

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 February 4, 2011.

British Columbia's economy shrank 1.8% 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, posting strong growth at the end of the year and early in 2010; however, falling consumer spending and wholesale sales reduced labour income growth and falling exports show that the recovery is losing momentum. On the positive side, manufacturing sales increased by 1.6% in the third quarter and retail sales and investment in residential structures have rebounded. Overall, the mixed signals given by different economic indicators indicated slower growth in the B.C. economy in the last half of 2010. The introduction of the Harmonized Sales Tax (H.S.T.) at 12% on July 1, 2010 and the Government's continued capital commitment 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 although the H.S.T. is facing a referendum in September, 2011 (which may be moved up to June). Additionally, a threatened work stoppage at B.C.'s major ports has led to a significant number of ships being diverted to the U.S., impacting trade.

CONSUMER PRICE INDEX	Dec-09 to Dec-10	5-year Avg.
B.C.	2.4%	1.5%
Canada	2.4%	1.8%
LABOUR FORCE	Jan-11	10-year Avg.
Unemployment Rate (B.C.)	8.2%	6.6%
Unemployment Rate (Canada)	7.8%	7.2%
OTHER	Feb 04-11	10-year Avg.
Bank of Canada	1.00%	2.71%
Prime Rate (Royal Bank)	3.00%	4.43%
5-year Closed (Royal Bank)	5.19%	6.45%
U.S.\$ per Cdn.\$	\$0.988	\$0.815

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, 2011, 2,260,700 persons were employed in British Columbia. Over 80.3% employed British Columbians work in the service-producing sector, including health care and education (18.9%), trade (16.2%), professional (7.2%) and

accommodation and food (7.7%). 19.7% are employed in the goods-producing sector, including construction (8.1%), manufacturing (7.9%), forestry and mining (1.7%) and agriculture (1.4%). Approximately 23% 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 first three quarters of 2010 saw room revenues of approximately \$1.59 billion, up 3.3% over the five-year average, primarily buoyed by the successful 2010 Winter Olympics. In late 2009, B.C. received Approved Destination Status (A.D.S.) with China, allowing B.C. to market directly to potential visitors from China. The impact of A.D.S. in 2011 is expected to be significant, with a 20% increase in Chinese travellers (approximately an additional 20,000 visitors per year) expected. Additionally, cruise ship business is expected to increase by 15%, with over 200 calls scheduled in 2011 so far. 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 in November, 2010 was approximately \$2.37 billion, for a year-to-date total of \$26.47 billion; the average through November over the past five years has been \$28.66 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 November, 2010 totalled approximately \$4.95 billion, up 1.7% from October, with \$53.09 billion in total retail sales through November. Total retail sales have averaged \$50.38 billion through November 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. Retail sales are expected to increase in 2011 as consumer confidence increases.
- **Interest Rates:** In response to the changes to borrowing capacity caused by September's interest rate increase (to 1.00%) and the new mortgage qualification rules effective April 19, 2010, financial institutions and the bond market have lowered the five-year fixed mortgage rates by ten basis points, to 5.19%. To curb increasing household debt levels, additional

measures were announced in January, 2011, including capping the amortization period on mortgages at 30 years, lowering the maximum refinancing to 85% (from 90%) of the home's value, and withdrawing government insurance on home equity lines of credit. Interest rates are expected to increase over the year in 2011. The H.S.T.'s introduction 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.

- **Housing Starts:** Through 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. Approximately 80% of international immigrants settle in the Vancouver C.M.A. Annual household formation in B.C. is estimated to be close to 35,700 households, with about 20,100 in the Vancouver C.M.A. Although 2011 is expected to be higher than 2010, economists suggest that B.C.'s housing starts will remain below, but Vancouver C.M.A.'s will meet or slightly exceed, the five-year averages.

	Housing Starts		
	Total 2009	2010 Q-4	2010 Yr-to-Date
Vancouver C.M.A.	8,339	4,080	15,217
5-yr Avg	17,788	4,105	16,137
B.C.	16,077	6,344	26,479
5-yr Avg	31,509	7,406	30,503

- **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 \$1.52 billion.

Municipality	Projects commencing Jul-Sep 2010	Est. Cost (\$ mill)
	<u>Greater than \$100 Million</u>	
Abbotsford	Mount Lehman Shopping Mall	\$170
	River Green Residential Development – No. 2 Rd &	
Richmond	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 \$2.44 billion. The larger projects are listed below.

Municipality	New Proposed Projects Jul-Sep 2010	Est. Cost (\$ mill)
	<u>Greater than \$100 Million</u>	
New Westminister	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

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