

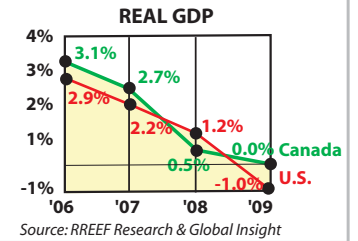
## Canada Perspective

- The lingering U.S. slowdown is hurting Canadian exports, particularly in manufacturing and retail trade.
- Strong domestic demand remains the key driver of the economy, but the weak labor market is not helping.
- Headline inflation, although elevated, should begin to fall over the next few months.

## U.S. Perspective

- Declining house prices, slower wage growth, tighter credit conditions, and higher unemployment are forcing U.S. consumers to reel in spending.
- Nonfarm payroll employment declined by 240,000 in October, and the unemployment rate rose from 6.1 to 6.5 percent
- Consumer spending contracted in the 3rd Quarter by -0.5%, a first since 2001.

## December 2008



**Edmonton:** Declining energy prices and weakened export markets are becoming a drag on the local economy.

**Calgary:** Calgary economy will continue to decelerate in the near term as the slower pace of residential investment and lackluster growth in mining stifle employment growth.

**Vancouver:** Down by about 30% from a year ago, the falling value of forestry exports has led to over 5,000 direct layoffs in British Columbia this year.

**Portland:** Several large solar panel manufacturing firms are planning to invest and hire aggressively in local plants during the next few years.

**Sacramento:** Over the near term, the area's large base of government workers are in danger of layoffs due to California's poor fiscal condition, budget cuts will be a persistent risk.

**San Francisco:** Measures of housing and credit conditions are worsening but remain well below state and national norms.

**San Jose:** Risks remain high in San Jose for the near term due to weakening global demand.

**Salt Lake City:** Credit quality started to worsen in late 2007, but remains better than in the rest of the U.S.

**Denver:** Denver is diversifying into alternative energy as Vestas Wind Systems has announced plans to build a wind turbine complex that would employ 1,350 workers.

**Los Angeles:** House prices are down from peak by nearly 30%, but sales are rising as low priced distressed sales entice both investors and first-time buyers.

**Las Vegas:** Overbuilding of condos, casinos, hotels and retail, coinciding with a global slowdown and significant cutback of flights into Las Vegas portend a long slump for its economy. The construction industry will likely be on hold for much of the decade.

**Riverside:** The employment situation is bleak and there is a good chance that the jobless rate will rise above expectations through this year and next; suffering from housing and commercial overbuilding, and the decline in imports through Los Angeles/Long Beach.

**Phoenix:** Home prices fell 31.9% in the past year in the metro compared to 17.4% nationally according to the S&P/Case-Shiller aggregate home-price index; the local economy is in deep recession.

### RELATIVE RATES OF EMPLOYMENT GROWTH: 2008

- Faster than the national average
- Near the national average
- Lagging the national average

Source: Economy.com, Case-Shiller, TREB, & RREEF Research

Graphics by: Joyce Garma

**San Diego:** Single-family homes values fell 30% from their peak. The decline continued through August according to the S&P/Case-Shiller price index.

**Dallas:** New permits for single-family homes are running at little more than one-third their peak pace in 2004 and 2005, and existing-home sales are down significantly; falling energy prices pose some risk for the metro.

**Austin:** Unemployment has remained low for the past year, in contrast to the sharp increase seen nationally.

**Oklahoma City:** The global expansion and the weakening dollar have benefited the metro's exporting industries; but risk in the near term exists.

**Des Moines:** June's severe storms and flooding, which have caused tremendous damage to agricultural production in Iowa, will likely result in a tighter state government budget this year.

**Minneapolis:** The April merger of Northwest and Delta will result in a negative consequence for metro area with the loss of 2,300 jobs.

**Indianapolis:** The metro will see growth above the national average and an expanding population, due to its diverse economy and low business living costs.

**Toronto:** The Toronto housing market is not immune from the US problems. Home sales are down 38% and prices are down 13% from October 2007.

**Montreal:** The job market contracted six straight months in the shadow of the broader Canadian downturn, payrolls dropped more than 15,000 below their level a year ago.

**Chicago:** Downturn in commercial building will continue to weigh on the metro's engineering and architectural firms.

**Boston:** The financial downturn is hitting Boston hard, but education and health services should support the economy through the near term.

**New York City:** 165,000 private sector net job losses as the pain at financial firms spills over to businesses that cater to the financial sector.

**Albany:** With a \$7 billion budget deficit over the next two years, State government payrolls are set to contract over the next year.

**Detroit:** In 2007, metro's population contracted by 27,000, the largest decline since 1983; the metro faces a significant decline in its auto industry.

**Philadelphia:** As the metro area had a softer expansion than the rest of the nation in the boom years, it should have a softer contraction during the recession.

**Baltimore:** Trade through the metro area's ports is supporting job gains in the transportation industry.

**Washington, DC:** The increase in federal outlays, including defense, science, and technology spending, is supporting hiring in private services, including that of security and information firms and those in the biotech sector.

**Cincinnati:** Manufacturing job losses, led by auto industry restructuring, will continue. Likewise, construction and retail trade will subtract further from payrolls.

**Peoria:** Caterpillar has recently announced plans for a \$1 billion investment in its Illinois facilities which will take place over a two-year period.

**Atlanta:** Over the next year, the Atlanta economy will slow as the effects of the national recession take their toll and GM shuts its Doraville plant.

**Miami:** Job loss will continue through year's end, owing to the metro area's high exposure to cyclical industries.

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