B.C. Economic Briefing

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Highlights:

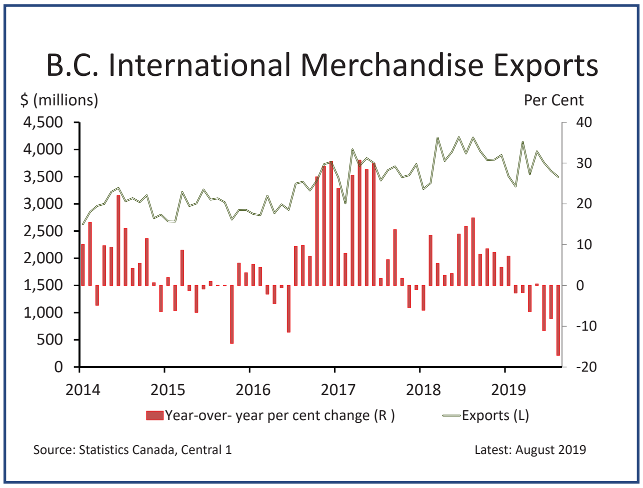
- Resources drive plunge in goods exports
- Population growth climbs at moderate pace driven by international inflows
- Lower Mainland home sales head back to normal, market conditions stabilizing

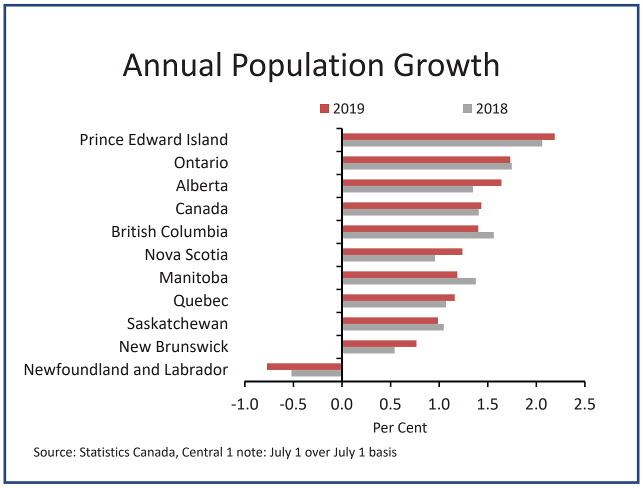
Goods exports post 17.1 per cent decline in August

Trade weakness in B.C. intensified in August as goods export sales plunged to the lowest level since early 2017. Estimated goods exports came in just shy of $3.5 billion, marking a 17.1 per cent decline from same-month 2018. This compared to a decline of 8.1 per cent in July. Through the first eight months, export sales are down five per cent.

Exports have eroded since mid-2018 owing to a sharp downturn in commodity related sales. Specifically, plunging prices, lower production and mill closures have led to a 29 per cent year-over-year decline in forestry product sales in August, with year-to-date sales down 17 per cent. Meanwhile, metal and mineral products fell 40 per cent, and raw metals/non-metallic minerals declined 23 per cent, year-over-year. The former is down 24 per cent through eight months while the latter is up five per cent. Industrial machinery and equipment and parts sales also declined. Broader factors including a forestry sector downturn and weaker global growth are factoring into the export downturn in B.C. through direct demand and lower prices.

In contrast, non-commodities related goods export remained positive as a low Canadian dollar continued to provide support for manufactured goods. Consumer goods (up 8.1 per cent), motor vehicle and parts (up 15 per cent) and electronic equipment and parts (up 2.3 per cent) remained ahead of a year ago export levels by a healthy margin.





Imports also declined in August but were down a comparably mild 1.3 per cent year-to-date.

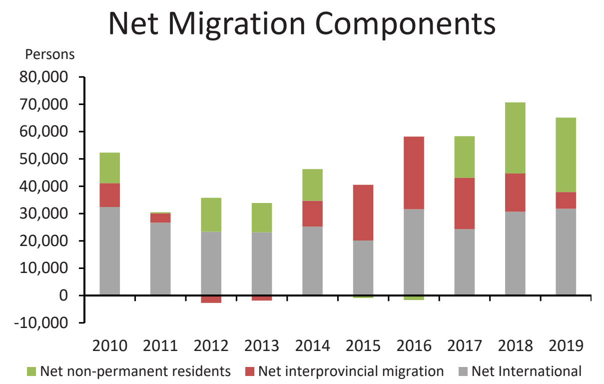
International immigration underpins population growth

Annual population growth in B.C. remained moderate in 2019 on a July-over-July basis, with the estimated count swelling by another 70,170 persons or 1.4 per cent. While there is a deceleration from a 1.6 per cent gain in 2018, this was consistent with national growth. Among provinces, B.C. growth was fourth highest.

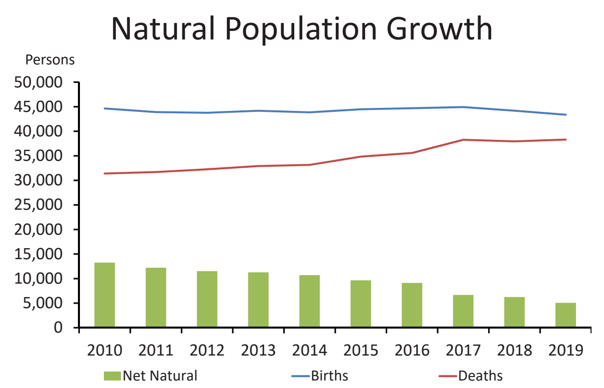
International migration continued to underpin population growth reflecting higher targeted levels of Canadian immigrant intake and attractiveness of B.C. to newcomers. Excluding temporary residents, net international migration to the province rose to 31,750 persons which was up slightly from 2018. Following lower immigrant inflow from 2011 through 2015, net flows have exceeded 30,000 individuals in three of the last four years. Adding to this has been the well documented surge in net non-permanent residents which remained exceptionally high at 27,243 persons, up slightly from prior year gains. These temporary residents largely reflect high levels of international students and work permits. Persistent labour shortages and low unemployment rates have driven the latter. International inflows will remain the key driver of population growth, although some reversal of temporary residents is likely as individuals return to their home countries, although others will stay to become residents.

In contrast, net interprovincial migration declined sharply and for a third straight year. Net inflows came in at 6,111 persons which was less than half of levels observed a year ago, and a quarter of 2015/16. The vast majority of this decline reflected an increase in outflows to Alberta which saw net migration to B.C. declined from 6,778 persons to 1,885 persons in 2019. Increased outflow to other prairie provinces also contributed. Relative economic conditions drive interprovincial flows. B.C.'s economy will likely fare better than its prairie neighbours in coming years, while major project construction will attract labour to the province.

One somewhat surprising datapoint observed in the latest numbers is the steep decline in net natural population growth (births less deaths), which fell to 5,060 persons in 2019. Levels have slowed sharply over the past three years and are half of levels observed in 2014. Growth has reflected a sharp pick up in deaths owing to an aging of the population, with growth being driven in the 60+ age cohort.



Source: Statistics Canada, Central 1 note: July 1 basis



Source: Statistics Canada, Central 1

Lower Mainland home sales move closer to normal in September as momentum climbs

The housing recovery in the Lower Mainland continued through September. Total MLS® sales in the combined Metro Vancouver and Abbotsford-Mission region rose 40 per cent on a year-over-year basis to 3,646 units. While largely reflecting a base year effect of poor sales a year ago, the trend is normalizing. We calculate a seasonally-adjusted increase of about eight per cent from August, which would mark a third straight gain and fifth increase in six months. This would be bang on with the ten year average, but still 20 per cent below levels observed prior to federal stress tests. Upward sales momentum will likely continue with activity mortgage rate cuts observed over the past year (albeit blunted by stress tests), solid labour market.

Price trends remain soft in September with both average and benchmark price growth underperforming seasonal norms. The average price rose 0.1 per cent from August to $884,677 but down 3.3 per cent year-over-year. The benchmark value, which adjusts for housing attributes, fell 0.4 per cent from August to mark a fifth straight decline, with a year-over-year decline of 6.4 per cent and nine per cent from the peak in mid-2018. Year-over-year declines have been consistent across home types.

That said, market conditions have firmed and downside risk to prices abated. Resale housing supply is in decline with higher sales and declining new listings. The latter was down 7.4 per cent year-over-year, suggesting many owners are content to sit on the sidelines with soft prices. Inventory, which is proxied by active listings, peaked in April on a seasonally- adjusted basis and was only slightly higher than a year ago. The sales-to-active listings ratio has turned higher and trends at the highest pace in more than a year in a range consistent with a balanced market. Elevated levels of units, particularly condominiums, under construction is an upside risk to inventory as some investor-owned units are added to supply, although many are likely to be a rented out given elevated rents.

Stronger sales and low inventory, a tight labour market and population growth will support prices going forward, with an upward trend emerging in 2020. That said any gains are expected to be shallow and aligned with inflation. The federal shared equity mortgage plan available to qualified buyers launched recently will also support demand.

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