

Economic indicators related to goods-related industries were generally mixed this week. Improving global demand for B.C. goods has furthered the recovery in B.C. export-related industries and manufacturing sales activity. However, new motor vehicle sales fell for the fifth consecutive month in March, suggesting that consumers are hesitant to make major purchases despite the end of the recession and ongoing recovery phase.

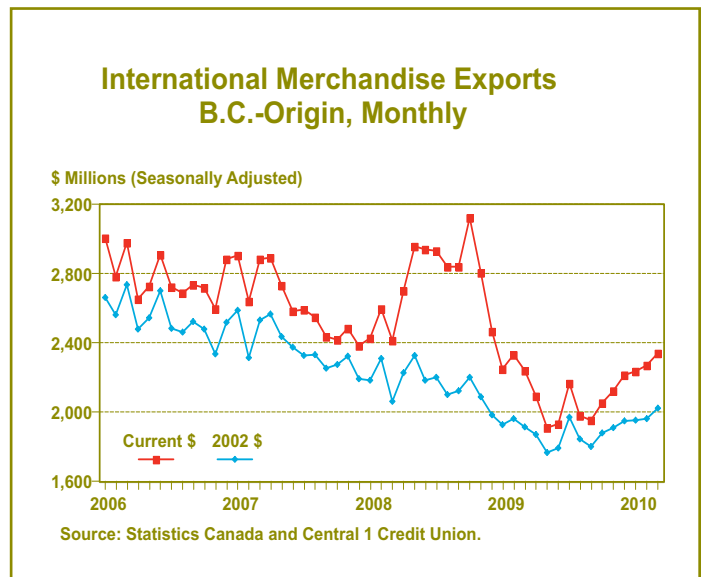
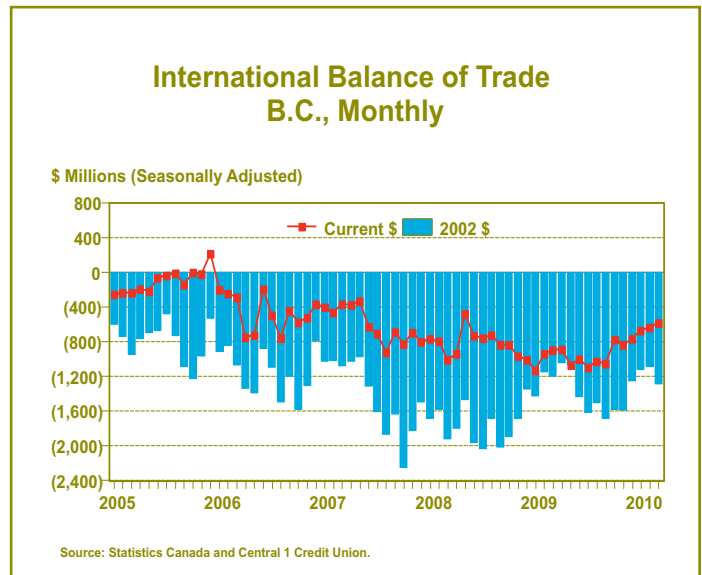
B.C. International Trade

This week's international merchandise trade statistics showed continued improvement in global demand for B.C. goods after a dismal 2009. International exports of B.C. origin goods strengthened in March for the sixth consecutive month. Current dollar export volumes reached \$2.3 billion, for a monthly increase of 3% and the highest level since December 2008. Gains were recorded in all product groups except energy, which fell 0.7%. Advances were particularly strong in the industrial goods and materials (6.8%) and machinery and equipment (9.5%) sectors.

In contrast to previous months when rising export prices contributed to higher monthly dollar volumes, particularly for energy-related products, gains in March resulted from growth in the physical quantity of products exported. Constant dollar or inflation-adjusted export volumes grew at a monthly rate of 3.2%, slightly outpacing current dollar growth.

While recent export activity is significantly improved from last year, current and constant dollar export volumes remain well below pre-recession levels. Central 1 Credit Union forecasts that 2010 current dollar export activity will rise a modest 4.7% from 2009, but remain 15% below 2008 levels.

Aggregate B.C. destined import volume has also been low in recent months, with no clear upward or downward trend in either current or constant dollar volumes. Automotive product imports have declined in recent months, while industrial goods and materials imports have risen. There



are, however, signs that B.C. businesses are taking advantage of the higher Canadian dollar and lower prices to make capital investments. Machinery and equipment imports have risen in constant dollar terms. The Canadian import price index for machinery and equipment has declined 17% over the past year.



The net impact of the recent uptrend in exports has been the narrowing of B.C.'s international merchandise trade deficit.

Manufacturing Sales

The recent improvement in global demand for British Columbia goods has benefited the B.C. manufacturing industry. **Manufacturing sales volumes**, adjusted for seasonal factors, rose by 3.8% in March, extending a gradual uptrend that began in May 2009. Sales of non-durable goods were particularly strong during the month, rising 5.3%, and are back to pre-recession levels. Despite a modest 2.3% gain in shipments, the durable goods sector is still mired in a deep slump, reflecting slowly recovering markets, a higher Canadian currency, and low consumer demand in the U.S. In March, durable goods shipments were only 70% of pre-recession levels.

New motor vehicle sales in the British Columbia and Territories (B.C. &T) region, adjusted for seasonal factors, fell 0.9% to 12,784 vehicles in March. Total vehicle sales have slumped for five consecutive months, after rising through most of 2009 primarily on the strength of new truck sales and bigger incentives for buyers. New vehicle sales have retreated to mid-2009 levels. Looking back over 15 years, recent sales are comparable to levels observed in the late 1990s; however, the population has increased more than 12% during that time, reflecting the severity of the pullback in consumer demand in this most recent recession.

The current downward trend in vehicle sales suggests that consumers are hesitant to make major purchases despite the ongoing recovery phase. Central 1 Credit Union forecasts that consumption of durable goods, which include new vehicles, will be 8% higher this year compared to 2009. Higher consumer demand will be driven by population growth, an improved economy, and pent-up demand built up during the recession

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