

B.C. Employment Levels Unchanged in September

British Columbia's employment level in September was essentially unchanged from August according to Statistics Canada's latest Labour Force Survey. An estimated 2.32 million individuals were employed in the province in September, representing a statistically insignificant decline of 300 individuals from August. While the underlying upward trend remains intact, employment growth has shown signs of slowing during the last two months. Population increases and a rise in the labour force participation rate pushed the unemployment rate up to 7.5% from 7.3% in August.

Similar to the headline rate of employment, the majority of industries observed insignificant changes to employment levels in September. However, notable increases included a 5.8% gain in construction, and a 6.7% increase in the transportation and warehousing sectors. Educational services employment dipped by 6.9%.

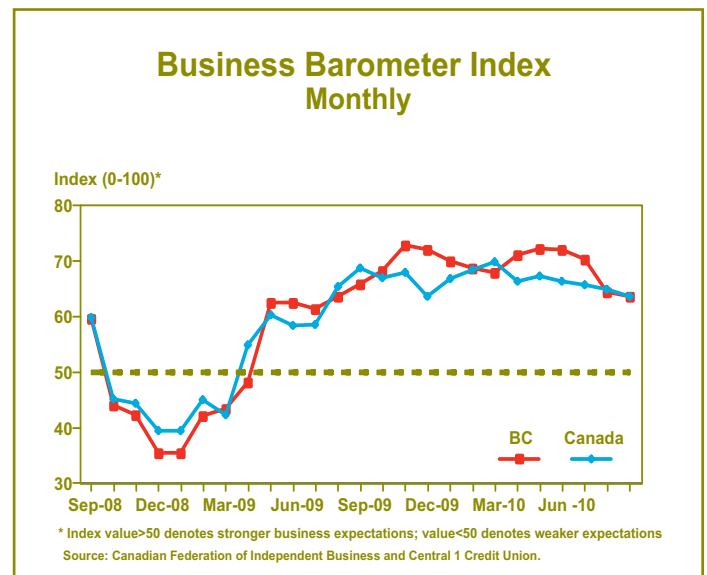
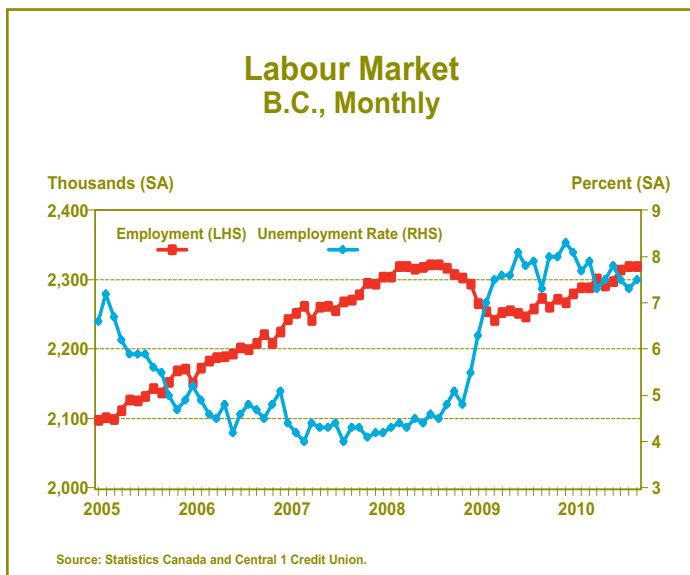
Moving forward, a general upward trend in employment levels is expected to persist. However,

gains will be moderate due to a slower growth profile in the economy. Average employment levels in 2011 are forecast to exceed 2010 by only 1.9%. While job growth will put downward pressure on the unemployment rate, it will remain elevated at 7.2% next year.

Business Confidence in B.C. Edges Lower

According to this week's release of the CFIB Business Barometer® Index, small business confidence edged down for the fourth consecutive month in September to 63.6 (on a scale of 0 to 100), down from 64.5 in August. While this still reflects a higher number of businesses expecting a stronger business performance over the next year relative to those expecting a weaker one, the gap has narrowed in recent months. Nonetheless the downshift in business optimism should not come as a surprise given recent economic data pointing to flat retail spending, continued weakness in regional housing markets and a more challenging national and global economic outlook.

In a potentially discouraging sign for the labour market, there was a marked increase in the

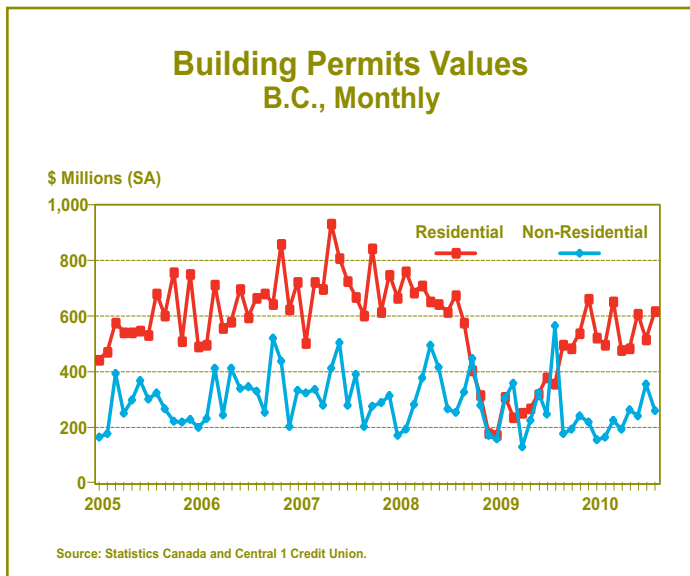


proportion of businesses planning to decrease full-time employment levels. While most businesses planned to maintain employment at current levels over the following 3-4 months, a net 10% of survey respondents in September planned to decrease full-time employment. This contrasts sharply with July survey results which showed that a net 4% of respondents planned to increase full-time employment. While seasonal factors may come into play, this shift in employment plans may suggest slower employment growth due to a slowdown in economic activity.

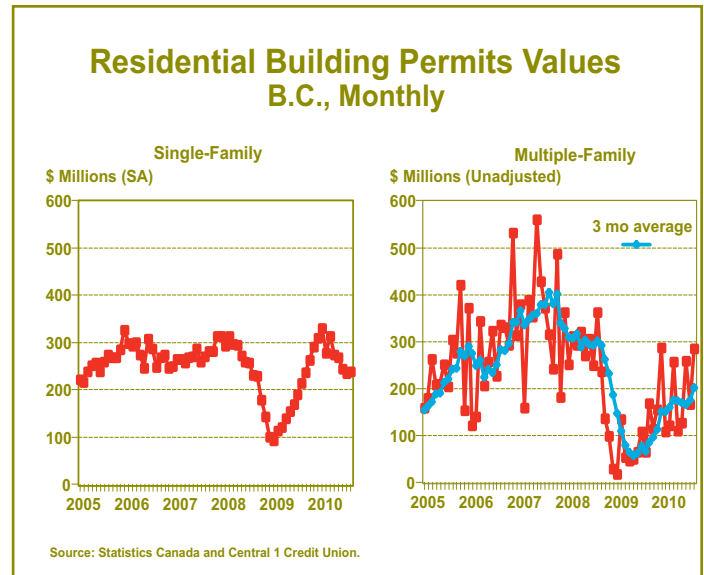
Building Permits Rise in August on Residential Intentions

The value of building permits issued by local governments in British Columbia edged up 1% on a seasonally adjusted basis to \$880 million in August, representing a fourth consecutive monthly increase. Residential permit activity increased 20%, offsetting a drop in the non-residential sector of 27%. Despite the recent string of increases, total permit levels remained within the range observed since the third quarter of 2009 and below pre-recession levels.

Gains in the residential sector were mainly driven by the multiple-family market. Based on data adapted from Statistics Canada, combined permit values for row and apartment units rose 67% from July. While monthly multiple-family data is highly volatile and does not show strong seasonal tendencies, the underlying trend in multiple-family building intentions has been on



the rise over the last year. This bodes well for higher construction activity in this sector in the months and quarters to come, but multiple-family permits trend levels remain well-shy of pre-recession activity. In the single-family sector, permit values edged up slightly after six consecutive monthly declines.



Non-residential permit activity declined across all major sub-components (commercial, industrial, institutional) in August and has been weak in 2010. On a year-to-date basis, non-residential permits are down 20% from 2009 which is the lowest level since 2004. This is not surprising given higher commercial and office vacancy rates and slowdown in the pace of economic recovery.

Among British Columbia's Census Metropolitan Areas (CMAs), seasonally adjusted building permit values Vancouver and Kelowna rose by 10% and 24% from the previous month. Meanwhile, both Abbotsford and Victoria observed declines of 36% from the July.

Lumber Production Rises on Higher Activity in North but Remains Low

Sawn lumber production in British Columbia edged higher in July, rising 3% from June on a seasonally-adjusted basis to 2.27 million dry cubic metres. Based on data adapted from Statistics Canada, production in the northern interior of the province accounted for the month's entire net gain rising 7.8%. Seasonally-

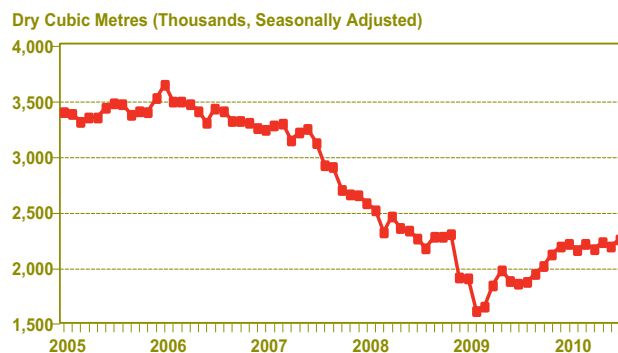
adjusted lumber production in the coastal, southern interior and central interior regions fell marginally from June.

Despite July's increase, the underlying production trend is flat, and has remained relative unchanged since the beginning of the year. Further, and of greater importance to forestry-dependent communities, absolute production levels are low. While year-to-date production is ahead of recession plagued 2009 by 20% through the first 7 months of the year, a review of historical data suggests that excluding 2009, year-to-date production is the lowest since 1982. Monthly production activity in 2010 has trended near 80% of the 15-year average, and is well below levels reached from 2005-2007.

B.C.'s forestry sector is unlikely to see a substantial improvement in near-term production levels. While B.C. increasingly taps Asian markets as export destinations, provincial production still tracks closely with trends in the U.S. new home market. In recent months, the early year uptrend in U.S. new home starts reversed, reflecting the end of the U.S. federal home buyer tax credit and continued malaise in the labour market. Meanwhile, a large number of vacant homes and a weak labour market have constrained new housing demand, and will continue to do so in the near term.

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Sawn Lumber Production B.C., Monthly



Regional Sawn Lumber Production B.C., Monthly

