

LOCATIONAL DATA

BRITISH COLUMBIA ECONOMIC OVERVIEW

The data provided below describes the general condition of the British Columbia economy at this time. The statistics used are the latest data available on each segment of the economy as at January 7, 2011.

British Columbia's economy shrank 2.3% in 2009, as the Province felt the effects of the unprecedented global economic downturn. The British Columbia economy began recovering in the latter half of 2009 and through the first three quarters of 2010 but the second quarter's lower increases in manufacturing sales, new jobs, housing starts and labour income rates, as well as falling retail sales through the second and third quarters, are signs that the growth is slowing. With the U.S. economy moving through this post-recessionary period with middling economic growth, a soft housing market and weak consumer demand, and with a number of European countries facing growing budget deficits and rising national debt levels, the immediate future suggests more limited growth. This is compounded by fears of currency manipulation leading to an artificially high Canadian dollar which will impact exporters. The introduction of the Harmonized Sales Tax (HST) at 12% (effective July 1, 2010) and a commitment by the Government to spend \$4 billion over three years on transportation investments and \$5.3 billion to over 850 accelerated capital projects across B.C. are all initiatives currently underway to strengthen the economy.

CONSUMER PRICE INDEX	Nov-09 to Nov-10	5-year Avg.
B.C.	2.2%	1.4%
Canada	2.0%	1.8%
LABOUR FORCE	Dec-10	10-year Avg.
Unemployment Rate (B.C.)	7.6%	6.6%
Unemployment Rate (Canada)	7.6%	7.1%
OTHER	Dec 06-10	10-year Avg.
Bank of Canada	1.00%	2.75%
Prime Rate (Royal Bank)	3.00%	4.47%
5-year Closed (Royal Bank)	5.19%	6.47%
U.S.\$ per Cdn.\$	\$0.983	\$0.812

BC Economic Trends

- **Population:** British Columbia is the westernmost province in Canada, strategically situated on the Pacific Rim, comprising 13% of Canada's total population and 10% of Canada's total land area. After Ontario and Quebec, it is the third most populous province, with 4,551,853 residents as of October 1, 2010. In 2009, B.C.'s total population increased 74,258 persons, up 1.7% from 2008. This is the third fastest provincial growth rate, behind Nunavut and Alberta.
- **Employment:** As of January 1, 2010, 2,259,400 persons were employed in British Columbia. Over 80.2% employed British Columbians work in the service-producing sector,

including health care and education (18.7%), trade (16.3%), accommodation and food (7.6%) and professional (7.5%). 19.8% are employed in the goods-producing sector, including construction (8.6%), manufacturing (7.2%), forestry and mining (1.7%) and agriculture (1.5%). As of the second quarter of 2010, over 22% of jobs in B.C. were part-time.

➤ **Migration:** As of October 1, 2010, the net migration to British Columbia for 2010 was 43,029 persons. The net migration for this year should be higher than 2009 and closer to the five-year average. The projected net migration for 2010, approximately 52,000 persons, translates into a demand for an estimated 28,000 households. 2011 is expected to be similar to 2010 net migration figures; the population projection undertaken in late 2009 indicated an increase in inter-provincial migration countered by falling international migration.

B.C. Components of Population Change			
	International Immigrants	Inter-Provincial Migrants	Total Net Migration
2009 Total	37,211 (83%)	7,499 (17%)	44,710
5-yr avg	43,735 (82%)	9,896 (18%)	53,631
Q1-3, 2010	38,833 (90%)	4,196 (10%)	43,029
5-yr Q1-3 avg	36,805 (83%)	7,319 (17%)	44,124

➤ **Tourism:** The tourism sector faced challenges in 2009 as the global economic downturn effects spread and several major cruise lines announced that they would no longer be stopping in Vancouver. Room revenues were \$1.73 billion, down 12.31% from 2008. The five-year average is \$1.834 billion. Buoyed by February's successful 2010 Winter Olympics, the first half of 2010 saw room revenues of \$944,800,000, up 7.1% over the five-year average. However, the effects have not carried over into the second quarter, which is down 4% from the five-year average. The outlook for 2011 indicates strong growth from the emerging and established markets in Asia, however, given that close to 70% of the international tourists are from the U.S. and given the continued weak U.S. dollar and slow economy, the overall growth from tourism will be modest. The recently expanded Vancouver Convention and Exhibition Centre has contributed to opening new markets.

➤ **Trade:** The total value of B.C. exports to all countries for the third quarter of 2010 was \$7.370 billion; the average for the third quarter over the past five years has been \$7.860 billion. British Columbia is more diversified than the nation as an exporter, given its West Coast proximity to major importing countries. While Canada sent some 83.8% of its exports to the U.S. in 2009, only 49.9% of B.C.'s exports went to the U.S. The total value of B.C. exports for 2009 was \$25.7 billion, below the five-year average of \$31.6 billion.

➤ **Retail:** Retail sales in B.C. for the first three quarters of 2010 totalled approximately \$43.27 billion, up 9.4% from the first three quarters of 2009. Total retail sales have averaged \$41.09 billion over the first three quarters for the last five years. 2009 retail sales totalled \$53.52 billion, down 5.5% from 2008 and down 0.9% from \$53.98 billion averaged over the last five years.

➤ **Interest Rates:** On September 8, 2010, the Bank of Canada raised the target overnight rate to 1.00%. In response to the changes to borrowing capacity caused by this increase and the new mortgage qualification rules effective April 19, 2010, financial institutions and the bond market have recently lowered the five-year fixed mortgage rates by ten basis points, to 5.19%. The introduction of the H.S.T. on July 1, 2010 has had a slowing effect on the upper

end of the real estate market; many projects have been redesigned for smaller suites to meet specific price points that are less impacted by the H.S.T. A rate increase is predicted in 2011.

- **Housing Starts:** Through the first three quarters of 2010, housing starts in both Vancouver C.M.A. and B.C. were above the same period last year but below the five-year averages. About 87% of immigrants to B.C. settle in the Vancouver C.M.A.. This estimated 45,000 new immigrants trigger demand for 18,000 to 20,000 new households, which provides continued pressure on both rental and housing prices. The estimated new housing starts for 2010 will fall short in the Vancouver C.M.A. Although 2011 is expected to be higher than 2010, economists suggest that the total housing starts will still be below the five-year average. The rest of B.C. reflects a more balanced supply/demand situation for housing.
- **Major Projects:** As of the third quarter of 2010, the capital cost of all major projects currently under construction in B.C. is estimated at a total cost of \$61.7 billion. Included in this figure are the 22 major projects commencing construction during the third quarter, an estimated \$1.516 billion.

	Housing Starts		
	Total 2009	2010 Q-3	2010 Yr-to-Date
Vancouver C.M.A.	8,339	4,256	11,137
5-yr Avg	17,788	4,932	12,355
B.C.	16,077	7,259	20,135
5-yr avg	31,509	8,404	23,097

Municipality	Projects commencing Jul-Sep 2010	Est. Cost (\$ mill)
	<u>Greater than \$100 Million</u>	
Abbotsford	Mount Lehman Shopping Mall	\$170
Richmond	River Green Residential Development – No. 2 Rd & Dinsmore	\$500
Vancouver	U.B.C. Pharmaceutical Science Building	\$133
Prince George	B.C. Cancer Agency for the North	\$103
All other	18 projects	\$610
Total	All 22 projects commencing Jul-Sep 2010	\$1,516

The total capital cost of proposed projects that are in preliminary stages, but have not yet been approved for construction, is estimated at \$111.9 billion. There are approximately \$24.1 billion of projects judged to be “on hold” for the time being. The capital cost of 32 new projects proposed in the third quarter of 2010 was approximately \$2.443 billion. The larger projects are listed below.

Municipality	New Proposed Projects Jul-Sep 2010	Est. Cost (\$ mill)
	<u>Greater than \$100 Million</u>	
New Westminster	Pattullo Bridge Replacement	\$800
Vancouver	Mixed Use Development – Hornby & Drake Street	\$500
Hudson Hope	George M. Shrum Turbine Upgrade	\$314
All other	29 projects	\$829
Total	All 32 proposed projects in BC Jul-Sep 2010	\$2.443 billion

Sources: Statistic Canada, Statistics B.C., Bank of Canada, Royal Bank of Canada, C.M.H.C., Tourism British Columbia, and Industry Canada.