Central 1™

B.C. Economic Briefing

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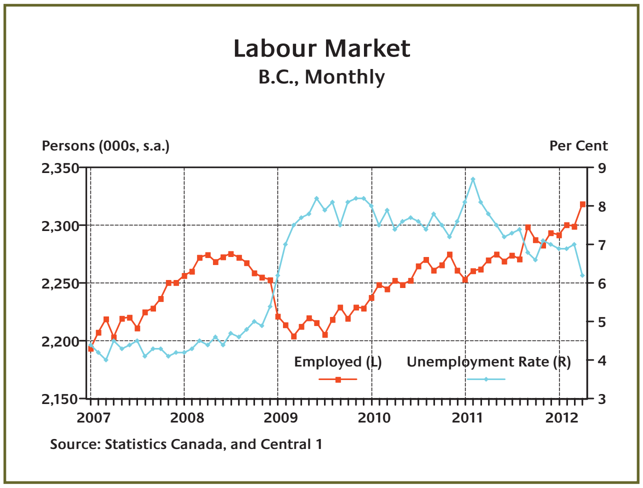
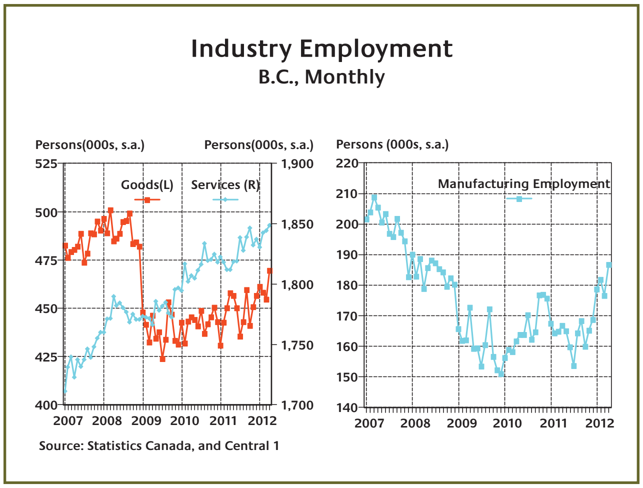
HIGHLIGHTS:

- Total employment in BC rose by 19,700 persons from March to a seasonally-adjusted 2.32 million people
- Employment growth in the Vancouver Census Metropolitan Area outpaced outlying areas
- Housing starts in B.C.'s urban areas rose by a modest 6.2% from March, led by a moderately stronger increase in Metro Vancouver.
- Led by a retrenchment in non-residential permits, total building permit volume declined 29% to a seasonally-adjusted $736.8 million.





Employment surges in April, Unemployment declines

B.C.'s labour market improved significantly in April, riding the coattails of what seems to be a renaissance in manufacturing. Total employment rose by 19,700 persons from March to a seasonally-adjusted 2.32 million people, a surprisingly sharp gain of 0.9%. This was one of the strongest month-to-month gains observed in the past five years and was a driver for national growth. B.C. accounted for about a third of all net Canadian job gains generated in April. Strong employment gains outpaced labour force growth, driving the provincial unemployment rate down to 6.2% and the lowest level since early 2009.

Further adding to the glowing aura of the job report was a strong gain in full-time work, which rose 0.9% to levels just shy of pre-recession peaks. Part-time employment also rose by 0.6%.

Employment gains were driven by goods-producing industries in April. Manufacturing employment grew by 10,200 persons (5.8%), which more than erased the decline recorded in March. Manufacturing employment has trended higher over the past year, and was up 11.9% from April 2011. Meanwhile employment related to resource-extraction also surged by 6,400 person, which was up 15.4% from March, and 13.7% from the same month in 2011.

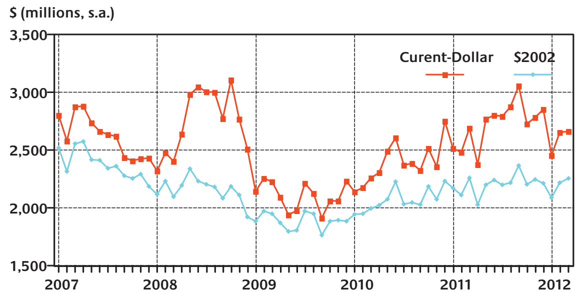
Total service-sector employment held steady, growing by 0.3%. Employment in retail and wholesale trade grew 2.6% while transportation and warehousing employment grew 3.6%. The weakest link was accommodations and foodservices, which pared employment by 5.3%.

Employment growth in the Vancouver Census Metropolitan Area outpaced outlying areas, rising 1.2% from March, while the unemployment rate fell to 5.6%.

Exports edge up, energy shipments lag

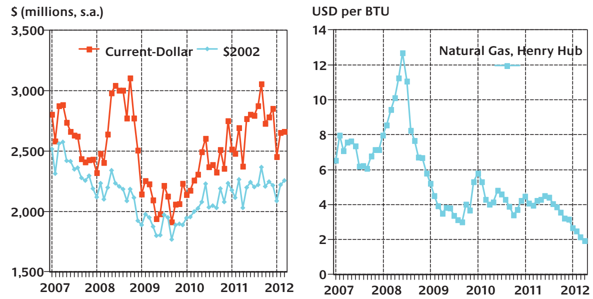
Current-dollar exports of B.C. goods to international markets edged up from February by 0.3% to reach a seasonally-adjusted $2.66 billion in March. This marked a second consecutive gain following a sharp January decline, and was driven by growth in goods shipped rather than through price gains. Positive drivers included forestry products (2.1%), industrial goods and materials (9.8%), and machinery/equipment (2.4%). A substantial cut in energy export volume (-8.2%), was the primary offsetting industry.

International Exports
B.C., Monthly



Source: Statistics Canada, and Central 1

International Energy Exports
B.C., Monthly



Source: Statistics Canada, FRED and Central 1

While recent monthly volumes still trailed levels observed in the second half of 2011, adjustments for price levels suggests aggregate export activity has generally rebounded. With the exception of energy, product aggregates have held steady with constant-dollar exports of machinery and equipment exports trending higher, and forestry and industrial goods and materials steady.

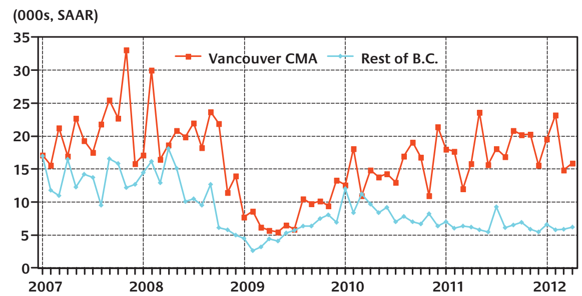
After driving export growth in both current and constant dollar terms in the second half of 2011, energy exports have weakened dramatically. March current-dollar volume was down more than 20% from the average monthly performance in the second half of 2011. Central 1 estimates that real energy exports were down about 13%, with price declines further pressuring volume. The benchmark Henry Hub Natural Gas Spot Price declined 50% from June 2011 through March 2012 to $2.16 USD per million BTU. The average spot price fell even further in April by another 10%, reflecting the oversupplied environment in North America.

Through March, year-to-date exports were up a tepid 1.4% from first quarter 2011. The re-emergence of global uncertainty is expected to keep a lid on commodity prices while an oversupply of natural gas will keep prices low in the sector going forward. Given the increase in exports volumes in the second half of 2011, and the uncertain economic environment that currently persists, it is plausible that year-to-date growth in exports will turn negative by mid-year.

Starts remained tempered despite monthly gain

Housing starts in B.C.'s urban areas rose by a modest 6.2% from March to reach a seasonally-adjusted annualized rate (SAAR) of 22,100 units in April, led by a moderately stronger increase of 6.7% in Metro Vancouver. Despite the gain, the pace of new home starts in B.C. held at a tempered pace for a second

Housing Starts
Urban B.C., Monthly



Source: Statistics Canada, and Central 1

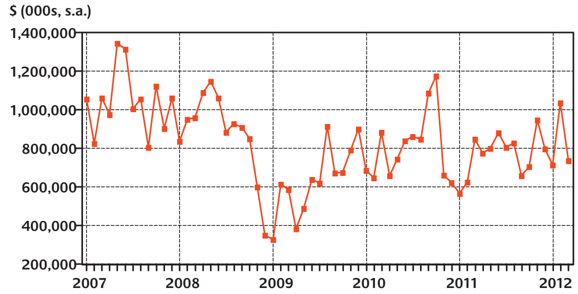
consecutive month and hovered at the low end of the range observed since early 2010.

Construction of single-detached homes continued to struggle, falling 5.9% from already low levels in March. A 12% gain in the multi-family sector which includes apartments, townhomes and other attached units provided an offset.

While Metro Vancouver starts have been relatively low over the past two months, housing starts in the region have generally trended higher over the past two years. This contrasted with weak new home activity in the rest of the province as many other regions struggled under the weight of weak recreational and retiree demand and an excess supply of home inventory. However, the uptrend in Metro Vancouver housing starts looks to be cresting. Sluggish resale market demand and recent increases in existing new home inventories are signals for builders to let up on the gas in the quarters to come.

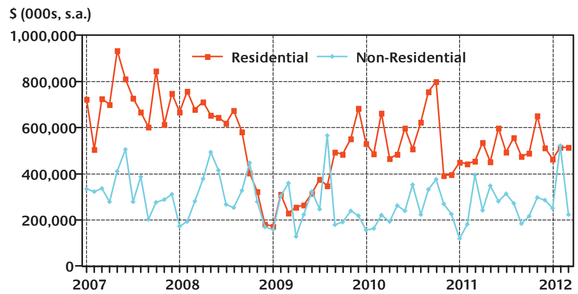
Through April, year-to-date housing starts in urban B.C. areas were up 10% on stronger gains in Metro Vancouver and Nanaimo – a growth rate that should shrink as the year progresses. Central 1 forecasts total

Building Permit Volume
Monthly



Source: Statistics Canada, and Central 1

Building Permit Volume by Sector
Monthly



Source: Statistics Canada, and Central 1

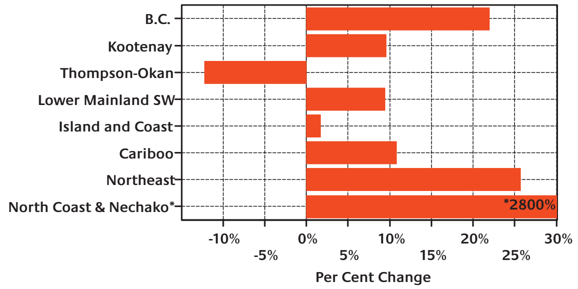
housing starts (including rural activity) to hold steady in 2012 at close to 26,500 starts.

Building permits pull back in March following February surge

As expected, building permit volume in B.C. pulled back sharply in March following a February surge in activity. Led by a retrenchment in non-residential permits, total volume declined 29% to a seasonally-adjusted $736.8 million. Residential permit volume held steady, edging down 0.2% from the previous month.

The sharp monthly drop observed in March is no cause for alarm. February's increase in activity was largely project-specific and generated by one-time activity related to factories and plant construction. Since major projects are infrequent, it is not surprising that permit volumes reversed by a substantial amount in March. The general trend in the non-residential sector continues to point to rising building intentions for commercial and industrial product, offsetting weakness in government sectors.

Year-to-date permit growth



Source: Statistics Canada, Central 1

Despite the March decline, total permit volume remained above January levels and the general upward trend in building intentions observed since late-2011 remained intact. Through the first quarter, total permit volume was up 22% from the same period in 2011, pointing to a solid contribution to growth from the construction sector in the early stages of 2012.

Regionally, permit volume growth through the first quarter, relative to same period 2011,was strongest in B.C.'s northern regions, with permit growth reaching 26% in the Northeast and 11% in the Cariboo. Activity in the North Coast and Nechako was up 40-fold: a reflection of the February surge in non-residential activity. The provincial laggard was the Thompson-Okanagan which recorded 12% lower permit volumes.

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