

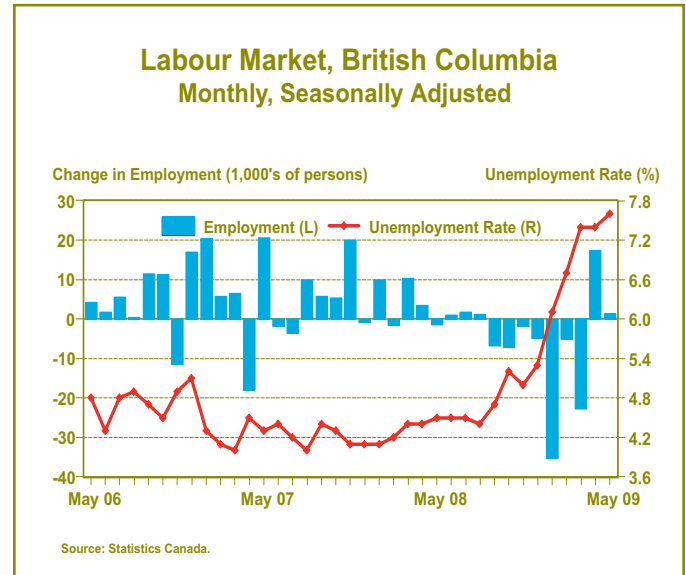
**Latest economic indicators reveal a modest rebound is underway**

This week’s economic indicators are mixed in direction, but seem to confirm that a modest rebound is underway although the real economy is still in recession.

In the United States, the Institute of Supply Management’s (ISM) manufacturing and non-manufacturing indexes continued to rebound in May but are still at recession levels. In Canada, real GDP dropped 5.4% at a seasonally adjusted annualized rate (SAAR) in the first quarter, the worst contraction since the first quarter of 1991. The latest Labour Force Survey (LFS) estimates from Statistics Canada indicate a net loss of 41,800 jobs in May, dominated by a major decline in Ontario. In British Columbia, the labour market and small business expectations showed some improvement in May, while non-residential building permits pulled back in April.

B.C.’s **labour market** showed some improvement in May for the second consecutive month, according to the latest estimates from Statistics Canada. Employment was little changed from April, seasonally adjusted, while total hours worked increased 3.3% seasonally adjusted. B.C.’s unemployment rate edged up from 7.4% in April, seasonally adjusted, to 7.6% in May, as the labour force increased by more than employment.

In May, gains in public sector payroll employment and self-employment largely offset declines in private sector payroll employment. Industry-wise, job growth in retail/wholesale trade, public administration and miscellaneous services was largely offset by job declines in health care/social assistance and manufacturing. Meanwhile, gains in employment in the Lower Mainland-Southwest region, particularly metro Vancouver, were mostly offset by declines in the Northeast, Vancouver Island, Thompson-Okanagan and Kootenay regions.



Central 1 Credit Union expects some further net job losses in B.C. over the next several months as the recession works its way through the real economy. The average level of employment is forecast to decline by 3.5% in 2009 year-over-year, following 2.1% growth in 2008. Meanwhile, the unemployment rate is expected to average 8% this year, up from 4.6% last year.

**Non-residential building permits** in B.C. declined in April following two months of fairly robust gains, according to the latest estimates from Statistics Canada. Permit values for non-residential buildings totalled \$133 million, down \$360 million (63%) from March. Month-to-month changes of this magnitude are not uncommon, due to the indivisibility and irregular frequency of larger building projects. April’s decline was widespread, with all major building types and metropolitan areas seeing lower permits, month-over-month.

In the first four months of 2009, non-residential buildings permits totalled \$956 million in B.C., down \$68 million (6.7%) year-over-year. Year-to-date, year-over-year permits for public sector buildings are up, while permits are down



for private sector buildings. Regionally, non-residential building permits issued so far this year are up in metro Victoria and metro Kelowna but down in the Lower Mainland.

Central 1 Credit Union forecasts that the value of non-residential building permits issued in B.C. will drop 6% this year, on par with a 6.5% decline in 2008.

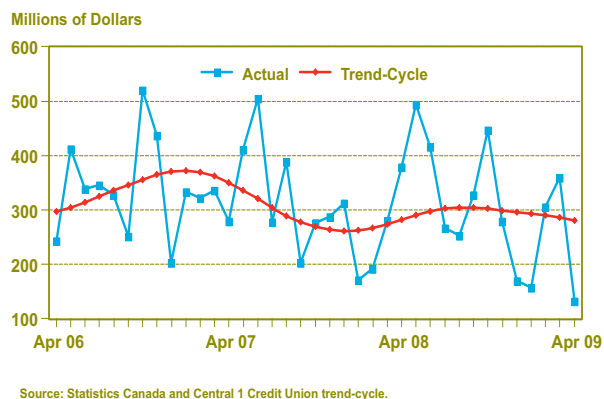
### SME expectations turn positive on balance

Confidence among B.C. owners of small and medium enterprises (SMEs) continued to improve in May, according to the latest Business Barometer Index (BBI) published by the Canadian Federation of Independent Business. The BBI reflects how well owners of SMEs expect their firms to perform over the next 12 months. If the index is above 50, it means owners who expect stronger performance outnumber those who expect weaker performance.

May marked the first time since September 2008 that the index for B.C. has been above 50, indicating a return to a net positive outlook. That trend is similar across Canada and in Alberta and Ontario. Industry-wise in Canada, the most optimistic SMEs are in health care, education, professional, business and retail services. The most pessimistic are in natural resources and agriculture. The Canadian index suggests real gross domestic product (GDP) has yet to resume growing.

**David Hobden, Economist**  
*dhobden@central1.com*  
 604 737 5063

### Non-Residential Building Permits British Columbia, Monthly



### 12-Month Expectations Index Small and Medium Enterprises

