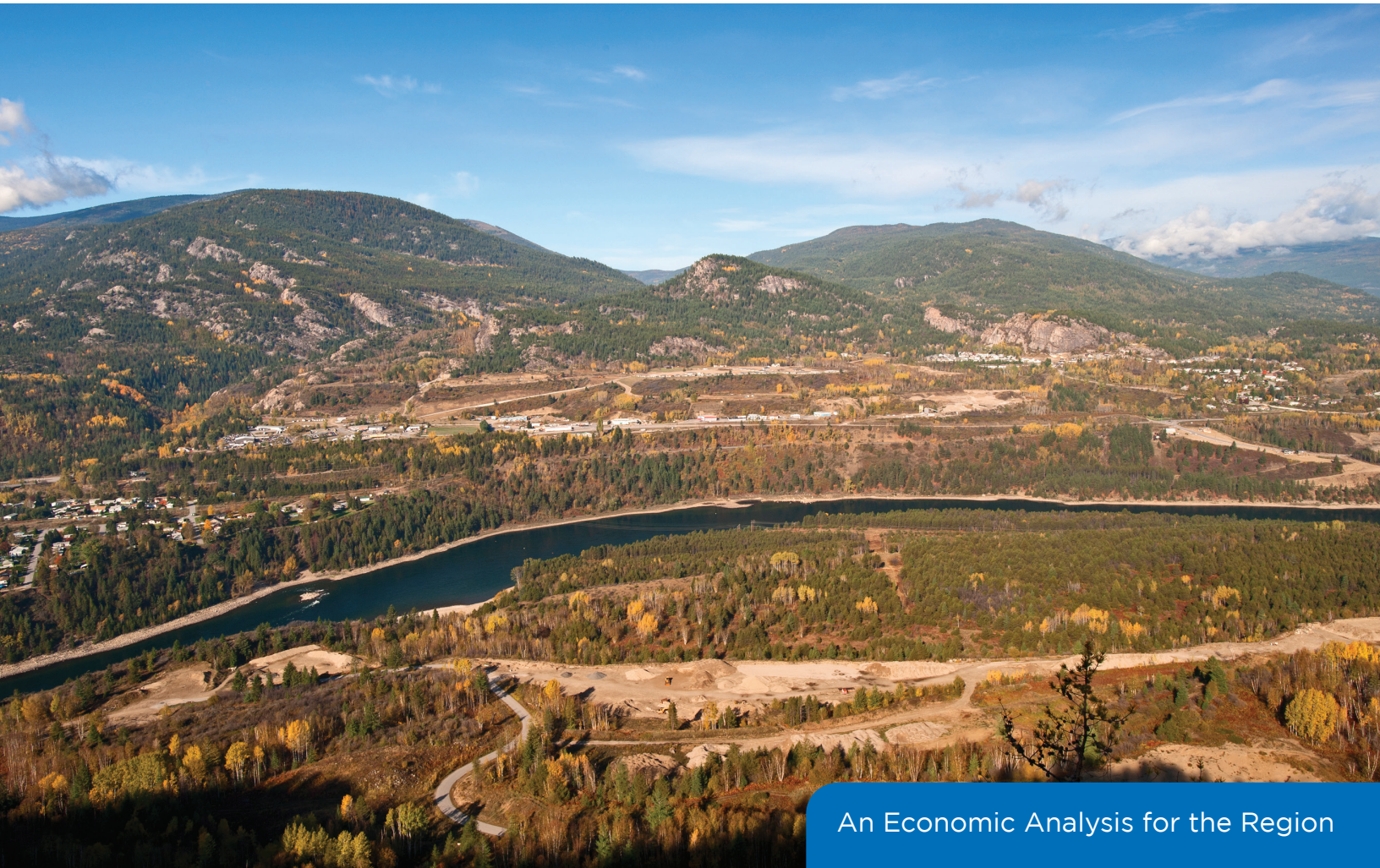


# REGIONAL CHECK-UP 2015

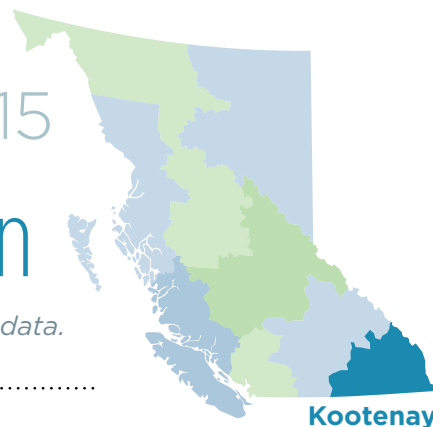
**Kootenay Development Region**



# CPABC Regional Check-Up 2015

## Kootenay Development Region

All numbers are from 2014. Increases/decreases are in comparison to 2013 data.



Kootenay

### DEMOGRAPHICS:



Population:  
**148,770** residents or **3.2%**  
of BC's population

**+782** residents or **+0.5%**

### WORKING:

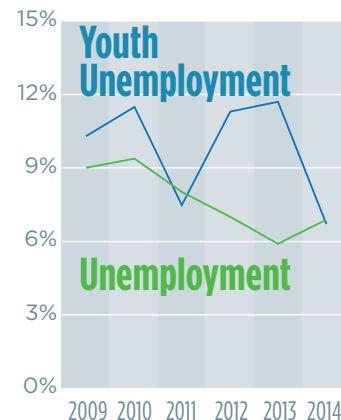


**Biggest job loss**  
among all 8  
Development Regions

**Jobs:**  
**-9,000** (-11.8%)

**Goods:**  
**-2,800** (-13.3%)

**Services:**  
**-6,100** (-11%)

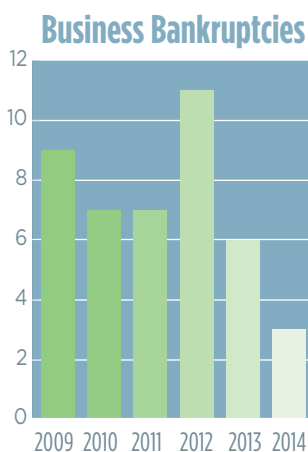


### INVESTING:



**Capital Investment:**  
**+26%** to **\$2.1 billion**

(between 3rd quarter 2013  
and 3rd quarter 2014)



### LIVING:



**Educational Attainment:**  
**69.0%** of labour force  
has a post-secondary  
certificate/diploma  
or higher (+11.4 ppt)

Jumped to  
**2nd place**  
after Southwest BC

### Consumer Insolvencies:

unchanged  
at **3.3** per 1,000 adult  
population

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## Kootenay Development Region

The Kootenay Development Region (KDR) is comprised of 3.2% of the provincial population. Geographically the second smallest region in BC, it encompasses approximately 57,720<sup>1</sup> square kilometres of land and spans the area between Radium Hot Springs in the north to the US border in the south, and from the City of Greenwood in the west to the Municipality of Sparwood in the east.

The KDR includes the East Kootenay, Central Kootenay, and Kootenay-Boundary Regional Districts. In 2014, the KDR's population grew by 0.5%, or 782 people, to reach 148,770 residents.<sup>2</sup> This rebound has compensated for much of the slow population decline that has occurred since 2011.

Most residents live in the East Kootenay and Central Kootenay Regional Districts. The two districts accounts for approximately 40% of the regional population. Both the East Kootenay and Central Kootenay Regional Districts posted modest population growth last year, while the smaller Kootenay-Boundary Regional District experienced a slight decline. At the provincial level, population growth of 1.1% was primarily driven by the three largest Development Regions in BC, Mainland/Southwest, Vancouver Island/Coast, and Thompson-Okanagan.

In 2014, BC's economy rallied following two years of subdued performance. An increase in the value of exports (+6.2%),<sup>3</sup>

a rise in provincial consumer spending (+5.8%),<sup>4</sup> and a surge in housing market activity<sup>5</sup> accelerated GDP growth in the province. All of these developments helped to stabilize BC's labour market and edge the provincial unemployment rate down to its lowest level since 2008.

Increased demand for natural gas (+46%) and softwood lumber (+19%) from the US drove the bulk of the improvement in BC's exports last year. The increased trade activity with the US, along with the growth in shipments to South Korea (+14%), more than offset the dip in demand from Japan and China. 2014 marked the first downturn in BC exports to China in at least a decade, a symptom of the latter's cooling industrial sector. The surge in residential home construction south of the border and a weaker Canadian dollar did not, however, boost output at the KDR's sawmills. Both production (-3.1%) and shipments (-0.4%) were down at southern interior mills last year.<sup>6</sup>

Despite lower prices for gold, copper, molybdenum, and metallurgical coal brought on by the slowing economies of Asia, the KDR's mining industry remained robust in 2014. Teck's Elk Valley coal mines, which produce steelmaking coal, had a record year with production increasing by 4.3%.<sup>7</sup> The five mines employ over 4,000 people,<sup>8</sup> or approximately 6% of jobs in the Kootenays, and produce most of Canada's coal exports. Also in contrast to BC's

<sup>1</sup> Statistics Canada, *Census 2011*.

<sup>2</sup> Statistics Canada, *Estimates of population by economic region, sex and age group for July 1, based on the Standard Geographical Classification (SGC) 2011*, CANSIM Table 051-0059.

<sup>3</sup> BC Stats, *Annual BC Origin Exports*, released April 2, 2015.

<sup>4</sup> Statistics Canada, *Retail Trade, Sales by the North American Industry Classification System*, CANSIM Table 080-0020.

<sup>5</sup> BC Real Estate Association, *Press Release*, "Consumer Demand in 2014 Strongest in Five Years", January 13, 2015.

<sup>6</sup> Statistics Canada, *Lumber Production, Shipments and Stocks, Canada and Provinces*, Annual, CANSIM Table 303-0064.

<sup>7</sup> Teck, *Teck 2014 Annual Report*.

<sup>8</sup> Teck, Elk Valley Water Quality, [www.teckelkvalley.com](http://www.teckelkvalley.com), accessed April 2, 2015.

other Development Regions, investment sentiment in the KDR's mining industry improved, with exploration spending increasing by 42%, to \$50.4 million,<sup>9</sup> however, coal exploration was scaled back.

BC's tourism industry gained momentum in 2014 as a result of improved personal incomes in the US and the lower Canadian dollar. The KDR enjoyed year-round tourism activity with visitors coming from the US and Alberta. Destination BC reports that tourist visits to the Kootenays were up by 5.5% in 2014,<sup>10</sup> the largest increase in

BC after the Thompson-Okanagan Development Region.

Labour market conditions improved in BC last year, and the provincial unemployment rate fell to its lowest level since 2008; however, the KDR's labour market stumbled for the first time since 2010. The construction industry continued to weaken, and major projects that were set to proceed in 2014 failed to materialize.

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<sup>9</sup> Fiona Katay, British Columbia Ministry of Energy and Mines, British Columbia Geological Survey, *Mining in British Columbia, 2014*, "Exploration and Mining in the Kootenay-Boundary Region", 2015.

<sup>10</sup> Destination British Columbia, *Provincial Tourism Indicators*, December 2014.

## WORK Indicators

### Job Creation

**Job creation** refers to the number of new jobs added to the economy and is a primary indicator of labour market and economic health. After three years of strong growth, overall employment in the KDR dropped by 11.8% in 2014, or a loss of 9,000 jobs, to approximately 67,500 jobs. This eclipsed the labour market gains of 8,400 new jobs that were created over the previous three years. Both the goods-producing sector (-2,800 jobs), and the service-producing sector (-6,100 jobs) contributed to last year's decline. Statistics Canada estimates that approximately two-thirds of job losses were full-time positions.<sup>11</sup>

In the KDR's goods-producing sector (goods sector), employment gains of 1,300 jobs in the combined industry group of forestry, fishing, mining and oil and gas were insufficient to offset reductions of 3,200 jobs in construction and 500 jobs in manufacturing. The majority of the improvement in the forestry, fishing, mining and oil and gas industry was generated by increased forestry and logging activities,<sup>12</sup> which fortified softwood lumber stocks.

The KDR's construction industry lost about 40.0% of its workforce in 2014. Some job losses were expected, due to the winding down of several major projects, but not to the magnitude reported. At the provincial level, construction industry stakeholders maintain that many job opportunities exist and a looming skills shortage is one of the leading threats to the construction industry's success.<sup>13</sup> Many of these stakeholders report experiencing difficulty find-

ing skilled workers.<sup>14</sup> In the KDR, the value of building permits increased last year by 22.2% to \$47.4 million, primarily due to residential projects in the East Kootenay Regional District, which kept many local contractors busy.<sup>15</sup>

The manufacturing industry lost workers through most of 2014, and by December, employment dropped by 31.0% to 3,800 jobs, which is a sizable decline when compared to the same timeframe in 2013. The wood products sub-industry was responsible for much of the reported job losses,<sup>16</sup> but there is no evidence "on the ground" to substantiate this. Regardless, lumber production in the KDR was down 3.1% in 2014.<sup>17</sup> In contrast, wood products manufacturing employment at the provincial level increased by 11% in 2014 in response to growing demand for softwood lumber from the US.<sup>18</sup>

Job losses in the KDR's services-producing sector (service sector) were extensive, with eight of eleven industries reporting moderate to sizeable employment declines. The accommodation and food services industry lost 2,700 jobs; professional, scientific and technical services industry lost 1,900 jobs; and health care and social assistance industry lost 1,200 jobs; these industries incurred the brunt of the region's employment decline in 2014.

<sup>11</sup> Statistics Canada, *Labour Force Survey Estimates, by Provinces, Territories and Economic Regions*, Annual, CANSIM Table 282-0123.

<sup>12</sup> BC Stats, *Employment and Unemployment Rate by Detailed Industry, 15 Years and Over*, March 2015.

<sup>13</sup> BC Construction Association, *2015 BC Construction Industry Survey*, February 2015.

<sup>14</sup> Ibid.

<sup>15</sup> BC Stats, *British Columbia Building Permits for Development Regions and Regional Districts, by Type 2006 - 2014*, (2015 year-to-date), March 6, 2015.

<sup>16</sup> BC Stats, *Employment and Unemployment Rate by Detailed Industry, 15 Years and Over*, March 2015.

<sup>17</sup> Statistics Canada, *Lumber Production, Shipments and Stocks, Canada and Provinces*, Annual, CANSIM Table 303-0064.

<sup>18</sup> BC Stats, *Employment and Unemployment Rate by Detailed Industry, 15 Years and Over*, March 2015.

The KDR's food and drinking establishments were responsible for job losses in the accommodation and food services industry.<sup>19</sup> Detailed statistics indicate that employment in the industry bottomed out during the typically busy summer months when businesses normally hire temporary workers in response to increased tourist traffic. It should also be noted that statistics in this industry are often difficult to interpret as a substantial share of employees are part-time workers whose hours vary according to demand.<sup>20</sup>

Employment in the professional, scientific and technical services industry began to contract in late 2013 and continued throughout 2014. The industry, which has reached its lowest employment level in more than a decade, is comprised of a spectrum of services from legal, accounting, drafting, architectural, engineering, computer, and research to veterinary and interior design. Employment in this knowledge-intensive industry generally expands and contracts in response to economic growth. Major projects that were slowing down last year may have contributed to the loss of jobs in this industry.

Job losses in the health care and social assistance industry occurred in ambulatory health care and social assistance services, while employment gains were reported in hospitals, nursing, and residential care facilities.<sup>21</sup> As part-time employment is common in this industry, some of the reported losses may reflect the amalgamation of part-time jobs.

Other notable service sector employment losses were in the information, culture and recreation, transportation and warehousing, public administration, and business,

building and other support services industries (-600, -500, -500, and -400 jobs respectively).

Educational services reported strong employment growth of 1,000 new jobs, with new jobs in primary and secondary education exceeding a small cutback in other educational services. Steep year-to-year employment fluctuations have been recorded in this industry since 2011, during a period when overall enrollment in the region's primary and secondary institutions has declined.<sup>22</sup> Sampling error may explain some of the variation.<sup>23</sup>

Employment in the KDR fell by 11.8%, marking the province's highest overall rate of job loss in 2014. The Cariboo, Mainland/Southwest, and Thompson-Okanagan Development Regions were the top performers (at +4.5%, +2.0%, and +1.0% respectively), while Northwest BC, the Northeast, and Vancouver Island/Coast Development Regions reported overall job losses (at -3.9%, -3.3%, and -2.8%).

<sup>19</sup> Ibid.

<sup>20</sup> It is possible that these establishments hired full-time workers vs. many part-time due to a limited labour supply.

<sup>21</sup> Ibid.

<sup>22</sup> BC Ministry of Education, *District Reports*, "Student Statistics—2014/15", January 2015.

<sup>23</sup> Statistics Canada's estimates of employment by industry are derived from sample surveys. Users are cautioned that while the reliability of the survey is adequate at the provincial level, the margin of error increases in smaller sub-groups.



Table 1-1: Employment, KDR, 2009 to 2014<sup>24</sup>

	2009	2010	2011	2012	2013	2014	Job Creation (000)	
							5-Year 09-14	1-Year 13-14
<b>TOTAL EMPLOYMENT (000)</b>	<b>70.5</b>	<b>68.1</b>	<b>70.6</b>	<b>72.8</b>	<b>76.5</b>	<b>67.5</b>	<b>-3.0</b>	<b>-9.0</b>
<b>Goods-Producing Sector (000)</b>	<b>21.6</b>	<b>21.5</b>	<b>20.6</b>	<b>21.4</b>	<b>21.1</b>	<b>18.3</b>	<b>-3.3</b>	<b>-2.8</b>
Agriculture	2.0	-	-	-	1.6	-	n/a	n/a
Forestry, fishing, mining, oil and gas	5.1	5.3	5.5	7.3	5.9	7.2	+2.1	+1.3
Utilities	-	-	-	-	-	-	n/a	n/a
Construction	9.2	7.5	8.2	7.8	7.8	4.6	-4.6	-3.2
Manufacturing	4.7	6.9	5.3	4.5	5.2	4.7	0.0	-0.5
<b>Services-Producing Sector (000)</b>	<b>48.9</b>	<b>46.7</b>	<b>50.0</b>	<b>51.4</b>	<b>55.4</b>	<b>49.3</b>	<b>+0.4</b>	<b>-6.1</b>
Trade	14.2	11.5	10.4	10.6	11.9	11.8	-2.4	-0.1
Transportation & warehousing	2.9	2.5	3.2	2.6	3.8	3.3	+0.4	-0.5
Finance, insurance, real estate & leasing	2.5	2.1	2.8	1.8	2.7	3.1	+0.6	+0.4
Professional, scientific & technical services	2.0	2.1	2.3	3.9	3.8	1.9	-0.1	-1.9
Business, building & other support services	2.8	3.7	3.3	2.3	2.1	1.7	-1.1	-0.4
Educational services	3.1	2.7	3.8	5.5	4.0	5.0	+1.9	+1.0
Health care & social assistance	9.5	8.1	9.0	9.2	10.7	9.5	0.0	-1.2
Information, culture & recreation	1.9	2.7	2.1	2.2	3.1	2.5	+0.6	-0.6
Accommodation & food services	5.4	6.1	6.7	6.9	7.9	5.2	-0.2	-2.7
Other services	2.9	2.5	3.8	4.1	2.9	3.3	+0.4	+0.4
Public administration	1.5	2.7	2.6	2.5	2.4	1.9	+0.4	-0.5

Source: Statistics Canada, Labour Force Survey Historical Review

<sup>24</sup> Industries with "-" are estimated to have less than 1,500 employed at that particular point in time, thus the numbers presented in the table may not add up to total sector figures, and job creation statistics cannot be calculated.

## Unemployment Rate

The unemployment rate measures the number of unemployed individuals as a share of the total labour force and reflects demand and supply conditions in the labour market. The KDR saw a significant decline in the size of its labour force in 2014, a total of 8,700 workers either left the region or chose to exit the labour force. Nevertheless, this decline was exceeded by the loss of 9,000 jobs in the KDR, resulting in an increase in the unemployment rate. In 2014, the KDR's unemployment rate climbed by 1.0 percentage points (ppt) to 6.9%. This was the first time this indicator increased since 2010.

The KDR's labour force participation rate — the number of individuals either working or actively seeking employment as a percentage of the population aged 15 and older — sank to a low of 59.3% in 2014. This is now the second-lowest participation rate in BC, after the Vancouver Island/Coast Development Region (57.7%). The KDR's declining participation rate reflects certain economic and demographic trends. Other

workers retired, chose to return to school and obtain new skills for future employment, or to stay home and raise their children.

In 2014, the provincial unemployment rate declined for the fifth consecutive year to 6.1%. Among the Development Regions, Northeast BC (4.9%) maintained its top place ranking for the lowest unemployment rate, followed by Mainland/Southwest and Cariboo (both at 6.0%), and Vancouver Island/Coast (6.1%). The KDR, at 6.9%, ranked fifth, ahead of last place Northwest BC (8.0%), a vast departure from 2013 when it posted the second lowest rate in the province.

**Table 1-2: Unemployment Rate, KDR, 2009 to 2014**

Region	2009	2010	2011	2012	2013	2014	Percentage Point (ppt) Change	
							5-Year 09-14	1-Year 13-14
Kootenay	9.0%	9.4%	8.0%	7.0%	5.9%	6.9%	-2.1 ppt	+1.0 ppt
<b>British Columbia</b>	<b>7.7</b>	<b>7.6</b>	<b>7.5</b>	<b>6.8</b>	<b>6.6</b>	<b>6.1</b>	<b>-1.6 ppt</b>	<b>-0.5 ppt</b>

Source: Statistics Canada

Unemployment rates are often considerably higher for youth compared to the general labour force. In 2014, the KDR's youth population aged 19 to 24 years boasted the largest one-year employment rate decline in BC, as the youth unemployment rate declined by 5 ppt, to 6.7%.

This was 0.2 ppt below the KDR's general unemployment rate. Compared to 2013, there were 1,200 fewer youth working in the Kootenays in 2014. However, the reduction of 1,700 individuals in the youth labour force led to fewer being unemployed. It is likely that many young workers may have left the labour force to attend school full-time.

The youth population is more likely to be employed part-time than the rest of the workforce, and they often work in retail, trade, or food services.<sup>25</sup>

In the KDR, a greater choice of jobs last year with better hours may have resulted in less youth needing to work several part-time jobs in these industries, particularly during the summer.

The KDR recorded the lowest youth unemployment rate in the province in 2014, ahead of Northwest BC<sup>26</sup> and the Northeast Development Region (at 7.0% and 7.1% respectively). This is in sharp contrast to 2013 when the KDR posted the highest youth unemployment rate in BC. Development Regions with the highest youth unemployment rates in 2014 include the Cariboo, Thompson-Okanagan, and Mainland/Southwest Development Regions (at 10.1%, 9.7%, and 9.3% respectively).

**Table 1-3: Youth (age 19 to 24 years) Unemployment Rate, KDR, 2009 to 2014**

Region	2009	2010	2011	2012	2013	2014	Percentage Point (ppt) Change	
							5-Year 09-14	1-Year 13-14
Kootenay	10.3%	11.5%	7.5%	11.3%	11.7%	6.7%	<b>-3.6 ppt</b>	<b>-5.0 ppt</b>
British Columbia	11.7	11.3	11.8	11.3	10.7	9.2	-2.5 ppt	-1.5 ppt

Source: Statistics Canada \*Unemployment rate calculated by author

<sup>25</sup> BC Stats, *British Columbia's Youth Labour Market*, March 2014.

<sup>26</sup> Northwest BC includes the Nechako and North Coast Development Regions.

## INVEST Indicators

### Business & Investment Activity

New capital investment in non-residential structures, machinery, and equipment is a key factor in maintaining BC's competitiveness both in Canada and globally. Capital investment contributes to economic growth through job creation during construction, improvements in capacity and productivity, and advances in technology.

The value of capital investment in BC increased (+24%) to \$377 billion in 2014.<sup>27</sup> Much of the investment is attributed to new projects, the largest being a \$30 billion LNG facility proposed for Sarita Bay in the Vancouver Island/Coast Development Region and a \$10 billion bitumen refinery in Prince Rupert in the North Coast Development Region.

Between the third quarter of 2013 and the third quarter of 2014, capital investment in the KDR grew by 26%, or \$2.1 billion.<sup>28</sup> As of September 2014, there were 30 projects either proposed, under construction, or on hold, worth \$10.2 billion. The majority of major projects under construction in the KDR are long-term, targeted to the tourism and retirement markets, and are located in the East Kootenay Regional District.

Ski resort expansion in Fernie, Invermere, and Kimberley, valued at \$700 million in total, has been under construction for nearly two decades. Five major residential/commercial projects valued at approximately \$1.1 billion are "resort communities" for golfers and outdoor enthusiasts and have been under construction for much of the past decade. In the Central Kootenay Regional District, the \$900 million Red Mountain Ski Resort expansion has been ongoing for nearly 10 years, but is slated to

wrap up in 2015. Also scheduled for completion in 2015 is the \$900 million Waneta Hydroelectric Expansion Project near Trail.

Two major projects commenced construction in the KDR last year. Upgrades to improve productivity at the Elko and Canal Flats Sawmills, valued at \$50 million,<sup>29</sup> include the modernization of sawmill equipment, expansion of drying capacities, and the construction of new planing facilities. In Cranbrook, the East Kootenay Regional Hospital began a \$20 million two-year project to upgrade its intensive care unit and electrical infrastructure.

In 2014, the value of projects in the proposal stage increased by 66% to \$1.8 billion as a result of three new developments. Teck Coal Ltd. has proposed two projects that are intended to extend the life of its existing Elk Valley mining operations and to meet future demand for coal. The \$1.6 billion Baldy Ridge Extension Project would allow Teck to maintain its existing workforce at the Elkview Mine and prolong the life of the mine for an additional 23 years to 2047.<sup>30</sup>



To the south, the proposed \$396 million Coal Mountain Phase 2 Project will extend the life of the existing operation from 2017 to about 2050.<sup>31</sup> Both projects are in the pre-application phase of the BC Environmental Assessment (BCEA) process. In the Central Kootenay Regional District, the Village of Nakusp is exploring opportunities to develop an all-season resort lodge near

<sup>27</sup> BC Ministry of Jobs, Tourism and Skills Training, *BC Major Projects Inventory*, September 2014. Note: Period of reference is third quarter 2013 and third quarter 2014. In previous years we have used December data, but this was not available at the time of writing.

<sup>28</sup> Ibid.

<sup>29</sup> These projects actually commenced construction in 2013, but were not added to the Major Projects Inventory until 2014.

<sup>30</sup> Teck Coal Ltd., *Elkview Operations: The Baldy Ridge Extension Project Description*, June 2014.

<sup>31</sup> Teck Coal Ltd., *Coal Mountain Phase 2 Project Description*, September 2014.

the Nakusp Hot Springs; however there is no estimated value at this time.

Four projects are slated to go ahead in 2015:

- Jumbo Glacier Resort (\$900 million)—Billed as North America’s first year-round ski resort, this development is designed to span four glaciers in the Jumbo Valley near Invermere. Investors scrambled late last year to pour the foundation for several structures and a ski lift to meet a deadline related to the project’s environmental certificate. However, construction may not move forward as planned in 2015, as there is now concern that the proposed buildings are inside an avalanche zone.
- Line Creek Coal Mine Phase 2 (\$140 million)—Teck is intending to develop two new mine sites near the existing Line Creek operation to extend its life by approximately 20 years.<sup>32</sup> The proposed development has received certification under the BCEA Act.
- Elk Valley Water Management Plan (\$600 million)—In an effort to protect the Elk River watershed, Teck will be undertaking a three-year water quality management program that will include six water treatment facilities at Elk Valley operations, water diversions, monitoring, and a research and development program to improve water quality management technologies and techniques.<sup>33</sup>
- Interfor Sawmill Upgrade in Castlegar (\$50 million)—The upgrade will convert the mill into a two-line operation with state-of-the-art technology and optimization, which will improve lumber recovery and productivity. It is anticipated that the project will wrap up by year-end.<sup>34</sup>

Centermount Coal’s \$480 million Bingay Main Coal Project, which was scheduled to proceed in 2014, was put on hold due to market conditions. The project, which proposes to develop a surface and underground coal mine that will produce high quality metallurgical (coking) coal for the steel industry, is still in the pre-application phase with the BCEA Office.

<sup>32</sup> Teck Coal Ltd., *Line Creek Operations Phase II Project Description*, August 2009.

<sup>33</sup> Teck, Elk Valley Water Quality, <http://www.teckelkvalley.com/sites/vpl/pages/Taking%20Action>, accessed April 2, 2015.

<sup>34</sup> This project was not listed in the Major Projects Inventory. Source: Interfor Corporation, *News Release*, “Interfor Reports Strong Results in Q3’14—Castlegar Sawmill Upgrade Announced”, November 6, 2014.

## Bankruptcies

Business bankruptcies are a key indicator of a region's business health, and a gauge of both the investment climate and the state of the economy. In 2014, the number of business bankruptcies in the KDR declined for the second consecutive year to three reports. This is the lowest level the region has seen in at least a decade, and points to a stable climate for investors and entrepreneurs.

Province-wide, bankruptcies increased by 5.8% in 2014, reflecting the deterioration in business health in the Mainland/Southwest, which reported 51.2% more business bankruptcies last year. The Thompson-Okana-

gan led the province with the greatest decline in bankruptcies (-53.8%), followed by the Kootenay and Northeast Development Regions (-50.0% and -33.3% respectively). The Nechako and North Coast remained unchanged, with each reporting no bankruptcies in 2013 and 2014.

**Table 1-4: Business Bankruptcies, KDR, 2009 to 2014<sup>35</sup>**

Region	2009	2010	2011	2012	2013	2014	Percentage Change	
							5-Year 09-14	1-Year 13-14
Business Bankruptcies	9	7	7	11	6	3	-66.7%	-50.0%

Source: Office of the Superintendent of Bankruptcy Canada

<sup>35</sup> The 2014 figure is preliminary, based on quarterly totals, as the annual total was not available at the time of writing.

## LIVE Indicators

### Educational Attainment

The productivity and wealth generating potential of an economy is linked to the education level of its labour force. In 2014, the percentage of the KDR's labour force aged 25 to 54 with post-secondary accreditation jumped by 11.4 ppt to set a record level of educational attainment for the region (69.0%).

The KDR experienced a substantial loss of its labour force in the 25-54 age group last year. The departure of 8,300 workers with some high school, high school, or some post-secondary education, and an increase of 1,100 workers at the post-secondary certificate or higher level, resulted in a higher share of skilled or educated labour remaining in the labour force.

In 2014, the KDR's educational attainment level was exceeded only by that in the Mainland/Southwest Development Region (70.1%). The KDR is followed by Vancouver Island/Coast and Thompson-Okanagan Development Regions (at 67.6% and 62.9% respectively). Aside from the KDR, only two other Development Regions, Cariboo and Vancouver Island/Coast (+4.2 ppt and +2.0 ppt respectively), showed an improvement in this indicator in 2014.

**Table 1-5: Percent of Labour Force Age 25 to 54 with a Post-Secondary Certificate/Diploma or Higher, KDR, 2009 to 2014**

Region	2009	2010	2011	2012	2013	2014	Percentage Point (ppt)	
							5-Year 09-14	1-Year 13-14
Kootenay	56.9%	55.1%	63.5%	57.3%	57.6%	69.0%	+12.1 ppt	+11.4 ppt
British Columbia	63.0%	64.3%	65.9%	66.5%	67.9%	68.1%	+5.1 ppt	+0.2 ppt

Source: Statistics Canada, Labour Force Survey, Custom Table.

## Consumer Insolvencies

The consumer insolvency rate is an indicator of the number of households experiencing severe financial stress. The most common causes of insolvency include, but are not limited to, job loss, reduced income, money mismanagement, relationship breakdown, or medical problems.

Between 2013 and 2014, the KDR's consumer insolvency rate declined by 9.1% to 3.0 per 1,000 population aged 18 and older. This was due to a drop in the rate of both personal bankruptcies (-9.5%) and **consumer proposals**<sup>36</sup> (-16.7%). In contrast, six of eight Development Regions reported an increase in the use of proposals last year.

In 2014, the KDR's insolvency rate was on par with the BC average (3.0 per 1,000 adult population). Residents in the North Coast, North East and Nechako Develop-

ment Regions (at 1.1, 1.6, and 2.3 per 1,000 adult population respectively) continued to report the lowest rates in the province. In contrast, Cariboo, Vancouver Island/Coast, and Thompson-Okanagan Development Regions saw an increase in their consumer insolvency rate, at 3.9, 3.8, and 3.4 per 1,000 adult population respectively.

The KDR posted the largest one-year decline in the consumer insolvency rate in 2014, followed by the North Coast and Thompson-Okanagan (-8.3% and -8.1% respectively). Nechako (+15.0%) was the only region to record an increase.

**Table 1-6: Annual Consumer Insolvency Rate per 1,000 Population Aged 18 Years and Older, KDR, 2009 to 2014<sup>37</sup>**

Rate		2009	2010	2011	2012	2013	2014	Percentage Point (ppt) Change	
								5-Year 09-14	1-Year 13-14
Kootenay	Insolvency	3.4	3.5	2.9	3.3	3.3	3.0	-11.8%	-9.1%
	Bankruptcy	2.8	2.5	2.0	2.4	2.1	1.9	-32.1%	-9.5%
	Proposal	0.6	0.9	0.9	0.9	1.2	1.0	+66.7%	-16.7%
BC	Insolvency	3.7	3.5	3.2	3.2	3.2	3.0	-18.9%	-6.3%

Source: Office of the Superintendent of Bankruptcy Canada and Statistics Canada

<sup>36</sup> An alternative to bankruptcy that permits an indebted consumer to negotiate to repay a part of their debt, allowing them to keep their assets as long as they continue to make payments.

<sup>37</sup> The 2014 figures are preliminary, based on quarterly totals, as annual totals were not available at the time of writing.



## CONCLUSION

2014 was a mixed year for the KDR's economy. While there were a few setbacks, there were many positives. The biggest blow was the turmoil in the labour market. A plunge in the number of jobs, mainly full-time positions, that spanned many industries, drove employment down to its lowest level in at least a decade. This, in combination with a shrinking labour force, pushed the regional unemployment rate up to the second highest in BC—an abrupt turnaround from 2013.

However, the departure of many low-skilled workers from the youth and general labour market served to improve the KDR's educational attainment rate, and resulted in a smaller share of unemployed youth.<sup>38</sup> Despite last year's labour market difficulties, the consumer insolvency rate declined and is now on par with the BC average. On the investment side, the number of business bankruptcies fell to their lowest level in at least a decade, and capital investment, as a result of new proposed projects, increased considerably.

As of spring 2015, economic forecasts are positive for BC. Strengthened US demand and a weaker Canadian dollar will generate more sales for BC exporters, particularly for lumber manufacturers. However, there is some uncertainty ahead for KDR mills. It is unclear how the Canada/US Softwood Lumber Agreement, which is set to expire in October 2015, will unfold and some KDR

mills may be impacted by a restricted supply of timber. For this reason, Canfor cut back its operations at their Canal Flats mill from two shifts to one in early 2015.<sup>39</sup>

In addition, while slumping coal prices have persisted into the early months of 2015, Teck is estimating another strong year of coal production due to their low-cost operations in the Elk Valley.<sup>40</sup> The lower Canadian dollar should also boost tourism in 2015, generating service sector employment, particularly in the food and accommodation services, trade, and recreational and cultural industries.

The most recent labour market indicators indicate employment has recovered slightly in the first quarter of 2015, especially in the construction, trade, and accommodation and food services industries.

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<sup>38</sup> Jobs for youth are more transferable than for the general population, as they are less specialized and lower-skilled.

<sup>39</sup> Steve Hubrecht, *Columbia Valley Pioneer*, "Canfor to Cut Canal Flats Mill Operations in Half", February 6, 2015.

<sup>40</sup> Brent Jang, *Globe and Mail*, "Teck Predicts Strong Coal Production Despite Slumping Price", February 12, 2015.

## Glossary of Definitions

**Consumer proposals:** A viable alternative to bankruptcy for those struggling with too much debt. In a consumer proposal, the debtor makes a legally binding debt settlement arrangement with their creditors to pay a portion of their outstanding debt over a period of up to five years. The greatest advantage of a proposal over a bankruptcy is the ability of the debtor to keep their assets as long as they are able to continue to make payments on any loans secured by those assets (like a house mortgage).

**Job creation:** Change in number of employed individuals between two given years.

**Unemployment rate:** Share of employable labour force looking for work but unable to find it.

**Venture capital:** Is defined as financial capital provided to start-up companies (usually in the IT sector) in either the inception phase or a period of early growth, and is generally characterized by high risk.

## ***CPABC Regional Check-Up - Kootenay***

As leaders in analysing and validating information, CPAs are often called upon to provide independent, fair, and objective information to assist in decision-making. It's with this goal in mind that the Chartered Professional Accountants of BC prepare the *CPABC Regional Check-Up and CPABC Check-Up* reports each year. It is our hope that the reports will make a positive public policy contribution to the province by stimulating debate and discussion about how to make BC a better place in which to live, work, and invest.

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Opinions expressed in the *CPABC Regional Check-Up - Kootenay* do not necessarily reflect those of individual chartered professional accountants.

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