

Canada's real gross domestic product (GDP) declined by an estimated 0.1% in April, month-over-month. That is the ninth consecutive monthly decline, indicating the economy has probably been shrinking since August last year. Industries hit hardest in April were manufacturing, energy and retail trade. Manufacturing output from paper and wood product industries fell significantly. Meanwhile, increased output in real estate services and wholesale trade softened the decline in GDP.

B.C. accounts for approximately half of Canada's softwood lumber production. Statistics Canada's latest estimate of **sawn lumber production** in B.C. shows an uptick in April, the second straight month-over-month rise. It is still too early to tell whether this alters the long-term downward trend that began in March 2006 and has lowered output by over 50%.

Production totalled 1.91 million dry cubic metres in April, seasonally adjusted, up 17% from March. Leading the gain were the Central Interior region, which saw a 72% jump in seasonally adjusted output, and the Northern Interior region, with a 13% month-over-month rise. Lumber production also increased in the Coastal and Southern Interior regions.

B.C.'s lumber manufacturing industry depends on housing markets in the United States. Recent sales statistics seem to indicate the U.S. resale housing market has reached a floor, although it remains too early to be highly certain that the worst is over. The U.S. National Association of Realtors reported last week that **sales of existing homes** increased 2.4% in May, following a similar gain in April. These are the first back-to-back, month-over-month gains since mid-2005. If this trend continues, the outlook for B.C.'s lumber industry would be much improved.

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