



Tourist traffic building

International tourists coming to B.C. held steady in June compared to May, on a seasonally adjusted basis. In actual terms, though, the strong seasonal increase pushed tourist traffic up 32% over May to about 573,000. July and August are the peak tourist months and over 700,000 tourists are expected monthly.

Tourism is slowly rebuilding from the shock-induced drop seen last year and most of the gain is coming from non-U.S. visitors. In the first half of this year, the non-U.S. tourist count is up nearly 25% from the same period last year, while there is no change in U.S. visitors. Total traffic is up just over 6%. Overseas tourist interest in B.C. plunged last year with the SARS concerns, but has naturally rebounded as that issue fades. Stronger economic growth in Japan and Pacific Asia this year has further boosted tourist traffic from that region to B.C.

U.S. economic growth is also stronger this year than last, but that has not translated into much more tourist traffic. U.S. currency depreciation is a factor holding back a stronger rebound this year. Increased security concerns, higher travel costs, and a 'home bias' could be other reasons.

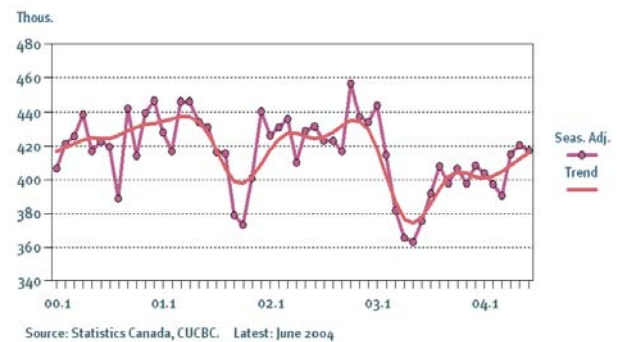
Tourist entries this year are on pace to increase between 5% and 7% over 2003. That would amount to about five million visitors, and if traffic picks up more than expected, the total could exceed the 5.13 million record set in 2002.

U.S. housing market rebounds in July

The U.S. housing market remains highly active, with sales of new and existing housing near the record highs seen within the past year. According to the National Association of Home Builders, prospective buyers are visiting new and existing properties at the strongest pace since the late 1990s. Sales of new homes are currently robust and builders expect higher sales over the next six months.

Tourist traffic slowly rebuilding

International Tourist Entries to B.C.



Despite recent increases in T-bill yields, bond and mortgage rates have eased over the past several weeks due to weaker-than-expected job growth. Long-term, fixed-rate mortgage rates now average less than 6% per annum. Builders are also reportedly stepping up financial incentives such as below-market financing and cash rebates to bolster new housing demand. Residential building permits are rising, indicative of strong demand. Permits issued in July rose 5.7%, led by multi-family dwelling starts.

The U.S. Census Bureau reports that housing starts in the U.S. rose 8% in July to 1.978 million units, annualized and seasonally adjusted. In part, the rise is a rebound from a slump in June. Construction of new, detached houses is near the all-time record levels seen in late 2003. Construction of new, multi-family dwellings is also up, but is currently well below the average level of the past 12 months. All major regions of the U.S. posted gains in housing starts, with the strongest growth rates in the west and northeast.

Housing market activity is likely to slow somewhat by the fourth quarter, as mortgage rates are expected to rise. However, as long as interest rates remain near post-WW2 lows, housing markets will remain quite active.

Driven by strong demand for new and renovated housing, lumber and panel prices are rising to near 10-year highs. Rebuilding of south Florida homes destroyed or damaged by Hurricane Charlie also drove lumber prices up in August. Structural panel prices have recently eased back from record highs seen earlier this year, but climbed again in August. In the west, gridlocked railways and forest fires are limiting the amount of lumber producers can put on the market, which is also contributing to higher prices.

U.S. housing starts rebound in July

U.S. Housing Starts: Total Privately Owned
Seasonally Adjusted Annualized Rate



Lumber prices remain high and climb in August

Lumber & Panel Composite Prices
\$U.S. per Thousand Board/Square Feet

