



B.C. employment drops in February

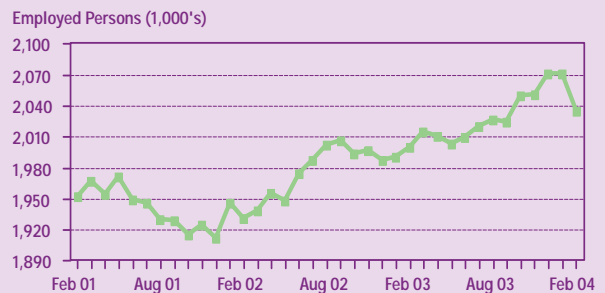
The number of people employed in B.C. dropped significantly in February on a seasonally adjusted basis, according to Statistics Canada's latest household survey of the labour market. An estimated 2.036 million people were employed on average in February, down 36,000 from January. The provincial unemployment rate climbed to 7.9% from 7.3% in January. This large downshift in employment should be viewed with caution, since the results are based on a sample and large monthly swings can occur. Before a change in the employment trend can be declared, the next two or three surveys are needed to confirm this result.

The survey results suggest February's drop in employment was split between full- and part-time work. Public-sector employees appear to have escaped the downturn in jobs. The survey suggests job losses were split between private sector employees and the self-employed.

Regionally, February's weak employment conditions were seen mostly in Greater Vancouver, Greater Victoria and the Thompson-Okanagan region. Elsewhere, employment was little changed from January. Unemployment rates in February were lowest in the Northeast, Greater Victoria, Greater Vancouver, and the Thompson-Okanagan, ranging from 4.2% to

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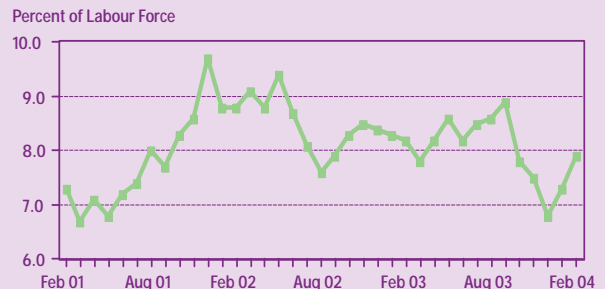
B.C. Employment (Seasonally Adjusted)



Source: Statistics Canada.

Unemployment rate higher

B.C. Unemployment Rate (Seas. Adj.)



Source: Statistics Canada.

7.4% of the labour force. Currently, the highest jobless rates in B.C. are found in the North Coast-Nechako and Kootenay regions, at 13.3%. Elsewhere in B.C., unemployment rates ranged from 9% to 11% in February.

LFS data indicate the only industry to experience significantly weaker employment in February was retail and wholesale trade. Pending further data, it is difficult to tell whether the weakness was in retail, wholesale or both. Weaker employment was concentrated among youth aged 15 to 24. Construction employment also appeared to weaken in February, although the change is not particularly significant given the small LFS sample.

Nationally, employment edged lower in February, mainly because of B.C.'s weak performance and a general decline in youth employment. Public-sector employment was up, while self-employment and private-sector employment dropped. The national unemployment rate remained at 7.4% in February.

Job growth in B.C. over the next two years is forecast to be moderate and uneven. Credit Union Central forecasts annual average employment will rise by 2.3% this year and a further 2.5% in 2005, following a gain of 2.5% (50,000 workers) in 2003. B.C.'s unemployment rate is forecast to average about 7.5% through 2005, following last year's 8.1%.

B.C.'s merchandise export revenues decline

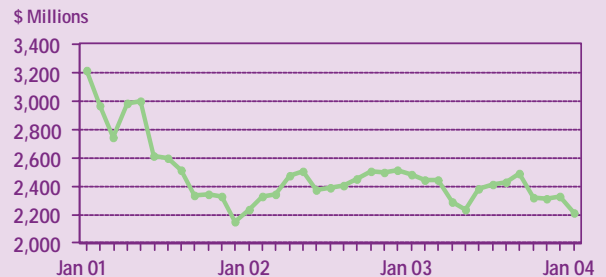
International exports of goods originating in B.C. dropped in value by \$113 million (-4.8%) in January, to \$2.22 billion, after adjusting for seasonal effects. This follows two months of essentially level merchandise export revenues. Total seasonally adjusted export revenues were at their lowest level in two years in January.

Although the North American and global economies continued to grow in January, the exchange value of Canada's currency relative to our main trading partner rose, which dampened export revenues. U.S. trade barriers on imports of Canadian lumber, beef and other goods and services also continue to dampen B.C.'s export growth.

In January, energy exports rose by \$22.8 million (6.3%) on a seasonally adjusted basis, while exports of forest products fell by \$17.9 million (-1.8%). Industrial goods exports, mostly minerals, decreased by \$48.6 million (-13.6%), while exports of automobile parts, other machinery and equipment, and consumer goods were down by \$73 million (-11.6%).

B.C.'s merchandise export revenues lower

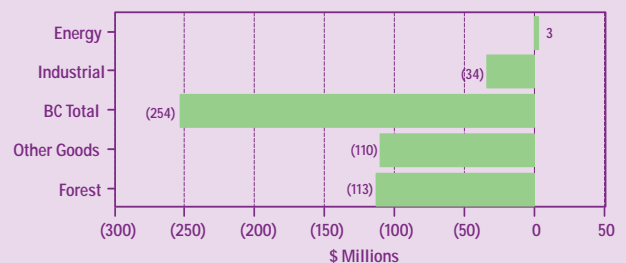
B.C. Origin International Exports of Goods Monthly, Seasonally Adjusted



Source: Statistics Canada.

Year-to-date export revenues lower

B.C. Origin International Goods Export Revenue Jan. 2003 less Jan. 2002



Source: Statistics Canada.

January's unadjusted, B.C.-origin export revenues dropped by \$254 million (-10.7%) from one year earlier. Energy exports edged up by \$2.9 million (0.7%) year-over-year, while exports of forest products plunged \$113 million (-11.2%). Exports of industrial goods and materials fell \$33.9 million (-10.4%), while exports of all other goods dropped by \$110 million (-18%).

Credit Union Central of British Columbia forecasts B.C.'s export revenues will edge down once more in 2004, following three consecutive years of decline. This reflects on-going and lagged effects of currency adjustments and trade barriers between the United States and many other countries, including Canada.

Canadian dollar down in February

The Canadian dollar dropped in value relative to the U.S. dollar in February, averaging 75.2 cents U.S. per 100 cents Canadian. That is a full two U.S. cents less per Canadian dollar than in January. February's decline is the first in six months but is likely a temporary dip in the steady appreciation of the Canadian dollar relative to the U.S. currency over the past 13 months. Meanwhile, Canadian dollar exchange rates continued to fall relative to the Japanese yen and the Euro.

The main source of weakness in the U.S.-Canada exchange rate in February was more Canadian demand for U.S. capital, mostly to finance direct investment in foreign countries. This more than offset an increase in U.S. demand for Canadian currency, mostly to purchase Canadian merchandise and commodities.

February's international capital and trade flows were an exception to the prevailing trends toward less Canadian demand for U.S. capital and less U.S. demand for Canadian merchandise and services. These trends have driven the U.S.-Canada exchange rate to ten-year highs over the past five quarters.

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

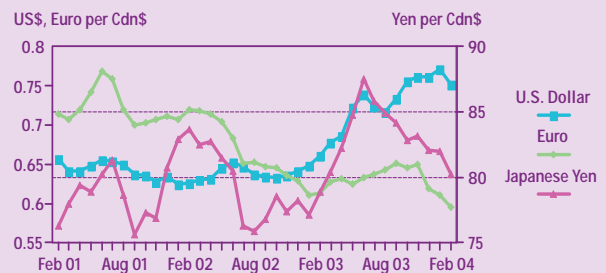
Credit Union Central forecasts the Canadian dollar will remain higher relative to the U.S. dollar over the next several years, averaging about 77 cents U.S. per Canadian dollar through 2005. That compares with an average of 72 cents U.S. in 2003 and 64 cents U.S. in 2002. The higher U.S.-Canada dollar exchange rate will have an increasingly negative impact on the economy over time and will induce indirect job losses this year and next.

February housing starts dip but trend still up

A not unsurprising drop in multi-unit starts during February pulled down total housing starts in urban centres in B.C., but the underlying trend is still up. After January's surge in multi-unit starts, a drop the following month is not unusual given the monthly volatility inherent in this type of construction. Single-detached construction edged higher in February, but not enough to offset the change in multi starts.

Canadian dollar exchange rates down in February

Selected Currencies per Canadian Dollar Monthly Averages



Source: Bank of Canada.

Total housing starts came in at 2,395 units seasonally adjusted, down from 2,713 in January. Multi-unit starts dropped to 1,323 units from 1,620 and singles starts rose to 1,111 units from 1,047.

Market conditions are highly favourable for more new construction. Housing prices are rising and the tight supply-demand balance in the marketplace will drive prices higher. Double-digit percentage price increases are forecast for this year in most B.C. markets, particularly in the larger urban centres.

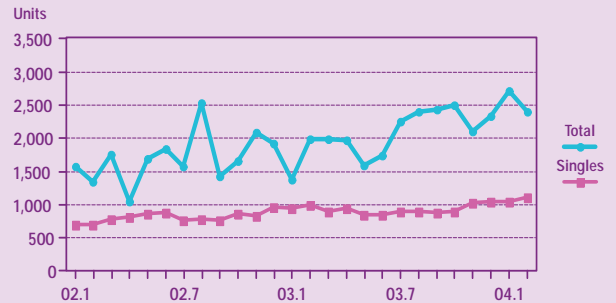
The latest New House Price Index (NHPI) produced by Statistics Canada shows Victoria's price increase at around 10%, while Vancouver's is 5%. Vancouver's NHPI is probably underestimating actual price increases. The Real Estate Board of Greater Vancouver (REBGV) reports that new detached prices increased by 10% in 2003 compared the NHPI's gain of 3.3%. Some of this difference is explained by the inclusion of attached units in the NHPI, which according to the REBGV saw a 1% decline in the average sales price, and to the NHPI's measurement of a constant quality of housing from one survey to the next, unlike the REBGV measure. However, the weighting of single-detached units in the NHPI is greater than 60% and there is some basis for suspecting underestimation by the NHPI.

The NHPI includes new house construction costs as well as land costs. Certainly, construction costs are rising at a higher rate, according to anecdotal information. In this type of market, rising costs of materials, labour, and land can be passed on to the consumer in the final home price. In cases where the construction period is long, such as high-rise apartments, builders and developers might get squeezed if the fixed pre-sale price does not adequately capture future building costs.

Our 2004 housing starts forecast for B.C. remains at about 29,000 units with upside potential, compared to about 26,200 units last year. Housing starts are approaching historical normal levels for B.C. Low mortgage rates will prevail for all of 2004 and higher prices will induce more construction.

Housing starts stay on upward trend

Housing Starts by Type, Seasonally Adjusted, Urban B.C.



Source: CMHC, CUCBC.

Latest: Feb.

