



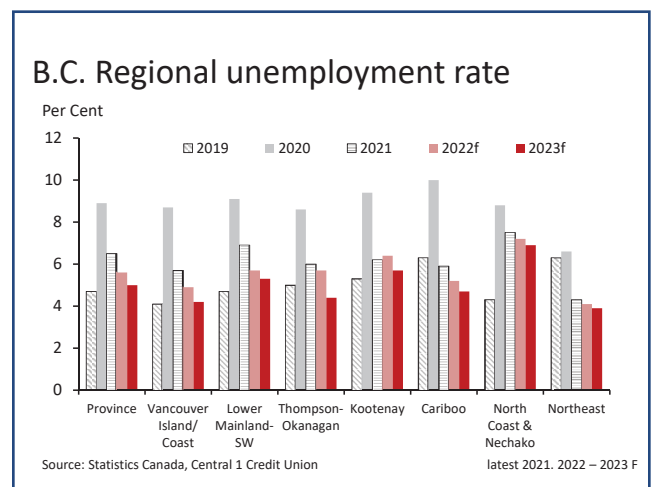
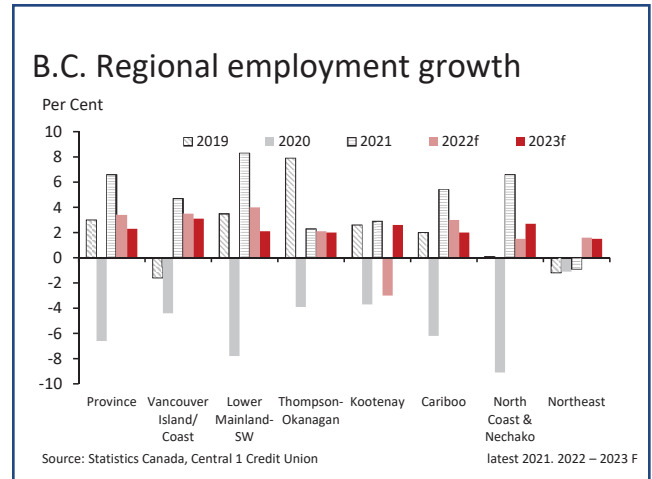
B.C. Regional Economic Outlooks 2022 - 2023

Following 24 months of the still ongoing global pandemic, B.C.'s economy has largely recovered despite the ebb and flow of COVID-19 variants and subsequent public health restrictions. That said, and as we have previously documented, B.C. has outperformed most of its provincial peers with a shallower downturn in 2020 and stronger rebound. Employment has more than rebounded, unemployment rates have returned to pre-pandemic lows and labour scarcity is an increasing issue for businesses. Although the recovery has been uneven, various factors have contributed to the province's enviable position.

While the global pandemic triggered similar initial restrictions across the country, subsequent waves in B.C. have been met by a relatively modest public health response compared to peers such as Ontario supporting economic activity last year. Large in-person events were largely shuttered or at reduced capacity, but retail remained fully open, and restaurants albeit facing some restrictions generally remained fully operational. International tourism flows continued to struggle, decimated by vaccine and testing entry restrictions and health concerns, but the province was a prime destination for domestic Canadian tourists looking for reprieve from pandemic living.

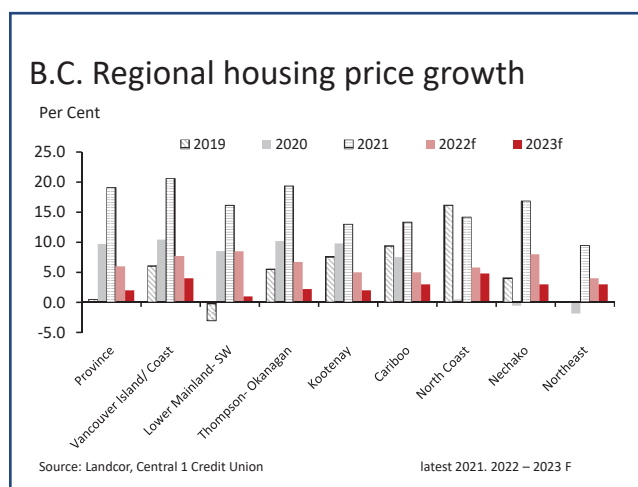
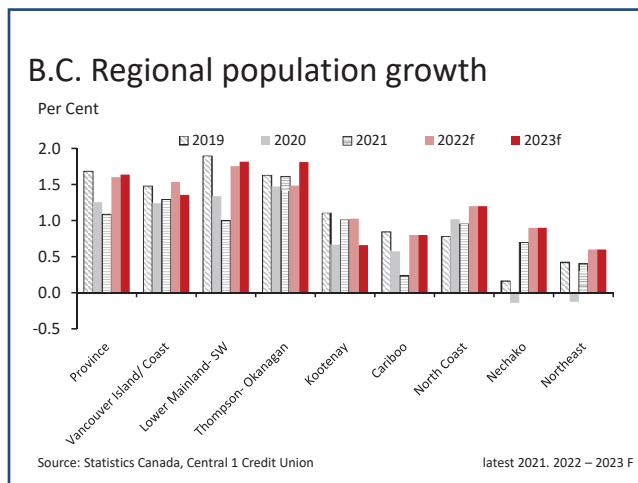
B.C. population growth slowed in 2021 with a modest 1.1 per cent increase owing to a sharp decline in international immigration. That said, growth outpaced the national picture as Canadians moved west, facilitated by remote work opportunities, shift from large urban areas, and early retirements.

At the same time, various sectors have thrived including advanced technology amidst digital acceleration, while unsurprisingly, the pandemic lifted demand for healthcare workers and public administration expanded. The global economic recovery phase and sharply higher commodity prices further supported B.C.'s international terms of trade, and by extension, resource-oriented sectors.



Regional patterns

Just as activity was uneven among sectors over the past two years, patterns have also fluctuated among B.C.'s economic regions. The deepest initial contractions emerged in the Lower Mainland – Southwest with drag from tourism, events and business investment, although labour market trends rebounded sharply in 2021 amidst pick up in other sectors. Employment fluctuations were more modest on Vancouver Island and the Thompson – Okanagan, albeit with further weakness in northern B.C. Northern market have been buoyed by higher commodity prices, but gains have largely lifted profits rather than volume and employment. Unemployment rates on the Island and Thompson- Okanagan have fallen below the provincial average. Tight labour markets support rising wages.



While pandemic challenges were evident in all markets, varying growth in activity largely reflected shifting population patterns. Canadian and urban- area residents took the opportunity created by the shift to work- from- home to relocate across the province, particularly boosting suburban smaller markets. Indeed, population growth in Thompson- Okanagan, Vancouver Island, and Kootenay accelerated last year, and to a lesser extent, in the North. In contrast, Lower Mainland- Southwest and the Cariboo area experienced a deceleration, owing to greater reliance on international migration.

Population growth in smaller markets, particularly inflows of higher- paid remote worker based in large urban areas, lifted consumer demand and contributed to rapid housing price gains. These factors alongside low interest rates supported robust growth in values particularly in suburban and small urban areas. Housing supply was unable to adjust to the rapid increase in demand. While being led by near 20 per cent gains on Vancouver Island and Thompson- Okanagan, even stronger growth has been observed outside the core metro areas due to the influx of demand. The provincial median home value reached \$699,000 in 2021, up 19 per cent 2020 and 31 per cent from 2019. New home construction and residential building permit volume has responded to the demand environment.

Regional outlook

As with any forecast, there is significant uncertainty. The economy is grappling with a period of strong inflation, and while wages are adjusting, consumers are seeing a reduction in purchasing power. Interest rates are rising in response, and there is further risk of upside pressure on inflation due to the Russia invasion of Ukraine and supply chain effects of more COVID-19 restrictions in China. That said, there are key themes that we anticipate emerging as the pandemic effects on the economy continue to wane, which will influence B.C.'s regional areas.

Economic growth is forecast to rotate back towards key services sectors as international tourism revives and immigration surges. The pendulum of remote work is anticipated to swing back to hybrid, with more significant in-office requirements. With business activity normalizing, business investment spending is expected to accelerate in metro areas.

Population growth rotates back towards the Lower Mainland Southwest although higher international immigration will be positive for all regions. Demographics and retiree demand continue to support the southern interior but the flow of remote workers will slow or potentially reverse.

These trends will propel growth back towards the Lower Mainland- Southwest, and Metro Vancouver specifically. The region is forecast to record employment growth of 4.0 per cent this year as the unemployment rate declines to 5.7 per cent. A greater share of provincial population gains due to international immigration provides cushion downward pressure on unemployment rates. Vancouver Island/ Coast and Thompson- Okanagan employment growth decelerate but attraction of retiree households continue to support economic activity and job growth. Unemployment rates broadly ease.

Northern B.C. labour markets are forecast to be less active, but this will be contingent on the longevity of high commodity prices and prospects for investment. Capital project buildout support a period of employment growth in the region.

The housing cycle is forecast to slow sharply across the southern half of the province and the Island. This reflects the boom in pandemic activity, while the drag in northern B.C. will be relatively modest due to lower initial gains. The affordability hit from high home values will be amplified by rapid increases in interest rates, adding to general normalization of demand. Provincial resale transactions decline 15 per cent this year. Annual median home values rise six per cent this year due largely to front- end momentum but levels

are expected to hold steady in 2023 amidst low supply. That said, there is increased risk of a correction due to sharply higher mortgage rates and shifts in sentiment. Residential permit volume growth generally slows but large swings are normal in smaller regions.

Central 1 Economics' full Regional Economic Outlook reports, which include region- specific analysis and full tables is available on the subscriber- exclusive Central 1 [Economics Centre](#) . If you do not have access, please get in touch at economics@central1.com to enquire about a subscription.

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Employment % change					
	2019	2020	2021	2022	2023
Province	3.0	-6.6	6.6	3.4	2.3
Vancouver Island/Coast	-1.6	-4.4	4.7	3.5	3.1
Lower Mainland-Southwest	3.5	-7.8	8.3	4.0	2.1
Thompson Okanagan	7.9	-3.9	2.3	2.1	2.0
Kootenay	2.6	-3.7	2.9	-3.0	2.6
Cariboo	2.0	-6.2	5.4	3.0	2.0
North Coast & Nechako	0.1	-9.1	6.6	1.5	2.7
Northeast	-1.2	-1.1	-0.9	1.6	1.5

Unemployment Rate %					
	2019	2020	2021	2022	2023
Province	4.7	8.9	6.5	5.6	5.0
Vancouver Island/Coast	4.1	8.7	5.7	4.9	4.2
Lower Mainland-Southwest	4.7	9.1	6.9	5.7	5.3
Thompson Okanagan	5.0	8.6	6.0	5.7	4.4
Kootenay	5.3	9.4	6.2	6.4	5.7
Cariboo	6.3	10.0	5.9	5.2	4.7
North Coast & Nechako	4.3	8.8	7.5	7.2	6.9
Northeast	6.3	6.6	4.3	4.1	3.9

Population% ch.					
	2019	2020	2021	2022	2023
Province	1.7	1.3	1.1	1.6	1.6
Vancouver Island/Coast	1.5	1.2	1.3	1.5	1.4
Lower Mainland-Southwest	1.9	1.3	1.0	1.8	1.8
Thompson Okanagan	1.6	1.5	1.6	1.5	1.8
Kootenay	1.1	0.7	1.0	1.0	0.7
Cariboo	0.8	0.6	0.2	0.8	0.8
North Coast	0.8	1.0	1.0	1.2	1.2
Nechako	0.2	-0.1	0.7	0.9	0.9
Northeast	0.4	-0.1	0.4	0.6	0.6

Residential Resale Transactions % change

	2019	2020	2021	2022	2023
Province	-8.6	16.6	41.6	-15.0	-4.8
Vancouver Island/Coast	-7.9	9.5	24.9	-10.5	-4.4
Lower Mainland-Southwest	-9.1	22.3	51.3	-17.0	-5.4
Thompson Okanagan	-8.5	13.0	33.9	-18.5	-4.3
Kootenay	-7.5	14.4	22.9	-5.0	-10.0
Cariboo	-5.7	-2.8	32.4	-3.0	3.0
North Coast	-16.1	5.7	27.8	-5.0	3.5
Nechako	-5.5	6.4	15.2	-3.0	4.0
Northeast	-7.6	4.8	60.9	-5.0	3.5

Residential Resale Transaction Median Price

	2019	2020	2021	2022	2023
Province	0.5	9.7	19.1	6.0	2.0
Vancouver Island/Coast	6.1	10.5	20.6	7.7	4.0
Lower Mainland-Southwest	-3.0	8.5	16.1	8.5	1.0
Thompson Okanagan	5.5	10.2	19.4	6.7	2.2
Kootenay	7.6	9.8	13.0	5.0	2.0
Cariboo	9.4	7.5	13.3	5.0	3.0
North Coast	16.1	0.5	14.2	5.8	4.8
Nechako	4.1	-0.6	16.9	8.0	3.0
Northeast	0.0	-1.9	9.4	4.0	3.0