

- **BC's unemployment rate remains at 8.2% in February**
- **Housing investment in BC soars in 2002**
- **Lumber shipments from BC sawmills rise in 2002**

Labour

• **British Columbia's unemployment rate remained unchanged at 8.2% (seasonally adjusted) in February as both the workforce and the number of people employed expanded 0.6%.** The Canadian unemployment rate also remained flat at 7.4% in February. Nationally, both the size of the labour force (+0.3%) and the number of jobs (+0.4%) increased at similar rates. With a decline of 0.4 percentage points, Alberta shared the lowest unemployment rate (5.1%) with Manitoba in February.

Source: Statistics Canada

• **Public sector employment in BC increased 4.2% in February.** Private sector employment fell 0.2% marking the second consecutive monthly decrease after rising through most of last year. The number of people self-employed (-0.3%) contracted for the fourth month in a row. Full-time employment increased 0.8%, whereas the number of people working part-time remained unchanged (0.0%). Men (+0.7%) and women (+0.5%) both saw their employment numbers climb.

Source: Statistics Canada

• **The goods sector saw a rise in employment levels (+1.4%) as 4 of its 5 industries had an increase in the number of jobs in February.** Construction (-3.5%) was the only goods sector industry with fewer jobs compared to January. Employment in agriculture (+6.9%) rebounded from a 7.0% drop in the previous month, and the number of jobs in the utilities industry (+9.8%) expanded the most. The number of people employed in manufacturing (+2.8%) and forestry, fishing and mining (+2.4%) also climbed. On the service side, employment rose 0.4%. An increase in the number of jobs in public administration (+7.6%) and health care and social assistance

(+2.1%) more than offset job losses in other major service industries such as trade (-1.4%) and accommodation and food services (-1.7%).

Source: Statistics Canada

• **Unemployment rates fell in the most populated regions of the province in February.** Mainland/Southwest (7.6%, three-month moving average) Vancouver Island/Coast (9.0%), and Thompson/Okanagan (9.6%) all saw unemployment rates decline over the same month of 2002. The jobless rate increased 3.4 percentage points in Kootenay (13.5%), giving it the highest rate of the regions. Cariboo (13.0%) also posted an increase in its unemployment rate. Victoria's unemployment rate dropped to 6.4%, while Vancouver's jobless rate fell to 7.6%.

Source: Statistics Canada

The Economy

• **Investment in BC's housing sector soared (+18.8%, year-over-year) in the fourth quarter of 2002, as a building boom in the province continued unabated.** This was the sixth straight quarter in which spending on residential construction has increased at double-digit rates. The building activity was primarily concentrated in single (+32.8%) and multi-family (+28.1%) dwellings. Apartment construction rose a modest 3.2% in the fourth quarter, and spending on alterations and improvements to existing dwellings was up 6.5%.

The building boom extended across most parts of the country, with spending on new housing, alterations and improvements increasing seventeen percent or more in every province except Saskatchewan (+1.7%). Nationally, residential investment advanced 22.8% in the fourth quarter, led by a 37.0% gain in Quebec and even stronger growth in

Did you know...

There are more sheep in eastern Canada than in the west. Ontario (280,000) and Quebec (230,000) have the largest numbers, accounting for more than half of the 975,600 sheep living in Canada. There are just 56,600 of them in BC.

NWT (+57.9%) and Nunavut (+107.9%).

Source: Statistics Canada

• **Strong growth throughout the year contributed to a 16.8% increase in investment in residential construction in the province during 2002.** This was the best performance since 1992, when housing construction in the province advanced 27.2%. The increase, coming on the heels of a 9.0% improvement in 2001, brought spending back up to levels last reached in the mid-1990s. Canadian home-builders were also kept busy last year. Spending rose 20.9% nationally, with every region posting double-digit gains. BC's 16.8% increase was at the lower end of the spectrum. Quebec (+32.1%) posted the strongest increase of any province. Source: Statistics Canada

• **The value of building permits issued by BC municipalities rose 0.8% (seasonally adjusted) in January.** The rise in value was due to a jump in planned spending on non-residential projects (+36.9%) more than offsetting a decline in residential construction intentions (-11.3%). Values fell in Vancouver (-23.3%) but increased sharply in Victoria (+99.4%). Nationally, builders took out \$4.3 billion in building permits, 12.3% higher than in December 2002. The value of building permits in the residential sector hit a monthly record of \$2.8 billion, up 14.4%. On the non-residential side, the value of permits rose 8.7%. The largest contribution to the monthly gain came from Ontario (+27.4% to \$2.0 billion). Nova Scotia (-21.3%) saw the largest drop of the provinces.

Source: Statistics Canada

• **British Columbia sawmills shipped 33.3 million cubic meters of lumber in 2002, up 7.9% from 2001.** This increase followed a 2.9% decline in 2001. The interior region of BC, which accounts for the vast majority of the province's shipments, posted a gain of 14.0%. Shipments from coastal mills fell 15.0%. Across the nation, shipments increased 2.8% to 72.5 million cubic meters. After the low reached at the end of 2001,

shipments increased in the first few months of 2002 as countervailing duties were temporarily suspended. When they were reimposed at the end of May, sawmill activity declined sharply until July. Since then shipments have recovered somewhat, largely due to a boost in housing starts and the closing of less efficient mills. Source: Statistics Canada

Tourism

• **Room revenues declined (-2.3%, seasonally adjusted) to \$124.0 million in November, after growing 5.2% in the previous month.** Revenues were down in five of the regions, including Mainland/Southwest (-3.0%), Vancouver Island/Coast (-0.5%), Thompson-Okanagan (-3.1%) and Kootenay (-1.6%). Nechako (+3.6%), Cariboo (+8.9%) and North Coast (+3.4%) were the only ones to escape the general downturn. Source: BC STATS

Families

• **On July 1, 2002, there were an estimated 1,072,100 census families in the province, an increase of 0.4% over the 2001 figure.** Most (902,300) were husband-wife families, with an average size of 3.1 people. The average number of people in lone-parent families was 2.6. Nationally the total number of families grew (+0.9%) to 8,358,000. Nova Scotia and Quebec (both at 18%) had the highest percentage of lone-parent families in the country, while Alberta (14%) had the lowest. BC was at the national average (16%). Source: Statistics Canada

Networked Businesses

• **Almost 1 in 10 networked businesses in the service producing private sector in Canada posted their job opportunities on either Extranets or the Internet in 2001.** This is considerably different than the goods sector, where only 1 in 20 jobs were advertised this way. By contrast, half of all external public sector job opportunities, and 55% of internal opportunities, were posted in this manner. Source: SC Catalogue 88F0006XIE2003002

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BC's tourism sector struggles through 2001

Defining the tourism sector

In 2001, 22.4 million tourists spent an estimated \$9.2 billion on overnight travel in British Columbia. These expenditures helped support many different businesses providing accommodation, meals, transportation, retailing, and a variety of other services to both tourists and residents of BC.

What is a tourist?

- *A tourist is a person who travels to, or stays at, a place outside his/her usual environment for a period of no more than a year.*
- *A tourist can travel either for business or for pleasure. However, migratory workers (those living away from home on a temporary basis in order to be at their place of work) are not tourists.*
- *A tourist does not have to travel far from home, or stay away overnight. Tourists include day-trippers, as well as people making longer excursions.*
- *People visiting their vacation homes or cottages are considered to be tourists.*

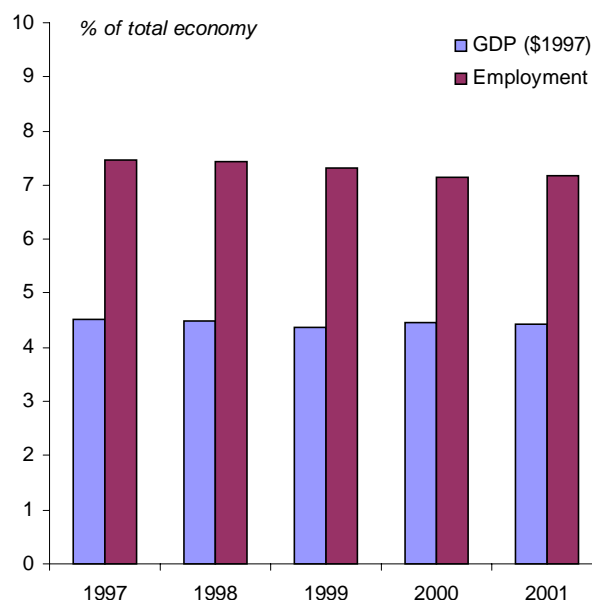
The extent to which tourism has helped foster growth in the economy is difficult to measure. Tourism is an activity and not a specific good or service, so strictly speaking there is no such thing as a "tourism industry." Tourists make purchases from a variety of industries, most of which also provide the same services to local residents (for example, restaurants).

This creates a challenge when attempting to measure the specific effect that tourists have on particular industries. Fortunately, from studies of tourist behaviour, we have a reasonably good

knowledge of what tourists are doing and what they are buying when they visit the province or travel inside BC, and from this information we can determine the degree to which various industries are dependent on tourism. That in turn makes it possible to create estimates of GDP and direct employment for a "synthetic" tourism industry. These measures, which are presented in this article, provide a means of comparing tourism with other parts of the provincial economy, as well as tracking the tourism sector's performance over time.

An important player in BC's economy

Tourism generates about 4% of BC's GDP, and 7% of the jobs in the province



A note on GDP

GDP is a measure of the value added to the economy by a particular activity. It is calculated by subtracting the cost of supplies used to produce a good or service from total sales. For example, the price of a restaurant meal covers the cost of food purchased to make the meal, the energy used to cook it, rent and other building expenses, cleaning supplies, accountants fees, and so on. It also includes a markup intended to cover items such as wages, profits and depreciation. The restaurant didn't produce the food or energy it used. Its contribution to GDP is only the value of the service it provided-the difference between the price paid by the consumer and the inputs (such as food and energy) used by the restaurant.

The GDP figures reported in this article are in constant (1997) dollars. This means that they have been adjusted to eliminate the effects of price changes over time. They are measured at basic prices: i.e. they include subsidies but exclude some indirect taxes.

Tourism plays a key role in British Columbia's economy. More than 4%¹ of the province's gross domestic product (GDP)-and about 7% of the jobs-originated in the tourism sector in 2001. The sector contributed \$5.0 billion (constant 1997 dollars) to the British Columbia economy, an amount that is comparable to the GDP generated by industries such as wholesale trade and mining (with its related manufacturing activities).

Hotels, motels, restaurants and related establishments produce 42% of the tourism sector's GDP. Airlines and other transportation (26%) industries and retailers (11%) are also key players. Other industries make up the remaining 21% of total tourism GDP.

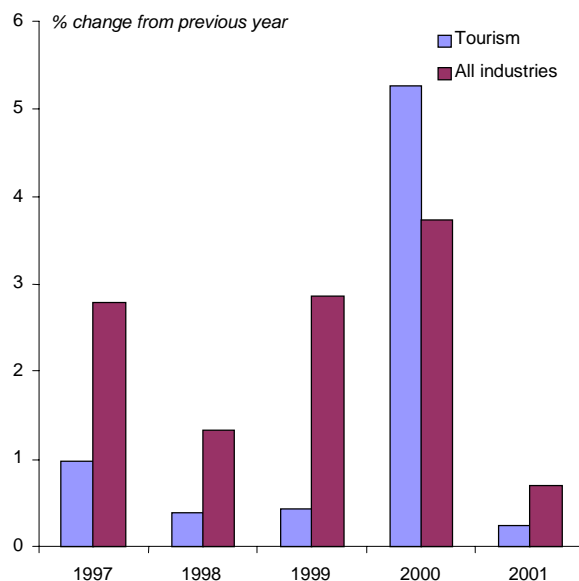
¹ The GDP estimates in this report are derived using data released by Statistics Canada in April 2002. Statistics Canada has since updated those numbers, but tourism estimates based on that data will not be available for some time.

The tourism sector has not fared well in recent years

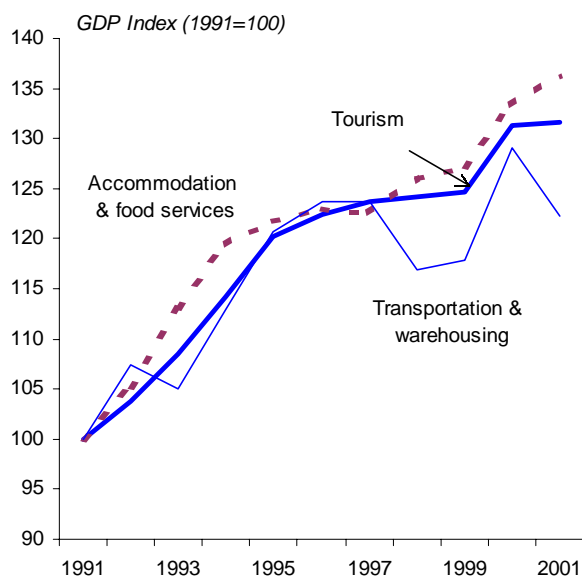
The performance of the economy as a whole has a pronounced effect on tourism as travel, both within and outside the province, is usually a discretionary expenditure. When the economy is weak and people have less money or feel uncertain about the future, tourism activities are usually among the first to be cut from their budgets. Since tourists may be residents of the province, or can come from either the rest of Canada or other countries, this industry can, and usually is, affected by both local and global economic downturns.

Internal and external economic events have both hampered tourism activities during the last few years. As a result, the sector has lagged behind the all-industry average in terms of GDP growth. Reasons for the slower-than-average growth vary from year to year, but weakness in the transportation component of the sector (particularly in the airline industry) has played a big role in tourism's overall performance in recent years.

GDP in the tourism sector has lagged behind the rest of the economy



Weakness in the transportation component of the tourism sector has hampered growth in recent years



2001 was no exception, as GDP in the tourism sector edged up 0.2%, well below the increase for the economy as a whole². This was the slowest growth experienced by the tourism sector since the recession of 1991, when it shrank 8.6%. A sharp decline (-5.3%) in tourism-related transportation was the main reason for the sluggish performance. The accommodation and food industry continued to expand (+2.2%), while retailing advanced 3.4%. Other industries (ranging from recreational services to vehicle rentals to health care and other services provided to tourists) in the tourism sector also fared relatively well, posting a 2.1% overall increase.

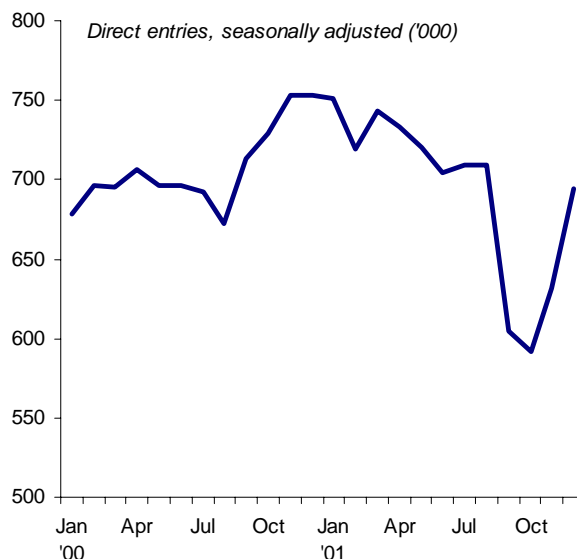
The September 11 attacks had a big impact on BC's tourism sector, but 2001 was already shaping up to be a slow year

The slow growth observed in 2001 should come as no surprise, given the staggering blow dealt to North American tourism industries by the

terrorist attacks of September 11. In the days and weeks following the attacks, travel into and out of both Canada and the US slowed to a crawl, not only because airlines were grounded, but also because fear of travel and border delays kept many people at home. At the same time, airlines drastically reduced their flight schedules. Other transportation service providers were also affected, as many people cancelled or changed their travel plans in order to stay closer to home.

On their own, the terrorist attacks would have had a dampening effect on tourist activity in the province during 2001. In fact, the situation was amplified because tourism-based industries in the province were already feeling the pinch of reduced activity. The airline industry, which was undergoing a period of restructuring, was in difficulties long before the hijackings occurred, and the events of September 11 only exacerbated an already-bad situation.

Visitor entries to BC from the US and overseas slowed throughout 2001

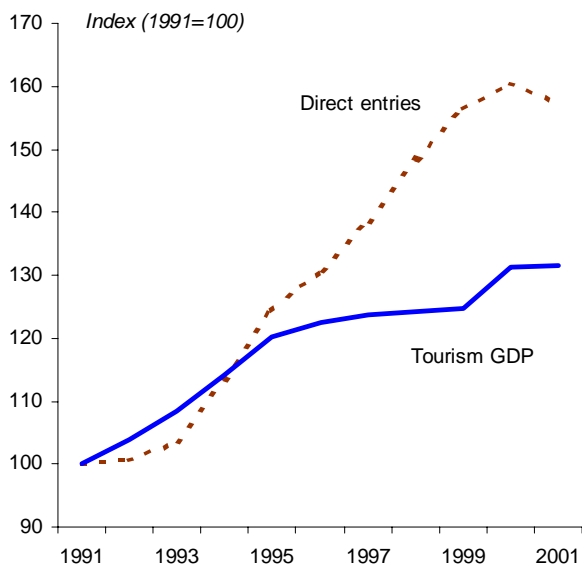


In BC, travel from both the US and overseas, particularly Asia, had been slowing throughout 2001, and visitor entries into BC were down sub-

² GDP at basic prices is calculated using a Laspeyres index, rather than the chain Fisher formula used for the market price measure.

stantially from late-2000 levels. They plummeted further after September 11. As a result, annual visitor entries in 2001 fell for the first time since 1987³, with fewer visitors coming to BC from all sources: Asia (-3.6%), Europe (-6.4%) and the US (-1.6%). Entries have since been recovering, but remain well below the levels seen in late 2000.

Visitor entries have increased more than tourism GDP, partly because many people who enter Canada via BC are heading for other destinations



Visitor entries are at best a rough indicator of tourist activity in the province, as many people who enter Canada via BC are actually headed for other destinations. The province's location as a hub city for travellers from Asia means that many overseas visitors going to other parts of the country, or even south of the border, initially clear customs in Vancouver.

In addition, same-day or short-term trips to Canada from the US have become more attractive to Americans with the decline in the value of the loonie. When our dollar is weak, BC goods and services become relatively less ex-

³ Entries plunged in 1987 after soaring in the summer of the previous year, when Vancouver hosted Expo '86.

pensive to Americans. Same-day and short-term visitors typically inject less money into the province's economy than those who stay for longer periods and spend more on accommodation and food services.

114,300 British Columbians work in the tourism sector

The number of people directly employed in BC's tourism sector increased 1.7% to 114,300⁴ in 2001, accounting for 7% of total provincial employment. These figures include workers in a variety of businesses, ranging from restaurants and hotels to government workers whose jobs are tied to tourist activities. Over half (51%) of the jobs are in the accommodation and food industry. Transportation (18%) and retailing (16%) are the other big employers in this sector. All of the tourism jobs are in the service industries.

What is direct tourism employment?

Direct tourism employment is a measure of the number of people working in various industries that serve tourists. It includes workers in industries ranging from accommodation and food services to retailing and even administration.

Direct tourism employment estimates are generated by assigning a percentage of total employment in various industries to the tourism sector. These percentages are calculated as part of the GDP estimation process.

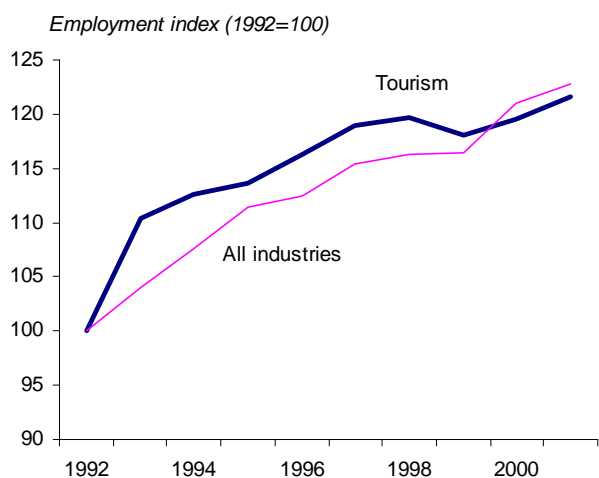
Over the past decade, the accommodation and food industry has been responsible for most of the new tourism jobs. This was also true in 2001, when tourism employment in this industry expanded 2.5% to 58,400. Employment in retail sales grew 7.1%, but there were 4.7% fewer

⁴ These figures, which are based on information from the Survey of Employment, Earnings and Hours, do not include the self-employed. Since self-employment is common in many of the industries in this sector, the actual number could be about 20% higher.

tourism jobs in transportation. Tourism employment in other industries rose 1.9%.

Tourism employment tends to be rather volatile, reflecting the highly cyclical nature of tourist activities. Travel and hospitality expenditures are among the first to be cut back by budget-conscious consumers during economic slow-downs. This in turn can translate into job losses in industries that depend on tourism as their mainstay, as workers who do not have specialized skills can be laid off during slow periods and new workers rehired when business picks up.

Employment in tourism is more volatile than in the economy as a whole



Despite slower-than-average GDP growth, the number of jobs in tourism expanded faster than in the economy as a whole (+1.4%⁵, excluding self-employed workers) in 2001. This seeming discrepancy between GDP and employment growth can be partly explained by the fact that every worker shows up in the job counts, regardless of how much time is actually spent on the job. In industries such as accommodation and food services or retailing, where part-time employment is common, job counts can change

⁵ Data from the Labour Force Survey, which includes the self-employed, show the number of jobs in the province down slightly in 2001.

when there is a shift between the use of part-time and full-time workers. In addition, much of the weakness in the tourism sector during 2001 was focussed in transportation.

Are tourism employment estimates comparable to other employment figures?

Yes, as long as care is taken to ensure that jobs are not double counted. Since the tourism employment figures are calculated by apportioning a share of total employment in each industry to the tourism sector, those jobs must be subtracted from total employment in the relevant industries.

Tourism sector workers earned \$3.2 billion in 2001

Workers in the tourism sector earned an estimated \$3.2 billion in 2001. Of this total, \$1.3 billion (41%) went to workers in the accommodation and food service industry⁶. Transportation accounted for 33% of the total payroll.

What's in the future for the tourism sector?

The tourism sector took a bigger hit from the September 11th attacks than the rest of the economy did, and some industries are still reeling from the shock. The effect on the airline industry, in particular, is likely to be felt for some time to come.

There is some good news, however. A revival of visitor entries to BC could help boost the province's tourism sector. Early indications suggest that this may already be happening, as visitor entries have been steadily recovering since September 2001.

⁶ This amount does not include tips and gratuities, which are an important source of income for many workers in the hospitality industries.

Tourism GDP and Employment

2001 data (\$1997 million)	Tourism-related	Other activities	Tourism %
Tourism sector	5,042		
Accommodation & food services	2,106	1,869	53.0
Retail	574	6,185	8.5
Transportation &	1,328	5,306	20.0
Other	1,034	61,472	1.7
Goods industries		29,102	
Service industries	5,042	79,704	6.3
Total GDP for BC:			4.4

2001 data	Tourism-related	Other activities	Tourism %
Tourism sector employment	114.3		
Accommodation & food services	58.4	88.8	39.7
Retail	18.3	180.0	9.2
Transportation &	20.0	62.4	24.2
Other	17.6	744.6	2.3
Goods industries		300.8	
Service industries	114.3	1,173.3	
Total employment in BC: 1,595,754			7.2

	1997	1998	1999	2000	2001
GDP at basic prices (\$million)					
Tourism	4,739	4,892	5,047	5,400	5,587
Accommodation & food services	1,892	1,925	1,955	2,118	2,230
Retail	518	552	562	596	629
Transportation & warehousing	1,343	1,421	1,506	1,623	1,631
Other	986	995	1,023	1,064	1,096
GDP at basic prices (\$1997 million)					
Tourism sector	4,739	4,757	4,778	5,030	5,042
Accommodation & food services	1,892	1,947	1,963	2,060	2,106
Retail	518	534	539	555	574
Transportation & warehousing	1,343	1,270	1,279	1,402	1,328
Other	986	1,005	995	1,013	1,034
Employment ('000)					
Tourism sector	111.8	112.4	111.0	112.3	114.3
Accommodation & food services	56.4	56.2	56.2	57.0	58.4
Retail	16.3	16.4	16.2	17.0	18.3
Transportation & warehousing	20.3	21.4	21.1	21.0	20.0
Other	18.8	18.4	17.5	17.3	17.6

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BC at a glance . . .

POPULATION (thousands)		% change on one year ago
	Oct 1/02	
BC	4,151.0	0.9
Canada	31,485.6	0.9
GDP and INCOME		% change on one year ago
<i>(BC - at market prices)</i>	2001 Revised	
Gross Domestic Product (GDP) (\$ millions)	130,859	1.2
GDP (\$ 1997 millions)	123,912	-0.2
GDP (\$ 1997 per Capita)	30,252	-1.1
Personal Disposable Income (\$ 1997 per Capita)	19,513	1.2
TRADE (\$ millions, seasonally adjusted)		% change on prev. month
Manufacturing Shipments - Dec	2,884	0.5
Merchandise Exports - Dec	2,446	3.5
Retail Sales - Dec	3,380	-0.9
CONSUMER PRICE INDEX		12-month avg % change
<i>(all items - 1992=100)</i>	Jan '03	
BC	119.0	2.5
Canada	121.4	2.5
LABOUR FORCE (thousands)		% change on prev. month
<i>(seasonally adjusted)</i>	Feb '03	
Labour Force - BC	2,180	0.6
Employed - BC	2,002	0.6
Unemployed - BC	178	0.6
		Jan '03
Unemployment Rate - BC (percent)	8.2	8.2
Unemployment Rate - Canada (percent)	7.4	7.4
INTEREST RATES (percent)	Mar 5/03	Mar 6/02
Prime Business Rate	4.75	3.75
Conventional Mortgages - 1 year	4.90	4.55
- 5 year	6.60	6.85
US/CANADA EXCHANGE RATE	Mar 5/03	Mar 6/02
<i>(avg. noon spot rate)</i> Cdn \$	1.4723	1.5832
US \$ <i>(reciprocal of the closing rate)</i>	0.6808	0.6325
AVERAGE WEEKLY WAGE RATE		% change on one year ago
<i>(industrial aggregate - dollars)</i>	Feb '03	
BC	679.14	3.5
Canada	658.93	2.1

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

Released this week by BC STATS

- Business Indicators, February 2003
- Current Statistics, February 2003
- Tourism Sector Monitor, February 2003

Next week

- Labour Force Statistics, February 2003
- Quarterly Regional Statistics, 4th Quarter 2003