

Tough Times: Coming to Terms with Recession

presented to:

City of Vancouver

March 10, 2009
Vancouver, BC



Business Council *of*
British Columbia

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Global Economic Outlook

(% change in real GDP)

	2007	2008	2009
US	+ 2.0	+ 1.1	- 1.6
Euro zone	+ 2.6	+ 1.0	- 2.0
Japan	+ 2.4	+ 0.3	- 2.6
China	+ 13.0	+ 9.0	+ 6.7
World	+ 5.2	+ 3.4	+ 0.5

Canadian Economic Forecast

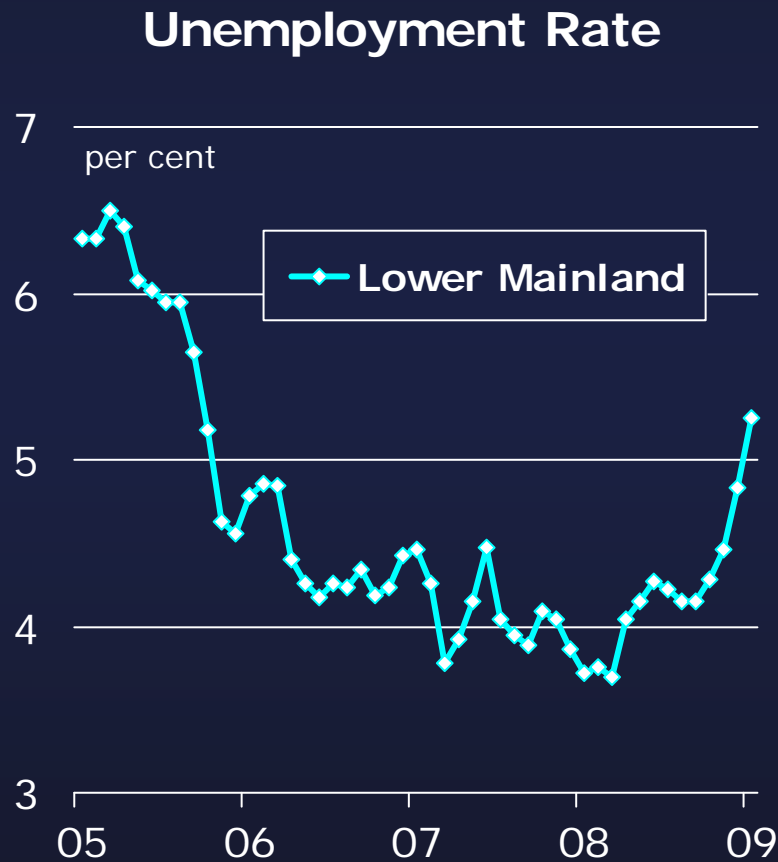
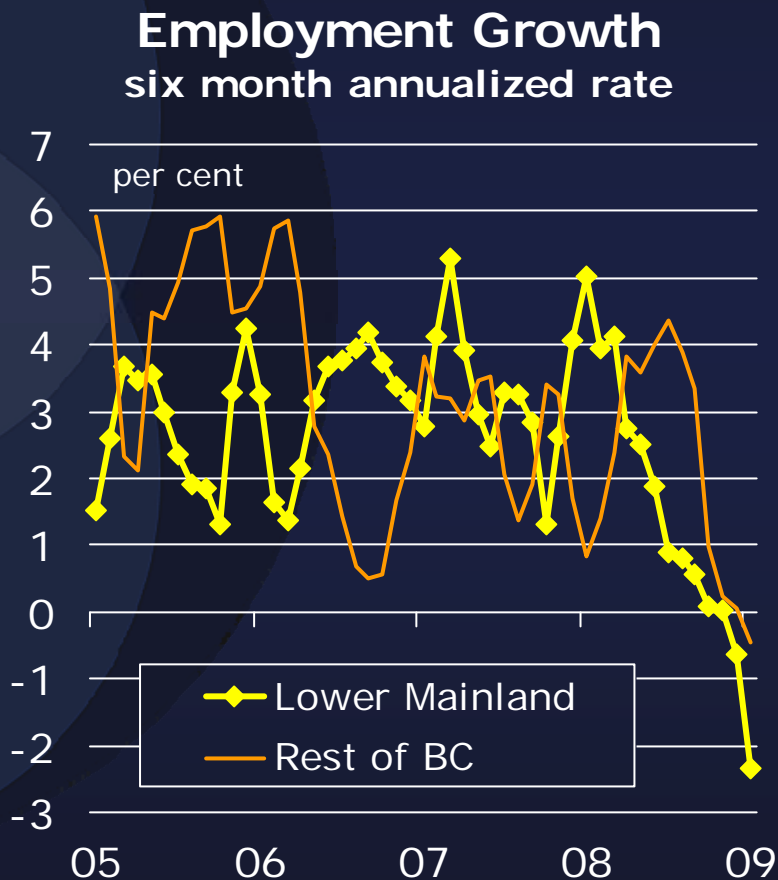
	2008	2009	2010
Real GDP (% change)	0.7	-0.8	2.4
Nominal GDP (% change)	4.8	-2.7	4.2
CPI (% rate)	2.4	0.7	1.9
3-month T-bill (% rate)	2.3	0.8	1.7
10-year gov't bond (% rate)	3.6	2.8	3.4

BC Economy

- Domestic economy rapidly weakening
 - » engines of growth stalling
 - » housing starts/sales down, non-residential construction weakening, retail sales slumping
- Global financial turbulence is affecting businesses and consumers in BC
- Widespread weakness in export sector
 - » lumber sales down sharply
 - » 2009 another negative year for exports
 - » foreign visitor numbers declining

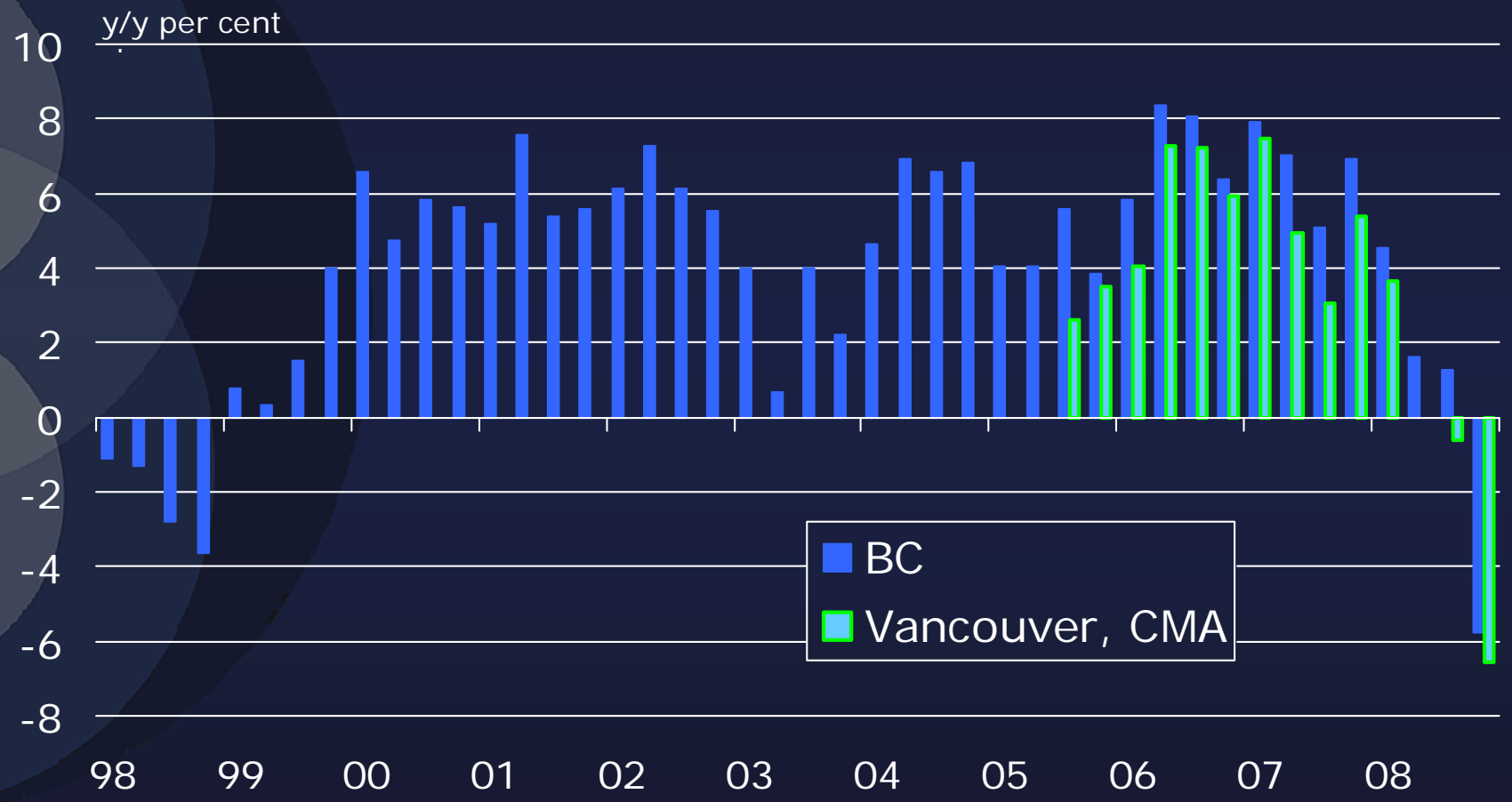
Lower Mainland Job Market

Labour Market Indicators



Consumer Spending Contracting

BC Retail Sales Growth, quarterly



Vancouver House Prices Returning to Long-term Trend

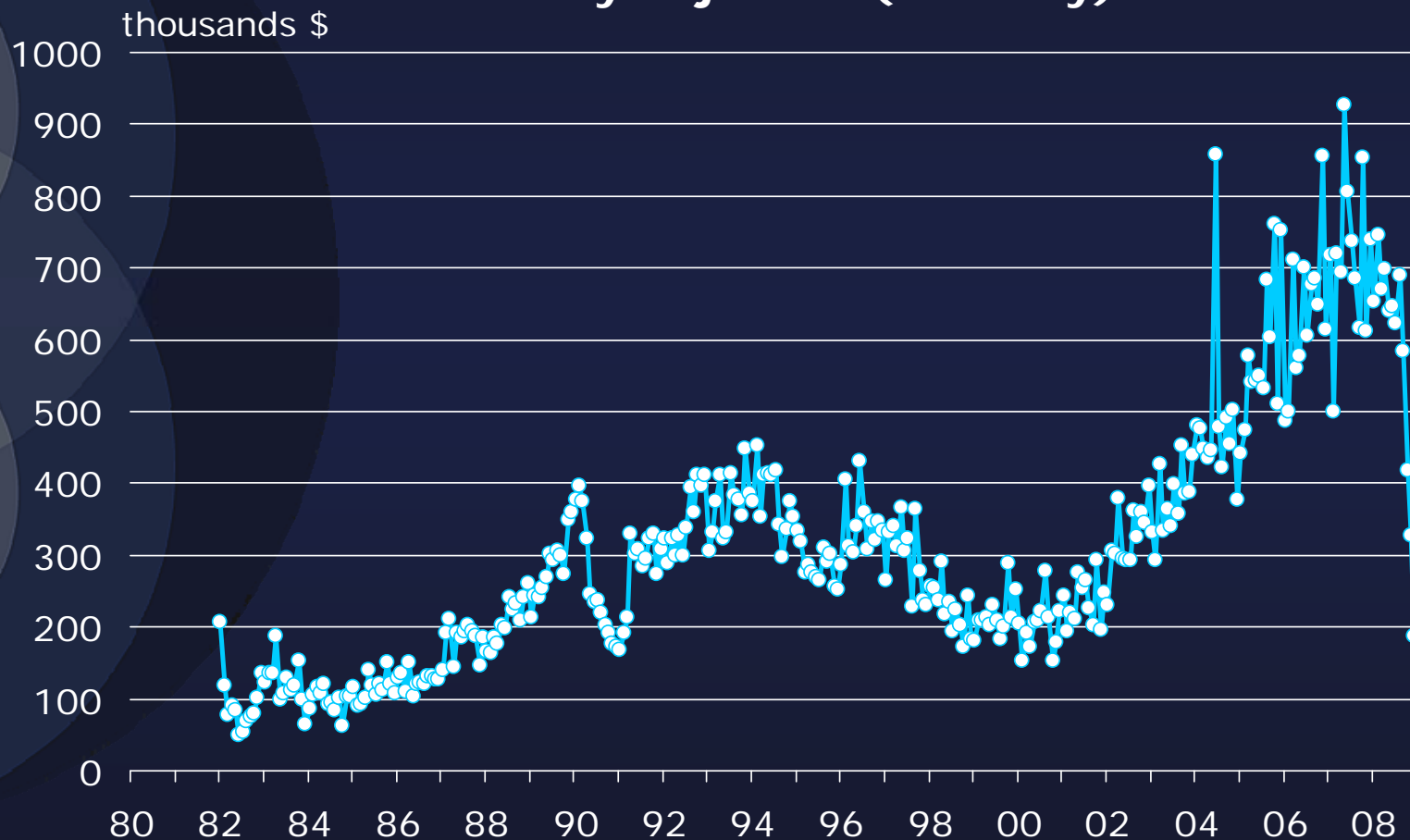
Greater Vancouver Housing Prices



Latest: January 2009

Residential Permits Fall off a Cliff

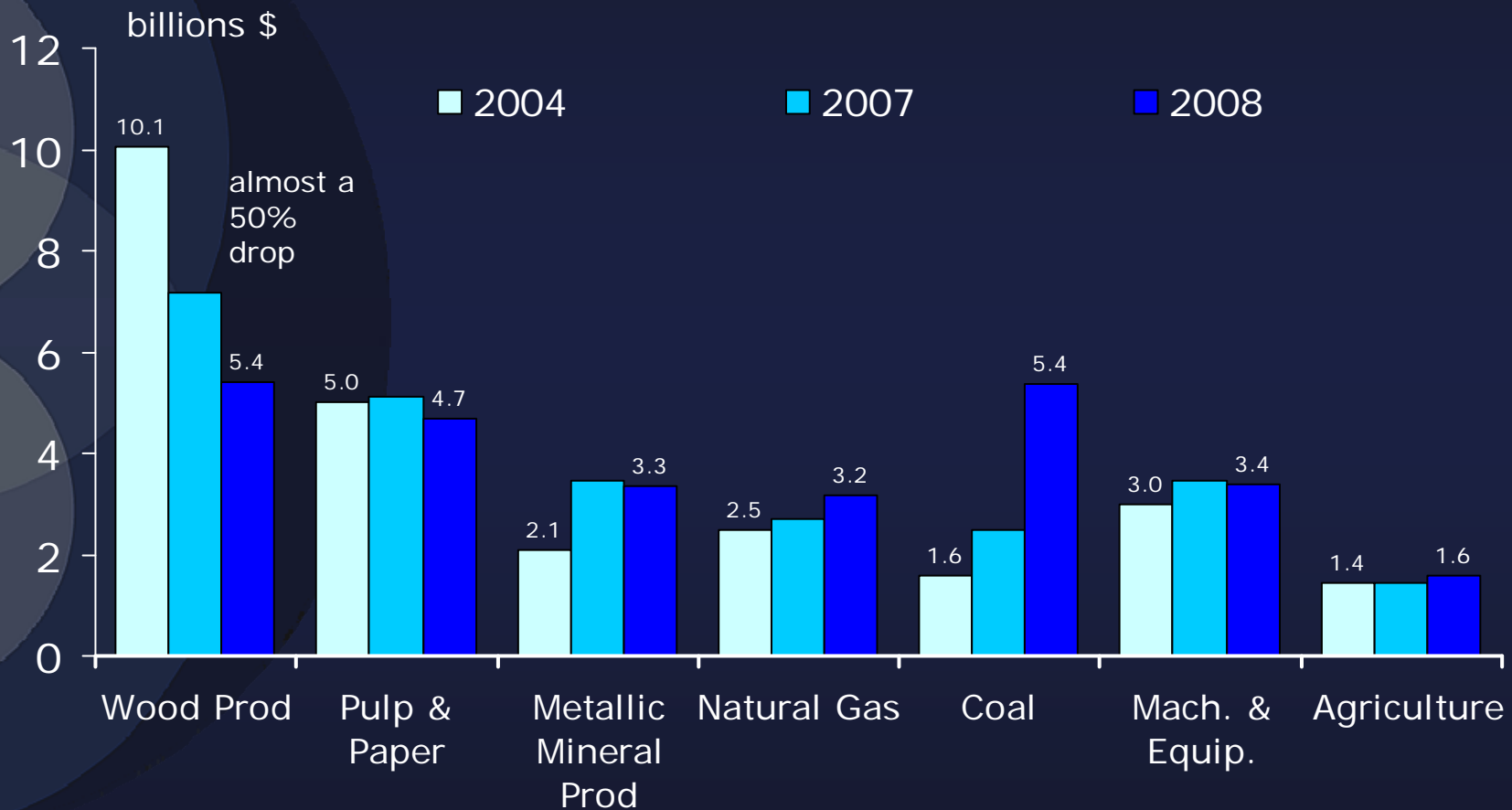
BC Residential Building Permits, seasonally adjusted (monthly)



Latest: December 2008

Forest Exports Hit Hard

BC Exports by Commodity



Diversified Greater Vancouver Economy

- Diversification provides a partial shield during tough economic times
- The region has a number of different industry/business clusters. Greater Vancouver, unlike some other large city-regions, is not overly dependent on one or two
 - » Gateway-related (transportation, wholesale trade, logistics, etc.)
 - » Mining cluster (800 firms plus spin-off impacts)
 - » Financial/professional/technical services sold across the province and abroad
 - » New media/gaming/clean technology
 - » ICT (accounts for $\frac{3}{4}$ of the province's high tech sector)
 - » Film production/post-production
 - » Tourism
 - » Specialized manufacturing
 - » Universities/colleges
 - » Health care – service delivery and research
 - » Forestry – still a number of head offices, plus service suppliers

Budget 2009 Economic Assumptions and Forecasts

	2008	2009	2010	2011
BC Real GDP (% change \$2002)	1.0	-0.9	2.4	2.6
BC Nominal GDP (% change)	3.9	-0.9	4.2	4.6
Exports Goods & Serv. (% change, \$2002)	-1.4	-2.4	2.6	3.3
Housing Starts (000s units)	34.3	25.5	26.8	27.8
Cdn 3-mnth T-bill (ann. avg. %)	2.4	0.9	1.7	2.9
Cdn 10yr gov't bond (ann. avg.%)	3.6	2.9	3.4	4.0
US Housing Starts (000s units)	902	650	815	1,100

Conclusion

- Now closer to a bottom for US housing and autos
 - » some signs of improvement in financial markets, although significant challenges remain
 - » key questions centre around depth and duration
- Prospects for 2010 depend on continued progress in resolving the global credit crisis, stabilization of US housing, impact of aggressive policy stimulus in North America, Europe, Japan and China
- Recovery in Asia first, don't count US out, Europe remains weaker
- Substantial downside risks, including a slow recovery
- 2009 a tough year for BC and Vancouver, 2010 outlook brighter