

B.C. Regional Economic Outlooks 2018-2020

Cariboo

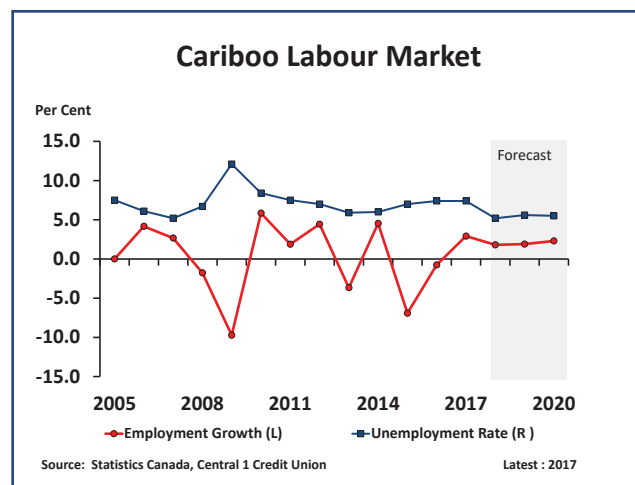
Cariboo region is in the central interior, spanning Mackenzie from the north through south to Valemount and 100 Mile House. It is anchored by the Prince George Census Agglomeration, which comprises more than half of the region's estimated population of 156,00 persons, alongside urban areas such as Williams Lake and Quesnel. Roughly a third of the region's population resides in rural markets.

Cariboo's economic conditions ebb and flow with the broader commodity market conditions due its proximity to other northern markets and its involvement in forestry and mining. Resource extraction and manufacturing make up a large share of regional employment at seven and 11 per cent, which is significantly higher than the provincial level.

Employment fell sharply in 2015 as a direct effect of the downturn in the local economy. A second source of employment weakness was the effect on mining and energy sector in B.C. workers employed in other parts of the province or oil patch in Alberta. Average employment declined from a post-financial crisis peak of 85,300 persons in 2014 to a low of 78,800 in 2016 before increasing. While economic weakness was concentrated in the region's services-industries, it was also reflected in resource-industries. The regional unemployment rate has tracked above seven per cent over the past three years while the job vacancy rates are lower than all other regions in B.C., signaling a slack labour market.

Population trends have been subdued with net outflows to other regions of B.C. The trends align with mixed economic activity, with levels generally contracting despite recent stability. Relative affordability and investments in the colleges and vocational programs have partially offset outflows. Prince George benefits as the main regional hub for jobs that contribute to the economy. A mild improvement is forecast with growth of about half a per cent in 2019 and 2020.

Nonetheless, growth has returned a strong employment rebound through the first half of 2018 before some give back in the third quarter. Recent employment gains are owed to higher construction activity, while the manufacturing and export cycle also

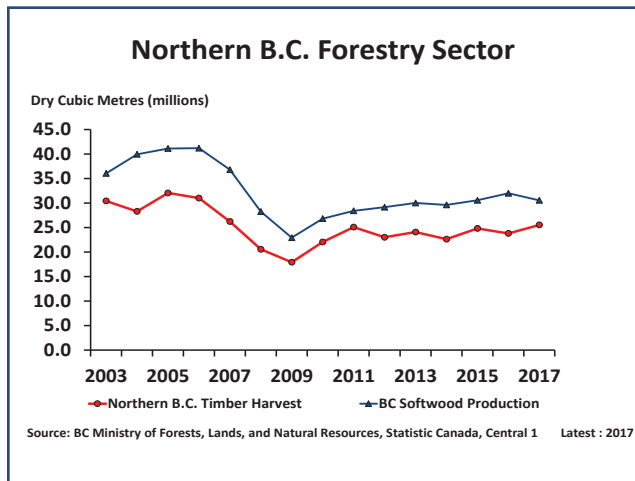


contributed after a slow start to the year. Construction employment gains reflect work on local housing and business investment, and other projects across the province.

Residential construction intentions are up sharply according B.C. Stats data, and expected to rise nearly 40 per cent in 2018. Growth was led by Prince George and Williams Lake, which aligns with higher housing starts. Year-to-date housing starts in Prince George is up more than ten per cent past mid-year, while Quesnel and Williams Lake were also up sharply. Starts are typically volatile in smaller markets and rebuilding efforts in areas affected by forest fires are a factor.

LNG Canada and the Coastal Gaslink Pipeline projects will lift consumer activity in the Prince George hub and fuel employment growth as construction attracts workers to other parts of the region. Average employment is forecast to rise 1.8 per cent this year, marking the highest level since 2014. The average unemployment rate declines to below six per cent from more than seven per cent in recent years.

The forestry sector has firmed after early year rail and transportation bottlenecks. Sawmills are running at capacity due to U.S. demand, despite softwood lumber tariffs, which are largely passed onto final consumers. Timber harvest in the Cariboo Natural Resource District rose 13 per cent year-to-date through July, after a sharp 2017 retrenchment. Activity will remain stable in the near-term, but medium-to-long term growth will be constrained as the impacts of the Mountain Pine



Beetle limit timber supply. Central 1 forecasts that direct forestry output and related manufacturing will ease through the end of the decade due to supply constraints. Individuals working in the mining sector continue to experience a challenging backdrop, given low investment in exploration and mine construction.

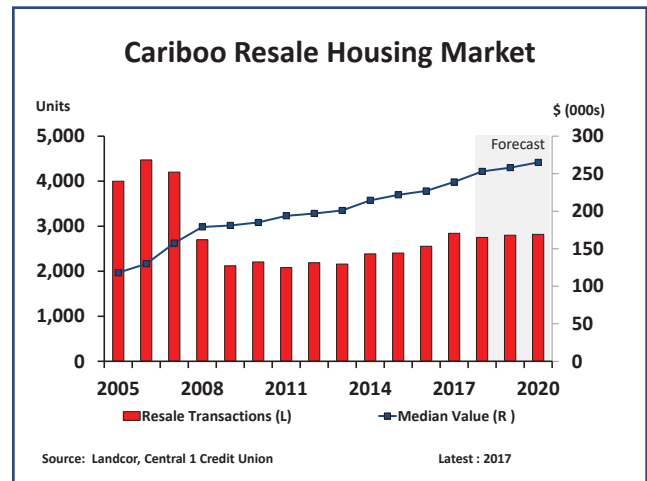
Major projects under construction include the \$19 million College of New Caledonia Heavy Mechanical Trade Centre expected to complete late this year, as well as various civil works infrastructure projects.

Work on BC Hydro's Site C dam will continue to employ workers in the Cariboo. While the dam is in B.C.'s Peace River district, roughly 65 per cent of the 2,050 B.C. resident workers in construction and non-construction contractors, were from outside the direct local region. It is likely that a significant portion of workers are from the Cariboo area. Site C will continue to provide work for residents across B.C., although growth will ease as the project reaches its peak.

Considerable uncertainty persists about the future of the Kinder Morgan TransMountain pipeline expansion. The massive \$40 billion Shell-led LNG Canada project will trigger investments across the northern interior. This includes the construction of the plant in Kitimat, Coastal Gaslink pipeline linking northeast gas to the facility and increased well drills in the northeast. Labour force participation in the area will be boosted as residents find work on the projects across the province.

Employment growth is forecast to average two per cent for 2019 and 2020, lifting employment back to 2014 levels.

Housing markets conditions have firmed since 2015, lifted by low interest rates and improved local economic drivers. Although sales remain a far cry from mid-2000 peaks. A re-balancing of market conditions



and low interest rates have contributed to rising median home values across Cariboo. Detached home values have risen at more than four per cent pace over the past two years and accelerated in 2018. While the federal mortgage 'stress test' has curtailed demand, strengthening economic conditions will maintain upward sales momentum and rising sale prices. The median value for resale properties is forecast to rise nearly six per cent this year, two per cent in 2019, and three per cent in 2020 to \$260,000.

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Cariboo	2016	2017	2018	2019	2020
Labour Force (000s)	85.1	87.5	87.0	89.1	91.0
% ch.	-0.5	2.9	-0.5	2.4	2.1
Total Employment (000s)	78.8	81.1	82.5	84.1	86.0
% ch.	-0.8	2.9	1.8	1.9	2.3
Unemployment Rate	7.3	7.4	5.2	5.6	5.5
Residential Transactions	2,554	2,845	2,750	2,800	2,820
% ch.	6.2	11.4	-3.3	1.8	0.7
Median Price	227,000	239,000	253,000	258,000	265,000
% ch.	2.5	5.3	5.9	2.0	2.7
Residential Permits (\$ millions)	135.7	134.1	200.0	180.0	175.0
% ch.	29.1	-1.2	49.2	-10.0	-2.8
Non-Residential Permits (\$ millions.)	94.7	73.8	102.0	100.0	105.0
% ch.	63.9	-22.1	38.2	-2.0	5.0
Private Non-Res Building Permits (\$millions)	88.0	53.1	65.0	70.0	80.0
% ch.	61.9	-39.7	22.4	7.7	14.3
Public Non-Res Building Permits (\$millions)	6.7	20.7	37.0	30.0	25.0
% ch.	96.7	208.2	78.5	-18.9	-16.7
Population (000s)	157.2	156.4	156.6	157.2	158.0
% ch.	0.5	-0.5	0.1	0.4	0.5
Select Resale Housing Markets	2016	2017	2018	2019	2020
Prince George Residential Transactions	1,472	1,657	1,600	1,620	1,630
% ch.	0.5	12.6	-3.4	1.2	0.6
Prince George Median Price	253,600	265,000	287,000	290,000	299,000
% ch.	4.8	4.5	8.3	1.0	3.1
Williams Lake Residential Transactions	592	646	640	650	620
% ch.	21.3	9.1	-0.9	1.6	-4.6
Williams Lake Median Price	210,000	220,000	233,000	238,000	240,000
% ch.	7.7	4.8	5.9	2.1	0.8

Sources: Statistics Canada, CMHC, Landcor, Central 1