

Tough Times: Coming to Terms with Recession

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British Columbia

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EXECUTIVE VICE PRESIDENT - POLICY

SCHWADRON



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"While you were out, sir ... the company folded."

Global Economic Outlook

(% change in real GDP)

	2007	2008	2009
US	+ 2.0	+ 1.1	- 2.8
Canada	+ 2.7	+ 0.5	-2.5
Euro zone	+ 2.7	+ 0.9	- 4.2
Japan	+ 2.4	- 0.6	- 6.2
China	+ 13.0	+ 9.0	+ 6.5
World	+ 5.2	+ 3.2	- 1.3

Record Low for US Home Construction

US Housing Starts

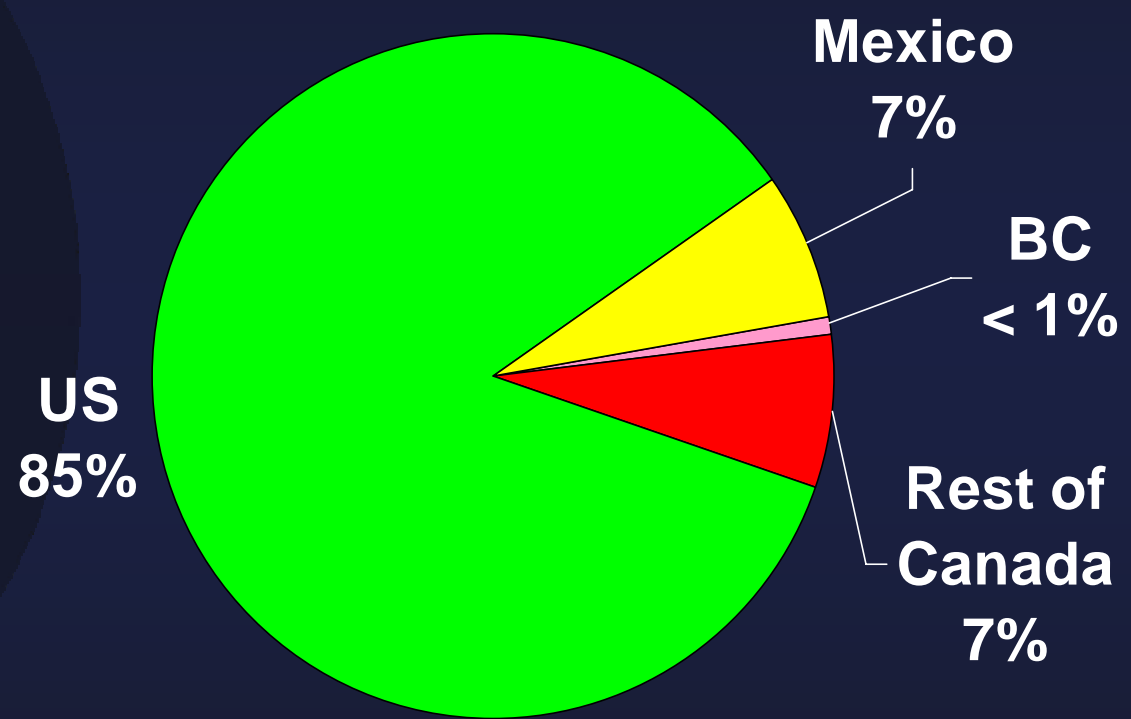
monthly, S.A. annual rates



Source: US Census Bureau.

Latest: March 2009

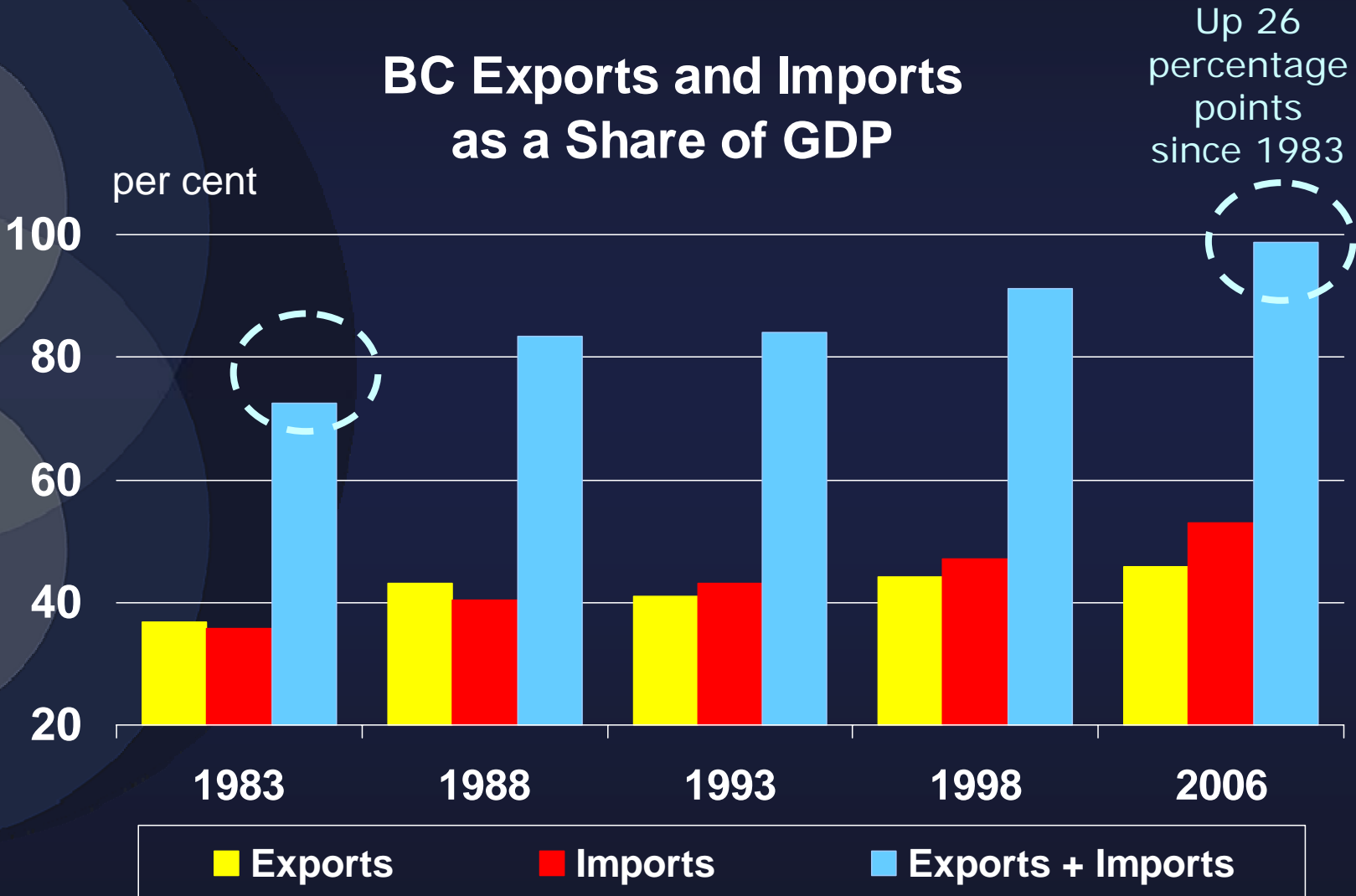
Putting BC in North American Context (% of Combined N. American GDP, 2006)



Source: IMF World Economic Outlook, BEA and Statistics Canada

Trade More Important to BC's Economy

BC Exports and Imports as a Share of GDP



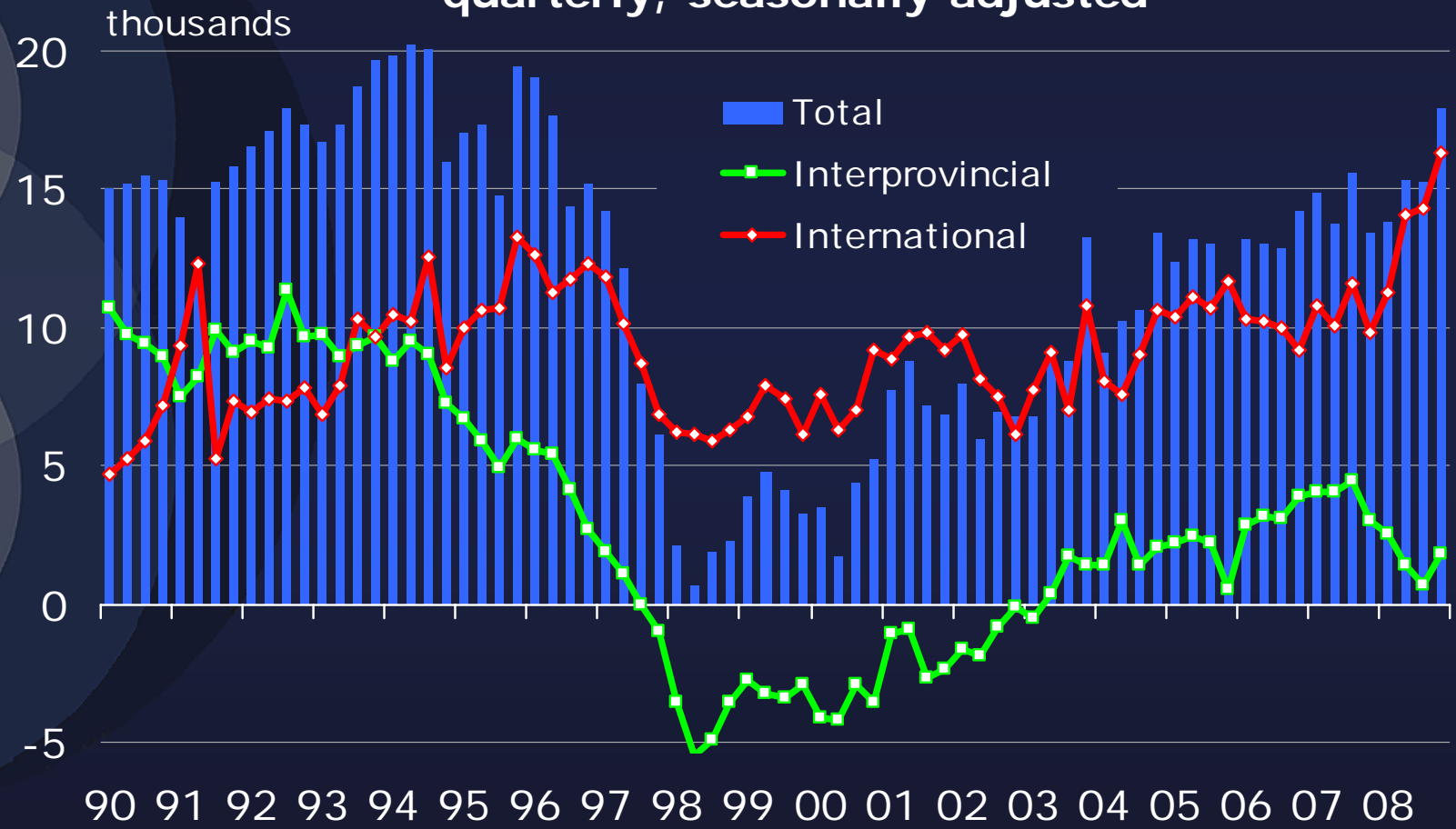
Source: Statistics Canada.

BC Economic Setting

- Global financial turbulence and world recession are affecting businesses and consumers in BC
- Domestic economy faltering
 - » steep job losses and rising unemployment
 - » housing starts down, non-residential construction weaker, retail sales tumble
- Widespread weakness in export sector
 - » lumber shipments/sales down sharply
 - » 2009 another poor year for exports
 - » foreign visitor numbers declining
 - » declining transportation services (port)
 - » natural gas prices down sharply

Net Provincial Migration Slows

BC Net Migration, quarterly, seasonally adjusted

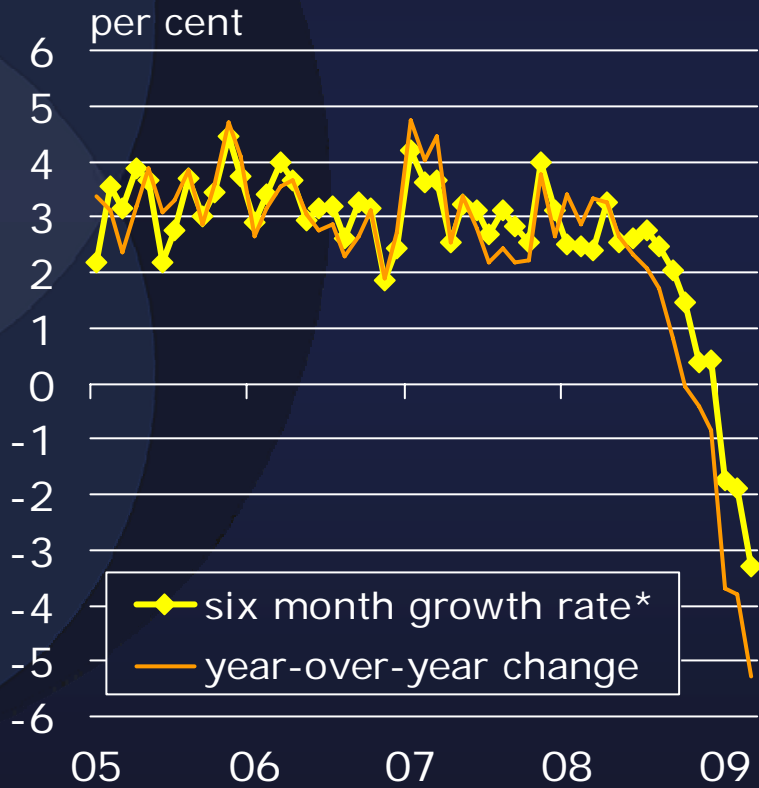


Source: BC Stats, Business Council for seasonal adjustment.

From Labour Scarcity to Job Losses

BC Labour Market Indicators

Employment Growth



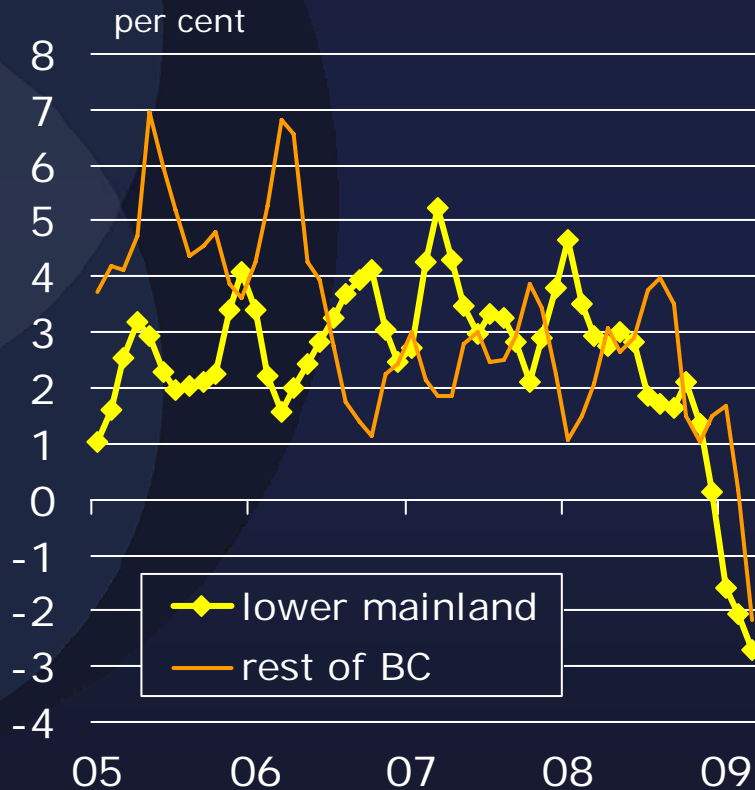
Unemployment Rate



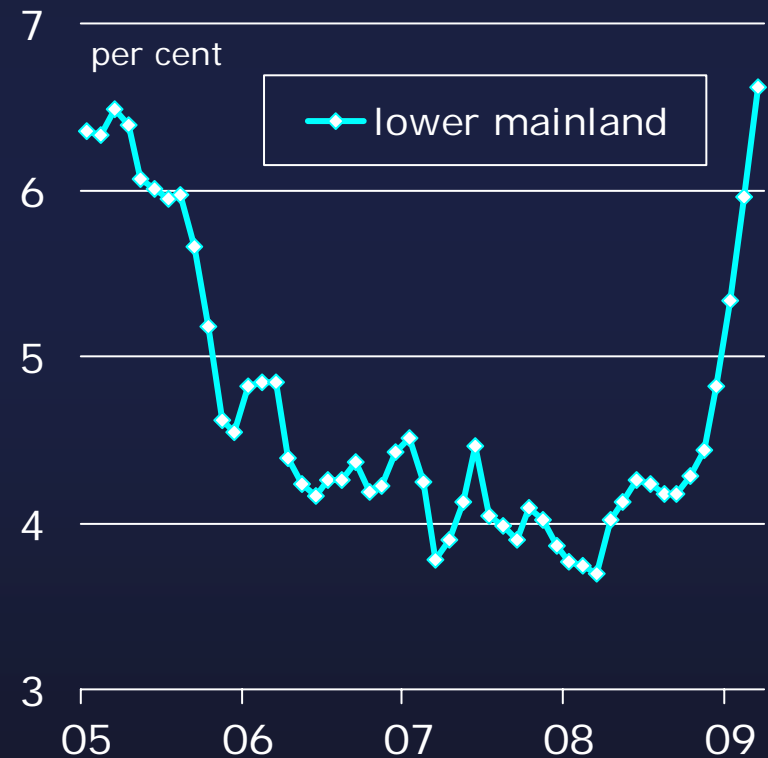
Lower Mainland Job Market Softening

GVRD Labour Market Indicators

Employment Growth

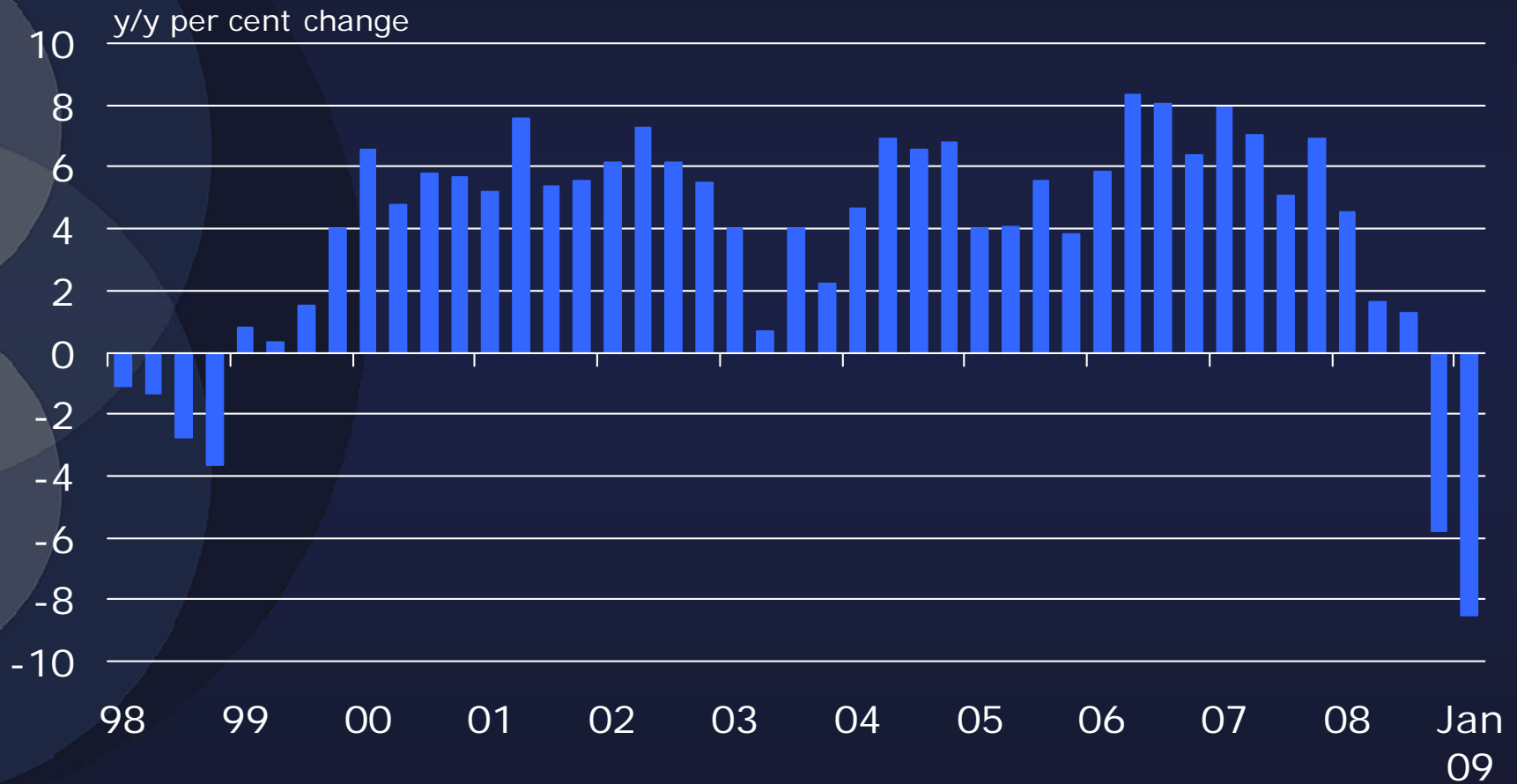


Unemployment Rate



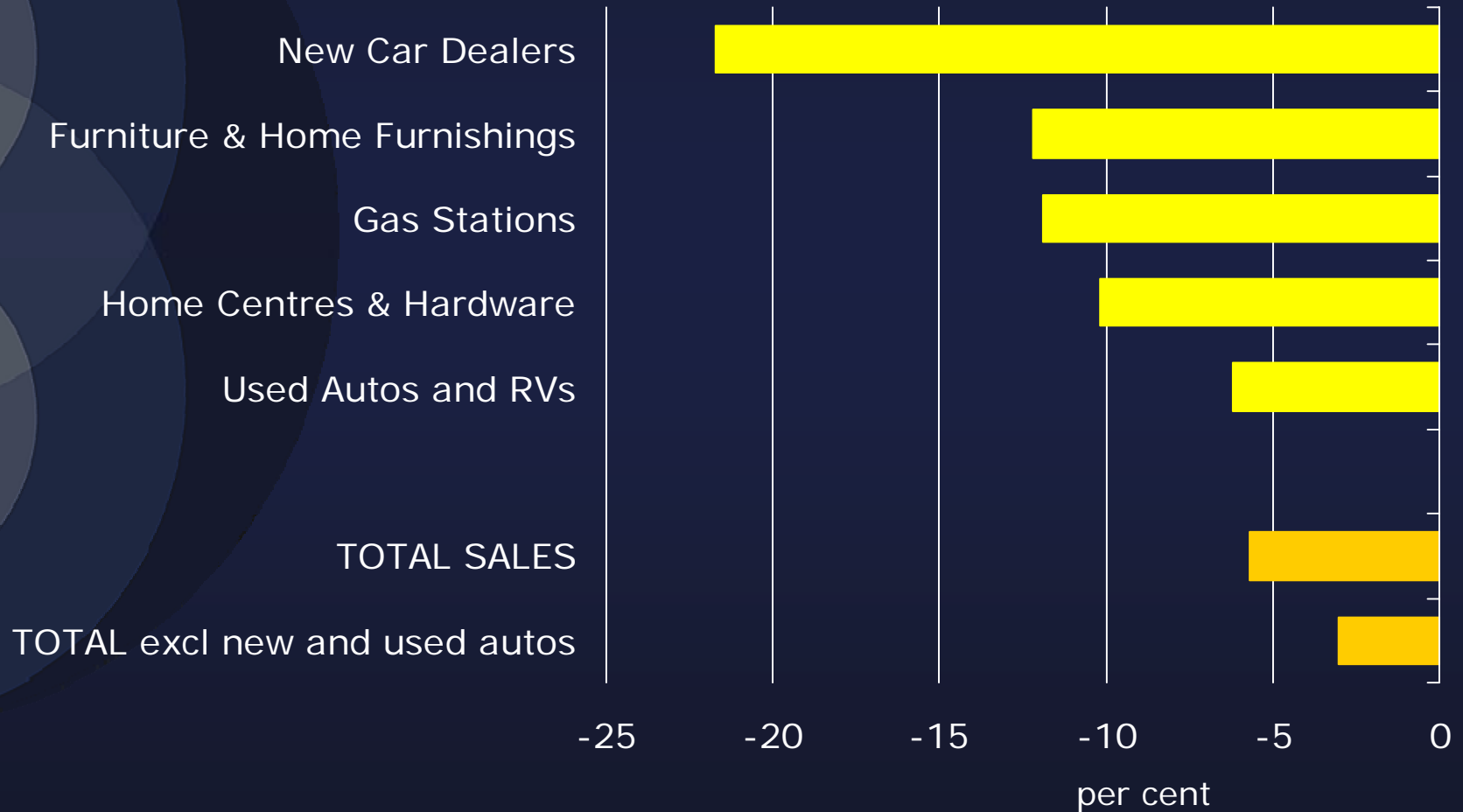
Consumer Spending Contracting

BC Retail Sales Growth, quarterly



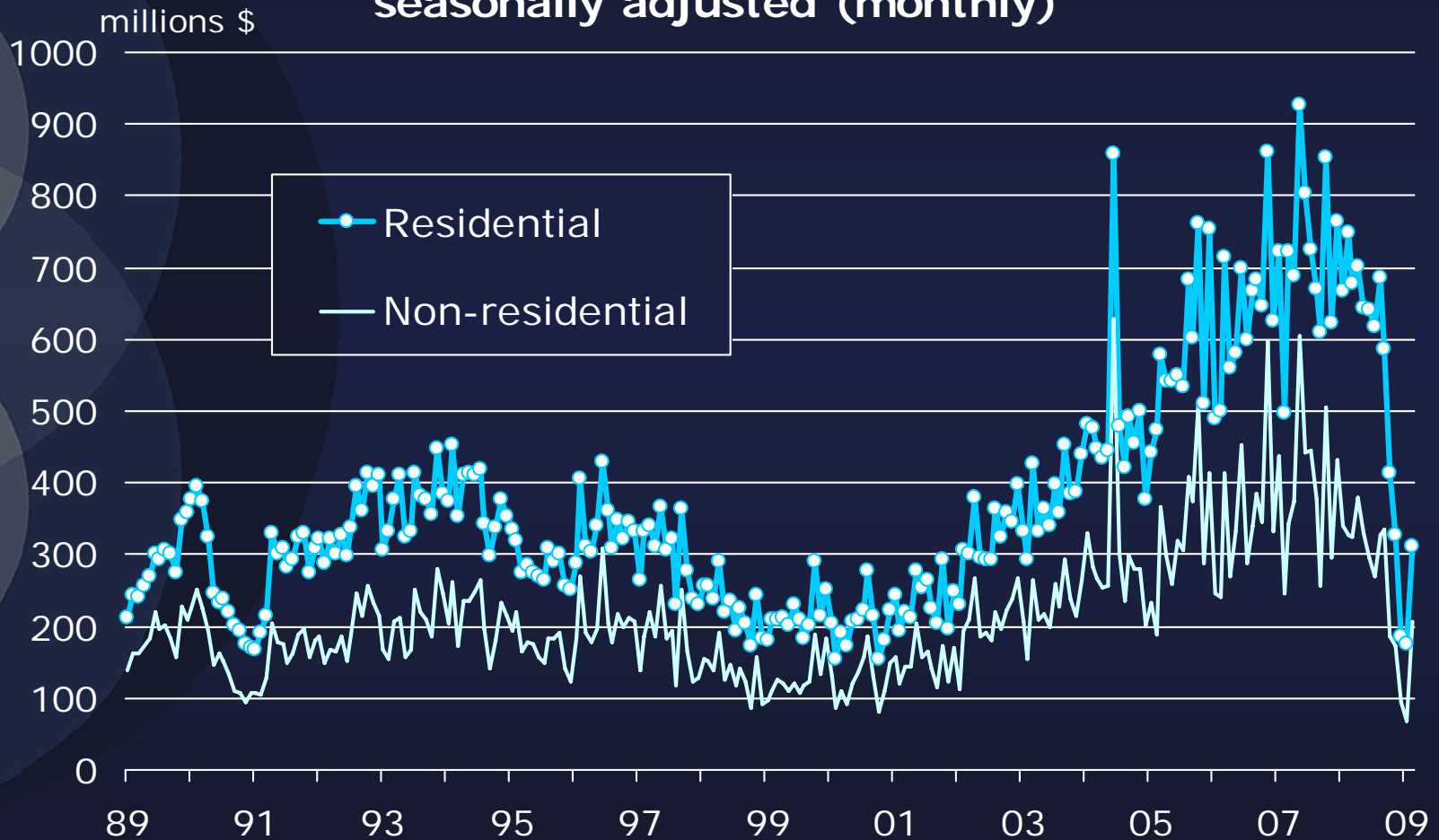
BC Auto Sales Plummet

Change in Retail Trade by Category
Q4 2008 vs Q4 2007



Building Permits Turn Down

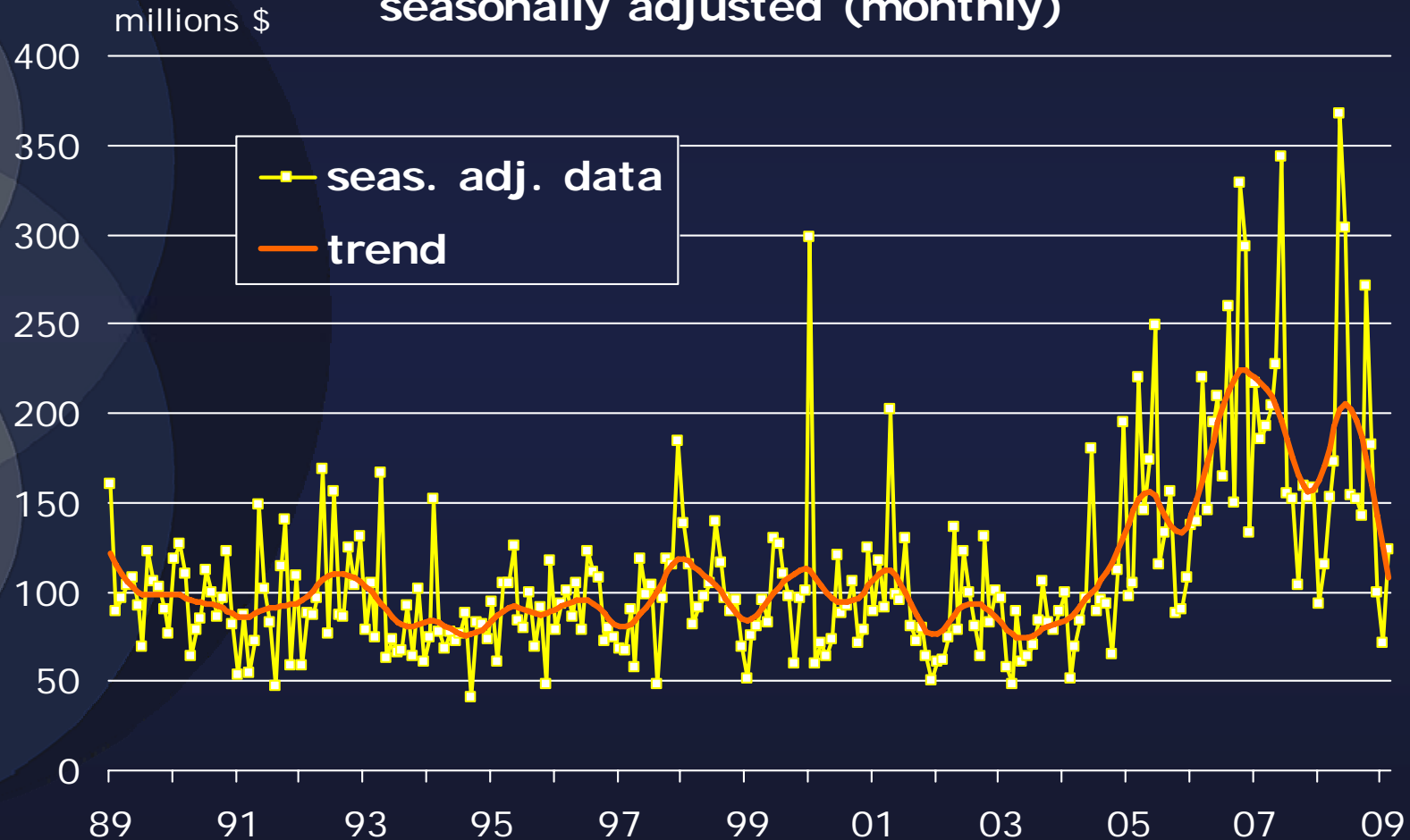
BC Building Permits,
seasonally adjusted (monthly)



Latest: February 2009

GVRD Non-Residential Permits Slip

Vancouver Non-Residential Building Permits,
seasonally adjusted (monthly)



Latest: February 2009

Vancouver House Prices Returning to Long-term Trend

Greater Vancouver Housing Prices



Latest: March 2009

But...Major Project Activity Still Strong

	BC Wide – Proposed		BC Wide – Started	
	<u># of projects</u>	<u>est. cost \$M</u>	<u># of projects</u>	<u>est. cost \$M</u>
Q3 2006	378	\$62,636	376	\$44,046
Q3 2007	393	\$71,571	417	\$53,373
Q3 2008	445	\$100,149	379	\$62,522

Major Projects: Lower Mainland

- 390 major projects on the books (Q3 2008)
 - » down slightly over past two years (405 in Q3 2006)
 - » 200 are started, 176 proposed, 14 on hold
 - » estimated value -- \$61 billion

- Selected Lower Mainland projects underway (millions)

» RAV line	\$2,000
» Vancouver International Airport Expansion	\$1,775
» Vancouver Convention Centre	\$ 883
» Golden Ears Bridge	\$ 808
» Sea-to-Sky Highway Upgrades	\$ 600
» Capilano/Seymour Filtration Plant	\$ 600
» UBC University Town	\$ 350
» Deltaport Third Berth	\$ 272
» Surrey Memorial Outpatient Hospital	\$ 239
» Fraser River Port Expansion	\$ 190
» Vancouver Olympic Village	\$ 162
» Whistler Olympic Village	\$ 130
» Dozens of residential development projects	\$20 to \$1,000

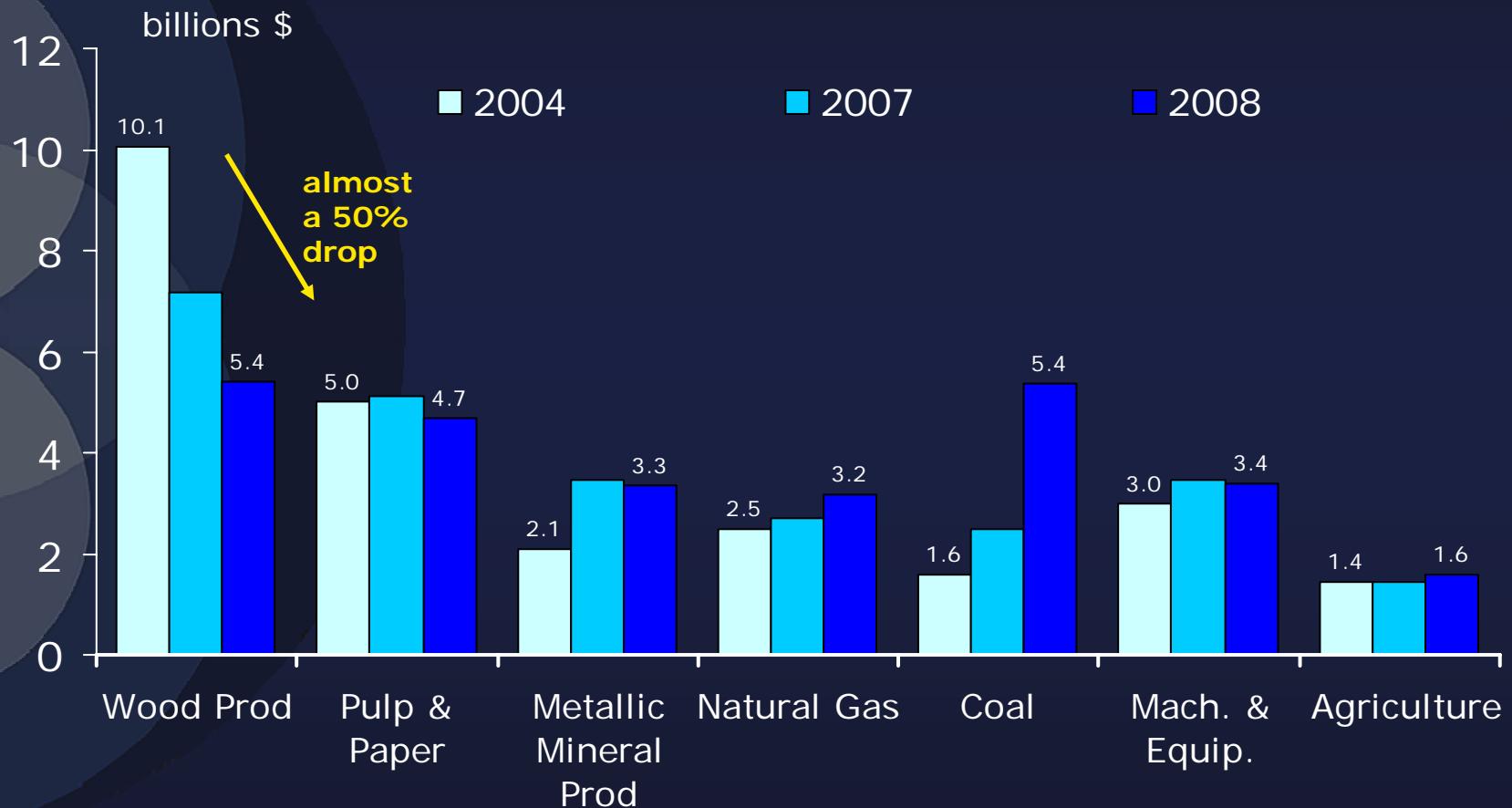
Major Projects cont'd

- Selected Proposed Lower Mainland projects

	(\$ millions)
» Skytrain expansion & upgrades – Expo line	\$ 3,100
» Skytrain extension to UBC	\$ 2,800
» Port Mann Bridge/Highway 1	\$ 1,728
» Evergreen Line	\$ 1,400
» South Fraser Perimeter Road	\$ 1,002
» Interior to LM Transmission Line	\$ 602
» Lions Gate Sewage Treatment	\$ 400
» Rapid Transit Rail Service (Surrey-Langley)	\$ 350
» Roberts Bank Rail grade separation	\$ 300
» Pitt River Bridge	\$ 194
» Pitt Meadows Airport Expansion	\$ 150
» Squamish Wind Turbine Mfg. Plant	\$ 150
» Abbotsford Airport Expansion	\$ 100
» Boundary Bay Airport Redevelopment	\$ 80
» North Fraser Perimeter Road	\$ 72
» BC Place roof and new Art Gallery	?

BC Forest Exports Hit Hard

BC Exports by Commodity



Slumping Global Economy Impacts Gateway Businesses

- Port Metro Vancouver total cargo tonnage handled in 2008 down 10% from 2007
- February 2009 tonnage handled down 24% from year ago
 - » inbound tonnage down 39%
 - » outbound tonnage down 19%
- Prince Rupert Port volumes up
- Vancouver cruise ship passengers down 11% in 2008; more business losses in 2009
- YVR passenger volumes also declining

BC's Prospects for Recovery

- Some improvement expected by late 2009 – the issue is the strength and persistence of any recovery
- This really depends on the external setting – esp. foreign demand for BC exports (US and Asian markets) and state of financial markets
- US housing sector close to bottom, but mixed views on pace of an economic rebound
- BC consumer spending should pick up, but growth is likely to remain muted. Small rise in housing starts in 2010 after a weak 2009
- Olympic timing is fortuitous - a positive factor late 2009/early 2010



“The only function of economic forecasting is to make astrology look respectable”

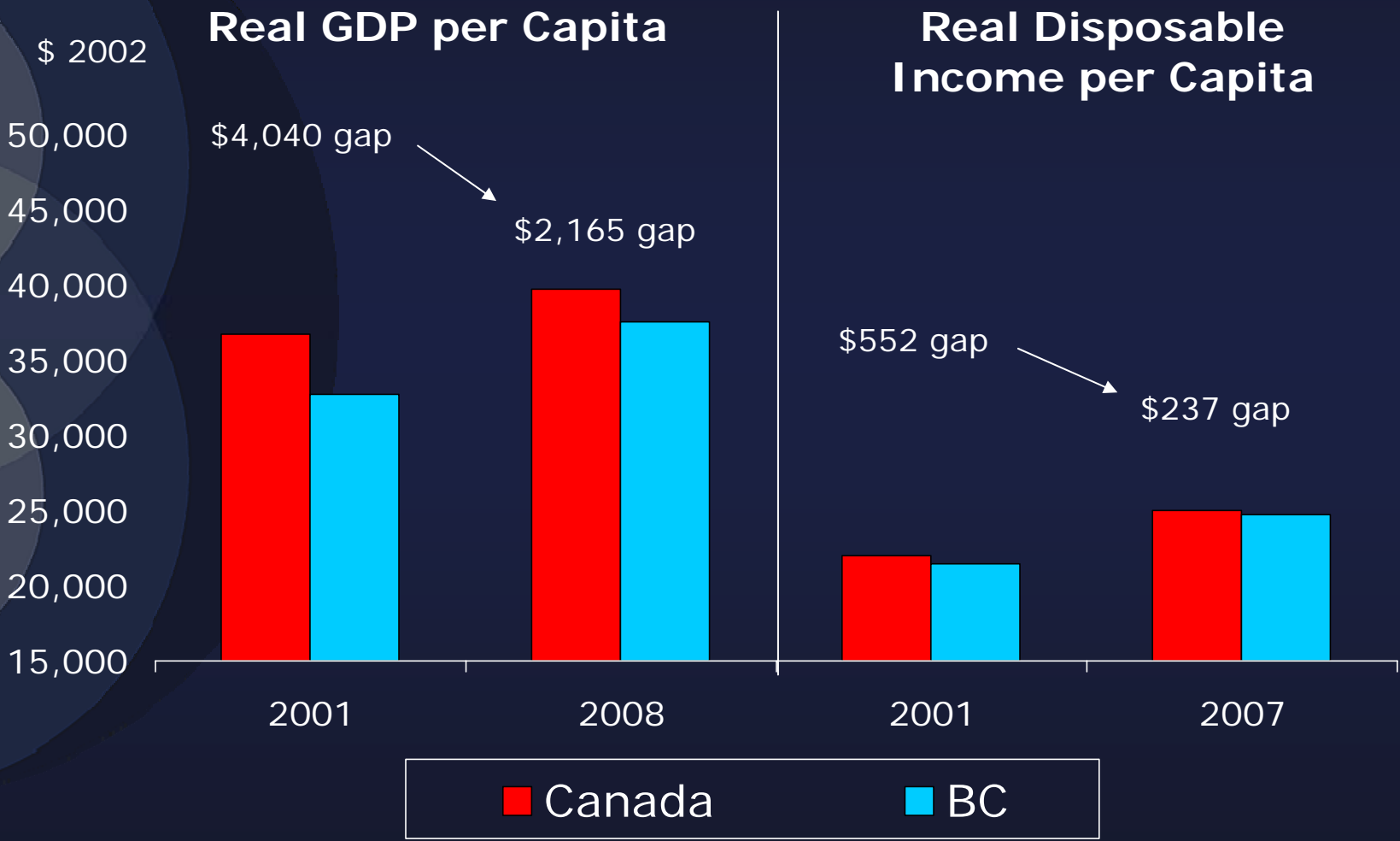
John Kenneth Galbraith

BC Economic Forecast

(annual % change unless noted; as of March 31/09)

	actual	forecast		
	2007	2008	2009f	2010f
Real GDP	3.1	1.2	-1.5	2.0
Employment	3.2	2.1	-2.2	1.8
Retail sales	7.0	0.2	-1.0	3.0
Foreign exports	-5.6	3.0	-8.0	3.0
Housing starts (units)	39,200	35,500	20,000	24,000

BC Has Made Progress in Closing the "Prosperity Gap" with Canada



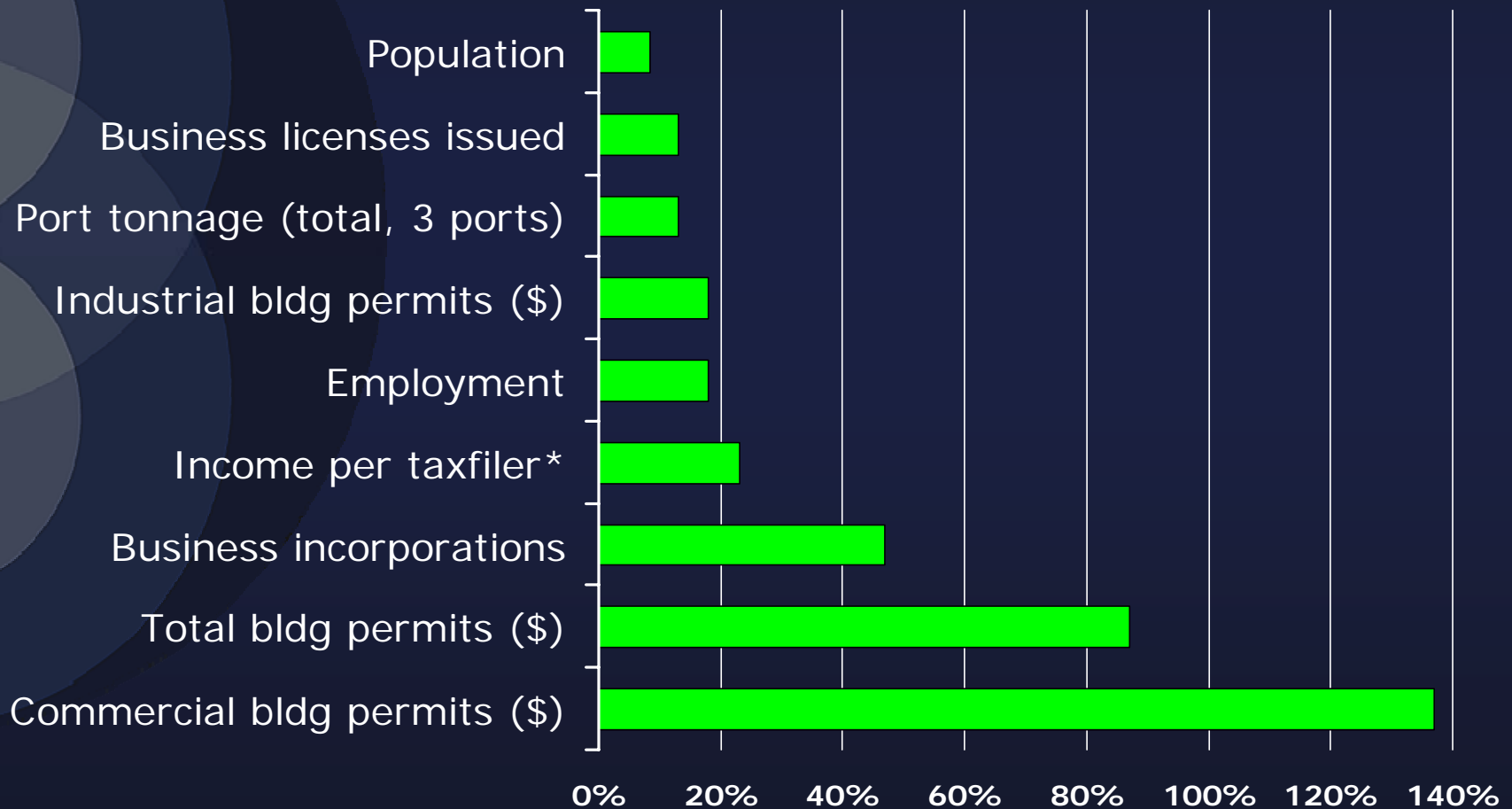
Source: Statistics Canada, Provincial Economic Accounts.

Diversified Greater Vancouver Economy

- Diversified industrial structure provides a partial shield in tough economic times
- GVRD is not heavily reliant on just one or two sectors
 - » Gateway-related (transportation, wholesale trade, logistics, etc.)
 - » Mining cluster (800 firms plus spin-off impacts)
 - » Financial/professional/technical services
 - » New media/gaming/clean technology
 - » ICT (accounts for $\frac{3}{4}$ of the province's high tech sector)
 - » Film production/post-production activity
 - » Tourism
 - » Specialized manufacturing
 - » Universities/colleges
 - » Health care – service delivery and research
 - » Forestry – still a number of head offices, plus service suppliers
 - » Agri-food

Greater Vancouver Economy – Significant Growth in Key Areas

% Change, 2001 to 2008




* 2001-2006

Greater Vancouver Economy – Employment by Industry

Top ten industries by number of employees:	
Retail trade	139,000
Health care	117,000
Professional, scientific and tech. services	115,000
Manufacturing	110,000
Construction	93,000
Finance-related	90,500
Education	90,000
Accommodation/foodservices	90,000
Information, culture, arts, etc.	78,000
Transportation/warehousing	76,000

Conclusion

- BC has fallen into recession due to the North American downturn and a very weak global economy
- Output and employment declines in 2009, along with exports, investment, housing starts, and retail sales
- Recovery depends on stabilizing the global financial system and a return to growth in the US and Canada. Current 'consensus' -- real GDP growth of 2.0-2.5% in 2010
- Greater Vancouver well positioned to benefit from key global trends in the medium term – Asia's growing role in world markets, global demand for Canadian resource-based products, increased business opportunities in high-end services (education, research, engineering, architecture, design, etc.), rising demand for "green" products/services



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