



Retail sales surging

Spending at retail stores in B.C. is increasing at a strong pace, recording nearly a 10% gain in July. Spending in the past six months is at the highest rate since the late 2001 to mid-2002 period, reflecting the improved economy, low interest rates, a very active housing market, and a tourism rebound. Comparisons with last year are partly inflated by the base effect of 2003's weaker performance due to various shocks, but spending is clearly more robust this year, nonetheless.

Our last forecast for 2004 retail sales called for a 5.9% increase. That now appears low since year-to-date sales are up 6.8%, although this is against a weak first seven months of last year. However, even with only modest growth in the remaining five months, the yearly increase would be near 7%. Accordingly, our forecast is revised upward to 7.2%.

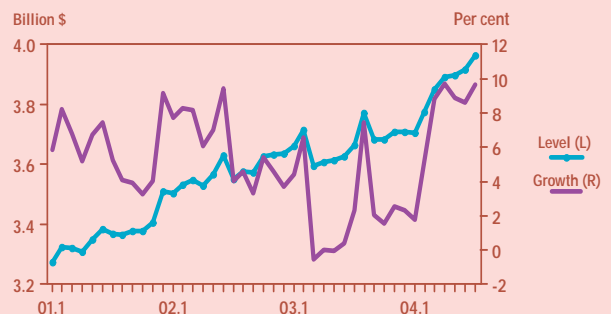
Next year, a lesser growth rate of 5.5% is expected for technical reasons, though fundamentals will still be favourable even with slightly higher interest rates. Admittedly, that forecast could prove to be low as well.

Wholesale sees rebound

Wholesale merchants are enjoying a strong rebound in sales this year, following last year's slump. July sales are up more than 3% from June and are climbing at nearly a 20% annual pace. As with retail sales, last year's shock-related declines make for a low comparison base and a lesser growth rate is likely in the coming months, when the bar is higher. Generally, as retailers sell more, so do wholesalers, with a small time lag. Wholesale merchants also sell to manufacturers, dealers, farmers, professionals and others.

Retail sales growing at strong pace

Retail Sales, Seasonally Adjusted, B.C.



Source: Statistics Canada, CUCBC. Latest: July 2004

Statistics Canada does not release data on wholesale trade by type, but its release mentioned the lumber and other products categories as being the main factors behind B.C.'s July over June increase.

Wholesale trade is up 7.1% this year on a year-to-date basis, and the forecast for all of 2004 is 8.4%. A lesser growth rate should be expected next year on technical grounds, since a higher comparison base will come into effect. More fundamentally, the domestic economy is expected to grow at a similar pace to this year and any fallback will be modest.

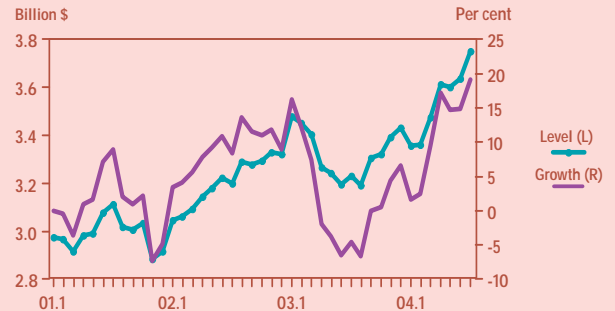
July tourist count up

Tourist traffic continues to rebuild from last year's setbacks with July visitor counts the highest since late 2002. Total tourist entries to B.C. during July were 786,300, or 427,800 seasonally adjusted. This is up from 417,700 in June, and well above the 363,100 at the low point in May 2003, using seasonally adjusted data. Traffic is up by 9% year-over-year and by 7% year-to-date. Other tourism indicators such as conference delegate-days and hotel occupancy rates also show improvement this year.

A rebound in tourist activity was widely expected after last year's performance was beset by shocks. With tourism accounting for about 4% of B.C.'s economy, a rebound from last year's contraction will boost the province's overall growth performance this year. Since most of last year's decline was in international tourism, the Vancouver and Victoria economies are the most affected.

Wholesalers much busier

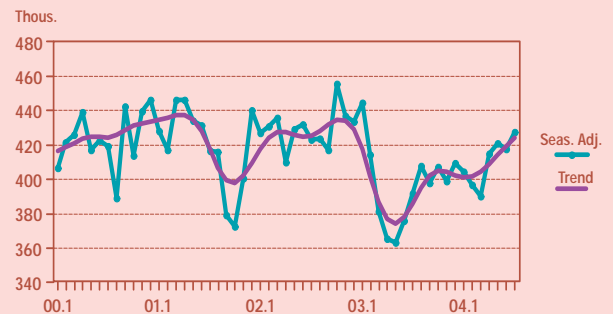
Wholesale Trade, Seasonally Adjusted, B.C.



Source: Statistics Canada, CUCBC. Latest: July 2004

Tourist traffic up in July

International Tourist Entries to B.C.



Source: Statistics Canada, CUCBC. Latest: July 2004

