



B.C.'s merchandise export revenue down in October

International exports of goods originating in B.C. dropped in value by \$200 million (-7.8%) in October, to \$2.35 billion, after adjusting for seasonal effects. October's total merchandise export revenue is the lowest since May of this year.

Export revenues had been trending upward since May, mainly because of profitable price levels and strong demand for energy and non-metallic minerals. However, those gains have been wiped out by the higher U.S.-Canadian exchange rate and weak prices and volumes for lumber and other machinery and consumer goods in October. Growth of international exports of B.C.-origin goods has essentially stalled over the past two years.

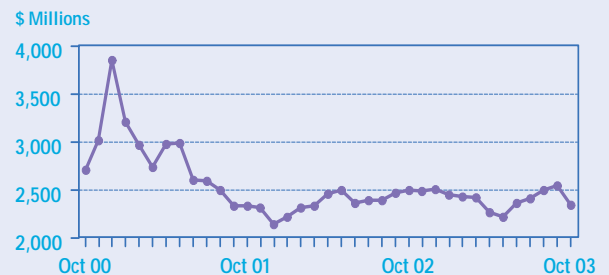
In October, industrial goods exports, mostly minerals, dropped \$44 million (-13.2%) on a seasonally adjusted basis. Forest product exports fell \$37 million (-3.4%), while exports of automobile parts, other machinery and equipment, and consumer goods fell \$59 million (-9.5%). Energy exports increased \$40 million (+8.9%) as cold weather arrived in the U.S.

In the first ten months of 2003, B.C.-origin exports dropped by \$29 million (-0.1%) compared to the same period last year. Year-to-date, energy exports have jumped by \$1.47 billion (+50%), while exports of industrial goods and materials have risen by \$122 million (+3.9%). These gains were offset by a \$1.23 billion (-10.8%) plunge in forest product exports and a \$382 million (-5.6%) drop in exports of all other goods.

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 appears to be perking up in the fourth quarter. The exchange value of Canada's currency relative to our main trading partners rose again in October, dampening Canadian export revenues. U.S. trade barriers on imports of Canadian lumber, beef and other goods and services also continue to stifle B.C.'s export growth.

B.C.'s merchandise export revenue turns down in October

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



Source: Statistics Canada

Credit Union Central of British Columbia's most recent forecast sees an increase in exports of B.C.-origin goods of about 1% or 2% this year and a further 5% in 2004. This forecast will need to be revised downward by 2% or 3% per year to reflect widespread deterioration in the terms of trade between the United States and many other countries, including Canada.

Canadian dollar keeps rising in November

The Canadian dollar continues to appreciate relative to the U.S. dollar, averaging 76.2 cents U.S. in November. The Canadian dollar also rose in value relative to the Japanese yen, reversing four straight months of depreciation, and it resumed its year-long appreciation relative to the Euro.

The higher Canadian dollar exchange rates relative to the currencies of our major trading partners has a lagged but negative effect on Canadian and B.C. export revenues. At the same time, 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.-Canadian exchange rate in November was an increased flow of U.S.-dollar-based investment funds into Canadian bills, bonds, stocks and other marketable financial assets. Capital was less attracted to the U.S. because the American dollar appears set for further depreciation against major world currencies. As well, Canadian government fixed-income securities have a higher yield than equivalent U.S. federal securities over the short term.

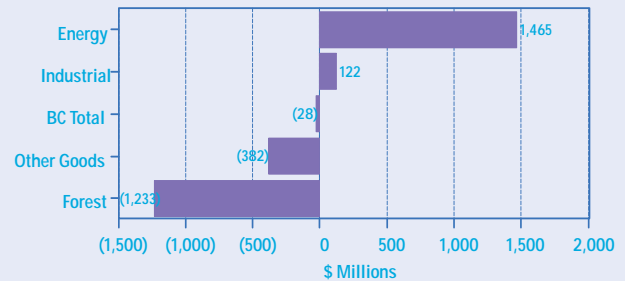
Credit Union Central forecasts that the Canadian dollar will remain higher over the next several years, averaging about US\$0.77 through 2004. That compares with an average of US\$0.64 in 2002. There is some upside risk to this currency forecast, with a small chance that the exchange rate could reach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

Vancouver multiples starts lower B.C. total in November

Multi-family housing starts in the Vancouver metro area dropped in November following four months of strong growth. This led to a dip in total housing starts in urban B.C. in November, the first monthly decline since May. Vancouver City multi-unit construction is a significant element of total B.C. starts and affects the provincial total. Market conditions remain very favourable for increased condominium construction and the upward trend in starts remains intact in the rest of B.C.

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

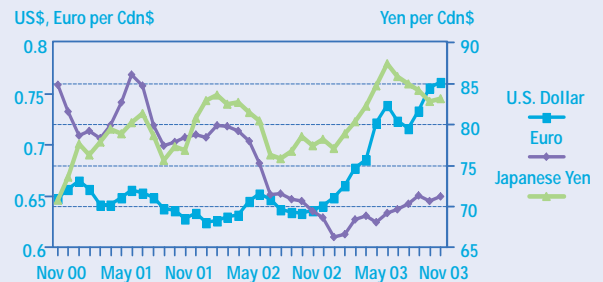
B.C. Origin International Goods Export Revenues Jan-Oct 2003 less Jan-Oct 2002



Source: Statistics Canada

U.S.-Canadian dollar exchange rate up again in November

Selected Currencies per Canadian Dollar Monthly Averages



Source: Bank of Canada

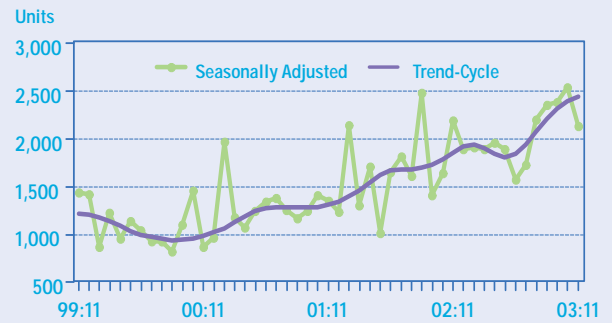
Total housing starts in urban B.C. hit 2,167 units in November according to preliminary data, down from 2,865 starts in October. On a seasonally adjusted basis, November starts dipped by 407 units (-16%). For the first 11 months of 2003, housing starts in urban B.C. are up 21% over the same period of 2002.

Construction of new single-detached houses in the Vancouver metro area soared in November to their highest level since February, following three straight months of decline. Single-detached house construction in the rest of the province remained high in November, following three months of strong growth. Lot supply is somewhat tight in metro Vancouver and the market for single-detached homes and ground level, attached townhouses is under-supplied.

Our 2003 B.C. forecast is for total starts of 26,200 units, with single-detached at 12,300 units, and multi-unit starts at 13,900 units. This will be revised upward slightly by about 800 units. Next year's forecast is currently for 28,800 units, with a 13,500 and 15,300 split between single detached and multi-family. The 2004 forecast will be revised upward somewhat as well, to perhaps 29,900 total dwelling units.

Housing starts dip in November

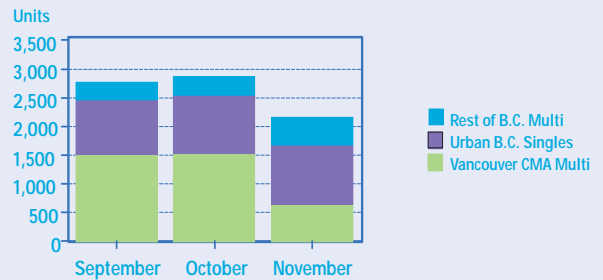
Total Housing Starts, Urban B.C. Monthly



Source: CMHC, CUCBC

Vancouver multi-family starts drop in November

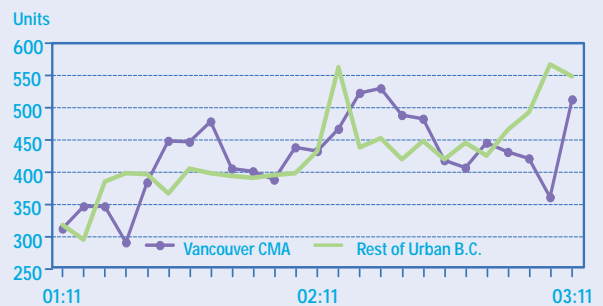
Housing Starts by Selected Areas and Dwelling Type, Urban B.C.



Source: CMHC

Single-detached construction rebounds in Greater Vancouver

Single Detached Housing Starts, by Selected Areas, Monthly



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