



Employment in B.C. steady in June

The number of people employed in British Columbia rose slightly in June after two consecutive monthly declines. Total employment in B.C. increased by approximately 2,100 after adjusting for seasonal effects. Total employment is now a mere 12,000 workers higher than it was at the start of the year and 32,500 workers higher than one year ago.

June's job gains mainly included part-time workers, public-sector employees, employees in Greater Vancouver and workers in service industries. The rising Canadian dollar and trying geopolitical relations are dampening international tourism and export growth in B.C.

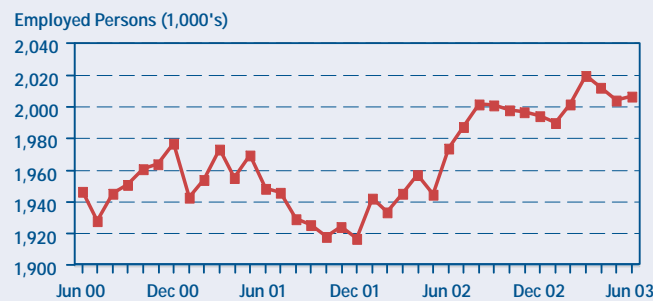
B.C.'s unemployment rate in June was 8.3% of the labour force on a seasonally adjusted basis, down from 8.6% in May. The drop was mostly due to lower participation in the labour force, but also reflected the slight increase in total employment. B.C.'s jobless rate has trended around 8.3% over the past 12 months.

Full-time work held steady in June after four consecutive monthly increases; Part-time jobs rose by approximately 2,000. June's job gains were almost entirely within the public sector (+11,400) while private-sector employees declined (-10,000) and self-employed workers rose slightly.

Regionally, June's job gains occurred mainly in Greater Vancouver but also in the Thompson-Okanagan and Cariboo regions. Total employment was little changed in the Kootenay, North Coast, Nechako and Northeast regions. Employment fell on Vancouver Island.

Employment steady in June

B.C. Employment (Seasonally Adjusted)



Source: Statistics Canada.

Unemployment rate down in June

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



Source: Statistics Canada.

Regional unemployment rates are currently highest in the Cariboo (13%), Kootenay (11.4%), North Coast-Nechako (10.9%) and Thompson-Okanagan (9.5%) regions. Jobless rates are currently lowest in the Northeast (7.2%), Mainland-Southwest (7.3%) and Vancouver Island (8.6%) regions.

Industries showing net job gains in June included accommodation and food services (+4,800), construction (+4,500) and public administration (+3,900). These gains were mostly offset by employment losses in such industries as manufacturing (-6,900), transportation and warehousing (-6,300) and education services (-3,800).

Job growth through 2004 is expected to be moderate by historical standards. Credit Union Central of B.C. forecasts annual average employment will rise by 1.6% (31,600 jobs) this year and another 1.7% (34,100 jobs) in 2004. This 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%.

Multi-family structures lead B.C. housing starts higher in June

Housing starts posted a modest rebound during June on the strength of more multi-family activity. Single detached starts remained on their modest temporary decline. Seasonally adjusted housing starts rose to 1,674 units from 1,614 units in May with single detached starts slipping down to 845 units. These monthly changes are not significant when viewed against the backdrop of low mortgage rates, rising housing sales, and higher prices.

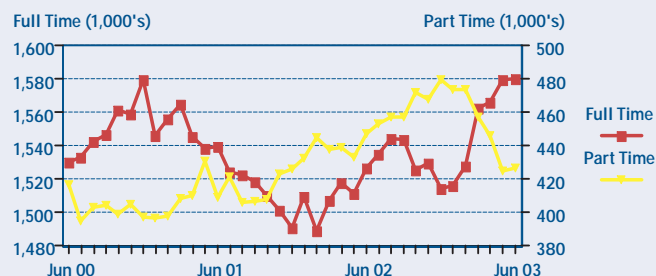
Statistics Canada's New House Price Index for Vancouver and Victoria is recording gains of 4% to 5% on a rising trend line. Sellers' market conditions and higher input costs are behind those increases and there is no sign of any change on the horizon. Construction wages are accelerating and land costs are rising.

The recent slippage in single detached starts during the past four months is not a concern and is viewed as temporary. Current market conditions are too favourable for any sustained decline to materialize and future market conditions should also remain conducive to more investment. June sales data backs this up since higher sales leads to higher prices and subsequently to more starts. Supply constraints could be a factor holding back single starts but that is difficult to verify at this time.

Our forecast for BC housing starts was raised last month to 26,200 units for this year and to 28,800 units for 2004 on the basis of lower than expected mortgage rates. Single detached starts (all areas of BC) are forecast to rise to 12,700 units this year and to 14,000 units next year. A pickup in the monthly trend is needed to achieve these forecasts.

Employment quality steady in June

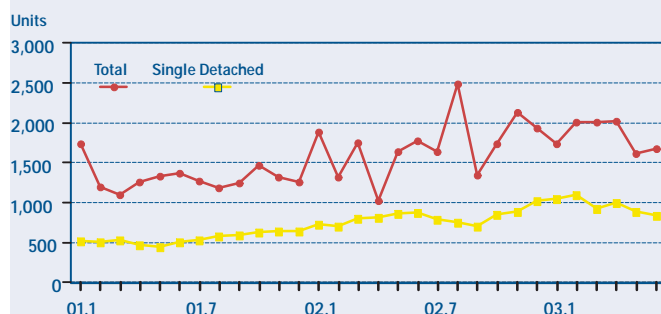
Employment, Full & Part Time, B.C.
Number of Workers, Seasonally Adjusted



Source: Statistics Canada.

Multi-units up in June, singles slip

Housing Starts, Seasonally Adjusted, Urban B.C.



Source: CMHC, CUCBC.

Latest: June

B.C.'s export growth stalled

International exports of goods originating in B.C. dipped in value by \$65 million (-2.5%) in May, to \$2.38 billion, after adjusting for seasonal effects. 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%) as the price of natural gas dropped slightly. Exports of industrial goods and material and other goods also dipped in April as the rising Canadian dollar together with weak industrial production cut revenues from the U.S., Europe and parts of Asia.

In the first five months of 2003, B.C. origin exports increased \$702 million (5.8%) compared to the same period last year. Year-to-date energy exports rose \$1.56 billion year-over-year while exports of industrial goods and materials increased \$135 million. These gains were partly offset by a \$909 million drop in year-to-date forest product exports.

May's dip marks two consecutive months of lower, seasonally adjusted, B.C.-origin export revenues. 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 on imports of Canadian lumber, beef, and other commodities are also dampening B.C.'s exports.

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, with some downside risk. 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.

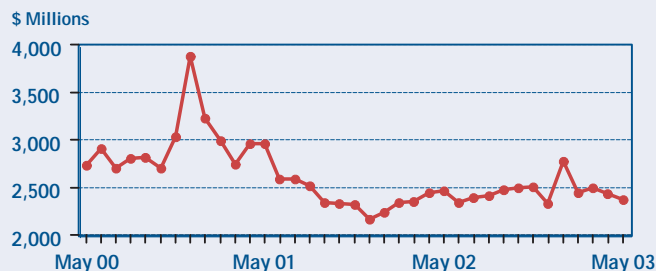
Canadian dollar rise continues in June

The Canadian dollar continued to rise in value relative to most of our major trading partners in June. The dollar appreciated further against the U.S. dollar, Japanese yen and Euro while holding steady against the U.K. pound. The rising Canadian dollar dampens Canadian and B.C. exports, but lowers the cost of imported goods and services. On balance, it is a negative factor for B.C.'s economic growth.

The main source of continued strength in the Canadian dollar is the increased international flow of money and capital into Canadian treasury bills, bonds, stocks and other assets. Capital is attracted to Canada because T-bill yields and stock market returns are higher here than they are in the U.S., Japan and Europe. This in turn is due to a near-term outlook for economic growth that is somewhat brighter for Canada.

B.C.'s export growth stalled

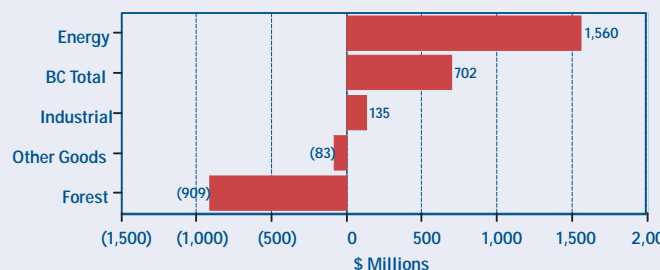
B.C. Origin International Exports of Goods Monthly, Seasonally Adjusted



Source: Statistics Canada.

Energy and mineral exports up while forest exports down

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



Source: Statistics Canada.

Credit Union Central forecasts the Canadian dollar will continue to rise over the next several years, averaging US\$0.72 to US\$0.73 this year and about US\$0.75 in 2004, with some upside risk. That compares with an average of US\$0.64 last year.

Our rising dollar has several important consequences. First, it is expected to reduce B.C.'s real GDP growth rate by up to one percentage point, owing to lower export growth. Second, domestic interest rates will not have to increase as much as expected, since the soaring dollar acts like a rising bank rate to dampen expected inflation. Finally, Canadians will get more "bang for their buck" when purchasing imported goods and services.

Bank of Canada on hold

Friday's employment report for Canada (plus 50,000 jobs) cinches the Bank of Canada's decision at its July 15 rate setting meeting. Even though the May merchandise trade was weaker and the dollar remains over 72 cents US, the Bank will keep rates unchanged since the jobs report indicates an end to the soft growth period and cutting rates could unnecessarily spur growth and cause unwanted inflation later on.

The Bank will cite a still uncertain economic outlook as a reason to stay on hold since it is not clear whether June's 50,000 job gain is more of a one-off occurrence or the beginning of a sustained trend. Most of those jobs were part-time and the summer student influx no doubt played a role, as did a SARS bounce back. Manufacturing jobs declined again but transportation rebounded and private sector employment fell while public jobs increased. There were some negatives in the June labour report but not enough to prompt the Bank to cut rates.

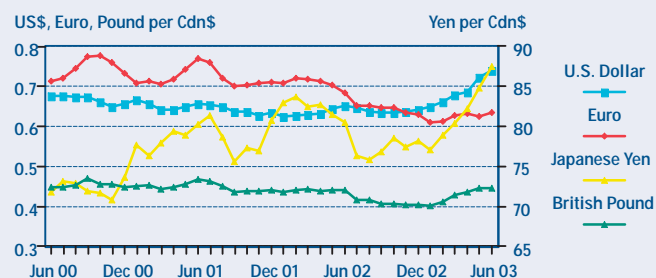
The Canadian dollar gained ground on the jobs report even with a weak trade report, which normally would send the dollar lower. Markets were factoring some probability of a rate cut and that helped to send the dollar lower during the past week to just over 72 cents US from nearly 75 cents US. But, when the jobs report came out, the dollar gained to about 72.5 cents US.

There is considerable debate amongst economists on the size of the negative impact of the higher currency on the broader economy. Even the Bank is not sure and that is another reason for it to stay on hold to assess the situation and await further data. The direction of the impact is not in debate but rather its magnitude and May's trade report highlighting manufacturing export losses is telling.

The Bank in all likelihood will not cut rates on July 15 but it still should since the dollar has risen as much as it has. Even with the past week's pullback, the dollar is up well over 10% from earlier this year and that represents a significant amount of monetary tightening on the Canadian economy. A growth resurgence in the US economy later this year and in 2004 will help offset some of the higher currency's negative impact on Canadian exports. This debate is far from resolved or over.

Canadian dollar rising

Selected Currencies per Canadian Dollar Monthly Averages



Source: Bank of Canada.