Weekly economic Briefing

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B.C.'s export revenues steady at 13-month high

International exports of goods originating in B.C. dipped in value by an insignificant $22 million (-0.8%) in April, to $2.64 billion. This follows reasonably strong growth in export revenues in February and March.

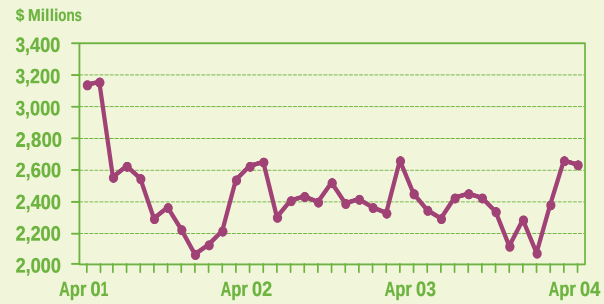
April saw export revenues from industrial goods and materials, mostly ores and metal alloys, surge by over 5% from March. (Exports of industrial goods are mostly destined for Asia.) This was more than offset by a nearly 12% plunge in revenues from energy exports as the weather warmed up. There was little change in revenues from other major classes of exports.

Forest product exports are holding up due to strong housing construction and renovation in the U.S., Canada and various other nations. Prices for lumber and especially panel products are currently near all-time highs.

Year-to-date revenues for B.C.-origin exports are down a mere $50 million (-0.5%) from the same period a year ago. By sector, year-to-date exports of automobile parts, machinery, equipment and consumer goods are $235 million (-9.3%) below last year's level, while energy exports are down $235 million (-13.1%). Meanwhile, exports of industrial goods and materials have jumped $178 million (13%), and revenues from B.C.'s forest product exports are up $242 million (5.9%).

B.C.'s export revenues steady at 13-month high in April

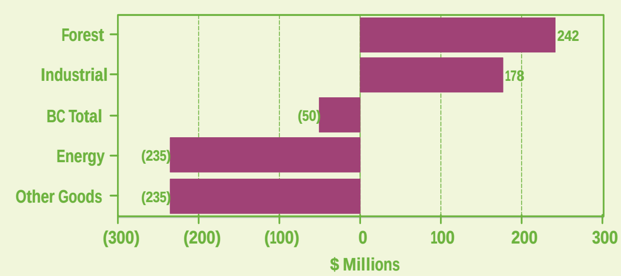
B.C. Origin International Exports of Goods



Source: Statistics Canada.

Forest and mineral product export revenues climb

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



Source: Statistics Canada.

Weekly Economic Briefing is written and produced for B.C. Credit Unions by the Economics Department, Credit Union Central of British Columiba.

Credit Union Central BC

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 improving U.S. and Japanese economies as well as less inflation in 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.

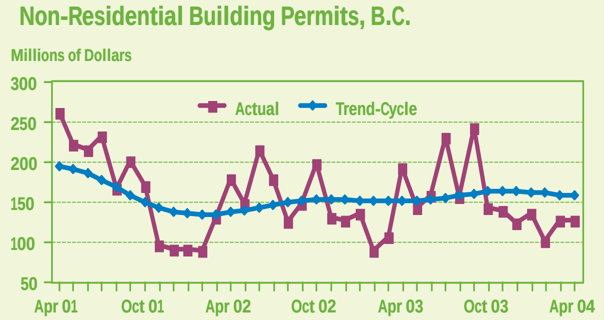
Commercial and industrial construction climbing

Non-residential building permits in B.C. totalled $129 million in April, on par with permit values in March. Permit values for commercial structures climbed $11 million, while industrial structures dipped $1.5 million and government and institutional structures dropped $9 million.

Although the actual value of non-residential building permits is quite volatile from month to month, the trend has been fairly steady and modestly rising since early in 2002. There is currently a very shallow cyclical dip in non-residential permit values, which is expected to reverse within a year. Permit values for commercial structures are trending up, while permit values for government and institutional structures are on a downward trend.

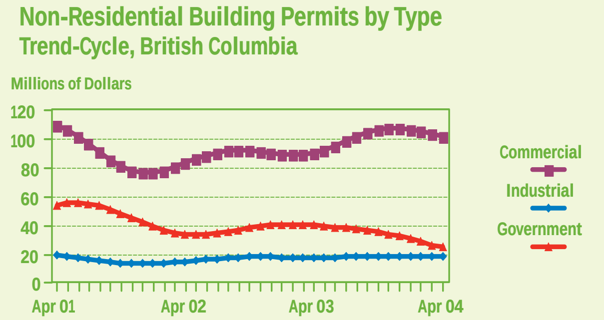
Credit Union Central forecasts that conditions in new, non-residential construction markets will improve somewhat in 2004 from 2003. Non-residential building permits are forecast to rise by about 5% this year. Industrial permits are expected to rise on the strength of general economic growth. Government permits will likely decline in 2004, given the balanced provincial budget and reported public-sector investment intentions.

Non-residential construction steady



Source: Statistics Canada.
Note: Excludes engineering projects (e.g. dams, roads, bridges).

Commercial building trends up, while government building trends down



Source: Statistics Canada.
Note: Excludes engineering projects (e.g. dams, roads, bridges).

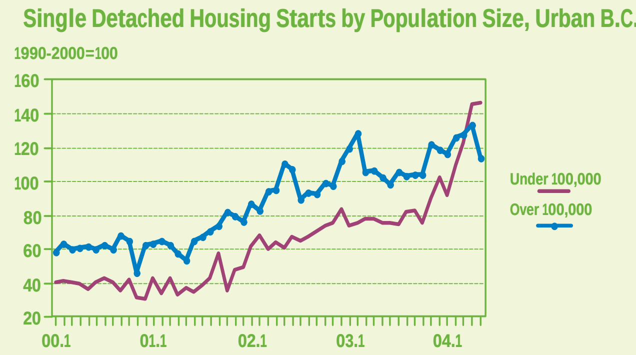
Housing starts high, more room to grow

Housing starts in May fell back from April's eight-year high, but were at the second highest level since the current upswing began. Seasonally adjusted housing starts came in at 2,733 units in May from 3,079 in April in B.C.'s urban centres. Most of the decline was in multi-units, which had surged in April. May's drop in single-detached starts was mostly in the Vancouver metro area.

May's decline in overall starts is normal following a very strong month of multi-unit starts, and B.C.'s housing construction up-trend remains intact.

Single-detached construction is rising most rapidly in B.C.'s medium and smaller-sized centres (those with less than 100,000 in population). In these centres, starts reached more than 450 units, seasonally adjusted, in May, climbing from below 275 units in January. This compares to a fairly flat trend over the same period for B.C.'s four largest centres combined. Lower lot costs in those smaller markets and a greater preference for detached units are longer-term reasons for more robust detached construction, as well as a lower initial base. The reason why construction is up so sharply this year is likely an improvement in market conditions.

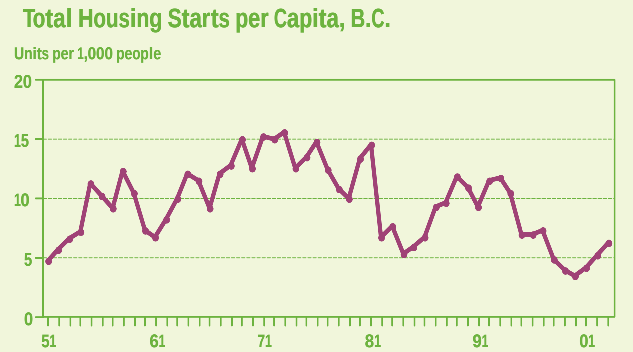
House construction rising more rapidly in under 100,000 population centres



Source: CMHC, CUCBC. Note: Excludes under 10,000 pop., seasonally adjusted data. Latest: May.

Housing starts on a year-to-date basis are up by over 54% in urban centres of B.C., led by an 85% jump in multi-unit starts, with single detached starts rising 24%. For the year, housing starts are forecast to exceed 32,000 units, compared to just over 26,000 last year.

Housing starts still low



Source: CMHC, CUCBC. Note: Based on population at yearend. Latest: 2003

Relative to the population base, starts remain low by historical standards, which indicates considerable room to grow in the future. The housing starts per capita measure since 1951 shows B.C. coming off the lowest three years on record (1999-2001) and the current upswing well below previous highs. Housing starts per capita is a crude and simple measure of new supply relative to demand. It gives some indication of whether construction is excessive or deficient over a longer period of time, compared with other current market indicators such as absorption, unsold inventory, price trends, and so on.

A normal or appropriate level of production is not obvious from the historical record, although one could use the 9.7 units per 1,000 population average since 1951 as a starting point. However, that includes the baby-boom generation entering the household formation stage in the mid-1960s to early 1980s, thereby boosting both demand and housing starts. Demographics are different today and the lower average of 7.8 units (1985 to 2003) is more applicable. However, there is a cyclical pattern to housing demand and the current upswing will very likely exceed that average.

Using the 2004 housing starts and population forecasts, this year's per capita measure will be around 7.7 units per 1,000 population. If the cycle extends into next year as expected, it could hit 8.3. This measure suggests that considerable pent-up demand existed going into the current upswing and, if mortgage rates and the economy remain favourable, there is good reason to expect higher housing starts.

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