

Economic Outlook

Rocky Credit Union

Tuesday, December 9, 2008

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Central 1 Credit Union



Outline:

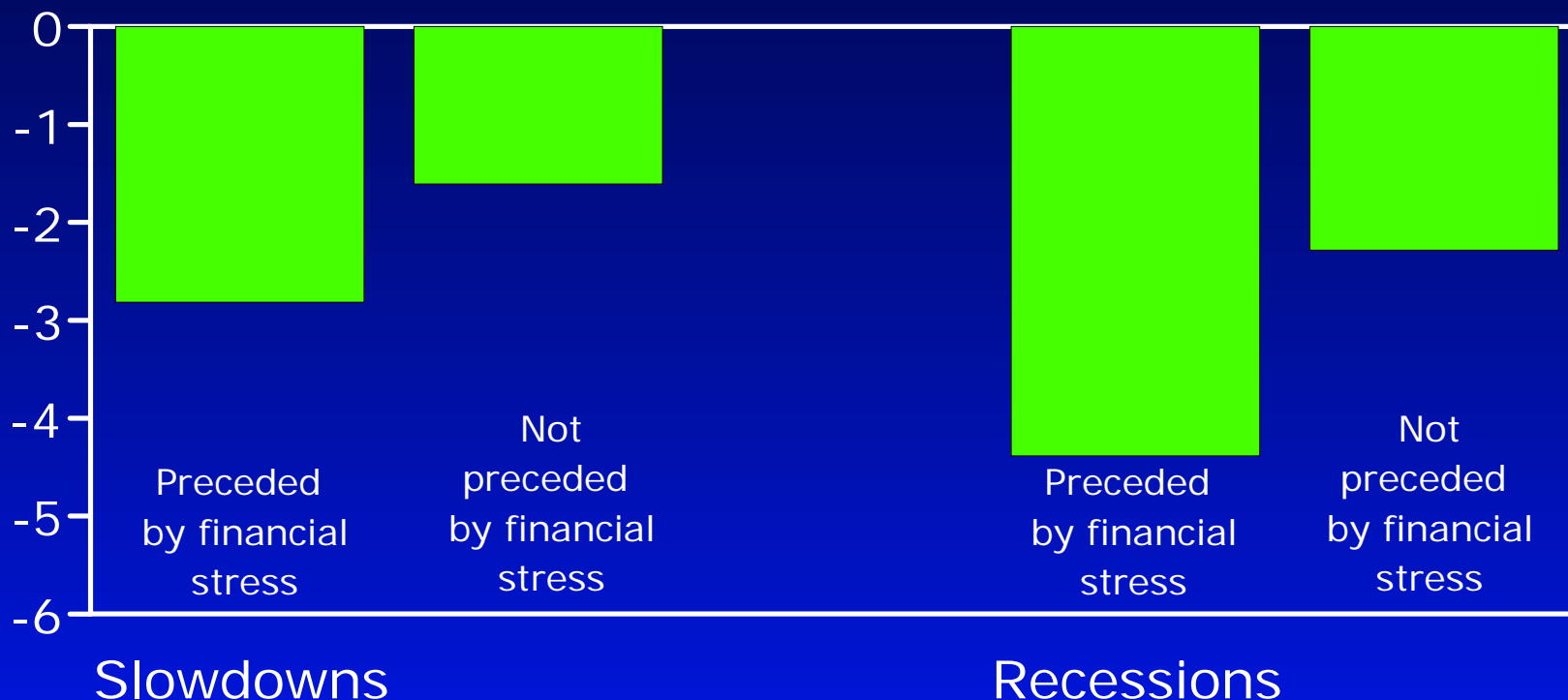
- Financial crisis
- Economic impact and forecasts
- Energy markets
- Canada's economic outlook
- Alberta economic trends and outlook



Financial stress episodes lead to larger economic losses

Cumulative Output Loss for Advanced Economies

Median; percent of GDP



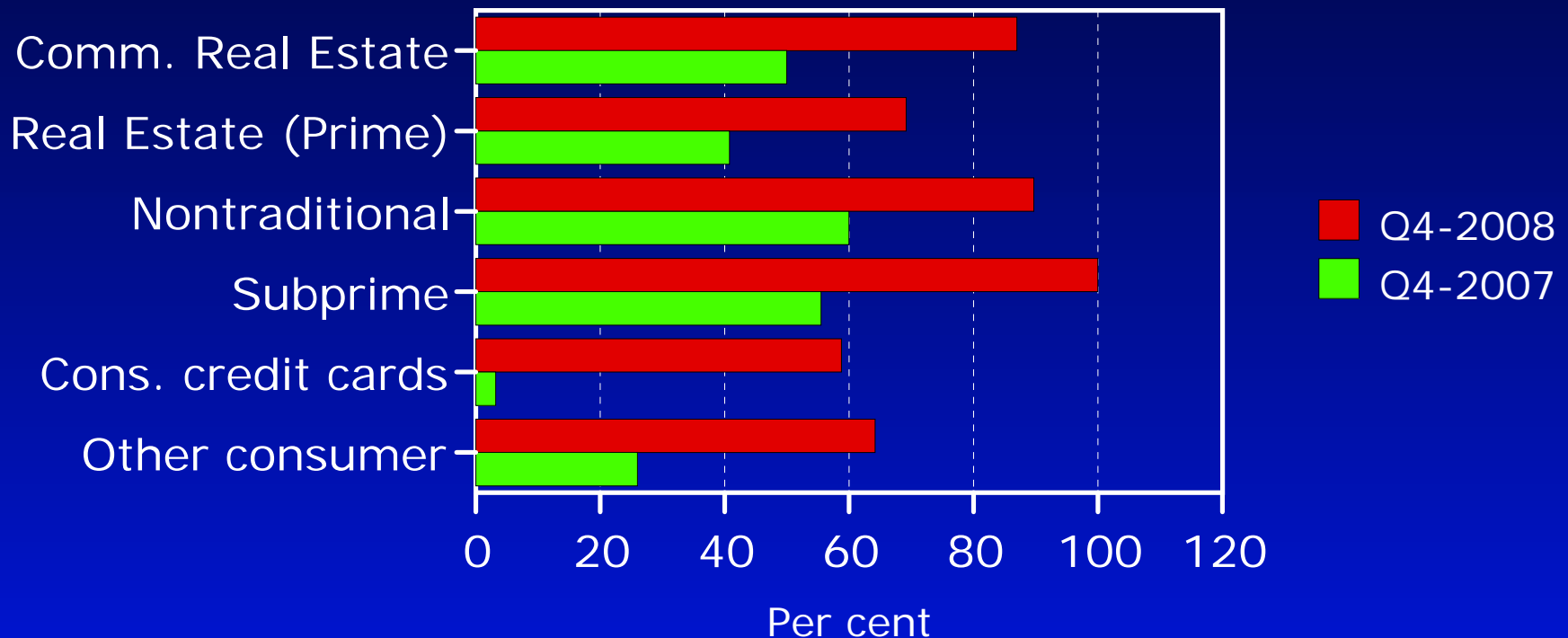
Source: IMF, WEO October 2008.



Tighter credit conditions for all loans

Net Percentage Of U.S. Banks Tightening Standards for Loans

Type of Loan



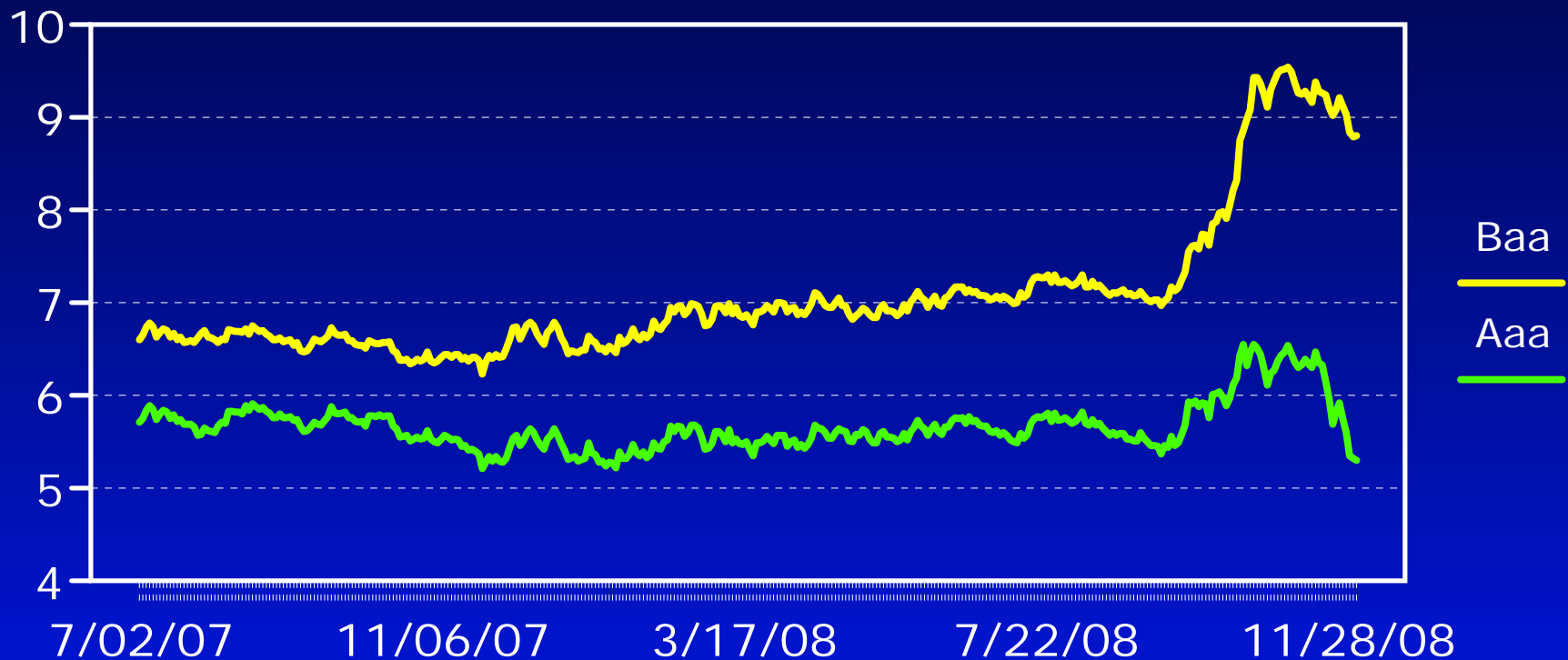
Source: U.S. Federal Reserve Board Senior Loan Officer Survey. Latest Q4-08



Corporate borrowing costs jump higher, some easing recently

Moody's Aaa and Baa Corporate Bond Yields, U.S., Daily

Per cent



Source: U.S. Federal Reserve.

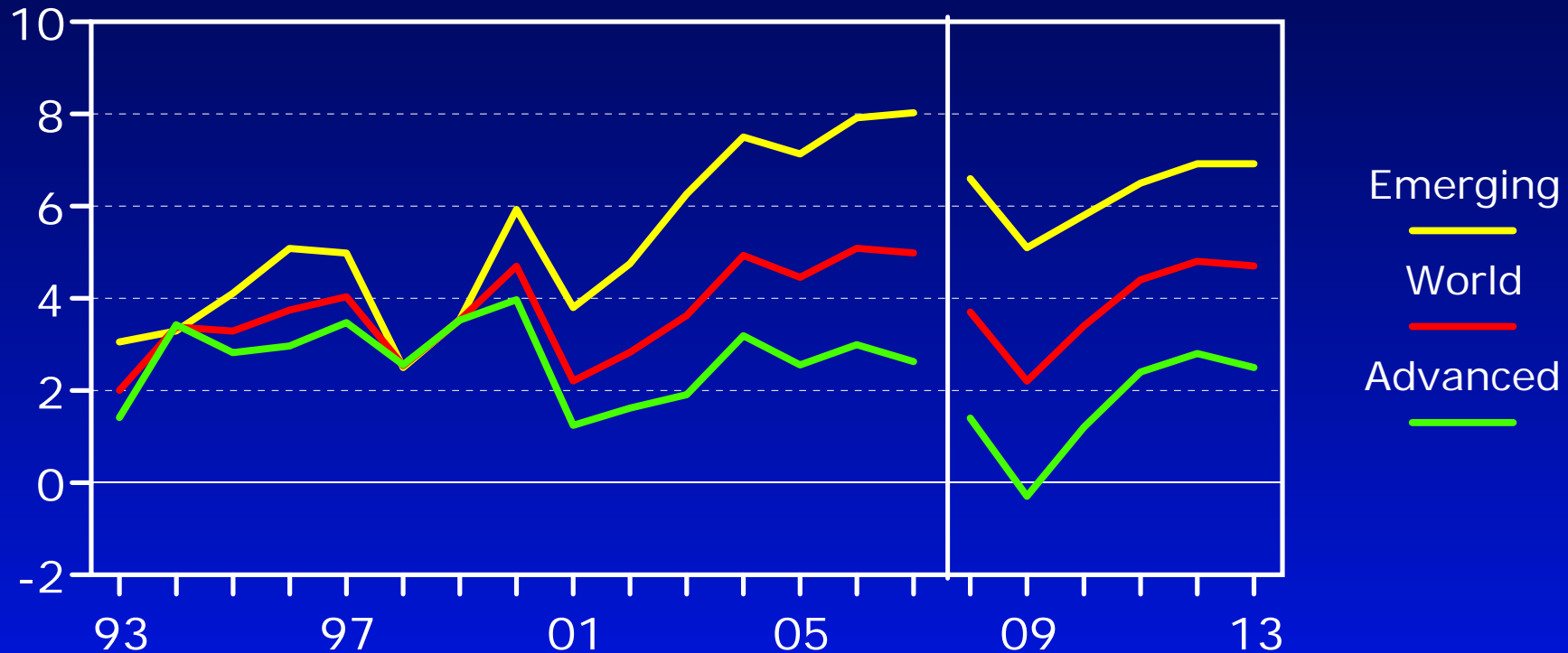
Latest: 12/03/08



Global economy heading for recession in 2009, led by industrialized economies

Global Economic Growth Outlook

Per cent



Source: International Monetary Fund.

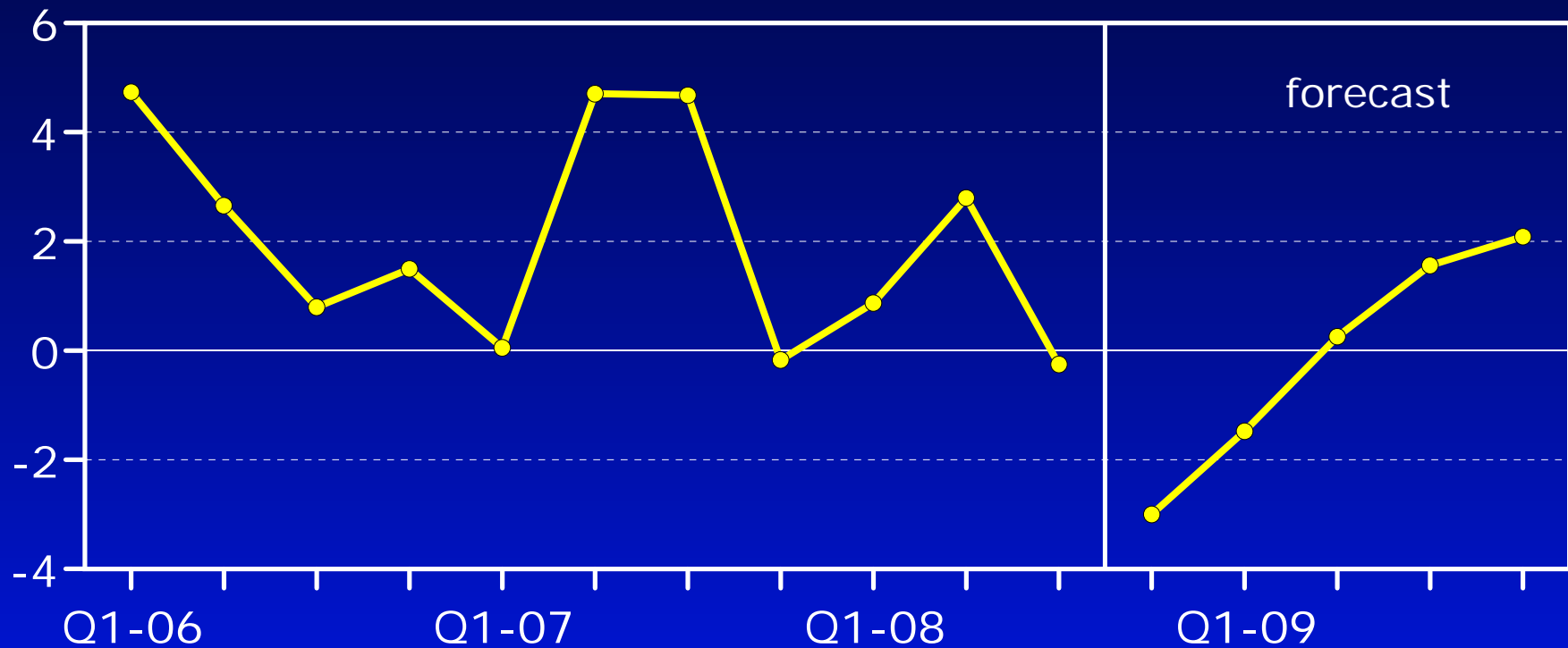
Forecast: 2008 to 2013.



U.S. economy in recession until mid-2009

U.S. Economic Forecast

Percentage change at annual rate in real GDP



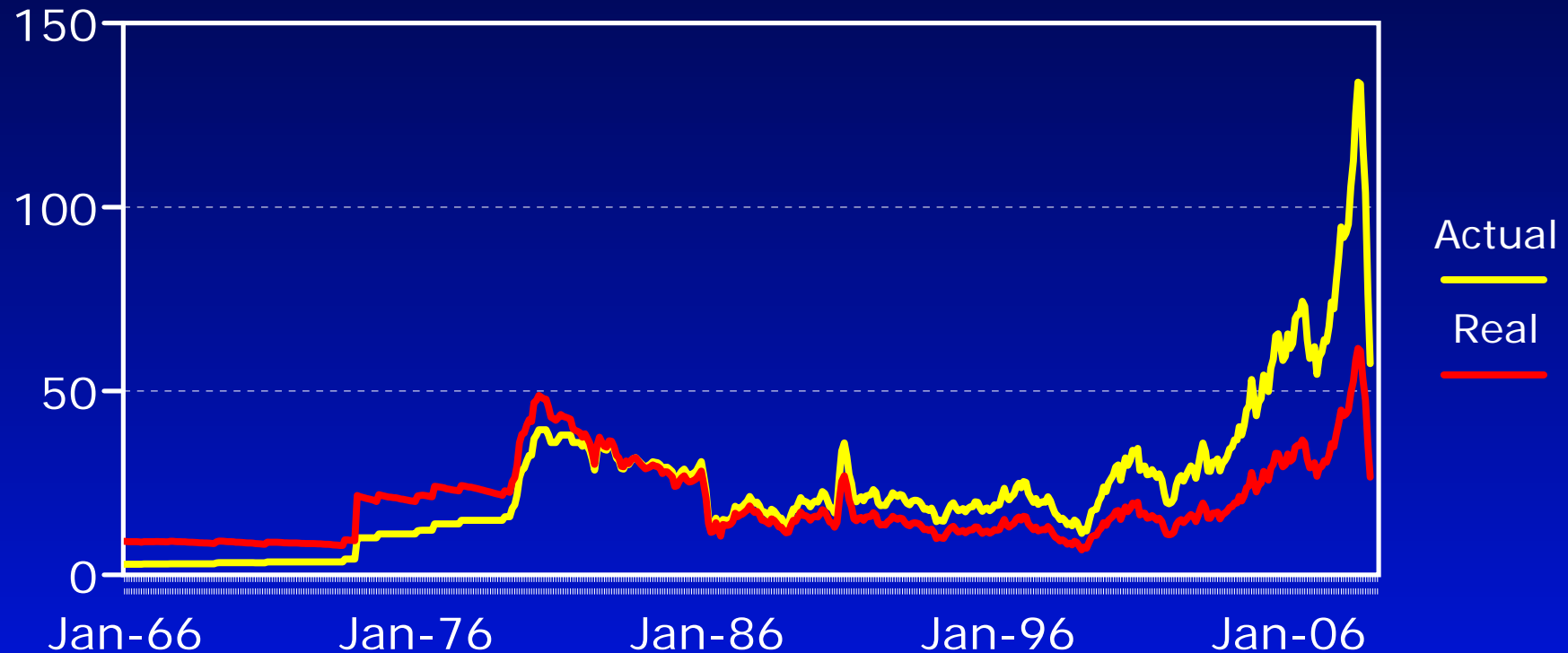
Source: BEA, WSJ Economic Forecasting Survey November 2008.



Oil price plunges from record high

Crude Oil Spot Price, Actual and Inflation-adjusted

U.S. \$ per barrel



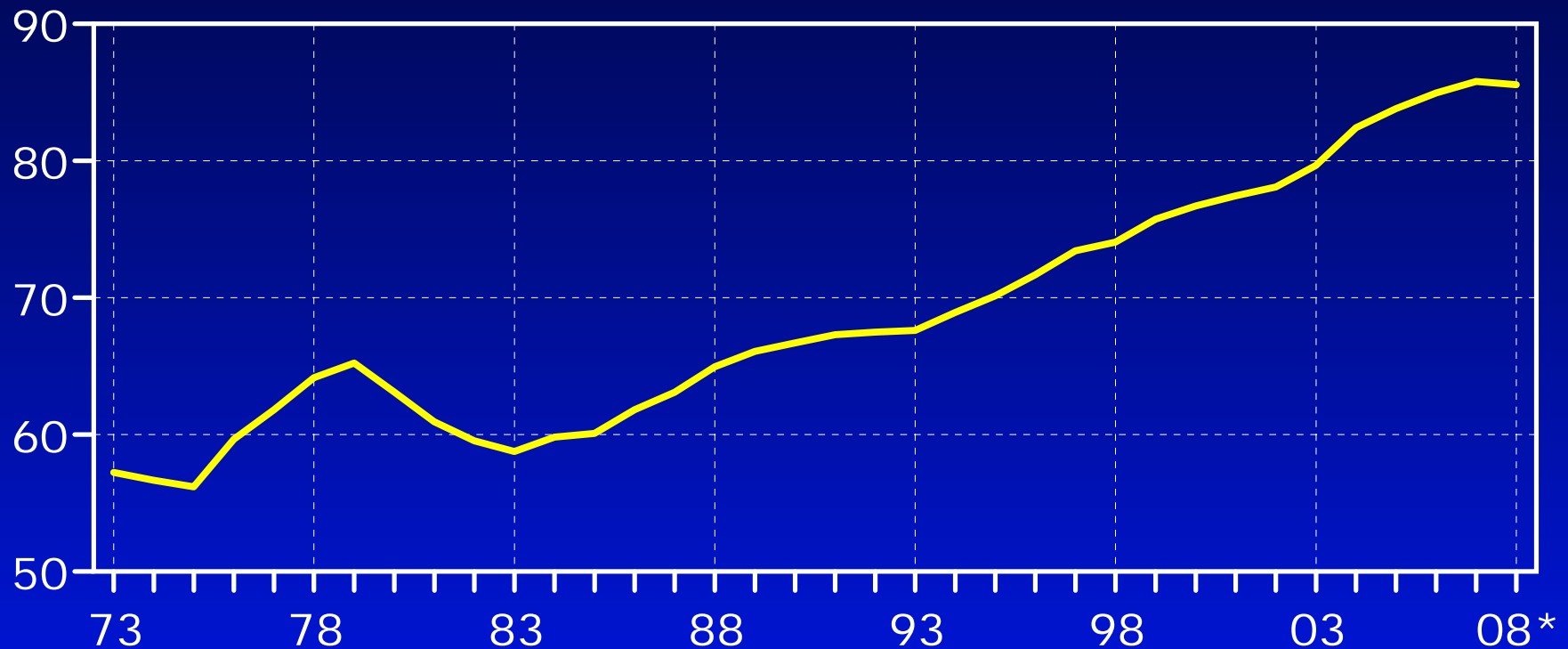
Source: U.S. Federal Reserve. Note: Actual deflated by U.S. CPI. Latest: Nov-08



Large increase in world oil consumption since 1983

World Petroleum Consumption

Million barrels per day



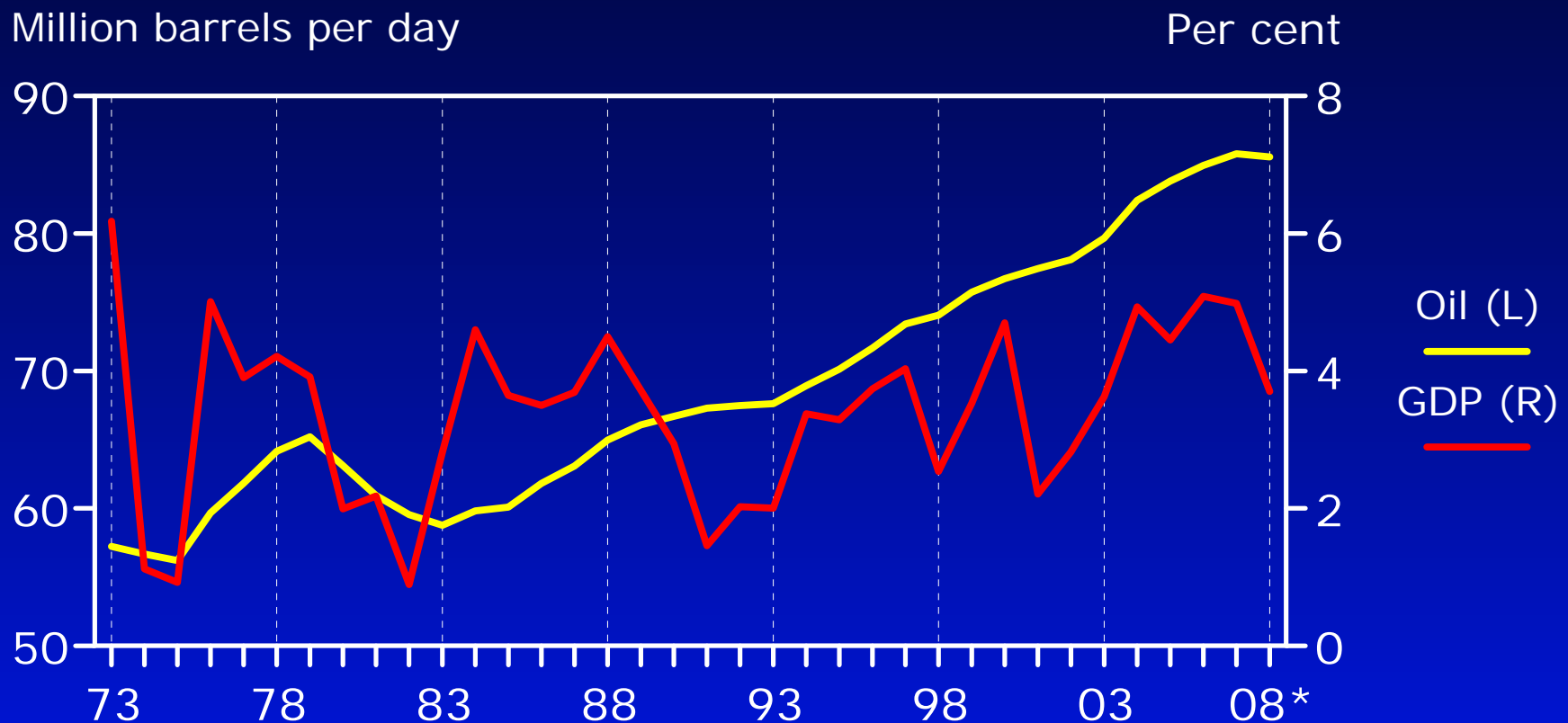
Source: U.S. EIA.

*Average to Oct-08



Economic downturn leads to less oil consumption

World Petroleum Consumption and Economic Growth



Source: U.S. EIA., IMF.

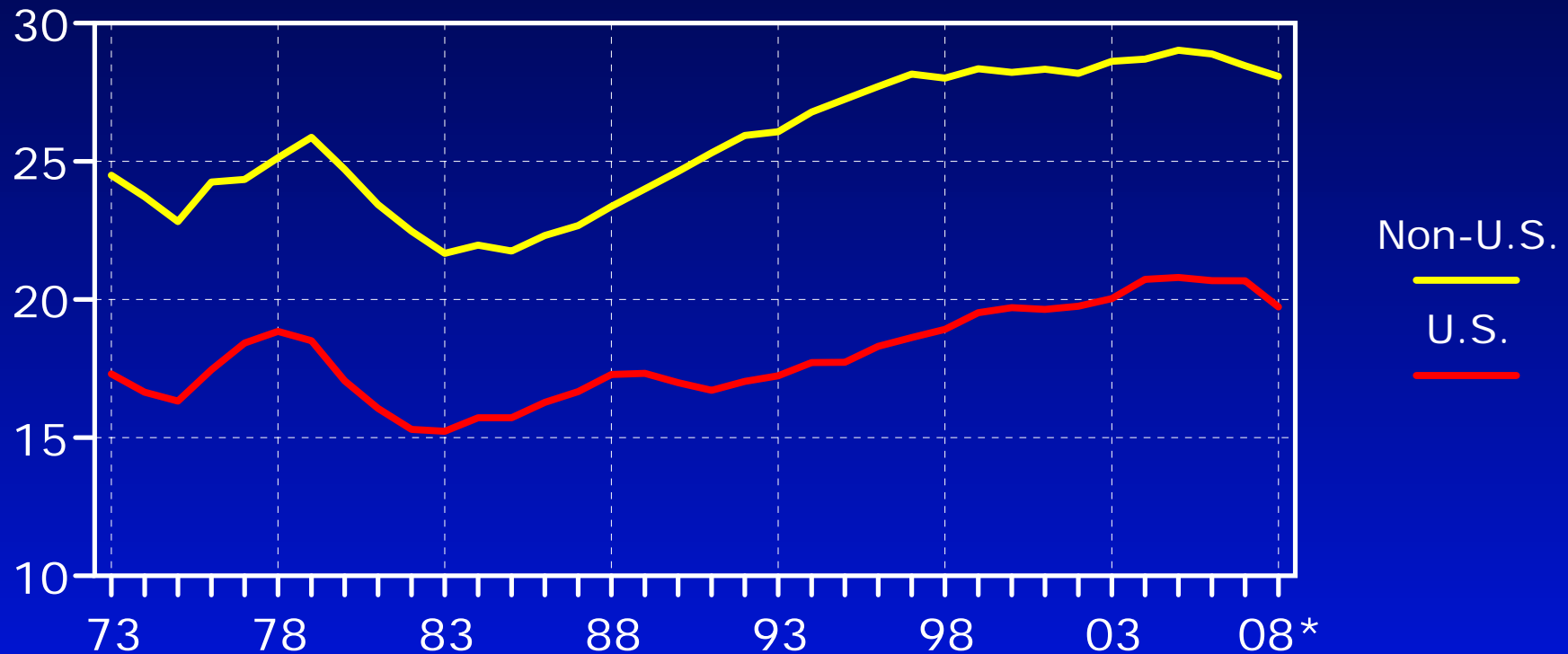
*Oil consumption average to Oct-08



Oil consumption decline in 2008 mostly in U.S.

OECD Petroleum Consumption

Million barrels per day



Source: U.S. EIA.

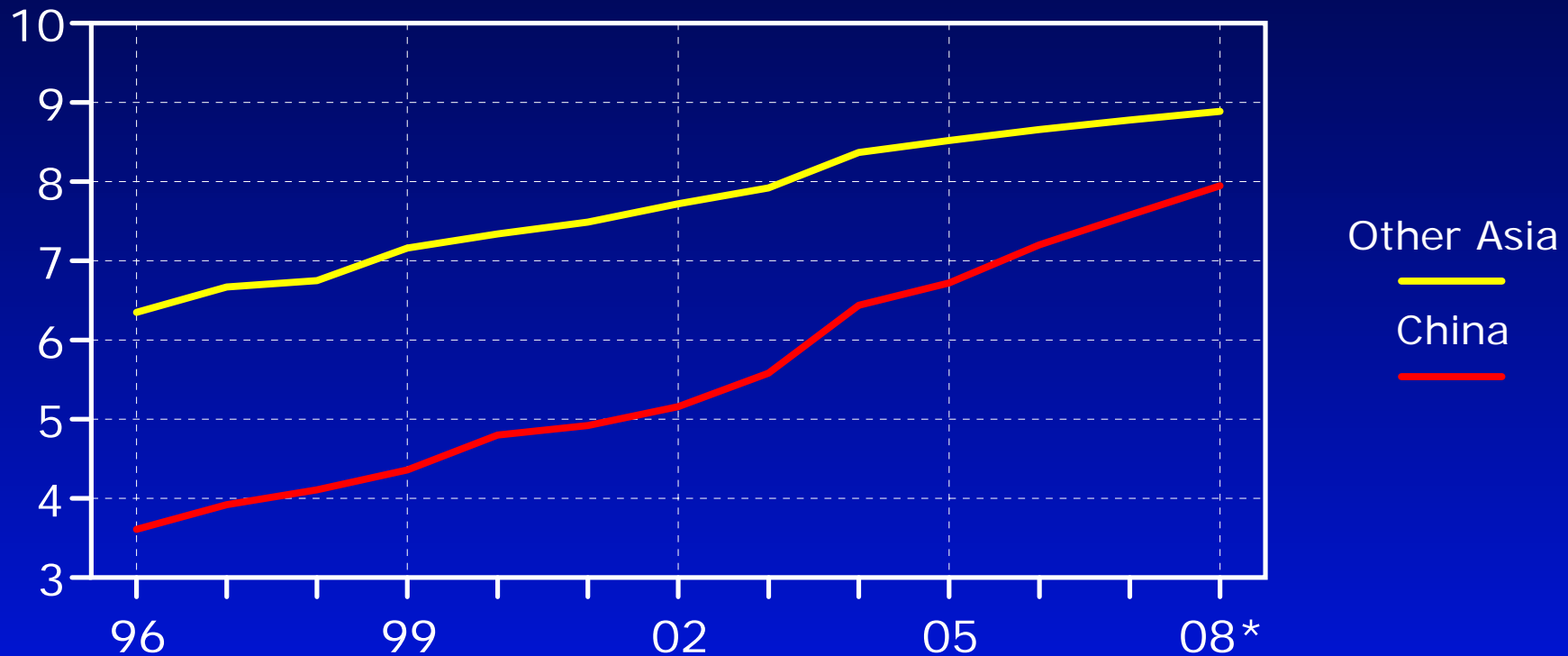
*Average to Jul-08



Rising oil consumption China, India, and other Asian countries

OECD Petroleum Consumption

Million barrels per day



Source: U.S. EIA.

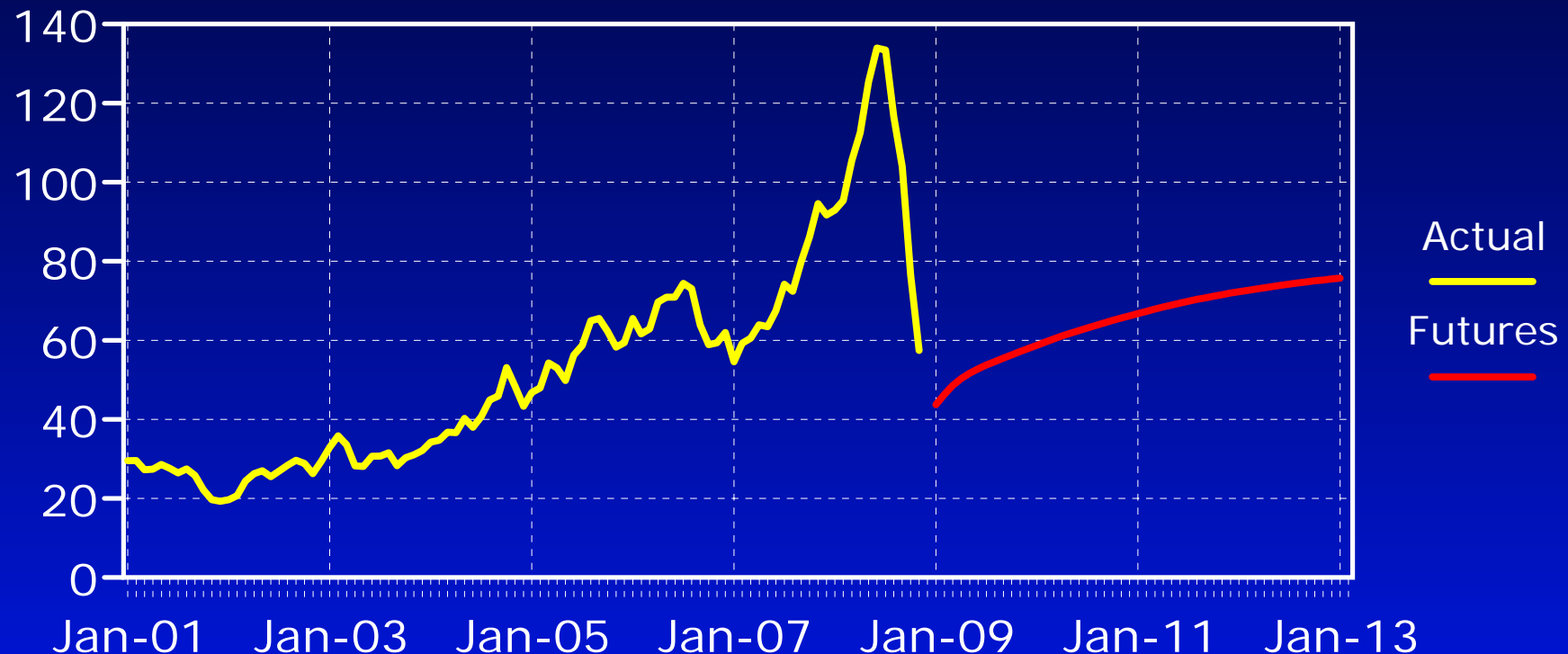
*Average to Oct-08



Futures markets signal tighter market conditions ahead

Crude Oil Spot Price, Actual and Futures

U.S. \$ per barrel



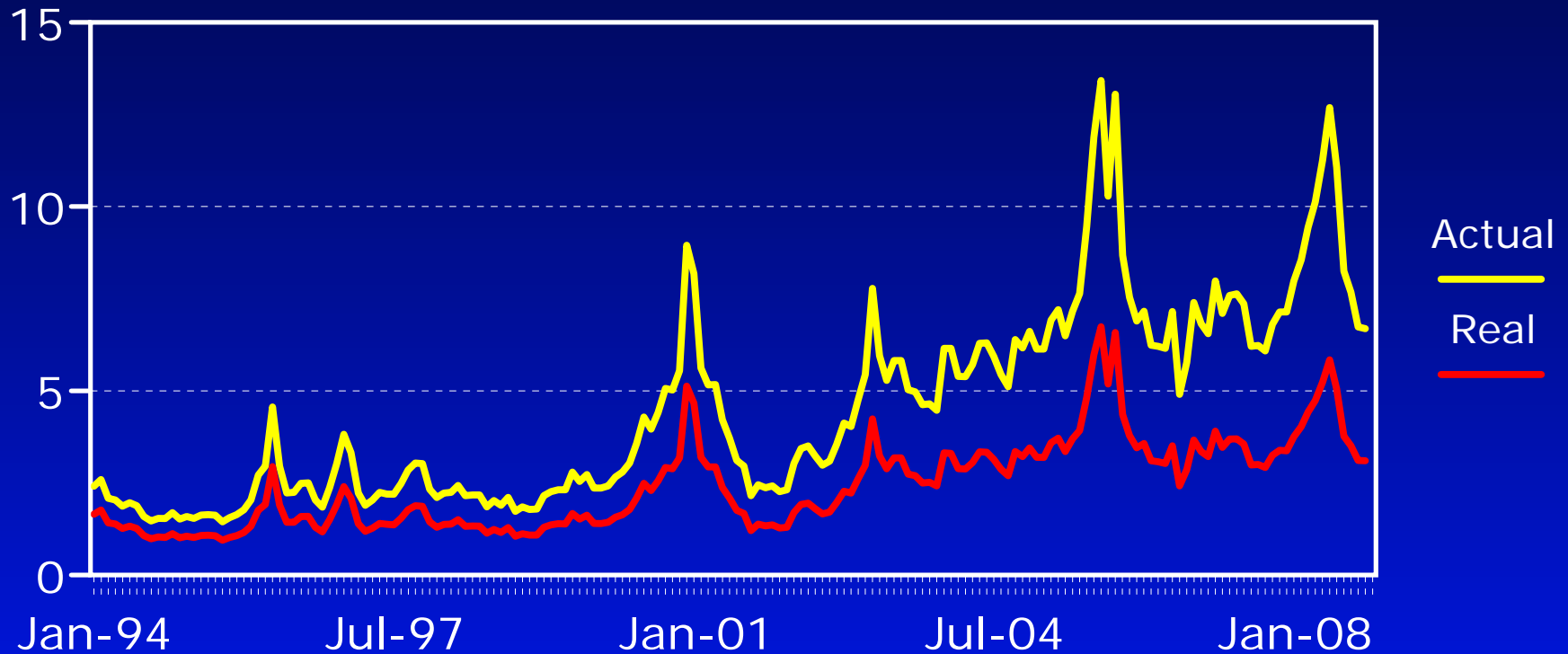
Source: U.S. Federal Reserve, NYMEX. Latest actual: Nov-08, futures as of Dec. 8-08



Natural gas price down from highs

Natural Gas Price, Actual and Inflation-adjusted

U.S. \$ per barrel



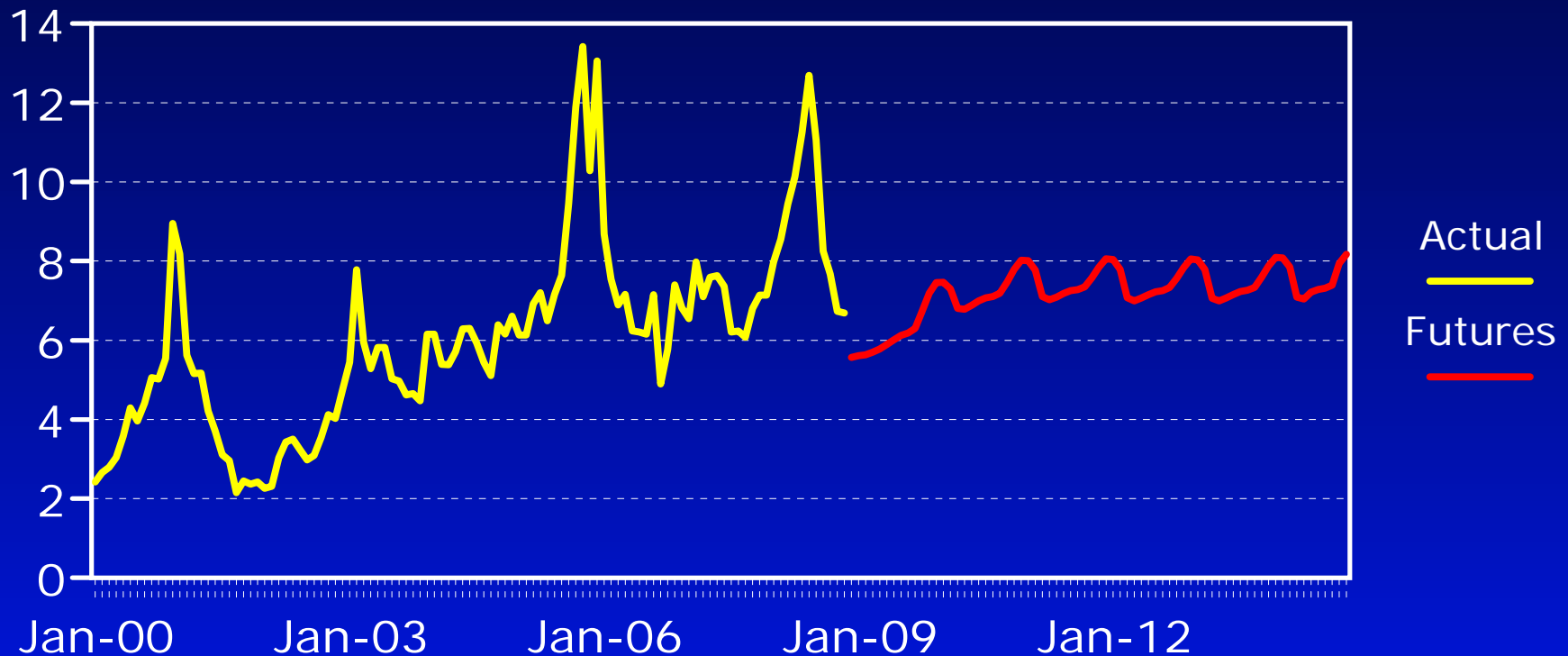
Source: U.S. Federal Reserve. Note: Actual deflated by U.S. CPI. Latest: Nov-08



Rising natural gas price expected in 2009

Natural Gas Price, Actual and Futures

U.S. \$ per barrel



Source: U.S. Federal Reserve, NYMEX. Latest actual: Nov-08, futures as of Dec. 8-08



Sharp fall in Canada's export prices

Commodity Price Index, Weekly

1982-90=100



Source: Bank of Canada.

Note: In U.S. dollar terms

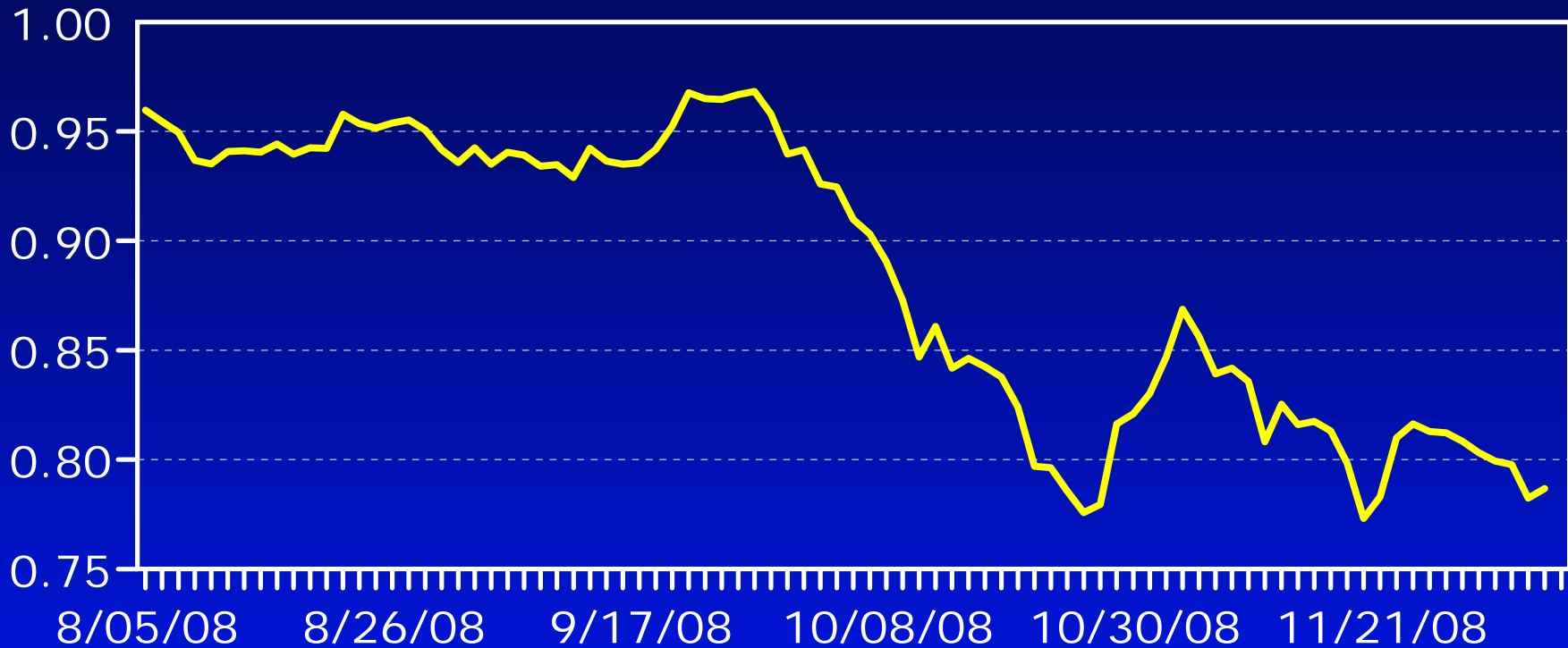
Latest: 12/03/2008



Canadian dollar plummets against USD, remains volatile

U.S.-Canada Exchange Rate, Daily

U.S. dollar per Canadian dollar



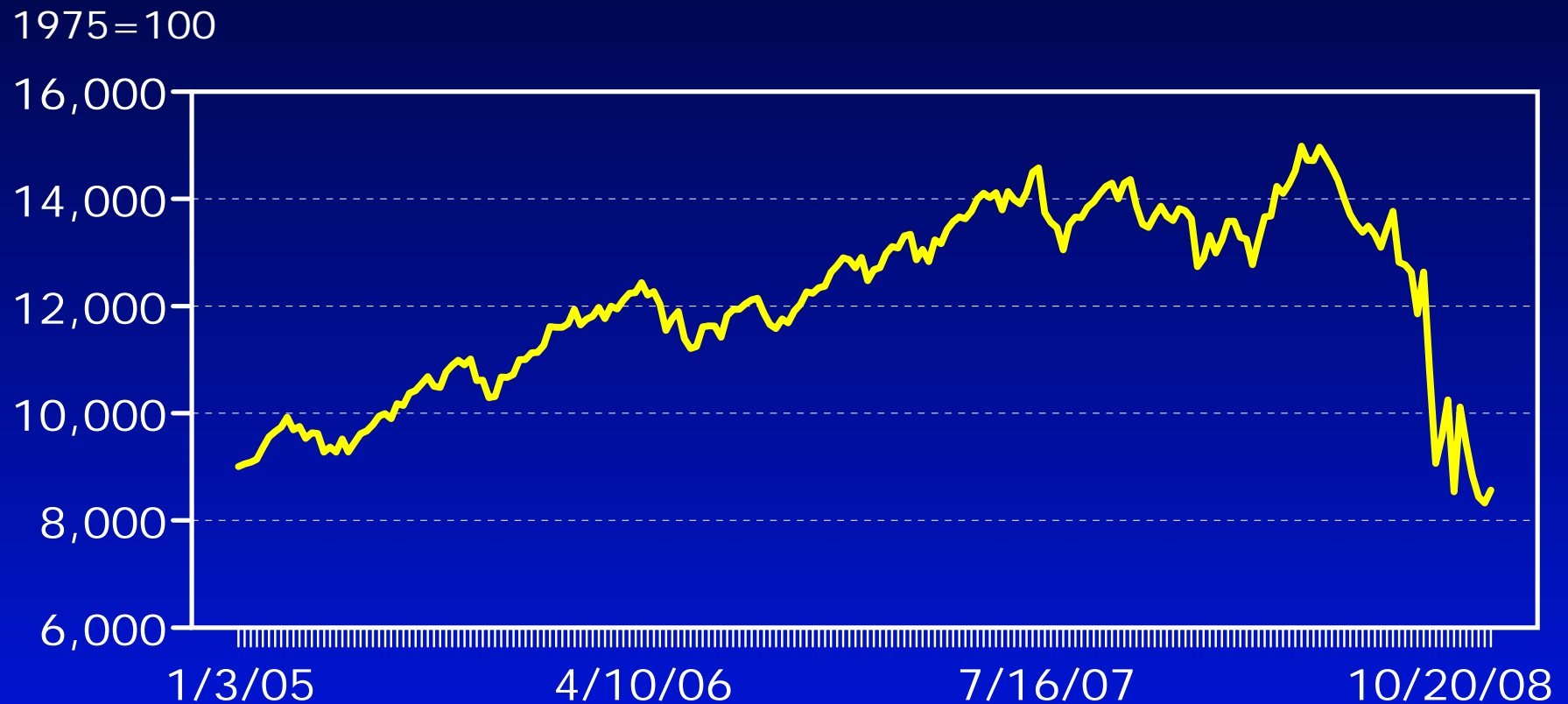
Source: Bank of Canada.

Latest: 12/5/08



Sharp decline in equities, volatile market

S&P/Toronto Stock Exchange Composite Index, Weekly



Source: Yahoo Finance.

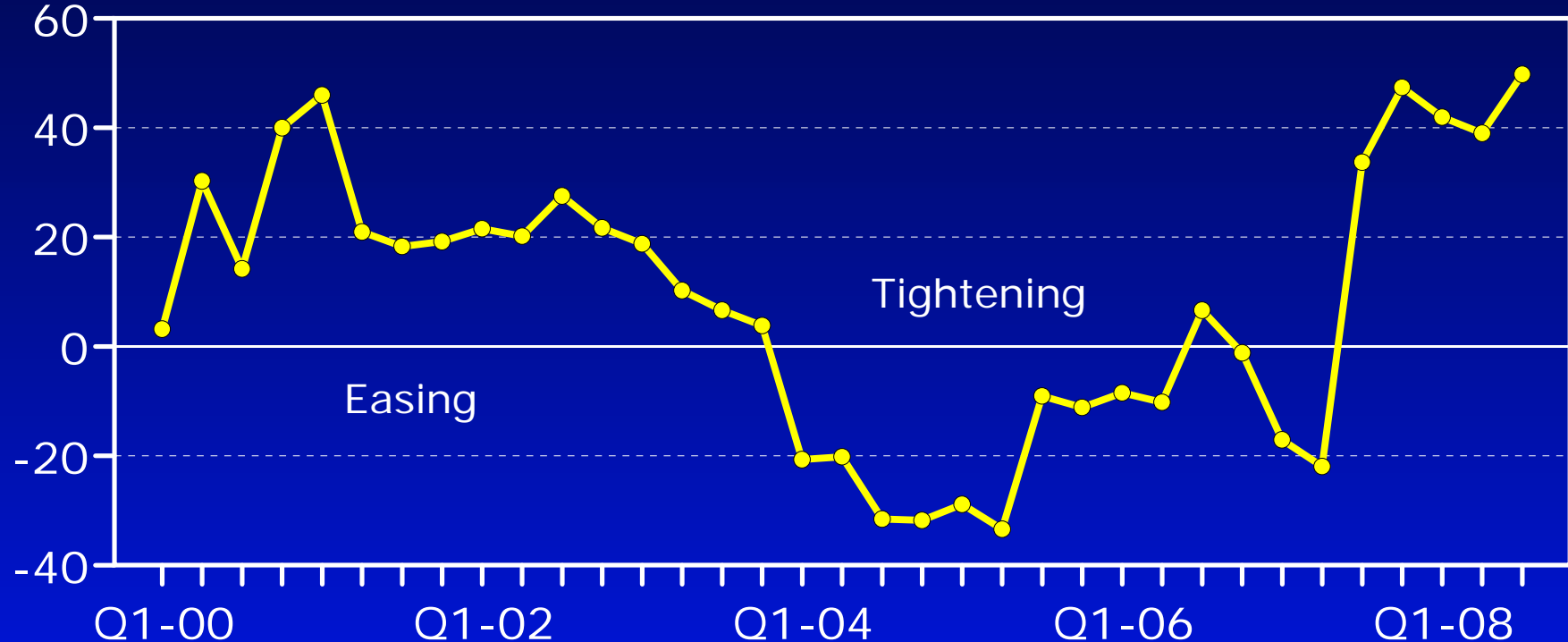
Latest: 12/08/08



Canadian consumers and businesses face tighter credit conditions

Overall Business Lending Conditions: Balance of Opinion

Per cent



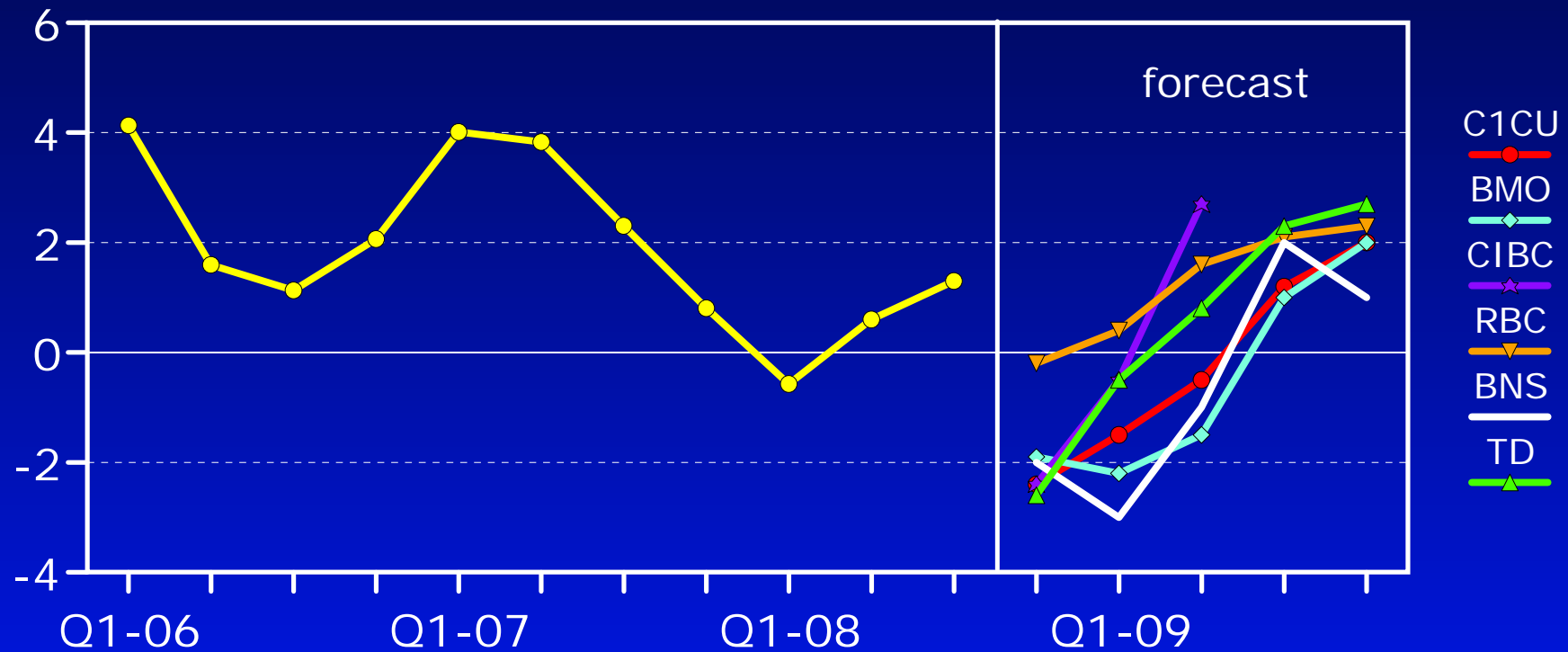
Source: Bank of Canada Senior Loan Officer Survey. Latest Q3-08



Canada's economy heading for mild recession - short and shallow

Canada Economic Forecast

Percentage change at annual rate in real GDP



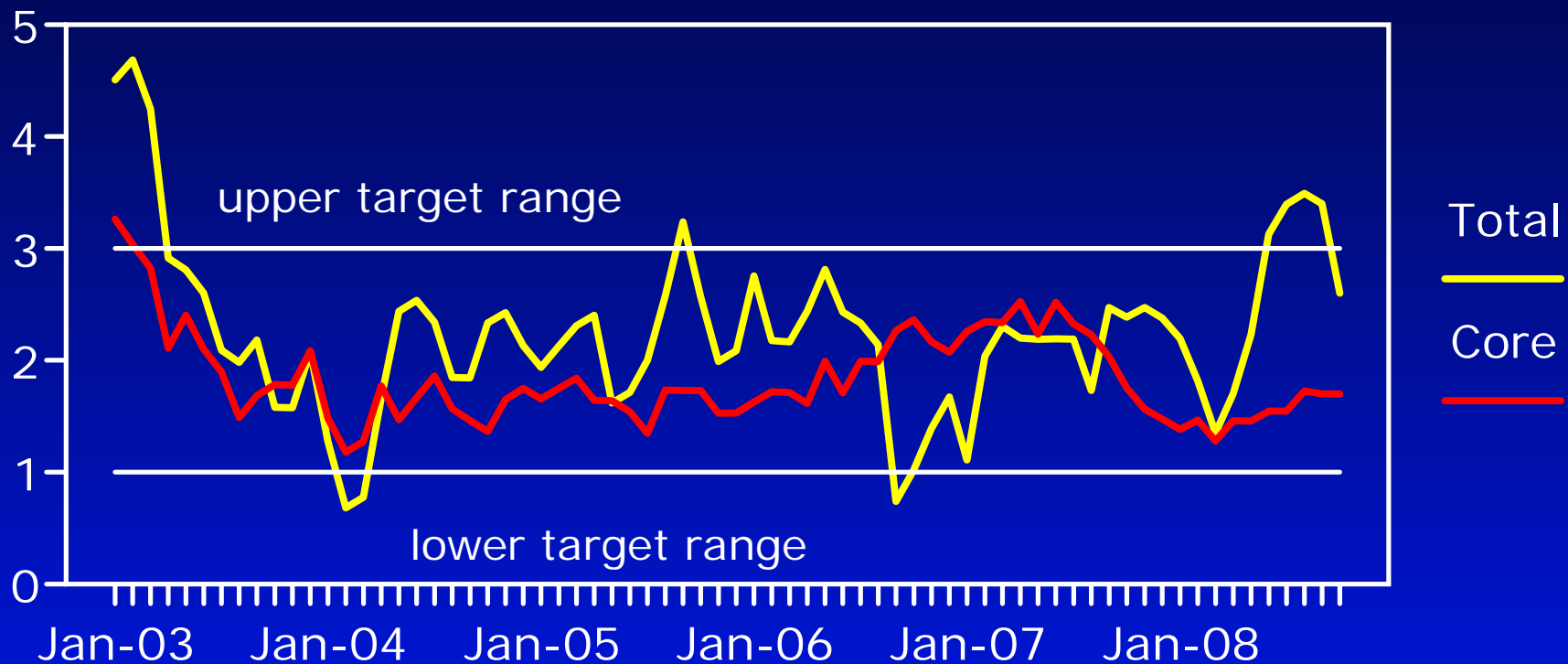
Source: Statistics Canada, C1CU, BMOCM, CIBC, RBC, BNS, TD.



Total inflation rate coming down due to lower energy prices

Total and Core Consumer Price Index, Canada

Percentage change year-over-year



Source: Statistics Canada.

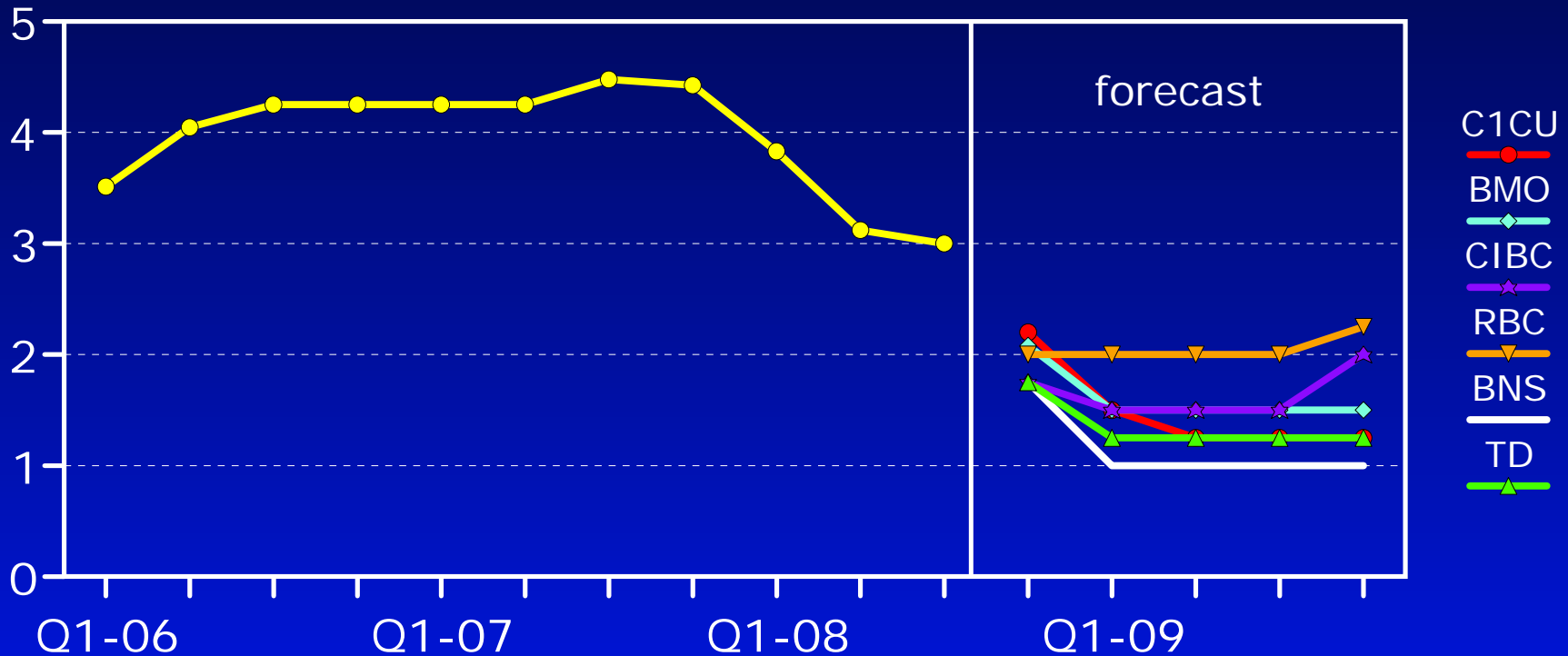
Latest: Oct-08



More rate cuts ahead

Bank of Canada Overnight Target Rate

Per cent



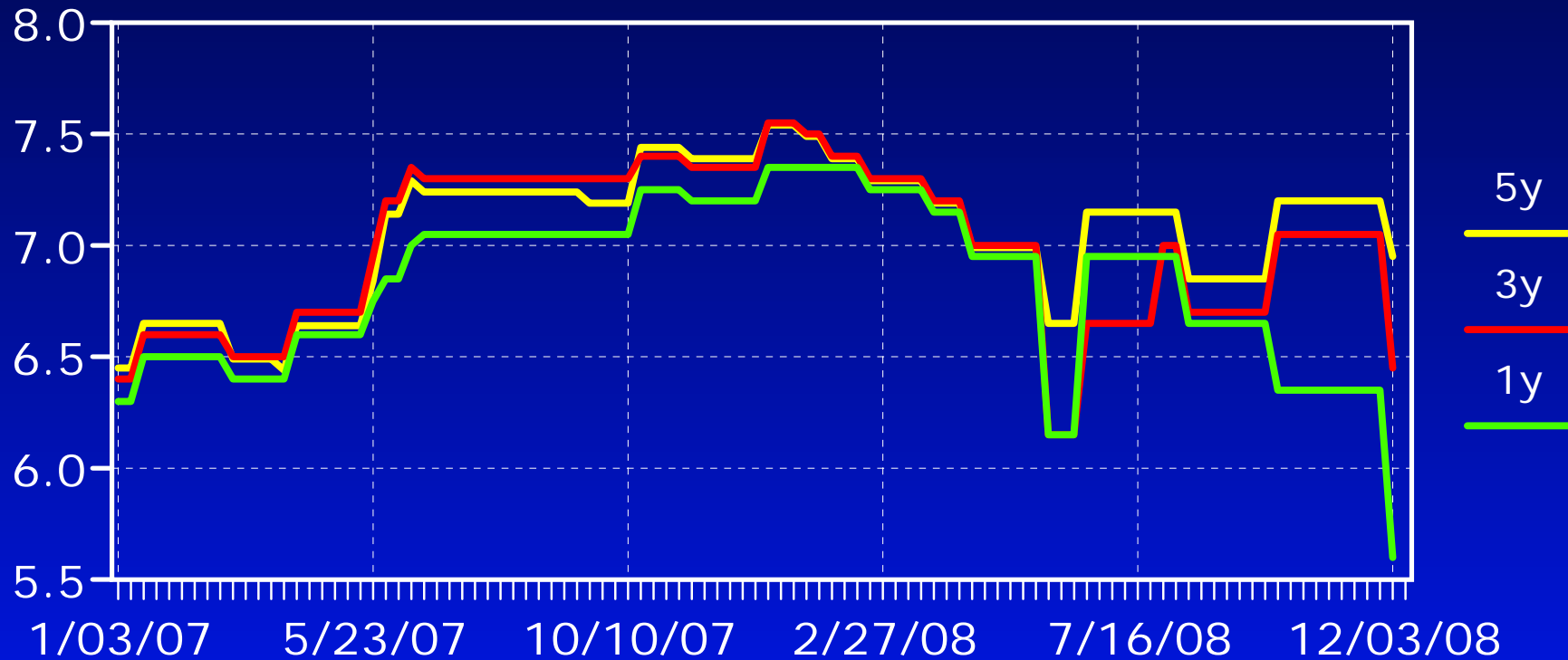
Source: Bank of Canada, C1CU, BMO, CIBC, RBC, BNS, TD.



Unusual rate behaviour since June 2008, heading lower in 2009

Posted Mortgage Rates by Term, Weekly

Per cent



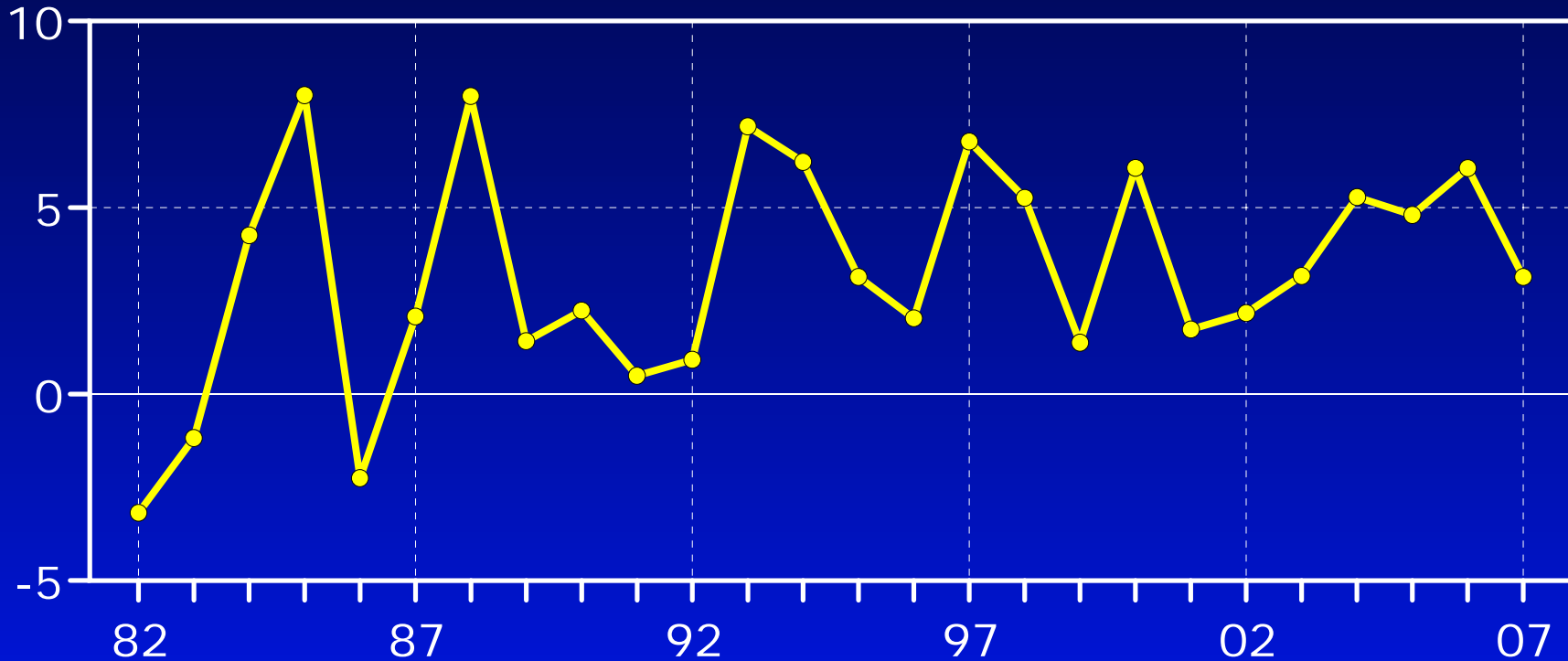
Source: Bank of Canada.



High and variable growth in Alberta economy

Alberta Economic Growth

Percentage change in real GDP



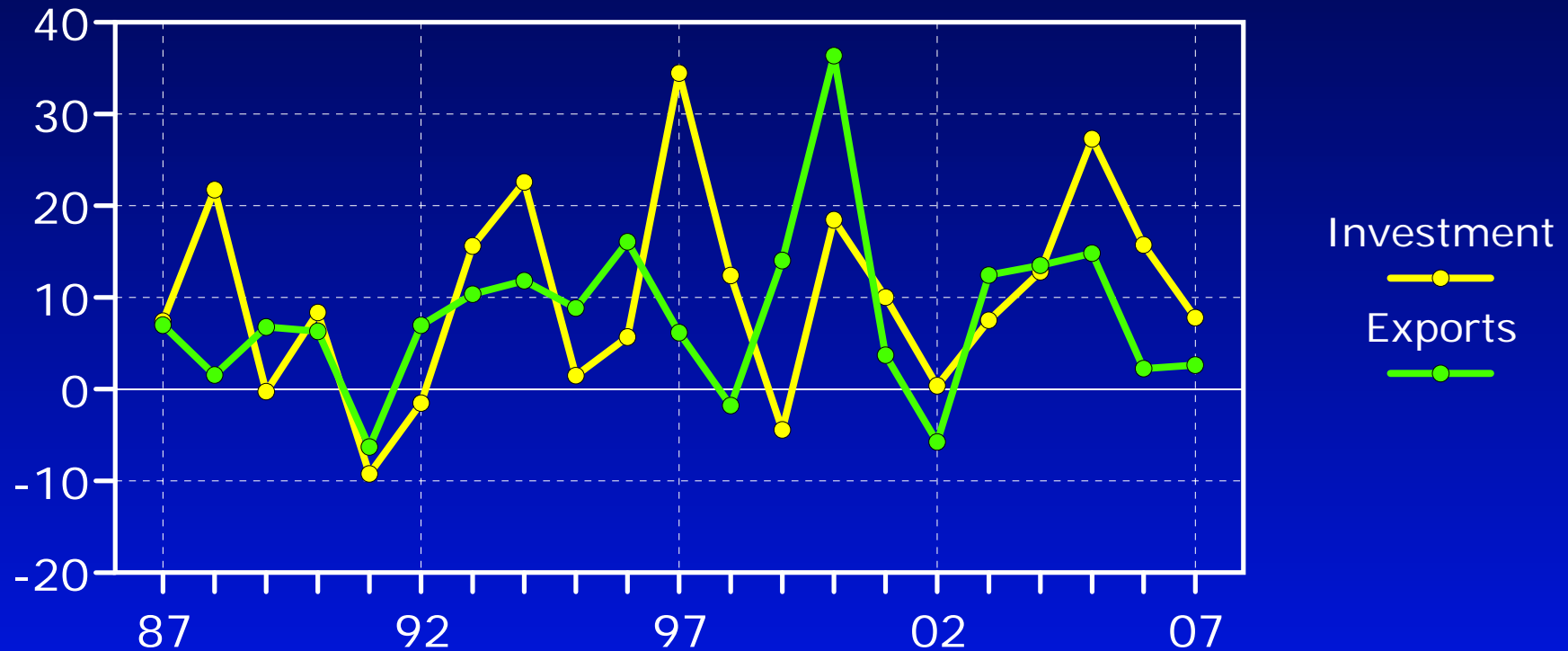
Source: Statistics Canada.



Business investment and exports main source of high and variable growth

Business Investment and Export Growth, Alberta

Percentage change in 2002 dollars



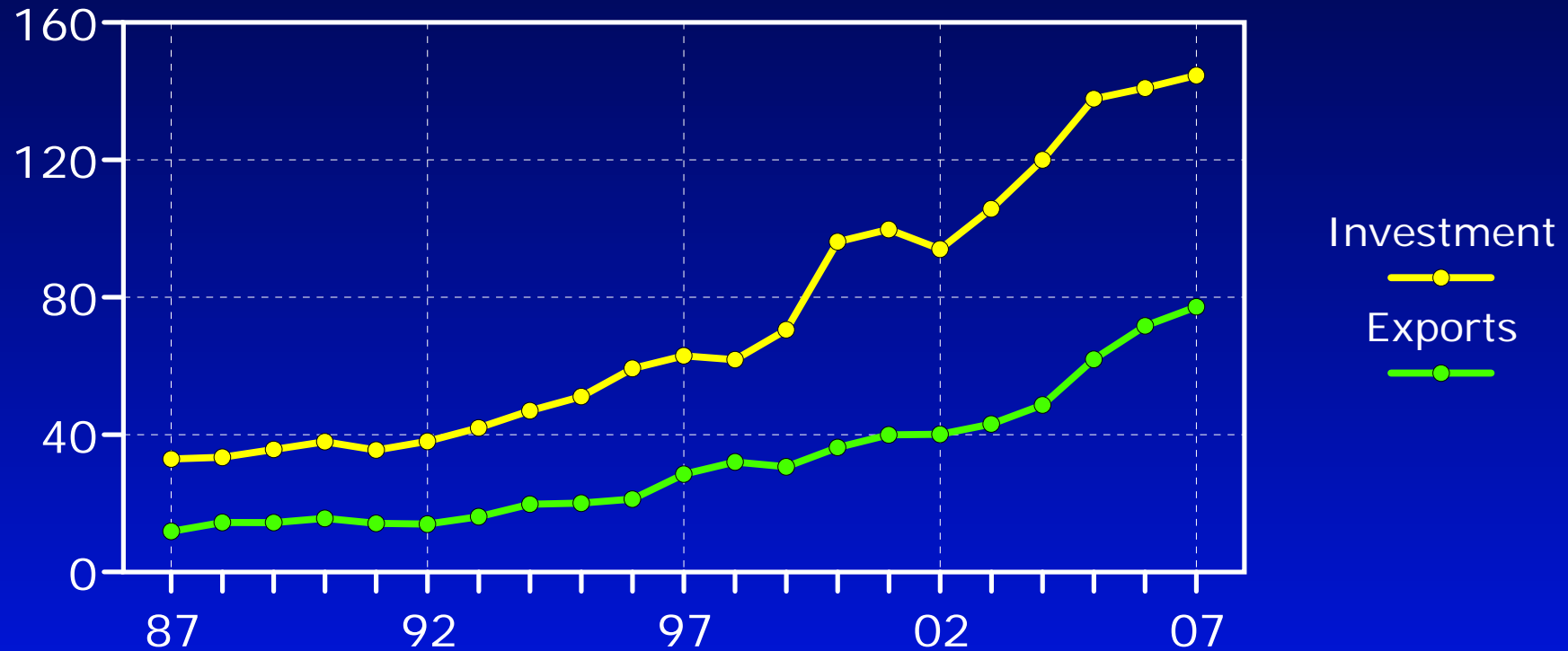
Source: Statistics Canada.



Large increase in key economic drivers

Business Investment and Exports, Alberta

2002 dollars - millions



Source: Statistics Canada.



High investment spending in oil and gas

Investment in Oil and Gas Extraction, Alberta

Dollars - millions



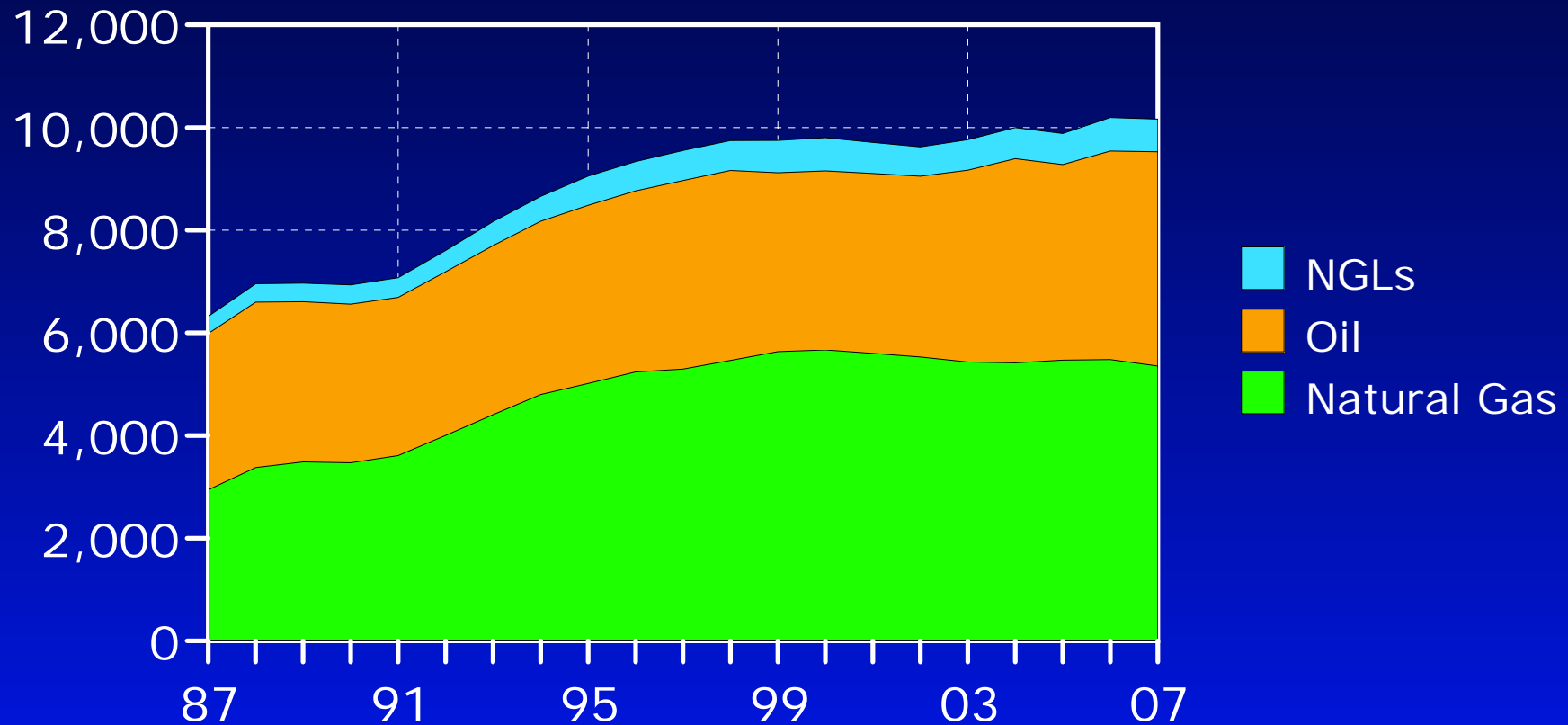
Source: Statistics Canada.



Oil and gas production gains slowing

Crude Oil and Natural Gas Production, Alberta

Petajoules

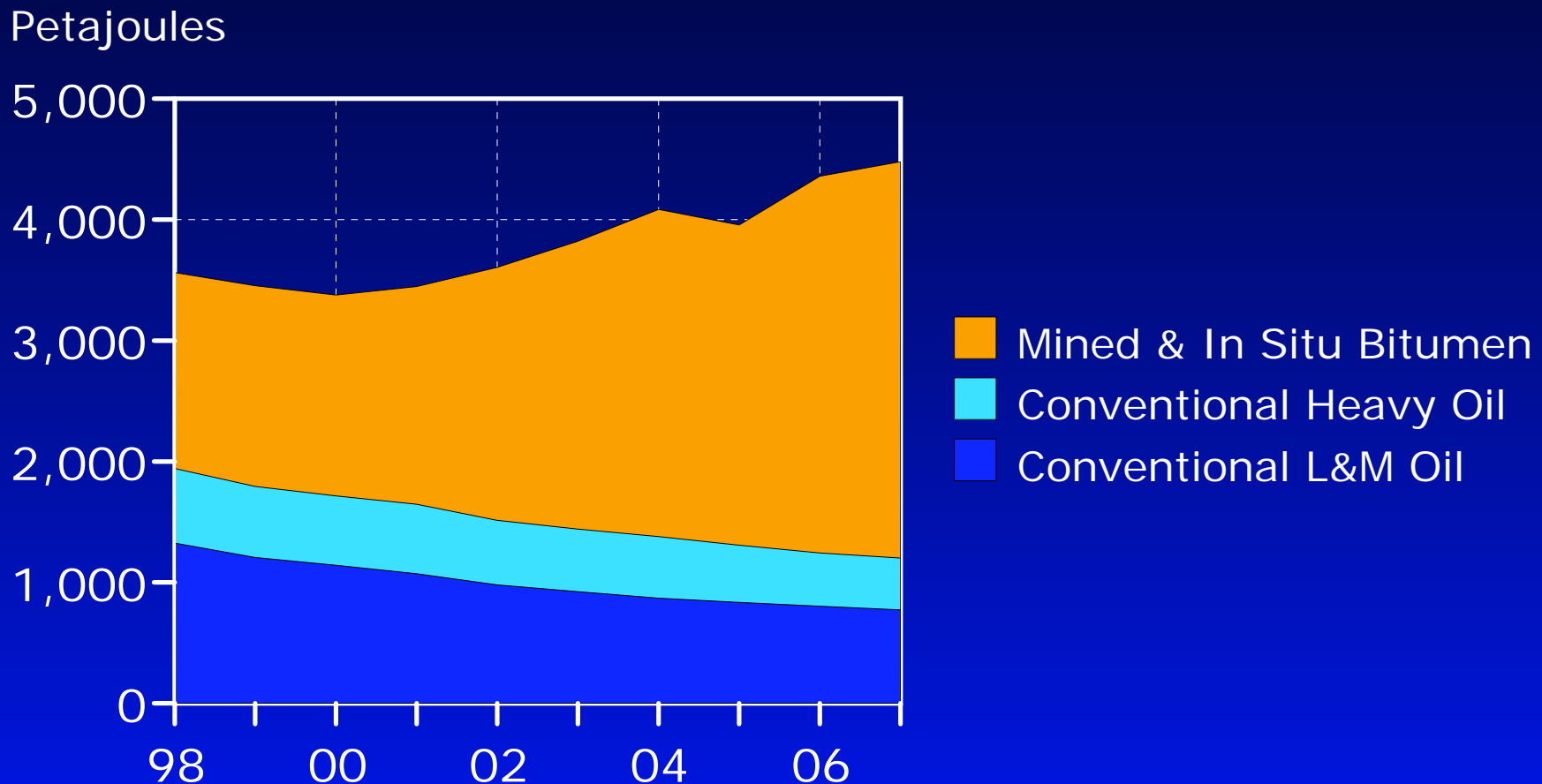


Source: Statistics Canada.



Oil sands account for larger portion of crude oil production

Crude Oil Production, Alberta



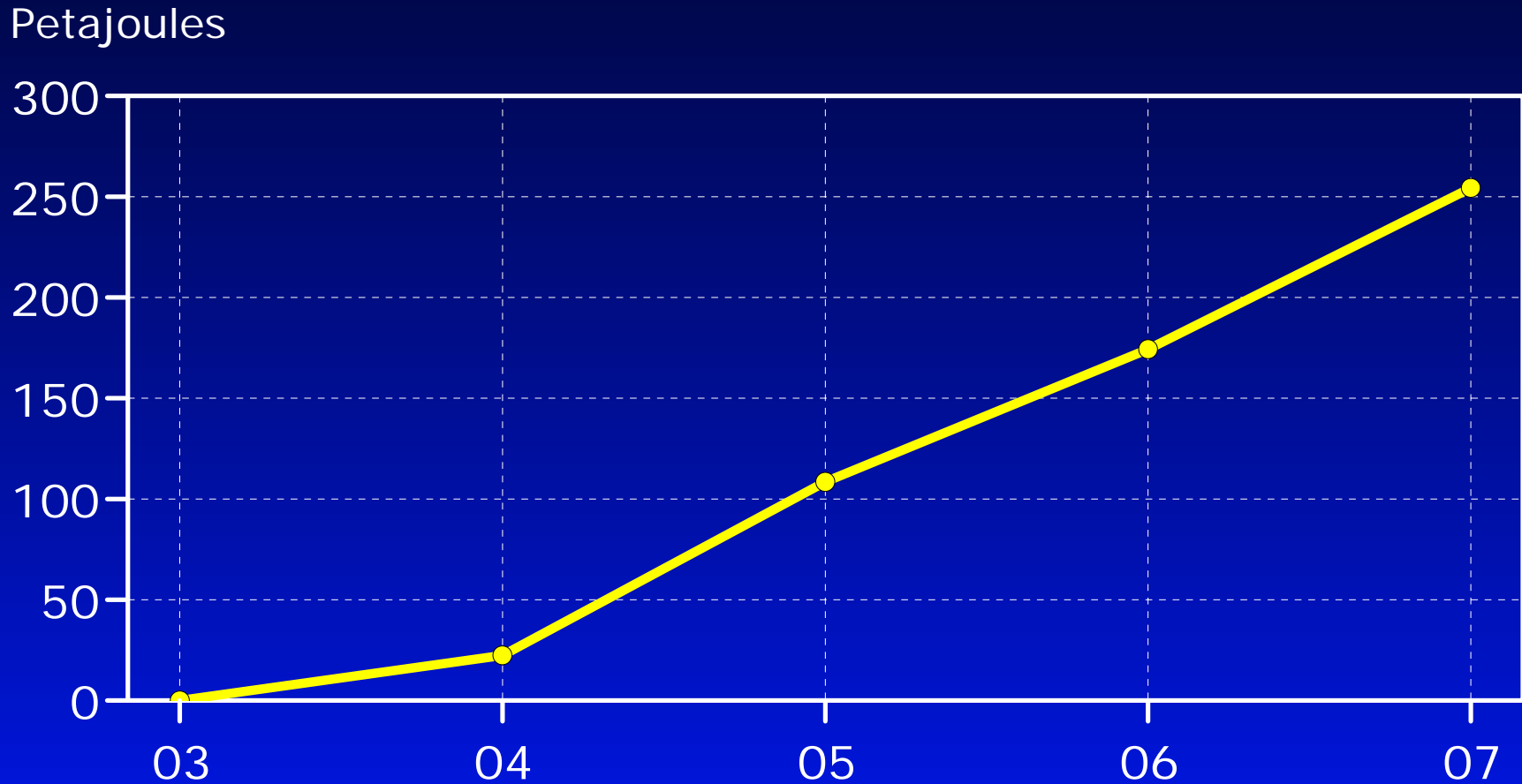
Source: ERCB.

Latest: 2007



An emerging energy source

Coalbed Methane Production, Alberta



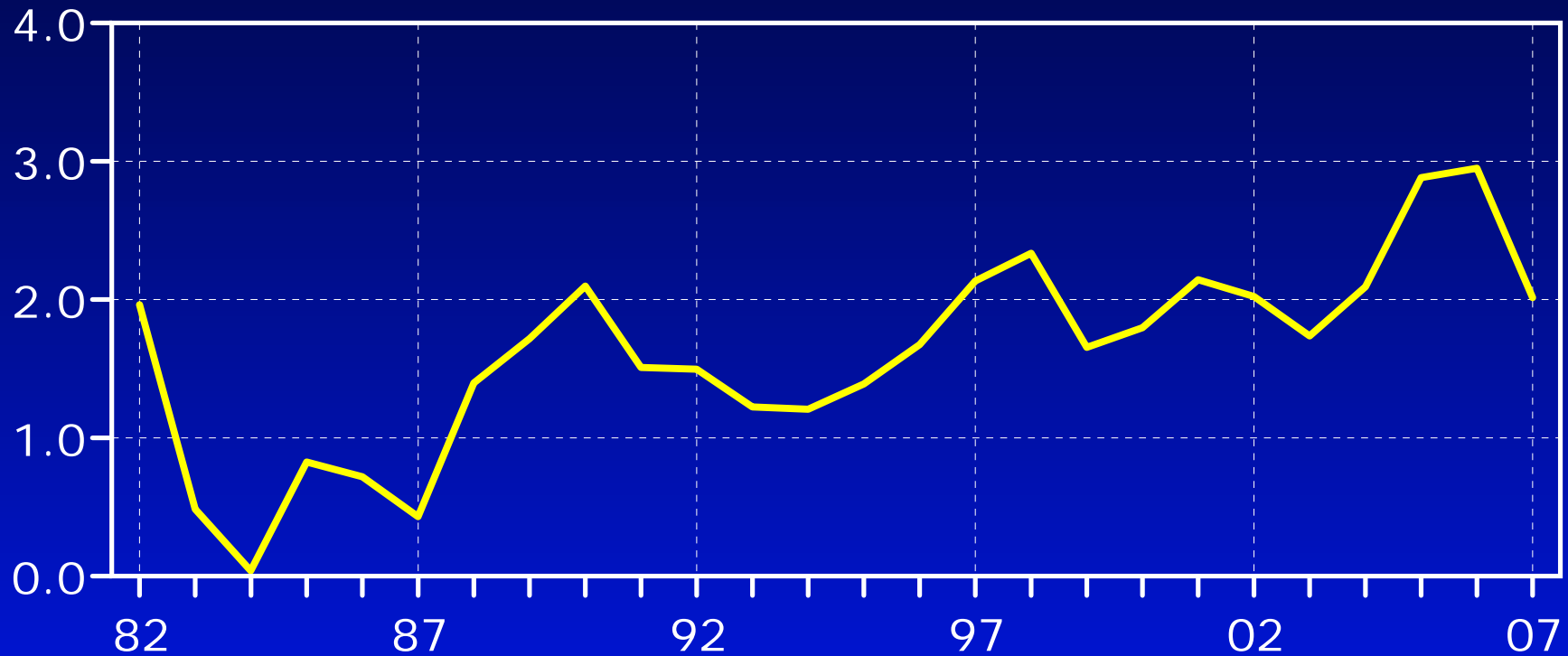
Source: ERCB.



High population growth, slowing in 2007

Alberta Population Growth Rate, Annually

Per cent



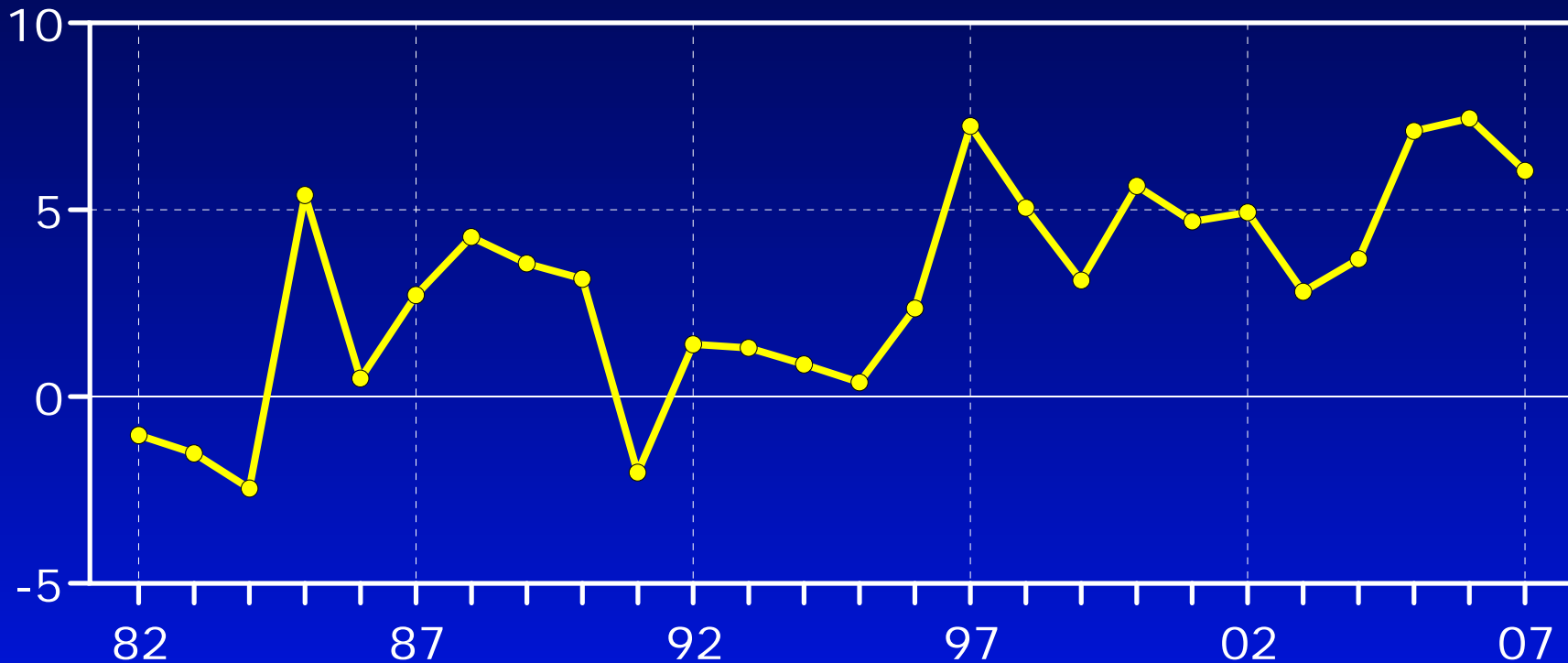
Source: Statistics Canada, C1CU. Note: At yearend, recent data are preliminary.



High and variable growth in Alberta economy

Domestic-oriented* Economic Growth, Alberta

Percentage change in 2002 dollars



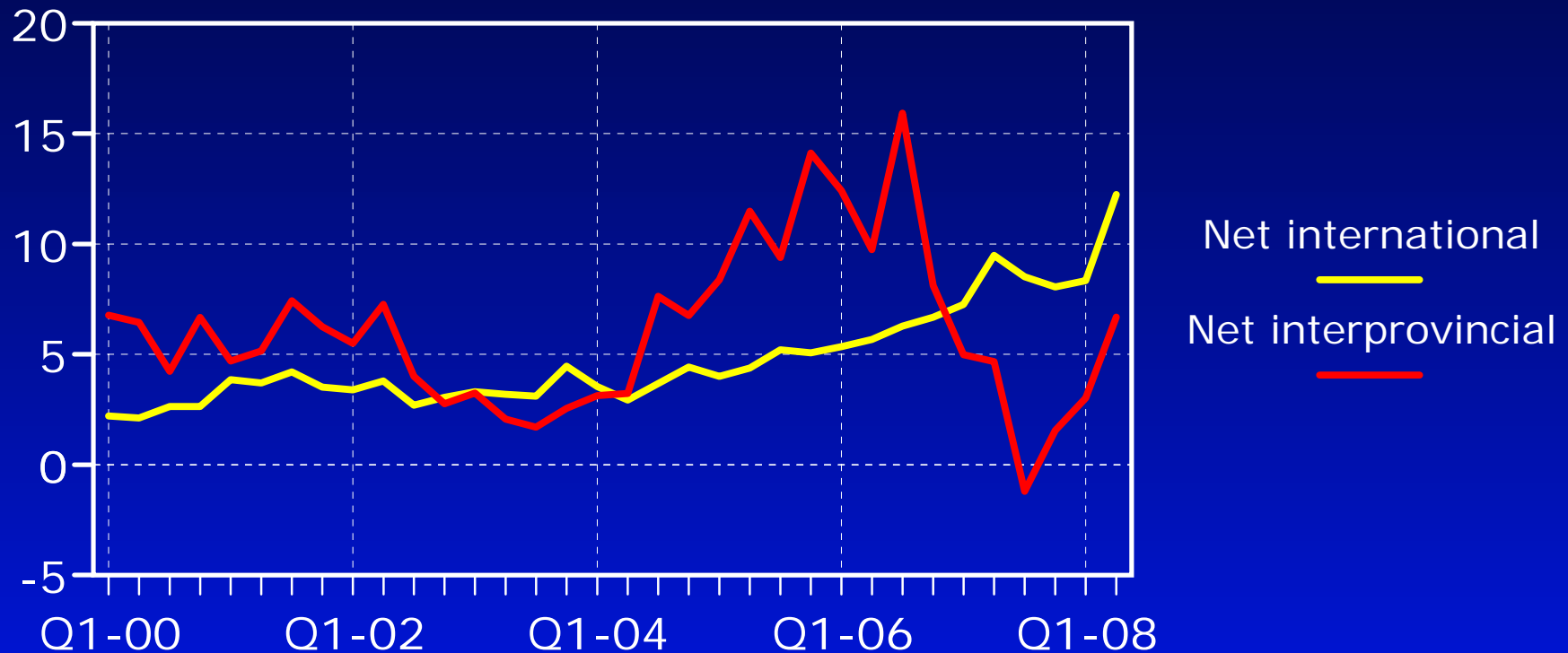
Source: Statistics Canada.*Personal consumption, government and residential spending.



Net migration rebounds

Net Migration by Type, Alberta, Quarterly

Persons - thousands

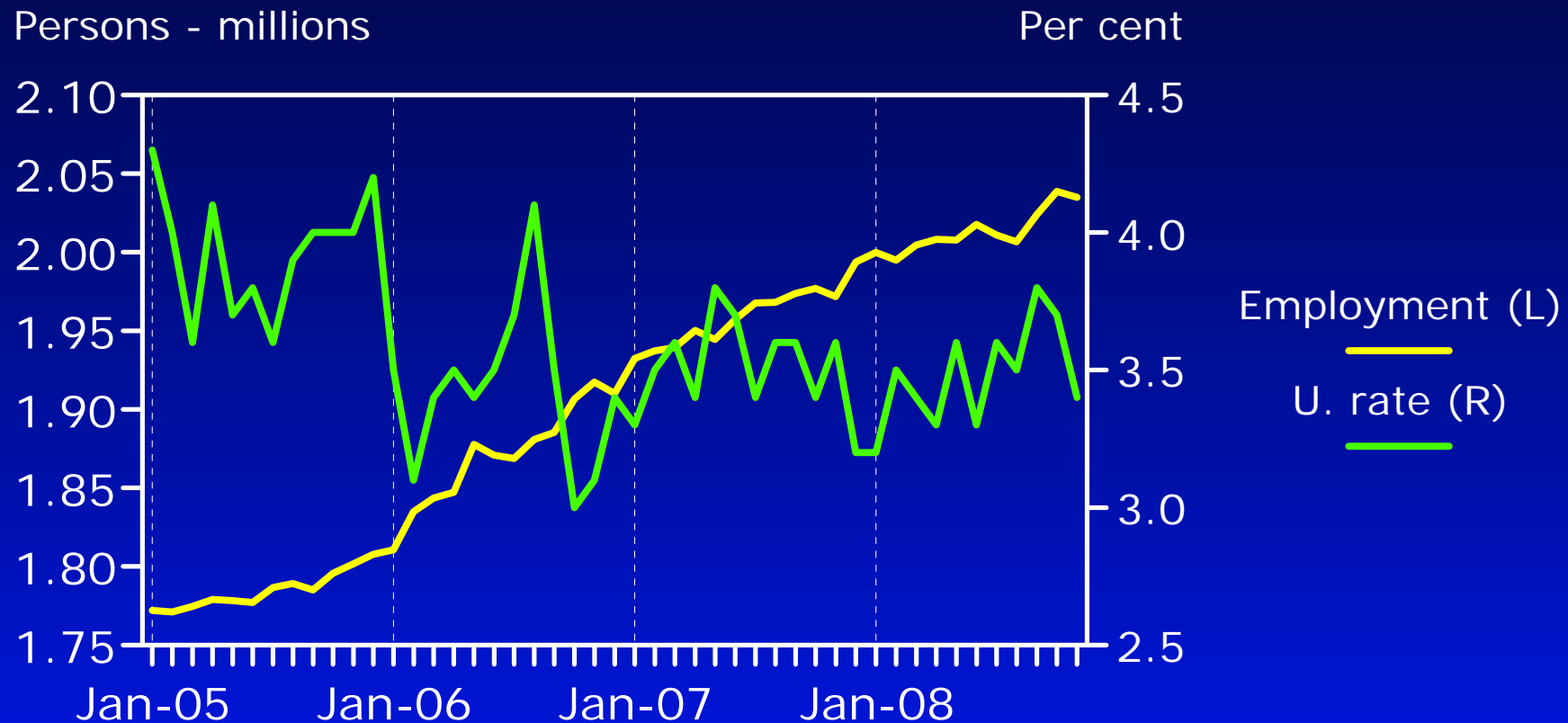


Source: Statistics Canada, C1CU. Note: Seasonally adjusted. Latest: Q2-08



Employment growing at slower pace in 2008, low unemployment rate

Alberta Labour Market

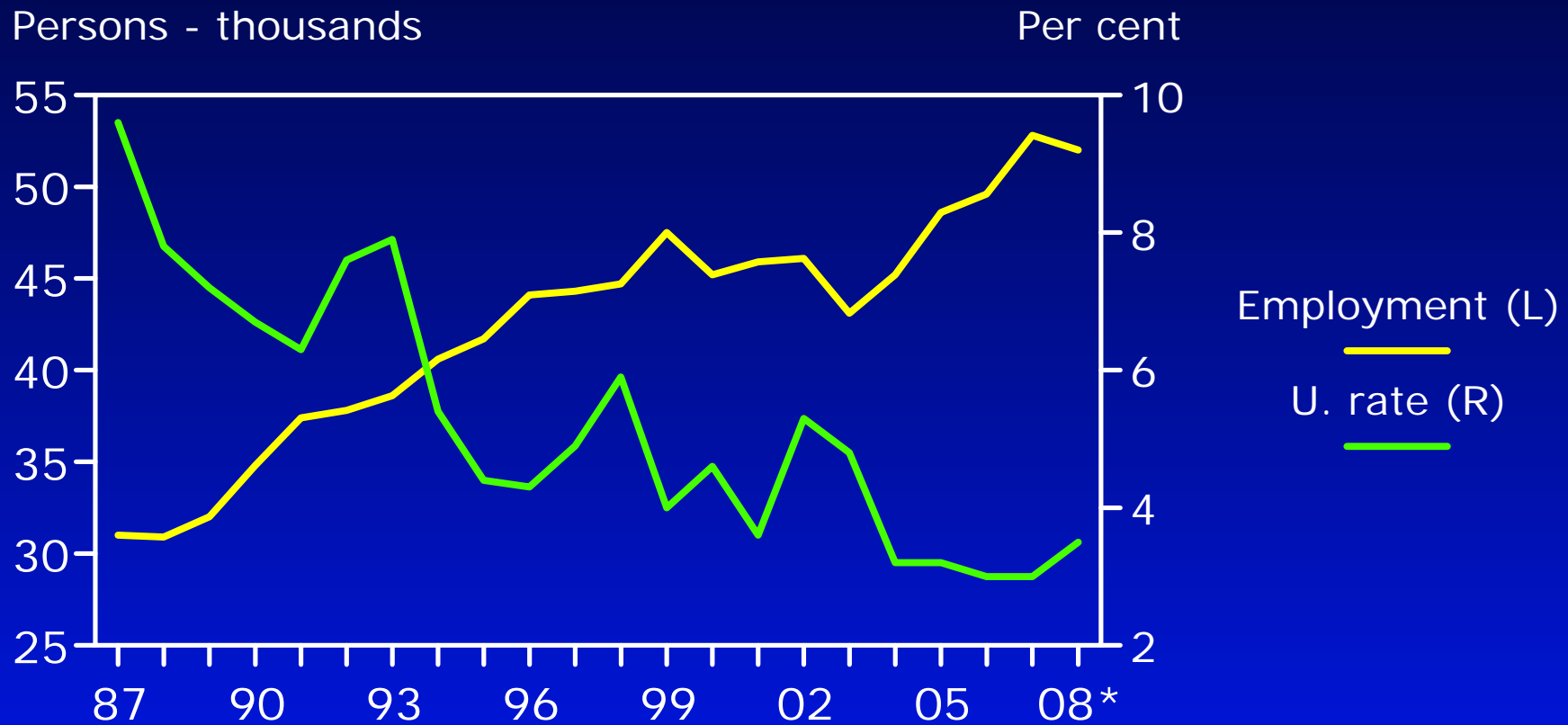


Source: Statistics Canada. Note: Seasonally adjusted. Latest: Nov-08



Employment in 2008 down slightly

Banff-Jasper-Rocky Mountain House Labour Market, Annually



Source: Statistics Canada.

*Jan to Nov-08



Retail sales no longer rising

Alberta Retail Sales

Dollars - billions



Source: Statistics Canada. Note: Seasonally adjusted. Latest: Sep-08



Large drop in housing sales since mid-2007

Alberta MLS Residential Sales

Units - thousands



Source: CREA, C1CU.

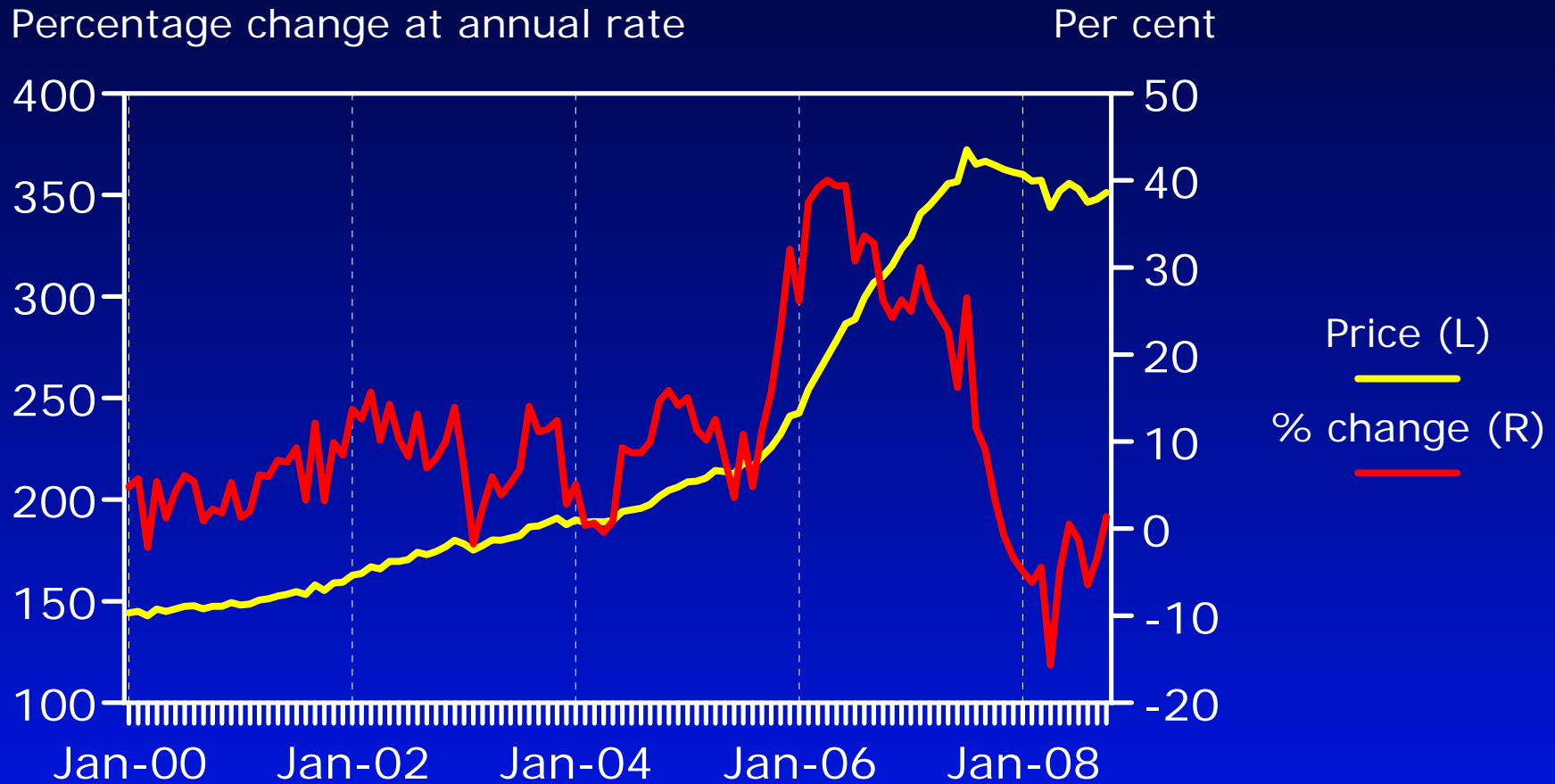
Note: Seasonally adjusted.

Latest: Oct. 2008



Reversal in housing prices

MLS Residential Average Sales Price, Alberta



Source: CREA, C1CU.

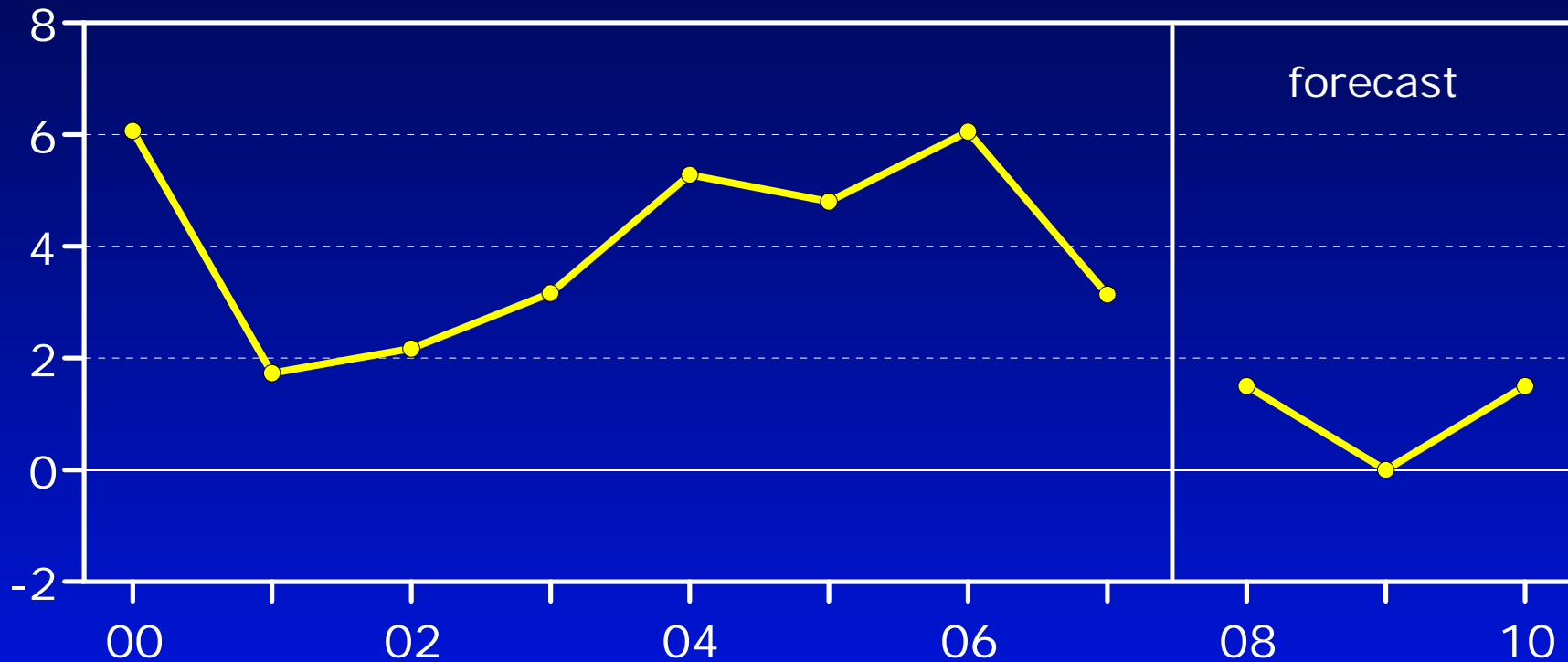
Latest: Oct.



Weak economic growth in 2008 to 2010

Alberta Economic Growth

Percentage change in real GDP



Source: Statistics Canada, C1CU.



Summary:

- Most severe financial crisis in decades; substantial negative economic impact
- Weak external economic conditions in 2009, modest improvement in 2010
- More bank rate cuts ahead, high cost of credit and tight credit conditions ease in 2009/2010
- Economy in substantial growth slowdown, mild recession in 2009 possible
- Weaker consumer spending and less private investment spending



Summary: *(continued)*

- Housing market in recession
- Much lower sales volume and prices in 2009
- Weak housing market recovery in 2010
- Forecast risks on downside
- Bottom in economy and housing lies ahead

