

Economic Update and Outlook

Fernie Chamber of Commerce

Thursday, May 20, 2010

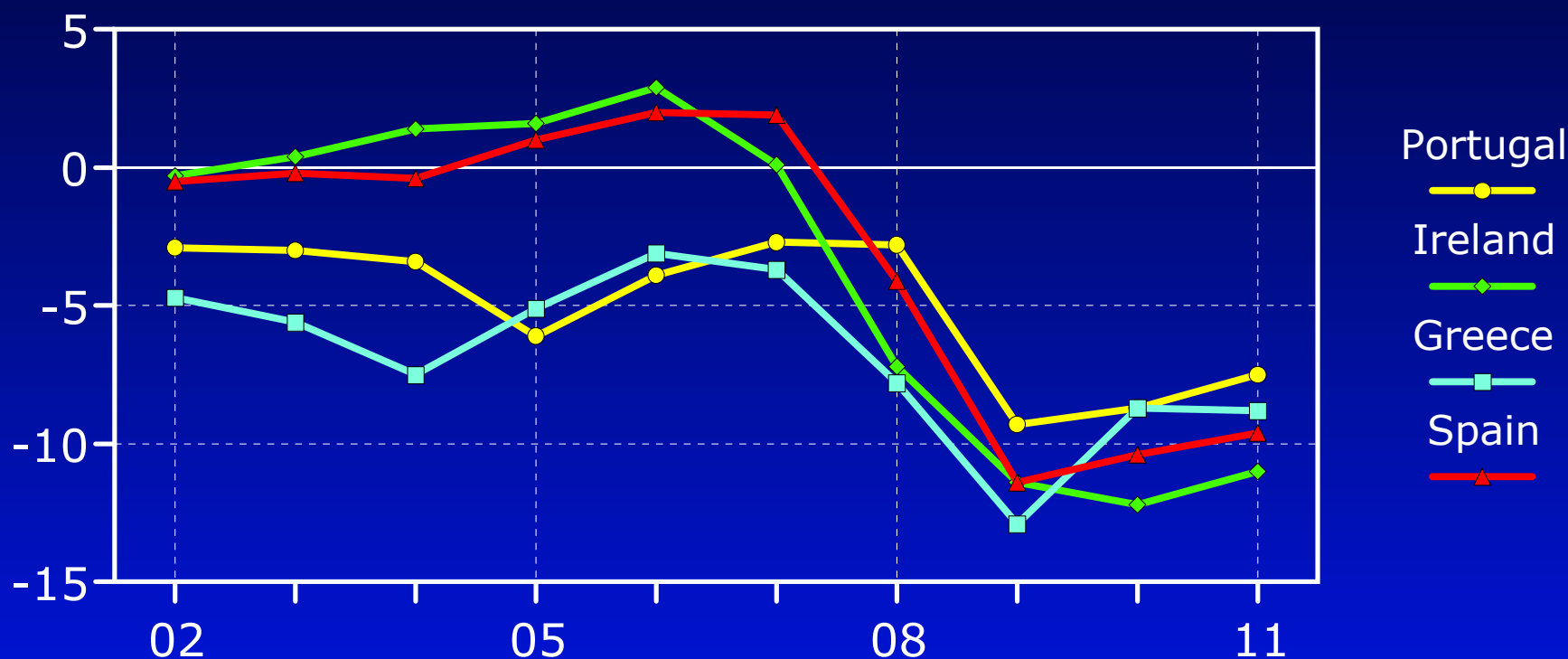
Helmut Pastrick
Chief Economist
Central 1 Credit Union



Euro debt crisis: highly indebted countries

Government Deficits, Selected Euro Area Countries

Percent of GDP

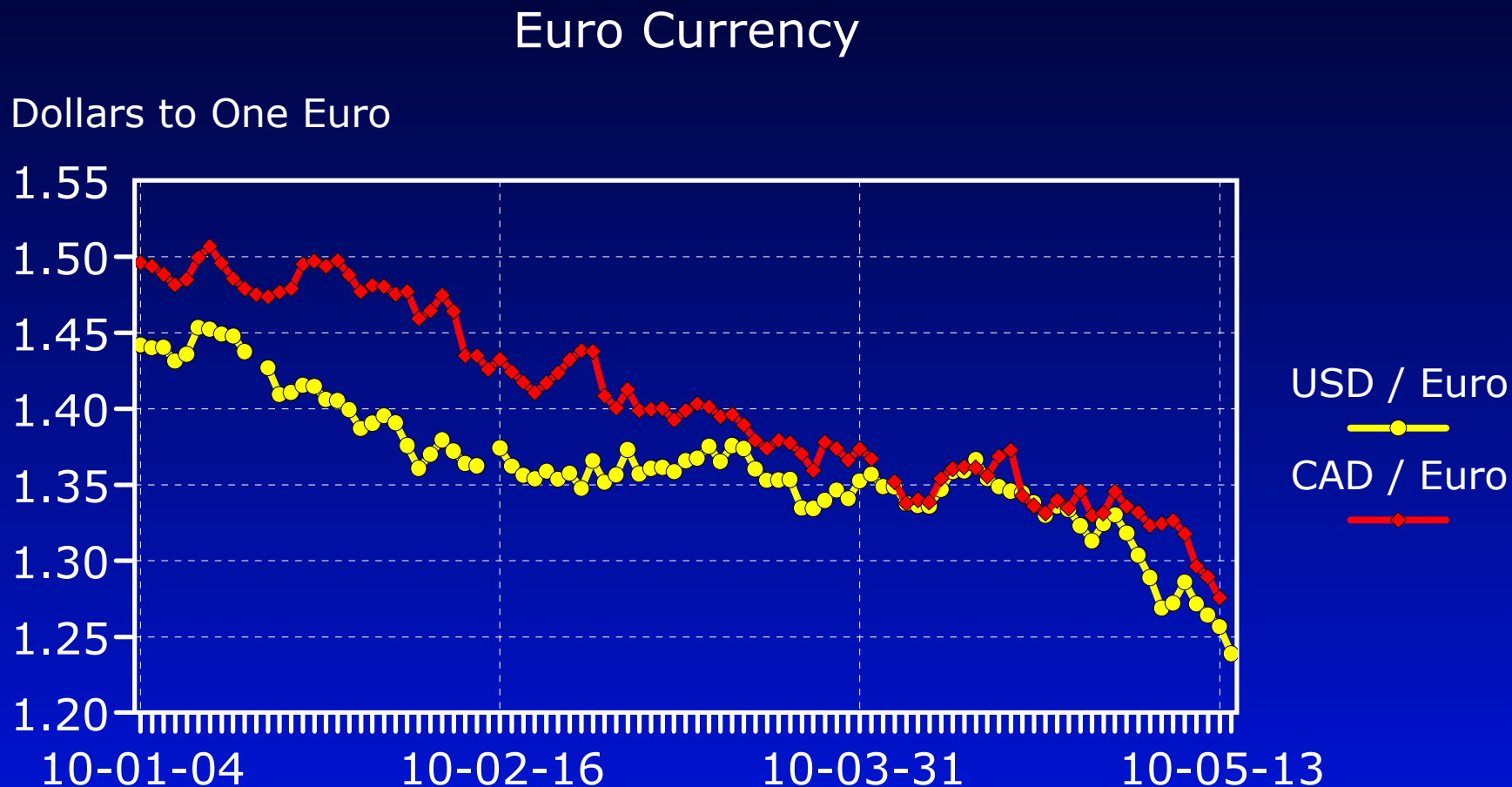


Source: IMF.

Note: 2009 actual, 2010 and 2011 projected.



Euro currency plunges during debt crisis



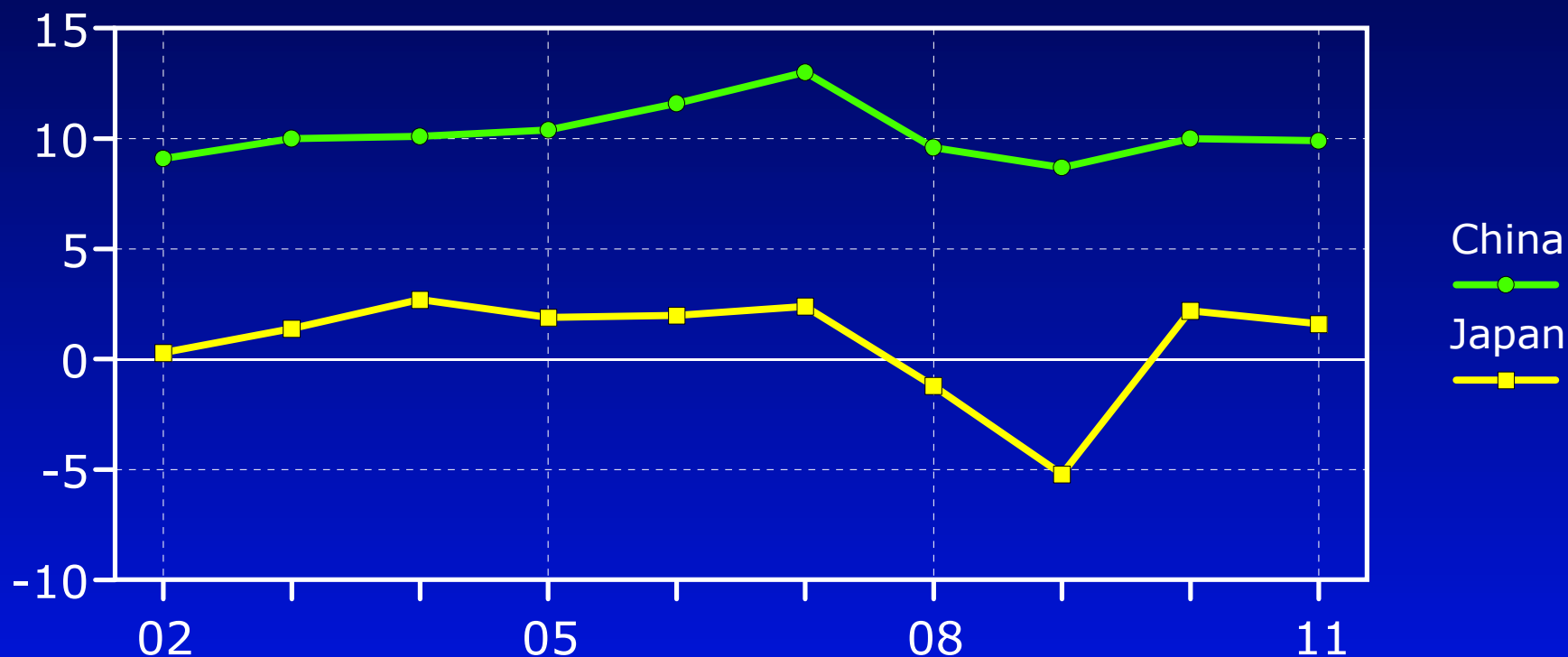
Source: Bank of Canada, U.S. Federal Reserve



China's economy avoids recession, Japan's economy recovers

Economic Growth, China and Japan

Percentage change in real GDP



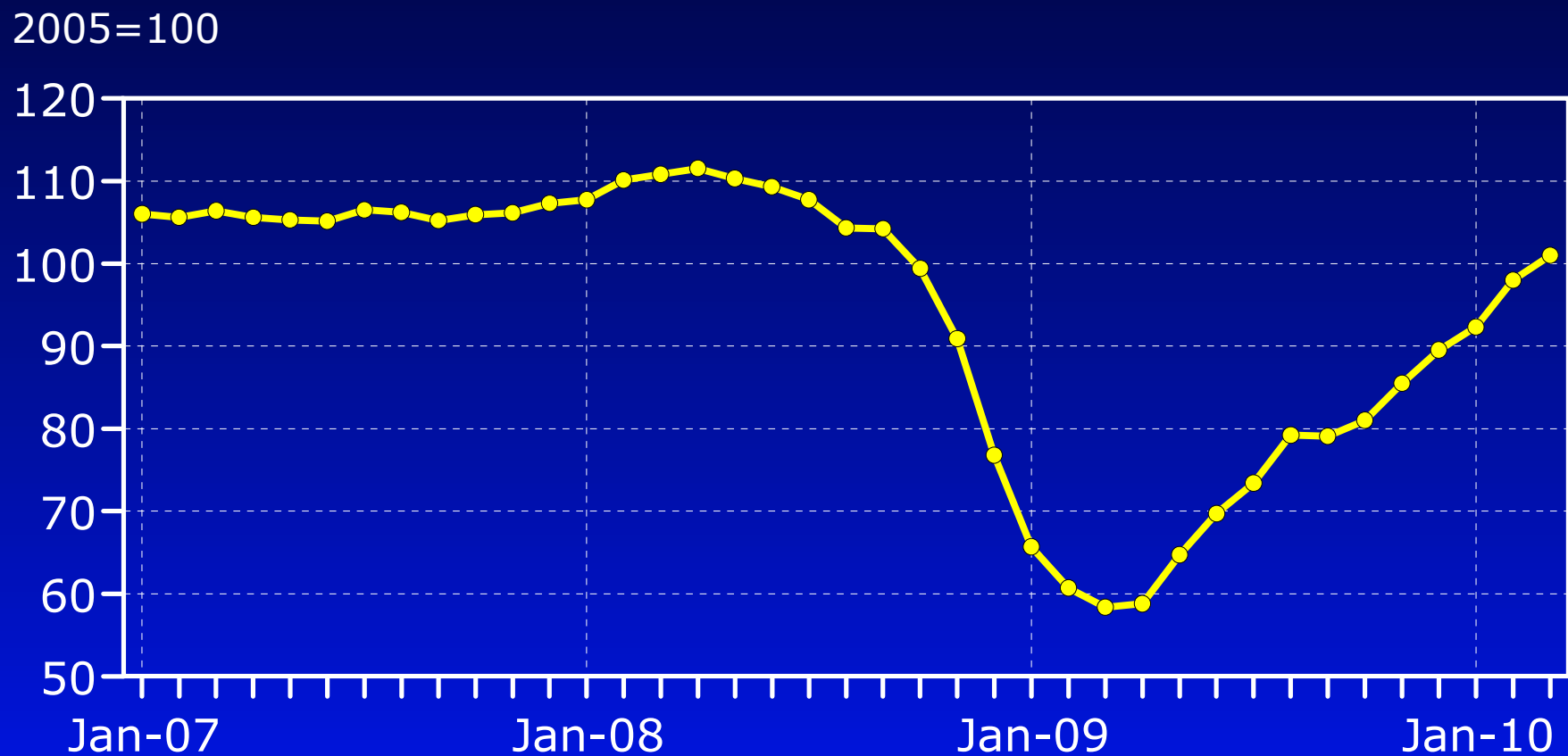
Source: IMF.

Note: 2009 actual, 2010 and 2011 projected



Japan's iron and steel production rebounds from recession low

Iron and Steel Production, Japan



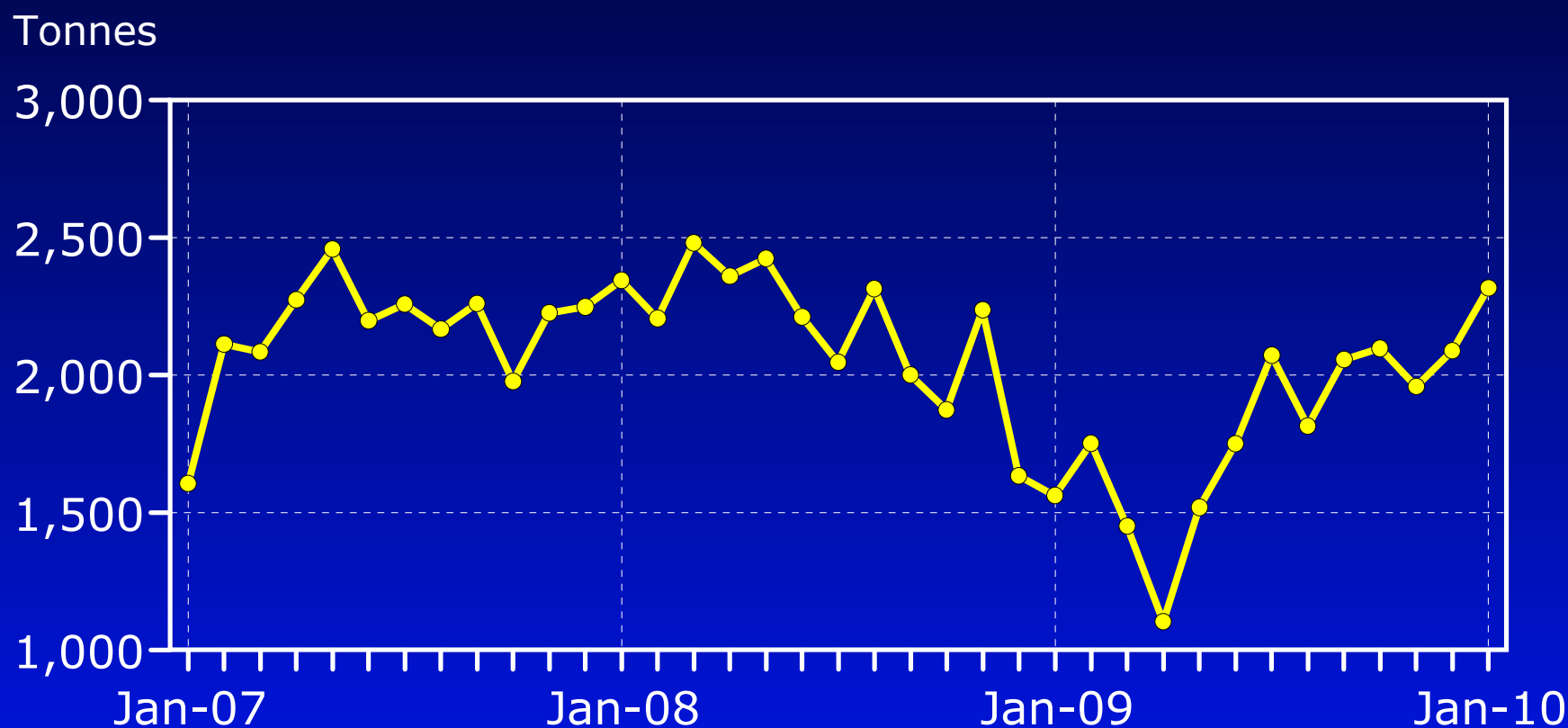
Source: Japan METI. Note: Seasonally adjusted

Latest: Mar-10



B.C. coal production returns to pre-recession levels

B.C. Coal Production



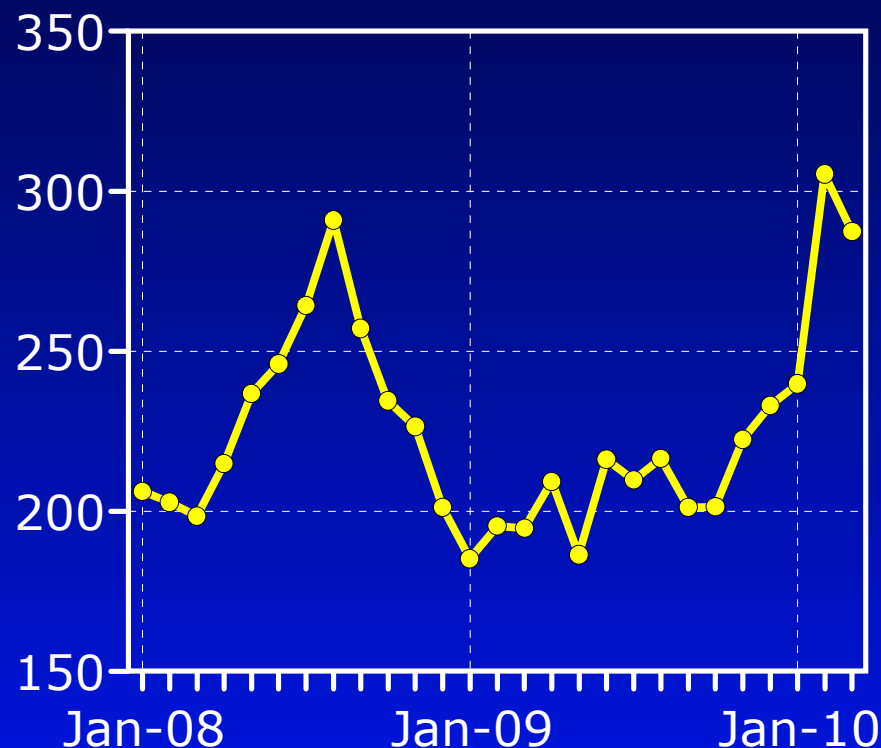
Source: B.C. STATS. Note: Seasonally adjusted



Forest product prices up from recession lows

Lumber Prices

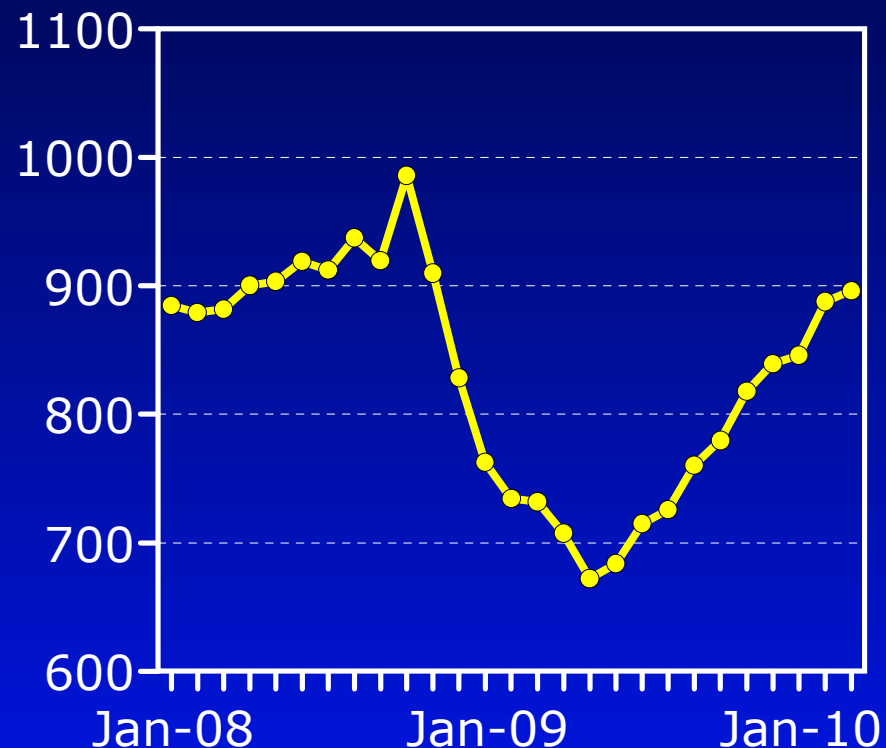
Dollars - CAD



Source: BC STATS

Wood Pulp Prices

Dollars - CAD



Latest: Mar-10



Inventory cycle distorts growth profile, U.S. demand growing at a moderate pace

U.S. Economic Growth, Quarterly

Q/Q percentage change at annual rate



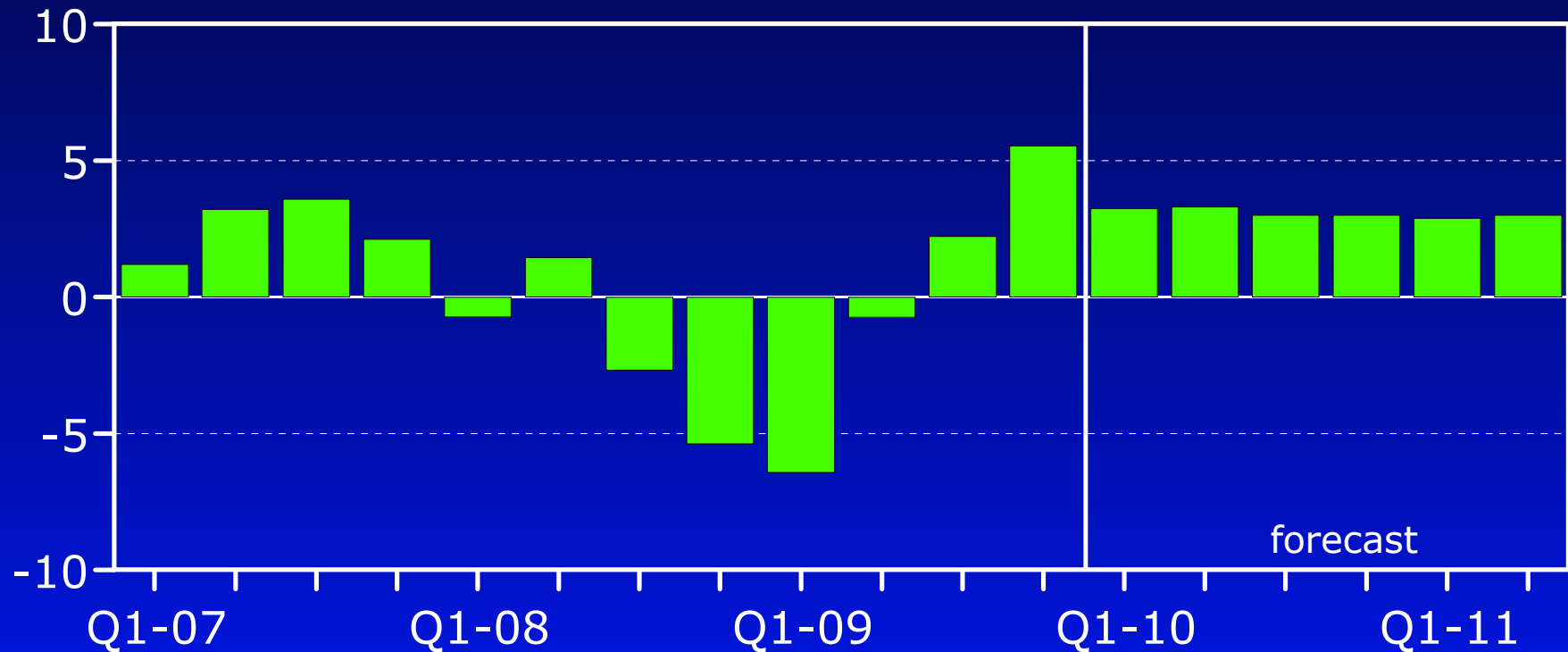
Source: U.S. Bureau of Economic Analysis.



U.S. economic growth to slow; moderate demand growth outlook

U.S. Real GDP Growth, Quarterly

Percentage change at annual rate



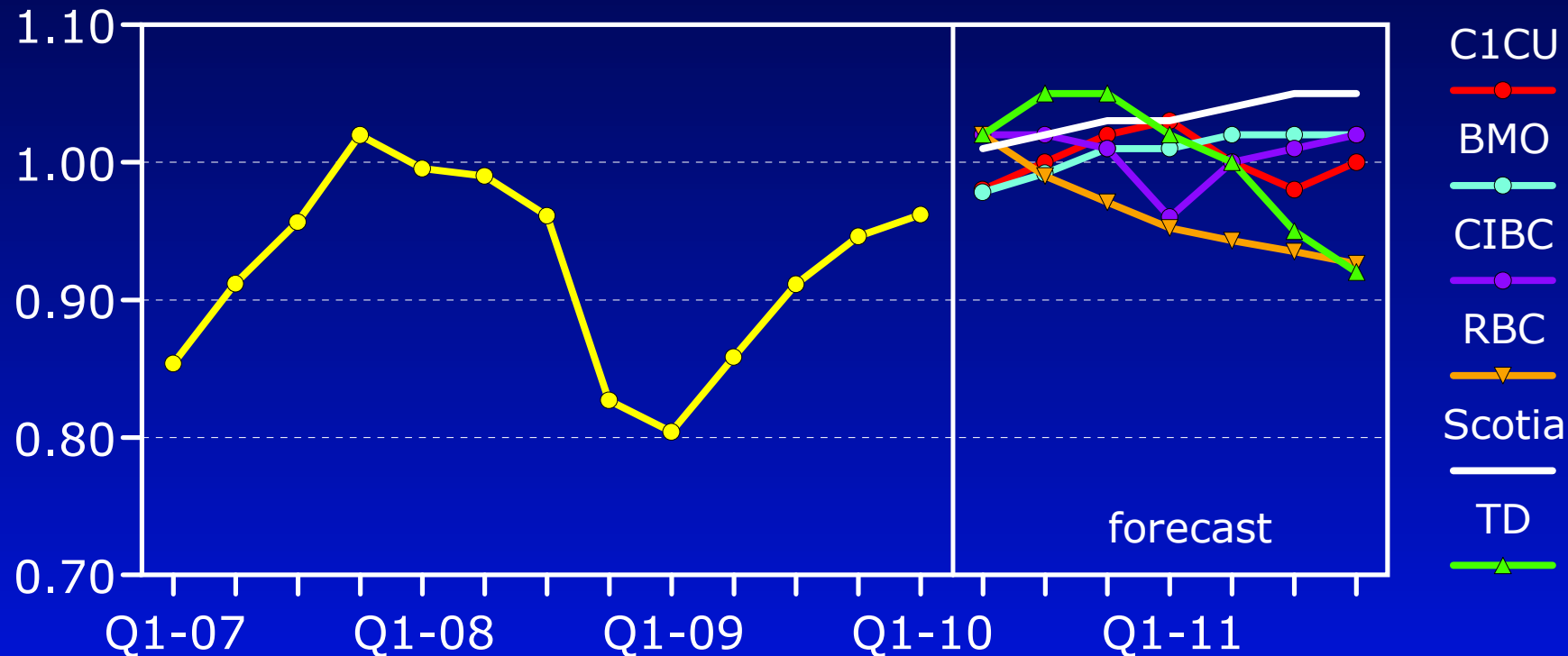
Source: U.S. BEA, WSJ May 2010 Survey.



Higher Canadian dollar expected in 2010, divergent views for 2011

Exchange Rate Forecasts, Quarterly, Canada

USD per CAD

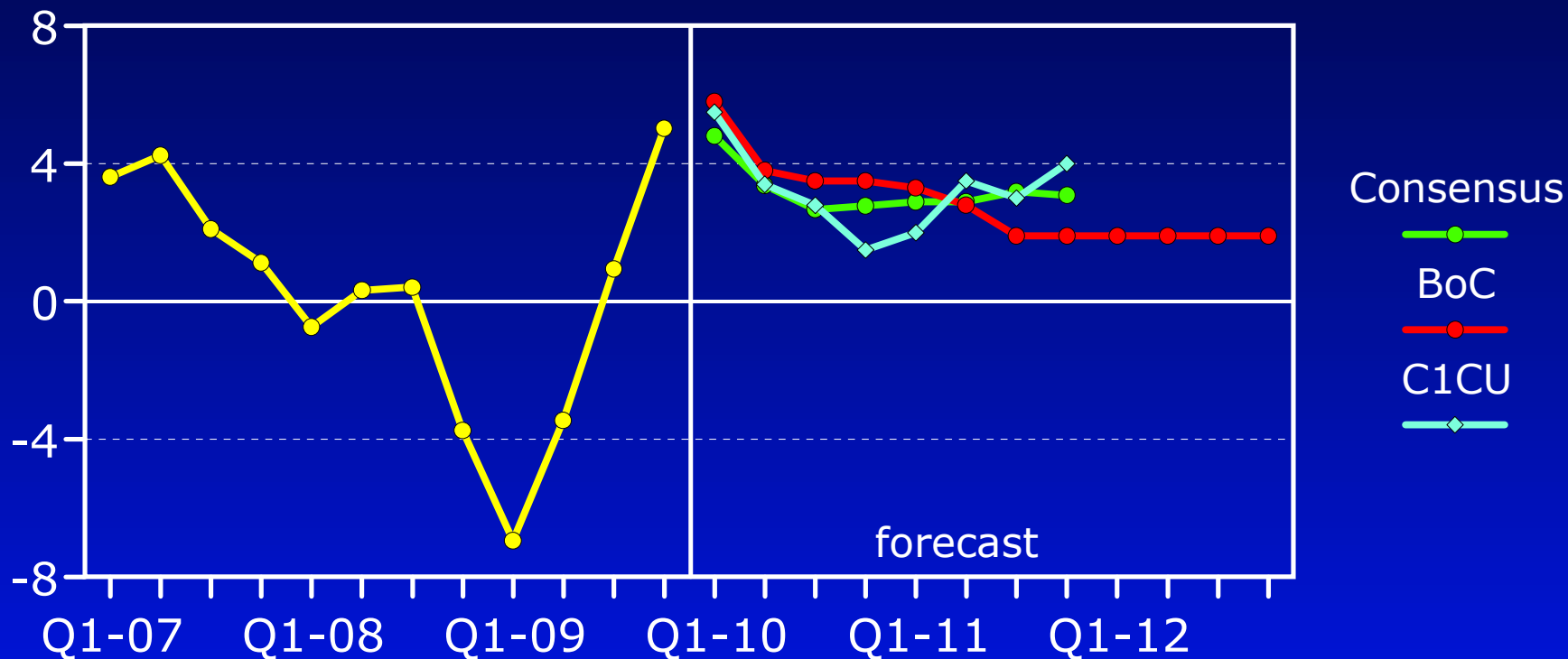


Source: Bank of Canada, C1CU Survey. Latest actual: Q1-10



Initial recovery surge ending, growth slowdown ahead

Canada's Economic Growth and Forecasts, Quarterly
Percentage change at annual rate in real GDP



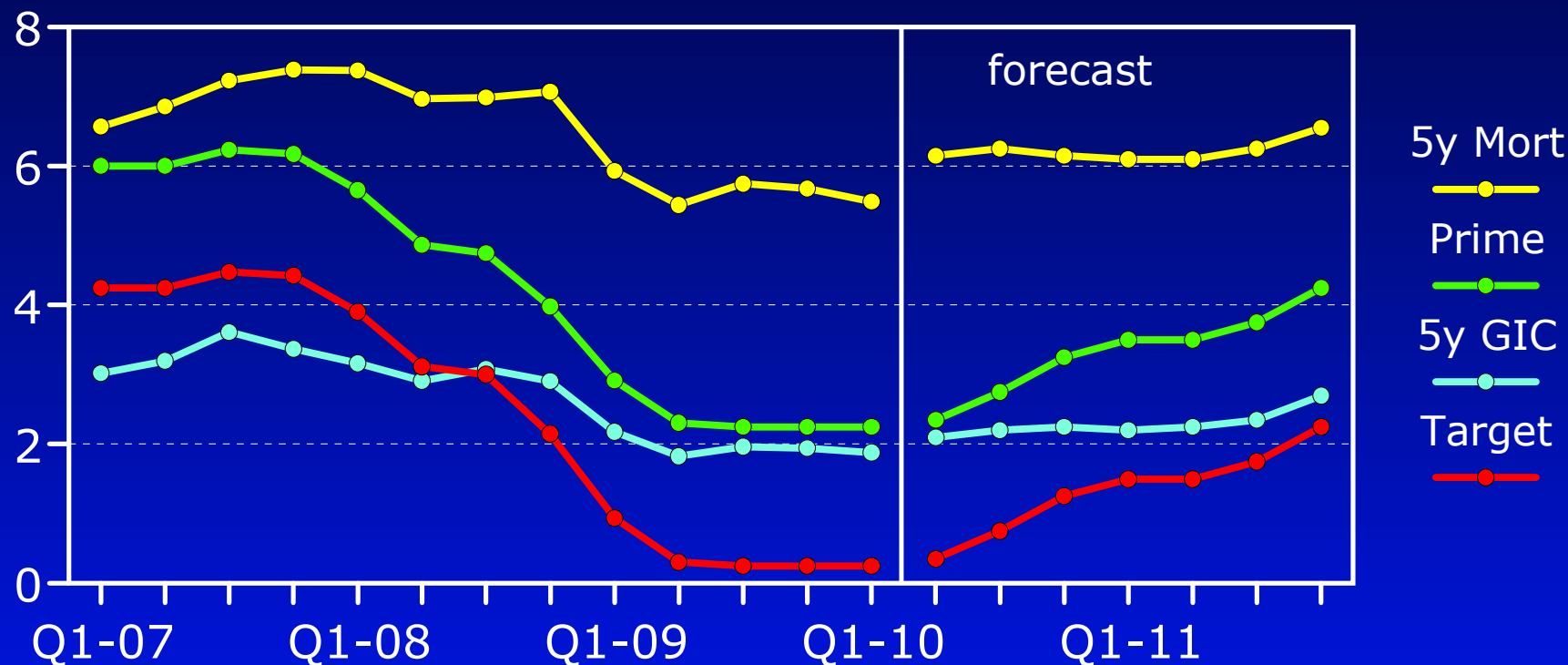
Source: Statistics Canada, Bank of Canada, C1CU. Latest actual: Q4-09



Bank of Canada raises rates on June 1 and continues until year-end

Interest Rate Forecasts, Quarterly

Per cent



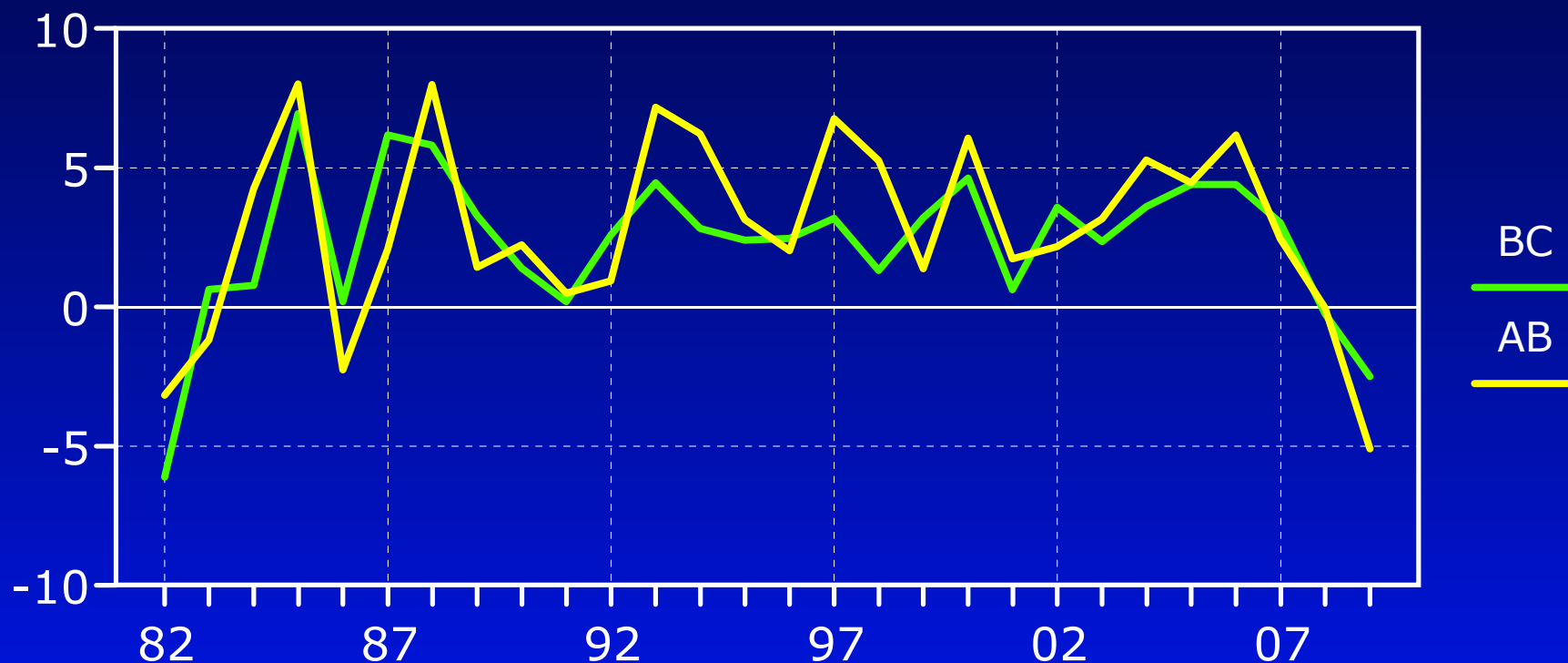
Source: Bank of Canada, C1CU. Note: Averages. Latest actual: Q1-10



Economic recessions in B.C. and Alberta following financial crisis

Economic Growth, B.C. and Alberta

Percentage change in real GDP



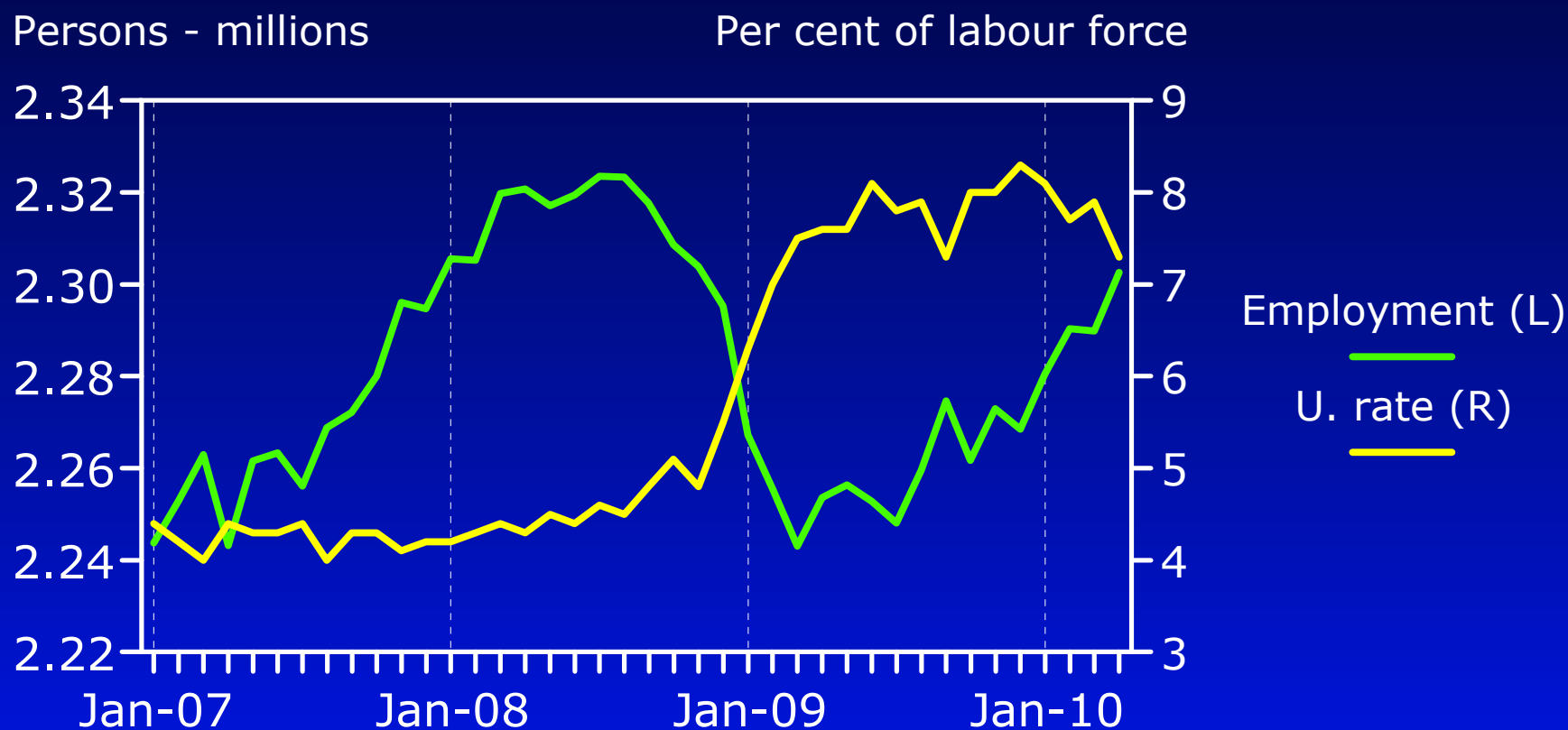
Source: Statistics Canada.

Latest: 2009



B.C. employment trending higher since mid-2009

B.C. Labour Market, Monthly



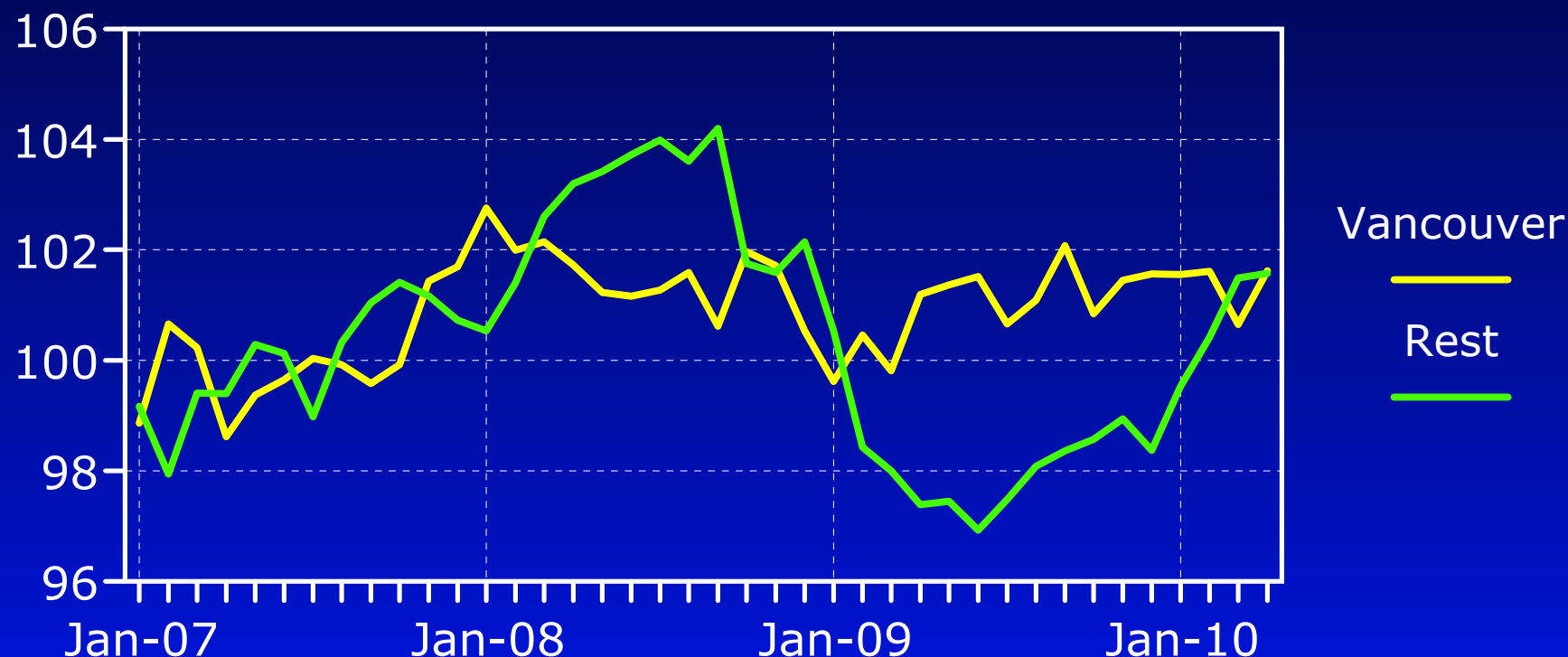
Source: Statistics Canada. Note: Seasonally adjusted. Latest: Apr-10



Vancouver employment held up, rest of B.C. hit hard by recession but now rebounding

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

2007=100

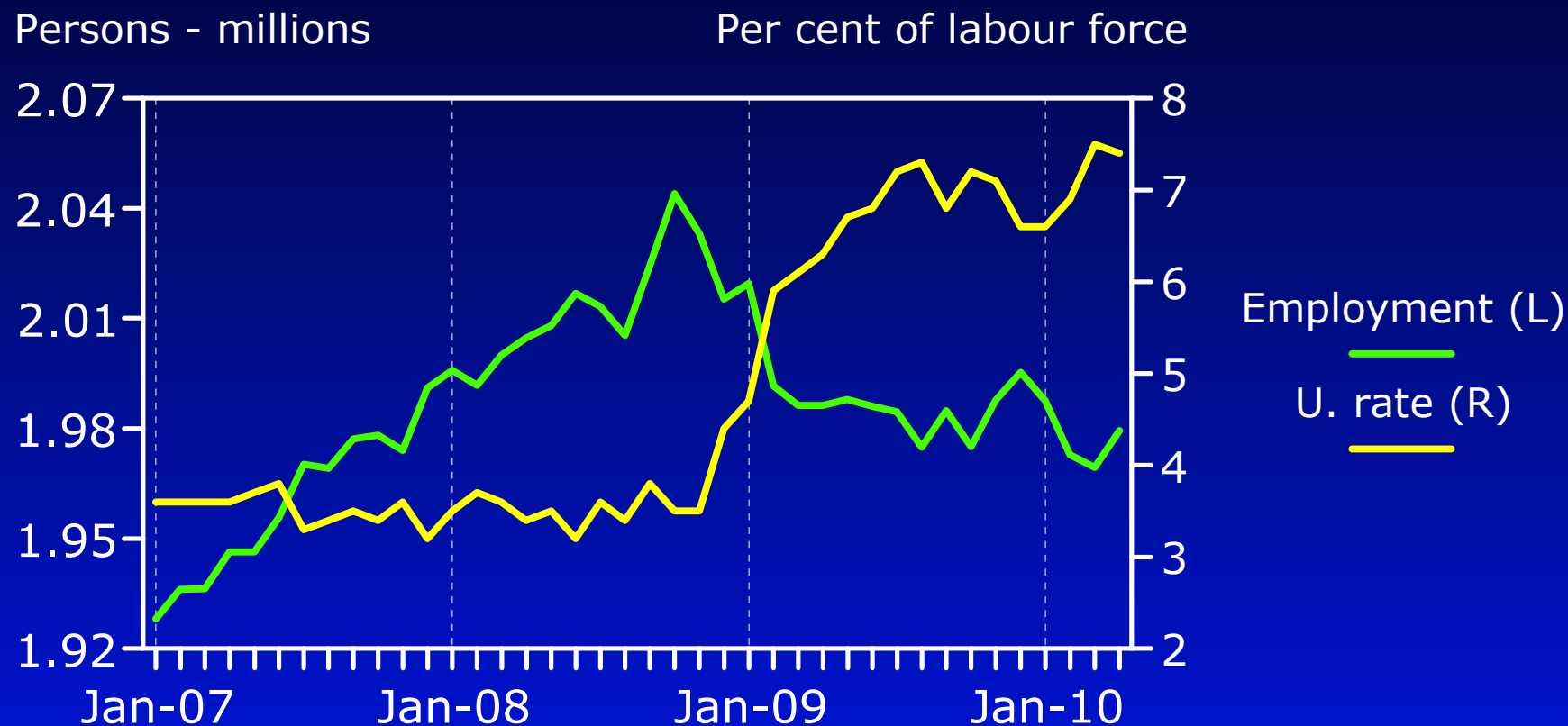


Source: Statistics Canada, C1CU. Note: Seasonally adjusted. Latest: Apr-10



No employment recovery in Alberta

Alberta Labour Market, Monthly



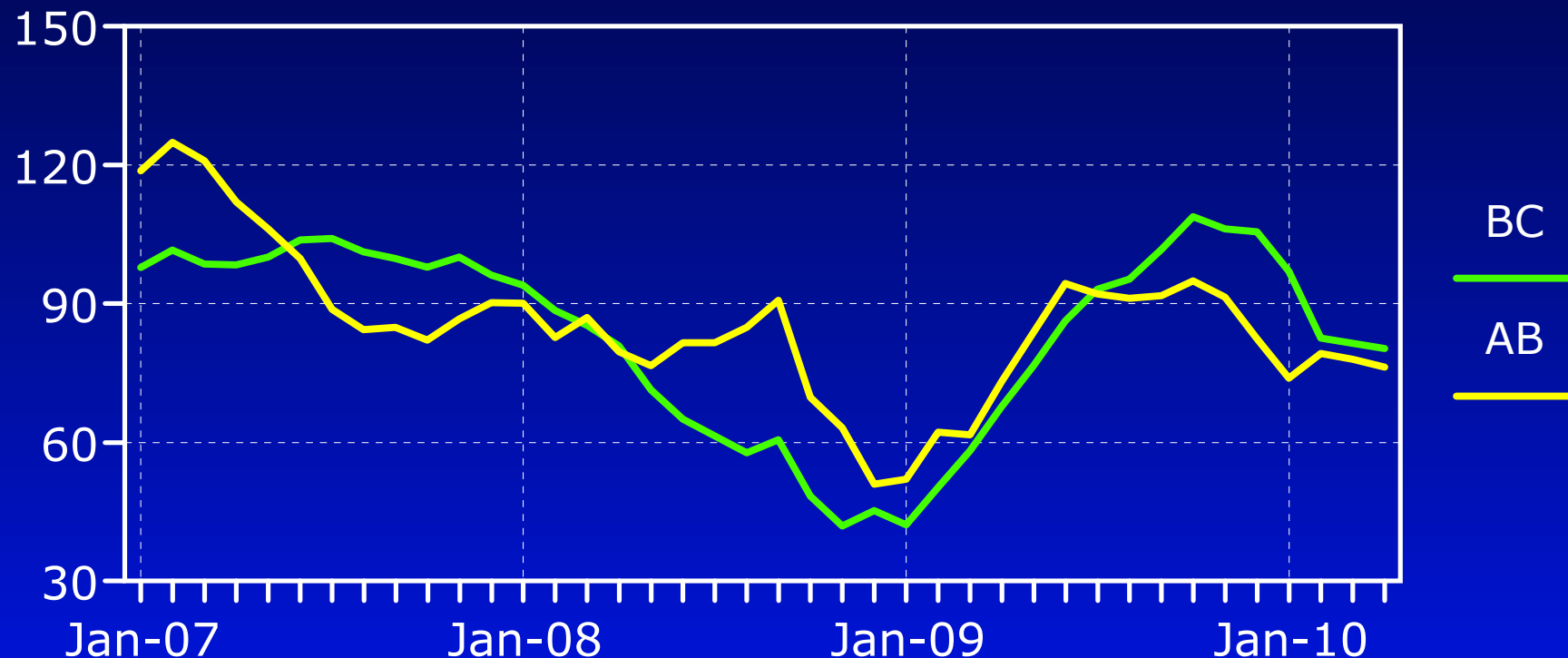
Source: Statistics Canada. Note: Seasonally adjusted. Latest: Apr-10



B.C. and Alberta housing sales down recently

MLS Residential Sales Trends, B.C. and Alberta

2007=100



Source: CREA, C1CU. Note: Seasonally adjusted

Latest: Apr-10



Regional labour market weakened in 2009

Labour Market, Kootenay Economic Region

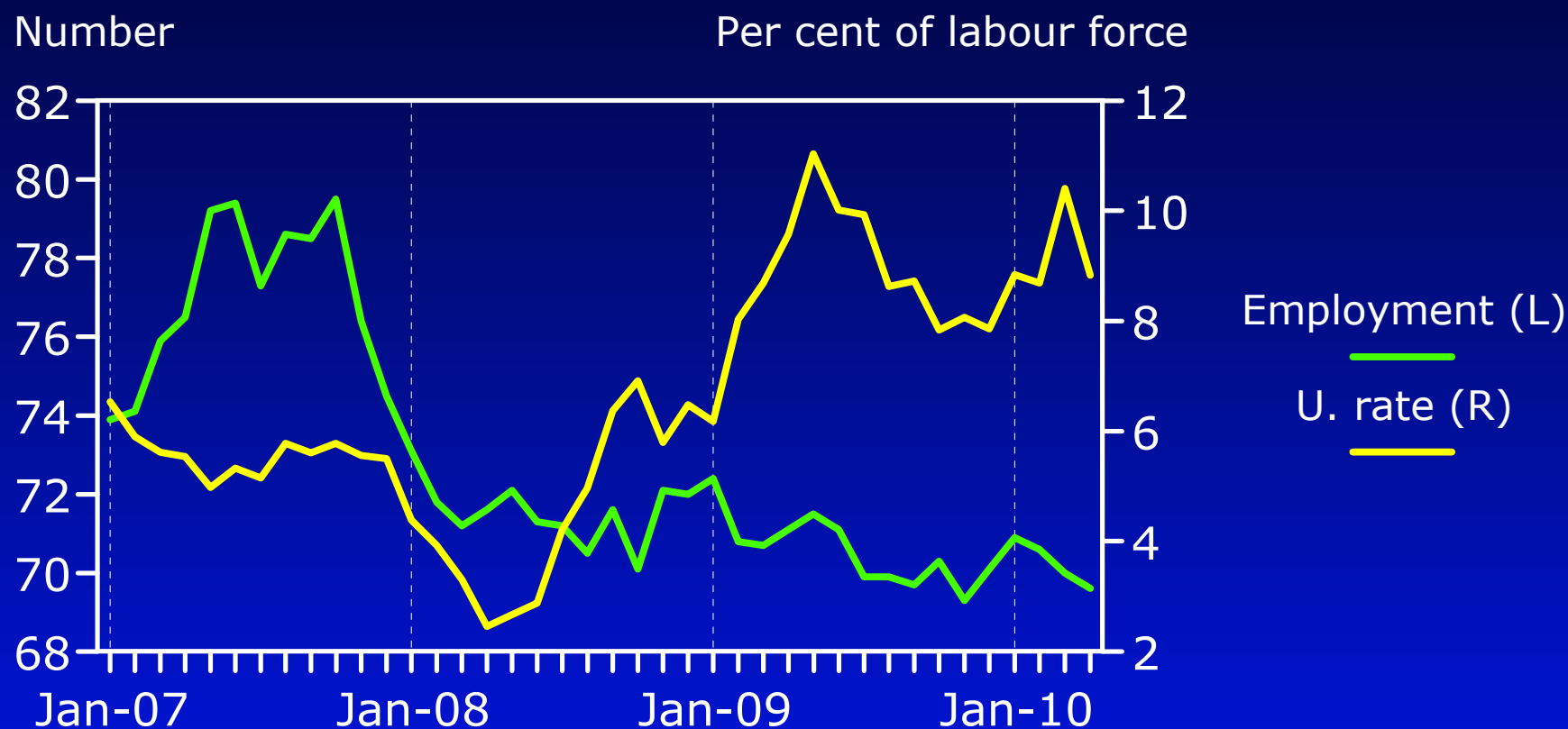


Source: Statistics Canada.



Regional employment at or near low

Labour Market, Kootenay Economic Region, Monthly



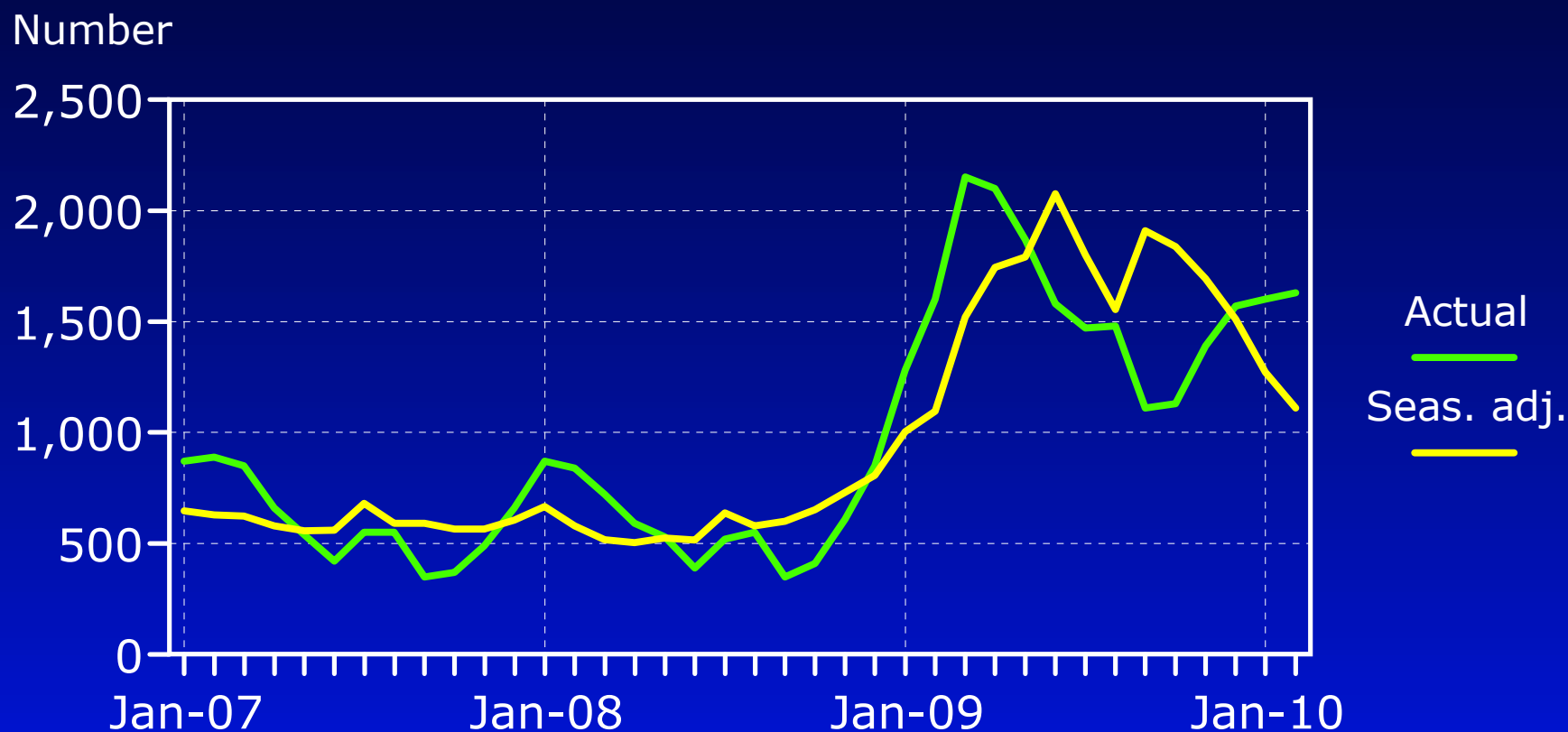
Source: Statistics Canada.

Latest: Apr-10



Local unemployment high, trending lower

E.I. Beneficiaries Receiving Regular Benefits, East Kootenay RD



Source: Statistics Canada.

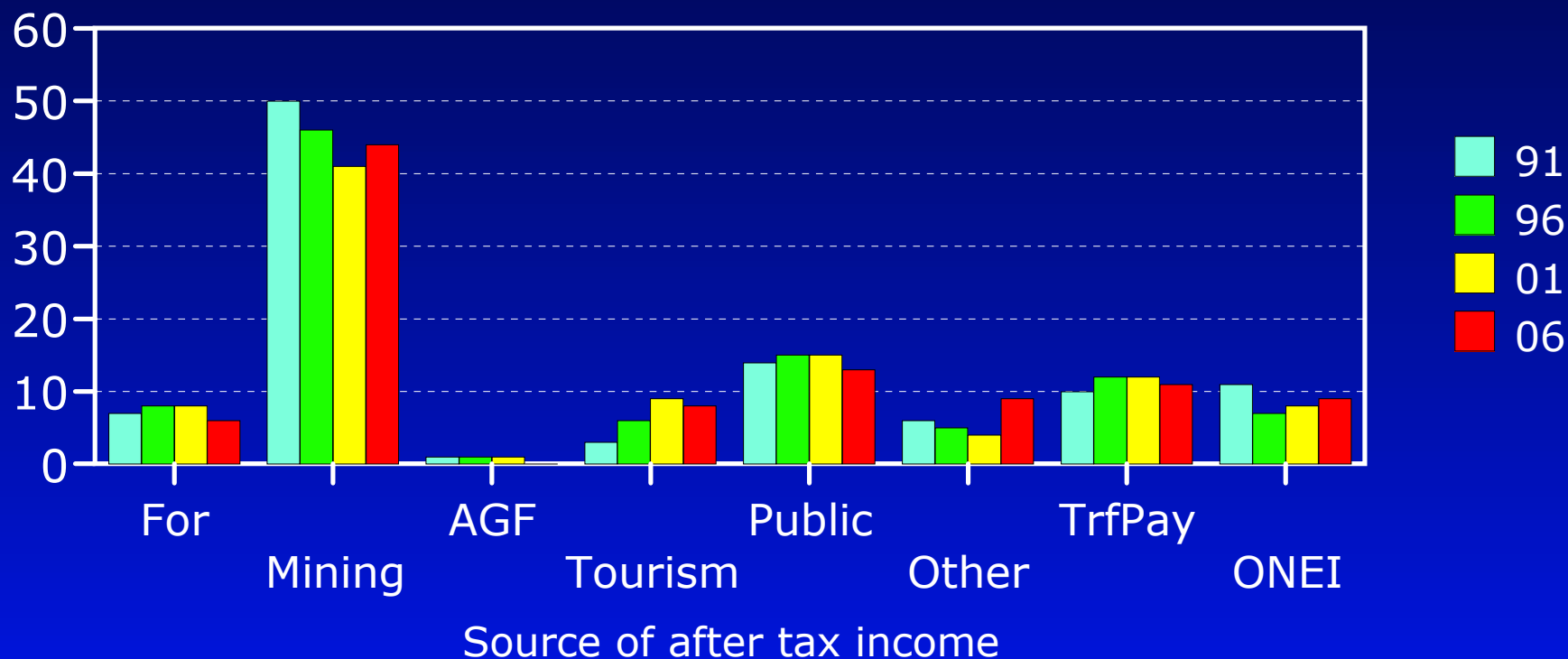
Latest: Feb-10



Mining leading income source, tourism growing

Economic dependency changes Fernie area

Per cent of income

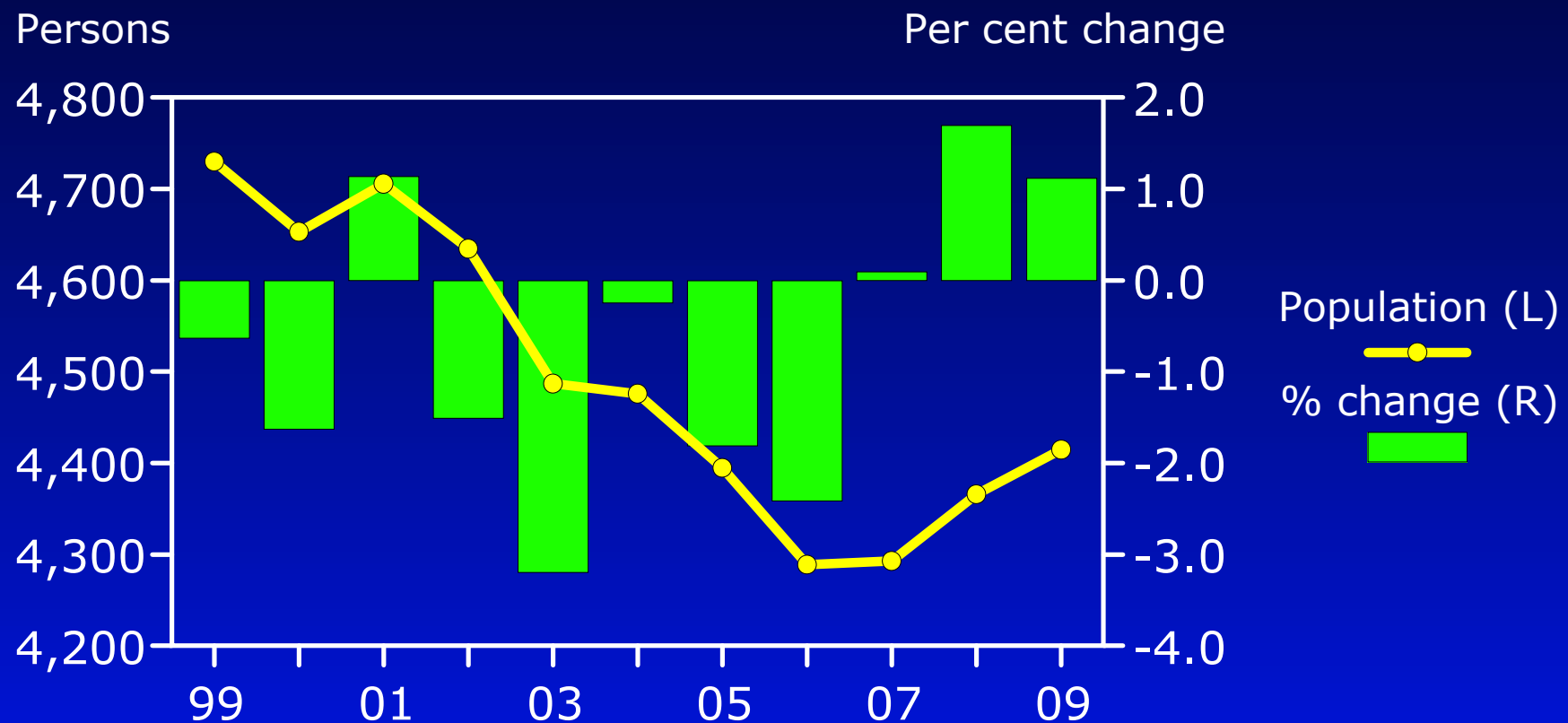


Source: BC STATS, BC Local Area Economic Dependencies - 2006.



Recent population growth

Total Population and Population Growth, City of Fernie



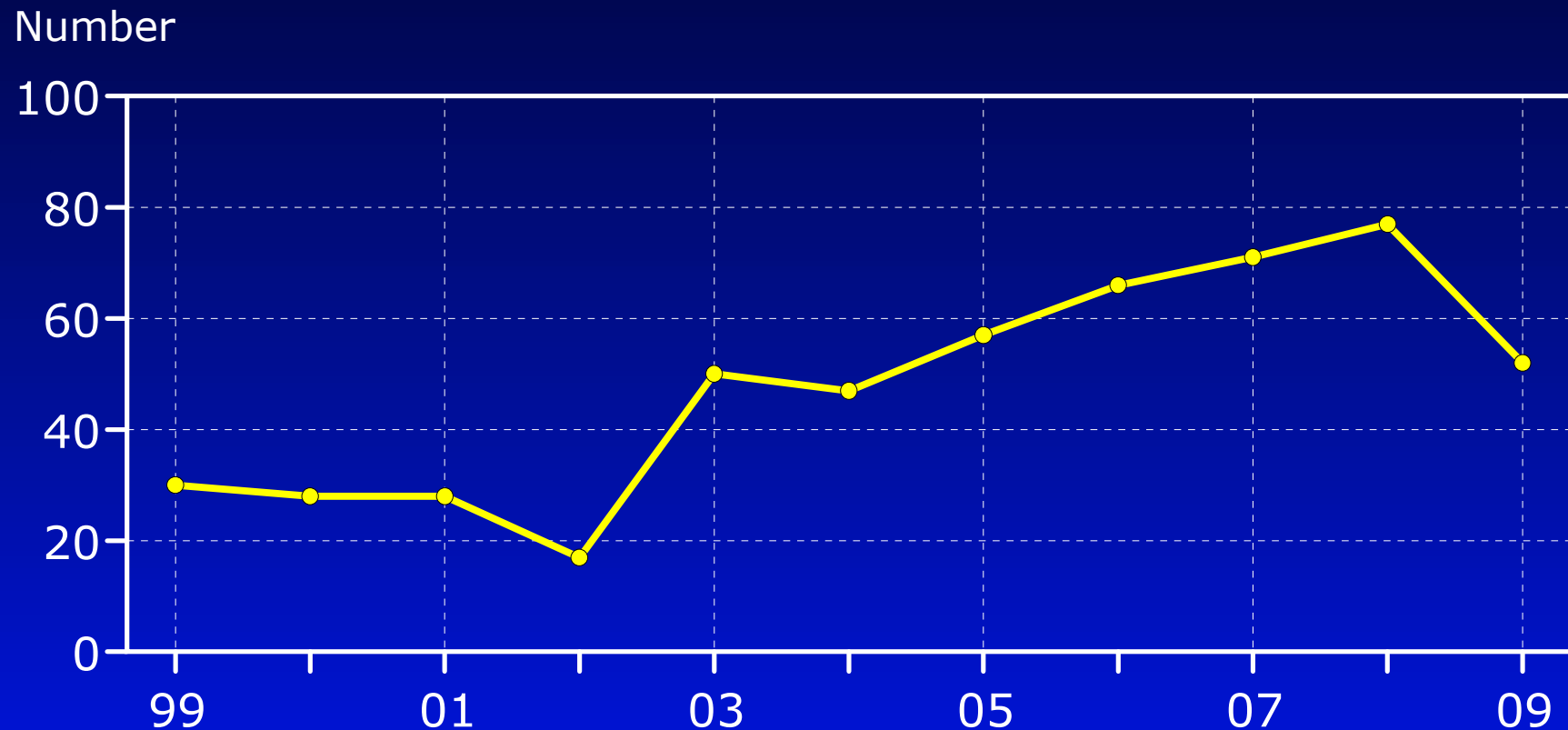
Source: B.C. STATS.

Note: As of July 1



Local business start-ups off 2008 high

Business Incorporations, City of Fernie

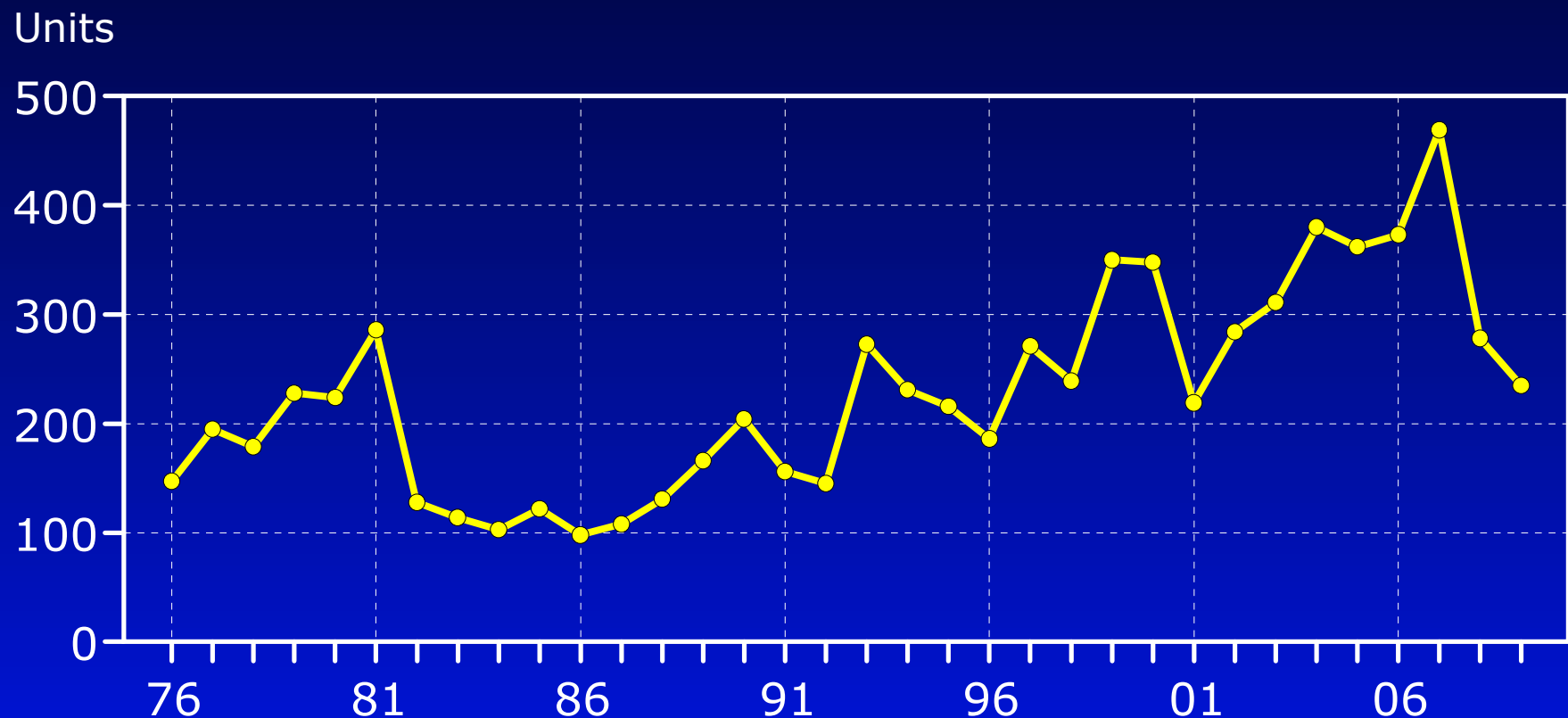


Source: B.C. Finance and Corporate Relations.



Local housing sales down to 2001 levels

Fernie Area Residential Sales*, Annually

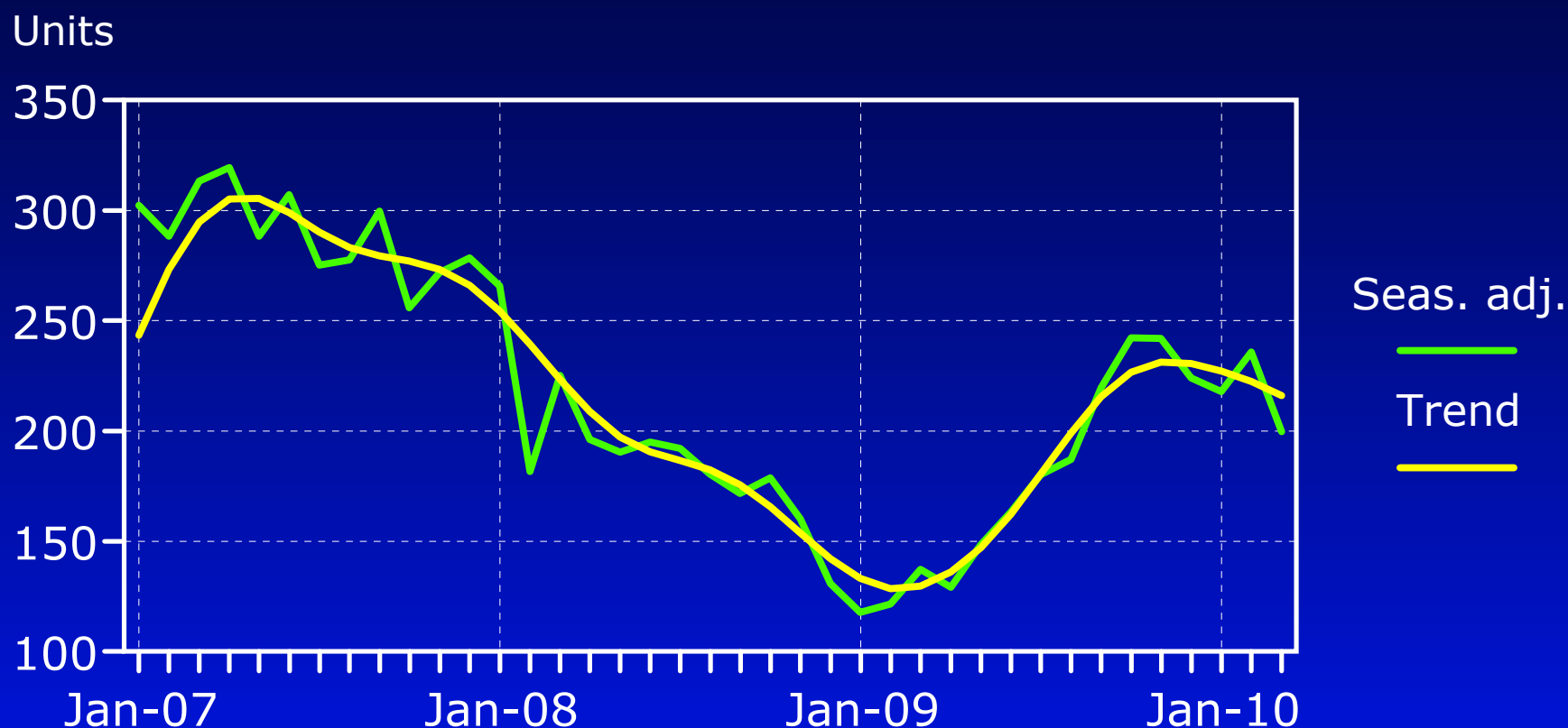


Source: Landcor Data Corp. *Market transactions only. Latest: 2009



Regional housing sales down in recent months, initial rebound over

Kootenay REB MLS Residential Sales



Source: CREA, C1CU.

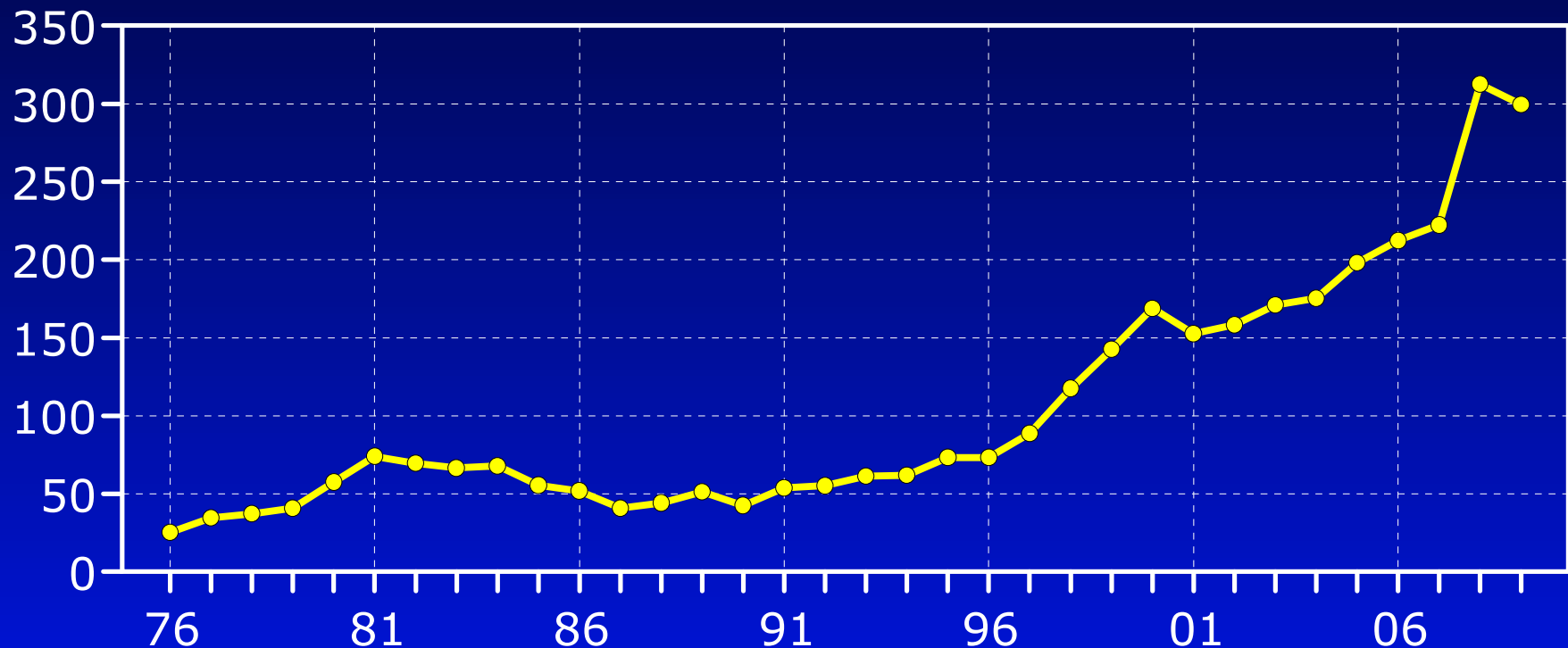
Latest: Apr-10



Local housing prices coming off 2008 high

Fernie Area Median Residential Sales Price*, Annually

Dollars - thousands



Source: Landcor Data Corp. *Market transactions only. Latest: 2009



Proposed Major Projects:

- Marten Ridge Wind Energy Project: wind power generation facility with 40 wind turbines of 2.0 MW each and an interconnecting collector system. \$172m
- Crown Mountain Coal Project: metallurgical coal resource estimated at 4.6 million tonnes. \$100m
- Lodgepole Coal Mine: to produce 2 million tonnes of coal per year. \$150m
- Blackstone Resort Development: \$100m
- Elk River Golf Resort: \$100m



Harmonized Sales Tax :

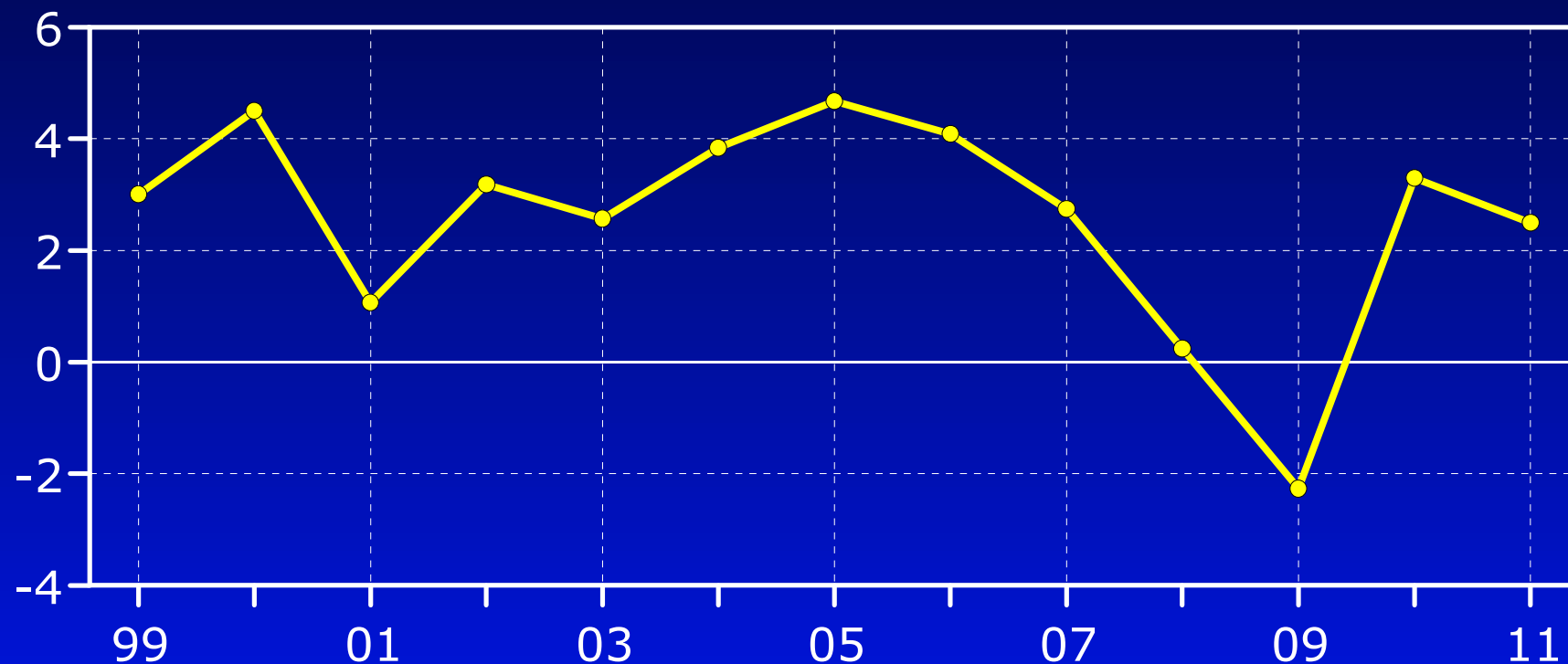
- Effective July 1, 2010, PST becomes value-added tax similar to GST
- Increases consumer taxes, reduces business taxes
- Consumer spending lower by 0.3%
- CPI higher by 0.3%
- Business investment is 0.7% higher, 0.9% higher for machinery and equipment



Recession in 2009, Olympic boost in 2010

B.C. Economic Growth

Percentage change in real GDP



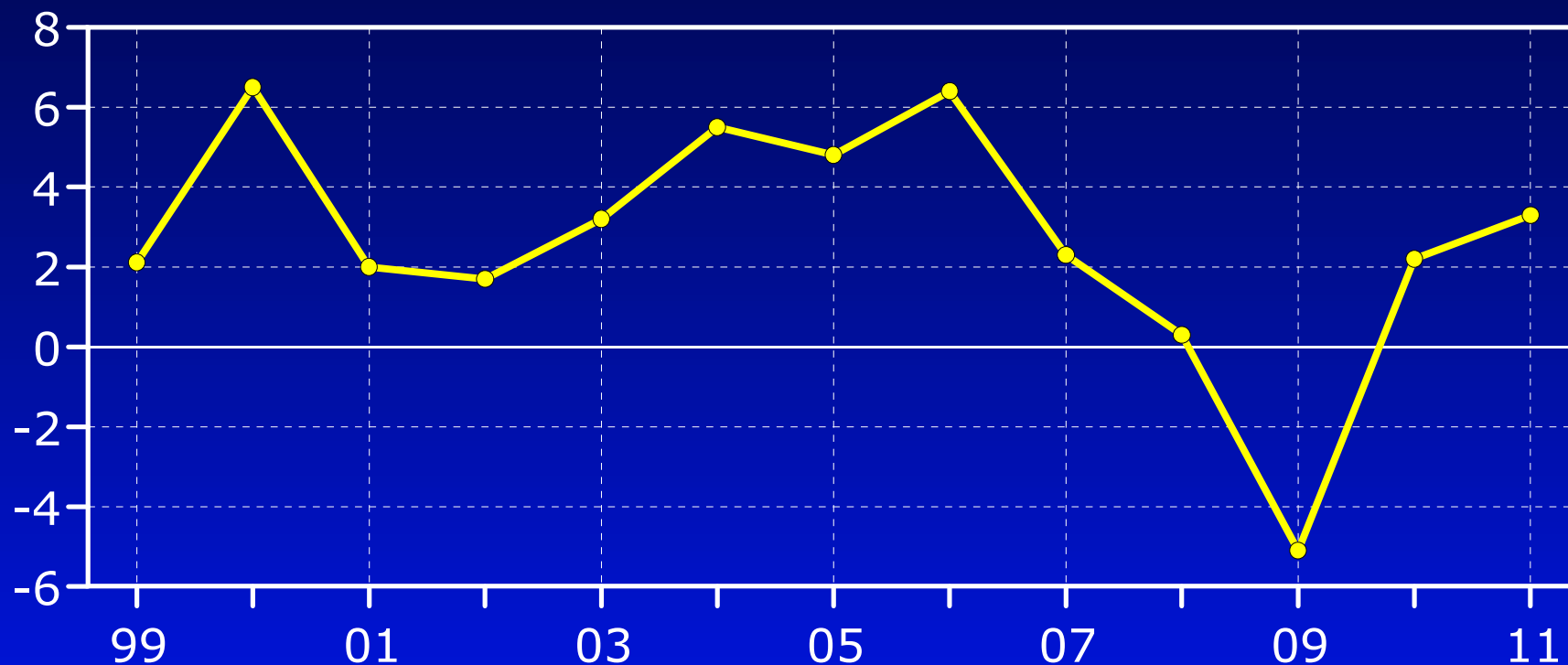
Source: Statistics Canada, C1CU. Latest actual 2009, 2010 and 2011 forecasts



Deep recession in 2009, modest recovery in 2010, stronger in 2011

Alberta Economic Growth

Percentage change in real GDP



Source: Statistics Canada, C1CU. Latest actual 2009, 2010 and 2011 forecasts



Summary:

- Sovereign debt crisis in EU rattles markets
- High growth rate in developing Asia economies
- B.C. economy recovering from recession, Alberta's economy struggling
- Housing sales slowing, softer market conditions
- Regional and local economy improving, still high unemployment



Summary (cont'd):

- Economic growth in 2010 mainly due to policy stimulus and rebound from recession
- Economic growth in 2011 more private sector driven, under higher interest rates; less robust overall growth than in 2010
- Euro debt crisis not expected to derail recovery, causing weaker commodity prices and CAD

