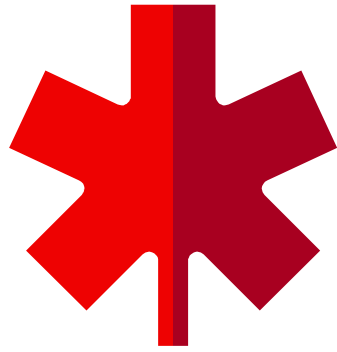


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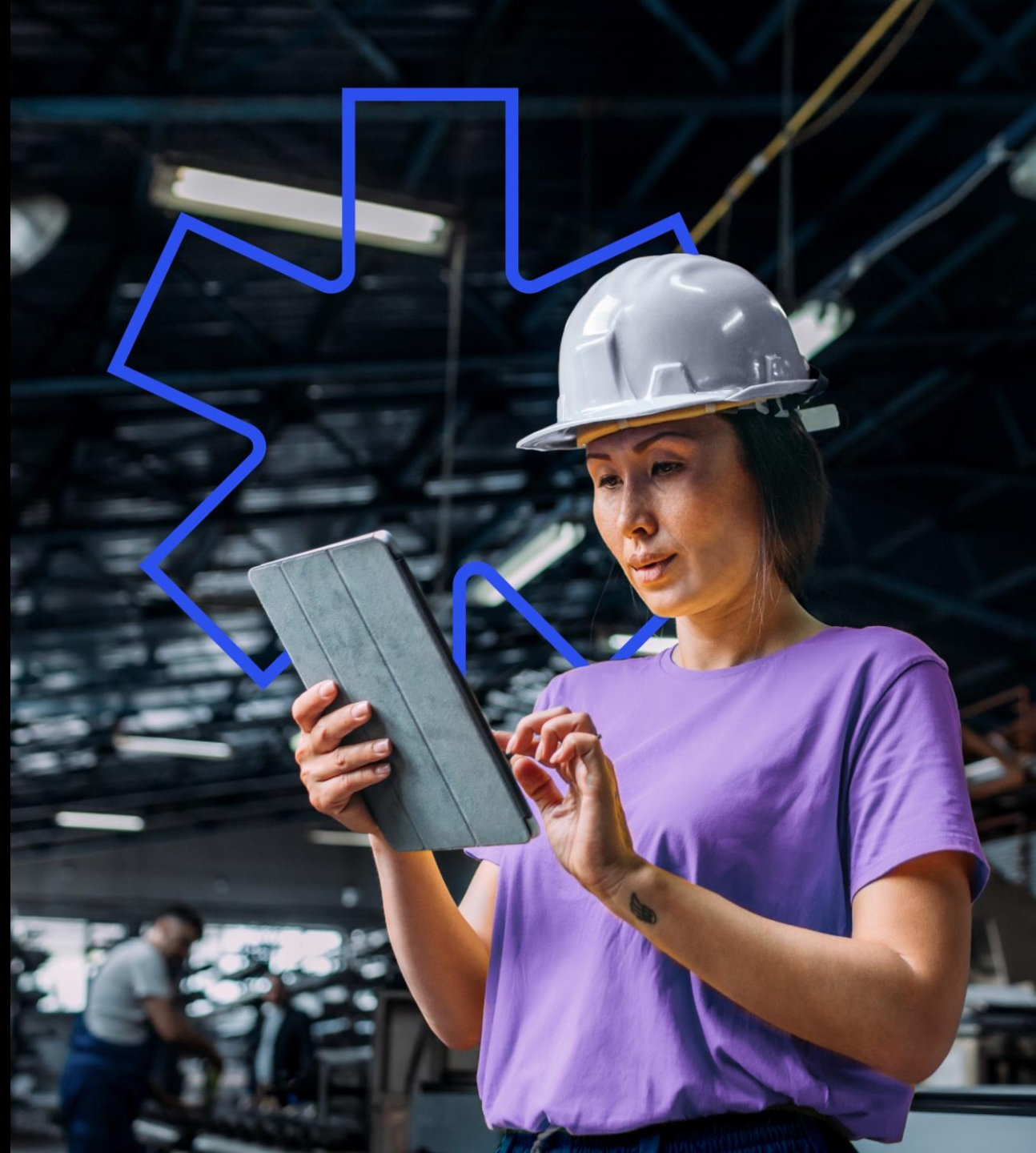
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Economic Update with Pierre Cléroux





Despite headwinds, British Columbia is growing

Pierre Clérout

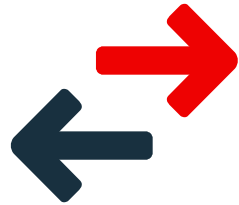
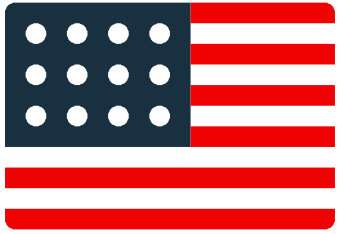
Chief Economist and Vice-President, Research, BDC

Agenda



1. British Columbia's Economic Outlook
2. Structural changes ahead
3. What does it mean for businesses?

U.S. tariffs are still in place



U.S. tariffs on Canada:

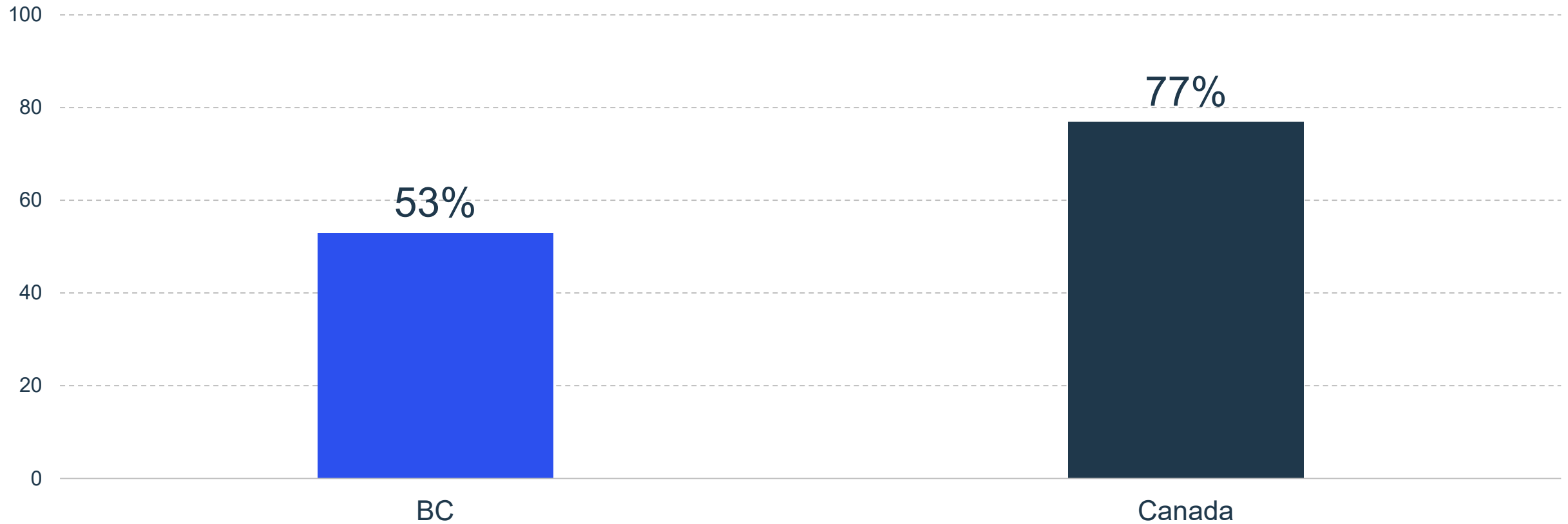


- 50% on aluminum, steel and copper
- 25% on cars
- 45% on softwood lumber
- Removal of “de minimis” provision
- 25% on kitchen cabinets and on bathroom vanities
- 30% on upholstered furniture
- 25% on trucks

BC exports sector is less exposed to the US...



Percentage of exports that go to the U.S., (%)

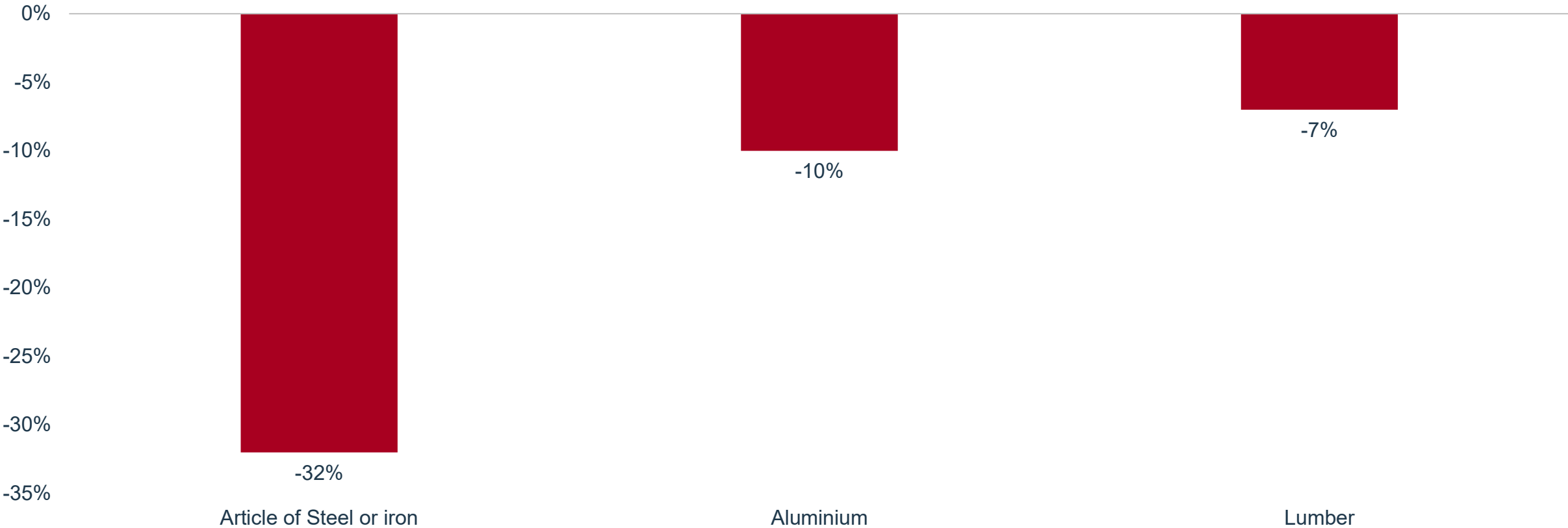


Source : via Haver Analytics, BDC.

However, US exports have fallen in tariff-related sectors



Change in exports to the U.S. of tariffed sectors, 2025, (%)

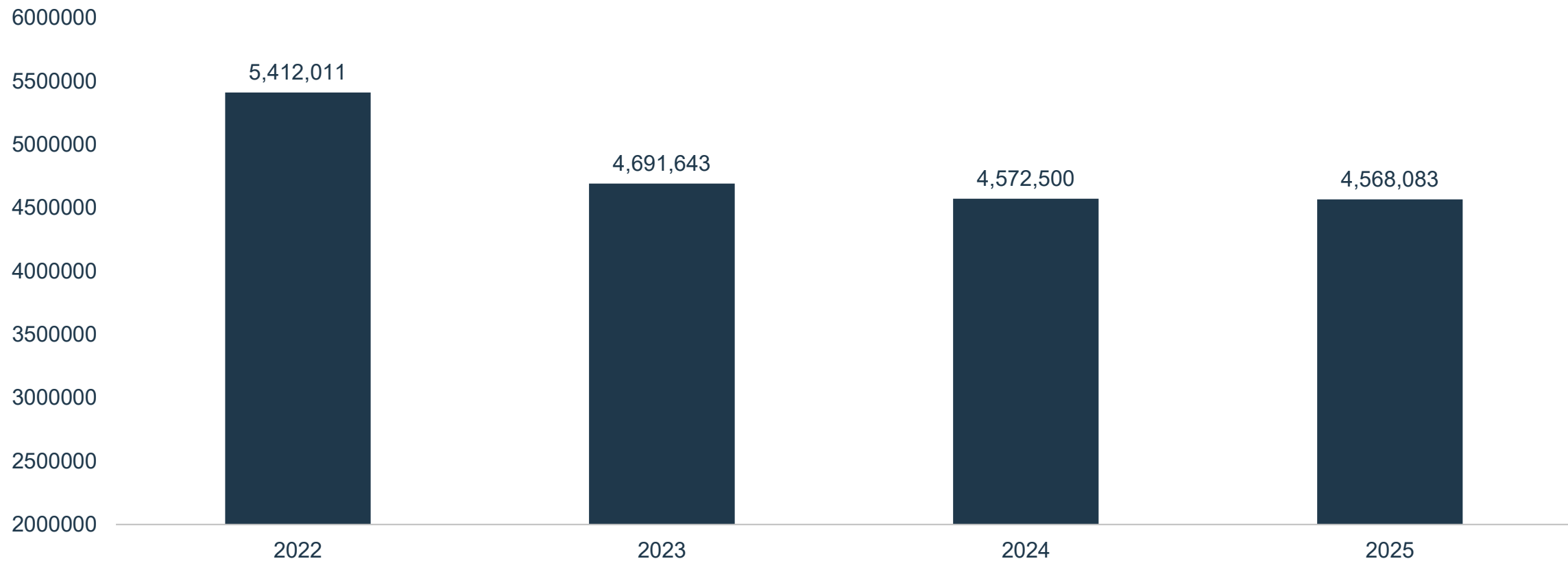


Source : via Haver Analytics, BDC.

Total exports remained stable



Annual average of total exports, in thousands of dollars, B.C.

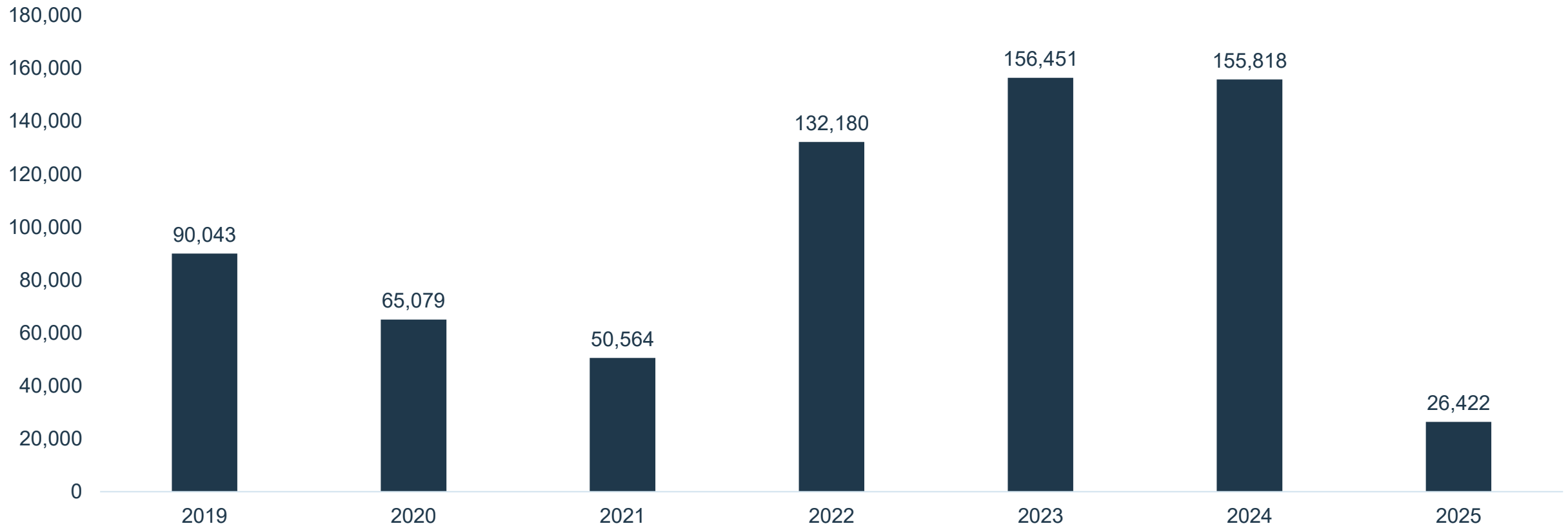


Source : via Haver Analytics, BDC.

Population growth decreased significantly in 2025



Population projections for British Columbia, annual change in the number of people

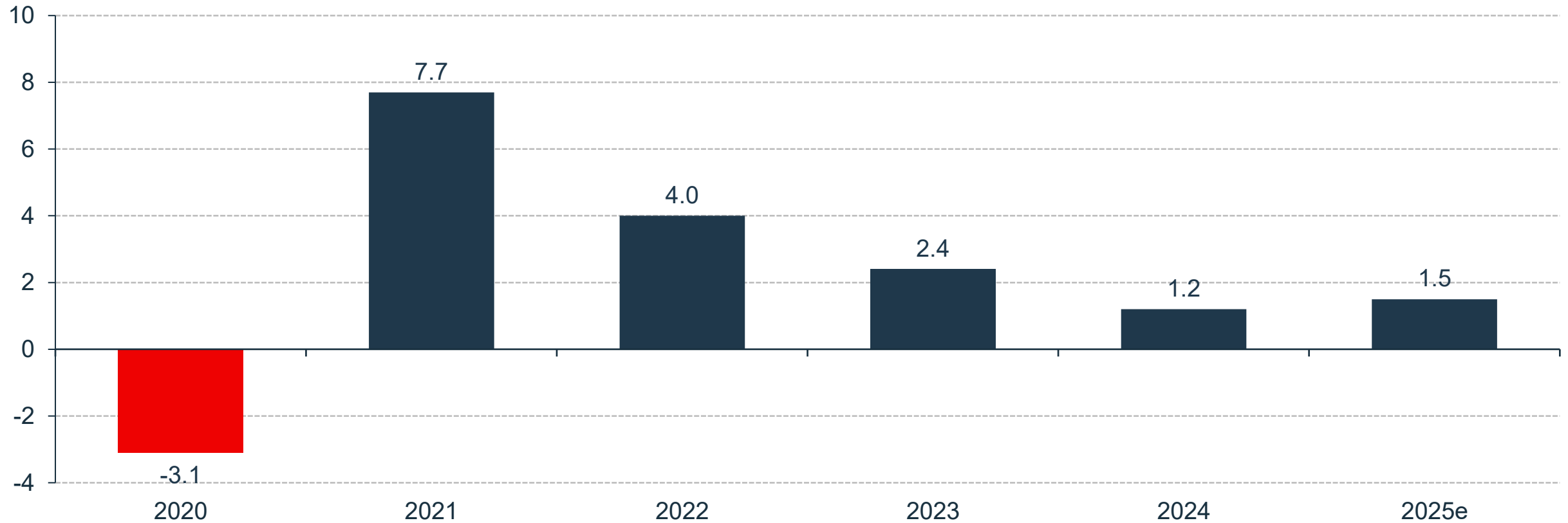


Source : via Haver Analytics, BDC.

Despite these headwinds, the BC economy remains resilient



Real GDP growth, annual, (%)



Source : via Haver Analytics, BDC.



What to
watch for in
2026?

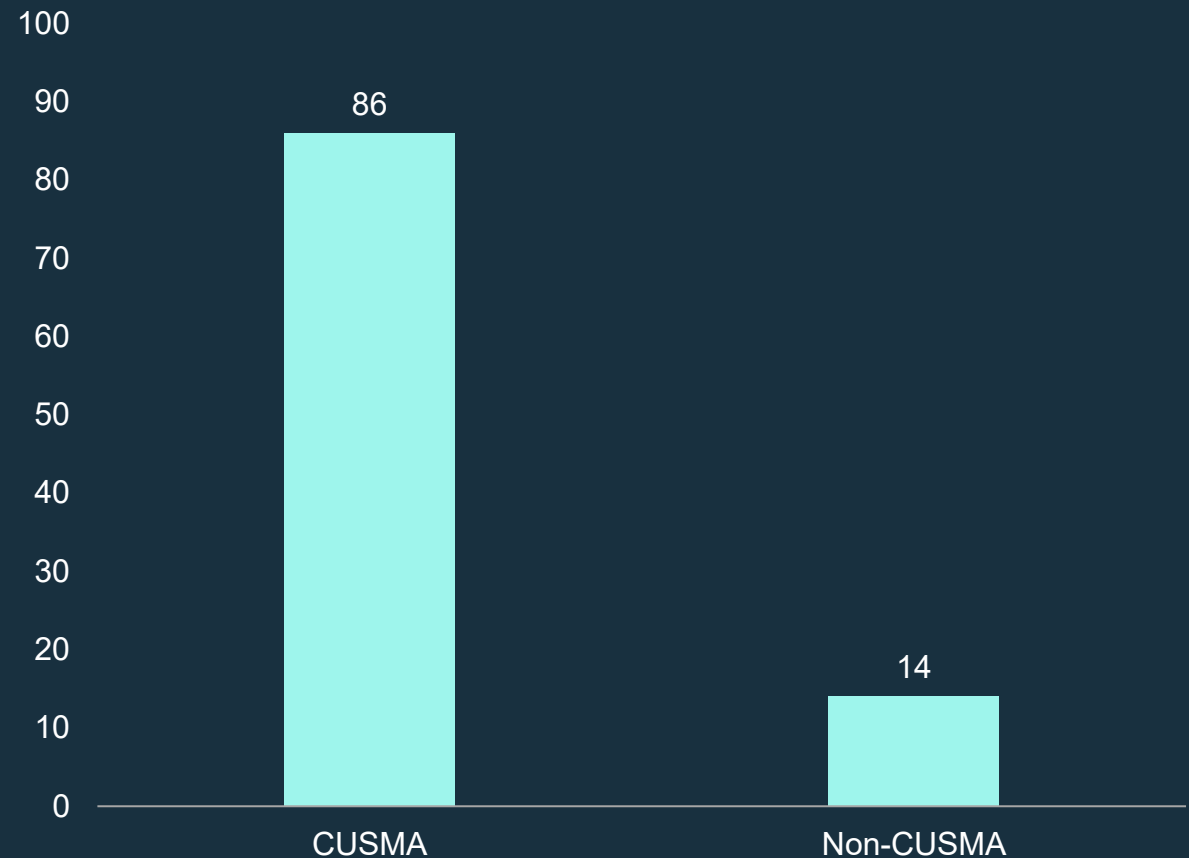
Deal or **no deal?**

CUSMA negotiations are
taking center stage ...



Most of our exports comply with the relevant standards

Proportion of exports that can be considered compliant if they meet the rules of origin under CUSMA, (%)

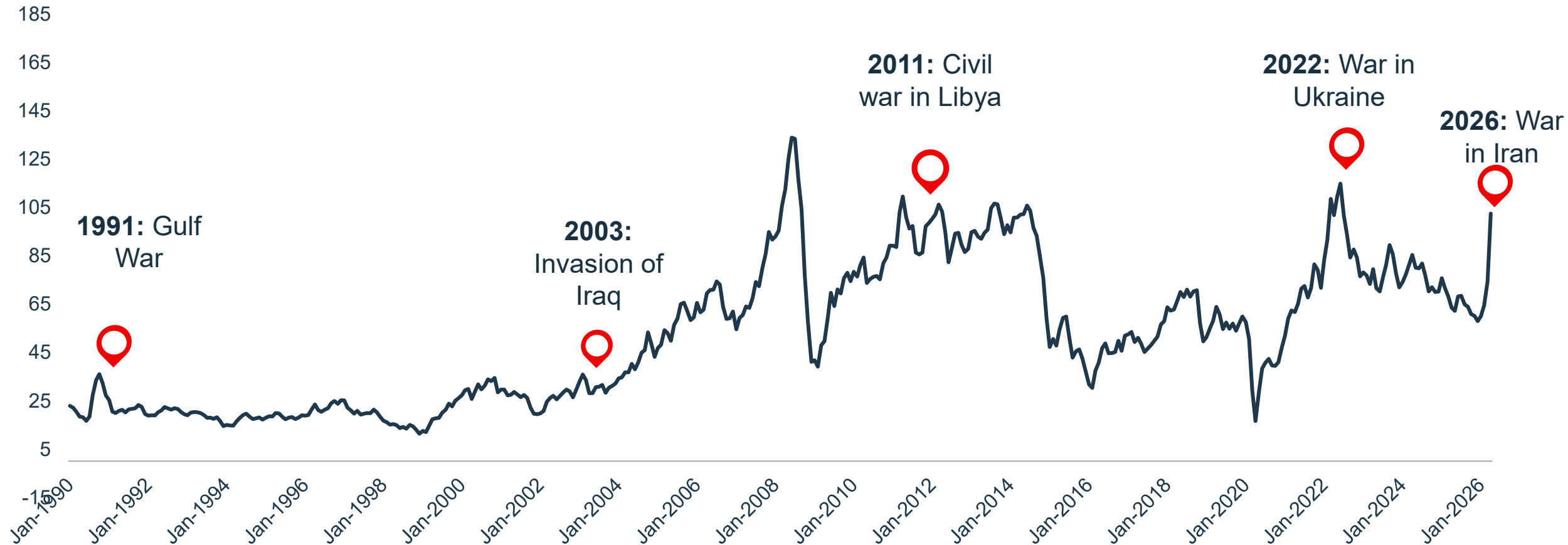


Source : RBC report CUSMA compliance rush: Will it shield Canada from U.S. tariffs?
April 2025, BDC.

The war in Iran is putting pressure on oil prices



WTI price (in dollars per barrel)



Source : via Haver Analytics, BDC.

Rising oil prices have two different effects on the Canadian economy



Upward pressure on inflation



Negative impact on consumption



Higher incomes for producers



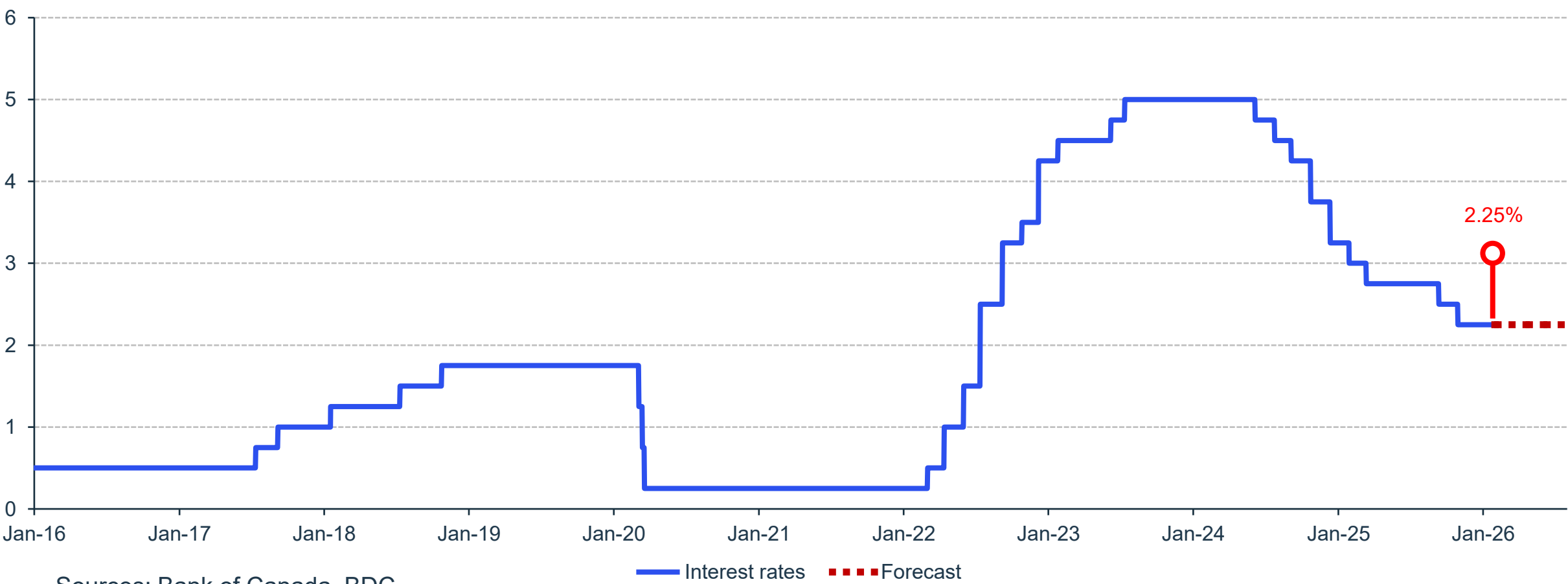
Positive impact on regional economies



The policy rate is expected to remain stable in 2026



Policy rate (%), Canada

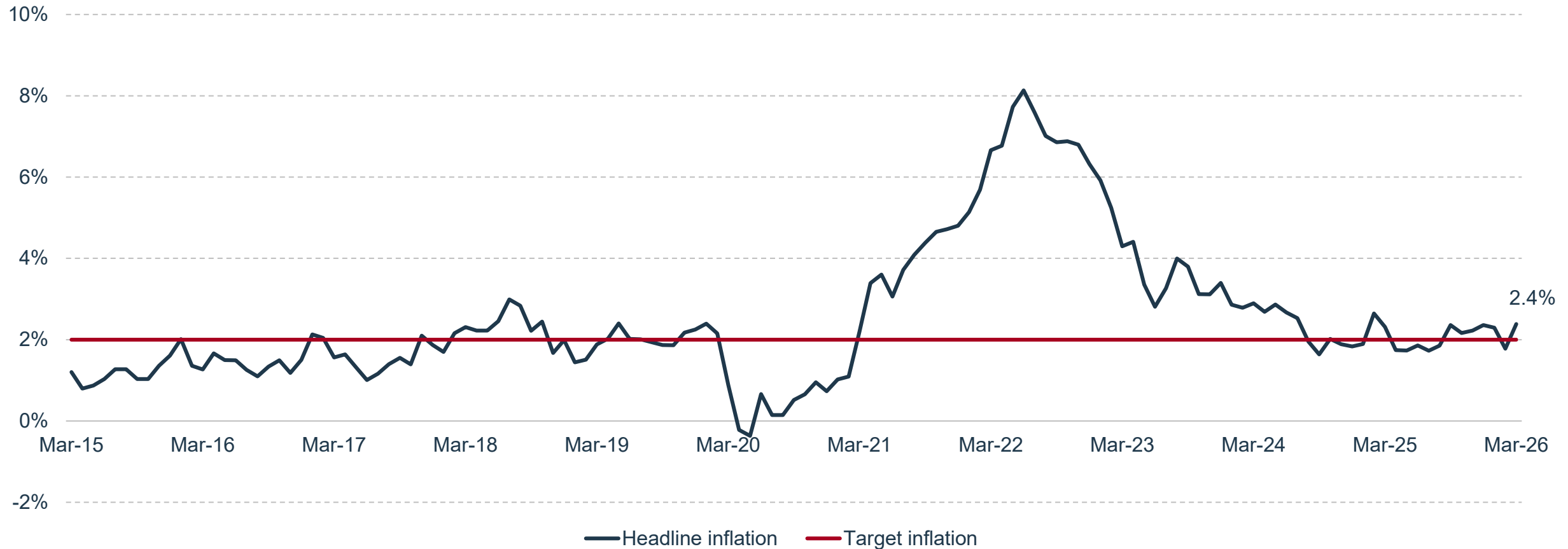


Sources: Bank of Canada, BDC

Inflation is low, but the rise in oil prices is expected to cause a temporary increase in inflation



Inflation rate (%), Canada



Sources: Bank of Canada, BDC



What does it
mean for the
economy?

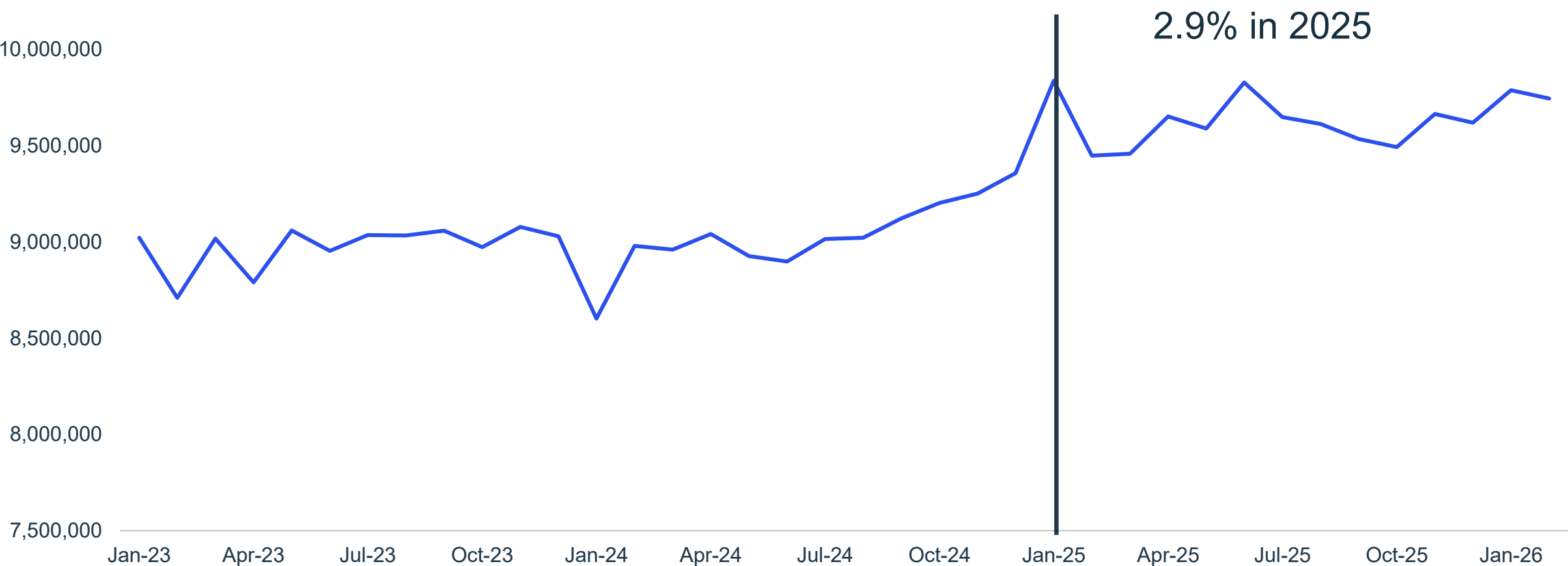


Consumption
will drive
growth

Consumption remained positive in 2025



Retail Sales: Retail Trade (SA, Thous.C\$)

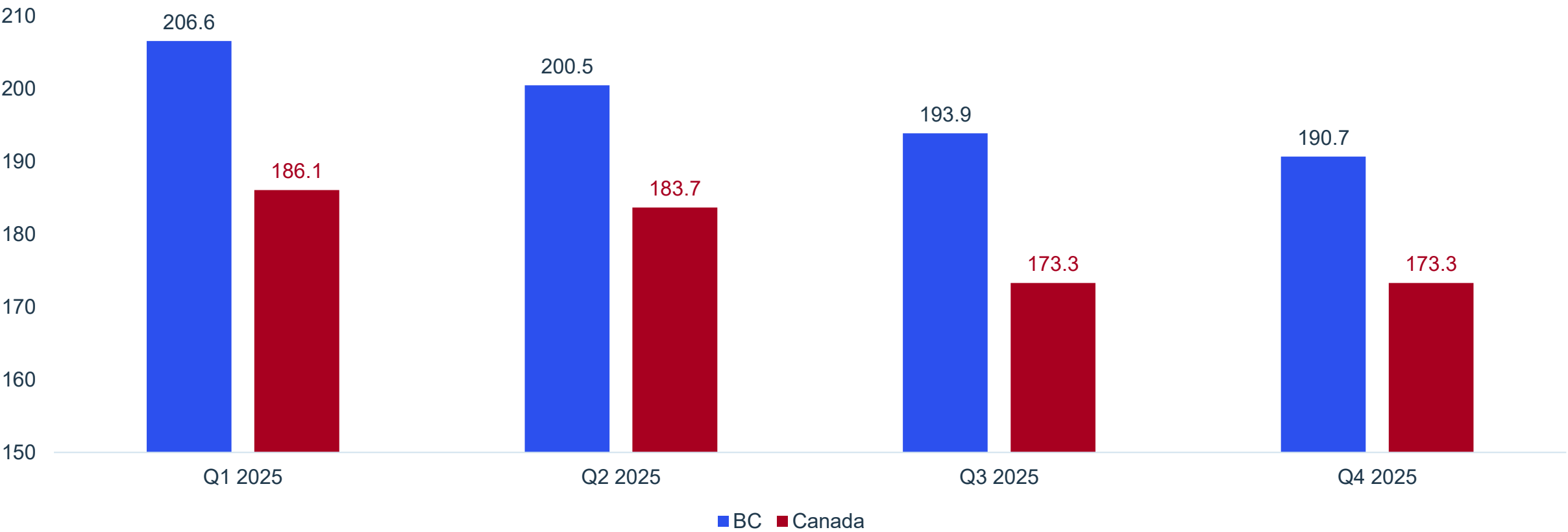


Source : via Haver Analytics, BDC.

Lower interest rates will alleviate debt burden on households



Debt to disposable income ratio, by quarter



Source : via Haver Analytics, BDC.



Housing will
remain under
pressure

Home sales are struggling to recover



Residential Sales: British Columbia (SA, Units)



Source : via Haver Analytics, BDC.

Average home sale price decreased by 2.9 percent on average in 2025

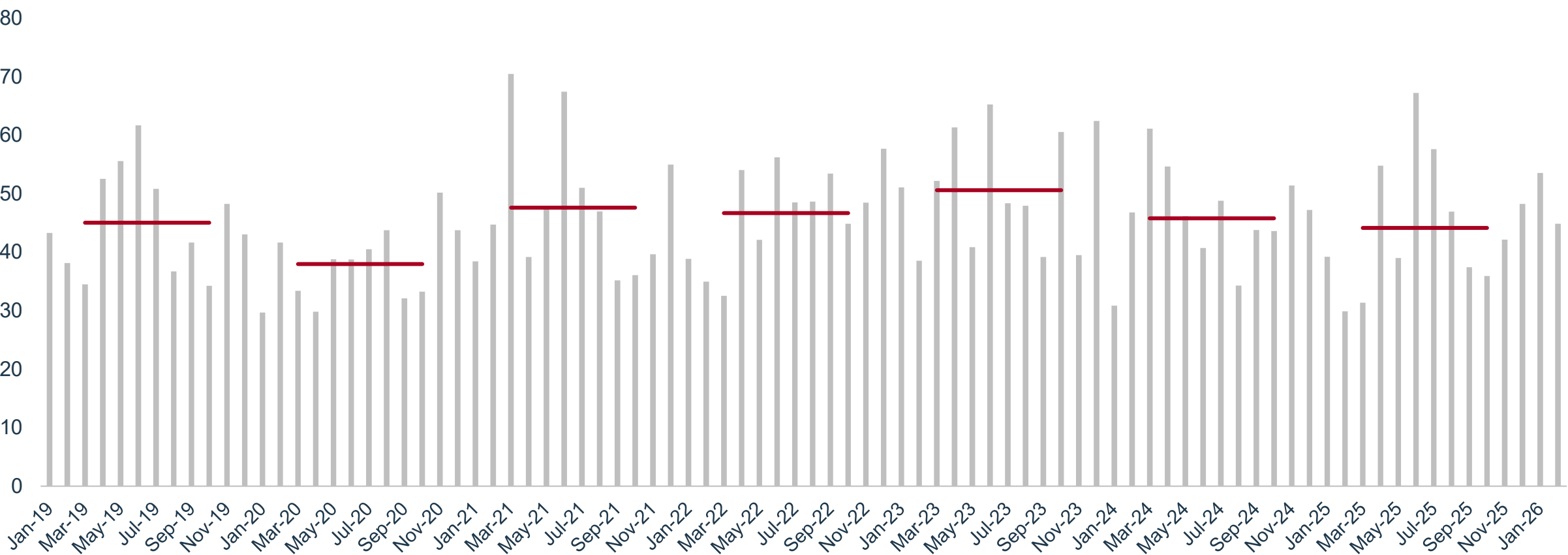
Average Sale Price: Residential: British Columbia (SA, C\$)



Source : via Haver Analytics, BDC.

Housing starts decline in 2025, but remained above the ✳ ten-year historical average

Dwelling Starts: All Areas (SAAR, Thous.Units)



Source : via Haver Analytics, BDC.

..but non-residential construction is solid



Construction Investment BC CMAAs (SA,Ths.2023.C\$)



Source: via Haver Analytics, BDC.

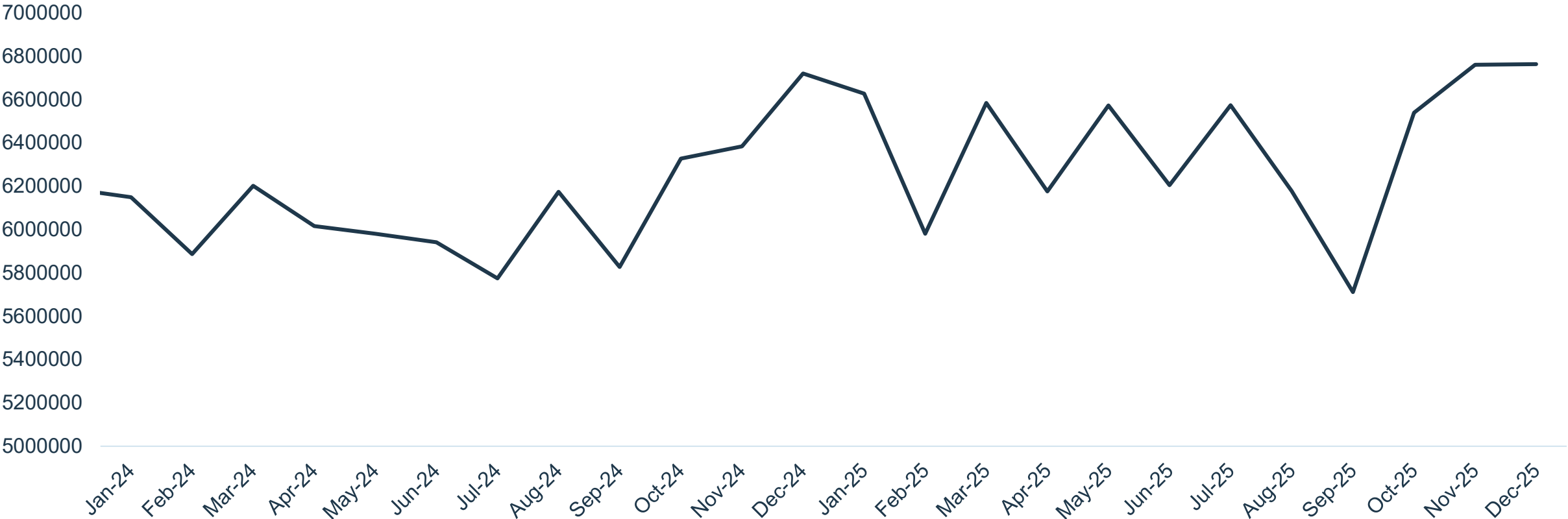


Natural gas production ramping up

Natural gas production is higher in B.C.



Natural gas marketable production, in cubic meters



Source: via Haver Analytics, BDC.



Government
investment and
expenditure will
stimulate
growth

Four major projects will benefit B.C. and the government is taking measures to support its economy

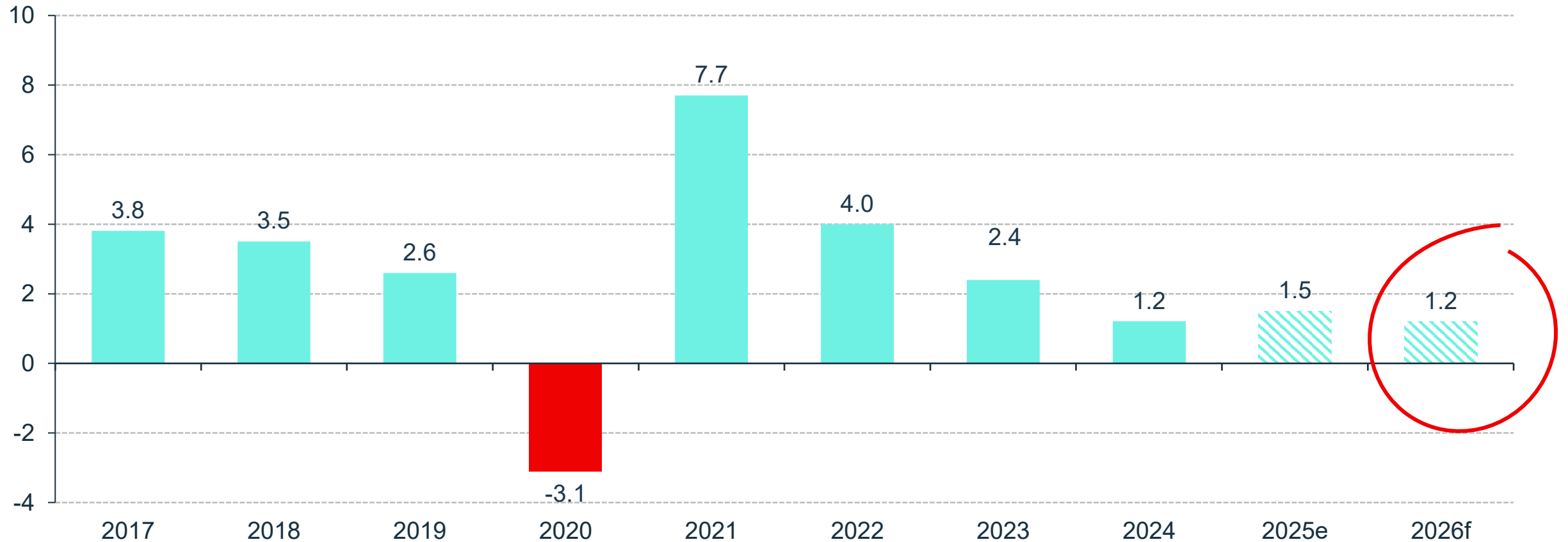


- ➔ **Introduction of the Infrastructure Projects Act:** aims to expedite the delivery of key infrastructure projects
- ➔ **Prioritizing 18 critical mineral and energy projects,** aiming to expedite their approval and development. Total value: \$20B

Overall, growth will be modest in 2026



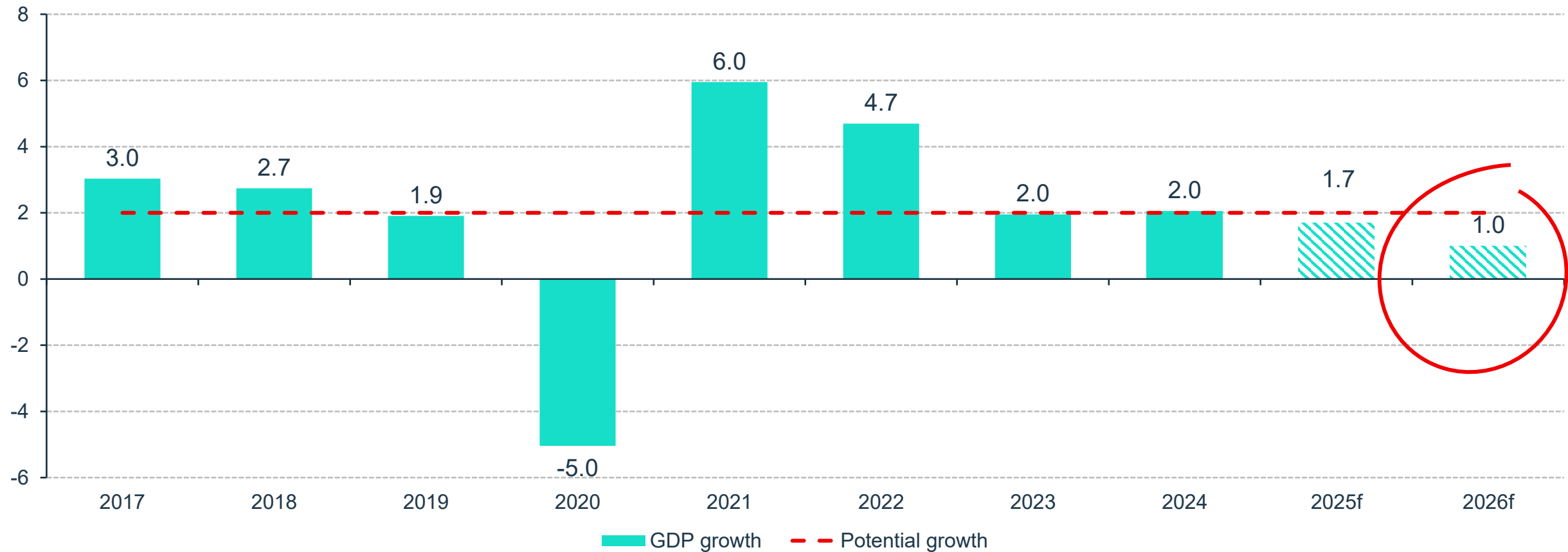
Annual real GDP growth (%), BC



Source : via Haver Analytics, BDC.
e: B.C's government estimates, f: forecasts

Canada's growth will slow down but to remain positive

Annual growth in Canadian real GDP (%)

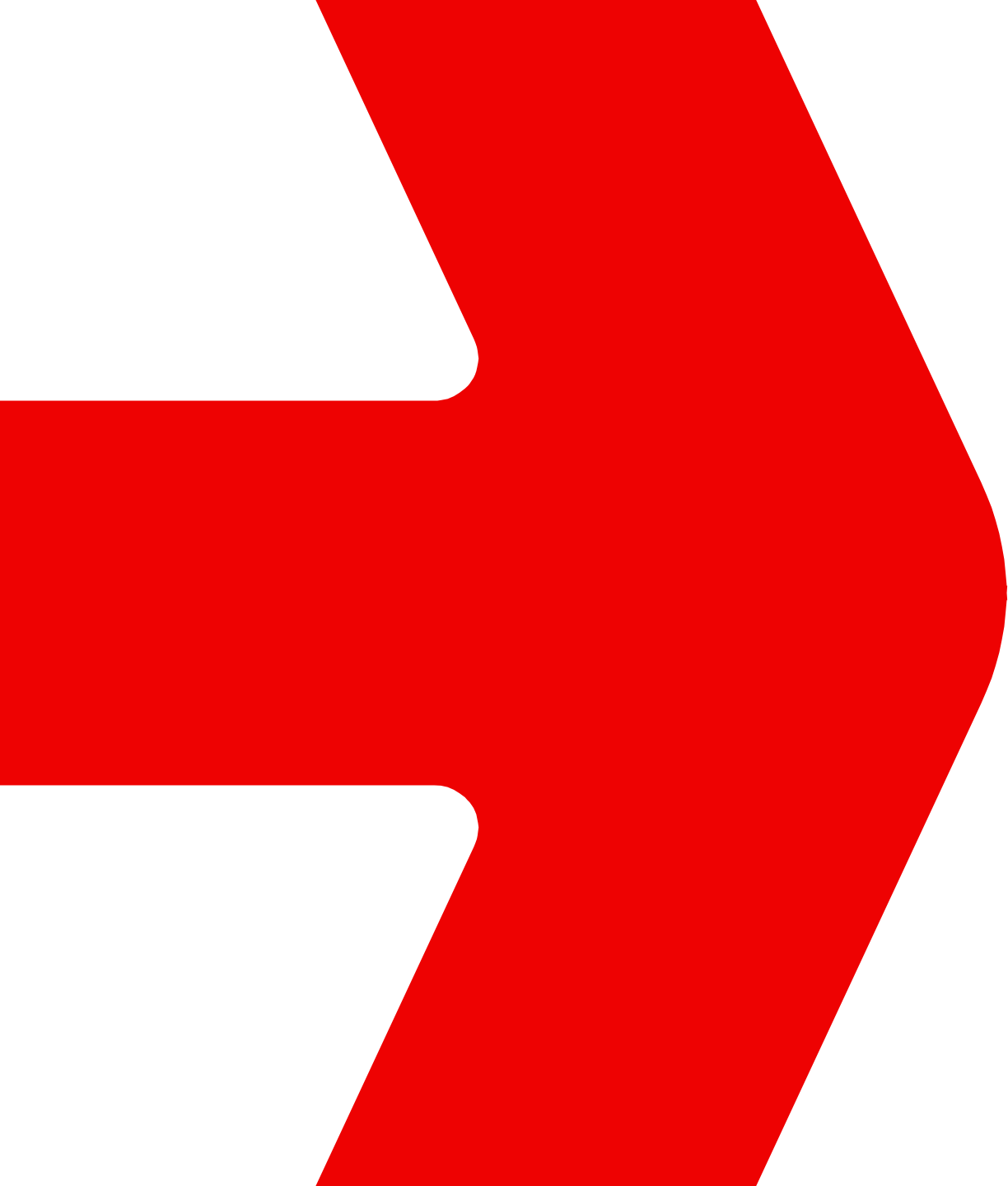


Source : via Haver Analytics, BDC.
f: forecasts

2



Structural changes ahead



A new world
order



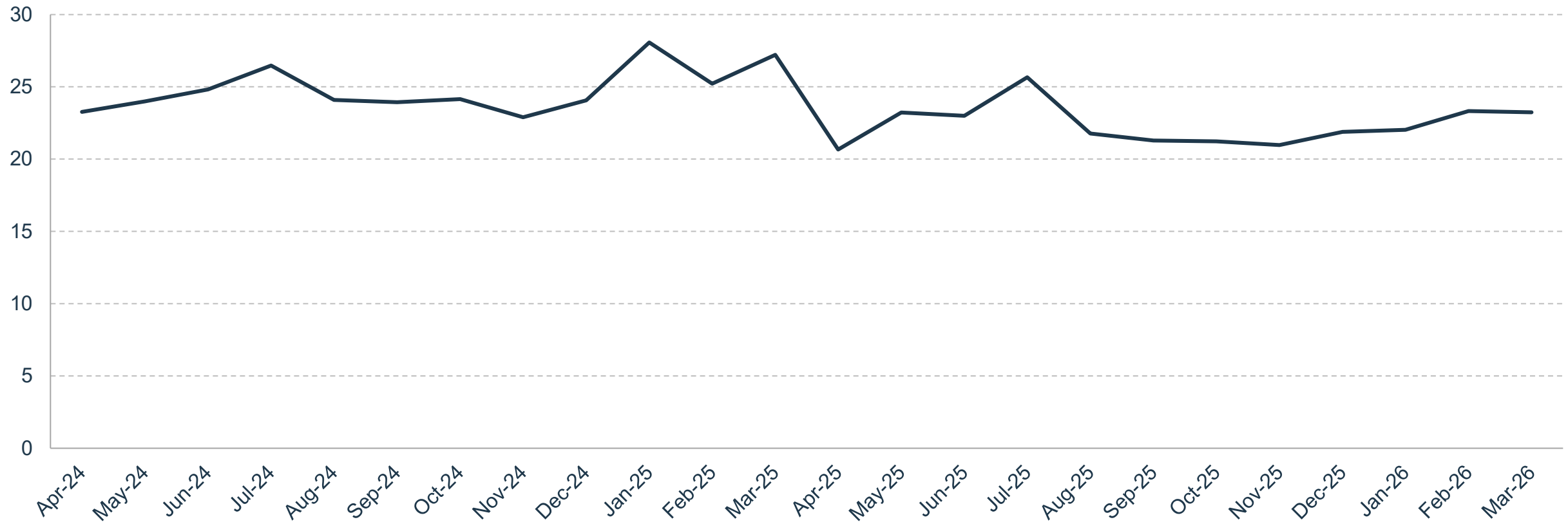
A new world order

-
1. Geopolitical tensions are creating uncertainty
 2. Allies are being asked to invest more in defence
 3. The United States is moving away from free trade

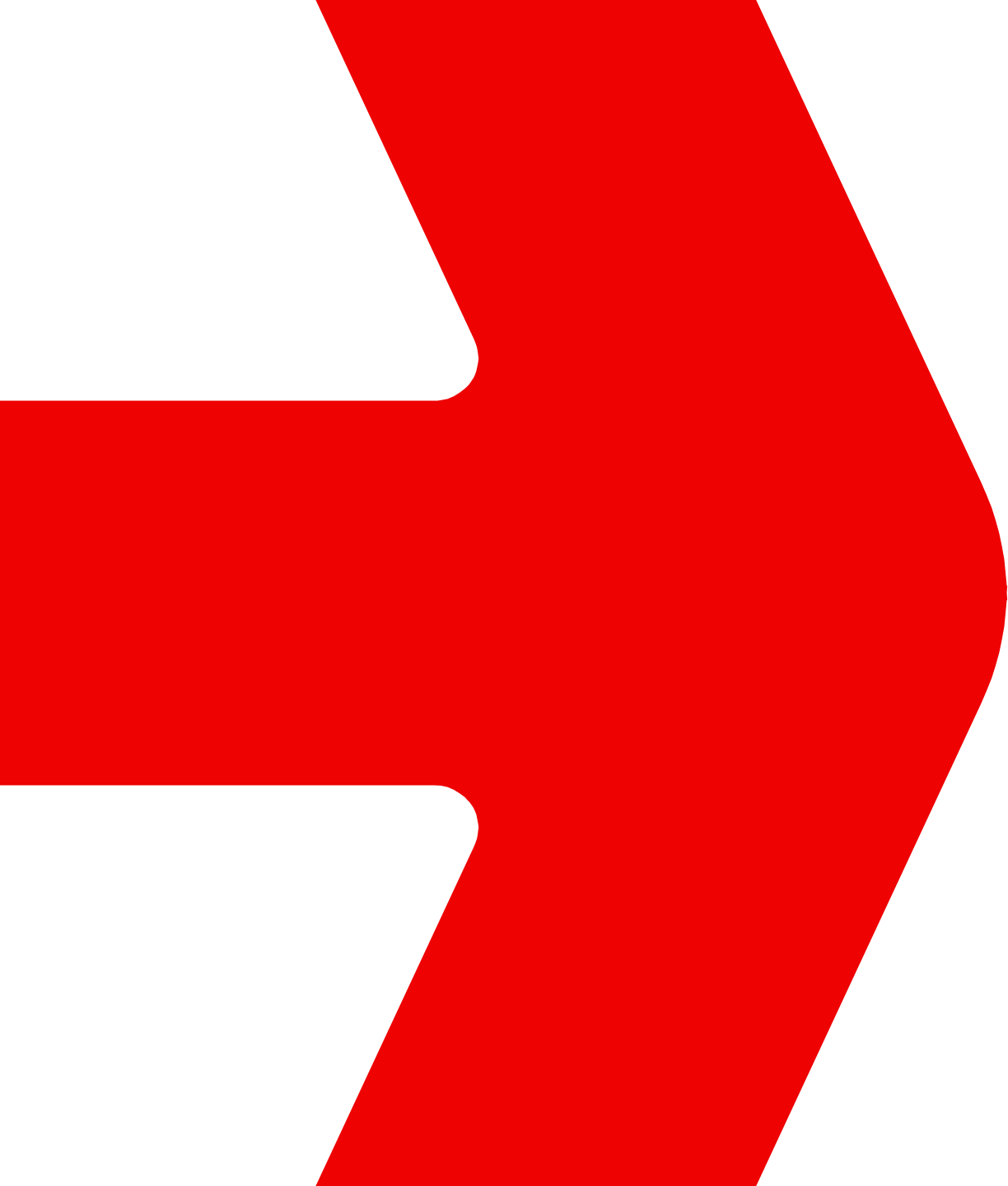
Exports to the United States have fallen



British Columbia's exports to the U.S., in billions of dollars



Source : via Haver Analytics, BDC.

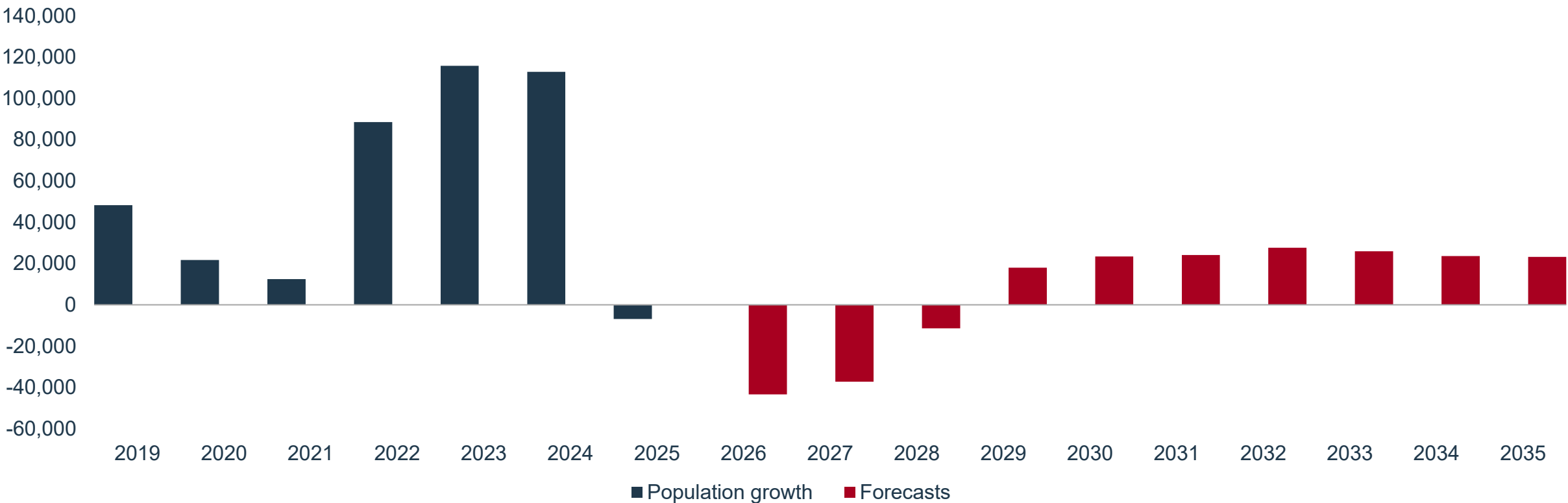


Slower
population
growth

B.C's working-age population will grow much more slowly



Population projections for British Columbia, annual change in the number of people aged 15–64

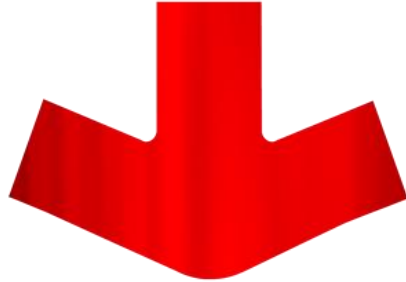


Source: BDC et Statistics Canada, Scenario M1

In the next decade, there will more jobs than people in BC

Labour supply in the next decade:

- ➔ 510,000 new young worker
- ➔ 307,000 immigrants
- ➔ 66,000 interprovincial migrants

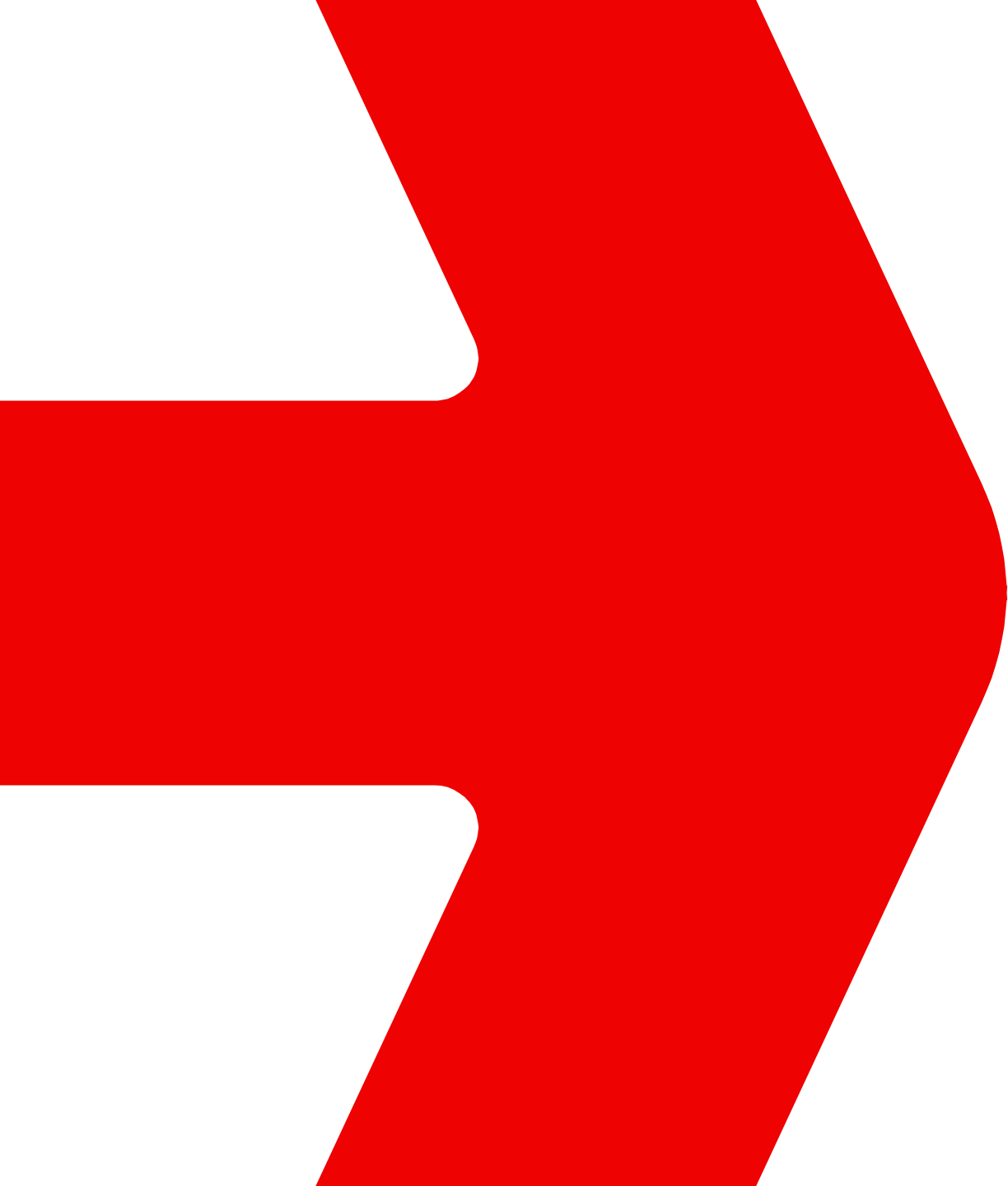


Total: 880 000

Labour demand the next decade:



Total: 1 052 000



Artificial
intelligence

More and more SMEs are investing in artificial intelligence (AI)



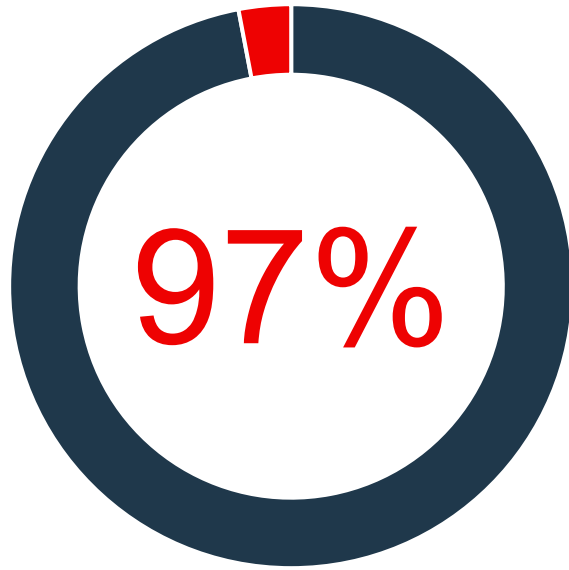
80 %

Larger SMEs have set aside a budget for the adoption of AI

20 %

Some micro-enterprises have set aside a budget for adopting AI

SMEs are seeing the benefits of AI



Companies using AI have reported that it has helped their business

- Time saved/increased efficiency
- Improving customer service
- Increased sales/growth
- Simplified forecasting

3



What does it
mean for
businesses?

The next five years will be different



1. The labour market will tighten

2. AI will transform our business models

3. Uncertainty will remain, and access to the US market will become more difficult

4. This transformation also presents significant opportunities



This
transformation
creates
opportunities

Major projects will add \$670B in new spending

\$670B in new spending	
Defence	\$140B
Housing	\$115B
Civil infrastructure	\$106B
Electricity	\$106B
Mining	\$ 35B
LNG	\$ 34B
Nuclear	\$ 23B
AI	\$ 11B
New exports	\$100B

Based on the modelling work done by the Transition Accelerator and the BDC economics team, the base case for spending generated by the Major Projects is \$670B over 5 years.

This amount represents spending above the trend-rate of spending in Canada. The impact from this spending would boost Canada's GDP by 4.1% over the baseline forecast by 2030



Accelerating major projects will create opportunities

Four major projects in B.C.

- Phase two of LNG Canada in Kitimat, B.C., doubling its production of liquefied natural gas
- The expansion of the Red Chris Mine in northwestern B.C.
- North Coast Transmission Line
- Ksi Lisims LNG

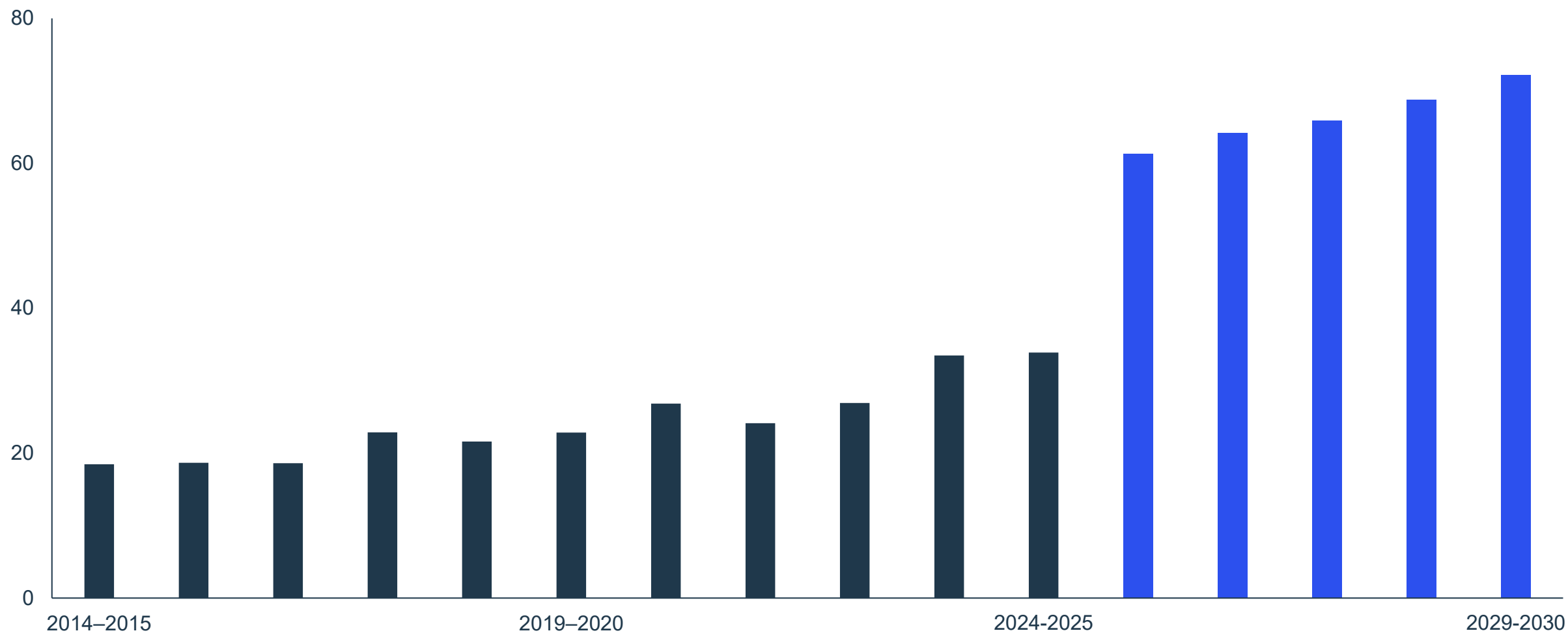


More than
60 billion dollars
expected
for the Canadian
economy

Defence spending will increase significantly



Budget of the Canadian Department of National Defence (\$ billions)



Source: Library of Parliament, Government of Canada supplementary estimates b for 2024-2025, department of defence
forecast from the Transition Accelerator

Conclusion

- 
- ➔ Uncertainty isn't going away. Tariffs hurt trade and related businesses, but the Canadian economy will remain resilient in 2026.
 - ➔ The business environment is facing new challenges in the form of rising input costs and evolving trade conditions.
 - ➔ Despite headwinds, there are opportunities businesses can benefit from.

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Questions?



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