



B.C. ECONOMIC SNAPSHOT

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Editor: Jock A. Finlayson

PROVINCIAL ECONOMY REMAINS WEAK, BUT CONSUMER ACTIVITY IS STILL TEMPERING THE DOWNTURN

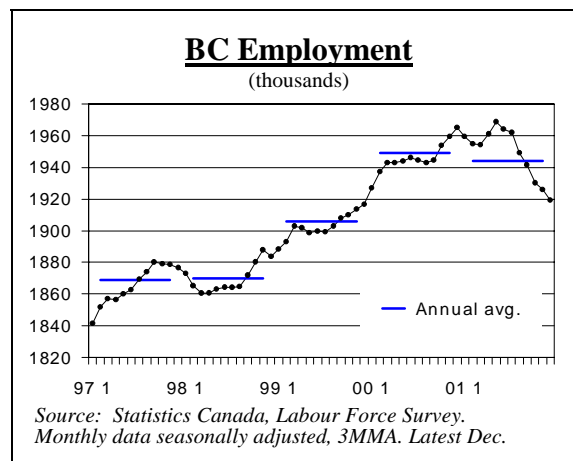
So far there is little concrete evidence that the provincial economy is poised for a quick turnaround. In fact, another sizable drop in employment in December suggests that a bottom has not yet been reached. Ongoing weakness in the export sector is a key reason for the overall sluggishness of the provincial economy.

Not all the recent economic news is bad, however, as consumers seem to remain reasonably upbeat, even with the deteriorating job scene. Housing sales finished 2001 on a strong note after advancing steadily throughout the year. There was also a healthy gain in retail sales in November, although some caution is necessary here because much of the increase stems from auto sales, which were driven by zero-percent financing options.

So far the downturn in the BC economy is being cushioned by the consumer, and in order for a recovery to take hold it is critical that consumer confidence remain intact.

Employment in the province fell by a (seasonally adjusted) 10,700 in December, extending the steep slide that began last March. The decline confirms that recession-like conditions persist, underscored by the fact that the total number of jobs in BC is down by 59,000 from year-ago levels.

One notable development was a big jump in the unemployment rate from 8.5% in November to 9.7% in December. While the decline in jobs obviously contributed, most of the increase in measured unemployment reflected a rise in the number of people actively participating in the labour market. It

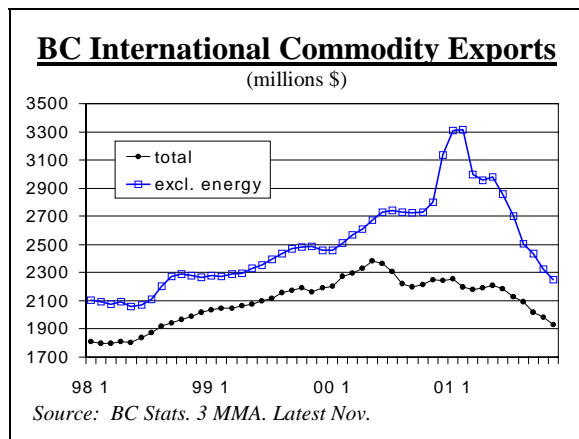


is unusual for the labour force and employment figures to move in opposite directions for too long, so it would not be surprising to see the labour force contract in the coming months, which would help to lower the unemployment rate.

December's job losses all came in the full time category (-22,800), while part time employment increased by 12,000. These divergent trends are frequently seen during economic downturns and indicate that businesses were still scaling back hours worked at the end of the year.

International commodity exports dropped by 1.2% in November. Although exports have been falling for some time, the year-to-date total is off only 1.4% because of the effect of sky-high energy prices early in the year.

Excluding energy products, the value of exports is down 8% for the year, a finding that is consistent with the weakness evident in the job market in the resource and manufacturing sectors in the province.



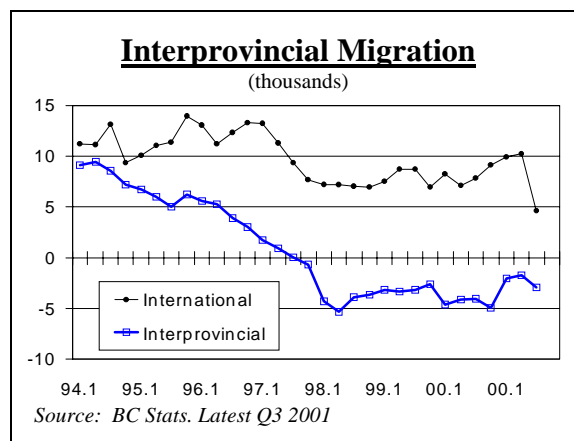
November's **retail sales** advanced by a respectable 1.2%, on the heels of a more modest gain of 0.4% in October. While retail activity in general is fairly healthy, much of the overall gain is attributable to the sale of **new motor vehicles**, which were up a sizable 9.8% in November. The zero-percent financing offered by some automobile manufacturers has succeeded in stimulating sales, as this was the largest monthly jump since December 1997. The auto producers' generous financing terms are probably prompting consumers to advance their purchase decisions, which suggests the underlying buoyancy of retail sales is not as strong as it first appears and could well weaken when the offers end.

Residential housing is a bright spot in the economy, although much of the strength is concentrated in the lower mainland. The Vancouver market improved steadily over the past 12 months and finished the year with a solid 10% monthly increase (seasonally adjusted) in MLS® sales in the Vancouver Real Estate Board area.

The gains throughout the year translated into an annual sales increase of 36%, one of the strongest on record. Across the province 2001 brought similar gains in Victoria, the Vancouver Island Real Estate Board area and the Fraser Valley. In most other parts of BC sales growth was more subdued.

Housing starts in urban BC fell 12% in December. The decline was due to a reduction in the number of multi-unit starts, which have been easing for a number of months after a burst of activity early in the year. Strong sales means inventories are being sold off, which will likely result in more multi starts in the near term. **Single-family housing starts** were up almost 4% (seasonally adjusted) in December, extending the upward trend evident since early 2001. The rise in single family starts points to underlying positive momentum in the housing market.

Interprovincial migration is still a drain on the provincial economy. In the third quarter of 2001 BC saw a net outflow of 1,800 individuals to other parts of Canada. Alberta was the biggest beneficiary, attracting a net flow of 3,300 people from BC. There was a small net inflow into BC from the other provinces. Changes in interprovincial migration are slow to respond to economic conditions, so BC is likely to suffer net out-migration to other provinces again in 2002. Migration from international sources added another 5,000 people (net) to the province in the third quarter, helping to keep overall population growth at a weak, but improved, 0.9%.



Ken Peacock
Senior Policy Analyst
604 684-3384