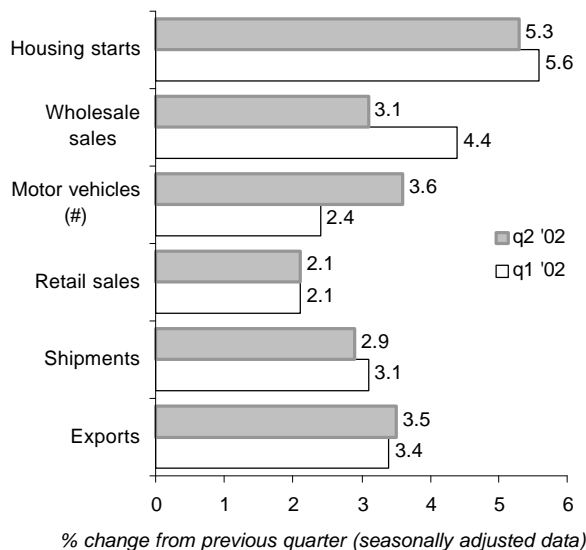


Current Statistics ♦ September 2002

Second Quarter in Review—Still Going Strong

British Columbia's economy put in a solid performance in the second quarter. All of the major economic indicators remained strong, indicating that for the time being at least, the economy is going full steam ahead.

A solid second quarter performance



Consumer demand for goods and services remained buoyant, with spending at retail outlets rising 2.1% after increasing at the same rate in the first quarter of the year. Retailers of household furniture and furnishings posted the strongest increase (+7.0%). The number of new motor vehicles driven off car lots in the province rose 3.6%, to a seasonally adjusted total of 49,500. Spending on consumer durables such as cars and furniture is seen as a bellwether of consumer confidence, and the strong gains in the second quarter suggest that consumers remain fairly bullish about the future. Sales by wholesalers continued to expand, rising 3.1% between the first and second quarter.

Labour market conditions remained mixed. The unemployment rate edged up 0.1 percentage point, to an average of 9.0% in the second quarter. However, the increase in the jobless rate was due to labour

force growth (+1.1%) that outpaced the increase in the number of jobs (+0.9%). Wages, salaries and benefits earned by BC workers rose modestly (+0.2%).

A hot housing market continued to stoke the economy. Housing starts were up 5.3%, posting a third consecutive quarterly gain. However, there are signs that the frenetic pace of new construction may be slowing. The value of building permits issued for residential construction projects in the province fell 3.2% in the second quarter—but that was coming off a 28.7% advance at the beginning of the year. Investment in new housing was up 5.6%, boosted by construction of new single-family dwellings (+12.0%) and townhouses (+11.8%) as builders shifted their focus to smaller units after spending most of 2001 concentrating on apartment construction. Spending on alterations and improvements fell (-9.5%) in the second quarter, enough to bring total investment in residential construction down 2.0%. Spending on non-residential projects was also weak, declining (-5.7%) for the fourth straight quarter.

Manufacturing shipments rose 2.9% as producers boosted lumber shipments prior to the imposition of countervailing duties in late May. Exports of BC products posted a 3.5% gain, but shipments to the US were off 1.0%. Total exports of energy products and industrial and consumer goods rose substantially, offsetting weakness in the forest sector.

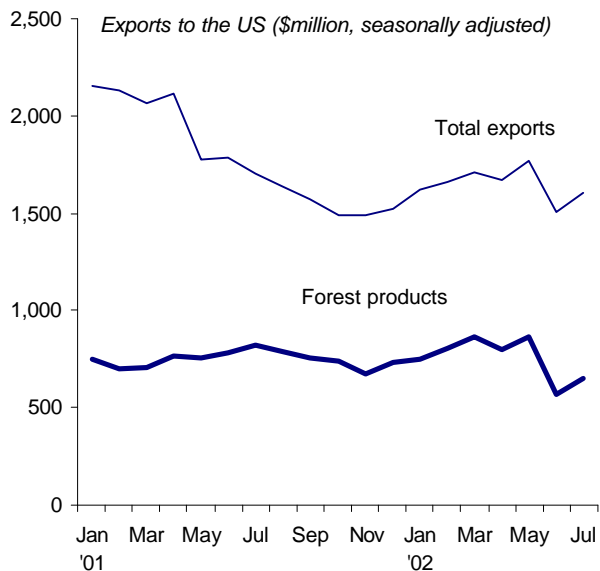
On the tourism front, visitor entries to the province slumped (-1.9%), as entries from the US (-1.1%) and overseas (-5.8%) dropped below first quarter levels. The number of Canadians returning home via BC was up 0.7%.

The province's year-over-year inflation rate averaged 2.0% in the second quarter. A 3.8% drop in the cost of energy products (mainly fuel) provided some relief from a general upward trend in consumer prices.

Monthly data for July suggest that consumer demand may be weakening, but other economic indicators remain generally positive.

Source: Statistics Canada and BC Stats, seasonally adjusted data

Forest product exports to the US plunged in June, but rebounded in July



- **Exports of BC products rose 4.3% (seasonally adjusted) between June and July, as shipments to the US rebounded (+6.3%) from a slump in June (-14.7%).** Forest product exports to the US had dropped more than a third (-34.6%) following the imposition of countervailing duties on softwood lumber exports in late May, but the flow of lumber and other forest products from BC to the US appears to have resumed in June (+13.9%). At the same time, exports of other products destined for use in the States posted modest gains, ranging from +1.3% for energy products to +3.7% for machinery and equipment and automotive products.

Exports to countries other than the US softened in July, rising just 0.3%. Forest (-1.1%) and energy (-3.6%) product exports destined for use overseas fell below June levels.

Source: Statistics Canada & BC STATS

- **Shipments of goods manufactured in the province increased 2.6% (seasonally adjusted) between June and July.** The growth in the value of shipments was largely due to the durables sector, where shipments were up 4.5% overall. Wood producers (+3.5%) regained some of the ground lost in June, when shipments fell 15.5% following the imposition of countervailing duties by the US. Producers

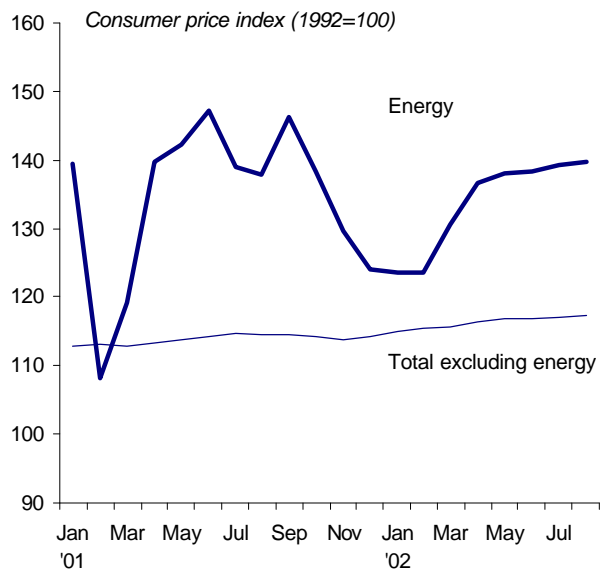
of metal products, transportation equipment, and computer products also made relatively strong gains. On the non-durables side, shipments were unchanged as a 2.9% drop in the value of paper shipments offset gains in most other industries, including food (+1.3%) and beverage (+2.6%) manufacturing.

Source: Statistics Canada

- **Canadian manufacturers' prices increased 0.4% during the twelve-month period ending in August.** This was the first gain in the national index in ten months. Prices for BC softwood lumber were 14.2% lower this August than in the same month last year. The drop in the index is partly due to the effect of the countervailing duty on softwood lumber, as producers are absorbing some of the cost of the tariff. Canadian prices for all wood products were down 7.5%. Pulp and paper producers received 4.2% less for their products than they did a year ago and petroleum and coal prices were down 2.6%. However, prices for primary metal products (+3.6%) and fruits and vegetables (+3.1%) were higher than in August 2001.

Source: Statistics Canada

Energy prices have moderated, but the cost of other consumer goods and services continued to increase

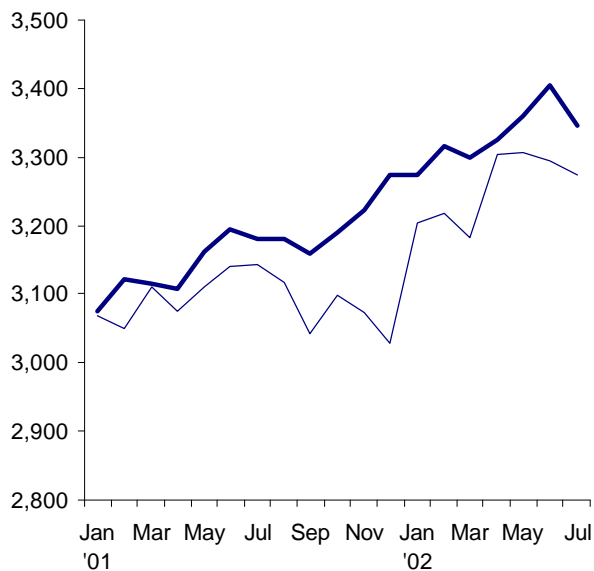


- **British Columbia's consumer price index (CPI) increased 2.2% during the twelve-**

month period ending in August. The year-over-year rise in the CPI came as prices for most goods and services continued to creep up. Shelter (-0.2%) and clothing (-2.0%) were the only major commodity groups where prices moderated in August. In the case of shelter, the marginal decline was due to lower prices for piped gas (-13.1%) and fuel oil (-6.1%). Total energy costs have begun to rise (+1.4%) again, with consumers paying more (+8.4% in August) at the pump during the summer driving months. With the uncertain situation in the Middle East, many analysts expect the cost of oil and gas to climb this winter, so these commodities may well exert inflationary pressures in the next few months.

Source: Statistics Canada

Retail sales slumped in July as consumer demand softened. Sales by wholesalers also weakened.



- **Sales by retailers in the province fell 1.7% (seasonally adjusted) in July.** The decline in the value of sales occurred across the board, as consumers kept a firmer grip on their wallets. Sales were also weak in Alberta (-1.3%), and stalled in most other provinces. Canadian sales dropped 0.3%, reflecting weak sales at retail outlets in most parts of the country.

Source: Statistics Canada

- **New motor vehicle sales in the province were up 4.2% (seasonally adjusted) in July as BC (including the territories) bucked a national trend that saw 1.9% fewer vehicles driven off car lots across the country.** Sales were down in five of the provinces.

Source: Statistics Canada

- **Wholesale sales in BC continued to sag, falling 0.6% (seasonally adjusted) between June and July.** July was the third straight month in which sales have either been flat or down. Nationally, the value of sales rose 0.7% in July, led by the computer and automotive sectors.

Source: Statistics Canada

- **Housing starts in British Columbia rose 33.6% (seasonally adjusted) in August as low mortgage rates continued to stimulate building activity.** Starts were up 5.9% nationally, led by strong gains in BC, Alberta (+33.3%) and Nova Scotia (+31.0%).

Source: CMHC

- **The value of building permits issued by BC municipalities fell 5.7% (seasonally adjusted) in BC during July.** This was due to declines in both residential (-2.8%) and non-residential (-10.3%) permits. Large increases in planned spending on industrial projects (+147.7%) were insufficient to offset a drop in commercial (-32.6%) permits.

Source: Statistics Canada

- **The province's unemployment rate continued to drop in August, falling from 8.2% to 7.8% (seasonally adjusted).** The number of jobs in the province grew by 16,400, up 0.8% since July. There were 8,600 new entrants in the labour force, increasing the total number by 0.4%, and the participation rate rose by 0.2 percentage points. Part-time employment increase almost as much as the number of full-time jobs (8,000 compared to 8,400).

Source: Statistics Canada

- **The number of regular employment insurance (EI) recipients in the province increased 0.9% (seasonally adjusted) between June and July, rising to 66,360.** Nationally the number increased 3.9%, to 573,150.

Source: Statistics Canada