

## British Columbia

### KEY COMMODITY PRICES SURGE, TOURISM STILL A RISK

- BC is already benefiting significantly from the run-up in commodity prices.
- Major project activity and high-contact industry exposure remain risks.

**Forest products demand should boost BC economic growth this year.** Though lumber prices have eased somewhat, they remain near all-time high levels. This has been particularly beneficial for BC—which last year accounted for 38% of Canadian softwood lumber output. With production up by 10% y/y ytd as of March, BC sawmill and wood preservation export values through April are more than 100% higher than year-earlier levels. Shipments of veneer and plywood are up another 69% y/y ytd in the same period; logging exports have gained nearly 200%. We expect lumber prices to further ease from record highs as the year progresses but stay elevated, anchored by robust US homebuilding and reinforced by supply-side tightness via cut limits.

**The economic benefits of strong commodity demand and price gains extend beyond exports from BC's forest products sector.** Nickel, lead, zinc and copper ore mining was the province's third-largest merchandise export sector last year; to date in 2021, related shipments are 25% higher than year-earlier levels, lifted in particular by the latter metal's climb to an all-time high price in May. Natural gas, gold, silver, and aluminum production and processing are also important export categories, and have gained significantly this year amid the commodity super cycle.

**For services exports, the technology sector continues to be a significant advantage for BC.** In past outlooks, we noted its resilience to lockdowns, strong pre-pandemic hiring relative to US hubs, and that it offers a salary premium in a low average wage jurisdiction. In 2020, BC's ICT industry output rose by 5.6%—the strongest advance by that sector in any province and in contrast to a 3.8% all-industry decline. Over the medium-term, continued growth will require the same resumption of immigration inflows. Like several other provinces, BC has helped skilled newcomer admissions by conferring permanent resident status to temporary workers and students, but immigration is still well below target levels to date this year.

**BC's labour market has started 2021 on firm footing.** Since the start of 2021, hours worked, full-time hiring, and wages and salaries gains are all outpacing national-level advances. The key vulnerability is to "high-contact industries" like accommodation and food services and tourism—which make up an outsized share of BC jobs—but there is also upside risk insofar as vaccination accelerates.

**We are still generally optimistic about major project activity, but risks remain.** Work on the Site C hydroelectric dam continues, and we still expect the LNG Canada Coastal Gaslink Export Pipeline in Kitimat to reach peak activity in the coming years.

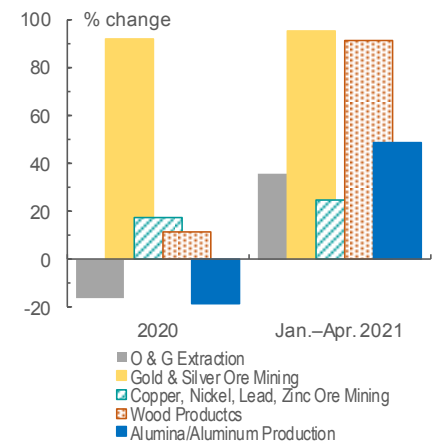
**BC's first multi-year fiscal plan since COVID-19 arrived in Canada (full analysis [here](#)) showed significant financial deterioration but maintains many of the advantages in place before the pandemic.** From a growth perspective, we note that capital spending plans—both taxpayer-supported and self-supported outlays—include a 33% annual increase in FY22 and output shares of more than 4% of nominal GDP. Both figures are the highest among the provinces and should bolster BC's recovery.

### CONTACTS

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Key Economic Indicators			
annual % change except where noted			
	20E	21F	22F
Real GDP	-3.8	6.4	4.4
Nominal GDP	-1.3	13.4	6.6
Employment	-6.6	5.3	3.4
Unemployment Rate, %	8.9	6.7	4.9
Housing Starts, 000s	37.9	44.3	37.0
Total CPI	0.8	2.6	2.6

### Surges Across BC's Key Merchandise Export Categories to Date in 2021



Sources for tables and chart: Scotiabank Economics, Statistics Canada, CMHC, Industry Canada.

**Provincial Forecast Summary**
**The Provinces**

(annual % change except where noted)

Real GDP*	CA	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC
<b>2010–19</b>	2.2	1.0	2.3	1.1	0.7	1.9	2.3	2.1	2.2	2.6	2.8
<b>2019</b>	1.9	4.0	5.1	2.4	1.2	2.7	2.1	0.6	-0.7	0.1	2.7
<b>2020e</b>	-5.3	-5.3	-3.0	-3.2	-3.7	-5.3	-5.8	-4.8	-5.2	-8.2	-3.8
<b>2021f</b>	6.1	3.8	5.0	5.2	5.4	6.9	5.8	5.7	5.5	6.2	6.4
<b>2022f</b>	4.0	2.5	3.2	3.4	3.3	3.8	4.3	3.5	3.6	4.2	4.4
<b>Employment</b>											
<b>2010–19</b>	1.3	0.6	1.5	0.3	0.0	1.2	1.4	0.9	0.8	1.2	2.0
<b>2019</b>	2.2	1.1	3.3	2.3	0.8	2.0	2.8	1.0	1.9	0.7	3.0
<b>2020</b>	-5.1	-5.7	-3.2	-4.7	-2.6	-4.8	-4.8	-3.7	-4.7	-6.6	-6.6
<b>2021f</b>	4.1	3.4	3.3	4.7	4.1	4.3	3.7	3.7	3.3	4.4	5.3
<b>2022f</b>	3.3	1.3	2.5	2.6	2.3	3.2	3.6	3.0	2.9	3.7	3.4
<b>Unemployment Rate (%)</b>											
<b>2010–19</b>	6.9	13.3	10.6	8.7	9.4	7.1	7.0	5.6	5.3	6.2	6.1
<b>2019</b>	5.7	12.3	8.7	7.4	8.1	5.1	5.6	5.3	5.6	7.0	4.7
<b>2020</b>	9.6	14.1	10.4	9.8	10.0	8.9	9.6	8.0	8.4	11.4	8.9
<b>2021f</b>	7.6	12.5	8.3	7.9	8.2	6.3	8.1	6.3	6.2	9.2	6.7
<b>2022f</b>	5.8	12.1	7.4	6.9	7.3	4.9	6.0	4.9	4.9	7.0	4.9
<b>Motor Vehicle Sales (units, 000s)</b>											
<b>2010–19</b>	1,818	33	7	51	41	432	715	55	53	237	194
<b>2019</b>	1,914	34	8	53	41	454	789	53	46	227	214
<b>2020</b>	1,564	28	7	44	34	376	612	46	40	186	180
<b>2021f</b>	1,750	32	9	50	40	425	673	52	45	216	208
<b>2022f</b>	1,973	34	9	55	44	480	764	56	50	244	235
<b>Budget Balances, (CAD mn)</b>											
<b>2019**</b>	-39,400	-1,383	22	3	49	4	-8,672	5	-319	-12,152	-321
<b>2020</b>	-354,200	-1,644	-120	-706	-13	-6,240	-38,468	-2,080	-1,865	-20,192	-8,144
<b>2021f</b>	-154,700	-826	-112	-585	-245	-12,250	-33,100	-1,597	-2,611	-18,221	-9,698
<b>2022f</b>	-59,700	-587	-46	-218	-296	-8,500	-27,700	-374	-1,685	-10,982	-5,484

\* Based on preliminary estimates of real GDP by industry for all provinces but Quebec and Ontario. \*\* NL budget balance in 2019 is net of one-time revenue boost via *Atlantic Accord*.

Sources: Scotiabank Economics, Statistics Canada, CMHC, Budget documents; Quebec budget balance figures are after Generations Fund and Stabilization Reserve transfers.

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