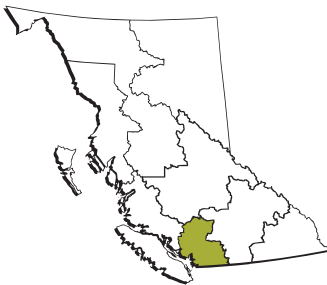


LIVE
WORK
INVEST
IN BC



Mainland/Southwest Development Region

Squamish-Lilloet • Sunshine Coast • Fraser Valley • Greater Vancouver



The Mainland/Southwest Development Region (MSWDR) encompasses the Greater Vancouver, Sunshine Coast, Squamish-Lillooet, and Fraser Valley Regional Districts, with a total land area of 36,357 km². This development region accounts for almost 60% of the provincial population.

With its dense population, good transportation access and high industrial activity, the MSWDR is British Columbia's economic hub. The development region continues to have strong links with forestry and the resource sector, especially in the Sunshine Coast, Squamish-Lillooet, and Fraser Valley Regional Districts, but despite this, the service sector is the region's biggest employer. The economy of the MSWDR is fuelled by local economic activity, as well as activity throughout the province, because of its role as a transportation hub and location for many head offices.

Population in the MSWDR grew by 5.9% between 2000 and 2005 to reach 2.5 million.¹ This was the third highest growth rate in the province, where the average was 5.3%, with the biggest increases in population occurring in the Northeast (9.8%), followed by the Thompson-Okanagan (6.4%). BC Statistics forecasts that population of the MSWDR will continue to increase, though at a slower annual rate of 1.3% in the long term, reaching 3.42 million by 2031.



¹ BC Statistics, Ministry of Management Services, *Population Estimates (1986-2004) and Projections (2004-2031)*.

income

Evaluating income growth provides a general sense of how a regional economy has performed, and allows comparisons with the progress of other regions. The most consistent regional income indicator available for BC is pre-tax income,² with the most current data being from 2003.³ Statistics Canada's regional income per capita, by development region, has been deflated with the Consumer Price Index to net out inflation effects. This allows a comparison of real changes with other regions. The data indicates that, on a per capita basis, real pre-tax income in the MSWDR declined 1.7% between 2000 and 2003.⁴

The results are supported by the trend in average employment income by taxfiler, which was similar to that of total pretax income per capita.⁵ Between 2000 and 2003, real average employment income per taxfiler in the MSWDR declined from \$33,166 to \$32,562, or by -1.8%.⁶ This comes after steady increases in per capita income throughout the late 1990s.⁷

Table 1: Real Pre-Tax Income per Capita (2000\$), Mainland/Southwest Development Region, 2000 to 2003

Region	2000	2001	2002	2003	Percentage Change	
					3-Year 2000-03	1-Year 2002-03
Mainland/Southwest DR	\$22,706	\$22,166	\$22,103	\$22,310	-1.7%	+0.9%
British Columbia	\$21,686	\$21,373	\$21,378	\$21,541	-0.7%	+0.8%

Source: British Columbia Neighbourhood Income Demographics, BC Statistics

As Table 1 indicates, real per capita income for the province as a whole declined at a slower rate, 0.7% during this same period. The results reflect real per capita income gains made in the Northeast, Thompson-Okanagan, and Vancouver Island Development Regions (8.2%, 2.3%, and 1.1% increases respectively between 2000 and 2003.⁸

How can a dip in real per capita income between 2000 and 2003 be explained? First, it appears that population growth in the MSWDR outstripped the growth rate of pre-tax income, resulting in lower per capita income. This was also a period of dampened economic performance in the MSWDR and the province as a whole. The job creation rate in the MSWDR's construction industry declined significantly in 2000, while 2001 saw further job losses in resources and manufacturing. The loss of employment in such high-paying industries contributed to the erosion of the provincial real wage during this time. Despite these challenges, real provincial GDP grew at a positive rate, except in 2001 when it dipped to less than one percent.

It was in the subsequent years (2004 and 2005), that the MSWDR and the provincial economies began to heat up, stimulating accelerated job creation and greater earnings. Due to a two-year lag in Statistics Canada's regional income data, it is too soon to tell whether current economic prosperity in the MSWDR will translate into further real per capita gains in income, but signs are positive for the region, and BC as a whole.



² Pre-tax income is comprised of labour income (employment income, wages and salaries, income from self-employment, employment insurance benefits), pension income, old age security, CPP/QPP, superannuation, family allowance income, interest & other investment income, limited partnership income, rental income, other income (e.g. alimony, income for non-filing spouses), RRSP income, non-taxable income, GST credit, child tax credit, workers' compensation payments, social assistance payments, and guaranteed income supplements. Monies not included in pre-tax income are: veterans' disability and dependent pensioners' payments, war veterans' allowances, lottery winnings and capital gains.

³ Our annual review of the economic and social climate of British Columbia's Development Regions is based on the most up to date information available from Statistics Canada, BC Statistics, and other credible public sources of data. Nevertheless, delayed reporting by our statistical sources means that a few one or two-year lags exist for some of the regional indicators, such as pre-tax income. This presents a challenge in working with BC regional data, but does not take away from the veracity of the results.

⁴ Per capita means per person. Total pre-tax income is divided by the population size to estimate this figure.

⁵ Employment Income includes wages and salaries, commissions from employment, training allowances, tips and gratuities and all income from self-employment (business, professional, farming, fishing income and commissions).

⁶ Statistics Canada. **Real pre-tax income per capita** is the sum of all income – labour force, pension, interest & other investment, limited partnership, rental, RRSP and non-taxable income – divided by the population and adjusted for inflation. **Real average employment income per taxfiler** is the sum of wages and salaries, and self-employment income – divided by the number of individuals who filed a personal income tax return, and adjusted for inflation.

⁷ BC Progress Board (December 2005). *Comparing BC's Performance – Reaching our Potential*. Fifth Annual Benchmarking Report. Vol. II: Internal Performance Review. Page. 16-17.

⁸ http://www.bcpboard.com/2005Report/Annual/VII_Final_2005.pdf

⁸ Statistics Canada.

educational achievement

BC Statistics data shows that, between 2003/04 and 2004/05, 24.4% of 18 year olds in British Columbia did not graduate from high school.⁹ Comparing the various regional districts within the MSWDR, it appears that only the Greater Vancouver Regional District did better than the provincial average

Table 2: Percentage of 18 Year Olds Who Did Not Graduate, Mainland/Southwest Development Region, Average 2001/02-03/04 and 2002/03 – 04/05

Regional District	Average 2001/02-2003/04	Average 2002/03-2004/05
Fraser Valley	27.9	27.3
Greater Vancouver	19.6	17.8
Sunshine Coast	31.2	29.6
Squamish-Lillooet	29.3	33.8
British Columbia	24.9	24.4

Source: BC Statistics

The existence and perceived accessibility of education opportunities are a key factors in graduation rates, as are a parent's educational attainment and involvement in the child's education.¹⁰ Greater Vancouver offers a greater variety of K-12 and post-secondary institutions, and a greater array of local openings for professional or skilled workers once they have completed school. In the regional districts outside Greater Vancouver, students are exposed to fewer educational opportunities at the local level. So when the economy is strong, high paying local jobs in the resource, construction, and manufacturing sectors – many of which do not require high school completion – are tempting to young workers who have not completed high school.

This partly explains what has happened in the Squamish-Lillooet Regional District, which saw the percentage of 18 year olds with no high school graduation rise from 29.3% in 2003/04 to 33.8% in 2004/05, at a time when youth unemployment in the region fell from 10.0% to 8.4%. During the same time, the share of 18 year olds without grade 12 graduation declined in the other regional districts of the MSWDR.



⁹ BC Statistics.

¹⁰ C. Anderson w/ C. Bruce. *Using Family Background to Predict Educational Attainment in Canada*. The Expert Witness Newsletter, Vol. 9, No. 3, Autumn 2004 Economica Ltd.

dependency on the social safety net

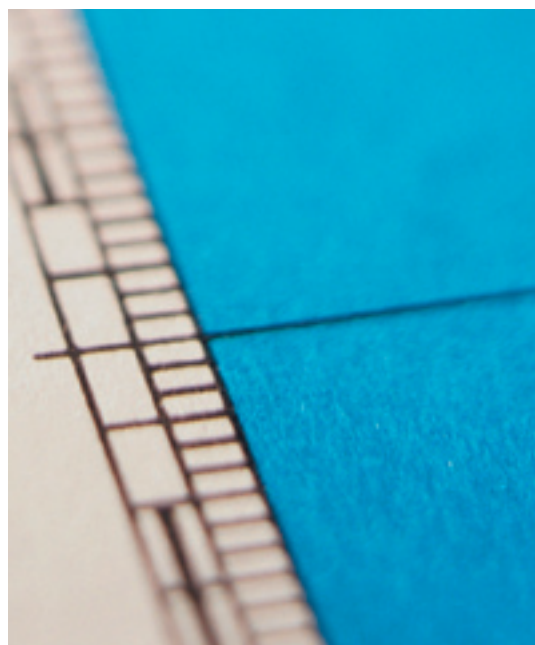
At times of strong economic growth and job creation, there are more opportunities for unemployed workers and those not currently participating in the labour force. This shifts these workers and their families away from reliance on government transfers, and towards sustainable employment. The share of the MSWDR's adult population dependent on Income Assistance and Employment Insurance was 3.3% in September 2005, compared with the provincial average of 3.7%.¹¹ While the share of the adult population in the MSWDR dependent on the social safety net is generally less than the rest of BC, dependency in the Fraser Valley Regional District is consistently higher. In 2005, 4.6% of those aged 19-64 in the Fraser Valley was on income assistance, which was better only than the Cariboo, North Coast and parts of Vancouver Island.

Table 3: Basic Income Assistance Recipients and EI Beneficiaries as a Percent of the Population Aged 19-64, Mainland/Southwest Development Region, 2001 to 2005¹²

Region	2001	2002	2003	2004	2005
Fraser Valley	8.0	7.1	6.0	5.2	4.6
Greater Vancouver	5.8	5.4	4.4	3.7	3.1
Sunshine Coast	7.7	6.1	4.5	4.3	3.3
Squamish-Lillooet	6.0	5.1	4.9	4.4	3.9
<i>Development Region Total</i>	<i>6.0</i>	<i>5.5</i>	<i>4.5</i>	<i>3.8</i>	<i>3.3</i>
British Columbia	7.0	6.1	5.1	4.2	3.7

Source: BC Statistics

Due to the buoyant economy in recent years, throughout BC the share of the adult population dependent on the social safety net has declined steadily since 2003. Overall the rate declined from 5.1% in 2003 to 3.7% in 2005, while the MSWDR ratio dropped from 4.5% to 3.3%. This improvement follows the decline in the regional unemployment rate and increases in job creation during the past few years.



¹¹ Statistics Canada.

¹² Rates are as of September for each year.

job creation

Job creation in the MSWDR grew steadily between 2004 and 2005. Of the 32,000 jobs created in the MSWDR in 2005, approximately 24,100 of these were in the service sector.¹³ This was an annual growth rate in the service sector of 2.3%, the highest growth rate for the MSWDR's service sector in three years. Meanwhile, the number of goods-producing jobs rose by 8,100, or at an annual rate of 3.3%. While positive, this was a slower growth rate than the previous year.

The MSWDR's **service sector** has grown steadily over the past five years, generating 110,000 jobs during this time. This is not surprising, given the region's status as a major shipping and transportation hub, its diverse and buoyant economy, and the current infusion of capital investment. Employment gains were distributed across several industries, with the biggest winners in 2005 being trade (11,300 new jobs); business, building, and other support services (10,800 new jobs); educational services (8,400 new jobs); and professional, scientific, and technical services (7,600 new jobs).

While 2005 marked the second year of growth for most of these sectors, employment in the trade sector – which encompasses distributors, wholesalers, agents and brokers for a wide variety of products – saw a significant improvement from the previous year. Employment in this industry declined by 10,900 in between 2003 and 2004, but fully recovered in 2005. Greater profits generated more employment in trade, but the effects of British Columbia's booming construction sector were also a major factor. There is generally a lag between the design/project initiation phase and the corresponding activity for those in the trade industry.

There was also a surprising development in the accommodation and food services industry, where employment in the MSWDR *declined* by 4,300 in between 2004 and 2005 after several years of growth. Quarterly tourism data shows that hotel occupancy rates and average daily room rates declined in Whistler during 2005.¹⁴ Moreover, a decline in US overnight entries to BC dampened activity in the accommodation and food services industry of the MSWDR. Tourism BC's *February Indicators* show that US overnight entries were down 3.4% in 2005.¹⁵ The biggest employers in the tourism sector continue to be businesses that employ fewer than 20 employees, while the number of "larger" establishments (20 to 50 workers) has declined since 1999.¹⁶

In light of this year's service sector employment figures, it is not surprising that – with the exception of construction – the service sector accounts for all of the growth industries in Greater Vancouver.¹⁷ This includes information and communication technologies; scientific and technical services; and a growing biotech industry.¹⁸

In the **goods-producing** sector of the MSWDR, most new jobs were in the construction industry (11,200).¹⁹ The MSWDR continued to experience a boom in commercial, industrial, residential and institutional construction projects extending from the Fraser Valley to Whistler. Large projects like the rapid transit Canada Line, Vancouver Convention Centre Expansion, and Sea to Sky Highway Improvement Project are now well underway, in addition to hundreds of other public and private sector projects. Many more are anticipated to begin in 2007 or 2008.



¹³ Statistics Canada. *Labour Force Survey*.

¹⁴ Tourism BC. Sector Indicators. http://www.tourismbc.com/PDF/TourismIndicators43_FINAL.pdf

¹⁵ Council of Tourism Associations of British Columbia. <http://www.cotabc.com/news/>

¹⁶ Western Economic Diversification Canada and BC Statistics (2005). *Small Business Profile 2005: A Profile of Small Business in British Columbia*. http://www.bcstats.gov.bc.ca/data/bus_stat/busind/sm_bus/SBP2005.pdf

¹⁷ Finlayson, Jock, Business Council of BC. *BC and Lower Mainland Economic Outlook and Trends*. Presented to Vancouver Real Estate Forum April 19, 2006.

¹⁸ *Ibid.*

¹⁹ Statistics Canada *Labour Force Review*.

work indicators

The resource sector (Forestry, fishing, mining, oil and gas) saw gains of almost 2,000 new jobs in 2005, following a downturn in 2004. There net losses in both agriculture and manufacturing last year. This was the second year in a row where manufacturing lost jobs in the MSWDR. This comes as a result of a stronger Canadian dollar and growing competition in commodity products from cheaper offshore suppliers. As China overtakes Canada as the top exporter of non-energy products to the US market, BC commodity producers are seeing their market share shrink, and are eliminating jobs accordingly.²⁰

Table 4: Employment in the Mainland/Southwest Development Region, 2000-2005²¹

	2000	2001	2002	2003	2004	2005	Job Creation (000)	
							5-Year 2000-05	1-Year 2004-05
TOTAL EMPLOYMENT (000)	1,164.6	1,175.0	1,216.7	1,251.4	1,275.3	1307.3	142.7	32.0
Goods-Producing Sector (000)	218.3	212.3	218.5	232.2	243.1	251.2	32.9	8.1
Agriculture	15.6	13.6	16.7	17.5	20.0	19.3	3.7	-0.7
Forestry, fishing, mining, oil and gas	8.4	7.8	5.7	8.8	6.5	8.4	0.0	1.9
Utilities	5.5	6.1	5.7	7.3	5.4	5.9	0.4	0.5
Construction	62.6	63.4	70.4	69.2	84.6	95.8	33.2	11.2
Manufacturing	126.3	121.4	120.0	129.3	126.7	121.8	-4.5	-4.9
Services-Producing Sector (000)	946.2	962.7	998.2	1,019.3	1,032.1	1056.2	110.0	24.1
Trade	175.9	186.2	196.2	205.4	194.5	205.8	29.9	11.3
Transportation & warehousing	78.4	74.2	77.7	79.7	74.8	78.9	0.5	4.1
Finance, insurance, real estate & leasing	83.6	84.3	88.3	89.4	93.7	87.5	3.9	-6.2
Professional, scientific & technical services	97.0	102.0	102.2	105.0	111.0	118.6	21.6	7.6
Business, building & other support services	44.2	46.5	45.2	50.7	50.7	61.5	17.3	10.8
Educational services	79.7	81.8	86.1	87.3	88.7	97.1	17.4	8.4
Health care & social assistance	116.6	110.1	124.6	120.1	127.5	124.2	7.6	-3.3
Information, culture & recreation	70.3	72.5	76.8	75.9	76.7	76.3	6.0	-0.4
Accommodation & food services	88.6	98.2	92.5	93.9	102.0	97.7	9.1	-4.3
Other services	61.3	59.5	59.9	56.4	57.4	56.8	-4.5	-0.6
Public administration	50.7	47.4	48.7	55.6	55.0	51.9	1.2	-3.1

Source: Statistics Canada, *Labour Force Survey Historical Review*.



²⁰ Scotiabank Group (December 2005). *Global Outlook*. http://www.scotiacapital.com/English/bns_econ/bnsglobe.pdf

²¹ Industries with 0.0 are estimated to have less than 1,500 employed at that particular point in time, thus the numbers presented in the table may not add up to total sector figures.

work indicators

unemployment rate

Strong economic activity created new opportunities for unemployed workers in 2005, and the unemployment rate in the MSWDR dropped to 5.7%, the region's lowest rate since 2000. This was also the third lowest rate in British Columbia, and slightly below the provincial average of 5.9%.

Table 5: Unemployment Rate in the Mainland/ Southwest Development Region, 2000 to 2005

	2000	2001	2002	2003	2004	2005	Percentage Point (ppt) Change	
							5-Year 2000-05	1-Year 2004-05
Mainland/Southwest DR	6.1	6.7	7.7	7.3	6.7	5.7	-1.4%	-1.0%
British Columbia	7.1	7.7	8.5	8.0	7.2	5.9	-1.2%	-1.3%

Source: BC Statistics

invest indicators

business and investment activity

Last year was a very positive year for British Columbia, with improvements in a number of economic areas occurring simultaneously – impressive performances in the construction, mining (including energy) and forest products sectors; a recovering high-tech sector; a turnaround in the fiscal position of the British Columbia government; and greater trade with China.²² And despite the strong Canadian dollar, the value of BC exports rose 7% during the first three quarters due to strong global resource demand and prices.²³



²² The Vancouver Sun, *Everything Right for the BC Economy in '05*, December 21, 2005.

²³ Scotiabank Group (December 5, 2005). *Provincial Pulse*. http://www.scotiacapital.com/English/bns_econ/bnsprpr_bc.pdf

invest indicators

For the MSWDR, 2005 marked the second year of buoyant economic growth and investment, including major capital projects and the build-up to the 2010 Winter Olympics. Both the private and public sectors made significant capital investments in the MSWDR, and throughout the province in 2005. The greatest share of private sector investments was in the construction of residential/commercial real estate developments. In the third quarter of 2005, there were 225 residential/commercial projects proposed or underway in the MSWDR.²⁴ This comprised two thirds of all construction projects in the MSWDR. Public services and utilities (including sewage treatment), which are primarily government-funded, accounted for another 50 projects. The transportation and warehousing industry accounted for an addition 27 projects including numerous road, rail and airport improvements – both government and private sector funded – as well as transportation centres such as the Canfor International Distribution Centre.

The BC Major Projects Inventory estimates that, as of the third quarter of 2005, construction had started on \$20 billion worth of projects in the MSWDR, with another \$16.6 billion proposed.²⁵ Projects which began construction in third quarter of 2005 included the Sea-to-Sky highway upgrade (\$626 million), Westwood Village in Coquitlam (\$90 million), and Centrepoint Development in Burnaby (\$130 million). Other major investments in the region not yet under construction but with a very high probability of proceeding in 2006 or later include several Olympic venues, the Olympic Village in False Creek, and the Golden Ears bridge connection between Maple Ridge and Surrey.²⁶

incorporations and bankruptcies

The number of business incorporations in the MSWDR continued to grow for a third year in a row during 2005.²⁷ Between 2004 and 2005, the number of incorporations grew by a dramatic 23.7% to 22,467, marking the largest annual gain over the past five years. Business bankruptcy numbers were also positive, with the number in the MSWDR declining by 21.4% between 2004 and 2005 to 346, the largest single decline in the past five years. Both results underscore the strongly favourable investment climate in the MSWDR and British Columbia in 2005.

Table 6: Business Incorporations and Bankruptcies in the Mainland/ Southwest Development Region, 2000 to 2005

	2000	2001	2002	2003	2004	2005	Percentage Change	
							5-Year 2000-05	1-Year 2004-05
Business Incorporations	15,862	14,416	15,698	16,930	18,167	22,467	41.6%	23.7%
Business Bankruptcies ²⁸	430	527	519	437	440	346	-19.5%	-21.4%

Source: BC Statistics



²⁴ Ministry of Small Business and Economic Development (September 2005). *BC Major Projects Inventory*. http://www.gov.bc.ca/ecdev/download/mpiu_update_sept_05.pdf

²⁵ Ibid.

²⁶ Ibid.

²⁷ BC Statistics.

²⁸ Business bankruptcy data represents the cities of Chilliwack, Abbotsford & Vancouver.

The businesses of the MSWDR benefited directly and indirectly from this economic activity, as well as construction related to the 2010 Olympics, and the province's growing link with Asian markets. For example, the value of BC exports to China rose from 2% to 4% of total provincial exports between 2000 and 2004.²⁹ This meant a greater flow of goods and services through the MSWDR transportation links to and from Asian and other international trading partners.

number of business establishments

The flurry of investment activity during the past two years has created great business opportunities. Table 7 demonstrates that, province-wide, the number of businesses increased by over 55,000 between 2000 and 2005.³⁰ Small businesses (employing less than 50 workers) comprised approximately 99% of this growth.³¹ The most dramatic growth rate, over 38%, occurred among those establishments with no workers (that is, self-employed workers).

Table 7: Number of Business Establishments in Mainland/Southwest Development Region – all sizes, 2000 to 2005

	2000	2001	2002	2003	2004	2005	Percentage Change	
							5-Year 2000-05	1-Year 2004-05
Mainland/Southwest DR	173,213	189,239	189,642	201,315	210,468	210,241	21.4%	-0.1%
British Columbia	289,832	315,738	315,277	332,418	346,316	345,227	19.1%	-0.3%

Source: BC Statistics

The domination of small business growth in the MSWDR matched the provincial trend. Small businesses constituted over 99% of total growth between 2000 and 2005. Of small business growth in the MSWDR, over 85% occurred in establishments with no workers.

In some of BC's major industries, the trend in establishment size suggests a move towards micro-businesses (those that employ less than five workers). Between 1999 and 2004, the high technology industry saw considerable growth in the number of micro-businesses, while the number of establishments in all other employee-size categories fell.³² Growth in micro-business did not offset the employment losses of the larger sized businesses. Most of the high technology job losses occurred in manufacturing, although the dotcom losses of 2001 also continued to play a part in the elimination of high tech jobs. The shift towards smaller businesses was also evidenced in the tourism sector, where the number of tourism businesses with less than 20 employees grew between 1999 and 2004, while the number of businesses with over 20 employees fell significantly.³³

The rate of business formation in the MSWDR outstripped that of the provincial average between 2000 and 2005. The number of business establishments in the MSWDR grew by over 37,000 during this time, or at a rate of 21.4%, the highest in the province. In the past year, however, both the MSWDR and the province witnessed a slight decline in the number of establishments.



²⁹ Ministry of Small Business and Economic Development (September 2005). Op. cit.

³⁰ BC Statistics.

³¹ Ministry of Small Business and Economic Development (September 2005). Op. cit.

³² Ibid.

³³ Ibid.



conclusions

The MSWDR continued its stellar economic and social performance in 2005, and remains a dominant economic force in the province of British Columbia. The MSWDR's continued prosperity is due to a surge in commodity prices and markets, greater consumer spending, and major capital investments on projects related to the Olympics and transportation infrastructure improvement. The population of the MSWDR continues to grow, with the largest absolute gains of all regions in British Columbia in 2005.

After four years of impressive job creation numbers, the MSWDR's unemployment rate continued to decline, as well as its dependency on the social safety net. The region's buoyant investment climate has created thousands of new construction, resource, and service sector jobs over the past two years, and created new business opportunities here and throughout the province. The ongoing growth of small businesses, the province's biggest employer, in the MSWDR is positive for the economic boom in British Columbia. This shift towards small business as the major employer does raise some questions about what it will mean for long term productivity and the nature of the labor force in the future, as workers in small businesses are increasingly required to offer a versatile mix of both technical and communication/soft skills.

There are a few other notable developments in the region over the past year. First, it appears that the regional economy is emerging from a phase of dampened real income growth, raising the expectation for real per capita income improvement in the years to come. Second, with the exception of the Greater Vancouver Regional District, it appears that the high school graduation rate outside Greater Vancouver is lower than the provincial average, particularly for the Squamish-Lillooet Regional District. This persistent trend suggests that young workers outside the Greater Vancouver still have a strong dependency on construction or resource-based jobs for good-paying jobs, to the extent that they will leave school prematurely when the opportunity arises. This underscores the need to change the "boom or bust mentality" of young workers outside Greater Vancouver, and further encourage their participation in post-secondary education or skills training. Another concern is the Fraser Valley's persistently high dependency on income assistance at a time when the regional economy is doing so well.

