



Business Council *of*
British Columbia

BC Economic Update and Outlook

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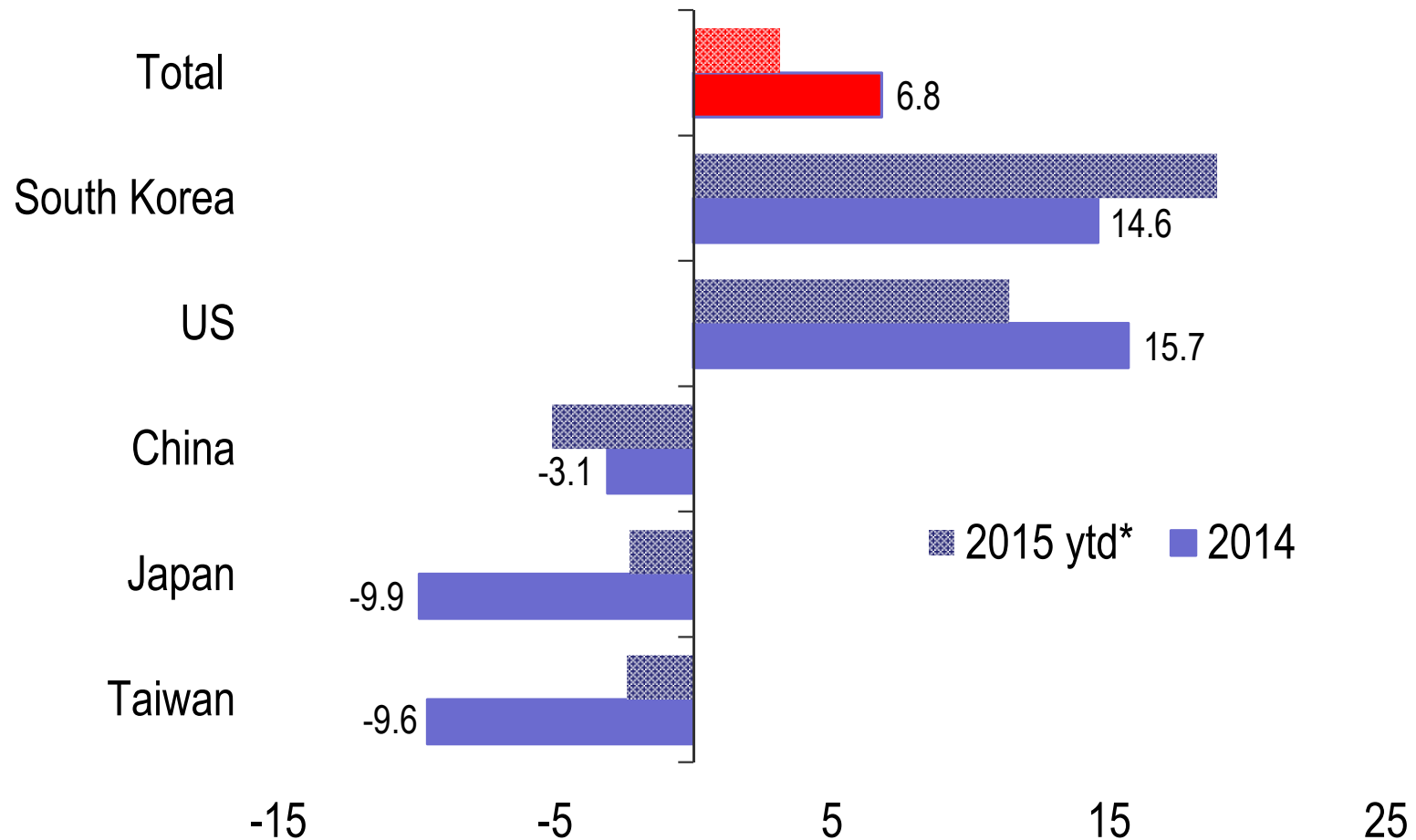
British Columbia Economic Setting

- Moderate economic growth over 2013-14
- Sub-par job creation, lower business investment, and government “fiscal drag” have acted as growth headwinds
- Gains in exports and tourism, strength in housing market and retail indicators, and expanding gateway business flows have been pluses
- Economic conditions should **improve** in 2015-16, mainly thanks to US expansion, and lower Cdn\$, and cheaper oil (?)
- Increased business investment, esp. in major projects, is expected to provide a boost over the medium-term...
- The BC government is in a relatively good fiscal position – budget surplus, moderate debt/GDP ratio, triple A credit rating



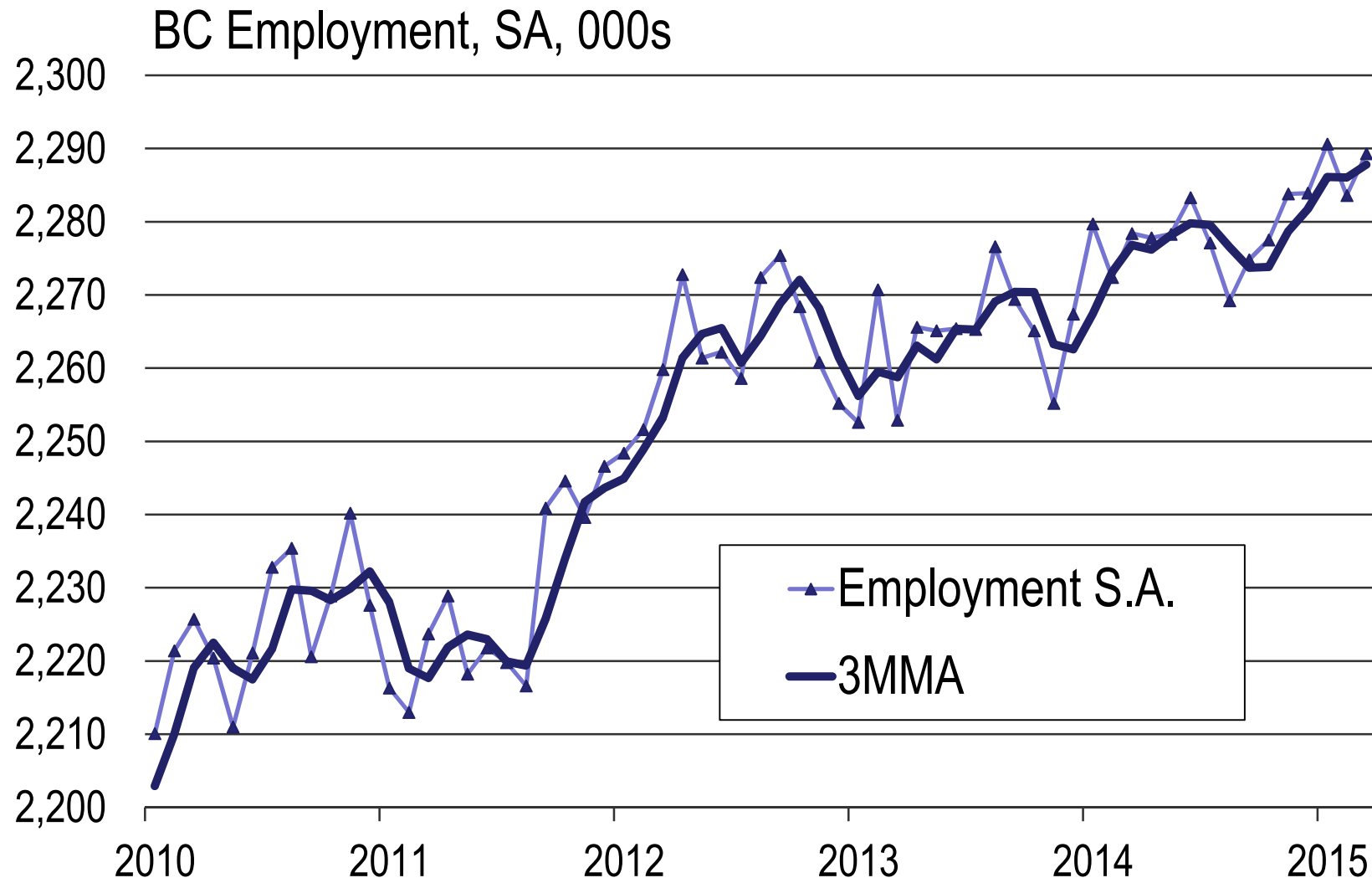
US Driving Current Export Growth

BC Export Growth, % change

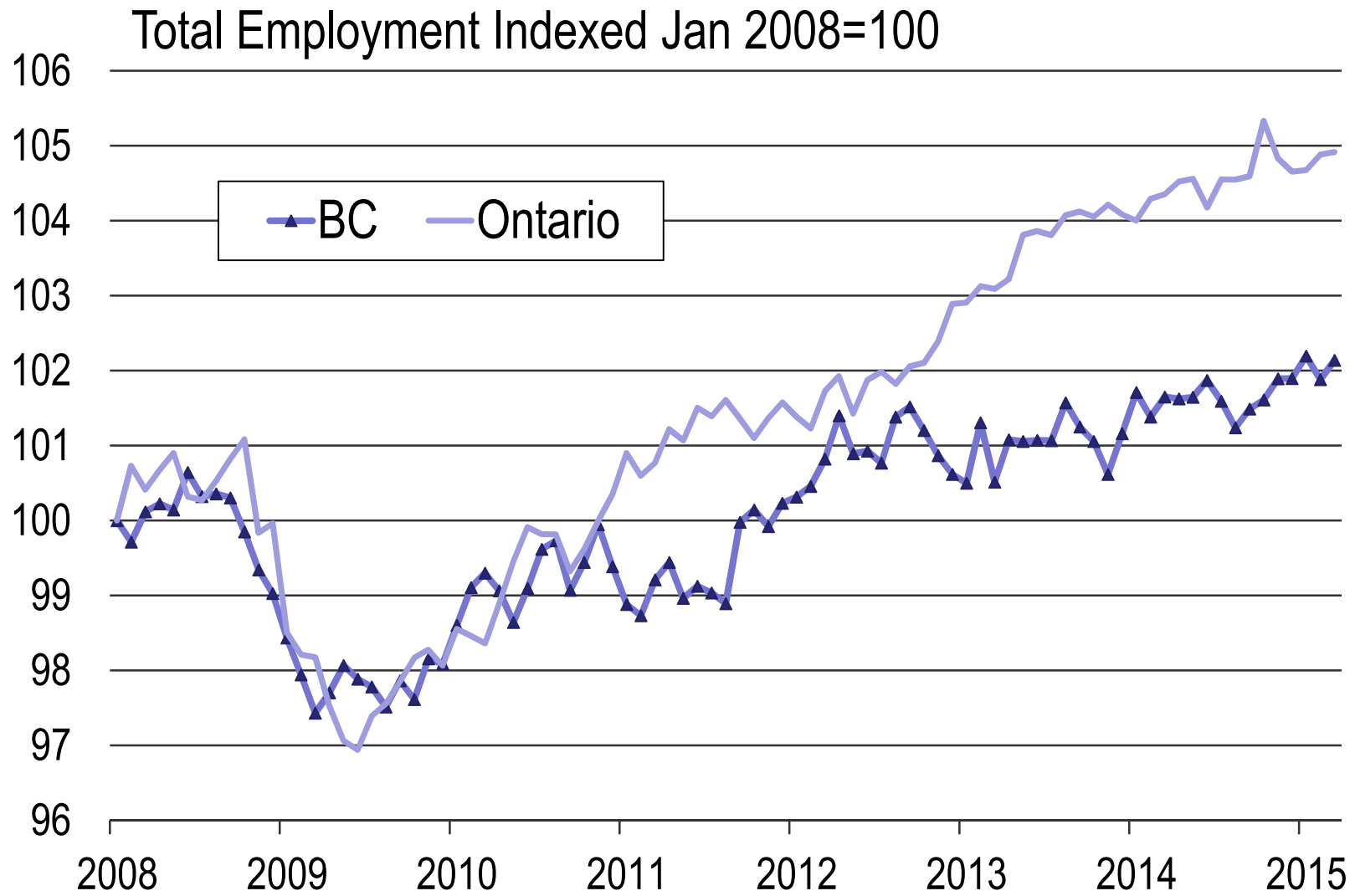


Source: BC Stats, *year-to-date=January to February.

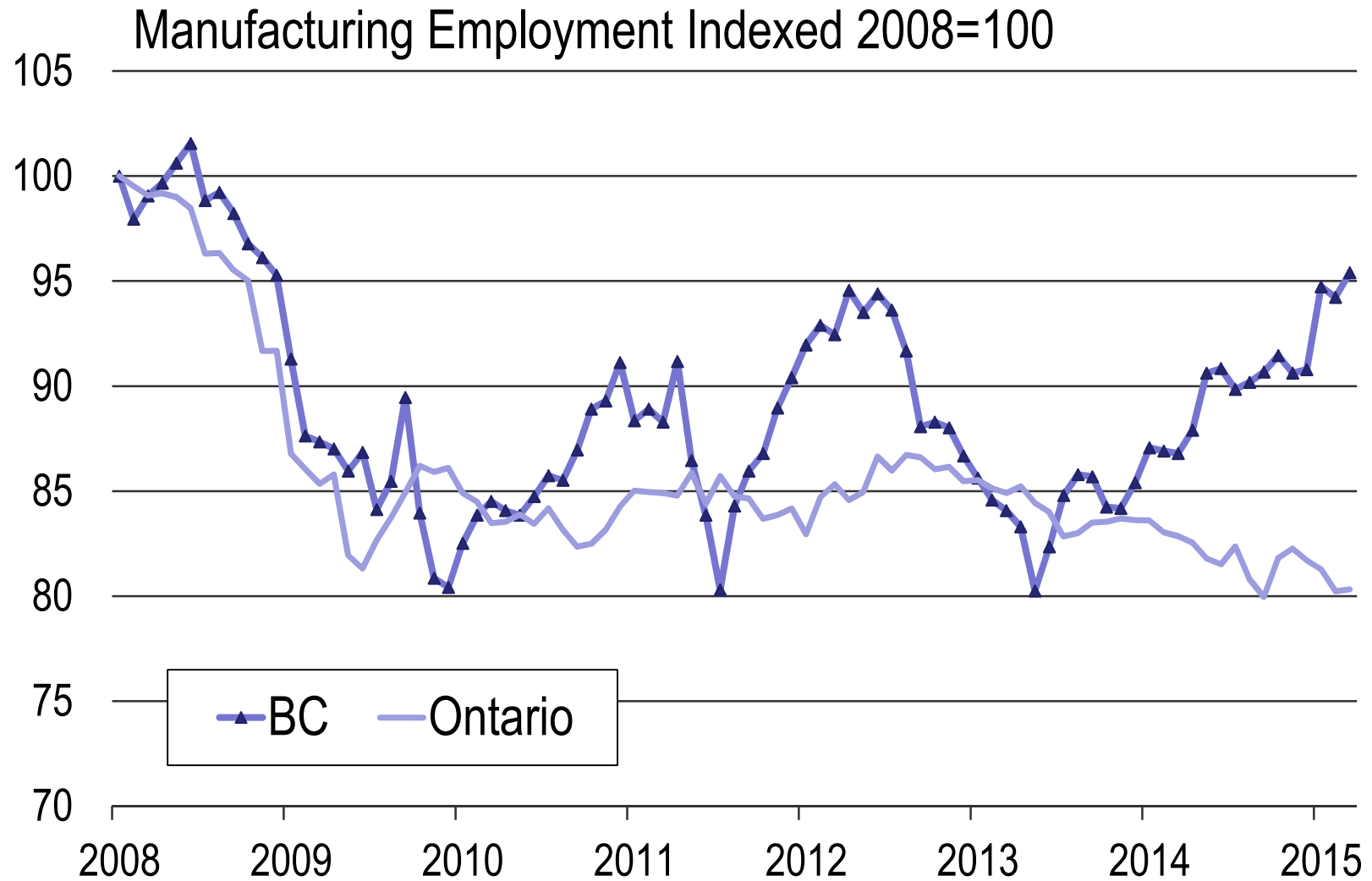
BC Employment Gradually Rising



Total Employment, BC and Ontario

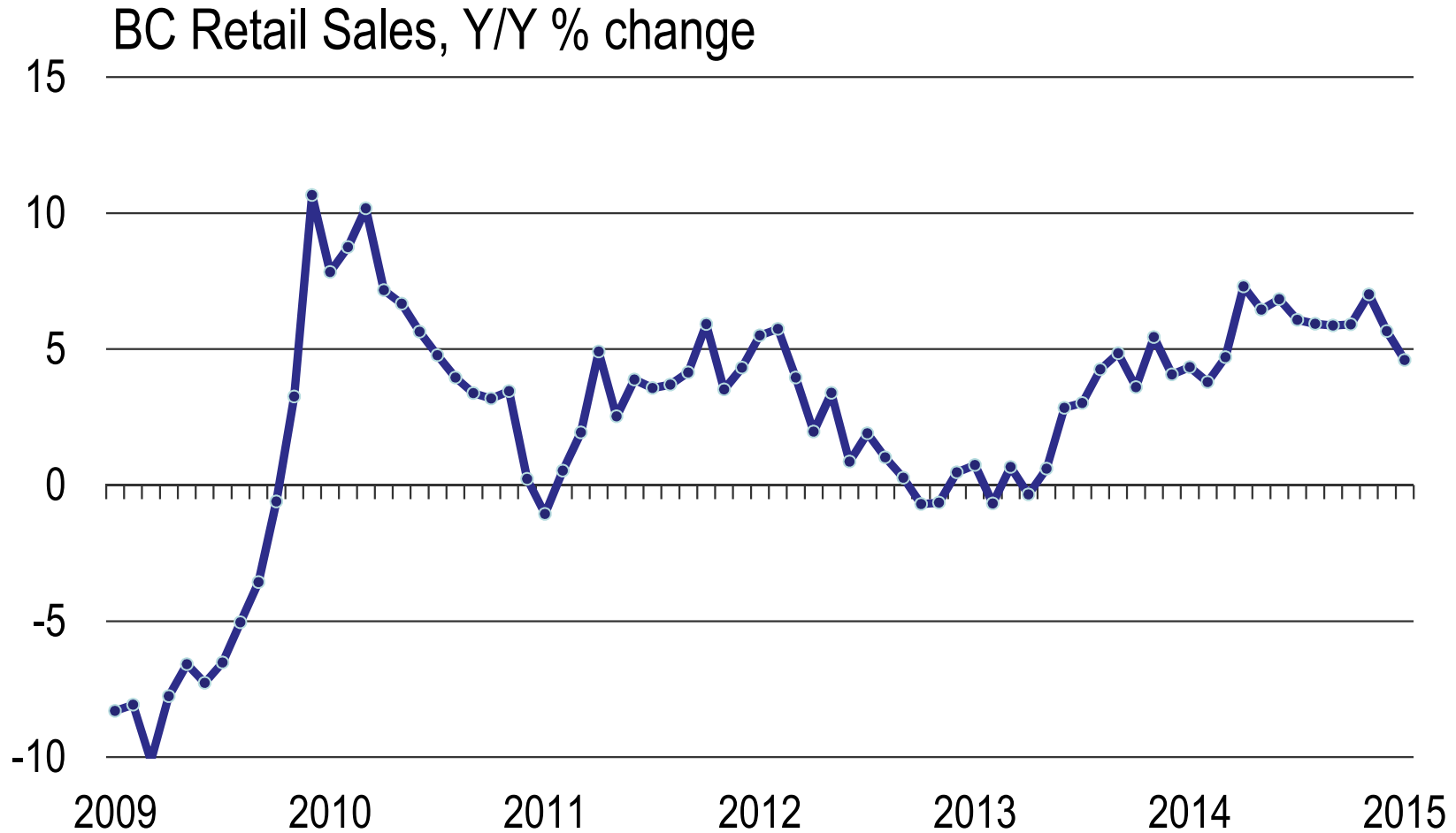


Manufacturing Employment, BC and Ontario



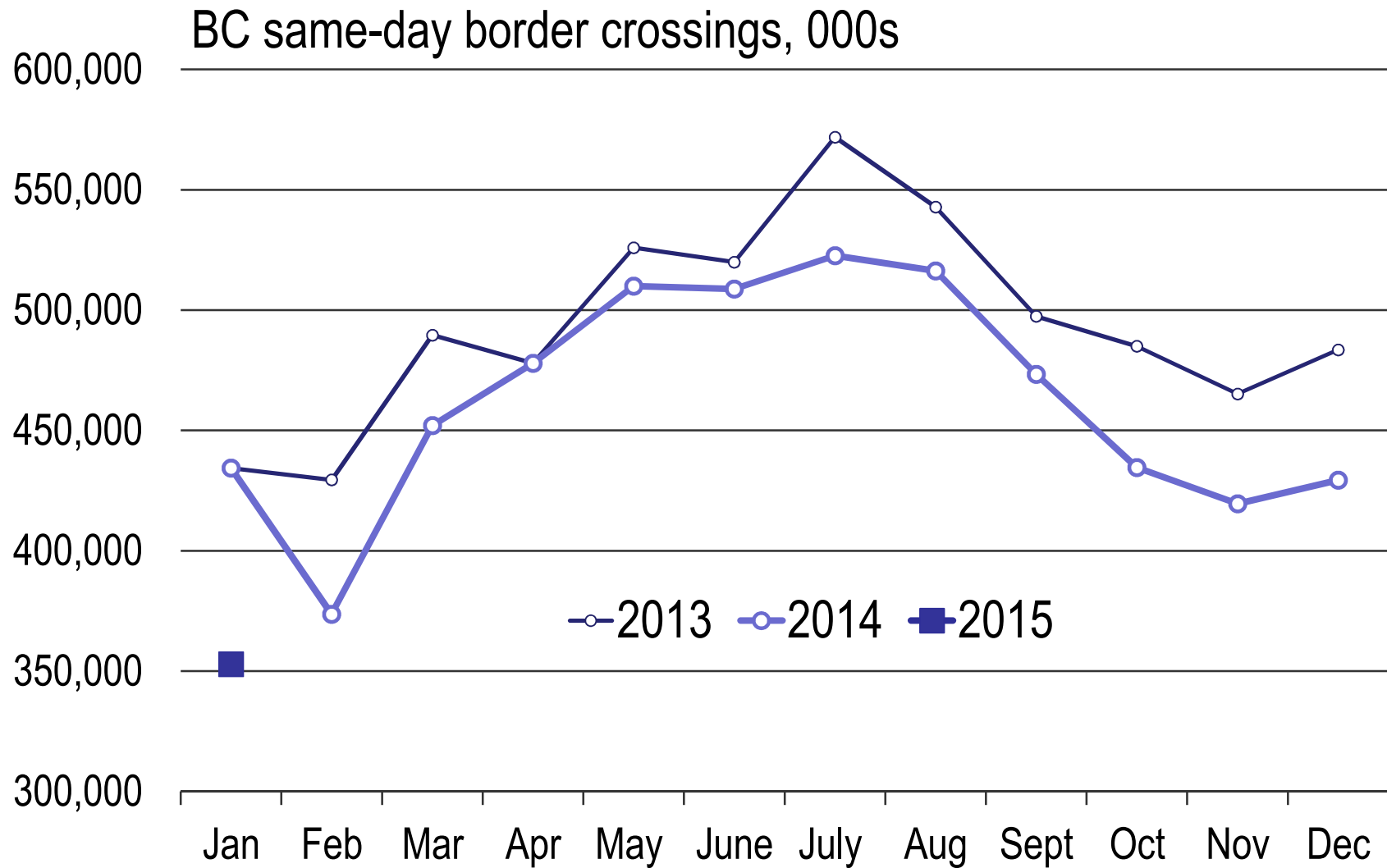


Consumer Spending Has Perked Up





Fewer Same-day Cross Border Trips



Source: Statistics Canada,

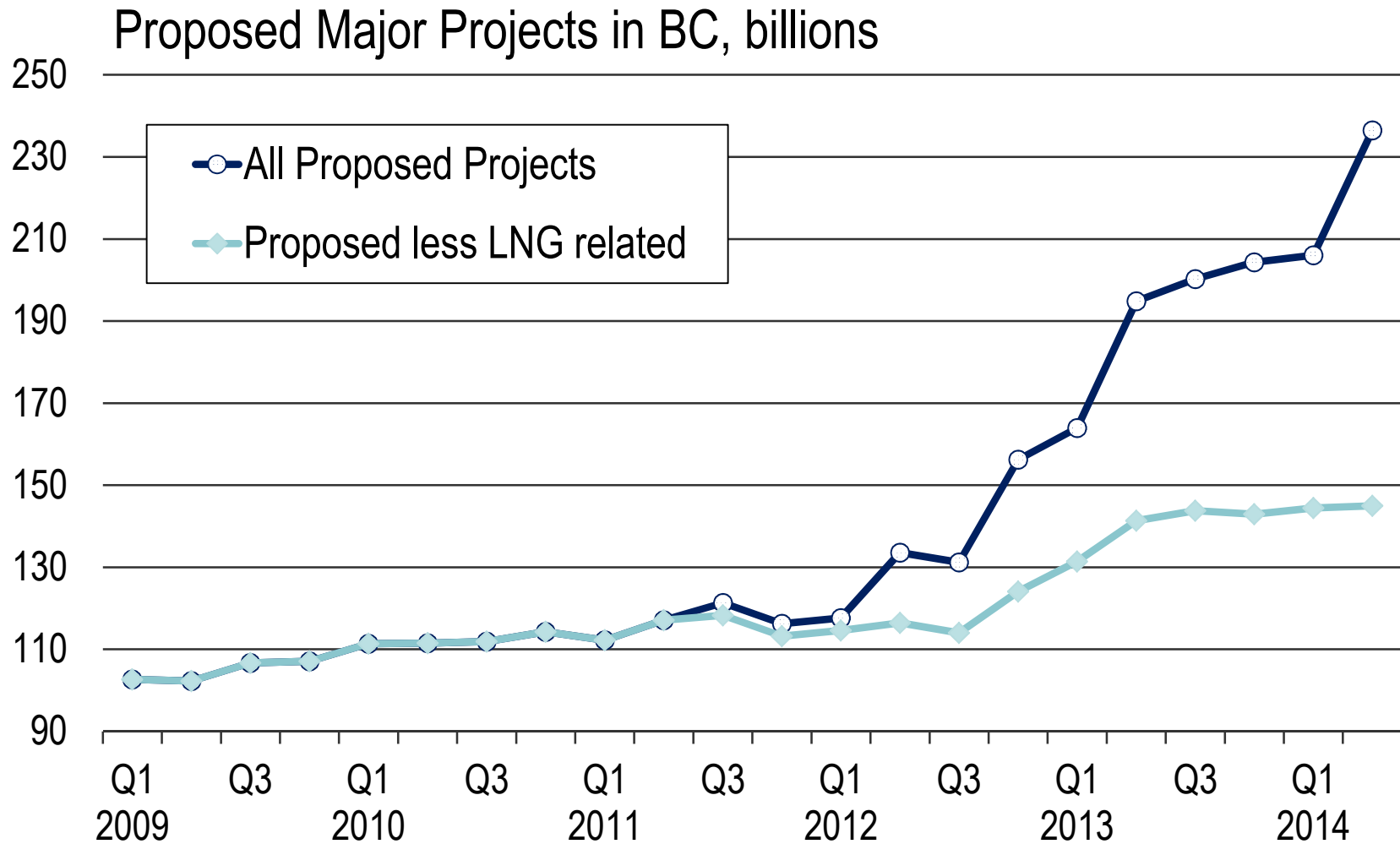


BC Inventory of Major Capital Projects - Highlights

- ▶ Value of all “major” capital projects planned or underway: **\$344 B**
- ▶ Total inventory has increased sharply, mainly due to LNG + oil pipeline proposals
- ▶ Major projects **currently underway** = \$83 billion capital cost, up from \$63 billion in 2011
- ▶ Among non-residential segments, the power and mining sectors have the largest inventories of proposed projects
- ▶ Commercial construction investment has been solid, especially in Metro Vancouver
- ▶ Multi-family residential development remains an important economic driver in BC
- ▶ Project-related investment in manufacturing is almost non-existent...



Much of the Expected Growth in Project Construction in BC is LNG-related





BC Outlook: Sources of Strength and Weakness

Helping to lift overall GDP and job growth in the next 12-18 months...

- ▶ Lumber/solid wood markets (US housing starts, lumber prices)
- ▶ Tourism rebound
- ▶ Commercial construction activity, some infrastructure
- ▶ LNG preparatory work
- ▶ Gateway activity
- ▶ Strength in parts of the advanced technology sector
- ▶ Lower Canadian dollar
- ▶ Lower oil prices (?)



BC Outlook: Sources of Strength and Weakness

Restraining the pace of economic expansion in the coming 12-18 months...

- Unfavourable commodity and capital market conditions in the coal and metal mining sectors
- Increasingly complex, uncertain and costly operating environment for land-based industries in BC
- Record high levels of household debt
- Erosion of BC's competitiveness in some sectors – although falling C\$ is helping to mitigate this



The Business Council's BC Economic Forecast

(annual per cent change unless otherwise indicated)

	2013	2014	2015f	2016f
Real GDP	2.0	2.3e	2.6	3.1
Employment	0.1	0.6	1.2	1.6
Unemploy. rate (%)	6.6	6.1	6.0	5.9
Housing starts – all areas (units)	28,000	27,800	27,000	27,000
Retail sales	1.6	5.5	5.2	4.5
All-items CPI	0.0	1.2	0.7	1.5