



# Weekly economic Briefing

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## B.C.'s export revenues unchanged

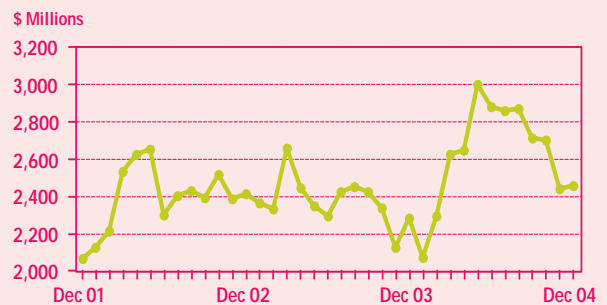
Total revenue from international exports of goods originating in B.C. was little changed in December, edging up \$16 million (0.6%) from November to total \$2.5 billion. Revenues from industrial goods and materials exports, mostly mineral products, jumped by \$113 million (+31%) while revenues from forest product and energy exports were little changed. Revenues from exports of all other goods and services (e.g. agricultural, fish and various other products) dropped by \$85 million (-14%).

Driven by Asian and domestic markets, demand and prices for mineral products such as coal, molybdenum and zinc continue to rise. Prices for solid wood products have come off their recent highs but remain up for the year, while export volumes continue to face rising competition from the U.S. and Russia. Meanwhile, the declining U.S. dollar is driving down revenues from most exports to that country. B.C.'s export revenues had reached a three-year high in May 2004, but have since trended lower.

Despite the recent declines, B.C.'s export revenues grew in 2004 following three straight years of decline. Total revenues from international goods exports in 2004 climbed by \$3.06 billion (+10.7%) from 2003. By sector, 2004 exports of forest products rose \$2.04 billion (+16.8%), while industrial goods exports

### B.C.'s export revenues level in December

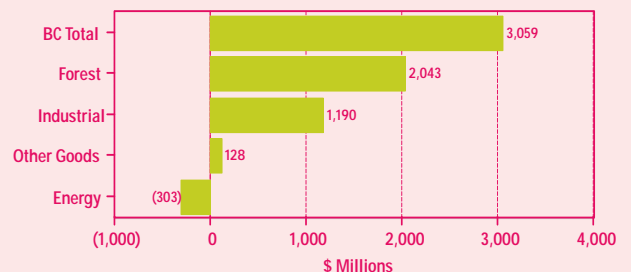
#### B.C. Origin International Exports of Goods



Source: Statistics Canada.

### Wood and mineral product exports up in 2004

#### B.C. Origin International Goods Export Revenue 2004 less 2003



Source: Statistics Canada.

jumped \$1.19 billion (+30.3%). Energy exports in 2004 slipped by \$303 million (-6.3%), while revenue from all other international exports of B.C.-origin goods edged up by \$128 million (+1.7%).

Credit Union Central of British Columbia forecasts B.C.'s international goods export revenues will be up by a modest 1% in 2005. Continued strength in the U.S./Canadian dollar exchange rate and less robust global economic growth are assumed in this forecast. Exports of industrial goods and materials are forecast to see continued growth, while forest product exports are expected to decline from the high level reached in 2004.

### January housing starts cool down

Colder than normal weather hurt housing construction during January, as housing starts dipped to 2,272 units, seasonally adjusted, from 2,880 units in December. The most telling sign of the weather's impact is the drop in single-detached starts to 810 units, seasonally adjusted, the lowest level in more than two years. A larger decline in multi-unit starts occurred in January, but their inherently more volatile month-to-month nature obscured the weather's impact.

With the return of more normal weather in February, single-detached housing starts will very likely bounce back and record a gain to over 1,000 units, seasonally adjusted. Multi-unit starts are more difficult to predict from month-to-month but their uptrend is expected to continue.

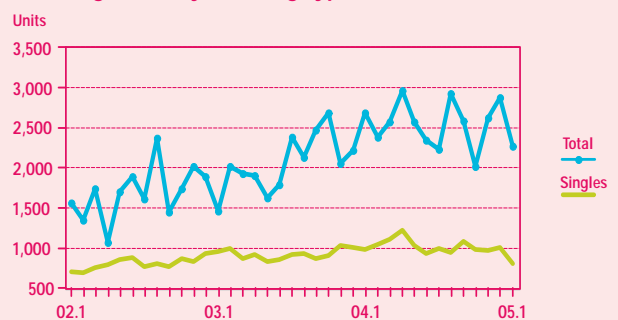
The slow beginning to 2005 does not alter our view that B.C. housing starts will post another gain this year. With low mortgage rates and rising in-migration, housing sales are forecast to remain at a high level and achieve a small gain for the year. Rising construction costs are the main negative factor this year, as this will push final prices higher and squeeze out some potential activity at the margin.

### Non-residential permits close 2004 on high note

A year-end surge drove non-residential building permits up by 10%, topping \$2 billion for the year. All of 2004's gain came in the private sector, with commercial permits up 8.6% and industrial permits jumping by a whopping 34.4% to \$328 million. Government-institutional permits barely increased, inching up 1.4% to \$513 million. Higher construction costs are reflected in these building permit figures.

### January starts affected by weather

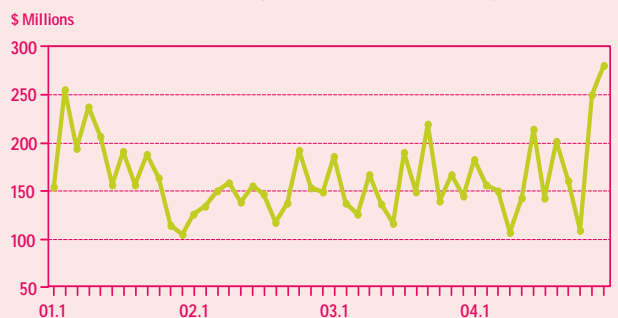
Housing Starts by Dwelling Type, B.C. Urban Centres



Source: CMHC, CUCBC. Note: seasonally adjusted. Latest: January 2005.

### Yearend surge in non-residential permits

Non-residential Building Permits, B.C., Monthly



Source: Statistics Canada, CUCBC. Note: seasonally adjusted. Latest: December 2004.

In December, a jump in commercial and government permits pushed up the total, while industrial and government permits led the way in November. Monthly non-residential permits are volatile and it is likely January permits will be lower. However, for 2005, a larger increase is expected, owing to more capital spending by the government sector and higher construction costs. An increase in private-sector building is also expected, though by a lesser amount than government projects.

### Highest since 2001

#### Non-residential Building Permits, B.C., Annually



Source: Statistics Canada.

