



Consumer price inflation remains moderate

B.C.'s inflation rate for the year ending September 2004 was 1.9%, according to the latest Consumer Price Index (CPI) from Statistics Canada. That is down slightly from August's 2% rate. The latest month-over-month change came in at 0.2%, up from August's -0.1% decrease. Lower prices in September for food, transportation (including gasoline) and household operations were more than offset by higher prices for education, fuel oil and clothing.

Sharp increases in energy prices, particularly for gasoline and fuel oil, have raised overall consumer price inflation by about 0.4% over the latest 12 months. Excluding energy products, B.C.'s inflation rate for the year ending September 2004 was 1.5%, down from 1.8% in August. Higher prices over the past year for alcohol and tobacco products as well as property taxes drove up the aggregate price of non-energy consumption.

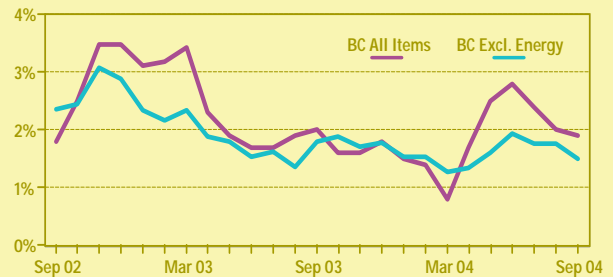
Central forecasts consumer price inflation in B.C. will average 2.2% in 2004 and about 2% in 2005. The inflation rate was 2.1% in 2003.

Tourist traffic plummets

International tourist entries to B.C. plunged in August, nearing the shock-depressed lows seen in the past three years. Reasons for this steep drop are not obvious since no dramatic event occurred in August that would warrant such a response. On previous occasions when tourist traffic plummeted, events such as SARS, the invasion of Iraq, and 9/11 triggered the decline.

B.C.'s inflation rate moderate

B.C. Consumer Price Index (CPI)
Year-over-Year Per Cent Change



Source: Statistics Canada.

Statistics Canada's commentary on the release of this data cited concerns about border delays as a result of increased security, which may have caused the large drop in U.S. same-day car trips. However, those concerns did not suddenly materialize in August and they have existed for many months. There are probably other reasons for the plunge. The data show that overseas traffic also dropped, though by not as much as U.S. entries.

September data will be anxiously awaited for signs of whether August was a one-off occurrence or the beginning of a trend. Certainly, next year does not look very bright for the tourism industry in B.C., owing to the higher Canadian dollar and to more Alaska cruise ships departing from the Port of Seattle, largely at the expense of Vancouver. Slower U.S. economic growth and higher gasoline prices will also act to reduce U.S. tourist traffic growth, if not reduce it in absolute terms.

Overall tourism activity this year will be higher than the shocked-depressed 2003 output, but this growth will not be repeated in 2005. Instead, tourism output may well decline.

Large drop in August

International tourist entries to B.C.,
seasonally adjusted, monthly

