

- Inflation rate falls to 1.9% as energy price increases ease in April
- Retail sales rise 1.4% but wholesale sales stall in March
- One in three Canadians say they are workaholics

Prices

- **British Columbia's year-over-year inflation rate eased to 1.9% in April, down from 2.2% in March.** The increase in the cost of energy products (+1.8%) was much slower than in the previous month (+5.4%) putting little, if any, inflationary pressure on the economy. Excluding energy, the overall increase in the Consumer Price Index (CPI) was 1.9%.

Transportation costs were up 2.3%, with prices for private (+2.5%) transport increasing more than the cost of public transportation (+1.3%). Although gasoline prices rose in April (+3.0%), the rate of increase was down substantially from that seen in March (+10.1%). Consumers continued to pay more for fuel oil (+2.8%) and piped gas (+1.3%). However, they paid less for electricity (-1.2%) and maintaining and repairing a home (-4.1%), and this helped moderate the inflation in the cost of shelter (+1.5%). Food prices climbed 4.1%, pushed up by the soaring cost of fresh fruits (+15.0%) and vegetables (+16.0%). Consumers in the province saw some relief as prices for household furnishings (-1.3%) and clothing (-0.7%) were both down from April of last year.

Vancouver's inflation rate (+2.3%) was higher than the BC average in April, while Victoria's (+1.3%) was considerably lower. *Data Source: Statistics Canada*

- **BC had the lowest inflation rate in western Canada, while Alberta continued to face the highest overall price increase (+5.5%) in the country.** Alberta and Saskatchewan (+2.4%) were the only provinces where prices rose more than the national average (+2.2%) in April. Inflation rates were lowest in Atlantic Canada and Quebec (+1.4%) while consumers in Ontario (+1.8%) saw prices rise at about the same rate as in BC.

Data Source: Statistics Canada

The Economy

- **Shipments by British Columbia manufacturers advanced 1.5% (seasonally adjusted) in March, mirroring February's (-1.5%) decline.** The province's two largest manufacturing industries saw mixed results. Shipments by manufacturers of wood products inched down 0.2%, while paper producers posted a 1.6% increase. The non-durables total rose (+3.4%) as increases in the paper and chemical (+6.2%) industries offset declines in food (-2.5%) and some other non-durable goods manufacturing. On the durables (-0.1%) side, producers of transportation equipment (+12.2%) and machinery (+3.6%) saw the most noticeable gains, nearly managing to outweigh downturns in the wood, primary metals (-9.9%) and computer & electronics (-2.0%) industries.

Across the nation, manufacturing shipments increased (+2.8%) to \$50.1 billion. Strength in aerospace and automotive production contributed to an upturn in shipments by producers of durable goods (+3.3%) while shipments of petroleum products influenced a 2.2% increase for non-durable goods manufacturers. Saskatchewan (-2.0%) and Alberta (-0.3%) were the only provinces to exhibit weakness in March. Every other province posted gains, with the most notable increases seen in Newfoundland (+24.2%) and Manitoba (+11.5%). *Data Source: Statistics Canada*

- **Retail sales in the province advanced 1.4% (seasonally adjusted) in March, marking the fourth straight monthly gain.** The increase reflected strength in the furniture, household furnishings & electronics (+4.1%) sector. Automotive retailers posted a 2.5% gain, which was driven by sales at gas stations (+6.3%), where increases were partly due to higher prices at the pump. Retailers of clothing & accessories posted a modest 1.2% in-

Did you know...

Four out of ten (43%) BC workers say they are “vacation deprived”, meaning that they do not use up all of their annual vacation leave. That’s more than in any other province, and well above the national average of 36%. *Data Source: Ipsos Reid*

crease, but general merchandisers (+0.5%) and food retailers (+0.4%) made only marginal gains.

Canadian retailers saw sales jump 1.9%, boosted by very strong growth in Saskatchewan (+5.6%), Alberta (+3.6%), Manitoba (+2.3%) and Ontario (+2.1%).

Data Source: Statistics Canada & BC Stats

- **Wholesale sales in the province were unchanged (+0.0% seasonally adjusted) in March.** Wholesalers of machinery & equipment, motor vehicles, building supplies, food and pharmaceuticals posted increases, but other wholesalers did not fare as well. Nationally, wholesale sales were up 1.9%, with increases recorded in every province except BC and New Brunswick (-1.9%).

Data Source: Statistics Canada & BC Stats

- **The number of new vehicles purchased in BC and the Territories stalled (-0.5% seasonally adjusted) in March.** Sales of North American-built trucks and cars from overseas revved up in March, but dealers of other vehicles did not fare as well. Canadian vehicle sales were flat (+0.1%) as sales dwindled in three of the four largest provinces, with Ontario (-1.8%) and Quebec (-1.9%) accounting for most of the national decline. The number of vehicles driven off car lots was up most notably in Newfoundland & Labrador (+9.1%), PEI (+8.8%) and Alberta (+6.2%).

Data Source: Statistics Canada & BC Stats

- **Visitor entries to Canada via BC borders slipped (-0.6%, seasonally adjusted) for the second month in a row in March.** Entries from the US, which comprise most of the visits, decreased (-0.8%) as Americans made more same-day (+1.8%) but fewer overnight (-2.1%) trips into BC. Travel from overseas countries (+0.1%) was unchanged from February. Entries from Asia were flat (+0.1%) and visits from Europe declined (-3.1%), but there were more visitors from Oceania (+2.3%). The number of Canadians returning home via BC was up 3.6%. Re-entries from the US climbed 4.0%, as same-day car trips increased (+4.3%) for the first time in three months. The number of travellers returning home from trips overseas was up 1.6%. *Data Source: Statistics Canada*

Agriculture

- **The 2006 Census of Agriculture reported 2,618 farms in the Vancouver Census Metropolitan area (CMA).** One-fifth (20.9%) of Vancouver’s farms were greenhouse, nursery and floriculture operations, accounting for over half of the city’s overall farm receipts that year. At the provincial level, this segment accounted for one in ten operations and well over a quarter of the gross farm receipts (29%). Fruit and vegetable farms in the Vancouver CMA jumped significantly between censuses, with 583 farms reported last year, up 28.1% from 2001. Of all British Columbia’s fruit and vegetable farms, 15% were in Vancouver. The province’s largest city boasted the second highest concentration of farms selling organic products among all CMAs in the country (16% of all farms in the area reporting organic products for sale). The only CMA in Canada with a higher concentration of farms reporting organic products was Victoria.

Data Source: SC. 2006 Census of Agriculture

Workaholics

- **In 2005, nearly a third (31%) of working Canadians between the ages of 19 and 64 identified themselves as workaholics.** Thirty-nine percent of them reported spending 50 or more hours per week on the job. About 65% of self-professed workaholics indicated that they worry about not spending enough time with family and friends compared to 45% of non-workaholics. Further, over half (56%) said they feel they have no time for fun compared to 34% of those who worked less. People who said they worked too much also tended to report having trouble sleeping, being in poorer health and having a lower level of satisfaction with their overall lives than non-workaholics. Contrary to popular belief, they did not find work more rewarding, and in fact had the same amount of job and financial satisfaction as those working shorter hours. *Data Source: S.C. Cat. #11-008-XWE*

*Infoline Issue: 07-20
May 18, 2007*

Head offices in B.C.

A business's head office is devoted to the management and administration of the company and its function. Head offices are sought after by provinces, and communities value them as providers of a considerable number of high-paying jobs for a highly-skilled workforce. They are credited with offering employment both directly and indirectly in the creation of demand for services that support their operations.¹ Such headquarters are usually located in an urban centre, while the actual activity of the company is often located elsewhere.

Recently, concern has grown over a decline in head office employment in British Columbia. The apprehension lies in the migration of head office jobs to other provinces and that many of the jobs and businesses that support such headquarter-operations, such as those in law, engineering, accounting and financial services might also be threatened.²

Pressure has been placed on local and provincial governments to investigate why the province is witnessing a reduction of head office jobs while simultaneously boasting one of the strongest economies in the country.

While it is difficult to measure head office units and employment, there are a few common sources. The Financial Post 500 (FP500) compiles an annual list of Canada's top 500 companies, together with the next 300, for a total of 800 companies. The companies are ranked according to annual

revenues, and the list specifies in which city each company is based. Included in the FP500 are both privately held and publicly traded enterprises as well as government-owned Crown corporations.³ Alternatively, Statistics Canada provides data that does not use a revenue-based definition, but instead uses data from its Business Register (BR), which tracks the nation's companies, their production units and employment levels.⁴

How many top Canadian companies make their home in BC?

According to the latest FP500, BC was home to 53 of Canada's top 500 companies in 2005, down from 58 in 2004.⁵ When moving beyond the first 500, BC fared much better, accounting for 101 (13%) of the 800 biggest enterprises in the country, notably more than in 2004 (89 companies or 11% of the nation's top 800). The overall increase in BC's share of Canada's top 800 companies, was a result of an addition of 17 firms in the next 300 level, which offset the decline in top 500 companies. So although the province has lost ground in terms of the largest Canadian companies, it shows signs of remaining fairly competitive as a home for more moderately-sized enterprises.

³ Since the FP500 list only includes the top Canadian companies by revenue, it does not count many medium- and smaller-sized companies, which can provide equal benefits to a local economy.

⁴ The Business Register does not recognize a head office if it exists in the same physical location from other production units of the same enterprise and does not include Crown corporations. Also, because it does not use a revenue-based model, it is not a sole measure of exclusively large corporations.

⁵ The FP500 for 2005 had originally listed BC as being home to 54 companies. However, one company (Westcoast Energy) was erroneously reported as a BC-based head office and as such, has been removed.

¹ June, 2006. *Head Offices in Canada* Release from Statistics Canada www.statcan.ca

² October, 2002 Policy Perspectives, *Is BC Losing Head Offices -- and Should we Care?* Release from the Business Council of British Columbia: www.bcbbc.com

Despite some signs of growth among Canada's mid-sized enterprises, BC trails Alberta in the number of both top 500 and top 800 Canadian companies. Of the four main provinces that are home to head offices (Ontario, Quebec, Alberta and BC), Alberta has gained the most ground in recent years. In 2005, it was the only province to increase its holding of Canada's top 500 companies, boasting 82, up (+17.1%) from 70 in 2004. Of the biggest 800 Canadian enterprises, Alberta housed 122—again, a substantial increase (+17.3%) from the previous year (104). Although BC lags Alberta among the top 500 (53 versus 82 companies), it does manage to outperform Alberta in the number of next 300 head offices (48 versus 40). Of course, Ontario, with 220 of the top 500, remains the preferred location for Canadian head offices, ahead of second-place Quebec (90) by almost three-fold. Between 2004 and 2005, Ontario and Quebec each saw losses in the number of both top 500 companies and in the next 300.

Financial Post's top revenue companies in Canada by province, 2005⁶

	ONT	QC	AB	BC	Other
Top 500	220	90	82	53	54
Next 300	125	52	40	48	35
Top 800	345	142	122	101	89
% of Largest 800	43	18	15	13	11

Source: 2006 edition of the Financial Post's FP500

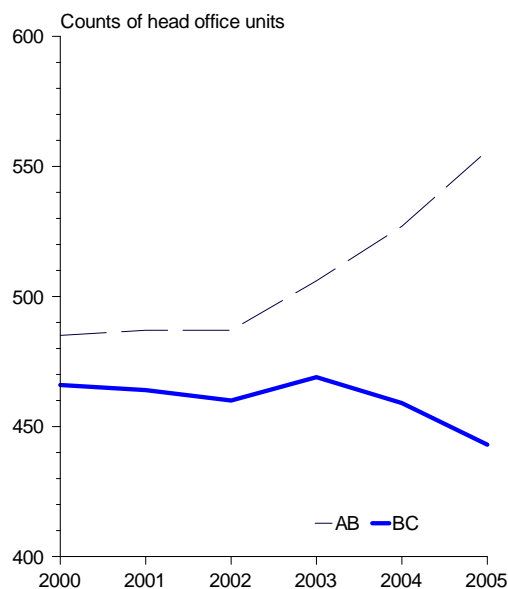
Another indicator of the province's overall status as a home for head offices is the mobility of BC companies in the ranking of Canada's top enterprises. For example, approximately 30% of the province's companies that also made Canada's top 500 list in 2004, had managed to move up in standing by 2005. However, a much larger proportion of these companies (62%) had lost ground. More promising is the fact that of

the 48 companies listed in the next 300 section of the FP500 in 2005, 42% were not ranked in 2004, meaning that they experienced substantial growth over the period of a year. Of those in the next 300 that were ranked in both 2004 and 2005, 25% improved their positions, while 75% slipped.

How many head offices are located in BC?

According to Statistics Canada, there were 3,784 head offices in Canada in 2005, up (+5.6%) from 3,583 five years prior. At the same time, BC saw its count slip nearly five percent between 2000 and 2005 (from 466 to 443). Quebec also saw numbers decline (-6.6%), but Ontario (+12.2%) and Alberta (+14.6%) both experienced double digit growth.

Head offices in BC showed signs of recovery in 2003, but lost more ground in 2004 and 2005

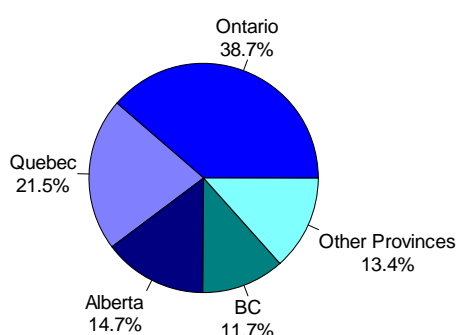


Data Source: Statistics Canada, 2006

⁶ *FP500*, 2006 edition ranking list and overview. www.canada.com/nationalpost/financialpost

The province's share of the nation's business headquarters has also been slipping since 2000. BC was home to 12% of Canada's business headquarters in 2005, down from 13% in 2000. As of 2005, Ontario continued to lead the way as a head office location (39% of the total), followed by Quebec (22%), Alberta (15%), and then BC (12%).

Provincial shares of Canada's head office units, 2005



Data Source: Statistics Canada, 2006

How does the province fare in head office employment?

Of equal importance is the province's trend in head office employment. Between 2000 and 2005, BC lost a significant number of head office jobs (-16.7%), dropping from over 16,000 to approximately 13,400. Over the same period, Alberta experienced a hefty surge (+36.3%), while Ontario (+19.0%) and Quebec (+6.7%) also enjoyed an increase in head office jobs.

Provincial head office counts, employment and average size, 2000-2005 (business sector)

	2000	2001	2002	2003	2004	2005
<i>Head Office Count</i>						
QC	873	862	872	869	852	815
ON	1,305	1,311	1,350	1,399	1,428	1,464
MB	134	142	147	156	153	155
SK	106	108	111	118	119	117
AB	485	487	487	506	527	556
BC	466	464	460	469	459	443
CAN	3,583	3,604	3,657	3,747	3,775	3,784

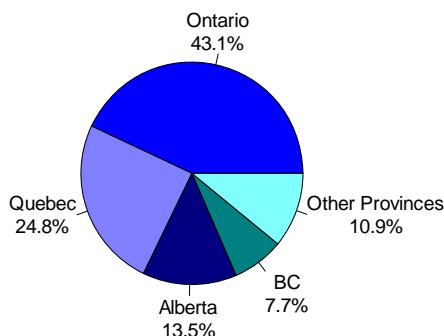
	2000	2001	2002	2003	2004	2005
<i>Head Office Employment</i>						
QC	40,571	38,620	40,044	41,684	41,734	43,291
ON	63,309	68,454	69,325	72,224	70,989	75,335
MB	7,942	8,111	6,908	6,938	7,435	7,169
SK	2,544	2,372	2,467	2,652	3,432	3,744
AB	17,378	18,040	19,788	20,917	22,293	23,682
BC	16,128	15,820	15,655	15,102	14,311	13,441
CAN	154,412	157,775	161,611	167,141	168,436	174,882

	2000	2001	2002	2003	2004	2005
<i>Average employment per head office unit</i>						
QC	46	45	46	48	49	53
ON	49	52	51	52	50	51
MB	59	57	47	44	49	46
SK	24	22	22	22	29	32
AB	36	37	41	41	42	43
BC	35	34	34	32	31	30
CAN	43	44	44	45	45	46

Source: Statistics Canada, 2006

Of Canada's 174,882 head office employees in 2005, over two-thirds worked in Quebec and Ontario. Between 2000 and 2005, Ontario expanded its share of head office jobs from 41% to 43%. Despite a slight slip in Quebec's share over the five year period, its proportion has remained relatively stable. In 2005, 25% of the country's head office jobs were in Quebec, compared to 26% in 2000.

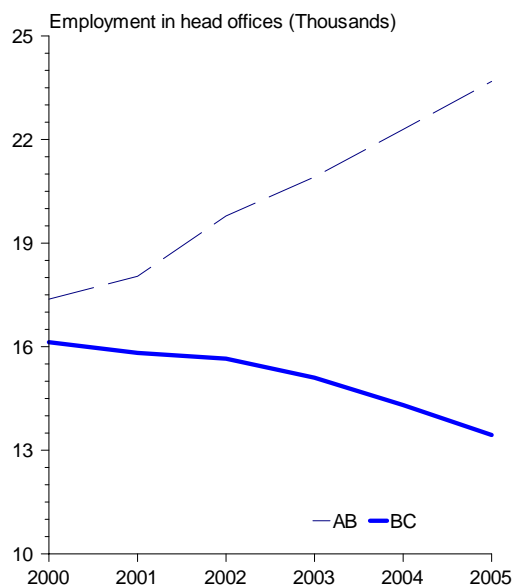
Provincial shares of Canada's head office employment, 2005



Data Source: Statistics Canada, 2006

In the West, on the other hand, a striking shift has occurred. At the end of the last decade, British Columbia had the most head office workers in Western Canada, (approximately 19,000 or 12% of the national total), while Alberta employed 15,700 (10% of Canada's head office jobs). 2000 marked the beginning of a steady decline for BC, mirroring substantive escalation in Alberta. By 2005, Alberta's employment count had soared to nearly 24,000, while BC's had shrunk to fewer than 13,500. This indicates that not only has Alberta replaced BC as Western Canada's leading head office centre, but that, as of 2005, it possessed almost double the number of head office jobs.

Head office employment in BC mirrors Alberta's



Data Source: Statistics Canada

How does Vancouver measure up?

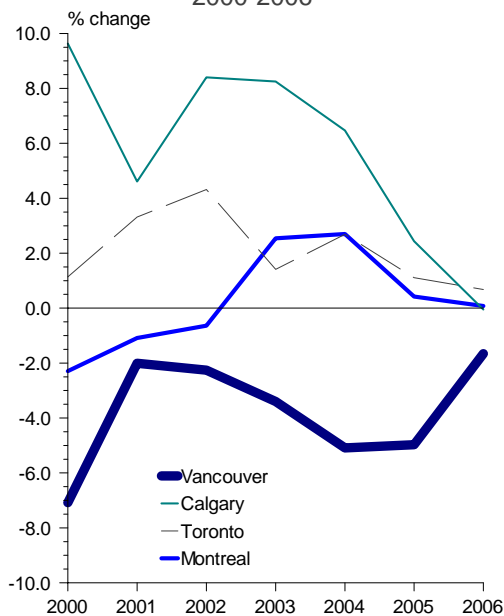
Canada's head office employment is concentrated in four major metropolitan centres: Toronto, Montréal, Calgary and Vancouver. As the province's biggest metropolitan area, the vast majority of BC's head offices are located in the Vancouver region. In fact, of the province's 443 head offices reported by Statistics Canada in 2005, 335 (76%) were located in the Vancouver region.

Similarly, among the Financial Post top 500 companies housed in British Columbia in 2005, nearly 90% (47 of the 53 companies) were located in the Greater Vancouver Regional District (GVRD). The remaining six head offices made their home in other parts of the province.

Between 2000 and 2006, Vancouver (-5.8% to 328) and Montreal (-8.6% to 531) saw their number of head office units decline. Meanwhile, Calgary (+11.1% to 310) and Toronto (+11.4% to 910) experienced notable jumps in overall counts.

A comparable picture is painted when looking at head office employment in the metropolitan centres. Over the six year period, there was a decrease in the number of head office employees in the Vancouver region. As of last year, Vancouver, which accounts for approximately 90% of all head office jobs in BC, employed 11,850 head office workers (-17.9%), a substantial decline from 14,440 employees in 2000. At the same time, Montreal (+4.0% to 36,310) and Toronto (+14.3% to 57,820) saw steady job increases, while head office employment in Calgary surged 33.8% to 18,880.

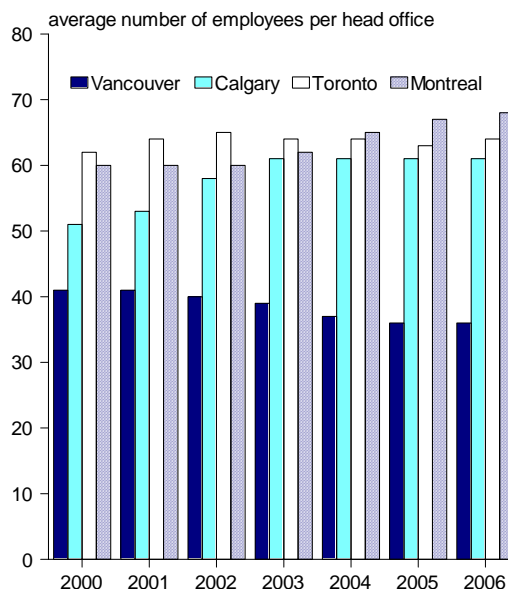
City trends in head office employment growth 2000-2006



Data Source: Statistics Canada, 2007

Over this period, the GVRD also saw a slip in the average number of individuals working at each head office (down from 41 to 36). On average, Vancouver businesses employ considerably fewer employees per head office than do the other three major metropolitan headquarters. Last year, the highest average employment size for head offices among cities was found in the Montreal region (68) and Toronto's (64) and Calgary's (61) average employment also exceeded that of Vancouver.

Vancouver continues to have the lowest average employment per head office unit



Data Source: Statistics Canada, 2007

That being said, it is not uncommon for the majority of a company's employees to be located elsewhere, as many companies have larger numbers of workers in offices that are not head offices. Indeed, only one percent of all jobs in the GVRD are in head offices.

In what industries are Vancouver's head offices concentrated?

The fate of the head-office sector can potentially vary across industries. Using the North American Industry Classification System (NAICS), we can determine that the leading industry sectors for Vancouver head offices in 2006 were retail trade (accounting for 24% of Vancouver's business headquarters) followed by wholesale trade (16%) and manufacturing (14%). Rounding out the list were firms in a number of other industries, including accommodation & food services (9%), finance & insurance (7%) and transportation & warehousing (6%).

Employment in head offices differs widely by industry. Retail trade accounted for over

21% of all head office jobs in Vancouver last year. Information & cultural industries (16%) followed, while manufacturing and finance & insurance each accounted for approximately 15% of head office jobs in the GVRD. Among these larger head office employers, finance & insurance saw the biggest employment decline (-25.5%) between 2000 and 2006, dropping from 2,430 to 1,810 workers. Of the top head office industries in Vancouver, the only industry not recording a decline in head office employment or head office count between 2000 and 2006 was wholesale trade.

Why is the province losing head offices?

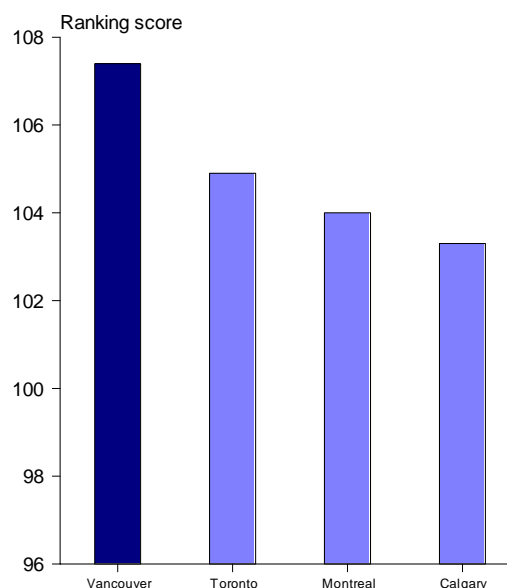
To speak of causal factors behind BC’s decline in head offices would be to speculate. There are numerous dynamics that can contribute to a drop in a region’s head office count. Among others, a decline can be attributable to mergers and acquisitions, or a company moving their headquarters to another location (the latter being far less common). According to the Business Council of British Columbia, likely causes for BC’s poor showing in recent years include corporate consolidation in the forest sector, the rising cost of land, higher costs for office space and housing, along with a lack of effective regional marketing to attract and retain new businesses.⁷

As a business centre, BC is far less populous than Ontario and Quebec and carries the disadvantage of being geographically distanced from the eastern US markets. However, Alberta is also at a similar disadvantage, yet with its comparatively affordable living costs, relatively inexpensive land for development and low tax rates, it has managed to attract, retain and grow head of-

fices. Alberta’s booming economy and expanding population has pushed up head office employment among numerous industries—construction, wholesale and retail trade, and mining & oil & gas extraction, to name a few.

BC boasts its own unique set of advantages that have historically appealed to many of the country’s business headquarters. The province offers a mild climate, world-renowned quality of life, and excellent proximity to Asia-Pacific markets.

Vancouver ranked highest in quality of life indicators in 2006



Data Source: Mercer Human Resource Consulting

Losses and entries of head offices are by no means uncommon. Indeed, as of 2005, more than one-third of Canada’s head offices did not exist just six years earlier (1999).⁸ However, it is clear that if BC is to re-establish itself as the leading business centre in Western Canada for corporate headquarters, some changes may be necessary.

⁷ December 2006 update on *Corporate Head Office Employment in British Columbia*, release from the Business Council of British Columbia: www.bcbc.com

⁸ July, 2006. *Head Office Employment in Canada, 1999 to 2005*. Release from Statistics Canada www.statcan.ca

How can BC attract and retain head offices?

The BC Business Council suggests that the province work on retaining large businesses that already make their homes in BC, develop strategies to nurture the growth of successful mid-sized BC companies, and possibly assess further changes in the tax policy.

Also suggested is a region-wide program to market Greater Vancouver as an appealing destination for businesses to make their home. Other factors that influence the decision of where to locate, such as the cost of living, office space and land, are more difficult to address.

Whatever the reason, there is little doubt that BC has experienced a net loss of corporate head offices and head office jobs in the past decade or so. Despite legitimate concerns about the number of large company headquarters and head office employment in BC, it is important to remember the dynamic nature of business and the economy as a whole. A strong and growing head office sector is only one of a myriad of components that can contribute to economic buoyancy. Of equal importance, is the need to recognize that many of the province's companies continue to thrive, especially those that are smaller or mid-sized. Over time, some of these may very well find themselves on Canada's top 500 list.

 **fax** transmission information service from **BC STATS**

 **Email** transmission information service from **BC STATS**

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

BC at a glance . . .

POPULATION (thousands)	Jan 1/07	% change on one year ago
BC	4,338.1	1.3
Canada	32,777.3	1.0
GDP and INCOME (Released Apr 25)		% change on one year ago
<i>(BC - at market prices)</i>	2006	
Gross Domestic Product (GDP) (\$ millions)	179,701	6.4
GDP (\$ 1997 millions)	150,741	3.6
GDP (\$ 1997 per Capita)	34,971	2.3
Personal Disposable Income (\$ 1997 per Capita)	21,984	4.8
TRADE (\$ millions, seasonally adjusted)		% change on prev. month
Manufacturing Shipments - Mar	3,472	1.5
Merchandise Exports - Mar	2,824	4.0
Retail Sales - Mar	4,624	1.4
CONSUMER PRICE INDEX	% change on one year ago	12-month avg % change
<i>(all items - Apr 2007)</i>		
BC	1.9	1.9
Vancouver	2.3	2.2
Victoria	1.3	1.5
Canada	2.2	1.8
LABOUR FORCE (thousands)		% change on prev. month
<i>(seasonally adjusted)</i>	Apr '07	
Labour Force - BC	2,354	-0.1
Employed - BC	2,249	-0.7
Unemployed - BC	105	13.9
		Mar '07
Unemployment Rate - BC (percent)	4.4	3.9
Unemployment Rate - Canada (percent)	6.1	6.1
INTEREST RATES (percent)	May 16/07	May 17/06
Prime Business Rate	6.00	5.75
Conventional Mortgages - 1 year	6.60	6.25
- 5 year	6.64	6.75
US/CANADA EXCHANGE RATE	May 16/07	May 17/06
<i>(avg. noon spot rate)</i> Cdn \$	1.1029	1.1125
US \$ (reciprocal of the closing rate)	0.9059	0.8977
AVERAGE WEEKLY WAGE RATE		% change on one year ago
<i>(industrial aggregate - dollars)</i>	Apr '07	
BC	748.06	3.8
Canada	740.73	2.3
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		

Socio-Economic Profiles & Indices

The 2006 edition of these widely-monitored reports provide the most complete and up-to-date basis for measuring and comparing the social and economic dimensions of regions in the province. Released April 4.

www.bcstats.gov.bc.ca/data/sep/index.asp

High Technology Sector—2006

The high technology sector is a growing part of British Columbia's diverse economy, offering the prospect of strong economic growth in the years to come, as well as a local source of technology inputs to the province's resource-based industries.

Our latest *Profile* and *Input Indicators* reports are now available.

www.bcstats.gov.bc.ca/data/bus_stat/busind/hi_tech.asp

Manufacturers' Directory 2007

Over 600 pages

Sources, leads, opportunity—whatever you make of it—the 2007 Directory is packed full of current information on more than 4,800 firms operating in British Columbia.

\$45 plus taxes. Order now.

Tel: (250) 387-0359

FAX: (250) 387-0380

Searchable on-line at www.made-in-bc.ca

2007 British Columbia Manufacturers' Directory

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

Released this week by BC STATS

- Consumer Price Index, April 2007
- Quarterly Regional Statistics, 1stQ 2007

• Next week

- Earnings & Employment Trends, April 2007