

Latest economic indicators reveal an emerging recovery

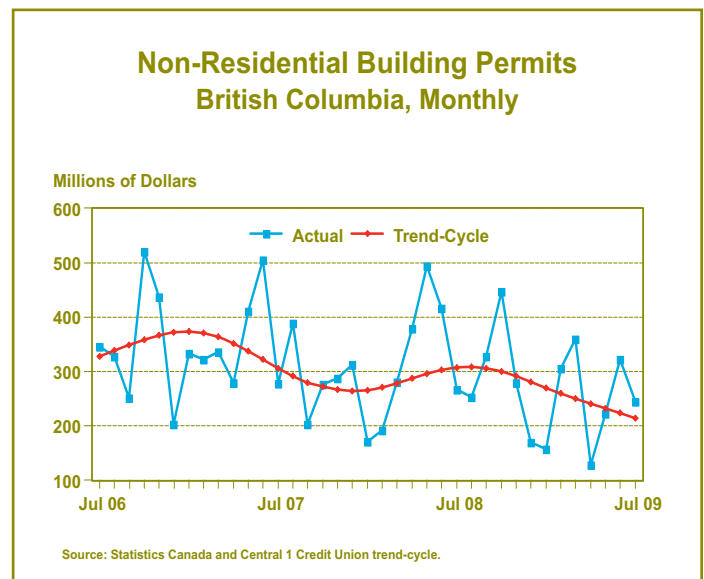
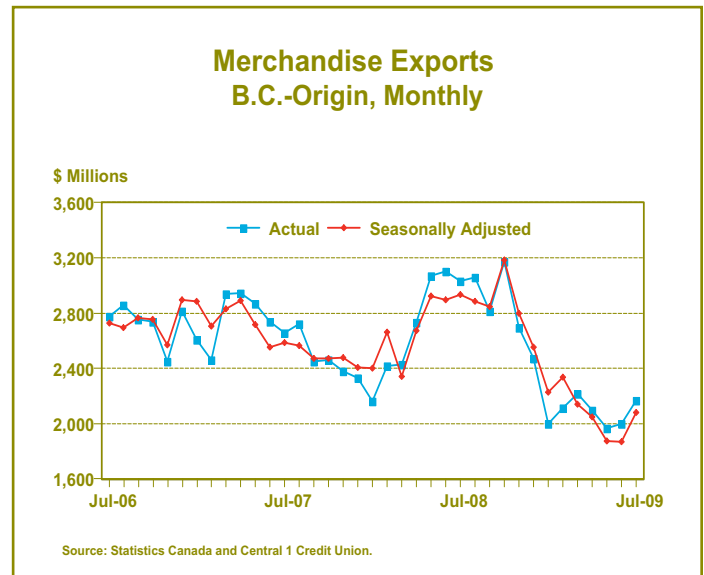
This week’s releases of provincial economic indicators were mostly upbeat. Exports and housing starts increased, while non-residential building permits declined.

International exports of B.C.-origin goods increased in July following four straight monthly declines, according to the latest estimates from Statistics Canada. The global recession has hammered international trade since mid-2008. However, the recession is likely over and trade flows appear to be growing again. Imports began to rise in May, and now exports may be turning up.

B.C.-origin goods exported internationally totalled \$2.08 billion in July, seasonally adjusted, up 11.5% from June. Energy products, mostly natural gas, coal and electricity, led the overall gain with a \$71 million (16%) rise month-over-month. Industrial goods and materials, mainly metallic ores and construction aggregates, increased \$37 million (11%). Forest product exports, mainly lumber and pulp/paper, grew \$26 million (4.7%). Smaller gains were seen in international exports of machinery, equipment, agricultural products, automotive parts and other consumer goods.

Central 1 Credit Union forecasts that the current dollar value of B.C.-origin exports, including goods and services as well as international and interprovincial sales, will rise by a modest 3.4% in 2010 and 4.4% in 2011, following a year-over-year decline of 14.9% in 2009.

Non-residential building permits issued in B.C. declined in July according to the latest estimates from Statistics Canada. Permit values totalled \$245 million, down \$77 million (24%) from June. Month-to-month changes of this magnitude are not uncommon, due to the indivisibility and irregular frequency of larger building projects. July’s decrease was concentrated in permits for government/institutional buildings, while permits for commercial and



industrial buildings were marginally lower. Regionally, permit values decreased in metro Kelowna and Abbotsford but were up 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 seven months of 2009,



permits totalled \$1.74 billion in B.C., down \$458 million (21%) year-over-year. Year-to-July permits for private-sector buildings are down, but have risen for public-sector buildings. Regionally, year-to-July permits are up in metro Victoria and Kelowna, 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.

Housing starts in B.C. increased in August, the third monthly gain in the past five months. It appears the 15-month downward trend in housing construction probably bottomed in May 2009. According to the latest estimates from Canada Mortgage and Housing Corporation, construction began on 19,200 housing units in B.C. at a seasonally adjusted annualized rate (SAAR). That is up 47% from July's volume. Central 1 Credit Union forecasts that housing starts in B.C. will total just 15,336 units this year, down 55% from 2008 and marking the lowest level since 2000. Starts are forecast to rise by 40% in 2010 and by a further 15% in 2011.

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

