

highlights

a weekly digest of recently released British Columbia statistics

The Economy

- **Wages, salaries and benefits earned by BC workers edged down 0.1% (seasonally adjusted) in September.** This marked the fourth straight month in which labour income in the province has showed little or no change. Total payrolls were also flat (+0.1%) at the national level, continuing a trend that began in February. The situation was similar across the country. Nova Scotia, New Brunswick and Quebec, where the total pay packet rose 0.3%, were the only regions other than Manitoba (+0.2%) to show much of an increase. The consistent weakness in the labour income data so far this year is a signal that at both the provincial and national levels, the economy is grinding to a halt. Labour income accounts for about 60% of GDP and when this component is weak, it is unlikely that other elements of national or provincial income will show substantial gains.

Source: Statistics Canada & BC STATS

- **During the third quarter, labour income in the province was virtually unchanged, rising 0.1% (seasonally adjusted).** Labour income fell in three provinces, was flat in BC, and rose in the rest of Canada, increasing 0.3% nationally.

Source: Statistics Canada

- **Department store sales in BC and the north rebounded in October, rising 4.5% (seasonally adjusted).** Spending at department stores had been down in both August (-2.9%) and September (-4.8%), mirroring a nationwide trend. Sales increased over September levels in every region, rising 5.5% overall. The upturn in October was partly due to new store openings, but may also indicate that consumers are still willing to spend despite uncertainties about the state of the economy.

Source: BC STATS & Statistics Canada

Agriculture

- **Cash receipts from farming operations in the province rose substantially in the third quarter (+15.5%), boosted by strong growth in earnings from crop (+23.2%) and livestock (+7.5%) sales.** Vegetable producers received about 50% more for crop sales this year than they did in the third quarter of 2000. Producers of berries and grapes (+2.5%) and floriculture and nursery products (+6.5%) posted more modest gains. Earnings from sales of apples and other tree fruits remained weak, falling 20.7%. Receipts from sales of livestock were up more or less across the board. Canadian receipts rose 12.6%, with farmers in every province except Ontario (+6.7%) posting double-digit gains. It is expected that the fourth quarter results will be weaker, since the full effect of adverse weather during the growing season is just beginning to be reflected in crop receipts.

Source: Statistics Canada

Tourism: September 11

- **Visitor entries to British Columbia plummeted in September, as border crossing delays, airport closures, and fear of travel brought traffic to a virtual standstill for several days following September 11th.** The number of people crossing the border into BC dropped 18.7% (seasonally adjusted) as entries from the US decreased by a fifth (-20.6%). Eight out of every ten international visitors who clear customs in BC are from the US. Overseas entries were less affected (-8.8%), but travel was still down significantly. Asian (-16.0%) entries dropped the most, followed by entries from Europe (-8.7%). Entries from the South Pacific, including Australia and New Zealand, were up slightly (+4.8%) in September.

Source: BC STATS & Statistics Canada

Did you know...

British Columbians reported \$4.8 billion of investment income on their tax returns last year. Four out of ten BC taxfilers had investment earnings.

- **Passenger statistics from major BC airports give an indication of how the airline industry has been affected by the fallout from the attacks and the subsequent service cutbacks.**

Passenger traffic in Vancouver was down 19.2% in September, relative to the same month last year. Victoria's airport reported a 15.3% decline, followed by a 7.4% drop in October. Prince George (-16.3% and -17.4%) and Kelowna (-12.6% and -6.2%) were similarly affected.

Source: Local Airport Authorities

Saving for Retirement

- **BC residents invested \$3.8 billion in RRSPs in 2000, slightly less (-1.6%, adjusted for inflation) than in the previous year.** A total of 817,670 taxfilers reported RRSP contributions on their 2000 returns. The median investment was \$2,900—higher than in any other province except Ontario (also at \$2,900). The median nationally was \$2,700, with 6.3 million taxfilers contributing to RRSPs.

Source: SC, The Daily

Giving to Charity

- **British Columbians who made charitable donations in 2000 dug deeper into their pockets to do so than they did in 1999.** The number of charitable donors increased 2.6% to 658,260, but the value of their donations rose more than twice as much (+7.0%, adjusted for inflation), with \$787 million going to charities. The median donation was \$230. (The median is the point at which half of all donors gave more, and half gave less, to charities). Canadians in virtually every part of the country gave more last year than in 1999. Nationally, the value of donations (\$5.4 billion) grew four times as fast as the number of donors (5.5 million). Those living in the poorest parts of the country were the most generous. The median donation was \$340 in Nunavut, \$300 in PEI and \$290 in Newfoundland. BC, Alberta and Ontario all weighed in at \$230. The Canadian median was \$190, pulled down by the very low level of donations in Quebec (\$100).

Source: SC, The Daily

The Nation

- **Canada's economy contracted in the third quarter, declining for the first time since 1992.** Real GDP fell 0.2%, signaling that the

long expansion in Canada has finally come to a halt. The downturn was largely due to weakness in the external sector. Exports (-2.0%) fell for the third quarter in a row, while the value of goods and services imported into the country declined (-2.0%) for a fifth consecutive quarter. At the same time, businesses drew down their inventories by \$4.9 billion (in 1997 dollars). Final demand for goods and services continued to expand, indicating that the slowdown in the North American economy has not completely shut down spending. However, the increase (+0.3%) fell far short of the one-percent-plus growth that occurred in the late 1990s, when the economy was at its peak. Consumers kept a firm grip on their purse strings, as spending dipped (-0.1%) for the first time in six years. Government expenditures on goods and services (+0.4%) and fixed capital (+0.4%) increased modestly. Business investment in fixed capital rose 1.3% as the housing sector remained relatively buoyant (+1.0%) and businesses spent more (+3.1%) on machinery and equipment. However, spending on non-residential structures was down 1.3%. The corporate sector showed signs of weakness, as profits fell 13.9% (unadjusted for inflation), while income from interest and investments decreased 7.0%, reflecting the effect of lower interest rates and weakness in financial markets.

Source: Statistics Canada

- **Monthly industry data show the first comprehensive evidence of the effect that September 11th had on the Canadian economy.** GDP fell 0.8% in September, as output in both the goods (-1.5%) and service (-0.5%) sectors plunged. Travel-related industries such as accommodation and food services (-4.4%) and transportation (-2.1%) were particularly hard hit, as the effects of the terrorist attacks pushed these already faltering sectors into a sharp decline. Retail (-2.3%) and wholesale (-1.4%) activities remained weak. On the goods side, manufacturing output slid 2.1% as border crossing delays, and weak international demand took their toll. The mining industry (-1.8%) was weakened by falling prices for oil and gas, which put a damper on exploration activity.

Source: Statistics Canada

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Thirst for Energy Powers British Columbia's Exports

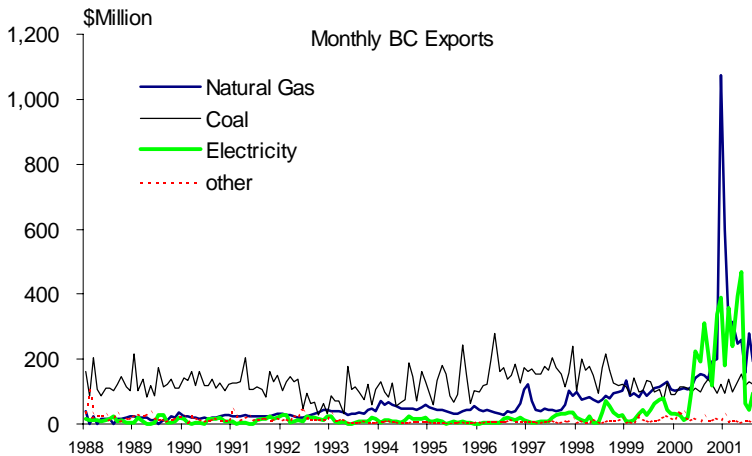
British Columbia's resource industries have suffered several setbacks in recent years, which have affected international trade. Low fish stocks have led to restrictions on where, when and how much one can fish, which have resulted in a reduction in the supply of fish available for export. Falling prices for metals and coal have affected the mining industry leading to the closure of some mines and consequently a decline in the amount of production. In the forest sector, low prices and trade disputes with the United States have resulted in falling production and reduced trade. Despite these woes, British Columbia's international export trade continues to expand. A large part of the reason for this is the American thirst for energy resources and British Columbia's abundance of the same.

Energy exports have mitigated the decline in exports of other resource products.

Current events

High demand, a tight supply and subsequent soaring prices for natural gas and electricity have been driving the overall increase in the value of BC exports in recent months. The exceptional performance of the energy sector has helped mask the deteriorating fortunes of the forest sector and has been the main reason for the improved export figures compared to last year. However, it appears that natural gas and electricity prices have hit their peak and are beginning to decline, which will affect the value of BC exports in the second half of 2001.

The value of BC energy exports are starting to come back down to earth after reaching new heights

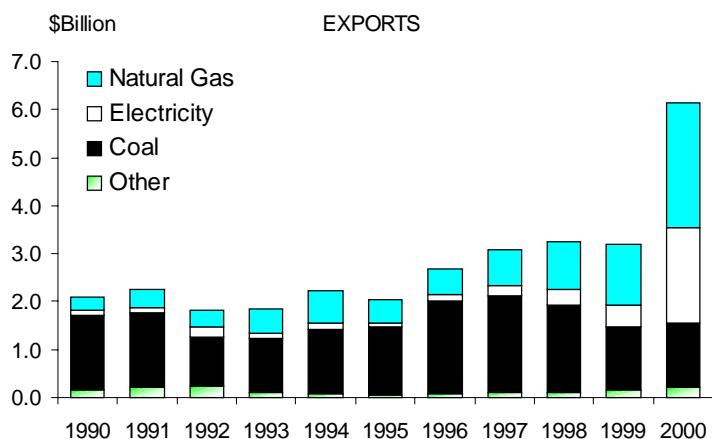


Soaring prices for natural gas and electricity drove the value of exports of those commodities to new levels in late 2000 and early 2001

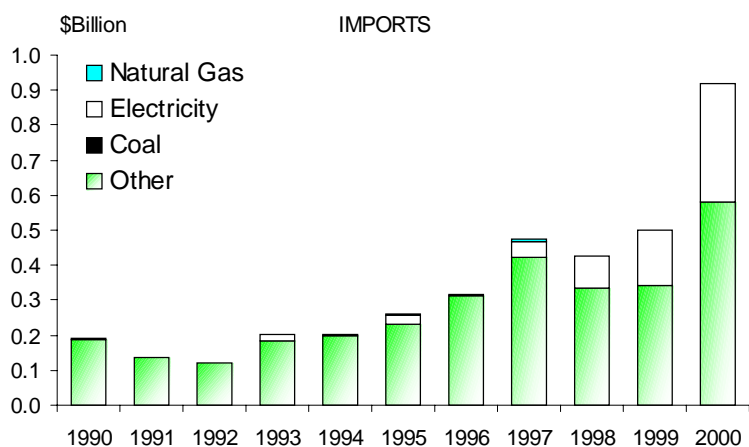
Much of the inflation in natural gas and electricity prices was due to energy shortages in the United States, particularly in California. The crisis seems to have abated due to a combination of conservation measures, mild temperatures and other energy producers coming on line¹.

Historical trends

Coal was the most significant energy export from British Columbia until recently when it was supplanted by natural gas and electricity. Imports into British Columbia were mainly in the 'other' category, consisting mostly of petroleum products (both crude and refined). More recently imports of electricity have become significant. This is mostly due to BC Hydro's electricity trade subsidiary, Powerex, taking advantage of opportunities on the spot market by buying power during off-hours when the rates are low, then selling its own surplus power in the peak hours, when rates are higher.



Until recently, coal has dominated energy exports from BC, while imports of energy have consisted mainly of petroleum products (in the 'other' category)



¹ For a more detailed discussion of trade in electricity, see the article *Buy Low, sell High: Trade in Electricity* in the may 2001 issue of **Exports** (released July 2001).

As British Columbia's mix of energy exports changes, so too does the destination for those exports. The main recipient of coal from BC is Japan. With coal dominating BC energy exports through most of the nineties, Japan was the top destination for those exports for most of that period.

Due to the nature of electricity and natural gas and the system for delivery of those commodities, the United States has been virtually the sole destination for BC exports of these types of energy, as well as the sole origin for imports of these products into British Columbia. As demand for these commodities rose in the United States and prices escalated, they surpassed coal in terms of total value of exports. As a result, the United States has surpassed Japan as the most important destination for exports of energy from BC.

Globally, Canada was fourth in exports of energy products in 1999, making up about 5% of the world market. British Columbia contributed only 10.6% of Canada's overall energy exports, but was responsible for 68.5% of all coal exports from Canada and 23.8% of all Canadian electricity exports.

Top 5 Exporters of Energy in 1999 (\$US Billions)

Rank	Exporter Country	Exports	Percent of Total
1	Former USSR	42.2	9.9
2	Saudi Arabia	41.7	9.8
3	Norway	23.7	5.6
4	Canada	21.4	5.0
5	Nigeria	21.0	4.9
TOTAL		426.9	100

Canada is among the world leaders in exports of energy commodities, ranking fourth

In terms of imports, Canada ranked fifteenth in the world, importing 1.7% of energy products traded in 1999. The United States was by far the most significant importer of energy, taking in almost a fifth of the world's energy exports. Japan (10.5%) and Germany (6.4%), also highly industrialised countries, ranked second and third in imports of energy products.

Top 5 Importers of Energy in 1999 (\$US Billions)

Rank	Importer Country	Imports	Percent of Total
1	United States	80.0	18.7
2	Japan	45.0	10.5
3	Germany	27.3	6.4
4	Korea RP	21.2	5.0
5	France	20.8	4.9
...			
15	Canada	7.4	1.7
TOTAL		426.9	100

The United States is responsible for almost a fifth of all international imports of energy products

In 1999, Canada was the number one source of energy for the United States, responsible for 22% of American imports of energy products. Venezuela was second at just over 12% of total American energy imports. Since then the price of electricity and natural gas has increased substantially, which probably means that Canada's share of the value of American energy imports has also increased. In 1999, Canada supplied 99.9% of electricity imported by the United States, and 93.7% of American imports of natural gas.

Canada supplied 22% of all American imports of energy products in 1999

Canadian trade in energy with Japan is nowhere near as significant as that with the United States, but Canada was the source of 1.6% of Japanese imports of energy products, ranking thirteenth just behind the United States (1.9%). The United Arab Emirates (19.2%) and Saudi Arabia (17.9%) were the main sources of energy for Japan. Unlike Canada and the United States, Japan has very little domestic oil supply, which explains its greater dependence on these oil-rich countries for energy. However, Canada is a significant supplier of coal to Japan, ranking second behind Australia (57.3%) in 1999, with 14.8% of Japan's coal imports originating in Canada. British Columbia is the source of the majority (68.1%) of Canadian coal shipped to Japan.

Future possibilities


Given the Americans' thirst for power and the United States limited ability to meet its own demand, it is likely that trade in energy will continue to be a significant contributor to British Columbia's trade picture. President George Bush has made it clear that the United States will be looking to Canada as a source of power. British Columbia is well positioned to take advantage of American demand, assuming, of course, that the low snow packs experienced last winter do not reoccur. The occasional low water level excepted, BC normally has a surplus of hydroelectric power available for trade. The flexibility of hydroelectricity allows BC to be a major player in the power market. Also, there are significant reserves of natural gas in British Columbia's Northeast.

The current crisis involving the war against terrorism has increased the demand for more local sources of energy, particularly oil. There is a desire, particularly on the part of the Americans, to move away from OPEC sources to satisfy the demand for oil. As a result, the United States is seriously considering allowing drilling in the Arctic National Wildlife Refuge in Alaska, despite the outcry of environmentalists. In British Columbia, there are similar pressures to develop the offshore oil and gas reserves near the Queen Charlotte Islands, estimated to be worth \$95 billion. Presently there are both federal and provincial moratoriums against such development, but the current political and economic climate may sway both levels of government to re-examine their respective positions.

The demand for local sources of oil is putting pressure on governments to allow drilling in environmentally sensitive areas

In Alaska, the Americans are pointing to the experience in Prudhoe Bay as proof that oil development and nature can co-exist. In British Columbia, those interested in developing the offshore reserves point to the projects off Newfoundland and Nova Scotia as examples where state-of-the-art technology has been used to enable offshore drilling with minimal environmental risks. Opponents of offshore development suggest that the risks are too high and would further endanger an already fragile fish population. There are also issues surrounding claims by First Nations that would have to be settled prior to any oil drilling activity.

Despite the objections and the hurdles to overcome, it appears that the pressures of increasing demand for oil and the toxic political climate in the Middle East is pushing the development of the resources in these environmentally sensitive areas closer to fruition. Whether the drive by environmentalists for greater conservation efforts and preservation of these sensitive areas will win out over the increasing demand for oil remains to be seen. At any rate, it is likely that energy commodities will be a crucial part of British Columbia's trade picture for many years to come.

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BC at a glance . . .

POPULATION (thousands)	Jul 1/01	% change on one year ago
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>	2000	
Gross Domestic Product (GDP) (\$ millions)	127,564	5.8
GDP (\$ 1997 millions)	124,464	3.9
GDP (\$ 1997 per Capita)	30,664	3.1
Personal Disposable Income (\$ 1997 per Capita)	25,195	2.8
TRADE (\$ millions)		
Manufacturing Shipments (seas. adj.) Sep	2,740	-12.9
Merchandise Exports (raw) Sep	2,221	-19.4
Retail Sales (seasonally adjusted) Sep	3,166	4.9
CONSUMER PRICE INDEX		% change on one year ago
<i>(all items - 1992=100)</i>	Oct '01	
BC	115.8	1.1
Canada	116.8	1.9
LABOUR FORCE (thousands)		% change on one year ago
<i>(seasonally adjusted)</i>	Oct '01	
Labour Force - BC	2,093	-1.3
Employed - BC	1,921	-2.0
Unemployed - BC	172	7.1
		Oct '00
Unemployment Rate - BC (percent)	8.2	7.6
Unemployment Rate - Canada (percent)	7.3	6.9
INTEREST RATES (percent)	Nov 28/01	Nov 29/00
Prime Business Rate	4.00	7.50
Conventional Mortgages - 1 year	4.60	7.90
- 5 year	6.85	8.25
US/CANADA EXCHANGE RATE	Nov 28/01	Nov 29/00
<i>(avg. noon spot rate)</i> Cdn \$	1.5847	1.5404
US \$ <i>(reciprocal of the closing rate)</i>	0.6311	0.6481
AVERAGE WEEKLY WAGE RATE		% change on one year ago
<i>(industrial aggregate - dollars)</i>	Oct '01	
BC	643.68	-0.7
Canada	637.02	2.3
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		

Released this week by BC STATS

- Quarterly Regional Statistics, 3rd Quarter 2001
- Business Indicators, November 2001
- Current Statistics, November 2001

Next week

- Earnings & Employment Trends, October 2001
- Tourism Monitor, November 2001