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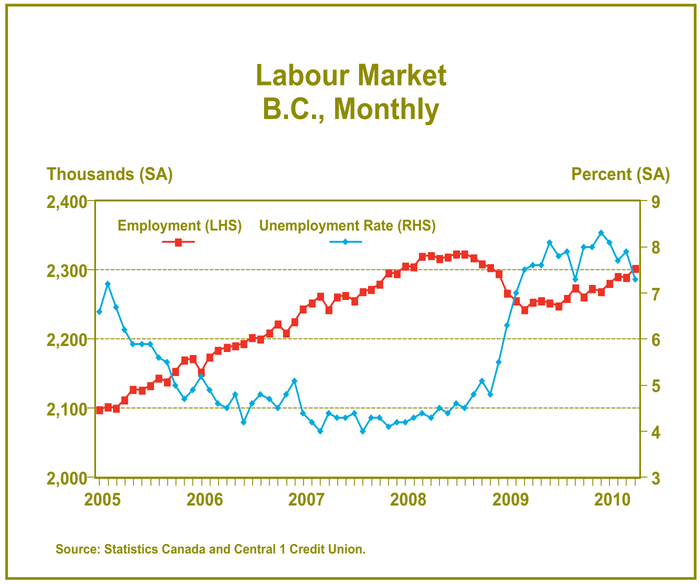
# ECONOMICS
# B.C. Weekly Briefing

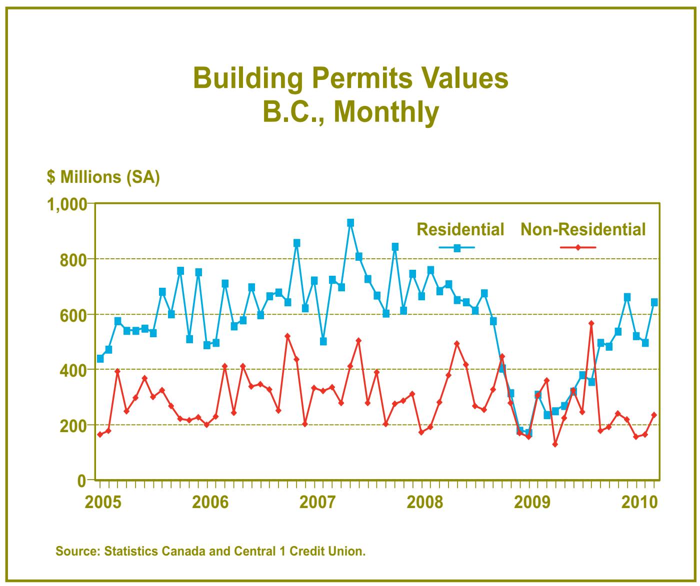
This week's indicators were generally positive. British Columbia's employment picture continued to rebound and building intentions rose. However, sawn lumber production pulled back slightly, reflecting continued challenges facing the forestry industry.

**British Columbia's job market** continued to improve in April, according to the latest Labour Force Survey estimates. B.C.'s economy added an estimated 12,700 jobs in April, pushing total employment above 2.3 million for the first time since November 2008. Job growth has been on an uptrend since July 2009, and has reversed most of the cumulative job losses recorded during the recession. Higher reported employment, combined with a temporary decline in the labour force count, pushed the unemployment rate down by 0.6 percentage points to 7.3%. While the employment picture has improved, continued population and labour force expansion has kept B.C.'s jobless rate elevated compared with pre-recession levels. Central 1 Credit Union expects the unemployment rate to average 7.5% in 2010.

As a whole, goods-related industries recorded a strong positive employment reading in April, with all sub-sectors except construction posting increases. The heavily weighted manufacturing sub-sector added 6,100 jobs, a 3.9% monthly advance. Service-industry details were mixed, with only four of the 11 sub-sectors recording monthly increases. Gains were strongest in transportation and warehousing (6.7%), and business, building and other support services (12.2%). The professional, scientific and technical sector was the largest drag on employment growth, contracting 5.6% in April.

The **value of building permits** issued by local governments in British Columbia rose 33% in March to $881 million, as building intentions advanced in both the residential and non-residential sectors. Residential permit values rose 30% while non-residential values increased 45% from February.




Total permit values have followed an uptrend since the second quarter of 2009, largely reflecting the dramatic rebound in housing demand in the latter half of the year. The recent slowdown in resale housing activity and the impact of the Harmonized Sales Tax on new home purchases could temper new home demand in the short-term.

Among B.C.'s Census Metropolitan Areas (CMAs), Vancouver recorded the highest monthly increase with a 49% rise in permit values from February, reaching $492 million. Abbotsford CMA rose 40% to $14.2 million. Kelowna and Victoria reached $57.8 million and $66 million worth of permits, respectively, reflecting increases of 6.5% and 22%.

**Sawn lumber production** in British Columbia edged back slightly in February, ending a string of consecutive monthly increases dating back to August 2009. Seasonally adjusted production fell at a monthly rate of 1.8% to 2.2 million dry cubic metres. Unadjusted production was up 33% from February 2009. Despite February's pullback, the recent upward trend is expected to remain intact.

The recent uptrend should not be mistaken for a significant recovery in the lumber industry. Total production is only now back to levels recorded during the third and fourth quarter of 2008, which at the time were expected to be near-cycle lows. Near-term lumber production is expected to rise gradually, but remains low by historical comparison, as the U.S. housing market experiences a prolonged recovery.

B.C.'s lumber production tracks closely with trends in the U.S. new home market, reflecting the high proportion of lumber exports that are shipped south. The collapse in the demand for new homes in the U.S. subsequently impacted lumber production in B.C. The **U.S. housing recovery** is expected to be protracted, as the market continues to deal with high inventories, the expiration of the federal home-buyer's tax credit, and a weak job market. On the flip-side, stabilization in home prices, population growth, and a recovering economy are expected to gradually drive up new home construction.

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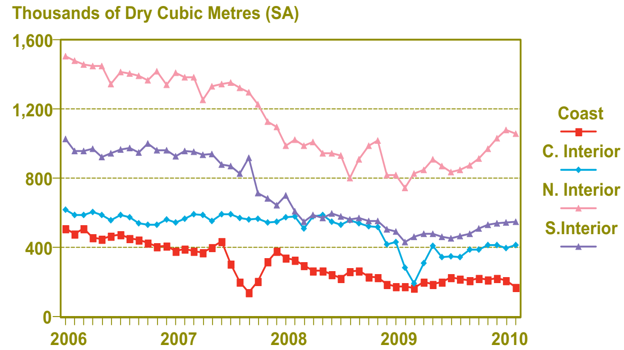
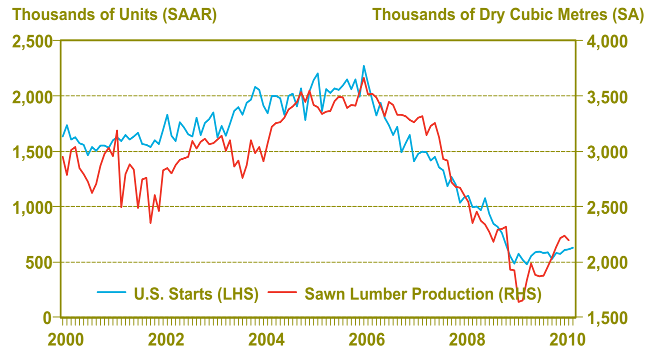
**Sawn Lumber Production B.C., Monthly**




Source: Statistics Canada and Central 1 Credit Union.

**U.S. Housing Starts and Sawn Lumber Production, Monthly**




Source: Federal Reserve Bank, Statistics Canada and Central 1 Credit Union.

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