

Economic indicators released this week were downbeat and revealed a deepening recession in the United States. Retail sales in the U.S. declined in March, suggesting there will be no growth in consumer spending in the first quarter. Consumer spending accounts for almost 70% of America's GDP. Industrial production in the U.S. continued to plunge in March, leaving excess capacity at its highest level since at least 1950. U.S. housing starts also continued dropping in March and are now down 50% year-over-year and 80% from the cycle's peak in January 2006. Residential building permits also tumbled in March.

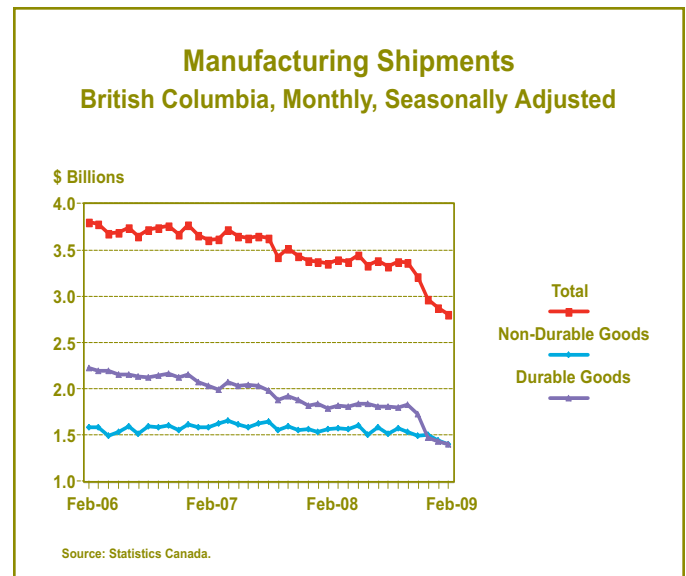
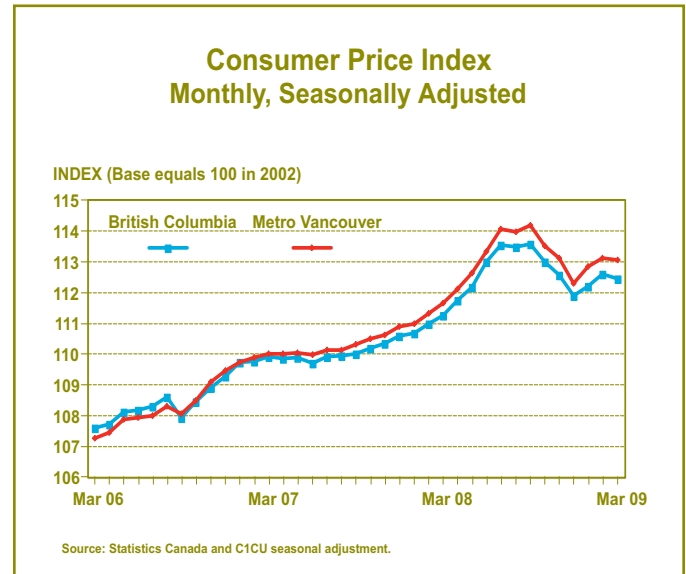
In Canada, new motor vehicle sales continued to fall in February and are now 29% off the cycle's peak in early 2008. British Columbia saw consumer prices deflate in March and manufacturing sales continue to fall in February.

Consumer price deflation returned to B.C. in March, as the all-items Consumer Price Index (CPI), seasonally adjusted, edged down 0.1% from February. Consumer prices in B.C. are now a full 1% below their peak in September last year. March's CPI increased just 1.1%, year-over-year, the lowest headline inflation rate since February 2008. Metro Vancouver's CPI inflation was on par with that of the province in March, with a year-over-year increase of 1.3% and a seasonally adjusted month-over-month dip of less than 0.1%.

Fuel oil, footwear, personal care products and services, coffee, tea, and fresh vegetables and fruits led the drop in consumer prices in March. Meanwhile, CPI deflation was tempered by higher prices for gasoline, public transportation, alcohol, tobacco, clothing, household operations and seafood.

Neither inflation nor deflation is of 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 to just 0.4% 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 2.5% in February, month-over-month, seasonally adjusted. The drop was spread over both durable and non-durable goods, especially wood and paper 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 5.1%, not including price changes, following an estimated 4.8% contraction in 2008. Growth is forecast to return in 2010, as the world economy pulls out of recession.

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