

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 July 11, 2011.

In 2010, British Columbia's gross domestic product saw 4.0% growth, with wide gains in both the goods and services sectors aided by the 2010 Olympics. In the first quarter of 2011, B.C. experienced approximately 3.9% growth. This growth showed signs of slowing in the second quarter, with exports, wholesale sales and manufacturing sales falling in April (compared to the previous month), partly due to the disaster in Japan. However, retail sales have increased month-to-month going into the second quarter, and building permit values increased in May, driven by the non-residential sector. The main drivers of economic growth this year are expected to be the resource and energy sectors. Rebuilding efforts in Japan offer potential upside for the softwood lumber and natural gas industries, as well as increasing demand for non-lumber construction materials and prefabricated homes. The ratification of an eight-year agreement between the longshoremen and the B.C. Maritime Employers Association should also aid exporters by offering stability at Port Metro Vancouver. Additionally, public and private sector investment are expected to increase by 3.5% over the course of the year. The three-step increase in the minimum wage (to \$10.25 per hour by May, 2012), the current referendum on the H.S.T., and the promise to cut the H.S.T. to 10% by 2014 are recent government announcements that may have an effect on the economy.

CONSUMER PRICE INDEX	May-10 to May-11	5-year Avg.
B.C.	3.1%	1.5%
Canada	3.7%	1.9%
LABOUR FORCE	Jun-11	10-year Avg.
Unemployment Rate (B.C.)	7.3%	6.7%
Unemployment Rate (Canada)	7.4%	7.2%
OTHER	Jul-11-11	10-year Avg.
Bank of Canada	1.00%	2.53%
Prime Rate (Royal Bank)	3.00%	4.28%
5-year Closed (Royal Bank)	5.54%	6.36%
U.S. \$ per Cdn. \$	\$1.009	\$0.830

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 4,563,296 residents as of April 1, 2011, up 1.1% from April, 2010. Currently, B.C. has the sixth fastest provincial growth rate.
- **Employment:** As of July 1, 2011, 2,268,700 persons were employed in British Columbia, 60.0% of the population counted by the Labour Force Survey. 80.2% of employed British Columbians work in the service-producing sector, including health care and education

(18.2%), trade (15.3%), accommodation and food (8.2%) and professional and technical services (7.8%). 19.8% are employed in the goods-producing sector, including construction (9.1%), manufacturing (7.0%), forestry and mining (1.9%) and agriculture (1.2%). Approximately 23% of jobs in B.C. were part-time.

- **Migration:** In the first quarter of 2011, net migration to B.C. was 6,951 persons. This quarter was the first in nine years to see negative net interprovincial migration, with the largest net outflow going to Alberta (893 persons); however, this figure is based off preliminary data, with more permanent figures available in September. A population projection presented to the Metropolis Project in March 2011 suggests that 2011 will see an 8% drop in immigration from 2010's total.

B.C. Components of Population Change					
	International Immigrants		Inter-Provincial Immigrants		Total Net Migration
2010 Total	38,106	(89%)	4,638	(11%)	42,744
5-yr Avg.	42,635	(82%)	9,381	(18%)	52,016
Q1 2011	7,049	(100%)	-98	(0%)	6,951
5-yr Avg.	10,047	(88%)	1,322	(12%)	11,369

- **Tourism:** December, 2010 saw room revenues of approximately \$120 million, up 2.5% from the five-year average. Total 2010 room revenue was \$1.9 billion, up 3.3% over the five-year average and 12.2% over 2009, primarily buoyed by the successful 2010 Winter Olympics. Discounting the Winter Olympics, room revenues increased by 5.5% over 2009. 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% in 2011, with over 200 calls scheduled; furthermore, business is expected to continue increasing in 2012 (by an estimated 10,000 passengers), despite Disney's announcement that they would begin operating their Alaska cruises out of Seattle. However, given that close to 70% of 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, with a record 25 conferences of 1,000-plus delegates in 2010 and another 27 scheduled for 2011. Vancouver will also host the 2011 Grey Cup in November. Vancouver hotels are expected to achieve 65% to 70% occupancy rates in 2011.
- **Trade:** The total value of B.C. exports to all countries in April, 2011 was approximately \$2.45 billion, up 2.0% from one year earlier. 2010 exports totalled \$29.31 billion, 14.3% higher than in 2009; the annual average over the past five years has been \$31.22 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 74.9% of its exports to the U.S. in 2010, only 45.3% of B.C.'s exports went to the U.S. In the past three years, coal has surpassed softwood lumber as B.C.'s largest export due to the weak U.S. housing market, although Japan's post-disaster reconstruction is expected to positively impact the softwood lumber industry and create potential long-term opportunities for the natural gas industry.
- **Retail:** Retail sales in B.C. for April, 2011 totalled approximately \$4.95 billion, up 2.4% from one year earlier. Retail sales totalled \$57.90 billion in 2010, up 8.2% from 2009. Total retail sales have averaged \$54.92 billion for the last five years.

➤ **Interest Rates:** Financial institutions raised the five-year fixed mortgage rates by 15 basis points, to 5.54%, on July 5, 2011, in response to a 35 basis point upturn in bond yields. Numerous changes to mortgage qualification rules and measures to curb Canadian household debt introduced over 2010 and 2011 caused mortgage rates to begin trending upward through the first half of 2011, peaking at 5.69% in May. The Bank of Canada is expected to delay increasing the prime interest rate, which is currently at 1%, until 2012, due to the strong Canadian dollar, economic risks and expected inflation. The H.S.T.'s introduction on July 1, 2010 has had a slowing effect on the upper end of the real estate market, as many projects have been redesigned for smaller suites to meet specific price points that are less impacted by the H.S.T.

➤ **Housing Starts:** In the first quarter of 2011, housing starts in the Vancouver C.M.A. were above the same period last year and above the five-year average, while B.C.'s housing starts were below both. Approximately 80% of international immigrants to B.C. settle in the Vancouver C.M.A. Annual housing starts in B.C. for 2011 are estimated to be between 24,500 and 28,300 units, with the largest increase 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 the Vancouver C.M.A.'s will meet, or slightly exceed, the five-year averages.

	Housing Starts		
	2010 Total	2011 Q1 YTD Total	
Vancouver C.M.A.	15,217	3,808	3,808
5-yr Avg.	16,137	3,657	3,657
B.C.	26,479	5,411	5,411
5-yr Avg.	30,503	6,187	6,187

➤ **Major Projects:** As of the first quarter of 2011, the capital cost of all major projects currently under construction in B.C. is estimated at a total cost of \$63.1 billion. Included in this figure are the 28 major projects commencing construction during the first quarter, an estimated \$3.0 billion.

Municipality	Projects commencing Jan-Mar 2011	Est. Cost (\$ mill)
	<u>Greater than \$100 Million</u>	
Delta/Surrey/Langley	Roberts Bank Rail Corridor – Grade Separation	\$300
Surrey	Surrey Memorial Hospital Emergency Department and Critical Care Tower	\$512
Kelowna	Interior Heart and Surgical Centre	\$448
Trail	Waneta Power Plant Expansion	\$900
All other	24 projects	\$828
Total	All 28 projects commencing Jan-Mar 2011	\$2,988

The total capital cost of proposed projects that are in preliminary stages, but have not yet been approved for construction, is estimated at \$112.3 billion. There are approximately \$26.3 billion worth of projects judged to be “on hold” for the time being. The capital cost of 39 new projects proposed in the first quarter of 2011 was approximately \$2.5 billion. The larger projects are listed below.

Municipality	New Proposed Projects Jan-Mar 2011	Est. Cost (\$ mill)
	<u>Greater than \$100 Million</u>	
Prince George	Western Coal Expansion	\$230
Stave Lake	Water Treatment Centre	\$300
Vancouver	Telus Garden Communications Centre	\$750
Williams Lake	Gibraltar Mine Capacity Increase	\$325
All other	35 projects	\$909
Total	All 39 proposed projects in BC Jan-Mar 2011	\$2,514

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