Economics | Current Economic Trends

B.C. Economic Briefing

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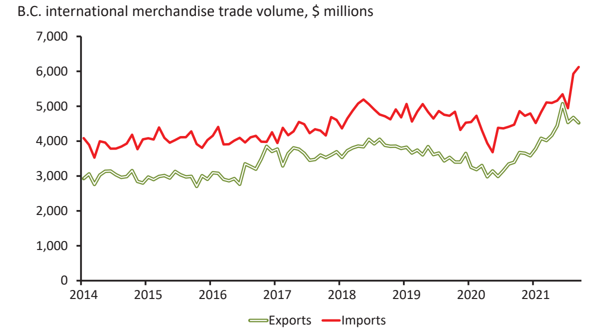
central 1
Economics

Highlights

- B.C. trade remained stable and high as compared to a year ago
- B.C. real GDP fell 3.4 per cent in 2020
- Pandemic resulted in consumption decline but residential investment rose 3.4 per cent

B.C. international merchandise exports ease, but remain elevated



Source: Statistics Canada, Central 1 seasonal- adjustment Latest: Sep-21

Exports ease in September but up sharply from 2020

Alan Chow, Business Economist

The latest estimates for merchandise trade have been issued this month and British Columbia trade remains stable and high as compared to a year ago as well as compared to before the beginning of the pandemic. Based on Central 1 calculations, September exports edged down 3.3 per cent to a seasonally- adjusted $4.68 billion, while imports rose 3.3 per cent. On a year-over-year basis, exports rose 34.7 per cent, while imports rose a comparable 35 per cent. That said momentum has peaked with exports easing since June as the surge in lumber prices rolled back.

Year-to-date exports are up 37.1 per cent over the previous year and up 19.6 per cent over 2019. Year-to-date the import volumes are also up 21 per cent and up 8.5 per cent from 2019.

All sectors except one experienced growth in year-to-date exports. Leading the way are:

- Forestry products – up 58 per cent
- Energy products – up 52 per cent
- Metals and Minerals products – up 40 per cent

Sectors with strong growth in imports include:

- Metal and Mineral products – up 42 per cent
- Industrial machinery – up 31 per cent
- Consumer goods – up 14 per cent

The sector that saw a decrease in exports as the aircraft and transportation equipment sectors, which is down 10 per cent year to date. Lower imports were seen in the energy sector, down 3.1 per cent. Overall, B.C.'s international trade deficit grew to 18.7 per cent.

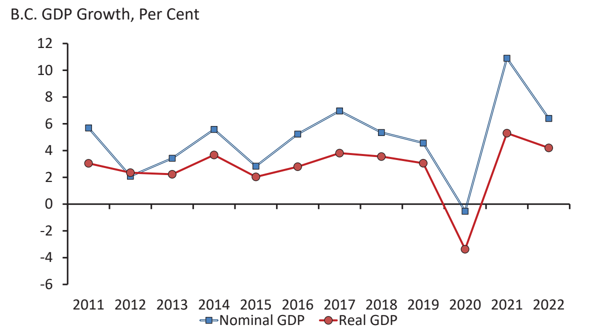
B.C. economy fared better than expected in 2020, household savings surge

Bryan Yu, Chief Economist

In what can now be considered dated news, annual provincial and territorial economic accounts were released this week which provided the official economic growth (contraction) estimates for the unforgettable year that was 2020. Consistent with previously released industry production estimates of gross domestic product, B.C.'s economy fared relatively well in 2020 given the massive disruption caused by the pandemic.

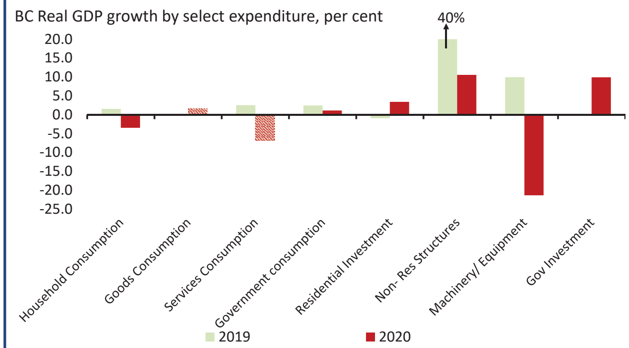
Real gross domestic product (GDP) in B.C. contracted by 3.4 per cent during the year, compared to a national contraction of 5.2 per cent. While parts of the Atlantic bubble fared better, B.C. was by far the strongest performer among larger provinces. In comparison, GDP contracted by 5.1 per cent in Ontario, 5.5 per cent in Quebec, and 7.9 per cent in Alberta. Varying severity of the COVID-19 waves and public health restrictions factored into the divergence, alongside effects of commodity sectors performance and major project investment.

B.C. records shallower contraction in 2020 of 3.4 per cent, recovery in 2021 and 2022



Source: Statistics Canada, Central 1 latest: 2020, 2021/22 F

Consumption declines, building structure investment increases



Source: Statistics Canada, Central 1

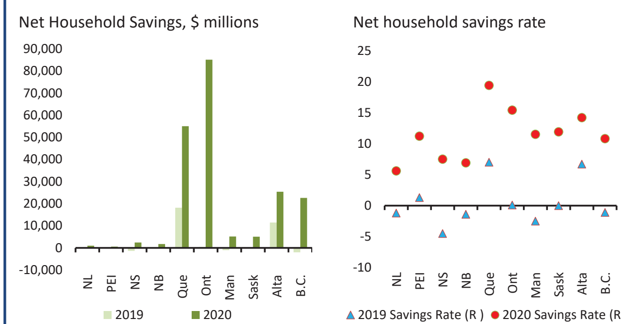
Among the key headline numbers, household consumer spending fell 3.5 per cent as the pandemic hammered services-oriented spending (-6.8 per cent) amidst public health restrictions which comes as no surprises. Spending partly was re-allocated to purchases of goods and home cooking, as non-durable goods growth (5.5 per cent) contributed to 1.6 per cent increase in goods purchases.

While consumption eased, spending was re-allocated to housing. Residential investment rose 3.4 per cent reflecting resale transaction and renovations.

On the investment front, private investment in non-residential structures was surprisingly strong at 10 per cent but almost fully offset by a plunge in machinery and equipment investment (-21 per cent). This likely reflects the ongoing construction of projects already underway pre-pandemic while businesses pulled back sharply as the pandemic triggered a downturn in tourism, hospitality and to a lesser extent discretionary retail while uncertainty increased. Government projects remained a substantial support with a 9.9 per cent expansion.

Cross border trade was a significant drag on the economy last year. Exports fell 9.7 per cent from 2019, driven by declines in international exports as interprovincial exports held steady. International goods exports fell 9.8 per cent, while service exports plunged 24 per cent reflecting tourism. Imports contracted about 8.0 per cent.

Net household savings surge



Source: CFIB, Central 1

Nominal income in the economy fell by a more modest 0.5 per cent as prices were generally higher. In aggregate, employee compensation and wages were unchanged from 2019, but compared to a 5.6 per cent gain in 2019. Household incomes were also bolstered by government transfers reflecting pandemic emergency programs. With lower consumer spending, household net savings came in at $22.6 billion compared to a near $2 billion dissaving in 2019 and a generally negative pre-pandemic trend. The household savings rate came in at 10.8 per cent, albeit less than the national rate of 14.8 per cent. Corporate profits surged 19 per cent, partly reflecting stronger commodity prices.

Central 1's forecast is for real GDP growth to reach 5.3 per cent this year and 4.2 per cent in 2022.

For more information, contact economics@central1.com.