

RIDGE BUSINESS BUZZ

Department of Economic Development



Winter Edition - January

Message from Wendy Dupley, Director, Economic Development, City of Maple Ridge

Happy New Year, 2022!

January is typically when we look back on the highlights of the previous year, celebrate our accomplishments and look forward to setting new goals for the New Year.

It's safe to say that 2021 was an exceptionally challenging year for many people. COVID-19 is still with us as the Delta and Omicron variants have impacted huge numbers of people. We saw record heat waves in the summer and out-of-control wildfires impact much of western North America, followed by unprecedented rainstorms that caused devastation to communities throughout southern BC and washed out critical road and rail links to the rest of Canada.

But 2021 was also the year that many of us rose to meet these unprecedented challenges. Volunteers banded together in the middle of the night to save the Barrowtown Pump Station from catastrophe. Thousands of strangers showed up to fill sand bags, distribute food and water, and help farmers save their livestock while others opened their homes to house and feed stranded travelers and truck drivers. Government and private contractors pulled together to re-establish critical transportation networks faster than many ever imagined possible. In the darkest times that many of us have ever experienced, our lights have shone their brightest.

Despite all of the challenges we still face, I'm optimistic about 2022. Vaccinations are continuing to roll out and have proven to be effective in limiting the effects of the new COVID variants. We're seeing early indications that the Omicron wave is beginning to peak, and based on experiences from other jurisdictions, case counts and hospitalizations should begin to fall sharply.

The economy has also proven to be surprisingly resilient. Employment levels have bounced back to above pre-pandemic levels, and the general business environment has remained surprisingly strong—Canada's GDP is growing across almost all regions and economic sectors. This growth should accelerate as pandemic-related restrictions begin to ease in the coming weeks and months.

This year, we can look forward to the roll out of the City's new ***Economic Development Strategy***, the development of an updated tourism strategy, and the announcement of a new partnership with Kwantlen Polytechnic University formed to begin the processes needed to bring post-secondary education options to Maple Ridge. These developments, coupled with the ongoing growth and development of our community, point to brighter days ahead. Here's looking forward to a brighter and more hopeful 2022!

Sincerely,

Wendy

BUSINESS

What I'll be watching for in 2022

Over the past three years, we've become accustomed to changes in how we work, do business and even socialize. Will we still be working from home, attending meetings via Zoom, and ordering our dinners from Skip the Dishes this year, or will 2022 finally be the year that we return to a "pre-pandemic normal"? If we're not back in the office, what does this mean for restaurants, gyms and clothing stores in urban centres? Will we continue to spend our "vacation money" on home renovations? Will rising inflation put an end to low-interest rates? These are 10 stories we'll be following in 2022.



1. Release of StatsCan Information

One of the items we'll be closely following over the next year is the release of census information from the 2021 Census. How close are we to reaching a population of 100,000? How has the size and composition of the skilled labour force in Maple Ridge changed in the past five years? How have family incomes changed?

Statistics Canada is planning seven major "themed" releases over the year, starting on February 7 with "Canada's growing population and where they are living". We'll provide a summary and analysis of what this new information means as it becomes available.



2. Will BC continue to lead Canada in economic growth?

TD Economics is predicting that BC will again lead the nation in most key economic metrics in 2022 despite the impact of recent flooding and disruptions to the transportation system. Their December 2021 report notes that the province's recovery "has been broad-based, spanning the professional/scientific, manufacturing, trade, natural resources, and public-sector industries." TD Economics predicts 5.2% real GDP growth for BC in 2021, with reconstruction efforts adding to growth in the first half of 2022.

The report further notes a remarkable turn-around in the BC government's second quarter fiscal update. The provincial government announced a downward revision to BC's deficit from \$9.8 billion to \$1.7 billion, making BC's revised Net Debt to GDP ratio (18.2%) the lowest in the country.

3. Growing labour market shortages

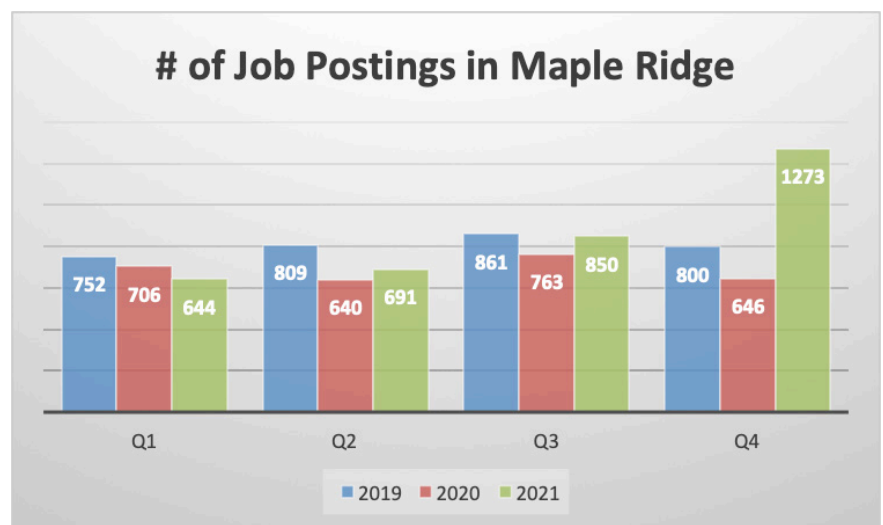
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Labour market shortages, particularly in skilled trades and technology, were a major concern for many employers even prior to the pandemic. According to Pierre Cl  roux, Chief Economist at the Business Development Bank of Canada, Canadian businesses will continue to feel the effects of a tight labour market as the economy continues to emerge from the pandemic. "Even before the pandemic, employers had difficulties in recruiting. That's mainly because we have an aging population in Canada. Many people are retiring and there aren't a lot of [new] people entering the job market." Cl  roux noted that the pandemic resulted in immigration being reduced by half in 2020 and 2021 resulting in 400,000 fewer immigrants.

A final piece of the labour market puzzle is that 20 percent of Canadians who lost their jobs during the pandemic have changed employment sectors. Economists note this is especially prevalent in the hospitality industry where many workers have decided to move to other sectors where there are more opportunities and stable employment prospects.

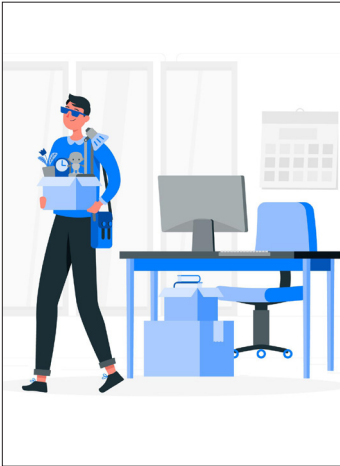
BC's labour market has now recovered to pre-pandemic levels of employment and its year-to-date growth in employment and hours worked is the highest in the country. Economists are now predicting BC's



unemployment rate could fall to 4.7% in 2022 which may lead to increasing wage inflation.

Labour economists refer to this situation as “full employment”— the lowest rate of unemployment before the scarcity of job seekers starts to inflate wages. Maurice Mazerolle at Ryerson University's Ted Rogers School of Management, says this rate is somewhere between five and six percent. “When you start pushing it down below six percent, this is when you start seeing lots of job openings...there's lots of turnover, lots of movement, and people are finding it hard to hold on to employees because they've got other options.”

Over the past year, Maple Ridge has seen a strong increase in the number of job postings. Vicinity Jobs, a national firm specializing in labour market analytics, reported that Maple Ridge saw a 25% increase in the number of local job postings in 2021 compared to the previous year, reflecting a strengthening local economy.



4. The “Great Resignation”

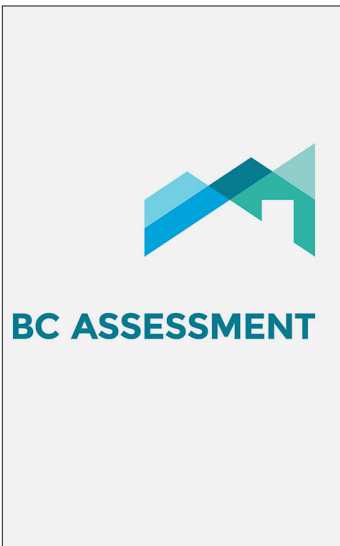
The United States Labor Department reported that 4.5 million Americans voluntarily left their jobs in April, the highest monthly total ever reported. The so-called “Great Resignation” has been especially high in hospitality and other low wage sectors where strong demand has allowed workers the leverage to seek out more stable employment and better pay.

We haven't seen the same level of resignations in Canada, though, according to CIBC economist Avery Shenfeld. While a rising share of older Americans are choosing to retire early compared to Canadians, according to Shenfeld, “Canada provided more of its overall pandemic-related business support through generous wage subsidies, which incentivized employers to keep workers on the job.” However, record high stock market returns and housing assessments have allowed many older workers to consider retiring earlier than many had originally planned. As the Canadian workforce continues to age, employers will need to develop strategies to keep this older workforce engaged.



5. Inflation and interest rates

Many younger Canadians have grown up in an extended period of relatively low inflation and interest rates. However, there are early indications this may be changing as the Canadian inflation rate hit a 30-year high in November. Wage inflation, supply chain constraints and other inflationary pressures are beginning to be felt as businesses must choose between absorbing additional costs or raising prices. Although price increases have recently begun to moderate, there are concerns that rising interest rates—especially for longer term borrowing and mortgages—can lock in price increases for longer terms. Higher interest rates and inflation both have the potential of slowing economic growth as businesses and individuals slow their spending in response to higher prices.



6. BC Assessment data

By now, most of us have seen the recently released 2021 BC Assessment data. The median assessment for a single-family home in Maple Ridge has risen by 37% over the past year, rising to \$1,118,000. Similarly, the median assessment for a strata home (townhouse or condo) has risen by 23% to \$563,000. We're also seeing significant increases in assessments for the Business (+17.5%) and Light Industry (+23.5%) property classifications in Maple Ridge.

While Maple Ridge is still one of the most affordable communities in Metro Vancouver, rapidly increasing housing prices can make it difficult for businesses to attract and retain workers, especially for smaller employers and those in the hospitality sector. Similarly, increased property assessments for business and industrial properties can make it more challenging to attract new businesses. One silver lining, though, is that increased property values provide an incentive for property owners to develop vacant or underutilized industrial properties. Maple Ridge currently has an industrial vacancy rate of less than one percent and any new industrial properties hitting the market are being quickly snapped up by businesses and investors.



7. Lingering effects of the pandemic and weather on the hospitality sector

The hospitality sector has been one of the hardest hit sectors by the pandemic. At various times, Public Health Orders have closed these businesses or reduced their operating capacities. Recent flooding and landslides have made domestic travel far more difficult and many countries are continuing to recommend against international travel. At the same time, supply chain disruptions coupled with ongoing labour shortages have increased operating costs at a time when many of their customers remain reluctant to travel, book vacations or even dine indoors.

There are some early indications, though, that new daily infections in the “omicron wave” may have peaked, and some pandemic restrictions are beginning to be lifted. We’ve also seen incredible progress being made to restore damaged road links, especially to the Coquihalla Highway which provides a critical transportation link for the Lower Mainland. These promising developments could help spur a revival of the hospitality industry sooner than previously expected.



8. Return to the office?

Will 2022 finally be the year that workers return to working in the office? For every pundit proclaiming that work-from-home is here to stay, there seems to be another one claiming that 2022 will be the year that the majority of office workers will be back in the office.

Prior to the Omicron outbreak, many cities around the world were seeing a slow-but-steady return of workers into the urban centres. Transport London reported almost 70 million trips were completed between Sept. 18 and Oct. 16 on their subway system, three times as many as in March. Frankfurt estimates that local train ridership has returned to 65% of its pre-pandemic level in November. However, cities such as New York and San Francisco are still seeing office occupancy rates well below their pre-pandemic levels.



9. Supply chain challenges

Lean manufacturing is a widely used technique to reduce costs and improve product quality in business. The system relies on a robust supply chain to deliver materials only as they are needed and works best when each operation is closely synchronized with subsequent operations. The focus of this system is to reduce inventory costs by perfecting the timing of ordering, receiving and using of materials.

The pandemic, though, has massively disrupted international supply chains causing shortages of everything from automobiles and appliances to construction materials and grocery items. In some cases, these shortages have been short-lived; in other cases, such as with semi-conductors, the implications are lasting and far-ranging.

It’s safe to say that lean manufacturing is here to stay, but many businesses will be looking to modify how they manage their procurement and inventory management systems. Some of the proposed solutions to these supply chain challenges have included moving production back into Canada, seeking new domestic suppliers, and increasing the “safety stock” in the system. Post secondary institutions such as KPU are also looking at launching new master’s programs in Operations, Supply Chain and Logistics management that will help businesses better manage these increasingly complex and critical facets of their operations.

TOURISM



10. The return of tourism

Despite the unprecedented challenges facing the tourism industry, many in the industry are expecting a tourism boom once restrictions are removed. Destinations, such as Canada that have high vaccination rates and are considered safer destinations, should see a strong rebound in tourism as travelers make up for lost time. In preparation for this rebound, City staff are preparing to update the Maple Ridge tourism strategy.



Locally, Maple Ridge's tourism industry has seen a strong "shoulder season" through the fall and early winter. AirDNA reported increased demand for shared accommodation such as Airbnb and VRBO in Maple Ridge, and Golden Ears Provincial Park's new, year-round campsites were full throughout the season. Glow Maple Ridge also had another successful season, bringing over 25,000 visitors into the downtown over 38 days, helping to support local businesses. New initiatives such as the BC Ale Trail, Dog Friendly Maple Ridge, and the ***Quintessential Maple Ridge Dining video*** will help strengthen this sector over the coming year.

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