

DATE OF MEETING April 3, 2023
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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 provision of timely and relevant information on the state of the local economy. A variety of research publications and custom data products 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 thirty indicators including Gross Domestic Product (GDP), demographics, business, development activity, housing and real estate, labour force, income, and tourism. Where possible, the data provide comparison to the previous year, five to 10 years back, and five to 10 years forward, to analyse structural changes in economic and business conditions.

DISCUSSION

The key findings contained in the 2023 State of the Nanaimo Economy include the following:

- *Strong rebound:* Last year saw a strong rebound in the Nanaimo economy. Slower growth is expected in 2023 due to higher interest rates driving down housing, construction, and consumer demand.
- *Population growth:* Over the past five years, an average of 3,400 new residents located in the Regional District of Nanaimo annually. Half of all newcomers moved from other parts of BC; 34 per cent from other provinces and 17 per cent from other countries.

- *Younger demographics:* Nanaimo's average and median age was younger in the 2021 Census compared to 2016 Census. The largest growth over the next decade is projected in the 25 to 44 age category, an increase of 6,041 people.
- *Recovery in sectors hit hard by COVID:* In 2022, the number of total business licences increased by 178, representing a 2.8 per cent increase over 2021. Business Licenses show a strong recovery in sectors such as accommodation and food services which were decimated by the pandemic.
- *Significant increase in building permit values:* At \$410.3 million, total building permit values increased by 51 per cent in 2022 compared to 2021, making it the second highest year on record. Total non-residential building permits increased by 28.7 per cent in 2022 largely due to public project investments.
- *Housing starts increased despite interest rate hikes:* In 2022, new housing starts increased by nine per cent (1184) over 2021. By comparison, housing starts in comparable regions declined: Prince George saw a drop of 32 per cent and Kamloops housing starts dropped by 24 per cent.
- *Higher Density and varied housing forms:* Apartment-type and row dwellings made up 77 per cent of new housing starts, continuing the trend toward more affordable homes and a denser urban form.
- *Increase in home ownership:* Home ownership in the City of Nanaimo was at 66.7 per cent (2021 Census), an increase of 0.8 per cent since 2016.
- *Improvement in housing affordability:* The 2021 Census data reveals 24.2 per cent of households in the city spend 30 per cent or more of their income (before tax) on shelter costs. This is a three per cent reduction from the 2016 Census.
- The housing market was strong until the late spring/summer of 2022 after which it started to level off due to successive interest rate hikes. The benchmark price and sales of an average single-family detached home dropped by 10 per cent in December 2022 compared to December 2021. In 2022, overall single-family detached housing prices increased by 14 per cent and sales decreased by 30 per cent.
- The cost of borrowing money will continue to undermine home ownership demand into 2023.
- The number of total jobs in Nanaimo grew by 10.8 per cent between the 2021 and 2016 Census. Most job growth was driven by the service-producing industries. Healthcare and social assistance led the charge with near 1,500 new jobs added, followed by educational services (+685). In the goods producing industries, the highest growth was posted by the construction sector (+740 new jobs).

- New job-postings in Nanaimo were 38.7 per cent higher in 2022 compared to 2021. During the same period, BC job postings increased by 20.4 per cent. Most job openings in Nanaimo were full time positions.
- In 2021, 28.6 per cent of people aged 25 to 64 in Nanaimo had a bachelor's degree or higher, compared to 35 per cent in British Columbia and 32.9 per cent in Canada. The number of persons holding a bachelor's degree or higher in Nanaimo improved by seven per cent since 2016.
- For 2022, the median household income in the City of Nanaimo is estimated at \$76,889; average at \$97,055 and per capita at \$40,598. Income levels in Nanaimo continue to grow but still lag BC averages.
- Statistics show a strong rebound in the Tourism sector in 2022. Visitor numbers are inching closer to pre-pandemic levels.
- BC's economy has outperformed its fellow provinces for the past eight years but starting in 2023 this is expected to change due to higher interest rates. The economy is set to slow down in 2023 across BC and Canada. Economies dependent on interest rate sensitive industries such as residential real estate, construction, and the sale of durable goods such as BC and Ontario will feel the impact more acutely. Provinces that produce commodities will have a better year; for example, Saskatchewan will benefit from agriculture products and fertilizer and Alberta and Newfoundland will continue to reap the rewards of high oil prices.
- BC's economy had real GDP growth of 6.2 per cent in 2021. BC's GDP is forecast to close out at 3.1 per cent in 2022, 0.5 per cent in 2023, and 0.3 per cent in 2024. |

SUMMARY POINTS

- Last year saw a strong rebound in the Nanaimo Economy.
- Nanaimo's average and median age was younger in the 2021 Census compared to 2016 Census. The largest growth over the next decade is projected in the 25 to 44 age group.
- In 2022, new housing starts increased by nine per cent over 2021. By comparison, housing starts in comparable regions declined: Prince George saw a drop of 32 per cent and Kamloops housing starts dropped by 24 per cent.
- Tourism is recovering with visitor numbers are inching closer to pre-pandemic levels.

ATTACHMENTS

ATTACHMENT A: State of the Nanaimo Economy Report |

Submitted by:

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Development |

Concurrence by:

Trish Webb
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