Strong year-over-year employment gains led by part-time work

B.C. labour market conditions were little changed from February. Total employment increased by 0.3 per cent or 3,200 persons to just over 2.55 million persons (seasonally-adjusted). While a statistically insignificant change, the gain extended the strong upward trend observed over the past year. On a 12-month basis, employment growth sizzled at 3.2 per cent (79,400 persons) which was highest among provinces and above the national gain of 1.8 per cent.

The Vancouver Census Metropolitan Area (CMA) drove the provincial gain with a 0.3 per cent increase from February, while the year-over-year gain came in at a four per cent rate increase. Among other metro areas, year-over-year growth trends remained solid in Abbotsford-Mission near three per cent, and Kelowna at two per cent.

At the industry level, there were few notable changes from February. Employment in finance/insurance/real estate/leasing rose 5.2 per cent, while professional/scientific/technical services employment rose 3.6 per cent. These sectors also posted a strong year-over-year gains of 12 per cent. Public administration employment rose 4.2 per cent from February, and ten per cent, year-over-year. Broadly, services-employment has driven overall gains with a 4.8 per cent year-over-year increase. Goods-sector employment tailed off and was down 3.1 per cent, year-over-year, with significant declines in resources, manufacturing and construction.

A caveat of the employment story has been a ramp up in part-time work, which is up nearly 10 per cent while full-time gains increased by a relatively modest 1.5 per cent. This unequal split has contributed to relatively slow growth in total hours worked, which was up 1.6 per cent year-over-year in March, suggesting topline employment growth overstates economic growth. Meanwhile, average hourly earnings growth eased to 0.5 per cent year-over-year from more than four per cent in the first half of 2018. This growth likely reflects the industry-shift to services, and the composition of full-time and part-time workers.

Nevertheless, B.C.’s unemployment rate of 4.7 per cent remained the lowest in the country despite rising from 4.5 per cent in February. Labour shortages remain rampant, which aligns with recent data on job vacancies, and survey readings from groups such as the Canadian Federation of Independent Business, that point to skilled labour shortages. This could be a factor in explaining the sharper increase in part-time work as the strong labour market demand incents some individuals to rejoin the workforce at reduced
Mortgage stress tests are severely impacting first-time buyers which is curtailing move up activity. Declining prices over the past year are also keeping buyers on the sidelines as confidence in the market deteriorated.

Inventory is trending higher based on lower sales, and consequently, the sales-to-active listings (inventory) ratio is in a buyers’ market. While sellers loathe cutting prices, which is partly a reason for sluggish sales. The average MLS® sales price rose in three per cent from February to $879,630 but was down 4.4 per cent year-over-year. Average prices fluctuate due to geographic and sales share, but the trend is generally negative.

The benchmark housing price index (HPI), which adjusts for sales composition and property characteristics, pointed to a seasonally-adjusted drop of one per cent from February, and a 6.4 per cent year-over-year decline. Momentum has generally been weakest in the townhome sector in recent months. Year-over-year, detached HPI fell 7.9 per cent, townhomes fell 5.5 per cent, and apartments 5.3 per cent.

On a regional basis, sharper HPI declines have been observed in West Vancouver (down 16.7 per cent), Vancouver City (down more than eight per cent), North Vancouver (down 9.2 per cent), and Richmond (down

March Lower Mainland sales plumb to multi-decade low

The ‘no good, very bad year for the Lower Mainland housing market continued into March as the sales slump deepened and prices further declined. Total MLS® sales in the combined Metro Vancouver and Abbotsford-Mission came in at just 2,909 units which was down 29.5 per cent from same-month 2018. This was the fewest March sales since 1998.

While much has been reported that Greater Vancouver sales were the lowest since 1986, it is worth noting that only includes the geographic area of the Real Estate Board of Greater Vancouver. This excludes the higher growth regions south of the Fraser River such as Surrey and Langley. Nevertheless, there is little argument that current home sales are very low. We calculate that seasonally-adjusted sales declined seven per cent from February— the lowest since the 2008/09 Great Financial Crisis both in level terms and adjusted for the size of the working population.

A swath of policy measures in recent years by the federal, provincial and municipal governments continue to curtail activity despite a robust labour market. Federal mortgage stress tests, provincial speculation and expanded foreign buyer taxes, and other measures have contributed to the pull back. More recent data on non-residential ownership has shown foreign purchasing to be more significant than previously estimated.

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B.C. employment growth is forecast to average a modest two per cent this year and 1.5 per cent in 2020. A slowing economy and housing market factor into the modest gain, as does a constrained labour supply. The unemployment rate averages 4.7 per cent this year and 4.4 per cent in 2020.

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7.5 per cent). Detached pricing has been significantly weaker in these markets.

What will the spring bring? Home sales will remain low over the next few months. A declining mortgage rate environment could provide a boost in demand, although the stress test will remain a hurdle. The federal government’s First-Time Home Buyer Incentive shared equity mortgage loan program, which was announced in the recent budget, will provide little support to the market. The program has a maximum property price of four times household income and a maximum household income of $120,000 or a home price of $480,000. This will not purchase much in the way of family housing in the Lower Mainland though more apartment units will qualify. The program will not be available until September. The benchmark HPI is expected to decline another five per cent, marking a peak to trough decline of about 10 to 12 per cent, returning to mid-2017 levels.

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