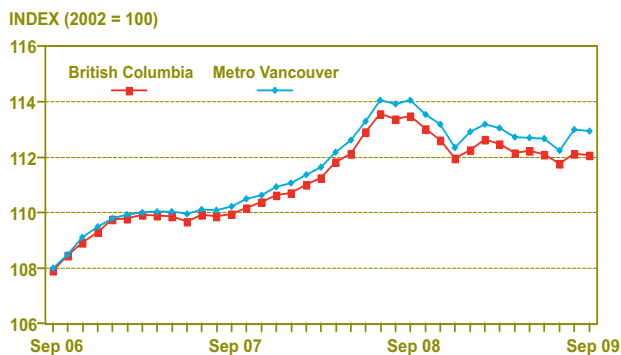
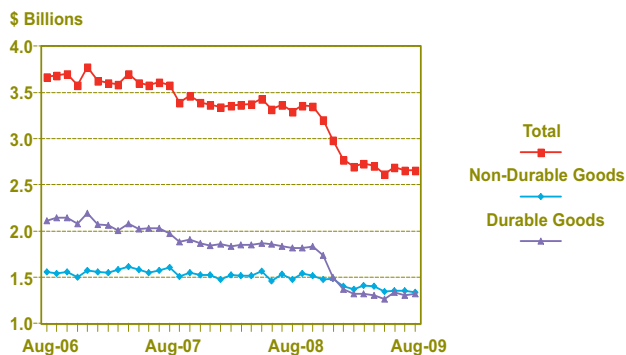


Consumer Price Index
Monthly, Seasonally Adjusted



Source: Statistics Canada and C1CU seasonal adjustment.

Manufacturing Shipments
British Columbia, Monthly, Seasonally Adjusted



Source: Statistics Canada.

This week's releases of economic indicators for B.C. reveal an economy largely moving sideways as it struggles to emerge from the latest recession. Manufacturing sales and new motor vehicle sales were little changed in August, while overall consumer prices barely budged in September. Investment in non-residential building construction continued to ebb in the third quarter.

Consumer prices in B.C. were little changed in September from August but are down from a year ago. The year-over-year decline was almost entirely due to a spike in gasoline and other energy prices at this time last year. The all-items Consumer Price Index (CPI) for B.C., seasonally adjusted, edged down five basis points (a basis point is one one-hundredth of one percent) from August and was 1.2% below the year-ago level, according to the latest estimates from Statistics Canada. Metro Vancouver's consumer price inflation was similar to that of the province overall.

Neither inflation nor deflation is of particular concern over the near-term. Domestic demand and production remain weakened by the latest financial crisis, but monetary policy can readily become less expansive if price inflation accelerates unexpectedly. Central 1 Credit Union forecasts that B.C.'s CPI inflation rate will slow down to average just 0.4% this year, compared with 2.1% last year. That will be

the slowest rate of CPI inflation since a 0.3% rise in 1998. Consumer price inflation is forecast to average 1.7% in B.C. in 2010.

Manufacturing sales in B.C. were little changed in August from July, according to the latest estimates from Statistics Canada. After falling sharply in the fourth quarter of 2008, sales have been trending only slightly downward. These changes have been largely driven by durable goods manufacturing, which covers most of B.C.'s commodity exports.

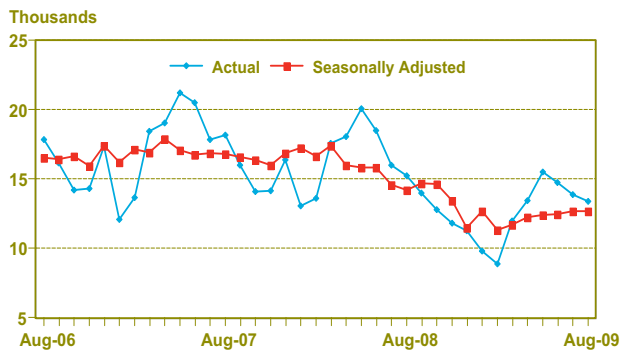
The recession in lumber manufacturing is almost four years old, with output down more than 50% in that time. U.S. housing starts are forecast to increase 40% in 2010 and yet will not return to normal levels until 2011. Manufacturing lumber and other building products will follow a similar trend.

Pulp and paper manufacturing could remain in recession in 2010, with recovery as late as 2011. Newsprint is particularly weak, with prices widely predicted to continue declining next year. Pulp prices could rise next year although Canadian dollar appreciation would offset that gain.

Oil and gas production is expected to follow the U.S. economic recovery, with prices and volumes rising in 2010 and beyond. The outlook for mineral and coal production is

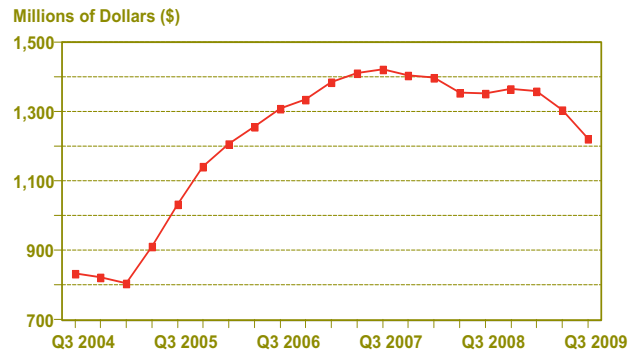


New Motor Vehicle Sales British Columbia and the Territories Units per Month



Source: Statistics Canada.

Investment in Non-Residential Building Construction British Columbia, Quarterly, Seasonally Adjusted



Source: Statistics Canada.

much improved from the 12% drop in real output this year. Base metal prices are up from their recession lows and will continue to rise, while rising industrial production will see increasing demand for metallurgical coal.

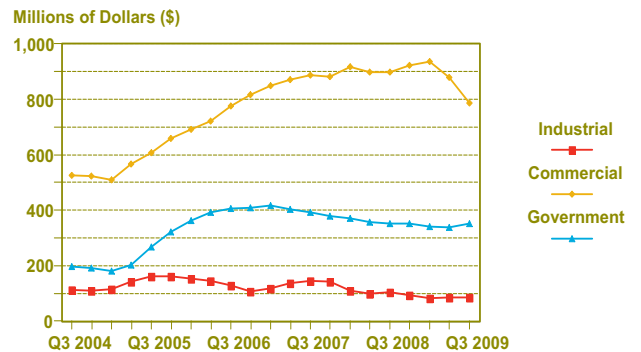
The outlook for manufacturing in B.C. remains weak overall for the rest of 2009. Central 1 Credit Union forecasts this sector's gross domestic product (GDP) will drop 13.9%, not including price changes, following an estimated 10.5% contraction in 2008. Growth is forecast to return in 2010, as the world economy pulls out of recession.

New motor vehicle sales in B.C. and the territories were little changed in August from July, following five consecutive month-over-month gains. Even so, volume remains down from the peak in March 2008. Year-to-August sales total 101,646 units, down 23% year-over-year, according to the latest estimates from Statistics Canada. Future growth depends on a continued rebound in consumer spending, job creation and income growth, all of which are forecast to occur in 2010 and beyond.

Investment in **non-residential building construction** in B.C. totalled \$1.2 billion in the third quarter of 2009, seasonally adjusted, according to the latest estimate from Statistics Canada. That is down \$83 million (6.8%) from the second quarter and marks the third consecutive quarterly decline. Recent reductions are largely due to lower spending on constructing commercial buildings, especially office buildings, shopping centres and warehouses.

Vacancy rates in private-sector non-residential buildings are currently rising and effective rents are generally ebbing, as the provincial economy slowly begins to recover from the latest recession. The outlook is for non-residential

Investment in Non-Residential Building Construction By Structure Type, British Columbia Quarterly, Seasonally Adjusted



Source: Statistics Canada.

construction investment to decline 20% this year, led by lower costs and quantities. Commercial and industrial construction will decline, while government building increases on the strength of fiscal stimulus spending.

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