

BC CHECK-UP 2021 **INVEST**



INDICATORS

CPABC's *BC Check-Up* uses the selected economic indicators to evaluate BC as a place to **INVEST**.



Private Non-Residential Investment

How much did the private sector invest in BC's non-residential building projects?



Residential Housing Starts

How many units began construction in 2020?



Major Project Activity

How much capital is allocated towards major projects across BC?



Real GDP per person

What was the overall GDP per person in BC?



Net Debt-to-GDP Ratio

What is the share of the provincial government's net debt to GDP?



Number of Active Businesses

How many businesses are operating in BC in a given month?

PROVINCIAL SUMMARY

Prior to the COVID-19 pandemic, British Columbia experienced record levels of investment activity. In fact, by 2019 the number of active businesses, housing starts, and private non-residential investment **each reached record highs**, and the province was forecast to continue leading the country in economic growth. Unfortunately, due to the economic uncertainty arising from the COVID-19 pandemic, **investment and business activity took a significant hit in 2020**.

One of the clearest signs of the economic damage caused by the COVID-19 pandemic is the number of businesses that ceased operations. In March 2020, many businesses temporarily halted operations in response to lockdown measures. Consequently, the number of **active businesses fell by over 14,000** between March and May 2020. While some businesses resumed operations over the summer and into the fall, by October 2020, the number of **active businesses was still over 6,600 less** than pre-crisis levels. This represents a decline of 5.1% compared to October 2019, and some industries were disproportionately damaged.

Service-sector businesses that rely on human interaction have experienced the largest declines. As of October 2020, the three industries experiencing the **greatest business disruption** were:

- 1 Arts, entertainment and recreation (-10.3%)
- 2 Natural resource extraction (-8.6%)
- 3 Real estate, rental and leasing (-8.2%)
- 4 Accommodation and food services (-7.9%)
- 5 Other services (e.g. household and personal) (-6.7%)

Despite recent gains in housing prices, housing starts have also declined. Overall residential **housing starts were down by nearly a fifth** (18.3%) in 2020 compared to in 2019, representing a decline of nearly 8,000 units. Attached units, such as condos and townhomes, accounted for the majority of the decline compared to October 2020 levels.

At the macro level, the 2020 recession damaged some key economic and fiscal indicators. **Real GDP per person is expected to shrink by nearly \$4,000** in 2020 to \$49,546 and remain below pre-crisis levels in 2021, while provincial **net debt-to-GDP is forecast to jump to 20.8%** in fiscal year 2020-21, increasing by over one third when compared to the previous year.

One area of optimism is that the number of major projects — those with a capital cost of \$15 million or higher — was up in 2020, largely driven by natural resource and infrastructure projects. BC's inventory of **major projects increased to \$369.8 billion in Q3 2020**, representing a 4.8% increase over the same period last year. As of Q3 2020, nearly one third of the major projects are under construction, including the LNG Canada Facility (\$36 billion) and the Coastal GasLink Pipeline Project (\$6.2 billion).

To better understand the economic outlook, CPABC surveyed its members who work on the front lines of business in BC. Around **two-thirds expect BC's economy to perform at an average or good level in 2021**, while one third expect the economy to perform poorly. CPAs were optimistic about their own organization's prospects, with **57% expecting prospects to improve in 2021**. As we look to economic recovery, CPAs believe the top policy priorities should be to make the tax system more competitive, increase investment in regional development and infrastructure, and offering additional skills training for BC workers.

PROVINCIAL SUMMARY



PRIVATE NON-RESIDENTIAL INVESTMENT

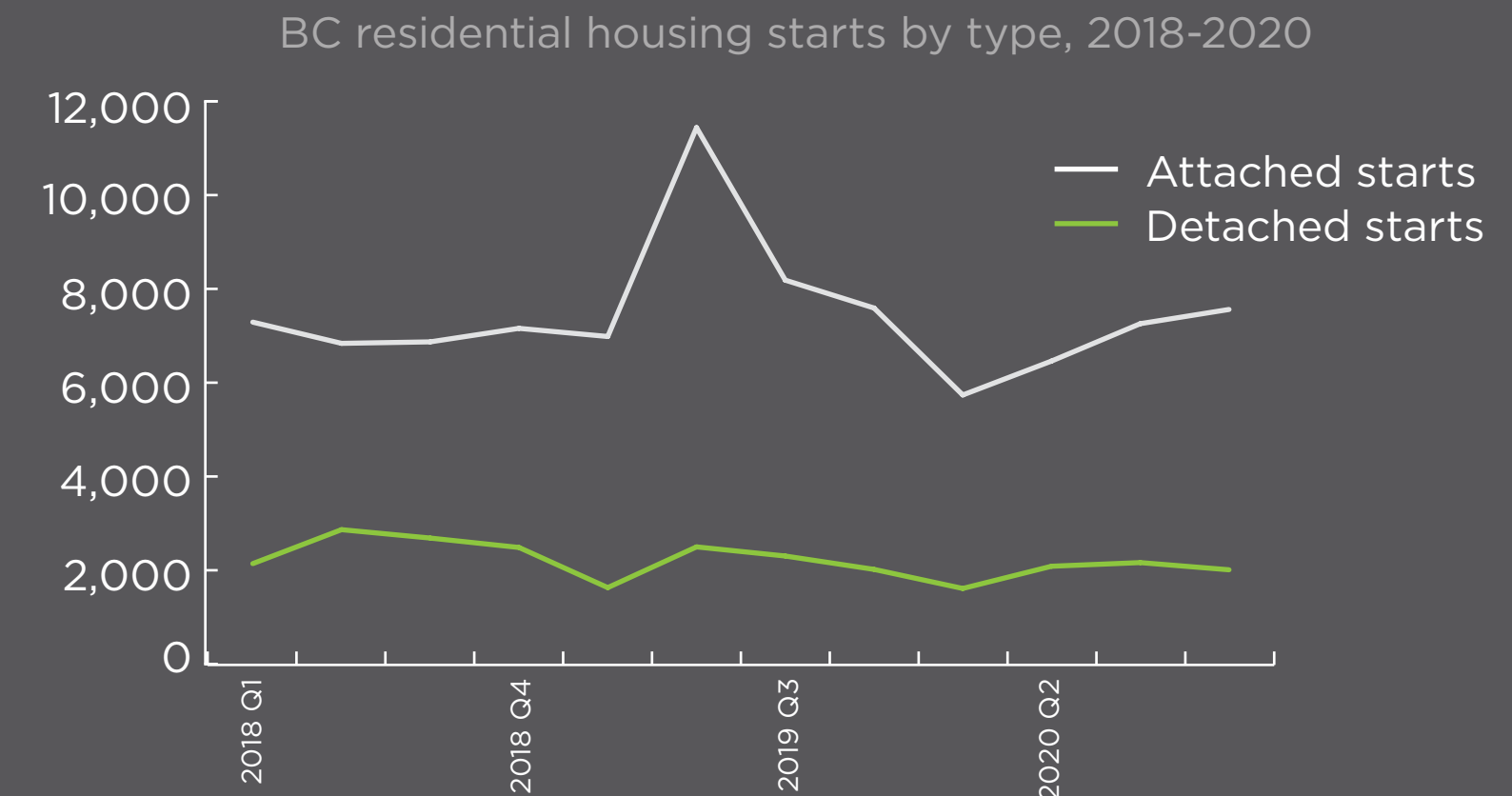
In the midst of the COVID-19 pandemic and economic uncertainty, private sector investment declined in 2020, while institutional and government investment saw a small gain. Overall, total investment remains up by over 25% compared to five years ago.

	Value in 2020	Five-year change	One-year change
Total private sector	\$4,989,151,787	29.1%	-7.9%
Industrial	\$799,849,167	26.4%	-5.3%
Commercial	\$4,189,302,620	29.7%	-8.4%
Institutional and government	\$1,536,921,028	21.1%	1.6%
Total private and public sector	\$6,526,072,816	27.1%	-5.8%



RESIDENTIAL HOUSING STARTS

Residential housing starts in 2020 were down by nearly one fifth (18.3%) compared to in 2019. The decrease was largest amongst attached units such as apartments and condos, but there has been an uptick in recent quarters since the low in Q1 2020.



MAJOR PROJECT ACTIVITY

Despite the COVID-19 pandemic, major capital project construction and proposals continued to rise in 2020. As of Q3 2020, the capital cost of BC's major projects was \$369.8 billion, with projects currently under construction making up nearly one third of the value.

MAJOR PROJECT HIGHLIGHTS (Q3 2020)

Total Major Projects: 979, \$369.8 billion (↑4.8%)

Projects Began Construction: 29, \$4.8 billion

New Projects Proposed: 19, \$796 million

Project Cancelled: YVR CORE Airport Upgrade, \$600 million

*Non-residential investment data is inflation and seasonally adjusted.
 "Attached starts" include units such as condos, apartments, and townhomes.

PROVINCIAL SUMMARY



REAL GDP PER PERSON

BC's inflation-adjusted GDP per person is forecast to fall by 7.2% in 2020, erasing many years of GDP growth. While expected to rebound in 2021, it will remain well below pre-crisis levels.

2019	\$53,387
2020F	\$49,546
2021F	\$50,507



NET DEBT-TO-GDP RATIO

Increased spending and depressed tax revenue resulted in a projected \$13.6 billion budget deficit for BC in 2020-21, pushing net debt-to-GDP above 20% for the first time on record.

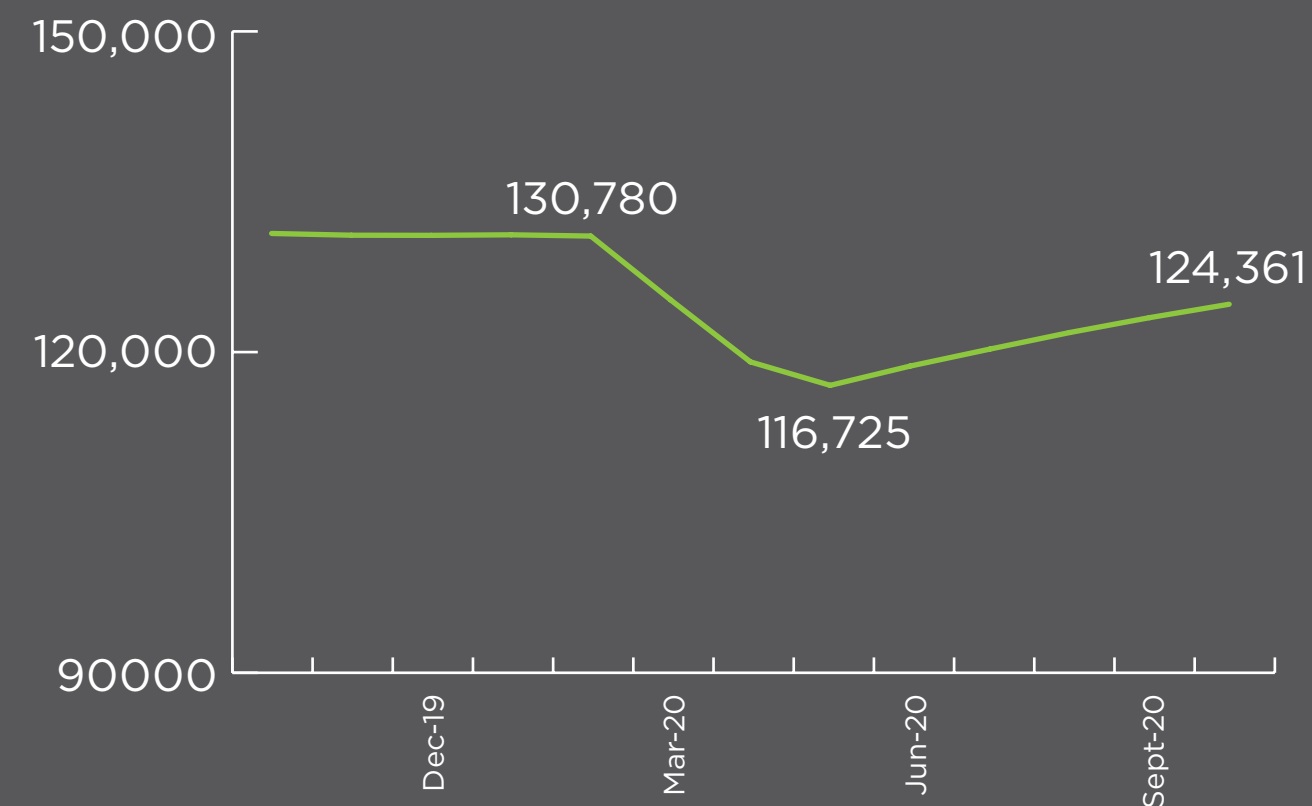
2018-19	14.6%
2019-20	15.0%
2020-21F	20.8%



NUMBER OF ACTIVE BUSINESSES

From March to May 2020, the number of active businesses in BC fell by 14,000. That number recovered by 7,636 as of October 2020, but remained down 5.1% compared to October 2019.

Number of active businesses in BC, 2019-2020



ACTIVE BUSINESSES BY SECTOR

Not surprisingly, BC's service-sector businesses that rely on human interaction have been the hardest hit by the COVID-19 pandemic.

FIVE BIGGEST BUSINESS LOSS BY SECTOR*:

ARTS, ENTERTAINMENT AND RECREATION	-10.3%
NATURAL RESOURCE EXTRACTION	-8.6%
REAL ESTATE AND RENTAL LEASING	-8.2%
ACCOMMODATION AND FOOD SERVICES	-7.9%
OTHER SERVICES (E.G. HOUSEHOLD AND PERSONAL)	-6.7%

*F" refers to a forecast.

*Active business change October 2020 compared to October 2019. Natural resource extraction includes mining, quarrying, and oil and gas extraction.



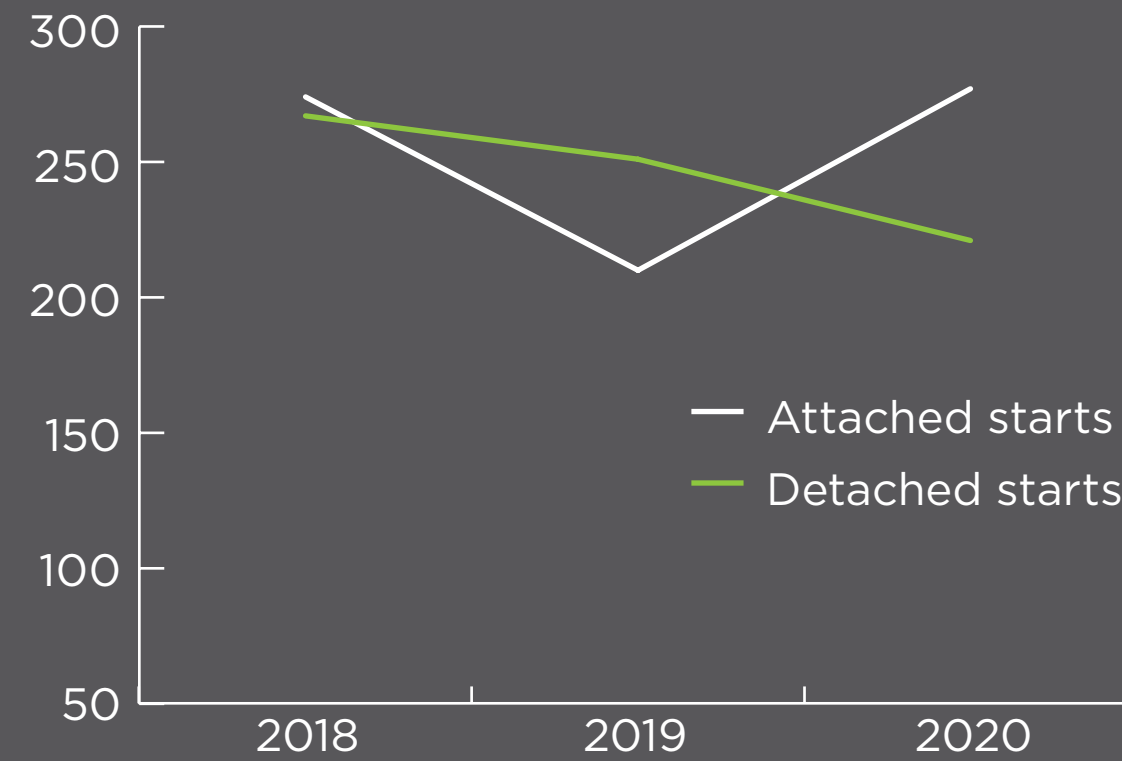
CARIBOO



RESIDENTIAL HOUSING STARTS

Housing starts in the Cariboo region's largest municipalities were relatively steady in 2020 compared to 2019.* This was buoyed by a rebound in the number of attached housing starts, while the number of detached starts faltered.

Residential housing starts by type, 2018-2020



MAJOR PROJECT HIGHLIGHTS Q3 2020

The large increase in the value of active construction came from the Trans Mountain Pipeline Expansion, which commenced construction in June 2020.

Under Construction: 4 projects, \$4.6 billion

- Largest: Trans Mountain Pipeline Expansion, \$4.5 billion

Proposed: 24 projects, \$10.4 billion

- Largest: West Coast Olefins Ethylene Plant, \$5.2 billion
- Largest recreation: Valemount Glacier Destination Resort, \$800 million

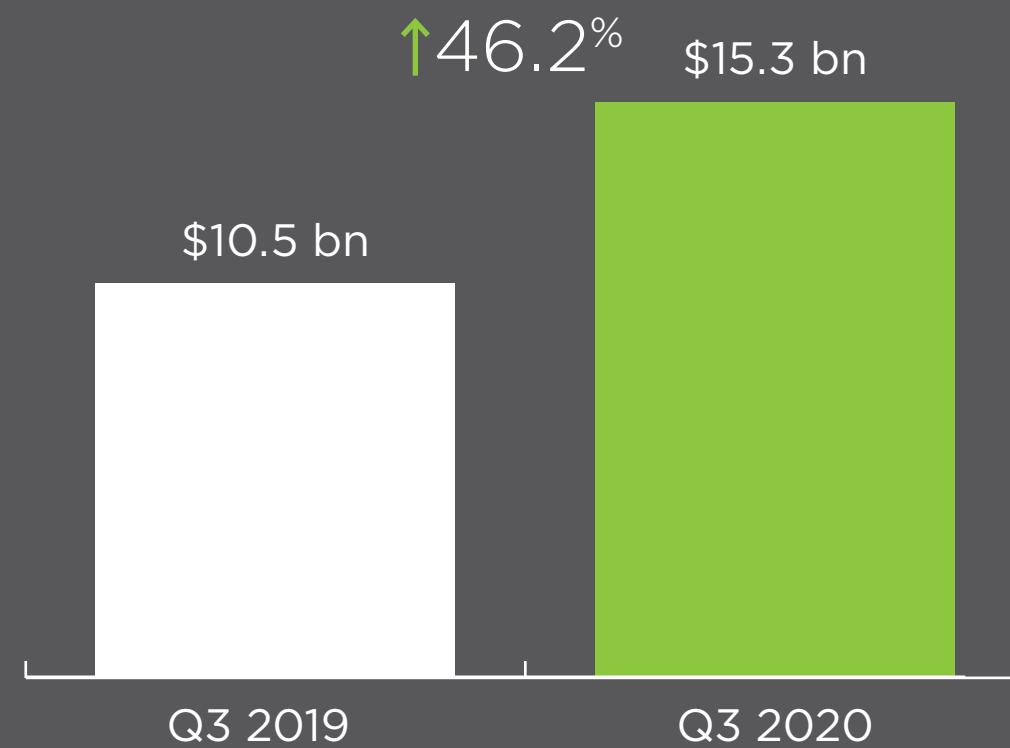
Completed: Kelly Road Secondary School Replacement, \$44 million



MAJOR PROJECT ACTIVITY

Total capital allocated to major capital projects in the Cariboo increased by nearly 50% in Q3 2020. The total value of all major projects exceeded \$15 billion, with nearly 30% under active construction.

Total major project activity Q3 2019-2020



*Changes compared to the same period over previous years. Housing start data only available for census areas of population 10,000 or higher in BC. "Attached starts" include units such as condos, apartments, and townhomes.



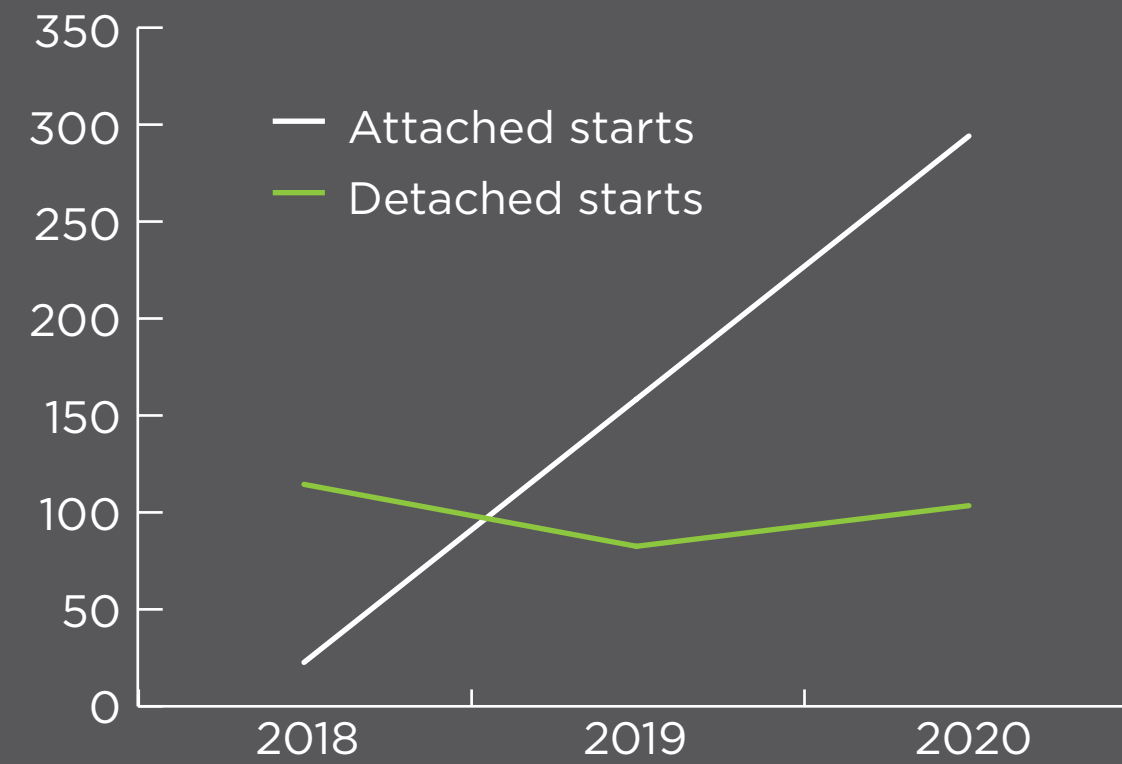
KOOTENAY



RESIDENTIAL HOUSING STARTS

Housing starts in major municipalities in the Kootenays declined by over a half in 2020 compared to 2019.* This was due to a steep decline in the number of attached housing starts and a moderate decline in the number of detached starts.

Residential housing starts by type, 2018-2020



MAJOR PROJECT HIGHLIGHTS Q3 2020

The three largest projects under construction account for \$2.0 billion and are a mix of recreation, residential, and infrastructure projects.

Under Construction: 18 projects, \$3.6 billion

- Elk Valley Water Quality Plan, \$900 million
- Wildstone Golf and Residential Development, \$750 million
- Inland Gas Upgrades, \$360 million

Largest Proposed Project: Baldy Ridge Extension Project, \$1.6 billion

Cancelled: Jumbo Glacier Resort, \$1.0 billion



MAJOR PROJECT ACTIVITY

The total capital allocated to major capital projects in the Kootenays declined in Q3 2020, in large part driven by the official cancellation of Jumbo Glacier Resort.

Total major project activity Q3 2019-2020



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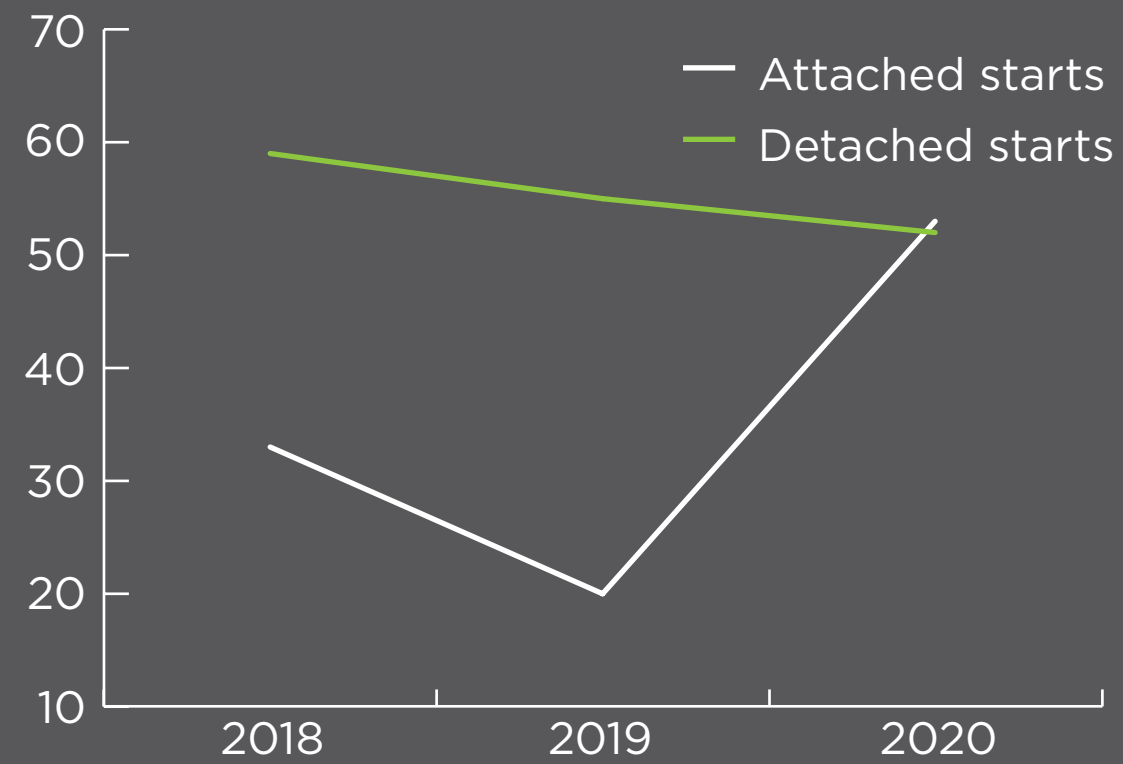
NORTHEAST BC



RESIDENTIAL HOUSING STARTS

The total number of housing starts in the population centres of Northeast BC declined in 2020.* This was primarily due to a drop in the number of detached housing starts in 2020 compared to 2019. Still, the decline was smaller than the provincial average.

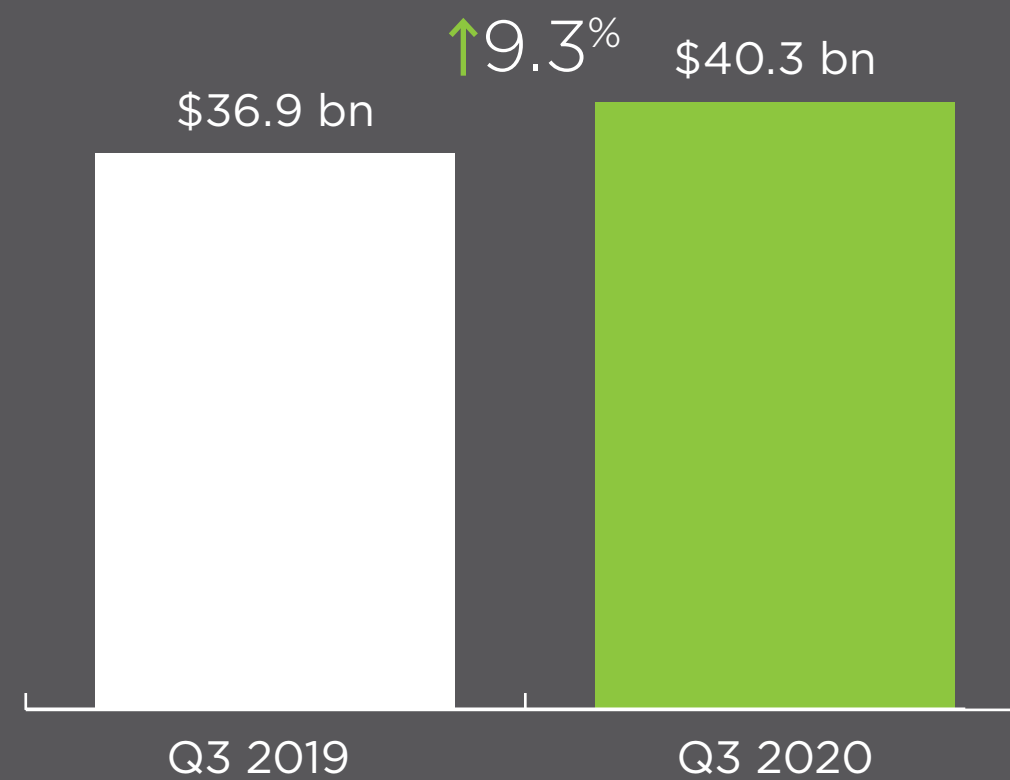
Residential housing starts by type, 2018-2020



MAJOR PROJECT ACTIVITY

The total capital allocated for major projects in Northeast BC increased in 2020 by nearly \$3.5 billion. This was driven by a large increase in proposed major projects across the region, up over one quarter in Q3 2020 compared to Q3 2019.

Total major project activity Q3 2019-2020



MAJOR PROJECT HIGHLIGHTS Q3 2020

Natural resource projects continue to dominate Northeast BC's major projects. The five largest proposals are natural resource related and account for \$9.6 billion.

Under Construction: 12 projects, \$18.1 billion

- Largest: Site C, \$10.7 billion

Proposed: 27 projects, \$15.2 billion

- The largest new proposal is the Frontier NGL Plant and Pipeline, \$2.5 billion

Under Construction Soon:

- Sundance Low Carbon Gasoline Refinery, \$2.5 billion
- Sundance Clean Methanol Refinery, \$1.5 billion



*Changes compared to the same period over previous years. Housing start data only available for census areas of population 10,000 or higher in BC. "Attached starts" include units such as condos, apartments, and townhomes.



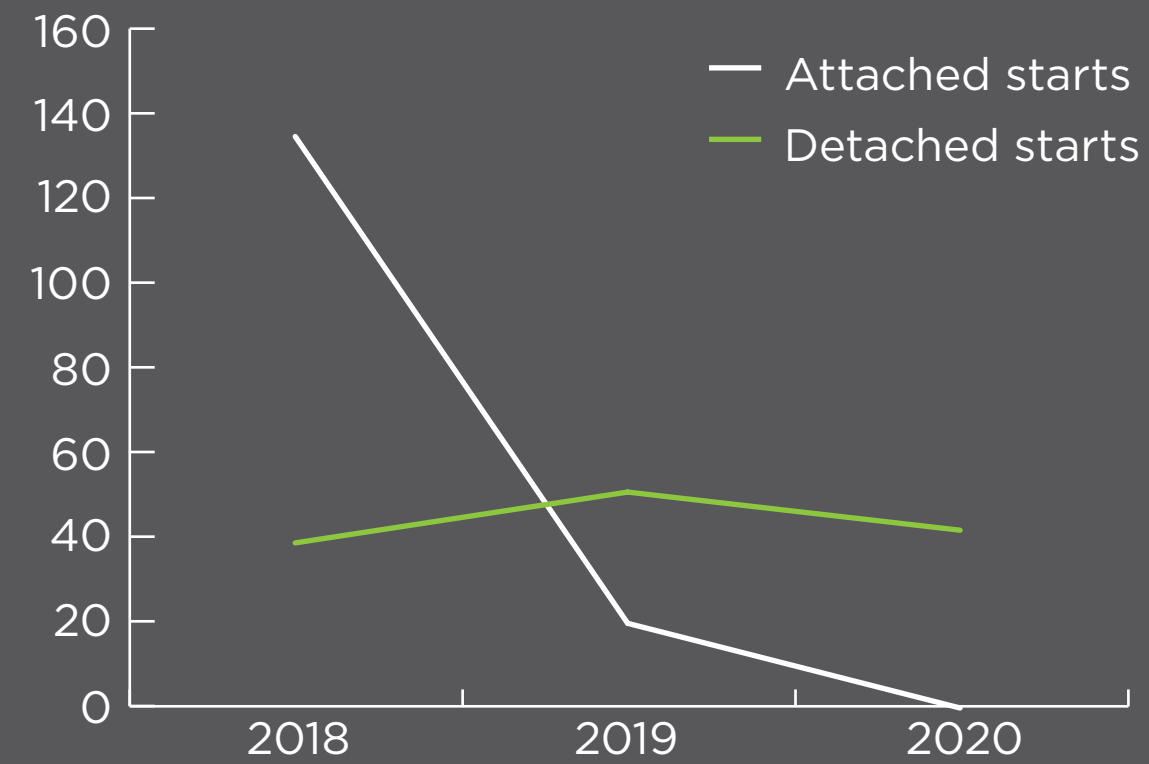
NORTHWEST BC



RESIDENTIAL HOUSING STARTS

The total number of housing starts in the population centres of Northwest BC declined in 2020.* Housing starts of attached units declined to zero through 2020, while detached homes also saw a marked decrease.

Residential housing starts by type, 2018-2020



MAJOR PROJECT HIGHLIGHTS Q3 2020

Large natural resource projects have helped drive economic activity in the region.

Largest Project Under Construction: LNG Canada Facility, \$36 billion.

Proposed: 54 projects, \$121.0 billion

Under Construction Soon:

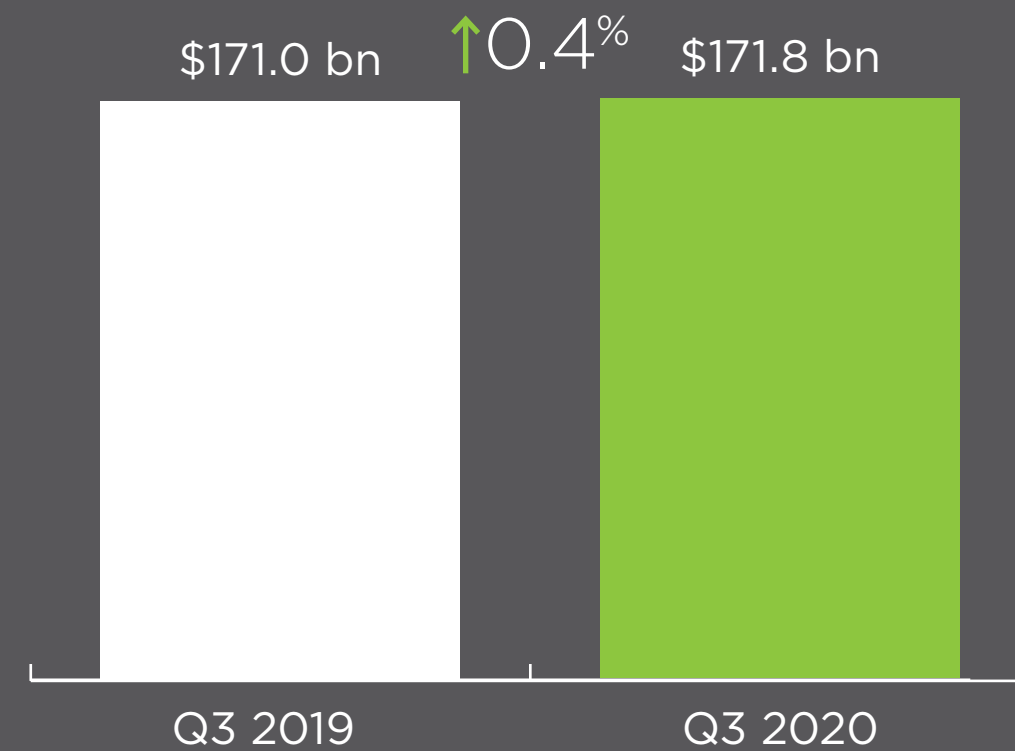
- Kitimat Clean Oil Refinery, \$22 billion
- KSM Gold/Copper Mine, \$5.3 billion
- Kitimat LNG facility, \$4.5 billion



MAJOR PROJECT ACTIVITY

Despite the COVID-19 pandemic, Northwest BC continued to lead major project activity in the province and accounts for nearly half of all the capital allocated for major projects.

Total major project activity Q3 2019-2020



*Changes compared to the same period over previous years. Housing start data only available for census areas of population 10,000 or higher in BC. "Attached starts" include units such as condos, apartments, and townhomes. Northwest BC encompasses Nechako and the North Coast.

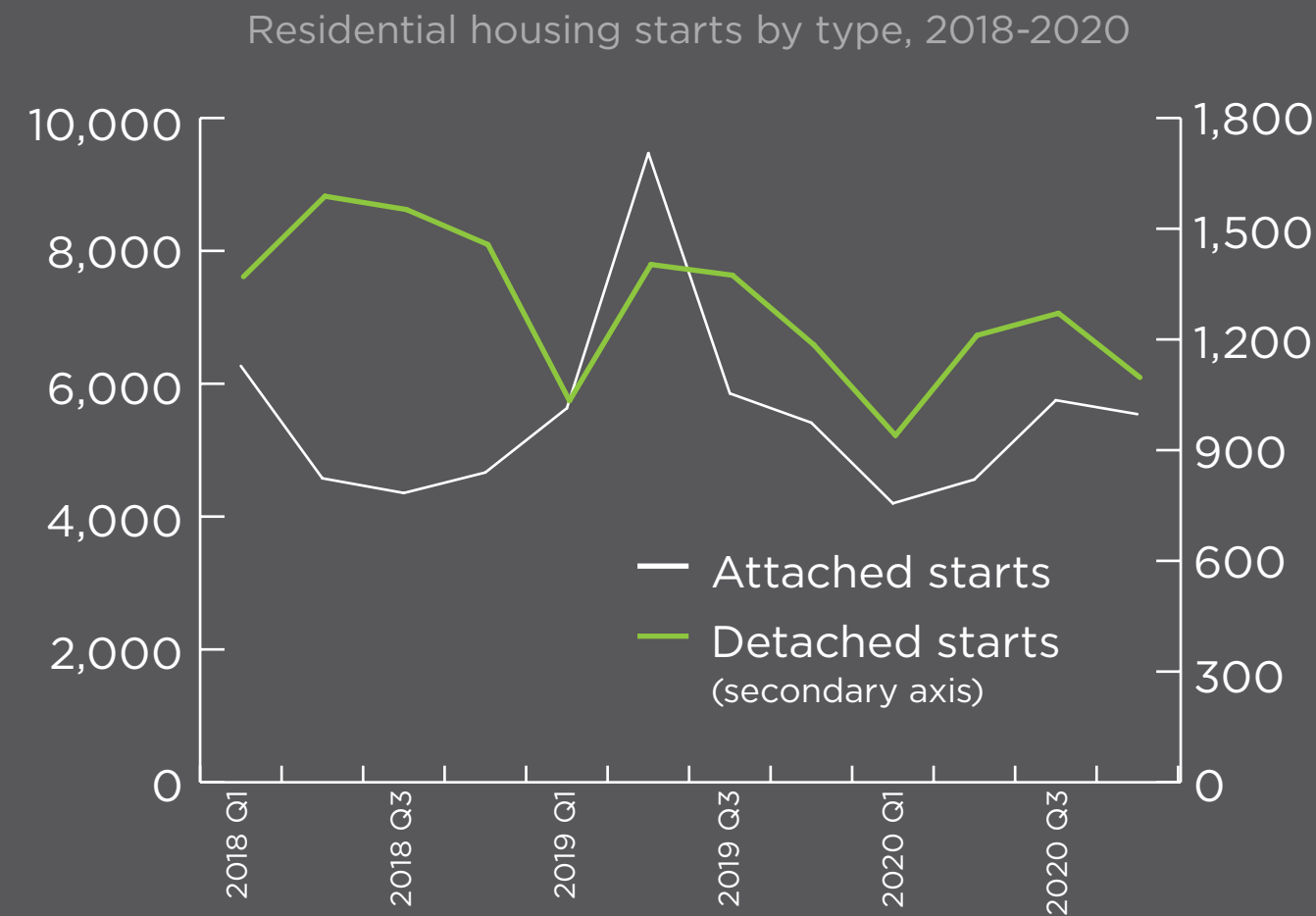


SOUTHWEST BC



RESIDENTIAL HOUSING STARTS

After years of strong housing starts in Southwest BC, the trend reversed in 2020.* Both detached and attached housing starts were down, but the latter has seen a larger decline compared to 2019. Starts have begun to rebound since the lows in Q1 2020.



MAJOR PROJECT HIGHLIGHTS Q3 2020

Southwest BC has a strong mix of commercial, residential, and transit projects, but relatively few industrial projects.

Completed: 13 projects, \$1.3 billion

- Largest: BC Children's and Women's Hospital Redevelopment, \$676 million

Proposed: 83 projects, \$52.4 billion

Under Construction Soon:

- Lougheed Town Centre development, \$7.0 billion
- Broadway Subway Project, \$2.8 billion
- St. Paul's Hospital Replacement, \$2.1 billion



MAJOR PROJECT ACTIVITY

The total capital allocated for major projects in Southwest BC was up by \$12.5 billion compared to last year. This increase was driven by the value of proposed projects, which was up nearly one quarter in Q3 2020 compared to Q2 2019.



*Changes compared to the same period over previous years. Housing start data only available for census areas of population 10,000 or higher in BC. "Attached starts" include units such as condos, apartments, and townhomes.



THOMPSON-OKANAGAN



RESIDENTIAL HOUSING STARTS

Housing starts in the Thompson-Okanagan decreased in 2020 from the strong levels witnessed in 2018 and 2019.* However, they rebounded as the year progressed and construction activity remained high.



MAJOR PROJECT HIGHLIGHTS Q3 2020

The region has very few natural resource projects compared to other BC regions, with residential and recreation projects making up the bulk.

Completed: Sun Peaks Ski Resort expansion, \$635 million

Under Construction: 55 projects, \$13.0 billion

- Largest Project: Wilden Development, \$2.1 billion

Proposed: 39 projects, \$4.4 billion

- Monaco Mixed-Use Development, \$1 billion
- Shelter Bay Residential Neighborhood, \$1 billion

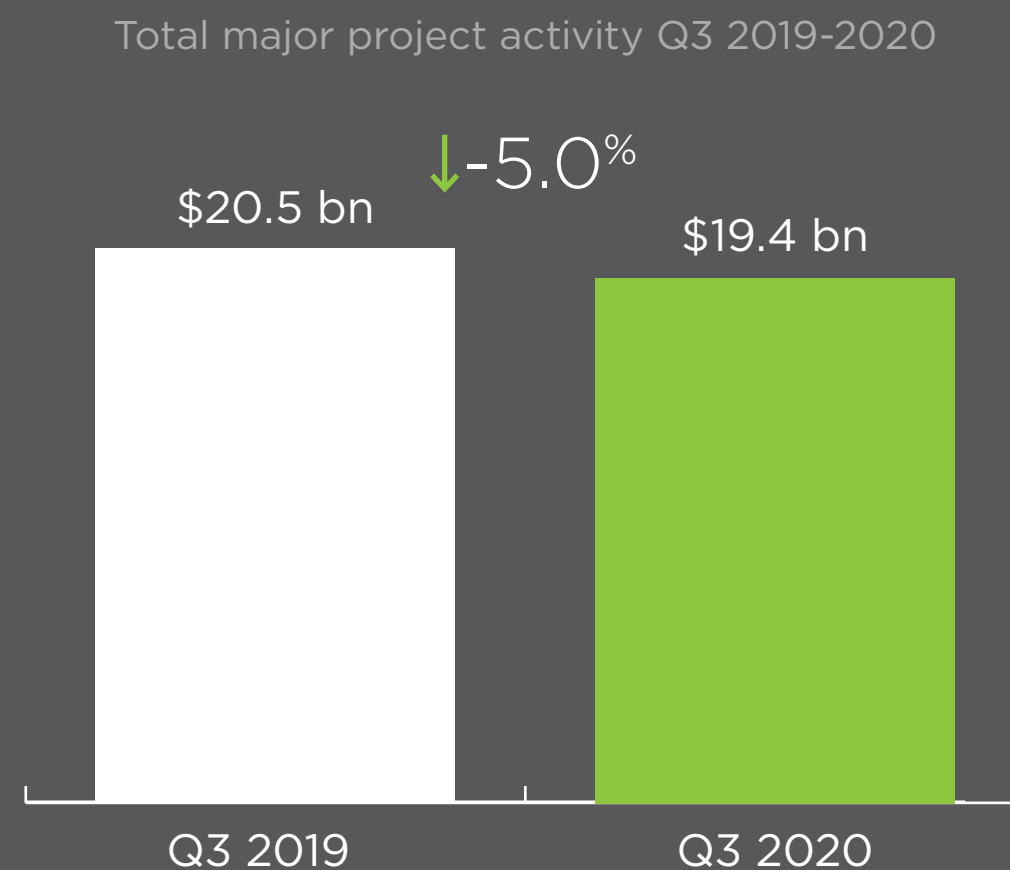
On-hold: 6 projects, \$1.3 billion

- Harper Creek Mine, \$839 million



MAJOR PROJECT ACTIVITY

The value of major projects in the Thompson-Okanagan declined in Q3 2020. Still, the overall value for the region's major projects was near \$20 billion, with two-thirds currently under construction.



*Changes compared to the same period over previous years. Housing start data only available for census areas of population 10,000 or higher in BC. "Attached starts" include units such as condos, apartments, and townhomes.

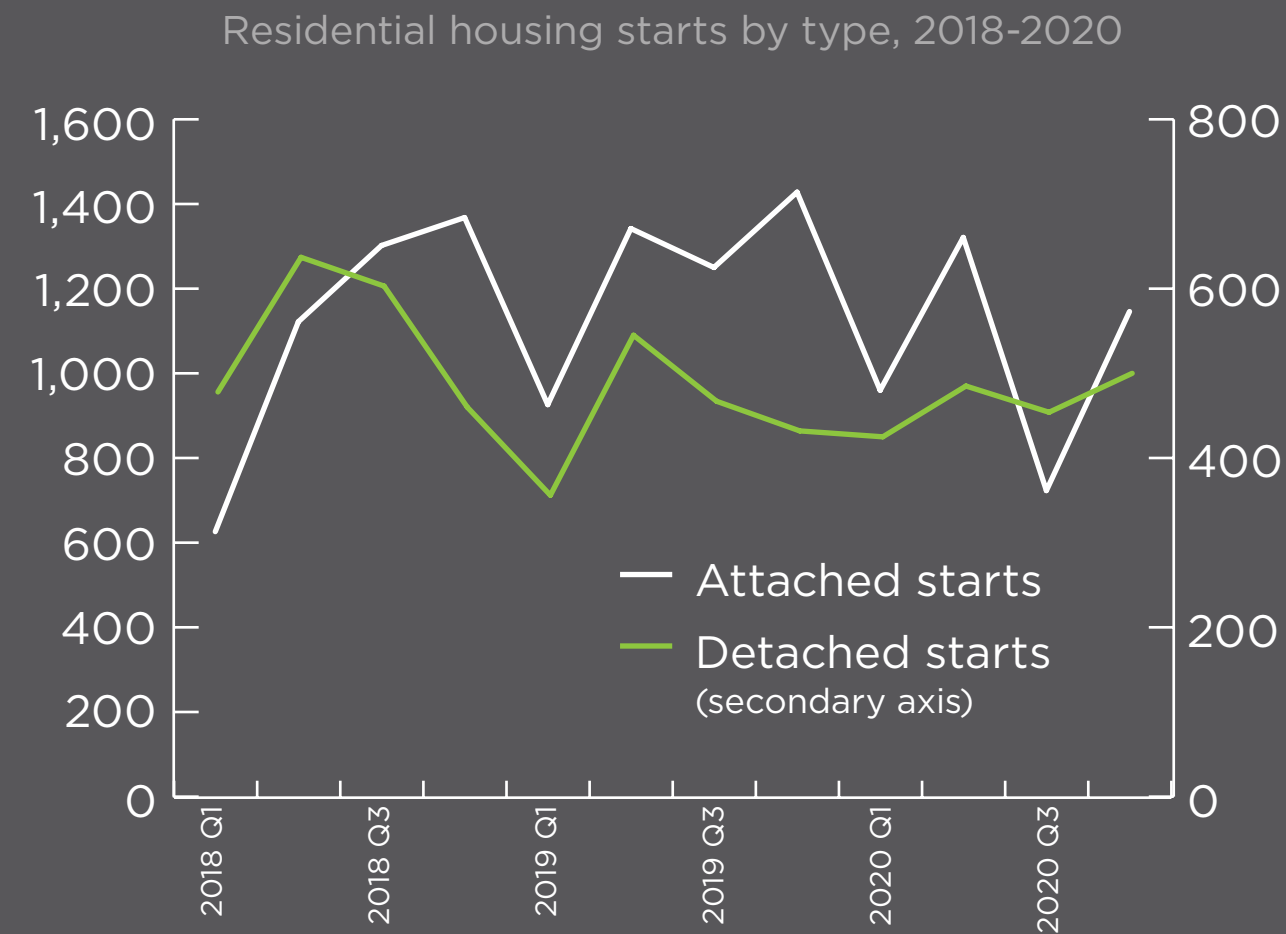


VANCOUVER ISLAND/COAST



RESIDENTIAL HOUSING STARTS

Housing starts in the region fell from its record levels as observed over the past two years.* The slowdown came at the expense of attached units. Despite the slowdown, ongoing construction activity remained at record highs.



MAJOR PROJECT ACTIVITY

Capital allocated for major projects across Vancouver Island/Coast was over \$31 billion in Q3 2020, down slightly from Q3 2019. Projects are fairly evenly split between Greater Victoria and the rest of the Island/Coast region.



MAJOR PROJECT HIGHLIGHTS Q3 2020

Greater Victoria

Total: 95 projects, \$14.5 billion

Under Construction: 39 projects, \$11.1 billion

- Largest: Westhills Green Neighbourhood, \$2.0 billion

Completed: Highway 1 Admirals/McKenzie Interchange, \$96 million

Rest of the Island & Coast

Total: 56 projects, \$16.4 billion

New Proposal for 2021: Duke Point Terminal Expansion, \$100 million

On-hold: 8 projects, \$4.6 billion

- Largest: Bute Inlet Hydroelectric Project, \$3.3 billion



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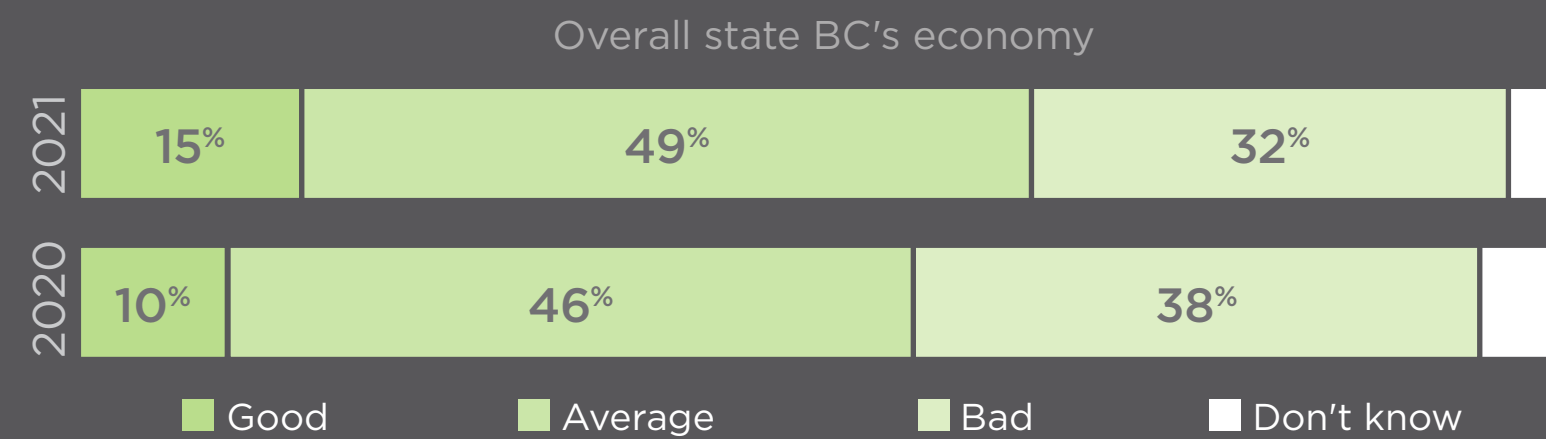
SURVEY RESULTS

On BC's Economic Outlook for 2021

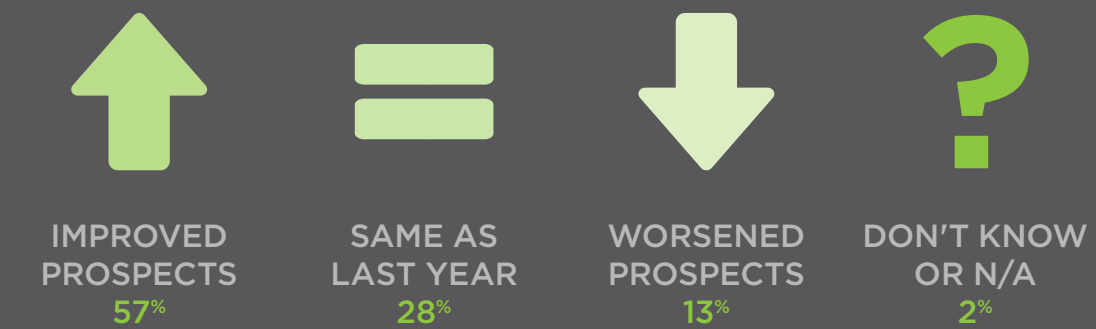
Based on results from the *BC Check-Up: Invest survey*, BC CPAs indicate that...



64% expect BC's economic performance to be "average" or "good" in 2021. This is an improvement compared to the 2020 outlook.*



They are **optimistic about their organization's outlook**, with over half expecting their economic prospects to improve in 2021.



Economic concerns have shifted, with **labour compensation** moving into the top three for the first time.

Top four concerns for business success:

- 1 Consumer debt
- 2 Consumer confidence
- 3 *Tied:* Housing prices / Labour compensation



They rank **provincial tax reform** as the top priority to support BC's **economic recovery**.

Top four policy priorities:

- 1 A plan to make BC's tax system more competitive
- 2 Improve regional economic development
- 3 Invest in infrastructure projects
- 4 Focus on skills training for BC workers

*2020 outlook based on BC Check-Up: Work survey conducted July 8-28 2020, n = 563.

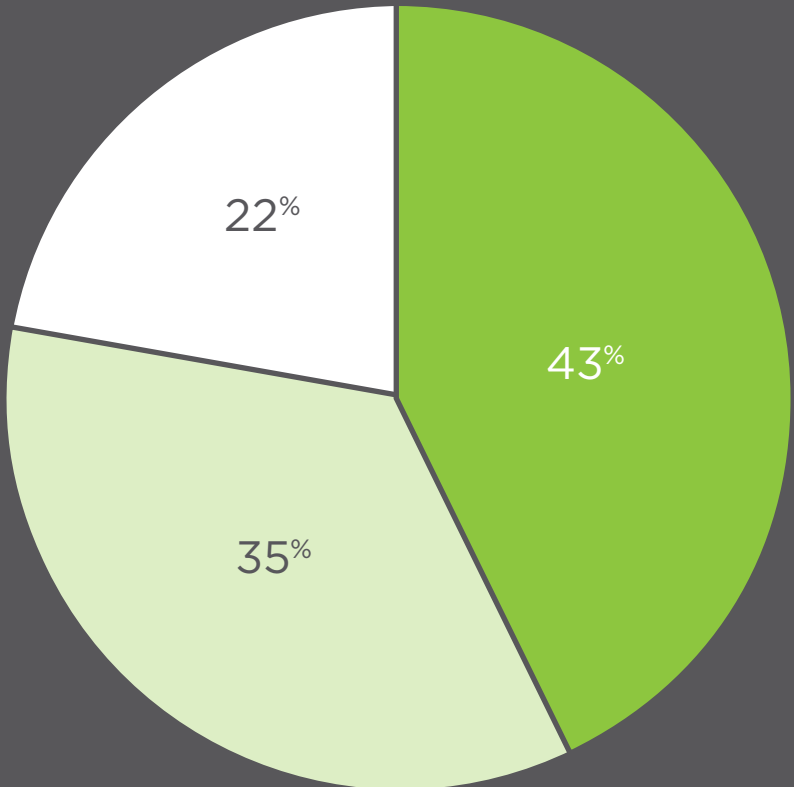
SURVEY RESULTS

On Investment Trends for 2021

Based on results from the *BC Check-Up: Invest survey*, BC CPAs indicate that...



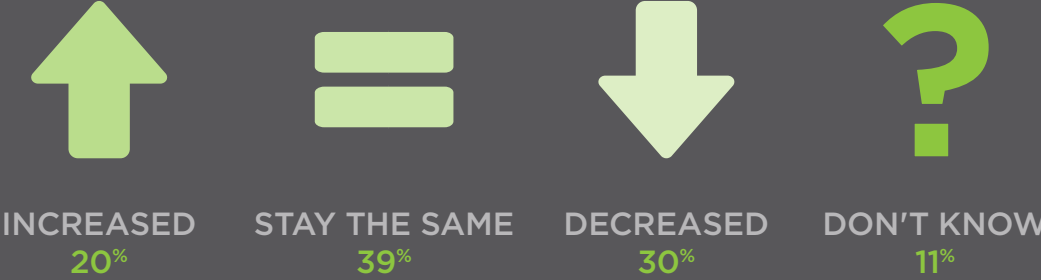
Over one third of their organizations/clients are looking to **hold back investments**, with **uncertainty** around our economic recovery and the **COVID-19 pandemic** being the primary reasons for **delays**.



- Investment plans not on hold
- Investment plans on hold
- Unsure



59% expect capital investment in BC's development regions to **stay the same or increase** in 2021, while about **one third expect it to decrease**.



As businesses continue to invest in technology, **cybersecurity** ranks as their top investment priority in 2021.

Top four business investments:

- Cybersecurity
- Productivity tools
- Collaboration tools
- Remote access for employees

BC CHECK-UP 2021 INVEST

As leaders in analyzing and validating information, CPAs are often called upon to provide independent, fair, and objective information to assist in decision-making. It is our hope that *BC Check-Up* will make a positive public policy contribution to the province by stimulating discussion about how to make BC a better place in which to **WORK**, **INVEST**, and **LIVE**.

BC Check-Up is available online at bccheckup.com.

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The report is prepared by the Chartered Professional Accountants of British Columbia. Opinions expressed in the report do not necessarily reflect those of individual chartered professional accountants. Data is derived from Statistics Canada's *Labour Force Survey* and CPABC calculations.

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SURVEY DEMOGRAPHICS **Who are they?** 849 CPABC members **Where are they from?** Mainland/Southwest BC 68%
Vancouver Island/Coast 17% Thompson-Okanagan 9% Rest of BC 5% Outside of BC 1%

CPABC commissioned Leger to conduct a web-based survey of CPA members regarding their impressions on the current and future of the economy and their current workplace environment. A total of 849 surveys were completed between November 23 and December 7, which presents an overall response rate of 16%.