

Economy continues to recede

This week's economic indicators show further signs of contraction, along with a slowdown in the rate of contraction. In other words, economic output is stabilizing but the bottom has yet to be reached and recovery is not imminent.

In the United States, retail sales rose 0.5% in May, seasonally adjusted, following two monthly declines. Recovery in consumer spending is widely expected to be slow and choppy.

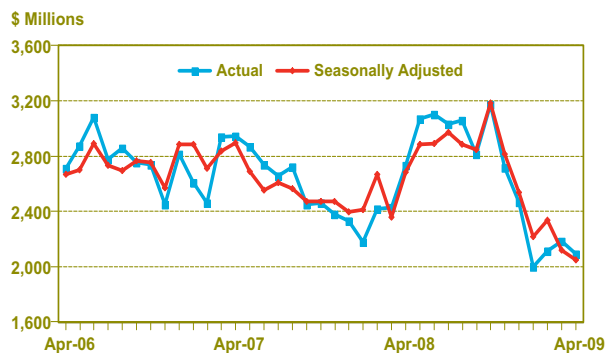
In Canada, housing starts partly rebounded in May following a big drop in April. The trend is still down. Industrial capacity utilization was just 69.3% in the first quarter, down 5.6% from the fourth quarter of 2008 and the lowest since the data series began in 1987. The recession has hit construction, manufacturing and transportation industries particularly hard.

In British Columbia, exports and housing starts continue to fall.

International exports of B.C.-origin goods continued to slide in April, according to the latest estimates from Statistics Canada. The global recession has hammered international trade since mid-2008. The silver lining is that the rate of decline in exports has slowed over the latest three months.

B.C.-origin goods exported internationally totalled \$2.05 billion in April, seasonally adjusted, down 3.2% from March. Industrial goods and materials, mostly metallic mineral ores and construction aggregates, led the overall decline with a \$62 million (15%) drop, month-over-month. Meanwhile, energy exports declined \$25 million (4%), agricultural products fell \$9 million (4.5%), machinery/equipment was down by \$5 million (2%) and automobile parts and equipment dropped \$4 million (20%). Rounding

Merchandise Exports, B.C.-Origin, Monthly



Source: Statistics Canada and Central 1 Credit Union.

out the declines in April were special transactions (-\$2 million or 5%), forest products (-1.6 million or 0.3%) and other consumer goods (-\$890,000 or 2%).

For 2009 as a whole, Central 1 Credit Union forecasts a 5% year-over-year drop in the value-weighted quantity of B.C.-origin exports. That follows declines of 6.8% last year and 0.3% in 2007. Modest growth in merchandise exports is forecast for 2010.

Housing starts in B.C. continued to decline in May, according to the latest preliminary estimates from Canada Mortgage and Housing Corporation. Construction began on just 9,400 housing units in B.C.'s urban areas at a seasonally adjusted annualized rate (SAAR), down 5% from 9,900 starts SAAR in April. Central 1 Credit Union forecasts housing starts in B.C. will total just 16,700 units this year, down 51% from 2008 and marking the lowest level since 2000.

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