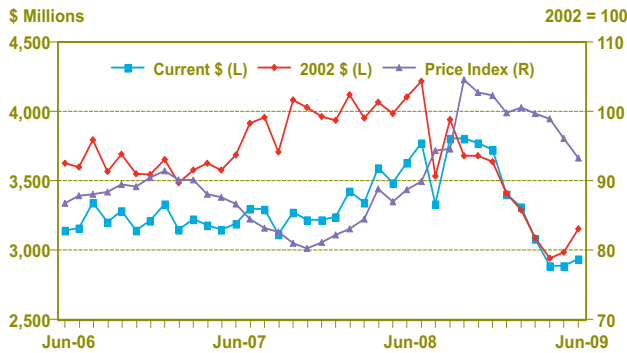
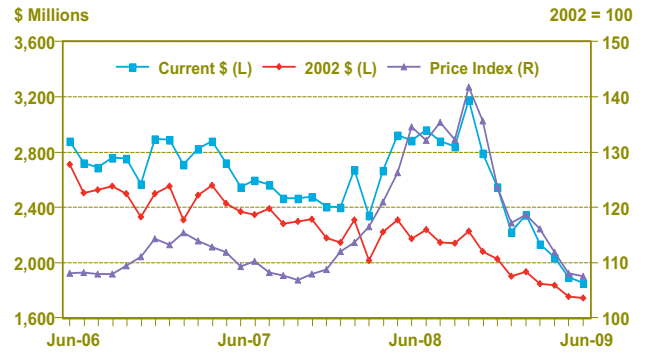


Merchandise Imports, B.C.-Cleared, Monthly
Nominal, Real and Price Index: Seasonally Adjusted



Source: Statistics Canada and Central 1 Credit Union.

Merchandise Exports, B.C.-Origin, Monthly
Nominal, Real and Price Index: Seasonally Adjusted



Source: Statistics Canada and Central 1 Credit Union.

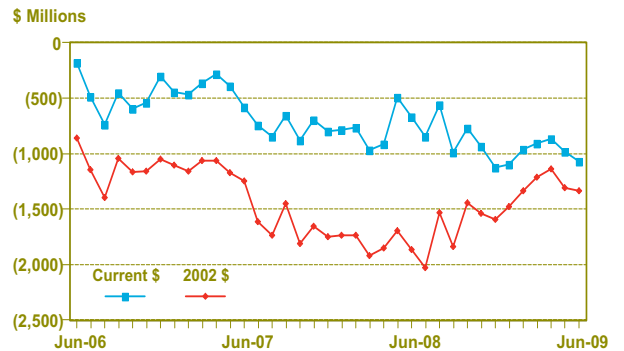
This week's economic indicators suggest B.C.'s economy is beginning to rebound from the latest recession. Imports and new motor vehicle sales are up, while housing starts are down. The economic recovery is expected to be slow and choppy initially.

The global recession has materially lowered **international merchandise trade** flows with British Columbia. However, the recession is abating and the latest trade statistics show imports are once again rising while declines in exports are slowing. B.C.'s international terms of merchandise trade have declined since peaking in June 2008, as export prices have fallen by more than import prices. In June, the terms of trade increased for the first time in 12 months.

The current dollar value of exports of B.C.-origin goods edged down \$46 million (2.4%) in June, month-over-month, seasonally adjusted (SA). Energy products and machinery/equipment led the decline, which was partly offset by small gains in agricultural products and industrial goods/materials. June's drop in exports was mostly due to lower quantities but also to lower prices.

Since peaking in October 2008, monthly exports have fallen by more than \$1.3 billion SA (42%), largely due to declines in energy, forest, industrial and machinery/

International Merchandise Trade Balance
British Columbia, Monthly, Seasonally Adjusted
Nominal and Real



Source: Statistics Canada and Central 1 Credit Union.

equipment products. The drop has been due in equal measure to lower prices and lower quantities.

Imports of B.C.-destined goods edged up \$48 million SA (1.7%) in June. Automotive products, machinery/equipment and other consumer goods led the increase, which was partly offset by lower energy product imports. June's gain in



imports was due to higher quantities, which were partly offset by lower prices.

Since peaking in October 2008, monthly imports have fallen more than \$870 million SA (23%), largely due to declines in energy products, industrial goods/materials, machinery/equipment and automotive products. The decline has mostly resulted from lower quantities but also materially from lower prices.

B.C.'s international merchandise trade deficit grew in June, as exports edged down while imports inched up. The deficit totalled \$1.07 billion SA, up \$87 million (1.9%) from May. The monthly deficit reached a maximum for this latest business cycle in December 2008 and has since contracted by \$56 million (5.3%).

Central 1 Credit Union forecasts that the current dollar value of B.C.-origin exports, including goods, services, international and interprovincial, will decline by more than 10% in 2009, year-over-year. Overall imports are also forecast to decline, while B.C.'s overall trade deficit remains little changed from last year.

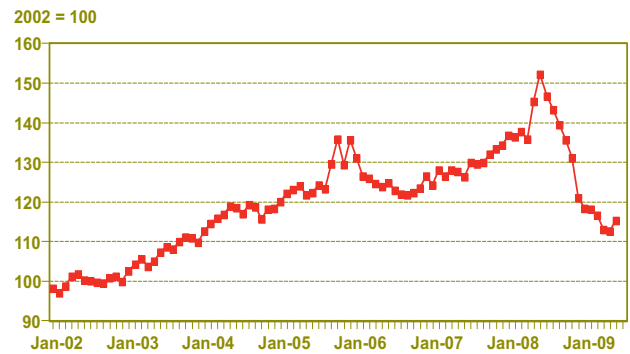
British Columbia's domestic economy also appears to be stumbling toward recovery. **New motor vehicle sales** inched up in June from May, the fourth consecutive month-over-month increase. Year-to-June sales total 74,317 units, down 26% year-over-year. Sales are up from the post-crisis low in February this year, but future growth will ultimately depend on healthy consumer spending brought about by job and income growth.

Housing starts in British Columbia declined 8% in July from June to 13,000 units at a seasonally adjusted annualized rate (SAAR). This is one of the lowest levels in almost a decade. Year-to-July housing starts averaged 13,300 SAAR, down 65% year-over-year.

With a housing sales resurgence underway, it is only a matter of time before housing starts also turn higher. That time lag varies across cycles and depends on levels of unsold inventory, builder profitability, and financing cost and availability. Unsold inventory is lower this year in both the new and resale markets. New housing prices are generally no longer coming down, according to Statistics Canada's New House Price Index for June. Financing conditions are improving for surviving builders. The stage is being set for an upturn in housing starts, likely within the next four months.

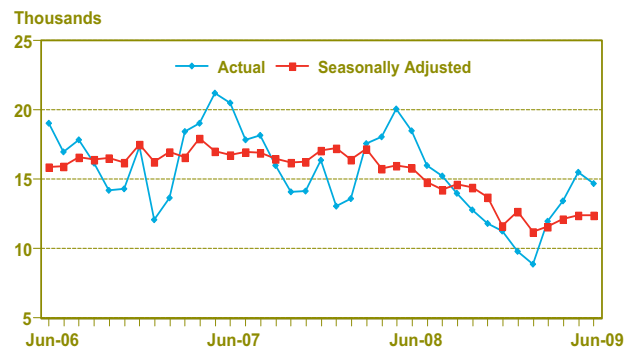
David Hobden, Economist
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Terms of Trade Index, British Columbia Monthly, Seasonally Adjusted



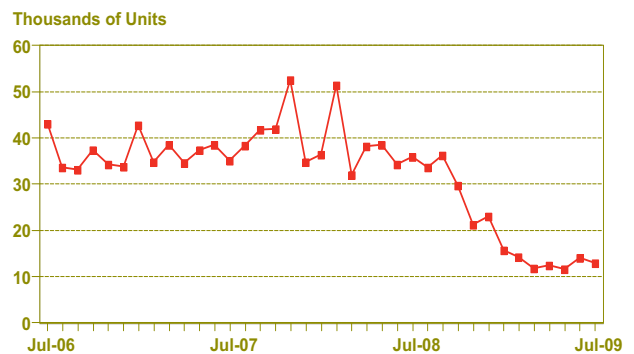
Source: Statistics Canada and Central 1 Credit Union. Note: Graph ends June 2009.

New Motor Vehicle Sales British Columbia and the Territories Units per Month



Source: Statistics Canada.

Housing Starts British Columbia, All Areas Seasonally Adjusted at Annual Rates (SAAR)



Source: Statistics Canada.