

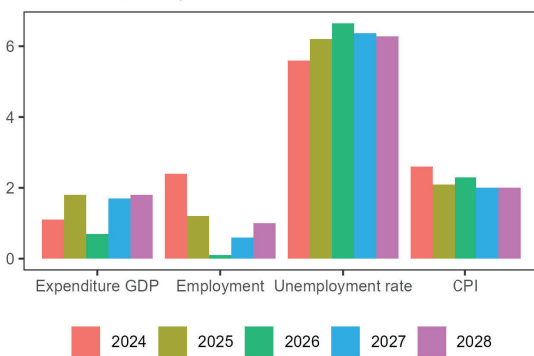


B.C. Economic Review and Outlook: 2026-2028

British Columbia's economy has struggled this year after a stronger-than-expected 2025. Tepid labour markets, declining population, and subdued housing activity are weighing on domestic demand, while tariff risks and rapid gain in oil prices add uncertainty to the backdrop. Offsetting supports include strengthening resource exports as liquefied natural gas shipments ramp up and tourism-related activity climbs, but overall growth is expected to underperform the national pace in 2026 before improving modestly in 2027.

B.C. economy expected to remain slow into 2027

Economic Forecast, BC



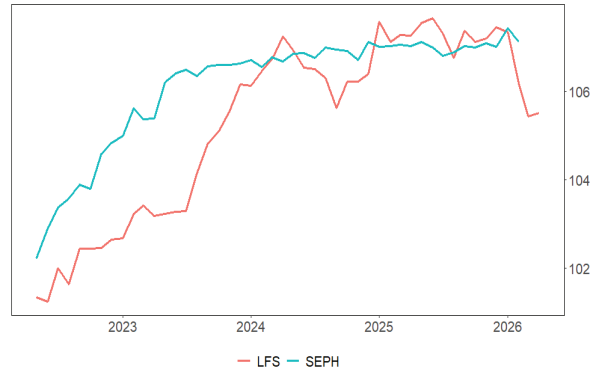
Source: Statistic Canada, Central 1

B.C. economy sluggish to start 2026, but finds some strength in resources and tourism

Recent indicators point to a slow-growth backdrop in early 2026 after surprising resilience in 2025 that was led by energy and resource strength, as well as public-sector investment. Labour market conditions have softened this year with B.C. recording the second weakest employment trend among provinces through four months. Labour Force Survey (LFS) employment declined by about 43,000 persons, or 1.4 per cent since the end of 2025, which was the steepest drop off aside from Quebec. The unemployment rate rose to 6.8 per cent and rapidly caught up to the national average. While LFS employment can be volatile and can differ from the alternative payroll survey due to varying coverage, both point to limited hiring momentum. Weaknesses are concentrated in tariff-sensitive industries (including forestry, manufacturing, transportation/warehousing, and wholesale),

Labour market slumps in 2026, tariff exposed sectors drive losses

B.C. employment by survey, Jan/22 = 100
Last data point: 2018-04-01 to 2026-04-01



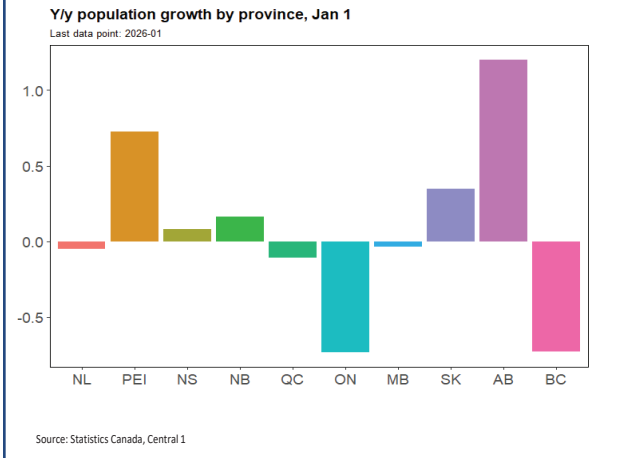
Source: Statistics Canada, Central 1

while healthcare continues to post the clearest gains; public-sector hiring has also outpaced the private sector.

This is too early to consider this a recession, but broad economic trends have been slow. Domestic demand is being further constrained by population dynamics and housing-market conditions, where education and retail trade employment have been weak. Population has recorded four consecutive quarters of decline as federal migration caps reverse prior gains, immediately weighing on consumer spending and housing demand, particularly in the rental market; retail sales are flat from a year ago at 1.3 per cent through two month year-to-date and negative after adjusting for inflation. Higher prices for essential goods, and less exposure to equity markets for lower- to- middle- income households have also been a constraint on spending. Housing activity remains subdued, with sales and prices sliding in the Lower Mainland with the former at a 20- year low. B.C. sales have plunged 10 per cent on a year-to-date basis, although expected to trend higher in coming months. Housing starts have been more resilient, but weak pre-sales point to a softer condominium pipeline, while elevated rental construction (nearly half of starts) is likely to cool as vacancy rates rise.

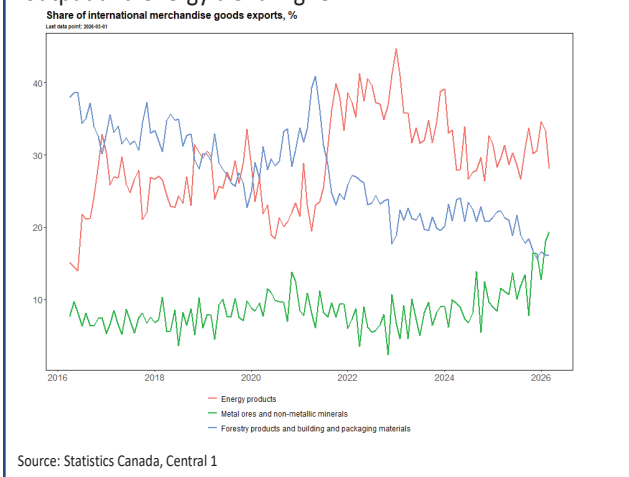
Against this domestic softness, trade has shown some modest recovery in recent quarters and has been bright spot despite tariff uncertainty. Goods exports were flat in 2025, as a 3 per cent decline to the U.S. was offset by gains elsewhere; forestry products to

Population declines led by B.C. and Ontario



the U.S. fell the most (-14 per cent) on high levies and sector specific tariffs near year-end. While still down year-over-year, in part due to a surge in pre-tariff exports, momentum has improved into 2026 as higher commodity prices and liquefied natural gas shipments from Kitimat ramp up (about 80 per cent capacity and rising). Both mining and energy (including metallurgical coal) now comprise a larger share of exports than forestry with the latter facing ongoing downsizing and significant community impacts.

Forestry downturn drives lower export share, mining output and energy trend higher



Nationally, commercial services exports have risen about 3 per cent, although there have been recent signs of recovery in the local film and digital animation space. That said, our aggregation of tech, film and science sector employment in B.C. pointed to a 10 per cent drop from 2024 through 2025 before a recent upturn. Services exports have also been supported by a low Canadian dollar, and tourism-related spending has provided incremental support through international and domestic travel.

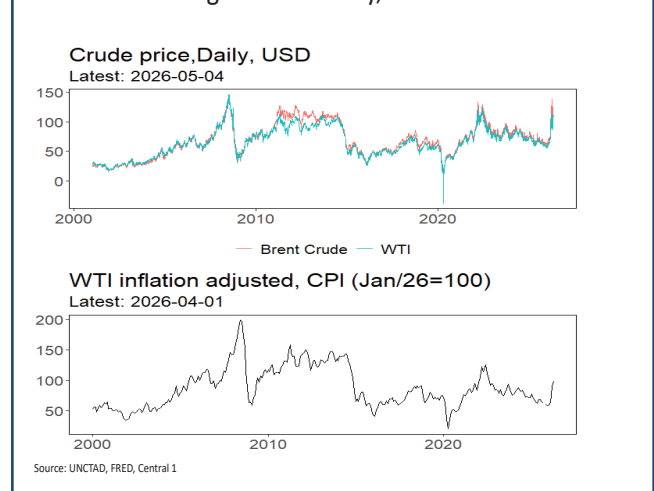
Underperformance for B.C. economy expected

B.C.'s economy is forecast to slow in 2026 after stronger-than-expected momentum in 2025. Recent industry-GDP data points to 2025 growth of about 2.0 per cent, which outpaced the national average and most other large provinces. We project real GDP growth of 0.7 per cent in 2026 which slips below the national rate of 1.2 per cent, followed by a modest pickup in 2027 to 1.7 per cent. Aside from the pandemic and financial crisis period, 2026 is forecast to be the weakest year since 2001. Employment growth is expected to remain flat this year and the unemployment rate elevated, while housing activity improves only gradually from a soft starting point. There remain downside risks to growth due to trade and energy price uncertainty.

External drivers are headwinds to growth

Oil prices are expected to remain high into 2026 with the war in Iran a key headwind. The current ceasefire is encouraging, but the situation is fragile with the U.S. blockade. The Strait of Hormuz remains effectively closed at the current time, and even a near-term resolution to the war will keep prices high in the short-term due to fuel shortages, and impacts on energy infrastructure. The U.S. Energy Information Administration (EIA) Brent crude oil forecast sits at above \$90 per barrel into the fourth quarter, before averaging \$76 in 2027. This compares to an average of \$69 in 2025. The IMF also forecasts a return to \$80 if the war ends soon pointing to stagflation risk. High short-term oil prices will be neutral for Canada as income and profits rise in some provinces, but households will need to absorb higher prices by reducing savings or re-allocating from other purchases. High prices alone will be insufficient to drive substantial new investment, although federal initiatives for trade diversification could drive construction of pipelines over the next decade.

Oil shock rattles global economy, inflation risk climbs



Trade uncertainty has not gone away and will ramp up with the CUSMA joint review. We do not expect the U.S. to renew the current agreement, leading to annual reviews going forward and renewed uncertainty for businesses, although we expect current exemptions to continue. While blanket tariffs have been struck down by the U.S. Supreme Court, giving way to lower temporary tariffs, Section 232 sectoral tariffs will likely continue, impacting forestry and aluminum which are important to B.C.

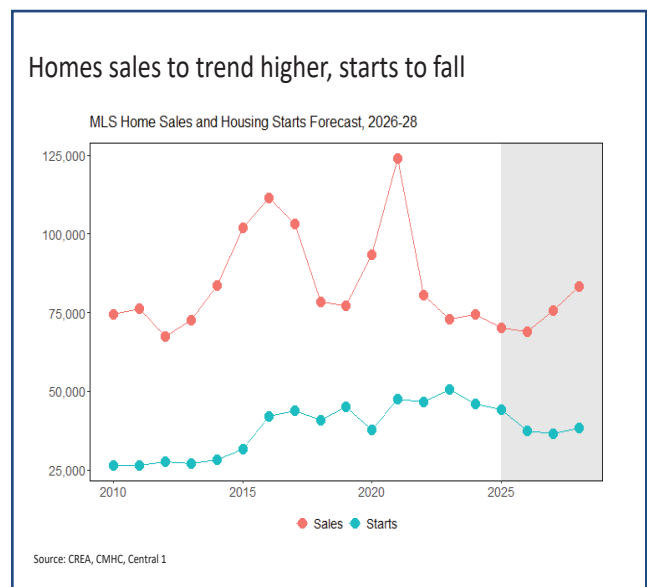
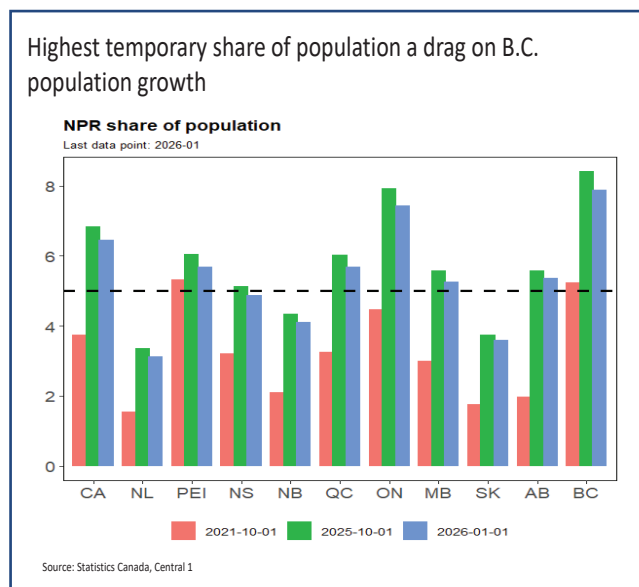
Monetary policy is assumed to be steady. This forecast is for the Bank of Canada to hold its policy rate at 2.25 per cent through 2026 before hiking in 2027 as it navigates the inflation risks posed by high oil prices and subdued domestic economy. Inflation risk is to the upside, and a sustained period of high oil prices could push the Bank to hike earlier. Bond yields increases are expected to be sustained, tightening credit conditions for firms and consumers.

B.C. economy faces domestic headwinds but sectoral optimism

B.C. will face these external headwinds for the foreseeable future while also navigating domestic constraints to growth. Support from the economy comes from tourism, as FIFA World Cup fever and a favourable exchange rate continues to provide a temporary but significant boost to the Lower Mainland and B.C. Rising liquefied natural gas shipments and mining extraction provide a boost, while federal initiatives support resource investment, although the timing and magnitude are uncertain. In the near term, weaker consumer demand, soft housing activity, and tighter public-sector spending will remain key drags, with more meaningful investment-related gains more likely later in the decade.

Drags on consumer spending reflects a combination of factors including tepid employment growth thus far and likelihood of limited hiring due to economic uncertainty. Inflation pressures from higher oil prices is expected to curb some spending, offsetting wage gains. B.C. has high exposure to federal migration caps, given the highest share relative to population of temporary residents in the country. Population is forecast to decline by 0.8 per cent this year, and hold flat in 2026 but this likely overstates the magnitude of decline as expired visas do not immediately coincide with people leaving the country. Alberta will also remain a draw for interprovincial residents due to relative housing affordability, although this gap has narrowed. Population growth naturally rebounds as caps alleviate and growth reflect still elevated permanent resident inflows in the 2028-29 period. A period of weaker consumer spending growth and external uncertainty keeps business confidence low and investment on the sideline.

Similarly, B.C.'s housing market struggles again this year with sales already trending below the disappointing pace of 2025. Improved affordability attracts more buyers as the year progresses, but sentiment remains cautious given the economic environment and oversupply in both the resale and rental market. Home sales are revised lower in this forecast with MLS® sales down 2 per cent in 2026, before rising 10 per cent each year thereafter as activity normalizes toward population levels. Price levels begin to recover but will not reach the 2022 high until 2028. We can almost consider this a lost decade for the housing market. While resale transactions trend higher, housing starts and construction investment move in the opposite direction. Housing starts are forecast to fall 20 per cent this year and hold near 37k units through 2028. Condominium construction will be a key drag, but rental construction is also set to cool given recent



market dynamics. We expect tighter future supply to trigger sharper price gains in 2027 onwards.

Public-sector contribution to growth is also set to be mixed. Deep deficits, which remain above \$10 billion annually for the province over the next several years with no path to balance in sight, curb program spending although health spending still to growth given demographic demand. Real spending is forecast to stall as government makes reductions in other areas and reduces the number of public-sector workers which has ballooned in recent years.

Ongoing trade diversification will be a positive economic driver, including development of resource projects. LNG Canada's facilities in Kitimat will continue ramp up to full production this year, and smaller facilities under construction, including Woodfibre LNG and Cedar LNG set for completion in 2028/29 will increase export capacity by a third and continue the export rotation towards Asia-Pacific markets. If Phase 2 of LNG Canada is given the green light, further investment occurs late in the decade. Mining investment is also anticipated to rise with fast-tracking of permit activity and support from federal agencies and initiatives like the Major Projects Office and Canada Strong Fund. How quickly projects can get off the ground will depend

on market conditions, and the province-specific political and regulatory environment. Other defence-related initiatives could support related business investment in the technology space and counter what will be broader investment challenges. However, there remains downside risk to forestry and other exports due to U.S. trade policy.

Labour market conditions evolve with economic growth. This forecast pegs employment growth at 0.1 per cent, with an average annual unemployment rate of 6.6 per cent this year. The summer lift from tourism shaves off some of the early year weakness, but overall performance remains tepid. Low population growth limits some of the upside but levels remain high and consistent with excess slack in the economy. The unemployment rate is expected to ease but remain above six per cent through 2028 with economic growth and demographics contribute to downward momentum.

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Key forecasts - British Columbia						
Indicator	2023	2024	2025	2026	2027	2028
Expenditure GDP	2.8	1.1	1.8	0.7	1.7	1.8
Employment	2.6	2.4	1.1	0.1	0.6	1.0
Unemployment rate	5.2	5.6	6.2	6.6	6.4	6.3
Population Growth	2.9	2.8	0.5	-0.8	0.3	0.8
Unit sales, 000s	73	74.4	70.2	68.8	75.7	83.2
Average price, 000s	971	981.3	952.9	943.5	981.2	1,040.1
Unit sales, %ch	-9.3	2	-5.7	-2.0	10.0	10.0
Average price, %ch	-2.6	1.1	-2.9	-1.0	4.0	6.0
Housing Starts (000s)	50.5	45.8	44.2	37.5	36.4	38.3
CPI - All items, % ch	4	2.6	2.1	2.3	2.0	2.0

Terms

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