

# Economic Update and Outlook

Fall Conference -  
Central 1 Credit Union

Friday, November 4, 2011

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Chief Economist  
Central 1 Credit Union



## Outline:

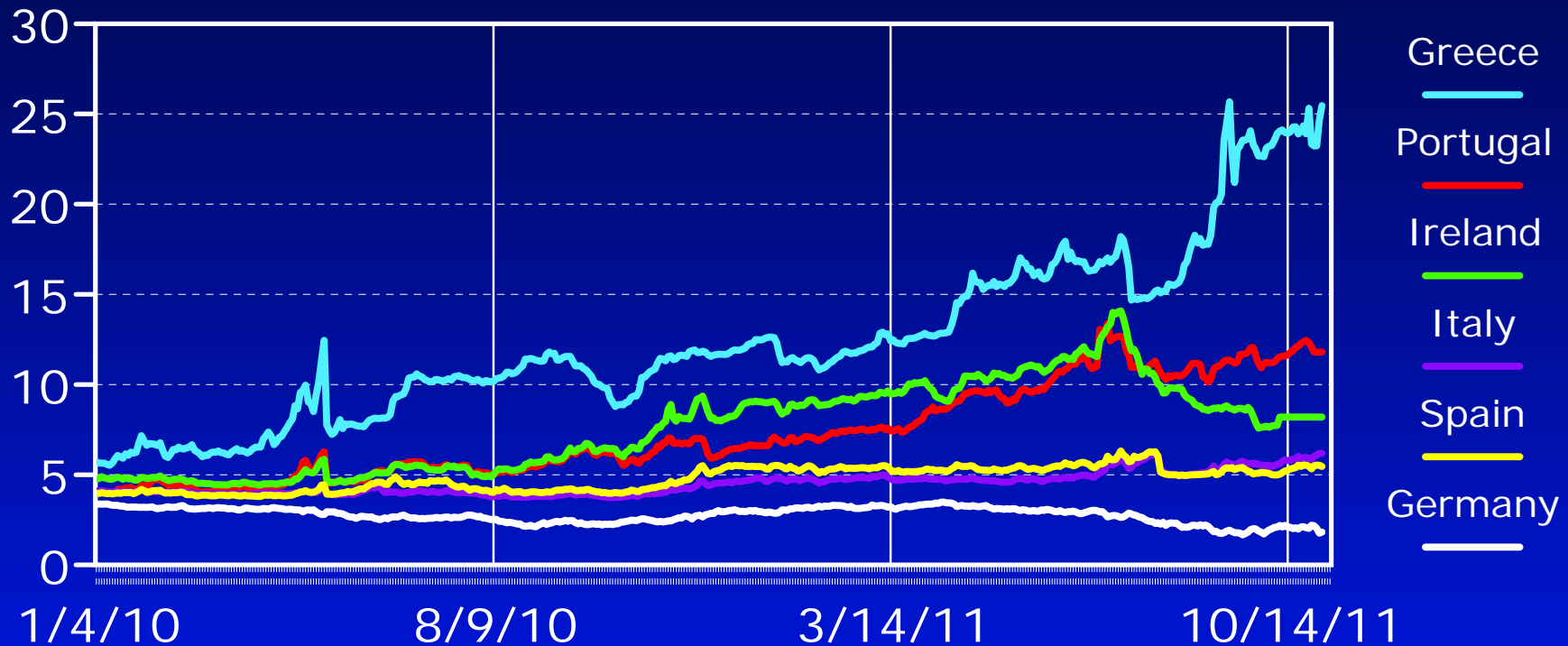
- Global economic trends and developments
- U.S. economic forecasts
- Canada's economic, interest rate, currency trends and forecasts
- Ontario and B.C. economic and housing trends and forecasts



# Heightened market concerns on sovereign debt - notably Greece

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

Per cent



Source: Bloomberg.

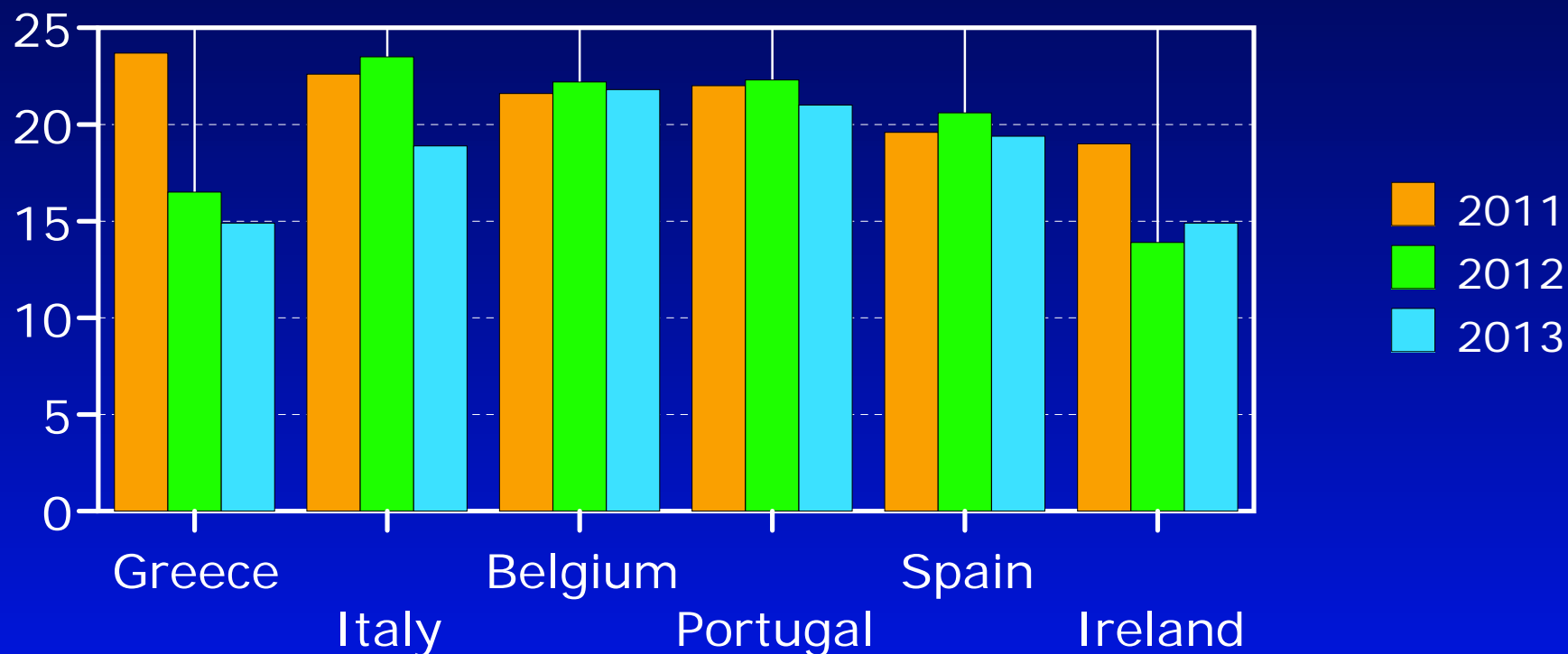
Latest: 11/2/2011



# Higher financing needs in Italy, Spain, and others during 2012

## Gross Financing Needs, Selected European Economies

Per cent of GDP



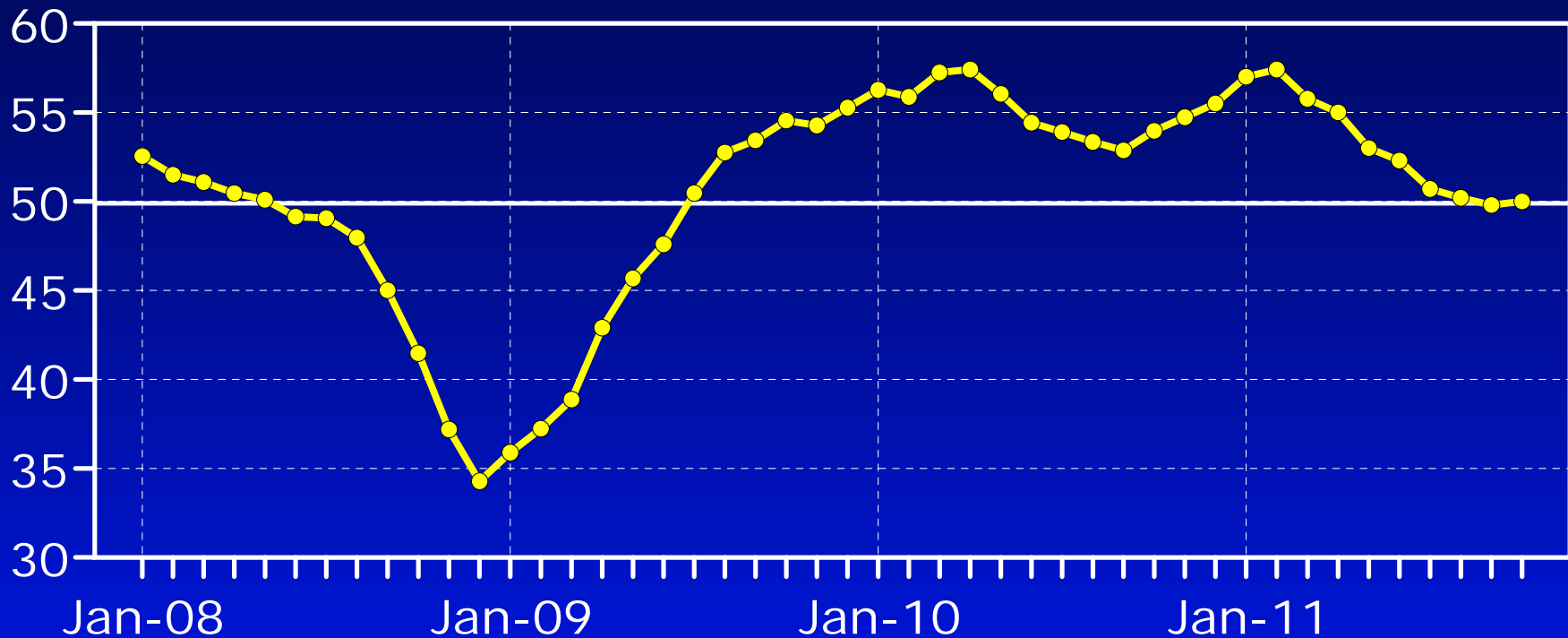
Source: IMF Fiscal Monitor Sept. 2011.



# PMI suggests manufacturing slowdown

## Global Manufacturing Purchasing Managers Index

Balance of opinion (%)



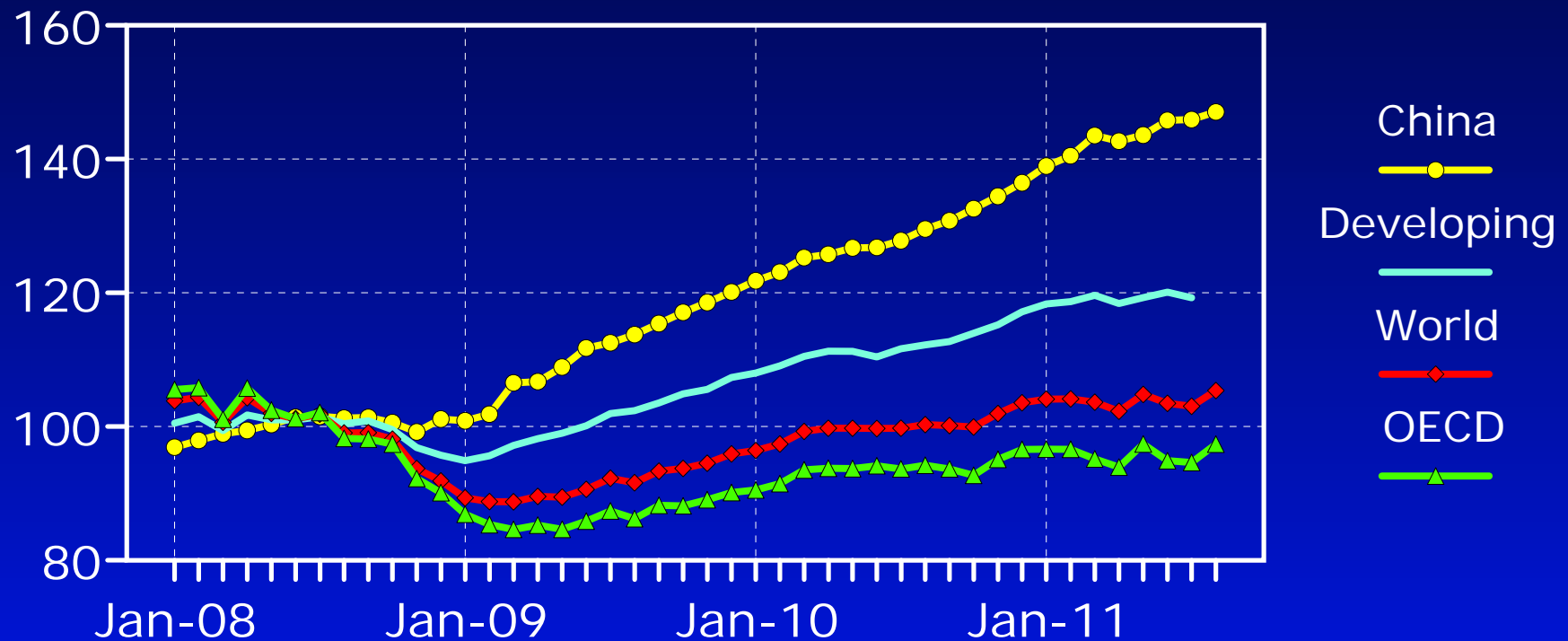
Source: JP Morgan, Markit. Note: Seasonally adjusted. Latest: Oct-11



# Emerging and developing economies lead recovery, industrialized economies lag

## World Industrial Production, Selected Economies

2008=100



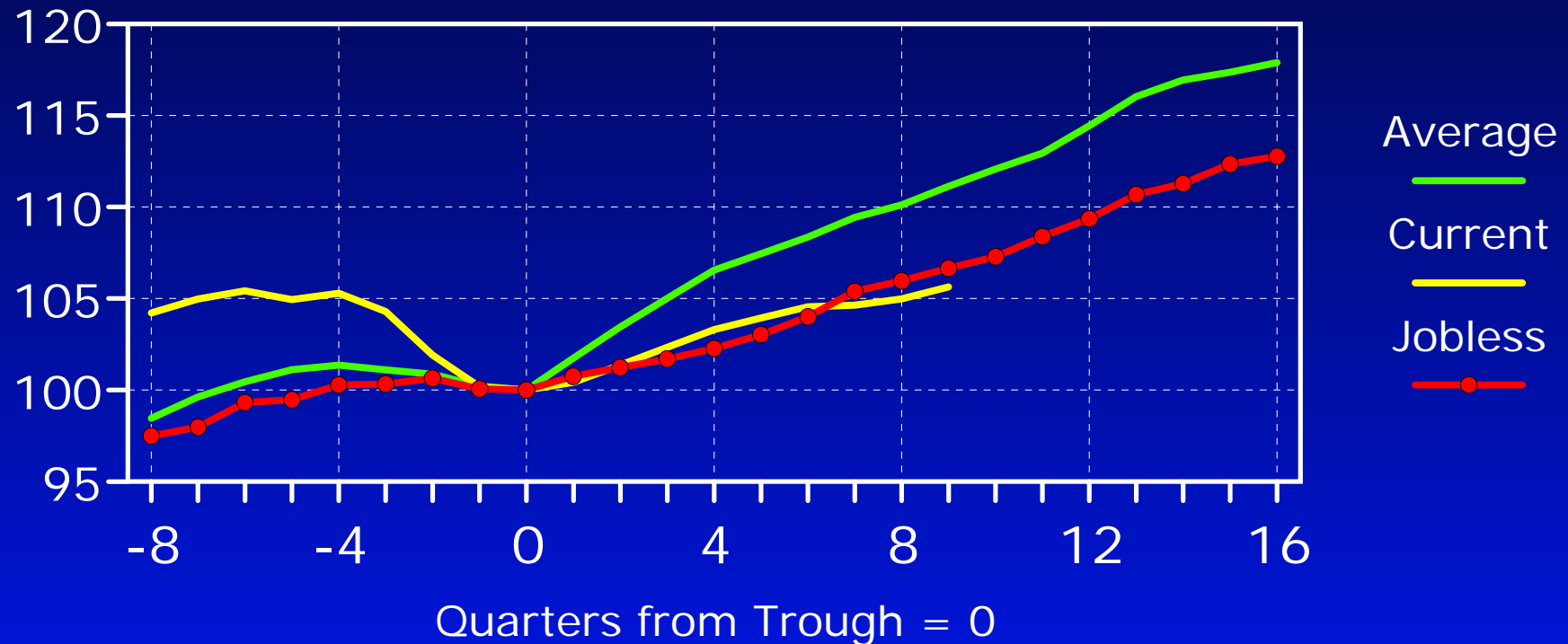
Source: World Bank. Note: Seasonally adjusted. Latest: Aug-11



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

## Recoveries in U.S. Real GDP

Cycle trough=100



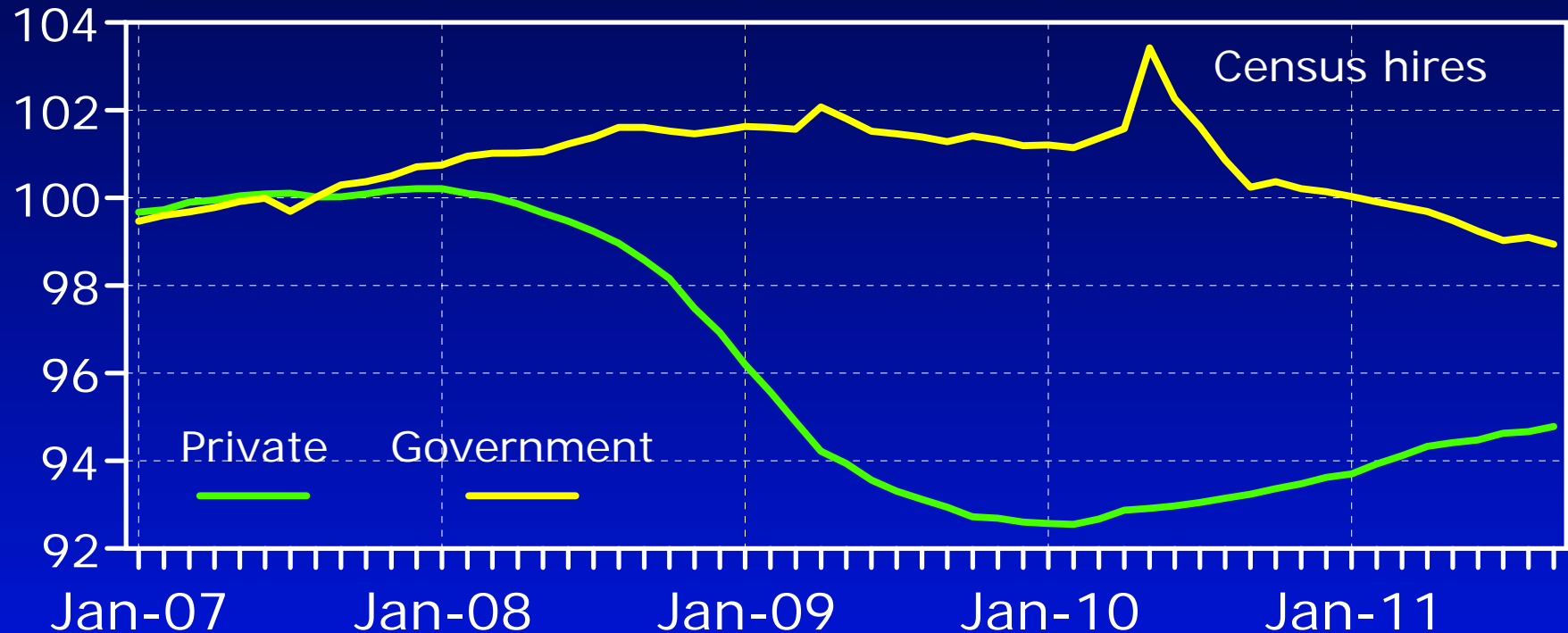
Source: Central 1 Credit Union. Latest current: Q3-2011



# Private sector job growth weak, government payrolls dropping

## U.S. Private and Government Employment Trends

2007=100



Source: U.S. BLS, C1CU. Note: Seasonally adjusted

Latest: Oct-11



# ECRI issues recession call for U.S. economy

## U.S. Weekly Leading Economic Indicator

1992=100



Source: Economic Cycle Research Institute.

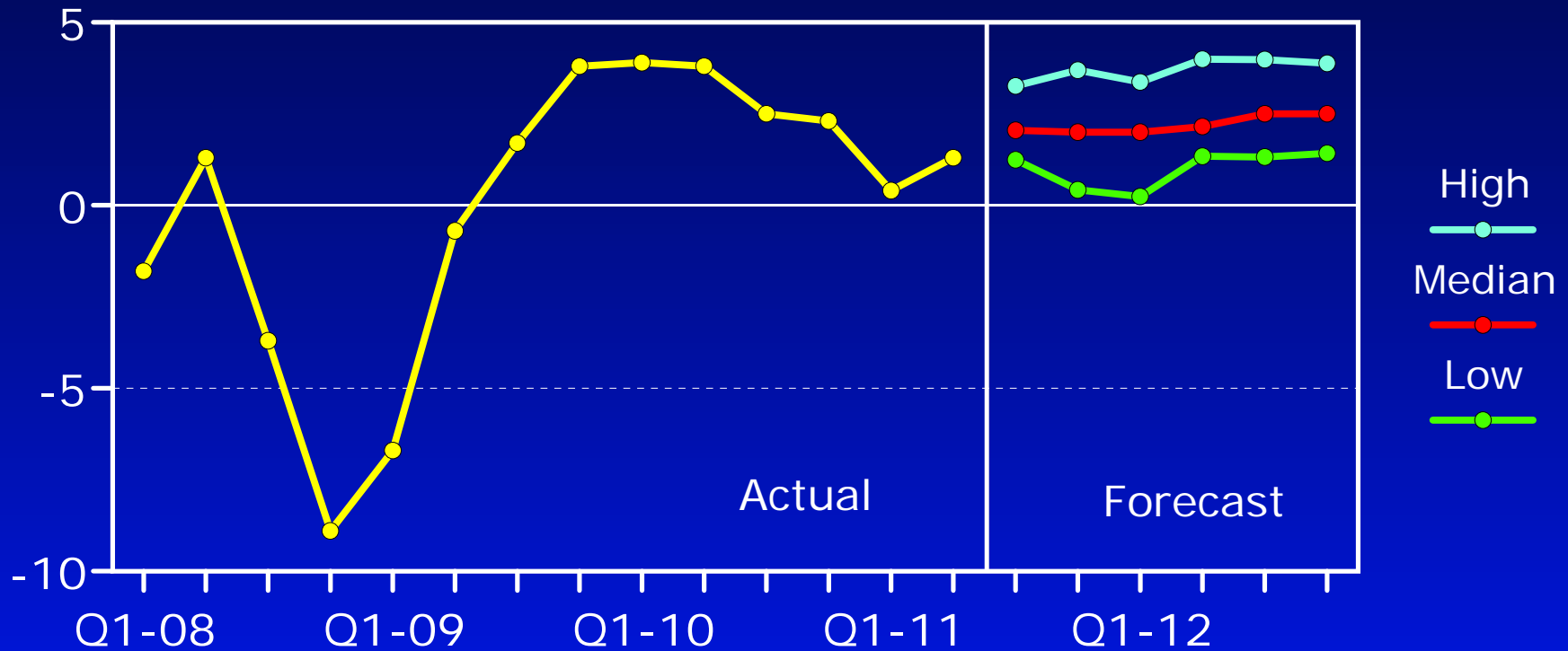
Latest: 28-Oct-11



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

## U.S. Economic Forecast

Percentage change at annual rate in real GDP



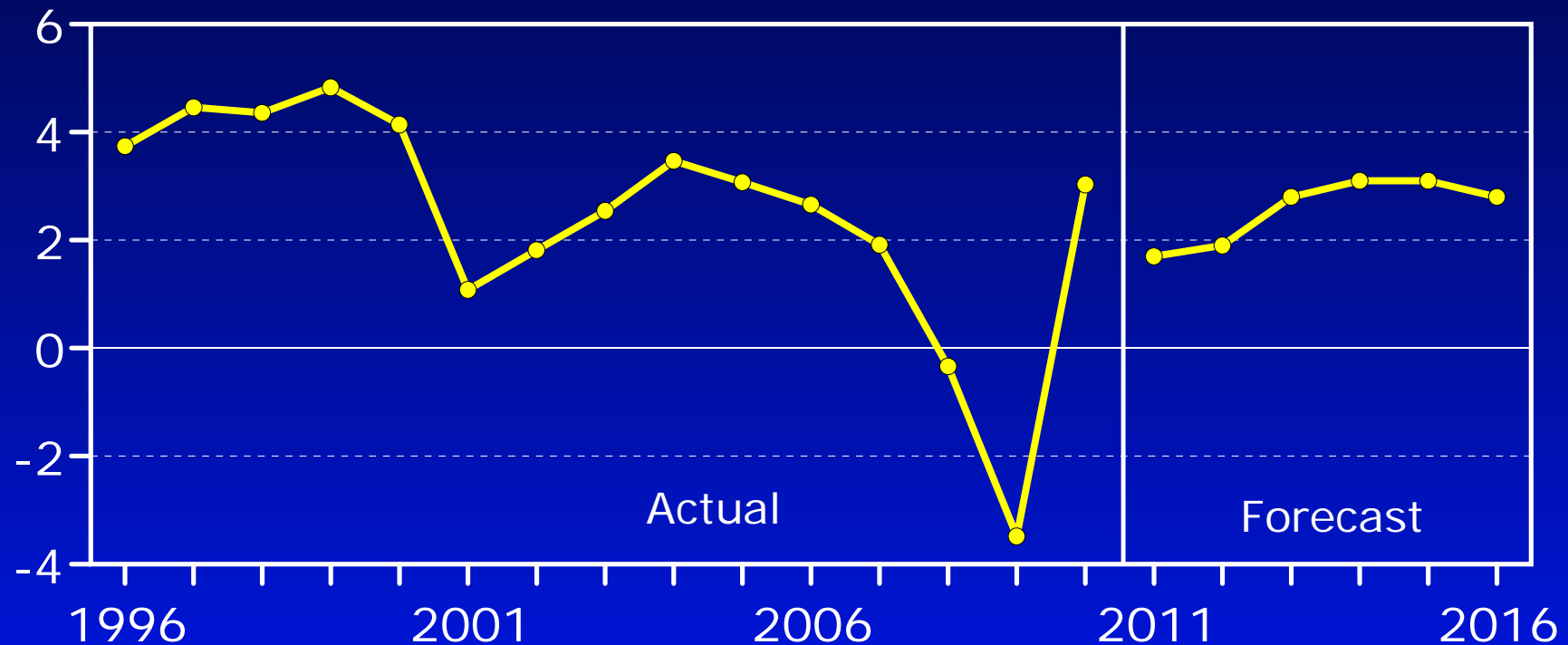
Source: U.S. BEA, WSJ October 2011 Survey. Latest actual: Q2-11



# U.S. economy to grow above 3% after 2013

## U.S. Long-term Economic Forecast

Per cent change in real GDP



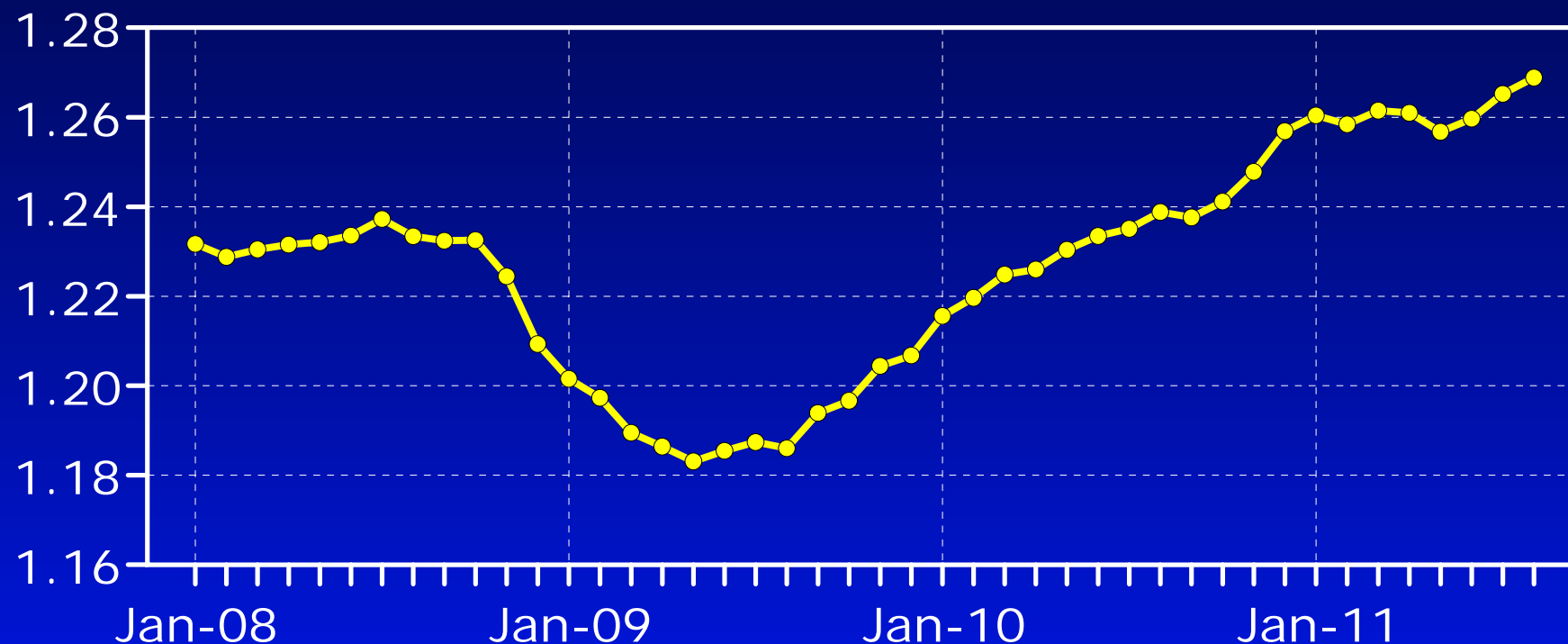
Source: U.S. BEA, Consensus Forecasts. Latest actual: 2010



# Canadian economy rebounds from May's temporary decline, above trend growth in July and August

## Canada Gross Domestic Product, All Industries

Dollars - trillions chained 2002

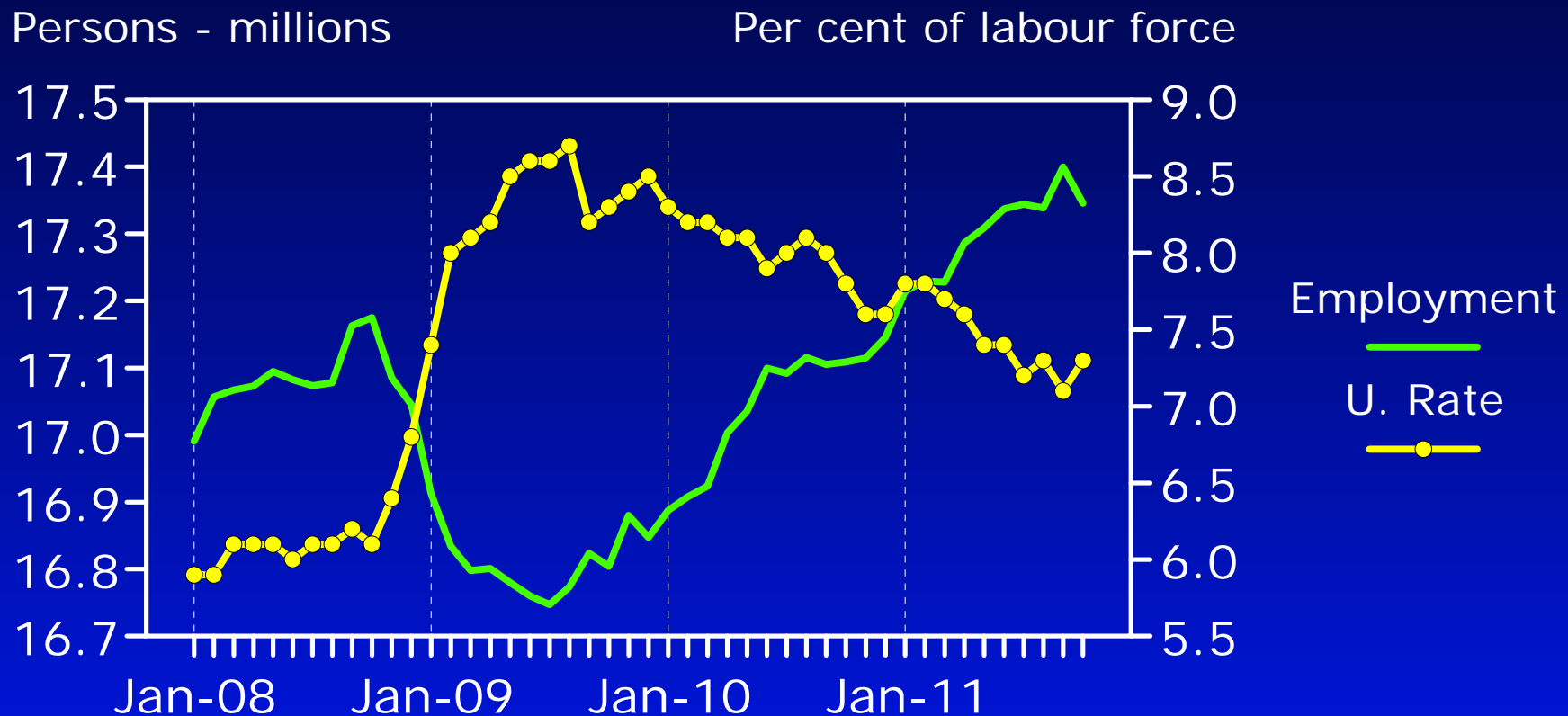


Source: Statistics Canada. Seasonally adjusted annual rate. Latest: Aug-11



# October employment down 54k, reversing most of 61k gain in September

## Labour Market, Canada



Source: Statistics Canada.

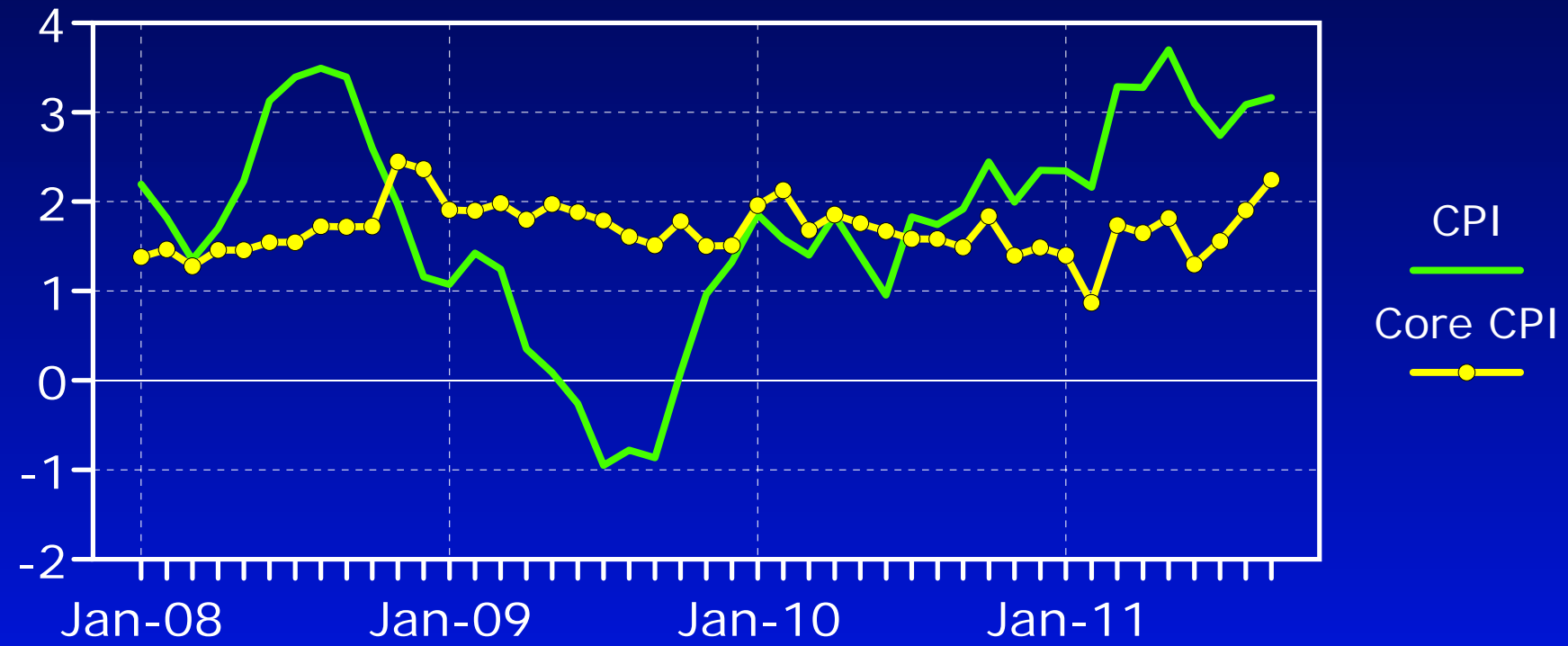
Latest: Oct-11



# Temporary surge in headline CPI and core inflation

## Inflation Measures, Canada

Per cent change year-over-year



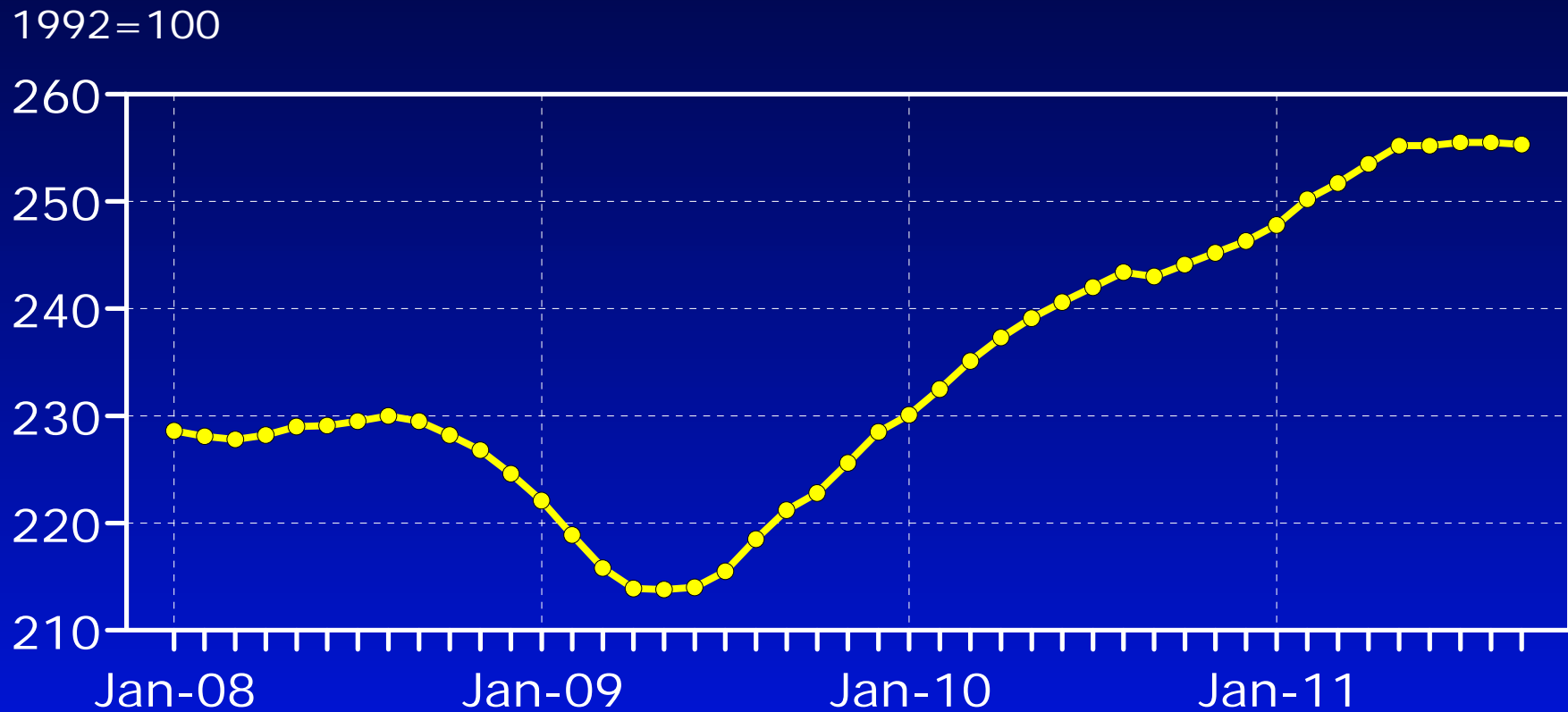
Source: Statistics Canada.

Latest: Sep-11



# Growth to slow, no sign of recession

## Leading Economic Indicator, Canada



Source: Statistics Canada.

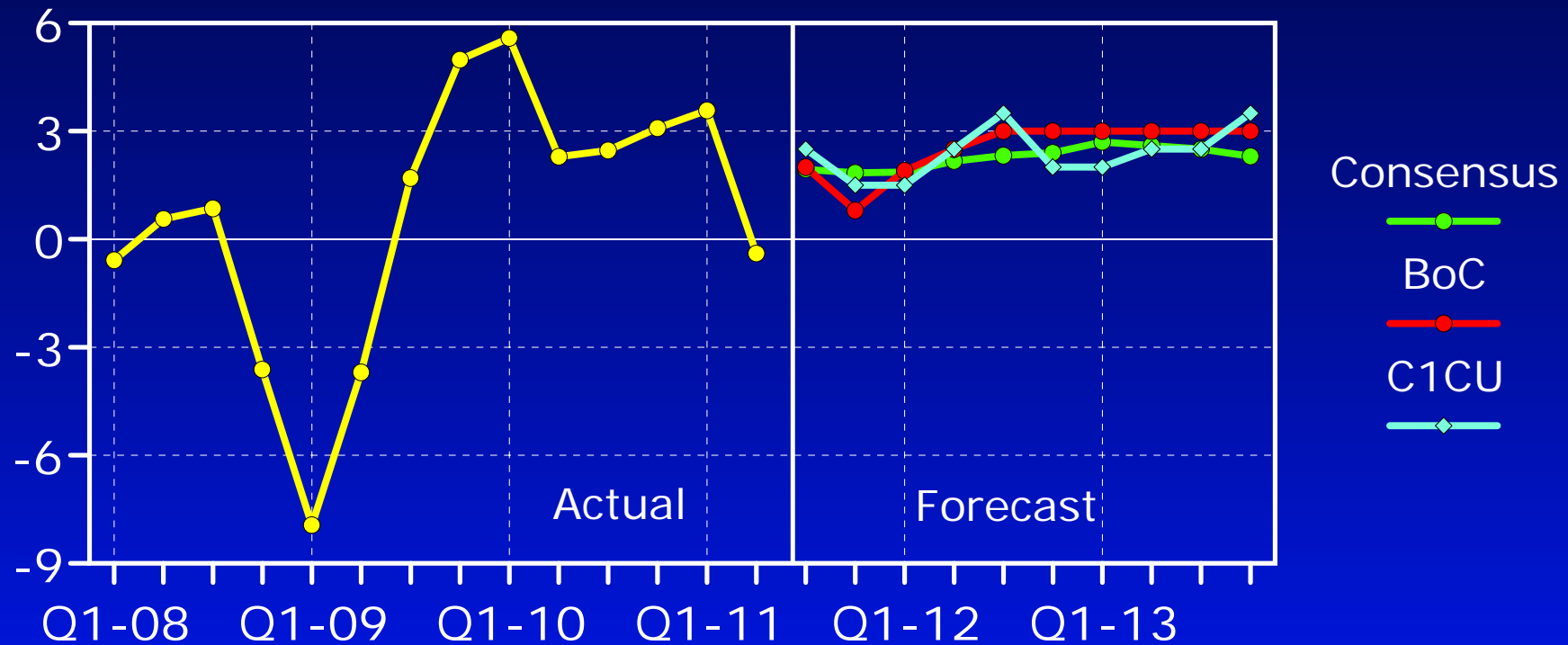
Latest: Sep-11



# Q3-2011 rebounds, some divergence in forecasts

## Canada's Economic Growth and Forecasts

Percentage change at annual rate in real GDP



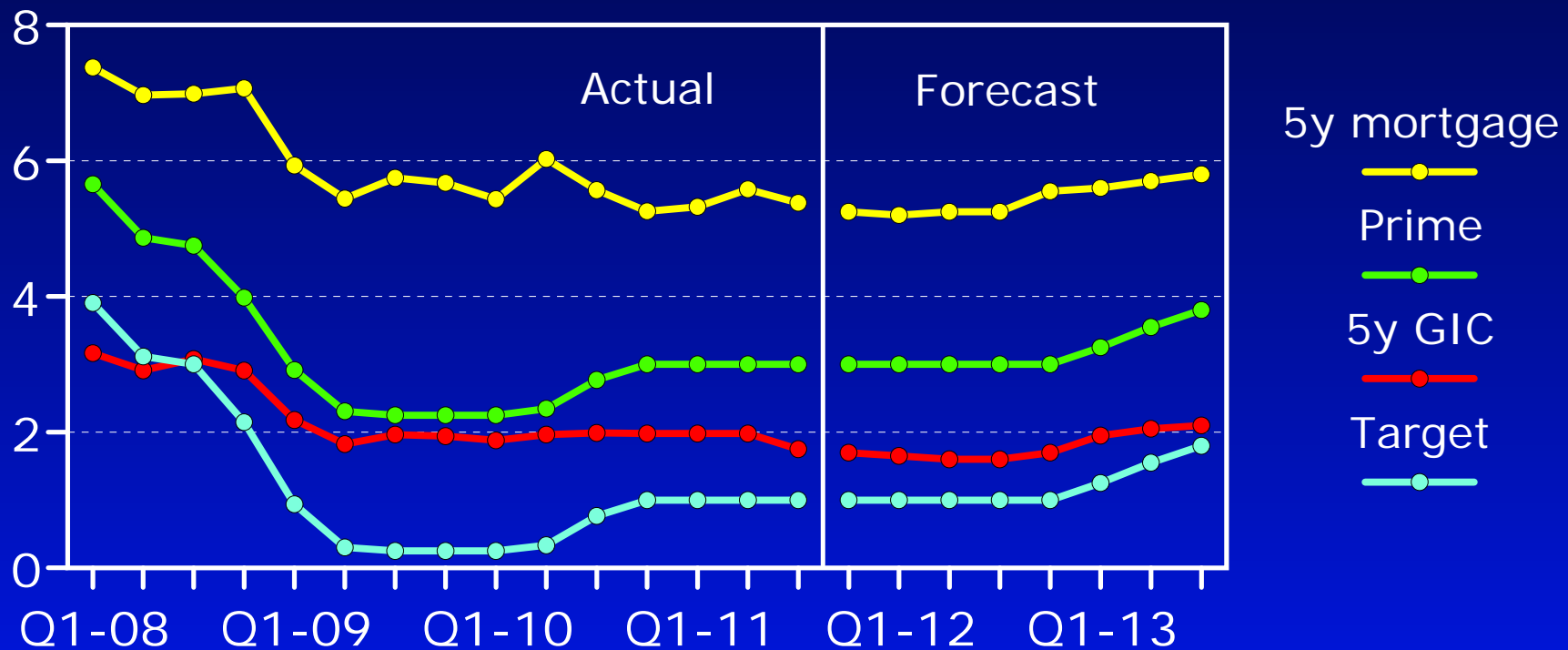
Source: Statistics Canada, Bank of Canada, C1CU. Latest actual: Q2-11



# Bank of Canada on hold until early 2013

## Interest Rate Forecasts, Quarterly

Per cent



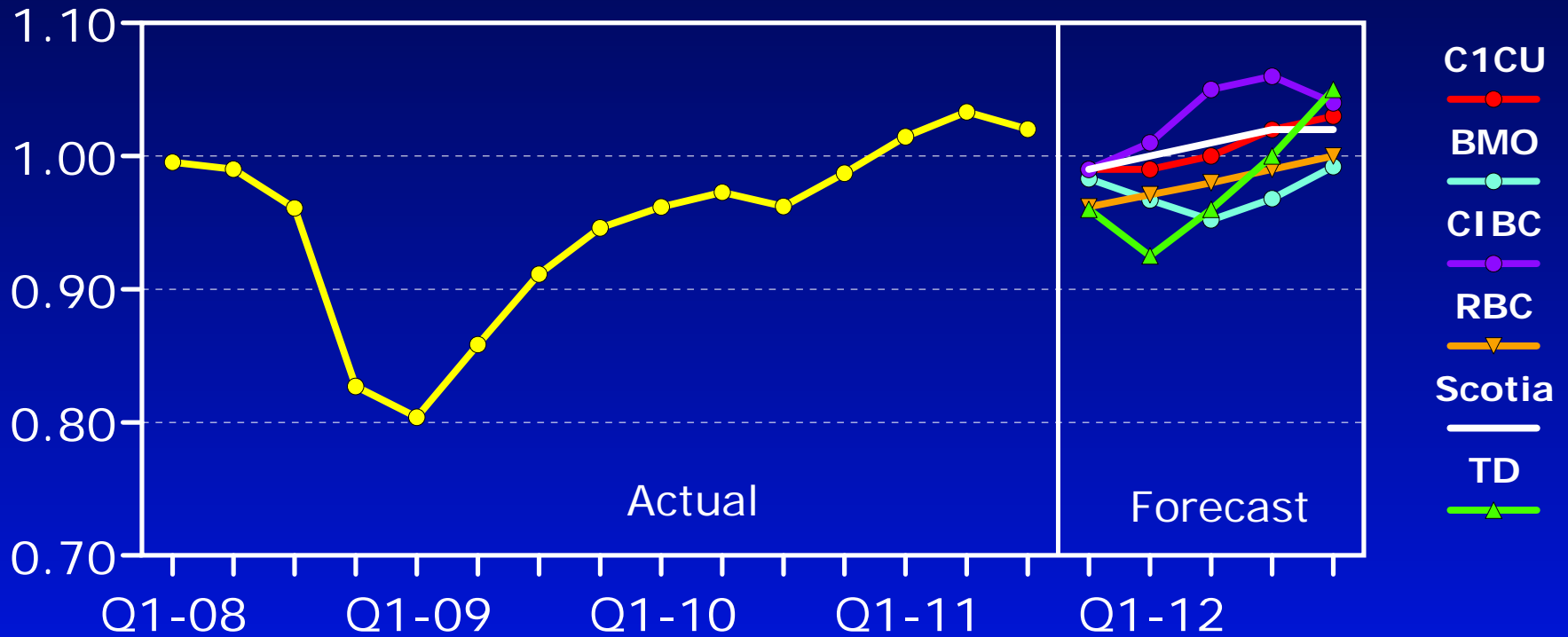
Source: Bank of Canada, C1CU. Note: Averages. Latest actual: Q3-11



# Mixed views on Canadian dollar near term, higher later in 2012

## Exchange Rate Forecasts, Canada

USD per CAD



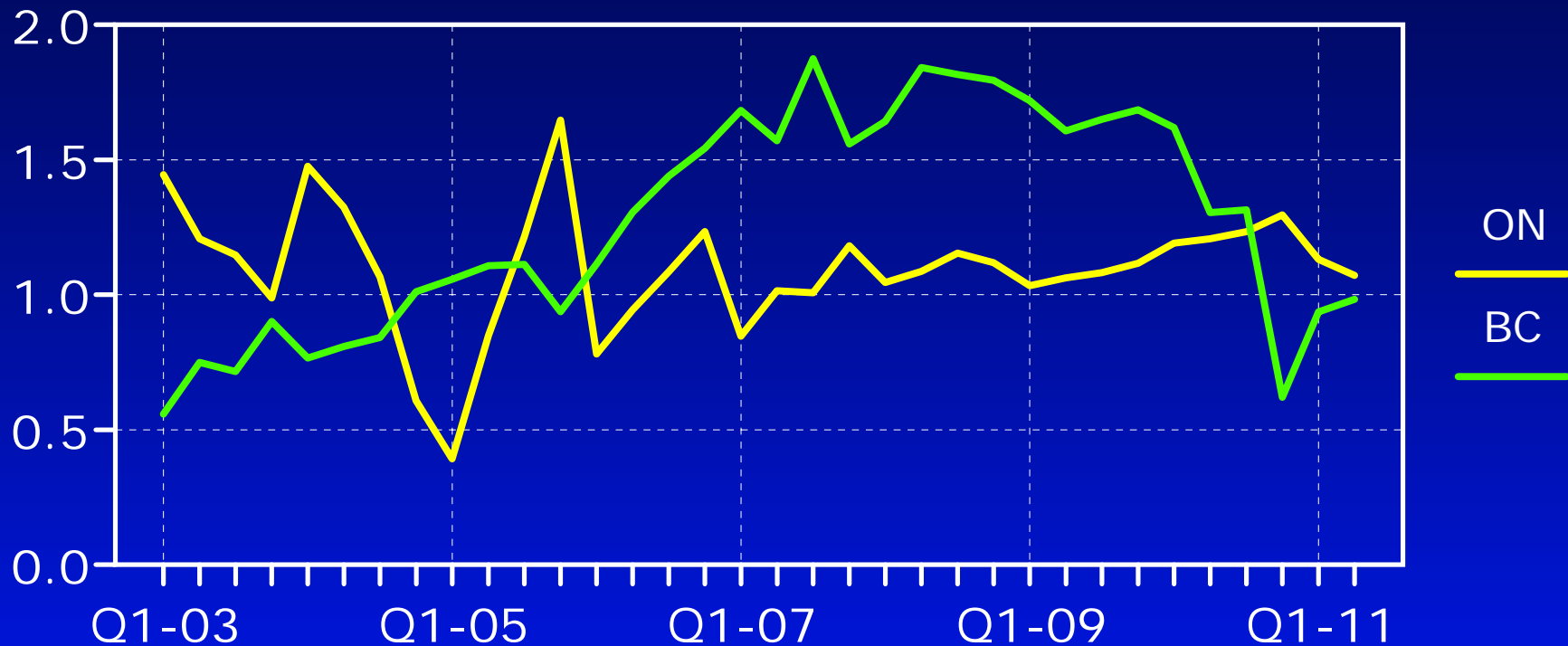
Source: Bank of Canada, C1CU Survey. Latest actual: Q3-11



# Population growth slowing, large downshift in B.C.

## Ontario and B.C. Population Growth, Quarterly

Per cent change at annual rate



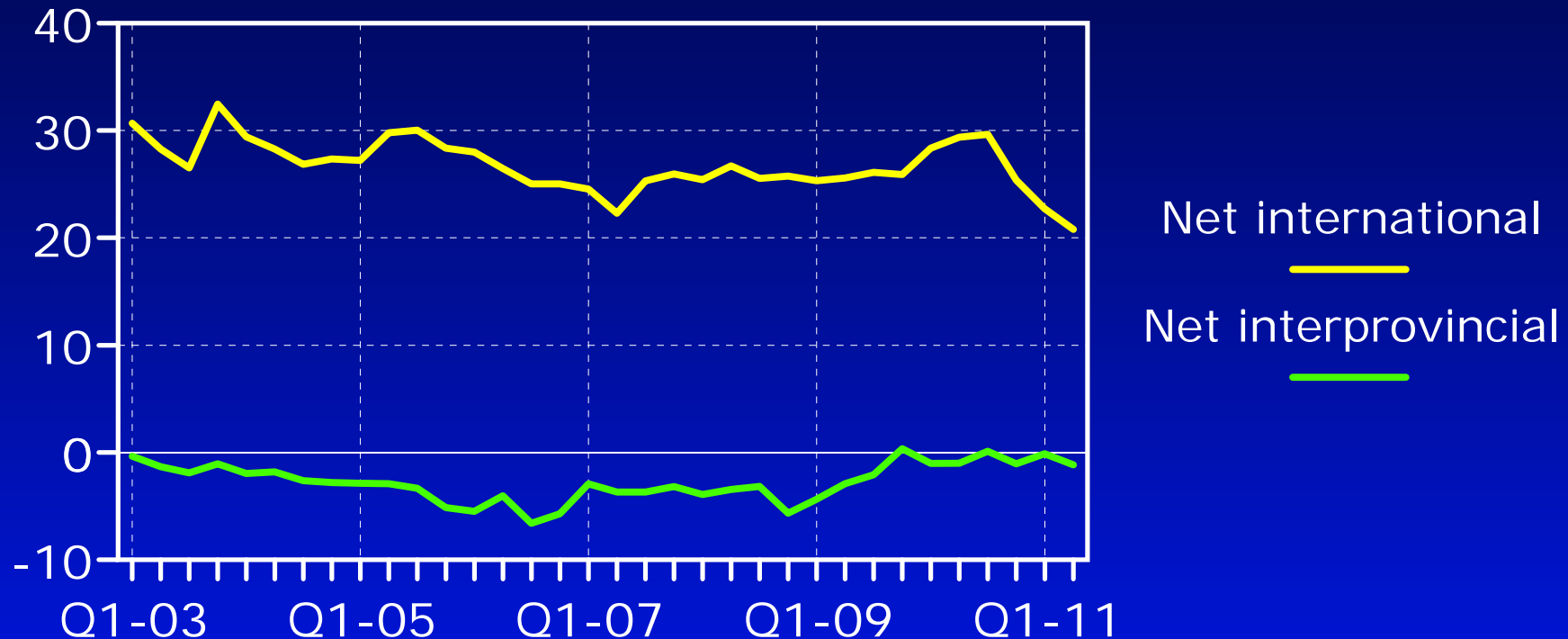
Source: Statistics Canada, C1CU. Latest: Q2-11



# International net migration declines, immigration at lowest level since 1999

## Ontario Net Migration by Type, Quarterly

Persons - thousands



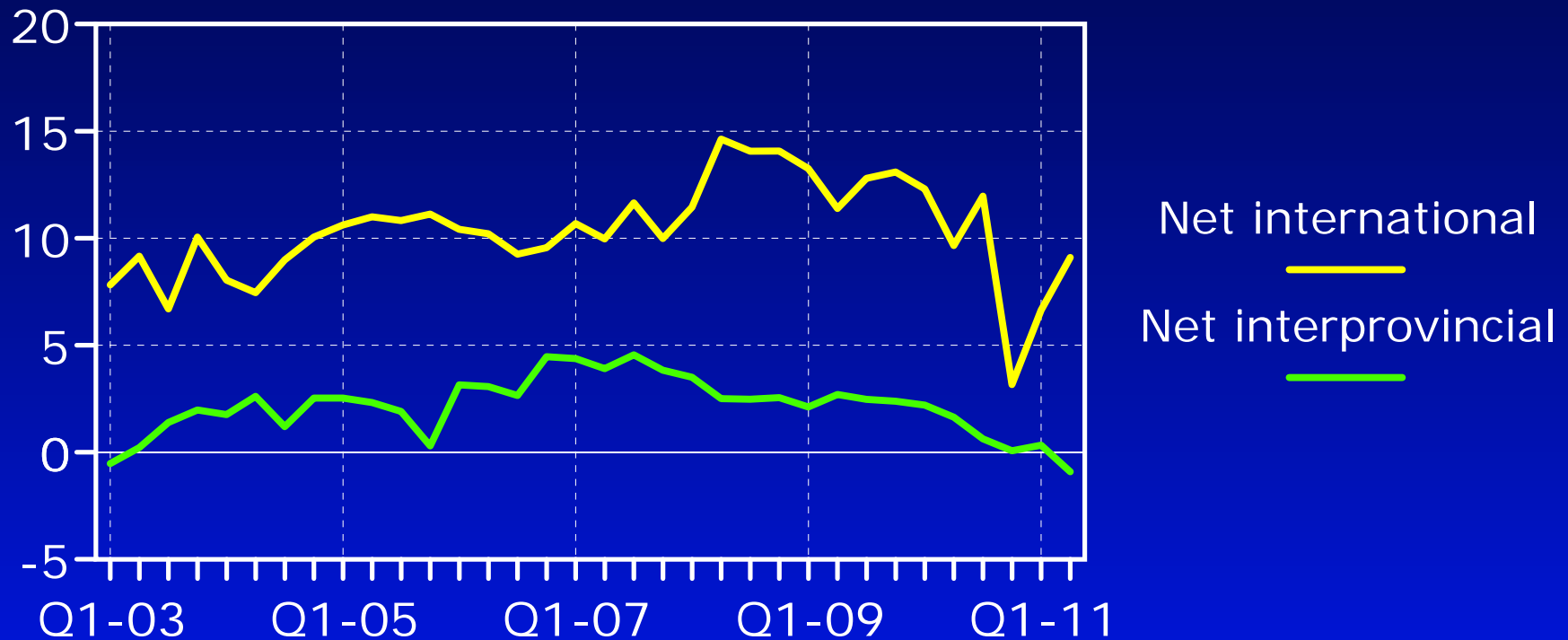
Source: Statistics Canada, C1CU. Note: Seasonally adjusted. Latest: Q2-11



# One-off drop in net international migration, interprovincial migration turns negative

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

Persons - thousands

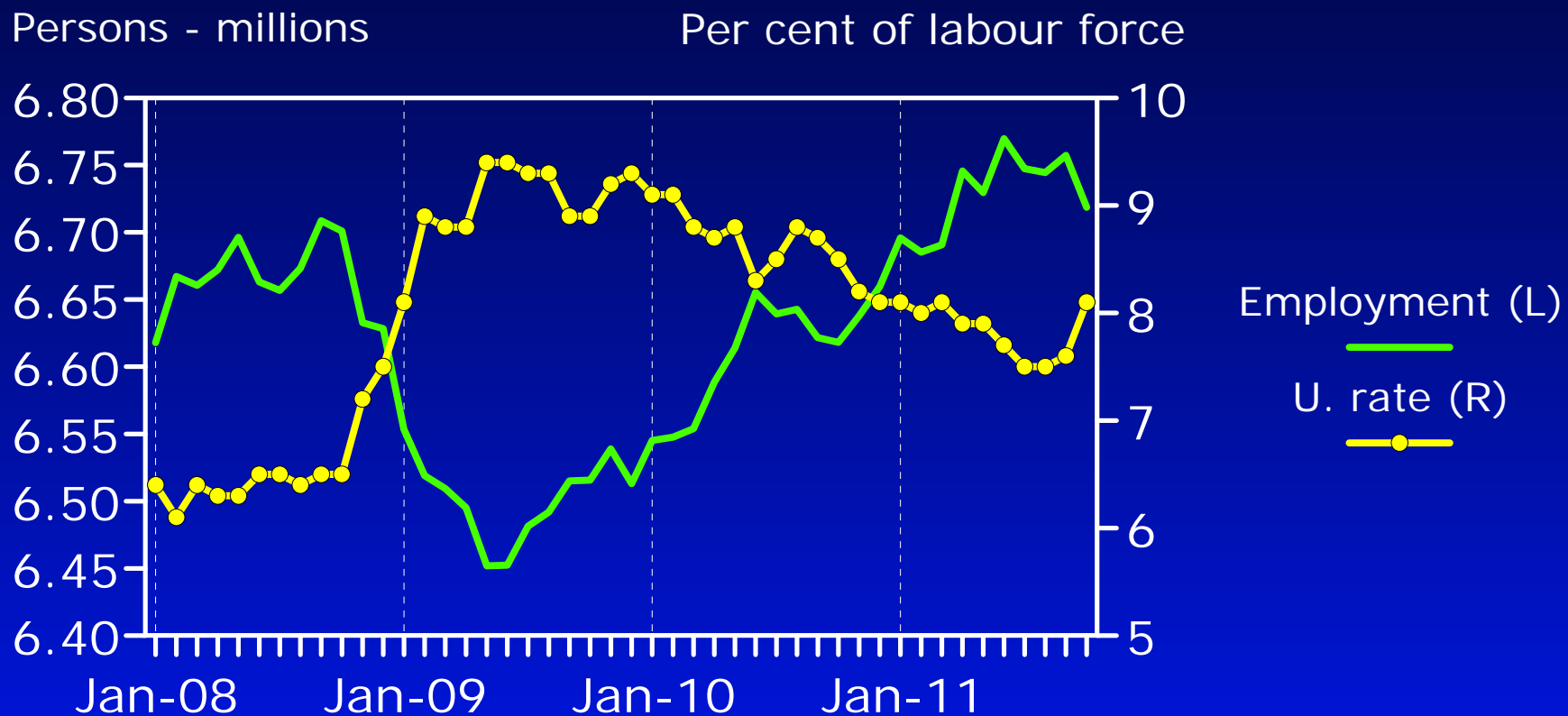


Source: Statistics Canada, C1CU. Note: Seasonally adjusted. Latest: Q2-11



# Uneven job performance in past year, unemployment rate back above 8%

## Ontario Labour Market, Monthly



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



# Toronto employment down 38k in October, no growth since late 2010

## Employment Trends, Toronto CMA and Rest of Ontario

2007=100

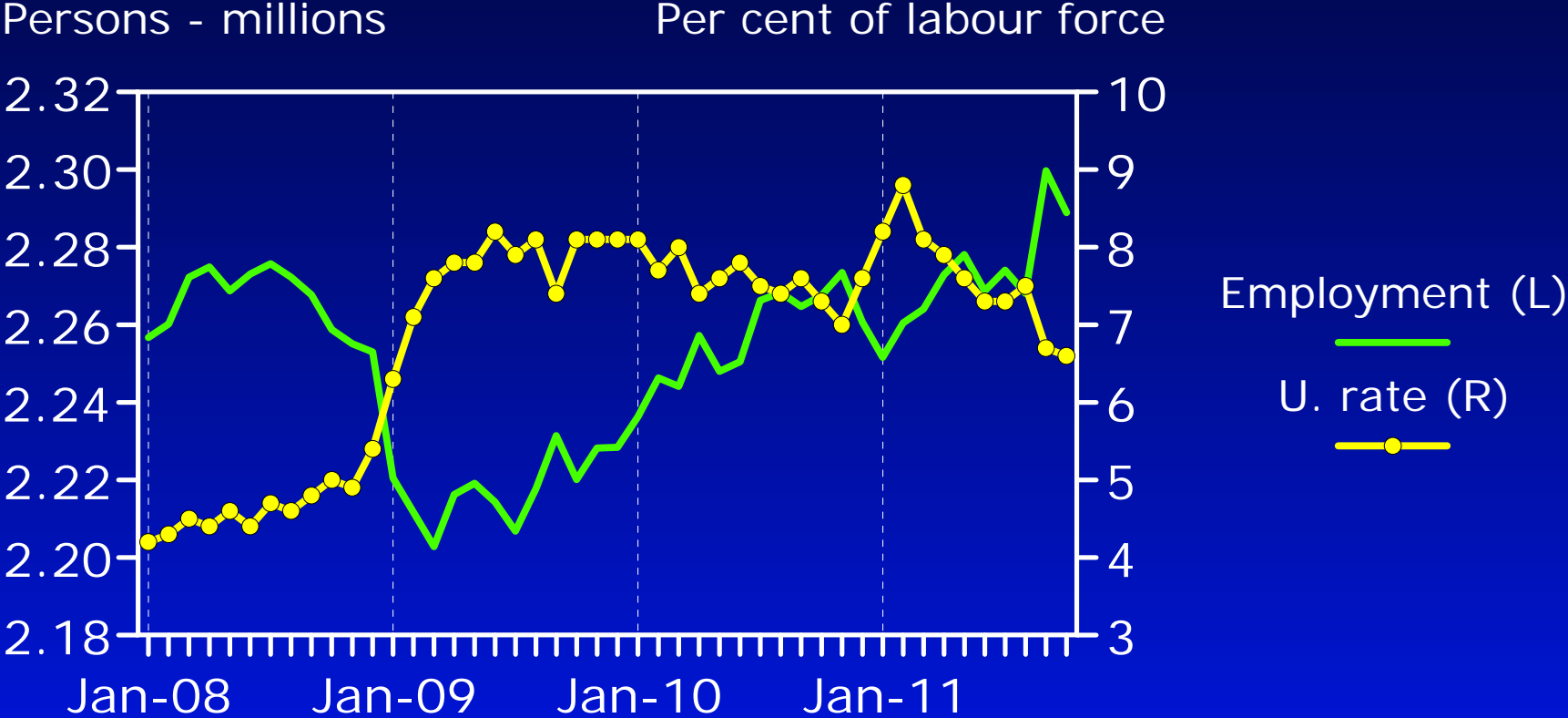


Source: Statistics Canada, C1CU. Note: Seasonally adjusted. Latest: Oct-11



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

## B.C. Labour Market, Monthly



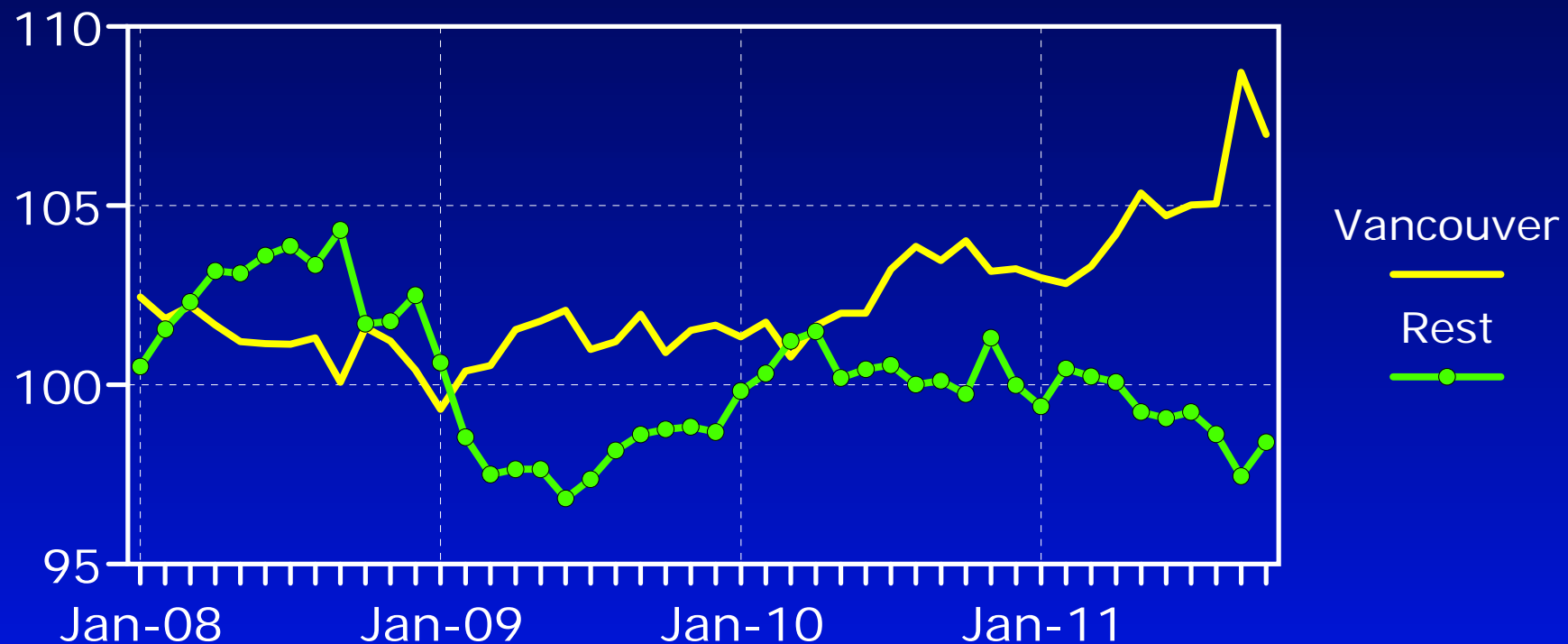
Source: Statistics Canada. Note: Seasonally adjusted. Latest: Oct-11



# Vancouver employment drives provincial gains, unlikely result in September

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

2007=100



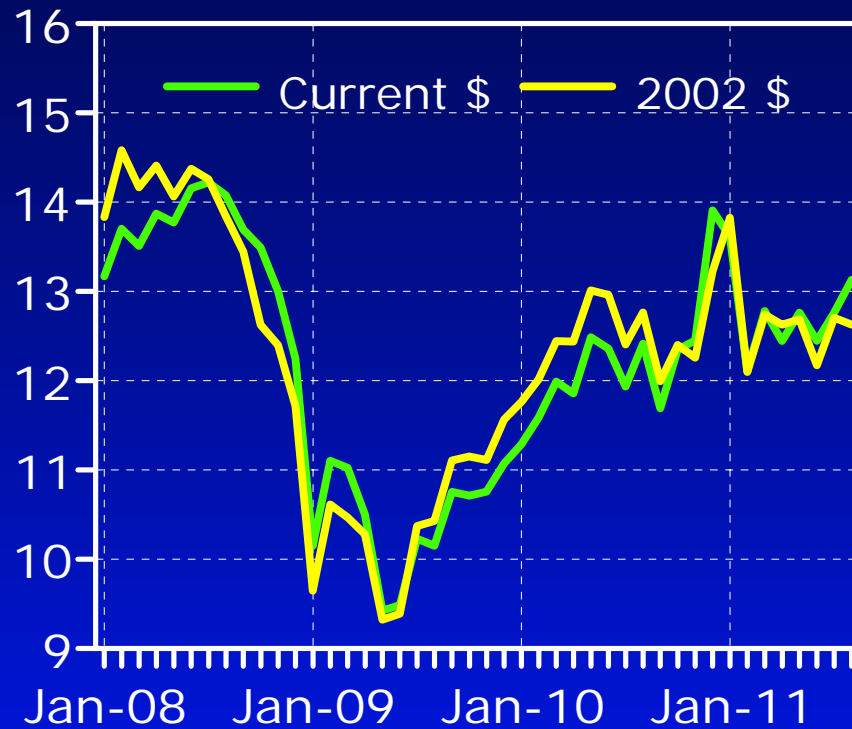
Source: Statistics Canada, C1CU. Note: Seasonally adjusted. Latest: Oct-11



# International merchandise exports: Moderate recovery in B.C., Ontario's stalls

## Ontario

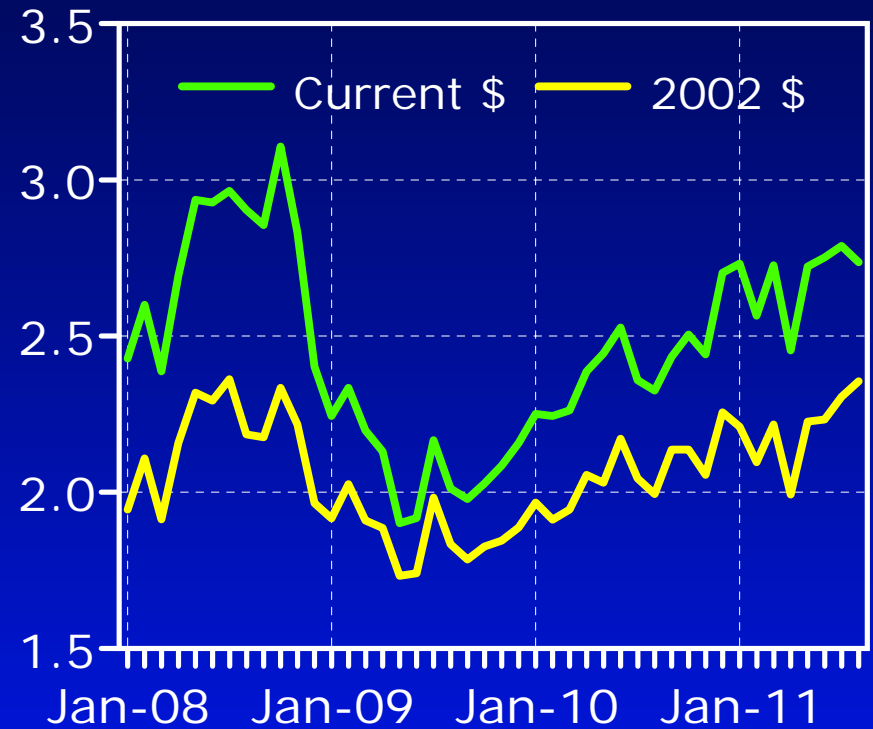
Dollars - billions



Source: Statistics Canada, C1CU.

## British Columbia

Dollars - billions



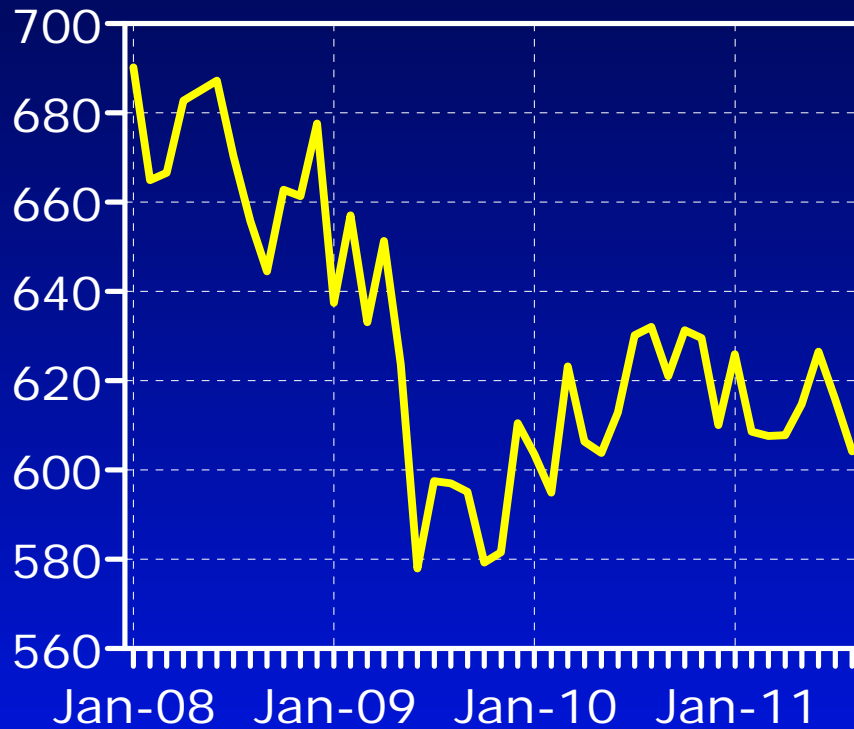
Note: Seasonally adjusted. Latest: Aug-



# International tourist entries: Declining trend since mid-2010

## Ontario

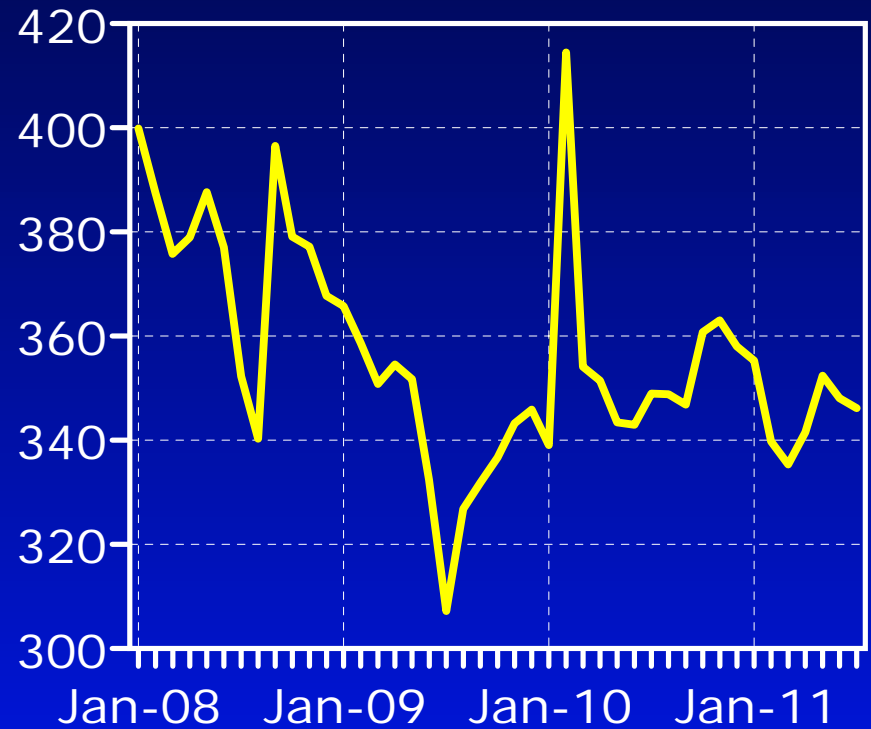
Persons - thousands



Source: Statistics Canada.

## British Columbia

Persons - thousands



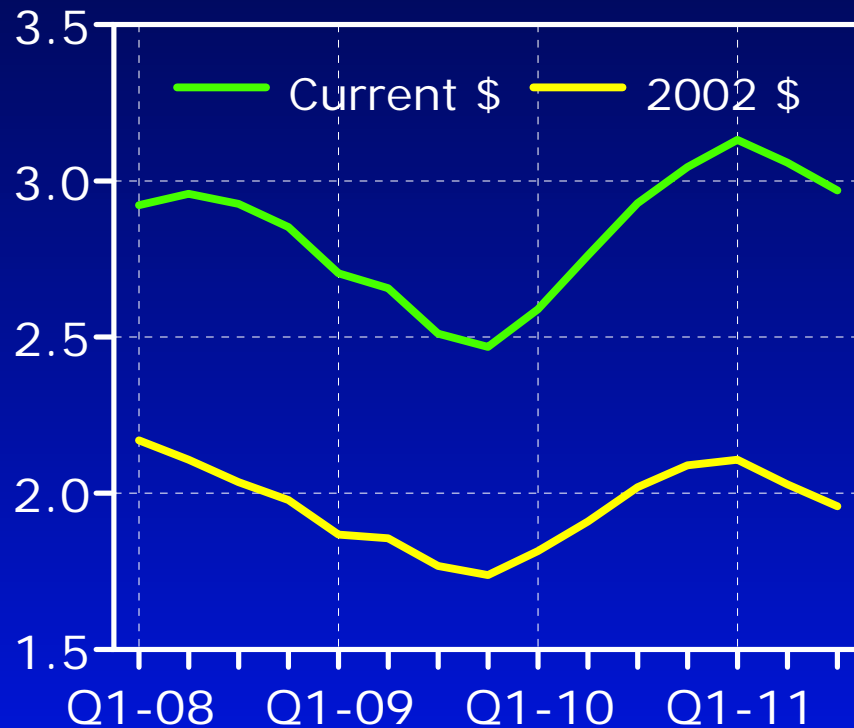
Note: Seasonally adjusted. Latest: Aug.



# Private non-residential building construction investment: Commercial sector expanding

## Ontario

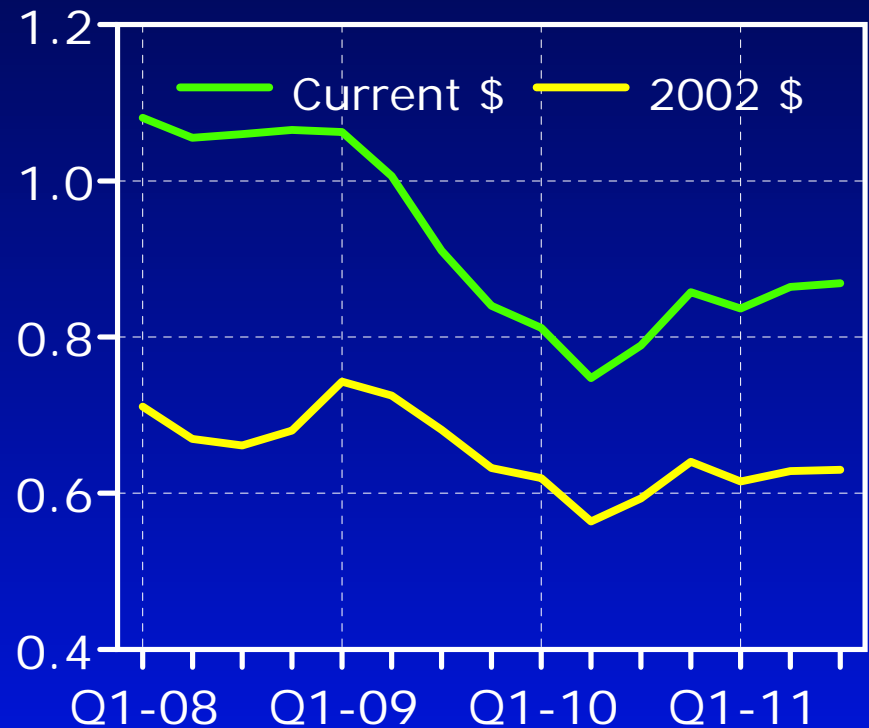
Dollars - billions



Source: Statistics Canada.

## British Columbia

Dollars - billions



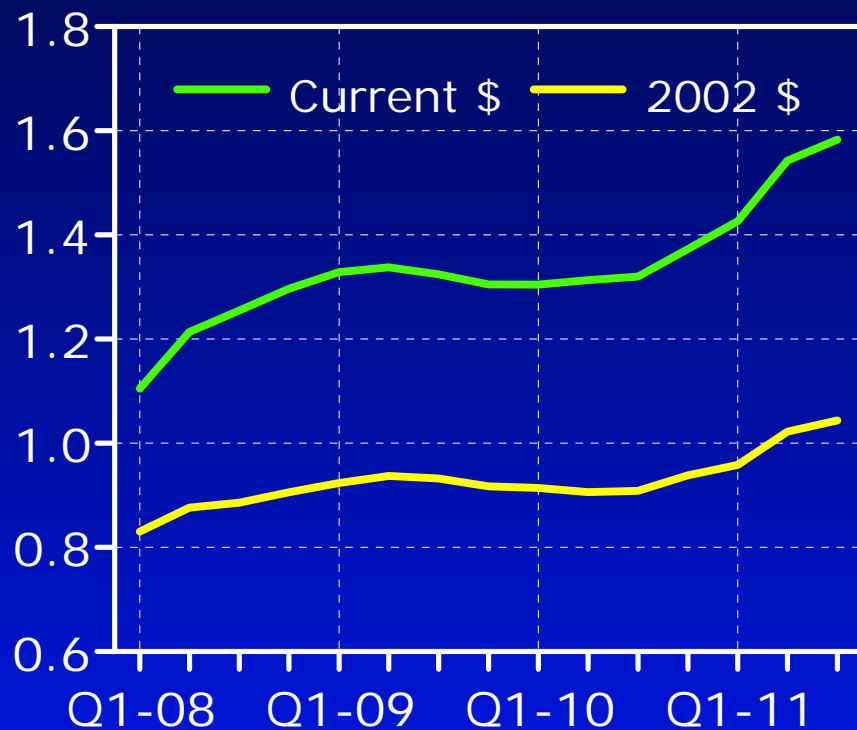
Note: Seasonally adjusted. Latest: Q3



# Public non-residential building construction investment: Recent gains to end

## Ontario

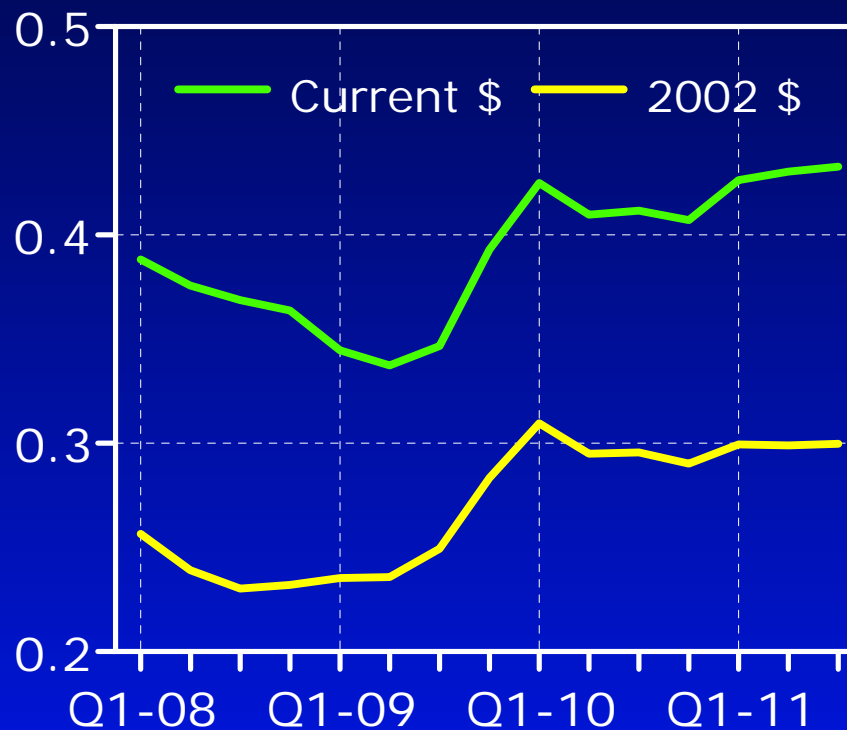
Dollars - billions



Source: Statistics Canada.

## British Columbia

Dollars - billions



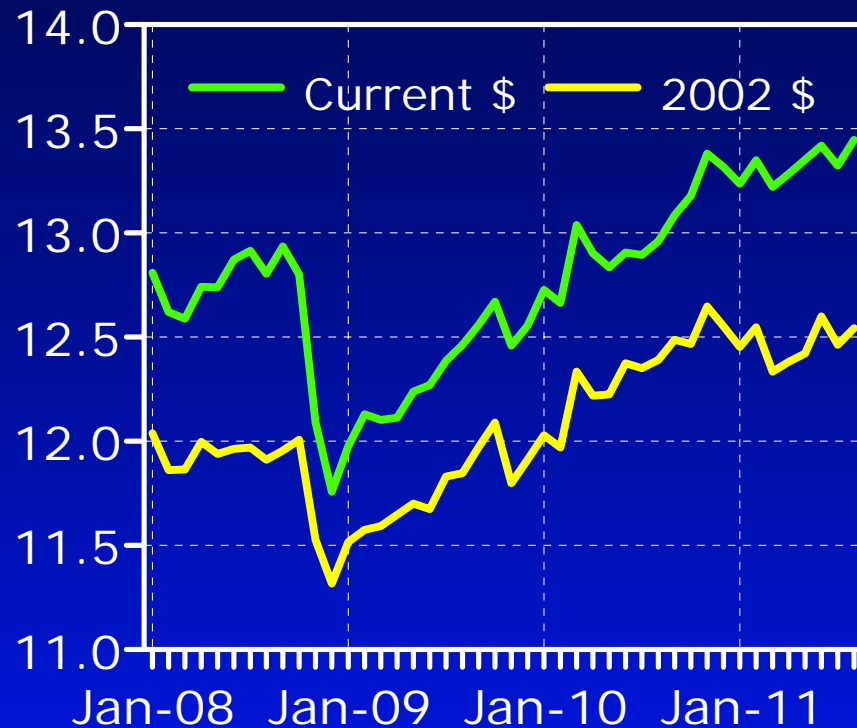
Note: Seasonally adjusted. Latest: Q3



# Retail sales: Ontario consumer spending up, flat trend in B.C. since early 2010

## Ontario

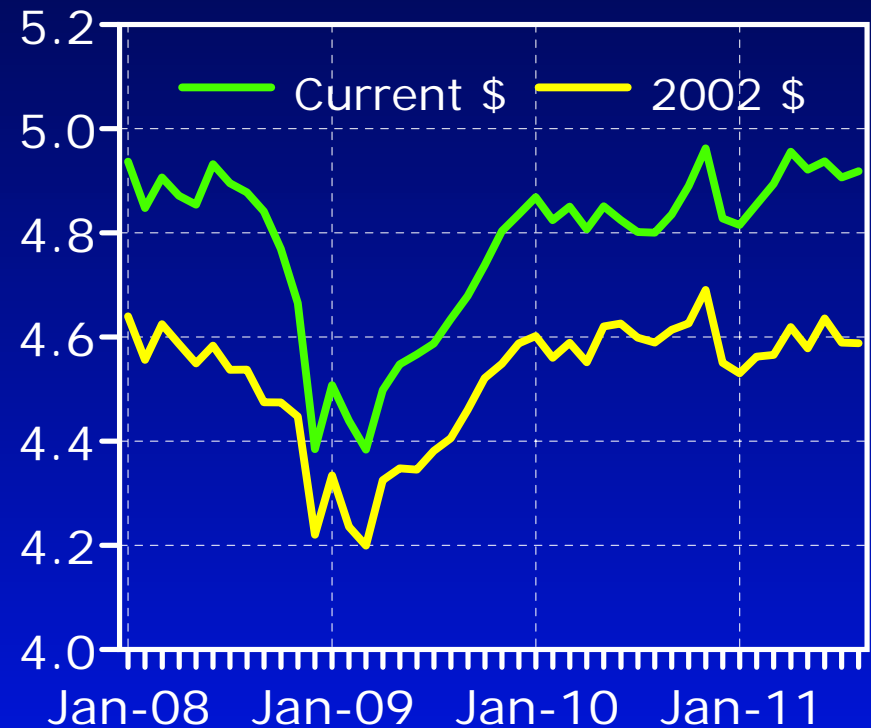
Dollars - billions



Source: Statistics Canada, C1CU.

## British Columbia

Dollars - billions



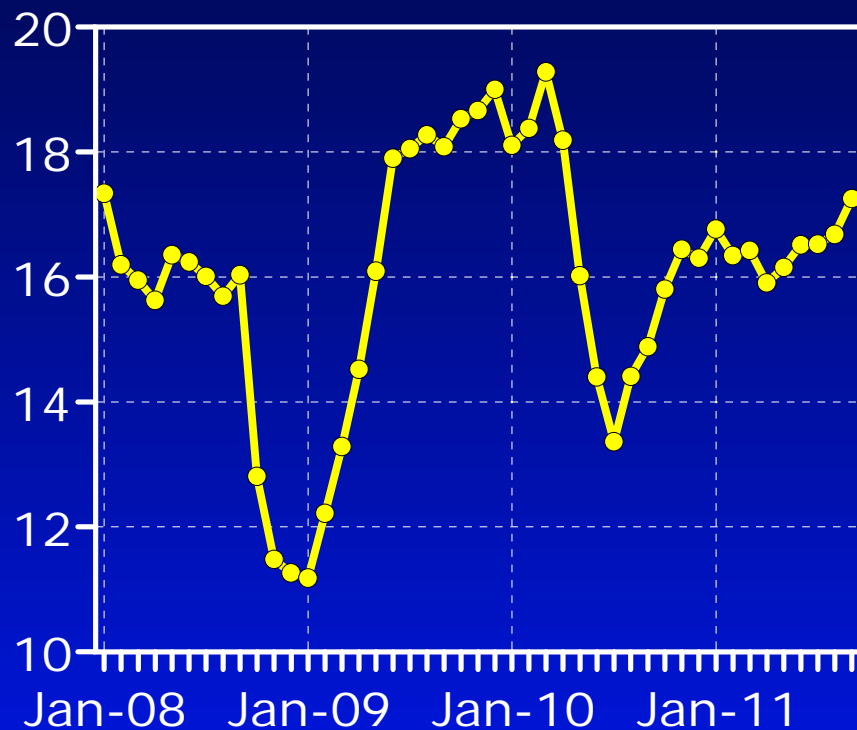
Note: Seasonally adjusted. Latest: Aug



# MLS residential sales: Holding steady past few months, slight increase in September

## Ontario

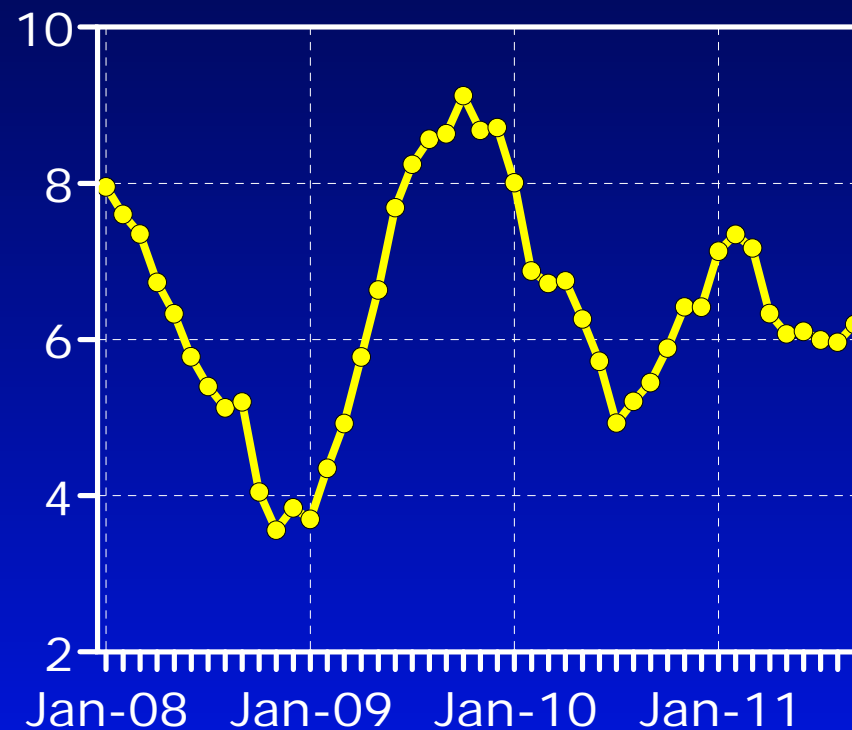
Units - thousands



Source: CREA. Latest: Sep-11

## British Columbia

Units - thousands



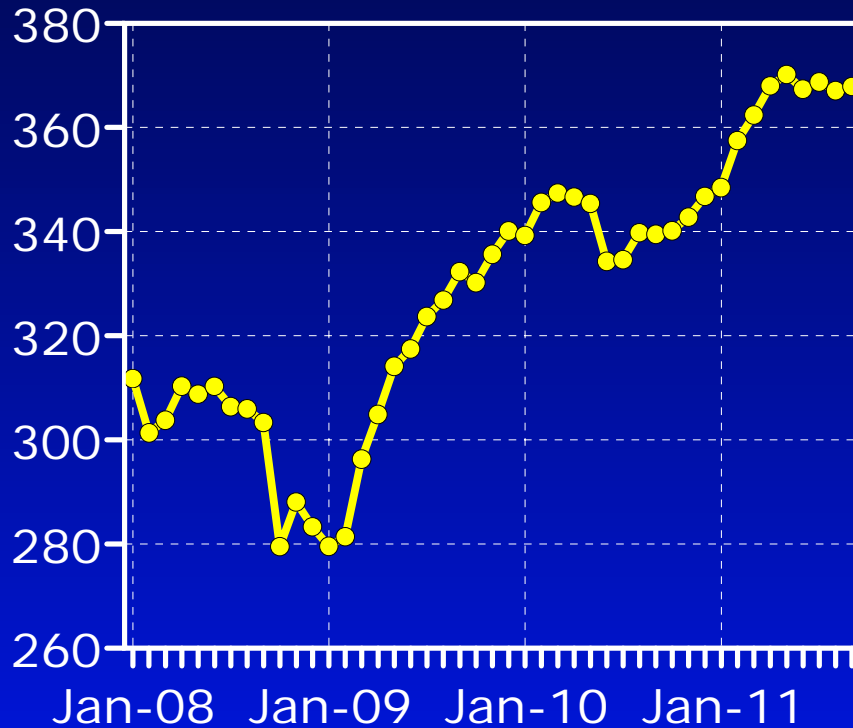
Note: Seasonally adjusted.



# MLS average sales price: Stable in Ontario, B.C.'s run-up in early 2011 overstated

## Ontario

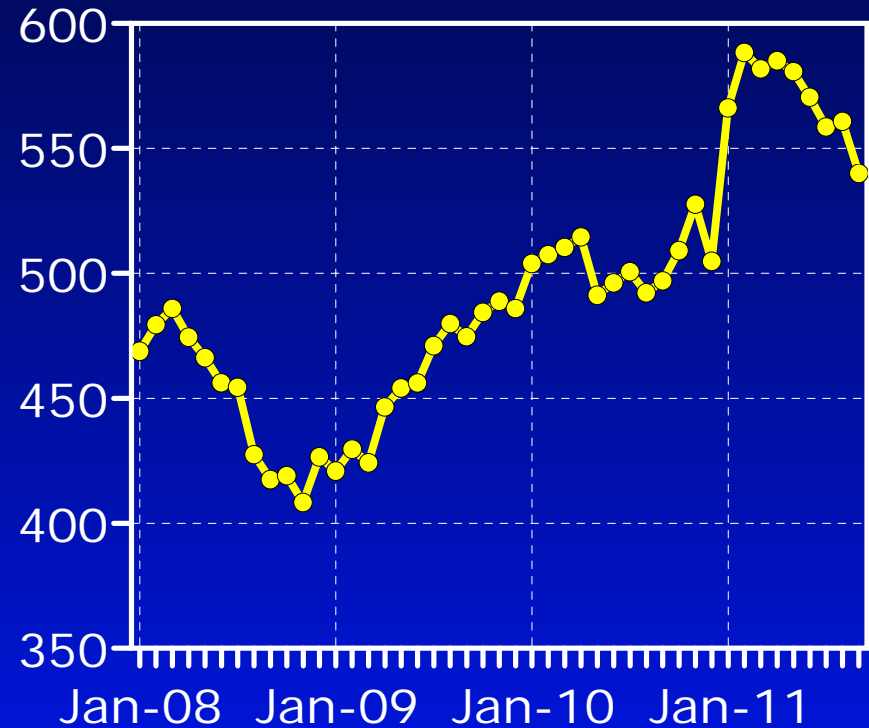
Dollars - thousands



Source: CREA. Latest: Sep-11

## British Columbia

Dollars - thousands



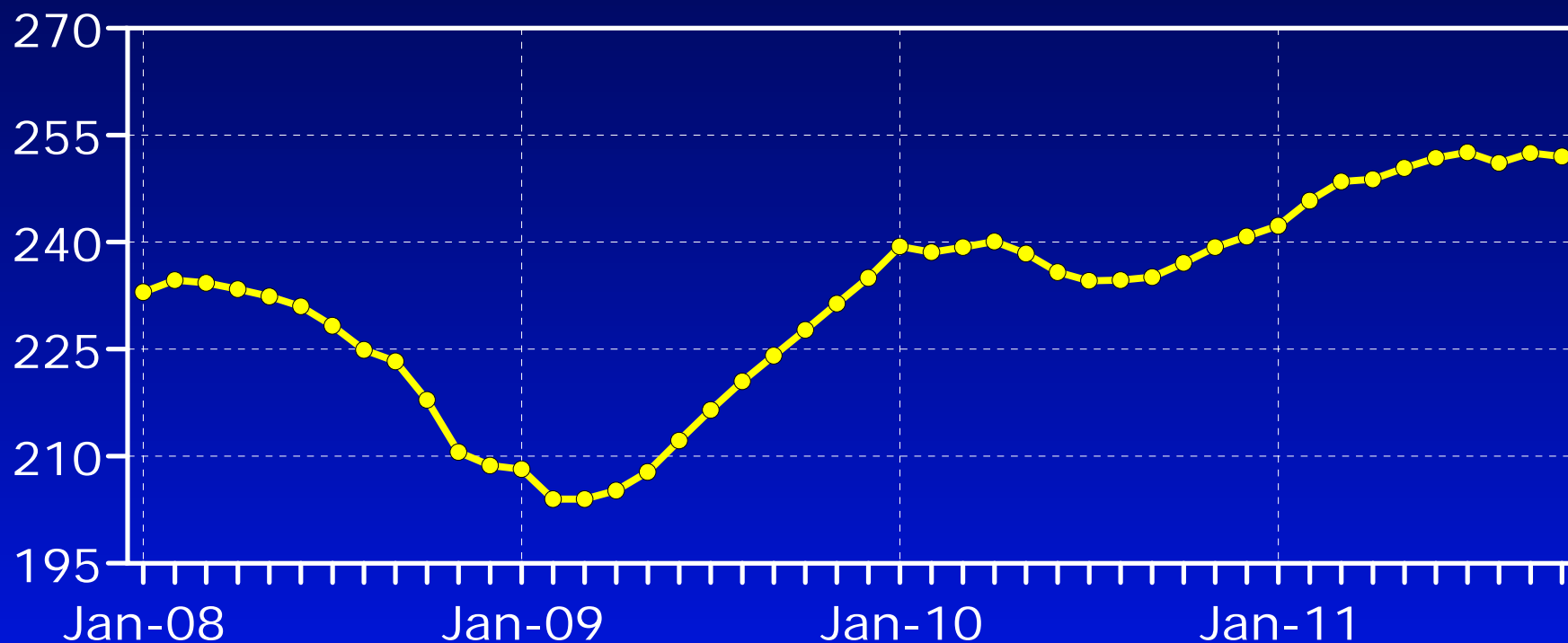
Note: Seasonally adjusted.



# Housing price growth slowing since early 2011, flat in recent months

## MLS Housing Price Index, Lower Mainland

2002=100



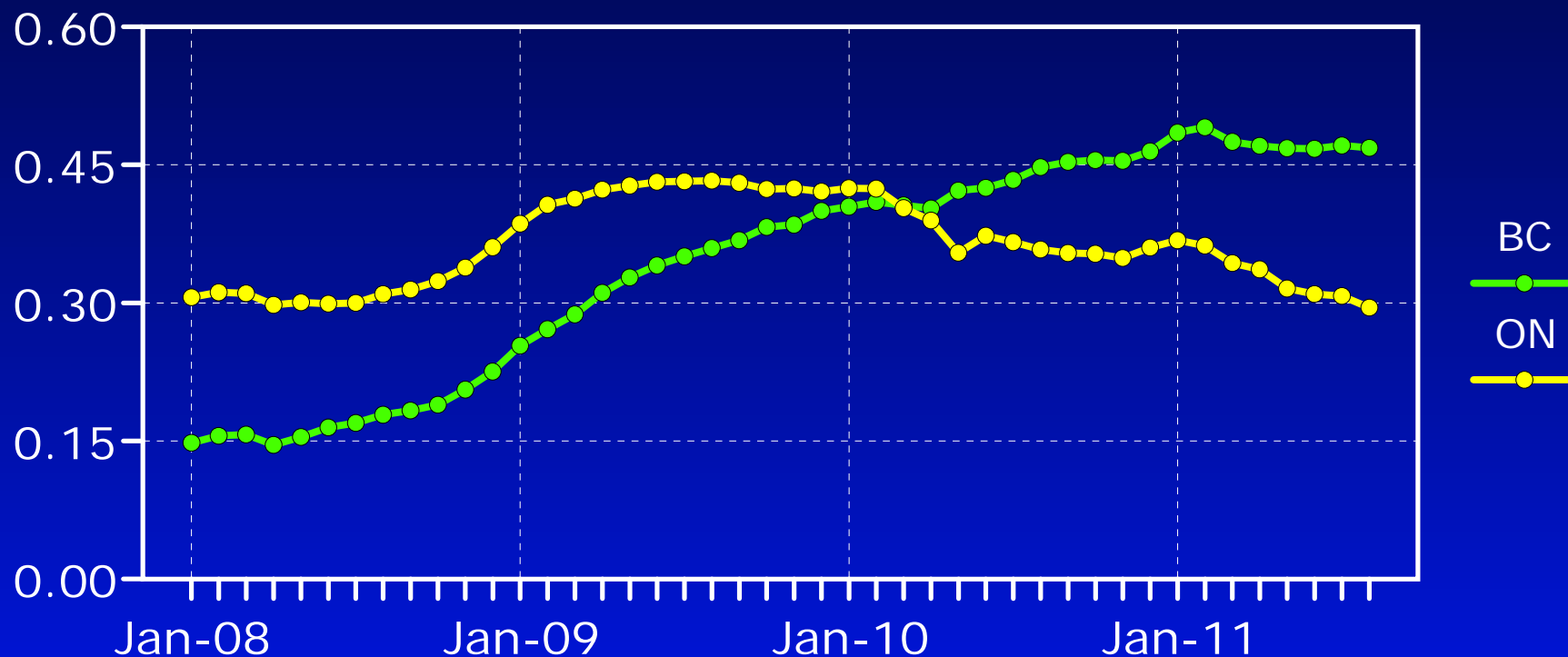
Source: REBGV. Note: Seasonally adjusted. Latest: Oct-11



# Mortgage arrears declining in Ontario, B.C. well above pre-recession rates

Residential Mortgage Arrears Rate, Ontario and B.C.

Per cent of mortgages



Source: Canadian Bankers Association.

Latest: Aug-11.



# Moderate growth ahead, little change in high unemployment

| Ontario Indicators        | 2010 | 2011f | 2012f |
|---------------------------|------|-------|-------|
| Real GDP, % change        | 3.0  | 2.1   | 1.8   |
| Employment, % change      | 1.7  | 1.9   | 1.4   |
| Unemployment rate, %      | 8.7  | 7.9   | 7.6   |
| Personal income, % change | 4.4  | 5.1   | 4.8   |
| CPI, % change             | 2.3  | 3.2   | 2.2   |
| Retail sales, % change    | 5.4  | 4.7   | 4.2   |
| Housing sales, % change   | -0.1 | 3.0   | 2.0   |
| Housing prices, % change  | 7.5  | 7.0   | 4.0   |

Source: Statistics Canada, Ontario Finance Ministry, CREA, CMHC, C1CU forecast.



# Moderate growth, modest housing gains in 2012

| B.C. Indicators           | 2010  | 2011f | 2012f |
|---------------------------|-------|-------|-------|
| Real GDP, % change        | 3.8   | 2.2   | 2.4   |
| Employment, % change      | 1.7   | 0.8   | 1.5   |
| Unemployment rate, %      | 7.6   | 7.6   | 7.2   |
| Personal income, % change | 4.5   | 4.9   | 5.2   |
| CPI, % change             | 1.3   | 2.6   | 2.0   |
| Retail sales, % change    | 4.8   | 1.9   | 3.1   |
| Housing sales, % change   | -12.2 | 5.0   | 2.0   |
| Housing prices, % change  | 8.5   | 8.0   | 4.0   |

Source: Statistics Canada, Landcor Data Corp, CMHC, C1CU forecasts.

