

BC Economy Continues to Thrive

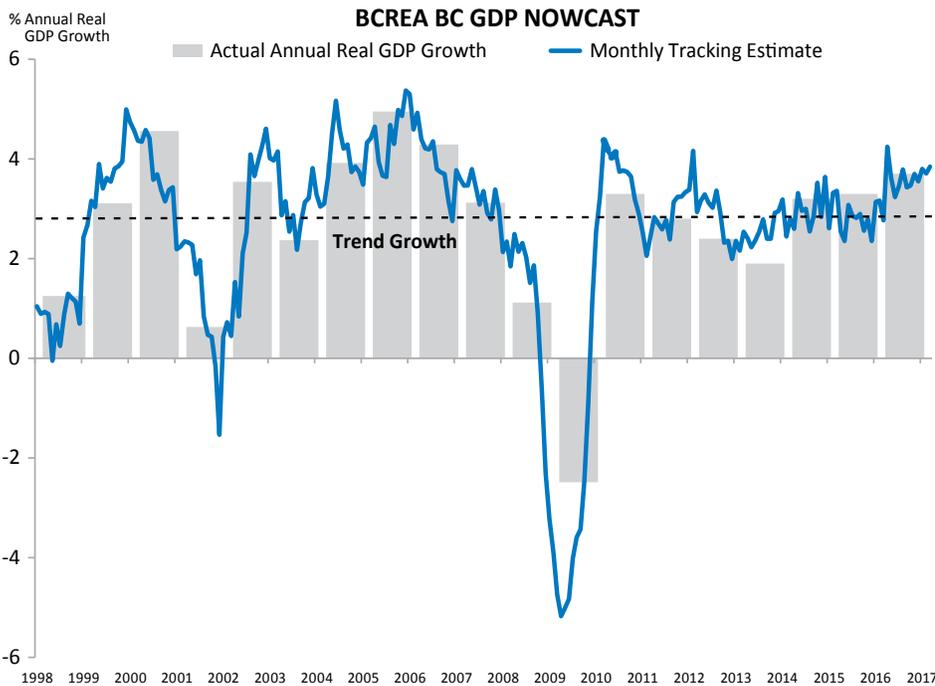
As 2016 ended, several factors suggested that the province's three-year run of 3 per cent economic growth or better was likely coming to an end. Governments at the provincial, federal and municipal level had acted to slow the housing market, global interest rates were on the rise and uncertainty abounded at the future of the normally rock-solid US-Canada trade

BC unemployment rate to the lowest in the country.

Moreover, growth is coming from diverse sources. A cheaper currency is helping Canadian manufacturers whose exports have become more price competitive, while also providing a boost to tourism across the province. New home construction has slowed slightly from



BCREA Economist
Brendon Ogmundson



Source: BCREA Economics

relationship. However, in spite of these challenges, BCREA's monthly tracking estimate of provincial economic growth is signaling that the near 4 per cent growth of 2016 is being sustained.

Through the first four months of the year, we estimate that the BC economy is expanding at a 3.7 per cent rate. That growth is helping to fuel continued vigorous employment growth of over 3 per cent year to date, while pushing the

the near record-setting pace of 2016, but developers are still building at a healthy pace. Moreover, strong consumer demand stemming from robust employment growth is driving retail sales close to 6 per cent higher.

While the economy remains strong, there are substantial risks on the horizon that could meaningfully alter the current economic landscape. Most importantly, increased anti-Canadian rhetoric from the

US government, culminating in the implementation of a 20 per cent tariff on BC softwood lumber products, threatens to derail momentum in the forest industry. The dollar volume of exports of softwood lumber products reached a 12-year high in 2016, while shipments of all wood products were their highest since the late 1990s. The impact of the tariff will make BC firms across the forestry supply chain less competitive, negatively impacting both the profitability and hiring of BC firms.

BC's trade sector is well diversified across both industries and trading partners, but the recently-announced tariffs and the threat of further negative policy actions is still likely to act as a drag on growth. That said, given the momentum already observed in the BC economy, it's highly probable that we'll see a fourth consecutive year of real GDP growth exceeding 3 per cent—a feat only matched once over the past 37 years, during a similar run of growth from 2004 to 2007.

For more analysis and insights from the BCREA Economics team, visit www.bcrea.bc.ca/news-and-publications/economics/forecasts-and-presentations.

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Send questions and comments about *The Bulletin* to:

Editor: Norma Miller

Assistant: Lindsay Macmillan

1420 - 701 Georgia Street West
PO Box 10123, Pacific Centre
Vancouver, BC V7Y 1C6

Phone: 604.683.7702

Fax: 604.683.8601

Email: bcrea@bcrea.bc.ca

www.bcrea.bc.ca

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