



B.C.'s export growth trend remains stalled

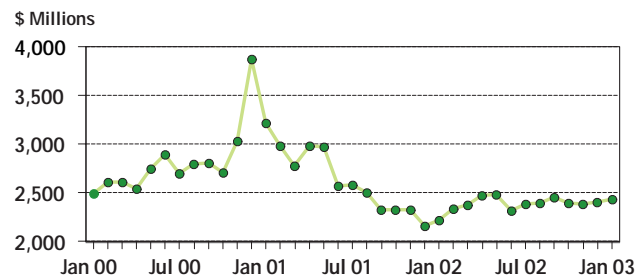
International exports of goods originating in B.C. rose in value by \$32 million (+1.3%) in January to \$2.44 billion, after adjusting for seasonal effects. Energy exports rose by 6.4% on a trend-adjusted basis as below-normal winter temperatures pushed up demand and supply constraints drove up prices. Exports of agricultural and fish products trended up by 1.6%, while the trend for miscellaneous consumer product exports was up by 1.1%. The trend level of automotive product exports, including motor vehicles and parts, dropped 5% in January.

Exports rose strongly in the first half of 2002, but by June a slowdown in the growth rate of the U.S. and global economies led to a stall in export growth. The trend level of goods exports from B.C. has been essentially flat since then. Higher energy prices are expected to lead an increase in the value of exports of B.C. origin in 2003, with most other commodities having moderate price and volume increases.

Central forecasts an increase in exports of B.C. origin goods of between 2.5% and 4.5% for 2003. The year is off to a slow start so far, with a current trend projection pointing toward the lower end of the forecast range. However, most economic outlooks foresee at least a moderate acceleration in U.S. and global growth in the second

B.C. exports steady in January

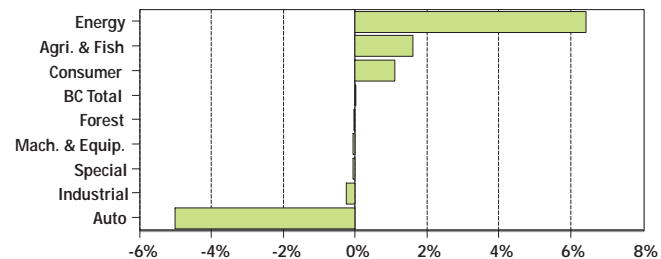
B.C. Origin International Exports of Goods Monthly, Seasonally Adjusted



Source: Statistics Canada.

Energy exports trend up; Automotive exports trend down

B.C. Origin International Goods Export Revenues Latest One Month Percent Change in Trend, Jan. '03



Source: Statistics Canada and CUCBC Economics.

half of 2003. If U.S. growth accelerates, the growth of B.C. origin exports will be near the higher end of our forecast range.

Housing starts rise in February

B.C. housing starts in February stayed on the upward trend that began in mid-2001 and saw a 30% annual gain in 2002. Rising sales of existing residential property, higher property prices, and low inventories of new and existing dwellings for sale prompted developers and builders to maintain aggressive production levels in February.

After adjusting for seasonal factors, single-detached construction increased to 1,131 houses, up 57 units (5%) from January. Multi-unit starts increased to 908 units, up 265 units (41%) from January, after seasonal adjustment. Total starts in B.C.'s urban areas were 1,992 units, seasonally adjusted, a rise of 300 units (18%).

Trends varied across the large urban areas. In metropolitan Abbotsford, seasonally adjusted starts totalled 83 units, down 14 (-14%) from January. In Kelowna, starts rose by 23 units (10%) to 242, while metropolitan Vancouver saw starts climb to 1,304 units, up 106 (9%). In metropolitan Victoria, starts were down by 157 units to 81, a 66% drop.

Credit Union Central's forecast for 2003 calls for another solid year, with total B.C. starts of 25,400 units. That will be a gain of about 2,900 units (13%) from last year. New housing prices are expected to rise about 5% this year, following last year's estimated 3% gain, based on the New House Price Index. According to Multiple Listing Service data, the average sales price of new, detached units rose 13% last year, based on just over 1,000 sales.

Key U.S. consumer gauge falls

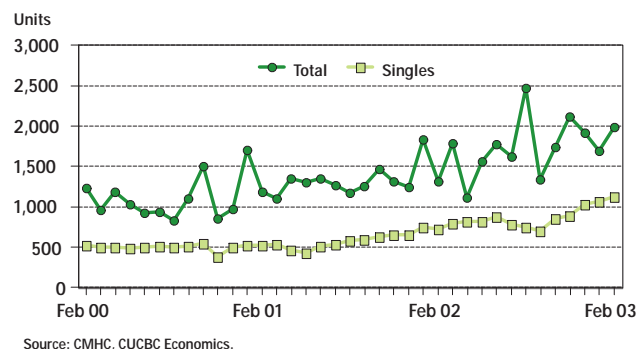
Consumer confidence in the U.S. continues to drop amid war worries, a weak job market and high energy prices, making the near-term consumer spending outlook rather bleak. The University of Michigan's preliminary March index of consumer sentiment fell for a third straight month to 75.0, its lowest since October 1992, from 79.9 in February. Consumer spending accounts for about two-thirds of the U.S. economy and has kept the U.S. recovery alive.

The current conditions index, which tracks consumers' attitudes about their present financial situation, fell to a preliminary reading of 87.1 in March from 95.4 in February. The expectations index, which gauges the 12-month outlook, fell to 67.2 from 69.9.

Both of these indexes are at their lowest level in over a decade. With a war on Iraq widely expected in the next few weeks, consumer sentiment will likely be volatile in reacting to the duration and outcome of any conflict.

Housing starts climb in February

Housing Starts, Urban B.C. (Seasonally Adjusted)



Consumer fundamentals are not as bad as the sentiment index suggests, since disposable income continues to grow, interest rates are very low, and retail prices are flat. Retail sales were weak in February, but special factors including weather were at least partly responsible. No doubt, the near-term outlook for spending is becoming increasingly uncertain.

Canada's and B.C.'s export performance is linked to U.S. consumer spending. Last year, more than 85% of Canadian goods exports went to the U.S. While B.C.'s 68% share is one of the lowest among the provinces, the U.S. is B.C.'s largest market and the one that has shown the best growth over the past few years, other than the People's Republic of China.

U.S. personal consumption forecasts for 2003 have been downgraded in February to a 2.5% advance in real terms, compared to 2.6% in the January consensus and 2.8% in November 2002. Another downgrade is expected in the March 2003 consensus, which will probably come in at 2.4% or less.

U.S. consumers worried

University of Michigan U.S. Consumer Sentiment Index, Monthly

