



INDUSTRIAL RELATIONS BULLETIN

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EXECUTIVE COMMENT

BC is Once again a Leader in Job Growth

The latest figures on retail spending show BC consumers have once again been on a shopping spree. In February, retail sales jumped by a whopping 2.9% from the previous month (after adjusting for regular seasonal changes). This pushed the year-over-year increase back to near-record territory of 8%.

The housing market is also picking up steam again, after taking a breather in the second half of 2004. Home sales have shot up because of a drop in mortgage rates and some easing in price pressure, but ongoing consumer and business optimism is likely also a factor. Strong demand for housing in turn has led to additional gains in building activity, extending the four-year up-cycle in home construction.

Business investment is also climbing. Last year's 14.6% increase in overall capital spending (the strongest among the provinces) is expected to be followed by a healthy 8% gain this year. Confidence about the future has also prompted a revival in the number of newly incorporated businesses, which have climbed steadily over the past two years to levels not seen in nearly a decade. BC has also benefited from the strength of global commodity markets. In 2004 BC's merchandise exports rose 10%, ending a protracted period of export weakness.

All these figures indicate the BC economy is still on a roll. They also point to stronger job growth. And for many people, employment is arguably the single most important measure of economic health. A strong labour

market provides more people with good job opportunities and enables them to support families, buy homes and cars and save for their future.

Along with the economic turnaround that has unfolded in the province over the past few years has come a significant improvement in labour market conditions. Between 1996 and 2001 average annual job growth in BC was a tepid 1.2%. Over the past three years, however, average employment growth has accelerated to nearly double that pace (2.3%).

Even better is that the job market outlook continues to look good. In its most recent forecast publication, Credit Union Central of BC projects job growth in BC at 2.5% in 2005 rising to 3% in 2006. With employment growth running at 3% in the first quarter of this year, projections for a buoyant job market appear to be on track.

While a doubling in the average rate of job growth is a welcome change (it means around 50,000 jobs will be created each year rather than 25,000), BC's relative improvement is even more revealing of the province's underlying economic turnaround. In the latter 1990s job growth in BC fell well short of the Canadian benchmark. But as the economy has improved, this pattern has reversed. Over the past two years BC has outpaced Canada in job creation and, according to current forecasts, BC (along with Alberta) is poised to lead the country in job growth in 2005 and 2006.

Growth Industries

One key reason for the stronger labour market is that job creation is now more evenly balanced across industries. In particular, the goods-producing industries in the province are now a source of net new employment. This is in sharp contrast to the three-year period from 1999-2001, when all the broad goods-producing industries (from agriculture to manufacturing) saw employment decline.

The biggest transformation has been in the construction sector, where employment growth has averaged an unprecedented 8.9% over the past three years. Much of this reflects the boom in home building, but an expansion in non-residential construction is also helping to boost employment. And the outlook for the next two years suggests this breakneck pace of job creation in the sector will continue.

Another notable change has been in the manufacturing industry. The rise in BC's manufacturing shipments is linked to the strength of international commodity markets, but increasing diversification in the manufacturing sector (agri-food, clothing, high-tech products to name a few) is also leading to more new jobs.

In the service industries, the finance, insurance and real estate sector is now a growth engine, thanks in large part to the real estate boom. The impact of high levels of consumer spending is also evident in the solid job gains seen in the retail/wholesale trade sector.

BC Back to Normal

While the province's economic transformation is impressive because of the speed with which it has occurred, it is not unusual for BC's job market to outperform Canada's. In fact, over the past three decades there have

only been two periods when BC underperformed Canada. The first was in the wake of the severe 1981-82 global recession which hit BC especially hard. The other was the five-year period beginning in 1998. With most industry sectors now enjoying a healthy economic revival, BC is again outpacing Canada in job creation.

<u>BC Annual Employment Growth by Industry</u> (Average over periods shown)			
Industry	99-01	02-04	Forecast 05-06
All Industries	1.2	2.3	2.8
Goods Sector	-2.1	3.9	4.7
Agriculture	-7.2	12.5	-1.7
Forestry, Fishing, Mining, Oil and Gas	-5.9	-3.6	8.2
Utilities	-1.6	-5.7	11.1
Construction	-2.2	8.9	9.0
Manufacturing	-0.2	2.2	2.6
Services Sector	2.1	1.9	2.2
Retail / Wholesale Trade	1.3	1.9	2.3
Transportation and Ware- housing	3.3	1.5	2.6
Finance, Insurance, Real Estate and Leasing	0.1	2.5	1.6
Professional, Scientific and Technical Services	4.0	1.6	1.5
Management, Admin. and Other Support	1.6	5.5	5.0
Educational Services	5.6	-0.8	0.2
Health Care	1.2	3.5	3.6
Information, Culture and Recreation	4.1	1.9	6.0
Accommodation and Food Services	3.7	2.2	2.3
Other Services	1.7	-1.4	-0.9
Public Administration	-1.7	3.7	-0.4

Source: BC Statistics for history and Credit Union Central of BC for 2005-2006 forecast.

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