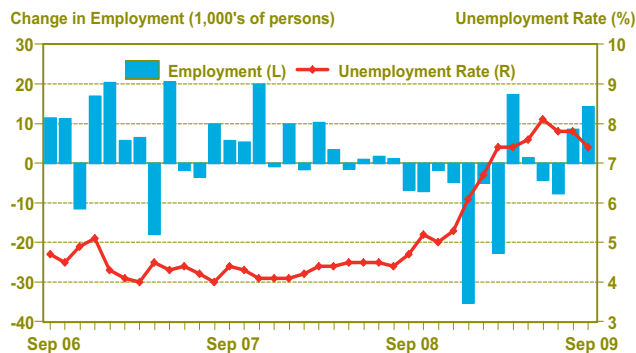


Labour Market, British Columbia Monthly, Seasonally Adjusted



Source: Statistics Canada.

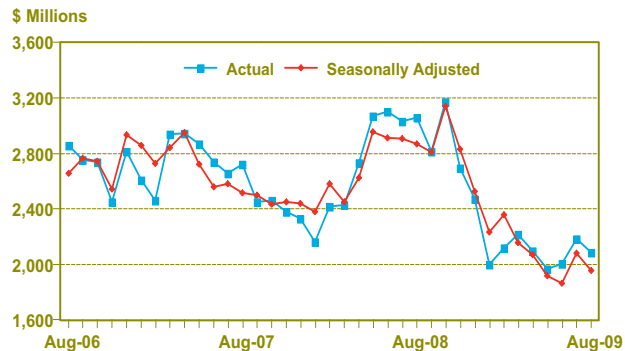
This week's releases of economic indicators for B.C. reveal an economy staggering back to health after the latest recession. Non-residential building permits set a record high in August, while employment increased. Meanwhile, exports declined in August and housing starts recoiled in September.

B.C.'s **labour market** is now clearly recovering from the 2008-09 recession. Labour market conditions improved in September for the second consecutive month, according to the latest estimates from Statistics Canada. Total employment increased by about 14,400 persons, seasonally adjusted, led by part-time workers. Full-time jobs led growth in the previous month. B.C.'s unemployment rate declined to 7.4% in September from 7.8% in August.

Women aged 25 years and over accounted for nearly all the net gain in jobs in September. Public sector employers led the growth, followed by private sector employers. Meanwhile, the number of self-employed workers was little changed.

Industry-wise, jobs gains in September were widespread. Significant growth in employment likely occurred in health/social services, finance/insurance/real estate, miscellaneous services and utilities. Gains in these industries were partly offset by probable declines in professional/technical and

Merchandise Exports B.C.-Origin, Monthly



Source: Statistics Canada and Central 1 Credit Union.

information/recreation services.

Metro Vancouver saw a significant decline in unemployment in September, as job growth easily outpaced labour force growth. The unemployment rate declined to 6.7% from 7.4% in August. Regionally, seasonally adjusted employment has increased over the latest three months in the Thompson-Okanagan, Lower Mainland-Southwest, Northeast and North Coast-Nechako areas. Meanwhile, jobs declined in the Vancouver Island, Kootenay and Cariboo areas.

Central 1 Credit Union expects continued improvement in labour market conditions over the next few years, although short-term declines remain a possibility. The average level of employment is forecast to decline by 2.5% 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.

International exports of B.C.-origin goods declined in August following a recently rare uptick in July, according to the latest estimates from Statistics Canada. The 2008-09 global recession hammered international trade flows, which have been bouncing along a cyclical trough since January this year. However, the economy appears to be recovering and resumed export growth is likely in the near term.



B.C.-origin goods exported internationally totalled \$1.95 billion in August, seasonally adjusted, down up 6.1% from July. Energy products, mostly natural gas and coal, led the month-over-month decline, followed by agricultural products and machinery/equipment including automobile parts. Declines in these commodity groups were partly offset by gains in industrial goods and materials, mainly metallic ores and construction aggregates, as well as miscellaneous consumer goods and forecast products.

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.

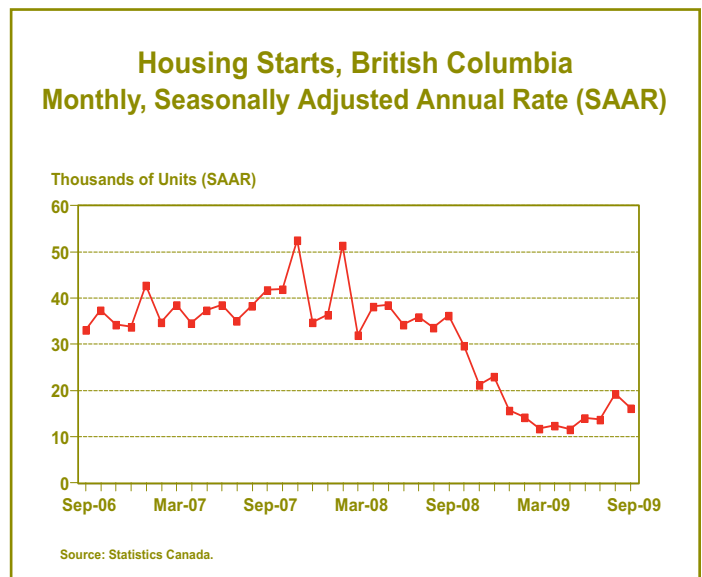
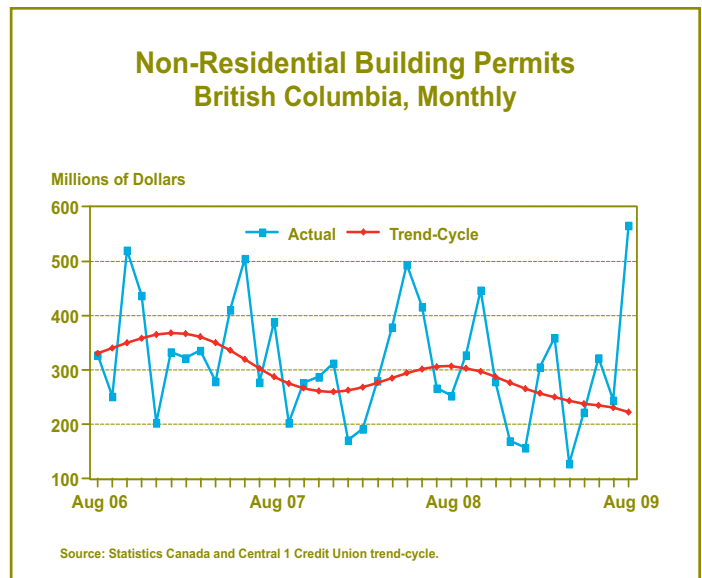
Non-residential building permits issued in B.C. soared in August according to the latest estimates from Statistics Canada. Permit values totalled \$567 million, up \$321 million (131%) from July. That is the highest monthly total since current records began in January 1978.

Expansive government fiscal policy to stimulate current economic weakness was the key driver of record permit levels in August. The surge was led by government/institutional buildings and, to a lesser extent, commercial buildings. Regionally, growth was led by the Kelowna and Vancouver metropolitan areas, although the Victoria and Abbotsford metropolitan areas also saw relatively large gains.

Despite gains in three of the past four months, the trend in non-residential building permits and investment spending remains slightly downward. In the first eight months of 2009, permits totalled \$2.31 billion in B.C., down \$145 million (5.7%) year-over-year. Year-to-August permits for private-sector buildings are down, but have risen for public-sector buildings. Regionally, year-to-August 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 lagging the provincial economy through the 2008-09 recession. The outlook is for non-residential construction investment to decline 20% this year, led by lower costs and quantities. Commercial and industrial construction will decline, while government building increases.

Housing starts in B.C. edged down in September, partly reversing an uptick in July. Even so, the trend in housing construction remains modestly upward from a cyclical low probably set in May this year. According to the latest estimates from Canada Mortgage and Housing Corporation, construction began on 16,200 housing units



in B.C. at a seasonally adjusted annualized rate (SAAR), down 16% from August.

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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