



BRITISH COLUMBIA ECONOMY TO BE BUOYED BY RISING FOREIGN DEMAND: RBC ECONOMICS

Provincial economy set to improve next year following modest growth in 2013

TORONTO, September 17, 2013 — A mixed picture of economic data in the first half of 2013 will restrain British Columbia's real GDP growth to a modest rate of 1.5 per cent this year, according to RBC's latest [Provincial Outlook](#) report released today. A sluggish job market, ebbing housing investment and a dip in consumer spending weighed on the year-to-date performance in the province.

However, RBC expects brighter economic prospects for B.C. in 2014, with advances in export-oriented industries and recent signs of recovery in the housing market.

"With renewed external demand for British Columbia's natural resource products, and other goods and services stimulating domestic activity more broadly next year, as well as the ramp-up of capital spending on major projects, we expect growth to re-accelerate to 2.7 per cent in 2014," said Craig Wright, senior vice-president and chief economist, RBC.

British Columbia's export sector made some welcome gains in the first seven months of 2013, with merchandise exports up nearly 5.0 per cent year-over-year and outpacing the 3.5 per cent increase in imports. Furthermore, the province's wood product exports surged by 29 per cent, driven mainly by strong sales in the U.S. (up 51 per cent) and China (up 31 per cent). Exports of metals, machinery and equipment, natural gas, electricity and various food products also grew.

"Rising demand from south of the border and from Asia have steered British Columbia's natural resources sector along the recovery path – production of softwood lumber, coal, copper, gold, silver and natural gas posted noticeable year-over-year gains," said Wright.

The provincial labour market has been at a stand-still in the province for the past year with no net new jobs created between the summers of 2012 and 2013, RBC says. Amid these dim job prospects, British Columbians have reined in their spending; retail sales were stagnant overall in the province in the first half of this year.

Weighing even more heavily on the province's economic performance to date, however, was residential investment. RBC notes that the number of units under construction was down by more than 7.0 per cent year-over-year by the second quarter. With home resale activity only recently beginning to recover from a two-year slide, residential investment slumped by more than 2.0 per cent in the first half of 2013.

"We've seen some signs that the housing sector is on a path to recovery – resales and starts rebounded this summer," said Wright. "We expect further improvements in the period ahead, though slowing population growth and current multi-year high in completed but unoccupied units in Vancouver will likely limit the pace of new construction growth in the short-term."

The RBC Economics Provincial Outlook assesses the provinces according to economic growth, employment growth, unemployment rates, retail sales, housing starts and consumer price indices. The full report and provincial details are available online as of 8 a.m. ET today at rbc.com/economics/economic-reports/provincial-economic-forecasts.html.

For more information, please contact:

[Craig Wright](#), RBC Economics Research, 416 974-7457

[Robert Hogue](#), RBC Economics Research, 416 974-6192

[Elyse Lalonde](#), Communications, RBC Capital Markets, 416 842-5635