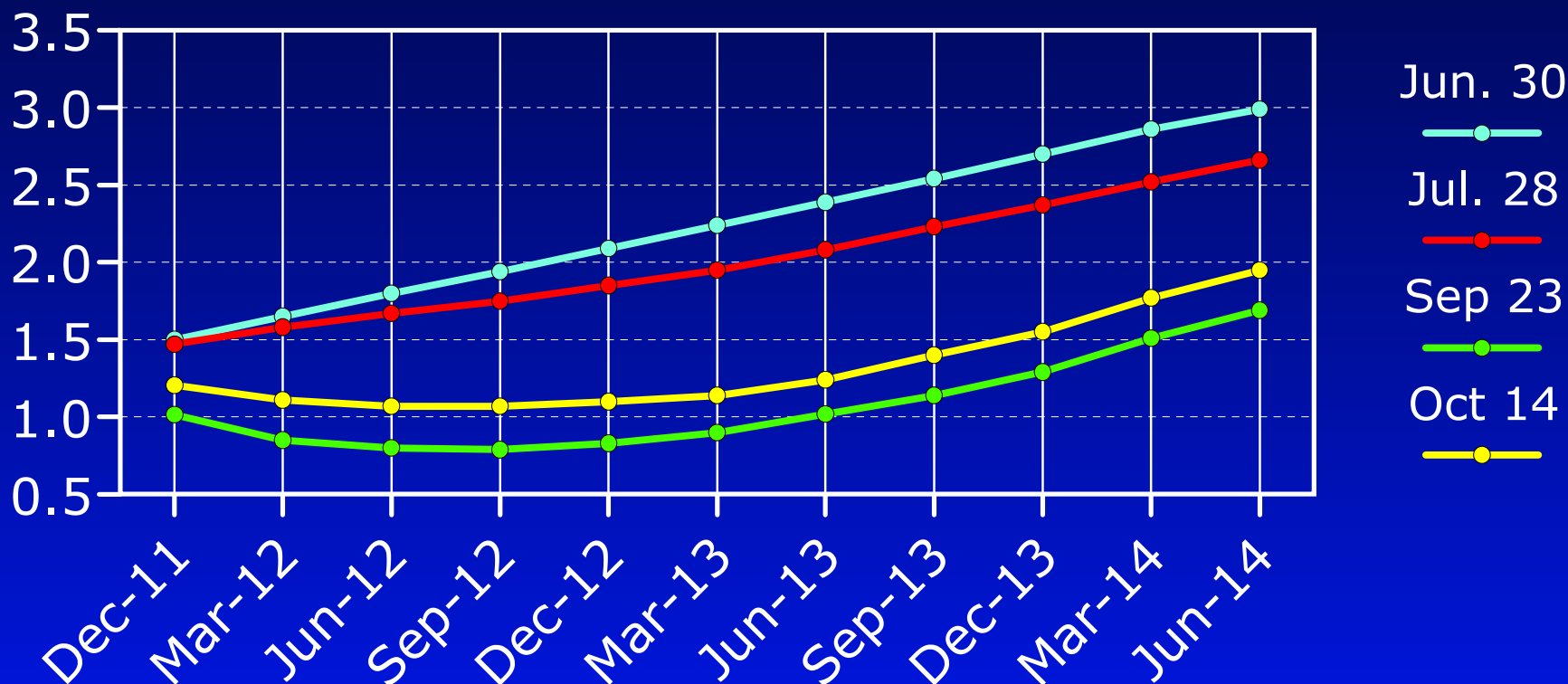
Source: U.S. BEA, WSJ September 2011 Survey. Latest actual: Q2-11



# Large downshift in rate expectations since June and July

## Three-Month Canadian Bankers' Acceptance Futures

Per cent



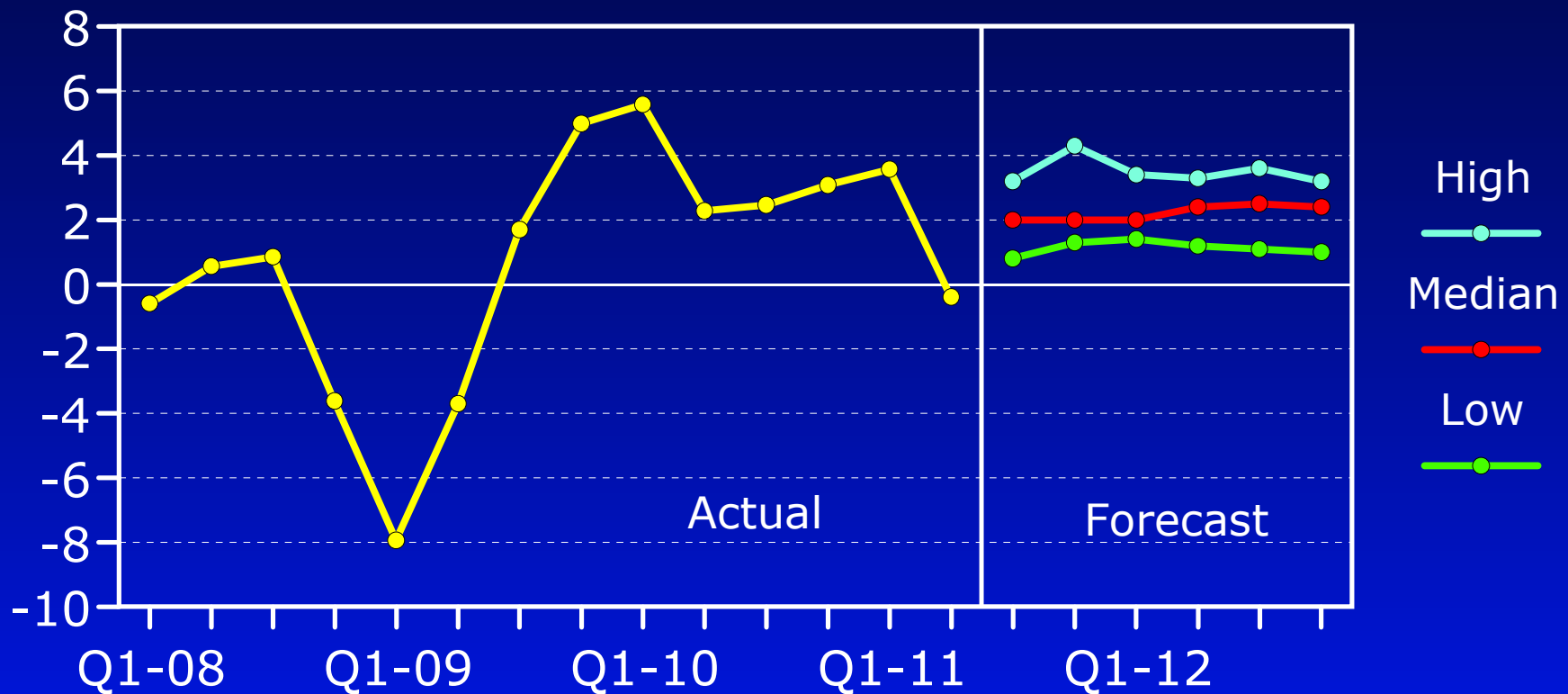
Source: Montreal Exchange, C1CU.



# Canada avoids recession, slow growth into 2012

## Canada's Economic Forecast

Percentage change at annual rate in real GDP



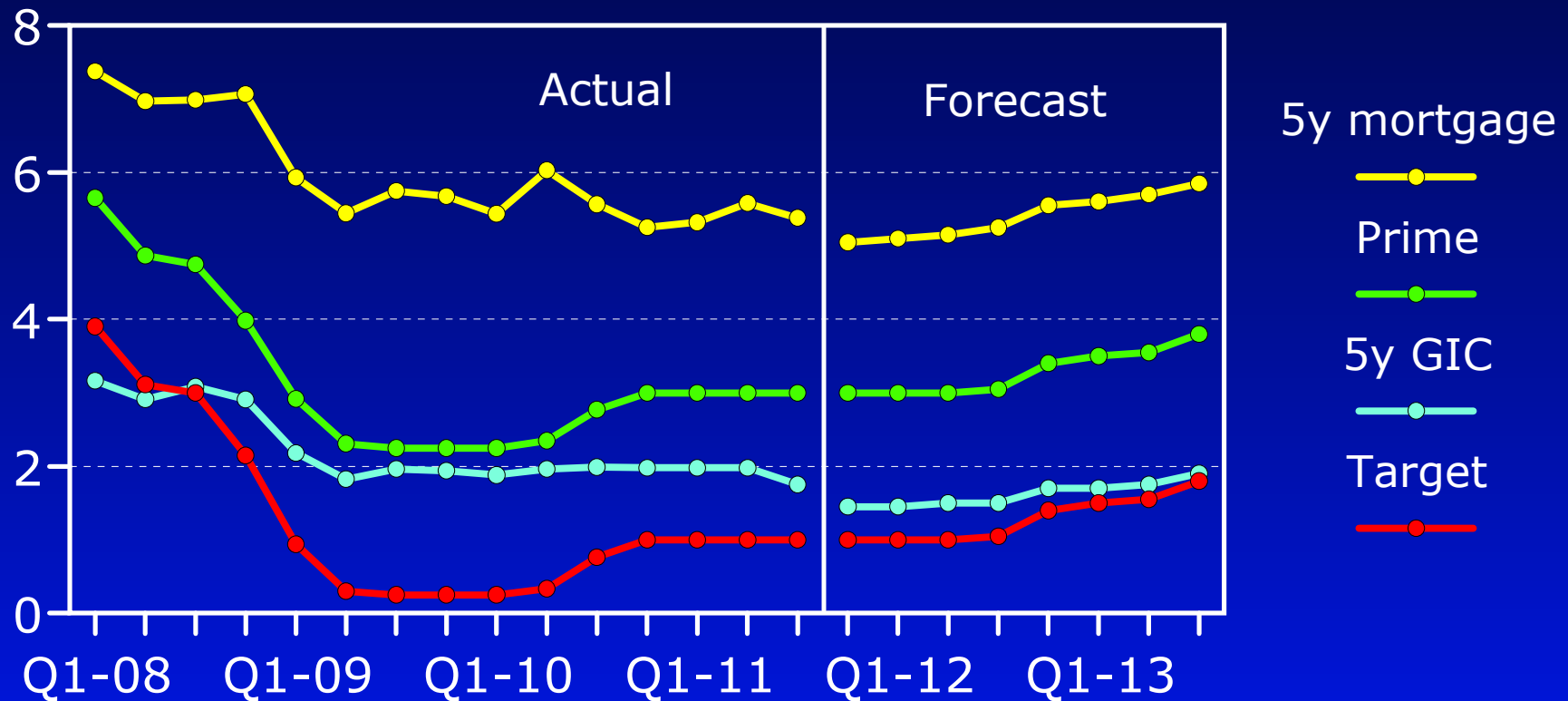
Source: Statistics Canada, Bank of Canada, C1CU Oct-11. Latest actual: Q2-11



# Low interest rates, no BoC increase until late 2012

## Interest Rate Forecasts, Canada

Per cent



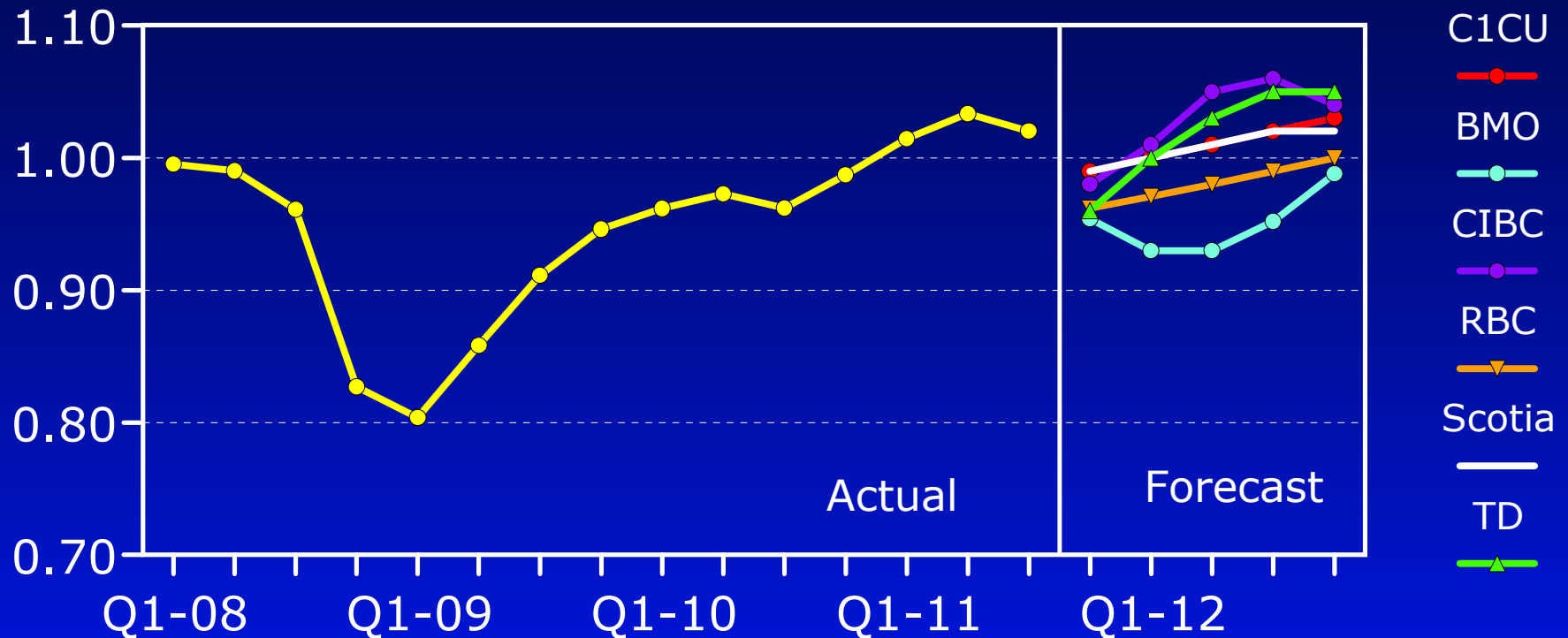
Source: Bank of Canada, C1CU. Note: Averages. Latest actual: Q3-11



# Higher Canadian dollar expected

## Quarterly Exchange Rate Forecasts, Canada

USD per CAD

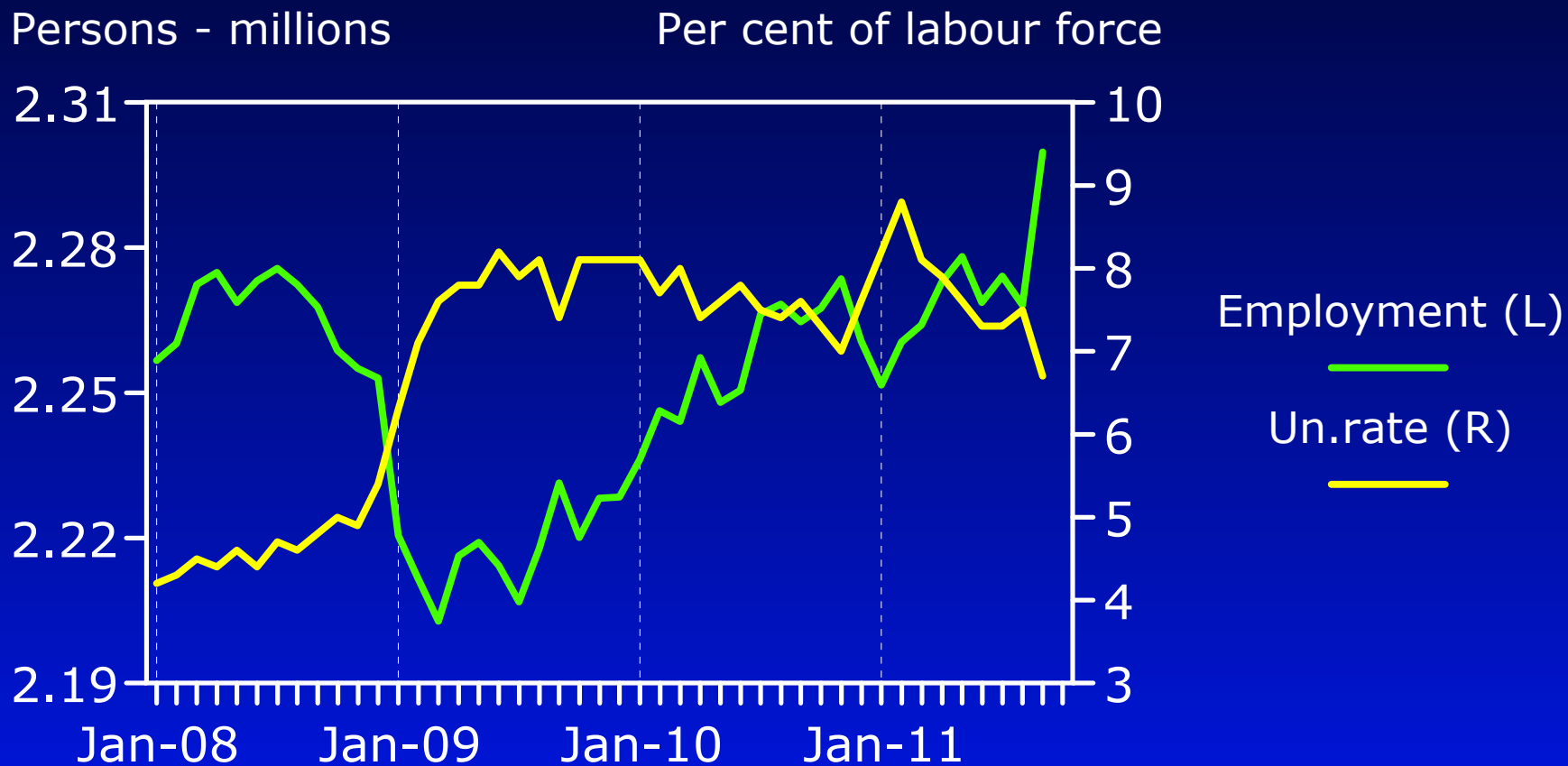


Source: Bank of Canada, C1CU Survey. Latest actual: Q3-11



# Weak job growth in 2011, September job spike an outlier

## B.C. Labour Market



Source: Statistics Canada. Note: Seasonally adjusted. Latest: Sep-11



# Vancouver employment drives provincial gains as rest of B.C. declines

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

2007=100

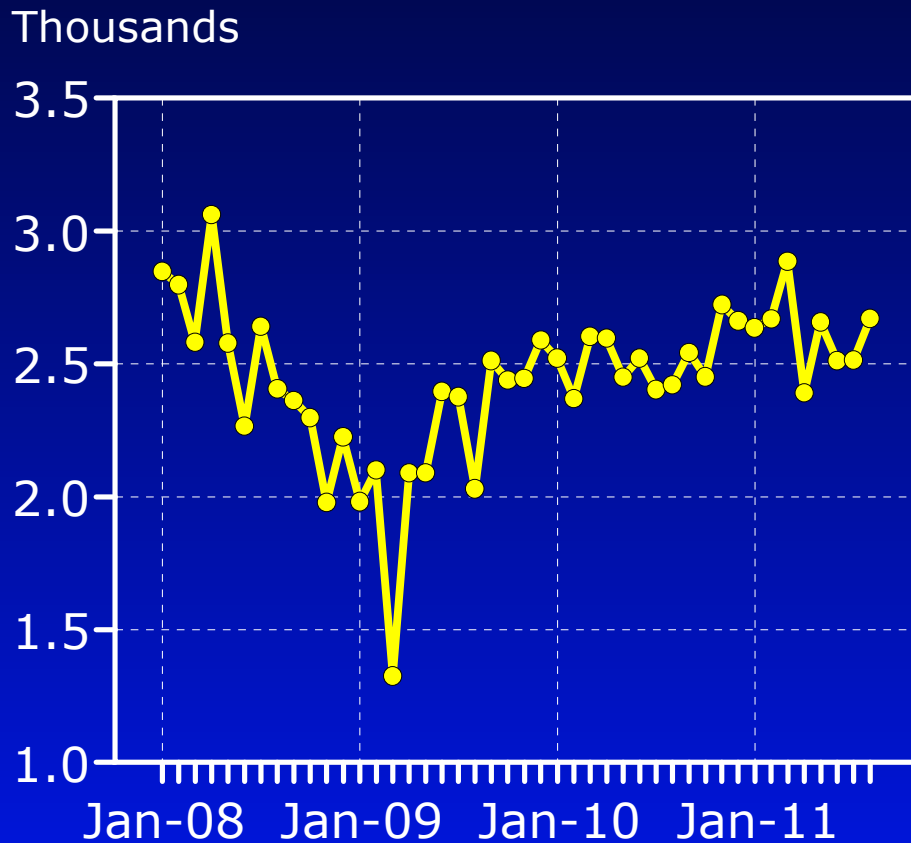


Source: Statistics Canada, C1CU. Note: Seasonally adjusted. Latest: Sep-11



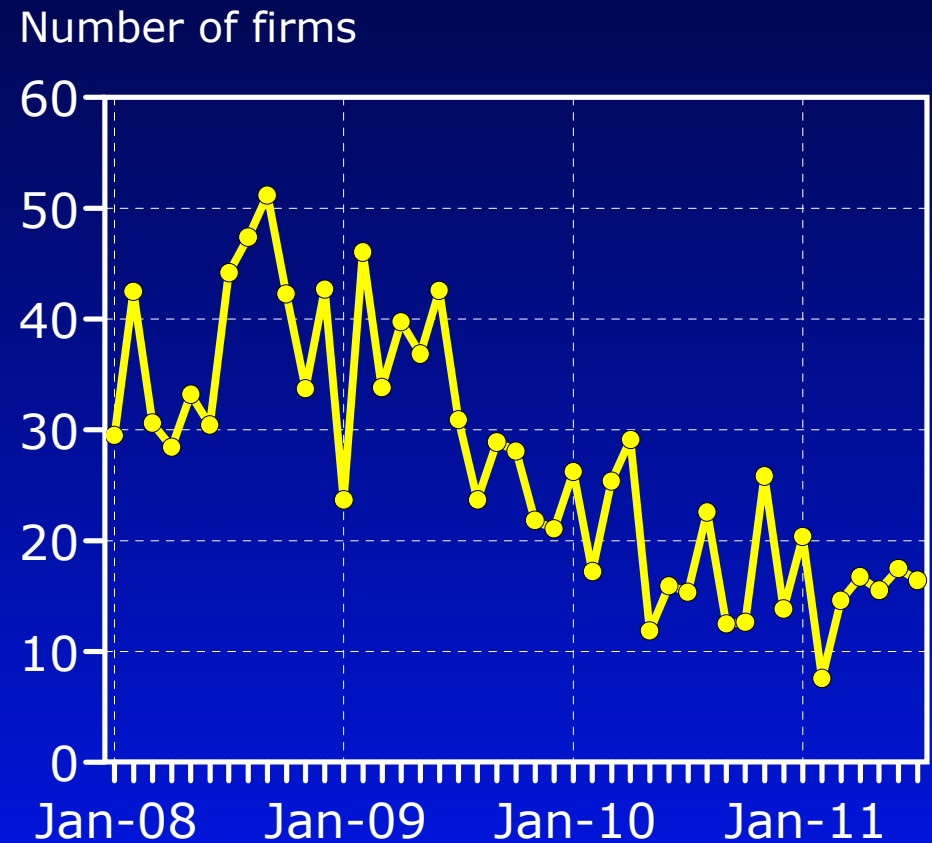
# B.C. business indicators generally positive

## Business Incorporations



Source: BC STATS, OSB Canada, C1CU.

## Business Bankruptcies

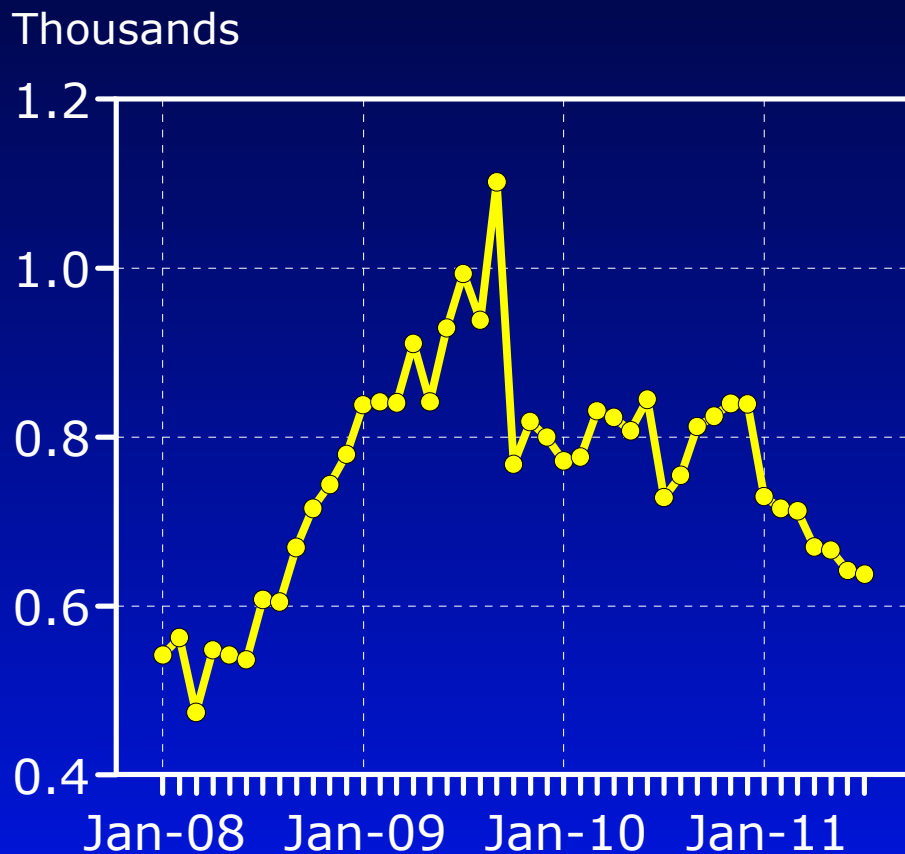


Note: Seasonally adjusted



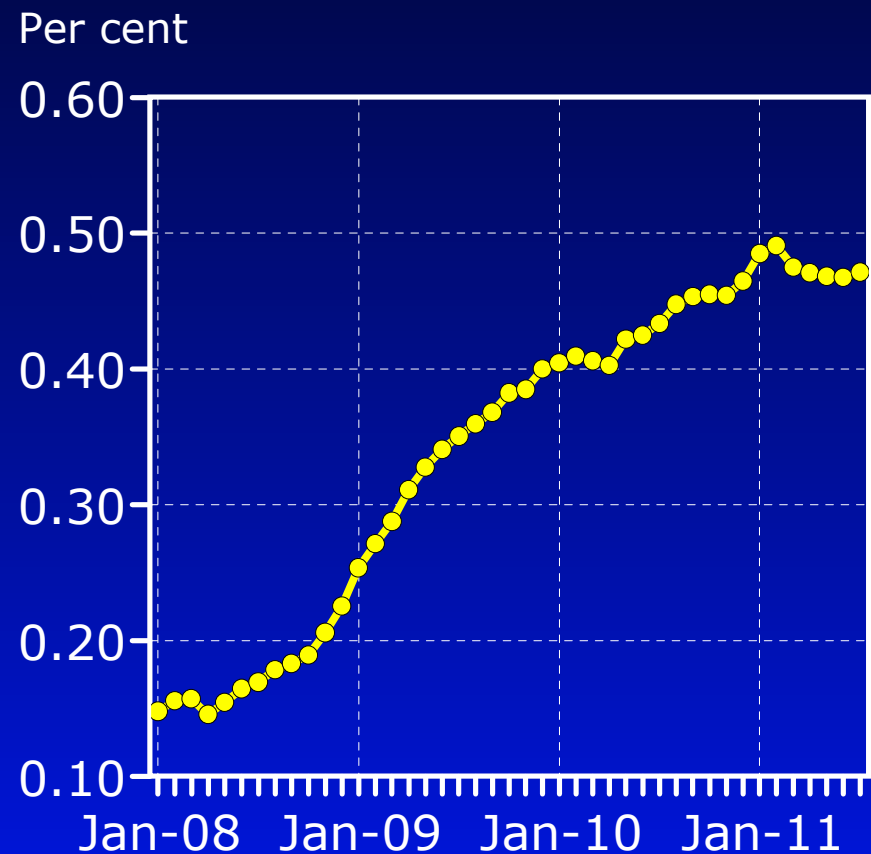
# B.C. consumer indicators mixed

## Consumer Bankruptcies



Source: OSBCanada, C1CU.

## Residential Mortgage Arrears



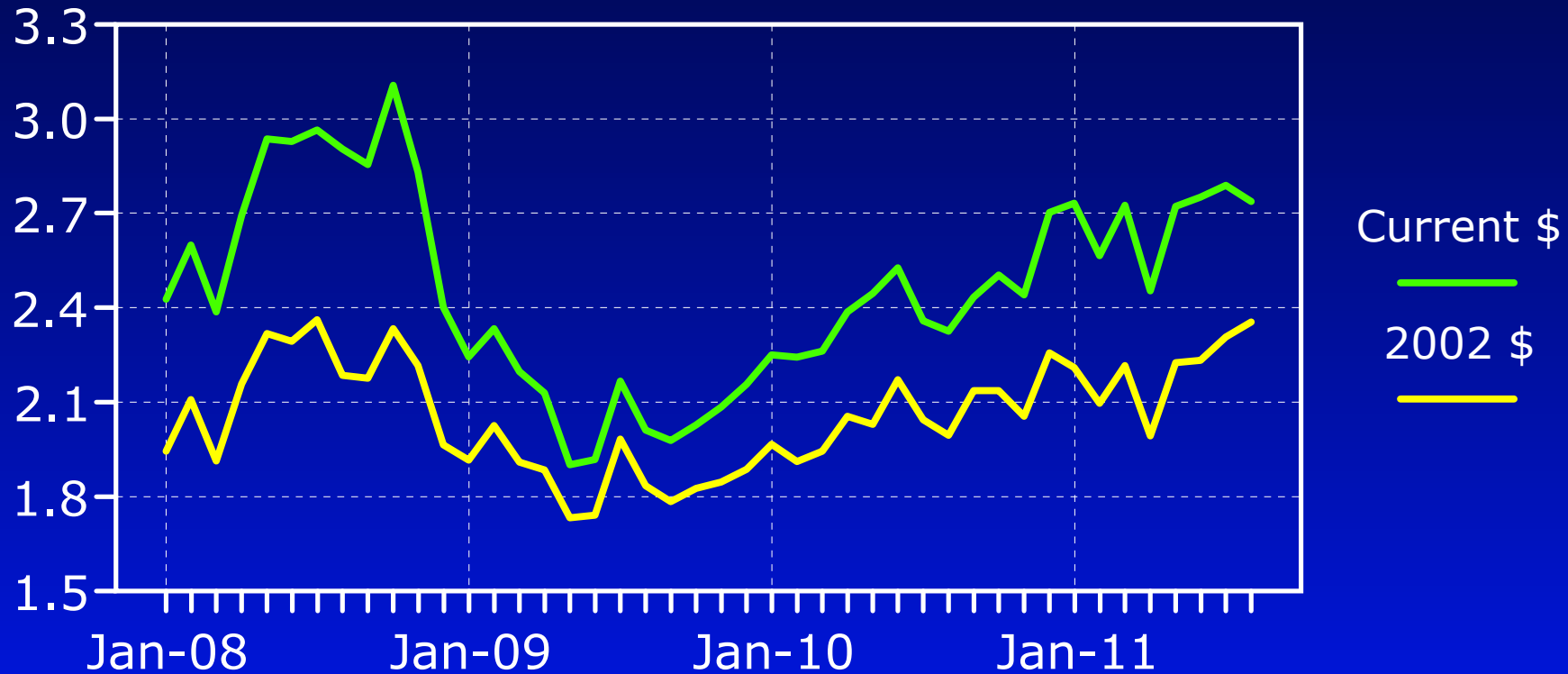
Source: Canadian Bankers Association



# Exports posting moderate gains

## B.C. International Merchandise Exports

Dollars - billions



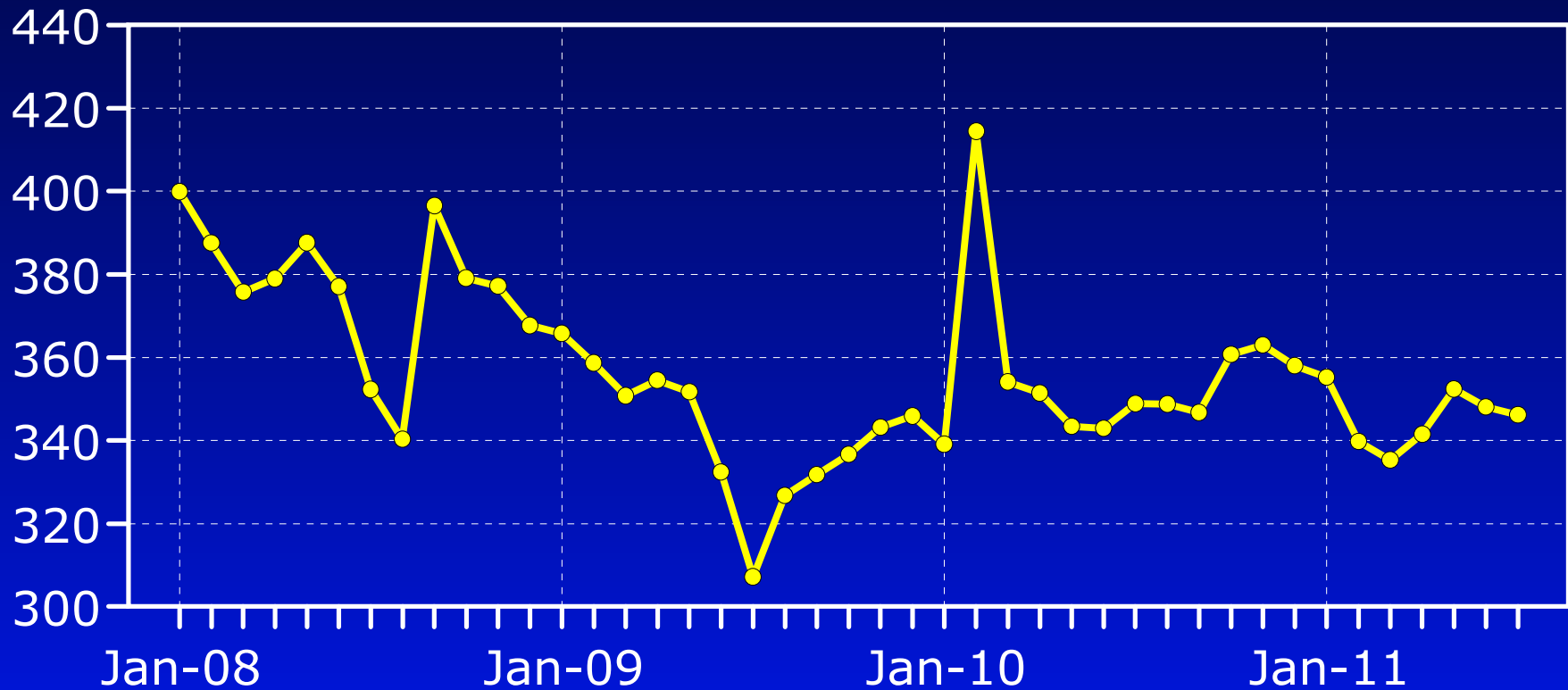
Source: Statistics Canada, C1CU. Note: Seasonally adjusted. Latest: Aug-11



# Lower international tourist activity

## B.C. International Tourist Entries

Persons - thousands



Source: Statistics Canada.

Note: Seasonally adjusted

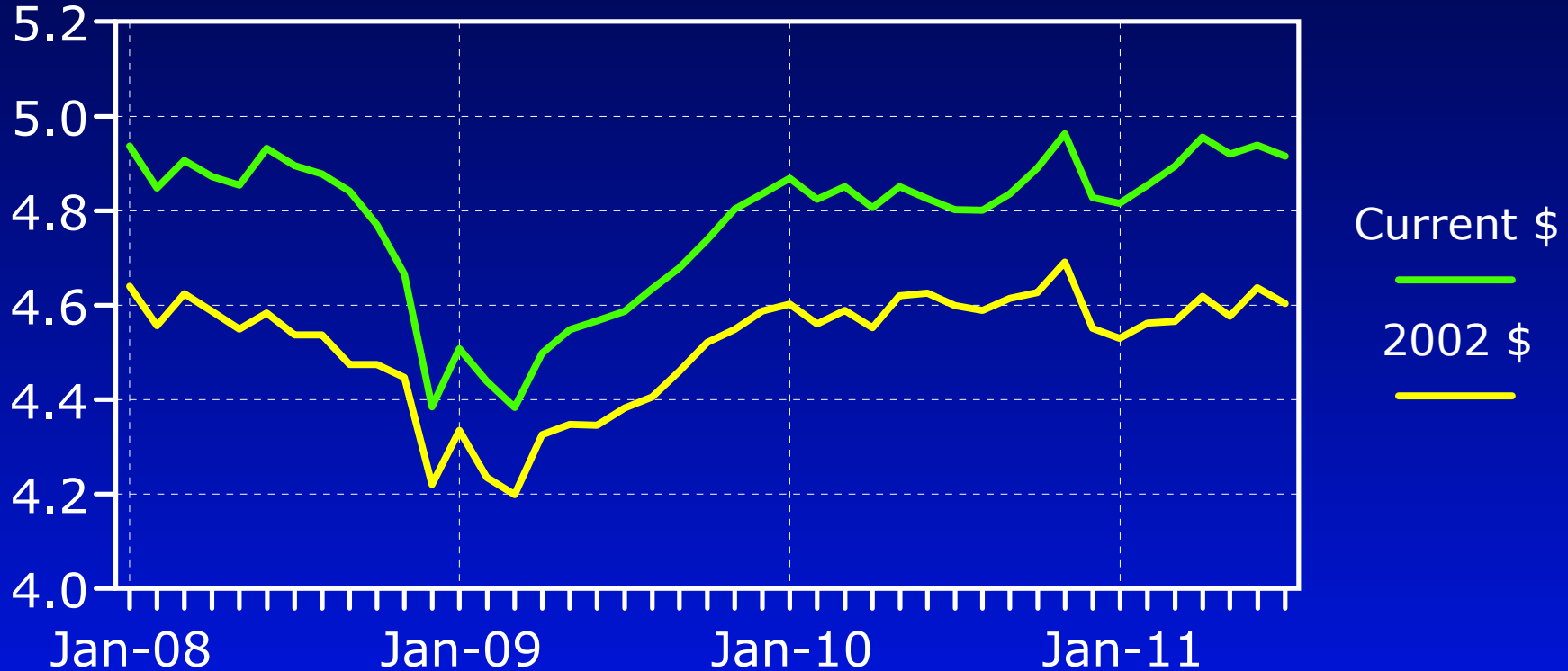
Latest: Jul-11



# Little growth in retail activity since early 2010

## B.C. Retail Sales

Dollars - billions



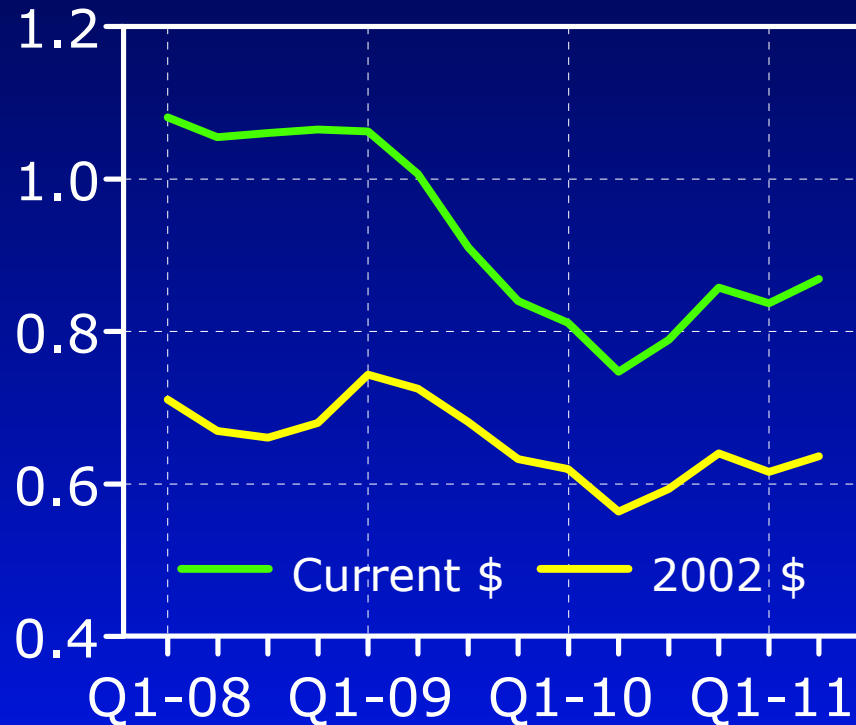
Source: Statistics Canada, C1CU. Note: Seasonally adjusted. Latest: Jul-11



# B.C. Non-residential Building Construction Investment Spending

## Private Building Construction

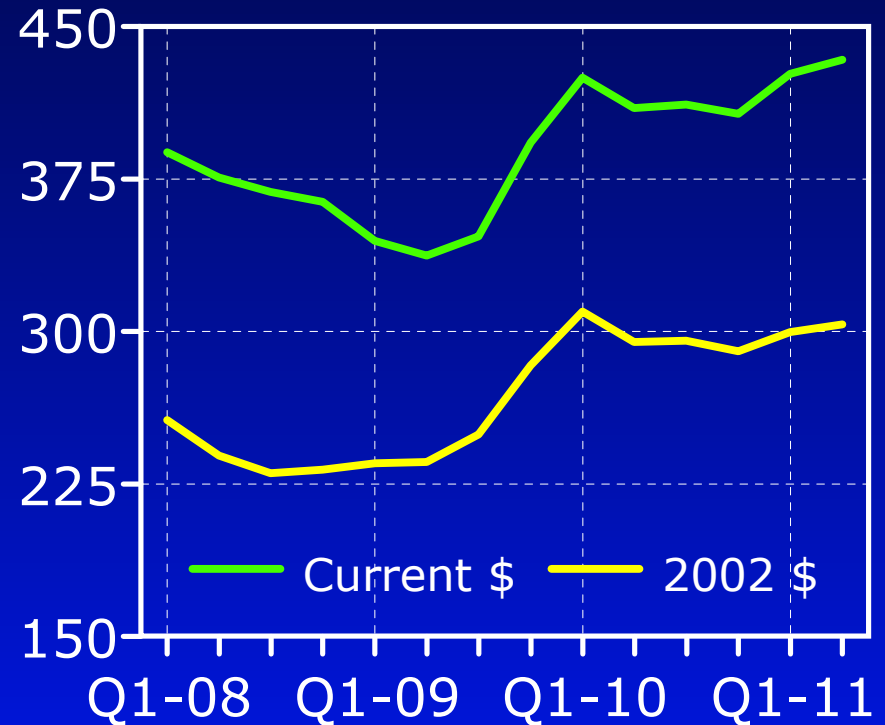
Dollars - billions



Source: Statistics Canada.

## Public Building Construction

Dollars - millions



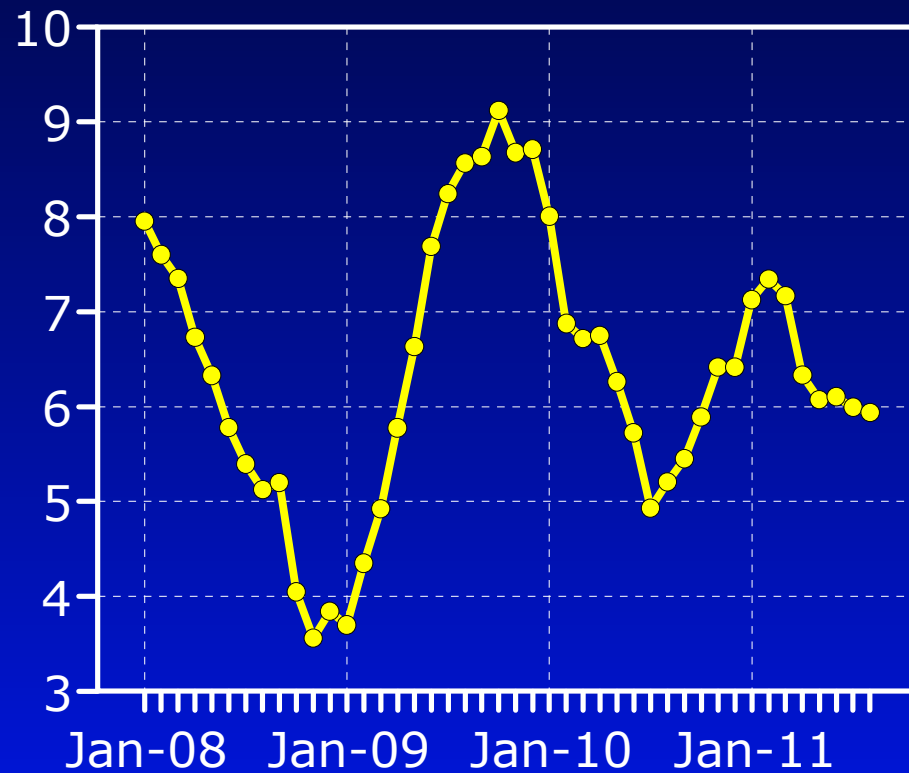
Note: Seasonally adjusted. Latest: Q2-1



# B.C. housing operating at moderate levels

## B.C. MLS Residential Sales

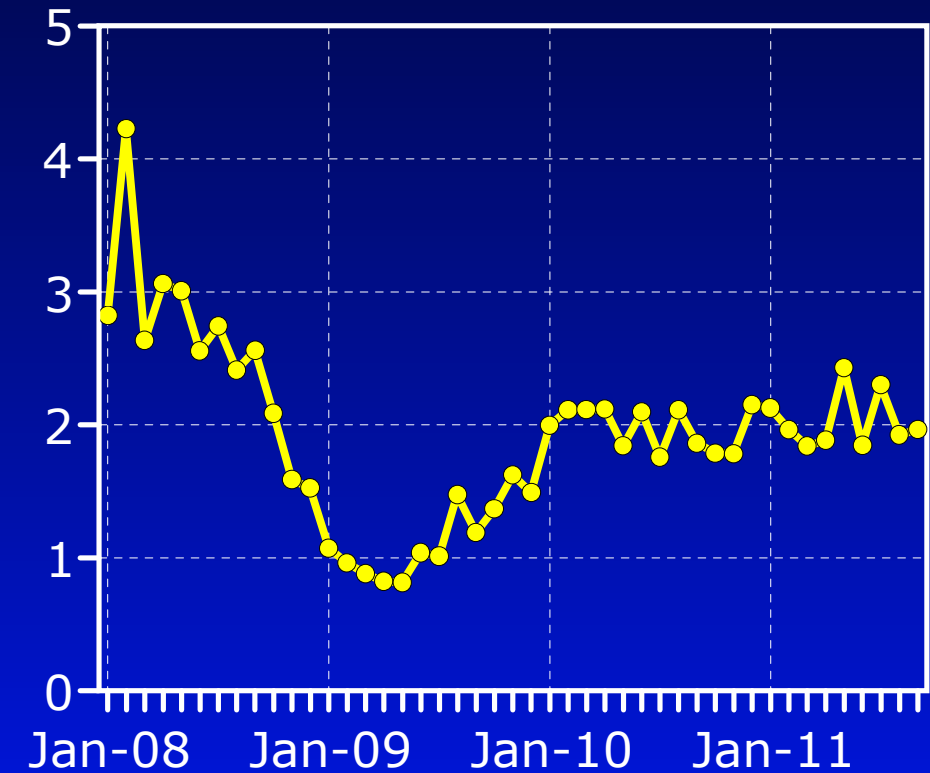
Units - thousands



Source: CREA. Note: Seasonally adjusted

## Housing Starts, Urban B.C.

Units - thousands



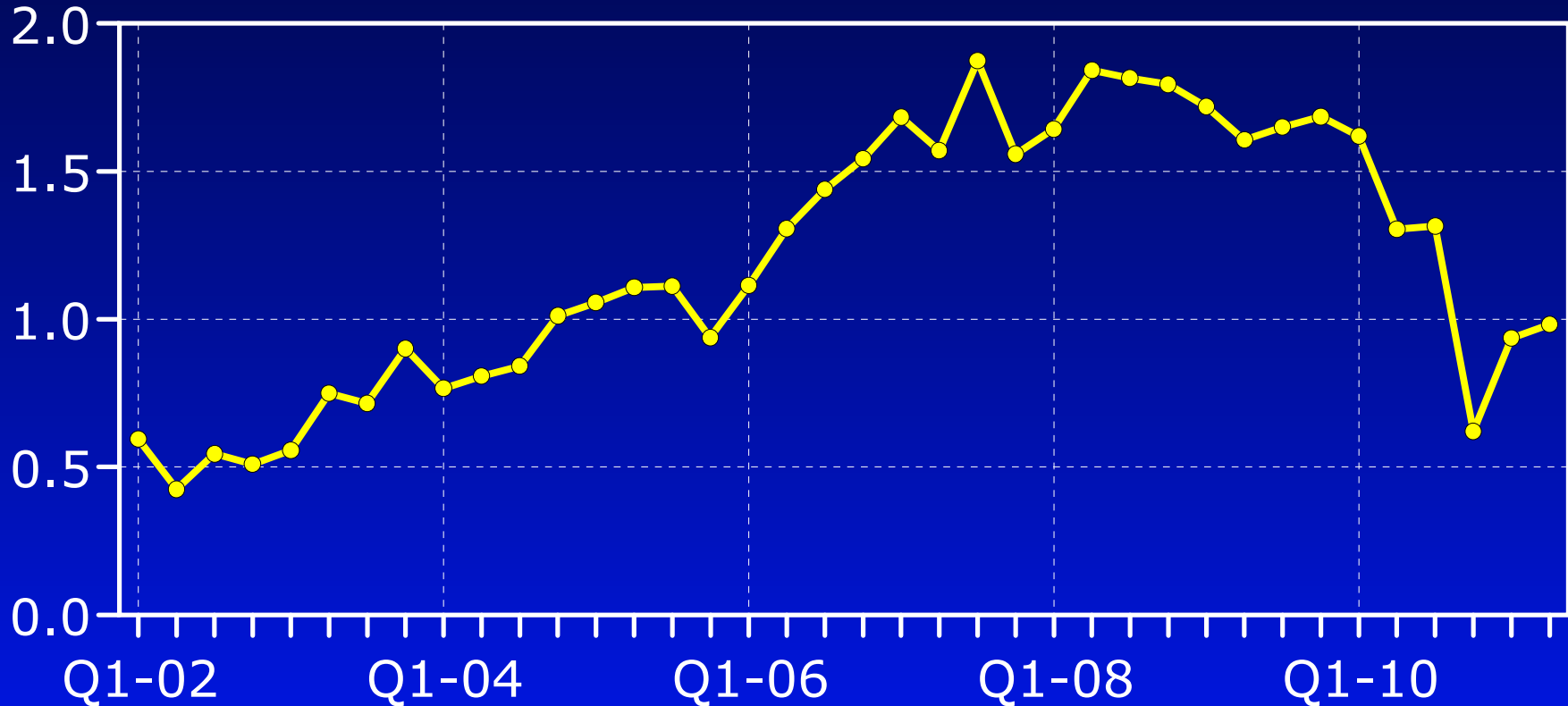
Source: CMHC. Latest: Sep-11



# Population growth falls below 1%

## B.C. Population Growth Rate, Quarterly

Percent change at annual rate



Source: Statistics Canada, C1CU.

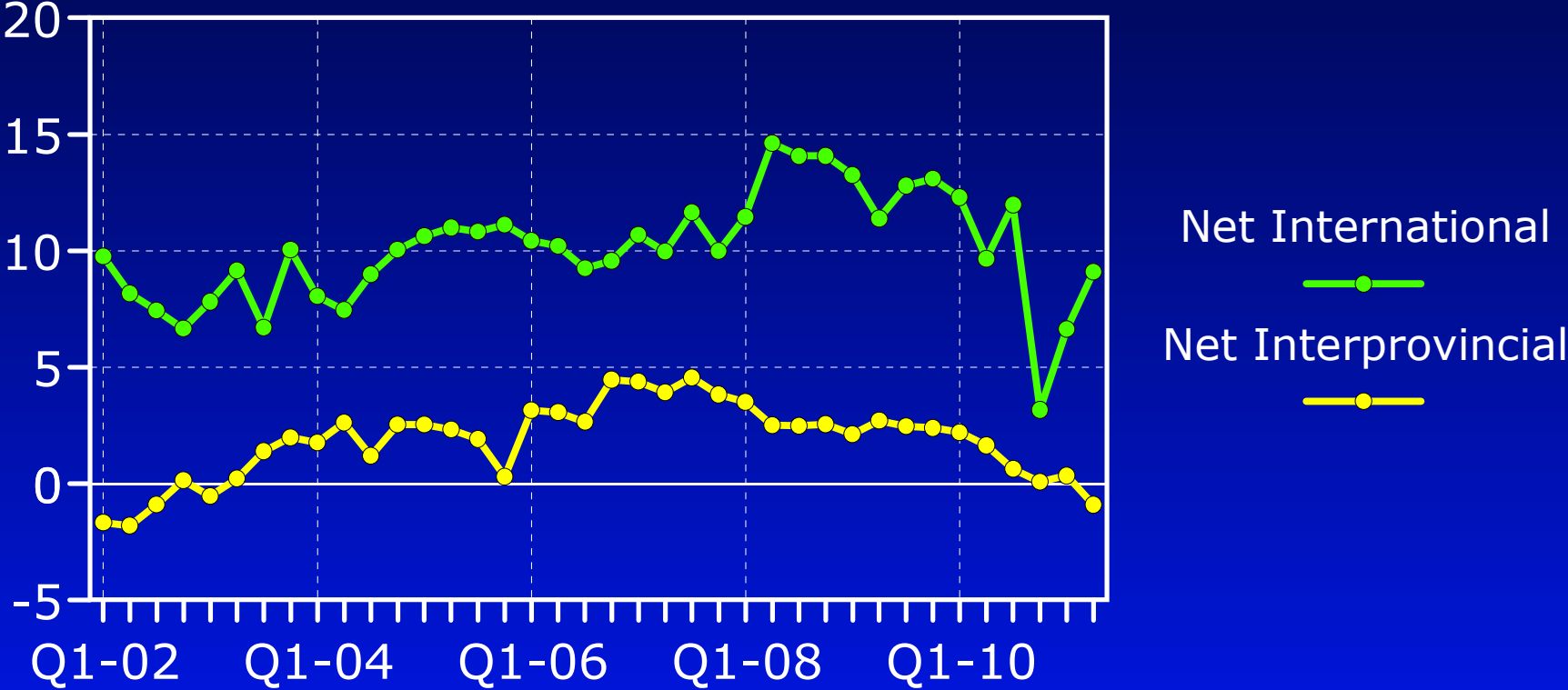
Latest: Q2-11



# Interprovincial migration declining, net international hit by record drop in net-NPRs

## B.C. Net Migration by Type, Quarterly

Persons - thousands

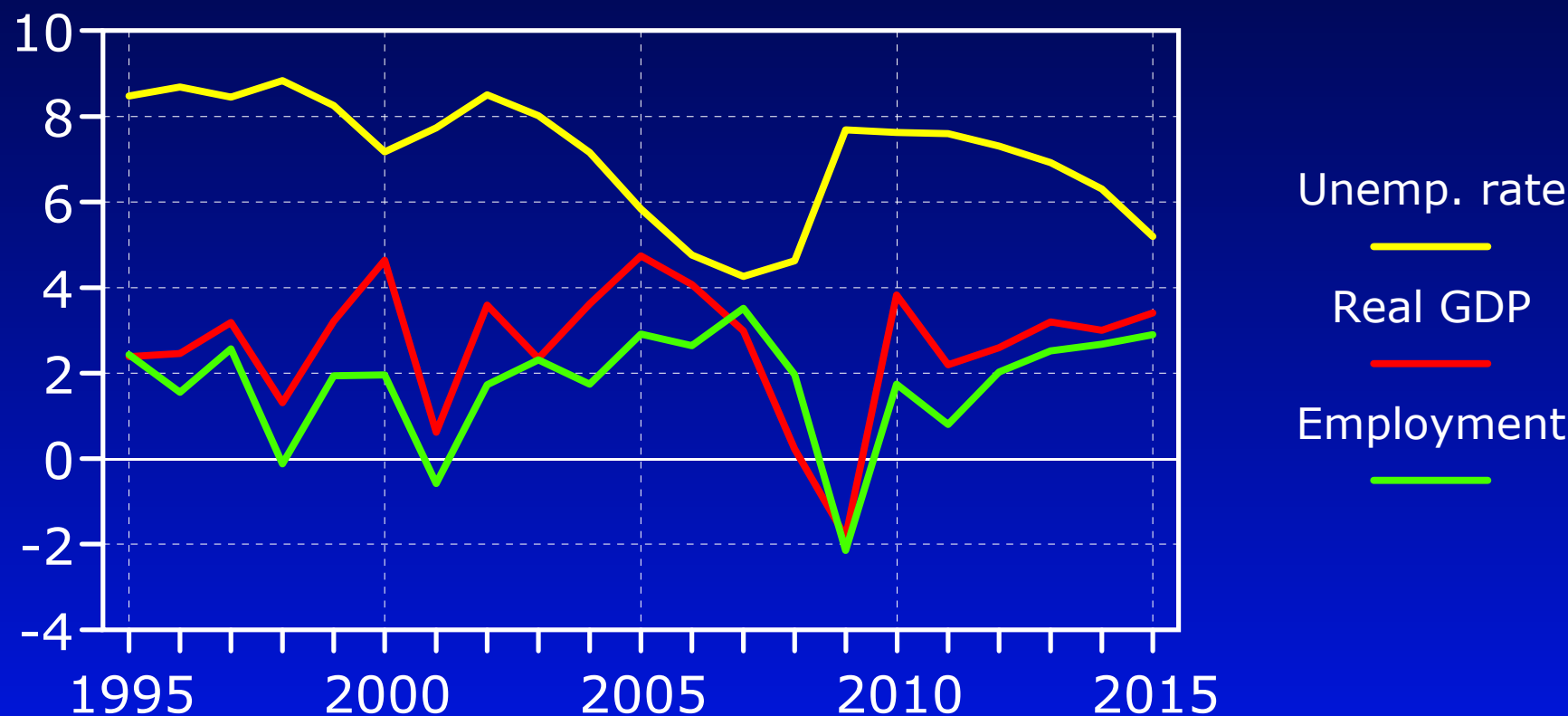


Source: Statistics Canada, C1CU. Note: Seasonally adjusted. Latest: Q2-11

# Low to moderate growth until 2013, forecast risk on downside

## B.C. Key Economic Indicators, Actual and Forecast

Per cent

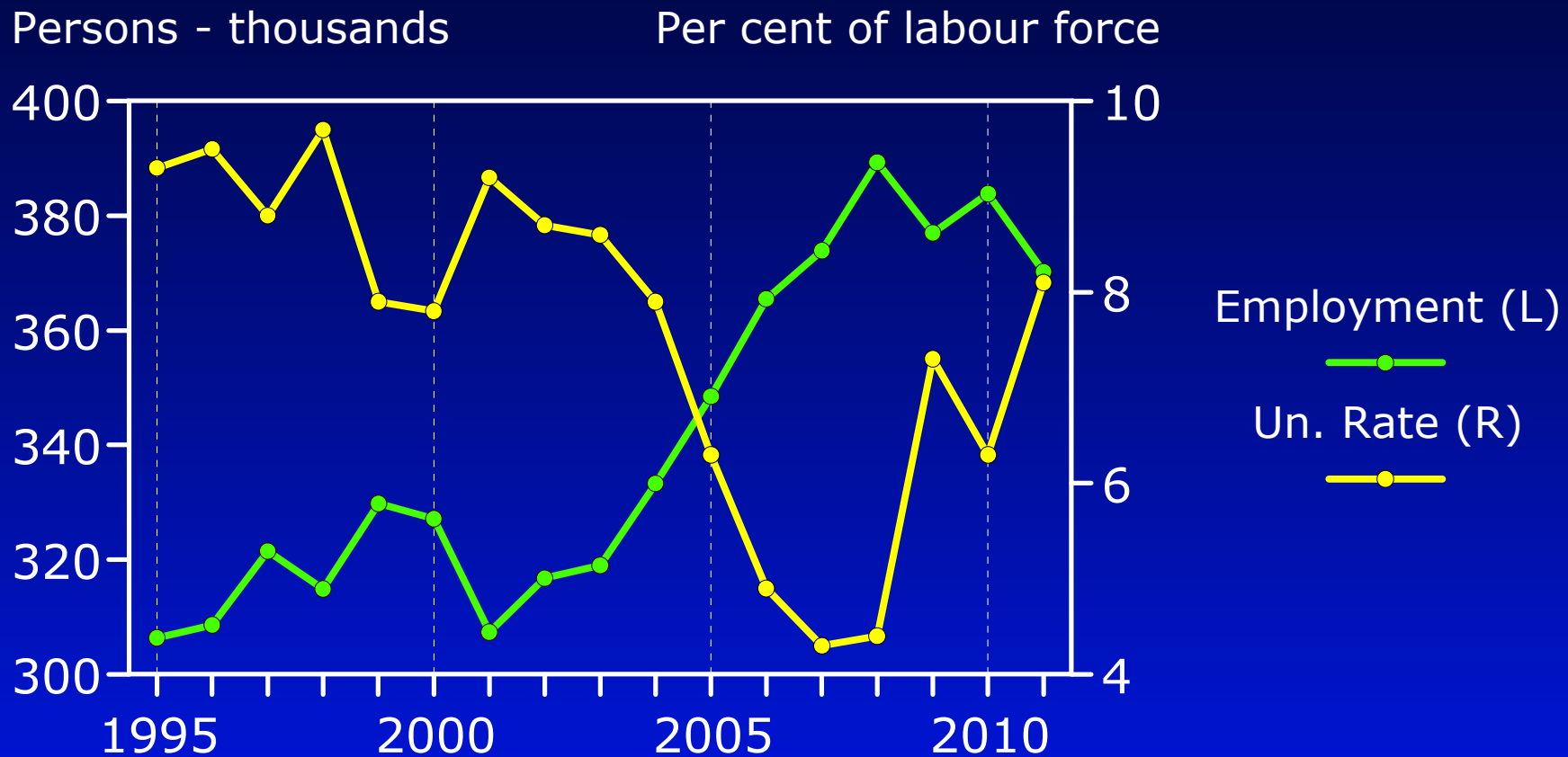


Source: Statistics Canada, C1CU. Forecast - 2011 to 2015



# Lower employment last three years

## Vancouver Island Labour Market

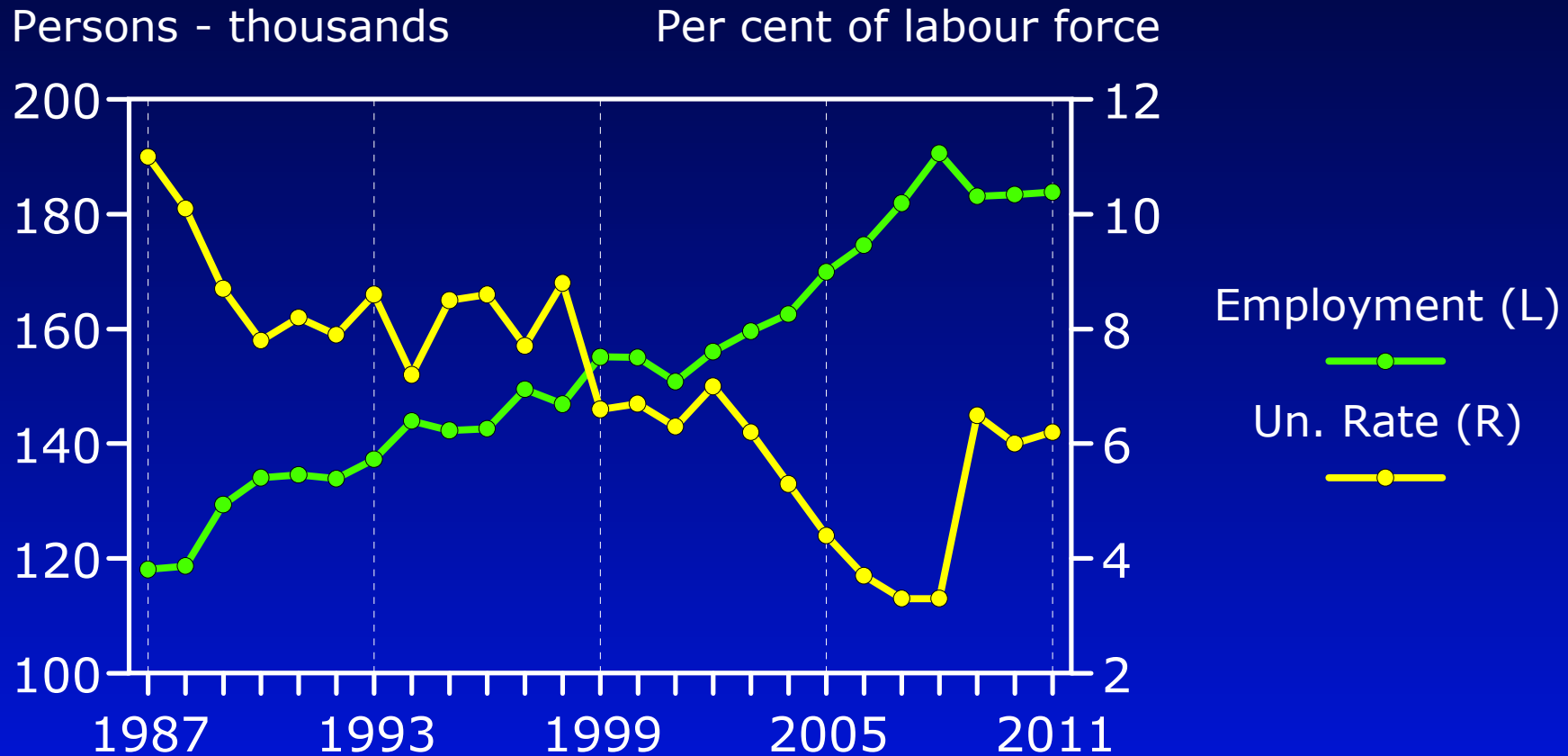


Source: Statistics Canada. Note: 2011 year-to-date Sep.



# Little employment growth last three years

## Victoria CMA Labour Market

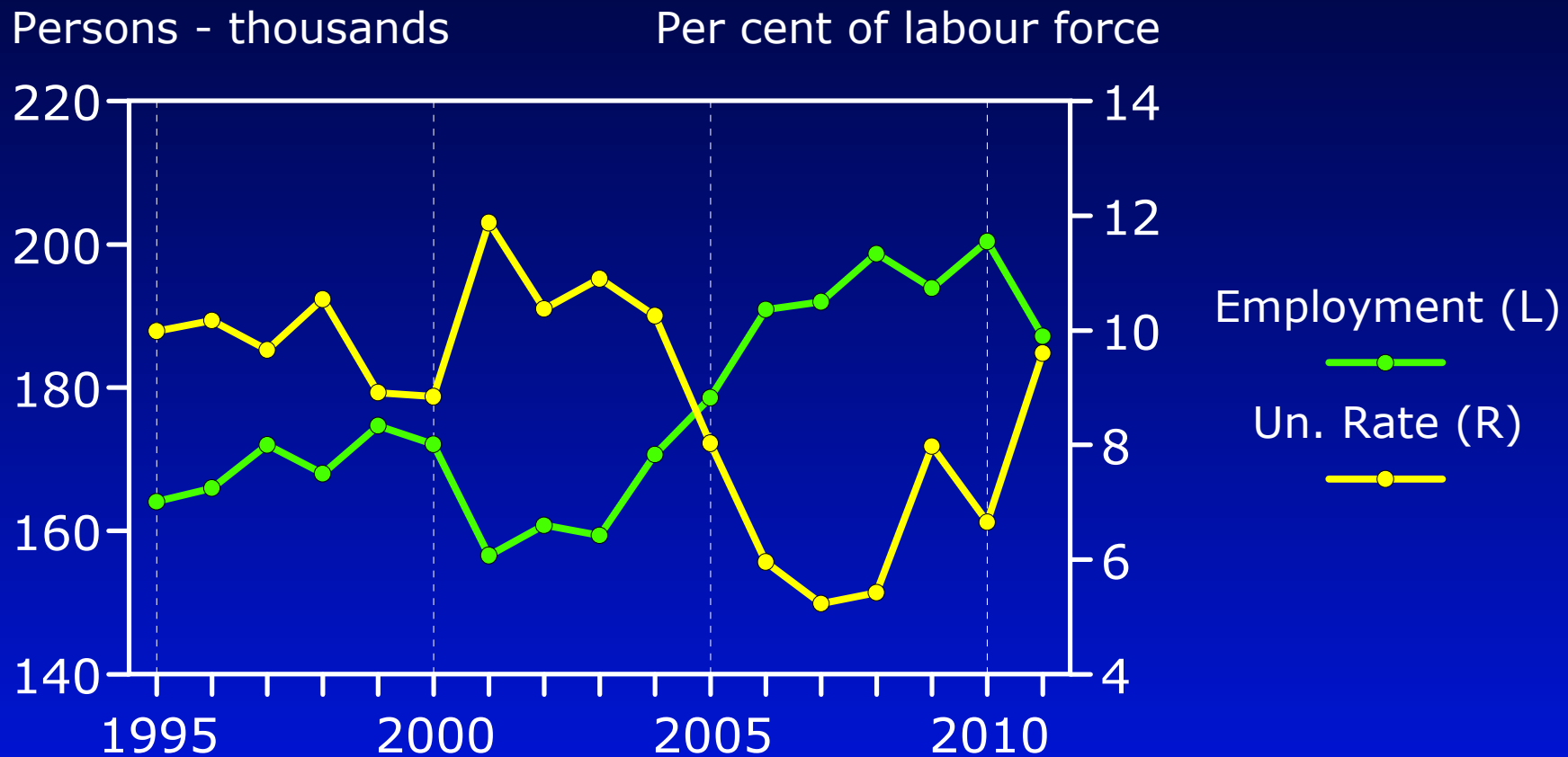


Source: Statistics Canada. Note: 2011 year-to-date Sep.



# Large employment decline this year

## Rest of Vancouver Island Labour Market



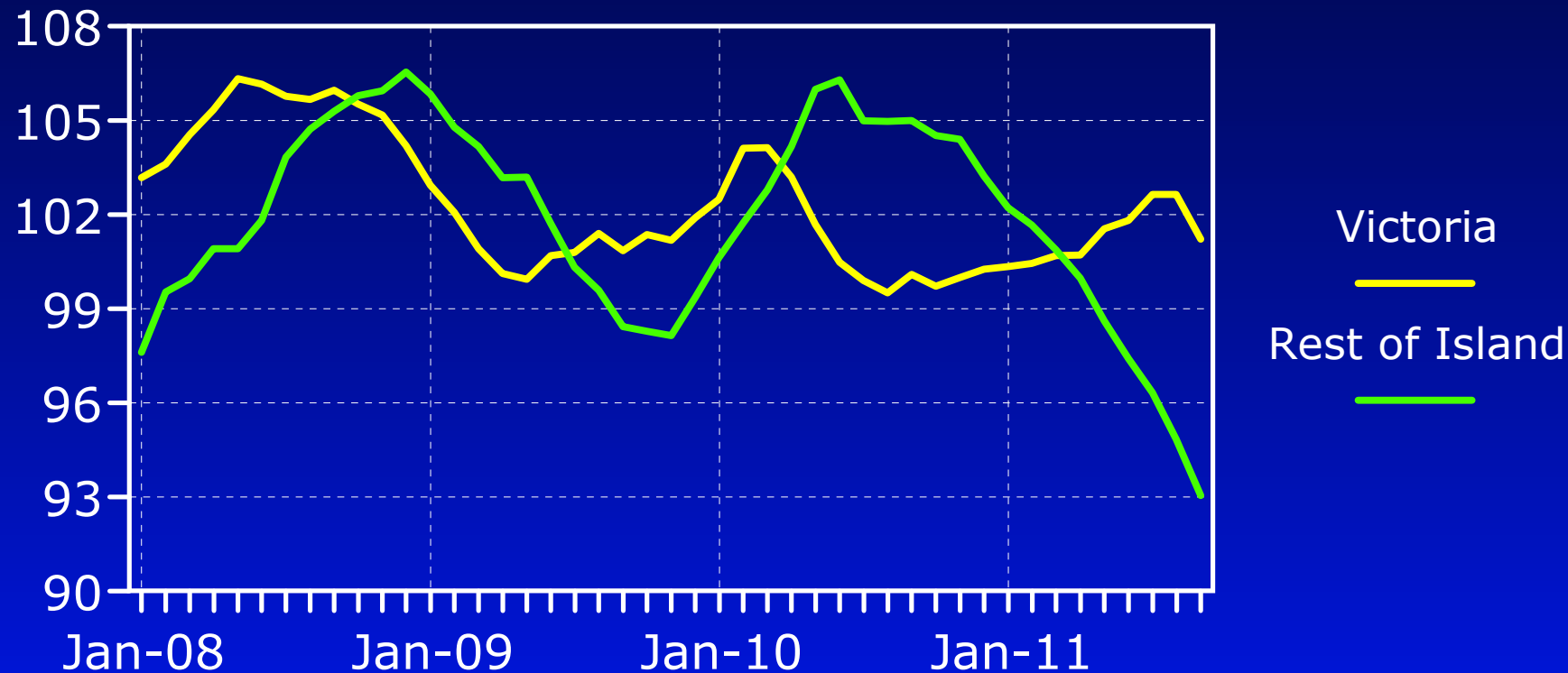
Source: Statistics Canada. Note: 2011 year-to-date Sep.



# Rest of Island employment dropping, Victoria holding

## Employment Trends, Victoria CMA and Rest of Island

2007=100



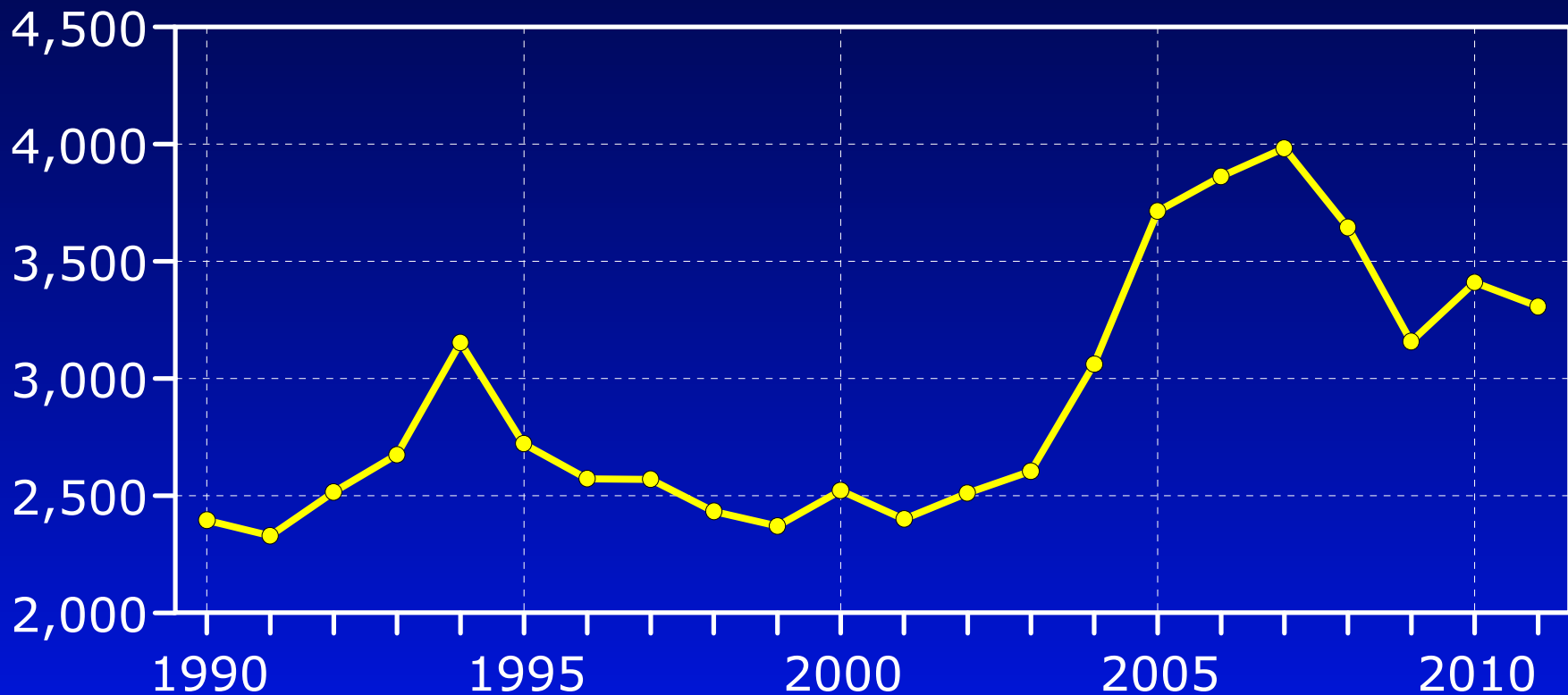
Source: Statistics Canada, C1CU. Note: Seasonally adjusted. Latest: Sep-11



# Slightly fewer business start-ups in 2011

## Vancouver Island Business Incorporations

Businesses



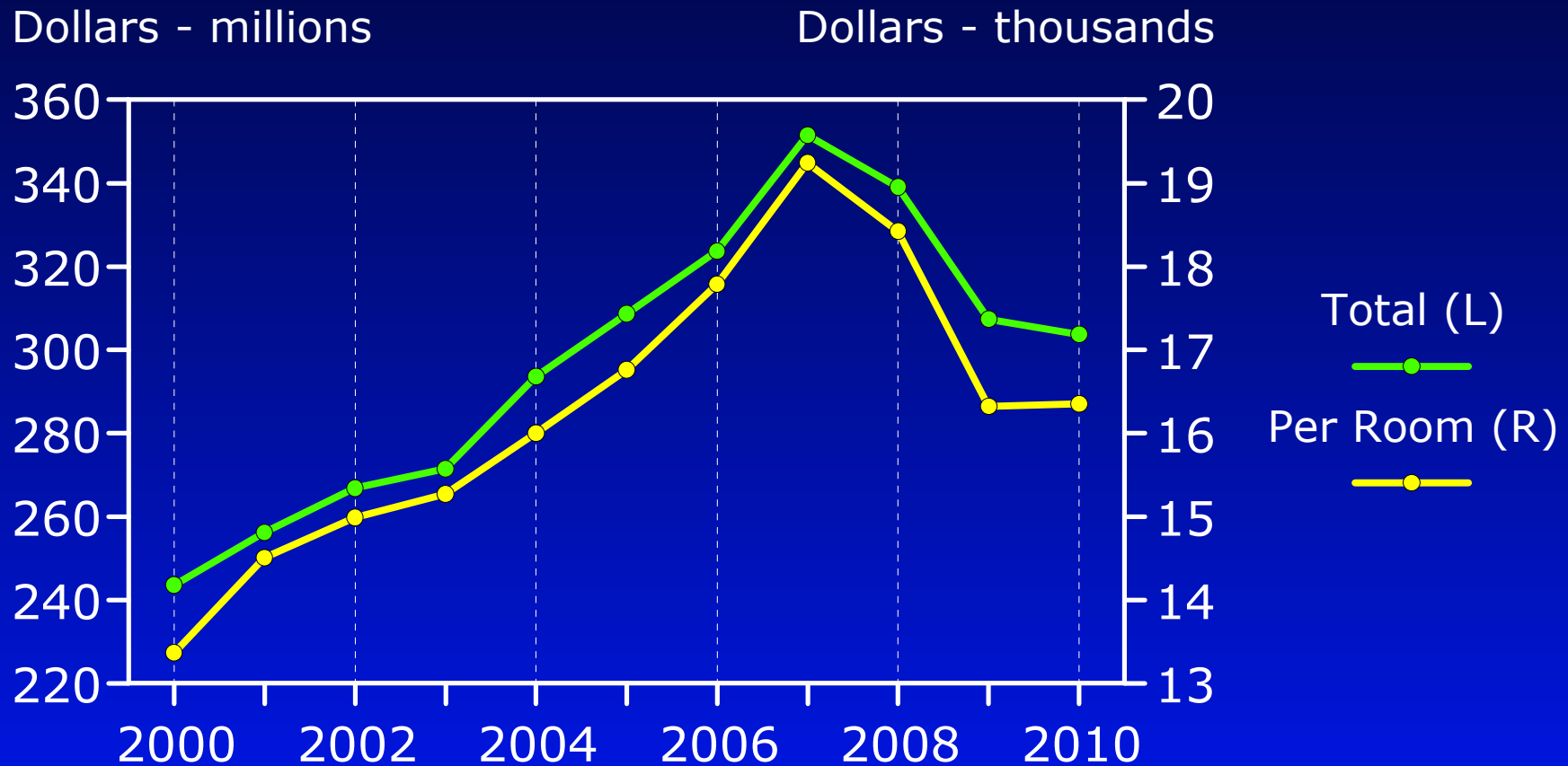
Source: BC Ministry of Finance.

Latest: 12 months ending Aug-11.



# Room revenue off 2007 peak

## Vancouver Island Room Revenue

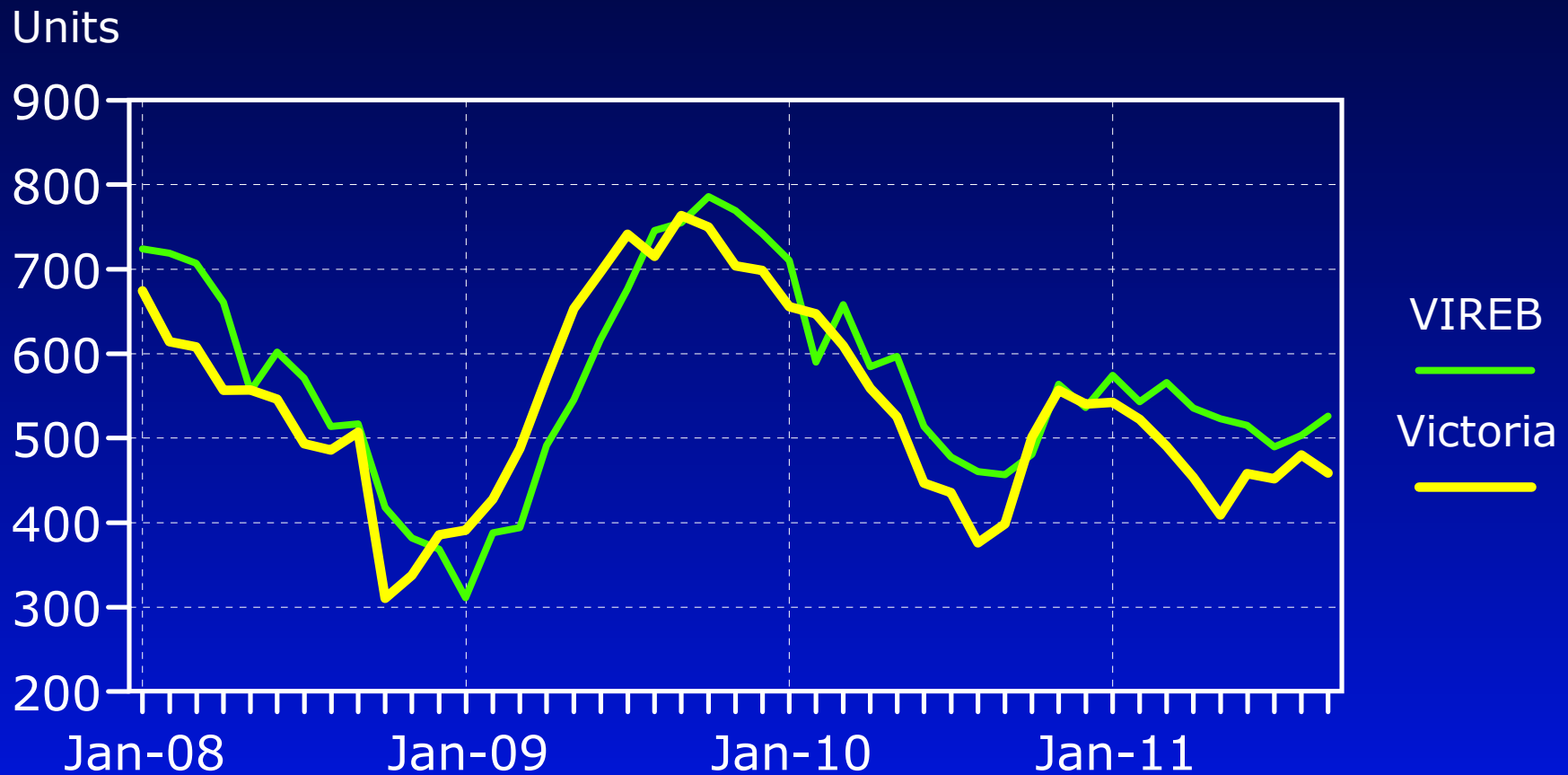


Source: BC Stats.



# Monthly housing sales holding up

## Victoria and Vancouver Island REB MLS Residential Sales



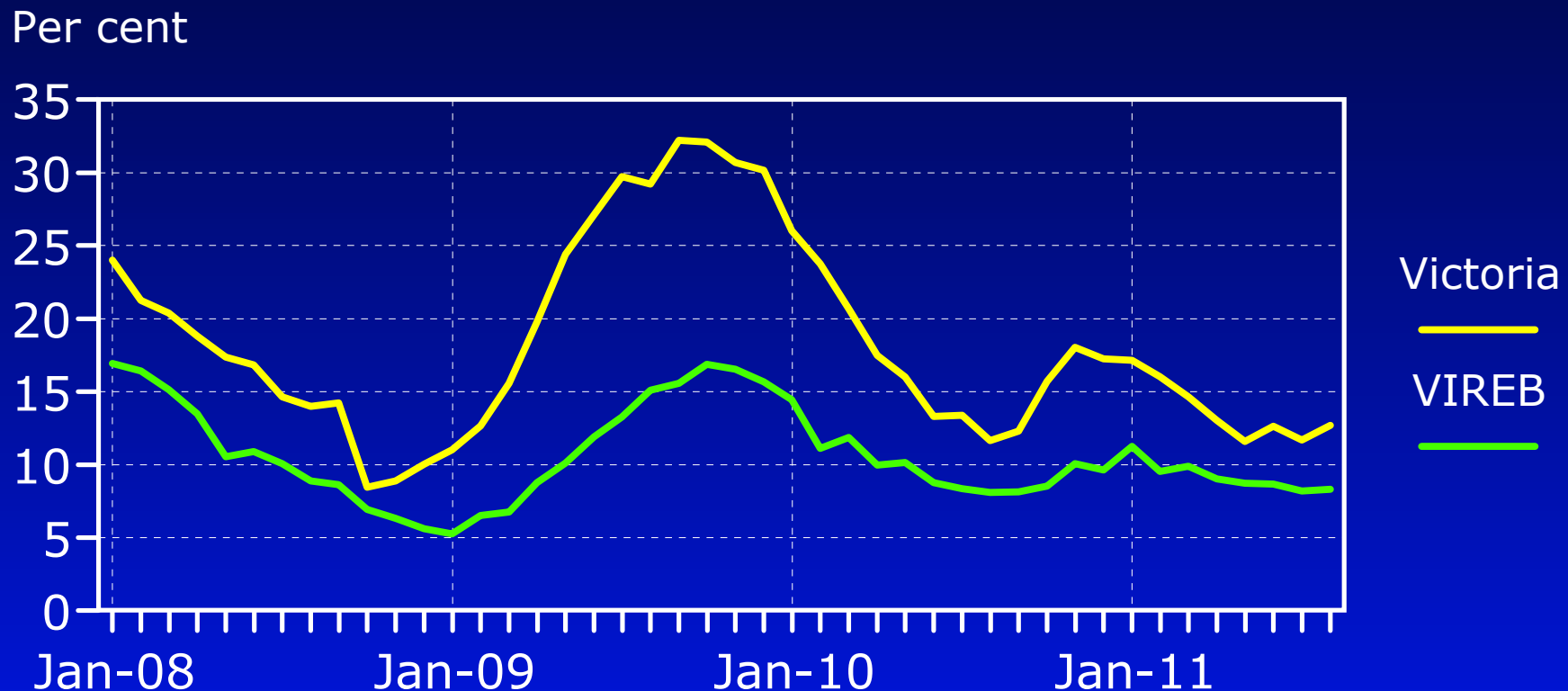
Source: CREA, C1CU.

Latest: Sep-11



# Weaker housing market conditions

## MLS Residential Sales-to-Active Listings Ratio, Victoria and Vancouver Island REBs



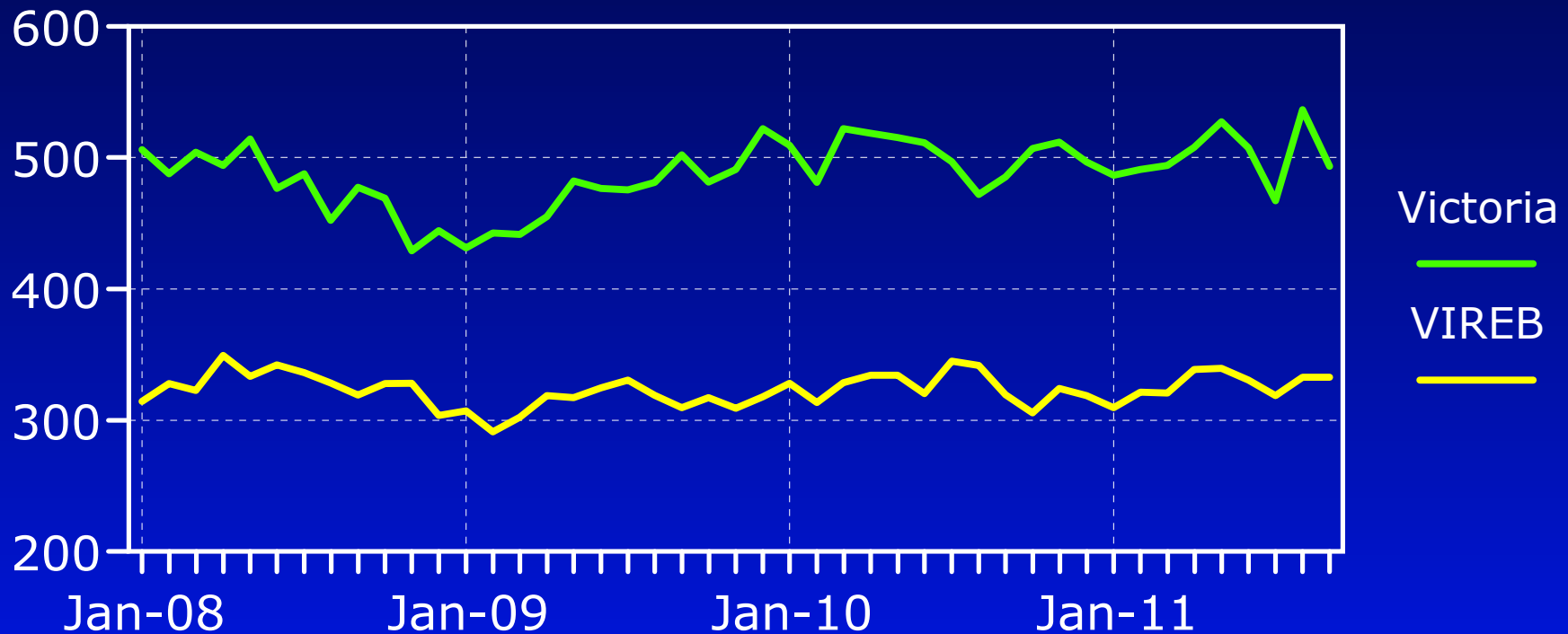
Source: CREA, C1CU. Note: Seasonally adjusted. Latest: Sep-11



# Housing prices range-bound

## Victoria and Vancouver Island REB MLS Residential Average Sale Price

Dollars - thousands



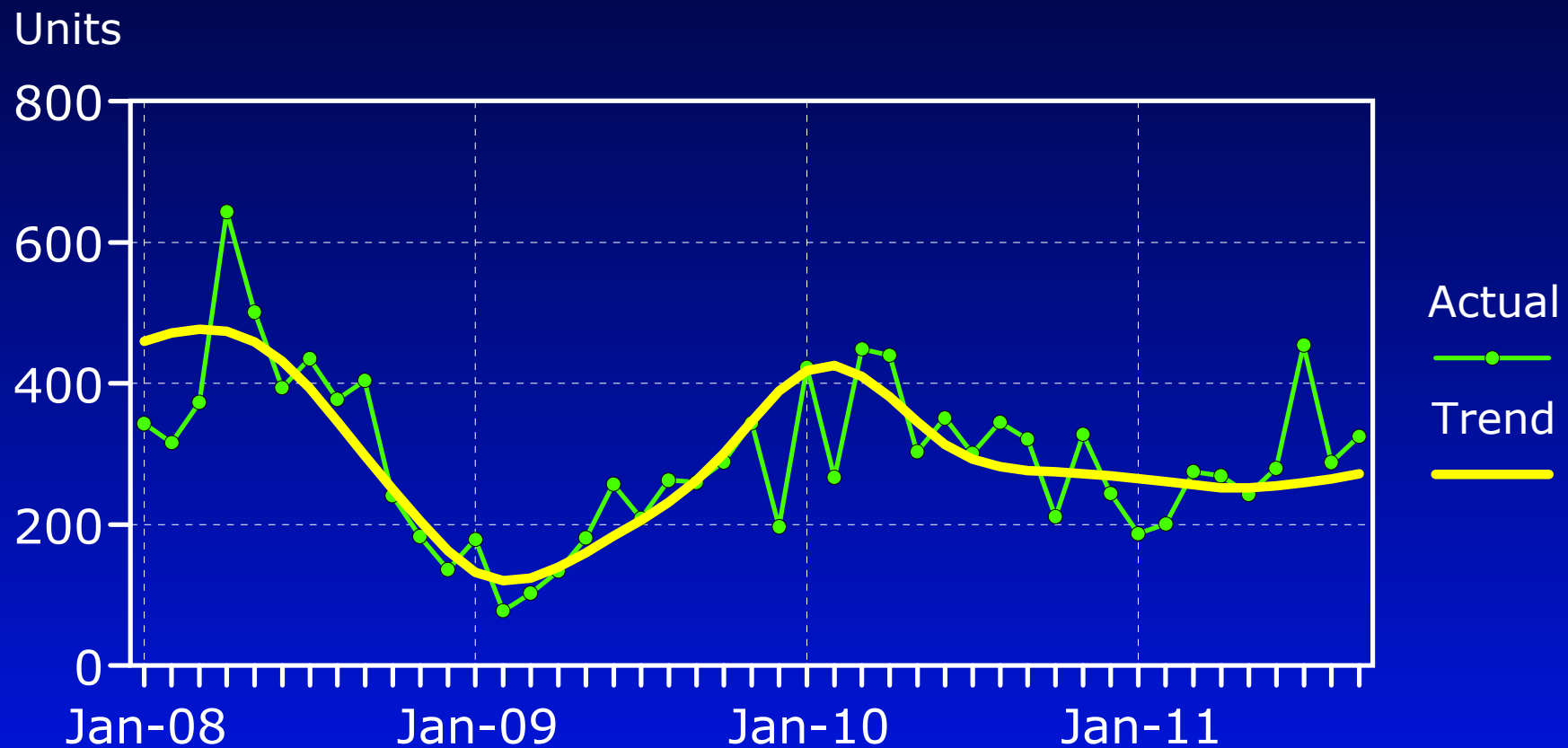
Source: CREA.

Latest: Sep-11



# Housing construction off recent highs

## Vancouver Island Housing Starts



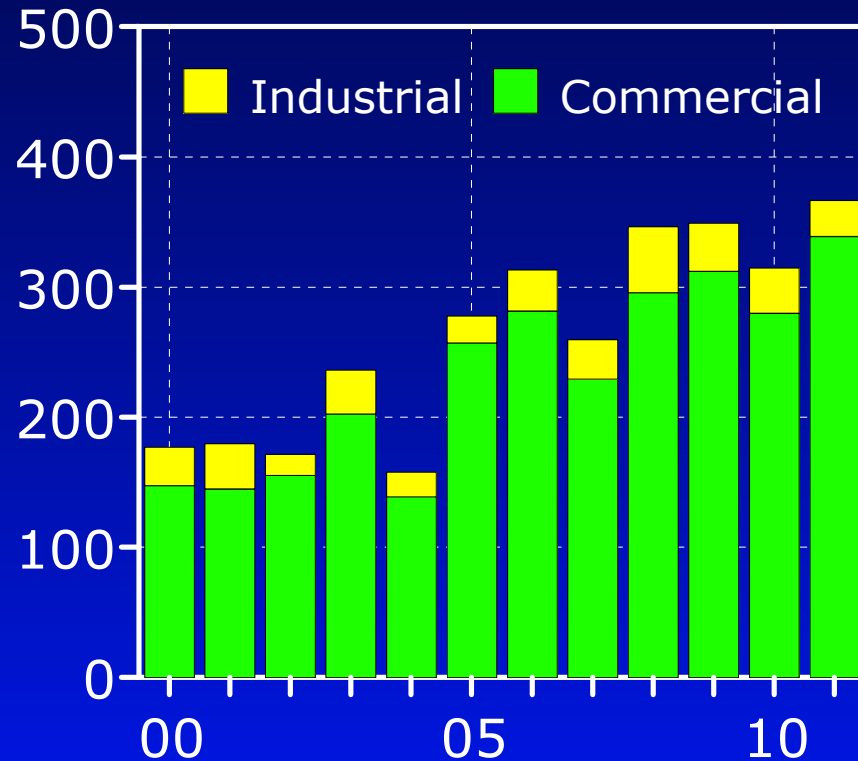
Source: CMHC, C1CU. Note: Urban centres only. Latest: Sep-11



# Vancouver Island: Non-residential Building Permits by Type

## Private

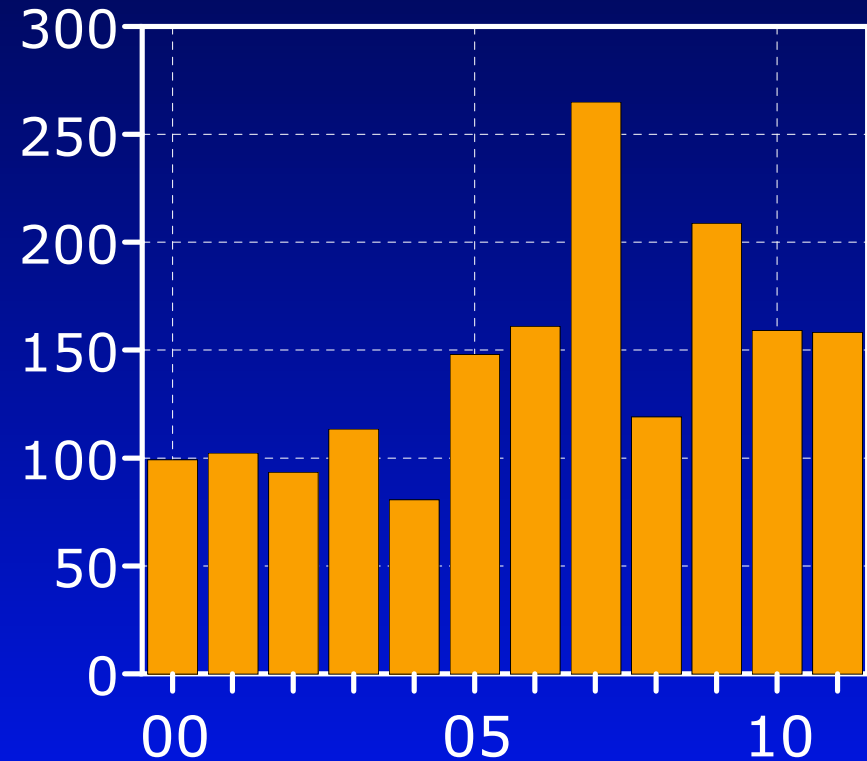
Dollars - millions



Source: Statistics Canada.

## Public

Dollars - millions

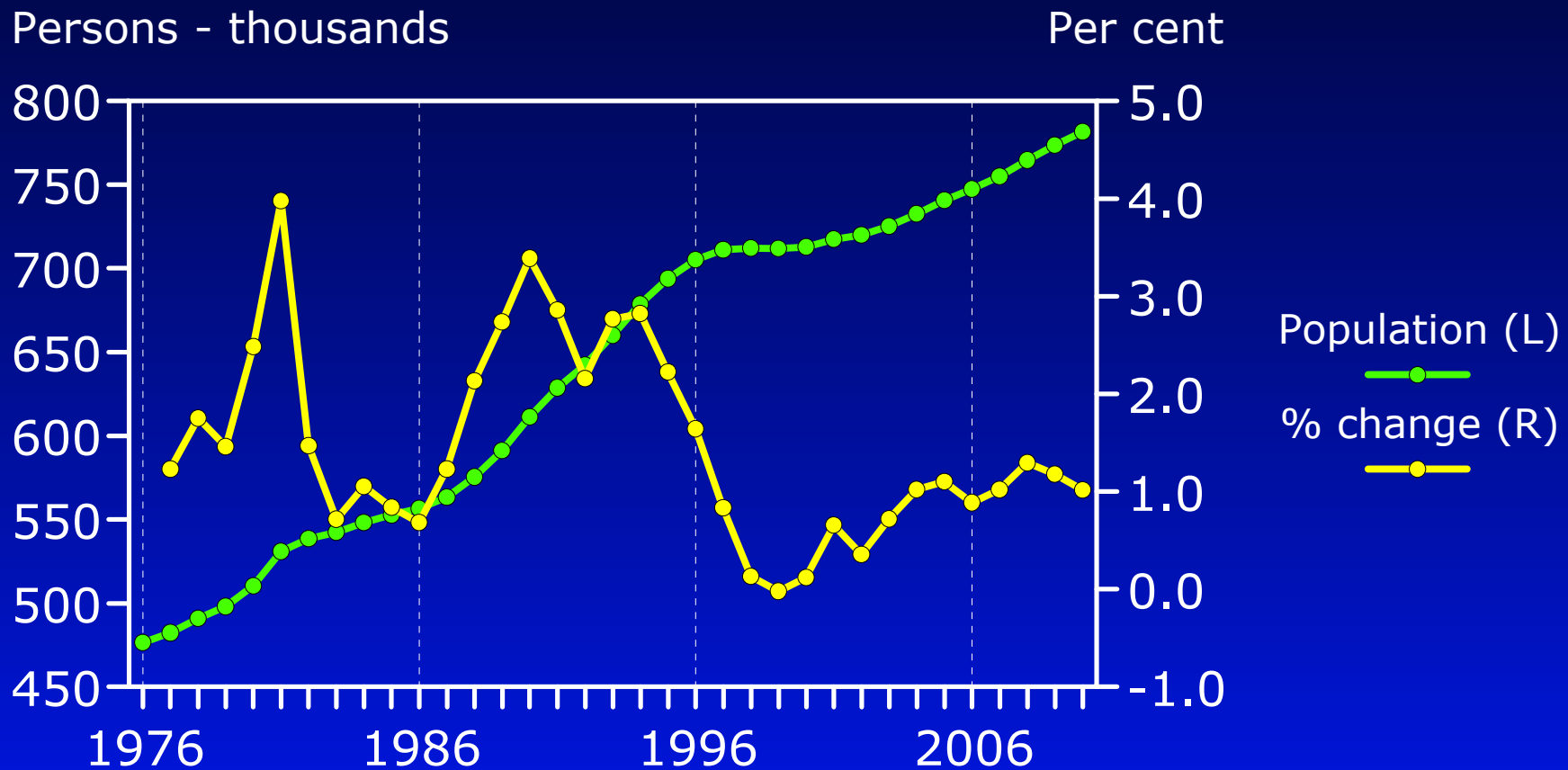


Latest: 12 months ending Aug-11



# Region's population growth drops

## Vancouver Island Population and Growth Rate



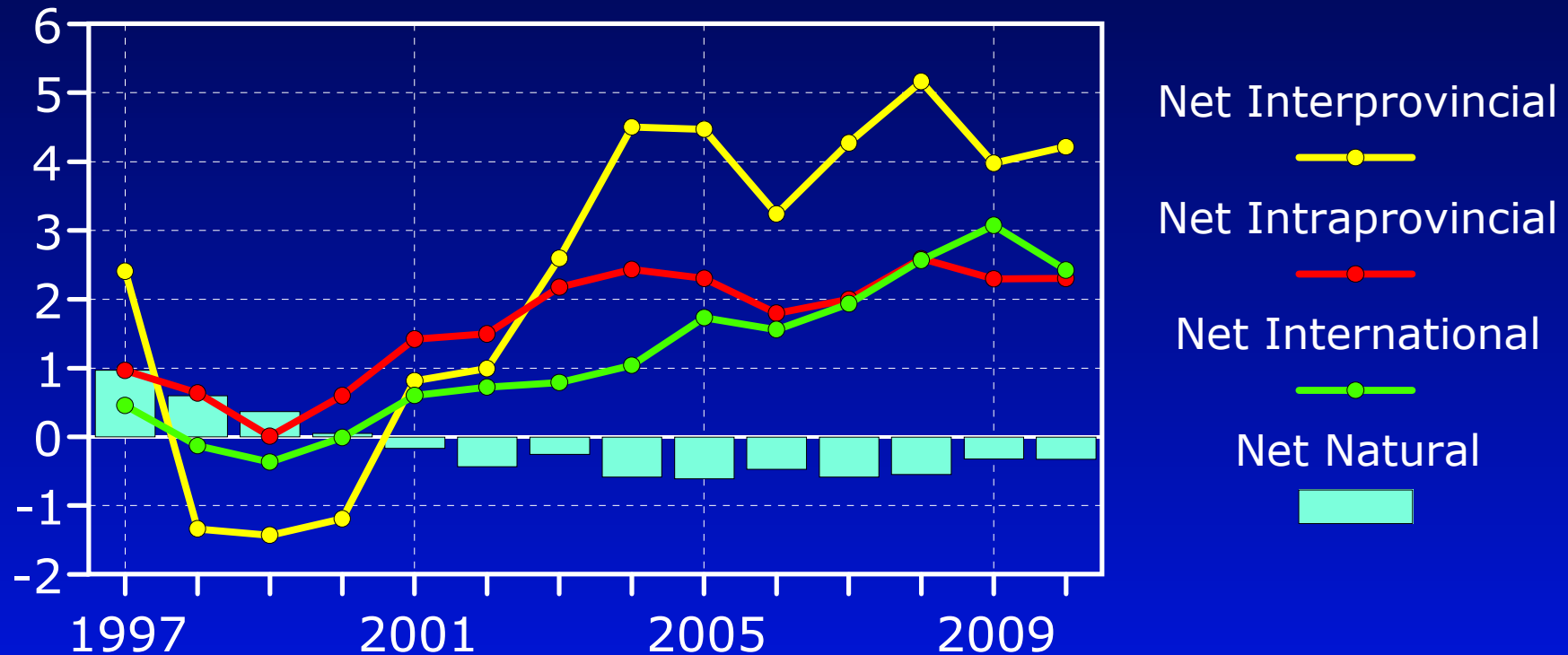
Source: Statistics Canada. Note: Population as of July 1. Latest preliminary



# Interprovincial migration main source of population growth

## Vancouver Island Population Growth Components

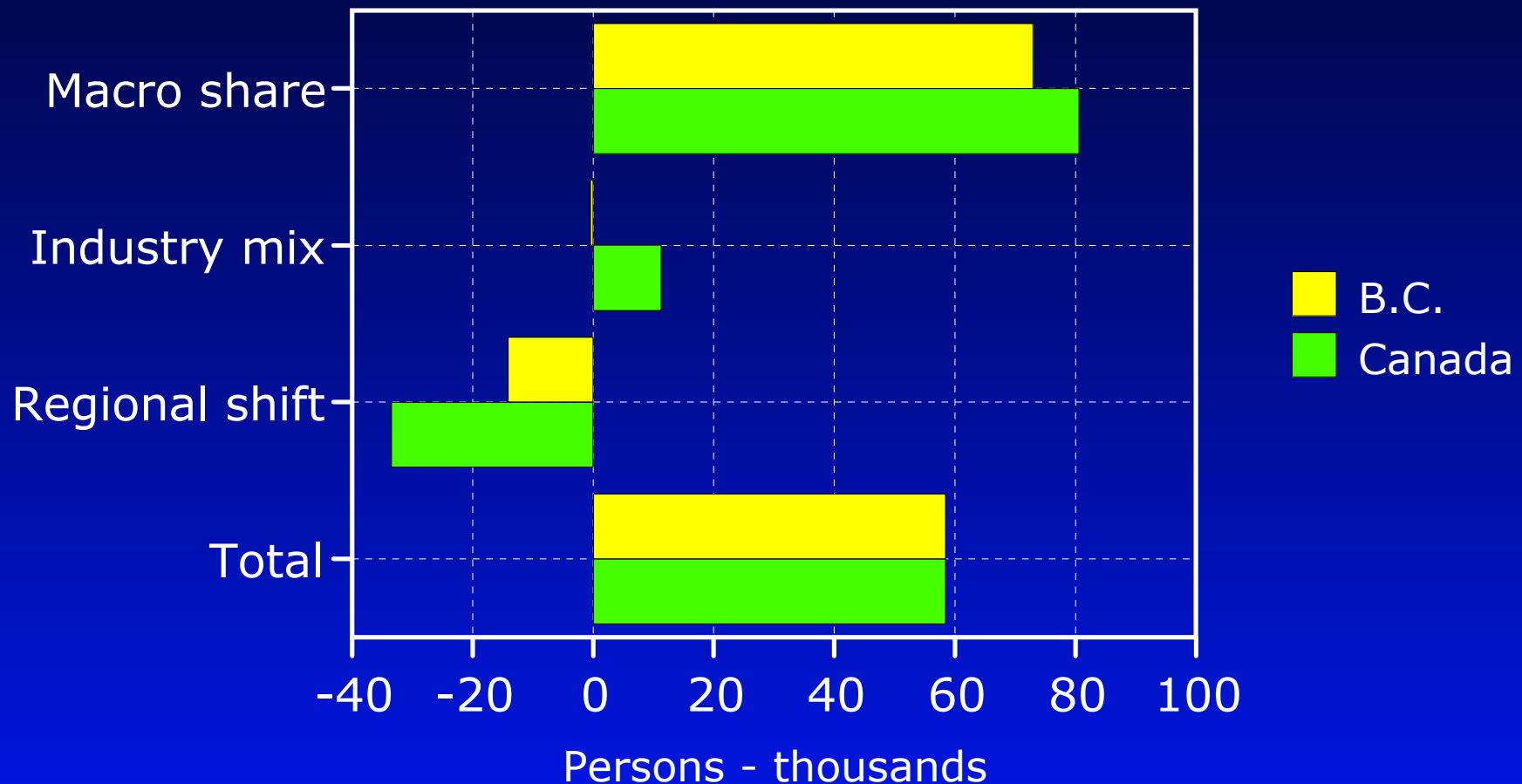
Persons - thousands



Source: BC Stats. Note: Year ending July, latest preliminary.



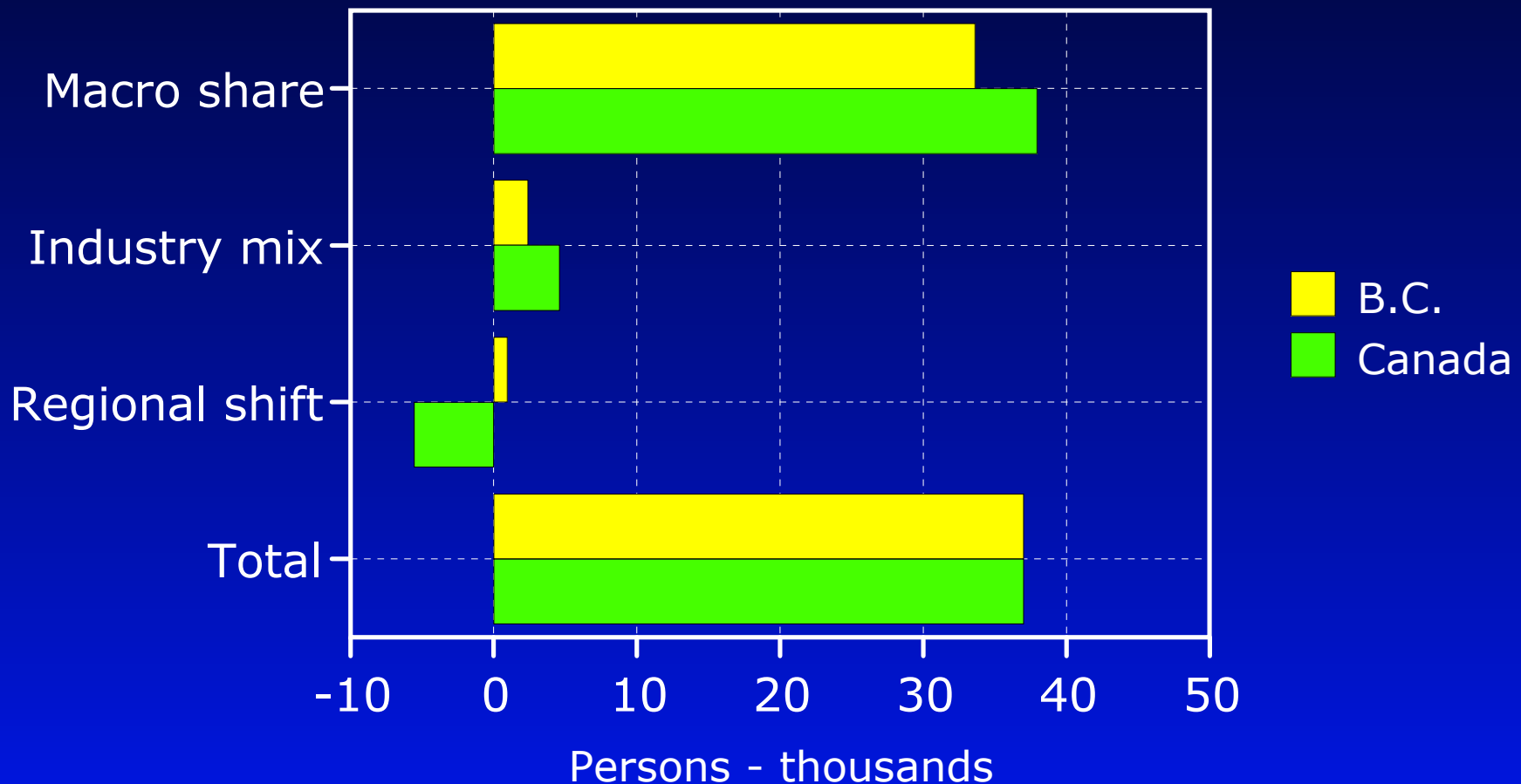
# Vancouver Island: Factors of Employment Growth 1996 - 2011\*



Source: Central 1 Credit Union. \*year-to-date.



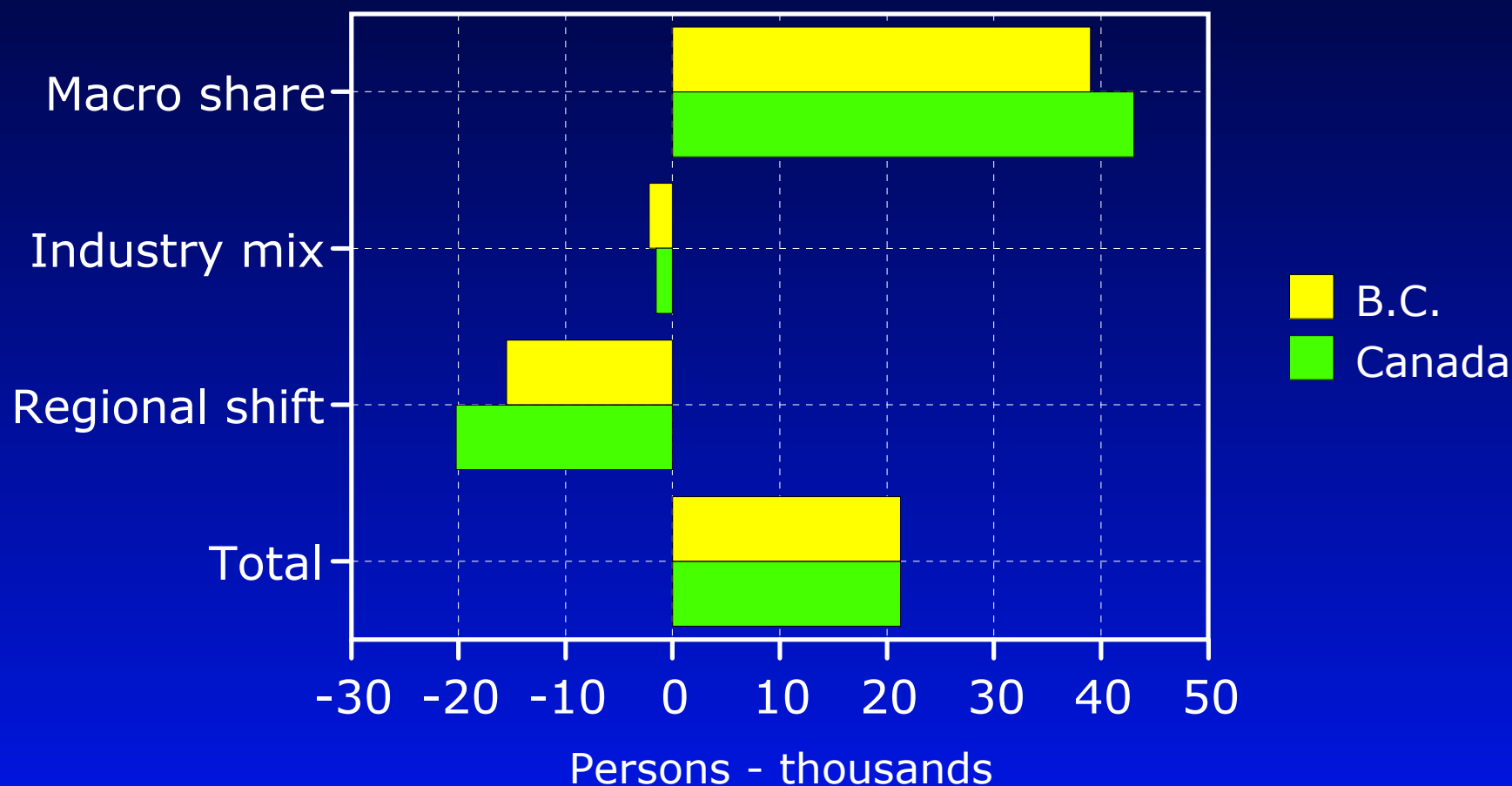
# Victoria CMA: Factors of Employment Growth 1996 - 2011\*



Source: Central 1 Credit Union. \*year-to-date.



# Rest of Island: Factors of Employment Growth 1996 - 2011\*

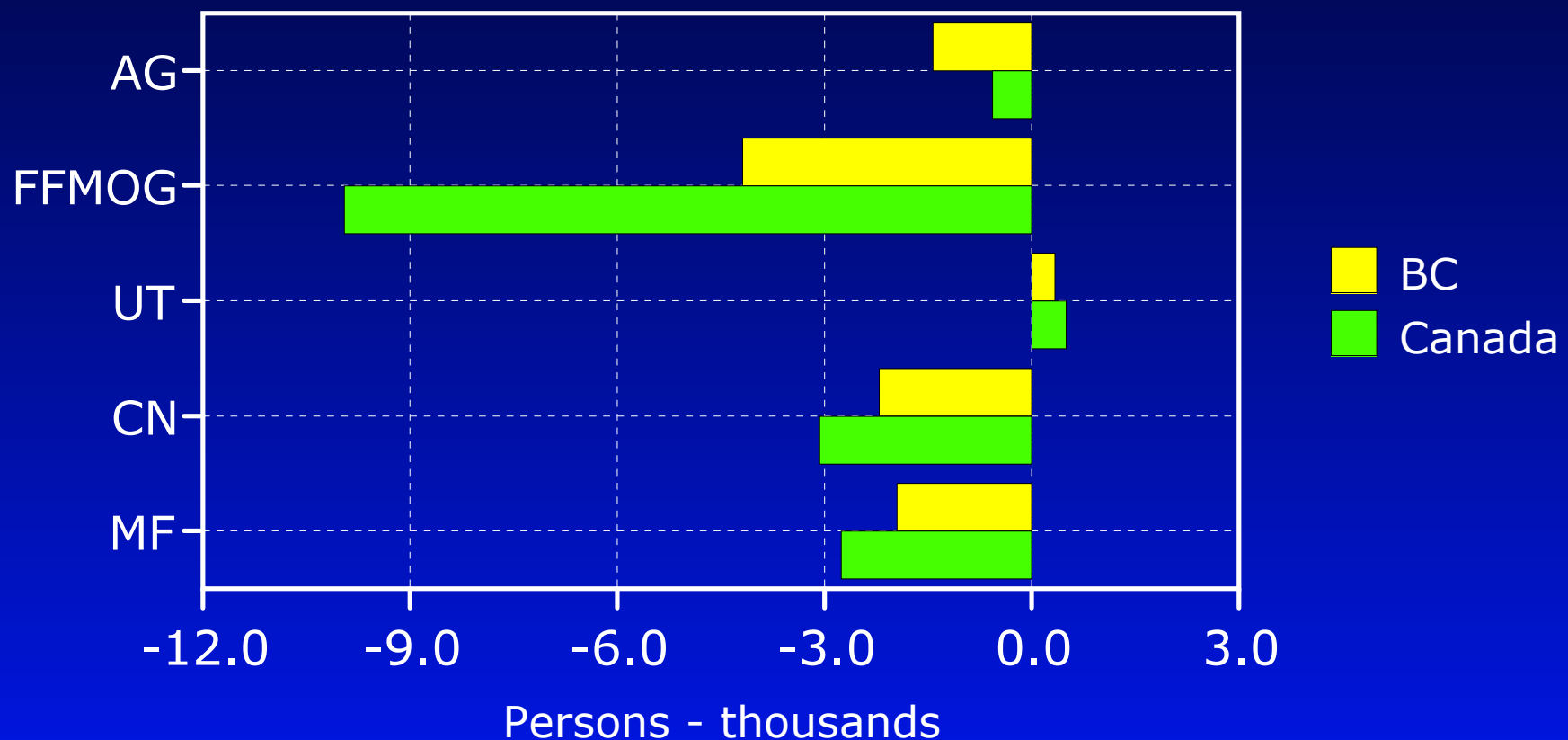


Source: Central 1 Credit Union. \*year-to-date.



# Regional Shift of Employment Growth by Industry 1996 - 2011\*, Vancouver Island

## Goods Industry

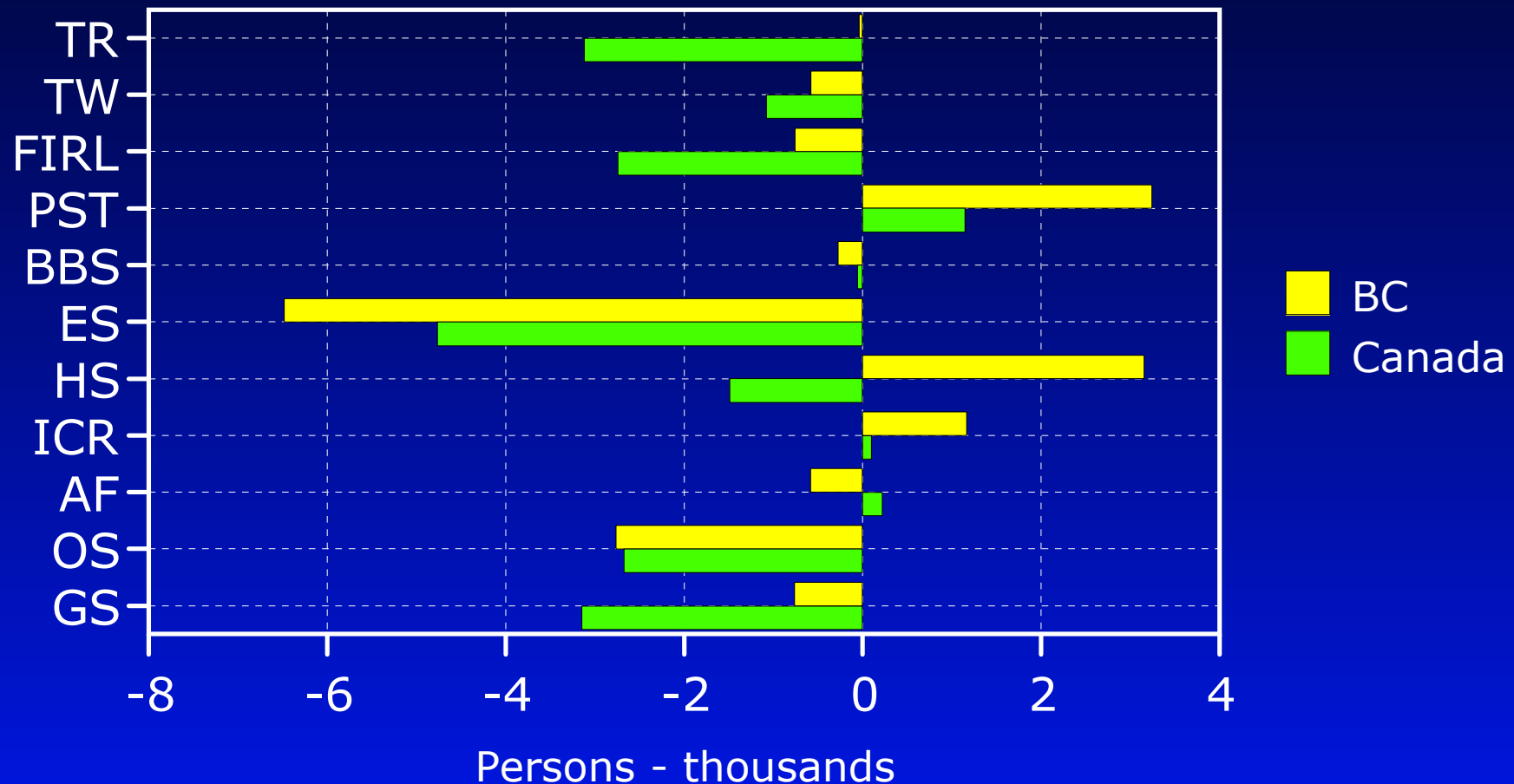


Source: Central 1 Credit Union. \*year-to-date Aug.



# Regional Shift of Employment Growth by Industry 1996 - 2011\*, Vancouver Island

## Services Industry



Source: Central 1 Credit Union. \*year-to-date Aug.



# Recession and weak recovery puts more projects on hold

Summary of Capital Cost Estimates (\$ millions),  
Vancouver Island Development Region

Date	Proposed	Started	On Hold	Total
Jun. 2008	22,937	6,856	120	29,913
Jun. 2009	18,628	9,085	4,955	32,668
Jun. 2010	16,629	9,329	8,929	34,887
Jun. 2011	16,585	8,094	10,506	35,185

Source: British Columbia Major Projects Inventory, various issues.



## Some Proposed Major Projects:

Sage Hills University/Residential - \$1.5b

Sandstone Towne Centre (South Nanaimo) - \$1b

Nahwitti Wind Farm - \$900m

Cape Scott Wind Farm - \$300m

Catface Mine - \$450m

Eagle Rock Quarry - \$150m

Source: British Columbia Major Projects Inventory, June 2011



# Vancouver Island Economic and Housing Outlook

Indicator	2010	2011f	2012f
Employment, % change	1.8	-3.5	1.0
Unemployment Rate, %	6.3	8.2	6.9
Population growth, % change	1.0	1.0	1.1
Room revenue, % change	-1.2	-3.0	2.0
Non-residential permits, % ch.	-15.1	20.0	5.0
Housing sales, % change	-14.9	-7.0	4.0
Housing prices, % change	4.0	-1.0	0.0
Housing starts, % change	59.7	-18.0	-5.0

Source: Statistics Canada, BC Stats, Landcor Data Corp, CMHC, C1CU forecast.

