

- **BC exports edged down 0.8% in May**
- **Manufacturing shipments grew 2.5% in May**
- **Vehicle sales in the province fell 3.6% in May**

The Economy

- **The value of BC origin exports dipped 0.8% in May (*seasonally adjusted*) as shipments of energy (-6.4%) and forest products (-1.1%) fell.** Industrial and consumer product exports climbed 2.6%, helping partially offset the decline in energy and forest products. Exports to the United States slumped 4.0% from April to May. Energy (-17.5%) and forest products (-5.0%) were again responsible for the decline.

Data Source: BC Stats

- **Total Canadian exports also slipped (-0.5%, *seasonally adjusted*) in May.** Energy was the main contributor to the fall (-4.9%), but agricultural and fishing product exports also experienced a significant drop (-2.4%). Strong growth in automotive product shipments (+4.9%) and other consumer goods (+2.7%) helped partially offset declines in other areas.

The value of Canadian exports shipped to the United States remained unchanged from April, but exports to Japan (-8.4%) and the European Union (-3.5%) fell significantly.

While exports were dropping, imports into Canada increased 2.3% in May. As a result, Canada's trade surplus dropped by almost \$1 billion to just under \$4 billion.

Data Source: Statistics Canada

- **Shipments by BC manufacturers rebounded 2.5% (*seasonally adjusted*) in May after two consecutive monthly losses.** Wood (+3.2%), paper (+3.9%), and food (+1.5%) manufacturers—the largest segments of BC's manufacturing industry—all saw shipments bounce back from a weak April. There were also significant increases in shipments by producers of machinery (+9.3%), non-metallic minerals (+7.1%), and beverages & tobacco (+8.4%). Restraining the manufacturing sector were the plastics &

rubber (-7.0%), primary metals (-2.7%) and computer & electronic products (-0.5%) producers. Overall, shipments of durables (+2.7%) increased more than non-durable shipments (+2.2%) in May.

Nationally, manufacturing shipments edged down slightly (-0.1%) in May. New Brunswick (+13.1%) saw the strongest growth, while Yukon (-6.1%), Nova Scotia (-2.4%), Quebec (-0.8%) and Ontario (-0.7%) posted the largest declines.

Data Source: Statistics Canada

- **The number of new vehicles sold in the province in May slumped 3.6% (*seasonally adjusted*).** The drop was the smallest in the country as national motor vehicle sales fell 6.9%. Saskatchewan (-13.0%), New Brunswick (-11.4%) and Alberta (-10.2%) all experienced double-digit declines. Over the last 12 months, only Newfoundland and Labrador (+7.7%) and Alberta (+4.6%) have seen an increase in motor vehicle sales. Waning interest in North American-made passenger vehicles is driving the downturn. Between April and May sales of North American cars fell 15.1%. Sales of passenger cars as a whole dropped 9.9%. It is likely that the high price of fuel is deterring many would be buyers from investing in a new vehicle at this time.

Data Source: Statistics Canada

- **Investment in non-residential building construction in British Columbia jumped 19.1% (*seasonally adjusted*) in the second quarter, marking the biggest increase since the first quarter in 1999 (+21.2%).** Spending on industrial buildings led the growth (+38.2%), followed by institutional and government sector (+21.8%) and commercial (+13.9%). Non-residential building construction activity in Vancouver (+19.3%), Victoria (+37.3%), and Abbotsford (+78.3%) continued to increase.

Did you know...

Over the last couple of months the number of babies born in Prince George has been significantly higher than normal, rising from between 60 and 80 per month to around 100. The NHL lockout began approximately nine months before the rise. Coincidence?

The levels of expenditure in construction in the second quarter varied across the provinces. Canadian spending rose 2.6%, with Alberta (+13.4%) and BC (+19.1%) leading the way. However, Quebec (-2.9%) and Ontario (-1.1%) saw non-residential activities slow down in the second quarter.

Data Source: Statistics Canada

Housing

- **The cost of new housing in BC's two biggest metropolitan areas continued to climb in May.** House prices in Victoria were 6.3% higher than in May 2004, reflecting the effect of rising land values (+10.3%), as well as more expensive housing (+4.8%). Vancouver's New Housing Price Index was up 5.0% in May, with inflationary pressure also coming from both housing (+3.7%) and land (+6.3%) prices.

St. Catharines-Niagara (+9.6%) posted the biggest increase in the country, almost double the national average (+4.6%).

Data Source: CMHC

Births

- **There were 40,496 births in BC in 2003, up 1.1% from 2002.** It was the first increase in babies born in BC after eight years of consecutive declines. The total number of births in Canada (+1.9%) also grew in 2003.

The average age of mothers continued to increase. Nearly 50% of Canadian mothers in 2003 were aged 30 or older. In British Columbia (53%) and Ontario (54%), mothers aged 30 and over are in the majority. First-time mothers in BC (28.8) and Ontario (28.7) were the oldest within Canada – seven years older, on average, than first-time mothers in Nunavut (21.7). The Canadian average age of first-time mothers was 28.0 years.

Data Source: Statistics Canada

- **The total fertility rate (TFR) in BC (i.e., the average number of children that women aged 15 to 49 will have in their lifetime) was 1.4 in 2003, among the lowest in the country.** Newfoundland and Labrador (1.3), Nova Scotia (1.4), and New Brunswick (1.4) were the other provinces with low fertility rates. The Canadian TFR in 2003 was 1.5. Nunavut (3.1) had by far the highest TFR, followed by the Northwest

Territories (2.0), Saskatchewan (1.9) and Manitoba (1.8).

BC's crude birth rate (the number of live births per 1,000 people) in 2003 (9.8), virtually unchanged from 2002 (9.7), was the third lowest in Canada. The national average rate (10.6) in 2003 was among the lowest point since vital statistics have been produced. The 10.5 live births per 1,000 population recorded in 2002 was 25.4% lower than that posted a decade earlier.

Data Source: Statistics Canada

Family Violence

- **Canadian men (6% of those in a spousal relationship) and women (7%) alike reported having suffered spousal violence at some point between 1999 and 2004, although women were more likely to experience serious violence such as sexual assault or assault with a weapon.** Of those who reported assault, about half were victims of fairly mild forms of violence, ranging from threats, to throwing objects, to pushing, shoving and slapping. The proportion of both assaulted men (49%) and women (51%) reporting these issues was similar. As the violence escalated to kicking, biting or hitting, men were far more likely to be victims (34% of all assaulted males) than women (10%), but more serious violence such as being beaten, choked or assaulted with a knife or gun was inflicted more often on women (23%) than men (15%). Approximately 16% of women reporting spousal violence were sexually assaulted.

Rates of spousal homicides between 1994 and 2003 tended to be far higher in the western provinces compared to those in the east as each of the provinces west of Ontario recorded a rate higher than the Canadian average (4.91 per 1 million married, common-law, separated and divorced spouses). The British Columbia rate was 5.98, behind only Saskatchewan (7.60) and Alberta (6.21) among the provinces, although the Territories had a rate of 33.38.

Data Source: SC, catalogue no. 85-224-XIE

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South Korea Seeks Trade Deal with Canada

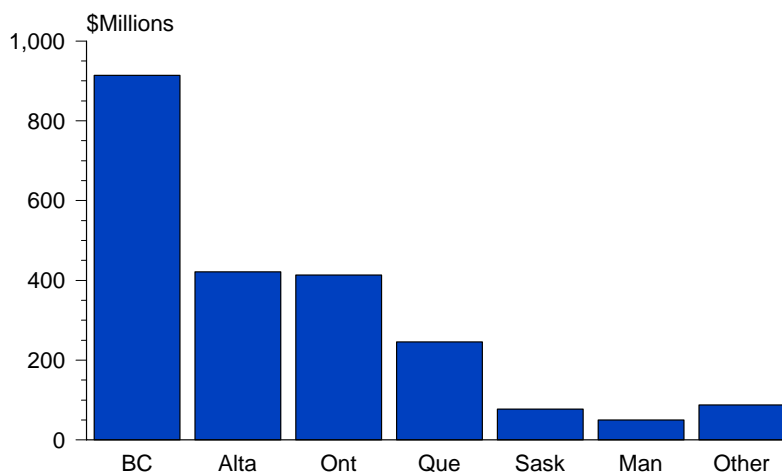
South Korea is aggressively pursuing free trade deals with more than 20 countries around the world, including Canada. Its goal is to have 15 agreements in place by the end of 2007. While this may be an overly optimistic target, South Korea already has an agreement with Chile and has signed a deal with Singapore that is almost ready for ratification. The free trade agreement with Chile sparked considerable controversy in South Korea and resulted in mass protests by South Korean farmers who feared the deal would hurt them. Nevertheless, one year later the agreement has proven a success for both countries with a significant boost in commodity trade going both ways.

South Korea is interested in developing a free trade agreement with Canada

South Korea's zeal for trade deals is mainly in response to the rapid economic growth of regional competitors, particularly China. The Chinese juggernaut has reduced South Korea's market share with many of its trading partners and the Koreans want to shore up their presence in the global market and fuel growth at home.

The Korean desire to strike a deal with Canada also fits into Canada's strategy of developing stronger relationships with emerging markets in Asia. There have already been two preliminary discussions between Canada and South Korea and the Koreans are pushing to fast track the process toward formal discussions regarding a free trade pact. Canada's abundance of natural resources makes it a perfect fit for South Korea, which has limited resources needed to fuel its industrial production.

BC was the origin of over 40 percent of Canadian commodity exports to South Korea in 2004

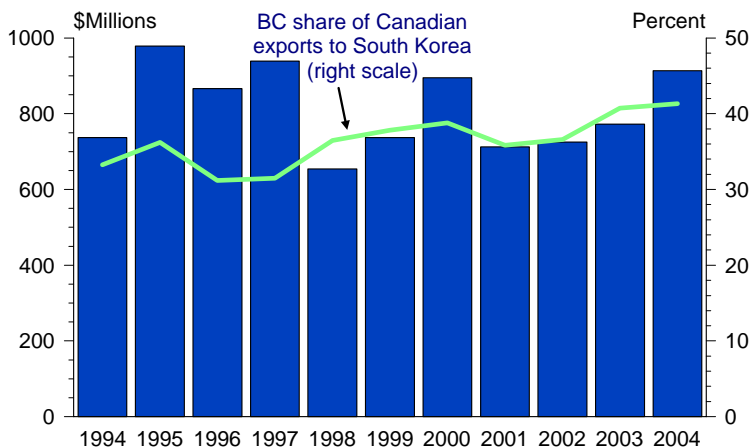


Source: Statistics Canada

Over 40 percent of Canadian exports to South Korea originate in British Columbia

British Columbia stands to gain the most of any province if a free trade agreement is reached with South Korea, as it is the primary source of Canadian commodity exports to that country. In 2004, 41.3% of all goods shipped from Canada to South Korea originated in BC. Second-ranked Alberta shipped 19.1% of total Canadian exports to South Korea, followed by Ontario at 18.7%. British Columbia's share has increased slightly over the last decade, even as the value of Canadian exports to South Korea declined. The so-called "Asian flu" had a significant impact on South Korea's trade with Canada and the level of exports from Canada has yet to fully recover. BC's exports were equally affected and, with the exception of a one-time jump in 2000, until recently they have remained well below the values recorded in the mid-nineties. In 2004, exports from BC to South Korea increased 18.4% over 2003 and exceeded \$900 million for the first time since 1997. However, total Canadian exports are still well below the levels seen prior to the economic downturn in Asia.

BC origin exports to South Korea are finally starting to recover from the effects of the "Asian flu"



Source: BC Stats and Statistics Canada

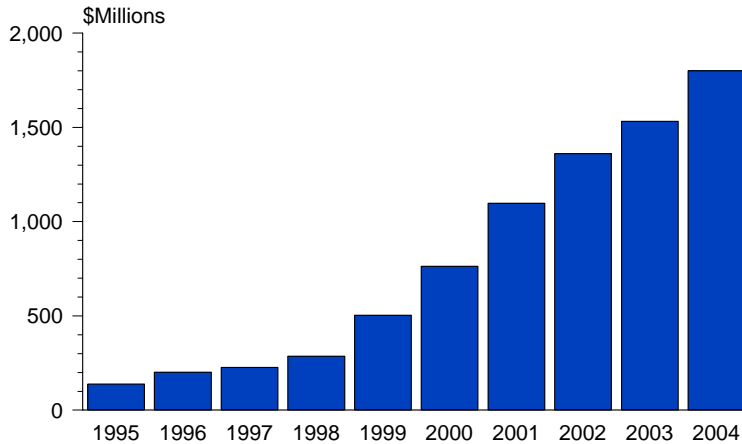
The onset of the "Asian flu" had a significant declining exports and growing imports have resulted in a massive rise in Canada's trade deficit with South Korea

Meanwhile, merchandise imports from South Korea have been growing, resulting in a substantial jump in Canada's trade deficit with that country. In 2004, the deficit climbed to almost \$3.6 billion. In other words, Canada imported \$3.6 billion more worth of goods from South Korea than it exported there.¹ Part of the reason why the pace of exports has not kept up to that of imports is the increasing competition

¹ Note that this figure is likely overstated. Statistics Canada performed a trade reconciliation study that compared data reported by South Korea to that reported by Canada and found a substantial discrepancy [Bohatyretz, Sandra. (Nov. 2004). "Tiger by the Tail? Canada's Trade with South Korea." *Statistics Canada Catalogue no. 65-507-MIE* – no. 001]. Using Korean data on imports from Canada, Statistics Canada estimated that Canada's trade deficit with South Korea in 2002 was just under \$2 billion, rather than the published figure of \$2.9 billion. The discrepancy is likely due to a combination of factors, such as indirect trade (e.g., shipments travelling through the United States may incorrectly be classified as exports to the US instead of South Korea), export undercoverage or other reasons.

from China and other regional competitors that has resulted in fewer opportunities for Canadian businesses.

Imports of vehicles and parts from South Korea have soared over the last decade, fuelling the increase in Canada's trade deficit with that country

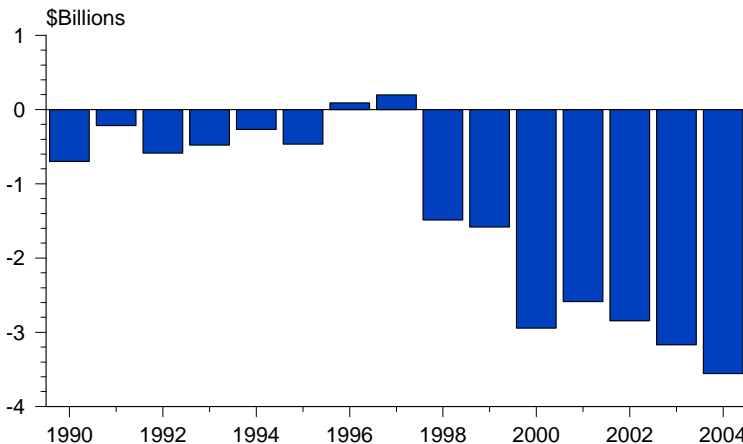


Source: Statistics Canada

Declining exports and growing imports have resulted in a massive rise in Canada's trade deficit with South Korea

However, the main driver of the rising trade deficit has been the growth in Canadian imports of South Korean automobiles and parts. In the last decade, automobile imports have skyrocketed by over 1,000 percent, rising from less than \$179 million in 1995 to \$1.8 billion in 2004. Vehicles and parts comprised 31% of Canada's total imports from South Korea in 2004. There were also significant imports of electrical machinery, equipment and parts, which represented a quarter (25%) of all imports from South Korea. Machinery and mechanical appliances (14%) ranked third.

Canada's merchandise trade deficit with South Korea has grown substantially since the onset of the "Asian flu"



Source: BC Stats and Statistics Canada

Imports of vehicles and parts are the main contributor to the rising trade deficit

The main exports to South Korea are natural resource products such as pulp, coal and metals. Chemicals, such as ethylene glycol manufactured in Alberta are also a significant export. The top goods shipped from BC are coal, which comprised 25% of the total value exported from this province to South Korea in 2004, wood pulp (22%), aluminum and articles thereof (14%) and copper, zinc and molybdenum ores and concentrates (14%).

BC's main exports to South Korea are coal, wood pulp and metals

The Canadian government has identified traditional resources such as wood pulp, mineral fuels, agricultural products, shellfish and metals as areas where there are opportunities for growth in trade with South Korea, but there is also potential for more exports of value added goods, such as automobile parts and electrical machinery. Trade in services is another area where Canada can benefit from a free trade agreement. Currently, Canada has a significant, growing surplus in trade in services with South Korea. In 2002, Canada had a surplus of \$435 million, which was largely composed of tourism services, although there was a significant commercial services surplus as well and exports of transportation services also exceeded imports.

Canada has a surplus in trade in services with South Korea

In addition to trade in goods and services, Canada and South Korea also have well-established investment ties. Canadian direct investment in South Korea amounted to \$609 million in 2003, while South Korean investment in Canada was \$280 million. These figures could expand with a trade agreement in place.

There are some roadblocks to overcome in order to come to an agreement on a free trade deal. Tariffs on Canadian agricultural goods and the current ban on imports of Canadian beef will be sticking points for Canada, while anti-dumping measures taken against Korean exports of steel products could prove to be a contentious issue for South Korea. However, both sides seem eager to make a deal, which should help move negotiations along. With competition for global markets getting more intense, it is in the best interest of both countries to make it happen.

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BC at a glance . . .

POPULATION (thousands)	Apr 1/05	% change on one year ago
BC	4,232.5	1.2
Canada	32,146.5	0.9
GDP and INCOME	2004	% change on one year ago
<i>(BC - at market prices)</i>		
Gross Domestic Product (GDP) (\$ millions)	156,481	7.5
GDP (\$ 1997 millions)	138,783	3.9
GDP (\$ 1997 per Capita)	33,072	2.8
Personal Disposable Income (\$ 1997 per Capita)	20,002	1.2
TRADE (\$ millions, seasonally adjusted)		% change on prev. month
Manufacturing Shipments - May	3,603	2.5
Merchandise Exports - May	2,630	-0.8
Retail Sales - Apr	4,134	0.1
CONSUMER PRICE INDEX	12-month avg	% change
<i>(all items - 1992=100)</i>		
BC	May '05	2.2
Canada		2.1
LABOUR FORCE (thousands)	Jun '05	% change on prev. month
<i>(seasonally adjusted)</i>		
Labour Force - BC	2,257	-0.2
Employed - BC	2,126	-0.3
Unemployed - BC	131	0.8
		May '05
Unemployment Rate - BC (percent)	5.8	5.7
Unemployment Rate - Canada (percent)	6.7	6.8
INTEREST RATES (percent)	Jul 13/05	Jul 14/04
Prime Business Rate	4.25	3.75
Conventional Mortgages - 1 year	4.75	4.60
- 5 year	5.70	6.55
US/CANADA EXCHANGE RATE	Jul 13/05	Jul 14/04
<i>(avg. noon spot rate)</i> Cdn \$	1.2072	1.3221
US \$ <i>(reciprocal of the closing rate)</i>	0.8282	0.7564
AVERAGE WEEKLY WAGE RATE	Jun '05	% change on one year ago
<i>(industrial aggregate - dollars)</i>		
BC	700.73	3.3
Canada	701.45	3.5
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		

Labour market characteristics of off-reserve Aboriginal population



It is now possible to examine the labour market characteristics of off-reserve Aboriginals. The data, from an expanded sample of Aboriginal peoples in the labour force survey, highlight some defining characteristics that contribute to their experience. In the past, this type of data has been available from the census but was limited to a snapshot taken in mid-May at five year intervals. A full year of sampled monthly data, fully integrated to the labour force survey, will be of great interest to researchers, policy makers and other users.

On-line at

www.bcstats.gov.bc.ca/data/lfs/abor/ap_index.htm

Released this week by BC STATS

- Exports, May 2005
- Tourism Sector Monitor, June 2005

Next week

- Consumer Price Index, June 2005