

Economic Update and Outlook

Kootenay Peer Group Meeting

Castlegar, B.C.

March 5, 2016

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Central 1 Credit Union



Sluggish growth extends through 2016

Key External Economic Forecasts					
Real GDP, % change	2013	2014	2015	2016	2017
World Output	3.3	3.4	3.1	3.4	3.6
United States	2.2	2.4	2.4	2.2	2.4
Japan	1.6	-0.1	0.6	1.0	0.6
China	7.7	7.4	6.9	6.5	6.3
South Korea	3.0	3.3	2.6	2.7	2.8
European Union	0.2	1.8	1.8	1.9	1.9

Source: IMF, Consensus Forecasts, Feb. 2016.



Weak growth phase to continue

Economic Forecasts - Canada					
Indicator	2013	2014	2015	2016	2017
Nominal GDP, % chg.	3.8	4.3	0.6	1.8	3.5
Real GDP, % chg.	2.1	2.4	1.2	1.3	2.0
Employment, % chg.	1.5	0.6	0.8	0.7	1.1
Unemployment rate, %	7.1	6.9	6.9	7.3	7.0
CPI, % chg.	0.9	2.0	1.1	1.8	2.0
Housing starts, (000s)	188	189	194	190	195
USD-CAD FX, U.S. cents/CAD	97.1	90.5	78.2	72.0	72.5

Source: Statistics Canada, CMHC, Central 1 Credit Union Feb/16 outlook.

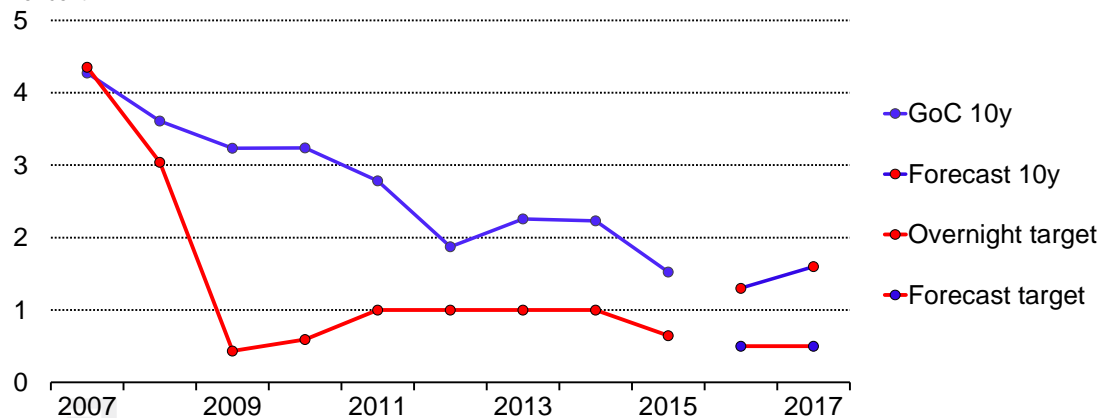


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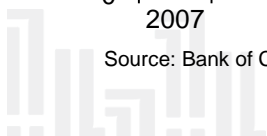
Low interest rates ahead, no rate hike through 2017

Interest Rates: Canada

Per cent



Source: Bank of Canada, Central 1 Credit Union. Latest actual: 2015. Forecast: 2016 to 2017




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Positive provincial outlook

B.C. Economic and Housing Forecasts					
Indicator	2013	2014	2015	2016	2017
Nominal GDP, % chg.	2.3	4.7	3.4	3.8	5.2
Real GDP, % chg.	1.3	3.2	3.4	3.0	3.2
Employment, % chg.	0.1	0.6	1.2	1.7	2.0
Unemployment rate, %	6.6	6.1	6.2	6.3	5.4
Population, % chg.	0.9	1.2	1.0	1.1	1.2
Housing starts, (000s)	27.1	28.4	31.1	33.8	34.7
Housing sales, (000s)	82.7	92.3	113.0	122.0	130.0
Housing price ¹ , % chg.	0.3	5.5	5.3	8.0	10.0

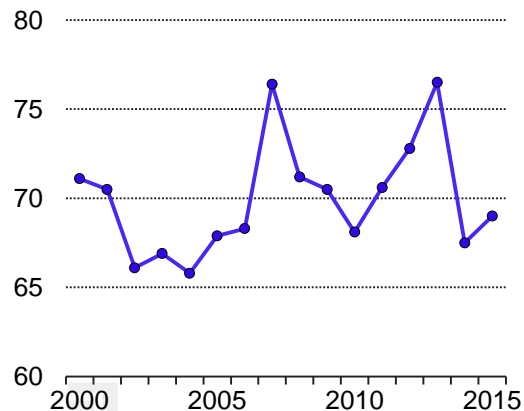
Source: Statistics Canada, CMHC, Landcor Data Corp., Central 1 Credit Union Jan/16 outlook. 1. Median sale price.

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Low regional employment; higher unemployment

Employment: Kootenay ER

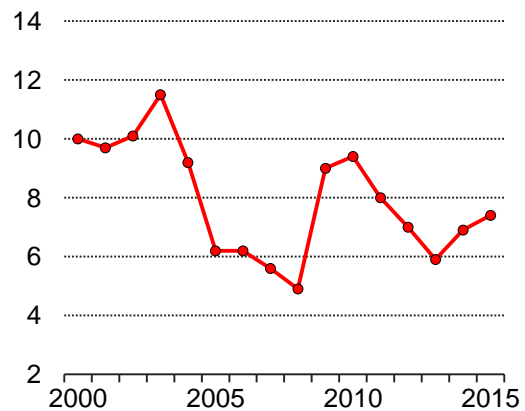
Persons - thousands



Source: Statistics Canada.

Unemployment Rate: Kootenay ER

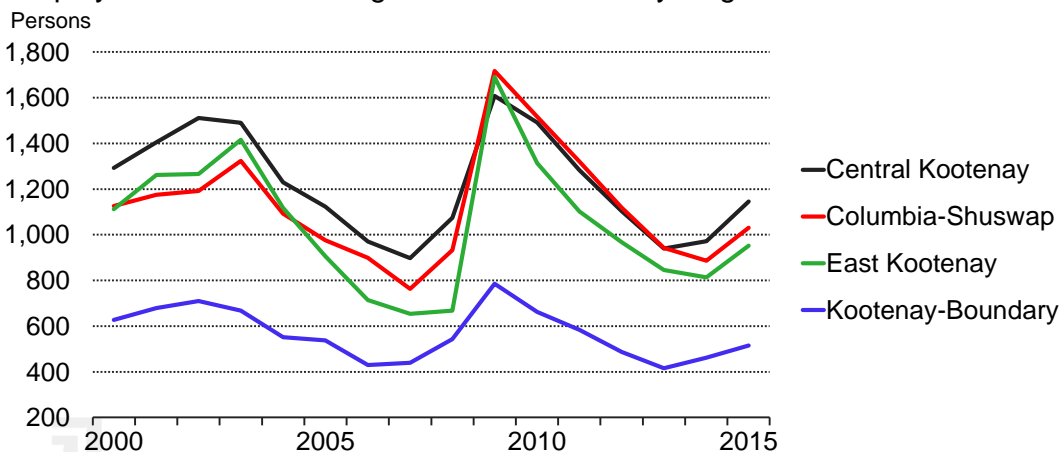
Per cent of labour force



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Upturn in 2015

Employment Insurance Regular Beneficiaries by Regional District

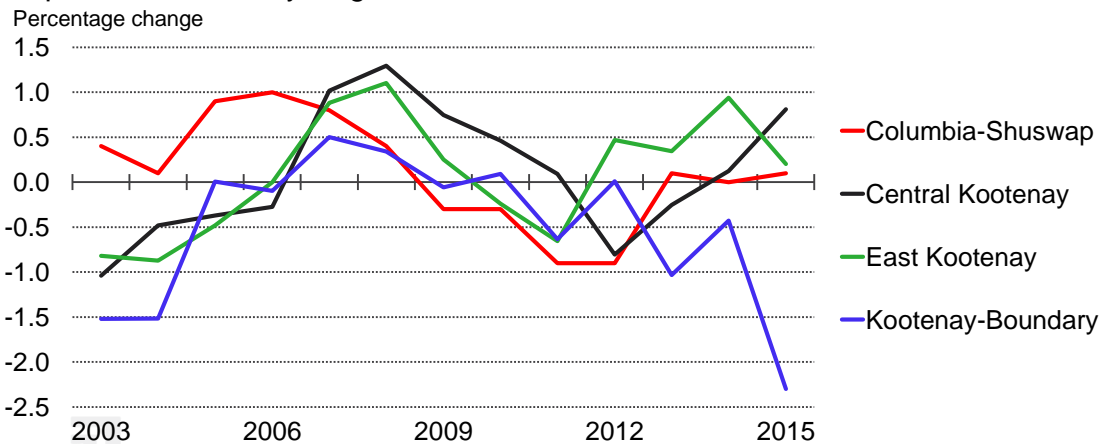


Source: Statistics Canada.

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Diverse performances past two years

Population Growth by Regional District



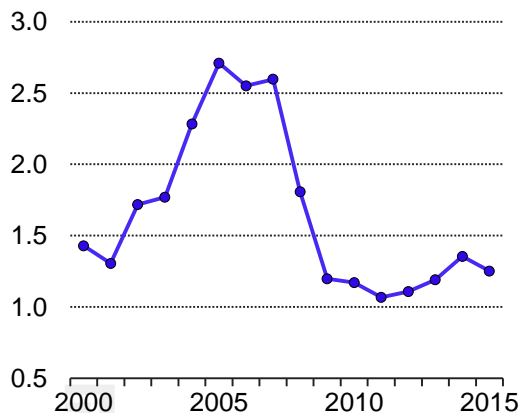
Source: Statistics Canada. Note: As of July 1. Latest data are preliminary.

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Housing prices range-bound

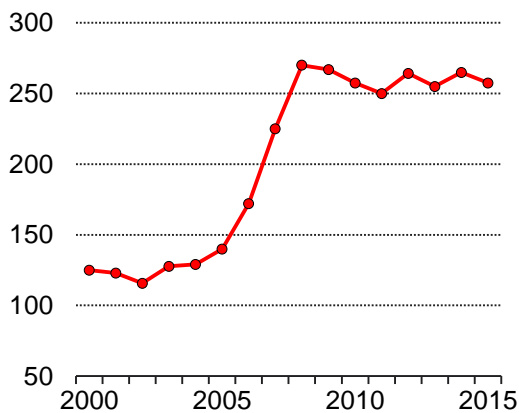
Residential Sales: East Kootenay RD

Units - thousands



Median Sale Price

Dollars - thousands



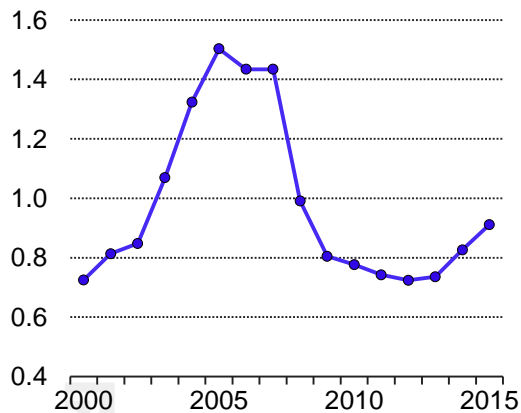
Source: Landcor Data Corp. Note: Arms-length transactions.

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Sales rising; flat pricing

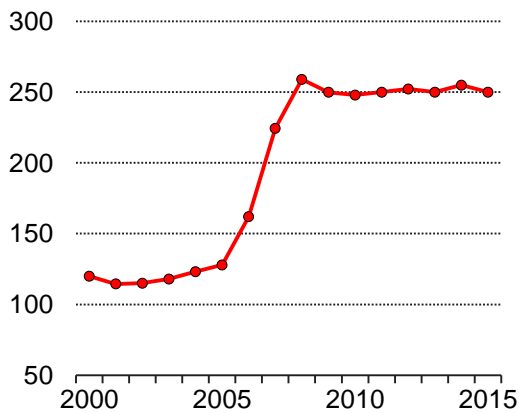
Residential Sales: Central Kootenay

Units - thousands



Median Sale Price

Dollars - thousands

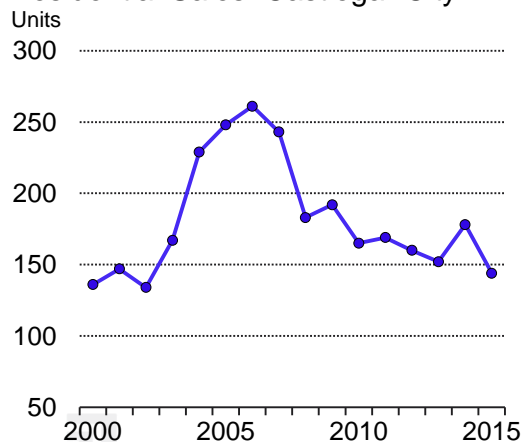


Source: Landcor Data Corp. Note: Arms-length transactions.

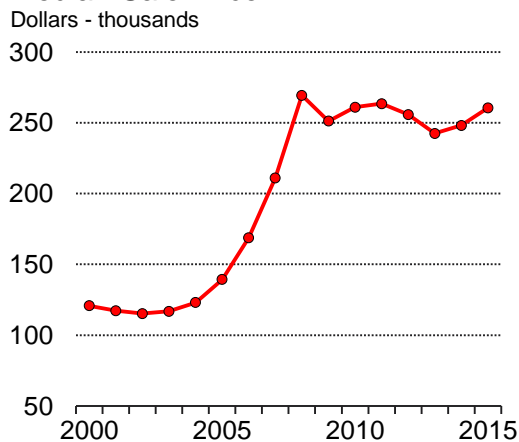
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Fewer sales in 2015

Residential Sales: Castlegar City



Median Sale Price

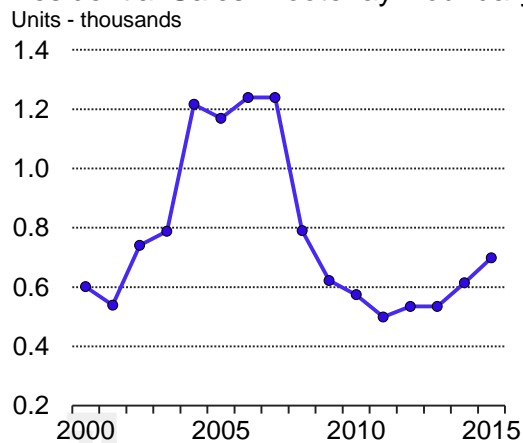


Source: Landcor Data Corp. Note: Arms-length transactions.

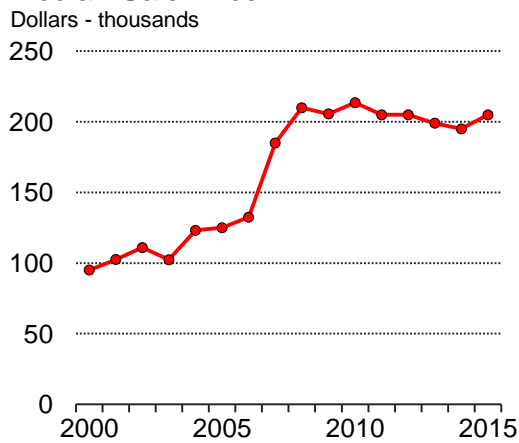
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Sales up second straight year

Residential Sales: Kootenay-Boundary



Median Sale Price



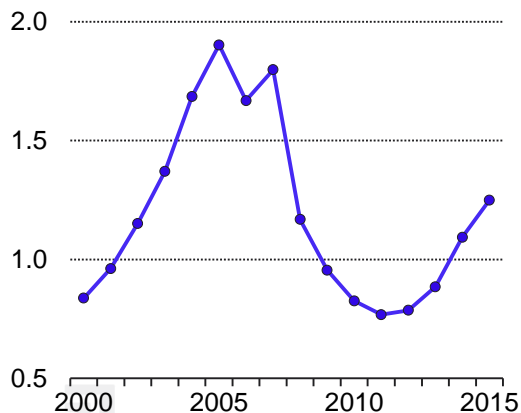
Source: Landcor Data Corp. Note: Arms-length transactions.

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Market improves

Residential Sales: Columbia-Shuswap

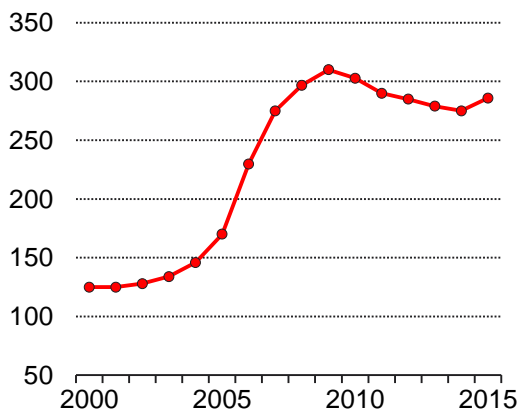
Units - thousands



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

Median Sale Price

Dollars - thousands

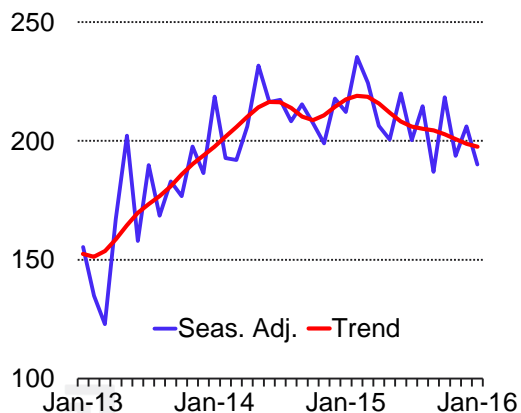


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Weak market signs

MLS Residential Sales: KREB

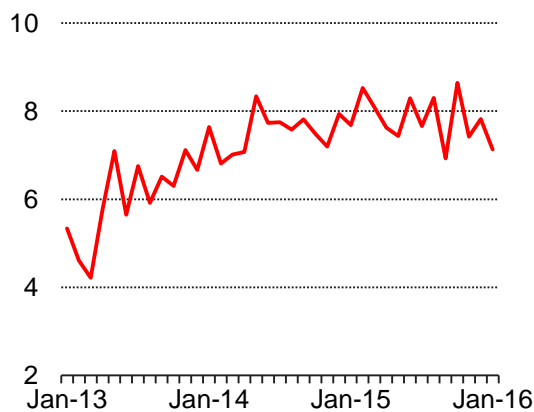
Units



Source: CREA, Central 1 Credit Union. Note: KREB = Kootenay Real Estate Board.

Sales-to-Active Listings Ratio, S.A.

Per cent

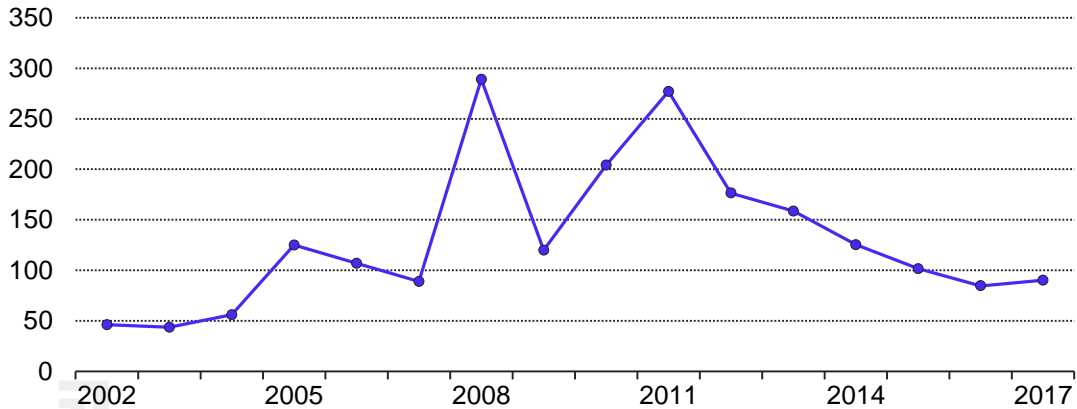


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Large drop in met coal price; gradual rise ahead

Metallurgical Coal Price, Japan-Australia JFY FOB

US \$ per tonne



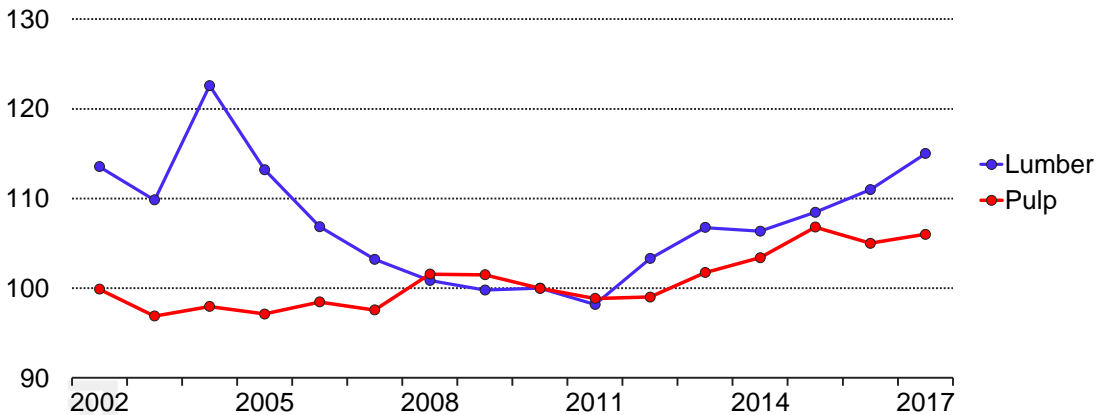
Source: BC Ministry of Energy and Mines, Consensus Forecasts. Forecast: 2016-17

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More upside for lumber prices

Lumber and Wood Pulp Prices: Canada

2010=100



Source: Statistics Canada, Central 1 Credit Union. Forecast: 2016-17

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Modest regional performance ahead

Kootenay Region Economic and Housing Forecasts					
Indicator	2013	2014	2015	2016	2017
Employment, % chg.	5.1	-11.8	2.2	-1.0	2.0
Unemployment rate, %	5.9	6.9	7.4	6.7	7.1
Population, % chg.	-0.2	0.3	-0.1	0.0	0.1
Housing sales, % chg.	4.1	13.5	2.5	0.0	5.0
Housing price ¹ , % chg.	-1.3	1.1	-1.8	-1.0	1.0

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



Summary:

- Global economic slowdown extends through 2016; policy stimulus and market adjustments lead to firming growth in 2017
- Low interest rates and low dollar ahead
- Tight interest margin for credit unions in 2016
- Good growth prospects for B.C.
- Kootenay region economy and housing will continue to underperform; local market differences exist



Summary:

- Local markets less dependent on met. coal to perform better
- Loan arrears to remain high in those markets
- Loan growth +/- 2%
- Deposit growth 2% to 4%
- High liquidity ratio
- Low ROE and ROA



Thank you