



Weekly economic Briefing

VOLUME 10 . NUMBER 42 . OCTOBER 22, 2004

Retail sales growth remains robust

Retail sales in British Columbia totalled \$3.96 billion in August on a seasonally adjusted basis, according to Statistics Canada. August's sales edged down by a slight \$8 million from July, although compared to August 2003, sales increased by a robust \$188 million. Indeed, the growth rate trend in B.C.'s retail sales remained above average in August, at over 7% annualized.

The strongest sectors for retail sales continue to be home centres and hardware stores, pharmacies and personal-care stores, as well as furniture, home electronics and appliance outlets. These retail sectors reflect the current strength in B.C.'s labour and housing markets. Food, beverage and accommodation providers are benefiting from a continued rebound in tourist traffic. Motor vehicle sales are currently down slightly from year-ago levels.

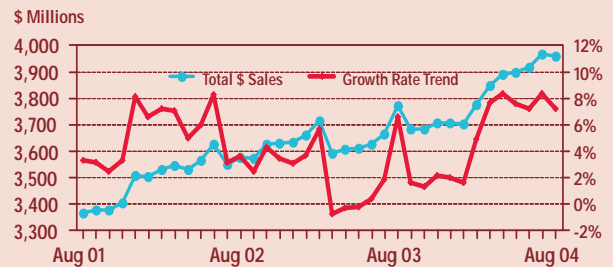
Credit Union Central of B.C. forecasts retail sales in B.C. will increase by about 7% this year and a further 5% to 6% next year, following a growth rate below 3% in 2003.

Bank of Canada raises key interest rate

For the second time in as many months, the Bank of Canada has raised its key policy interest rate by 25 basis points.

Retail sales level off in August

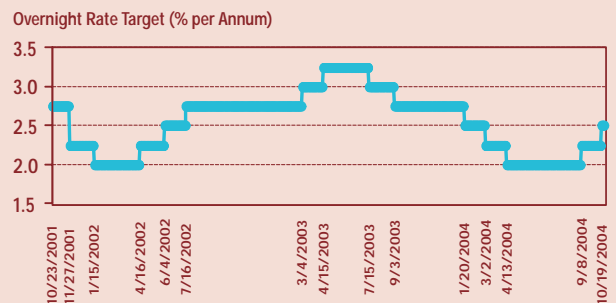
Retail Sales, Seasonally Adjusted, B.C.



Source: Statistics Canada.

Money supply growth rate will slow

Key Policy Rate Target, Bank of Canada



Source: Bank of Canada.

In effect, the Bank confirmed its view that the money supply is currently growing too quickly to keep core consumer price inflation near the 2% annual target over the next 18 months or so. The Bank's next policy rate announcement is scheduled for December 7, and financial markets are implicitly expecting a further 25 basis point increase in the policy rate at that time.

