

## highlights

a weekly digest of recently released British Columbia statistics

### *The Economy*

- **The number of business bankruptcies in BC fell 5.7% in June to 83.** This is the lowest number of business failures since December 2001. There were also 809 consumer bankruptcies in BC which was 4.5% less than in May. Newfoundland experienced the sharpest decline in consumer bankruptcies (-18.9%) and Alberta suffered the largest increase (+5.8%). Ontario had the most declared bankruptcies at 2,327 while Yukon had the least with 0. All provinces except Alberta had fewer bankruptcies in June 2002 than the same month of the previous year. Retail trade industries (10) and construction industries (10) were the most common businesses to declare bankruptcy in BC during June. Fishing and trapping was the safest industry in June with no bankruptcies in Canada. Insolvent firms in the province had total liabilities of \$21.1 million in June which was far less than the May amount (\$63.4 million). *Source: Statistics Canada*
- **Revenues in the engineering services industry in BC contracted slightly (-0.7% from 1999 to 2000) despite strong growth in most of the country.** Revenues grew 4.4% nation-wide over the same time period. The BC industry became more profitable in 2000, however, with a profit margin of 10.9% as opposed to 8.5% in 1999. Yukon had the largest profit margin (15.7%) while Newfoundland and Labrador had the lowest (4.2%). There were 9,300 people employed in the industry in BC during 2000, considerably less than Alberta where 15,200 worked in engineering services. *Source: Statistics Canada*
- **Average weekly earnings in BC were 0.8% higher in May 2002 compared to the same month last year.** The average BC employee

earned \$668.63 per week (seasonally adjusted). This was a little under the national average of \$677.03. The average worker in Northwest Territories made the most money at \$882.05 per week while Prince Edward Island workers earned the least at an average of \$536.73. The Canadian mining and oil and gas industry was the highest paying (at \$1,161.66) and people working in accommodation and food services earned the least (at \$302.20) despite this industry having the largest increase over last year (6.6%). *Source: Statistics Canada*

### *Business Conditions*

- **Eighty-two percent of BC manufacturers expect production to increase or change little in the next three months.** Manufacturers have somewhat tempered their optimism since April, when 86% expected stable or increasing production. Compared to July of 2001, manufacturers' prospects improved considerably in July of this year. Only 18% of them expect a decrease in production for the third quarter of 2002, while in the same period last year 37% expected production to drop. *Source: Statistics Canada*
- **News on the level of new orders is even more optimistic relative to July of 2001.** Twenty-two percent of BC manufacturers reported an increase in new orders, compared to a corresponding 11% last year. The share of companies reporting a rising level of orders is also substantially higher than the matching percentage of last quarter (13%). However, not all firms that saw an improvement in orders are planning to increase production accordingly. Some will fill the new orders by reducing their inventories, which are reported as too high by

### *Did you know...*

***The Port of Vancouver is Canada's largest and most diversified port, trading more than \$29 billion in goods with more than 90 nations.***

30% of manufacturers in July, versus 20% three months earlier.

*Source: Statistics Canada*

#### ***Waste Disposal***

- **British Columbians sent 639 kg of residential waste per capita to landfills in 2000, 4% more than in 1998.** However, BC recycles more than any other province, managing to divert 34% of residential waste away from landfills. The BC waste management industry was comprised of 260 businesses, 5 less than in 1998, and employed 3,028 people. Local governments in BC spent \$95 million on the operation of landfills, compared to \$7.8 million on recycling facilities.

*Source: Statistics Canada*

#### ***Household Spending***

- **Out of an average household expenditure in 2000 of \$55,668, British Columbians spent 10.8% on food, 21.1% on shelter, and 3.6% on clothing.** Transportation was another major expense with 13.5% of the total, while recreation, health care, pension plans, and money gifts and contributions each accounted for about 2% of total expenditure. Relative to 1999, BC households spent a higher share of their budget on transportation and a lower share on clothing in 2000. The proportion of household expenditure dedicated to shelter in BC is higher than the corresponding percentage for Canada (18.8%), while the share of food and clothing in total expenditure is lower for BC than for Canada.

*Source: Statistics Canada*

#### ***Health***

- **In a recent health study, Richmond BC had the highest life expectancy at birth (81.2 years) of all regions studied in Canada.** Region du Nunavik in Quebec had the lowest at 65.4 years. Richmond BC also had the lowest percentage of the population over 12 years of age that were daily smokers (7%), and Nunavut (48%) had the highest level. Daily smoking and heavy drinking proved to be the largest factors responsible for decreasing life expectancy at birth.

*Source: Statistics Canada*

#### ***Alcohol Spending***

- **Spending on alcoholic beverages per capita in BC was \$559.40 in the 2000/01 fiscal year**

**ending March 31.** This was above the national average of \$545.70, but far below the Yukon average of \$936.80 which was the highest. Saskatchewan residents were the most conservative drinkers spending only \$449.60 per capita.

*Source: Statistics Canada*

#### ***Vancouver Port***

- **Containers shipped through the Port of Vancouver jumped 17%, reaching a mid-year record high.** Higher imports from Asian countries are mainly responsible for this record. Increases were also reported for cruise passengers (4%), potash (14%) and wood pulp shipments (24%). However, the most important commodity shipped through Vancouver, coal, saw a decline of 18% due to the slowdown of the global economy, difficulties in contract negotiations between Canadian suppliers and the Japanese steel industry, and an increase in land shipments of coal. Shipments of grains and canola also declined, leading to an overall decline in tonnage of 13%.

*Source: Vancouver Port Authority*

#### ***The Nation***

- **Canadian GDP stayed constant from April to May for the first slow down in growth since September 2001.** The goods producing sector declined slightly (-0.5%) which was largely due to mining oil and gas extraction GDP performance (-2.2%). This offset the marginal growth in the services-producing industries (+0.3%) which was led by an 8.7% jump in GDP in arts, entertainment and recreation. Consumers reduced their purchases of non-house-related goods and services which resulted in a 1.0% decline in retailing activity. New housing demand continued to grow causing a 1.3% increase in residential construction.

*Source: Statistics Canada*

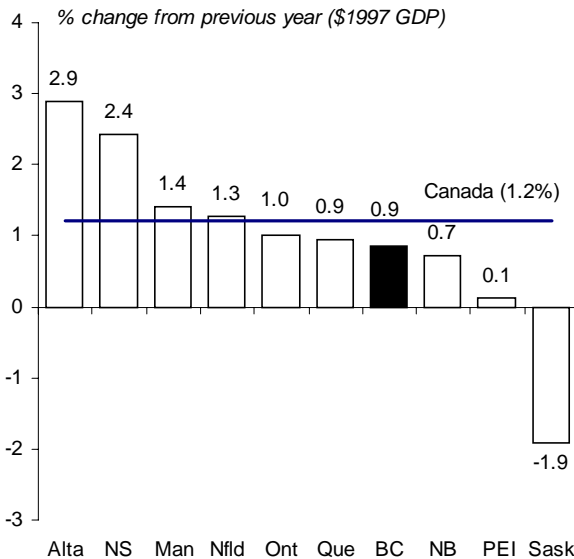
**highlights, Issue 02-31**  
August 2, 2002

## We're Not Out of the Woods Yet, But Things May be Looking Up

### Weak growth in 2001

British Columbia's economy edged ahead 0.9%<sup>1</sup> in 2001, making the smallest advance recorded since 1991, when the economy grew 0.3%. For the fifth year in a row, GDP growth was below the national average (1.2%), but by a much smaller margin than in the past. In 2001, eight of the 13 regions in Canada outperformed BC, with one province (Quebec) posting the same rate of growth.

### ***GDP growth remained below the national average in 2001, but the size of the gap is shrinking***

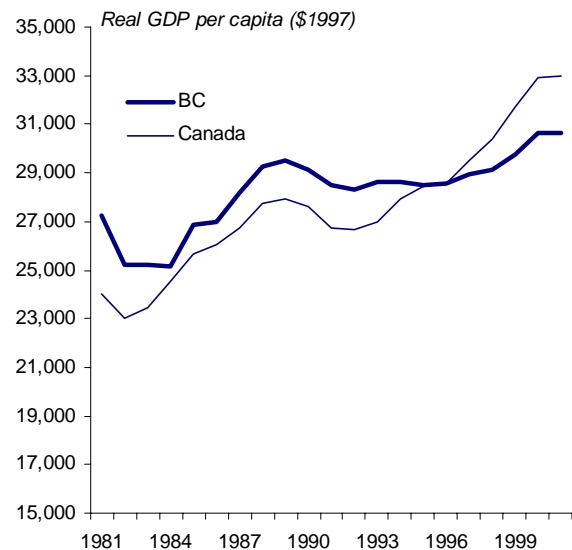


Despite lagging behind the national average, BC stacked up quite well compared to Ontario (+1.0%) and Quebec (+0.9%), which have traditionally dominated the Canadian economic scene. Alberta, where the economy expanded 2.9% in 2001, was the only one of the four big provinces where GDP growth was above the

national average last year. Its GDP increased to \$124.0 billion, only marginally less than BC's \$125.5 billion despite the fact that Alberta's population of 3.1 million is only three-quarters as big as British Columbia's (4.1 million). The economies of Nova Scotia (+2.4%), Manitoba (+1.4%), Newfoundland (+1.3%), Northwest Territories (+20.8%) and Nunavut (+3.7%) also grew faster than the national average.

As was the case during much of the 1990s, BC's economic growth in 2001 was largely attributable to rising domestic demand for goods and services. Final domestic demand increased 3.1% as a result of higher levels of spending by consumers, businesses and governments. Consumer purchases of goods and services were up 3.0%, led by a 5.8% increase in spending on durables. Purchases of semi-durable (+5.5%) and non-durable (+1.5%) goods for personal use were also well above 2000 levels, as was spending on services (+2.7%).

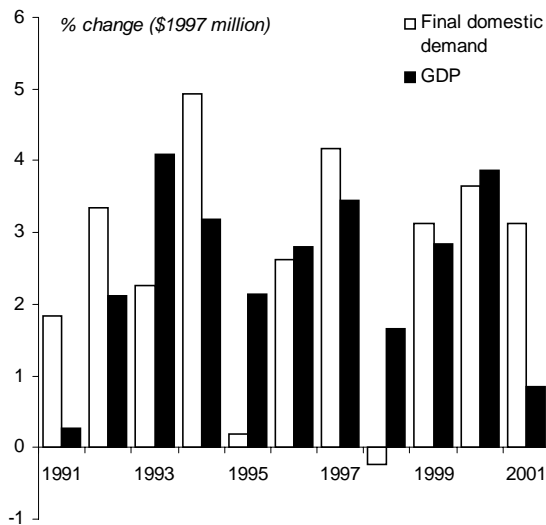
### ***Real GDP per capita remained well below the national average***



<sup>1</sup> Except where otherwise noted, all figures quoted are in constant (1997) dollars.

Slower than average GDP growth, combined with a population that is expanding at about the same rate as the Canadian population, kept BC's real GDP per capita in 2001 (\$30,648) well below the national average of \$32,975. Alberta (\$40,455) had the highest per capita GDP of any province, followed by Ontario (\$36,297). Saskatchewan (\$30,350) is now nipping at BC's heels after moving ahead of the province in 2000.

**BC's economy limped ahead in 2001, posting the slowest growth rate in a decade**



Business investment in fixed capital increased, but not as much as in 2000. Overall, spending was up 4.2%, largely because of a rebound in the residential sector, where investment increased (+8.0%) for the first time in four years. Spending on non-residential structures advanced 5.0% after jumping 17.6% in the previous year, but purchases of machinery and equipment (+0.5%) rose only marginally.

Government spending on wages, salaries and operating costs was up 2.6% from 2000 levels. Investment in fixed capital also increased modestly (+2.6%) as spending on both structures (+2.3%) and machinery and equipment (+3.0%) advanced.

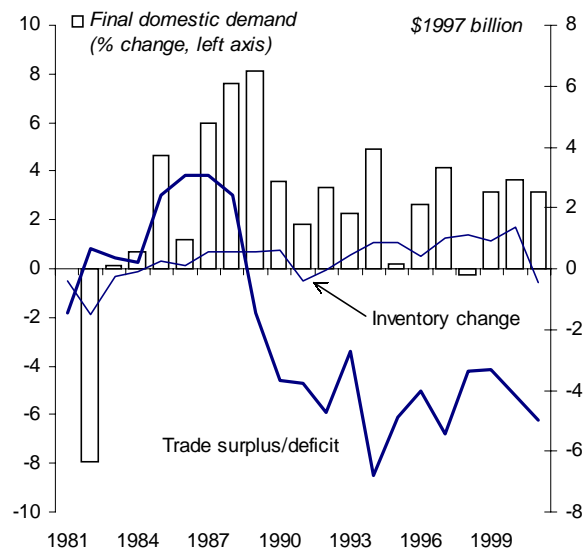
Since many of the goods consumed in the province are produced outside its borders, the relatively strong growth in consumer demand

might have been expected to boost the value of the province's imports. However, investment spending, particularly on machinery and equipment, was weak in 2001, and overall imports of goods and services fell 4.7%. Imports from the US and overseas decreased (-7.2%) for the first time in nearly two decades. The value of goods and services purchased from other provinces was down 1.0%.

Despite the decline in imports, BC's trade deficit worsened in 2001 as exports to the rest of the world fell sharply (-9.0%), while the value of goods and services sold to other provinces was only marginally (+0.3%) higher than in 2000.

The trade deficit, which has persisted since the late 1980s, continues to be a drag on BC's economy as the province cannot produce the goods and services required to meet domestic demand. The need to import consumer goods from other parts of the country or from the rest of the world, while at the same time facing growing constraints on BC's ability to export natural resource and other products, is cause for concern. In the long run the economy's ability to continue to grow will depend on broadening its export base to include more services and more highly processed goods that are not subject to the vagaries of markets for natural-resource based products.

**After improving in the late 1990s, BC's trade deficit increased in 2001**



The 9.0% decline in the value of exports to the rest of the world reflected a number of factors, only some of which were related to the forest sector, which still dominates BC's export scene. Despite concerns about the effect of the US countervailing duty on softwood lumber, wood exports were virtually unchanged from 2000, with the overall decline in forest product exports largely attributable to the pulp and paper side of the forest sector. The full impact of the softwood lumber duty will likely show up in the data for 2002, when built-up inventories from past production will no longer cloud the issue, and the effect of mill closures on the lumber supply will become more evident.

Exporters of energy products came off a high in late 2000 that was driven by soaring sales of electricity and natural gas to power-starved California. Even in real terms (after adjusting for inflation) the value of electricity and gas exports rose substantially in 2000, but dropped back to more sustainable levels last year as the urgent need for power south of the border subsided.

The mining sector continued to see lower shipments to the US and overseas. At the same time, a meltdown in the computer and electronics sector, and generally weak international demand for BC-produced manufactured goods such as machinery, transportation equipment, clothing and plastics, all contributed to a slowdown in the export sector. Exports of services, many of which are related to the transportation of goods from BC to their final destination, fell (-4.4%) in tandem with the downturn in goods exports (-10.1%).

In terms of interprovincial trade, BC did not fare particularly well last year. Exports of services, which piggyback on the trade of other provinces with Pacific Rim nations, were up slightly (+1.2%), but BC's exports of goods to the rest of Canada declined 1.0% in 2001.

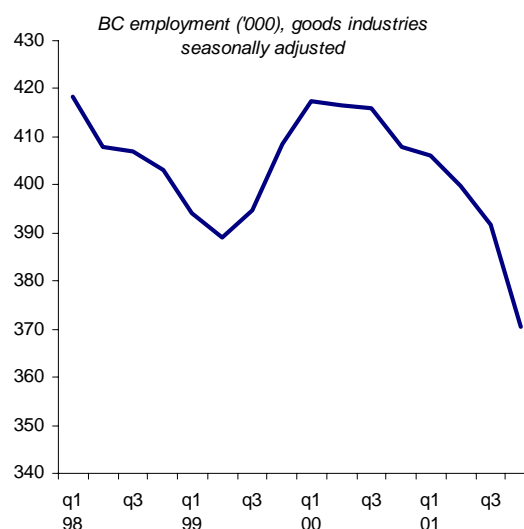
Inventory changes also played a role in BC's economic situation during 2001. Inventories plunged \$467 million in 2001, declining for the first time since 1992. The drop in the value of inventories suggests that producers were meeting demand for their products by dipping into

their stock of finished products rather than increasing their output. Reasons for running down inventories can be varied, but a decline in the value of inventories held is often an indicator of anticipated weakness in the economy, as producers choose to fill orders from existing stock rather than producing new goods which may not be sold. Inventories can of course decline for other reasons, including a rise in the demand for goods that cannot be met from current production. However, such downturns are generally of fairly short duration, as companies up their production in order to meet demand.

**The effects of September 11: worsening an already bad situation**

While the events of September 11th had an almost immediate effect on the North American economy, particularly in the tourism and financial sectors, the tragedies in New York, Pennsylvania and Washington DC were not solely responsible for the anaemic growth seen in most parts of the North American economy last year. Rather, they exacerbated an existing problem.

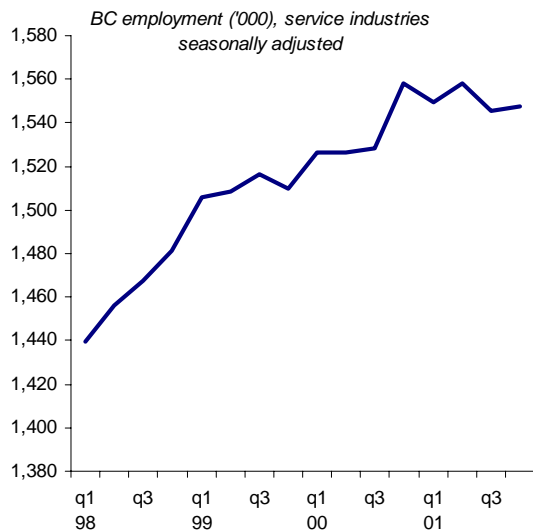
**The number of jobs in goods-producing industries declined steadily during the last two years**



Long before September, analysts were pointing to the meltdown in the high tech sector, growing unemployment rates in the US and other indica-

tions of a weak economy, as signs that the longest-running economic expansion in post-war North America was grinding to a halt. The effects of the slowdown were felt more deeply in the US than in Canada, but even north of the 49th parallel, the economy was starting to sputter. However, the Canadian economy was robust enough to bounce back from a post-September slowdown, and is now showing signs that it is picking up speed.

***Employment in the service sector shrank in the wake of September 11th, but seems to be bouncing back***



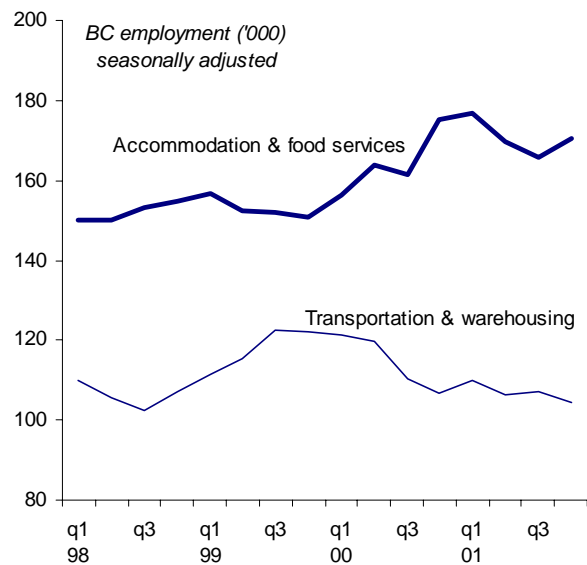
BC was not well positioned to withstand the impact. The province's economy was already limping along before September, with many economic indicators displaying signs of weakness. The value of shipments and exports began to decline in the fall of 2000, and employment levels were also on a downward trend. The number of private sector jobs started to fall at the beginning of the year, as did the number of people with full-time jobs. Job losses in the goods industries were substantial, with more moderate declines seen in the service sector. By the end of 2001, there were 47,000 fewer jobs in the goods industries than there had been at the beginning of the previous year. Many of those job losses were in the forest sector, but employment fell across the board in the goods

sector. Service sector job growth over the same period was about 21,000, not enough to pick up all the slack from the displaced workers. The drop in the size of the workforce translated into a decline in labour income, which fell in the second and third quarters of last year. Other sources of income, such as corporation profits and investment income, were also weak in 2001.

Service industries as a whole bounced back rather quickly from the post-terrorist-attack slowdown. Despite the fact that the transportation and accommodation industries were those most immediately affected by the fallout from the attacks, it appears that the negative repercussions will be short-lived.

In the tourism sector, a global economic slowdown and the effect of domestic restructuring in the airline industry was already taking its toll on the travel and accommodation industry long before September 11th. The number of traveller entries to Canada via BC began to drop early in 2001, and continued to slump until late in the year. Both US and overseas entries were affected by the general downturn.

***Accommodation & food services have bounced back from a post-September 11th slump, but employment in transportation and warehousing continues on a downward trend***



However, the terrorist attacks had an immediate and big-impact on this industry. Entries plummeted 15.0% in September and continued to fall in the next month. Border delays and other repercussions from the stepped-up security measures slowed cross-border travel to a crawl. The number of same day entries into BC from the US dropped 21.8% in September, and a further 12.9% in October. Entries from all destinations have still not recovered.

**Did BC experience a recession in 2001?**

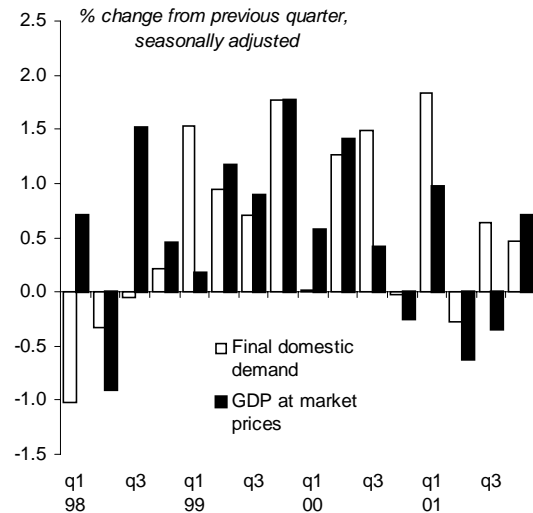
The trade dispute with the US, a slowing North American economy, long-run weakness in BC's economy, and the fallout from the terrorist attacks all put the squeeze on economic growth in British Columbia last year. But did they actually push the province into a recession?

The answer to that question is yes. A generally accepted rule of thumb is that two consecutive quarterly declines in GDP can be characterized as a recession. This situation occurred last year, when real GDP fell 0.6% in the second quarter, with a further drop of 0.3% in the third quarter. In the second quarter, domestic demand was weak as consumer spending showed little growth while government and business investment declined. Consumer and business spending rose in the third quarter, but by that time weak external markets for BC products became an important factor.

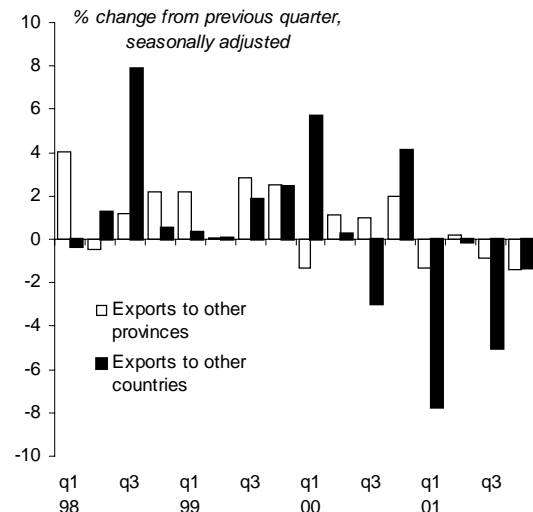
The economy picked up at the end of the year, growing 0.7% as investment by the government and business sectors increased. However, consumer spending edged down 0.1% despite a surge in purchases of durable goods (+4.6%). This was largely driven by new vehicle purchases, as consumers responded to generous incentives offered by manufacturers. However spending on non-durables (-0.3%) and services (-1.5%) fell at the end of last year, and these account for a substantial portion of total consumer spending.

Exports, particularly those destined for use in the US and overseas, were sluggish in 2001, declining in every quarter. The province fared little better in terms of interprovincial exports, which was another factor in the slow growth last year.

**Two quarters of negative growth signal a recession during 2001...**

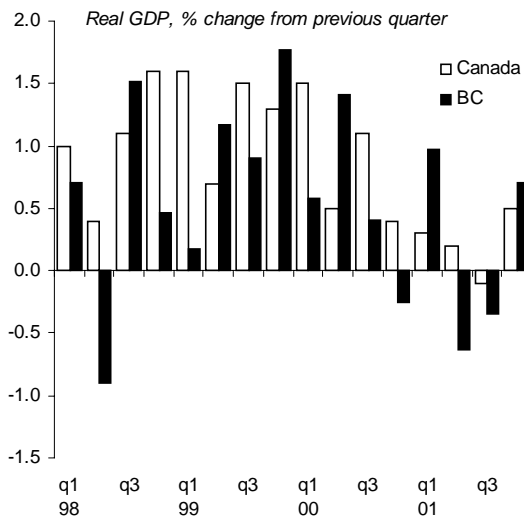


**...which was partly due to weak external demand for BC goods and services**

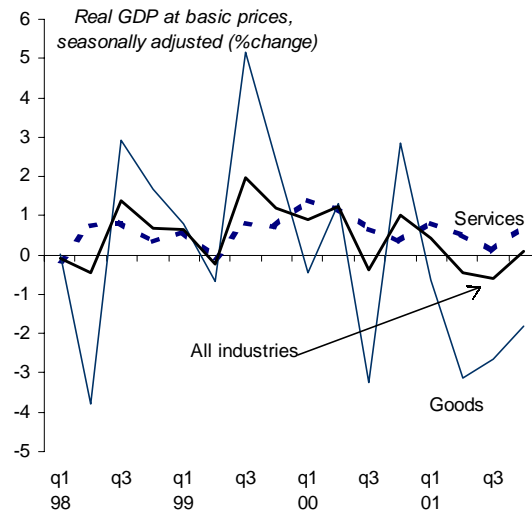


Due to its relatively small size, and the importance of resource-based products in its export mix, BC's economy tends to be more volatile than the national economy, which is more diversified and thus more insulated from external shocks. Canada's economy slipped into the negative growth region in the third quarter of last year, but escaped a recession because overall output bounced back at the end of the year.

**BC's economy showed signs of improvement late last year, as did Canada's**



**The service sector stalled, but did not shrink in the third quarter, pulling growth down into the negatives**



**How did BC industries perform in 2001?**

Despite being hit by the effects of events outside the province, BC's service sector continued to stabilize the economy during 2001, as it has in the recent past. Service industries made only modest gains late last year, but advanced enough to soften the effect of the downturn in the goods sector. With some exceptions, service-producing industries tend to provide slower, but more stable growth, as the demand for services does not fluctuate as much with changes in overall economic conditions. The demand for health care, education, personal and financial services, and to a lesser extent retailing and wholesaling is more likely to be driven by characteristics of the population than by economic conditions. Some spending on these services is discretionary, but people need food, shelter, clothing and health care whether or not the economy is booming.

The stabilizing effect exerted by the service sector is one reason why the economy has continued to expand slowly in recent years despite volatility and uncertainty in the forest and other resource sectors.

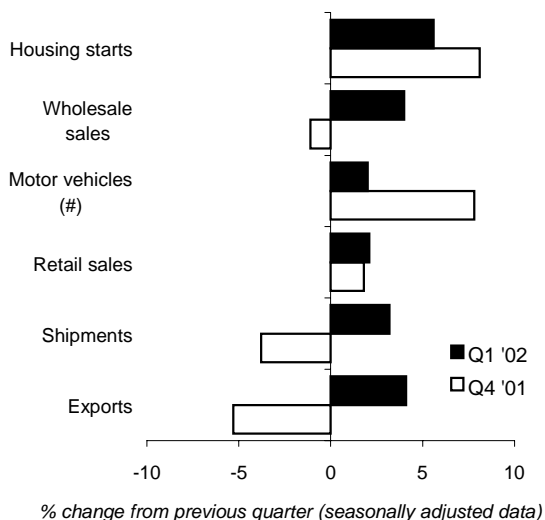
An economy that is dependent on the service sector for much of its economic growth is not likely to experience booms such as those observed in Alberta, Ontario, Newfoundland and other parts of the country during the last decade. However, BC's service-sector orientation (services account for three-quarters of the jobs, and a similar percentage of the province's total GDP) has kept the economy on a more even keel than would otherwise have been the case.

**What does the future hold? A look ahead**

British Columbia's economy picked up speed at the beginning of the year, as many of the major economic indicators rebounded in the first quarter after slumping in the latter half of 2001. Exports of BC products were up (+4.1%, seasonally adjusted<sup>2</sup>) for the first time in more than a year, as were total shipments (+3.2%) of goods produced in the province. Farm cash receipts jumped 6.1% in the first quarter, compared to the same period last year.

<sup>2</sup> Data in this section is in current dollars and has not been adjusted to remove the effects of inflation.

**BC's economy picked up speed in the first quarter**



Consumers helped fuel the recovery, with retail sales rising 2.1% (seasonally adjusted) after increasing 1.8% in the fourth quarter of 2001. The number of new vehicles sold was up 2.0%, following even stronger growth (+7.8%) at the end of last year. Sales by wholesalers also improved, rising 4.0%. Wholesale sales in the province had been weak in the last half of 2001.

International tourism continued to rebound from a post-September 11th slump. Visitor entries into BC were up 3.2% as entries from both the US (+2.9%) and overseas (+4.5%) increased. The number of Canadians re-entering Canada via BC rose 3.5%.

Construction activity in the province remained robust. Housing starts increased 5.6%, on top of an 8.1% gain at the end of last year. At the same time, the value of building permits issued by BC municipalities rose nearly a quarter (+23.3%), as planned spending on both residential (+27.6%) and non-residential (+13.6%) projects increased. The growth in the value of non-residential construction permits was due to a 37.5% rise in planned investment in commercial projects. Permits issued for industrial (-15.9%) and institutional (-17.5%) projects were well below fourth-quarter levels.

Employment was up 0.9%, marking the first significant quarterly increase in the number of jobs since the end of 2000. The job gains were concentrated in the private sector, where employment rose 2.1%, partly offsetting a 2.5% drop in the number of public sector jobs. However, the overall job growth was due to an increase in part-time (+4.2%) employment. The number of full-time jobs was unchanged from the fourth quarter of last year. BC's jobless rate remained unchanged, averaging 8.9% as the labour force grew at about the same rate as the number of jobs.

The consumer price index was 2.2% higher than in the first quarter of last year. Prices for all major commodities except transportation (-0.3%) were well above first quarter 2001 levels. Tobacco taxes and higher prices for food (+4.0%) were important factors in the overall inflation rate. The cost of energy products moderated, and consumers paid 12.1% less for gasoline, 13.1% less for piped gas and 17.8% less for fuel oil than in the first quarter of last year.

A hot housing market, fuelled by interest rates at 40 year lows, also boosted the economy in the first quarter. Increased housing sales typically generate demand for durable goods such as furniture and appliances, and for services associated with home sales and purchases.

Although the first quarter results are generally positive, monthly data for many of these series show slower growth, or declines, at the end of the period. Monthly data tend to be volatile, but the late-period slowdown suggests that the strength in the first quarter may not be sustained.

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## BC at a glance . . .

<b>POPULATION (thousands)</b>	Apr 1/02	% change on one year ago
BC	4,118.1	0.9
Canada	31,260.4	0.9
<b>GDP and INCOME</b>	2001	% change on one year ago
<i>(BC - at market prices)</i>		
Gross Domestic Product (GDP) (\$ millions)	130,396	2.2
GDP (\$ 1997 millions)	125,534	0.9
GDP (\$ 1997 per Capita)	30,648	-0.1
Personal Disposable Income (\$ 1997 per Capita)	19,177	0.8
<b>TRADE (\$ millions)</b>		
Manufacturing Shipments (seas. adj.) May	2,916	-1.7
Merchandise Exports (raw) May	2,614	-1.8
Retail Sales (seasonally adjusted) May	3,359	6.3
<b>CONSUMER PRICE INDEX</b>	Jun '02	% change on one year ago
<i>(all items - 1992=100)</i>		
BC	118.2	1.6
Canada	119.0	1.3
<b>LABOUR FORCE (thousands)</b>	Jun '02	% change on one year ago
<i>(seasonally adjusted)</i>		
Labour Force - BC	2,158	2.7
Employed - BC	1,969	0.9
Unemployed - BC	189	25.0
		Jun '01
Unemployment Rate - BC (percent)	8.7	7.2
Unemployment Rate - Canada (percent)	7.5	7.1
<b>INTEREST RATES (percent)</b>	Jul 31/02	Aug 1/01
Prime Business Rate	4.50	6.00
Conventional Mortgages - 1 year	5.35	6.45
- 5 year	7.05	7.75
<b>US/CANADA EXCHANGE RATE</b>	Jul 31/02	Aug 1/01
<i>(avg. noon spot rate) Cdn \$</i>	1.5843	1.5358
<i>US \$ (reciprocal of the closing rate)</i>	0.6318	0.6505
<b>AVERAGE WEEKLY WAGE RATE</b>	Jun '02	% change on one year ago
<i>(industrial aggregate - dollars)</i>		
BC	668.57	3.0
Canada	650.36	2.5

**SOURCES:**

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

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### SOCIO-ECONOMIC INDICES

... providing comparisons across regions of the province on indicators of human economic hardship, crime, health problems, education concerns, and for two target groups - children at risk and youth at risk. The indices have been designed to aid analysts in their knowledge and understanding of regional conditions. Regional Districts and Local Health Areas are compared on maps and graphs, with supporting and supplementary data in table format.

Also on our site are Socio-Economic Profiles, each a 9 page presentation in table and graph format of indicators for Regional Districts, Local health Areas and College regions are available.

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