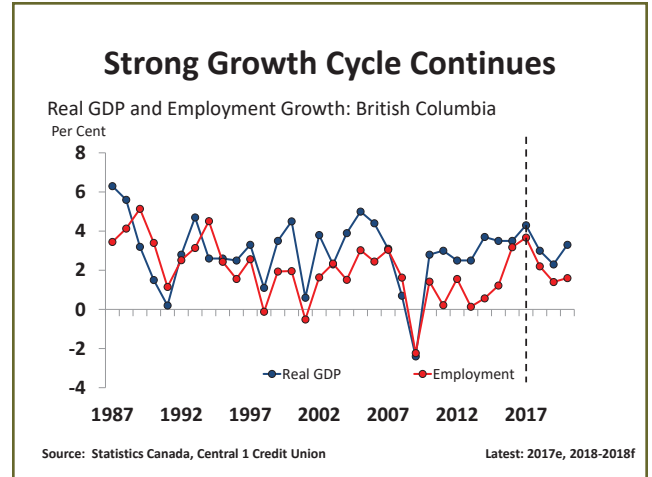


## B.C. Economic Outlook 2018-2020

### Highlights

- B.C. poised for modest economic growth through 2020 despite deceleration in housing market
- Macro-economic environment supportive of growth, although NAFTA renegotiation remains an uncertainty
- Real GDP growth of three per cent forecast for 2018 following a more than four per cent expansion in 2017, with moderate gains thereafter
- Federal mortgage regulations and provincial policies will drag on housing market
- Economic growth rotates towards capital investment as public works projects starts, business formation, and expansion and re-investment by firms
- Employers face acute labour shortage as unemployment rate declines to near four per cent by 2020, driving higher wages and increased capital investment



remains positive and growth rotates towards business and public-sector investment later in the decade. After a scintillating performance in 2017, in which Central 1 estimates real gross domestic product growth of 4.3 per cent in B.C., the economy is forecast to expand three per cent this year, before averaging 2.3 per cent and 3.3 per cent in 2019 and 2020. This will mark more than ten years of continuous economic expansion for the provincial economy.

### Summary

British Columbia’s high growth phase is likely in the rear-view mirror, but the province will continue to experience moderate expansion through 2020 as consumer demand growth

Following hefty gains in prior years, the contribution of the housing market to growth will negligible, as federal and provincial policy changes slow housing transactions and temper the building cycle - although a broad correction

Forecast Summary: British Columbia						
Provincial Forecast						
	2015	2016	2017	2018	2019	2020
Real GDP, % Change	3.5	3.5	4.3	3.0	2.3	3.3
Nominal GDP, % Change	4.0	4.8	6.7	5.2	4.8	5.8
Employment, % Change	1.2	3.2	3.7	2.2	1.4	1.6
Unemployment Rate, (%)	6.2	6.0	5.1	4.4	4.3	4.0
Population, % Change	1.0	1.3	1.3	1.1	1.1	1.1
Housing Starts (000s)	31.4	41.8	43.5	40.5	39.5	40.5
Retail Sales, % Change	6.9	7.4	9.6	5.1	5.3	6.0
Personal Income, % Change	6.0	4.7	5.8	6.3	5.3	6.0
Net Operating Surplus Corporations, % Change	-1.9	9.8	8.2	3.9	3.4	2.2
Consumer Price Index, % Change	1.1	1.9	2.1	2.2	1.9	2.1

Source: Statistics Canada, CMHC, Central 1 Credit Union

is not forecast. Offsetting this downdraft is an increase in public-sector investment in affordable housing which will maintain strong level of construction activity.

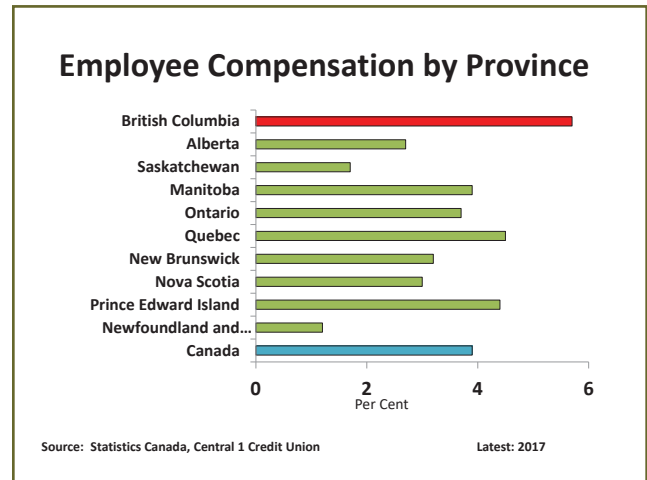
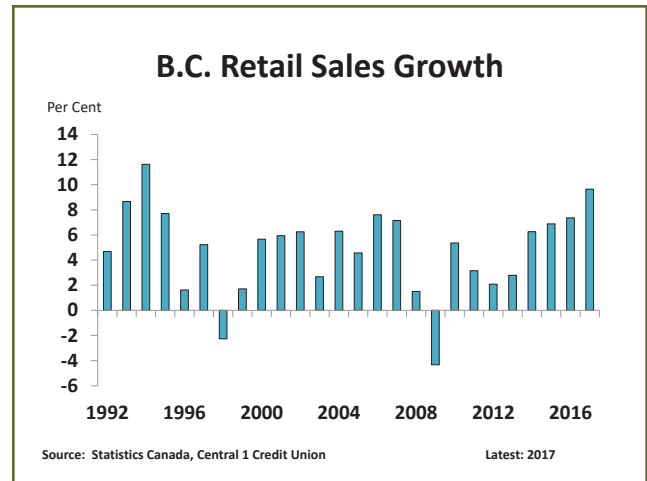
Labour market tightness is forecast to continue through the end of the decade as economic expansion further lifts hiring. However, employers will face greater difficulty in finding labour given a low unemployment rate, elevated labour force participation and expected slowdown in interprovincial migration. Wage growth will accelerate and push businesses to accelerated investment into labour-productivity enhancing capital.

Key risks to this outlook remain trade sector uncertainty related to NAFTA, which could lead to weaker investment and export risk if trade negotiations sour. Governments may also enact further tightening of labour markets if prices re-accelerate.

**Strong growth for B.C.'s economy in 2017**

B.C. experienced another strong year of economic expansion in 2017, with Central 1 estimating real growth of 4.3 per cent. This marked the fourth straight year in which growth exceeded three per cent and remained among the upper echelon of provincial performers. Strong external conditions drove a surge in exports, while a robust hiring environment, population gains and low interest rates underpinned consumer demand, and the housing market remained surprisingly firm despite policy headwinds.

A scan of key economic data showcases the strength in B.C.'s economy. After a solid 3.2 per cent gain in 2016, the labour market churned out another huge jobs' performance in 2017 with a 3.7 per cent gain - or 87,000 positions - as per the Labour Force Survey and owes mostly to full-time gains. Similarly, non-farm payrolls from the survey of employers pointed to a 3.4 per cent increase, far outpacing nearly all other provinces. Historically, long-term average annual employment growth ranged from 1.5 to 2.0 per cent dependent on measure. The unemployment rate slipped below five per cent to the lowest level since 2008, as hiring outpaced labour force growth which topped out on cresting of labour force participation rates and strong but still insufficient population growth. While momentum



has generally been led by the Lower Mainland, Vancouver Island, and Kelowna, improvements were seen broadly across the province. Labour market tightness has underpinned rising wage pressures in the province as businesses increasingly reported increased difficulty in finding workers<sup>1</sup>.

Estimates of employee compensation in B.C., which is the broadest measure of labour income available outpaced the rest of the country by more than a full percentage point in 2017.<sup>2</sup> Strong labour market performance, alongside rising population, underpinned the highest retail spending growth in retail spending since 1994 at 9.6 per cent, up from 7.4 per cent the prior year.

Export momentum, reflecting strengthening external demand largely due to global economic growth, competitive exchange rate and higher commodity prices, with expansion in production capacity was also a contributing key driver of economic and employment growth. Goods

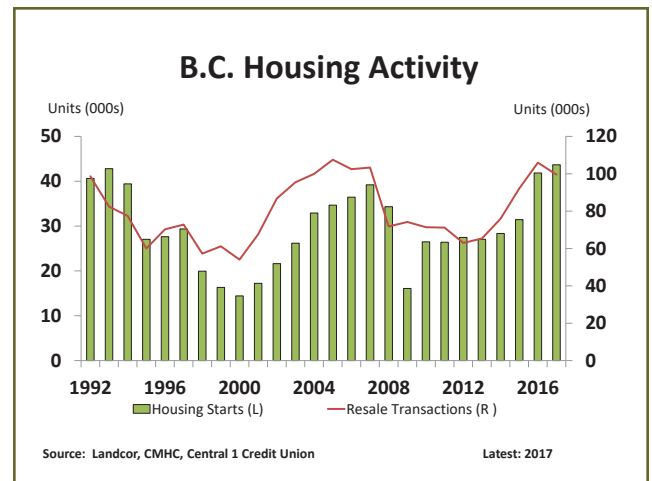
<sup>1</sup> Canadian Federation of Independent Business, Various Business Barometer reports  
<sup>2</sup> Statistics Canada, CANSIM: 382-0006

exports to international markets rose 13 per cent from 2016, which was the strongest annual since 2011, and driven mostly by higher energy sales. We estimate real growth of about five per cent. Higher commodity prices were a driving force for much of the aggregate gain, particularly on for coal and lumber. Physical lumber shipments fell last year, largely due to a strong 2016 and wildfire impacts on production. U.S. tariffs may be a constraint, but costs have generally been borne by the U.S. consumer. Dovetailing with these gains was acceleration in the manufacturing cycle.

Similarly, service-sector exports growth also remained positive, extending a trend since 2008. Service sector exports have grown to about 40 per cent of total international and interprovincial exports compared to 35 per cent in the mid-2000s, owing to a combination of a weaker commodity cycle, and growth in tourism demand, motion picture, and professional and high-tech services activity. B.C. Stats estimated growth in high-tech services of 3.3 per cent in 2016, much of which reflect export-oriented software and services, while below-average provincial growth last year has generally outpaced by a wide margin since 2011.<sup>3</sup> Tourism remained robust, albeit with deceleration in growth following a prior year surge.

Housing maintained surprising strength through 2017, despite tightening of federal mortgage insurance policy to stem debt accumulation and introduction of a foreign buyer tax in Metro Vancouver in late-2016. While the curtailed demand for higher-end product in the affected market, housing markets across the province experienced strong sales and continued price momentum as tight labour markets and low interest rates underpinned demand. Builders kept their foot on the gas, lifting housing starts to a record high of 43,600 units. In contrast to early year expectations for a negative contribution to growth, stronger than expected housing construction was a positive driver. That said, housing will likely drag on growth over the next two years as demand constraining policies dampen demand.

<sup>3</sup> BC Stats. Profile of the British Columbia Technology Sector: 2017 Edition



## Outlook

B.C. is forecast to maintain a moderately strong pace of economic growth over the next three years promoting further employment expansion and higher wages. Expansion in gross domestic product (GDP) of three per cent this year is followed by a slip to 2.5 per cent in 2019, before acceleration above 3.3 per cent in 2020. Domestic demand, led by consumer spending and increase in non-residential investment, underpin near-term growth. Export momentum slows to below two per cent growth, while residential investment is also a drag. Capital investment is set to take a more prominent role in the growth cycle by the end of the decade as major public and private projects get underway, and businesses increase investment to expand capacity and in response to tight labour markets. That said, there are various external risks that could slow growth considerably.

### External economic growth positive, but clouded by trade uncertainty

Global economic growth maintains modest momentum and a cyclical uplift over the forecast period which underpins export gains, stronger commodity prices, and higher investment. The International Monetary Fund raised its global growth forecast to 3.9 per cent in both 2018 and 2019, marking a 0.2 percentage point increase from its Fall forecasts, driven mostly by advanced economies.

Central 1 forecasts Canadian economic growth of 2.2 per cent in 2018 and 2.0 per cent thereafter following 2017's strong 3.0 per cent expansion. Moderate interest rate tightening

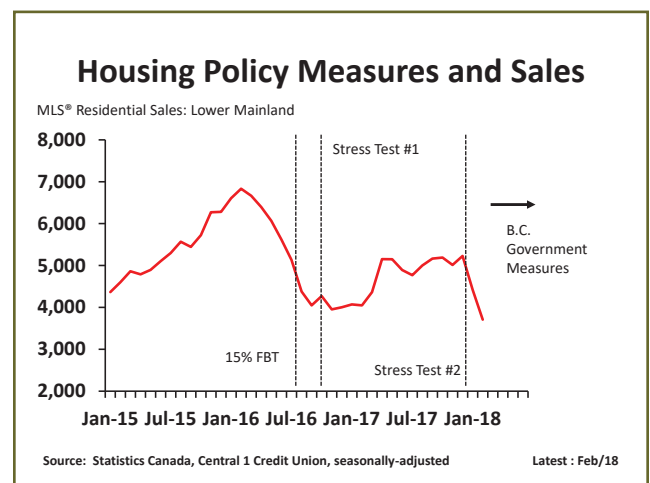
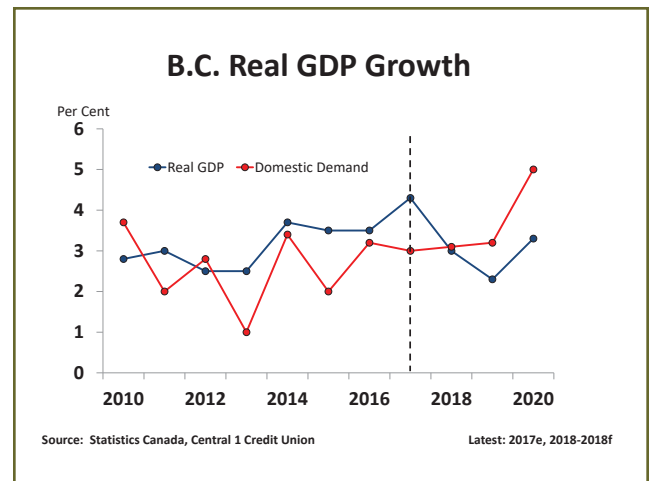
by the Bank of Canada is forecast, with two, 25 basis point increases through the end of this year, and three hikes in 2019, pushing the target rate to 2.25 per cent as excess capacity is removed and inflation picks up. Mortgage rates and other administered rates will rise with interest rate trend and longer bond yields, but a slower pace, constraining household debt accumulation and drag on the housing market.

That said, trade uncertainty has intensified. NAFTA renegotiations are still ongoing, and a cloud of uncertainty exists for export growth and business investment, and broadly global growth. More recently, the Trump administration announced steel and aluminum imports of up to 25 per cent on the former and 10 per cent on the latter on “national security concerns”. Both Canada and Mexico are currently exempted from the measures, but the administration has seemingly tied this to favourable NAFTA renegotiations, meaning measures could still be imposed.

B.C. is less impacted by the future of NAFTA and/or proposed tariffs that other provinces, although various regions like Kitimat, home to an aluminum smelter is, and industries which are more heavily exposed to the U.S. would feel deeper impacts if NAFTA breaks down.

The current lumber and wood product trade dispute is outside the general agreement with the sector, which is currently propped up by high demand and prices. B.C. is also well positioned to take advantage of the new Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) which breaks down tariff barriers for 11 pacific rim economies, allowing enhanced market access. Compared to most other provinces, B.C. is already well diversified relative to other provinces in its global trade, with roughly half of its international good exports destined for the United States, and has strong trade relationships with countries such as Japan and South Korea. The former is a signatory of the CPTPP, while Canada already has a bi-lateral free trade agreement with South Korea in place.

Emergence of an interprovincial B.C – Alberta trade dispute was not on the radar, but has emerged with disputes over future bitumen exports through B.C. Despite a temporary B.C. wine ban by Alberta, and threats of further retaliation by the Alberta government, we do not



anticipate any permanent interprovincial trade curtailment as the issues weaves through provincial – federal jurisdiction.

### Housing demand stifled by government policy

Housing momentum is expected to weaken through most of 2018 as various government policies curtail resale housing volume and slow upward momentum in new home activity. OSFI B-20 measures, specifically implementation of mortgage rate stress tests for higher equity borrowers (those with 20 per cent or more down payments) at federally regulated lenders have already shown to have slowed sales sharply in Canada’s larger higher priced markets like Vancouver in early 2018. Some buyers have been priced out of the market, while others have delayed purchases to build up higher down payments,

Meanwhile, further sales declines are expected through mid-year as various provincial housing measures introduced in the February budget

directly curtail demand and add to market uncertainty.

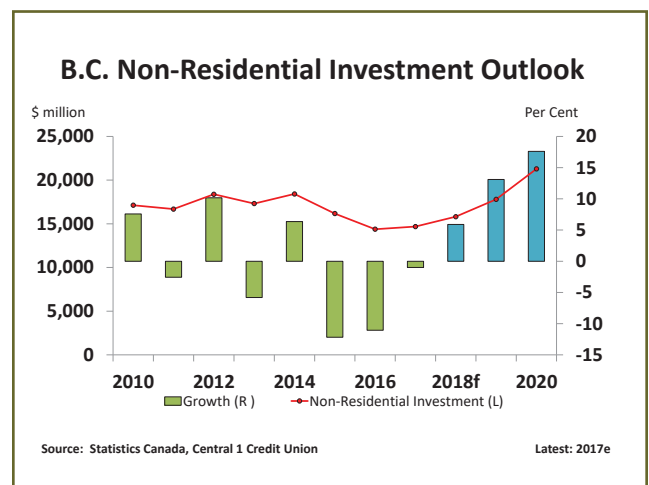
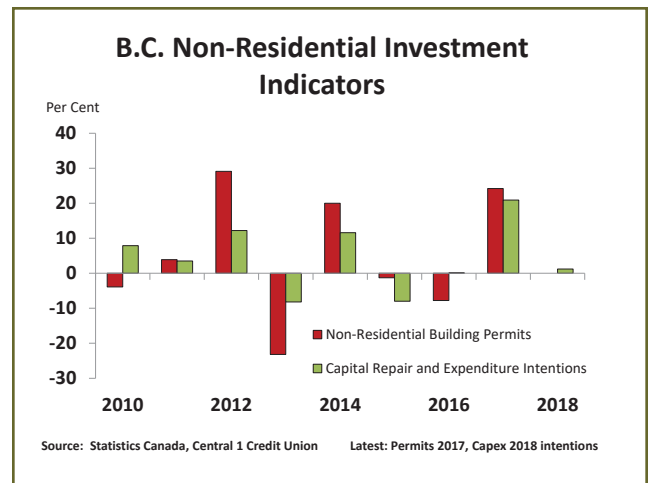
A key pillar of the housing strategy included a speculation tax that will rise from 0.5 per cent this year to two per cent in 2019. The tax will be applied to all homes within pre-specified large urban markets, with exemptions for principal residences, and non-refundable tax credits for eligible homes not captured by exemptions<sup>4</sup>. The measure is targeted at foreign homeowners and satellite families (those local families with principal income earners abroad), but as currently stands also impacts vacation and secondary homes owned by Canadian residents outside the province. B.C. resident-owned vacation homes are seemingly exempt. Other tax measures include a hike to the foreign buyer tax from 15 per cent to 20 per cent, with expansion to additional markets; a hike to the property transfer tax on homes values above \$3 million; and increased school taxes on luxury priced homes. The province also plans to beef up tracking of beneficial ownership, and pre-sale assignments.

While details are still emerging about the scope of the provincial plan, the combined federal and provincial measures will lower home sales in B.C. over the next two years, particularly in the metro area detached luxury home markets. That said, strong domestic factors including high employment growth, wage gains and population expansion keep underlying housing demand strong for apartment and townhomes in the metro areas.

**Consumer demand, capital investment, underpins growth outlook as housing slows**

Another solid year for the economy is forecast to be led by consumer demand as growth in employment and wages contribute to more than a three per cent increase in real consumption expenditures, largely led by non-durables and semi-durable goods, and services. Cuts to MSP premiums and minimum wage hikes planned for the next few years to move the level to \$15 per hour also factor into higher demand. Slower housing market activity, cresting new vehicle sales and higher interest rates are forecast to slow durable goods consumption. Consumer demand growth holds steady over the forecast.

<sup>4</sup> Tax will initially apply to Metro Vancouver, Fraser Valley, Capital and Nanaimo Regional Districts, and municipalities of Kelowna and West Kelowna

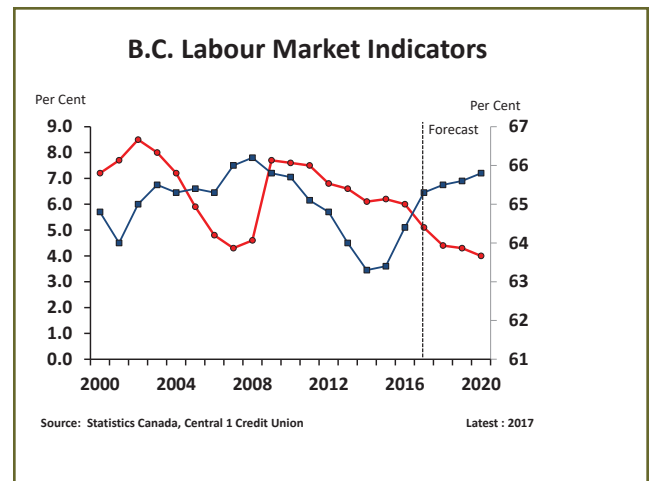


After a surge in 2016 and moderate growth in 2017 due to higher housing starts, residential investment is expected to be a drag on growth over the next two years. More stringent housing policy measures and greater buyer uncertainty, dampen housing sales significantly into the second half of the year before an upturn thereafter. Fewer home sales will lessen upward pressure on home values, and in conjunction with provincial tax measures, curtails speculative and investment demand in the market. Housing starts lag the resale market, and a slowdown may be helpful to an industry that has been operating at capacity, with record levels of units under construction. Acquisition costs are set to slow with the broader market. That said, strong building permit volumes suggest quite a few projects in the pipeline that will get underway, while government investment in affordable housing initiatives will offset some slide in the ownership market. Renovation spending growth slows with moderation in the sales cycle.

Government current expenditures are forecast to expand two per cent this year, following higher provincial and federal program expenditures in 2017 that lifted expenditures by nearly three per cent. Mild gains of 1.3 are forecast in both through 2019 and 2020.

Non-residential investment is set to accelerate and drive the economic growth cycle, as export demand, and higher corporate profits trigger increased investment spending on the part of firms, while public sector spending also picks up due to infrastructure spending and federal stimulus. Investment intentions rose in 2017 with a sharp 20 per cent increase in building permit volume and organizations reporting higher capital expenditure, which will largely contribute to growth in in 2018 and 2019 data as construction builds out. Machinery and equipment investment also rises as companies re-invest in existing facilities, expand and increasingly look to increase productivity due to tightening labour markets, higher payroll taxes, and rising wages. Major projects that contribute to sharp engineering construction gains during the forecast period include expected transportation initiatives, such as Skytrain expansion, Patullo Bridge replacement, and potential for mining investment. That said, there are downside risks to the investment cycle related to NAFTA trade renegotiation.

Exports will continue to grow this year but decelerate from a four per cent pace to 2.6 per cent, with growth below two per cent in 2019 and 2020. A slowing in the global growth cycle and rise in the Canadian dollar back into the 80 U.S. cent range dampens growth in both trade of goods and services. The latter includes sectors such as tourism, professional services, and TV and film which have expanded strongly in recent years. Wood product exports are anticipated to gradually decline over the forecast period. While trade issues remain a concern, timber supply is a key contributor as mountain pine beetle damaged timber is no longer merchantable. In contrast, imports are seen to grow significantly on solid consumer demand, and more importantly, increased capital investment by firms and major project construction will drive increased imports of goods. This will lead to a deterioration in the trade balance, but high investment contributes to stronger domestic demand, and also adds to future capacity and growth potential.



### Industry GDP

Solid domestic demand, positive albeit mild growth in exports, and firm commodity prices underpin expansion in most sectors over the forecast period. Retail and wholesale trade continue to average a three per cent growth pace on steady consumer demand, but slow from recent years strength due to weaker employment, population growth, and housing market turnover. Manufacturing growth averages average above two per cent growth, but is slowed by weakness in wood product shipments, reflecting broader export trends and capacity constraints. Similarly, growth in service sectors such as professional and technical services, and information, culture, recreation, and accommodations and food services decelerate on less export momentum.

Commodity-oriented sectors, including oil and gas and other mining, are anticipated to moderately strong improvement owing to firm resource prices, and increased mining and exploration activity following weakness in recent years although levels remain low. Meanwhile, construction will remain strong, but growth rotates toward non-residential construction and engineering activity, with the housing market taking a breather.

### Labour Market

Deceleration in hiring is expected following robust gains over the previous two years as employment growth declines to 2.2 per cent in 2018 from 3.7 per cent last year, and 1.4 per cent in 2019 and 1.6 per cent in 2020. Labour supply issues are a constraint to job growth with

provincial unemployment moving towards four per cent of the labour force over the forecast period.

Increased labour market supply requires an increase in labour force participation as well as stronger population inflows. While the former may rise slightly as wage growth induces more entrants, levels have generally peaked. Demographic factors of an aging population will dominate cyclical economic factors, holding labour force participation flat at best with downside risk. Meanwhile, population growth is forecast to remain steady at about 1.1 per cent, with rising international immigration the main offset to slower interprovincial migration. Employers can no longer count on large inflows from provincial neighbours as strengthening economic conditions keep workers home.

Low unemployment means a race for available talent in the province. Below-average jobless rates have emerged across industries outside agriculture and resources, in sectors such as construction, manufacturing, information and culture, and accommodations and foodservices. Average wage growth to near four per cent per annum through the forecast period reflects this tightness, as well as higher minimum wage levels. We can expect employers to increasingly point to technology to bridge these skills gaps.

Nominal GDP growth is forecast at 5.2 per cent this year, 4.6 per cent in 2019 and 5.7 per cent in 2020. Wage pressures and higher tax rates will shift lead to stronger growth accruing to both labour income and government revenues, which feed back into consumer demand. Commodity price inflation decelerates and increased capital investment spending leads to deceleration in corporate income growth, while higher interest rates lift net property income. Personal disposable income rises above five per cent annually through the forecast period.

---

**Bryan Yu**

Deputy Chief Economist, Central 1 Credit Union  
 byu@central1.com  
 www.central1.com  
 604.742.5346

## Appendix Tables

Gross Domestic Expenditure (Real millions) . . . . .	8
Gross Domestic Expenditure (\$ millions) . . . . .	9
GDP by Industry . . . . .	10-11
GDP, Income Based . . . . .	12
Employment by Industry . . . . .	13
Labour market indicators . . . . .	13
Residential investment . . . . .	14
Non-Residential investment . . . . .	14
Population components . . . . .	15
External economic forecasts . . . . .	15

Gross Domestic Product: Expenditures						
Provincial Forecast						
	2015	2016	2017	2018	2019	2020
Real (Millions)						
GDE	232,691	240,824	251,183	258,678	264,703	273,446
% Change	3.5	3.5	4.3	3.0	2.3	3.3
Household Final Consumption	146,177	150,892	156,402	161,955	167,407	173,641
% Change	3.7	3.2	3.7	3.6	3.4	3.7
Durable Goods	19,482	20,910	22,260	23,035	23,624	24,616
% Change	7.9	7.3	6.5	3.5	2.6	4.2
Semi-Durable Goods	11,172	11,597	12,172	12,832	13,237	13,717
% Change	7.4	3.8	5.0	5.4	3.2	3.6
Non-Durable Goods	29,590	30,242	31,312	32,610	33,763	35,085
% Change	3.2	2.2	3.5	4.1	3.5	3.9
Services	86,283	88,648	91,291	94,160	97,456	100,935
% Change	2.7	2.7	3.0	3.1	3.5	3.6
NPISH Consumption	3,538	3,589	3,753	3,937	4,094	4,245
% change	3.6	1.4	4.6	4.9	4.0	3.7
Government Current	39,515	40,504	41,628	42,432	42,965	43,507
% Change	2.5	2.5	2.8	1.9	1.3	1.3
Government Investment	6,742	7,122	7,256	7,532	7,244	8,467
% Change	-4.0	5.6	1.9	3.8	-3.8	16.9
Business Gross Fixed Capital	44,865	46,565	47,173	48,430	51,185	56,476
% change	-2.4	3.8	1.3	2.7	5.7	10.3
Residential Construction	22,127	25,455	26,615	26,327	25,897	26,690
% Change	10.1	15.0	4.6	-1.1	-1.6	3.1
Machinery & Equipment	7,695	8,262	8,309	8,584	10,096	11,581
% Change	-8.2	7.4	0.6	3.3	17.6	14.7
Non-Residential Structures	11,916	10,045	9,601	10,504	12,343	14,874
% Change	-14.2	-15.7	-4.4	9.4	17.5	20.5
Intellectual Property	3,127	2,803	2,648	3,014	2,849	3,331
% change	-13.1	-10.4	-5.5	13.8	-5.5	16.9
NPISH Investment	410	463	482	505	528	548
% change	3.3	12.9	4.2	4.7	4.4	3.8
Domestic Demand	240,890	248,491	255,839	263,857	272,354	285,904
% Change	2.0	3.2	3.0	3.1	3.2	5.0
Exports	92,951	94,712	98,904	101,495	103,529	105,164
% Change	2.8	1.9	4.4	2.6	2.0	1.6
Imports	100,961	101,931	104,768	107,555	111,651	117,895
% Change	-0.1	1.0	2.8	2.7	3.8	5.6

Source: Statistics Canada, Central 1 Credit Union



Gross Domestic Product: Expenditures						
Provincial Forecast						
	2015	2016	2017	2018	2019	2020
Nominal (Millions)						
GDE	251,744	263,706	281,462	296,126	310,330	328,342
% Change	4.0	4.8	6.7	5.2	4.8	5.8
Household Final Consumption	161,992	169,147	177,709	186,761	196,675	208,337
% Change	5.1	4.4	5.1	5.1	5.3	5.9
Durable Goods	18,539	20,374	22,087	23,159	24,112	25,566
% Change	9.2	9.9	8.4	4.9	4.1	6.0
Semi-Durable Goods	10,844	11,435	12,130	12,976	13,611	14,383
% Change	9.6	5.5	6.1	7.0	4.9	5.7
Non-Durable Goods	34,485	35,579	37,237	39,237	41,452	44,039
% Change	3.7	3.2	4.7	5.4	5.6	6.2
Services	98,124	101,759	106,256	111,389	117,500	124,349
% Change	4.4	3.7	4.4	4.8	5.5	5.8
NPISH Consumption	3,819	4,044	4,254	4,535	4,806	5,092
% change	8.0	5.9	5.2	6.6	6.0	5.9
Government Current	46,586	48,040	49,952	51,708	53,368	55,248
% Change	3.4	3.1	4.0	3.5	3.2	3.5
Government Investment	8,079	8,734	9,044	9,556	9,342	11,103
% Change	-1.9	8.1	3.6	5.7	-2.2	18.8
Business Gross Fixed Capital	50,946	54,552	56,023	58,507	62,902	70,931
% change	1.1	7.1	2.7	4.4	7.5	12.8
Residential Construction	24,419	29,436	31,219	31,364	31,350	32,948
% Change	14.5	20.5	6.1	0.5	0.0	5.1
Machinery & Equipment	8,132	9,014	9,236	9,667	11,546	13,482
% Change	0.9	10.8	2.5	4.7	19.4	16.8
Non-Residential Structures	14,588	12,602	12,202	13,573	16,237	19,986
% Change	-13.2	-13.6	-3.2	11.2	19.6	23.1
Intellectual Property	3,807	3,500	3,365	3,904	3,769	4,515
% change	-9.1	-8.1	-3.9	16.0	-3.5	19.8
NPISH Investment	426	501	531	566	601	635
% change	2.9	17.6	5.9	6.7	6.2	5.5
Domestic Demand	271,848	285,018	297,512	311,633	327,694	351,345
% Change	3.9	4.8	4.4	4.7	5.2	7.2
Exports	97,548	100,953	110,657	114,925	120,089	124,594
% Change	3.2	3.5	9.6	3.9	4.5	3.8
Imports	118,613	122,450	128,081	132,149	138,724	148,866
% Change	2.8	3.2	4.6	3.2	5.0	7.3

Source: Stastics Canada, Central 1 Credit Union

Gross Domestic Product: Industries						
Provincial Forecast						
	2015	2016	2017	2018	2019	2020
All Industries	211,945	219,553	228,997	235,829	241,323	249,293
% change	3.3	3.6	4.3	3.0	2.3	3.3
Agriculture	1,269	1,273	1,360	1,382	1,379	1,400
% change	9.8	0.4	6.8	1.6	-0.2	1.5
Forestry	2,013	1,985	1,966	1,941	1,882	1,887
% change	3.3	-1.4	-1.0	-1.3	-3.0	0.3
Fishing, hunting, trapping and agriculture and forestry support	950	990	1,029	1,043	1,043	1,056
% change	7.1	4.2	3.9	1.4	0.0	1.3
Oil and Gas Mining	7,197	8,192	8,236	8,552	8,827	9,098
% change	5.3	13.8	0.5	3.8	3.2	3.1
Other Mining	4,111	4,103	4,370	4,566	4,581	4,718
% change	-4.3	-0.2	6.5	4.5	0.3	3.0
Support activities for oil, gas, and other mining	474	382	435	470	480	551
% change	-34.5	-19.4	13.9	7.9	2.1	14.9
Utilities	3,784	3,912	4,077	4,163	4,219	4,317
% change	4.2	3.4	4.2	2.1	1.3	2.3
Construction	17,801	18,142	18,768	19,200	19,841	21,428
% change	-2.0	1.9	3.5	2.3	3.3	8.0
Residential Construction	8,017	9,278	9,688	9,618	9,453	9,755
% change	9.5	15.7	4.4	-0.7	-1.7	3.2
Non-Residential Construction	2,508	2,550	2,473	2,688	2,759	3,063
% change	-6.2	1.7	-3.0	8.7	2.6	11.0
Engineering Construction	4,123	3,227	3,403	3,577	4,185	5,016
% change	-15.3	-21.7	5.4	5.1	17.0	19.8
Other Construction	3,153	3,087	3,205	3,316	3,443	3,594
% change	-4.2	-2.1	3.8	3.5	3.8	4.4
Manufacturing	15,155	16,034	17,036	17,529	17,765	18,302
% change	2.3	5.8	6.2	2.9	1.3	3.0
Food Products	1,872	1,953	2,176	2,276	2,305	2,370
% change	8.1	4.3	11.4	4.6	1.3	2.8
Wood Products	3,349	3,539	3,515	3,477	3,395	3,420
% change	3.5	5.7	-0.7	-1.1	-2.4	0.8
Paper and Allied Product	1,232	1,164	1,241	1,238	1,251	1,260
% change	-1.6	-5.5	6.6	-0.2	1.0	0.7
Primary Metals	877	1,586	1,804	1,853	1,875	1,900
% change	0.4	80.9	13.7	2.7	1.2	1.4
Fabricated Metals	1,011	981	1,045	1,088	1,121	1,184
% change	-1.4	-2.9	6.5	4.1	3.1	5.6
Machinery	933	900	990	1,016	1,060	1,120
% change	-4.8	-3.6	10.0	2.6	4.3	5.7
Other Manufacturing	5,881	5,911	6,264	6,581	6,759	7,047
% change	2.8	0.5	6.0	5.1	2.7	4.3

Gross Domestic Product: Industries						
Provincial Forecast						
	2015	2016	2017	2018	2019	2020
Wholesale trade	9,192	9,681	10,182	10,572	10,844	11,228
% change	3.5	5.3	5.2	3.8	2.6	3.5
Retail trade	12,949	13,692	14,328	14,891	15,306	15,899
% change	7.6	5.7	4.6	3.9	2.8	3.9
Transportation And Warehousing	12,112	12,794	13,420	13,875	14,351	14,700
% change	4.3	5.6	4.9	3.4	3.4	2.4
Pipelines	683	743	787	809	975	1,002
% change	3.4	8.8	5.9	2.8	20.5	2.7
Other Transportation & Warehousing	11,429	12,050	12,633	13,066	13,376	13,698
% change	4.3	5.4	4.8	3.4	2.4	2.4
Finance, Insurance & Real Estate	26,317	27,444	28,740	29,348	29,944	30,841
% change	6.6	4.3	4.7	2.1	2.0	3.0
Owner-Occupied Housing	24,285	25,253	26,227	27,233	28,253	29,282
% change	3.6	4.0	3.9	3.8	3.7	3.6
Professional, scientific and technical services	12,902	13,560	14,241	14,731	15,016	15,650
% change	5.0	5.1	5.0	3.4	1.9	4.2
Administrative and support, waste management and remediation services	5,970	5,921	6,283	6,510	6,640	6,824
% change	1.8	-0.8	6.1	3.6	2.0	2.8
Other services (except public administration)	4,580	4,584	4,775	4,935	5,082	5,245
% change	2.0	0.1	4.2	3.3	3.0	3.2
Arts, entertainment and recreation	2,037	2,168	2,263	2,346	2,416	2,488
% change	5.4	6.4	4.4	3.6	3.0	3.0
Information and cultural industries	7,294	7,421	7,739	8,022	8,196	8,457
% change	0.5	1.7	4.3	3.7	2.2	3.2
Educational services	11,413	11,652	11,956	12,081	12,016	11,991
% change	7.2	2.1	2.6	1.1	-0.5	-0.2
Health care and social assistance	13,688	14,022	14,585	15,030	15,478	15,825
% change	1.9	2.4	4.0	3.1	3.0	2.2
Government Services	11,337	11,595	11,977	12,192	12,339	12,515
% change	1.8	2.3	3.3	1.8	1.2	1.4
Accommodation and food services	5,846	6,048	6,356	6,610	6,820	7,028
% change	2.8	3.4	5.1	4.0	3.2	3.0

\* includes direct hunting, fishing and trapping

Source: Stastics Canada, Central 1 Credit Union

Domestic and Personal Income (\$Millions): British Columbia						
Provincial Forecast						
	2015	2016	2017	2018	2019	2020
Domestic Income						
(\$ Millions)						
GDP at Market Prices	251,744	263,706	281,462	296,126	310,330	328,342
% Change	4.0	4.8	6.7	5.2	4.8	5.8
Employee Compensation	123,867	128,559	136,763	144,174	150,835	159,603
% Change	4.6	3.8	6.4	5.4	4.6	5.8
Net Operating Surplus: Corporations	26,574	29,171	31,574	32,802	33,915	34,676
% Change	-1.9	9.8	8.2	3.9	3.4	2.2
Net Operating Surplus: Mixed Income	34,406	36,403	39,529	42,910	46,341	50,086
% Change	6.3	5.8	8.6	8.6	8.0	8.1
Fixed Capital Consumption	39,585	40,694	42,146	43,242	44,376	46,505
% Change	5.2	2.8	3.6	2.6	2.6	4.8
Indirect Taxes Less Subsidies	27,394	28,770	31,341	32,889	34,755	37,364
% Change	2.9	5.0	8.9	4.9	5.7	7.5
Net Domestic Income (Factor Cost)	184,765	194,242	207,975	219,995	231,200	244,472
% Change	3.9	5.1	7.1	5.8	5.1	5.7
Personal Income	213,192	223,158	236,126	250,886	264,174	280,012
% Change	6.0	4.7	5.8	6.3	5.3	6.0
Total Primary Income	180,544	188,746	200,574	213,920	225,491	239,531
% Change	5.6	4.5	6.3	6.7	5.4	6.2
Labour Income	127,607	132,389	139,635	148,469	155,329	164,357
% Change	4.2	3.7	5.5	6.3	4.6	5.8
Net Operating Surplus: Mixed Income	34,406	36,403	39,529	42,910	46,341	50,086
% Change	6.3	5.8	8.6	8.6	8.0	8.1
Net Property Income	18,531	19,954	21,410	22,540	23,821	25,089
% Change	14.9	7.7	7.3	5.3	5.7	5.3
Transfer Payments Received	32,648	34,412	35,552	36,966	38,683	40,481
% Change	8.3	5.4	3.3	4.0	4.6	4.6
Transfer Payments Paid	58,181	59,516	61,944	65,479	68,669	72,130
% Change	6.5	2.3	4.1	5.7	4.9	5.0
Disposable Income	155,011	163,642	174,183	185,407	195,506	207,881
% Change	5.8	5.6	6.4	6.4	5.4	6.3

Source: Stastics Canada, Central 1 Credit Union

Labour Market Indicators: British Columbia						
Provincial Forecast						
	2015	2016	2017	2018	2019	2020
<b>Employment by Industry: British Columbia</b>						
Total	2,306.2	2,379.5	2,466.6	2,519.8	2,555.1	2,596.6
% Change	1.2	3.2	3.7	2.2	1.4	1.6
Agriculture	22.2	24.4	26.2	27.6	27.4	27.2
% Change	-8.6	9.9	7.4	5.3	-0.6	-0.8
Other Primary	48.3	50.8	49.8	49.4	49.5	49.7
% Change	-3.4	5.2	-2.0	-0.8	0.1	0.5
Manufacturing	172.5	170.1	174.2	175.5	175.4	175.2
% Change	6.9	-1.4	2.4	0.7	0.0	-0.1
Utilities	14.5	13.5	12.9	12.9	13.0	13.0
% Change	5.8	-6.9	-4.4	-0.3	0.8	0.5
Construction	201.5	211.3	228.6	228.8	227.5	237.8
% Change	0.5	4.9	8.2	0.1	-0.5	4.5
Transportation & Warehousing	140.0	137.9	139.4	144.5	146.8	147.8
% Change	4.6	-1.5	1.1	3.7	1.6	0.7
Trade	352.9	369.9	374.0	381.8	389.7	397.4
% Change	-1.4	4.8	1.1	2.1	2.1	2.0
FIRE	128.6	135.9	156.2	157.3	159.8	161.9
% Change	-6.3	5.7	14.9	0.7	1.6	1.3
Professional, Scientific, Managerial	281.6	300.2	299.7	307.5	312.1	317.5
% Change	4.2	6.6	-0.2	2.6	1.5	1.7
Accommodation & Food Services	177.5	174.2	182.6	187.0	191.8	194.9
% Change	-4.2	-1.9	4.8	2.4	2.5	1.6
Education Services	163.4	165.0	166.6	167.4	166.3	165.8
% Change	-1.7	1.0	1.0	0.5	-0.6	-0.3
Health & Welfare Services	287.4	291.6	303.5	318.2	327.4	334.4
% Change	6.5	1.5	4.1	4.9	2.9	2.1
Other Services	219.6	231.2	251.2	256.2	261.5	265.7
% Change	4.5	5.3	8.7	2.0	2.1	1.6
Government Services	96.1	103.7	101.9	106.1	107.2	108.5
% Change	-1.8	7.9	-1.7	4.2	1.0	1.2
<b>Labour Market Indicators: British Columbia</b>						
Source Population	3,877.1	3,930.7	3,979.7	4,024.3	4,069.4	4,113.6
% Change	1.2	1.4	1.2	1.1	1.1	1.1
Participation Rate	63.4	64.4	65.3	65.5	65.6	65.8
Labour Force	2,457.6	2,532.3	2,598.7	2,634.9	2,669.6	2,705.6
% Change	1.3	3.0	2.6	1.4	1.3	1.3
Employment	2,306.2	2,379.5	2,466.6	2,519.8	2,555.1	2,596.6
% Change	1.2	3.2	3.7	2.2	1.4	1.6
Unemployment	151.4	152.8	132.1	115.1	114.5	109.0
% Change	3.0	0.9	-13.5	-12.9	-0.6	-4.8
Unemployment Rate	6.2	6.0	5.1	4.4	4.3	4.0
Average Weekly Hours	32.8	32.8	32.9	32.8	32.7	32.7
Hourly Wage Rate (%ch.)	0.8	0.6	2.2	3.5	3.7	4.1

Source: Stastics Canada, Central 1 Credit Union

Residential Investment: British Columbia						
Provincial Forecast						
	2015	2016	2017	2018	2019	2020
Real Residential Investment (\$2007 Millions): British Columbia						
Real Residential Investment (Millions)	22,127	25,455	26,615	26,327	25,897	26,690
% Change	10.1	15.0	4.6	-1.1	-1.6	3.1
Total New Dwellings	11,177	13,965	14,439	14,070	13,418	13,872
% Change	15.6	24.9	3.4	-2.6	-4.6	3.4
Renovations	8,184	8,134	8,634	8,830	9,090	9,365
% Change	5.7	-0.6	6.2	2.3	2.9	3.0
Total Acquisition Costs	2,536	3,023	3,192	3,071	3,041	3,102
% Change	3.8	19.2	5.6	-3.8	-1.0	2.0
Other Residential Construction	230	334	351	355	348	351
% Change	-3.1	45.2	5.2	1.2	-2.1	1.0
Housing Starts (000s)	31.4	41.8	43.5	40.5	39.5	40.5
% Change	10.9	33.1	3.9	-6.9	-2.5	2.5
Single Detached Housing Starts (000s)	10.2	12.3	12.4	11.7	10.8	11.6
% Change	6.1	20.9	0.8	-5.6	-7.8	7.5

Source: Stastics Canada, Central 1 Credit Union

Non-Residential Investment: British Columbia						
Provincial Forecast						
	2015	2016	2017	2018	2019	2020
Total	16,171	14,382	14,680	15,811	17,798	21,285
% Change	-10.6	-4.2	-1.0	5.9	13.1	17.6
Engineering Construction	9,339	9,277	9,670	10,286	12,039	14,438
% Change	-15.8	-0.7	4.2	6.4	17.0	19.9
Building Construction	6,832	5,105	5,011	5,525	5,759	6,847
% Change	-6.6	-25.3	-1.8	10.2	4.2	18.9
Industrial Construction	2,570	1,346	1,086	1,268	1,684	1,976
% Change	-10.9	-47.6	-19.3	16.8	32.8	17.3
Commercial Construction	2,034	1,718	1,769	1,933	2,041	2,442
% Change	2.4	-15.6	3.0	9.2	5.6	19.6
Inst. & Gov't Construction	2,414	2,224	2,339	2,507	2,217	2,613
% Change	-8.6	-7.9	5.2	7.2	-11.6	17.9

Source: Stastics Canada, Central 1 Credit Union

Population and Components of Growth: British Columbia						
Provincial Forecast						
	2015	2016	2017	2018	2019	2020
Population and Factors of Growth						
Population (000s)	4,695	4,758	4,817	4,868	4,921	4,974
% Change	1.0	1.3	1.3	1.1	1.1	1.1
Births (000s)	44.3	44.6	44.8	46.2	46.8	47.5
Deaths (000s)	34.7	35.4	38.1	38.9	39.7	40.5
Natural Growth Rate (%)	0.2	0.2	0.1	0.2	0.1	0.1
Net In Migration (000s)	38.6	53.7	52.8	43.8	45.6	45.6
Net International(000s)	18.2	27.2	36.7	30.6	34.0	34.6
Net Interprovincial (000s)	20.4	26.6	16.2	13.2	11.6	11.0

Source: Stastics Canada, Central 1 Credit Union

Key External Forecasts						
Provincial Forecast						
	2015	2016	2017	2018	2019	2020
Key External Forecasts						
U.S. Real GDP, %chg.	2.6	1.6	2.3	2.9	2.4	2.1
Japan Real GDP, %chg.	1.2	1.0	1.6	1.3	1.0	0.9
European Union Real GDP, %chg.	1.9	1.7	2.2	1.9	1.6	1.6
China Real GDP, %chg.	6.9	6.7	6.8	6.5	6.2	5.9
Canada Real GDP, %chg.	0.90	1.40	3.00	2.30	2.20	2.10
Canada 3-month T-Bill, %	0.50	0.50	0.69	1.55	2.15	2.40
Canada GoC Long-term Bond, %	2.0	1.8	2.3	2.7	3.2	3.4
U.S.-Canada Exchange Rate, cents/dollar	78.2	75.4	77.1	79.5	80.6	81.3
Henry Hub Natural Gas Price, USD/mmbtu	2.63	2.52	3.00	3.10	3.15	3.20
%chg	-40.1	-4.4	19.3	3.3	1.6	1.6
WTI USD/barrel	49.0	43.0	51.0	60.0	62.0	64.0
%chg	-47.5	-12.2	18.6	17.7	3.3	3.2

Source: Statistics Canada, BEA, EIA, Central 1 Credit Union

### Terms

Published by the Economics Department of Central 1 Credit Union, 1441 Creekside Drive, Vancouver, B.C. V6J 4S7 © Central 1 Credit Union, 2011.

This work may not be reproduced in whole or part, by photocopy or other means, without permission of Central 1 Credit Union.

Economic Analysis of British Columbia (the "Analysis") may have forward-looking statements about the future economic growth of the Province of Ontario and its regions. These statements are subject to risk and uncertainty. Actual results may differ due to a variety of factors, including regulatory or legislative developments, competition, technological change, global capital market activity and general economic conditions in Canada, North America or internationally. This list is not exhaustive of the factors that may affect any of the Analysis' forward-looking statements. These and other factors should be considered carefully and readers should not place undue reliance on the Analysis' forward-looking statements.

The Analysis and Central 1 Credit Union disclaims any and all warranties, whether express or implied, including (without limitation) any implied warranties of merchantability or fitness for a particular purpose. The Analysis and Central 1 Credit Union will not accept any responsibility for the reader's use of the data and/or opinions presented in the Analysis, or any loss arising therefrom.

Chief Economist: **Helmut Pastrick** - Deputy Chief Economist: **Bryan Yu** - Senior Financial Economist: **David Hobden** - Production: **Judy Wozencroft**