

This week's major economic indicators for B.C. reveal a rare surge in American visitors and very little consumer price inflation.

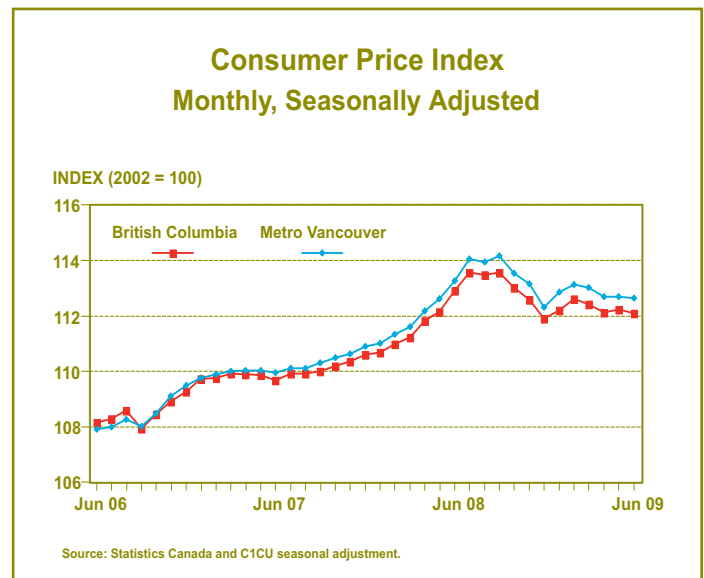
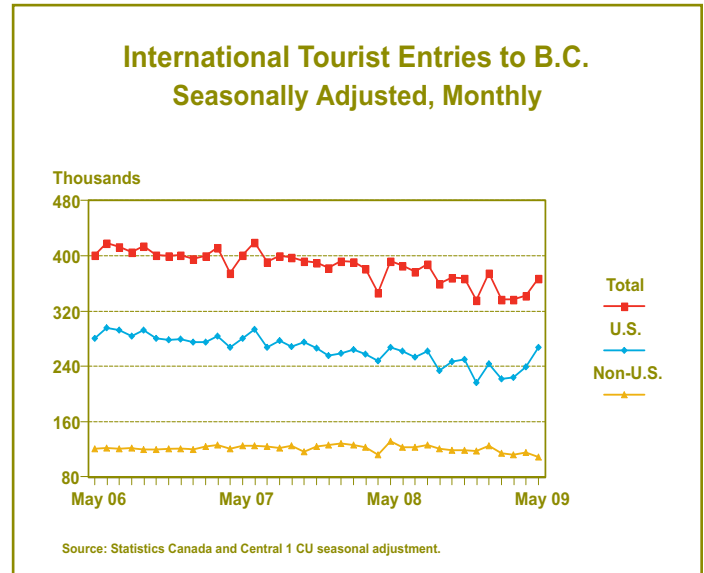
International non-resident tourist entries to B.C. increased in May for the third straight month. The gain was led by visitors from the United States, while visitors from other foreign countries declined. Total entries rose 7.3% month-over-month, seasonally adjusted, according to the latest estimates from Statistics Canada.

The recent increase in foreign travellers to B.C. is likely a temporary change from the downward trend that has prevailed since late 2003. Unadjusted entries in the first five months of 2009 are down 7.4% from the same period a year ago. And entries to the rest of Canada continued to decline in May.

U.S. traveller entries to B.C. jumped nearly 12% in May, month-over-month and seasonally adjusted. Meanwhile, non-resident traveller entries from non-U.S. countries fell more than 6% month-over-month. Year-to-date entries from the U.S. are down 6.7% year-over-year, while entries from other countries are down 8.8%.

Tourism will tend to continue struggling as the global recession dampens international travel for pleasure and business. The 2010 Winter Olympics will provide a significant temporary boost in the first half of next year in the metro Vancouver to Pemberton region. Even so, discretionary travel spending is forecast to remain weak through 2011.

Consumer prices in B.C. were little changed in June, month-over-month, although they were below the level of 12 months ago, the first negative year-over-year change since current estimates began in 1978. The all-items Consumer Price Index (CPI), seasonally adjusted, declined 0.1% from May and was 0.7% below where it was a year ago, according to the latest estimates from Statistics Canada.



The unusual year-over-year drop is entirely due to a spike in energy prices, especially gasoline, in 2008. That spike disappeared with the financial crisis and withering world economy late last year, but it still affects the comparison. This factor will keep the “headline” (i.e. year-over-year) inflation rate negative for several more months, barring an unexpected and unlikely surge in consumer prices.



Metro Vancouver's seasonally adjusted consumer price inflation rate was virtually zero in June for the second straight month. Meanwhile, the city's CPI is down 0.5% year-over-year, for the same reason discussed above.

Neither inflation nor deflation is of particular concern this year, as the recession works its way through the real economy. Central 1 Credit Union forecasts that B.C.'s CPI inflation rate will slow down to average just 0.4%, compared with 2.1% last year. That will be the slowest rate of CPI inflation since a 0.3% rise in 1998.

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