

## British Columbia Economy: A Year-in-Review

*Where does BC's economy stand a year after the pandemic shutdown our status quo?*

March 2021 marked a full year since the COVID-19 pandemic pushed British Columbia into a state of emergency. Over the past year, the world has traversed a balancing act between protecting the health and safety of individuals while simultaneously attempting to minimize the economic fallout necessary to do so.

This snapshot highlights where BC's economy stands a year later, focusing on employment, retail spending, business activity, real estate, and economic forecasts. It compares where we were pre-pandemic, where the low points were, and where we stand today.

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### 1. Labour Market

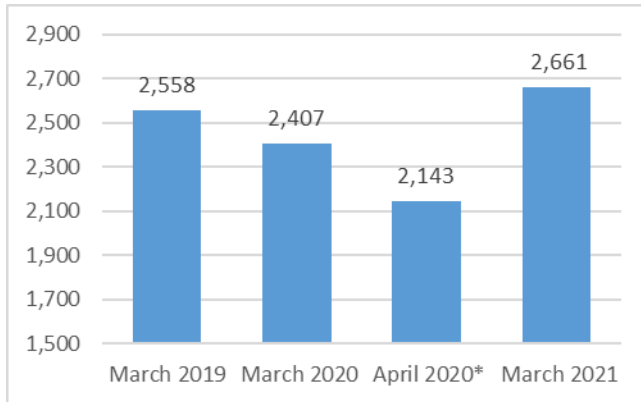
*Total employment: Now above pre-crisis levels, but lagging behind growth in labour force*

The pandemic resulted in a historic decline in employment across Canada, and BC was no exception. Workers across the province were displaced at record rates following the March 2020 shutdown, and by April 2020 BC's total employment had declined by over 400,000 (see *Figure 1*). This decline meant that nearly one in every seven workers in the province had lost their job.

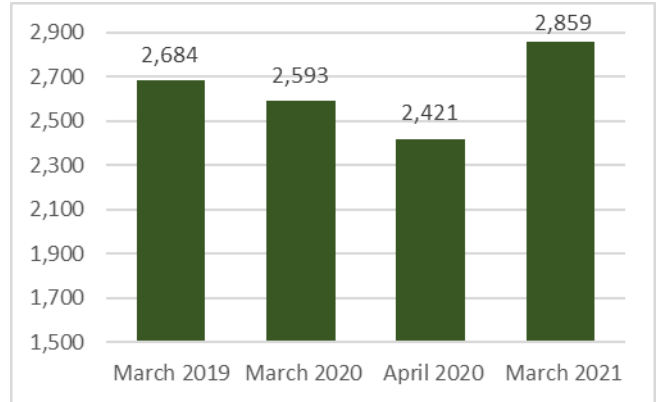
Since the low point in April 2020, employment in the province has increased for 11 consecutive months. By March 2021, BC's total employment had increased by over 100,000 compared to March 2019. However, the headline employment figure overlooks some worrying factors that remain within BC's labour market.

First, the vast majority of the job gains are related to the public sector. While these are critical jobs, the province has yet to see the same strength emerge from the private sector. Further, the growth in employment has lagged behind the total growth of the labour force (those either employed or actively seeking employment). Between March 2019 and March 2021, the labour force grew by around 175,000 workers, well above the gain in employment. This gap has led to an increase in the number of unemployed individuals across the province that has carried into 2021.

**Figure 1: BC employment (000s), March 2019-2021**



**BC labour force (000s), March 2019-2021**



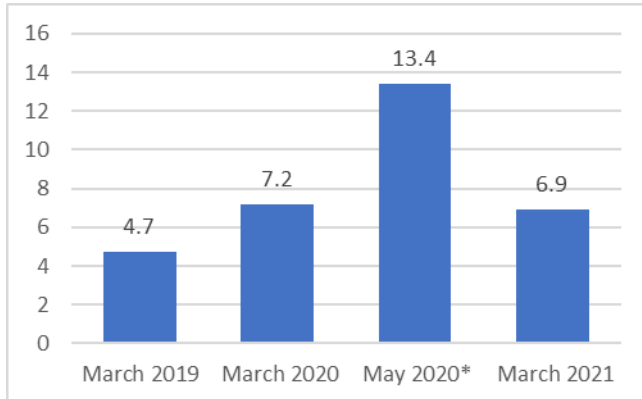
Source: Statistics Canada, Table 14-10-0355-01. Seasonally adjusted. \*May 2020 marked the highest unemployment rate in the province during the pandemic.

*Unemployment: Despite rebound, nearly 200,000 British Columbian job seekers still unable to find work*

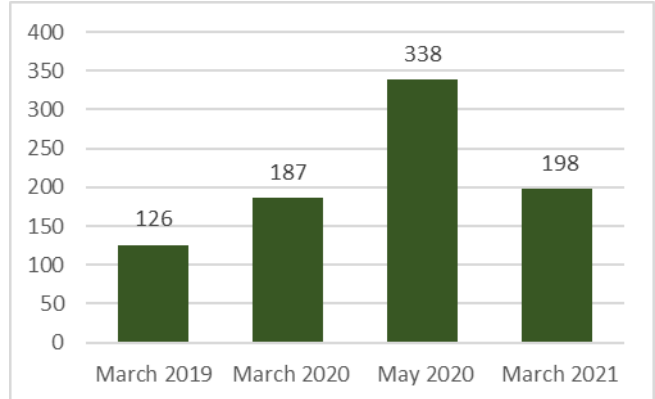
BC’s pre-pandemic run of an increasingly tight labour market with record low unemployment rates weakened rapidly throughout 2020. As employment conditions deteriorated in Spring 2020, BC’s unemployment rate hit a peak of 13.4% in May 2020, nearly three times higher than the pre-pandemic rate.

As the economy recovered, the unemployment rate began to drop; and by March 2021, it stood at 6.9% (see Figure 2). Despite the improvement, it remains well above the 4.7% unemployment rate in March 2019 and represents an additional 72,000 job seekers unable to find work in the province compared to that period. The employment outcomes have also varied considerably by industry and demographic groups.

**Figure 2: BC unemployment rate (%), March 2019-2021**



**BC unemployment (000s), March 2019-2021**



Source: Statistics Canada, Table 14-10-0355-01. Seasonally adjusted. \*April 2020 was the lowest level of employment in the province during the pandemic.

*Industry disruption: The service sector has experienced a strong recovery from early lows*

Throughout the pandemic, restrictions on social interaction and business activity affected certain industries more than others. In particular, employment within service industries which rely on close physical interaction experienced the largest declines early on in the pandemic (see Table 1). By April

2020 (the low point for employment), the three industries which experienced the largest employment declines compared to March 2019 were:

- 1) Accommodation and food services (-57.0%)
- 2) Information, culture and recreation (-38.5%)
- 3) Other services such as household and personal services (-29.4%).

As business restrictions eased over the summer of 2020 and government support came into place, every service industry rebounded from the April 2020 lows, with many nearing or even exceeding pre-crisis levels. Gains were strongest among public sector related positions and in professional, scientific and technical services while lower-wage positions and those requiring physical interaction such as in hospitality generally remain below pre-crisis levels.

**Table 1: Service sector employment compared to March 2019, ranked by largest relative industry declines**

	April 2020		March 2021	
	% change	# change	% change	# change
<b>Services-producing sector</b>	<b>-17.5%</b>	<b>-361,400</b>	<b>4.6%</b>	<b>95,800</b>
Accommodation and food services	-57.0%	-110,100	-8.0%	-15,400
Information, culture and recreation	-38.5%	-52,500	-3.3%	-4,500
Other services (except public administration)	-29.4%	-35,100	-7.9%	-9,500
Business, building and other support services	-26.6%	-30,600	-5.0%	-5,700
Wholesale and retail trade	-14.4%	-55,100	5.0%	19,200
Transportation and warehousing	-13.1%	-18,500	-1.2%	-1,700
Health care and social assistance	-8.6%	-27,100	12.4%	38,800
Educational services	-7.1%	-12,200	10.8%	18,700
Public administration	-5.2%	-5,900	15.7%	17,800
Finance, insurance, real estate, rental and leasing	-4.0%	-6,200	6.0%	9,400
Professional, scientific and technical services	-3.6%	-8,200	12.8%	28,800

Employment within the goods sector fared better early in the pandemic, but also experienced sizeable declines (see *Table 2*). In particular, employment in natural resource extraction had declined by 20.2% and construction by 14.7% in April 2020 compared to March 2019 (see *Table 2*). The goods sector as a whole has also recovered, but at a slower rate than in the service sector. As of March 2021, employment gains in the natural resource extraction, manufacturing, and utilities industries helped offset losses in construction and agriculture.

**Table 2: Goods sector employment compared to March 2019, ranked by largest industry declines**

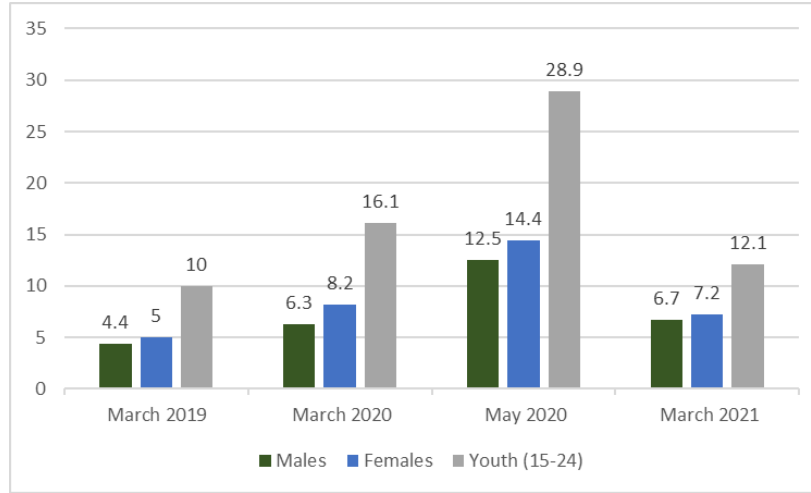
	April 2020		March 2021	
	% change	# change	% change	# change
<b>Goods-producing sector</b>	<b>-11.0%</b>	<b>-53,800</b>	<b>1.6%</b>	<b>7,700</b>
Forestry, fishing, mining, quarrying, oil and gas	-20.2%	-9,500	11.5%	5,400
Construction	-14.7%	-34,400	-4.9%	-11,400
Agriculture	-8.9%	-2,400	-8.5%	-2,300
Manufacturing	-7.8%	-12,900	5.5%	9,200
Utilities	44.4%	5,500	54.8%	6,800

*Demographic shifts: Youth and female employment bounce back from summer 2020 lows*

The strong decline in economic activity among the service industry through the pandemic resulted in some demographic groups experiencing greater employment loss. As a disproportionate number of women and youth workers (15 to 24 years old) work in the service industry and in lower-wage positions, both groups saw larger than average increases in their respective unemployment rates.

As of May 2020, nearly one in every three (28.9%) youth job seekers were unable to find employment in BC (see *Figure 3*). The unemployment rate for women in the labour force also increased more than for men, with a peak of 14.4% unemployment rate in May 2020, nearly two percentage points above the rate for men. The gap narrowed over the second half of 2020 and into 2021, and by March 2021 the differential between the different cohorts had returned to near pre-pandemic levels. However, both groups' unemployment rate still remains above the provincial average.

**Figure 4: BC unemployment rate (%) by demographic group, March 2019-2021**



Source: Statistics Canada, Table 14-10-0355-01. Seasonally adjusted.

## 2. Retail Spending

*BC retail sales: Strong rebound from April 2020 lows, now above pre-pandemic levels*

With the shutdown of many businesses, fear around the virus, and physical distancing requirements, one immediate impact the COVID-19 pandemic had on the economy was a significant reduction in consumer spending. In British Columbia, monthly spending in retail stores fell by \$1.4 billion by April 2020 compared to April 2019 – a decline of 19.7% (see *Figure 5*). As overall consumer spending accounts for a majority of BC's GDP and drives many business' viability, this significant decline was alarming and resulted in economists expecting a severely deep recession.

However, the situation improved quickly, and by June 2020 retail spending in BC had returned to pre-pandemic levels. Retail spending has continued to improve since and by January 2021 monthly inflation-adjusted retail sales had reached \$8.1 billion, an increase of nearly \$1.0 billion compared to January 2020. This rebound has contributed to improved outlook for BC's economy, but the province still experienced a large recession in 2020 (see *Economic outlook* section for further details).

Figure 5: Retail sales in BC, March 2019-2021, \$ Billions



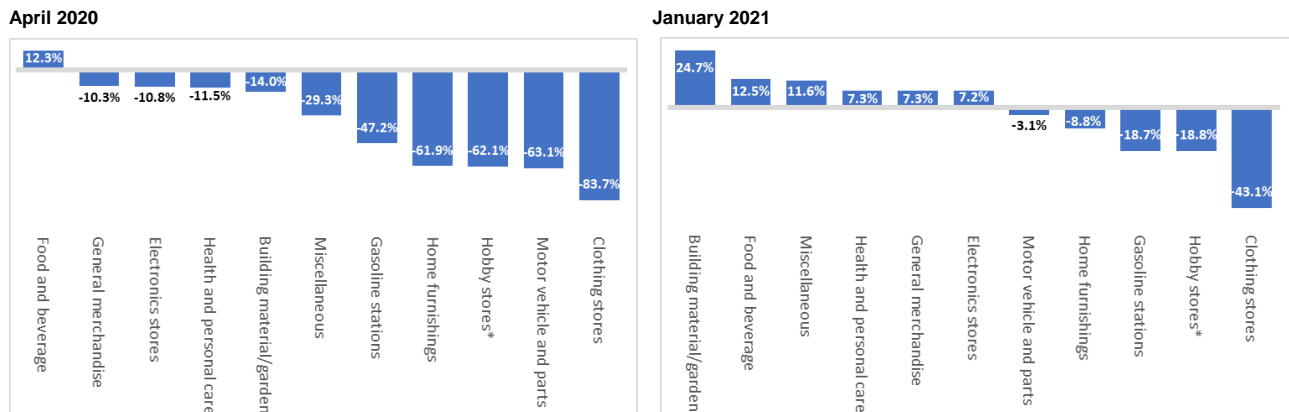
Source: Statistics Canada, Table 20-10-0008-01. Adjusted for inflation and seasonality.

Retail spending in the province has been considerably stronger than for Canada as a whole. Canada has seen retail sales remain essentially flat at the start of 2021, with \$50.8 billion spent at retail stores in January 2021 compared to \$50.7 billion in January 2020 (adjusted for inflation). This has been in large part due to weakness in Canada’s two largest jurisdictions – Quebec and Ontario – which have continued to see more strenuous business restrictions and shutdowns, putting downward pressure on retail stores.

*Updated shopping basket: Canadians changed what they’re buying at retail stores*

With a shift in the way many Canadians live and work, retail shoppers have also changed what they are buying. This has led to some retail industries seeing sales decline significantly compared to pre-pandemic levels (see Figure 6). In April 2020, the low point for retail sales, nearly every retail industry experienced large declines compared to the start of the year with just retail spending on food and beverage up. The largest declines in retail spending categories were at clothing stores (-83.7%), motor vehicles and parts stores (-63.1%), hobby stores (-62.1%), and home furnishing stores (-61.9%).

Figure 6: Retail sales in Canada by category per cent change from January 2020



Source: Statistics Canada, Table 20-10-0008-01. Adjusted for inflation and seasonality. \* Hobby stores includes sporting goods, books, music and other hobby stores

By January 2021, overall Canadian consumer spending had rebounded and was up slightly compared to January 2020. But the rebound has been uneven, with some categories still struggling while others exceed pre-pandemic levels. The disparity highlights the changes in the way Canadians have been spending their money, with a greater focus on home-related activities and less on products such as clothing and travel.

Another trend to watch going forward is the amount of retail spending done through e-commerce. The shift to online sales has been expedited by the pandemic, with many businesses offering customers the ability to purchase more goods and services online. As of January 2021, monthly retail e-commerce reached nearly \$4.0 billion across Canada, about twice the amount in January 2020. While significant growth, that still accounts for less than 10% of all retail spending.

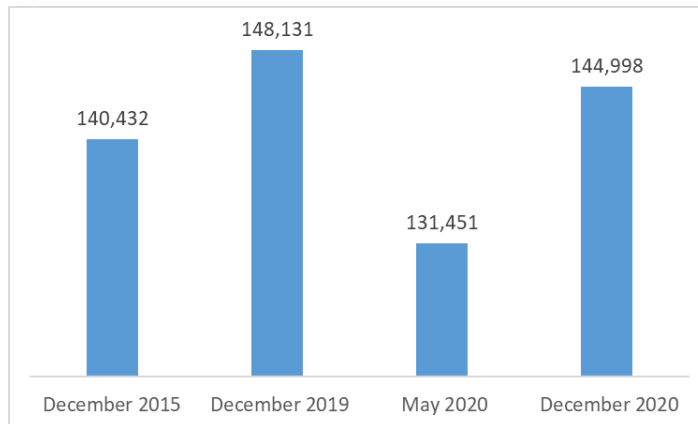
### 3. Business Activity

*Active businesses: After declining more than 10% by May 2020, business activity has bounced back*

The COVID-19 pandemic has resulted in the level of business activity falling considerably in BC. Early in the pandemic, many businesses closed their doors due to the decline in customer demand and/or by outright government mandates restricting business activity. The number of active businesses reached bottom in May 2020 when nearly 17,000 fewer businesses were operating compared to December 2019 – or over one in every ten businesses (see *Figure 7*).

As restrictions eased in BC and customer demand picked up, many businesses returned to operation and the rate of new businesses opening up increased. This has helped lead to a significant rebound in the number of active businesses across the province, up by over 13,500 in December 2020 compared to May 2020. The number of active businesses remains down by around 3,100 compared to December 2019. Still, the increase between May and December 2020 has helped return the number of active businesses in BC to a level well above the number active in December 2015, highlighting how BC continues to make inroads towards a full recovery.

**Figure 7: Number of active businesses in BC, December 2015-2020**



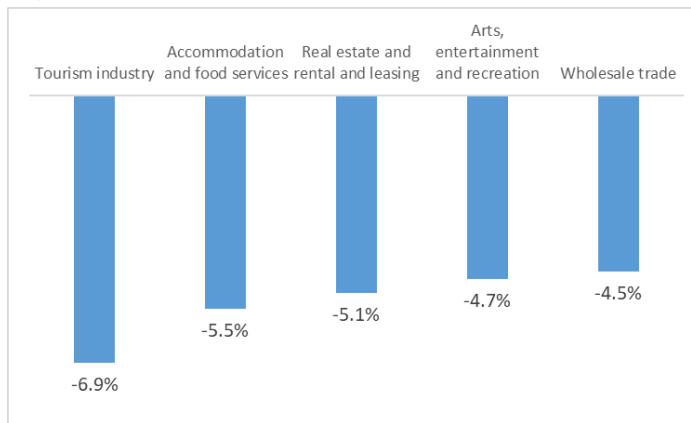
Source: Statistics Canada, Table 33-10-0270-01. Seasonally adjusted.

*Industry disruption: Recovery of business activity has been uneven*

While the number of businesses operating in BC was down by 2.1% as of December 2020 compared to December 2019, some industries remain considerably more affected by the pandemic. In particular, BC’s large number of hospitality and tourism related businesses have seen considerable challenges in part due to the continued restrictions in place in the province (see *Figure 8*).

The number of businesses in the tourism sector was down by 6.9% in December 2020, over three times the rate of the provincial average, while businesses in the accommodation and food services industry was down by 5.5%. The number of businesses in the real estate, rental and leasing industry has also fallen by 5.1% with many commercial tenants struggling and/or organizations shifting to greater remote work to minimize the spread of COVID-19. These important industries for BC may continue to struggle in 2021 given the challenges they faced have persisted into the year.

**Figure 8: Number of active BC businesses in December 2020 vs 2019, five largest industry declines**



Source: Statistics Canada, Table 33-10-0270-01. Seasonally adjusted.

#### 4. Housing Market

*Housing boom: Surge in demand across BC pushes housing prices to new record highs*

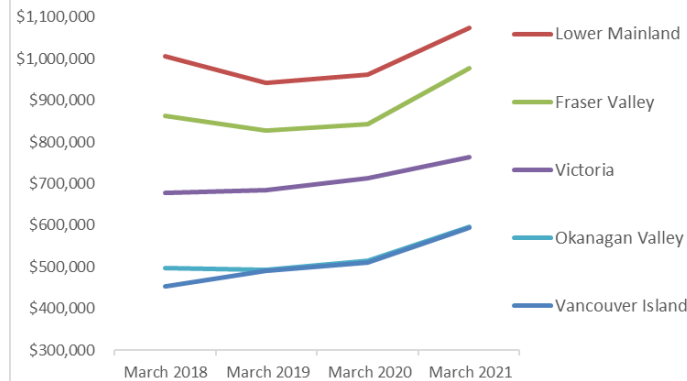
Across Canada, residential real estate prices are reaching record highs on the back of strong demand. Prior to the pandemic, BC had seen the real estate market slow down compared to the frothy activity witnessed in the years leading up to the (former) record residential housing prices set in 2018. That story has changed rapidly over the past year.

While there was some softness in the spring of 2020 when the pandemic first hit, residential real estate activity has picked up steam ever since. This has led to the 2018 records being shattered with new highs set across the province in March 2021 (see *Figure 9*). The Lower Mainland continues to be the most expensive region to purchase real estate in the province, with the average residential property reaching \$1.07 million in March 2021, up 11.8% compared to March 2020. However, demand is strong in every major region in BC and has led to strong growth in prices across the province (see *Table 3*). The rapid escalation of prices both in BC and across the country has led some major organizations to call for government intervention, including several of Canada’s major banks.<sup>1</sup>

<sup>1</sup> “Federal budget 2021 highlights: Child care, recovery benefits, OAS increases – everything you need to know”, Globe and Mail, <https://www.theglobeandmail.com/politics/article-federal-budget-2021-highlights-child-care-housing-jobs-recovery/>



**Figure 9: Composite housing price by region, March 2018-2021**



Source: Canadian Real Estate Association, seasonally adjusted.

**Table 3: Composite housing price by region, March 2020-2021**

	March 2021	March 2020	% change
Lower Mainland	\$1,074,200	\$960,800	11.8%
Fraser Valley	\$977,600	\$843,000	16.0%
Victoria	\$764,500	\$712,600	7.3%
Okanagan Valley	\$596,100	\$514,800	15.8%
Vancouver Island	\$594,800	\$510,000	16.6%

## 5. Economic outlook

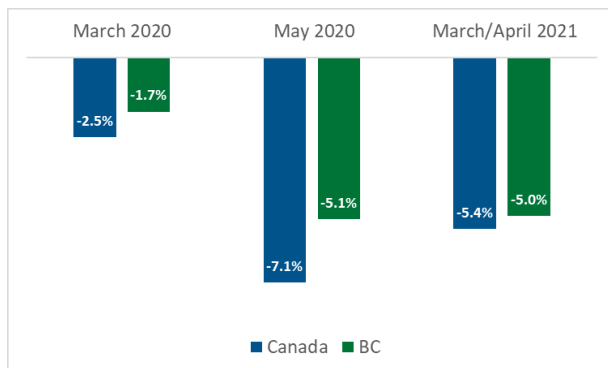
*Recession less severe than expected at worst point, but still largest in our lifetime*

Since the COVID-19 pandemic first hit, economists have been rapidly adjusting their expectations based on emerging economic data. Early in the COVID-19 pandemic, many expected the containment phase to be short and that a possible return to normalcy may not require a long shutdown and expected a much smaller size recession. However, that view rapidly shifted as the world recognized the scope and scale the COVID-19 pandemic would have on our way of life and on our economy.

This resulted in economists revising forecasts down. However, since around June 2020, the Canadian economy proved more resilient than expected, with indicators including employment, retail trade, manufacturing and international trade performing better than expected. This has resulting in upward revision for economic forecasts since about May 2020. For example, *Figure 10* shows how RBC has changed their forecasts at three points over the past year, and the overall trend is consistent with most other economic forecasts.

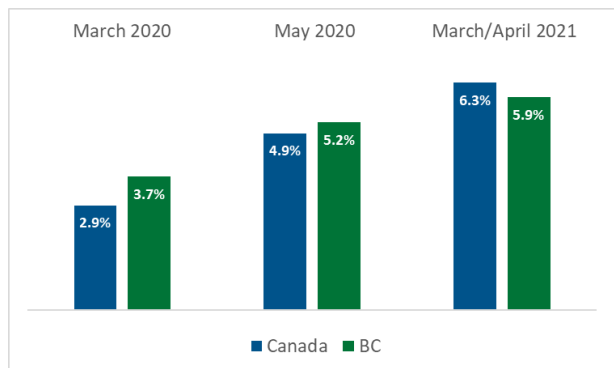
**Figure 10: RBC Forecasts**

**Real GDP % Change, 2020**



Source: RBC Economics

**Real GDP % Change, 2021**







Even with the improving outlook, BC's real GDP is now expected to decline by roughly twice the rate experienced by the 2008 recession, and challenges remain in achieving full economic recovery. However, the economy is expected to bounce back with strength in 2021 and the situation could have been considerably worse.

The improvement in economic conditions is in large part due to the massive scale of government support programs that helped Canadians and businesses navigate the pandemic, which have led to significant government debt increases, as seen recently in the [BC](#) and [Federal](#) budgets.