

ECONOMIC UPDATE

September 2010



The Prince George region is emerging from the recession amidst a flurry of construction activity. There are a number of capital projects currently underway or upcoming in the region which are playing an important role in helping the regional economy emerge from the global downturn stronger and with greater capacity for the future economic growth and diversification.

Local and regional developments in the resource sector are creating jobs in the immediate term while developing a broader range of resource activities that will provide increased wealth and stability to the economy.

Forest products manufacturing has traditionally played a large role in the regional economy, and this role is being augmented through a variety of projects. Canfor Pulp has been allocated credits of \$122.2 million through Natural Resources Canada's Pulp and Paper Green Transformation Program, which will be used to finance capital projects that have significant environmental benefits. In Prince George, this program is expediting the completion of the \$11M Prince George Pulp Mill Odor Reduction Project, and the \$4.5M Increased Biofuel Power Generation Project, which will create a combined total of approximately 29 person-years of employment over 2010-2011. The proposed \$100M Northwood Pulp Mill Recovery Boiler Project will create approximately another 190 person-years of construction employment prior to its completion by March 2012.

Another significant forest sector investment is the \$24M expansion of Pacific BioEnergy's existing wood pellet production facilities in Prince George, which will see annual wood pellet production at the PG plant double. This increased capacity will further diversify value-added activities within the local forest sector, and give the region an even larger share of the province's \$150M pellet export industry.¹ The project, scheduled to be complete before the end of 2010, is estimated to create 10 new jobs at the plant and 25 person-years of employment in harvesting, hauling and silviculture in the region, in addition to the construction jobs created over the duration of the expansion project.

The mining industry also continues to increase in importance to the local and regional economy. The Mt. Milligan copper-gold project, 150 km northwest of Prince George, has entered the first phase of a 30-month construction program that will see 600 jobs created during the construction phase up to 2013, with total capital costs on the project estimated at \$917M. The mine is expected to provide significant long-term economic benefits for the region, including approximately 400 direct permanent jobs.

A number of operating mines in the region are undergoing upgrades or expansions which involve significant capital expenditures. The expansion and

modernization project currently underway at the Endako molybdenum mine, 190 km west of Prince George, will nearly double the mill's capacity. Over the duration of the \$498M project scheduled for completion at the end of 2011, approximately 4.5 million man-hours of construction labour will be utilized. The recently re-opened Willow Creek coal mine, approximately 300 km northeast of Prince George, has submitted applications to nearly double its capacity by late 2011, which will increase direct employment levels to 300 people.

In addition to investments in the resource sector, there are a number of significant community-based projects that are spurring considerable economic activity and employment in the local construction industry. Among these are CNC's \$14M Technical Education Centre and the \$69.9M BC Cancer Agency Centre for the North which is expected to create around 445 direct construction jobs over the life of the project.

Significant capital projects underway in downtown Prince George include interior/exterior renovations to the Terasen Gas building (\$2.4M), Commonwealth medical building (\$1.8M), and Scotiabank building (\$2.0M). Business investment is perhaps the most important factor contributing to long-term economic strength, and the current level of investment in the city and in the region will serve to provide greater underlying strength and stability in the economy, catalyzing future economic growth and job creation.

¹ It is estimated that in 2008, pellet production facilities in Northern BC encompassed 78.0% of total pellet production capacity in the province.

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Economic Statistics

Employment

Employment in Prince George increased by 2.1% in August, with 1,000 more persons employed than in the previous month. Employment increases were more moderate in BC and across Canada (both up 0.2% compared to levels in July). The level of employment in the city was higher than in any month over the last five years, and up 10.8% over August 2009. A 1,000 person (1.9%) increase in the city's labour force, combined with the increase in employment, left the number of unemployed persons relatively unchanged but led the unemployment rate to decrease 0.6% to 8.7%. Comparatively, the provincial labour force was relatively unchanged and the number of unemployed persons decreased by 3.4%; across Canada, the labour force increased by 0.3% and the number of unemployed persons increased by 1.2%. As a result, the unemployment rate decreased 0.2% (to 7.3%) in BC and increased 0.1% (to 8.1%) in Canada. Prince George's employment rate increased 1.3% to 70.5% in August; the rate was unchanged in BC and increased by 0.1% in Canada.

(Source: Statistics Canada Labour Force Survey)



Real Estate

There were 68 single family homes sold in Prince George in August, 12 fewer than in August 2009, with an average price of

\$223,710 (3.0% lower than in the same month last year). Despite the relatively slow month, the year-to date average price of a single family home in the city was up 5.2% compared to the first eight months of last year; year-to-date unit sales were down 1.8%. Comparatively, year-to-date average prices in BC and Canada were up 10.2% and 8.2%, respectively, at the end of August; unit sales were down 2.2% provincially and up 2.2% nationally over the same period last year.

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

Housing Construction

There were 40 housing starts in Prince George in August (28 single family and 12 multiple dwelling units), 4 more than in the same month last year. Year-to-date, starts were up 47.8% over the first eight months of 2009, mainly due to a 65.6% increase in the number of single family units; multiple units were up 7.1% at the end of August. Comparatively, year-to-date starts were up 98.0% and 43.3%, respectively, in BC and Canada. There were 25 residential units completed in the city in August (all single family units), 6 more than in the same month in 2009, and there were 223 housing units under construction (150 single family, 6 semi-detached and 67 row units); 13.9% fewer than in August 2009.

(Source: Canada Mortgage and Housing Corporation)

Building Permits

The City of Prince George issued 58 building permits valued at \$7.3M in August, up 2.2% compared to the same month last year. Residential building permits accounted for 49.5% of the total value of permits issued, largely as a result of permits for new construction (10 new single family dwellings and 4 new townhouse units). The Commercial

category accounted for 35.7% of total permits in August; a \$2.0M renovation permit for façade improvements to the Scotiabank building downtown made up most of this category. The Institutional category accounted for most of the remainder of permits issued for the month. The value of total permits issued in the city was up 180.6%, year-to-date, compared to the first eight months of 2009. Comparatively, year-to-date permits were up 45.2% provincially and 34.9% nationally at the end of July.

(Source: City of Prince George; Statistics Canada)



Business Licenses

The City of Prince George issued 89 business licenses in August (44 renewals and 45 new licenses). Year-to-date, new licenses and renewals were up 24.4% and 26.3%, respectively, at the end of August.

(Source: City of Prince George)

Airport Passenger Volumes

62,988 passengers passed through the Prince George airport in June and July, 6.6% more than in the same period last year; year-to-date traffic was up 5.6% at the end of July compared to the first seven months of 2009. Comparatively, traffic through the Vancouver airport was up 3.6% year-to-date, at the end of July.

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