

# Local bankers see thaw in economy

## Alberta the place to be to 'ride out' recession

BY BILL MAH, THE EDMONTON JOURNAL MAY 1, 2009



While the recession hasn't gone away yet, the heads of three major Edmonton-based financial institutions pointed to glimmers of hope Thursday.

The CEOs of Servus Credit Union, Canadian Western Bank and ATB Financial suggested the financial freeze is starting to thaw during a wide-ranging panel discussion Thursday at a luncheon meeting of the Edmonton CFA Society.

"I'd rather be here in Alberta than anywhere else in the world right now to ride out this recession," said Garth Warner, chief executive of Servus.

He said much of Alberta's problem is that its residents see the bad news and cut back on spending. "The key message is that we are in a great place, the economy is strong and the banking industry in Alberta is supporting the economy here."

Larry Pollock, president and CEO of Canadian Western Bank, said one of the first signs of recovery in Alberta is a recent increase in shares and bonds issued.

"Certainly, a lot of preferred shares have been issued, so it's starting to loosen up and that's the first sign that we are starting to get our systems in place so that it will support a recovery."

Meanwhile, a long series of interest rate cuts are now stimulating the economy, ATB Financial's president and CEO Dave Mowat said.

"At some point, it starts to make a difference. Arithmetic starts to take over. If interest rates are five per cent, this is how many people can buy a \$300,000 house," Mowat said, touching his thumbs and fingers to form a triangle.

"And when we move interest rates down to three per cent, this is how many people can buy that same house," he said, moving his hands apart.

"It moves more people into the market. If you talk to builders and developers around town, they've pretty much got control of their inventories now. And stuff under \$400,000 is selling not too bad and we're just starting to see the mortgage pipeline starting to come back."

But when the panel was asked what worries them, Pollock pointed to recent high levels of residential construction. "Where the softness is showing up is in the secondary markets or the discretionary markets. That might be the condo somebody buys on a lake somewhere and these deals are usually done by the tier 2 developers -- the dentists who threw some money in a pot and wanted to build some condos. Those are the deals that come unglued first and we're starting to see some of that in real

estate."

He also expressed concerns about idled construction crews and depressed commodity prices, natural gas in particular.

Warner said he wasn't as concerned about the Alberta economy as he was with the potential defaulting of some countries on their debts and the slow recovery of U.S. property values.

But when the recession ends, Warner said Alberta should be well-positioned.

"If China and India start to ramp up recovery, those economies are going to need commodities."

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