

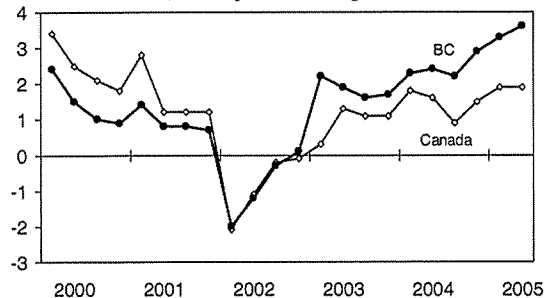
**GROWTH IN THE NUMBER OF BUSINESSES IN BC  
PROVIDES FURTHER EVIDENCE OF THE STRONG ECONOMY**

The BC economy remains on a solid growth track with virtually all major sectors contributing to the expansion. Consumers are still opening their wallets, housing sales are headed for a record year, jobs are plentiful, non-residential construction is booming, and exports have held up better than expected a few months ago. Another sign of the healthy economy is a hefty increase in the number of new businesses operating in the province.

Another measure of new business activity is the number of newly **incorporated businesses**. This differs from the above measure in that it only captures the flow of newly formed businesses and is not limited to enterprises with employees. The number of incorporations has also been rising. Between January and May of this year 11,693 businesses were incorporated in the province, a 12% jump over the same period in 2004. With incorporations on track to climb by more than 10% in 2005, the period 2002-2005 will probably see the most impressive expansion in the number of incorporations on record.

**Growth in Businesses with Employees**

(annual per cent change)

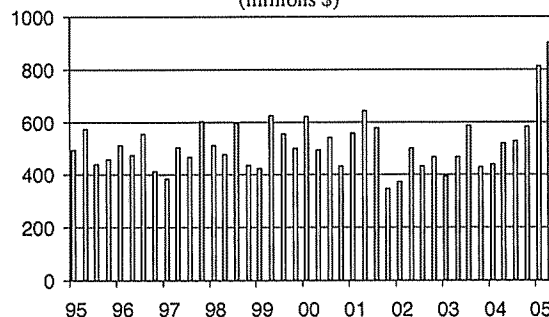


Source: Statistics Canada.  
Quarterly data, latest Q2 2005.

According to Statistics Canada there were **160,917 businesses remitting payroll deductions** in BC in the second quarter of 2005. This marks a 3.6% increase over the same period in 2004, and is the biggest jump in the population of businesses with employees in a decade. It also puts BC well ahead of the Canada-wide increase of 1.9%. Mirroring BC's economic resurgence, the growth in the number of businesses in the province eclipsed the national pace in late 2002, with the gap steadily widening since then.

**BC Non-Residential Building Permits,  
quarterly**

(millions \$)



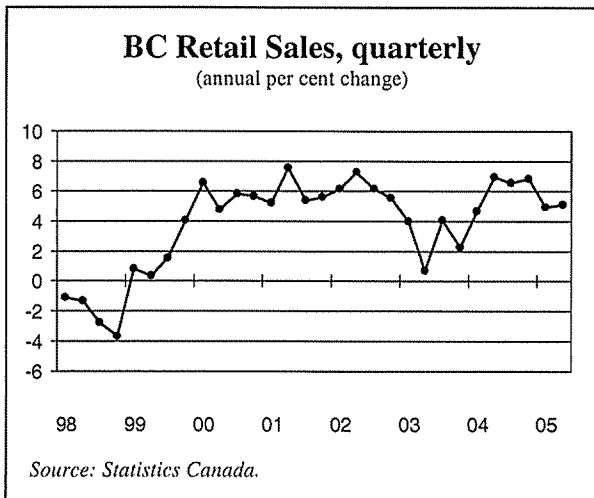
Source: Statistics Canada.

Further evidence of favourable business conditions is soaring non-residential construction. In the second quarter of this year the value of **non-residential building permits** stood 74% higher than the previous year and hit a record \$900 million. Some two-thirds of this is for commercial and industrial structures, which businesses will occupy. (The other one-third is government and institutional structures.) With these

kinds of gains, it is no exaggeration to say that a “building boom” is underway in the province.

Consistent with the solid pace of business formation, **employment** growth also remains robust. Although the annualized rate of job creation has eased slightly, it’s still in excess of 3%. Moreover, BC leads all other provinces in job growth so far this year.

Consumer spending is playing a key role in the current economic upswing. **Retail sales** continue to climb, chalking up a healthy 5.1% annual gain in Q2. Excluding autos, the value of all other retail activity rose by 5.6%.



While higher energy costs will weigh on BC households going forward, consumer spending should remain healthy, underpinned by buoyant job growth, a still vibrant housing market and rising levels of in-migration.

On the export front, conditions have been surprisingly good. Over the first half of the year BC’s **international merchandise exports** were 5.5% higher than during the same period in 2004. This is a solid showing, especially since it follows a 10% advanced in 2004. At the start of the year, many forecasters were predicting that

exports would stagnate in 2005 due to the run-up in the Canadian dollar.

One factor behind BC’s better than expected export picture is robust global demand for energy and mineral products: so far this year, BC’s exports of energy products are up 29% while mineral exports are up 38%. With the notable exceptions of wood products and pulp and paper, the value of most other export categories is also higher than in 2004, suggesting that BC exporters have been able to adjust to the higher Canadian dollar. The small decline in solid wood exports (down 1.8% year-to-date) reflects a dip in average lumber prices, but year-to-date output of wood products is up nearly 6%.

With most sectors of the economy contributing to the current upswing, there is little on the horizon to dampen the outlook for the next 6-12 months. One area of potential weakness is exports. At some point home building in the US will slow. If the decline is sharp, BC’s all important forest sector will take a sizable hit. Prices for many of BC’s mining products are also high, creating a risk of some downward adjustment next year.

On balance, and as evidenced by the strong pace of new business formation, the economic outlook for the province is positive. Over the next six months we expect to see more jobs, a healthy housing market, and further gains in consumer spending.

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