

Environmental Scan Series.2

Economic Outlook

The economy is dependent on political climates, social trends, environmental changes and technology; any discussion regarding economic trends must acknowledge interdependence with these other areas. Future briefs will more completely address major drivers such as equity, access, Indigenization, outcomes, and sustainability. This economic outlook will include perspectives from this **region**, the **province**, **Canada**, and around the **globe**, and will consider how those trends could affect enrolments at Thompson Rivers University.

Global Trends

The global economy is expected to grow by 3.1% in 2019 and by 2.9% annually for the next ten years.¹ The US economy will expand by 3.1% in 2019; tax cuts and fiscal spending have fueled the US economy, but a slower global economy will limit future growth.¹ Europe will see moderate growth (1.9%) and the British exit from the European Union (Brexit) will create uncertainty.¹ China will see 6.2% growth¹ and India 6.8% in 2019.²

By 2022, India's population will outstrip China.³ By 2030, nearly 80% of Indian households will be middle-income (up from 50% today) and this middle class will drive consumer spending.⁴ India makes up TRU's largest group of international students (1,586 in winter semester 2019), followed by China (520 students).⁵ India, with its growing middle class, will continue to be a market for international education.⁴

Trends in Canada

Economic growth for Canada (GDP) is expected to be 1.9% in 2019 and 2.1 in 2020.⁶ An ageing population will slow growth, while a relatively low Canadian dollar (not expected to rise above \$0.80 US in the next two years) and the finalization of the Canada-US-Mexico trade agreement (CUSMA) are positive drivers.⁶ The low Canadian dollar will benefit tourism, which in turn will boost commercial services such as accommodations and food services.⁶ As well, in the next two years, forestry, fishing, and metal mining are expected to decline while agriculture and non-metal mining are expected to improve.⁶

The Canadian labour market will continue to be tight (low unemployment, difficult recruitment and rising wages).⁶ More people are retiring out of the market than entering.⁶ The ageing population will mean lower demand for housing and less consumer spending on

Ageing Population

Baby Boomers are spending less on consumer and durable goods, and increasing demand for healthcare and services.

Tight Labour Market

Retirees outnumber incomers, putting upward pressure on wages and forcing post secondary institutions to compete with an attractive labour market.

Modest Growth

Projected interest increases, demographic shifts and trade uncertainty will inhibit growth beyond 2%. The Canadian dollar is likely to remain below \$0.80 US. The Canadian economy is likely to grow modestly, with the best economic prospects in BC.

BC Shifting to Secondary Industry

The BC economy will likely continue to shift from primary (with the exception of natural gas) industries such as mining and forestry to services such as tourism and technology.

Reskilling Required

Workers in the slower growth industries will require retraining to re-enter the labour market.

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lasting goods (such as cars, appliances, etc., often purchased on credit), and demand for services, including healthcare, will increase.⁶ Health sector spending will increase by 2.4% in 2019.⁷ This demographic will continue to slow economic growth in the next twenty years; nearly a quarter of Canadians will be 65 years or older by 2040, up from 16.5% in 2017.⁸

Slowed student population growth will mean a drop in post secondary enrolments, and young people will need to choose between an attractive job market and tertiary education.⁷ Canadian students will find the opportunity cost of attending school on campus higher if good paying jobs are available in their communities. Flexible part-time and digital learning will be required to support the skills development of people working full-time. Other developed countries face similar population challenges.¹

Canadian consumer debt and rising interest rates (along with an ageing population) will result in decreased demand for durable goods.⁶ Canadian consumers are carrying high debt loads, so any increases in interest rates will mean less disposable income for consumer goods.⁶ The Bank of Canada is expected to raise interest rates twice in 2019, and three times in 2020.⁶ One result is the closing of a General Motors plant this year, which affects 2,500 employees and associated auto suppliers.⁹ Without government intervention, these increases in the interest rate will also affect student loans and decrease the affordability of higher education.

The oil industry will see limited growth from continued low prices (the US has a glut of oil and has softened import restrictions on Iranian oil) and higher costs (expensive rail shipping because of low pipeline capacity).⁶ Capacity issues are expected to continue until the 2020 completion of

Enbridge's Line 3 Replacement project between Alberta and Wisconsin.⁶ Since 2012, rail volume has increased eight-fold from 28,517 barrels per day to over 200,000 barrels a day on Canadian railways.¹⁰ Natural gas prices are expected to remain stable, and Phase 1 of LNG Canada's Coastal GasLink BC pipeline will boost construction activity.⁶

Wheat and oilseeds will continue to be Canada's dominant farm exports to Asian countries; the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) also allows for freer trade with Japan and Vietnam.⁶ Trade retaliation from China on canola shipments may hamper export sales.¹¹ Canada has also experienced trade disputes with Saudi Arabia, which has blocked some Canadian export shipments."¹² The uncertain political climate is likely to continue to continue in the near future.

Trends in British Columbia

Overall, the BC economy is expected to fall from an average of 3.2% (from 2014-2017) to 2.7% in 2018, 2.5% in 2019, and 2.4% in 2020.¹³ B.C. will continue to lead the provinces in economic growth over the next couple of years.¹³ The labour market remains tight with unemployment at 4.7% in 2018 (the lowest in Canada) and is expected to fall slightly in the next couple of years.¹³

The forestry sector is expected to slow due to a shortage of logs (after a decade of beetle infestations), a softening housing market, and ongoing US softwood lumber duties. Home sales in BC dropped by 40% in 2018 after stricter federal mortgage rules and taxes on speculation and unoccupied homes.¹³ In January, West Fraser Timber, a forestry company, announced temporary shut downs of three BC mills in Chasm, 100 Mile House and Chetwynd.¹⁴ Forestry

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workers may require reskilling to enter new industries or careers.

The first phase of the LNG Canada's terminal and pipeline, the WoodFibre LNG project and the Site C Dam will all provide growth for BC.¹³ In the Vancouver area, expansion of the Vancouver International Airport (YVR) and the Pattullo Bridge replacement (a four-year, \$1.3 billion project) are expected.^{13,15}

In BC, the technology sector surpassed the combined total employment of forestry, mining and oil/gas in 2006, and surpassed the overall contribution of those sectors to provincial gross domestic product (GDP).¹⁶ The growing tech sector's demand for office space will prompt construction of Vancouver's tallest office building, "The Stack" (\$500 million, 36 stories).^{13,17} Technology continues to be an economic driver in the Vancouver area, the Okanagan, and (to a lesser extent) in the Kamloops region.¹³ Technology and political policies such as the #BCTECH Strategy will be discussed in future briefing notes in this series.

Regional Trends

The Thompson Rivers [College Region](#) (a construct used by the BC government to describe the TRU catchment area) encompasses most of the Cariboo and the Thompson-Nicola regional districts.¹⁸ Kamloops is the largest community in the region with a population of over 90,000 people.¹⁹

The regional economy is driven by agriculture (largely beef), forestry, and mining (gold and copper).¹⁹ There are more than 120 fabrication and manufacturing companies operating in the Kamloops area, approximately 75% of which export internationally.¹⁹ Tourism, especially outdoor recreation, is an important industry in the

region.¹⁹ Transportation and logistics are contributors; Kamloops is a highway and rail transportation hub.¹⁹ Transporting oil by rail will likely continue in the short term until pipeline capacity is built.

Green industries are emerging; energy is being created from saw mill wood waste and geothermal installations;¹⁹ Sun Rivers in Kamloops was Canada's first geothermal community.¹⁹ As well, a small high-technology hub is emerging locally with a ready-made labour market from Thompson Rivers University programs.¹⁹

Next in the Series

The next report in the Envision TRU Environmental Scan series will focus on the labour market and skills for the future of work.

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