



B.C. housing construction brisk

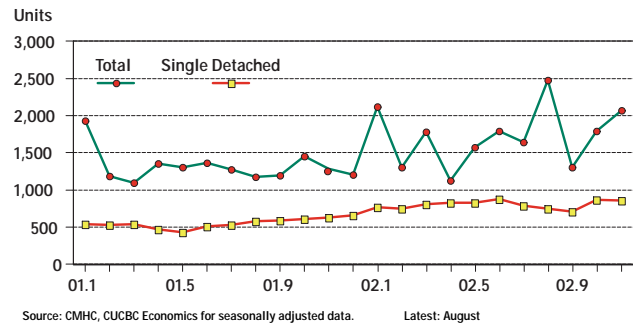
The pace of housing starts in B.C. remains on a brisk uptrend and there are no signs of it abating any time soon. November housing starts climbed to 2,073 units seasonally adjusted, the highest level in three months and the third-best monthly result this year. Multi-unit starts are behind the monthly gain, with seasonally adjusted starts rising to 1,225 units from 930 in October. Single-detached housing construction volume is little changed between those two months, but the trend is still upwards.

Starts in the Vancouver metropolitan area boosted B.C.'s November total, with a large monthly jump in multi-units starts to 1,041 units from 406 in October. Single-detached starts are beginning to firm after a five-month slowdown. Statistics Canada's New House Price Index for October also showed more life, with a pick-up in the appreciation of contractor's selling prices mainly on single-detached housing.

In Victoria, the New House Price Index is rising at a 6% annual rate, although this includes an abrupt jump in the index in May. Victoria metropolitan housing starts are on a more moderate uptrend than in Vancouver since multi-unit construction is not as buoyant. Single-detached starts bounced back in November, but are still at a lacklustre pace given the rate of price increases.

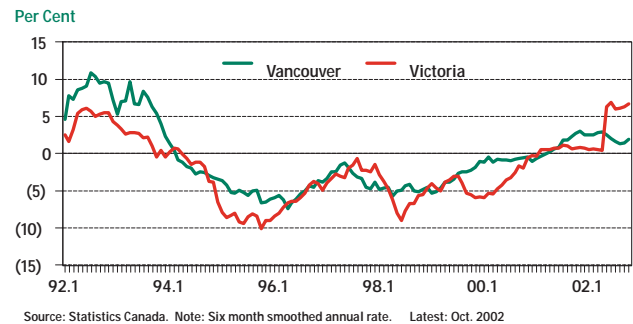
Multi-units lift November starts

Housing Starts, S.A., Monthly, Urban B.C.



Victoria prices shoot up; price increases ease in Vancouver

New House Price Index, Vancouver CMA and Victoria CMA



B.C. housing starts are forecast to hit 22,500 units this year, up 30% from 2001. Data through to November puts urban B.C. area starts at 19,105 units, also up 30% from the same period last year. The larger percentage gains are in markets outside of Vancouver and Victoria, since activity levels had fallen so much lower and that low starting point makes for large relative gains. Abbotsford starts are up by more than 140% and Kelowna is up 37%. By comparison, starts rose by 21% in the Vancouver area and by 5% in Victoria.

Our forecast for housing starts in 2003 sees higher volumes and prices. Starts are expected to reach 25,400 units, with the New House Price Index rising more than 5%. Housing sales will continue to be driven by low mortgage rates and helped by moderate economic growth.

U.S. consumer coming alive

Consumer confidence in the U.S. rose again in December, according to preliminary results from the University of Michigan. Consumers are feeling better about their personal situation, as well as the outlook for the national economy. The improvement in sentiment could be due to rising equity prices, lower interest rates, and steady income growth. These results are encouraging news for retailers and economic policy makers, since any sustained drop in consumer spending at this juncture would put the economic recovery at substantial risk.

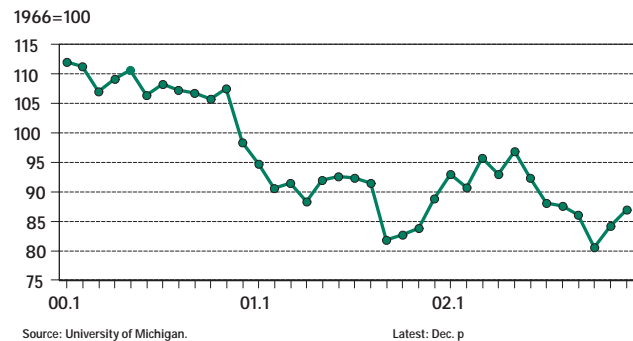
U.S. retail sales rose 0.4% in November, corroborating the consumer sentiment gains. Auto sales fell slightly but, more importantly, non-auto sales were stronger.

Consumer fundamentals appear fairly good. Wage and salary gains are improving, as is disposable income growth. Low interest rates facilitate spending and high refinancing activity. There are some downside risks, which include a lessening in pent-up demand, wealth declines, and high debt levels. Moderate consumer spending and retail sales growth is likely for the coming months.

B.C.'s economy benefits from a stronger U.S. economy, so when America's key consumer sector is healthy, that bodes well for B.C. exporters. B.C. and Canadian retail sales growth has slipped in the three months ending September (the latest figures available from Statistics Canada) and it is quite likely that the reinvigorated growth in the U.S. will be repeated here.

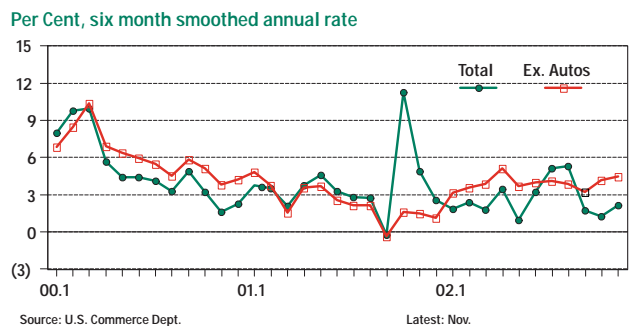
Consumer confidence rebounding

U.S. Consumer Sentiment Index, Monthly



November U.S. retail sales growth higher

U.S. Retail Sales, S.A., Monthly



HAPPY HOLIDAYS - this is the last Weekly Briefing for 2002

