

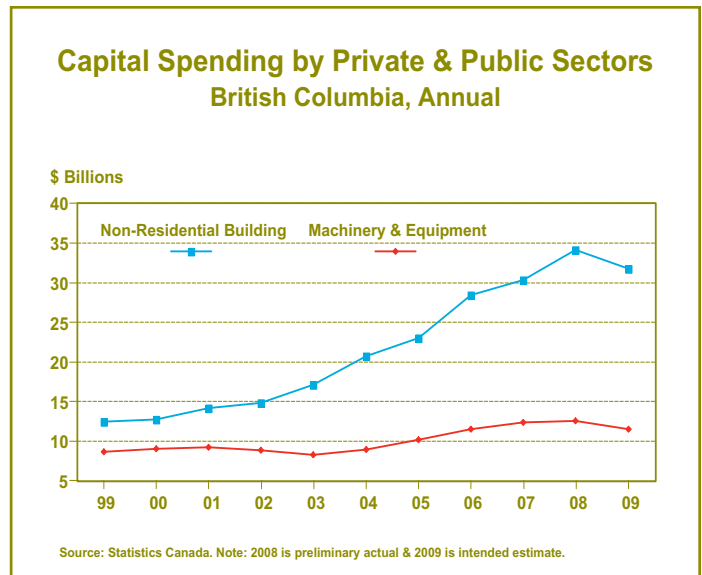
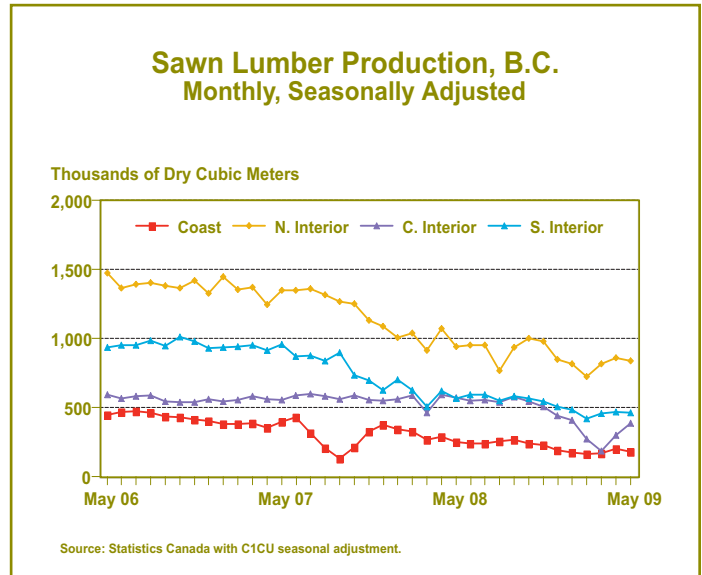
Canada's real gross domestic product (GDP) declined by an estimated 0.5% in May, month-over-month. That is the tenth consecutive monthly decline, indicating the economy has probably been in recession since August last year. Industries hit hardest in May were manufacturing, energy, construction and wholesale trade. Meanwhile, increased output from real estate services (agents, brokers, appraisers, etc.) and retail trade softened the decline in GDP.

B.C. accounts for about half of Canada's softwood lumber production. Statistics Canada's latest estimate of **sawn lumber production** in B.C. shows a slight decline in May following two straight month-over-month gains. It remains to be seen whether the long-term downward trend that began in March 2006 and has lowered output by over 50% is still intact.

Production totalled 1.87 million dry cubic metres in May, seasonally adjusted, down 3% from April. The Coastal region led the decline, while output inched lower in the Northern and Southern Interior regions. Meanwhile, output increased in May in the Central Interior region for the second straight month. In the first five months of this year, lumber production in B.C. has slipped 28% from the same period last year.

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 3.6% in June, following similar gains in April and May. This is the first sign of an upward trend since mid-2005, improving the outlook for B.C.'s lumber industry.

The current economic recession has seen cutbacks in **capital spending intentions** in British Columbia, according to the latest estimates from Statistics Canada. Both



the private and public sectors intend to invest less in 2009 on non-residential buildings, machinery and equipment.

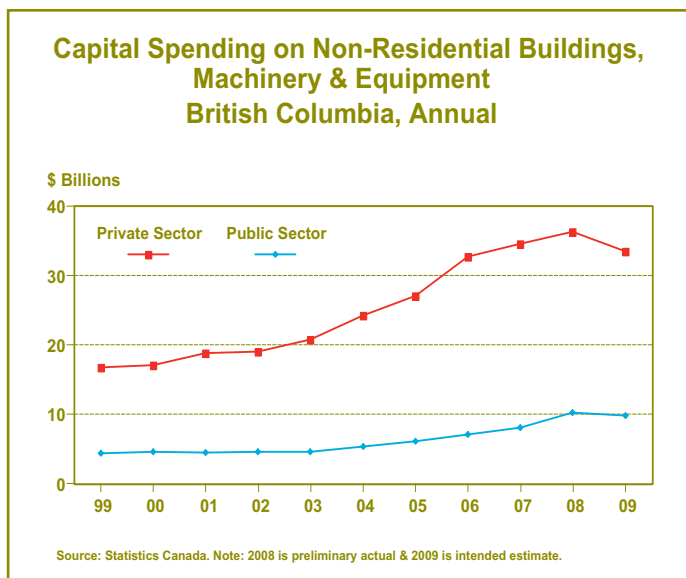
Intended investment in non-residential building construction in 2009 totals \$31.8 billion, down 7% from preliminary estimates of actual spending last year. Private



sector investment in buildings is off 7% while public sector investment is down 3%. Intended investment in machinery and equipment in 2009 totals \$11.6 billion, down 8% from preliminary estimates of actual spending last year. Private sector investment in machinery and equipment is down 8% while public sector investment is 9% lower.

Intended investment by the private sector on non-residential building construction, machinery and equipment in 2009 totals \$33.5 billion, an 8% drop from preliminary estimates of actual spending last year. Intended investment by the public sector in 2009 totals \$9.8 billion, down 5% from preliminary estimates of actual spending last year.

A large drop in capital spending is typical during an economic recession and it is likely that actual spending will come in lower than intended spending in 2009. Investment spending normally is the last sector to rebound once economic recovery is under way.



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