B.C. Economic Briefing

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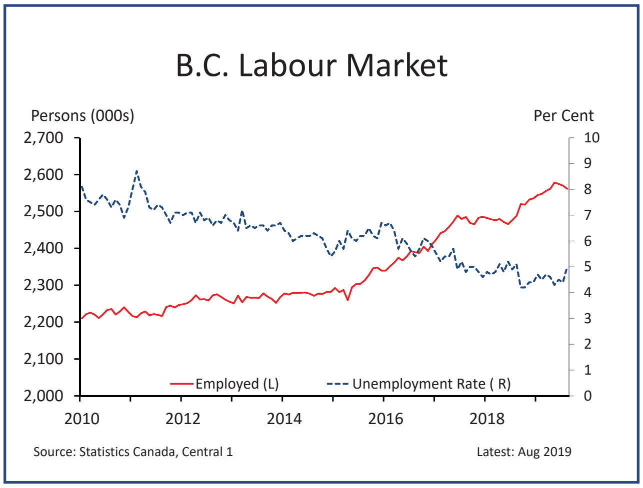
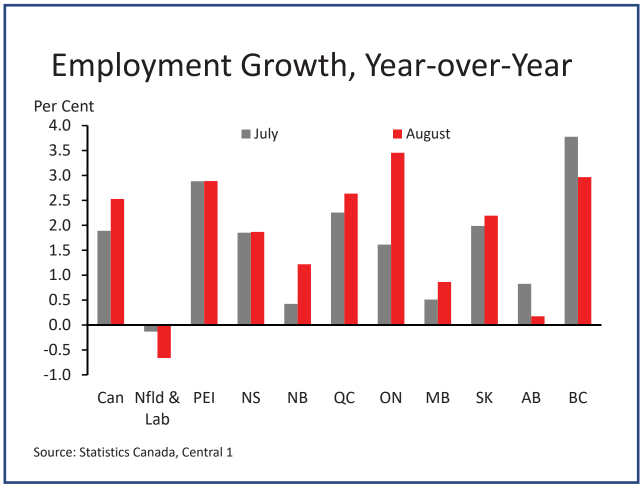
Highlights:

- B.C. labour market falters as Canadian numbers improve
- Lower Mainland sales on the rise, prices finding bottom
- Export sales slump continues





B.C. labour market softens in August but numbers still firm

Canadian labour market numbers widely outperformed expectations in August as employment rose by 81,100 persons or 0.4 per cent from July, albeit with a steady unemployment rate at 5.7 per cent. However, the hiring party was concentrated in central Canada and to a lesser extent Manitoba, while B.C. was on the outside looking in.

Estimated B.C. employment fell by 8,300 persons from July to 2.561 million persons, marking a 0.3 per cent decline. That said, this not statistically different than no change. Part-time losses (down 1.3 per cent or 7,200 persons) accounted for nearly all of the dip Employment has edged down for three consecutive months to give back most of the gain observed in May but remained three per cent higher than a year ago. The latter was second only to Ontario in August.

For the most part, employment changes by industry were insignificant. The latest monthly losses were driven by notable declines in finance, insurance, real estate, rental and leasing (down 2.5 per cent or 4,100 persons), healthcare and social assistance (down 2.7 per cent or 8,600 persons), construction (down 1.8 per cent or 4,300 persons). In contrast, professional, scientific and technical services (up 4.0 per cent or 8,800 person) posted a strong gain.

With the recent slip in employment and a rising number of individuals searching for work, B.C.'s unemployment rate rose to a 12-month high of five per cent from 4.4 per cent in July. pushed the unemployment rate to five per cent, marking the highest level in a year. This is still among the lowest in Canada second only to Quebec. Among prime-age workers (25 -54) the unemployment rate is 4.1 per cent. Rising supply of labour is contributing to uptick, boosted by immigration to B.C. and fewer discouraged workers reflecting what is still a tight labour market and plentiful job opportunities. Average hourly wage growth remained robust at 3.7 per cent year-over-year which is well outpacing inflation.

Regionally, August's dip was led by the Vancouver metro area which posted a drop of 16,900 persons for 1.1 per cent from July. Nonetheless, year-over-year growth came in at three per cent in line with the province, with an unemployment rate of 5.1 per cent.

Going forward, average employment is forecast to drift lower to and average an annual gain of 2.7 per cent reflecting slowing of economic activity and challenges of labour and skill availability with an average unemployment rate of 4.6 per cent.

Getting back to normal? Lower Mainland home sales on the rise but prices edge lower

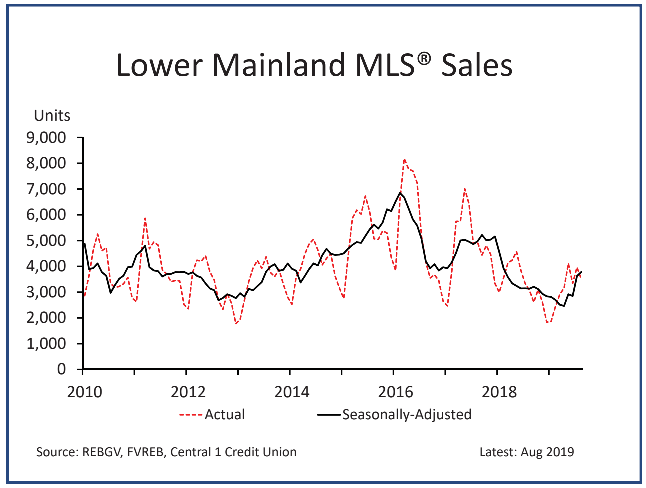
Momentum in Lower Mainland home sales continued to firm through August pointing to an end to the down-cycle observed early this year. Buyers are returning to the market amidst rising affordability due to declines in mortgage rates and prices. The effects of federal mortgage stress tests while still prevalent have likely faded with time as prospective buyers save larger downpayments and wages have increased.

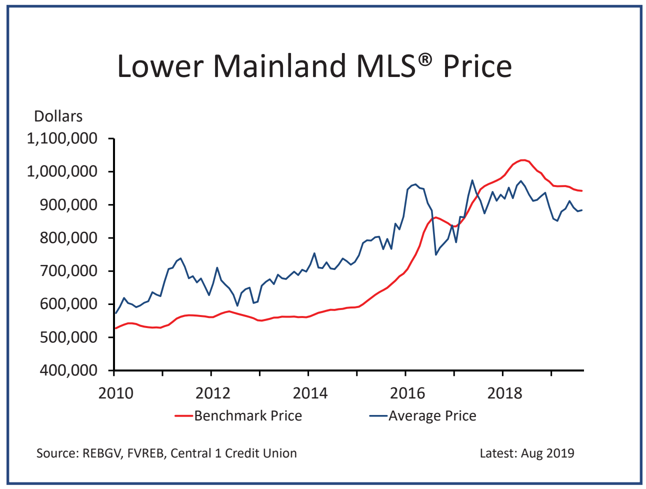
MLS® sales in the region spanning Metro Vancouver and Abbotsford-Mission, reached 3,501 unit in August marking a year-over-year gain of 14 per cent. On a seasonally- adjusted basis we calculate a 4.3 per cent month-to-month gain. Despite the improvement, home sales remain relatively weak. This was the lowest same-month sales since 2012 and was 13 per cent below the average for August sales going back to 2000.

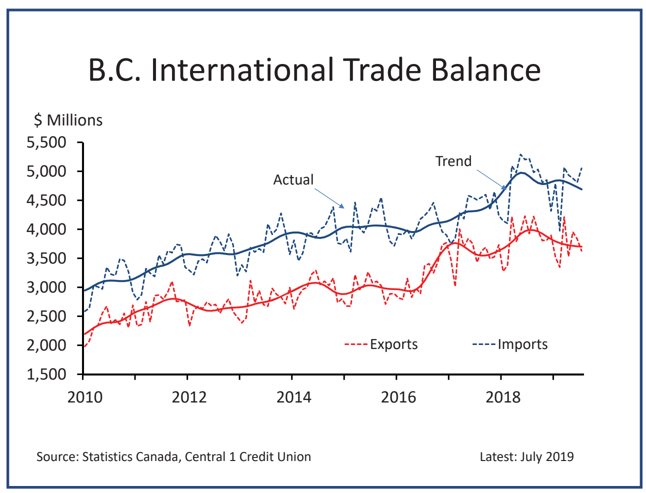
Rising home sales contributed to an uptick in the new listings trend as more sellers sensed an improvement in demand, while the sales- to -active listings ratio is showing more signs of balance in the market place.

While still below year ago levels, home prices look to be forming a bottom. The average price in the region edged higher on a month-to-month basis but was down three per cent from same-month 2019. Deceleration in the latter has slowed. Benchmark values are also showing signs of stabilizing. The indicator, which adjusts for housing attributes fell 0.2 per cent from July and has seen the pace of year-over-year decline slow to 7.3 per cent from 8.4 per cent in July. Detached home values slid from July by 0.5 per cent, while townhome and apartment prices edged higher. Improved affordability trends are likely trigger strength in the latter home types, specifically since a firm labour market and population growth remain a driver of housing demand.

For the most part, we view that this current downcycle is near and end. Prices will continue to ease over the coming months, but at a mild pace as rising sales support pricing conditions. Weakness in the broader macro-economy is certainly a negative risk for the local economy and housing markets, although rate cuts would blunt much of the impact.







Exporters feel the pinch in July

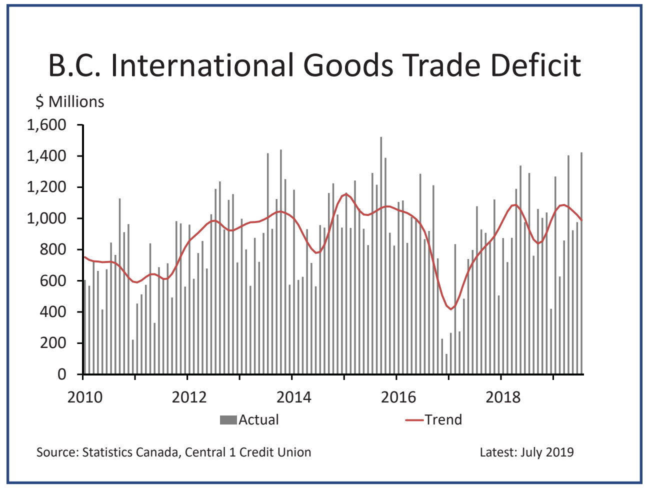
B.C. international goods export struggles continued through July with dollar-volume shipments down 7.6 per cent year-over-year. While a slight moderation from June nine per cent decline, sales continued to edge lower on a seasonally- adjusted basis to trend at the lowest pace more than two years. Year-to-date exports fell 2.8 per cent over the first seven months.

Weaker July exports were led by deterioration in metallic and non-metallic mineral products, which fell 11 per cent from June (seasonally- adjusted) and 33 per cent from a year ago in July. Forestry products edged lower and were down 28 per cent year-over-year.

These two product groups have accounted for the entirety of this year's decline. Sales in the former were down 22 per cent or $525 million over the first seven months, with forestry products down nearly $1.4 billion. Weaker global economic conditions, trade restrictions, soft commodity prices, and a severe downturn in the forestry sector have driven the declines.

Excluding these sectors, exports rose eight per cent on strength in food products (up 13 per cent), energy (up seven per cent), and consumer goods (up nine per cent). A relatively low Canadian dollar remains a support for export sales.

Dollar-volume imports fell 3.2 per cent year-over-year and were down 1.5 per cent through the first seven months. With exports declining faster than imports, B.C.'s trade deficit rose marginally higher during the first seven months to $7.5 billion compared to a year ago.



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