

- **Aboriginal unemployment rate still high, but the gap is shrinking**
- **BC manufacturers optimistic about first quarter prospects**
- **Retail sales rise 0.7% in November; food and drinking places also take in more revenue**

Aboriginal Labour Force

- **Unemployment rates among off-reserve Aboriginal people remain high compared to the rest of the population, but the size of the gap is shrinking, according to information from a survey of Aboriginal labour market activity.** Between April and December 2005, the Aboriginal unemployment rate in BC was 13.7%, nearly three times the rate for the non-aboriginal population (5.2%). At the time of the 2001 Census, the gap was even bigger, at 12.4 percentage points. At that time, the off-reserve Aboriginal population had a jobless rate of 20.4%.

Data Source: Statistics Canada & BC Stats

The Economy

- **British Columbia manufacturers remain relatively upbeat about their prospects for the first quarter, with most expecting new orders to either increase (21%, *seasonally adjusted*) or be "about right" (67%) during the first three months of 2006.** Twelve percent said they thought orders would decline.

The outlook was even rosier with respect to production prospects, with more than a third (35%) indicating that they expect them to be higher in the first quarter, while 54% say they will be about the same. Just 11% expect production prospects to deteriorate, less than at any other time during the last decade and a half. Most (79%) think that their finished product inventory will be about right, and little change is foreseen in the backlog of unfilled orders. More than a fifth (22%) expect to be hiring more workers, with 13% indicating that a shortage of skilled labour may hamper production. Other sources of production difficulties do not appear to be looming large: two-thirds (67%) of manufacturers surveyed indicated

that they do not expect to encounter production difficulties in the first quarter.

Nationally, Canadian manufacturers had mixed feelings about the future, and the overall outlook was distinctly less bullish than in BC, with 15% saying new orders will increase while 14% expect them to decline. There was a similar difference of opinion on production prospects: 15% expect them to improve, and 15% say they will be lower. Twenty-one percent of manufacturers expect inventory levels to be too high, compared to 4% who think they will be too low. Skilled labour shortages are not expected to be a major bottleneck for producers, and most (81%) manufacturers do not foresee production difficulties being an issue in the near future.

Data Source: Statistics Canada

- **Production at sawmills and planing mills in the province stalled (-0.4%, year-over-year) in November.** Although mills in the Interior produced more lumber (+1.6%, largely because of robust activity in the Southern Interior), production at Coastal mills slumped (-11.4%). Canadian lumber production was off 3.5% in November.

Year-to-date, the volume of lumber produced in BC was 3.3% higher than in the first eleven months of 2004, despite cutbacks at Coastal mills (-7.8%). Canadian lumber production fell 1.7%, largely because production declined in both Quebec (-9.1%) and Alberta (-6.0%), the second- and fourth-biggest lumber-producing provinces in the country.

Data Source: Statistics Canada

- **Sales by retailers in the province advanced 0.7% (*seasonally adjusted*) in November.** The effect of the housing boom continued to be felt in BC, with retailers of furniture, household furnishings and electronics posting gains. Sales

Did you know...

Canadian kids like grilled cheese more than peanut butter & jelly sandwiches. According to their parents, 38% of kids prefer a GCS while 21% would rather have PB&J

Data Source: Ipsos Reid Survey

were particularly strong at home furnishing stores in the province. Cash registers also rang up higher sales at supermarkets. However, sales by clothing and general merchandisers slipped in November.

Retail sales improved across the country, rising 1.1% overall. Among the larger provinces, the biggest gains were made in Alberta (+1.4%) and Quebec (+1.3%). Ontario's increase was equal to the national average.

New motor vehicle dealers (+4.9%) contributed to the increase at the national level and in many provinces, but sales were less robust (up about one percent) in BC.

Data Source: Statistics Canada & BC Stats

- **The number of British Columbians receiving regular employment insurance (EI) benefits fell 2.4% (seasonally adjusted) in November, dropping to 47,020.** Nationally, there were 496,510 EI beneficiaries, down 1.4% from the October level. Ontario (+1.9%) was the only province where the number increased.

Data Source: Statistics Canada

- **Restaurant, caterer and tavern receipts in BC rose 1.0% (seasonally adjusted) in November, as sales continued to climb at pubs and other drinking places (+4.4%).** Receipts at food service establishments were up a more modest 0.8%. Canadian sales also rose (+1.7%) in November, but for different reasons. Nationally, receipts at drinking places slipped 4.4%, but food service establishments chalked up higher revenues (+2.1%).

Data Source: Statistics Canada & BC Stats

- **Vancouver International Airport was the second-busiest airport in the country, after Toronto's Pearson Airport, in December.** Last month, 23,464 aircraft took off or landed in Vancouver, compared to 31,993 in Toronto. The third-busiest airport was Calgary International, with 18,496 aircraft arrivals and departures. Airports in Montreal (15,868) and Ottawa (10,588) were not quite as busy.

Data Source: Statistics Canada

On the road again...

- **More than 53% of exports to the US and 78% of all imports were shipped by truck in 2004.**

Nearly 271,000 people, most (97%) of them men, worked as truckers in 2004. Four out of five were employees, while the others were self-employed. Truckers employed full-time earned an average of \$41,100 in 2004, slightly more than the overall average of \$40,500. A typical work week for employed truckers was 47 hours in 2004, with 38% of them spending 50 hours or more on the job. The average for the self-employed was 49 hours, but most (70%) worked at least 50 hours a week.

Compared to the workforce as a whole, the percentage of young truckers is low: 5% were under 25 in 2004, compared with 15% of the total labour force. Those aged 15-34 comprised about a quarter of truckers, but 37% of the total workforce. While this may indicate a lack of interest in trucking as an occupation among the younger set, there are other reasons for the different age structure. For one thing, many provinces have licencing requirements for truckers that set the minimum age between 18 and 20. Individual companies may have even stiffer age requirements, expecting drivers to have more years of experience behind they get behind the wheel of a truck.

Data Source: SC, Catalogue 75-001-XIE

Snowmobile Accidents

- **Snowmobile accidents were the primary cause of winter sports and recreation-related injuries treated in specialized trauma units in 2003/04, accounting for 41% of these types of injuries.** Snowboarding (20%), skiing (20%), hockey (9%), tobogganing (7%) and skating (3%) were other activities that resulted in treatment at these trauma units.

101 people were treated for severe injuries caused by snowmobile accidents in 2003/04. There were also a significant number of less severe injuries, with 788 people admitted to general hospitals after snowmobile incidents caused orthopaedic (77%), internal (50%) or other injuries.

Data Source: Canadian Institute for Health Information

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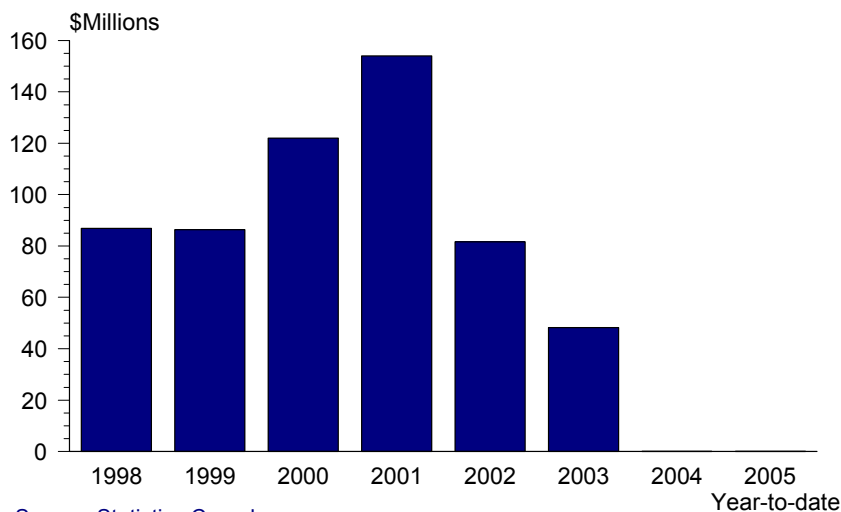
Japan Aims for Free Trade with Canada

Canada and Japan took a step on the path toward free trade in November when they signed an economic framework accord that is designed to reinforce commercial ties and pave the way for new commercial opportunities. Concerned about being overlooked while the rest of the world covets deals with the rising economic powers of China and India, Japan wants to cement its position as a key trade partner with the West. The Japanese feel that a trade deal with Canada will move them in that direction, while benefiting Canada at the same time. They have suggested that a free trade deal with Japan will help give Canada better access to the rest of Asia as well, while for Japan, a deal with Canada is seen as a stepping stone toward developing free trade with the United States.

Canada and Japan are working toward a free trade agreement

One possible barrier to a free trade deal appears to have been removed as the Japanese have declared that beef from younger cattle from Canada and the United States is safe. This has led to a partial lifting of the ban on beef imports. Japan will allow imports of Canadian beef from younger cattle to resume after having been banned since mid-2003. Cattle and beef exports from Canada to Japan peaked at just under \$154 million in 2001, but generally hovered between \$80 and \$90 million per year. The continued ban on Canadian beef, despite increased testing and the discovery of only a few infected cows, has been a sore spot between the two countries and this partial lifting of the ban should ease those tensions.

Japan halted all imports of Canadian cattle and beef after the discovery of a BSE-infected cow in 2003

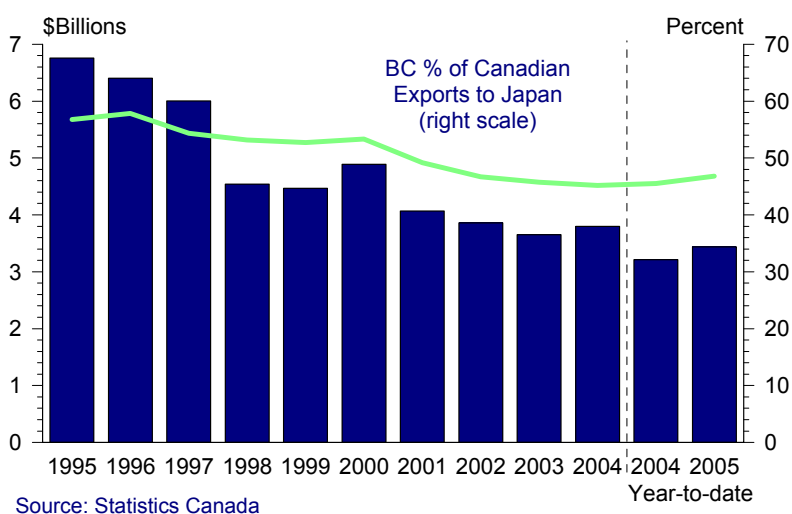


Source: Statistics Canada

The lifting of Japan's ban on imports of beef from young cows removes one roadblock to free trade between Japan and Canada

The ban on beef has not had much of an effect on British Columbia's trade with Japan, since annual beef shipments from BC to Japan were valued at less than \$1 million. However, BC's overall exports to Japan have slumped considerably in the last decade, falling from a peak of just under \$6.8 billion in 1995 to \$3.8 billion in 2004. The province's share of overall Canadian exports to Japan has also dropped, from 57% in 1995 to 45% in 2004, although this is still well ahead of second-ranked Alberta, at just under 16%.

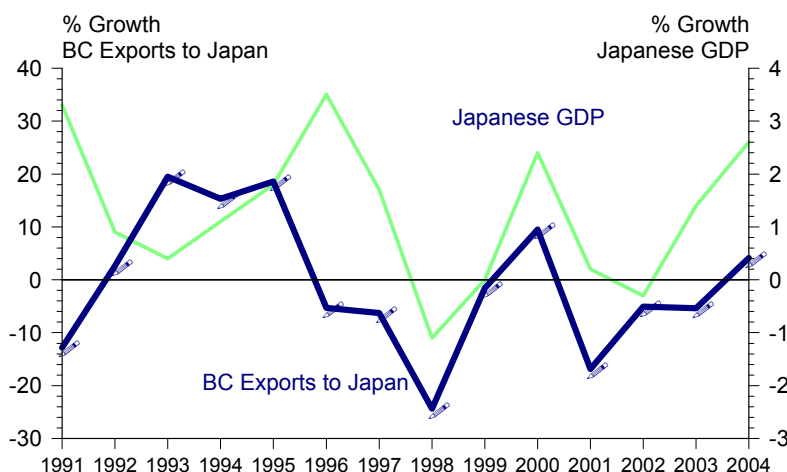
British Columbia exports to Japan have dropped considerably in the last decade



Commodity exports from BC to Japan plunged in 1998 and have continued to trend downward until recently

The decline in shipments of goods from BC to Japan is directly related to the economic difficulties experienced in Japan over the last decade. The most precipitous drop in the value of BC exports to Japan occurred in 1998, the same year that Japan's economy first went into recession. A partial recovery in 2000 coincided with a boost in BC exports, but a renewed slump starting in 2001 and carrying through 2002 resulted in falling shipments yet again. In the last couple of years the Japanese economy appears to have kicked back into gear and this has been reflected in an increase in demand for BC-produced goods.

Japan's economic performance has a direct effect on Japanese demand for goods from British Columbia



Sources: Statistics Canada, IMF

The slump in the Japanese economy also had a negative impact on the demand for BC goods and, as a result, BC commodity exports to Japan fell significantly

A significant portion of BC exports to Japan are comprised of raw materials used in Japanese manufacturing, which is why the slump in Japan's production was so closely tied to the decline in BC exports to that country. Approximately half of BC's commodity exports to Japan in 2004 were comprised of forest products. Wood and articles of wood made up 42% of shipments to Japan while wood pulp accounted for 8% of the total. Another 12% of exports consisted of metal ores and concentrates, such as copper, zinc and molybdenum, while aluminum and articles constructed of aluminum were responsible for a further 10% of shipments. Coal was another significant export, at 8% of the total value shipped to Japan. These five groups of commodities comprised 80% of total exports from BC to Japan in 2004. With the exception of aluminum, these were also the goods that were mainly responsible for the drop in the value of exports to Japan. Shipments of aluminum and aluminum products jumped 10.4% between 1995 and 2004, but the other top exported goods all suffered a substantial decline in shipments.

Top five BC origin exports to Japan, 1995 vs. 2004

Commodity	1995	2004	% Change
Wood and articles of wood	\$2,787.2	\$1,584.3	-43.2%
Ores and concentrates	\$685.6	\$443.7	-35.3%
Aluminum and articles thereof	\$345.7	\$381.7	10.4%
Wood pulp	\$991.6	\$314.4	-68.3%
Coal and other mineral fuels	\$826.3	\$298.6	-63.9%
Total BC exports to Japan	\$6,758.8	\$3,799.5	-43.8%

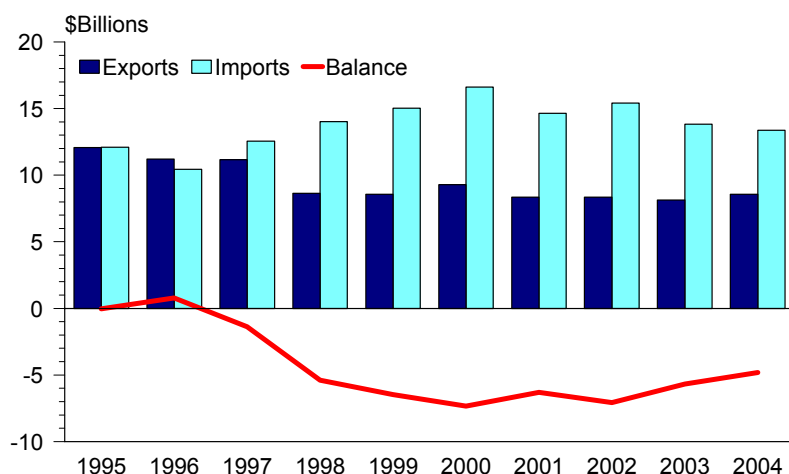
With the exception of aluminum and products made of aluminum, the top commodity exports from BC to Japan all suffered substantial declines between 1995 and 2004

As a result of the large drop in exports to Japan, the share of total BC origin commodity shipments to the Asian destination has slipped from almost 28% in 1990 to just over 12% in 2004. This is still almost three times the value exported from BC to China in 2004 and is good enough to place Japan second behind only the United States as a destination for BC exports. Japan is also the second-ranked destination for Canadian exports as a whole, but in 2004, the \$8.4 billion worth of goods shipped to Japan accounted for only slightly more than 2% of total Canadian commodity exports.

Canada ships about 2% of its commodity exports to Japan and approximately 4% of its imports originate in Japan

Japan was the fourth most significant origin of imports into Canada in 2004, with just under \$13.4 billion worth of Japanese goods entering Canada. This was only slightly less than the just over \$13.4 billion from Mexico and represented 4% of total Canadian imports. The United States (59%) and China (7%) ranked first and second in terms of the origin of Canadian merchandise imports. With the exception of 1996, Canada has had a significant deficit in trade in goods with Japan in each year in the last decade. The deficit ballooned to over \$5 billion in 1998 and has remained at a high level ever since.

Canada imports far more goods from Japan than it exports to that country



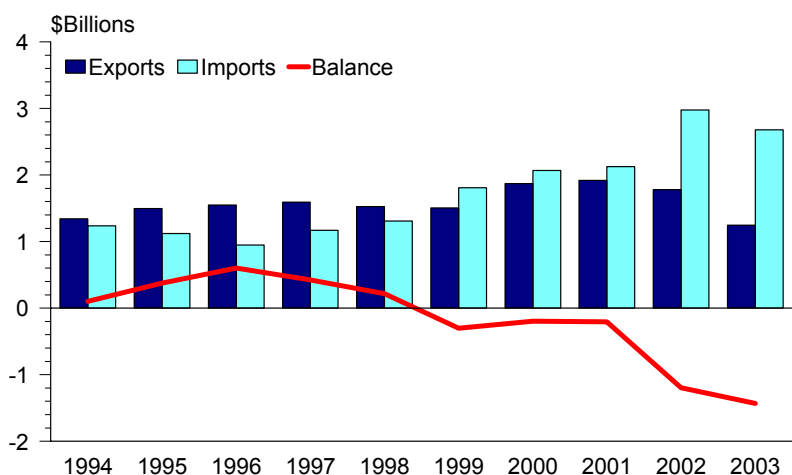
Canada has a substantial deficit with Japan in merchandise trade

Source: Statistics Canada

Traditionally, Canada has had a surplus with Japan in trade in services; however, in 1999 service imports from Japan exceeded exports for the first time and Canada has had a deficit with Japan in trade in services ever since. The one service category for which Canada has a significant trade surplus is tourism. There are far more Japanese tourists that visit Canada than there are Canadians visiting Japan. Since one of the goals outlined in the economic

framework signed by the two countries is to promote tourism, it is possible that the number of travellers from Japan will rise and perhaps equal or even exceed the record levels achieved in the mid-nineties. Due to BC's relative proximity to Japan, it is likely that this province would be the largest beneficiary of increased tourism from Japan.

Canada also has a deficit with Japan in trade in services



Canada also has a deficit with Japan in trade in services

Source: Statistics Canada

British Columbia will also likely see the most significant gains if a free trade pact is signed with Japan, not only because of its location on the west coast, but also because of the types of goods that are produced in BC, which match up nicely with the demand from Japan. However, it may be premature to raise expectations of the benefits to be accrued from a free trade deal as there are plenty of roadblocks to overcome. While the lifting of the ban on Canadian beef is a positive step, there are still protectionist sentiments in Japan's agricultural sector that will have to be assuaged. Some Canadian industries are also sceptical about the benefits of free trade and may set up barriers to achieving a deal. The outcry from the Canadian automobile and shipbuilding industries when Canada started to pursue a free trade deal with South Korea earlier this year demonstrated that not all Canadian industries believe in the benefits of free trade. While it is true that some industries may not fare as well with the increased competition that accompanies free trade, on the whole a deal between Canada and Japan should provide a net benefit to the economies of both countries.

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 also on the **Internet** at www.bcstats.gov.bc.ca

BC at a glance . . .

POPULATION (thousands)	Oct 1/05	% change on one year ago
BC	4,271.2	1.3
Canada	32,378.2	1.0
GDP and INCOME		% change on one year ago
<i>(BC - at market prices)</i>	2004	
Gross Domestic Product (GDP) (\$ millions)	157,241	7.7
GDP (\$ 1997 millions)	139,205	4.0
GDP (\$ 1997 per Capita)	33,129	2.8
Personal Disposable Income (\$ 1997 per Capita)	20,182	1.4
TRADE (\$ millions, seasonally adjusted)		% change on prev. month
Manufacturing Shipments - Nov	3,666	1.8
Merchandise Exports - Nov	3,010	-3.3
Retail Sales - Nov	4,288	0.7
CONSUMER PRICE INDEX		12-month avg % change
<i>(all items - 1992=100)</i>	Dec '05	
BC	125.7	2.0
Canada	128.1	2.2
LABOUR FORCE (thousands)		% change on prev. month
<i>(seasonally adjusted)</i>	Dec '05	
Labour Force - BC	2,283	0.1
Employed - BC	2,167	-0.1
Unemployed - BC	116	3.9
		Nov '05
Unemployment Rate - BC (percent)	5.1	4.9
Unemployment Rate - Canada (percent)	6.5	6.4
INTEREST RATES (percent)	Jan 25/06	Jan 26/05
Prime Business Rate	5.25	4.25
Conventional Mortgages - 1 year	5.80	4.80
- 5 year	6.30	6.05
US/CANADA EXCHANGE RATE	Jan 25/06	Jan 26/05
<i>(avg. noon spot rate)</i> Cdn \$	1.1483	1.2307
US \$ <i>(reciprocal of the closing rate)</i>	0.8684	0.8104
AVERAGE WEEKLY WAGE RATE		% change on one year ago
<i>(industrial aggregate - dollars)</i>	Dec '05	
BC	706.56	1.4
Canada	712.28	4.0

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

LFS revisions 2005

On Wednesday, January 25th, Statistics Canada released revisions to the labour force survey data. We are working to update all the LFS files on our site and this will continue through next week. The most viewed items such as employment by detailed industry are already done.

[Labour force statistics](http://www.bcstats.gov.bc.ca/data/lss/labour.asp)

<http://www.bcstats.gov.bc.ca/data/lss/labour.asp>

Consumer Price Index 2005

With the release of the December 2005 monthly consumer price index came an update of the annual series. BC Stats publishes several documents featuring long time series of the highest level Canada, British Columbia, Vancouver and Victoria data.

[http://www.bcstats.gov.bc.ca/\[continued\]data/bus_stat/econ_stat.asp](http://www.bcstats.gov.bc.ca/[continued]data/bus_stat/econ_stat.asp)

Released this week by BC STATS

- Earnings & Employment Trends, Dec. 2005
- Current Statistics, January 2005

Next week

- Business Indicators, January 2005
- Tourism Sector Monitor, January 2006
- PUBLICATION: Profile of the British Columbia High Technology Sector, 2005 Edition