

## B.C. Regional Economic Outlooks 2018-2020

### Kootenay

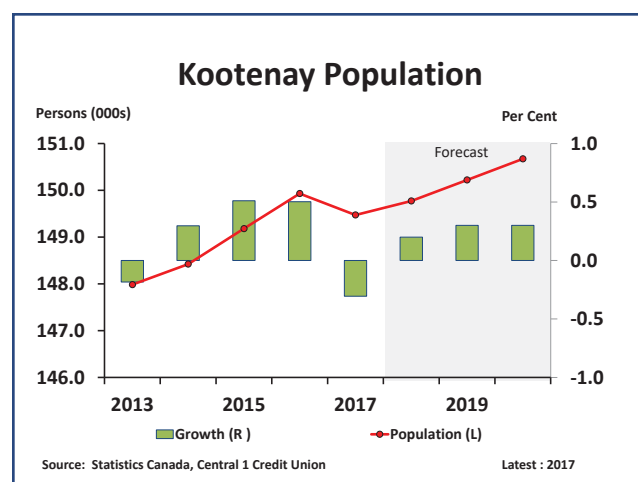
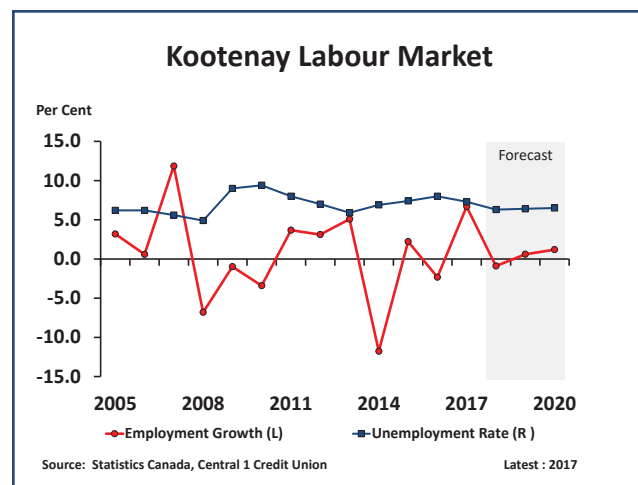
The Kootenay region is home to just under 123,000 residents, as of the latest Statistics Canada estimates from 2017. It is comprised of many small towns and municipalities, with the largest areas being the census agglomeration of Cranbrook and the City of Nelson.

The regional economy is diverse with a mix of tourism and resource producing sectors, despite a relatively small population base. Given the Kootenay's proximity to Alberta, tourism is a key driver for recreation, tourism and secondary housing activity in areas including Cranbrook, Invermere, Kimberley and Fernie. The region is also home to Teck Resources coalfield operations near Elkford and a lead-zinc smelter at Trail in the western Kootenay. Other key industries include forestry and agriculture.

Kootenay's labour market data has been volatile in recent years. Estimated employment surged nearly six per cent in 2017 after the unemployment rate peaked above the long-term average at 8.1 per cent in 2016 due to declining employment and labour force growth. Almost all employment growth last year was in full-time work, with gains likely contributing to a boost in job market confidence.

A rebound in Alberta's economy contributed to growth in the region, as a significant share of Kootenay residents work in Alberta across the Rockies. With the impact of the negative oil price from 2014 shock mostly dissipated, Alberta's unemployment rate trended down as job seekers return and many seeking full-time employment.

Housing market conditions have improved with stronger local economic conditions and a lift in Alberta, which is a source of recreational housing demand. In 2017, resale transactions rose nearly 15 per cent with the median price up more than five per cent at \$258,000 which has exceeded the rate of inflation. A portion of this housing activity was also due to increased growth in the secondary homes market. Approximately 20 per cent of home sales in the Kootenay are traced to Alberta buyers. Federal measures to tighten mortgage qualification criteria have had little impact on the region, reflecting a recreational market and relatively low prices.



Kootenay's existing homes market was hot last year and the gains funneled through to the new homes market and related activities, such as renovations. In 2017, residential permit dollar volumes increased 25.7 per cent to \$243.9 million.

Non-residential permit volumes were discouraging when compared to residential permit volumes. This was related to a marked decline in private non-residential permit volumes that were slashed to \$43.5 million from \$75.6 million in 2016. Public non-residential building permit volumes continued to increase from 2016 as public funds earmarked for projects continued to flow. Nonetheless, non-residential activity is volatile and swings are not uncommon.

Population growth has been mild at near 0.5 per cent in 2015 and 2016, before a slight contraction in 2017. Interprovincial migration is a key driver of regional

population growth, reflecting retiree demand and lifestyle factors.

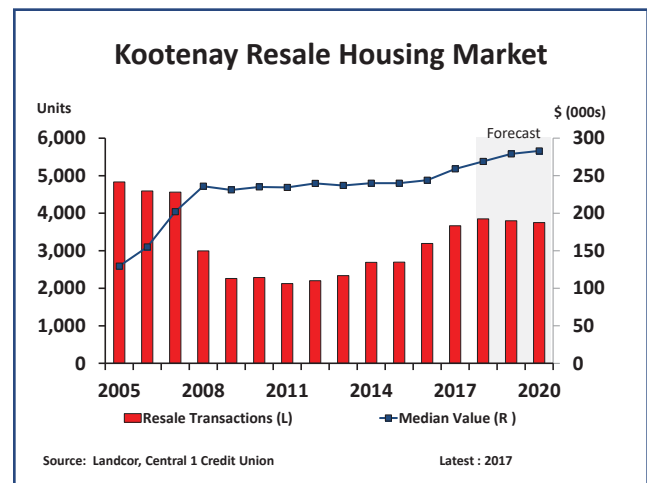
Kootenay has an older population where 53.8 per cent of residents are over 45 years of age, compared to 47.4 per cent over 45 years of age across B.C. Therefore there is a strong need for workers in the goods-sector, particularly resources such as forestry and coal. Employment is also needed in the services-sector, including accommodation and food services for tourists, and health and social services for aging residents.

Forest products continue to lead B.C.'s exports, comprising of more than 30% of provincial goods exports in 2017. Despite U.S. tariffs, impacts on domestic producers have been limited as costs have been passed onto consumers due to strong lumber demand. Smaller scale producers have experienced some negative effects. Growth in forestry economic output was due to strong U.S. demand for lumber to feed into increased new home construction. In 2017, new housing construction in the U.S. increased by 2.6 per cent following more than six per cent growth in 2016. The Kootenay area has benefitted from demand, with timber harvests showing solid growth in 2018. While the broad sector is expected to contract over the next five years as the impact of the mountain pine beetle (MPB) crisis over the past two decades, reduces timber availability. Kootenay is positioned to take advantage of high prices given it was less affected by the MPB infestation.

Coal is the province's second largest export and a key commodity to trade for a region like Kootenay. Higher commodity prices buoyed the industry over the past year, although price levels have moderated. Current U.S.- China trade relations are a negative risk for metallurgical coal prices and the expansion of regional operations and exploration activity.

Tourism recovered in 2017 as Alberta's economy rebounded, and helped to lift overall economic growth. The region's accommodation and food services sector are a sizeable chunk of the economy. Annual data from B.C. Statistics points to a robust increase of 9.3 per cent to hotel/inn room revenues in 2017. Growth has likely decelerated but remains a driver of regional employment growth.

Kootenay economic growth is expected to ease over the forecast period. The positive tourism cycle is likely near peak, while deterioration in global growth and trade is softening commodity prices including coal.



Employment growth is forecast to hold steady edge down 0.9 per cent this year, before rising 0.7 per cent in 2019 and 1.3 per cent in 2020. The average unemployment rate holds steady near 6.5 per cent in 2018. Retirements are a factor in low employment growth.

Home sales are forecast to steady in 2019 due to flat local employment and higher interest rates, after a five per cent increase this year. Recreational demand from Alberta may be constrained due to flat home values in that province and further weakening of oil prices which impede the province's economic growth, investment and job growth.

Median price growth for an existing home in Kootenay will increase by about four per cent in 2019, partly reflecting a more balanced market than in previous years. Sales and prices will be flat in 2020. Residential permit volumes are forecast to rise 19 per cent this year but pull back to trend in 2019 with a 14 per cent dip.

Constrained business confidence will affect investments. Non-residential building permits rebound this year to an average trend of about \$60 million after a decrease in 2017.

The region's population will grow in 2018 by just 0.2 per cent from 0.1 per cent last year. Natural growth will continue to trend down, and interprovincial movements will decline as people leave the area to look for opportunities elsewhere.

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Kootenay	2016	2017	2018	2019	2020
Labour Force (000s)	73.3	77.6	76.0	76.5	77.5
% ch.	-1.7	5.9	-2.1	0.7	1.3
Total Employment (000s)	67.4	71.9	71.2	71.6	72.5
% ch.	-2.3	6.6	-0.9	0.6	1.2
Unemployment Rate	8.0	7.4	6.3	6.4	6.5
Residential Transactions	3,200	3,674	3,850	3,800	3,750
% ch.	18.7	14.8	4.8	-1.3	-1.3
Median Price	244,000	258,000	269,000	279,000	283,000
% ch.	1.7	5.7	4.3	3.7	1.4
Residential Permits (\$ millions)	194.1	243.9	290.0	250.0	249.0
% ch.	6.5	25.7	18.9	-13.8	-0.4
Non-Residential Permits (\$ millions.)	90.8	66.1	76.0	59.0	65.0
% ch.	9.7	-27.2	15.0	-22.4	10.2
Private Non-Res Building Permits (\$millions)	75.6	43.5	48.0	36.0	45.0
% ch.	-3.8	-42.5	10.4	-25.0	25.0
Public Non-Res Building Permits (\$millions)	15.2	22.6	28.0	23.0	20.0
% ch.	263.1	48.8	23.7	-17.9	-13.0
Population (000s)	149.9	149.5	149.8	150.2	150.7
% ch.	0.5	-0.3	0.2	0.3	0.3
Select Resale Housing Markets	2016	2017	2018	2019	2020
Cranbrook Residential Transactions	473	462	510	520	520
% ch.	8.7	-2.3	10.4	2.0	0.0
Cranbrook Median Price	250,000	271,000	290,000	300,000	303,000
% ch.	0.0	8.4	7.0	3.4	1.0
Nelson Residential Transactions	364	346	315	340	330
% ch.	20.5	-4.9	-9.0	7.9	-2.9
Nelson Median Price	334,500	378,250	405,000	410,000	415,000
% ch.	6.5	13.1	7.1	1.2	1.2

Sources: Statistics Canada, CMHC, Landcor, Central 1