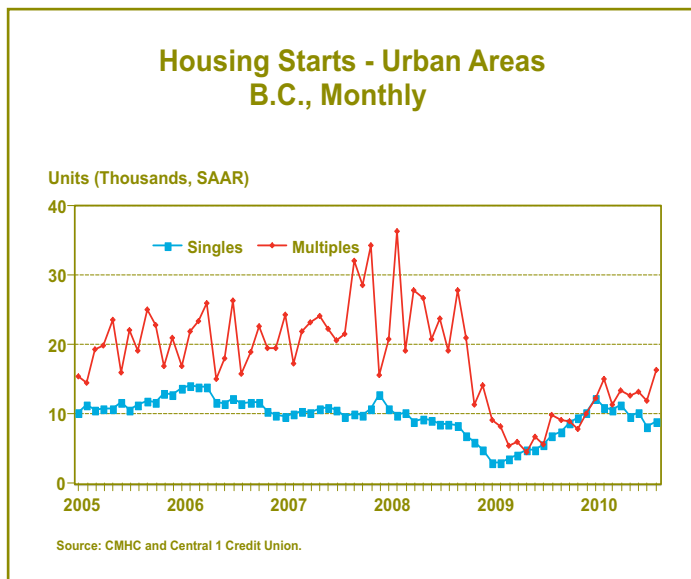


Employment Indicators Virtually Unchanged from July

According to Statistics Canada's latest Labour Force Survey, the number of individuals employed in August was virtually unchanged from July. Headline employment rose by 0.2% to reach 2.31 million individuals, but the gain of 5,400 jobs was too small to be statistically significant. Nonetheless, the underlying post-recession uptrend in employment is intact and total employment remains just shy of pre-recession levels. In a reversal of previous month's activity, full-time employment jumped 1.3% to 1.8 million employed, while part-time employment fell 3.4%.

The unemployment rate edged down slightly to 7.3% from 7.5% in July reflecting the employment increase and lower labour force estimate. While the unemployment rate remains elevated, it is gradually edging lower. Central 1 Credit Union forecasts a moderate decline in the unemployment rate through 2011, averaging 7.5% in 2010 and 7.2% in 2011.

Employment changes within the majority of B.C. industries were statistically insignificant in August. Significant gainers included healthcare/social assistance which rose 6.3% and educational services



(3.9%). Public sector employment during the month rose 1.5%, while private sector employment dipped 0.8%. Self-employment increased 2.4%.

Employment growth in the Vancouver CMA drove provincial gains in August. Employment in the region rose by a statistically significant 0.9% during the month, representing 10,900 individuals. The region, which experienced more muted job losses relative to the rest of the province during the recession, has recorded 5 consecutive months of employment gains.

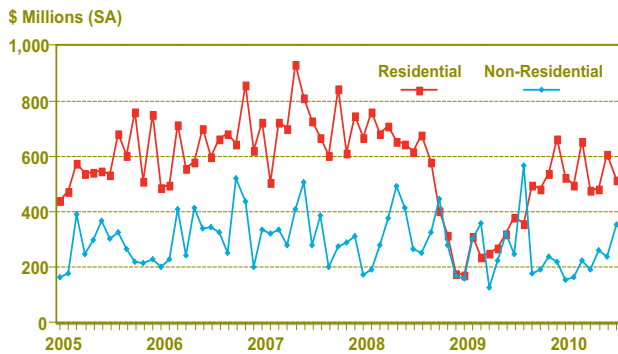
Housing Starts Rebound in August

Seasonally adjusted housing starts in British Columbia rose 23% in August to an annualized pace of 28,100 units following a 15% decline in July. Gains in the volatile urban multiple-family market led the rise, jumping 38%. Single-detached starts rose 10%.

The seemingly strong increase in the single-detached market likely reflects a base period effect. July starts were lower than expected, and may have resulted from starts being pulled forward to pre-date the HST. The August gain is merely a reversion to trend. Central 1 Credit Union expects the underlying downtrend in housing starts to persist through the

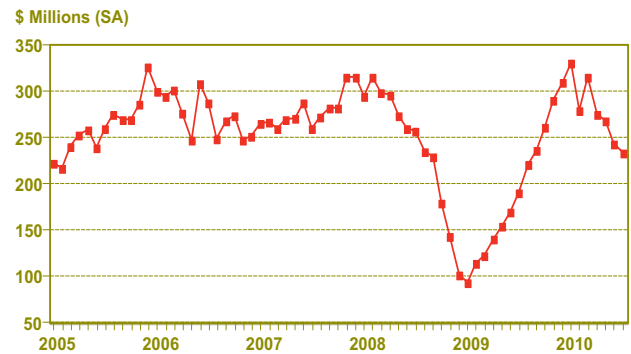


Building Permits Values B.C., Monthly



Source: Statistics Canada and Central 1 Credit Union.

Residential Single-Detached Building Permits Values B.C., Monthly



Source: Statistics Canada and Central 1 Credit Union.

remainder of the year. This reflects the elevated levels of resale and standing new home inventory, the HST on higher-priced new homes, tighter mortgage insurance rules, and uncertainty regarding the pace of economic recovery. Headline starts figures will remain volatile reflecting activity in the multiple-family sector. Construction timelines of these projects are planned and pre-sold years in advance and are less dependent on current market conditions.

Non-Residential Activity Fuels July Permit Growth

The value of building permits issued by local governments in British Columbia rose 2.3% on a seasonally adjusted basis to \$869 million in July as a sharp increase in non-residential permits more than offset a decline in the residential market. Non-residential permits increased 47% from June and residential permits fell back 15%, following a 25% gain in June. While monthly permit volumes are volatile, monthly activity has fluctuated around \$750 - \$800 million in recent quarters with a slight downtrend.

July's increase in non-residential building permits was fuelled by a surprising surge in the value of commercial building intentions which jumped 60% from June to \$215 million. However, commercial activity is highly volatile and monthly figures can be heavily influenced by large-scale projects. July's activity level is not expected to persist in future months given the slow recovery in the economy and higher commercial vacancy rates. Meanwhile, institutional and government building intentions, which provided a boost to non-residential activity during the recession rose 47% following an 8% decline in June. Institutional

building intentions are expected to temper moving forward as governments continue to wind down infrastructure spending related to the recession.

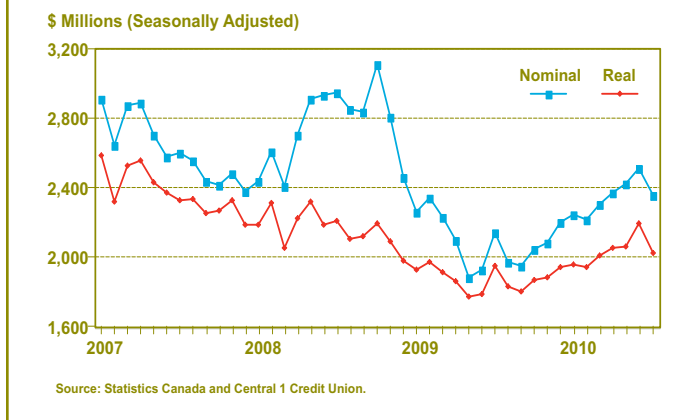
As expected, residential building permits declined in July after surging in June. Large monthly variations are common as issuances of permits for large scale multiple-family dwellings such as apartment condominium structures can cause large movements in monthly volumes. The single-detached housing market, which is a more stable indicator of residential intentions continued to decline in July. Based on data adapted from Statistics Canada, permit volumes for single-detached homes fell 4.3%, the fourth consecutive decline.

Among British Columbia's Census Metropolitan Areas (CMAs), Vancouver permits rose 1.2% from June on a seasonally adjusted basis, while Abbotsford increased 23%. Victoria permit levels were unchanged from June, while Kelowna increased 55%.

International Exports Slump Moving into Third Quarter

The year-long uptrend in international exports originating from British Columbia reversed sharply in July. Based on data adapted from Statistics Canada, current-dollar exports fell to a seasonally adjusted \$2.35 billion in July, down 6.3% from the previous month. Estimated constant-dollar exports fell 7.7%, suggesting that declines were generally due to fewer goods shipped, rather than lower export price levels. Declines were observed in all export product market aggregates, with the exception of agriculture/fishing. The largest decline was in the heavily-

International Merchandise Exports B.C.-Origin, Monthly



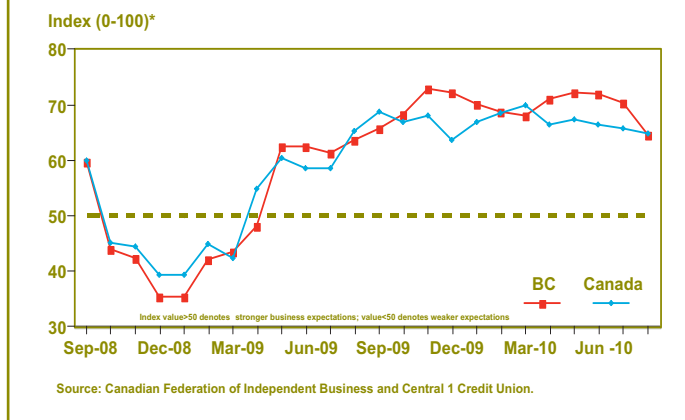
weighted forestry product sector which declined 12% on a current dollar. Exports of industrial and energy products fell by 7.4% and 3.2%.

While one month of data does not make a trend, July's decline suggests that a slowdown in global economic growth is adversely affecting the provincial economy. Housing markets in the U.S. have again weakened following the end of the federal homebuyer tax credit program, which is detrimental for B.C.'s forest product sector. Meanwhile, the early year boost in U.S. inventory restocking has returned to more normal levels, and growth in international markets such as China has also slowed. These factors along with an elevated exchange rate will contribute to a moderation in B.C. export growth in the quarters ahead.

Business Confidence Down for Third Consecutive Month

This week's release of the CFIB Business Barometer® Index suggests that small business optimism in British Columbia dampened for the third consecutive month in August. CFIB's provincial index fell to 64.5 during the month, down 5.8 points from July and was the sharpest decline among all Canadian provinces. Despite waning optimism, which may reflect a growth slowdown in both domestic and global markets, the index results suggests that most small business owners expect a stronger business performance over the next year.

Business Barometer Index Monthly



Small business owners plan to keep employment levels stable over the next 3 to 4 months rather than hire additional workers despite the positive outlook. This likely reflects below normal staff overtime and levels of unfilled orders and is consistent with recent market trends of higher growth in part-time employment vis-à-vis full-time employment. Employers will meet higher demand by increasing staff hours.

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