

James Lenz 0:04

You're listening to the CUES podcast episode 112.

Hello, CUES nation. Welcome to another episode of the CUES podcast. My name is James Lenz CUES Professional Development Manager, your host and editor of the show.

As many of you know, we use this special delivery channel to speak with credit union industry leaders and cross-industry experts for a wide range of perspectives on trends and topics relevant to you. Right now, we are in the middle of a three-part podcast episode series devoted to bringing you an economic outlook to help you better understand the very dynamic market that we are in.

You most likely have just listened to Episode 111 where we brought in CUNA Mutual Group's Director and Chief Economist Steve Rick. Today's guest is Bryan Yu. Bryan Yu is from the Vancouver, BC, area. He is the chief economist at Central 1. Central 1 supports financial digital banking and payments products and services fueling the success of business across Canada. Central 1 leverages their scale, strength and expertise to power progress for more than 250 credit unions and other financial institutions enhancing the financial well-being of more than 5 million customers from coast to coast.

Bryan Yu leads a team covering Canadian macro and regional economic conditions, financial markets, housing market activity and credit union system analysis. Through his engaging economic reports, Bryan has become Central 1's local celebrity, where the work featured by various media outlets, including the Globe and Mail, BNN, Bloomberg and BC Business. So, we're very excited to have Bryan on the show. So, let's go ahead and start. Here's my conversation with Bryan Yu.

And now I want to bring in Bryan Yu. Bryan - welcome to the show!

Bryan Yu 2:10

Great, thanks. Thanks for having me. It's great to be here.

James Lenz 2:12

Now, we often start the show by asking our guests if they have a mantra or success, quote, to allow our listeners to get to know you a bit and to add some perspective. Bryan, do you have a mantra or quote that you would be willing to share with our listeners?

Bryan Yu 2:27

Oh, I would love to say it would be just be "serenity now!" from my one of my favorite old shows. But no, I think for me, what drives me largely is if you work, your hardest things will work out as they should. And that's what drives me on a daily basis that recognizing things change. But if you continue to try to do your best, things will just tend to work out regardless of how that may turn out.

James Lenz 2:48

Hard work and ethics and a forward mindset always do one good. All right now, as we speak here during the middle and end of February 2021, there's both positive and negative news for the coming year. On the positive side, the vaccine is being distributed. The impact of the vaccine brings hope. It brings hope to individuals, to families; so many people have been impacted. And it's been so devastating. We give so many things to all the health care workers for all that they have done and continue to do. But again, there is a sense of hope now with progression of the vaccine distribution. On the negative side, there are still so many unknowns. Today we are going to focus on the economic outlook in 2021 and beyond.

Perhaps the first place we could look is the four-letter word: jobs. Bryan, wasn't it a little over a year ago that we had the lowest unemployment rates in the United States and Canada ... then the pandemic hit? In Canada, how high did the unemployment rate get in 2020? How high did it get and where are we now in terms of the unemployment rate in Canada? And what are your projections for the Canadian labor market and for the remainder of 2021 and then heading into next year?

Bryan Yu 3:57

Yeah, you know, I think a year ago feels like a very long time ago. It feels almost like a lifetime ago at this point. Things have changed. Obviously, when we were sitting ... about February of last year, Canada we were sitting at roughly about a just under 6% unemployment rate. In the US it was about 3.5 percent. They're not comparable, just due to definitions, but you know, the general trend was that they were very low in both countries.

And in Canada here we shot up from that into April but 14% unemployment rate. So you know, massive job losses, just like in the US where we did see a similar increases in overall unemployment rates. And now worse since this pandemic is kind of unfolded, we've seen a lot of these businesses adapt to the new environment. We've seen some of those economic restrictions and over a period of time, but we're still very, very high rate in Canada at about 9.5% still in the US just under 7%.

So, a very much a different world than where we were sitting at a year ago. Some areas or some sectors have recovered quite nicely, but other ones seem to be decimated by the pandemic, and that will continue I think as we sort of move forward through 2021. Although getting better, I think that the overall trend is going to be positive for the unemployment rate really dependent upon how quickly we get vaccines deployed and, of course, there's a there's an ongoing risk here that the second wave may not be the last wave as we move through the pandemic be another interruption.

James Lenz 5:23

Consumer spending and courses taken a hit. You've also got two predictions of evictions, foreclosures, personal bankruptcies. To counter the economic downturn and provide relief for impacted households and businesses, governments across the world, including the US and

Canada, have enacted record amounts of stimulus, what kind of impact did these measures take? What do you see happening next?

Bryan Yu 5:46

Yeah, governments around the world have relatively quickly in early 2020 to recognizing that the measures that they would be implementing would have severe impact on the labor market. We've seen about what over \$14 trillion globally being spent by various governments across the globe. In Canada, I think we moved pretty quick. We had seen the implementation of the Canadian emergency response benefit, which was largely providing funds for households who were negatively impacted by the pandemic and lost jobs, about \$500 per week. So a significant amount.

We also, of course, see the wage subsidy programs in Canada as well. So employers who lost substantial amounts of business were able to tap the subsidy in order to keep individuals employed. All in all, adding that to tax deferrals, mortgage deferrals, you know, we have a rough couple of \$380 billion deficit coming out of this in Canada. And this is going to be, you know, something that the government will be working with in the near future. But we're also of course, recognizing that without these measures, we could be in a much worse state at this point. We'd have the pandemic plus we'd have a lot of individuals without income, and that would have led to more foreclosures, bankruptcies, etc.

So I think when we're looking at the impact on the bankruptcy side, it really hasn't hit Canada very much. We're seeing very low delinquencies, very low loan losses as a result of a lot of these measures and plays that have helped to bridge households to dependent.

James Lenz 7:09

Well, that's good news. In Canada, what will it take in Canada to get back to the very low unemployment rates Canada had before the pandemic?

Bryan Yu 7:18

I'll say it's time, No. 1. But also, the vaccine will in fact, provide a huge boost for Canada. One of the big differences I think, between the US and Canada right now is that rate of deployment. Canada's only about 3% of our population has been vaccinated much higher in the US. Yeah. And that's really a reflection partly of the countries which are making the vaccines. The US and the UK, of course, are producers. So they are able to deploy much quicker. Canada, of course, we're waiting for supplies for the Canadian population. But as those vaccines do roll out, I do expect to see that that will finally be able to reopen some of our borders more towards tourism. People will be more willing to go into the into more restaurants, really moving back that service-oriented economy back to full capacity.

So that's my hope at this point, I think that's going to be driving our our move back to a pre-pandemic type of levels within the next two years. I would think there is still going to be a lot of challenges I think, going forward.

I'm also the view that you know, things aren't going to be the same even past the pandemic I think goes back to normal. We've seen some huge shifts in the economy, people working from home, and some of that's going to be maintained. And that's going to, of course, also, I think, create some more job opportunities and more shifting of work to rural areas, suburban areas of the market as well.

James Lenz 8:40

What is it like right now? We're at the middle and end of February as we speak, in terms of getting across the border, how challenging is it?

Bryan Yu 8:48

Canada has implemented some new measures with the new variants that are taking place, obviously, now, you know, inflows will need to quarantine in a hotel in Canada now if you're internationally coming through a flight. So that is of course a difference in terms of the where we are, so much thicker border than previously. We're also expecting to see a thicker borders in terms of vehicle travel as well. So, before we get back to normal on that end, we do need to see some herd immunity coming in place for the vaccine. And that's going to take into easily September of this year when we're looking at when close to full vaccinations will probably take place in Canada.

James Lenz 9:27

We kind of focus now on credit unions here. It's been a crazy time obviously for credit unions, for all organizations who've had the pandemic, the social unrest in an uncertain economy are hallmarks of 2020. What things have you seen credit unions do that have served them well in responding to last year's big issues?

Bryan Yu 9:46

I think that ingrained within the credit unions is a distinctly local idea and membercentricity. You know, it's been key I think to understand the challenges of the pandemic. We know that it's been uneven for individuals and different groups of individuals. Some sectors have done well; others have taken a much sharper hit in terms of employment. So, understanding that it's a localized factors, understanding your members, I think has helped credit unions a lot that has enabled them to ensure that, you know, they're mitigating the risks, recognizing which of their members may need a little more help as well. So I do think that the local aspect has been very important in the pandemic.

The second one I think, is more for you know, it's a broader that credit unions have, I think, shifted more towards digital over the past year like every other business, it seems. And that, of course, that that ability to pivot has helped credit unions stay top of mind, I think for the members.

James Lenz 10:37

Good thoughts there. What are some trends you are seeing as we move into 2021 that credit unions might want to watch and respond to?

Bryan Yu 10:45

Well, there are a couple things. I think the No. 1, this recovery itself, it's unlike others that we've seen in the past, obviously, given it's a health crisis, and it could actually be faster than expected if the vaccines roll out quicker or as hoped. I think also, we'll see that the US economy will start to rebound quickly. And we are potentially at risk of overheating as well, given some of the fiscal measures that are expected to take place, adding to that the low interest rate environment that we are currently involved in.

So we could see some inflationary pressures rise, of course, driving some higher-end or longer-term yields in the market. And that will help I think boost the margins for credit union. So there might be some positive surprises on that end. And for Canada, that will largely spillover although Canada we have a little bit of a tougher road given the back-end situation.

The other one for credit unions, again, this is that that digital trends have been accelerated, and they're not going to be turning back in our view. Consumers are now more accustomed to doing so much online that that credit unions will need to spend more and invest more both energy and monies into digital offerings and than they previously thought. So yeah, looking at that that digital landscape and saying, "Well, how much money do we need to spend?" "How much capital do we need to deploy to ensure there's a great customer or member experience going forward?"

James Lenz 11:57

Bryan, if listeners want to connect with you and your organization, what is the best way for them to connect?

Bryan Yu 12:05

Sure, they can visit our website at www.central1.com. Or they can even email me directly at byu@central1.com as well.

James Lenz 12:15

Thank you, Bryan, for sharing your insights and perspectives today. appreciate it very much.

Bryan Yu 12:19

Thanks for having me.

James Lenz 12:21

Thank you to Bryan you for serving as guest for this episode, and also Steve Rick for serving as guest on the previous podcast episode 111. Our three-part series concludes with our next episode featuring Dan Berger, the President and CEO of NAFCU. We'll also provide his views and perspectives on the economic climate. So looking forward to that.

In the meantime, I want to encourage you to visit a couple of our links to find out more about some of our new and exciting programs. For more information on our new CUES High

Performing Board Digital Series, where there's one fee for your entire board, your board liaison and your CEO. Check out this new exciting to your program. It starts soon, so please check out cues.org/hpb.

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