

Housing Starts Rebound Retreat in October

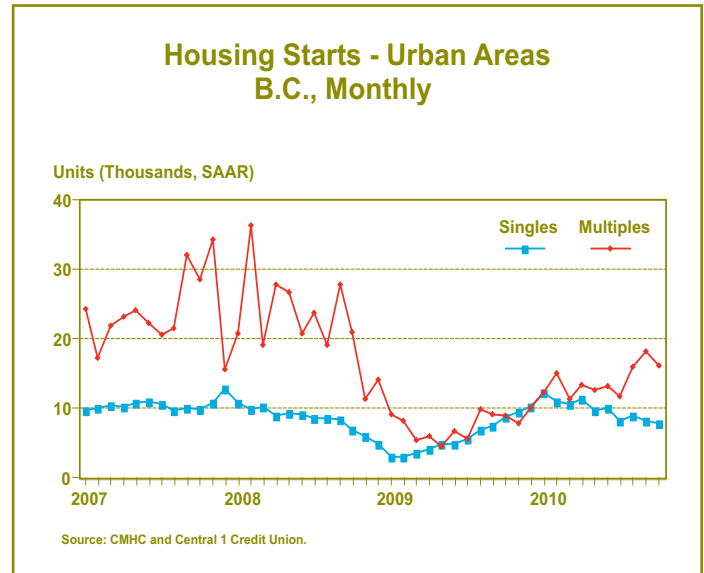
After two consecutive monthly increases, seasonally-adjusted housing starts in British Columbia pulled back 7.4% in October to an annualized pace of 27,500 units. Despite the decline, provincial new home starts remained consistent with activity observed since the beginning of the year, but continue to lag pre-recession activity levels.

October's decline was led by weaker starts in the province's urban areas. Urban area starts fell 9% from September levels, reflecting an 11% drop in the multiple-family market and a 4.9% pull-back in single-detached starts. Despite the significant decline, the upward, albeit uneven, post-recession trend in multiple-family starts remained intact. In contrast, single-detached starts marched lower, extending a trend that began in early 2010.

Housing starts are forecast to trend higher in 2011, particularly in the multiple-family sector. Low mortgage rates, along with higher employment, population and incomes are expected to push resale housing demand higher, driving up housing starts in the process. Housing starts are forecast to rise 6.4% in 2011 to 27,600 units and a further 14% in 2012. Despite the increase, starts will remain well below pre-recession level of 34,000 to 40,000 units.

International Exports Edge Back Slightly in September

International exports originating from British Columbia edged lower in September. Based on data adapted from Statistics Canada, current dollar exports fell to a seasonally-adjusted \$2.35 billion in September, down 1.1% from the previous month. Activity remained consistent with levels observed over the previous two months, but was 10% below the post-recession peak observed in June. On a year-to-date basis, exports have outpaced 2009 over the same period by 13%, but largely reflect weak activity



in 2009 due to the recession. Excluding 2009, year-to-date exports are at the lowest level since 2001.

The strong post-recession upward trend in exports that persisted through the first half of the year has given way to more sluggish activity in recent months, suggesting that a slowdown in global economic growth, particularly in the U.S.,



is adversely affecting the provincial economy. Underlying trends suggest that exports of goods in the forestry product, industrial goods, and materials sectors have turned lower after modest post-recession rebounds. In contrast, exports related to the energy and agricultural sectors have exhibited an upward trend.

While export sales slumped in the third quarter relative to the second quarter, import volumes remained steady. As a result, B.C.'s merchandise trade deficit, adjusted for seasonal factors, grew to \$2.3 billion in the third quarter, up from \$2 billion in the second quarter. Prior to this latest increase, B.C.'s merchandise trade deficit had fallen for three consecutive quarters.

Moving forward, Central 1 forecasts marginal current-dollar export growth for B.C. goods and services of 2.8% in 2011. The tepid U.S. consumer recovery and higher Canadian dollar will hold down export growth. However, expanding trade with the high growth economies of Asia provides a bright spot to the outlook. Meanwhile, demand for imports will grow at a faster pace than exports, leaving a higher trade deficit.

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

International Merchandise Trade Balance B.C.-Origin, Quarterly

