

Importance of a Diversified Economy

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As long as there have been financial planners, they have advised clients not to put all of their investment eggs in one basket. The same applies to a local economy. In today's competitive global market where any one industry can shift very quickly, it is imperative to have a diverse economy to reduce the risk of job loss to a community.

Nanaimo's Economic Development Strategy states that "the foundation of a healthy community is a sustainable and diverse economy that generates wealth for residents, businesses, and all of those who interact with the city." That is created by having a community with a high quality of life which attracts businesses who bring in new money (economic drivers) which in turn increases the tax base, thus supporting public services and amenities. Having a solid base of economic drivers also encourages service-based businesses (economic supporters) to start-up, thereby increasing the quality of life for residents. This cycle is referred to as the circle of prosperity. "Nanaimo's economy consists of approximately 25% economic drivers and 75% economic supporters," according to Amrit Manhas, the City of Nanaimo's Research and Information Analyst, "which is a good balance."

A diverse economy is one that is not dependent on one or two primary sectors, but is made up of a variety of businesses offering a mix of products and services, and that creates a range of employment sources for residents. Nanaimo's varied employment base means that when one or two sectors face challenging times, there will be a lesser impact on the local economy, and residents will have work opportunities in other sectors.

Tourism is one sector that has seen a recent downturn. The 2008 hotel occupancy rate in Nanaimo has decreased by 7.4% over last year. Factors for this change include increased fuel costs and poor weather. "The parity of the American dollar and the US housing foreclosure crisis are not major factors in this decline because Nanaimo's key tourist markets are Vancouver Island and the Lower Mainland," according to Hannah King, the City's Destination Marketing Coordinator, "but they have some influence nonetheless." Even during a slow period, the tourism sector contributes indirectly to our economy, being the catalyst for many infrastructure improvements such as the Nanaimo Airport runway expansion and Port Authority's cruise ship terminal.

Another sector facing hardship is the forestry sector, as indicated by the receivership of the Pope & Talbot Harmac Mill and Madill Equipment, the latter which had been manufacturing logging equipment since 1911. In the past, when the Nanaimo region was mainly a commodity-based economy that relied on an abundance of natural resources in the forest and oceans, those types of businesses made up the majority of the local economy. According to the 2006 census, resource industries such as agriculture, forestry, fishing and hunting now constitute only 2% of Nanaimo's economy. A diverse economy reflecting our community's strengths nowadays including construction, retail, health and financial services, knowledge companies and government offices, is what contributes to making Nanaimo one of the most desirable, livable small cities in North America.