

BRITISH COLUMBIA - Well-rounded recovery taking hold

British Columbia maintained less stringent restrictions than many other parts of Canada through most of 2020. This, coupled with soaring commodity prices and high levels of capital investment, limited the severity of the economic shock last year—the provincial economy was among those contracting the least (-3.8%). With vaccination campaigns in full swing rapidly curbing the pandemic curve, BC authorities loosened restrictions in May and look to broaden reopening early this summer. We expect this will energize the provincial economy, complementing ongoing strength in the export sector and capital investment. We project growth to rebound to a solid 6.4% this year.

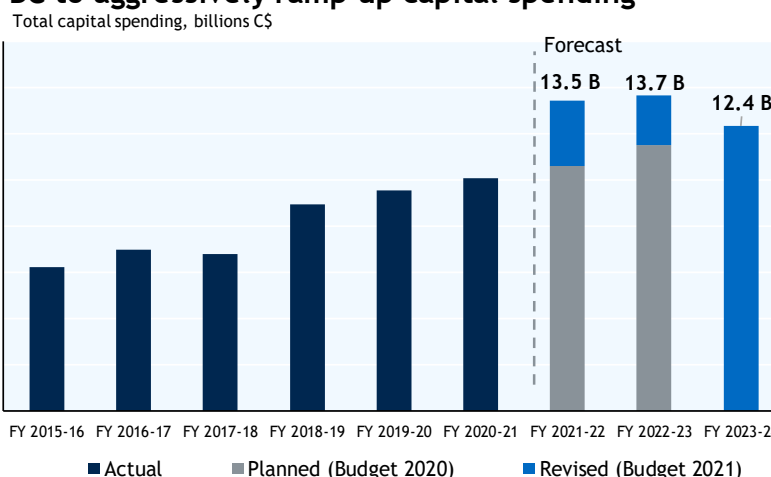
The province's major export commodities are booming. The value of forest product exports soared 50% so far in 2021. Metals, mineral products and energy also recorded strong gains. Higher prices account for much of these increases. We expect global demand for commodities to stay elevated through the remainder of this year, which bodes well for BC's exporters. This is especially the case for lumber producers who are scrambling to meet surging demand from builders across North America.

Also booming is BC's housing market. Home resales and prices reached record levels this winter, with low inventories driving up prices at an accelerating rate. The boom isn't concentrated in Vancouver and Victoria but has spread to other regions, including—and especially—in the Fraser Valley. This is eliciting a strong builder response with housing starts up more than 40% year to date. While we expect resale activity to moderate, we see housing construction staying solid through the remainder of this year.

BC businesses plan to boost their capital expenditures by close to 6% in 2021, according to the Statistics Canada Capex survey. Work on Coastal Gaslink pipeline continues in Northern BC. It is expected to be completed by the end of 2023. The Woodfibre LNG project construction is anticipated to begin later this year, with a targeted completion date of 2025. The potential abandonment of the LNG Kitimat project could dim the longer-term outlook, however. Both major owners of the project have pulled out and are looking for a buyer.

The provincial government will aggressively ramp up capital spending by one-third this year, with \$13.5 billion earmarked for public infrastructure. This will stimulate economic activity in 2021 and beyond thanks to second-round effects from higher employment levels and economic capacity. Over two years, BC will devote the equivalent of 4.5% of GDP to pandemic response and recovery spending—above the national average of 3.9%—which we believe will contribute to the solid growth rebound. With the lowest net debt-to-GDP level of all large provinces, BC has the fiscal capacity to shoulder this level of recovery spending.

BC to aggressively ramp up capital spending



Source: British Columbia Ministry of Finance, RBC Economics

British Columbia forecast at a glance

% change unless otherwise specified

	2018	2019	2020F	2021F	2022F
Real GDP	2.7	2.7	-3.8	6.4	4.4
Nominal GDP	4.9	4.4	-2.4	12.8	6.4
Employment	1.4	3.0	-6.6	6.0	2.6
Unemployment Rate (%)	4.7	4.7	8.9	6.7	5.6
Retail Sales	1.9	0.6	1.3	11.0	4.5
Housing Starts (Thousands of Units)	40.9	44.9	37.9	40.9	35.0
Consumer Price Index	2.7	2.3	0.8	2.4	2.1