



B.C. employment stable in November

The total number of people employed in B.C. remained more or less constant in November, at about 2.048 million workers on a seasonally adjusted basis. The provincial unemployment rate edged down to 7.6% from 7.8% in October on the strength of a slight decrease in the labour force.

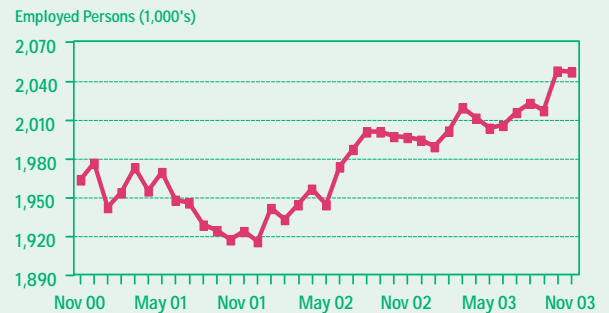
November saw an increase in full-time employment offset by a decrease in part-time work, suggesting that aggregate labour income rose. Increased employment in the public sector was offset by decreased employment in the private sector. The total number of self-employed workers remained constant at about 399,000.

Regionally, employment in November increased in Victoria, the Kootenay, the Cariboo and the Northeast. Modest gains in these places were offset by lower employment in Vancouver, the Mainland-Southwest and the North Coast-Nechako.

Regional unemployment rates are currently highest in the North Coast-Nechako, Cariboo and Kootenay regions, ranging from 9% to 11% of the labour force. The lowest jobless rates, in the 6% to 8% range, are in Victoria, the Northeast, Vancouver, the Mainland-Southwest and the Thompson-Okanagan. Vancouver Island had an unemployment rate of 8.5% in November.

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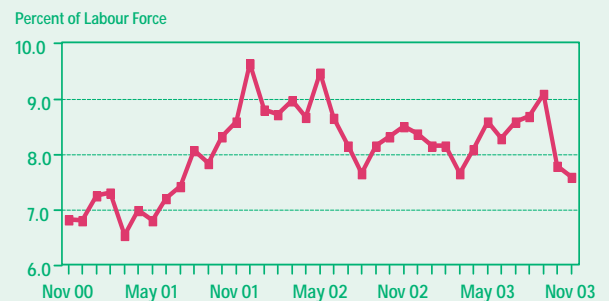
B.C. Employment (Seasonally Adjusted)



Source: Statistics Canada.

Unemployment rate lower

B.C. Unemployment Rate (Seas. Adj.)



Source: Statistics Canada.

Industries seeing significant job gains in November included wholesale trade, health services and finance. Modest gains in these industries were offset by lower employment in manufacturing and accommodation services.

Nationally, employment jumped in November by some 54,000 workers, following a strong gain of 65,000 in October. Most job growth in November occurred in Quebec. The national unemployment rate edged down to 7.5% from 7.6% in October on the strength of employment growth.

Job growth through 2004 in B.C. is expected to be moderate and uneven. Credit Union Central forecasts annual average employment will rise by 2% this year and another 2% in 2004. That follows a gain of 1.6% (31,000 jobs) in 2002. The B.C. unemployment rate is forecast to average about 8% through 2004, following last year's 8.5%.

Housing sales lower in November

A break in this year's strong housing sales upturn is evident in the latest sales figures released by B.C.'s three largest real estate boards. November MLS® residential sales for all three boards dipped below October's level after adjusting for the seasonal pattern. A drop in Vancouver's November sales came after a very strong October showing, while November's slide in the Fraser Valley and Victoria areas was the second straight monthly decline.

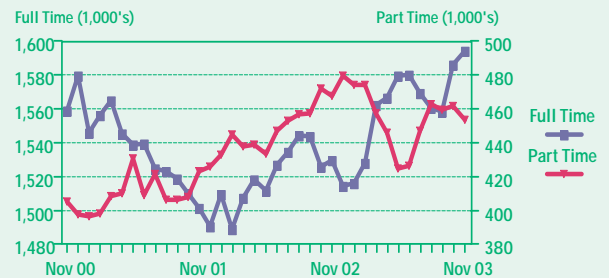
The modest rise in mortgage rates from early August is the likely culprit, with the three- and five-year closed-term posted rates up by almost one-half a percentage point, or 50 basis points.

Housing sales will probably close out the year on this softer note, but this comes on the heels of a substantial market upturn, with sales rising between 10% and 15% over last year in these real estate board areas. Further, this year's increase will be the third straight annual gain, following a roughly 20% rise in 2002 and a 30%-plus increase in 2001. Trend moves against the prevailing direction for two to four months are common, and the key is usually whether the demand drivers, such as mortgage rates, remain supportive for future sales. In a positive sign, the five-year mortgage rate dipped back down to 6.50% in late November.

We expect that the monthly sales trend will resume its upward path within the next two to four months and remain on a general uptrend in 2004, since we do not see mortgage rates rising substantially. There will be some volatility in rates, but the five-year mortgage

Full-time employment up, part-time employment down

Employment, Full & Part Time, B.C.
Number of Workers, Seasonally Adjusted

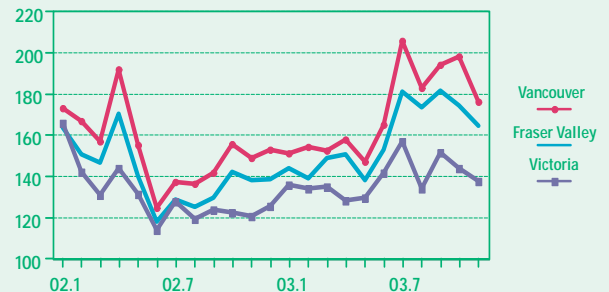


Source: Statistics Canada.

November housing sales dip

Residential MLS Sales - Greater Vancouver, Fraser Valley, and Victoria

1980 - 2002 = 100



Source: REBGV, FVREB, VREB, CUCBC.
Note: MLS - Multiple Listing Service.

Latest: Nov.

rate is forecast to average close to this year's average. Some additional demand support is expected from higher economic growth in these markets during 2004, compared to this year. Job growth in 2004 will be more than 3% in the Lower Mainland, for example.

The housing ownership market remains a tight or sellers' market. Sales-to-listings ratios are well into the sellers' market zone and prices are rising at a faster pace. Price increases are running at an annual rate of about 15% in the Vancouver REB according to its House Price Index (HPI). The HPI for the Fraser Valley REB is recording similar gains, although it's less robust in the townhouse and apartment markets than in Vancouver. Price gains in the Victoria market are also above 10%.

The market needs more supply to help alleviate tight market conditions. The number of new listings in November eased down from October, on a seasonally adjusted basis, in the three board areas. The trendline is still up, but another month or two of declines would cause a trend reversal. Higher prices usually bring more supply into the market and there is every reason to expect that this incentive will ultimately prevail. More listings usually result in more sales under tight market conditions.

Non-residential building permits down in October

Initiation of new non-residential buildings in B.C. dropped during October, primarily in the government-institutional and commercial categories. Industrial permits were higher. Since there is a fair amount of monthly volatility in these numbers, it's helpful to look at the trendline, which is rising slightly.

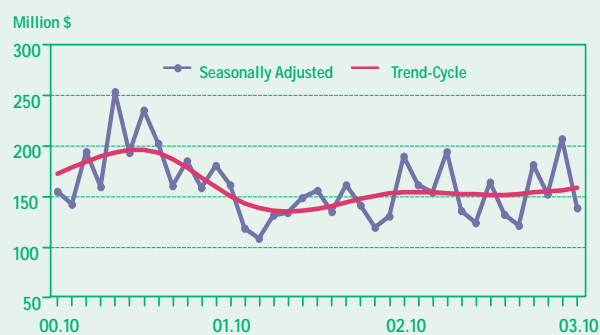
Current market conditions in commercial and industrial markets are not conducive to very high levels of new investment. The office vacancy rate remains high and the hotel occupancy rate is low. But the retail market is showing some strength, as is the industrial market. Commercial building permits, the largest of the three categories, are growing at a 6% annual rate, with industrial permits at a more robust 10%.

New government-institutional construction, the most variable category, is up 27% so far this year, following a 42% contraction in 2002.

The year-to-date gain in total non-residential permits is 7.9% and this will be fairly close to the change for all of 2003. Next year shows prospects for a gain of about 6% in total permits, but government permits will decline based on the province's capital spending plan. The federal government may step up funding or spending but, given the time lag between announcement and actual construction or permits, government construction will probably not increase until 2005. Similar commercial and industrial market conditions are likely next year, so no major rise or fall in the recent trendline is expected.

Non-residential construction down in October but trend is mostly flat

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



Source: Statistics Canada, CUCBC.

International tourists returning

Visitors to B.C. from other countries are on the upswing following the drop induced by multiple shocks earlier this year. Seasonally adjusted international entries dipped slightly in September from August but not enough to alter the upward trendline that began in June. The U.S.-Iraq war, SARS, and possibly mad cow disease deterred travel to B.C., and now that those shocks are over, visitor flows are rebuilding. Tourism is one of B.C.'s most important export industries.

September's dip might be related to the extreme forest fire situation, since the entire drop was in U.S. entries, and Americans were more likely to be aware of the fires than overseas visitors. Most U.S. visitors to B.C. are from the nearby U.S. Pacific states. Data for October and November will provide a better reading on this.

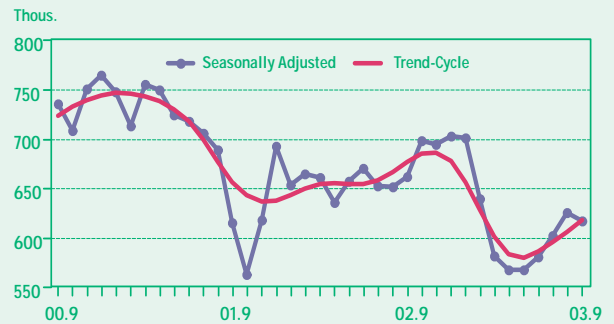
Looking ahead, the sharp appreciation in the Canadian dollar is cause for concern, since the travel-tourism industry is quite vulnerable. According to an Export Development Canada report, this industry has a low profit margin and a low import content (and hence savings from the higher dollar) in its output. Unfortunately, the dollar is likely to go higher, so its negative impact will be felt for many more months. A key offset will be a stronger U.S. economy in 2004 and 2005, but the net impact is uncertain.

Not all is grim on the currency front, since the dollar is down against the Euro and the Japanese yen is beginning to rise. This should help the overseas entries numbers going forward, as should the recovery in those economies.



Tourist traffic returning

International Entries via B.C., Monthly



Source: BC Stats, CUCBC.