
BRITISH COLUMBIA ECONOMIC REVIEW AND OUTLOOK

SEPTEMBER 1999



Ministry of Finance and Corporate Relations

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Overview

Overall economic conditions in British Columbia improved during the first eight months of 1999. The value of exports and manufacturing shipments rose sharply, boosted by rising product prices and stronger-than-expected growth in the United States.

On the domestic side of the economy, the housing and retail sectors continued to experience difficulty. Employment gave back some of the large gains of late 1998 and early 1999, causing the unemployment rate to rise. Corporate profits picked up from a year ago.

As the final months of 1999 unfold, improving economies in Asia and Europe are expected to reinforce the recovery of foreign trade seen to date. This is likely to boost domestic income in the province. Combined with recent surveys showing rising consumer confidence and business investment intentions, this should pave the way for stronger growth in the second half of 1999.

As a result, the British Columbia economy is now expected to grow 1 per cent, up from the 0.5 per cent forecast in the March 1999 Budget.

External Developments and Outlook

The Canadian Economy

Canada's economy grew at an annual rate of 4.1 per cent in the first half of 1999. Continued strength in business investment - as machinery and equipment spending rose nearly 20 per cent - was the major factor in first-half growth (see chart).

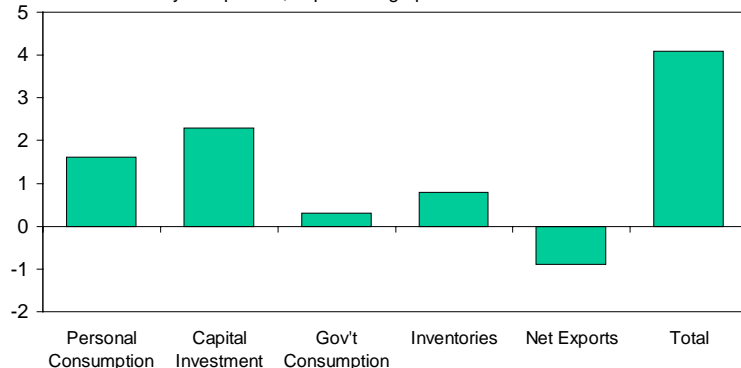
Despite 8.6 per cent growth in export volumes, net exports fell between the second half of 1998 and the first half of 1999 as the surge in investment boosted imports sharply.

Employment stalled in the four months from March to June, after having risen sharply in the fourth quarter of 1998 and early in 1999. Employment was unchanged in August following a modest increase in July. The national unemployment rate averaged 7.9 per cent during the January-to-August period, down from 8.5 per cent last year.

Retail sales rose about 5 per cent during the first half of the year, with furniture sales posting large gains from a year ago. Large fluctuations in gasoline prices and the bankruptcy of the Eaton's department store chain will continue to affect retail trade figures in coming months.

Canadian Real GDP Growth, 1999 First Half

Contribution by component, in percentage points



* Compared to second half of 1998; annual rates
Source: Statistics Canada

Wholesale trade was up approximately 7 per cent in the first half of 1999. Computer and software sales continued to post strong gains as the Year 2000 date change drew nearer, while a strong U.S. economy fuelled double-digit gains in sales of automotive products and building materials.

Capital investment in real terms increased at an annual rate of 12.3 per cent in the first half. At the end of July, Statistics Canada reported that planned current dollar investment for 1999 was 5.5 per cent higher than in its initial survey in February. Y2K concerns and strong growth in corporate pre-tax profits — up 22 per cent annualized in the first half — boosted capital spending.

Although inflation fears have mounted in the United States, the Canadian economy continues to operate below capacity, according to Bank of Canada estimates. The inflation rate to date in 1999 has averaged 1.3 per cent, up from 0.9 per cent in 1998. Although favourable energy and import price surprises have likely passed, inflation is unlikely to move outside the 1 to 3 per cent target band. Wage settlements have also picked up, with base wage increases in major collective agreements rising from 1.5 per cent in the first quarter to 2.4 per cent in the second quarter. This was the largest quarterly increase since the third quarter of 1992.

For all of 1999, the Canadian economy is now forecast to grow 3.3 per cent, up from the 2.4 per cent projected in the March 1999 forecast. Next year, growth of 2.5 per cent is expected.

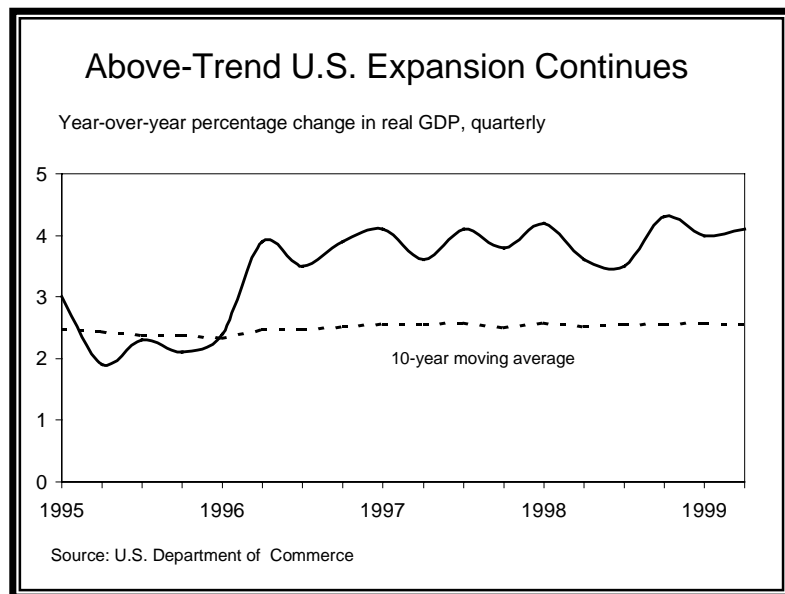
Foreign Economies

As of mid-August, conditions in the world economy were much better than had been expected in the March 1999 forecast.

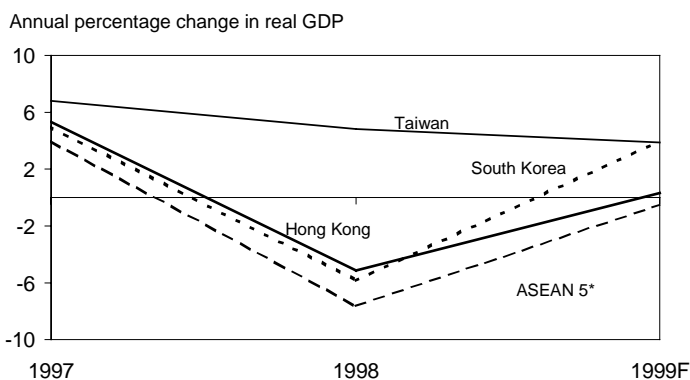
The ***United States***, British Columbia's largest foreign export market, continued to grow at a strong pace. The 4 per cent growth during the first half of the year exceeded the economy's long-run trend (see chart). This year, consumer spending and housing investment have been particularly strong, resulting in final domestic demand growing at over 6 per cent. With the U.S. dollar relatively

strong against most other currencies during the first half of the year, low-cost imports continued to flood into the U.S. (During the first half of 1999, the value of U.S. merchandise imports from British Columbia was up 23.1 per cent from the same period in 1998.) As a result, the U.S. net export deficit continued to widen.

Continued strong growth and tight labour markets raised fears that inflation would pick up. As a result, long-term interest rates rose from under 5 per cent in January to over 6 per cent at the end of August. The Federal Reserve has raised its target for short-term interest rates by a quarter percentage point twice so far this year. Even so, the U.S. economy is expected to grow 3.7 per cent in 1999, compared to the 3.0 per cent assumption in the March 1999 forecast. Growth of 2.3 per cent is expected in 2000.



Asian Growth Recovering



*Indonesia, Malaysia, Philippines, Singapore, Thailand
 F: forecast
 Source: Nomura Research Institute, *NRI Quarterly* (Summer 1999)

In *Japan*, British Columbia's second largest foreign trade partner, the economy grew at a rapid 8.1 per cent annual rate in the first quarter of 1999 and 0.9 per cent in the second quarter. (During the first half of the year, the value British Columbia's merchandise exports to Japan was up 0.5 per cent.)

However, much of the first half's growth was the result of a large increase in public capital expenditures. More recent Japanese data have been sending mixed signals, raising the question of whether private sector activity can continue the momentum created by public sector spending. While the year-over-year growth rates of industrial production and housing starts, two key indicators, have nudged above zero, employment and consumer spending and confidence remain weak. Perhaps most importantly for future growth, total bank

lending to the corporate sector continues to contract, despite the liquidity provided by the Bank of Japan. This reflects the ongoing difficulties in Japan's financial sector exemplified by the recent merger of three of the country's largest banks.

As a result of the stronger-than-expected real GDP growth in the first half, Japan's economy is now expected to grow 1.0 per cent. Next year, the forecast assumes zero growth in 2000.

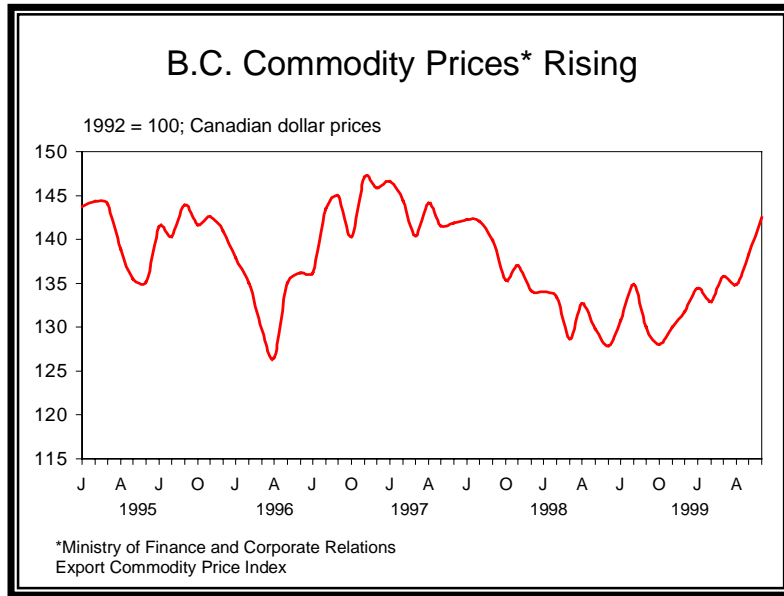
Elsewhere in *Asia*, many economies have shown considerable growth since the end of 1998. Although the level of economic activity remained below recent peaks in several countries, the value of British Columbia's exports to southeast Asia rose more than 25 per cent during the first half of the year. Economic growth in Asia is expected to be

considerably stronger in 1999 than it was in 1998 (see chart), with further strengthening anticipated in 2000. Most expect that it will be some time before Asian growth returns to the 5-7 per cent annual rates experienced prior to 1997.

Europe has performed much as expected to date in 1999. First-quarter real GDP in the United Kingdom, Germany and Italy was about 1 per cent higher than a year earlier, while in France it was up 2.3 per cent. Relatively slow growth and the drop in the value of the Euro against the Canadian dollar caused the value of British Columbia exports to western Europe to fall 11 per cent during the first half of the year. The consensus growth forecast for Europe in 1999 is still around 2.0 per cent while the 2000 outlook has moved up slightly to 2.6 per cent.

Commodity Prices

Prices for commodities such as lumber, pulp and paper, natural gas and copper are a key factor in British Columbia's external trade performance. Most commodity prices have risen considerably from 1998 levels, with the exception of agricultural products and precious metals. The chart shows recent movements in the Ministry of Finance and Corporate Relations export commodity price index.



Benchmark western spruce-pine-fir (WSPF) **lumber** prices returned to average 1997 levels during the first half of 1999, after slumping in 1998. Prices averaged about \$350 U.S. per thousand board feet during the January-August period and were around \$340 in early September, after peaking above \$430 in July. Prices for hemlock squares, the main product for the Japanese housing market and coastal sawmills, averaged \$575 U.S. during the first eight months of 1999 and were about \$600 in early September. WSPF are expected to average \$350 in 1999 and just over \$320 in 2000. Hemlock square prices are forecast to average \$585 this year and \$600 next year.

In contrast to the strength in lumber prices, **pulp and newsprint** prices have been held down by weak demand and increased supply from low-cost producers. Pulp

prices are above the lows reached earlier this year, while West Coast newsprint prices remain low. Pulp and newsprint producers are planning a price increase for this fall. After averaging about \$500/tonne in 1999, pulp prices should rise \$75 next year. Newsprint prices bottomed at around \$475 in August, and are expected to average \$510 this year and move up \$25 next year.

Metals prices were weak during the first half of 1999, but have moved up sharply in recent months. Copper and zinc prices recently hit 52-week highs. The rebound has been fuelled partly by strong growth in the U.S., and recovery in the Asian economies. In addition, mergers and takeovers have resulted in actual or prospective cutbacks of high-cost production capacity. For example, three major copper producers have closed

production facilities recently. In contrast to the situation of industrial metals, precious metals prices continue to be undermined by a combination of weak physical demand (from jewelry markets, for example) and ongoing central bank gold sales.

Energy prices strengthened considerably this year. Oil prices have been boosted by stronger demand and production cutbacks by OPEC nations. Natural gas prices have risen sharply due to rising demand resulting from unusually hot weather and heavy use of air-conditioning in much of the U.S. British Columbia's natural gas exports are expected to fetch prices that are about 20 per cent higher than a year ago, with a smaller gain expected next year. A by-product of strong demand for natural gas is the beginning of pipeline construction from British Columbia and Alberta to tap markets in the U.S. Midwest and beyond.

The British Columbia Economy: Recent Performance

British Columbia's economic performance to date in 1999 has exceeded expectations. The external side of the economy performed better than expected during the first half of the year as British Columbia benefitted from strong growth in the U.S. Several key domestic indicators remained below year-earlier levels, partly offsetting the strong external performance.

Business and Industrial Activity

Business conditions and activity improved during the first half of 1999 compared to 1998. The value of British Columbia's goods exports and manufacturing shipments were up significantly during the January to June period as the U.S. economy, British Columbia's largest export market, continued to post strong growth. The province also benefitted from rising commodity prices. Investment intentions and planned production improved in recent surveys.

Merchandise exports were up 12.8 per cent during the first half of 1999, compared to the same period in 1998. Lumber and natural gas were the driving forces while exports of machinery and equipment contributed nearly one quarter of the increase.

As noted in the previous section, strong growth south of the border fuelled external trade growth. Exports to the U.S. were up significantly and exports to Japan have begun to grow. Recent economic growth has been strong in some of the Asian countries.

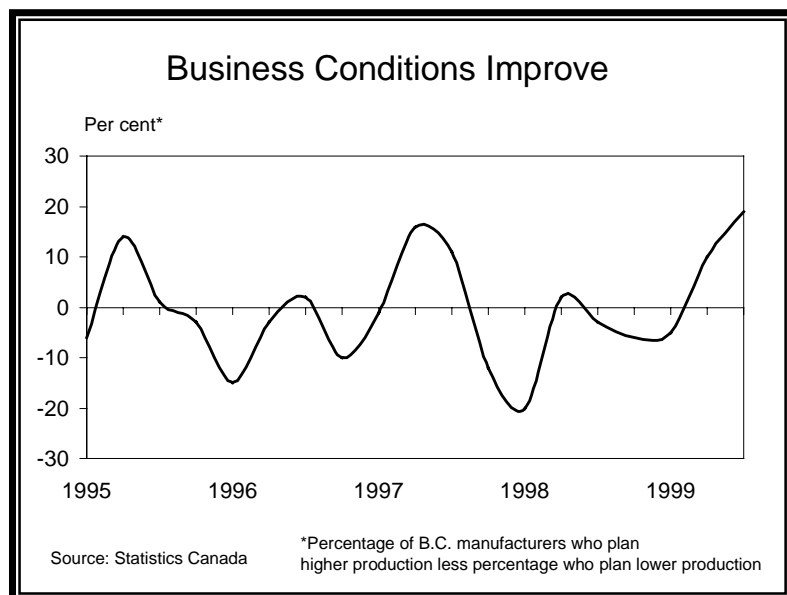
Manufacturing shipments were up 8.4 per cent during the first half of 1999, compared to the same period in 1998. Resource and agriculture-related shipments accounted for most of the increase. Non-resource shipments were up 3.0 per cent.

Much of the increase in exports and shipments was due to higher commodity prices. The composite index of the province's key commodity exports rose 4.1 per cent in Canadian dollar terms during the first half of the year. Lumber, plywood and natural gas prices posted large increases, which offset declines in pulp, newsprint and metals prices.

The Highland Valley strike had a small impact on overall provincial exports in the May to July period.

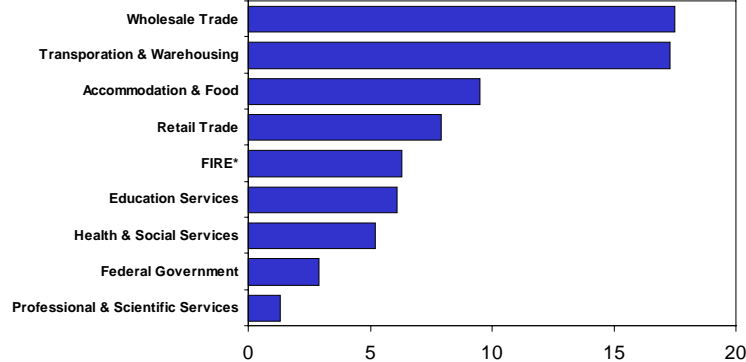
Likely due to the stronger export performance, the business climate has also improved somewhat during the first half of 1999. Statistics Canada's survey of British Columbia manufacturers revealed that the percentage who plan higher production less the percentage who plan lower production climbed to almost 20 per cent in July. In addition, their inventory situation improved.

As a result of improving business conditions, planned private and public investment in British Columbia is expected to increase \$1.3 billion or 6.5 per cent in 1999 according to Statistics Canada's mid-year survey. Much of the increase is due to higher planned investment in the transportation sector, including several large pipeline projects.



Where is the Job Growth?

Change in jobs Jan. to Aug. 1999 compared to Jan. to Aug. 1998; thousands



*FIRE: finance, insurance and real estate

Source: Statistics Canada

In addition, the increase in machinery and equipment investment reflects purchases of new computer equipment to deal with the Year 2000 date change.

The Labour Market

Seasonally-adjusted employment fell following strong growth in the final quarter of 1998 and the first two months of 1999. Since the peak in February, British Columbia has lost 41,000 jobs. Nevertheless, employment during the first eight months of 1999 was up 3.2 per cent from the same period last year.

A shrinking labour force accompanied the recent decline in employment. As a result, the unemployment rate has declined, averaging 8.5 per cent in the January to August period, down from 9.4 per cent during the same period of 1998.

Employment in the service sector was up 5.1 per cent during the first eight months of 1999 compared to the same period in 1998. Employment in the goods-producing sector was down 4.8 per cent during the same period.

Wholesale trade employment increased 27.3 per cent or 17,500 jobs. This reflects

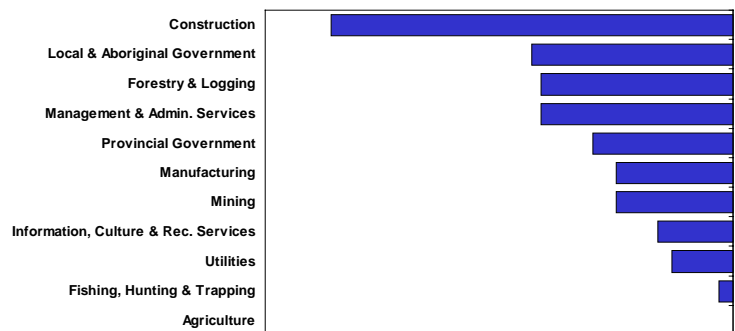
increased activity in distribution of building materials to the U.S. The category also includes: wholesale distributors, motor vehicle and auto parts distributors. Computer and software wholesale sales were also up in advance of the Year 2000 date change.

Transportation and warehousing employment was up partly in response to increased activity in manufacturing and exporting.

Construction employment decreased 7.8 per cent or 8,600 jobs in the first eight months of 1999, compared to the same period of 1998. Forestry and logging employment was down during the first part of the year reflecting decreased activity on the Coast as a result of weak demand in Asia and excessive snowpacks, which hindered harvest activity.

Where are the Job Losses?

Change in jobs Jan. to Aug. 1999 compared to Jan. to Aug. 1998; thousands



Source: Statistics Canada

Average weekly earnings were up 1.4 per cent during the first half of the year, while wage settlements were up 0.7 per cent.

In-migration slowed during the first quarter of 1999 but remained positive with international in-migration offsetting a decline in interprovincial migration.

The Consumer Sector

Slow population growth has affected consumer spending. Following a surge in January, retail sales floundered. Retail sales were down 0.3 per cent on a year-to-date basis in July. Most of the weakness so far this year has been in sales of gasoline, due to lower prices in January through March, and in supermarket and auto dealer sales.

According to the Conference Board of Canada, consumer confidence in British Columbia rose in the second quarter of 1999, the third consecutive quarterly increase. While confidence is on a rising trend, it remains below its 1997 peak.

Housing starts were down 29 per cent during the first eight months of 1999. However, with Multiple Listing Service home sales up 7 per cent during the January to July period, signs of a housing market recovery are appearing.

The recent increase in long-term interest rates are expected to have a minor impact on consumer spending and business investment.

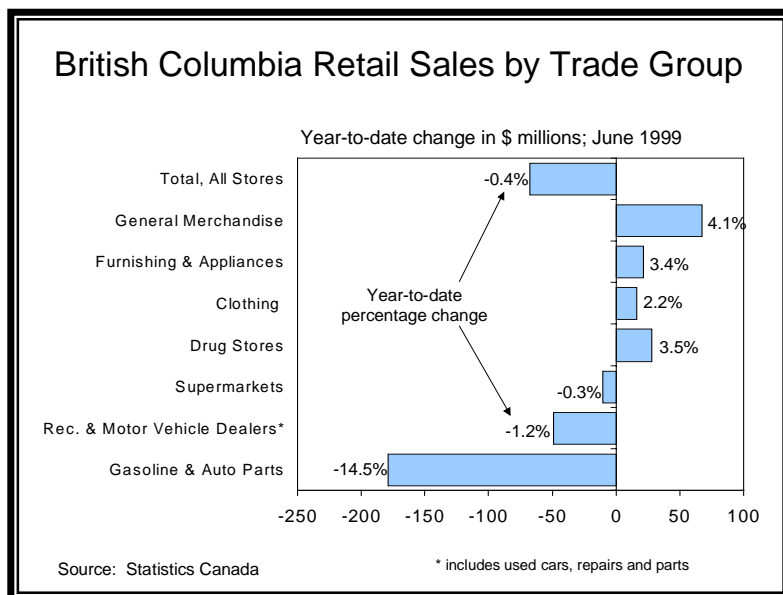
British Columbia's tourism activity continues at high levels. The number of overnight visitors was up sharply during the first six months of the year. Many of those visitors travelled through the Vancouver International Airport, where the number of passengers was up 4.4 per cent during the first half of the year.

Inflation remains low in British Columbia, with a year-to-date increase of 0.8 per cent in the consumer price index through July. The province's inflation rate was 1.4 per cent in July, up 0.4 per cent from June due to the recent rise in prices for

gasoline, recreation and education.

The British Columbia Economy: Revised 1999 Outlook

The March economic forecast projected British Columbia growth of 0.5 per cent in 1999. During the early part of 1999, there was a higher degree of uncertainty about the global economic outlook as well as the investment climate in the province. However, growth in some of British Columbia's trading partners will be stronger than had been expected. A modest recovery is underway in the province, led by the export sector. Investment intentions have also



improved. However, retail sales and housing are lagging the turnaround in exports and shipments.

Economic growth in British Columbia is now expected to be 1 per cent in 1999 and 1.9 per cent in 2000.

There are three main reasons for the upward revision to the 1999 forecast:

- U.S., Canadian and Japanese economic growth was stronger than anticipated, fuelling export growth;
- Commodity prices, specifically lumber and natural gas, rose faster than expected; and,
- There is evidence of higher-than-expected capital investment activity.

Changes to the External Outlook

The expansion of the U.S. economy continued to exceed expectations. Economic growth in Canada has also been higher than anticipated at the time of the budget (see Table 1 below). In addition, positive signs of growth in some of the Asian countries and a strong first quarter in Japan have fuelled demand for British Columbia goods. A higher Canadian-U.S. exchange rate partly offset these factors in the second quarter of 1999. In the third quarter, the value of the Canadian dollar has fallen back in line with the March forecast.

Domestic Demand

Final domestic demand, which consists of consumer spending on goods and services, capital investment and government expenditures is expected to grow at the same pace as projected in the March 1999 forecast. Increased investment in machinery and equipment will be offset by reduced in-migration and housing demand and lower personal expenditures.

Real consumer spending, the largest component of final domestic demand, is expected to rise more slowly than projected in the budget forecast (see Table 2 for highlights and attached tables for forecast details).

**Table 1
British Columbia Economic Outlook: Key Assumptions**

	Actual	March 1999 Budget Forecast	September 1999 Economic Update	
	1998	1999	1999	2000
Economic Growth (%)				
- Canada	3.1	2.4	3.3	2.5
- United States	3.9	3.0	3.7	2.3
- Japan	-2.9	-1.3	1.0	0.0
- Europe	2.7	2.1	2.0	2.6
Canadian Interest Rates (%; annual average)				
- 3-month Treasury Bills	4.7	4.7	4.7	4.7
- 10-year and over Government of Canada bonds	5.5	5.4	5.5	5.6
U.S. cents/Canadian dollar	67.5	66.6	67.0	69.4
British Columbia Goods and Services Export Prices (annual % change)				
- in Canadian dollars	-1.6	0.8	2.0	0.4
- in U.S. dollars	-7.2	-0.4	1.3	4.1

The slower growth in spending is mainly due to lower retail spending as discussed above.

Overall capital investment is now expected to grow more quickly with an increase in machinery and equipment investment partly offset by a decline in residential investment. Housing starts in British Columbia are now expected to total 15,500 units, down from the 18,000 units initially forecast. Accelerated public capital spending will contribute to the growth in investment. Business non-residential investment is expected to increase.

Operating spending of the three levels of government is expected to remain at about the same level as in the previous forecast.

Inventory investment plays an important role in cyclical movements of domestic spending. As demand picks up, inventories are drawn down until production can be increased to meet the higher level of demand. With a modest recovery beginning in British Columbia, this highly-volatile component could subtract up to 0.4 percentage points from GDP growth in 1999. This is the same as in the March forecast.

Exports and Imports

During the first half of the year, both the value and volume of exports rose at a greater pace than expected

in the March forecast. Part of the increase was due to higher volumes shipped, particularly with the return to production of the three Fletcher Challenge mills that had been on strike a year earlier. The other key factors in the first half increase were higher lumber and natural gas exports.

Machinery and equipment exports — which include motor vehicles, computers, communications equipment, airplanes and airplane parts — grew significantly during the first half of the year. Because inputs to these products are often imported, growth in imports for 1999 is also expected to be higher than initially forecast.

Real and Nominal GDP Growth

As a result of stronger first-half performance, economic growth in British Columbia this year is now expected to be 1 per cent, up from 0.5 per cent forecast in March. The recovery in the resource and export sectors will be partly offset by weakness in housing and consumer spending.

Nominal GDP growth is forecast at 2.4 per cent in 1999, higher than the budget forecast. This reflects the year-to-date performance of labour income, the largest component of income-side GDP, as well as a better performance in corporate profits.

Labour Market and Population

Employment is expected to increase 2.7 per cent in 1999. This is lower than the budget forecast and reflects greater than expected declines in employment earlier this year.

The labour force is expected to grow 2.2 per cent in 1999. As a result, the unemployment rate is forecast to average 8.4 per cent for the year.

The British Columbia population is expected to grow 0.7 per cent, below the rate forecast in March. Total net in-migration for 1999 is now forecast to be 16,100 people. Interprovincial in-migration is expected to rebound in 2000 at the same pace it fell between 1997 and 1998. However, there is some risk that this rebound could be muted by soft employment.

Incomes, Profits and Prices

Total personal income is projected to be less than forecast in the March 1999 budget. Labour income is expected to rise 2.0 per cent, reflecting weaker employment growth despite average weekly earnings having grown faster than the forecast in March. Weaker growth is also expected in other major components of personal income, notably interest, dividends and miscellaneous investment income and unincorporated business income.

Corporate profits are now expected to rebound by 15 per cent in 1999. This will be followed by slower growth in 2000. The improvement this year is mainly due to higher commodity prices and a recovery in resource profits. In the first half of 1999, British Columbia's 15 largest forestry companies recorded net profits, compared to net losses during the first half of 1998.

Inflation in British Columbia is expected to be slightly higher than forecast in March. Rising crude oil prices are boosting gasoline prices in the province. The province's inflation rate is now expected to average 0.8 per cent in 1999, up from 0.5 per cent in the March forecast. The outlook for the broadly-based GDP price deflator has also been revised up, reflecting higher export prices.

Other Forecasts

At the Minister's economic outlook Conference in February, the average of the participants' forecasts for 1999 was zero per cent. The budget forecast projected 0.5 per cent growth in 1999. Since February, several private sector forecasters have revised up their outlooks for British Columbia. The average of the private sector forecasts as of September was 0.8 per cent.

Risks to the Outlook

The main risk to the near-term outlook is rising interest rates in the U.S. and Canada and their possible impact on domestic spending and investment. Concerns about inflation in the U.S. have boosted long-term interest rates. Following the U.S. Federal Reserve's recent hike in short-term interest rates, long-term rates have eased slightly. However, the risk remains that higher interest rates could impede recovery in the housing sector and in business investment.

Another possible risk involves the U.S. stock market. Many observers contend a stock market "bubble" has developed that threatens to burst and push the U.S. economy into recession.

Recent improvements in consumer and business

confidence in British Columbia have yet to translate into increased consumer spending and investment growth. To some extent, their recovery depends on stronger population growth. This poses a risk to the forecast, particularly next year.

As the end of 1999 approaches and the bulk of Y2K-related spending has been carried out, concerns now turn to the behaviour of consumers and financial markets. A year-end surge of spending could subtract up to one-half of a percentage point of growth in the first half of 2000.

Finally, potential upsides to the forecast include a stronger and more sustained recovery in Japan and the rest of Asia, and a stronger non-inflationary expansion that more quickly eliminates excess capacity in the Canadian economy.

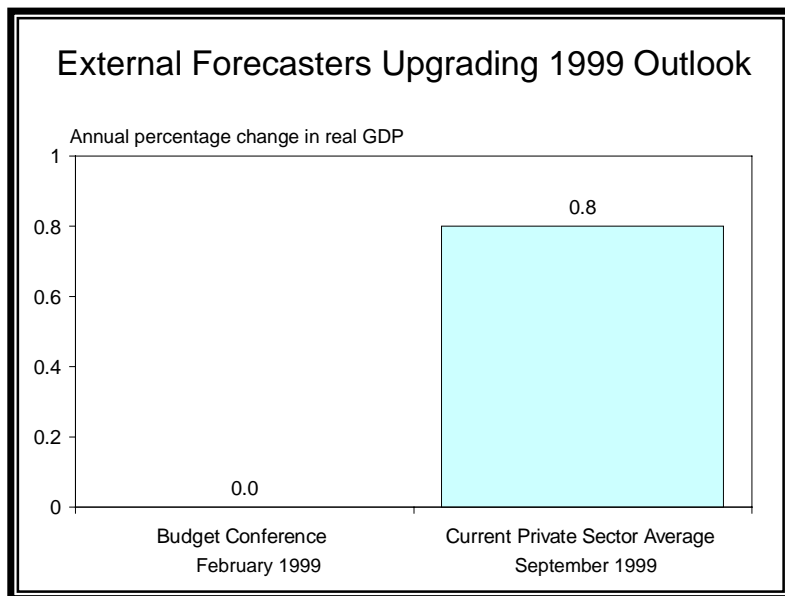


Table 2
British Columbia Economic Outlook Summary

	Actual/ Estimate	March 1999 Budget Forecast	September 1999 Economic Update	
	<u>1998</u>	<u>1999</u>	<u>1999</u>	<u>2000</u>
	Percentage change unless otherwise specified			
Gross Domestic Product (current dollars)	-1.0 ¹	1.1	2.4	2.5
Real Gross Domestic Product (1992 dollars)	-0.5 ¹	0.5	1.0	1.9
- Consumer Expenditure	0.6	1.8	0.9	1.3
- Government Expenditure	0.6	0.9	0.9	0.6
- Capital Investment	-2.7	-0.9	1.7	5.0
- Exports of Goods and Services	1.4	1.8	3.2	3.5
- Imports of Goods and Services	1.1	1.9	2.3	2.5
- Inventory Investment (change in billions of 1992 dollars)	0.7	0.3	0.3	-0.1
Population	1.2	0.9	0.7	1.1
Net In-migration	9,409	25,900	16,100	44,300
Labour Force	1.5	2.3	2.2	1.0
Employment	1.2	3.1	2.7	1.0
Unemployment Rate (%; annual average)	8.9	8.2	8.4	8.4
Retail Sales	-2.0	2.5	1.0	2.1
Labour Income	1.7	3.0	2.0	2.2
Corporate Pre-tax Profits	-15.0 ¹	-5.0	15.0	5.0
Housing Starts	19,941	18,000	15,500	17,400
Consumer Price Index	0.3	0.5	0.8	1.1

¹ Ministry of Finance and Corporate Relations estimate.

British Columbia Economic Review and Outlook

Forecast Tables

1. GROSS DOMESTIC PRODUCT — BRITISH COLUMBIA AND CANADA

Gross Domestic Product, Current and Constant Dollars
Real GDP Per Capita
Real GDP Per Employed Person
Unit Labour Cost

2. COMPONENTS OF B.C. REAL GDP AT MARKET PRICES

Personal Expenditures
Government Expenditures
Investment in Fixed Capital
Final Domestic Demand and Net Exports

3. INCOME AND EXPENDITURE

Average Weekly Earnings
Labour Income
Personal Income
Corporate Profits
Retail Sales
Housing Starts
Residential Investment
Consumer Price Index

4. LABOUR MARKET INDICATORS

Population, Migration, Participation Rate
Labour Force, Employment, Unemployment Rate
Real GDP Per Employed Person

5. BRITISH COLUMBIA EMPLOYMENT BY SECTOR

Goods Sector
Service Sector

6. ECONOMIC ASSUMPTIONS

Real GDP (Canada, United States, Japan, Germany, Europe)
Housing Starts (Canada, United States)
Consumer Price Index (Canada, United States)

7. FINANCIAL MARKETS

Canadian Interest Rates
United States Interest Rates
Real Interest Rates
Canada/U.S. Exchange Rate

8. SELECTED GROWTH RATES

British Columbia
Canada
United States

Table 1: GROSS DOMESTIC PRODUCT - BRITISH COLUMBIA AND CANADA

September 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	110,890	113,670	118,310	123,310	128,600
(% change)	1.0	3.3	-1.0	2.4	2.5	4.1	4.2	4.3
- REAL (1992 \$ million)	96,060	98,200	97,730	98,690	100,570	103,180	106,000	109,150
(% change)	1.1	2.2	-0.5	1.0	1.9	2.6	2.7	3.0
- GDP DEFLATOR	110.2	111.4	110.8	112.4	113.0	114.7	116.3	117.8
(% change)	-0.1	1.1	-0.5	1.4	0.6	1.4	1.5	1.3
REAL GDP PER CAPITA (1992 \$)	24,745	24,788	24,378	24,434	24,602	24,845	25,104	25,419
(% change)	-1.5	0.0	-1.7	0.2	0.7	1.0	1.0	1.3
REAL GDP PER EMPLOYED PERSON (% change)	-1.4	0.4	-1.7	-1.7	0.9	0.2	-0.3	0.1
UNIT LABOUR COST* (% change)	2.0	1.1	2.2	1.0	0.3	1.4	1.8	1.3
CANADA:								
GROSS DOMESTIC PRODUCT AT MARKET PRICES:								
- CURRENT DOLLAR (\$ million)	833,921	873,947	895,704	937,710	972,690	1,009,970	1,049,710	1,092,090
(% change)	3.3	4.8	2.5	4.7	3.7	3.8	3.9	4.0
- REAL (1992 \$ million)	782,130	813,031	838,265	865,930	887,580	909,770	932,510	955,820
(% change)	1.7	4.0	3.1	3.3	2.5	2.5	2.5	2.5
- GDP DEFLATOR INDEX (1992 = 100)	106.6	107.5	106.9	108.3	109.6	111.0	112.6	114.3
(% change)	1.5	0.8	-0.6	1.3	1.2	1.3	1.4	1.5
REAL GDP PER CAPITA (1992 \$)	26,106	26,849	27,413	28,038	28,446	28,865	29,294	29,729
(% change)	0.5	2.8	2.1	2.3	1.5	1.5	1.5	1.5
REAL GDP PER EMPLOYED PERSON (% change)	0.4	2.0	0.3	0.7	0.9	0.6	1.1	1.0

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

September 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	65.8	66.6	68.2	69.8	71.4
(% change)	3.4	4.3	0.6	0.9	1.3	2.3	2.4	2.3
- Goods (1992 \$ billion)	28.3	29.3	28.8	28.9	29.1	29.8	30.6	31.3
(% change)	2.3	3.6	-1.7	0.2	1.0	2.4	2.5	2.2
- Services (1992 \$ billion)	33.9	35.5	36.3	36.9	37.5	38.4	39.2	40.2
(% change)	4.4	4.8	2.4	1.5	1.6	2.3	2.3	2.4
GOVERNMENT CURRENT EXPENDITURES ON GOODS AND SERVICES (1992 \$ billion)	19.6	19.7	19.8	20.0	20.1	20.3	20.4	20.6
(% change)	-0.2	0.8	0.6	0.9	0.6	0.7	0.8	0.9
INVESTMENT IN FIXED CAPITAL (1992 \$ billion)	20.0	20.9	20.3	20.7	21.7	22.2	23.1	24.5
(% change)	-1.7	4.5	-2.7	1.7	5.0	2.4	3.9	6.1
FINAL DOMESTIC DEMAND* (1992 \$ billion)	101.7	105.4	105.3	106.4	108.5	110.7	113.3	116.5
(% change)	1.7	3.7	-0.1	1.1	1.9	2.0	2.4	2.8
NET EXPORTS OF GOODS AND SERVICES (1992 \$ billion)	-6.0	-8.8	-8.7	-8.6	-8.3	-8.1	-7.9	-7.9
- Exports of Goods and Services (1992 \$ billion)	39.4	41.2	41.8	43.1	44.6	46.3	48.0	49.7
(% change)	0.8	4.6	1.4	3.2	3.5	3.8	3.5	3.7
- Imports of Goods and Services (1992 \$ billion)	45.3	50.0	50.5	51.7	53.0	54.4	55.9	57.6
(% change)	-0.2	10.2	1.1	2.3	2.5	2.7	2.8	3.1
INVENTORY CHANGE (1992 \$ billion)	-0.1	1.1	0.7	0.3	-0.1	0.1	0.1	-0.1
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	98.7	100.6	103.2	106.0	109.2
(% change)	1.1	2.2	-0.5	1.0	1.9	2.6	2.7	3.0

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

September 1999

	ACTUAL			FORECAST				
	1996	1997	1998	1999	2000	2001	2002	2003
AVERAGE WEEKLY EARNINGS* (\$)	608	614	619	625	632	642	652	662
(% change)	2.2	1.1	0.7	1.0	1.2	1.5	1.6	1.5
LABOUR INCOME ** (\$ million)	58,413	60,512	61,510	62,770	64,150	66,720	69,790	72,790
(% change)	2.9	3.6	1.7	2.0	2.2	4.0	4.6	4.3
PERSONAL INCOME (\$ million)	92,288	94,578	95,440 e	96,970	99,200	102,670	106,880	110,990
(% change)	2.4	2.5	0.9	1.6	2.3	3.5	4.1	3.9
CORPORATE PROFITS BEFORE TAXES (\$ million)	5,658	6,231	5,300 e	6,095	6,400	6,720	7,060	7,410
(% change)	-14.5	10.1	-15.0	15.0	5.0	5.0	5.0	5.0
RETAIL SALES (\$ million)	32,071	33,736	33,045	33,380	34,080	35,310	36,580	37,820
(% change)	1.8	5.2	-2.0	1.0	2.1	3.6	3.6	3.4
HOUSING STARTS (000's)	27.6	29.4	19.9	15.5	17.4	21.4	24.4	27.5
(% change)	2.2	6.2	-32.1	-22.3	12.5	23.0	13.7	13.0
RESIDENTIAL INVESTMENT *** (\$ million)	8,455	8,740	7,250 e	6,780	7,000	7,510	8,070	8,700
(% change)	0.0	3.4	-17.0	-6.5	3.3	7.3	7.5	7.8
CONSTANT DOLLAR GROWTH RATES:								
AVERAGE WEEKLY EARNINGS	1.2	0.3	0.5	0.2	0.1	0.2	0.2	0.2
LABOUR INCOME	2.2	2.6	1.4	1.2	1.1	2.7	3.2	3.0
PERSONAL INCOME	1.5	1.7	0.6	0.8	1.2	2.2	2.7	2.5
CORPORATE PROFITS	-15.3	9.3	-15.2	14.1	3.9	3.7	3.6	3.7
RETAIL SALES	0.9	4.4	-2.3	0.2	1.0	2.3	2.2	2.1
RESIDENTIAL INVESTMENT	3.6	5.0	-14.9	-6.7	2.1	5.7	5.4	5.7
B.C. CONSUMER PRICE INDEX (1992 = 100)	108.9	109.7	110.0	110.9	112.1	113.6	115.1	116.6
(% change)	0.9	0.7	0.3	0.8	1.1	1.3	1.4	1.3

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

September 1999

	ACTUAL			FORECAST				
	1996	1997	1998	1999	2000	2001	2002	2003
POPULATION (on July 1) (000's)	3,882	3,962	4,009	4,039	4,088	4,153	4,223	4,294
(% change)	2.6	2.1	1.2	0.7	1.2	1.6	1.7	1.7
LABOUR FORCE POPULATION, 15+ YEARS (000's)	3,026	3,100	3,150	3,188	3,241	3,304	3,370	3,437
(% change)	2.7	2.4	1.6	1.2	1.7	1.9	2.0	2.0
NET IN-MIGRATION								
- INTERNATIONAL	44,704	40,202	28,168	30,100	32,800	32,600	33,500	34,300
- INTERPROVINCIAL	17,798	5,554	-18,759	-14,000	11,500	17,400	19,600	20,500
- TOTAL	62,502	45,756	9,409	16,100	44,300	50,000	53,100	54,800
PARTICIPATION RATE* (%)	65.5	64.9	64.9	65.5	65.0	65.3	65.8	66.4
LABOUR FORCE (000's)	1,982	2,012	2,043	2,087	2,108	2,156	2,218	2,282
(% change)	2.4	1.6	1.5	2.2	1.0	2.3	2.9	2.9
EMPLOYMENT (000's)	1,806	1,838	1,860	1,911	1,930	1,977	2,037	2,096
(% change)	2.5	1.8	1.2	2.7	1.0	2.4	3.0	2.9
UNEMPLOYMENT RATE (%)	8.9	8.7	8.9	8.4	8.4	8.3	8.2	8.2
REAL GDP PER EMPLOYED PERSON (% change)	-1.4	0.4	-1.7	-1.7	0.9	0.2	-0.3	0.1

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

Table 5: BRITISH COLUMBIA EMPLOYMENT BY SECTOR

September 1999

GOODS SECTOR	ACTUAL		FORECAST		SERVICE SECTOR	ACTUAL		FORECAST	
	1997	1998	1999	2000		1997	1998	1999	2000
	--- (000's) ---					--- (000's) ---			
FORESTRY & LOGGING	34	29	27	27	TRANSPORTATION & WAREHOUSING	107	102	113	115
MINING, OIL & GAS EXTRACTION	17	17	16	16	TRADE	289	299	325	329
OTHER PRIMARY	35	31	29	29	FINANCE, INSURANCE & REAL ESTATE	106	105	109	111
MANUFACTURING	190	194	190	192	PROFESSIONAL, SCIENTIFIC & TECHNICAL SERVICES	120	131	135	137
- Wood Products	43	43	44	42	MANAGEMENT, ADMINISTRATION & SUPPORT SERVICES	60	67	63	64
- Paper & Allied	22	22	23	23	ACCOMMODATION & FOOD SERVICE	148	148	157	158
- Other Mfg.	125	128	123	128	PUBLIC ADMINISTRATION	89	93	90	91
CONSTRUCTION	126	121	113	110	EDUCATION, HEALTH CARE & SOCIAL ASSISTANCE	317	322	334	338
UTILITIES	10	13	12	12	OTHER SERVICES	189	190	199	201
					TOTAL SERVICE INDUSTRIES	1,425	1,456	1,525	1,544
					(% change)	2.1	2.2	4.7	1.2
TOTAL GOODS INDUSTRIES	413	404	386	386	TOTAL EMPLOYMENT	1,838	1,860	1,911	1,930
(% change)	0.5	-2.0	-4.6	0.2	(% change)	1.8	1.2	2.7	1.0

Table 6: ECONOMIC ASSUMPTIONS

September 1999

	ACTUAL			FORECAST				
	1996	1997	1998	1999	2000	2001	2002	2003
REAL GDP (billions)								
CANADA (1992 \$)	782.1	813.0	838.3	865.9	887.6	909.8	932.5	955.8
(% change)	1.7	4.0	3.1	3.3	2.5	2.5	2.5	2.5
U.S.A. (1992 U.S.\$; chain-weighted)	6,995	7,270	7,552	7,832	8,012	8,196	8,401	8,611
(% change)	3.4	3.9	3.9	3.7	2.3	2.3	2.5	2.5
JAPAN (1990 Yen)	485,576	492,327	478,051	482,800	482,800	487,600	497,400	512,300
(% change)	5.1	1.4	-2.9	1.0	0.0	1.0	2.0	3.0
GERMANY (1991 DM)	3,035	3,101	3,185	3,239	3,320	3,407	3,482	3,558
(% change)	1.3	2.2	2.7	1.7	2.5	2.6	2.2	2.2
EUROPE* (% change)	2.1	2.9	2.7	2.0	2.6	2.4	2.4	2.4
HOUSING STARTS (000's)**								
CANADA	125	147	137	145	149	150	150	150
(% change)	10.7	17.9	-6.5	5.5	2.8	0.7	0.0	0.0
U.S.A.	1,469	1,476	1,623	1,640	1,490	1,510	1,540	1,510
(% change)	7.9	0.5	10.0	1.1	-9.1	1.3	2.0	-1.9
JAPAN	1,643	1,387	1,198	1,230	1,240	1,250	1,250	1,300
(% change)	11.8	-15.6	-13.6	2.7	0.8	0.8	0.0	4.0
CONSUMER PRICE INDEX								
CANADA (1992=100)	105.9	107.6	108.6	110.2	111.9	113.7	115.6	117.6
(% change)	1.6	1.6	0.9	1.5	1.5	1.6	1.7	1.7
U.S.A. (1982-1984=100)	156.9	160.5	163.0	166.6	170.6	174.5	178.7	183.0
(% change)	3.0	2.3	1.6	2.2	2.4	2.3	2.4	2.4

* Austria, Belgium, Denmark, Finland, France, Germany, Greece, Holland, Ireland, Italy, Luxembourg, Portugal, Spain, Sweden, United Kingdom

** British Columbia housing starts appear in Table 3.

Table 7: FINANCIAL MARKETS

September 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	4.7	4.9
LONG-TERM GOVERNMENT BONDS (10 years and over)	7.5	6.4	5.5	5.5	5.6	5.8
UNITED STATES INTEREST RATES (%)						
3-MONTH TREASURY BILLS	5.0	5.1	4.8	4.6	4.7	4.7
LONG-TERM GOVERNMENT BONDS (10 years and over)	6.8	6.7	5.7	5.8	5.9	6.1
REAL INTEREST RATES* (%)						
CANADIAN TREASURY BILLS	2.7	1.6	3.8	3.4	3.4	3.6
U.S. TREASURY BILLS	2.0	2.8	3.2	2.6	2.7	2.7
CANADIAN LONG-TERM BONDS	5.9	4.7	4.6	4.2	4.3	4.5
U.S. LONG-TERM BONDS	3.8	4.4	4.1	3.8	3.9	4.1
EXCHANGE RATE (U.S. cents / Canadian \$)	73.4	72.2	67.5	67.0	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

September 1999

	ACTUAL			FORECAST				
	1996	1997	1998	1999	2000	2001	2002	2003
BRITISH COLUMBIA (%)								
REAL GDP	1.1	2.2	-0.5	1.0	1.9	2.6	2.7	3.0
CONSUMER PRICE INDEX	0.9	0.7	0.3	0.8	1.1	1.3	1.4	1.3
LABOUR FORCE	2.4	1.6	1.5	2.2	1.0	2.3	2.9	2.9
EMPLOYMENT	2.5	1.8	1.2	2.7	1.0	2.4	3.0	2.9
UNEMPLOYMENT RATE (level)	8.9	8.7	8.9	8.4	8.4	8.3	8.2	8.2
AVERAGE WEEKLY EARNINGS	2.2	1.1	0.7	1.0	1.2	1.5	1.6	1.5
PERSONAL INCOME	2.4	2.5	0.9	1.6	2.3	3.5	4.1	3.9
RETAIL SALES	1.8	5.2	-2.0	1.0	2.1	3.6	3.6	3.4
CORPORATE PROFITS	-14.5	10.1	-15.0	15.0	5.0	5.0	5.0	5.0
CANADA (%)								
REAL GDP	1.7	4.0	3.1	3.3	2.5	2.5	2.5	2.5
CONSUMER PRICE INDEX	1.6	1.6	0.9	1.5	1.5	1.6	1.7	1.7
EMPLOYMENT	1.3	1.9	2.8	2.6	1.6	1.9	1.4	1.5
POPULATION (on July 1)	1.2	1.1	1.0	1.0	1.0	1.0	1.0	1.0
LABOUR INCOME	2.4	5.8	4.0	2.8	3.9	4.4	4.0	4.6
U.S.A. (%)								
REAL GDP	3.4	3.9	3.9	3.7	2.3	2.3	2.5	2.5
CONSUMER PRICE INDEX	3.0	2.3	1.6	2.2	2.4	2.3	2.4	2.4