

- **International exports of BC goods edge up 0.5% in April**
- **Housing starts in BC down 16.5% in May**
- **16,500 complaints about business practices were made to BC's Consumer Services in 2003**

## The Economy

- **International exports of BC goods edged up 0.5% (seasonally adjusted) in April, despite a 10.8% drop in exports of energy products.** International shipments of industrial and consumer goods jumped 8.6%, which helped drive the growth.

Growth in overall exports was entirely due to shipments to non-US destinations (+2.8%) as exports to the US slipped 0.7% in April. The decline was due mainly to a substantial drop in the value of exports of energy products (-10.9%).

*Data Source: Statistics Canada and BC Stats*

## Housing

- **Housing starts in BC dropped 16.5% (seasonally adjusted) in May, retreating after a burst of construction activity the month before.**

Nationally, housing edged down slightly (-1.3%). While the Maritime provinces showed strong growth in housing starts, there was little new home construction activity in central Canada. In the West, both Alberta and BC had fewer starts than the month before.

*Data Source: CMHC*

- **The value of building permits issued in BC dropped 4.1% (seasonally adjusted) in April, the third consecutive monthly decline.** The decline in residential building permits was slight (-1.6%), while non-residential permits were down 12.3%.

Nationally, building permits were up 7.8%, ranging from an increase of 44.8% in Newfoundland & Labrador to a decrease of 23.9% in Manitoba.

*Data Source: Statistics Canada*

- **Non-seasonally adjusted data from across the regions of BC show that most parts of the province have seen growth in building permits over the last year.** In the first four months

of 2004, compared to the same period last year, permits showed strongest growth in Mainland/Southwest (+27.8%). Similar growth was seen in the northern regions (+24.2%) and Vancouver Island (+22.6%). The Kootenay (-14.3%) and Cariboo (-19.3%) regions of central BC posted declines.

*Data Source: Statistics Canada*

- **New housing prices in Victoria were up 10.4% in April, compared to the same month last year.** This was by far the steepest increase of any metropolitan area in Canada. The second highest inflation rate for new homes was in Montreal (+6.9%), followed by St. Catharines-Niagara (+6.7%).

Nationally, new housing prices were up 5.6%. In contrast to Victoria, inflation was below the national average in Vancouver, at 4.7%.

*Data Source: Statistics Canada*

## Consumer Protection

- **There were 16,500 complaints made in 2003 to the BC government's Consumer Services Branch—the agency responsible for enforcing trade practices and consumer protection laws.**

There were two major complaint areas. Automotive sales and repairs—particularly used vehicle sales—accounted for 21% of complaints. Debt collection agencies were the subject of an additional 18%, with complaints centering on harassment by collection agents. A smaller but significant area was the cemetery & funeral services industry, which was the subject of 4% of complaints. Most of these were complaints by grieving families about high-pressure sales tactics.

*Data Source: Ministry of Public Safety & Solicitor General*

- **There were 460 investigations launched by Consumer Services in 2003, down 65% from 2001.** Over the same period, the number of complaints was down 8%. The number of com-

## Did you know...

In 15 out of every 100,000 surgeries in Canada, patients accidentally have a foreign object left inside them.

complaints that are investigated has fallen from 7% in 2001 to 3% last year.

*Data Source: Ministry of Public Safety & Solicitor General, Annual Rpt.*

- **The Canadian Council of Better Business Bureaus received 5,900 consumer complaints across the country in March 2004.** The top five complaints were about auto dealers, roofing companies, computer sales & service, moving companies, and home furnishings businesses.

*Data Source: Canadian Council of Better Business Bureaus*

## Health Care

- **Total health care expenditures in BC amounted to \$3,919 per person in 2003, roughly 2% above the national average.** Three provinces had higher per capita spending—Ontario (\$3,945), Alberta (\$4,010), and Manitoba (\$4,220). The lowest per capita spending was in Quebec (\$3,477), where spending was 9% below average.

BC spends far more on professional services than any other province, with per capita spending in this area 18% above the national average. The province has 199 physicians per 100,000 population, about 5% more than in Canada as a whole (189 per 100,000 population). There are also more dentists per capita than in any other province (19% above average) as well as more physiotherapists (16% above average). However, there are fewer Registered Nurses (8% below average) and far fewer Licenced Practical Nurses (46% below average) than in Canada as a whole.

In contrast to professional services, spending on prescription drugs is lower than average in BC, at \$444 per person. This is 17% below the national average (\$537 per person).

*Data Source: Canadian Institute for Health Information*

- **Some 24% of Canadians report that they or a family member have suffered from a medical mistake while receiving health care treatment.** In half of these cases, the medical mistake was reported to have serious health consequences, and 68% of the cases resulted in, or extended, a hospital stay.

One of the most common medical mistakes reported was being given the wrong medication or wrong dosage (11%). Equally common was

adults contracting an infection as a direct result of being hospitalised. Children were slightly less likely to acquire an infection due to hospitalisation (9%).

In the US, 42% reported that they or a family member have suffered a medical mistake while receiving treatment—18 percentage points higher than in Canada.

*Data Source: Canadian Institute for Health Information*

## The Nation

- **Labour productivity in the business sector rose 0.4% in the first three months of this year, the firstly quarterly increase in a year.**

*Data Source: Statistics Canada*

- **Canadian industries were operating at 83.5% of capacity in the first three months of 2004, up roughly one-half of a percentage point since last fall.** Capacity utilization rose in all sectors of the economy except for mining, where utilization dropped slightly to 69.1%.

Over the last 18 years, capacity utilization has ranged from a high of 87.2% down to 77.1%—both extremes dating back to the boom and bust of the late 1980s/early 1990s.

*Data Source: Statistics Canada*

## Trade with China

- **The value of imported goods from China has exploded over the last decade, increasing roughly 300% since 1995.** After the US, China is now the largest source of imported goods in Canada.

Canada's exports to China have also increased—up 38% from 1995—but not nearly to the same degree as imports. Canada now imports about four times as much as it exports to China, with a trade deficit reaching \$14 billion last year.

The tremendous growth of trade with China is due to several factors: increasing liberalization of trade policy in China, its admission into the World Trade Organization in 2001, and strong economic growth in China—now the second largest economy in the world.

*Data Source: SC, Catalogue no. 11-624-MIE*

*Infoline Issue: 04-23*

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## Expanded European Union Could be Both Good and Bad for BC

As of May 1, 2004, the European Union (EU) has expanded to include ten new members. This new development could prove to be both good and bad for the economy of British Columbia. On the one hand, membership in the EU is certain to have a positive effect on the economies of these ten countries, helping propel them toward increased prosperity, which could increase their demand for BC-made products, as well as open new doors for investment. On the other hand, some of these countries have a wealth of forest resources, which could result in stiff competition for BC forest products, particularly pulp, which is one of BC's main exports to Europe.

In an attempt to develop closer ties with the EU and take advantage of its substantial market, the Canadian government is currently working with the EU to reduce the regulatory barriers that hinder two-way trade and investment through the development of the Canada-EU Trade and Investment Enhancement Agreement (TIEA). The new agreement would be a broad-based, forward-looking initiative that would not only attempt to facilitate trade in goods and services, but would also seek to improve investment and coordinate regulations. Some specific goals include provisions to improve bilateral trade and investment for small and medium-sized enterprises, to protect intellectual property rights, to increase scientific and technological cooperation, to mutually recognize professional qualifications and to cooperate on sustainable development. As the EU expands to include an additional 75 million people, increasing its overall population to more than 454 million people, the time for these kinds of talks couldn't be better. With World Trade Organization negotiations stalling over disagreements on agricultural reforms, and other free trade discussions like those of the Free Trade Area of the Americas faltering over similar obstructions, the TIEA could prove to be mutually beneficial for both Canada and the EU.

In 2003, Canada and the 25-member EU had almost \$59.7 billion in two-way commodity trade, of which approximately 6.5% involved the ten new EU members. Canada exported \$19.9 billion worth of goods to the EU (including \$1.3 billion in re-exports) and imported \$39.8 billion in merchandise, resulting in a commodity trade deficit of about \$20.0 billion. Although data on trade in services is not available for most of the new members of the EU, figures for trade between Canada and the original 15 EU members indicate that Canada has a trade deficit in services as well, although it is small in comparison to the goods trade deficit. In 2001, the last year for which data is available, Canada had a services trade deficit with the

### EU Membership

1951:

- Belgium
- France
- Germany (West)
- Italy
- Luxembourg
- Netherlands

1973:

- Denmark
- Ireland
- United Kingdom

1981:

- Greece

1986:

- Spain
- Portugal

1990:

- Germany (East)

1995:

- Austria
- Finland
- Sweden

2004:

- Cyprus
- Czech Republic
- Estonia
- Hungary
- Latvia
- Lithuania
- Malta
- Poland
- Slovakia
- Slovenia

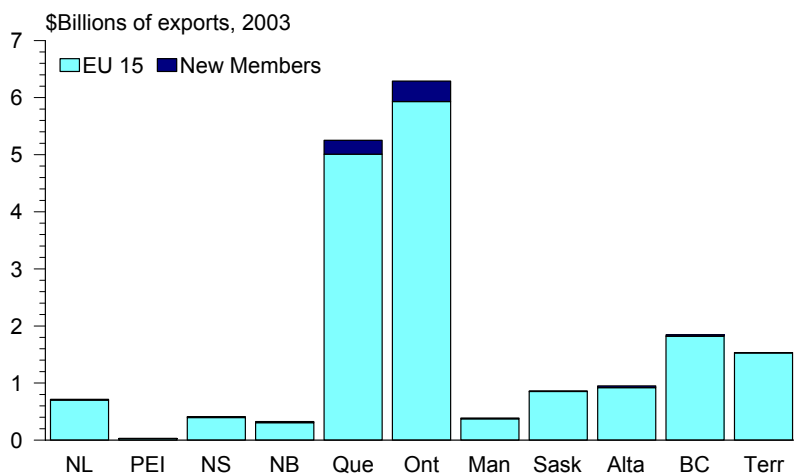
15-member EU of approximately \$667 billion, comprised of \$10,012 billion in exports and \$10,681 billion in imports.

In addition to trade in goods and services, Canada also has significant foreign investment in countries of the European Union and vice versa. Data for 2002 for the original 15-member EU indicate that Canadian investment in EU countries was just shy of \$100 billion, of which \$45.2 billion was invested in the United Kingdom. Foreign direct investment in Canada by the original fifteen EU countries amounted to just under \$94 billion, with \$26.3 billion of that originating in the United Kingdom. The size of these figures emphasizes the importance of the EU to the Canadian economy and reciprocally, Canada's value to the EU.

Among the provinces, Ontario and Quebec rank one-two in terms of value of exports to the EU, followed by BC. With almost \$6.3 billion in exports, Ontario was responsible for a third of Canada's shipments to the EU. Quebec's \$5.3 billion represented 28% of Canadian exports, while BC's \$1.8 billion amounted to 10% of all Canadian shipments to the EU. Northwest Territories is somewhat surprisingly ranked fourth, exporting \$1.5 billion worth of goods, or 8% of the Canadian total. This figure is almost entirely comprised of diamond shipments to either the United Kingdom or Belgium. Machinery and equipment are the main exports from Ontario, although metals such as gold and nickel are also shipped in significant quantities. Quebec's leading export to the EU is aircraft and parts thereof, followed by other manufactured goods, such as machinery and equipment. Quebec also ships significant quantities of aluminum products, as well as resource goods such as pulp and paper.

*Among the provinces, BC ranked third in 2003 in terms of value of commodity exports to the EU*

### BC ranks third in the country in terms of exports to the European Union



*BC exported over \$1.8 billion worth of goods to the 25 countries of the European Union in 2003*

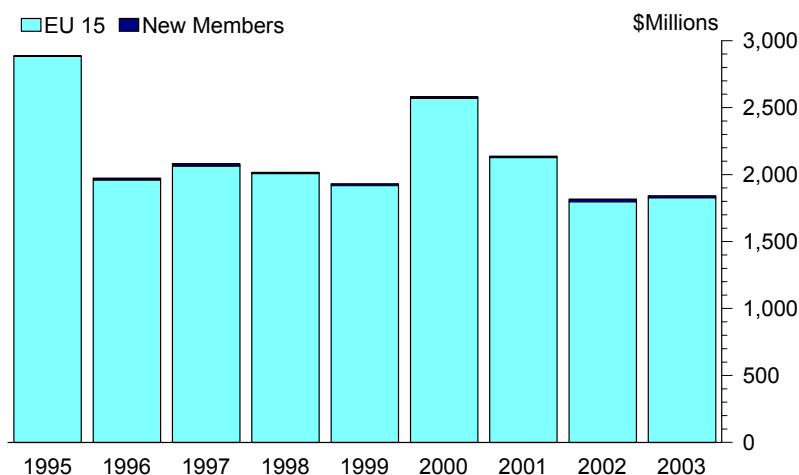
For British Columbia, the top export to the countries of the EU is pulp. Almost 41% of all commodity exports from BC to the EU in 2003 were comprised of pulp. The next most significant export was coal, at 19% of all BC exports to the EU, followed by wood and articles of wood, representing about 14% of the total.

**BC Exports to the EU, 2003**

Commodity	Exports (\$millions)	Percent of Total
Pulp	\$747.8	40.6
Coal	\$351.3	19.1
Wood and articles of wood	\$249.0	13.5
Machinery, boilers, mechanical appliances, etc.	\$135.5	7.4
Electrical machinery, equipment, parts, etc.	\$48.8	2.7
<b>Total</b>	<b>\$1,842.1</b>	<b>100.0</b>

*Pulp comprised over 40% of all BC exports to the EU in 2003*

**Historically, the new EU members have imported very little from British Columbia**



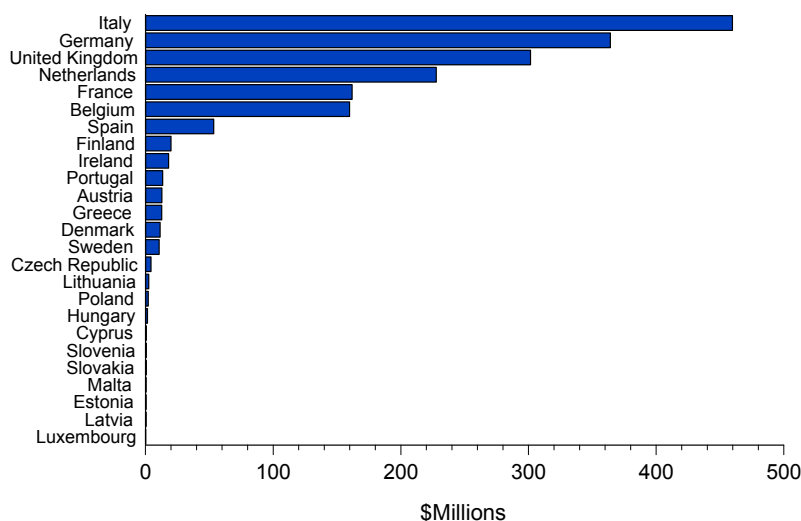
*The new EU members have not been significant destinations for BC exports in the past*

A very small percentage of goods exported from BC have been destined for the ten new members of the EU. Over the last decade the share of BC exports to the EU shipped to the ten new member nations has consistently been less than one percent. Part of the reason for this may be that several of these countries are reasonably resource-rich and therefore do not require the goods that BC specializes in. The fact that many of these countries are former Communist nations whose economies are only recently beginning to transform

into a more market-based system is another possible reason for the lack of trade. It is conceivable that as these countries are integrated into the European Union and attract new capital investment, they could become more significant trading partners for British Columbia and for Canada as a whole.

In 2003, just six countries were responsible for about 91% of BC's exports to the EU. Italy led the way, importing \$459.8 million worth of goods, followed by Germany (\$364.1 million), the United Kingdom (\$301.6 million), the Netherlands (\$227.8 million), France (\$161.8 million) and Belgium (\$159.9 million).

**Italy was the leading EU destination for BC exports in 2003**



*Just six out of the 25 member countries received 91% of BC exports to the EU in 2003, with Italy leading the pack*

For all of these countries, pulp was one of the top exports from BC, if not *the* top export. Other forest products were also well represented in international shipments from BC to the EU. This highlights a point alluded to earlier, that although these new members of the EU could provide new opportunities for trade and investment for BC, they could also threaten existing trade relationships.

As trade barriers among the new EU members and the other countries of the EU are dismantled, BC's forest sector could be looking at increased competition from lower-cost producers in countries that have significant forest resources such as Poland, the Czech Republic, Slovakia and the former USSR countries of Estonia, Latvia and Lithuania. These countries are not currently among the world's major producers of forest products; however, as the EU increases their access to capital investment and offers them barrier-free markets, they could use their cost advantage resulting from relatively lower

*BC's forest sector could face losing market share in the EU to these new member countries*

labour expenses to squeeze some of the North American forest products out of the EU market.

The one saving grace for North American producers is that it will likely take some time for the forest sector to get up to speed in these countries and, in the meantime, wages could rise to levels seen in the rest of the EU. While this could effectively wipe out the labour cost advantage, these countries will still have the advantage of proximity and guaranteed tariff-free access. Also, their proximity and historical ties to Russia, which has a vast supply of under-harvested forestland, could ensure a long-term supply of wood fibre, which would help them remain competitive in an increasingly global market. If Canada continues to struggle against attacks on its lumber exports by the American lumber lobby and the United States persists in charging duties on Canadian wood, it is possible that these countries with emerging forest sector industries could end up usurping some of Canada's market share in the US as well.

While there will certainly be challenges for BC and for Canada as a whole with regard to the expansion of the EU, there should also be increased opportunities. The expanded EU brings its combined output to about 21% of the world's gross domestic product (measured in purchasing power parity), just shy of the United States at 23%, which underscores the importance of the economic region as a trade and investment partner.<sup>1</sup> Canada's negotiations toward the Canada-EU TIEA could open up the economic region to a world of possibilities for increased trade and investment, but it is possible that the types of goods and services that are traded will change, which may be problematic for a province like BC, where resource-based products still make up the majority of international exports.

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<sup>1</sup> Source: CIA World Factbook, July 1, 2002.

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## BC at a glance . . .

<b>POPULATION (thousands)</b>	Jan 1/04	% change on one year ago
BC	4,168.1	1.0
Canada	31,752.8	0.9
<b>GDP and INCOME</b>		% change on one year ago
<i>(BC - at market prices)</i>	2003	
Gross Domestic Product (GDP) (\$ millions)	142,418	5.1
GDP (\$ 1997 millions)	130,914	2.2
GDP (\$ 1997 per Capita)	31,572	1.4
Personal Disposable Income (\$ 1997 per Capita)	19,495	-0.4
<b>TRADE (\$ millions, seasonally adjusted)</b>		% change on prev. month
Manufacturing Shipments - Mar	3,329	4.6
Merchandise Exports - Mar	2,470	0.5
Retail Sales - Mar	3,613	2.1
<b>CONSUMER PRICE INDEX</b>		12-month avg % change
<i>(all items - 1992=100)</i>	Apr '04	
BC	122.4	1.6
Canada	123.9	1.8
<b>LABOUR FORCE (thousands)</b>		% change on prev. month
<i>(seasonally adjusted)</i>	May '04	
Labour Force - BC	2,227	0.8
Employed - BC	2,053	0.7
Unemployed - BC	174	1.3
		Apr '04
Unemployment Rate - BC (percent)	7.8	7.7
Unemployment Rate - Canada (percent)	7.2	7.3
<b>INTEREST RATES (percent)</b>	Jun 9/04	Jun 11/03
Prime Business Rate	3.75	5.00
Conventional Mortgages - 1 year	4.45	4.95
- 5 year	6.70	5.90
<b>US/CANADA EXCHANGE RATE</b>	Jun 9/04	Jun 11/03
<i>(avg. noon spot rate) Cdn \$</i>	1.3541	1.3540
<i>US \$ (reciprocal of the closing rate)</i>	0.7360	0.7400
<b>AVERAGE WEEKLY WAGE RATE</b>		% change on one year ago
<i>(industrial aggregate - dollars)</i>	May '04	
BC	671.73	-1.8
Canada	680.24	2.6
<b>SOURCES:</b>		
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 <a href="http://www.bankofcanada.ca">www.bankofcanada.ca</a>		

### Released this week by BC STATS

- Labour Force Statistics, May 2004
- Earnings & Employment Trends, May 2004
- Exports, April 2004

### Next week

- No subscription releases