



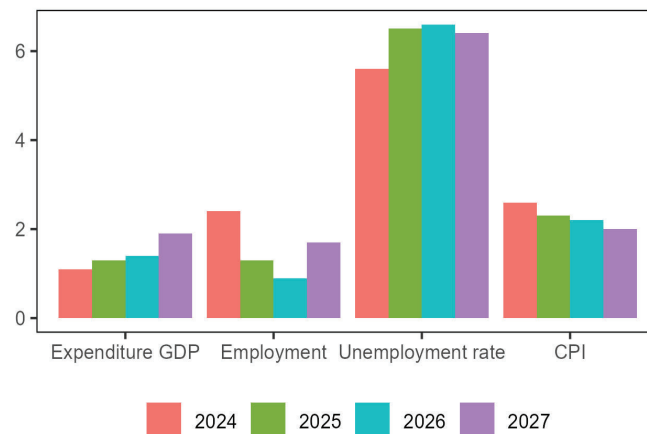
*Bryan Yu, Chief Economist*  
byu@central1.com

The Canadian economy remains under the strain of tariffs and a restructuring of global trade. Output has been reduced, business sentiment is weak, and ongoing uncertainty is curbing investment and future prospects. This structural economic damage has set Canada on a weaker long-term path of lower economic output and employment. As the highly integrated North American supply frays, Canada's focus has shifted to deepening trade diversification with other trading partners, incentivizing productive investment, and increasing resource development.

British Columbia is better positioned than other provinces to manage this environment of trade tariffs given high export diversification and resource abundance. However, it has been impacted by sector specific actions on lumber products while near-term growth is weak with completion of major projects, flat population and tempered housing market. Real GDP is forecast to expand 1.3 per cent this year and 1.5 per cent in 2026, before rebounding to 1.9 per cent in 2027. This is in line with national performance but well below its average performance over the past decade.

The resale housing market slowly turns around after a sharp downturn since 2022 but is expected to modest with affordability and economic uncertainty limiting the rebound. Strengthening resale housing market condi-

Economic Forecast, BC



tions will be offset by lagged effects of the downturn on housing starts. Federal budget measures to drive investment benefit B.C., but gains observed later in the decade and outside the forecast period. A slow economy and weak population growth temper consumption. Employment increases by 1.3 per cent this year, with similar growth near 1 per cent in 2026, limited in part by low population growth. The unemployment rate averages near 6.5 per cent.

Monetary policy is expected to be moderately stimulative, but unlikely to be a key driver of growth given upside risk to inflation in the current environment. In line with our November rate outlook, this forecast reflects a terminal Bank of Canada policy rate of 2.25 per cent, with the next move being a hike in latter 2026.

### Key forecasts - British Columbia

Indicator	2022	2023	2024	2025	2026	2027
Expenditure GDP	4.8	2.8	1.1	1.3	1.4	1.9
Employment	3.4	2.6	2.4	1.3	0.9	1.7
Unemployment rate	4.7	5.2	5.6	6.5	6.6	6.4
Population Growth	2.5	2.9	2.8	0.5	0.2	0.9
Unit sales, 000s	80.3	72.9	74.4	69.9	75.5	80.0
Average price, 000s	998	971.8	981.8	957.3	982.1	1,041.1
Unit sales, %ch	-35.2	-9.2	2.1	-6.0	8.0	5.9
Average price, %ch	7.6	-2.6	1	-2.5	2.6	6.0
Housing Starts (000s)	46.7	50.5	45.8	42.0	38.0	38.0
CPI - All items, % ch	6.9	4	2.6	2.3	2.2	2.0

## Economic trends and outlook

After leading all large provinces in growth from 2019 to 2023, B.C.'s economy has stalled, and is expected to remain soft through 2026 before rebounding in 2027. Statistics Canada's latest reading for Gross Domestic Product is from 2024, when B.C. expanded by 1.1 per cent following a 2.8 per cent gain in 2023. Notwithstanding the pandemic era shock (-3.1 per cent in 2020) and financial crisis downturn, it was the weakest since 2001. This forecast pegs GDP growth at 1.3 and 1.4 per cent for 2025 and 2026 which is in line with the national outlook, followed by 1.9 per cent in 2027. GDP growth is forecast to accelerate late in the decade.

Economic data has been consistent with a slow but mixed environment. Drivers of consumer demand have been stagnant, including soft employment gains of about one per cent with the bulk as part-time work, while payroll counts have been unchanged and aggregate compensation growth is among lowest in the country. Population growth slipped to 0.5 per cent on a census year basis with the federal migration cap particularly impactful on B.C. given the highest temporary-resident-to-population ratio in the country. Robust retail spending above 6 per cent has likely reflected stronger tourism spending from both domestic and international

sources and less leakage to cross-border shopping. Housing remains in a downcycle with lower sales and prices.

Perhaps surprisingly, international goods exports and manufacturing have held steady, as CUSMA tariff exemptions limited damage to Canadian exporters, while metal and mineral prices rose. The natural gas sector has seen a rise in production with liquefied natural gas driven activity supporting exports. However, B.C. has felt the pinch from U.S. Section 232 tariffs on lumber product, which amplified the debilitating impact of recent hikes to anti-dumping and countervailing duties. The dire state of B.C.'s forestry sector, observed in additional mill closures and curtailments last year is likely to continue in the absence of government support.

Continuation of slower growth patterns into 2027 will reflect trends already in play and future risks.

On the trade front, U.S. tariff policy remains a threat. While we assume a status quo environment, renegotiation of USMCA could make Canada worse off, and at the very least continue to weigh on the investment cycle. It will be important to see progress on reducing or eliminating Section 232 tariffs. Nonetheless, B.C. exports will be supported in part by rising liquefied

British Columbia: Key Economic Indicators							
Indicator	Latest Data	Value	Change, % unless otherwise noted				
			m/m ch.	prior m/m ch.	y/y ch.	prior y/y ch.	YTD y/y ch.
LFS Employment (000)	Oct-25	2,941.8	-0.1	0.3	1.2	1.7	1.2
Full-time	Oct-25	2,336.1	0.0	0.1	0.9	0.8	0.7
Part-time	Oct-25	605.6	-0.5	0.9	2.7	5.4	3.1
Unemployment Rate	Oct-25	6.6	0.2	0.2	0.8	0.4	0.6
Average wage (\$)	Oct-25	38.2	0.8	1.0	3.8	3.0	3.3
Consumer Price Index	Oct-25	159.4	0.4	-0.1	2.0	1.9	2.2
Retail Sales (\$mil)	Sep-25	9,521.1	-0.9	-0.1	4.4	6.5	6.8
Manufacturing (\$mil)	Sep-25	5,394.8	-0.1	0.4	2.3	2.4	0.9
Exports (\$mil)	Aug-25	4,171.0	-9.1	-1.1	-4.2	4.6	-0.6
MLS Sales (000s)	Oct-25	6.0	2.0	-2.5	-9.5	-0.8	-4.8
MLS Average Price (\$000)	Oct-25	981.1	1.3	1.0	0.9	0.3	-2.9
Housing Starts saar (000s)	Oct-25	32.5	-5.1	-21.6	-22.0	-15.7	-3.9
Building Permits (\$mil)	Sep-25	2,146.8	-5.6	36.2	39.4	19.5	12.0
Residential Permits (\$mil)	Sep-25	1,279.7	-13.3	27.2	16.2	10.5	13.5
Non-Residential Permits (\$mil)	Sep-25	867.1	8.6	56.5	97.5	40.5	8.9
Consumer Insolvencies	Sep-25	1,408.0	12.5	-6.1	40.0	11.7	9.7
Business Insolvencies	Sep-25	21.0	-8.7	0.0	-22.2	0.0	-4.7

Source: Statistics Canada, CREA, CMHC, Central 1

note: Unemployment rate change reflect percentage change

YTD Starts is average of monthly saar data

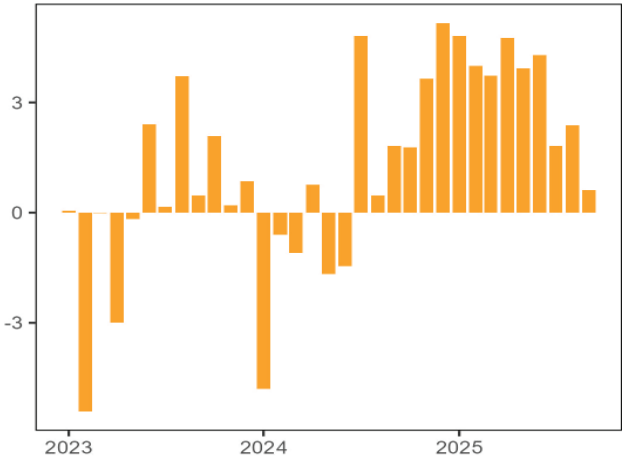
natural gas shipments as projects get to full production. B.C. is likely to see a temporary boost to service exports as it co-hosts the FIFA World Cup.

A softer investment cycle is set to continue. The wind down of major capital construction projects (LNG Canada and Site C) has contributed to lower non-residential construction since 2024, while the housing market downturn dragging on development, transaction and renovations. While there are several resource projects underway, none are of the same scale as those that have completed. Housing is anticipated to remain mixed as resale home sales revert higher to more normal levels, but lack of pre-sales in the new home market, and slowing rental conditions are expected to curb housing starts by 20 per cent in 2026 and limit a rebound in residential investment.

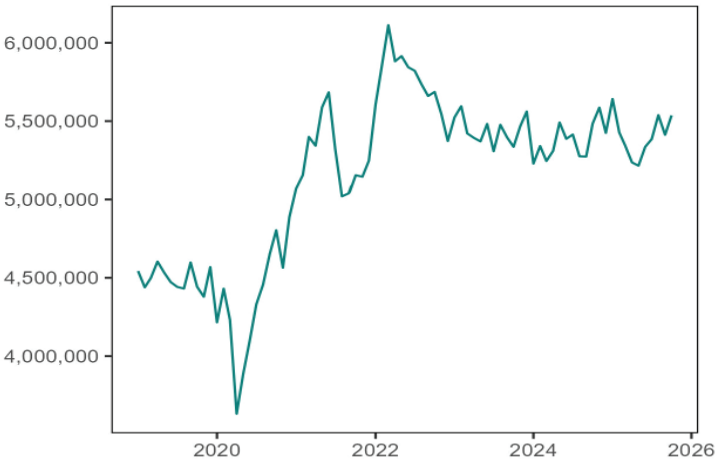
Consumer demand is also expected to remain subdued. Population growth is forecast to hold near zero in 2026, while weak employment growth also slows growth in consumer demand. Consolidation of spending in the public-sector amidst large deficits will further contribute to a slowdown in domestic spending. On a more positive note, recent interest rate reductions will support spending on larger purchases, while higher home sales drive increases in related goods.

While the near-term looks soft, B.C. is also well positioned to weather trade risk and take advantage of federal government budget measures to crowd-in investment. B.C. has some of the lowest exposure to potential tariffs due to industry structure geared to services and high levels of geographic trade diversification which would soften the blow if tariffs intensify in 2026. Moreover, the province is home to six major projects of national importance referred to the Major Projects Office which could drive stronger future investment in resources. Investment in defence spending will likely benefit B.C.'s shipbuilding industry. That said, the full impact of this investment is unlikely to be seen until late this decade given the lag-time of investment decisions and buildout.

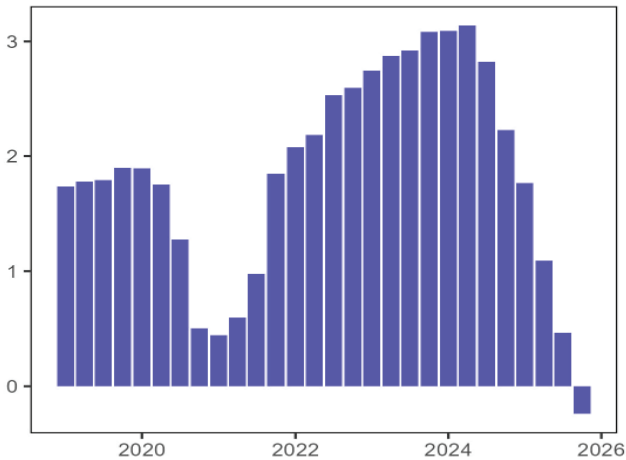
Retail sales y/y %ch, BC  
Last data point: 2025-09-01



Manufacturing sales \$000, BC  
Last data point: 2025-10-01



Population Growth, y/y %ch, BC  
Last data point: 2025-10-01



## Labour market outlook

Labour market conditions were mixed this year. According to Labour Force Survey (LFS) data, stronger early year employment gains gave way to steeper losses in the summer before settling out late in the year. Year-to-date employment growth rose about 1.2 per cent near the end of the year while the unemployment rate nudged back down to 6.4 per cent which is like the national figure. Aligned with a drop in forestry and major project construction, steeper employment declines have been observed in primary resources and utilities of more than 15 per cent. Surprisingly, manufacturing and construction employment remains higher, although we expect this trend to ease. Services have also expanded, albeit with a drag from wholesale trade, information/culture, and other private services.

There has been no clear direction from the labour market, although regional markets like the Kootenay, Cariboo and North Coast and Nechako have experienced deeper retrenchments due in part to the end of major project construction. LFS data may also inflate labour market strength as payroll employment data suggests no growth in positions over the past year, pointing to greater underemployment and soft hiring environment. B.C.'s job vacancy rate of 3.1 per cent which is lower than in the summer, and below the pre-pandemic trend.

Aligning with the economic outlook, conditions are expected to remain soft over the forecast period. Tariff uncertainty tempered domestic demand and challenges in the forestry and residential construction will drag on hiring. The unemployment rate averages nearly 6.5 per cent with low population growth limiting expansion in the labour supply. Insufficient labour supply will limit slack in the broader labour market, limit wage deceleration, and could lead to shortages in some sectors.

The combination of a slow economy and policy-driven pullback in population growth limits employment growth to 1.3 per cent this year, and 0.9 per cent in 2026 and 1.7 per cent in 2027. While there is upside pressure, the average unemployment rate average 6.5 per cent this year and next which is elevated but not catastrophic. New entrants to the labour market and those looking to find new roles will find this a challenging environment to navigate.

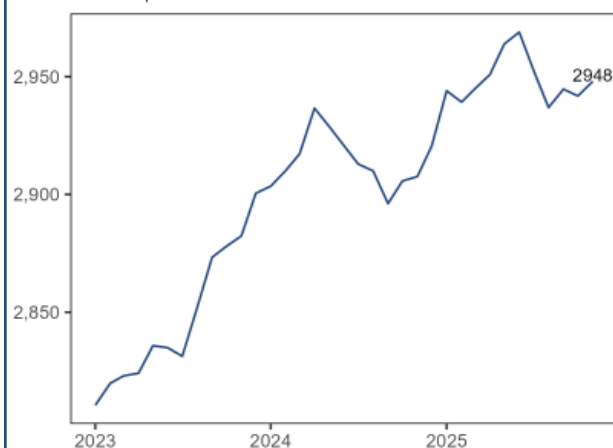
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## Labour Market Trend BC

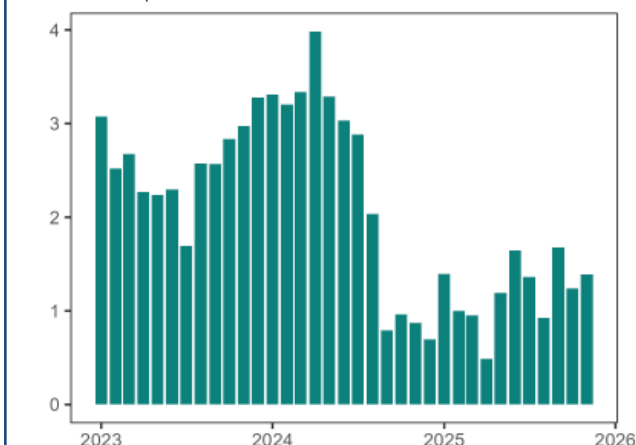
Employment, 000s persons BC

Last data point: 2025-11-01



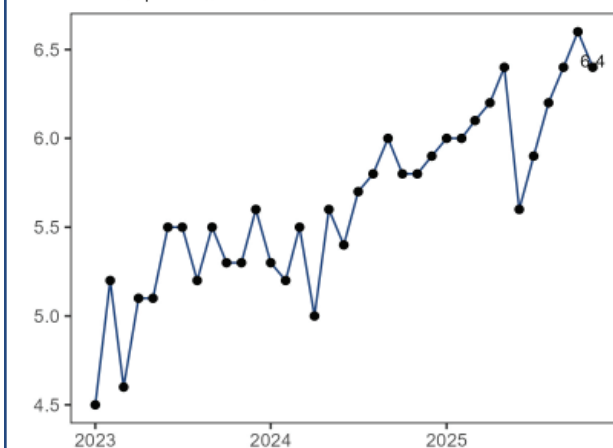
Employment growth, y/y % ch BC

Last data point: 2025-11-01



Unemployment Rate, % BC

Last data point: 2025-11-01



Statistics Canada, Central 1

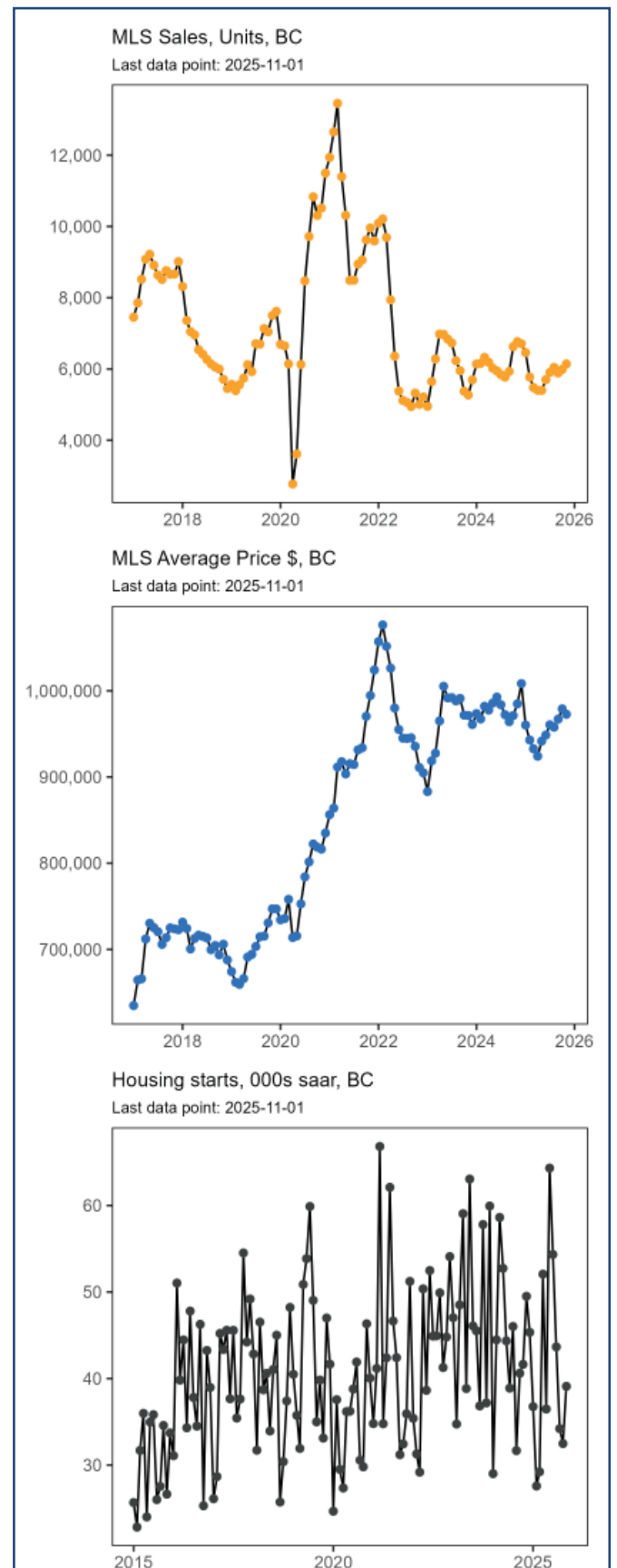
## Housing market outlook

B.C.'s housing market is set for another shallow performance in 2026 as momentum stalled near the end of the year after bouncing back from the tariff threat induced slowdown in the Spring. MLS® home sales are expected to be down about six per cent this year, with a 2.5 per cent decline in the average price to \$957k. This will represent the fewest home sales since 2012.

Resale housing conditions in B.C. are the weakest in the country next to Ontario. MLS® sales remain about 9 per cent lower on a year-over-year basis as of the latest data, and remain well below pre-pandemic patterns (19 per cent) even as the population base has grown. Lack of traction, particularly in the Lower Mainland, reflects low affordability amplified by economic and tariff uncertainty. High priced regions across the country have fared worse in the current environment with buyers been more hesitant to purchase due to higher mortgage debt and greater financial risk in the event of job loss. Lack of demand and rising inventories of both resale and new home units have further kept buyers on the sidelines.

Market conditions are expected to stabilize in 2026 with modest sales and price growth of 8.0 and 2.6 per cent. Steady interest rates and recent price declines have contributed to improved affordability which will continue to draw more buyers back into the market, notwithstanding the risk of further economic shocks. At the same time, the rebound will be shallow'. Buyers are hesitant to buy into a weak market given risk of price reductions, while declining asking rents (including a -5.9 per cent y/y drop in Vancouver), may incentivize some potential buyers to remain in the rental market particularly as rental supply increases and new units in inventory remains high. Investor demand for condominiums is also low given reduction in non-permanent residents and rental demand. Relatively soft conditions limit price growth.

Activity is forecast to strengthen into 2027 as sales continue to normalize, and supply-side adjustments take root. While there is excess housing supply in resale and new home markets, this is expected to be temporary. Market weakness has led to a sharp downturn in condominium pre-sales over the past two years which will lead to a dearth of new projects starting in 2026 and possibly 2027. This sets the stage for housing shortages and rising prices in the homeownership market. The shift to rental construction is also expected to decelerate with softer rents and rising vacancy rates, including a jump from 1.9 per cent to 3.5 per cent last year. Expect housing starts to decline sharply in 2026 to 38k units if not lower, leading to further weakness in the construction sector.



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## Gross Domestic Product

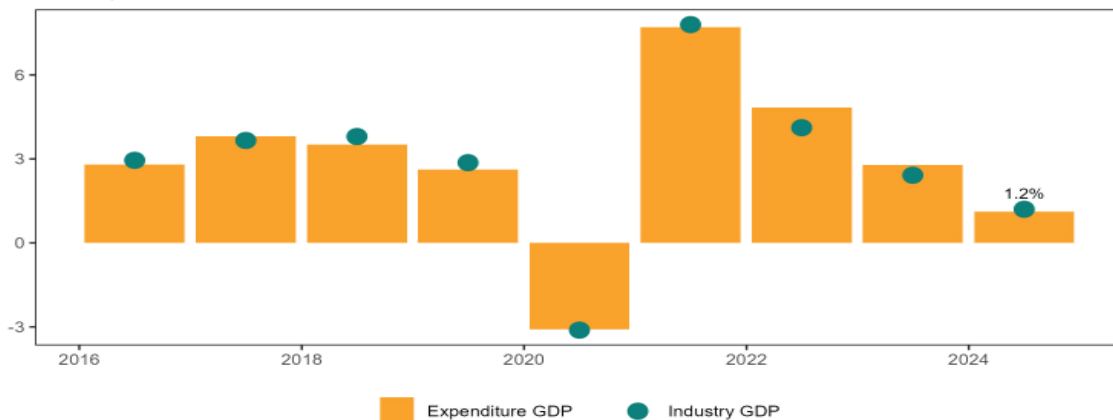
Industry output rose 1.2 per cent in 2024, as growth in services (2.5 per cent) more than offset a contraction of 2.9 per cent in the goods-producing sector. In the latter, there was a steep decline in both construction (-5.7 per cent) and manufacturing (-6.2 per cent). Resources and utilities fared much more strongly with more than 3.8 per cent growth. Manufacturing saw further declines in wood product manufacturing, adding to a longer-term downtrend, while primary and fabricated metal manufacturing slumped sharply. Construction declines were driven by drops of nine per cent in the residential market and engineering construction, reflecting housing market weakness and the end of some major project activity.

Among services-producing sectors, higher growth was public-sector tangent. Public administration expanded 3.4 per cent (adding to 5.4 per cent growth in 2023), while education (3.3 per cent), and healthcare (4.3 per cent), also continued to grow at a rapid pace. Transportation/warehousing expanded 4.1 per cent on pipeline through-

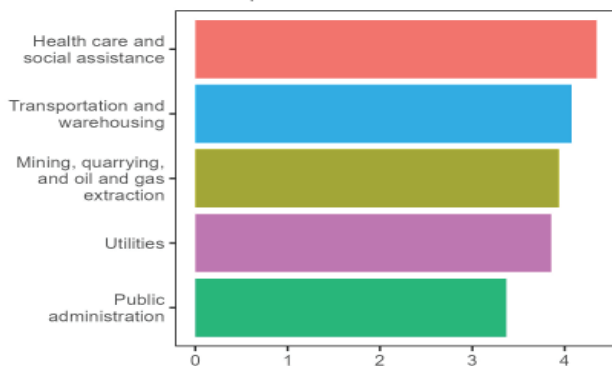
put (following construction of TMX) and increased air transportation. In contrast, management services plunged 30 per cent, accommodation/food services (-0.3 per cent), and retail and wholesale trade, which grew at about one per cent, were weak.

### Real Gross Domestic Product BC

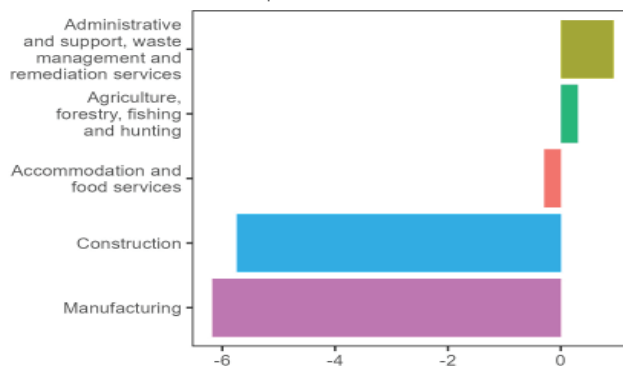
Real Gross Domestic Product Growth, % change BC  
Last data point: 2024



High Growth Sectors  
Last data point: 2024



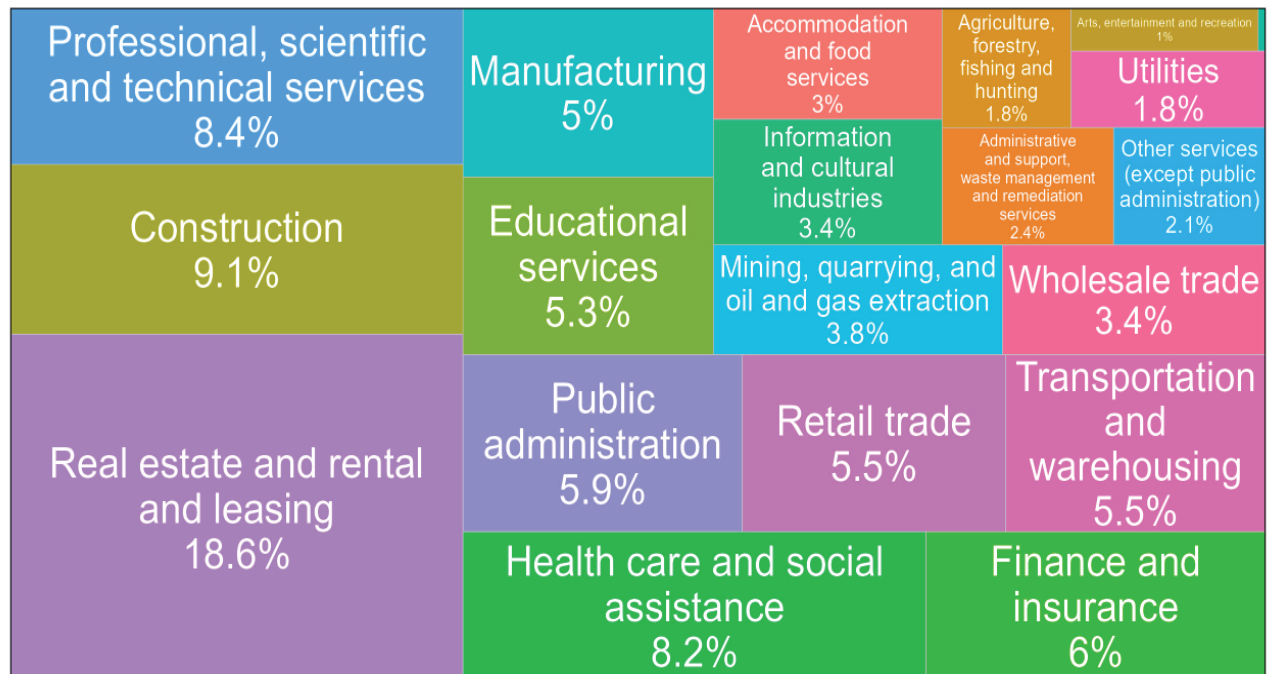
Low Growth Sectors  
Last data point: 2024



Statistics Canada, Central 1

## Share of Real GDP, % BC

Industry share of GDP - BC



Statistics Canada, Central 1

### Terms

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Chief Economist: **Bryan Yu** Business Economist: **Alan Chow** Economic Analyst: **Eloho Ennah**