

As with the Canadian economy as a whole, B.C.'s economy appears to be coming out of a recession, based on the latest high-frequency indicators. However, the recovery is generally expected to be weak and volatile. The labour market and private sector business investment generally lag an economic recovery, while residential and government investment are expected to continue to lead this recovery.

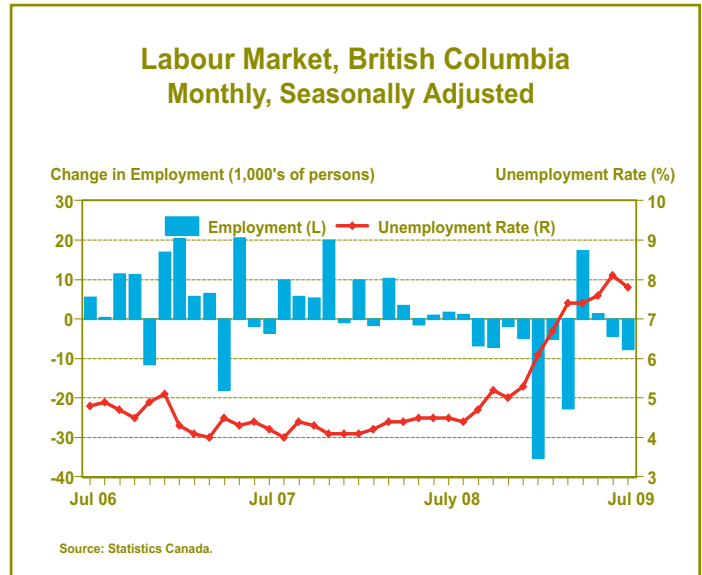
Labour market conditions in B.C. weakened in July, according to the latest estimates from Statistics Canada. The labour force declined by about 18,000 persons, seasonally adjusted, as employment insurance benefits began to run out after a year of declining employment and jobless workers became more discouraged by still-weakening job prospects.

Labour force participation was about 65.7% of the base population in July, down from 66.3% in June and 66.7% a year ago. Men aged 25 years and over bore the brunt of July's weaker labour market trends. Unemployment edged up among women aged 25 years and over. The rate of part-time employment increased among younger workers.

Meanwhile, total hours worked in July increased by about 0.9%, seasonally adjusted, the fourth consecutive month-over-month increase. The recent trend among workers appears to be a shift toward slightly longer work weeks.

Employment in B.C. totalled about 2.25 million workers in July, seasonally adjusted, down by statistically insignificant 7,600 (0.3%) from June. Full-time work edged down while part-time employment inched up. Declines in both private and public sector employment outstripped gains in self-employment. Industry-wise, jobs declined in manufacturing and construction, along with educational, accommodation/food and miscellaneous services.

On a brighter note, jobs increased significantly in the finance, insurance and real estate services sector in July. This is no doubt related to agents, brokers and appraisers dealing with strong growth in the resale housing market.



Metro Vancouver saw significant drops in the labour force participation rate and employment rate in July, seasonally adjusted. Over the past three months, seasonally adjusted employment has declined in the Vancouver Island, Kootenay and Thompson-Okanagan regions. At the same time, employment has increased in the Lower Mainland-Southwest, Cariboo and North Coast regions.

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.

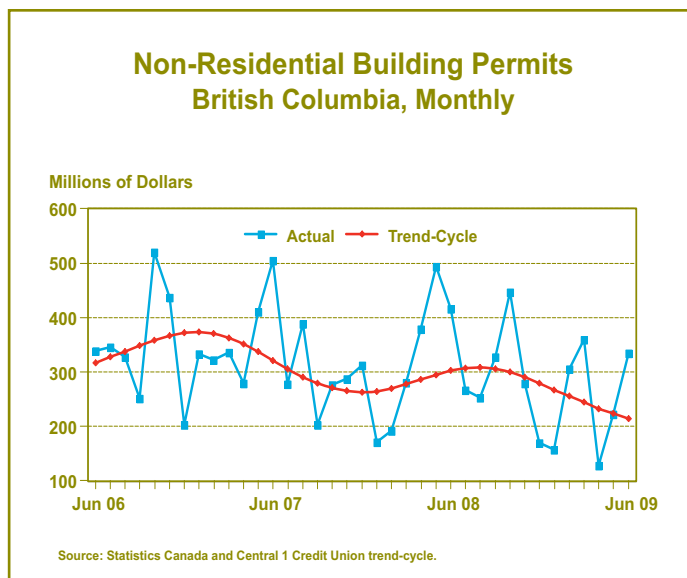
Non-residential building permits issued in B.C. increased in June for the second consecutive month-over-month gain, according to the latest estimates from Statistics Canada. Permit values totalled \$334 million, up \$111 million (50%) from May. Month-to-month changes of this magnitude are not uncommon, due to the indivisibility and irregular frequency of larger building projects. June's increase was concentrated in permits for government/



institutional buildings, while permits for commercial and industrial buildings declined. Regionally, permit values increased in metro Kelowna and Abbotsford but declined in metro Vancouver and Victoria.

Despite gains in May and June, the trend in non-residential building permits and investment spending remains downward. In the first six months of 2009, permits totalled \$1.51 billion in B.C., down \$424 million (22%) year-over-year. Year-to-June permits for private sector buildings are down, but have risen for public sector buildings. Regionally, year-to-June permits are up in metro Kelowna and Victoria but down in metro Vancouver and Abbotsford.

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.



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