

## Current Statistics ♦ June 2003

### ***First Quarter in Review—Still Waiting for a Strong and Sustainable Signal***

In the first quarter, British Columbia's economy remained fairly flat and gave out mixed signals. Most indicators followed the trends set in the previous quarter, while the labour market began to show signs of improvement.

% change from previous quarter (seasonally adjusted)	Q4 '02 Q1 '03	
<b>Business activity:</b>		
Exports	4.1	4.9
Shipments	-0.5	-1.8
Wholesale sales	2.1	3.7
<b>Consumer activity:</b>		
Retail sales	1.3	0.7
New motor vehicles	-1.0	-6.3
Housing starts	-0.4	1.0
<b>Labour market:</b>		
Labour Force	0.4	-0.1
Employment	0.0	0.4
Unemployment rate (change)	0.4	-0.4
<b>Consumer Price Index:</b>	3.2	3.2

Exports picked up speed at the beginning of the year as the result of a boost in energy (mainly natural gas) exports. The strong energy exports compensated for the weakness in forestry and automotive exports, which slumped during the first quarter.

The first quarter was not a good beginning for manufacturers. Manufacturing shipments were off 1.8%, posting a second consecutive quarterly loss. Declines in durables again played an important role in the overall decline in shipments. Manufacturers of wood, computers, non-metallic minerals, and machinery all saw shipments fall.

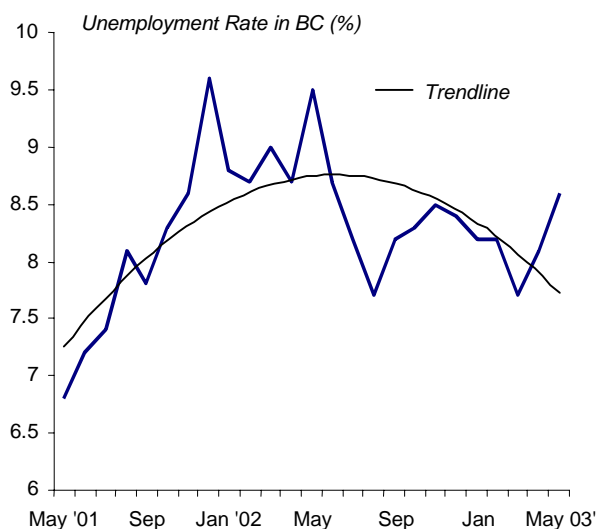
For the fifth consecutive quarter, wholesale sales experienced a significant increase, rising 3.7% over the same period in 2002. Retail sales also continued climbing in the first quarter, but at a slower rate compared with the previous quarter. While total retail sales edged up only 0.7%, gas stations and furniture retailers made solid gains. Sales of new motor vehicles in BC slumped 6.3%, the second straight quarter of decline after six consecutive quarterly increases.

Labour market conditions rebounded in the first quarter as the unemployment rate dropped 0.4 percentage points. The change was mostly the result of fewer labour force participants and more employment in both the public and private sectors. The number of public sector jobs showed a 3.3% increase, while the number of private sector jobs climbed only 0.6%. More people got full-time jobs and, accordingly, there were fewer part-time jobs in BC.

The consumer price index was 3.2% higher than in the first quarter last year. People were paying an additional 30% for fuel oil and 31% more for gasoline compared to last year. The war in Iraq was a significant contributor to the price hike. Tuition fees for universities and colleges in BC jumped 21% in the first quarter compared to the same period a year earlier.

Generally speaking, BC's economy exhibited some positive signs in the first quarter. However, the monthly data for April and May show slower growth, even declines in many series. Exports and wholesale sales began to fall by the end of the first quarter. Moreover, BC's unemployment rate increased to 8.6% in May. Since all economic indicators have shown a tendency for volatility in recent quarters, there is still uncertainty over the current strength of economic growth.

## BC's unemployment rate rose half a percentage point to 8.6% in May



- **BC's unemployment rate shifted upwards half a percentage point to 8.6% in May (seasonally adjusted).** This was the combined result of fewer jobs (-0.4%) and an expanded labour force (+0.2%), which together amounted to 11,500 more unemployed workers.

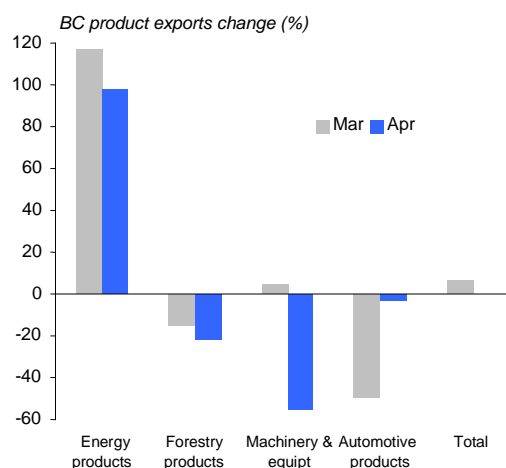
The employment decline in BC was driven almost entirely by fewer public sector jobs in May (-2.8%). Private sector employment was virtually unchanged (-0.1%). As well, job losses were concentrated among part-time positions (-4.7%), while full-time work increased slightly (+0.8%). *Source: Statistics Canada*

- **Total labour income in BC was down slightly (-0.4% seasonally adjusted) in March.** This is the second month-to-month decline in labour incomes after 7 months of small but steady increases. *Source: Statistics Canada*
- **Shipments of goods manufactured in British Columbia continued to fall in April, edging down 0.6% (seasonally adjusted) from March.** Shipments have been weak since late last year, and April's decline was the fourth in as many months. Wood industry shipments slumped (-4.1%) for the third time since the beginning of the year. Shipments by most other durable goods producers were also down. The exception

was computer and electronic products, which bounced back (+26.2%) after dropping (-3.1%) in March. Overall, shipments by BC manufacturers of durable goods were down 1.6% from March. Manufacturers of non-durable goods (+0.8%) fared better, despite a stall (-0.3%) in the paper industry. Food shipments edged up 0.4% and producers of chemicals (+13.2%) and petroleum and coal products (+1.8%) made solid gains.

*Source: Statistics Canada*

## Compared to the same month last year, BC product exports were virtually unchanged in April



- **BC product exports were virtually unchanged (+0.4%) this April, compared to the same month last year, despite a big drop (-21.4%) in the value of forest product exports.** Energy exports, which were nearly double (+97.4%) the April 2002 value, continued to boost the value of exports, offsetting the weakness in the forest sector. The value of machinery and equipment (+3.7%) exported to the US and overseas continued to advance. *Source: Statistics Canada*
- **BC's consumer price index was up 1.9% in May compared to the same month last year.** This is below the 12-month increase of 2.3% recorded in April. The 12-month increase in energy prices was much lower in May (3.0%) than in April (8.3%). Inflation in transportation was also lower in May (2.1%) than in April (4.2%). *Source: Statistics Canada*

- **Wholesale sales fell 1.9% (seasonally adjusted) in April, the third month of consecutive decline.** *Source: Statistics Canada*

- **Consolidated provincial/local government sector revenues fell 1.2% in BC during the 2002/03 fiscal year.** The decline in revenue was largely due to lower income tax receipts, following the implementation of tax cuts by the provincial government.

At the same time, expenditures in the province continued to rise (+2.2%) as spending on health care (+6.0%) and education (+2.8%) was boosted. However, the provincial and local government sector spent less (-6.8%) on social services in 2002/03 than in the previous year.

Lower interest rates kept the lid on public debt charges, which were down 5.6% in BC last fiscal year.

*Source: SC, Public Institutions Division, Financial Management System (FMS) data*

#### Note

Consolidated provincial/local government statistics include data for provincial government ministries and agencies, local governments, and related institutions such as hospitals, universities, colleges and school boards. The data is prepared by Statistics Canada using a broader definition of the public sector than is employed in the Public Accounts. The FMS data are, however, comparable across provinces.

- **Vehicles registered in BC travelled an estimated 37.8 billion km in 2002.** With 2.4 million registered vehicles, that is an average of about 16,000 km per vehicle. Passengers logged an estimated 64.5 billion km on the road, implying that BC vehicles carried an average of 1.7 occupants (including driver).

*Source: SC, Catalogue # 53-223-XIE*

- **Sales of new motor vehicles in BC remained weak in April, falling 3.2% (seasonally adjusted) on the tail of an 8.6% decline in the previous month.** *Source: Statistics Canada*

- **The value of building permits in BC continued to show turbulence in April.** The dollar value of permits was down 13.6% (seasonally adjusted) after lurching upward 38.4% in March. Residential permits were down 28.0% to \$317 million, overpowering

the gains in non-residential permits (up 41.3% to \$163 million).

- **Investment in residential construction in BC rose 24.4% in the first quarter of 2003, compared to the same period of 2002.**

*Source: Statistics Canada*

- **Housing starts in the province continued to seesaw in May, dropping 17.1% (seasonally adjusted) after posting a similar gain in the previous month.** *Source: CMHC*

- **The cost of new housing in BC's two biggest cities continued to climb in April.** The new housing price index was up 8.4% (year-over-year) in Victoria and increased 2.7% in the Vancouver area. Prices for new housing in both cities have been rising since early 2001, but still remain well below 1992 levels.

*Source: Statistics Canada*

- **BC universities collected \$2.2 billion in revenues for the 2001/02 school year, more than half (58%) of which came from government grants and contracts.** Student fees (16%) were the next biggest source of income, followed by sales of services and products (15%). Bequests, donations, and other grants and contracts contributed another 8% to the pot.

*Source: SC, The Daily*

- **The number of visitors entering Canada via BC border crossings declined 1.8% in April (seasonally adjusted), continuing the downward trend that started last November.** Visitor entries from Asia—though only accounting for about 10% of travel to BC—were down dramatically (-26.7%). Taiwan showed the steepest drop (-56.0%), followed by Hong Kong (-25.6%), Japan (-21.2%), and South Korea (-20.3%). This, no doubt, is fallout from the SARS panic in Toronto. However, entries from the US showed little change (+0.5%), and the volume of travellers from Australia and the South Pacific actually increased (+9.3%).

*Source: BC Stats and Statistics Canada*