

British Columbia

POSITIONED FOR STRONG RECOVERY DESPITE TOURISM

- BC's economy was a mixed bag last year but carries momentum into 2021; we expect it to continue to modestly outperform the Canadian average.
- Major projects, the tech sector, and a light virus caseload are advantages.
- Key questions surround tourism-oriented sectors.

We noted the outsized tourism industry share of BC's economy in our last *Provincial Outlook*; related challenges will likely hold back the province's rebound. Firms in the sector—and in adjacent ones such as accommodation and food services, retail, and recreation—are unlikely to be able to operate at full capacity while COVID-19 remains a threat and physical gathering restrictions stay in place.

The liquefied natural gas (LNG) industry also held BC back last year, but we expect its fortunes to improve. Ramp-up of several ventures—including the LNG Canada Coastal Gaslink Export Pipeline megaproject in Kitimat—powered torrid engineering structures investment gains in 2019. Virus-related delays prompted a sharp early-2020 drop in related construction capital outlays (chart) and employment. We anticipate that the venture will eventually reach peak activity in the coming years as planned.

Though delayed and subject to new cost pressures according to the latest reporting, work on the Site C hydroelectric dam will continue, and that bodes well for related employment and capital investment. Geotechnical issues reported in H2-2020 raised fresh concerns about the project's viability.

BC's natural resources-oriented export profile looks poised for solid gains. Hefty US home construction—notably in lumber-intensive single-family units—should help BC lumber exports. This has already contributed to record high lumber prices. We also anticipate that prices and demand for copper, coal, and natural gas—key commodities in BC—will remain well-supported in 2021–22 amid a stimulus-led global recovery.

The technology sector is another advantage. BC's tech industry output growth outpaced all other provinces in the pre-pandemic decade; the Province's own data show favourable job creation relative to US tech hubs over the same period. The sector is broadly less vulnerable to any impending shift to remote work, and offers high wages in a jurisdiction where average weekly earnings lag the national average. Remote work's ultimate impact on industrial and commercial buildings is still unclear: rents and investment have rebounded somewhat after weakness in summer 2020.

The Vancouver, Victoria, Abbotsford, and Kelowna housing markets begin 2021 with sales and price momentum and tight demand-supply conditions. This has the potential to encourage homebuilding and price appreciation, though immigration remains a wild card: admissions to BC were still down 30% y/y as of December 2020.

Though BC's fiscal balances have taken a significant hit amid the pandemic, the province's net debt-to-GDP ratio in the 20–25% range is among the lowest in Canada. That leaves room for further fiscal support should the need arise.

CONTACTS

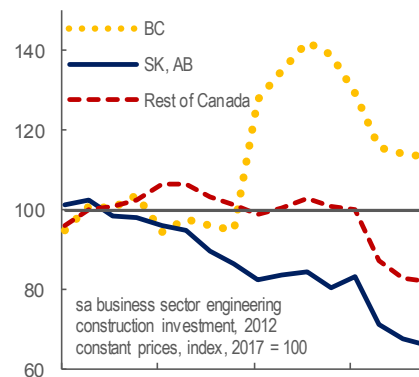
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Economic Forecast Details

annual % change except where noted

	19	20E	21F	22F
Real GDP	2.7	-5.0	6.1	4.1
Nominal GDP	4.4	-2.3	9.1	6.4
Employment	3.0	-6.6	4.4	3.6
Unemployment Rate, %	4.7	8.9	7.3	5.0
Housing Starts, 000s	45	38	39	38
Total CPI	2.3	0.8	2.3	2.5

BC Engineering Investment Delayed Following 2019 Surge



Sources: Scotiabank Economics, Statistics Canada.

Provincial Forecast Summary

	(annual % change except where noted)										
Real GDP	CA	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC
2010–19	2.2	1.0	2.3	1.1	0.7	1.9	2.3	2.1	2.2	2.6	2.8
2019	1.9	4.0	5.1	2.4	1.2	2.7	2.1	0.6	-0.7	0.1	2.7
2020e	-5.4	-5.1	-3.6	-4.0	-3.2	-5.1	-5.7	-3.6	-5.2	-6.8	-5.0
2021f	6.2	3.8	5.2	5.6	5.2	6.6	6.3	5.1	5.9	6.0	6.1
2022f	4.0	1.5	3.3	3.5	3.4	4.1	4.2	3.5	3.6	4.3	4.1
Nominal GDP											
2010–19	4.0	3.5	4.3	2.9	2.8	3.8	4.1	3.8	3.3	3.7	4.5
2019	3.6	4.1	7.0	3.8	3.0	4.3	3.8	1.0	0.1	2.7	4.4
2020e	-4.6	-6.8	-1.7	-2.1	-1.3	-3.9	-4.4	-1.6	-7.5	-9.3	-2.3
2021f	9.7	9.0	7.5	8.0	7.4	9.1	9.4	7.2	10.7	12.1	9.1
2022f	6.9	4.5	5.7	5.8	5.8	6.8	6.8	6.0	7.4	8.0	6.4
Employment											
2010–19	1.3	0.6	1.5	0.3	0.0	1.2	1.4	0.9	0.8	1.2	2.0
2019	2.2	1.1	3.3	2.3	0.8	2.0	2.8	1.0	1.9	0.7	3.0
2020	-5.1	-5.7	-3.2	-4.7	-2.6	-4.8	-4.8	-3.7	-4.7	-6.6	-6.6
2021f	4.2	3.4	4.1	4.3	3.9	4.3	4.3	3.9	4.0	4.1	4.4
2022f	3.6	1.0	2.9	3.1	2.9	3.6	3.8	3.2	3.3	3.9	3.6
Unemployment Rate (%)											
2010–19	6.9	13.3	10.6	8.7	9.4	7.1	7.0	5.6	5.3	6.2	6.1
2019	5.7	12.3	8.7	7.4	8.1	5.1	5.6	5.3	5.6	7.0	4.7
2020	9.6	14.1	10.4	9.8	10.0	8.9	9.6	8.0	8.4	11.4	8.9
2021f	8.0	13.0	9.0	8.2	8.9	7.3	8.0	6.8	7.0	10.0	7.3
2022f	5.7	12.2	7.4	6.6	7.2	5.1	5.6	5.0	5.1	7.5	5.0
Housing Starts (units, 000s)											
2010–19	201	2.2	0.8	4.2	2.7	44	70	6.6	6.0	31	34
2019	209	0.9	1.5	4.7	2.9	48	69	6.9	2.4	27	45
2020	219	0.8	1.0	4.9	3.7	55	81	7.3	3.1	24	38
2021f	222	0.8	1.2	5.0	3.1	57	80	6.3	3.2	27	39
2022f	214	0.8	1.2	4.5	2.5	52	76	6.0	3.5	29	38
Motor Vehicle Sales (units, 000s)											
2010–19	1,819	33	7	51	41	432	715	55	53	237	194
2019	1,916	34	8	53	41	454	789	53	46	227	214
2020	1,569	28	7	44	34	376	612	46	40	186	180
2021f	1,790	31	8	50	38	439	712	52	45	211	206
2022f	1,920	32	8	52	40	472	769	54	47	225	221
Budget Balances, (CAD mn)											
2019*	-39,400	-1,383	22	2	98	4	-8,672	5	-319	-12,152	-321
2020e	-381,600	-1,838	-178	-779	-13	-2,991	-38,468	-2,048	-2,045	-20,192	-13,643
2021f	-141,200		-70			-8,250	-33,100		-1,350	-18,221	
2022f	-50,700		-38			-7,000	-28,150		-855	-10,982	

* NL budget balance in 2019 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 and Stabilization Reserve transfers.

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