BC STATS
Service BC
Ministry of Labour & Citizens' Services

Infoline

Contact: bcstats.infoline@gov.bc.ca Issue: 07-07 February 16th, 2007

- **BC product exports slip 2.3% in 2006**
- **Shipments up 2.1% in December; climb 2.4% during 2006**
- **Workers spend increasingly less time with family and friends**

The Economy

- **BC product exports increased 5.6% (*seasonally adjusted*) in December, as shipments to the US (+3.7%) and to overseas destinations (+8.4%) recovered from downturns in November.** Exports of BC energy products overseas were up 22.5%, accounting for much of the increase in shipments to countries other than the US. Forest product exports rose 2.0%, largely because shipments south of the border increased (+6.7%) in December. With the exception of energy (-8.3%), US-bound exports of all other major commodity groups were up from November levels.

  Canadian exports surged, rising 3.8% to $40.4 billion. All sectors recorded increases in December but exports of energy (+5.8%) and automotive (+8.4%) products led the pack. Shipments to the US rose 3.2%, with even stronger growth in exports to Japan (+4.9%). On the other hand, demand from the EU (-4.7%) was down.

  Data Source: Statistics Canada & BC Stats

- **Shipments of goods manufactured in British Columbia climbed (+2.1%, *seasonally adjusted*) in December, recovering from a similar decline in the previous month.** Producers of durable products continued to experience volatility with shipments rising 1.0% following a 1.2% slip in November. The value of wood shipments (+2.0%) increased despite continued low prices for softwood and other wood products. BC producers of fabricated metals (+3.2%) computer & electronic products (+4.7%) and non-metallic minerals (+12.8%) made considerable gains. On the non-durables side, paper (+3.2%) and food (+1.6%) shipments were higher than in November, and the chemical industry began to recover (+1.2%) from a two-month-long slump. Overall, shipments of non-durables rose 3.5%.

  Shipments were up in seven provinces in December. Resurgence in the transportation equipment sector fuelled growth in Ontario (+2.8%) and increases in other provinces ranged from 0.8% in PEI to an impressive 12.9% in Newfoundland & Labrador. Canadian factories shipped an estimated $49.7 billion in goods in December, up 1.7% over November.

  Data Source: Statistics Canada

- **BC motor vehicle retailers bucked a national trend in December, as sales rose 11.1%, ending two months of decline.** Dealers in Alberta (+10.8%) and Manitoba (+6.1%) also had a notably good month. Canadian sales were up 5.6%.

  Data Source: Statistics Canada

2006 in Review

- **Despite ending the year on a high note, BC product exports decreased 2.3% during 2006, slipping to $33.3 billion.** Declining prices pushed energy shipments down 18.7%, offsetting strong gains in the industrial sector (+18.7%). Forest products fell 3.5% between 2005 and 2006, but exports of BC agriculture & fishing products were up (+2.5%). Ontario (-1.5%), New Brunswick (-2.8%) and Nova Scotia (-11.8%) were the only other provinces to see exports decline last year. Manitoba (+17.2%) posted the strongest growth boosted by a substantial increase in exports of industrial goods.

  The value of Canadian exports increased 1.1% last year, despite declines in international shipments of energy (-0.4%), auto (-6.0%) and forestry (-8.6%) products. Increased shipments to Japan (+2.8%), the EU (+16.2%) and other emerging economies offset a drop in Canadian exports to the US (-2.0%). Shipments to China rose 7.8% (to $7.7 billion) last year and exports to India jumped 54.0% (to $1.7 billion).

  Data Source: Statistics Canada

Report

Brazil-Canada Trade Getting Over Jet Lag

Did you know...
61% of Canadian adults aged 55 or older have access to the Internet, compared to 88% of adults aged 18-54. *Source: Ipsos Reid*

- **British Columbia manufacturing shipments advanced 2.4% during 2006 as both non-durable (+1.8%) and durable (+2.9%) goods showed relatively solid gains.** Other than a significant downturn in shipments of wood products (-12.0%), most manufacturing industries fared well. Prices for BC softwood lumber products dropped 5.4% last year, partly contributing to the decline in the wood industry. Paper producers saw shipments inch up 0.8%, and manufacturers of BC food (+4.1%) and computer & electronic products (+15.2%) experienced notable growth. Shipments by manufacturers of primary (+48.0%) and fabricated (+10.7%) metals soared to record highs last year bolstered by continuously increasing demand from burgeoning economies such as China and India.

  Shipments by Canadian manufacturers inched down 0.6% in 2006. Primary metals surged 14.3%, while petroleum and coal shipments increased a more modest 5.2%, ending three years of price-fuelled double digit gains. As in BC, producers of wood products saw hefty declines (-11.2%). The food industry (+2.8%) returned to relatively normal growth, recovering from a 3.4% hit in 2005. A slump in Canada's transportation sector (-7.4%) pulled Ontario's (-4.1%) overall shipments down substantially in 2006. Manufacturers in most other provinces fared better. *Data Source: Statistics Canada & BC Stats*

- **A total of 194,648 new cars, trucks and vans were driven off BC car lots last year, 4.3% more than in 2005 (*data for BC also includes the territories*).** Sales of North American-made passenger cars fell (-1.8%) for the fourth year in a row, but cars manufactured overseas (+18.4%) continued to enjoy a resurgence, reaching their highest levels since 1991. Truck sales (+3.5% including those made in North America as well as overseas) increased for the second year in a row.

  Despite recent slips, North American-made cars continue to dominate the market, with sales substantially higher (61% of passenger car sales) than for cars made outside North America. North American automakers also have a stranglehold on the market for trucks and vans, accounting for 83% of total sales. Despite high gas prices, new trucks and vans were as popular with consumers as cars.

  In 2006, new vehicle sales rose in most parts of the country, with the strongest gains seen in Alberta (+11.9%). Canadian sales were up 2.2%, reaching the second highest annual sales level on record. *Data Source: Statistics Canada*

Agriculture

- **The national cattle herd declined for the second consecutive year in 2006. Last year marked the first full year since 2002 that the American border has been open to shipments of Canadian cattle.** As of January 1st, 2007, the number of cattle on Canadian farms was estimated at 14.3 million, down (-3.5%) from 14.8 million a year earlier. The size of BC's herd dropped from 660,000 to 590,000 head during this period. Alberta (5.7 million), Saskatchewan (2.9 million) and Ontario (2.1 million) are the provinces with the biggest cattle herds.
  Data Source: Statistics Canada

Family

- **Canadian workers are spending less time with family than they did 20 years ago.** In 1986, workers spent a daily average of 4.2 hours engaged in various activities with their children, spouse or other family members. By 2005, the average had declined by 45 minutes. Time spent with friends has also declined over the same period, falling from 44 minutes in 1986 to just 19 minutes in 2005. While people are spending less time with family and friends, time spent alone (excluding time spent alone during work hours) has been increasing. In 1986, workers spent approximately 2.2 hours alone and by 2005, time spent in solitude had climbed to 2.9 hours. Not surprisingly, the more time people spent at the workplace, the less they spent with their family. The differences between men and women were minimal, with male workers spending nearly as much time with their family as female workers during a typical workday.
  Data Source: SC Cat. # 11-008-XWE

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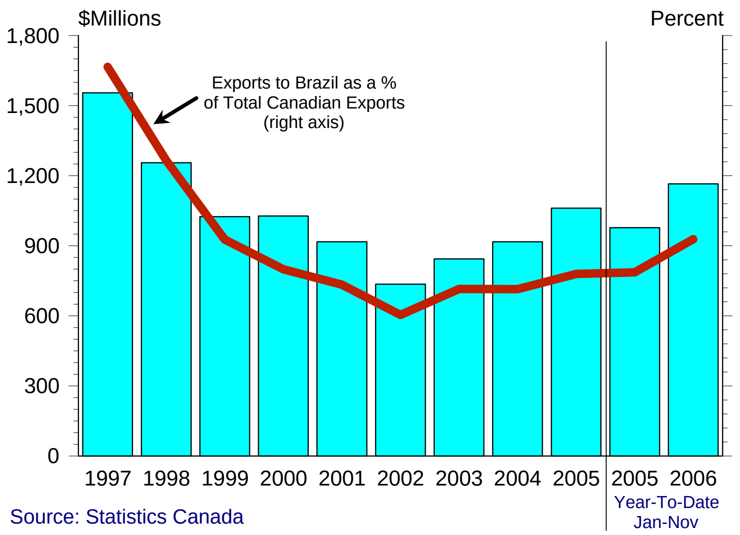
Originally published in *Exports* Issue 06-11. Annual subscription $60 +GST

Brazil–Canada Trade Getting Over Jet Lag

Brazil is one of the top economic powers in the world

With most of the attention these days being doled out to China and India, Brazil is often overlooked in terms of its potential as an economic force and trading partner. However, with the fifth largest population in the world (188 million)1 and the ninth largest economy ($1.6 trillion in 2005, purchasing power parity),2 Brazil offers significant opportunities for trade and investment. This has not been lost on Canada, which has made Brazil one of eleven priority countries for Canadian foreign policy (the G-8 countries, China, India and Mexico are the others). However, despite its attraction as a trade partner, Brazil has not been a significant destination for Canadian goods with less than 0.4% of total Canadian exports destined for the South American country. Since peaking in 1997 at just over $1.5 billion, exports have stagnated, settling at around one billion dollars.

There has been little growth in the value of Canadian commodity exports to Brazil over the last decade



Source: Statistics Canada

Canadian shipments to Brazil have seen little growth in the last decade and represent a small fraction of overall Canadian exports

There has been a great deal of friction between Canada and Brazil in recent years, which could at least partially explain the unrealized potential for trade between the two nations. The main crux of the friction is a protracted dispute regarding aircraft subsidies. In 1996, Canada asked the World Trade Organization (WTO) to investigate the legality of state subsidies given

Friction between Canada and Brazil over aircraft subsidies may have harmed trade between the two countries

1 Source: CIA.
2 Source: The World Bank. Note that Canada ranked 12th.

to the Brazilian aircraft manufacturer, Embraer. The WTO found the subsidies to be illegal and when Brazil refused to comply with the ruling, Canada was granted permission to impose countermeasures against Brazilian goods. Rather than proceed with tariffs, Canada chose to more or less offer matching subsidies to its own regional aircraft manufacturer, Bombardier. Brazil appealed to the WTO, which found Canada's subsidies to also be illegal and gave Brazil permission to impose tariffs on Canadian goods.

Although neither country ever proceeded with retaliatory tariffs, the dispute left both countries with bitter feelings. When Canada briefly placed a ban on beef from Brazil in January 2001, allegedly due to concerns over the potential for Mad Cow Disease, Brazilians accused Canada of using beef to strike back over the aircraft dispute. Canada maintained that the ban was due to legitimate safety concerns that cattle from European countries affected by the disease had been imported into Brazil and could end up in the food chain. The ban was lifted after only three weeks when Brazil agreed to certify that beef exports would come only from cattle born in Brazil, but not before more bitter feelings were created among Brazilians who demonstrated their anger with Canada by refusing to buy Canadian-made goods and by pouring Canadian whiskey down drains. Canada's actions were subject to questioning from the international community, particularly since there was criticism of the ban even from within the Canadian Food Inspection Agency, seeming to confirm that perhaps the ban had more to do with political motives than safety concerns.

Canada's short-lived ban on Brazilian beef also created animosity

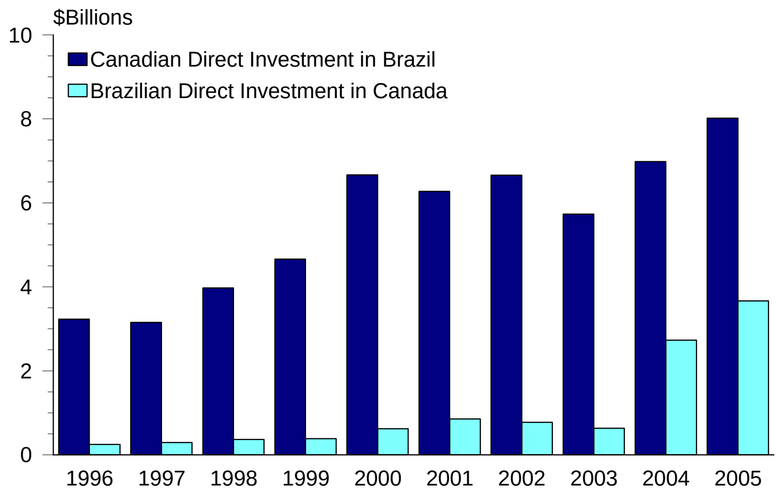
Given that Canada didn't import any beef from Brazil in the year previous to the ban and generally does not import very large amounts, one might think the impact on Brazil would be negligible. However, under NAFTA, Canada has the responsibility of inspecting beef from South America that is destined for the United States and Mexico. Since Canada banned Brazilian beef, that meant that the US and Mexico also had to ban beef imports from Brazil.

While the quarrels over aircraft and beef have been the main irritants between the two countries, Canada and Brazil have had other areas of disagreement as well. Canada's attempts to develop free trade agreements with blocs of South America, either through a bi-lateral deal with the MERCOSUR countries (Brazil, Argentina, Paraguay and Uruguay) or through the more ambitious Free Trade Area of the Americas encompassing North and South America, have been foiled, at least in part, due to Brazil's reluctance. There is fear in Brazil that the NAFTA countries would have too much of an advantage in free trade

The two countries also do not see eye-to-eye on free trade negotiations, but they do share similar views on foreign policy negotiations and they would prefer to see a South America free trade deal completed first, such that the South American bloc of countries would then have greater influence when dealing with the NAFTA countries.

Despite these differences, Canada and Brazil share similar objectives when it comes to foreign policy and have participated on international panels and showed co-operation in achieving mutual goals. This, combined with a Canadian trade mission in late-2004 and a significant increase in imports from Brazil in the last few years, may be a sign that relations between the two countries are beginning to thaw. Another signal that Canada and Brazil are willing to put aside their differences is the growing level of investment, both in terms of Canadian investment in Brazil and Brazilian investment in Canada. In 2005, Canadian direct investment in Brazil surpassed $8 billion. While Brazilian direct investment in Canada was less than half that figure, the $3.7 billion invested in Canada in 2005 was almost six times that invested just two years earlier.

Although there is relatively little trade between Canada and Brazil, investment between the two countries is significant



Source: Statistics Canada

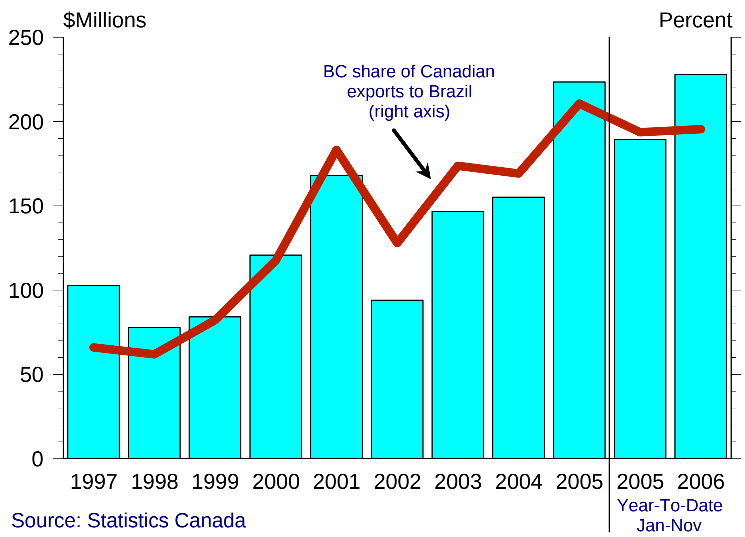
There is significant direct investment in Brazil by Canadians and Brazilian investment in Canada has been growing as well

If Canada can translate this newfound goodwill into increased exports to Brazil, it could have a significant impact on overall trade in Canadian goods. With about a fifth of Canadian exports to Brazil originating in British Columbia, there is potential for the province to reap some of the benefits of improved relations as well. Brazil ranked 11th as a destination for BC exports in 2005, with $223.5 million worth of BC origin goods shipped to the South American country. BC's share of Canada's exports to Brazil has been increasing over the last decade with the value of shipments climbing by 68% between 1996 and 2005.

Coal comprises the vast majority of BC's goods shipments to Brazil (81% in 2005), with various sulphur products making up over half the remainder. Canadian shipments to Brazil are far more diversified, with potash and other fertilizers leading the way at 20% of total exports, followed by coal and other mineral fuels at 17% and newsprint and other paper and paperboard at 14%.

Most of BC's exports to Brazil are comprised of coal

Although overall Canadian shipments have been stagnant, BC's exports to Brazil have been rising



Source: Statistics Canada

BC's exports to Brazil have increased significantly in the last decade, even as growth in overall Canadian exports has been flat

Imports from Brazil are reasonably varied as well with, ironically, aircraft and aircraft parts at the top of the list, comprising 17% of total imports in 2005. Iron and steel (14%) and machinery and mechanical appliances (11%) are also significant imports from Brazil.

The Canadian government has targeted some specific areas in which there are potential for growth in exports to Brazil. High technology products such as computer applications and pharmaceuticals and other medical products are one example. Another area where opportunities abound is the transportation sector. According to a Federal government report, only 10% of Brazil's highway system is paved.[3] These highways, as well as the country's sea ports, will need to be upgraded to accommodate economic growth. There are also opportunities for Cana-

[3] Source: Jones, Dennis and Sandi Jones, "Brazil: On the Move Again." Extracted from ExportSource.ca on August 25, 2006.

dian exporters in a large number of hydroelectric projects planned for Brazil.

The sheer size of Brazil's economy and the pace of its economic development place it among the most important players in the global economy and Canada cannot afford to let past disagreements linger. Increased trade and improved relations between Brazil and Canada would benefit both countries and could help pave the way for better results in future free trade negotiations.

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BC at a glance . . .

POPULATION (thousands)	Oct 1/06	% change on one year ago
BC	4,327.4	1.2
Canada	32,730.2	1.0
GDP and INCOME (Revised Nov 8)		
(BC - at market prices)	2005	% change on one year ago
Gross Domestic Product (GDP) *($ millions)*	168,855	7.2
GDP *($ 1997 millions)*	145,501	3.7
GDP *($ 1997 per Capita)*	34,173	2.4
Personal Disposable Income *($ 1997 per Capita)*	20,983	2.4
TRADE ($ millions, seasonally adjusted)		% change on prev. month
Manufacturing Shipments - Dec	3,527	2.1
Merchandise Exports - Dec	2,739	5.6
Retail Sales - Nov	4,403	-1.5
CONSUMER PRICE INDEX	% change on one year ago	12-month avg % change
(all items - Dec 2006)		
BC	2.1	1.8
Vancouver	2.6	1.9
Victoria	1.5	1.6
Canada	1.6	2.0
LABOUR FORCE (thousands)		
(seasonally adjusted)	Jan '07	% change on prev. month
Labour Force - BC	2,352	0.5
Employed - BC	2,250	1.4
Unemployed - BC	102	-16.7
		Dec '06
Unemployment Rate - BC *(percent)*	4.3	5.2
Unemployment Rate - Canada *(percent)*	6.2	6.1
INTEREST RATES (percent)	Feb 14/07	Feb 15/06
Prime Business Rate	6.00	5.25
Conventional Mortgages - 1 year	6.50	5.85
- 5 year	6.65	6.45
US/CANADA EXCHANGE RATE	Feb 14/07	Feb 15/06
(avg. noon spot rate) Cdn $	1.1660	1.1541
US $ *(reciprocal of the closing rate)*	0.8583	0.8633
AVERAGE WEEKLY WAGE RATE		
(industrial aggregate - dollars)	Jan '07	% change on one year ago
BC	743.37	3.2
Canada	732.40	1.9

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

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Maps of even the smallest geographic units for which numerous census characteristics will be produced are now available free.

www12.statcan.ca/english/census06/geo/index.cfm

Guide to the BC Economy & Labour Market

In response to requests from users of the interactive web site, the *Guide* is now also available in PDF format.

www.bcstats.gov.bc.ca/pubs/econ_gui.asp

Released this week by BC STATS

- Tourism Sector Monitor, January 2007
- Exports, December 2006

Next week

- Consumer Price Index, January 2007
- Current Statistics, February 2007

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