

highlights

a weekly digest of recently released British Columbia statistics

Housing

- **Housing starts in the province bounced back in September, increasing 16.3% (seasonally adjusted) after declining in the two previous months.** Starts in urban areas of the province were up 18.9%, due to a boom in rental apartment construction. Nationally, the number of housing starts fell 7.6%, largely because of weakness in Ontario (-18.5%), where starts have been seesawing up and down throughout the year. Housing starts were also down in Manitoba (-5.9%), Quebec (-6.8%) and Nova Scotia (-23.3%), but increased in the rest of the country at rates ranging from +3.2% in New Brunswick to +60.0% in Saskatchewan.

Declining interest rates have helped boost the market for residential construction, offsetting the effect of a general economic slowdown which is starting to be felt in many parts of the country. While the recession of 1991 hit the Canadian housing market hard, the current slowdown may not be felt as deeply in this sector of the economy. In the early 1990s, mortgage rates were still rising, aggravating the situation in the housing market. At the present time, the cost of borrowing money is falling, making housing more affordable. The one-year mortgage rate is currently at its lowest level since 1997. The rate for five-year mortgages is the lowest it has been in two years. Lower interest rates could encourage otherwise jittery homebuyers to continue to invest in the housing market. *Source: CMHC & BC STATS*

- **The cost of new housing in BC's two biggest cities continued to rise in August.** The new housing price index (NHPI) in Vancouver was up 1.2% over the same month last year and increased 1.0% in Victoria. New housing cost

more in virtually every urban area surveyed, with Windsor (-0.1%), Sudbury/Thunder Bay (-0.8%) and Charlottetown (+0.1%) being the only exceptions.

While the value of housing built in Vancouver and Victoria is now trending up, land prices remain depressed. In Victoria, the value of land continued to decline in August; in Vancouver, land prices were flat for the fifth month in a row.

New housing prices in BC's two biggest cities remain well below 1992 levels. In Vancouver, the NHPI stood at 84.2 in July, while Victoria's index was 72.6. This means that new housing in the Victoria area was selling for 27% less than it would have in 1992. Weak housing market conditions during the 1990s undoubtedly contributed to the erosion in new house prices during the last decade. In addition, concerns about leaky condos have made new housing less attractive to some buyers than it used to be. At the same time, housing prices reflect the style and type of housing being built as well as the overall market conditions. Some of the decline in housing prices seen during recent years may be due to an increased emphasis on building smaller, more affordable apartments in the province's larger urban centres. *Source: Statistics Canada & BC STATS*

- **Vancouver's housing market was strong in September.** Sales of detached, attached and apartment properties increased 26% over the September 2000 level.

Source: Vancouver Real Estate Board

Births and Deaths

- **During the first three months of the year, there were 9,895 births and 7,270 deaths recorded in the province.** One in five of the births were to women who were 35 or older. Teenage

Did you know...

Twenty-one babies have been born on BC Ferries during the last 40 years. The most recent arrival, a boy, was born September 3, during the morning sailing from Gabriola Island to Nanaimo.

mothers accounted for less than 5% (445) of the live births in the first quarter. One in four (25%) births were by Caesarean section.

Source: Vital Statistics Quarterly Digest, Vol 11, #1

- **Six out of every 100 deaths in British Columbia last year were the result of accidents or other external causes.** Suicide (348) was the most common cause of these deaths, accounting for one in four deaths from external causes. The incidence of suicide was particularly high in the West Kootenay-Boundary (where 30% of the deaths from external causes were the result of suicide), North Shore (29%) and Capital (29%) Health Regions. It was least likely to be a cause of death in the Fraser Valley (16%) and Cariboo (16%) regions.

Motor vehicle accidents took the lives of 338 British Columbians during 2000, while 275 people died as a result of falls and 238 succumbed to the effects of poisoning. Deaths from drowning (53), homicide (39) and fires (27) were less common.

Source: Vital Statistics Quarterly Digest, Vol 10, #4

- **Cancer (28%), heart disease (25%), respiratory (10%) and cerebrovascular (10%) diseases were the leading causes of death in 2000.** Other diseases that took a high toll included diabetes (3%) and Alzheimer's (2%). There were 122 deaths resulting from AIDS, accounting for 0.4% of all deaths in the province. Of the 27,289 deaths in BC last year, 6% (1,695) were related to the use of alcohol, either as a contributing factor in an accidental death, or as a cause of illness.

Source: Vital Statistics Quarterly Digest, Vol 10, #4

R&D

- **Canadian businesses spent the equivalent of 1% of the nation's GDP on research and development in 1999.** R&D expenditures in Canada were lower than in most of the big OECD economies. Among 11 member countries, business R&D spending was highest in Sweden, where it represented 2.8% of GDP, and lowest in Italy (0.6%). Japan (2.2%) and the US (2.2%) were ranked second and third after Sweden in terms of R&D spending. Canada and Norway (both at 1.0%) were ranked 9th and 10th.

Source: SC, Catalogue 88-202-XIB

- **US companies funded \$160 billion (US) dollars of R&D in 1999, an increase of 10.5% over the previous year.** R&D expenditures by US businesses grew by 10-12% in all but one year from 1995 to 1999. Spending in Canada was significantly lower, even after allowing for the fact that the US economy is about ten times as big as ours. Canadian companies funded \$6.4 billion (Cdn) in R&D in 1999, which was only slightly more (+0.6%) than in the previous year.

Source: SC, Catalogue 88-202-XIB

- **Most of the R&D in Canada is done by private sector companies, which accounted for 60% of gross domestic expenditures on research and development in 2000.** Businesses and educational institutions (27%) were responsible for almost 90% of the R&D in Canada in that year. The federal government's share was just 11%, with the remainder done by provincial (1%) governments and non-profit organizations (1%).

The role of the private sector and educational institutions in R&D has been expanding. In 1963, businesses did 38% of the R&D, with the federal government (38%) accounting for a similar share. Educational institutes (19%), provincial governments (4%) and private non-profit organizations (1%) played smaller roles.

Source: SC, Catalogue 88-202-XIB

- **Most industrial R&D in Canada is done by a small number of companies.** Fifty of the 7,438 companies reporting R&D activities in 1999 accounted for more than half of the spending. Telecommunications industries (23%), those producing aircraft and parts (13%), and engineering and scientific services (10%) are the most active in R&D. Wholesale trade (7%), pharmaceutical and medicine (6%) and computer and related services (6%) industries are smaller players.

Source: SC, Catalogue 88-202-XIB

- **Canadian businesses spent \$9.8 billion on intramural R&D in 1999.** British Columbia's share of the total was \$645 million. Most of the spending was in Ontario (\$5.4 billion) and Quebec (\$3.0 billion).

Source: SC, Catalogue 88-202-XIB

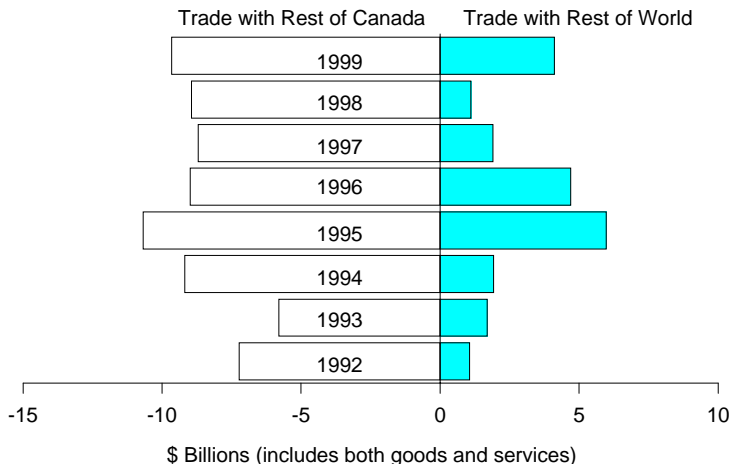
highlights, Issue 01-41
October 12, 2001

Interprovincial and International Trade in Goods and Services

For a region like British Columbia with an abundance of natural resources, trade is crucially important. Most often it is the trade between countries that receives the bulk of attention, but in a federation like Canada, it is also important to look at trade within the country. For example, in 1999 (the latest year for which interprovincial trade data is available), although British Columbia had over a \$4 billion surplus in international trade, interprovincially it had just under a \$10 billion dollar trade deficit with the rest of the country. The combined interprovincial and international trade deficit amounted to just over \$5.5 billion.¹

*A **trade deficit** occurs when imports exceed exports and a **trade surplus** occurs when exports exceed imports.*

BC Trade Balance: Net of Exports Minus Imports



BC has recorded an overall trade deficit in each year from 1992 to 1999 due to interprovincial trade deficits that exceed international surpluses

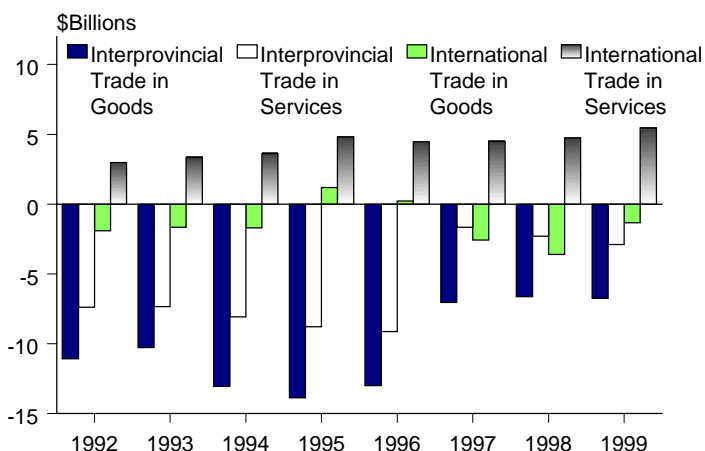
This internal deficit/external surplus is not unique to 1999, but rather has been the case for at least the last 15 years. The interprovincial trade deficit has increased in the nineties, hovering between 9 and 10 billion dollars, whereas in the mid-eighties it was closer to 5 to 6 billion dollars. At the same time, the trade surplus with the rest of the world has become smaller, such that the overall trade balance for British Columbia has been negative throughout the nineties. In contrast, in the eighties there were a few years where there were overall trade surpluses.

¹ Statistics Canada, Interprovincial and International Trade Flows 1992–1999.

Goods versus Services

The biggest contributor to British Columbia's trade deficit tends to be trade in goods rather than services. In fact, even internationally, BC tends to import more goods than it exports in most years. While BC still has a trade deficit in services with the rest of the country, this is not the case internationally. British Columbia generally has a healthy surplus in international trade in services, which outweighs any deficit in goods such that the province usually has a trade surplus with the rest of the world.

With the exception of trade of services to other countries, BC's trade balance is usually in the red



Location, Location, Location

British Columbia's location on the West Coast is the primary reason for the surplus in trade of services to the rest of the world. A substantial portion of BC's service exports derives from the transportation, storage and handling of goods and services. The province's location ensures that a great deal of the commodities traded between Canada and Pacific Rim countries will travel through BC, via its ports, railways, highways or airports. This includes imports destined for BC and other provinces, as well as exports from BC and the rest of Canada. BC also has a significant international trade surplus in business and computer services. In 1999, the net of exports minus imports in these services was valued at almost a billion dollars.

BC's location is the key to an international trade surplus in services.

In terms of exports of services, the transportation, storage and handling of merchandise (where handling includes the wholesaling margins, which are the difference in costs between the producer's prices and the purchaser's prices) is the most significant component. This is true both for trade with the rest of Canada and the rest of the world. For imports of services, this category is also one of the largest, but makes up a smaller portion of the total compared to exports. Again, it is British Columbia's location that

makes transportation, storage and handling of goods such a large component of the province's trade.

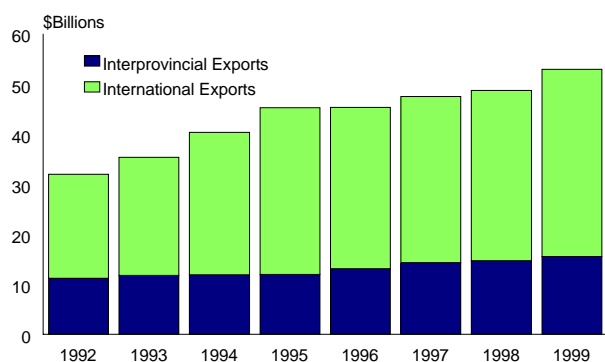
Other significant components of trade in services both internationally and interprovincially are in finance, insurance and real estate, particularly for imports, and business and computer services for both exports and imports. For international transactions, another large sector is services to tourists in the form of accommodation and meals. For interprovincial transactions, communication services are significant.

Manufactured goods in, raw materials out

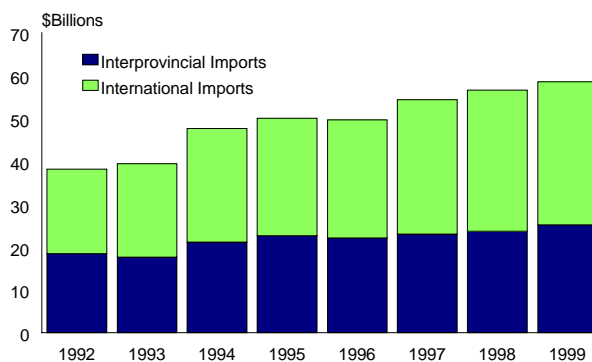
With the wealth of resources available in British Columbia, it comes as no surprise that the majority of goods exported, particularly to international destinations, are resource-based, such as wood, pulp, paper, and mineral products. Imports of goods from other countries tend to be concentrated in manufactured products such as motor vehicles and parts, machinery and equipment, and electrical, electronic and communication products. Imports from other provinces are most often food and beverages, chemicals and pharmaceuticals, or petroleum products. As Canada has developed international free trade agreements, such as NAFTA (North American Free Trade Agreement), the value of international trade has increased as a percentage of overall trade and some of the goods that were traditionally purchased from other provinces are now being purchased internationally.

Resource-based goods dominate BC's exports, while imports are primarily concentrated in manufactured products.

BC's trade with other countries has been growing as a percent of overall trade for both exports...



...and imports



BC's international trade has been growing at a faster rate than interprovincial trade.

The myth of provincial trade barriers

There are some that argue that the shift toward international trading partners away from those in other provinces has as much to do with trade barriers within Canada, as it has to do with the removal of barriers internationally. While it is true that trade barriers still exist between provinces, for the most part they are insignificant relative to the overall level of trade. In 1995, the Canadian provinces signed on to the Agreement on Internal Trade (AIT). This agreement was designed to reduce or eliminate existing barriers to trade within Canada, and it has succeeded in dealing with the worst cases, particularly those involving alcoholic beverages. It is somewhat ironic that in a country where beer commercials can evoke strong feelings of patriotism, until very recently, in BC, it was less expensive to buy beer from the United States than from Ontario. The AIT has since eliminated those barriers.

The AIT still has its share of critics, however, who suggest that it has a long way to go before all the interprovincial trade irritants are eliminated. This may be true, but evidence suggests that the remaining barriers are, for the most part, a minor concern in the overall trade picture and are not substantially hampering interprovincial trade. According to research performed by John McCallum and John Helliwell,² provincial barriers to trade are far less significant than the barrier of an international border.

McCallum and Helliwell examined trade flows between Canadian provinces and American states accounting for distance and market size. Their study suggests that the international border is in itself a barrier to trade. Uncertainty over exchange rates and the possibility of countervailing duties or anti-dumping charges add risk to international trade that does not exist in interprovincial trade. Given the decline in international trade barriers in recent years with the signing of various trade agreements like NAFTA, it would make sense that if there truly were serious barriers to trade within Canada, then the provinces would trade far more with sources outside the country. This has occurred to some degree as a reduction in trade barriers has naturally increased trade, but not enough to support the idea that provincial trade barriers are driving the provinces to trade less with each other and more with other countries.

International borders can serve as a barrier to trade

² McCallum, J. and J.F. Helliwell, The Extraordinary Trade-Generating Powers of the Canadian Economic Union, Royal Bank and University of British Columbia, May 1995.

BC trades far more with Ontario than Texas despite similar distances and a much larger economy in Texas



*** Goods only, 1999**

McCallum and Helliwell suggest that in a world of perfect free trade British Columbia would trade far more with Texas than with a province approximately the same distance from BC like Ontario, because the economy of Texas is much larger than that of Ontario. In reality this is not the case at all. In 1999, British Columbia's gross trade in goods with Ontario (i.e., exports plus imports) was over five times larger in value compared to Texas.³ The authors suggest that these kind of trade disparities imply that trade barriers within Canada are trivial compared to those between the United States and Canada. Considering that with NAFTA most of those barriers have been reduced or eliminated, that would mean that barriers within Canada are not very significant or, at least, that the benefits of trading within the country far outweigh those barriers. At any rate, it suggests that internal trade barriers are not causing the level of damage to trade that some critics believe. This argument is a bit simplistic since it does not take into account the difference in product mix between Ontario and Texas. However, the authors tested all provinces against the 30 largest states and found similar results, which suggests that although they may be overstating the importance of the international border, it is still a more significant factor in trade than any existing provincial trade barriers.

Research shows that Canadian provinces trade with each other at levels far in excess of what would occur in a perfect free trade world.

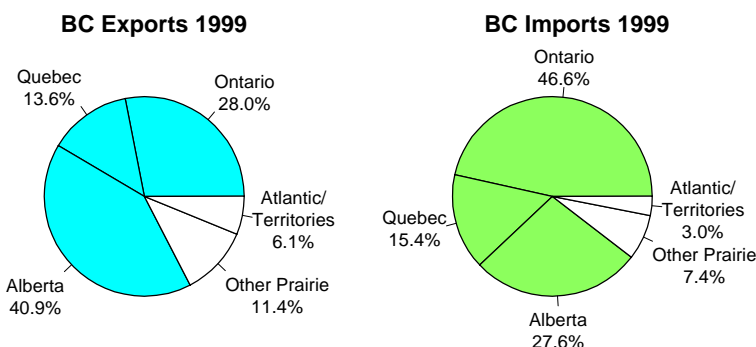
³ Note that the data sources for interprovincial and international trade used in this comparison are different. This is because the interprovincial and international trade flow data does not give any breakdown of the international trade by destination or origin so data on a customs basis had to be used. The interprovincial trade data, on the other hand, is on a balance of payments basis. However, the differences are nowhere near large enough to account for the substantially greater level of trade with Ontario.

BC trades most with Alberta, Ontario and Quebec

It should come as no surprise that Canada's two largest provinces together with British Columbia's neighbouring province generate the most trade with BC. In 1999, 82.5% of BC's interprovincial export trade and 89.6% of interprovincial import trade was with one of these three provinces. The largest destination for BC exports within Canada was Alberta with 41% of interprovincial exports. The largest Canadian source for imports to BC was Ontario at 47%.

Within Canada, BC trades mostly with Alberta, Ontario and Quebec.

Amount of trade with BC depends on size and proximity




On the whole a far greater percentage of British Columbia's trade is with other countries. In 1999, interprovincial trade accounted for only 43% of imports to BC and 29% of exports out of BC. This probably has very little to do with barriers to interprovincial trade, but rather, is likely due to the product mix available within Canada. British Columbia still depends significantly on resource-based exports and, for the most part, these products are readily available within other provinces in Canada, which is why BC exports mainly outside the country. Ontario and Quebec are the main source of imports from within Canada because of the size of their economies and their diversified manufacturing sectors that offer goods not produced in BC.

It is likely product mix that determines the level of trade within Canada, rather than trade barriers.

Conclusion

It is doubtful that further reductions in provincial trade barriers would have a significant impact on the amount of trade between BC and the other provinces. The level of interprovincial trade is likely more a product of the commodity mix and the relative proximity of the provinces, rather than the effect of any existence of barriers to trade. As pointed out earlier, if anything, the advantages of trading within Canada have amplified trade between provinces far beyond what they would be in a perfect free trade universe.

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 also on the **Internet** at www.bcstats.gov.bc.ca

BC at a glance . . .

POPULATION (thousands)		% change on one year ago
	Jul 1/01	
BC	4,095.9	0.9
Canada	31,081.9	1.0
GDP and INCOME		% change on one year ago
<i>(BC - at market prices)</i>	1999	
Gross Domestic Product (GDP) (\$ millions)	118,783	4.2
GDP (\$ 1992 millions)	104,323	2.1
GDP (\$ 1992 per Capita)	25,899	1.3
Personal Disposable Income (\$ 1992 per Capita)	16,700	0.0
TRADE (\$ millions)		
Manufacturing Shipments (seas. adj.) Jul	2,880	-5.4
Merchandise Exports (raw) Jul	2,656	-2.7
Retail Sales (seasonally adjusted) Jul	3,169	5.7
CONSUMER PRICE INDEX		% change on one year ago
<i>(all items - 1992=100)</i>	Aug '01	
BC	116.1	1.8
Canada	117.1	2.8
LABOUR FORCE (thousands)		% change on one year ago
<i>(seasonally adjusted)</i>	Sep '01	
Labour Force - BC	2,095	-1.0
Employed - BC	1,934	-1.1
Unemployed - BC	161	-0.8
	Sep '00	
Unemployment Rate - BC (percent)	7.7	7.7
Unemployment Rate - Canada (percent)	7.2	6.9
INTEREST RATES (percent)	Oct 10/01	Oct 11/00
Prime Business Rate	5.25	7.50
Conventional Mortgages - 1 year	5.15	7.90
- 5 year	7.05	8.25
US/CANADA EXCHANGE RATE	Oct 10/01	Oct 11/00
<i>(avg. noon spot rate) Cdn \$</i>	1.5679	1.5042
<i>US \$ (reciprocal of the closing rate)</i>	0.6378	0.6641
AVERAGE WEEKLY WAGE RATE		% change on one year ago
<i>(industrial aggregate - dollars)</i>	Sep '01	
BC	645.68	-0.4
Canada	639.50	2.5

SOURCES:

Population, Gross Domestic Product, Trade, Prices, Labour Force, Wage Rate } Statistics Canada
 Interest Rates, Exchange Rates: Bank of Canada Weekly Financial Statistics
 For latest Weekly Financial Statistics see www.bankofcanada.ca

Proposed 2001 Census release strategy

Date	Variables
12 Mar '02	Population & Dwelling Counts Occupied Private Dwellings Collectives
16 Jul '02	Age and Sex
22 Oct '02	Marital Status Common-law Status Families Dwellings and Households
10 Dec '02	Language Mobility and Migration
21 Jan '03	Citizenship Immigration Birthplace & Birthplace of Parents Ethnic Origin Visible Minorities Aboriginal
11 Feb '03	Labour Force Activity Presence of Children Occupation' Industry Place of Work Mode of Transportation Language of Work (new) Unpaid Work
11 Mar '03	Education Field of Study Highest Level of Schooling Earnings
13 May '03	Income of Individuals, Families and Households Social & Economic Characteristics of Individuals, Families and Households Shelter Costs Religion (last asked in 1991)

In September 2003, estimates of Net Census Undercount will be released.

Released this week by BC STATS

- Labour Force Statistics, September 2001

Next week

- Consumer Price Index, September 2001