



## B.C.'s merchandise export revenue up in September

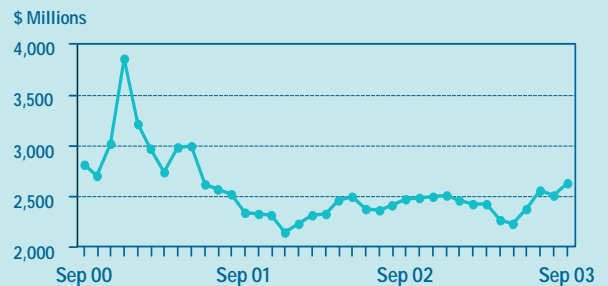
International exports of goods originating in B.C. rose in value by \$117 million (+4.6%) in September, to \$2.63 billion, after adjusting for seasonal effects. September's total merchandise export revenue is the highest since May 2001. Export revenues appear to be trending upward, based on gains in three of the past four months. Profitable price levels and strong demand for energy and non-metallic minerals are offsetting the higher Canadian dollar and weak prices for lumber and other goods.

In September, forest product exports rose \$52 million (+5.1%) as strong North American demand, together with supply interruptions caused by forest fires, temporarily raised lumber prices. Energy exports dropped by \$58 million (-11.6%) as the fall weather in North America temporarily eased the demand and price for natural gas. Exports of industrial goods rose by \$58 million (+17.3%), while other merchandise exports registered a small gain of \$1.6 million (+0.3%).

In the first nine months of 2003, B.C.-origin exports increased by \$367 million (+1.7%) over the same period last year. Year-to-date, energy exports rose \$1.57 billion (+62%) while exports of industrial goods and materials were up \$227 million (+8.3%). These gains were mostly offset by a \$1.17 billion (-11.3%) plunge in forest product exports and a \$257 million (-4.2%) drop in exports of all other goods.

### B.C.'s merchandise export revenue turns up in September

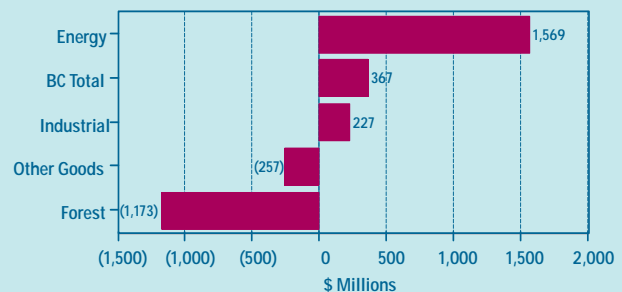
B.C. Origin International Exports of Goods Monthly, Seasonally Adjusted



Source: Statistics Canada.

### Year-to-date energy and mineral exports are up while forest and other exports are down

B.C. Origin International Goods Export Revenues Jan-Sep 2003 less Jan-Sep 2002



Source: Statistics Canada.

Economic growth was sluggish in the U.S. and globally in the first half of this year, dampening demand for B.C.-origin exports. The U.S. economy grew more robustly late in the third quarter and now appears to be perking up. The exchange value of Canada's currency relative to our main trading partners rose again in September, dampening Canadian export growth. American trade barriers on imports of Canadian lumber and other commodities also continue to dampen B.C.'s export growth.

Credit Union Central of British Columbia forecasts an increase in exports of B.C.-origin goods of about 1% or 2% this year and a further 5% in 2004. Most economic forecasters see at least a moderate acceleration in U.S. and global growth through 2004. Faster economic growth in the U.S. usually precedes growth in B.C.-origin exports.

### Canadian dollar keeps climbing

The Canadian dollar continues to appreciate relative to the U.S. dollar, averaging almost 76 cents U.S. in October. The Canadian dollar continued to depreciate against the Japanese yen and dipped slightly on an otherwise upward trend against the Euro.

The higher U.S.-Canada exchange rate will have a lagged but negative effect on Canadian and B.C. export revenues, but it lowers the cost and raises the quantity of imported goods and services. On balance, it is a negative factor for B.C.'s economic growth.

The main source of strength in the U.S.-Canada exchange rate in October was an increased flow of U.S.-dollar-based investment funds into Canadian treasury bills, bonds, stocks and other assets. Capital was less attracted to the U.S. because the American dollar appears set for further depreciation against major world currencies. Also, Canadian government fixed-income securities currently have a higher yield than equivalent U.S. federal securities over the short term.

Probably another source of strength in the U.S.-Canada exchange rate in October was merchandise trade flows. With the U.S. economy picking up steam in September and probably October, it seems likely that Canada's merchandise trade surplus with the U.S. has increased, thereby inducing higher demand for Canadian dollars to pay for relatively more of our goods exports.

Credit Union Central forecasts the Canadian dollar will remain higher over the next several years, averaging about US\$0.77 through 2004. That compares with an average of US\$0.64 in 2002. There is some upside risk to this currency forecast, with a small chance the U.S. dollar exchange rate could reach 80 cents Canadian.

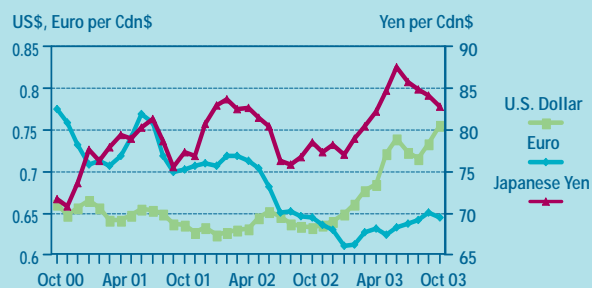
### Vancouver multiples starts push B.C. to cycle high

Another strong month of multiple-unit housing starts in the Vancouver metro area propelled urban B.C. starts to their highest point in this market upswing.

Market conditions are very favourable for increased condominium construction, but developers are getting an additional incentive in the form of pending increases in development cost charges in Vancouver City. Development cost charges (DCC) are slated to more than double as of February 1 next year. Of the 1,861 multi-unit starts during October in all urban centres of B.C., 1,125 units were in Vancouver City.

### U.S.-Canadian dollar exchange rate up again in October

Selected Currencies per Canadian Dollar  
Monthly Averages



Source: Bank of Canada

Total housing starts in urban B.C. hit 2,865 units in October according to preliminary data, up from September and higher than any month since July 1996. On a seasonally adjusted basis, October starts are the highest since January 1995. The year-over-year percentage gain in total starts is 57% and the year-to-date gain is 25%.

One segment that is not showing much gain over the past eight months is single-detached construction. The likely culprit here is lot supply constraints in the Vancouver metro area, since construction is expanding in other markets and market conditions for new single-family houses in metro Vancouver are tight. Some of the demand for new ownership houses in the Vancouver metro area is probably shifting towards ground-oriented townhouses.

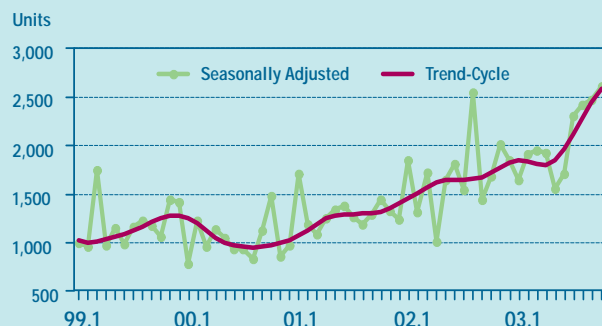
The DCC-induced surge in multi-unit starts will continue until February, if experience with previous deadlines is any guide. This deadline alters the time profile of new supply by bringing forward supply that would have come on at a later date, and it will create a temporary void after February lasting four to six months. Vancouver City multi-unit construction is a significant element in total B.C. starts and changes here will affect the provincial figures.

Our 2003 B.C. forecast called for total starts at 26,200 units, consisting of 12,300 single-detached and 13,900 multi-unit starts. This needs to be revised slightly to factor in the DCC deadline impact. Multi-unit starts are now forecast to come in at 14,900 units, with single-detached starts slightly higher at 12,600, for a total of 27,500 units this year.

Next year's forecast is currently 28,800 units, with a 13,500/15,300 split between singles and multiples, respectively. This will need some alteration as well, quite possibly towards a lower multi-unit forecast, but it is too early to make any meaningful revision without further thought. For now, the 2004 forecasts remain unchanged and will receive closer examination early in the new year.

## Housing starts hit new high in current upswing

Total Housing Starts, Urban B.C. Monthly

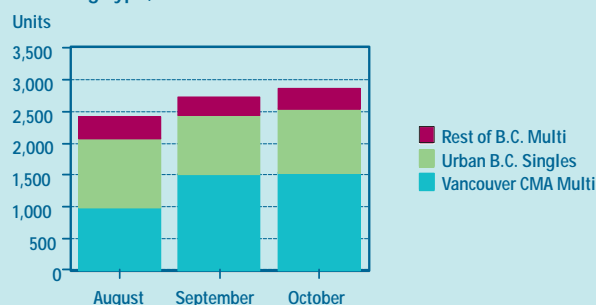


Source: CMHC, CUCBC.

Latest: Oct.

## Vancouver multiples starts driving latest surge

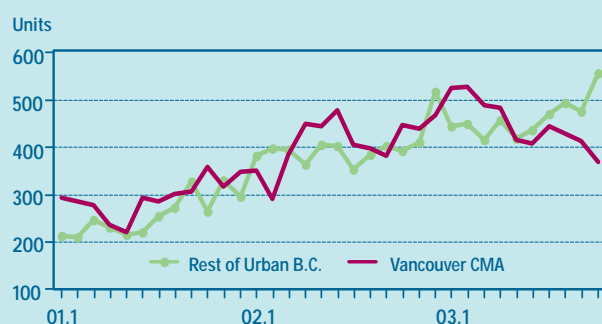
Housing Starts by Selected Areas and Dwelling Type, Urban B.C.



Source: CMHC.

## Singles construction declining in Vancouver CMA, expanding in rest of province

Single Detached Housing Starts, by Selected Areas, Monthly



Source: CMHC, CUCBC. Note seasonally adjusted data. Latest: Oct.