

- Exports up 2.1% in October; manufacturing shipments edge up 0.9%
- Cost of new housing continues to climb in Vancouver; Victoria market eases
- Average BC household spent \$68,231 in 2005

The Economy

- Exports of BC products expanded 2.1% (*seasonally adjusted*) in October, building on a 4.3% increase in the previous month. The export growth reflected a jump (+11.8%) in the value of industrial & consumer goods, particularly to overseas markets. Shipments of energy (+0.4%) and machinery, equipment & automotive (+2.0%) products increased, but at a slower pace than in September. However, exports of forestry (-1.7%) and agriculture & fish (-3.3%) products slipped.

US-bound shipments were up slightly (+0.9%), as exports of energy (+12.5%) and industrial & consumer goods (+0.2%) increased. Together, these account for about 37% of exports to the US. Exporters of machinery, equipment & automotive (-0.8%), agriculture & fish (-1.2%) and forestry (-2.6%) products saw the value of their shipments south of the border drop in October.

Export growth in October was largely due to a 3.9% increase in shipments to overseas markets. Exports of industrial & consumer (+22.9%) and machinery, equipment & automotive (+11.6%) goods were up substantially from September. However, overseas exports of forestry (-0.3%), agriculture & fish (-7.9%) and energy (-13.0%) products were off.

Canadian exports dropped 1.7% in October, largely due to a continued slump in the value of energy (-11.5%) shipments. US-bound exports dipped to their lowest level in nearly two years (-2.3% to \$28.5 million), pulled down by falling energy prices and weaker shipments of automotive and forestry products. Exports to the European Union (-5.5%) were also down, but shipments to Japan increased 6.0%.

Data Source: Statistics Canada & BC Stats

- Shipments of goods manufactured in British Columbia rose slightly (+0.9%, *seasonally adjusted*) in October, mirroring a slip in September (-0.9%). Durable manufacturers saw an increase (+1.3%) in the value of shipments, as non-metallic minerals (+6.7%), fabricated metals (+6.5%), transportation equipment (+6.4%), computer & electronic products (+5.6%) and primary metals (+2.9%) all posted significant gains. However, shipments by the wood industry were down (-2.1%) for the fifth time since May. Driven by increases in the plastics & rubber (+2.0%), chemical (+0.9%) and paper (+0.3%) industries, non-durable goods managed to inch up (+0.3%) despite a drop in shipments by the food industry (-1.5%).

Across the nation, shipments were flat (-0.1%) in October due to continued volatility in the transportation equipment sector and falling prices. Six provinces made gains, with Newfoundland & Labrador (+7.1%), and Nova Scotia (+6.4%), posting the most significant growth. However, these were not enough to offset declines in Ontario (-0.4%), Alberta (-1.9%) and New Brunswick (-10.6%).

Data Source: Statistics Canada

- The cost of new housing in Vancouver continued to climb in October, but eased in Victoria. New house prices in BC's largest city were 8.6% higher than in October 2005, reflecting stable land values (+0.8%), as well as more expensive housing (+13.2%). Victoria's New Housing Price Index was relatively unchanged in October (-0.1%), as inflationary pressure coming from land prices (+5.6%) was offset by falling housing costs (-3.7%).

Data Source: Statistics Canada

- The number of new vehicles driven off car lots in the province fell 3.8% (*seasonally ad-*

Did you know...

73% of couples in BC have joint accounts and 20% of BC couples admit to having been dishonest with their partner about spending habits *Source: Ipsos-Reid*

justed) in October, following a 1.1% increase in September. Nationally, new motor vehicles sales slowed 1.6% as sales of North American built passenger cars dropped (-10.8%).

Data Source: Statistics Canada

Household Spending

- **Spending by households in British Columbia averaged \$68,231 in 2005, slightly more than the national average of \$66,857.** Ontario (\$75,920) and Alberta (\$75,346) were the only provinces where household expenditures were higher.

Taxes took the biggest bite (\$13,698 nationally) out of the household budget in most provinces, but in BC, shelter (\$13,899) costs were higher than personal tax bills (\$11,921). Transportation (\$9,366), food (\$7,502) and recreation (\$4,246) were the other major expenditure items. British Columbians spent less (\$274, net, compared to \$278 nationally) on games of chance than other Canadians, but were more generous with gifts of money and contributions (\$1,816 compared to \$1,753). Spending on education was higher here (\$1,453) than in any other province except Ontario (\$1,620), and BC households paid more for health care (\$2,185) than residents of any other province. British Columbians also spent the most on live sports (\$70) in 2005.

The most significant increases in average annual household spending in Canada last year were technologically based. Spending on cell phones & other wireless services (+21%) and Internet access (+15%) were up substantially from 2004 and 28% of Canadian households reported buying new computer hardware.

For Canadian households in the top income quintile, personal taxes accounted for the biggest share (29%) of total household spending (\$135,380), while shelter (15%) and food (8.3%) took smaller bites out of the household budget. Among households with the lowest incomes (averaging \$22,040), taxes represented less than four percent of total spending, while far more of the household budget was allocated to shelter (30%) and food (17%). Together, food, clothing and shelter ate up 51% of the total household budget for these households, compared to 27% for those in the highest income

quintile. Households in the middle income quintile spent 36% of their average household income (\$57,750) on these basic necessities.

Data Source: Statistics Canada

Architectural Services

- **Fuelled by heightened building construction, architectural firms in the province saw operating revenues climb 14% in 2005.** Revenues showed the most substantial growth in western Canada with Alberta and Saskatchewan also posting hefty gains (both +12%). Although revenues of firms in Ontario grew by only about three percent last year, 44% of the industry's revenues were earned in that province. Firms in BC earned 19% of industry revenues, followed by Quebec (17%) and Alberta (13%).

Data Source: Statistics Canada

Nurses' Health

- **A more substantial proportion of nurses in Canada report heightened levels of work stress than employed people in general.** Almost 31% of female nurses were classified as having high job strain, compared to 26% for working women as a whole. The 2005 Survey of the Work and Health of Nurses found that approximately 12% of both male and female nurses were dissatisfied with their jobs last year, compared to eight percent of the employed population as a whole. In 2005, there were an estimated 314,900 employed nurses in Canada, 95% of whom were women.

Data Source: S.C. Cat. # 83-003-XIE

The Nation

- **Capacity use by Canadian industries edged down for the third consecutive quarter between July and September, reaching its lowest point in three years.** Industries operated at 84.2% of their full capacity during the third quarter, down slightly from 85.1% in the second. Twelve of the 21 industry groups in the manufacturing sector saw lower capacity use. Forestry and logging establishments slowed production (-7.5 percentage points to 80.1%) and utilization in the construction sector also cooled off (-1.9 percentage points to 85.2%).

Data Source: Statistics Canada

*Infoline Issue: 06-50
December 15th, 2006*

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Originally published in *Exports* Issue 06-09. Annual Subscription \$60 +GST

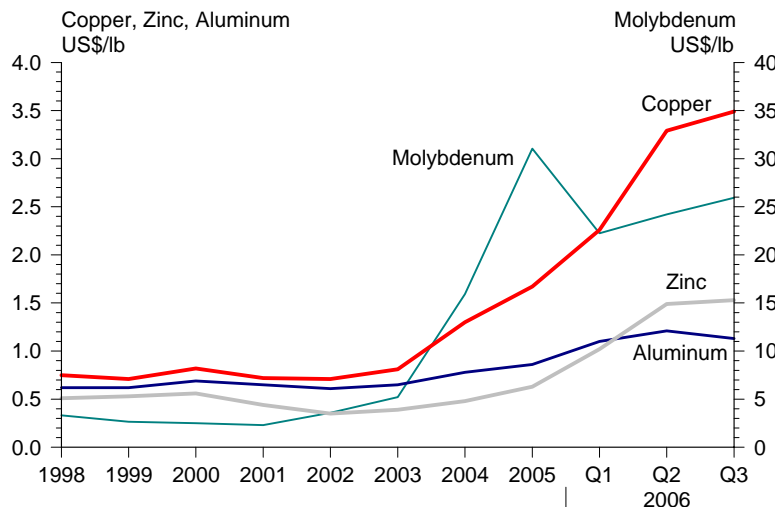
Success of B.C.'s Mining Industry Helps Boost Exports

Strong demand and high prices for metals and coal have rejuvenated British Columbia's mining sector and the consequent rise in metallic mineral and coal exports has been a main contributor to the continuing growth in the value of total international shipments from the province. According to a survey of the industry, BC's mining companies reported net earnings of \$1.8 billion in 2005, more than double the previous year and the highest ever recorded in the almost 40-year history of the survey.¹

Rising exports of metallic minerals and coal have helped drive up overall exports

China's burgeoning industrial sector and its seemingly unquenchable thirst for raw materials has been the main driver of the price inflation for metals and coal, although demand from other parts of Asia and elsewhere has also been strong. The inflation in prices has been steepest for copper and molybdenum in particular, which is reflected in the strong growth in exports for those goods.

There has been a significant rise in metal prices in recent years



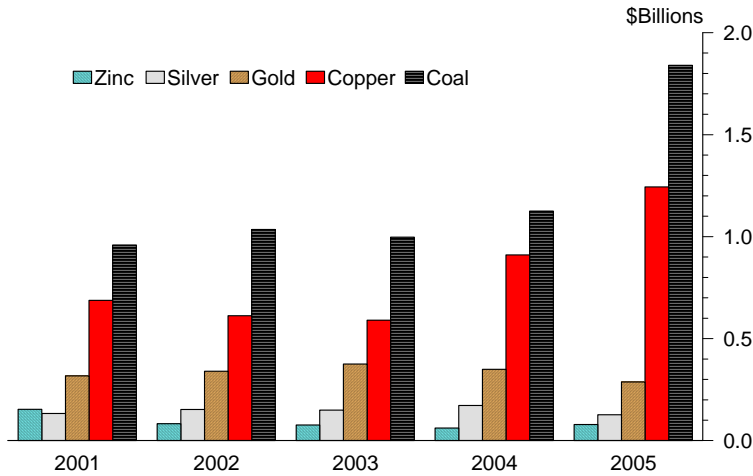
Prices for metals have risen significantly, particularly for copper and molybdenum

Source: Ministry of Energy, Mines and Petroleum Resources

¹ Source: PricewaterhouseCoopers, "The Mining Industry in British Columbia 2005." PWC has been surveying the mining industry in BC annually since 1968.

Higher prices have meant higher returns for BC's mining industry and this is clearly reflected in the value of production, which climbed almost 24% in 2005, despite a 4% drop in tonnes shipped.² According to the survey of the industry, exploration and development expenditures in BC by those companies surveyed more than doubled in 2005, to \$148 million, and direct employment in the mining sector climbed to 7,071, a 10% jump from 2004, although still well below levels seen in the 1990s.

Price inflation has boosted the value of metal and coal production in BC considerably



Source: Natural Resources Canada

The value of production in the mining industry has grown significantly as the result of commodity price inflation

Despite the increased activity in the sector, the outlook is not completely rosy, according to the Mining Association of BC. The Association suggests that delays in obtaining federal permits for new mines are putting many of those projects and potentially thousands of jobs at risk. Association president Michael McPhie was quoted as saying, "It's strictly and solely to do with the inability of the system to permit these projects in a reasonable time. That's the only reason these aren't into construction now...If present sky-high commodity prices start to slide, the capital to build the projects could disappear."³ The Association suggests that the federal agencies responsible for the permitting of these projects are simply understaffed and with proper staffing levels, these delays could be eliminated.

Delays in federal permitting for new mines could endanger these projects and result in the loss of potential new jobs

This is a serious matter in a province that has seen its mining industry shrink considerably over the last couple of decades. There have been a number of mine closures in the last several years, but very few mine openings. The current bull market for these resources has resulted in a few new coal mines moving into production in the last year and there

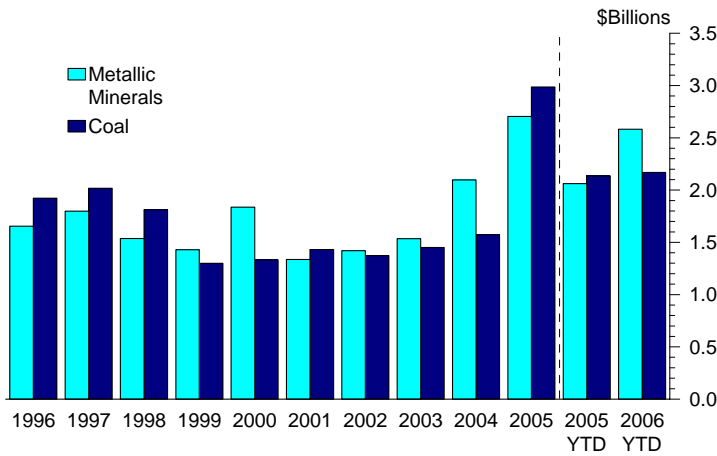
² The value of production data is from Natural Resources Canada and the tonnes shipped is from the PWC survey.

³ As quoted in: Simpson, Scott, "Mining projects caught in red tape: Investment and jobs at risk, industry charges," *The Vancouver Sun*, November 6, 2006.

are some metal mines that have already gone through the permitting process that could open soon, including the Red Chris copper and gold project in the northwest region of the province, which could employ as many as 300 full-time and contract employees over a 25-year lifespan. However, there are currently 25 projects awaiting federal permitting that, according to the Mining Association of BC, have the potential to add 9,000 jobs to the province. While it is doubtful that each and every one of these projects will proceed, if even a third of them went ahead, it would bring employment levels back to where they were in the halcyon days of BC's mining industry.

The implication of such a substantial increase in production for BC's exports would be phenomenal. With existing mines, the value of BC's metallic mineral exports soared 37% between 2003 and 2004, followed by a 29% increase in the following year. So far in the first three quarters of 2006, there has been an additional 25% jump in the value of exports. For coal, exports climbed 90% between 2004 and 2005 and have remained steady since.

The value of exports of both coal and metallic minerals has increased substantially and continues to climb



Exports from BC's mining sector have been climbing as a result of high commodity prices

Source: BC Stats and Statistics Canada

While demand from China will likely continue to elevate prices for metals and coal for at least a little while longer, the boom will not last forever. Given the long lead time necessary to start up a new mine, the sooner these potential mines are approved, the better. The World Bank forecasts that metal prices will start to decline as early as next year and sees the price of copper, BC's most significant metal export, cut by about 80% from current levels by 2010. This gives BC's mining industry a short window of opportunity to reap the benefits of inflated prices and make the capital investments necessary to ensure the vitality of the industry for years to come.

