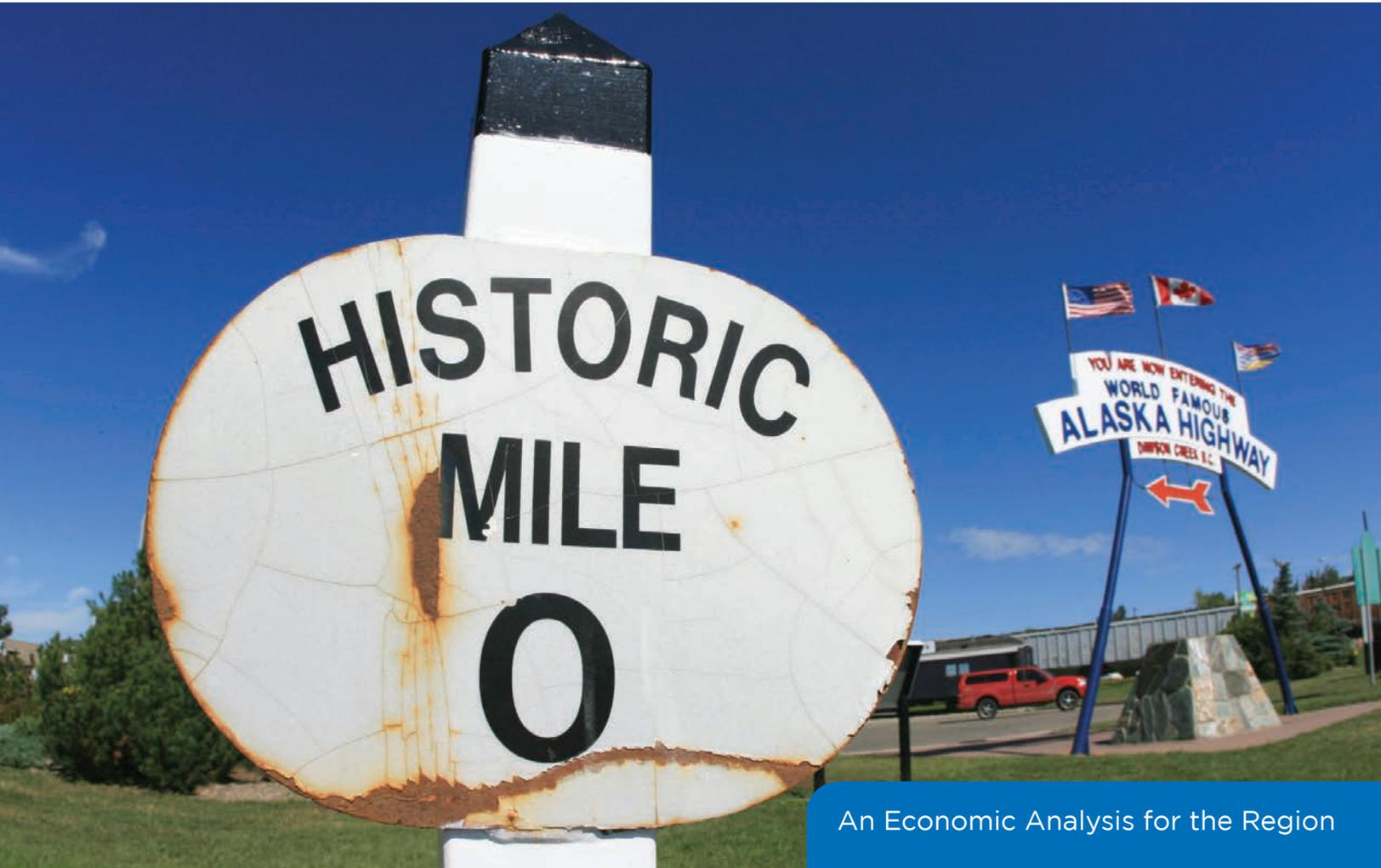


REGIONAL CHECK-UP 2015

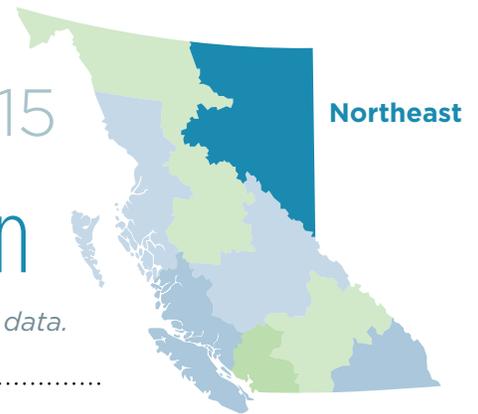
Northeast Development Region



CPABC Regional Check-Up 2015

Northeast Development Region

All numbers are from 2014. Increases/decreases are in comparison to 2013 data.



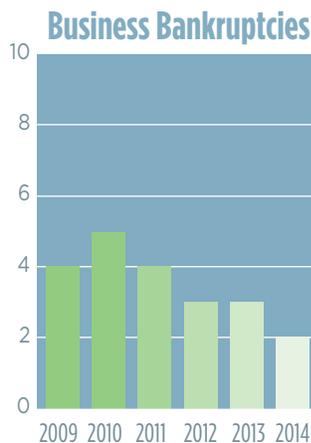
DEMOGRAPHICS:

Population:
70,796 residents or **2.6%**
 of BC's population

#1 Fastest growing
 Development Region

INVESTING:

Capital Investment:
 up by **8.9%** to **\$31.7 billion**



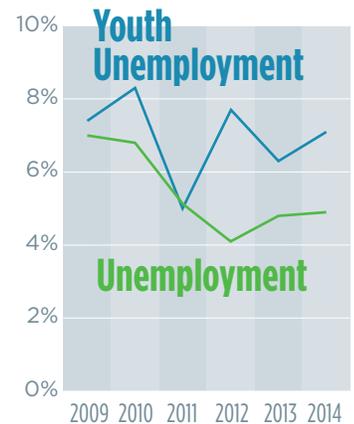
WORKING:

Jobs:
-1,300 (-3.3%)

Goods:
+1,600 (+14.7%)

Services:
-2,800 (-9.7%)

First significant decline
 in the number of jobs
 since 2009



LIVING:

Educational Attainment:
52.6% of labour force
 has a post-secondary
 certificate/diploma
 or higher (-2.3 ppt)

last among all
 8 Development Regions

Consumer Insolvencies:

1.6 per
 1,000 adult
 population, or **-5.9%**

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Northeast Development Region

The Northeast Development Region (NEDR), covering 202,502 km² of land, comprises 22% of British Columbia's land base. It is situated east of the Rocky Mountains, spanning the northeast part of BC between the Yukon and Northwest Territories in the north and Alberta in the east.

The Northeast Development Region remained the fastest-growing development region in BC. The region's population grew by 2.6%, to reach 70,796 residents as of July 1, 2014. Not included in this figure is the large non-local workforce that lives temporarily in industry camps, hotels, and motels close to resource and construction sites.

The Peace River Regional District (PRRD) has 92% of the NEDR's population. The PRRD includes the communities of Fort St. John, Dawson Creek, Chetwynd, Taylor, Hudson's Hope, and Tumbler Ridge. Between 2013 and 2014, population in the PRRD grew by 2.9%. In the Northern Rockies Regional Municipality to the north, where Fort Nelson is the primary community, population declined by 0.3%.

Natural gas production, mining, and forest products are the principal economic drivers and catalysts for investment and construction in the NEDR. The NEDR is also the source of 38.0% of BC's electrical power generation, with massive hydro-electric power generation and transmission from

the Peace and W.A.C. Bennett Dams, as well as a growing number of wind power facilities. While construction on the Site C dam project is planned to start in the fall of 2015, there are still some legal hurdles that may affect its progress.

Rising inventories are expected to keep natural gas prices down for the foreseeable future. While drilling and capping activity continued through the winter, at the time of writing (April 2015) there is an industry slowdown due to spring breakup, which is a pause in drilling activity in the oil and gas industry when crews wait for snow to melt.¹

As of the end of 2014, there were 19 proposed LNG projects throughout BC, worth billions of dollars, at various stages of the federal environmental approval process.² So far no investors have made the announcement that the projects will proceed. As of April 2015, only Petronas is anticipated to be the most likely investor to proceed with its proposed project, but the company has yet to indicate its intention to move forward.

The BC government's earlier commitment to a goal of three LNG operations starting up by 2020 may now be revised. Some industry analysts are now taking the view that this could be delayed, or that only two projects will proceed.³ Cost-competitiveness and languishing natural gas prices at a time when many international competitors

¹ Claudia Cattaneo, *Financial Post*, "Sombre's oilpatch braces for a spring breakup that could stretch into fall", April 2, 2015, <http://business.financialpost.com/news/energy/sombre-oilpatch-braces-for-a-spring-breakup-that-could-stretch-into-fall>

² Government of BC, *LNG BC*. <https://engage.gov.bc.ca/Inginbc/Lng-projects/> accessed May 2015.

³ Yadullah Hussain, *Only two BC LNG Projects to Proceed as Industry Faces Anxiety Attack: Analyst*, *Financial Post*, January 22, 2015.

are well ahead in developing their markets all contribute to investor uncertainty.

Northeast coal deposits are concentrated south and west of Tumbler Ridge. International coal prices have been sliding since 2011, due to a slowdown in Chinese industrial production, rising competition from Australia, and a shift away from long-term coal pricing contracts. In 2014, Walter Energy was forced to curtail production at its Wolverine, Brule, and Willow Creek mines, resulting in the loss of 700 jobs, with the greatest effects felt in Chetwynd and Tumbler Ridge. Some of these workers were relocated to mines in Northern Canada.

The Northeast Development Region's lumber industry is once again thriving, with the value of its lumber exports rising in response to accelerated housing construction in the US. The price of most grades of dimension lumber rose in 2014, as well as that of bleached kraft pulp.⁴ After several years of market doldrums, the upturn in demand for forest products has improved profits and elicited new investment.

In March 2014, Paper Excellence Group acquired the Chetwynd mechanical pulp mill, which has been shut down since 2012, from Tembec Inc. The company has hired 120 workers in anticipation for the scheduled opening on May 1, 2015. In addition, there is a new initiative by the local Economic Development Commission to re-open shuttered sawmills near Fort Nelson, due to stronger markets and a surplus of harvestable timber in the region. Further, a number of Northeast forest product companies are now producing bioenergy products to better utilize their fibre and cut costs. Canfor has also announced a \$58 million investment in two new pellet

plants at its Chetwynd and Fort St. John sawmill sites.

Since June 2014, declining crude oil prices have dampened economic conditions in Alberta and the other oil-producing provinces. The outlook for these provinces is not optimistic. While projections for Canada's economy this year— particularly in the oil-producing provinces— is lackluster, BC is still expected to see 2.6% real GDP growth in 2015, buoyed by resource exports to the US economy.⁵ This will continue to stimulate the Northeast economy.

Already, workers and businesses from Alberta are relocating to the NEDR, creating a more competitive job market in the natural gas service industry. The big question is, will any of the proposed LNG projects go ahead? Regardless, the decisions on these proposed projects will have profound impact on the NEDR's economy in years to come.

⁴ West Fraser, *Annual Report 2014*, page 12, dated March 23, 2015.

⁵ TD Bank Economics, *Provincial Economic Forecast*, April 10, 2015.

WORK Indicators

Job Creation

Job creation, one of the most widely employed economic indicators in the world, is defined as the net number of jobs either created or eliminated in any given year. While the NEDR is an important economic engine for the entire province, it accounts for the smallest share of BC's workforce.

The NEDR goods-producing sector realized a gain of 1,600 new jobs last year, but this was eclipsed by a decline of 2,800 jobs in the service sector. Altogether, the NEDR lost 1,300 jobs — a decline of 3.4% — the Development Region's first significant employment downturn since 2009.⁶ This brought total employment in the Northeast Development Region to 38,500 employed individuals.

In 2014, employment in the NEDR's goods-producing sector rose by 1,600 to 12,500 jobs. Most of this increase occurred in the construction industry (+1,100 jobs), due to several building projects in the commercial and residential sectors. In 2014, a hotel was completed in Fort St. John, while a number of apartment buildings, townhomes and condos were also being constructed. In addition, there are plans for construction of new hotels in the city. This construction is in the works to accommodate new workers in the community who will likely be working on the Site C project.

The Labour Force Survey data indicates no overall change in the number of jobs in the forestry, fishing, mining and oil and gas industry in 2014, which does not reflect the loss of 700 jobs when coal mines near Tumbler Ridge were idled. It may be that

most of these workers found employment elsewhere in the resource sector, or there may be an anomaly in the data. Employment in the mining and oil and gas extraction sub-industry inched up slightly by 100 jobs last year, but no breakdown is available for any of the other sub-industries within the forestry, fishing, mining and oil and gas industry.

The NEDR's service sector reversed its fortunes in 2014. After five years of consecutive gains, employment in the service sector declined by 2,800 jobs to 26,100. There is little question that the loss of these jobs is generally related to the slowdown in the mining and LNG industries. For at least the next two years, North American inventories of natural gas will remain high, thereby suppressing prices.⁷ This, as well as the advent of spring breakup in early 2015, slowed activity in the NEDR natural gas industry.

The outcome has been layoffs not only in directly related industries, such as well-servicing operations, but in an array of supporting services. The same is true for coal mining, where depressed global demand has also dampened prices and the value of exports. The largest service sector losses in the NEDR took place in the educational services, fire, insurance, real estate and leasing, other services, accommodation and food, and retail industries (-1,300, -900, -800, -200, and -100 jobs respectively).

On the positive side, some service industries grew in size last year, including the transportation; truck transportation;

⁶ We recognize that the sum of these is -1,200, while the total stated is -1,300. This may be due to a rounding error by Statistics Canada.

⁷ TD Bank Economics, *Provincial Economic Forecast*, April 10, 2015.

health care and social assistance; food services/drink establishments; and professional, scientific and technical industries, which gained 200, 300, 300, 300, and 100 jobs respectively.

Job creation was positive in only three of BC's Development Regions in 2014. The fastest growth rate occurred in the Cariboo Development Region, due to accelerated activity in the resource sector and related service sector industries, such as the professional, scientific and technical industry. Job creation in the Mainland/Southwest

was second at 2.0% growth, while job creation in the Thompson-Okanagan was third with an increase of 1.0%.

Overall job losses occurred in all other Development Regions, with the most dramatic declines in the Kootenay and the Nechako and North Coast Development Regions combined (+11.8% and -3.9% respectively).

Northeast BC lost 1,300 jobs in 2014; this was the Development Region's first significant employment downturn since 2009.

Table 1-1: Employment, NEDR, 2009 to 2014⁸

	2009	2010	2011	2012	2013	2014	Job Creation (000)	
							5-Year 09-14	1-Year 13-14
TOTAL EMPLOYMENT (000)	35.9	37.2	37.4	40.1	39.8	38.5	+2.6	-1.3
Goods-Producing Sector (000)	13.4	12.8	10.3	11.7	10.9	12.5	-0.9	+1.6
Agriculture	-	-	-	-	-	-	n/a	n/a
Forestry, fishing, mining, oil and gas	7.0	6.5	4.2	3.9	3.8	3.8	-3.2	0.0
Utilities	-	-	-	-	-	-	n/a	n/a
Construction	4.5	4.3	3.3	5.2	5.0	6.1	+1.6	+1.1
Manufacturing	-	1.5	1.7	2.0	-	-	n/a	n/a
Services-Producing Sector (000)	22.5	24.4	27.1	28.4	28.9	26.1	+3.6	-2.8
Trade	4.7	6.0	6.3	6.6	5.6	5.5	+0.8	-0.1
Transportation & warehousing	3.0	2.3	3.1	3.1	3.5	3.4	+0.4	-0.1
Finance, insurance, real estate & leasing	x	1.9	1.8	1.8	2.4	1.5	n/a	-0.9
Professional, scientific & technical services	2.3	2.0	2.3	2.2	1.9	2.0	-0.3	+0.1
Business, building & other support services	-	-	-	1.6	-	-	n/a	n/a
Educational services	1.5	1.8	2.7	2.8	3.3	2.0	+0.5	-1.3
Health care & social assistance	2.8	3.5	3.0	3.1	3.0	3.3	+0.5	+0.3
Information, culture & recreation	-	-	-	-	-	-	n/a	n/a
Accommodation & food services	2.7	2.0	1.9	2.1	2.9	2.7	0.0	-0.2
Other services	1.6	2.2	2.7	2.7	3.0	2.2	+0.6	-0.8
Public administration	-	-	-	1.7	-	-	n/a	n/a

Source: Statistics Canada, Labour Force Survey Historical Review

⁸ 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 cannot be calculated.

Unemployment Rate

The unemployment rate is defined as the number of people actively seeking a job as a percentage of the labour force. The unemployment rate in the NEDR rose by 0.1 percentage points (ppt) to reach 4.9%, while the unemployment rate in BC declined by 0.5 ppt to 6.1%. However, the NEDR still boasts the lowest unemployment rate in BC. The contrast in the provincial and NEDR's unemployment rate demonstrates that the slowdown in resource industries is being more deeply felt in the Northeast's economy.

The size of the NEDR labour force in 2014 declined by 1,200 to 40,600 workers, while the number of employed workers declined by 1,300 to 38,500. More than half of the lost jobs were part-time, reflecting the effects of economic uncertainty and resource sector slowdown have on businesses that tend to employ part-time workers, such as accommodation and retail.

Despite the loss of 1,300 jobs in the NEDR last year, an outflow of some workers from the Development Region, as well as an increase in the number of those who left the workforce, dampened a rise in the unemployment rate. While some of those who left the labour force did so out of discouragement, others chose to go back to school, or to stay at home with the children while the spouse worked.

For the fifth year in a row, the provincial unemployment rate declined to reach 6.1%. As in most years, the Northeast Development Region experienced the lowest unemployment rate at 4.9%. The Mainland/Southwest and Cariboo Development Regions both had 6.0% unemployment rates. On the other hand, both the Kootenay and the combined North Coast and Nechako Development Regions witnessed unemployment rates of 6.9% and 8.0% respectively, both significantly higher than in 2013.

Table 1-2: Unemployment Rate, NEDR, 2009 to 2014

Region	2009	2010	2011	2012	2013	2014	Percentage Point (ppt) Change	
							5-Year 09-14	1-Year 13-14
Northeast	7.0	6.8	5.1	4.1	4.8	4.9	-2.1 ppt	+0.1 ppt
British Columbia	7.7	7.6	7.5	6.8	6.6	6.1	-1.6 ppt	-0.5 ppt

Source: Statistics Canada

Youth unemployment in the NEDR increased by 0.8 ppt to 7.1%, compared to a decline of 1.5 ppt in the provincial youth unemployment rate. The difference underscores the effect of economic uncertainty in the Northeast.

Young workers are often the first to experience layoffs. The new labour market conditions will be particularly difficult for those young workers who were readily able to find employment in the Northeast until this year.

In BC, youth unemployment declined to 9.2%. The greatest declines occurred in the Kootenay and Northwest BC (North Coast

and Nechako combined), at -5.0 and -4.1 ppt respectively. The Mainland/Southwest Development Region's youth unemployment rate fell by 1.8 ppt to reach 9.3%.

In the Northeast and Thompson-Okanagan Development Regions, youth unemployment rates rose by 0.8 ppt and 0.1 ppt respectively.

Table 1-3: Youth (age 19 to 24 years) Unemployment Rate, NEDR, 2009 to 2014

Region	2009	2010	2011	2012	2013	2014	Percentage Point (ppt) Change	
							5-Year 09-14	1-Year 13-14
Northeast*	7.4	8.3	5.0	7.7	6.3	7.1	-0.3 ppt	+0.8 ppt
British Columbia	11.7	11.3	11.8	11.3	10.7	9.2	-2.5 ppt	-1.5 ppt

Source: Statistics Canada *Unemployment rate calculated by author

INVEST Indicators

Business & Investment Activity

Capital investment in the construction of industrial, commercial, and institutional infrastructure makes an important economic contribution by creating jobs and boosting productivity. This enhances BC's competitiveness with other provinces and countries. Since the 2009 recession, capital investment has risen steadily in BC and the Northeast Development Region.

Between the third quarter of 2013 and the third quarter of 2014, total capital investment in the NEDR grew by 8.9%. By September 2014, the total value of the Northeast Development Region's major projects — either proposed, underway, completed, or on hold — grew to \$31.7 billion, which was a one-year increase of \$2.6 billion.⁹

As of the third quarter of 2014, there were 53 major projects in the NEDR. Of these, 39 projects were in the proposal stage (valued at \$28.9 billion), nine projects had already begun construction (\$1.1 billion), two projects were completed (no value available) and three projects were on hold (\$1.7 billion).¹⁰ Combined, the mining and oil gas extraction industry and the utilities industries accounted for 73% of all projects cited in the NEDR.

Most of the large projects proposed in the NEDR are those related to the growing liquefied natural gas (LNG) industry. There are now 19 LNG gas processing and pipeline projects proposed in Northeast and Northwest BC, with capital values in the billions of dollars, all at different stages of regulatory approval. Significant or new projects in the NEDR are the following:

- Coastal Gaslink Pipeline Project (\$4 billion), extending from Dawson Creek area to proposed Shell LNG facility in Kitimat, proponent is TransCanada Pipelines;
- North Montney Mainline Pipeline Project (\$1.5 billion), proposed 305 km extension to the Groundbirch pipeline that will connect to the Prince Rupert Gas Transmission project, proponent NOVA Gas Transmission, a subsidiary of TransCanada Corp. This project received approval by National Energy Board in April 2015; and
- Merrick Mainline Pipeline (\$1.9 billion), a newly proposed pipeline (as of 2014) running 260 km from Dawson Creek to Summit Lake, to connect with Pacific Trails Pipeline, proponent is TransCanada Corporation;



In 2014, AltaGas Ltd. also proposed two new LNG gas processing facilities in the NEDR — one in Dawson Creek (\$250 million) and the other located north of Fort St. John (\$350 million).

While the proposed West Coast Connector (\$6-\$8 billion) and the Pacific Northwest LNG¹¹ (\$36 billion) projects are situated in the North Coast Development Region, their approval or rejection will strongly affect the economy of the NEDR, where the natural gas reserves are situated.

⁹ BC Ministry of Economic Development, *BC Major Projects Inventory*, September 2014. In all previous years we have used December MPI data, but this was not available at the time of writing.

¹⁰ Ibid.

¹¹ The Pacific Northwest LNG Project has recently received National Energy Board approval.

Status on other key projects is as follows:

- The Site C Clean Energy Project near Fort St. John, valued at \$7.9 billion, is expected to go ahead, but must resolve final legal hurdles.
- Canfor Corporation is proposing to build new pellet plants at existing sawmill locations in Chetwynd and Fort St. John, valued at \$29 million each, both of which will be operated in partnership with Pacific Bioenergy Corp.

In addition, there are at least eight wind power projects proposed near Chetwynd and Tumbler Ridge, ranging in value from \$125 million to \$1.5 billion, but none have proceeded.

Project feasibility in the next few years will depend on market developments for coal, natural gas and electricity, and the nature of BC's investment climate.

Project feasibility in the next few years will depend on market developments for coal, natural gas and electricity, and the nature of BC's investment climate.

Bankruptcies

The number of business bankruptcies is a solid indicator of investment climate, although they occur for a whole host of reasons. This includes market conditions, debt load, poor decisions, personal or family disasters, or factors such as poor location or loss of key employees or clients. Thus the business bankruptcies indicator reflects a combination of events and circumstances, some of which are directly related to economic conditions. The number of business failures often rises during times of economic slowdown.

The number of business bankruptcies in the NEDR has declined annually since 2010, reaching two reported bankruptcies in 2014. Data from the Office of the Superintendent of Bankruptcy Canada show that bankruptcies in the NEDR peaked in 2003 at 21 incidents, and have remained at a consistently lower level ever since.

Entrepreneurs in the NEDR have enjoyed a plethora of opportunities, which resulted from increased resource sector activity and population growth in the past decade. The early 2000s may have experienced more entrepreneurial risk-taking, with a greater incidence of both business entries and exits. However, the trend appears to have settled in recent years.

Business bankruptcies in BC rose by 5.8% to 200 in 2014. This indicator declined

by 53.8% in the Thompson-Okanagan, and 50% in the Kootenay Development Regions. In Northeast BC, bankruptcies were down by 33.3% in 2014. The Vancouver Island/Coast Development Region also experienced a 2.5% decline in reported business bankruptcies.

While there was no change in Northwest BC (North Coast and Nechako combined), bankruptcies rose by 100% in the Cariboo. The Mainland/Southwest Development Regional also saw bankruptcies grow by 51% and, in absolute terms, this was the largest increase anywhere in BC.

Table 1-4: Business Bankruptcies, NEDR, 2009 to 2014

Region	2009	2010	2011	2012	2013	2014	Percentage Change	
							5-Year 09-14	1-Year 13-14
Business Bankruptcies	4	5	4	3	3	2	-50.0%	-33.3%

Source: Office of the Superintendent of Bankruptcy Canada

LIVE Indicators

Educational Attainment

A skilled and educated labour force is more efficient and productive, and is essential for economic growth. Education allows workers to perform their jobs better and more easily adapt to technological changes. It also helps expand and disseminate knowledge across society, and to pass this on through the generations.

In 2014, 52.6% of the NEDR's labour force aged 25 to 54 had a post-secondary certificate/diploma or higher, a 2.3 ppt decline from the previous year. While this indicator has risen steadily in BC during the past five years to 68.1%, the NEDR has seen little change.

The NEDR's labour force composition reflects the labour requirements of its resource and service industries. In 2014, 24.7% of the NEDR labour force had only a high school education, compared to 20.3% for BC. And approximately 39% of the NEDR labour force has a post-secondary certificate or diploma, compared to 36.5% for BC. This is hardly a surprise given the demand for trades in the oil and gas, mining, and construction industries. By the same token, in 2014, only 14.6% of the NEDR labour force had a university degree, compared with the provincial average of 32.1%.

Generally speaking, abundant jobs with high salaries have attracted and retained many skilled and unskilled workers in the NEDR during the past decade. Even workers without high school completion have been successful in finding jobs during busy times. But less educated workers are the most at risk of losing their jobs during economic slowdowns, as evidenced by the uptick in youth unemployment in the NEDR, and tend to encounter more difficulties finding new jobs. Higher educational attainment not only opens more doors for young workers, it can also buffer them against prolonged unemployment.

In other Development Regions, the Mainland/Southwest (70.1%) maintained its first place standing in educational attainment, followed closely by the Kootenay and Vancouver Island/Coast (at 69.0% and 67.6% respectively). The combined Nechako and North Coast Development Regions and the NEDR again had the lowest levels of worker educational attainment, with respective rates of 54.1% and 52.6%.

Table 1-5: Percent of Labour Force Age 25 to 54 with a Post-Secondary Certificate/Diploma or Higher, NEDR, 2009 to 2014

Region	2009	2010	2011	2012	2013	2014	Percentage Point (ppt)	
							5-Year 09-14	1-Year 13-14
Northeast	53.8%	49.3%	48.5%	52.9%	54.9%	52.6%	-1.2 ppt	-2.3 ppt
British Columbia	63.0%	64.3%	65.9%	66.5%	67.9%	68.1%	+5.1 ppt	+0.2 ppt

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

Consumer Insolvencies

The consumer insolvency rate, defined as the number of personal insolvencies per 1,000 adult population, captures the aggregate outcome of changes in economic conditions, consumer behaviour, or credit market developments such as a hike in interest rates.

When facing insolvency, individuals can either declare personal bankruptcy or choose to negotiate a consumer proposal, whereby creditors agree to repay a share of one's debt and retain ownership of one's assets. The latter has been on the rise in recent years and now comprises over 40% of insolvencies in BC.

The number of personal insolvencies per 1,000 adult population declined to 1.6 in the Northeast Development Region in 2014. This was 5.9% below the 2013 level, and a significant 46.7% drop from 2009. Overall, the NEDR bankruptcy rate declined by 41.7% in 2014, while the proposal rate rose at 66.7%.

With the exception of a spike in 2010, the trend in bankruptcies in the NEDR has been one of decline during the past five years, no doubt attributable to the low unemployment rate, low interest rate, and better employment opportunities in this region. These results reflect a still-solid regional economy and relaxed credit conditions.

In absolute terms, the NEDR enjoyed the lowest consumer insolvency rate in BC last year, and a 5.9% decline from 2013. Most Development Regions saw the value of this indicator decline in 2014, with the Kootenay Development Region leading at -9.1%, followed by the North Coast, Thompson Okanagan, and the Mainland/Southwest (-8.3%, -8.1%, and -6.9% respectively). On the other hand, there was no change in this indicator in the Cariboo, while the insolvency rate rose by 15.0% in Nechako.

Table 1-6: Annual Consumer Insolvency Rate per 1,000 Population Aged 18 Years and Older, TODR, 2009 to 2014

Rate		2009	2010	2011	2012	2013	2014	Percentage Point (ppt) Change	
								5-Year 09-14	1-Year 13-14
Northeast	Insolvency	3.0	4.4	2.2	2.4	1.7	1.6	-46.7%	-5.9%
	Bankruptcy	2.5	3.4	1.8	2.0	1.2	0.7	-72.0%	-41.7%
	Proposal	0.5	0.9	0.5	0.5	0.6	1.0	+100.0%	+66.7%
BC	Insolvency	3.7	3.5	3.2	3.2	3.2	3.0	-18.9%	-6.3%

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

CONCLUSION

From an economic standpoint, although the NEDR had a few setbacks in 2014, it continued to be one of the best places to live, work, and invest in BC. Prior to 2014, a plethora of jobs in resources, construction, and the supporting industries attracted many workers and their families to the young and growing communities of the NEDR, making the Development Region a good place to live.

The year 2014 saw a slight erosion of this appeal, with a net loss of 1,300 jobs, primarily in the service sector. Nevertheless, sources in the region confirm that there is prevailing optimism, as evidenced by brisk commercial and residential construction activity, the prospect of renewed natural gas activity after spring breakup, and the inflow of workers and businesses from Alberta. While this has exerted competitive pressures in the NEDR labour market and on businesses in the natural gas sector, hopes are high that there will be a decision to proceed with at least one LNG project, which could generate immense economic benefits throughout the region and BC.

Faster growth in the labour supply than the availability of jobs in 2014 hiked the NEDR unemployment rate slightly to 4.9% in 2014, while the youth unemployment rate rose by 8.0 ppt to 7.1%. As always, young workers with less experience are the first to feel the effects of industry slowdown. In recent years, young workers with little experience and lower educational attainment have readily found jobs in the NEDR labour market. But these same workers are

the first to go during industry downsizing, and it is more difficult for less skilled young workers to obtain and keep new jobs. Thus, while the lowest unemployment rate in BC made the NEDR a good place to work in 2014, its comparatively low level of educational attainment made many workers, particularly the young, more vulnerable to the prospect of layoffs in 2014.

With consumer insolvencies in the NEDR declining to its lowest level in five years, household finances appear to be robust, due to a favourable combination of employment opportunity and credit markets. Business foreclosures have also declined steadily over the past one and five year periods, heralding a more settled and probably more risk-averse entrepreneurial climate.

The most recent seasonally adjusted labour market indicators for the NEDR show some improvement for the first quarter of 2015. During this time, the NEDR's unemployment rate declined to 4.2% by March 2015. The number of jobs in the goods-producing sector reached 12,600 by March 2015, with a gain of 400 jobs in the forestry, fishing, mining and oil and gas industry. This did not offset a loss of 900 construction jobs during this quarter, but information on where other gains were made in the goods-producing sector is not available.¹²

In the first quarter 2015, the service-producing sector realized a gain of 2,400 jobs, thereby offsetting the losses of 2014. Most

¹² No data is provided in the Labour Force Survey for utilities or manufacturing. In small communities, it is often suppressed for reasons of confidentiality.

new jobs were created in the “other services,” accommodation and food services, and professional, scientific and technical services industries.

The outlook for the NEDR economy in 2015 depends on the markets for its resource exports, investment decisions made in the natural gas sector, and the proposed Site C dam. The coal sector has endured a tough year, with production slowdowns and substantial layoffs at its operations in the NEDR. However, coal prices are expected to improve modestly next year, based on industrial activity in China and other export markets, and this could stimulate greater output in the NEDR.¹³

The outlook for lumber exports is fairly optimistic, based on continued strong housing construction in the US. But natural gas prices are expected to stay below US\$3.50 per MMBtu well into 2016, due to growing North American inventories.

This could have implications for the NEDR's natural gas industry, as investors delay their decisions on the proposed LNG extraction and pipeline projects. If at least one of these projects goes ahead, it will draw significant capital into the NEDR and BC, generate thousands of new direct and indirect jobs, and boost government revenues.

Glossary of Definitions

Consumer proposals: A viable alternative to bankruptcy for those struggling with too much debt. In a consumer proposal, the debtor makes a legally binding debt settlement arrangement with their creditors to pay a portion of their outstanding debt over a period of up to five years. The greatest advantage of a proposal over a bankruptcy is the ability of the debtor to keep their assets as long as they are able to continue to make payments on any loans secured by those assets (like a house mortgage).

Job creation: Change in number of employed individuals between two given years.

Unemployment rate: Share of employable labour force looking for work but unable to find it.

Venture capital: Is defined as financial capital provided to start-up companies (usually in the IT sector) in either the inception phase or a period of early growth, and is generally characterized by high risk.

¹³ TD Economics, Commodity Price Report, “Still Searching for a Bottom”, April 2, 2015.

CPABC Regional Check-Up - Northeast

As leaders in analysing and validating information, CPAs are often called upon to provide independent, fair, and objective information to assist in decision-making. It's with this goal in mind that the Chartered Professional Accountants of BC prepare the *CPABC Regional Check-Up and CPABC Check-Up* reports each year. It is our hope that the reports will make a positive public policy contribution to the province by stimulating debate and discussion about how to make BC a better place in which to live, work, and invest.

The *CPABC Regional Check-Up and CPABC Check-Up* reports, as well as related information, are available online at www.bccheckup.com.

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Opinions expressed in the *CPABC Regional Check-Up - Northeast* do not necessarily reflect those of individual chartered professional accountants.

CPABC Regional Check-Up

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