

B.C. Regional Economic Outlooks 2018-2020

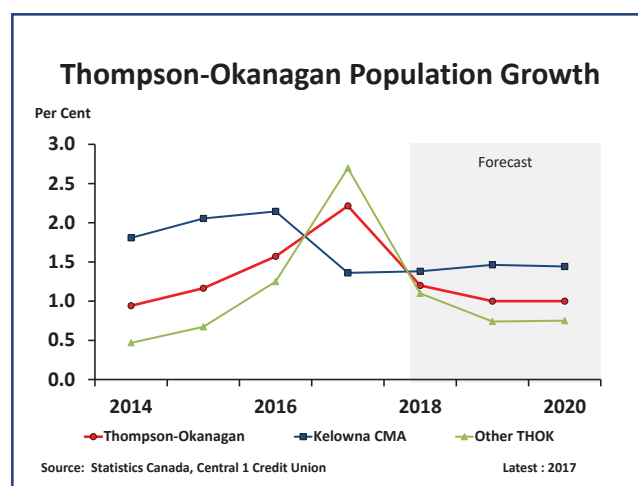
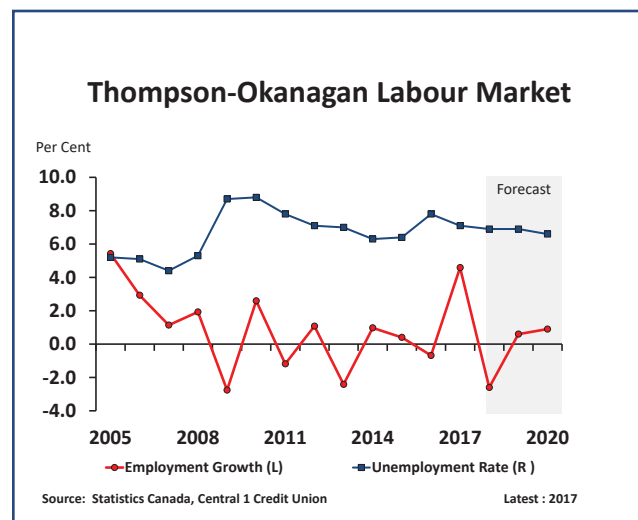
Thompson-Okanagan

Thompson-Okanagan is home to 565,000 residents as of 2017 estimates. The area extends from the Thompson-Nicola region in the east, through the Columbia-Shuswap region to the B.C.-Alberta border and down through the Okanagan and Keremeos and is anchored by the Kelowna census metropolitan area (CMA). Kelowna represents about 30 per cent of the regional population and Kamloops roughly 16 per cent. The remainder of the regional population is dispersed among many small and medium-sized municipalities including Vernon, Penticton and Salmon Arm, as well as Summerland, Revelstok, Oliver and Golden.

Last year was a strong year for the Thompson-Okanagan economy. Employment increased 4.6 per cent driven by the Kelowna metro area. This exceeded provincial growth and the region's own longer-term average growth for the period 2002 to 2017 of 1.4 per cent. Strong employment growth opportunities attracted potential workers and increased the labour force by 3.8 per cent. The unemployment rate dropped from 7.8 in 2016 to 7.1 per cent in 2017. The Kelowna CMA was a significant engine of growth in the region with its unemployment rate falling significantly due to increased hiring compared to those entering the workforce.

Strong employment growth was posted in 2017 across most sectors with a few exceptions. The services-sector is the main industry in the region, though the goods-producing sector still contributes 24 per cent overall. Within the goods-sector, construction posted strong employment gains led by robust growth in residential and non-residential investments. New housing construction and renovation spending supported residential investments while strong industrial and commercial investments supported non-residential investments in the region. Moreover, tourism supported growth in residential and commercial investments as the region attracts visitors from other parts of B.C. or Alberta.¹ Manufacturing declined more than ten per cent to follow the sharp decline of nearly 20 per cent from 2016. However, sector declines of this magnitude

¹ https://www.destinationbc.ca/getattachment/Research/Research-by-Region/Thompson-Okanagan/Thompson-Okanagan-Regional-Tourism-Profile_2017.pdf.aspx



may not reflect local area employment losses, rather weakness in other parts of B.C. or Alberta. A significant number of individuals in the region work in other parts of B.C. or Alberta.

Forestry in the area is supported by demand from the U.S. given its growing new homes market and strong demand from Asia, particularly China for input materials.

The services-sector is where most of the economic activity happens, as the region becomes a retirement and vacation destination, thanks to its wineries and landscapes. People are relocating to the region to enjoy their golden years. This is evident through 23 per cent of its residents being over 65 years of age, compared to 18 per cent for the rest of the province. Several key sectors are needed to service an older de-

mographic and tourism resulting in 2017 job gains in: trade, transportation, finance, insurance, real estate, and health and social services. Business, building and other support services also posted strong growth.

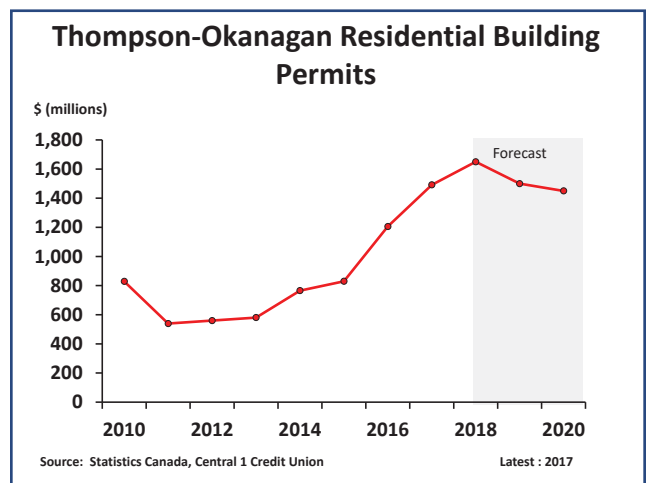
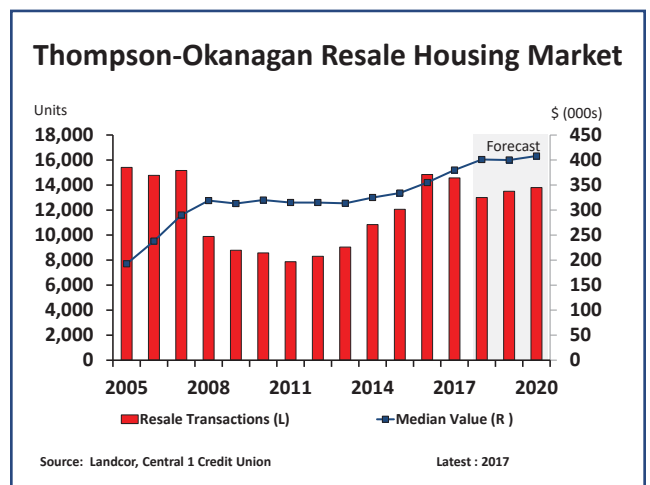
Population increased by a robust 2.2 per cent in 2017 as people from B.C. and other parts of Canada relocated to the region. This reflects the increase in job opportunities and lifestyle demand from retired households. Migration of international permanent residents and temporary workers contributed to population growth. With a growing educational services sector, some have migrated to the region to study.

Following a strong start to 2018, residential home sales in the Thompson-Okanagan have tapered off. Tighter mortgage regulations, prospects of a provincial speculation tax and other measures have curtailed housing demand. Even with the moderation, the region's housing market remains stable and aligned with its strong population gains. Many residents have remained in their existing home or rental given the current challenge to purchase homes. Growth in the construction sector and residential permit volumes are supported by residents' choosing to renovate, rather than buy another home.

Median values rose seven per cent for the year, with an 11 per cent increase in Kelowna, seven per cent increase in Kamloops and five per cent in Vernon. Price conditions have softened with lower sales momentum, but levels have remained firm into 2018.

Going forward, Employment will decline by 2.2 per cent in 2018, though it will be statistically insignificant given last year's gains. The average unemployment rate is forecast to hold steady near 6.5 per cent, with a dip in labour force participation. Key sectors such as tourism will slow down as people take 'staycations', where they rest at home rather than abroad. Construction will also slow although LNG Canada's investment in the liquefied natural gas plant will boost regional employment reflecting a mobile workforce. Average employment edges higher in both 2019 and 2020 by less than one per cent. Population growth will slow to 1.2 per cent, with further deceleration to one per cent through to 2020.

Residential transactions will decline in 2018 by 13 per cent in the Kelowna CMA and by 11 per cent in the region overall. Median price growth will edge lower as the market adjusts to lower demand as higher interest rate and policy measures continue to constrain demand. Population growth remains an underlying support.



Non-residential investments led by consumer and industrial permit volumes growth will contribute to elevated total volume above \$500 million, but the trend will decline in both 2019 and 2020.

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Thompson-Okanagan	2016	2017	2018	2019	2020
Labour Force (000s)	269.3	279.6	271.7	273.5	275.0
% ch.	0.9	3.8	-2.8	0.7	0.5
Total Employment (000s)	248.3	259.7	254.0	255.2	257.0
% ch.	-0.7	4.6	-2.2	0.5	0.7
Unemployment Rate	7.8	7.1	6.5	6.7	6.5
Residential Transactions	14,851	14,600	13,000	13,500	13,800
% ch.	23.1	-1.7	-11.0	3.8	2.2
Median Price	355,000	380,000	401,000	400,000	408,000
% ch.	6.3	7.0	5.5	-0.2	2.0
Residential Permits (\$ millions)	1,205.9	1,491.7	1,650.0	1,500.0	1,450.0
% ch.	45.4	23.7	10.6	-9.1	-3.3
Non-Residential Permits (\$ millions.)	391.3	468.5	530.0	528.0	490.0
% ch.	-9.5	19.7	13.1	-0.4	-7.2
Private Non-Res Building Permits (\$millions)	249.6	299.1	380.0	378.0	350.0
% ch.	-21.5	19.8	27.1	-0.5	-7.4
Public Non-Res Building Permits (\$millions)	141.7	169.4	150.0	150.0	140.0
% ch.	23.8	19.6	-11.5	0.0	-6.7
Population (000s)	552.4	564.6	571.4	577.1	582.9
% ch.	1.6	2.2	1.2	1.0	1.0
Kelowna CMA	2016	2017	2018	2019	2020
Labour Force (000s)	98.9	106.0	107.8	109.0	109.7
% ch.	1.3	7.2	1.7	1.1	0.6
Total Employment (000s)	90.9	100.2	102.0	102.8	103.5
% ch.	-1.2	10.2	1.8	0.8	0.7
Unemployment Rate	8.0	5.4	5.4	5.7	5.7
Residential Permits (\$ millions.)	622	769	830	770	750
% ch.	69.1	23.7	7.9	-7.2	-2.6
Non-Residential Permits (\$ millions.)	167	181	240	250	240
% ch.	-27.9	8.2	32.8	4.2	-4.0
Population (000s)	199	202	205	208	211
% ch.	2.1	1.4	1.4	1.5	1.4
Select Resale Housing Markets	2016	2017	2018	2019	2020
Kelowna Residential Transactions	6,056	5,414	4,700	4,800	5,000
% ch.	21.8	-10.6	-13.2	2.1	4.2
Kelowna Median Price	432,500	480,000	520,000	515,000	523,000
% ch.	9.5	11.0	8.3	-1.0	1.6
Kamloops Residential Transactions	2,316	2,493	2,300	2,500	2,500
% ch.	20.6	7.6	-7.7	8.7	0.0
Kamloops Median Price	337,750	362,400	380,000	378,000	383,000
% ch.	1.9	7.3	4.9	-0.5	1.3
Vernon Residential Transactions	1,763	1,782	1,550	1,530	1,600
% ch.	38.7	1.1	-13.0	-1.3	4.6
Vernon Median Price	355,000	372,450	383,000	380,000	388,000
% ch.	10.9	4.9	2.8	-0.8	2.1

Sources: Statistics Canada, CMHC, Landcor, Central 1

