

Latest economic indicators signal a slowing decline

The week’s major economic indicators gave off mixed signals, buoying optimism the recession will end sooner rather than later. Exports and non-residential building permits increased for the first time in three months, while employment and housing starts continued to plunge. The economic evidence is that the rate of decline is slowing following the sharp fall of late last year, but not that the recession is over.

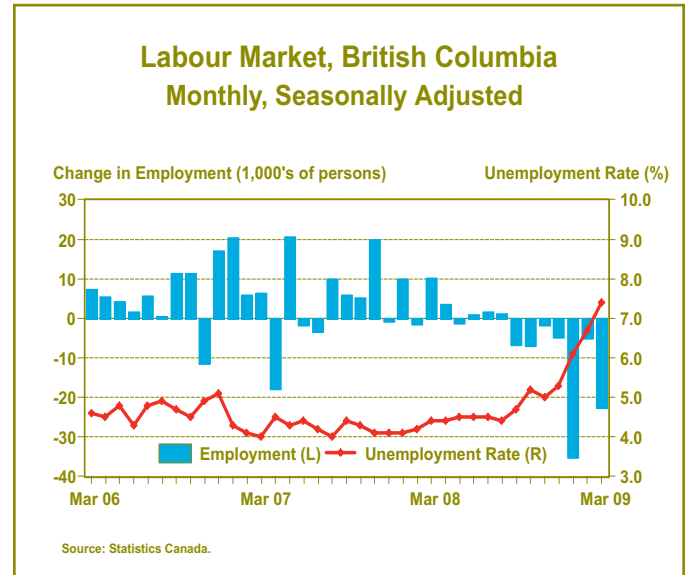
B.C.’s **labour market** continued to shrink in March, according to the latest estimates from Statistics Canada. Employment fell by 22,600 persons (-1%) from February, seasonally adjusted, the seventh consecutive monthly decline. Total hours worked dropped 6.3% from February to March, seasonally adjusted, the largest month-over-month decline since December 2007.

B.C.’s unemployment rate jumped from 6.7% in February to 7.4% in March, seasonally adjusted, as employment dropped while the labour force was little changed. March’s job declines were largely concentrated in construction and real estate service industries.

Men aged 25 years and over suffered most of March’s job losses, as their employment fell 16,300 month-over-month. As the labour force declined by a similar amount, this group’s unemployment rate merely edged up to 6.7%. Women aged 25 years and over saw a significant monthly increase in unemployment as jobs declined, lifting the jobless rate from 5% in February to 5.9% in March.

Meanwhile, younger labour market participants, aged 15 to 24 years, also saw significantly higher unemployment as their labour force increased while jobs held steady. This group’s unemployment rate increased from 11.6% in February to 13.5% in March.

Metropolitan Vancouver experienced significant job losses in March, with employment declining by 11,800 month-over-month and the unemployment rate rising from 5.7% to 7.2%. Regionally, the latest three-month rate of change in seasonally adjusted employment was most negative in



the North Coast-Nechako (-6.5%), Northeast (-6.5%) and Cariboo (-4.3%) regions. The smallest declines were in the Kootenay (-1%), Thompson-Okanagan (-1.7%) and Lower Mainland-Southwest (-1.9%) regions. The Vancouver Island-Coast region has seen employment drop by 2.8% in the latest three months.

Central 1 Credit Union expects further job losses in B.C. over the next several quarters, as the recession works its way through the real economy. Bear in mind that employment is a lagging indicator of economic performance, usually trailing three to six months behind changes in aggregate expenditures and other broad measures of production. Central 1 expects average employment will drop by 56,300 persons or -2.4% this year from 2008 and the unemployment rate will average 7.2% compared to 4.6% last year.

International exports of B.C.-origin goods bounced up in February following three straight months of rapid decline. The global recession has been hammering B.C.’s international trade since mid-2008. February’s rebound indicates key resource inventories have been drawn down to the point of needing replenishment, but does not signal a bottom to the global recession.



The seasonally adjusted dollar value of B.C.-origin merchandise exports climbed 9.5% in February, month-over-month, seasonally adjusted, according to the latest estimates from Statistics Canada. That follows a cumulative drop of 30% in the prior three months. The gains were driven by raw materials and secondary manufactures, while consumer goods and tertiary manufactures continued to decline.

Energy products led the rise in exports with a 23% month-over-month gain in February, seasonally adjusted. Industrial goods and materials, mostly metallic mineral ores, climbed 7.6% while forest products, mostly lumber, rose 3.9%. Rounding out the gains were agricultural products, up 2.6% from January. Meanwhile, machinery and equipment exports dropped 4.1%, auto parts exports declined 29% and other consumer goods fell 2%.

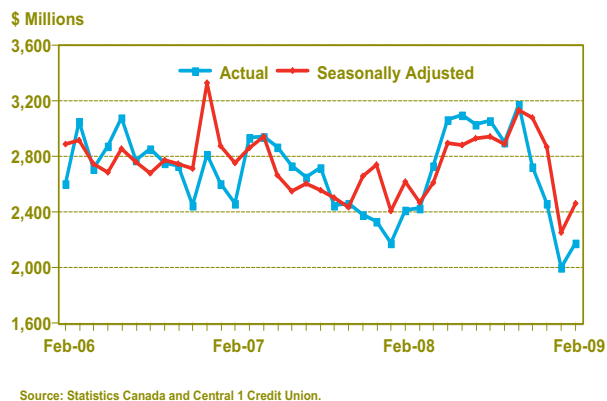
For 2009 as a whole, Central 1 Credit Union forecasts a 2.5% year-over-year drop in the value-weighted quantity of B.C.-origin exports. That follows declines of 3.2% last year and 0.3% in 2007. Modest growth in merchandise exports is forecast for 2010.

Non-residential building permits in B.C. bounced back partly from three consecutive monthly declines in February, according to the latest estimates from Statistics Canada. Permit values for non-residential buildings issued by municipalities totalled \$307 million in February, up \$150 million (95%) from January. Month-to-month changes of such a large magnitude are common due to the indivisibility and irregular frequency of larger building projects.

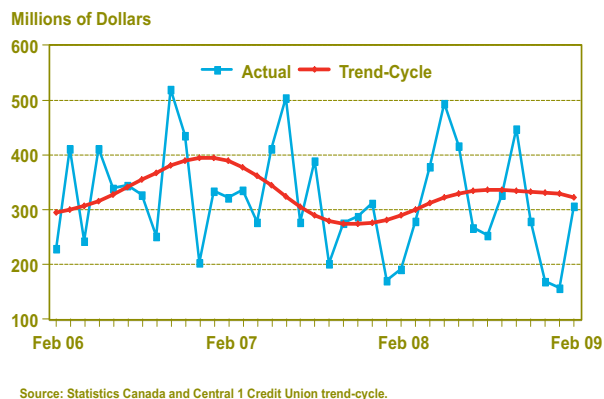
February's rise was led by commercial and government/institutional buildings in metropolitan Victoria and Vancouver. Permits for industrial buildings also increased in February, as did non-residential building permits in Abbotsford. In the first two months of 2009, permits for non-residential buildings were up from the same period last year in Kelowna and Victoria, but down in Abbotsford and Vancouver. Year-to-date permits for commercial buildings are up year-over-year, while permits for industrial buildings are down and permits for government/institutional buildings are little changed.

Central 1 Credit Union forecasts investment in non-residential building construction in B.C. will drop 4.6% this year from 2008, net of price inflation or deflation. That follows a slight 1% year-over-year decline in 2008. This year's drop will be led by lower investment in commercial and industrial buildings, while spending on government/institutional buildings is forecast to rise.

Merchandise Exports, B.C.-Origin, Monthly



Non-Residential Building Permits British Columbia, Monthly



Housing starts in B.C. continued to tumble in March, according to the latest estimates from Canada Mortgage and Housing Corporation. Construction began on just 10,000 housing units in B.C.'s urban areas at a seasonally adjusted annualized rate (SAAR), down 17% from 12,100 starts SAAR in February. Central 1 Credit Union forecasts housing starts in B.C. will total a mere 16,700 units this year, down 51% from 2008 and marking the lowest level since 2000.

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