

Small Business Quarterly



Reference date: Fourth Quarter 2016 Issue: #16-4

Released: March 2017



The number of B.C. business incorporations jumped 10.8% in the fourth quarter of 2016 compared to the same three months of 2015



The number of self-employed in B.C. climbed 0.3% in the fourth quarter of 2016. Overall employment levels were also higher (+0.5%) than in the third quarter.



Business bankruptcies declined 27.7% from the fourth quarter of 2015.

HIGHLIGHTS

Businesses

The number of small businesses in British Columbia (excluding self-employed persons) in December of 2016 was 188,057, up 1.9% from a year earlier.

In the fourth quarter of 2016, new business incorporations jumped 10.8% from the level recorded in the same quarter of 2015. This boost marked the fifth consecutive double-digit year-over-year increase.

Both consumer (-21.0%) and business (-27.7%) bankruptcies were down in the fourth quarter compared to the same period a year earlier. The 34 business bankruptcies were among the lowest quarterly number recorded in recent years.

Employment

Overall employment in B.C. climbed 0.5% between the third and fourth quarters. The number of self-employed in British Columbia in the fourth quarter of 2016 was also higher (+0.3%) than in the third quarter.

Meanwhile, the provincial unemployment rate averaged 6.0% in the fourth quarter, up slightly from 5.6% in the third quarter.

Housing and Construction

The number of non-residential building permits issued in British Columbia continued to experience a year-over-year decline in the fourth quarter, falling 20.4% below the number recorded in the same period of 2015.

Multiple Listing Statistics (MLS) sales were also lower in the fourth quarter, slipping 27.1% over the same quarter of 2015.

Conversely, urban housing starts in B.C. continued to climb, jumping 13.6% over the number recorded in the third quarter of 2015.

Trade

Manufacturing sales showed strength (+2.1%) in the fourth quarter, as did B.C. commodity exports, which saw a 13.8% jump between the third and fourth quarter of 2016. Both wholesale (+4.8%) and retail (+1.4%) sales were also considerably higher than in the third quarter.

Did You Know? In 2016, the Mainland/Southwest region recorded the lowest unemployment rate in the province.

Innovative Business: High Technology in British Columbia

High technology has evolved into a key sector in the B.C. economy. High technology firms tend to be innovative and efficient, creating goods and services that confer benefits on other parts of the economy by improving productivity and profitability, while at the same time providing relatively high-wage employment. While the tech sector in British Columbia is still relatively small, the province is home to some of the top tech companies in the world and continues to expand.

The high technology sector is particularly conducive to small business. Small start-up firms in high tech are often at the leading edge of innovation, and are crucial to the ongoing strength of the sector.

The vast majority of tech businesses are small businesses. Indeed, in 2015, there were 9,905 businesses with employees in the tech sector in B.C. in 2015, 96% of which were small businesses (with fewer than 50 employees).

High Technology Contributes substantially to B.C.'s Economy

B.C.'s high technology sector generated approximately 7% of the province's GDP in 2015, placing it in the same realm as industries such as manufacturing and health care. By comparison, B.C.'s forest sector (wood, pulp and paper production, logging and silviculture) produced just over 3% of total GDP. The real estate and rental and leasing sector (including owner-occupied dwellings) generates the greatest contribution, at around 18% of GDP.

Revenue for British Columbia's high tech sector reached \$26.3 billion in 2015. The service sector made up the majority (86%, or \$22.5 billion) of revenues, and the manufacturing sector comprised the remainder (14%, or 3.7 billion).

On average, the high technology sector in B.C. pays far better than what a typical worker in the province can expect to receive. In 2015, average weekly earnings of high tech employees were \$1,590 per week, compared to just \$910 for the average B.C. worker.

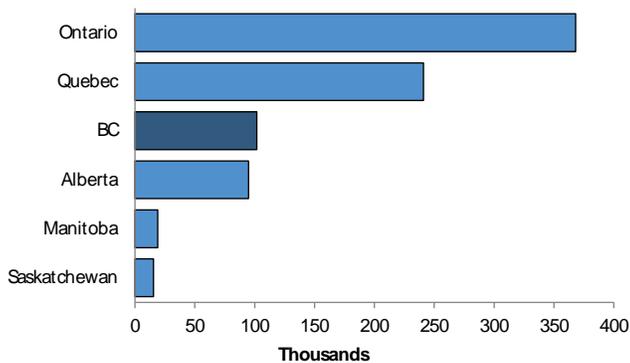
Generally speaking, high tech is defined as technology that is at the cutting edge and is usually associated with strong economic growth and advanced technological development. BC Stats uses two different definitions—one that is industry-based and another that is commodity-based—to measure high tech's contribution to the British Columbia economy and the volume of international trade in high technology goods.

Employment in B.C.'s Tech Industries

British Columbia's high technology sector employment eclipsed 100,000 for the first time in 2015, reaching 101,780. Around 4.9% of British Columbia's workforce was employed by the high tech sector in that year.

Among the provinces, Ontario has by far the most people employed in the high technology sector, with 368,070 tech workers in 2015, or almost 42% of all Canadian high tech employees. Another 27% of Canada's high tech workers reside in Quebec, more than B.C. (11%), Alberta (11%), Manitoba (2%) and Saskatchewan (2%) combined.

B.C. has the third largest high tech workforce in Canada.



Source: Statistics Canada / Prepared by BC Stats

Almost 86% of workers in B.C.'s high technology sector were employed in a service industry in 2015. In fact, there were three industry groups—engineering services, other computer and related services (excluding software publishing), and other services—that employed more people than all high tech

manufacturing industries combined. In 2015, there were 14,390 high tech manufacturing employees in B.C., compared to 17,900 people working in engineering services, 25,190 workers in other computer and related services positions and 16,740 jobs in other services.

Underscoring the importance of high tech to the provincial economy, B.C.'s high technology sector employs more people than the mining, oil and gas, and forestry sectors combined. In 2015, there were around 47,200 people working in B.C.'s forest sector (which includes logging, silviculture, and wood and paper manufacturing industries) and 19,700 employed in the mining, oil and gas sector, for a total of 66,900, compared to 101,800 people employed in the high tech sector.

Trade in High Tech Goods and Services

In 2015, B.C.'s exports of high tech services reached \$4.2 billion. This comprised just over three-quarters of B.C.'s total high technology exports (i.e., goods plus services).

The value of B.C.'s high technology commodity exports was close to \$1.4 billion in 2015 and imports of high technology goods into British Columbia reached an all-time high of \$6.8 billion in the same year.

The U.S. and Mainland China are the primary sources for high tech goods imported into British Columbia. Together, they were responsible for 63% of all the high tech goods imported into the province in 2015.

British Columbia imports far more high technology goods than it exports and, as a result, the province runs a substantial trade deficit in these commodities.

Computers and telecommunications products dominate both exports from and imports to British Columbia, with aerospace goods and life sciences products (which are mainly comprised of medical equipment) the next two most important commodity groups.

Small Businesses and High Tech

Of the 9,905 high tech businesses operating in British Columbia in 2015, 96% (9,464) were small businesses with fewer than 50 employees (excluding self-employed individuals).

Breakdown of high tech businesses in British Columbia, 2015

	NUMBER OF BUSINESSES	PERCENT OF TOTAL BUSINESSES
Businesses with 1 to 4 employees	6,689	68%
Businesses with 5 to 9 employees	1,272	13%
Businesses with 10 to 19 employees	869	9%
Businesses with 20 to 49 employees	634	6%
Total small businesses	9,464	96%
Total large businesses	441	4%
Total all businesses	9,905	100%

The majority of small tech businesses in British Columbia are micro-businesses fewer than five employees. In 2015, 6,689 businesses fit this description, comprising 68 per cent of all small high technology businesses.

There is currently no perfect measure available of self-employment in the high tech sector. However, it is estimated that in 2015, there were nearly 33,000 high tech businesses with no employees operating in British Columbia. This was more than three times the amount of high tech firms with employees.¹ Some high technology industries are ideally suited to self-employment, where the skills, knowledge and energy of the individual are more important than large capital investment.

In What Industries Do Small High Tech Businesses Operate?

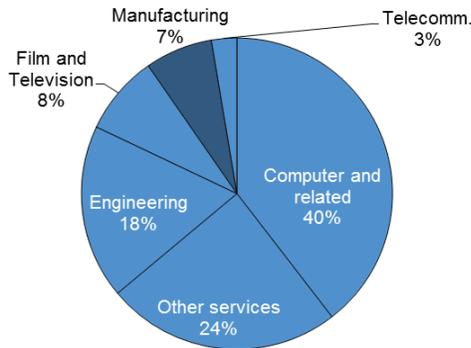
In 2015, nearly 93% of B.C.'s small high tech businesses were in the service sector. Of high technology businesses with employees, 8,800 were in service industries and only 664 were manufacturers.

Computer and related services comprise the largest industry group among small businesses in B.C.'s high technology sector, with 40% of the province's small tech firms. "Other services" (24%) and engineering

¹ Data by industry from Statistics Canada's Labour Force Survey are not detailed enough to derive a high tech aggregate. However, counts of businesses with no employees can be used to approximate the number of self-employed with no employees. This is only an approximation because the figure may also include companies that hire only contractors, or companies with unpaid family workers.

(18%) are the next two largest high tech industry groups. Environmental, scientific and technical consulting industries are the largest component of the “other services” industry group.

Distribution of B.C.'s Small High Technology Businesses by Industry Group, 2015



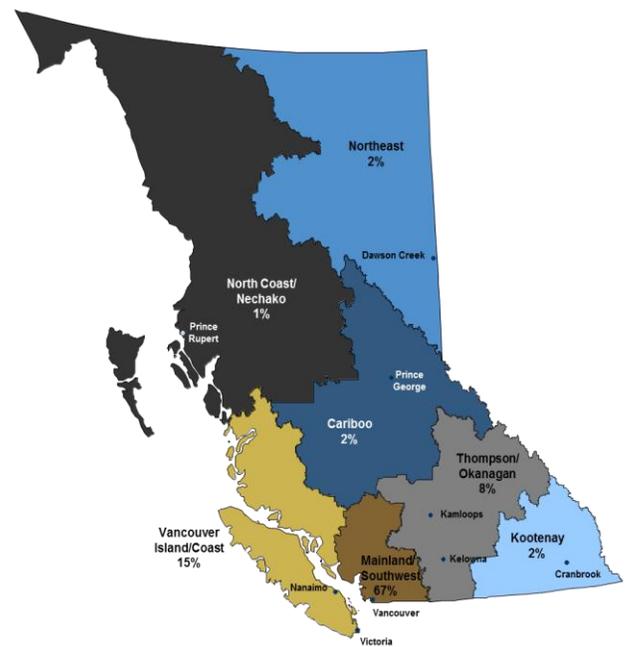
Source: Statistics Canada / Prepared by BC Stats

In general, manufacturing tends to be more conducive to larger operations, so it is no surprise that manufacturing businesses are more common among large tech businesses (making up 15% of large tech operations in 2015) than among small ones (7%). Among service-providing industries, engineering is somewhat more common among larger tech companies, involving approximately 25% of all larger high tech businesses, compared to 18% of small tech firms. Conversely, businesses providing computer and related services are more prevalent among small firms (40%, compared to 33%).

Where Are B.C.'s Small Tech Firms Located?

As one might expect, high technology businesses are most often located in the areas of the province that are most densely populated. In 2015, more than two-thirds (67%) of British Columbia’s small high technology businesses were located in the Mainland/Southwest Development Region, with the bulk of those situated in Greater Vancouver. The Vancouver Island/Coast region was home to approximately 15% of the province’s high tech businesses with fewer than 50 employees, with the majority located in the Capital region, and another 8% resided in the Thompson-Okanagan region.

Distribution of Small High Technology Businesses by Region, 2015



Source: Statistics Canada / Prepared by BC Stats

The Future of High Tech in B.C.

British Columbia's high technology sector is a vital part of the province's economy and a significant player in the province's small business landscape. This was reinforced in 2016, when the B.C. government launched a new tech strategy, including a \$100-million technology innovation fund to fuel the venture capital market in the province. High technology firms tend to be innovative and efficient. They create goods and services that benefit other parts of the economy by improving productivity and profitability, while at the same time providing relatively high-wage employment.

Given the importance of the high technology sector in today's global community, along with the potential for boosting business and employment in the province, the

environment that B.C. provides is highly significant. Continuing efforts to ensure that the province maintains the right environment to attract high technology businesses will give B.C.'s tech sector the support it needs to continue to thrive.

For more information on the technology sector in B.C., visit the high technology page of the [BC Stats](#) website.

See a full description of the B.C. government's #BCTECH strategy here:

<https://bctechstrategy.gov.bc.ca/>

For more information on small business in British Columbia including initiatives and resources, visit the [Ministry of Small Business and Red Tape Reduction](#) website.

Did You Know?

B.C. leads the country in per capita venture capital investment. The province boasted an average venture capital investment of \$96 per 100,000 population in 2015, nearly four times that of Alberta (\$25) and considerably higher than Ontario (\$68).