

Lending no problem in China.



Cost Consultants

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Year-over-year CPI -0.7% in the U.S. and +0.4% in Canada

April's overall inflation rate in Canada (+0.4%) dropped to a significant degree and is now only barely above the 0.0% level that marks deflation. The U.S. figure (-0.7%) has already crossed over. However, in both countries, the core inflation rate, which omits highly volatile items mainly in the food and energy categories, is around the historically acceptable level of +2.0% (+1.9% in the U.S. and +1.8% in Canada.).

China's economy is starting to revive. The Chinese economic model is proving advantageous in a time such as this. Money directed towards infrastructure projects is having an effect. Also, The Chinese government owns the banks and has ordered an increase in lending that is helping to spur on the domestic economy. Longer-term, such deep government involvement has led to inefficiencies, waste and worse in other countries around the world. But for the moment, Chinese government actions are a boon to the world economy.

Construction Caught Up in the Cost Declines

For example, Statistics Canada recently reported that its apartment building construction cost index declined 4.7% in first-quarter 2009 versus fourth-quarter 2008. For non-residential buildings, Statcan's composite index fell 4.2% quarter to quarter. Material cost declines and a weaker competitive market, particularly in the West, were the reasons. The year-over-year change was -2.3% for apartment

buildings and +1.0% for non-residential buildings. Surveyed costs for both categories of construction include material, labour, equipment, taxes, overhead and profit.

Source: Reed Construction Data

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