



# **Growth in a period of turbulence – B.C. economic outlook**

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# Agenda

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- ① World economic outlook
- ② British Columbia economic outlook
- ③ What to watch for

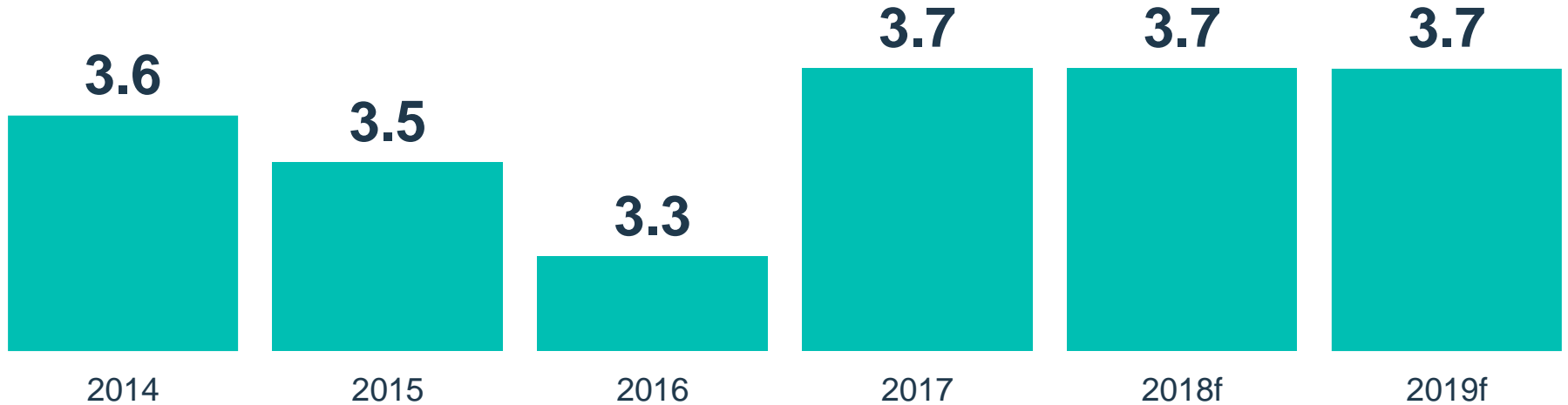


# **01.** **World economic outlook**



# Strong world growth

## Real GDP global growth (%)



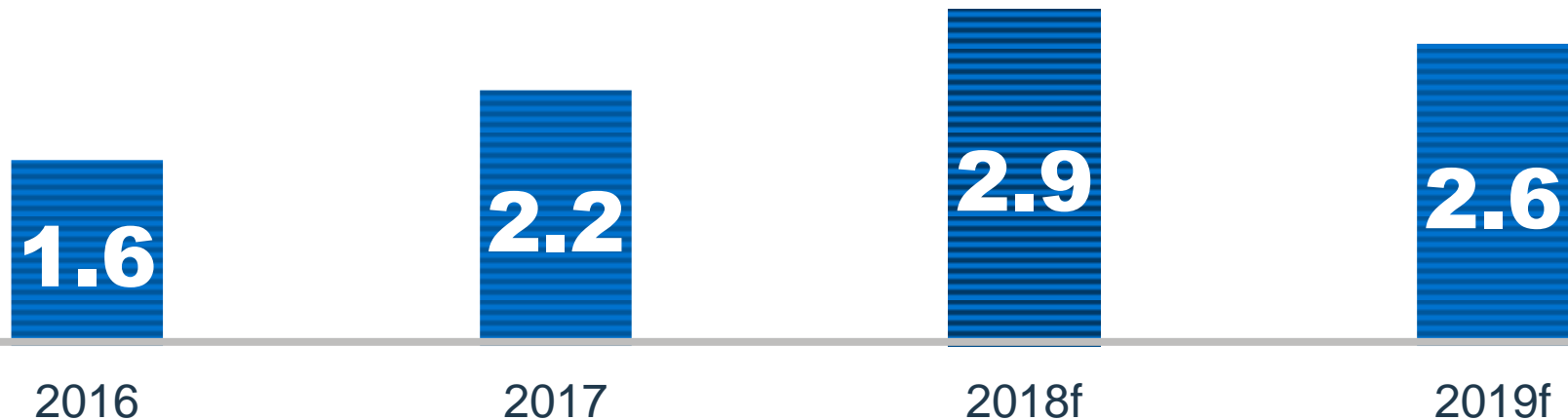
Note: GDP 2010 constant prices; f = forecast. Red lines represent average growth for the period between 2000-08 (4.3%) and from 2010-18 (3.8%)

SOURCE: International Monetary Fund. *World Economic Outlook Update*. October 2018.

# Real GDP growth



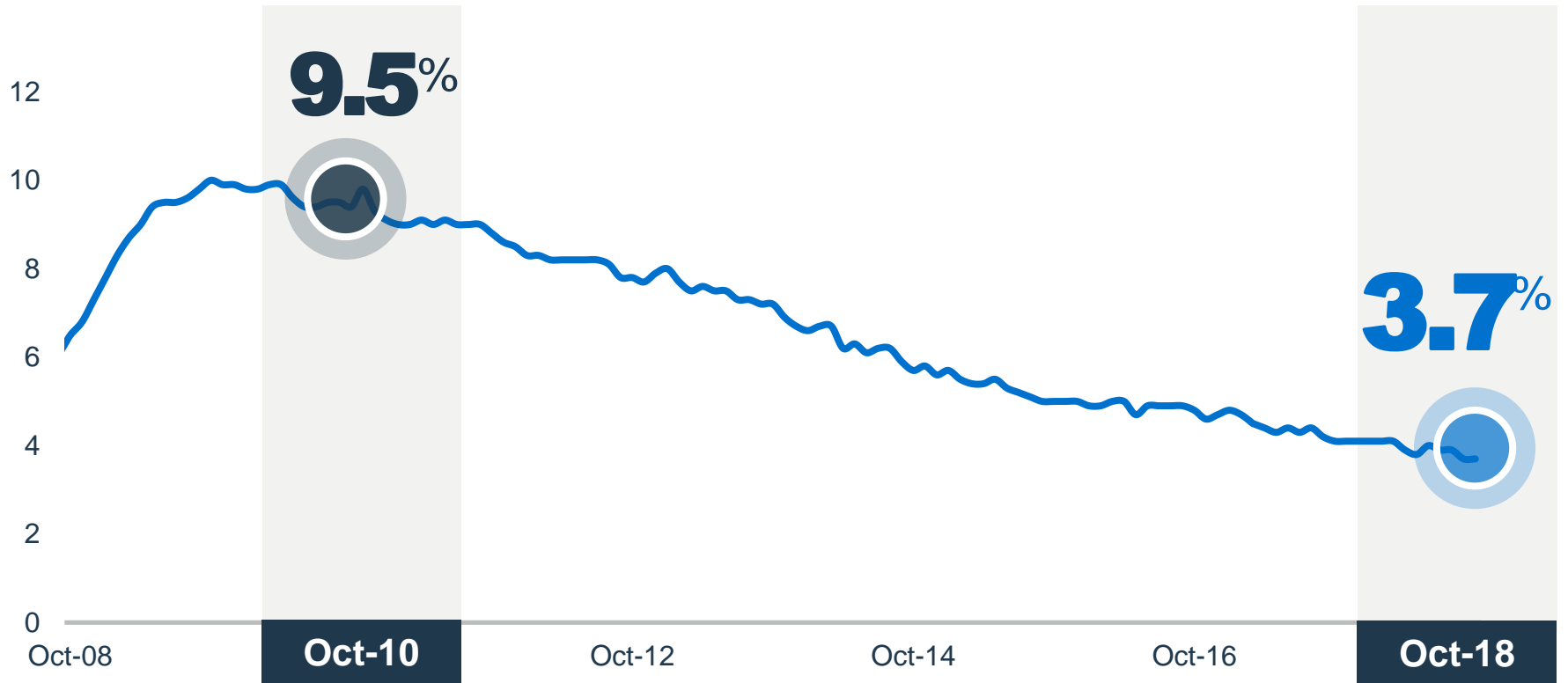
## The U.S. economy is on a roll



Note : f = forecast

SOURCE : U.S. Bureau of Economic Analysis and Consensus Forecasts, October 2018

# Unemployment rate remains at a historic low



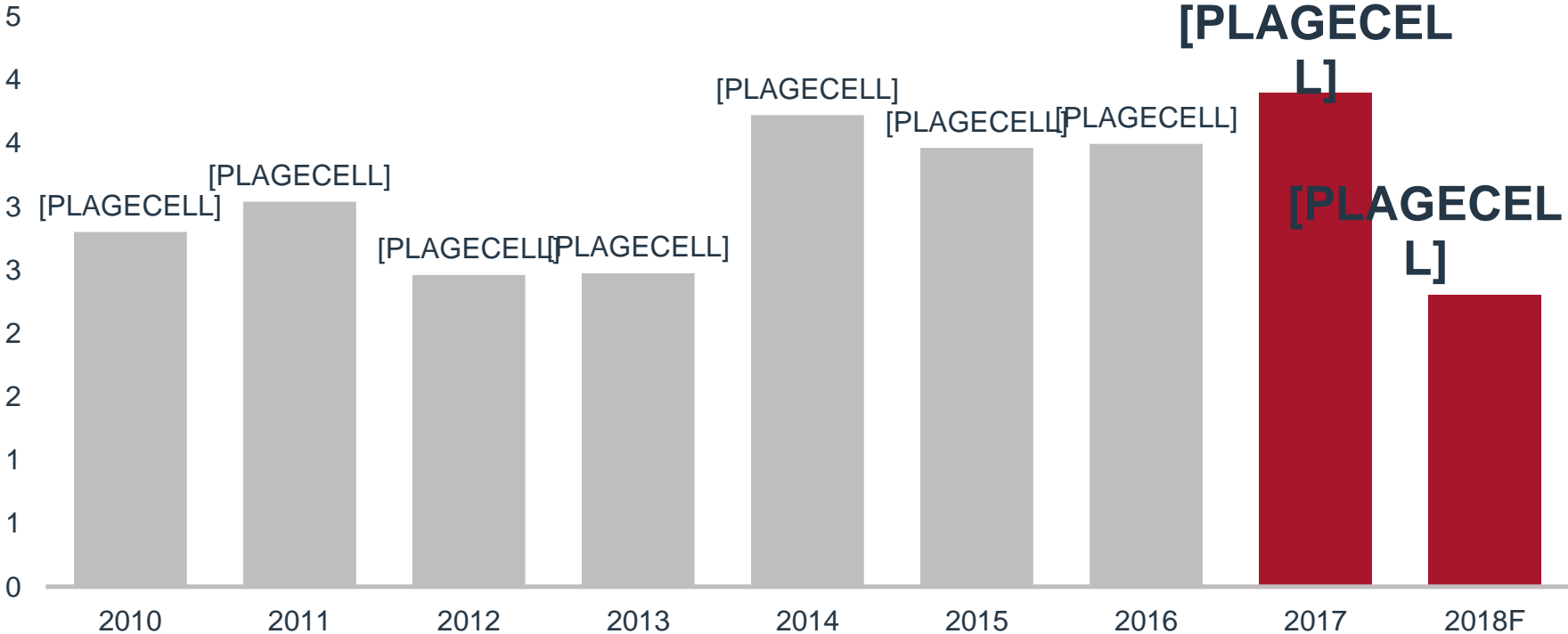


# **02.** **British Columbia economic outlook**

# British Columbia: continuous growth



Real GDP, annual change, %



f=forecasts

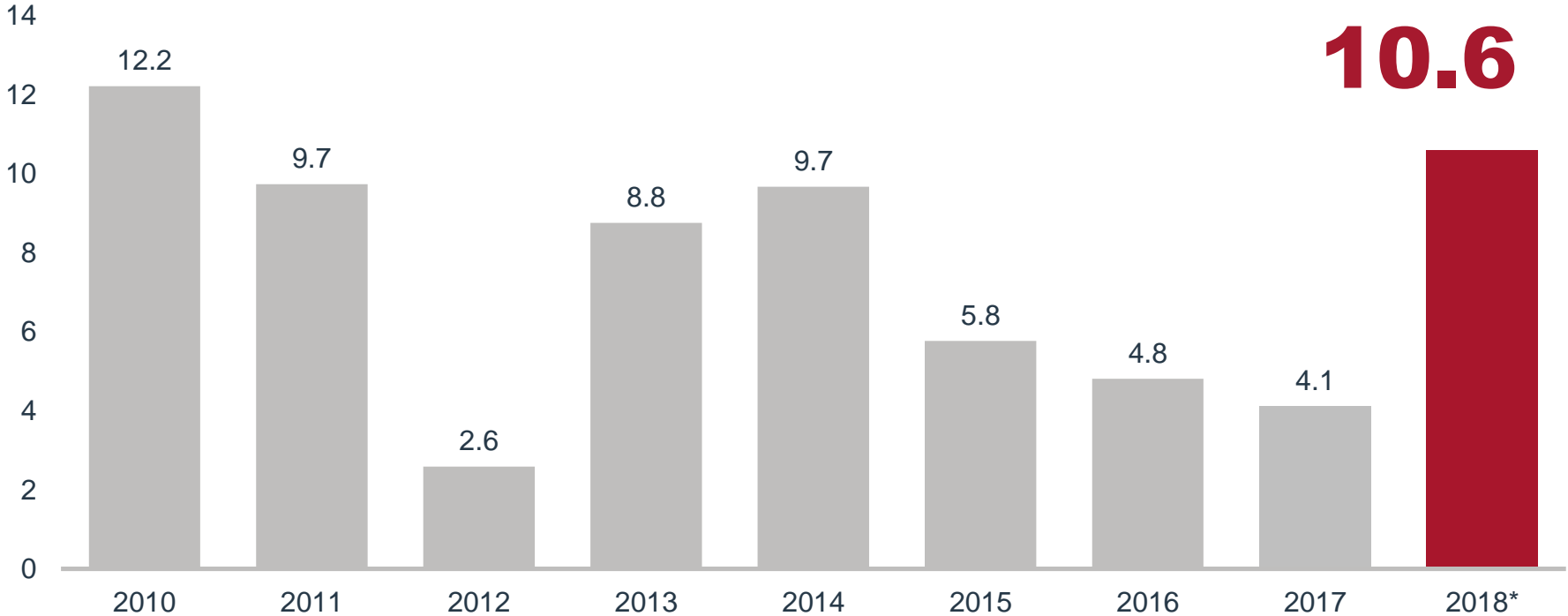
SOURCE: Statistics Canada (historical data) and average of Chartered Banks' forecasts



# Exports of merchandise are increasing



Annual change, %



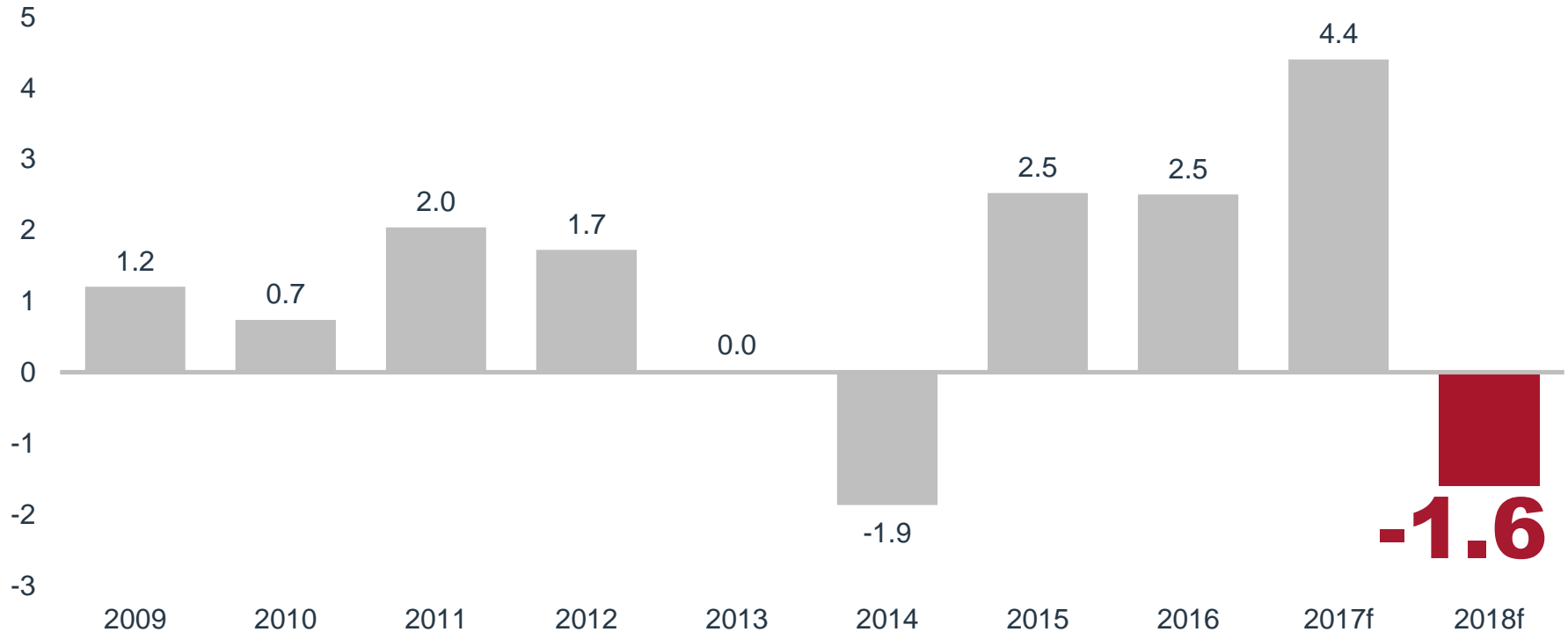
NOTE: Exports of goods, excluding energy products, \*Jan-Aug 2018 compared to same period in 2017

SOURCE: Statistics Canada

# Provincial government expenditures



Annual change, %



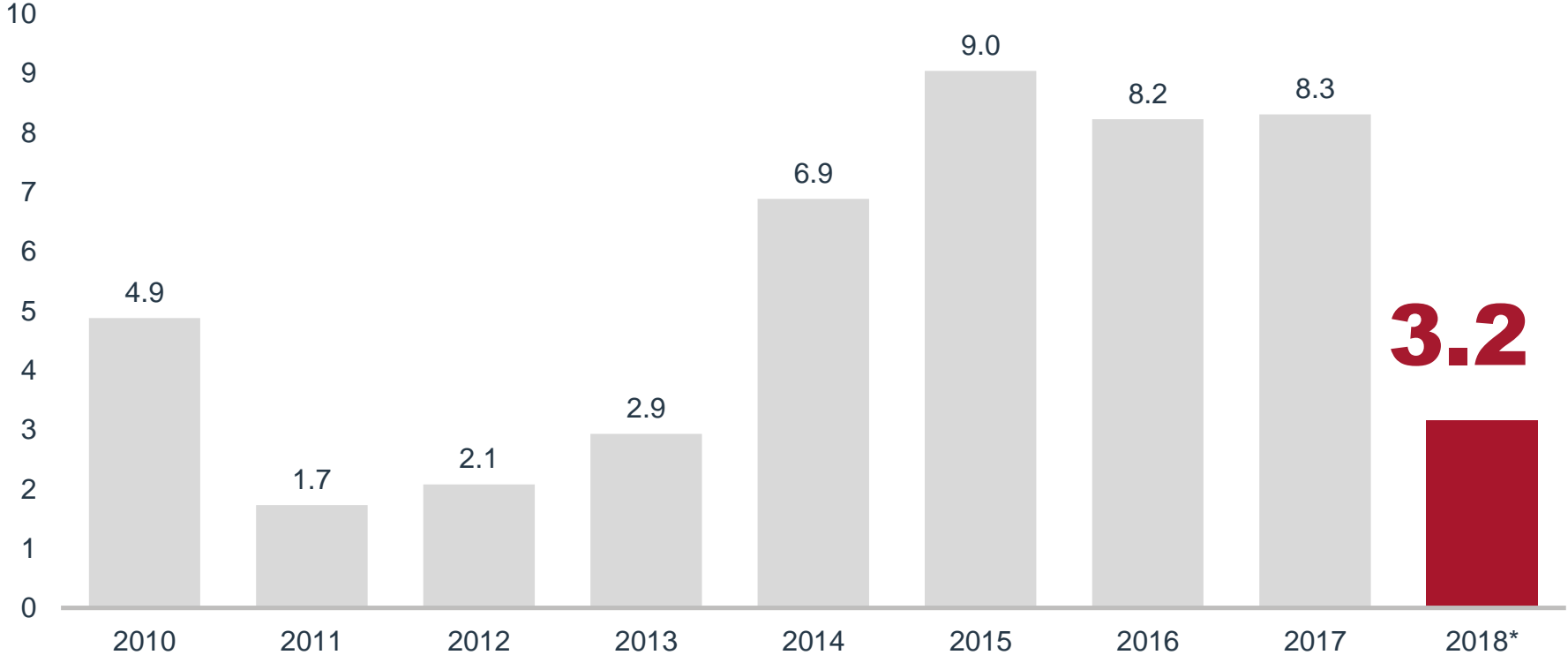
**NOTE:** Final consumption only

**SOURCE:** Statistics Canada and British Columbia Budget Update forecast; BDC calculations

# Retail sales growth is slowing but remains strong



Annual change, %



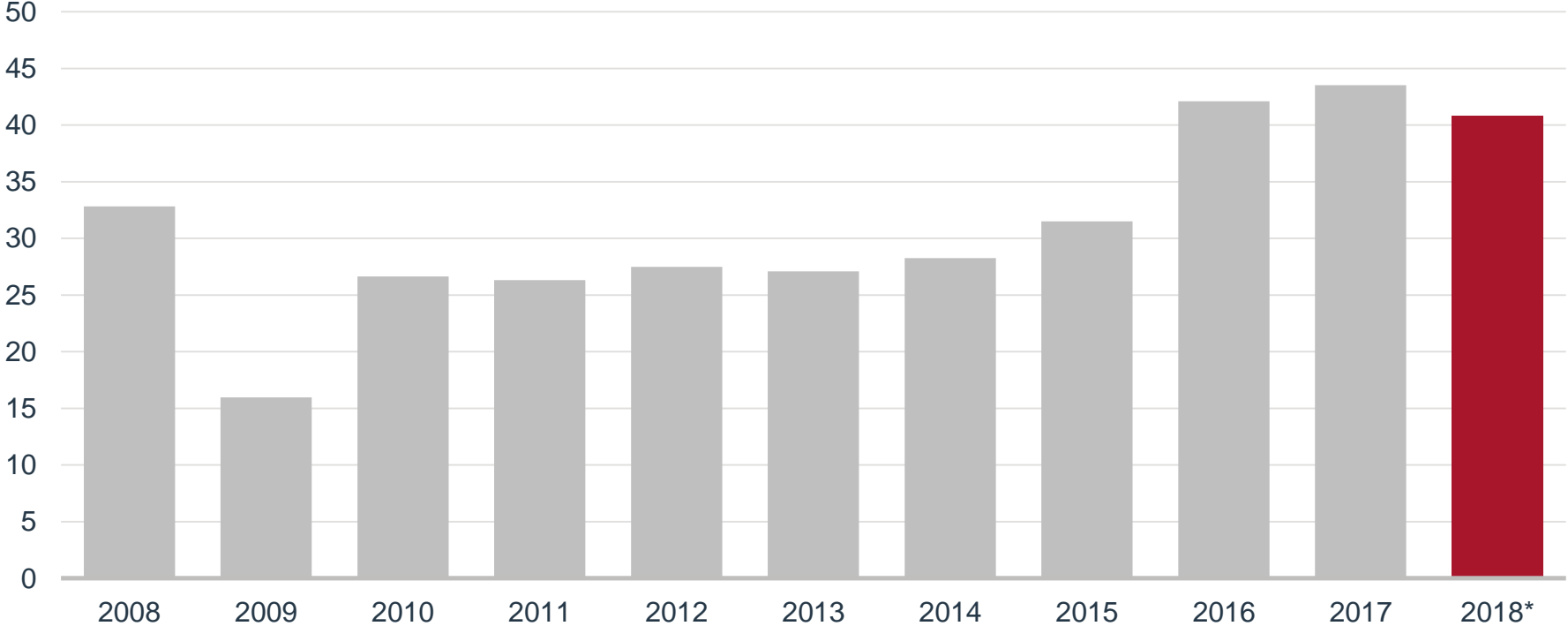
NOTE: Excluding gas stations, \*Jan-Aug compared to same period in 2017.

SOURCE: Statistics Canada

# Housing starts are cooling down but remain elevated



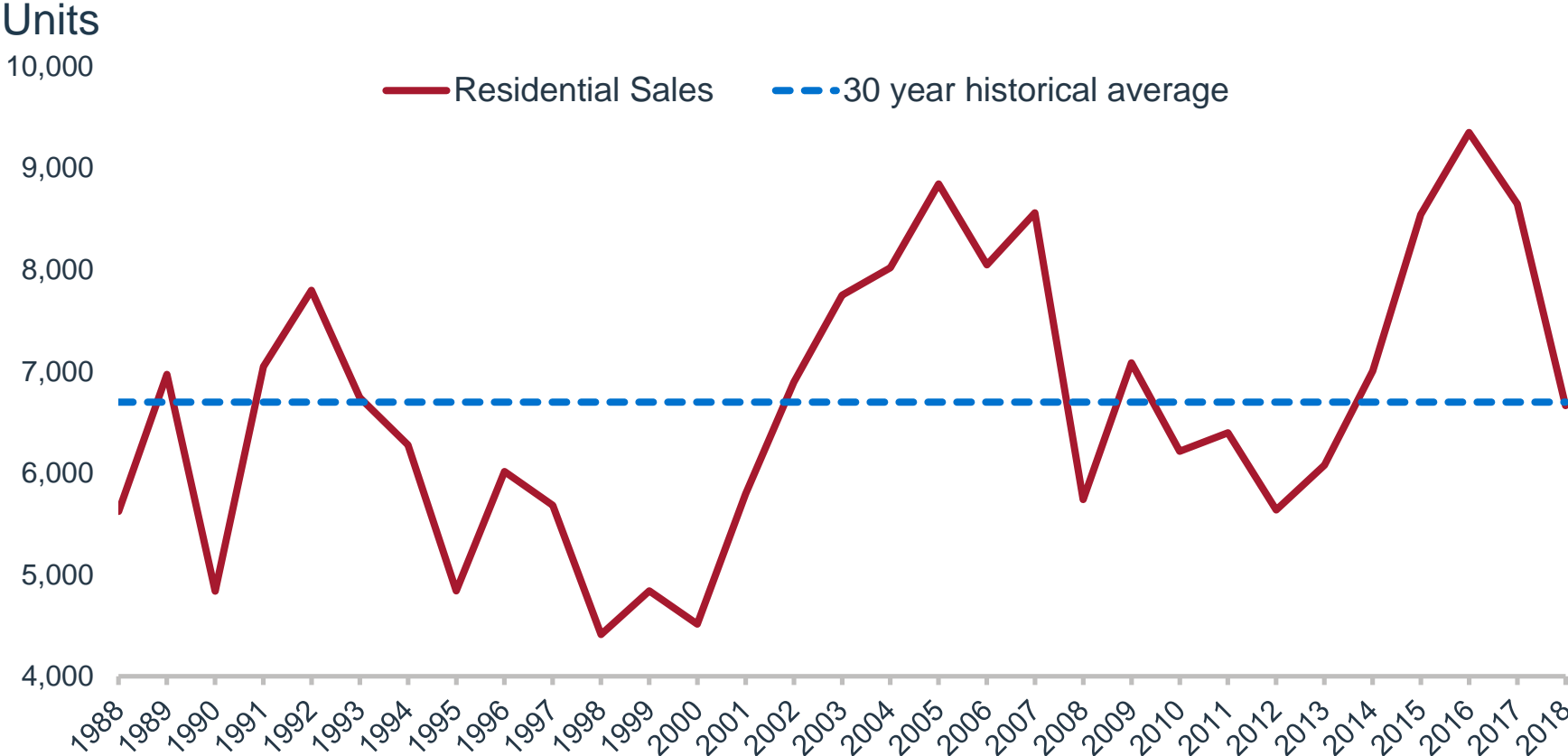
Thousands of units



\*Jan to Sep 2018

SOURCE: Statistics Canada & CMHC, BDC calculations

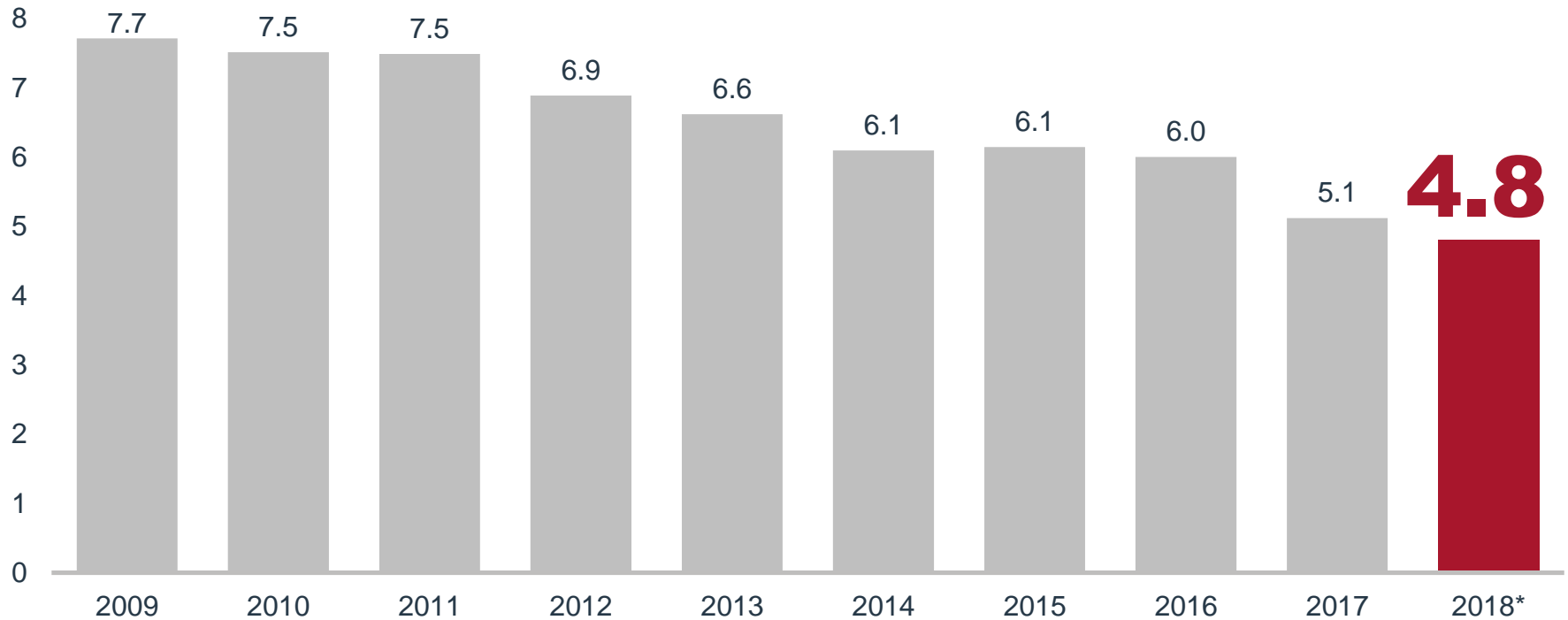
# Home sales are moderating in line with historical levels



# B.C. labour market is showing signs of full employment



Unemployment rate, %



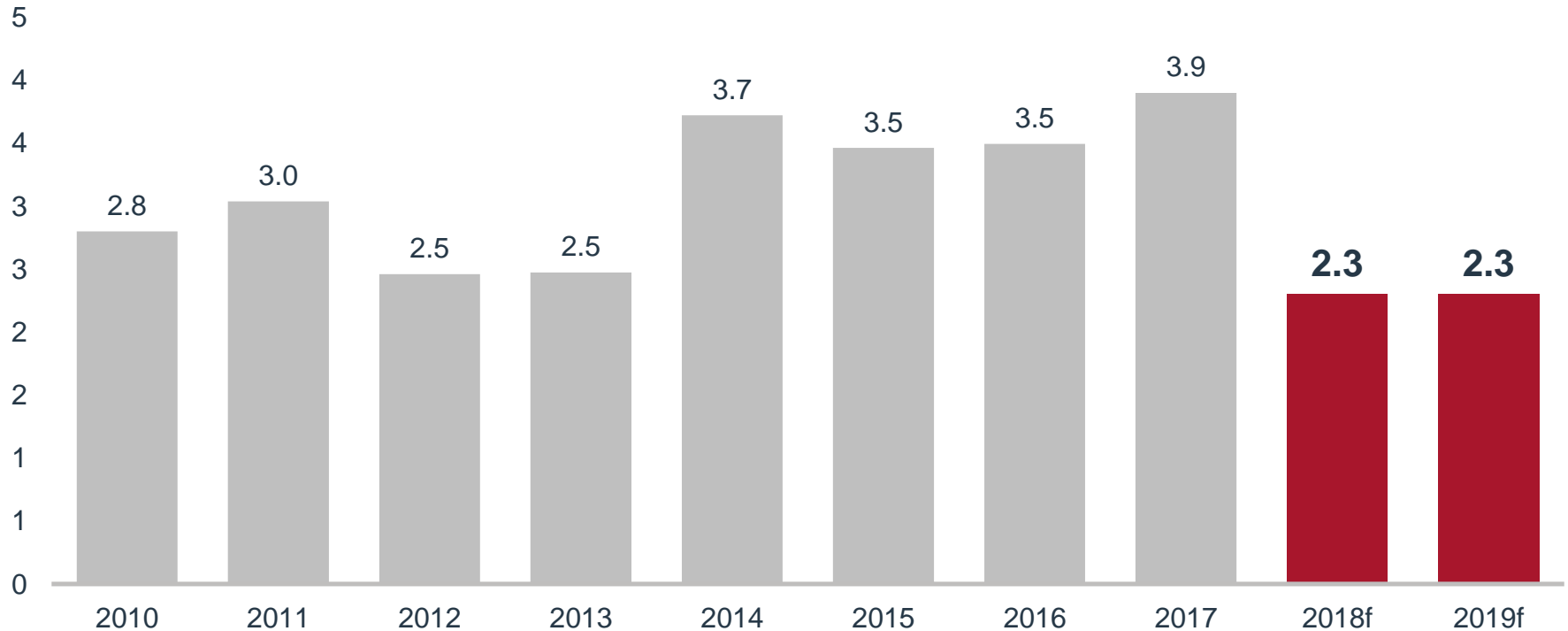
NOTE: Average of monthly data, \*Jan-Oct 2018

SOURCE: Statistics Canada

# Solid growth in B.C.



Real GDP, annual change, %



f=forecasts

SOURCE: Statistics Canada (historical data) and average of Chartered Banks' forecasts



**03.**

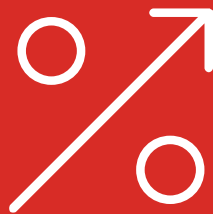
**What to watch for**





# 4

**things to  
keep on  
your radar**



Rising interest rates



Trade uncertainty



Aging population



Technology



# 1. Rising interest rates



# Policy rates in Canada and the United States



**1.50%**

**2.25%**

**2.50%**



**1.00%**

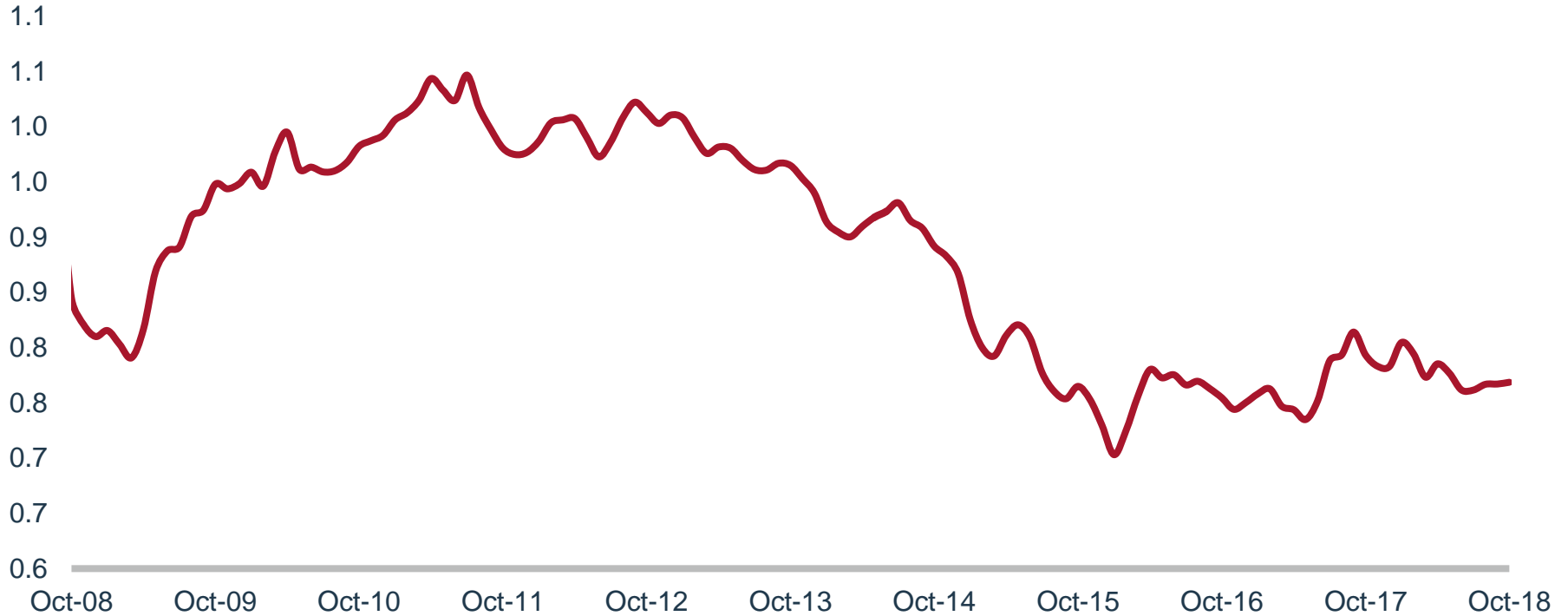
**1.75%**

**1.75%**



# The loonie remains low

Exchange rate Canada-U.S.



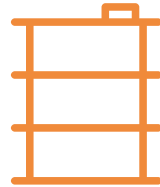
NOTE: Monthly average (\$US) 2008-2018

SOURCE: Bank of Canada

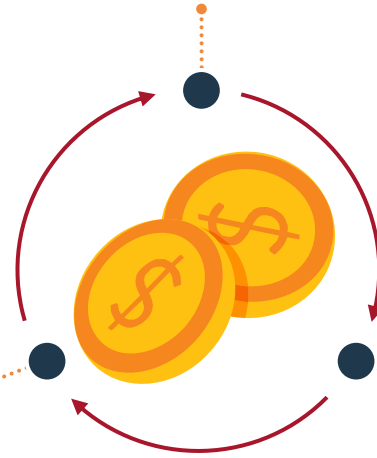


**Interest rate  
Canada vs USA**

# Where is the **loonie** headed?



**Oil prices**



**Trade  
uncertainty**

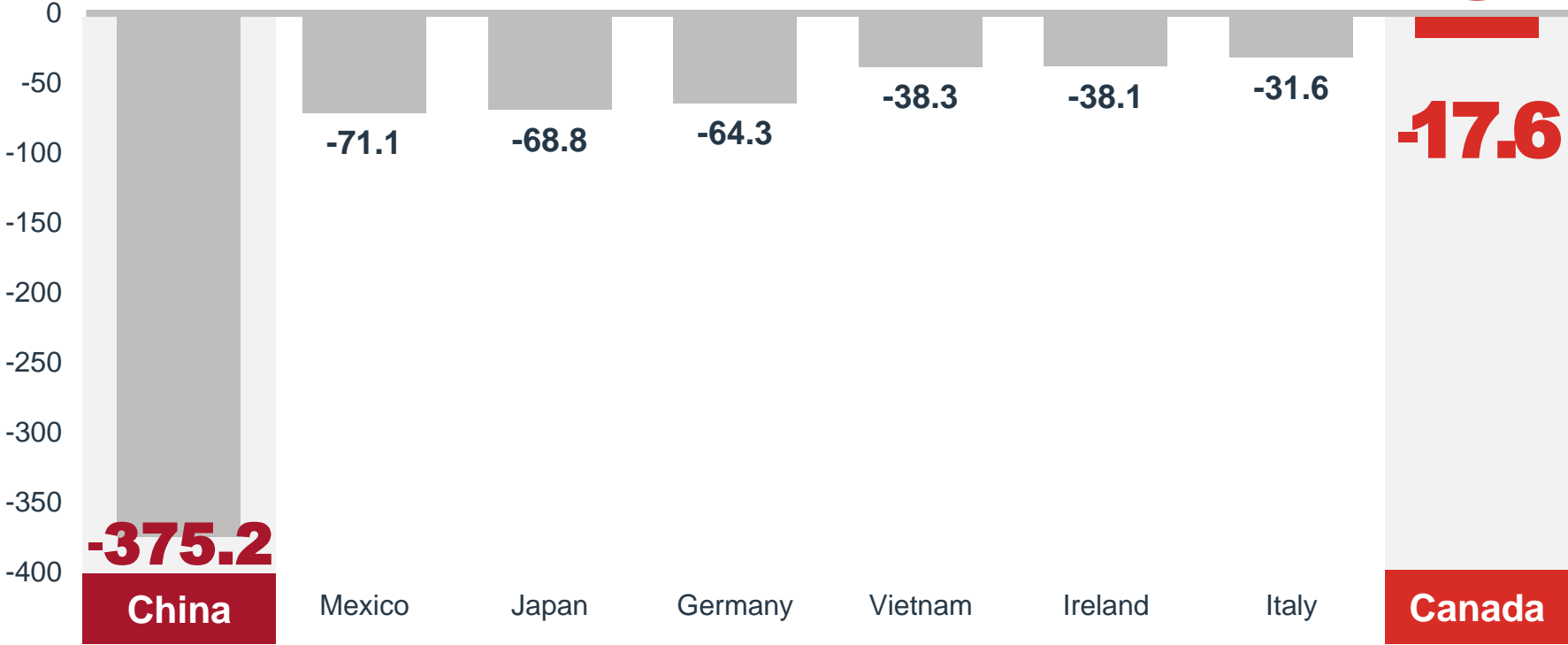


# **2. Trade uncertainty**



# U.S. merchandise trade balance in 2017, by country

US\$ in billions



SOURCE: U.S. Census Bureau.



Worldwide  
tariffs on  
**steel** and  
**aluminum**  
imports

(**25%**)  
steel

(**10%**)  
aluminum

**\$16.6B**

retaliatory tariffs on U.S.  
imports including steel,  
aluminum and a wide range  
of consumer products





Tariffs will result in a  
**decline of 0.11% in  
Canada's real GDP**



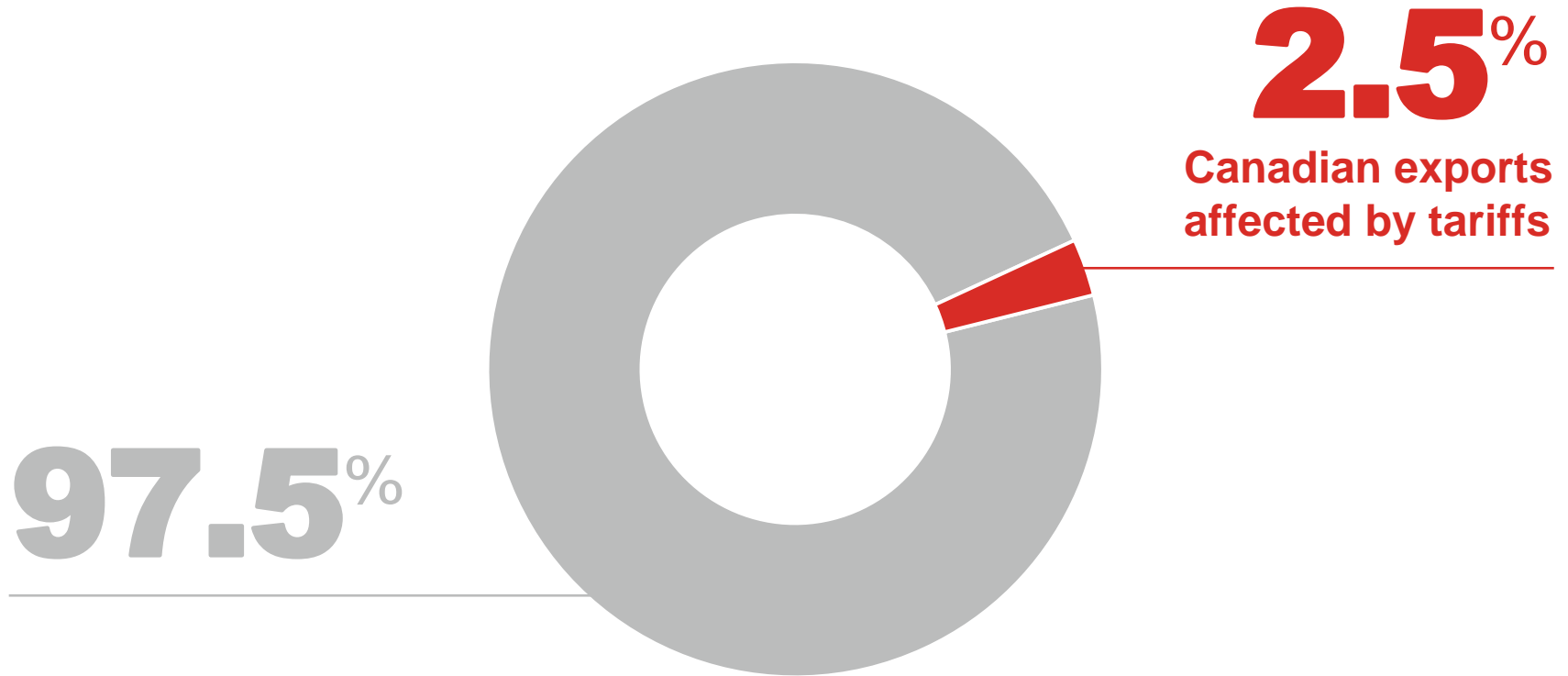
**0.11%**

A red arrow pointing downwards, positioned above the percentage value. A horizontal dotted red line is located above the arrow.

# Steel and aluminum affected by tariffs represent 2.5% of Canada's exports

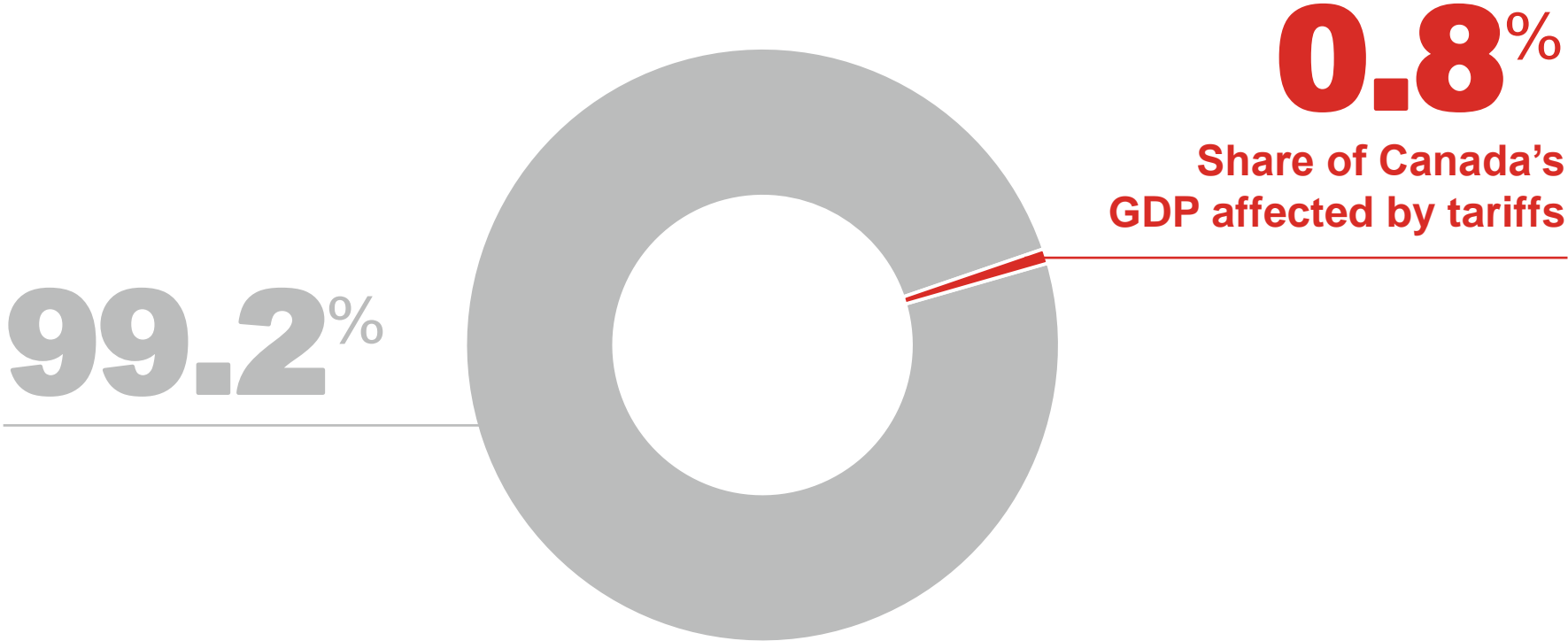


Share of exports, 2017



# Exports of steel and aluminum affected by tariffs represent 0.8% of Canada's GDP \*

GDP Canada 2017



SOURCE: Statistics Canada, International Merchandise Trade



# **3. An aging population**



# Share of the population aged **65 years-old** and over in Canada

13%



2000

16%



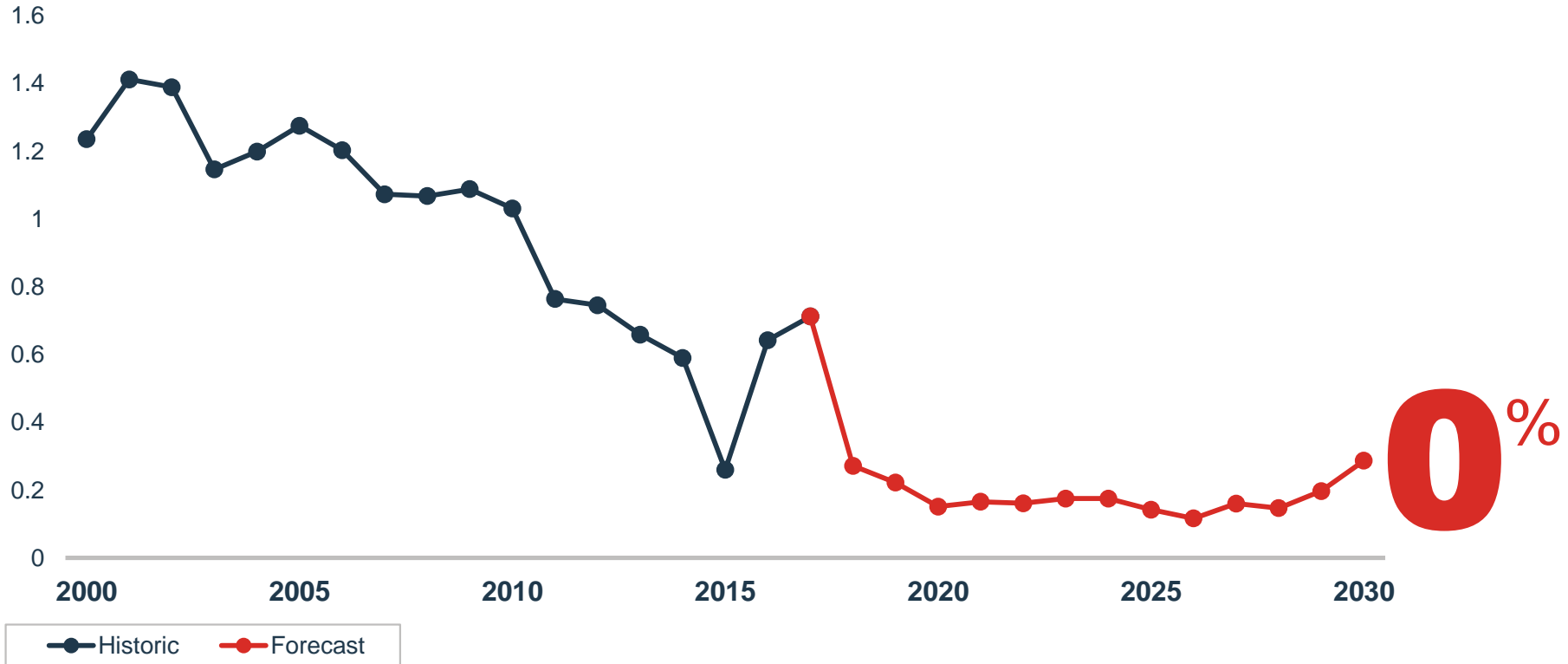
2017

2...



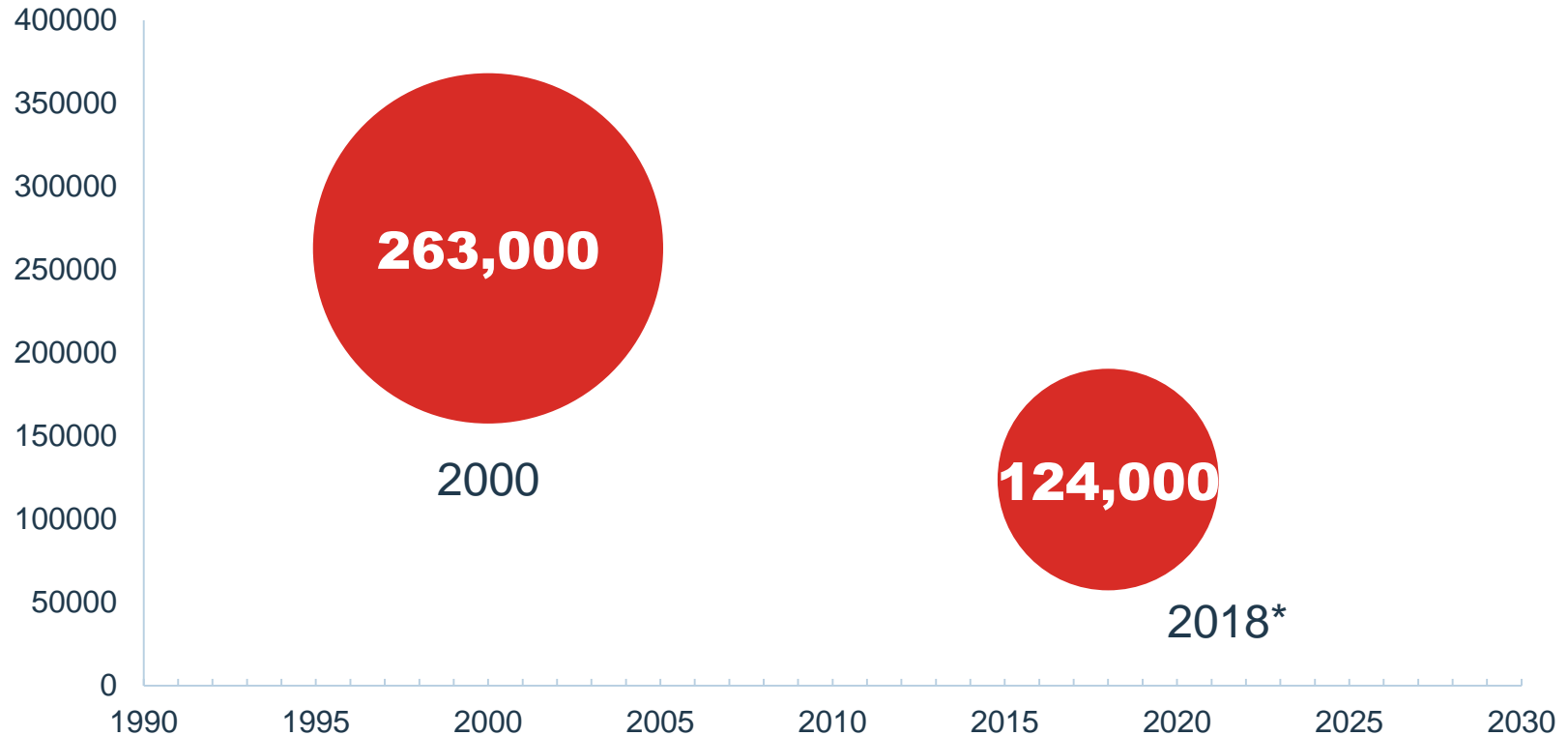
2035f

# Canada's pool of workers is shrinking: growth of working-age population **will be near zero in 2030**





# People joining the labour force



\*Based on Jan-Oct 2018

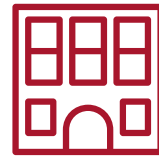
SOURCE: Statistics Canada, BDC calculations



# Canadian entrepreneurs are feeling the heat

# 39%

Say it's difficult to  
find new employees







# 3 strategies

## to mitigate the labour shortage

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- ① Develop an employee value proposition
- ② Target under-used segments of the labour force
- ③ Use technology to automate your operations



# 4. Technology





# Game-changing innovations are the norm

Disruptive technologies are changing business models and the nature of work

Artificial intelligence

Autonomous and electric vehicles

Big data analytics

Custom manufacturing and 3D printing

Internet of things and connected devices

Robots and drones

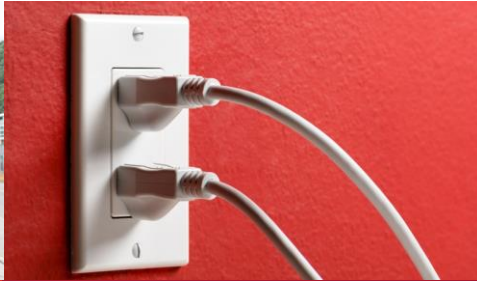
Social media and platforms



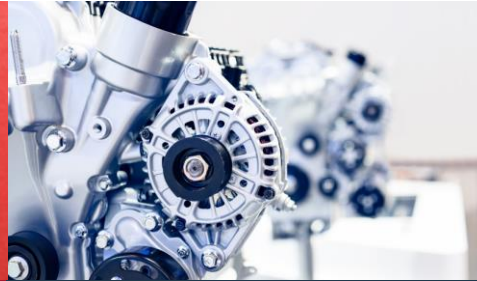
# It is not business as usual



**1** Steam power



**2** Electricity



**3** Internal combustion engines



**4** Computers

We are now in the early stages of another such transformation



# **New technologies are changing the game.**

- **Creating uncertainty**
- **Transforming business models**
- **Requiring additional investment efforts**



# 2,000

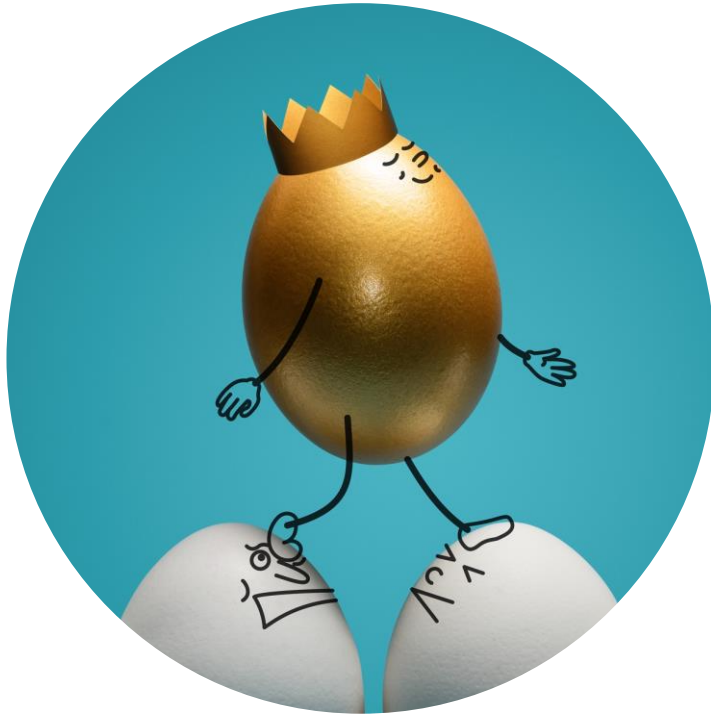
**businesses surveyed  
across Canada**







# Digitally mature companies



**1** Higher sales

**2** Higher profits

**3** More likely to export

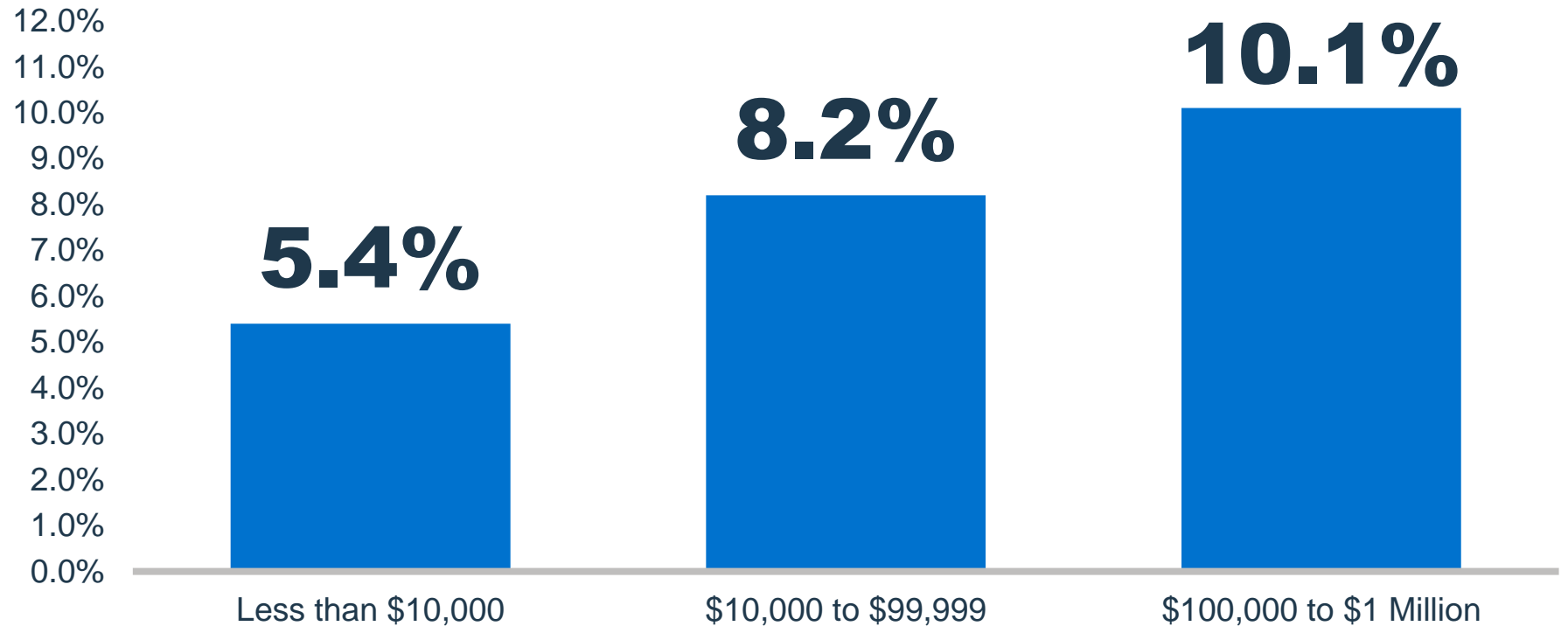
**4** More likely to innovate



# 1 to 99 employees



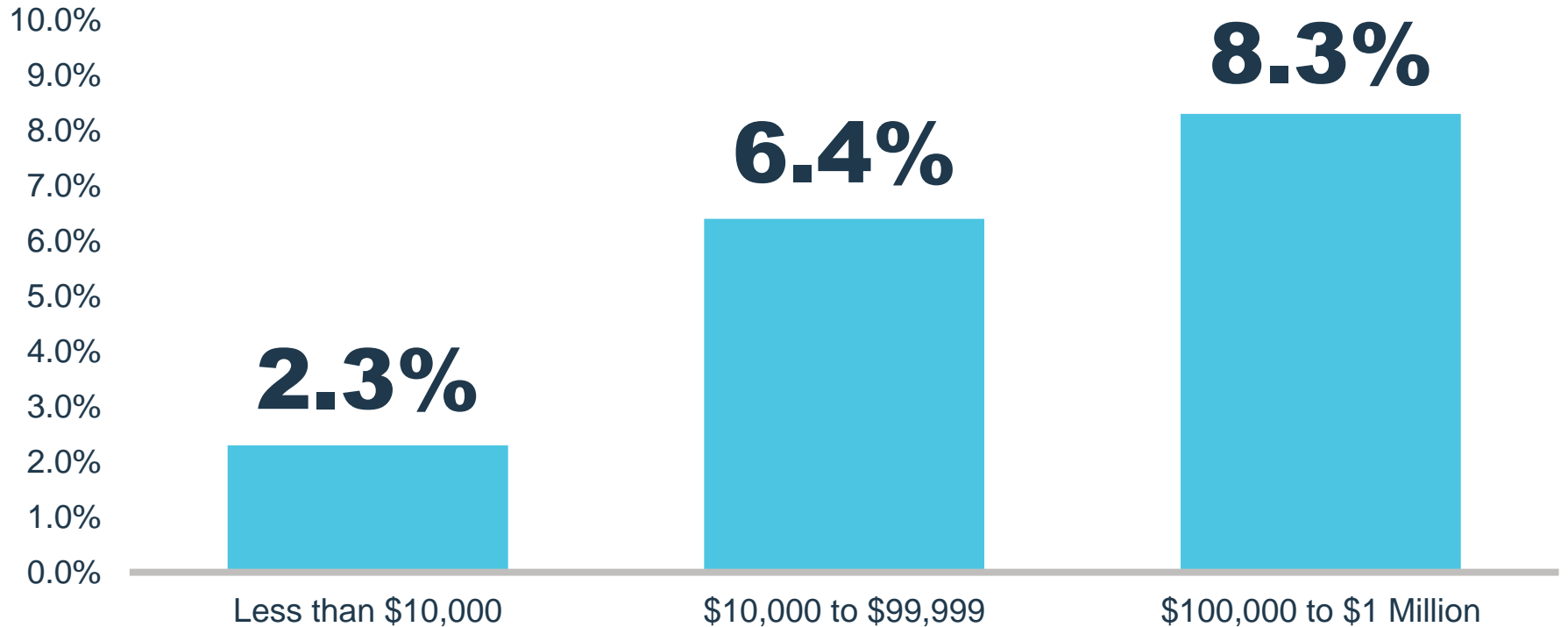
Revenue growth by \$ invested in digital technologies



# 100+ employees



Revenue growth by \$ invested in digital technologies

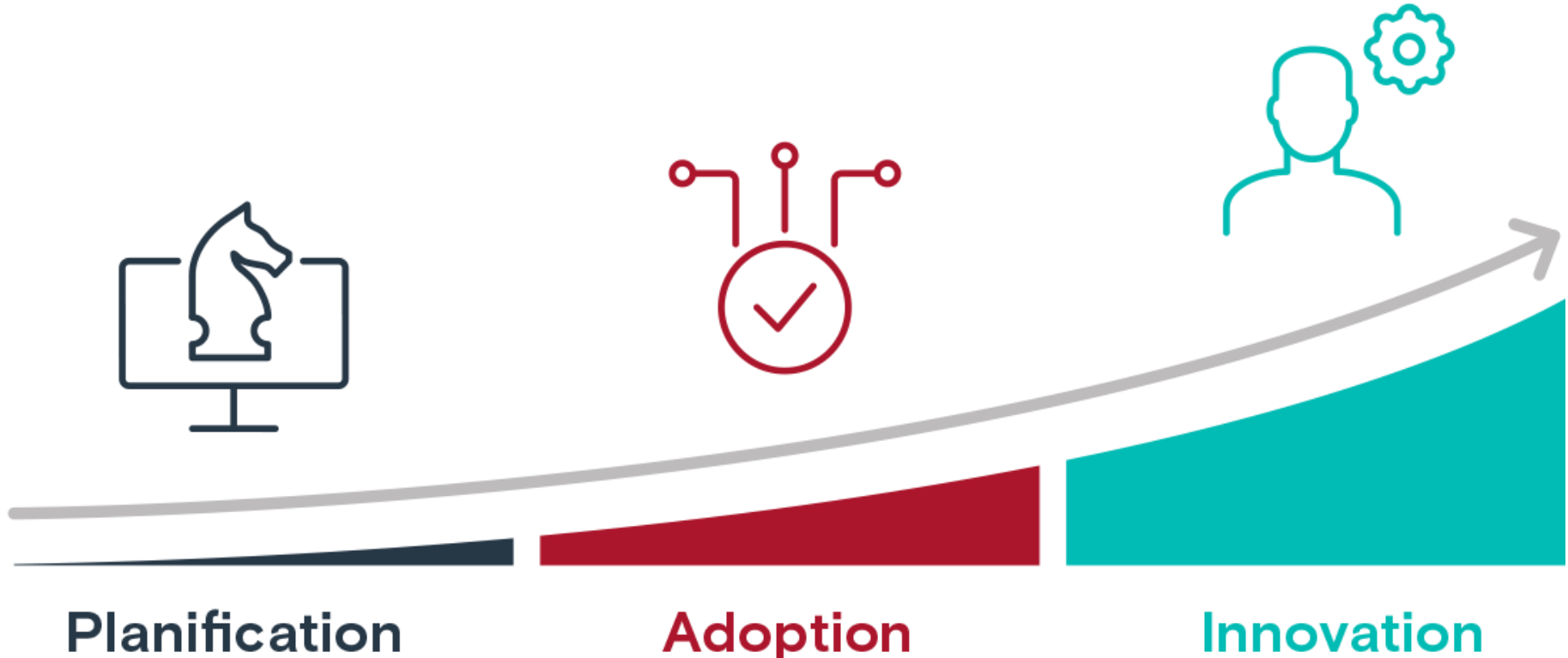


# Not enough Canadian businesses are digitally advanced



**19%**  
Advanced

# Future-proof your business with digital: **A 3-step approach**



# Thank you.

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