



# Saskatoon's Economic Outlook

**No Complaints Allowed!**

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November 20, 2008

# U.S Economy: The Good, the Bad and the Ugly



# Conditions for a Perfect Storm

1. Loose U.S. monetary policy after 9-11
2. The "right" to own a house and mortgage deductibility
3. Growth of securitization
  - separates underwriting from asset ownership
  - “creative” instruments with poor transparency
4. Regulatory failure at many levels



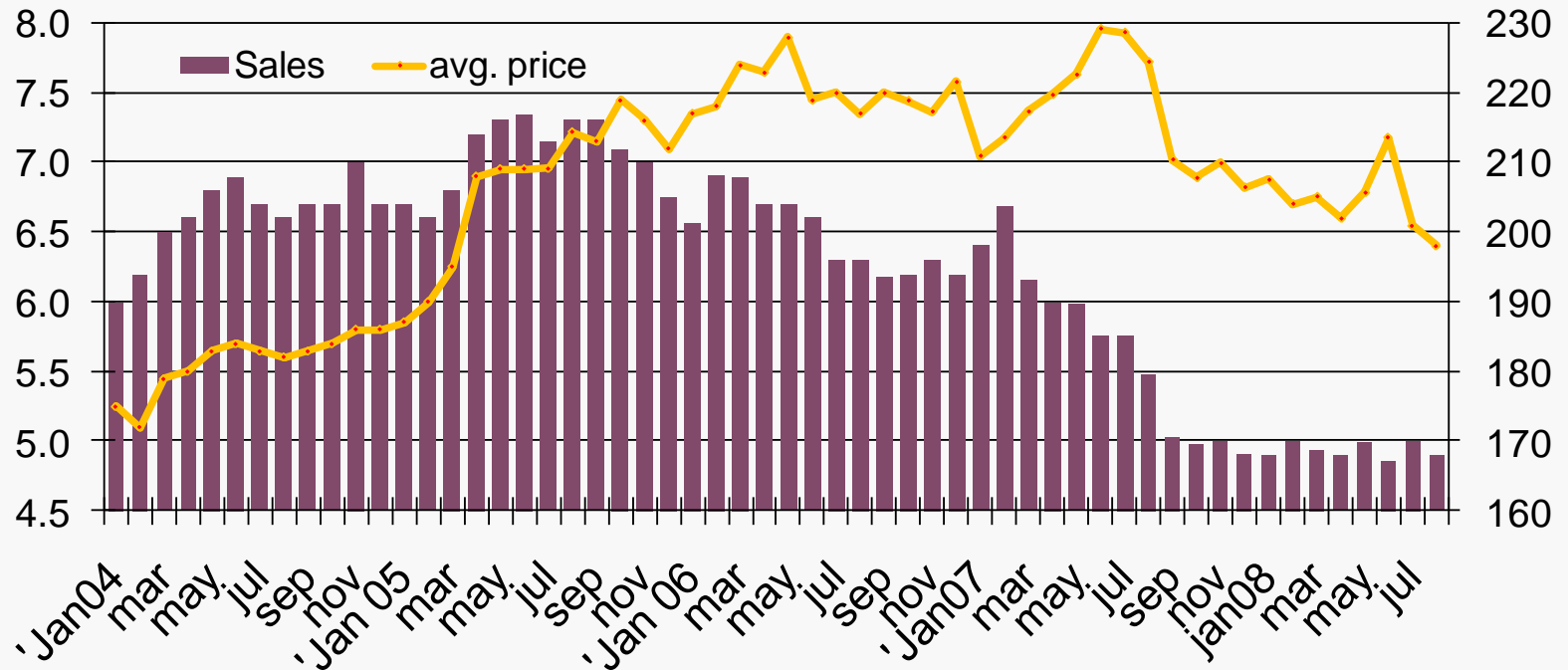
# Conditions for a Perfect Storm

5. Lax and fraudulent mortgage origination
  - note differences among U.S. states
6. Poor risk evaluation at all levels
  - credit agencies on both sides of deals
7. Housing price bubbles
8. Financial institutions with unstable underlying foundations
  - Mortgage banks, investment banks, ...
9. Global financial distribution networks



# U.S. Existing Home Sales and Prices

(millions SAAR; \$'000)

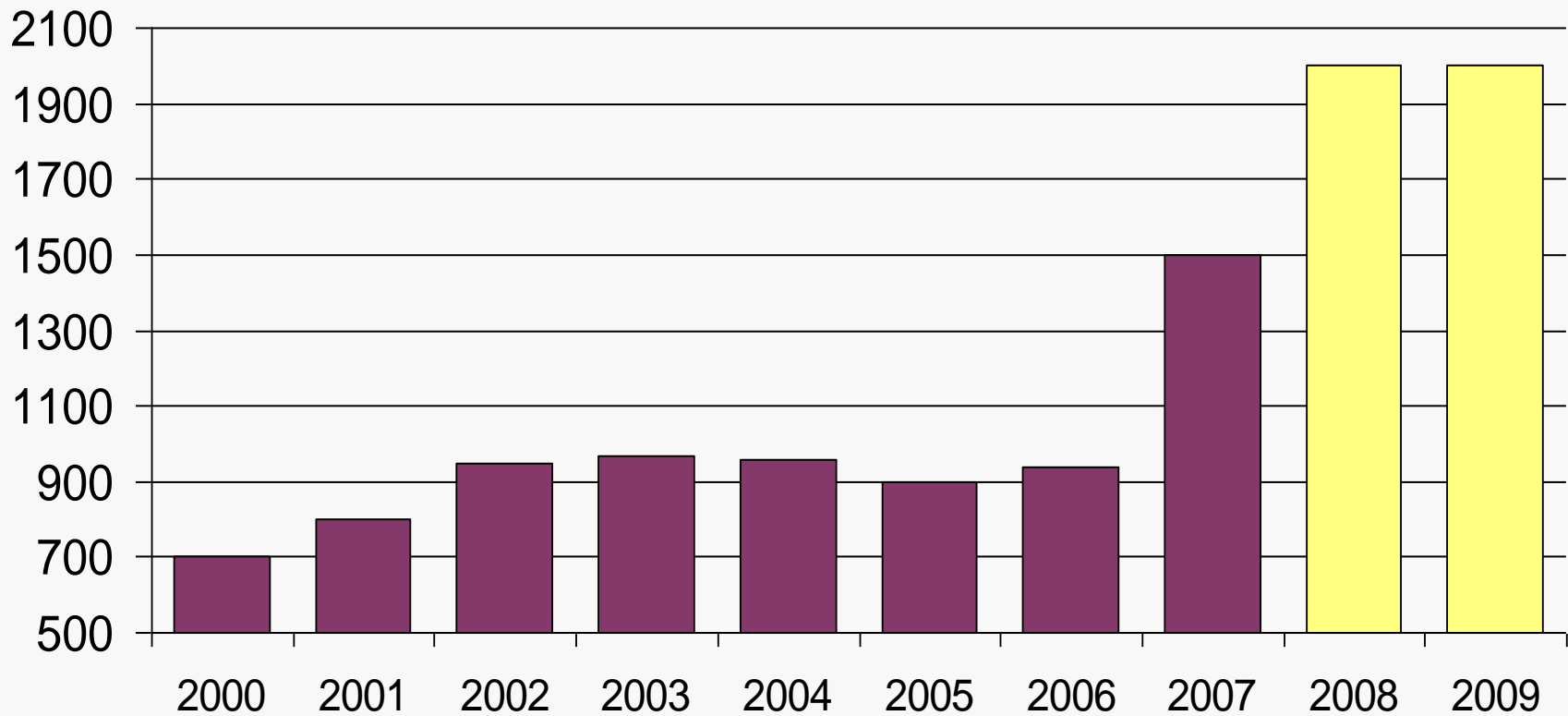


Source: National Assn. of Realtors



# Foreclosures Surge

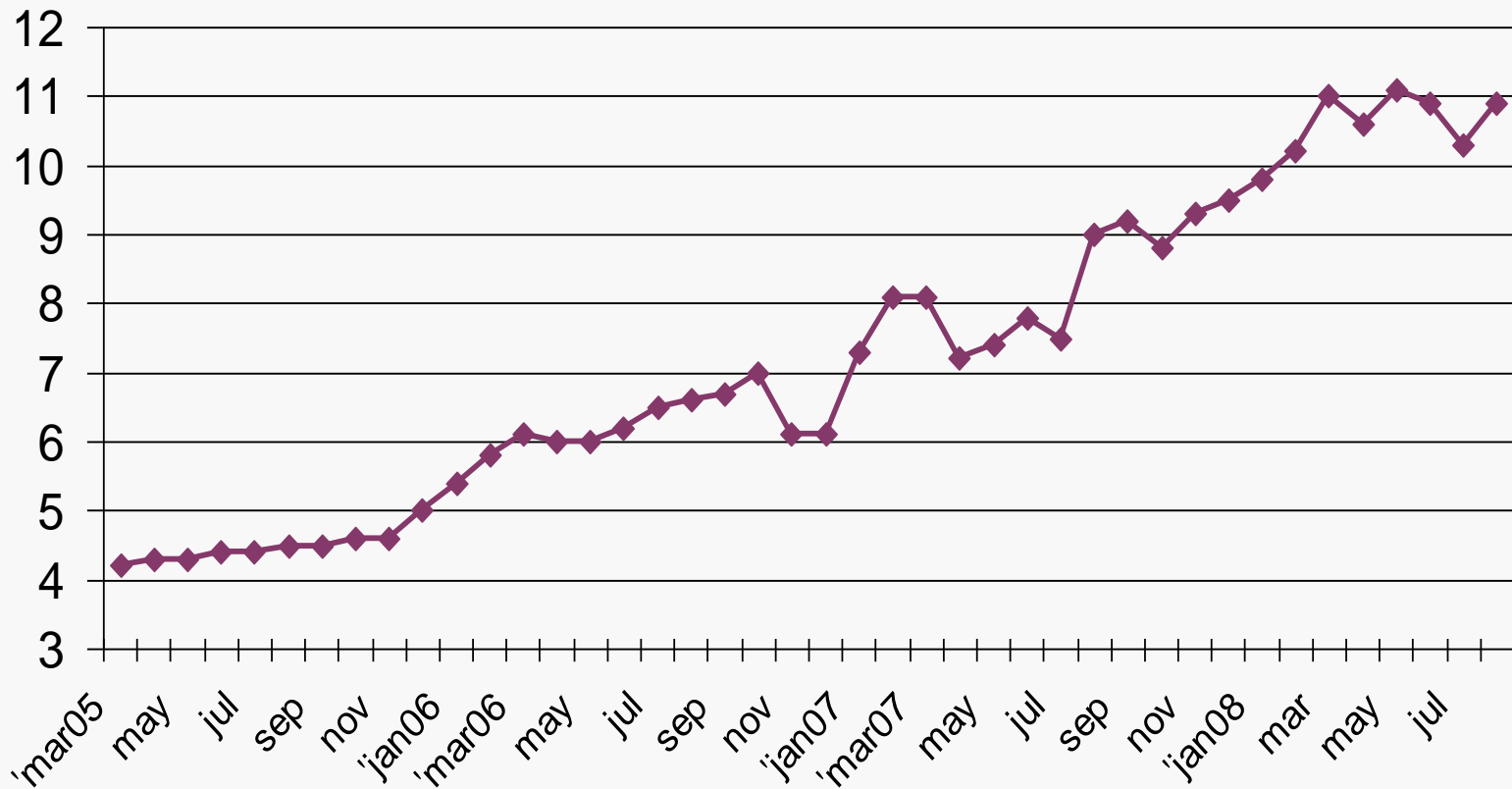
(thousands, SAAR)



Source: Moody's Economy.com.



# Inventory of New Homes (months supply)

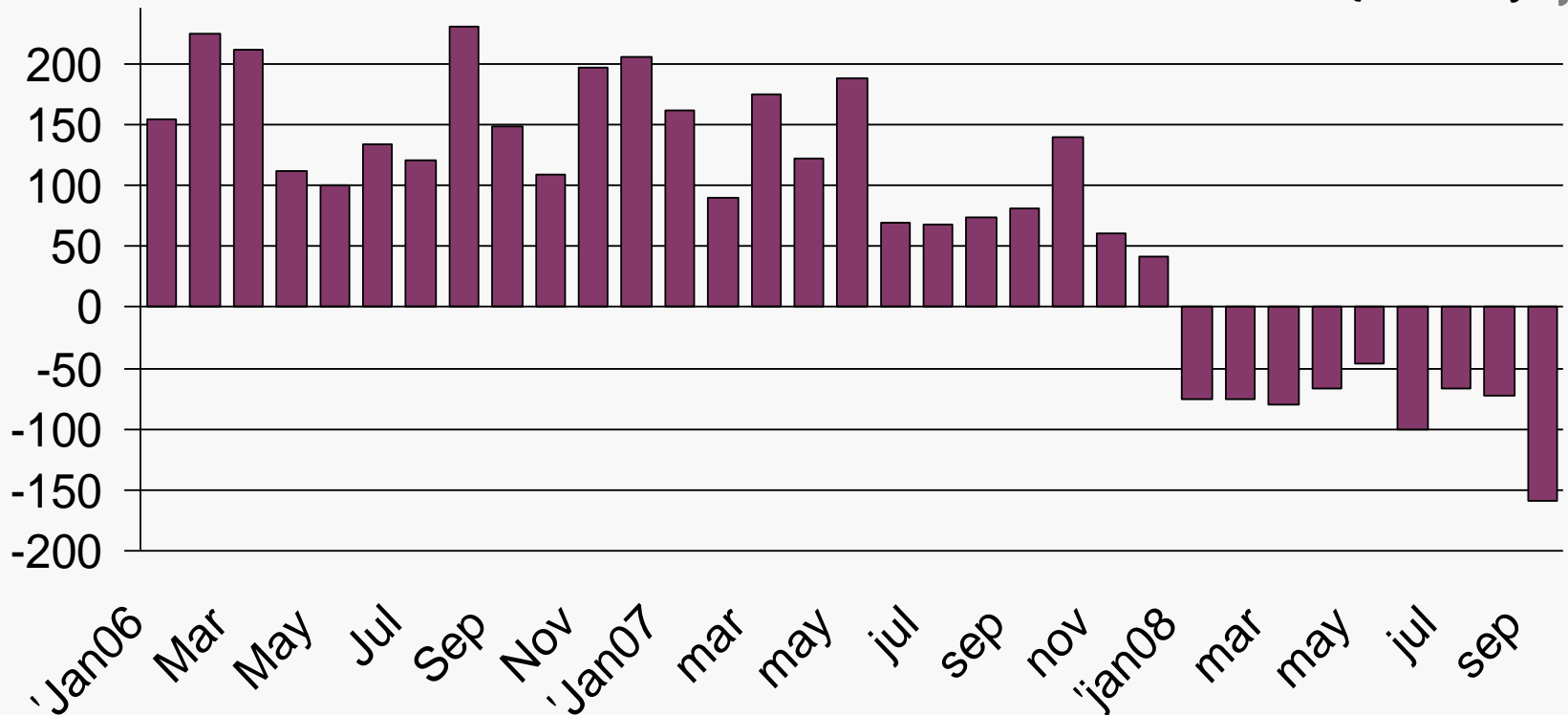


Source: Census Bureau



# U.S. Labour Market

(Change in U.S. Employment, 000s)

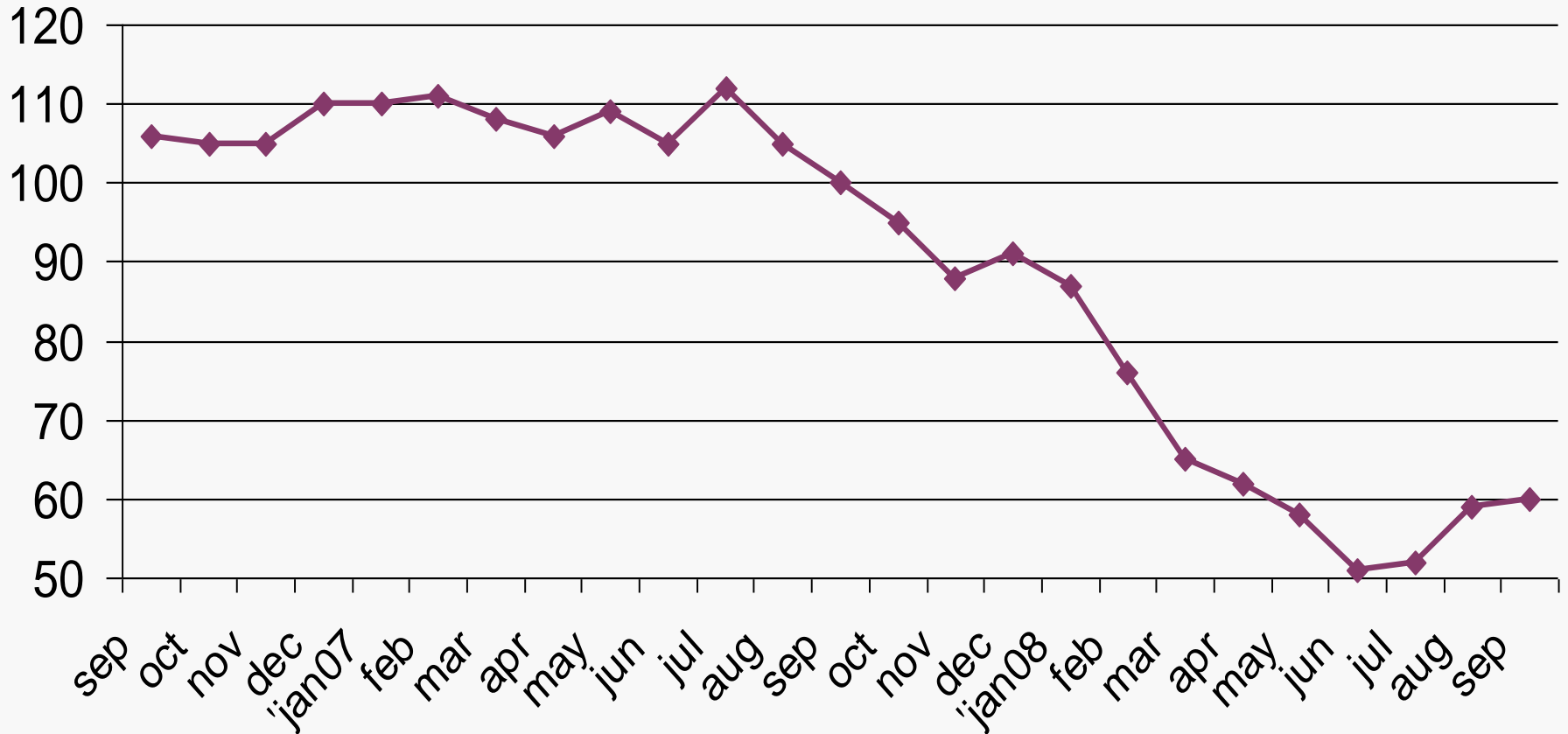


Source: Bureau of Economic Analysis.



# U.S. Consumer Confidence

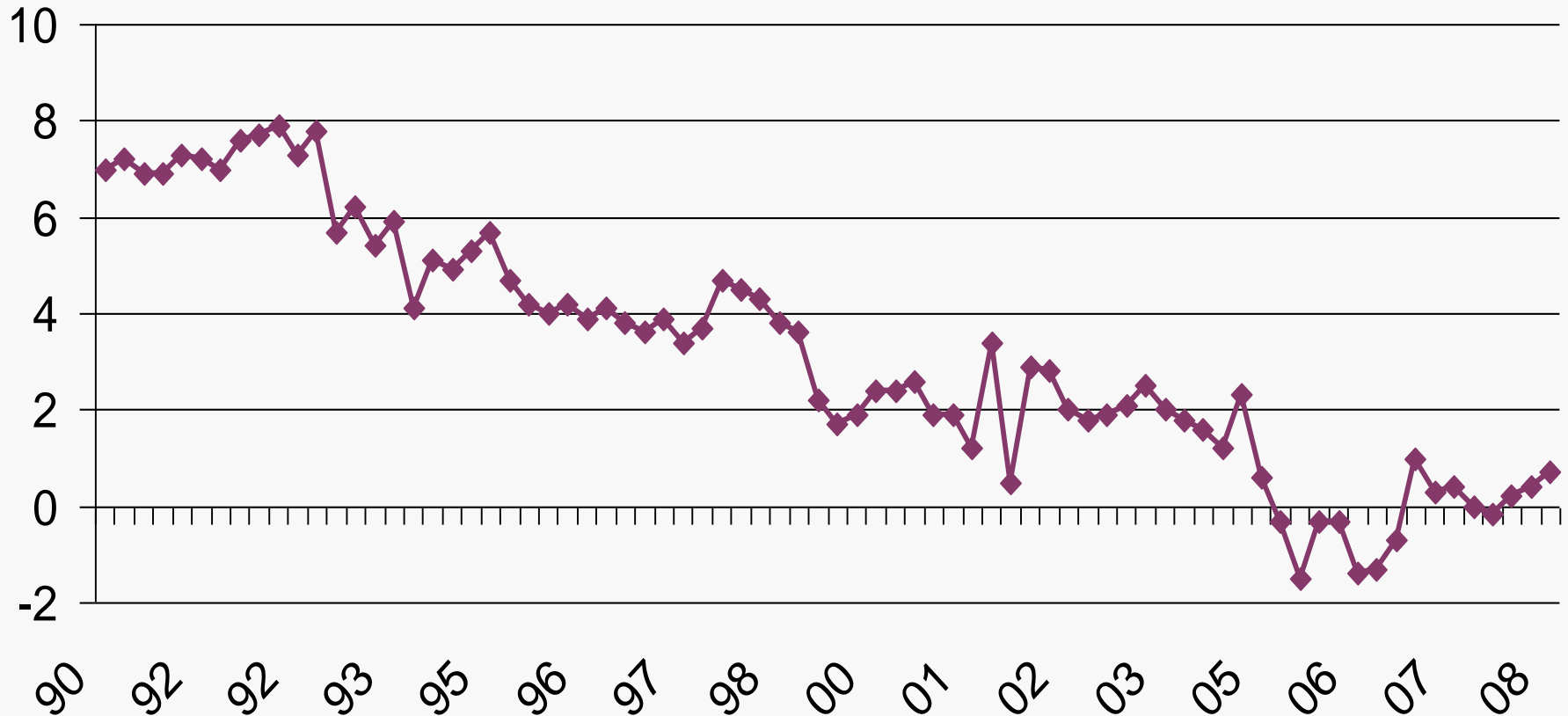
(1985=100)



Source: The Conference Board Inc.



# U.S. Personal Savings Rate (per cent of income)

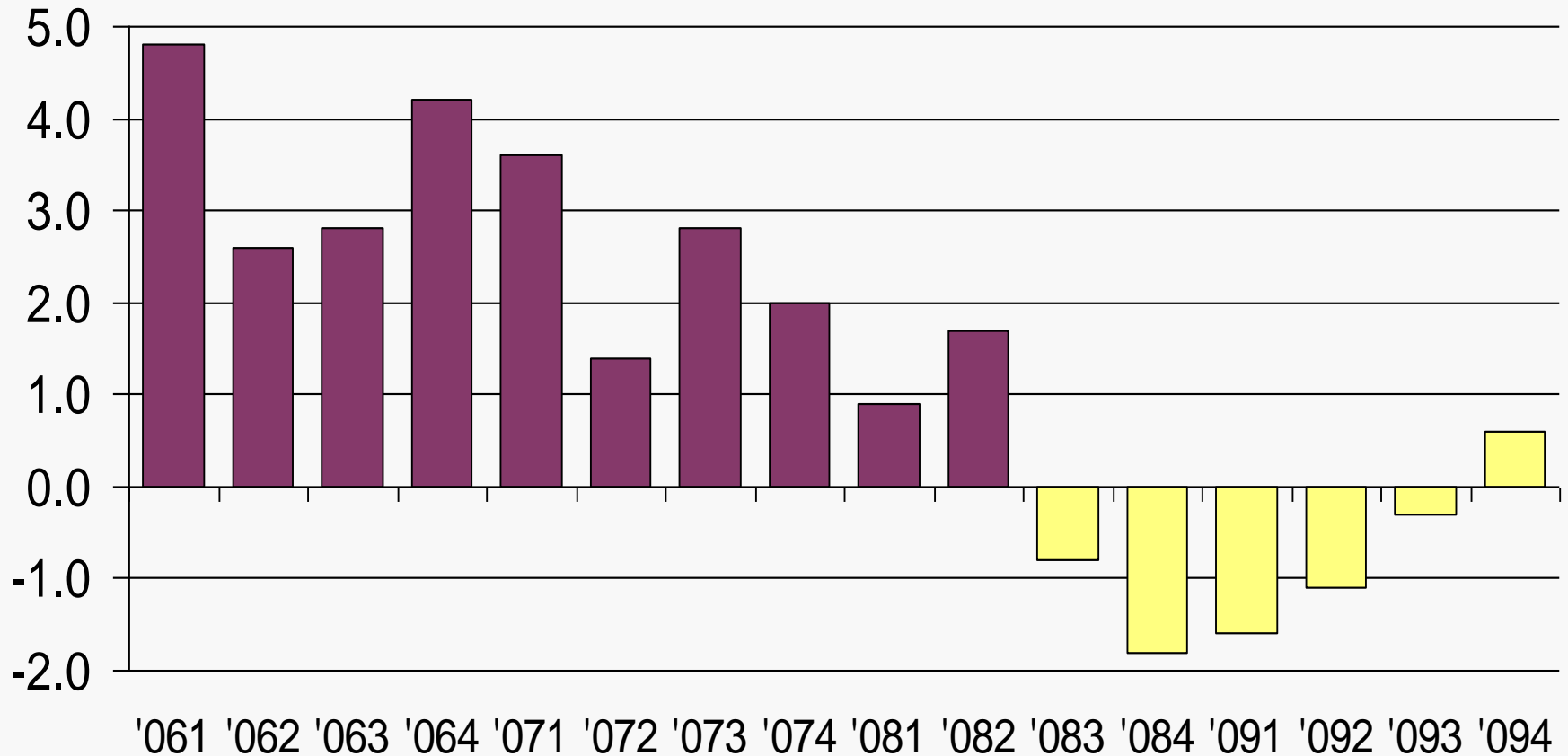


Sources: The Conference Board of Canada; Bureau of Economic Analysis.



# U.S. Real Consumer Spending Growth

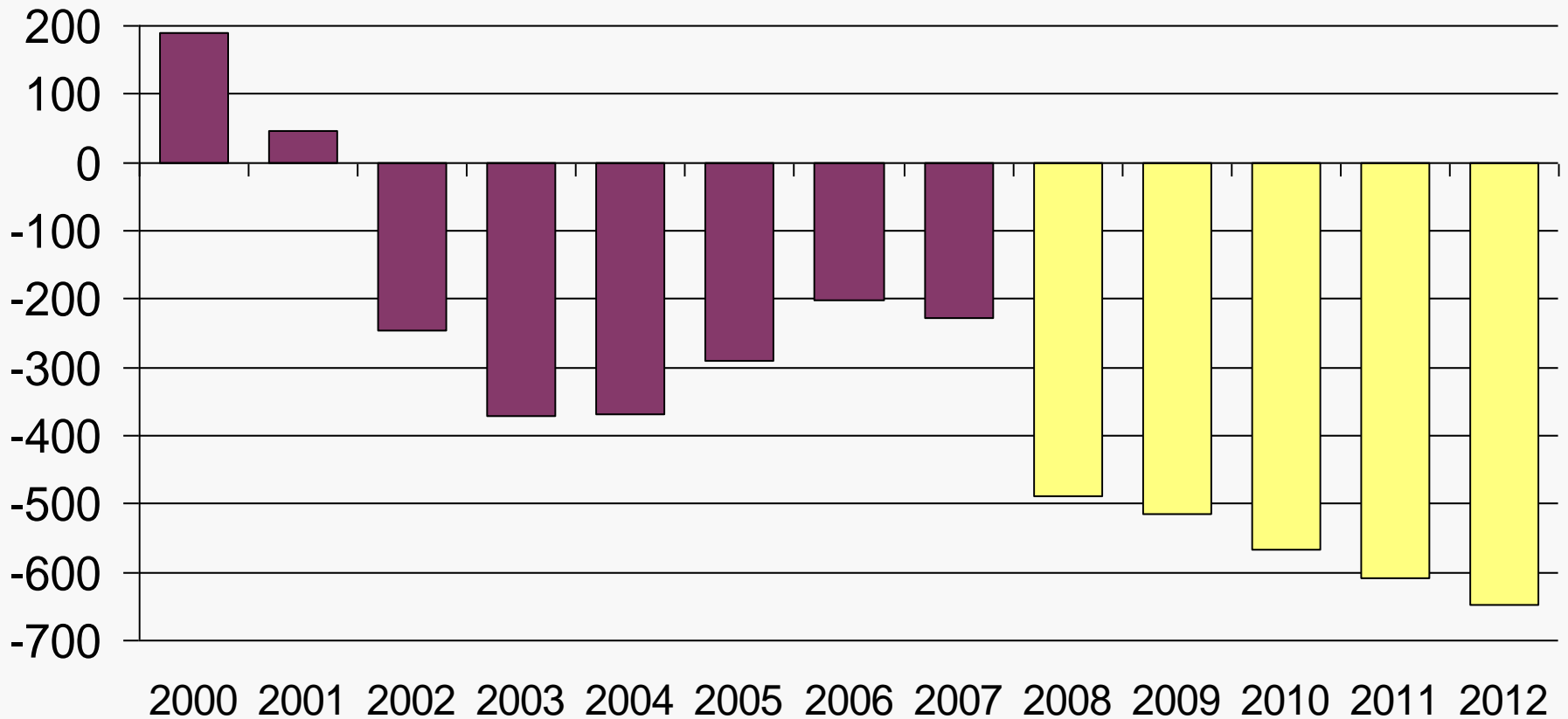
(per cent change, annualized)



Sources: BEA; CBoC.



# US Federal Deficit (\$billions)

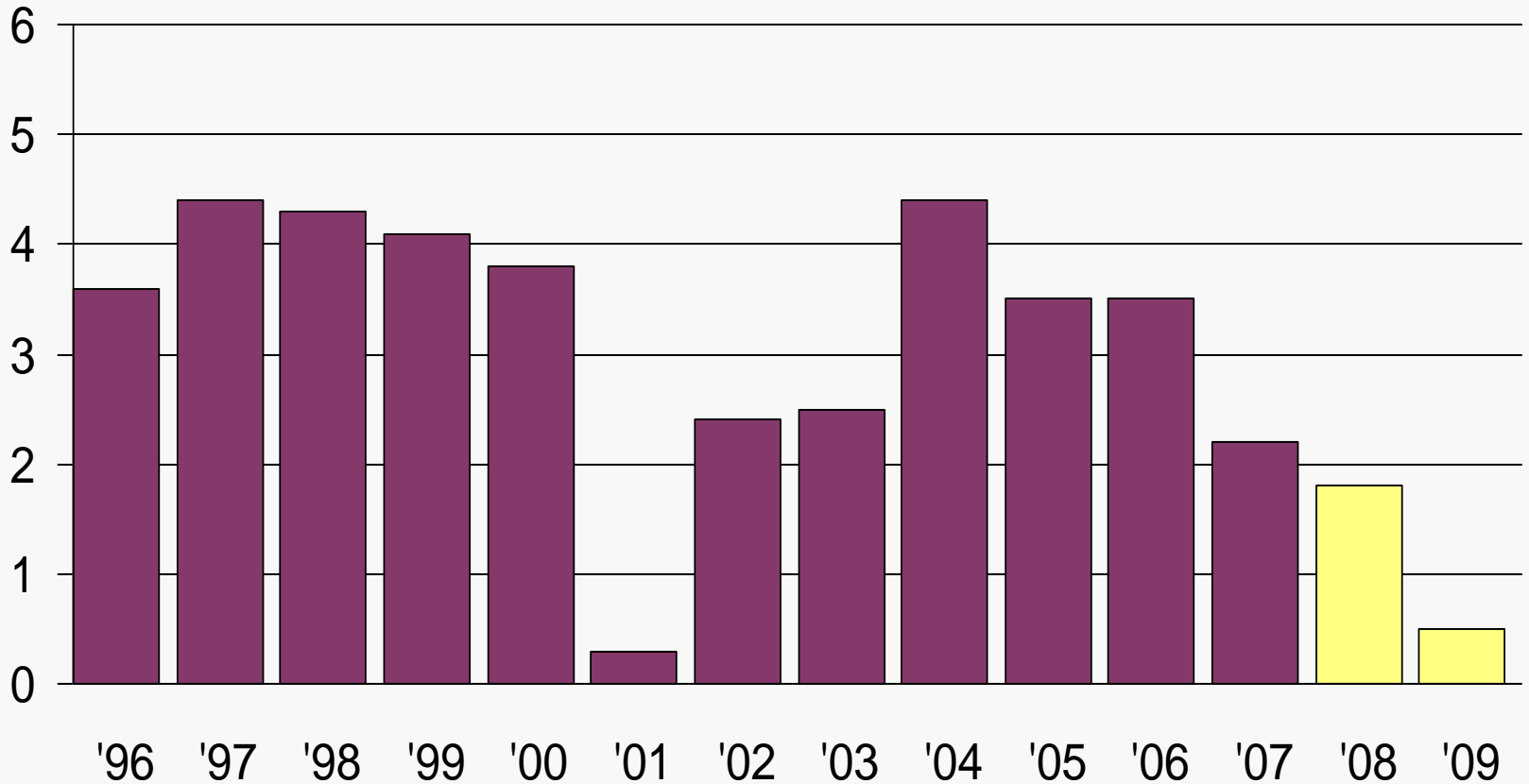


Source: BEA; CBoC





# U.S. Real GDP (per cent change)

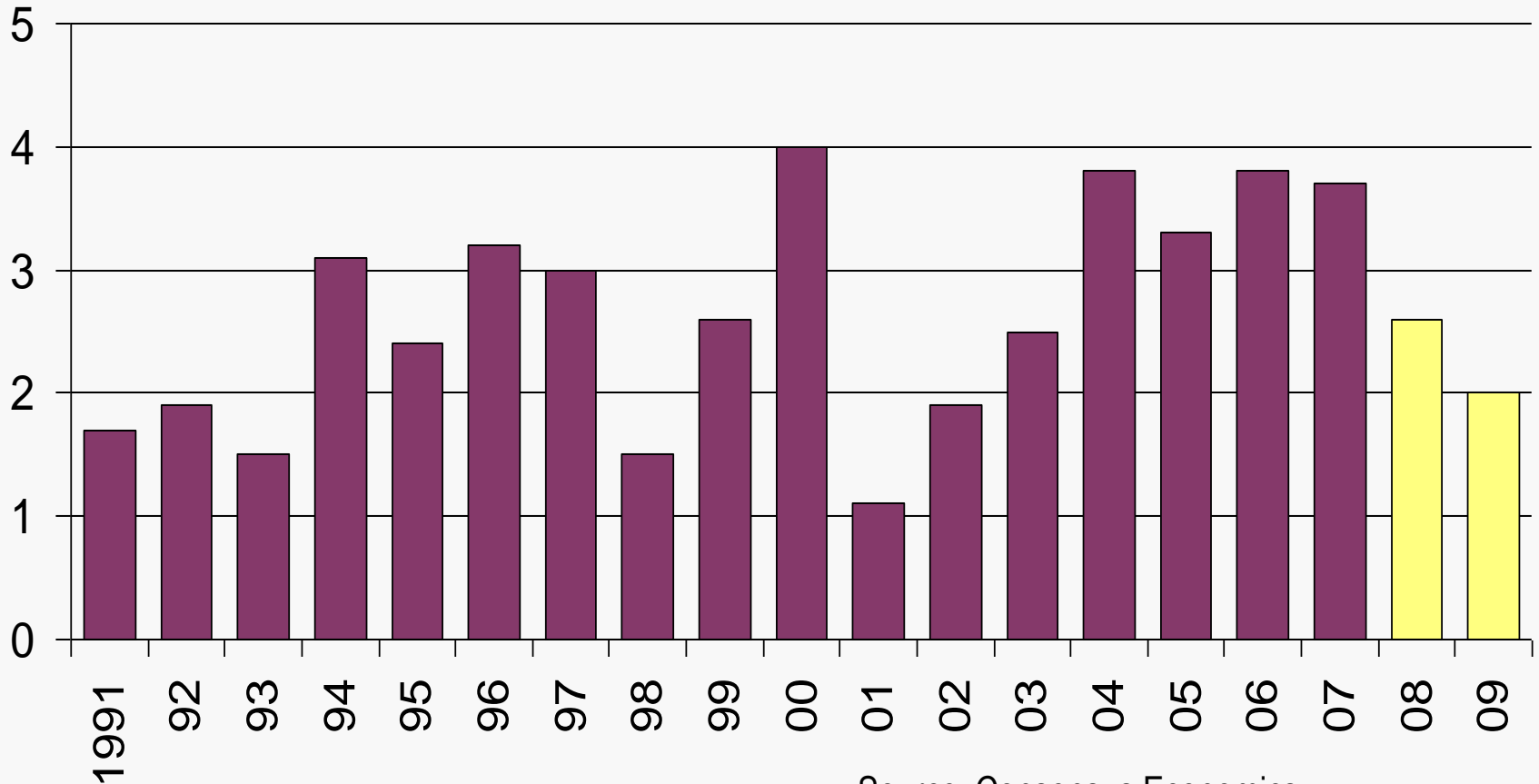


Sources: BEA; CBoC.



# World Real GDP Growth

(annual per cent change)



Source: Consensus Economics.





# Canadian Outlook

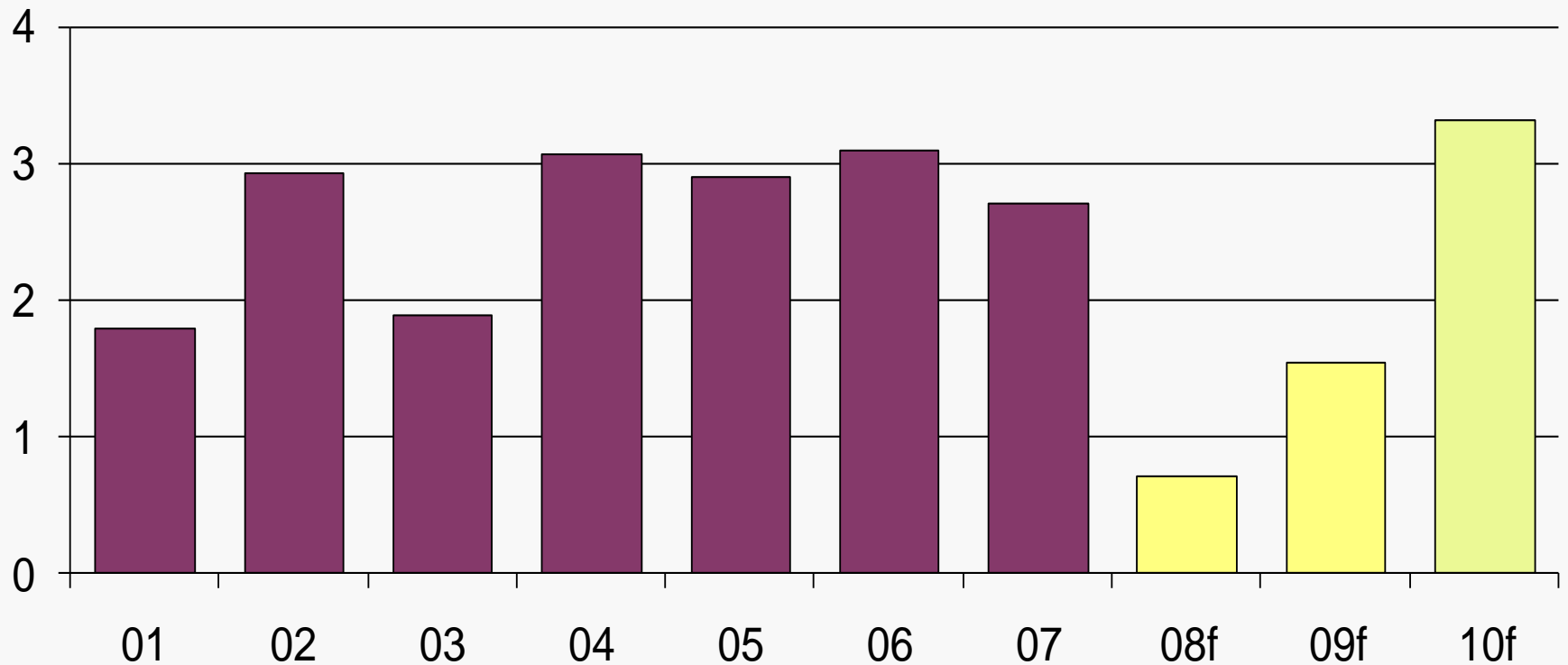
- Weak trade performance will continue to affect manufacturing, especially autos
- Softer commodity prices will take down growth in domestic economy next year
- Loonie will remain well below parity over the near term while easing domestic demand takes the heat off inflation
- Labour markets soften next year—but the reprieve is temporary
- Real GDP growth of only 0.7 per cent is expected this year; climbing to 1.5 per cent in 2009





# Real GDP Growth Rate

Canada 2001–09



Sources: The Conference Board of Canada; Statistics Canada.



# Are We Heading Towards a Depression?

- Unemployment rate 25% in early 1930s versus 6.1% in US today
- In 1934, 40% of all mortgages delinquent versus 4% today
- Central banks increasing liquidity today while in the Great Depression, banks tightened credit

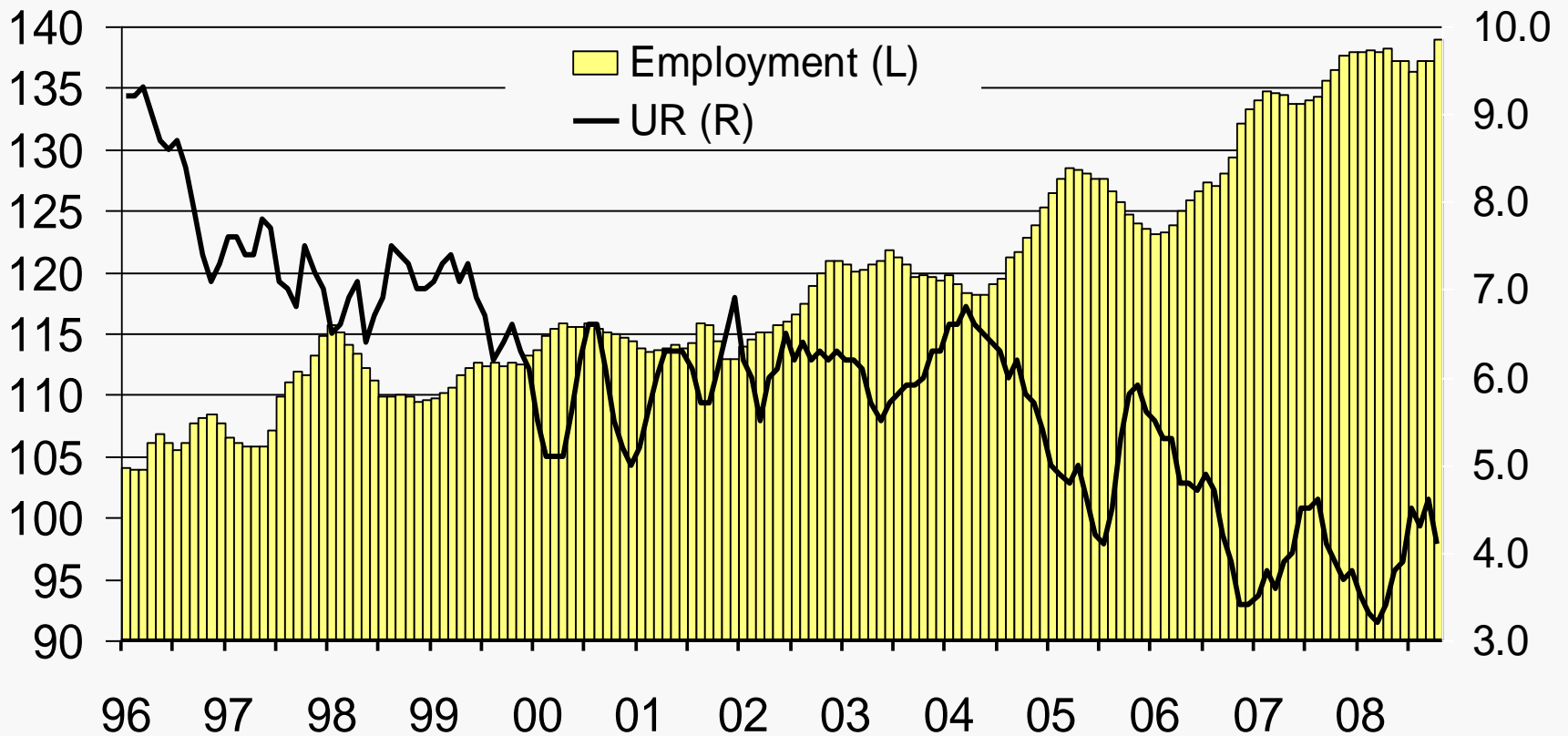


# Saskatoon Economic Outlook: Highlights

- Economic growth has been quite vibrant over the past four years, averaging 3.9 per cent per year. The national average was just under 3 per cent per year over the same time period.
- Employment has been solid as well, taking the unemployment rate down to around 4 per cent in the first half of 2008.
- Personal income rose very rapidly in recent years, lifting retail sales growth to a pace never seen before.
- Real GDP growth has been further lifted by a positive net migration flow to the city, a drastic change from the historical trend. Following a 4.1 per cent rise in 2007, real GDP growth is set to reach over 5 per cent in 2008 and over 3 per cent in 2009.



# Labour Market



Source: Statistics Canada.



# Industrial Movements in Employment

- Growing Strongly
  - Mining and Oil and Gas Extraction
  - Construction
  - Machinery Manufacturing
  - Health care
  - Architectural, Engineering and Design Services



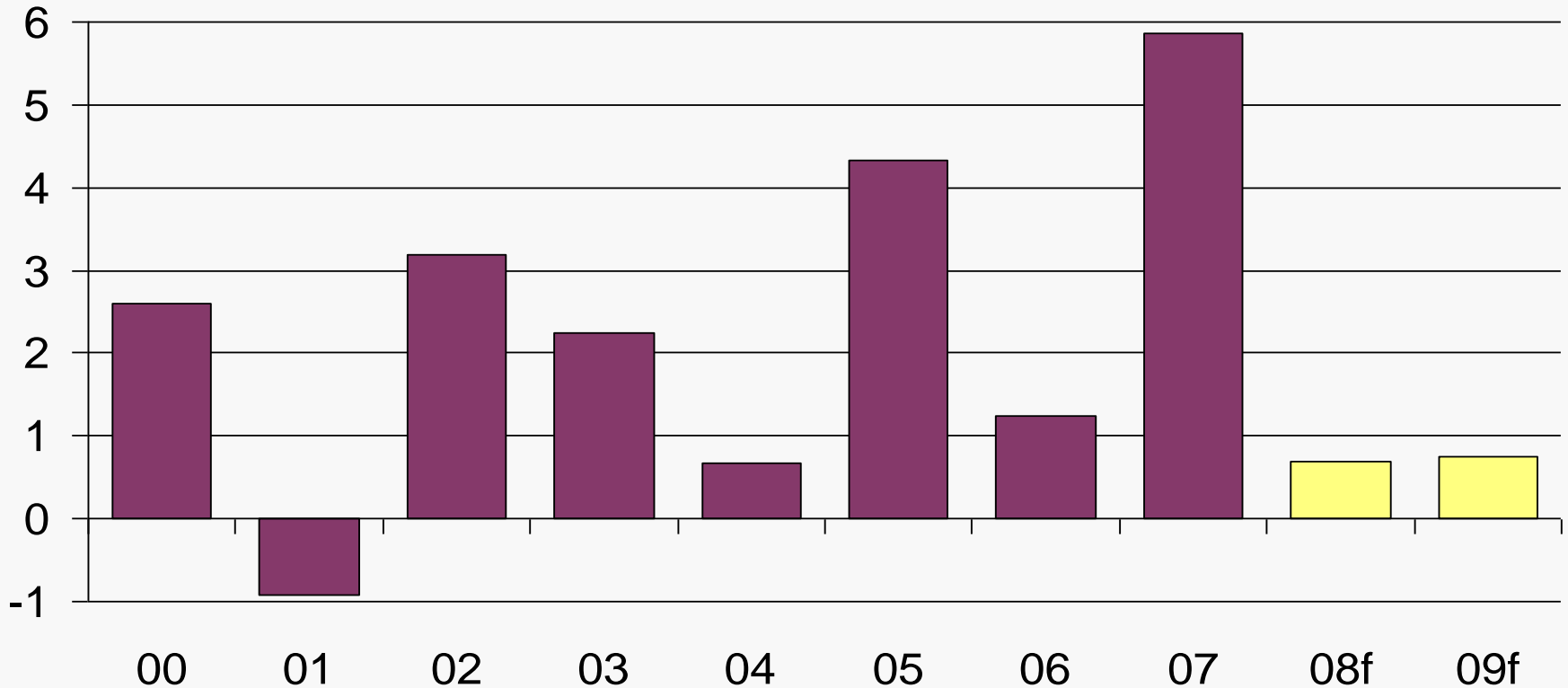
# Industrial Movements in Employment

- Declining
  - Agriculture
  - Transportation and Warehousing
  - Information, Culture and Recreation Services
  - Food Services and Drinking Places
  - Finance



# Employment Growth

(percentage change 2000-09)

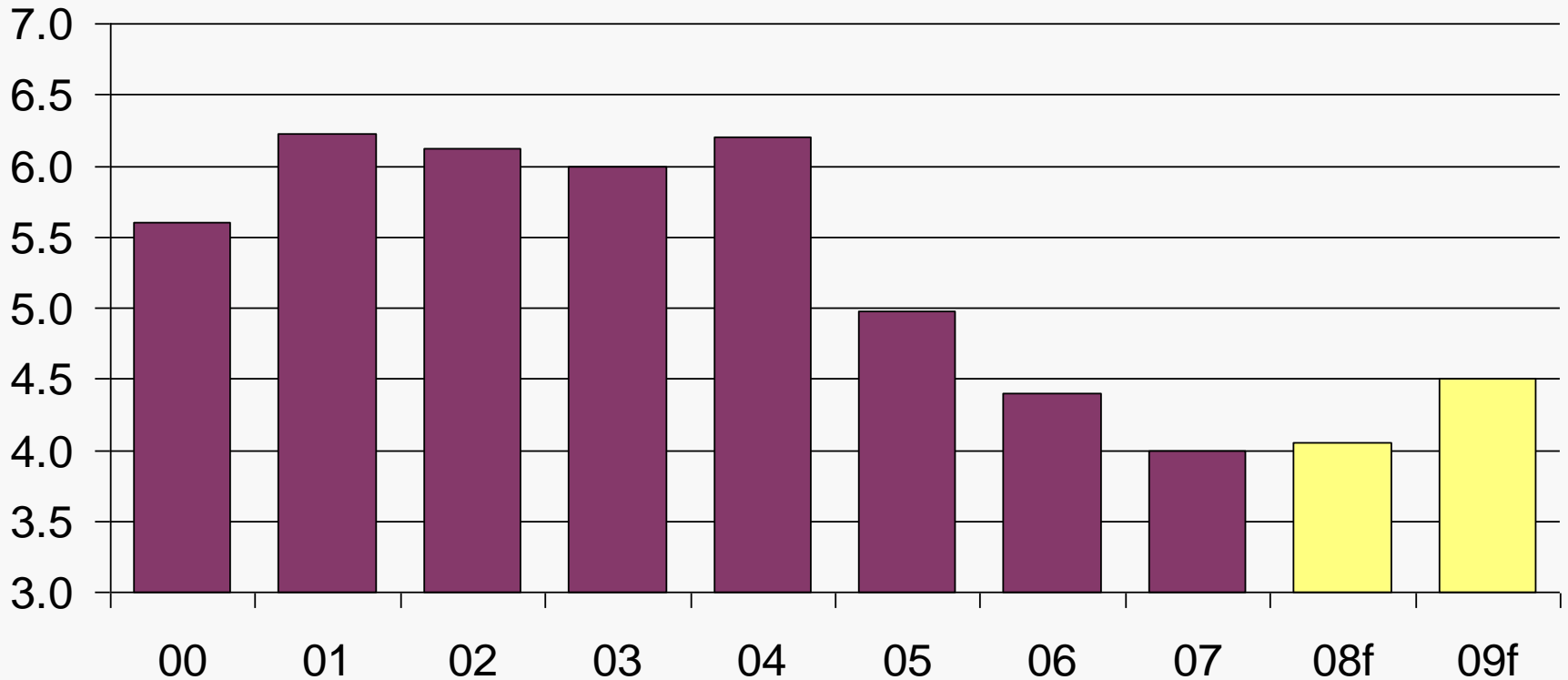


Sources: Conference Board of Canada; Statistics Canada.



# Unemployment Rate

(2000-09)

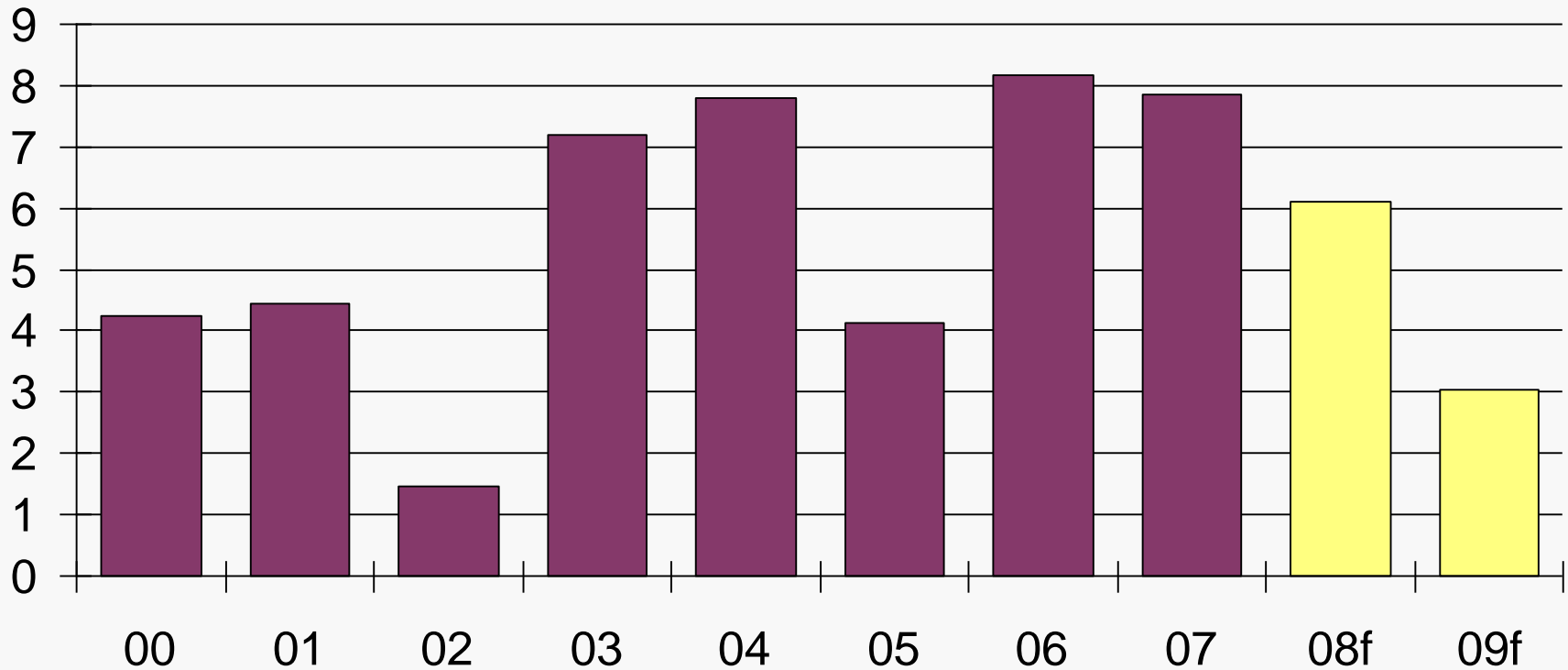


Source: Conference Board of Canada, Statistics Canada.



# Disposable Income Growth

(percentage change 2000-09)

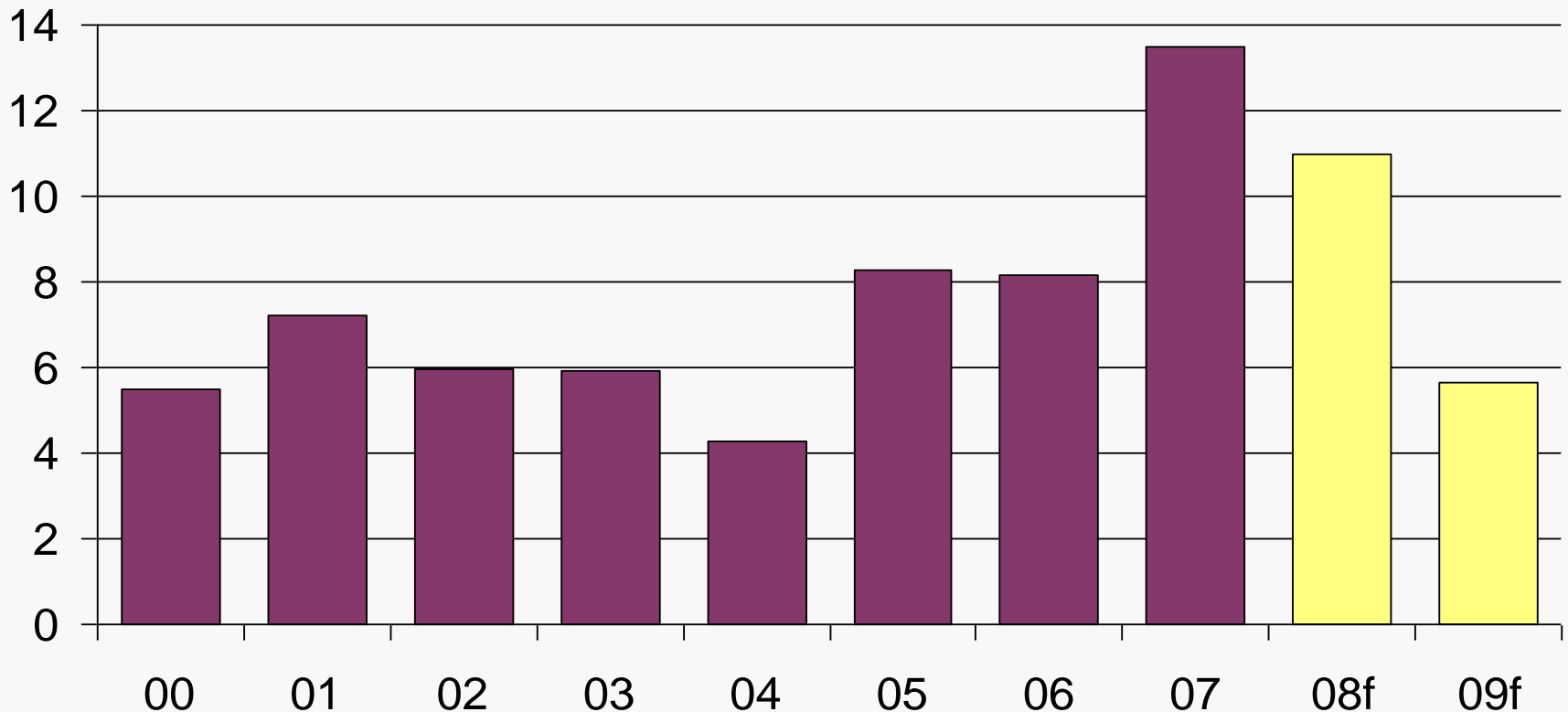


Sources: Conference Board of Canada; Statistics Canada.



# Retail Sales Growth

percentage change (2000-09)

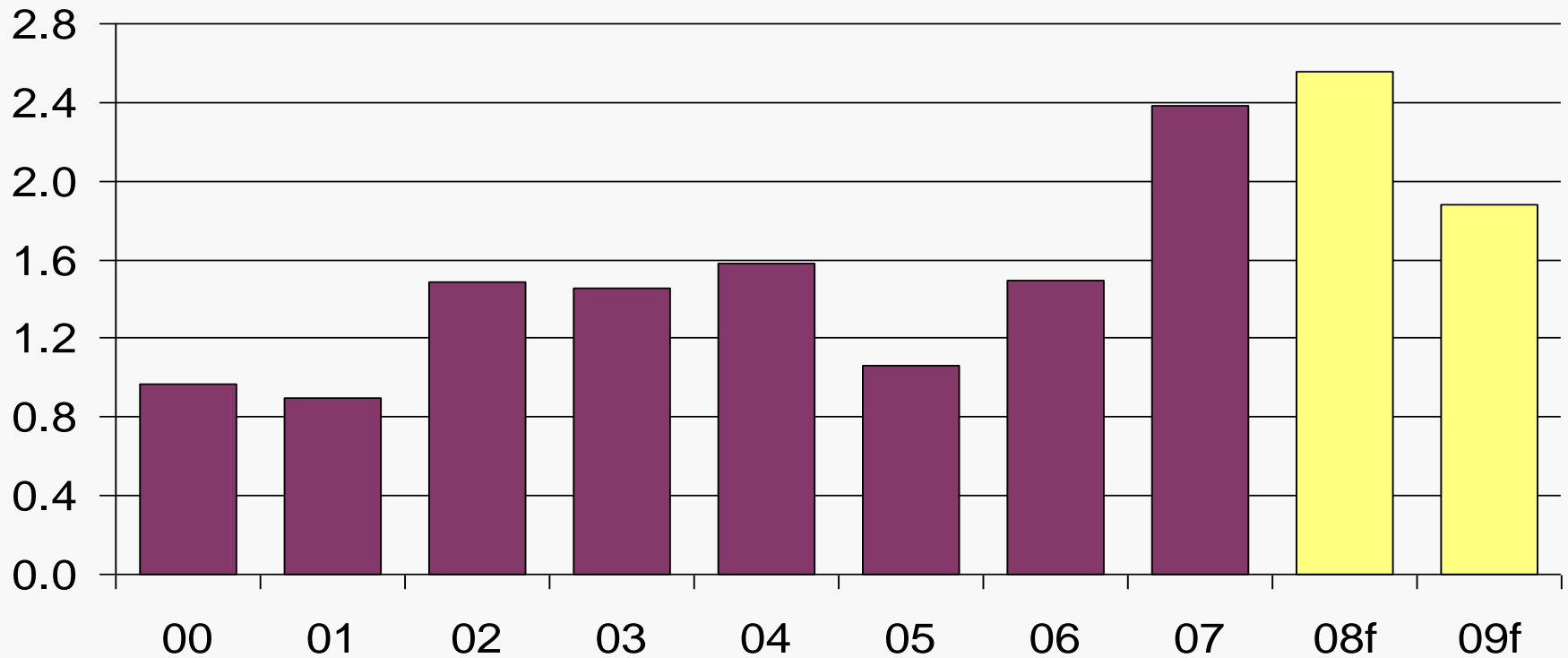


Source: Conference Board of Canada.



# Housing Starts (000s)

(2000-09)



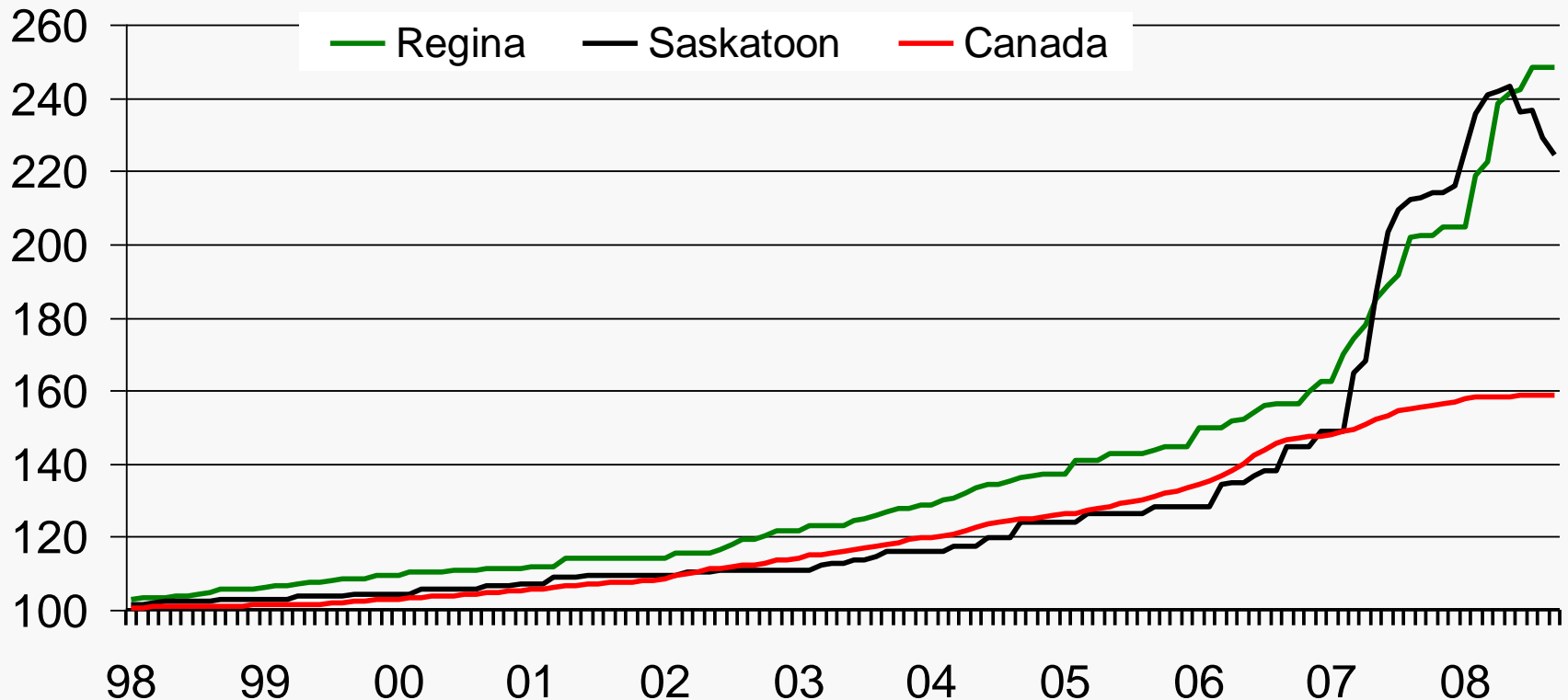
Sources: Conference Board of Canada; CMHC.



# New Housing Price Index

Regina & Saskatoon (1998-2008)

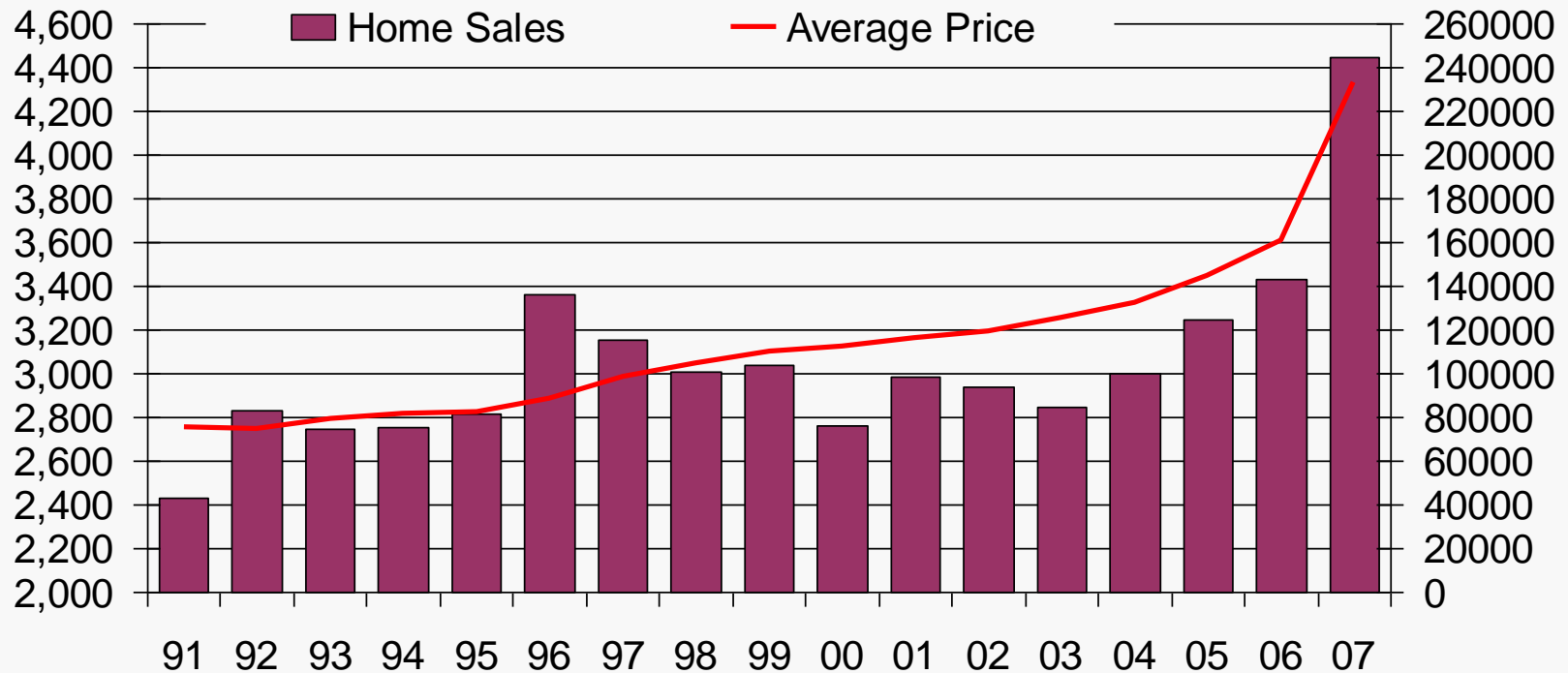
(1997 = 100)



Source: Statistics Canada.



# Resale Housing Market (1991-2007)

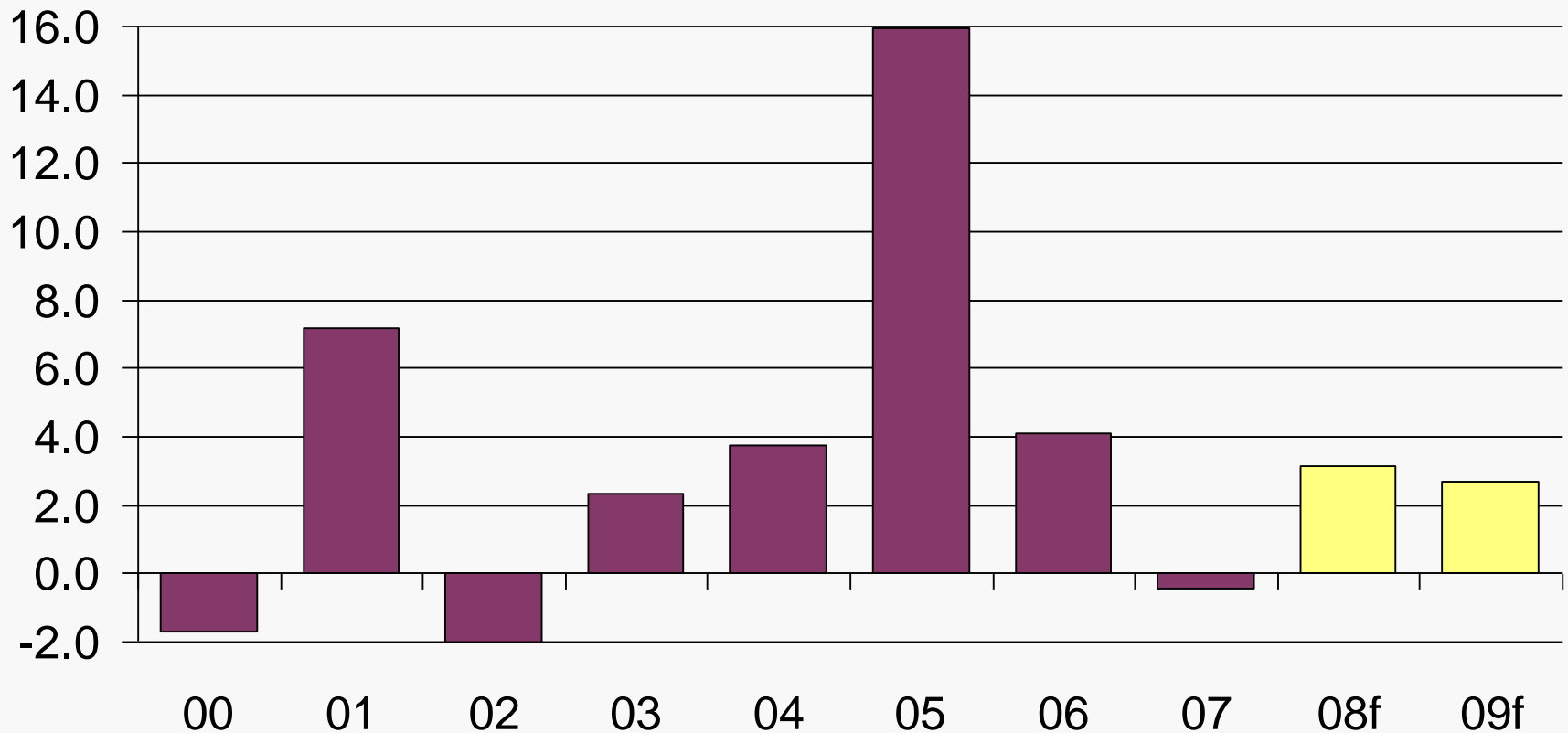


Source: Canadian Real Estate Association.



# Construction Output

(percentage change 2000-09)

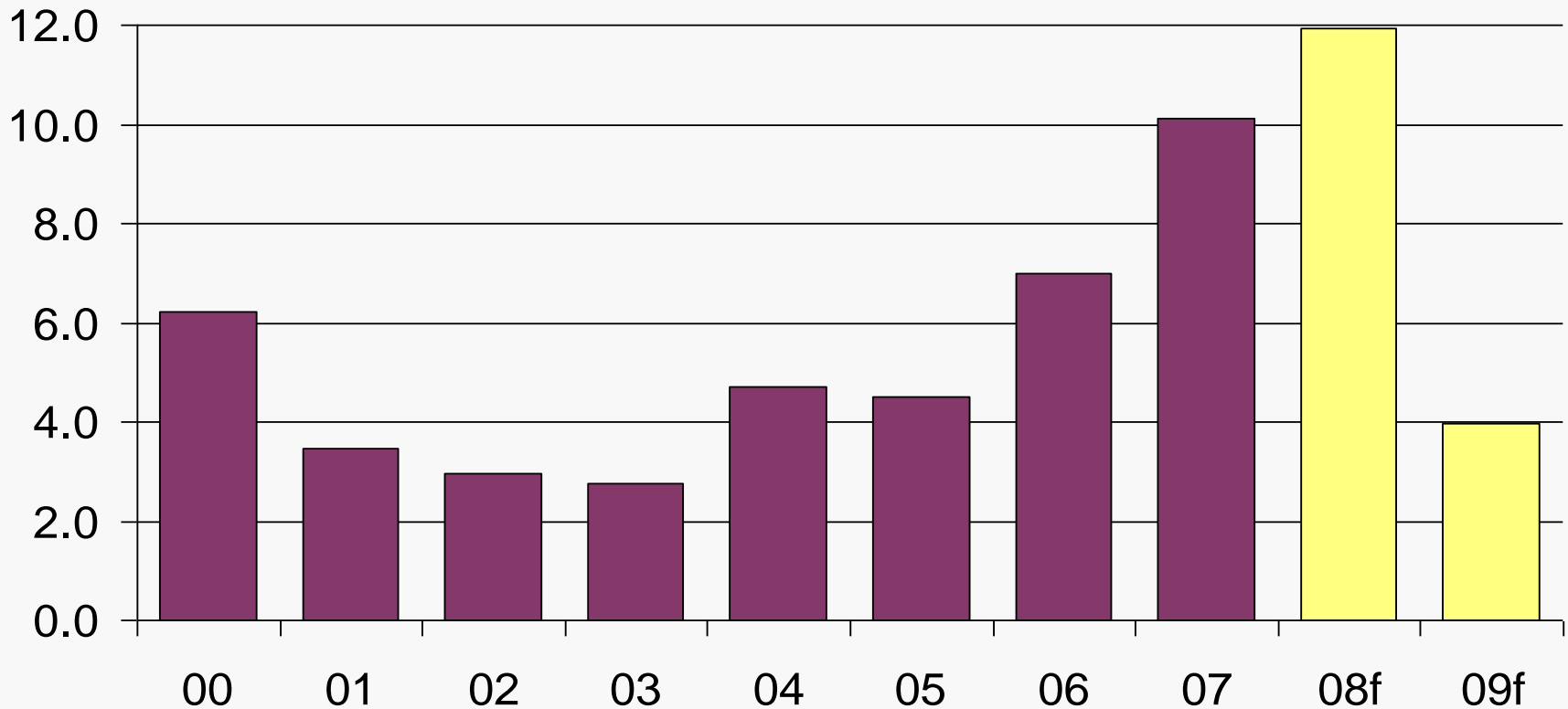


Source: Conference Board of Canada.



# Wholesale & Retail Trade Output

(percentage change 2000–09)



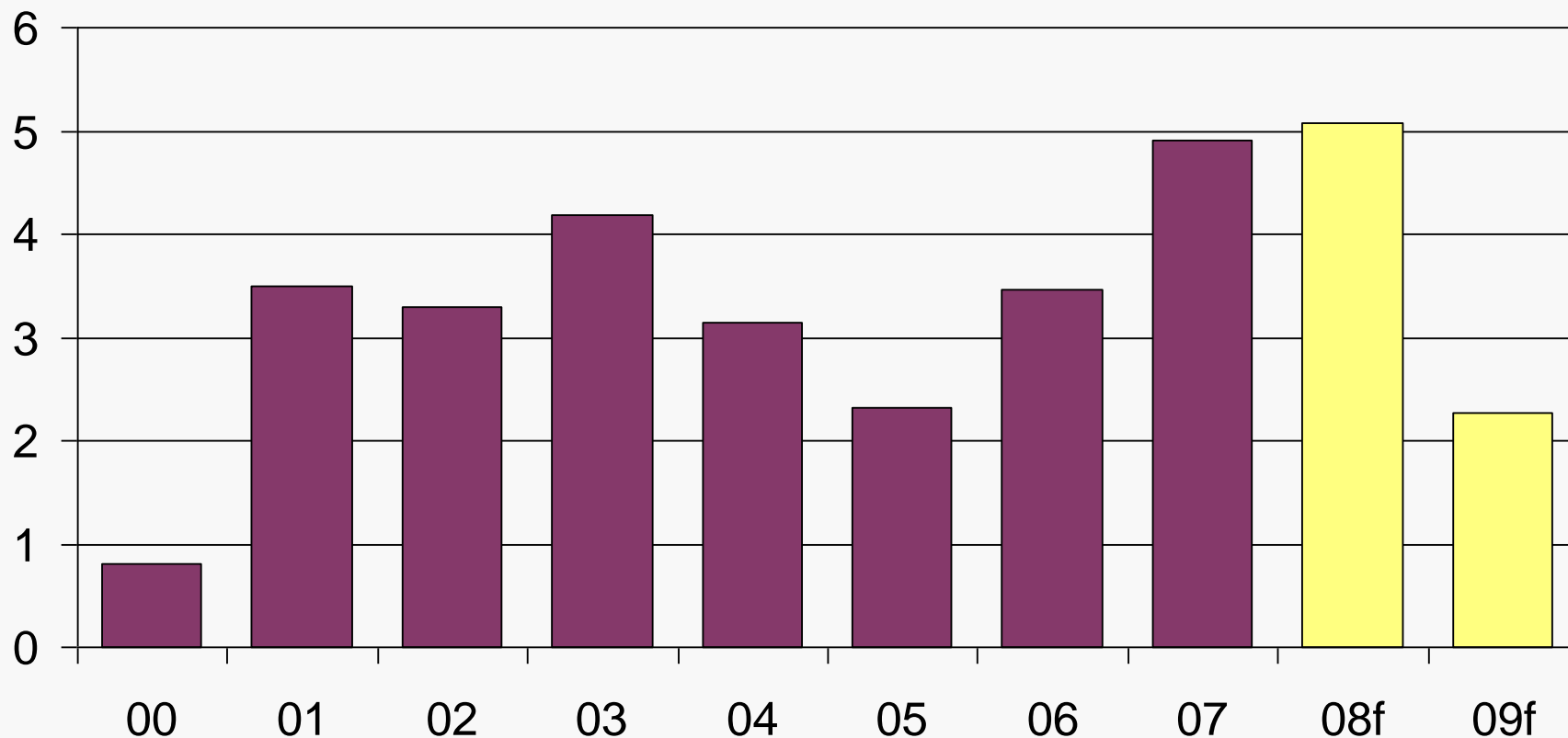
Source: Conference Board of Canada.



# Finance, Insurance & Real Estate

## Output

(percentage change 2000-09)

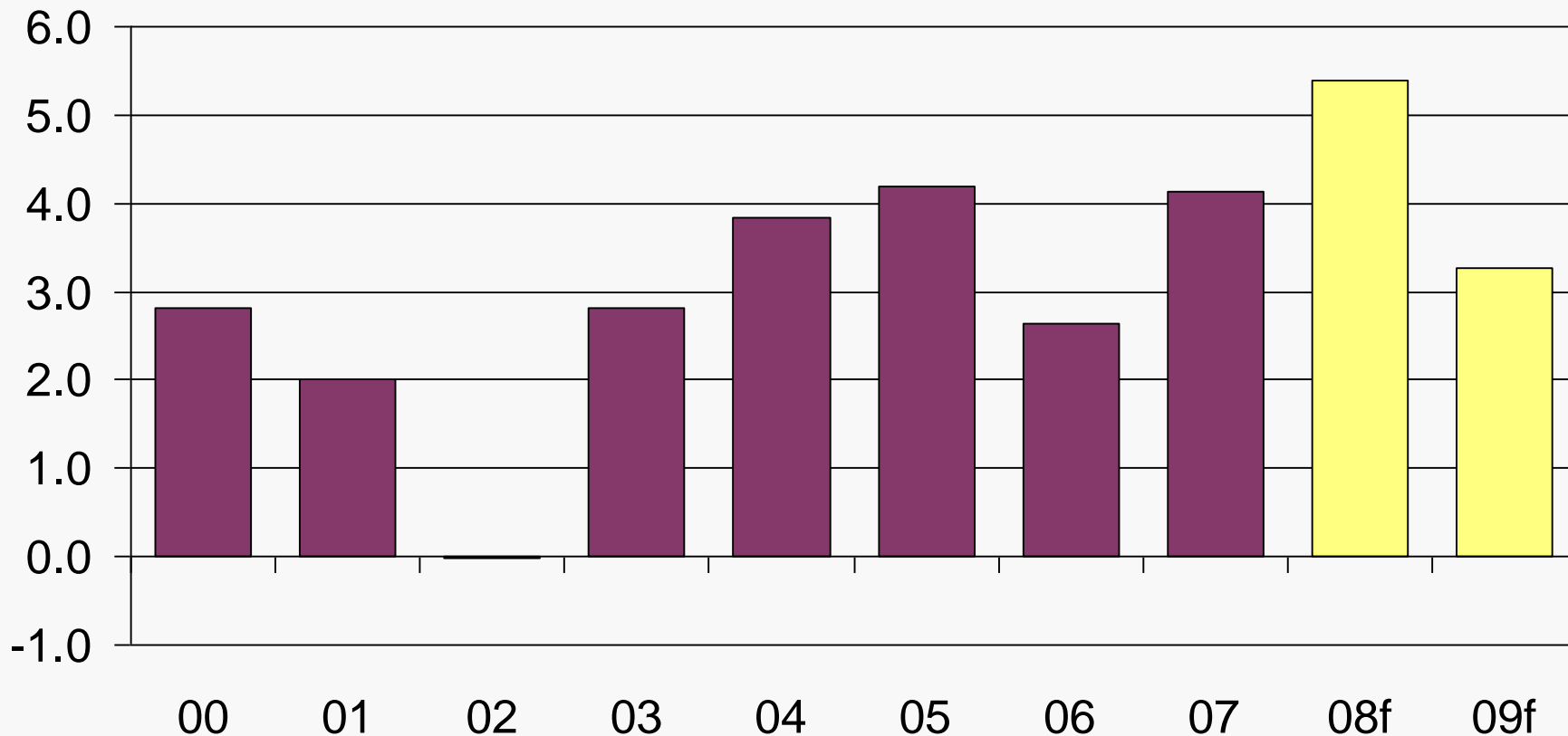


Source: Conference Board of Canada.



# Real GDP Growth

(2000-2009)

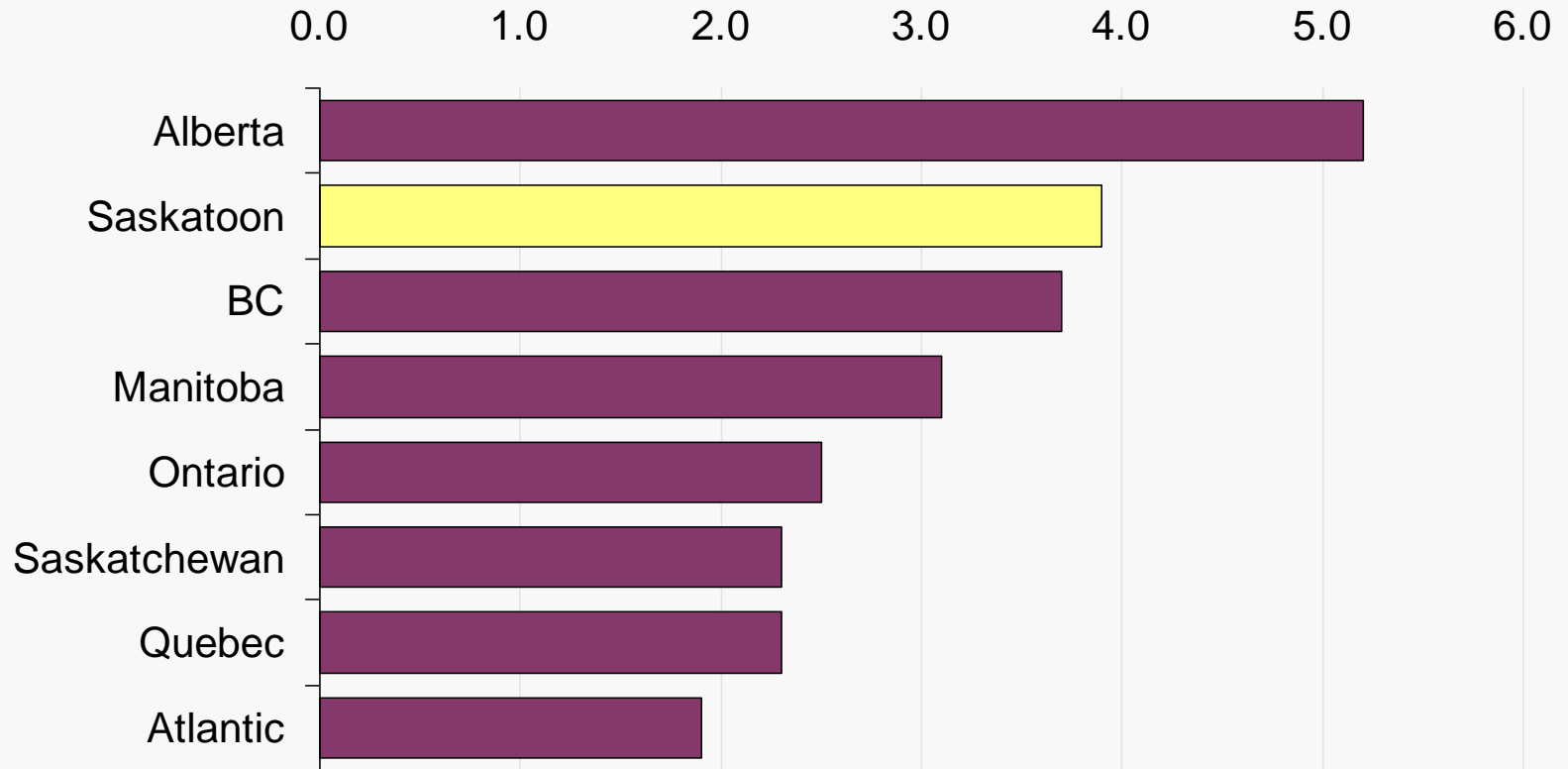


Source: Conference Board of Canada.



# Comparing Saskatoon

Real GDP growth, annual average 2004-07

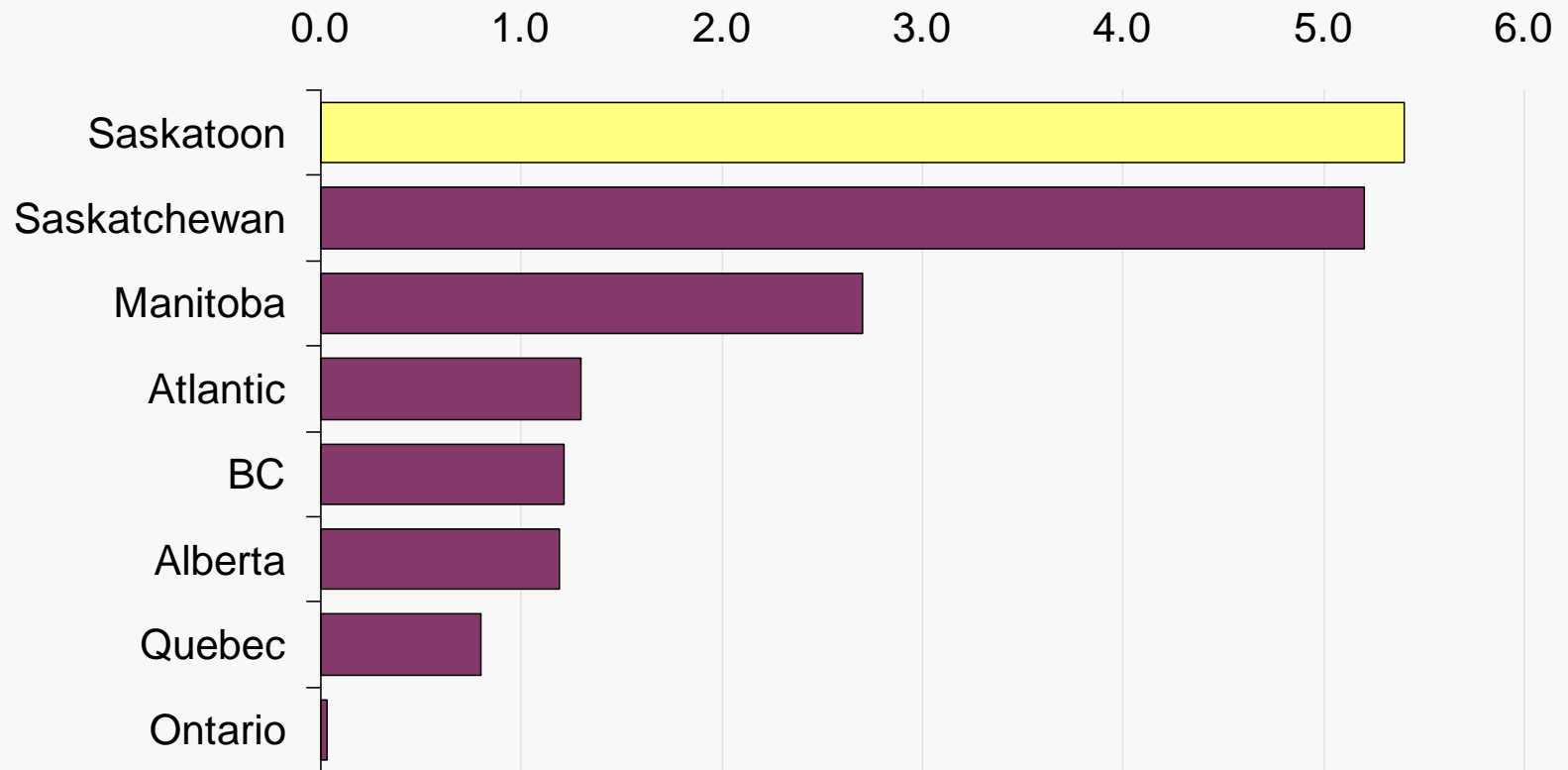


Source: Conference Board of Canada.



# Comparing Saskatoon

## Real GDP growth 2008

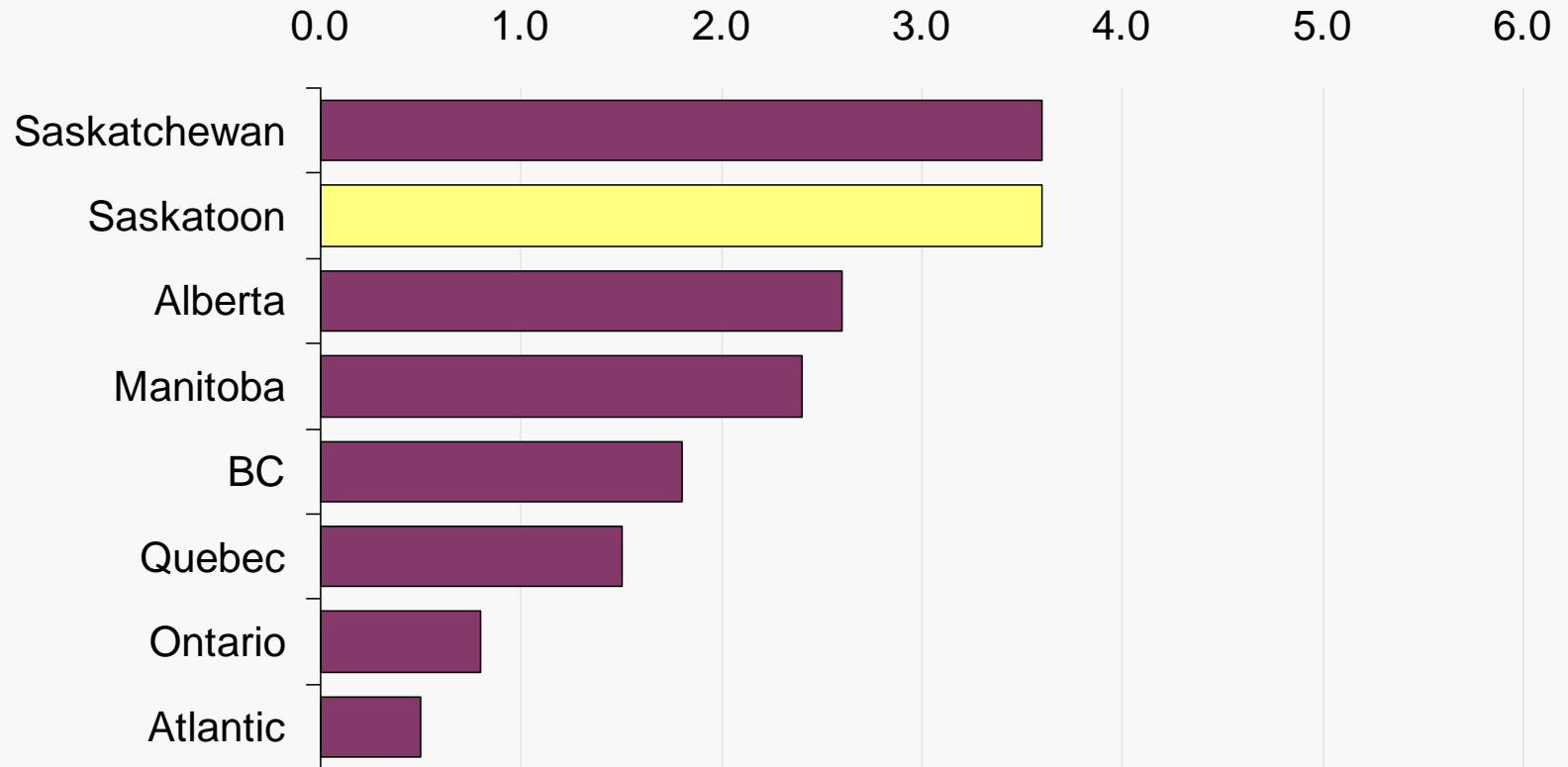


Source: Conference Board of Canada.



# Comparing Saskatoon

## Real GDP growth 2009



Source: Conference Board of Canada.





# The Conference Board of Canada