



Retail sales growth low

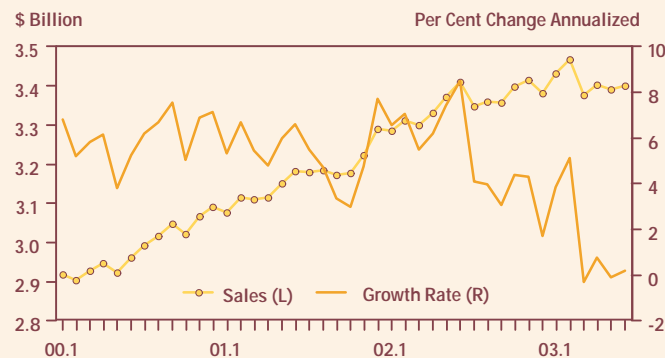
B.C. consumers spent slightly more in retail outlets in June, but sales growth remained low. In recent months, it has been less than 1% annualized, compared to 4% to 5% in late 2002 and earlier this year. The overall Canadian rate shows a similar downshift, but is higher, at about 3%. Part of the reason for the overall decline is the drop in energy prices, following a spike in the first quarter, and weaker motor vehicle sales in the second quarter.

Stripping out sales at gasoline service stations and at motor vehicle dealers, retail sales are growing at a 3% pace in B.C. Shoe store sales soared nearly 10% in the second quarter, which is all the more impressive following a 6.5% gain in the first quarter. Sales at furniture and related stores were running at a 3.5% rate in the second quarter and food stores saw 4.3% growth. Clothing stores enjoyed 5% growth but drug stores had a slight decline. (Statistics Canada makes retail sales by type of outlet available on a quarterly basis at the provincial level.)

Geographically, retail sales are a little stronger outside the Vancouver metropolitan area this year, as they were in the second half of last year. Vancouver metro area sales growth was only 1% in the first six months of this year, while the rest of

Retail spending slowdown

BC Retail Sales, Seasonally Adjusted, Monthly

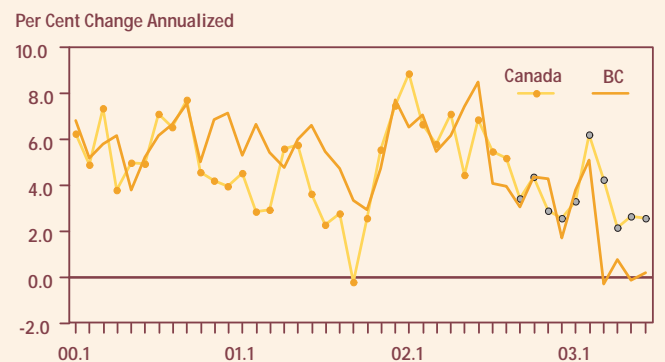


Source: Statistics Canada, CUCBC.

Latest: June

BC falls below Canada

Canada and BC Retail Sales Growth Rate, Monthly



Source: Statistics Canada, CUCBC.

Latest: June

B.C. saw a rate of about 3%. For B.C. as a whole, retail sales are up 2% over the first half of last year. Job growth is strongest in the Vancouver area this year, increasing 3.6%, but this is not reflected in retail sales. Housing market activity is up in most regions of B.C. and, in percentage terms, sales and starts have had greater gains in regions outside of Vancouver.

Our retail sales growth forecast for the whole year needs to be revised downward to 3% from the 6% predicted in the Spring 2003 BC Economic Forecast Report. Even this revised forecast depends on a growth pick-up in the second half. Housing market activity is expected to hold up very well and lower borrowing costs (prime lending rate) will also help. The swing factor will probably be energy prices, and any prolonged back-up in gasoline prices will boost the value of retail sales. Auto manufacturers could launch another round of sales incentives and that would drive retail sales higher than forecast.

Consumer price inflation slows again

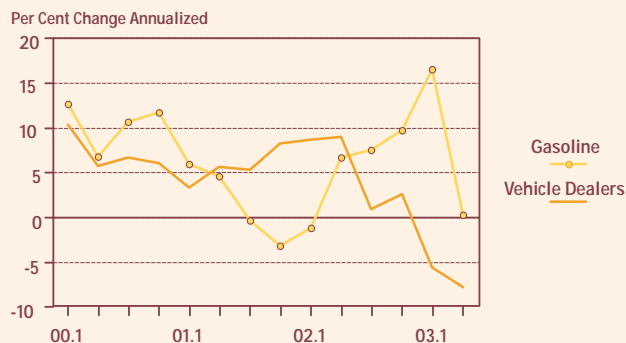
Consumer price inflation in British Columbia remained low in July after dropping rapidly in May and June. The all-items Consumer Price Index (CPI) for B.C. has increased 1.7% over the latest 12 month period, equal to the rate seen in June. That compares to average inflation of 2.5% so far this year and 2.3% for 2002 as a whole.

Excluding volatile energy prices, the CPI for B.C. in July rose 0.3% from June and remains up only 1.6% from one year ago. Prices for fresh fruit, non-alcoholic beverages, gasoline and inter-city transportation increased in July, while prices for meats, breads and cereals declined.

July's consumer price inflation rate was similar in both metropolitan and rural B.C., although inflation in Greater Vancouver is currently running slightly below the provincial average. Compared with other provinces, B.C. has had the second-lowest inflation rate over the latest 12 months (Manitoba is lowest). The headline inflation rate for Canada in June was 2.2% annualized, down sharply from 2.6% a month earlier.

Gasoline price spike and shrinking car sales

BC Gasoline Stations and Vehicle Dealers Retail Sales Growth, Quarterly

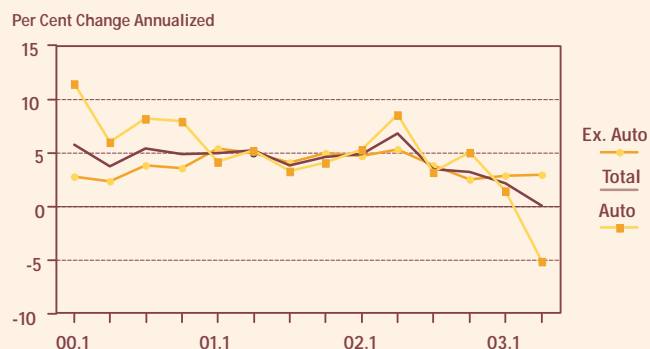


Source: Statistics Canada, CUCBC.

Latest: Q2

Auto related sales down, rest growing moderately

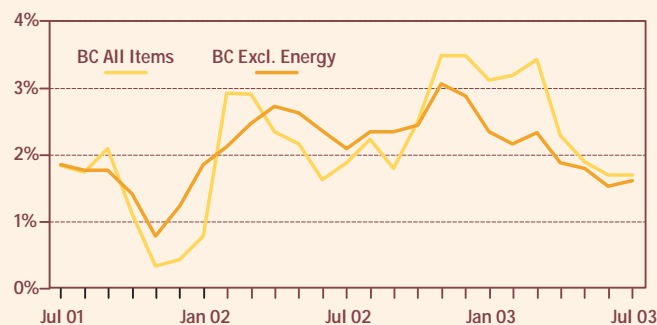
BC Auto and Excluding Auto Retail Sales Growth, Quarterly



Source: Statistics Canada, CUCBC. Note: Auto includes all related spending. Latest: Q2

Consumer price inflation low and stable in July

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



Source: Statistics Canada.

Credit Union Central forecasts consumer price inflation in B.C. will average approximately 2.3% in 2003.

B.C.'s merchandise exports rise in June

International exports of goods originating in B.C. rose in value by \$103 million (4.2%) in June, to \$2.57 billion, after adjusting for seasonality. Forest product exports fell \$80 million (-7.8%), as reasonably strong demand together with over-supply continued to weaken lumber prices in North America. Energy exports dipped by \$9 million (-1.5%), owing to a drop in the price of natural gas. Exports of industrial goods and materials and other goods also fell in June, as the rising Canadian dollar and weak industrial production cut revenues from the U.S., Europe and parts of Asia.

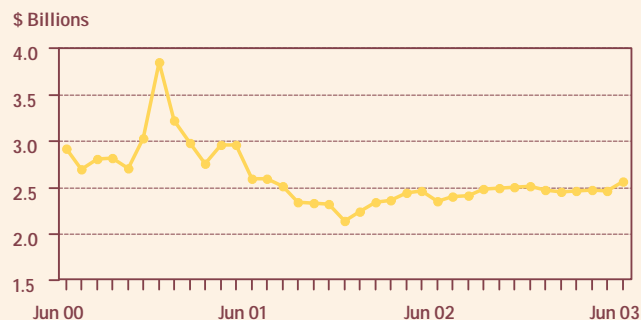
June's increase marks the first significant monthly gain since early 2002 in seasonally adjusted, B.C.-origin export revenues. It will take at least two more monthly increases to know whether June marks a return to export growth for B.C. or is just a statistical aberration. A slowdown in U.S. and global economic growth has dampened exports worldwide, and the rising value of Canada's currency relative to our main trading partners has also cut export revenues. U.S. trade barriers against imports of Canadian lumber, beef, and other commodities are also hurting B.C.'s exports. Odds are that a sustained upturn will occur later rather than sooner.

In the first six months of 2003, B.C. origin exports increased \$672 million (4.6%) compared to the same period last year. Energy exports rose \$1.65 billion, while exports of industrial goods and materials were up \$113 million. But these gains were partly offset by a \$975 million plunge in forest product exports and a \$125 million drop in exports of all other goods.

Credit Union Central of British Columbia forecasts an increase in exports of B.C.-origin goods of about 2.5% this year and a further 8% in 2004. However, there is a chance that 2003 will record a small decline. Most economic forecasters see at least a moderate acceleration in U.S. and global growth in the second half of this year. When U.S. growth takes off, the growth of B.C.'s exports will follow.

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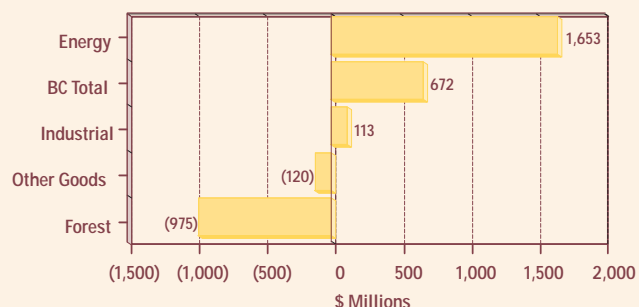
B.C. Origin International Exports of Goods Monthly, Seasonally Adjusted



Source: Statistics Canada.

So far this year, energy and mineral exports up while forest and other exports down

B.C. Origin International Goods Export Revenues Change Jan-Jun 2003 from Jan-Jun 2002



Source: Statistics Canada.

