

Q3 UPDATE

Welcome to another year of the **Rural BC Economic Bulletin!** Since our last issue in the spring, economic conditions around the world have been volatile and mostly trending in a negative direction. Post-COVID supply chain kinks, the war in Ukraine, severe labour shortages in some industries, and a geopolitical realignment to global trade are all contributing to the highest inflation rates in 40 years. Energy and lumber prices spiked in the middle of the year, but have since fallen back. Most of the world's central banks continue to raise interest rates, creating significant adjustments in the housing market and price declines in some areas.

This bulletin will continue to provide updates on the latest economy-related data for BC rural regions. Each issue includes the latest regional labour force numbers from Statistics Canada, plus a few other topics of interest. Where possible, the analysis will incorporate fresh data from the 2021 Census that have been released over the last year, including a deeper look at demographic change in this issue.

EMPLOYMENT TRENDS

First, an update on regional employment. The latest quarterly statistics cover the July-September period (Q3), which is usually the highest-employment quarter of the year.

RURAL BC IN Q3



1 MILLION JOBS

Rural BC reached a new employment milestone in Summer 2022.

SUMMER JOB GROWTH

+4.1%

Rural BC
Q3 2021 to 2022

+1.9%

Major Metros

HOUSING MARKET RESET

-36%

Unit Sales
Summer 2021 to 2022

-12%

Average Sale Price
Q1 to Q3, 2022

RURAL POPULATION CHANGE 2016-2021

+7.8%

Elementary Age
(5-14)

+6.4%

Prime Working Age
(25-54)

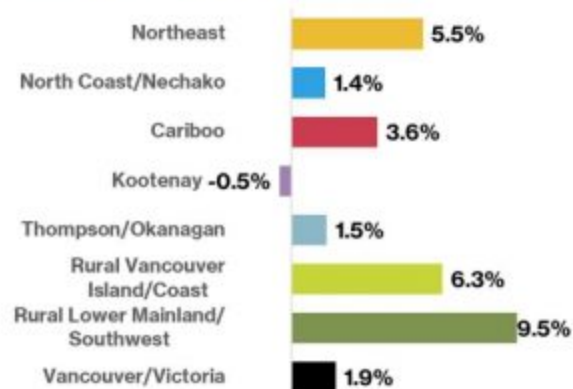
+19.0%

Elderly
(75+)

Total job growth in Rural BC was 4.4% year-over-year, far exceeding the 1.9% growth in the Vancouver/Victoria metro areas. As shown below, growth was fastest in the rural Lower Mainland (Fraser Valley, Squamish/Lillooet, and Sunshine Coast regional districts) as well as Vancouver Island/Coast north of the Malahat.

EMPLOYMENT GROWTH

Summer 2022 compared to Summer 2021



Other notable details include:

- **Total employment in rural BC reached 1 million jobs** for the first time! This is based on defining Rural BC to include all areas outside Metro Vancouver and the Capital region.
- Rural BC's **unemployment rate** continued to drop, falling to 4.6% compared to 6.0% last summer. That is the lowest summer unemployment rate in 15 years!
- All regions added jobs except Kootenay, which was slightly lower compared to summer 2021.
- Full-time jobs reached 80% of total employment for the first time in 7 years.
- **Full-time job growth** was even faster than overall job growth, including a blazing 14% increase in the rural Lower Mainland, 11% in rural

Vancouver Island/Coast, and 10% in the Northeast.

JOBS BY SECTOR

On a sectoral basis, services industries have driven job growth in rural BC since last summer, up 7% while goods industries have declined by 4%.

EMPLOYMENT GROWTH BY SECTOR IN RURAL BC

2022-Q3 compared to 2021-Q3



Within the goods sector:

- Manufacturing is down by 7% with multiple mill curtailments or closures occurring.
- Construction is also lower by 5% with the slowdown in real estate activity.
- Primary industry employment is up by 2%.

Within the services sector:

- Information, culture and recreation shows huge growth since last summer, but this sector was heavily impacted by the pandemic through 2021. Jobs are only 7% higher the last pre-pandemic summer of 2019.
- Retail/wholesale employment has reached new highs in Q2 and Q3 of this year, but was also depressed last

summer and has increased a more modest 11% since 2019.

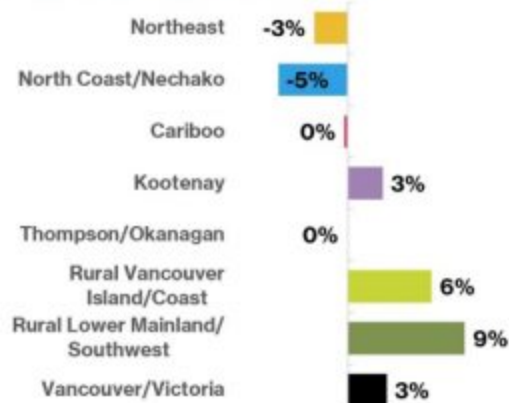
- Most other services sectors show solid growth year-over-year, except health care and finance/insurance/real estate (FIRE). The FIRE sector is affected by deteriorating housing market conditions this year.
- Health care has been surprisingly volatile from quarter to quarter in recent years, but definitely appears to be trending down. Possible explanations include worker burnout coming out of the pandemic, demographic factors, or changing business conditions for the many small businesses that are part of the health care sector.

PANDEMIC RECOVERY

How does summer 2022 compare to the last pre-pandemic summer of 2019? Here the picture is more mixed.

EMPLOYMENT GROWTH

Summer 2022 compared to Summer 2019



¹ Real estate sales data is sourced from the BC Real Estate Association and reported according to the boundaries of regional real estate boards. For this bulletin, Rural BC is defined to include all of BC except the Greater Vancouver, Victoria, and Fraser

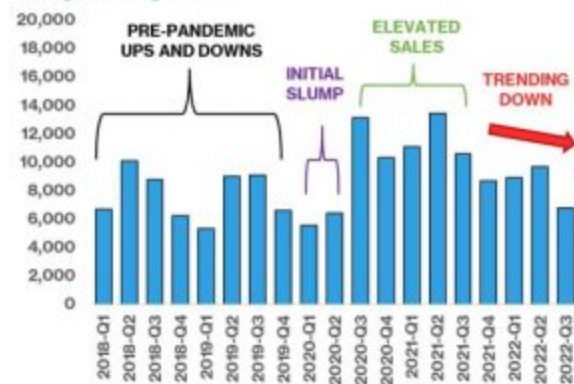
Vancouver Island and the rural Lower Mainland continue to lead the way in job growth, but the North has yet to recover to pre-pandemic summer employment.

HOUSING

After nearly two years of elevated sales and prices, market conditions in Rural BC have softened considerably through the middle part of 2022.

QUARTERLY UNIT SALES IN RURAL BC

Multiple Listing Service



There were about 6,800 sales recorded through the Multiple Listing Service in summer 2022, a drop of 36% compared to last summer.

Average prices are up 5% compared to last summer, but have declined by 12% from the peak in Q1 of this year. Across all of Rural BC¹ the average sale price in Q3 was \$644,000 compared to \$1,105,000 in the large metro areas (which is a drop of 13% from Q1).

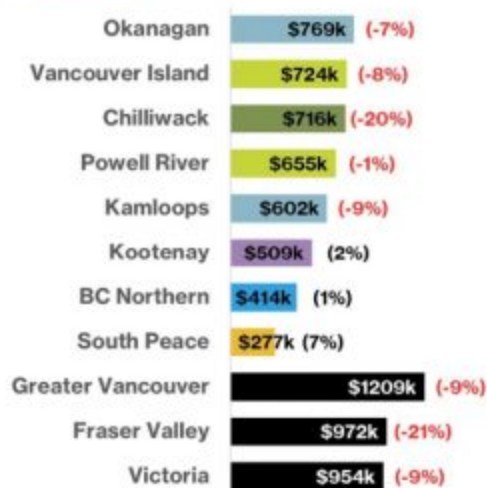
The average Q3 sale price in each board area is shown below, along with the percentage decline since Q1. Note that

Valley board areas. Note that both the Greater Vancouver and Fraser Valley board areas straddle parts of Metro Vancouver with surrounding “rural” areas that contain Community Futures offices. Data for these communities (Squamish, Mission, and Abbotsford) are not included in the Rural BC totals.

quarterly averages are used rather than the monthly averages reported by BCREA to help minimize the impact of small sales volumes in some areas.

AVERAGE HOME PRICES

Multiple Listing Service, 2022-Q3 Average (and Change From 2022-Q1)



The largest price declines from Q1 to Q3 are in Chilliwack and the Fraser Valley, each dropping about 20%. This partly reverses the recent price increases of more than 60% in those areas since Q2 of 2020, which was the height of the social distancing era.

South-central and southwest regions of the province, including Vancouver Island, experienced significant inflows of ex-metro residents and a rapid increase in prices in the last few years. Those areas have had the largest reversal in prices this year. The Kootenay and northern board areas were more insulated from the pandemic-induced migration and had smaller increases since 2020, but also a continuing small rise in average prices throughout 2022.

The one area that defies these trends is Powell River. Recognizing that unit counts are small for this board area so the data is more variable, it had a remarkable 86% average price

increase from the start of the pandemic to Q1 of this year (easily the biggest increase in the province), but has lost only 1% off average prices in the following half year.

Note that these statistics are based on home sales through the Multiple Listing Service and include all unit types. Observed price changes over time may be influenced by a different mix of unit types or quality, such as increased sales of apartments rather than single family homes. The larger board areas use a Housing Price Index to standardize price changes over time for a consistent home, which will be reviewed in a future bulletin.

DEMOGRAPHIC SHIFTS

As of late 2022, almost all of the data releases from the 2021 Census are available.

Population growth and change is a vital topic for rural BC, both to ensure a sufficient population base to support local services and to provide enough skilled workers and entrepreneurs to ensure a strong rural economy.

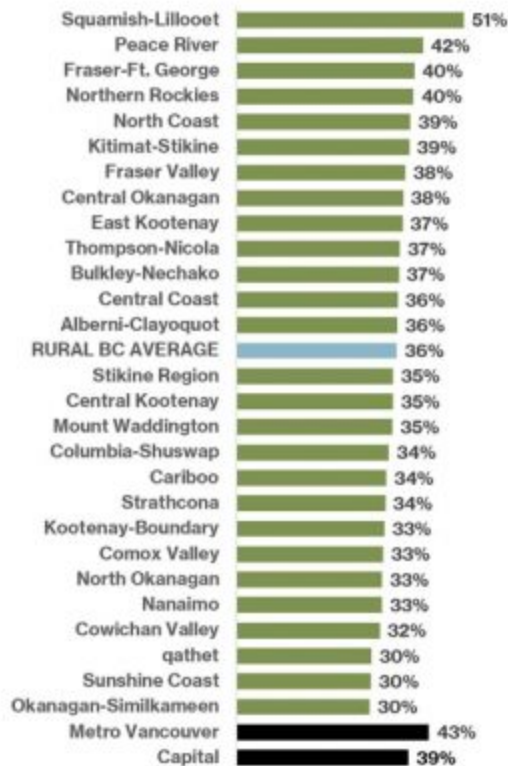
Different demographic groups have different implications for economic development and community services. Rural trends in several notable demographic groups are highlighted below, focusing on age categories only.

PRIME WORKING AGE (25-54)

The population from age 25 to 54 has significantly higher rates of labour force participation than older or younger populations. Highlighting this group is critical for economic development because it's entirely possible for a community to have growing population overall, but the local workforce may be flat or shrinking depending on changes in this key demographic.

PRIME WORKING AGE (25-54) POPULATION

Share of Total Population, 2021 Census



On average, 36% of the rural BC population is of prime working age. Squamish-Lillooet is a major outlier with 51% of its population in this age range, followed by Peace River at 42% and ranging down to Okanagan-Similkameen at 30%. Areas that are popular for leisure and recreation typically attract more retirees and thus have a lower percentage of working-age residents. For example, all of Vancouver Island is lower than the rural average except Alberni-Clayoquot.

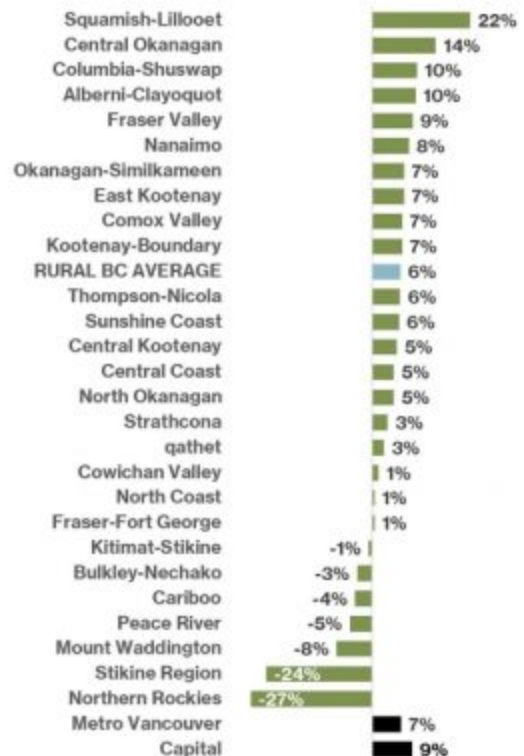
Regions with a higher share of prime working-age residents are found in the north, which attracts workers to high-paying resource-based industries and has relatively fewer retirees, and regions with larger cities. These include Central Okanagan (Kelowna) having the highest share within the Thompson-Okanagan economic region, as well as Fraser-

Fort George (Prince George) and Thompson-Nicola (Kamloops).

Regardless of each region's current share of prime working-age residents, increasing the size of this valuable demographic group should be an important goal. The next chart shows growth from 2016 to 2021.

GROWTH IN PRIME WORKING AGE (25-54) POPULATION

2016 to 2021 Census



The size of the prime working-age population in rural BC increased by 6% from 2016 to 2021 (compared to total population growth of 8%).

The Squamish-Lillooet, Central Okanagan and Columbia-Shuswap regions had the fastest growth in total population, and also in prime working-age population. Peace River and Northern Rockies have traditionally had among the highest shares of prime working-age residents, but due to worsening conditions in

the oil and gas sector, both lost population in this demographic category.

ELDERLY (75+)

The elderly population is an important demographic for both economic and non-economic reasons. On the positive economic development side, retirees in this age range contribute to a community's economic base by attracting pension and investment income that helps support local shops and a variety of local health, commercial and transportation services.

Age-related health care needs and mobility limitations become more significant after age 75 compared to younger seniors in the 65-74 range. Many younger seniors continue to work (a trend that is increasing) and have fewer health and mobility service needs, on average.

ELDERLY (75+) POPULATION

Share of Total Population, 2021 Census



The current share of elderly population in each regional district is almost an inverse of the previous chart on prime working-age population.

The **75+ population** has increased in every regional district in the province since 2016, averaging **19% growth in rural BC**. The oldest baby boomers turned 75 in 2021 while the youngest are in their late 50s. The elderly demographic will continue to grow substantially in the next 15-20 years as the boomer population moves into this category.

ELEMENTARY AGE CHILDREN (5-14)

People often move from a new community in connection with a major life transition, such as graduating high school and entering post-secondary education, or retiring from work. Another, less well-known, trigger for migration is starting kindergarten.

Based on previous analysis conducted for multiple communities on Vancouver Island and the Okanagan, inbound migration shows a clear upward spike at age 4 and 5. These preschoolers clearly aren't moving on their own, but what appears to be happening is their parents, who are often living in larger metro areas in BC, move to smaller communities just in time for their child to start kindergarten. They might have been living in a condo apartment and want a single-family home, or were renting and want to buy, or simply want a bigger place that is unaffordable in larger centres. For these reasons, migration-related growth in the 5-14 population is a very good proxy for the attractiveness of a community to families with children.

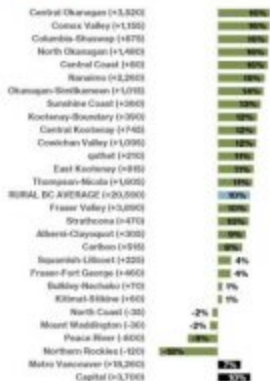
From 2016 to 2021, British Columbia had a net inflow of more than 42,000 elementary age children from outside the province (from both international and interprovincial sources). Rural BC captured just under half of this total, or 20,600. In reality, many of the school-age

kids moving to BC settled in Vancouver or Victoria, and those moving to Rural BC moved out of the metro areas.

The next chart shows the percentage contribution of net migration to the 5-14 population in each regional district. Central Okanagan has the highest share at 16% as it attracted a net influx of more than 3,500 elementary age children in this time period. The Squamish-Lillooet results are curious – despite experiencing a huge influx of prime working-age adults, it appears that relatively few of them have school-age children compared to some other regions.

ESTIMATED NET MIGRATION OF ELEMENTARY AGE CHILDREN

2019 to 2021 Census. Share of 5-14 Population from Net Migration



LABOUR REPLACEMENT

With labour shortages a present and growing challenge, the labour replacement ratio

provides valuable insight into demographic factors affecting local labour supply.

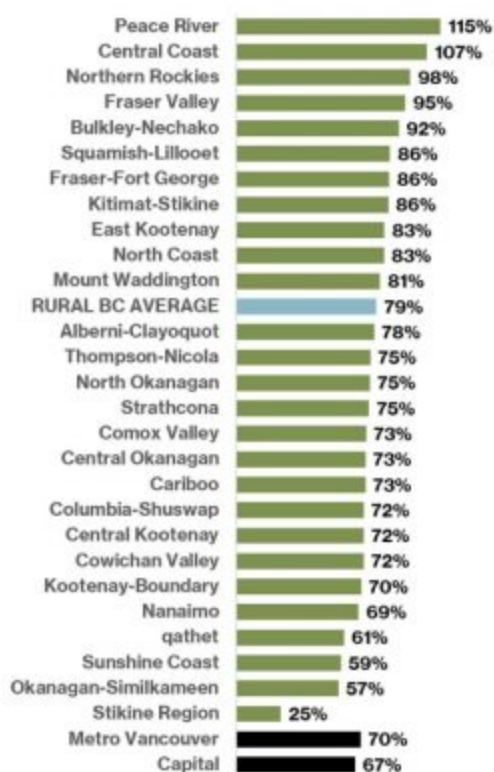
There are various ways to calculate this, the most common of which compares the number of 15 to 24-year-olds, who are just entering the workforce, to the number of 55 to 64-year-olds, who are just leaving it. This is a useful statistic at a provincial level, but less so for rural communities because there is so much volatility in migration in the late teens and early 20s. Many rural high school graduates will move to bigger centres for post-secondary education, work, or simple life experience, but those communities often see a reversed inflow of residents in their late 20s or early 30s.

An alternative measure compares the 5 to 14-year-old population to the 50 to 59-year-old population. There is symmetry to this comparison:

- A 5-year-old is 15 years away from age 20, which is the point at which the majority of people are IN the labour force.
- A 50-year-old is 15 years away from age 65, which is the point when a majority of people are OUT of the labour force.

Ideally, a community will have enough elementary-age children to replace the population currently in its 50s. The ratios shown below are not destiny, but provide an early indication of which regions have a built-in replacement cohort for aging workers, and which need to rely on migration to sustain and grow the local workforce.

REPLACEMENT RATIO OF AGE 5-14
POPULATION TO AGE 50-59 POPULATION
2021 Census



The rural BC average of 79% is higher than the metro areas, which average 69%. The metro areas do have the advantage of attracting most of BC's international migrants to supplement the native-born workforce. Many rural regions also rely on migrants, some international but often from elsewhere in Canada and BC, to ensure a healthy labour force.

Every rural regional district showed an improvement in this ratio from 2016 to 2021, in part due to the baby boomers almost entirely moving out of their 50s. Only the Stikine region, which has less than 1,000 residents in total, had a falling ratio.

CREDITS

This bulletin was prepared by Vann Struth Consulting Group Inc.



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