

Current Statistics ♦ January 2003

Third Quarter in Review—Slowing Down?

British Columbia's economy gave out mixed signals in the third quarter with a number of economic indicators showing signs of weakness. Exports declined 0.5% as BC lumber producers felt the pinch of punishing countervailing duties on softwood lumber imposed by the US. However, so far the effect of the softwood lumber dispute has not been as severe as some had feared it would be. BC producers responded to the duty by shutting down less efficient, smaller mills, while operating the more cost-effective plants at full, or near-full, capacity. Although their actions drove softwood lumber prices down by flooding the market, the higher volumes helped soften the blow, at least in the short run. Shipments (to both domestic and international destinations) of BC manufactured products increased 1.4% in the third quarter, largely because of strong gains in the paper industry (+7.1%).

| % change from previous quarter (seasonally adjusted) | Q2 | Q3 |
|---|------|------|
| Business activity: | | |
| Exports | 1.8 | -0.5 |
| Shipments | 3.1 | 1.4 |
| Wholesale sales | 3.4 | 2.1 |
| Non-residential investment | -3.4 | -2.2 |
| Consumer activity: | | |
| Retail sales | 2.0 | -0.7 |
| New motor vehicles | 3.2 | 1.0 |
| Housing starts | 3.4 | 17.5 |
| Visitor entries to BC | -1.8 | 3.2 |
| Labour market: | | |
| Labour force | 1.1 | 1.1 |
| Employment | 0.9 | 2.1 |
| Unemployment rate (change) | 0.1 | -0.9 |
| Other indicators: | | |
| GDP, Canada | 1.1 | 0.8 |
| GDP, USA | 0.3 | 1.0 |

Consumer demand also sagged, with retail sales edging down 0.7%, marking the first quarterly decline since late 1998. Sales of durable goods slipped, and drug stores, which can usually be counted on for steady growth, had a weak third quarter. The number of new vehicles sold in BC edged up just 1.0%, despite generous incentives offered by manufacturers.

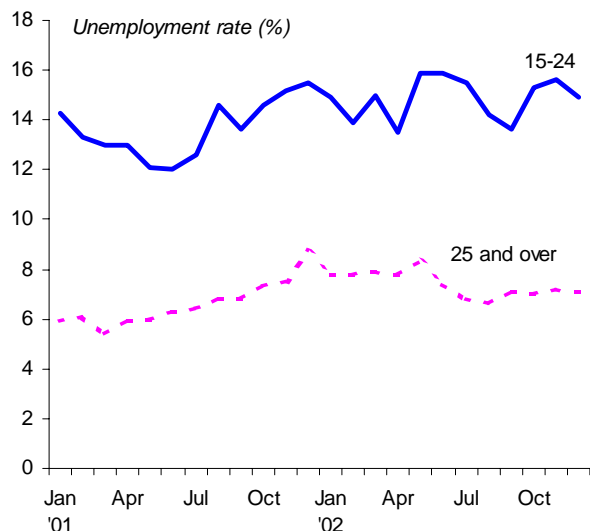
On a more positive note, a hot housing market continued to boost the economy as housing starts surged ahead (+17.5%). However spending on non-residential projects slowed (-2.2%) as builders (especially those in the less urban regions of the province) cut back on new commercial (-1.4%) and institutional (-8.7%) projects.

Labour market conditions remained fairly robust as the labour force expanded (+1.1%), but not as fast as the number of jobs (+2.1%). This helped moderate the province's unemployment rate, which fell to 8.0%. Both public (+3.8%) and private (+2.3%) sector employment made strong gains. Self-employment was stagnant (+0.1%).

On the tourism front, traveller entries rose 3.2% as entries from the US and overseas recovered from a weak second quarter.

All in all, the economic signals in the third quarter were mixed, but generally suggest that the economy may once again be losing steam. Certainly, global economic conditions do not support an overly rosy outlook at the end of 2002. The US economy could be starting to emerge from a long slowdown, but Canada's economy is not as robust as it was at the beginning of the year. A more complete picture of BC's economic landscape will be available in February, when the first cut at end-of-year data for all the major economic indicators will be available.

Unemployment rates among the young remain about twice as high as for more experienced workers



- **British Columbia's unemployment rate dropped back to 8.3% (seasonally adjusted) in December.** The decline in the jobless rate occurred despite weaker labour market conditions. Employment fell by 3,100 (-0.2%) in December, but the job loss was offset by a 7,000-strong decline (-0.3%) in the labour force.

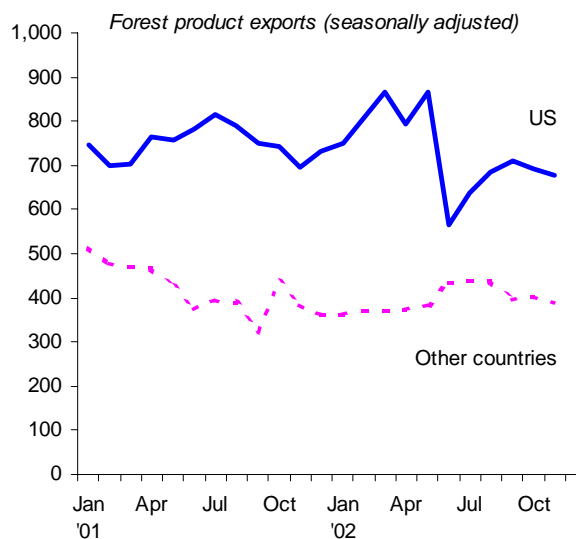
Most of the job losses were in the service sector (-0.4%), where employment was down in most industries. Goods-producing industries brought 0.8% more workers on staff. The new jobs were concentrated in agriculture (+10.1%) and utilities (+5.7%). Employment in construction continued to fall (-0.2%) and the manufacturing industry pared down its work force (-1.0%) after expanding in the previous month. *Source: Statistics Canada*

- **British Columbia manufacturing shipments were down 0.7% (seasonally adjusted) in November.** The drop in shipments was due to weakness in the durables sector, where shipments fell 1.6%, largely because of a 5.1% decline in the wood industry. On the non-durables side, shipments rose 0.8%, with an increase in the paper industry (+6.3%) more than offsetting a reduction in food shipments (-1.4%). *Source: Statistics Canada*

- **Sawmills and planing mills in the province produced 18.7% more lumber this November than in the same month last year.** Both interior (+19.4%) and coastal (+15.7%) mills turned out substantially more lumber than in November 2001. However, the volume of lumber shipped from coastal mills was down 9.0%. Mills in the interior increased their shipments 12.1%, contributing to an overall jump of 7.5% in the volume of lumber shipped by BC producers. Canadian lumber production increased 7.0%, while shipments rose 4.0%. *Source: SC, Catalogue 35-003-XIB*

- **Exports of BC products decreased 5.4% (seasonally adjusted) in November.** The drop in the value of exports occurred across the board. Shipments of forest products (-2.7%) fell for the third straight month. Automotive product exports (-2.4%) also contributed to the monthly decrease. Shipments to the US remained weak, falling 4.4% after posting a 2.6% drop in October. Exports destined for use overseas were also down (-7.3%). *Source: BC STATS*

Forest product exports continued to fall in November



- **Sales by retailers in the province remained constant in November after rising in the previous month.** Nationally, retail sales declined 0.6%. *Source: Statistics Canada*

- **Wholesale merchants in BC saw sales increase 1.6% (seasonally adjusted) in November, more than in any other province.** Canadian sales continued to rise (+0.3%) for the sixth straight month. *Source: Statistics Canada*

- **In November, new motor vehicle sales fell 3.6% (seasonally adjusted) in British Columbia and the territories.** There were 16,140 new vehicles purchased in November, down from 16,737 in October. *Source: Statistics Canada*

- **The cost of new housing in BC's biggest cities continued to climb in November.** The New Housing Price Index was up 1.9%, year-over-year, in Vancouver and rose 5.6% in Victoria. *Source: Statistics Canada*

- **The value of building permits issued by BC municipalities fell 10.1% (seasonally adjusted) in November as planned spending on both residential (-12.0%) and non-residential (-5.4%) projects levelled off.** This decline has to be put in perspective, however, as October saw record highs. Despite the province-wide downturn, building plans in the capital city continued to boom (+8.3%). However, Vancouver (-9.4%) saw a decline. *Source: Statistics Canada*

- **Investment in non-residential building construction rose slightly (+0.3%, seasonally adjusted) in the fourth quarter of 2002 after falling (-2.2%) in the third.** Victoria (+7.8%) saw a sizeable increase in investment, reaching \$53 million while spending in Vancouver (-0.8%) slipped to \$361 million. *Source: Statistics Canada*

- **There were 717 consumer bankruptcies registered in the province in November, down(-9.8%) from 795 in the same month last year.** Consumer bankruptcies declined in most parts of the country, falling 11.3% (to 6,355) at the national level.

The number of business bankruptcies registered in the province totalled 61 in November, down significantly from 109 in November 2001. *Source: Industry Canada*

- **Restaurant, caterer, and tavern receipts in British Columbia increased 2.6% in November, reaching \$433.6 million (seasonally**

adjusted). Sales at drinking places jumped 5.8% in November, whereas food services saw a more moderate increase of 2.4%. *Source: BC Stats*

The number of British Columbians receiving regular employment insurance (EI) benefits fell 2.8% (seasonally adjusted) between October and November, dropping to 65,080. Nationally, there were 1.1% fewer EI beneficiaries in November (550,470) than in the previous month. *Source: Statistics Canada*

- **British Columbia's all-items consumer price index (CPI) rose 3.5% from December 2001 to December 2002.** Increased transportation (+9.3%), recreation, education, and reading (+3.9%) and alcohol and tobacco (+14.9%) prices helped drive the index up. Prices of food (+1.9%) and shelter (+1.0%) rose more moderately, and clothing (-0.5%) was less expensive than in December 2001. Canada's inflation rate was 3.9% in December. *Source: Statistics Canada*

- **The province's annual inflation rate climbed to 2.3% in 2002, topping the two percent mark for the first time since 1995.** The Canadian inflation rate was 2.2% in 2002. *Source: Statistics Canada*

Consumer prices for food, alcohol and tobacco products continued to climb in December

