

Employment Up in July

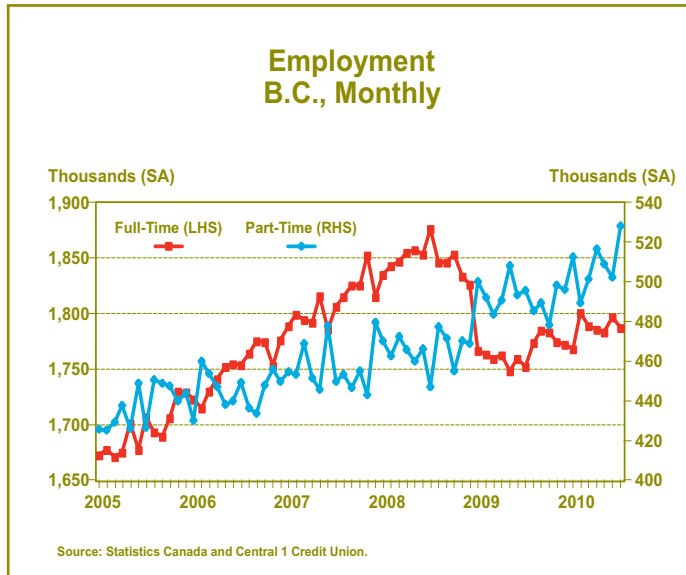
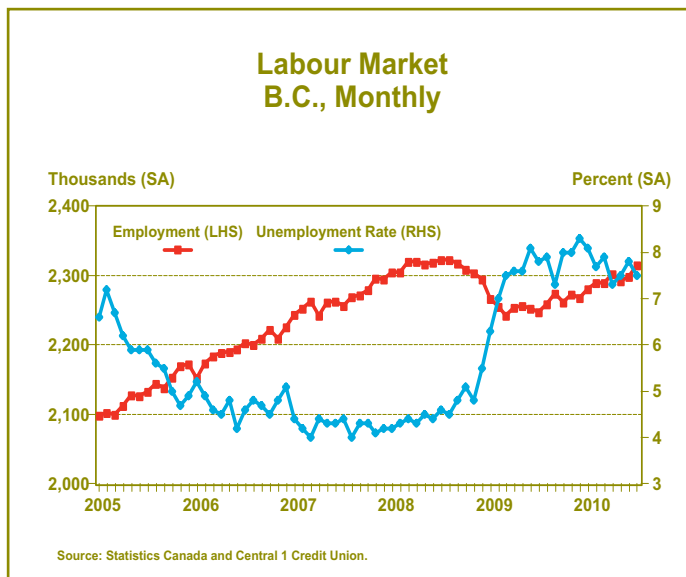
British Columbia bucked the national job trend according to Statistics Canada's latest Labour Force Survey, with estimated employment levels rising by 16,300 individuals in July, up 0.7% from June on a seasonally adjusted basis. Total employment reached an estimated 2.31 million individuals during the reference week of July 11 to 17, representing the highest level since September 2008.

While July's gain was the largest since September 2009, net employment growth was attributed to a strong rise in part-time work, as full-time jobs declined. The unemployment rate dipped to 7.5% as job gains outpaced labour force expansion.

Among B.C. industries, the goods-producing sector accounted for the majority of July's gains, rising by 11,300 persons. Significant growth was registered in the manufacturing sector, as well as forestry/fishing/mining/oil & gas. In the services-producing sector, transportation/warehousing, professional/scientific/technical and business services recorded significant growth. These gains were largely offset by a reversal of June's job gains in the finance/insurance/real estate/leasing and health care/social assistance.

The employment uptrend in place since July 2009 remains generally intact, but growth is expected to be modest as the year progresses. Continued uncertainty over the economy's growth path, moderating business confidence, and excess capacity suggests that employers can increase hours worked and shift employees to full-time status as demand for their products rises with the economic recovery. This will mean less need to hire extra workers, and slower growth in hiring.

Central 1 Credit Union forecasts average employment levels this year to be 1.9% higher than in 2009, with a further 2.2% growth in 2011. The unemployment rate



is forecast to average 7.5% in 2010 and dip to 7.2% the following year.

Building Permits Rise on Multi-Family Activity

The **value of building permits** issued by local governments in British Columbia rose 15.1% on a



seasonally adjusted basis to \$860 million in June, following an 11% gain in May. In contrast to May's increase, which resulted from growth in institutional and government building intentions, June's activity was led by residential permit values, which rose 26.2%, while non-residential permits slid back by 5.4%.

The sharp uptick in June residential permits does not indicate a trend. Large monthly variations commonly occur due to issuances of permits for large-scale multiple-family dwellings such as apartment condominium structures. Since the beginning of the year, monthly changes in residential permits have fluctuated by more than +/- 20% in four of the six months.

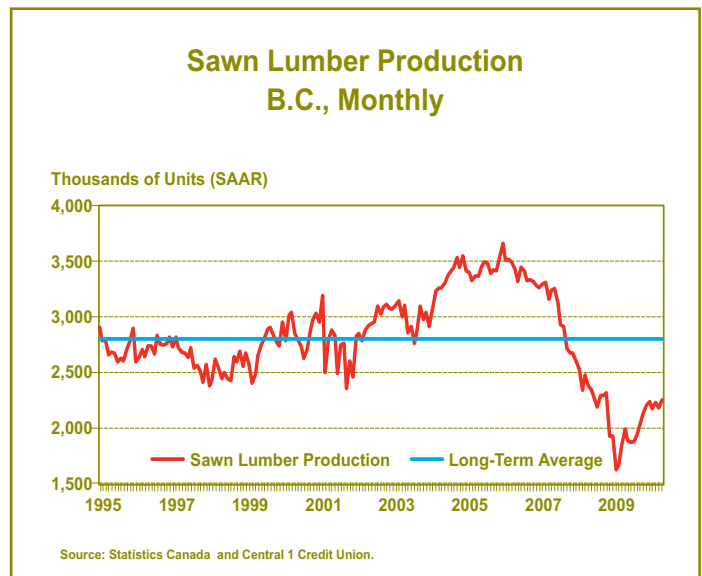
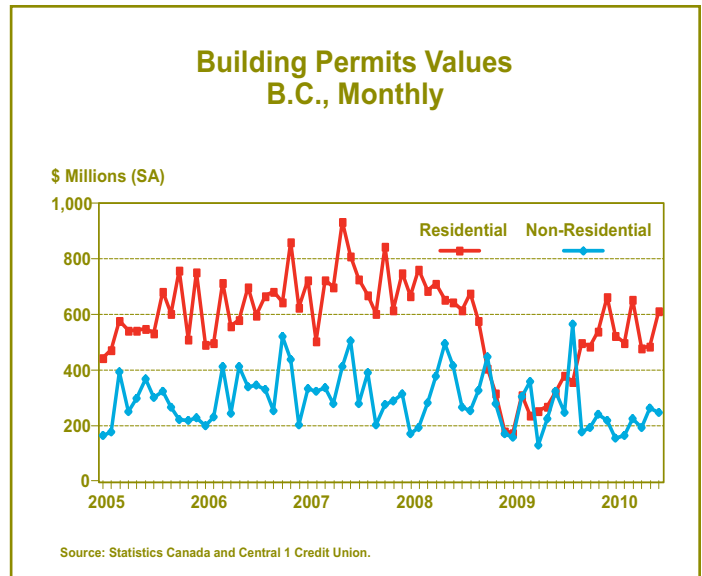
The single-detached market is a more stable indicator of building intentions. Based on data adapted from Statistics Canada, permit volumes for single-detached homes fell 8.8% in June, and have been on a downtrend since January. While building intentions are significantly improved from the recession troughs, they remain well below levels averaged in 2006-2008. Over the near-term, the combined impacts of uncertain economic conditions, elevated resale and new home inventory, and the Harmonized Sales Tax on new home purchases and renovation activity could temper residential building intentions.

Among British Columbia's Census Metropolitan Areas (CMAs), Vancouver's permit values rose 12.6% from May on a seasonally adjusted basis, while Abbotsford's fell 50% after recording a near-doubling in May. Victoria dropped by 8% and Kelowna declined 11%.

Lumber Production Stalling in 2010

British Columbia's **sawn lumber production**, adjusted for seasonal factors, advanced by 3.2% to reach 2.25 million dry cubic metres in May. Gains were primarily attributed to higher production in the central and northern interior regions.

Despite the solid monthly increase, production levels have stalled this year after recording a 36% rebound from recession lows during the latter three



quarters of 2009, reflecting the uneven pace of economic recovery and continued weakness in the U.S. housing market. Production activity in 2010 has been only 80% of the 15-year average, and well below levels reached in 2005-2007.

B.C.'s forestry sector is unlikely to see a substantial improvement in near-term production levels. While B.C. increasingly taps Asian markets as export destinations, provincial production still tracks closely with trends in the U.S. new home market, reflecting the high proportion of B.C. lumber exports that are shipped south. In recent months, the gradual uptrend in new home starts has reversed course, reflecting

the end of the U.S. federal home-buyer tax credit. Meanwhile, a high level of vacant homes and a weak labour market has constrained new housing demand, and will continue to do so in the near-term.

Over a longer period, stabilization in U.S. home prices, population growth, and a recovering economy are expected to drive up new home construction and increase demand for B.C. lumber.

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