

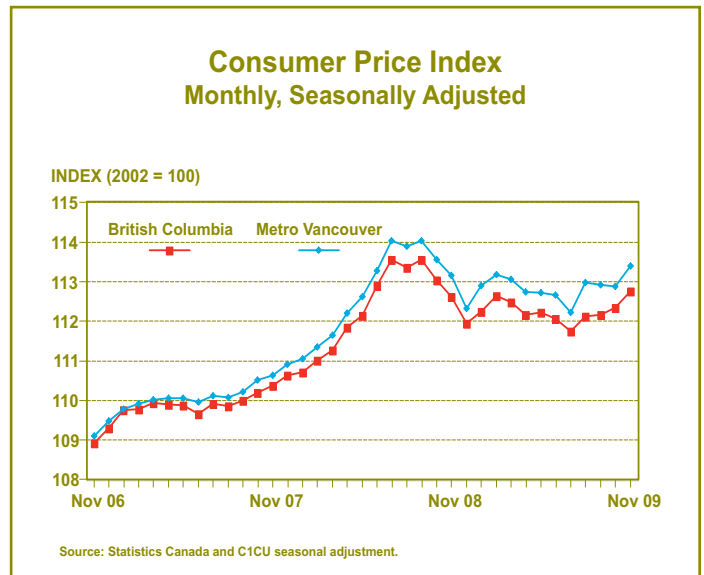


This week's indicators of B.C. economic activity are mostly positive. Manufacturing sales and new motor vehicle sales continue to rebound slowly from recession-lows, while consumer price inflation is back to normal. Unfortunately, international traveller entries fell to an 11-year low in October.

International traveller entries to B.C. continued to drop in October and are now at their lowest level since late 1998. The latest month-over-month decline was broad based, as fewer visitors arrived from the U.S. and elsewhere.

Total entries in October declined 3.1% month-over-month, seasonally adjusted, according to the latest estimates from Statistics Canada. U.S. visitors fell 3.2%, while visitors from other countries dropped 2.1%. In the 10 months through October, total entries dropped by 309,000 people (7.6%) compared to the same period a year ago. Year-to-October visitors from the U.S. were down 130,000 (4.7%) year-over-year, while visitors from other countries have dropped 179,000 (13.5%).

International tourism will likely continue to struggle for some time yet, although the 2010 Winter Olympics will provide a massive temporary boost in the first half of next year in the Greater Vancouver and Squamish-Lillooet regions. The global economic recovery will lift business



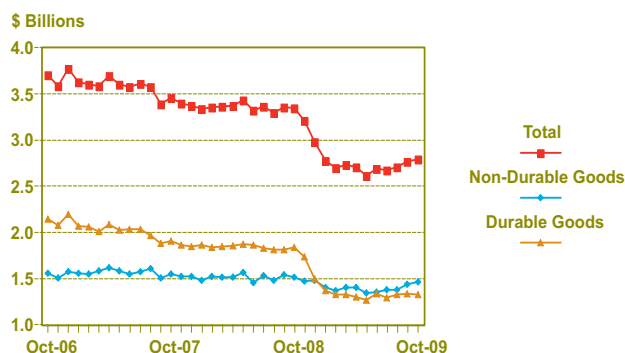
travel in the coming years, but discretionary travel spending is likely to remain weak for some time due to high and rising household and government debt.

Consumer prices in B.C. increased from October to November and are above the level of a year ago for the first time in six months. The year-over-year increase was led by seafood, non-alcoholic beverages, property taxes, electricity, gasoline, local public transportation, education, reading materials, alcohol and tobacco. Price increases in these consumer products were partly offset by price declines in fresh vegetables, mortgage interest, natural gas/fuel oil, women's clothing, footwear and inter-city public transportation.

November's all-items Consumer Price Index (CPI) for B.C., seasonally adjusted, increased 37 basis points from October (a basis point is one one-hundredth of one percent). The latest month-over-month increase was led by seafood, fruit/nuts, vegetables, non-alcoholic beverages, fuel oil, gasoline and personal care products. Higher prices in November for these consumer products were partly offset by lower prices for meat, bakery products, women's/children's clothing, inter-city public transportation and recreation products.



Manufacturing Shipments British Columbia, Monthly, Seasonally Adjusted



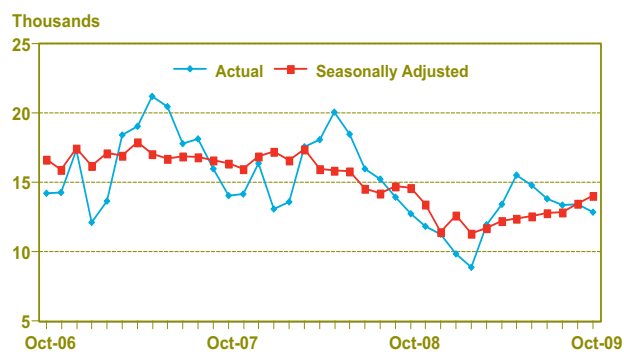
Neither inflation nor deflation is of particular concern over the near-term. The latest recession has left considerable unused production capacity while monetary policy can readily become less expansive if price inflation accelerates unexpectedly. Central 1 Credit Union forecasts that B.C.'s CPI inflation rate will average nearly zero this year, compared with 2.1% last year. That will be the lowest rate of CPI inflation in at least 30 years. Consumer price inflation is forecast to average 1.7% in B.C. in 2010.

Manufacturing sales in B.C. are slowly coming back from their hard-hit recession-low six months ago, according to the latest estimates from Statistics Canada. Sales climbed \$21 million (0.8%) from September to October, seasonally adjusted, the fifth month-over-month gain in the past six months. However, October's sales were down \$590 million (17%) from October 2008. These changes have been largely driven by durable goods manufacturing, which covers most of B.C.'s commodity exports.

The outlook for manufacturing in B.C. is for a modest rebound over the next several years. Central 1 Credit Union forecasts this sector's gross domestic product (GDP) will inch up 1.3% in 2010, not including price changes, following an estimated 13.9% contraction in 2009. Growth is forecast at 5.6% in 2011 and 7.6% in 2012.

New motor vehicle sales in B.C. and the territories continue to rebound from recession

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



lows, according to the latest estimates from Statistics Canada. Unit sales increased 4.5% from September to October, seasonally adjusted, the eight straight month-over-month rise. Even so, volume remains down from the peak in March 2008. Year-to-October sales are down 31,000 units (19.5%) year-over-year.

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

Seasons Greetings

