

## Current Statistics ♦ February 2003

### *Fourth Quarter in Review—North American Slowdown Keeps a Lid on BC's Economy*

British Columbia's economy continued to give out mixed signals in the fourth quarter. Some indicators rebounded from a poor showing earlier in the year, while others slowed down in tandem with the rest of the North American economy.

% change from previous quarter (seasonally adjusted)	Q3	Q4
<b>Business activity:</b>		
Exports	-0.4	1.0
Shipments	1.3	-0.5
Wholesale sales	2.2	1.8
Non-residential investment	-2.2	0.3
<b>Consumer activity:</b>		
Retail sales	-0.7	1.6
New motor vehicles	0.8	-1.6
Housing starts	17.5	-0.4
Visitor entries to BC	3.0	4.6
<b>Labour market:</b>		
Labour Force	0.9	0.4
Employment	2.0	0.0
Unemployment rate (change)	-0.9	0.4
<b>Other indicators:</b>		
GDP, Canada	0.9	0.4
GDP, USA	1.0	0.4

Exports, which had slumped in the third quarter, began to strengthen as the value of forest products shipped to the US improved and rising gas prices boosted energy (mainly natural gas) exports south of the border. However, other international markets for BC products softened in the fourth quarter.

Manufacturers ended the year on a downward note, with shipments shrinking 0.5%, largely due to weakness on the durables side. Manufacturers of wood, computers, transportation equipment and metal products all saw ship-

ments fall. Wholesalers boosted their activity for the fourth straight quarter, but continued to see a deceleration in sales growth.

Spending on non-residential construction, which had been slumping since mid-2001, turned around in the fourth quarter, as investment edged up 0.3%. Housing starts were flat, marking the first time since the fall of 2001 that they have failed to increase.

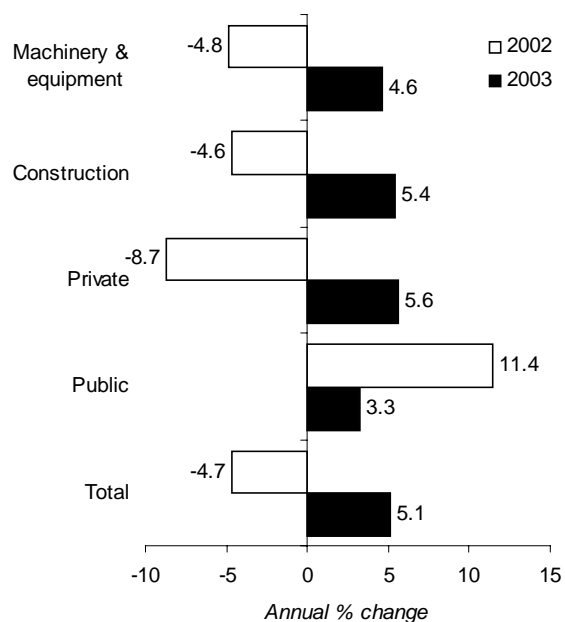
Consumers loosened their purse strings after keeping a tight grip on them in the third quarter. Gas stations and retailers of durable goods made solid gains, but clothing stores did not fare well. The number of new motor vehicles sold in BC fell 1.6% despite generous incentives offered by manufacturers.

On the tourism front, visitor entries to BC from the US and overseas continued to recover from a slump that began early in 2001, but the number of people clearing customs in BC remains well below 2000 levels.

Labour market conditions weakened as employment growth ground to a halt in the private sector and public sector jobs were cut back 0.9% at the end of 2002. There were more part-time jobs, but fewer people with full-time work. Despite this, BC's wage bill crept up 1.8%.

BC's economy is more robust than it was in 2001, but has not yet gained a solid footing and the current instability on the global scene may hamper economic growth in the coming months. The threat of war has already begun to put pressure on the economy, as rising oil and gas prices are fuelling inflation. The Bank of Canada is beginning to raise interest rates. Further hikes could dampen spending by both consumers and business in the coming months, which may keep the lid on BC's economic growth in 2003.

## Private and public sector investment is expected to increase 5.1% in 2003



- **Private and public sector investment in the province is expected to increase 5.1% this year.** Spending on machinery and equipment is expected to jump 4.6%, while construction expenditures are forecast to rise 5.4%. Residential investment is predicted to grow (+8.6%) for the third straight year, as BC's housing market stays strong.

After increasing 11.4% in 2002, public sector investment is expected to rise a more modest 3.3% in 2003. Although provincial spending is forecast to fall (-7.4%), federal (+13.7%) and local (+4.3%) governments anticipate an increase in spending. After an 8.7% drop last year, private investment is forecast to rise 5.6% this year as most industries anticipate an increase in their spending. *Source: Statistics Canada*

- **Investment intentions for 2003 are more robust in BC than in other parts of the country.** The planned 5.1% increase is well above the national average (+2.1%). Quebec (+8.8%) and Nunavut, where spending is expected to increase more than 20%, are the only regions with a more rosy investment outlook. Public and private sector investment is expected to decline in Alberta (-5.4%), Sas-

katchewan (-2.1%), parts of Atlantic Canada, and Northwest Territories, where it is anticipated that spending will plunge more than a third (-38.7%) this year. *Source: Statistics Canada*

- **British Columbia's all items consumer price index increased 3.1% from January 2002 to January 2003.** Rising gasoline (+25.1%), and cigarette (+29.6%) prices were a big factor in the gain. Tuition fees were also higher (+21.1%) in January compared to the same period last year. *Source: Statistics Canada*
- **Wages, salaries and benefits earned by BC workers edged up 0.3% (seasonally adjusted) in December.** The relatively modest increase in labour income came on the heels of strong gains in the previous two months. Labour income rose throughout the year, increasing by a total of 2.1% during 2002. This was the smallest gain since 1998. Nationally, labour income was up 4.6% during the year. *Source: Statistics Canada*

- **BC's unemployment rate continued to fall in January, dropping to 8.2% (seasonally adjusted).** The decline in the jobless rate occurred because the labour force shrank (-0.4%) more than the number of people employed (-0.2%). There were fewer jobs in both the goods (-0.1%) and service (-0.2%) sectors. *Source: Statistics Canada*

- **The number of British Columbians collecting regular employment insurance benefits fell 2.6% (seasonally adjusted) in December.** Across the country, the number of beneficiaries dropped 0.5%. *Source: Statistics Canada*

- **Shipments of goods manufactured in BC rose in December (+0.5%, seasonally adjusted).** Durable goods manufacturers increased their shipments 1.2%, largely because wood shipments recovered (+1.0%) after dropping in November. On the nondurables side, shipments edged down 0.3%, largely due to a 2.2% decline in the paper industry. *Source: Statistics Canada*

- **Exports of BC products rose 3.5% (seasonally adjusted) in December, following three months of low or negative growth.** After two months of decline, exports to the United

States were up 4.1%, mainly due to a 12.7% increase in energy exports and a rebound in forest product (+3.0%) exports. Agriculture and fish (+6.4%) products also rose. Exports to other countries advanced 2.4%, with increases in most commodity groups. However, energy exports were down 8.8%.

Source: BC Stats

- **BC retailers increased their sales 3.3% (seasonally adjusted) in December, slightly less than the Canadian average (+3.7%).** Wholesale sales in the province inched up in December (+0.6%, seasonally adjusted).

Source: Statistics Canada

- **Department store sales in BC and the north stalled (+0.0%, seasonally adjusted) in December.** Stores across the country saw disappointing results in the pre-Christmas rush, with sales falling in five regions. Canadian sales were down 0.3% from November.

Source: Statistics Canada & BC Stats

- **New vehicle sales in BC and the north edged up 1.0% (seasonally adjusted) in December, after slipping 3.7% in the previous month.**

Source: Statistics Canada

- **Restaurant, caterer and tavern receipts in the province slipped 1.4% (seasonally adjusted) in December, as consumers reined in their spending at food service establishments (-1.5%).** Drinking places saw their business increase 1.0% in December.

Source: Statistics Canada & BC Stats

- **Housing starts in the province fell again in January, dropping 18.4% (seasonally adjusted) after posting a 7.9% decline at the end of last year.** Starts were down across the country (-8.7%), falling in all but three of the provinces.

Source: CMHC

- **The cost of new housing in BC's two biggest cities continued to climb in December.** The new housing price index was up 2.0% (year-over-year) in Vancouver, and 5.9% in Victoria, where prices for both land (+4.0%) and housing (+8.1%) rose substantially. In the Vancouver area, house prices were higher (+3.1%) but the cost of land was virtually unchanged (+0.2%).

Source: Statistics Canada

- **The value of building permits issued by BC municipalities rose 13.6% (seasonally adjusted) in December, largely due to increased activity (+22.1%) in the residential sector.** Planned spending on non-residential projects was down 5.3%. The value of permits issued for industrial projects plunged 31.0%, and permits for commercial buildings were down (-8.8%) for the third month in a row. However, permits for institutional and government buildings (+21.3%) increased significantly from November.

Source: Statistics Canada

- **The number of businesses declaring bankruptcy in BC edged up (+0.5%) in 2002 at 1,107.** Consumer bankruptcies rose 0.6% in 2002, to reach 9,531. There were 79,232 consumer bankruptcies in Canada, down from 79,453 in 2001.

Source: Industry Canada

- **For the first time since 1983, farm cash receipts fell (-1.6%) in BC in 2002.** Total livestock receipts fell 2.8%, mainly due to lower sales of cattle (-10.5%) and turkeys (-4.5%). Receipts from crop sales rose 2.5%. Potatoes (+23.7%) and berries (excluding strawberries) and grapes (+27.3%) made large gains. Sales of floriculture and nursery products were up 4.9%.

Source: Statistics Canada

### **Farm cash receipts fell for the first time in two decades last year**

