

How BC Housing Market Could Get Trumped

“We must protect our borders from the ravages of other countries making our products, stealing our companies, and destroying our jobs. Protection will lead to great prosperity and strength.” – Donald Trump, Inaugural Address

That speech ushered in a new and very different era of North American trade. While still early, every indication has been given that the new US administration will be more insular, and more focused on promoting America first, at the expense of its traditional allies. Not only is the incoming administration examining ways to renegotiate the North American Free Trade Agreement (NAFTA) on terms more favourable to US producers, but it also effectively killed

the Trans-Pacific Partnership, which would have opened or expanded global opportunities for BC businesses.

How will this new regime impact the BC economy and, in particular, BC housing markets? While BC has the most diversified trade of any Canadian province, more than half of BC goods exports still go to the United States, adding up to about 18 per cent of BC’s GDP. Any move to restrict that trade will have harmful impacts on the BC economy. However, potential restriction of trade will not impact the economy symmetrically. Most of BC’s export products originate in the interior and northern parts of the province, and so employment in those regions is more clustered in export-oriented sectors.

Any new restrictions imposed on trade with the United States could potentially harm employment growth and, therefore, housing demand in areas of the province that most depend on tradable goods sectors like natural resources and manufacturing. For example, the



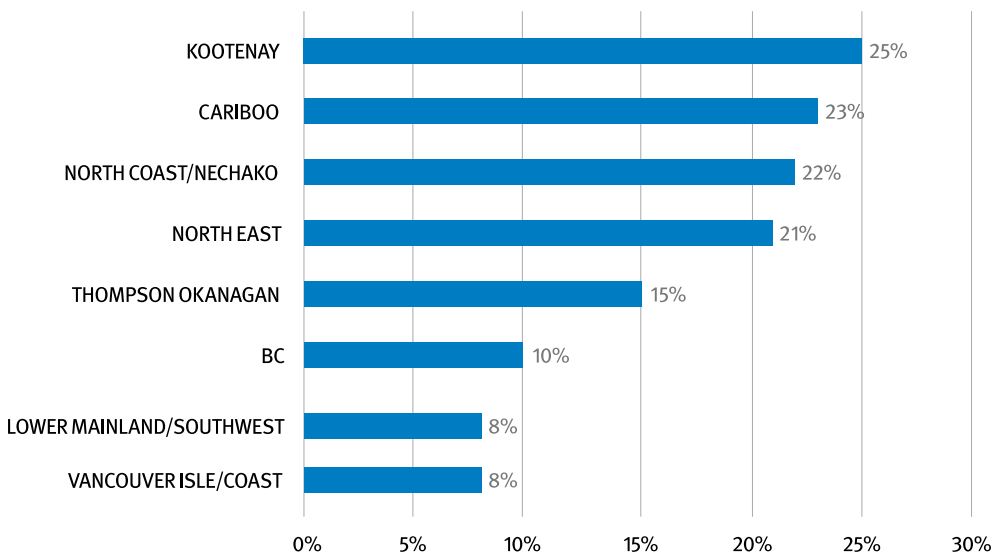
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Kootenay, the Cariboo and much of Northern BC rely on natural resource extraction and manufacturing, which account for more than 20 per cent of total employment. Moreover, the intricate web of the intra-provincial supply chain means that any weakness in these sectors could be multiplied throughout the province in directly-linked industries, such as transportation and warehousing, before leaking into the broader labour market, as well.

It should be noted that potentially adverse disruptions to our trade relationship with the United States will take some time to occur, and that the BC economy continues to diversify across industries and global trade partnerships. The new America-first stance of US policymakers simply highlights the continued importance of that diversification to the health of the BC economy and to regional housing markets.

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SHARE OF EMPLOYMENT IN NATURAL RESOURCES & MANUFACTURING



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