

Worst of recession has likely passed, RBC says

Return to growth in B.C. predicted for next year

VANCOUVER SUN JUNE 16, 2009

B.C.'s real GDP is forecast to shrink by 1.9 per cent this year as the weakness in the provincial economy continues to spread, according to a forecast released Monday by RBC Economics Research.

But the RBC Economics Provincial Outlook says the worst of the recession has likely passed and predicts a return to growth next year.

"British Columbia's economic performance has deteriorated significantly since the middle of last year," RBC senior vice-president and chief economist Craig Wright said in a news release.

"Weakness has spread beyond the long-suffering forestry sector into mining, construction and manufacturing.

"The service sector has not been spared either," Wright added, "as transportation and retail trade also have staggered."

The RBC report held out little hope in the near-term for B.C.'s struggling forest sector, dependent on a U.S. home construction industry that has yet to rebound.

And B.C.'s housing sector is "still in a fragile state," the report pointed out, with housing starts forecast to drop by 57 per cent in 2009 to a total of 14,700 units, the lowest tally since 2000.

As well, the outlook on mining was less than rosy: "The mining sector will fare little better, with weaker coal prices and waning demand prompting cuts in output."

But, the report added: "B.C.'s economic future is looking brighter, and 2010 should show a rebound to a 2.9 per cent growth."

RBC cited a substantial ramp up in public infrastructure spending - slated to jump by 15 per cent in this fiscal year - will help to partly offset the weakness in the rest of the economy.

"This will also help set the stage for a return to overall growth next year, which will be further fueled by an expected recovery in commodity markets and higher tourism activity arising from the 2010 Olympic and Paralympic Winter Games," the outlook said.

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