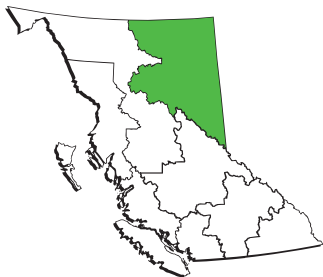


2013 Regional Check-Up

**LIVE
WORK
INVEST** IN BC

Northeast Development Region



The Northeast Development Region (NEDR) encompasses 202,502 km² of land, and extends from the Rocky Mountains in the east, to the Yukon and Northwest Territories in the north, and Alberta in the west. The NEDR is the fastest-growing Development Region in BC; in 2012, it recorded a population growth rate of 2.2%, and grew 4.5% between 2007 and 2012. Not captured in these population statistics is the large non-local workforce that lives in the NEDR, both seasonally or year-round, in industry camps, hotels, and motels.

The Peace River Regional District (PRRD), which includes the communities of Fort St. John, Dawson Creek, Chetwynd, Taylor, Hudson's Hope, and Tumbler Ridge accounted for almost 91% of the NEDR's population in 2012. The Northern Rockies Regional Municipality, located in the northern portion of the region, and includes Fort Nelson, comprised the rest. Most of the region's population growth (over 90%) occurred within the PRRD.

The NEDR is currently attracting both provincial and international attention due to its burgeoning natural gas industry. Northwest BC is situated on the Western Canada Sedimentary Basin, a hydrocarbon bearing area that encompasses 1.4 million square kilometers. The basin holds one of the largest reserves of natural gas and petroleum on earth, and is a major supplier to the North American market. Natural gas production and coal mining have driven the NEDR economy in the past, attracting major infusions of capital, and generating thousands of jobs in the resources and construction industries. Although natural gas prices sagged in 2012, exploration and development has continued in the NEDR, and the BC government's Liquid Natural Gas (LNG) strategy includes the development and startup of three facilities by 2018.

For the region's coal exports, 2012 was marked by both fluctuating demand from Asian markets, and some price decline. However, looking forward, the outlook for metallurgical grade coal - like that produced in the NEDR - is optimistic and new coal mine projects are being evaluated in the region.¹ The region's forest products industry has recovered after a decade of cutbacks, and its agricultural industry also continued to flourish in 2012. Wind power has gained a strong hold in the Northeast, and in addition to the existing Peace and WAC Bennett dams on the Peace River, BC Hydro is now undergoing a review process to determine whether a third hydroelectric dam will be built on the river.

Together, the resource-based industries generate many jobs throughout the NEDR, both directly and in the supporting services sector industries, such as transportation and warehousing, business and financial services, and retail.

WORK Indicators

Job Creation

Job creation is a leading indicator of labour market conditions. In 2012, total job creation in the NEDR grew for a third consecutive year, with the addition of 2,500 new jobs. Employment gains were equally split between the goods and services-producing sectors, although the latter is much larger in terms of total employment.

Last year, total employment in the NEDR's goods-producing sector grew to 11,900, an increase of 1,300 new jobs over the previous year's total. The majority of employment growth in the goods sector occurred in construction, where the number of jobs expanded by 1,400 to reach 4,900, the highest level in the past decade. Construction jobs were generated by ongoing activity in the resource sector, as well as community and residential housing. There were also 400 new jobs created in the forest, fisheries, mining and oil and gas sector, with the majority occurring in oil and gas. Employment in manufacturing remained the same as the previous year at 2,100.

In the much larger service sector the results were mixed. Total employment grew by 1,300 to reach 27,800. The trade and educational services industries each created 300 new jobs, but this was offset by losses in transportation and warehousing (-300 jobs) and professional, scientific and technical services (-200 jobs). While there were job gains in other NEDR service industries, the data on these is not available due to suppression by Statistics Canada.



¹ BC Ministry of Energy, Mines and Natural Gas, *Provincial Summary – Exploration and Mining in BC 2012*. <http://www.votemining.ca/wp-content/uploads/2013/03/ProvincialSummary-ExplorationAndMiningInBC-Jan2013.pdf>

Table 1-1: Employment, Northeast Development Region, 2007 to 2012²

	2007	2008	2009	2010	2011	2012	Job Creation (000)	
							5-Year 2007-12	1-Year 2011-12
TOTAL EMPLOYMENT (000)	37.0	37.7	35.8	37.0	37.2	39.7	2.7	2.5
Goods-Producing Sector (000)	16.0	14.9	12.5	12.5	10.6	11.9	-4.1	1.3
Agriculture	2.7	-	-	-	-	-	n/a	n/a
Forestry, fishing, mining, oil and gas	6.4	7.7	6.6	6.1	4.0	4.3	-2.1	0.3
Utilities	-	-	-	-	-	-	n/a	n/a
Construction	4.8	4.3	3.8	4.1	3.5	4.9	0.1	1.4
Manufacturing	2.1	-	-	1.7	2.1	2.1	0.0	0.0
Services-Producing Sector (000)	21.0	22.8	23.2	24.6	26.5	27.8	6.8	1.3
Trade	4.9	4.9	4.8	5.9	6.0	6.3	1.4	0.3
Transportation & warehousing	1.9	2.1	3.0	2.5	3.1	2.8	0.9	-0.3
Finance, insurance, real estate & leasing	-	-	-	1.8	1.8	1.8	n/a	0.0
Professional, scientific & technical services	2.0	1.8	2.5	2.1	2.5	2.3	0.3	-0.2
Business, building & other support services	-	-	-	-	-	1.7	n/a	n/a
Educational services	2.3	2.4	1.6	2.0	2.6	2.9	0.6	0.3
Health care & social assistance	2.2	3.3	2.8	3.3	3.0	3.0	0.8	0.0
Information, culture & recreation	-	-	-	-	-	-	n/a	n/a
Accommodation & food services	1.9	2.3	2.8	1.9	1.8	1.8	-0.1	0.0
Other services	1.8	2.1	1.7	2.6	2.7	2.7	0.9	0.0
Public administration	-	-	-	-	-	1.7	n/a	n/a

Source: Statistics Canada, Labour Force Survey Historical Review

Comparing percentage growth rates in employment, the NEDR ranked first out of all Development Regions with a one-year gain of 6.7%. The Cariboo ranked second with a 4.9% rate of increase; the Kootenay placed third, at 3.7%. The Nechako fared the worst, with a 9.2% decline in employment. It should however be noted that these statistics apply to the local resident labour force only, as temporary workers who reside in camps are not included in the Northeast labour market survey.³ Therefore the regional data does not capture this share of jobs in the NEDR. For this reason it is not strictly comparable to the other Development Regions with little or no migrant labour force.

Unemployment Rate

The unemployment rate is used to assess the interaction of labour supply and demand. In 2012, the NEDR's unemployment rate dropped by 0.8 percentage points (ppt) to reach 4.1%. This was the lowest unemployment rate among all Development Region's in BC, and well below the provincial average of 6.7%.



²Industries 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.

³ Statistics Canada counts employment among non-resident workers at their place of residence.

The favourable economic conditions of the NEDR attracted an increase of workers in 2012. The size of the labour market grew from 39,100 to 41,400, while participation rose from 76.1% to 79.9%; there was also a corresponding decline (3.8%) in workers disengaged from the labour force. Nevertheless, the growth in the number of jobs outstripped the supply of available workers, resulting in a net decline in the unemployment rate.

In absolute terms, the NEDR enjoyed the lowest unemployment rate of all Development Regions in 2012 (4.1%), followed by Vancouver Island/Coast (6%), and the Mainland/Southwest (6.8%). The highest rate occurred in Northwest BC (10.7%).

Table 1-2: Unemployment Rate, Northeast Development Region, 2007 to 2012

Region	2007	2008	2009	2010	2011	2012	Percentage Point (ppt) Change	
							5-Year 2007-12	1-Year 2011-12
Northeast	2.1%	4.8%	7%	6.8%	4.9%	4.1%	2.0 ppt	-0.8 ppt
British Columbia	4.3%	4.6%	7.7%	7.6%	7.5%	6.7%	2.4 ppt	-0.8 ppt

Source: Statistics Canada

Northeast DR unemployment rate calculated by author for 2006 & 2007.

While the NEDR's youth unemployment rate plunged to 4.7% in 2011, it reversed its course in 2012, rising to 7.3%. This was still well below both its pre-recession levels and the provincial average of 10.9%. Nevertheless, this trend suggests that the availability of jobs that require little training or experience is diminishing in the NEDR, making it more difficult for young workers to find employment.

Table 1-3: Youth (age 19 to 24 years) Unemployment Rate, Northeast Development Region, 2007 to 2012

Region	2007	2008	2009	2010	2011	2012	Percentage Point (ppt) Change	
							5-Year 2007-12	1-Year 2011-12
Northeast	5.4%	10.6%	8.8%	8.0%	4.7%	7.3%	1.9 ppt	2.6 ppt
British Columbia	6.1%	6.8%	11.1%	11.3%	11.5%	10.9%	4.8 ppt	-0.6 ppt

Source: Statistics Canada, Labour Force Survey, Custom Table

*Unemployment rate calculated by author.

INVEST Indicators

Business and Investment Activity

Capital investment in non-residential structures, machinery, and equipment bolsters both current and future economic growth, and boosts productivity and job creation. Investment adds to a region's critical mass of industry and public infrastructure, which in turn enables it to stay competitive with producers in other provinces and countries. In recent years, BC's private sector has accounted for approximately 90% of total capital investment in BC, while the remainder is comprised of public sector investment.



While total capital investment in BC grew in 2012, it fell short of the previous year's predictions. Preliminary estimates of last year's investment figures show that between 2011 and 2012, non-residential investment in BC grew by 6.8%, reaching \$20 billion; however, this is less than half of the predicted growth rate of 14.8%.⁴ During this same period, investment in machinery and equipment increased 9.6%, to reach \$11.9 billion in 2012; this growth was slightly larger than the predicted increase of 8.3%. Slower economic growth in late 2012, a decline in provincial exports, and the prospect of a "fiscal cliff" in the US are some of the factors that suppressed investor confidence in 2012.

According to the *BC Major Projects Inventory*, in the fourth quarter of 2012, there were 44 projects either proposed, under construction, or on hold in the NEDR worth \$24.9 billion. This was a 26% increase over the fourth quarter of the previous year.⁵ The majority of these projects were in utilities or mining, oil and gas.

Seven projects were under construction in the same quarter, with a total value of \$1.74 billion, including \$332 million in power generating projects and \$800 million in gas and pipelines. The largest of these projects were upgrades and expansions to the Gordon M. Shrum power facility at Hudson's Hope, and Enbridge/Encana's Cabin gas plant near Fort Nelson (\$800 million). The Quality Wind Farm near Tumbler Ridge, valued at \$455 million, finished construction in late 2012.

The value of proposed projects in the fourth quarter of 2012 was \$21.3 billion, a 25% increase over the same quarter in 2011. Out of a total of 33 projects, all but one was in the coal, gas and pipeline, wind power, or hydro-electric industries. In terms of dollar value, the most significant proposals were the Coastal Gaslink pipeline (\$4 billion), the Chetwynd Clean Methanol Plant (\$1 billion), and three wind power projects — Taylor Wind (\$900 million), Rocky Creek Wind (\$1.2 billion), and Thunder Mountain Wind Park (\$1 billion). The largest of all proposed projects is Site C Clean Energy Project, valued at \$7.9 billion, but this project is presently in the Environmental Review Process, and no decision is expected before next year.

The proposed Casino copper-gold-molybdenum project in the Yukon, which has an estimated capital cost of \$2.5 billion, would generate tremendous economic benefits in the Northeast, as it would run on LNG delivered from Fort Nelson.⁶ This project is still at its feasibility stage.

These proposed projects are all at various stages of development; some remain at their inception, while other are well into the environmental review process. At the end of the day, their feasibility will depend on market developments for coal, natural gas, and electricity, as well their ability to satisfy environmental regulatory requirements. Due to the size and scope of these projects, those that proceed, will continue to generate employment both in the Northeast, and throughout BC for years to come.



⁴ 2012: Public and Private Intentions in Canada – 2012, statistics Canada – Catalogue no. 61-205-X <http://www.statcan.gc.ca/pub/61-205-x/61-205-x2012000-eng.pdf> text table 2; *Public and Private Intentions in Canada – 2013*, text table 2. <http://www.statcan.gc.ca/pub/61-205-x/61-205-x2013000-eng.pdf> Note that these are preliminary estimates for 2012, as of March 2013.

⁵ Ministry of Jobs, Tourism and Innovation, *Major Project Inventory*, December 2012.

⁶ The Northerner Miner, January 23, 2013, *Western Copper jumps on Casino feasibility study*. <http://www.northernminer.com/issuesV2/VerifyLogin.aspx>

Incorporations and Bankruptcies

Business incorporations and bankruptcies are principal indicators of commercial success or failure, both of which have a direct bearing on entrepreneurial and investor confidence. This year's results show a small decline in NEDR business incorporations and a continuing decline in the number of bankruptcies. The total number of business incorporations declined by 0.9%, falling to 529 in 2012, although they remained well above recession levels. In the same year the number of bankruptcies in the region also declined to 3. This reduction keeps pace with a historical downward trend.

The Peace River Regional District accounted for 95% of business incorporations in the Northeast, with the Northern Rockies Regional District comprising the rest. As the main population and industry hubs of the region, it is no surprise that 82% of all incorporations occurred in Fort St. John and Dawson Creek.

In comparison with the rest of the province, only the Nechako, Cariboo, and Thompson-Okanagan Development Regions showed positive gains in the number of business incorporations in 2012. The Nechako led with a 32.3% increase, while the Cariboo and Thompson-Okanagan had growth rates of 8.6% and 6.4% respectively. The Mainland/Southwest saw no increase in its level of incorporations, while all others, including the Northeast, saw a decline.

The Nechako also stood out in terms of business bankruptcies, going from 1 to 0.⁷ The Cariboo ranked second with a 33% decrease in this indicator. The Mainland/Southwest and North Coast both ranked fifth, with no change in the number of business bankruptcies. The Kootenay ranked last with a 57.1% increase in bankruptcies.

Table 1-4: Business Incorporations and Bankruptcies, Northeast Development Region, 2007 to 2012

	2007	2008	2009	2010	2011	2012	Percentage Change	
							5-Year 2007-12	1-Year 2011-12
Business Incorporations	542	444	327	479	534	529	-2.4%	-0.9%
Business Bankruptcies	10	9	4	5	4	3	-70.0%	-25.0%

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

LIVE Indicators

Educational Attainment

At the aggregate level, higher levels of educational attainment in the labour force translate into greater productivity and earnings. In 2012, the share of the Northeast's labour force aged 25 to 54 with a post-secondary certificate/diploma or higher grew by 4.3 ppt, reaching 52.8%. While this was an improvement over the previous two years, overall, workers' educational attainment in the NEDR has declined since 2007.

⁷ Note that these are small absolute numbers, however. The number of bankruptcies in the Nechako declined from 1 in 2011 to 0 in 2012.

While the NEDR's buoyant economy continued to generate immense economic benefits throughout the region, the lure of local high-paying jobs for both skilled and unskilled workers has drawn many young workers directly from high school into the labour force. While 43% of workers in the NEDR had a post-secondary certificate or diploma, the second-largest category was high school graduates, accounting for 24%. Workers with 'some high school' accounted for another 13%, while only 9% had a university degree. Comparing this to the provincial average highlights the dominance of workers with lower education levels in the Northeast. By way of comparison, in BC overall, 35% of employed workers had post-secondary certificates or diplomas in 2012, while 32% had university education, and 19% had high school. Only 5% of employed workers had not completed high school.

Table 1-5: Percent of Labour Force Age 25 to 54 With a Post-Secondary Certificate/ Diploma or Higher, Northeast Development Region, 2007 to 2012

Region	2007	2008	2009	2010	2011	2012	Percentage Point Change	
							5-Year 2007-12	1-Year 2011-12
Northeast	54.8%	53.9%	53.8%	49.6%	48.5%	52.8%	-2.0 ppt	4.3 ppt
British Columbia	61.7%	62.6%	63.0%	64.4%	65.9%	66.6%	4.9 ppt	0.7 ppt

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

While the NEDR had the lowest level of educational attainment in BC in 2012, it performed well in terms of one-year growth. The Cariboo ranked first with an increase of 4.5 ppt, while the Northeast ranked second with a 4.3 ppt increase. Vancouver Island/Coast was third with a 1.6 ppt increase. The bottom ranked Development Region was the Kootenay region, where educational attainment declined by 5.5 ppt.

Dependency on the Social Safety Net

Social safety net dependency is defined as the share of population age 19 to 64 that requires basic income assistance due to the inability to work. This indicator moves with the unemployment rate, rising in times of high unemployment and in a slowdown in GDP. It generally accounts for a small but consistent proportion of the population.

Between September 2011 and 2012, social safety net dependency in the NEDR declined by 0.1 ppt, falling to 1.1% of the population. During the past five years, the Northeast has enjoyed the lowest level of social safety net dependency of all Development Regions. This is no surprise considering the abundance of jobs for both skilled and unskilled workers.

Overall, the province enjoyed a 0.3 ppt decline in social safety net dependency in 2012. The North Coast saw the biggest one-year decrease in dependency, with a 0.6 ppt decline to 4.3%. The Cariboo and Thompson-Okanagan ranked second, reporting a 0.5 ppt decline, falling to 2.7% and 2% respectively. The smallest decline in this indicator was in the NEDR and the Vancouver Island/Coast, both of which recorded a 0.1 ppt drop, reaching 1.1% and 2% respectively. In the case of the NEDR, it may be that social safety net dependency is approaching its lowest threshold.

Table 1-6: Basic Income Assistance Recipients as a Percent of the Population, Age 19 to 64, Northeast Development Region, 2007 to 2012⁸

Region	2007	2008	2009	2010	2011	2012	Percentage Point (ppt) Change	
							5-Year 2007-12	1-Year 2011-12
Peace River	1.1	1.1	1.7	1.5	1.3	1.2	0.1 ppt	-0.1 ppt
Northern Rockies	0.5	0.7	1.0	0.8	-	0.6	0.1 ppt	-
Development Region Total	1.0	1.1	1.6	1.5	1.2	1.1	0.1 ppt	-0.1 ppt
British Columbia	1.4	1.5	1.9	2.0	2.0	1.7	0.3 ppt	-0.3 ppt

Source: BC Stats; data is for September of each year

Consumer Bankruptcies

The consumer bankruptcies indicator is defined as the annual consumer bankruptcy rate per 1,000 population aged 18 years and older. It highlights the impact of economic change on the consumer side of the economy: for example, the effects of rising unemployment or reduced wages will result in an increase in the consumer bankruptcy rate, especially when the borrowing rate is high.

The recession of 2008 led to a spike in consumer bankruptcies in the NEDR for the following two years; in 2010, the indicator peaked at 3.4 bankruptcies per 1,000 population over 18, well above the provincial average. While rates were lower in the subsequent two years, 2012 saw the NEDR consumer bankruptcy rate rise by 9.5% to each 1.9. This trend was in contrast with the provincial average, which declined to 2, as well as the other western provinces, where the number of bankruptcies also declined.⁹ These results for the NEDR suggest that many families working and living in the NEDR accumulated consumer debt during the good years, but were unable to meet their financial commitments when the economy slowed.

In absolute terms, the Nechako's bankruptcy rate of 1.3 was lowest in the province. This was followed by the North Coast (1.6), Mainland/Southwest, (1.7), and the Northeast (1.9). The Cariboo had the highest bankruptcy rate of 2.7 in 2012.

Looking at percentage point changes over the past year, the Nechako realized a 30.8% decline in the bankruptcy rate, the largest decline of all Development Regions. The Cariboo ranked second, with a decline of 11%. In fact, all Development Region's realized a decline in their consumer bankruptcies rate, except the Northeast (9.5%) and the Kootenay (18.9%).



⁸ Rates are as of September for each year. Data unavailable for years prior to 2008. These figures include those on Temporary Assistance, but exclude those on Continuous Assistance (Disabled or with persistent multiple barriers to employment), Children in the Home of a Relative, and OAS/Seniors and aboriginal people living on reserve.

⁹ Office of the Superintendent of Bankruptcy Canada. *Insolvency Statistics in Canada* – December 2012. Table 2.

Table 1-7: Annual Consumer Bankruptcy Rates per 1,000 Population Aged 18 Years and Older, Northeast Development Region, 2007 to 2012

Region	2007	2008	2009	2010	2011	2012	Percentage Change	
							5-Year 2007-12	1-Year 2011-12
Northeast	1.6	1.6	2.5	3.4	1.7	1.9	21.8%	9.5%
British Columbia	1.9	2.1	2.9	2.6	2.2	2.0	3.9%	-7.2%

Source: Office of the Superintendent of Bankruptcy Canada and Statistics Canada

Conclusions

2012 marked another very good year for the NEDR and its economy. Job creation continued to grow at a steady pace, bolstered by the region's burgeoning goods-producing industries. These developments attracted new workers and their families, which in turn boosted population in the NEDR by 2.2%, its fastest annual growth rate in the past five years.

The unemployment rate declined in the Northeast for the third consecutive year, reaching 4.1%, well below the provincial average. Young workers did not fare as well, however, as the youth unemployment rate rose by 2.6 ppt to 7.3%. While this was significantly less than the provincial average, it appears that jobs are less plentiful for young, unskilled workers.

While capital investment in the NEDR did not meet last year's expectations, it did nevertheless continue to grow at a respectable rate, especially in machinery and equipment. Nowhere else in BC is there such an array of major resource-based projects both proposed and underway. Despite faltering coal and natural gas prices in 2012, exploration and development continued, although at a slower pace. The BC government is committed to breaking ground on a number of these projects, and is looking at LNG as part of their provincial economic strategy.

With the exception of youth unemployment, the majority of the economic and social indicators for the NEDR were favourable in 2012. Labour force educational attainment improved, while social safety net dependency and consumer bankruptcies declined. All told, last year the NEDR improved as a place to live, work, and invest.

The BC economy got off to a slow start in 2013, with a cooling housing market, slower Asian demand for exports, and the introduction of fiscal restraint measures. Nevertheless the outlook for the Northeast and its growing gas industry remains positive. Capital investment in the NEDR is expected to grow; increased investment dollars will translate into jobs growth and higher incomes to the region and its residents.

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.