



VANCITY CREDIT UNION

Economic Update
*Insolvency as a lagging
Indicator Now Catching Up*

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STATE OF CANADIAN ECONOMY



Canadian & B.C. Headline Growth in 2025 ...

Canada

GDP growth ~1.7%
Unemployment 6.6%

- ❑ Trade uncertainty - overall lower exports
- ❑ Inflation - cooled more sharply to 2% BoC target
- ❑ Interest rate - rate cuts to 2.25%

British Columbia

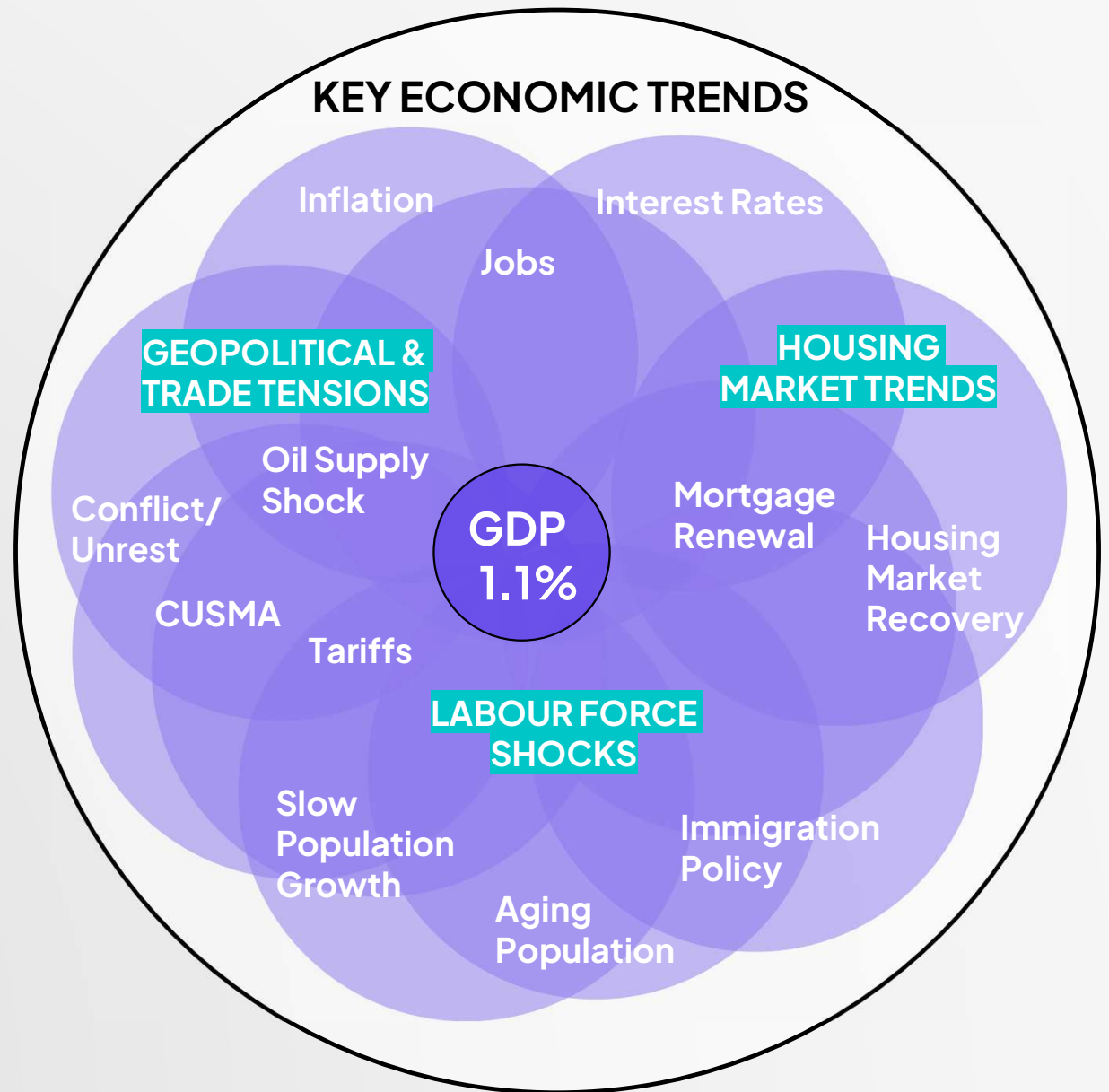
GDP growth ~1.5%
Unemployment 6.2%

- ❑ Tariffs and trade uncertainty - forestry sector
- ❑ Major projects winding down
- ❑ Population growth cooling
- ❑ Housing remained subdued

High Government Spending; Muted Business Investment; Lower Trade Impacts; Steady Consumer Spending

CANADIAN MACRO- ECONOMIC CONTEXT 2026

*A more fragmented,
less efficient global
economy*



BC outlook remains below normal pace at ~1.3% reflecting constrained growth¹



¹GDP projection base on consensus data

The economy is slowing but not contracting – early 2026 indicators snapshot

Labour Market → income stress

Signaling a softening labour market, not breaking

- Unemployment rate (Canada) - 6.7% (Mar '26) ↔
- Employment - BC, -19k jobs (Mar) ↓
- Wage growth (YoY) ~4.7% ↓

Inflation & Cost Pressure → liquidity squeeze

Moderate overall, but pressure persists in essentials

- Headline CPI 2.4% YoY (Mar) ↑
- Energy / gasoline Gasoline +5.9% YoY ↑
- Food inflation ~4-4.4% YoY ↔

Interest Rates & Debt-Service Load → balance sheet

Rates have fallen, but debt stress remains

- BoC policy rate (2.25%) ↔
- 5-year fixed mortgage rates (~4.0-4.2%) ↔

Consumer Demand → SMEs revenue shock

Consumer spending is uneven: holding up nationally, but BC is weakening

- Retail sales - Canada (+3.8% YoY) ↑ ; BC (-0.4% MoM) ↓ Feb
- Core retail (ex gas/autos), +0.6% MoM ↔

Deeper Signals that Matter in 2026

- A** People (labour + demographics): our market and workforce are changing
- B** Demand & affordability (household pressure, investment hesitation)
- C** Rules (CUSMA + tariffs) and policy: most trade still flows, but sector rules/ fiscal policy can change fast

In BC, these show up first in hiring pressure, housing affordability, and sector-specific trade exposure.



People & Labour Force Composition

B.C. has fewer working-age people supporting a growing dependent population.

Implications:

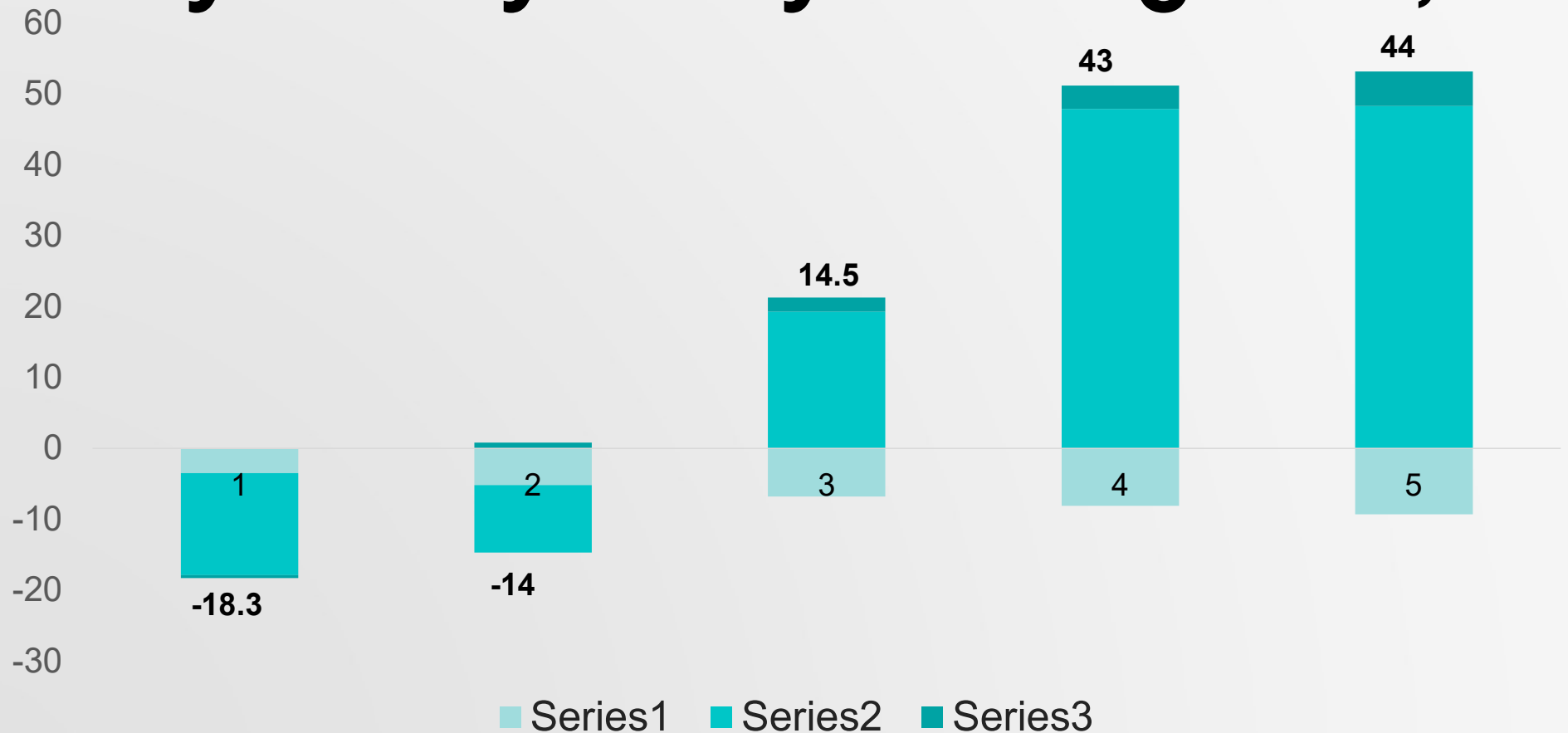
- Hiring
- Healthcare demand
- Spending patterns

Population growth is slowing, and the mix is shifting, so workforce supply and demand do not move the way they used to.

Implications:

- Settlement patterns
- Housing demand
- Workforce integration

Near term population growth is weaker, later years rely heavily on immigration, BC



Data Source: Statistics Canada. Table 17-10-0058-01 Components of projected population growth, by projection scenario (x 1,000)

Demand & Affordability

(Affordability and balance-sheet pressure are reshaping behaviour)

Vancity

Why does demand feel weaker than the data suggests?

- Household cash-flow squeeze
 - ✓ Energy/fuel costs
 - ✓ Food, rent, essentials inflationChoice between essentials and discretionary
- Businesses confidence – In high-cost regions affordability shapes spending and wage expectations
- Demand is uneven – Essentials hold up; discretionary and big-ticket items lag

Trade Rules and Policy

While CUSMA mostly works, pockets of risk are large:

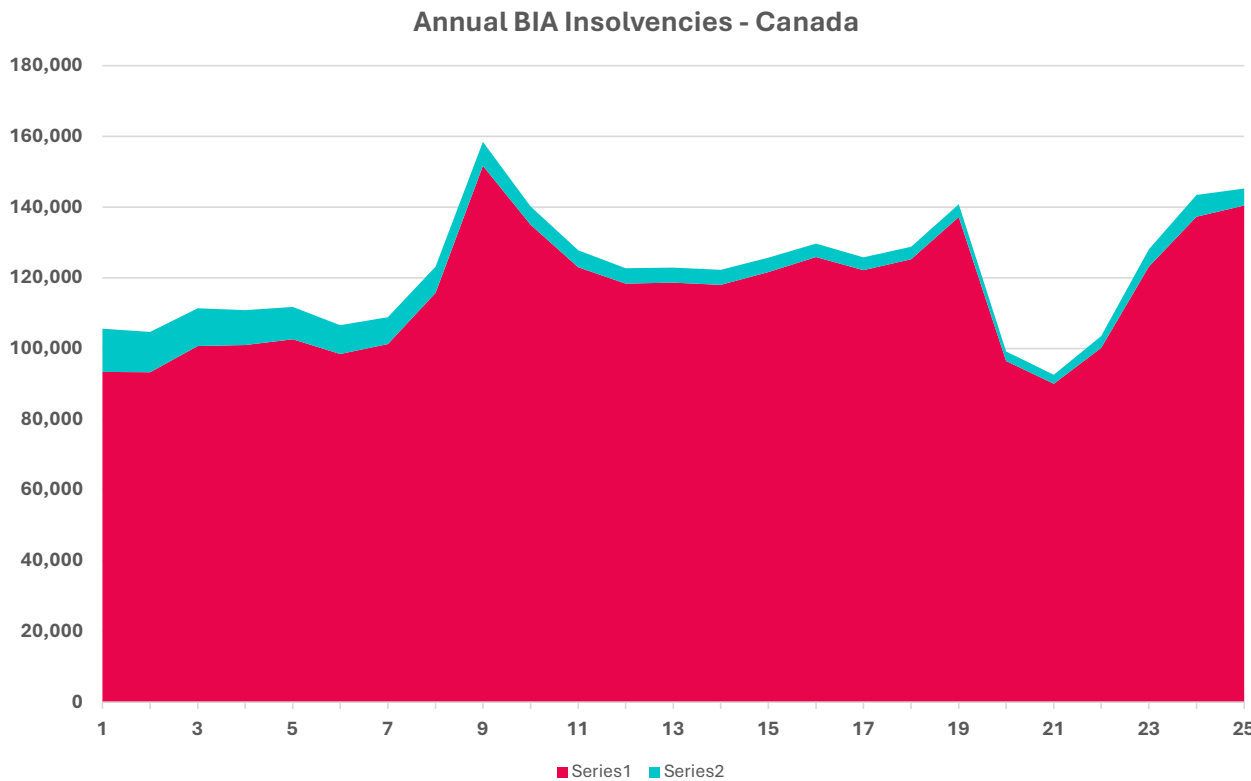
- About half of B.C.'s exports go to the U.S., but exposure varies by sector and is smaller comparatively
- CUSMA joint review scenarios are uncertain
- New sectoral tariffs uncertain
- Federal government fiscal policy actions to stimulate the economy

B.C. exports to U.S. vs Rest of World



*What this means:
Insolvency as a lagging
indicator now catching up*

Canada's insolvencies are elevated but remain below post-2009 Global Financial Crisis peaks



Consumer proposals (~79%) dominant - restructuring

Elevated cost of living

High non-mortgage debt levels

Mortgage renewals at higher rates

Business insolvencies **high but easing, concentration in:**

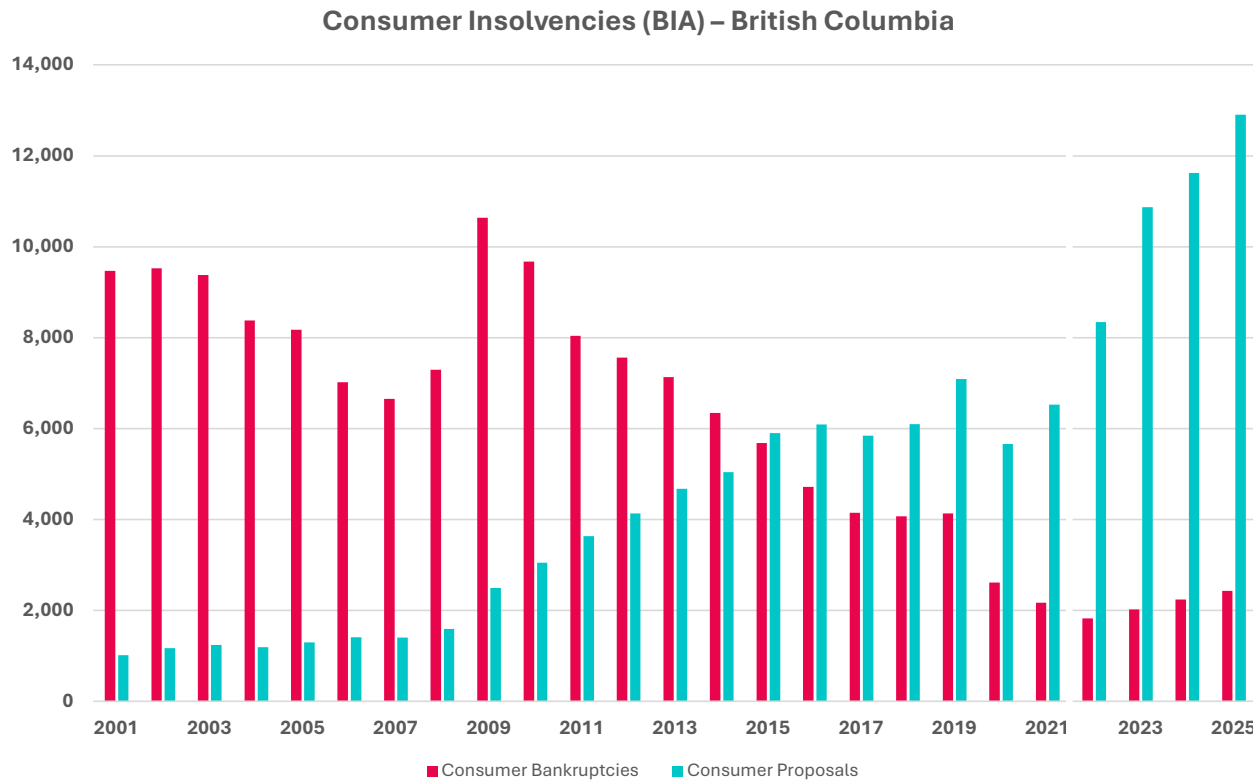
Retail

Construction

Hospitality

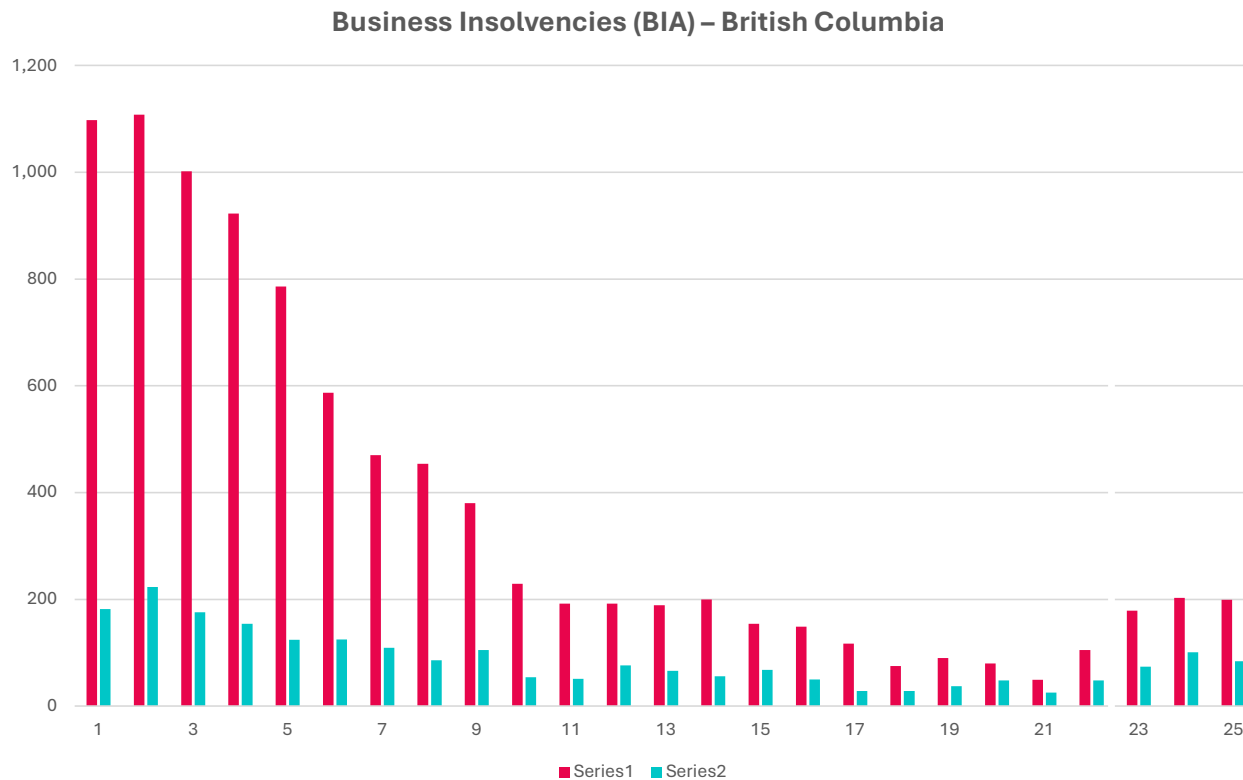
Transportation

BC consumer insolvencies have grown faster than the national average



- Exposure to higher housing costs , meaning high rents, large mortgages, and sharp payment resets
- Higher debt-servicing pressures

BC business insolvencies peaked at lower levels than Ontario and Quebec





- BC's exposure is concentrated in:
- ✓ Small services firms
- ✓ Construction and trades
- ✓ Tourism-related businesses

What key factors to watch for in BC











 **Mortgage Renewal Wave (2025–2027)**

 **Labour Market Softening/ Unemployment**

 **Interest Rate Path (Cuts vs. Higher-for-Longer)**

 **Credit Tightening (Lender Selectivity / Reduced Limits)**

 **Weak Housing Market/ Slow Resale Activity in BC**

| <u>Consumer Impact</u> | <u>Business Impact</u> | <u>Leading Indicators Examples</u> |
|--|---|---|
|  VERY HIGH |  MEDIUM | <ul style="list-style-type: none"> ▪ Mortgage arrears rate 90+ days ▪ Mortgage debt service ratio, BoC ▪ CMHC Vancouver CMA delinquency forecast |
|  VERY HIGH |  HIGH | <ul style="list-style-type: none"> ▪ BC unemployment rate, StatCan LFS ▪ EI claims for BC region ▪ Prime mortgage default rate, DBRS/ CMHC |
|  HIGH |  HIGH | <ul style="list-style-type: none"> ▪ BoC policy rate decisions ▪ 5-year fixed mortgage rates (posted & discounted) ▪ Business credit line spreads |
|  HIGH |  VERY HIGH | <ul style="list-style-type: none"> ▪ Equifax Small Business Health Index (quarterly) ▪ Non-mortgage consumer delinquency rate |
|  MEDIUM-HIGH |  HIGH | <ul style="list-style-type: none"> ▪ BCREA Sales-to-Active Listings Ratio ▪ Active MLS listings, BC ▪ BC Home Price Index, CREA/BCREA ▪ CMHC housing starts |

Criticality Scale:  **Very High**  **High**  **Medium-High**  **Medium**  **Low**



In a changing economy, early insight and deliberate action drive success

Drivers

- Elevated debt-service burden
- Higher interest-rate reset level
- Labour market cooling
- Slowing income momentum
- Persistent cost pressure in essentials
- Housing market adjustment
- Credit availability and risk appetite



Transmission

- Cash-flow squeeze
- Payment prioritization
- Arrears



Outcomes

- Consumer proposals
- Bankruptcies
- SME insolvencies

Thank you.