

This week's economic indicators were generally upbeat for the first time in several months. Retail sales rose in B.C., as did international tourist entries to the province. Consumer price inflation remained modest but accelerated for the second month in a row. Meanwhile, the rate of decline in manufacturing sales slowed. There were also upward moves in North American equity markets and U.S. new housing construction. Given how fast the global economy has receded since mid-2008, an upward bounce was increasingly likely. However, the uptick was probably a "bear market bounce" and it's likely that the recession has yet to hit bottom.

Retail sales in B.C. jumped 3.1% in January, month-over-month, seasonally adjusted, according to the latest estimates from Statistics Canada. That is the first rise since last September and the largest increase since February 2005. Despite the positive bounce, January's unadjusted sales were down 6.9% year-over-year.

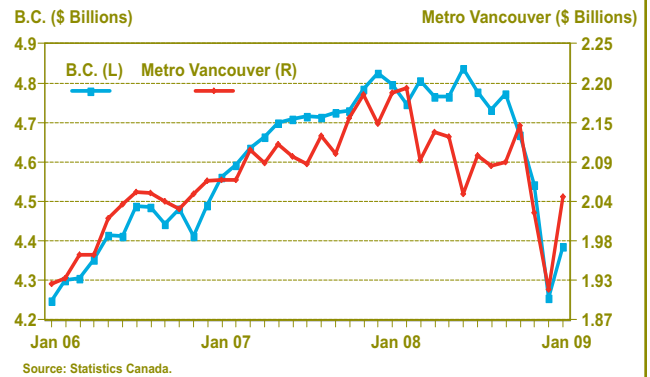
Retail sales in metro Vancouver also jumped in January, rising 6.7% month-over-month, seasonally adjusted. Even so, unadjusted sales were down 6.4% year-over-year.

January's sales were up in most retail sectors, with the exception of home centres/hardware stores, gasoline stations and furniture/home furnishing stores.

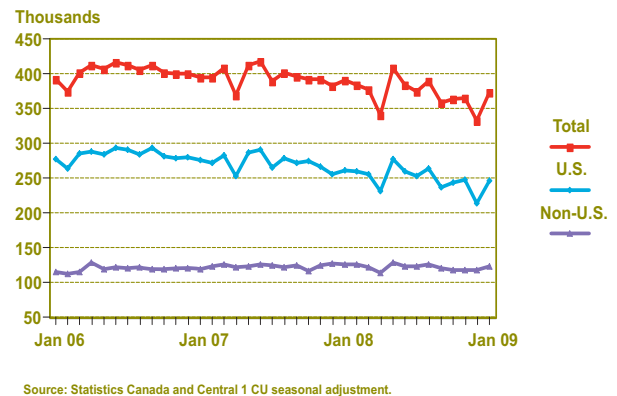
Consumer spending, a mainstay of economic growth, has decelerated sharply since mid-2008, as the global recession has washed across B.C. Declining employment and lower expected disposable income has led households and businesses to reduce debt and increase saving. January's uptick in retail sales does not alter the prevailing near-term trend toward frugality.

Central 1 Credit Union forecasts sales will drop 1.8% in 2009, the first year-over-year decline since 1998. Hardest hit will be durable goods such as automobiles and building supplies.

Retail Sales
Monthly, Seasonally Adjusted



International Tourist Entries to B.C.
Seasonally Adjusted, Monthly



International non-resident tourist entries to B.C. also took an upward bounce in January, according to the latest estimates from Statistics Canada. Entries jumped 11.8% month-over-month, seasonally adjusted, the largest monthly gain since May 2008. However, January's entries were down 4.7% year-over-year, reflecting the prevailing trend that saw December's entries at their lowest level since 1997.



As usual, January's change was led by visitors from the U.S., who account for more than two-thirds of all international visitors to this province. Entries from the U.S. jumped 14.6% month-over-month, seasonally adjusted, while entries from non-U.S. countries increased 3.8%.

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 is expected in early 2010 when the Winter Olympics are staged.

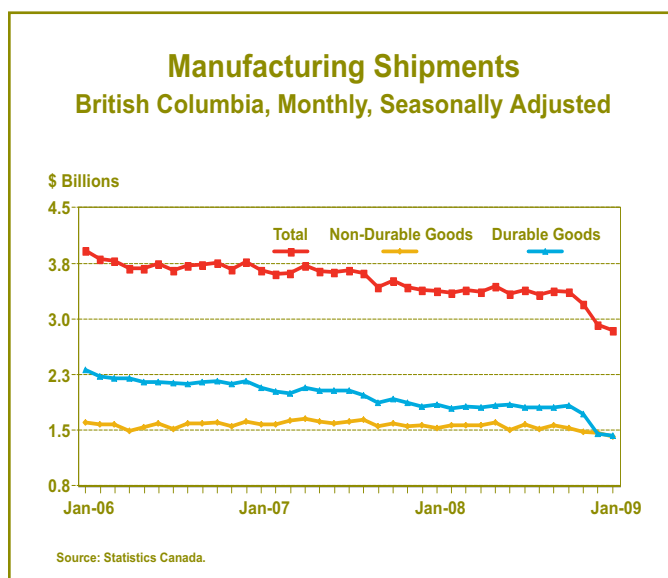
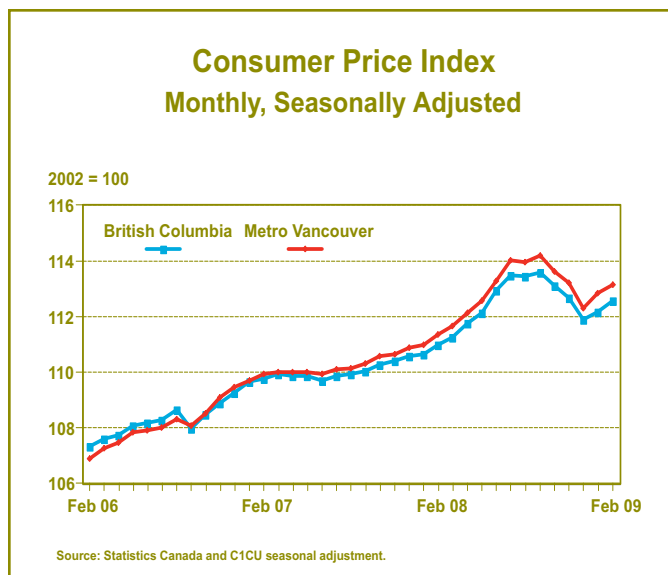
The all-items **Consumer Price Index (CPI)** for B.C. increased 1.5% in February, year-over-year, according to the latest estimates from Statistics Canada. This was the second consecutive month of accelerating CPI inflation. February's seasonally adjusted CPI increased 0.4% from January, the largest monthly uptick since July 2008. Metro Vancouver's CPI inflation was on par with that of the province in February, with a year-over-year increase of 1.6% and a seasonally adjusted month-over-month gain of 0.3%.

Beverages, seafood, household furnishings, clothing and gasoline led the increases in consumer prices in February. Meanwhile, CPI inflation was tempered by lower prices for fuel oil, fresh vegetables, fruit preparations and nuts.

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 0.8% 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 take a toll on **manufacturing sales** in B.C., which fell 3% in January, month-over-month, seasonally adjusted. The drop was driven by durable goods, especially fabricated metal, transportation, machinery, equipment, wood, furniture and related products. Lower sales of these manufactured goods were partly offset by increases in computer equipment, non-metallic mineral and primary metal products.

The outlook for manufacturing in B.C. remains weak for the rest of 2009. Central 1 Credit Union forecasts this sector's gross domestic product (GDP) will drop 3.3%, not including



price changes, following an estimated 6.8% contraction in 2008. Growth is forecast to return in 2010, as the world economy pulls out of recession.

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