

- Inflation rate rises to 1.4% in January
- Shipments of manufactured goods fall 8.7% in December; 6.1% in 2008
- Wholesale sales slip 1.2% in 2008, 6.1% in December alone

Prices

- **Consumer prices in British Columbia rose 1.4% in January, a modest increase from the 1.2% registered in December, bringing to an end the slowdown in inflation begun in October.** While energy costs continued to fall (-7.4%), prices for food (+7.0%) remained on an upward trend. Excluding the dampening effect of lower energy prices, the increase in the Consumer Price Index (CPI) for BC would have been 2.0%.

Food prices shot up (+7.0%) as grocery bills (+8.6%), especially for dairy products (+7.0%), fruits (+9.8%) and vegetables (+18.9%), continued to rise. Higher prices associated with homeownership, including maintenance (+5.1%), utilities (+3.5%) and communications (+0.5%), were all contributors to an increase in shelter (+1.8%) and household operation (+1.9%) costs. Health & personal care (+2.9%) and alcohol & tobacco (+2.5%) products took a larger slice of the household budget, as did recreation, education & reading materials (+0.6%). Transportation costs, however, were down for the third straight month (-4.4%), the result of falling gasoline prices (-14.8%).

Inflation rose in BC's two largest metropolitan areas. Vancouver saw price levels rise 1.6% while consumers in Victoria faced a price-hike of 1.5%, both above the provincial average.

Data Source: Statistics Canada

- **Canada-wide, the CPI rose 1.1% in January with lower prices for both gasoline (-23.5%) and motor vehicles (-8.2%) checking the upward pressure from increased food (+8.6%) and shelter costs (+3.3%).** Consum-

ers in much of Atlantic Canada saw prices drop with New Brunswick (-0.5%), Nova Scotia (-0.1%) and PEI (-0.1%) all recording lower price levels. Saskatchewan saw prices increase sharply (+2.4%) while Alberta saw inflation slow to 1.2%. *Data Source: Statistics Canada*

The Economy

- **Shipments of manufactured goods in British Columbia ended 2008 on an especially sour note, falling 8.7% (seasonally adjusted) in December, the largest monthly decline in more than seventeen years.** Nearly every industry in the sector recorded declining sales, but the lion's share of the drop belonged to the beleaguered wood products industry (-19.4%), which saw another month of double-digit declines, as well as the non-metallic mineral (-30.2%) and primary metal (-29.0%) industries. Fabricated metals (-6.6%), machinery (-5.8%) and computer & electronics (-11.4%) makers registered back-to-back months of declining sales, while transportation equipment (-6.0%), which managed to inch ahead in the previous month, joined the ranks of producers who saw business shrink in December. All told, durable goods manufacturers experienced a 15.9% drop in shipments.

Despite the fact that shipments of paper products (+5.1%) recovered some of the ground lost in the previous month, the weight of slower sales of plastics & rubber (-7.0%), beverage & tobacco (-1.0%) and food (-0.9%) products was enough to drive total shipments of non-durables (-0.3%) into its third straight decline.

Did you know...

Due to the ongoing economic downturn,
three in ten (28%) Canadians intend to delay their retirement.

Nationally, shipments tumbled 8.0% in December. With the exception of PEI (+2.3%), every province posted lower sales ranging from a drop of 14.2% in Nova Scotia and Saskatchewan to 2.4% slump in Manitoba. Lower sales of petroleum & coal products were key in explaining retreating shipments in Ontario (-9.2%), Alberta (-8.5%) and Quebec (-5.3%).

Data Source: Statistics Canada

- **Wholesale activity in British Columbia fell 6.1% (seasonally adjusted) in December, the largest month-over-month decrease recorded since April 2003.** Weaker sales in food products (-3.5%), machinery & equipment (-5.6%) and building materials (-3.1%) were largely responsible for the decrease while a sharp drop registered by wholesalers of lumber & millwork (-7.9%) and computer & electronic equipment (-14.3%) was also a contributing factor.

Nationally, wholesale sales were off 3.4% in December with all ten provinces reporting a drop in activity. Lower sales of machinery & equipment (-4.5%) and motor vehicles (-5.0%) also explained the decline at the national level.

Data Source: Statistics Canada & BC Stats

2008 in Review

- **Manufacturers in British Columbia posted a 6.9% drop in sales in 2008, continuing the downward trend started a year earlier.** However, while the slump in manufacturing sales in 2007 was concentrated in a few key industries, the downturn registered in 2008 was far more widespread. Sales in the wood products industry (-16.2%) deteriorated once again as it experienced a fourth consecutive annual drop in sales. Similarly, producers of transportation equipment (-13.3%), machinery (-12.9%) and primary metals (-11.1%) all suffered double-digit declines, leaving shipments of durables off 9.7%. Weaker sales of paper (-7.7%), printing (-6.3%) and plastic & rubber (-15.2%) products pulled non-durable shipments 3.4% lower.

Nationally, seven provinces recorded increased shipments, including double-digit increases in Newfoundland & Labrador

(+26.2%), Saskatchewan (+17.8%) and New Brunswick (+14.4%). These gains, however, were not enough to outweigh slumping sales figures from both British Columbia (-6.9%) and Ontario (-4.6%).

Data Source: Statistics Canada

- **Wholesale sales slipped 1.2% in 2008, the first annual decline in more than a decade.** Roaring pharmaceutical sales (+18.1%) and a jump in the computer (+9.0%) and food (+5.6%) industries were not enough to offset substantially slower activity by wholesalers of lumber & millwork (-13.9%), motor vehicles (-12.8%) and machinery & equipment (-8.9%). Strong sales in the Prairies and Atlantic Canada pushed the national total 2.7% higher in 2008.

Data Source: Statistics Canada

Health

- **Between the mid-1990s and 2005, the incidence of obesity among Canadians aged 18 to 64 rose from 12.5% to 15.7%.** Obesity was most prevalent among those aged 55 to 64, where more than one-fifth (21%) were considered obese. Income was a significant determining factor with low-income men, in fact, being less likely to be obese than their high-income counterparts. Conversely, low-income women were more likely to be obese than those earning high levels of personal income. Obesity was also linked to elevated levels of work-related stress, which translated into reduced work activity and more disability days taken.

Data Source: Statistics Canada

The Nation

- **Canada's composite index of leading indicators continued to fall, sliding 0.8% in January.** With both existing home sales and housing starts falling sharply, the housing index plummeted 7.0%, the largest monthly decline measured in nearly two decades. Manufacturing indicators show the extent of the downturn in demand as new orders fell 3.6% in turn with reports of shrinking trade. South of the border, the US leading indicator fell for the 17th straight month.

Data Source: Statistics Canada

*Infoline Issue: 09-07
February 20, 2009*

Seasonal Patterns of Migration

Many time-series data demonstrate regular, periodic and predictable changes or fluctuations that re-occur every year or sometimes every month. This happens frequently in business and economic data. For example, retail sales are inclined to peak during the Christmas season and then slip after the holidays.

If seasonality is present, it must be incorporated into a time series model in order to detect the general direction of a time series' recent movement. Therefore, seasonal adjustment is applied to such series to produce data where the values of adjoining months are usually easier to compare.

Migration, including both interprovincial and international mobility, is a seasonal phenomenon. There are often large flows of people in the summer months and smaller numbers in the winter months. In order to reveal the underlying trends, seasonality must be removed from the migration data.

Inter-Provincial Migration

Although the four components of migration (immigration, emigration, interprovincial in and out) all peak in the third quarter, interprovincial movements show more seasonality than international mobility partly because of the degree of impacts resulting from administrative actions. Interprovincial migration is more likely to be affected by social and economic factors, such as the desire for families with school age children to move when the children are between school years; the wish to avoid bad winter weather for longer moves using ground transportation; and the avoidance of moves during peak tourism periods and so forth.

According to Statistics Canada, in the five year period from 2003 to 2007, over 40% of all moves in BC occurred between July and September, with slightly lower proportions of moves in August and September, which may possibly be caused by the popularity of August and September as vacation and tourism months. Relatively strong movements also take place in the second quarter with weaker migration in the last and first quarters.

Figure 1: Monthly Interprovincial In - Migration to B.C.

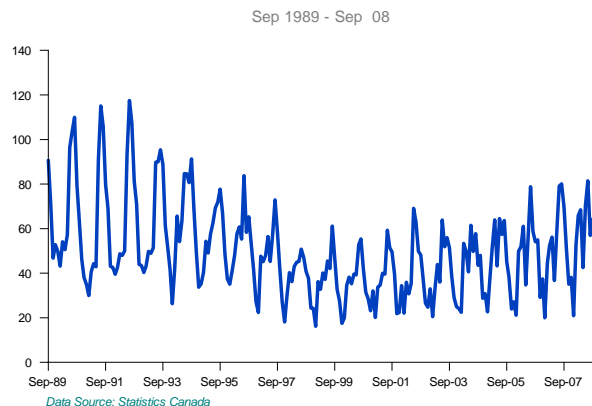
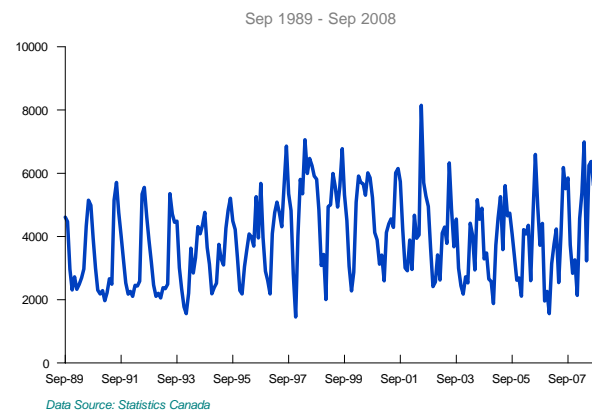


Figure 2: Monthly Interprovincial Out - Migration from B.C.



International migration – Immigration and Emigration

International migration is not as seasonal as interprovincial activities. Although the most common period for international moves still occurs in the third quarter of the year, movements in other quarters of the year are not much different from one another. In 2007, more than 31% of immigrants landed in B.C. in the third quarter, and first, second and last quarters each shared a similar percentage of the total landed immigrants.

Figure 3: Monthly Immigration (B.C.)

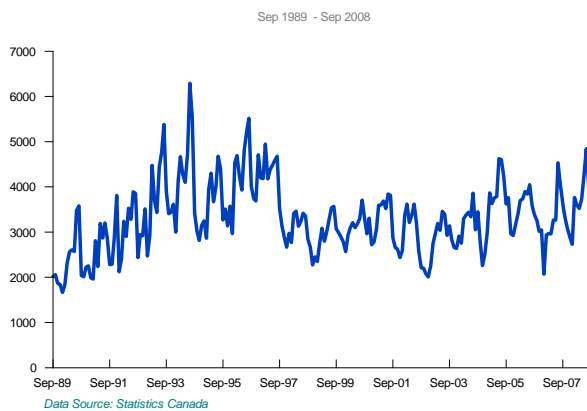
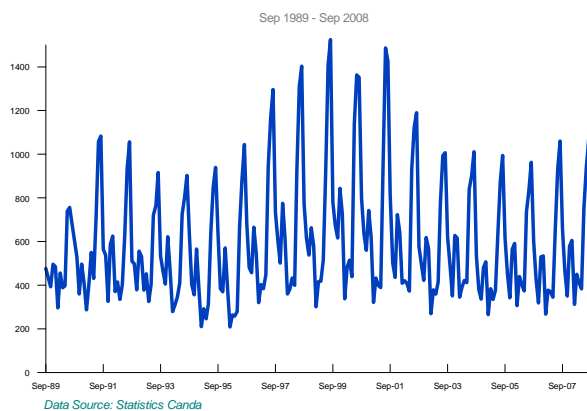


Figure 4: Monthly Emigration (B.C.)

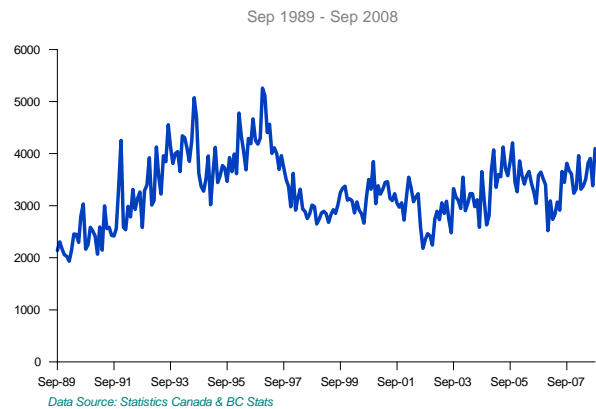


B.C.'s emigration yields a similar seasonal pattern, but with more activities happening in the third quarters, and fewer moves in the rest of the quarters. In the past five years from 2003 to 2007, over 38% emigrants left B.C. in the third quarter.

Seasonally adjusted migration data

Migration exhibits seasonal movements that recur every year in the same quarter. This dynamic makes it hard to interpret underlying trends. Comparing one month's performance to the same month of the previous year (say, September 2007 over September 2006) is one way to assess and analyze the data. However, it overlooks any changes happening in the intervening eleven months. For instance, were there more immigrants landed in July or was it just the usual summer run-up?

Figure 5: Monthly Immigration (B.C.)



To understand what the data are really saying about migration trends, seasonal adjustment should be applied to the raw data, so it may provide a method of comparing one month to the previous month by removing the regular and predictable seasonal fluctuations.

Figure 5 shows seasonally adjusted immigration data from September 1989 to September 2007 using the X12 procedure¹. After removing seasonality in immigration data, the underlying trend and changes in immi-

¹ The U.S. Census Bureau released X12ARIMA using regARIMA models (regression models with ARIMA errors) to allow the user to extend the series with forecasts and pre-adjust the series for outlier and calendar effects before seasonal adjustment takes place <http://www.census.gov/srd/www/x12a>

gration over time become clear. Immigration in B.C. started rising in the late '80s, and hit the highest point in the third quarter of 1996. After the peak, immigration fell sharply in 1998, and has been slowly climbing back. By levelling out the seasonal fluctuations in the immigration data, seasonal adjustment allows meaningful month-to-month or quarterly analysis.

