

Economic Update and Outlook

Rocky Credit Union Annual General Meeting

Monday, February 1, 2010

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Central 1 Credit Union



Outline:

- Financial crisis
- U.S. and Canadian economies
- Alberta economy and housing market
- Regional conditions
- Forecasts and summary



Canadian financial conditions much improved after crisis

Financial Conditions Index, Weekly, Canada

0 = average last 10 years



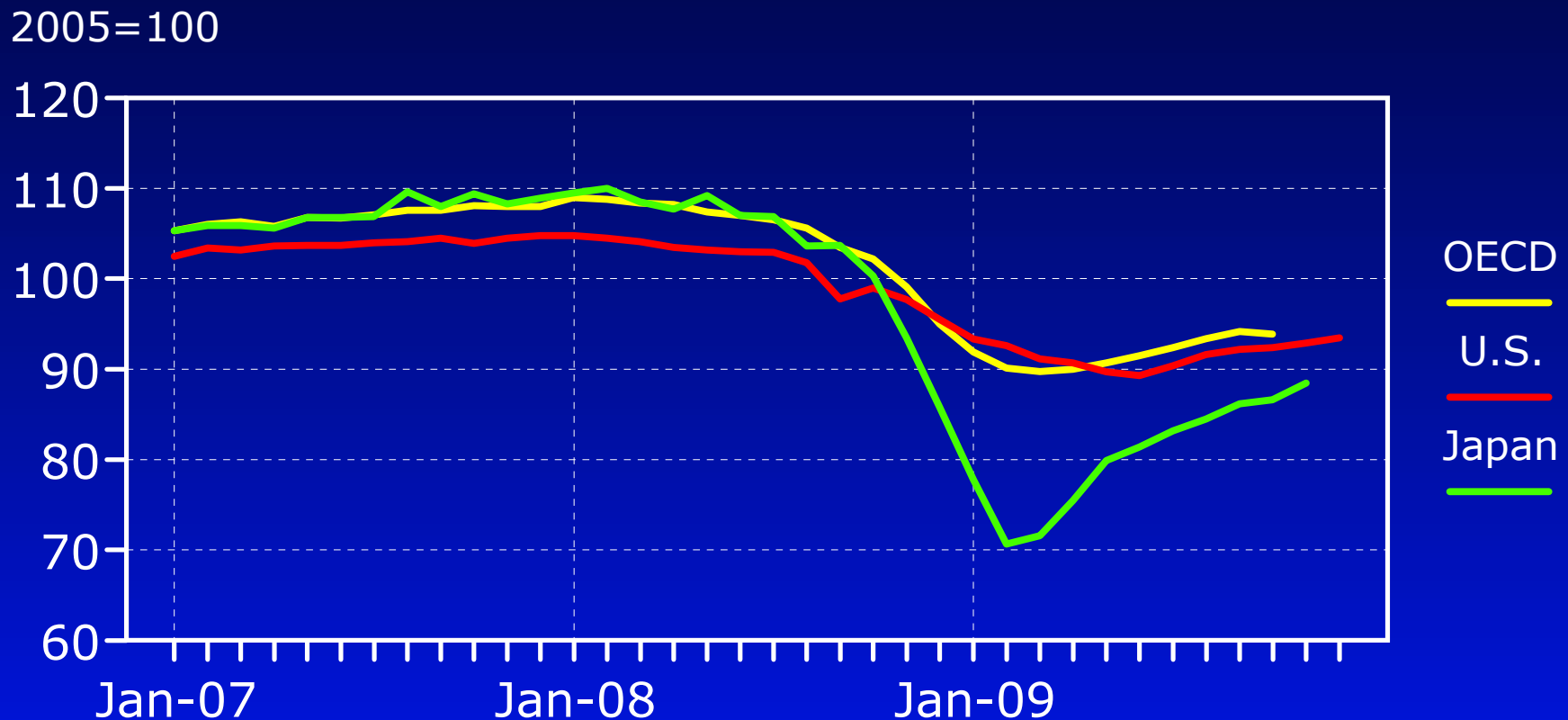
Source: Bank of Canada.

Latest: 1/08/10



Sharp fall in global production following financial shock, turning up in latest months

Industrial Production, OECD and Selected Countries



Source: OECD.

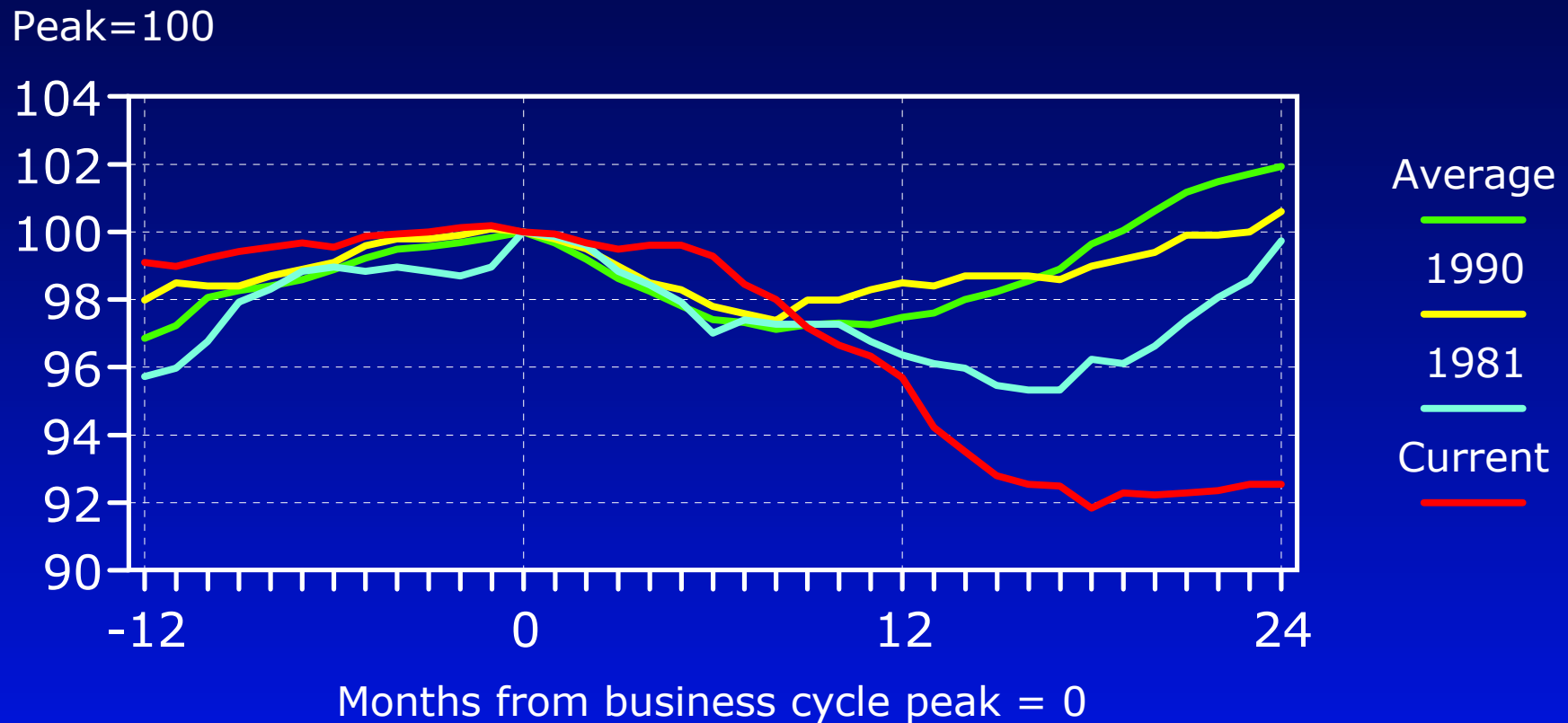
Note: Seasonally adjusted.

Latest: Oct-09 to Dec-09



Recent U.S. recession longer, deeper than average; economy stabilizing recently

U.S. Economic Recessions



Source: ECRI, C1CU.

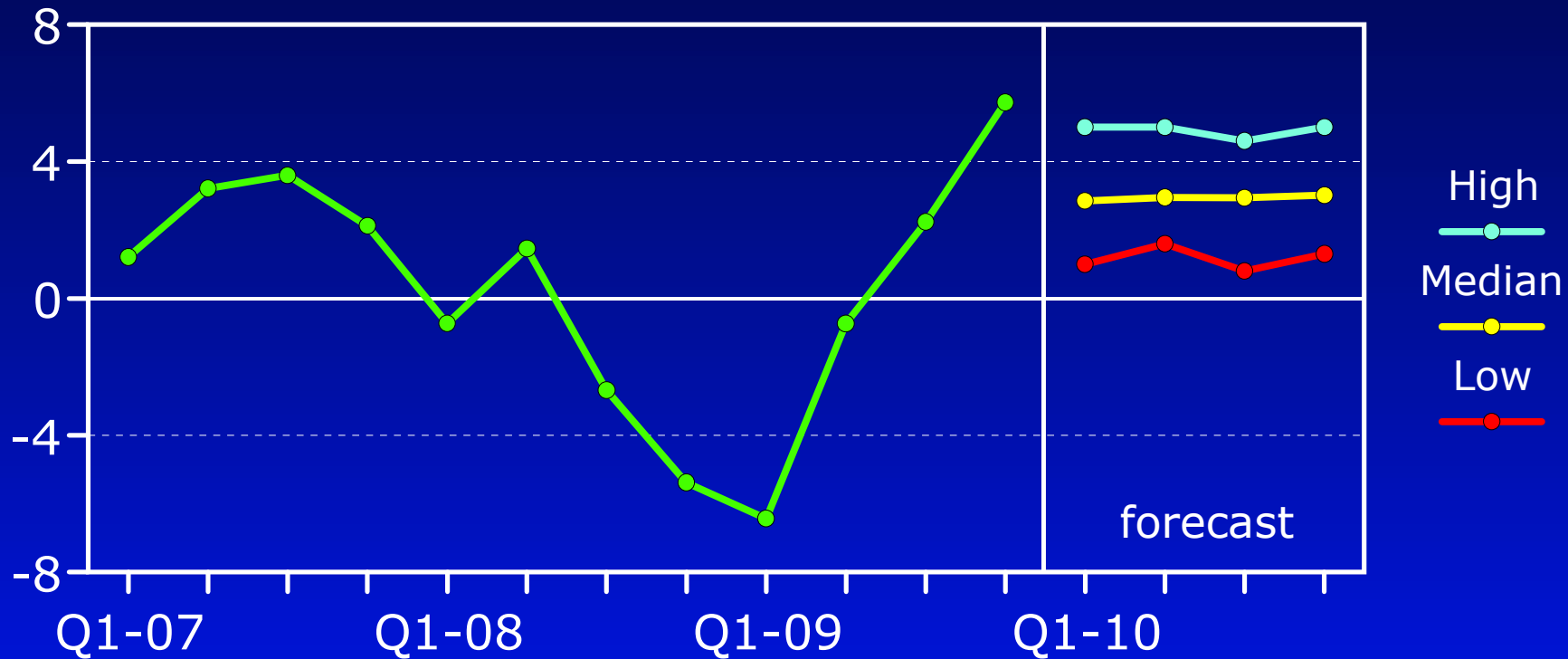
Latest current: Dec-09



Consensus forecast of U.S. economy sees below-average recovery ahead

Economic Forecast, U.S.

Percentage change at annual rate in real GDP



Source: US BEA, WSJ Outlook Survey Jan. 2010. Latest actual: Q4-09



Commodity prices rising after sharp fall

Commodity Price Index, Weekly, Canada

1982-90=100



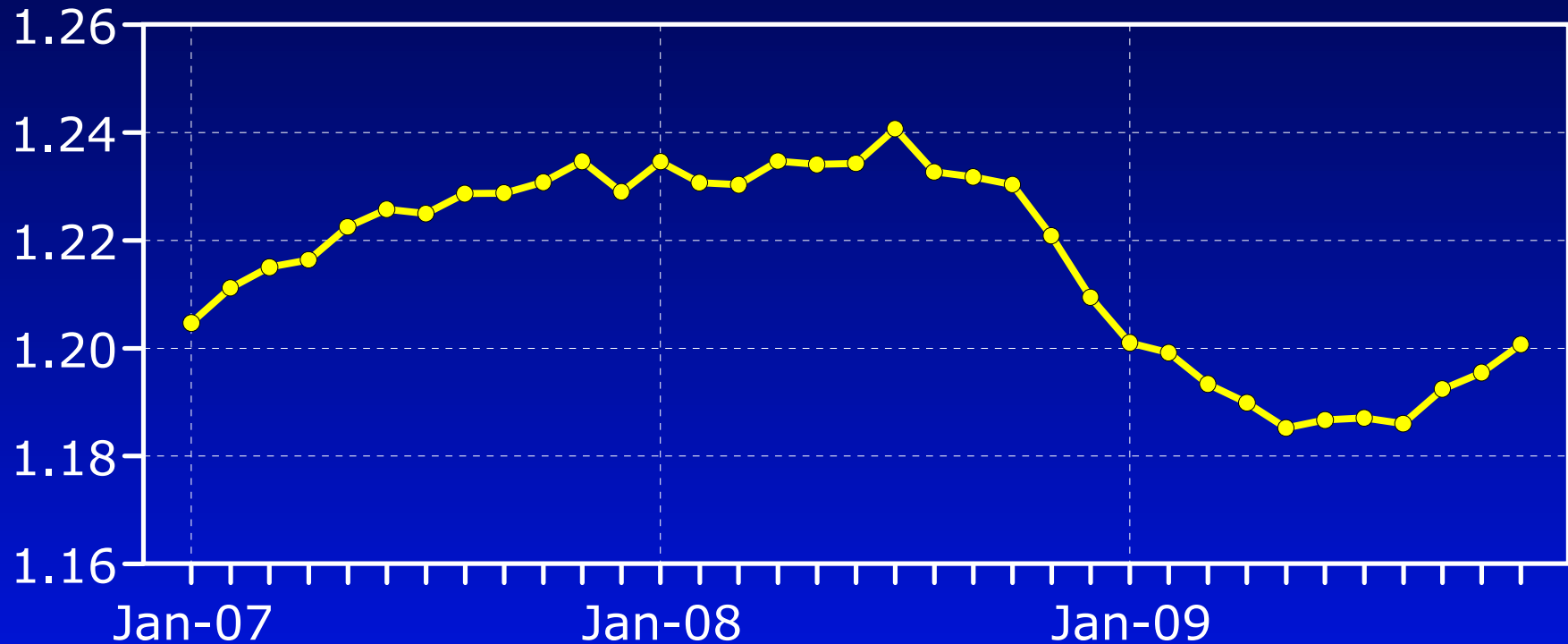
Source: Bank of Canada. Note: In U.S. dollar terms. Latest: 1/20/10



Canada's economy growing again

Economic Output, GDP All Industries, Canada

Dollars - chained 2002 trillions



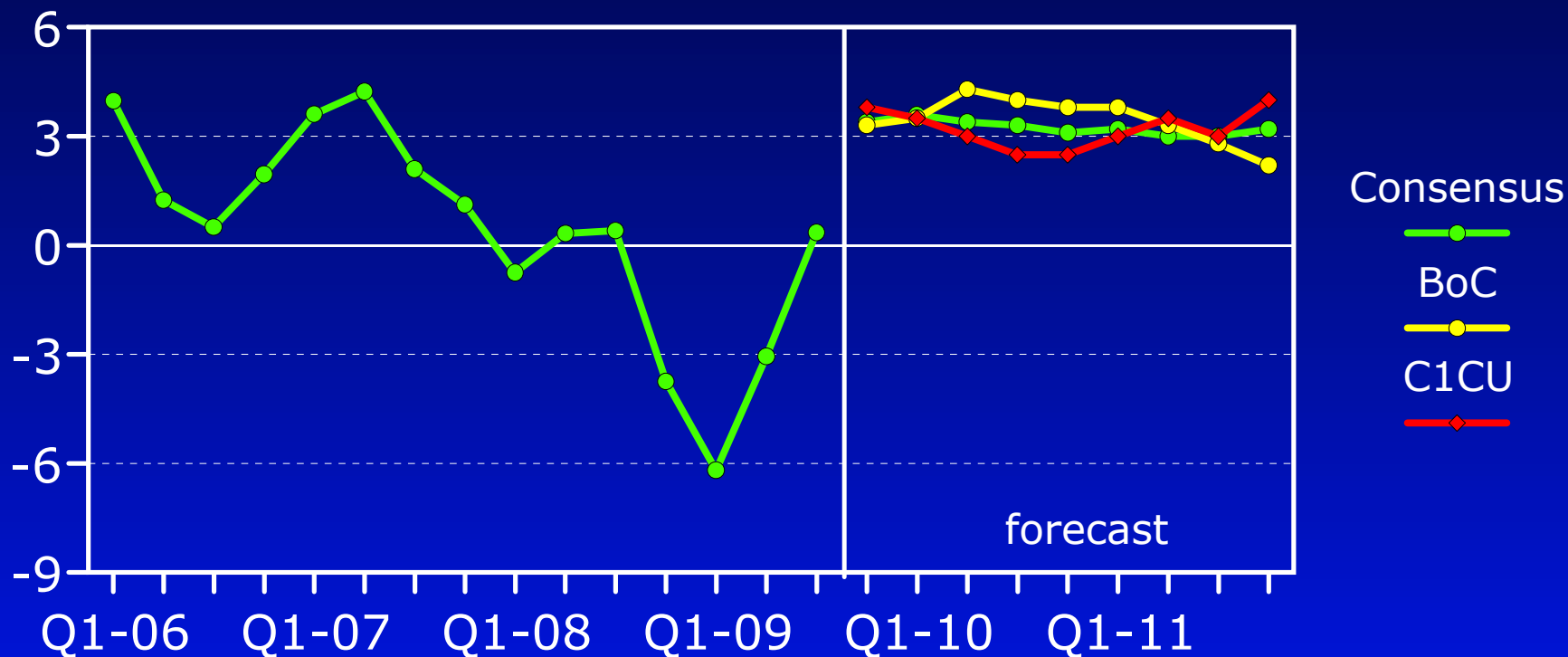
Source: Statistics Canada. Note: Seasonally adjusted at annual rate. Latest: Nov-09



Canada's economic recovery expected to follow U.S.

Economic Forecasts, Canada

Percentage change at annual rate in real GDP



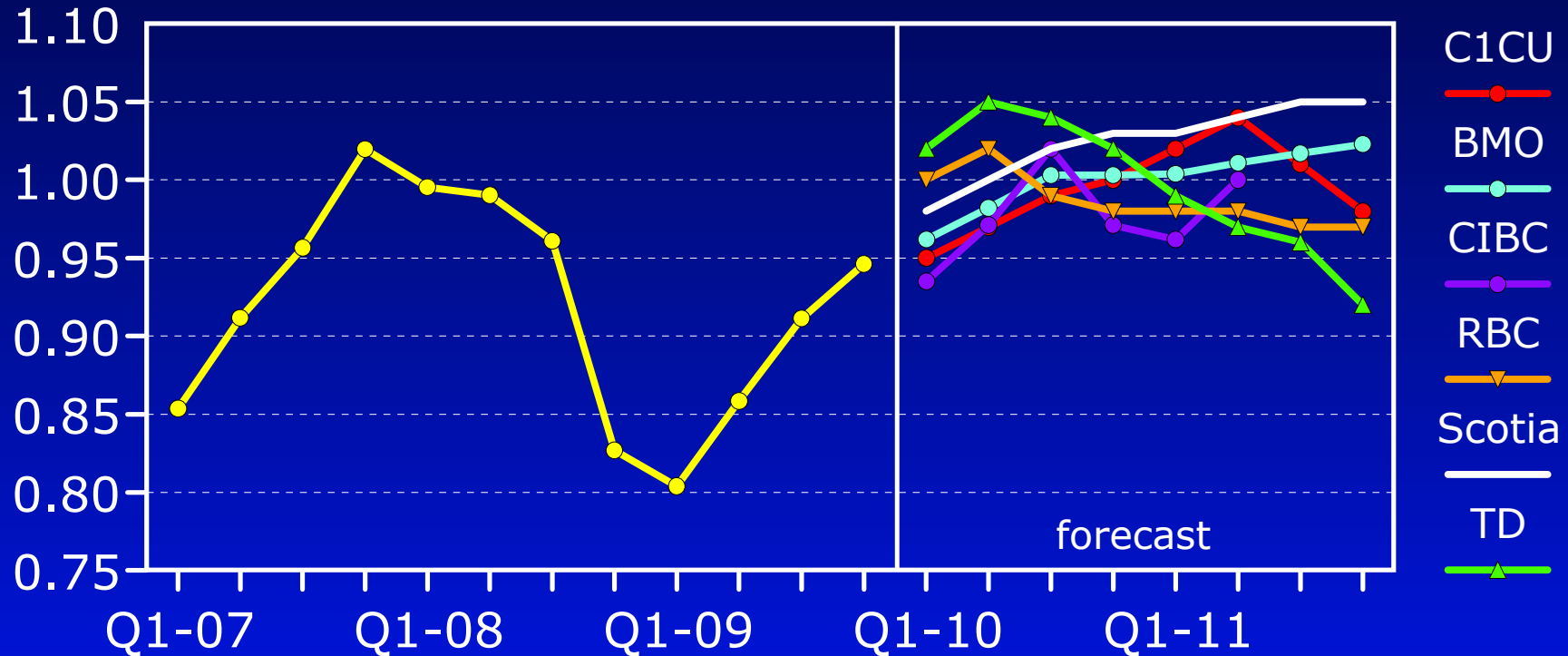
Source: Statistics Canada, ThomsonReuters, C1CU. Latest actual: Q3-09



Higher Canadian dollar expected in 2010

Exchange Rate Forecasts, Quarterly, Canada

USD per CAD



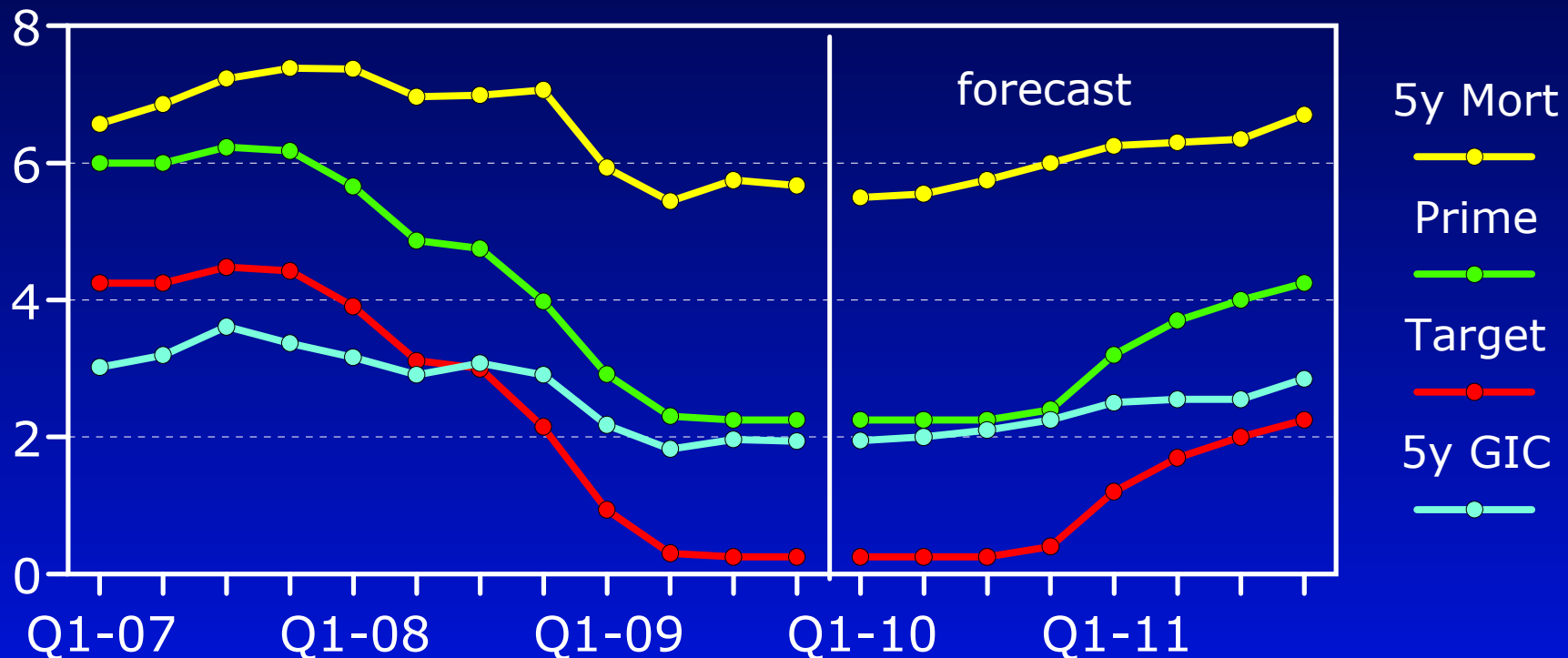
Source: Bank of Canada, C1CU. Note: Averages. Latest actual: Q4-09



Central bank on hold until late 2010

Interest Rate Forecasts, Quarterly, Canada

Per cent



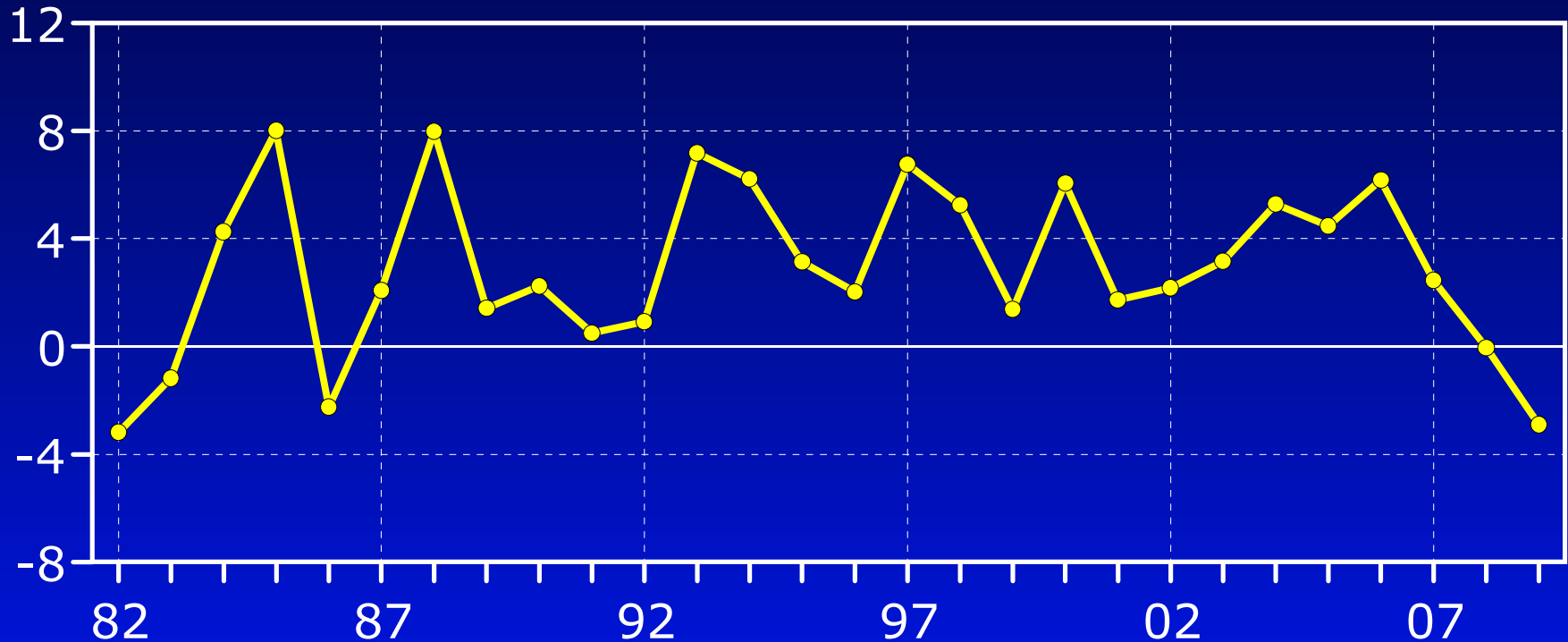
Source: Bank of Canada, C1CU. Note: Averages. Latest actual: Q4-09



Alberta's first recession since 1986

Economic Growth, Alberta

Per cent change in real GDP



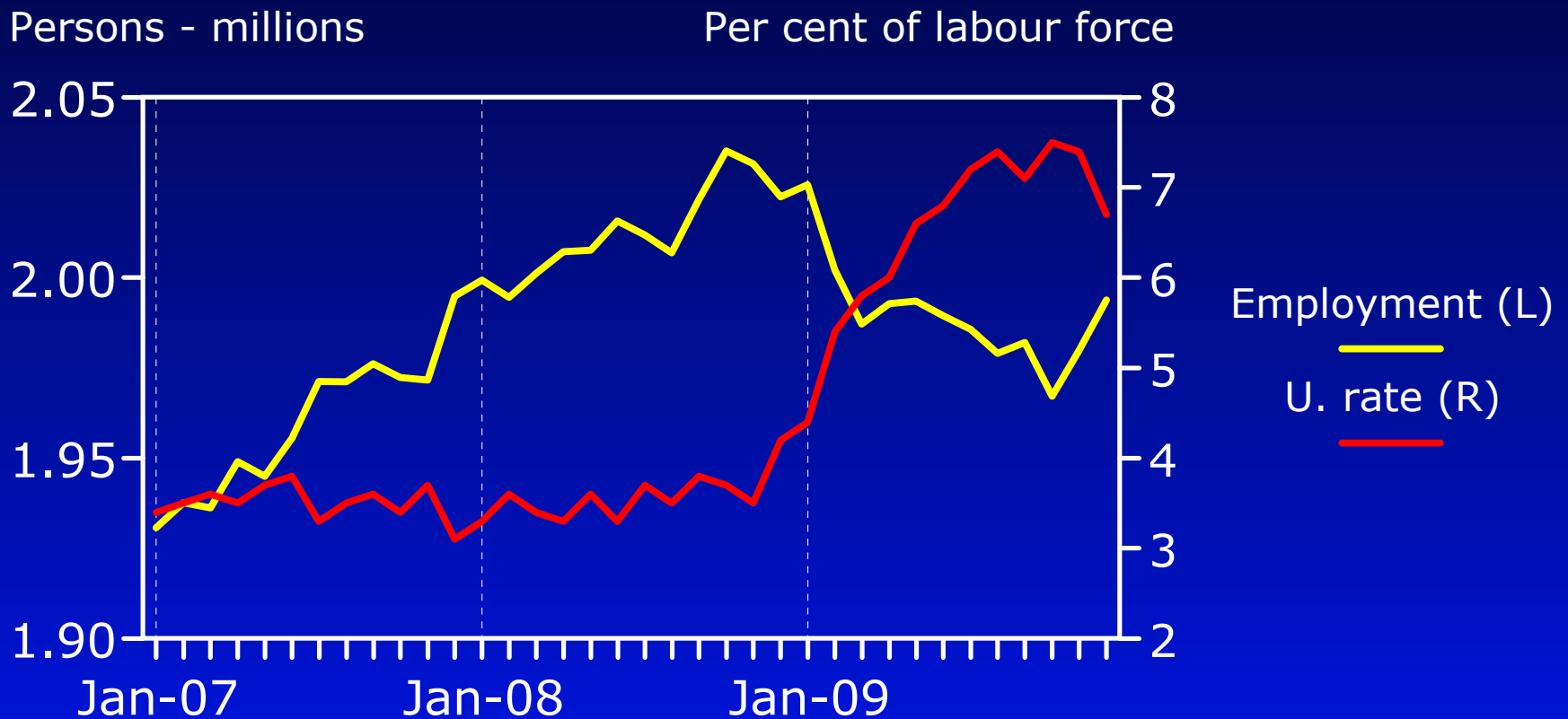
Source: Statistics Canada, C1CU.

Latest: 2008 actual, 2009 estimate



Recent improvements in Alberta's employment and unemployment rate

Labour Market, Alberta

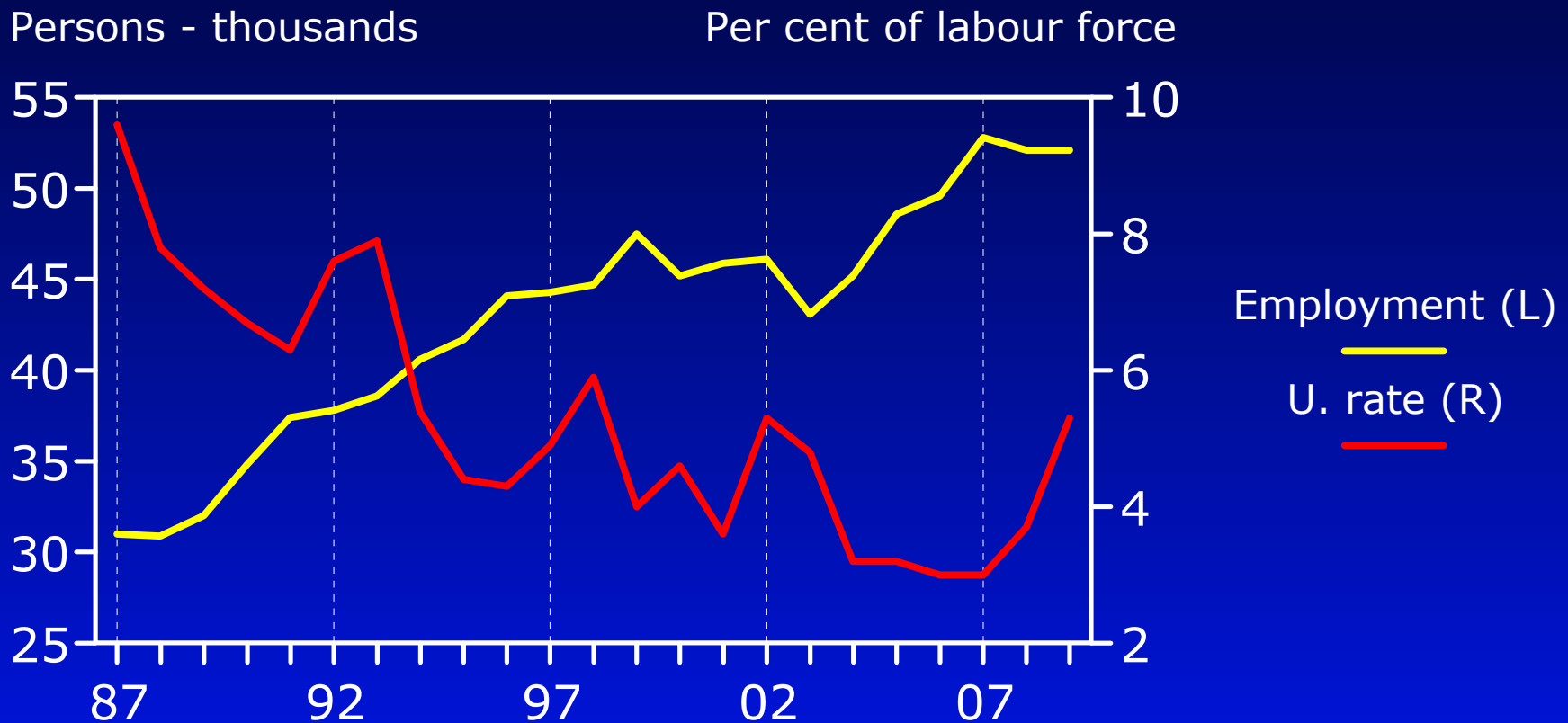


Source: Statistics Canada. Note: Seasonally adjusted. Latest: Dec-09



Regional unemployment rate jumps in 2009

Banff-Jasper-Rocky Mountain House Labour Market, Annually



Source: Statistics Canada.

Latest: 2009



Large increase in region's unemployed

E.I. Beneficiaries, Census Division No. 9, Alberta

Persons



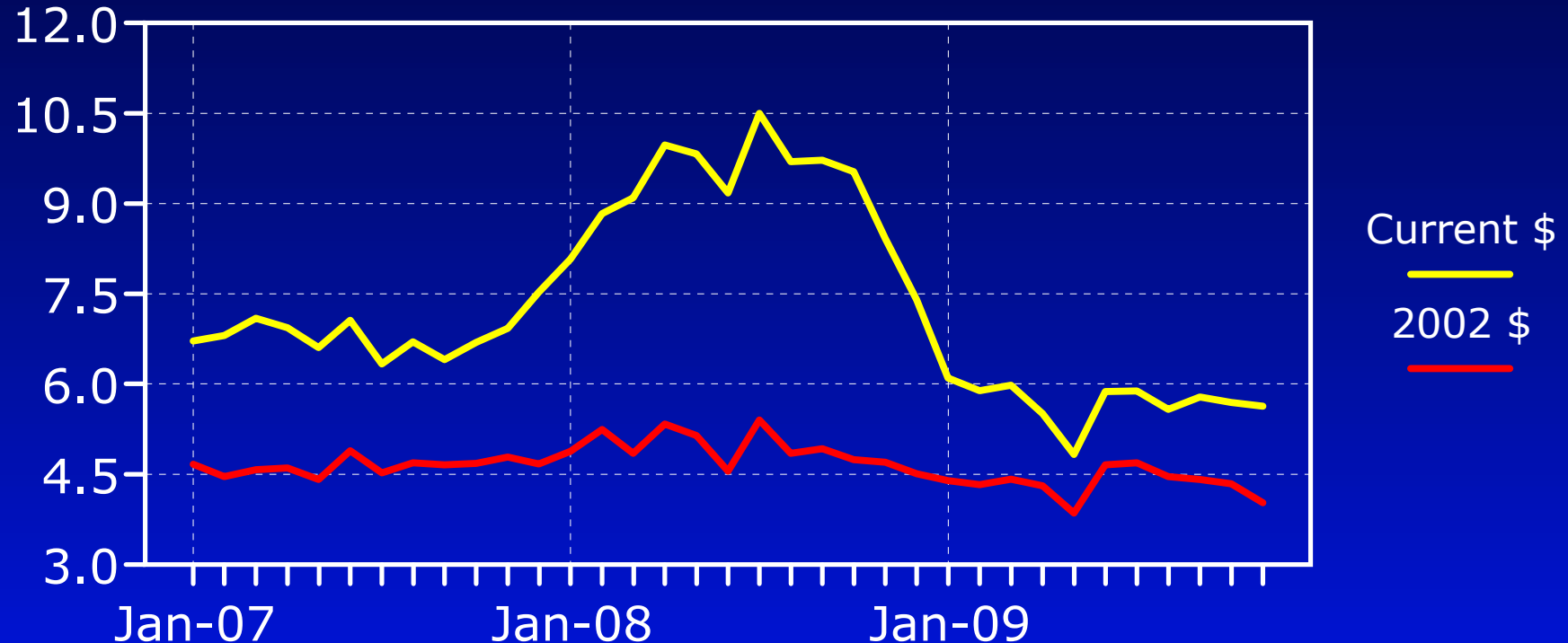
Source: Statistics Canada. Note: Seasonally adjusted. Latest: Nov-09



International goods exports at low levels

International Merchandise Exports, Alberta

Dollars - billions

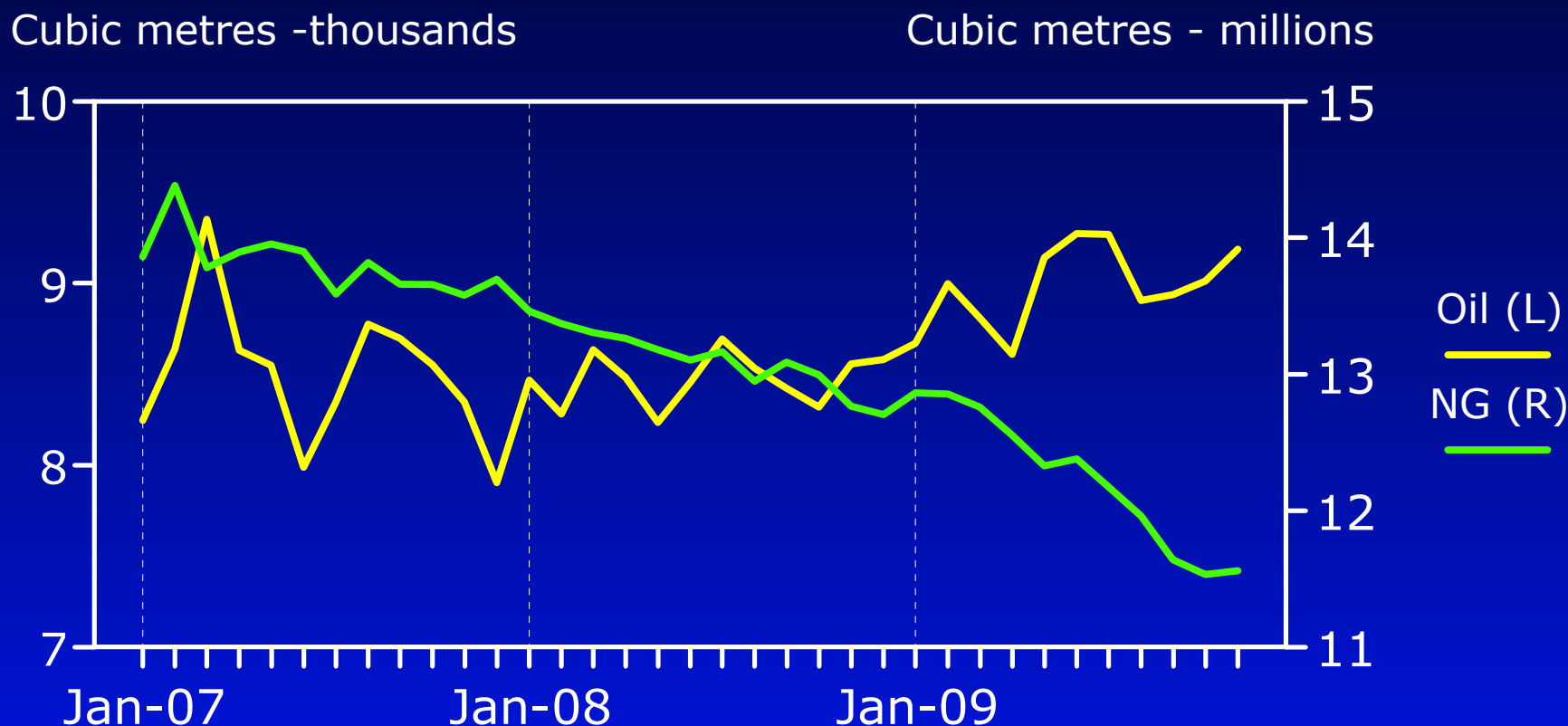


Source: Statistics Canada, C1CU. Note: Seasonally adjusted Latest: Nov-09



Oil production holding up, natural gas down

Crude Oil and Natural Gas Production, Alberta



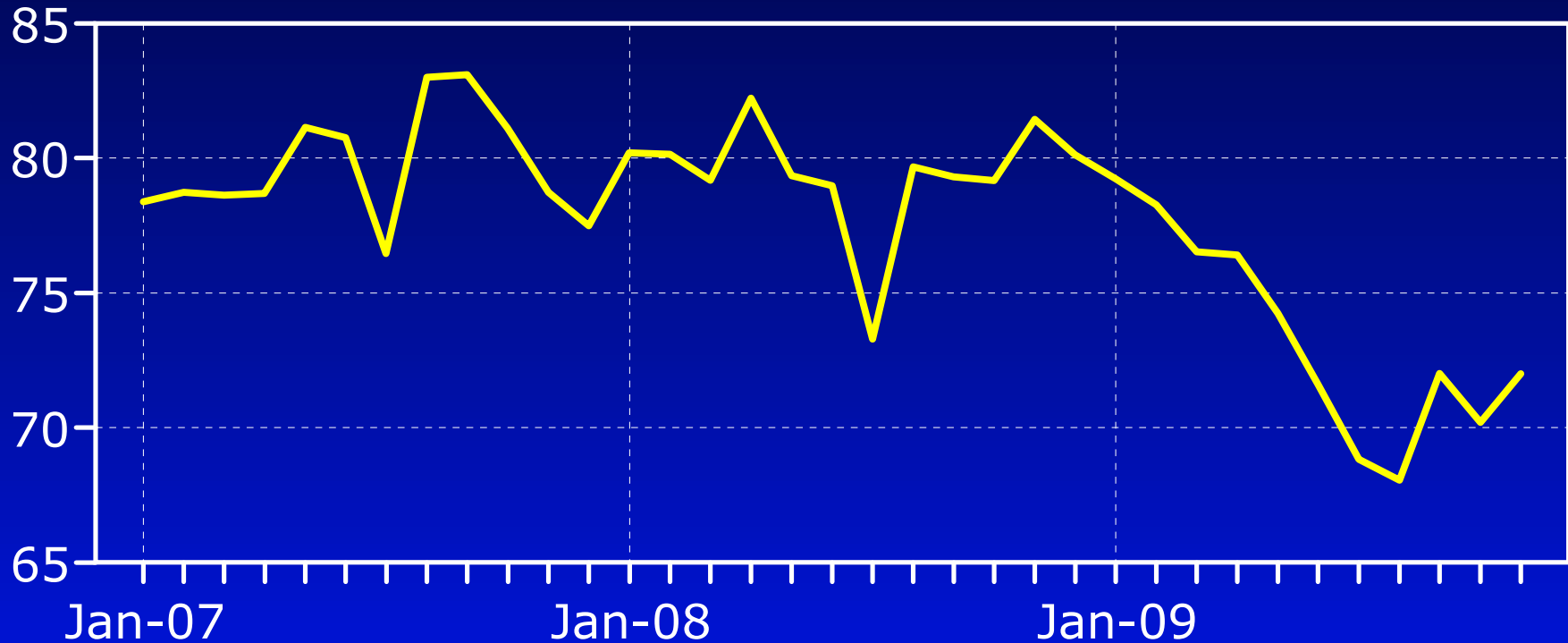
Source: Statistics Canada, ERCB, C1CU. Note: Seas. adj. Latest: Nov-09



Fewer tourist visits from other countries

International Tourist Entries, Alberta

Persons - thousands



Source: Statistics Canada. Note: Seasonally adjusted.

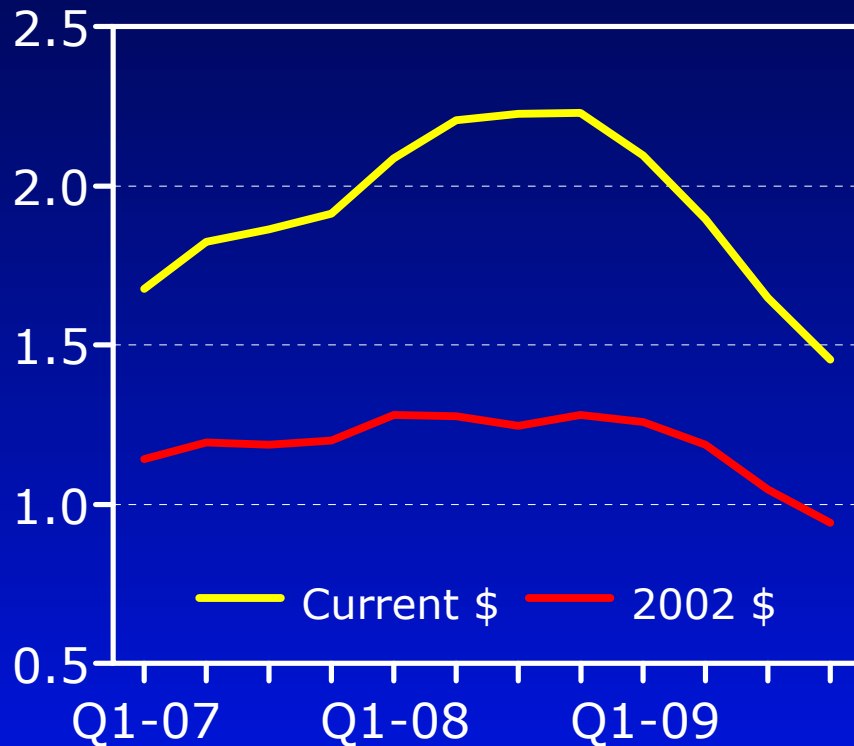
Latest: Nov-09



Alberta's public building construction investment climbing, private sector declining

Private Building Construction

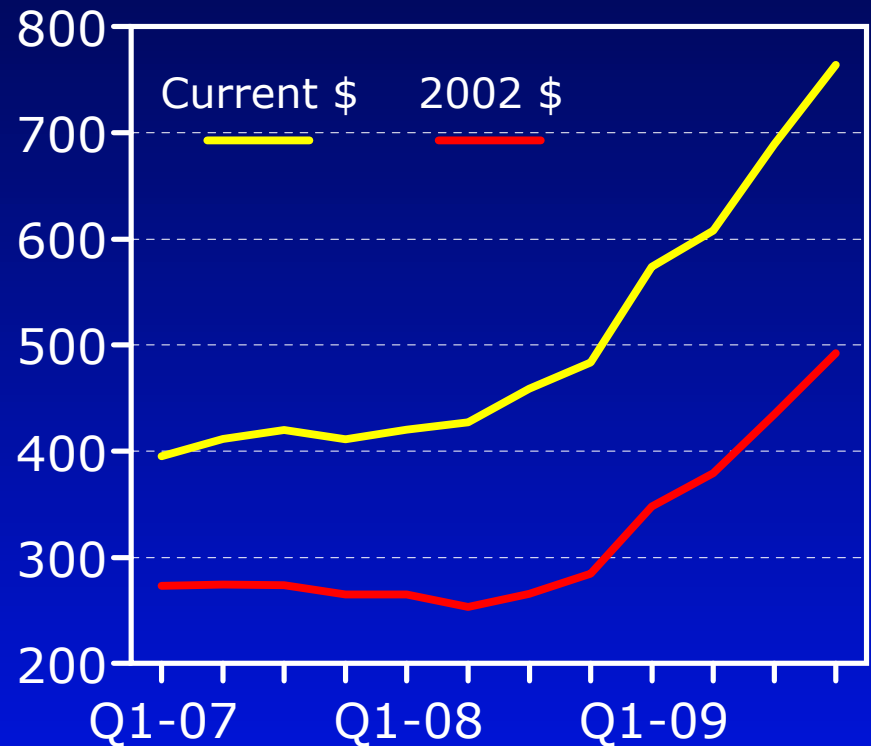
Dollars - billions



Source: Statistics Canada.

Govt. Building Construction

Dollars - millions



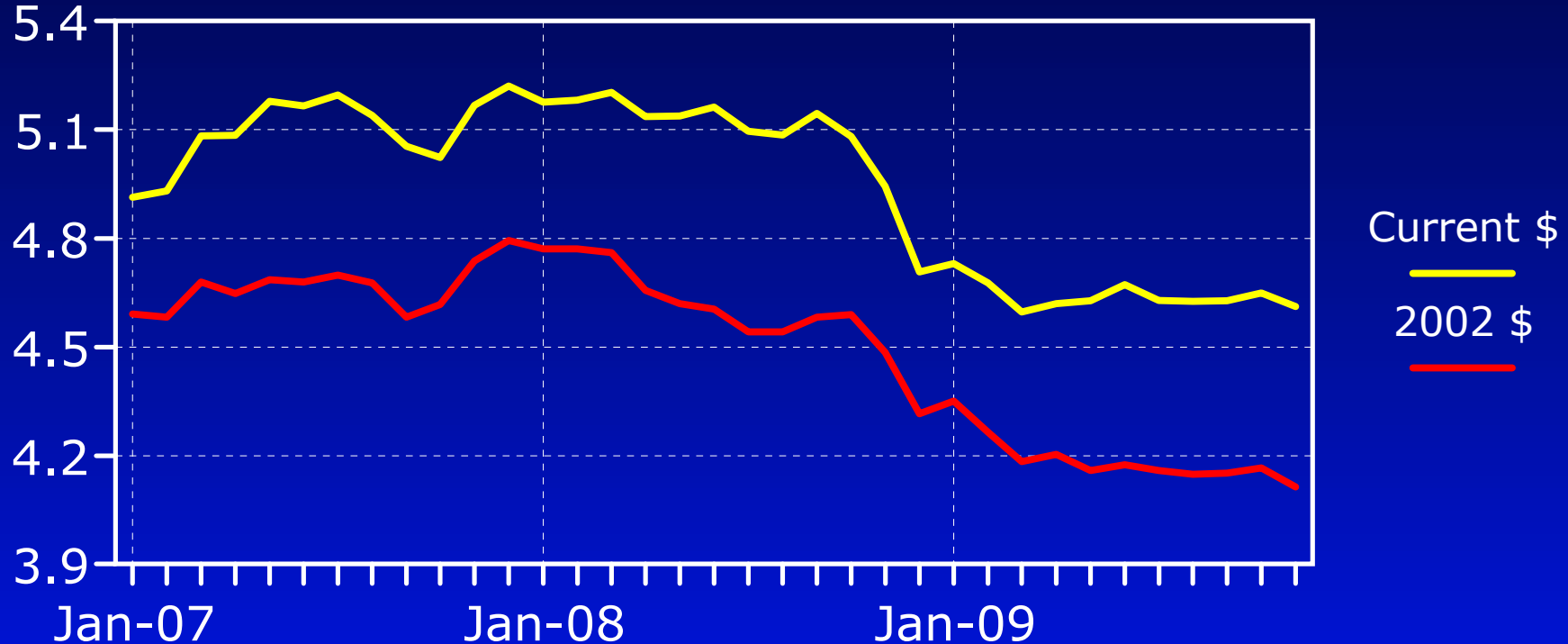
Note: Seasonally adjusted



Flat consumer spending in recent months

Retail Sales, Alberta

Dollars - billions



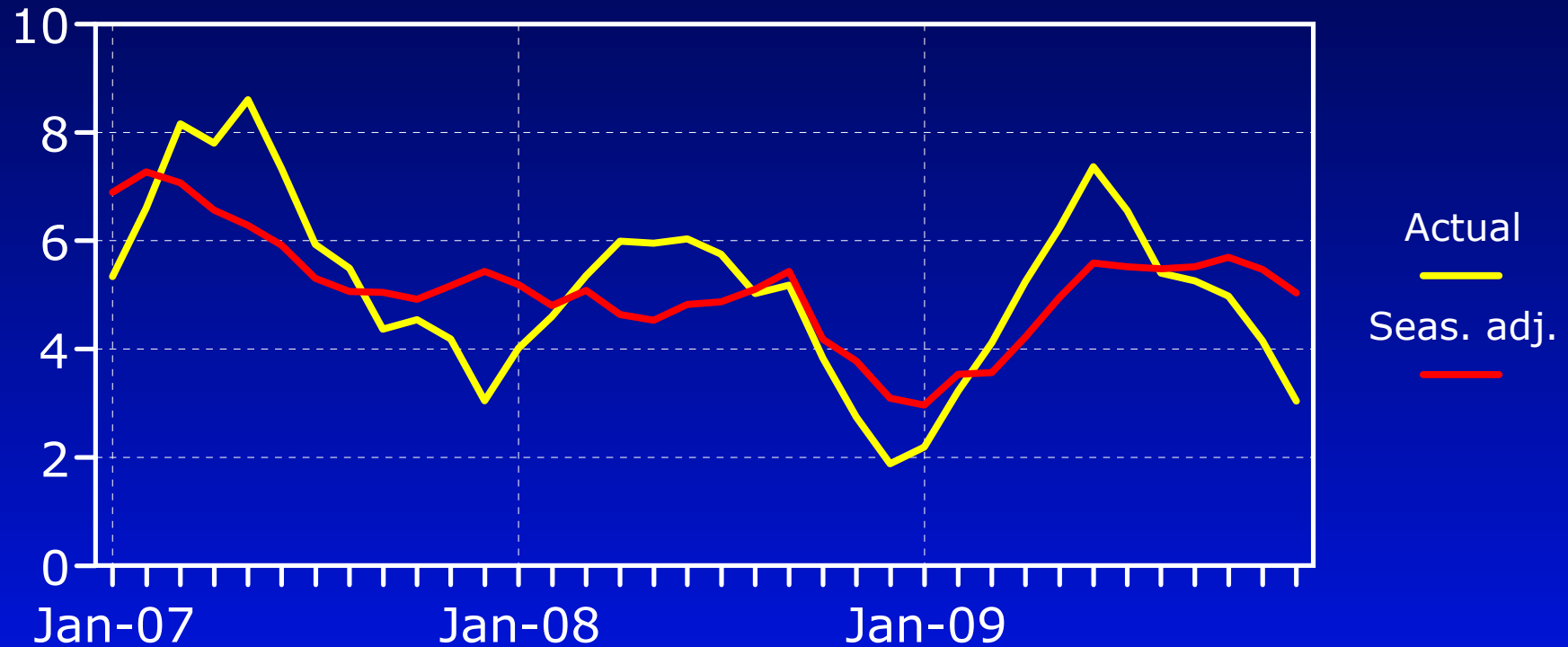
Source: Statistics Canada, C1CU. Note: Seasonally adjusted. Latest: Nov-09



Housing sales rebounds from recession low, flat trend since June

MLS Residential Sales, Monthly, Alberta

Units - thousands



Source: CREA, C1CU.

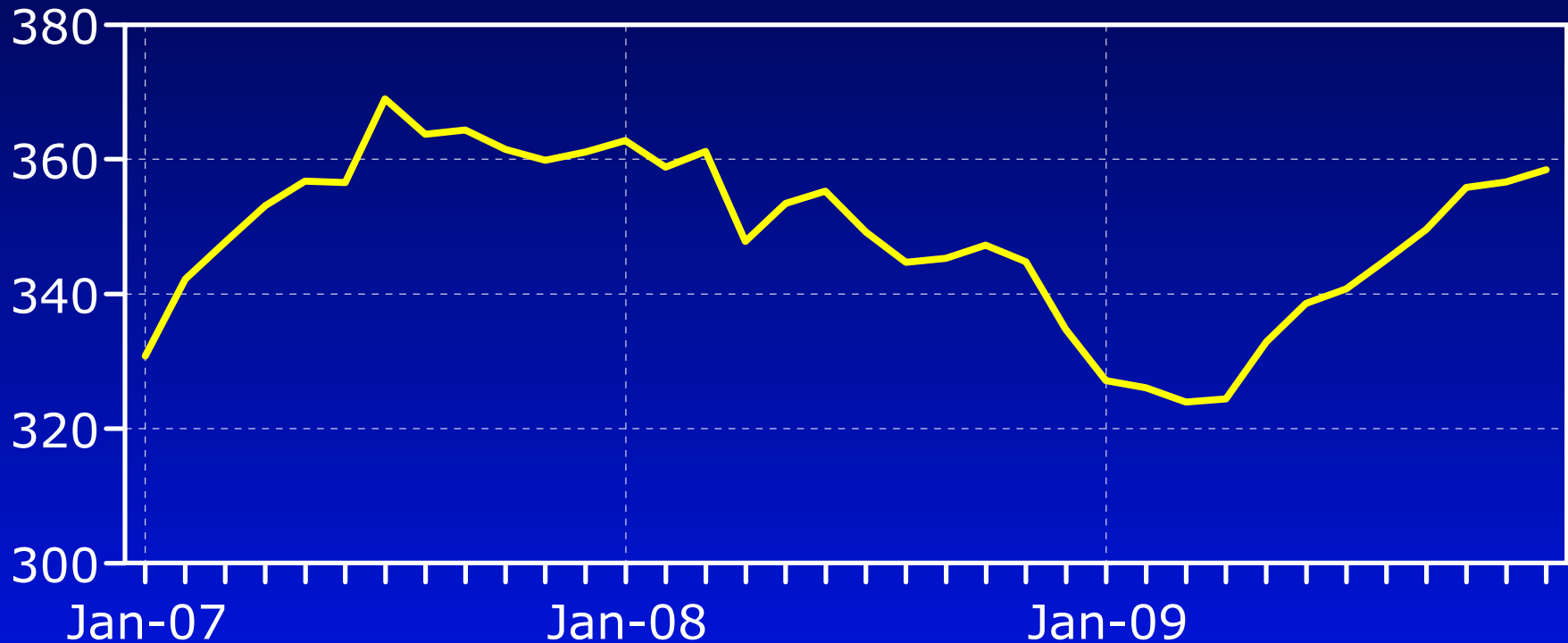
Latest: Dec-09



Housing prices approaching previous highs

MLS Residential Average Sales Price, Monthly, Alberta

Dollars - thousands



Source: CREA, C1CU. Note: Seasonally adjusted.

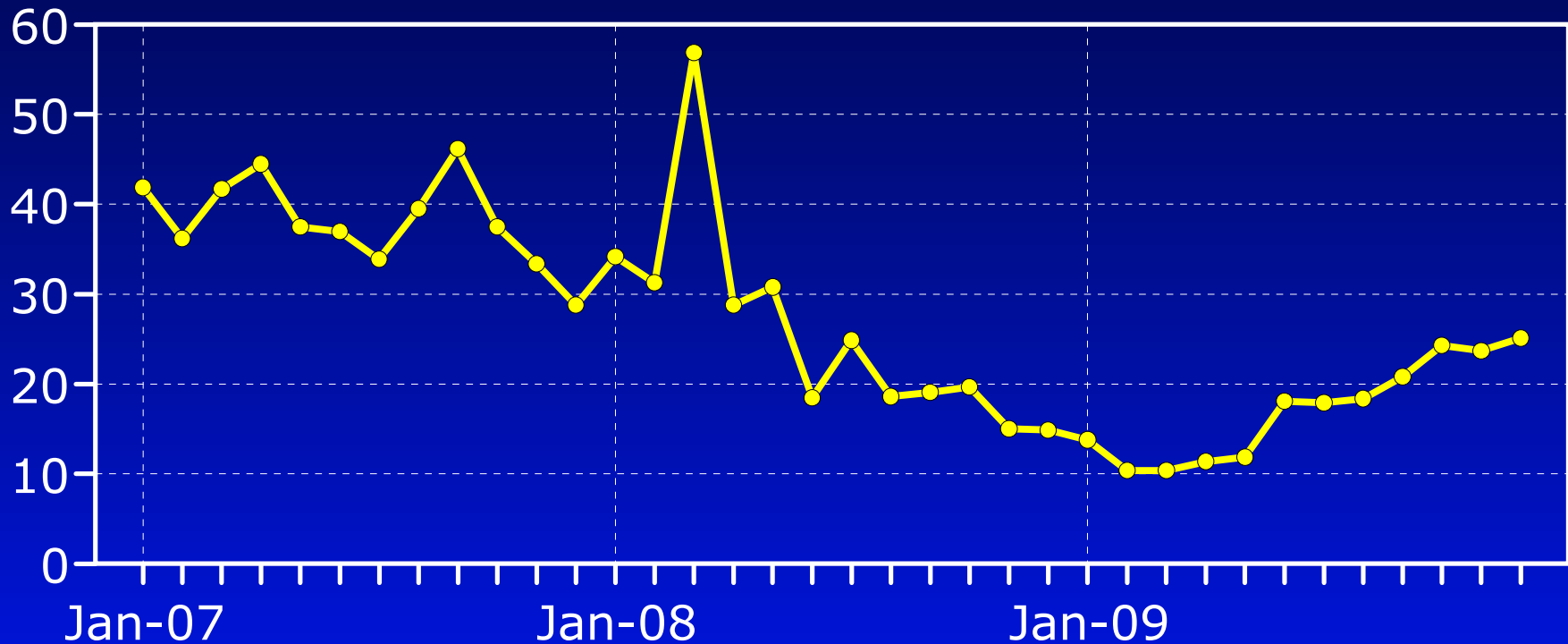
Latest: Dec-09



New housing construction responding to improving market conditions

Housing Starts, Monthly, Alberta Urban Centres

Units - thousands



Source: CMHC. Note: Seasonally adjusted at annual rate.

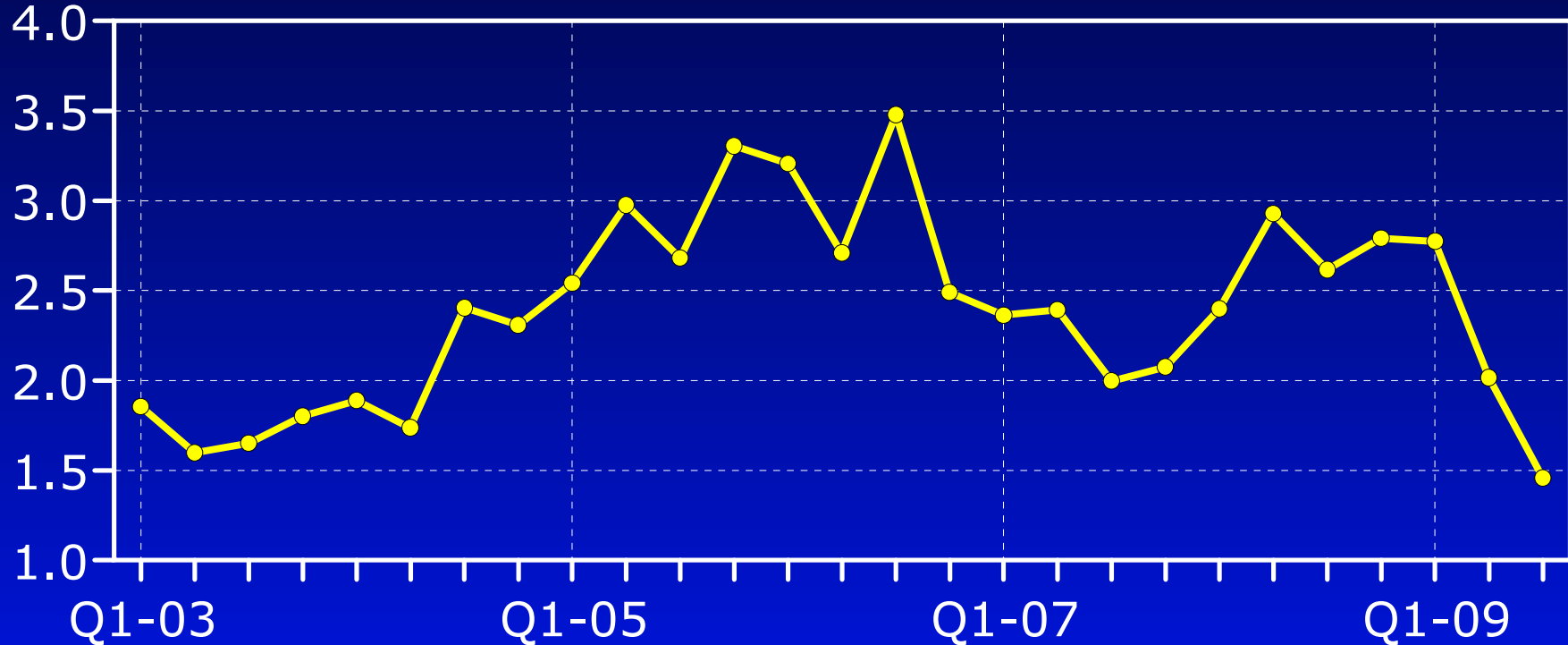
Latest: Dec-09



Population growth falling

Population Growth Rate, Quarterly, Alberta

Percent change at annual rate



Source: Statistics Canada, C1CU.

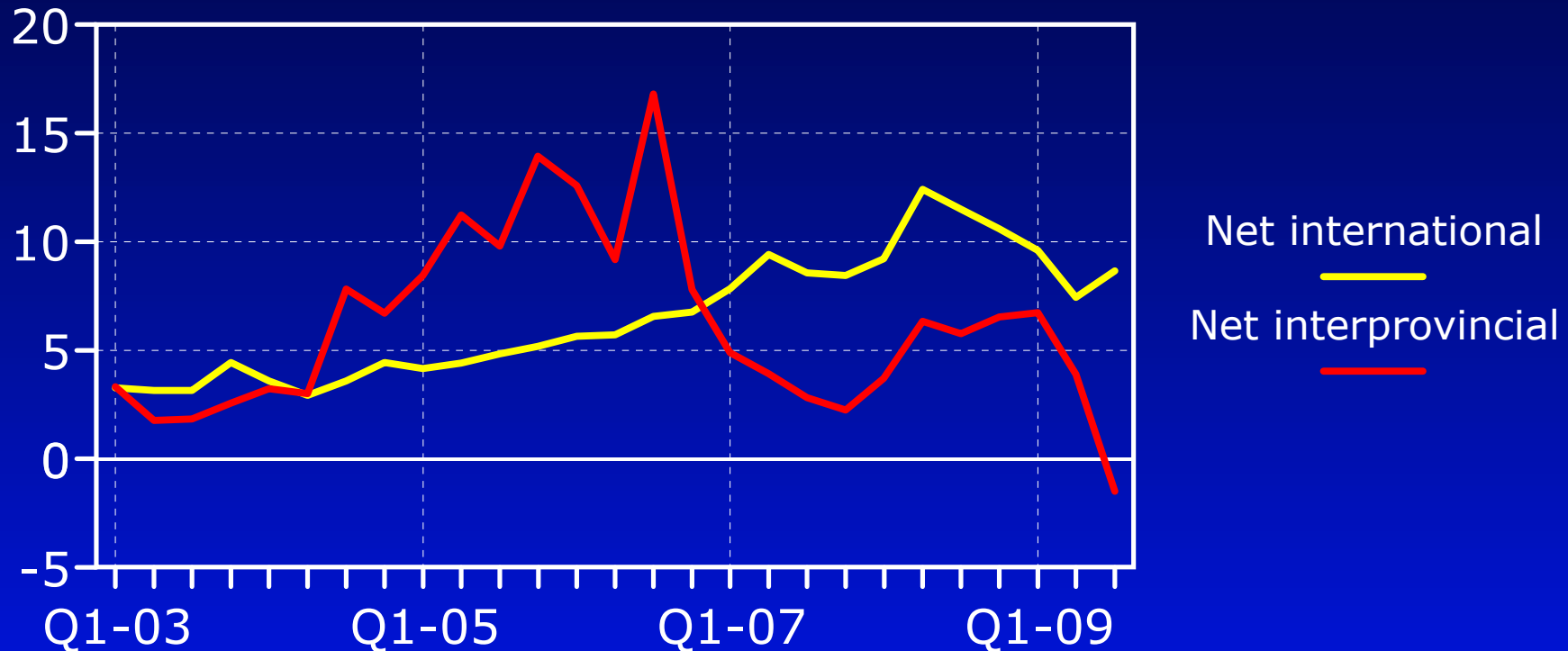
Latest: Q3-09



Interprovincial migration turns negative

Net Migration by Type, Quarterly, Alberta

Persons - thousands



Source: Statistics Canada, C1CU. Note: Seasonally adjusted. Latest: Q3-09



More consumers opting for bankruptcy, but sharp drop in October

Consumer Bankruptcies, Monthly, Alberta



Source: Statistics Canada, C1CU. Note: Seasonally adjusted.

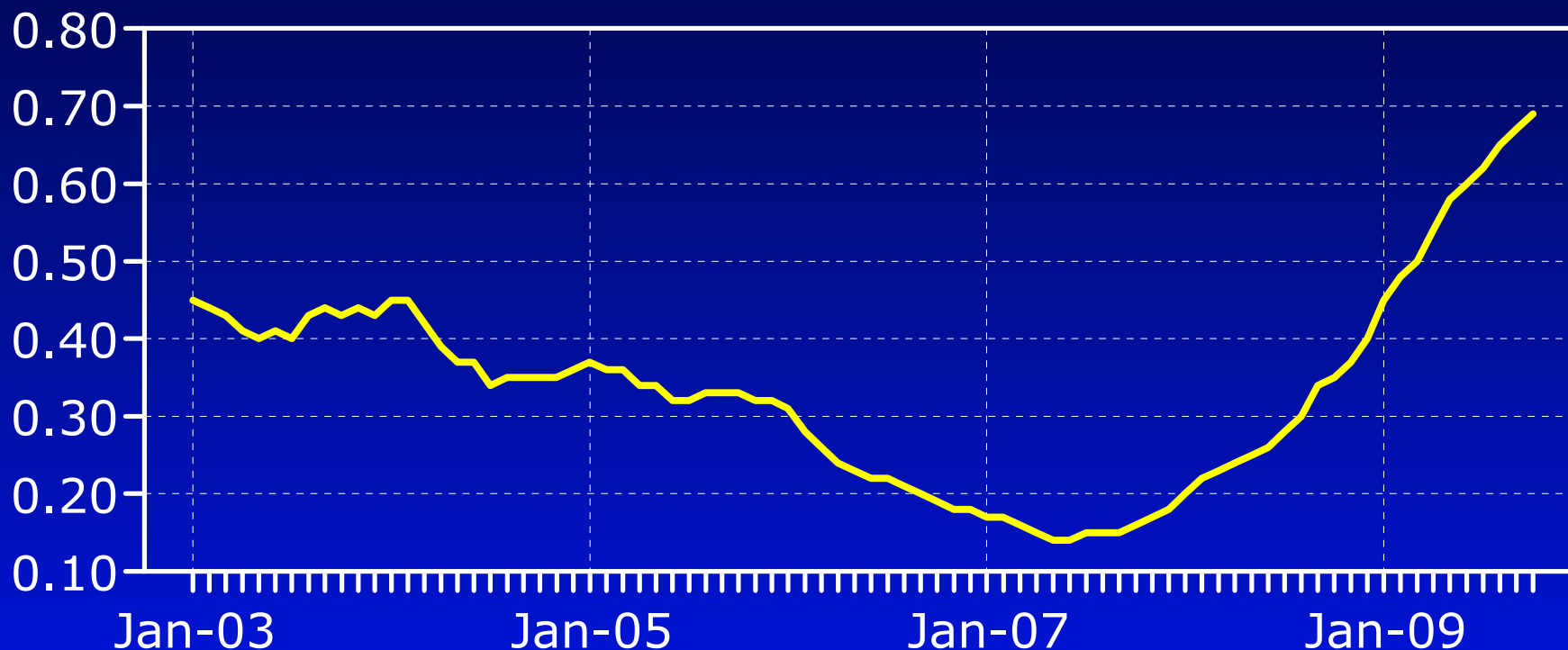
Latest: Nov-09



Mortgage arrears up since 2008

Residential Mortgage Arrears Rate, Monthly, Alberta

Per cent of mortgages



Source: Canadian Bankers Association.

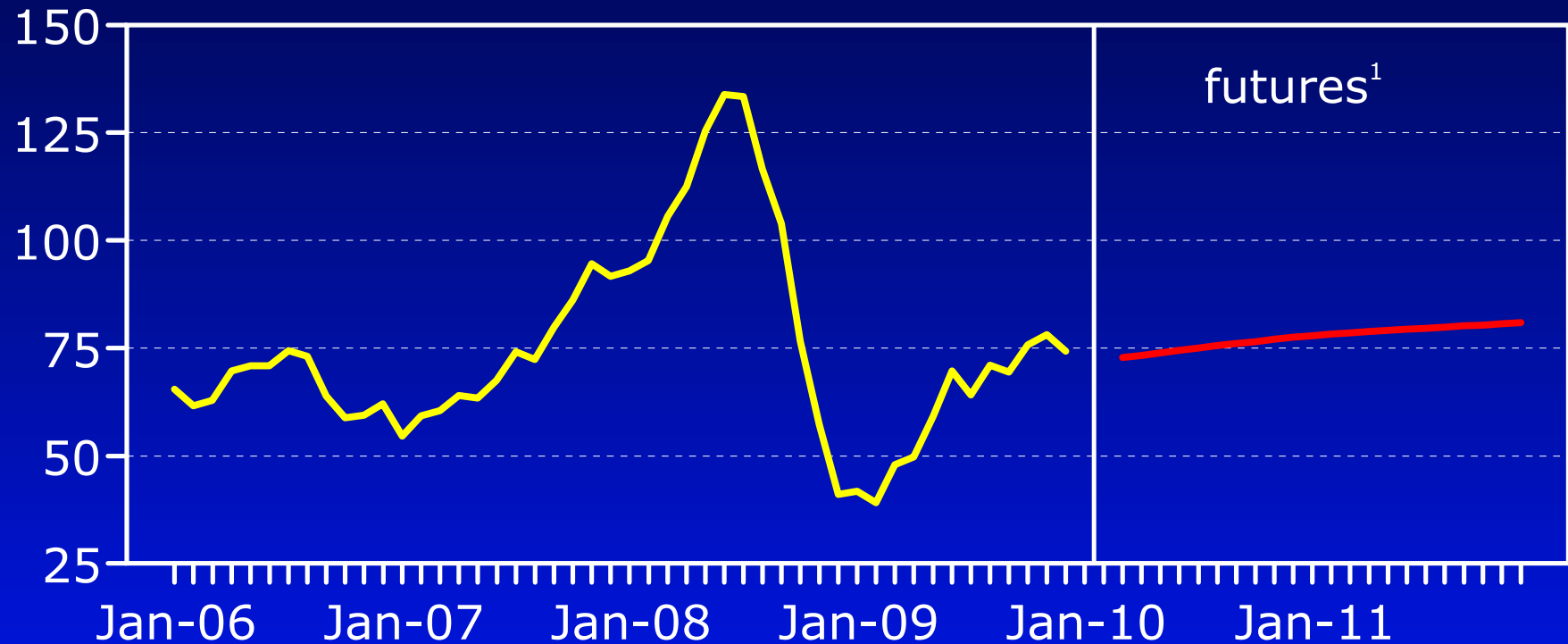
Latest: Oct-09



Oil futures market expects modest price gains next two years

Crude Oil Prices, WTI, Actual and Futures

US\$ per barrel



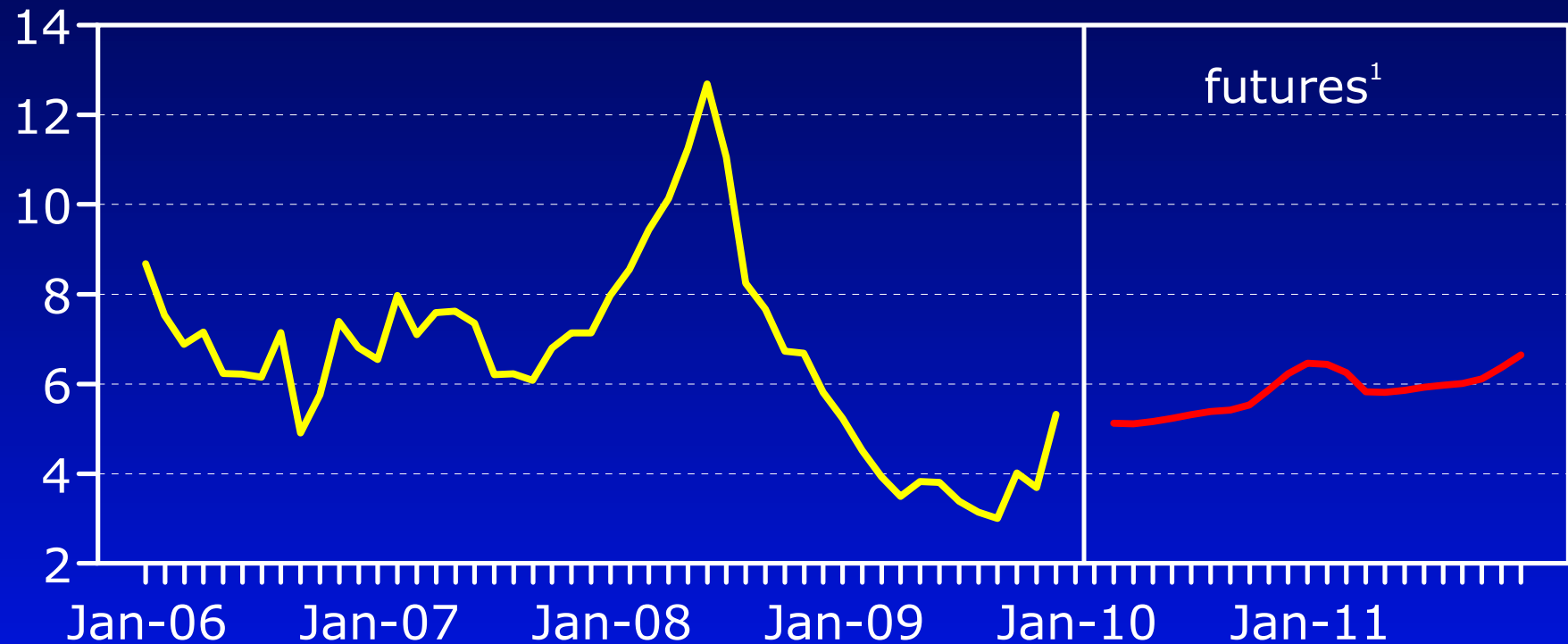
Source: U.S. Federal Reserve, NYMEX. Latest actual: Dec-09. 1. As of Jan.29, 2010



Natural gas futures market expects modest price gains next two years

Natural Gas Prices, Actual and Futures

US\$ per million BTU



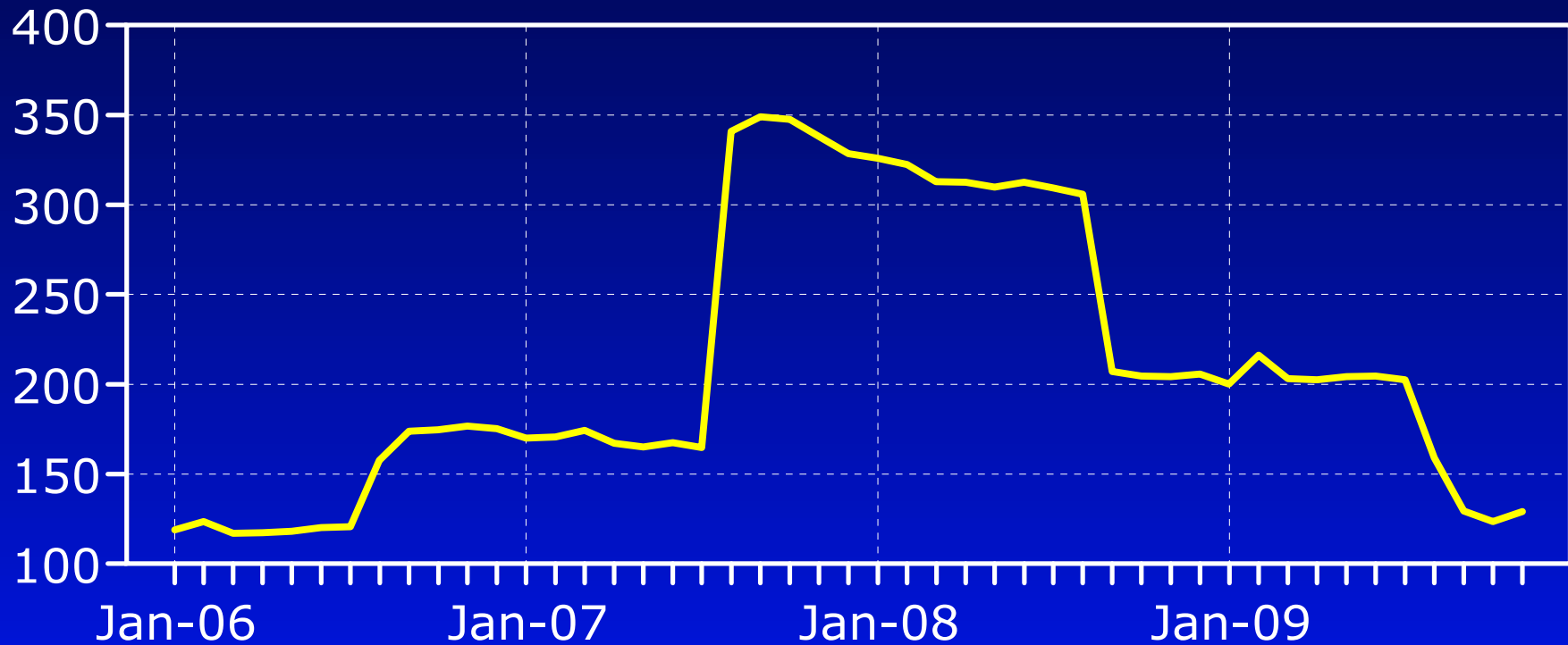
Source: U.S. Federal Reserve, NYMEX. Latest actual: Dec-09. 1. As of Jan.29, 2010



Agricultural crop prices at bottom?

Wheat Prices, Alberta

Dollars per metric tonne



Source: CWB. Note: Includes payments.

Latest: Nov-09.



Economy in recession during 2009, moderate recovery in 2010

Indicator	2009	2010f	2011f
Real GDP, % change	-3.3	2.2	3.8
Nominal GDP, % change	-14.0	4.6	7.5
Personal income, % change	-2.0	1.7	3.1
Employment, % change	-1.3	0.7	1.8
Unemployment rate, %	6.6	6.9	6.4
Corporate profits, % change	-40.0	18.0	26.0

Source: Statistics Canada, C1CU estimates and forecasts.



Housing leads domestic economy in 201

Indicator	2009	2010f	2011f
Population growth, % change	2.1	1.3	1.5
CPI, % change	-0.1	1.6	1.9
Retail sales, % change	-8.8	3.8	6.2
Housing sales, % change	2.5	11.0	5.0
Housing prices, % change	-3.3	7.0	2.0
Housing starts, % change	-30.4	35.0	12.0

Source: Statistics Canada, CREA, CMHC, C1CU forecast.



Summary:

- Credit conditions and global economy improving
- Below-average U.S. and Canada economic recovery
- Low interest rates in 2010, mid & long-term rates turn up first, higher rates in 2011
- Past recession in Alberta worst since 1982
- Modest price growth ahead in key export commodities
- Sluggish growth outlook in 2010, more robust in 2011

