



## Highlights

- B.C. GDP growth climbs to 6.2 per cent in 2021
- Consumer demand and housing underpin gains
- Nominal GDP a record 14 per cent
- Corporate profits driven by higher domestic prices and commodity prices

## Robust 2021 B.C. economic performance confirmed as consumers and housing led growth

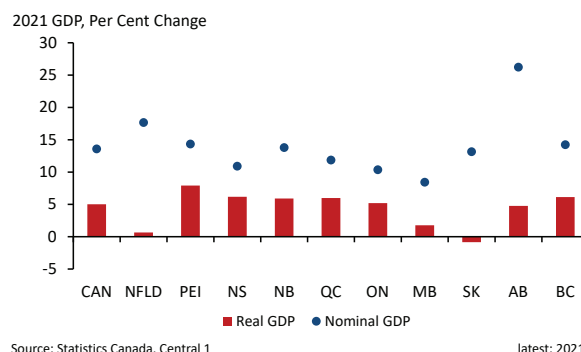
*Bryan Yu, Chief Economist*

Headline GDP growth from the latest B.C. provincial economic accounts aligned closely with industry- GDP estimates reported earlier this year. Provincial economic growth reached 6.2 per cent which was strongest among large provinces and third highest among provinces. The latest data also points to an even shallower contraction than previously estimated with the economy now seen contracting at 3.0 per cent during COVID-19-ravaged 2020.

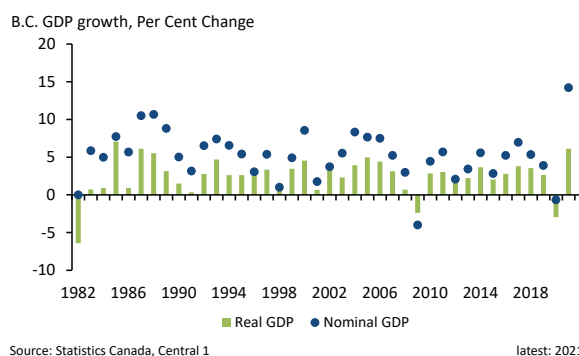
Real GDP growth in 2021 was largely driven by the household sector with a surge in consumption and residential investment growth. A strong labour market recovery, surging housing market, net interprovincial immigration and tourism contributed to a 7.3 per cent gain in household consumption, with double-digit growth for semi-durable goods (20 per cent) and durable goods (10.8 per cent). Goods- consumption rebounded above 2019 levels. Services rebounded 6.8 per cent to near-2019 levels.

Soaring home sales, which drove transaction activity and renovations, alongside strong new home construction pushed residential investment up 14.6 per cent. Non-residential investment in buildings and machinery and equipment remained historically elevated despite growing at a more modest 5.2 per cent.

## B.C. real GDP growth among highest in Canada



## Strongest gain in nominal GDP on record



Meanwhile, and not surprisingly, public- sector spending was also a key driver of growth. Real current spending by government rose 7.9 per cent after a near 4 per cent increase in 2020 as pandemic driven activity rose. Capital investment jumped 15.6 per cent reflecting major project investments and likely increased needs due to the pandemic.

Final domestic demand rose faster than headlined GDP at 8.1 per cent, as trade was a net drag on economic growth. While exports rose 3.2 per cent, driven by sales of goods to international markets as demand for resources soared during the global economic recovery, this was offset by higher imports of 10.3 per cent. That said, this latter jump should not be

seen as something negative as import growth reflects demand observed through the increase in consumer spending and capital investment.

Strong inflationary pressure and high commodity prices drove nominal GDP up by 14 per cent in 2021. This was the strongest annual gain on record since at least 1982. Housing construction costs (up 14 per cent) and robust export prices rose 16 per cent due to favourable resource prices in sectors like forestry and mining were key drivers of the increase.

On an income basis, corporate profits captured more of the net gain in income with growth of 26.3 per cent following a 19.3 per cent increase in 2020. Rising employment and higher wages contributed to growth of 12.9 per cent in wages and salaries. Strong income gains have led to an improved fiscal position for the the provincial government as tax revenue and natural resource royalties soared. B.C. household net savings fell to 6.0 per cent from 10 per cent in 2020 but compared to negative values prior to the pandemic.

Of course, 2021 marked an extraordinary year as the economy worked to recover from the pandemic. Growth is forecast to reach about 3.2 per cent this year and 1.3 per cent in 2023. The latter reflects a more pronounced slowdown due to the combination of high inflation, interest rates and risks of a significant global economic downturn. Housing market activity has already deteriorated due to higher interest rates and a slowdown in consumer demand will follow.

*For more information, contact [economics@central1.com](mailto:economics@central1.com).*

## Corporate profits surge on domestic and export prices, wages and salaries rebound

B.C. employee compensation and corporate profits, % change

