

## Business Indicators ♦ September 2009

### Most economic indicators remain weak in second quarter

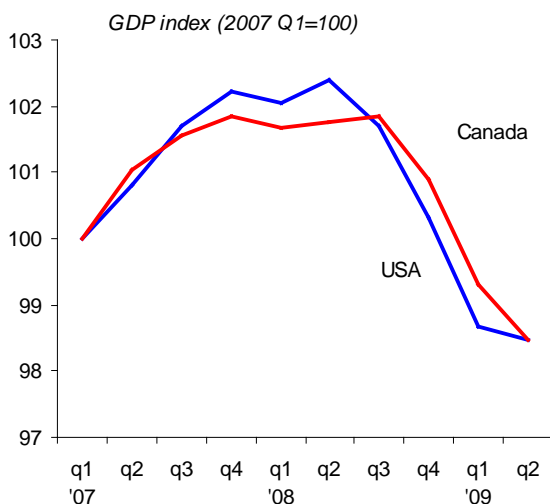
#### Second quarter in review...

Although some economic indicators (primarily related to consumer spending) are starting to improve, most key economic data suggest that British Columbia's economy remained in a slump in the second quarter.

#### Putting the recession into perspective

During the early stages of the current downturn in the global economy, there was widespread speculation that economies in North America and other parts of the world could slip into a depression rivalling the Great Depression of the 1930s. Those fears have eased in recent months as economies have proven to be more robust than anticipated. Some are starting to show signs that they may be climbing out of the recessionary trough.

#### Canadian and US economies in recession



Data Source: Statistics Canada

There is no doubt that the current recession is both broad and deep, but how does it compare to previous downturns? Since the fourth quarter of 2007, before the current downturn began, the US economy has shrunk 3.7% (by comparison, the biggest decline in US GDP during the recession of the early 1980s was 2.3%). In Canada, the downturn started later (in the third quarter of 2008), but the Canadian economy has shrunk nearly as much (-3.3%) from its pre-recession level.

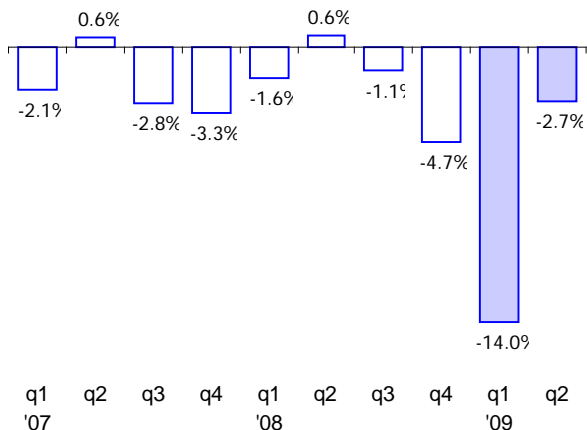
#### BC's economy continues to show signs of weakness

Although there is no current quarterly GDP data available for BC, it is likely that the downturn in this province is at least as severe as in the country as a whole. BC's economy shrank 0.3% in 2008, more than in any other province except Ontario (-0.4%).

Recessionary conditions continued to hold the BC economy in check during the second quarter. Manufacturing shipments tumbled, as BC's wood and paper industries remained in a freefall. Total shipments by durable goods producers shrank 3.0% while the value of sales by producers of non-durable goods was down 2.4%. In the forest sector, the volume of timber scaled and pulp and paper products shipped by BC producers both continued to decline. However, wholesale sales increased slightly in the second quarter.

### Manufacturing sector remains weak

Manufacturing shipments  
(Quarterly % change, seasonally adjusted)

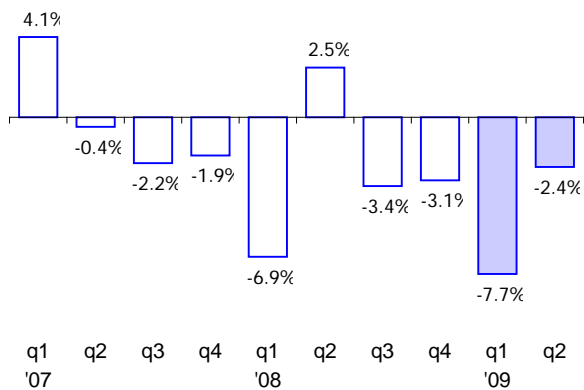


Data Source: Statistics Canada

BC exporters of goods and services also did not fare well. Total international exports were down significantly, marking a fourth straight quarterly decline, and the eighth in the last nine months. Exports to other provinces remained in a slump, and imports continued to decline as business demand for imported goods and services continued to slow.

### International exports continue to slump

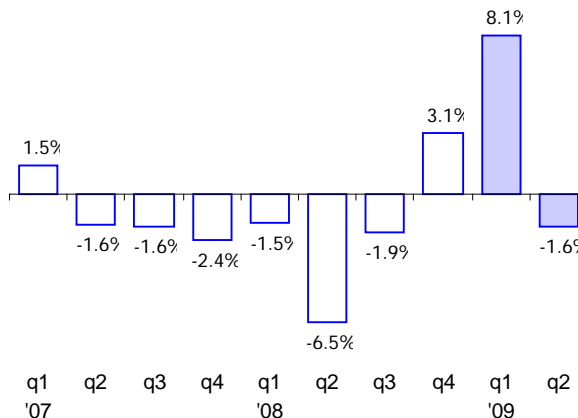
International exports of goods and services  
(Quarterly % change, \$2002, seasonally adjusted)



Data Source: BC Stats

### Investment in non-residential buildings slips back into negative territory

Investment in non-residential buildings  
(Quarterly % change, \$2002, seasonally adjusted)



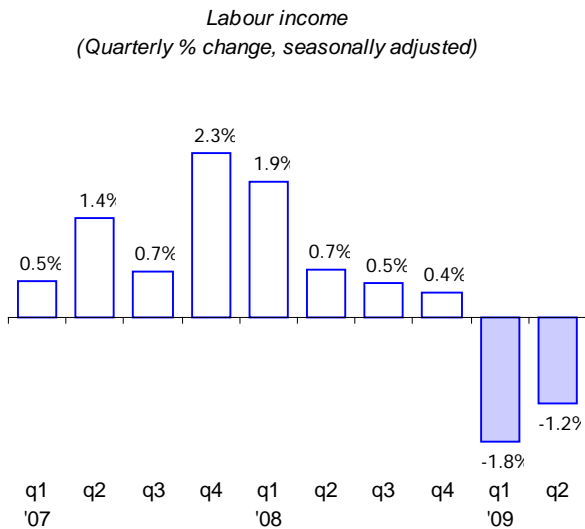
Data Source: Statistics Canada

A brief, but significant, upturn in investment in non-residential buildings ended in the second quarter, as spending fell back after soaring at the beginning of the year.

### Investment in new housing and consumer expenditures recover despite drop in labour income

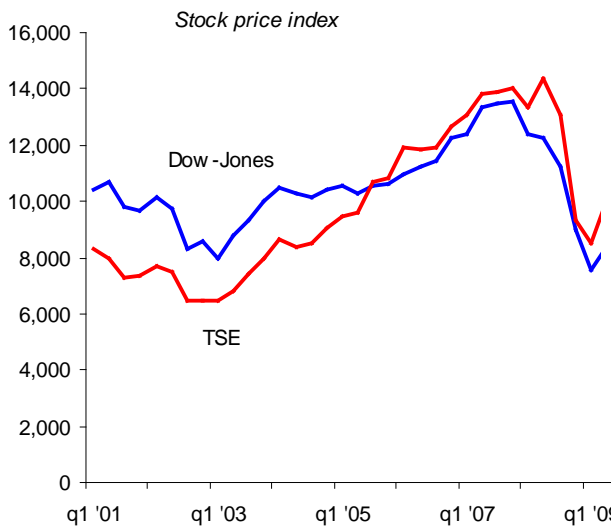
With fewer people working, and tight labour market conditions easing, labour income in the province fell (-1.2%) in the second quarter. BC, Alberta and Ontario were the only provinces to post a significant decline in labour income during this period. Wages, salaries and benefits of BC workers have fallen more than in any other province since the beginning of the year, shrinking 1.2%, nearly double the 0.7% decline in Ontario during the first six months of 2009.

### Labour income down again in the second quarter



Data Source: Statistics Canada

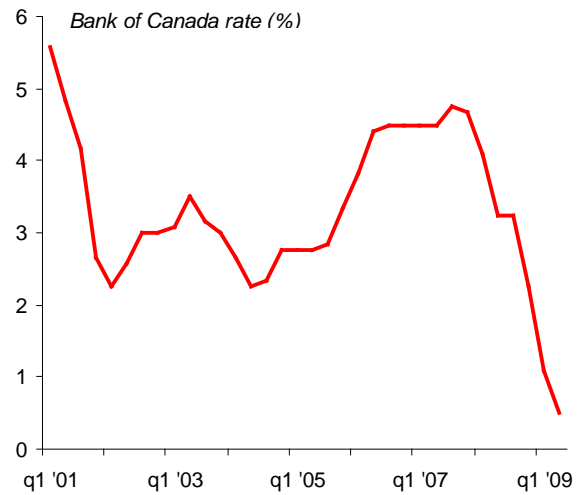
### Stock markets rally but stock price indices remain well below pre-recession levels



Data Source: Statistics Canada

Stock markets rallied, providing some welcome relief for investors, but with interest rates remaining at near-record lows, total income from investments was down in the second quarter.

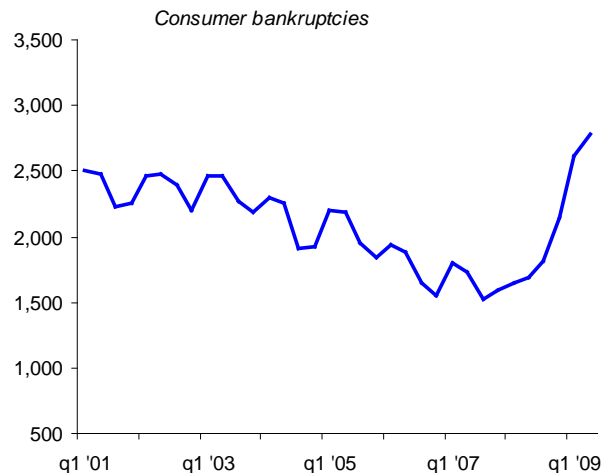
### Interest rates at near-record lows



Data Source: Statistics Canada

An increase in government transfers was not enough to offset the decline in labour and investment income and personal income inched down. Consumer bankruptcies mounted, as a growing number of individuals who were unable to meet their financial obligations filed bankruptcy papers, and bankruptcies rose to their highest level in at least two decades.

### Consumer bankruptcies continue to climb



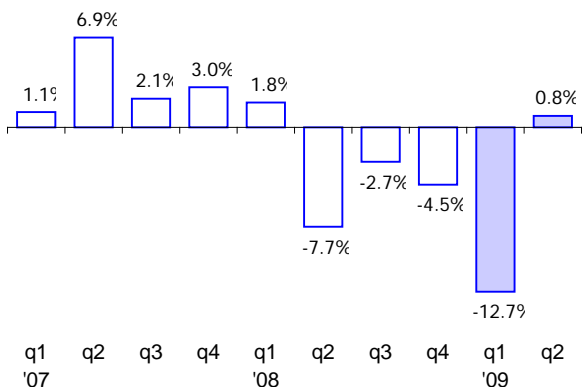
Data Source: Statistics Canada

The downturn in the housing market persisted, and the cost of resale housing declined for a fourth straight quarter. Housing starts in the province were at their lowest quarterly level since late 1984 as builders continued to hold back on new housing projects.

Despite this, a year-long downturn in new investment in residential structures came to an end, as total investment in new housing, renovations, and resale activities increased for the first time since the beginning of 2008. However, investment in non-residential building projects remained soft.

**Investment in residential structures increases for first time since early 2008...**

Residential structures  
(Quarterly % change, \$2002, seasonally adjusted)

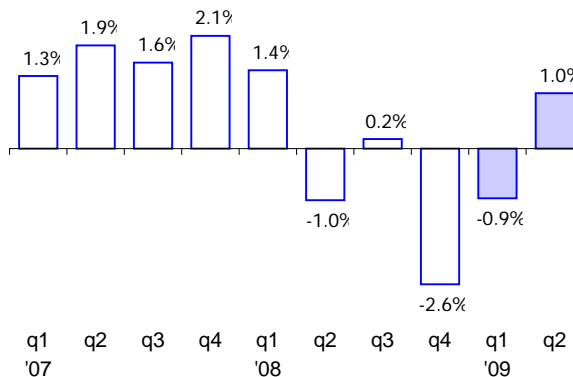


Data Source: BC Stats (preliminary estimates)

Consumer spending on goods and services also picked up speed in the second quarter, increasing 1.0% after declining during most of the last year. Sales of motor vehicles rose in the second quarter, and consumer spending on services posted the strongest gain (+1.5%) since late 2007.

**...and consumer spending rises**

Personal expenditures  
(Quarterly % change, \$2002, seasonally adjusted)

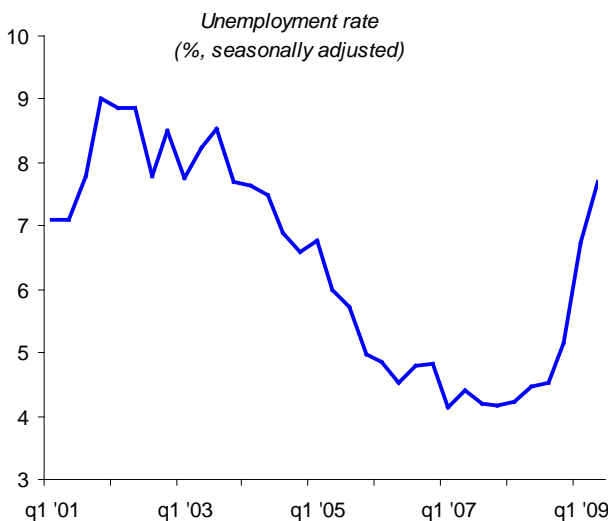


Data Source: BC Stats (preliminary estimates)

**Slight improvement in labour market conditions**

The province's jobless rate climbed back to levels not seen since 2003. However, employment was stable, after back-to-back declines in the number of people with jobs.

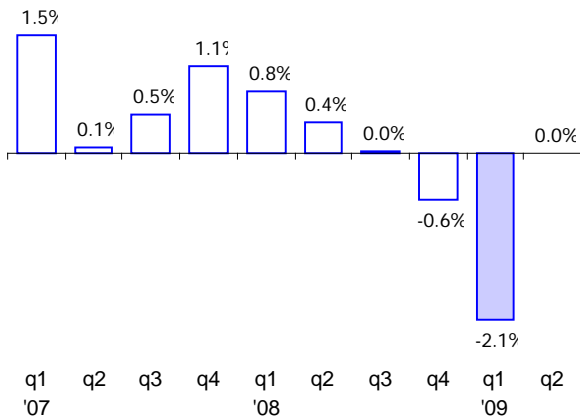
**Unemployment rate continues to climb...**



Data Source: Statistics Canada

*...and employment stabilizes in second quarter*

*Employment  
(Quarterly % change, seasonally adjusted)*

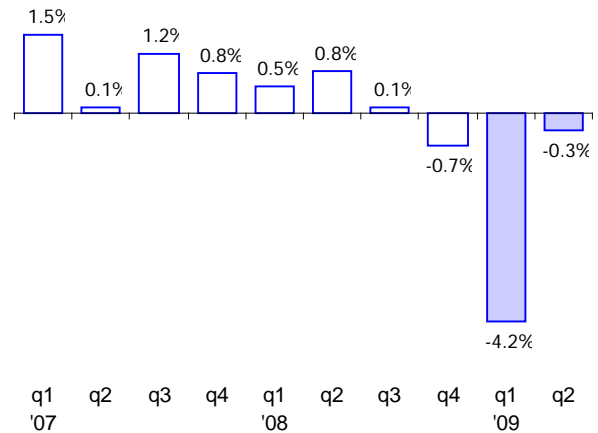


Data Source: Statistics Canada

However, the number of people with full-time employment continued to fall, declining for a third straight quarter. An increase in full-time work is usually a good indicator that employers are becoming more confident about the future, and are beginning to make more intensive use of labour as they ramp up production. However, an ongoing decline in full-time employment suggests that improvements in the province’s labour market are still tentative.

*Full-time employment still declining*

*Full-time employment  
(Quarterly % change, seasonally adjusted)*



Data Source: Statistics Canada

Despite improvements in some economic indicators, taken together, these indicators suggest that British Columbia remained in a recession during the second quarter. National and provincial indicators continue to be very volatile, so whether or not the third quarter results will suggest an improvement in British Columbia’s economic situation remains to be seen.