BRITISH COLUMBIA – LNG will bring B.C. back to the top

The "G" in LNG spells growth for a province grappling with a softer housing sector and tight labour markets. Construction on LNG Canada's Kitimat project will boost growth to 2.6% in 2019.

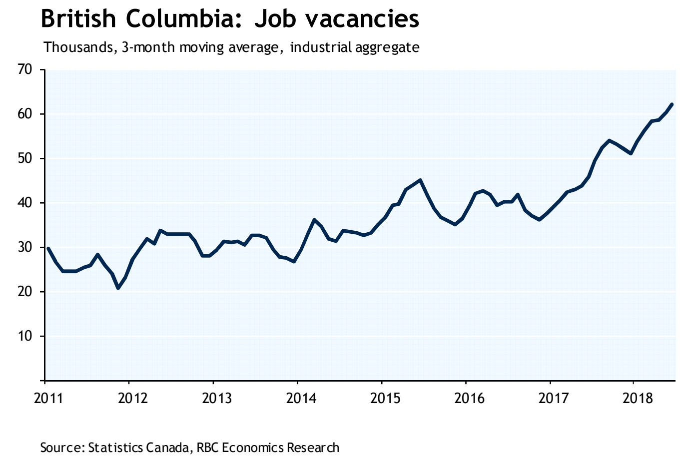
Just when we thought B.C.'s boom had run its course, Canada's largest capital project ever came along to keep things rolling. LNG Canada's $40 billion liquefied natural gas export project in Kitimat got the green light in 2018 and will provide a significant boost to the provincial economy: enough to push up our forecast for growth in 2019 to 2.6% from our previous view of 1.9%. That higher pace should continue in 2020. Exports and business investment will take over from the previously overheated residential investment sector as growth drivers.

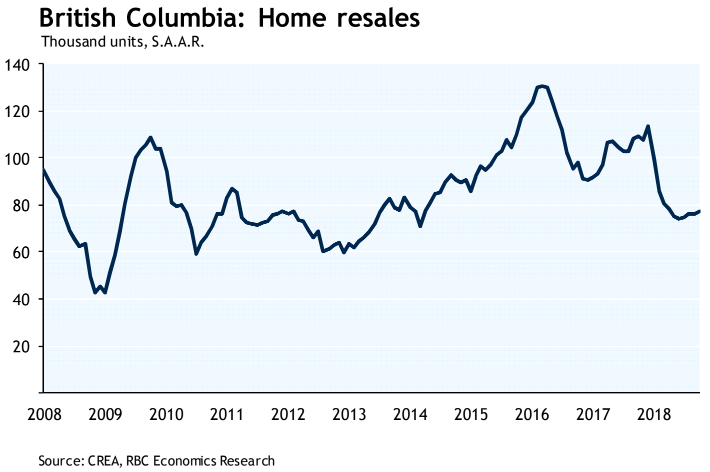
LNG Canada's facility will mark the fastest route to Asia for natural gas from North America. While its full economic impact can't yet be determined, construction of the export terminal and associated pipeline will generate an estimated 10,000 jobs. LNG Canada also indicated that it will spend $18 billion in Canada in the first five-year phase, mostly in B.C. The activity will provide a shot in the arm to the provincial economy, although it could further strain a tight labour market.

Lack of labour supply has been a constraint for most employers in the province, and this will continue in 2019. With record low unemployment levels, there isn't much local labour left to tap into. The shortages could put upward pressure on wages (average weekly earnings are already up over 4% compared to last year), and businesses will look to international and interprovincial immigration to fill the gap.

Housing was a significant drag on the economy in 2018. While the sector was a key driver of the vigorous growth the province saw in the last few years, its contribution has and will continue to diminish. The lack of affordability and unsustainable pace of growth was reined in by stricter mortgage qualification rules, higher interest rates, and market-cooling measures put forth by provincial and municipal governments. Going into 2019, we see the housing sector remaining soft.

The outlook for B.C. exports is bright. They increased 7.4% in the first ten months of 2018. The USCMA will ease export-related uncertainty around investment planning. Manufacturing sales are also up 7.3% year to date, which is slightly higher than the same period last year.





British Columbia forecast at a glance

% change unless otherwise specified

	2016	2017	2018F	2019F	2020F
Real GDP	3.2	3.8	2.3	2.6	2.6
Nominal GDP	6.0	6.9	4.3	4.7	4.9
Employment	3.2	3.7	1.0	1.4	1.0
Unemployment Rate (%)	6.0	5.1	4.7	4.7	4.7
Retail Sales	7.7	9.3	2.7	4.0	4.0
Housing Starts (Thousands of Units)	41.8	43.7	39.7	38.0	34.0
Consumer Price Index	1.9	2.1	2.7	2.0	2.3

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