BC STATS
Province of British Columbia
Ministry of Finance and Corporate Relations

Infoline

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April 25, 1997

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Report

BC Loses Out to Other Provinces in US Market

BC at a glance . . .

POPULATION (thousands)	Jan 1/97	% change on year ago
BC	3,902.5	2.2
Canada	30,135.9	1.1
GROSS DOMESTIC PRODUCT		
(BC - at market prices - $ millions)	1995	% change on year ago
Current Dollars	103,273	4.6
Constant (1986) Dollars	74,107	1.9
TRADE ($ millions)		
Manufacturing Shipments (seas. adj.) Feb	2,843	7.0
Merchandise Exports (raw) Feb	2,100	8.9
Retail Sales (seasonally adjusted) Feb	2,734	3.9
CONSUMER PRICE INDEX		
(all items - 1986=100)	Mar '97	% change on year ago
BC	139.6	0.9
Canada	137.6	2.0
LABOUR FORCE (thousands)		
(seasonally adjusted)	Mar '97	% change on year ago
Labour Force - BC	1,985	1.4
Employed - BC	1,819	1.5
Unemployed - BC	167	0.4
		Mar '96
Unemployment Rate - BC *(percent)*	8.4	8.5
Unemployment Rate - Canada *(percent)*	9.3	9.4
INTEREST RATES (percent)	Apr 23/97	Apr 24/96
Prime Business Rate	4.75	6.50
Conventional Mortgages - 1 year	5.55	6.50
- 5 year	7.65	8.50
US/CANADA EXCHANGE RATE	Apr 23/97	Apr 24/96
(avg. noon spot rate) Cdn $	1.3940	1.3618
US $ *(reciprocal of above rate)*	0.7174	0.7343
AVERAGE WEEKLY EARNINGS		
(industrial aggregate - dollars)	Jan '97	% change on year ago
BC	616.83	3.9
Canada	594.44	4.0

SOURCES:
Gross Domestic Product: Statistics Canada, revised by BC STATS
Population, Trade, Prices, Labour Force, Earnings: Statistics Canada
Interest Rates, Exchange Rates: Bank of Canada Weekly Review

Released this week by BC STATS

- Consumer Price Index, March 1997
- Business Indicators, April 1997
- Current Statistics, April 1997

Next week

- Earnings and Employment Trends, January 1997
- Tourism Room Revenue, December 1996
- Exports (BC Origin), February 1996

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Infoline Report: April 25, 1997

BC Wood Product Exports Lose US Market Share to Other Provinces

Reprinted from the January 1997 issue of *Exports (BC Origin).* An annual subscription is $60 + GST.

The strongest competition for British Columbia exports in the U.S. market comes from other provinces and, for several key export commodities, British Columbia is losing ground.

Although British Columbia exports to the United States have risen for most categories, for some they have risen less quickly than exports from other provinces or other countries. This has caused a loss of U.S. market share for several key export commodities.

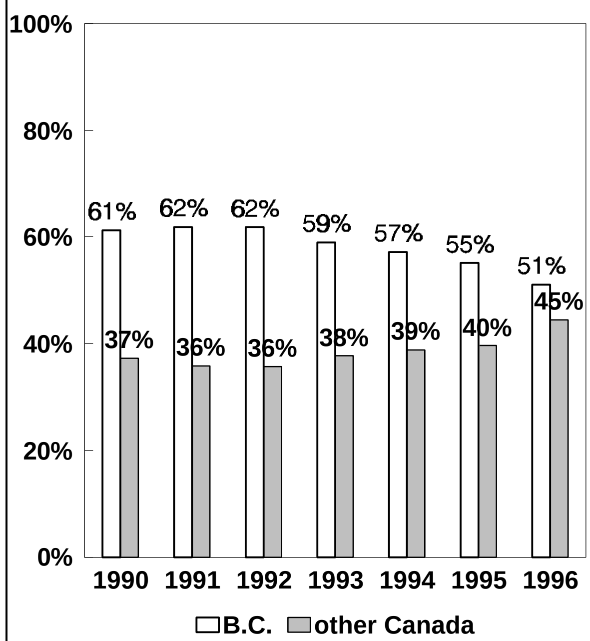
In the U.S. lumber market, which British Columbia still relies on for 35% of its export revenue from the United States, the province has steadily ceded market share to producers in other provinces in recent years. British Columbia's share of the total value of U.S. lumber imports shrank from 62% in 1992 to 51% in 1996. Over the same period, the share claimed by other provinces grew from 36% to 45%.

There are some indications that the province may have increased its share in other world lumber markets over this period, possibly implying some healthy broadening of market focus for the forest industry. However, the U.S. is still the destination for 62% of lumber exports so that persistent loss of share in that market may have important implications regarding the competitive position of the province's lumber producers.

Mike Apsey, Chairman of the Council of Forest Industries cites a limited supply of available timber as one reason for British Columbia's declining share of U.S. lumber imports. He observes that, 'reduced allowable cut and a more restrictive forest practices code have meant that fewer logs are available for milling.' The comment echoes concerns expressed by economic experts meeting with Finance Minister Andrew Petter in February, about the ability of the province's resource sectors to compete in a global market, given their cost structure and the regulatory environment.

Commenting on the stronger performances of other provinces in exporting wood to the United States, Mr. Apsey notes that, 'Other provinces have been building more sawmills and have been directing logs to sawmills that would have gone to pulp a few years ago.'

Market Share of U.S. Lumber Imports



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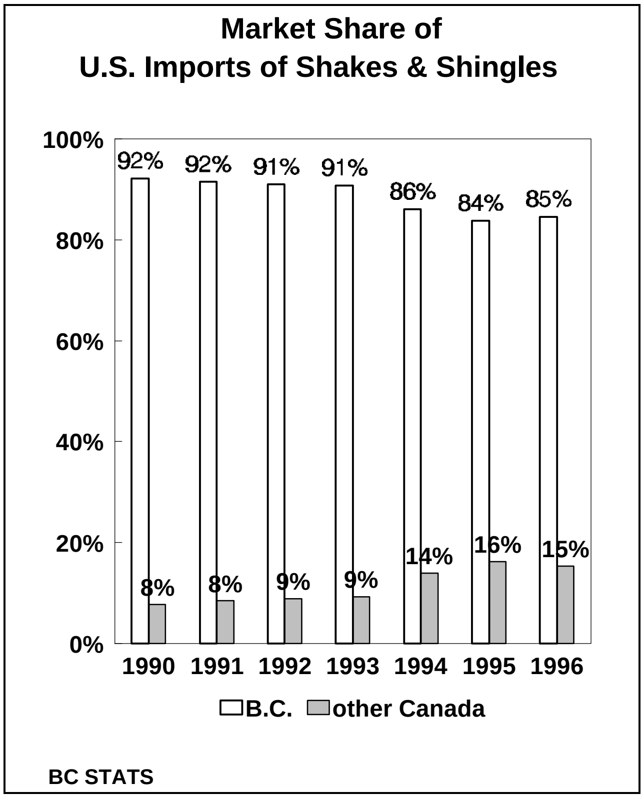
Competition among provinces selling lumber in the United States became regulated, in effect, with the signing of the *Canada-USA Softwood Lumber Agreement* in April last year.

The accord was negotiated to win a 5 year respite in the long series of trade actions initiated by U.S. lumber interests. It deals only with exports to the United States of British Columbia, Alberta, Ontario and Quebec. Volume quotas were established for each of these provinces determining their portion of the 14.7 billion board feet that could be shipped to the United States without payment of a fee. Allocation of quotas was made on the basis of information received from companies about their exports in previous years.

The same shortages of available timber identified as a factor in British Columbia's loss of U.S. market share for lumber, are also cited as a factor in the loss of U.S. market share for shakes and shingles.

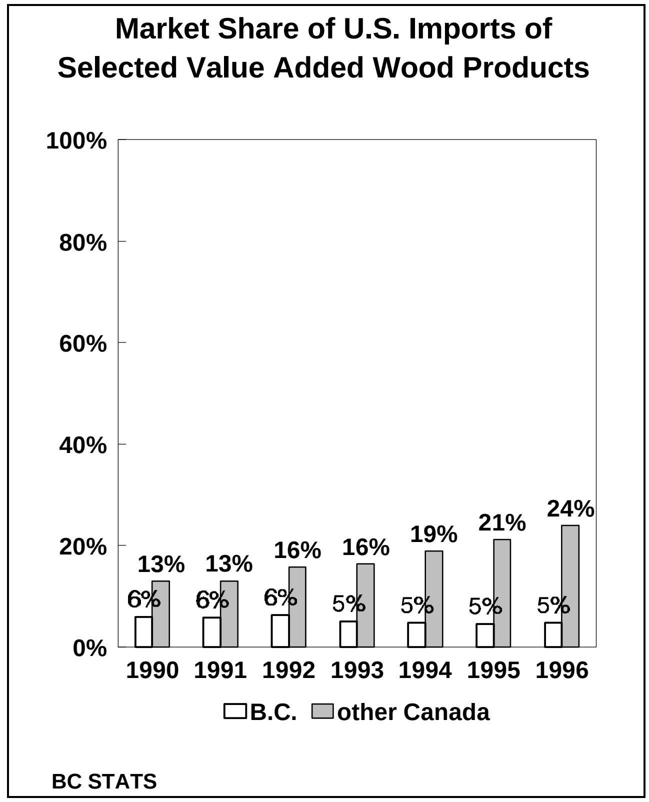
U.S. imports of wooden shakes and shingles from British Columbia fell from 91% in 1992 to 85% in 1996, as imports from other provinces grew from 9% to 15%.



Jack Davidson of the British Columbia Shake and Shingle Association notes that, 'The demand is very high, but because of regulation and red tape there is a shortage of wood available for logging.' He adds that this shortage has been made more acute by the recent setting aside of large tracts of forest land for parks.

As diminishing supplies of accessible timber have been constraining growth of British Columbia wood product exports, the focus has turned increasingly to value added wood products as the means to sustain more jobs with fewer trees.

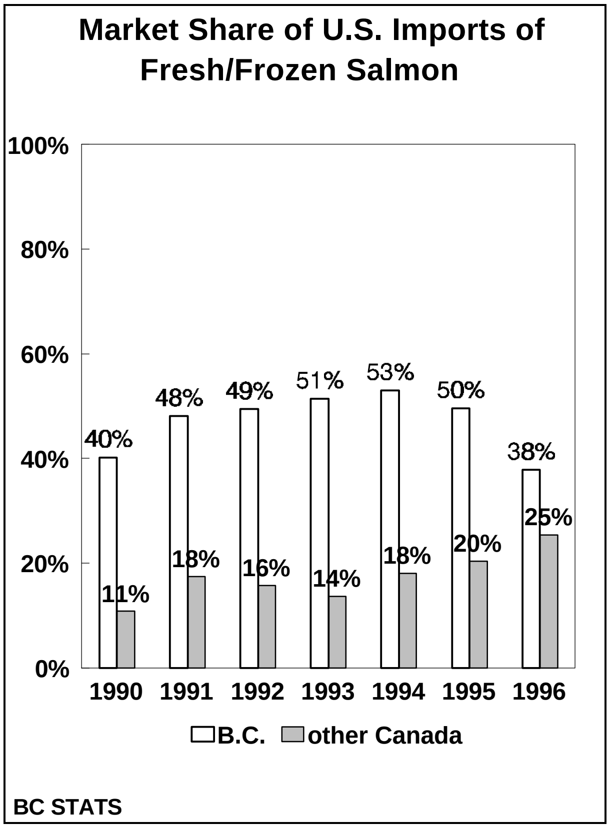
Although U.S. imports of these products from British Columbia rose 45% between 1990 and 1996, the increase did not keep pace with the expanding market. For a selection of the most important value added wood products, British Columbia exports have lost market share since the beginning of the 1990's, sinking from 6% of the U.S. import market in 1990 to 5% in 1996. Over the same years, other provinces nearly doubled their collective share, from 13% to 24%. Included in the selection are doors, windows, furniture, prefabricated houses and mouldings.



Competing To Sell Salmon In the United States

Wood products have not been the only British Columbia export category that has lost U.S. market share to other provinces. Nor is it the only category for which environmental and regulatory issues have been a factor in constraining export growth.

Fresh and frozen salmon, long a staple of British Columbia's export mix, now competes increasingly with salmon produced in New Brunswick. In recent years, exports from New Brunswick have won a growing share of the U.S. market, as British Columbia exports have lost ground. The British Columbia share of United States fresh or frozen salmon imports fell from 51% in 1993 to 38% in 1996, as other provinces (mainly New Brunswick) increased their combined share from 14% to 25%.



Salmon marketed in fresh or frozen form are harvested more from fish farms than from the 'wild' fishery. Allan Kinney, a Vancouver based consultant to the aquaculture industry observes that, 'the British Columbia (salmon farming) industry has tremendous potential to grow', but that 'growth has been constrained by limited access to new sites.' Kinney says that there has been an unofficial moratorium on new salmon farming sites since 1991, with only a few new sites granted in 1996.

Kinney notes that Chile has been the single most successful competitor at expanding its salmon exports into the United States market. The Chilean share of U.S. fresh or frozen salmon imports grew from 22% in 1994 to 29% in 1996.

Mixed Progress For Exports of Non-Resource Products to United States

Opportunities opened by the North American Free Trade Agreement have led to more Canadian exports of non-resource products. Like other provinces, British Columbia has boosted its exports to the United States for a variety of products that are not tied to its natural resource assets.

For some of these non-resource based products, British Columbia has made stronger export gains than other provinces.

In the labour and technology intensive electronics sector, for example, British Columbia has made particularly strong gains. The value of United States imports of British Columbia electronic goods grew 229% between 1990 and 1996, far outstripping the 81% growth in imports from the rest of Canada. However, the value of British Columbia's 1996 share still amounted to only $US 248 million, small by comparison with the $US 8.2 billion exported from the rest of Canada.

Some agricultural exports from British Columbia have done well in the U.S. market since the implementation of the Canada - United States Free Trade Agreement in 1989. U.S. imports of fruit from British Columbia grew 73% between 1990 and 1996, while imports of British Columbia vegetables grew 231%. Growth rates for the rest of Canada were 27% and 65% respectively.

Even more promising in terms of employment generation, have been strong increases in U.S. purchases of processed food products from British Columbia.

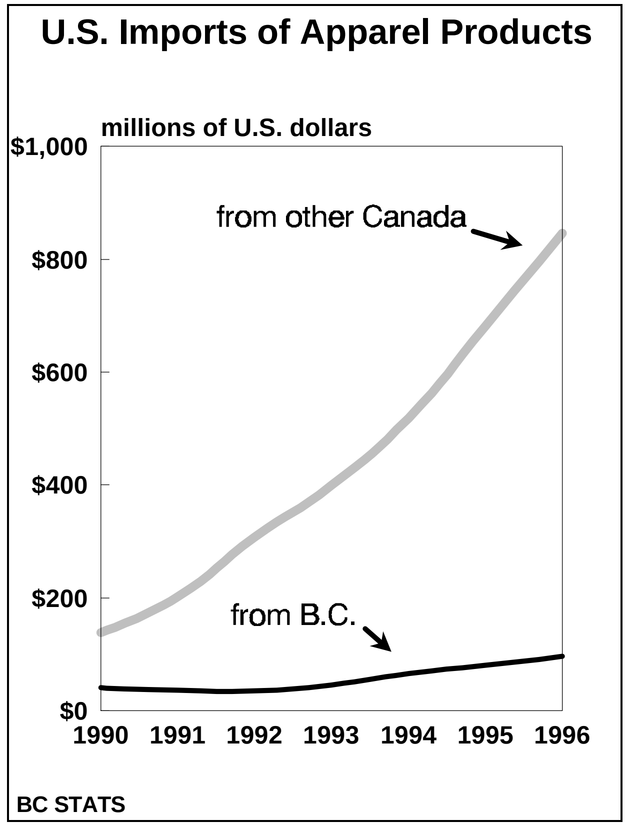
Between 1990 and 1996, British Columbia produced processed food consumed in the United States grew 215%, while imports from the rest of Canada grew 193%.

In other non-resource categories, British Columbia has been less successful in the US. market than other provinces.

U.S. meat imports from British Columbia actually dropped by over 60% between 1990 and 1996, as imports from the rest of Canada increased 84%.

In the huge U.S., apparel market British Columbia producers increased their sales substantially, but still did not keep up with producers in other parts of Canada. The very respectable 210% growth in U.S., imports of apparel from British

Columbia between 1990 and 1996 fell considerably short of the 508% increase for all other provinces taken together.



Industry officials in British Columbia are unfazed by the relatively stronger export growth in the U.S. market of Quebec and Ontario based apparel makers.

For the most part, British Columbia apparel makers have grown up expecting to compete in the rough and tumble of world markets, specialising in products that can compete with imports in their home market while actively seeking customers overseas.

Maureen Drew of the British Columbia Apparel Association characterises apparel making businesses in the province as much younger, smaller and more agile than the eastern industry.'

'Some of our companies were little more than basement operations a few years ago,' she notes, 'but they have grown quickly into very good niche market players, particularly for outdoor wear.

She adds that, 'the British Columbia industry is increasingly focusing on high value markets in Asia and Europe for its future growth.'

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highlights

April 25, 1997
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a weekly digest of recently released British Columbia statistics

Prices

- **British Columbia continued to have the lowest inflation rate in Canada last month.** The year-over-year increase in the province's consumer price index (CPI) was 0.9%. March was the ninth consecutive month in which BC's annual inflation rate has remained below 1%. A major factor in the province's low inflation rate has been a steady decline in the cost of owned accommodation. This component of the CPI has been falling since June 1995, and decreased 4.0% between March 1996 and the same month this year.

  Nationally, the annual increase in the CPI was 2.0% in March. All provinces except BC (+0.9%) and Quebec (+1.7%) had an inflation rate in excess of two percent. Newfoundland (+3.5%) had the highest annual increase in the CPI last month. *Source: Statistics Canada*

- **Vancouver (+0.6%) had the second-lowest annual CPI increase among major Canadian centres.** The lowest year-over-year inflation rate in the country was in Yellowknife, where the all-items CPI was only 0.2% higher in March than in the same month last year. Victoria's inflation rate (+1.1%) was the third lowest of any major urban centre. St. John's (+3.2%) had the highest annual average price increase in the country. *Source: Statistics Canada*

Business and Economics

- **The number of consumer bankruptcies in the province was up 41.4% in January from the same month last year.** Consumer bankruptcies have been rising during the last twelve months, and increased more than a third during 1996.

  Business bankruptcies in BC rose more moderately (+10.8%) between January 1996 and the same month this year. Nationally, the number of business bankruptcies was down 16.3%, as fewer business failures were recorded in five of the ten provinces. BC's increase was the third-highest in the country, after Manitoba (+108.3%) and Saskatchewan (+16.7%). *Source: Industry Canada*

- **Wholesale sales in the province increased 4.5% (seasonally adjusted) between January and February.** This was the second consecutive month of strong gains in wholesale sales. BC's growth rate remained well above the national average (+3.0%), reversing a trend of below-average growth in wholesale sales during most of last year. Saskatchewan (+6.7%) and Alberta (+6.5%) were the only provinces where sales by wholesalers increased more than in BC. Sales were up in all provinces except Newfoundland (-1.4%) and New Brunswick (-0.2%). *Source: Statistics Canada*

- **Retail sales in British Columbia were down 3.1% (seasonally adjusted) in February, after growing 10.4% in the previous month.** The decline in sales was largely attributed to a correction of the artificially high sales levels that were observed in January as shoppers in southwestern BC emerged from under a huge dump of snow. Nationally retail sales rose 1.1% in February, as sales improved in most parts of the country. Northwest Territories (+4.1%) recorded the largest sales growth, followed by Saskatchewan (+2.7%) and Manitoba (+2.5%). Sales were down in Yukon (-5.7%), BC (-3.1%), Alberta (-0.4%) and Newfoundland (-0.4%). *Source: Statistics Canada*

- **Last year, discount stores accounted for 56% of total department store sales in Canada.** This compares to 49% of total sales just two years earlier, and 34% of total sales in 1981. In December, discount store locations outnumbered the major department stores almost two to one (there were 560 discount department stores in Canada, compared to 300 locations of the major department stores). In BC, the discount stores were not as dominant. There were 65

For data originating from Statistics Canada: data sourced to 'Statistics Canada' has been retrieved from CANSIM, the agency's electronic database; otherwise the source is identified as 'SC' plus the publication name or catalogue number.

Did you know...?
In 1993, psychiatry was the most common medical specialty in Canada. Six percent (3,415) of the 57,291 physicians in the country were psychiatrists. The second most common specialty was internal medicine (2,290, or 4% of the total). Just over half (55%) of the physicians in Canada were general practitioners.

discount store locations in the province in December, compared to 44 locations for the three major department stores. *Source: SC, Catalogue 63-002*

Health

- **British Columbians made 1,649,761 visits to hospital emergency rooms in 1994/95.** This translates into just under one visit for every two residents of the province (450 per 1,000 population). However, usage of emergency room services was below the average (470 per 1,000 population) for 1990/91 to 1993/94.
Source: Ministry of Health, Statistical Profiles for British Columbia

- **Specialist physician services were more heavily utilized than general practitioner (GP) services in 1994/95.** GPs provided an average of 6.1 services per capita, compared to 7.7 specialist services per person. The utilization of both GP and specialist services has increased since the beginning of the decade, with the largest increase occurring in specialist services. During the period from 1990/91 to 1993/94, an average of 6.0 GP services and 7.0 specialist services were provided for every resident of the province.
Source: Ministry of Health, Statistical Profiles for British Columbia

- **In 1993, the population-to-physician ratio for northern Canadians (those living at 65-69 degrees latitude) was 3,974 to 1.** Nearly two-thirds of the northern population lived at least 100 kilometres away from the nearest doctor. In contrast, "southerners" (those living below 45 degrees latitude, such as residents of Halifax, Toronto and southwestern Ontario) had a patient-doctor ratio of 476, and 91% were within 5 kilometres of a physician. In BC, the population-to-physician ratio was 404, the lowest of any province. Victoria's ratio was 286, while the ratio in Vancouver was 339. The national average was 476. *Source: SC, Catalogue 82-003XPB Vol. 8, No. 4*

- **Fewer than half (43%) of the 1.1 million adult Canadians who met the criteria of having experienced a major depressive episode (MDE) during a twelve-month period ending in 1994 reported talking to a health professional about their emotional or mental health.** One in four Canadians who experienced an MDE (characterized by a depressed mood and/or lack of interest in most activities, lasting at least two weeks) received treatment (i.e., had more than three consultations with a health professional). Women and young people were twice as likely as men and older people to have been depressed. Other contributory factors included being previously married, being exposed to considerable stress, and having few psychological resources. Not all MDE sufferers required treatment: in some cases, the condition was relatively short-lived, or individuals may have been able to cope with the symptoms without professional help. *Source: SC, Catalogue 82-003XPB Vol. 8, No. 4*

The Nation

- **Canada's composite leading indicator eased slightly in March, increasing 0.9% (seasonally adjusted) after rising 1.0% in February.** The housing and financial markets softened, as housing starts levelled off and existing home sales slipped during the first three months of the year. Growth in the average work week was also slightly lower than in the previous month. However, all other components of the indicator gained momentum in March. *Source: Statistics Canada*

- **Canada's national debt increased $9.1 billion during the twelve-month period ending in February.** The federal government's debt stood at $470.4 billion at the end of February, compared to $461.3 billion in February 1996. Public debt charges continued to act as a drag on the nation's fiscal position. During the first 11 months of the 1996/97 fiscal year, interest payments on the national debt totalled $41.0 billion. This was more than enough to offset the operating surplus ($33.1 billion) of the federal government. On the bright side, lower interest rates brought debt charges down 4.0% from the first eleven months of the previous fiscal year, despite the increase in the size of the debt.
Source: Federal Department of Finance

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