



ECONOMIC UPDATE

November 2010



More than ever, Canada's future prosperity depends on global trade. Canada is among the world's largest exporters, ranking 7th in world merchandise exports in 2009.¹ In recent years, total trade flows with Asian countries have grown at the fastest rate among all trading partners.² British Columbia's role as the gateway to this expanding Asian market presents tremendous opportunities for Northern BC companies.

Over the last several years, significant investments in transportation infrastructure in Northern BC have improved the competitiveness of regional companies and opened up greater opportunities to access growing markets across the globe. New and innovative approaches to supply chain management have improved the reliability and efficiency of these investments.

Railways are a critical part of the Canadian economy and are crucial to ensuring Canadian companies are competitive in global markets. To date, CN Rail has invested roughly \$600M in projects that specifically relate to the Asia-Pacific Gateway Corridor, including the \$20M Transload and Intermodal facility in Prince George. As traffic through the Northwest Transportation Corridor has grown significantly in recent years, volumes

moving through the Prince George facility³ have approached ten-year development projections, in only the second year of operation.

CN recently introduced a new supply chain approach to managing the flow of products, which helps improve customer service and further increase volumes shipped to Asian markets. An end-to-end view of the supply chain, along with a focus on closer customer collaboration, increases system reliability and improves logistics, which in turn allows producers to maximize sale opportunities.

The company has also reached out to improve the flows of goods through all of Canada's major ports. Since April of this year, CN has signed a series of supply chain collaboration agreements with major east coast and west coast ports, as well as level of service agreements with some of their key terminal operators.

CN, the Prince Rupert Port Authority and Maher Terminals Holding Corp. recently signed a Level of Service Agreement which establishes performance targets, customer service measures and productivity indicators to improve the flow of containers through the Prince Rupert gateway. Elements of the agreement include specific times for unloading and loading containers between vessels and rail cars, dwell times at the terminal, and CN transit times to markets in Canada and the US.

The agreement forges a strong partnership to further improve the performance of the West Coast's most efficient gateway for transpacific trade and sets the stage for greater transparency for shippers in their supply chain management.

In the relatively short period of time since the start-up of operations in late 2007, the Prince Rupert Gateway has distinguished itself as the premier service provider for transpacific trade. The Level of Service Agreement further enhances the commitment amongst the stakeholders to provide superior levels of service to ocean carriers and shippers alike and enhances Prince Rupert's role as a preferred gateway between Asian and North American markets.

In early December, Initiatives Prince George will be offering the third workshop in its Export Education series. Backhaul 101 will provide information on how companies can access CN Transload intermodal services for direct shipping to Asia through the Port of Prince Rupert. Topics will include: an overview of CN's intermodal facilities in Prince George; an overview of costs associated with accessing facilities and shipping goods from Prince George to destination ports in Asia; information on the time and cost advantages associated with the Port of Prince Rupert; and solutions for streamlining distribution costs and addressing backhaul challenges.

To register, or for more information on the upcoming workshop, email powneyc@initiativespg.com.

¹ Excluding intra-EU trade. (WTO)

² Averaged annually, Canada's trade with Asian countries grew at a rate of 5.5% between 2005 and 2009, while trade with other countries declined at an average of 1.4% over the same period. (Industry Canada)

³ On an annualized basis.

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Economic Statistics

Employment

Employment continues to increase monthly in Prince George; the number of persons employed in the city increased by 200 persons (0.4%) in October. Comparatively, provincial employment levels increased by 0.1% and national levels were relatively unchanged. The level of employment in the city continues to be higher than in any month over the last five years, which is reflective of current record levels for the size of the labour force and the working-age population. The number of unemployed

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persons in the city declined by 15.6% (700 persons) last month, a result of the increase in employment and a 1.1% decline in the size of the labour force. Consequently, the unemployment rate decreased by 1.2% (to 7.3%), bringing the city's rate below the provincial and the national rates; both declined by 0.1% in October, to 7.4% and 7.9%, respectively. The labour forces were relatively unchanged last month in both BC and Canada, while the number of unemployed persons declined by 1.5% and 0.5%, respectively. Prince George's employment rate increased 0.3% to 70.9% in October; the rate was unchanged in BC and declined by 0.1% in Canada.

(Source: Statistics Canada Labour Force Survey)



Real Estate

There were 49 single family homes sold in Prince George in October, 24 fewer than in October 2009, with an average price of \$230,025 (4.2% lower than in the same month last year). The year-to-date average price of a single family home in the city was up 3.8% compared to the first ten months of 2009; year-to-date unit sales were down 4.5%. Comparatively, year-to-date average prices were up 8.8% and 6.5%, respectively, in BC and Canada at the end of October; unit sales were down 10.3% provincially and 2.6% nationally over the same period last year.

(Source: BC Northern Real Estate Board; Canadian Real Estate Association)

Housing Construction

There were 26 housing starts in Prince George in October (16 single family and 10 multiple dwelling units), 6 more than in the same month last year. Year-to-date, starts were up 57.7% over the first ten months of 2009; single family units were up 50.5% and multiples were up 80.0% at the end of October. Comparatively, year-to-date starts were up 82.7% and 33.3%, respectively, in BC and Canada. There were 15 residential units completed in the city in October (all single family units), 8 fewer than in the same month in 2009, and there were 241 housing units under construction (146 single family and 95 multiple dwelling units); 17.0% more than in October 2009.

(Source: Canada Mortgage and Housing Corporation)

Building Permits

The City of Prince George issued 56 building permits valued at \$3.6M in October, down 19.9% compared to the same month last year. Despite moderate activity last month, the year-to-date value of permits was up 111.1% over the first ten months of 2009. Comparatively, year-to-date permits were up 38.8% provincially and 31.0% nationally at the end of September. Residential

building permits accounted for 83.9% of the total value of permits issued in the city last month, largely as a result of permits for new construction (8 new single family dwellings valued at \$2.3M). The Commercial category accounted for 15.9% of total permits in October; a \$0.5M permit for interior renovations at HRSDC's 4th avenue building made up 91.3% of this category. The Industrial category accounted for the remainder of permits issued for the month.

(Source: City of Prince George; Statistics Canada)



Business Licenses

The City of Prince George issued 59 business licenses in October (24 renewals and 35 new licenses).

(Source: City of Prince George)

Airport Passenger Volumes

60,828 passengers passed through the Prince George airport in August and September, 1.2% more than in the same period last year; year-to-date traffic was up 4.6% at the end of September compared to the first nine months of 2009.

Comparatively, traffic through the Vancouver airport was up 3.0% year-to-date, at the end of August.

(Source: Prince George Airport Authority; Vancouver Airport Authority)