



Let the Good Times Roll

British Columbia Economic Profile and Forecast

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WESTERN CANADA'S ECONOMY

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1. Overview

It has been quite a while—nearly a generation—since British Columbia has enjoyed a comparable period of economic expansion. Employment growth over the past five years in BC outpaces every province except Alberta. In March 2007, BC’s unemployment rate dropped below 4%, an all-time low for the province. Although it did not stay below 4% for long, this milestone is indicative of how far the province has come. In 1984, the unemployment rate reached 15%. People born in that era are now in their early 20s. Many of them are in the final stretch of university or college, or have recently completed training for a career as a tradesperson. This cohort of British Columbians faces dramatically better prospects than did job seekers in the mid-1980s. Not only do more British Columbians have jobs, gains in real personal disposable income have been healthy in the past few years.

In 2006, British Columbia’s economy outperformed the national average for the fifth straight year (see Figure 1). With real economic growth of 3.6%, BC was second only to Alberta.

Wholesale and retail trade and construction experienced significant growth in 2006, with construction playing a key role in driving the provincial economy. Housing starts have slipped, but the housing market remains strong. Non-residential construction—public and private—continues to play a vital role in BC’s growth. The value of building permits in BC doubled

in the past five years and the upward trend carried over into 2007. There are currently 793 major projects planned or under construction. These projects are valued at \$118.7 billion, up 16.5% than the value reported a year ago.

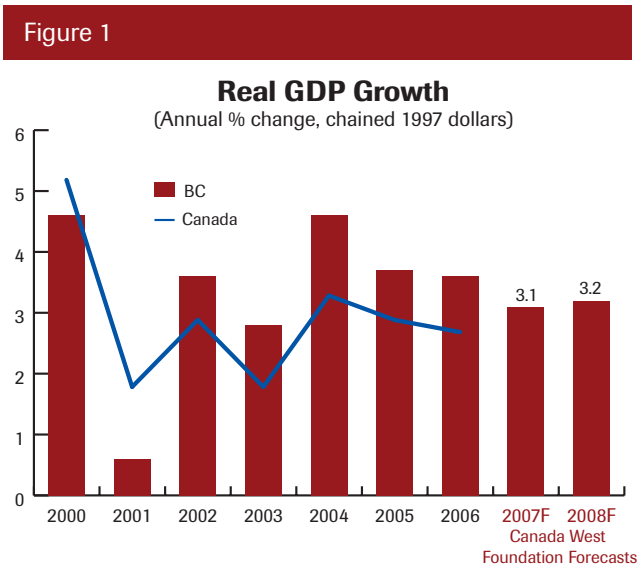
The BC mining industry has rebounded, with recent years being characterized by strong global demand for base metals and other commodities, and soaring prices. As a result, the mining industry has performed well—industry earnings are up significantly, as are investments in capital and expenditures on exploration and development. New employment opportunities have been generated in every region of BC and government revenue from the industry has escalated.

Across the province, most sectors of the economy are performing quite well. Forestry is one notable exception.

BC’s strong performance is likely to continue. The province is positioned to experience economic growth that exceeds the national average in the next couple years. A number of factors support this positive outlook. The provincial government has a much improved fiscal position and BC’s business climate has improved. Non-residential construction activity is very healthy. The retail, wholesale, and services sectors will continue to perform well due to solid employment and income growth in the province. BC is attracting immigrants from abroad as well as people from other provinces. China and other Asian economies continue to grow rapidly.

Public policy developments such as the implementation of the BC-Alberta Trade, Investment, and Labour Mobility Agreement (TILMA) will also contribute to a positive future. By working cooperatively with Alberta on the TILMA, BC has enhanced its economic competitiveness.

Of course, the province is not immune from some challenges and risks. The current strength of the Canadian dollar presents difficulties for the export sector, which has shown weakness as of late. While the red hot job market means that employment opportunities are plentiful, employers have been faced with constraints caused by skill and labour shortages and the prospect of rising compensation costs. The future performance of the US economy is uncertain, especially with the recent fallout from the sub-prime mortgage crisis.



Despite some challenges and risks, the overall economic outlook for the province is quite favourable. The Canada West Foundation is forecasting real GDP growth of 3.1% for 2007 and 3.2% for 2008.

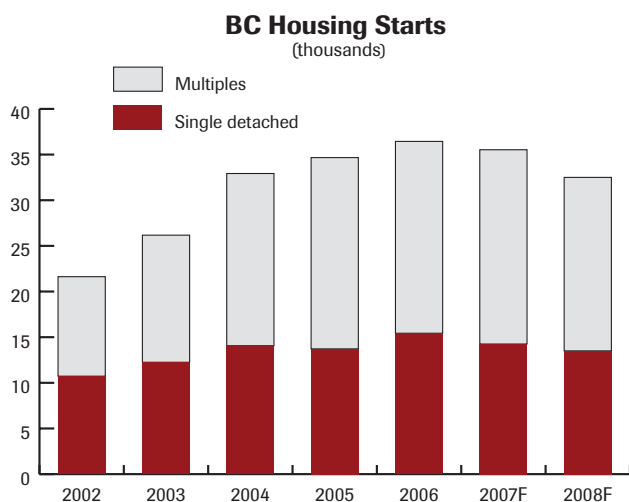
2. Construction, Capital Investment and Major Projects

Housing starts in BC are expected to decline slightly in 2007 and 2008, following two years of modest increases. The Canada Mortgage and Housing Corporation forecasts that total housing starts—single-detached and multiple units—will fall 2.5% in 2007 and 8.5% in 2008 (see Figure 2). The decline in 2007 will be due to a 7.7% drop in housing starts of single-detached homes.

The total value of building permits in BC has been on an upward climb since 2000 and doubled from 2002 to 2006 (see Figure 3). Building permits totaled \$11.5 billion in 2006. The upward trend continued in the first six months of 2007, with gains in both the residential and non-residential sectors (see Figure 4). The total value of building permits in the first six months of this year was \$6.6 billion, a 22.4% increase over the same period in 2006. Looking at major urban areas, the largest increases from 2006 to 2007 were 63.6% in Victoria and 57.2% Kelowna.

Statistics Canada reported a 3.1% increase in investment

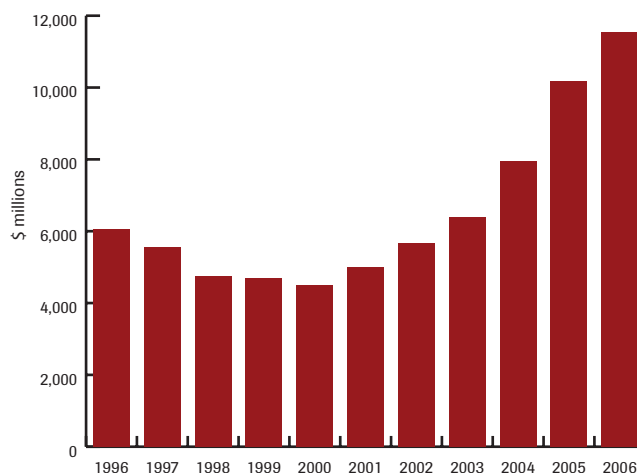
Figure 2



Note: 2007 and 2008 figures are forecasts
Source: Canada Mortgage and Housing Corporation, Housing Market Outlook - Canada Edition, Third Quarter 2007

Figure 3

Value of Building Permits



Source: Statistics Canada, Canadian Economic Observer, Historical Statistical Supplement 2006/07

intentions for non-residential construction and machinery and equipment in 2007 (see Figure 5). This follows increases of 16.6% in 2004, 12.1% in 2005 and 13.0% in 2006. Private and public sector investment—construction and investment in machinery and equipment—are expected to reach \$38.7 billion in 2007.

The British Columbia Major Projects Inventory provides a wider look at major development activities in the province. According to the June 2007 issue, 793 major capital projects with a total estimated value of \$118.7 billion were planned or under construction in the province during the second quarter of 2007 (BC Ministry of Economic Development 2007). This is 16.5% higher than the value of projects from the second quarter of 2006.

Figure 4

Value of Building Permits (\$ millions)

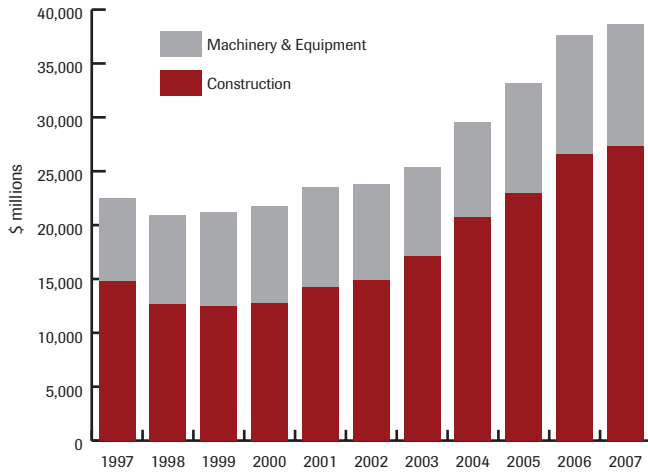
	June 2007	Jan-June 2006	Jan-June 2007	% change
Abbotsford*	16.6	228.9	158.0	-31.0
Kelowna*	95.5	273.8	430.3	57.2
Vancouver*	791.7	2,996.6	3,828.3	27.8
Victoria*	100.2	345.3	565.0	63.6
Total BC	1,305.5	5,386.5	6,593.7	22.4
Residential	807.6	3,531.3	4,359.6	23.5
Non-residential	497.9	1,885.2	2,234.1	20.4

Source: Statistics Canada, The Daily, August 3, 2007. *Census Metropolitan Area

Figure 5

Private and Public Investment

Non-Residential Construction, and Machinery and Equipment



Note: The value for 2006 is preliminary actual and the value for 2007 is intentions.
Source: Statistics Canada, CANSIM Table 029-0024

Work continues on the ten-year \$1.8 billion expansion of the Vancouver Airport, the \$1.9 billion Canada Line rail-based rapid transit system, and the billions of dollars worth of road, highway and rail networks that are part of the province's Pacific Gateway program. Also, over the next four years, there are a number of large infrastructure projects related to the 2010 Winter Olympics. Construction recently commenced on two Olympic projects: the Olympic Villages in Vancouver and Whistler.

These industrial, institutional, and transportation projects will ensure that BC's construction sector remains very active over the next 5 to 10 years. Because of the number of major projects that are also underway or planned in Alberta, the labour market for skilled trades will be very tight and competition for these workers could be fierce.

3. Exports

BC's export sector has witnessed profound changes since the early 1990s. The relative importance of some industries has waned while others have gained prominence. For example, the contribution of wood and paper products industries to total exports has diminished significantly. In the mid 1990s, these industries accounted for nearly 60% of all merchandise exports. By 2006, wood and paper products industries were

responsible for only 37% of total merchandise exports (Industry Canada 2007). Other industries, such as the oil and gas sector, have seen their share of BC's exports increase. The final destinations for BC's exports have also varied over time (see Figure 6). Once the destination for one-quarter of BC's exports, Japan's share was only 13.6% in 2006, and this was the highest it has been in six years. In contrast, the share of exports going to three other Asian economies—South Korea, China and India—has increased from less than 5% in 1999 to nearly 10% in 2006. The US is by far the largest market for BC merchandise exports, although the proportion going to the US has declined in recent years. A host of factors—including globalization, liberalized international trade, and the rapid growth in countries like China and India—have contributed to the evolution of BC's international exports.

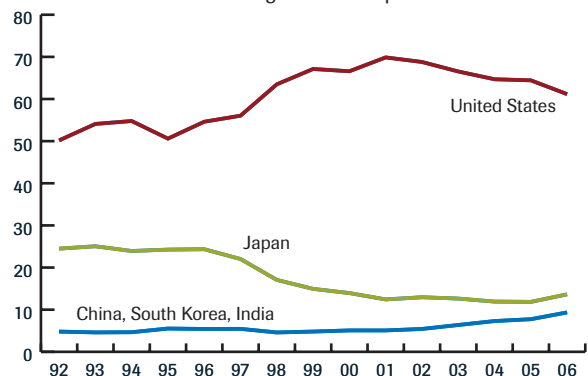
BC's exports grew by roughly 10% per year in 2004 and 2005, but fell slightly in 2006 (BC Stats 2006a). Exports decreased last year in only three other provinces—Ontario, New Brunswick, and Nova Scotia. The contraction in 2006 was due in large part to the solid wood products and energy sectors. Decreases in these sectors were offset by strong international shipments of metallic mineral products and, to a lesser extent, increased exports of machinery and equipment (BC Stats 2006a). The proportion of exports destined for the US fell slightly, with the Asian economies of Japan, China and South Korea picking up the slack.

In the first five months of 2007, exports of wood products showed continued weakness (BC Stats 2007). The main factor here is lower demand for lumber in the US due to a slowdown

Figure 6

Destination of BC Exports

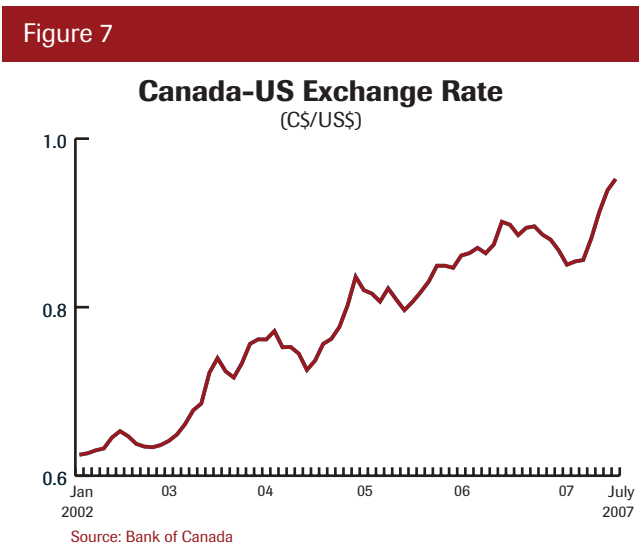
Percentage of Total Exports



Source: Industry Canada, Trade Data Online

in new home construction. On the other hand, exports of pulp and metallic mineral products were up January to May 2007 over 2006.

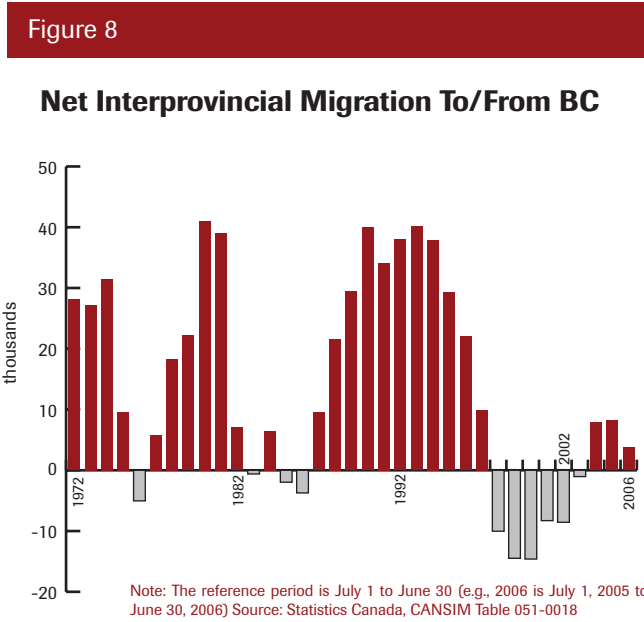
Exporters have watched the rapid rise in the value of the Canadian dollar very closely. The loonie has recently reached heights not witnessed in a generation. The dollar, which hit 62 cents US in January 2002, surpassed the 95 cent US barrier in 2007 (see Figure 7). While the overall effect of the rapid appreciation of the dollar on the BC economy as a whole is far from straightforward, it is something that certainly poses problems for exporters. Not only do Canadian goods become more expensive in the US, companies that sell goods and services priced in US dollars have lower profits when sales are converted to Canadian funds.



4. Population

Between the 2001 and 2006 Census, Canada had the highest rate of population growth of G8 countries (Statistics Canada 2007a). BC was the third fastest growing province in Canada, behind Alberta and Ontario. With population growth of 5.3% between 2001 and 2006, BC was only slightly below the national rate of 5.4%. International immigration was the main

driver of population growth in the province. However, patterns of interprovincial migration changed in BC's favour between the 2001 and 2006 Census (see Figure 8). BC lost nearly 60,000 people through interprovincial migration from 1998 to 2003, many to Alberta. This trend reversed in 2004 and BC enjoyed net gains from interprovincial migration in each of the past three years.



The lower mainland and the southern parts of Vancouver Island accounted for most of the province's growth. However, other areas also experienced significant growth. Kelowna was the fifth fastest growing Census Metropolitan Area in Canada with a growth rate of 9.8% (Statistics Canada 2007b). BC also had six communities on the list of the top 20 fastest growing mid-sized urban centres in Canada: Chilliwack (9.3%), Fort St. John (9.3%), Parksville (9.2%), Courtenay (8.9%), Nanaimo (7.8%) and Vernon (7.5%). However, not all communities saw their population expand. The five fastest declining mid-sized centres in the country are located in BC: Kitimat (-12.6%), Prince Rupert (-12.5%), Quesnel (-8.1%), Terrace (-7.0%) and Williams Lake (-5.1%). Conditions facing the forestry industry have no doubt played a role in the shrinking populations of these northern BC communities.

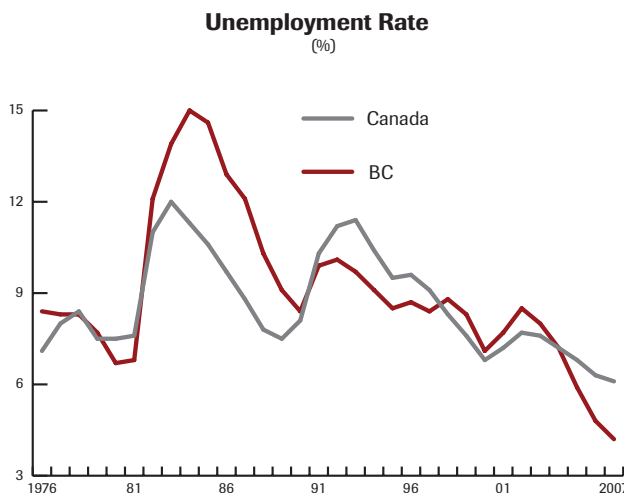
5. BC's Workforce

The robust economic conditions BC has experienced in the past few years have had a profound impact on the province's labour market. In the first seven months of 2007, 39,000 jobs were created in BC. Employment growth in the province so far this year is better than in the country as a whole. This follows four straight years in which the rate of employment growth in BC has bettered the national average.

BC's unemployment rate (4.1% in July) has dropped by more than half since 2002, when it was just under 9%. More often than not in the past three decades, BC's unemployment rate has been higher than the national rate (see Figure 9). Recently, however, BC has had one the lowest rates in Canada. Improved labour market conditions have played an important role in the province's turnaround in interprovincial migration. Unlike the 1980s and 1990s, high unemployment is no longer a pressing issue. Today, labour shortages are an ongoing concern. This is especially true in sectors such as construction, a segment of the economy that is dealing head-on with the shortage of skilled tradespeople.

Labour market conditions have tightened up and wages have increased. While average weekly earnings in BC have gone up, they have grown at a rate roughly comparable to the rate of inflation since 2002. However, in the past two and a half years, growth in average weekly earnings has picked up, especially in industries experiencing the fastest growth in employment,

Figure 9



Source: Statistics Canada, CANSIM Table 282-0002

notably construction. Strong competition among employers for certain types of skilled workers is showing signs of driving up compensation costs.

6. Natural Resources

Mining and Base Metals

The BC economy has benefited from the mining industry, which has enjoyed some very good times in recent years. Strong global demand for base metals and other commodities and high prices led to record financial results for BC's mining industry in 2006. Net income of the industry was up nearly 30% in 2006 despite a slight decline in total shipments (PricewaterhouseCoopers 2007). Industry revenues and net income have soared since 2003, as have commodity prices (see Figure 10). Compared to 2003, prices are up 94% for aluminum, 290% for copper, 331% for zinc and 326% for nickel. The industry has created new employment opportunities in every region of BC. Capital expenditures are up an average of 22.0% per year since 2002. Total exploration and development expenditures in the past three years were 2.5 times higher than what was spent over the seven year span from 1997 to 2003 (PricewaterhouseCoopers 2007).

Figure 10

Base Metal Prices

	Aluminum*	Copper*	Zinc*	Nickel**
1998	61.6	75.0	46.5	2.10
1999	61.7	71.3	48.8	2.72
2000	70.4	82.3	51.2	3.91
2001	65.6	71.7	40.2	2.71
2002	61.3	70.8	35.3	3.08
2003	65.0	80.7	37.6	4.37
2004	78.0	129.9	47.5	6.27
2005	86.2	166.8	62.6	6.70
2006	117.5	302.6	147.2	10.43
2007***	126.2	314.8	162.0	18.60

* LME, cash, US cents per lb.
 ** LME, cash, US \$ per lb.
 *** January to August average

Source: TD Economics, Weekly and Quarterly Commodity Price Reports

Strong prices have driven exploration and mining activity in BC. Expenditures on exploration were up over 20% in 2006 (PricewaterhouseCoopers 2007). More than half of all major mining projects under consideration in Canada are in BC.

Exploration activity has also been encouraged by the provincial government, which has made the regulatory climate more favourable to industry growth.

Those not inclined to pessimism have suggested that commodity markets are in a “super-cycle” in which the rapid growth in global demand, along with supply constraints, will translate into strong prices for years, even decades. Those who are less optimistic point out that nothing is certain, as the economic turbulence caused by the meltdown in the US sub-prime mortgage market reminds us. Commodity prices retreated recently as the potential for slower global economic growth has surfaced in the wake of these recent events.

Forestry

BC's forestry sector has seen better days. The combined impact of a number of factors led to significant downsizing of the sector over the past 10 years. Fluctuating commodity prices, increased international competition, and the softwood lumber disputes with the US all played a role. In the mid-1980s, the forestry sector was responsible for more than 60% of BC's total exports. Over the course of 20 years, the sector's share dwindled to less than 40% (BC Stats 2006b).

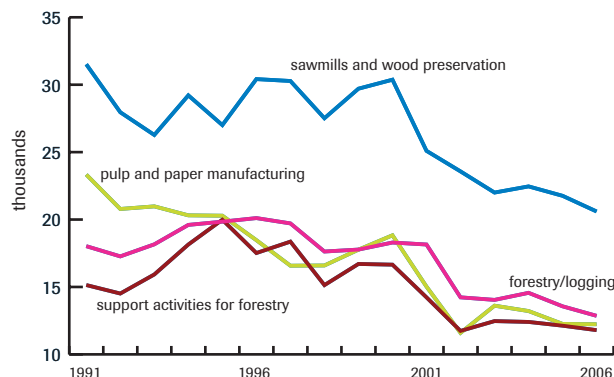
The forestry sector's fortunes are reflected in its employment numbers, which have fallen significantly (see Figure 11). Paper manufacturing employment has dropped by nearly half since the early 1990s and employment in sawmills and wood preservation—the largest in terms of total employment—has dropped by more than a third.

BC's sawmill industry can be described as having two distinct regional industries—the coastal and interior region. With different species and sizes of trees, different cost structures for logging and manufacturing, differing products and values, and different markets, the coastal and interior regions are far from uniform. The interior sawmill industry has gone through years of rationalizing mills that were older and less efficient. As a result, the existing mills are much more productive and efficient. In contrast, coastal mills have not kept pace with the rationalizing in the interior and therefore have further to go in terms of improving productivity.

The forestry sector is facing a number of issues, including the slowdown in the US housing market, the strong Canadian dollar and weak lumber prices. Recent economic turmoil stemming from the sub-prime mortgage market in the US suggests that a

Figure 11

Employment in BC's Forest Products Industries, 1991-2006



Source: Statistics Canada, CANSIM Table 281-0024

turnaround in US demand for lumber is not highly likely. While lumber prices in 2007 are down significantly from past years, pulp prices are up (see Figure 12). Strong global demand has bolstered pulp prices. Newsprint prices so far in 2007 are down slightly from 2006.

At the time of writing, the strike of approximately 7,000 coastal forestry workers was starting to show signs of affecting other facets of the industry, such as pulp and paper firms. The full economic impact of the strike will depend in part on its duration. The last similar strike occurred in 2003 and lasted three weeks before the BC government intervened.

Figure 12

Forestry Product Prices

	Lumber ^a	Pulp ^b	Newsprint ^c
1998	313	543	596
1999	379	542	509
2000	295	685	564
2001	286	558	585
2002	270	490	465
2003	277	553	503
2004	394	640	550
2005	353	647	610
2006	297	722	670
2007*	258	803	610

a SPF, 2x4, US\$/thousand board feet (SPF: Spruce-Pine Fir, standard and better grade before January 10, 2003, 2 and better thereafter, kiln dried, random lengths, f.o.b., BC mills)

b NBSK, delivered in eastern US, US\$/mt (NBSK: Northern bleached softwood kraft)

c New York, US\$/mt

* January to August average

Source: TD Economics, Weekly and Quarterly Commodity Price Reports

The effect of the Mountain Pine Beetle infestation continues to play out in BC. The beetle, which kills standing pine by laying eggs under the bark, has affected over 9 million hectares of prime, mature forests. The economic implications of the infestation are considerable. For example, the livelihoods of 25,000 BC households are impacted and 30 communities across BC will face future economic consequences from the infestation (BC Ministry of Forests and Range 2007). As part of their response to the infestation, the provincial government continues to increase allowable harvest levels in places where the effects of the pine beetle are the greatest. Attempting to salvage infested trees before they deteriorate has resulted in increased timber harvesting and manufacturing activities. However, timber supplies may become an issue in 10 to 15 years as replanted areas will not be available for harvesting (Council of Forest Industries 2007).

Last October, Canada and the US implemented the 2006 Softwood Lumber Agreement. Although the deal was signed, not all stakeholders are pleased with the agreement, which has been described as controversial. Some argue that the 2006 agreement is far from a satisfactory long-term solution to the conflict. The agreement requires the US to return roughly \$4 billion of the more than \$5 billion in duties it collected from imports of lumber from Canada, and returned some certainty to the softwood industry. While tariffs on lumber have been removed, the deal specifies a Canadian-collected export tax and shipment restrictions when lumber prices drop below certain benchmarks. The export tax ranges from 5% to 15%, depending on the price of lumber (Foreign Affairs and International Trade Canada 2007).

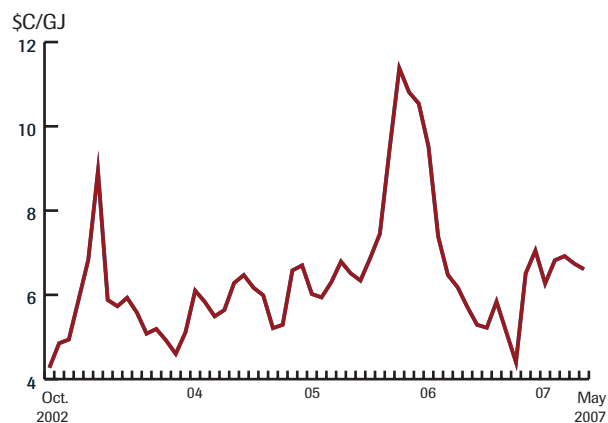
In August of this year, the American government said that Canada was not in compliance and launched a major challenge under the agreement. Canadian lumber industry groups rejected the allegation that they have failed to follow the rules. The impact of this latest development on the BC lumber industry remains to be seen.

Natural Gas

British Columbia is Canada's second largest producer of natural gas, accounting for roughly 15% of Canada's total gas production (CAPP 2007). Natural gas activity in the northeastern part of the province continues to be an important contributor to the BC economy. In addition to its contribution to provincial economic output and employment, the industry pays

Figure 13

Natural Gas Prices (monthly average, Alberta Gas Reference Price)



Source: Alberta Energy

a significant amount in royalties to the provincial government. Natural gas revenues of \$1.4 billion in 2006-07 were off more than 25% from the previous year due to lower natural gas prices. Despite the drop, natural gas royalties are an important source of revenue. To put this figure in context, total corporate income taxes for the same fiscal year were \$1.5 billion (BC Ministry of Finance 2007).

Although the number of natural gas wells drilled in 2006 (1,171) was down from 2005 (1,262), drilling activity has trended upward for most of the past 10 years (BC Oil and Gas Commission 2007). Softer natural gas prices have weakened drilling activity. In October of last year, prices were lower than they had been in four years (see Figure 13). While prices bounced back, they have not reached levels needed to spur new drilling activity. Based on recent figures from the Petroleum Services Association of Canada, prices need to be 15% to 30% higher to attract new drilling activity in many parts of the Western Canadian Sedimentary Basin (PSAC 2007). The number of natural gas wells drilled in BC in the first seven months of 2007 is down 57.9% from the same period in 2006 (BC Oil and Gas Commission 2007).

7. Manufacturing Sector

Shipments of BC manufacturers advanced 2.5% in 2006 on the heels of a 3.2% decline in 2005 (see Figure 14). Had it

Figure 14

Value of Manufacturing Shipments (\$ millions)

	2002	2003	2004	2005	2006
All manufacturing industries	38,610.1	39,691.0	42,303.5	40,960.3	41,974.0
Food	4,617.2	4,835.7	4,988.7	5,223.6	5,562.2
Beverage and tobacco products	1,131.3	1,274.9	1,099.4	1,022.6	1,056.4
Wood products	11,481.3	10,693.5	12,494.3	10,717.4	9,398.1
Paper	5,338.8	5,643.0	5,834.6	5,595.0	5,672.6
Printing and related support activities	893.2	977.9	889.7	898.8	874.5
Chemicals	1,251.9	1,510.2	1,478.7	1,315.4	1,313.0
Plastics and rubber products	1,167.7	1,255.2	1,237.2	1,317.3	1,400.9
Non-metallic mineral products	1,182.9	1,292.6	1,435.8	1,605.1	1,707.9
Primary metals	1,588.0	1,575.0	2,077.2	2,202.1	3,258.5
Fabricated metal products	1,738.6	1,958.0	2,024.5	2,078.8	2,302.9
Machinery	1,743.9	1,824.4	2,021.1	2,237.3	2,301.7
Computer and electronic products	1,076.3	1,265.0	1,395.1	1,248.4	1,395.9
Transportation equipment	1,579.2	1,440.9	1,290.6	1,103.8	1,207.5
Furniture and related products	759.2	890.4	868.9	983.4	1,020.3

Source: Statistics Canada, CANSIM Table 304-0015

impact on the tourism industry. Since 9/11 there have been changes in border security regulations and new passport requirements for US visitors. The SARS outbreak of 2003 also left its mark. Other factors such as rising gasoline prices and the price of air travel have played a role in reducing the number of visitors to BC.

Marketing BC as a vacation destination to Americans will continue to be extremely important, despite the challenges of the dollar, gas prices, and changes to passport requirements. In the longer term, the 2010 Winter Olympics will give BC's tourism sector a boost.

not been for the 12.3% drop in shipments of wood products, overall shipments for the manufacturing sector would have been up 7.7%. The strongest gain was posted in primary metal manufacturing, which increased shipments by 48.0%. Other manufacturing sub-sectors recording solid gains were computer and electronic products (11.8%), fabricated metal products (10.8%), and transportation equipment (9.4%).

Data for the first five months of 2007 show strength in paper manufacturing, a sub-sector with below average gains in 2006. Primary metal manufacturing and fabricated metal products have recorded further gains in value of shipments while numbers are down considerably from 2006 for computer and electronic products. Key challenges facing the manufacturing sector in BC are the strength of the Canadian dollar, increased competition from Asian economies, labour shortages, and rising input costs.

8. Tourism

Visits made by American tourists are a very important component of the BC tourism industry. Roughly 4 out of every 5 foreign visitors to BC are from the US. The sharp decline in the value of the US dollar relative to the Canadian dollar has no doubt contributed to the falling number of Americans visiting BC. The number of entries of US travelers has declined steadily since 2002, a period of time over which the US dollar lost a great deal of strength against the Canadian dollar (see Figure 15). Of course, the value of the dollar is not the only factor that has contributed to this trend. The events of 9/11 had a profound and lasting

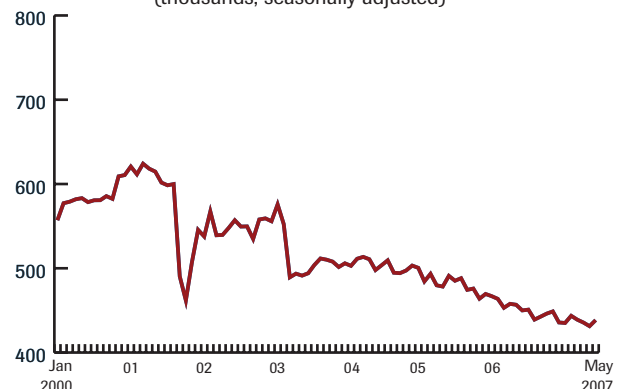
9. Public Finance

Strong economic growth and tax revenue that came in higher than expected helped the provincial government post a \$2.9 billion surplus while increasing program spending in fiscal year 2006-07. In its 2007 budget, BC announced that it would reduce personal income taxes by 10% on all income up to \$100,000. In aggregate, this tax cut amounts to \$515 million annually.

The theme of the 2007 budget revolved around addressing the housing challenges created by the province's strong economy. BC trumpeted additional housing support for the homeless,

Figure 15

International Traveler Entries from the US
(thousands, seasonally adjusted)



Source: Statistics Canada, CANSIM Table 427-0005

seniors and people with special needs, upgrades to social housing, new rental assistance programs, and assistance for first-time homebuyers. The personal income tax cuts were also identified as an important aspect of the overall plan to address housing challenges. BC also set up a \$250 million Housing Endowment Fund. Investment income generated by the fund is slated to support new and innovative solutions to housing challenges.

Total provincial expenditures in 2006-07 increased to \$34.9 billion, up 6.1% from the previous year and \$976 million more than originally budgeted. Health care costs, which account for well over one-third of all spending, were up \$807 million (6.5%) to \$13.2 billion. Education spending rose \$628 million (7.0%) to \$9.6 billion. The budget estimates for 2007-08 are for a further 6.8% increase in health spending and a 2.8% increase in education spending.

Total government revenue rose 5.8% to \$38.0 billion in 2006-07. Total tax revenue was 8.8% higher than the year before, with personal income tax revenue posting an increase of 14.8%. Natural resource royalties decreased to \$4.2 billion from \$4.6 billion the year prior. This was due to much lower natural gas royalties, which were down 27.5%.

Total provincial debt remained unchanged at \$34.4 billion while taxpayer-supported debt (which excludes Crown corporation debt) was \$26.5 billion, down \$630 million from the previous year. The taxpayer-supported debt-to-GDP ratio fell to 14.8% from 16.1% in 2005-06 and 18.2% in 2004-05. Using the taxpayer-supported debt-to-GDP ratio as a gauge, BC has the second lowest debt burden in Canada. Overall, BC's public finances are in good shape and are conducive to further economic growth.

10. Conclusion


BC's economic strength is playing an important role in the shift of economic dominance from central Canada to the West. Looking forward, British Columbians can expect continuing prosperity. High levels of construction activity and business investment, ongoing strength in worldwide demand for base metals and other commodities, growth in China and India, and an educated and skilled workforce will all contribute to sustained economic growth.

The provincial government's finances are in good shape. Personal income tax cuts announced in the 2007 budget mean

that BC has the lowest provincial income tax rates in Canada for those earning up to \$108,000.

Public policy developments such as the implementation of the BC-Alberta Trade, Investment, and Labour Mobility Agreement (TILMA) will also contribute to a positive future. The agreement will give businesses and workers in both provinces greater access to a larger range of opportunities, creating Canada's second-largest economic region (after Ontario). The TILMA has special provisions for transportation, energy, labour mobility, business and corporate registration, and procurement. By reducing all barriers to trade and labour mobility across the region, there is good potential for increased business opportunities and efficiency gains in BC.

On the downside, the slowdown of the US housing market will dampen prospects for the economically important forestry industry. Events in the US—combined with rising energy and wage costs, and a strong Canadian dollar—will prove to be very challenging for the forestry sector. In the longer term, the negative effect of the mountain pine beetle will add to the misery felt by the industry. The tourism sector faces another round of challenges with high gasoline prices, the soaring loonie, and tough border restrictions for US visitors.

The Canada West Foundation is forecasting real economic growth of 3.1% for 2007 and 3.2% for 2008. 

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About the Canada West Foundation

Our Vision

A dynamic and prosperous West in a strong Canada.

Our Mission

A leading source of strategic insight, conducting and communicating non-partisan economic and public policy research of importance to the four western provinces, the territories, and all Canadians.

Canada West Foundation is a registered Canadian charitable organization incorporated under federal charter (#11882 8698 RR 0001).

In 1970, the One Prairie Province Conference was held in Lethbridge, Alberta. Sponsored by the University of Lethbridge and the Lethbridge Herald, the conference received considerable attention from concerned citizens and community leaders. The consensus at the time was that research on the West (including BC and the Canadian North) should be expanded by a new organization. To fill this need, the Canada West Foundation was created under letters patent on December 31, 1970. Since that time, the Canada West Foundation has established itself as one of Canada's premier research institutes. Non-partisan, accessible research and active citizen engagement are hallmarks of the Foundation's past, present and future endeavours. These efforts are rooted in the belief that a strong West makes for a strong Canada.

More information can be found at www.cwf.ca.

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