

- Retail sales in BC dipped 0.2% in August, but wholesale sales climbed 0.8%
- The number of travellers entering Canada through BC dropped 3.9% in August
- Smokers comprise 19% of BC's population, the lowest ratio in the country

## The Economy

- **After six months of growth, retail sales in British Columbia slipped 0.2% (seasonally adjusted) in August.** However, sales by retailers are 5.9% higher so far this year compared to the January to August period in 2003. Nationally, retail sales climbed 0.8% in August on the strength of robust growth in Ontario (+1.7%) and Quebec (+1.1%). The Atlantic Provinces combined for a 0.8% gain and sales in both the Yukon and Northwest Territories climbed 2.2%. All other regions of the country saw small declines in sales.

Building and outdoor home supplies stores led the way across Canada with a substantial 3.9% jump in sales in August. Also contributing to the Canadian increase in sales was a 0.9% rise in transactions of automotive products (including a 1.8% jump in sales at gasoline stations) and a similar increase in retailing at food and beverage stores.

*Data Source: Statistics Canada*

- **Wholesale sales in BC climbed 0.8% (seasonally adjusted) in August.** This was the third consecutive month in which BC has recorded an increase in wholesale sales, contributing to a significant boost of 8.2% in the first eight months of the year compared to the same period in 2003.

Wholesale sales were up in most regions of the country in August, with the exception of Quebec (-2.2%), Newfoundland and Labrador (-3.7%), PEI (-1.0%) and Yukon (-3.0%). The most significant increases were in Nova Scotia (+8.9%) and Alberta (+3.6%).

*Data Source: Statistics Canada*

## Tourism

- **The number of visitors entering Canada via BC border crossings dropped 3.9% (seasonally adjusted) in August.** This follows on the

heels of a 1.0% decline a month earlier. Visitors from all the major world regions contributed to the slump. Numbers of both same-day (-4.4%) and overnight (-2.8%) visitors from the United States fell and travellers from overseas dipped 4.4%. European visitors were down 10.0% led by a 24.5% drop in travellers from Germany. Although the number of visitors from Hong Kong increased 15.4%, significant declines in tourists from Japan (-17.2%) and Taiwan (-11.4%) resulted in an overall drop of 8.4% in the number of Asian visitors.

While foreigners visiting BC were fewer in number in August, the number of Canadians travelling through BC to overseas destinations edged up 0.6%.

*Data Source: Statistics Canada & BC Stats*

## Health

- **Of people in British Columbia who used an emergency room in 2003, 17% were dissatisfied with the service they received.** By comparison, a fifth (20%) of all Canadians were not satisfied with ER service. The highest level of dissatisfaction was in Newfoundland and Labrador, where 28% of ER users were unhappy with the service. Other provinces with dissatisfaction rates worse than the Canadian average were Nova Scotia (25%), Ontario (24%) and Alberta (24%). ER users in Quebec had the lowest level of dissatisfaction (15%) among the provinces.
- **Across the country, British Columbia has by far the lowest percentage of non-smokers regularly exposed to second-hand smoke.** In 2003, only 23% of BC's non-smokers reported that they had been exposed to second-hand smoke on most days in the last month. This compares to a full third (33%) of all Canadians. At 30%, Ontario was the province with the next lowest exposure rate and at 41%, Quebec was the province with the highest exposure rate.

*Data Source: SC, Catalogue 82-003-XPE, Health Reports*

### Did you know...

A record seven Canadians played in Major League Baseball's playoffs this year, eclipsing the old mark of three set in 1995. Maple Ridge's Larry Walker is the only one of the seven remaining in the hunt for a World Series championship.

The three territories ranked worse than every province with the exception of Quebec with Yukon at 39%, Nunavut at 40% and the Northwest Territories recording the highest ratio in the country at 47%.

British Columbia also scored well below the national average in terms of prevalence of smoking. Only 19% of the population were smokers in 2003, compared to 23% of all Canadians. Once again, Quebec had the highest proportion of smokers (26%) among the provinces, but each of the territories exceeded that percentage. In Yukon, 28% of the population smoked, compared to 37% in the Northwest Territories and a whopping 65% in Nunavut.

*Data Source: SC, Catalogue 82-003-XPE*

### Aquaculture

- **British Columbia produced approximately half of all Canadian aquaculture products in 2003.** About 79,230 tonnes of seafood products were produced in the province, compared to 155,634 tonnes for the whole country. Salmon comprised the large majority of BC aquaculture production with 70,500 tonnes harvested at a total dollar value of \$248.5 million. Most of the remainder was shellfish (8,630 tonnes).

*Data Source: SC, Catalogue 23-222-XIE*

### Biotechnology

- **In 2001, British Columbia led the country in terms of research and development expenditure on biotechnology.** The province was responsible for almost a third (31%) of all biotechnology R&D expenditure in the country. This is despite the fact that only 18% of Canadian biotechnology firms are located in BC and the fact that these firms were smaller, on average, compared to those in Ontario and Quebec, where the majority of the country's biotechnology firms are located. BC biotech firms averaged just over 25 employees compared to 33 for Ontario and 36 for Quebec. Since BC firms were smaller, they also tended to have lower revenues. BC's firms were responsible for only 14% of Canadian biotech revenues in 2001, although that percentage is

double that of two years earlier.

*Data Source: SC, Catalogue 88F0006XIE – No. 017*

### Culture Clusters

- **Vancouver and Victoria led all other metropolitan areas in the country in terms of cultural employment, each with 2.7% of their total labour force employed in cultural occupations in 2001.** Vancouver had the third highest number of workers in cultural industries, behind only Toronto and Montreal. Together, these three CMAs accounted for 64% of the country's cultural workers.

Vancouver has a significant film production cluster and also has a higher than average proportion of actors, musicians and artists in its labour force. Victoria also has a significant share of musicians and artists, as well as writers.

*Data Source: SC, Catalogue 89-613-MIE*

### The Nation

- **Foreign investment in Canada continued to increase in August, while Canadian investment abroad dropped significantly.** Foreign investors upped their investment in Canadian securities by \$897 million as a substantial \$2.2 billion increase in bond purchases and a \$587 million jump in stock investments more than outweighed the \$1.9 billion drop in holdings of money market paper. Meanwhile, Canadian investors divested over \$1.1 billion in foreign stocks and bonds.

*Data Source: Statistics Canada*

- **The composite index of leading indicators of economic growth continued to climb in September, albeit at a slower pace than in previous months.** Growth in the index has been slowing over the last few months. After achieving a two-year high of 1.0% in June, the index slowed to 0.7% in July, 0.5% in August and grew a scant 0.3% in September. The housing index has been one of the main contributors to the slowdown in the last couple of months. In September, the housing index fell 0.8% as housing starts levelled off while vacancies continued to rise.

*Data Source: Statistics Canada*

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## Made in B.C.—Part 2

This article is excerpted from a document produced by BC Stats for the Canadian Manufacturers and Exporters Association, earlier this year. The text has been updated to incorporate the latest revisions to the data, including changes to the annual survey on which the estimates are based. For some industries, the changes were quite substantial.

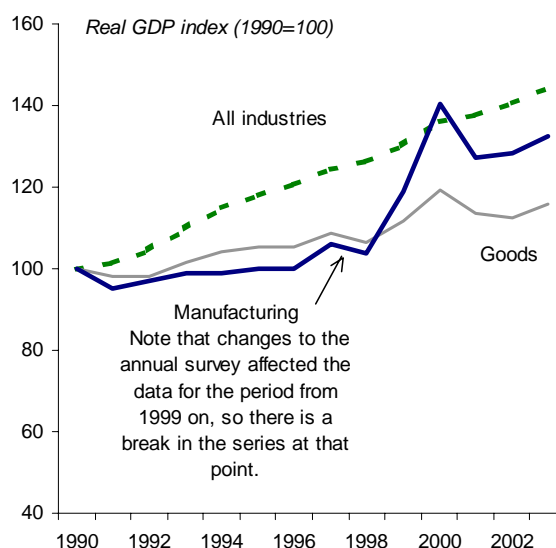
### Slower growth during the 1990s

Generally speaking, the 1990s were a challenging decade for most goods-producing industries in British Columbia, including those in the manufacturing sector. Real value added in manufacturing expanded less than for the economy as a whole, which grew at an average annual rate<sup>1</sup> of 2.9 per cent per year during this period. The strong overall growth was largely due to the service sector, where output increased at an average rate of 3.5 per cent per year.

Most of the fast-growing industries were in the service sector. These included wholesale trade (with real GDP growth averaging 4.5 per cent per year between 1990 and 2003), financial & real estate services (+4.2 per cent) retail trade (+4.1 per cent) and professional, scientific & technical services (+4.0 per cent). In the goods industries, growth averaged 1.2 per cent per year, reflecting weakness in the construction (+0.0 per cent per year), logging (-1.2 per cent) and fishing (-5.8 per cent) industries. Due to a statistical break<sup>2</sup> in the data for manufacturing, it is not possible to calculate a meaningful average annual growth rate for the manufacturing

sector for the entire period in question. However, between 1990 and 1998 (the period for which consistent measures are available), the manufacturing sector increased at an average annual rate of 0.5 per cent, considerably less than the 3.0 per cent increase in the economy as a whole.

### Goods producing industries in the province made only modest gains during the 1990s



Sources: Statistics Canada and BC Stats  
Figure 1

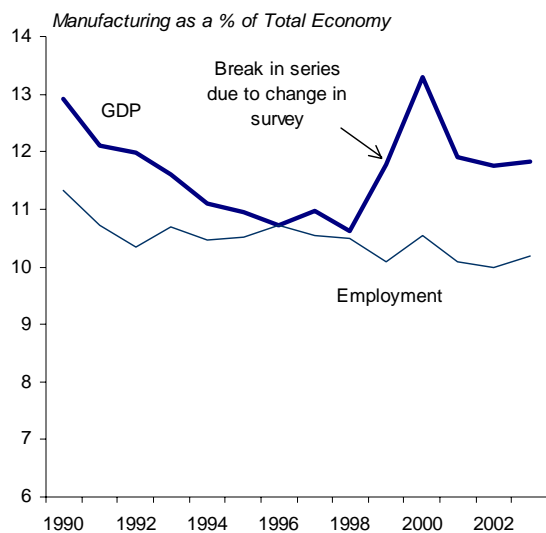
Since 2000, the manufacturing sector has been in a general decline, shrinking 1.9 per cent per year. During the same period, the goods sector as a whole has contracted 0.9 per cent per year, while the BC economy has been growing at an average annual rate of 2.0 per cent.

<sup>1</sup> All average annual increases reported in this paper are compound growth rates.

<sup>2</sup> The annual survey on which GDP and shipment estimates are based was revamped and the survey universe was redefined, starting in the 2000 reference year. Data for 1999 were also adjusted at the time. More information on the changes is available at:

<http://www.statcan.ca/english/freepub/13-605-XIE/2003001/data/2003pioa.htm>

Despite slower-than-average growth during the 1990s, the manufacturing sector continues to play a key role in the British Columbia economy



Sources: Statistics Canada and BC Stats  
Figure 2

As a result of its slower than-average growth, the manufacturing sector's contribution to real GDP fell from 13 per cent in 1990 to just under 12 per cent in 2003 (even with the boost from the expanded coverage). Its share of total employment declined from just over 11 per cent to 10 per cent during the same period. Despite this relative decline, manufacturing is still the second-largest industrial sector in the province.

### Global economic conditions affected the manufacturing sector during the 1990s

Because so much of their production is exported to international markets, British Columbia manufacturers are vulnerable to changes in global economic conditions. Fluctuations in world demand for resource-based commodities, economic conditions in the United States and Japan, changes in exchange rates, and trade disputes all affected British Columbia's manufacturing sector, especially the resource-based industries, during the 1990s. The softwood lumber dispute between Canada and the United States continues to hamper the province's wood industry, since much of its production is destined for use south of the border.

The manufacturing sector experienced three slow-downs between 1990 and 2003. The first, in 1991,

was part of a generalized downturn in the Canadian and United States economies, as was the slowdown in 2001, when industries throughout the manufacturing sector saw GDP decline.

The Asian economic crisis had a bigger effect in British Columbia than in other parts of Canada, since a larger portion of the province's exports is destined for use in Asia. At the same time, lower prices for resource products negatively affected many resource-based manufacturers during the late 1990s. Overall, the manufacturing sector contracted 2.1 per cent in 1998, with both wood (-2.3 per cent) and paper (-15.7 per cent) manufacturers cutting back their output substantially. Producers of metallic and non-metallic mineral products, and other resource-based goods also saw GDP decline in 1998. However, the effect of the resource-based downturn was not as great as it might have been, as other manufacturing industries, particularly those involved in manufacturing machinery & equipment, electronics, computers, clothing and textiles were enjoying a growth spurt.

The effects of "Asian flu" were short-lived and the manufacturing sector bounced back in 1999 (+14.5 per cent) with most industries posting solid gains. Growth continued throughout 2000, but the US recession in 2001 had adverse effects on the manufacturing sector's GDP, which fell 9.3 per cent in that year. This was the biggest slump in manufacturing production since the beginning of the 1990s.

### Primary, secondary and high-tech manufacturing<sup>3</sup>

Although the manufacturing sector posted only modest growth during the 1990s, some industry groups made solid gains. Among these, high technology manufacturers fared particularly well, with real GDP increasing by a factor of four prior to the downturn in 2001. Even after two years of decline, the province's high technology manufacturing sector has still expanded more than any other manufacturing industry since 1990, with growth averaging 8.9 per cent annually.

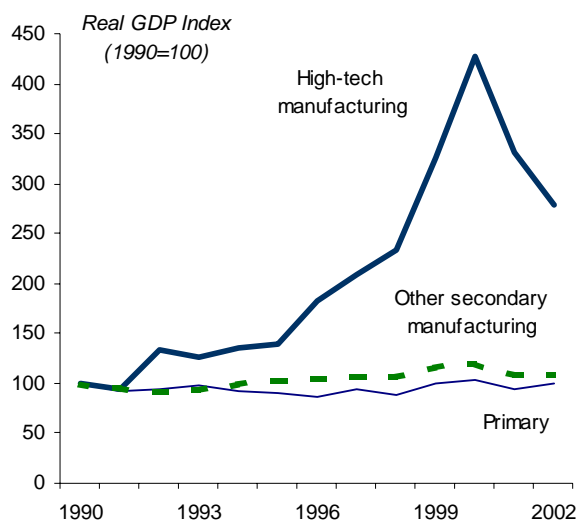
<sup>3</sup> The data in this and the following section is based on information published in 2003, as revised estimates for primary and secondary manufacturing are not yet available.

Primary manufacturers, many of which are resource-based, have not fared as well, displaying considerably more volatility over the decade, but ending the period with GDP virtually unchanged from 1990. These manufacturers were hard-hit by a downturn that lasted throughout the first half of the 1990s. Since then they have seen better times, regaining most of the ground lost early in the period.

Secondary manufacturers (excluding those in the high technology sector) fared better than producers of primary products during the 1990s, with GDP increasing by a total of 9.1 per cent (0.7 per cent per year) over the decade. As was the case in high technology manufacturing, these industries were hard hit in the slowdown of 2001, but have still made stronger-than-average gains over the longer term.

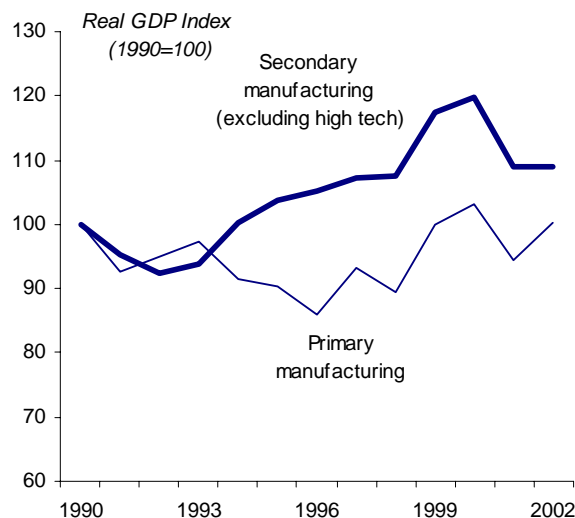
As a whole, secondary manufacturers generated 47 per cent of the manufacturing sector's GDP in 2002, up from 43 per cent in 1990. Prior to the downturn in the high technology industries, secondary manufacturing's share of total GDP had peaked at 50 per cent in 2000.

### High technology manufacturing expanded rapidly during the 1990s



Sources: Statistics Canada and BC Stats  
Figure 3

### Secondary manufacturers made some gains, but primary manufacturing was volatile

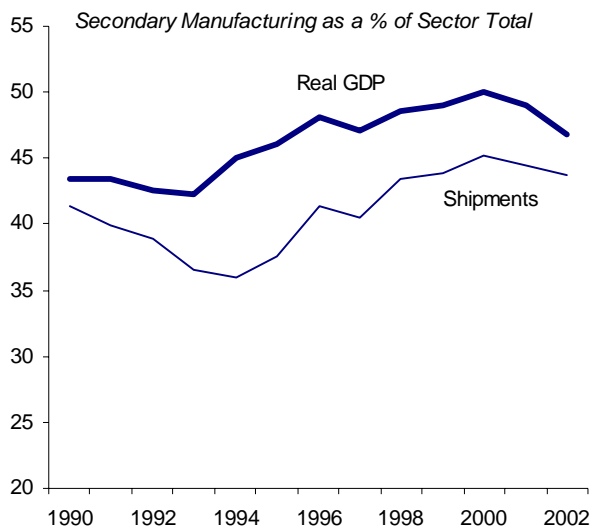


Sources: Statistics Canada and BC Stats  
Figure 4

### Is the structure of the manufacturing sector changing?

Although the province's manufacturing sector continues to be dominated by the processing of forest products, there are some indications that structural changes are occurring as manufacturers are shifting their focus away from resource-based products to higher value-added products. Between 1990 and 2002, the share of secondary manufactured products in total manufacturing GDP increased from 43 to 47 per cent, a substantial gain over a relatively short period.

## Secondary manufacturing activities are becoming more important



Source: BC Stats  
Figure 5

This shift can be partially explained by the development of new technology-based industries as well as the adaptation of the sector in response to trade issues and changes in world demand for British Columbia's traditional manufactured products.

However, the province continues to concentrate on primary manufacturing activities to a much greater extent than is the case elsewhere in Canada. Fifty-six per cent of British Columbia's manufacturing shipments, and 53 per cent of the sector's GDP,<sup>4</sup> originates in primary manufacturing industries. Nationally, primary manufacturing accounts for about 31 per cent of total manufacturing shipments. In Ontario, the share is just 20 per cent. However Alberta, like British Columbia, is engaged more actively in primary manufacturing (60 per cent) than in producing secondary products.

Continued growth in the province's manufacturing sector in the future will likely depend on the extent to which the province is able to continue to diversify away from lower value-added activities to types of secondary manufacturing that can help reduce BC's reliance on more volatile resource-based manufacturing.

*Part 1 of this report was presented last week, 15 Oct. 2004, in Infoline issue 04-41.*

<sup>4</sup> GDP figures are only available for British Columbia.

 **fax** transmission information service from **BC STATS**

 **Email** transmission information service from **BC STATS**

 also on the **Internet** at [www.bcstats.gov.bc.ca](http://www.bcstats.gov.bc.ca)

## BC at a glance . . .

| <b>POPULATION (thousands)</b>   | Jul 1/04  | % change on one year ago |
|---|-----------|--------------------------|
| BC  | 4,196.4   | 1.1                      |
| Canada  | 31,825.4  | 0.9                      |
| <b>GDP and INCOME</b>   | 2003      | % change on one year ago |
| <i>(BC - at market prices)</i>  |           |                          |
| 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 - Aug   | 3,659     | 1.7                      |
| Merchandise Exports - Aug   | 2,799     | -0.8                     |
| Retail Sales - Aug  | 3,959     | -0.2                     |
| <b>CONSUMER PRICE INDEX</b>   | Aug '04   | 12-month avg % change    |
| <i>(all items - 1992=100)</i>   |           |                          |
| BC  | 123.3     | 1.8                      |
| Canada  | 124.8     | 1.7                      |
| <b>LABOUR FORCE (thousands)</b>   | Sep '04   | % change on prev. month  |
| <i>(seasonally adjusted)</i>  |           |                          |
| Labour Force - BC   | 2,238     | -0.1                     |
| Employed - BC   | 2,080     | 0.6                      |
| Unemployed - BC   | 158       | -8.3                     |
|   |           | Aug '04                  |
| Unemployment Rate - BC (percent)  | 7.1       | 7.7                      |
| Unemployment Rate - Canada (percent)  | 7.1       | 7.2                      |
| <b>INTEREST RATES (percent)</b>   | Oct 20/04 | Oct 22/03                |
| Prime Business Rate   | 4.25      | 4.50                     |
| Conventional Mortgages - 1 year   | 4.90      | 4.55                     |
| - 5 year  | 6.40      | 6.40                     |
| <b>US/CANADA EXCHANGE RATE</b>  | Oct 20/04 | Oct 22/03                |
| <i>(avg. noon spot rate)</i> Cdn \$   | 1.2432    | 1.3038                   |
| US \$ <i>(reciprocal of the closing rate)</i>   | 0.8029    | 0.7669                   |
| <b>AVERAGE WEEKLY WAGE RATE</b>   | Sep '04   | % change on one year ago |
| <i>(industrial aggregate - dollars)</i>   |           |                          |
| BC  | 696.72    | 1.4                      |
| Canada  | 685.60    | 2.4                      |
| <b>SOURCES:</b>   |           |                          |
| Population, Gross Domestic Product, Trade, Prices, Labour Force, Wage Rate } Statistics<br>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> |           |                          |

## Make your own data tables!

**Population** data for a number of administrative boundaries in B.C. can now be accessed through a new procedure on the BC Stats web site. Instead of providing static html, the user can now select region type, region, year, sex and five-year age group through an interactive selection process for just the data they need, when they need it. This will allow BC Stats to make available updated population data through the web site faster than ever before. The user has the option of viewing the requested information on screen in their browser and/or downloading the data in spreadsheet friendly comma delimited format files.

Historical data are available by age group and sex; projections are freely available only for population.

[www.bcstats.gov.bc.ca/data/pop/pop/estspop.htm](http://www.bcstats.gov.bc.ca/data/pop/pop/estspop.htm)

Projected age-sex population data are available through our WebStore.

**Life Expectancy** at birth is also now available, using the same selection procedure, for a variety of different sub-provincial administrative boundaries.

[www.bcstats.gov.bc.ca/data/pop/popstart.htm#vital](http://www.bcstats.gov.bc.ca/data/pop/popstart.htm#vital)

### Released this week by BC STATS

- Tourism Sector Monitor, June 2004

### Next week

- Consumer Price Index, September 2004
- Business Indicators, October 2004
- Current Statistics, October 2004