

- Labour income of BC workers reaches \$78.5 billion in 2004
- Residential investment tops \$10 billion in 2004, as new housing boom continues
- Consumer bankruptcies down 10.7% in 2004

## The Economy

- **Wages, salaries and benefits of workers in the province rose 1.0% (seasonally adjusted) in the fourth quarter of 2004.** The increase was about the same as the national average (+1.1%). Alberta (+2.1%) posted the strongest growth in the country. In the other provinces, labour income grew at rates ranging from +0.6% in Nova Scotia to +1.3% in both Saskatchewan and Manitoba.

*Data Source: Statistics Canada*

- **Total residential investment in the province advanced 1.6% (seasonally adjusted) in the fourth quarter, marking the tenth consecutive quarterly increase in spending.** Investment in new construction was not as robust, with spending virtually unchanged (+0.1%) from the third quarter level. Although it appears that the new housing boom may be levelling off (investment in new construction was down 0.2% in the third quarter), spending remains at record-high levels, well above those reached in the early 1990s.

Spending on conversions soared at the end of the year, increasing to \$40 million, about four times the usual level. At the same time, BC residents invested less in improvements to existing dwellings (-0.4%).

*Data Source: Statistics Canada & BC Stats*

- **December restaurant and tavern receipts in BC jumped 6.7% (unadjusted) over the same month in 2003.** For Canada as whole, receipts were up 4.5% compared to December 2003.

*Data Source: Statistics Canada*

## 2004: Year in Review

- **Workers in the province earned \$78.5 billion in wages, salaries and benefits during 2004, an increase of 4.4% over the previous year.** This marked the first time since 1996 that labour income in the province has grown faster

than the national average (the Canadian increase was +4.1% last year).

The long period of below-average growth has taken a toll: last year, for the first time, labour income in neighbouring Alberta was virtually the same (\$78.4 billion) as in BC, despite the fact that there are about a million fewer people living in that province. Labour income accounts for roughly half of total (current dollar) GDP.

Alberta (+6.7%), Saskatchewan (+5.2%), PEI (+4.8%) and BC were the only regions to post higher-than-average growth in labour income during 2004. New Brunswick (+1.8%) was the only province where labour income grew less than two percent.

*Data Source: Statistics Canada*

- **The value of residential investment in the province reached record levels in 2004, topping the \$10 billion dollar mark.** Spending rose 25.5% last year as a four-year-long boom in investment continued. More than half of the spending was on new housing, with \$5.4 billion (+32.4%) invested in new structures during the year. At the same time, \$3.7 billion (+16.7%) was spent on improvements to existing dwellings. British Columbians spent \$851 million (+20.7%) on acquisition costs (legal and other fees) related to property transfers.

BC led the nation in terms of residential investment growth last year. Quebec (+22.6%), PEI (+21.4%) and Yukon (+20.8%) were the only other regions where investment increased more than twenty percent in 2004. The national average was 14.2%, with double-digit gains posted in every region except Alberta (+5.4%) and Ontario (+8.5%).

*Data Source: Statistics Canada*

- **There were 8,378 consumer bankruptcies in British Columbia in 2004, down 10.7% from**

### Did you know...

In 2002–2003, 11,919 people visited an emergency room in Ontario after falling on ice. February was apparently the slipperiest month, with 3,611 ice-related visits to the ER. Cases in the summer months occurred predominantly on indoor skating rinks.

**the record set in 2003 (9,385). BC's bankruptcy rate was about 20 bankruptcies per 10,000 population.**

Although the 2004 bankruptcy rate in BC was nearly five times higher than in the mid-1970s, the province still has one of the lowest consumer bankruptcy rates in Canada. The Canadian average was 26 per 10,000 people, with the highest rates in Newfoundland & Labrador (45), Nova Scotia (40), and New Brunswick (34). Only Prince Edward Island (18) and Yukon (7) had significantly lower rates than BC.

*Data Source: Industry Canada*

- **There were 922 business bankruptcies in BC in 2004, down 8.0% from the previous year.**

The construction industry accounted for the most business bankruptcies in 2004 (167), followed by retail trade (150) and accommodation & food services (95).

Business bankruptcies dropped in every province except Prince Edward Island (+8.3%) in 2004. For the country as a whole, bankruptcies were down 8.1%.

*Data Source: Industry Canada*

- **BC restaurant and tavern receipts totalled \$5.8 billion in 2004, 7.7% more than in 2003.** It was the strongest growth since 2000 (+8.1%). Nationally, the increase was even larger, 9.9% more receipts were recorded. This was the largest annual increase, second only to 1998 (+15.0%).

*Data Source: Statistics Canada*

### Housing Costs

- **Victoria families paid a record high of \$433,939 on average for single family homes in Greater Victoria in February 2005, 6.1% higher than the average for the last six months.** The average price for condominiums in February was \$260,419; 2.1% higher than last six months' average price. The average price for townhouses was \$309,740; virtually the same as the average price for the last six months.

*Data Source: Victoria Real Estate Board*

### The Nation

- **The Canadian economy expanded 0.4% (seasonally adjusted) in the fourth quarter, slowing from 0.7% in the third.** A 1.1% increase in

final domestic demand for goods and services was the main contributor to the overall growth. Business investment in machinery & equipment (+3.4%) and residential construction (+1.7%), combined with continued growth in consumer spending (+1.0%) were the main factors underlying the strong domestic demand.

However, exports of goods and services slipped (-0.9%) for the second consecutive quarter, as the value of exports decreased for virtually all goods categories. At the same time, the value of imports continued to rise (+2.0%), and as a result the external sector helped keep the lid on economic growth in the fourth quarter.

A strong Canadian dollar contributed to weakness in export-oriented industries such as manufacturing, where real GDP was unchanged in the fourth quarter. However, the construction (+1.2%) and primary (+0.9%) industries helped boost overall growth in the goods sector to 0.5%.

*Data Source: Statistics Canada*

- **Real GDP increased 2.8% in 2004, substantially more than in 2003 (+2.0%).** Strong final domestic demand (+3.8%) in 2004 played an important role in overall economic growth. Exports were up 4.9%, but the effect of export growth was dampened by an even bigger increase (+8.2%) in the value of imports. Inventories were also down last year.

*Data Source: Statistics Canada*

- **Prices charged by Canadian manufacturers were 3.2% higher in January than in the same month of 2004.** The increase was largely due to soaring prices for petroleum & coal products (+18.0%, 12-month change). Excluding these products, the all-items Industry Product Price Index (IPPI) would have been up 2.1%. Primary metals (+14.3%) metal fabricated (+10.9%) and paper (+5.0%) products also boosted the IPPI.

*Data Source: Statistics Canada*

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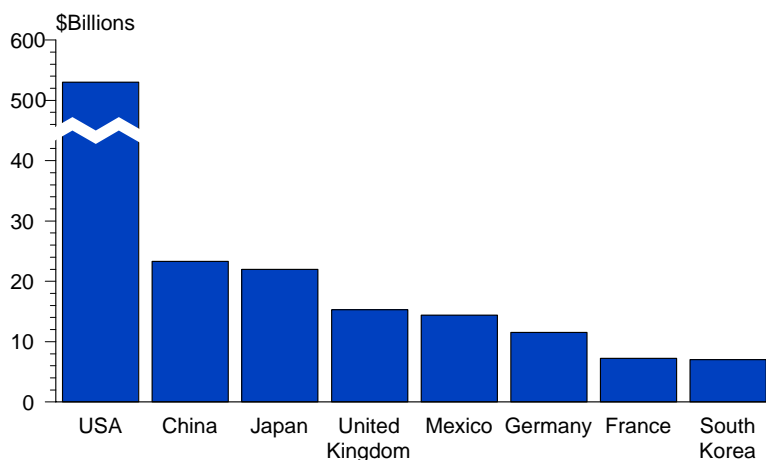
Contact: Dan Schrier (250) 387-0376  
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## Canada's Trade with China

In a move reminiscent of Trudeau's "Third Option," Prime Minister Paul Martin has signalled his intention to pursue expanded trade relationships with countries other than the United States. China is at the top of the list of nations with which Canada would like to see increased trade. Currently, Mainland China ranks second behind only the United States in terms of two-way commodity trade with Canada (i.e., exports plus imports), yet it is still only a fraction (4.4% in 2003) of Canada's trade in goods with the United States. However, there has already been significant growth in Canada's trade with China in just the last year, as year-to-date to November, 2004, two-way trade with China is already 20% over the level recorded in all of 2003 and it now sits at 5.5% of the level of trade with the United States.

*With the US recently signing a flurry of free trade deals, concern that Canada will lose some of its advantage in the lucrative US market is behind the push for expanded trade with countries outside the US*

### China ranks second in terms of two-way trade with Canada, 2003

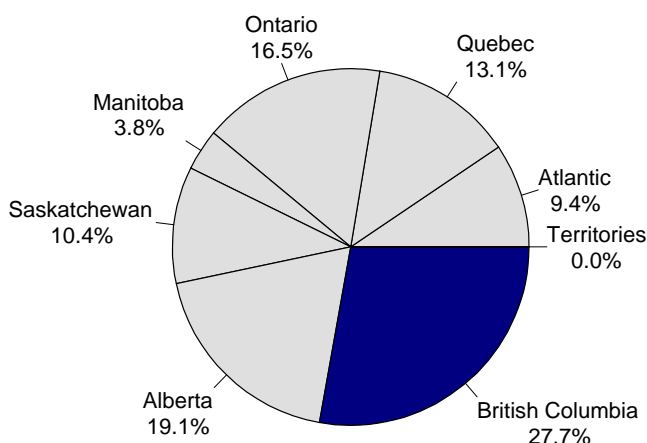


*With over \$23 billion in two-way trade in 2003, China ranked second behind only the United States in two-way commodity trade with Canada*

The strong growth in trade with China has had significant benefits for British Columbia, which ranks first among the provinces as a source of exports to Mainland China. In 2003, almost 28% of all Canadian commodity shipments to China originated in BC. Second-ranked Alberta was well behind at 19%. British Columbia's location on the West Coast gives it an advantage in trade with China as its relative proximity compared to other ports in North America makes it a favourable shipping point for both goods leaving the country, as well as imports entering North America. The types of commodities in demand in China are another big reason for BC's top ranking as a source for goods shipped to that country. China produces a great deal of textiles, clothing, electronics and other manufactured goods, so it has little need for those

kinds of goods from Canada's manufacturing hubs in Ontario and Quebec. Rather, it needs raw material inputs, such as those that are in plentiful supply in British Columbia.

## BC ranked first in Canada in 2003 as a source of exports to China



*Among the provinces, BC ranks first as a source for commodity exports to China*

Almost half (49%) the goods shipped from BC to Mainland China are comprised of wood pulp. Pulp is also the top export to China for Canada as a whole, which should come as no surprise since China is the largest consumer of pulp in the world and Canada is the leading producer of pulp. BC was the source of almost two-thirds of the pulp shipped from Canada to China in 2003.

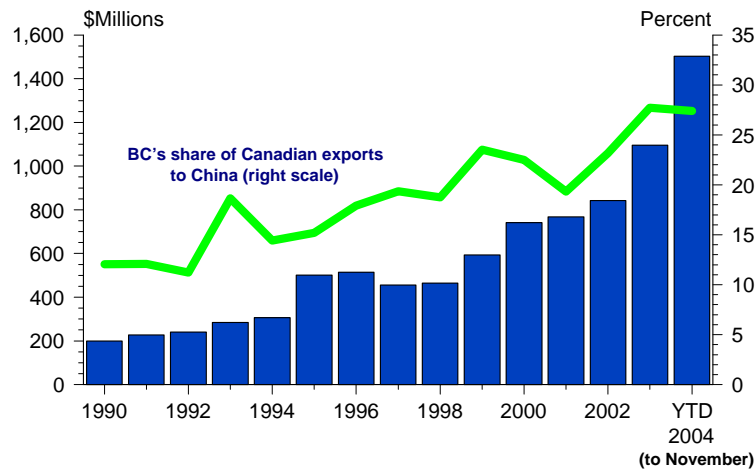
*Pulp and organic chemicals comprise over two-thirds of BC origin commodity exports to China*

Organic chemicals, consisting mainly of ethylene glycol, are the next most significant export (19%). Ethylene glycol is primarily used as an anti-freeze or in the manufacture of polyester fibre and film, although it also has a number of other applications. Alberta ships almost as much ethylene glycol to China as does BC, which is part of the reason it ranks second in the country as a source of goods to China. Wood pulp and organic chemicals comprised over two-thirds of BC's exports to China and almost a third of Canada's shipments to that country.



Mainland China ranked third in 2003 as a destination for BC commodity exports, trailing only the United States and Japan. Almost 4% of BC exports were shipped to China. Based on data to November 2004, it appears this share has increased to 5%. The value of goods shipped from BC to China has skyrocketed in the last decade, more than quadrupling since 1994 and BC's share of total Canadian exports to China has also been climbing.

## Exports of goods from BC to China have been climbing steadily over the last decade



*BC origin exports to China have undergone considerable growth in the last decade*

China has become one of the world's largest economies in recent years and all signs point to continued economic expansion over the next decade. China recently signed a trade deal with the Association of Southeast Asian Nations (ASEAN) that will create the world's largest free trade region by the end of the decade. In recognition of the fact that Canada needs to get a foot in the door now before getting shut out of the Chinese economic revolution, Prime Minister Martin and International Trade Minister Jim Peterson will lead a trade mission to China and Hong Kong from January 18<sup>th</sup> to 25<sup>th</sup>. The emphasis of the mission will be to strengthen relations with China and boost the potential for further growth in trade.

*The Prime Minister will lead a trade mission to China and Hong Kong from January 18<sup>th</sup> to 25<sup>th</sup>*

Ironically, existing trade with China has already caused some problems for British Columbia. A glut of Chinese imports flowing through BC customs ports and a rising quantity of goods shipped from BC to China has resulted in serious congestion at those ports, as well as overloaded rail and truck transportation links. The problem has become enough of a concern that some major retailers are bypassing BC altogether and shipping their freight through Halifax. The additional costs of shipping to the East Coast are discouraging this practise for many retailers, but for others the shipping delays caused by a congested transportation network make Halifax a viable option.

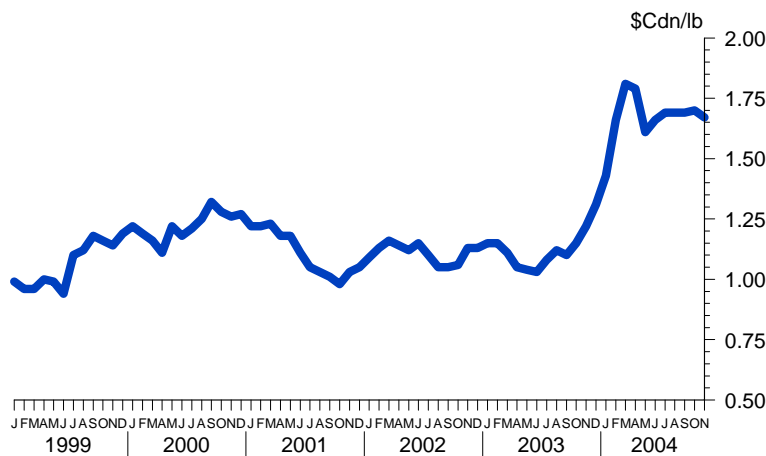
*A rapid rise in freight traffic to and from China has caused serious congestion at BC ports*

The Port of Vancouver is already working on expanding to handle greater volumes and the Port of Prince Rupert is building a container port so that it will be able to deal with containerized cargo, but the ports are not the only source of the bottlenecks. The rail system is having difficulties in handling the increase in traffic as well. Both CN and CP are working to deal with rising volumes, including arranging to share tracks in order to eliminate delays caused by trains having to move onto side-rails to make way for traffic headed in the opposite direction.

It is likely that further improvements to the ports and transportation system will be needed as China continues to blossom into one of the world's foremost economies. China is already having an effect on the economy of countries around the world and its ravenous demand for raw materials to feed its industrial engine is pushing up prices for a variety of commodities. The inflationary impact on commodity prices has been particularly beneficial for BC's mining industry. Prices for many metals, most of all copper, have risen substantially, which has led to a resurgence of mining activity in the province. Several mines that had been reduced to only maintenance activity have now been re-opened and there has also been an increase in exploration for new mineral deposits. There is also a booming demand for coal, which has led to renewed interest in an industry that not too long ago was suffering setback after setback, including the closures of both the Quintette and Bullmoose mines in North East BC.

*China's demand for metals and minerals has benefited BC's mining industry*

## Demand from China has driven copper prices up



*Copper prices have surged as a result of increased demand from China*

The effect that Chinese demand has had on metal prices is not all that surprising considering it is one of the world's largest consumers of minerals and metals. It should also come as no surprise that China is interested in ensuring a secure supply of the resources required to maintain its industrial production. As such, China is seeking to invest in resource companies around the world. In Canada, one such attempt to purchase Canadian-owned Noranda has resulted in a public outcry amid fears that Canada will lose control over some of its resources to China. Chinese state-owned companies have also shown interest in Alberta's oil sands. Despite the controversy such potential acquisitions have triggered, the federal government is working on a foreign investor promotion and protection agreement with China aimed at increasing Chinese investment in Canada. Canada's share of global foreign direct investment has fallen significantly over the last 20 years and the federal government wants to see that slide stopped. With its booming economy, China is a natural source for potential new investment in Canada.

*The potential for takeovers of Canadian companies by Chinese interests has sparked controversy*

While China's new prosperity has been a boon for many Canadian resource industries, it is seen as a threat by many manufacturers. China's low cost and high volume production is providing insurmountable competition for the manufacturing sector in many countries around the world and Canada is no exception. The recent lifting of the quota system that has governed trade in clothing and textiles over the last three decades has sparked fears that Chinese goods will soon be flooding global markets and putting clothing and textile manufacturers in other countries out of business. Somewhat ironically, the countries with the most to lose from the liberalization of the clothing and textile market are lesser developed nations that will see their guaranteed access to markets in the developed world disappear. China's massive scale of production and the economies arising from that could drive manufacturers in many of those less-developed countries into bankruptcy.

*China's low cost production has manufacturers around the world worried*

In response to the threat of protectionist measures from developed nations, particularly the United States, China has announced a preemptive measure of imposing an export tax on textiles and apparel to allay fears that it will attain global domination over these industries. While this tax will have the same effect of dampening the demand for Chinese goods as would duties, they provide more certainty for the Chinese government and the taxes will stay in China, rather than accrue to the governments of foreign nations.

China's rapid, sustained growth is causing both apprehension and excitement for Canadian exporters. The threat of increased competition is raising fears among some manufacturers, but the potential for a new, vast market for goods could be a major windfall for Canadian companies that are poised to take advantage of the available opportunities.

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## BC at a glance . . .

<b>POPULATION (thousands)</b>	Oct 1/04	% change on one year ago
BC	4,209.9	1.1
Canada	32,040.3	0.9
<b>GDP and INCOME</b>		% change on one year ago
<i>(BC - at market prices)</i>	2003	
Gross Domestic Product (GDP) (\$ millions)	145,550	5.2
GDP (\$ 1997 millions)	133,600	2.5
GDP (\$ 1997 per Capita)	32,175	1.6
Personal Disposable Income (\$ 1997 per Capita)	19,758	0.3
<b>TRADE (\$ millions, seasonally adjusted)</b>		% change on prev. month
Manufacturing Shipments - Dec	3,595	-1.0
Merchandise Exports - Dec	2,617	0.9
Retail Sales - Dec	4,008	0.7
<b>CONSUMER PRICE INDEX</b>		12-month avg % change
<i>(all items - 1992=100)</i>	Jan '05	
BC	123.6	2.1
Canada	125.3	1.9
<b>LABOUR FORCE (thousands)</b>		% change on prev. month
<i>(seasonally adjusted)</i>	Jan '05	
Labour Force - BC	2,237	0.4
Employed - BC	2,092	0.1
Unemployed - BC	145	4.7
		Dec '04
Unemployment Rate - BC (percent)	6.5	6.2
Unemployment Rate - Canada (percent)	7.0	7.0
<b>INTEREST RATES (percent)</b>	Mar 2/05	Mar 3/04
Prime Business Rate	4.25	4.00
Conventional Mortgages - 1 year	4.80	4.30
- 5 year	6.05	5.80
<b>US/CANADA EXCHANGE RATE</b>	Mar 2/05	Mar 3/04
<i>(avg. noon spot rate)</i> Cdn \$	1.2401	1.3476
US \$ <i>(reciprocal of the closing rate)</i>	0.8068	0.7469
<b>AVERAGE WEEKLY WAGE RATE</b>		% change on one year ago
<i>(industrial aggregate - dollars)</i>	Jan '05	
BC	708.09	4.3
Canada	694.47	3.0

**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](http://www.bankofcanada.ca)

Check it out!



Statistical Profiles by College Region  
 With Emphasis on Labour Market and Post-Secondary Education Issues

These profiles provide comparisons of the socio-economic conditions of the on-reserve and off-reserve aboriginal populations as well as the non-aboriginal population by College Region. Data are from the 1996 and 2001 Census, Statistics Canada.

[http://www.bcstats.gov.bc.ca/... data/cen01/abor/ap\\_main.htm](http://www.bcstats.gov.bc.ca/...data/cen01/abor/ap_main.htm)

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- Tourism Sector Monitor, February 2005