



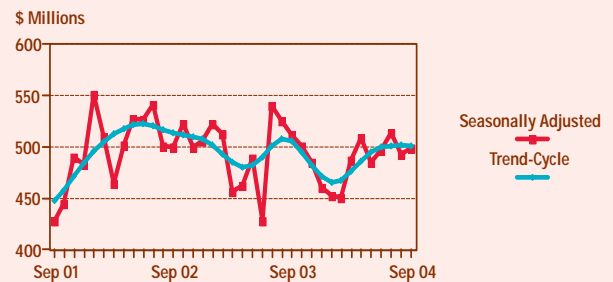
New vehicle sales in B.C. up in September

The dollar value of new vehicle sales in British Columbia edged up in September to total \$499 million, on a seasonally adjusted basis. That represents a 1% rise from August's sales revenue. Preliminary data from dealers suggest that sales increased in October as well.

The recent trend has been a slight downward drift in new vehicle sales since the all-time high was reached in mid-2002. From January to September 2004, new motor vehicle sales in B.C. totalled \$4.45 billion, down a mere 0.4% from the same period of 2003. Sales dropped 5% last year compared with 2002, following a 15% gain in 2002 from 2001.

New vehicle sales drifting down from record high of 2002

New Motor Vehicle Sales
British Columbia, Monthly



Source: Statistics Canada and CUCBC.

Tourist visits bounce back

The large plunge in international tourist visits to B.C. in August proved to be a one-off occurrence, as September tourist entries returned to pre-August levels. Seasonally adjusted international tourist entries to B.C. bounced back to 430,500 persons from 380,400 in August, comparable to prior monthly levels. Both U.S. and non-U.S. tourist entries rose in September. August's plunge will remain something of a mystery and a throw-away statistic.

For all of 2004, tourist traffic will likely post a 5% gain over 2003, which was hit by the negative effects of the Gulf War, SARS, BSE, and even forest fires. A rebound was expected this year as those abnormal factors unwound and some normalcy returned.

Tourism is one of the industries considered to be quite vulnerable to the negative effects of the higher Canadian dollar. The U.S.-Canada exchange rate has appreciated about 30% in the past two years and will bite into U.S. tourist demand. Somewhat fortunately, this

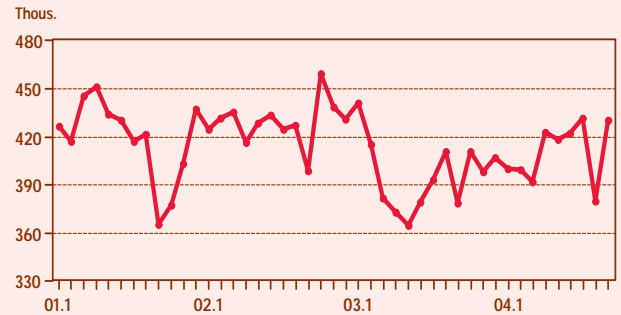
year's tourist season peak months (July and August) were over before the last 10% of that increase occurred. Unless the dollar declines next year, though, the 2005 peak season will face the full effects of the 30% increase or 83 cent dollar.

International tourist entries to B.C. could increase next year if the U.S. economy is strong and generates sufficient volume to offset some or all of the negative pricing effects of the depreciated U.S. dollar. The consensus view for U.S. economic growth next year calls for a 3.4% growth rate, down from the 4.4% expected this year. If that materializes, then U.S. tourist entries to B.C. may not rise very much.

The volume of international tourist entries to B.C. is determined by other factors in addition to the state of U.S. economy and the U.S.-Canada exchange rate, and these could be positive.

Large rebound from August drop

International tourist entries to B.C., seasonally adjusted, monthly



Source: Statistics Canada, CUCBC.

Latest: September 2004

