



B.C. employment growth slows in September

The number of people employed in British Columbia increased by 1,300 in September, after adjusting for seasonal effects. This follows a gain of 16,400 in August and continues the upward trend that began in January. After adjusting for irregular influences, the trend level of employment increased by 12,600 workers last month, at a 7.8% annualized growth rate.

The provincial unemployment rate in September was 8.1% of the labour force on a seasonally adjusted basis, up from 7.8% in August. The unemployment rate rose because the labour force grew by more than employment. After adjusting for irregular influences, the trend rate of unemployment was 8.2%, down from 8.4% in August. B.C.'s unemployment rate is on an improving, downward trend, although there is still some excess labour supply.

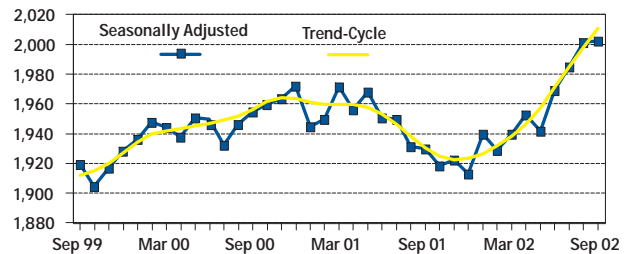
By region, September's job gains were seen in the Mainland-Southwest (+11,850), the North Coast-Nechako (+720), the Kootenay (+620) and Vancouver Island (+250). Other regions showed modest decreases, including the Thompson-Okanagan (-1,700).

By industry, the increases were mainly in transportation and warehousing (+7,300), professional, scientific and technical services (+5,800) and public administration (+3,100). The agriculture, trade, manufacturing, educational services, natural resource and utility industries showed small gains.

Employment growth slows in September

B.C. Employment

Employed Persons (1,000's)

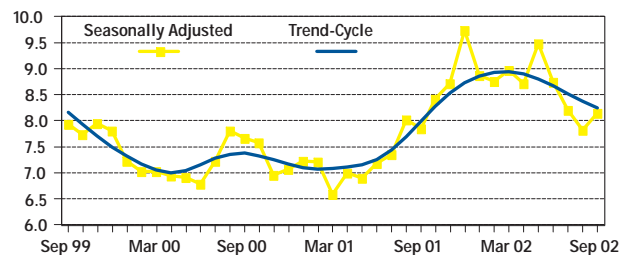


Source: Statistics Canada and CUCBC Economics.

Unemployment rate edges up in September

B.C. Unemployment Rate

Percent of Labour Force



Source: Statistics Canada and CUCBC Economics.

The information, culture and recreation industries saw a sharp drop (-14,500), and other industries showed slight declines.

September's job increase came entirely in the public sector (+3,900). Small decreases in both private sector (-1,800) and self-employed workers (-700) offset some of the gain in public-sector jobs.

The monthly increase was evenly split between full- and part-time jobs. Gains were achieved mainly among adult males (+3,200) and adult females (+700). Youth employment (aged 15-24 years of either gender) dropped by 2,600.

Statistics Canada's Labour Force Survey results for September thus show continuing employment growth in B.C., though at a slower pace. Due to a relatively small sample size, monthly changes of up to 12,000 in total, seasonally adjusted, province-wide employment are not highly significant.

Our updated forecast is for annual average employment in B.C. to increase by 1% this year and another 1.3% in 2003. The province-wide unemployment rate is expected to average 8.6% this year and 8.2% in 2003.

Housing starts continue to climb

Housing starts in urban areas of B.C. with populations of 10,000-plus totalled 1,594 dwelling units in September, a gain of 7.2% from 1,487 units in September 2001.

Year-to-date housing starts in urban B.C. totalled 14,853 units to the end of September, up 26.5% from 11,741 starts in the same period in 2001. That consists of 7,822 single-detached dwellings, up 51%, and 7,571 multi-family dwelling units up 9.4%. Year-to-date housing starts are up in every urban area of B.C. this year compared to last year.

In metropolitan Vancouver, September's starts totalled 1,000 units, up 5% from September 2001. Year-to-date starts in metro Vancouver amounted to 9,853 units, up 15%. Starts of multi-family units are up 2% to 6161 units, while single-detached starts are up 46% to 3,692 units. Year-to-date housing starts are up in every municipality in the metro area, except Port Coquitlam, West Vancouver, North Vancouver City and Pitt Meadows.

Housing and related consumer spending continues to be the bright spot in B.C.'s economy. Low interest rates, moderate income growth and immigration are some of the factors leading to strong growth in housing sales and construction. CUCBC economists forecast that housing starts will reach 22,500 units for all of 2002 and 25,400 units next year, compared with 17,200 last year.

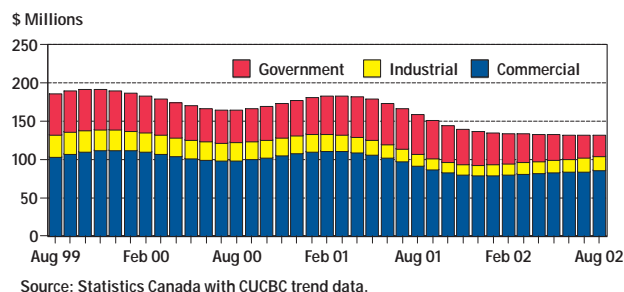
Non-residential building permits down in August

Lower building permits for commercial, industrial and government structures dragged the total value of non-residential permits down to \$126 million in August from \$178 million in July. A decline in government building drove the trend rate of growth for non-residential permits down to 1.3% (or \$1.8 million) per month in August, after adjusting for seasonal and irregular influences.

Meanwhile, commercial building permits increased at a trend rate of 1.6% (or \$1 million) per month, and industrial permits saw a trend rate of 4.4% (\$790,000) per month. In contrast,

Government building permits trending down

Non-Residential Building Permits
British Columbia, Monthly



Source: Statistics Canada with CUCBC trend data.

government and institutional building permits fell at a trend rate of 8.5% (or \$2.5 million) per month.

August's drop in non-residential building permits can be traced to the provincial government's capital spending cutbacks, and to some excess supply in the market for office space. Total non-residential permits are forecast to be lower this year by about 20% and perhaps more from last year. The largest decline – about 50% - will be in the government-institutional category. Commercial building permits look to drop by about 20%, while industrial building permits will be on par with last year.

U.S. consumer wavering

Signs of weakness in the key U.S. consumer sector emerged from the latest consumer sentiment survey. The University of Michigan Consumer Sentiment Index fell for the fifth consecutive month in October, according to preliminary figures. The index is at its lowest level since September 1993 and portends a slowdown in consumer spending. Labour market weakness, falling stock prices, corporate accounting scandals, and the possibility of war with Iraq could be weighing on consumers.

Declining confidence increases the risk that consumers will stop spending. Since consumer spending remains the main source of growth for the economy, a drop in spending could result in a double-dip recession. Consumers have little pent-up demand left after several years of high spending on houses, autos, and other goods. Low interest rates and more stimulative fiscal measures offer the best hope of avoiding another recession.

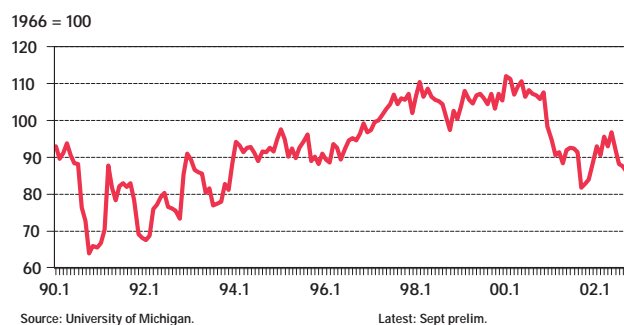
Retail sales slumped in September due to plummeting auto sales, although non-auto sales grew slightly. Automakers are working to spur sales with the extension of zero per cent financing to most 2003 cars, and General Motors announced a deal offering no down payment and no payments for 90 days. Excluding autos, sales growth remained positive, though slowing.

The outlook for consumer spending growth is modest, and the broader economy's up-shift to a stronger growth rate will have to wait for a boost from business investment. A fallback into recession is not expected, but the zig-zag pattern of quarterly growth around a moderate trend (2% to 3%) looks likely to continue. Third-quarter real GDP growth will come in at an annual rate of between 3.5% and 4.5%, and the fourth quarter is shaping up to slip back below 2%.

B.C.'s economic growth is fairly closely related to the U.S. scene, so this latest news on the U.S. consumer is discouraging. B.C. exports of forest products and tourism services are two obvious sectors that would be affected by any change in U.S. consumer spending.

Large drop in consumer confidence

U.S. Consumer Sentiment Index



Consumer spending slowing

