



## B.C.'s merchandise export revenue down again

International exports of goods originating in B.C. dropped in value by \$67 million (-2.9%) in November, to \$2.27 billion, after adjusting for seasonal effects. This follows a similar decline in October and brings total merchandise export revenue to its lowest point since May 2003. Growth in total export revenue has essentially stalled over the past two years.

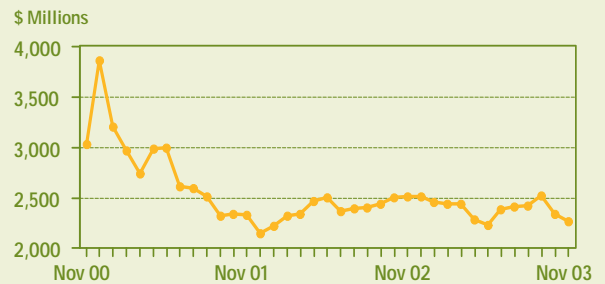
Although the U.S. economy grew more robustly in the fourth quarter, the exchange value of Canada's currency relative to our main trading partner rose again in November, dampening export revenues. U.S. trade barriers on imports of Canadian lumber, beef and other goods and services also continue to stifle B.C.'s export growth.

In November, energy exports dropped by \$37 million (-8.2%) on a seasonally adjusted basis, while exports of automobile parts, other machinery and equipment, and consumer goods fell \$26 million (-4.5%). Industrial goods exports, mostly minerals, decreased by \$20 million (-7%) and forest product exports fell \$15 million (-1.4%).

In the first 11 months of 2003, B.C.-origin exports were down \$305 million (-1.1%) from the same period in 2002. Year-to-date, energy exports have surged by \$1.37 billion

### B.C.'s merchandise export revenue down in November

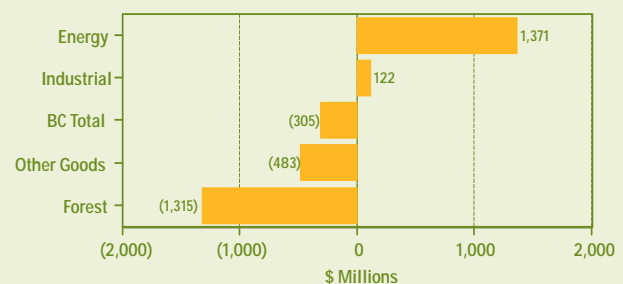
B.C. Origin International Exports of Goods Monthly, Seasonally Adjusted



Source: Statistics Canada.

### Year-to-date exports are down

B.C. Origin International Goods Export Revenues Jan-Nov 2003 less Jan-Nov 2002



Source: Statistics Canada.

(+42%) while exports of industrial goods and materials have edged up by \$122 million (+3.6%). These gains were more than offset by a \$1.32 billion (-10.5%) plunge in forest product exports and a \$483 million (-6.5%) drop in exports of all other goods.

**Credit Union Central of British Columbia** estimates that export revenues from B.C.-origin goods will be down 1% or 2% for 2003, marking the third straight annual decline. In 2004, B.C.'s export revenues are forecast to edge down once more, reflecting deterioration in the terms of trade between the United States and many other countries, including Canada.

### Canadian dollar rise eases in December

The Canadian dollar levelled off relative to the U.S. dollar in December, averaging 76.2 cents U.S., following strong appreciation over the past 12 months. The Canadian dollar inched down in value relative to the Japanese yen in December and dropped back to year-ago values against the Euro after 11 months of appreciation.

The high Canadian dollar exchange rate relative to the U.S. dollar has a lagged but negative effect on Canadian and B.C. export revenues. At the same time, it lowers the cost and raises the quantity of imported goods and services. On balance, it is a negative factor for B.C.'s economic growth.

The main source of strength in the U.S.-Canadian exchange rate this year is the increased flow of U.S.-dollar-based investment funds into Canadian bills, bonds, stocks and other marketable financial assets. Capital was less attracted to the U.S. because the American dollar has depreciated against major world currencies. As well, Canadian government fixed-income securities have maintained a substantially higher yield than equivalent U.S. federal securities over the short term.

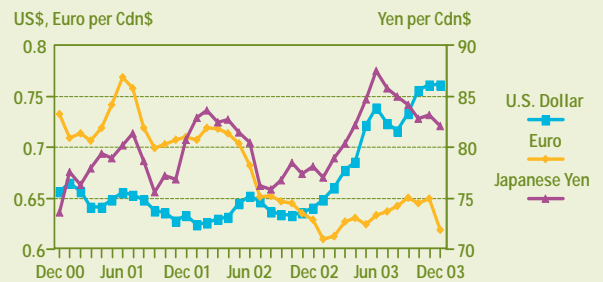
**Credit Union Central** forecasts that the Canadian dollar will remain higher over the next several years, averaging about 80 cents U.S. through 2005. That compares with an average of 72 cents U.S. in 2003. The higher U.S./Canadian exchange rate will have an increasingly negative impact on the economy over time and will induce indirect job losses this year and next.

### Commercial building on upward trend

Investment in new, non-residential building in B.C. totalled \$141 million in November, down slightly from October. Building permits for commercial structures increased \$7.3 million, while permits for government-institutional structures held steady and permits for industrial structures declined \$10.3 million from October.

### Canadian dollar exchange rates ease in December

#### Selected Currencies per Canadian Dollar Monthly Averages



Source: Bank of Canada.

While the value of non-residential building permits is quite volatile from month to month, the trend has been on a modest rise since April 2003. Prior to April, non-residential construction had been on a generally declining trend for two years. However, excess capacity in office and hotel space has likely peaked and strong residential development has induced growing demand for related retail and other commercial space.

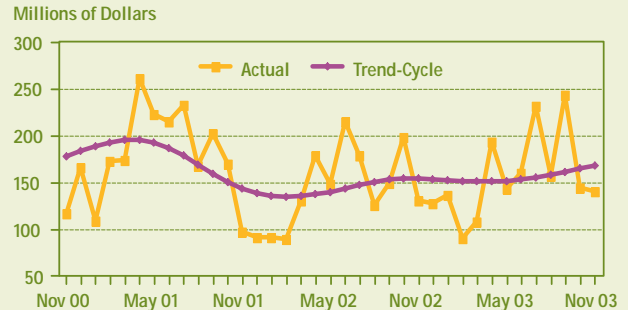
The value of building permits for commercial structures is on a moderate upward trend, while industrial structures are on a slight upward trend. For government and institutional structures, the trend is level.

**Credit Union Central** forecasts that conditions in new, non-residential construction markets will remain mixed in 2004, with retail and other commercial projects growing in value and industrial, institutional and government projects on a generally level trend.



### Non-residential construction trending up

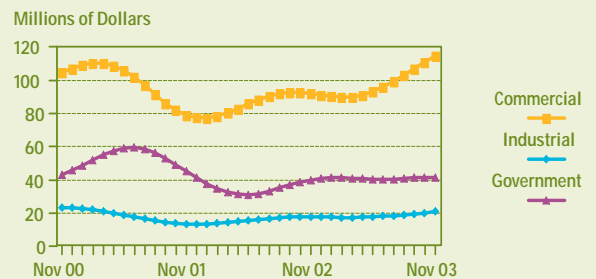
Non-Residential Building Permits, B.C.



Source: Statistics Canada.

### Commercial construction trending up

Non-Residential Building Permits by Type  
Trend-Cycle, British Columbia



Source: Statistics Canada.