

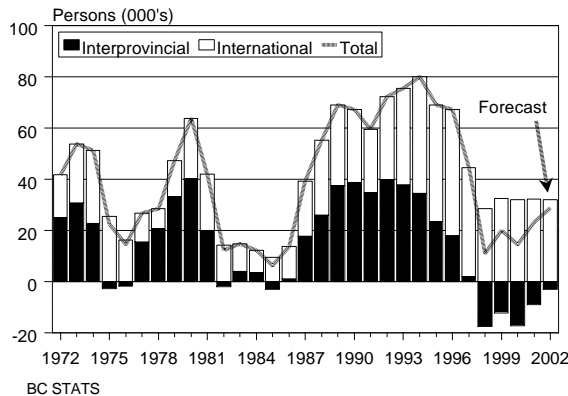
Feature Article: B.C. Migration - Outlook for 2002

Summary

During 2002, the population of British Columbia is expected to increase by 28,800 persons due to migration from other provinces and other countries. This is stronger than the net inflows of the previous four years as a result of an improving outlook for interprovincial migration. During the course of 2002, the net outflows to other provinces are expected to become smaller.

Net migration to B.C. is expected to recover partially in 2002.

Net Migration

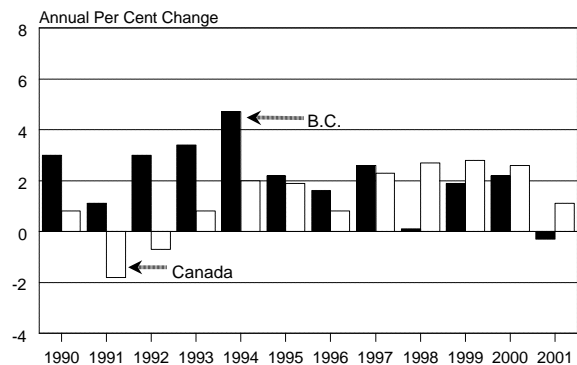


During the late 1980s and early 1990s, migration to British Columbia from the rest of Canada and the rest of the world exhibited large increases reaching a peak of 80,000 persons in 1994. The large inflows of population to B.C. strengthened total consumer spending and residential investment. This increase in economic activity, in turn, created jobs and income within the province. From 1990 to 1994, B.C. had the highest rate of job creation of any province in Canada, and from 1995 to 1997 B.C.'s employment growth continued to be above the national average. However, in the last four years employment growth in B.C. has been much weaker than in the country as a whole. Last year Canadian employment growth slowed to 1.1 percent but in B.C. the

number of jobs fell (0.3 per cent) for the first time since 1983. The average 2001 B.C. unemployment rate increased by half a percentage point to 7.7 per cent, while the Canadian rate rose to 7.2 per cent.

The number of jobs in B.C. declined in 2001.

Employment



BC STATS

Given the impact of population growth on labour markets and overall economic performance, it is important to examine what is in store for migration to British Columbia in 2002. Net migration to B.C. has been quite volatile over time. The record high net inflow during 1994 of 80,000 persons is in sharp contrast to the lows of 6,200 in 1985 and 11,200 in 1998. This volatility is one of the reasons why it is difficult to accurately predict migration. Most researchers would agree that the first step to forecasting migration is to isolate the factors that influence migration, then attempt to predict those factors. The task of isolating these factors is simplified by separating migration into the international and interprovincial components.

International Migration

Net international migration to British Columbia is driven largely by federal government policy with respect to immi-

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gration. The federal government sets an overall annual immigration planning level for Canada. These planning levels are not intended to be rigid quotas and actual immigration may exceed or fall short of the planning level. In October 2001 the planning level was established for 2002 at 210,000 - 235,000 persons, 10,000 higher than in the previous four years. The long-term objective of moving gradually to immigration levels of approximately one per cent of Canada's population was also reaffirmed.

In the past two years actual immigration surpassed the upper end of the range whereas in both 1998 and 1999 it was below the lower end. The lower than expected intake of immigrants in 1998 and 1999 was mainly due to lower immigration from Asia, resulting from weak economic conditions there and the anticipated drop in immigration from Hong Kong following the hand-over to China in mid-1997. The higher intake of immigrants in 2000 and 2001 was partly a result of improved operational procedures for processing applications.

The planned immigration intake since 1990 is shown in the following table along with actual immigration to Canada and the B.C. share. The steady increase in immigration to Canada experienced since the mid-1980s levelled off to between 212,000-226,000 persons annually over the 1994-1997 period. Immigration to Canada in 1998 weakened as a result of events in Asia, and has picked up again in the last three years. The current forecast assumes that Canadian immigration will be near the high end of the 2002 planning range.

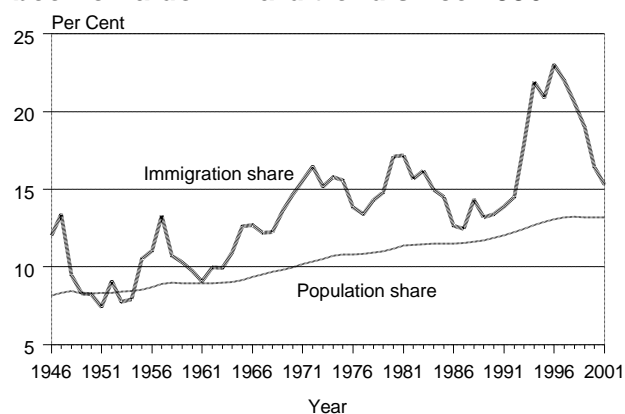
Starting in 1993, British Columbia experienced a significant increase in its share of immigrants coming to Canada.

B.C.'s immigration share peaked in 1996 at 23 per cent and has been trending down since, reaching 15.3 per cent in 2001. Although B.C.'s share has fallen by five percentage points since 1998, the actual number of immigrants to the province has increased slightly from 36,000 in 1998 to 38,400 in 2001.

Canadian Immigration

| Year | Planning Level (000's) | Actual (000's) | B.C. Share (%) |
|------|---------------------------|-------------------|-------------------|
| 1990 | 200 | 214 | 13.4 |
| 1991 | 220 | 231 | 13.9 |
| 1992 | 250 | 253 | 14.5 |
| 1993 | 250 | 256 | 17.9 |
| 1994 | 250 | 224 | 21.9 |
| 1995 | 190-215 | 212 | 20.9 |
| 1996 | 195-220 | 226 | 23.0 |
| 1997 | 195-220 | 216 | 22.0 |
| 1998 | 200-225 | 174 | 20.6 |
| 1999 | 200-225 | 190 | 19.0 |
| 2000 | 200-225 | 227 | 16.5 |
| 2001 | 200-225 | 250 | 15.3 |
| 2002 | 210-235 | | |

B.C.'s share of immigrants to Canada has been on a downward trend since 1996.



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It appears that B.C.'s higher share of immigration in the 1994 to 1997 period was partly a result of lower immigration to Quebec. Quebec, which is the only province to have responsibility for the selection of some classes of immigrants, dropped its share of immigration from 18 per cent in 1993 to around 13 per cent over the 1994 to 1997 period. The Quebec share has increased by one to two percentage points in the last four years. However, it was Ontario's share that changed dramatically in the last two years, increasing from 55 per cent in 1999 to 59 per cent in 2001.

It is likely that B.C.'s share of Canadian immigration in 2002 will be around the 16 per cent mark. After accounting for changes in the other components of international migration such as emigration, net international migration to British Columbia in 2002 is expected to be 31,800 persons, down slightly from the 32,200 recorded in 2001.

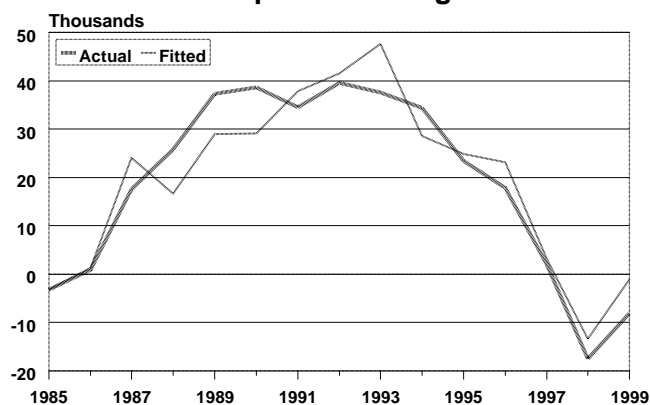
Interprovincial Migration

Unlike international migration, interprovincial migration is not governed directly by government policy, but rather is influenced by a wide variety of economic, demographic, social and political factors. Many view interprovincial migration as a combination of "push" factors that pressure a migrant to seek better opportunities, and "pull" factors that attract a migrant to a particular location. Consequently, movement between provinces under this Push-Pull hypothesis results from differences in economic and non-economic conditions in respective regions.

The factors that draw Canadians to British Columbia are both economic and non-

economic in nature. Non-economic factors such as climate or life-style are slow to change. Hence, it is the economic factors, or more specifically, the relative economic conditions between British Columbia and other parts of the country that must be considered when predicting changes to net interprovincial migration. These factors can cause interprovincial migration to swing quickly from net inflows to net outflows and vice versa. Unlike international migration, which tends to change gradually as a result of the administrative requirements and cost of moving to another country, the decision to move to another province can happen relatively quickly and at a much lower cost, especially if the other province is in the same region of the country.

Model of net interprovincial migration



Statistical analysis indicates that over the past fifteen years, fluctuations in British Columbia net interprovincial migration have been correlated to a significant degree with relative differences in the British Columbia/Alberta unemployment rates, as well as with differences in the growth of the British Columbia economy relative to the rest of Canada, as measured by real Gross

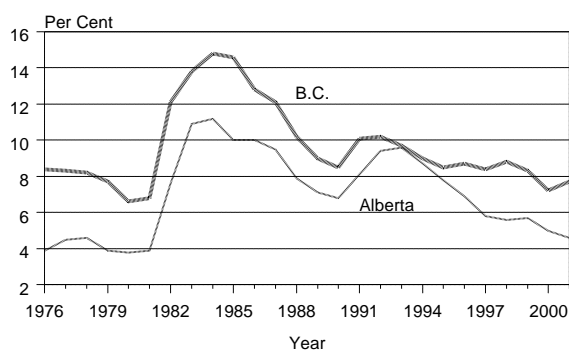
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Domestic Product¹. The preceding chart shows that, these variables, when combined in a regression equation, can predict with reasonable accuracy the actual net interprovincial migration for B.C.

Many other economic factors likely play a role in influencing population movement (e.g. housing prices); however, in many instances empirical data on these factors are not available for a sufficient historical period to conduct statistical analysis. In addition, in order to forecast migration, consideration must be given to the practicality of forecasting the theorised determinants of migration. Both these constraints put limits on the number and type of variables considered as drivers of interprovincial migration. Consequently, the factors noted above do not uniquely describe inter-provincial migration flows, but rather are the ones that fit the criterion of statistically significant correlation with past migration flows, and have the potential to be forecast themselves.

In 2001 the gap between unemployment rates in B.C. and Alberta widened.

Unemployment Rates



BC STATS

¹ See "An Econometric Model Describing the Movement of the Population Between British Columbia and the Rest of Canada", Schrier and McRae, Population Section, BC STATS, Province of British Columbia, February 2000.

The levels of interprovincial migration from Alberta, Ontario and the rest of Canada are largely a reflection of the relative unemployment rates. Over the last twenty years with the exception of 1993, B.C. has always had a higher unemployment rate than Alberta (2.6 percentage points on average), but for much of that period, B.C. has received population from Alberta, the exceptions being the mid-seventies and early eighties, when the differential reached the 4 to 5 percentage point mark, and the last five years. During the 1997 to 2001 period, the difference between the Alberta and B.C. unemployment rates increased to 2-3 percentage points. As a result, the migration flow reversed, becoming large net outflows totalling almost 60,000 people over the five-year period and 9,500 people in 2001. It is anticipated that the outflow to Alberta will slow during 2002.

In the last five years overall economic growth in B.C., as measured by real GDP, has been much weaker than for the country as a whole. In 2001 the Canadian economy grew by 1.5 per cent, while economic indicators suggest that real GDP growth in this province was around 0.7 per cent. Economic growth in Canada is expected to be slightly weaker in 2002 than 2001, while B.C.'s growth is expected to remain about the same. Even if the recovery is faster than originally predicted, it is likely that B.C. will be slower to recover than the country as a whole, due to restructuring in the forest sector and the impact of the softwood lumber dispute, reduced tourism activity and provincial fiscal restraint. As a result, the inflow of people to B.C. from parts of the country other than Alberta is expected to be only slightly improved relative to 2001.

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Given the above considerations, the net outflow of British Columbians to Alberta is expected to be partially offset by net inflows from the rest of the country, resulting in a projected net inter-provincial outflow of 3,000 persons in 2002, an improvement over the 2001 net outflow of 9,000 persons.

Risks to the Forecast

The main risk to the 2002 migration forecast is the interprovincial component. If the economic conditions in B.C. relative to the rest of Canada improve more slowly than anticipated, the net outflow of population could be larger than projected.

Another uncertainty is the forecast of B.C.'s share of Canadian immigration. If the share is lower than expected and the level of immigration to Canada follows the immigration plan, then the forecast of international migration to B.C. could be too optimistic.

However, if the U.S. and Canadian economies grow more strongly in 2002 than generally expected, this could have a positive effect on economic growth and job creation in B.C. The province would likely receive higher inflows of migrants from both other provinces and other countries.

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