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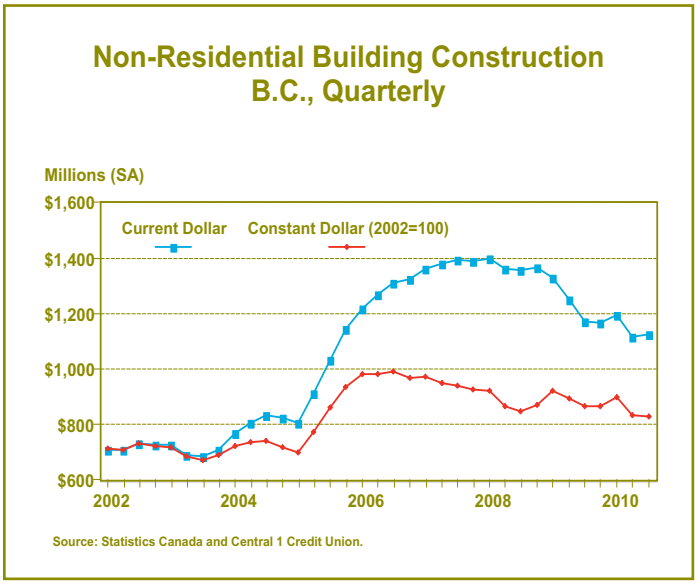
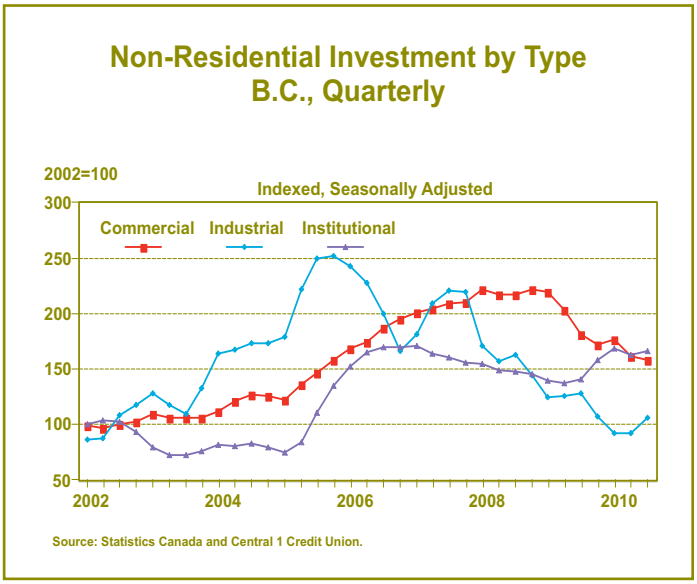
ECONOMICS
B.C. Weekly Briefing

volume 16 . number 42 . October 22, 2010 . ISSN 1918-3535





Non-Residential Construction Investment Rises in Third Quarter

Investment in non-residential building construction in British Columbia edged up to $1.12 billion in the third quarter, up 0.5% from the previous quarter on a seasonally adjusted basis. This followed a steep 6.6% decline in the second quarter. Quarterly gains in industrial and institutional investment offset declines in the commercial sector.

Investment in industrial building construction was the key contributor to growth in the third quarter, jumping 15.7% on a quarterly basis, following three straight declines. Despite this significant uptick, industrial investment remains weak and has been on a downward trend since 2005. Commercial investment also fell during the quarter, by 2%. Higher vacancy rates and lower levels of business confidence owing to the tepid economic recovery are expected to keep private non-residential investment at low levels. As the economy gradually improves, private investment is expected to rise.

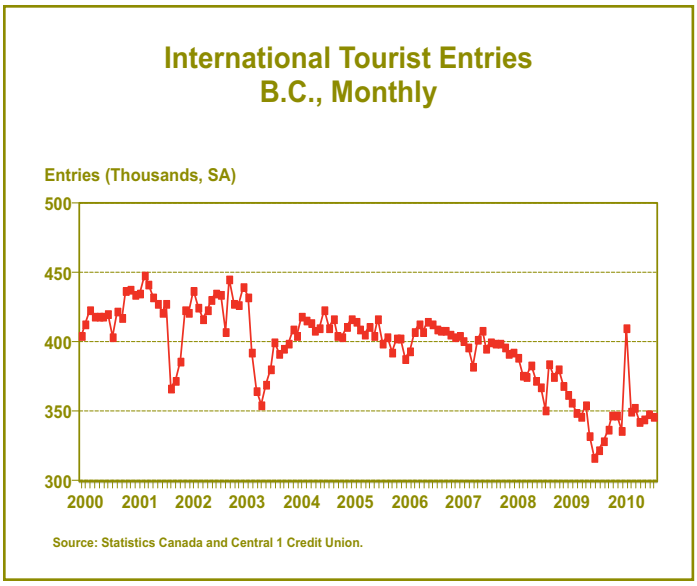
Institutional and government building investment was up 2.3% during the third quarter. In contrast to the private sector, this sector has seen rising investment since mid-2009, reflecting the impact of government stimulus spending. Although governments are winding down stimulus spending, which will result in a pull-back in public-sector investment levels, recent building permit activity suggests such investment will remain elevated over the next quarter.

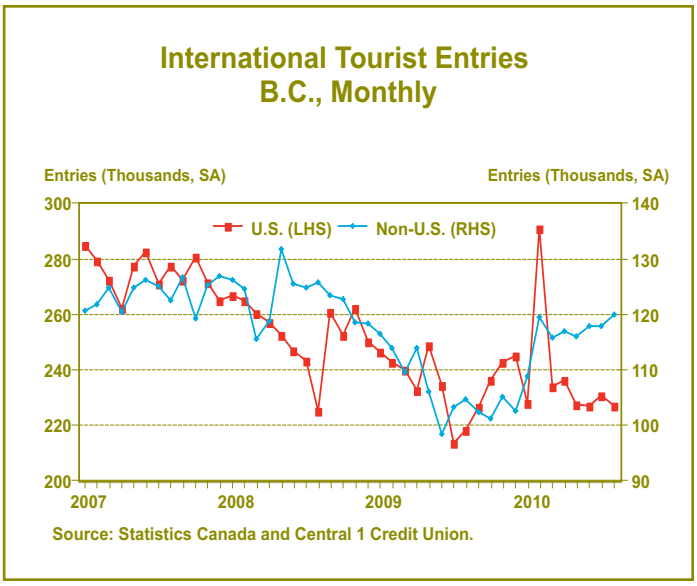
Among B.C.'s census metropolitan areas, Vancouver recorded the largest gain in non-residential investment, rising 6.4% from the previous quarter. In contrast, Abbotsford-Mission and Victoria posted declines of 10.8% and 10.1%, respectively.

Foreign Tourist Entries to B.C. Decline as U.S. Visits Keep Dropping

After two straight monthly increases, international tourist visits to British Columbia edged down to a seasonally adjusted 346,886 visitors in August, representing a 0.5% decline from July. Visits from U.S. tourists dipped 1.6%, which more than offset a 1.8% gain in non-U.S. international visitors.

Despite a semblance of stability in international tourist visits to B.C. in recent months, levels remain





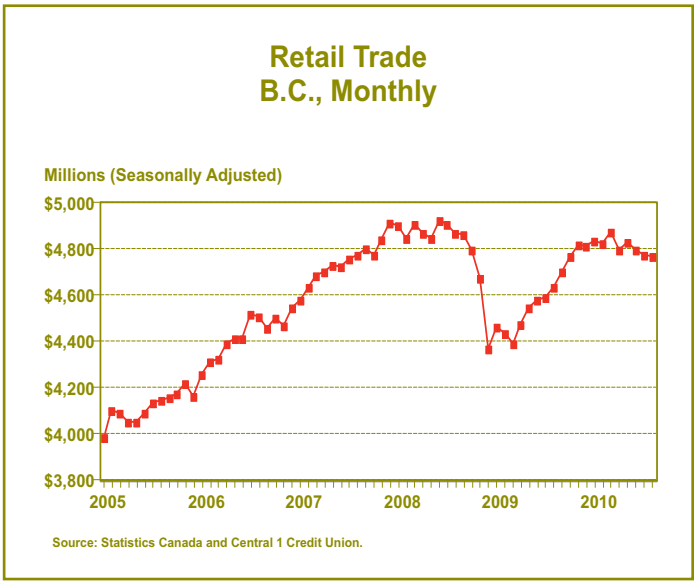
weak on a historical basis, reflecting a continuing downward trend in U.S. visitors. With the exception of an Olympics-related spike earlier this year, tourist entries from the U.S. have declined since 2003.

In contrast, after a significant drop-off in 2008, non-U.S. tourist levels have risen back to near pre-recession levels. Gains in the non-U.S. international market have offset part of the decline in U.S. tourism. Past research has shown that increased visits from Asian markets have accounted for much of the recent gains.

Looking ahead, a rebound in U.S. tourism in Canada will remain constrained by a higher Canadian exchange rate, a weak U.S. labour market and stagnant consumer and business spending. B.C.'s tourist sector will increasingly rely on visitors coming from outside of North America. In particular, the recent Canada/China Approved Destination Status (ADS) agreement and stronger economic growth in the Asia-Pacific economies are expected to generate further tourism growth from Asia and other emerging markets.

Spending on Retail Goods Edges Down in August

In another sign of consumer retrenchment, retail trade in British Columbia edged lower in by 0.1% to $4.77 billion in August. This contrasted with a 0.5% increase in the national figure and marked the third straight monthly decline in B.C., providing further



evidence that consumer spending is on a downward trend.

Declines in retail spending were broad-based among sectors in August, with falling sales of both durable and non-durable goods, according to data adapted from Statistics Canada. While sales of durable goods such as home furnishings, building materials and appliances fell more sharply in July, declines in August were led by clothing and food & beverage retailers.

Year-to-date, retail sales were up 6.5% from the same period in 2009.

B.C.'s Consumer Price Inflation Rises to 1.6% in September

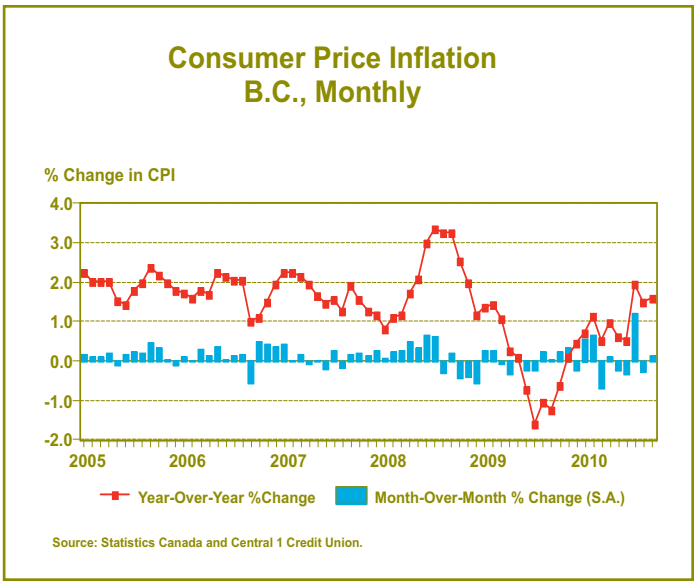
Consumer price inflation in British Columbia reached 1.6% on a year-over-year basis in September, up from a 1.5% reading in August, according to the latest estimates from Statistics Canada. Overall price levels were virtually unchanged from August, however, advancing just 0.15% on a month-over-month, seasonally adjusted basis.

Aside from a one-time upward shift in the consumer price level owing to the new Harmonized Sales Tax (HST), overall inflation pressures have been benign this year. A significant uptrend in inflation is unlikely over the coming year as considerable production capacity remains unused.

Compared with September 2009, the most significant year-over-year price increases were seen in the restaurant food and tobacco product/smoker supplies sub-components of the CPI, which rose by 6.1% and 6.3% respectively as the HST drove up consumption taxes to 12% from 5%. The effects of the HST on comparative annual inflation figures will persist until July 2011. Electricity prices were up 8.8% from a year earlier, but unchanged from August.

In contrast, clothing and footwear saw a significant year-over-year decline, dipping 3.4%, but prices were up from August on an unadjusted basis. A drop of 12.1% in home and mortgage insurance costs over the previous 12 months also held back inflation readings.

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



ISSN 1918-1353