

# Overview of the British Columbia Economic Landscape

Jock Finlayson

Executive Vice President -- Policy  
Business Council of British Columbia



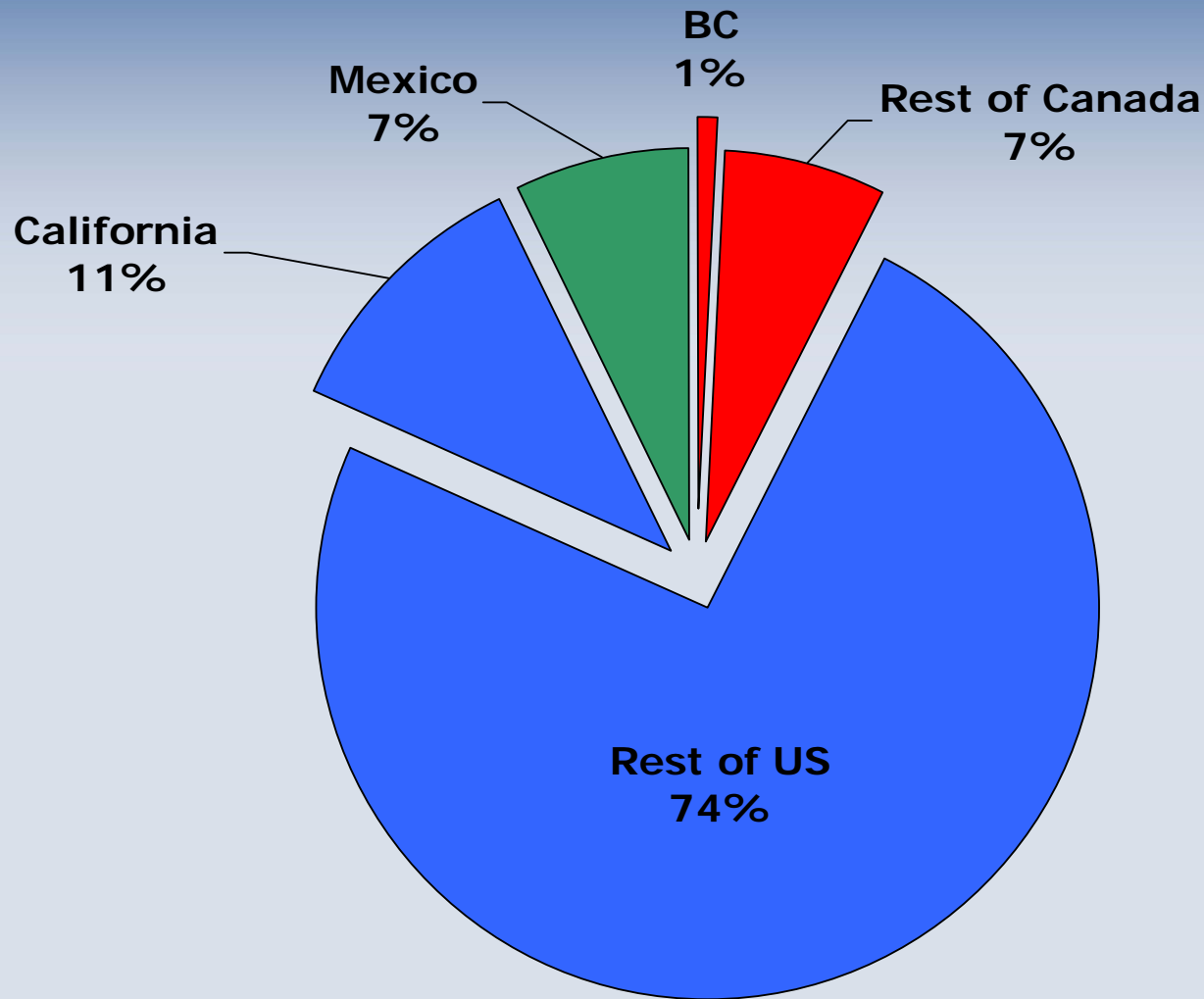
# Presentation Outline

- British Columbia Economic Setting and Outlook
- BC-California Trade and Commercial Ties
- BC's Energy-Environment Challenge

# BC Population and Economy Overview

- BC population = 4.3 million
  - 13 % of Canada
  - Greater Vancouver area 2.2 million
- GDP = Cdn. \$180 billion (2006)
  - Approx. 12% of Canadian GDP
- BC economy still quite cyclical – currently enjoying a strong upswing
- Resources important: resource-based products = 70%+ of international merchandise exports

# Share of North American GDP (PPP) 2006



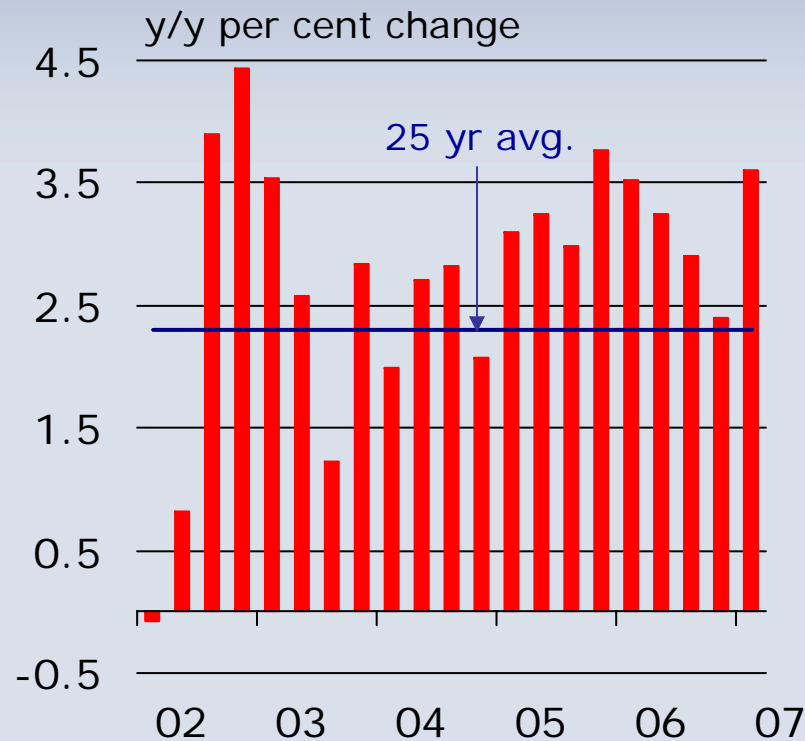
# BC Economy Current Setting

- Strongest multi-year economic expansion in three decades
  - real GDP growth averaged 3.8% between 2003-2006, compared to 2.6% over 1997-2003
- Driving factors
  - construction boom
  - upswing in the mining sector
  - growth of Asia-Pacific gateway business
  - buoyant job market, rising incomes
  - most industries doing well (major exception: forestry)
- Positive fiscal picture and business climate
  - lower taxes and improved regulatory environment
  - provincial budget surpluses

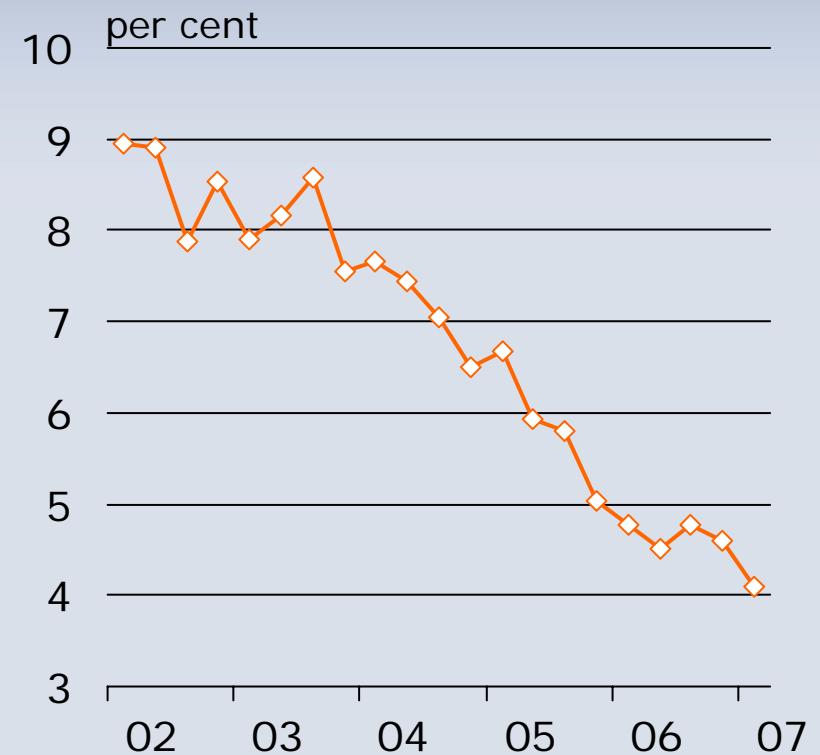
# Red Hot Job Market

## BC Labour Market

### Employment Growth

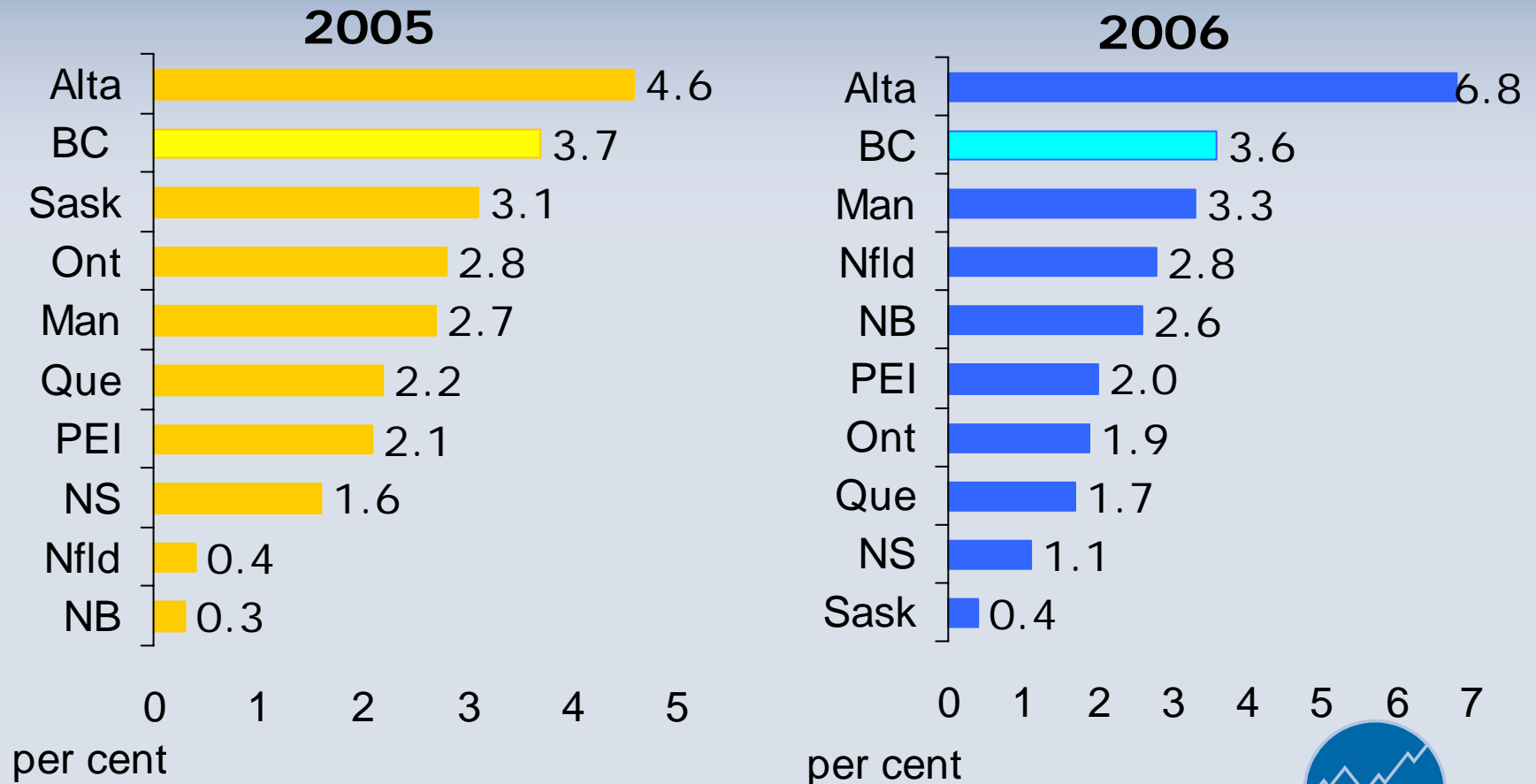


### Unemployment Rate



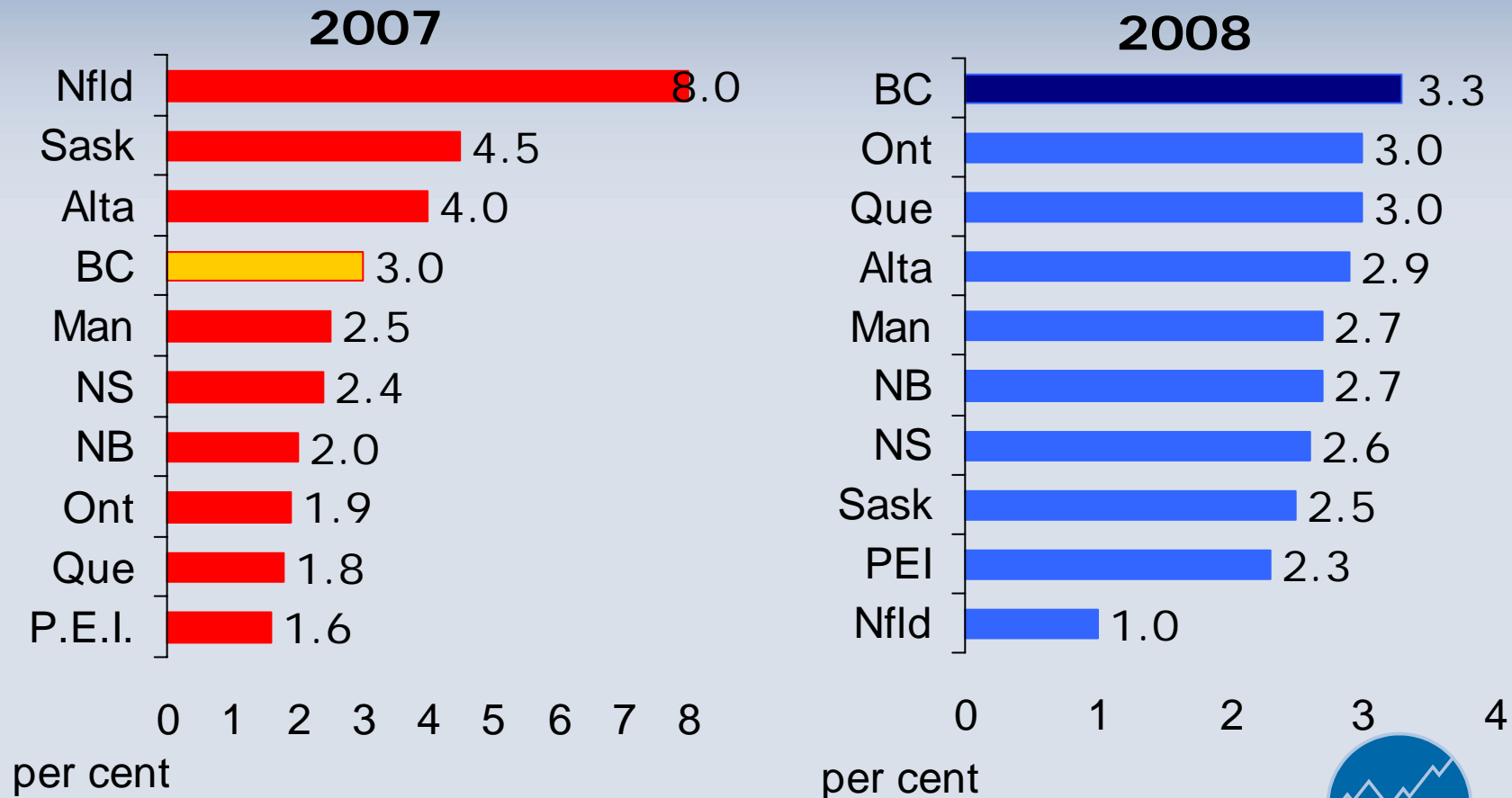
# Canadian Economic Momentum Has Shifted Westward

## Real GDP Growth by Province



# BC to Remain a Growth Leader

## Real GDP Growth Forecasts by Province



# Exports the Main Soft Spot

Top Sectors	% Share of Province's Total Exports (2006)	Export Outlook (% growth)		
		2006	2007 (f)	2008 (f)
Forestry	40.3	-3.6	-3	4
Energy	18.9	-18.9	-1	4
Industrial Goods	17.9	15.5	3	-2
M&E	7.3	7.6	1	2
Agri-Food	7.4	1.7	6	5
All Others	8.1	7.8	-1	1
Total	100.0	-2.2	0	2
Total excl. energy	81.1	2.7	-1	2

# Fastest Growing BC Industries

(ranked by average annual increase in output, 2003-2006)

- Construction (all segments)
- Primary and metal product manufacturing
- Warehousing/storage (gateway)
- Cement/concrete products (construction boom)
- Selected food product manufacturing
- Non-metallic mineral mining
- Electronic product manufacturing
- Forestry/logging (pine beetle)
- Motor vehicle parts
- Transportation services
- Selected financial services (credit deposit intermediation)
- Environmental services

# BC Economic Forecast: Detail

(annual % change unless noted)

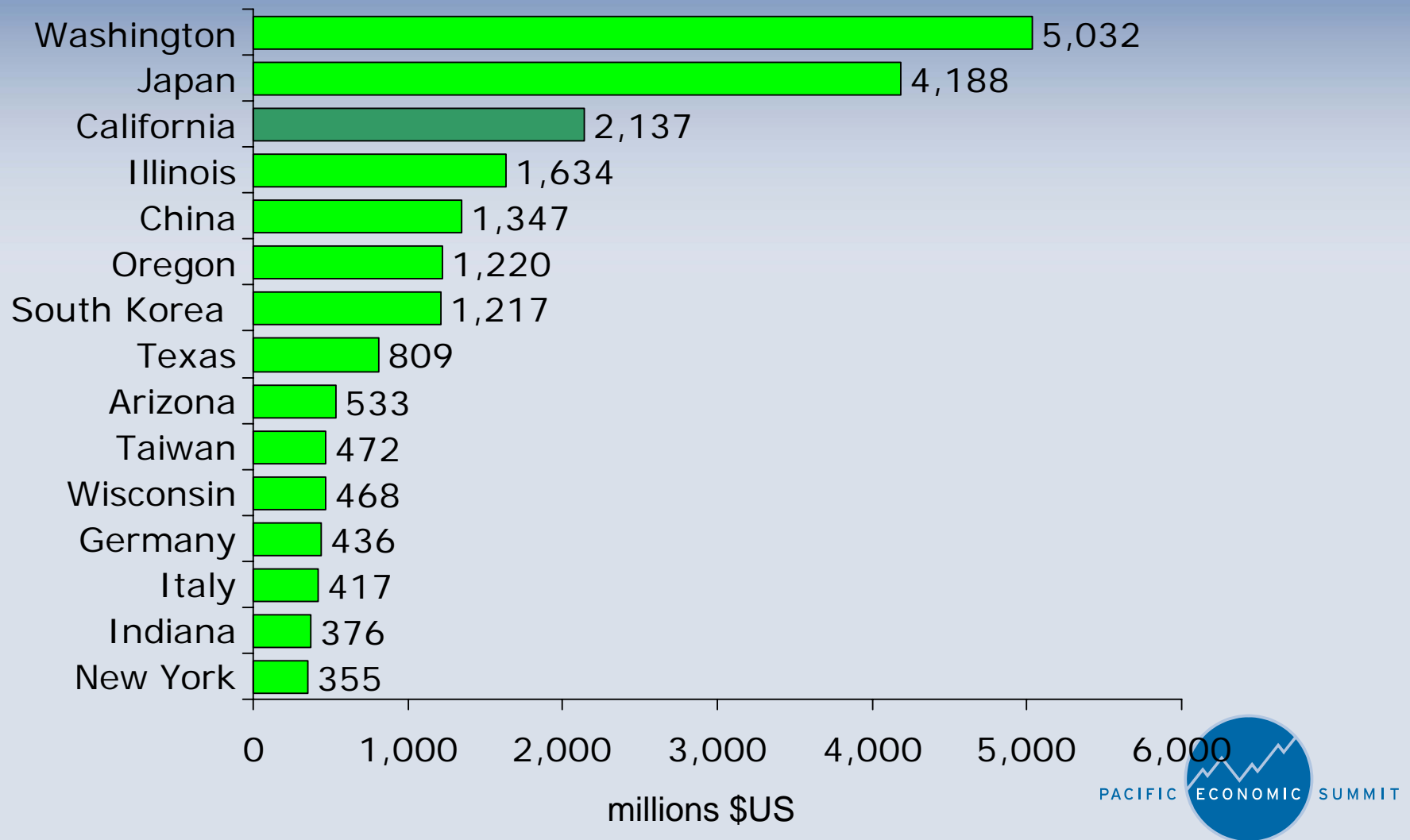
	actual	forecast			
	2006	2007	2008	2009	2010
Real GDP	3.6	3.4	3.5	3.2	3.6
Employment	3.1	2.0	1.8	2.0	2.0
Retail sales	6.5	6.5	6.0	6.0	7.5
Foreign exports	-2.3	-2.0	8.0	3.0	3.0
Housing starts (units)	36,500	32,000	30,000	30,000	30,000



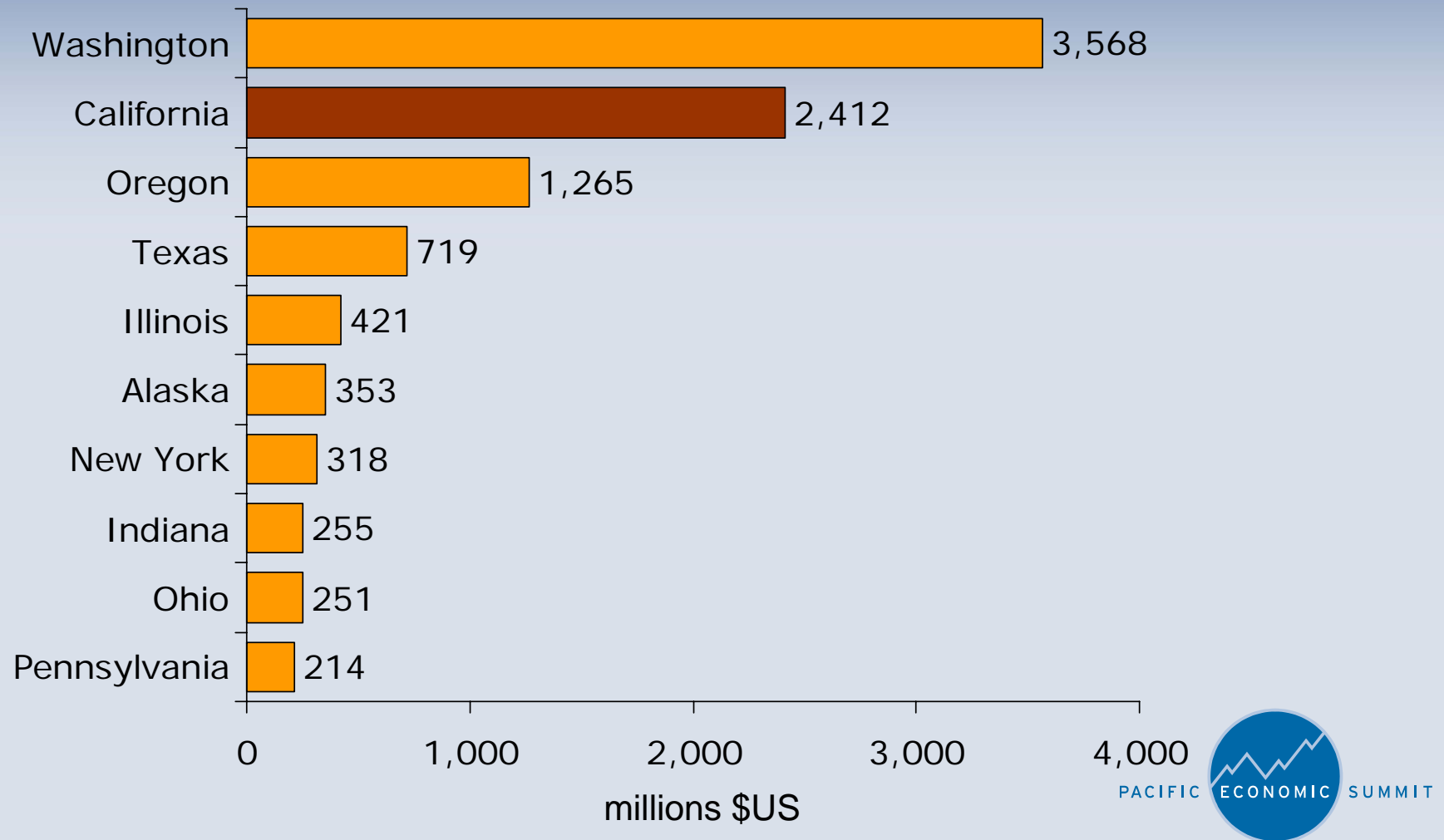
# BC Economic Expansion: Risks/Constraints

- Worsening labour shortages
- Rising construction costs
- Strengthening Canadian dollar
- Slumping US housing market and potential collateral damage to consumer spending

# BC Merchandise Exports 2006, by Top Destinations

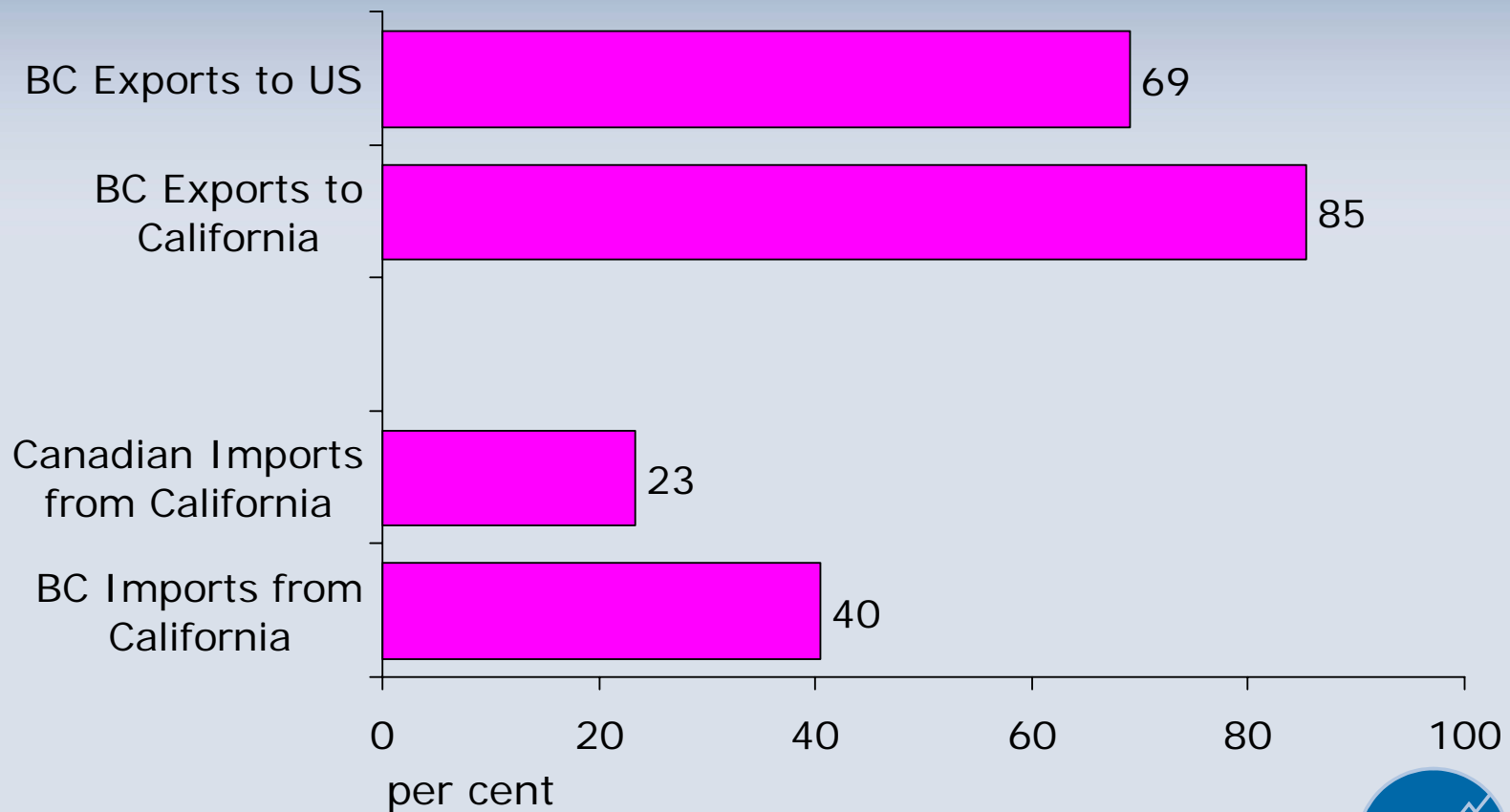


# Merchandise Imports to BC 2006, Top 10 States



# Comparatively Strong Growth in Trade

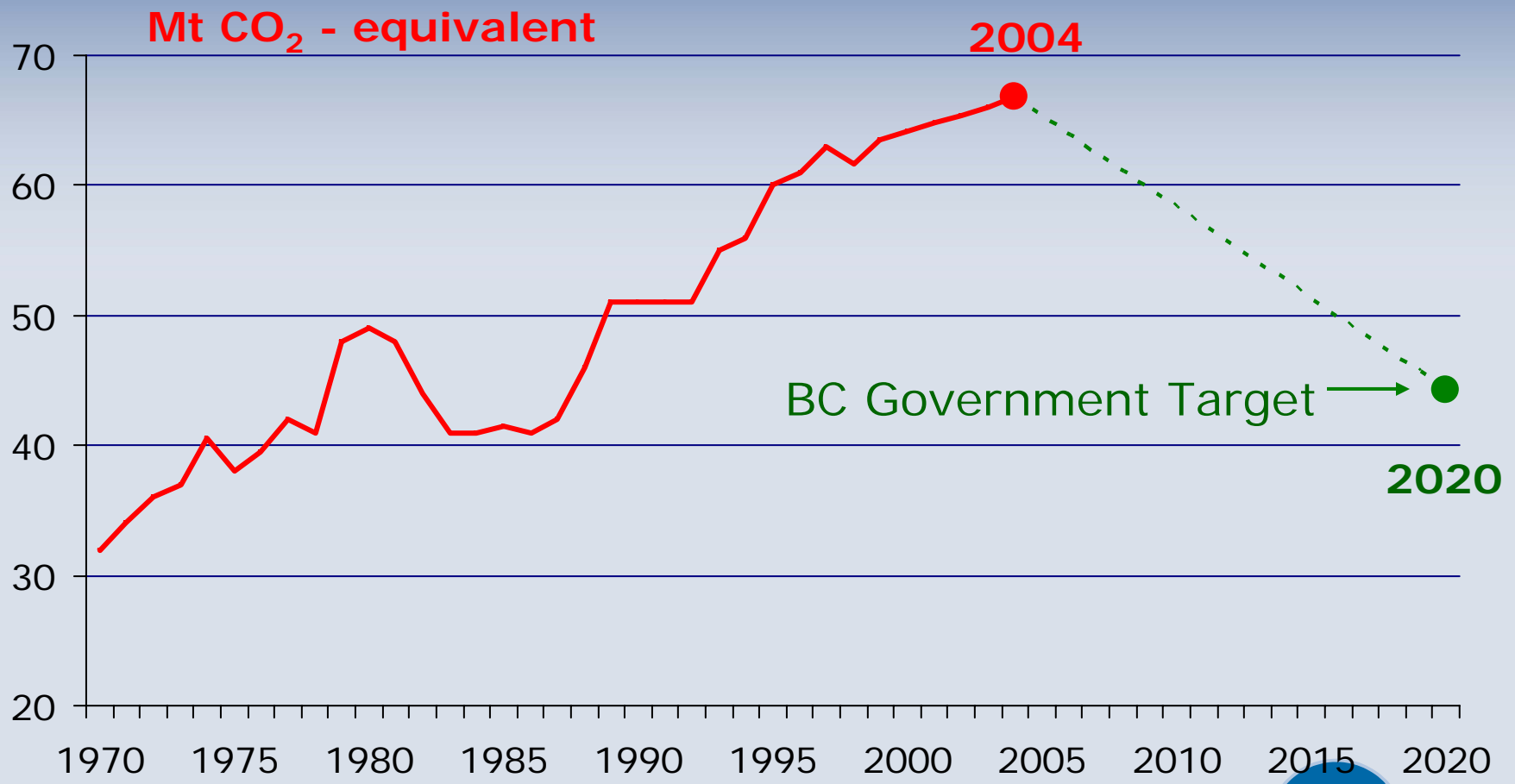
## Growth in Merchandise Trade, 1997-2006



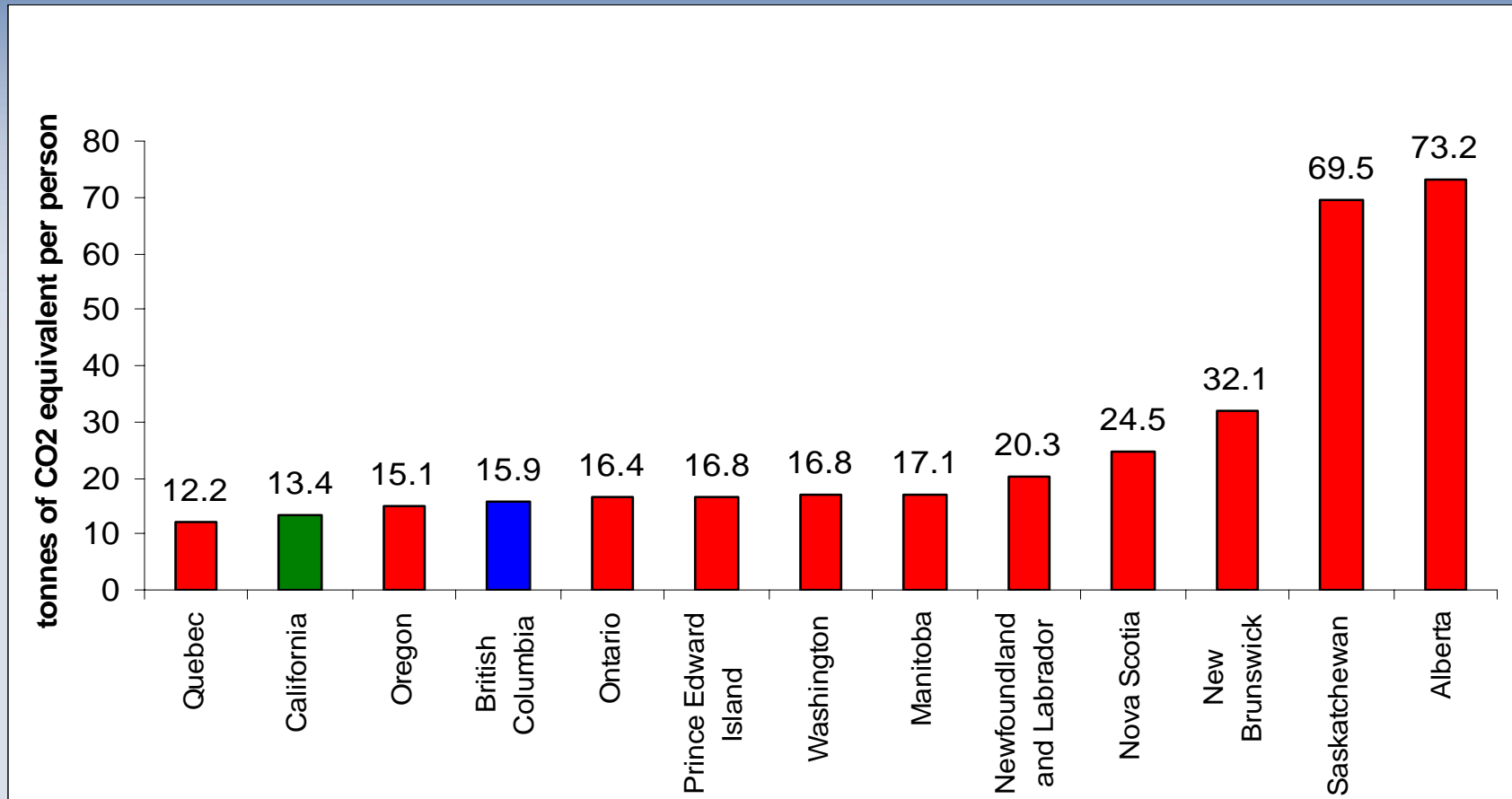
# Services Also Important

- Tourism
  - California an important market for BC – about 600,000 visitors annually (15% of all US visitors)
  - At least 365,000 British Columbians make trips to California each year (40% of all Canadian visitors)
- Trade in services
  - Transportation & communications
  - Architectural & engineering
  - Business and consulting (software)

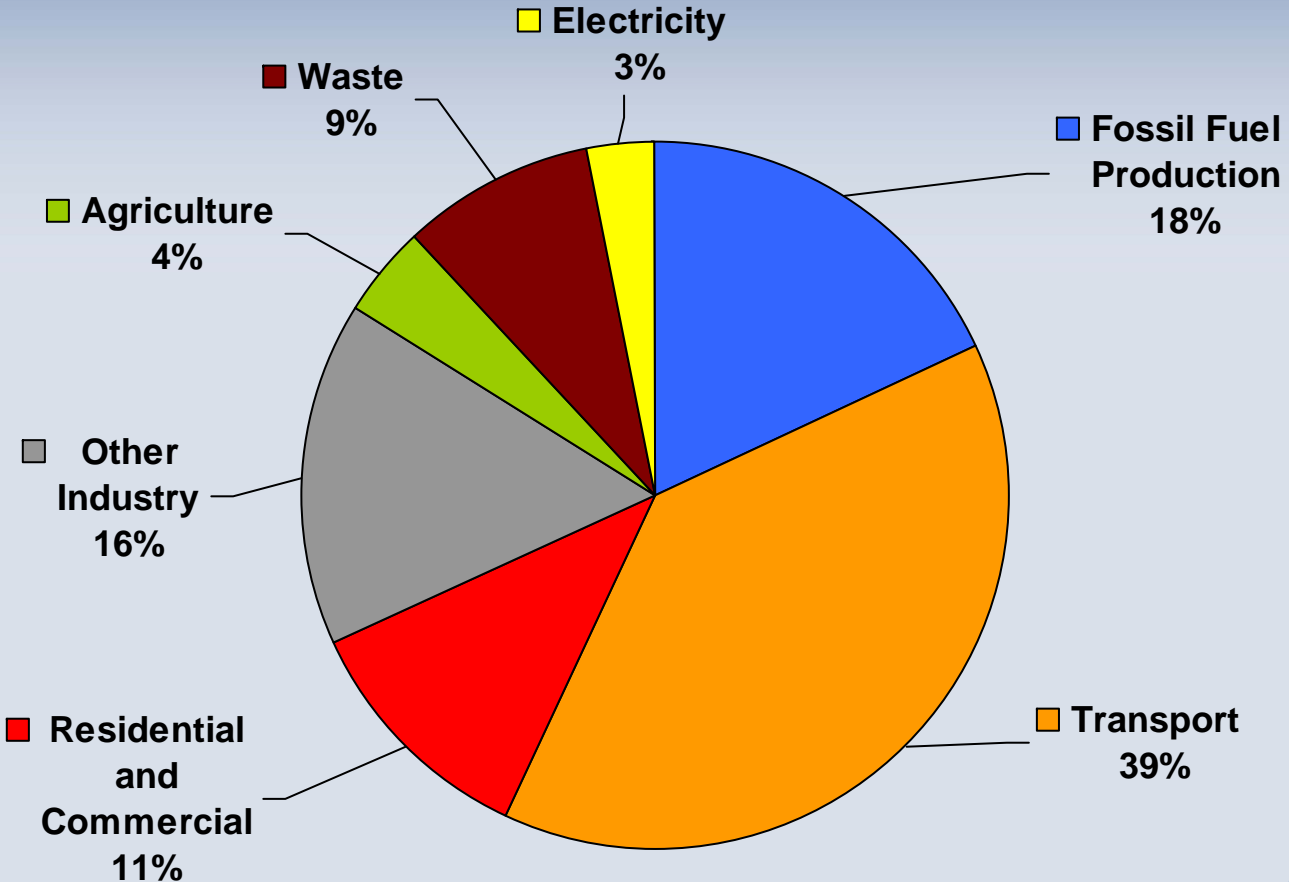
# Total Greenhouse Gas Emissions in British Columbia



# Per Capita GHG Emissions



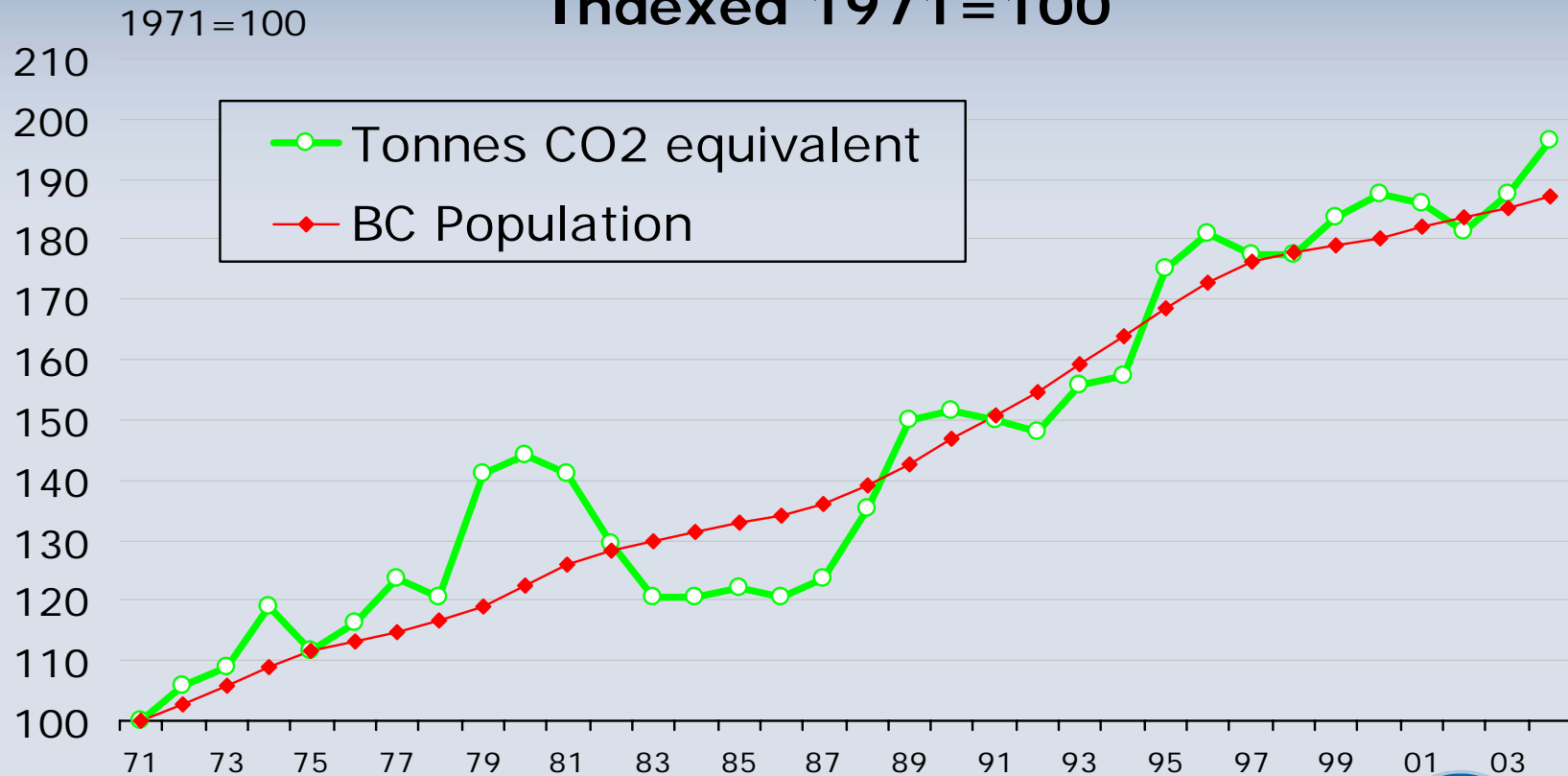
# BC Greenhouse Gas Emissions by Sector, 2004



Source: Ministry of Environment.

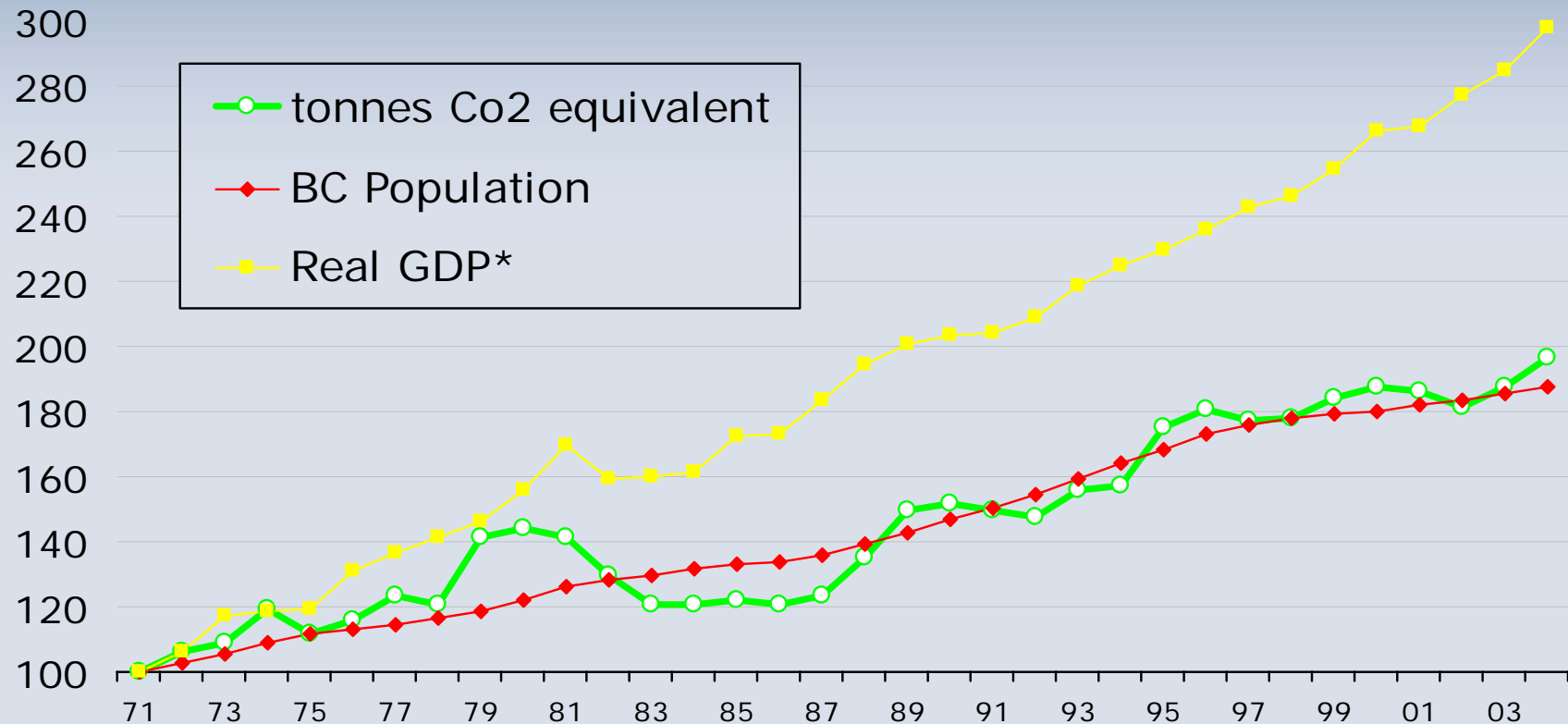
# BC GHG Emissions Closely Track Population Growth

**BC GHG Emissions and Population,  
Indexed 1971=100**



# BC Economy Less Carbon Intensive

## BC GHG Emissions, GDP and Population, Indexed 1971=100



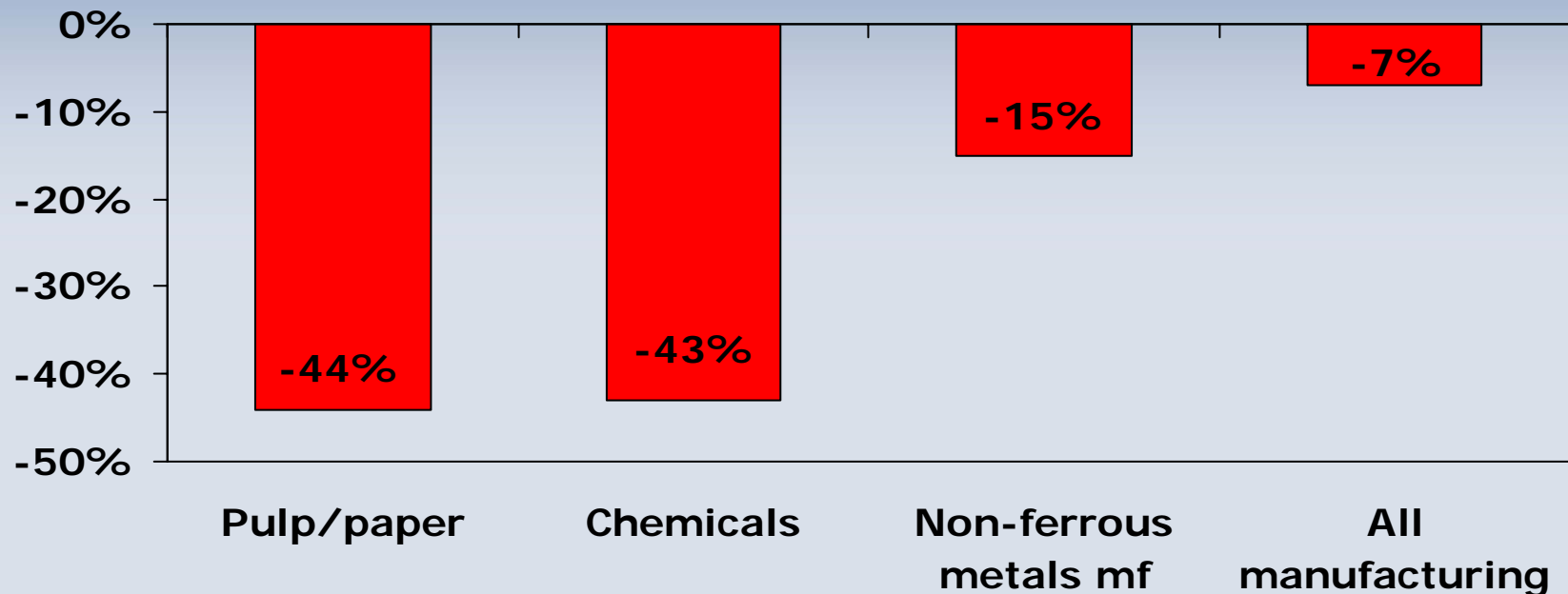
\*Note: current GDP data from the Provincial Economic Accounts go back to 1981, earlier GDP data linked with current series using GDP growth rates for 1971-1981 period.



Source: Environment Canada, BC Stats, Statistics Canada.

# Some Industry Sectors Have Cut Emissions

% reduction in level of GHG emissions 1990-2003, Canada



- ❖ Many manufacturing industries have already substantially reduced GHG emissions, in most cases at the same time as output has increased. Lower emissions reflect a combination of fuel switching, technological advances, and energy efficiency improvements.

# Toward a Low Carbon Economy: BC Challenges

- Already a low per capita GHG emitter by North American standards
- Transportation accounts for a big share of emissions
- Above average population growth
- Electricity generation is virtually carbon-free now
- Non-energy industrial emissions a relatively small and dwindling proportion of GHG inventory
- Development of a sizable upstream oil and gas industry
- Growth of gateway-related trade, tourism and transportation activity in the coming years

# Toward a Low Carbon Economy: BC Advantages

- Abundant and diverse carbon-free power development opportunities – scope to gain credits as “green power” exporter
- Well positioned to build a large scale bio-energy sector
- Forest land base as potential carbon sink
- Strong local capabilities in alternative and low-carbon energy products and technologies
- Rising share of population clustered in southwestern corner of the province, facilitating densification
- British Columbians are more sensitized to environmental issues than other Canadians