



Slower growth expected after 2010

But disposable incomes forecast to be up by 15.4% by then

Michael Kane

Vancouver Sun

Friday, January 19, 2007

B.C.'s robust economic growth will slow after the province hosts the 2010 Olympics, according to a five-year economic forecast released Thursday.

But disposable incomes will be up by 15.4 per cent by then, the best five-year performance in the past three decades, the province's Credit Union Central says.

And economic growth in 2011 will still be a healthy 3.4 per cent after inflation, not far short of the 3.8 per cent expected this year and 3.6 per cent forecast for 2008.

"I think a growth spike in 2010 is just a normal consequence of a one-time event like the Olympics," Helmut Pastrick, the Credit Union Central's chief economist, said in an interview. "We have seen these kinds of situations in the past, and it is no cause for alarm."

The forecast calls for growth over the next five years to match the pace of the past five years, peaking at 4.6 per cent in 2010.

More importantly, total investment spending, excluding residential spending, is expected to grow by more than 45 per cent, almost double the rate of the previous five years. More investment is considered critical to improving productivity and incomes.

Along with consumer spending, Pastrick says business investment will supplant slowing residential investment as the largest contributor to overall growth. No major housing market correction is expected, with in-migration and rising incomes sustaining demand.

While machinery and equipment investment appears to be on a strong growth trend, he cautions that productivity improvements are likely to be gradual. "It's not like in 2012 all of a sudden there will necessarily be a big boost in productivity."

Business investment is being encouraged by a labour market that will continue to tighten as economic growth and the aging population drives the unemployment rate below 4.0 per cent. Migration from other provinces is forecast to rise only modestly because Alberta's economic attraction will continue to be stronger.

Labour shortages are expected to hold back overall growth while pushing up wages. Pastrick forecasts personal incomes to grow by more than six per cent a year during the next five years, aided by moderately higher interest rates that will boost investment income.

After-inflation disposable income per person, in 1997 dollars, is estimated at \$21,549 in 2006, up 3.3 per cent from \$20,861 in 2005. By 2011, the forecast calls for this to rise 15.4 per cent to \$24,857, the best five-year growth performance in 30 years.

While investment and consumer spending will drive growth, Pastrick anticipates further deterioration in external trade. B.C.'s international competitiveness is waning due to a stronger dollar and higher internal costs, along with more competition and slowing demand in traditional export markets.

Industries with above-average growth prospects are construction, retail and wholesale trade, non-resource manufacturing, and finance, insurance, real estate and leasing services.

Growth in transportation-warehousing and electric utilities will accelerate through to 2010, as more capacity is added, while output in accommodation and food services is expected to shoot up during the Olympics.

Slower growth is seen in the wood industry, pulp and paper manufacturing, government services and education services.

mkane@png.canwest.com

© The Vancouver Sun 2007

CLOSE WINDOW

Copyright © 2007 CanWest Interactive, a division of [CanWest MediaWorks Publications, Inc.](#) All rights reserved.