

## Business Indicators ♦ November 1999

### Consumer Price Changes In the 1990s—What's Rising Fastest?

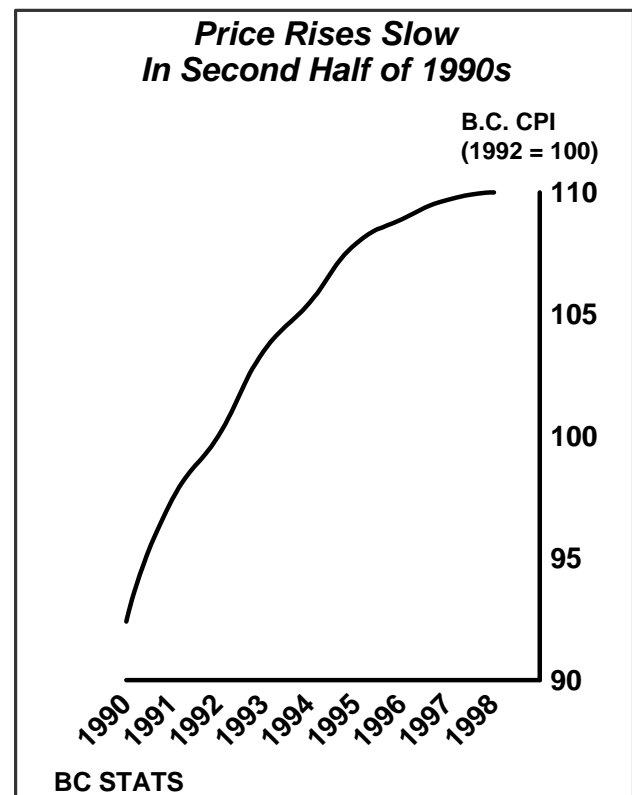
Prices in British Columbia and elsewhere in Canada rose much more slowly during the 1990s than they did during the 1980s. Throughout the second half of the decade up to 1998 they slowed even further.

Changes in prices are monitored by the consumer price index (CPI) a composite measure of price changes affecting a standard basket of goods and services used by consumers. A key feature in the index is the assumption that consumers spend an ascribed portion of their household budget on particular items. For example, it may be assumed that six per cent is spent on recreation, and 12 per cent on transportation. These portions are adjusted from time to time based on the results of Statistics Canada surveys of how people spend their money.

Between 1990 and 1998, the British Columbia consumer price index rose 19 per cent. Low inflation rates in the second half of the 1990s have kept price increases low for this decade as a whole, at least by recent historical standards. In the previous eight years, between 1981 and 1989, prices rose 44 per cent in British Columbia, and 51 per cent in Canada as a whole.

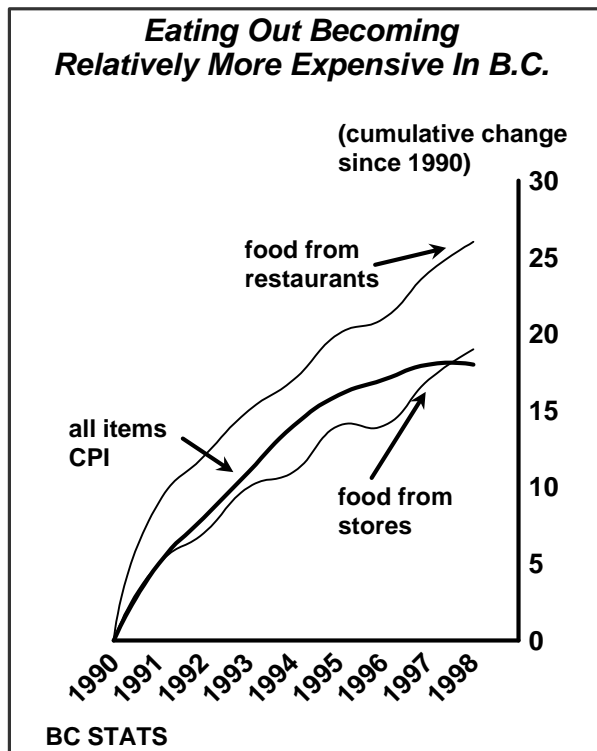
Prices have been rising slightly faster in some parts of the province than in others. In the greater Vancouver area, where economic conditions have generally been better, the all items consumer price index rose 20 per cent between 1990 and 1998—one per cent more than in Victoria or in the rest of British Columbia as a whole.

All these changes apply to the full basket of goods and services included in the consumer price index. Separate price indices are also available for many of the individual items within the basket. These are interesting for what they have to say about how quickly or slowly prices for a particular category of goods or services are rising in relation to prices for other goods or services.



## Higher Costs For Eating Out

Prices paid by consumers for food purchased in restaurants have been rising faster than prices paid for food from grocery stores. Between 1990 and 1998 the increase for restaurant food was 30 per cent, as compared to a 21 per cent increase in prices paid for food bought in stores.

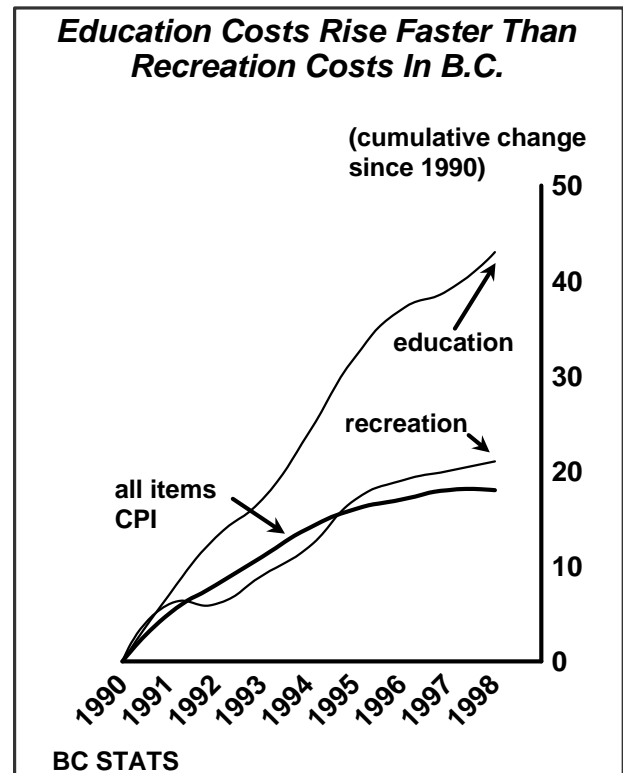


Both increases exceeded the all items increase for the CPI, indicating that food is becoming relatively more expensive. But it does not appear to be growing into a larger item in household budgets. In 1997, the portion of household budget British Columbia consumers spent on food (purchased either in stores or in restaurants) was 11 per cent, down slightly from 12 per cent in 1992.

Prices for some types of food have been increasing faster than for others. Prices for fish and other seafood purchased in stores increased 28 per cent between 1990 and 1998. Prices for bakery and other cereal products increased 27 per cent. These increases contrasted with a rise of only 9 per cent for fresh vegetable prices, and 12 per cent for fresh fruit.

## Cost of School Rising Faster Than Cost of Play In British Columbia

Prices paid by consumers for recreational goods and services climbed 21 per cent in British Columbia between 1990 and 1998, two percentage points faster than the all items CPI. Prices for educational goods and services (tuition, textbooks, and supplies) increased 49 per cent—more than twice as fast.



Although the price of education was rising faster, recreation claimed a far larger portion of the average household budget. In 1997, six per cent of the average consumer budget in British Columbia was devoted to recreation, as compared to one per cent going to education.

These comparisons cannot serve as accurate measures of all public and private spending on the two different activities because they consider only expenditures from household discretionary income. People also contribute to spending on schools and recreational facilities through federal, provincial and local taxes.

### Costs for Rented Accommodation on the Rise; Costs for Owned Accommodation Fall

Prices paid by British Columbians for shelter rose only four per cent between 1990 and 1998. But there was a big difference in price changes affecting renters and those affecting people who owned their own home. Renters had to adjust to increases of 18 per cent in the cost of their accommodation. For home owners, there was actually a drop of seven per cent in the total amount paid for their accommodation, reflecting lower prices for dwellings and lower interest rates.

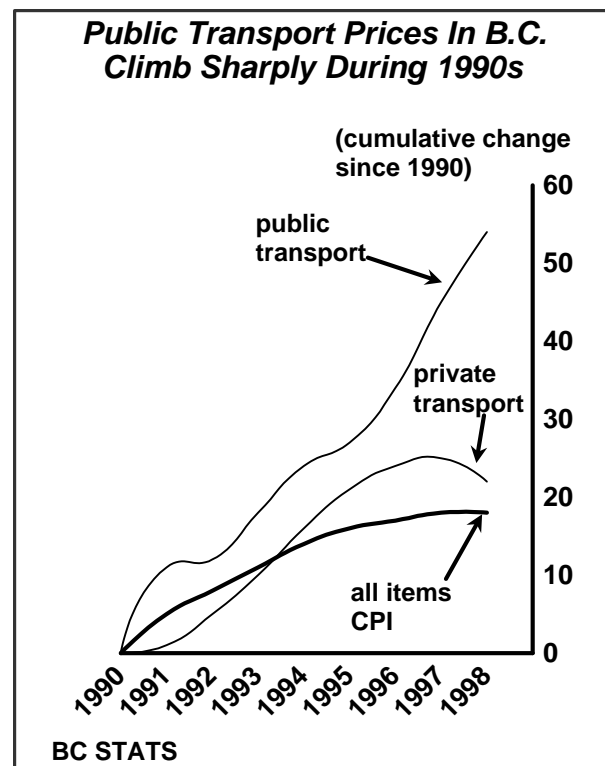
The seven per cent overall drop in prices paid for owned accommodation did not mean that there was no increase in any of the costs associated with home ownership. There was, for example, a 33 per cent increase in property taxes. This may reflect expenses effectively transferred from the budgets of the federal and/or provincial governments following reductions in intergovernmental transfers in recent years.

British Columbians already devote more of their household budgets to shelter than people in any other province except Ontario. In both British Columbia and Ontario, the portion of total household expenditures committed to shelter was 21 per cent in 1997. This compared, for example, to 19 per cent in Quebec and Alberta, and a cross-Canada low of 17 per cent in Newfoundland. High house prices in the Lower Mainland and Greater Victoria are no doubt an important reason for British Columbia's expensive shelter costs. Not surprisingly, people in provinces with lower average house prices generally devote less of their household budgets to shelter.

Both owners and renters in British Columbia have been paying more for the miscellaneous goods and services needed to operate their households. Expenses classified under the heading 'household operations' climbed 28 per cent between 1990 and 1998.

### Prices Rising Faster for Public Transport Than for Private Transport

Price changes since 1990 have offered little encouragement for British Columbians to give up their private cars for public transit tickets. Prices for public transport services rose 61 per cent between 1990 and 1998, while prices for private transportation rose 23 per cent. Much of the increase in public transit costs is tied to very sharp 74 per cent increase in intercity transport prices, of which airline fares are the major part.



Like education and recreation, transport services are provided through a mix of public and private spending. Much of the cost of private automobile transport is subsidised by governments through building and maintaining road systems. Public transport systems can receive subsidy support to the extent that their taxes and operating revenues do not cover all costs of maintaining bus or ferry services.