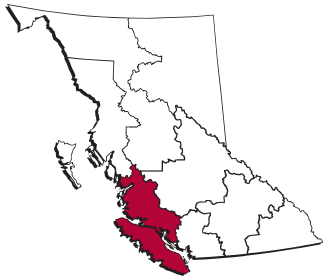




**Vancouver Island/Coast Development Region**



The Vancouver Island/Coast Development Region (VICDR) encompasses 84,396 km<sup>2</sup>, or 9.1% of BC's total land base. The region includes Vancouver Island and the central coast of the BC Mainland, from Powell River to just north of Ocean Falls and Bella Coola. In 2011, the region's population grew by 0.5%, or 4,281 people, to reach 786,432.<sup>1</sup> This increase was the region's lowest since 2001, and was only half of the provincial growth rate (1.0%). However, its growth rate tied the Thompson-Okanagan and Cariboo Development Regions, and ranked third overall after the Northeast (1.5%) and Mainland/Southwest (1.3%).

Most of the region's population is concentrated along the southeast coast of Vancouver Island, between Victoria and Comox. In 2011, the Capital, Cowichan, Nanaimo, and Comox-Strathcona Regional Districts along the southeast coast attracted 91% of all new residents. In contrast, the rest of the VICDR remains sparsely populated and largely undeveloped.

The VICDR's economy reflects this varied settlement pattern—industrial makeup in the more populated areas is diversified and elsewhere based primarily on resources. The construction industry has been bolstered by retirees moving to the region, and has been the largest goods sector employer since 2004. Trade, health care and social assistance, and tourism are also important throughout the VICDR, whereas public administration is the largest employer in the Capital Regional District. Forestry, fisheries and related manufacturing, and mining remain vital to the local economies of the mid and north Island and mainland coast. Agriculture, which has received a boost from recent investments in viticulture and wine production, is important in the Cowichan Regional District.

<sup>1</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.*

Despite signs of modest economic recovery last year in some parts of the province, particularly the Mainland/Southwest, the VICDR's economy continued to lag. Population growth, which has been a catalyst for much of the region's economic growth over recent years, was at a ten year low, and was also the lowest in the province. Housing starts and residential building permits were down by 20.3%<sup>2</sup> and 11.2%<sup>3</sup> respectively, as were property re-sales by 6.3%.<sup>4</sup> Construction starts on major capital projects also decreased for the fourth consecutive year.

Employment declined and unemployment increased to a seven year high. One of the few positives last year was a boost to the region's forestry industry in response to Asian demand for pulp and lumber, that stimulated mills re-openings, hiring and production expansion. However, the forestry and resource sector is still operating at a level substantially below the pre-recession period. This can be noted in the chart at Table 1-1. Tourism, which has been on a downward trend since the recession, also showed modest signs of improvement, including a forecast of a 5% increase in room revenues.<sup>5</sup>

## WORK Indicators

### Job Creation

Job creation serves as a primary indicator of the region's economic health and shifts in its economy. After a partial recovery from prior year losses in 2010, the VICDR's economy shrunk again last year, decreasing by 4.4%, or 16,700 jobs. This decline was the largest single year employment drop since 2001. Apart from the Thompson-Okanagan Development Region (-1.0%), the VICDR's decline contrasted with the rest of the province, which saw job gains ranging from 0.5% to 7.2%. Employment declined throughout the region but areas outside the Victoria Census Metropolitan Area (CMA)<sup>6</sup> were hardest hit, absorbing 92% of job losses.

The majority of the VICDR's job losses (12,100) occurred in the **service sector**, of which 85% were outside the Victoria CMA. The industries that incurred the largest declines were health care and social assistance (-7,200 jobs), trade (-5,400 jobs), finance-real estate services (-4,100 jobs) and education (-3,800 jobs). Other services (-900 jobs) and public administration (-1,000 jobs) also reported smaller declines. These losses were partly offset by job gains in the five other service industries, in particular accommodation-food services (3,500 jobs) and information, culture and recreation (2,700 jobs), reflecting the modest recovery in tourism.

Job losses in trade, other services, as well as finance-real estate services likely resulted from the slow economy, and declines in both housing sales and residential and non-residential construction. Public administration and education job losses partly reflect retirements and layoffs due to declining enrolment and budgetary deficits.<sup>7</sup>

Employment in health care has exhibited extreme swings over the last three years, despite a growing demand for these services. The Vancouver Island Health Authority<sup>8</sup> confirms that employment in health care has steadily increased since 2008 and is expected to grow again this year. Potential explanations for this variance from the Statistics Canada's job statistics are contractor changes that resulted in job layoffs and the transfer of purchasing and information technology functions outside of the VIHA. Stats Canada reports that job loss data is



<sup>2</sup> Average of VICDR urban centres, *Canada Mortgage and Housing, Housing Now: BC Region, First Quarter 2012.*

<sup>3</sup> BC Ministry of Jobs, Tourism and Innovation, *Major Projects Inventory, December 2011.*

<sup>4</sup> BC Real Estate Association.

<sup>5</sup> Central 1 Credit Union, *Economic Analysis of British Columbia, Vol 32, Issue 1, March 2012.*

<sup>6</sup> Statistics Canada only provides a sub-regional labour market breakdown for the Victoria CMA and the Vancouver Island Coast Development Region as a whole. No data is available on a regional district basis.

<sup>7</sup> Nanaimo and Campbell River School Districts.

<sup>8</sup> Interview with Rod O'Connell, Human Resources, Vancouver Island Health Authority.

based on the industry or occupation held in the previous year by people who are unemployed.

In 2011, employment in the **goods sector** also declined by 4,600 jobs, despite an increase of 2,400 jobs in the forestry, fisheries, mining and oil and gas industries. The largest decline was in construction (4,100 jobs) corresponding to lower housing demand and a reduction in capital investment. Job gains posted by the resource sector were due to recent increases in forest industry production, an offshoot of the growing Asian market demand for pulp and lumber. This upswing in activity saw the re-opening of Western Forest Products' Ladysmith sawmill, upgrades and increased hiring at Catalyst's Port Alberni and Powell River pulp and paper mills, as well as additional logging activity and expansion in forestry support industries.

**Table 1-1: Employment, Vancouver Island/Coast Development Region, 2006 to 2011<sup>9</sup>**

							Job Creation (000)	
	2006	2007	2008	2009	2010	2011	5-Year 2006-11	1-Year 2010-11
<b>TOTAL EMPLOYMENT (000)</b>	<b>365.5</b>	<b>373.9</b>	<b>389.3</b>	<b>377</b>	<b>383.8</b>	<b>367.1</b>	<b>1.6</b>	<b>-16.7</b>
<b>Goods-Producing Sector (000)</b>	<b>67.4</b>	<b>69</b>	<b>70.8</b>	<b>65.8</b>	<b>67.2</b>	<b>62.6</b>	<b>-4.8</b>	<b>-4.6</b>
Agriculture	3.9	3.7	3.6	5.3	5.1	3.7	-0.2	-1.4
Forestry, fishing, mining, oil and gas	8.6	9.8	7.7	7.2	5.5	7.9	-0.7	2.4
Utilities	-	1.6	-	1.7	-	-	-	-
Construction	32.2	35.2	38.6	33.1	35.8	31.7	-0.5	-4.1
Manufacturing	21.5	18.7	19.7	18.5	19.7	18.1	-3.4	-1.6
<b>Services-Producing Sector (000)</b>	<b>298.1</b>	<b>304.8</b>	<b>318.6</b>	<b>311.2</b>	<b>316.6</b>	<b>304.5</b>	<b>6.4</b>	<b>-12.1</b>
Trade	63.1	65.1	61.8	64.6	63.4	58.0	-5.1	-5.4
Transportation & warehousing	16.5	15.4	18.8	15.2	13.8	14.9	-1.6	1.1
Finance, insurance, real estate & leasing	17.4	23.1	18.6	20.2	22.1	18.0	0.6	-4.1
Professional, scientific & technical services	23.2	22.0	28.2	23.1	26.7	28.3	5.1	1.6
Business, building & other support services	18.0	15.8	16.5	16.5	15.2	16.7	-1.3	1.5
Educational services	24.1	25.7	22.4	25.5	28.2	24.4	0.3	-3.8
Health care & social assistance	48.3	52.0	52.7	47.0	59.3	52.1	3.8	-7.2
Information, culture & recreation	17.0	16.8	15.6	17.2	14.0	16.7	-0.3	2.7
Accommodation & food services	32.5	31.2	35.4	32.5	27.9	31.4	-1.1	3.5
Other services	12.7	13.1	17.7	18.7	16.3	15.4	2.7	-0.9
Public administration	25.3	24.5	30.9	30.7	29.7	28.7	3.4	-1.0

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



<sup>9</sup> 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.

## Unemployment Rate

In 2011, the VICDR's unemployment rate rose from 6.9% in January, to a high of 9.1% in March, before declining to 6.3% by year end. The annual average of 7.7% was 1.4 percentage points (ppt) higher than in 2010, and 2 ppt more than last year's provincial average. However, the region still fared well, with only the Northeast (4.9%), Mainland/Southwest (7.3%) and Cariboo (7.6%) recording lower unemployment. Within the region annual average unemployment was considerably higher in Nanaimo (12.1%) and Duncan (11.1%) than in the Victoria CMA (6.1%).

**Table 1-2: Unemployment Rate, Vancouver Island/Coast Development Region, 2006 to 2011**

Region	2006	2007	2008	2009	2010	2011	Percentage Point (ppt) Change	
							5-Year 2006-11	1-Year 2010-11
Vancouver Island/Coast	4.9	4.3	4.4	7.3	6.3	7.7	2.8 ppt	1.4 ppt
<b>British Columbia</b>	<b>4.8</b>	<b>4.3</b>	<b>4.6</b>	<b>7.7</b>	<b>7.6</b>	<b>7.5</b>	<b>2.7 ppt</b>	<b>-0.1 ppt</b>

Source: Statistics Canada

Last year's higher unemployment rate corresponds directly to the job losses sustained by the VICDR. While the unemployment rate moderated through the course of the year, this may be misleading as 12,000 people also left the labour force, pushing down the participation rate to its lowest level in eight years.

Youth unemployment rose 1.9 ppts to 12.6%, which was the highest rate among the Development Regions and 1.1 ppts above the provincial average. Job losses in construction and trade, industries that offer employment opportunities requiring minimum skills, would have contributed to this high rate.

**Table 1-3: Youth (age 19 to 24 years) Unemployment Rate, Vancouver Island/Coast Development Region, 2006 to 2011**

Region	2006	2007	2008	2009	2010	2011	Percentage Point (ppt) Change	
							5-Year 2006-11	1-Year 2010-11
Vancouver Island/Coast	8.2%	5.1%	6.0%	12.4%	10.6%	12.6%	4.4 ppt	1.9 ppt
<b>British Columbia</b>	<b>6.5%</b>	<b>6.1%</b>	<b>6.8%</b>	<b>11.1%</b>	<b>11.3%</b>	<b>11.5%</b>	<b>5.0 ppt</b>	<b>0.2 ppt</b>

Source: Statistics Canada, Labour Force Survey, Custom Table



# INVEST Indicators

## Business and Investment Activity

The impact of a sluggish economy, high housing inventories and lower prices, and lower population growth was reflected in the VICDR's 2011 capital investment and development activity. The value of residential and non-residential building permits was down for the fourth consecutive year, and declined by 11.6%. According to the *BC Major Projects Inventory*, four new projects valued at \$266 million started construction last year, compared with eight worth \$282 million in the year prior. One positive sign was an increase in the number, and value of new project proposals, which rose from 13 projects worth \$349 million in 2010, to 23 projects worth \$879 million in 2011. While these figures are well below their pre-recession peak, they suggest a modest improvement in developer confidence of recovery.

At year end, the total value of projects proposed, under construction, or on hold was \$34.2 billion, an increase of 1.9% (\$655 million), when compared to December 2010. The backlog of projects on hold at year end was almost identical; \$7.1 billion compared to \$7.3 billion in 2010. Proposed projects at year end totalled \$19 billion, of which 65% were non-residential, with most located outside the Victoria CMA. Energy projects valued at \$7.3 million, including hydro generating facilities and wind farms, represented more than half of these projects, while the rest consisted mostly of education facilities or municipal infrastructure.

Within the Victoria CMA, the majority of projects under construction (85%) were residential or mixed residential/commercial, including a number of large multi-phase projects. The largest projects were the \$2 billion Westhills Green and \$1.2 billion Bear Mountain neighbourhoods in Langford that will be built over several years. The two largest non-residential projects were a \$170 million hazardous material site, and a \$155 million marine helicopter facility for CFB Esquimalt.

Outside Victoria, residential/commercial development again made up most of the projects under construction, for a total of 10 projects valued at \$812 million. Non-residential projects under construction totalled \$221 million; these included two school expansions, upgrades at CFB Comox, expansion of the Nanaimo Regional Hospital, and hydro upgrades to a dam and substation.

Most experts foresee little change in the region's development and real estate sectors in 2012. Despite continuing low mortgage rates, job growth and in-migration are predicted to remain weak.<sup>10</sup> Housing inventories remain higher than demand, which should result in some price reduction, an outcome that may dampen residential construction. Fiscal deficits are also expected to impinge on non-residential construction. These factors are projected to keep the market more or less subdued throughout the year.

## Incorporations

Business incorporations serve as barometers of entrepreneurial confidence in the local economy.<sup>11</sup> The number of business incorporations in the VICDR declined by 2.2% in 2011. This decline was second only to the Thompson-Okanagan Development Region (-3.9%) and slightly more than that of the Kootenay (-2.0%). However, these figures pale in comparison with the rest of the province, where recorded gains ranged from 2.7% to 23.7%. The

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<sup>10</sup> *Central 1 Credit Union, Economic Analysis of British Columbia, Vol 32, Issue 1, March 2012.*

<sup>11</sup> *Information on bankruptcies is not available until later this year.*

region's lukewarm economic performance and lower in-migration of potential entrepreneurs undoubtedly are two of the root causes of this reduction.

**Table 1-4: Business Incorporations, Vancouver Island/Coast Development Region, 2006 to 2011**

	2006	2007	2008	2009	2010	2011	Percentage Change	
							5-Year 2006-11	1-Year 2010-11
<b>Business Incorporations</b>	3,863	3,983	3,645	3,159	3,411	3,335	-15.8%	-2.2%

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

## Business Establishments

Not surprisingly, the number of business establishments in the VICDR also decreased slightly (-1%) in 2011. This decline was marginally higher than the provincial average (-0.4%), but ranked fourth among the Development Regions after the Nechako (0.1%), Mainland/Southwest (-0.3%), and Cariboo (-0.8%). Reductions occurred in businesses of all sizes, but were most numerous in small businesses with 1 to 19 employees (-343), and in self-employment (-235). Again, the weak economy, in conjunction with a decline in in-migration are likely factors that contributed to this reduction given that retirees to the region often take on consulting or open small businesses to augment their income.

**Table 1-5: Number of Business Establishments – all sizes, Vancouver Island/Coast Development Region, 2007 to 2011<sup>12</sup>**

Region	2007	2008	2009	2010	2011	Percentage Change	
						4-Year 2007-11	1-Year 2010-11
Vancouver Island/Coast	57,875	58,796	59,648	60,559	59,954	3.5%	-1.0%
<b>British Columbia</b>	<b>360,779</b>	<b>360,882</b>	<b>362,665</b>	<b>370,262</b>	<b>368,879</b>	<b>2.2%</b>	<b>-0.4%</b>

Source: BC Stats

## LIVE Indicators

### Educational Attainment

Educational achievement has been linked to higher labour force productivity, and in the longer term, greater personal purchasing power. Last year, the percentage of the VICDR labour force, aged 25-54, with post secondary education slipped, but only slightly (-0.1%). However, this performance was below the provincial average, which overall saw an increase of 1.5%. While the region continued to have the second highest



<sup>12</sup> 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.

educational attainment after the Mainland/Southwest (68.4%), it was one of only two Development Regions to see a decline last year. The Northeast also saw a decline of 1.1%. In contrast, the Kootenay's improvement in educational attainment led the province (8.1%) and, although still ranking third, it narrowed its gap to the VICDR to only 0.8 ppts.

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

Region	2006	2007	2008	2009	2010	2011	Percentage Point Change	
							5-Year 2006-11	1-Year 2010-11
Vancouver Island/Coast	59.4%	59.8%	62.3%	62.0%	64.1%	64.0%	4.6 ppt	-0.1 ppt
<b>British Columbia</b>	<b>61.0%</b>	<b>61.7%</b>	<b>62.6%</b>	<b>63.0%</b>	<b>64.4%</b>	<b>65.9%</b>	<b>4.9 ppt</b>	<b>1.5 ppt</b>

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

Last year's decrease was a result of the loss of 9,100 individuals with university degrees from the labour force, a decline that eclipsed the addition of 2,200 people with post-secondary diplomas. Last year's decline in employment opportunities is the most likely explanation for this loss.

## 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 VICDR's dependence on social assistance remained unchanged at 2.1% of the population aged 19 to 64, which was 1 ppt higher than the provincial average. The region's dependency rate tied the Kootenay Development Region (no change) and ranked third behind the Northeast (1.2%) and Mainland/Southwest (1.7%). While the VICDR's stability in social dependence last year was positive given the region's job losses and increased unemployment, it contrasted with other Development Regions where dependency decreased by -0.1 to -0.4 ppts.



<sup>13</sup> 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.

**Table 1-7: Basic Income Assistance Recipients as a Percent of the Population, Age 19 to 64, Vancouver Island/Coast Development Region, 2008 to 2011<sup>13</sup>**

Regional District	2008	2009	2010	2011
Capital	1.1	1.4	1.4	1.4
Cowichan Valley	1.6	2.1	2.2	2.2
Nanaimo	2.1	3.1	3.0	3.1
Alberni-Clayoquot	3.6	4.6	4.6	4.4
Comox-Strathcona	1.6	2.4	2.4	2.3
Powell River	2.2	3.4	3.3	3.6
Mount Waddington	2.5	3.4	4.2	3.9
Central Coast	-	-	-	3.1
<b>Development Region Total</b>	<b>1.6</b>	<b>2.1</b>	<b>2.1</b>	<b>2.1</b>
<b>British Columbia</b>	<b>1.5</b>	<b>1.9</b>	<b>2.0</b>	<b>2.0</b>

Source: BC Stats

Within the region, changes in dependency varied. Rates decreased in the mid and north island likely as a result of job gains in forestry and mining. In the south island, they remained unchanged, which is not surprising given that relatively few jobs were lost in the Victoria CMA. However, rates increased in the Central Coast, Powell River and Nanaimo Regional Districts. As Powell River and Nanaimo are both regional trade centres, they were doubtlessly affected by last year's service sector job losses. Reasons for the increase in dependency in the Central Coast Regional District, which is highly dependent on logging and fishing and to a lesser extent on tourism, are less clear. Although given its remoteness, it is likely that the benefits of the recovering tourism industry and increased timber demand have yet to be felt there.

## Conclusions

2011 was a lacklustre year for the VICDR. Population growth, which has been the region's major economic driver, was the lowest in a decade. Low population increase and disappointing growth and uncertainty in the domestic and international economies resulted in the largest single-year employment drop in a decade and the highest unemployment rate in seven years. Remarkably, dependence on social assistance remained unchanged overall. There was a slight decline in both business incorporations and the number of business establishments in the region. Educational attainment of the labour force also slipped marginally, but more importantly,





contrasted significantly with increases seen throughout the rest of the province. The few positives last year included increased forest industry production due to higher Asian market demand for pulp and lumber, a slight improvement in tourism figures, and an increase in major project proposals, in anticipation of recovery.

In 2012, the VICDR's economy is looking more stable, due to expected modest gains in employment, specifically in the resource sector. Pulp, lumber and mineral prices are expected to hold steady based on continuing Asian demand. This factor alone should sustain or slightly increase both production and employment in the region. Health care also continues to be a growth industry, with modest job hiring already planned for this year. Lower discretionary incomes and retirement deferrals are anticipated to continue. These two factors may keep both tourism and the in-flow of retirees at lower than average levels. The end result will be, for the most part, a fairly stable housing market skewed towards buyers. The combination of provincial government fiscal constraints, proposed zero wage increases and hiring freezes, are likely to constrain Victoria's economy as well as public spending throughout the region. Nevertheless, overall, the VICDR should hold its own this year.

## 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.

