

# Economic and Housing Outlook

## Kelowna Chamber of Commerce

November 13, 2019

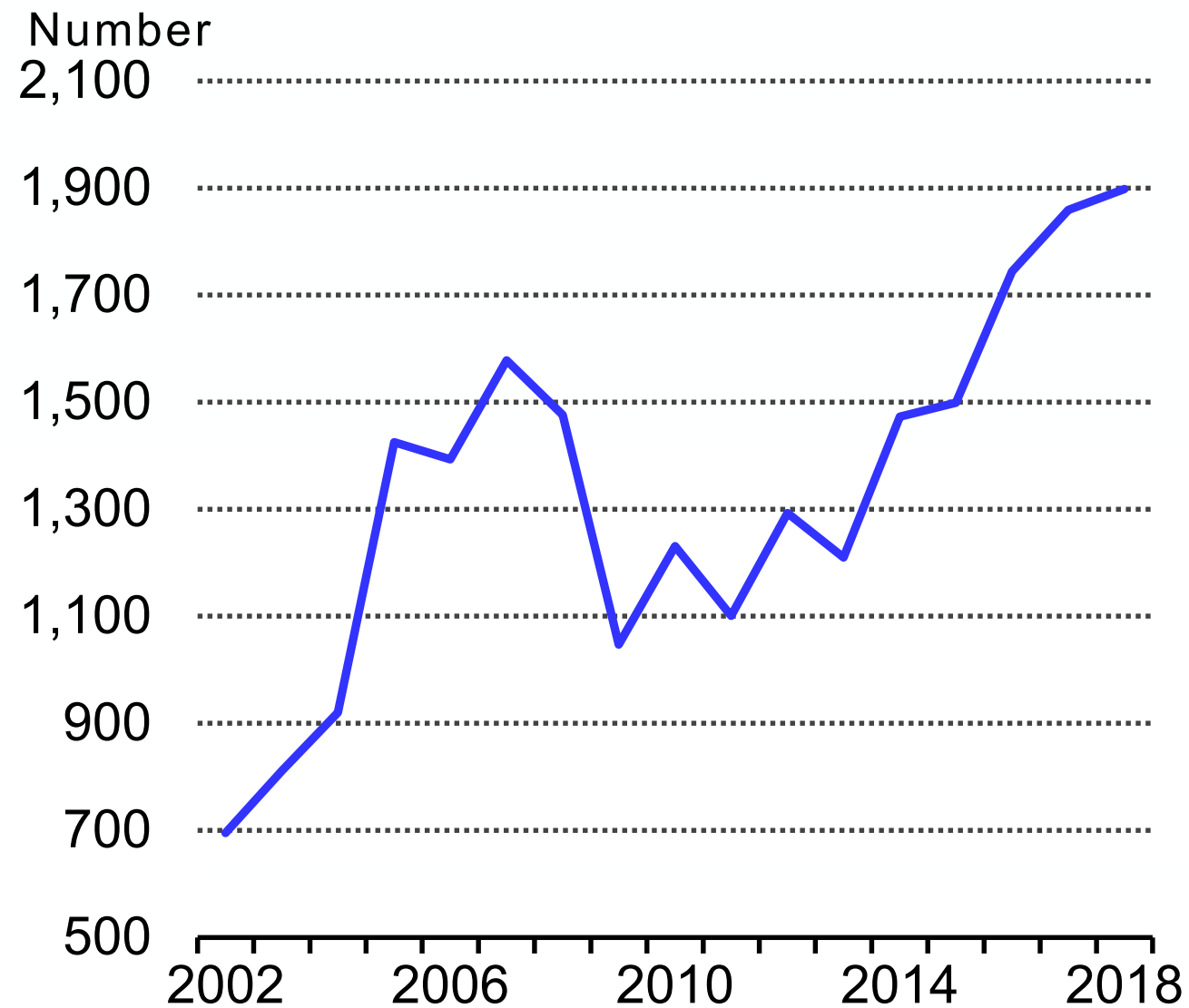
Helmut Pastrick  
Chief Economist  
Central 1 Credit Union

# Outline:

- Kelowna's economic and housing market conditions
- Tariffs and the global economy
- U.S. economy and outlook
- Canada's economic and rate outlook
- Kelowna's economic and housing outlook

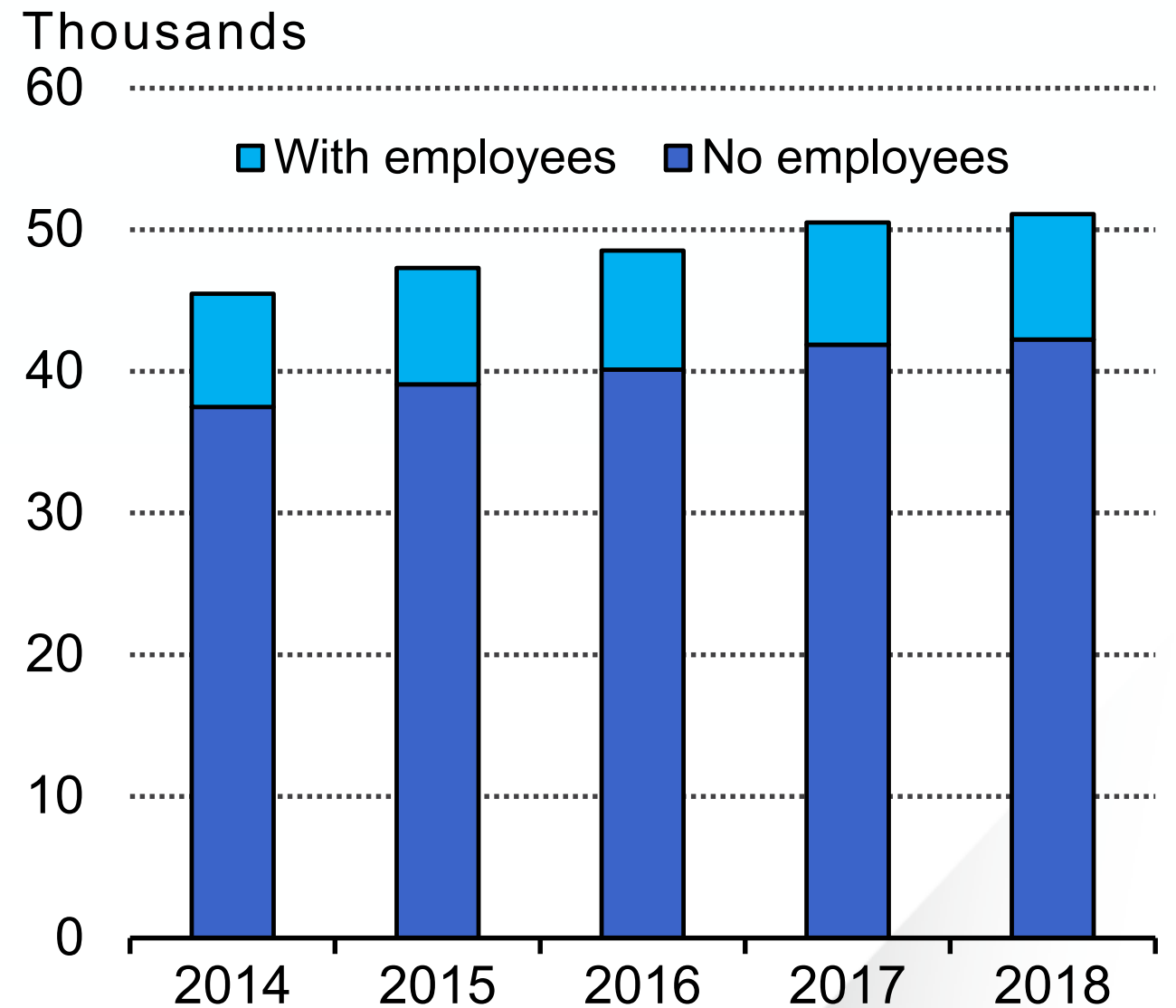
# Substantial business growth since 2014

## Business Incorporations: Kelowna

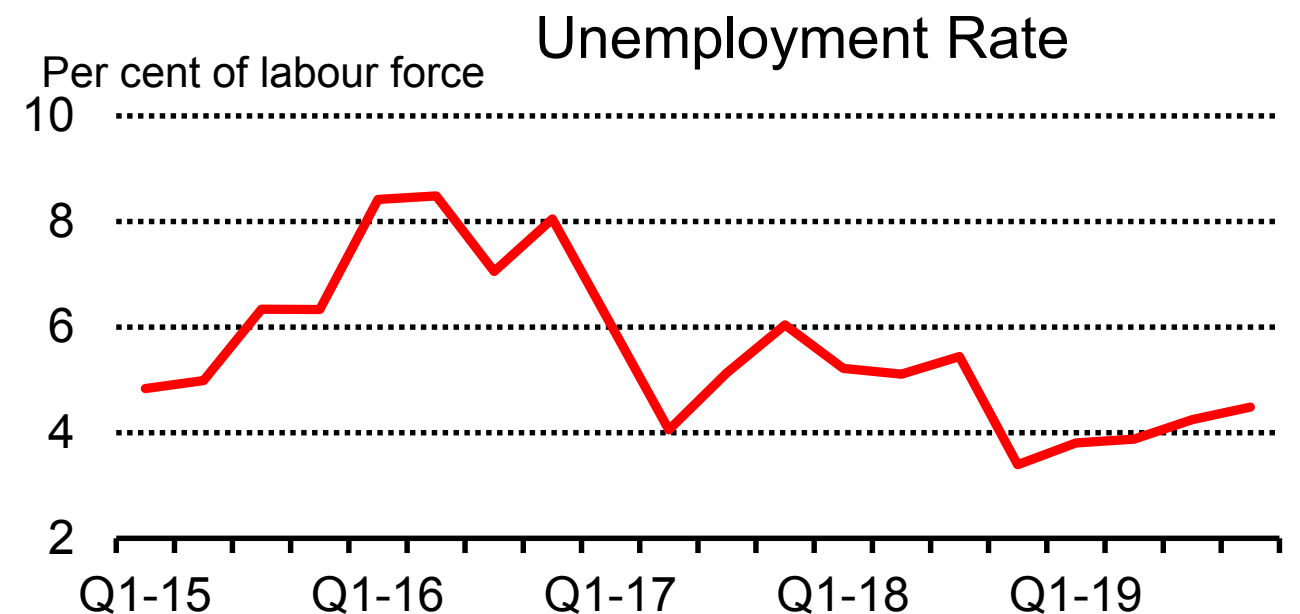
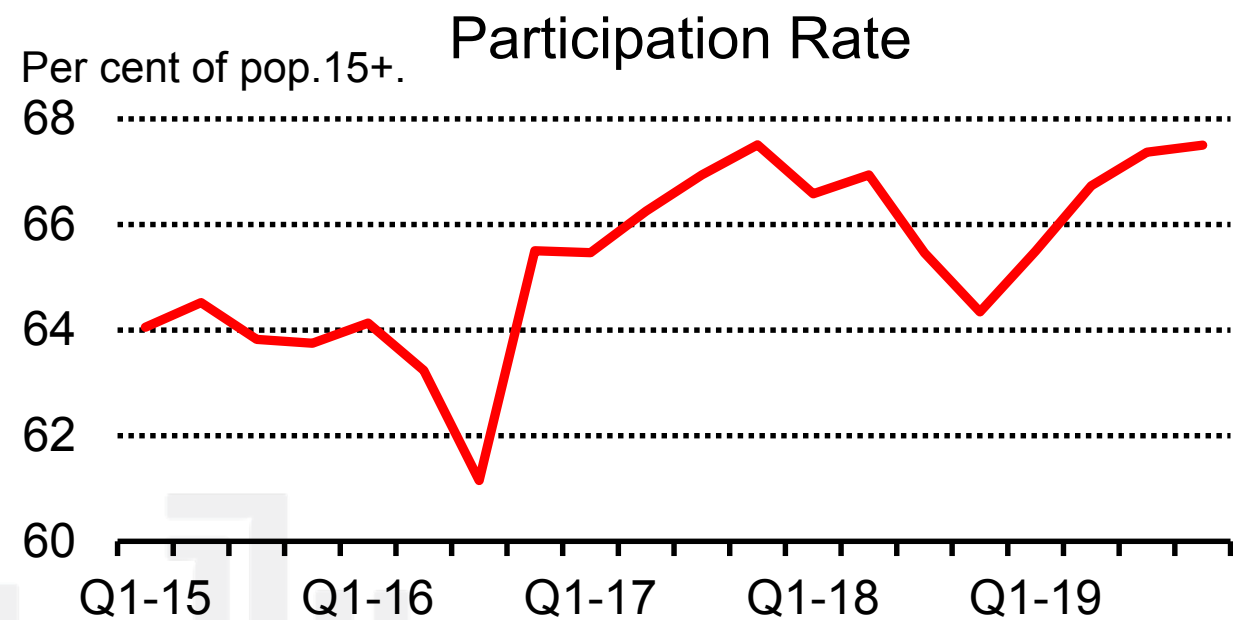
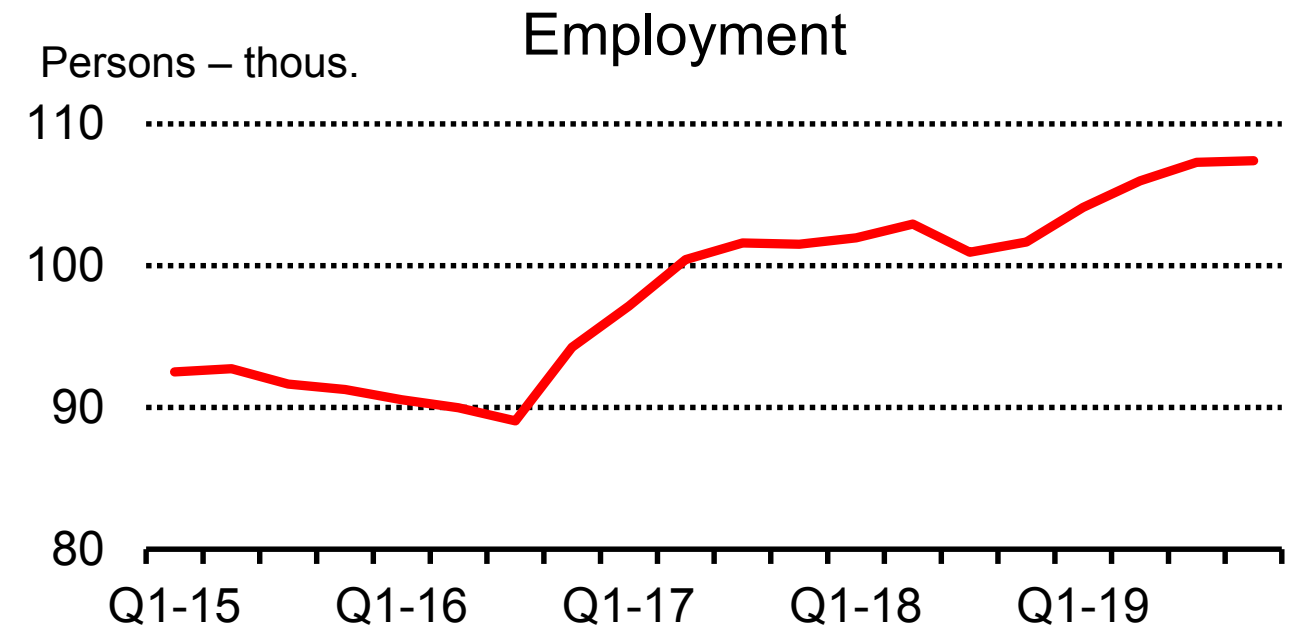
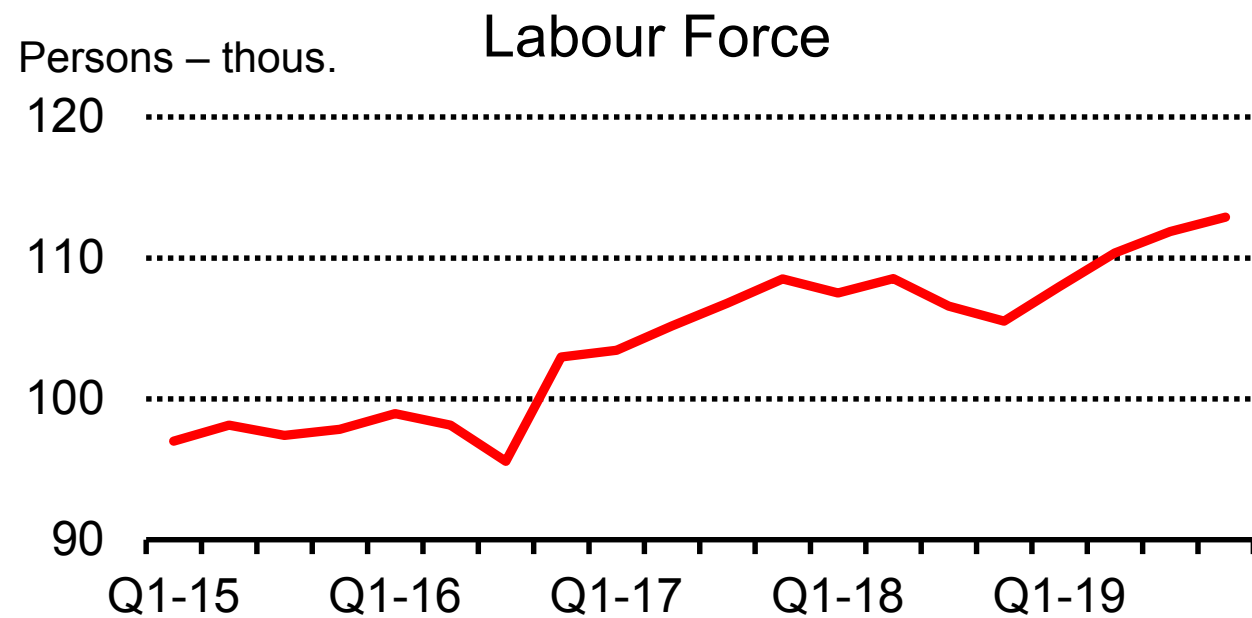


Source: BC Stats.

## Business Counts: Kelowna CMA

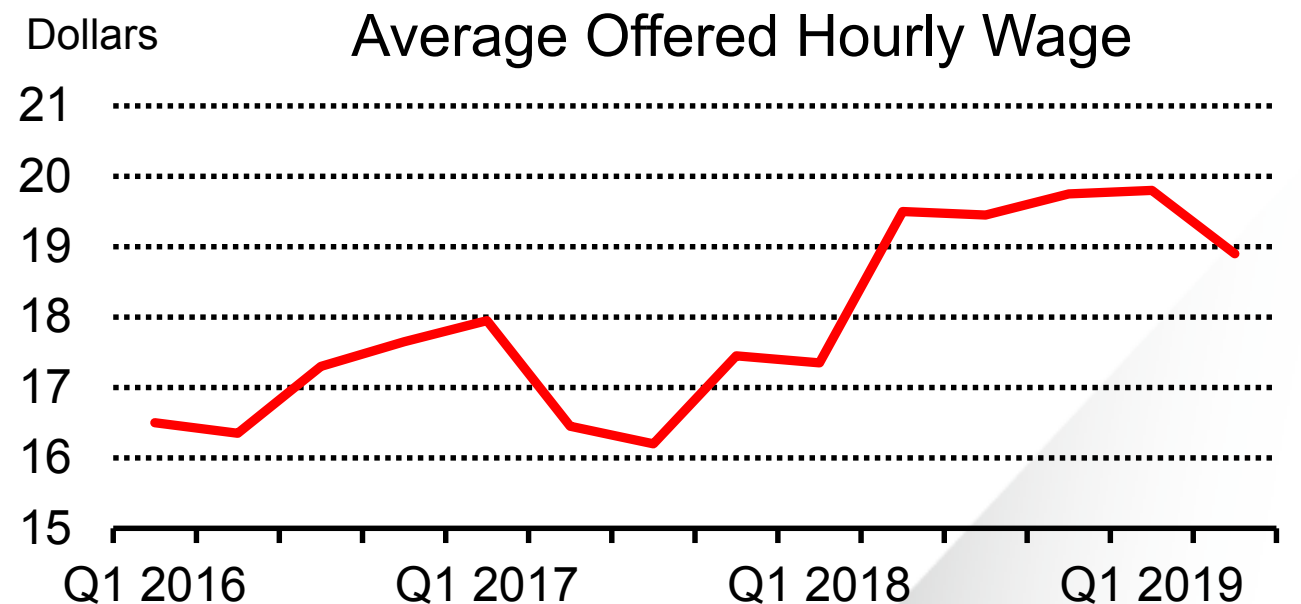
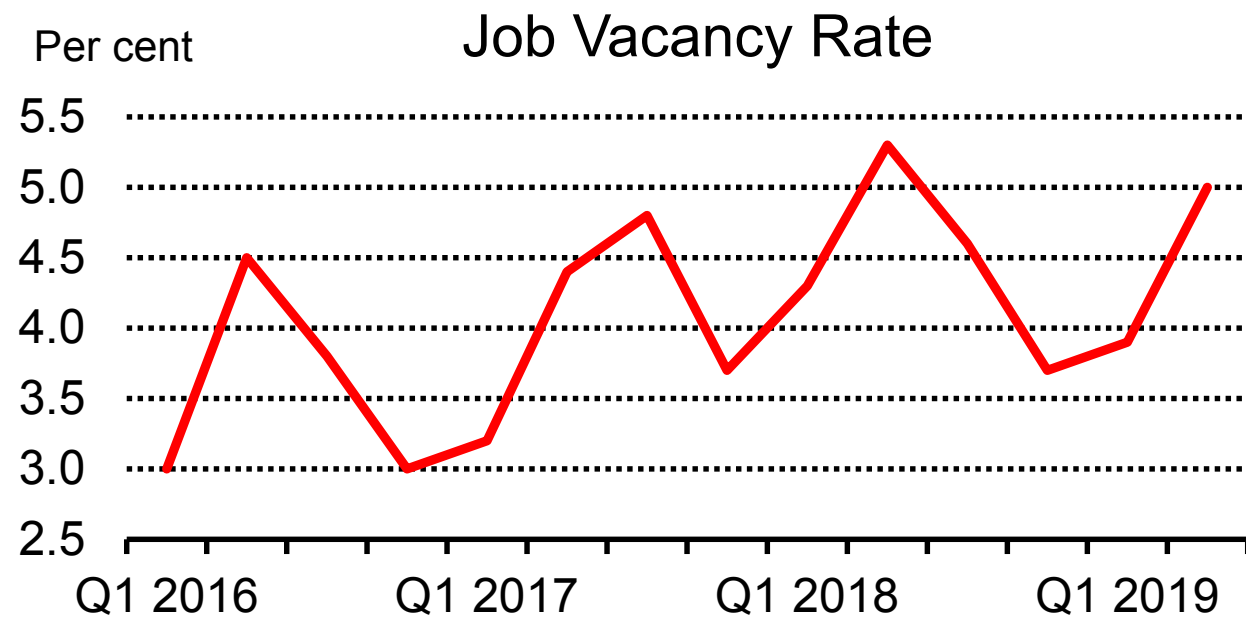
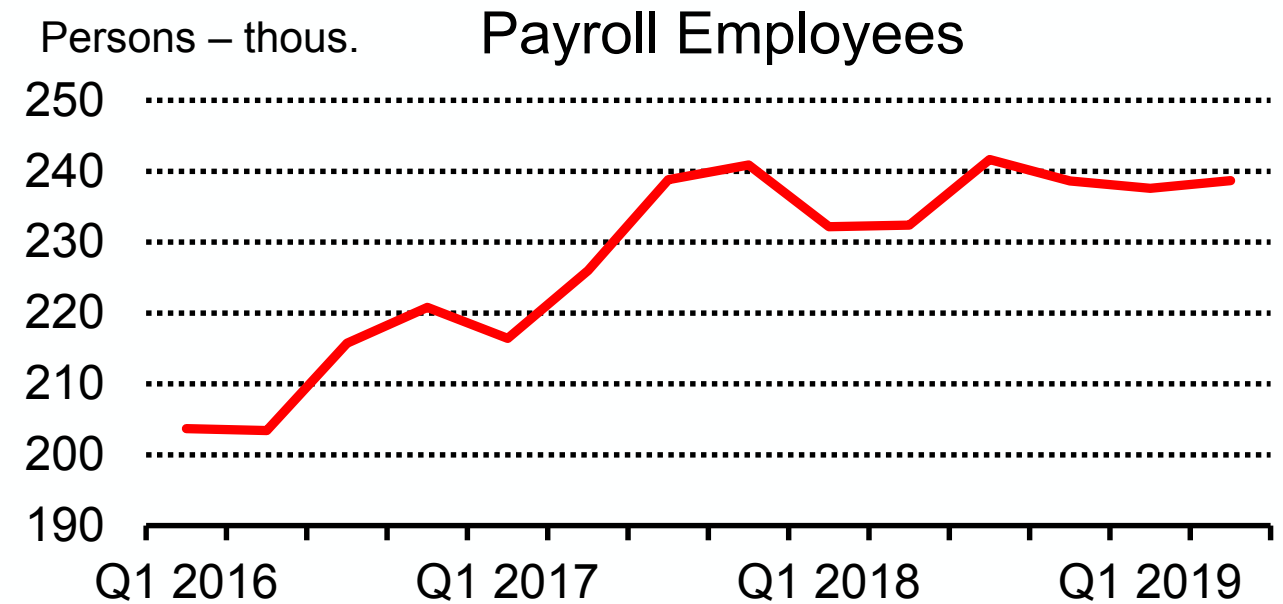
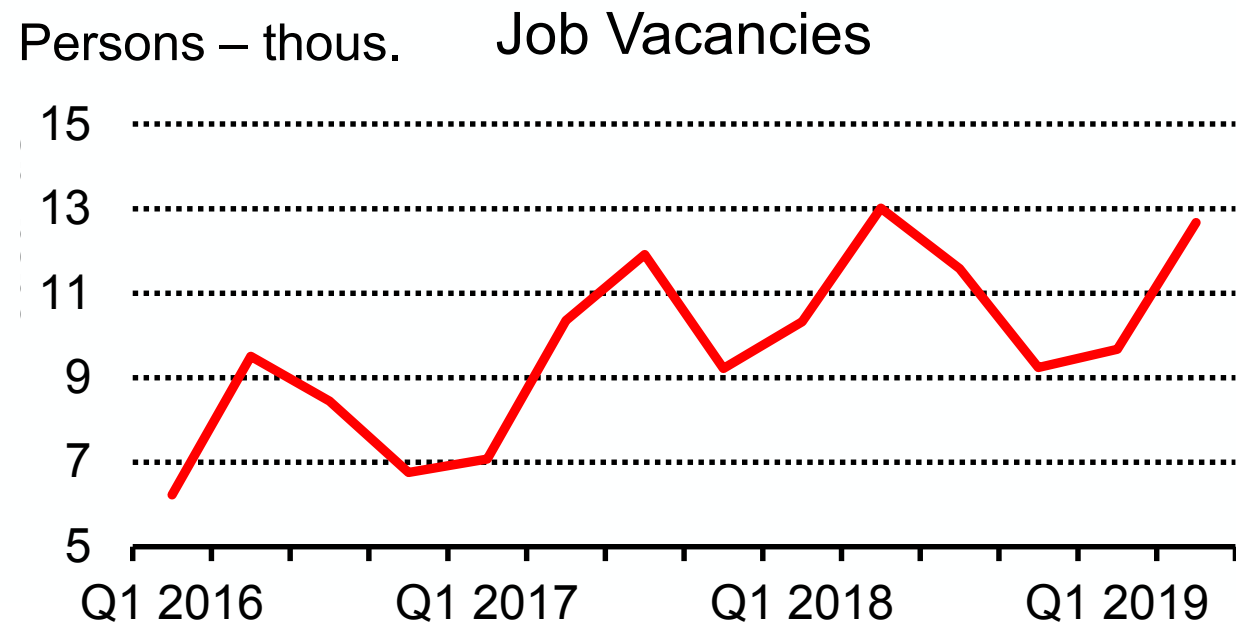


# Labour market trends: Kelowna Metropolitan Area



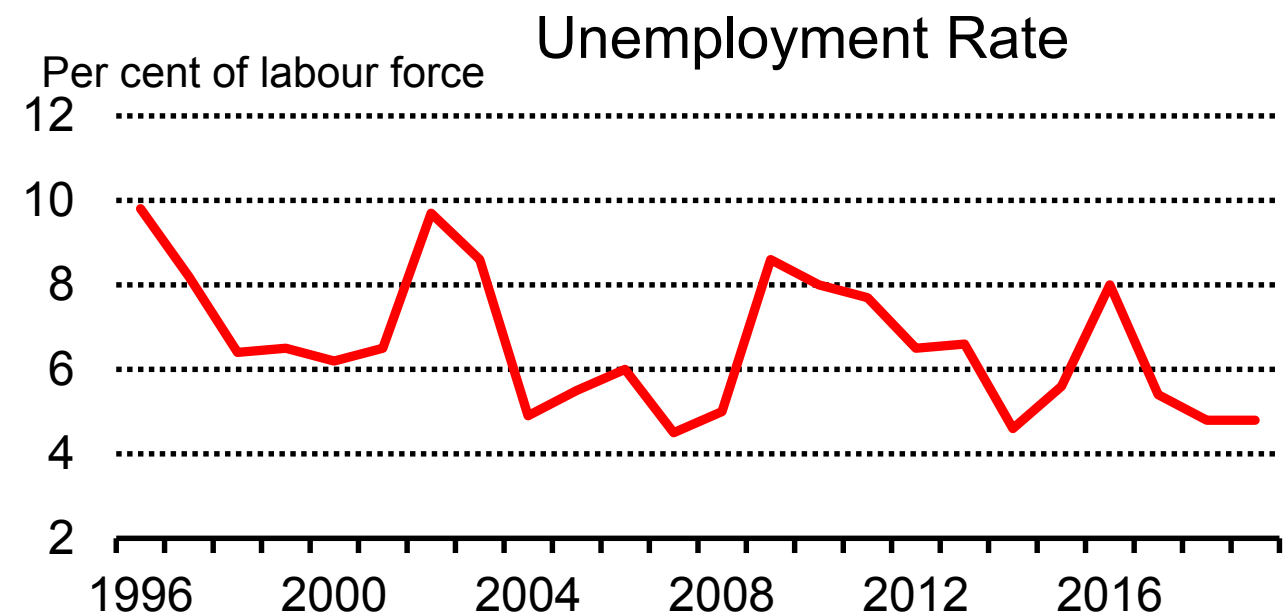
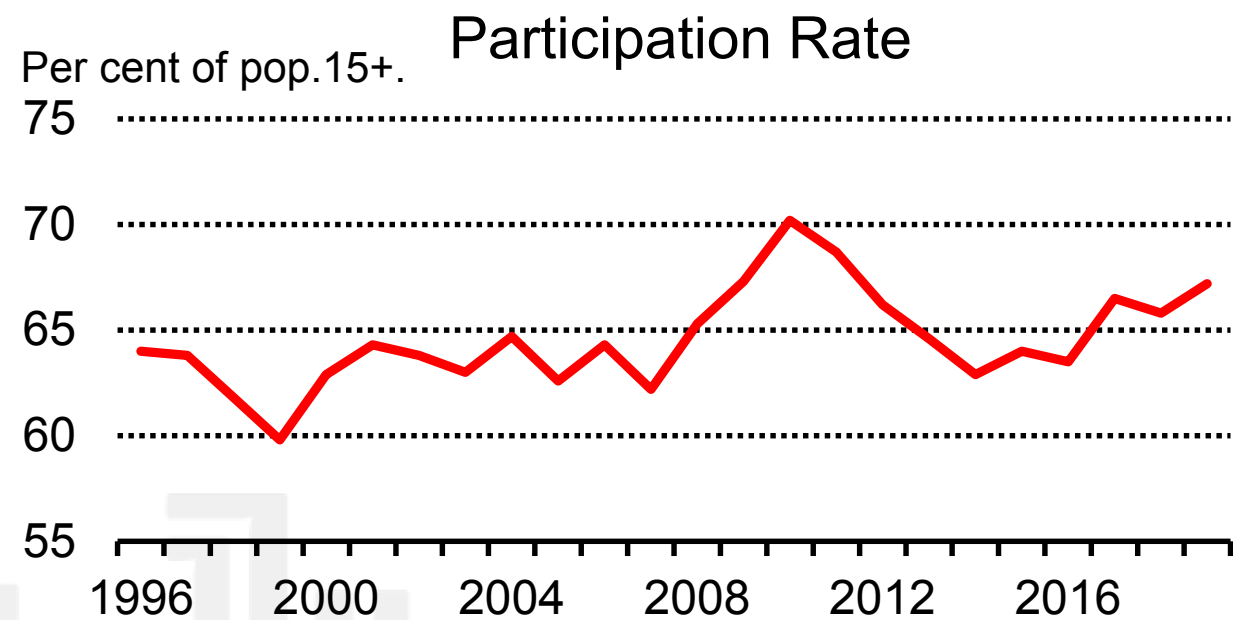
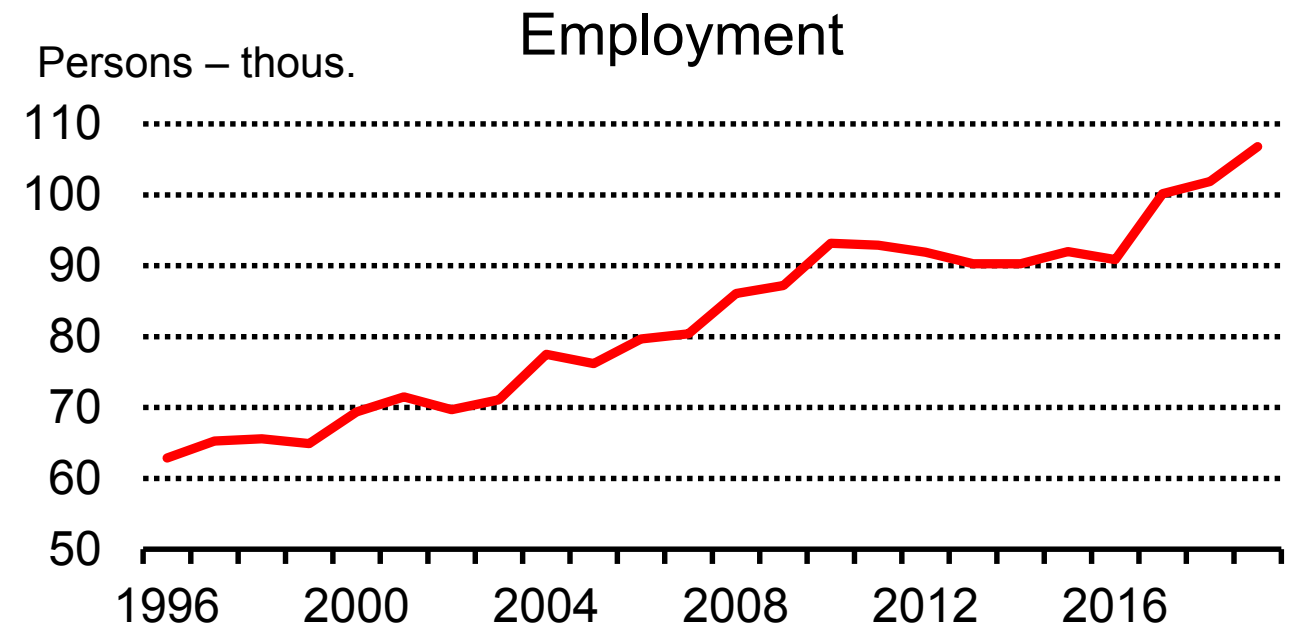
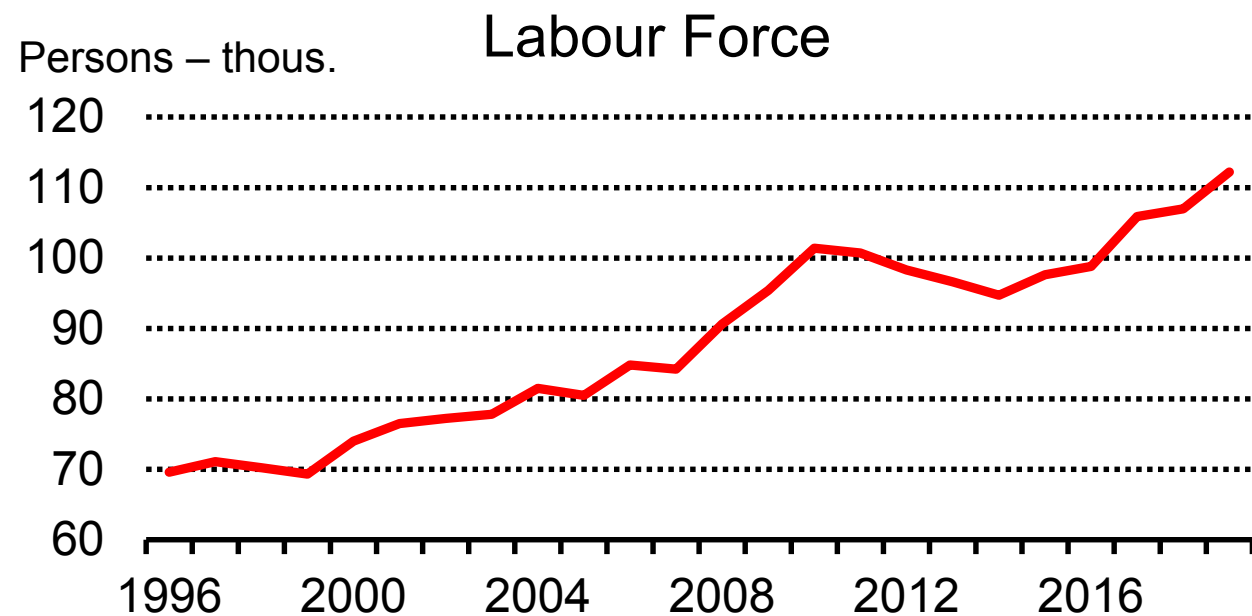
Source: Statistics Canada. Note: Seasonally adjusted. Latest: Oct-19, three months ending

# Labour market: Thompson-Okanagan Region



Source: Statistics Canada Job Vacancy and Wage Survey. Note: Not seasonally adjusted. Latest: Q2 2019

# Labour market trends: Kelowna Metropolitan Area

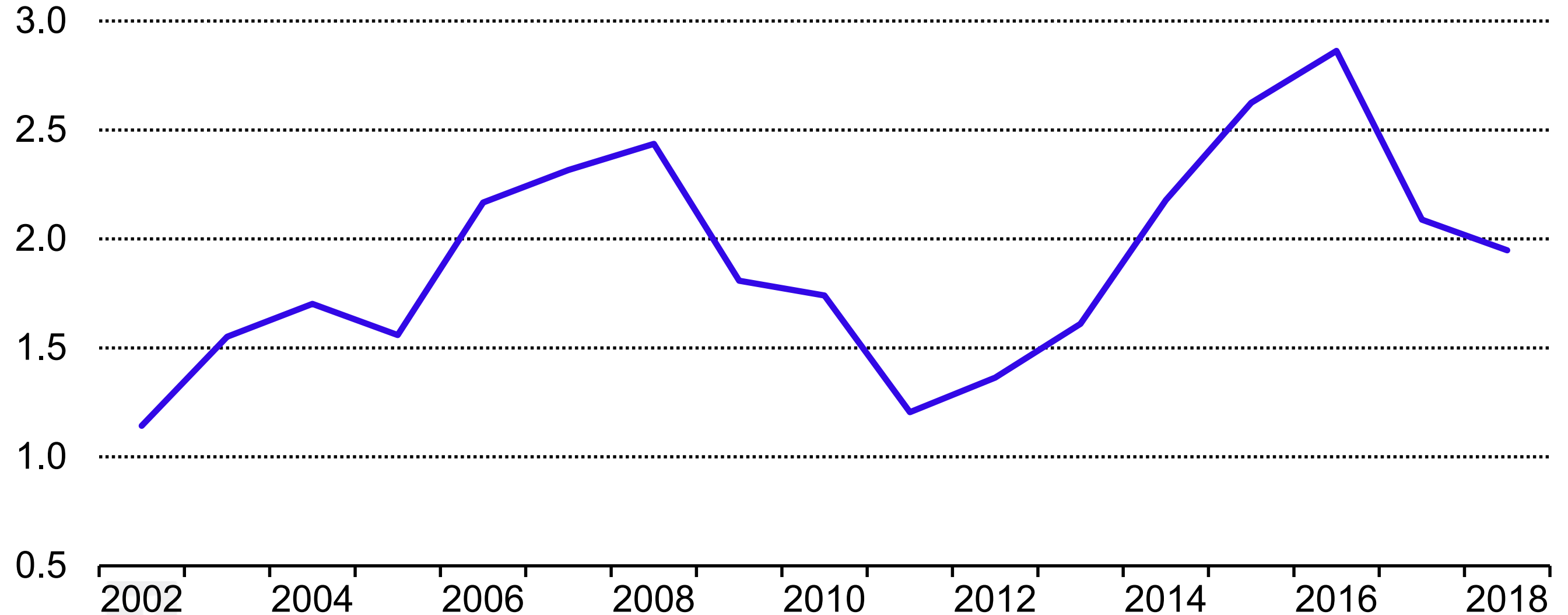


Source: Statistics Canada. Latest: Jan-Oct. 2019

# Recent slowing from high pace

## Population Growth: Kelowna Metropolitan Area

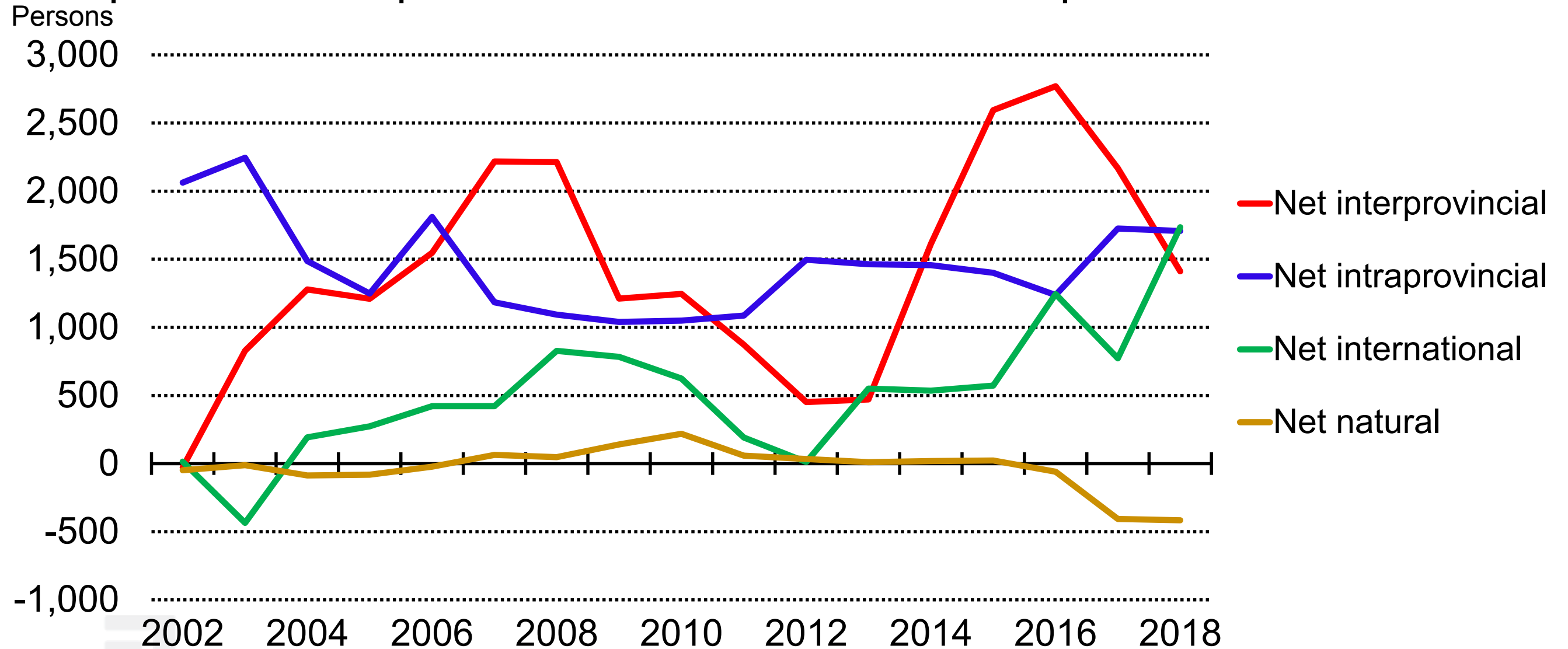
Per cent



Source: Statistics Canada. Note: As of July 1.

# Net interprovincial migration most variable

## Components of Population Growth: Kelowna Metropolitan Area



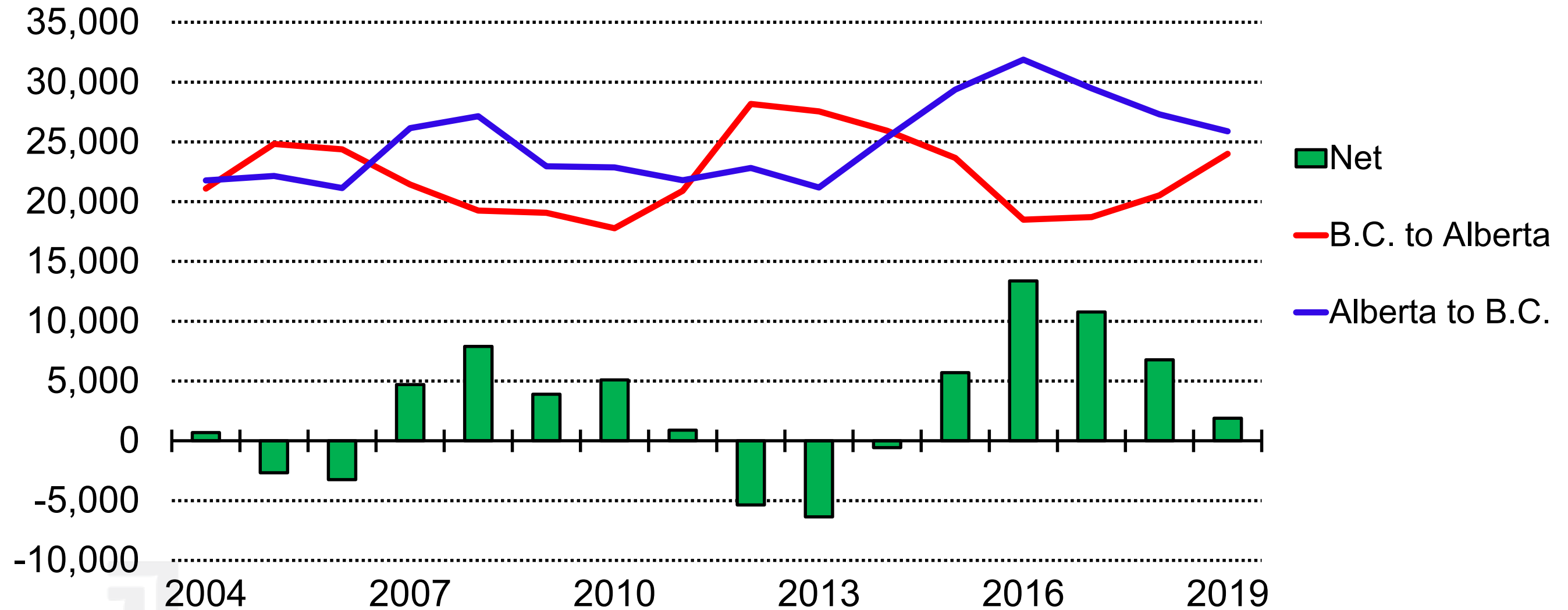
Source: Statistics Canada. Note: As of July 1, year ending.



# B.C.-Alberta economies drive interprovincial flows

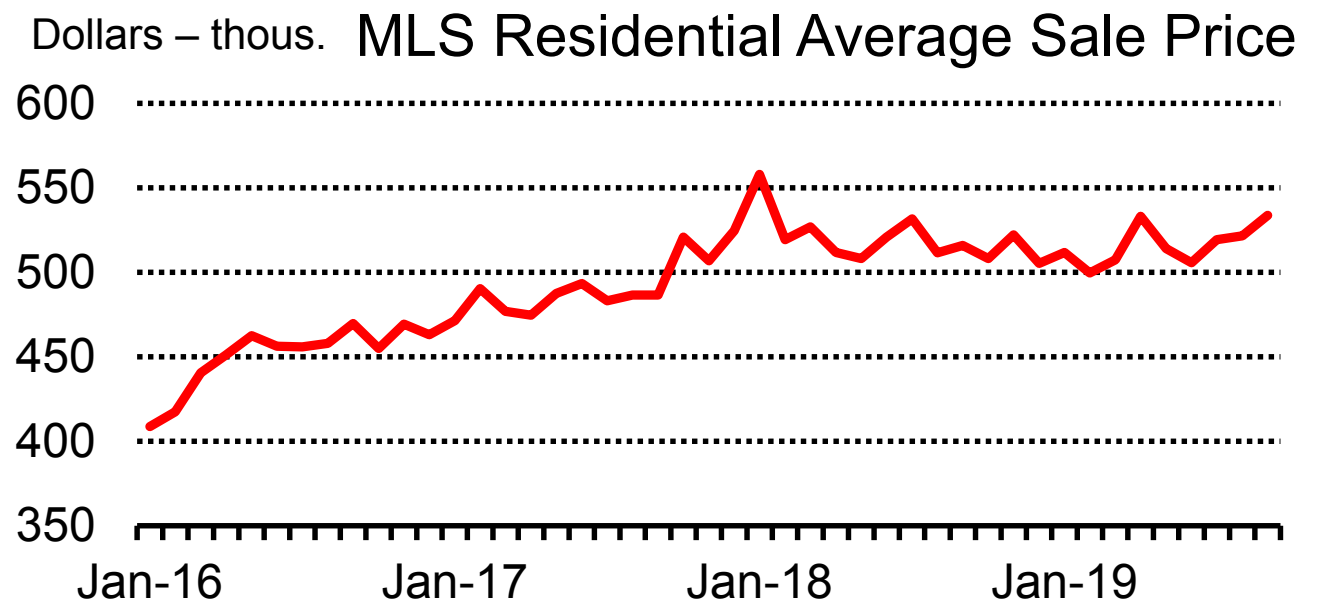
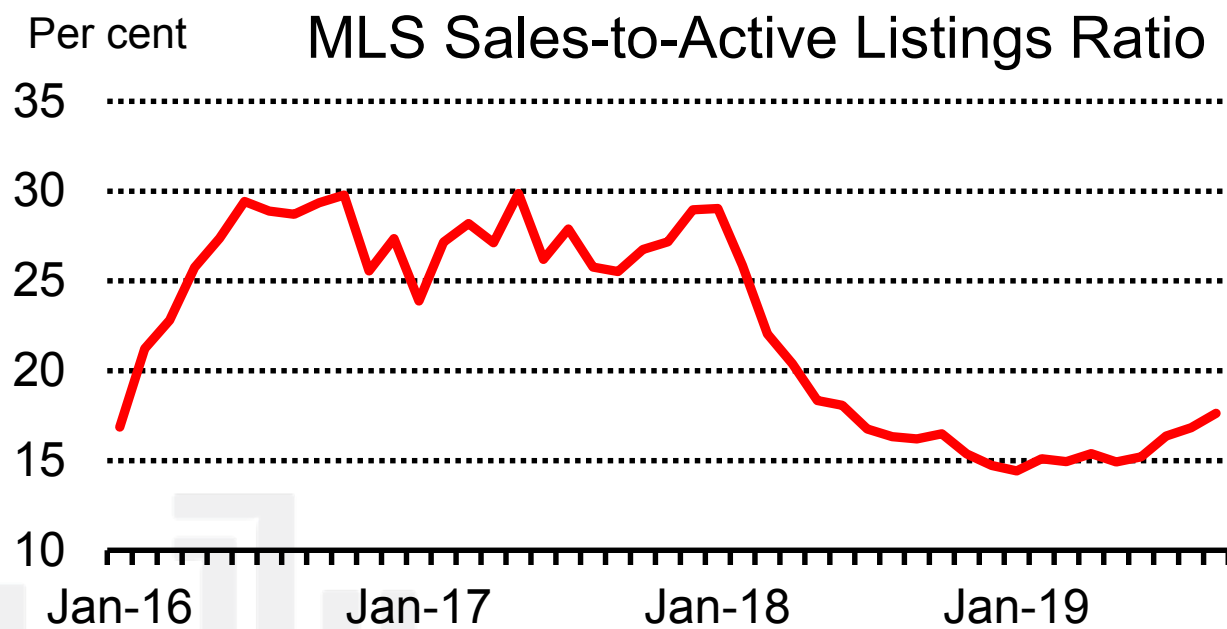
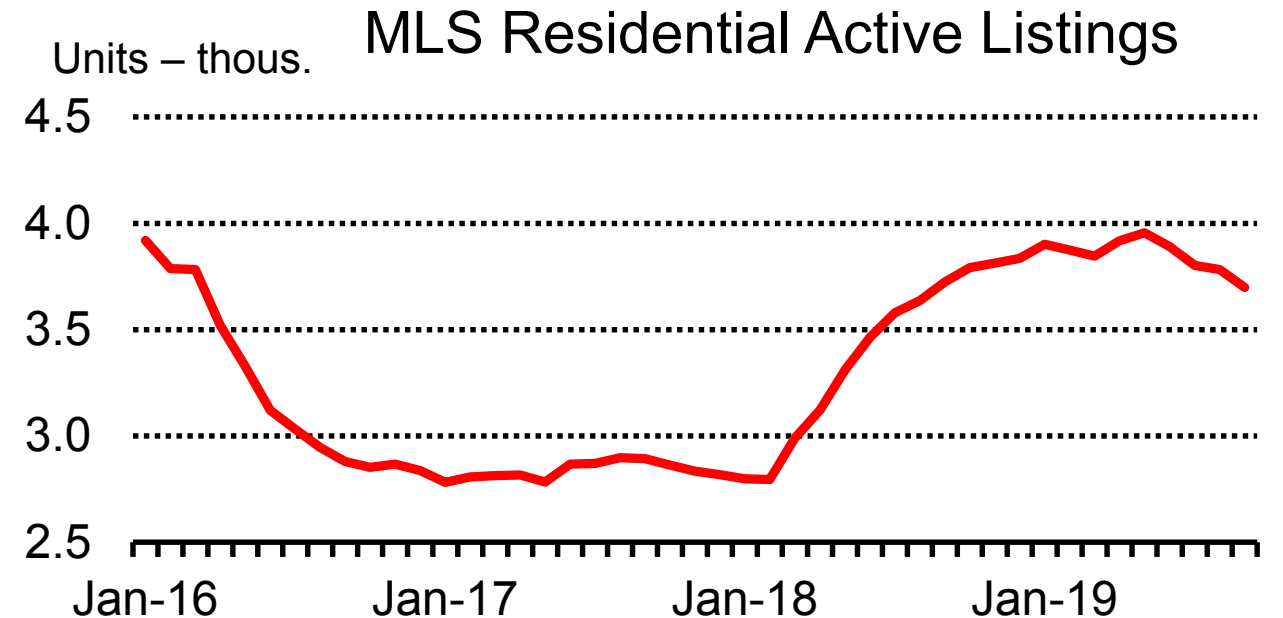
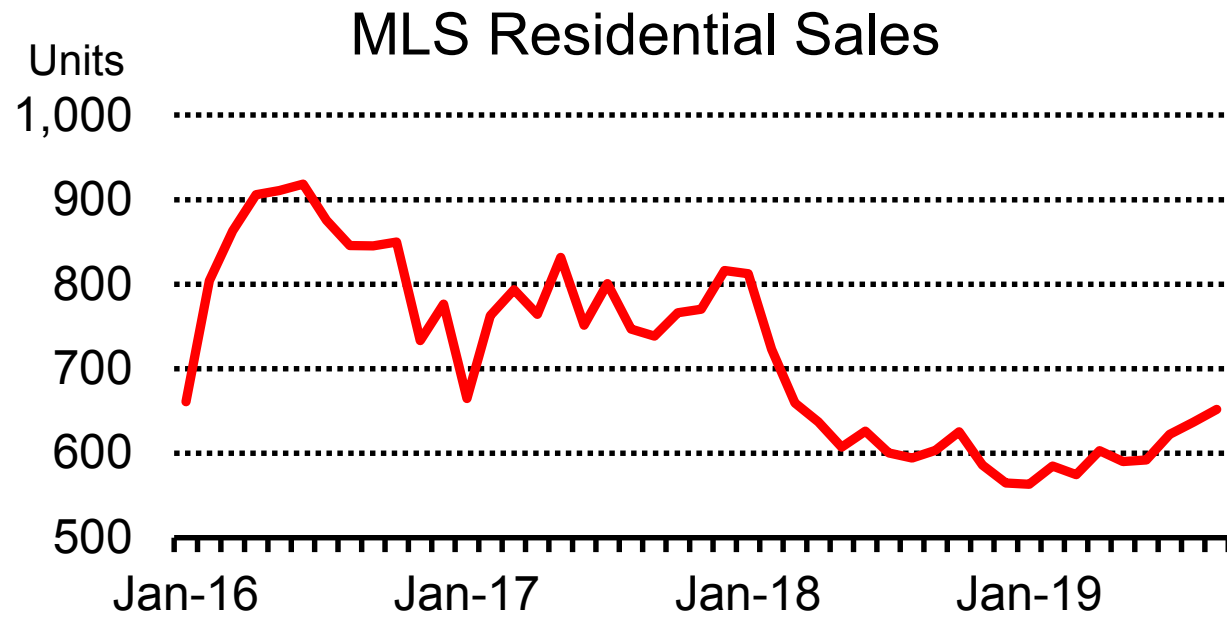
## Interprovincial Migration B.C.- Alberta

Persons



Source: BC Stats. Note: As of July 1. Year ending June 30. Latest estimates are preliminary.

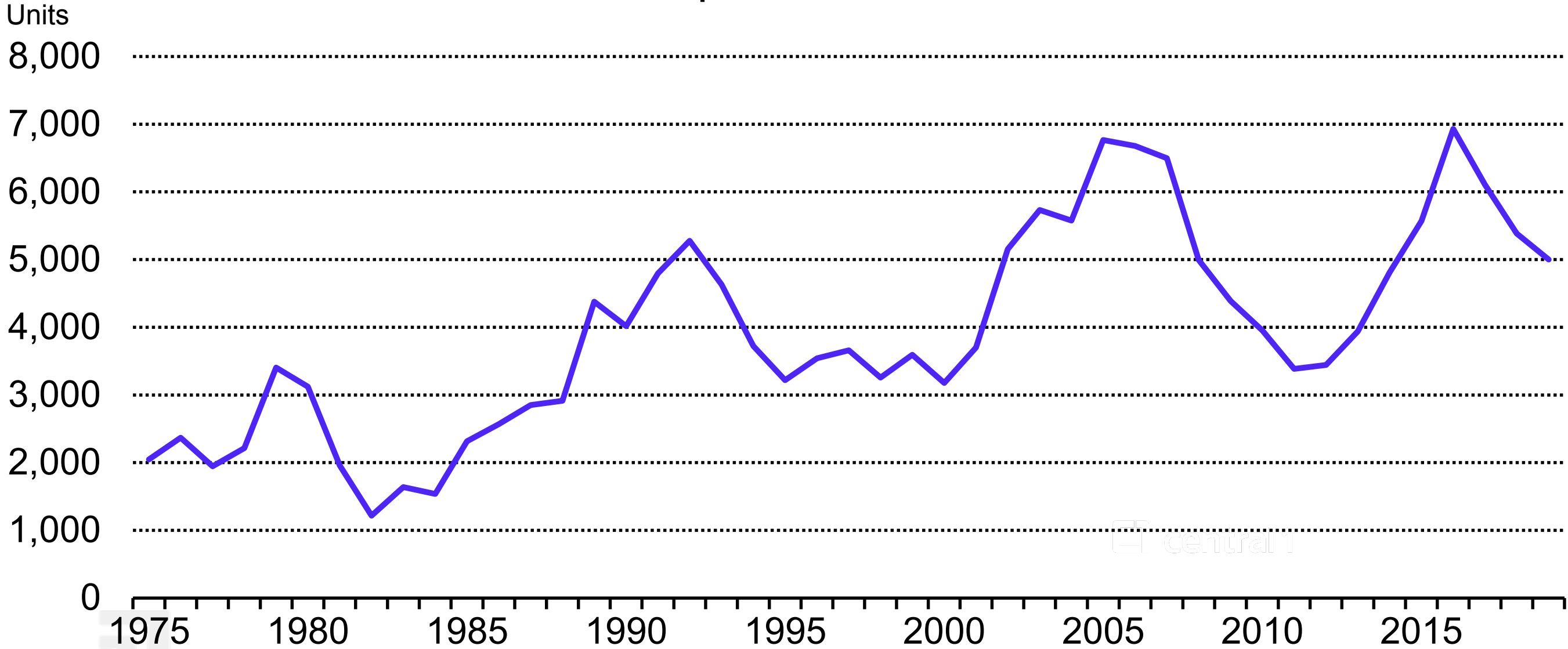
# Resale housing market trends: Okanagan-Mainline REB



Source: CREA, Central 1. Note: Seasonally adjusted. Latest: Sep-19

# Sales cycle over time

## Residential Sales: Kelowna Metropolitan Area

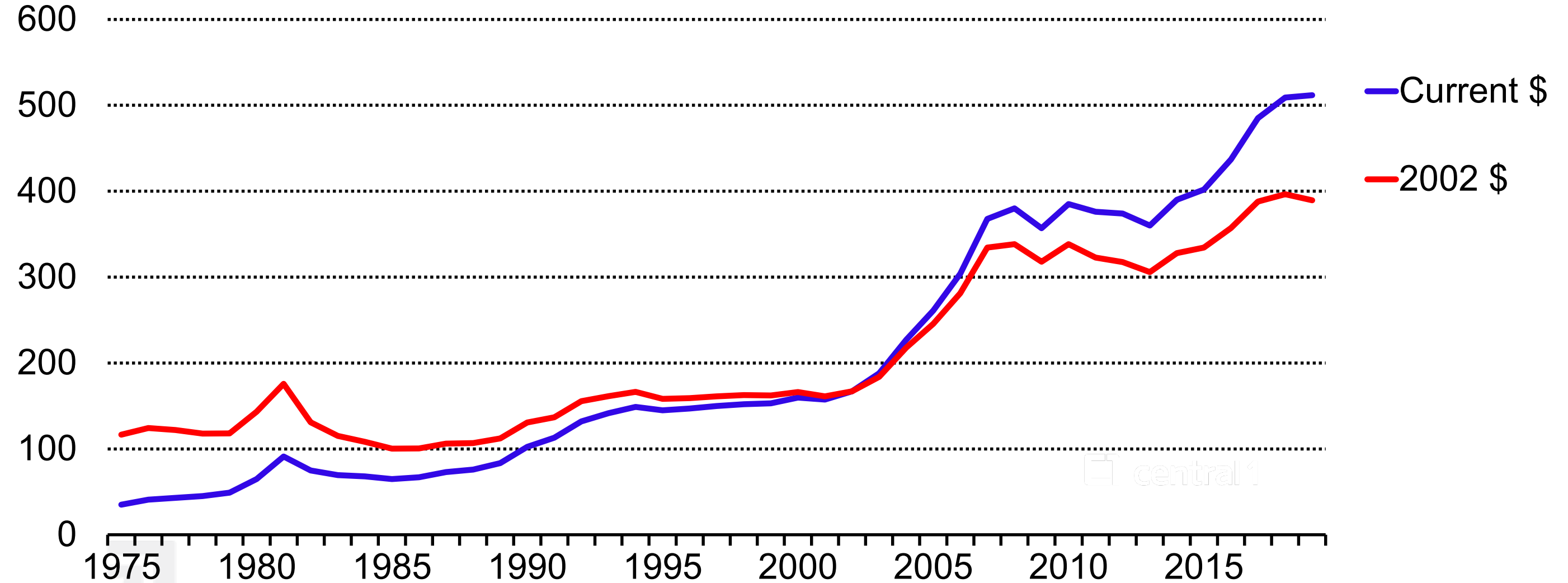


Source: Landcor Data Corp. Note: Arms length transactions only. Latest: 12 months ending September 2019

# Long term rising price trend

## Residential Median Sale Price: Kelowna Metropolitan Area

Dollars - thousands

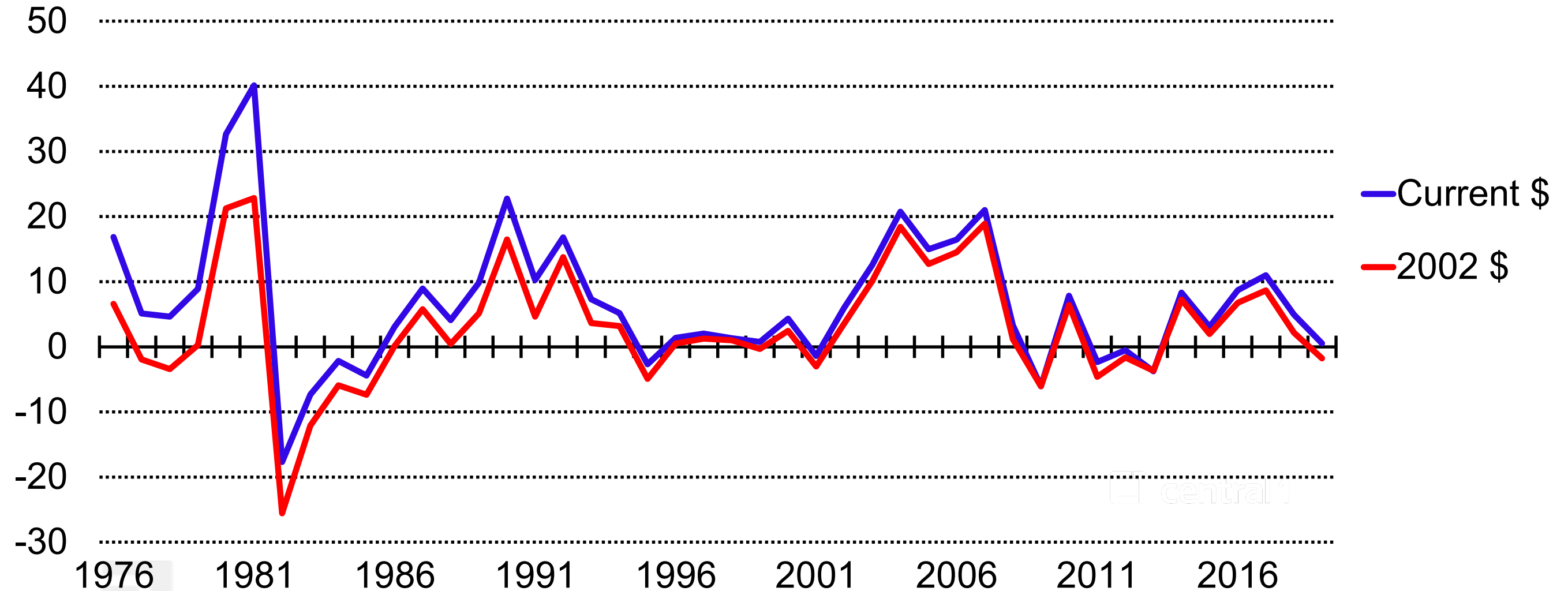


Source: Landcor Data Corp, Central 1. Note: Arms length transactions only. Deflated by BC CPI. Latest: 2019 to Sep.

# Recent price cycle was mild

## Change in Residential Median Sale Price: Kelowna Metropolitan Area

Per cent

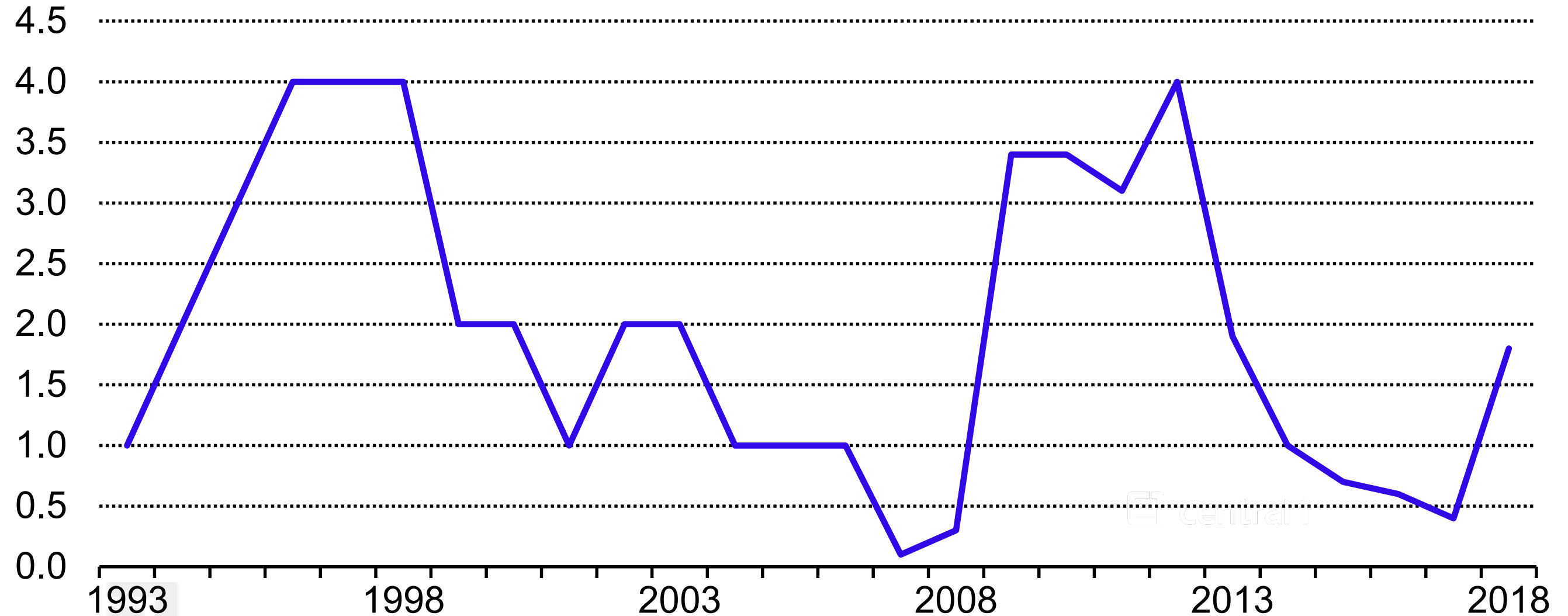


Source: Landcor Data Corp., Central 1. Note: Annual data. Deflated by BC CPI. Latest: 2019 to Sep.

# Vacancy rate up from cycle low

## Rental Vacancy Rate: Kelowna Metropolitan Area

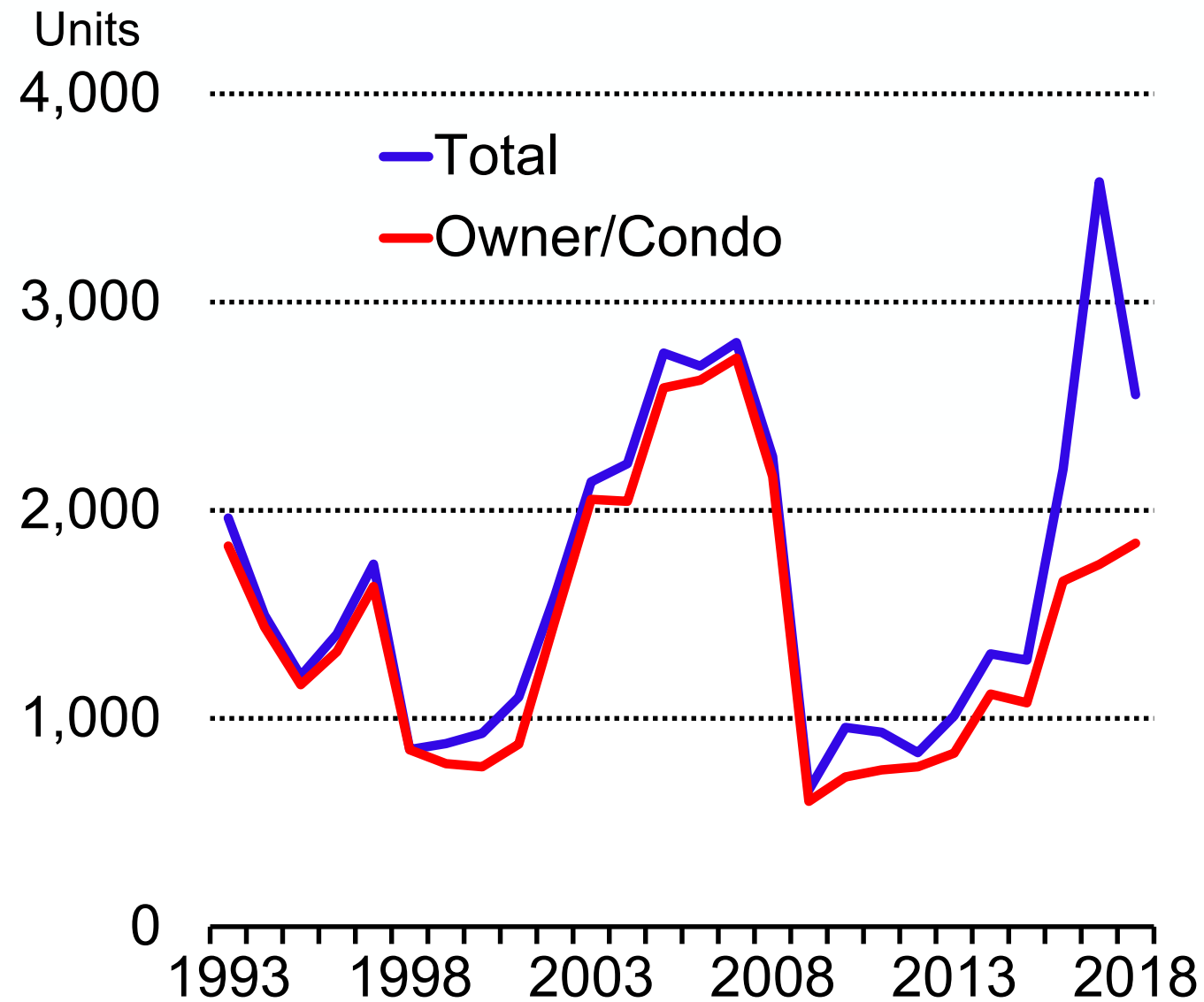
Per cent



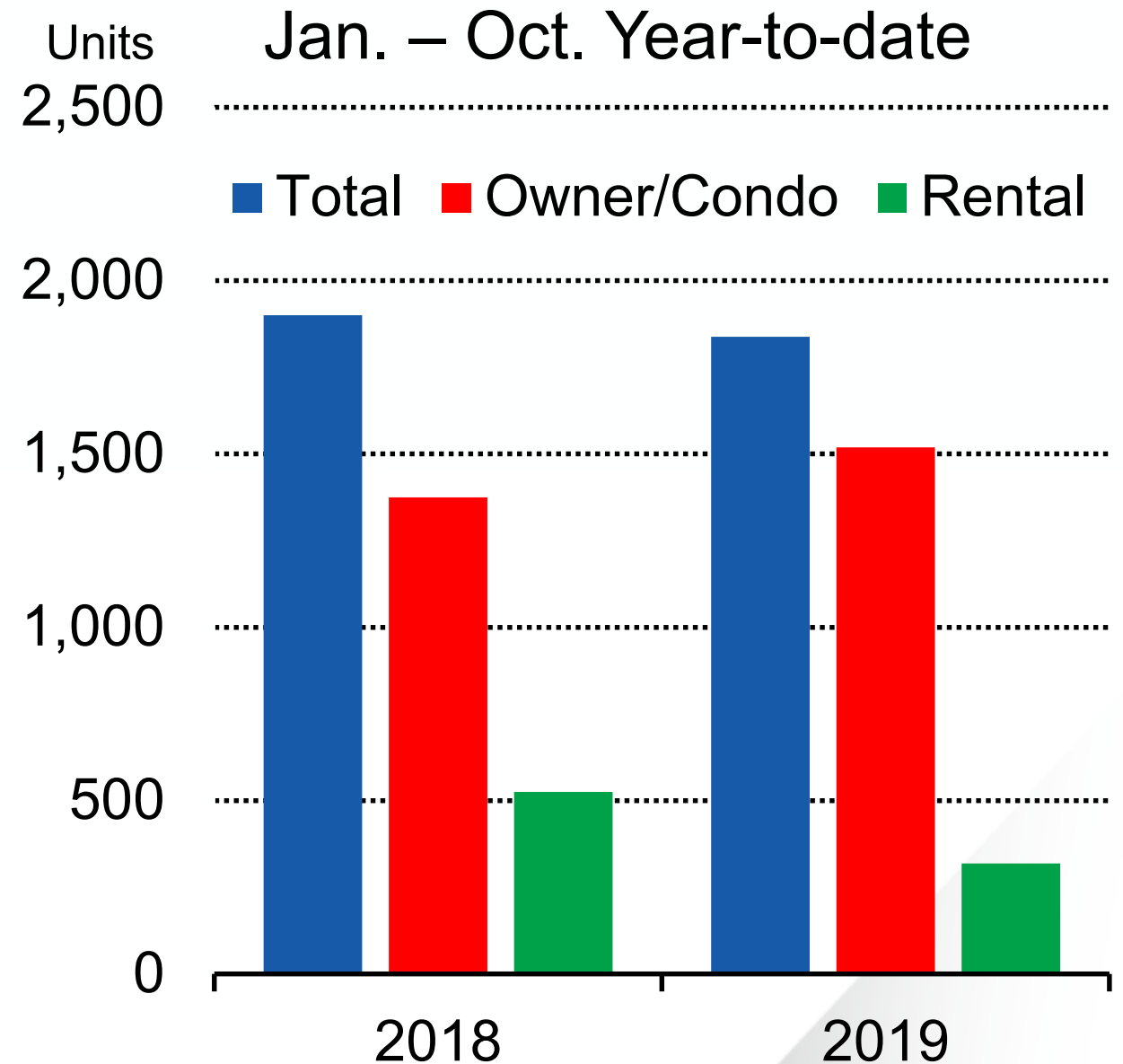
Source: CMHC. Note: Private apartment and row structures, three units and over. As of October.

# More homeowner and condominium starts this year

## Housing Starts: Kelowna Metro Area



Source: CMHC.



## Potential new housing policies:

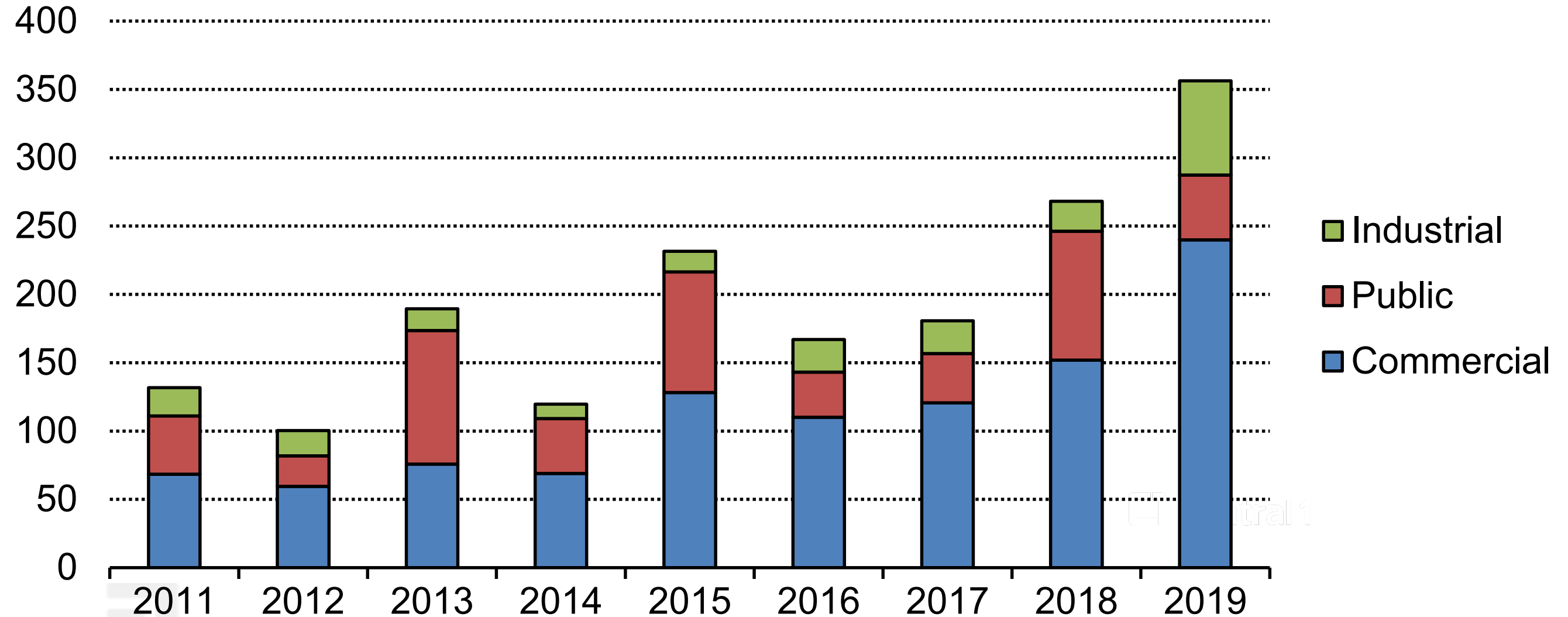
- Increase limit to First-Time Buyer incentive in expensive markets to \$800,000, maximum income to \$150,000
- National tax on vacant residential properties owned by non-Canadians who don't live in Canada
- Increase Canada Housing Benefit (currently \$2,500 per year per core need renter household)
- Increase non-market rental and co-op supply



# Commercial and industrial investment up in 2019

## Non-residential Building Permits: Kelowna Metropolitan Area

Dollars - millions



Source: Statistics Canada. Note: 2019 is 12 months ending Sept. 2019.

# TARIFF-MAN

RAISING PRICES FASTER *than* A SPEEDING BULLET.



The MAN of STEEL TARIFFS

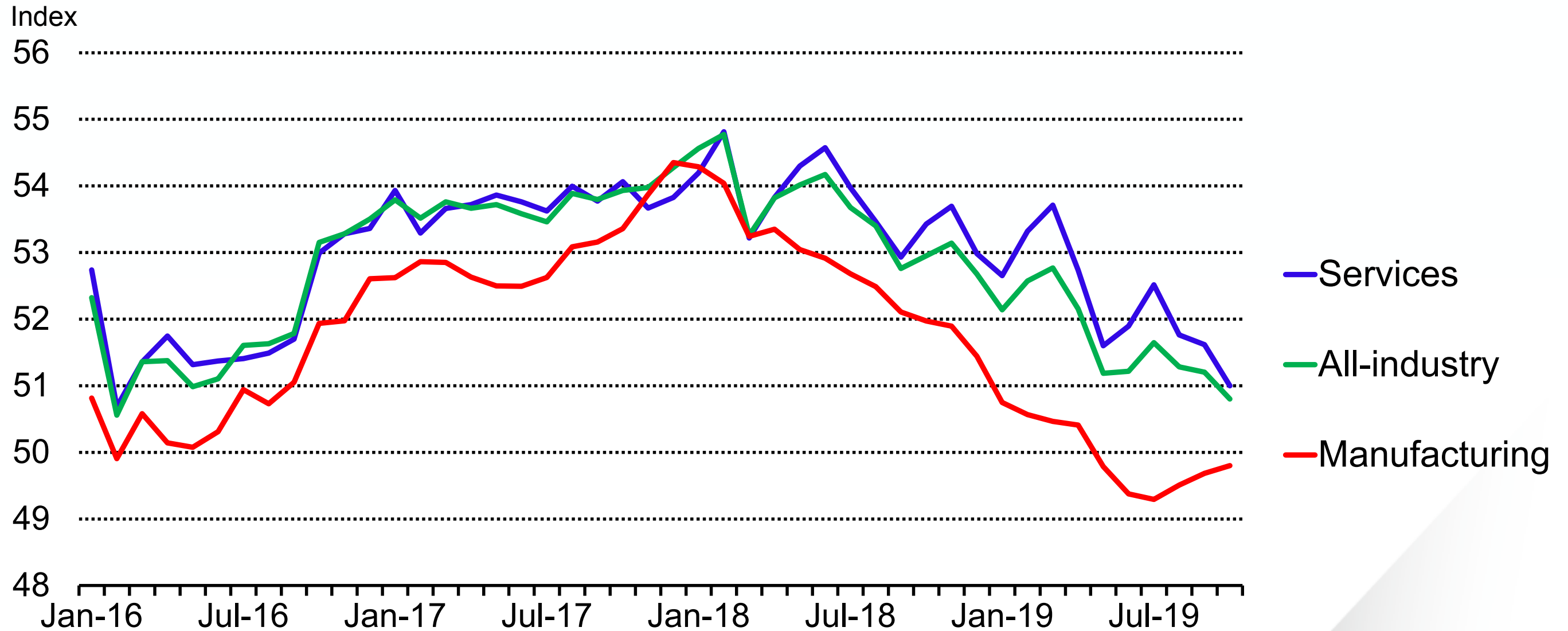
Trump tweet, Mar. 2, 2018:

“When a country (USA) is losing many billions of dollars on trade with virtually every country it does business with, trade wars are good, and easy to win,”

“Example, when we are down \$100 billion with a certain country and they get cute, don’t trade anymore - we win big. It’s easy!”

# Growth slowdown since 2017

## Global Purchasing Managers' Indexes



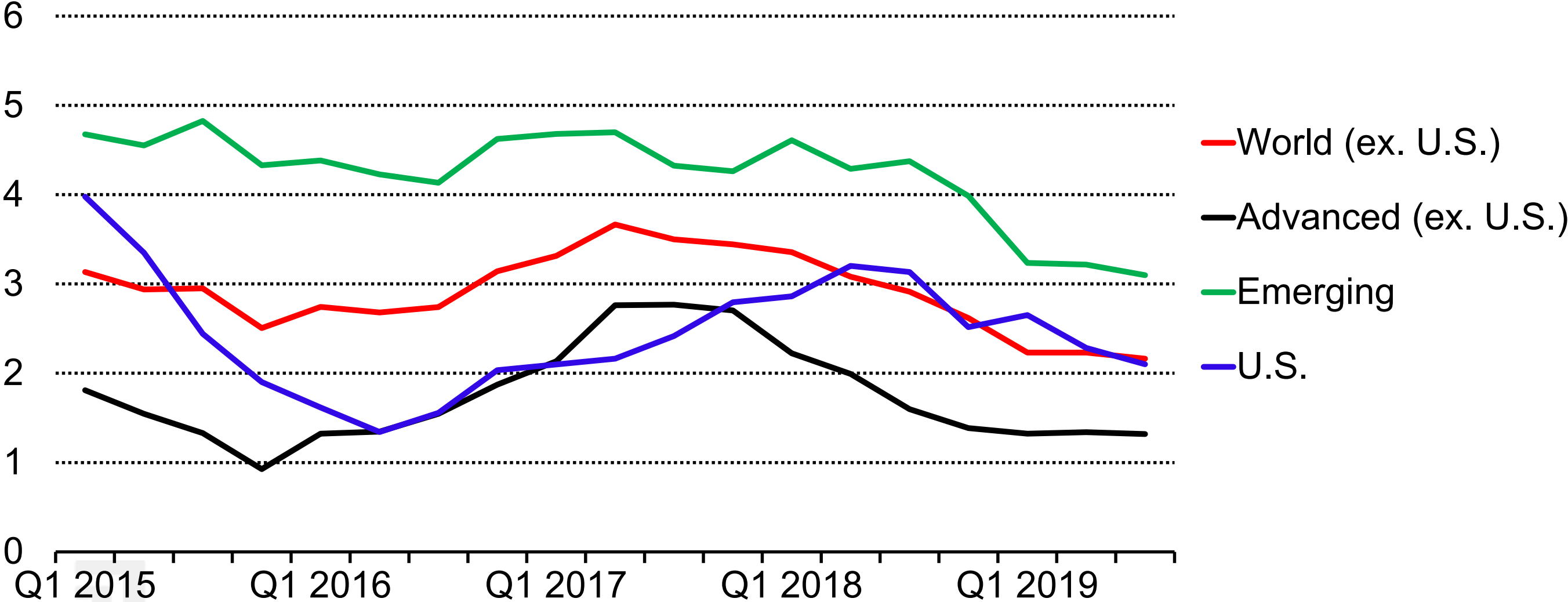
Source: JP Morgan IHS Markit. Note: Seasonally adjusted.

Latest: Oct-19

# Widespread slowdown in 2019

## Real GDP Growth

Per cent change year/year



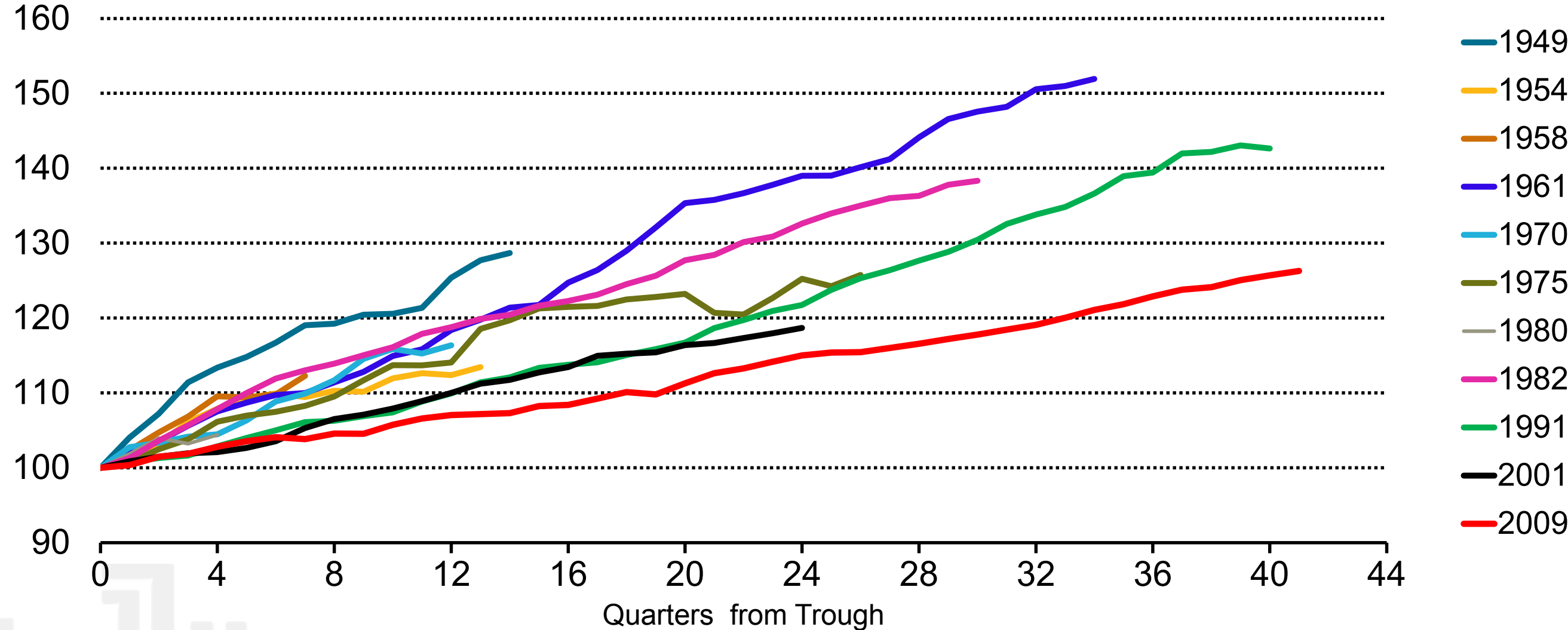
Source: DGEI Federal Reserve Bank of Dallas.

Latest: Q3-19

# Current expansion is weakest and longest

## Economic Recoveries: U.S.

Real GDP = 100 at cycle trough

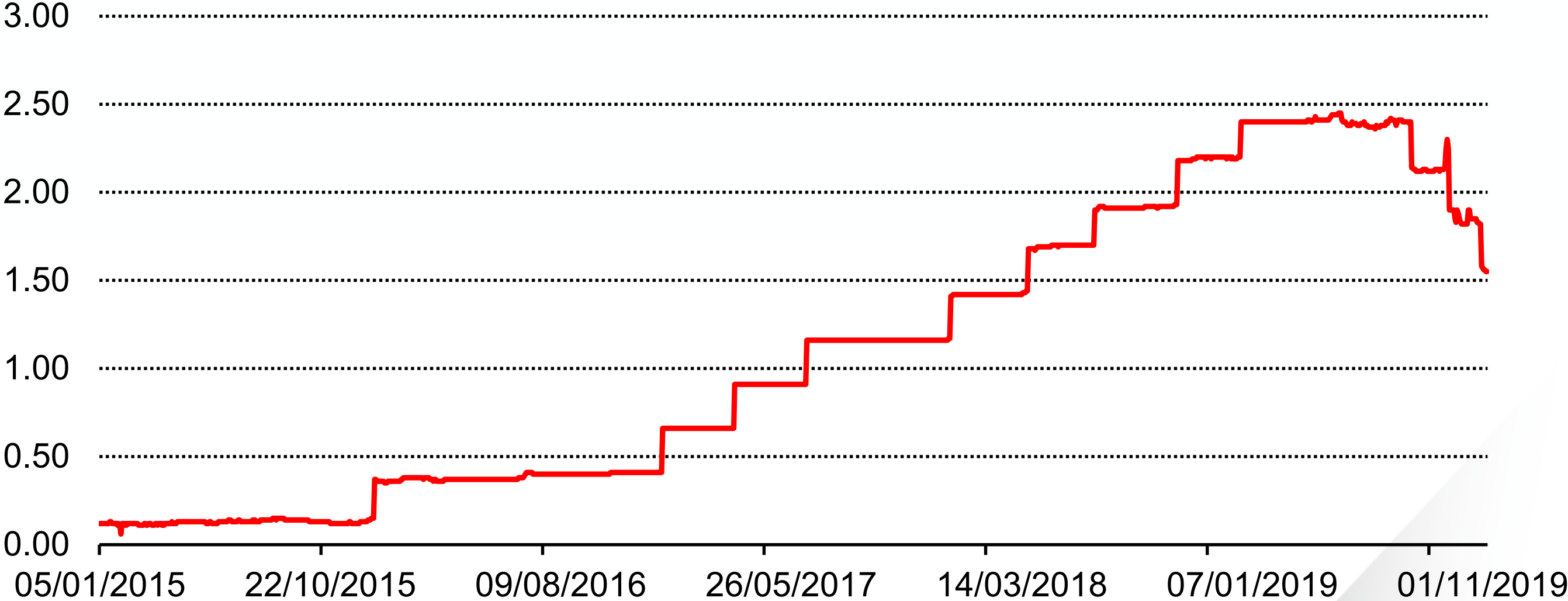


Source: U.S. BEA, Central 1. Latest in 2009 recovery is Q3-2019.

# Rate normalization phase ends or stalls?

## U.S. Federal Funds Rate

Per cent

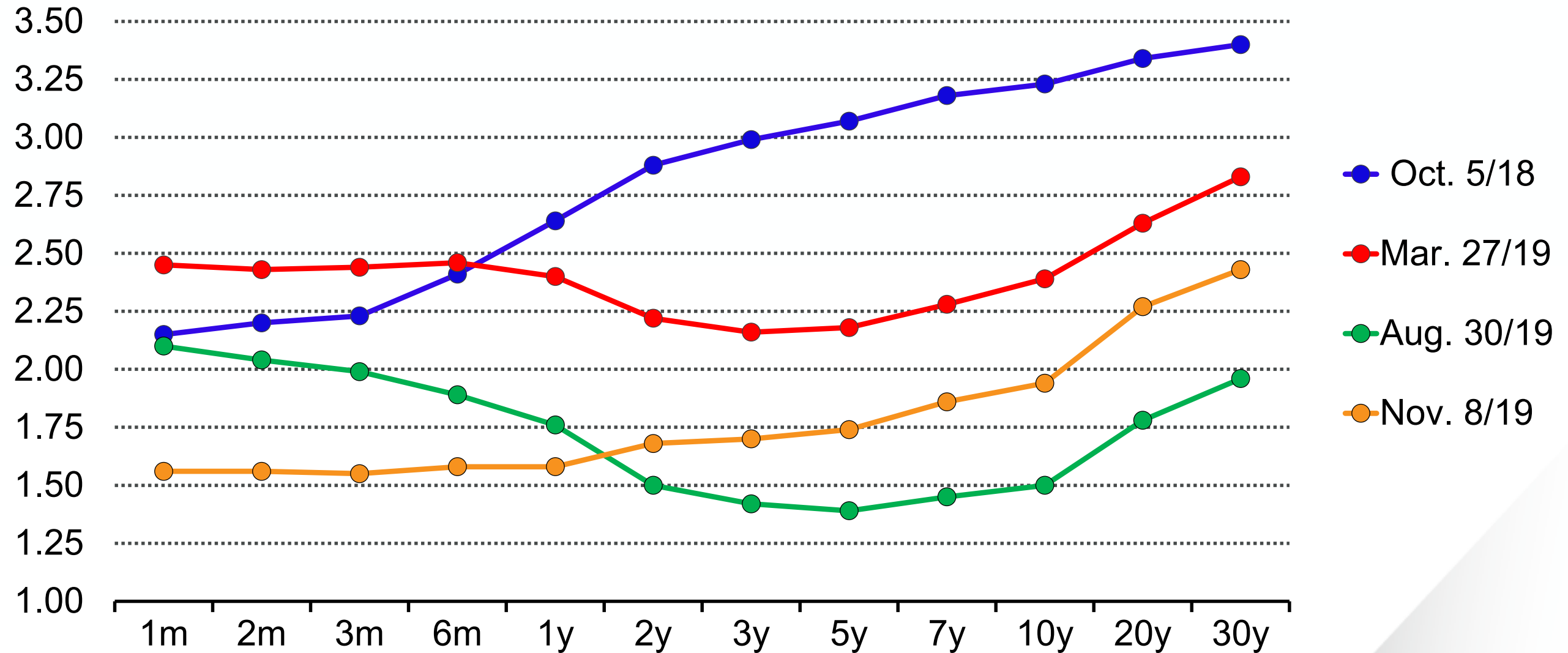


Source: U.S. Federal Reserve. Latest: 11/07/19

# Downshift and inversion; recent reversal

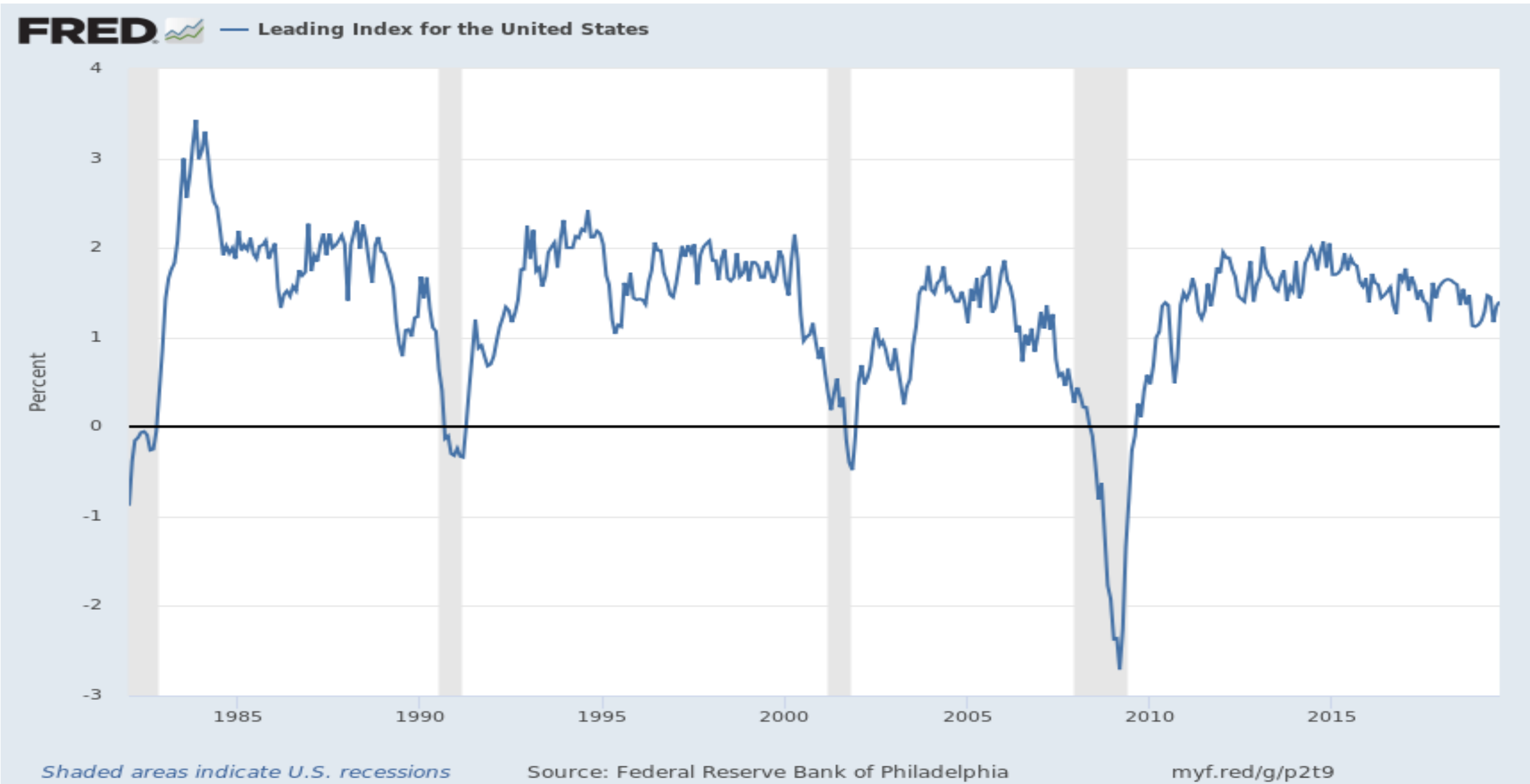
## U.S. Treasury Yield Curve Rates

Per cent



Source: U.S. Dept. of Treasury.

# No recession signal for U.S. economy





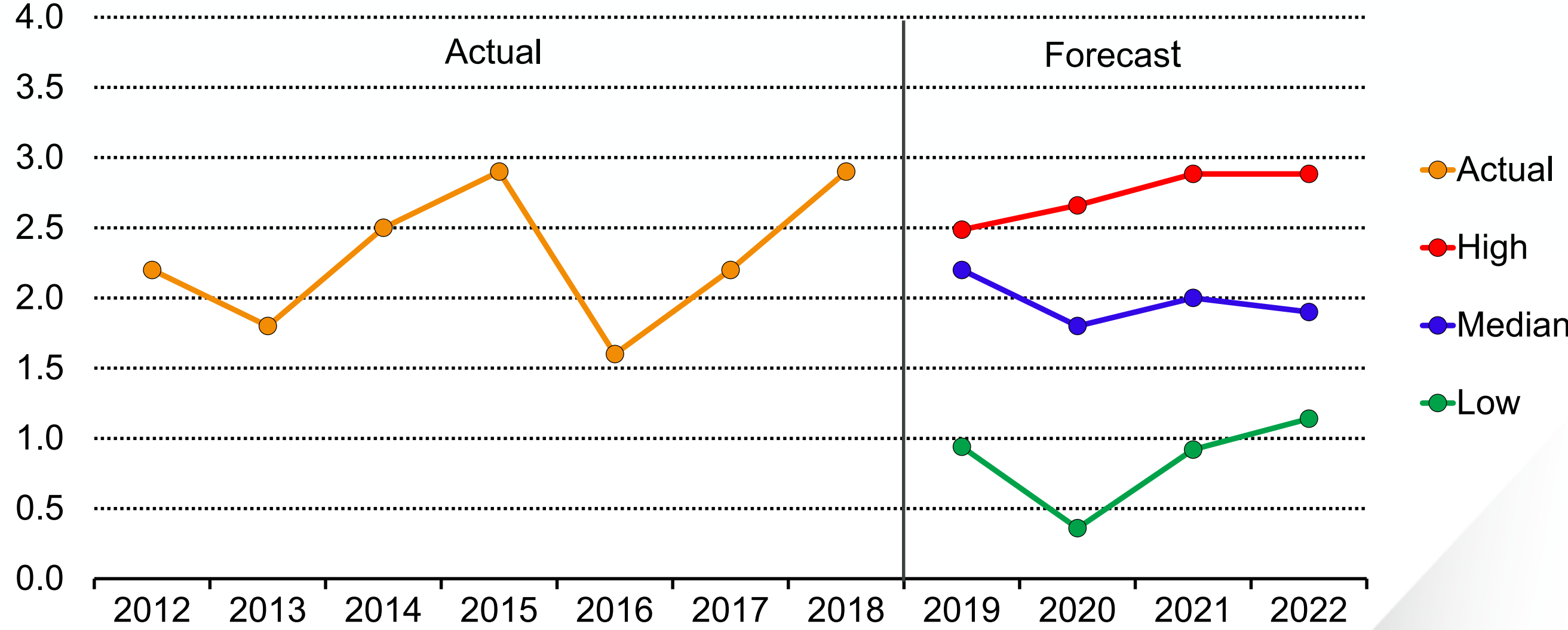
# Recession risks:

- Trade war U.S.-China; U.S. auto tariffs
- Emerging market debt crisis – Argentina, Turkey, China...
- U.S. corporate debt bubble
- Europe: Banking crisis – Italy, Greece...; Brexit
- Geopolitical crisis – N. Korea, Middle East, South China Sea...
- Monetary, fiscal, regulatory policy errors

# Considerable difference in growth expectations

## U.S. Economic Growth

Per cent change in real GDP

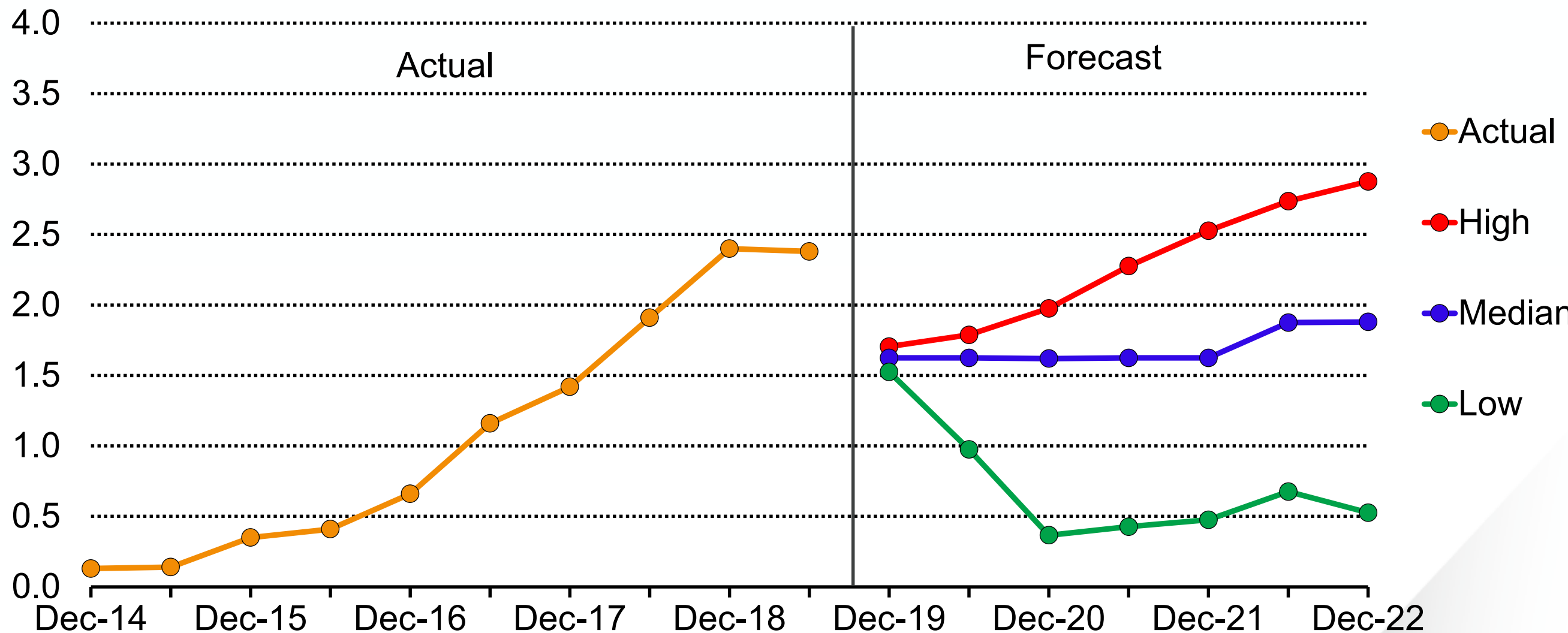


Source: U.S. BEA, WSJ Economic Forecasting Survey Nov. 2019.

# Rate forecasts depend on economic forecasts

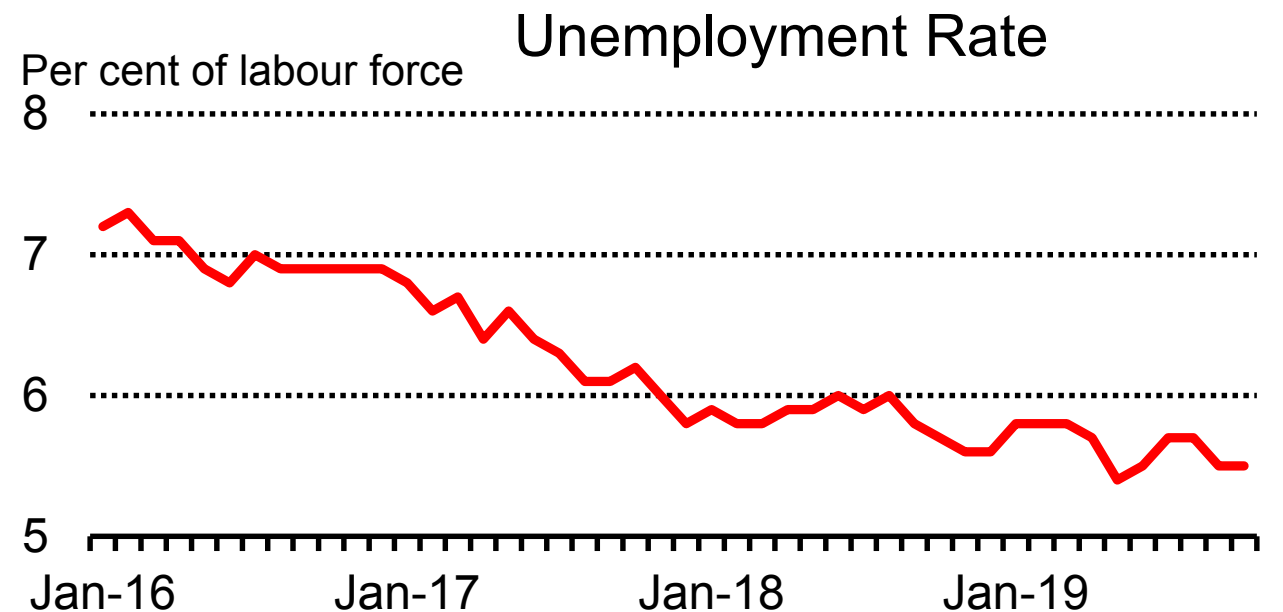
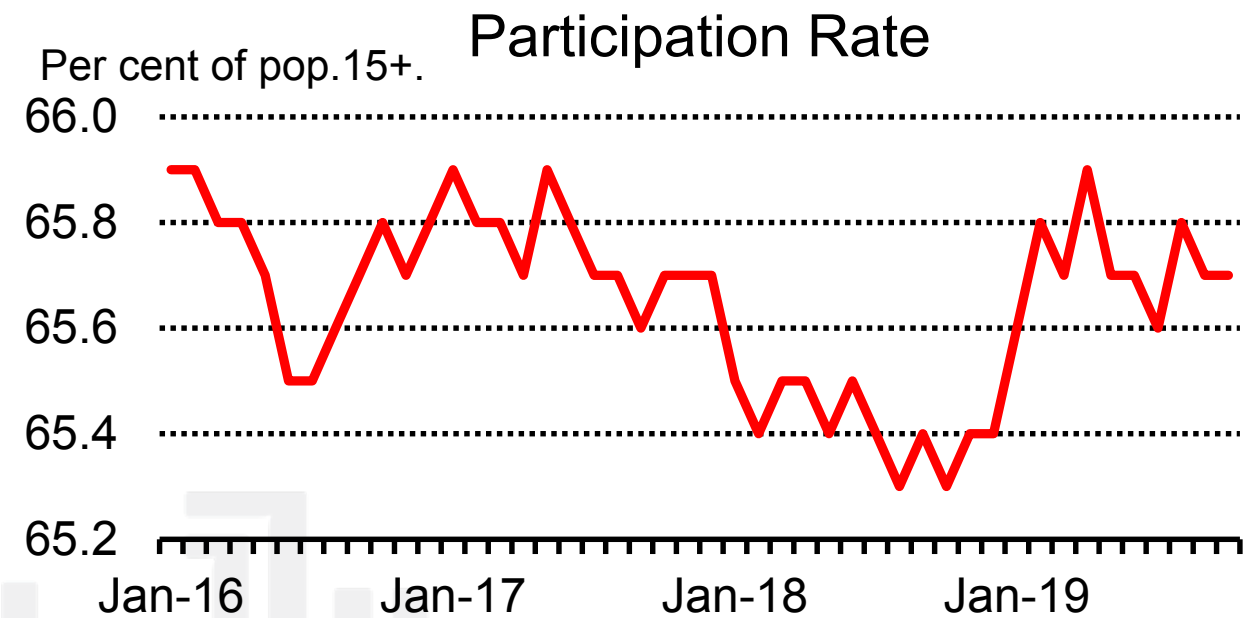
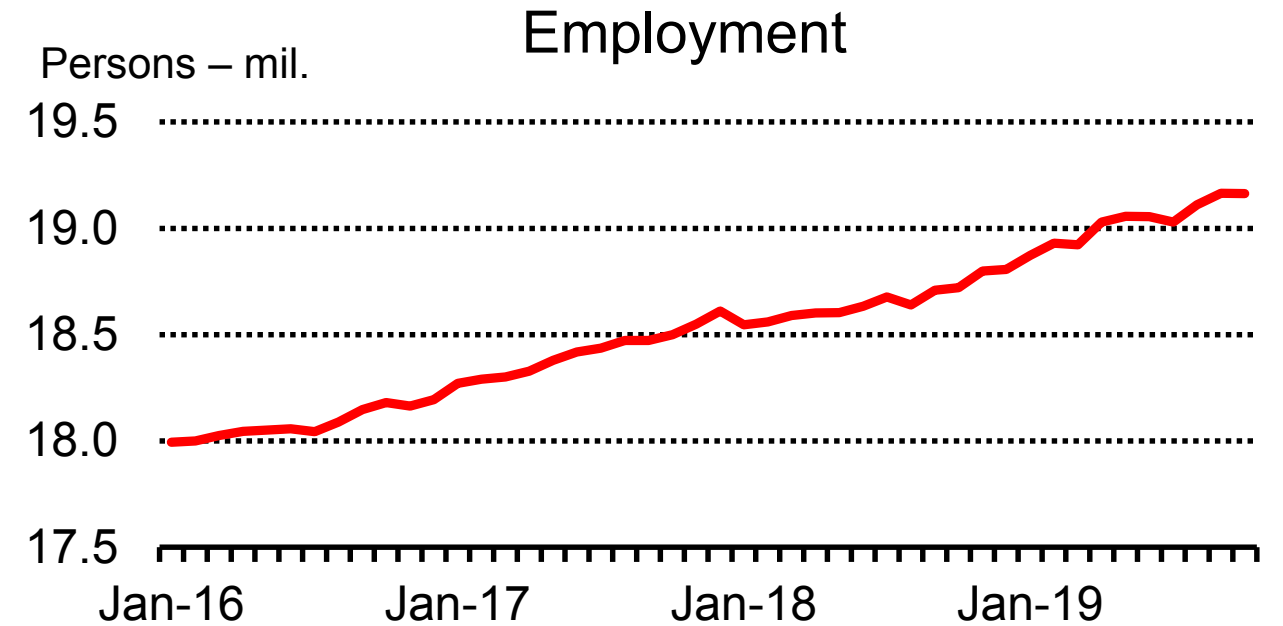
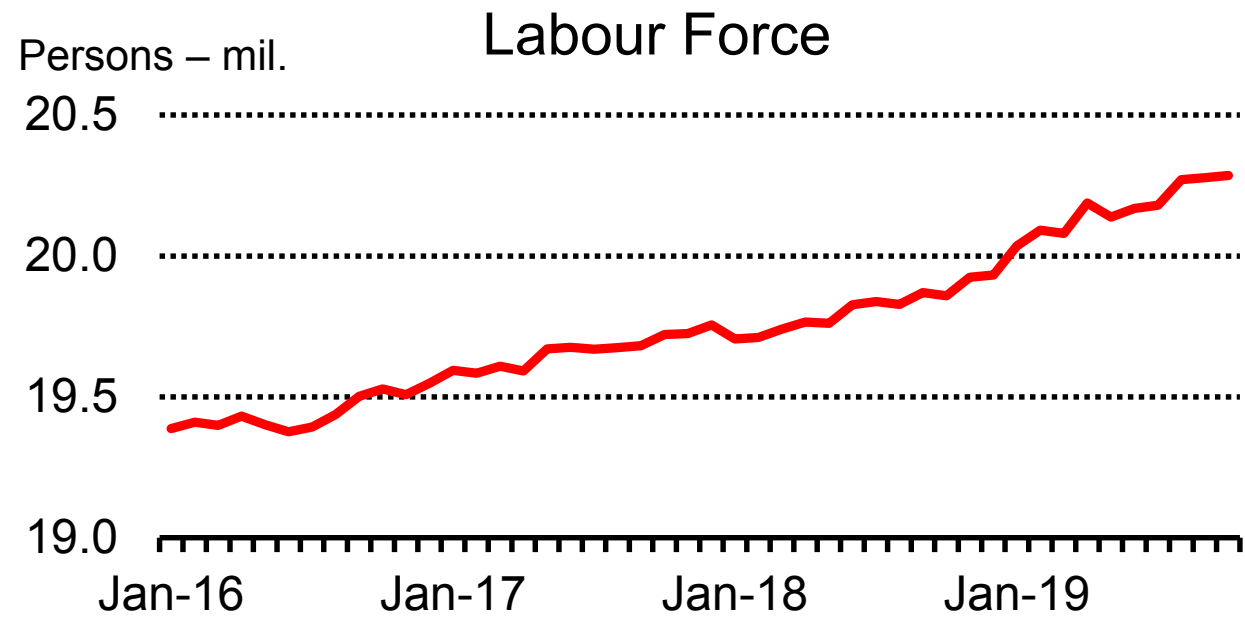
## U.S. Federal Funds Rate

Per cent



Source: U.S. Federal Reserve, WSJ Economic Forecasting Survey Nov. 2019.

# Labour market trends: Canada

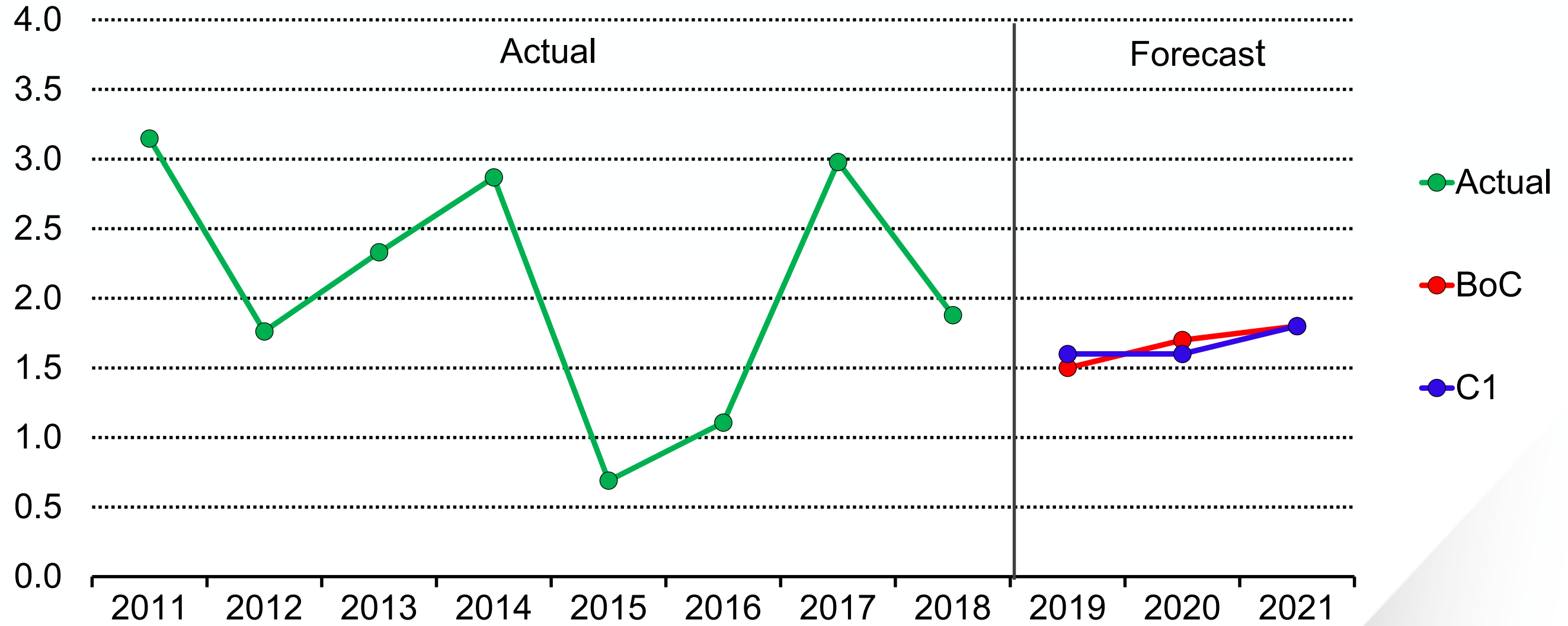


Source: Statistics Canada. Note: Seasonally adjusted. Latest: Oct-19

# Moderate growth ahead

## Canada Economic Growth

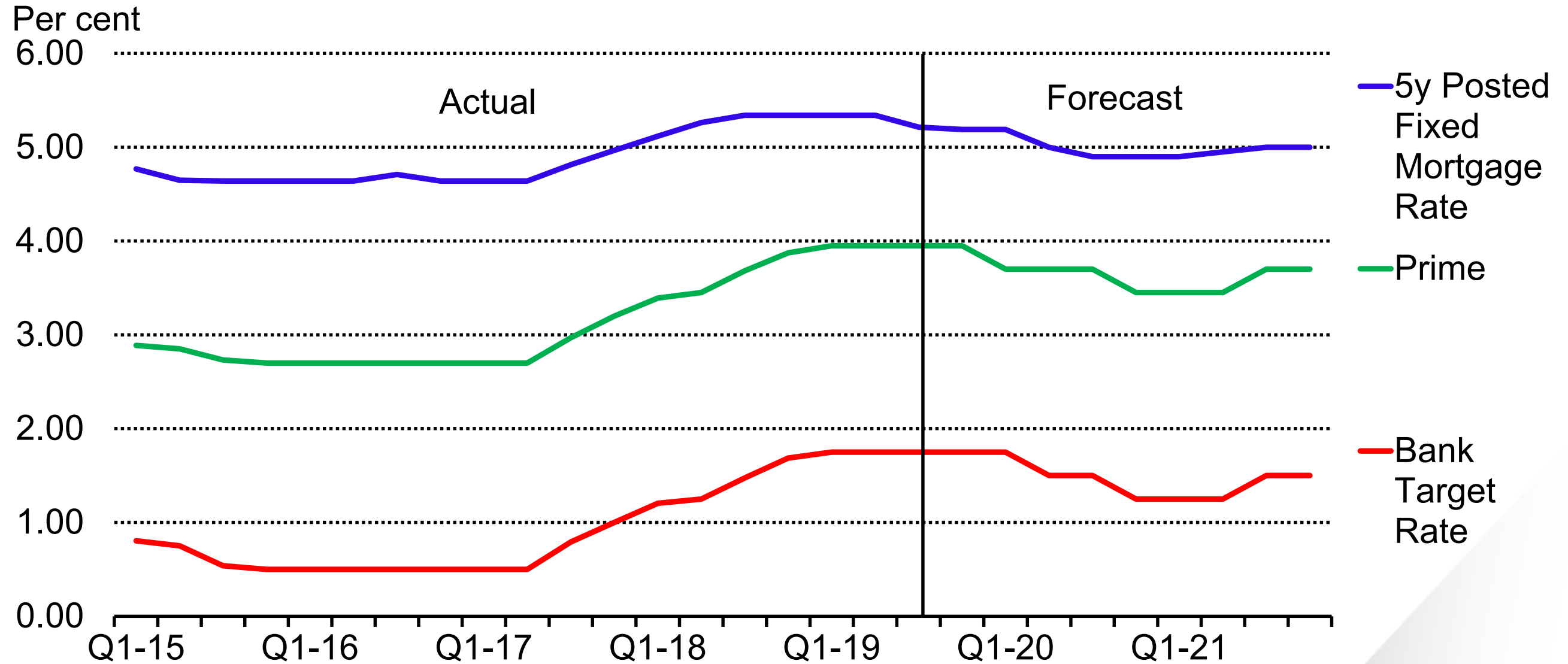
Per cent change in real GDP



Source: Statistics Canada, Bank of Canada, Central 1.

# Rate cuts in 2020

## Canada T-Bill Rates and Government Bond Yields

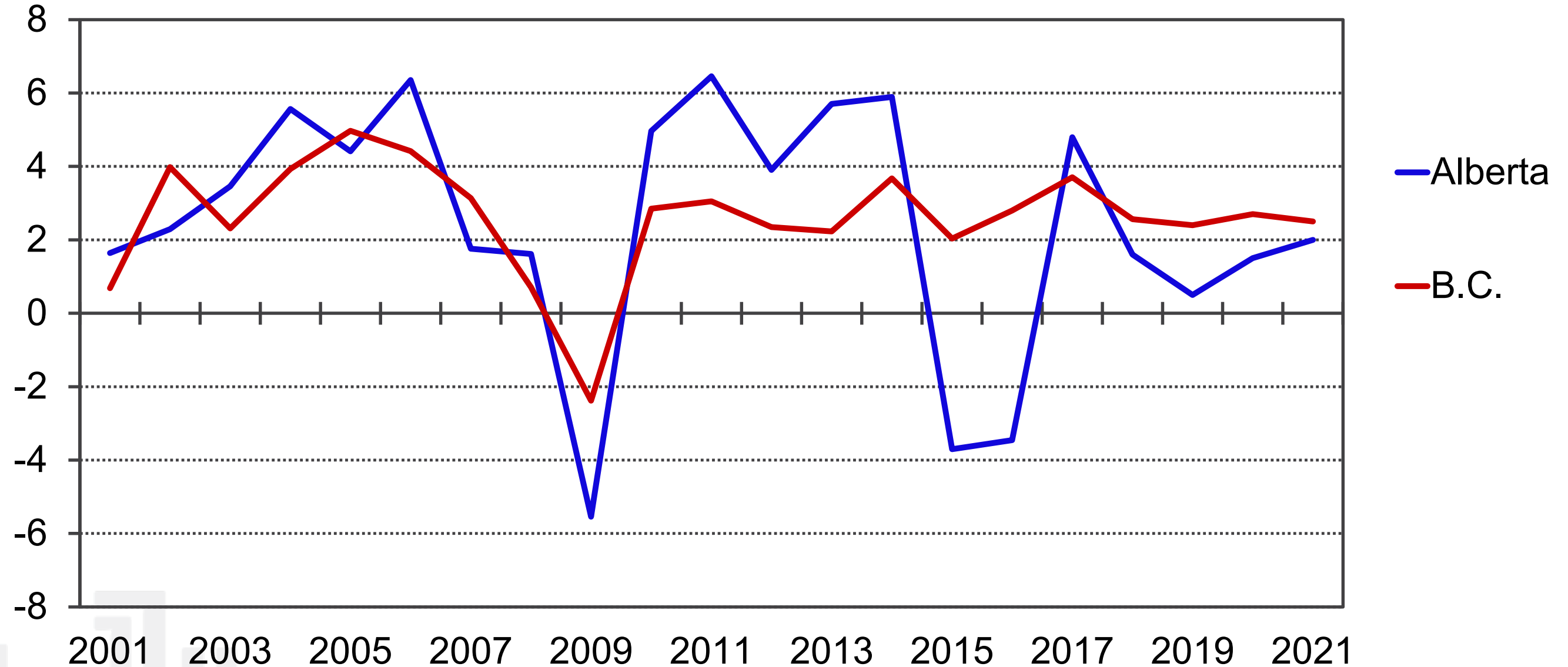


Source: Bank of Canada, Central 1. Latest actual: Q3-19. Forecast Q4-19 to Q4-21. Note: Quarter averages.

# B.C. to outperform Alberta through 2021

## Economic Growth Actual and Forecast: B.C. and Alberta

Per cent change in Real GDP



Source: Statistics Canada, Central 1. Forecast begins 2019.

# Kelowna's prospects in 2020

Kelowna CMA Economic and Housing Forecasts					
Indicator	2016	2017	2018	2019	2020
Employment, % chg.	-1.2	10.2	1.7	4.0	2.0
Unemployment rate, %	8.0	5.4	4.8	4.0	4.5
Population, % chg.	2.9	2.1	2.0	1.5	1.5
Housing sales, % chg.	24.4	-11.9	-11.8	10.0	8.0
Housing price <sup>1</sup> , % chg.	8.7	11.0	5.0	1.0	5.0
Housing starts, % chg.	46.1	31.7	10.6	-2.0	10.0

Source: Statistics Canada, Landcor Data Corp, CMHC, Central 1. 1. Median sale price.



Thank you  
Questions?