

## highlights

a weekly digest of recently released British Columbia statistics

### Consumer Prices

- **British Columbia's consumer price index (CPI) edged up 0.4% during the twelve-month period ending in January.** Shelter costs in the province continued to decline, dropping to 2.5% below the January 1997 level. This was a major factor in the province's continued low inflation rate. The overall price level rose 0.4% in Vancouver and 0.6% in Victoria, giving Vancouver the lowest year-over-year inflation rate of any major city in Canada. British Columbia's inflation rate was the second lowest in the country, after PEI (0.3%). Canada's CPI was 1.1% higher than in January 1997, with Quebec (1.9%) recording the largest year-over-year increase of any province. Quebec's provincial sales tax increased from 6.5% to 7.5% in January. *Source: Statistics Canada*

### Public and Private Investment

- **Public and private investment in the province is expected to increase 1.3% in 1998, after growing 5.0% last year.** The expected increase is due to more investment in construction, which is predicted to rise 2.8% this year on the strength of a 5.2% increase in the non-residential sector. Residential construction intentions for 1998 are only 0.7% higher than in 1997. Private and public sector organizations surveyed between October and January indicated that they anticipated spending 1.8% less on machinery and equipment this year than in 1997. *Source: Statistics Canada*
- **Nationally, public and private investment intentions for 1998 are considerably stronger than in BC.** Canadian investment intentions are up 6.2% from last year, led by significant increases in Northwest Territories (14.1%), Newfoundland (11.6%) and Alberta (9.8%). PEI (-23.7%) is the only province where investment

intentions for 1998 are lower than in 1997. Construction of the Confederation Bridge had boosted investment in PEI and in New Brunswick during the early part of the 1990s, and both provinces are now feeling the pinch of a slackening in investment since the completion of the project. Investment in New Brunswick is expected to increase 1.4% this year, marginally more than in BC. Investment intentions in the rest of Canada are much more optimistic, with increases ranging from 5.0% in Ontario to 14.1% in NWT. *Source: Statistics Canada*

### Exports

- **British Columbia is less dependent on trade with the US, and more dependent on trade with Asia, than other regions of Canada.** In 1997, 22.5% of BC's total exports were to Japan (Japan accounts for about two-thirds of BC's total trade with Asia). This compares to 5.0% of Alberta's exports, 0.6% of Ontario's, and 2.9% of exports from all other provinces. Exports to the US make up just over half (55.7%) of BC's exports, but account for considerably larger shares of total exports in other regions: 81.0% in Alberta, 90.7% in Ontario, and 76.3% in the rest of Canada. This greater dependence on Asian markets likely contributed to BC's below average export growth last year, as sales to countries in Asia have been affected by the economic downturn in that part of the world. *Source: BC STATS*
- **Since 1989, machinery and equipment exports from the province have almost tripled in value.** Last year, machinery and equipment exports totalled \$2.6 billion, compared to \$960 million in 1989. Exports of plastics increased even more, growing 378% from \$45 million to \$215 million. International sales by BC's clothing industry have also taken off since the beginning

### ***Did you know...?***

***Canada produced 130 million kg of cheddar cheese last year. At 20 grams a slice, that's enough cheese for 6.5 billion late night cracker snacks—or 214 servings of crackers and cheese per person. Assuming, of course, that none of the cheese is used to bait mouse traps.***

of the decade. Exports of apparel and accessories manufactured in BC last year reached \$182 million, representing a 392% increase from 1989, when they totalled only \$37 million. Total exports increased 45% during the same period. Machinery and equipment, clothing and plastics accounted for 11% of BC's exports in 1997, compared to 6% in 1989. *Source: BC STATS*

### ***Employment Insurance***

- **The number of employment insurance (EI) recipients in the province continued to decline in December, falling 2.2% to 65,770 (seasonally adjusted).** December's figures were the lowest since 1981. At the national level, there were 562,390 EI recipients in December, 2.5% less than in the previous month. The number of EI beneficiaries was down in all parts of the country except Newfoundland (+0.4%) and NWT (+1.6%). *Source: Statistics Canada*

### ***Farm Cash Receipts***

- **Farm cash receipts in British Columbia were 14% higher in 1997 than in the previous year.** Total cash payments to farmers reached \$1.9 billion last year, compared to \$1.6 billion in 1996. The increase was the strongest in the country. In other provinces, increases ranged from 2% in Quebec to 10% in Manitoba. Cash receipts declined 6% in PEI and were down 2% in Alberta and New Brunswick. Canadian farm cash receipts increased 4% to \$29.8 billion last year. *Source: Statistics Canada*

### ***Fraud***

- **There were 14,911 cases of fraud reported to the police in British Columbia during 1996, giving the province a fraud rate of 387 per 100,000 population, down from 406 in the previous year.** Canada's fraud rate reached its lowest point in 20 years (337) in 1996. Fraud rates ranged from 250 in Quebec to 540 in Saskatchewan, which has had Canada's highest fraud rate for five years running. *Source: SC, Juristat 85-002-XPE Vol 18, No 4*
- **The nature of fraud has changed considerably during the last 20 years.** In 1977, 70% of reported fraud cases involved cheque fraud, compared to 40% in 1996. Credit card fraud ac-

counted for 7% of all cases in 1977, but 17% in 1996. This change is partly due to advances in technology (such as the introduction of ATMs, which has reduced the use of cheques and allowed for automated bill payments) and changes in consumer behaviour (such as an increase in the usage of credit cards). Credit card fraud cost the banking industry an estimated \$83 million in 1996, a third of which stemmed from counterfeiting. The Insurance Bureau of Canada estimates that 10-15% of automobile, household and commercial claims are fraudulent, costing policy holders \$1.3 billion annually. *Source: SC, Juristat 85-002-XPE Vol 18, No 4*

- **Despite the existence of counterfeit credit card rings in Vancouver, Toronto and Montreal, these census metropolitan areas (CMAs) had a lower incidence of fraud than smaller cities in 1996.** Vancouver's fraud rate (308) was the highest of the three areas. The fraud rate for Canada's 9 largest CMAs was 281 in 1996, compared to 388 in 15 smaller centres. Victoria's fraud rate (521) was the fourth highest in the country, after Saskatoon (591), Thunder Bay (562) and Halifax (529). Rural communities falling outside the boundaries of CMAs had an overall fraud rate of 390. *Source: SC, Juristat 85-002-XPE Vol 18, No 4*

### ***Health Care Expenditures***

- **In 1995, Canadian spending on health services amounted to 9.6% of the nation's GDP.** This was up from 8.4% ten years earlier. Relative to GDP, Canadian expenditures on health care are higher than in most other OECD countries. The United States (14.2%) and Germany (10.4%) were the only other member nations which spent proportionally more on health care. The United States also posted the largest increase, with spending on health care rising from 10.7% to 14.2% of GDP during the ten-year period ending in 1995. *Source: OECD Health Data 97*

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February 27, 1998

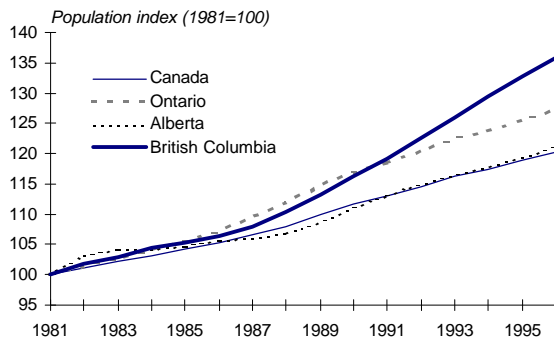
# Infoline Report:

February 27, 1998

## Long-term Trends in BC's Economy

Originally published in January 1998 issue of *Business Indicators*. An annual subscription is \$60 + GST

### BC's population has increased more than a third since 1981...

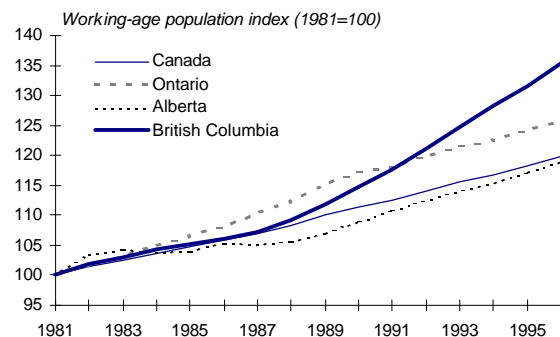


BC's economy has been viewed as one of the top performers in the Canadian confederation. The province has had the fastest population growth in the country in recent years, sustained by migration from other countries and from other parts of Canada. Thirteen percent of Canadians now live in British Columbia, and largely as a result of gains made since the late 1980s, BC's population in 1996 was 36% higher than in 1981. No other province recorded a similarly large increase in its population (Ontario, with a 27% increase, was ranked second among the provinces). Canada's population grew 20% during the period from 1981 to 1996.

The population of seniors (65 and older) in BC increased 63% during this period, more than any other age group. However, population growth has not been confined to seniors. Between 1981 and 1996, BC's working-age population grew at about the same rate (35%) as the

general population. The potential supply of workers did not increase nearly as much in other provinces. Nationally, the number of people aged 15 to 64 was only 20% higher than in 1981.

### ...and the province's working-age population (15 to 64) has grown at about the same rate



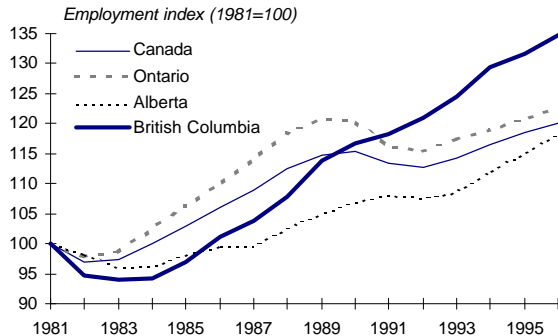
Strong population growth, especially among those of working age, has been an important factor contributing to employment gains in BC. The number of people with jobs in the province rose more than a third during the last decade and a half. This was well in excess of employment gains in the rest of the country, but consistent with the growth in the number of working-age people living in the province. Nationally, employment growth also kept pace with population increases in the 15-to-64 age group.

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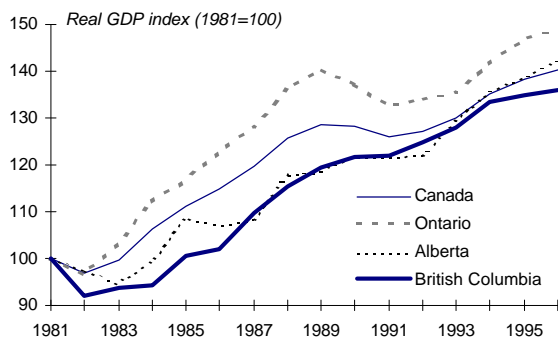
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### BC has had the best job growth record in the country during the 1990s



### However, real GDP has increased less than in other parts of the country



Despite strong population and employment growth, BC's real gross domestic product—the unduplicated value of goods and services produced in the economy—has not increased as much as in other parts of Canada. Total GDP growth of 36% from 1981 to 1996 was below the national average (40%), and lower than in both Alberta (42%) and Ontario (49%).

One reason for the lower-than-average GDP growth over the entire period is that BC was particularly hard-hit by the recession of the early 1980s. The economy shrank 8% between 1981 and 1982, compared to a 3% decline nationally. It did not recover to its pre-recession level until 1985, two years after the Canadian economy was back on track.

Despite a strong recovery in the latter half of the 1980s, with an economy that grew faster than Canada's in every year from 1987 to 1994, British Columbia's cumulative economic growth since 1981 has remained below the national average. Alberta was in the same position, but strong growth in the last two years has improved that province's overall performance. In BC, slower growth during 1995 and 1996, at a time when the Canadian economy was continuing to expand, has exacerbated the situation.

This seems puzzling: how is it possible that a province which has successfully attracted people from other regions and has had the best job growth record in the country has not succeeded equally well in terms of its overall economic growth? The deep contraction in the early 1980s is certainly part of the answer, but it does not explain the recent period of slower growth which contrasts with the national experience. It is particularly curious given that much of the rapid expansion in the province's population and the number of jobs has occurred since the end of the 1980s—the same period in which BC's economic growth advantage over the country as a whole has been steadily eroded.

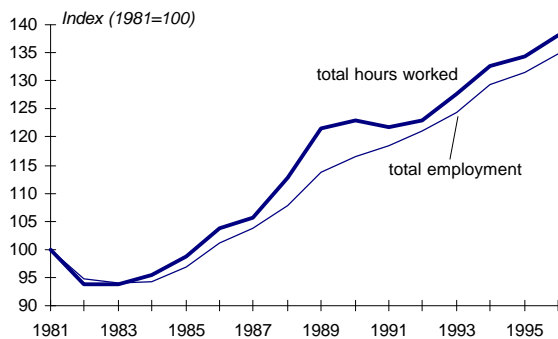
While it is not possible to explain this phenomenon definitively, there are some factors which appear to have contributed to this apparent anomaly.

### Is part-time work the explanation?

The shift from full-time to part-time employment has been suggested as a possible explanation for slower growth, since workers who put in fewer hours on the job cannot be expected to produce the same output as those who work full time. Part-time employment has become an increasingly important factor in the BC job market. Between 1981 and 1996, part-time employment grew faster than full-time employment, and as a result, the percentage of workers in BC who were employed part-time increased from 17% to 20%. This compares to 19% of workers who were employed part-time at the national level, up from 15% in 1981.

A significant percentage (28%) of part-time workers in BC said they had part-time jobs because they could not find full-time employment. This was up from 14% in 1981. At the national level, the proportion also doubled, from 16% in 1981 to 32% in 1996.

### The average number of hours worked each week has increased more than the number of jobs



Despite the increase in part-time employment, the actual total hours worked in the province has increased faster than the number of jobs since 1981. This is because, while part-time employment has become more common, more part-timers are working longer hours. At the same time, a growing number of full-time workers (15% of all employees, up from 11% in 1981) are putting in at least 50 hours each week. This has resulted in the average number of hours actually worked each week increasing from 33.1 in 1981 to 33.9 in 1996.

Even though the number of hours worked each week has increased, BC workers have more leisure time, on average, than their fellow Canadians. They spent less time at work than employees in any other province except Quebec (also at 33.9 hours). This was an hour less than the national average (34.9 hours), and 3 hours less than in Alberta.

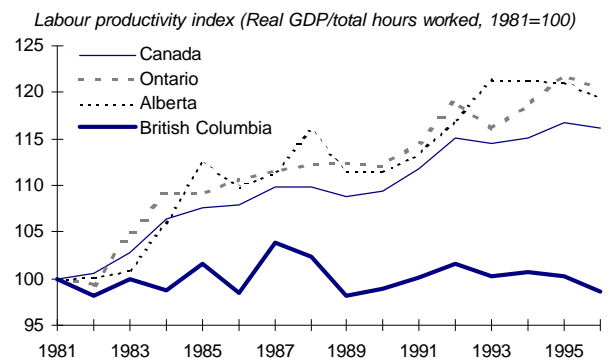
This suggests that a shorter-than-average work week for both full-time and part-time employees in the province is a more likely explanation of the discrepancy between job growth and economic growth in BC *vis-a-vis* the rest of Canada

than the shift to part-time employment. All other things being equal, a shorter work week means that more job growth would be required to produce the same increase in output as in a region where workers typically spend more time on the job each week.

### Trends in labour productivity

A comparison of real GDP growth over time to the amount of labour input (measured by total hours worked rather than the number of workers) highlights the difference between the factors contributing to economic growth in this province and those underlying the growth that has occurred in the rest of the country. Since 1981, labour productivity in the province has remained more or less constant. In the rest of Canada, the output per hour worked has increased fairly steadily during the last decade and a half.

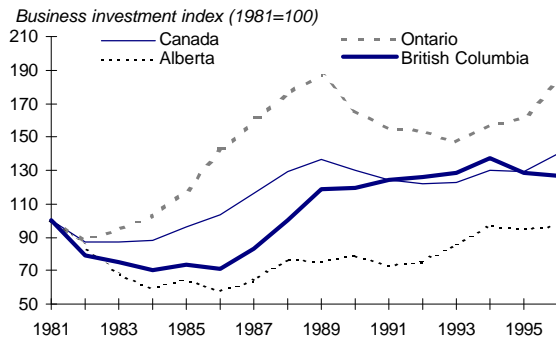
### Labour productivity in the province has remained virtually unchanged since 1981



Labour productivity is only a rough measure of productivity change. It tends to overstate the contribution of labour to total output, as economic growth can also result from technology change or improvements resulting from investment in capital stock. These influences may be reflected in changes in labour productivity. (A more accurate, but more difficult to measure, estimate of productivity change is total factor productivity, which takes into account the ef-

facts of changes in both labour and capital inputs.)

### Business investment in fixed capital has grown at about the same rate as in the rest of Canada



Some of the productivity growth in the rest of Canada might be explained by increased capitalization. However, business capital investment in BC has increased at almost the same rate as in the rest of the country since 1981. In Alberta, business investment in capital has remained below the level it was at in 1981. The levelling off of investment seen in BC during the last few years is very similar to what has happened nationally. Thus, it appears that lower capital investment is not likely to be the major reason for differences between productivity growth in BC and in the rest of the country.

### The Role of the Service Sector

It is tempting to look at the service orientation of the economy as a possible factor explaining the province's relatively lower labour productivity growth. BC's service sector accounts for a larger share of its total GDP than in most other provinces (Nova Scotia and Newfoundland being the only exceptions), with just under three-quarters (73.5%) of total GDP originating in services in 1996. Nationally, services accounted for 66.0% of total GDP, and in Alberta (the least service-sector oriented economy in Canada), 56.7% of total GDP was produced by service industries.

Service industries have been providing the impetus for much of BC's economic growth in recent years. The relative size of BC's service sector has grown more since 1984 than in most other parts of the country. In 1984, service industries produced only 69.1% of BC's GDP. Nationally, service industries grew from 63.6% of the economy in 1984 to 66.0% in 1996. Service sector growth in Alberta has lagged behind that in the goods industries.

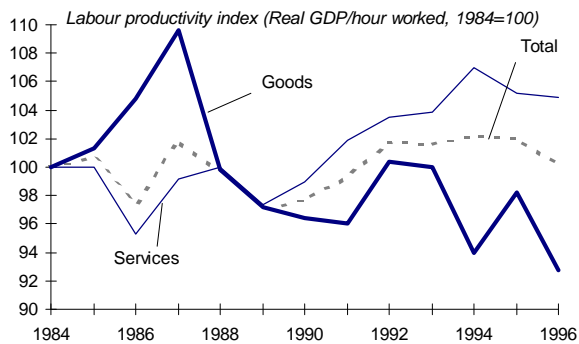
It should be noted that some service industries have close ties to the goods sector, as they provide transportation, accounting or other business services to industries which are producing goods. Increased contracting out of services by the goods industries has undoubtedly been a factor in the growth of the service sector during the last fifteen years.

Three out of every four (76.2%) jobs in the province were in the service sector in 1996. This compares to 73.1% of all jobs nationally. In Alberta, service-sector workers made up 71.7% of the workforce in 1996.

Workers in service industries are usually paid less than those who are employed in the goods sector. In 1996, the average wage of a service-sector worker in BC was \$564 per week, compared to earnings of \$782 weekly in the goods sector. This difference in relative wages affects GDP because the value of the output of many service industries is difficult to measure, so GDP estimates are often closely related to the remuneration received by workers in the service industries. Thus, it is reasonable to suppose that service sector growth might explain the low productivity growth in the province.

However, using data on total hours worked by industry, it appears that labour productivity in the service sector has actually been increasing since 1984, the first year for which GDP by industry estimates are available for all provinces. In contrast, the productivity of workers in the goods sector has been declining. In other words, it would appear that BC's service sector growth has helped boost the province's overall productivity.

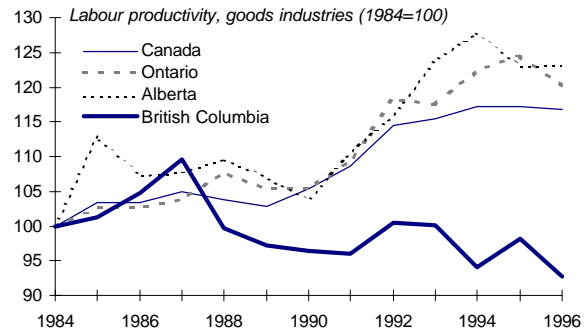
### Productivity growth in the service sector may have shored up overall productivity in the province



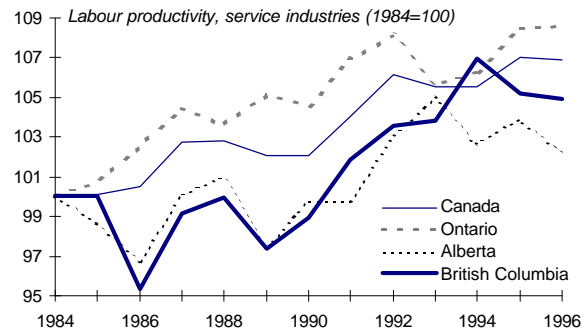
A comparison of productivity growth in the goods and service sectors for BC and other provinces illustrates this effect. The province's below-average productivity growth during the last fifteen years appears to be mainly due to declining productivity in the goods sector. Service-sector productivity growth has more or less kept pace with productivity improvements in the rest of the country.

The decline in productivity in the goods sector since 1984 appears to be concentrated mainly in the logging and manufacturing industries. Productivity in the agriculture and mining sectors has increased more than at the national level.

### Labour productivity in BC's goods sector has been declining...



...while at the same time, productivity growth in the service industries has more or less kept pace with the rest of Canada



Perhaps what differentiates BC's economic situation from that in the rest of the country is its position as an economy in transition. The province's primary industries have been forced to restructure in the face of changing world demand and fluctuating prices for BC's forest and mining-dominated resource sector. As the economy continues to adapt to a new reality, a growing and vibrant service sector can help sustain economic growth and make the adjustment period smoother.

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## BC at a glance . . .

<b>POPULATION (thousands)</b>			% change on
		Oct 1/97	one year ago
BC	3,943.9		1.9
Canada	30,377.8		1.1
<b>GROSS DOMESTIC PRODUCT</b>			% change on
<i>(BC - at market prices - \$ millions)</i>		1996	one year ago
Current Dollars	103,631		1.7
Constant (1986) Dollars	74,001		1.0
<b>TRADE (\$ millions)</b>			
Manufacturing Shipments (seas. adj.) Dec	2,794		-0.9
Merchandise Exports (raw) Dec	2,041		-6.5
Retail Sales (seasonally adjusted) Dec	2,794		9.4
<b>CONSUMER PRICE INDEX</b>			% change on
<i>(all items - 1986=100)</i>		Dec '97	one year ago
BC	139.2		0.4
Canada	137.8		0.7
<b>LABOUR FORCE (thousands)</b>			% change on
<i>(seasonally adjusted)</i>		Jan '98	one year ago
Labour Force - BC	2,005		0.4
Employed - BC	1,818		-1.1
Unemployed - BC	187		16.7
		Jan '97	
Unemployment Rate - BC (percent)	9.3		8.0
Unemployment Rate - Canada (percent)	8.9		9.7
<b>INTEREST RATES (percent)</b>		Feb 25/98	Feb 26/97
Prime Business Rate	6.50		4.75
Conventional Mortgages - 1 year	6.40		5.05
- 5 year	6.85		7.00
<b>US/CANADA EXCHANGE RATE</b>		Feb 25/98	Feb 26/97
<i>(avg. noon spot rate)</i> Cdn \$	1.4236		1.3659
US \$ <i>(reciprocal of above rate)</i>	0.7024		0.7321
<b>AVERAGE WEEKLY EARNINGS</b>			% change on
<i>(industrial aggregate - dollars)</i>		Dec '97	one year ago
BC	615.66		-0.3
Canada	601.62		1.1
<b>SOURCES:</b>			
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 Financial Statistics			

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### Released this week by BC STATS

- Earnings & Employment Trends, Nov. 1997
- Business Indicators, February 1998
- Exports, December 1997
- Current Statistics, February 1998
- Consumer Price Index, January 1998

### Next week

- No subscription releases