



Mainland/Southwest Development Region



The Mainland/Southwest Development Region (MSWDR) is the most heavily-populated region of BC, with 2.8 million residents in 2011, or 61% of the province's total population. Geographically, it spans approximately 36,305 km², extending from Lillooet at its northern extremity to the US border, and from the Sunshine Coast to its western border near Hope. Within the MSWDR, the geographic region of Metro Vancouver (formerly the GVRD)—a partnership of 22 municipalities, one electoral area and one treaty First Nation—accounts for 2.3 million of the region's population.

The MSWDR generally records the strongest annual population growth rate, however, last year proved an exception to this pattern. In 2011, the region's population growth rate of 1.3% ranked second after the Northeast Development Region (1.6%), where a resource boom attracted many new residents. Net international in-migration accounted for 85% of the MSWDR's almost 35,000 new residents, with a large proportion of new residents originating from Asian countries. In Greater Vancouver, one person in four cites a first language other than English or French,¹ and as of the 2006 Canadian census, the non-official languages were dominated by Cantonese, Mandarin, Punjabi, Korean, Tagalog, and Persian.²

The various municipalities of the MSWDR all shared in BC's improved fortunes in 2011. Exports grew and both the goods and services sectors saw modest but positive gains, good news for the region that serves as the province's economic and transportation hub. Lumber exports continued to recover in 2011, however coal outstripped lumber as BC's top export for the first time. Electricity and other energy exports also climbed, although the value of natural gas exports declined due

¹ Statistics Canada, 2006 Census. Results from 2011 Census are not available until late 2012.
² Ibid.

to lackluster prices. While the US market recovered somewhat in 2011, most of BC's export growth occurred in the Pacific Rim countries. Between 2008 and 2011, the Pacific Rim's share of BC's exports grew from 32% to 43%, while the US share declined from 56% to 43% during this same time period.

In Vancouver, the mature goods and services industries were bolstered by rapid growth in the high technology and knowledge-based sectors, as new inroads were made in green technology, digital and film technology, life sciences, and biotech. Vancouver's diverse urban economy, combined with its strong connections to the Asia Pacific economies continued to fuel the inflow of capital investment and new workers in 2011.

Technological dissemination is widespread throughout the MSWDR, particularly as more businesses recognize the potential of new domestic and international markets, and position themselves to take advantage of new opportunities. For example, Richmond has seen the development of a cluster of high technology firms, while lower land costs and superior transportation access to Canadian and US markets have attracted technology firms to the Fraser Valley. In Maple Ridge, Canada's first electric vehicle is in development, and the aerospace/aeronautic industry continues to grow in Abbotsford and Chilliwack. At the same time these remain two of Canada's most productive agricultural regions. North Vancouver's moribund shipbuilding industry was given a new lease on life in late 2011, when Seaspan Marine Corp. was awarded an \$8 billion federal government contract to construct non-combat vessels, although the economic impacts of this project are unlikely to be felt until 2013.

In 2011, tourism generated new jobs throughout the Region This industry continues to be a mainstay for Whistler, and is a significant source of income for communities such as the Sunshine Coast and Squamish. A faltering US economy and concerns about world financial markets slowed domestic consumer demand last year, but did not reverse its positive direction in the MSWDR. Retail, a particularly important industry in municipalities such as Richmond, Surrey and Burnaby, saw its second year of growth.

WORK Indicators

Job Creation

2011 marked the second year of overall positive employment growth since the recession of 2009, and was the biggest one-year gain since 2007. Between 2010 and 2011, there were 30,700 new jobs created in the MSWDR, bringing total regional employment to 1.419 million. What was unusual about 2011 was the fact that the largest gains occurred in the goods producing sector, rather than in the historically dominant service sector. This was a labour market shift not witnessed in this region for several years. Between 2010 and 2011, approximately 17,900 new goods-producing jobs were created in the MSWDR, compared to a gain of 12,700 jobs in the services sector.

Total employment in the MSWDR's goods-producing sector grew to 260,300 in 2011, a 7.4% increase over the previous year. The majority of this increase occurred in the construction industry, where after two years of significant losses, 17,500 jobs were regained. Employment in the region's construction industry is once again at approximately the same level as it was in 2008, prior to the economic downturn.



Employment in the MSWDR's natural resource sector (forestry, fishery, mining and oil and gas) also grew, with 3,300 new jobs created in 2011. Most of these were in mining, and oil and gas production. Employment gains in the manufacturing sector were negligible. The region's agriculture and utilities sectors did not thrive in 2011, with a total loss of 3,800 jobs. These results, combined with those from previous years, highlight the importance of the construction sector in the MSWDR's labour market and economy.

Total employment in the Mainland/Southwest's services-producing sector grew to 1.16 million in 2011, a modest 1.1% increase over the previous year. The largest one-year employment gains were in accommodation and food services (10,300 jobs); professional, scientific and technical services (6,800); fire, insurance and real estate (3,500); and transportation and warehousing (3,000). The increase in accommodation and food services is significant in light of the industry's stagnant growth rate during the previous three years. Overall, approximately three quarters of this gain was due to the success of the region's eating and drinking establishments. Within professional, scientific and technical services, most of the gains were in "other professional services," a sub-category that captures most of the newly emerging knowledge and technology-based industries, excludes legal, architectural, engineering, computer design, and management/scientific services.

After two years of positive growth, employment in the trade sector fell off in 2011 (a loss of 4,800 jobs), with retail accounting for the majority of these losses. Fiscal restraint led to a decline in employment in social assistance and health care, with a loss of 5,500 jobs in social services being partially offset by a 2,500 gain in ambulatory health care services. Other services saw a decline of 3,600 jobs.

When ranking the various Development Regions of BC in 2011, the MSWDR's overall job creation rate of 2.2% was third place behind the Nechako (7.2%) and the Kootenays (3.9%). The Vancouver Island/Coast Development Region ranked last, with a 4.4% decline in employment.

In the first quarter of 2012, total employment in the MSWDR declined, reaching 1.41 million by mid-March. Most of the jobs lost during the first quarter were full-time, while there was a slight increase in part-time positions.



Table 1-1: Employment, Mainland/Southwest Development Region, 2006 to 2011³

							Job Creation (000)	
	2006	2007	2008	2009	2010	2011	5-Year 2006-11	1-Year 2010-11
TOTAL EMPLOYMENT (000)	1,306.2	1,357.6	1,382.9	1,369.2	1,388.4	1,419.1	112.9	30.7
Goods-Producing Sector (000)	247.9	266.6	277.1	242.7	242.4	260.3	12.4	17.9
Agriculture	17.3	15.6	16.8	14.9	15.0	12.9	-4.4	-2.1
Forestry, fishing, mining, oil and gas	10.2	10.5	6.6	7.8	7.6	10.9	0.7	3.3
Utilities	4.2	5.6	9.0	7.5	9.5	7.8	3.6	-1.7
Construction	98.3	110.8	125.2	109.9	108.2	125.7	27.4	17.5
Manufacturing	117.8	124.2	119.5	102.7	102.1	103.0	-14.8	0.9
Services-Producing Sector (000)	1,058.3	1,091.0	1,105.8	1,126.5	1,146.1	1,158.8	100.5	12.7
Trade	205.9	213.3	208.5	222.4	226.3	221.5	15.6	-4.8
Transportation & warehousing	75.2	84.0	81.2	74.9	79.2	82.2	7.0	3.0
Finance, insurance, real estate & leasing	91.2	96.3	104.9	97.5	97.3	100.8	9.6	3.5
Professional, scientific & technical services	117.2	119.3	118.7	117.8	121.6	128.4	11.2	6.8
Business, building & other support services	60.6	63.3	65.2	61.8	61.7	61.0	0.4	-0.7
Educational services	100.0	98.0	103.5	108.1	109.5	110.0	10.0	0.5
Health care & social assistance	127.9	129.1	128.6	147.7	149.6	147.1	19.2	-2.5
Information, culture & recreation	75.9	81.6	80.9	78.8	74.1	75.3	-0.6	1.2
Accommodation & food services	96.8	100.4	101.0	100.4	100.4	110.7	13.9	10.3
Other services	58.3	54.1	62.0	60.4	65.6	62.0	3.7	-3.6
Public administration	49.3	51.6	51.2	56.5	60.8	59.9	10.6	-0.9

Source: Statistics Canada, Labour Force Survey Historical Review

Unemployment Rate

The unemployment rate for the Mainland/Southwest shows that the balance between labour supply and demand improved slightly in 2011. Between 2010 and 2011, the regional unemployment rate declined from 7.6% to 7.3%. While the total regional labour force grew to 1.531 million, the decline in the unemployment rate reflected a larger number of labour force participants working, as well as a significant number of workers who left the labour force. Specifically, between 2009 and 2011, approximately 33,700 workers in the MSWDR left the labour force. The reasons for this exodus of workers are varied, but there is no doubt that a substantial “discouraged worker effect” played a role. The greatest decline in the unemployment rate occurred in the goods sector, due to employment boosts in the construction and manufacturing industries.



³ Industries with “-” 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, and job creation statistics can not be calculated.

Of all the Development Regions in BC, the Northeast had the lowest unemployment rate in 2011—4.9%, down from 6.8% in the previous year. The MSWDR had the second lowest rate of 7.3%, while the Cariboo Development Region ranked third, at 7.6%. The highest rate in the province was in Northwest BC, at 8.6%, however, this was down significantly from 2010's rate of 10.2%.

During the first quarter of 2012, the MSWDR's unemployment rate was lower than the 2011 average; however it rose between January and March from 6.7% to 7.1%.

Table 1-2: Unemployment Rate, Mainland/Southwest Development Region, 2006 to 2011

Region	2006	2007	2008	2009	2010	2011	Percentage Point (ppt) Change	
							5-Year 2006-11	1-Year 2010-11
Mainland/Southwest	4.5	4.0	4.3	7.2	7.6	7.3	2.8 ppt	-0.3 ppt
British Columbia	4.8	4.3	4.6	7.7	7.6	7.5	2.7 ppt	-0.1 ppt

Source: Statistics Canada

The fortunes of young workers in the MSWDR did not change much in 2011; the youth unemployment rate was 11.5%, slightly above that of 2010.

Compared to the other Development Regions, the MSWDR had the fourth lowest youth unemployment rate in 2011. The Northeast achieved the lowest youth unemployment rate (4.7%), followed by the Kootenays (6.8%) and Northwest BC (8.3%). Youth unemployment in the Northwest plummeted from 23.8% in 2010; this was due to many new jobs in construction related industries, and hydro-electric and mining developments in the Northwest and Nechako Development Regions. (This is further discussed in these respective regional studies.) The Vancouver Island/Coast ranked last in this indicator, with a youth unemployment rate of 12.6%.

Table 1-3: Youth (age 19 to 24 years) Unemployment Rate, Mainland/Southwest Development Region, 2006 to 2011

Region	2006	2007	2008	2009	2010	2011	Percentage Point (ppt) Change	
							5-Year 2006-11	1-Year 2010-11
Mainland/Southwest	5.4%	6.0%	5.8%	9.9%	11.4%	11.5%	6.1 ppt	0.1 ppt
British Columbia	6.5%	6.1%	6.8%	11.1%	11.3%	11.5%	5.0 ppt	0.2 ppt

Source: Statistics Canada, Labour Force Survey, Custom Table



INVEST Indicators

Business and Investment Activity

Capital investment plays a critical role in boosting productivity and economic growth. The main expenditure categories are residential structures, non-residential structures, and machinery and equipment. By contributing to the stock of physical capital that augments labour, capital investment ultimately affects productivity. Structures account for three quarters of total capital investment in BC, while the remaining one quarter is spent on machinery and equipment. The private sector accounts for approximately 90% of total capital investment in BC, with government comprising the rest.⁴

Between 2010 and 2011, at the national level, real business gross fixed capital formation grew at a rate of 9.3%.⁵ Machinery and equipment investment, which is a critical element of labour productivity growth, rose by 13.7%; this was a robust showing after its slump of almost 20% in 2009. The implementation of the Harmonized Sales Tax (HST) created immediate benefits for business by reducing the marginal effective rate on investment, and allowed firms to retain more earnings (which could then potentially be spent on M&E). These numbers are not available on a provincial basis, however there is historic information that demonstrates that BC's real business gross fixed capital formation as a percent of GDP generally tracked the national trend until 2009.⁶ In 2010, BC's ratio increased at a faster rate than the national average.

Economic recovery in BC fuelled capital investment in the MSWDR. In the fourth quarter of 2011, the value of all investments proposed, underway, completed, or on hold in the region grew to \$71.68 billion, an increase from \$64.6 billion in the same quarter of 2010.⁷ Overall, there were 500 major projects at the end of 2011—of these, 261 were in the proposal stage (valued at \$31.4 billion), 200 had already begun construction (\$35.66 billion), 18 were completed (\$883 million) and 21 (\$3.76 billion) were on hold. The majority of these projects were in residential and commercial developments. Whether all the proposed projects will proceed depends on both domestic and international economic developments, and investor uncertainty.

In 2011, construction began on some major new projects that will generate both direct and indirect jobs and income throughout the MSWDR for years to come. These include:

- River District residential development in Vancouver (\$4 billion), construction started in fall 2011;
- Quintet mixed use five tower development in Richmond, including campus for Trinity Western (\$1 billion), construction started summer 2011;
- BC Children's and Women's Hospital expansion (\$682 million), construction began spring 2011; and
- Interior Lower Mainland Transmission Project in Burnaby, (\$709 million), construction started 2011.

In October 2011, the federal government awarded Seaspan Marine Corp. in North Vancouver an \$8 billion



⁴ CSL, *Investment in BC: Current Realities and the Way Forward*, December 2008.

⁵ Statistics Canada, *Real Gross Domestic Product, Expenditure-Based*.

⁶ BC Stats, *April 2012*.

⁷ BC Ministry of Economic Development, *BC Major Projects Inventory, December 2010*. Definition of private sector excludes utilities and public services.

contract to build non-combat vessels. Infrastructure improvements in North Vancouver and Esquimalt will take place before construction begins in late 2012 or 2013.

Incorporations

Business incorporations and bankruptcies quantify the degree of commercial success or failure in any given year, and are a direct reflection of economic climate.⁸ In 2011, business incorporations in the MSWDR rose to 23,335, a 2.7% increase over the previous year. While the regional economy has largely recovered from the losses of 2009, incorporations have not yet reached their former levels. Between 2006 and 2011, the total number of business incorporations in the MSWDR declined by 3.2%.

In 2011, approximately 81% of new business incorporations took place in the Metro Vancouver Regional District, with the lion's share of these in Vancouver and Surrey. In the Fraser Valley, where the remaining 19% of incorporations were initiated, most were in Abbotsford and Chilliwack. This highlights the strength of the Fraser Valley's population, industrial, and retail growth last year. To put it into perspective, the growth in the total number of business incorporations in Abbotsford between 2010 and 2011 (80) exceeded those in Burnaby, Richmond, or North and West Vancouver combined.

Five of the eight Development Regions in BC saw a positive increase in the number of business incorporations in 2011. The North Coast led the way with an increase of 23.7%, followed by the Nechako, which had an increase of 12.5%. The Northeast ranked third, with an 11.5% gain in incorporations, reflecting the renewed infusion of capital and entrepreneurs that have been motivated by stellar regional economic conditions. The MSWDR ranked fifth in the province in terms of business incorporation growth.

Table 1-4: Business Incorporations, Mainland/Southwest Development Region, 2006 to 2011

	2006	2007	2008	2009	2010	2011	Percentage Change	
							5-Year 2006-11	1-Year 2010-11
Business Incorporations	24,114	24,538	21,445	19,483	22,714	23,335	-3.3%	2.7%

Source: BC Stats and Office of the Superintendent of Bankruptcy Canada

Business Establishments

The number of business establishments in the MSWDR declined to 226,851 in 2011, an overall loss of 708 establishments. While the number of businesses with no employees (that is, self-employed and sole proprietorships) grew by 1,018, this gain was more than offset by the loss of businesses with employees.

The greatest gains in business establishments occurred in the real estate, finance and insurance, and health care and social assistance sectors, which combined for a total increase of 1,454 businesses. Of these, 97% were those with no employees. The increase in the number of establishments in health care and social assistance

⁸ Bankruptcy data for 2011 is not available for the Development Regions until later this year.

corresponds with the loss of jobs in this industry discussed earlier, as many workers chose to seek their own work as independent operators. Manufacturing, wholesale and other services, excluding public administration, accounted for the largest industry declines in total number of establishments.

All Development Regions but the Nechako, which saw a slight increase of 0.1%, witnessed a decline in the number of business establishments in 2011. The MSWDR ranked second after the Nechako with its slight loss of 0.3%. The North Coast ranked last in this indicator, and the total number of establishments declined by 1.7%.

Table 1-5: Number of Business Establishments – all sizes, Mainland/Southwest Development Region, 2007 to 2011⁹

Region	2007	2008	2009	2010	2011	Percentage Change	
						4-Year 2007-11	1-Year 2010-11
Mainland/Southwest	220,596	220,988	221,688	227,559	226,851	2.8%	-0.3%
British Columbia	360,779	360,882	362,665	370,262	368,879	2.2%	-0.4%

Source: BC Stats

LIVE Indicators

Educational Attainment

In the last five years, the labour force educational attainment level in the MSWDR has risen or remained steady (with the slight exception of 2009). In 2011, the region’s educational attainment level rose from 67.1% to 68.4%, a gain of 1.3 percentage points (ppt). In light of changing skill requirements in both the region’s mature and emerging knowledge and technology-based industries, this comes as little surprise. BC will only retain its competitive position and continue to boost its productivity by improving on the quality of its labour force.

The strong growth in professional, scientific and technical services discussed earlier (6,800 new jobs in 2011, which was almost half of all service sector employment growth) is one factor that points to the rising need for workers with some level of post-secondary education. On the labour supply side, most students are told throughout secondary school that high school is necessary but insufficient accreditation for obtaining a job. A greater proportion of students today are attending post-secondary school, either immediately after high school graduation, or as returning students.

In absolute terms, the MSWDR again boasted the highest level of labour force education attainment in 2011, with 68.4% of workers between 25 and 54 years of age holding some level of post-secondary education. However, between 2010 and 2011, the Kootenay and Nechako saw their labour force educational attainment levels grow by



⁹ Statistics Canada has changed its methodology in measuring business counts, thus the data reported here are inconsistent with figures reported in earlier editions of this publication. Previously, the concept of a 'statistical establishment' was the measure that was used. In 2008, the concept of a 'statistical location' was introduced with data back to 2007 available. The change to business location counts was made because they provide a better measurement of actual business units. Due to this change, the reported number of businesses will be higher than would be the case if the earlier framework was still in use.

8.1% and 5.3% respectively, the fastest gains in BC. The Cariboo ranked third with a gain of 2.7%. Nevertheless, all three regions still have educational attainment levels (63.2%, 59.3%, and 55.8% respectively) well below the MSWDR. The five year trend has been similar.

Table 1-6: Percent of Labour Force Age 25 to 54 with a Post-Secondary Certificate/ Diploma or Higher, Mainland/Southwest Development Region, 2006 to 2011

Region	2006	2007	2008	2009	2010	2011	Percentage Point Change	
							5-Year 2006-11	1-Year 2010-11
Mainland/Southwest	64.1%	64.4%	65.1%	65.0%	67.1%	68.4%	4.3 ppt	1.3 ppt
British Columbia	61.0%	61.7%	62.6%	63.0%	64.4%	65.9%	+5.0 ppt	+1.5 ppt

Source: Statistics Canada, Labour Force Survey, Custom Table

Dependency on the Social Safety Net

Regardless of the strength of the economy, there is always a fairly consistent percentage of the population who are dependent on income assistance for reasons of health or inability to work. This indicator rises with the unemployment rate as people lose their EI benefits or choose to leave the labour force.

In 2011, the MSWDR's dependence on social assistance was 1.7% of the population aged 19 to 64, a small decline (-.1 percentage point) from the previous year. This corresponds with last year's economic growth and positive job gains, as more people found employment, thereby reducing the Income Assistance rolls.

The MSWDR's dependency rate was second-lowest in BC, behind only that of the Northeast (1.2%), and .3 ppt below the provincial average. At the other end of the spectrum were the North Coast and Cariboo Development Regions, with dependency rates of 4.8% and 3.2% respectively. Nevertheless, with the exception of Vancouver Island and the Kootenays, the dependency rate declined in most Development Regions in 2011, a welcome trend with attendant social benefits.

Table 1-7: Basic Income Assistance Recipients as a Percent of the Population, Age 19 to 64, Mainland Southwest Development Region, 2008 to 2010¹⁰

Regional District	2008	2009	2010	2011
Fraser Valley	2.0	2.5	2.6	2.6
Greater Vancouver	1.3	1.6	1.7	1.7
Sunshine Coast	1.2	2.2	2.1	2.0
Squamish-Lillooet	0.4	0.5	0.6	0.8
Development Region Total	1.3	1.7	1.8	1.7
British Columbia	1.5	1.9	2.0	2.0

Source: BC Stats



¹⁰ Rates are as of September for each year. A recipient is defined as "each person living in a family or living alone that is receiving basic Income Assistance". These figures include those on Temporary Assistance (Expected to Work, Expected to Work - Medical Condition, Temporarily Excused, Persistent Multiple Barriers). Excluded are those on Continuous Assistance (Persons with Disabilities), Children in the Home of a Relative, OAS/Seniors and aboriginals living on reserve.

Within the MSWDR, dependency rates continue to vary. The Fraser Valley persisted as the Regional District with the highest level of Income Assistance dependency, showing no change from its 2010 level of 2.6%. Greater Vancouver's rate was also static at 1.7%. While the Sunshine Coast declined slightly by 0.1 ppt to 2.0% in 2011, the dependency rate rose to .8% in the Squamish-Lillooet Regional District in the same year.

Conclusions

In 2011, the MSWDR experienced a second year of recovery from a profound national and global economic recession. In terms of overall numbers, its labour market has rebounded, led by renewed growth in the construction industry and some service sector industries, in particular food and accommodation, professional and scientific services, transportation and warehousing and FIRE.¹¹ But the recovery has been halting, as evidenced by higher unemployment rates, even with thousands of workers leaving the labour force. The trend in business establishments, with growth occurring almost entirely among those with no employees, suggests that more workers were motivated or compelled by circumstances to become self-employed. On the positive side, the educational attainment of the MSWDR's labour force is higher than ever, and well ahead of all the other regions of BC, a positive sign for the region's long term competitiveness.

Despite labour market developments, the growth in business incorporations and capital projects throughout the MSWDR last year signalled that the region's economy was well into recovery. Total capital investment reached almost \$72 billion in the fourth quarter of 2011, and several major construction projects commenced throughout the year. Strong business incorporation growth in the Fraser Valley was related not only to a population increase in that part of the Region, but also the plethora of new initiatives across a range of sectors. It remains to be seen however, how the removal of the value added tax system (HST) will affect both investment and business growth in the region, in both the medium to long term.

Labour market data for the first quarter of 2012 showed little movement in the MSWDR's unemployment rate, a sign that fallout from the events of 2009 persists. Forecasts as of March 2012 indicate that overall employment in BC is expected to grow at a higher rate of 1.4% in 2012 (compared to .8% in 2011),¹² but how the region fares during 2012 and into 2013 will be determined by developments in world goods and financial markets, as well as the degree of government fiscal restraint. In its role as the provincial transportation and corporate headquarters hub, the Mainland/Southwest's economy continues to be interdependent on the resource-producing regions of BC, as well as the fortunes of the rest of the world.



¹¹ Fire, insurance and real estate.

¹² RBC Economics, *Provincial Outlook*, March 2012.

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.
- **Job creation:** Change in number of employed individuals between two given years.
- **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.
- **Unemployment rate:** Share of employable labour force looking for work but unable to find it.