BRITISH COLUMBIA
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BCStats
Infoline

Contact: bcstats.infoline@gov.bc.ca Issue: 08-45 November 7th, 2008

- **BC's unemployment rate climbs to 5.1% in October; second straight month of job losses**
- **Economy grew 3.0% in 2007**
- **British Columbians reported almost $1. 3 billion in charitable donations in 2007**

Labour Force

- **British Columbia's unemployment rate jumped half a percentage point to 5.1% (*seasonally adjusted*) in October, its highest level in nearly two years.** This was the second straight month in which BC's jobless rate has risen. The Canadian unemployment rate inched up to 6.2% in October, as labour force (+0.2%) growth exceeded a marginal 0.1% increase in the number of people with jobs.

  The increase in BC's jobless rate was driven by a drop in employment (-0.4%, or a loss of 8,300 jobs) combined with a 3,100-strong increase (+0.1%) in the number of people who were either working or looking for work.

  October marked the third straight month in which the number of jobs in the province has either fallen or remained unchanged. Job losses in BC were concentrated in the goods industries, where employment fell 2.4% as the number of people working in construction (-2.8%) and manufacturing (-1.9%) shrank. There were also fewer jobs in forestry, fishing & mining (-3.9%) and in agriculture (-3.4%).

  Workers in the service sector fared better, largely because temporary employment related to the federal election helped fuel an increase in the number of people with jobs in public administration (+6.8%). Education (+2.0%) and finance, insurance & real estate (+1.5%) were the only other service industries to record notable employment gains in October. Transportation staged a modest recovery (+0.2%) following a 2.3% downturn in September. There were fewer people working in retail and wholesale trade (-0.3%), an industry where employment has fallen in five of the last seven months.

  Data Source: Statistics Canada

- **Although full-time employment increased 0.5% (*seasonally adjusted*), the number of people with part-time jobs fell 3.7% in October.** The unemployment rate for young people, aged 15 to 24, rose to 9.6%, more than double the jobless rate for older workers (4.2%). The unemployment rate among those aged 25 and over was a relatively modest 4.2%. The male unemployment rate climbed to 4.6%, while 5.5% of women in the workforce were unemployed.*Data Source: Statistics Canada*

- **Unemployment rates in the regions remained comparatively low, ranging from 4.3% (*3-month moving average, unadjusted*) in Vancouver Island/Coast to 7.7% in North Coast/Nechako.** Vernon (3.5%), Kamloops (4.5%) and Chilliwack (4.8%) were the only mid-sized cities where the jobless rate was below five percent. Victoria's unemployment rate was 3.8%, considerably lower than the 4.5% rate recorded in Vancouver.

  Data Source: Statistics Canada & BC Stats

The Economy

- **British Columbia's economy grew 3.0% in 2007, outpacing the national average of 2.7%.** Revised estimates of gross domestic product (*GDP, chained 2002 dollars*) released this week place BC fourth among the provinces in terms of economic growth last year. Newfoundland (+9.1%) posted the strongest increase of any province, but failed to keep pace with booming economy in NWT (+11.5%) and just barely outstripped Nunavut's growth (+9.0%). Manitoba

Report

Milking the System: Is Canada's Supply Management System an Impediment to Free Trade?

Did you know...

Less than half (46%) of Canadians know that Remembrance Day marks the end of the First World War. *Source: Ipsos Canada*

(+3.3%) and Alberta (+3.1%) were the only other provinces that grew faster than BC in 2007.

BC's economic growth reflected continued strength in consumer demand, which grew 5.2% during the year. Business investment in fixed capital continued to rise, but at a relatively slow pace of 1.4%, as increased investment in new machinery and equipment (+8.8%) and housing (+2.2%) was offset by a drop in spending on non-residential structures (-6.4%). Exports of goods and services slipped 0.3% during the year, while imports (+3.9%) continued to climb. *Data Source: Statistics Canada*

- **The value of building permits issued by BC municipalities fell 2.5% (*seasonally adjusted*) in September.** The decline reflects a significant drop in residential building projects (-14.2%), which outweighed a 29.4% boost in non-residential permits. Kelowna (+10.4%) was the only census metropolitan area in the province to show growth; building intentions in Vancouver (-0.7%), Victoria (-36.6%) and Abbotsford (-48.0%) were off in September. Canadian permits were up 13.4%, on the strength of the non-residential sector in the larger provinces. *Data Source: Statistics Canada*

- **Year-to-date, the value of building permits issued in the province was 5.4% lower than in the first nine months of 2007.** Investment intentions were fairly weak in most regions, with Nechako (-22.8%), Mainland/Southwest (-7.7%) and Vancouver Island/Coast (-4.7%) posting the most notable declines. The only regions where permits were up were North Coast (+22.5%) and Kootenay (+8.3%), each bolstered by increased intentions for residential building projects. *Data Source: Statistics Canada & BC Stats*

- **The province's food services and drinking places industry took in approximately $537 million (*seasonally adjusted*) in August, slightly less (-1.2%) than in July.** Receipts at food service establishments fell 1.2%, while drinking places posted a 7.3% increase.

  Nationally, sales edged up 0.8% to $4.0 billion as full-service restaurants (+1.9%) and drinking places (+3.0%) thrived, outweighing a 0.6% loss in receipts for limited service eating places. All but two provinces saw sales climb in August, with increases ranging from 0.2% in Nova Scotia to 2.7% in Newfoundland. *Data Source: Statistics Canada & BC Stats*

Investment Income

- **The number of taxfilers in BC reporting investment income jumped 7.6% in 2007 as investment income climbed (+20.6%) to nearly $8.2 billion**. The 42% of tax filers in BC reporting investment income was the highest ratio in the country. Among census metropolitan areas, Victoria ($1,020) recorded by far the highest median investment income, followed by Kelowna ($910) and Vancouver ($850).

  Nationally, 38% of tax filers had investment income in 2007 and the number of those investors rose (+8.6%) along with income invested (+12.3%). Every province recorded a rise in both the number and investment earnings of people with investment income. Quebec recorded the biggest increase in investors (+18.7%), while BC saw the most striking increase in investment income (+20.6%). *Data Source: Statistics Canada*

Charity

- **British Columbians reported almost $1.3 billion in charitable donations in 2007, an increase of 7.6% over 2006.** The number of donors in BC also increased, rising 0.5% to nearly 708,500. Twenty-three percent of total tax filers in BC claimed a donation, slightly below the national average of 24%; however, the median amount donated per person in BC ($340) was well above the national median ($250). With 27% of tax filers claiming donations, Manitoba led the country, while at just 10%, Nunavut had the smallest percentage of tax filers that gave to charities last year. Despite the low donor percentage, those that did give to charities in Nunavut were some of the most generous in the country with a median donation of $470.

  Among census metropolitan areas, tax filers in Abbotsford reported by far the highest median donation ($620) in the country. Kelowna was a distant second with a median of $370, slightly ahead of Vancouver ($360). *Data Source: Statistics Canada*

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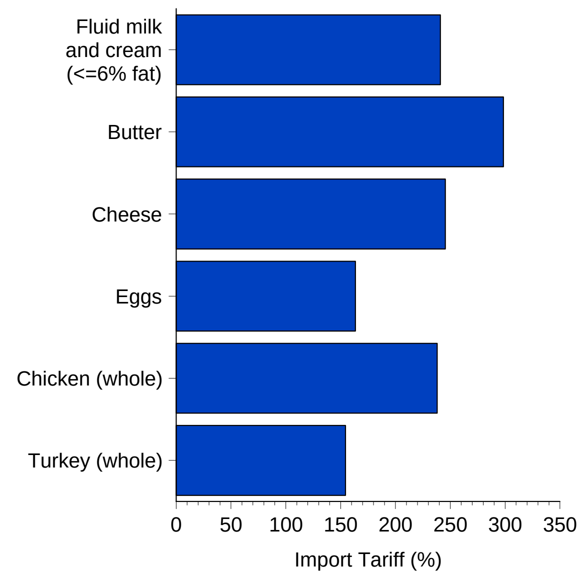
Milking the System: Is Canada's Supply Management System an Impediment to Free Trade?

The Doha round of the World Trade Organization's (WTO) global free trade negotiations has been beset with problems and the latest meetings, which showed some fleeting promise, once again ended without an agreement in place. Essentially, the talks have failed because too many countries refuse to give up protection for industries they deem "sensitive." Many developed nations are refusing to lower tariffs and reduce aid for their agricultural sectors, while developing countries are intent on retaining tariffs on industrial products to protect their nascent industrial industries.

Canada has not been an exception to these protectionist positions, as Canadian negotiators have been given the mandate to protect Canada's supply management system for dairy products, poultry and eggs. In 2005, the House of Commons unanimously passed a resolution that instructed negotiators to defend Canada's supply management system, indicating that the system has all-party support.

This system sets strict quotas on how much of these goods can be produced and determines the price at which they can be sold. Some imports are allowed in very small quantities, but once that threshold is reached, they are subject to prohibitive tariffs. For example, imports of butter over access commitment are subject to tariffs of 298.5%, while tariffs on imports of cheese over the quota amount to 245.5%. Tariffs for fluid milk and cream range from 241% to 292.5%, depending on fat content. For fluid milk with fat content not exceeding 6%, the tariff is 241%, but not less than 34.5 cents per litre. By comparison, in the United States, the import duty for the same good is 0.43 cents per litre. While dairy products generally have the highest tariffs, those for poultry and eggs are also quite prohibitive.

Canadian import tariffs on supply managed goods are extremely high

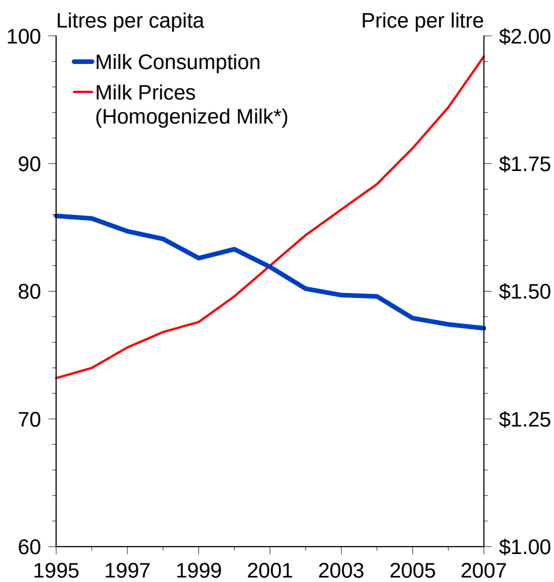


Source: Canada Border Services Agency

Tariffs of this magnitude basically ensure that Canadian producers of these goods will not have to face foreign competition. As a result, the marketing boards can set the price of these products at their discretion, in effect giving them the power of a monopoly. As with any monopoly, the consequence is generally higher prices and less variety for consumers. In a report on Canada's agricultural policies, the Organisation for Economic Co-operation and Development (OECD) confirmed this, stating that "While the ostensible objective of Canada's supply-management systems is to reduce price variability, in practise they have had the effect of sustaining prices above world levels, considerably so for milk."[1] According to the OECD, Canadian consumers pay up to two and a half times as much for butter and cheese than do Americans. The OECD's harsh assessment of this situation is that "Such rents are a blight on the economic landscape and totally unjustifiable in a world of skyrocketing global dairy prices."[2]

An unintended consequence of the high prices for milk and other dairy products is that demand for these goods has fallen. This is a not terribly unpredictable result for anyone familiar with the basic principles of economics.

Predictably, milk consumption has dropped as prices have risen



Source: Statistics Canada
*Note: prices for partly skimmed milk are similar

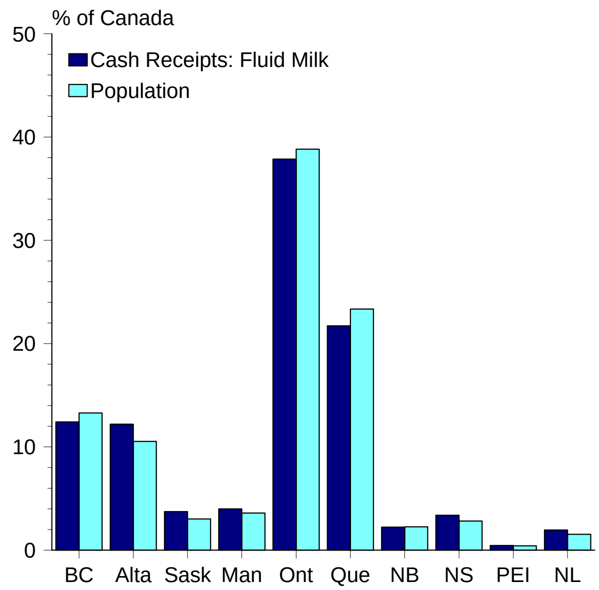
[1] Jarrett, Peter and Kobayakawa, Shuji. (Aug. 2008) Modernising Canada's Agricultural Policies, Economics Department Working Paper No. 629, Organisation for Economic Co-Operation and Development, p. 10.

[2] Organisation for Economic Co-Operation and Development. (June 2008) Economic Survey of Canada, 2008, Policy Brief summary, pp. 9-10.

The cost to the consumer of this type of quota system is not in the higher price tag alone. There is also the issue of a smaller variety of products from which to choose. The supply management system does not encourage innovation as much as a free market model would and the choices for the consumer are fewer as a result. Smaller farming operations that would be able to specialize in products for niche markets cannot afford to buy quota and therefore are not often viable. Another issue, given the growing concern over carbon emissions and the desire to buy more local produce, is that consumers in Canada don't always have the option of buying dairy products that are locally produced.

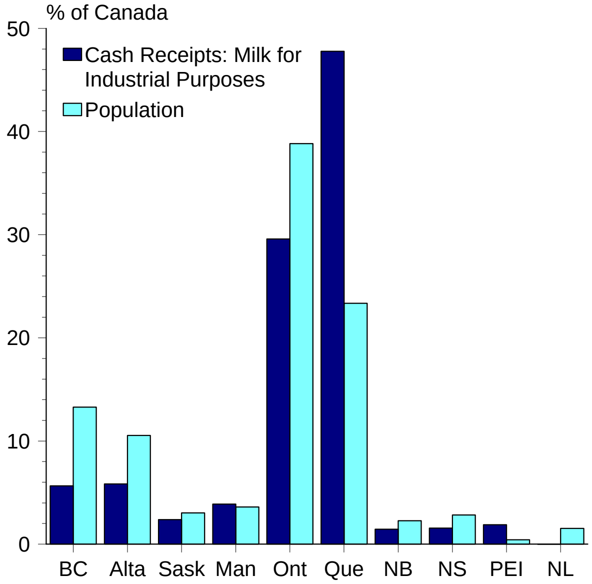
While the quotas for the production of fluid milk are more or less distributed according to population, the same cannot be said for milk used for industrial purposes (i.e., for producing goods such as ice cream, butter, etc.).

Got milk? Fluid milk production in Canada is distributed more or less by population...



Source: Statistics Canada

...but the production of milk for industrial purposes is unevenly distributed



Source: Statistics Canada

Dairy farmers in Quebec, a province with only 23% of the nation's population, produced approximately 48% of the country's milk used for industrial purposes in 2007.

Aside from the obvious drawbacks for consumers, Canada's supply management system may also be hampering efforts to arrive at free trade agreements. During WTO negotiations, Canada was criticized for demanding concessions from other nations while at the same time steadfastly defending its own prohibitive tariffs on supply managed goods.

This criticism did not all come from abroad. The Canadian Agri-Food Trade Alliance (CAFTA), which represents agricultural producers and processors responsible for over 80% of Canada's agriculture and food exports and more than 60% of farm cash receipts, claims that Canada's supply management system is harming more farmers than it helps. Canada's support of allowing exceptions for sensitive products is counterproductive for a country so dependent on exports. "In the rest of the world, sensitive products are largely meat and grains, which are the most important agricultural goods produced in Canada and exported. Any lowering of ambition on sensitive products would be a major loss for Canada's agriculture and agri-food sector."[3]

An examination of export figures shows that CAFTA has reason for concern. In 2007, exports of dairy, poultry and eggs comprised only 2.0% of total Canadian agri-food exports and these goods accounted for only 20% of overall farm cash receipts. An independent analysis of the proposed new WTO rules suggested that they could add an additional $3 billion per year to Canadian agricultural exports, implying that each day without an agreement is costing Canada's agri-food industry approximately $10 million.[4] Add to this the cost to Canada's exporters of non-agricultural goods and services and it would appear that Canada may be sacrificing billions of dollars in potential export revenue by refusing to budge on the tariffs protecting Canada's supply managed goods.

The supply management system may also be hurting some of those very farmers it seeks to protect. According to the OECD, "It is likely that the refusal to open the supply-management regimes is penalising these sectors by reducing their ability to compete in international markets. International evidence also underlines the fact that liberalising the dairy sector would be beneficial to Canada's economic performance both by improving within-sector productivity growth and by accelerating resource reallocation to more productive sectors."[5] The Montreal Economic Institute also weighs in, suggesting that "By protecting inefficient

[3] Darcy Davis, President of CAFTA, as quoted in "WTO Proposal on Agriculture Essential to Future of Canadian Farmers," CAFTA media release, July 10, 2008. Retrieved September 30, 2008 from www.cafta.org.

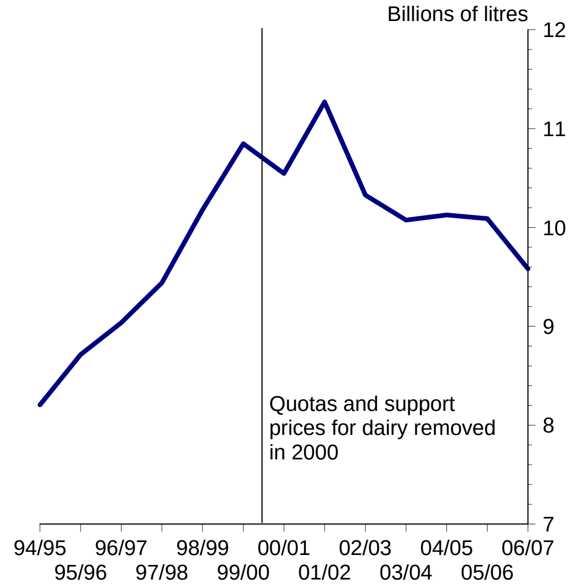
[4] George Morris Centre figures, as quoted in CAFTA media release, July 10, 2008

[5] Jarrett and Kobayakawa, p. 14.

producers, the current system makes the Canadian industry less competitive."[6]

Despite these arguments, there are still those that maintain that supply management is necessary to ensure that Canada maintains domestic production of these goods. However, the reasons for maintaining Canada's supply management system (without it, domestic production of those goods would fall dramatically; the supply of those goods would become unstable; retail prices would not drop such that farmers would lose revenue without any benefit to consumers) have been disproved in both New Zealand and Australia, where similar supply management systems for their dairy industries were dismantled. New Zealand has a thriving dairy industry and is a leading exporter of dairy products. In Australia, retail prices for milk have fallen substantially and milk production per farm has increased (note that drought conditions affected overall production in Australia somewhat as a number of farms went under, but levels are still higher than in the decade preceding deregulation).

Despite dismantling supply management for dairy, milk production in Australia did not drop appreciably



Source: Dairy Australia

There are a number of arguments in favour of phasing out Canada's supply management system: Consumers would likely benefit from fairer prices and greater choice, efficient producers of dairy, poultry and eggs would have more opportunities to expand their markets, and Canadian free trade negotiators would have more leverage to seek tariff reductions from other countries, which would ultimately help all Canadian exporters. In addition, as the OECD points out, "Even if reform can be staved off for the moment, it is ultimately inevitable. If successful, the Doha Round will lead to a reduction in over-quota tariffs. The adjustment will be more difficult if the current high over-quota tariffs are maintained…The earlier the reforms are put in place, the more gradual the transition will be."[7]

[6] Montreal Economic Institute. (Jan. 2006) "Reforming dairy supply management in Canada: the Australian example."

[7] Jarrett and Kobayakawa, p. 14.

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Email transmission information service from BC Stats

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

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BC at a glance . . .

POPULATION (thousands)	Jul 1/08	% change on one year ago
BC	4,381.6	1.7
Canada	33,311.4	1.2
GDP and INCOME (Revised Nov 6)		% change on one year ago
(BC - at market prices)	2007	
Gross Domestic Product (GDP) *($ millions)*	192,528	5.4
GDP *($ 2002 millions)*	164,583	3.0
GDP *($ 2002 per Capita)*	37,574	1.6
Personal Disposable Income *($ 2002 per Capita)*	24,878	3.3
TRADE ($ millions, seasonally adjusted)		% change on prev. month
Manufacturing Shipments - Aug	3,314	-2.1
Merchandise Exports - Aug	2,903	3.4
Retail Sales - Aug	4,742	-0.9
CONSUMER PRICE INDEX	% change on one year ago	12-month avg % change
(all items - Sep 2008)		
BC	3.3	2.0
Vancouver	3.5	2.2
Victoria	2.9	1.5
Canada	3.4	2.5
LABOUR FORCE (thousands)		% change on prev. month
(seasonally adjusted)	Oct '08	
Labour Force - BC	2,434	0.1
Employed - BC	2,311	-0.4
Unemployed - BC	123	10.1
		Sep '08
Unemployment Rate - BC *(percent)*	5.1	4.6
Unemployment Rate - Canada *(percent)*	6.2	6.1
INTEREST RATES (percent)	Oct 29/08	Oct 31/07
Prime Business Rate	4.00	6.25
Conventional Mortgages - 1 year	6.35	7.25
- 5 year	7.20	7.44
US-CANADA EXCHANGE RATE	Oct 29/08	Oct 31/07
(avg. noon spot rate) Cdn $ per US $	1.2308	0.9499
(closing rate) US $ per Cdn $	0.8163	1.0585
AVERAGE WEEKLY WAGE RATE		% change on one year ago
(industrial aggregate - dollars)	Oct '08	
BC	795.65	6.2
Canada	793.76	3.9

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

Data and Health Mapping Browser

A new thematic mapping tool on our site will display a wide selection of BC Stats' data holdings. For a fee, BC Stats can create similar mapping tools for your organization using your own data for display on our site.

www.bcstats.gov.bc.ca/data/pop/maps/browsers.asp

2008 Small Business Profile

The 2008 edition of the Small Business Profile is now available. This report offers information on small business in British Columbia, including counts of establishments, employment, revenue, GDP and exports.

www.bcstats.gov.bc.ca/data/bus_stat/busind/sm_bus.asp#sbp

2008 High Technology Input Indicators

The 2008 edition of the Input Indicators of the British Columbia High Technology Sector is now available. This report looks at the inputs to high tech and can be considered a companion report to the Profile of the BC High Technology sector, which examines the sector's outputs.

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

Released this week by BC Stats
- Earnings & Employment Trends, Sept. 2008

Next week
- Tourism Sector Monitor, October 2008
- Labour Force Statistics, September 2008
- Exports, September 2008

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