BRITISH COLUMBIA

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Ministry of
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Infoline

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- **BC Business incorporations up 10% in the first half of 2003**
- **Faculty salaries at UBC were the second highest in Canada in 2002**
- **Canada experienced a surge of productivity growth in the last half of the 1990s**

The Economy

- **There were 11,516 BC business incorporations between January and June, 10% higher than in the first six months of 2002**. This is the highest level since the first half of 1997 (11,992 incorporations).

  Over the last five years, business incorporations have remained fairly stable, fluctuating around 20,800 a year, or 10,400 every six-month period. *Source: BC Ministry of Finance Data*

- **BC Manufacturing shipments edged down 0.8% (seasonally adjusted) in May, the fifth straight month of descent.** A slump in durable goods—principally wood shipments (-3.9%)—fuelled the decline. Some of the smaller elements of durable goods, such as clothing (-11.1%) and computers/electronics (-10.5%) were also down in May. Shipments of non-durables actually increased 1.9%.

  Nationally, shipments fell by 0.8%—the same rate as in BC. The sharpest downturn occurred in New Brunswick (-6.3%), while PEI (+4.5%) and Newfoundland and Labrador (+6.2%) both saw growth. *Source: Statistics Canada*

- **Wholesale sales held stable in May (-0.1% seasonally adjusted)**. This comes after three months of steady decline. Across Canada, sales inched up by a negligible amount (+0.2%). The Prairie Provinces—Manitoba (+6.0%), Saskatchewan (+7.9%) and Alberta (+3.5%) all posted strong gains. Canada's industrial heartland—Ontario (-0.6%) and Quebec (-1.7%)—had a modest decline in wholesale trade. *Source: Statistics Canada*

- **Sales of new motor vehicles in BC rose 5.5% (seasonally adjusted) in May**. Nationally, new vehicle sales were up 8.4%. With the exception of Newfoundland (+0.8%), BC had the lowest growth rate in Canada. (Note: the BC data include Yukon, NWT and Nunavut).

  Nationally, trucks, vans and buses made up 44% of all new vehicle sales, and showed the strongest growth in May (+11.4%). Passenger car sales grew more modestly (+5.9%). Among passenger cars, North American made vehicles accounted for 72% of sales, while cars assembled overseas made up the remaining 28% of sales. *Source: Statistics Canada*

Education

- **Adult immigrants to BC tended to be well educated in 2002**. The median years of schooling of immigrants (aged 25+) was 15.0 years. This is a considerable increase from 1995, when the median educational level was 12.5 years. Over the same period, the number of immigrants landing in BC dropped 21%. *Source: BC Stats*

- **UBC professors were among the highest paid academics in the country in 2002**. The average salary of UBC's full-time teaching faculty was $92,300. This was second only to salaries at the University of Toronto ($99,200). Average salaries at SFU ($87,200) and UVic ($81,800) were considerably lower.

  Faculty salaries at BC's newest university—the University of Northern BC (UNBC)—are second lowest among the 33 reporting universities in the country ($65,500). One factor in this salary difference is that only 14% of faculty at UNBC are full professors, compared to 40% of faculty at the other three BC schools. The only reporting university with lower salaries was the University College of Cape Breton ($59,700). *Source: SC, Catalogue no.81-258 (preliminary)*

- **UBC, judging by faculty size, is a massive institution**. With 1,825 full-time faculty, it is

Report Assessing the Impact of September 11th

Did you know...
BC consumers purchased 340 million litres of alcohol in 2002—enough to fill 135 Olympic-sized swimming pools.

larger than SFU, UNBC, and UVic combined (which together have 1,380 faculty). After U of Toronto (with 2,508 faculty members), it is the largest university in Canada.
Source: SC, Catalogue no.81-258 (preliminary)

Tourism

- **The volume of travellers entering Canada via BC borders continued to decline in May, dropping 1.4% (seasonally adjusted)**. Entries from both the US (-0.7%) and overseas (-5.0%) were down.

  Fallout from the SARS scare shows little sign of easing. The number of visitors from Asia plunged a further 21.4%—nearly matching the April decrease of 24.5%. In the Asian market, SARS has been of far greater magnitude than the effect of 9/11 (in September 2001, the volume of travellers from Asia dropped only 12.8%).
  Source: Statistics Canada and BC Stats

- **BC travel abroad rose for the first time since December, jumping 7.7%**. The strength of the dollar was the likely factor behind this. Same-day trips to the US rose 12.3%. The number of Canadians entering BC from overseas trips, in contrast, was down 8.5%.
  Source: Statistics Canada and BC Stats

- **Restaurant and tavern receipts in BC edged downward 0.9% (seasonally adjusted) in May**. For Canada as whole, in contrast, receipts were up 1.4%. *Source: Statistics Canada and BC Stats*

The Nation

- **Canada experienced a surge of productivity growth in the last half of the 1990s**. Between 1995 and 2000, business sector productivity—a key engine of GDP growth—grew at rate of 2.1% per year. From 1981-1995, productivity rose at an annual rate of about 1.4%.

  Two key factors have driven productivity gains over the last 20 years. The first is "labour composition"—the rising skill levels of Canadian workers. The second is the advancement of information technology.

  The importance of IT in business productivity is highlighted by some of the leading sectors in the economy. Some of the strongest productivity gains were in retail, communications, and finance. Retail, for example, has made tremendous use of bar codes, scanning technology, and computer-based inventory management. In finance, there have been dramatic steps away from traditional face-to-face banking. Automated Teller Machines (ATMs), as well as Internet and telephone banking, have completely reshaped the financial world. *Source: SC, Catalogue no.11-624-MIE*

- **Canada's business sector productivity has performed quite well by international standards as well**. Over the 1990s, most of the EU nations and Japan experienced a productivity slowdown. In contrast, the Anglo-American group (Canada, the US, and Australia) and the Scandinavian countries showed accelerating productivity. Finland had the most rapid productivity growth. Canada ranked fourth highest out of 17 western nations.
  Source: SC, Catalogue no.11-624-MIE

The Internet

- **Internet service providers—firms that sell Internet access—have risen to become a $1.3 billion industry in Canada.** However, intense competition has made the industry largely unprofitable. In 2001, the industry posted an operating loss of 22%.

  The Internet access market is heavily dominated by a small number of large firms (those with revenues over $10 million). Large firms represent 4% of service providers, but account for 79% of industry revenues. Interestingly, however, small and medium sized companies tend to be more profitable.
  Source: SC, Catalogue no.63-F0002-XIE

- **There has been tremendous growth of Internet usage over the past several years**. In 2001, 60% of Canadian households regularly used the Internet from home, up from 29% in 1997. *Source: SC, Catalogue no. 56-F0003-XIE*

- **Foreign investment in Canadian securities totalled $4.7 billion in May**. Canadian investors, for their part, acquired $1.4 billion in foreign stocks and bonds. *Source: Statistics Canada*

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Infoline Report

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Assessing the Impact of September 11th

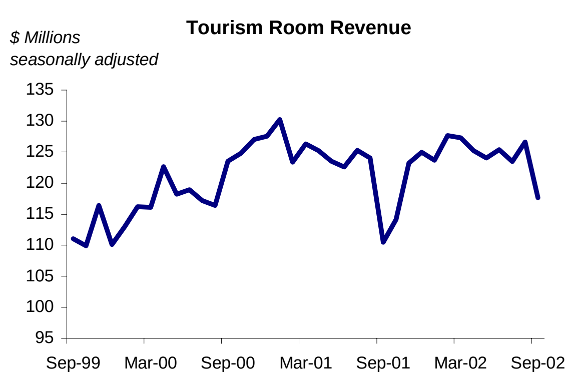
It is now almost 2 years since the terrorist attacks of September 11th, 2001. At the time, many observers worried about a major downturn in the tourism economy as a result of 9/11.

Year-over-year changes in tourism indicators give a sense of the medium-to-long term effects of September 11th. In this report, we look at the 12-month period immediately preceding September 2001 (September 1st 2000–August 31st 2001), which serves as a reference point for 9/11 and its aftermath (September 1st 2001–August 31st 2002). From this viewpoint, 9/11 has not been a significant factor in the BC tourism economy.

Overall, the 9/11 effect–where there was any effect at all–was highly transitory and disappears in a medium-to-long term analysis. The one exception to this is the airline industry, though even here it is hard to blame the industry's problems on 9/11 alone.

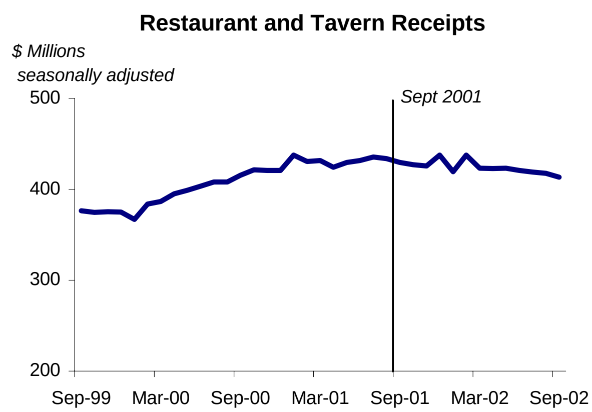
Accommodation

Tourism Room Revenues (seasonally adjusted) spiked downward in September 2001, but bounced back quickly. From September 2001 to August 2002, room revenues totalled $1.48 billion, down only 1.8% from the previous 12 months.



Employment in the accommodation industry was actually up slightly (+1.7%) over the same period, indicating that any cash flow problems caused by 9/11 were not serious enough for firms to start shedding workers.

Restaurant and tavern receipts took no notice of September 11th. Receipts for the period September 2001 to August 2002 amounted to $5.1 billion, essentially unchanged from the previous 12-month period (-0.6%)



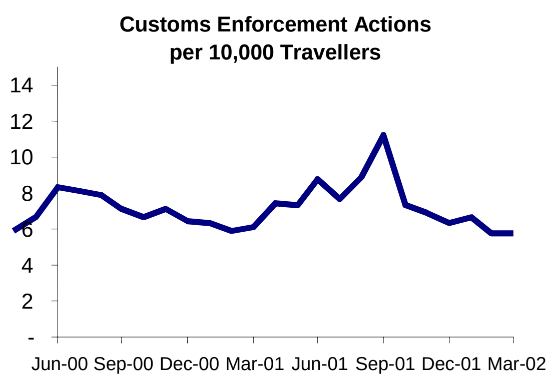
Employment

Employment in the three core tourism sectors—accommodation, food and beverage, and arts, entertainment and recreation—provide a key indication of the strength of the tourism economy. The employment data have not been seasonally adjusted, so they show the wide cyclical fluctuations characteristic of the tourism sector. However, a 9/11 effect is not discernible. Employment for the "year" of September 2001 to August 2002 was unchanged (+0.3%) from the previous 12 months.

Though the Annual Report of the Canada Customs and Revenue Agency speaks of "increased vigilance of customs officers at points of entry," data on border enforcement activity indicates that by October, enforcement practices were back to normal. This suggests that increased difficulty crossing the border into Canada has not been deterring travellers. However, if there has been a notable increase in enforcement activities on the US side, Americans might still be reluctant to enter Canada—especially for same-day cross border trips.

Border Enforcement Activities

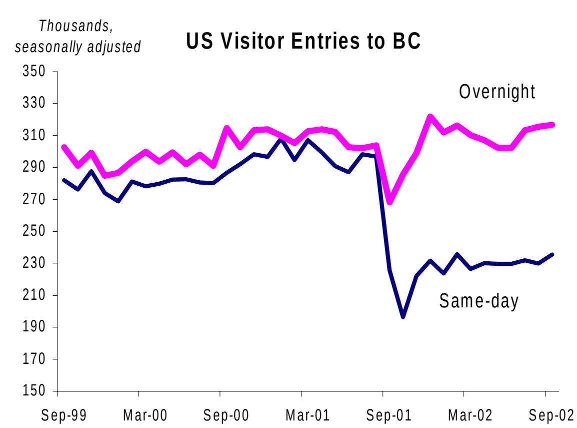
Customs enforcement action—seizures, arrests, etc—spiked temporarily in September 2001. There does not, however, seem to be any long-term increase in enforcement at Canada's points of entry.



Sources: Visitor entries to Canada provided by Statistics Canada. Customs enforcement activities derived from Canada Customs and Revenue Agency, "Comprehensive Discussion of Our Performance by Business Line in Support of Accountability - 2001-2002 Annual Report to Parliament," Page 111. Data visually estimated from graph.

Visitor Entries

Traveller entries from the US to BC were down 10.6% (seasonally adjusted). However, closer inspection reveals that same-day trips are down dramatically (-23.5%) while overnight trips have not changed noticeably (-1.1%). The drop in same-day trips (many of which are probably brief shopping excursions) has likely had an impact on Canadian retailers located along the US border. But the same-day traffic has relatively little effect on the tourist economy proper. This is perhaps why declines in overall traveller entries have not had a significant impact on key tourism economic indicators.



Overnight trips seem to have been given a boost in the post-September 11th period. By December 2001, overnight entries were at their highest level in over three years. For Americans wanting to stay closer to home or avoid air travel, BC is an obvious destination.

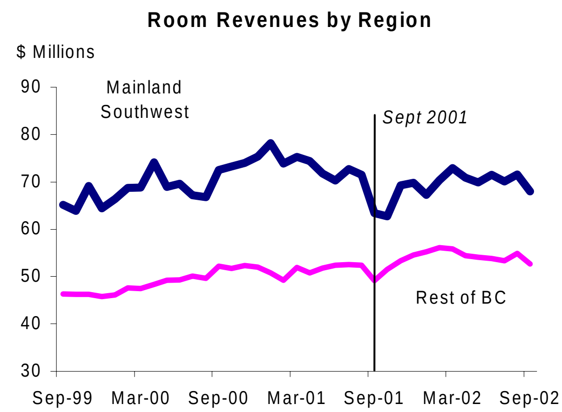
Another point worth emphasising is that BC trips to US are down as well. Canadian re-entries to BC from the US totalled just over six million in September 2001 to August 2002, 27.6% lower than the previous year. Same-day auto trips to the US were down 37.4%, and overnight trips were down 8.7%.

Altogether, this represents 2.3 million fewer BC trips to the US (with about 250,000 of these being overnight trips). In contrast, over the same period, BC lost about 1 million visits from the US (50,000 of them overnight visits). The "balance of trade" in cross-border visitors has clearly shifted in BC's favour—fewer US visitors, but many more British Colombians staying closer to home.

Regional Impacts

There is some indication that BC tourism post-9/11 is shifting away from the Mainland/Southwest region (Greater Vancouver and the surrounding areas like Whistler and Harrison Hot Springs). In Mainland/Southwest, tourism room revenues were 6.0% lower during September 2001 to August 2002 than in the year before. Room revenues in the rest of BC, however, were 4.3% higher.

A possible explanation of this regional trend is that as travellers turn away from US destinations, they have moved on to explore other parts of the province.

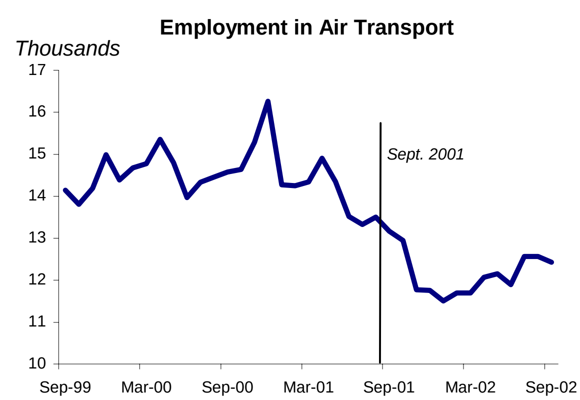


Airline Industry

The one area that has been substantially injured by 9/11 is the airline industry. This is perhaps not surprising, considering the prominent role air transport played in the attacks.

At Vancouver International Airport, passenger traffic was down 10.6% during September 2001 to August 2002 (compared to the previous year). Domestic passenger volumes (-11.7%) fell more than international levels (-9.7%).

Employment in air transport in BC is also down significantly. Employment in the industry averaged 12,100 over September 2001 to August 2002, 15.9% below the previous year.



One key factor in the decline in employment, no doubt, was the collapse of Canada 3000. The airline, which was Canada's second largest carrier, declared bankruptcy two months after 9/11. Nearly 5,000 employees across the country were put out of work.

Despite all this, there were clearly other factors involved in the deterioration of the airline industry in BC. First, the industry was already in decline before September 11th. Second, bankrupt—or nearly bankrupt—airlines have been the hallmark of Canada's air transport industry for years. Indeed, after some 15 years the airline industry has yet to adapt completely to a deregulated market environment.

The 9/11 disruption amounted to a sharp blow to a fragile industry, and there have been clear casualties: bankrupt airlines, falling employment, and declining passenger volumes. At the same time, all of these things could well have happened anyway.

Canada 3000, for example, had been offered up to $75 million in short-term federal aid, but market forces at the time prevented the creation of a viable business plan. September 11th seems to have decided the timing of Canada 3000's implosion, but not the event itself.

Conclusion

If there is any lesson to be learned from this analysis, it is that BC's tourism economy has staying power. After an initial spike downward, the tourism economy bounced back within two months of the terrorist attacks. And if one takes the whole 12 month period beginning September 1st, 2001, nothing out of the ordinary seems to have occurred.

Hotel room revenues and overnight visitor entries were marginally lower (both down by less than 2%), but tourism employment levels were unchanged and the restaurant business was unaffected. The volume of US visitors is lower, but the number of British Colombians staying closer to home is much higher. Perhaps as a consequence, patterns of tourism seem to be shifting away from the Mainland/Southwest region towards other, less-travelled parts of the province.

For the year as a whole, September 11th is largely a non-story. This fact should be kept in mind as the dual effects of the SARS scare and the Iraq war play out in BC. If the past is any guide, the impact of these events will likely be short lived.

The one weak spot—and a key challenge for public policy—is the instability of the airline industry. Given that the nation's flagship carrier, Air Canada, is currently under the shelter of bankruptcy protection, this is a point that does not need much repeating.

Table 1: Summary of Key Tourism Indicators

	12-Month Totals		
	Sept 2001 - Aug 2002	Sept 2000 - Aug 2001	change
Tourism Industry			
Tourism Room Revenue ($ Millions, SA)	1,476	1,503	-1.8%
Mainland/Southwest	830	883	-6.0%
Rest of BC	646	620	4.3%
Occupancy Rate (%)	58.2	61.1	-2.9 pp
Average Room Rate	116.97	116.93	0.0%
Restaurant and Tavern Reciepts ($ Millions, SA)	5,105	5,135	-0.6%
Employment (thousands):			
Accomodation	29.5	29.0	1.7%
Food & Beverage	117.2	118.5	-1.1%
Arts, Entertainment, Rec.	28.3	27.0	4.7%
Total	175.0	174.5	0.3%
Travel (thousands):			
Vancouver Airport Passenger Traffic	14,507	16,226	-10.6%
Employment in Air Transport	12.1	14.4	-15.9%
US Traveller Entries to BC	7,729	8,740	-11.6%
Same-day auto	2,713	3,555	-23.7%
Overnight	3,653	3,707	-1.5%
Cnd Re-entries from US	6,035	8,341	-27.6%
Same-day auto	3,442	5,500	-37.4%
Overnight	2,593	2,841	-8.7%

Infoline

July 18, 2003

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BC at a glance . . .

POPULATION (thousands)	Apr 1/03	% change on one year ago
BC	4,162.5	0.8
Canada	31,559.2	0.8
GDP and INCOME		% change on
(BC - at market prices)	2002 Prelim.	one year ago
Gross Domestic Product (GDP) *($ millions)*	134,365	2.7
GDP *($ 1997 millions)*	126,141	1.8
GDP *($ 1997 per Capita)*	30,459	0.8
Personal Disposable Income *($ 1997 per Capita)*	19,445	-0.2
TRADE ($ millions, seasonally adjusted)		% change on prev. month
Manufacturing Shipments - May	2,760	-0.8
Merchandise Exports - May	2,494	2.5
Retail Sales - Apr	3,405	1.1
CONSUMER PRICE INDEX		12-month avg
(all items - 1992=100)	May '03	% change
BC	120.4	2.6
Canada	122.0	3.2
LABOUR FORCE (thousands)		% change on
(seasonally adjusted)	Jun '03	prev. month
Labour Force - BC	2,188	-0.3
Employed - BC	2,007	0.1
Unemployed - BC	181	-4.0
		May '03
Unemployment Rate - BC *(percent)*	8.3	8.6
Unemployment Rate - Canada *(percent)*	7.7	7.8
INTEREST RATES (percent)	Jul 16/03	Jul 17/02
Prime Business Rate	4.75	4.50
Conventional Mortgages - 1 year	4.75	5.55
- 5 year	6.20	7.25
US/CANADA EXCHANGE RATE	Jul 16/03	Jul 17/02
(avg. noon spot rate) Cdn $	1.3861	1.5391
US $ *(reciprocal of the closing rate)*	0.7212	0.6494
AVERAGE WEEKLY WAGE RATE		% change on
(industrial aggregate - dollars)	Jun '03	one year ago
BC	688.57	3.0
Canada	659.76	1.4

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

British Columbia Provincial Economic Multipliers and How to Use Them

Author: Garry Horne, April 2003

37 pages

A clear and concise introduction to the subject . . . strongly recommended.

". . . as government requires its programs to become more accountable for results, those programs that claim to produce economic benefits will need to establish them."

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- Earnings & Employment Trends, June 2003
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Next week

- Consumer Price Index, June 2003

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