

International Exports Dip in August

In a sign that a slowdown in global growth, particularly in the U.S., is putting a damper on British Columbia's recovery, international goods exports originating from B.C. dipped for the second straight month in August. Based on data adapted from Statistics Canada, current-dollar exports fell to a seasonally-adjusted \$2.28 billion in August, down 2.5% from the previous month. This followed a steeper 6.7% drop in July.

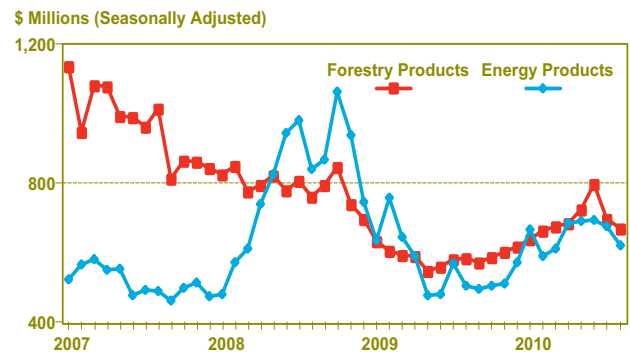
The forestry and energy product industries, which make up more than half of B.C.'s merchandise exports, accounted for the bulk of the monthly decline. Current dollar forestry product exports fell 4.3% in August, while energy product exports declined sharply by 8.1% on a seasonally adjusted basis. The contraction in the U.S. housing market following the end of the federal homebuyers' tax credit and an easing in inventory restocking and hence industrial production may factor into these declines.

Industrial goods and materials exports were the most significant offsetting factor to forestry and energy. The industry, which accounts for just less than 20% of annual exports, rose 7.3% on a seasonally adjusted

basis. However, this followed significant declines observed in the previous two months.

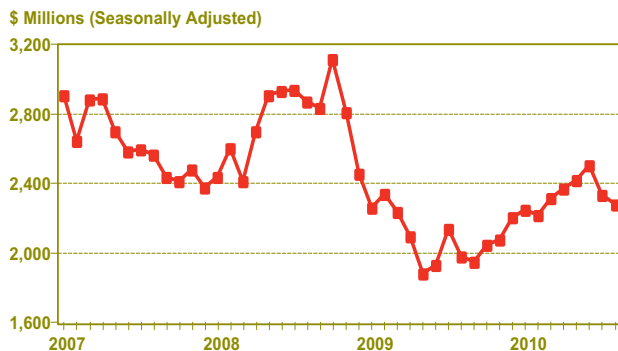
Moving forward, the deceleration in U.S. economic growth and a weakening of the U.S. greenback vis-à-vis other currencies including Canadian dollar will mean a more subdued export recovery for B.C. However, opportunities for increased Asia-Pacific trade may offset some of this weakness.

**International Merchandise Exports
B.C.-Origin, Monthly**



Source: Statistics Canada and Central 1 Credit Union.

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B.C.-Origin, Monthly**



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MLS® Sales Up for Second Straight Month

Based on data released by the B.C. Real Estate Association, home sales in the province rose for the second consecutive month in September. Seasonally-adjusted MLS® sales increased sharply by 5.9% from August to an annualized rate of 64,600 homes as 8 of the provinces 12 real estate boards recorded higher levels of activity. Gains were strongest in the Fraser Valley, Greater Vancouver and South Okanagan board areas. Given the relatively strong sales growth during the last two months, the nine-month downward trend in sales that commenced in November 2009 likely reached a bottom in July.



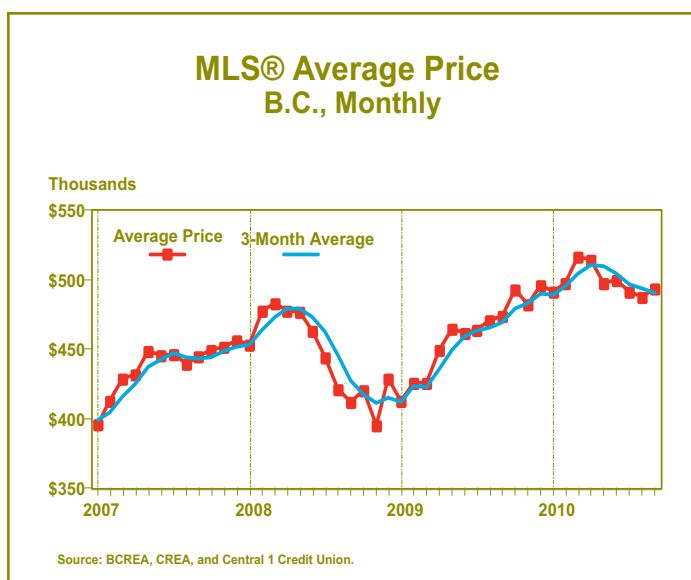
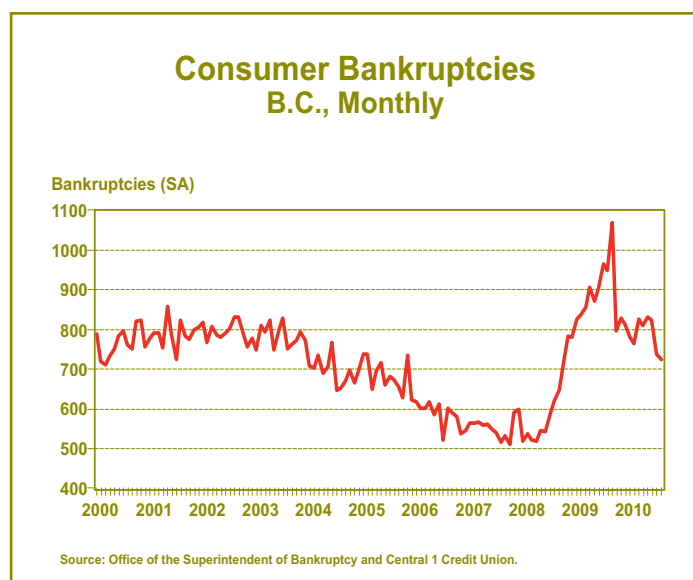
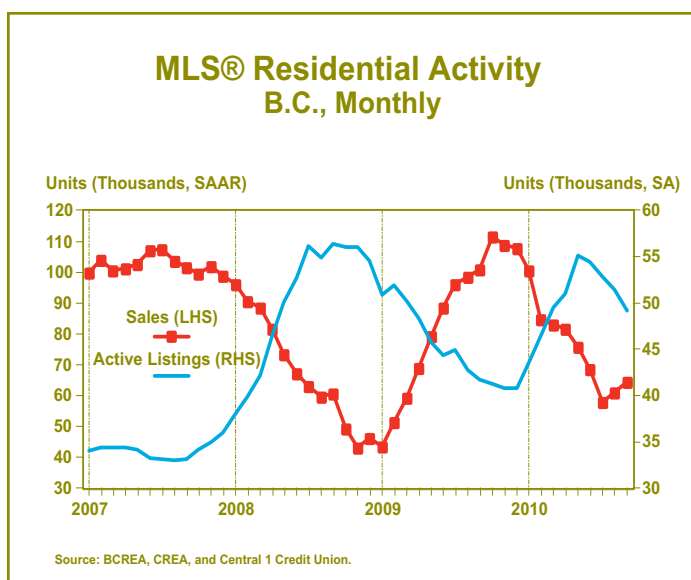
While the uptick in sales is a positive indicator for the housing market and broader economy, it should be emphasized that overall sales levels remain tepid. On a year-over-year basis, September sales were 36% below the same month in 2009, and 22% below the 10-year average of September sales. Nonetheless, Central 1 expects housing sales to gain further traction in the months ahead and trend higher through 2011 and 2012. Rising sales will be primarily driven by low mortgage rates and modest improvements in the economy.

On the supply side, resale inventories, fell 4% in September marking a fourth consecutive monthly decline. Despite the decline, inventory levels

continued to be elevated and sales-to-active listing ratios remained low in most areas of the province and conducive to downward price pressure. Moving forward, inventory levels are expected to decline into 2011, which in combination with rising sales will stabilize price levels.

Consumer Bankruptcies Edge Lower

Based on data adapted from the Office of the Superintendent of Bankruptcy, consumer bankruptcies in British Columbia fell 1.6% on a seasonally-adjusted basis in August, marking a third consecutive decline. Adjusted bankruptcies have declined to the lowest level since October 2008 and dropped to the peak levels reached during 2001-2002. On a per-capita basis, bankruptcies have fallen below previous cycle peaks.



Despite the declines, consumer bankruptcies remain elevated on a historical basis and “proposals” (which reflect negotiations to change the terms of contracts) have climbed since early 2008. This suggests that ongoing labour market challenges and slow pace of economic growth continues to adversely impact consumers. As these variables lag the broader economy, bankruptcies and proposals are expected to trend lower in the quarters ahead.

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