BRITISH COLUMBIA
The Best Place on Earth
BCStats
Infoline

Contact: bcstats.infoline@gov.bc.ca *Issue: 09-04* *January 30th, 2009*

- **Lumber production at BC mills down 16.6% in November**
- **Canadians taking more trips on urban transit**
- **Eight out of ten British Columbians played a lottery; one in three visited a casino in 2007/08**

The Economy

- **The number of British Columbians receiving regular employment insurance (EI) benefits was 46,120 in November, 4.0% higher (*seasonally adjusted*) than the previous month.** All provinces and territories recorded a rise in the number of recipients, such that the number of beneficiaries nation-wide increased by 3.1% (to reach 506,320). The most substantial upturn was in Alberta (+7.3% from October).
Data Source: Statistics Canada

- **Sawmills and planing mills in the province produced 16.6% less lumber in November than in the same month in 2007.** Mills in the Interior slowed their output by 14.8%, while production at coastal mills was down more substantially (-29.5%). Canadian lumber production slipped 18.2%, due to significant downturns in all of the nation's lumber-producing provinces. *Data Source: Statistics Canada*

- **Sales in the province's food services and drinking places industry reached $677 million (*seasonally adjusted*) in November, up 2.6% from the previous month.** Receipts at food service establishments rose 2.0%, while drinking places (+7.9%) posted a more substantive increase.

  Nationally, sales climbed 1.2% to $4.1 billion as full-service restaurants, where patrons order and pay for meals at their table, continued to thrive (+3.1%). On the other hand, receipts from drinking places were comparatively flat (+0.1%). All but two provinces saw sales climb in November, with increases ranging from 0.2% in Ontario to 2.6% in BC.
Data Source: Statistics Canada & BC Stats

Travel

- **In the peak holiday month of December, Vancouver International Airport was the second-busiest airport in the country, after Toronto's Pearson Airport.** Last month, 22,834 aircraft took off or landed in Vancouver, compared to 32,909 in Toronto. The third-busiest airport was Calgary International, with 19,007 aircraft arrivals and departures. The 41 largest Canadian airports (with NAV CANADA air traffic control towers) reported 265,988 aircraft take-offs and landings in December down 11.4% compared with December 2007. Year-over-year increases in aircraft movements were reported by only 9 of these airports in December 2008. *Data Source: Transport Canada*

- **As fuel prices continue to fluctuate, Canadians continue to take more trips on urban transit systems**. In November, combined ridership on the country's ten largest urban transit systems (accounting for 80% of total urban transit in Canada) was higher (+1.2%) than the same month last year. Approximately 127 million passenger trips were taken on these systems, generating $211 million in revenue, a solid increase (+4.2%) over November 2007.
Data Source: Statistics Canada

Lottery and Gambling

- **In the 2007/2008 fiscal year, approximately 81% of British Columbians aged 19 or older played a lottery, 32% visited a BC casino and 8% visited a provincial commercial bingo hall.**
In terms of player characteristics, 51% were female and most (73%) were aged 35 or older. Just over half (51%) were from households with annual incomes of $60,000 or greater, and more

Report Import Content of BC's Exports

Did you know…

Most (85%) British Columbians claim to live a healthy lifestyle. *Source: Ipsos Canada*

than two thirds (69%) were educated at the post-secondary level.

The British Columbia Lottery Corporation (BCLC) generated $2.6 billion in revenue from the province's casinos, lotteries and bingo halls in 2007/08. From this revenue, approximately $647 million was paid out to lottery and bingo winners, and a further $557 million went to commissions & service fees, taxes and other operating-related expenses. Of the remaining net income (just over $1 billion), most went to the provincial government, with more than half going into consolidated revenue ($678 million). Charitable & community organizations received $146 million. The British Columbia Lottery Corporation employed the equivalent of 638 full-time employees over the last fiscal year.

Data Source: British Columbia Lottery Corporation

Civil Court

- **Civil courts in BC handled approximately 171,500 cases in 2007/08, up considerably (+5.0%) from the previous year.** The caseload at civil courts, which deal primarily in disputes between two parties, was also notably higher in Ontario (+2.0%). In most jurisdictions, 'general' civil cases, such as those involving bankruptcy or motor vehicle injury, make up the bulk of the caseload, while 'family' cases, including those related to divorce, child custody and spousal support, represent the remaining share of cases before the country's civil courts. *Data Source: Statistics Canada*

Language & the Workplace

- **At the time of the 2006 Census, nearly 831,000 people in the nation's labour force used a language other than English or French on a regular basis in their job.** This represents nearly one in twenty (4.5%) workers and, though still a relatively small share of the overall workforce, corresponds to a notable increase over the proportion recorded in 2001 (4.4%). In 2006, 611,400 of workers using non-official languages were immigrants and nearly three-quarters (70%) of these immigrants were already Canadian citizens. There are minimal differences with respect to gender; however, older immigrants are more likely to use a language other than English or French at work. Non-official languages most commonly spoken in the workplace include Cantonese, Mandarin, Punjabi and Spanish.

Data Source: Statistics Canada Cat. #11-008-XIE

The Nation

- **The Canadian economy slowed significantly (–0.7%, *seasonally adjusted*) in November, posting the biggest monthly decline since August 2003, and shrinking for the third time in the last four months.** Production fell in almost all major sectors, with wholesale trade (-3.1%), manufacturing (-2.1%) and construction (-1.2%) contributing most to the overall decline. Accommodation and food services (+0.3%) and agriculture, forestry, fishing and hunting (+0.3%) were among the few sectors to show slight increases in November. Overall, output in the goods sector (-1.3%) continued to show significant weakness, while services-producing industries (-0.4%) were also off.
Data Source: Statistics Canada

- **Canadian manufacturers' prices were 2.5% higher in December 2008 than in the same month of 2007.** Motor vehicle & other transportation equipment continued to have a strong influence on the 12-month change, climbing 13.4% from December 2007. Prices for most other commodities, including pulp & paper products (+15.2%), were also up, but falling prices for petroleum & coal (-28.1%) and primary metals (-5.9%) tempered the overall decline. Excluding petroleum & coal products, the Industrial Product Price Index (IPPI) would have jumped 6.5% instead of just 2.5%. The depreciation of the Canadian dollar also muted the increase in producer prices, such that without the exchange rate effect, producer prices would have fallen 4.1% in December.

Mostly due to the declining value of the dollar, BC softwood lumber prices also climbed (+8.6%) as producers of Interior (+10.2%) and Coastal (+5.0%) lumber continued to receive substantially more for their products. Prices for BC pulpwood chips, on the other hand, were down (-1.1%). *Data Source: Statistics Canada*

Infoline *Issue: 09-04*
January 30th, 2009

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Originally published in
Exports Issue 08-10

Import Content of BC's Exports

One measure that is often used to gauge economic health of a region is the ratio of exports to GDP. The rationale for this is that exports create jobs and increase income by expanding the marketplace for locally produced goods and services. If a significant portion of the economy is derived from exports, this means that producers have a more diversified market for their goods and services and are exposed to less risk from downturns in either the local economy or in the economy of any one of the other markets for their products.

The problem is that comparing gross exports to GDP is like comparing apples to oranges. GDP measures only the value-added content of output, whereas gross exports are a measure of the total value of the goods and services traded, regardless of where the intermediate inputs were produced. In order to do a true comparison, only the value-added content produced in the exporting region should be included. In other words, the import content of the exports should be removed.

Statistics Canada has produced a number of papers examining this exact issue and has developed a methodology to measure the import content of exports using Input-Output tables.[1]

The report produced in June 2003 (Ghanem and Cross) did a provincial comparison of the import intensity of exports, but only the data for Canada as a whole has been updated since that time by Statistics Canada. However, the BC Progress Board recently commissioned BC Stats to produce updated data for BC using the latest available data (2004 is the latest available year for data from the Input-Output tables).[2]

The results of the BC Stats study indicate that, in 2004, the import content of goods and services exported from BC to international destinations was 16.6%. Using the traditional measure of gross exports as a percent of GDP yields a figure of 29.0%, but when the import content is removed and value-added exports as a percent of GDP are examined, the number drops to 24.2%, almost five percentage points lower than the gross export ratio. The difference has been fairly consistent, ranging between 5 and 6 percentage points, although since peaking in 2000 at 6.4 percentage points, it has been shrinking. This is mainly due to the fact that the import content of exports has been reduced. In fact, the 16.6% figure recorded in 2004 was the lowest in the nine-year period studied. The peak occurred in 1999 when 19.0% of BC's exports were comprised of imported content.

[1] Statistics Canada's Input-Output tables consist of three large matrices: an output matrix with the commodities that each industry produces, an input matrix that specifies the inputs needed to produce those outputs and a final demand matrix that looks at the consumption of these goods by various end users, including personal use by residents, export markets and capital expenditures by business and government. The reports produced by Statistics Canada on the input content of exports give more detail on the methodology:

G. Cameron and P. Cross, "The Importance of Exports to GDP and Jobs." Canadian Economic Observer, Statistics Canada Catalogue 11-010-XPB, Nov. 1999.

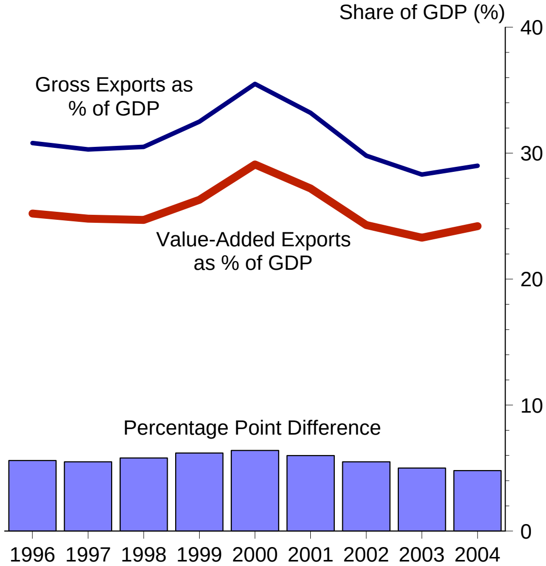
P. Cross, "Cyclical Implications of the Rising Import Content in Exports." Canadian Economic Observer, Statistics Canada Catalogue 11-010-XPB, Dec. 2002.

Z. Ghanem and P. Cross, "The Import Intensity of Provincial Exports." Canadian Economic Observer, Statistics Canada Catalogue 11-010-XPB, June 2003.

P. Cross and Z. Ghanem, "Tracking Value-Added Trade: Examining Global Inputs to Exports." Canadian Economic Observer, Statistics Canada Catalogue 11-010-XPB, Feb. 2008.

[2] Garry Horne, "The Import Content of Exports: A British Columbia Perspective." BC Stats, July 2008.

After taking into account the import content of exports, the value-added exports' share of GDP is 5 to 6 points lower than that of gross exports



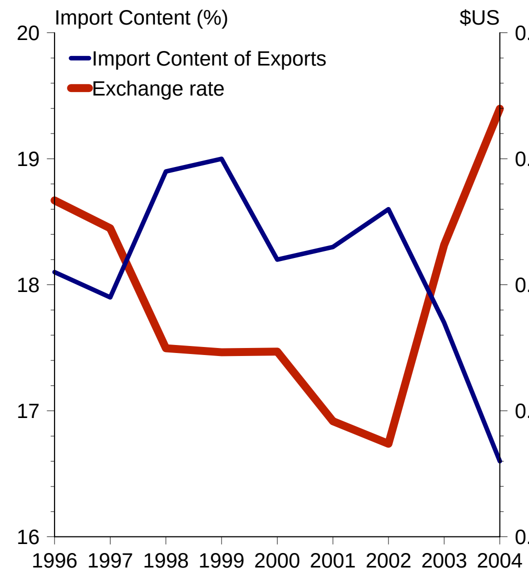
Source: BC Stats

The results for British Columbia appear to contradict expectations. One might predict that the import content would increase as the Canadian dollar rises, since imports from the United States are cheaper. The higher dollar means that exports priced in Canadian currency are more costly to customers in the US, or conversely, that exports priced in US dollars will bring a smaller return to Canadian companies when the revenue is converted into Canadian money.

In order to remain competitive when the Canadian dollar appreciates, Canadian exporters have to boost their productivity. One way to do this is to increase efficiency by making capital improvements; therefore, one might expect that as imports of US-made equipment and technology become less expensive to Canadian businesses, these imports would climb. If exporting companies increase their imports of goods and services, then the import content of their exports is likely to increase. However, this has not been the case.

In fact, the exact opposite appears to be happening. The import content of BC's exports has been falling when the dollar was rising and increasing when the dollar was dropping.

Contrary to what one might expect, the import content of BC's exports appears to fall as the Canadian dollar rises

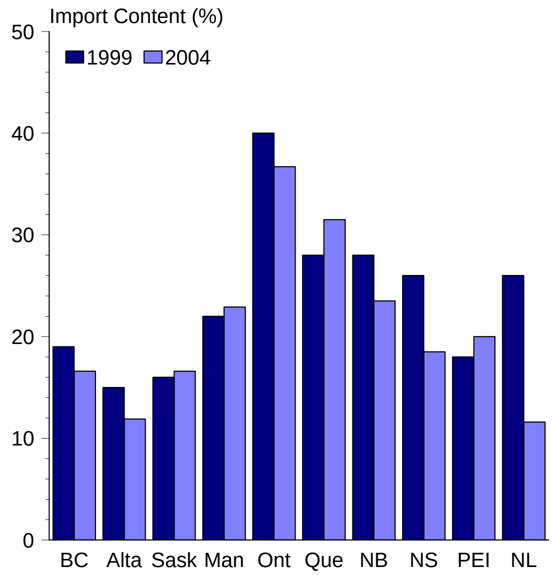


Source: BC Stats

The explanation for this apparent contradiction may lie in the structure of BC's economy. The majority of BC's goods exports are comprised of resource-based materials. The analysis from both Statistics Canada and BC Stats shows that resource industries generally have a far smaller proportion of import content in their exports compared to manufacturers. There are a couple of reasons for this. For one, resource goods have a far simpler production system, with fewer discrete processes and, therefore, it is not as amenable to outsourcing portions of production. Secondly, most of the raw materials are available within the province and do not have to be imported. One significant exception is in the production of primary metals, where the availability of inexpensive electricity makes the province a good place to build a smelter, but often the ore is imported from elsewhere. A prime example of this is the aluminum smelter located in Kitimat, which imports alumina ore from Australia and transforms the ore into aluminum.

The influence of resources in the economies of certain provinces can clearly be seen when comparing the import content of their exports. Manufacturing-intensive provinces such as Ontario and Quebec have far more import content compared to resource-rich provinces such as BC and Alberta.

Manufacturing-intensive provinces tend to have more import content in their exports



Sources: 1999 data - Statistics Canada; 2004 data - BC Stats

The results of Statistics Canada's study using 1999 data and BC Stats' more recent analysis is reasonably consistent, with the notable exception of Newfoundland and Labrador.[3] The reason for the steep decline in import content in that province is almost certainly related to the oil refining industry. In 2002, production from the Terra Nova oil project came on-stream, which reduced the need for imported oil from elsewhere to be used in Newfoundland and Labrador's oil refineries.

So we've seen that provinces in which the resource sectors play a major role are less likely to have import content in their exports, but how does this explain the fact that, in BC at least, the import content of exports declines as the Canadian dollar appreciates instead of vice versa? The most likely explanation resides in the elements that drive the exchange rate. Generally, when commodity prices rise, the Canadian dollar follows. The high prices for commodities such as metals and energy products have had a strong influence on the value of the Canadian dollar in the last few years and were instrumental in the dollar's rise to par with its American counterpart. At the same time, the composition of BC's exports has shifted toward a greater proportion of products from resource industries. The mining, oil and gas industry, in particular, has seen strong growth in exports in the last several years. The import content of exports in this industry is significantly lower (10% compared to 17% overall), such that a shift toward more exports from this industry will naturally drive down the import content of overall exports.

In other words, the rise of the dollar happens to often coincide with higher demand for resource goods, which in turn boosts BC's exports of these goods. As a result, the import content of BC's exports tends to fall when the dollar rises simply because exports shift to commodities with lower import content to begin with.

Given the continued strength in demand for outputs from the mining, oil and gas industry and the subsequent increase in exports of these goods, it is probable that BC's overall import content of exports has fallen even further since 2004. Another factor that could be driving down the import content is the increasing importance of services in the economy as they generally have much lower import content. Although service exports are only about a fifth the value of goods exports, they have been growing as a share of overall exports.

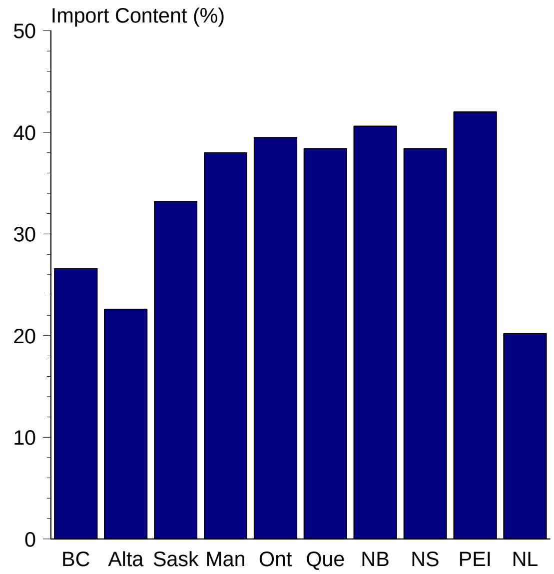
[3] Note that the data for provinces other than BC in the BC Stats report should be used with caution, since they are based on a more limited data set and may be subject to larger variance. For more information see Appendix A in Garry Horne's report.

While international exports are most often the focus of analysis, it is important to look at interprovincial trade as well. Based on the BC Stats analysis, BC has significantly less import content in its total exports (international plus interprovincial) compared to most provinces. Only oil-rich Alberta and Newfoundland and Labrador have lower import intensity in their exports.[4] For both of these provinces, a significant portion of their interprovincial exports are mineral fuels, which have very little import content. For British Columbia, services play a larger role in interprovincial exports than in most provinces, which is one of the reasons for the lower import intensity of its overall exports.

It is clear that British Columbia has less import content in its exports, but is this a good thing? Although it is not clear cut, the answer may be that it is not a good thing. The author's of the first Statistics Canada report referenced earlier suggest, "The importance of trade to the economy does not come from an excess of exports over imports: rather, it is from the productivity gains that accrue with increased specialisation."[5]

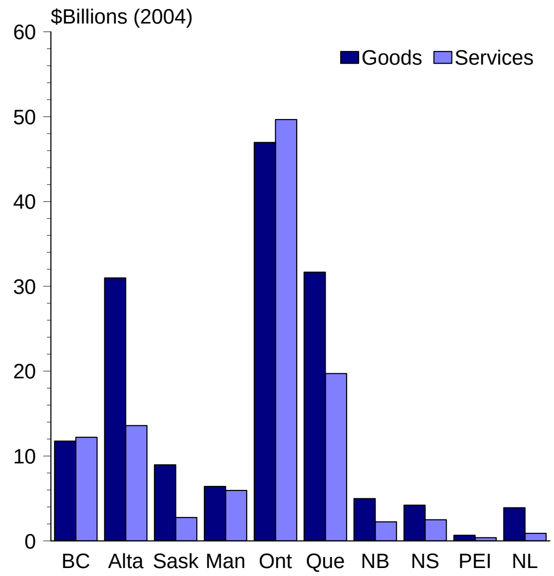
The low import content in BC's exports could signal that producers in BC are not taking full advantage of opportunities for outsourcing, which could be resulting in less than optimal productivity.6 It is also a reflection of the nature of BC's resource-centred economy and could indicate that BC should be looking to add more value to its resource products before shipping them abroad.

BC has one of the lowest ratios of import content in total exports (including interprovincial exports)



Source: BC Stats

Services are a larger part of BC's interprovincial exports than for most provinces



Source: Statistics Canada

[4] Once again, the data for other provinces are prone to more error given the limitations of the data available to BC Stats and should be considered rough estimates.

[5] Cameron and Cross (Nov. 1999), p. 3.3.

[6] Overall productivity in BC has been shown to be lower than average compared to the rest of the country. For example, see Lillian Hallin, "Labour Productivity: BC's Achilles Heel?" Business Indicators, Issue 08-06, BC Stats, June, 2008.

Infoline

January 30, 2009
Issue 09–04

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

BC at a glance . . .

POPULATION (thousands)	Oct 1/08	% change on one year ago
BC	4,405.5	1.6
Canada	33,441.3	1.2
GDP and INCOME (Revised Nov 6)		% change on
(BC - at market prices)	2007	one year ago
Gross Domestic Product (GDP) *($ millions)*	192,528	5.4
GDP *($ 2002 millions)*	164,583	3.0
GDP *($ 2002 per Capita) (reflects revised pop)*	38,184	1.4
Personal Disposable Income *($ 2002 per Capita)*	25,282	3.1
TRADE ($ millions, seasonally adjusted)		% change on prev. month
Manufacturing Shipments - Nov	3,278	-3.6
Merchandise Exports - Nov	2,915	-4.3
Retail Sales - Nov	4,543	-3.1
CONSUMER PRICE INDEX	% change on	12-month avg
(all items - Dec 2008)	one year ago	% change
BC	1.2	2.1
Vancouver	1.3	2.4
Victoria	1.2	1.8
Canada	1.2	2.3
LABOUR FORCE (thousands)		% change on
(seasonally adjusted)	Dec '08	prev. month
Labour Force - BC	2,433	0.1
Employed - BC	2,303	-0.3
Unemployed - BC	130	9.0
		Nov '08
Unemployment Rate - BC *(percent)*	5.3	4.9
Unemployment Rate - Canada *(percent)*	6.6	6.3
INTEREST RATES (percent)	Jan 21/09	Jan 16/08
Prime Business Rate	3.00	5.75
Conventional Mortgages - 1 year	5.00	7.35
- 5 year	5.79	7.49
US-CANADA EXCHANGE RATE	Jan 21/09	Jan 16/08
(avg. noon spot rate) Cdn $ per US $	1.2741	1.0286
(closing rate) US $ per Cdn $	0.7963	0.9769
AVERAGE WEEKLY WAGE RATE		% change on
(industrial aggregate - dollars)	Dec '08	one year ago
BC	796.71	5.4
Canada	796.28	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

Provincial Electoral District Profiles

We have just completed a series of profiles for each of the 85 electoral districts that will be contested in the provincial general election scheduled for May 12, 2009. Based on the 2006 Census; 27 pages each.

www.bcstats.gov.bc.ca/data/cen06/profiles/peds/ped_06.asp

RSS feed for Infoline

Infoline now has its very own RSS feed!

www.bcstats.gov.bc.ca/rss/rss.asp

The Import Content of Exports: A British Columbia Perspective

A new study examining the import content of British Columbia's exports has been released. The removal of the import content allows for better comparison with GDP and provides insights into the value-added content of exports and the extent that firms are outsourcing production in an attempt to lower costs.

www.bcstats.gov.bc.ca/data/bus_stat/trade.asp#ICE

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

Released this week by BC Stats

- Business Indicators, January 2009
- Current Statistics, January 2009

Next week

- Tourism Sector Monitor, January 2009
- Labour Force Statistics, January 2009
- Earnings & Employment Trends, January 2009

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