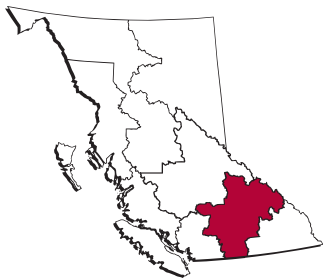




Thompson-Okanagan Development Region



The Thompson-Okanagan Development Region (TODR) encompasses 94,308 km², and includes south central BC, between the Cascade Mountains in the west and the Monashee Mountains and Alberta border in the east. In 2011, the region's population grew by 0.5%, or 2,465 people, to reach 530,661.¹ This was half the average provincial growth rate (1.0%).

The TODR's economy has moved away from its historic reliance on forestry and mining to include a diverse mix of industries. The region is a popular tourist and retirement destination, which has spawned significant investment and construction activity over a number of years. It is BC's premiere agriculture, viticulture, and wine production centre, and has a growing number of high tech and diversified manufacturing businesses. More recently it has become a centre of post-secondary education.

The impact of the economic recession lingered last year in the TODR, despite signs of modest recovery elsewhere in the province. Population growth, which has driven development and economic growth, was well below pre-recession levels. In 2011, housing inventories remained high and sales fell 8.0%, to reach a ten-year low. Housing starts plunged 45.2% below 2010 levels. Due to these and other factors, unemployment remained high last year, especially among young workers.

That said, there were glimmers of impending improvements. Tourism appears to be recovering, as room revenues grew (9.0%) for the second consecutive year. Lumber and pulp production rose, stimulated by a slight revival in US housing starts, as well

¹ Statistics Canada, *Estimates of Population, by Sex and Age Group: Census Divisions and Census Metropolitan Areas - 2001 Census boundaries, Annual, CANSIM, Table 051-0036.*

as growing Asian demand. Continued high mineral prices spurred expanded production output and upgrades by Highland Valley, Copper Mountain, and Max Molybdenum, as well as development of four new mines. All of these should generate both construction and full time employment in years to come.

WORK Indicators

Job Creation

Job creation is a primary indicator of a region's economic health and labour market trends. In 2011, the TODR's economy's lost 2,500 jobs, a slight decline of 1.0%. This decrease was primarily in the goods sector. Growth in the service sector was not substantial enough to offset goods sector losses. Apart from the Vancouver Island/Coast (where employment shrank by 4.4%), this loss contrasted with the rest of the province, where the other Development Regions reported employment gains that ranged from 0.5% to 7.2%.

The TODR's services producing sector represents more than three-quarters of all employment in the region, and in 2011, this sector grew by 1,700 jobs. Gains in four of the eleven industries in this sector were sufficient to offset losses sustained in the others. Healthcare and social assistance (4,600 jobs) saw the largest increase, reflecting a high and continually growing demand from its large retirement population. Hiring in accommodation-food services (3,500 jobs) increased in response to last year's pick-up in tourism. Employment in other services (2,600 jobs), mainly in repair and maintenance, also increased, which seems reasonable given that in a slow economy, demand is likely to shift from buying new to maintaining existing assets. There was also growth in business services (1,500 jobs), primarily in management and administration, which may reflect the filling of 2010 job vacancies or job cuts.

The service industries that reported the largest job losses were information, culture and recreation (-2,600 jobs), finance and real estate services (-2,600 jobs), professional and technical services (-1,900 jobs), and transportation and warehousing (-1,700 jobs). With the exception of information and recreation services, where job losses may be an adjustment to prior year gains, job losses in the three other industries appear to be related to last year's lower in-migration, housing sales, and real estate and construction activity.

In 2011, the TODR lost 4,200 jobs in the goods producing sector; these job losses occurred in forestry and logging (-2,100 jobs), agriculture (-1,400 jobs), and construction (-1,300 jobs) sectors. Lower employment in forestry and logging is consistent with a province-wide decrease² last year, despite stable timber harvest volumes³ in the region and higher demand for wood products. The decline in forest industry employment has been attributed to labour shortages, resulting from increased competition for personnel from the mining sector⁴ rather than actual job cuts. Last year's job losses in agriculture reflect the third year of decline in apple and grape harvests, wine production, and stagnant farm cash receipts,⁵ while those in construction tie directly to the downturn in residential and non-residential development.

These 2011 job losses eclipsed gains in utilities (1,000 jobs) and manufacturing (300 jobs). Recent expansion of the Revelstoke power generating facility, activities related to additions to the Mica facility, and proposed wind and independent water power projects all drove job gains in utilities. Renewed US demand, and growing Asian demand for BC's lumber triggered expanded forest product production, and resulted in Canfor reopening the Vavenby mill.

² 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.

³ Ministry of Forests, Forest Industry Snapshot, January 2012.

⁴ BC Ministry of Forests.

⁵ Logging and Sawmilling Journal, Forest industry Rebounding in BC's Central Interior, April 2011.

Table 1-1: Employment, Thompson-Okanagan Development Region, 2006 to 2011⁶

							Job Creation (000)	
	2006	2007	2008	2009	2010	2011	5-Year 2006-11	1-Year 2010-11
TOTAL EMPLOYMENT (000)	247.6	250.4	256.6	248.0	257.2	254.7	7.1	-2.5
Goods-Producing Sector (000)	67.7	65.1	69.1	63.5	64.5	60.3	-7.4	-4.2
Agriculture	7.6	7.1	6.6	9.0	7.3	5.9	-1.7	-1.4
Forestry, fishing, mining, oil and gas	7.8	6.6	7.6	5.7	8.0	5.4	-2.4	-2.6
Utilities	1.5	-	1.8	1.6	1.8	2.8	1.3	1.0
Construction	26.3	25.6	30.8	28.1	26.7	25.4	-0.9	-1.3
Manufacturing	24.6	24.7	22.4	19.1	20.6	20.9	-3.7	0.3
Services-Producing Sector (000)	179.8	185.4	187.4	184.5	192.7	194.4	14.6	1.7
Trade	40.7	43.8	40.5	38.3	42.0	41.4	0.7	-0.6
Transportation & warehousing	10.6	9.5	11.0	10.0	12.2	10.5	-0.1	-1.7
Finance, insurance, real estate & leasing	14.9	14.6	11.3	13.5	14.3	11.7	-3.2	-2.6
Professional, scientific & technical services	13.3	13.0	11.9	13.8	16.1	14.2	0.9	-1.9
Business, building & other support services	8.8	10.0	10.8	9.4	7.1	8.6	-0.2	1.5
Educational services	14.1	15.2	16.1	15.0	16.3	16.0	1.9	-0.3
Health care & social assistance	31.8	29.6	34.3	34.0	29.7	34.3	2.5	4.6
Information, culture & recreation	10.3	9.6	11.7	10.5	13.3	10.7	0.4	-2.6
Accommodation & food services	18.6	20.8	21.7	19.4	18.7	22.2	3.6	3.5
Other services	8.2	10.8	9.6	10.7	11.6	14.2	6.0	2.6
Public administration	8.4	8.5	8.6	9.8	11.4	10.7	2.3	-0.7

Source: Statistics Canada, Labour Force Survey Historical Review

Unemployment Rate

Over the course of 2011, unemployment in the TODR rose from 9.0% in January, to a high of 9.3% in February-March. Unemployment subsequently declined to reach 6.6% by year end. The annual average rate was 7.9%, well below its peak of 8.8% in 2009. While the number of unemployed grew in the TODR, a significant number of people also left the labour market (9,000), resulting in a net decline in the unemployment rate last year.

The TODR had the third highest unemployment rate in the province, with only the Kootenay (8.2%) and Nechako and North Coast (both at 8.6%) Development Regions faring worse. Within the region, unemployment was highest in Vernon (9.3%), but fairly comparable between Kamloops (7.8%) and Kelowna (7.9%).



⁶ Central 1 Credit Union, *Economic Analysis of British Columbia*, Vol 32, Issue 1, March 2012.

Table 1-2: Unemployment Rate, Thompson-Okanagan Development Region, 2006 to 2011

Region	2006	2007	2008	2009	2010	2011	Percentage Point (ppt) Change	
							5-Year 2006-11	1-Year 2010-11
Thompson-Okanagan	5.0	4.4	5.5	8.8	8.6	7.9	2.9 ppt	-0.7 ppt
British Columbia	4.8	4.3	4.6	7.7	7.6	7.5	2.7 ppt	-0.1 ppt

Source: Statistics Canada

Youth unemployment in the TODR rose 1.7 percentage points (ppt) to reach 12.3% last year. This was the same rate as the Cariboo and the second highest among the Development Regions after Vancouver Island/Coast (12.6%). Job cuts in construction, retail trade and food services in the region, which are industries that typically offer positions requiring little or no training, explain this increase.

Table 1-3: Youth Unemployment Rate, Thompson-Okanagan Development Region, 2006 to 2011

Region	2006	2007	2008	2009	2010	2011	Percentage Point (ppt) Change	
							5-Year 2006-11	1-Year 2010-11
Thompson-Okanagan	6.9%	7.1%	9.1%	13.1%	10.6%	12.3%	5.4 ppt	1.7 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 and development in the TODR reflected the combined effects of stagnant population growth, high residential inventories, and a weak local economy last year. The value of both residential and non-residential building permits was down 34.1% and 2.1% respectively. In the fourth quarter of 2011, the TODR had 140 projects valued at \$25.5 billion proposed, under construction, or on hold, a 16.1% decrease from the same quarter of 2010. Of this total, 55 (\$7.4 billion) were at the proposal stage, 63 (\$17.0 billion) had started construction, and 12 (\$1.1 billion) were on hold. Residential, resort, or commercial development made up two-thirds of this project inventory and included several large multi-phase developments that have been under construction over the last year to six years.

Industrial, institutional, and government-funded infrastructure projects totalled \$8.6 billion in December 2011, down 28.0% from 2010. These investments include \$3.5 billion in energy and transmission projects, \$2.1 billion in mine development and upgrades, \$1.4 billion in transportation improvements, and \$1.3 billion in hospital,



education facilities, and municipal infrastructure. The largest projects under construction are: the Highway 1 Kicking Horse Canyon Improvements (\$972 million), which is due to be complete by the end of this year; the Kelowna General Hospital expansion (\$912 million); and the Mica Dam expansion (\$739 million).

While the value of new project proposals declined 32.6% last year, the value of new projects starting construction was more than triple that of 2010. Non-residential development represented much of the new construction, including \$980 million in power projects, \$479 million in additions to Kelowna General Hospital, and \$277 million in transportation, school, and community infrastructure upgrades. The Ponderosa golf residential/resort development in Peachland that will be built over several years, accounted for the majority of the \$1.1 billion in new residential/commercial construction.

Indications are that the TODR residential/commercial development market may have bottomed out. In 2012, the region may see further minor price adjustments due to a high inventory of housing on the market; however, sales may increase modestly. Despite the market adjustment that has occurred, the backlog of major developments remains substantial. As housing inventories decline and projects on the books ramp up, a renewal of proposals and construction activity is likely to follow. For the most part, housing sales and residential development activity are expected to remain fairly stable this year, given modest population and economic growth predictions. Fiscal constraints in government are anticipated to moderate new non-residential spending, despite the run up to next year's election, and private sector non-residential investment is more likely to follow residential activity. Overall, these factors suggest cautious optimism for an upturn in investment and development activity this year.

Incorporations

Business incorporations and bankruptcies provide both a measure of commercial success and failure, and are indicators of entrepreneurial confidence.⁷ After a modest recovery in 2010, the number of business incorporations in the TODR declined 4.0% last year. This was the largest decrease in the province last year, and contrasted with all but the Vancouver Island/Coast (-2.2%) and Kootenay (-2.0%) Development Regions. Increases in business incorporations in the remaining Development Regions ranged from 2.7% to 23.7%. The TODR's low in-migration of retirees, who are prone to establish either consulting firms or small businesses to augment their retirement income, as well as the lacklustre performance of the region's economy appear to explain this decrease.

Table 1-4: Business Incorporations, Thompson-Okanagan Development Region, 2006 to 2011



⁷ While in previous years bankruptcies were also reported, it is not possible to do so this year as the data will not be available until later this year.

	2006	2007	2008	2009	2010	2011	Percentage Change	
							5-Year 2006-11	1-Year 2010-11
Business Incorporations	3,196	3,446	3,124	2,375	2,577	2,476	-29.0%	-4.0%

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

Business Establishments

The number of business establishments in the TODR declined slightly last year (-1.3%), which is not surprising given the region's sluggish economy. In 2011, all of BC's Development Regions—the exception being the Nechako (0.1%)—reported business decreases. The TODR's losses were the third highest after the North Coast (-1.7%) and Kootenay (-1.4%). Losses occurred in business of all sizes, but were most numerous in small businesses with 1 to 19 employees (-339), followed by those with no employees (-151).

Table 1-5: Number of Business Establishments – all sizes, Thompson-Okanagan Development Region, 2007 to 2011

Region	2007	2008	2009	2010	2011	Percentage Change	
						4-Year 2007-11	1-Year 2010-11
Thompson-Okanagan	43,045	43,684	44,196	44,810	44,214	2.7%	-1.3%
British Columbia	360,779	360,882	362,665	370,262	368,879	2.2%	-0.4%

Source: BC Stats

LIVE Indicators

Educational Attainment

Educational attainment in the labour force has been linked with improved productivity and the potential to increase purchasing power. Last year, educational attainment of the TODR's labour force, aged 25-54, increased 1.9 percentage points (ppts), to a record high of 61.5%. This exceeded the provincial average by 0.4 ppt. The region ranked fourth in the province in this indicator after the Mainland/Southwest (68.4%), Vancouver Island/Coast (64.0%), and Kootenays (63.2%).

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



Region	2006	2007	2008	2009	2010	2011	Percentage Point Change	
							5-Year 2006-11	1-Year 2010-11
Thompson-Okanagan	54.6%	58.7%	57.5%	60.7%	59.6%	61.5%	6.9 ppt	1.9 ppt
British Columbia	61.0%	61.7%	62.6%	63.0%	64.4%	65.9%	4.9 ppt	1.5 ppt

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

Last year's improvement is somewhat deceiving as both the total labour force, and the segment with post-secondary accreditation, declined last year by 8,800 and 2,000 persons respectively. Among those with post-secondary accreditation, the region lost 6,800 persons with post-secondary certificates, but gained 4,800 with university degrees. These observations appear to illustrate the greater resilience that higher education brings in a weak economy.

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 also tends to rise with the unemployment rate as people lose their EI benefits or choose to leave the labour force.

In 2011, the TODR's dependency rate declined 0.1 ppt to 2.5% of the population age 19 to 64. This rate was 0.5 ppt higher than the provincial average and the third highest among the Development Regions after the North Coast (4.8%) and Cariboo (3.2%). Last year's slight decrease in the dependency rate was positive, given the region's job losses, high unemployment rate and increase in the number of people opting out of the labour force (-9,100). It also exceeded the provincial performance, which remained unchanged, but was less than the decreases seen in the resource boom areas of North Coast (-0.4 ppt), Nechako (-0.4 ppt) and Northeast (-0.3 ppt).

Table 1-7: Basic Income Assistance Recipients as a Percent of the Population, Age 19 to 64, Thompson-Okanagan Development Region, 2008 to 2011⁸

Regional District	2008	2009	2010	2011
Okanagan-Similkameen	1.5	2.5	2.7	2.5
Thompson-Nicola	1.9	2.8	2.9	2.8
Central Okanagan	1.4	2.2	2.6	2.5
North Okanagan	1.5	2.3	2.4	2.5
Columbia-Shuswap	1.5	2.0	2.1	2.1
Development Region Total	1.5	2.4	2.6	2.5
British Columbia	1.5	1.9	2.0	2.0

Source: BC Stats.



⁸ 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.

Conclusions

In 2011, the TODR was still feeling the effects of the recent economic recession. Population growth, which has been a major growth catalyst for many years, was at a nine year low. Residential and non-residential development plummeted. There were job losses in construction and related service industries, as well as further losses in forestry and agriculture. Business incorporations declined as did the number of business establishments. The combination of these factors translated into labour force losses and high unemployment, especially among youth. The proportion of the labour force with post secondary education went up slightly, but only because most people leaving the labour force had less education. Still, there were some positive signs of improvement, including modest growth in tourism and wood products manufacturing, increased employment in utilities, and a significant rise in the value of new non-residential construction starts.

2012 is promising to be a better year for the region. Tourism appears to be on the road to recovery. Although the region's Annual Allowable Cut has been reduced by 8.0%,⁹ pulp, lumber, and mineral prices are forecast to stay high. Combined with mill and mine upgrades, as well as new mine development, this should generate job growth. Health care also remains a growth industry in the region, with significant investment being made at Kelowna General Hospital. Although retirement deferrals and low discretionary incomes are expected to keep population growth below pre-recession levels, in-migration to the region is predicted to improve slightly in the coming years. Most real estate analysts foresee stable, to slightly reduced prices resulting in a modest increase in sales this year. As inventories draw down, a cautious return of residential/commercial investment and development may follow. Overall, the region should see a modest turn around from 2011.

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.

⁹ BC Ministry of Forests, Okanagan Timber Supply Area: Rationale for Annual Allowable Cut (AAC) Determination, February 29, 2012.

