

## Healthy economy forecast through '08

Forest products manufacturing only industry expected to plateau

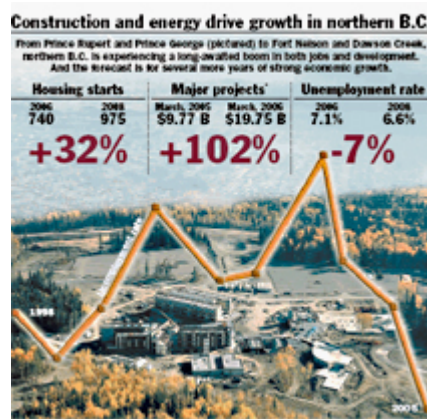
Vancouver Sun

Friday, July 07, 2006

High demand for natural gas and metals, as well as an increase in housing and industrial construction, will fuel a healthy economy for northern British Columbia, a new report states.

In its "Northern British Columbia Economic Outlook 2006-2008," the Credit Union Central of B.C. forecasts significant growth in mining, natural gas, construction, beef cattle, aluminum production and business travel, and moderate job growth.

The only industry expected to plateau in terms of activity and revenue is forest products manufacturing, due mainly to lower demand from the U.S., lower lumber prices, and the continued strength of the Canadian dollar.



CREDIT: Vancouver Sun

Construction and energy drive growth in northern B.C.

Dividing northern B.C. into four regions -- Cariboo, North Coast, Nechako and Northeast -- the report cites forest products, natural gas, mining, hydroelectric power and aluminum as northern B.C.'s chief exports, and expects those areas to improve, although the logging and silviculture industries will have moderate growth in income and little change in employment.

Helmut Pastrick, chief economist for Credit Union Central, said the infestation of the mountain pine beetle will cause an increase in logging activity in the short term, although long-term effects are still to be felt.

"The mountain pine beetle infestation will lead to an accelerated timber harvest and some new uses for the timber," says Pastrick, adding that the impact from the insect invasion will be felt 10 to 15 years from now.

Uses for pine beetle-infested lumber include oriented strand board used in panelling, and wood pellets.

The report states that even if Canada's softwood lumber dispute with the U.S. is settled, any returns to manufacturers of the billions of dollars of import duties charged by the U.S. would likely be offset by an export tax and volume restraints.

"Any agreement with the U.S. will likely involve managed trade and ultimately restrain the industry's growth compared to a free trade situation," the report states.

The price of natural gas, which comes from the northeast sector, rose 50 per cent in 2005, a trend expected to continue through 2008. However, oil extraction in the northeast is steadily declining, even as crude prices climb.

Mining and related manufacturing is expected to be healthy, with metal and energy prices forecast to remain high. Metal mine revenues rose in three of the four northern sectors in 2005, nearly tripling in the Cariboo, although the north coast region -- which has only one major mine -- suffered a 35-per-cent drop in revenues last year.

Other areas of growth include beef cattle, aluminum and business travel.

Employment and income gains through 2008 are expected to boost residential property sales by 10 per cent. This includes recreational property in these areas, particularly in the Cariboo. In the first four months of this year, residential building permits increased 20 per cent over the same period last year in northern B.C.

Potential for real growth in construction comes with non-residential building permits, which should reach a record \$330 million this year, drop in 2007, and accelerate again in 2008. Buildings projects lined up include a high school and a university sports centre in Prince George, a hotel-casino-convention centre in Fort St. John, and resorts near 108 Mile House and Valemount.

There are also \$20.2 billion in heavy civil and industrial construction projects on the books, although 80 per cent of these are at the proposal stage.

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