BRITISH COLUMBIA

BC STATS Infoline

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highlights

a weekly digest of recently released British Columbia statistics

The Economy

- **BC's economy was relatively sluggish last year, with real GDP at market prices growing only 1.0%, after increasing 0.9% in 1995.** A major factor in BC's slow growth last year was lower investment by the business sector. Although business investment in residential construction was up 5.3% from 1995, total business investment fell 1.3%, mainly due to a 13.2% decline in business investment in non-residential construction. Declining international (-0.4%) and interprovincial (-1.3%) exports also contributed to BC's relatively poor performance in 1996.

  The bright spot in the picture for BC was strong consumer demand for goods and services. Personal expenditures in the province rose 3.4%, well above the national average (2.4%). Consumer purchases of durable (1.8%) and semi-durable (1.1%) goods were relatively weak, but spending on services (4.6%) increased considerably more than in all of Canada (3.0%). While government current and capital expenditures declined at the national level, spending by federal, provincial and local governments in BC was higher than in 1995. Government spending on goods and services increased 0.2%, and investment in fixed capital rose 1.3% last year.

  Source: Statistics Canada

- **British Columbia was ranked tenth among the provinces and territories in terms of economic growth last year.** This was the second straight year that BC's growth has been among the lowest in the country. Yukon (7.2%) led the regions, followed by Saskatchewan at 3.3%. The other western provinces also grew strongly, with Manitoba (2.9%) and Alberta (2.6%) ranked third and fourth. The national average was 1.5%. Nova Scotia (0.6%) and Newfoundland (-0.9%) were the only provinces where economic growth in 1996 was lower than in BC. *Source: Statistics Canada*

- **BC's real GDP at factor cost (i.e., excluding indirect taxes net of subsidies) rose 1.0% last year, mainly as a result of 2.0% growth in the service sector.** The goods sector remained weak (-1.8%), reflecting declining GDP in the fishing (-6.5%), logging (-3.1%), agriculture (-2.2%), manufacturing (-1.9%) and construction (-5.2%) sectors. On the service side, GDP was down or flat in the transportation and storage (-0.5%), retail trade (0.0%) and government services (-2.5%) industries. However, the finance insurance and real estate (+4.6%) and community, business and personal services (+2.3%) industries both recorded relatively strong growth last year.

  Source: Statistics Canada

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 0.6%. April was the tenth consecutive month in which the annual inflation rate for BC has been below one percent. BC's low rate of inflation was due to lower annual increases in vehicle insurance premiums, gasoline prices, owned accommodation, and tuition fees relative to the rest of Canada.

  For Canada, the annual increase in the CPI was 1.7% in April. The highest annual increase was in Nova Scotia, where the CPI rose 2.7%. *Source: Statistics Canada*

Report **Genuine Progress Indicator (Part 2)**

Did you know...?
BC holds 8 out of 19 weather records for Canada. They all relate to precipitation.

- **Vancouver (+0.4%) and Victoria (+0.8%) had the second and third-lowest annual CPI increases respectively 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 April than in the same month last year. The highest annual average price increase was in Whitehorse (2.6%). *Source: Statistics Canada*

Income

- **Average real *after* tax income of families and unattached individuals increased by 1.4% between 1994 and 1995 in British Columbia.** Average income in constant 1995 dollars was $37,808 in 1995 in British Columbia, compared to $37,272 the previous year. Real *before* tax income of families and unattached individuals increased by 1.5% over the same period, from $46,110 to $46,805 in constant 1995 dollars. The increase in average income reflects growth at the high end of the income scale as the median, or the point at which half of income earners are earning more and half are earning less, actually declined. Real Median *after* tax income declined by 1.7% between 1994 and 1995, from $32,297 to $31,742. By contrast, real median *before* tax income declined by only half a percent.

  For Canada, the average real *after* tax income fell slightly by 0.2% between 1994 and 1995, while *before* tax income fared slightly better with a 0.1% decline. Again, the change in median real income was more severe, with a 1.5% decline in *after* tax income and a 1.9% decline in *before* tax income. *Source: Statistics Canada*

Census of Agriculture

- **According to the Census of Agriculture, British Columbia experienced a 12.6% increase in the number of census farms between 1991 and 1996.** A census farm is defined as an agricultural operation that produces an agricultural product intended for sale. In BC, there were 21,653 farms (excluding Christmas tree farms, which were counted for the first time in the 1996 Census and numbered 182).

  Alberta (+3.0%), Nova Scotia (+1.0%) and Newfoundland (+0.8%) also saw an increase in their number of farms. These increases contributed to the smallest decline in Canadian farms (-1.8%) between censuses since the number peaked in 1941. Along with Newfoundland, British Columbia was the only other province to experience a growth in the number of farms in both the 1991 and 1996 Censuses.
  Source: SC, 1996 Census of Agriculture

- **Although the number of farms is declining in Canada, the size of the farms is increasing. Between 1991 and 1996, farms with gross receipts of $100,000 or more increased by 10.9%.** Overall, 30.2% of farms in Canada were in this category. British Columbia also experienced a gain in large farms of around 10%, but it has the lowest proportion of large farms (15.7%) of all the provinces. In fact, a large portion of the growth in the number of farms in BC was due to the increase in the number of small farms (i.e., those with less than $10,000 in gross receipts). These small farms accounted for about half the gain in farms in BC.
  Source: SC, 1996 Census of Agriculture

Work Injuries

- **The number of time-loss work injuries in the province declined 5.7% in 1995, to 74,881.** This compares to a 4.7% decrease in work injuries at the national level. Time-loss injuries were down in all provinces except Prince Edward Island (+16.7%) and Saskatchewan (+6.5%). The increase in PEI was unusually high for that province and may reflect the construction activity related to the building of the Confederation Bridge.

  Despite the decrease in 1995, BC continues to account for a disproportionately large share of work injuries (18.2% in 1995), relative to the size of the labour force. This is largely a reflection of the nature of BC's work-force, which is concentrated in more injury-prone industries such as those in the primary natural resource sector.
  Source: Workers Compensation Board
  National Work Injuries Statistics Program

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Infoline Report:
May 16, 1997

The Genuine Progress Indicator: A Better Measure of Progress? (Part 2)

Reprinted from the March 1996 issue of *Business Indicators.* An annual subscription is $60 + GST.

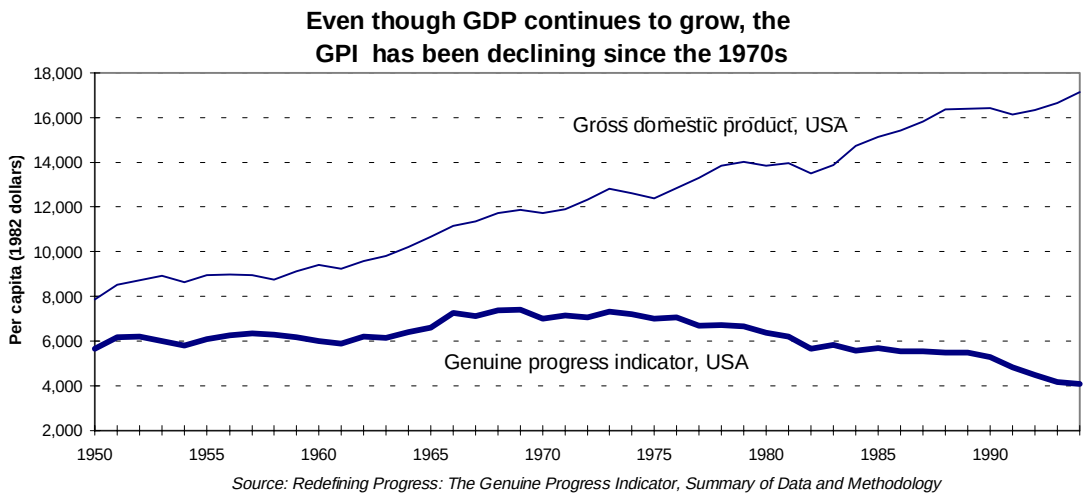

Figure 1

Continued from last week . . .

Last Week we discussed

- **What's wrong with GDP as a measure of progress?**
- **What is the Genuine Progress Indicator and how is it calculated?**

How does the GPI compare to GDP?

As illustrated in Figure 1, when all these adjustments have been made, the end result (the GPI[1]) is an estimate of economic progress that is significantly lower than the traditional GDP measure. More importantly, although GDP per capita continues to climb, the GPI has been falling since the 1970s. In 1994, the GPI was ***lower*** than in 1950, suggesting that Americans are worse off now than they were forty years ago.

Why has per capita GPI fallen so much while GDP continues to grow?

The difference between the two measures is largely due to the underlying assumptions and methods used to calculate the GPI. By definition, the GPI is lower than GDP for two reasons:

The GPI ignores or does not fully count the benefits to society of the following activities[2]:

- Government investment in human capital through publicly funded health care and education.
- Spending by governments on social services, defence, and other services provided by the public sector. In the GPI, these are viewed as purely defensive expenditures needed to correct for societal ills.
- Investment in new housing by both business and government.
- Export activities (imports are implicitly included in the GPI, but exports are left out).
- Investment in non-residential building projects such as hospitals, schools, recreational facilities, and shopping malls, and investment in machinery and equipment. Business and government sector investment is linked to labour force growth and production. Only the portion of investment which exceeds the amount required to maintain the same level of capital per worker is counted in the GPI.

[1] Although GPI estimates are not available for Canada, an unpublished study based on a similar methodology suggests that in this country, the gap between GDP per capita and the GPI is smaller, and that the Canadian GPI is flat rather than declining.

[2] In British Columbia, these activities account for about a third of the province's GDP.

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This means that if facilities are built to serve an aging or young population (those not in the work force), the effect on the GPI is larger than if they had been built to serve a working-age, employed population.

The fact that the GPI excludes some types of expenditures and is therefore lower than GDP does not explain the difference in growth rates. However, if some of the activities (such as spending on health care or education) which are not included in the GPI have become more important over time, the GPI may be understating growth.

Estimates of the cost of social decay, the loss of leisure time and other negatives, are deducted from the GPI, but are not explicitly accounted for in GDP.

The estimated costs to society of the ills resulting from economic growth, loss of leisure time, societal breakdown, pollution and the degradation of the environment have increased more rapidly than the benefits to consumers. In particular, the estimated costs associated with environmental degradation, the loss of leisure time, and underemployment showed phenomenal growth during the 1970s. These costs appear as negative entries in the GPI, but they are not explicitly accounted for in GDP.

Should we scrap the GDP? Is the GPI really a better measure of economic progress?

The GPI has been proposed as a better measure of progress than GDP because it takes into account various non-market activities such as income distribution, the value of unpaid work, the cost of social ills, and the effects of degradation of the environment and the depletion of natural resources. The question is, is the GPI really a better measure of progress? To answer this question, we must first look at what GDP really is, and then consider whether the GPI is a more accurate measure of progress.

GDP was never intended to be used as a measure of the social welfare of a nation. It makes no attempt to judge whether a particular income distribution is good or bad, or whether economic activities are harmful to the environment or to individuals. GDP should be viewed simply as a measure of the dollar value of the goods and services produced in an economy and exchanged in the market place. It gives an idea of whether the economy is producing more, or less over time. It indicates whether the average citizen has more or less money to spend in one year compared to another. It describes how a market economy is structured, and can be used to compare one economy with another. However, it is not, and never can be, a measure of whether society has improved or declined. Those sorts of questions cannot be answered accurately using a composite measure because the answers depend so much on individual opinions. One of the main strengths of GDP as a measure of progress is that it is, to the largest possible degree, an objective measure.

Some of the activities included in GDP but excluded from the GPI contribute to the well-being of society. For example, publicly funded education and other investment by government in human capital would be viewed by most as a benefit to society, but are not included in the GPI.

The GPI is a very subjective measure. In attempting to account for various costs, assumptions are made about the utility or disutility of various activities which are somewhat questionable. Many of the costs specified in the GPI are based on subjective assessments of whether a particular activity is good or bad. The valuation of these activities (and even the choice of which activities to include) depends to a large degree on individual preferences. For example, time spent watching television is viewed as a symptom of family breakdown. Time spent commuting to work is viewed only as a cost. Time spent working is viewed as a cost because it eats into the leisure time available to individuals. However, leisure time is only a good for those who are fully employed: for workers who would rather spend more hours on the job, it is viewed as a cost.

In other words, if GDP errs on the side of ignoring the social costs of human activity, the GPI errs on the side of putting too much weight on these costs–and in some cases, in assuming that all people will see them as costs. The prob-

lem, of course, is that it is almost always difficult to try to attach a price to something which is not exchanged in the market place. This is one of the main reasons why GDP estimates do not include an assessment of the value of non-market activities.

Even though GDP does not explicitly take into account the costs associated with some activities, they are implicitly reflected in its value. For example, when a crime is committed, it is true that the costs of apprehending an offender, court proceedings, legal fees, and jailing those found guilty of crimes all tend to increase GDP. It is also true that society would be better if we didn't have criminals, and did not have to engage in these types of "defensive" activities. However, crime does not just add to the value of GDP, it also decreases it. It affects the ability of victims to work (both in and outside the home), lowering their productivity. Property losses incurred by the victims of crimes have to be recovered by either an insurer or the victim. The criminal who is in jail is not able to work, and instead of contributing to economic output (and spending money on goods and services), society has to pay to house and clothe him. These costs are not reported in terms of dollars and cents, because it is difficult to measure them accurately, but they have an effect on GDP just the same.

One of the strengths of GDP–as it is currently measured–is that it is constructed based on standards set by the United Nations and other international organizations. The definitions used and the choice of what to include in GDP are subject to scrutiny and review by experts in the field.

GDP is a valid measure of economic progress, based on what happens in the market place. It is not a measure of social progress or of the state of the environment, even though societal breakdown and damage to the habitat will eventually have an effect on economic growth. However, GDP gives no indication of whether or not current growth levels are sustainable.

What implication does all this have for the way we measure economic progress in BC?

The GPI is an initial attempt to quantify the effects of changes in society and the environment on the well-being of individuals However, it is flawed in that it relies heavily on subjective evaluations of whether certain non-market and market activities are good or bad. In addition, the choice of factors to be included in the index is subjective, and until there is some agreement on which factors should be included in a well-being index, and how they should be measured, the GPI should not be viewed as an alternative to GDP or even as a measure of the economy's progress over time. Instead, it is a subjective measure of how *individuals* have been affected by *some* changes in the economy, and in their social and environmental well-being.

However, it does provide some useful information. An index like the GPI, and its components, can be viewed as an adjunct to GDP, in the same way that other "satellite accounts" are viewed. They are not replacements, but they provide important additional information about some of the trends in society that have an effect on overall well-being. This is consistent with the approach taken by the United Nations for the System of National Accounts. Estimates of non-market activities, and the cost of depleting the national wealth are reported in the SNA, but they are not used to adjust GDP.

Is it practical to produce the same type of estimates for BC?

Regionalizing statistical information is always a challenge–and even more so when the data in question are the types of series used in the GPI. Apart from the issues raised above, producing a reasonably robust set of estimates for the province would be a very difficult task. However, some of the indicators used in the GPI (such as crime rates, accidents, the number of divorces, and various estimates of the value of unpaid household or volunteer work) are available at the provincial level. These data, together with GDP, can be used to gain a more complete picture of how the economy, and the social and natural environment are changing over time.

Infoline

May 16, 1997

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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		% change
(BC - at market prices - $ millions)	1996	on year ago
Current Dollars	103,631	1.7
Constant (1986) Dollars	74,001	1.0
TRADE ($ millions)		
Manufacturing Shipments (seas. adj.) Mar	2,884	11.5
Merchandise Exports (raw) Feb	2,100	8.9
Retail Sales (seasonally adjusted) Feb	2,734	3.9
CONSUMER PRICE INDEX		% change
(all items - 1986=100)	Apr '97	on year ago
BC	139.4	0.6
Canada	137.6	1.7
LABOUR FORCE (thousands)		% change
(seasonally adjusted)	Apr '97	on year ago
Labour Force - BC	2,005	2.1
Employed - BC	1,824	1.4
Unemployed - BC	182	10.0
		Apr '96
Unemployment Rate - BC *(percent)*	9.1	8.4
Unemployment Rate - Canada *(percent)*	9.6	9.5
INTEREST RATES (percent)	May 14/97	May 15/96
Prime Business Rate	4.75	6.50
Conventional Mortgages - 1 year	5.40	6.50
- 5 year	7.50	8.50
US/CANADA EXCHANGE RATE	May 14/97	May 15/96
(avg. noon spot rate) Cdn $	1.3853	1.3683
US $ *(reciprocal of above rate)*	0.7219	0.7308
AVERAGE WEEKLY EARNINGS		% change
(industrial aggregate - dollars)	Feb '97	on year ago
BC	611.38	2.8
Canada	596.36	3.6

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

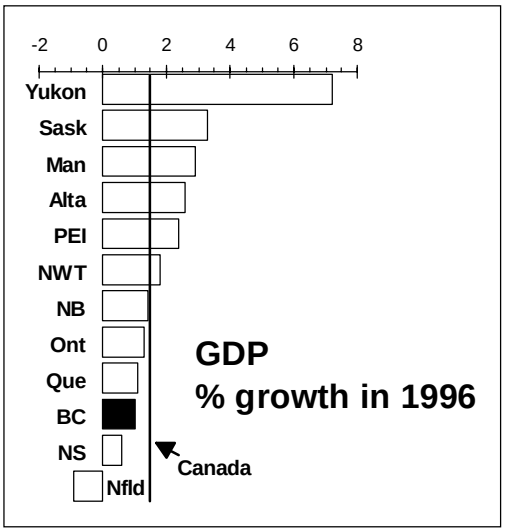
Our new look . . .

The new look of Infoline comes from a shuffling of the document from front to back. We did this because we wanted to add emphasis to **highlights**, which was the original basis of the service and continues to be our most widely read and reported on product. This is followed by the **Report**, which provides a closer look at a particular issue. The reports are previously published articles from our paid regular subscription periodicals. ***BC at a glance*** and housekeeping bits such as our release schedule and notices have moved to this, the back page.

We have now retired our flag logo from this document. This should speed up the weekend transmission and make for cleaner copies on your end.

GDP data released

Statistics Canada released 1996 GDP data this morning.



Released this week by BC STATS

- Labour Force Statistics, April 1997
- Consumer price Index, April 1997

Next week

- Exports (BC Origin), February 1997

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