

### Latest economic indicators reveal a weak economy

This week's releases of provincial economic indicators were mostly downbeat. Unemployment increased, exports declined, business expectations held steady and non-residential building permits partly rebounded.

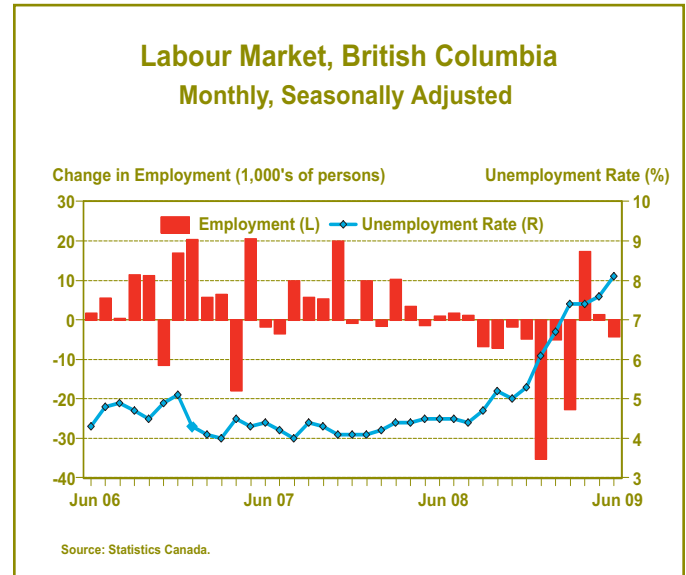
The rate of unemployment in B.C.'s **labour market** climbed in June as the labour force expanded while job growth more or less stood still, according to the latest estimates from Statistics Canada. Total employment edged down by 4,100 persons, seasonally adjusted and not statistically significant, while the labour force increased by 10,400 persons. That pushed the unemployment rate up from 7.6% in May to 8.1% in June.

B.C.'s economy and labour market have weakened considerably over the past 10 months. The unemployment rate reached a low for this business cycle of 4.4% in August 2008. Since then, employment has dropped by 68,000 workers while total hours worked have declined 6.2%. On a brighter note, total hours worked increased almost 1% in June and by more than 5% in the past three months.

Less positive is the composition of job changes in June. Declines in both private and public sector employees outstripped the gains in self-employment. Industry-wise, job losses in educational services and public administration were greater than job growth in information/recreation services. Rising unemployment rates were most significant among younger workers aged 15 to 24 years.

Regionally, both the labour force and employment increased in metro Vancouver in June, leaving the local unemployment rate little changed at nearly 7%. Meanwhile, the unemployment rate increased to 8.2% in metro Abbotsford as labour force growth exceeded an insignificant rise in employment. Labour market indicators were little changed in metro Victoria in June.

Central 1 Credit Union expects some further net job losses in B.C. over the rest of this year as the recession works its way through the real economy. The average level of employment is forecast to decline by 3.2% in 2009 year-over-year, following 2.1% growth in 2008. Meanwhile, the unemployment rate is expected to average 7.8% this year, up from 4.6% last year.



**Non-residential building permits** in B.C. increased in May, recovering less than half the decline registered in April, according to the latest estimates from Statistics Canada. Permit values totalled \$219 million, up \$90 million (70%) from April. Month-to-month changes of this magnitude are not uncommon, due to the indivisibility and irregular frequency of larger building projects.

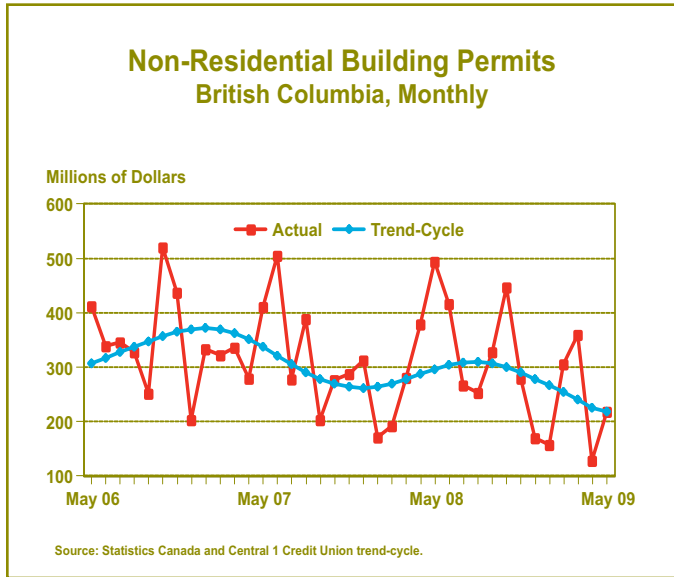
May's increase was widespread, led by commercial and industrial buildings, while government buildings declined. Permit values increased in metro Vancouver and metro Victoria, were little changed in metro Abbotsford and declined in metro Kelowna.

In the first five months of 2009, non-residential buildings permits totalled \$1.17 billion in B.C., down \$347 million (23%) year-over-year. Permits for private sector buildings are down, but have risen for public 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.

So far in 2009, vacancy rates in private sector non-residential buildings are generally rising and effective rents are generally ebbing. Building construction is following the provincial economy through a recession. The outlook is for non-residential construction investment to decline 11% this year, led by a 7% drop in costs and a

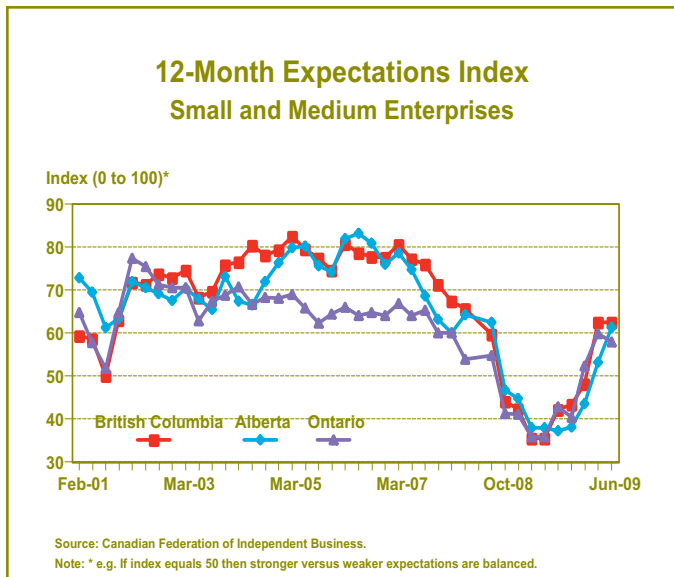


4% decline in real spending. Commercial and industrial construction will decline, while government building increases.



**Confidence among B.C. owners of small and medium enterprises** (SMEs) held steady in June following four months of improvement, 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 and June marked the first two months 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, information/entertainment/recreation, professional/business, retail and finance/real estate services. The most pessimistic are in natural resources and agriculture. The Canadian index suggests real gross domestic product (GDP) has yet to resume growing.

**International exports** of B.C.-origin goods continued to slide in May, according to the latest estimates from Statistics Canada. The global recession has hammered international trade since mid-2008. The silver lining is that merchandise imports are dropping even faster as domestic demand weakens, lowering B.C.'s international merchandise trade deficit.

B.C.-origin goods exported internationally totalled \$1.90 billion in May, seasonally adjusted, down 7.1% from April. Energy products, mostly natural gas, coal and electricity, led the overall decline with an \$85 million (15%) drop, month-over-month. Meanwhile, forest product exports, mainly lumber and pulp/paper, declined \$36 million (6%). Industrial goods and materials, mainly metallic ores and construction aggregates, fell \$25 million (7%). Exports of agricultural/food, automotive and other consumer goods were little changed in May, while exports of machinery/equipment increased \$7 million (3%) month-over-month.

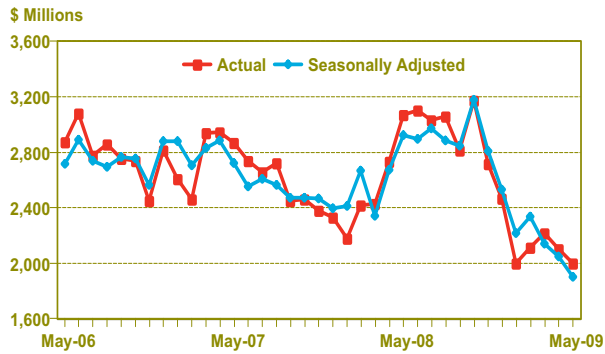
For 2009 as a whole, Central 1 Credit Union forecasts a 5% year-over-year drop in the value-weighted quantity of B.C.-origin exports, including both goods and services. That follows declines of 6.8% last year and 0.3% in 2007. Modest growth in exports is forecast for 2010.

**Housing starts** in B.C. edged up in June, although it is too early to tell if the 15-month downward trend has bottomed. According to the latest estimates from Canada Mortgage and Housing Corporation, construction began on 13,800 housing units in B.C. at a seasonally adjusted annualized rate (SAAR). That is up 21% from May's volume. 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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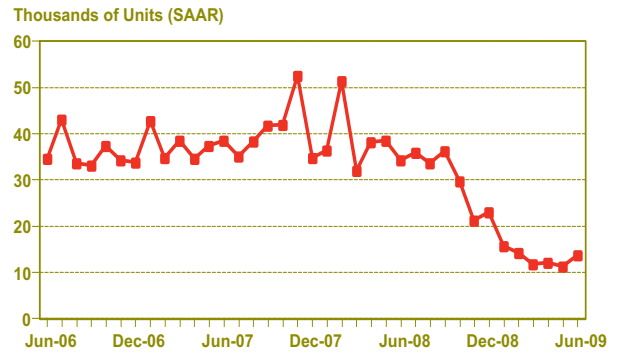
**More graphs on page 3**

### Merchandise Exports B.C.-Origin, Monthly



Source: Statistics Canada and Central 1 Credit Union.

### Housing Starts, British Columbia Monthly, Seasonally Adjusted Annual Rate (SAAR)



Source: Statistics Canada.