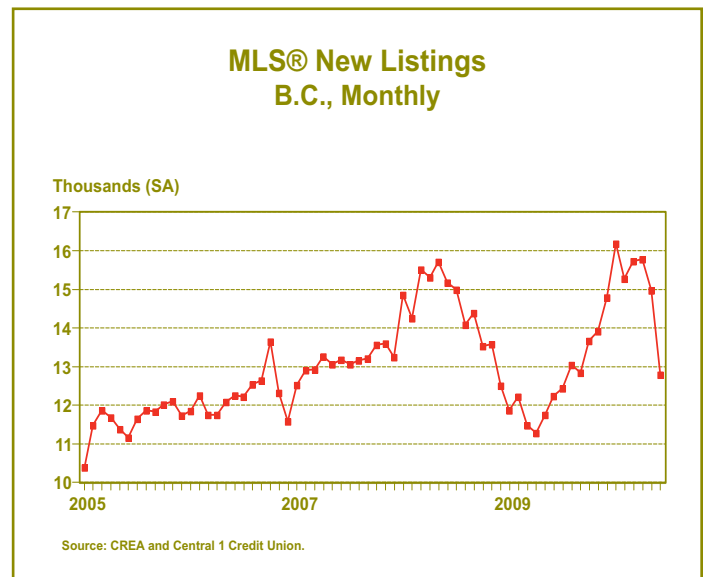
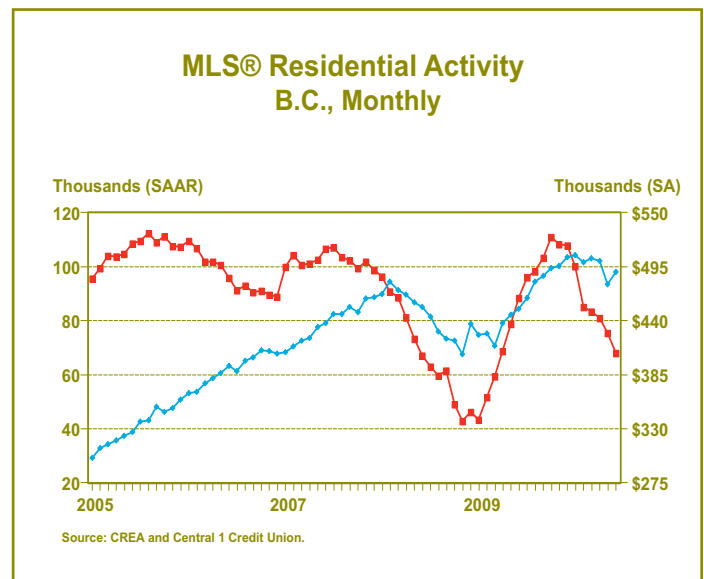


Residential Home Sales Activity Continues to Drop in June

In line with Central 1 Credit Union projections over the last quarter, the downtrend in housing activity that commenced near the end of 2009 has persisted into the summer months. MLS® residential sales fell for the eighth consecutive month in June, declining 9.8% on a seasonally adjusted basis as the majority of real estate board areas across the province reported significantly lower sales activity. Since the beginning of 2010, annualized monthly provincial sales have dropped 32% to 68,150 units. While the pull-back in demand has been steep, it has not been entirely surprising given tighter mortgage insurance rules, the rebound in home prices in 2009, and continuing uncertainty in the economic recovery.

As forecast, the flow of new listings to market has slowed as sellers react to higher inventory levels and downside pressure on price levels. Provincial new listings, adjusted for seasonal factors, fell 14.6% in June, driven primarily by a sharp decline in the Lower Mainland markets. Fewer new listings have also slowed the ascent in available resale inventory. Nonetheless, the combination of an elevated inventory level and lower sales has kept markets firmly in favour of buyers. While the seasonally adjusted provincial average MLS® price rose 2.6% in June, recent trends for most markets in B.C. have been flat to declining in recent quarters. Further downside pressure is expected given market conditions.

Central 1 Credit Union expects the lower sales trend to continue over the next quarter reflecting tighter mortgage insurance rules and signs that economic growth trajectory is slowing. These factors will negatively impact purchase behaviour of consumers and hold back home buying activity.



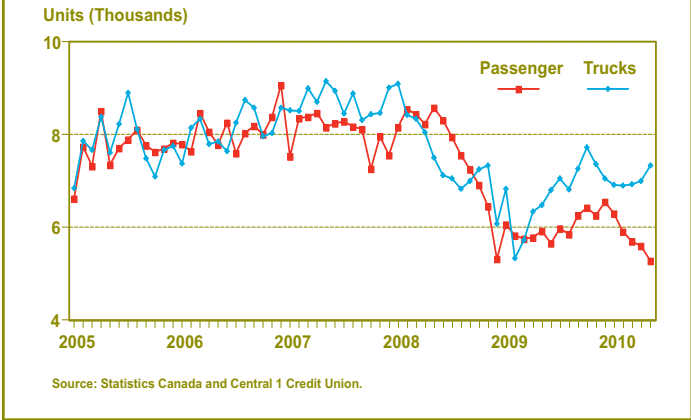
New Vehicle Sales Edge Up in May

Seasonally adjusted new motor vehicle sales in the British Columbia and the Territories (B.C. &T) region edged up for the first time since October 2009,





New Motor Vehicle Sales B.C. and Territories, Monthly



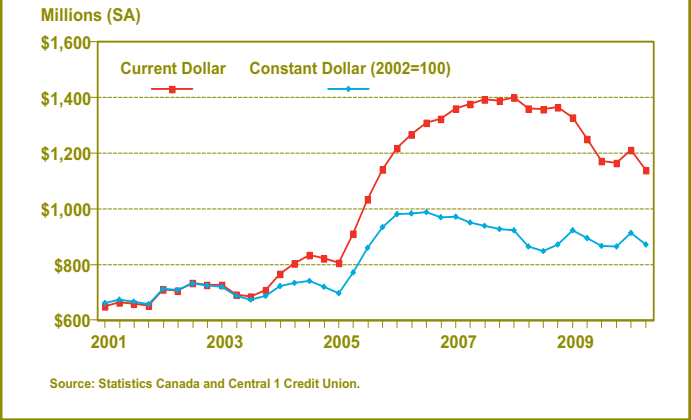
increasing 1% to 12,825 vehicles. Sales in the trucks category, which include a wide range of vehicles such as minivans, buses, SUVs, light and heavy trucks, led the increase and offset a sharp decline in the sale of passenger cars. The relative strength in truck sales during the economic recovery phase may reflect a shift of consumer activity to larger passenger vehicles, as well as a growing number of products in the market that are a cross between SUVs and passenger cars. Despite the monthly increase, overall vehicle sales remain weak by historical comparison.

While new auto sales are a small component of overall provincial economic activity, they represent a significant component of durable goods consumption. As a result, sales provide an indication of consumer demand, particularly when juxtaposed with other variables such as housing sales. While vehicle sales activity remains above recession troughs of early 2009, it is only operating at levels comparable to the late 1990s, despite increased population. Weak auto sales, when combined with recent downtrends in resale and new home activity suggest that consumers are reluctant to make large scale purchases despite low interest rates.

Non-Residential Construction Declines in Q2

Investment in non-residential building construction in British Columbia fell 6.1% to \$1.1 billion during the second quarter of 2010. Private investment in commercial buildings, which makes up more than half of non-residential construction, led the decline with

Non-Residential Building Construction B.C., Quarterly



an 8.3% drop from the previous quarter. Industrial construction remained flat after recording double-digit percent declines in the previous two quarters. On a year-over-year basis, current dollar investments in commercial and industrial buildings were down 22% and 28%. The ongoing downtrend in private investment likely reflects higher vacancy rates and business uncertainty surrounding the economic recovery.

While private investment continued to decline, institutional and government building construction remained robust. Despite a 3.3% dip in the second quarter, investment has been on an upswing since the beginning of the recession. Year-over-year investment was up 29%, reflecting the impacts of government stimulus spending. In last week's briefing we noted that institutional and government building permit values rose in May which suggests construction activity in this sector will remain stronger moving forward.

International Exports Post Healthy Increase

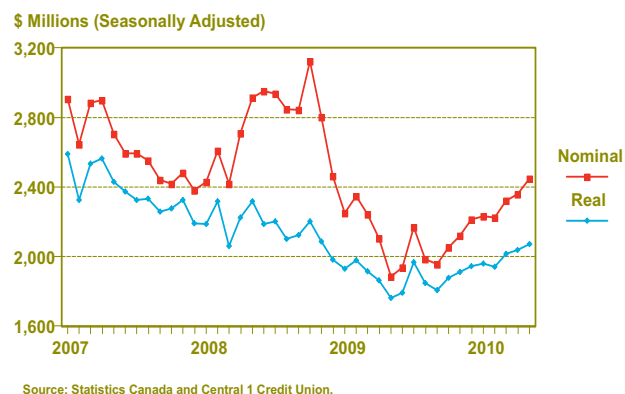
International merchandise exports from British Columbia, adjusted for seasonal factors, rose by a healthy 3.8% in May to \$2.45 billion, as the ongoing recovery in the global economy continued to pull up demand for B.C. products and associated price levels. May export volumes reached the highest level since November 2008 in both current and inflation-adjusted dollars and have been on an uptrend over the previous 12-month period.

Gains in current-dollar or nominal export volumes in May were the result of a higher quantity of industrial goods and materials shipped, and increased price levels in all major industry product groups. Inflation-adjusted increases in the industrial goods and materials sector, which approximates quantity changes, increased 15%. Meanwhile, the heavily-weighted forestry products sector was a major driver of nominal export volume growth as the associated price level rose 6.3% from April. However, real exports of forest products fell slightly, and have been declining in recent months.

While recent export activity is significantly improved from last year and remains on an upward trend as the economy gradually improves, a number of headwinds could constrain growth moving forward. The global economic recovery may be losing momentum, with leading economic indicators pointing to growth slowdowns in the U.S. and China markets. Meanwhile, the elevated Canadian dollar will continue to restrain export growth. Central 1 Credit Union forecasts that 2010 current dollar export activity will rise a modest 4.7% from 2009, but remain 15% shy of 2008.

Bryan Yu, Economist
byu@central1.com
 604 742 5346

International Merchandise Exports B.C.-Origin, Monthly



Forest Products Exports B.C., Monthly

