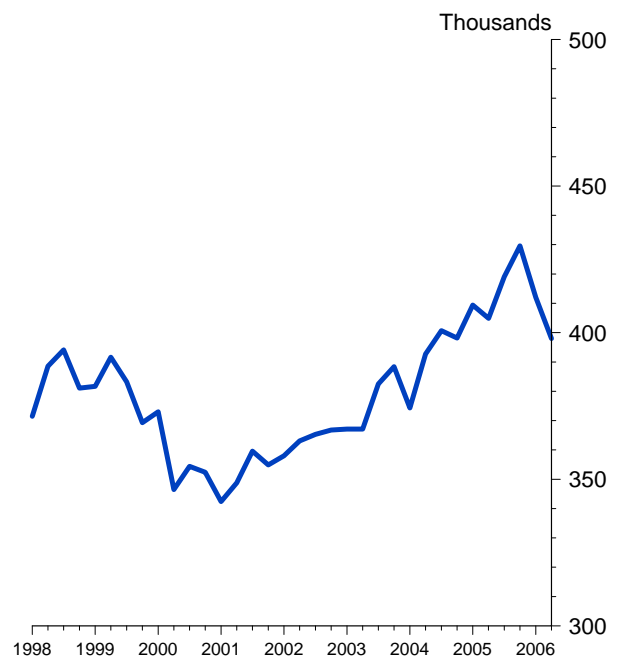


## Small Business Quarterly ♦ 2<sup>nd</sup> Quarter 2006

- The number of small businesses in BC (excluding self-employed persons without paid help) climbed 4.8% in the second quarter of 2006 compared to the same period a year earlier. This comes on the heels of a similar increase last quarter (+4.5%) and was again fuelled by a 6.5% increase in micro businesses with fewer than five employees.
- For the first time in five years, the number of self-employed in BC declined, falling 1.7% in the second quarter compared to the same period a year earlier. The largest drop was in self-employed with paid help (-5.8%), but the count of those without paid help edged down as well (-0.2%).
- While the number of self-employed fell, the number of employees of small business climbed 3.7% in the second quarter. The fastest growth in small business employment was in businesses with 20-49 employees (+4.8%), although employment growth in businesses with fewer than 20 employees was also robust, at 3.2%.
- Both business and consumer bankruptcies fell significantly in the second quarter. Business bankruptcies plunged 21.3%, while consumer bankruptcies dropped 13.8%. A relatively strong economy and reasonably low interest rates are contributing to the reduction in business and consumer insolvencies.
- There was a 6.6% jump in the number of new BC business incorporations in the second quarter. The count of 7,984 new incorporations in the quarter was the highest recorded since the first quarter of 1994.
- The value of both industrial and commercial building permits in BC rose in the second quarter with industrial permits increasing 15.9% and commercial permits climbing 10.5%.
- The number of urban housing starts in BC continued to increase in the second quarter (+3.7%), buoyed by brisk growth in Vancouver (+9.1%). This is occurring despite higher interest rates. The prime lending rate has risen 1.75 points in the last year, while conventional 5-year mortgage rates are up 1.05 percentage points.
- Manufacturers in the province are reporting significant labour shortages. While skilled labour has been in short supply for some time now, the dearth of workers is now starting to be felt with unskilled labour as well.

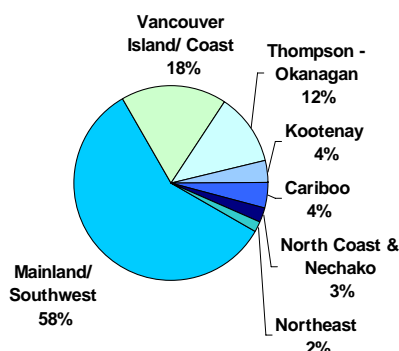
The number of self-employed experienced a year-over-year decline for the first time in 5 years



## Regional Outlook: BC's Northeast

With the 2010 Olympic Games fast approaching, British Columbia's economic climate has become a hot topic. Given the demographics of the province, the most populous areas are usually in the forefront of discussion on business and the economy while others generally tend to get less attention. In 2005, the Mainland/Southwest development region, which includes Greater Vancouver, was home to approximately 58% of the province's residents. Vancouver Island/Coast had an 18% share of BC's population, while the Thompson-Okanagan had 12%. The province's remaining regions together accounted for 12% of the population.

### Distribution of BC's population by region



Data Source: Statistics Canada & BC Stats

Regardless of the province's population distribution, the economic impact of the 2010 Olympics is predicted to bode well for all regions of the province, not just those located nearest the host city of Vancouver. The games-induced increase in domestic and international travel to the province, along with spiked interest in tourism, is expected to have a positive impact on business throughout BC. Indeed, one of the goals of the 2010 Olympic Secretariat is to promote the

advancement of cultural, economic and social legacies, which would benefit "every community in British Columbia".<sup>1</sup>

In order to determine the potential for economic growth in the province as a whole, it is important to consider the valuable contribution of all its parts. One particular region of interest is the Northeast. This area of the province is home to the smallest proportion of British Columbians and is essentially the furthest in terms of proximity to Mainland/Southwest. The Northeast has recently shown signs of strong economic growth, in some ways beyond that of other regions in the province.

Located in the upper north-east corner of BC, this development region is comprised of two districts, Peace River and Northern Rockies. Main urban centres in the area include Dawson Creek, Fort St. John and Fort Nelson. The Northeast is well known for its activity in the oil and gas industry and business activity in the region is heavily influenced by such activities. This part of the province has been a focus of petroleum exploration and development since the 1950s and as such, its three largest cities have strong ties to this industry.

Dawson Creek was host to BC's 2003 Oil and Gas Conference and will welcome the conference again in October, 2006. Known as the "Energy Capital of BC," Fort St. John is the largest city in north-eastern BC, and is the transportation and service hub for the area. Fort Nelson's economy relies heavily on lumber

<sup>1</sup> British Columbia Olympic and Paralympic Winter Games Secretariat – Progress Report (<http://www.ecdev.gov.bc.ca/2010Secretariat/mission.htm>)

and natural gas as the mainstay of its economy, and is home to North America's largest gas processing plant.

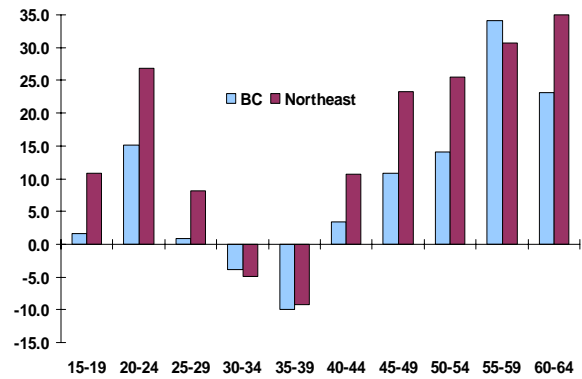
Despite the relative importance of oil and gas exploration and development, there are many other industries into which the region is quickly gaining footholds. The service sector is an integral and growing part of north-eastern communities as it provides essential services to other sectors of the economy including the petroleum, forestry, and mining industries. Tourism is also becoming increasingly important to the region and is a sector with significant growth potential both demographically and economically.

**Population begins steady increase**

While geographically vast, the Northeast is home to only 2% of BC's population and has historically experienced periods of slow growth as well as periods of shrinking population. Over the past decade, net migration for the Northeast has been predominantly negative and these outflows have resulted in a net loss of population. However, in the last few years, net migration has been positive, leading to overall population increases in the region for the fourth consecutive year in 2005 (+1.5%). Between 2000 and 2005, the population in the Northeast increased by nearly nine percent (+8.9%) while BC's population grew at a comparatively slower 5.3%.

The Northeast has also seen different shifts in the character and structure of its population than has the province as a whole, specifically in terms of age and sex. BC's population of young people aged 15 to 29 increased by 5.7% from 2000 to 2005 while the same age group expanded at nearly three times the pace (+15.1%) in the Northeast.

**Percent change of work-age population in BC and Northeast from 2000 to 2005**

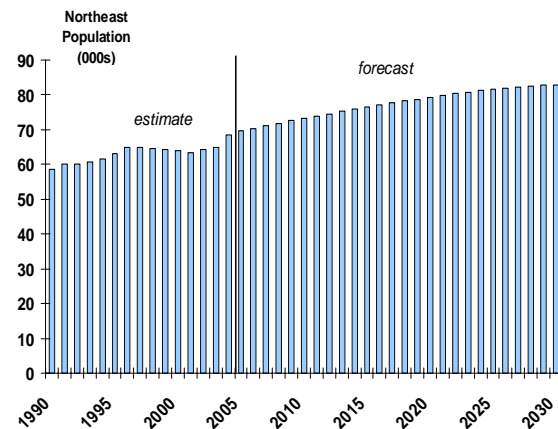


Data Source: Statistics Canada & BC Stats

The sex ratio in the Northeast is heavily biased in favour of males, likely due to the region's dependency on largely male-dominated resource industries.

The abundance of natural resources located in the area adds a fair amount of growth potential and projections indicate strong population growth over the long-term.

**Population Expected to Increase Steadily**



Data Source: BC Stats population projection (P.E.O.P.L.E. 31, July, 2006)

**Strong employment in goods-producing sector**

Since 2000, total employment in the Northeast has hovered between 32,000 and 35,000. Based on the North American Industry Classification System (NAICS), the employment pattern in the

Northeast is quite different from that of BC as a whole.

At 36% of the region’s total employment, the goods producing sector had a larger share of employment in the Northeast than in any other region of the province in 2005. Not surprisingly, given the region’s wealth of natural resources, this exceeds BC as a whole, where only 21% of overall employment was in this sector. Among goods-producing industries in the region, forestry, fishing, mining, oil & gas and construction employed the most workers in 2005. On the services side, trade, transportation & warehousing and accommodation & food services were the biggest players.

**Northeast’s 2005 employment distribution by industry**

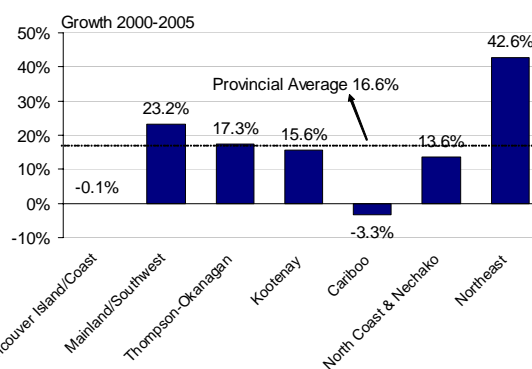
	% of total employment
<b>Total employment</b>	<b>100.0</b>
<b>Goods-producing sector</b>	<b>36.2</b>
Agriculture	7.3
Forestry, fishing, mining, oil and gas	10.8
Utilities	0.0
Construction	11.4
Manufacturing	5.8
<b>Services-producing sector</b>	<b>63.6</b>
Trade	14.6
Transportation and warehousing	8.7
Finance, insurance, real estate and leasing	0.0
Professional, scientific and technical services	5.2
Business, building and other support services	0.0
Educational services	5.0
Health care and social assistance	6.4
Information, culture and recreation	0.0
Accommodation and food services	7.3
Other services	5.8
Public administration	0.0

Data Source: Statistics Canada

**Leader in self-employment growth**

The Northeast led the province in self-employment growth between 2000 and 2005. Over this period, the number of self-employed in the region grew at a notable average annual rate of nearly 43%, more than double the provincial pace (+17% annually).

**Regional self-employment growth rate 2000-2005**



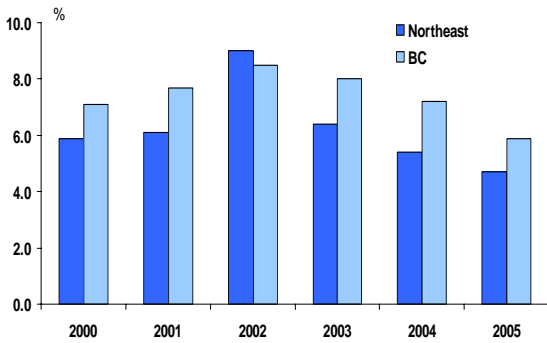
Data Source: Statistics Canada

Over the past five years in British Columbia, the proportion of total employment comprised of self-employed workers has been increasing steadily. In 2005, self-employment accounted for nearly 20% of total employment, up from 19% in 2004. At over 25% of total employment, the Northeast had an even higher percentage of self-employed in 2005, up five percentage points from 20% in 2004.

**Lowest unemployment rates**

Generally, the most populous regions of the province are prone to the lowest unemployment rates, while the more northerly, rural regions tend to have the highest rates. The Northeast is an exception to this trend. Partly reflecting its diversity of industry sectors in goods as well as services, it has historically recorded below average unemployment rates.

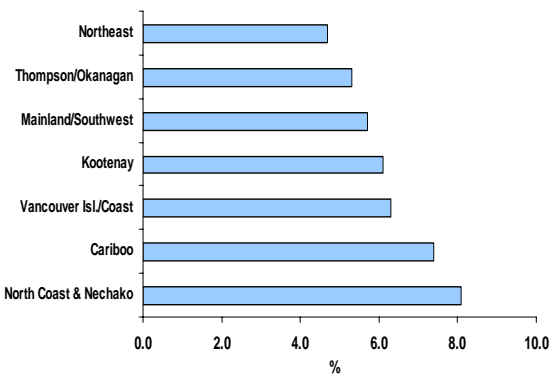
**Unemployment rates generally lower in Northeast**



Data Source: Statistics Canada

With the exception of 2002, unemployment rates have been below the provincial average since 2000. In 2005, it boasted the lowest unemployment rate in the province (4.7%), well below BC's rate of 5.9%.

**Northeast had lowest unemployment rate in 2005**



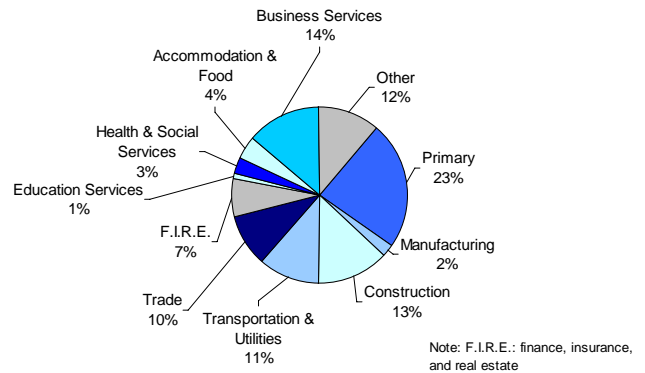
Data Source: Statistics Canada

**Economic structure**

Like its employment patterns, the activities in which businesses in the Northeast are engaged are varied. In 2005, approximately 23% of all operating businesses were in primary industry, while a further 13% were in construction. For the service sector as a whole, the largest concentration was in business services, which represent 14% of the region's businesses, followed by transportation

& utilities (11%) and wholesale & retail trade (10%).

**Distribution of operating businesses in Northeast by industry, 2005**



Data Source: Statistics Canada

**Small business booming**

In 2005, 97% of businesses in the Northeast were classified as small businesses (with 0-49 employees). In some industries, such as agriculture, forestry, fishing & hunting almost all firms (99.6%) fall in this category. It is clear that, as in the rest of the province, small business is a vital component of the region's economy.

The distribution of small businesses among the province's regions is relatively on par with each region's share of BC's population. In 2005, approximately 57% of BC's small businesses were located in the Mainland/Southwest region, which includes Greater Vancouver, and Vancouver Island/Coast was home to a further 18%. The Thompson-Okanagan region was ranked third with 12% of small businesses. The remaining regions together accounted for around 13% of small businesses of which 2% were in the Northeast.

Despite its modest share of small businesses, between 2000 and 2005, the Northeast led the province in terms of growth with an average annual growth rate of 3.8%. This translates to an aver-

age annual addition of 200 new small businesses to the region and exceeds the average annual provincial growth rate of 1.3% over the same period.

### Tourism gains ground

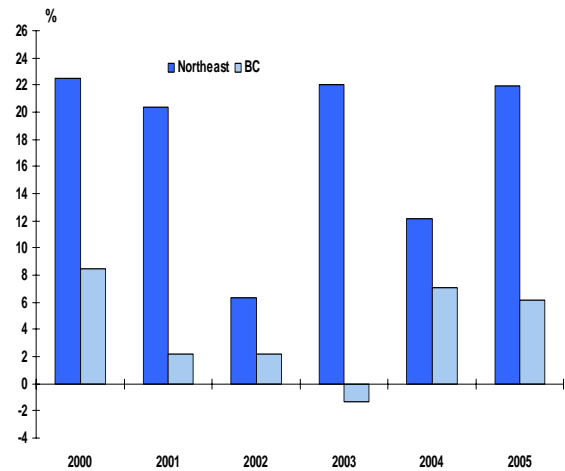
One of the obvious industries expected to experience an Olympic-induced boost over the next few years is tourism.

Despite its heavy reliance on a natural resource economy, tourism in the Northeast has been gaining steady ground. Tourists are drawn to the region for various reasons including the lure of remote areas and spectacular scenery. Eco-tourism continues to grow in the region as more and more tourists travel to the area to participate in outdoor activities such as fishing and white-water rafting. The success and growth of this industry will inevitably have a considerable impact on the region's businesses.

Since 2000, there has been a 15% increase in the number of accommodation properties in the Northeast. Special camps are set up to accommodate seasonal workers in the region, many of whom are employed in the oil and gas industry.

The Northeast accommodation market made up just two percent of total BC room revenues in 2000, but the share has been increasing steadily in recent years and revenue growth has surpassed that of any other region in the province. In 2005, room revenues in the Northeast contributed nearly four percent of total provincial room revenues, almost double its 2000 contribution. In 2005, revenues in the region climbed 22% from 2004 levels, more than any other development region and at a much faster pace than that of the province as a whole (+6%).

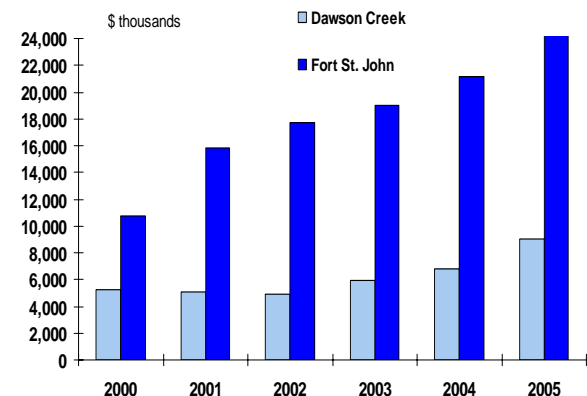
### Northeast outperforms BC in annual room revenue increases



Data Source: BC Stats

Room revenues in Fort St. John climbed more than 30% from 2004 to 2005 and the city has seen an annual increase in room revenue for the past six years. The city of Dawson Creek has also seen significant increases in room revenues, increasing for the third consecutive year in 2005 (+33%).

### Room revenues continue to grow in urban centres



Data Source: BC Stats

One of the main methods of travel to the Northeast is by plane. The Fort St. John airport is the busiest airport in the Northeast region, followed by Fort Nelson and Dawson Creek. Traffic at the Fort St. John airport, which serves the

northern-most areas of the region, increased (+12.9%) to almost 40,500 movements in 2005, ranking it seventh among medium-sized airports (those with flight service stations) in Canada. Air traffic was also up at Dawson Creek airport (+35.4% to 9,200 movements) while traffic was down slightly at Fort Nelson (-4.3% to 18,086).

It is clear that in more ways than one, the Northeast has shown significant signs of growth in recent years. Only time will tell what sort of impact the 2010 Olympics will have on BC's development regions. Olympics aside, with its increasing, youthful population, longstanding reliance on primary industry and growing tourism sector, business in the Northeast is poised to continue to expand. Its unique economic structure along with its abundance of natural resources indicate substantial growth potential and establishes the region as an integral part of BC's economic landscape.

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