

## B.C. Economic Outlook 2018-2021

### Highlights:

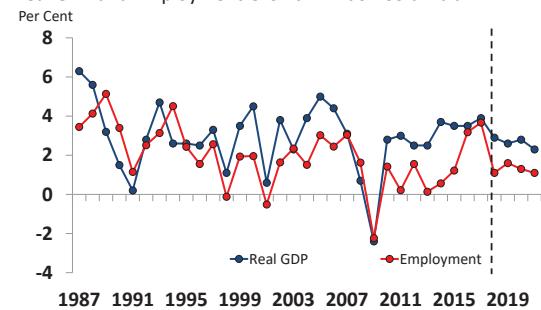
- B.C. GDP growth moderates below three per cent this year following four years of robust growth
- Modest but steady growth forecast through 2021 as stronger investment offsets slower household sector
- Residential construction positive contributor to growth in 2018 but negative performance going forward as housing takes a breather
- Unemployment rate averages five per cent reflecting ongoing labour shortages, wage growth elevated
- Upside risk to forecast if LNG goes forward

### Summary

After a stellar run over the past four years in which the economy expanded by more than 3.5 per cent annually, B.C. growth will slow over the next four years but still maintain moderate growth. After reaching 3.9 per cent in 2017, growth is forecast to ease to 2.9 per cent this year and average 2.7 per cent in 2019 to 2020, before slipping to 2.3 per cent in 2021.

### Economic Growth to Moderate

Real GDP and Employment Growth: British Columbia



Source: Statistics Canada, Central 1 Credit Union

Latest: 2017, 2018-2021f

Residential investment remains a growth driver in 2018 due to high levels of construction activity, but recent tightening of mortgage lending policy and provincial housing measures has slowed demand. This will feed into a lower pace of housing starts and residential investment in 2019 onwards and dampen growth. Employment growth is forecast to decelerate over the forecast period as an intensifying labour shortage constrains hiring. While rising wages support household demand, overall consumers spending growth slows from the pace observed in recent years. B.C.'s average unemployment rate remains near five per cent.

Economic growth is rotating away from household-led demand, with investment activity expected to strengthen. Strong economic growth in recent years, labour and general capacity constraints are inducing

### Forecast Summary: British Columbia

	2016	2017	2018	2019	2020	2021
Real GDP, % Change	3.5	3.9	2.9	2.6	2.8	2.3
Nominal GDP, % Change	4.8	6.6	4.8	4.9	5.0	4.2
Employment, % Change	3.2	3.7	1.1	1.6	1.3	1.1
Unemployment Rate, (%)	6.0	5.1	5.1	5.0	4.9	5.0
Population, % Change	1.3	1.3	1.2	1.1	1.1	1.0
Housing Starts (000s)	41.8	43.5	41.7	39.8	38.5	37.5
Retail Sales, % Change	7.4	9.5	4.3	5.0	4.9	5.1
Personal Income, % Change	4.7	5.6	6.1	5.2	5.2	4.8
Net Operating Surplus Corporations, % Change	9.8	8.9	1.9	5.0	5.1	-0.9
Consumer Price Index, % Change	1.9	2.1	2.6	2.0	2.1	2.0

Source: Statistics Canada, CMHC, Central 1 Credit Union

organizations to invest in operations and expand, promoting business formation.

Exports will continue to rise at a steady pace due to growth in the broader economy, with service-exports growing at a faster pace. That said, the export environment faces significant uncertainty given an increase in protectionism emanating from south of the border. Expansion of trade tariffs on Canada and more broadly would slow global trade, economic growth and commodity prices. While impacts will be negligible for 2018, trade disruption is a risk for export and investment activity in 2019 onwards.

### Current Economic Conditions

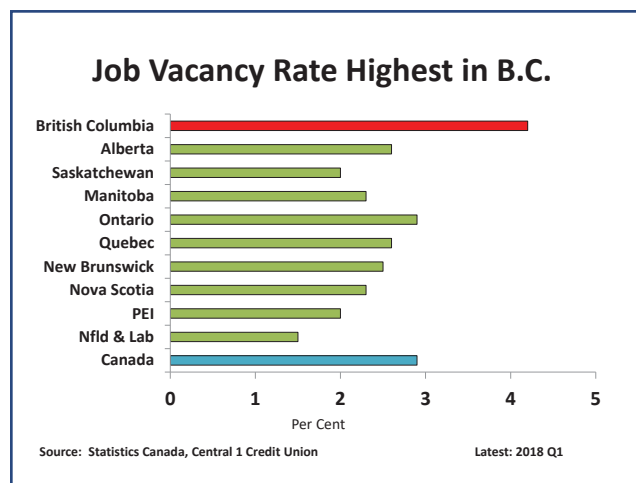
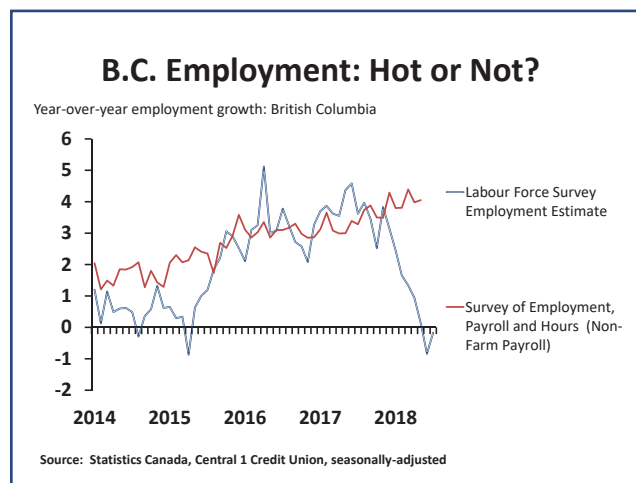
B.C. economic growth has softened following last year's near four per cent expansion in gross domestic product, but continues to expand at a modest pace. A policy-induced housing slowdown, slower employment growth, and lower export momentum are anticipated to slow growth to a still healthy 2.9 per cent.

#### *Labour shortages weigh on employment growth*

Hiring momentum has slowed sharply. After expanding by 3.7 per cent or 80,000 persons in 2017, which was the strongest since 1994, average employment as estimated through the Labour Force Survey (LFS) is expected to reach a sluggish 1.1 per cent. The employment trend has turned ice cold since the second half of 2017, with levels down in five of the first six months of 2018. In June, year-over-year growth fell into negative territory for the first time since 2013.

While there are pockets of labour market weakness, the recent employment lull likely reflects deepening labour shortages. Most industries are in expansion mode, and the economy is operating at near full-capacity. B.C.'s unemployment rate, while up from the 2017 trough is still lowest in the country, is near five per cent and labor force participation is elevated. Unemployment rates are lowest in the Vancouver metro area and Vancouver Island. The Bank of Canada's Business Outlook Survey showed the highest prevalence of labour shortages and physical capacity constraints in B.C.

Employers are scrambling to fill positions, which pushed job vacancies up more than 20,000 positions or 35 per cent from a year ago during the first quarter, contributing to the highest job vacancy rate in the country at 4.2 per cent, and well ahead of Ontario with the second highest rate of 2.9 per cent. Insufficient labour supply, and mis-match of skills means employers are contributing to upward wage momentum. While strength varies among indicators, average hourly wages in B.C. have surged about six per cent, which



has nearly doubled the pace in the rest of the country.

An alternative employment measure is much rosier. Non-farm payroll counts, based on administrative Canada Revenue Agency data, points to a more robust environment with growth still tracking a three per cent pace. While normally moving in tandem, the divergence reflects a combination of volatility in agriculture employment, estimation methods, and factors such as hiring trends affecting interprovincial labour. Actual growth is somewhere between the two employment measures.

There is little indication that this economy or labour market is in the doldrums. In early 2018, year-over-year growth in aggregate wage compensation, which provides one of the best indicators for consumer demand, was similarly tops in the country at 6 per cent due to a combination of both wage inflation and employment growth. LFS employment is forecast to rise in the second half of 2018 as an expanding population contributes to labour force expansion and demand remains positive. The unemployment averages 5.1 per cent of the labour force this year.

While performance varies, both employment measures suggest stronger economic activity in the province's technology, construction, utilities, business

services, and tourism sectors. In contrast, finance and real estate, and transport and warehousing remain steady.

### *Homes sales plunge on policy measures, construction still drives growth*

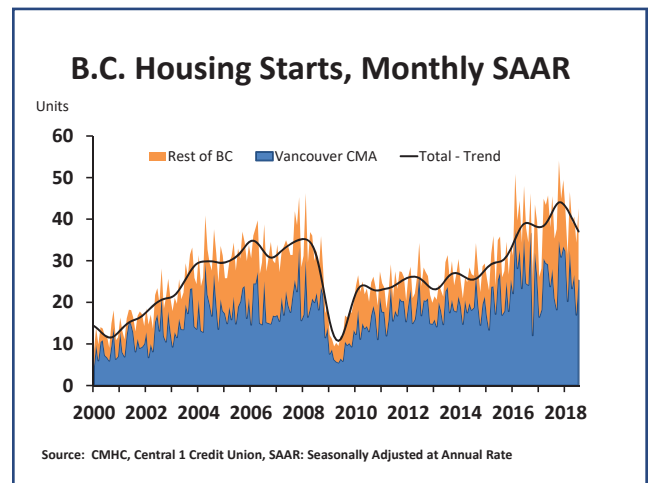
Housing sales have plunged this year, with B.C. experiencing the steepest decline among provinces since January. This follows the implementation of federal mortgage stress tests and higher interest rates, as provincial measures further curtailed demand. Credit constraints have lowered purchasing power, causing some buyers to lower their property expectations or delay purchases, while others have been priced out. Sales have likely bottomed after a 30 per cent drop in volume but are expected to remain sluggish into 2019. Slowing of sales is cushioned by persistence of low supply, however we anticipate a modest price correction of 5 – 10 per cent in some large urban markets. We see little risk of a housing market crash, given weakness is policy driven, with pricing being supported by relatively low inventory, and economic strength.

The impact of this slowdown should not be overstated and is unlikely to put much of a dent in economic growth. The direct flow-through of resale transactions to Gross Domestic Product (GDP) is minor, largely flowing through real estate broker output, finance, retail and renovation spending. This has been observed in national data, while labour market information also shows a similar pattern.

New home construction and renovation spending are by far the largest contributors to residential investment and by extension, economic activity. Exceeding expectations, construction of new dwellings remains a strong driver of growth, reflecting robust housing starts over the past year and the build out of a high number of units under construction. After a record 43,000 housing starts in 2017, activity was up slightly through the first six months, but is forecast to slow in the second half and contribute to a mild full-year decline. Unadjusted for inflation, year-over-year new dwelling investment growth was a stellar 17 per cent during the first quarter, although higher price levels contributed. Renovation spending growth decelerated from the previous two quarters to align with the resale market slowdown, but remained at a moderately strong six per cent. Residential investment looks to be a healthy contributor to GDP growth this year but will moderate.

### *Population growth moderately strong despite interprovincial slowdown*

B.C. continues to experience healthy population growth, trending at about 1.3 per cent year-over-year.



Healthy population growth seemingly conflicts with the labour supply constraint, but this can in part be explained by a shift in migration pattern.

Net migration from other provinces is contributing little to population growth after robust gains in recent years. Strengthening economic conditions in neighbouring Alberta and other provinces has stemmed the flow westward of economic migrants, despite plentiful job opportunities and rising wages. Net interprovincial inflows are forecast to drop to 2,700 persons this year from more than 16,000 in 2017.

Population expansion is buttressed by rising international inflows due to rising immigration inflows and a surge in net non-permanent residents. Net international migration surges to 49,200 persons this year, up from 36,700 in 2017. Integration of new immigrants into the labour market requires more time than migration flows from other provinces, while the surge in non-permanent residents largely reflects an increase in student population and refugees, which may be contributing to the lackluster expansion of labour supply. Nonetheless, population growth remains a solid driver of consumption and housing demand.

Retail sales have picked up after a weak start to 2018. Growth will not match 2017's gain of 9.3 per cent but continues to track a solid five per cent this year, driven by areas outside Metro Vancouver due to the tight labour market, firm population gains, and tourist spending.

### *Export momentum stronger than headline numbers*

On the trade front, export growth, that was sluggish early in the year similar to other indicators, has picked up steam. After stumbling due to rail-related supply side bottlenecks, which held back shipments of forestry goods among others, year-to-date sales improved to about four per cent in June. Aligned with this is a rebound in manufacturing sales, particularly

related to wood products, but strong pricing conditions have also contributed.

While growth is well short of 2017 performance, which posted double-digit per cent gains, lower energy prices have dampened this year's gains, particularly as related to coal and natural gas. Excluding energy, export sales were up more than eight per cent through June. On the energy front, natural gas and coal physical shipments have risen, but dollar volumes have shifted lower with price levels. Undoubtedly, this translates into lower export income into the province, but real export activity remains firm.

U.S. protectionist measures continue to impact trade. In the case of forestry, higher lumber prices have largely cushioned the impact of tariffs, although tariffs on other wood products and newsprint have been negative for the industry. The recent round of U.S. aluminum and steel tariffs is only now showing up in the data but is expected to have a negligible impact on overall B.C. export volume. albeit with greater impact on the producing region of Kitimat. Based on 2016 data, only 1.5 per cent of total international goods exports is attributable to the affected metal sectors.

Outside of the goods-space, service exports are solid as observed in record high international tourism flows, and there is no sign of slowdown in the film and tv space in B.C.'s tech sector.

Imports are up sharply by more than ten per cent, with strong gains in industrial products and machinery, motor vehicles, and refined gasoline products. Gains are in part facilitating investment in the economy, although refinery issues have also led to an increase in gas being imported from the U.S.

Capacity constraints in both labour and high capital utilization, and brisk growth in the economy is contributing to a strengthening investment cycle. Stronger investment in machinery and equipment is associated with an expanding economy and a need to increase productive capacity. Non-residential building permits are up more than ten per cent, pointing to a stronger upturn in building investment this year following the prior year's weakness. Adding to this is strength in engineering construction related to transportation investments in Metro Vancouver, the Site C dam, and other energy projects in the north. Mining exploration, while supported by steady commodity prices has shown little momentum and trends at a weak pace, due in part to global economic uncertainty.

### **Outlook 2019-2021**

B.C.'s economic growth cycle, while slowing from juggernaut levels in recent years, is set to remain

moderately strong. Following a 2.9 per cent expansion this year, growth slows to an average of 2.7 per cent in 2019 and 2020, before easing thereafter. Consumer demand is solid, but economic growth rotates away from the housing-sector, while capital expenditures grow at a faster pace.

### *Global growth expected to expand but uncertainties weigh*

This outlook for growth assumes that the modest expansionary path of the global and national economy continues over the forecast period. This is aligned with International Monetary Fund and Bank of Canada forecasts for global growth to remain elevated in 2019 in the 3.5 to 3.9 per cent range, before easing thereafter following strong growth in 2018. We expect U.S. growth to slow from a three per cent growth rate this year to about two per cent in 2020, with Canada trending below two per cent in 2019 onwards.

Interest rates are forecast to continue a normalization trend. The Bank of Canada is expected to hike next late this year and raise rates a total of two times in 2019. The Bank of Canada maintains a gradual rate path through 2021, with about two hikes per year.

There is considerable uncertainty in this growth outlook given fluidity of trade policy. The trade environment has deteriorated in recent quarters, with the U.S. making good on tariff threats on aluminum and steel imports, which applies to Canada as well as specifically targeting China. Trading partners have responded in kind with retaliatory tariffs. While we expect tensions to subside and cooler heads to prevail, conditions could worsen. The Trump administration has threatened auto-related tariffs, which would raise prices and curtail production and investment. Meanwhile, global growth would decelerate if trade disruptions deepen, cutting into demand for Canadian goods and negatively impacting commodity prices.

### *Moderate growth through 2021*

B.C. economic growth will be relatively balanced over the forecast period with both domestic drivers and export gains contributing to the positive performance.

Consumer demand is forecast to expand at a moderate pace. After decelerating this year, consumer expenditures rebound in 2019 and trend near three per cent over the forecast period. Demand growth reflects growth in population, higher employment, robust wage growth and the continuation of low interest rates. A slowdown in housing sales and price growth will constrain wealth-induced growth. Retail sales trend at a five per cent nominal pace, or three per cent once inflation is factored in.

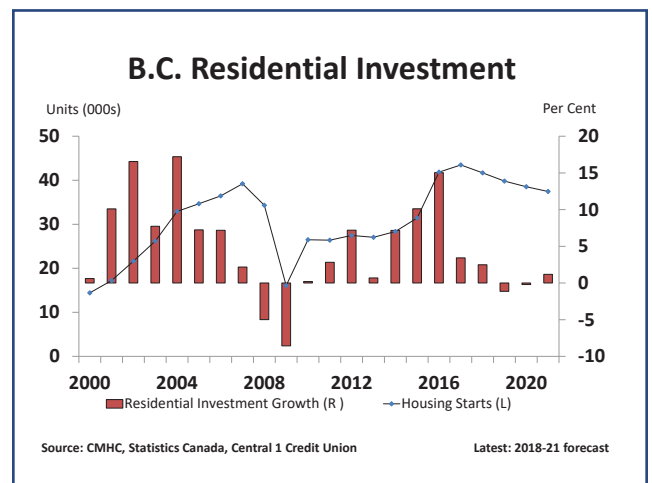
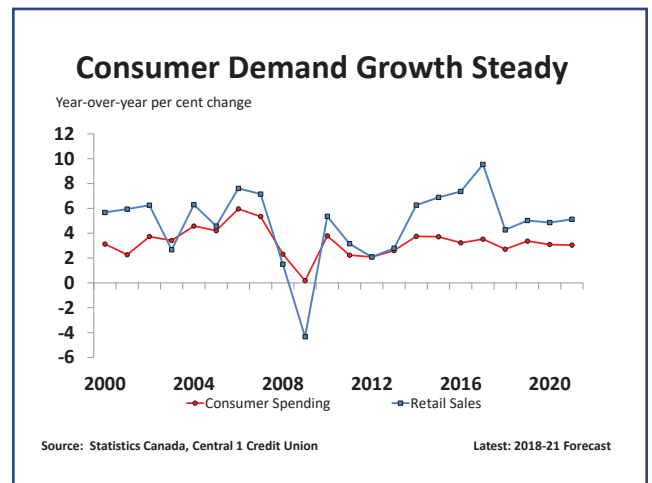
Housing will detract from GDP growth over the forecast period. Starts have likely peaked in the near term, reflecting elevated new construction in recent years and a drag from mortgage lending requirements and provincial regulations on pre-sale condominium demand. Projects will take longer to sell through, impacting the pace of future starts. Housing starts will decline four per cent in 2019 to 39,800 units and ease to 37,500 units in 2021. Residential investment will be negative in both 2019 and 2020 despite growth in renovation demand.

B.C.'s capital investment cycle is expected to remain positive through the forecast period with both private and government contributing to growth. Private non-residential investment outpaces overall GDP growth through 2020, with a six per cent increase in 2019 and three per cent in 2020. Investment in structures and machinery and equipment increase. Businesses are investing in capacity in response to strong domestic demand and improving global conditions, albeit with increased caution due to persistent trade threats, while labour shortages are likely driving a push to increase productivity. Further contributing to higher investment is transit expansion in the Lower Mainland and major project construction such as Site C, Kinder Morgan, the Patullo Bridge and other projects across the province.

Expectations for the mining sector is scaled back. While exploration activity is expected to turn higher, the proposed Afton-Ajax copper-gold project near Kamloops was rejected by both the federal and provincial governments. In addition, Copper Fox Metals' Schaft Creek project withdrew from the environmental assessment process, pointing to a further pushback to the project timeline, if it goes ahead at all. Nevertheless, robust capital investment adds to future productive capacity and potential economic output, and major project construction will also boost consumption demand during the build out period.

Government direct spending climbs at a pace of 1.3 per cent, driven largely by demographic demand.

B.C. exports grow at a three per cent pace. Global economic expansion provides continued lift to export momentum. Goods sector shipments will trend higher, albeit with some weakness in forestry-related sales. Service sector exports, which includes tourism, film, and hi-tech services, among others, will continue to expand at a relatively faster rate than goods producing sectors. This reflects growth in the knowledge-based economy. Interprovincial trade will trend with national growth. The lessening of internal trade barriers could promote greater trade within Canada's borders.



B.C. is generally better equipped to weather another U.S. – Canada trade rift. Tariffs already apply to softwood lumber, which has been supported by high prices. Meanwhile, B.C. exports are more geographically diversified than its provincial peers. Roughly half of B.C. international merchandise exports flow to the U.S., compared to about three quarters for Canada as a whole.

Imports to B.C. are forecast to grow at a faster rate than imports in 2019-2021, but should not be construed as negative. Import growth is an offset to higher consumption as well as investment demand, which requires capital investments and intermediate goods. That said, an upshift in imports in 2021 detracts significantly from headline GDP growth.

#### *Services-producing sectors to lead economic growth*

On an industry basis, B.C.'s services-producing sector is forecast to outpace the goods sector.

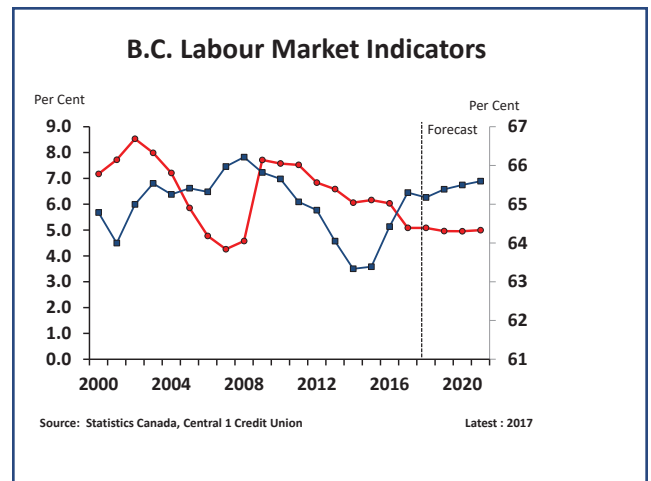
The latter will be dampened by the drag from declining housing starts and residential investment, which will limit construction industry growth to two per cent in 2019 and 1.6 per cent in 2020 before turning higher.

Growth in non-residential investment will lift associated building and engineering construction. As in previous forecasts, B.C.'s forestry sector is forecast to be a drag on growth, despite demand for product. While companies are investing in capacity, this is limited by erosion in timber supply availability, due to the long-term impacts of the mountain pine beetle epidemic. Direct forestry and related manufacturing erodes by an average of 0.5 per cent per year. Oil and gas mining is forecast to grow by about three per cent each year, while total manufacturing continues to rise despite the forestry drag.

On the services-producing front, consumer demand will maintain retail and wholesale trade growth near three per cent over the forecast period, although this will lag strong gains observed in recent years. A subdued housing market holds finance, insurance and real estate growth at a mild 1.4 per cent in 2019, following a mild contraction this year, before trending near 2.5 per cent thereafter as sales volumes move higher. Higher performers include professional services, technology and tourism-related growth, which expand by more than three per cent per annum, due to relatively strong export demand. Health care and social assistance expands three per cent in 2019, and 2.3 per cent thereafter, reflecting demographic growth, while outpacing other government-oriented sectors.

*Unemployment rate to trend near five per cent, wages to climb*

B.C.'s employment will remain constrained by labour force expansion over the forecast period. Employment growth is forecast to rebound to 1.6 per cent in 2019 following this year's lull, but decelerate to 1.3 and 1.1 per cent in 2020 and 2021. A combination of population growth in the prime working age cohort, and a slight uptick in labour force participation contributes to labour force expansion. However, upside to the labour force participation rate, which is forecast to track above 65 per cent, is limited reflecting general aging out of the workforce by boomers. Tight labour market conditions will be evident in an unemployment rate that sits near five per cent through the forecast period. Low jobless rates and economic growth will maintain strong wage earnings growth. Average hourly wages are forecast to climb at an annual pace of about three per cent from 2019-2021 following growth of more than four per cent this year. Some employers will need to resort to the use of non-monetary compensation to attract labour, including improved benefits or greater work flexibility. Investments in labour substitutes, such as automated technology and other solutions will alleviate some pressure.



Population growth is forecast to climb by 1.1 per cent per year from 2019 onwards. The large bump in non-permanent resident inflows is expected to slow, although the flow of permanent residents is forecast to remain strong at about 47,000 persons annually, underpinning population gains. Higher federal immigration targets will buoy these gains. Net interprovincial migration remains positive at an average of 5,000 persons due to healthy economic growth in B.C., rising wages, and retirees moving westward.

*Nominal GDP growth trends near five per cent*

On the income front, nominal GDP growth in B.C. is forecast to reach 4.8 per cent in 2018, with weaker export pricing conditions a drag relative to 2017. Nominal GDP growth is forecast at about five per cent in 2019 and 2020 before easing to 4.2 per cent in 2021. Higher imports related to major project spending dampen nominal GDP in 2021, and curtail aggregate corporate profits in that year. Employee compensation is forecast to rise five per cent this year, and by 4.5 per cent thereafter, reflecting tight labour market conditions.

*LNG: Waiting for the green light*

Our baseline forecast does not include the proposed Shell liquefied natural gas (LNG) project proposed for the Kitimat region, although there are signs the \$30 billion project could get the go-ahead from proponents by year-end. Too many head-fakes in recent years mean it is prudent to keep this project out of our assumption until it receives the final green light by project proponents.

That said, if we were to add the project to our assumptions, with a terminal and pipeline construction start date of late-2019, economic output climbs in 2020 and 2021 during the construction buildout. Under this LNG scenario, GDP reaches about three per cent in both years. Actual real GDP output exceeds the baseline

by 0.4 to 0.7 per cent. Not surprisingly, the bulk of the gain is in the non-residential investment cycle. This does not include the additional drilling that would be expected in the northeast. Employment growth average 1.6 per cent in 2020 and 2021, compared to 1.1 per cent in the baseline facilitated by labour force expansion. A tight labour market and higher wages attract more interprovincial migrants, but has little impact on international inflows.

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## 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

	2016	2017	2018	2019	2020	2021
Real (Millions)						
GDE	240,824	250,303	257,651	264,334	271,730	278,008
% Change	3.5	3.9	2.9	2.6	2.8	2.3
Household Final Consumption	150,892	156,211	160,462	165,871	171,001	176,197
% Change	3.2	3.5	2.7	3.4	3.1	3.0
Durable Goods	20,910	22,195	22,430	23,059	23,651	24,288
% Change	7.3	6.1	1.1	2.8	2.6	2.7
Semi-Durable Goods	11,597	12,145	12,672	13,074	13,430	13,834
% Change	3.8	4.7	4.3	3.2	2.7	3.0
Non-Durable Goods	30,242	31,287	32,391	33,537	34,662	35,784
% Change	2.2	3.5	3.5	3.5	3.4	3.2
Services	88,648	91,209	93,580	96,809	99,857	102,893
% Change	2.7	2.9	2.6	3.5	3.1	3.0
NPISH Consumption	3,589	3,749	3,920	4,067	4,201	4,341
% change	1.4	4.5	4.5	3.8	3.3	3.3
Government Current	40,504	41,628	42,460	43,027	43,577	44,094
% Change	2.5	2.8	2.0	1.3	1.3	1.2
Government Investment	7,122	7,467	7,936	8,195	7,802	7,951
% Change	5.6	4.8	6.3	3.3	-4.8	1.9
Business Gross Fixed Capital	46,565	47,635	49,325	50,573	51,915	52,879
% change	3.8	2.3	3.5	2.5	2.7	1.9
Residential Construction	25,455	26,326	26,984	26,685	26,635	26,948
% Change	15.0	3.4	2.5	-1.1	-0.2	1.2
Machinery & Equipment	8,262	8,561	8,920	9,688	10,202	10,465
% Change	7.4	3.6	4.2	8.6	5.3	2.6
Non-Residential Structures	10,045	10,116	10,567	11,123	11,790	12,012
% Change	-15.7	0.7	4.5	5.3	6.0	1.9
Intellectual Property	2,803	2,633	2,854	3,077	3,288	3,455
% change	-10.4	-6.1	8.4	7.8	6.8	5.1
NPISH Investment	463	482	504	525	543	561
% change	12.9	4.1	4.5	4.2	3.5	3.3
Domestic Demand	248,491	256,369	263,728	271,245	277,882	284,723
% Change	3.2	3.2	2.9	2.9	2.4	2.5
Exports	94,712	98,999	101,969	104,877	108,789	111,100
% Change	1.9	4.5	3.0	2.9	3.7	2.1
Imports	101,931	104,892	107,702	111,268	114,580	117,885
% Change	1.0	2.9	2.7	3.3	3.0	2.9

Source: Statistics Canada, Central 1 Credit Union



## Gross Domestic Product: Expenditures

### Provincial Forecast

	2016	2017	2018	2019	2020	2021
Nominal (Millions)						
GDE	263,706	281,234	294,803	309,265	324,851	338,516
% Change	4.8	6.6	4.8	4.9	5.0	4.2
Household Final Consumption	169,147	177,488	185,281	195,292	205,524	215,938
% Change	4.4	4.9	4.4	5.4	5.2	5.1
Durable Goods	20,374	22,023	22,569	23,577	24,607	25,733
% Change	9.9	8.1	2.5	4.5	4.4	4.6
Semi-Durable Goods	11,435	12,103	12,835	13,475	14,105	14,794
% Change	5.5	5.8	6.0	5.0	4.7	4.9
Non-Durable Goods	35,579	37,200	38,987	41,216	43,569	45,883
% Change	3.2	4.6	4.8	5.7	5.7	5.3
Services	101,759	106,161	110,891	117,025	123,242	129,528
% Change	3.7	4.3	4.5	5.5	5.3	5.1
NPISH Consumption	4,044	4,249	4,524	4,789	5,050	5,322
% change	5.9	5.1	6.5	5.9	5.5	5.4
Government Current	48,040	49,952	51,780	53,542	55,391	57,188
% Change	3.1	4.0	3.7	3.4	3.5	3.2
Government Investment	8,734	9,309	10,075	10,580	10,243	10,630
% Change	8.1	6.6	8.2	5.0	-3.2	3.8
Business Gross Fixed Capital	54,552	56,608	59,617	62,242	65,166	67,593
% change	7.1	3.8	5.3	4.4	4.7	3.7
Residential Construction	29,436	30,882	32,197	32,413	32,960	33,893
% Change	20.5	4.9	4.3	0.7	1.7	2.8
Machinery & Equipment	9,014	9,517	10,048	11,086	11,880	12,402
% Change	10.8	5.6	5.6	10.3	7.2	4.4
Non-Residential Structures	12,602	12,864	13,674	14,667	15,862	16,482
% Change	-13.6	2.1	6.3	7.3	8.1	3.9
Intellectual Property	3,500	3,346	3,699	4,077	4,464	4,815
% change	-8.1	-4.4	10.6	10.2	9.5	7.9
NPISH Investment	501	530	565	599	630	663
% change	17.6	5.9	6.5	5.9	5.3	5.2
Domestic Demand	285,018	298,136	311,842	327,043	342,004	357,333
% Change	4.8	4.6	4.6	4.9	4.6	4.5
Exports	100,953	109,943	114,544	120,752	127,768	132,082
% Change	3.5	8.9	4.2	5.4	5.8	3.4
Imports	122,450	128,230	134,185	140,858	147,175	153,272
% Change	3.2	4.7	4.6	5.0	4.5	4.1

Source: Statistics Canada, Central 1 Credit Union

## Gross Domestic Product: Industries Provincial Forecast

	2016	2017	2018	2019	2020	2021
All Industries	219,553	228,195	234,073	239,690	245,944	252,169
% change	3.6	3.9	2.6	2.4	2.6	2.5
Agriculture	1,273	1,243	1,277	1,276	1,318	1,344
% change	0.4	-2.4	2.8	-0.1	3.3	2.0
Forestry	1,985	1,901	1,898	1,874	1,867	1,843
% change	-1.4	-4.3	-0.1	-1.3	-0.4	-1.3
Fishing, hunting, trapping and agriculture and forestry support	990	953	963	968	985	993
% change	4.2	-3.7	1.0	0.6	1.7	0.8
Oil and Gas Mining	8,185	8,236	8,552	8,811	9,098	9,792
% change	13.8	0.6	3.8	3.0	3.3	7.6
Other Mining	4,103	3,996	4,704	4,720	4,717	4,796
% change	-0.2	-2.6	17.7	0.3	-0.1	1.7
Support activities for oil, gas, and other mining	382	421	448	441	442	446
% change	-19.4	10.2	6.3	-1.6	0.3	0.9
Utilities	3,912	4,121	4,115	4,176	4,251	4,304
% change	3.4	5.3	-0.1	1.5	1.8	1.2
Construction	18,067	19,817	19,728	20,114	20,426	20,910
% change	2.6	9.7	-0.4	2.0	1.6	2.4
Residential Construction	9,278	9,480	9,902	9,764	9,749	9,890
% change	15.7	2.2	4.4	-1.4	-0.1	1.4
Non-Residential Construction	2,550	2,363	2,902	3,134	3,202	3,366
% change	1.7	-7.3	22.8	8.0	2.2	5.1
Engineering Construction	3,227	4,800	3,601	3,751	3,856	3,876
% change	-21.7	48.7	-25.0	4.2	2.8	0.5
Other Construction	3,012	3,174	3,324	3,465	3,619	3,778
% change	1.7	5.4	4.7	4.2	4.4	4.4
Manufacturing	16,034	16,750	17,133	17,466	17,946	18,149
% change	5.8	4.5	2.3	1.9	2.7	1.1
Food Products	1,953	2,053	2,129	2,162	2,248	2,284
% change	4.3	5.2	3.7	1.5	4.0	1.6
Wood Products	3,539	3,464	3,431	3,390	3,387	3,334
% change	5.7	-2.1	-0.9	-1.2	-0.1	-1.6
Paper and Allied Product	1,164	1,172	1,233	1,246	1,280	1,290
% change	-5.5	0.7	5.2	1.0	2.7	0.8
Primary Metals	1,586	1,742	1,754	1,768	1,811	1,821
% change	80.9	9.8	0.6	0.8	2.5	0.5
Fabricated Metals	981	1,025	1,155	1,184	1,216	1,245
% change	-2.9	4.4	12.7	2.4	2.7	2.4
Machinery	900	1,025	1,022	1,056	1,104	1,162
% change	-3.6	13.9	-0.3	3.3	4.6	5.2
Other Manufacturing	5,911	6,269	6,408	6,661	6,899	7,013
% change	0.5	6.1	2.2	4.0	3.6	1.7

## Gross Domestic Product: Industries

### Provincial Forecast

	2016	2017	2018	2019	2020	2021
Wholesale trade	9,681	10,487	10,821	11,143	11,530	11,845
% change	5.3	8.3	3.2	3.0	3.5	2.7
Retail trade	13,692	14,556	15,119	15,552	15,992	16,461
% change	5.7	6.3	3.9	2.9	2.8	2.9
Transportation And Warehousing	12,794	13,759	13,803	14,380	14,860	15,281
% change	5.6	7.5	0.3	4.2	3.3	2.8
Pipelines	743	774	799	965	989	1,007
% change	8.8	4.2	3.2	20.9	2.4	1.9
Other Transportation & Warehousing	12,050	12,985	13,004	13,414	13,871	14,274
% change	5.4	7.8	0.1	3.2	3.4	2.9
Finance, Insurance & Real Estate	27,444	28,120	27,988	28,377	29,144	29,892
% change	4.3	2.5	-0.5	1.4	2.7	2.6
Owner-Occupied Housing	25,253	26,300	27,343	28,368	29,410	30,430
% change	4.0	4.1	4.0	3.7	3.7	3.5
Professional, scientific and technical services	13,560	14,082	14,730	15,155	15,635	16,074
% change	5.1	3.9	4.6	2.9	3.2	2.8
Administrative and support, waste management and remediation services	5,921	5,906	6,430	6,599	6,818	6,999
% change	-0.8	-0.3	8.9	2.6	3.3	2.7
Other services (except public administration)	4,584	4,676	4,884	5,038	5,190	5,341
% change	0.1	2.0	4.5	3.1	3.0	2.9
Arts, entertainment and recreation	2,168	2,248	2,326	2,405	2,487	2,562
% change	6.4	3.7	3.5	3.4	3.4	3.0
Information and cultural industries	7,421	7,473	7,760	8,003	8,269	8,506
% change	1.7	0.7	3.8	3.1	3.3	2.9
Educational services	11,652	11,852	11,995	11,926	11,903	11,830
% change	2.1	1.7	1.2	-0.6	-0.2	-0.6
Health care and social assistance	14,022	14,292	14,744	15,184	15,530	15,873
% change	2.4	1.9	3.2	3.0	2.3	2.2
Government Services	11,595	11,826	12,038	12,203	12,379	12,559
% change	2.3	2.0	1.8	1.4	1.4	1.5
Accommodation and food services	6,048	6,297	6,497	6,736	6,977	7,182
% change	3.4	4.1	3.2	3.7	3.6	2.9

\* includes direct hunting, fishing and trapping

## Domestic and Personal Income (\$Millions): British Columbia Provincial Forecast

	2016	2017	2018	2019	2020	2021
<b>Domestic Income</b>						
GDP at Market Prices	263,706	281,234	294,803	309,265	324,851	338,516
% Change	4.8	6.6	4.8	4.9	5.0	4.2
Employee Compensation	128,559	136,269	143,052	149,458	156,211	162,733
% Change	3.8	6.0	5.0	4.5	4.5	4.2
Net Operating Surplus: Corporations	29,171	31,766	32,358	33,991	35,727	35,421
% Change	9.8	8.9	1.9	5.0	5.1	-0.9
Net Operating Surplus: Mixed Income	36,403	39,529	42,959	46,357	49,900	53,445
% Change	5.8	8.6	8.7	7.9	7.6	7.1
Fixed Capital Consumption	40,694	42,194	43,423	44,658	46,358	48,369
% Change	2.8	3.7	2.9	2.8	3.8	4.3
Indirect Taxes Less Subsidies	28,770	31,368	32,902	34,692	36,546	38,438
% Change	5.0	9.0	4.9	5.4	5.3	5.2
Net Domestic Income (Factor Cost)	194,242	207,672	218,479	229,915	241,946	251,709
% Change	5.1	6.9	5.2	5.2	5.2	4.0
<b>Personal Income</b>						
Personal Income	223,158	235,602	249,861	262,755	276,395	289,725
% Change	4.7	5.6	6.1	5.2	5.2	4.8
Total Primary Income	188,746	200,067	212,701	223,867	235,676	247,102
% Change	4.5	6.0	6.3	5.2	5.3	4.8
Labour Income	132,389	139,130	147,314	153,911	160,865	167,581
% Change	3.7	5.1	5.9	4.5	4.5	4.2
Net Operating Surplus: Mixed Income	36,403	39,529	42,959	46,357	49,900	53,445
% Change	5.8	8.6	8.7	7.9	7.6	7.1
Net Property Income	19,954	21,408	22,428	23,600	24,912	26,075
% Change	7.7	7.3	4.8	5.2	5.6	4.7
Transfer Payments Received	34,412	35,534	37,160	38,888	40,719	42,623
% Change	5.4	3.3	4.6	4.7	4.7	4.7
Transfer Payments Paid	59,516	61,797	65,138	68,192	71,020	73,794
% Change	2.3	3.8	5.4	4.7	4.1	3.9
Disposable Income	163,642	173,804	184,723	194,563	205,375	215,932
% Change	5.6	6.2	6.3	5.3	5.6	5.1

Source: Statistics Canada, Central 1 Credit Union

## Labour Market Indicators: British Columbia Provincial Forecast

	2016	2017	2018	2019	2020	2021
Employment by Industry: British Columbia						
Total	2,379.5	2,466.6	2,493.8	2,533.4	2,566.6	2,595.3
% Change	3.2	3.7	1.1	1.6	1.3	1.1
Agriculture	24.4	26.2	24.4	24.0	24.2	24.2
% Change	9.9	7.4	-7.0	-1.5	0.8	0.0
Other Primary	50.8	49.8	48.7	48.8	48.9	49.7
% Change	5.2	-2.0	-2.2	0.2	0.2	1.8
Manufacturing	170.1	174.2	177.0	176.7	176.5	174.5
% Change	-1.4	2.4	1.6	-0.1	-0.1	-1.2
Utilities	13.5	12.9	13.8	13.9	13.9	13.8
% Change	-6.9	-4.4	6.8	0.8	-0.1	-0.2
Construction	211.3	228.6	241.5	242.3	243.1	244.0
% Change	4.9	8.2	5.6	0.3	0.3	0.4
Transportation & Warehousing	137.9	139.4	133.2	136.0	137.6	139.5
% Change	-1.5	1.1	-4.4	2.1	1.2	1.3
Trade	369.9	374.0	385.5	395.3	401.9	407.9
% Change	4.8	1.1	3.1	2.5	1.7	1.5
FIRE	135.9	156.2	150.6	151.4	152.6	154.4
% Change	5.7	14.9	-3.6	0.5	0.8	1.2
Professional, Scientific, Managerial	300.2	299.7	303.3	309.6	315.6	319.9
% Change	6.6	-0.2	1.2	2.1	1.9	1.4
Accommodation & Food Services	174.2	182.6	183.2	188.1	192.2	195.7
% Change	-1.9	4.8	0.3	2.7	2.2	1.8
Education Services	165.0	166.6	166.2	165.0	164.6	163.4
% Change	1.0	1.0	-0.3	-0.7	-0.3	-0.7
Health & Welfare Services	291.6	303.5	312.2	321.2	328.2	335.1
% Change	1.5	4.1	2.9	2.9	2.2	2.1
Other Services	231.2	251.2	249.7	255.3	260.3	264.8
% Change	5.3	8.7	-0.6	2.2	2.0	1.7
Government Services	103.7	101.9	104.8	106.0	107.3	108.7
% Change	7.9	-1.7	2.8	1.2	1.2	1.3

Labour Market Indicators: British Columbia						
Source Population	3,930.7	3,979.7	4,031.0	4,076.5	4,122.4	4,164.5
% Change	1.4	1.2	1.3	1.1	1.1	1.0
Participation Rate	64.4	65.3	65.2	65.4	65.5	65.6
Labour Force	2,532.3	2,598.7	2,627.2	2,665.5	2,700.2	2,731.7
% Change	3.0	2.6	1.1	1.5	1.3	1.2
Employment	2,379.5	2,466.6	2,493.8	2,533.4	2,566.6	2,595.3
% Change	3.2	3.7	1.1	1.6	1.3	1.1
Unemployment	152.8	132.1	133.5	132.1	133.6	136.4
% Change	0.9	-13.5	1.0	-1.1	1.2	2.1
Unemployment Rate	6.0	5.1	5.1	5.0	4.9	5.0
Average Weekly Hours	32.8	32.8	32.7	32.6	32.5	32.4
Hourly Wage Rate (%ch.)	0.6	2.2	4.2	3.2	3.4	3.4

Source: Statistics Canada, Central 1 Credit Union

## Residential Investment: British Columbia

### Provincial Forecast

	2016	2017	2018	2019	2020	2021
Real Residential Investment (\$2007 Millions)	25,455	26,326	26,985	26,685	26,635	26,948
% Change	15.0	3.4	2.5	-1.1	-0.2	1.2
Total New Dwellings	13,965	14,149	14,753	14,147	13,821	13,599
% Change	24.9	1.3	4.3	-4.1	-2.3	-1.6
Renovations	8,134	8,634	8,842	9,117	9,410	9,967
% Change	-0.6	6.1	2.4	3.1	3.2	5.9
Total Acquisition Costs	3,023	3,192	3,044	3,077	3,061	3,039
% Change	19.2	5.6	-4.6	1.1	-0.5	-0.7
Other Residential Construction	334	351	346	344	344	343
% Change	45.2	5.2	-1.4	-0.6	0.0	-0.4
Housing Starts (000s)	41.8	43.5	41.7	39.8	38.5	37.5
% Change	33.1	3.9	-4.1	-4.4	-3.2	-2.8
Single Detached Housing Starts (000s)	12.3	12.4	11.5	10.5	10.2	10.6
% Change	20.9	0.8	-6.8	-8.8	-2.7	3.5
Multi-Family Housing Starts (000s)	29.6	31.1	30.2	29.3	28.3	26.9
% Change	38.8	5.2	-3	-2.8	-3.5	-5

Source: Statistics Canada, CMHC, Central 1 Credit Union

## Non-Residential Investment: British Columbia

### Provincial Forecast

	2016	2017	2018	2019	2020	2021
Total	14,382	15,311	16,109	17,207	17,653	18,027
% Change	-4.2	2.9	4.8	6.3	3.2	2.1
Engineering Construction	9,277	10,128	10,357	10,993	11,302	11,351
% Change	-0.7	9.2	2.3	6.1	2.8	0.4
Building Construction	5,105	5,184	5,752	6,214	6,351	6,675
% Change	-25.3	1.5	11.0	8.0	2.2	5.1
Industrial Construction	1,346	1,214	1,413	1,578	1,709	1,789
% Change	-47.6	-9.8	16.4	11.7	8.3	4.7
Commercial Construction	1,718	1,748	1,884	2,148	2,257	2,397
% Change	-15.6	1.8	7.8	14.0	5.0	6.2
Inst. & Gov't Construction	2,224	2,405	2,639	2,670	2,568	2,673
% Change	-7.9	8.1	9.7	1.2	-3.8	4.1

Source: Statistics Canada, Central 1 Credit Union

Population and Components of Growth: British Columbia						
Provincial Forecast						
	2016	2017	2018	2019	2020	2021
Population and Factors of Growth						
Population (000s)	4,758	4,817	4,876	4,930	4,985	5,035
% Change	1.3	1.3	1.2	1.1	1.1	1.0
Births (000s)	44.6	44.8	46.2	47.0	47.7	48.4
Deaths (000s)	35.4	38.1	38.9	39.7	40.5	41.4
Natural Growth Rate (%)	0.2	0.1	0.2	0.2	0.1	0.1
Net In Migration (000s)	53.7	52.8	51.9	46.0	47.6	43.1
Net International(000s)	27.2	36.7	49.2	41.2	41.8	38.1
Net Interprovincial (000s)	26.6	16.2	2.7	4.8	5.8	5.0

Source: Statistics Canada, Central 1 Credit Union

Key External Forecasts						
Provincial Forecast						
	2016	2017	2018	2019	2020	2021
U.S. Real GDP, %chg.	1.5	2.3	3.0	2.4	1.8	2.0
Japan Real GDP, %chg.	1.0	1.7	1.2	1.1	0.9	0.8
European Union Real GDP, %chg.	1.8	2.4	2.1	1.9	1.6	1.5
China Real GDP, %chg.	6.7	6.9	6.6	6.4	6.2	5.9
Canada Real GDP, %chg.	1.5	3.0	2.0	1.8	1.7	1.8
Canada 3-month T-Bill, %	0.50	0.69	1.35	1.75	2.15	2.40
Canada GoC Long-term Bond, %	1.80	2.28	2.50	2.85	3.20	3.40
U.S.-Canada Exchange Rate, cents/dollar	75.4	77.1	77.8	78.4	80.0	81.0
Henry Hub Natural Gas Price, USD/mmbtu	2.52	2.99	2.90	2.95	3.10	3.20
%chg	-4.2	18.7	-3.0	1.7	5.1	3.2
WTI USD/barrel	43	51	66	64	62	60
%chg	-12.2	18.6	29.4	-3.0	-3.1	-3.2

Source: Statistics Canada, IMF, Bank of Canada, EIA, Central 1 Credit Union

## Terms

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