Economic Analysis of British Columbia

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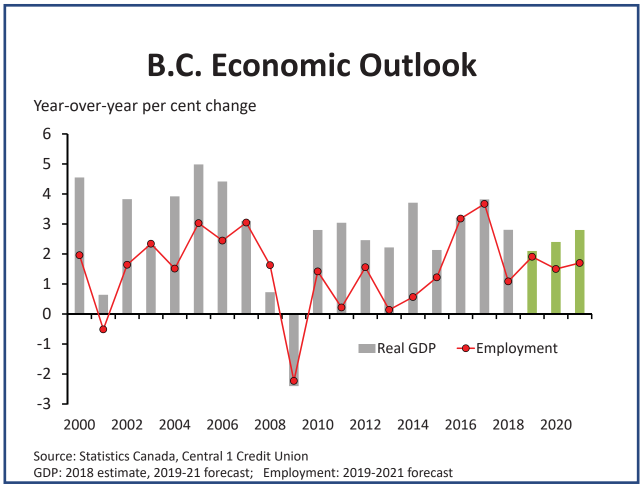
central 1

B.C. Economic Outlook 2019-2021

Highlights:

- B.C. economic growth slows to 2.1 per cent in 2019 and 2.4 per cent in 2020
- Housing is main drag on growth as policy-induced slowdown trigger slump in housing starts and residential investment cycle
- Major capital spending, population growth and tight labour market primary supports for economic growth going forward
- Unemployment rate trends to near four per cent over forecast horizon
- Population growth to average 1.3 per cent per year



B.C.'s economy will slow over the next three years as the policy-induced housing market downturn weighs temporarily on growth. The recent slump in housing demand and prices will trigger a sharp contraction in housing construction and the most pronounced drop in broader residential investment since 2009. Related spending will also slow; however, no recession is forecast. Growth will trend in a range of 2.0 to 2.5 per cent over the next two years and accelerate to 2.8 per cent in 2021.

Outside the housing market, economic conditions remain firm. The labour market remains tight with rising employment and a low jobless rate. Population continues to climb which continues to support domestic demand. The economy will also see a sharp rotation toward capital investment, which will be an important offset to the housing downturn. LNG Canada's massive liquefied natural gas project is expected to build-out at the same time as other major public works projects across the province. These will cushion and absorb negative labour market impacts in other sectors.

Net exports are expected to be a drag on growth. Global growth prospects have eroded with rising trade uncertainty, specifically between the U.S. and China, and a slowdown in Canada. Export growth slows to below three per cent. Imports are forecast to accelerate to above 4.5 per cent this year as major project investment lifts demand for materials and equipment.

Employers will continue to grapple with a tight labour market. Employment climbs 1.9 per cent this year

Forecast Summary: British Columbia

	2016	2017	2018	2019	2020	2021
Real GDP, % Change	3.2	3.8	2.8	2.1	2.4	2.8
Nominal GDP, % Change	6.0	6.9	6.0	4.3	4.2	4.8
Employment, % Change	3.2	3.7	1.1	1.9	1.5	1.7
Unemployment Rate, (%)	6.0	5.1	4.7	4.7	4.4	4.0
Population, % Change	1.7	1.3	1.4	1.2	1.3	1.4
Housing Starts (000s)	41.8	43.7	40.9	32.6	34.3	35.5
Retail Sales, % Change	7.7	9.3	2.0	3.6	5.1	5.6
Personal Income, % Change	3.6	6.6	4.7	4.5	4.4	5.0
Net Operating Surplus Corporations, % Change	26.6	18.8	13.6	1.6	0.8	0.9
Consumer Price Index, % Change	1.9	2.1	2.7	2.2	1.9	1.8

Source: Statistics Canada, CMHC, Central 1 Credit Union before slipping in 2020 and 2021 due largely to availability of labour. Hiring is constrained in large part by population growth as the unemployment rate declines to about four per cent by 2021. Tight labour market conditions underpin wage growth of above three per cent, and a rising share of labour income in the economy.

Risks to this outlook include the evolution of trade negotiations between the U.S. and China, and general protectionism in the global economy. B.C.'s economic growth performance is also contingent on a number of major projects ramping up construction over the forecast period. While these are firm, various factors could delay construction.

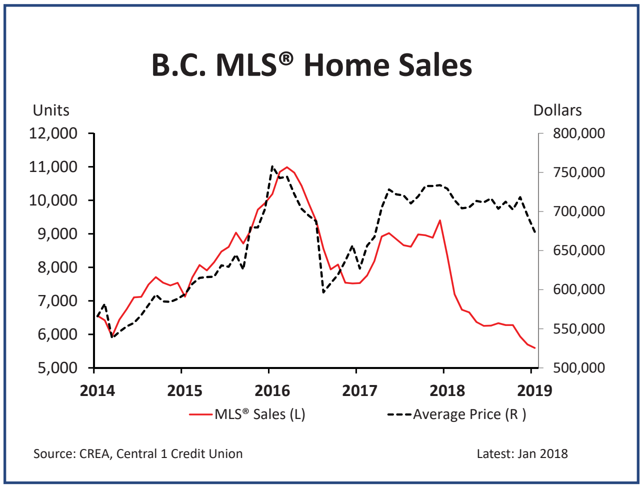
Current economic trends

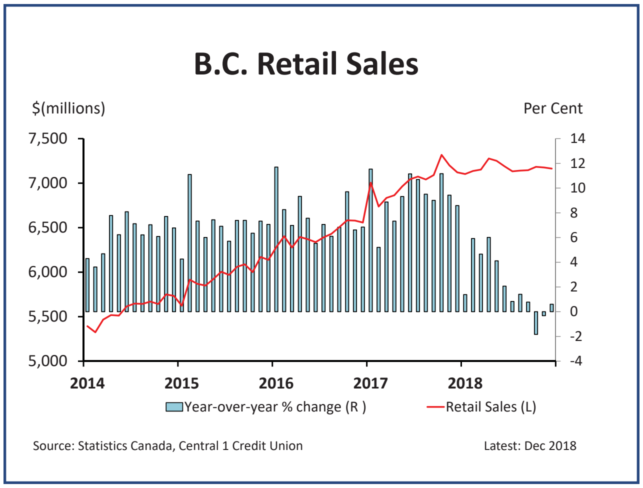
B.C.'s economy decelerated over the past year following robust gains in 2017. Growth in real gross domestic product (GDP) is estimated to have eased to 2.8 per cent in 2018 from a robust 3.8 per cent in 2017. Sharp policy-induced deceleration in the housing market and slowing consumer demand have dampened household demand.

Federal B-20 mortgage 'stress tests' and provincial tax measures that were introduced in 2018 have led to a severe housing retrenchment in the existing home sales market. Retrenchment has been significant in larger urban markets, which will curtail new home activity in 2019. Home sales have fallen to a multi-year low pace. Credit constraints alongside higher interest rates have curtailed the purchasing power of some buyers, triggering price declines and slowing activity in ancillary sectors of the economy.

Retail sales rose a mere two per cent last year following a 9.3 per cent increase in 2017 and 6.6 per cent gain in 2016 despite support from rising wages, solid labour market and population growth. Sluggish housing market momentum and higher interest rates contributed to the dip. This was the weakest year of growth since 2012 as vehicle sales fell sharply and sales of furniture and furnishings slowed. That said, population and wage growth continue to support growth in the service sector.

Despite the drag from the household sector, various indicators still point to a firm B.C. economy although momentum looks to ease. International merchandise exports and manufacturing sales rose seven and nine per cent, albeit growth was slower than in 2017. A slowdown in forestry demand—and lower commodity prices owing to global growth concerns and trade uncertainty—has taken root pointing to slower momentum during the back half of the year. Merchandise export growth to the U.S. fell to about three per cent





from six per cent in 2017, while shipments to China slowed to about five per cent from eight per cent the prior year. Lumber production has slowed, while lower copper prices have led to the suspension of production at Imperial Metals' Mount Polley mine. Energy export growth was flat in 2018 as natural gas sales eased, offsetting stronger demand for coal products and natural gas liquids.

Service exports have also been buoyant and have generally outperformed growth in real goods exports in recent years. International tourism inflows were up more than six per cent in 2018 as the low Canadian dollar and the politically charged environment in the U.S. funneled travel to Canada. Relatively stronger growth for commercial services, including technology services and consulting, were positive drivers for exports.

Construction of major projects such as the Site C dam, preliminary work on the liquefied natural gas (LNG) plant and related projects and commercial projects have been drivers of investment spending. Government investments in hospitals and schools and the mentioned Site C dam drove large gains in spending.[1] Non-residential permit volume, which signals invest-

[1] British Columbia, Ministry of Finance Budget 2018: Second Quarterly Report. November 2018

ment growth, was up nearly 20 per cent. Engineering investment growth likely temporarily eased following a surge in 2017 due to construction of several gas plants in northeast B.C.

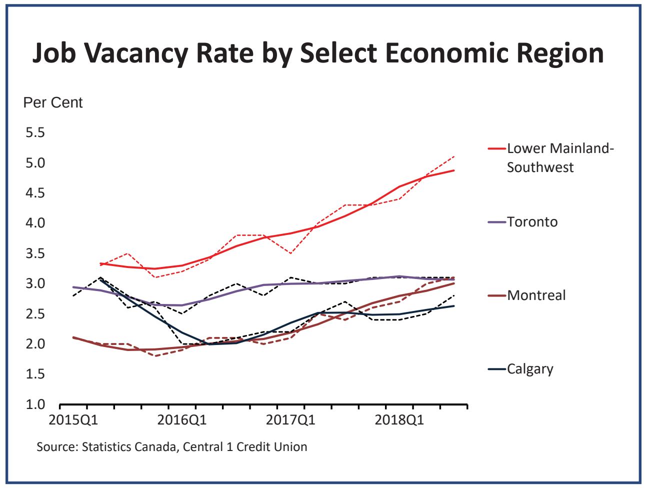
Labour market conditions in B.C. remain tight. While Statistics Canada's *Labour Force Survey (LFS)* estimates of employment growth disappointed in 2018 at 1.1 per cent compared to the 3.7 per cent surge 2017—this understates the performance. Some of this weakness is likely a sampling error in the survey as the trend picked up sharply in the second half of the year. The survey of employers consistently showed hiring growth of more than 3.5 per cent.

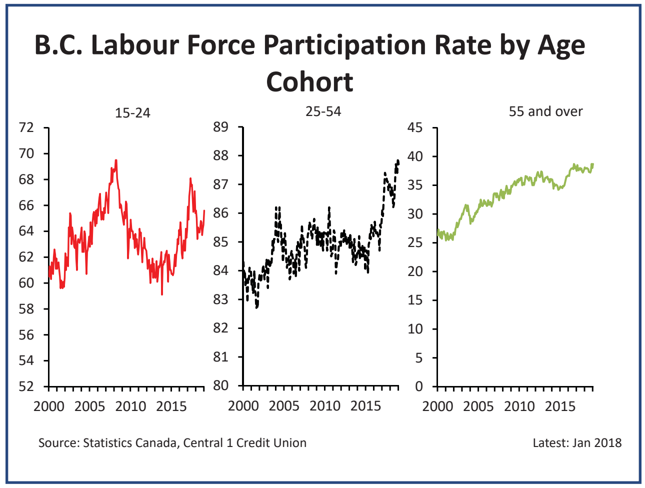
B.C. is grappling with a shortage of workers. The unemployment rate sank below 4.5 per cent last year while the job vacancy rate was by far highest in the country as employers scrounged for skills to meet production demands. Meeting these needs is largely a supply story. Lower than peak labour force participation rates owe mostly to an aging population as employed individuals naturally age out of their working years. In fact, by age cohort, labour force participation rates for prime-age and older workers are at record highs pointing to little capacity for the existing workforce to add to labour supply. Higher international migration inflows have helped.

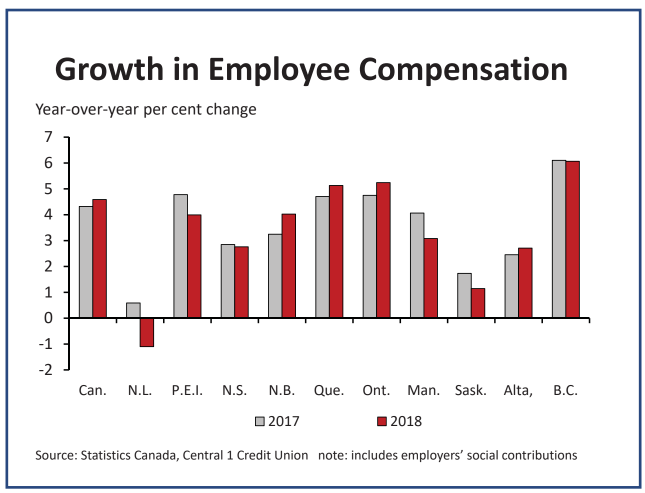
Aggregate compensation data highlights the strong labour demand in the province. Annual compensation in B.C. rose six per cent through, following full-year growth of 6.1 per cent in 2017. Gains in 2018 were above the national gain of five per cent and the highest among provinces for the fourth straight year and support overall consumption. Sectors including high tech services, utilities and professional services recorded some of the strongest gains.

Forecast

Real GDP is forecast to slow to 2.1 per cent this year before rising to 2.4 per cent in 2020 and 2.8 per cent in 2021. Holding back growth will be the housing market slump, which is deeper than previously forecast and has had knock-on effects on housing starts and residential investment over the next three years. Exports will grow at a slower pace with an anticipated slowdown in global economic growth. However, a ramp up in major capital project construction in the private and public sectors, will be a strong offset to the decline in residential activity. Moderate population growth is also a persistent source of growth which will underpin consumer spending.







Macro economic environment softens

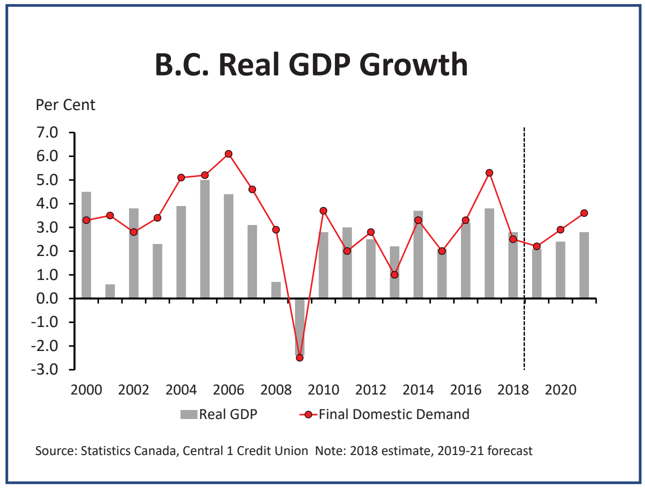
Global economic growth has hit a cyclical peak. Beset by uncertainty related to ongoing trade tensions between the U.S. and China which could intensify, impacts of Brexit, tighter financial conditions and new emission standards in Germany. The International Monetary Fund (IMF) shaved its growth outlook for 2019 and 2020 to 3.5 and 3.6 per cent, marking downward revisions of 0.2 and 0.1 percentage points from forecasts in October 2018.[2] The deceleration in growth is forecast to be steeper in advanced economies, from a 2.3 per cent rate in 2018 to 2.0 and 1.7 per cent in 2019 and 2020. Emerging and developing economic growth is also forecast to slow from 4.6 per cent in 2018 to 4.5 per cent in 2019, before picking up. Weaker growth in China is a key driver of the slowdown.

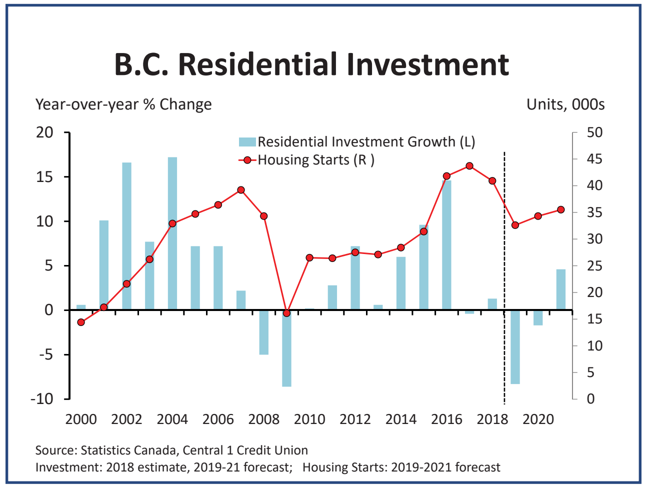
The IMF forecasts Canadian GDP growth to slow to 1.9 per cent in both 2019 and 2020. This is higher than our outlook of 1.7 per cent but aligns in its downward direction. Lower oil production following government mandated cuts in Alberta, policy-induced weakness in the housing market and slower consumer demand will drag on Canada's growth picture. B.C.'s economic growth trajectory follows the broad brushstrokes of the Canadian picture; however, growth will continue to perform the rest of the country.

The slowing macro-economic environment will mean a pause in the interest rate tightening cycle. After hiking seven times—or 1.75 percentage points since the beginning of 2017—the U.S. Federal Reserve has signaled a pause in the tightening cycle. In Canada, rate expectations have similarly dampened. We forecast a pause in the policy rate increases until the fourth quarter of 2019 after three hikes in 2018 have contributed to a slowdown in credit growth. We expect the Bank of Canada to stand pat and maintain rates at an accommodative level through to 2020.

B.C.'s economy rotates away from consumer demand

A weak housing market remains the primary drag on economic growth. Policy shocks over the past two years have restrained housing transactions across the province and contribute to a moderate housing price correction in Metro Vancouver. Housing starts lag the sales cycle and are forecast to decline by 20 per cent this year to 32,600 before edging higher in subsequent years. The current downcycle in demand leads to higher new home inventory and reduced condominium pre-sale activity forcing developers to delay construction or cancel projects. Multi-family housing starts will drive most of the decline and be concentrated in Metro Vancouver. Government investment in housing will provide some offset to a decline in private investment. Residential investment spending declines eight per cent this year on fewer housing starts and a slowdown in renovation spending deteriorates in 2020 before turning higher. Existing home sales turn higher by





mid-2019 as lower prices induce buyers to enter the market, but a substantial rebound is not expected. This downturn will be modest compared to previous episodes reflecting a policy-induced downturn, rather than economic-recession induced downturn.

Growth in consumer spending trends average 2.5 per cent this year and next year before accelerating in 2021. Growth slows from the robust pace of more than 3.5 per cent observed from 2014 through to 2017. Low housing sales and less price appreciation holds back spending on housing related goods and a gentle increase in interest rates also constrains spending on durable goods. Nevertheless, household spending, which makes up about two-thirds of spending in the economy, will continue to grow at a solid pace. Rising population, employment growth and wage gains will underpin demand. Specifically, demand for services will average more than three per cent per year, outpacing goods-consumption. Government spending will grow at a slower pace than the economy but above population growth.

Acceleration in investment is expected. Economic growth rotates towards major capital spending reflecting a ramp up in construction on the LNG plant in

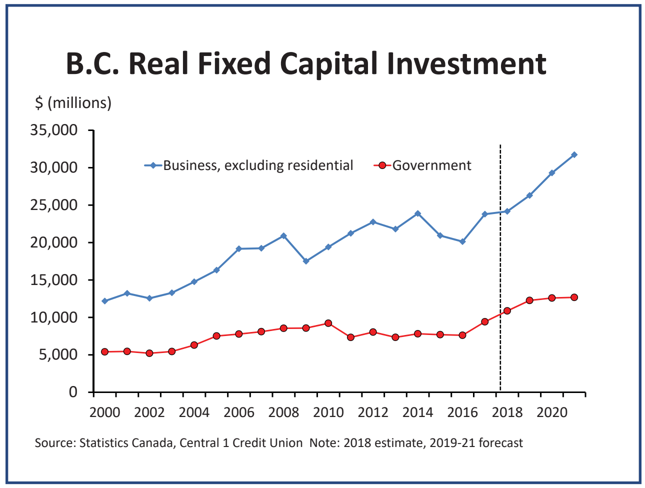
[2] International Monetary Fund. World Economic Update, January 2019. https://www.imf.org/en/Publications/WEO/Issues/2019/01/11/weo-update-january-2019

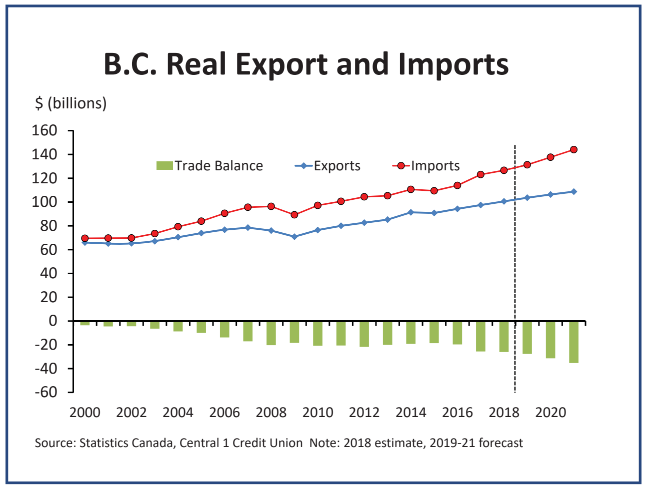
Kitimat and the associated Coastal Gaslink Pipeline that spans across northern B.C. While pegged as a $40 billion project, the value includes upstream drilling that occurs in relation to the project. The project is slated to finish in 2023-2024. Adding to this are high levels of investment in government projects including ongoing work on the $10.7 billion Site C dam in northeast B.C., Pattullo Bridge construction, Broadway subway construction and major hospital construction. The B.C. government's latest budget pegs taxpayer-supported government spending at $20.1 billion over the next three years. On average this represents an increase of more than 50 per cent above annual investment spending from 2013 through 2017; although, construction inflation is a factor. General business investment will remain steady as businesses invest on solid domestic demand in response to a tight labour market; albeit, global economic uncertainty is a risk. Weaker performance is expected in the mining and forestry sectors due to weaker metal, mineral and lumber prices, as well as long-term timber supply constraints affecting the latter sector.

Broadly, government capital investment climbs 13 per cent this year, extending two years of sharp gains before levelling out at strong pace. Non-residential business investment climbs sharply through the forecast period. However, about half of the investment related to the LNG plant will need to be imported, including parts and liquefaction equipment from Asia. A sharp increase in imported goods will offset the rise in domestic demand. Export benefits to the LNG project will not occur until completion.

While domestic demand generally remains firm, net exports will erode. Export growth eases to less than 2.5 per cent reflecting the global and national economic slowdown. Weaker commodities, supply constraints in the forestry sector and general demand deceleration curtails export expansion. With B.C.'s largest export partners in a trade dispute that is impacting growth in global markets, trade diversification can only provide so much upside. Service sector exports, including technology and professional services, will likely remain firm but also slow in expansion. The competitive Canadian dollar remains a key support. Record tourism flows will continue; however, further gains are limited. A trade agreement between the U.S. and China would provide some upside risk and lessen uncertainty in the broader economy.

On the industry front, diverging economic drivers contribute to significant variation. Following eight years of expansion, residential construction output contracts sharply in 2019 and 2020 before a rebound in 2021. Housing-related sectors, including finance, insurance and real estate slow to near two per cent after averag-





ing more than three per cent growth since 2013. The retail sector slows to less than two per cent over the next two years before rising in 2021, reflecting the slowdown in consumer demand.

Export deceleration, weak commodity prices and related investment, means a downshift in mining output and lower growth in manufacturing compared to recent years. Forestry outputs—direct harvesting and related wood products—are forecast to be at flat, with risk of contraction. Growth in the sector is strained by a limited supply due to the long-term impacts of the mountain pine beetle epidemic from the late 1990s. A slowdown in housing construction domestically, will be a drag.

Non-residential construction sectors provide most of the offset over the forecast period, with engineering construction rising at more than ten per cent per year with major project build-outs. Building construction will be elevated but growth will be mild. Tourism-related sectors and hi-tech services will remain solid growth drivers.

Employment constrained by population growth

Low unemployment rates, low employment insurance counts and high job vacancy rates speaks to a market that is constrained by labour availability. Statistics Canada's *Labour Force Survey* (LFS) employment growth is forecast to bounce back this year to 1.9 per cent owing in part to late-2018 momentum. However, it is predicted to slide to an annual pace of 1.5 and 1.7 per cent over 2019 and 2020, constrained mostly by population growth. The labour market participation rate, which has increased over the past year on strong hiring demand and rising wages, has limited upside and is expected to ease by 2021 as retirements rise.

While there is weakness in hiring demand in some sectors, particularly residential construction, transferable skillsets to non-residential activity will provide an outlet for displaced jobs. A period of flat employment is anticipated in manufacturing and resources, with stronger gains related to service-oriented sectors of government, tourism and technology.

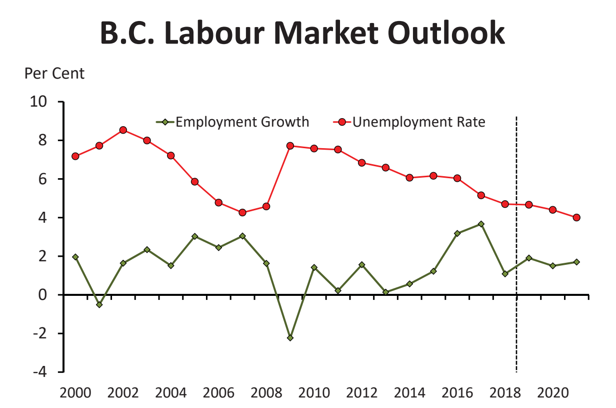
The unemployment rate declines from 4.7 per cent this year to 4.4 per cent in 2020, before sliding to 4.0 per cent and a near record low. Wage growth is forecast to remain firm above 3.5 per cent annually, although employers will also adapt by investing in productivity enhancing technologies and equipment. LFS employment may understate hiring momentum in the province as some positions will be filled by individuals residing in other parts of Canada.

Population growth trends near 1.3 per cent

B.C.'s population is forecast to rise by an average of about 67,000 persons, or 1.3 per cent annually, through 2021. Growth reflects positive migration factors. Rising federal intake of international migrants is a key contributor to growth with inflows of permanent residents above 40,000 persons per year. Major project construction is also expected to induce a rise in non-permanent residents over the forecast period given insufficient domestic labour and a tight labour market.

Stronger labour market conditions in B.C. compared to the national picture and a deteriorating economy in Alberta, will lift interprovincial migration following a sharp deterioration in trend last year. Forecast net inflows to B.C. reach 11,300 persons in 2019 and more than 15,000 persons in 2020 and 2021 as workers shift westward for jobs. Demographic drivers including migration of retirees to B.C. will also contribute to net increases.

Household formation fluctuates near 31,500 households per year in this forecast, but actual numbers will depend on the household size. Levels are elevated relative to the past decade. Housing demand is sufficient to draw down inventory over time. While household formations are lower than housing starts, it should be noted starts are offset by demolitions of existing units.



Source: Statistics Canada, Central 1 Credit Union Note: 2019-21 forecast

Labour income growth outpaces headline nominal GDP growth

Nominal GDP is forecast to slow from 6.0 per cent in 2018 to 4.4 per cent this year and 3.7 per cent in 2020 before rebounding. This deceleration reflects less growth in the real economy as well as a moderation in prices. Export price growth is dampened by commodity prices, while building construction price growth is tempered by the slower housing market.

Labour share of income is forecast to rise, reflecting the tight labour market, rising wages and modest export prices. Aggregate corporate profits are weak over the forecast period and expected to ease to 1.6 per cent this year and about one per cent thereafter. This follows strong growth over the past three years. Downward pressure on profits reflect large upcoming capital investments in LNG plant and other projects, which will drive a surge in import outlays over the medium-term. Higher export income from LNG exports will arise in the mid-2020s onward; although, this would be industry specific.

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Appendix Tables

Gross Domestic Product: Expenditures						
	2016	2017	2018	2019	2020	2021
Real GDP ($2012, millions)						
GDE	247,426	256,875	263,970	269,567	276,055	283,789
% Change	3.2	3.8	2.8	2.1	2.4	2.8
Household Final Consumption	161,522	169,022	172,854	177,177	181,747	187,880
% Change	3.4	4.6	2.3	2.5	2.6	3.4
Durable Goods	19,514	21,129	21,075	21,270	21,853	22,832
% Change	6.5	8.3	-0.3	0.9	2.7	4.5
Semi-Durable Goods	10,969	11,338	11,556	11,759	12,057	12,488
% Change	3.1	3.4	1.9	1.8	2.5	3.6
Non-Durable Goods	34,586	36,124	37,041	37,779	38,604	39,679
% Change	2.9	4.4	2.5	2.0	2.2	2.8
Services	96,512	100,503	103,245	106,426	109,292	112,948
% Change	3.0	4.1	2.7	3.1	2.7	3.3
NPISH Consumption	4,007	3,901	4,043	4,125	4,222	4,338
% change	10.2	-2.6	3.6	2.0	2.4	2.7
Government Current	44,185	45,511	46,389	47,111	47,814	48,567
% Change	1.7	3.0	1.9	1.6	1.5	1.6
Government Investment	7,618	9,416	10,872	12,269	12,593	12,674
% Change	-1.0	23.6	15.5	12.8	2.6	0.6
Business Gross Fixed Capital	48,930	52,592	53,286	53,405	56,258	60,071
% change	4.5	7.5	1.3	0.2	5.3	6.8
Residential Construction	25,815	25,710	26,056	23,900	23,487	24,521
% Change	14.6	-0.4	1.3	-8.3	-1.7	4.4
Machinery & Equipment	7,615	7,567	7,960	8,740	10,570	11,933
% Change	11.5	-0.6	5.2	9.8	20.9	12.9
Non-Residential Structures	12,512	16,227	16,204	17,552	18,731	19,799
% Change	-11.3	29.7	-0.1	8.3	6.7	5.7
Intellectual Property	2,988	3,088	3,065	3,214	3,471	3,818
% change	-11.3	3.3	-0.7	4.8	8.0	10.0
NPISH Investment	444	457	551	566	579	594
% change	12.4	2.9	20.5	2.8	2.2	2.6
Domestic Demand	266,674	280,790	287,825	294,183	302,643	313,541
% Change	3.3	5.3	2.5	2.2	2.9	3.6
Exports	94,289	97,490	100,572	103,649	106,344	108,743
% Change	3.8	3.4	3.2	3.1	2.6	2.3
Imports	113,953	123,101	126,637	131,317	137,667	144,064
% Change	4.1	8.0	2.9	3.7	4.8	4.6

Source: Statistics Canada, Central 1 Credit Union

Gross Domestic Product: Expenditures						
	2016	2017	2018	2019	2020	2021
Nominal GDP ($ millions)						
GDE	263,978	282,205	299,112	312,039	325,113	340,799
% Change	6.0	6.9	6.0	4.3	4.2	4.8
Household Final Consumption	169,612	179,796	187,648	196,649	205,653	216,531
% Change	4.6	6.0	4.4	4.8	4.6	5.3
Durable Goods	20,228	22,198	22,510	23,161	24,211	25,710
% Change	9.1	9.7	1.4	2.9	4.5	6.2
Semi-Durable Goods	11,390	11,858	12,369	12,857	13,424	14,146
% Change	4.7	4.1	4.3	4.0	4.4	5.4
Non-Durable Goods	35,864	38,373	40,184	42,055	43,764	45,762
% Change	3.9	7.0	4.7	4.7	4.1	4.6
Services	102,130	107,367	112,586	118,575	124,253	130,914
% Change	4.0	5.1	4.9	5.3	4.8	5.4
NPISH Consumption	4,240	4,450	4,709	4,907	5,126	5,371
% change	11.1	5.0	5.8	4.2	4.5	4.8
Government Current	47,493	49,887	51,891	53,838	55,755	57,782
% Change	2.5	5.0	4.0	3.8	3.6	3.6
Government Investment	8,371	10,548	12,499	14,578	15,331	15,713
% Change	-0.1	26.0	18.5	16.6	5.2	2.5
Business Gross Fixed Capital	55,149	60,812	63,492	64,929	69,632	75,671
% change	9.0	10.3	4.4	2.3	7.2	8.7
Residential Construction	29,512	30,836	32,464	30,459	30,504	32,491
% Change	21.1	4.5	5.3	-6.2	0.1	6.5
Machinery & Equipment	8,804	8,667	9,244	10,384	12,845	14,811
% Change	15.2	-1.6	6.7	12.3	23.7	15.3
Non-Residential Structures	13,504	17,859	18,241	20,225	22,007	23,702
% Change	-9.3	32.2	2.1	10.9	8.8	7.7
Intellectual Property	3,329	3,450	3,543	3,860	4,276	4,667
% change	-10.0	3.6	2.7	8.9	10.8	9.1
NPISH Investment	478	507	629	666	698	724
% change	14.4	6.1	24.1	5.9	4.8	3.7
Domestic Demand	285,343	306,000	320,868	335,567	352,194	371,792
% Change	5.0	7.2	4.9	4.6	5.0	5.6
Exports	102,132	111,052	119,280	125,425	132,265	138,821
% Change	6.2	8.7	7.4	5.2	5.5	5.0
Imports	123,415	135,936	144,506	152,049	162,176	172,580
% Change	3.8	10.1	6.3	5.2	6.7	6.4

Source: Statistics Canada, Central 1 Credit Union

Gross Domestic Product: Industries Provincial Forecast						
	2016	2017	2018	2019	2020	2021
All Industries	229,575	238,790	245,386	250,589	256,899	264,376
% change	3.4	4.0	2.8	2.1	2.5	2.9
Agriculture	1,359	1,351	1,382	1,398	1,408	1,428
% change	1.1	-0.6	2.3	1.1	0.8	1.4
Forestry	1,888	1,822	1,800	1,806	1,815	1,852
% change	-4.2	-3.5	-1.2	0.4	0.5	2.1
Fishing, hunting, trapping and agriculture and forestry support	304	298	305	309	312	316
% change	-5.7	-1.9	2.2	1.4	0.8	1.5
Oil and Gas Mining	3,643	3,705	3,787	3,823	3,873	3,918
% change	14.9	1.7	2.2	0.9	1.3	1.2
Other Mining	4,746	4,580	5,081	5,153	5,297	5,453
% change	-1.9	-3.5	10.9	1.4	2.8	2.9
Support activities for oil, gas, and other mining	744	713	712	731	757	791
% change	-28.6	-4.1	-0.2	2.7	3.6	4.5
Utilities	4,981	5,261	5,332	5,398	5,467	5,562
% change	3.7	5.6	1.4	1.2	1.3	1.7
Construction	18,479	20,478	20,764	20,866	21,742	22,857
% change	2.1	10.8	1.4	0.5	4.2	5.1
Residential Construction	8,721	8,939	9,258	8,412	8,213	8,613
% change	16.8	2.5	3.6	-9.1	-2.4	4.9
Non-Residential Construction	2,216	2,039	2,181	2,177	2,255	1,991
% change	-24.1	-8.0	6.9	-0.2	3.6	-11.7
Engineering Construction	4,462	6,150	5,842	6,624	7,427	8,179
% change	-1.3	37.9	-5.0	13.4	12.1	10.1
Other Construction	3,080	3,350	3,483	3,653	3,847	4,074
% change	-3.7	8.7	4.0	4.9	5.3	5.9
Manufacturing	16,448	17,398	17,730	17,914	18,315	18,794
% change	3.8	5.8	1.9	1.0	2.2	2.6
Food Products	2,080	2,153	2,207	2,234	2,250	2,303
% change	3.1	3.5	2.5	1.2	0.7	2.3
Wood Products	3,014	2,986	2,914	2,899	2,914	2,975
% change	6.0	-0.9	-2.4	-0.5	0.5	2.1
Paper and Allied Product	1,398	1,451	1,521	1,560	1,574	1,598
% change	-4.1	3.8	4.8	2.6	0.9	1.5
Primary Metals	1,327	1,471	1,374	1,395	1,426	1,463
% change	34.2	10.9	-6.6	1.5	2.3	2.6
Non-Metallic Minerals	1,197	1,378	1,416	1,402	1,460	1,546
% change	3.0	15.2	2.7	-1.0	4.1	5.9

Gross Domestic Product: Industries
Provincial Forecast

	2016	2017	2018	2019	2020	2021
Fabricated Metals	1,089	1,167	1,195	1,201	1,231	1,257
% change	-2.0	7.1	2.5	0.5	2.5	2.1
Machinery	973	1,190	1,214	1,232	1,265	1,264
% change	-2.2	22.3	2.0	1.5	2.7	0.0
Wholesale trade	9,110	9,655	10,065	10,310	10,645	10,983
% change	6.0	6.0	4.2	2.4	3.2	3.2
Retail trade	13,322	14,212	14,422	14,587	14,873	15,351
% change	5.5	6.7	1.5	1.1	2.0	3.2
Transportation And Warehousing	13,298	14,289	14,831	15,548	15,889	16,306
% change	5.3	7.5	3.8	4.8	2.2	2.6
Pipelines	1,253	1,307	1,362	1,555	1,583	1,602
% change	8.9	4.3	4.2	14.1	1.8	1.2
Other Transportation & Warehousing	12,045	12,982	13,469	13,993	14,306	14,704
% change	5.0	7.8	3.8	3.9	2.2	2.8
Finance, Insurance & Real Estate	28,172	28,813	29,661	30,238	30,928	31,891
% change	4.4	2.3	2.9	1.9	2.3	3.1
Owner-Occupied Housing	27,342	28,342	29,353	30,353	31,381	32,415
% change	3.8	3.7	3.6	3.4	3.4	3.3
Professional, scientific and technical services	14,559	15,029	15,347	15,704	16,218	16,788
% change	4.8	3.2	2.1	2.3	3.3	3.5
Administrative and support, waste management and remediation services	6,987	6,931	7,186	7,358	7,551	7,763
% change	-0.8	-0.8	3.7	2.4	2.6	2.8
Other services (except public administration)	5,137	5,253	5,411	5,560	5,702	5,883
% change	0.3	2.3	3.0	2.8	2.5	3.2
Arts, entertainment and recreation	2,211	2,259	2,331	2,402	2,464	2,538
% change	6.0	2.2	3.2	3.0	2.6	3.0
Information and cultural industries	8,031	8,228	8,505	8,753	8,978	9,227
% change	4.0	2.5	3.4	2.9	2.6	2.8
Educational services	12,030	12,229	12,395	12,440	12,470	12,513
% change	2.1	1.7	1.4	0.4	0.2	0.3
Health care and social assistance	16,003	16,339	16,855	17,302	17,724	18,162
% change	2.6	2.1	3.2	2.7	2.4	2.5
Government Services	12,831	13,104	13,313	13,523	13,739	13,971
% change	1.8	2.1	1.6	1.6	1.6	1.7
Accommodation and food services	6,818	7,219	7,502	7,778	7,996	8,234
% change	3.8	5.9	3.9	3.7	2.8	3.0

Source: Statistics Canada, Central 1 Credit Union

* includes direct hunting, fishing and trapping

Domestic and Personal Income

	2016	2017	2018	2019	2020	2021
Domestic Income ($ millions)						
GDP at Market Prices	263,978	282,205	299,112	312,039	325,113	340,799
% Change	6.0	6.9	6.0	4.3	4.2	4.8
Employee Compensation	127,866	135,668	142,817	150,017	157,465	166,441
% Change	3.3	6.1	5.3	5.0	5.0	5.7
Net Operating Surplus: Corporations	30,099	35,743	40,619	41,262	41,578	41,972
% Change	26.6	18.8	13.6	1.6	0.8	0.9
Net Operating Surplus: Mixed Income	35,800	37,981	39,949	41,960	43,974	46,368
% Change	5.9	6.1	5.2	5.0	4.8	5.4
Fixed Capital Consumption	40,804	42,199	44,118	45,780	47,593	49,689
% Change	2.8	3.4	4.5	3.8	4.0	4.4
Indirect Taxes Less Subsidies	29,186	30,393	31,388	32,798	34,282	36,107
% Change	5.0	4.1	3.3	4.5	4.5	5.3
Net Domestic Income (Factor Cost)	193,988	209,613	223,605	233,461	243,238	255,002
% Change	6.8	8.1	6.7	4.4	4.2	4.8
Personal Income	220,334	234,794	245,862	257,023	268,226	281,508
% Change	3.6	6.6	4.7	4.5	4.4	5.0
Total Primary Income	185,574	198,397	207,945	217,166	226,460	237,867
% Change	3.1	6.9	4.8	4.4	4.3	5.0
Labour Income	130,955	138,955	146,277	153,652	161,280	170,474
% Change	2.5	6.1	5.3	5.0	5.0	5.7
Net Operating Surplus: Mixed Income	35,800	37,981	39,949	41,960	43,974	46,368
% Change	5.9	6.1	5.2	5.0	4.8	5.4
Net Property Income	18,819	21,461	21,719	21,554	21,206	21,025
% Change	2.3	14.0	1.2	-0.8	-1.6	-0.9
Transfer Payments Received	34,760	36,397	37,917	39,856	41,766	43,641
% Change	6.5	4.7	4.2	5.1	4.8	4.5
Transfer Payments Paid	59,936	62,637	66,453	69,749	72,824	76,462
% Change	2.3	4.5	6.1	5.0	4.4	5.0
Disposable Income	160,398	172,157	179,409	187,273	195,402	205,046
% Change	4.1	7.3	4.2	4.4	4.3	4.9

Source: Statistics Canada, Central 1 Credit Union

Labour Market Indicators

	2016	2017	2018	2019	2020	2021
Employment by Industry: British Columbia						
Total	2,379.5	2,466.8	2,493.6	2,541.1	2,579.6	2,623.4
% Change	3.2	3.7	1.1	1.9	1.5	1.7
Agriculture	24.4	26.2	23.6	24.1	24.1	24.0
% Change	9.9	7.4	-9.9	2.3	-0.3	-0.5
Other Primary	50.8	49.8	49.7	48.6	48.9	49.1
% Change	5.2	-2.0	-0.2	-2.3	0.7	0.4
Manufacturing	170.1	174.2	174.3	173.0	173.3	173.4
% Change	-1.4	2.4	0.1	-0.7	0.2	0.1
Utilities	13.5	12.9	13.9	13.7	13.8	13.8
% Change	-6.9	-4.4	7.8	-1.3	0.3	0.5
Construction	211.3	228.6	238.4	234.8	235.7	242.2
% Change	4.9	8.2	4.3	-1.5	0.4	2.8
Transportation & Warehousing	137.9	139.4	135.8	141.3	143.7	145.9
% Change	-1.5	1.1	-2.6	4.1	1.7	1.5
Trade	369.9	374.0	368.4	370.7	376.3	382.2
% Change	4.8	1.1	-1.5	0.6	1.5	1.6
FIRE	135.9	156.2	150.8	154.3	157.6	161.3
% Change	5.7	14.9	-3.5	2.3	2.1	2.4
Professional, Scientific, Managerial	300.2	299.7	309.1	318.1	324.8	331.1
% Change	6.6	-0.2	3.1	2.9	2.1	1.9
Accomodation & Food Services	174.2	182.6	187.7	194.2	198.2	201.4
% Change	-1.9	4.8	2.8	3.4	2.1	1.6
Education Services	165.0	166.6	168.6	170.8	171.0	171.4
% Change	1.0	1.0	1.2	1.3	0.1	0.2
Health & Welfare Services	291.6	303.5	323.2	338.1	346.0	354.2
% Change	1.5	4.1	6.5	4.6	2.3	2.4
Other Services	231.2	251.2	245.7	251.8	257.3	262.6
% Change	5.3	8.7	-2.2	2.5	2.2	2.1
Government Services	103.7	101.9	104.3	107.4	108.9	110.5
% Change	7.9	-1.7	2.4	3.0	1.4	1.5

Labour Market Indicators: British Columbia

	2016	2017	2018	2019	2020	2021
Source Population	3,930.7	3,979.7	4,031.8	4,085.9	4,143.7	4,204.0
% Change	1.4	1.2	1.3	1.3	1.4	1.5
Participation Rate	64.4	65.3	64.9	65.2	65.1	65.0
Labour Force	2,532.3	2,600.7	2,616.5	2,665.4	2,699.2	2,731.6
% Change	3.0	2.7	0.6	1.9	1.3	1.2
Employment	2,379.5	2,466.8	2,493.6	2,541.1	2,579.6	2,623.4
% Change	3.2	3.7	1.1	1.9	1.5	1.7
Unemployment	152.8	133.9	122.9	124.3	119.5	108.2
% Change	0.9	-12.4	-8.2	1.1	-3.8	-9.5
Unemployment Rate	6.0	5.1	4.7	4.7	4.4	4.0
Average Weekly Hours	32.8	32.5	32.8	32.7	32.6	32.6
Hourly Wage Rate (%ch.)	0.1	3.3	3.2	3.5	3.7	3.9

Source: Statistics Canada, Central 1 Credit Union

Residential Investment						
	2016	2017	2018	2019	2020	2021
Real Residential Investment ($2012 Millions)	25,815	25,710	26,056	23,900	23,487	24,521
% Change	14.6	-0.4	1.3	-8.3	-1.7	4.4
Total New Dwellings	14,079	13,919	14,581	12,531	11,921	12,445
% Change	24.1	-1.1	4.8	-14.1	-4.9	4.4
Renovations	8,355	8,237	8,370	8,285	8,388	8,853
% Change	-0.4	-1.4	1.6	-1.0	1.2	5.5
Total Acquisition Costs	3,045	3,192	2,739	2,718	2,803	2,837
% Change	18.7	4.8	-14.2	-0.8	3.1	1.2
Other Residential Construction	336	362	366	366	375	386
% Change	44.3	7.5	1.3	-0.1	2.5	2.9
Housing Starts (000s)	41.8	43.7	40.9	32.6	34.3	35.5
% Change	33.1	4.4	-6.4	-20.1	5.1	3.4
Single Detached Housing Starts (000s)	12.3	12.3	11.2	9	9	9.3
% Change	20.9	0.6	-9.6	-19.3	-0.1	3.7
Multi-Family Housing Starts (000s)	29.6	31.3	29.7	23.6	25.3	26.2
% Change	38.8	5.9	-5.2	-20.4	7.1	3.3

Source: Statistics Canada, CMHC, Central 1 Credit Union

Non-Residential Investment						
	2016	2017	2018	2019	2020	2021
Total	16,784	21,713	21,612	24,445	27,155	29,314
% Change	-3.0	21.5	5.2	10.2	8.9	6.3
Engineering Construction	11,073	16,074	15,263	17,300	19,399	21,347
% Change	-8.3	45.2	-5.0	13.3	12.1	10.0
Building Construction	5,711	5,639	6,348	7,144	7,756	7,968
% Change	-16.8	-1.3	12.6	12.5	8.6	2.7
Industrial Construction	1,371	1,079	1,248	1,561	1,974	2,059
% Change	-43.2	-21.3	15.7	25.0	26.5	4.3
Commercial Construction	1,871	1,868	2,069	2,123	2,253	2,332
% Change	-0.7	-0.2	10.7	2.6	6.1	3.5
Inst. & Gov't Construction	2,451	2,647	2,986	3,415	3,484	3,532
% Change	-3.7	8.0	12.8	14.4	2.0	1.4

Source: Statistics Canada, Central 1 Credit Union

Population and Components of Growth

	2016	2017	2018	2019	2020	2021
Population (000s)	4,859	4,922	4,992	5,054	5,121	5,191
% Change	1.7	1.3	1.4	1.2	1.3	1.4
Births (000s)	44.7	44.9	44.2	44.8	45.3	45.8
Deaths (000s)	35.6	38.3	37.9	38.4	39.4	40.4
Natural Growth Rate (%)	0.6	0.1	0.1	0.1	0.1	0.1
Net In Migration (000s)	56.5	56.2	63.3	55.9	61.4	64.7
Net International(000s)	29.9	37.4	55.5	44.6	45.9	48.4
Net Interprovincial (000s)	26.6	18.8	7.8	11.3	15.6	16.3

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	1.7	1.9
Japan Real GDP, %chg.	1.0	1.7	0.8	1.0	0.4	1.0
European Union Real GDP, %chg.	1.8	2.4	1.5	1.7	1.6	1.5
China Real GDP, %chg.	6.7	6.9	6.5	6.2	6.1	5.9
Canada Real GDP, %chg.	1.5	3.0	2.4	1.7	1.9	1.9
Canada 3-month T-Bill, %	0.50	0.68	1.37	1.70	1.80	2.00
Canada GoC Long-term Bond, %	1.80	2.28	2.36	2.40	2.55	2.80
U.S.-Canada Exchange Rate, cents/dollar	75.4	77.0	77.2	76.1	76.9	77.5
Henry Hub Natural Gas Price, USD/mmbtu	2.52	2.99	3.17	2.85	2.90	3.00
%chg	-4.2	18.7	6.0	-10.1	1.8	3.5
WTI USD/barrel	43	51	64.94	58	60	62
%chg	-12.2	18.6	27.3	-10.7	3.5	3.3

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

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