



# The Recovery in British Columbia

February 2021



# Agenda



- ① **2020: crisis and early recovery**
- ② **What's ahead for 2021**
- ③ **What to watch for**

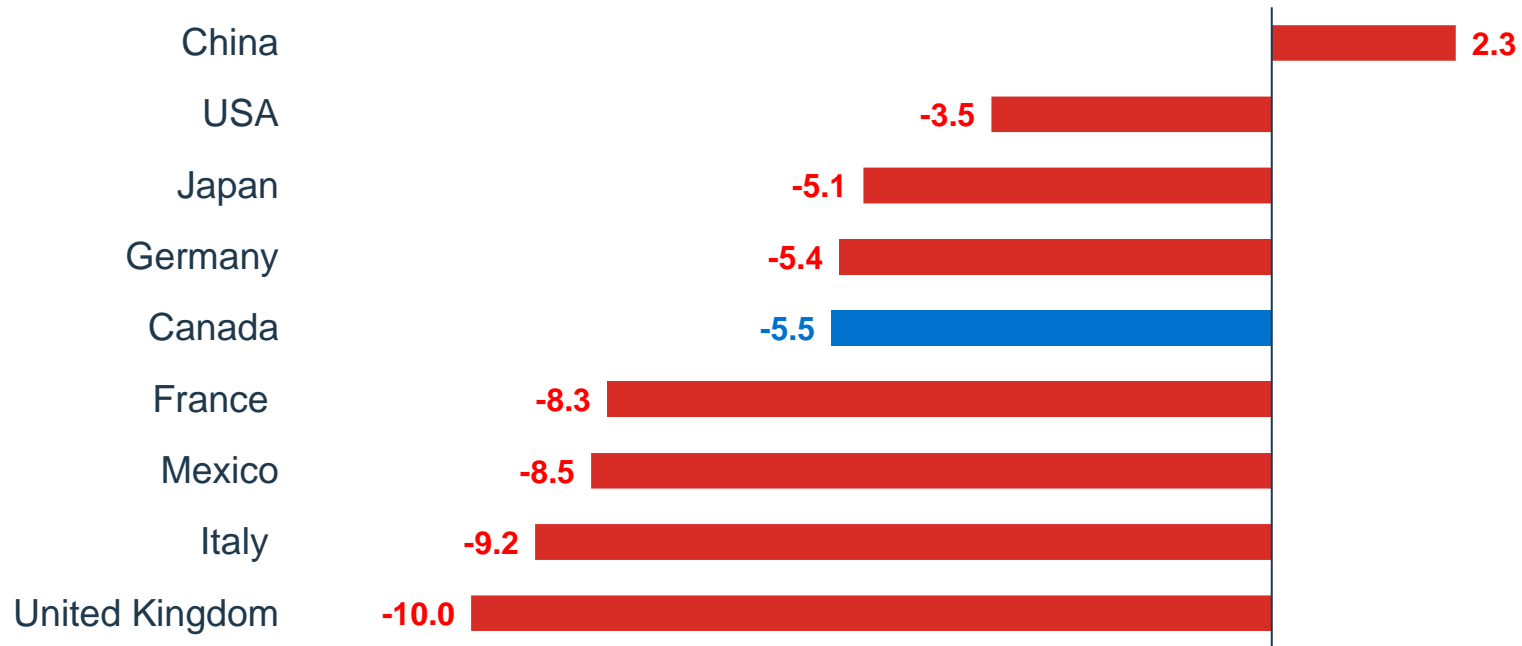


# **2020: Crisis and early recovery**

# COVID-19 has had a severe impact on the world economy



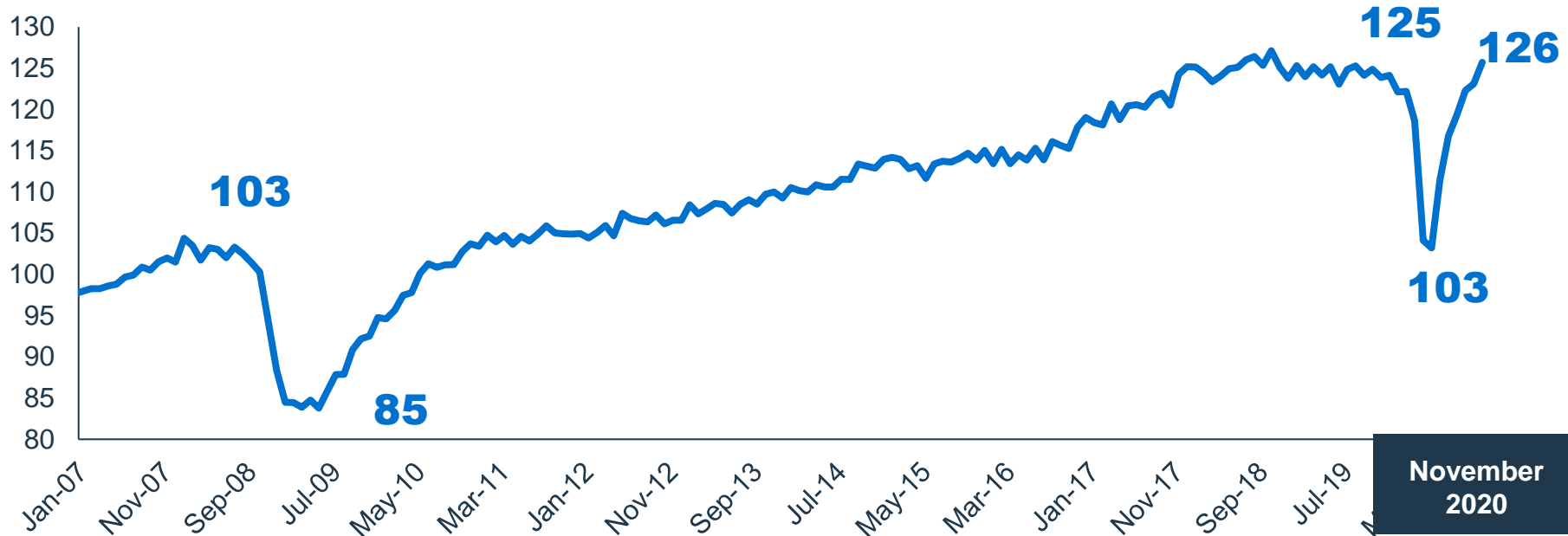
2020 projected change in GDP, Canada and main trade partners, %

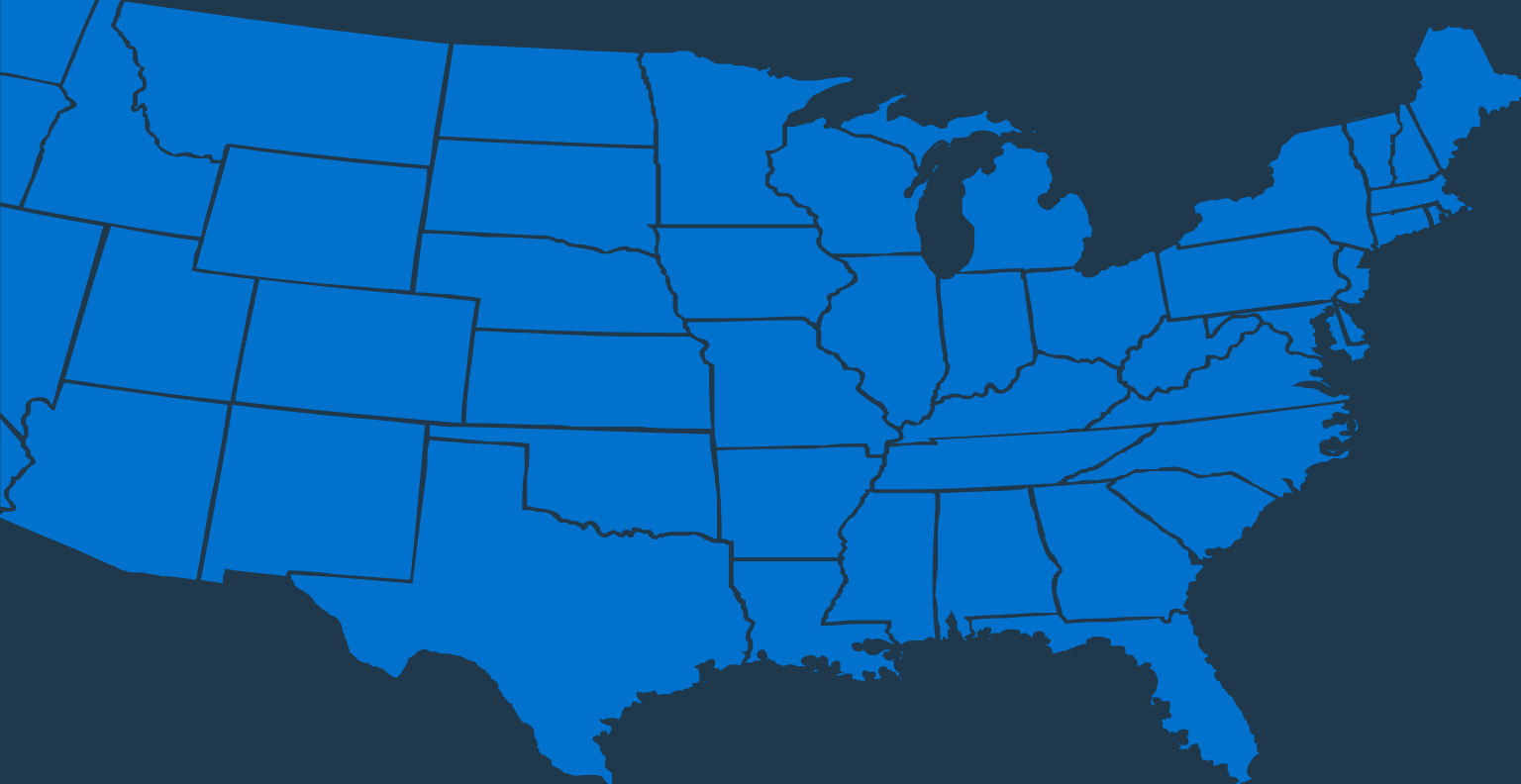


# World trade took a hit but rebounded faster than in 2009



World trade volume, seasonally adjusted, 2010=100



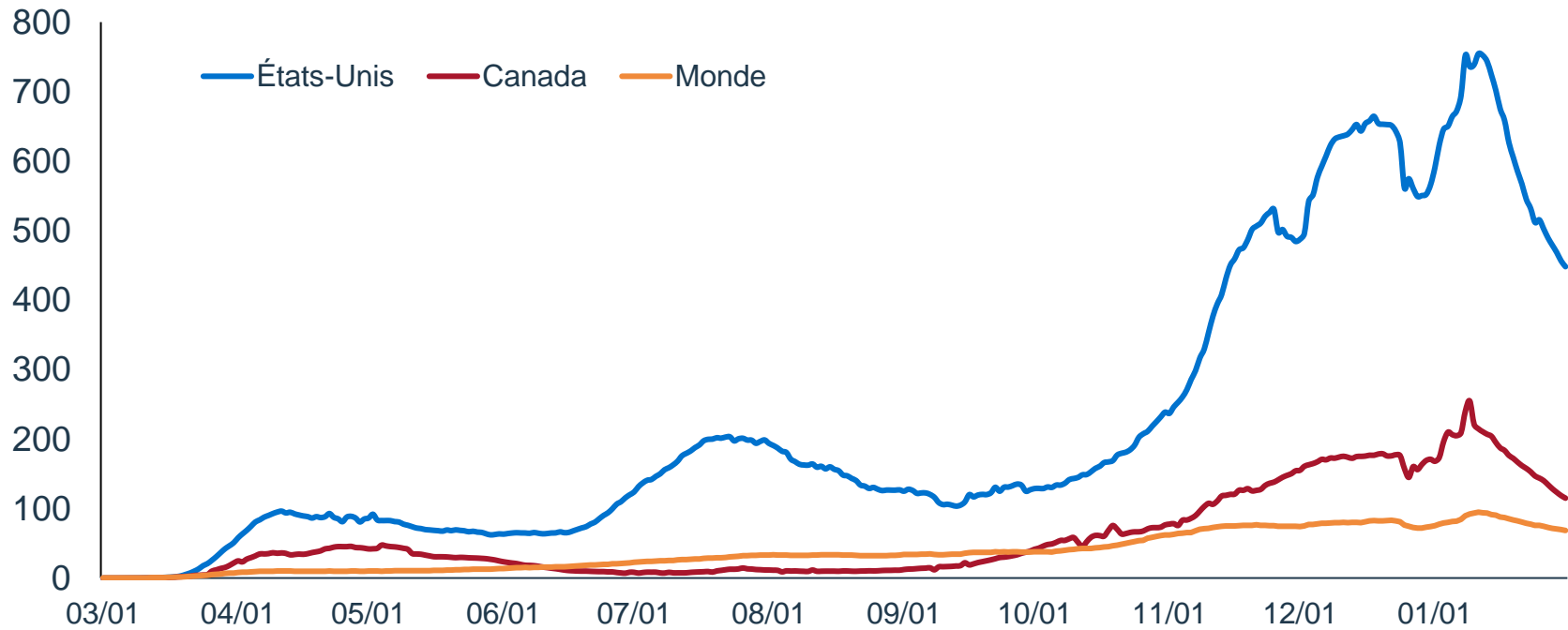


# 2020 in the United-States

# The United-States were hit by several Covid-19 waves



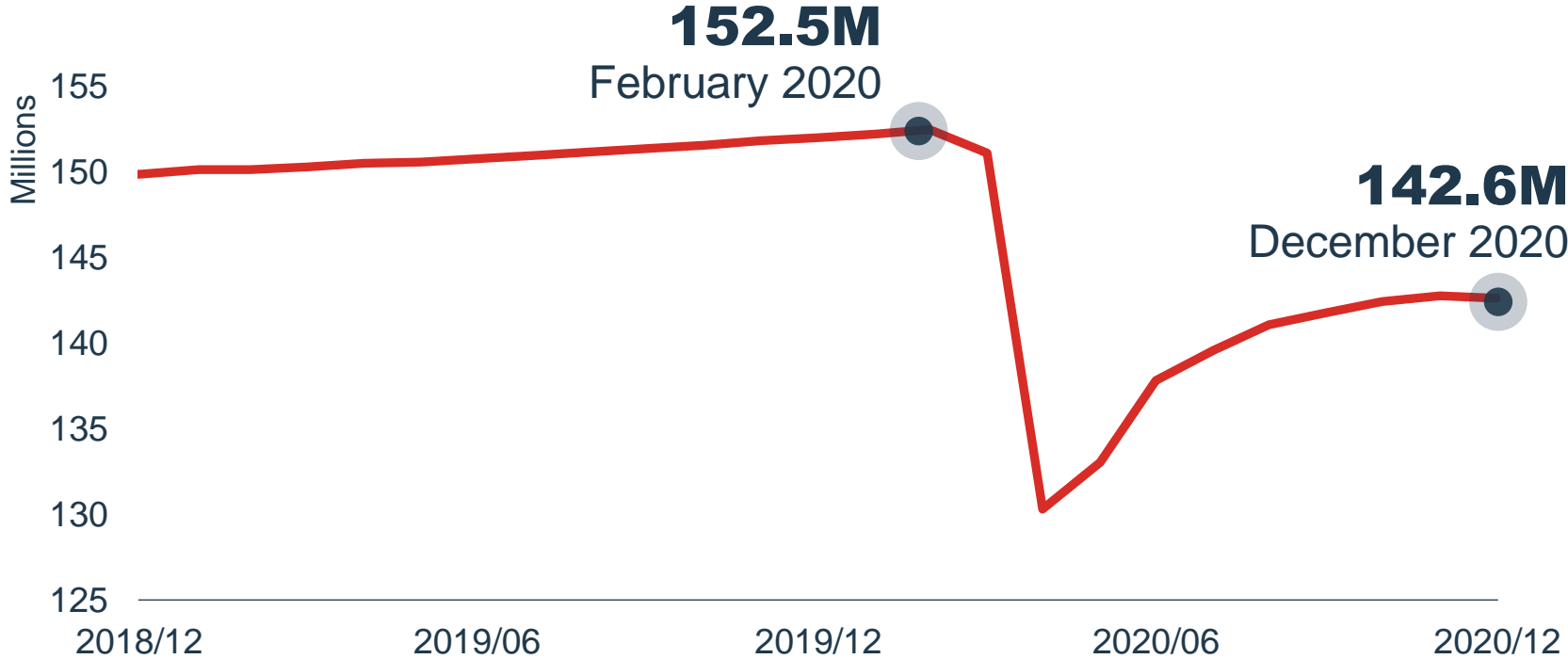
Daily new Covid-19 cases per 1M people, seven-day moving average



# Employment decreased again in December after 7 months of recovery



U.S. employment, non-farm payroll, in millions



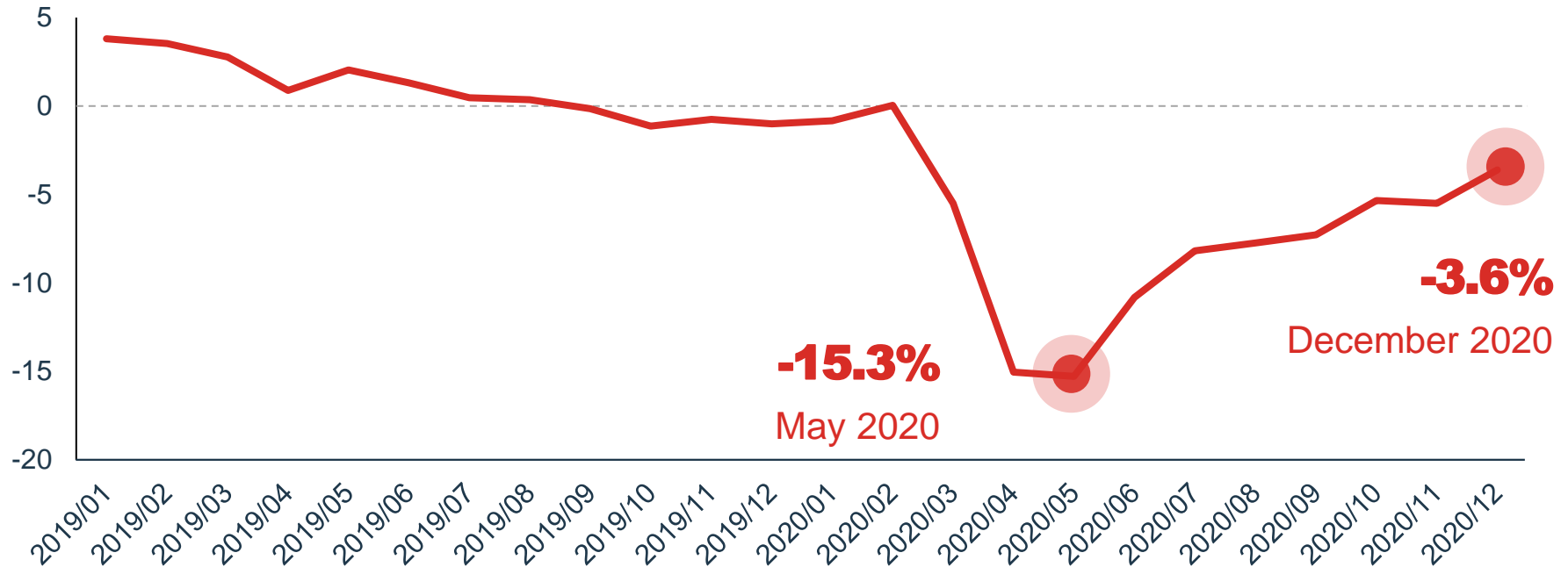
SOURCE: Bureau of Labor Statistics.





# Industrial production is recovering but remains below pre-crisis level

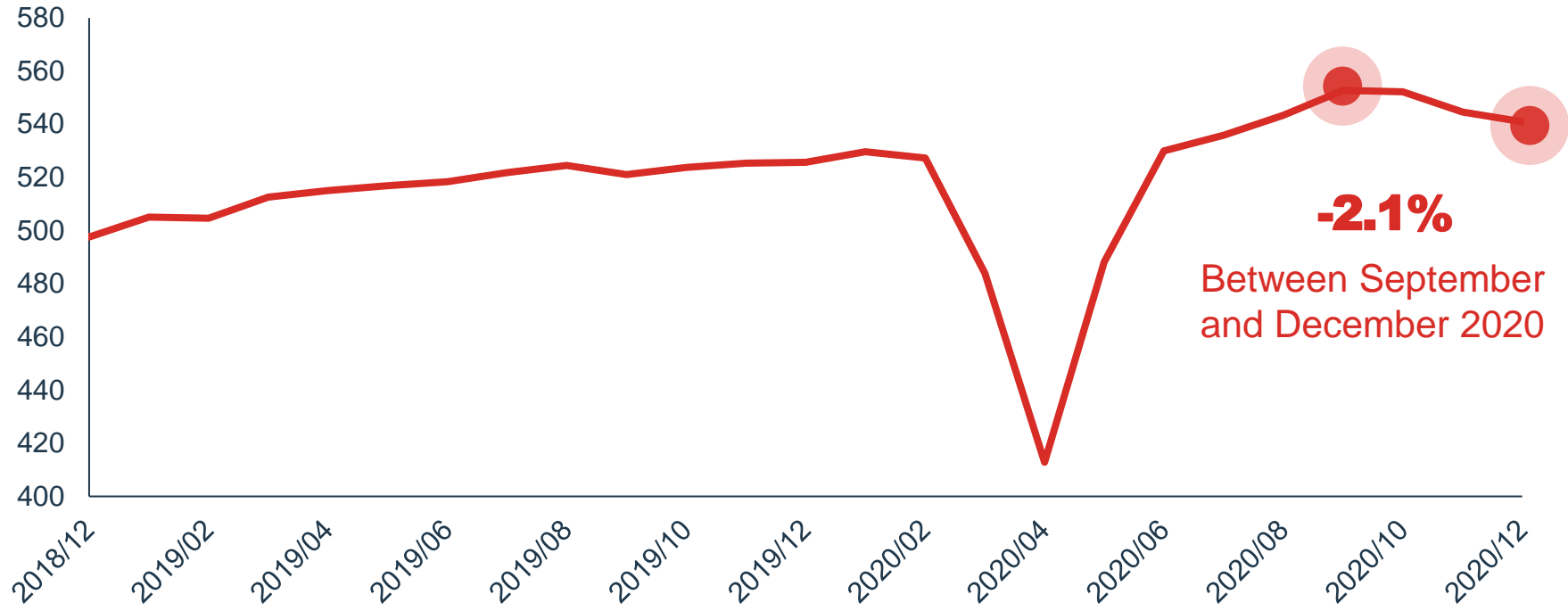
United States Industrial Production % growth y/y



# Retail and food service sales rebounded fast but are decreasing again since September



Retail and food services sales, billions \$, seasonally adjusted

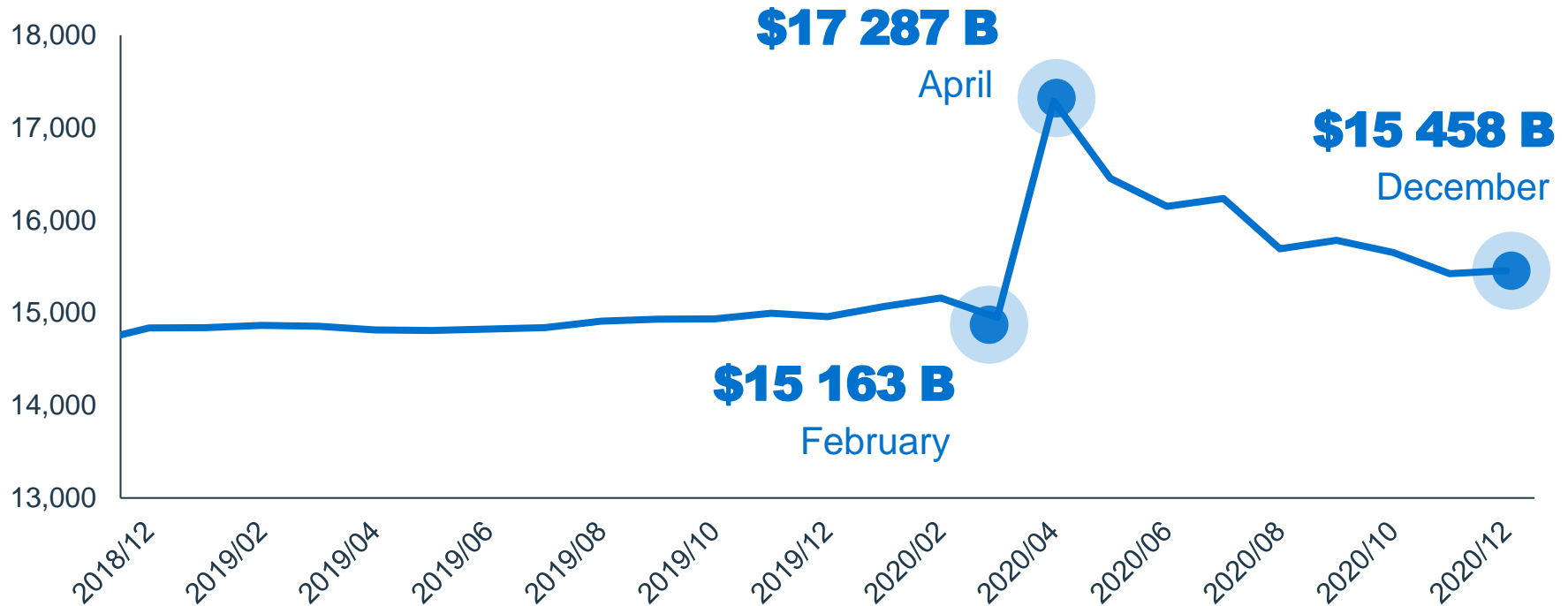


SOURCE: United States Census Bureau.



# Strong government support in the Spring, less in the Fall

Real personal disposable income, seasonally adjusted, billions of chained 2012 \$





# New wave of stimulus will invert the trend

\$900 billion approved in December and \$1 900 billion proposed by Biden in January 2021



**Unemployment  
benefits  
+\$400 by week**



**\$600 and  
\$1 400  
stimulus  
checks**



**100 million of  
vaccines in  
100 days**

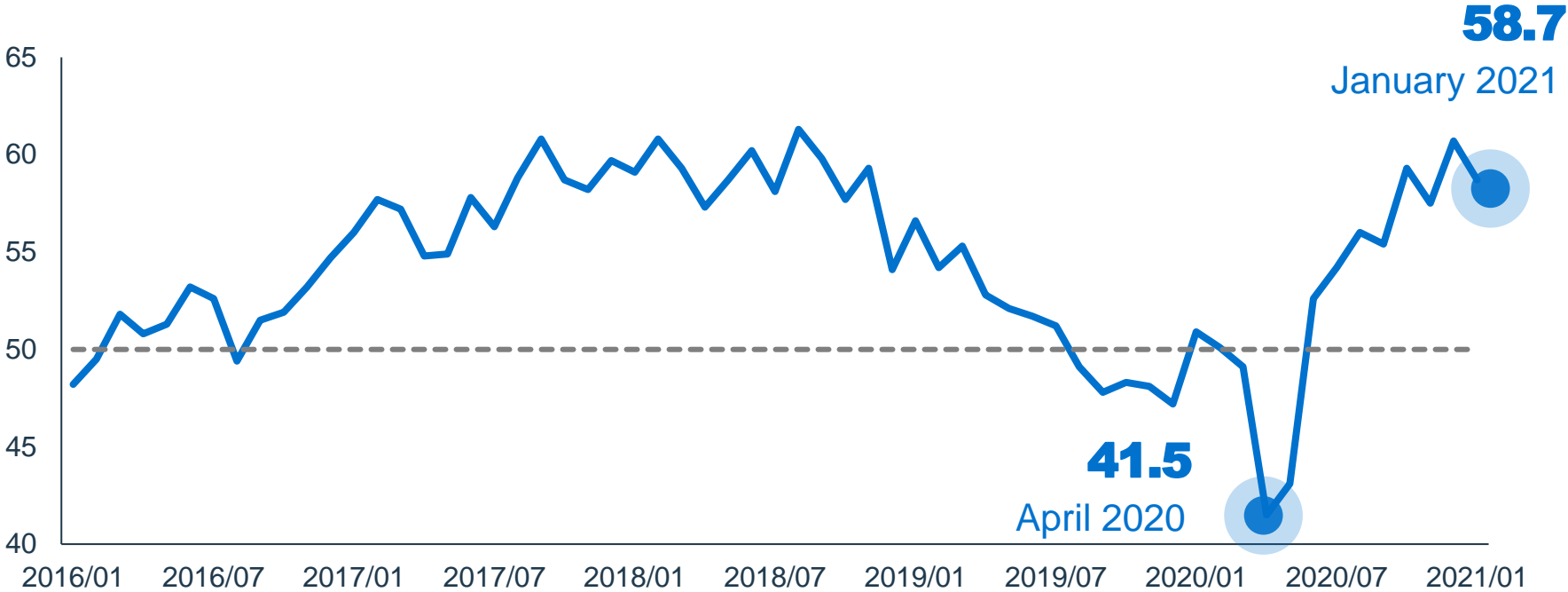


**25 billion  
housing  
support**

# Confidence of US businesses is going up



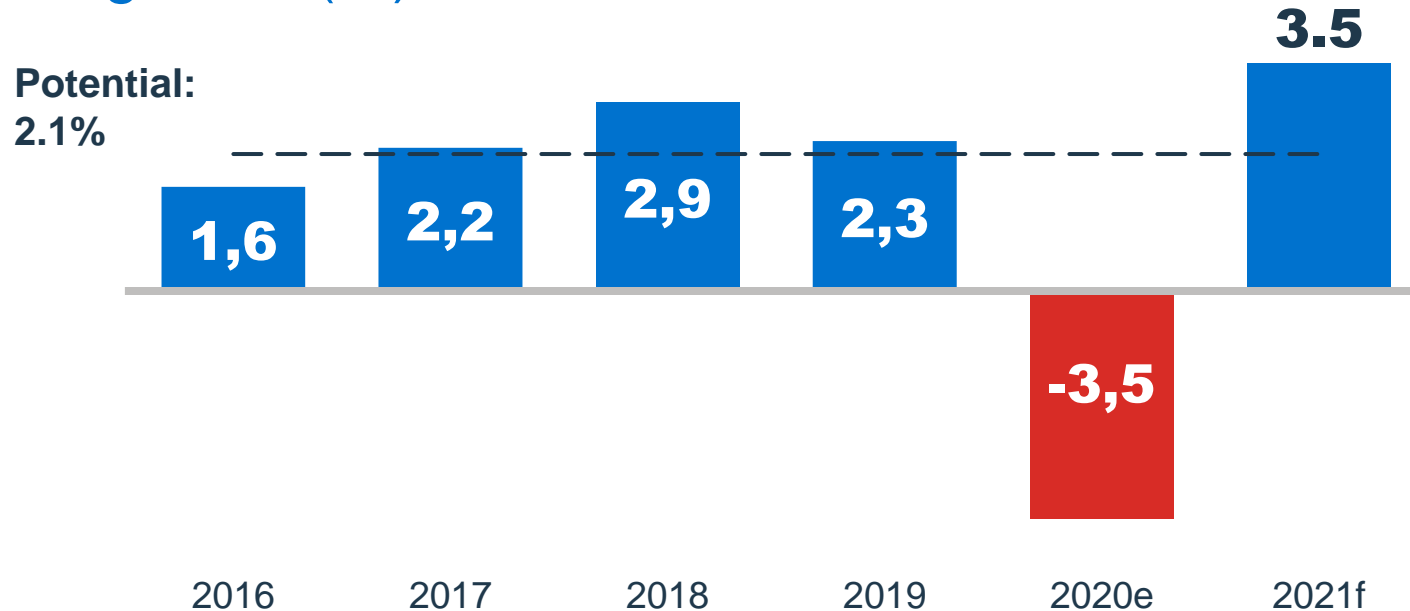
## ISM Purchasing Managers Index for the Manufacturing Sector





# Total US recovery is not expected before early 2022

## GDP growth (%)



Note: e= estimate, f=forecast

SOURCE: Oxford Economics, BDC calculation



# 2020 in Canada

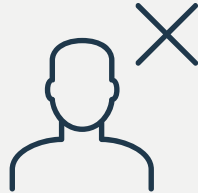


# COVID-19 has had a major impact on Canadian SMEs



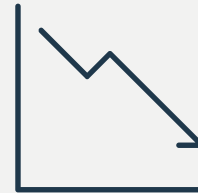
**76%**

reported a decrease in sales



**45%**

reduced staff



**76%**

reported a decrease in profit



**39%**

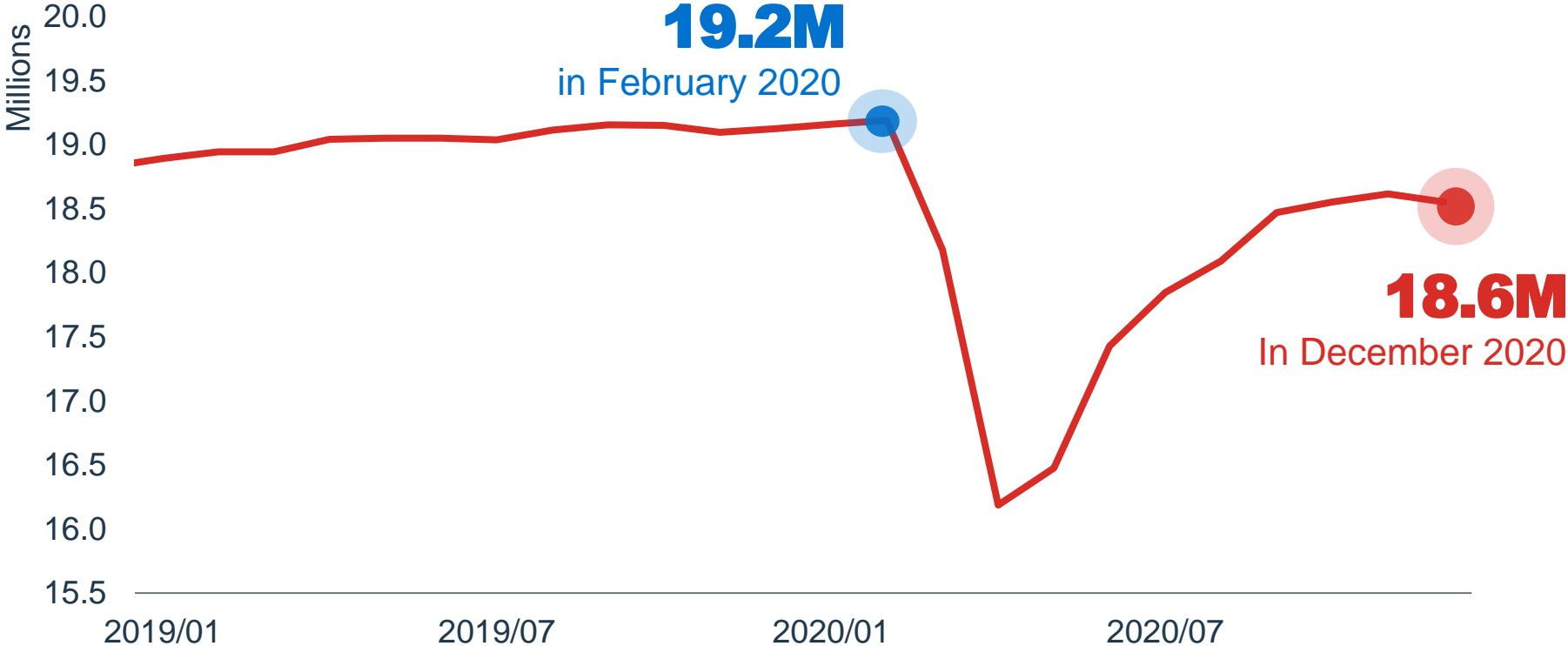
took on more debt



# Employment was recovering since April but decreased in December



## Number of jobs

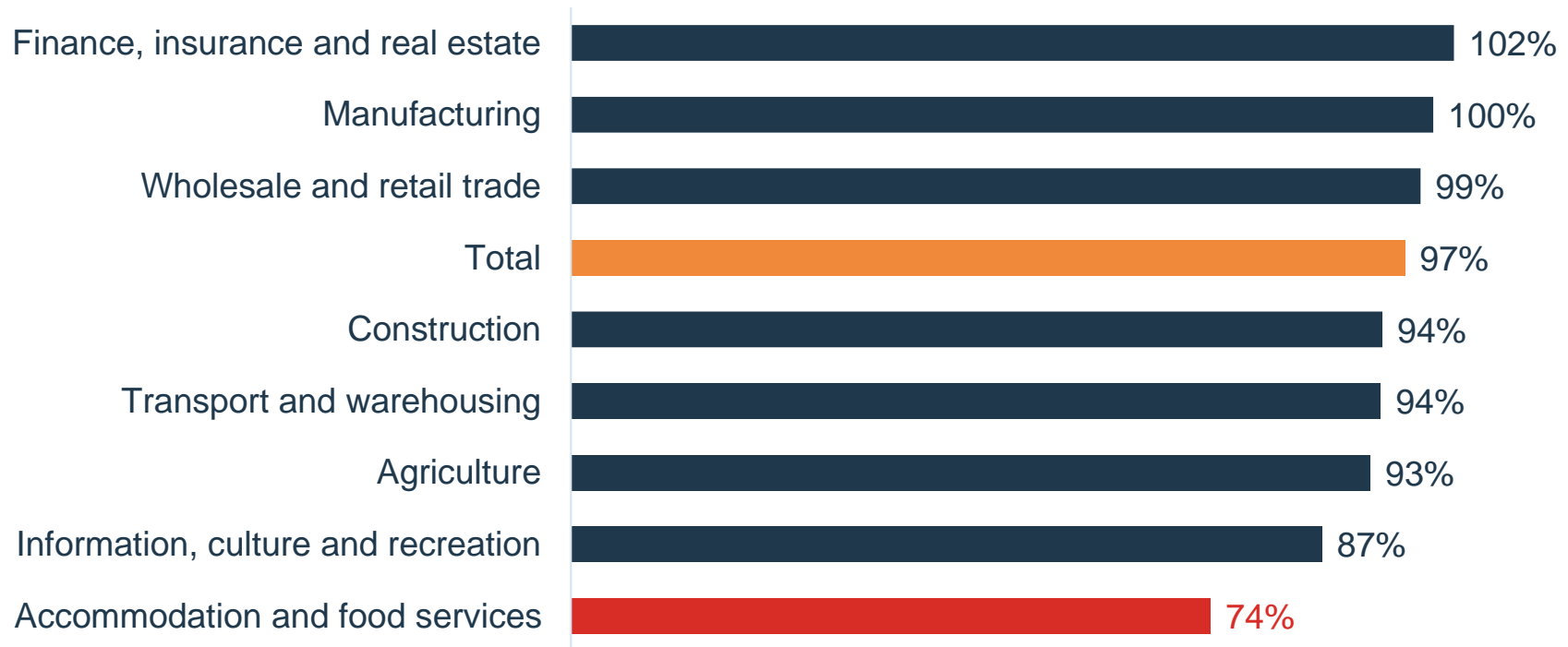


SOURCE: Statistics Canada.

# Manufacturing fully recovered but Accommodation and food services struggle



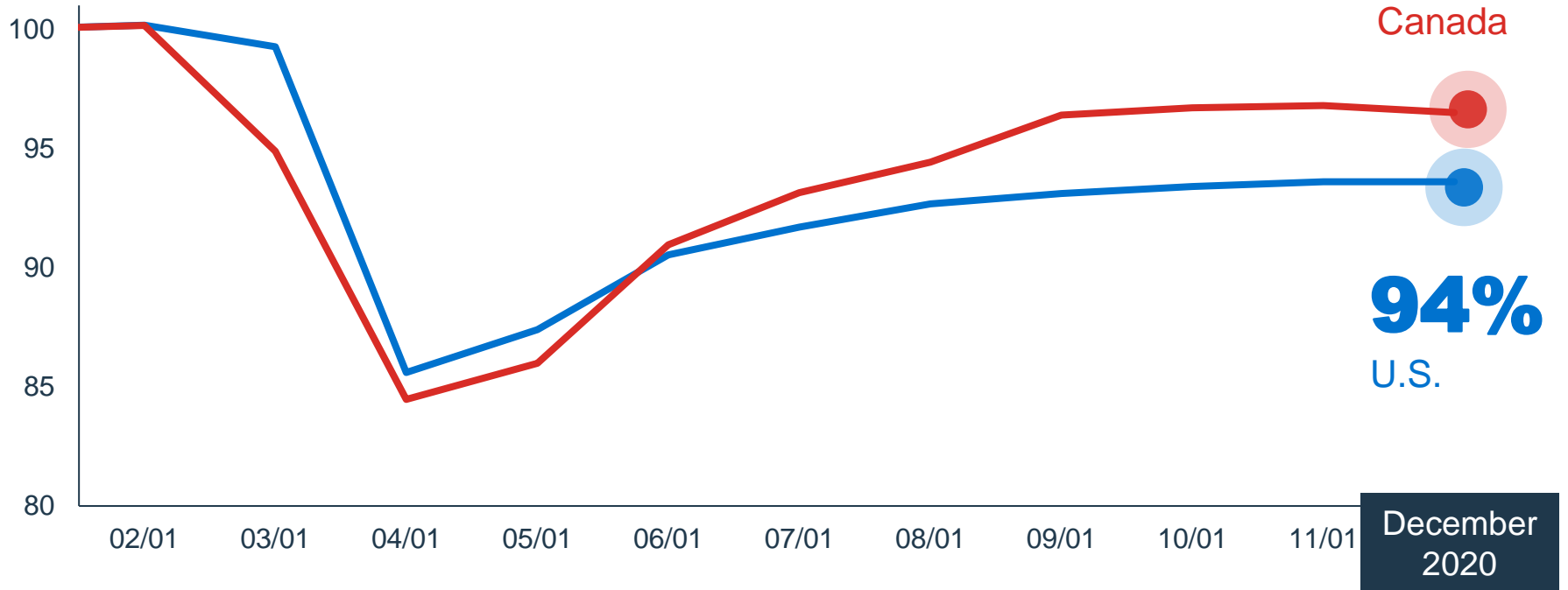
December employment as % of February, Canada



# Employment in Canada recovered faster than in the U.S. so far



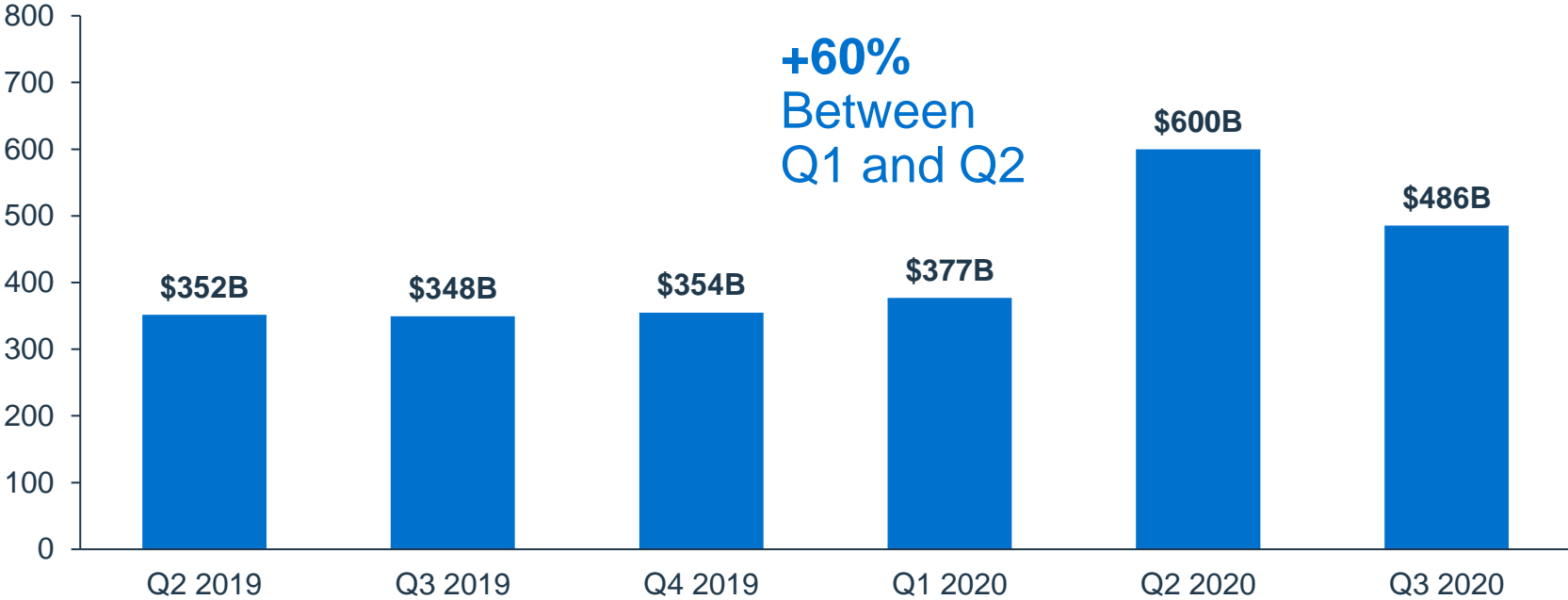
Employment level in % of February level



# Government transfers were at an all time high in 2020



Current transfers received, billions

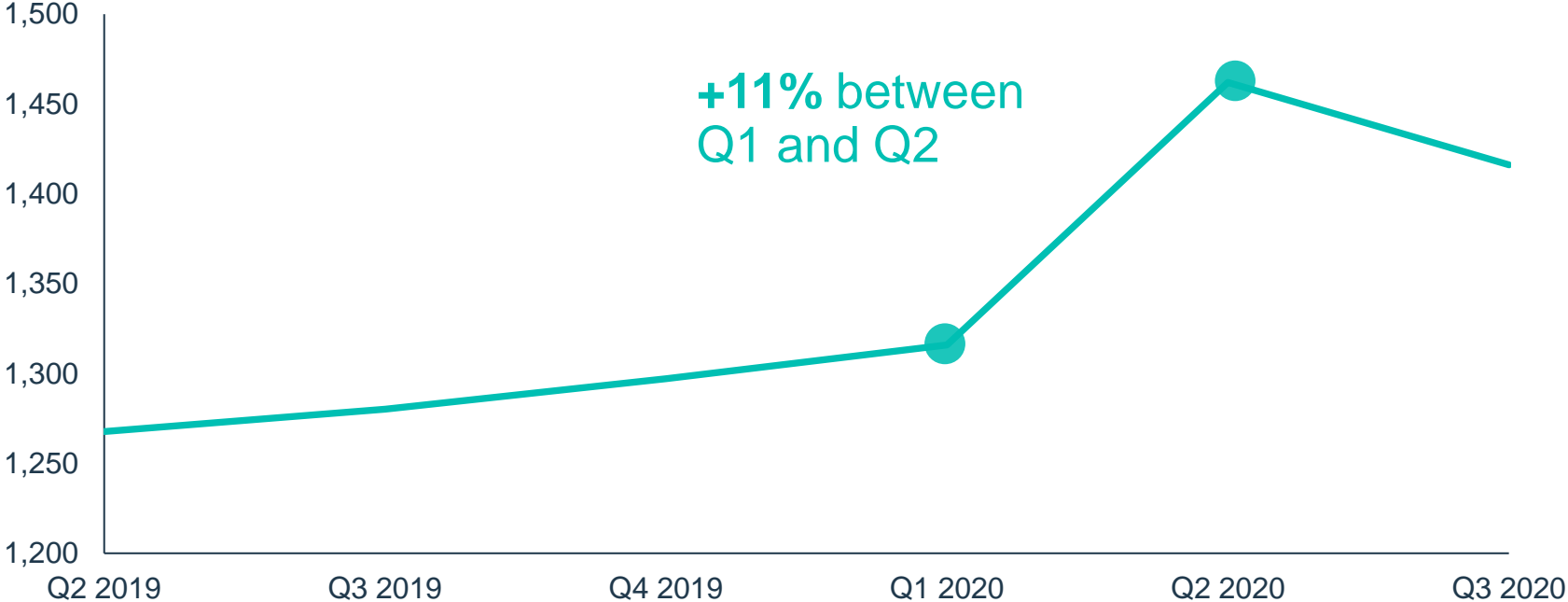


SOURCE: Statistics Canada.

# Disposable income increased significantly and remains high



Disposable household income, quarterly, adjusted, billions

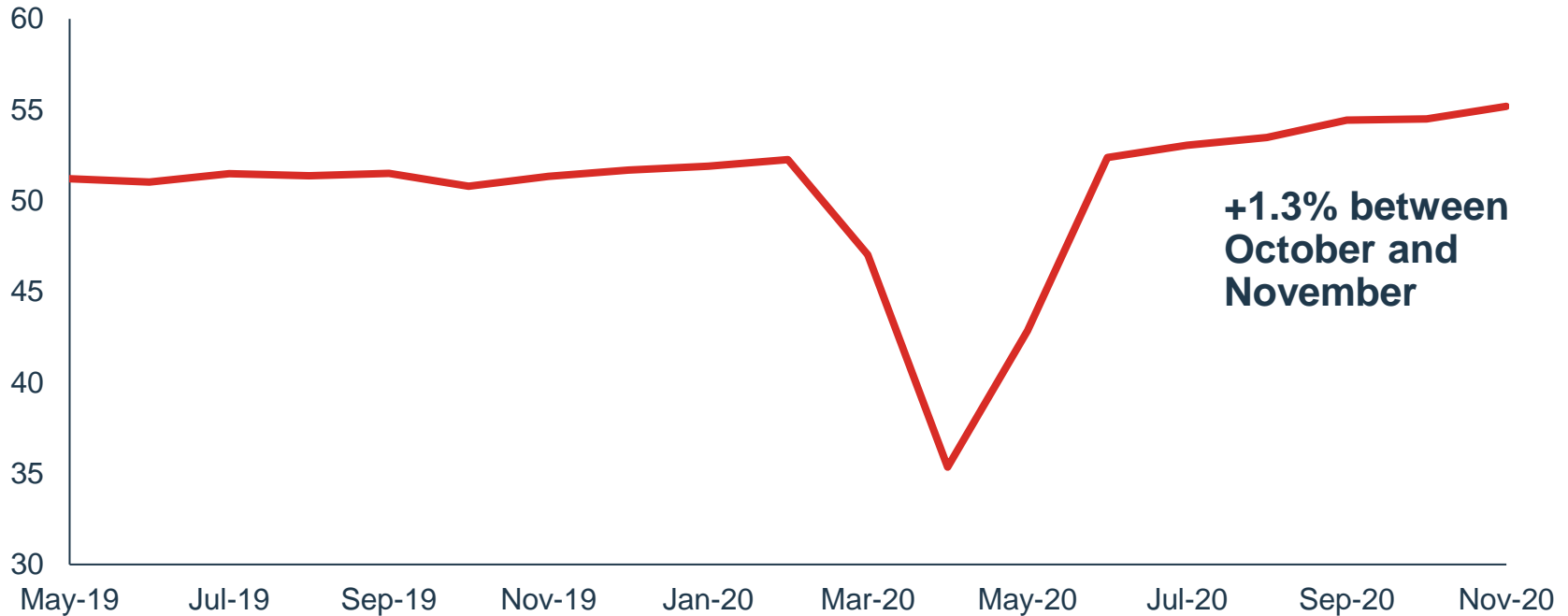


SOURCE: Statistics Canada.



# Retail sales have surpassed pre-COVID levels since June

Retail sales, seasonally adjusted, billions \$

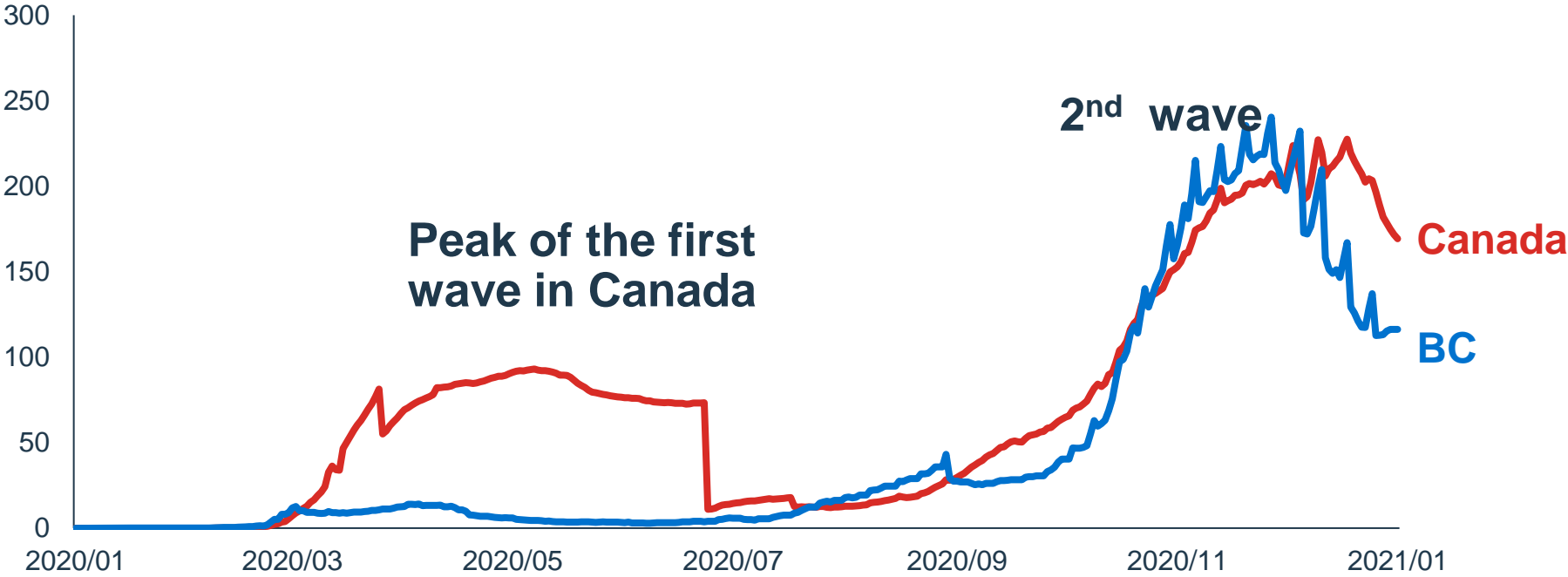




# 2020 in British Columbia

# British Columbia controlled the first wave \* but couldn't avoid a larger 2<sup>nd</sup> wave

Active cases of Covid-19 per 100,000 population



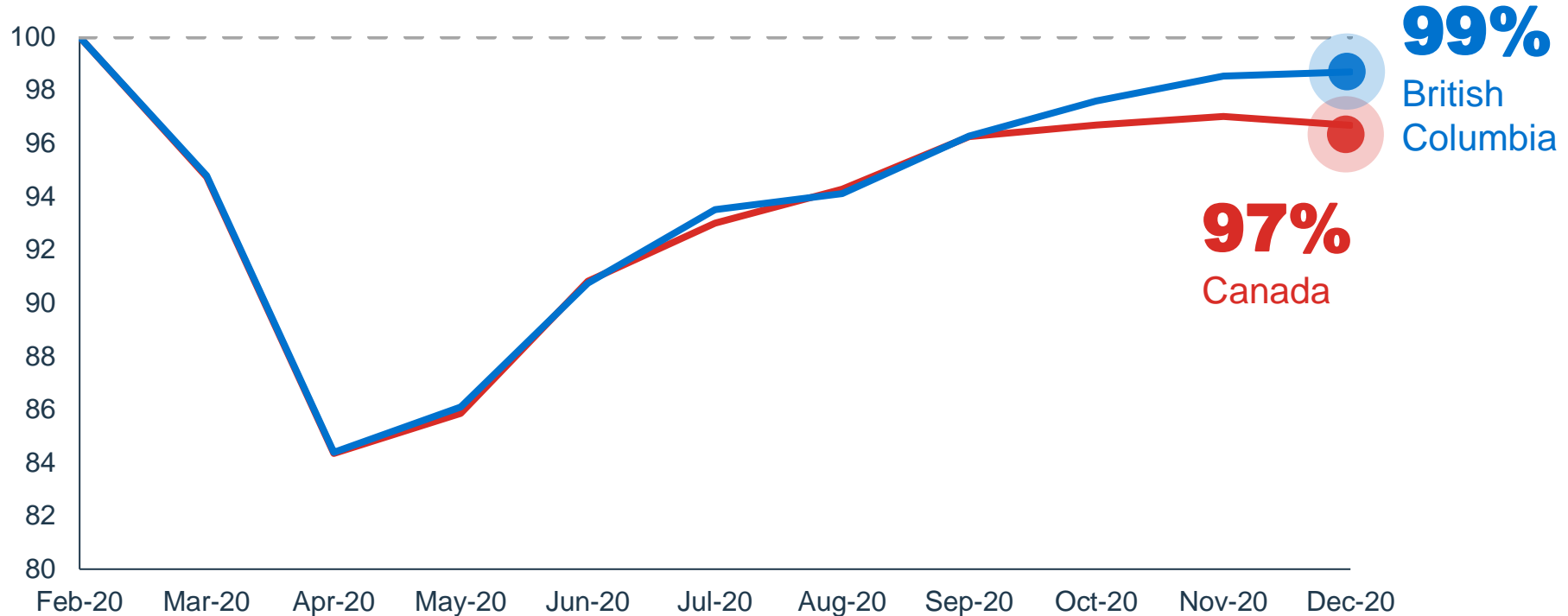
SOURCE: Government of Canada



# Employment almost fully recovered in British Columbia



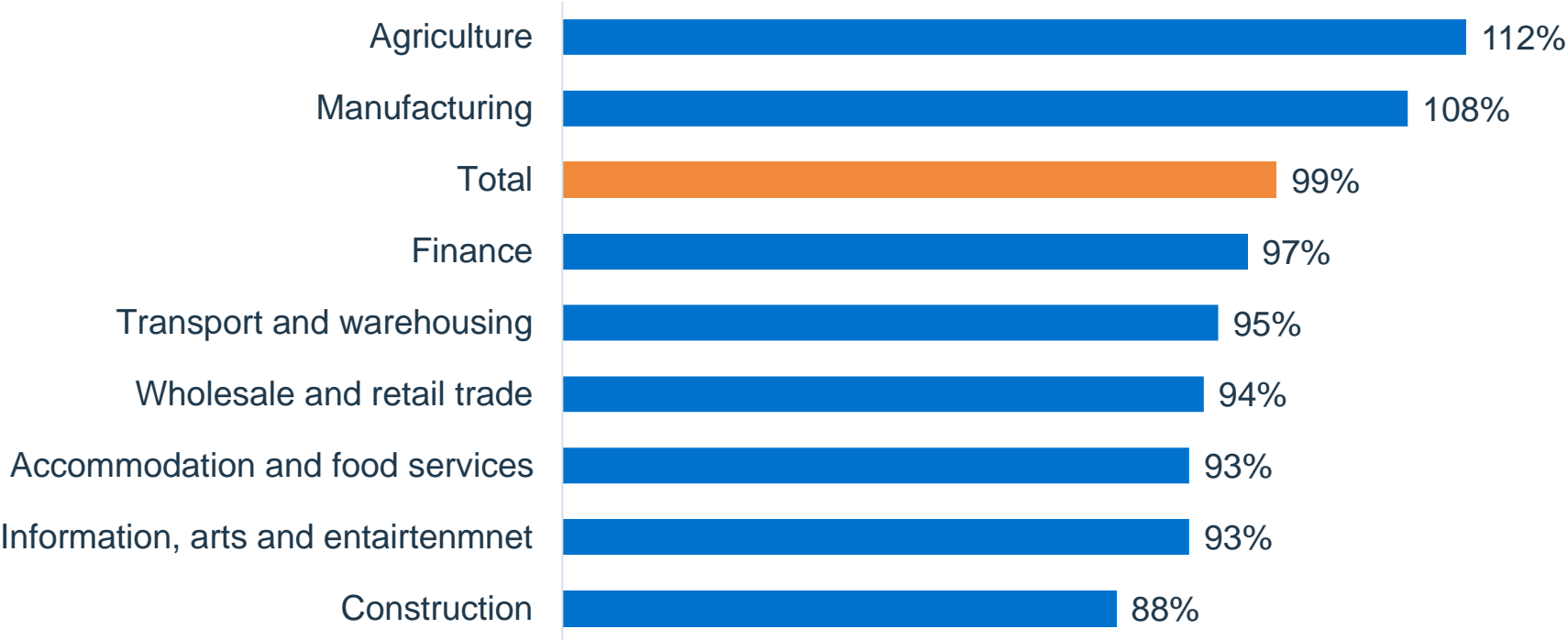
Employment as % of February level, seasonally adjusted



# More jobs in manufacturing and agriculture



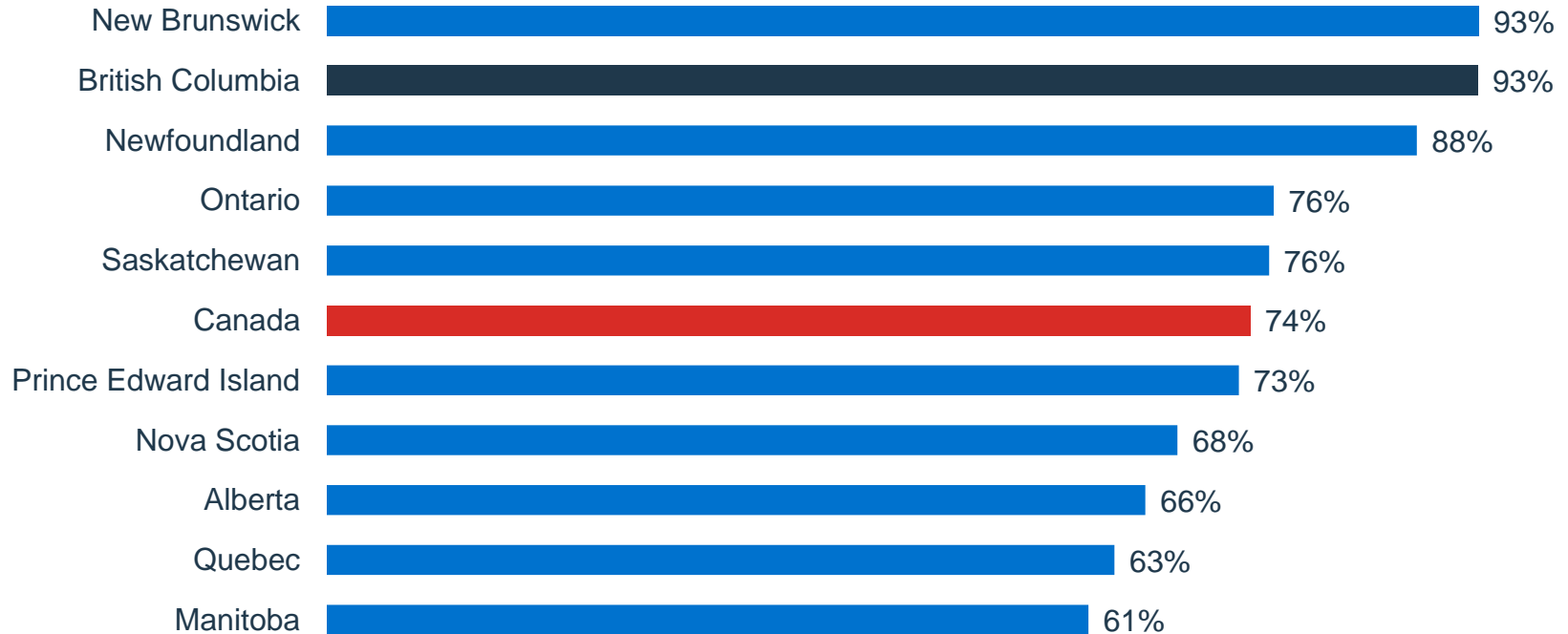
December employment as % of February level, seasonally adjusted



Note: Statistics Canada

# One of the best recoveries in the country \* for hotels and restaurants

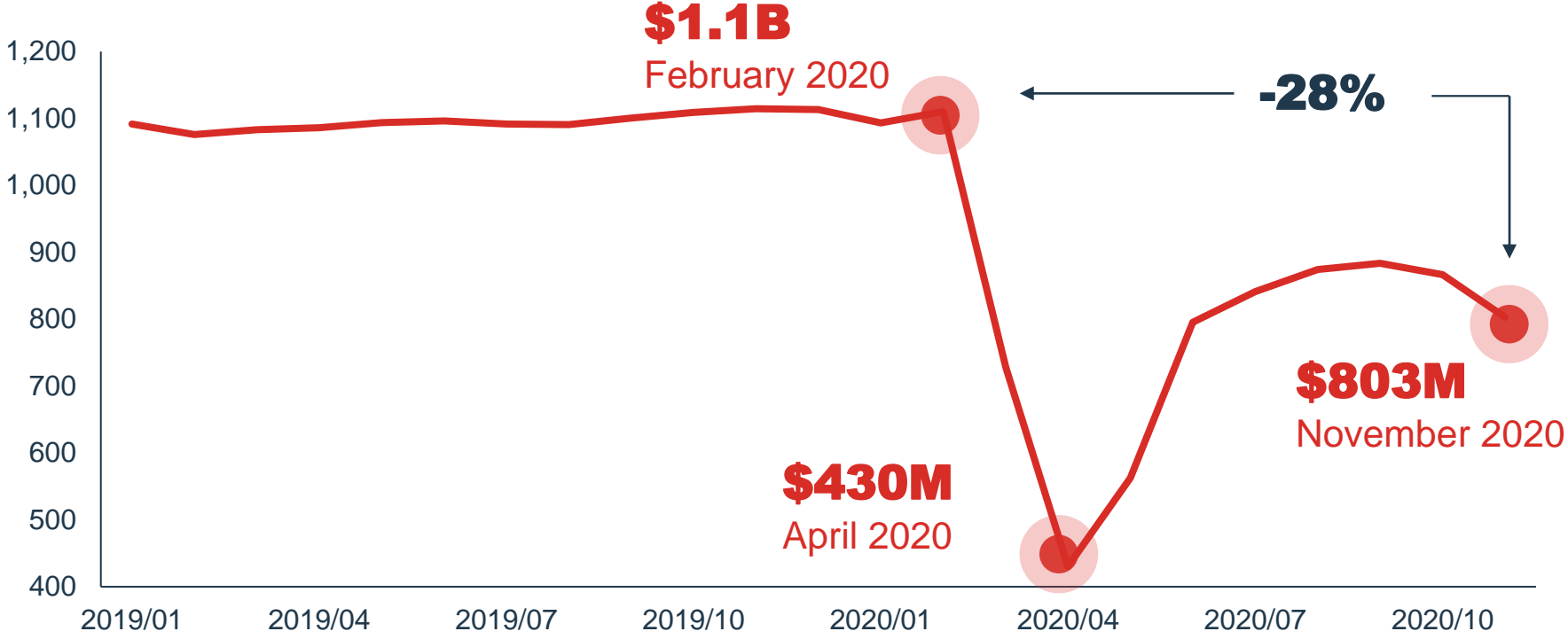
December employment as % of February, Accommodation and Food services



# Despite remaining open, restaurants did not recover all their sales yet



Food services and drinking places sales, millions \$, seasonally adjusted

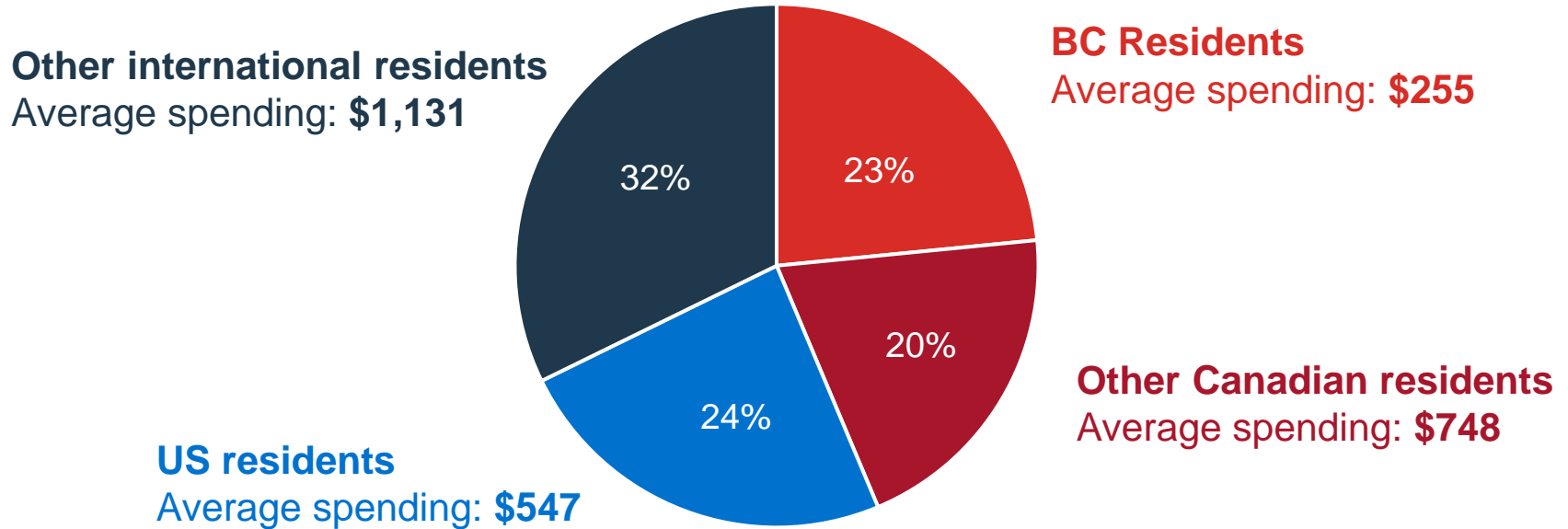


SOURCE: Statistics Canada.

# More than half of tourist spending used to come from abroad \*



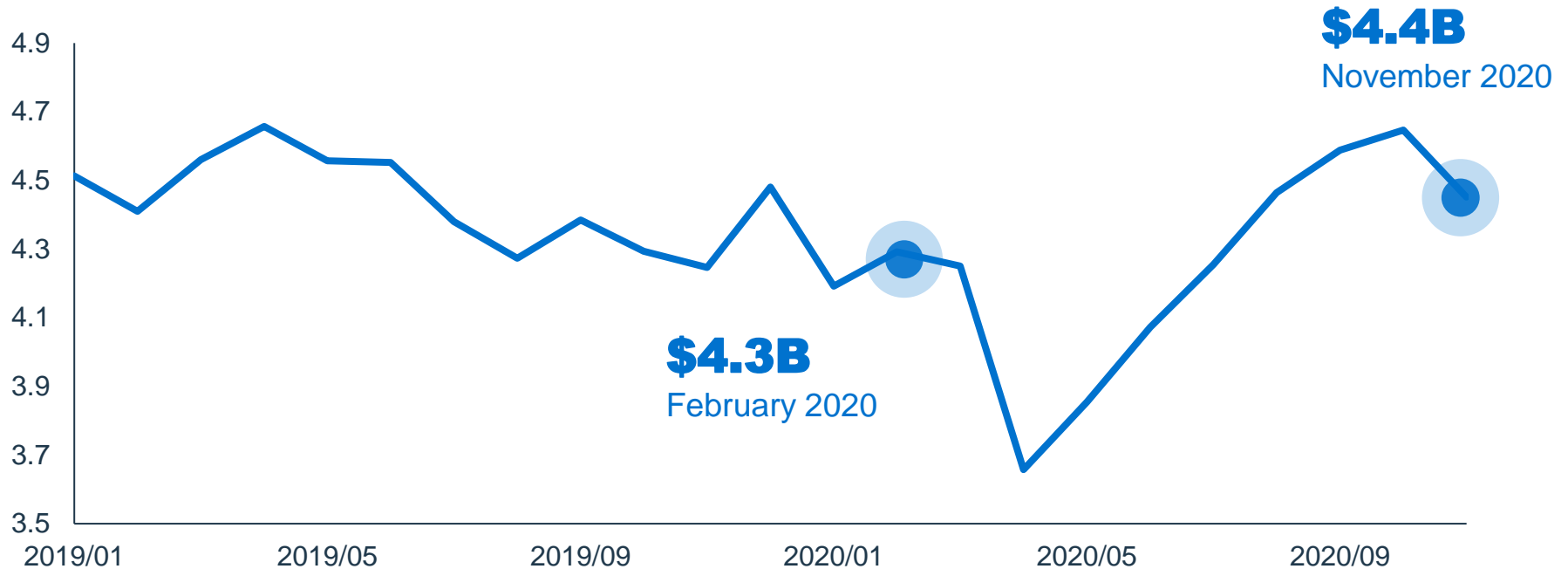
Overnight traveler expenditures by origin in The Vancouver, Coast & Mountains touristic region, 2018



# Manufacturing sales are catching up after dropping in the Spring



Manufacturing Sales, seasonally adjusted, billions \$

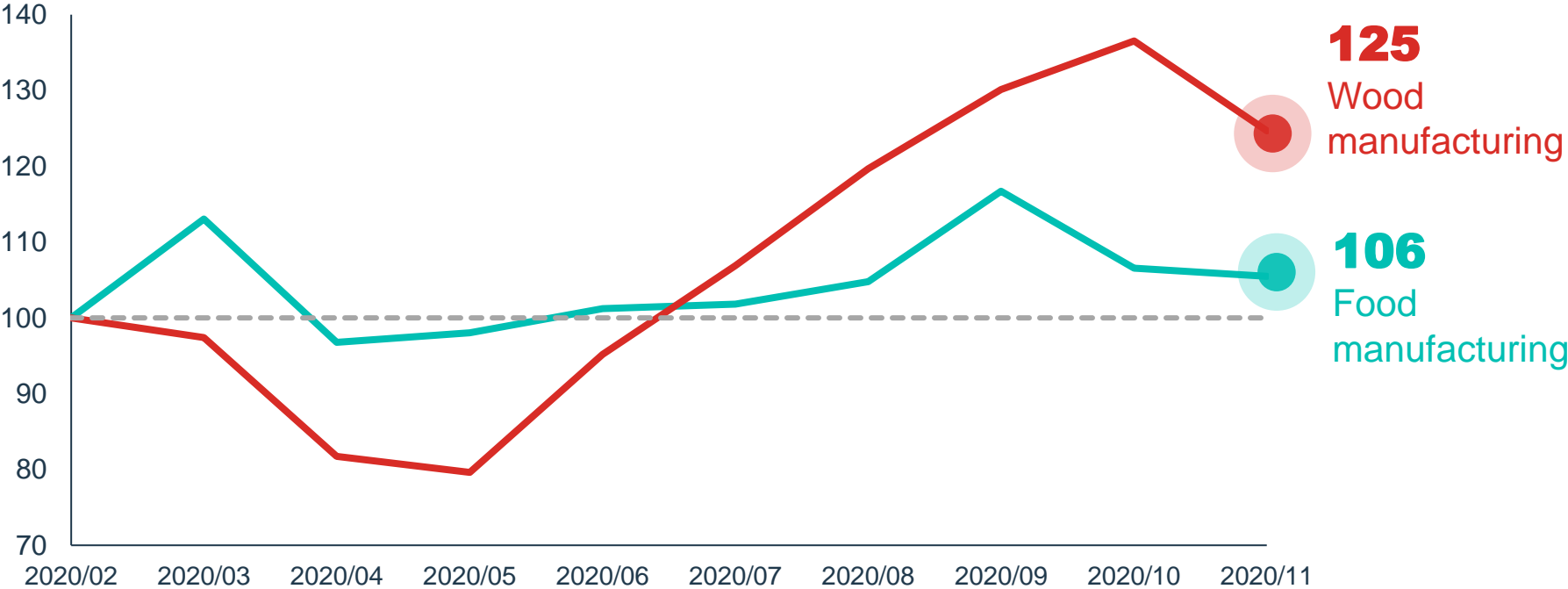


SOURCE: Statistics Canada.

# Wood and food manufacturing are performing well as demand is high



Manufacturing Sales, seasonally adjusted, base 100= February 2020

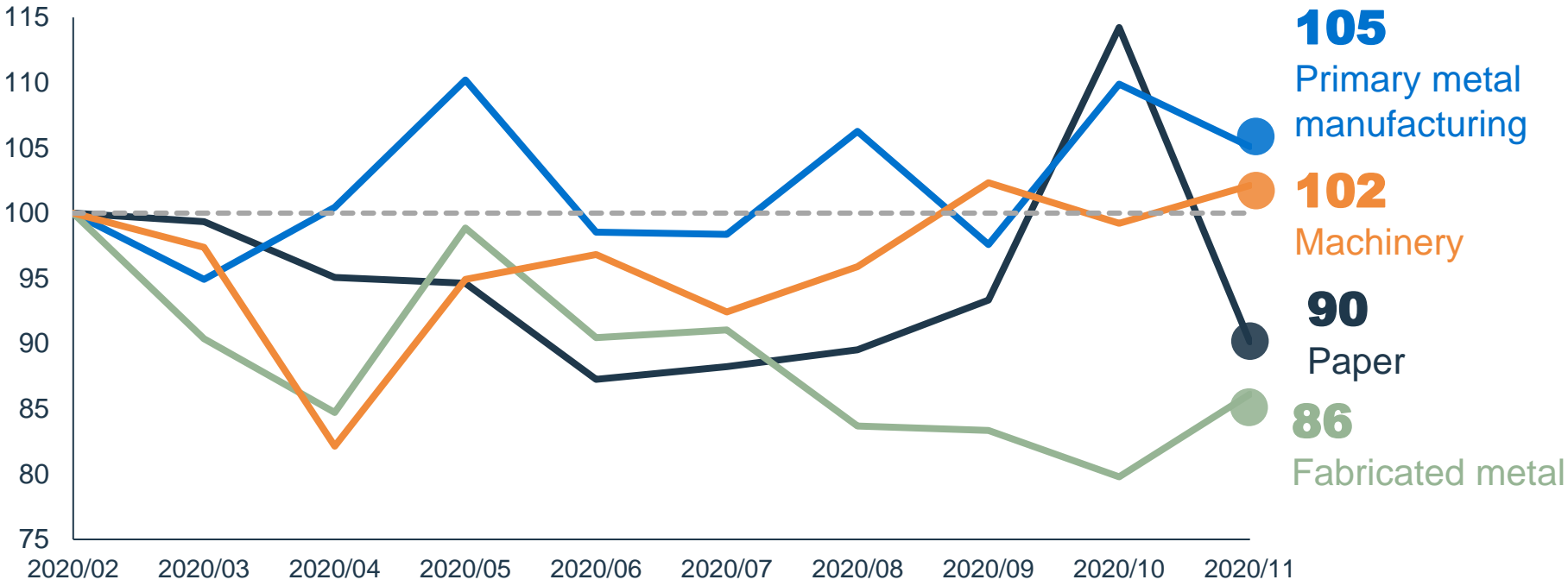


SOURCE: Statistics Canada.

# Other top sectors resisted the crisis well



Manufacturing Sales, seasonally adjusted, base 100= February 2020



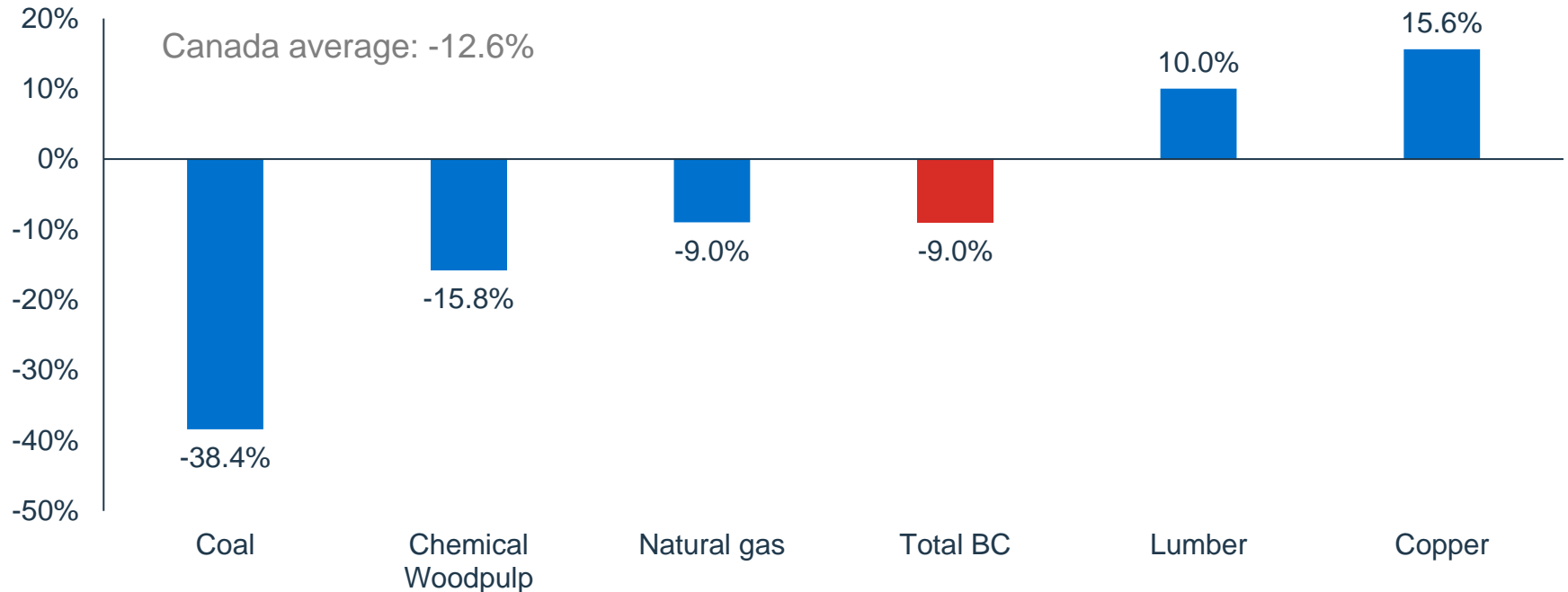
SOURCE: Statistics Canada.



# Lumber became the top export of the province as the industry is booming while demand for coal is low

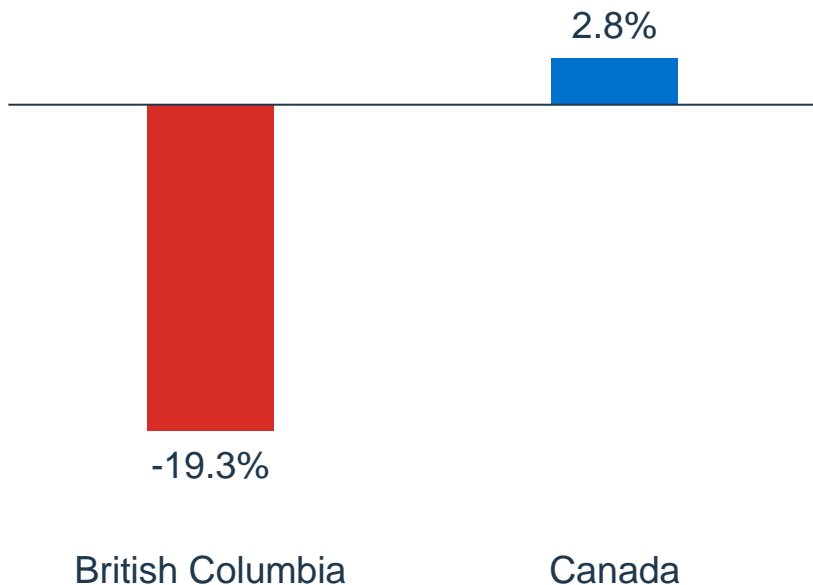


Export growth Y/Y, British Columbia, top five export industries

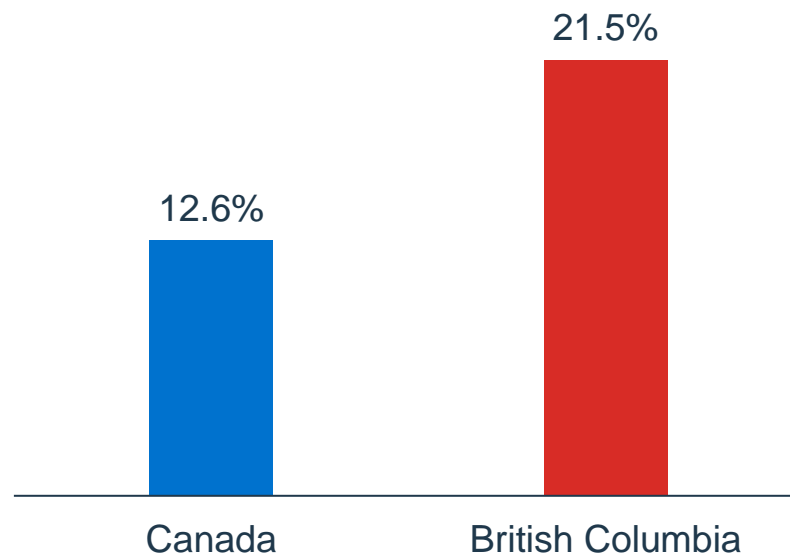


# Real estate performed well while construction is slowing down after a record 2019 year

Growth in **housing starts**  
between 2019 and 2020



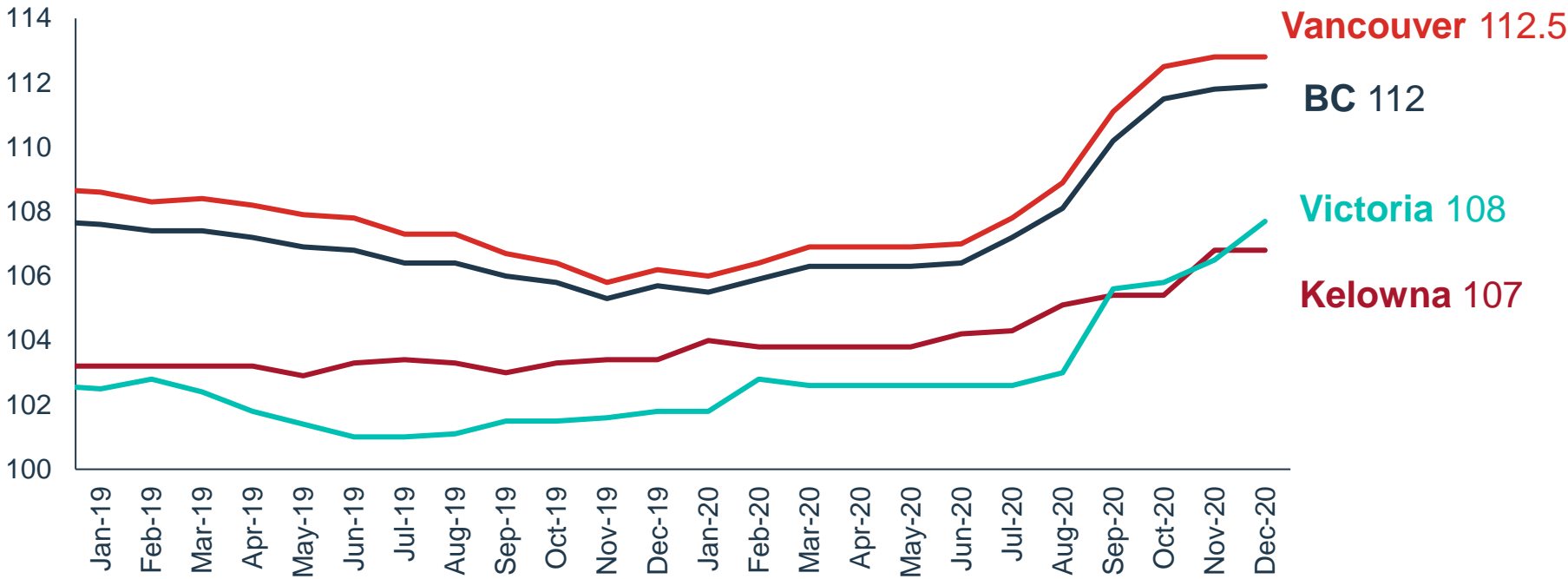
Growth in **home sales**  
between 2019 and 2020



# Prices of new homes have been increasing again since June



New housing price index, December 2016=100



SOURCE: Statistics Canada

# Major investment are underway to boost the recovery of the Province



**Kitimat  
liquefaction plant  
and export port**



**Coastal  
GasLink**



**Trans  
Mountain**

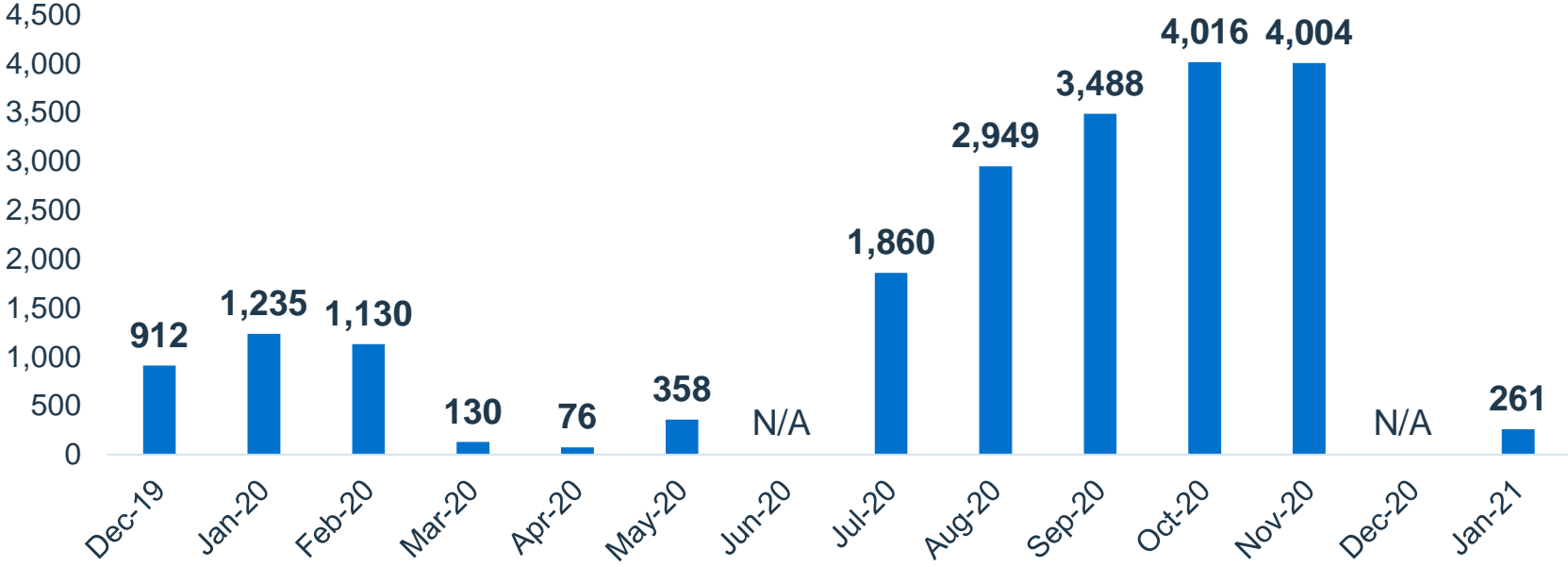
**\$40B LNG Canada**

**7.4\$B**

# Coastal Gaslink is moving forward despite recent restrictions limiting the number employees allowed onsite



Coastal GasLink, number of employees at accommodation sites



SOURCE: Coastal Gaslink monthly construction update

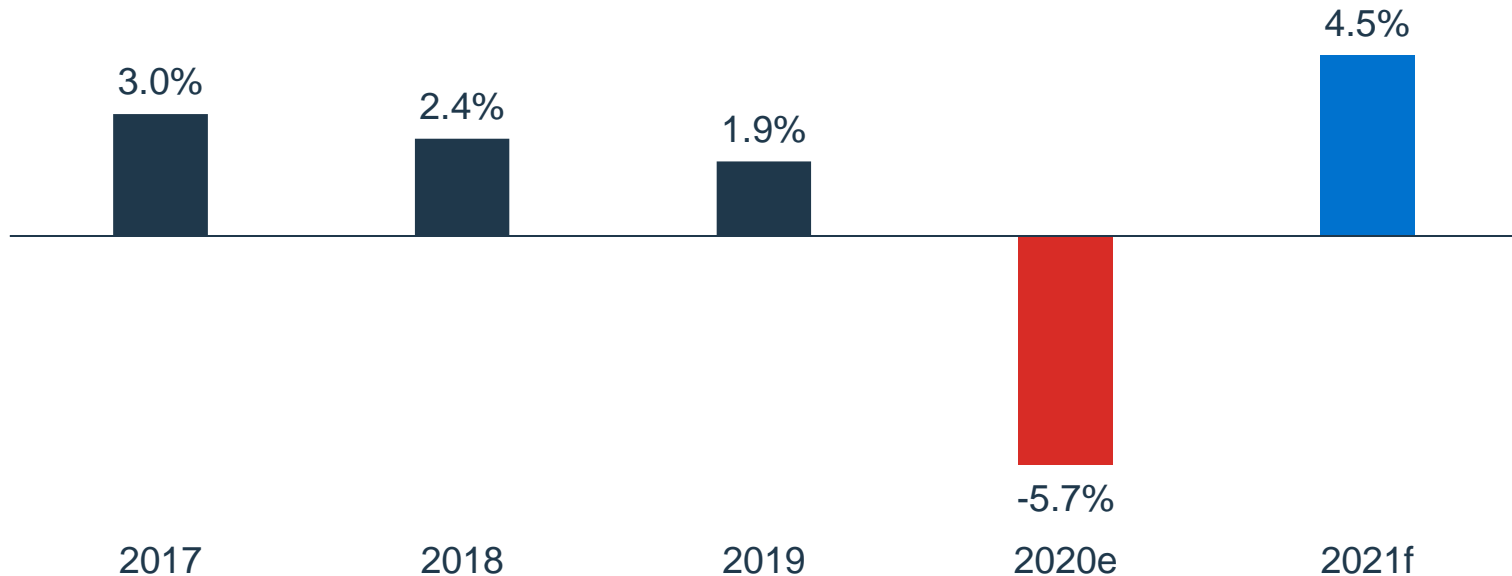


**What's ahead  
for 2021?**

# Major economic growth expected for 2021 in Canada



## Canadian Annual Real GDP growth



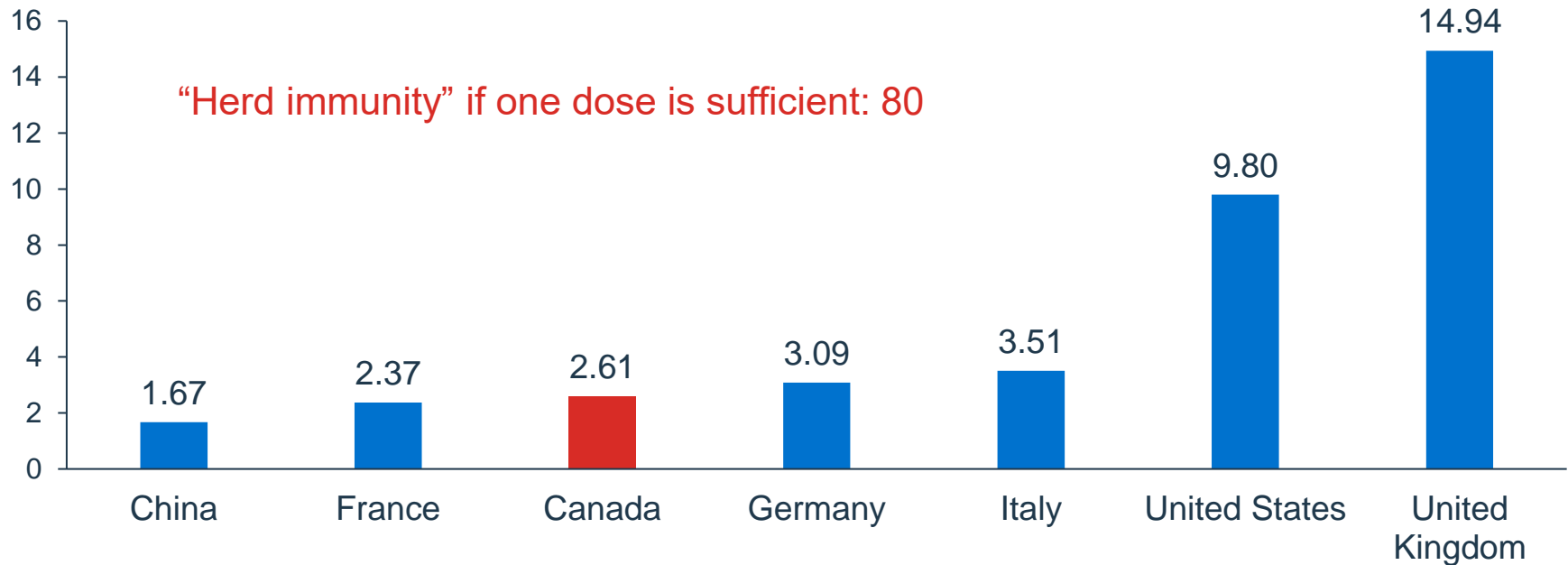
**SOURCE:** Oxford Economics and BDC  
e: estimate, f: forecast

# 1

## Vaccination campaigns have started across the world



Covid-19 vaccination doses administered per 100 people as of February 2<sup>nd</sup>, 2021

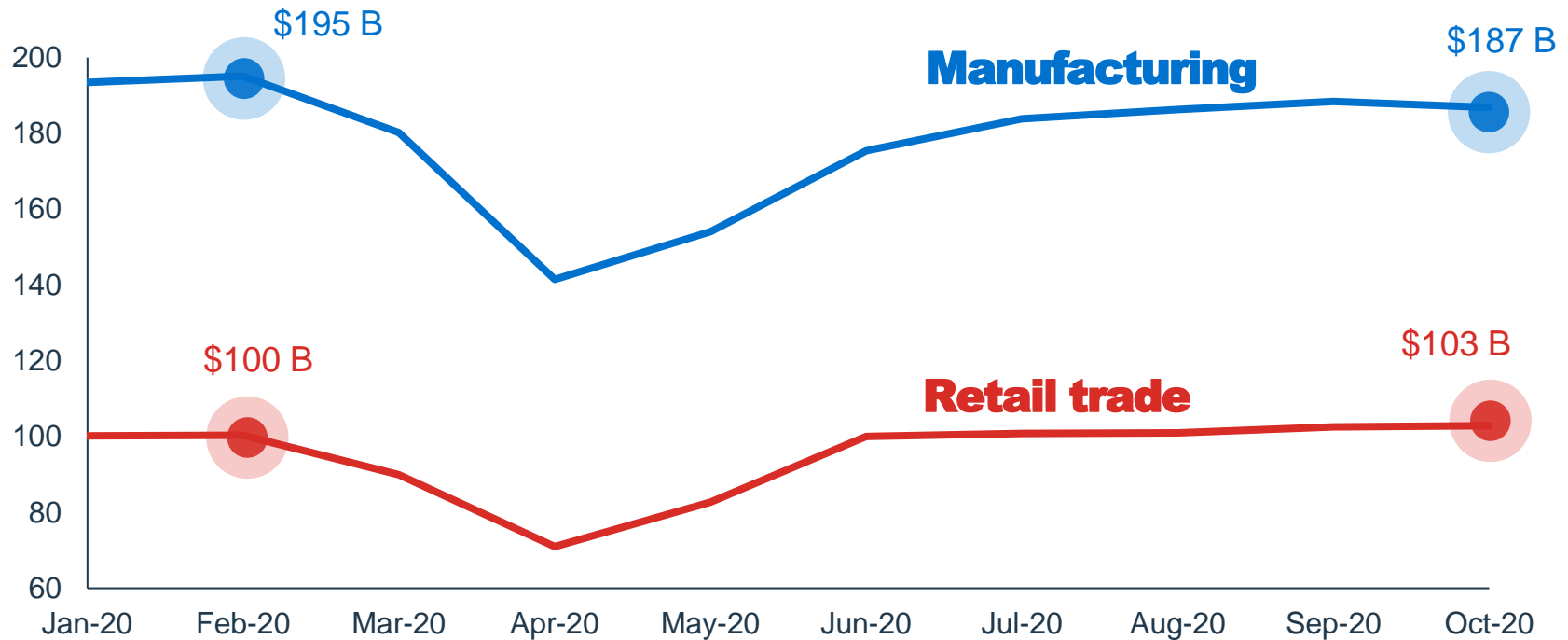


**SOURCE:** Our World in Data and The Lancet, Challenges in creating herd immunity to SARS-CoV-2 infection by mass vaccination, Volume 396, Issue 10263, p1614-1616, November 21, 2020



# V-shape recovery: Key sectors recovered \* fast once restrictions loosened

Monthly GDP, seasonally adjusted at annual rates, chained 2012 \$



# 2

## Government policies will continue to support the recovery



Canadian fiscal support extends until September 2021



### **Employment Insurance Enhancement**

At least \$500 a week for up to 26 weeks until September 2021



### **Canada Recovery Benefit**

\$500 a week for up to 26 weeks until September 2021



### **Canada Emergency Wage Subsidy**

Max subsidy of 75% between December 2020 and March 2021



### **Canada Emergency Rent Subsidy**

Support until June 2021

# BC government also announced measures to support the recovery of the province



## Key fiscal stimulus announced by the BC government

**BC Recovery Benefit** one time payment of \$500 to \$1000 for eligible families or individuals

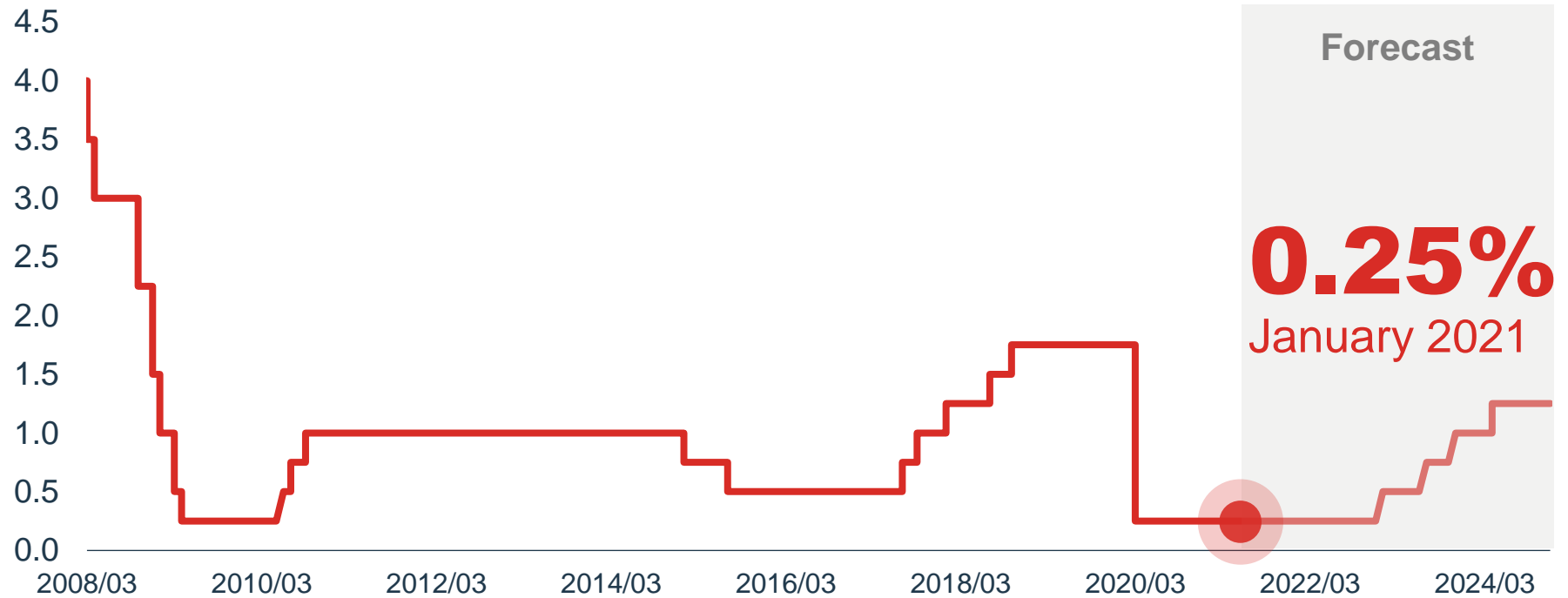
**Supply chain resilient grant** to support group of manufacturers with up to \$200,000

**Small and Medium Sized Business Recovery Grant** grants of \$10,000 to \$30,000 to support B.C. businesses



# Interest rate will remain low

Policy rate, %

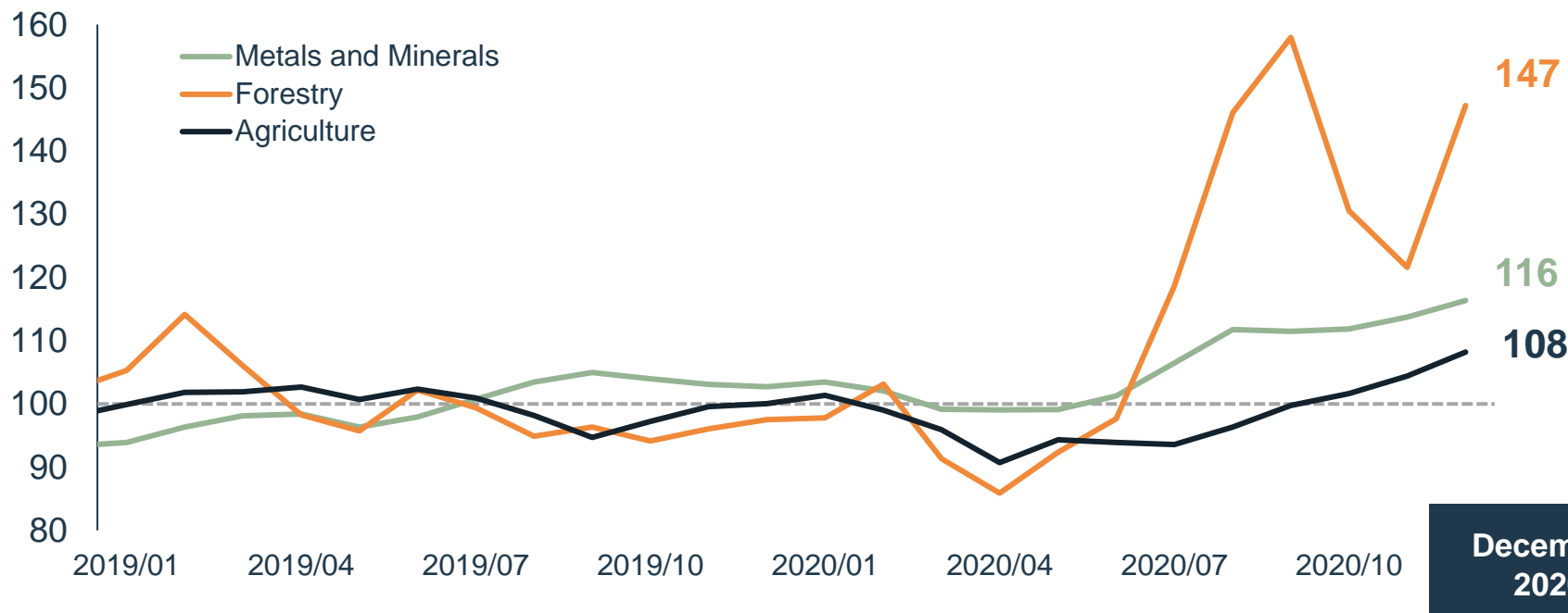


# 3

## Prices of agriculture and wood products are going up



Monthly commodity price index, 2019=100



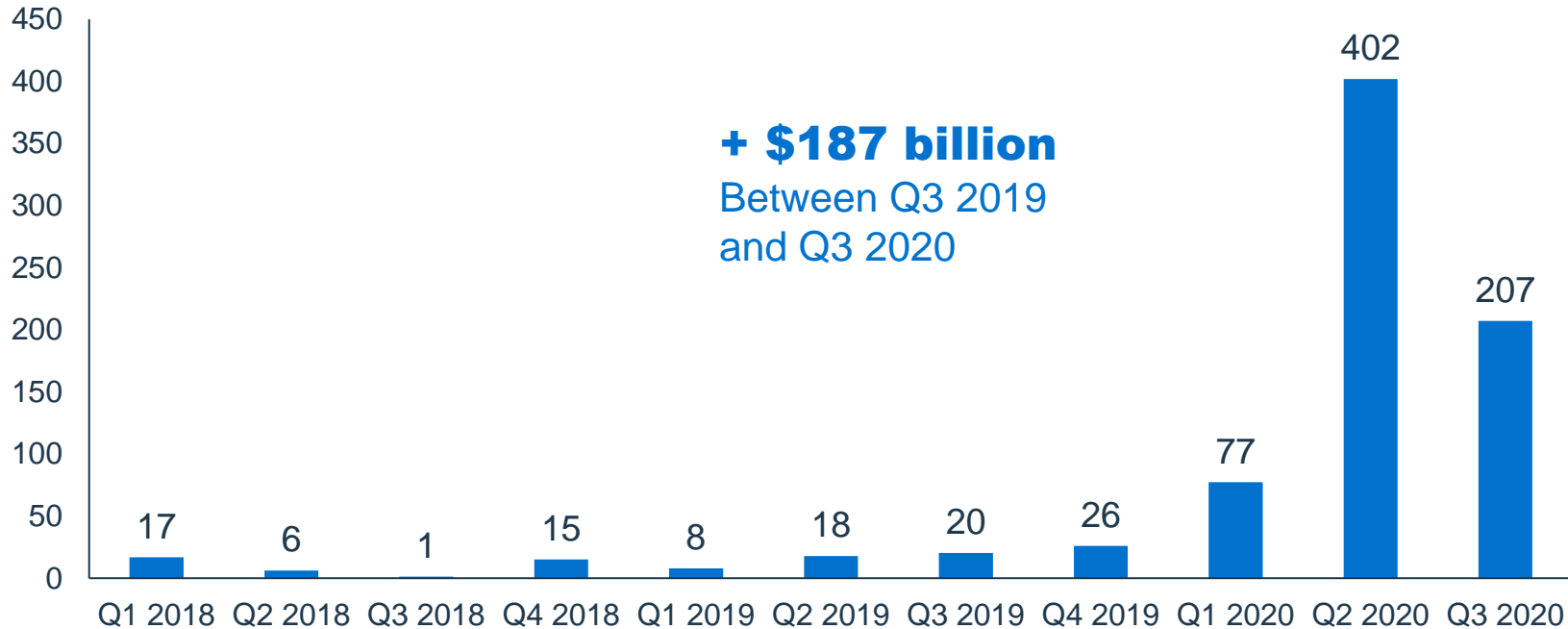
Metals and Minerals: gold, silver, nickel, copper, aluminum, zinc, potash, lead, iron  
 Agriculture: potatoes, cattle, hogs, wheat, barley, canola, corn

## 4

# Household savings remain high



Household net savings, seasonally adjusted at annual rates, billions \$



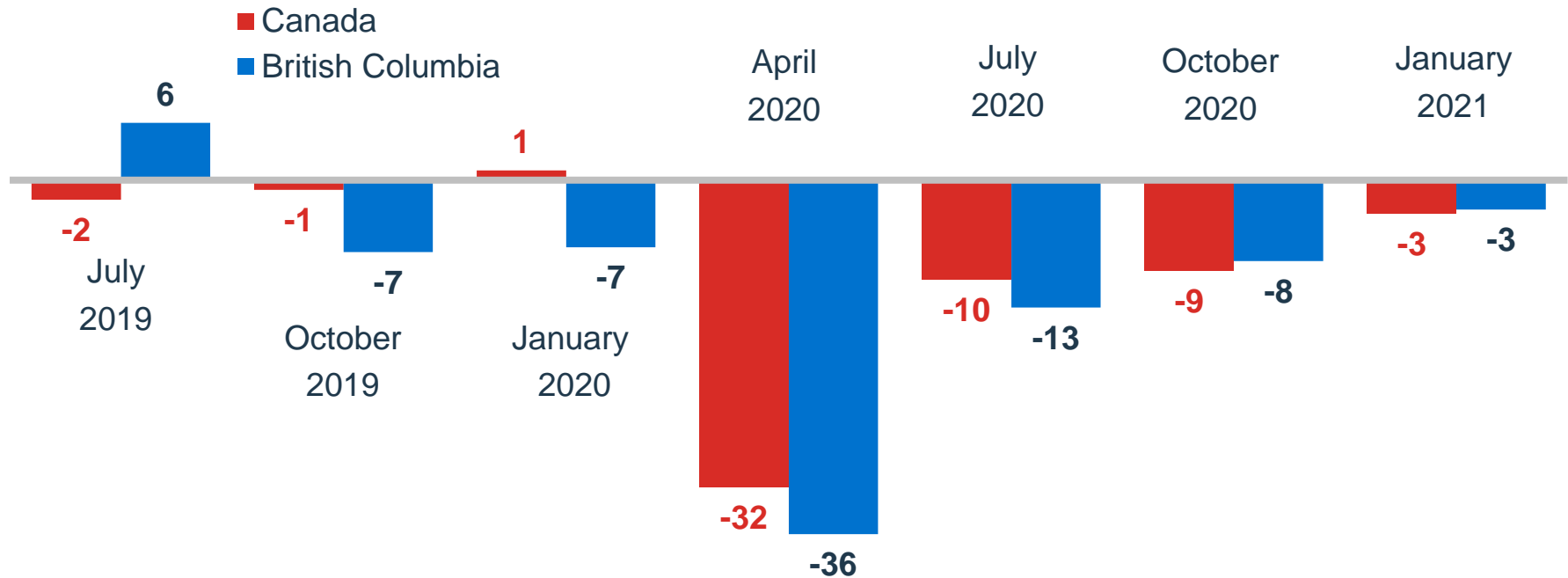
SOURCE: Statistics Canada.

# 5

## Investment intentions are improving in British Columbia



Indicator of investment intentions (balance of opinion)

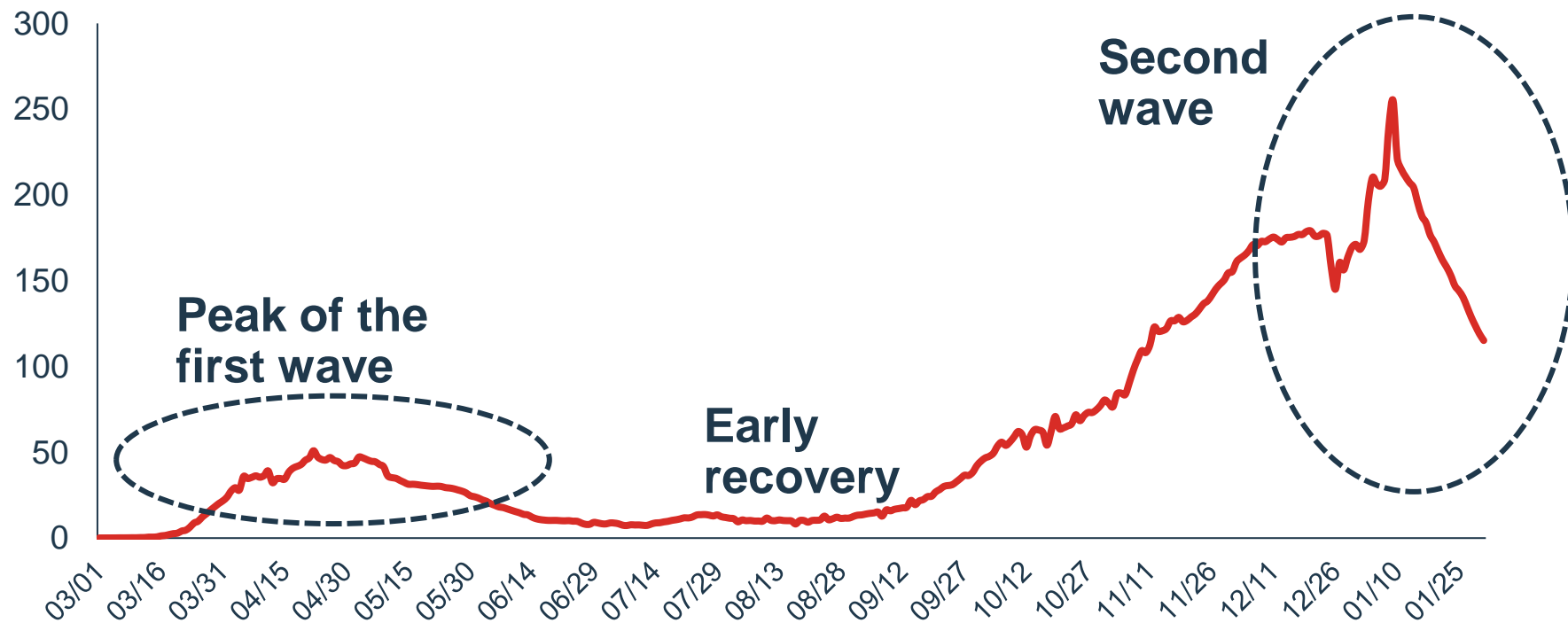


**BASE:** All respondents (n=1,000). Respondents who did not know or preferred not to answer were excluded from the calculation base. Over the next 12 months, what do you expect your company's investment spending to be?

# Risk to this forecast: Covid-19 cases are still at high levels in Canada



Daily new cases per 1M people in Canada, seven-day moving average







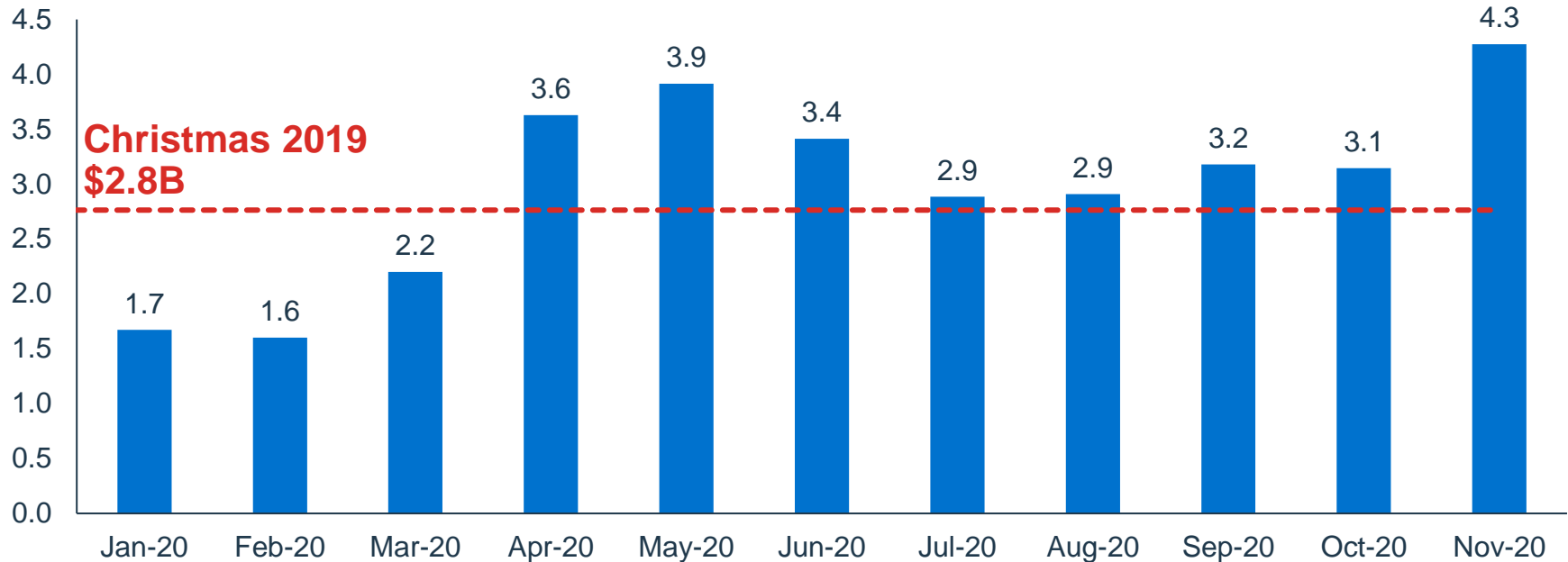
# What to watch for



# Online, it's Christmas every month



Retail e-commerce sales, unadjusted, billions \$

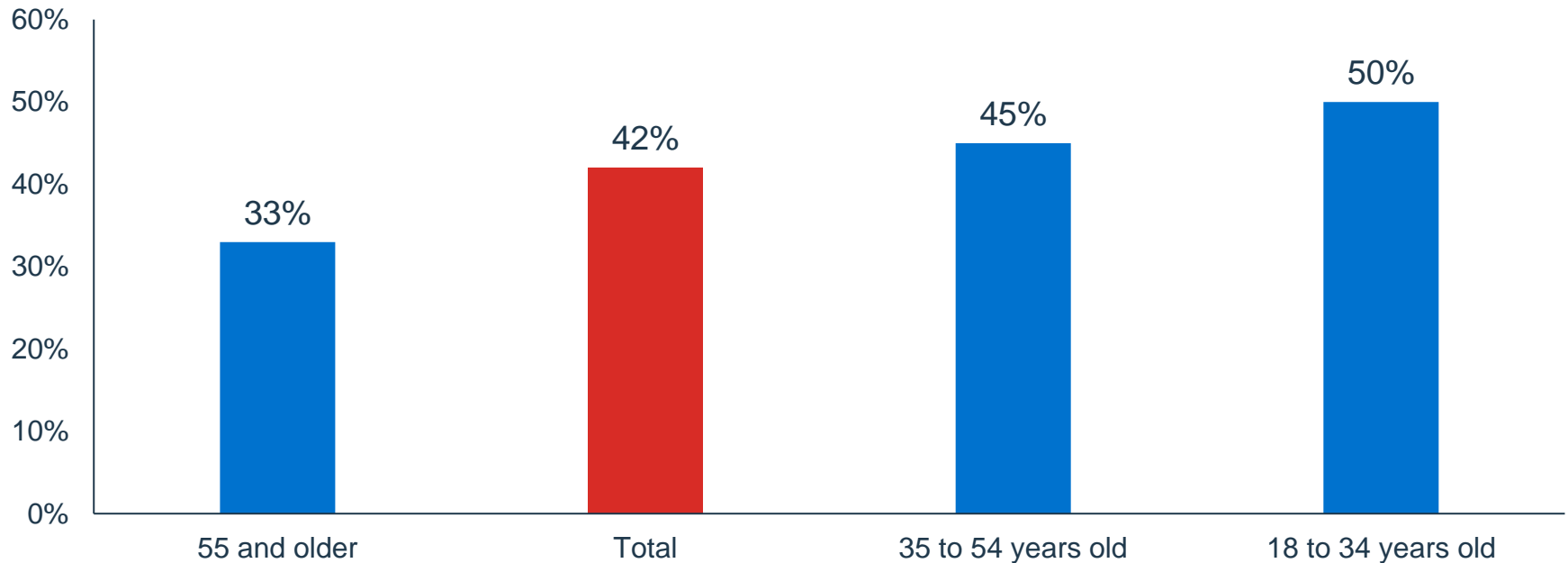


SOURCE: Statistics Canada.

# Half of young Canadians plan on spending even more online



% Canadians planning to increase their online spending in the next 6 months



**SOURCE:** BDC, Post-Covid Consumer Trends, January 5 to 8, 2021. Adult members of the LEO (Leger) consumer research panel (n=2,000)

# Steps to increase online sales

- Improve your website and add new features
- Be more active on social media
- Launch targeted promotional campaigns
- Increase online advertising
- Interact faster with online users and customers



②

## Remote work will remain popular



**83%**

of businesses are relying on remote work arrangements in the COVID era.

→ Many employees are asking to work from home

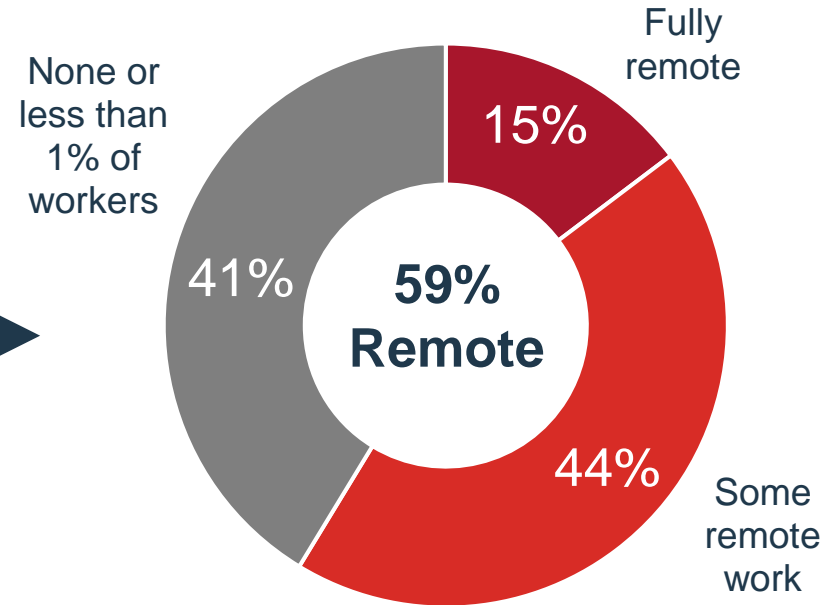
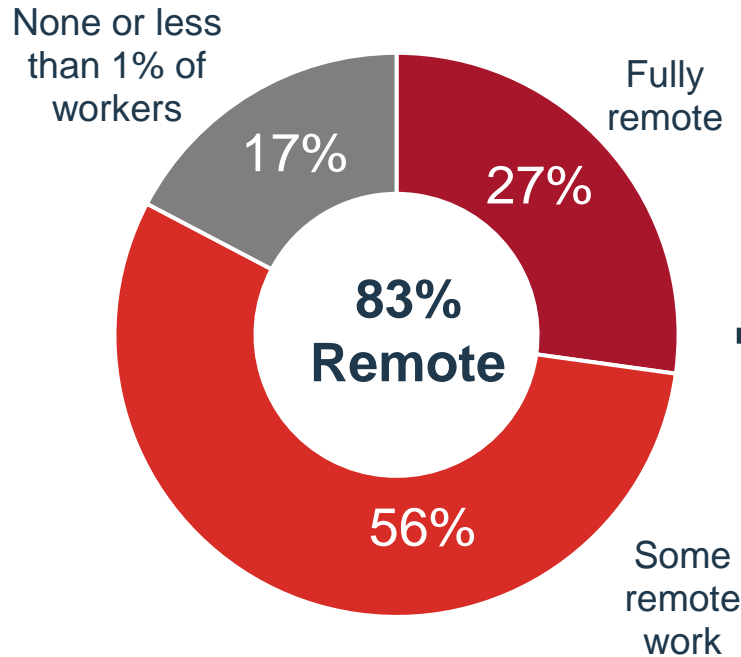


# Most businesses plan on having some type of remote work arrangements after the crisis for some or all workers



% Businesses with some remote workers in **Summer 2020**

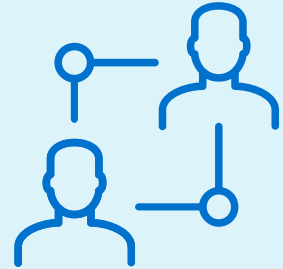
% Businesses with some remote workers **after the pandemic**





# Remote working can improve:

- Your company's ability to innovate
- Employee productivity
- Employee motivation
- Your ability to attract employees
- Overall corporate culture



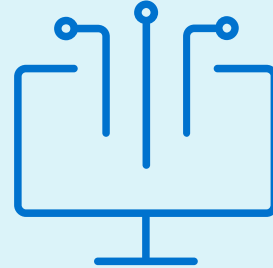
**18% of entrepreneurs believe their workspace needs will decrease in the future**

3

**businesses will invest more in technologies**



**67%**



**of businesses will invest more in technology within the next 12 months**





# The pandemic accelerated their investments

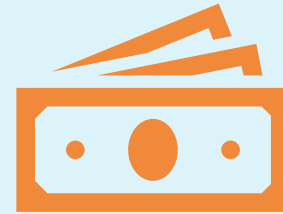
**63 %** 

**Of businesses have accelerated technology adoption as a result of the pandemic**



# Many businesses are already benefiting from their investments

64%



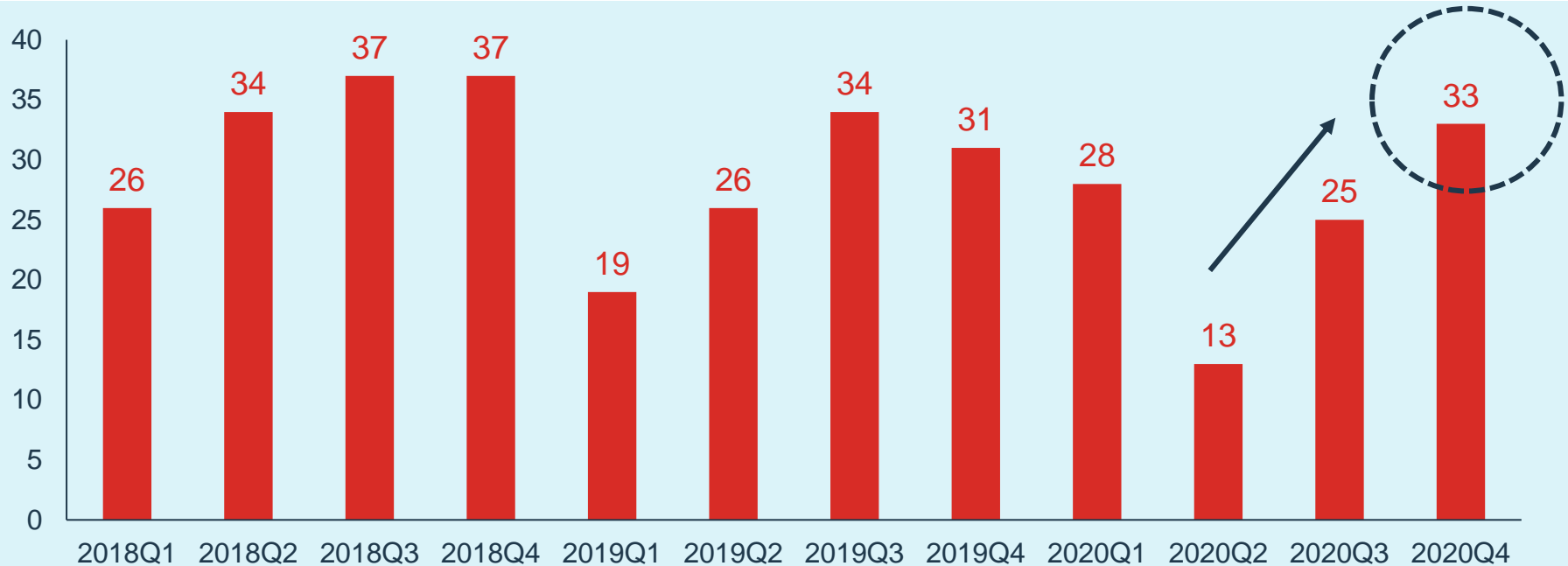
of businesses report that technology has helped them cope with the impact of the pandemic



# 4

## Labour shortages are back

% businesses suffering from labour shortages restricting their ability to meet demand



SOURCE: Bank of Canada Business Outlook Survey

# **4 trends shaping the new business environment**

- ① More online shopping**
- ② More remote work**
- ③ Businesses will invest more in technology**
- ④ Labour shortages will be back**



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# The path to recovery

Plan your way out of the COVID-19 crisis

