

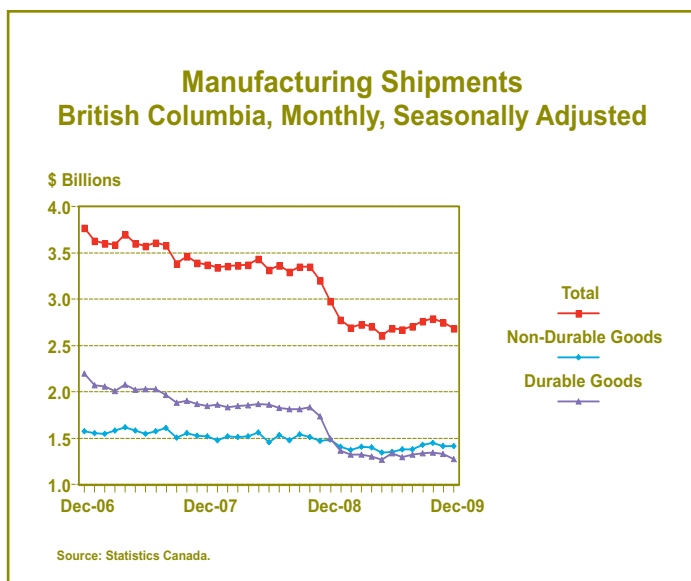
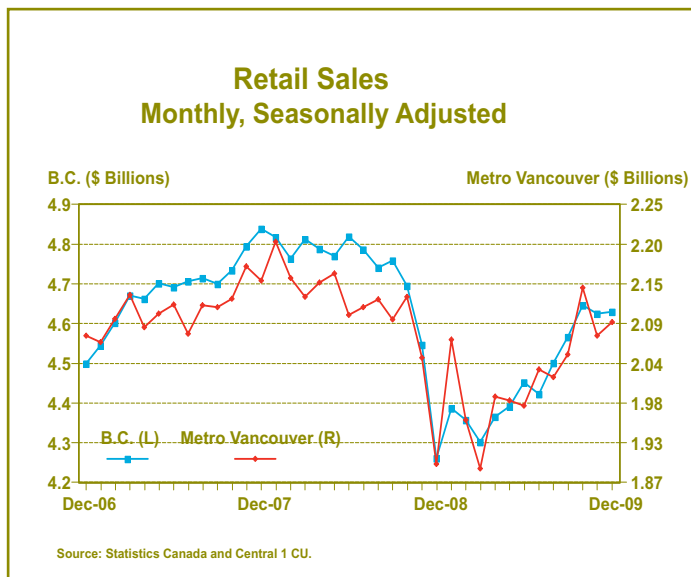
This week's indicators of B.C. economic activity are mostly positive. Retail sales and international visitors increased in December, while manufacturing sales declined. Consumer price inflation increased in January.

Retail sales in B.C. were up in December, continuing the upward trend that began in January 2009, according to the latest estimates from Statistics Canada. Sales grew by a slight 0.1% month-over-month, seasonally adjusted. Consumer spending is rebounding from the sharp recessionary declines at the end of 2008, but has yet to fully recover previous highs. Sales totalled \$53.7 billion in B.C. in 2009, down \$2.9 billion (5.1%) from 2008. Central 1 Credit Union forecasts retail sales will rise 4.3% this year and 5% in 2011.

Overall consumer spending in B.C. is forecast to 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 investment returns will dampen consumer spending growth for at least a couple of years. Consumer spending did not increase in 2009, which was a rare occurrence for B.C. and marked the worst performance since the 1982 contraction.

Manufacturing sales in B.C. are bouncing along the trough created by the latest recession. According to the latest estimates from Statistics Canada, sales fell \$63 million (2.3%) in December from November, seasonally adjusted. The decline was mostly among durable goods, which dropped 4.3%, while non-durable goods inched down 0.4%.

Wood products are by far the largest component of durable goods manufacturing in B.C., although mineral products are also a substantial component. Food and paper products are the dominant components of B.C.'s non-durable goods manufacturing. In 2009, B.C.'s manufacturers sold \$32.7 billion worth of goods, down \$7.1 billion (17.8%) from 2008. The decline was led by durable goods, which fell \$5.8 billion (26.7%), while non-durable goods slipped by \$1.3 billion (7.1%).



B.C.'s manufacturing industries are weighed down by the high dollar and various structural issues. Nonetheless, a cyclical upturn linked to the U.S. and global economic recovery will play out and lift their exports. Central 1 Credit Union forecasts this sector's gross domestic product (GDP) will edge up 1.3% this year, not including price changes, following an estimated 15.9% contraction in 2009. Growth is forecast at 4.5% in 2011 and 4% in 2012.



International non-resident traveller entries to B.C. edged up in December, marking the fourth straight month-over-month rise. Gains were due to more visitors from the U.S., as international visitors from elsewhere declined. The recent upward trend stands in contrast to the prevailing downward trend that began in early 2003.

Total entries in December increased by 3,573 persons (1.0%), month-over-month, seasonally adjusted, according to the latest estimates from Statistics Canada. U.S. visitors rose by 5,743 persons (2.3%), while visitors from other countries decreased by 2,170 persons (2.1%). International, non-resident traveller entries to B.C. totalled 4,179,100 persons in 2009, down 340,771 (7.5%) from 2008. U.S. visitors totalled 2,901,670 persons in 2009, down 142,179 (4.7%) year-over-year. Meanwhile, visitors from other countries totalled 1,277,430 persons, down 198,592 (13.5%) from a year earlier.

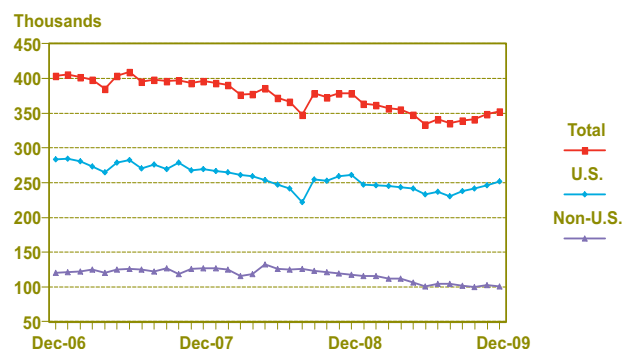
International tourism will likely continue to struggle for some time yet. The 2010 Winter Olympic Games are providing a short-term, irregular boost in the Greater Vancouver and Squamish-Lillooet regions, but this will not be revealed in official statistics for another month or two. The global economic 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, as well as beefed-up border security efforts.

Consumer prices in B.C. increased in January following a slight decline in December, according to the latest estimates from Statistics Canada. The all-items Consumer Price Index (CPI) increased 54 basis points from December, seasonally adjusted (a basis point is one one-hundredth of one percentage point). January's CPI is up 72 basis points, or around 0.75%, from 12 months earlier.

The latest monthly increase was led by higher prices for natural gas, gasoline, non-alcoholic beverages and women's clothing. These increases were partly offset by lower prices for coffee/tea, footwear and recreation. The latest 12-month increase was led by higher prices for gasoline, fuel oil, property taxes, seafood, non-alcoholic beverages, reading materials, cigarettes, personal-care products and men's clothing. These increases were largely offset by lower prices for mortgage debt-service, children's clothing and vegetables.

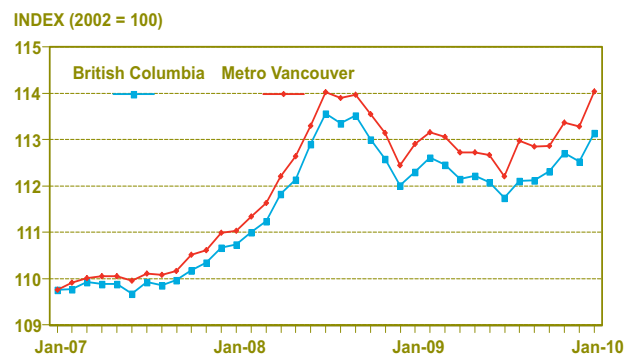
Neither inflation nor deflation is of particular concern over the near-term. The latest recession has left considerable

International Non-Resident Traveler Entries British Columbia, Seasonally Adjusted, Monthly



Source: Statistics Canada.

Consumer Price Index Monthly, Seasonally Adjusted



Source: Statistics Canada and C1CU seasonal adjustment.

unused production capacity, while monetary policy can readily become less expansive if consumer price inflation accelerates unexpectedly. Central 1 Credit Union forecasts that B.C.'s CPI inflation rate will average 1.5% this year, up from no change in 2009 but still below the long-term average.

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