

Highlights:

- B.C. employment up by 5,900 persons in April
- Housing starts surge in April
- Merchandise exports improve in March

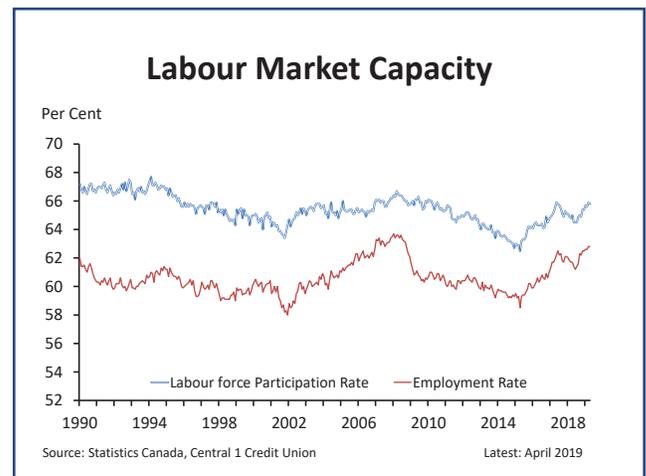
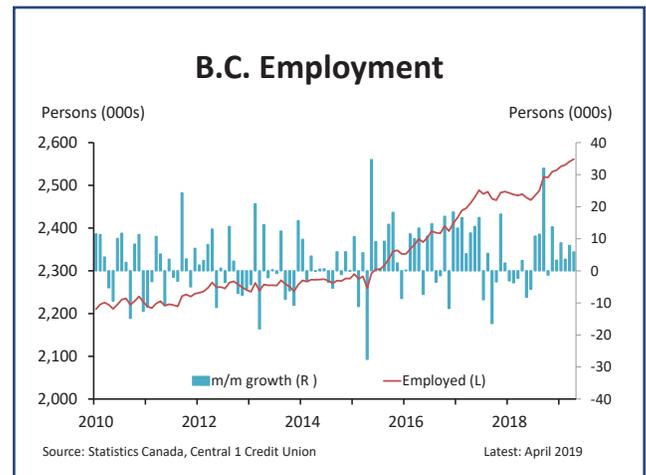
Full-time hiring lifts employment for sixth straight month

After a weak first half of 2018, hiring has continued to impress. B.C.'s labour market had another solid showing in April according to the latest Statistics Canada *Labour Force Survey* estimates. Employment inched higher for a sixth straight month, rising 0.2 per cent or 5,900 persons, to 2.56 million persons. Full-time employment tenure led the gain, surging 1.5 per cent or nearly 30,000 positions from March. While part-time losses offset much of the increase, the shift speaks largely to improved job quality.

Younger workers (aged 15-24) accounted for the bulk of B.C.'s April increase with net hiring up three per cent or 10,600 persons. Employment for those aged 55 and over declined 1.3 per cent or 7,500 persons. On an industry basis, net gains were driven by a significant gain in construction employment (up 3.4 per cent or 7,900 persons) and business/building/ other support services (up 3.1 per cent or 3,500 persons). In contrast, employment in health care and social assistance fell 1.7 per cent (or 5,300 persons).

While monthly employment growth trailed the stronger nationwide increase of 0.6 per cent—led by strong gains in Ontario, Alberta, and Quebec—gains over the past year have been robust. Year-over-year employment growth in B.C. was 3.3 per cent (82,100 persons), second only to Prince Edward Island, and above the already impressive national gain of 2.3 per cent. Hiring has been both full-time and part-time tenure, and across age groups.

The broad picture of the labour market remains strong. Employment momentum continues despite clear



signs of a labour market operating near capacity and prevalence of labour shortages. The unemployment rate in B.C. came in at 4.6 per cent, which was lowest among provinces. Second was Quebec at 4.9 per cent, with a national rate of 5.7 per cent. Labour force participation rates and employment as a share of the working age population (employment rate) are at cycle highs and levels prior to the 2008/09 financial crisis. This is especially impressive given aging demographics. Strong labour demand is keeping more people employed and engaged in the labour force. This same factor, and longer life expectancy are keeping those historically near the retirement sunset, in the market.

One dour data point is wages. Average hourly wage rates rose a scant 0.5 per cent year-over-year and decelerated over the past year despite the tight labour market. Service sector wages have remained stagnant at 0.4 per cent, though this may reflect composition of job growth. Labour market conditions should lift wages going forward.

In combination with recent payroll employment data trends, the latest *Labour Force Survey* results point to moderate growth in the economy, and support household spending going forward. This looks to provide offset to a weaker housing profile.

Housing starts yet to be grounded

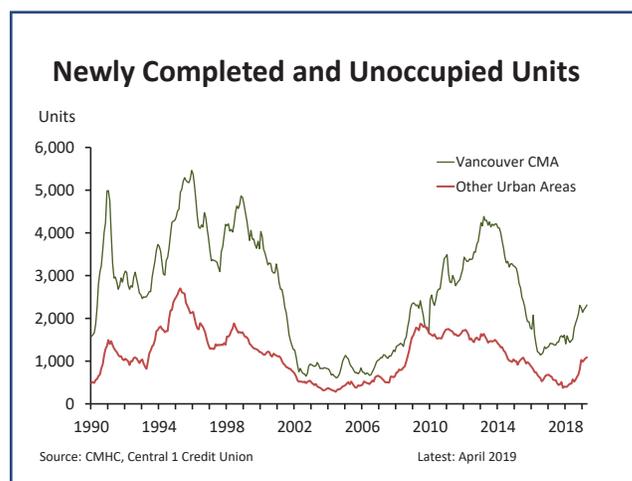
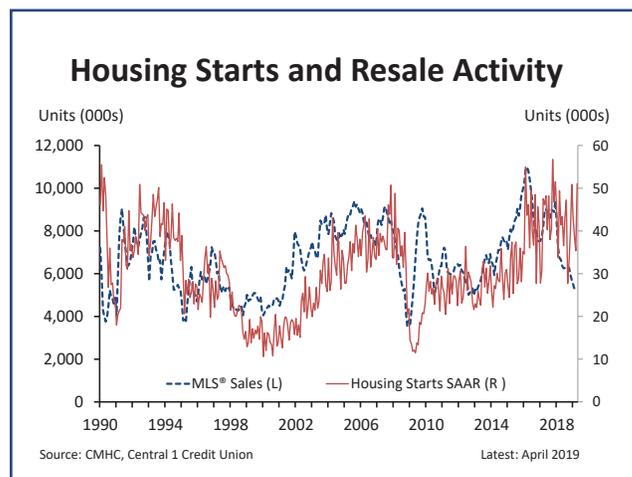
B.C. housing starts continued to defy gravity in April. Despite a severe drag in home sales, starts posted the strongest performance in over a year. Total urban area starts reached a seasonally adjusted annualized pace of 49,188 units. This was a 50 per cent increase from March's 32,500 unit pace. This was led by a sharp rebound in combined apartment and townhome starts which jumped 60 per cent from a 25,170 unit pace to more than 41,000 unit pace in April. Detached starts rose 11 per cent to a 8,150 unit pace.

Among B.C.'s metro areas, the surge was dominated by the Vancouver Census Metropolitan Area (CMA), which broke from the 20-25,000 unit trend to a 34,200 unit pace in April. Victoria starts doubled to 5,300 units. Activity in Kelowna remained low in both Kelowna and Abbotsford-Mission. Much of last month's gain was a coincidence of project start dates. Multi-family projects take years to plan, develop and pre-sell before breaking ground. Current market conditions would not impact these timelines.

With four months in the books, year-to-date housing starts were unchanged from 2018 and broadly has outperformed the rest of the country. National starts in urban areas fell eight per cent over the same period. Vancouver metro area starts are down two per cent, while Victoria (up 21 per cent) and Abbotsford-Mission (up 73 per cent) have provided offset. Multi-family starts growth has offset lower detached starts.

| Housing Starts: Year-to-date January to April | | | |
|---|--------|--------|----------|
| | 2018 | 2019 | % change |
| Vancouver CMA | 8,833 | 8,644 | -2.1 |
| Victoria CMA | 986 | 1,196 | 21.3 |
| Kelowna CMA | 667 | 452 | -32.2 |
| Abbotsford-Mission CMA | 235 | 407 | 73.2 |
| Other Urban BC | 2,013 | 2,049 | 1.8 |
| Total Urb BC | 12,734 | 12,748 | 0.1 |
| Detached | 2,788 | 2,132 | -23.5 |
| Multis | 9,946 | 10,616 | 6.7 |

Source: CMHC



For now, this remains the curious case of new home construction which remains relatively strong despite a very sluggish resale market and rising home inventories. That said, we still anticipate housing starts to decline sharply over the second half of the year. Builders will be re-assessing market conditions in light of the policy-led downturn in resale transactions and rising inventories. There remains a near record number of units under construction, and we anticipate that resale inventory will rise with completions as investors attempt to offload units. Reportedly low pre-sale activity—and signs of increased developer incentives—will translate into a slowing of future new home starts as it takes longer to sell through and secure construction financing. An expanding population will underpin long-term demand for housing and the need for more construction.

Merchandise exports improve in March

B.C. goods exports posted a seasonal upshift in March as sales rose to \$4.24 billion, compared to \$3.3 billion in February. Year-over-year performance was virtually

unchanged, but an improvement following a sharp prior month decline. Adjusted for seasonal effects (Central 1 estimates), we calculate a near five per cent export gain from February which is encouraging following a declining trend since mid-2018.

Exports firmed across sectors, with basic and industrial products rising 32 per cent, year-over-year, following a 17 per cent increase in February. Electronic and electrical equipment moved back into positive territory following a drop of seven per cent the previous month, while motor vehicle and parts growth jumped to 24 per cent after contracting in February. Forestry sales also improved but remained down 5.5 per cent from same-month 2018.

Export trends remain soft despite the recent uptick, owing in part to weaker demand for forestry products and soft prices. A low Canadian dollar will continue to support export demand, although broader economic uncertainty, deteriorating Canada-China relations and risks of a flare up in U.S. – China relations which could impact global economic growth, could cut short a rally.

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