



# Weekly economic Briefing

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## B.C.'s export revenues reach 12-month high

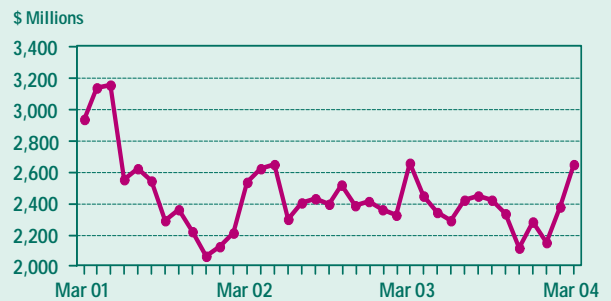
International exports of goods originating in B.C. rose in value by \$273 million (11.5%) in March, to \$2.65 billion. This follows a gain of similar proportion in February. March's growth was due to a surge in the value of forest product, industrial good and other manufactured product exports, while the value of energy exports edged downward.

In March, forest product exports climbed by \$198 million (19.5%) from February as U.S. housing starts continued to rise from already high levels. Prices for lumber and especially panel products are currently near all-time highs. Exports of industrial goods, mostly ores and metal alloys destined for Asia, also climbed in March, rising \$26 million (6.5%). Exports of automobile parts, other machinery and equipment, and consumer goods surged in March as well, rising \$73 million (13.4%). The value of energy exports dipped by a slight \$24 million (-5.4%).

Year-to-date revenues from B.C.-origin exports are down \$166 million (-2.3%) from the same period one year ago. Year-to-date exports of automobile parts, machinery, equipment and consumer goods are \$181 million (-9.7%) below last year's level, while exports of energy products are down \$112 million (-8.1%). Meanwhile, year-to-date exports of industrial goods and materials are

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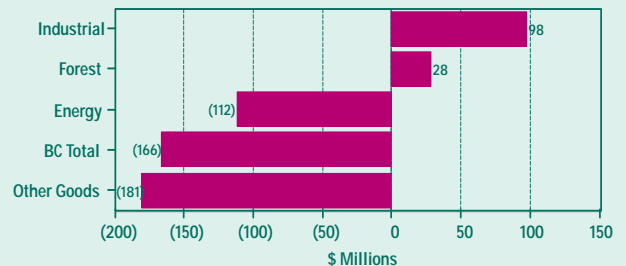
B.C. Origin International Exports of Goods



Source: Statistics Canada.

### Year-to-date export revenues down

B.C. Origin International Goods Export Revenue  
Jan.-Mar. 2004 less Jan.-Mar. 2003



Source: Statistics Canada.

\$98 million (9.7%) ahead of last year's level. Total revenues from B.C.'s forest product exports so far this year are on par with last year's volume.

Credit Union Central of British Columbia forecasts B.C.'s export revenues will edge upward in 2004, following three straight years of decline. This reflects an improving Japanese economy and falling Canadian exchange rates. An increase in exports to Japan, along with generally higher prices for B.C.'s forest and mineral products, will provide some offset to the lagged, negative impact of last year's record-setting rise in the U.S.-Canada exchange rate.

### Housing starts hit roof

A huge surge in Vancouver-area multi-unit starts during April pushed B.C. housing starts to their highest level since 1994. There were almost 1,900 multi-units started last month in Greater Vancouver, the second-highest monthly level ever and triple March's activity. While Canada Mortgage and Housing Corporation does not provide many details in its press release, these units were probably all condominiums, with a large high-rise component. Total urban B.C. housing starts were estimated by CMHC at 3,663 units, a 60% jump from a year ago. Builders and developers are spurred on by rising prices due to tight market conditions.

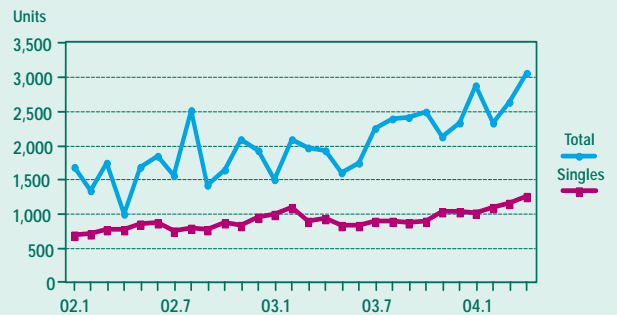
Single-detached housing starts climbed higher in April to 1,264 units, seasonally adjusted, from 1,154 in March. The Greater Vancouver region is once again contributing to the higher provincial figure after a lull in the second half of last year. Detached starts activity in other centres is rising or holding at recent highs. Comparison with last year's activity shows gains ranging from 10% to 60% in most cases, with the year-to-date B.C. total up by 20%.

Data on new house prices is mixed, although pointing to larger gains this year. Statistics Canada's New House Price Index is registering increases of about 5% to 6% in Vancouver so far this year, while the Victoria region is up about 8% to 9%. These increases seem low in light of tight market conditions, even though they are the highest since the 1991-94 housing expansion. Nonetheless, other data point to substantially higher price increases.

For the Vancouver area, MLS® price data show a 22% increase in new detached housing prices in January to April, compared with the same period last year. New attached units have seen a 13% price gain. Statistics Canada's measure pertains to ground-oriented units, largely single-detached, and its survey attempts to measure similar house characteristics over time, while there is no adjustment to the MLS average sales price data. MLS prices are a better indication of current new housing price performance.

### Housing starts hit new high in this upswing

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



Source: CMHC, CUCBC.

Latest: Apr.

This is a good time to revise the B.C. 2004 housing starts forecast. Our estimate of 28,800 units, while at the high end of other forecasts at the time it was made, is too low. Our new forecast is for 32,400 units, composed of 15,600 single-detached units and 16,800 multi-units.

As a result, residential construction will contribute more to B.C.'s economic growth than previously assumed, and this new forecast adds roughly 0.3 to 0.4 percentage points to real GDP growth this year. If there are no offsets from other economic sectors or factors, such as prolonged high oil prices, B.C.'s growth rate this year would rise to about 3.2% from the current 2.8% forecast.

A drop in May housing starts should be expected following April's surge. It is unlikely that there will be consecutive monthly highs in multi-unit starts. Singles starts, however, will probably post another increase.

