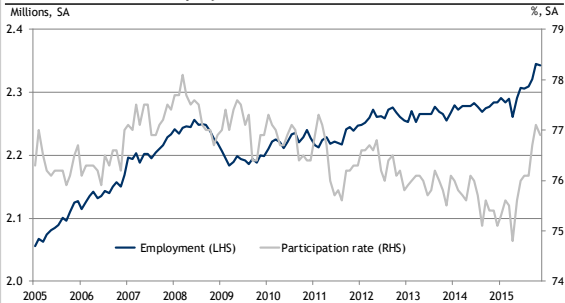
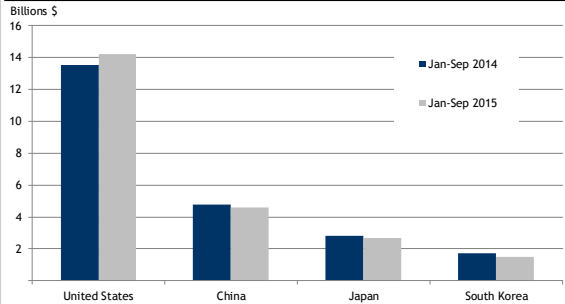


British Columbia : Employment and labour force



Source: Statistics Canada, RBC Economics Research

British Columbia : International merchandise exports



Source: Industry Canada, RBC Economics Research

British Columbia forecast at a glance

% change unless otherwise indicated

	2012	2013	2014	2015F	2016F	2017F
Real GDP	2.5	2.1	3.2	2.9	3.1	2.9
Nominal GDP	2.1	2.3	4.7	4.5	4.8	5.2
Employment	1.6	0.1	0.6	1.3	1.8	0.7
Unemployment rate (%)	6.8	6.6	6.1	6.0	5.8	5.8
Retail sales	1.9	2.4	5.6	6.8	4.7	3.9
Housing starts (units)	27,465	27,054	28,356	32,200	33,000	27,500
Consumer price index	1.1	-0.1	1.0	1.1	2.1	1.7

Laura Cooper
Economist

Remaining in front of the pack

Rising housing valuations and a strengthening labour market continue to set a positive backdrop for households in British Columbia, with consumer spending underpinning a 2015 pace of real GDP growth that is expected to exceed all other provinces. Unsustainable house price growth and an expected reduction in monetary policy stimulus in late 2016 present challenges for the major housing markets in the province going forward; although, firm export growth should provide an anchor for economic activity in 2016 as the US economy is poised to strengthen further, and the tailwinds from the low Canadian dollar are set to persist. Our forecast calls for real GDP growth to record a 2.9% pace in 2015 and accelerate slightly to a 3.1% rate in 2016. Our initial take on 2017 is for growth to come in at a still-solid 2.9%.

Hot housing markets at risk of overheating...

Housing market activity remains strongly tipped in favour of sellers with tight supply conditions evident in close to two-thirds of the province's housing markets. New listings trended sideways in 2015 while residential unit sales climbed in October 2015 to the highest level since July 2007. Resultantly, annual price gains have accelerated to double-digit rates in markets such as Vancouver and are becoming increasingly unsustainable. With upward pressure on borrowing rates expected to emerge in 2016, housing affordability is expected to become even more constrained, thereby exerting intensifying downward pressure on homebuyer demand. Nonetheless, still-tight supply conditions are expected to prevail in the short term and support further property appreciation albeit at a decelerating pace.

...but hiring gains set to outpace the rest of the country.

Strong gains in the public sector resulted in the province adding more jobs, on net, year to date in November 2015 than all other provinces, with employment advancing by almost 60,000. Bright prospects encouraged new entrants to the labour force with the participation rate surging to a nearly three-year high. Strengthening in hiring gains should continue to attract newcomers to the province, with employment gains expected to be sufficient to push the unemployment rate downward to 5.8% in 2016 from 6.0% in 2015. The flow of individuals moving back from neighbouring Alberta will likely continue to remain elevated, which should help to offset a sharp decline in the number of foreigners moving to the province, thereby helping to sustain the upswing in population growth that emerged late in 2015.

...with greater support from merchandise exports expected in 2016

On the external trade front, solid performance in lumber shipments to the United States has been met by declines in nominal merchandise exports to the province's next three largest trading partners, China, Japan and South Korea, so far in 2015. With nominal shipments of coal, copper, and natural gas underperforming relative to a year ago, international exports from the province remained subdued, rising only 0.6% year to date as of September 2015. An anticipated strengthening in economic activity in the US in 2016 and a modest recovery in commodity prices underpin our expectation that export-oriented sectors will improve. The completion of a Kitimat aluminum smelter combined with a ramping up of output at other production facilities are further expected to support a stronger contribution from this segment of the economy in 2016.