

February 20, 2008**Economic Forecast**

Credit Union of Central British Columbia study reveals bright economic future for British Columbia

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The provincial economy will experience the strongest five-year period of growth since 1985, between 2008 and 2012, says a B.C. economist.

A study produced by the Credit Union of Central B.C. stated that B.C.'s real (adjusted for inflation) gross domestic product (GDP) is forecast to grow by an average of 3.6 per cent annually through 2012, which is up from 3.4 per cent over the past five years.

The study entitled B.C. Economic Forecast 2008-2012 said this would be the strongest rolling five-year performance since 1985 through 1989.

"Weakness in U.S. housing, credit derivative and secondary equity markets will continue to dampen the economic outlook into 2009," said Dave Hobden, economist with Credit Union of Central of B.C. "(However) we don't see the B.C. economy getting hammered, by the sub prime mortgage crisis, the high Canadian dollar and weak US export, as much as the B.C. government does in the next five years."

In preparation for the 2008 budget, Finance Minister Carole Taylor lowered the five-year economic growth forecasts for the province, due to several key factors including the weakening U.S. economy, the high Canadian dollar and labour shortages in the construction industry.

Taylor predicted B.C.'s real gross domestic product will increase by 2.9 per cent in 2008 and 2009. For the years 2010-2012, economic growth is forecast at 2.8 per cent.

The five-year economic forecast produced by the Credit Union of Central B.C is more optimistic in its outlook.

"Growth in B.C.'s real GDP will be moderate through 2009, followed by a spike around the 2010 Winter Olympic Games, another moderate year in 2011 and robust growth in 2012," Hobden said.

The study states that real GDP in B.C. will grow at a rate of three per cent in 2008 and 2009 to reach a total of about \$155 billion and \$160 billion.

The economy will continue to expand by 4.4 per cent, 3.1 per cent and 4.6 per cent in 2010, 2011 and 2012 respectively.

International trade, consumer spending and private non-residential investment are expected to be the key drivers of B.C.'s overall growth for the next five years.

"Compared to the past five-years, growth will depend less on residential, business and government investment, and more on slower growth in imports and resumed growth in exports," Hobden said.

Real GDP in the construction industry will grow by 6.4 per cent in 2008 to reach about \$11 billion. The construction industry will then stagnate in 2009 and 2010, with low growth rates of .8 per cent and .9 per cent.

"Construction is coming off successive years of nearly double digit growth," said Hobden. "It's at such a high level, just to maintain this will take major investment."

In 2011 and 2012, the construction industry will recover, with growth rates of 2.7 per cent and 4.4 per cent.

Residential investment is forecast to decline by .7 per cent and .5 per cent in 2008 and 2009, and then recover to grow by 2.4 per cent, 2.7 per cent and 5.7 per cent in 2010, 2011 and 2012.

Non-residential construction will increase by 8.4 per cent and 3.8 per cent in 2008 and 2009, and then decline by .6 per cent in 2010. Non-residential construction is expected to recover in 2011 and 2012, with an increase of 3.1 per cent and 8 per cent.

Heavy engineering is expected to outperform the rest of the construction sector and the rest of the economy, led by transportation and power infrastructure projects, and hospital and school building.

More than \$2 billion in major electric power generation and transmission projects are under construction throughout B.C., as well as \$700 million in major municipal water and sewer projects. Another \$1.5 billion in such projects are proposed.



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