

DATE OF MEETING April 4, 2022

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SUBJECT STATE OF THE NANAIMO ECONOMY

OVERVIEW

Purpose of Report:

To provide Council with the State of the Nanaimo Economy annual report.

BACKGROUND

One of the core services provided by the City's internal Economic Development Section is timely and relevant information on the state of the local economy. The various research publications and custom data products generated by the team provide insights into Nanaimo's economic and business conditions. These products are helpful in assisting new investors and existing businesses to make informed investment decisions. Data, information, and research is an essential economic development tool because it provides intelligence for strategic planning, communications, partnership development, marketing, attraction, and business development.

This report reviews near 30 indicators including Gross Domestic Product (GDP), demographics, business, development activity, housing and real estate, labour force, income and tourism. Where possible, the data points provide comparison to the previous year, five to ten years back, and five to ten years forward to analyse structural changes in economic and business conditions.

DISCUSSION

The key messages contained in the 2022 State of the Nanaimo Economy include the following:

- *Recovery and optimism:* Although the COVID-19 pandemic and recent floods in the Fraser Valley continued to disrupt social and economic activity, the 2021 macro economic data shows many signs of recovery and optimism.
- *Top-five regions for growth in Canada:* Nanaimo's population growth rate over the last census was 10.3%, double the national rate. Nanaimo ranked in the top-five metropolitan regions for growth in Canada over the past five years.
- *Population serviced twice its natural size:* Throughout the year, on average, the City is serving a population base twice it's natural size. For example, in August 2021 the City's population swelled to over 343,000 visitors and residents combined (source: Telus Insights data).

- *Investment a priority for government:* Due to projected population growth, infrastructure investments and housing will remain a priority for local government.
- *Structural changes in the economy due to demographic shift:* The largest population growth over the next decade is projected in the 25-44 age category. This is the first time the largest growth is not projected in the 65+ age category. This demographic shift will lead to structural changes in the economy. A younger population demands different products and services as well as amenities such as night life opportunities, schools etc.
- *COVID-19 impact uneven across different sectors of the economy.* The sectors affected most by covid-19 related shutdowns like recreation, transportation and personal services experienced declines in the number of businesses. The healthcare sector, as well as other sectors that transitioned to remote working environments such as professional services and finance/insurance, experienced growth in the number of total businesses. The impact of COVID-19 was uneven across different sectors of the economy.
- *Growth in home based businesses:* Home-based businesses currently account for 41% of total business licences issued in the City of Nanaimo, an increase of 4% since the start of the pandemic.
- *Building permit values 2nd highest on record:* At near \$272 million, building permit values increased by 12% in 2021, making it the second highest year on record. This increase was driven by non-residential commercial, industrial and public projects. More capital investment aligns with periods of stronger economic growth.
- *Booming housing market:* The housing market was booming in 2021. Home resales and prices reached record levels, with low inventories driving up prices at an accelerated rate. This led to a strong response from builders with new housing starts increasing by 50% to 1,036 units in 2021.
- *Density in housing forms intensified:* The trend towards denser forms of housing intensified as 75% of the new housing starts were apartment type dwellings, and all other types combined accounted for 25% of new builds.
- *Unprecedented housing price escalation:* The benchmark price of an average single-family detached home in Nanaimo increased by 22% year-over-year in October 2021. The benchmark price of a similar house in Greater Victoria increased by 27% and in Greater Vancouver by 21%.
- *Fewer people in the labour force:* In 2021, the labour force growth rate shrunk by 1.6% in Nanaimo, and increased by 3.9% in BC and 1.3% on Vancouver Island. Labour force participation rate was down partly due to workers retraining for different careers given the favorable government funding supports.
- *Unemployment rate drops as the economy recovers:* Nanaimo's unemployment rate was 6.1% (9% 2020), slightly higher than the Vancouver Island Coast region (5.7%), but below BC (6.5%) and Canada (7.5%).
- *Worker shortages:* The demand for workers has grown faster than the supply. New job postings in the City of Nanaimo were 45.2% higher in 2021 compared to 2020. During the same time period, BC postings increased by 33%.
- *Enrollment declines at VIU:* Overall student enrollment at Vancouver Island University (VIU) declined by 12.5% in 2020. International student enrollment dropped by a whopping 55% due to COVID-19 related travel restrictions.
- *Tourism sector recovering:* The Tourism sector performance was much brighter

in 2021 in comparison to 2020 as restrictions were more relaxed and the majority of the population gained vaccinated status. Tourism and the hospitality sector also benefited from increased domestic tourism in the summer months.

- *BC a top economic performer nationally during COVID-19:* BC's GDP contracted by 3.8% in 2020, far better than Canada's contraction at 5.4% and the majority of the other provinces. BC's real GDP is forecast to grow by 5.2% in 2021, 4.0% in 2022, and 2.5% in 2023 (Statistics Canada, CMHC, CREA, Forecast by TD Economics).

SUMMARY POINTS

- One of the core services provided by the City internal economic development section is timely and relevant information on the state of the local economy.
- The State of the Nanaimo Economy is an annual publication that provides data, analysis, and insight into Nanaimo's economic and business conditions.
- Although the COVID-19 pandemic and recent floods in the Fraser Valley continued to disrupt social and economic activity, the 2021 macro-economic data shows many signs of recovery and optimism.

ATTACHMENTS

ATTACHMENT A: State of the Nanaimo Economy |

Submitted by:

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Director, Corporate and Business
Development |