

British Columbia Economic Review and Outlook

March 1999



BRITISH
COLUMBIA

**Ministry of Finance and
Corporate Relations**

British Columbia Economic Review and Outlook

March 1999

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Introduction

In 1998, British Columbia's economy suffered the dual impact of the economic crisis in Asia, and a major decline in commodity prices. The larger-than-expected downturn in Japan and other Asian countries sharply reduced the province's resource exports to the region. Trade with the booming United States economy partly offset these losses.

Domestic economic activity was affected by the downturn in export income and corporate profits. A reduction in the number of people moving to British Columbia led to a sharp decline in housing activity and contributed to softer retail spending.

Despite the deteriorating trade picture and the downturn in the resource and construction industries, the economy continued to produce jobs. Employment rose 1.2 per cent in 1998, and strengthened noticeably by year-end. Between December 1997 and December 1998, nearly 60,000 jobs were created. The unemployment rate fell during the year, despite the growing number of people entering the job market.

After a decline in 1998, growth in the provincial economy is expected to resume in 1999, with real GDP forecast to increase 0.5 per cent, and strengthen the following year. The expansion will be restrained in 1999 by conditions in the Asian economies, notably Japan. On the plus side, growth in the Canadian and U.S. economies should remain healthy, despite the recent rise in long-term interest rates. Inflation expectations across the continent are low, suggesting that monetary conditions should remain conducive to steady economic growth (if less spectacular than seen recently).

Economic Consultation

The Minister of Finance and Corporate Relations received advice on the provincial outlook from several Canadian economic experts at the annual economic outlook conference held in February 1999. At this gathering, the average forecast was that British Columbia's economy would remain unchanged in 1999, following a 0.5 per cent decline in 1998. (A topic box at the end of this report provides a summary of the discussions at this conference.) Since the conference was held in February, some participants have publicly released the predictions they tabled at the conference.

The diverse views expressed at the conference have been a valuable contribution to the development of the provincial economic outlook. The Ministry of Finance and Corporate Relations (the "Ministry") is ultimately responsible for the budget's economic forecast. While the average outlook of the conference participants was for zero growth, the Ministry is forecasting 0.5 per cent real GDP growth in 1999. Details of the Ministry's economic forecast are contained in the Economic Outlook section of this report. The revenue projections in the budget are based on a lower real GDP forecast of -0.6 per cent, as outlined in Report B.

1998 in Review

A year ago, the Budget economic outlook predicted that the economy would grow 0.9 per cent in 1998, slightly less than the 1.4 per cent average of predictions by the forecasting panel.

The Ministry of Finance and Corporate Relations now estimates that the economy contracted 0.5 per cent last year (see Tables A1, A2 and H1 for details). This is in line with the revised estimate provided by the Minister's panel this February. Similarly, in its recent quarterly *Review*, the Bank of Canada observed that the province's "...output may have contracted slightly reflecting the impact of the Asian crisis on a heavily resource-based economy". However, there is considerable uncertainty about any estimate, given the varying signals from different areas of the economy last year. Statistics Canada's provincial real GDP figures for 1998 will be released in October.

TABLE A1
CONTRIBUTIONS TO BRITISH COLUMBIA 1998 REAL GDP¹ GROWTH

	Change from 1997	
	\$1992 billions	Per cent
Consumer expenditure	0.3	0.6
Investment	-0.5	-2.5
Non-residential investment	0.8	6.3
Residential investment	-1.3	-14.7
Government expenditure	0.1	0.6
<i>Final domestic demand</i>	-0.1	0.0
Net exports	-0.1	-0.1**
Inventory investment.....	-0.3	-0.3**
Real GDP	<u>-0.5*</u>	-0.5

* Totals do not add due to rounding.

** Change as a percentage of 1997 real GDP.

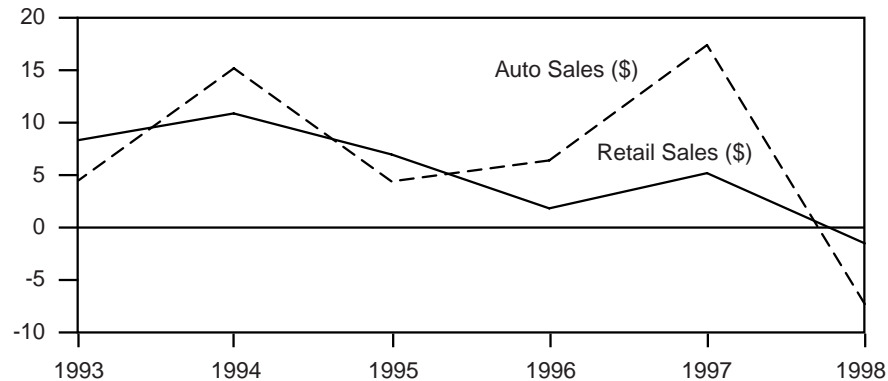
¹ Ministry of Finance and Corporate Relations estimates.

Investment was the weakest component of aggregate expenditure, reflecting a sharp downturn in residential construction, reduced corporate profits and poor conditions in the resource sector. Housing starts and existing home sales dropped by about one-third, with the impact on housing investment mitigated by growth in spending on renovations and improvements. Capital expenditures by provincially funded agencies helped support non-residential construction. Business inventory investment is also estimated to have fallen in 1998, following a large increase in 1997.

Consumer expenditures increased an estimated 0.6 per cent in real terms as gains in spending on services offset a decline in spending on goods. Services spending was buoyed by American and European tourists. A decline in auto sales and reduced furniture and appliance sales caused by the slump in housing contributed to reduced spending on goods (see Chart A1).

CHART A1
CONSUMER SPENDING

Percentage change



Source: Statistics Canada.

The external trade sector was relatively weak in 1998. The total volume of exports is estimated to have declined, with losses in merchandise trade partly offset by larger service exports. Import volumes also fell, mirroring declines in auto sales. The drop in the value of the Canadian dollar against its American counterpart made U.S. imports more expensive, offsetting the impact of lower prices for imports from Asia.

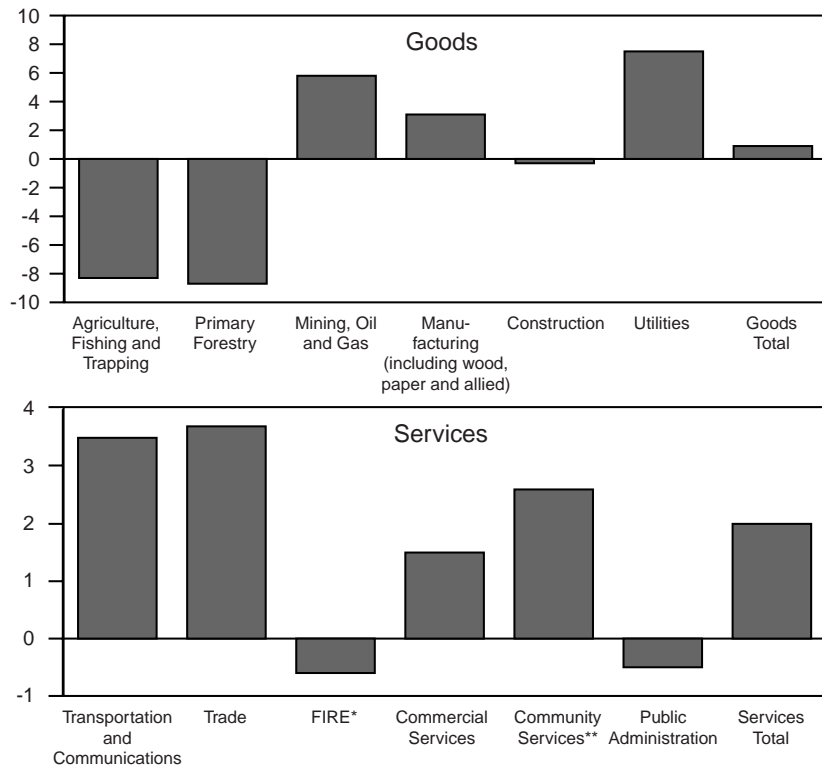
Government expenditures on goods and services rose an estimated 0.6 per cent in real terms.

Employment grew steadily during 1998, following a sharp decline in the November 1997-January 1998 period. Part-time employment grew rapidly during the first three quarters before full-time employment began to pick up in the fourth quarter. As a result, total hours worked over the entire year declined about half a per cent.

The provincial unemployment rate approached 10 per cent early in 1998, but fell sharply over the rest of the year, hitting 7.8 per cent in November and ending the year at 8.2 per cent. This is close to all-time lows.

Chart A2 shows the different patterns of wage and salary growth across industries in 1998, reflecting the combined changes in hours worked and average earnings. Although employment rose sharply during the year, wage gains were muted. Average weekly earnings and wage settlements in collective agreements rose 0.7 per cent in 1998, less than the national increase but higher than the provincial inflation rate of 0.3 per cent. Housing costs continued to push down inflation.

CHART A2
TOTAL WAGES AND SALARIES BY INDUSTRY
 Percentage change, 1998



* Finance, insurance and real estate.
 ** Health, education, welfare and religious.
 Source: Statistics Canada.

British Columbia Economic Outlook

Economic conditions are expected to improve in 1999, reflecting recent strong employment and income growth and the pick up in manufacturing shipments and exports. This should contribute to a modest recovery in consumer spending. Interest rates should remain conducive to spending growth, despite recent increases in long-term rates. The slight appreciation of the Canadian dollar since the end of 1998 is unlikely to have much of an effect on exports.

A BRITISH COLUMBIA RECESSION?

A decline in real GDP, even a small one such as the estimated 0.5 per cent drop in 1998, raises the question of whether a recession occurred. A frequently cited "rule of thumb" is that two consecutive quarterly declines in real GDP constitute a recession.

In fact, the two-quarter rule of thumb provides only a partial and sometimes incorrect answer. In British Columbia's case, even the use of the rule of thumb is complicated by the absence of timely quarterly provincial GDP data.

Determining whether a recession has occurred or is underway is a fairly complex matter. The National Bureau of Economic Research, the organization responsible for business cycle dating in the United States, states that it:

" . . . does not define a recession in terms of two consecutive quarters of decline in real GNP. Rather a recession is a recurring period of decline in total output, income, employment and trade, usually lasting from six months to a year, and marked by widespread contractions in many sectors of the economy".

This definition implies that determining whether a recession has occurred requires examination of three aspects of economic decline:

- **Depth:** How deep is the decline in economic activity?
- **Duration:** Is the decline in economic activity sustained for more than a couple of months?
- **Diffusion:** How widespread across sectors and industries is the economic decline?

It is evident that some areas of the British Columbia economy were in recession in 1998, judging by the performance of various indicators and analysis of the quarterly patterns of activity. The resource and construction sectors stand out as areas in recession, with sharp

declines in forestry and mining shipments, exports, housing starts and sales, and related employment in the resource and construction sectors.

However, the economy performed better in some other sectors. Overall employment was up, despite the declines in construction and resource-related jobs. Within construction, non-residential activity appeared to increase slightly, although residential starts were down sharply. Overall tourism expenditures were aided by the low Canada-U.S. exchange rate, and continued to grow despite a downturn in the number of Asian visitors. The drop in retail sales was concentrated in the automotive sector and housing-related spending. Non-resource manufacturing activity and employment expanded, also benefiting from the low Canada-U.S. exchange rate and minimal cost increases relative to U.S. competitors. Even within the resource sector the picture was not uniform; output of natural gas and copper rose 3.6 per cent and 22 per cent respectively, and the volume of pulp and paper production was little changed from 1997. Lumber production fell 4.4 per cent.

Employment growth differed widely across the province with most of the Interior experiencing increases despite the downturn in the region's forest sector and high unemployment rates in some areas. As well, employment in managerial, sales and clerical positions grew at a good pace, with the resource/export sector slowdown affecting the transportation and materials handling occupations.

The combined evidence is unclear on whether a recession occurred. As noted, the decline in activity was not widespread but was concentrated in a few areas. Employment, exports and a number of other economic indicators rose in the fourth quarter. This suggests that, if there was a recession at some point in 1998, it was brief. Finally, the strength of employment growth in many sectors and the drop in the overall unemployment rate indicates that the decline was shallow relative to past recessions.

Real GDP is expected to grow 0.5 per cent in 1999 and 2.0 per cent in 2000. The 0.5 per cent growth forecast in 1999 is slightly above the zero growth forecast by the Minister's panel. This reflects evidence of stronger economic activity that became available after the forecast conference was held on February 4:

- Data for January and February showed British Columbia employment was up 5.7 per cent to date in 1999, much stronger than the 0.7 per cent average increase for 1999 forecast by the panel.
- The value of British Columbia's exports was up 12 per cent in January from year-earlier levels.
- Manufacturing shipments were up 7 per cent in January from year-earlier levels.
- As a result of a very strong fourth quarter, the consensus growth forecast for the U.S. economy is now 3.3 per cent in 1999, up from 2.0 to 2.5 per cent just a few weeks ago. The consensus growth forecast for Canada has risen from 2.1 per cent in January to 2.7 per cent in March.
- Although the forecast assumes Japan's economy will shrink another 1.3 per cent in 1999, there are signs that the worst is over. In particular, industrial production and housing starts have strengthened recently.
- The forecast assumes that British Columbia goods and services export prices will rise a modest 0.8 per cent in 1999. The recent energy-led rise in major commodity price indexes could translate into higher-than-assumed prices for British Columbia exports.

These factors might argue for a higher growth forecast than 0.5 per cent. However, continued weakness in consumer activity argues for caution.

Major Markets

For the third year in a row, the United States economy turned in a stronger performance in 1998 than was expected at the beginning of the year. The economy grew 3.9 per cent, twice the expected growth rate (see Chart A3).

The U.S. economy finished 1998 at a high level of activity, buoyed by strong growth in domestic demand. Recently, the U.S. has shrugged off concerns that the Asian downturn and sluggish exports were dragging manufacturing into recession. Consumer spending and housing activity are at very high levels, posing a potential threat to the British Columbia economy should demand tail off due to rising interest rates or a stock market decline. With these possible exceptions, there are few of the critical imbalances that have tipped the U.S. economy into recession in the past. This suggests growth of 3.0 per cent is likely in 1999, followed by 2.3 per cent in 2000.

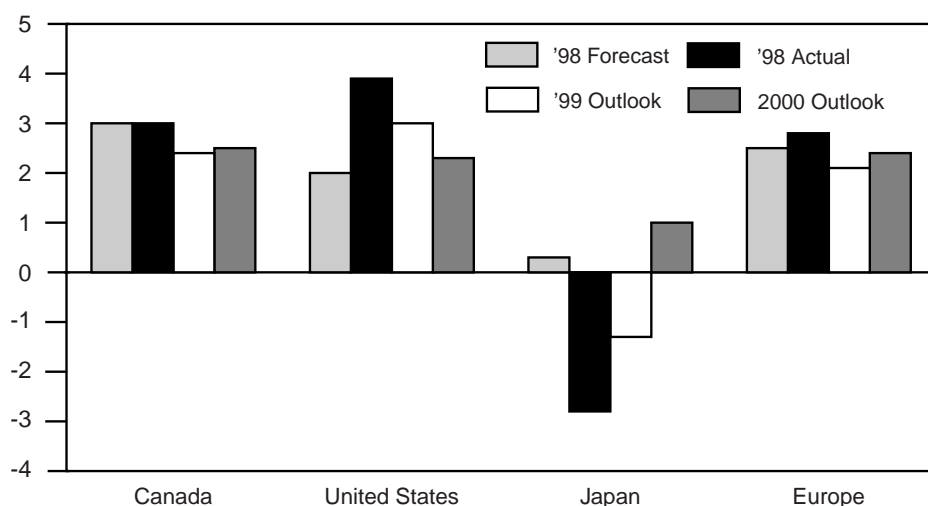
British Columbia and the rest of the Canadian economy benefited from U.S. strength, the depreciation of the Canadian dollar and low inflation. Canada's economy also finished the year on a strong note in the fourth quarter but, in contrast to the United States, domestic demand growth slowed to less than 1 per cent. Most of the growth in the fourth quarter was generated by inventory rebuilding in the wake of the General Motors strike in the third quarter. Overall growth in 1998 was 3.0 per cent, identical to the Ministry's forecast. In 1999, consumers will benefit from federal and provincial personal income tax cuts that will boost disposable income. Canadian economic growth of 2.4 per cent is expected in 1999 and 2.5 per cent in 2000.

Japan remains the weakest of the major industrial economies, with real GDP shrinking 2.8 per cent in 1998. This was far below the Ministry's budget forecast of 0.3 per cent growth. Several economic stimulus packages have failed to revive the economy, which is weighed down by a combination of weak demand from other Asian countries and bad debts at financial institutions. This has constricted business lending and investment. Consumer confidence and spending have been stagnant for some time, with housing a key factor dragging down the economy. This has sharply reduced demand for British Columbia exports, particularly coastal

hemlock lumber widely used in Japanese housing. Part way into 1999, there are a few signs that the recession in Japan may be nearing an end. Nevertheless, the economy is expected to shrink another 1.3 per cent in 1999 before recovering to 1 per cent growth in 2000. Housing starts this year are not expected to be much above 1998's level.

CHART A3 GROWTH IN MAJOR ECONOMIES

Percentage change in real GDP



Source: Budget '98, national statistical agencies.

Entering 1999, the European economy has slowed. The 11 countries making up the new Euro currency zone grew at an annual rate of just under 1 per cent in the fourth quarter of 1998. The slow growth was mainly due to a 1.6 per cent decline in German real GDP. The new currency was introduced smoothly, appreciating against the U.S. dollar in its first few days and slipping about 8 per cent since then. The Euro is unlikely to have any significant economic impact in the near term. Growth of 2.1 per cent is expected in Europe in 1999 and 2.4 per cent in 2000.

Financial Markets

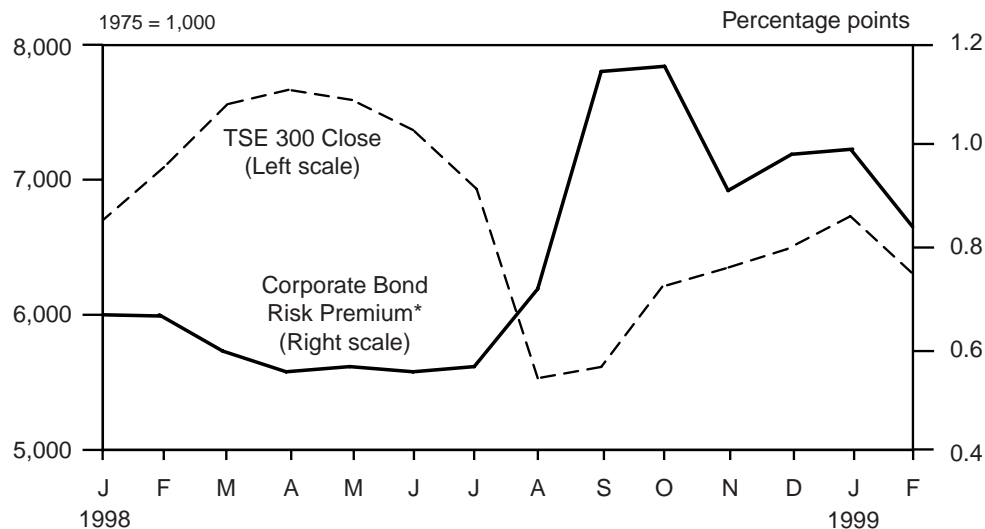
Canadian short-term interest rates averaged 4.7 per cent in 1998, up from 1997 levels. However, Canadian and U.S. long-term interest rates fell on average during 1998, ending the year just above 5 per cent. The Canadian dollar traded at 70 U.S. cents at the beginning of the year but fell steadily after the first quarter to 65 cents by year end, hitting all-time lows along the way. The currency averaged 67.5 cents U.S. in 1998, down from 72.2 cents in 1997 and well below the 70.2 cent budget forecast. The depreciation of the dollar helped offset the impact of falling commodity prices on British Columbia exporters.

U.S. equity markets soared in 1998 — the Standard & Poor's 500 index rose 27 per cent — while in Canada, the TSE 300 composite index fell about 3 per cent. The downturn in commodity markets weighed heavily on the Canadian stock market and the Canadian dollar.

Financial markets encountered extreme volatility in late August and early September following problems in Russia. Credit quality spreads skyrocketed (see Chart A4) and many borrowers were unable to obtain financing. Stock markets around the world dropped sharply in response.

Canadian interest rates rose sharply in response to a weak Canadian dollar. Late in 1998 and early this year, the prospect of further problems in Brazil and Russia caused more turbulence but calm returned to the markets by mid-February.

CHART A4
FINANCIAL MARKET VOLATILITY



* Difference between corporate and government long-term bond yields.
Source: Bank of Canada.

Low inflation expectations should keep long-term interest rates in the 5.0 to 5.5 per cent range in 1999 and 2000, despite recent increases. The Canadian dollar is expected to rise through 1999 — averaging 66.6 cents U.S., lower than the 1998 average — then strengthen to 69.4 cents in 2000. With some improvement in commodity prices expected for 1999 and low domestic inflation, the slight appreciation of the currency should pose little competitive threat to British Columbia exporters.

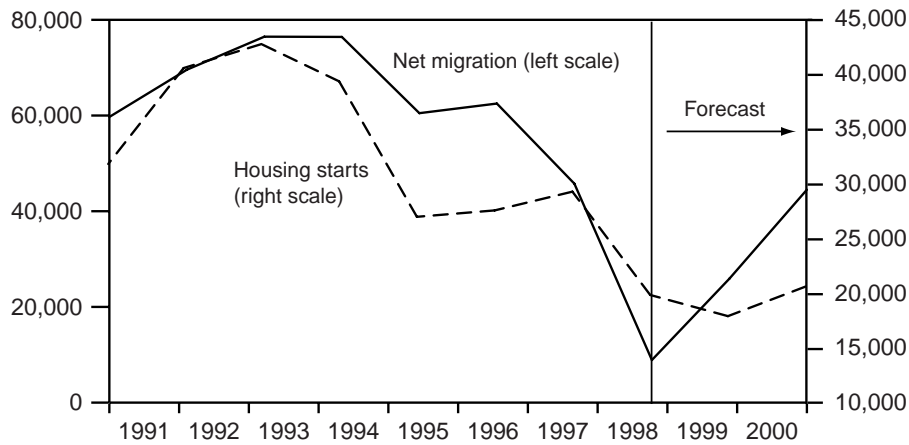
Export Prices

Prices for commodity exports were lower than expected in 1998, reflecting the severe slump in demand from Asia and, in some instances, increased supply from emerging economies. This weakness was partly offset by higher prices for traded services such as transportation and hotel accommodation. Overall Canadian dollar prices for goods and services exported from British Columbia fell an estimated 1.0 per cent in 1998. In 1999, commodity prices are expected to regain some lost ground. This will contribute to export prices rising 0.8 per cent, with the gains coming mainly in the second half of the year. In 2000, export prices should rise 1.1 per cent.

Population, Labour Market and Incomes

Net in-migration is forecast to total 25,900 persons in 1999, up from an estimated 8,900 persons in 1998 (see Chart A5). International in-migration is expected to increase from 1998 levels. The improvement in 1999 is due mainly to an expected easing of the outflow of people to other provinces. Net interprovincial migration will remain negative with a predicted 7,400 person net outflow in 1999, compared to a net outflow of 19,500 persons last year. British Columbia's population is expected to increase 0.9 per cent in 1999 and 1.3 per cent in 2000.

**CHART A5
BRITISH COLUMBIA HOUSING STARTS AND NET MIGRATION**



Source: Canada Mortgage and Housing Corporation and Statistics Canada; Ministry of Finance and Corporate Relations forecasts.

Employment is forecast to average 1,918,000 in 1999, an increase of 3.1 per cent, or 58,000 jobs. The labour force is projected to increase 2.3 per cent, resulting in an unemployment rate of 8.2 per cent. In 2000, employment growth is expected to moderate to 0.8 per cent and the unemployment rate is forecast to average 8.4 per cent.

The relatively strong employment growth in 1999 and moderation in 2000 is the result of the pattern of employment in 1998. Since January 1998, employment in British Columbia increased steadily (see Chart A6). As a result, in February 1999, employment was 5.7 per cent above February 1998 levels, and above the forecast average for this year.

Growth in average earnings of about 0.5 per cent, plus smaller increases in hours worked than in total employment, should result in total labour income growth of 3.0 per cent in 1999 and 2.3 per cent in 2000. Personal income is expected to increase 2.6 per cent in 1999 and 2.3 per cent in 2000.

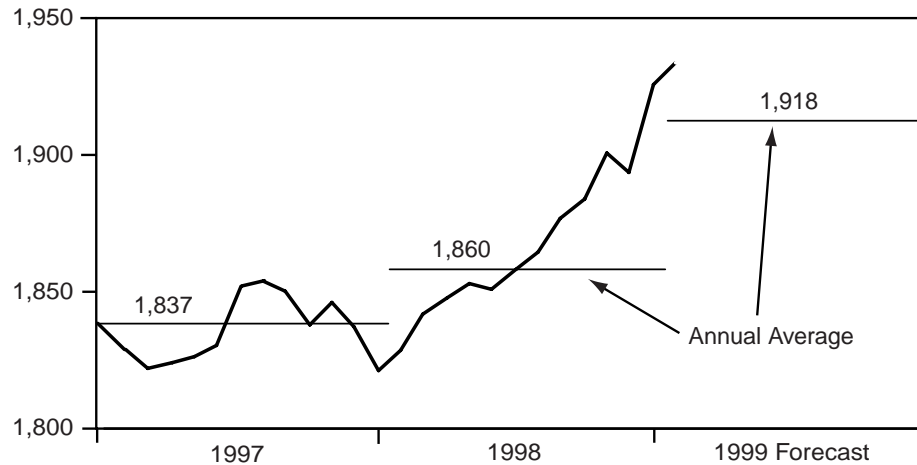
The Consumer Sector

Strong employment growth, continued low interest rates and improved consumer confidence in recent months (see Chart A7) will lead to an increase in consumer spending this year. In addition, provincial and federal tax cuts and a recovery in net migration later in the year are expected to stimulate consumer spending. Tourism spending should continue to benefit from the low Canadian-U.S. dollar exchange rate, which continues to attract more U.S. visitors to the province. Real consumer spending is forecast to increase 1.8 per cent in 1999 and 1.3 per cent in 2000.

Housing, one of the most cyclical sectors of the economy, will likely experience another slow year in 1999. Housing starts are projected to fall to 18,000 units in 1999 before recovering to 20,700 units in 2000. Improved consumer confidence, strong employment growth and a recovery in net migration later in 1999 will support a gradual recovery in housing starts. Renovation spending will continue to trend upward as people upgrade their current residences rather than move.

CHART A6 BRITISH COLUMBIA EMPLOYMENT

Thousands; seasonally-adjusted

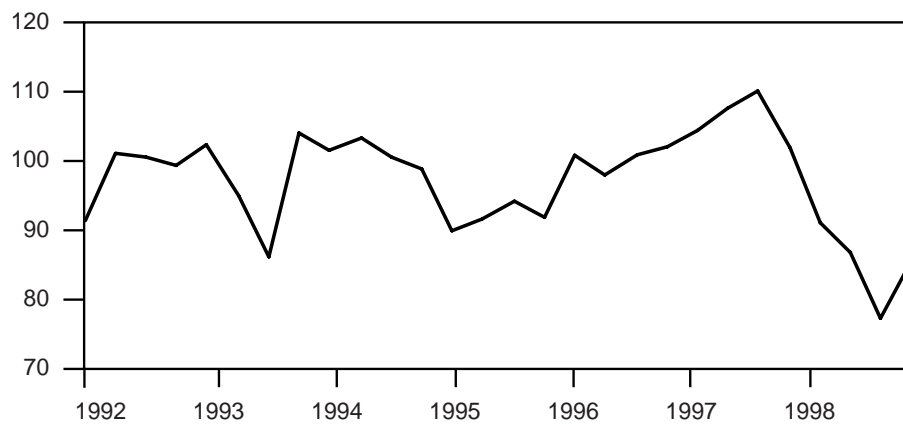


Source: Statistics Canada and Ministry of Finance and Corporate Relations Forecast.

Inflation is expected to remain low with consumer prices forecast to rise 0.5 per cent in 1999 and 1.2 per cent in 2000.

CHART A7 INDEX OF CONSUMER ATTITUDES, B.C.

Quarterly, 1991=100



Source: Conference Board of Canada.

The Business Sector

The outlook for business activity in British Columbia continues to be affected by global economic uncertainty, which began with the Asian crisis and extended to Russia, Brazil and other emerging markets. Corporate profits are expected to decline in 1999 for the second consecutive year, leading to weak investment.

Corporate profits declined an estimated 15 per cent in 1998, following a 10.1 per cent increase in 1997. The drop in profits led to a decline in business investment last year. However, there were numerous capital projects underway in 1998. Private sector investment was mainly in accommodation, with new hotels and resorts being built throughout the province including Ucluelet, Princeton and Radium. There was increased investment in entertainment with a number of cinema complexes being built, including the new Metropolis complex at the Eaton Centre in Metrotown. Despite the drop in retail sales, the retail sector continued to take a long-term perspective, with a number of “big box” stores opening in the Lower Mainland and Victoria area.

With most of the province’s resource exporters facing low prices for their products, overall corporate profits are forecast to fall 5 per cent in 1999 before rebounding 20 per cent in 2000.

Low corporate profits and business confidence will result in a decline in planned investment in 1999. The recently-released Statistics Canada survey of public and private investment intentions suggested a 3.6 per cent current-dollar decline in planned business non-residential investment. The drop in planned investment was led by the primary, manufacturing and trade industries, more than offsetting the planned increase in utilities and transportation investment.

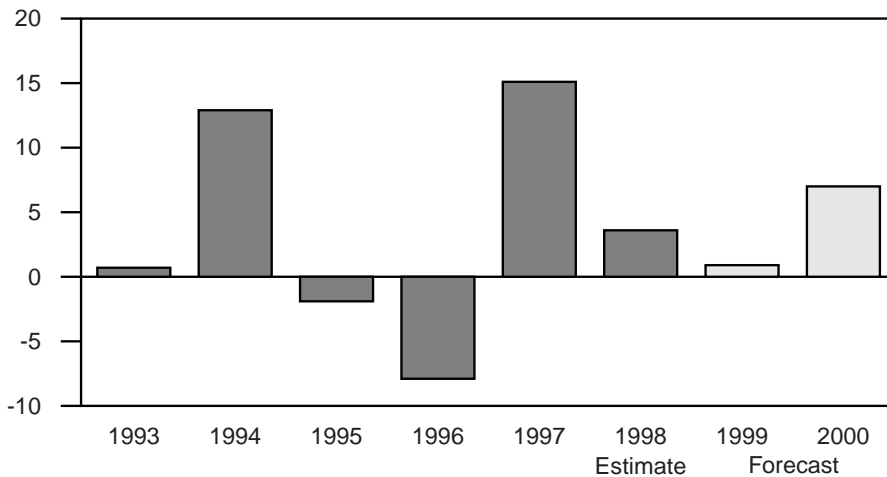
In 1999 there are some areas of strength in investment, particularly the natural gas sector. There are currently three major pipeline projects proposed or under construction in British Columbia:

- the Alliance pipeline, currently under construction and expected to be completed in late 2000, will carry natural gas from Fort St. John to Chicago;
- TransCanada Pipeline has proposed a \$70 million pipeline from Taylor to the Novagas Transmission pipeline in Alberta, to be under construction in 2000; and
- the proposed B.C. Gas Southern Cross pipeline from Yahk to Oliver, projected to cost \$350 million.

While private sector investment is expected to decline in 1999, planned investment by the three levels of government and their Crown corporations and agencies will increase. Provincial government capital spending will total \$1.95 billion in 1999/00, up from \$1.5 billion this year.

CHART A8 MACHINERY AND EQUIPMENT INVESTMENT

Percentage change in 1992 dollars



Source: Statistics Canada and Ministry of Finance and Corporate Relations estimate and forecast.

Projects proposed or underway include:

- the SkyTrain expansion in partnership with the Greater Vancouver Transportation Authority;
- the Vancouver Trade and Convention Centre;
- the upgrade to the Lion's Gate Bridge to replace and widen the bridge deck and meet stricter seismic requirements; and
- nearly \$500 million in highway construction this year in the Northern and Interior regions, the Lower Mainland and Vancouver Island.

According to the Statistics Canada survey, planned machinery and equipment investment will increase 2.7 per cent (about 1 per cent in real terms) or \$172 million in 1999. Some of this will come from businesses upgrading computer equipment and related software to comply with the Year 2000 date change.

Total capital investment is forecast to fall 0.9 per cent in real terms in 1999 and rebound with a 5.0 per cent increase in 2000. Accelerated capital spending on public sector infrastructure, schools and hospitals is expected to boost economic growth.

The Government Sector

Spending on goods and services by all levels of government is expected to increase slightly in 1999, partly reflecting the large increase in program spending announced in the recent federal budget. In response to the increase in health care spending, the provincial government will continue to restrain operating expenditure growth outside the health and education areas. Total spending by all levels of government is expected to increase 0.9 per cent in real terms in 1999 and 0.5 per cent in 2000.

Risks to the Outlook

The economic forecast for British Columbia is based on assumptions about interest rates, exchange rates, growth in the province's trading partners and movements in commodity prices. All of these assumptions are subject to risk, as these economic variables could turn out to be higher or lower than expected.

As mentioned above, the general view of those attending the Minister's pre-budget economic consultation was that the provincial outlook faces continued external risks during the next year. In particular, the direction of growth in the Japanese economy will remain a risk for the British Columbia economy. Global uncertainty will remain a factor in influencing economic growth in British Columbia.

In addition to the major risks noted above, other forecast sensitivities include:

- Employment growth could be higher than forecast given the high starting point in February (see Chart A6). As a result, labour income could also be stronger than anticipated.
- A recovery in the housing sector and consumer spending depends on a turn around in net migration.
- The Year 2000 date change may shift economic activity from the first quarter of 2000 to the fourth quarter of 1999. Consumer spending could rise later this year as people stock up in anticipation of the date change and perceived potential distribution problems. Businesses may also build inventories prior to the end of the year. These factors should have little impact on the economy on a fiscal year basis.
- Improved business confidence is important to future investment in British Columbia. Further deterioration in business confidence would result in a reduction in investment.
- Financial turmoil from the Asian crisis continued to spread through the global economy in 1998 and early 1999. Although North America as a whole has been relatively unaffected, sudden upheavals in other regions may cause turmoil in Canadian and U.S. financial markets.

The forecast panel's range of real GDP growth in 1999 was from +2.0 to -2.0 per cent. This wide range fairly reflects the amount of uncertainty in the economic outlook.

TABLE A2
BRITISH COLUMBIA ECONOMIC OUTLOOK

	Budget Forecast	Actual/ Estimate	Forecast	
		1998	1999	2000
Gross Domestic Product (current dollars; percentage change).....	1.1	-1.0 ¹	1.1	3.0
Real Gross Domestic Product (1992 dollars; percentage change).....	0.9	-0.5¹	0.5	2.0
Consumer Expenditure.....	1.5	0.6	1.8	1.3
Capital Investment.....	1.4	-2.5	-0.9	5.0
Government Expenditure.....	0.2	0.6	0.9	0.5
Exports of Goods and Services.....	1.0	-0.5	1.8	3.1
Imports of Goods and Services.....	1.6	-0.2	1.9	2.3
Inventory Investment (change in billions of 1992 dollars).....	0.1	-0.3	-0.5	0.0
Real Gross Domestic Product (Minister's forecast panel).....	1.4	-0.5	0.0	1.3
Population (percentage change).....	1.7	1.3	0.9	1.3
Net In-migration.....	40,700	8,900 ¹	25,900	44,500
Interprovincial.....	3,000	-19,500 ¹	-7,400	11,700
International.....	37,700	28,400 ¹	33,300	32,800
Labour Force (thousands).....	2,044	2,043	2,089	2,110
(percentage change).....	1.6	1.5	2.3	1.0
Employment (thousands).....	1,847	1,860	1,918	1,933
(percentage change).....	0.5	1.2	3.1	0.8
Unemployment Rate (per cent).....	9.6	8.9	8.2	8.4
Retail Sales (millions of current dollars).....	34,411 ³	33,245	34,080	34,760
(percentage change).....	2.0	-1.5	2.5	2.0
Labour Income ² (millions of current dollars).....	61,423 ³	61,628	63,480	64,940
(percentage change).....	1.5	1.7	3.0	2.3
Corporate Pre-tax Profits (millions of current dollars).....	4,985 ³	5,300 ¹	5,035	6,040
(percentage change).....	-20.0	-15.0	-5.0	20.0
Housing Starts (units).....	27,900	19,931	18,000	20,700
(percentage change).....	-4.9	-32.1	-9.7	15.0
Consumer Price Index (1992=100).....	110.5	110.0	110.6	111.9
(percentage change).....	0.7	0.3	0.5	1.2

¹ Ministry of Finance and Corporate Relations estimates.

² Wages, salaries and supplementary labour income.

³ Levels are not comparable to the 1998 budget document due to Statistics Canada data revisions.



TABLE A2

BRITISH COLUMBIA ECONOMIC OUTLOOK — *Continued*

	Budget	Actual/	Forecast	
	Forecast	Estimate	1999	2000
	1998	1998		
Key Assumptions:				
Economic Growth (per cent)				
Canada	3.0	3.0	2.4	2.5
United States.....	2.0	3.9	3.0	2.3
Japan.....	0.3	-2.8	-1.3	1.0
Europe.....	2.5	2.8	2.1	2.4
Housing Starts (annual percentage change)				
Canada	8.8	-6.5	1.9	7.1
United States.....	-1.8	9.6	-4.7	-5.2
Japan.....	-5.8	-13.6	0.2	2.5
Industrial Production (annual percentage change)				
United States.....	1.0	3.7	2.0	3.0
Japan.....	0.0	-6.9	-3.0	2.0
Consumer Prices (annual percentage change)				
Canada	1.2	0.9	1.3	1.5
United States.....	2.2	1.6	2.0	2.4
Canadian Interest Rates (per cent; annual average)				
3-month Treasury Bills	4.7	4.7	4.7	4.6
10-year and over Government of Canada bonds	6.0	5.5	5.4	5.5
United States Interest Rates (per cent; annual average)				
3-month Treasury Bills	5.4	4.8	4.5	4.2
10-year and over U.S. Treasury bonds	6.0	5.7	5.2	5.2
U.S. cents/Canadian dollar	70.2	67.5	66.6	69.4
Commodity Prices				
British Columbia Export Prices (Cdn \$; percentage change).....	-1.3	-1.0	0.8	1.1
Spruce-Pine-Fir Lumber (U.S. \$/1,000 board feet)	300	286	295	290
Pulp (U.S. \$/tonne)	560	516	484	540
Newsprint (U.S. \$/tonne)	615	595	536	540
Copper (U.S. \$/lb.)	0.84	0.75	0.63	0.65
Lead (U.S. \$/lb.)	0.29	0.24	0.25	0.27
Zinc (U.S. \$/lb.)	0.5	0.47	0.49	0.55
Gold (U.S. \$/oz.)	298	295	310	330
Aluminum (U.S. \$/lb.)	0.72	0.62	0.56	0.59
Natural Gas (U.S. \$/gigajoule)	1.10	1.00	1.09	1.10
Coal (Cdn. \$/tonne) ¹	54	42	43	39

¹ Weighted average of metallurgical and thermal coal prices.

MINISTER'S ECONOMIC OUTLOOK CONFERENCE

On February 4, the Honourable Joy K. MacPhail, Minister of Finance and Corporate Relations, met with economic experts from British Columbia and across Canada. The purpose of the meeting was to discuss the current conditions and prospects for the British Columbia economy. This is the third year in which the minister has sought the opinions and advice of independent professionals in preparation for the annual budget. Eighteen participants tabled forecasts for the economy.

As with previous round tables, the participants outlined their views of the province's economic outlook for the near term, as well as factors affecting the province's longer-term outlook.

The general view of the round table's participants was that the British Columbia economy is expected to grow at a slow pace over the next two years while the longer-term outlook is more positive. An over-riding concern expressed at the conference was that significant potential risks remain from the Asian economic upheaval and global uncertainty. In particular, a slow-down in world economic growth could depress demand for natural resources. Many participants felt that policy adjustments were needed for the British Columbia economy to achieve its full potential. Budget legislation is being introduced to formalize the economic forecasting council in statute and to require government to publish its advice.

International Developments

Participants agreed that Asia's financial and economic problems, which have overshadowed the international economy since mid-1997, will continue to play an important role in shaping events in British Columbia in the near term. Most agreed that British Columbia's extensive trade links with the Asian economic region mean that the province will continue to experience a disproportionate share of the impact from Asia's downturn.

The Japanese economy was expected to be significantly affected by problems in neighbouring economies including China, with exports reduced and its banking system plagued by bad external loans. Japan's economy was expected to contract further in 1999, following a significant decline in 1998.

Following a strong fourth quarter, the momentum in the domestic side of the United States economy is expected to carry through into 1999 but the manufacturing and export sectors of the economy will contribute to a slower pace of growth than in 1998. Contrary to fears expressed at last year's conference, some participants argued that the United States has benefited from the Asian crisis. The Asian downturn dampened inflation pressures enough to avoid an increase in short-term interest rates in spite of strong economic growth in the U.S. Economic growth in Europe was also expected to slow.

The Canadian Economy

The Canadian economy was expected to grow at a slower pace in 1999 with domestic demand the main source of growth. Most participants agreed that low interest rates and accelerating employment growth would support consumer spending on big-ticket items, business investment on machinery and equipment and residential housing construction. However, slower growth in the U.S. and reduced exports will result in slower overall economic growth in Canada. Canadian growth in 1999 was generally expected to be about 2.0 per cent, although forecasts ranged as high as 2.8 per cent and as low as 0.2 per cent. A few participants raised concerns that Canadian economic growth could be dampened by a significant slow-down in the U.S. economy.

Financial Markets

Most participants expected Canada's low inflation and the remaining gap between actual and potential output to lead to lower Canadian interest rates if U.S. rates fall. Short-term interest rates were expected to average 4.4 per cent, down from 4.7 per cent in 1998. Long-term interest rates were also expected to fall slightly from 1998 levels.

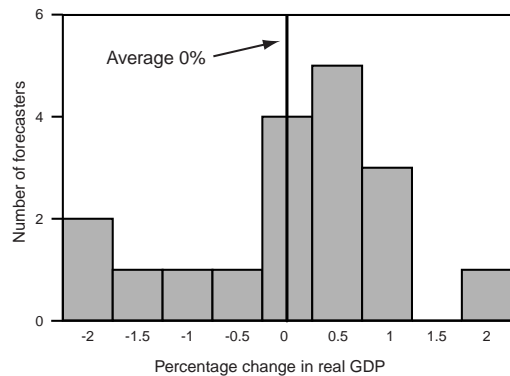
The recent appreciation of the Canadian dollar relative to its U.S. counterpart reflects a bottoming-out of commodity prices, according to some participants. Most participants believed the dollar would appreciate slowly during the next two years based on positive economic fundamentals including the general improvement in government finances. In 1999, the Canadian dollar was expected to average 66.6 cents U.S., down from 67.5 cents U.S. in 1998.

British Columbia

Participants on average expected no growth in the British Columbia economy in 1999 (see chart) after a 0.5 per cent average estimated decline in real GDP in 1998. The continued reduction in growth prospects for the Asian economies was cited as the main cause of British Columbia's lower growth outlook, in view of the province's significant trade links with that region. In addition, the slowing pace of growth south of the border was expected to reduce exports to the U.S. and contribute less to overall growth in 1999. Forecasts of real GDP growth ranged from a high of 2.0 per cent to a 2.0 per cent decline in 1999. The wide range of forecasts reflects the high degree of uncertainty in the global and local economic outlook.

The general view at the meeting was that provincial exports would continue to be adversely affected by reduced demand in Asian markets. However, declining export volumes may be partially offset by some improvement in commodity prices.

B.C. ECONOMIC GROWTH FORECASTS, 1999



Domestic Developments

Several participants noted that slower economic growth in British Columbia relative to the other provinces has resulted in an outflow of people to other provinces. Many participants expected this to continue in 1999, but at a slower pace as the Alberta economy slows and the British Columbia economy improves. Others noted, however, that offshore in-migration could remain relatively high, offsetting lower interprovincial in-migration.

Slower population growth and declining consumer confidence were noted as factors likely to dampen consumer spending growth in 1999. However, most participants agreed that the past year's strength in employment could carry into 1999 and bolster consumer spending. Retail sales growth was expected to grow on average 0.3 per cent in 1999, although the range of forecasts was wide. Some participants expected the tourism sector to do relatively well in 1999 due to the low Canada-U.S. exchange rate.

Business investment was expected to be dampened by falling business profits while the province's housing market was expected to remain weak due to lower levels of net in-migration and low levels of consumer confidence. Although one participant expected housing starts to increase by as much as 20 per cent, most forecast housing construction to fall in 1999 predicting an average decline of 6.1 per cent.

Although British Columbia employment growth is expected to continue in 1999, most participants projected it to grow more slowly from the rate observed during 1998. Similarly, most forecast the unemployment rate to rise from its 1998 level. A couple of participants noted that year-over-year employment was up substantially in December, making low forecasts of employment growth implausible. (By February, employment was up 5.7 per cent from year-earlier levels.)

External Trade

Developments in the Asian economies were expected to shape the pattern of British Columbia trade in the

near term. Growth in the U.S., Canadian and European economies is forecast to continue at a slower pace and reduced industrial activity in Japan and the rest of Asia will dampen overall exports. This decline in the volume of overall exports could be offset by a modest increase in commodity prices.

Most participants noted that commodity prices would be at or near their bottom in 1999, citing recent strength in lumber prices and stability in pulp prices. Significant downside pressure remains on newsprint, copper and other metal prices. One participant noted that further declines in prices could spur another round of downsizing in British Columbia's resource sector. Several participants noted that the recent currency devaluations would lead to more intense competition from other countries, keeping commodity prices down. Additional downward pressure on commodity prices would result from advancing technology. However, one participant noted that inventory levels in Japan were at low levels and could result in higher demand for commodities if industrial production picked up.

Many at the meeting also noted that the appreciation of the Canadian dollar against the U.S. dollar would amplify the negative impact of slower global growth.

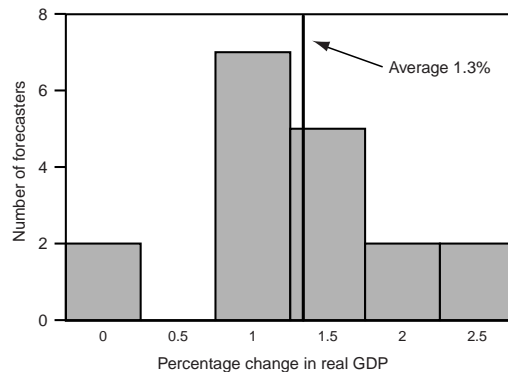
Prices and Wages

Inflation was expected to remain low in 1999. The increase in total wage and salary income was expected to be close to the inflation rate with participants on average calling for growth of 1.2 per cent.

Outlook for 2000

Most participants were more optimistic for the province's economic prospects in 2000, with growth forecast at 1.3 per cent. The range of opinions regarding next year's growth was also narrower, with forecasts ranging between zero and 2.3 per cent growth in real GDP.

B.C. ECONOMIC GROWTH FORECASTS, 2000



Risks to the British Columbia Outlook

While many at the meeting emphasized that the province's longer-term economic prospects were positive, most agreed that there are several risks to British Columbia's near term outlook. A major risk to the outlook, especially for 1999, remains the uncertainty about the duration of the Asian downturn. Most forecasts assume economic conditions in Japan would be weak in 1999, with at best a halt to the decline in real GDP. In addition, a possible devaluation of China's currency would affect the rest of Asia.

Other risks noted include the possibility that growth in other major trading partners, especially the United States, could be weaker than expected; several participants suggested the United States was likely to experience a recession sometime before 2000.

Medium-Term Issues

Many participants emphasized the need for the government to create conditions for stronger economic growth over the longer term by improving the province's business climate. They identified possible measures to enhance the province's competitiveness, such as reducing regulation and costs in resource industries, all with a view to stimulating business investment. A number of participants also argued the case for further cuts in business and personal taxes.

Other medium-term issues discussed at the conference included:

- Continued out-migration to other provinces from British Columbia.
- Wealth effects and their impact on consumers savings rate and spending habits.
- The possibility of a boost in economic activity as a result of the Year 2000 date change.
- The divergence of part-time and full-time employment growth.

Participants also agreed that productivity growth was necessary for British Columbians to compete successfully in the global economy and improve their standard of living.

The Ministry of Finance and Corporate Relations extends its thanks to all the participants in the Minister's outlook conference.

Conference Participants:

Rod Dobell (Conference Moderator)	University of Victoria
Peter Hall	Conference Board of Canada
Carl Sonnen	Informetrica Ltd.
Teresa Courchene ¹	Toronto Dominion Bank
Linda Nazareth	Canadian Imperial Bank of Commerce
Lise Bastarache	Royal Bank
Tim O'Neill	Bank of Montreal
Warren Jestin	Scotiabank
Jock Finlayson	Business Council of British Columbia
Victor Godin	Vancouver Board of Trade
George Pedersson	G.A. Pedersson & Associates
Ernie Stokes	Stokes Economic Consulting
David Baxter	Urban Futures Institute
John de Wolf	CCG Consulting
William Tharp	M. Murenbeeld & Associates
Ken Peacock	Credit Union Central of British Columbia
Dale Orr	WEFA Canada
John Helliwell	University of British Columbia
Michael Goldberg	University of British Columbia

¹ Responded to economic outlook survey but did not attend the conference.

Forecast Survey				
All figures are based on annual averages	1999 Range of Participants' Opinions	1999 Average of Participants' Opinions¹	2000 Range of Participants' Opinions	2000 Average of Participants' Opinions¹
Canada				
— Real GDP (% change) ...	0.2-2.8	2.0 (18)	0.6-3.5	2.3 (18)
— 3-month interest rates (%)	3.6-4.9	4.4 (17)	2.9-5.2	4.5 (17)
— 10-year (+ over) interest rates (%)	4.4-5.8	5.2 (17)	4.2-6.2	5.4 (17)
— Exchange rate (US¢/Can.\$)	62.3-68.8	66.6 (17)	62.5-72.0	68.4 (17)
British Columbia				
— Real GDP (% change) ...	-2.0-2.0	0.0 (18)	0.0-2.3	1.3 (18)
— Employment (% change)	-1.6-1.6	0.7 (17)	-0.1-1.9	1.2 (17)
— Unemployment rate (%)	8.4-10.1	9.2 (17)	8.0-10.1	9.1 (17)
— Total wage and salary income (% change)	-0.5-3.0	1.2 (10)	0.0-3.8	2.2 (10)
— Corporate pre-tax profits (% change)	-12.0-2.0	-5.0 (8)	-8.0-139.0	26.5 (8)
— Real business non-res. investment (% change)...	-5.0-7.5	1.7 (7)	-0.8-6.4	2.4 (7)
— Goods and services export price deflator (% change)	0.0-2.1	1.3 (4)	0.0-4.3	2.9 (4)
— Housing starts (% change)	-19.5-20.0	-6.1 (17)	-10.0-35.0	10.5 (17)
— Retail sales (% change)	-4.2-4.7	0.3 (14)	0.0-3.8	1.9 (14)
¹ Based on responses from participants providing forecasts. Number of respondents is shown in parentheses.				

REGIONAL ECONOMIC DEVELOPMENTS

The overall provincial economic slowdown in 1998 masks the varying performances of regions and communities across the province. Falling commodity prices and weak demand from Asian markets directly contributed to the reduced production and shut-downs of mines and forest product operations. Despite difficult conditions in the resource industries, employment rose and the unemployment rate fell in several regions. The province-wide decline in the housing market was greatest outside the two major metropolitan areas. A more diversified regional economy is gradually emerging, spurred by the resource downturn.

Two Economies?

It is often said that there are two economies in British Columbia: Vancouver and Victoria and the rest of the province. In reality, the distinction is more between urban British Columbia — Vancouver, Victoria, Kelowna, Kamloops — and the smaller communities — Smithers, Tumbler Ridge, Kitimat. Many of the larger cities have more diverse economies than was the case 20 years ago. As a result, they are now better able to withstand downturns in key sectors of their economies.

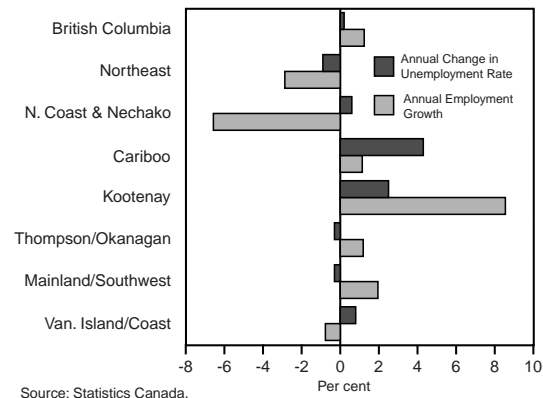
Population

British Columbia's population grew 1.3 per cent in 1998. Most regions experienced population growth, with the Mainland/Southwest and the Thompson/Okanagan growing the fastest at 1.5 per cent. Population grew the slowest in the Kootenay and Vancouver Island/Coast regions, while it declined on the North Coast.

Employment and Labour Markets

More than half of the regions experienced employment growth in 1998 (see chart). The Kootenay region had the fastest employment growth (8.6 per cent). The Mainland/Southwest accounted for the largest absolute number of new jobs and had the second-fastest employment growth rate. Employment declined 6.6 per cent in the North Coast/Neuchako, and 2.9 per cent in the Northeast. These declines were due to weakness in the forestry, mining and fishing industries. After losses in 1997, employment rose 1.1 per cent in the Cariboo, despite several sawmill closures. In the Thompson/Okanagan, employment rose 1.2 per cent after strong growth in 1997. The unemployment rate ranged from 14.6 per cent in the Cariboo to 4 per cent in the Northeast. The Northeast unemployment rate has since increased to 6.9 per cent. The chart shows the changing patterns of employment and unemployment rates in the various regions.

REGIONAL LABOUR MARKETS IN 1998



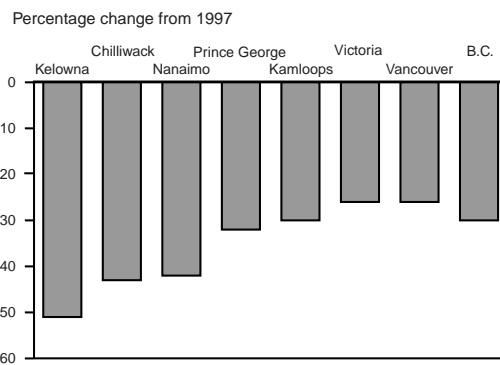
Housing Markets and Construction

Lower in-migration and consumer confidence contributed to the weakness in housing markets across the province in 1998. Provincial housing starts declined 32 per cent. Sales of existing homes fell 23 per cent.

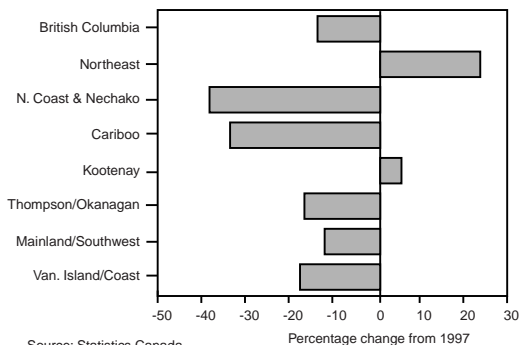
Housing starts fell 26 per cent in both Victoria and Vancouver in 1998, while home sales fell 15.6 per cent and 27.5 per cent, respectively in the two cities. Kelowna experienced the largest decline in housing starts among major cities. Two smaller communities, Dawson Creek and Fort St. John, recorded large increases in housing starts in 1998, reflecting strong activity in the Northeast's energy sector.

House prices fell 3.6 per cent across the province with the largest percentage declines in the south Okanagan and Sunshine Coast. The north Okanagan was the only region where prices rose. The value of building permits fell in most regions, reflecting lower housing

1998 URBAN HOUSING STARTS IN B.C.



1998 BUILDING PERMITS IN B.C.



and commercial activity. A 31 per cent increase in non-residential construction boosted the overall value of building permits in the Northeast.

Regional Resource Sector Developments

In 1998, resource-dependent regions experienced weakness in economic activity, resulting from temporary production cuts or permanent closures of mines and mills.

In the forest sector, layoffs took place in several regions during the year, including shutdowns at several Canfor mills around the province, at Northwood Pulp and Timber Ltd. in Prince George, and at Doman/Western Pulp Ltd. operations on Vancouver Island. Recently, Doman/Western Pulp workers were recalled and Canfor announced a \$24 million expansion for the Fort St. James division over the coming year. Coastal forestry operations were affected by reduced demand from Asia, while the Interior benefited from a record year for U.S. housing starts.

Copper production increased 29 per cent through August 1998. This large increase reflects the opening of three new mines between the fall of 1997 and mid-1998: the Mount Polley copper mine in the Cariboo; the Kemess South copper-gold mine and the Huckleberry mine in the Northwest. Gibraltar Mines recently closed its mine near Quesnel. Highland Valley Copper has announced that it will close its Logan Lake operation, but negotiations are underway with the provincial Job Protection Commission. The owner of the Kemess mine, Royal Oak Mines, is under court protection from its creditors. On March 19, one of the creditors sought to put the firm in receivership. The Myra Falls zinc and copper mine on Vancouver Island will re-open ahead of schedule following three months of rehabilitation and development work.

The coastal fishing industry was hit hard for the second straight year by low salmon stocks, reduction of harvesting quotas and boat license buy-backs. Sports fishing also suffered as conservation measures resulted in reduced bookings at fishing resorts. Governments and the industry are working to win back sport fishing tourists.

Traditional Industries Diversify, New Industries Emerge

Non-resource activities helped sustain and diversify some regional economies in 1998.

Agriculture and the agri-food industry continue to play an important role in the economies of the Okanagan, the Cariboo, the Fraser Valley, the Northeast and the east coast of Vancouver Island. In 1998, the value of British Columbia's foreign agricultural exports rose 10.1 per cent, although farm cash receipts changed little. Some British Columbia agriculture producers, including apple growers, are facing lower prices for their products.

One example of diversification in the agriculture sector is the province's wine industry, located in the Okanagan and on southern Vancouver Island. More than 2 million litres of Vintners Quality Alliance (VQA) wines valued at \$32 million are now sold annually. Since 1991, VQA sales have grown nearly 30 per cent per year. In addition, many wineries help boost local tourism with wine tours and tastings.

The ski industry continued to expand in 1998. Skier visits to British Columbia are up 15 to 20 per cent, almost doubling the province's market share of skier visits to the Pacific Northwest. The Whistler/Pemberton area grew rapidly in 1998, with many new resort properties added. However, as in the rest of the province, real estate prices slipped. Other cities, such as Prince George and Kimberley are developing tourism infrastructure such as new convention and ski facilities. In Ucluelet, Roots Canada and Coast Resorts are building a \$60 million dollar resort aimed at the eco-tourist. In Victoria, the Leonardo exhibit at the Royal British Columbia Museum drew more than 450,000 visitors, during what is usually a slow period for tourism. In addition, film production hit a record high in 1998, with \$808 million (up 28 per cent) spent on feature films and television production, behind only Los Angeles and New York.

Some of the new capital projects underway or expected to get underway in different regions in 1999 include:

- a new \$20 million sulphur terminal in Prince Rupert;
- the upgrading of Keenleyside and Brilliant dams in the Columbia-Kootenay region;
- the Island Cogeneration Project north of Campbell River on Vancouver Island;
- the Alliance Pipeline project in the Northeast and two others in the south and Interior; and
- the new Royal Bay community being developed in south Colwood, west of Victoria.

British Columbia has always attracted more than its share of Canadians seeking warmer climates for retirement. For many years, the larger cities received most of retirees. As housing costs have risen, retirement migration is increasingly attracted to smaller, less expensive communities on Vancouver Island, the Okanagan and the Kootenays.

British Columbia Economic Review and Outlook

Five-Year
Forecast Tables
March 1999



BRITISH
COLUMBIA

**Ministry of Finance and
Corporate Relations**

British Columbia Economic Review and Outlook Tables

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Gross Domestic Product, Current and Constant Dollars
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8. SELECTED GROWTH RATES

British Columbia
Canada
United States

Table 1: GROSS DOMESTIC PRODUCT - BRITISH COLUMBIA AND CANADA

March 1999

	ACTUAL			FORECAST				
	1996	1997	1998e	1999	2000	2001	2002	2003
BRITISH COLUMBIA:								
GROSS DOMESTIC PRODUCT AT MARKET PRICES:								
- CURRENT DOLLAR (\$ million)	105,843	109,347	108,300	109,540	112,810	117,640	122,990	128,220
(% change)	1.0	3.3	-1.0	1.1	3.0	4.3	4.5	4.3
- REAL (1992 \$ million)	96,060	98,200	97,730	98,220	100,210	102,640	105,370	108,440
(% change)	1.1	2.2	-0.5	0.5	2.0	2.4	2.7	2.9
- GDP DEFLATOR	110.2	111.4	110.8	111.5	112.6	114.6	116.7	118.2
(% change)	-0.1	1.1	-0.5	0.6	0.9	1.8	1.8	1.3
REAL GDP PER CAPITA (1992 \$)	24,745	24,802	24,372	24,277	24,448	24,639	24,861	25,143
(% change)	-1.5	0.0	-1.7	-0.4	0.7	0.8	0.9	1.1
REAL GDP PER EMPLOYED PERSON (% change)	-1.4	0.4	-1.7	-2.5	1.2	0.3	-0.1	0.1
UNIT LABOUR COST* (% change)	1.8	1.5	2.2	2.5	0.3	1.0	1.7	1.4
CANADA:								
GROSS DOMESTIC PRODUCT AT MARKET PRICES:								
- CURRENT DOLLAR (\$ million)	828,997	866,252	888,390	912,200	948,100	980,550	1,014,110	1,048,810
(% change)	2.8	4.5	2.6	2.7	3.9	3.4	3.4	3.4
- REAL (1992 \$ million)	777,167	806,737	830,828	850,770	872,040	893,840	916,190	939,090
(% change)	1.2	3.8	3.0	2.4	2.5	2.5	2.5	2.5
- GDP DEFLATOR INDEX (1992 = 100)	106.7	107.4	106.9	107.2	108.7	109.7	110.7	111.7
(% change)	1.5	0.7	-0.5	0.3	1.4	0.9	0.9	0.9
REAL GDP PER CAPITA (1992 \$)	25,941	26,641	27,170	27,530	27,931	28,343	28,764	29,191
(% change)	0.0	2.7	2.0	1.3	1.5	1.5	1.5	1.5
REAL GDP PER EMPLOYED PERSON (% change)	-0.1	1.9	0.3	1.0	0.7	0.1	0.4	0.8

e: British Columbia GDP figures for 1998 are Ministry of Finance and Corporate Relations estimates.

* Unit labour cost is the nominal cost of labour incurred to produce one unit of real output.

Table 2: COMPONENTS OF BRITISH COLUMBIA REAL GDP AT MARKET PRICES

March 1999

	ACTUAL			FORECAST				
	1996	1997	1998e	1999	2000	2001	2002	2003
PERSONAL EXPENDITURE ON GOODS AND SERVICES (1992 \$ billion)	62.1	64.8	65.1	66.3	67.2	68.7	70.3	71.9
(% change)	3.4	4.3	0.6	1.8	1.3	2.2	2.4	2.3
- Goods (1992 \$ billion)	28.3	29.3	28.8	29.3	29.6	30.2	30.9	31.6
(% change)	2.3	3.6	-1.7	1.8	0.9	2.1	2.4	2.2
- Services (1992 \$ billion)	33.9	35.5	36.3	37.0	37.6	38.5	39.4	40.3
(% change)	4.4	4.8	2.4	1.8	1.7	2.2	2.4	2.4
GOVERNMENT CURRENT EXPENDITURES ON GOODS AND SERVICES (1992 \$ billion)	19.6	19.7	19.8	20.0	20.1	20.2	20.4	20.5
(% change)	-0.2	0.8	0.6	0.9	0.5	0.7	0.7	0.8
INVESTMENT IN FIXED CAPITAL (1992 \$ billion)	20.0	20.9	20.4	20.2	21.2	21.6	22.5	23.8
(% change)	-1.7	4.5	-2.5	-0.9	5.0	2.2	3.9	6.0
FINAL DOMESTIC DEMAND* (1992 \$ billion)	101.7	105.4	105.3	106.5	108.5	110.5	113.2	116.3
(% change)	1.7	3.7	0.0	1.1	1.9	1.9	2.4	2.7
NET EXPORTS OF GOODS AND SERVICES (1992 \$ billion)	-6.0	-8.8	-8.9	-9.1	-9.0	-8.7	-8.7	-8.6
- Exports of Goods and Services (1992 \$ billion)	39.4	41.2	41.0	41.7	43.0	44.5	46.1	47.8
(% change)	0.8	4.6	-0.5	1.8	3.1	3.6	3.5	3.6
- Imports of Goods and Services (1992 \$ billion)	45.3	50.0	49.9	50.8	52.0	53.3	54.8	56.4
(% change)	-0.2	10.2	-0.2	1.9	2.3	2.5	2.8	3.0
INVENTORY CHANGE (1992 \$ billion)	-0.1	1.1	0.8	0.3	0.3	0.4	0.4	0.4
STATISTICAL DISCREPANCY (1992 \$ billion)	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5
REAL GDP AT MARKET PRICES** (1992 \$ billion)	96.1	98.2	97.7	98.2	100.2	102.6	105.4	108.4
(% change)	1.1	2.2	-0.5	0.5	2.0	2.4	2.7	2.9

e: British Columbia GDP figures for 1998 are Ministry of Finance and Corporate Relations estimates.

* Final domestic demand is the sum of personal expenditures, government expenditures and investment in fixed capital.

** Real Gross Domestic Product at Market Prices is the sum of final domestic demand, net exports, inventory changes and statistical discrepancy.

Table 3: INCOME AND EXPENDITURE

March 1999

	ACTUAL			FORECAST				
	1996	1997	1998	1999	2000	2001	2002	2003
AVERAGE WEEKLY EARNINGS* (\$)	608	614	618	621	630	638	648	658
(% change)	2.2	1.1	0.7	0.4	1.5	1.3	1.6	1.5
LABOUR INCOME ** (\$ million)	58,412	60,607	61,628	63,480	64,940	67,210	70,170	73,190
(% change)	2.9	3.8	1.7	3.0	2.3	3.5	4.4	4.3
PERSONAL INCOME (\$ million)	92,288	94,578	95,620 e	98,110	100,370	103,680	107,830	112,140
(% change)	2.4	2.5	1.1	2.6	2.3	3.3	4.0	4.0
CORPORATE PROFITS BEFORE TAXES (\$ million)	5,658	6,231	5,300 e	5,035	6,040	6,640	6,970	7,320
(% change)	-14.5	10.1	-15.0	-5.0	20.0	10.0	5.0	5.0
RETAIL SALES (\$ million)	32,071	33,736	33,245	34,080	34,760	35,840	37,130	38,390
(% change)	1.8	5.2	-1.5	2.5	2.0	3.1	3.6	3.4
HOUSING STARTS (000's)	27.6	29.4	19.9	18.0	20.7	25.2	28.7	32.3
(% change)	2.2	6.2	-32.1	-9.7	15.0	21.9	13.8	12.6
RESIDENTIAL INVESTMENT *** (\$ million)	8,455	8,740	7,320 e	7,060	7,350	7,880	8,490	9,150
(% change)	0.0	3.4	-16.2	-3.5	4.1	7.2	7.7	7.8
CONSTANT DOLLAR GROWTH RATES:								
AVERAGE WEEKLY EARNINGS	1.2	0.3	0.4	-0.1	0.3	0.0	0.2	0.1
LABOUR INCOME	2.0	3.0	1.4	2.5	1.1	2.2	3.0	2.9
PERSONAL INCOME	1.5	1.7	0.8	2.1	1.1	2.0	2.6	2.6
CORPORATE PROFITS	-15.3	9.3	-15.2	-5.5	18.6	8.6	3.6	3.6
RETAIL SALES	0.9	4.4	-1.7	2.0	0.8	1.8	2.2	2.0
RESIDENTIAL INVESTMENT	3.6	5.0	-14.7	-3.8	2.9	5.6	5.6	5.7
B.C. CONSUMER PRICE INDEX (1992 = 100)	108.9	109.7	110.0	110.6	111.9	113.3	114.9	116.5
(% change)	0.9	0.7	0.3	0.5	1.2	1.3	1.4	1.4

e: Ministry of Finance and Corporate Relations estimate.

* Includes overtime.

** Domestic basis; wages, salaries and supplementary labour income.

*** Includes renovations and improvements.

Table 4: LABOUR MARKET INDICATORS

March 1999

	ACTUAL			FORECAST				
	1996	1997	1998	1999	2000	2001	2002	2003
POPULATION (on July 1) (000's)	3,882	3,959	4,010	4,046	4,099	4,166	4,238	4,313
(% change)	2.6	2.0	1.3	0.9	1.3	1.6	1.7	1.8
LABOUR FORCE POPULATION, 15+ YEARS (000's)	3,026	3,100	3,150	3,195	3,250	3,316	3,384	3,454
(% change)	2.7	2.4	1.6	1.4	1.7	2.0	2.1	2.1
NET IN-MIGRATION								
- INTERNATIONAL	44,704	40,202	28,400 e	33,300	32,800	32,600	33,500	34,200
- INTERPROVINCIAL	17,798	5,554	-19,500 e	-7,400	11,700	20,600	22,500	23,200
- TOTAL	62,502	45,756	8,900 e	25,900	44,500	53,200	56,000	57,500
PARTICIPATION RATE* (%)	65.5	64.9	64.9	65.4	64.9	64.9	65.3	65.8
LABOUR FORCE (000's)	1,982	2,012	2,043	2,089	2,110	2,152	2,211	2,273
(% change)	2.4	1.6	1.5	2.3	1.0	2.0	2.8	2.8
EMPLOYMENT (000's)	1,806	1,838	1,860	1,918	1,933	1,974	2,030	2,087
(% change)	2.5	1.8	1.2	3.1	0.8	2.2	2.8	2.8
UNEMPLOYMENT RATE (%)	8.9	8.7	8.9	8.2	8.4	8.3	8.2	8.2
REAL GDP PER EMPLOYED PERSON (% change)	-1.4	0.4	-1.7	-2.5	1.2	0.3	-0.1	0.1

e: Ministry of Finance and Corporate Relations estimate.

* Percentage of the population 15 years of age and over in the labour force.

Table 5: BRITISH COLUMBIA EMPLOYMENT BY SECTOR

March 1999

GOODS SECTOR	ACTUAL		FORECAST		SERVICE SECTOR	ACTUAL		FORECAST	
	1997	1998	1999	2000		1997	1998	1999	2000
	--- (000's) ---					--- (000's) ---			
FORESTRY & LOGGING	30	27	24	24	TRANSPORTATION & COMMUNICATION	128	130	137	141
OTHER PRIMARY	57	49	44	44	TRADE	323	339	357	361
MANUFACTURING	201	206	204	207	FINANCE, INSURANCE & REAL ESTATE	106	105	114	115
- Wood Products	49	48	46	45	COMMUNITY, BUSINESS & PERSONAL SERVICES	754	774	808	813
- Paper & Allied	23	23	22	21	PUBLIC ADMINISTRATION	91	92	95	95
- Other Mfg.	129	135	136	141					
CONSTRUCTION	129	122	119	116	TOTAL SERVICE INDUSTRIES	1,402	1,440	1,511	1,525
UTILITIES	13	16	16	16	(% change)	2.0	2.7	4.9	0.9
TOTAL GOODS INDUSTRIES	430	420	407	407	TOTAL EMPLOYMENT	1,838	1,860	1,918	1,932
(% change)	0.0	-2.3	-3.1	0.0	(% change)	1.8	1.2	3.1	0.8

Table 6: ECONOMIC ASSUMPTIONS

March 1999

	ACTUAL			FORECAST				
	1996	1997	1998	1999	2000	2001	2002	2003
REAL GDP (billions)								
CANADA (1992 \$)	777.2	806.7	830.8	850.8	872.0	893.8	916.2	939.1
(% change)	1.2	3.8	3.0	2.4	2.5	2.5	2.5	2.5
U.S.A. (1992 U.S.\$; chain-weighted)	6,995	7,270	7,552	7,779	7,958	8,141	8,344	8,553
(% change)	3.4	3.9	3.9	3.0	2.3	2.3	2.5	2.5
JAPAN (1990 Yen)	485,219	492,142	478,265	472,000	476,700	481,500	491,100	505,800
(% change)	5.1	1.4	-2.8	-1.3	1.0	1.0	2.0	3.0
GERMANY (1991 DM)	3,035	3,101	3,185	3,242	3,327	3,413	3,488	3,565
(% change)	1.3	2.2	2.7	1.8	2.6	2.6	2.2	2.2
EUROPE* (% change)	2.1	2.9	2.8	2.1	2.4	2.4	2.4	2.4
HOUSING STARTS (000's)**								
CANADA	125	147	137	140	150	150	150	150
(% change)	10.7	17.9	-6.5	1.9	7.1	0.0	0.0	0.0
U.S.A.	1,477	1,474	1,616	1,540	1,460	1,470	1,490	1,460
(% change)	9.1	-0.2	9.6	-4.7	-5.2	0.7	1.4	-2.0
JAPAN	1,643	1,387	1,198	1,200	1,230	1,250	1,250	1,300
(% change)	11.8	-15.6	-13.6	0.2	2.5	1.6	0.0	4.0
CONSUMER PRICE INDEX								
CANADA (1992=100)	105.9	107.6	108.6	110.0	111.7	113.4	115.4	117.3
(% change)	1.6	1.6	0.9	1.3	1.5	1.6	1.7	1.7
U.S.A. (1982-1984=100)	156.9	160.5	163.0	166.3	170.3	173.8	177.8	181.9
(% change)	3.0	2.3	1.6	2.0	2.4	2.1	2.3	2.3

* European Union less Luxembourg, plus Austria, Finland, Iceland, Norway, Sweden, Switzerland, Turkey, and former Yugoslavia.

** British Columbia housing starts appear in Table 3.

Table 7: FINANCIAL MARKETS

March 1999

	ACTUAL			FORECAST		
	1996	1997	1998	1999	2000	2001-2003
CANADIAN INTEREST RATES (%)						
3-MONTH TREASURY BILLS	4.3	3.2	4.7	4.7	4.6	4.9
LONG-TERM GOVERNMENT BONDS (10 years and over)	7.5	6.4	5.5	5.4	5.5	5.6
UNITED STATES INTEREST RATES (%)						
3-MONTH TREASURY BILLS	5.0	5.1	4.8	4.5	4.2	4.6
LONG-TERM GOVERNMENT BONDS (10 years and over)	6.8	6.7	5.7	5.2	5.2	5.4
REAL INTEREST RATES* (%)						
CANADIAN TREASURY BILLS	2.7	1.6	3.8	3.4	3.3	3.6
U.S. TREASURY BILLS	2.0	2.8	3.2	2.5	2.2	2.6
CANADIAN LONG-TERM BONDS	5.9	4.7	4.6	4.1	4.2	4.3
U.S. LONG-TERM BONDS	3.8	4.4	4.1	3.2	3.2	3.4
EXCHANGE RATE (U.S. cents / Canadian \$)	73.4	72.2	67.5	66.6	69.4	72.6

* Real interest rates are nominal interest rates minus expected inflation. The real interest rates in this table are based on actual and forecast inflation rates shown in Table 6.

Table 8: SELECTED GROWTH RATES

March 1999

	ACTUAL			FORECAST				
	1996	1997	1998	1999	2000	2001	2002	2003
BRITISH COLUMBIA (%)								
REAL GDP	1.1	2.2	-0.5	0.5	2.0	2.4	2.7	2.9
CONSUMER PRICE INDEX	0.9	0.7	0.3	0.5	1.2	1.3	1.4	1.4
LABOUR FORCE	2.4	1.6	1.5	2.3	1.0	2.0	2.8	2.8
EMPLOYMENT	2.5	1.8	1.2	3.1	0.8	2.2	2.8	2.8
UNEMPLOYMENT RATE (level)	8.9	8.7	8.9	8.2	8.4	8.3	8.2	8.2
AVERAGE WEEKLY EARNINGS	2.2	1.1	0.7	0.4	1.5	1.3	1.6	1.5
PERSONAL INCOME	2.4	2.5	1.1	2.6	2.3	3.3	4.0	4.0
RETAIL SALES	1.8	5.2	-1.5	2.5	2.0	3.1	3.6	3.4
CORPORATE PROFITS	-14.5	10.1	-15.0	-5.0	20.0	10.0	5.0	5.0
CANADA (%)								
REAL GDP	1.2	3.8	3.0	2.4	2.5	2.5	2.5	2.5
CONSUMER PRICE INDEX	1.6	1.6	0.9	1.3	1.5	1.6	1.7	1.7
EMPLOYMENT	1.3	1.9	2.7	1.4	1.8	2.4	2.1	1.7
POPULATION (on July 1)	1.2	1.1	1.0	1.1	1.0	1.0	1.0	1.0
LABOUR INCOME	2.5	3.8	3.7	1.8	2.8	3.6	3.5	3.2
U.S.A. (%)								
REAL GDP	3.4	3.9	3.9	3.0	2.3	2.3	2.5	2.5
CONSUMER PRICE INDEX	3.0	2.3	1.6	2.0	2.4	2.1	2.3	2.3