

## British Columbia

### BOUYANT DOMESTIC ECONOMY OUTWEIGHS TRADE CHALLENGES

**We continue to anticipate that BC will top the provincial growth table in 2020.**

That growth is expected to be anchored by work on the LNG Canada megaproject in Kitimat. Recent opposition to the project's Coastal Gaslink Pipeline has led us to assume more modest capital outlays this year and next than we had built into our last forecast update; peak activity is expected beyond 2021. Yet construction activity related to the venture is still expected to ramp up significantly over the next several years. As well, several other facilities currently under consideration in Northern BC underscore the broad-based positive sentiment with respect to LNG investment and present significant upside potential for the industry and the provincial expansion.

**The outlook for capital expenditures outside of the LNG sector is also buoyant.** Work on the Site C Dam is ongoing, the \$1.4 bn Pattullo Bridge replacement project construction should progress through 2023, and tech sector activity is stimulating industrial and commercial building across major BC cities.

**Stronger-than-anticipated sales activity in the housing market, after multiple years of policy-assisted softness, has materialized in recent months and provides a firmer handoff into 2020.** Vancouver home purchases have gained almost 90% since their nadir in March and regained nearly two-thirds of the 66% drop from the February 2016 peak. Homebuying is also trending up elsewhere in Southern BC (chart). Supply-demand balances have thus tightened to put upward pressure on prices, and should spur further near-record home construction despite constraints vis-à-vis material costs and zoning restrictions.

**Our outlook for consumer spending is at the confluence of many trends; all told, we look for stable gains in 2020–21.** Investment activity should contribute to BC leading the provinces in job creation this year and next, and a more vibrant housing market is also positive for durable goods spending. As well, rising national immigration targets and BC's reputation as a tech sector hub should continue to support headcount growth and put a floor under consumer outlays. That said, the pace of employment growth is expected to ease from gains near 3% last year, and high household debt levels should give consumers pause.

**If there is a corner of BC's economy facing headwinds, it is the external sector.** The prospect of prolonged, broad-based reductions in Canadian imports due to diplomatic tensions with China is a risk for BC given its strong trade ties to the country. Provincial exports of softwood lumber remain subject to US duties, and efforts to replenish forest lands following the mountain pine beetle infestation and severe wildfires mean production limits for firms operating in the forest products sector.

**However, should any downside come to fruition, BC has the benefit of one of the healthiest fiscal positions of any Provincial Government.** Its *Second Quarterly Report* for FY20 revealed a modest debt burden and built in significant prudence to address unexpected economic downturns and finance priority policy initiatives. On the latter point, we suspect this year's budget will contain additional steps to address near-term affordability issues, given that the housing market is rallying and a shift in FY20 infrastructure spending implies some delays for the Government's social housing construction plans.

### CONTACTS

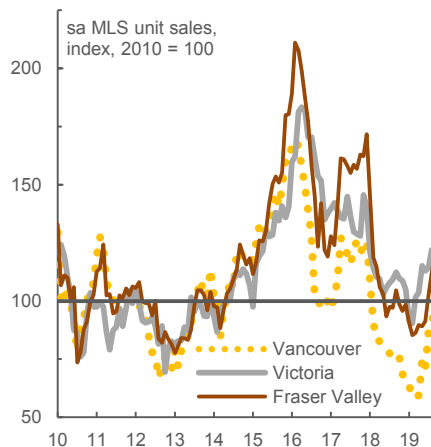
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Economic Outlook				
annual % change except where noted				
	18	19e	20f	21f
Real GDP	2.6	2.1	2.1	2.4
Nominal GDP	4.5	4.2	4.4	5.1
Employment	1.1	2.6	1.3	1.3
Unemployment Rate, %	4.7	4.7	4.9	5.0
Housing Starts, 000s	41	45	37	33

Fiscal Situation			
% of nominal GDP*			
	FY19	FY20	FY21
Budget Balance	0.5	0.0	0.1
Net Debt	14.3	14.6	15.4

### Home Sales Activity Surging in Southern BC



\* Nominal GDP forecast: Scotiabank Economics.

Sources for chart and tables: Scotiabank Economics, Statistics Canada, CMHC, BC Finance.

**Provincial Forecast Summary**

(annual % change except where noted)

	CA	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC
<b>Real GDP</b>											
2010–18	2.2	0.5	2.0	0.9	0.6	1.7	2.2	2.2	2.5	2.8	2.8
2018	2.0	-3.5	2.6	1.5	0.8	2.5	2.2	1.3	1.3	1.6	2.6
2019e	1.6	2.1	2.7	1.7	0.6	2.5	1.7	1.3	1.0	0.5	2.1
2020f	1.5	1.1	2.0	1.3	0.7	1.8	1.5	1.1	1.2	1.6	2.1
2021f	2.0	0.5	2.0	1.3	0.7	1.7	1.8	1.4	1.6	2.5	2.4
<b>Nominal GDP</b>											
2010–18	3.9	3.2	3.9	2.7	2.8	3.7	4.1	4.0	3.3	3.8	4.5
2018	3.9	1.7	4.2	3.3	3.2	4.8	3.7	2.2	1.4	3.8	4.5
2019e	3.2	3.6	4.6	3.4	2.2	4.1	3.3	3.0	2.6	2.0	4.2
2020f	3.3	3.0	3.9	3.2	2.3	3.5	3.2	3.0	2.9	3.3	4.4
2021f	4.2	3.0	4.0	3.1	2.1	3.6	4.0	3.2	4.1	5.2	5.1
<b>Employment</b>											
2010–18	1.2	0.5	1.2	0.2	-0.2	1.1	1.3	0.8	0.9	1.5	1.4
2018	1.3	0.5	3.0	1.5	0.3	0.9	1.6	0.6	0.4	1.9	1.1
2019e	2.1	0.6	2.7	2.2	0.8	1.8	2.9	0.9	1.8	0.5	2.6
2020f	0.9	-0.1	0.8	0.3	0.2	0.9	1.2	0.6	0.7	1.0	1.3
2021f	1.0	0.0	0.6	0.1	0.2	0.8	1.0	0.6	0.6	1.2	1.3
<b>Unemployment Rate (%)</b>											
2010–18	7.0	13.3	10.8	8.8	9.3	7.4	7.3	5.5	5.2	6.1	6.4
2018	5.8	13.8	9.4	7.6	8.0	5.5	5.6	6.0	6.1	6.6	4.7
2019e	5.7	11.9	8.8	7.2	8.0	5.1	5.6	5.3	5.4	6.9	4.7
2020f	5.8	12.0	8.8	7.2	8.0	5.2	5.7	5.4	5.4	7.0	4.9
2021f	5.8	11.8	9.0	7.3	7.9	5.3	5.7	5.5	5.4	6.9	5.0
<b>Housing Starts (units, 000s)</b>											
2010–18	200	2.4	0.8	4.1	2.7	44	70	6.5	6.4	31	33
2018	213	1.1	1.1	4.8	2.3	47	79	7.4	3.6	26	41
2019e	209	0.9	1.3	4.7	2.9	48	69	7.0	2.4	27	45
2020f	205	1.2	1.1	4.3	2.4	46	75	6.0	3.3	30	37
2021f	203	1.1	1.0	4.2	2.4	44	77	5.9	3.7	31	33
<b>Motor Vehicle Sales (units, 000s)</b>											
2010–18	1,847	33	7	52	42	439	725	56	54	241	197
2018	1,983	28	8	51	38	449	853	67	47	226	217
2019e	1,922	31	9	51	40	442	820	57	48	218	207
2020f	1,915	28	8	50	40	430	815	52	49	227	213
2021f	1,915	25	8	50	40	430	815	50	50	232	218
<b>Budget Balances, Fiscal Year Ending March 31 (CAD mn)</b>											
2019	-14,000	-552	57	120	73	4,803	-7,435	-163	-268	-6,711	1,535
2020f*	-26,600	-944	1	37	88	1,400	-9,023	-350	37	-8,704	148
2021f	-28,100	-796	7	52	33	100	-6,800	-234	49	-5,883	291

\* 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.

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