



**Mainland/Southwest Development Region**



The Mainland/Southwest Development Region (MSWDR) comprises the Metro Vancouver,<sup>1</sup> Sunshine Coast, Squamish-Lillooet, and Fraser Valley Regional Districts, with a total land area of 36,371 km<sup>2</sup>.

The MSWDR is the population, business, and transportation hub of British Columbia, accounting for almost 60% of the provincial population. Its diverse economy is driven by manufacturing, trade, professional services, and the public sector. The Development Region’s historical links to the forest and resource sectors are still strong, particularly in the Regional Districts outside Metro Vancouver.

Between 2002 and 2007, the number of residents in the MSWDR grew by 8.2% to reach 2.6 million,<sup>2</sup> exceeding the provincial growth rate of 6.4% over the same period. Between 2006 and 2007, the MSWDR’s population grew by 1.3%, on a par with the provincial average, but the slowest rate of increase for the region since 2000.

Metro Vancouver accounted for 87% of the MSWDR’s population in 2007, and realized the strongest population growth rate over the past five years (8.3%). The Fraser Valley and Sunshine Coast almost matched this rate of increase during the same period (at 8.1% and 7.7% respectively), while Squamish-Lillooet lagged behind at 3.1%.



<sup>1</sup> Formerly Greater Vancouver.  
<sup>2</sup> Statistics Canada, *Estimates of Population, by Sex and Age Group: Census Divisions and Census Metropolitan Areas - 2001 Census boundaries*, Annual, CANSIM, Table 051-0036.

Overall, the Mainland/Southwest's economy saw another buoyant year in 2007, despite difficulties in the provincial forest sector and some weakness in exports. Strong demand for minerals and continued brisk construction leading up to the 2010 Olympics both stoked domestic consumer demand and business activity. Retail sales were up every month in 2007. Between 2006 and 2007, 49,500 new jobs were created in the MSWDR, with a surprisingly large share (41%) occurring in the higher-paying goods sector; over 70% of these new jobs were concentrated in Metro Vancouver.<sup>3</sup> BC's housing prices continued to soar, and residential housing starts rose by 5.8% in 2007. The increase was even greater in Metro Vancouver, at 11%.

Despite good economic numbers overall, BC's forest sector continued to struggle in 2007. The appreciation of the Canadian dollar vis-a-vis the US dollar, along with a dramatic decline in US housing starts, took a toll on the exportation and manufacturing of forest products throughout the province.<sup>4</sup> Temporary and permanent mill closures in the MSWDR were announced throughout 2007 and into early 2008, such as the permanent shutdown of Canfor's New Westminster panel mill in January 2008, which put 126 people out of work. Between 2006 and 2007, the downturn in BC's forest sector more than offset revenue gains in other export sectors (such as minerals and value-added manufactured goods, for example), and the value of total exports declined from \$33.5 to \$31.3 billion.<sup>5</sup>

# LIVE Indicators

## Educational Achievement

Educational achievement has a significant effect on labour force productivity and, in the longer-term, purchasing power. Statistics Canada data shows that between 2002 and 2007, the share of the labour force with post-secondary education rose from 60.2% to 64.4% in the Mainland/Southwest Development Region. This exceeded the provincial average, which was 61.7% in 2007. The MSWDR also realized a slightly higher rate of growth in educational attainment over the past five years than BC as a whole (4.2 vs. 3.8 percentage points).

**Table 3-1: Percent of Labour Force Age 25-54 With a Post-Secondary Certificate/Diploma or Higher Mainland/Southwest Development Region, 2002 to 2007**

Region	2002	2003	2004	2005	2006	2007	Percentage Point Change	
							5-Year 2002-07	1-Year 2006-07
Mainland/Southwest DR	60.2%	61.0%	61.9%	63.0%	64.1%	64.4%	+4.2 ppt	+0.3 ppt
<b>British Columbia</b>	<b>57.8%</b>	<b>58.9%</b>	<b>59.3%</b>	<b>59.8%</b>	<b>61.0%</b>	<b>61.7%</b>	<b>+3.9 ppt</b>	<b>+0.7 ppt</b>

Source: Statistics Canada, *Labour Force Survey*, Custom Table

Most of the growth in the Mainland/Southwest's educational attainment has occurred at the university bachelor degree level, while the shares of the other post-secondary categories have remained fairly constant.



<sup>3</sup> Metro Vancouver Regional District statistics, <http://www.gvrd.bc.ca/growth/keyfacts.htm>.  
<sup>4</sup> BC Stats, *Exports by Province, 1998-2007*, 2008.  
<sup>5</sup> BC Stats, *Exports to all Countries by Province of Origin* (preliminary), February 2008.

Specifically, between 2002 and 2007, the proportion of the labour force age 25-54 with a bachelor's degree rose from 18% to 23%. In contrast, the labour force share of those with a post-secondary diploma or certificate<sup>6</sup> stayed at about 33%, while those with degrees higher than a bachelor's degree ranged between 9% and 10%. The remarkable amount of job creation in the Mainland/Southwest in the past five years has opened up many opportunities in both goods and services production for workers with academic credentials.

## Dependency on the Social Safety Net

Up to 2006, several successive years of declining unemployment and strong job growth reduced overall dependence on provincial and federal government transfers in the MSWDR. Better economic conditions generated more employment opportunities for those who were previously unemployed, and attracted others back into the labour force. By September 2006, the share of the MSWDR's adult population dependent on Income Assistance and Employment Insurance was 3%, down from 3.2% in the previous year, and the lowest in BC. But 2007 saw no further change in this indicator, either in the MSWDR, or in BC as a whole, which remained at 3.3%.

**Table 3-2: Basic Income Assistance Recipients & EI Beneficiaries as a Percent of the Population Age 19-64 Mainland/Southwest Development Region, 2005 to 2007<sup>7</sup>**

Region	2005	2006	2007
Fraser Valley	4.6	4.1	4.1
Metro Vancouver	3.1	2.8	2.9
Sunshine Coast	3.3	2.5	2.7
Squamish-Lillooet	4.1	3.2	2.9
<b>Development Region Total</b>	<b>3.2</b>	<b>3.0</b>	<b>3.0</b>
<b>British Columbia</b>	<b>3.7</b>	<b>3.3</b>	<b>3.3</b>

Source: BC Stats

The foregoing shows that in all regions but the Squamish-Lillooet Regional District, social safety net dependency either stabilized or increased in the MSWDR between 2006 and 2007. The Fraser Valley Regional District continued to have the highest dependency in the MSWDR, and was also higher than the provincial average. In 2007, 4.1% of the population age 19-64 in the Fraser Valley was on income assistance. This almost matched social safety net dependence of the Nechako Development Region (4.5%). The highest rates of dependency were in the North Coast (6.7%) and the Cariboo (5.1%) Development Regions.

## Air Quality

Air quality is an internationally accepted indicator of environmental conditions. In June 2000, the federal, provincial, and territorial governments (the exception being Quebec) agreed on Canada-wide standards (CWS) for particulate matter and ozone, with the objective of reducing levels of both by 2010.<sup>8</sup>



<sup>6</sup> Includes college and vocational accreditation.

<sup>7</sup> These figures include only a subset of those receiving Income Assistance. INCLUDED are those on Temporary Assistance. EXCLUDED are those on Continuous Assistance (disabled or with persistent multiple barriers to employment), Children in the Home of a Relative, OAS/Seniors, and aboriginal people living on reserve.

<sup>8</sup> Canadian Council of Ministers of the Environment, [http://www.ccme.ca/ourwork/air.html?category\\_id=99](http://www.ccme.ca/ourwork/air.html?category_id=99).

**Ozone** is a colourless gas generated when sunlight heats air pollutants (generally in an urban setting) on hot summer days.<sup>9</sup> Periods of high ground-level ozone occur when a stagnant air mass traps pollutants over a region. **Particulate matter (PM)** is an element of smog. These particles, which are inhaled by humans, are classified as either PM2.5 or PM10. The former (less than 2.5 micrometers in size) can cause breathing and respiratory problems and lung damage. A large proportion of PM2.5 is formed in the atmosphere from pollutants generated by motor vehicles, power plants, and large industries, as well as industrial processes and solvent use. Data for ozone and PM are collected and reported on a community basis.

Historical data shows that average levels of ozone in the Lower Fraser Valley are higher than they were in the 1980s, although peak concentrations are generally lower.<sup>10</sup> Average ozone levels are higher in Chilliwack than in Vancouver, and the average number of ozone exceedences above the maximum desirable level has been increasing in both communities since 2002. To put it in a broader context, however, the Fraser Valley ranks well against the rest of Canada, where the lowest average ozone level in 2006 was 38 (Prince Albert, Saskatchewan), and the highest was 86 (Port Stanley, Ontario).

**Table 3-3 Annual 4th Highest Daily Max Ozone Level (ppb), Mainland/Southwest Development Region 2002 to 2006**

								Percentage Change	
Air Quality Indicator		2002	2003	2004	2005	2006	4-Year 2002-06	1-Year 2005-06	
Vancouver	<b>Ozone - Annual 4th Highest Daily 8-Hour Max (ppb)</b>	<b>43</b>	<b>48</b>	<b>50</b>	<b>46</b>	<b>48</b>	<b>+11.6%</b>	<b>+4.3%</b>	
	Ozone - # of Exceedences of Max Desirable Level (51 ppb)	9	16	27	14	25	<b>+177.8%</b>	<b>+78.6%</b>	
	98th Percentile PM2.5 concentration (Qg/m3)	-	-	11	11	11	-	<b>0.0%</b>	
	Annual Mean PM10 Concentration (Qg/m3)	14	n/a	13	13	12	<b>-14.3%</b>	<b>-7.7%</b>	
Chilliwack/Abbotsford	<b>Ozone - Annual 4th Highest Daily 8-Hour Max (ppb)</b>	<b>62</b>	<b>62</b>	<b>68</b>	<b>60</b>	<b>66</b>	<b>+6.5%</b>	<b>+10.0%</b>	
	Ozone - # of Exceedences of Max Desirable Level (51 ppb)	86	129	141	58	122	<b>+41.9%</b>	<b>+110.3%</b>	
	98th Percentile PM2.5 concentration (Qg/m3) <sup>11</sup>	-	-	-	14	12	-	<b>-14.3%</b>	
	Annual Mean PM10 Concentration (Qg/m3)	14	14	14	15	13	<b>-7.1%</b>	<b>-13.3%</b>	

Source: Environment Canada, NAPS Data and Publications Unit



<sup>9</sup> Nitrogenoxides (NOx) and volatile organic compounds (VOC) react with each other to produce this ground-level ozone.  
<sup>10</sup> Metro Vancouver, *Lower Fraser Valley Air Quality Report 2006*, [http://www.gvrd.bc.ca/air/pdfs/AirQualityReport\\_2006.pdf](http://www.gvrd.bc.ca/air/pdfs/AirQualityReport_2006.pdf).  
<sup>11</sup> Measures taken in Abbotsford (no 2006 data available for Chilliwack).

Ranked against other regions in Canada, the Mainland/Southwest compares very well. In 2006, both Vancouver and Abbotsford enjoyed some of the lowest average concentrations of particulate matter in Canada. In addition, air quality objectives were satisfied throughout most of 2006, although some spikes in ozone and particulate matter did occur.<sup>12</sup>

## Pre-Tax Income

This analysis uses real pre-tax income per taxfiler (real income) as a metric for comparing purchasing power between the Development Regions.<sup>13</sup> While the most recent regional income data is only available to 2005, it does illustrate how income levels have changed in the Development Regions in the past, and how they compare to one another. By looking at existing economic conditions, we can make an educated guess about how real income has changed since 2005.

Between 2002 and 2005, real income in the Mainland/Southwest rose by 6.9%, reaching an average of \$34,304 per taxfiler (all income expressed in real 2002 dollars). This growth rate was on a par with that of the province as a whole. Over the same time period, the biggest gains in real income within the MSWDR occurred in the Sunshine Coast (8.2%) and Metro Vancouver (7.1%) Regional Districts.

By 2005, average real income per taxfiler in the MSWDR was as follows<sup>14</sup>:

- Metro Vancouver Regional District—\$34,955
- Sunshine Coast Regional District—\$31,887
- Squamish-Lillooet Regional District—\$31,222
- Fraser Valley Regional District—\$29,266

When comparing the Development Regions, the Northeast Development Region led the rest of the province in terms of real income growth at 15.6% between 2002 and 2005 (reaching \$38,368 per taxfiler). The Thompson-Okanagan Development Region ranked second with a growth rate of 8.3% over the same period. The MSWDR and the Cariboo tied for fourth place with an income growth rate of 6.9%, while the North Coast again trailed all other Development Regions with a growth rate of only 0.5%.

**Table 3-4: Real Pre-Tax Income per Taxfiler (2002\$), Mainland/Southwest Development Region 2002 to 2005**

Region	2002	2003	2004	2005	Percentage Change	
					3-Year 2002-05	1-Year 2004-05
Mainland/Southwest DR	\$32,104	\$32,217	\$33,164	\$34,304	+6.9%	+3.4%
<b>British Columbia</b>	<b>\$31,292</b>	<b>\$31,400</b>	<b>\$32,323</b>	<b>\$33,430</b>	<b>+6.8%</b>	<b>+3.4%</b>

Source: BC Stats, *British Columbia Neighbourhood Income Demographics*



<sup>12</sup> Op. cit., *Metro Vancouver, Lower Fraser Valley Air Quality Report, 2006*  
<sup>13</sup> Pre-tax income is deflated by the Consumer Price Index, with a base year of 2002. In previous editions, we have used real income per capita an indicator; however, the recent release of census population figures has shown that, in some cases, population estimates made by statistical agencies between census years significantly diverge from census counts. Therefore, we have used the number of taxfilers as the denominator in this edition of the report, as it is more accurate. Data source: BC Stats, *British Columbia Neighbourhood Income Demographics*. See the glossary at the end of this report for definitions of “pre-tax income” and “taxfiler.”  
<sup>14</sup> Base year is 2002.

All of the MSWDR's Regional Districts saw significant gains in the rate of *nominal* pre-tax income per taxfiler between 2002 and 2005,<sup>15</sup> which means that income growth outstripped population growth. These are very encouraging results. The past four years marked a steady improvement in the BC economy, as output and employment in the goods-manufacturing sectors rose, particularly in the fields of construction and manufacturing. This was also a time of declining unemployment rates and less reliance on government income transfers, as more economic activity absorbed unemployed workers.

The underlying factors that stimulated real income growth in the Mainland/Southwest Development Region between 2002 and 2005 have remained on the same trajectory. There have been further declines in the unemployment rate since 2005 and a corresponding rise in job creation, as well as declining dependence on transfer payments. With such a tight labour market, compensation has been rising in the past few years. A national survey of employers in January 2007 determined that 91% of respondents were increasing salaries and benefits to retain employees.<sup>16</sup> These developments have no doubt sustained real income gains in all the Development Regions of BC since 2005, conferring greater purchasing power on many residents. The net effect has likely been to further real income gains in the Mainland/Southwest Development Region.

## WORK Indicators

### Job Creation

The Mainland/Southwest Development Region enjoyed another year of outstanding job creation in 2007. Between 2006 and 2007, the economy of the MSWDR created 49,500 new jobs, 60% of which were in the service sector. The rate of overall job creation in the MSWDR was more rapid than in the previous year—a 3.7% increase compared with 2.7% in 2005-2006. Approximately 70% of these employment gains accrued in Metro Vancouver.<sup>17</sup>

In last year's report it was noted that 90% of employment gains in the MSWDR occurred in the service sector. In 2006-2007, the share of service sector gains declined to 60%, as new jobs in the construction and manufacturing sectors dominated the labour market.<sup>18</sup>

The MSWDR's **service sector** spans many occupations and accounted for 1.1 million jobs in 2007. Between 2002 and 2007, 119,300 new service sector jobs were created, with 29,200 of these jobs generated in the last year alone. The following sectors saw the greatest gains in 2007:

- Transportation & warehousing (8,300 jobs): fuelled by the MSWDR's growing importance in the global transportation and trade network.
- Information, culture & recreation (6,500 jobs): this growth occurred primarily in the performing arts, spectator sports, and in amusement, gambling, and recreation. Good snow conditions also stimulated additional hiring in ski-related businesses.
- Accommodation & food services (3,900 jobs): directly related to growing domestic and international tourism and the extra spending power arising from favourable economic conditions.
- Trade (5,500 jobs): heated up with the rise of consumer demand.



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<sup>15</sup> Income not allowing for inflationary effects.  
<sup>16</sup> Western Compensation and Benefits Consultants (January 2007). *Employee Attraction and Retention*, E-Pulse Survey Results.  
<sup>17</sup> Statistics Canada, *Labour Force Survey*, prepared by BC Stats (January 14, 2008).  
<sup>18</sup> Statistics Canada, *Labour Force Survey*.

Growth was positive but less dramatic in most other sectors, with the exception of educational services and “other services,”<sup>19</sup> both of which experienced declines in 2007. While the decline in teaching jobs resulted from a decrease in school enrolment, the loss of other services (automotive and other trade-related occupations, for example) could be related to the tightening of the labour supply, which in turn, was caused by the rate of retirement and a slowdown in self-employment.<sup>20</sup>

**Table 3-5: Employment, Mainland/Southwest Development Region, 2002-2007<sup>21</sup>**

	2002	2003	2004	2005	2006	2007	Job Creation (000)	
							5-Year 2002-07	1-Year 2006-07
<b>TOTAL EMPLOYMENT (000)</b>	<b>1,216.7</b>	<b>1,251.4</b>	<b>1,275.3</b>	<b>1,307.3</b>	<b>1,342.7</b>	<b>1,392.2</b>	<b>175.5</b>	<b>49.5</b>
<b>Goods-Producing Sector (000)</b>	<b>218.5</b>	<b>232.2</b>	<b>243.1</b>	<b>251.2</b>	<b>254.4</b>	<b>274.7</b>	<b>56.2</b>	<b>20.3</b>
Agriculture	16.7	17.5	20.0	19.3	17.1	15.8	-0.9	-1.3
Forestry, fishing, mining, oil and gas	5.7	8.8	6.5	8.4	10.4	10.7	5.0	0.3
Utilities	5.7	7.3	5.4	5.9	4.4	6.1	0.4	1.7
Construction	70.4	69.2	84.6	95.8	101.7	114.1	43.7	12.4
Manufacturing	120.0	129.3	126.7	121.8	120.7	128.1	8.1	7.4
<b>Services-Producing Sector (000)</b>	<b>998.2</b>	<b>1,019.3</b>	<b>1,032.1</b>	<b>1,056.2</b>	<b>1,088.3</b>	<b>1,117.5</b>	<b>119.3</b>	<b>29.2</b>
Trade	196.2	205.4	194.5	205.8	212.9	218.4	22.2	5.5
Transportation & warehousing	77.7	79.7	74.8	78.9	77.4	85.7	8.0	8.3
Finance, insurance, real estate & leasing	88.3	89.4	93.7	87.5	95.4	98.3	10.0	2.9
Professional, scientific & technical services	102.2	105.0	111.0	118.6	119.9	122.0	19.8	2.1
Business, building & other support services	45.2	50.7	50.7	61.5	62.7	65.1	19.9	2.4
Educational services	86.1	87.3	88.7	97.1	103.2	100.1	14.0	-3.1
Health care & social assistance	124.6	120.1	127.5	124.2	130.5	132.6	8.0	2.1
Information, culture & recreation	76.8	75.9	76.7	76.3	77.5	84.0	7.2	6.5
Accommodation & food services	92.5	93.9	102.0	97.7	98.9	102.8	10.3	3.9
Other services	59.9	56.4	57.4	56.8	59.4	54.9	-5.0	-4.5
Public administration	48.7	55.6	55.0	51.9	50.5	53.6	4.9	3.1

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

The MSWDR’s **goods sector** was the labour market star in 2007, with its best annual employment growth rate in at least a decade (8%). Between 2002 and 2007, 56,200 new jobs were created in the goods-producing industries, with 20,300 of these in the past year alone. Bucking the trend of previous years, the goods sector claimed a much larger share of total job creation (40%, compared with less than 10% in 2006).



<sup>19</sup> “Other services” include a diverse range of occupations such as hairstyling, childcare, and automotive mechanics.

<sup>20</sup> Statistics Canada, “Employment and unemployment indicators, Canada” (seasonally adjusted), *Labour Force Information* (January 13 to 19, 2008).

<sup>21</sup> Industries with 0.0 are estimated to have fewer 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.

The construction industry was the uncontested leader, with 12,400 new jobs created in 2006-2007. This comes as no surprise in view of the ongoing spate of residential, commercial, and industrial construction underway in the Mainland/Southwest. Major public infrastructure projects and private sector construction continued unabated in 2007 due to the 2010 Olympics and the strong conditions in the housing, industrial, and tourism markets.

Employment in the MSWDR manufacturing industries also grew substantially, with 7,400 new jobs in 2007. Provincewide, manufacturing shipments declined in 2007 by 3.3%, particularly in durables and wood products, but non-durables posted a modest gain of 1.1%. Employment in the manufacture of non-durable consumer goods rose in 2007 in the Mainland/Southwest, driven by rising incomes and domestic and foreign consumer demand. In Metro Vancouver, the number of workers and labourers in occupations unique to processing, manufacturing, and utilities rose by 3,100—accounting for 40% of the manufacturing jobs created in the MSWDR.<sup>22</sup>

The utilities sector posted the third-highest job gain, with 1,700 new workers in 2007. The need to expand capacity and create alternative power generation sources made 2007 a year of major investment for utility companies (electric power, natural gas distribution, water and sewage, and other systems) across Canada and in BC.<sup>23</sup> Employment gains in the resource sector were negligible in 2007, while the MSWDR saw a decline in agriculture-related employment.

## Unemployment Rate

The year 2007 marked the fifth consecutive year in which the unemployment rate in BC and in the MSWDR declined. The unemployment rate in the MSWDR reached 4% in 2007, its lowest level in over three decades. But the rate of decline in unemployment is slowing (-0.4 percentage points in 2007 compared with -1 and -1.3 percentage points in 2005 and 2006 respectively), and it may be approaching a stable level.

**Table 3-6: Unemployment Rate, Mainland/ Southwest Development Region, 2002 to 2007**

Region	2002	2003	2004	2005	2006	2007	Percentage Point (ppt) Change	
							5-Year 2002-07	1-Year 2006-07
Mainland/Southwest DR	7.7%	7.3%	6.7%	5.7%	4.4%	4.0%	-3.7 ppt	-0.4 ppt
<b>British Columbia</b>	<b>8.5%</b>	<b>8.0%</b>	<b>7.2%</b>	<b>5.9%</b>	<b>4.8%</b>	<b>4.2%</b>	<b>-4.3 ppt</b>	<b>-0.6 ppt</b>

Source: Statistics Canada

Given BC's tight labour market in the past few years, dwindling unemployment rates come as no surprise. Employers in many sectors are hard-pressed to fill positions for both skilled and unskilled workers at a time when their businesses are growing and an increasing number of workers are approaching retirement age. The decline in the overall unemployment rate in 2007 was dampened by layoffs in the forest sector, but the growth in the number of new jobs in the provincial economy, along with increased job demand caused by rising labour force participation, outstripped these job losses.

<sup>22</sup> Metro Vancouver website, *Metro Vancouver Employment by Occupations 1997-2007*.

<sup>23</sup> Statistics Canada. *The Daily*, Wednesday, February 28, 2007.



BC's labour force participation rate rose steadily between 2001 and 2007, from 64% to 66.3%, respectively.<sup>24</sup> In Metro Vancouver, labour force participation has been at least 67% since 2002, except for a slight dip in 2006.<sup>25</sup> One important force driving this rise in participation rates is older workers (aged 55 to 64). Canada-wide, participation for this age group rose from 53% in 1976 to 59% in 2006, reflecting greater labour market attachment than in the past, as well as rising education levels (especially among women) and/or personal/financial circumstances that make it necessary to continue working.<sup>26</sup> This changing demographic will help offset labour shortages in the years to come, thereby slowing further declines in the unemployment rate.

What is happening with young workers? Table 3-7 shows that the unemployment rate for workers age 19 to 24 in the MSWDR actually *increased* between 2006 and 2007 after two years of significant decline. The unemployment rate for youth in the MSWDR continues to be significantly higher than it is for the general population (5.9% vs. 4% respectively in 2007). While older workers are benefiting from labour market shortages, there is still a gap between employer requirements and the skills offered by many young workers.

**Table 3-7: Youth (19 to 24 years) Unemployment Rate, Mainland/ Southwest Development Region 2002 to 2007**

Region	2002	2003	2004	2005	2006	2007	Percentage Point (ppt) Change	
							5-Year 2002-07	1-Year 2006-07
Mainland/Southwest DR	10.3%	9.4%	10.0%	8.4%	5.3%	5.9%	-4.4 ppt	+0.6 ppt
<b>British Columbia</b>	<b>12.2%</b>	<b>11.4%</b>	<b>10.5%</b>	<b>8.5%</b>	<b>6.4%</b>	<b>6.0%</b>	<b>-6.2 ppt</b>	<b>-0.4 ppt</b>

Source: Statistics Canada, *Labour Force Survey*, Custom Table

## INVEST Indicators

### Business and Investment Activity

2007 showed some early signs of an economic slowdown, with reduced manufacturing shipments and exports. However, investment in BC and the MSWDR increased for the fourth year in a row. Major investments in public infrastructure relating to the Olympic Games (the Sea-to-Sky highway upgrade, Canada Line Rapid Transit Project, Golden Ears Bridge, and Whistler/Callaghan Valley Olympic Village) continued, but this was eclipsed by the magnitude of private sector investment in residential, commercial, and industrial projects.

In the last quarter of December 2007, at least 330 of 391 major projects either proposed or underway in the MSWDR were private sector projects<sup>27</sup>; of these, 257 were residential/commercial. By comparison, only 33 were public service projects. Altogether, total estimated capital costs in the MSWDR as of December 2007 were \$53.1 billion.<sup>28</sup>



<sup>24</sup> Statistics Canada, *Labour Force Survey*.

<sup>25</sup> Metro Vancouver, *Labour Force & Employment Activity, Annual Average 1987-2007*.

<sup>26</sup> Statistics Canada, "Participation of Older Workers," *Perspectives on Labour and Income*, Vol. 8, No. 8, August 2007.

<sup>27</sup> BC Ministry of Economic Development, *BC Major Projects Inventory*, December 2007. Definition of private sector excludes utilities and public services.

<sup>28</sup> Ibid.

While many major projects (primarily residential/commercial) were completed from October to December 2007, an impressive array of new projects, valued at approximately \$2.6 billion, *started construction* in the MSWDR during that same period. These included: the Quattro residential development in Surrey (\$600 million); the Main Street residential development (\$1 billion); Morgan Crossing Residential Village in White Rock (\$250 million); and the Vancouver Aquarium expansion and revitalization (\$80 million). Other, smaller projects included recreation and health-care facilities, a small water power project, and several residential/commercial projects.

Estimated capital costs for new projects *proposed* between October and December 2007 totalled \$950 million. These include: the proposed Vancouver Art Gallery upgrade (\$300 million); the Lions Gate sewage treatment plant (\$200 million); and a spate of residential/commercial and transportation projects. This estimate does not include the proposed SkyTrain extension to UBC (no information on capital costs available), or the recently proposed new roof for BC Place stadium.

To sum up, the MSWDR enjoyed a positive investment climate and another year of significant capital inflow in 2007. Attractive financing opportunities and Western Canada's dynamic economy continued to draw more investment dollars, while residential housing demand was supported by high employment rates and growing disposable incomes. The economic developments in the US during the past year, which included a rise in the mortgage rate and a dramatic decline in housing starts, seemed to have little effect on investment activity in the MSWDR, although it remains to be seen if this will continue to be the case in 2008.

## Incorporations and Bankruptcies

Business incorporations showed positive but slower growth in 2007. Between 2006 and 2007, the number of incorporations rose to reach 24,538. To put this in perspective, the MSWDR has not seen this number of annual incorporations since 1994. Nevertheless, it was the slowest rate of increase since the year 2000, and significantly slower than each of the previous two years (23.7% in 2005, and 7.3% in 2006). It appears that incorporations in the MSWDR have reached a plateau as the investment boom of the past few years matures.

Business bankruptcies for 2007 showed an improvement over the previous year. The total number of bankruptcies in the MSWDR declined by 15.9% between 2006 and 2007 to reach 222, the lowest level in at least a decade.

**Table 3-8: Business Incorporations and Bankruptcies, Mainland/Southwest Development Region 2002 to 2007**

	2002	2003	2004	2005	2006	2007	Percentage Change	
							5-Year 2002-07	1-Year 2006-07
Business Incorporations	15,698	16,930	18,167	22,467	24,114	24,538	+56.3%	+1.8%
Business Bankruptcies <sup>29</sup>	519	437	440	346	264	222	-57.2%	-15.9%

Source: Incorporations - BC Stats; Bankruptcies - BC Stats and Strategies



The steadily rising trend in incorporations signifies strong investor and entrepreneurial confidence, inspired by the MSWDR's outstanding economic growth during the last five years. Investor confidence is also linked to the region's growing population and diversity of products and markets, as well as the myriad of opportunities arising from technological innovation and adoption. But bankruptcies are the acid test of success potential, and the results for 2007 show us that there was every reason to be optimistic as fewer businesses failed than in any of the previous five years.

## Number of Business Establishments

The year 2007 marked the second year of growth in the number of business establishments in the Mainland/Southwest Development Region, with the total number of establishments rising 3% to reach 281,888. This slightly exceeded the provincial growth rate of 2.5%. Since 2002, the total number of business establishments has risen 15.4%.

**Table 3-9: Number of Business Establishments – all sizes, Mainland Southwest Development Region 2002 to 2007**

Region	2002	2003	2004	2005	2006	2007	Percentage Change	
							5-Year 2002-07	1-Year 2006-07
Mainland Southwest DR	189,642	201,315	210,468	210,241	212,470	218,888	+15.4%	+3.0%
<b>British Columbia</b>	<b>315,277</b>	<b>332,418</b>	<b>346,316</b>	<b>345,227</b>	<b>350,444</b>	<b>359,314</b>	<b>+14.0%</b>	<b>+2.5%</b>

Source: BC Stats and Statistics Canada (2005, 2006, and 2007)

The overall numbers look good, but the story is not so rosy for larger companies. Small companies with fewer than 20 employees accounted for all of the growth in the number of establishments between 2006 and 2007, while the number of large establishments declined. Specifically, the number of establishments with 20 to 49 workers declined by 13%, while the number of establishments with 50+ workers declined by 16%. This was a dramatic reversal of the previous five-year trend, when the number of small *and* large establishments grew. A significant share of the decline in large establishments occurred in the forest product industry, which saw considerable rationalization in 2007. Reduced shipments in the food, chemical, and computer & electronic industries<sup>30</sup> may have also contributed to the loss of major producers in the Mainland/Southwest Development Region.

## Conclusions

2007 marked the sixth year in a row of robust economic and employment growth in British Columbia and the Mainland/Southwest Development Region. The fallout from the sub-prime mortgage debacle and subsequent downturn in US housing starts hurt the forest product industry and provincial export levels in 2007, but superb conditions elsewhere in the economy have helped BC withstand this downturn—at least for now. Our indicators show that the MSWDR continued to be a good place to live in 2007, with significant one and five-year gains in real disposable income and educational attainment.



However, while dependency on the social safety net declined significantly over the past three years, it levelled off in 2007. And while the MSWDR boasts lower ozone levels today than in the 1990s, the number of ozone exceedances measured during the course of one year actually rose in 2007.

As in 2006, the MSWDR's work and invest indicators all showed solid results in 2007. Job creation saw strong, positive one and five-year growth rates (with over 175,000 new jobs generated since 2002), while the unemployment rate sank to a 30-year low. The number of business incorporations rose dramatically over the past five years, though the rate of growth slowed in 2007, signifying some investor/entrepreneurial wariness as exports slowed and a US recession began to loom. Nevertheless, the number of business bankruptcies declined significantly for the third year in a row, signalling continued strength in consumer and business demand. Again, however, even though the number of business establishments grew in 2007, all of this growth took place in small companies with fewer than 20 workers; the number of larger companies (ones with 20 workers plus) declined, reflecting closures in the forest products industry and in other sectors where manufacturing has declined.

## Glossary of Definitions

- **Business establishments:** Production entity or group of entities that produces goods or services, does not cross provincial boundaries, and provides data on value of output and input costs to the government.
- **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).
- **Job creation:** Change in number of employed individuals between two given years.
- **Pre-tax income:** Comprised of labour force income (employment income, wages and salaries, income from self-employment, and employment insurance benefits), pension income, old age security, CPP/QPP, superannuation, family allowance income, interest and other investment income, limited partnership income, rental income, other income (such as alimony and 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: veterans' disability and dependent pensioners' payments, war veterans' allowances, lottery winnings, and capital gains.
- **Social safety net:** Transfers to unemployed individuals and families from the federal and provincial governments under the auspices of the Income Assistance and Employment Insurance programs.
- **Taxfilers:** Those individuals who have filed a tax return for the reference year, and were alive at the end of the year. Non-filing spouses and non-filing children are not included.
- **Unemployment rate:** Share of employable labour force looking for work but unable to find it.