



B.C.'s inflation rate up again in March

Consumer price inflation continued to accelerate in British Columbia in March, with higher prices for gasoline, fuel oil, clothing, fruit, vegetables, reading material and cigarettes leading the way. The all-items Consumer Price Index (CPI) for B.C. in March increased by 0.8% from February and 3.4% from one year ago. The inflation rate averaged 3.2% on an annual basis in the first quarter, up from 2.3% a year earlier.

Volatile energy prices continue to drive up inflation, although gasoline prices have eased back somewhat in April. Excluding energy prices, the CPI for B.C. in March was up 0.4% from February and 2.3% from March 2002. Gasoline prices were up 9% from February and 32% from a year ago. Fuel oil prices rose 19% from February and 47% from March last year.

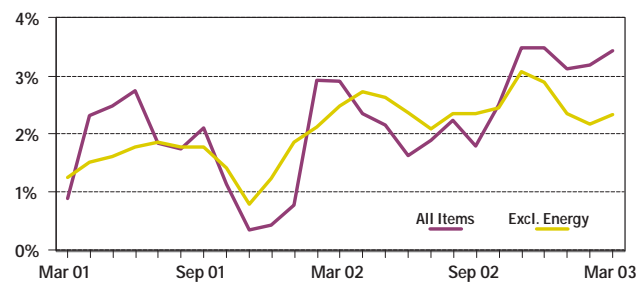
Consumer price inflation in March was partly offset by lower prices for dairy products, beverages, health-care products and household operations.

Consumer price increases have been fairly consistent in both the metropolitan and rural regions of B.C. At 3.4% over the past 12 months, B.C. has the second lowest consumer price inflation rate among provinces. However, in the past several months, inflation has been considerably higher in the Atlantic and Western provinces than elsewhere in Canada.

Credit Union Central of B.C. forecasts that consumer price inflation in B.C. will average about 2.3% this year.

Consumer price inflation up again in March

B.C. Consumer Price Index
Year-over-Year Per Cent Change



Source: Statistics Canada.

Retail sales rise for second month

Retail sales in B.C. increased for the second straight month in February, following a temporary decline in December last year. After adjusting for seasonal influences, retail sales totalled \$3.47 billion in February, up \$22 million (0.6%) from January. Sales were also up from one year earlier, rising \$155 million (4.7%) from February 2002 (seasonally adjusted).

The current trend rate of growth in B.C. retail sales is about 5%, down from 5.7% in 2002. The current rate is accelerating outside of metropolitan Vancouver, but slowing down within the metropolitan area.

National figures indicate that consumers spent more in March on gasoline, motor vehicles, specialty foods and semi-durable goods than they did in February. Increased spending on these goods was partly offset by lower spending on clothing, household furniture and appliances, automotive parts and durable goods.

Credit Union Central forecasts that growth in B.C. retail sales will continue through this year and next. Sales are predicted to total about \$42.8 billion this year, up 6.3% from 2002, with a downside forecast risk.

U.S. economic growth remains slow

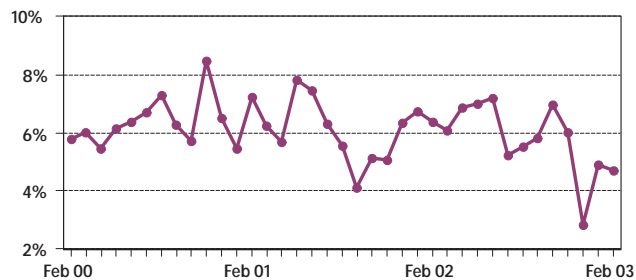
The first take on first-quarter Gross Domestic Product (GDP) indicates that the U.S. economy grew at a slow 1.6% rate, following the 1.4% pace of last year's final quarter. Keeping the economy going are consumer spending, residential investment and an improved net exports position. Non-residential investment shrank, with investment in structures declining at a 3.4% pace, while equipment and software spending posted its first decline in four quarters.

A weak first quarter was widely expected, since some activity was held back by Iraq-induced uncertainty and high energy prices. Various other economic indicators pointed to a mixed and sluggish economy. Employment fell as did consumer confidence and industrial production.

Second-quarter growth is expected to be in the 2% range before improving in the second half. Low interest rates, more fiscal stimulus, improving consumer and business confidence, a weaker dollar, and lower energy prices will set the stage for stronger growth ahead. A pick-up in business inventory investment and fixed investment, driven by replacement demand, cost competition and greater business confidence, will be key to those higher growth rates. The U.S. consumer has been carrying the economy and keeping it out of recession, but the economy needs investment spending to push growth up one or two steps.

Retail sales rising; growth rate slowing

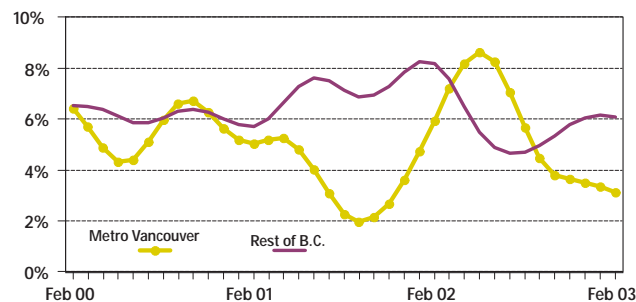
B.C. Retail Sales, Seasonally Adjusted
Year-over-Year Per Cent Change



Source: Statistics Canada.

Retail sales growth rate faster outside of Vancouver metro area

B.C. Retail Sales Growth Trends by Region



Source: Statistics Canada and Credit Union Central of B.C.

B.C.'s economic growth is linked to the U.S., and America's sluggish growth performance spreads to B.C. in the form of lower exports to the U.S. A strong U.S. housing sector helps B.C. more than the headline GDP growth rate suggests, but at this time U.S. lumber duties and low lumber prices are limiting those positive economic benefits to B.C. Once U.S. growth reaches a higher and more normal rate, B.C.'s economy will correspondingly gain.

Growth remains sluggish

U.S. Real GDP, S.A., Quarterly

Per Cent Change Annualized

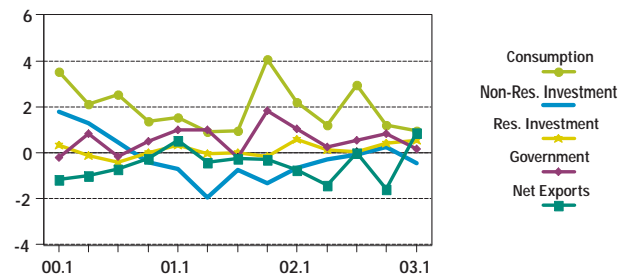


Source: U.S. Commerce Dept.

Consumption spending remains economy's growth mainstay; trade boost in first quarter

Contributions to Real GDP Growth, U.S., Quarterly

Per Cent Change Annualized



Source: U.S. Commerce Dept.

