BRITISH COLUMBIA

BC STATS Infoline

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highlights

a weekly digest of recently released British Columbia statistics

Labour Force

- **British Columbia's unemployment rate fell to 7.3% (seasonally adjusted) in January, down from 7.8% in the previous month.** The latest decline brought the unemployment rate to its lowest level in nearly two decades. The drop in the jobless rate was due to a combination of factors. BC's labour force shrank by 0.2% while the number of jobs increased by 0.4%. Despite the decline, BC's unemployment rate was half a percentage point above the national average (6.8%), and remains the highest outside Quebec and Atlantic Canada.

  Canada's unemployment rate was unchanged in January, as a 0.3% increase in the number of jobs was big enough to absorb a similar increase in the labour force. Among the provinces, unemployment rates fell in BC, Alberta (-0.2 points, to 5.2%), Saskatchewan (-0.2 points, to 5.1%) and two of the four Atlantic provinces. Ontario's unemployment rate rose 0.2 points, to 5.7% in January. *Source: Statistics Canada*

- **The number of full-time jobs in the province continued to rise in January.** Full-time employment was up 0.9% (seasonally adjusted). Offsetting the increase in full-time jobs was a 1.4% drop in the number of people with part-time work. Eight in every ten workers in the province are employed full-time. *Source: Statistics Canada*

- **In the regions, unemployment rates ranged from 7.0% (3-month moving average) in Northeast to 9.6% in Kootenay.** Relative to January 1999, unemployment rates were down in four regions: Cariboo (to 8.1%), Vancouver Island/Coast (7.8%), Kootenay (9.6%) and North Coast/Nechako (7.8%). Employment gains were part of the reason for the improvement in the jobless rate in these regions. In Vancouver Island/Coast, the number of people with jobs was up 8.1%. Cariboo (+5.8%) and North Coast/Nechako (+5.3%) also posted substantial employment gains.

  The labour market picture was not as rosy in other parts of the province. In Thompson/Okanagan, the jobless rate edged up to 9.0%, while Mainland/Southwest (7.1%) and Northeast (7.0%) also saw increases in the unemployment rate.
  Source: Statistics Canada

- **Revised employment data for BC suggest that employment grew 1.9% last year, to 1.9 million people.** The latest figures also indicate that the number of people with jobs in BC was unchanged (+0.1%) in 1998, but grew 2.6% in the previous year. The data revisions are the result of changes in the method used by Statistics Canada to estimate employment from the sample collected in the Labour Force Survey.
  Source: Statistics Canada

The Economy

- **The labour income (wages, salaries and benefits) of BC workers rose 0.4% (seasonally adjusted) between October and November.** Labour income in the province has been increasing since September. Nationally, the income of Canadian workers was up 0.7%, as strong gains in Saskatchewan (+1.5%) and Alberta (+1.3%) were reinforced by solid growth in most regions of the country. PEI and New Brunswick, where labour income was unchanged from October, were the only provinces where the total payroll did not rise. BC's 0.4% increase was the smallest in the country. *Source: Statistics Canada*

- **Year-to-date, labour income in the province was up 1.5% from the first eleven months of**

Report **Trade imbalances growing within NAFTA**

Did you know...
Skijorers can reach speeds of up to 30 kilometres an hour. Skijoring is a sport that involves harnessing a skier to two or three sled dogs and letting them run. It's not exactly a new invention. It was used by Scandinavians who travelled to the Yukon during the gold rush in 1898. Skijoring will be one of the events at the Northern Winter Games in Fort St John this month.

1998. This was less than half the Canadian average (+3.8%). In other regions, year-to-date gains ranged from +2.1% in Saskatchewan to 8.0% in NWT. Despite BC's position at the back of the pack, the province did much better than in 1998, when labour income rose only 0.7% during the first eleven months of the year.

Source: Statistics Canada

- **The value of building permits issued by BC municipalities remained virtually unchanged in December, edging up 0.1% (seasonally adjusted).** Residential permits rose 9.2%, but this was offset by a 10.7% decline in the non-residential sector. Nationally, the value of permits was up 9.4% in December, bolstered by planned construction activity in Ontario (+16.3%) and Quebec (+17.8%). In addition, some of the smaller provinces posted very strong gains, ranging from 33.4% in New Brunswick to 70.2% in Saskatchewan. *Source: Statistics Canada*

- **During 1999, permits for $4.7 billion of planned residential ($2.6 billion) and non-residential ($2.1 billion) projects were sold in BC.** This was 1.5% less than the total value of permits issued in 1998, marking the fifth time in the last six years that the value of permits has fallen. The ongoing decline is largely due to weakness in the province's housing market. Last year, residential permits were down 5.8% after falling at double-digit rates in the previous two years. The 1999 figures were almost certainly boosted by permits purchased by leaky condo owners planning to make repairs to their buildings. Permits for non-residential projects in the province were up 4.1% last year.

  The value of Canadian permits rose 8.4% in 1999, boosted by a strong residential sector (+11.2%) and more moderate increases in non-residential (+5.2%) construction projects. Among the provinces, the planned building boom was largely concentrated in central and eastern Canada. Ontario saw a 19.5% increase, while the value of permits issued in Quebec rose 9.4%. PEI (+23.4%), Newfoundland (+30.9%) and Nova Scotia (+42.9%) were all up sharply. Permits were down in three of the four western provinces. Saskatchewan (+6.3%) was the only exception. *Source: Statistics Canada*

- **BC manufacturers surveyed last month were somewhat more optimistic about their prospects than they were at the end of last year.** While most (60%) expected to see no change in their production, 24% thought production would increase while 16% expected it to decline. The balance of opinion on new orders was also positive (+12%), although nearly three quarters (72%) of manufacturers didn't think they would change. Among possible causes of production difficulties in the first quarter, the most commonly cited was a shortage of skilled labour (11%). Very few manufacturers expected to experience a shortage of working capital (5%), raw materials (4%) or unskilled labour (3%).

  Canadian manufacturers were much more optimistic. The overall balance of opinion on production was +27, with 40% expecting it to increase while 13% anticipated declines. Similarly, 28% of Canadian manufacturers expected new orders to increase while 8% thought they would decline. *Source: Statistics Canada*

Film and Video Distribution

- **There is a growing foreign market for films and videos produced in Canada.** During 1997/98, foreign revenue from the distribution of Canadian-produced films and videos totalled $101.2 million, a third more than the revenues from domestic distribution of these products ($77.1 million). Foreign markets for Canadian-produced films and videos have increased substantially since the beginning of the decade, when producers received nearly twice as much revenue from domestic sales of their films ($60.9 million) as they did from foreign clients ($31.9 million).

Source: SC, Catalogue 87F0010XPE

highlights, Issue 00-05
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February 4, 2000 *Infoline Report:* **Trade imbalances growing within NAFTA**

Contact: George Dufour / (250) 387-0376

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Canada's trade with its NAFTA partners Mexico and the United States has been growing much faster than its trade with countries outside North America.

While overall Canadian exports rose 110 per cent between 1990 and 1998, exports to Mexico increased 133 per cent, and exports to the United States rose 139 per cent.

Over the same period, imports from the United States rose 132 per cent, significantly faster than the 119 per cent overall increase in imports to Canada from all countries. Imports from Mexico rose a remarkable 339 per cent.

To some extent import and export trade with Mexico and the United States is linked. Growing continentalisation of manufacturing under the North American Free Trade Agreement (NAFTA) means that products assembled in one NAFTA partner are likely to contain components manufactured in another. More exports of cars from Mexico to Canada, for example, can mean more Mexican demand for electronic automobile components manufactured in Canada.

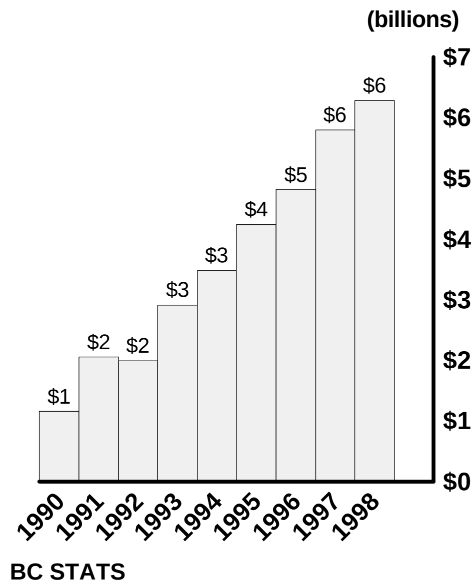
However continental trade flows are also affected by exchange rates, labour costs and income levels. The net effect of all these various factors has been increasingly unbalanced merchandise trade between NAFTA partners during the 1990s.

Of Surpluses and Deficits

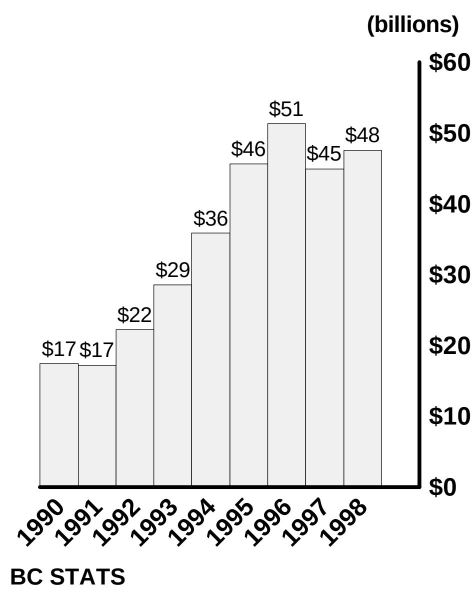
As free trade has increased the volume of continental trade, it has also altered the pattern of exports between NAFTA partners. Very rapid growth of trade imbalances has been one effect of this.

Canada has experienced a fast growing merchandise trade deficit with Mexico on the one hand, and a much larger surplus with the United States on the other. Overall, NAFTA has been very good for Canadian trade balances.

Mexican Trade Surplus With Canada Climbs Rapidly Through 1990s



As Canada's Much Bigger Surplus With U.S. Also Climbs



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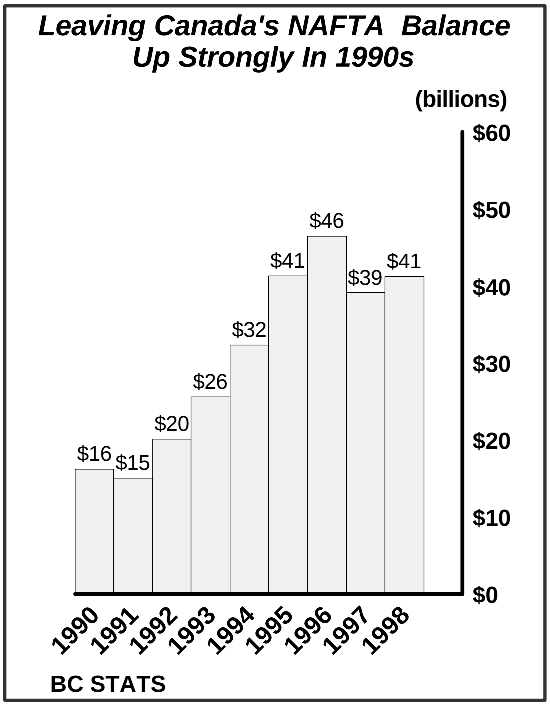


While Canadian trade deficits with Mexico have grown six fold since 1990, they have remained far smaller than trade surpluses with the United States. Deficits with Mexico increased from $1 billion in 1990 to $6 billion in 1998. Surpluses with the United States increased from $17 billion in 1990 and 1991, to a high of $51 billion in 1996, before falling back to $48 billion in 1998.

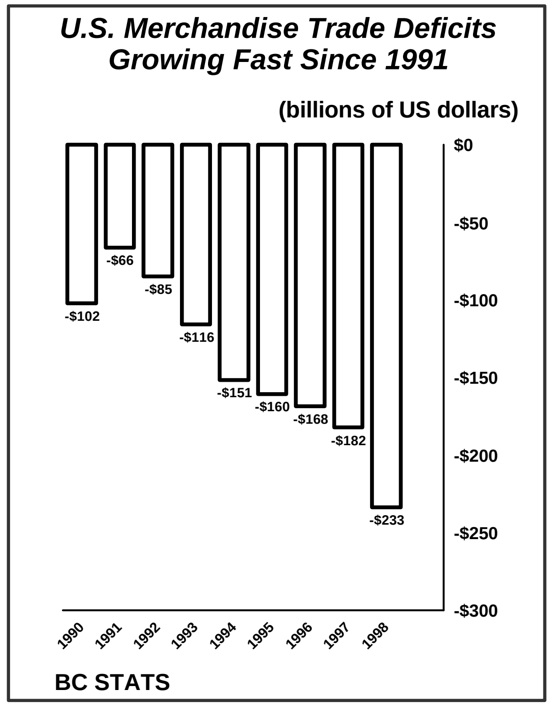
When deficits with Mexico are subtracted from surpluses with the United States, Canada's continental trade surplus increased from around $16 billion in the first two years of the decade, to a high of $51 billion in 1996. It dropped down to a still high $41 billion in 1998.

NAFTA and The U.S. Merchandise Trade Deficit

Growing surpluses for Canada and Mexico in trade with the U.S. have naturally contributed to a growing U.S. trade deficit problem.

The United States has run steadily larger merchandise trade deficits with the world since 1991, starting with $US 66 billion in that year and climbing to $US 233 billion in 1998. If they continue, as seems likely for the short term at least, U.S. trade deficits may eventually lead to a devaluation of U.S. currency, with the risk of inflation and higher interest rates.

The U.S. dollar has so far remained strong in spite of very large deficits because of the continuing strength of the U.S. economy, and because of the special status of the U.S. dollar in world financial markets.



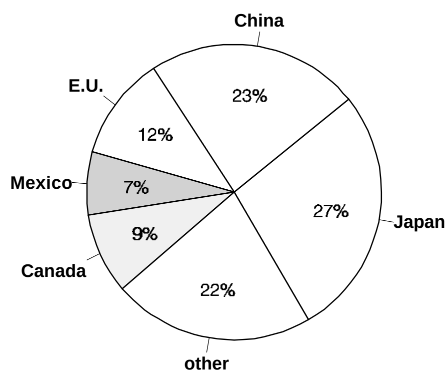
The dollar is still the world's principal reserve currency and serves as a safe haven for international investors. If U.S. economic conditions worsen relative to other countries, or if another currency, such as the euro, challenges the dollar's status as the world's principal reserve currency, U.S. dollar exchange rates could fall. This could well make merchandise trade deficits a matter of much more urgent concern to U.S. authorities, strengthening the hand of protectionist lobbies in the United States.

Trade with Canada has accounted for about 10 per cent of the U.S. deficit in most years of this decade, with no consistent signs that this proportion is either expanding or shrinking.

The proportion of the U.S. deficit attributable to trade with Mexico has been slightly smaller. The U.S. actually ran surpluses in its merchandise trade with Mexico in the early part of this decade. However these turned to deficits after NAFTA brought Mexico into the North American free trade zone in 1995.

But even when the U.S. deficits with Canada and Mexico are combined, they still account for a relatively small portion of the U.S. international merchandise trade deficit - 16 per cent of the total in 1998. This was considerably less than the 27 per cent attributable to trade with Japan or the 23 per cent attributable to trade with China.

NAFTA Trade Relatively Minor Factor In U.S. Merchandise Trade Deficit



(per cent of 1998 U.S. International Merchandise Trade Deficit)

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Canada A Resource Pool For NAFTA

Canada's exports within NAFTA are far more heavily concentrated in resource commodities than are Mexico's. And if any NAFTA resource partner could be said to serve as a resource pool for the continent, it would be Canada.

Resource commodities (agricultural, fisheries, forestry, and mineral) amounted to almost half (48 per cent) of Canadian exports to Mexico in 1998, but only 8 per cent of Mexican exports to Canada. Canadian exports to the United States included 26 per cent resource products; but imports from the United States included only 9 per cent.

Resource Commodity Portions of 1998 NAFTA Trade Flows

	Importers		
	Canada	**Mexico**	**U.S.A.**
Exporters			
Canada	NA	48%	26%
Mexico	8%	NA	11%
U.S.A.	9%	11%	NA

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Resource commodities do not figure largely in trade either way between Mexico and the United States. They accounted for only 11 per cent of Mexican exports to the United States in 1998, and 11 per cent of U.S. exports to Mexico.

What Has NAFTA Meant For Canada?

In the sometimes heated debate leading up to the signing of the Canada-U.S.A. Free Trade Agreement in the late 1980s there were predictions that the Agreement would put Canadian social programmes and employment standards at risk. Some of these same issues were raised again five years later during discussions about NAFTA, the expanded Agreement including Mexico.

At the close of the decade it is not obvious that free trade has so far done serious damage to Canadian social programmes or employment standards. Indeed it could be argued that a more liberated continental trading environment has enhanced the national capacity to support expensive social programmes because it has produced an export driven spurt of economic growth.

Critics of NAFTA might point to the Canada-USA Softwood Lumber Agreement as evidence that continental free trade has not worked well for Canada. But others might counter that protectionist U.S. lumber interests could have inflicted far worse restrictions on Canadian lumber exporters if there had not been some sort of higher level trade Agreement in place, however imperfect.

One positive development from NAFTA that few would dispute is the remarkable increase in secondary manufactured exports (many of them high technology products) to the United States. NAFTA and the earlier Canada-U.S.A. Agreement reduced barriers to finished goods and, perhaps equally important, they provided some measure of assurance that Canadian manufacturers could count on access to American markets. Access to the immense U.S. market has allowed competitive businesses to invest in new or expanded research and production facilities in Canada that might otherwise have been located in the United States.

Adapting to more liberalised trade in North America has meant that domestic producers have had to face new competition from American and Mexican exports. Some have failed and some have thrived in the new environment. Those that have thrived have been able to concentrate on more specialised product lines in which they hold some competitive advantage. In some cases, success in North America has led to export sales overseas.

Other winners in this process have been Canadian consumers, who have gained access to a wider range of goods at lower prices. It is arguable that price competition under free trade has helped tame inflation in Canada.

The benefits to Canadians of more open trade with Mexico are less readily apparent than the benefits of free trade with the United States. On the face of it, the growing merchandise trade deficits with Mexico are an undesirable development for Canada. But this may be a short or medium term trend that could reverse as trade boosts Mexican industrial and living standards to the point where Mexico can become an important market for finished goods from Canada. This notion of long term benefits has been one of the important arguments for opening continental and world trade generally.

Judging by history in Asia, it bears some merit. Canadian exports to Asia of machinery and equipment, high value food products, and value added wood products have risen strongly since 1990. Some of this export trade has been set back since the 1997 Asian economic crisis, but there is little doubt that Canada can expect to sell more of these products to Asia in future, as economies in that region become more fully developed.

On the same somewhat theoretical basis, Canadian exporters might eventually hope to find new markets in a more affluent Mexico for similar high value products.

Up to the late 1990s, the most important Canadian export gains in Mexico have been in motor vehicle parts and electronic components. Shipments of goods in these categories have increased in both directions, as the motor vehicle and electronics industries have become integrated on a continental basis.

This trade has so far benefited mainly Ontario and Quebec, where Canadian automotive and electronic production is concentrated. Agricultural producers in the prairie provinces have benefited from significant sales of canola and wheat.

But free trade with Mexico has not as yet produced any significant export benefit for British Columbia. Since 1990, British Columbia's exports to Mexico have remained at about 0.2 per cent of the province's total exports. The $60 million shipped to Mexico in 1998 is trivial by comparison with the $2,009 million shipped to Europe from the province, the $4,532 million shipped to Japan or the $16,406 million shipped to the United States.

Commodities exported from British Columbia to Mexico can still be summarised as minerals and pulp and paper, with occasional small shipments of miscellaneous other products.___________■

Infoline

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BC at a glance . . .

POPULATION (thousands)	Oct 1/99	% change on one year ago
BC	4,037.2	0.8
Canada	30,572.5	0.8
GDP and INCOME		% change on
(BC - at market prices)	1998	one year ago
Gross Domestic Product (GDP) *($ millions)*	110,948	-0.2
GDP *($ 1992 millions)*	99,708	0.2
GDP *($ 1992 per Capita)*	24,908	-0.8
Personal Disposable Income *($ 1992 per Capita)*	15,969	-1.6
TRADE ($ millions)		
Manufacturing Shipments (seas. adj.) Nov	3,171	8.5
Merchandise Exports (raw) Nov	2,316	6.1
Retail Sales (seasonally adjusted) Nov	2,807	3.0
CONSUMER PRICE INDEX		% change on
(all items - 1992=100)	Dec '99	one year ago
BC	111.6	1.7
Canada	111.5	2.6
LABOUR FORCE (thousands)		% change on
(seasonally adjusted)	Jan '00	one year ago
Labour Force - BC	2,088	0.6
Employed - BC	1,936	1.8
Unemployed - BC	152	-12.2
		Jan '99
Unemployment Rate - BC *(percent)*	7.3	8.3
Unemployment Rate - Canada *(percent)*	6.8	7.9
INTEREST RATES (percent)	Feb 2/00	Feb 3/99
Prime Business Rate	6.50	6.75
Conventional Mortgages - 1 year	7.60	6.40
- 5 year	8.55	6.90
US/CANADA EXCHANGE RATE	Feb 2/00	Feb 3/99
(avg. noon spot rate) Cdn $	1.4430	1.5134
US $ *(reciprocal of the closing rate)*	0.6945	0.6615
AVERAGE WEEKLY WAGE RATE		% change on
(industrial aggregate - dollars)	Dec '99	one year ago
BC	635.95	1.4
Canada	604.46	3.5

SOURCES:

Population, Gross Domestic Product, Trade, Prices, Labour Force, Wage Rate } Statistics Canada

Interest Rates, Exchange Rates: Bank of Canada Weekly Financial Statistics

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- Labour Force Statistics, January 2000

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