

## British Columbia: 2020–21 Outlook\*

### MAJOR PROJECTS, POPULATION GAINS KEEP PROVINCE AT TOP OF THE TABLE

We continue to anticipate that British Columbia will lead the provinces in job creation in 2019 and 2020, and in economic growth in the latter year. The LNG Canada venture in Kitimat should boost the province's expansion throughout the forecast horizon. In line with project plans and industry estimates of capital expenditure profiles for ventures with comparable timelines, peak activity is expected in 2021. However, the most significant contribution to BC growth relative to our baseline forecast comes next year, with the largest annual jump in capital spending between 2019 and 2020. Other projects expected to support economic growth in BC include the Site C Dam, Pattullo Bridge replacement project, and airport expansions in Vancouver, Victoria, and Abbotsford.

Steady population growth has persisted in BC since our last quarterly forecast update. Alongside gains in newcomers and net non-permanent residents, net interprovincial migration has been trending higher in the three quarters to July 1, 2019. As in other parts of the country, growth has concentrated in the largest cities. Vancouver's population aged 15 years of age and over rose 1.9% y/y in August and September 2019 after climbing just 1.4% per year over 2017–18; meanwhile, Victoria and Abbotsford recently witnessed their strongest-ever recorded y/y monthly increases (chart).

A return to a more vibrant housing market has been the natural consequence of above-trend job creation and population gains. After pronounced declines in existing home purchases—brought about by rising interest rates and a range of federal and provincial policy measures—Vancouver home sales have risen by about 25% in two of the last four months. As strong demand-side factors support household formation and income growth in the coming years, we expect healthy home sales to resume and put further upward pressure on prices. Steady homebuilding activity should persist in Southern BC as well, constrained by factors such as higher material costs, building restrictions, and labour shortages in BC construction industry.

The outlook for BC's external sector continues to be dominated by downside risks. These include duties on imports of softwood lumber to the US, limits on lumber production following the mountain pine beetle infestation and severe wildfires in each of the last two years, and ongoing Sino-Canadian diplomatic tensions with China.

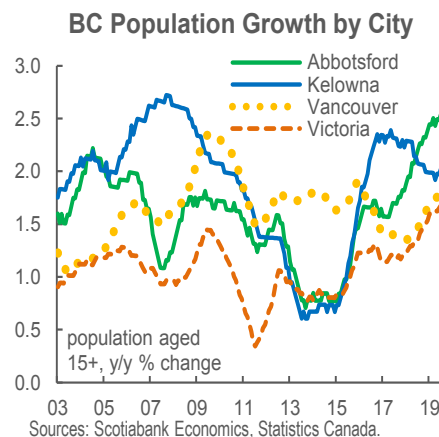
BC's financial update for the first quarter of FY20 still projects healthy surpluses through the next three fiscal years. Those balances look secure—the Province incorporates significant reserves into its blueprint and continues its longstanding practice of planning on the basis of economic growth less than the private sector forecast average. Taxpayer-supported debt as a share of GDP is still set to edge modestly higher over the planning horizon, reflecting record levels of planned investment in capital infrastructure. However, that rate is expected to remain on one of the softest trajectories among the provinces, and is on a lower path following a significantly larger-than-anticipated surplus in FY19. These factors recently led one ratings agency to affirm its AAA grade—the highest possible rating—of the Province's credit

### CONTACTS

Marc Desormeaux, Provincial Economist  
416.866.4733  
Scotiabank Economics  
[marc.desormeaux@scotiabank.com](mailto:marc.desormeaux@scotiabank.com)

British Columbia % change except where noted				
Economic Conditions	18e	19f	20f	21f
Real GDP	2.4	2.2	2.8	2.4
Nominal GDP	4.4	4.4	5.4	5.1
Employment	1.1	3.0	1.5	1.3
Unemployment Rate, %	4.7	4.6	4.8	4.9
Housing Starts, 000s	41	44	37	32
Fiscal Situation*	FY19	FY20	FY21	
Budget Balance, % of GDP	0.5	0.1	0.1	
Net Debt, % of GDP	14.3	14.8	15.3	

\* Nom. GDP fct: Scotiabank Economics. Sources: Scotiabank Economics, Statistics Canada, CMHC, BC Finance.



\* Figures reported in Canadian dollars unless otherwise stated. Data finalized Oct. 9, 2019.

Provincial Forecast Summary											
	(annual % change except where noted)										
Real GDP	CA	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC
2000–18	2.1	2.4	1.8	1.3	1.2	1.8	2.0	2.3	2.0	2.8	2.7
2018e	1.9	-2.7	2.6	1.2	0.1	2.5	2.3	1.3	1.6	2.3	2.4
2019f	1.6	2.0	2.1	1.3	0.6	2.4	1.7	1.4	1.3	0.5	2.2
2020f	1.8	0.6	1.9	1.3	0.8	1.6	1.7	1.5	1.5	2.4	2.8
2021f	1.9	0.8	1.8	1.1	0.7	1.6	1.6	1.5	1.7	2.7	2.4
Nominal GDP											
2000–18	4.3	5.6	4.2	3.3	3.4	3.7	3.9	4.4	5.4	5.9	4.7
2018e	3.6	0.5	4.6	3.2	1.9	4.2	3.5	3.1	3.8	4.5	4.4
2019f	3.2	3.5	4.1	3.0	2.2	3.7	3.3	3.4	3.4	1.9	4.4
2020f	3.8	2.9	3.9	3.2	2.4	3.3	3.4	3.3	3.8	4.5	5.4
2021f	4.3	3.7	3.8	2.8	2.1	3.6	3.9	3.3	4.5	5.7	5.1
Employment											
2000–18	1.4	0.6	1.1	0.6	0.4	1.3	1.3	1.0	1.1	2.2	1.5
2018	1.3	0.5	3.0	1.5	0.3	0.9	1.6	0.6	0.4	1.9	1.1
2019f	2.1	1.1	1.8	2.2	0.6	1.6	2.6	1.2	1.7	0.8	3.0
2020f	1.0	0.0	0.8	0.3	0.2	0.8	1.2	0.6	0.7	1.0	1.5
2021f	1.0	-0.1	0.6	0.1	0.2	0.8	1.0	0.6	0.6	1.2	1.3
Unemployment Rate (%)											
2000–18	7.1	14.3	11.1	8.8	9.5	7.9	7.0	5.1	5.0	5.3	6.5
2018	5.8	13.8	9.4	7.6	8.0	5.5	5.6	6.0	6.1	6.6	4.7
2019f	5.7	12.1	8.9	6.8	8.1	5.2	5.6	5.4	5.4	6.8	4.6
2020f	5.9	12.1	9.0	6.8	8.1	5.4	5.8	5.5	5.5	6.9	4.8
2021f	5.9	12.0	9.1	6.9	8.0	5.5	5.8	5.6	5.4	6.8	4.9
Housing Starts (units, 000s)											
2000–18	200	2.5	0.8	4.3	3.4	44	72	5.2	5.2	34	29
2018	213	1.1	1.1	4.8	2.3	47	79	7.4	3.6	26	41
2019f	210	0.9	1.1	4.6	2.8	49	71	6.8	2.5	27	44
2020f	206	1.3	1.1	4.2	2.4	46	76	6.0	3.3	30	37
2021f	202	1.1	1.0	4.2	2.4	44	78	6.0	3.7	31	32
Motor Vehicle Sales (units, 000s)											
2000–18	1,674	29	6	48	38	415	646	48	45	217	182
2018	1,984	28	8	51	38	449	853	67	47	226	217
2019f	1,935	31	9	51	39	448	810	60	49	223	215
2020f	1,915	26	7	50	38	435	805	58	50	227	219
2021f	1,915	26	7	47	36	435	805	58	51	231	219
Budget Balances, Fiscal Year Ending March 31 (CAD mn)											
2018	-18,961	-911	1	230	67	2,622	-3,672	-695	-303	-8,023	301
2019e	-14,000	-522	14	120	5	2,500	-7,435	-470	-268	-6,711	1,535
2020f*	-19,800	-575	2	31	38	0	-10,252	-360	26	-7,912	179

\* NL budget balance in 2020 is net of one-time revenue boost via Atlantic Accord. Sources: Scotiabank Economics, Statistics Canada, CMHC, Budget documents; Quebec budget balance figures are after Generations Fund transfers.

This report has been prepared by Scotiabank Economics as a resource for the clients of Scotiabank. Opinions, estimates and projections contained herein are our own as of the date hereof and are subject to change without notice. The information and opinions contained herein have been compiled or arrived at from sources believed reliable but no representation or warranty, express or implied, is made as to their accuracy or completeness. Neither Scotiabank nor any of its officers, directors, partners, employees or affiliates accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

These reports are provided to you for informational purposes only. This report is not, and is not constructed as, an offer to sell or solicitation of any offer to buy any financial instrument, nor shall this report be construed as an opinion as to whether you should enter into any swap or trading strategy involving a swap or any other transaction. The information contained in this report is not intended to be, and does not constitute, a recommendation of a swap or trading strategy involving a swap within the meaning of U.S. Commodity Futures Trading Commission Regulation 23.434 and Appendix A thereto. This material is not intended to be individually tailored to your needs or characteristics and should not be viewed as a "call to action" or suggestion that you enter into a swap or trading strategy involving a swap or any other transaction. Scotiabank may engage in transactions in a manner inconsistent with the views discussed this report and may have positions, or be in the process of acquiring or disposing of positions, referred to in this report.

Scotiabank, its affiliates and any of their respective officers, directors and employees may from time to time take positions in currencies, act as managers, co-managers or underwriters of a public offering or act as principals or agents, deal in, own or act as market makers or advisors, brokers or commercial and/or investment bankers in relation to securities or related derivatives. As a result of these actions, Scotiabank may receive remuneration. All Scotiabank products and services are subject to the terms of applicable agreements and local regulations. Officers, directors and employees of Scotiabank and its affiliates may serve as directors of corporations.

Any securities discussed in this report may not be suitable for all investors. Scotiabank recommends that investors independently evaluate any issuer and security discussed in this report, and consult with any advisors they deem necessary prior to making any investment.

**This report and all information, opinions and conclusions contained in it are protected by copyright. This information may not be reproduced without the prior express written consent of Scotiabank.**

™ Trademark of The Bank of Nova Scotia. Used under license, where applicable.

Scotiabank, together with "Global Banking and Markets", is a marketing name for the global corporate and investment banking and capital markets businesses of The Bank of Nova Scotia and certain of its affiliates in the countries where they operate, including, Scotiabanc Inc.; Citadel Hill Advisors L.L.C.; The Bank of Nova Scotia Trust Company of New York; Scotiabank Europe plc; Scotiabank (Ireland) Limited; Scotiabank Inverlat S.A., Institución de Banca Múltiple, Scotia Inverlat Casa de Bolsa S.A. de C.V., Scotia Inverlat Derivados S.A. de C.V. – all members of the Scotiabank group and authorized users of the Scotiabank mark. The Bank of Nova Scotia is incorporated in Canada with limited liability and is authorised and regulated by the Office of the Superintendent of Financial Institutions Canada. The Bank of Nova Scotia is authorised by the UK Prudential Regulation Authority and is subject to regulation by the UK Financial Conduct Authority and limited regulation by the UK Prudential Regulation Authority. Details about the extent of The Bank of Nova Scotia's regulation by the UK Prudential Regulation Authority are available from us on request. Scotiabank Europe plc is authorised by the UK Prudential Regulation Authority and regulated by the UK Financial Conduct Authority and the UK Prudential Regulation Authority.

Scotiabank Inverlat, S.A., Scotia Inverlat Casa de Bolsa, S.A. de C.V., and Scotia Derivados, S.A. de C.V., are each authorized and regulated by the Mexican financial authorities.

Not all products and services are offered in all jurisdictions. Services described are available in jurisdictions where permitted by law.