

- BC's inflation rate edges down to 2.0% in July
- Retail sales slip 1.4% in June, but second-quarter results robust
- Adult obesity rate lowest in BC

Prices

- **British Columbia's inflation rate was 2.0% in July, less than the 2.2% increase in the all-items Consumer Price Index (CPI) posted in the previous month.** Consumers, who had enjoyed a brief respite from soaring energy costs early in the year, faced a double-digit increase (+11.1%) in the cost of oil, gas and other energy products for the third month in a row. Excluding energy, prices rose a relatively modest 1.2%.

Energy prices helped drive transportation costs up 6.6%, as vehicle owners paid 17.6% more to fill up their tanks. The cost of vehicle insurance was 1.7% higher than in July 2005.

Homeowners paid 2.6% more for shelter, partly due to higher homeowner insurance premiums (+4.2%). Property taxes (+6.3%) also continued to be an inflationary factor. Although fuel oil (+13.8%) took a bigger bite out of the household budget, the cost of piped gas declined (-1.1%), and the overall increase in utility prices was 4.0%.

The cost of food rose 1.7%, while prices for clothing and footwear were down 1.7%. Students paid more for education services (+2.4%) and tuition fees (+2.9%) and the cost of health & personal care (+0.6%) was also slightly higher than in July 2005. In general, consumers paid more for non-durable goods (+4.1%) and services (+2.1%), while prices for durables (-0.6%) dropped in July.

Vancouver's inflation rate was 2.0%, while prices increased 1.8% in Victoria.

Data Source: Statistics Canada

- **Despite the reduction in the goods and services tax (GST) that took effect July 1st, the national inflation rate edged down just 0.1**

percentage point to 2.4% in July as energy costs (+10.6%) continued to fuel inflation. Among the provinces, inflation rates ranged from 1.9% in Ontario to 4.3% in Alberta. Soaring shelter (+9.8%) costs, together with rising prices for energy (+7.2%) and other goods & services all contributed to Alberta's very high inflation rate.

Data Source: Statistics Canada

The Economy

- **Sales by retailers in the province slipped 1.4% (seasonally adjusted) in June, mirroring a 1.4% increase the previous month.** Nationally, retail sales edged down for the second consecutive month, sliding 0.2% to \$32.5 billion. Store owners in PEI (-2.6%) and Nova Scotia (-3.8%) saw the most significant declines, while Ontario (+0.3%), and Alberta (+0.5%) were the only provinces in which retailers posted gains.

Data Source: Statistics Canada

Second Quarter in Review

- **Retail sales in the province increased 2.4% (seasonally adjusted) during the second quarter, building on a solid first-quarter gain of 2.1%.** BC's hot housing market continued to enhance sales, with retailers of building & outdoor home supplies (+7.0%) and furniture, household furnishings & electronics (+3.4%) posting particularly strong gains. Cash registers at clothing & accessories stores rang up 4.4% more sales than in the first quarter. In the automotive sector, sales advanced 3.5%. Although this was largely due to higher receipts at gas stations (+7.8%), where prices have been climbing, new car dealers saw sales rise (+1.2%) for the first time since last fall. However, sales by general merchandisers edged up just 0.9%, while pharmacies & personal care stores posted a 1.3% decline.

Data Source: Statistics Canada & BC Stats

Did you know...

23% of all junk-emails (spam) originate in the US and a further 20% comes from China. *Source: BBC News website*

Agriculture

- **Farm cash receipts in BC were 1.0% lower (*unadjusted*) in the second quarter than in the same period of 2005.** Although both crop (+3.8%) and livestock (+1.4%) receipts were up from second quarter 2005 levels, farmers received substantially less (-52.0%) in the form of stabilisation, crop insurance and other payments than they did a year earlier. Cattle producers continued to make steady gains (+13.8%) and sales of floriculture & nursery products were up 6.9%.

Canadian cash receipts dropped 5.9% in the second quarter, also reflecting a big decline (-38.8%) in special payments. Total market receipts were up 1.2%, as a 7.0% increase in crop receipts offset a decline (-3.3%) in the value of livestock sales. Cattle & calf producers (+5.0%) continued to make a comeback following the easing of restrictions on the US market for Canadian cattle, but producers of hogs (-18.7%) and poultry & eggs (-3.9%) did not fare as well.

Data Source: Statistics Canada

Obesity

- **The prevalence of obesity among British Columbian adults (aged 18 and older) in 2004 was significantly lower (19%) than in the rest of Canada.** Among other provinces, obesity rates were particularly high in Newfoundland & Labrador (34%), Saskatchewan (31%), New Brunswick (29%) and Manitoba (28%). Quebec (22%) was the only other province with an obesity rate lower than the Canadian average (23%) in 2004.

BC residents living in large cities were much less likely to be obese (13%) than those living outside metropolitan areas (30%). This trend was also true in the rest of the country. Overall, 20% of Canada's Central Metropolitan Area (CMA) residents aged 18 and up were obese in 2004, compared to 29% of those who lived outside a CMA. Toronto (16%) and Vancouver (12%) had the lowest rates, while St. John's had the highest proportion of obese adults (36%). Among other CMAs in BC, Abbotsford had the highest obesity rate (25%) and 19% of residents in Victoria were obese.

Although obesity rates are lower in BC, when obesity/overweight estimates are combined, BC (59%) is on par with the national average (59%). Similarly, the prevalence of obesity/overweight among BC children aged two to 17 (26%) is virtually the same as the average for all Canadian children.

Data Source: SC Cat. 82-003-XIE

Wives as Breadwinners

- **A growing number of wives in dual-earner, husband-wife families are primary household breadwinners.** Between 1967 and 2003, the share of wives who earned more than their husbands almost tripled, rising from 11% to 29%. In 2003, Canadian wives who were primary breadwinners earned an average of \$41,200, while their secondary-earner husbands had average income of \$21,300. However, families in which the wife was the primary breadwinner had a significantly lower average family income (\$74,000) than those in which the husband was the primary earner (\$86,000).

Data Source: SC Cat. # 75-001-XIE, Vol. 7 No. 8

The Nation

- **Canadian corporation profits continued to climb in the second quarter, inching up (+0.7%, *seasonally adjusted*) from the first quarter.** Although financial service industries did not fare well (-1.1%), profits in other industries were up 1.4%. Operating profits in the manufacturing sector slipped 3.9% following a 4.7% decline in the first quarter. Wholesalers (+7.4%) and retailers (+7.3%) were more profitable and companies in the metal mining industry saw operating profits jump 15.2% to a record \$1.2 billion.
- **Canada's composite leading indicator advanced 0.2% (*seasonally adjusted*) in July, with six out of ten indicators posting gains.** The S&P/TSX stock price index increased 0.4%, but the housing index, a composite of housing starts and sales (-1.3%), fell for the fourth consecutive month. The retail trade section saw the most substantial rise with increased sales of furniture & appliances (+1.0%) and other durable goods (+0.9%).

Data Source: Statistics Canada

Data Source: Statistics Canada

*Infoline Issue: 06-34
August 25, 2006*

BC's Motel Industry

Motels offer lodging alternatives

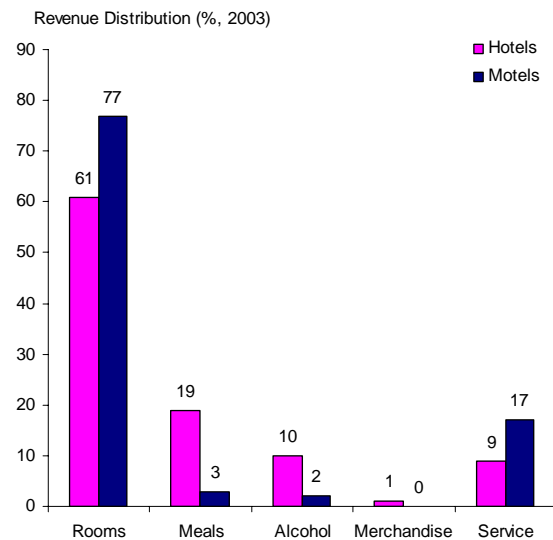
BC's accommodation industry is comprised of a variety of establishments such as hotels, motels, bed and breakfasts, and so on, which provide lodging services with or without meals. Motels are designed to accommodate clients travelling by motor vehicle, and provide short-stay suites or guest rooms within a one or two-storey structure, characterized by exterior access to rooms and ample parking areas adjacent to the room entrances. They are also called motor courts, motor lodges and motor inns¹.

In the past, motels often limited their services to lodging only, but modern motels are more likely to provide additional amenities and services. These might include free breakfasts, convention and conference facilities that can be used by business customers, and access to recreational facilities. Motels offer lodging alternatives other than hotels to business, households and government travellers.

While often in competition with each other, motels and hotels are both affected by social and economic conditions, and still preserve their own nature. Typically smaller and more affordable than hotels, motels, especially smaller establishments, are most often located in rural places and along highways, where there is a low concentration of hotels. Most medium and large motels, which are often part of large chains, can also be found in central locations, which have the highest concentration of hotels². Motel room rates are often lower than those levied by hotels. According to the Canadian Tourism Commission (CTC), the average daily room rate for hotels and motor hotels was \$132, twice as expensive as motel room rates (\$68) in 2003.

Apart from the different room rates between motels and hotels, another distinction is their source and allocation of revenues. Most motel revenues originate in room charges (77%), which is more than the share of hotel room revenues (61%). Not surprisingly, hotels, which typically offer a wider range of services than motels, derive a bigger share of the revenues providing meals and alcohol (29%) and selling hotel merchandise (1%) to customers, while such services only account for about 5% of total motel revenues. However, motels benefited more from offering other services (17%) than hotels did (9%)³.

Most motel revenues originate from room charges



Data Source: Canadian Tourism Commission (CTC)

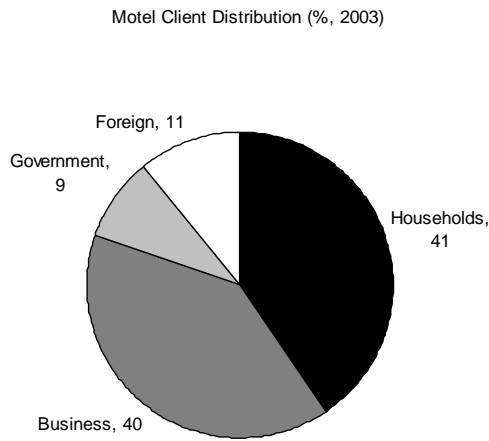
¹ Similar establishments that feature interior access to rooms are classified as hotels or motor hotels

² Canadian Tourism Commission (CTC), Traveller Accommodation Survey, 2000

³ CTC, Traveller Accommodation Survey, 2003

Motels and hotels also attract different types of clients. In 2003, nearly 90% of motel clients were domestic customers, and 41% of motel stays were personal rather than business (40%). The share of domestic clients for hotels was 63%, more than 20 percentage points less than it was for motels. Only 11% of motel guests were foreign visitors, while hotels welcomed more foreign stays (37%).

Motels attracted more domestic stays than foreign visits

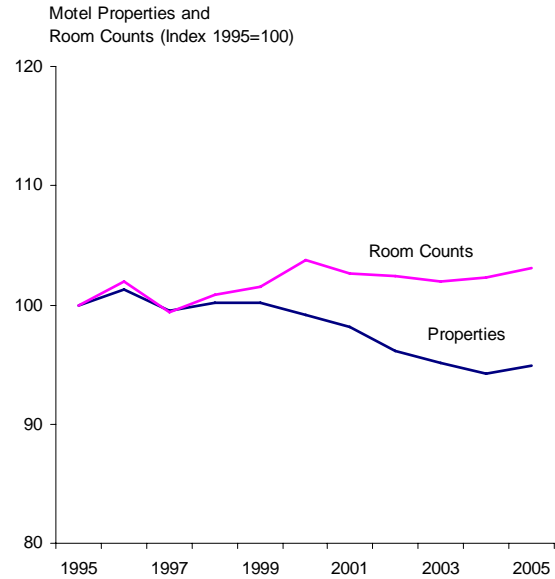


Data Source: CTC

Decreasing number of motels and flat room counts

The number of motels in BC decreased 5.1% between 1995 and 2005, dropping to 830 properties. However, motel room supply remained relatively flat. Room counts in BC for motels rose 3.0%. This suggests that motels grew in size even with fewer properties in the province.

There are fewer motels, but room counts have been stable



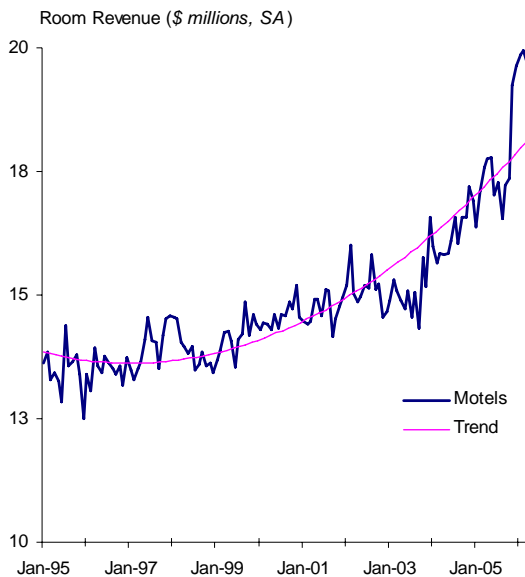
Data Source: BC Stats

BC's motel industry expanding, but lags behind other types of accommodation

BC's motel industry has been expanding. Room revenues at motels have been continuously trending up over the last decade, recording a 30.5% increase between 1995 and 2005. Room revenues at motels in BC maintained a moderate rate of growth between 1995 and 2003. They picked up speed in 2004 (+7.5%), and revenues climbed even higher in 2005 (+8.1%), recording the biggest yearly growth rate since 1995.

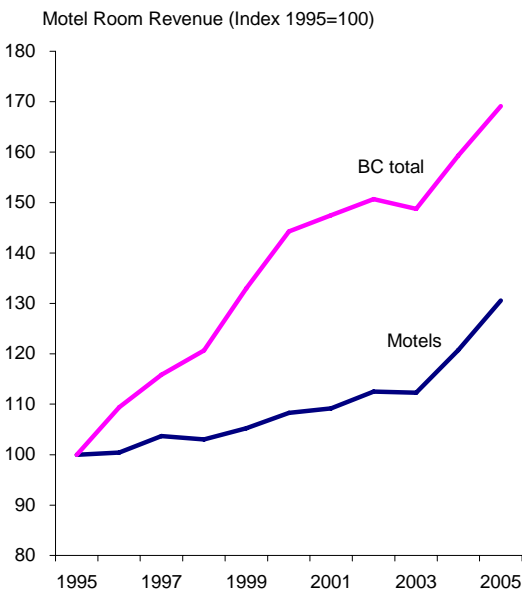
However, the growth in room revenues at motels was not as big as the increase in BC as a whole. Between 1995 and 2005, the province's room revenues rose more than twice (+69.1%) as much as motel room receipts. Hotels (+65.6%) of all sizes also experienced much greater gains in room revenues than motels.

Revenues at motels trending up...



Data Source: BC Stats

...but not as fast as for all types of accommodation establishments



Data Source: BC Stats

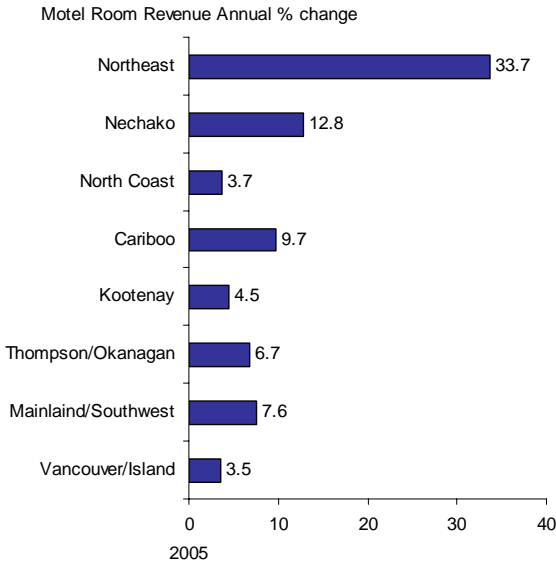
Motels in all regions experienced growth in room revenues in 2005, but not as much as other types of establishments in the regions

Motel revenues in all regions but Cariboo grew less than the average for each region as a whole. Motels located in more rural regions, such as Northeast, Cariboo and Nechako, experienced the strongest growth in room revenues in 2005. Motels account for a big share of total lodging properties in Northeast (49%), Nechako (51%) and Cariboo (45%), and motel revenues in these regions grew faster than in urban regions such as Mainland/Southwest, where motels only account for 22% of the total lodging properties.

Between 1995 and 2005, motels in Northeast outperformed other regions with a 139.9% increase in room revenues. Northeast also recorded the biggest yearly growth in motel revenues (+33.7%) in 2005. Nechako (+12.8%) reported a double-digit increase in motel room revenues in 2005. After growing in 2004 (+8.7%), revenues at motels in Cariboo continued to rise in 2005 (+9.7%).

Vancouver Island/Coast experienced revenue growth (+3.5%) for a fifth consecutive year in 2005. Although motels in North Coast did not perform well between 1995 and 2003, they are slowly regaining some of the lost ground with two consistent increases in revenues recorded in 2004 (+3.7%) and 2005 (+3.7%). BC's most urban region, Mainland/Southwest, saw revenues advance 7.6% at motels in 2005. However, compared to 1995, motel receipts were down 2.0%.

Northeast posting strongest growth in room revenues at motels in 2005



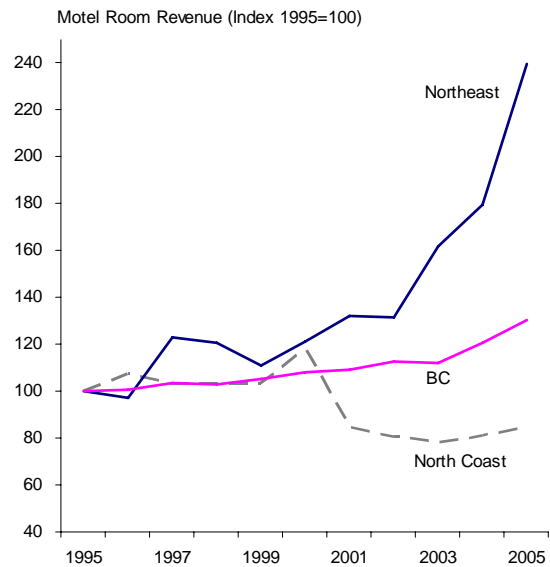
Data Source: BC Stats

Motels in Northeast outperformed the rest of BC over the last decade

Business at motels in Northeast started booming in 2003, posting a prominent 23.5% gain in room revenue. Following a solid increase (+10.6%) in 2004, revenues at motels in the region jumped sharply in 2005 (+33.7%), surpassing motels in BC as a whole and all other regions, reaching nearly \$17 million.

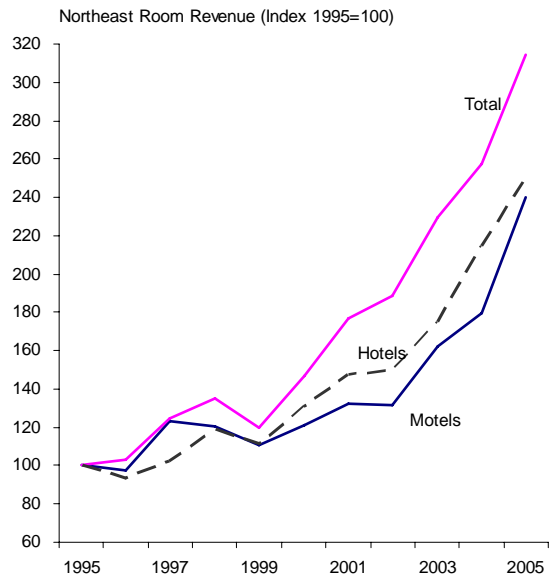
Even though motels have been expanding in Northeast, their growth was not prominent compared to the region as a whole. Room revenues at all types of lodging establishments grew faster than motels. Total room revenues in the region went up 214.2% between 1995 and 2005. Hotels experienced a 149.9% increase in room receipts, 10 percentage points more than the room revenue growth in motels (+139.9%).

Revenues at motels in Northeast more than doubled over the past decade...



Data Source: BC Stats

...but grew less than hotels and the average for the region as a whole

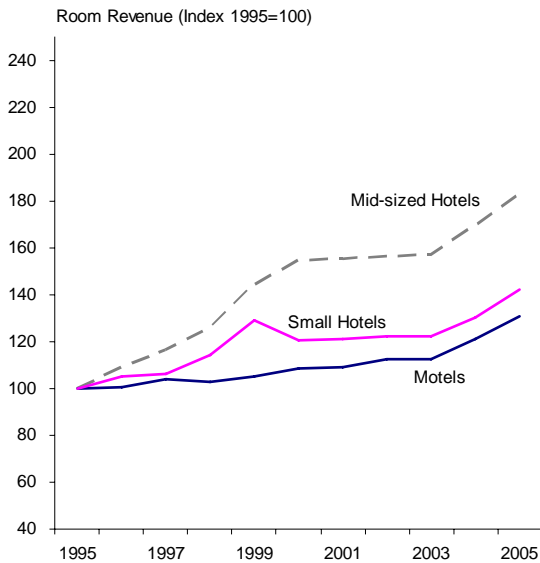


Data Source: BC Stats

Motels versus mid-sized and small hotels

The average size of motels is about 30 rooms. Motel size varies from 10 to 133 rooms, similar in size to medium and small-size hotels with less than 150 rooms. Mid-sized (76-150 rooms) and small hotels (1-75 rooms) are thus most likely to compete for customers with motels, since they provide accommodation services in similar types of facilities. Both mid-sized and small hotels in the province have posted stronger growth than motels. Between 1995 and 2005, mid-sized hotels posted strong gains (+82.6%) in room revenues, and small hotels saw revenues advance 42.3%, significantly more than the 30.5% increase in motel room revenues. However, motels showed strong annual growth in room revenues (+8.1%) in 2005, surpassing mid-sized hotels with 76 to 150 rooms (+7.7%).

Mid-sized and small hotels growing faster than motels

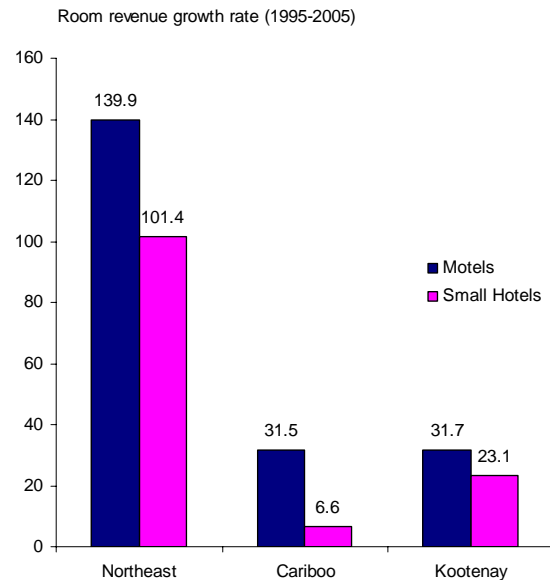


Data Source: BC Stats

Motels did not keep pace with mid-sized hotels in BC as a whole, and even in regions such as Northeast, where they performed relatively better than the rest of the province. However, motel revenues showed stronger increases than small hotels with less than 75 rooms in some regions of the province. Motels in Northeast, which experienced the biggest gains in revenues in BC, posted greater growth in room receipts (+139.9%) than small hotels (+101.4%) in the region between 1995 and 2005. Room revenues at motels in Cariboo also advanced 31.5%, considerably more than revenue growth at small hotels (+6.6%). In addition, motels (+31.7%) in Kootenay made bigger gains in room revenues than small hotels (+23.1%).

Motels in BC's most populated region, Mainland/Southwest (-2.0%), did not fare well between 1995 and 2005, while mid-sized hotel saw revenue more than double, and small hotels also experienced a 28.7% increase in their receipts over the period. Although other regions experienced some growth in motel room revenues, small hotels earned more revenues than motels.

Motels in Northeast, Cariboo and Kootenay showed stronger growth than small hotels



Data Source: BC Stats

