



This week's releases of key indicators of B.C.'s economy were positive. Retail sales and lumber manufacturing continue to trend upward from recent lows.

Retail sales in B.C. increased in September, continuing the upward trend that began in January, according to the latest estimates from Statistics Canada. Sales grew by a robust 1.8% month-over-month, seasonally adjusted, well above the long-term average growth rate of 0.5% per month. Consumer spending is in the early stages of what is likely to be a long, slow rebound from the sharp recessionary declines at the end of 2008.

In the third quarter of 2009, retail sales in B.C. totalled \$13.3 billion, seasonally adjusted, up \$209 million (1.6%) from the second quarter. Quarter-over-quarter growth was led by beer/wine/liquor stores, new car dealers, gasoline stations and furniture stores. Gains by these types of retailers were partly offset by notably lower sales at general merchandise, miscellaneous retail, clothing, home furnishing, and specialized building material/garden stores.

In the first nine months of 2009, retail sales in B.C. totalled \$39.1 billion, down \$3.4 billion (7.9%) from the same

period a year earlier. The year-to-September, year-over-year decline was led by gasoline stations, new car dealers, home centers/hardware stores, furniture/home furnishing stores and pharmacy/personal care stores. Almost all other major classes of retailers also saw significantly lower sales compared to last year. Year-to-September, year-over-year sales only increased among beer/wine/liquor stores, supermarkets, general merchandise stores and specialized building material/garden stores.

Central 1 Credit Union forecasts consumer spending in B.C. will increase over the next several years, but at a below-average rate of growth. High and rising household and government debt levels, lower employment and lower household net worth will dampen consumer spending growth for at least a couple of years. Retail sales are forecast to rise 3% in 2010 and 5.4% in 2011, following an expected -5.4% year-over-year decline in 2009.

B.C.'s **lumber manufacturing** industry depends on housing markets in the United States. Recent statistics indicate the U.S. housing market is beginning to recover. Sales of existing homes increased 10.1% in October, month-over-month, seasonally adjusted, and are now 36%



above the cyclical low set earlier this year. The inventory of existing homes for sale decreased 3.7% in October and is now down 23% from the cyclical high set in late 2008.

The recent rebound in existing housing markets in the U.S. is being driven by much-improved affordability, due to historically low mortgage rates, cyclically low housing prices and a sizable tax credit for first-time buyers. This bodes well for a continued rebound in new home construction in the U.S., which is trending a little above the record low set in April 2009. Central 1 Credit union forecasts U.S. housing starts will total a record-low 550,000 units in 2009, rising to 800,000 units in 2010 (+40%) and over one million units in 2011.

B.C. accounts for about half of Canada's softwood lumber production. Statistics Canada's latest estimate of **sawn lumber production** in B.C. shows a slight increase in September, the fifth monthly gain in the past seven months. Production totalled 1.94 million dry cubic metres in September, seasonally adjusted, up 1.7% from August. The Central Interior region led the way, while output also increased materially in the Northern Interior and Southern Interior regions. Meanwhile, output declined in the Coastal region.

*David Hobden, Economist
dhobden@central1.com
604 737 5063*