

Economic Review and Outlook

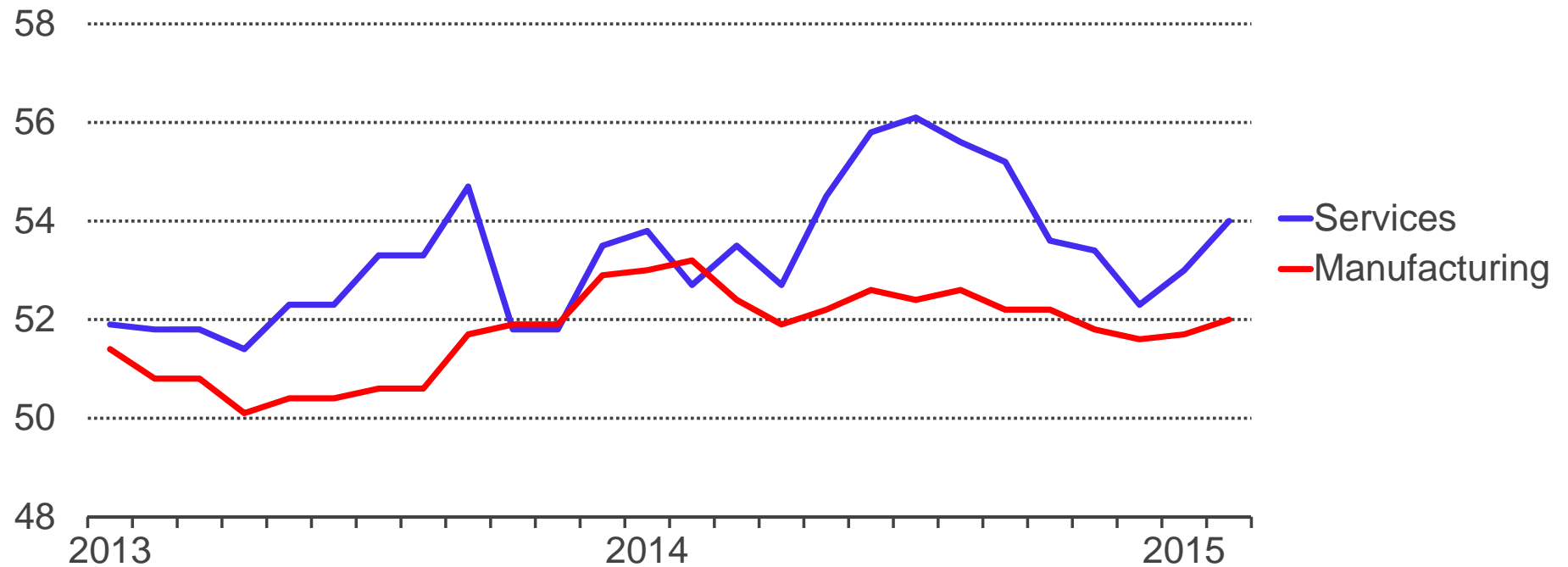
March 27, 2015

Helmut Pastrick
Chief Economist
Central 1 Credit Union

Global economy recovering from recent slowdown

JP Morgan Global PMIs

Index, 50=no change



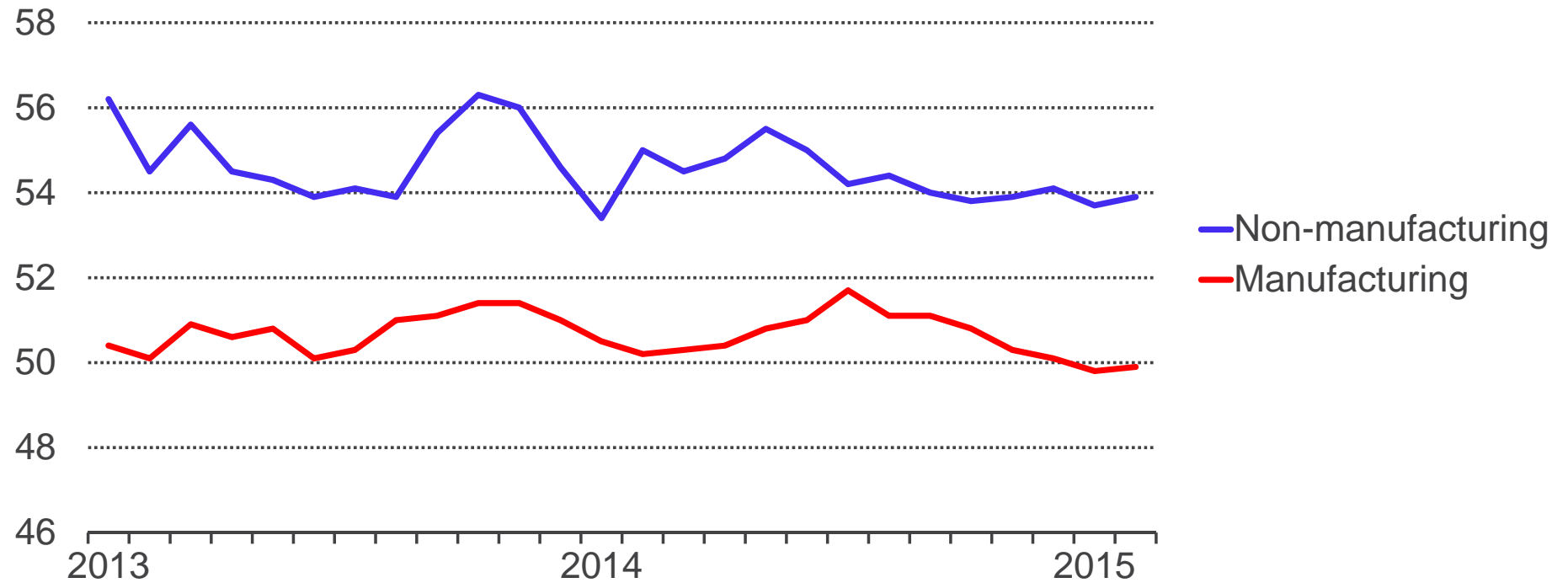
Source: Bloomberg. Note: Seasonally adjusted.

Latest: Feb. 2015

China's manufacturing slowdown

China PMIs

Index, 50=no change

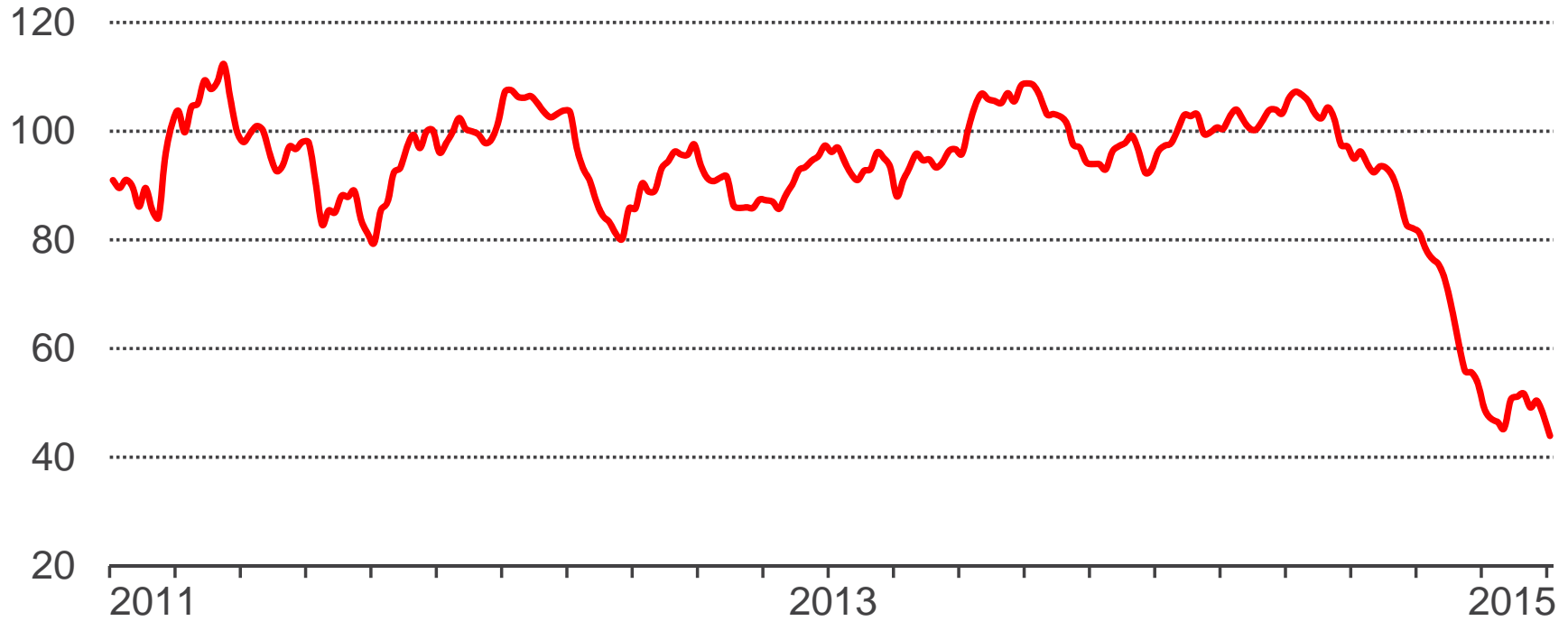


Source: Bloomberg. Note: Seasonally adjusted.

Latest: Feb. 2015

Oil plunges on rising supply and weaker demand

WTI USD/barrel



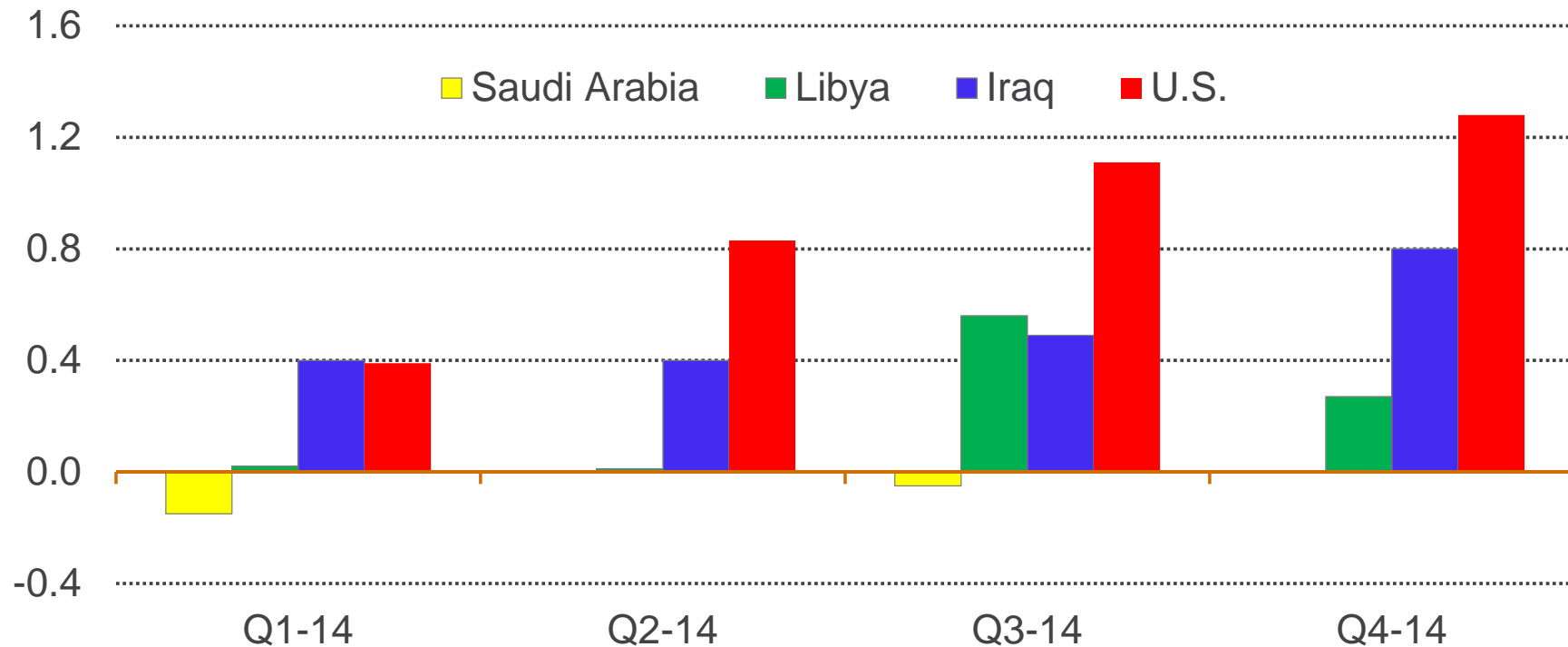
Source: U.S. Federal Reserve.

Latest: 3/18/2015

Main sources of supply increases last year

Increase in petroleum production since Dec. 2013

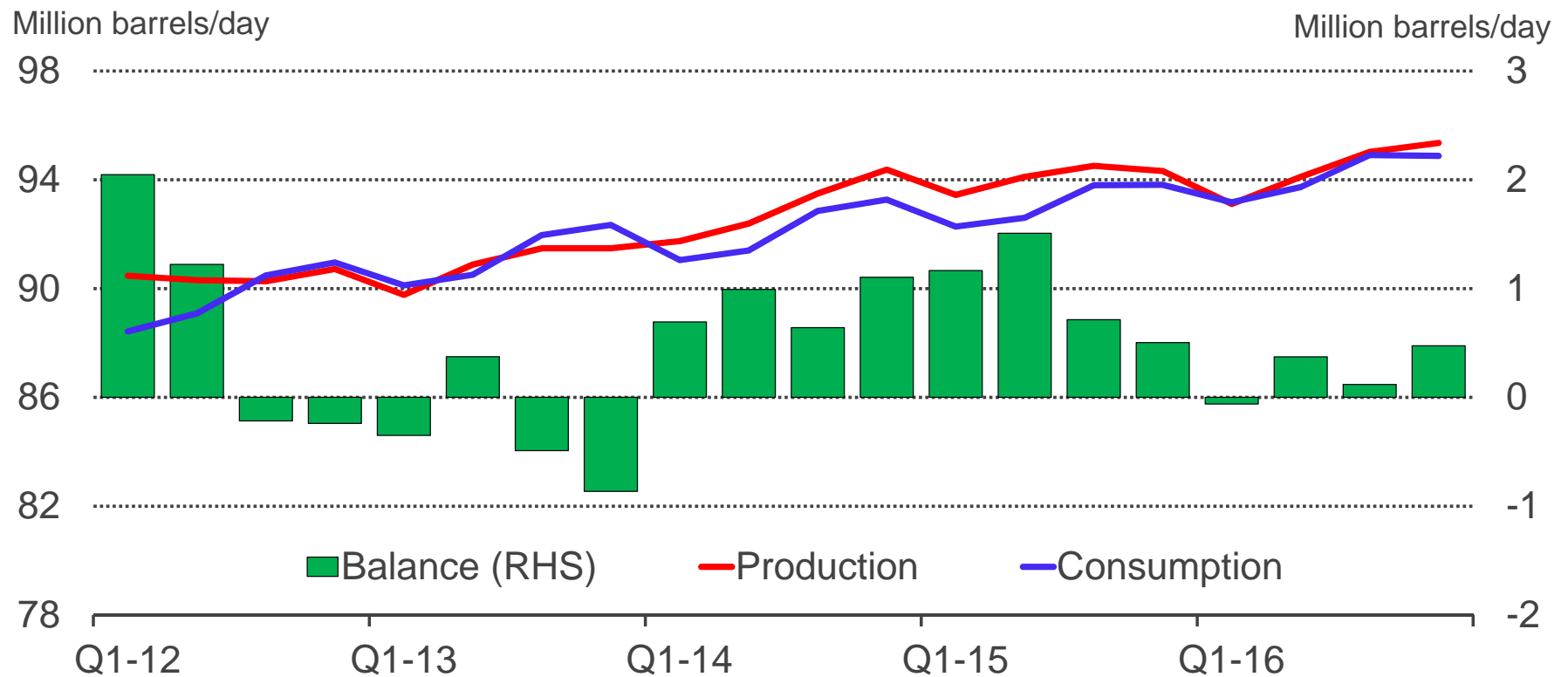
Million barrels/day



Source: U.S. Dept. of Energy – EIA.

Oversupply to last well into 2015

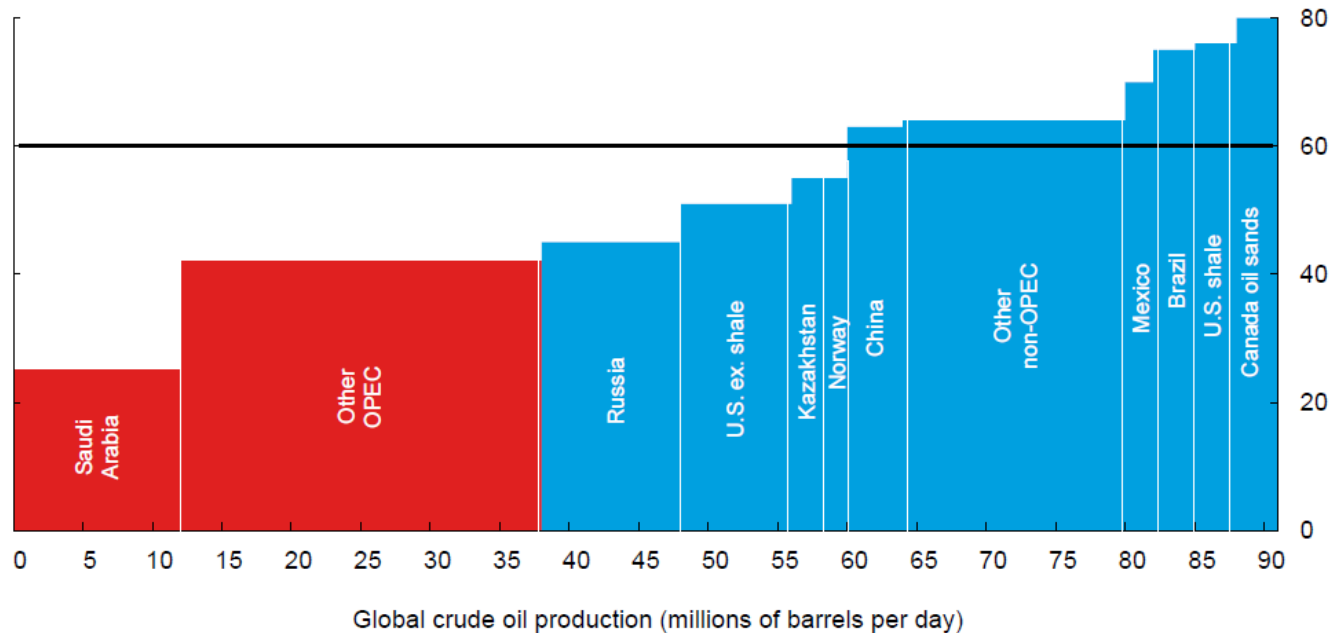
World Oil Production and Consumption Balance



Source: U.S. EIA, Short-term Energy Outlook, Feb. 2015.

Persistently low oil prices could make some Canadian production uneconomical

Average of full-cycle costs less dividends and interest payments US\$/barrel



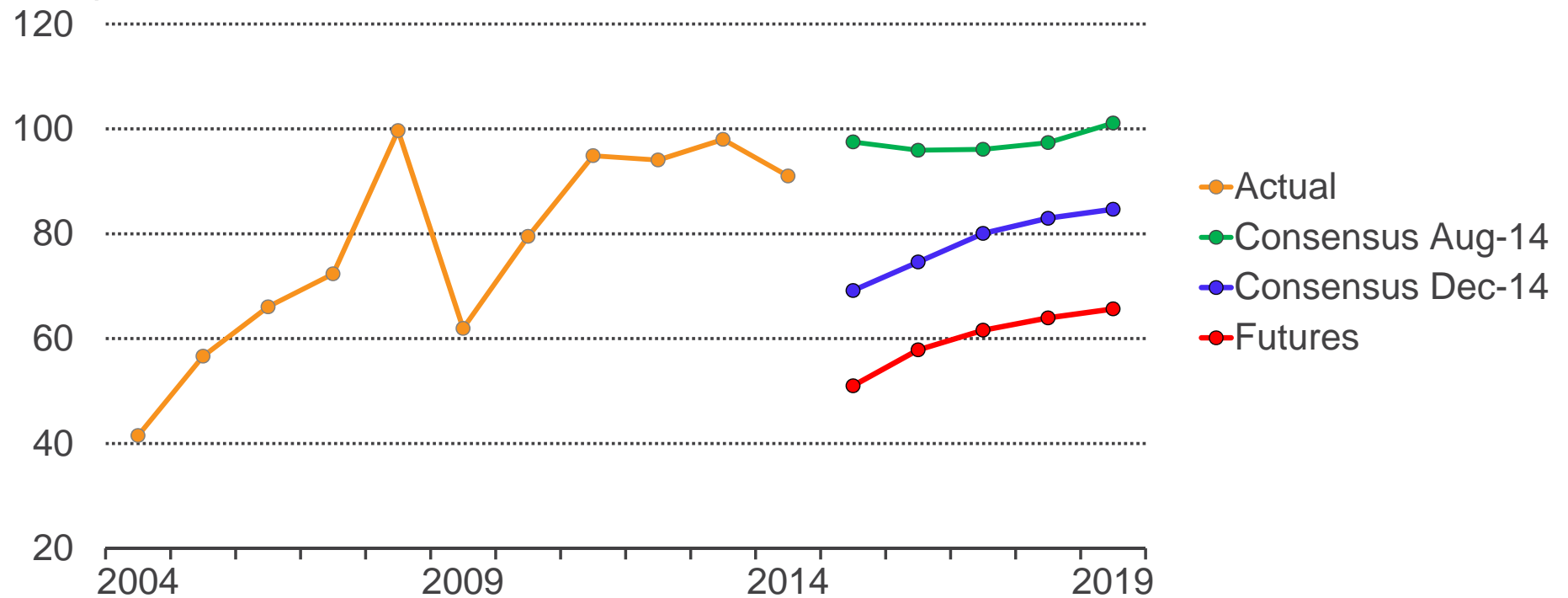
Note: Production for which the full-cycle costs are above the line could become uneconomical if oil prices stay around US\$60 per barrel. Red bars indicate members of OPEC; blue bars are other oil-producing countries.
 Source: Energy Aspects

Source: Bank of Canada.

Price plunge unexpected; higher prices after 2015

WTI Oil Price: Actual and Forecasts

US\$ per barrel



Source: U.S. BEA, Consensus Forecasts, NYMEX. Forecast: 2015 - 2019.

Improving external economic outlook

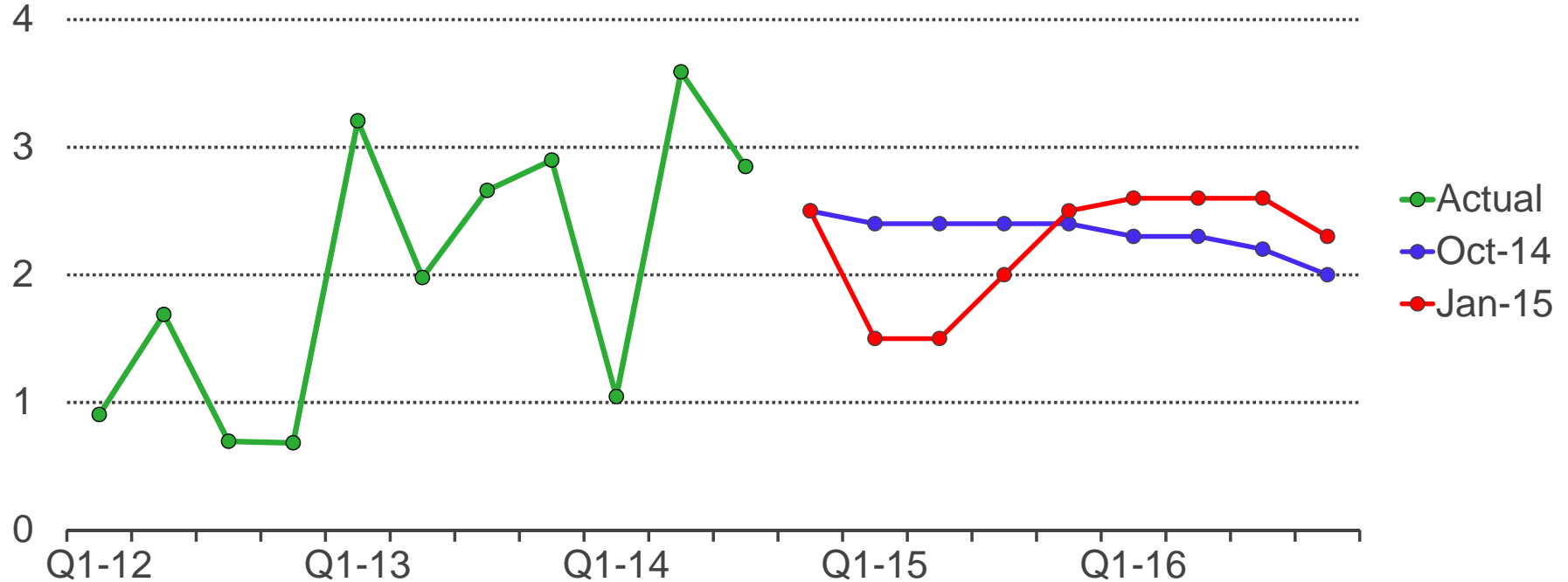
Key External Economic Forecasts					
Indicator	2013	2014	2015	2016	2017
Global real GDP, % chg.	3.3	3.3	3.8	4.0	4.1
U.S. real GDP, % chg.	2.2	2.4	2.8	3.1	3.0
Japan real GDP, % chg.	1.6	-0.1	1.1	1.7	1.3
China real GDP, % chg.	7.7	7.4	7.0	6.8	6.7
S. Korea, real GDP, % chg.	3.0	3.3	3.4	3.7	3.9
EU real GDP, % chg.	0.2	1.4	1.7	1.9	1.9

Source: IMF, Consensus Forecasts.

Large downgrade to first half 2015 forecast

Bank of Canada Economic Growth Forecast

Per cent change at annual rate in real GDP

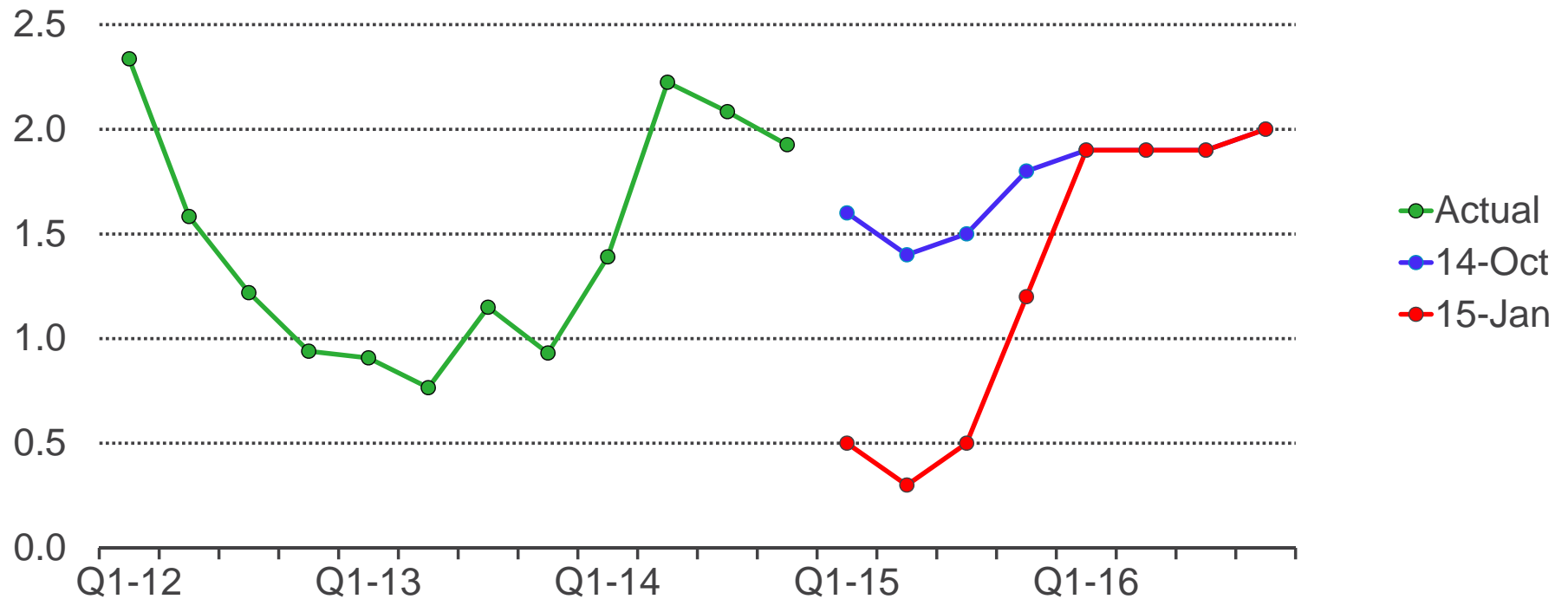


Source: Statistics Canada, Bank of Canada. Latest actual: Q3-14. Forecast: Q4-14 to Q4-16.

Headline inflation to approach zero

Bank of Canada Total CPI Inflation Outlook

Per cent change at annual rate

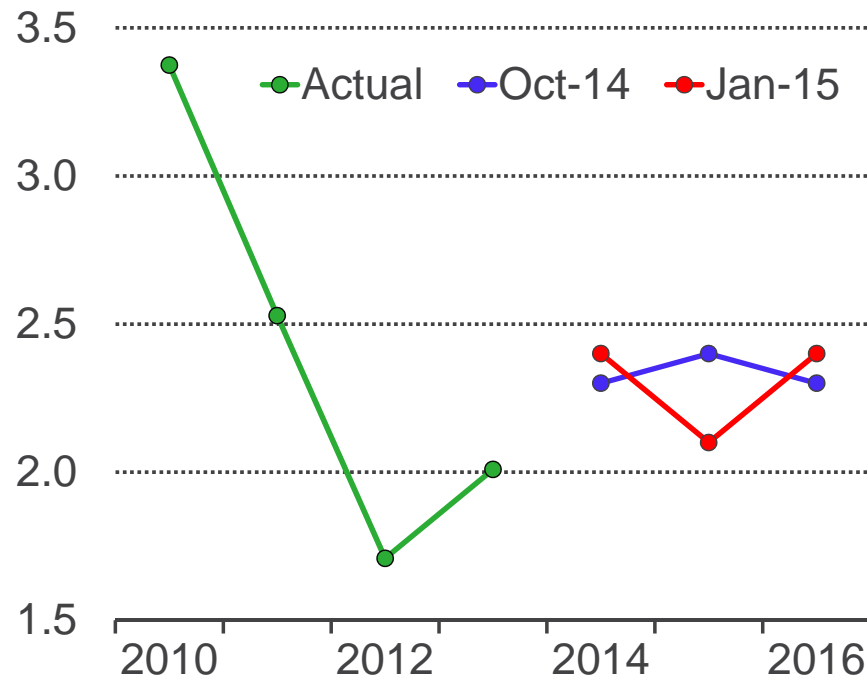


Source: Statistics Canada, Bank of Canada. Latest actual: Q4-14. Forecast Q1-15 to Q4-16.

Canada's outlook lowered, sharp cut to income growth

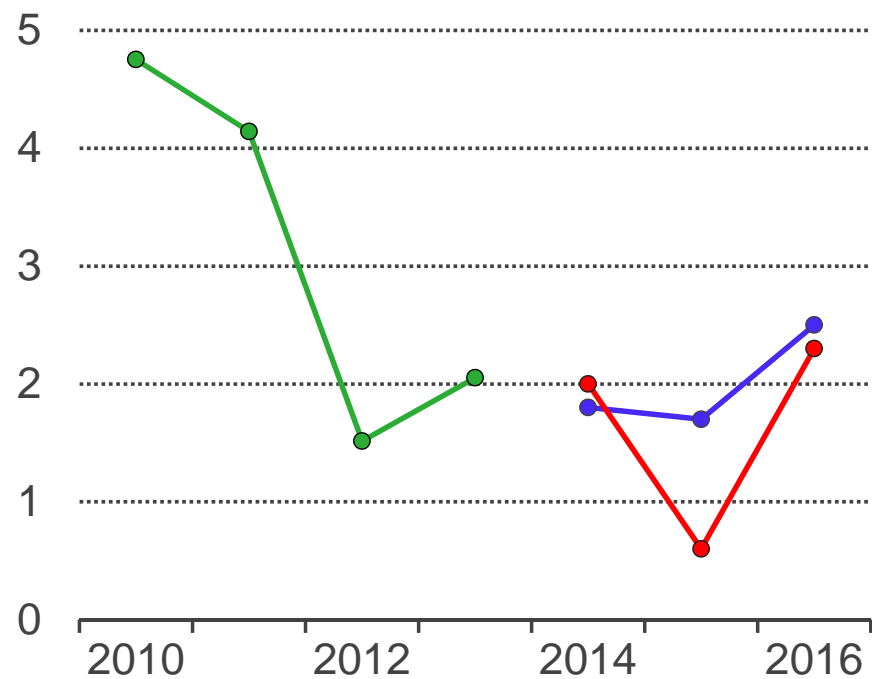
Real Gross Domestic Product

Per Cent



Real Gross Domestic Income

Per Cent

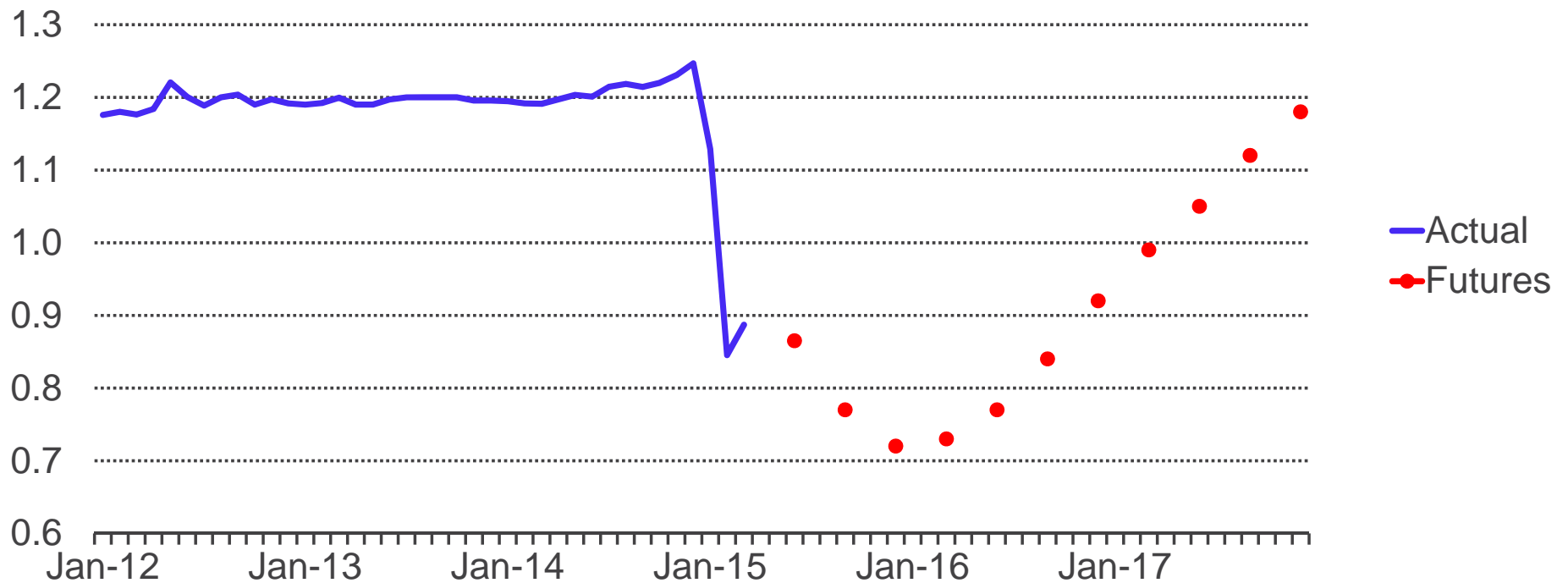


Source: Statistics Canada, Bank of Canada MPR. Latest: 2014 estimated, forecast 2015 to 2016.

Market expects another rate cut

Three-month Bankers' Acceptances Rates: Canada

Per cent

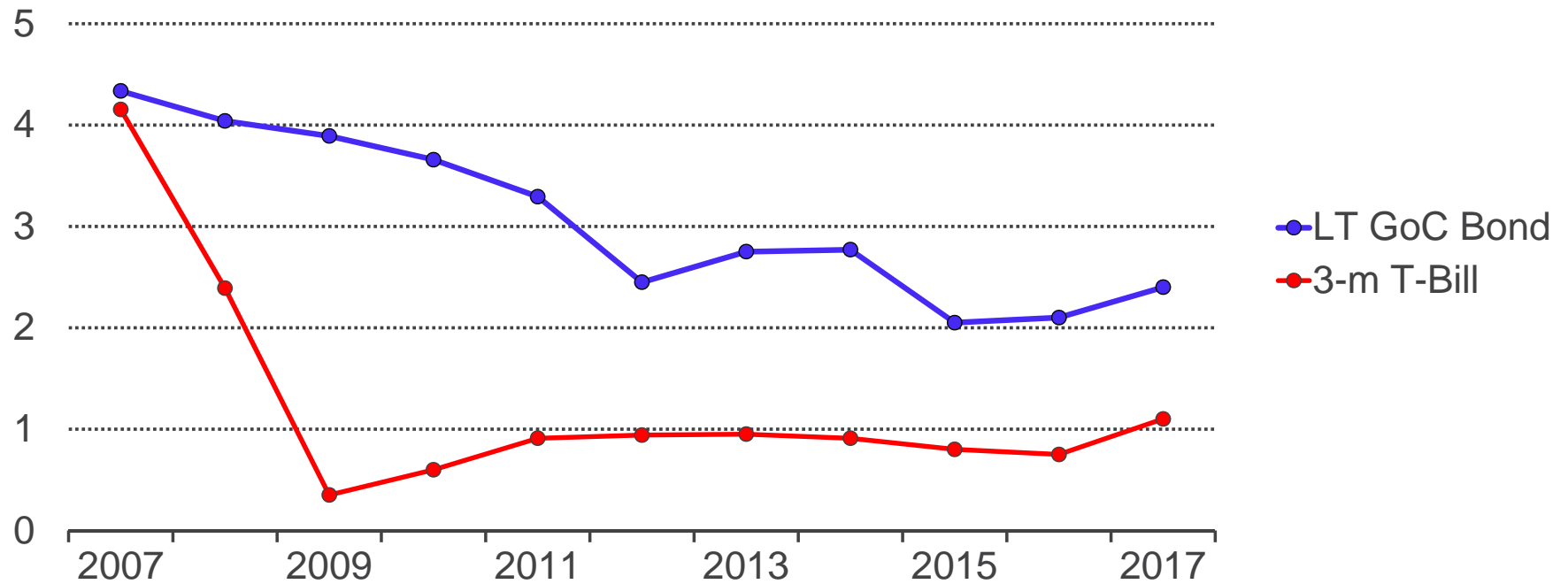


Source: Bank of Canada, Montreal Exchange. Latest actual: Mar-15, futures as of Mar. 24, 2015.

Another rate cut after June

Interest Rate Outlook: Canada

Per cent

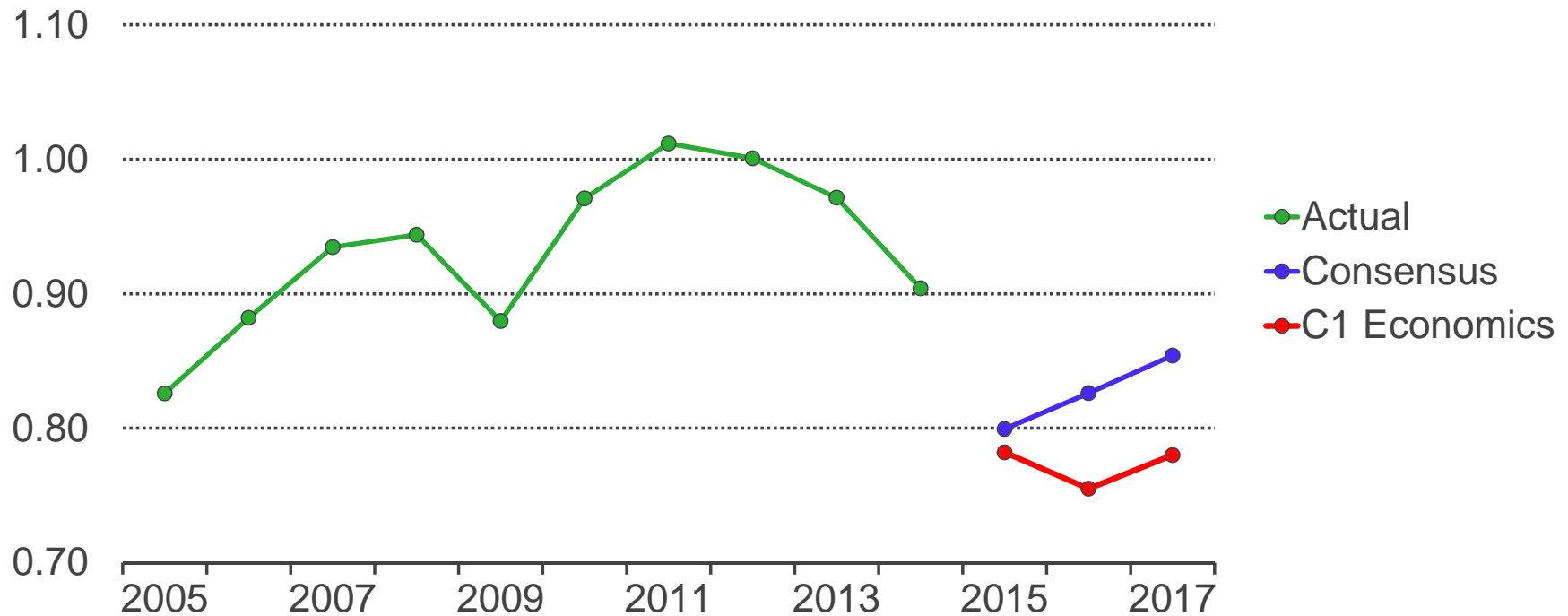


Source: Bank of Canada, Central 1 Credit Union. Latest actual: 2014, forecast 2015 to 2017.

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. Forecast: 2015 - 2017.

B.C. Economic and Housing Forecasts

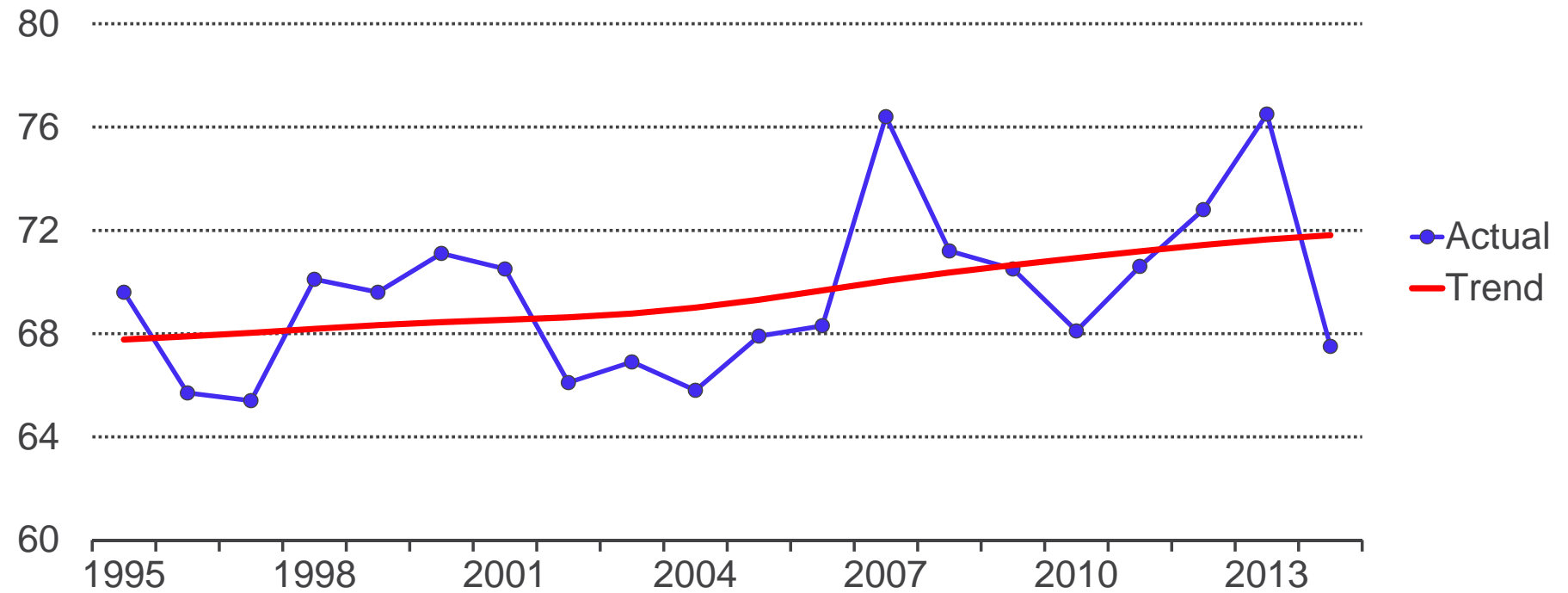
Indicator	2013	2014	2015	2016	2017
Nominal GDP, % chg.	3.3	3.5	4.1	5.2	5.0
Real GDP, % chg.	1.9	2.4	2.8	3.4	3.2
Employment, % chg.	0.1	0.6	1.4	1.6	1.7
Unemployment rate, %	6.6	6.0	5.8	5.8	5.8
Population, % chg.	0.9	1.1	1.1	1.1	1.2
Housing starts, (000s)	27.1	28.3	30.0	30.8	30.9

Source: Statistics Canada, CMHC, Central 1 Credit Union Feb/15 outlook.

Large decline in 2014

Employment: Kootenay Economic Region

Persons - thousands

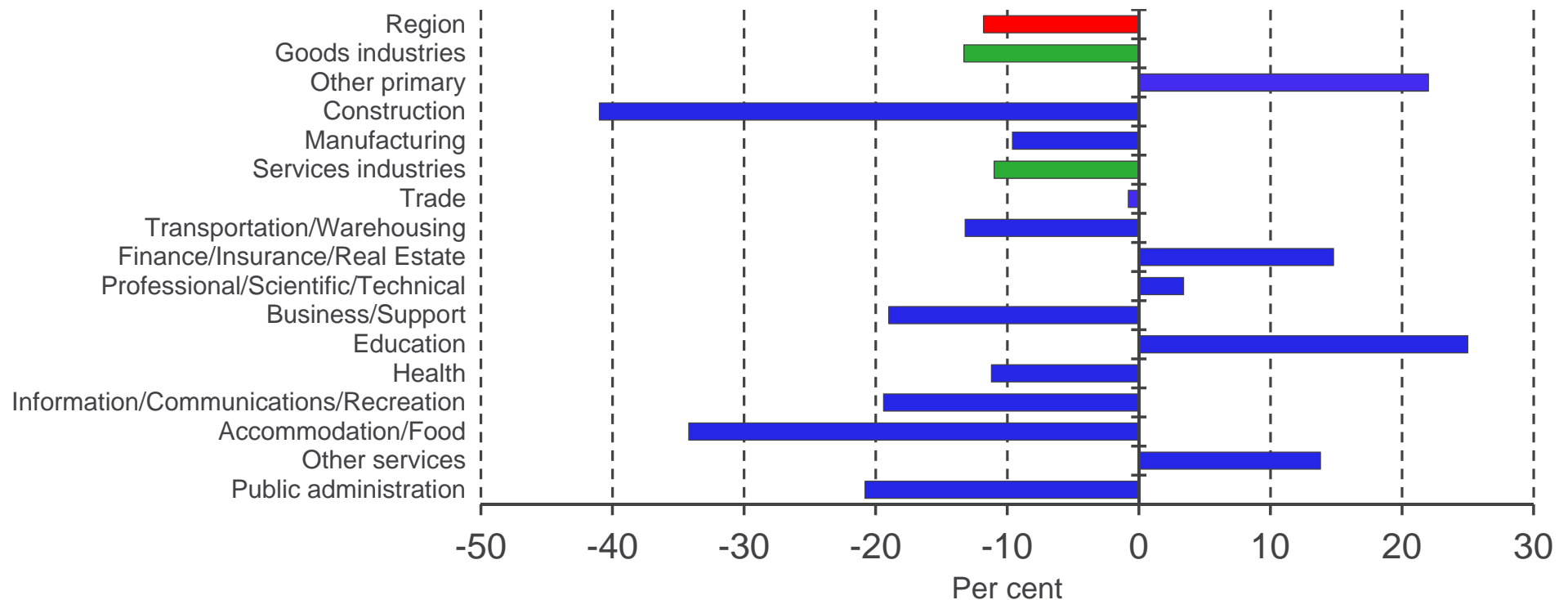


Source: Statistics Canada, Central 1 Credit Union. Note: Annual average.

Latest: 2014

Broadly based declines

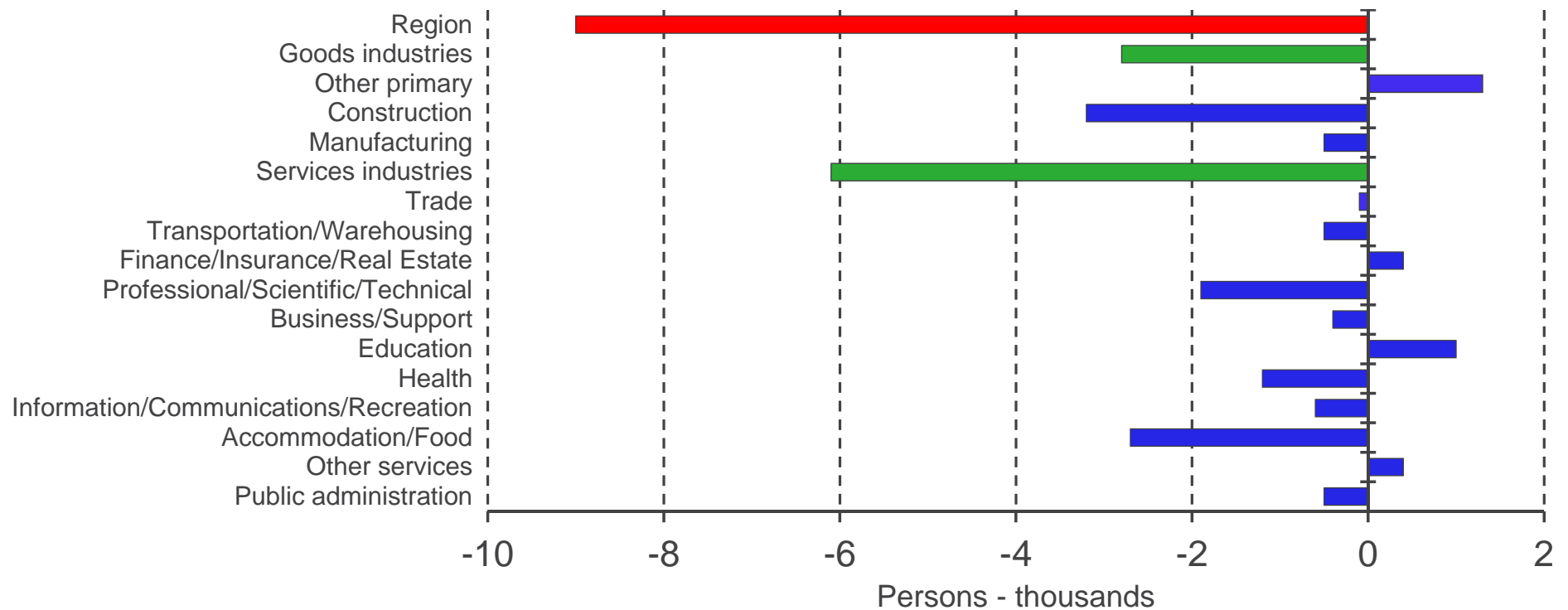
2014/2013 Change in Industry Employment: Kootenay Economic Region



Source: Statistics Canada, Central 1 Credit Union.

Slightly different perspective with level changes

2014/2013 Change in Industry Employment: Kootenay Economic Region

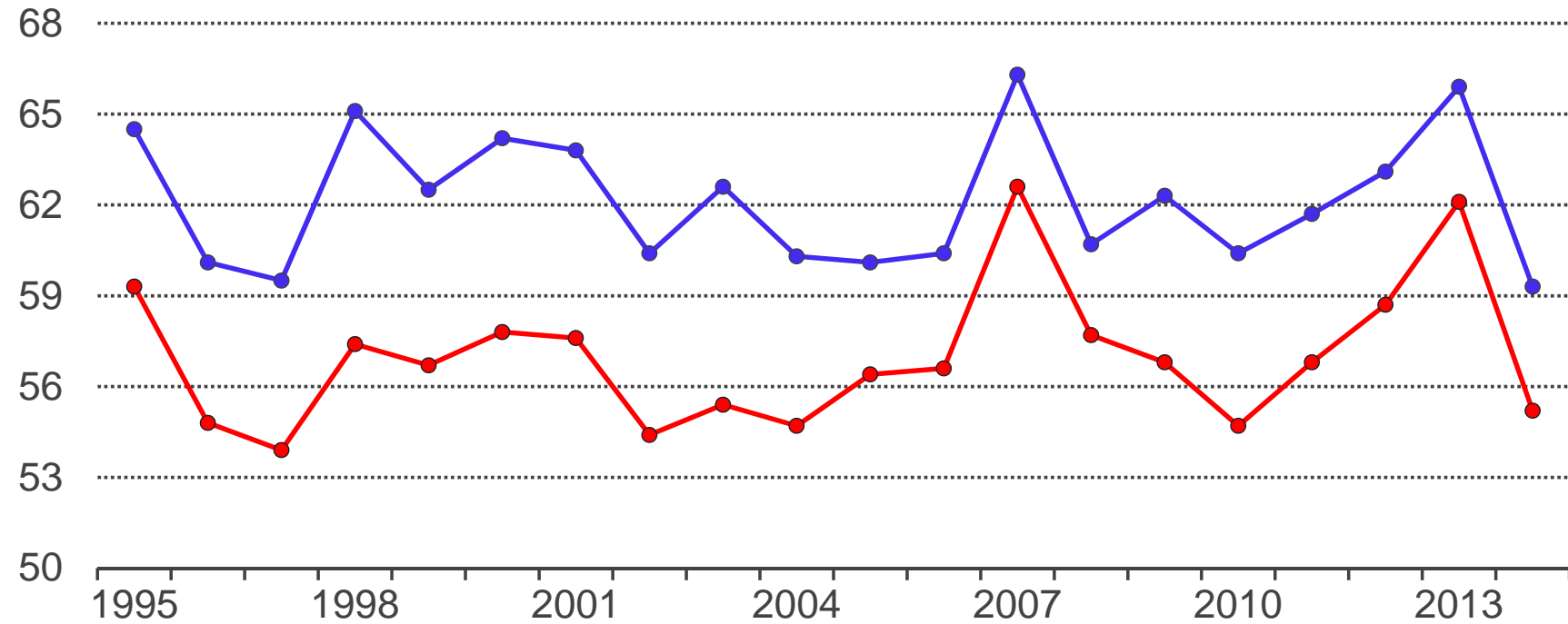


Source: Statistics Canada, Central 1 Credit Union.

Labour force and employment highly related

Participation and Employment Rates: Kootenay Economic Region

Per cent of population 15+



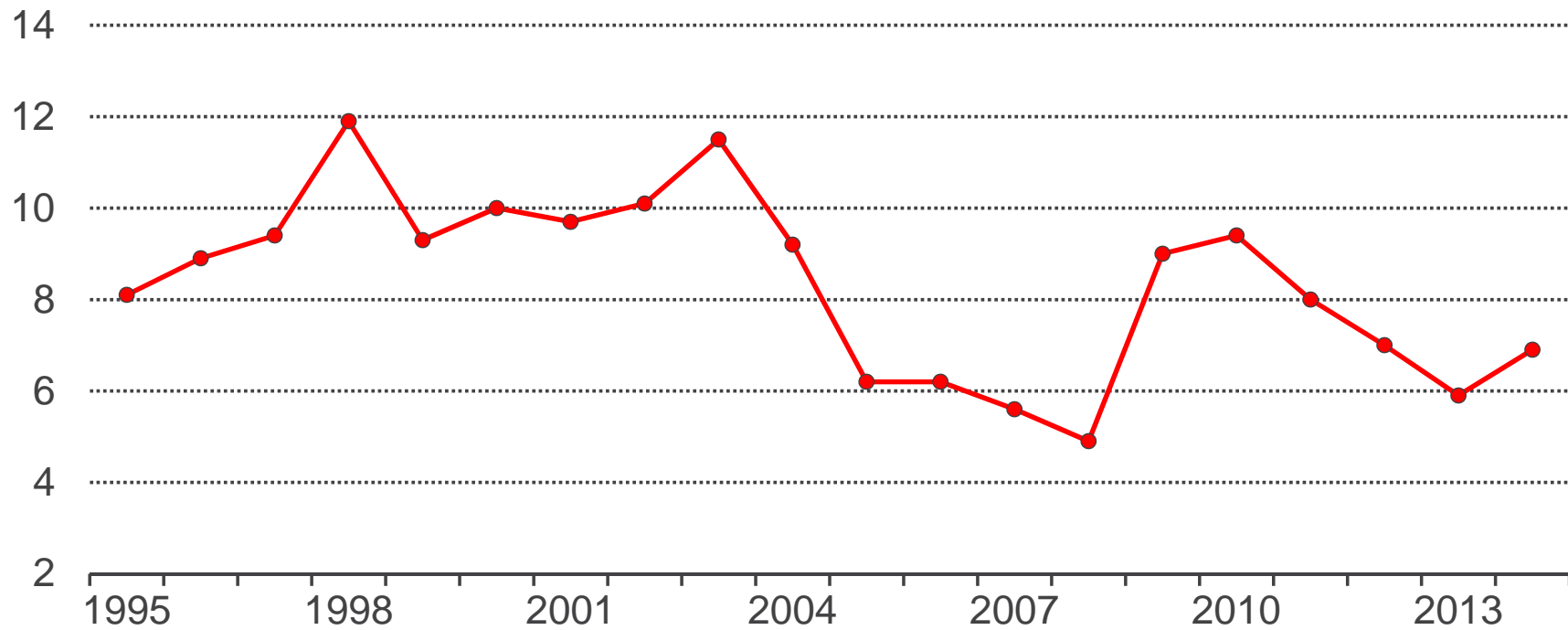
Source: Statistics Canada. Note: Annual average.

Latest: 2014

Small increase in unemployment rate

Unemployment Rate: Kootenay Economic Region

Per cent of labour force



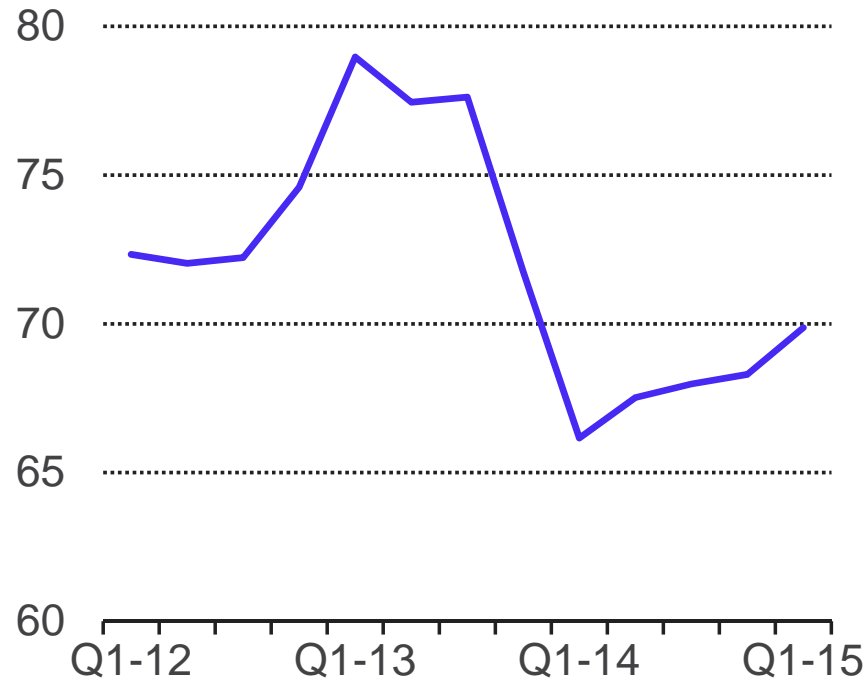
Source: Statistics Canada. Note: Annual average.

Latest: 2014

Labour market showing signs of improvement

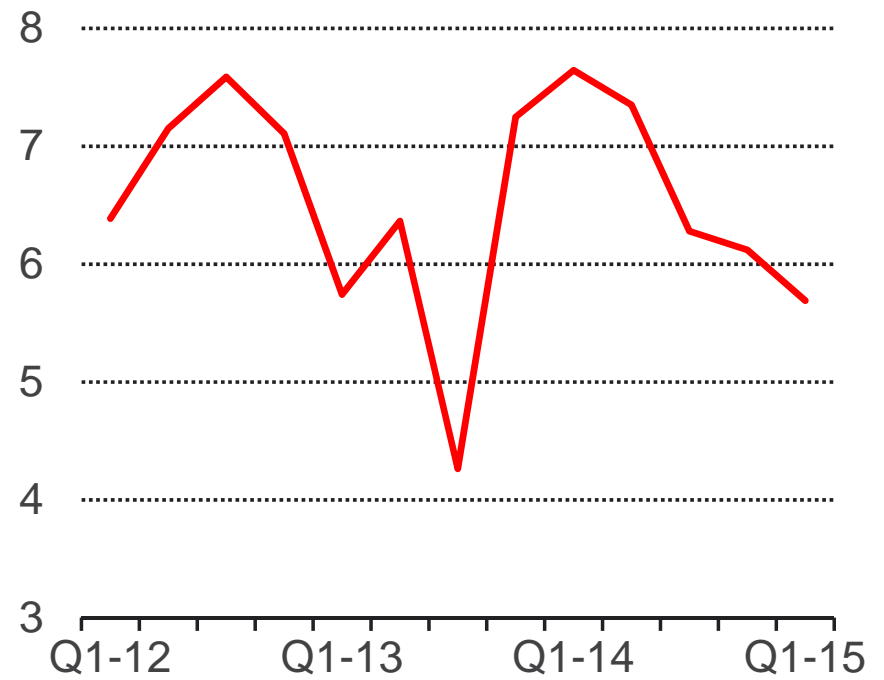
Employment: Kootenay ER

Persons - thousands



Unemployment Rate: Kootenay ER

Per cent of labour force

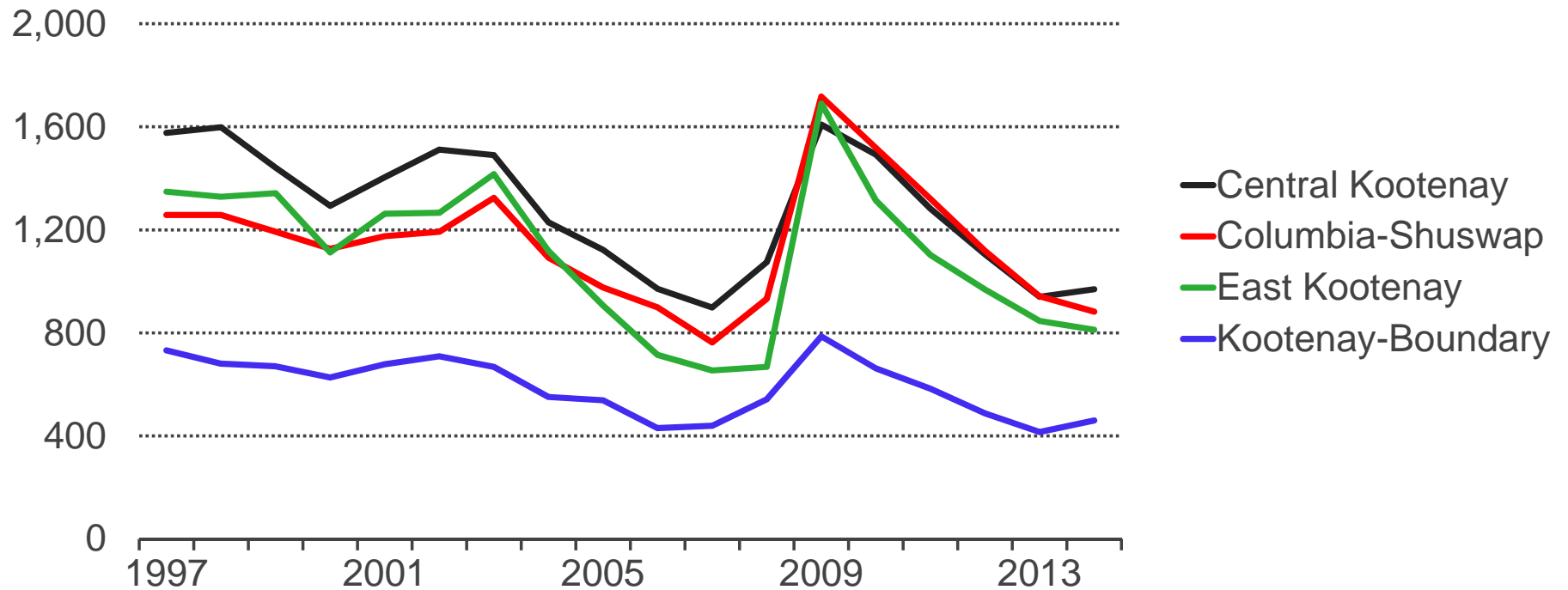


Source: Statistics Canada, Central 1 Credit Union. Note: Seasonally adjusted. Latest: Jan-Feb 2015

Uptick in 2014

Employment Insurance Beneficiaries by Regional District

Persons

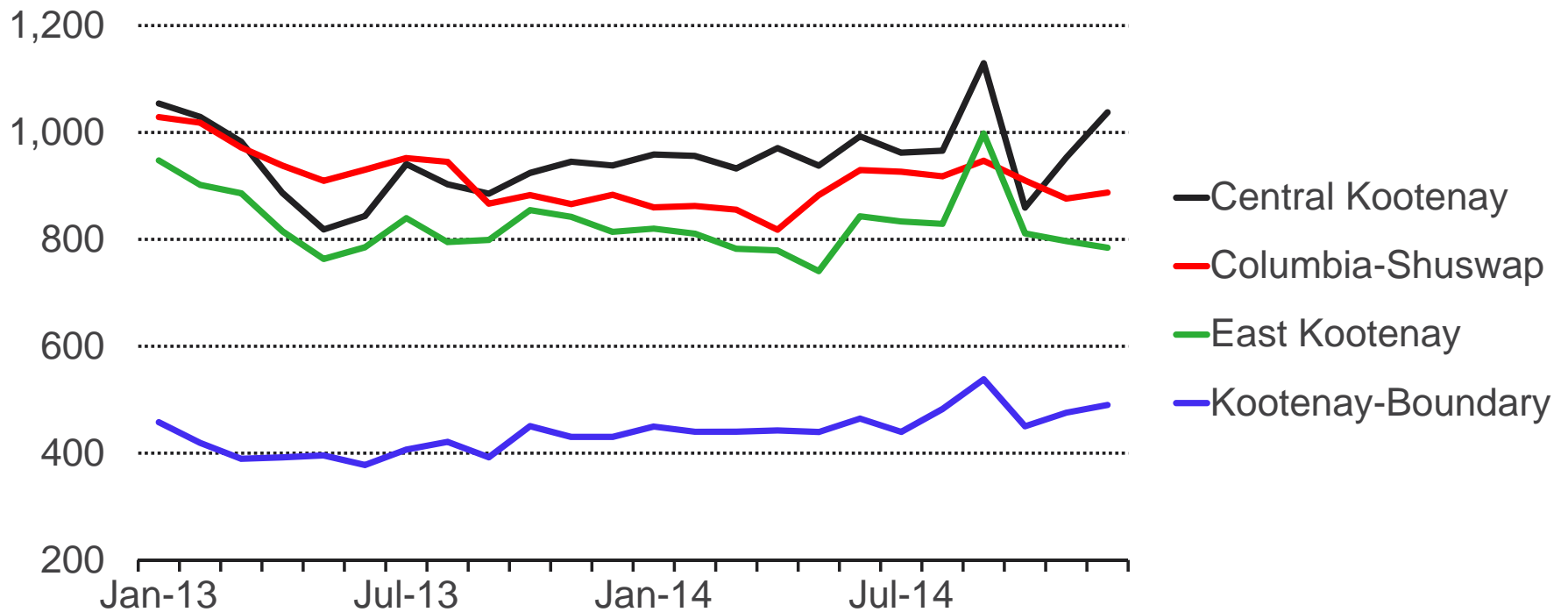


Source: Statistics Canada. Note: Regular benefits, annual average. Latest: 2014

Slight up drift in 2014

Employment Insurance Regular Benefits by Regional District

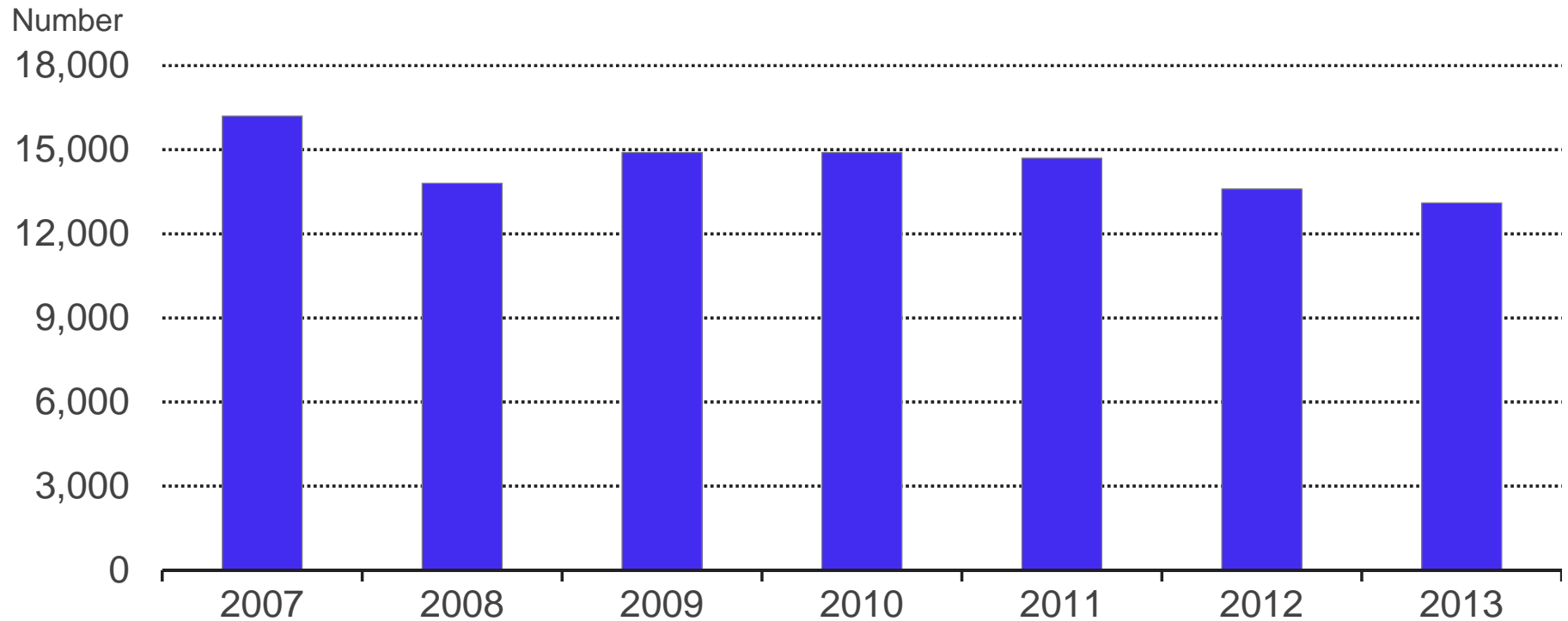
Persons



Source: Statistics Canada, Central 1 Credit Union. Note: Seasonally adjusted. Latest: Dec-14

Declining trend since 2010

Small Business Counts: Kootenay Region

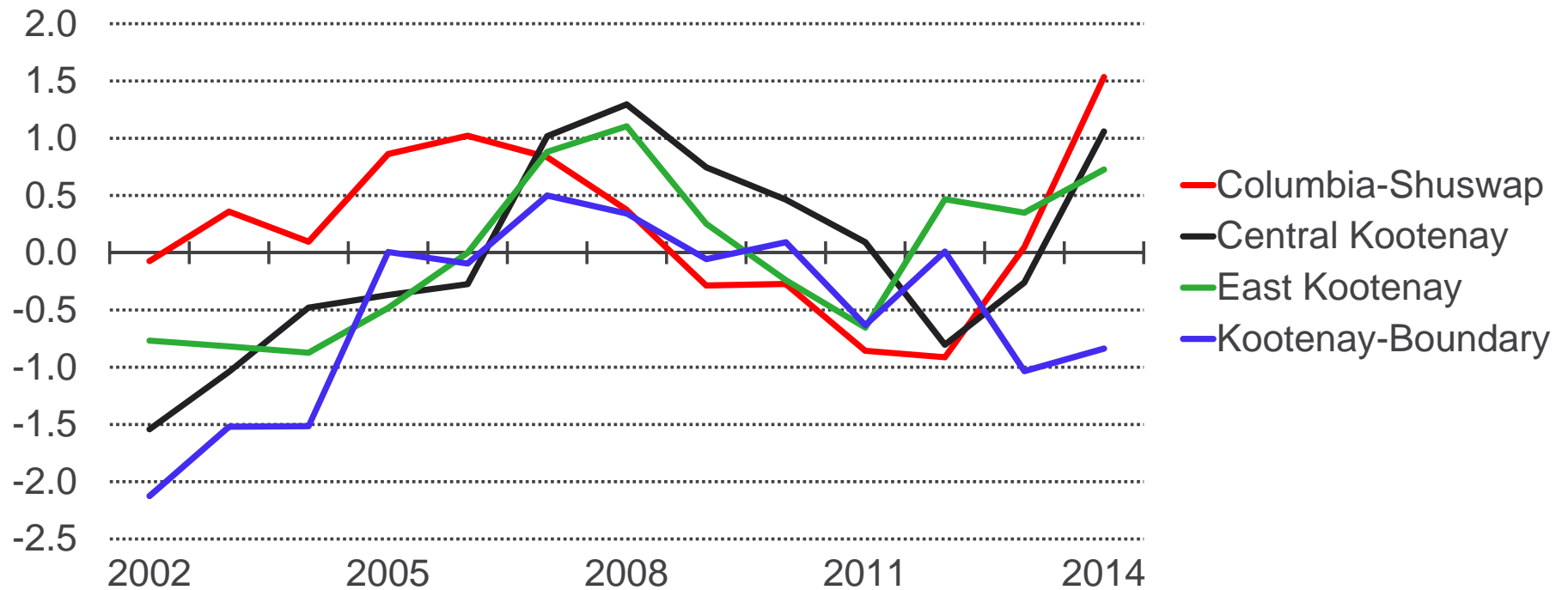


Source: BC Stats. Note: Small business is defined as those businesses with fewer than 50 employees plus businesses operated by self-employed individuals without paid help.

Recent gains in most RDs

Population Growth by Regional District

Percentage change

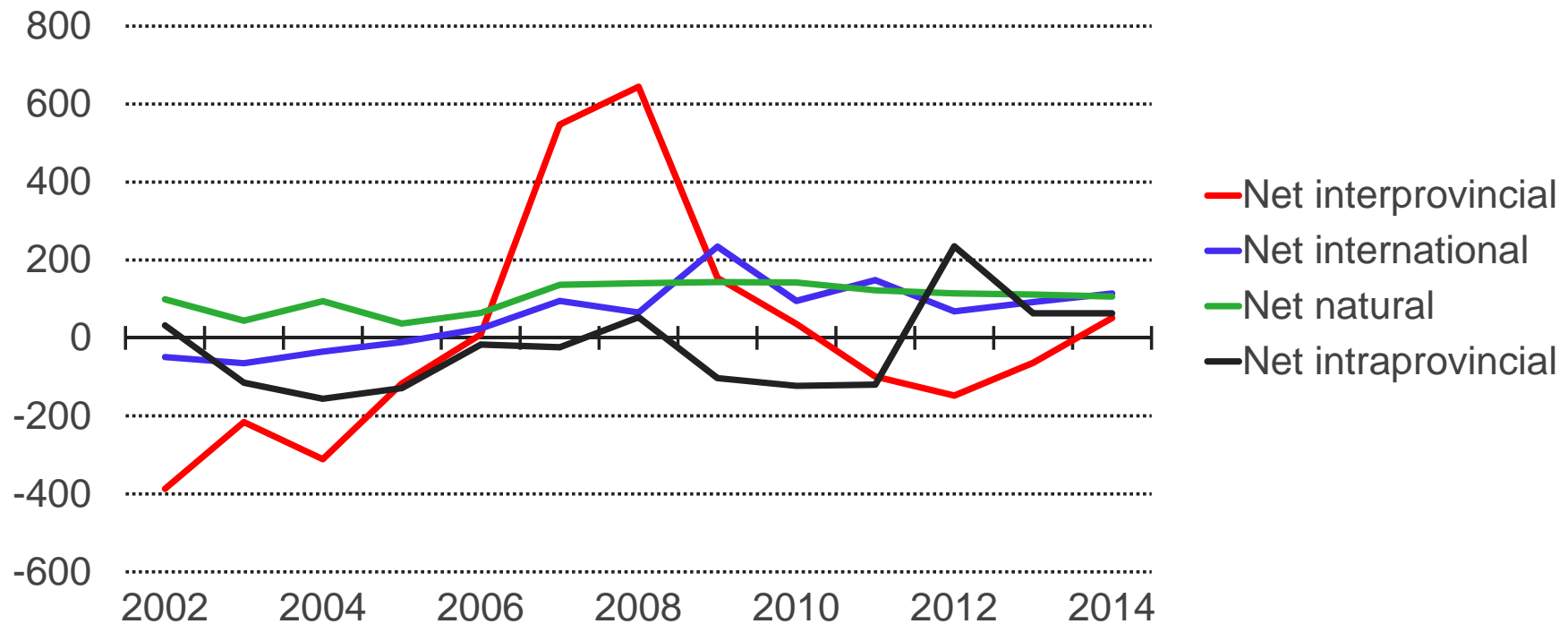


Source: Statistics Canada. Note: As of July 1. Latest data are preliminary.

Net interprovincial migration main swing factor

Population Growth Components: East Kootenay RD

Persons

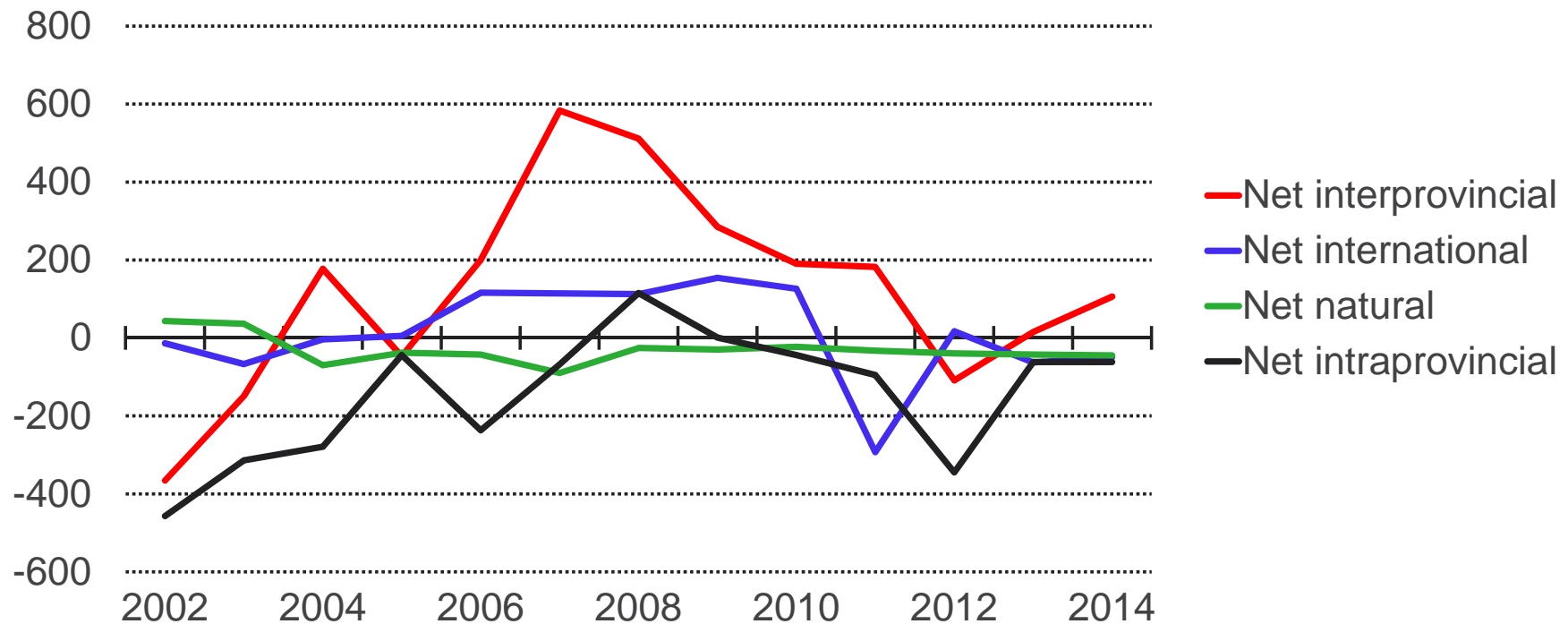


Source: Statistics Canada. Note: July 1 to June 30 annually. Latest data are preliminary.

Net interprovincial migration main swing factor

Population Growth Components: Central Kootenay RD

Persons

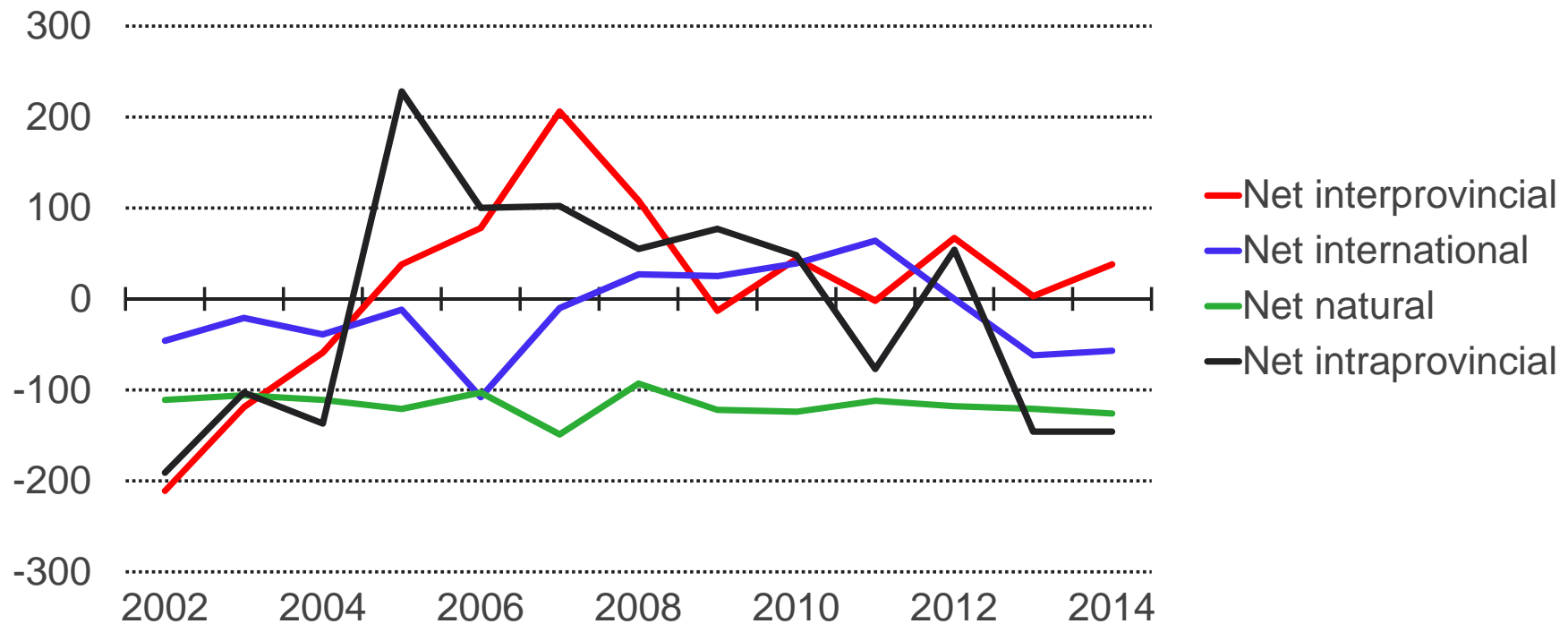


Source: Statistics Canada. Note: July 1 to June 30 annually. Latest data are preliminary.

Negative net natural increase

Population Growth Components: Kootenay-Boundary RD

Persons

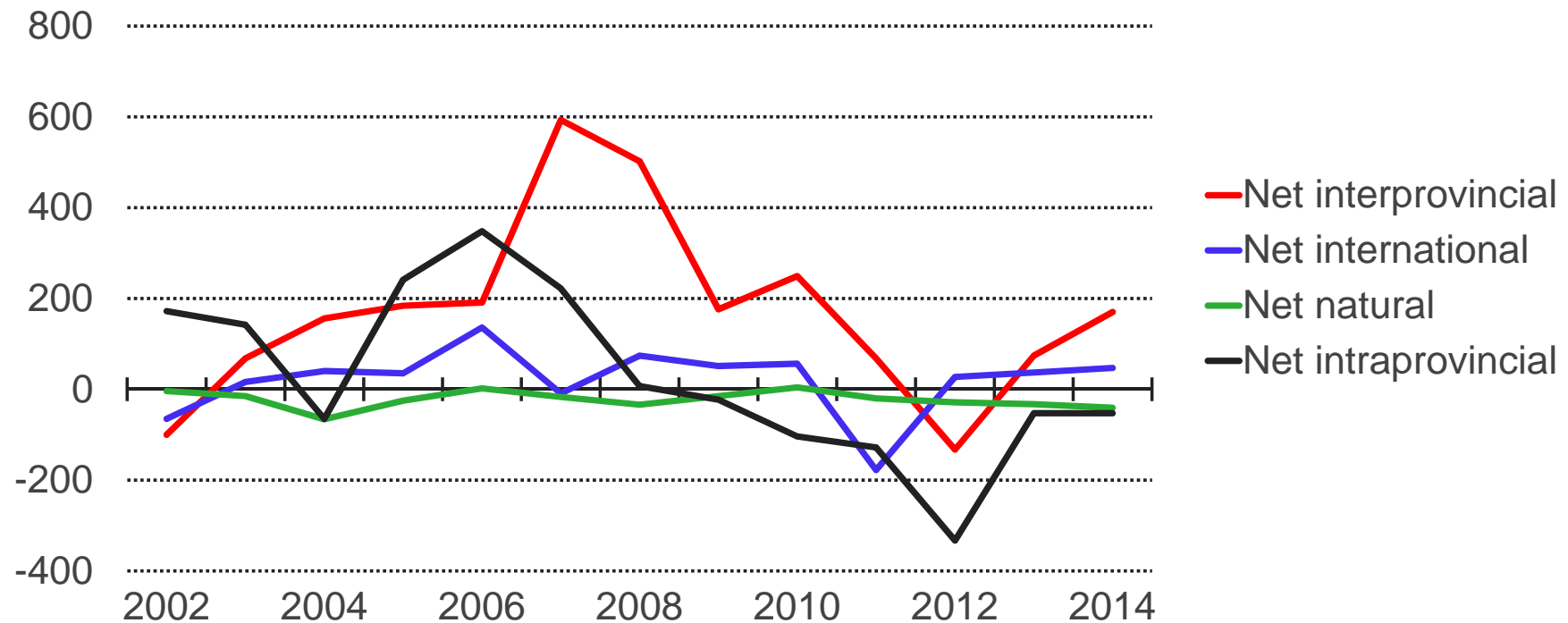


Source: Statistics Canada. Note: July 1 to June 30 annually. Latest data are preliminary.

Negative net natural increase

Population Growth Components: Columbia-Shuswap RD

Persons

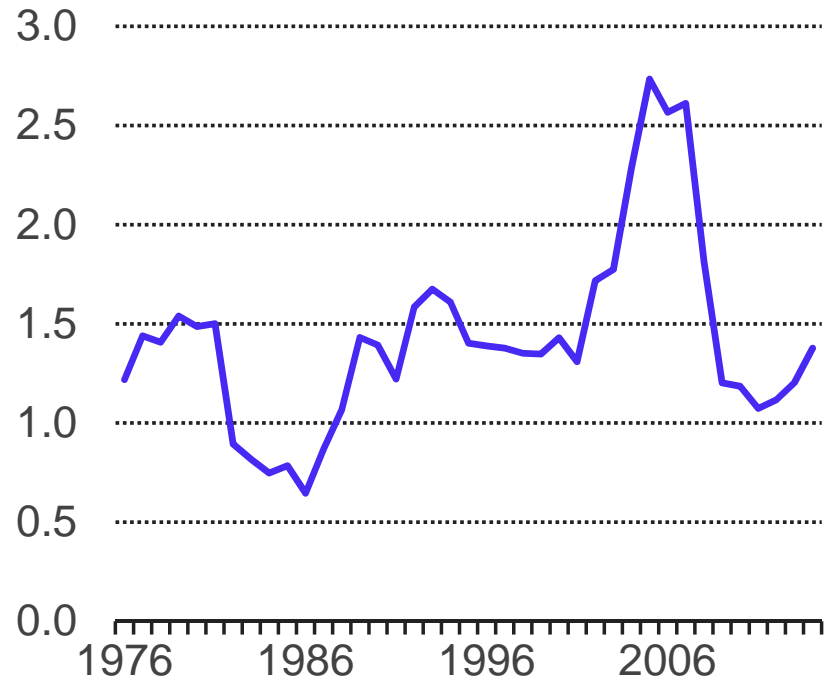


Source: Statistics Canada. Note: July 1 to June 30 annually. Latest data are preliminary.

Housing prices range-bound

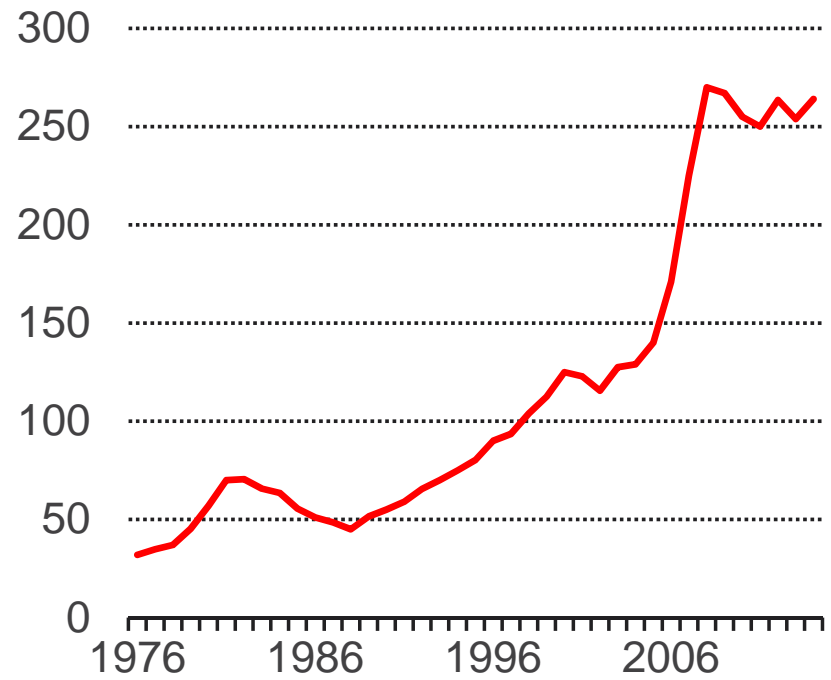
Residential Sales: East Kootenay

Units - thousands



Median Sale Price

Dollars - thousands

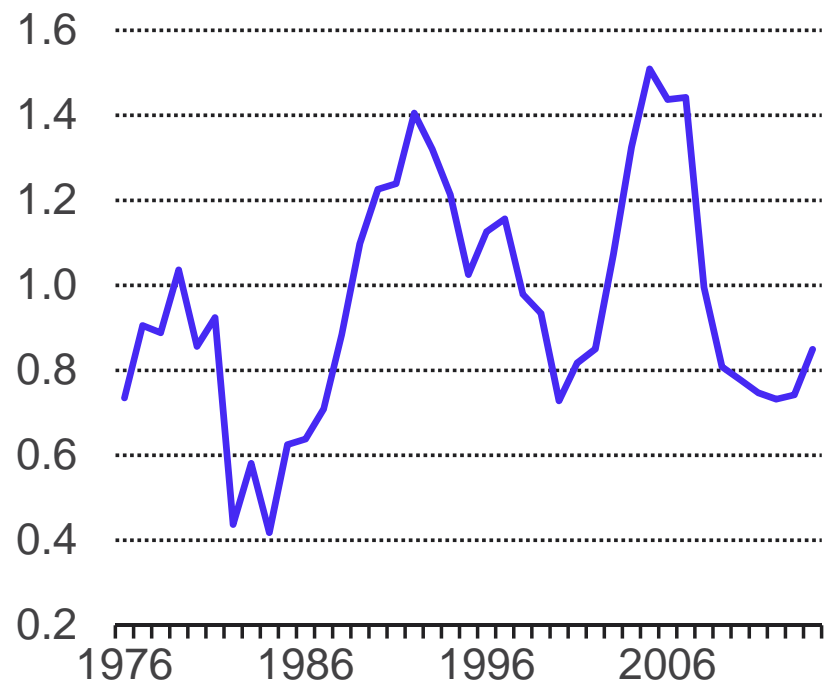


Source: Landcor Data Corp. Note: Arms-length transactions. Latest: 2014

Housing prices range-bound

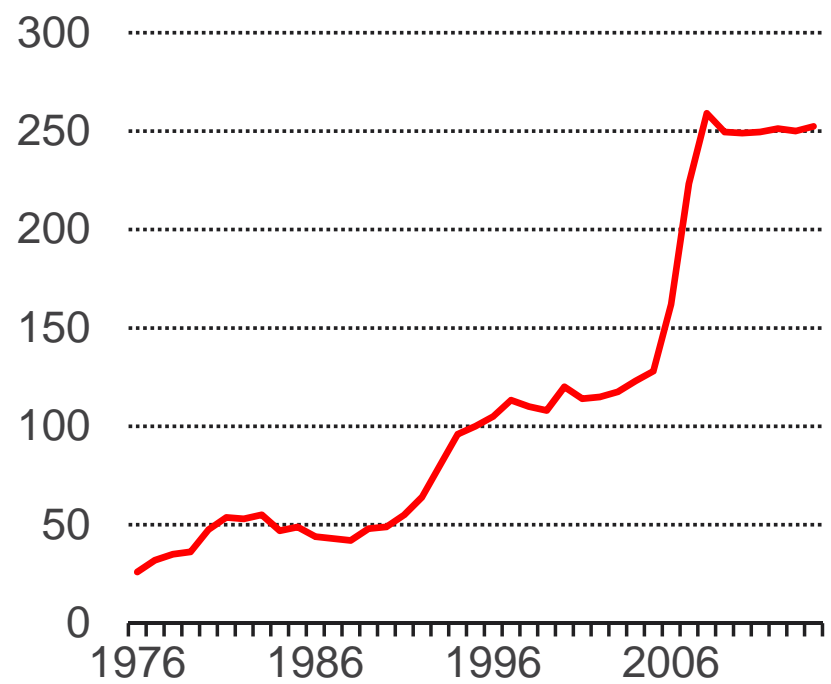
Residential Sales: Central Kootenay

Units - thousands



Median Sale Price

Dollars - thousands

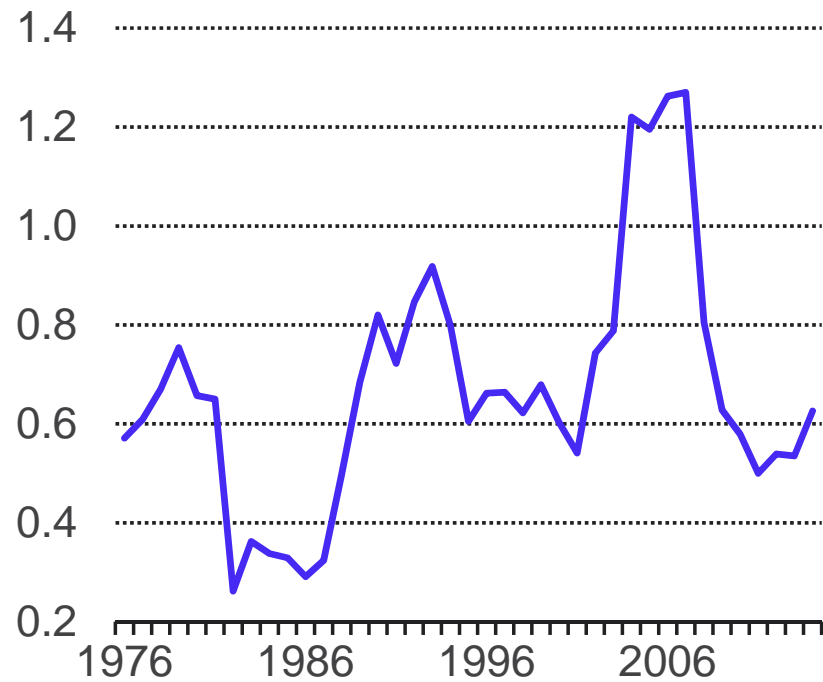


Source: Landcor Data Corp. Note: Arms-length transactions. Latest: 2014

Price weakness evident

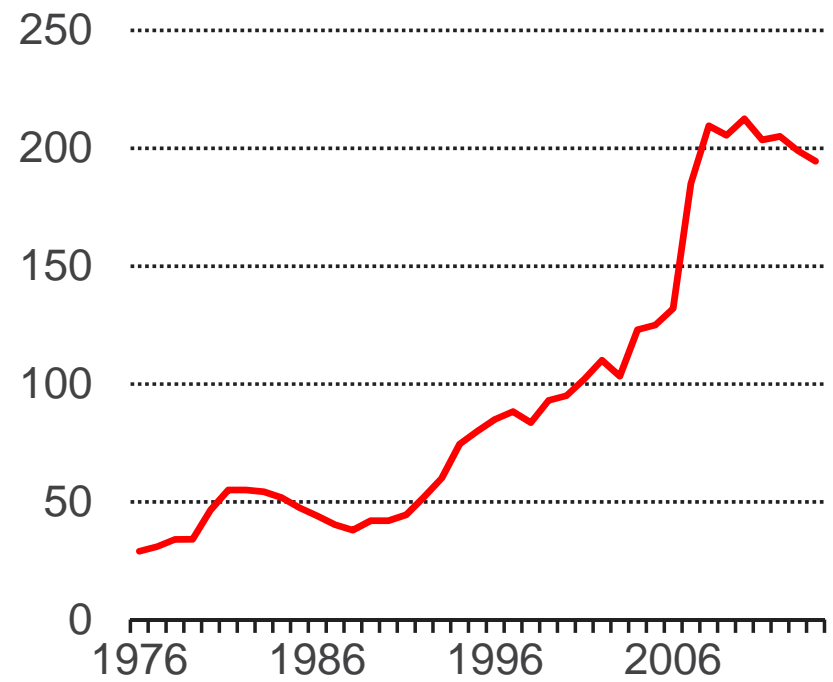
Residential Sales: Kootenay-Boundary

Units - thousands



Median Sale Price

Dollars - thousands

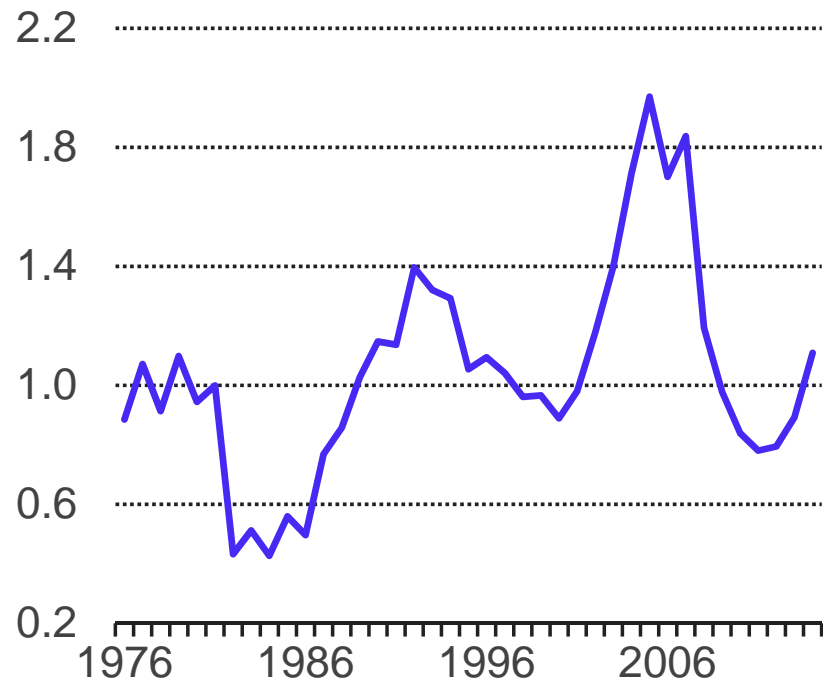


Source: Landcor Data Corp. Note: Arms-length transactions. Latest: 2014

Price weakness evident

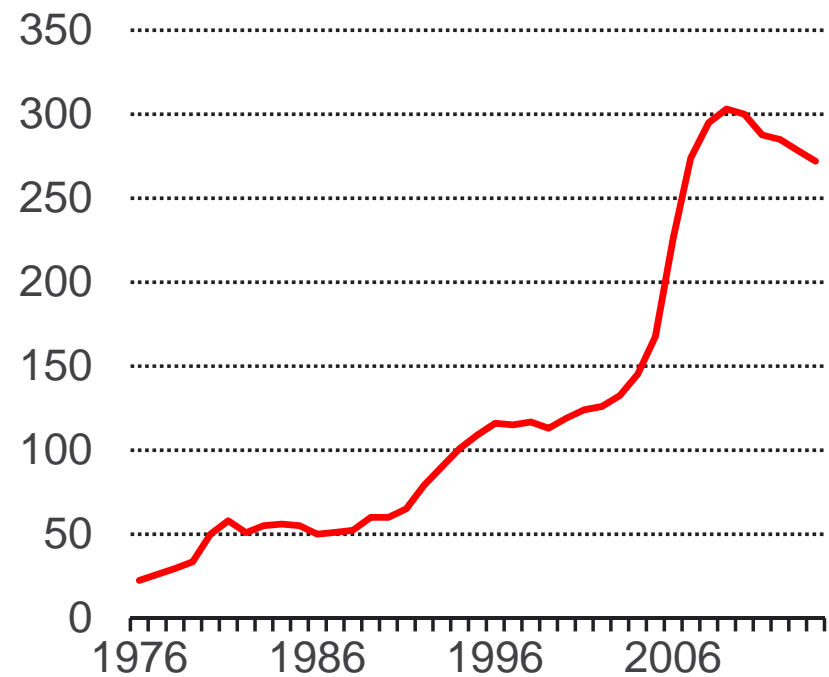
Residential Sales: Columbia-Shuswap

Units - thousands



Median Sale Price

Dollars - thousands

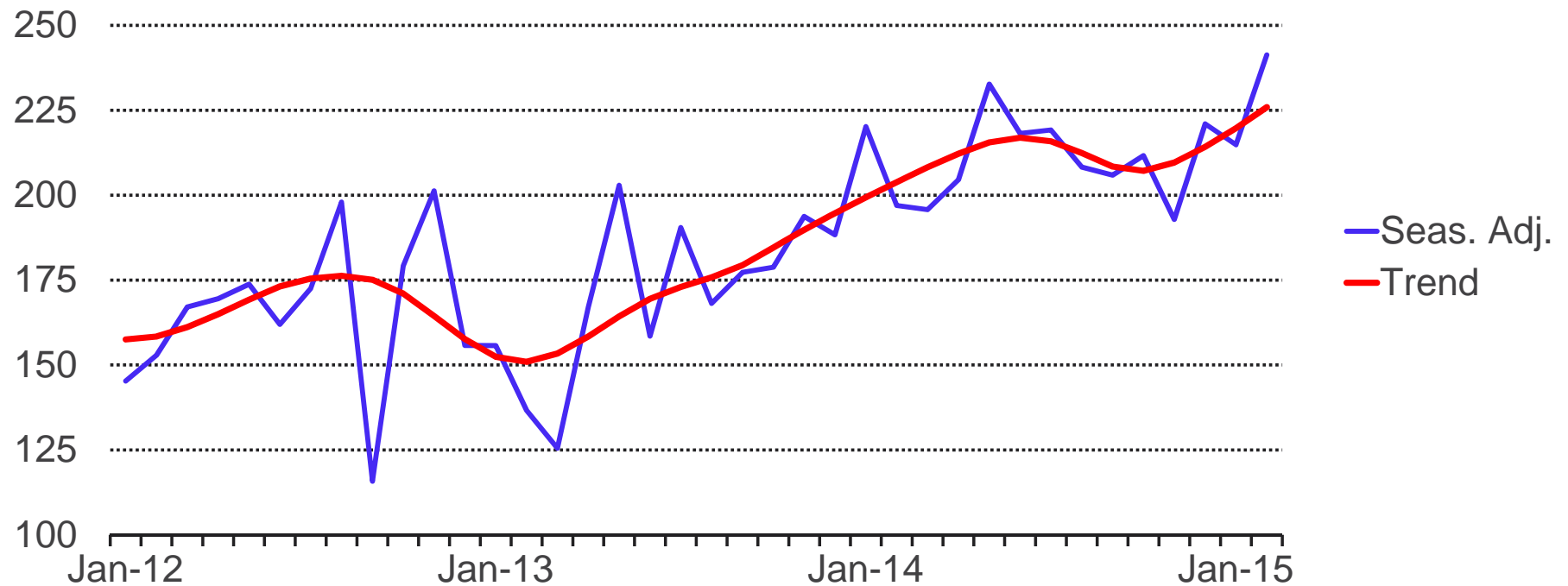


Source: Landcor Data Corp. Note: Arms-length transactions. Latest: 2014

Sales turning up after mid-2014 slowdown

MLS Residential Sales: Kootenay Real Estate Board

Units



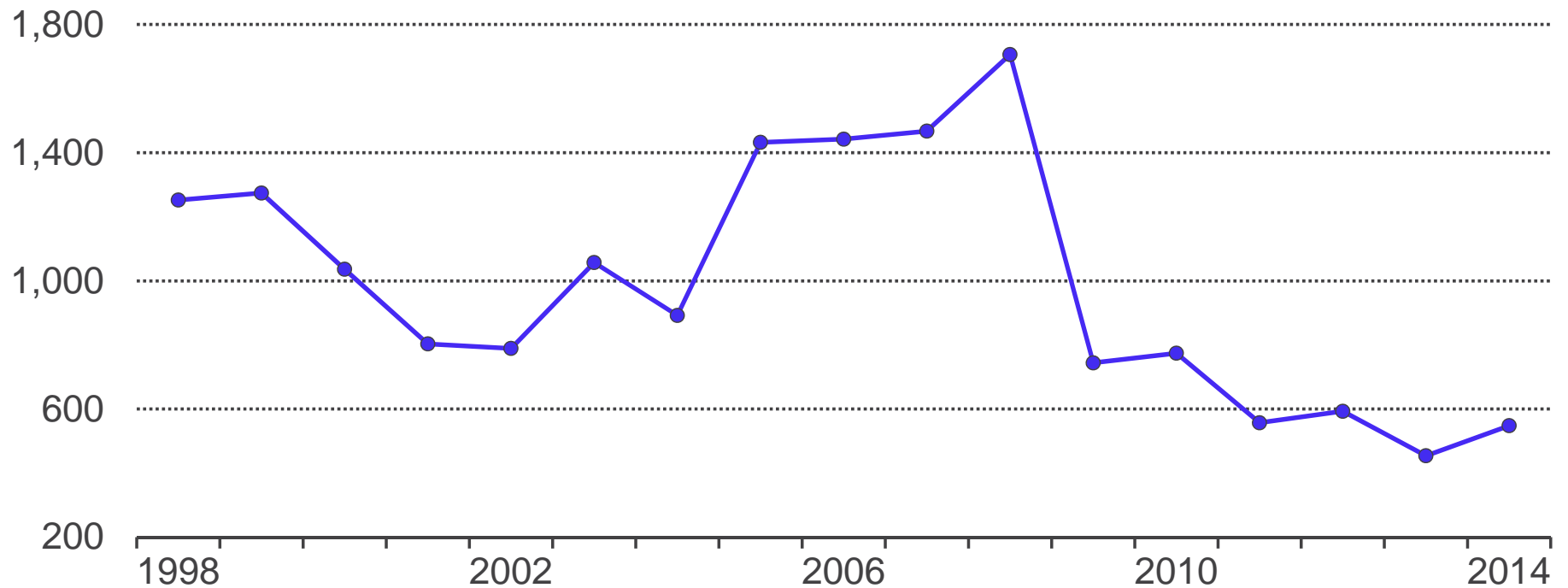
Source: CREA, Central 1 Credit Union.

Latest: Feb-15

Large decline since 2008

Residential Building Permits: Kootenay Economic Region

Units

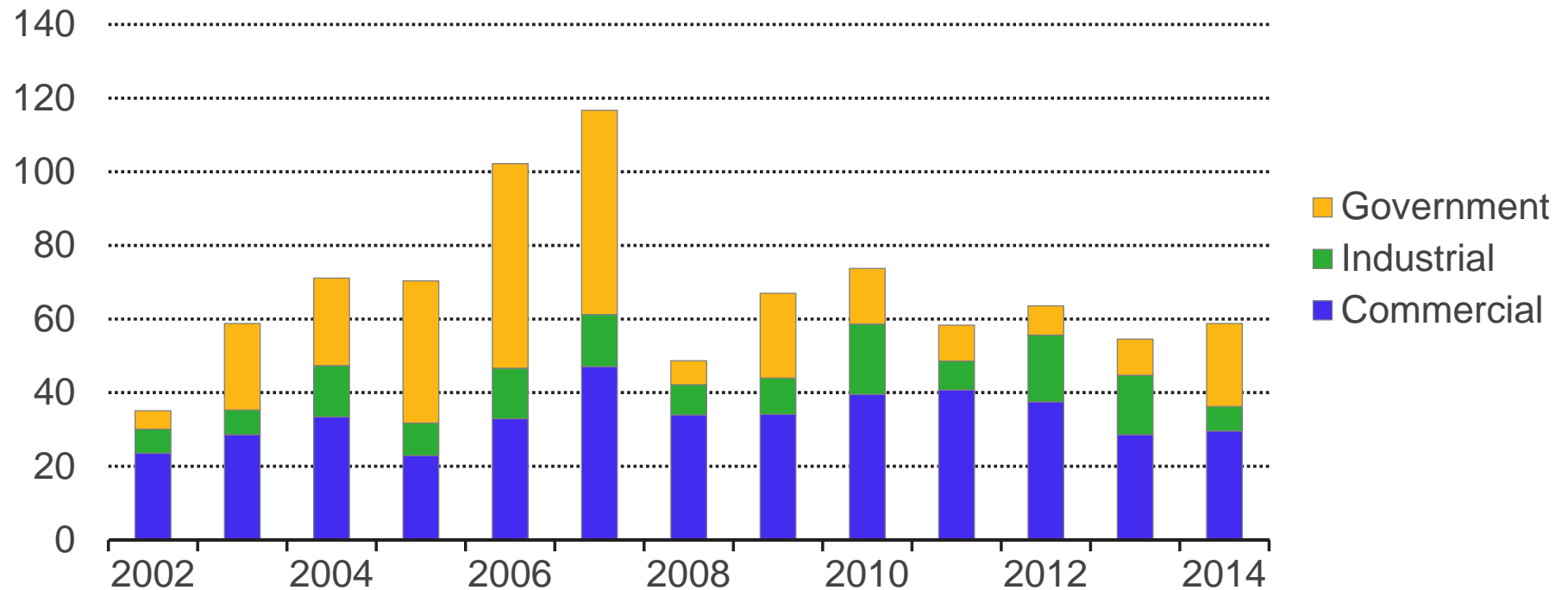


Source: Statistics Canada.

Low investment levels

Non-residential Building Permits: Kootenay Region

Dollars - millions



Source: Statistics Canada.

Major Projects Summary Capital Cost Estimates (\$ mil.) – Kootenay Region

Date	Proposed	Started	Completed	On Hold	Total
Q3-2012	2,256	3,776	15	1,000	7,047
Q4-2012	2,081	3,771	-	1,655	7,507
Q1-2013	2,061	3,785	-	1,675	7,521
Q2-2013	2,651	3,785	30	1,675	8,141
Q3-2013	2,636	3,785	-	1,690	8,111
Q4-2013	2,636	3,785	-	1,540	7,961
Q1-2014	2,566	3,855	-	1,540	7,961
Q2-2014	3,716	3,855	-	2,005	9,576
Q3-2014	4,382	3,855	-	2,005	10,242

Source: BC Major Projects Inventory, various issues.

Non-residential Major Projects by Industry and Status (\$ mil.) as of Q3-2014 – Kootenay Region

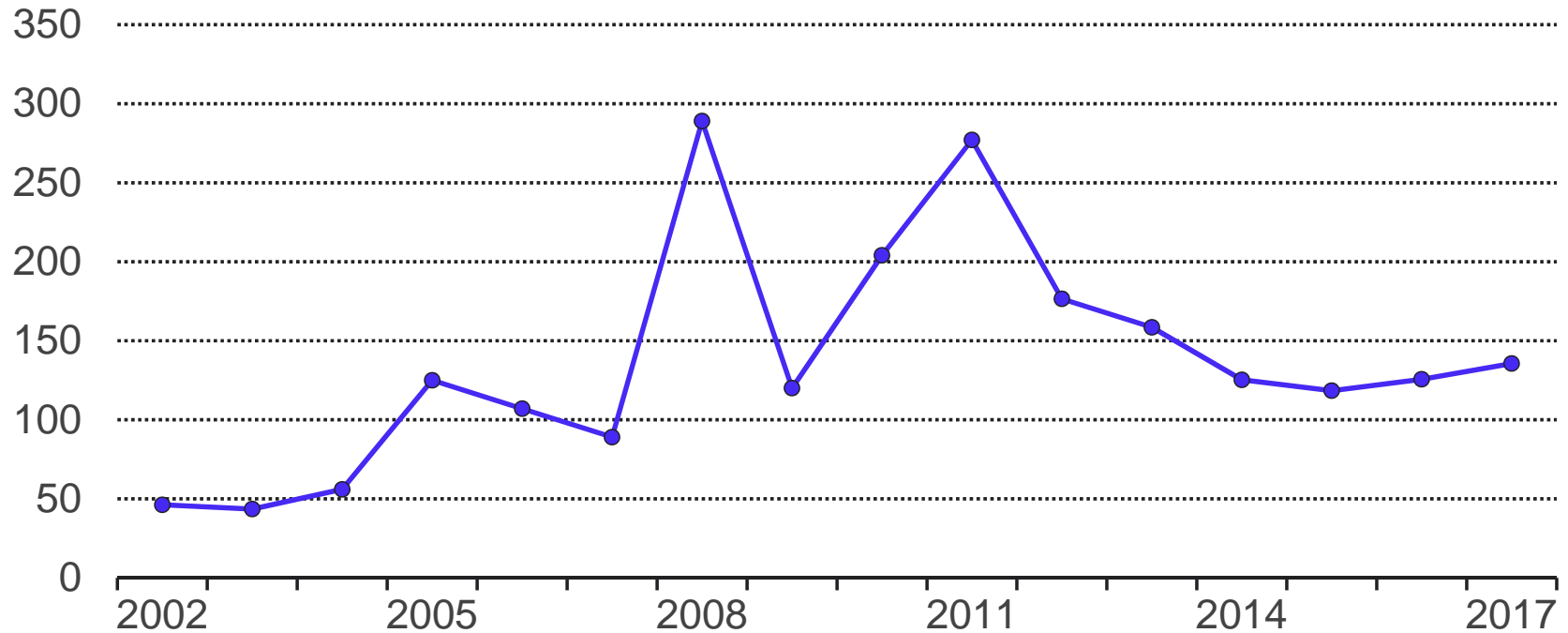
Industry	Proposed	Started	On hold	Total
Residential Mixed Use	-	52	-	52
Accommodation & Food	-	60	-	60
Health & Social	-	20	-	20
Manufacturing	-	50	210	260
Mining	2,536	-	480	3,016
Resort	1,000	2,650	1,020	4,670
Utilities	846	1,023	295	2,164
Total	4,382	3,855	2,005	10,242

Source: BC Major Projects Inventory, September 2014.

Large drop in met coal price; gradual rise ahead

Metallurgical Coal Price, Japan-Australia JFY FOB

US \$ per tonne

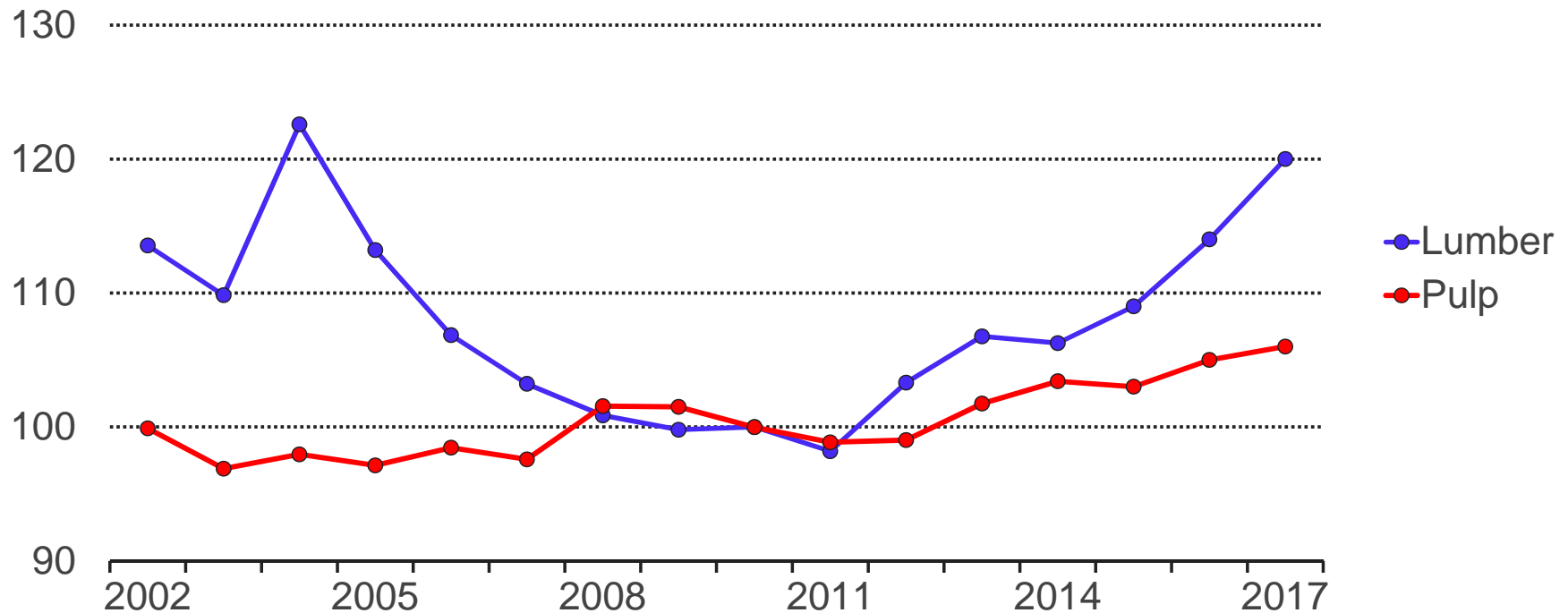


Source: BC Ministry of Energy and Mines, Consensus Forecasts. Forecast: 2014-17

Good prospects for lumber prices

Lumber and Wood Pulp Prices: Canada

2010=100



Source: Statistics Canada, Central 1 Credit Union. Forecast: 2014-17

Modest economic performance ahead, housing more active due to low rates

Kootenay Region Economic and Housing Forecasts

Indicator	2013	2014	2015	2016	2017
Employment, % chg.	5.1	-11.8	4.0	2.0	2.0
Unemployment rate, %	5.9	6.9	5.5	6.0	5.5
Population, % chg.	-0.2	0.5	0.0	0.5	0.0
Housing sales, % chg.	3.9	15.0	10.0	5.0	10.0
Housing price, % chg.	-2.0	0.8	1.0	1.0	3.0

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

Summary:

- Global economy showing sporadic signs of emerging from slowdown
- Oil prices to remain low in 2015; post modest gains thereafter
- U.S. economy poised to gain momentum; expansion to extend
- Global economy on improving trend from low oil prices and policy stimulus
- Canada's economy hit by oil price plunge, prompting rate cut
- Another BoC rate cut likely while U.S. Fed makes first hike

Summary:

- Lower CAD and improving external economies lifts B.C. economy
- Kootenay labour market deteriorated mid-2013 into 2014; recent data show reversal underway
- Population growth remains low; mixed performances across regional districts
- Housing sales up in 2014, pricing flat
- Monthly MLS sales showing gains into 2015

Summary:

- Investment spending at low levels
- Region has potential for tourism, forestry, and met. coal mining expansion
- Modest medium term growth prospects for Kootenay Region
- Housing market gains to continue

Thank you