

- Unemployment rate jumps again in February, rising to 6.7%
- Exports continue to slide, down 5.8% in January
- Housing starts remain in a slump

## Labour Force

- **British Columbia's unemployment rate jumped again in February, rising to 6.7% (seasonally adjusted).** The latest increase brought the province's jobless rate to its highest level in nearly four years, as employment fell (-0.2%) for the sixth straight month.

Despite the recent increase, BC's unemployment rate remains among the lowest in the country, and was a full percentage point below the national average (7.7%). However, British Columbia had the highest unemployment rate in western Canada. Rates in the Prairie provinces ranged from 4.7% in Saskatchewan to 5.4% in Alberta.

Canada's unemployment rate also continued to climb in February, rising to 7.7%. Job losses in Alberta (-1.2%), Ontario (-0.5%), Quebec (-0.5%), BC (-0.2%) and parts of Atlantic Canada all contributed to a 0.5% drop in employment.

*Data Source: Statistics Canada*

- **Employment in the province's service sector contracted in February (-0.3%, seasonally adjusted).** The number of jobs in transportation and warehousing plunged (-2.3%) for a second straight month, and employment in accommodation & food services was also down 2.3%. There were 2.3% fewer jobs in public administration, but the health (+1.6%) and education (+2.2%) industries took on more workers. Wholesale & retail trade, another key service industry, posted a modest 0.2% decline.

The province's goods-producing industries continued to face challenges, although the sharp drop-off in employment seen in January (-6.9%) was not repeated. Employment was

virtually unchanged, as modest gains in the two biggest industries (construction and manufacturing, both at +0.2%) helped offset a slump in the always volatile utilities industry, and in primary resource-extracting activities.

*Data Source: Statistics Canada*

- **Tighter labour market conditions are having an effect on regional unemployment rates, which ranged from a low of 4.6% (three-month moving average, unadjusted) in Northeast to 9.8% in North Coast/Nechako.**

Workers in Vancouver (5.7%, *seasonally adjusted*) and Victoria (5.8%) were less likely to be unemployed than those in other parts of the province. In Abbotsford, the jobless rate was 6.9%.

*Data Source: Statistics Canada*

## The Economy

- **BC product exports continued to fall (-5.8% seasonally adjusted) in January, following a 14.5% slide in the last month of 2008.** The value of forest (-9.5%), energy (-8.7%) and machinery equipment & auto (-5.0%) products shipped from the province was down substantially, but industrial & consumer (+1.1%) and agriculture & fish (+1.4%) exports managed slight gains.

Exports to the US were up 1.7%, as shipments of industrial & consumer (+4.0%) and energy (+23.0%) products south of the border increased. Together, these accounted for about 40% of total US-bound exports. Conversely, overseas markets (-13.7%) started the year on a low note.

Canadian exports retreated 9.0% in January, as shipments to Japan (-3.2%), the US (-8.9%) and the European Union (-18.0%) all declined substantially. Nearly half of the overall de-

## Did you know...

39% of British Columbians think that serious action on climate change should wait until the economic recession has ceased. *Source: Ipsos Canada for The Dominion Institute*

crease was due to automotive products (-34.5%), which fell for the sixth consecutive month.

*Data Source: Statistics Canada & BC Stats*

- **Housing starts in the province continued to slump in February, falling 9.9% (seasonally adjusted) on the heels of a double-digit loss (-21.6%) at the beginning of the year.** Canadian starts dropped 12.3%, reflecting substantial declines in all four of the largest provinces. However, starts were up in other parts of the country, most notably in Nova Scotia (+64.3%) and Manitoba (+13.9%).

*Data Source: CMHC*

- **The cost of new housing in BC's two largest metropolitan areas continued to fall in January.** In Victoria, new housing prices slipped 4.2% over the same month of 2008, while homebuilders in the Vancouver area received 3.2% less for their projects. New housing prices had been climbing rapidly since the spring of 2001, but in recent months, the pattern has begun to reverse, with January marking the fourth straight month of year-over-year declines for both cities. During most of this downturn, building costs have been the main source of deflationary pressure, but land prices are also beginning to ease. In January, land costs inched down 0.4% in the Capital city, while the price of new housing decreased 6.2%. In Vancouver, the cost of land increased slightly (+0.9%) over January of last year, but building prices continued to decline (-6.0%).

Nationally, new housing prices were 0.8% lower in January than in the same month of 2008, the first year-over-year decline since January of 1997. Despite gains in many metropolitan areas, overall national prices were pulled down by losses in Western Canadian cities and parts of the Prairies.

*Data Source: Statistics Canada*

## Education

- **British Columbia's universities bucked a national trend by recording the strongest increase in enrolment between 2001/02 and 2006/07.** In total, 105,900 students were registered at BC universities in 2006/07, up an

impressive 31.7% from five years prior. The number of full-time students enrolled in the province's universities was 28.8% higher, reflecting a jump from 58,900 enrolled in 2001/02 to 75,800 in 2006/07. Part-time enrolment rose even more, with the province's institutions recording a whopping 39.6% increase in enrolment over the five-year period.

*Data Source: Statistics Canada*

- **Nationally in 2006/07, 1,057,300 students were enrolled in Canadian universities, substantially more (+19.2%) than in 2001/2002.** With the exception of New Brunswick (-2.3%), all provinces saw the number of students rise over this period, with increases ranging from a modest 4.7% in Nova Scotia to 31.7% in BC. Ontario (+31.5%) recorded a surge comparable to that in BC, and several other provinces also saw double-digit expansion. Full-time student enrolment was up 24.1% in Canada, with all provinces experiencing growth. Meanwhile, the nation saw a more moderate increase of 7.0% in part-time enrolment at its universities. Overall, enrolment of female students (+20.0%) was up slightly more than that of males (+18.2%).

*Data Source: Statistics Canada*

- **The number of Canadian university students receiving bachelor's degrees climbed to a record 161,000 in 2006 (+6.0% from 2005).** At the same time, 34,100 students obtained a master's degree (+3.4% from 2005), and 4,500 (+5.9%) were awarded doctorates.

The number of women graduating from universities continues to increase at a faster rate than that of men, but more students of both genders are pursuing a university education. Between 2005 and 2006, the number of women who received a university degree, diploma or certificate increased 5.9%, to 136,200, while over the same period, the number of male graduates climbed 3.5%, to 89,700.

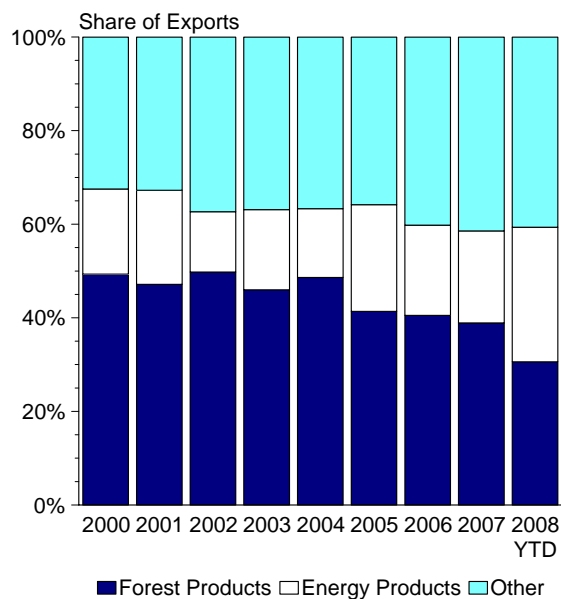
*Data Source: Statistics Canada*

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## Adversity Leads to Diversity

Last year was a rough one for BC's forest sector as a result of slumping demand from the United States and corresponding price declines. Consequently, the value of BC's exports of forest products dropped substantially and the proportion of BC's total exports comprised of wood, pulp and paper products also slipped.

Troubles in the forest sector have meant a smaller share of BC's exports is comprised of forest products



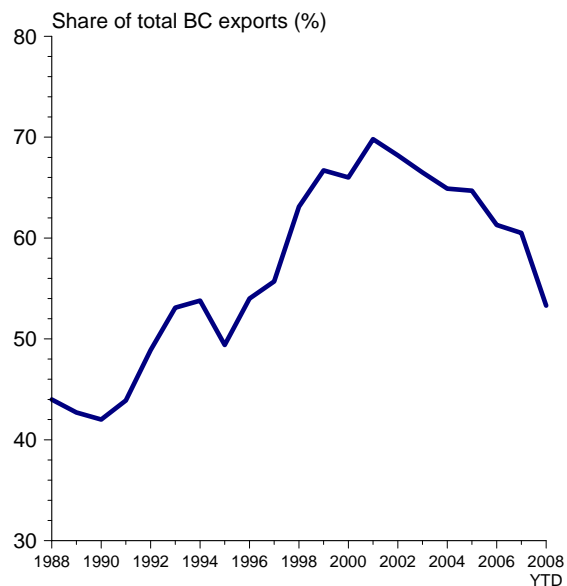
Source: Statistics Canada

The value of forest product exports slumped 17.8% year-to-date to November compared to the first 11 months of 2007. Despite this, the overall value of BC origin exports actually climbed 5.1% in the same period. The main reason for this was a 56.8% jump in the value of exports of energy products. In particular, the value of coal shipments soared 114.9%, as prices for that commodity skyrocketed. The high prices seen in 2008 were the result of global supply

problems, mainly due to weather-related difficulties in Australia, the world's largest supplier of coal. Not only did BC coal producers benefit from higher prices for their product, they also experienced an increase in demand as normal supply channels were disrupted. Over the January to November period, the volume of coal shipped from BC to international destinations climbed 9.1%.

One of the consequences of this shift from forest products toward coal has been a more diverse marketplace for BC exports. Since Canada signed a free trade agreement with the United States two decades ago, that country has taken on greater prominence as a trade partner for both British Columbia and Canada as a whole. Since 1993, the proportion of British Columbia's exports shipped to the United States has been at or over 50%, peaking at almost 70% in 2001.

The share of BC's exports destined for the United States has been falling

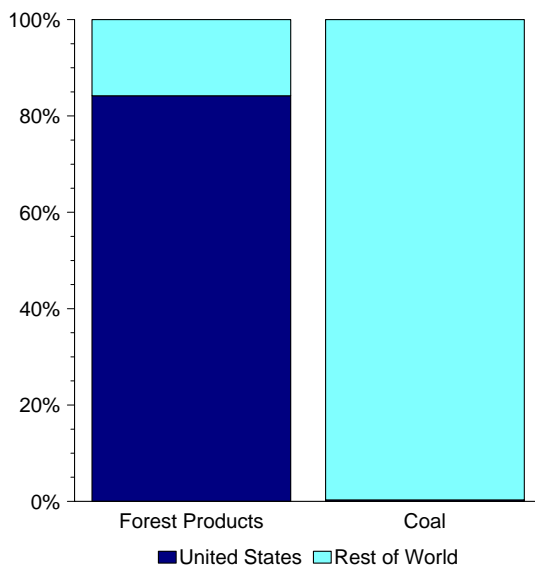


Source: Statistics Canada

Since then, there has been a steady downward trend in the share of BC's exports that were US-bound. In 2008, there were even a few months where less than half of BC's exports were shipped to the United States.

One of the major reasons for the diversification away from the United States is the shift from forest products to coal. The US is by far the most significant importer of BC forest products, particularly solid wood products such as softwood lumber. In contrast, the United States imports very little coal from BC.

The US was the destination for most of BC's forest product exports in 2007, but almost none of the province's coal shipments



Source: Statistics Canada

The primary destinations for BC's coal are Japan and South Korea. Approximately a third of BC's exported coal was shipped to Japan in 2007, with a further 20% sent to South Korea. In 2008, to November, the value of coal exported from BC was already well above 2007 levels. Substantial increases in contracted prices for coal shipped to both Japan and South Korea have resulted in a more than \$1.4 billion increase in the value

of shipments to just those two countries. Other countries that have experienced a significant increase in imports of BC coal include Brazil, Taiwan, Mexico and China.

In terms of overall BC exports, the Pacific Rim has been the region with the largest increase in share, with the percentage of total BC exports destined for Pacific Rim countries rising from around 27% in 2007 to almost 32% through the first 11 months of 2008. The proportion of shipments headed to Europe has climbed by less than a percentage point to 8.5%, while exports to all other destinations have risen from 4.4% in 2007 to 6.2% in the January to November period of 2008.

It is difficult to say whether or not this diversification of BC's export markets will persist, particularly given the current global economic crisis that is affecting demand for a large number of goods, including energy products such as coal. A large portion of BC's coal exports are used to fuel the blast furnaces of steelmakers, but as demand for products made of steel declines as consumers hold off from making large purchases and businesses cut back on capital spending, so too will the need for the coal to fuel the furnaces. Both Teck Cominco and Western Canadian Coal have announced that they will reduce their British Columbia operations by cutting jobs and dropping output in response to the falling demand for coal. It is expected that record high contract prices for 2008 could be halved when new prices are set. The combination of a drop in production and lower prices should result in a significant drop in the value of BC's coal exports in 2009.

A poor outlook for coal could be a bad sign for overall BC exports. Most economic forecasts are not anticipating a rapid recovery in the forest sector and the outlook for other resource sectors is not entirely positive ei-

ther. Prices for base metals are expected to fall from historically high levels experienced in 2008, which will likely drop the value of BC exports of those commodities as well. The combination of a probable steep drop in the value of coal shipments, more modest declines in other mineral commodities and a continuation of the struggles in the forest sector could result in a significant drop in the value of BC's exports...unless another commodity comes to the forefront as coal did in 2008.

