

Economic reports released this past week continue to reflect a downturn in British Columbia's economy. Consumer price inflation remained subdued in January, while manufacturing shipments and international tourist visits both plunged in December. The economy is caught in a sharp near-term downturn, and is likely to shrink by about 1.5% in real terms this year.

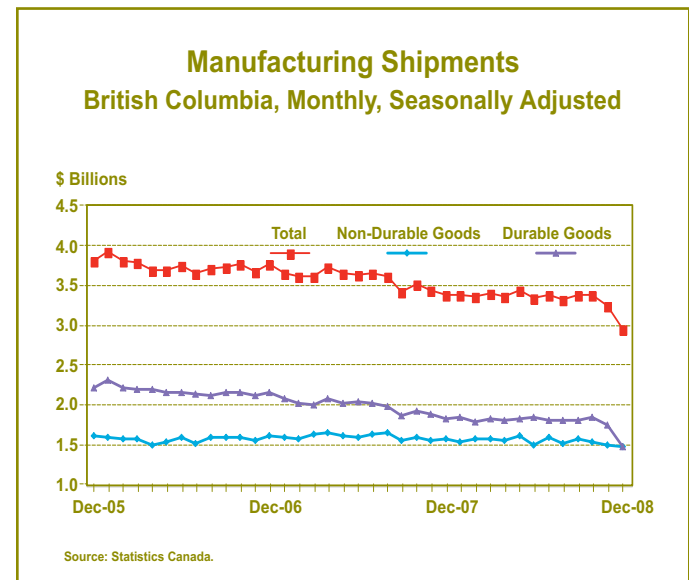
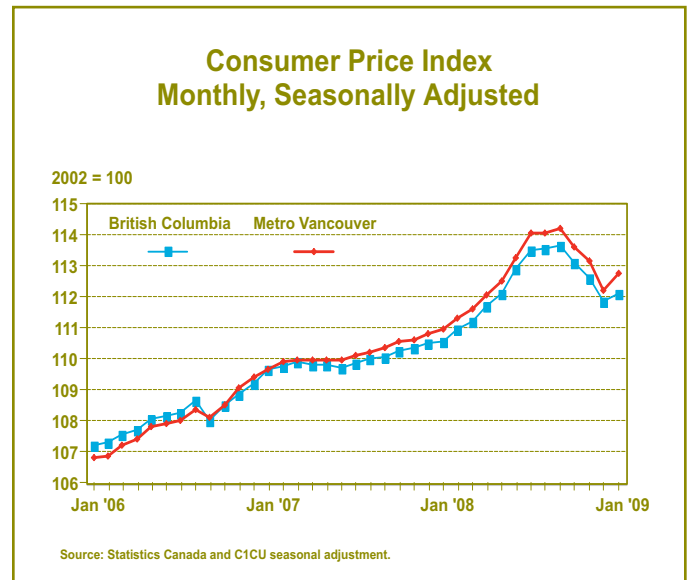
The all-items **Consumer Price Index (CPI)** for B.C. increased 1.4% in January, year-over-year, according to the latest estimates from Statistics Canada. That is up slightly from December's 1.2% increase, the first acceleration in year-over-year CPI inflation since last July. Food, health/personal care and alcohol/tobacco products led prices higher, but inflation was dampened by lower gasoline, fuel oil and clothing products.

January's seasonally adjusted CPI increased 0.2% from December, the first significant month-over-month increase since last July. Women's and children's clothing, alcohol, personal care, fresh vegetables, beverages, bakery, seafood and gasoline products led the price increases. Rising prices for these items were somewhat offset by lower prices for inter-city transportation, recreation, men's clothing, fuel oil, coffee/tea, fresh fruit and meat products.

Metro Vancouver's CPI inflation was higher than that of the province in January, with a year-over-year increase of 1.6% and a seasonally adjusted month-over-month gain of 0.5%.

Inflation is of little concern this year as the recession works its way through the real economy. Central 1 Credit Union forecasts B.C.'s CPI inflation rate will slow dramatically to just 0.7% from 2.1% last year. That will be the slowest rate of CPI inflation since a 0.3% rise in 1998.

The global recession continued to pound **manufacturing sales** in B.C., which plunged 8.7% from November to December last year, seasonally adjusted, according to the



latest estimates from Statistics Canada. The drop was largely in durable goods, led by wood, primary metal and non-metallic mineral products. Declining sales were widespread but of lesser magnitude in all other major sectors of durable goods manufacturing.

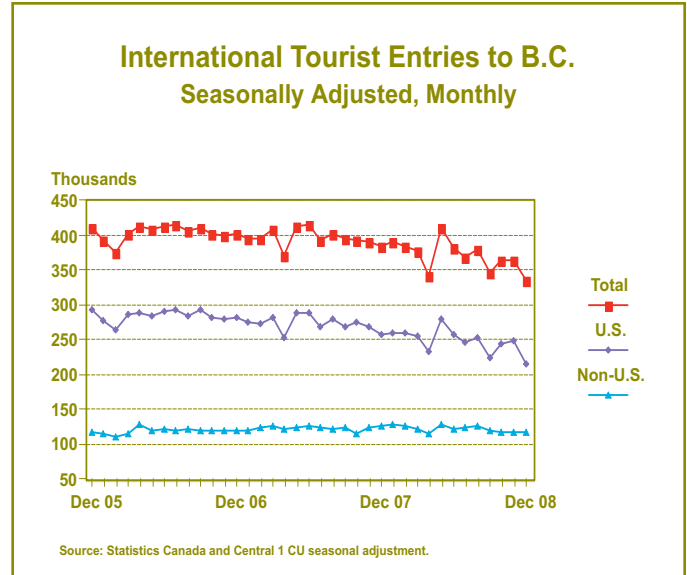


The outlook remains weak for the rest of 2009. Central 1 Credit Union forecasts manufacturing's gross domestic product (GDP) will drop 3.7%, not including price changes, following an estimated 7.2% contraction in 2008. Growth is forecast to return in 2010, as the world economy pulls out of recession.

International non-resident tourist entries to British Columbia declined again in December, according to the latest estimates from Statistics Canada. Entries totalled 334,789 seasonally adjusted, down 30,437 (8.3%) from November. Tourist entries have not been this low since 1997.

As usual, December's decline was led by visitors from the U.S., who account for more than two-thirds of all international visitors to this province. Tourist entries from the U.S. totalled 215,742 seasonally adjusted, down 33,407 (13.4%) from November. Meanwhile, entries from non-U.S. countries totalled 117,507 seasonally adjusted, down only 132 (0.1%) from November.

With economic growth in most countries slowing or receding, it's highly likely there will be fewer international tourist visits to B.C. this year, marking four consecutive years of decline. This trend is likely to persist through 2009, although a boost in visitors due to the Winter Olympics is expected in early 2010.



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