

Highlights:

- B.C. MLS® sales rise eight per cent in September
- Manufacturing sales decline for a fourth straight month
- Consumer prices accelerate

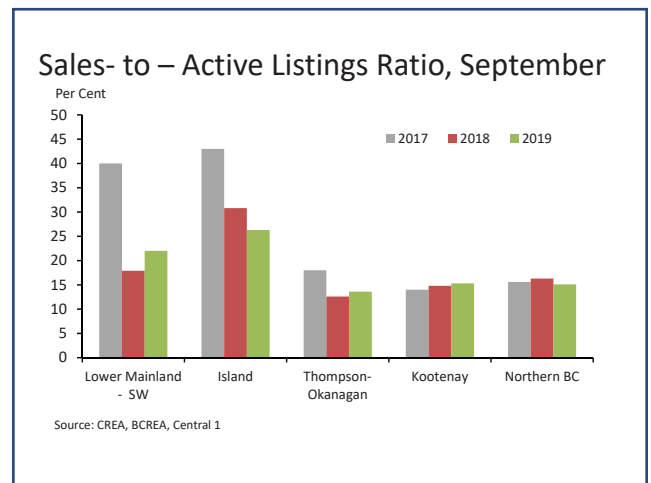
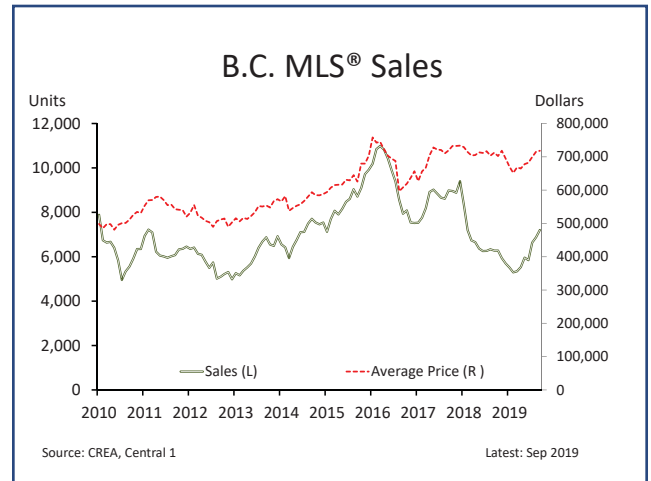
Housing recovery continues

B.C.'s housing recovery continued in most parts of B.C. following exceptionally weak activity early this year. MLS® sales rose eight per cent in September to 2,538 seasonally- adjusted units marking the fifth gain over the last six months. Year-over-year, levels were up 25 per cent. While sales are only 80 per cent of levels observed prior to implementation of federal stress tests, recent momentum has lifted sales back to the 10- year average with momentum on the upswing. Deep cuts to mortgage rates over the past year, sufficiently strong employment and population growth are underpinning growth. These trends, alongside introduction of the Federal First-Time Home Buyer incentive will continue to lift sales into 2020.

Pass through of lower mortgage rates, which have declined to 2.7 per cent, to sales remains constrained by mortgage stress tests given the posted rate has barely budged at 5.19 per cent. Nevertheless, for those who still qualify, the lower contract rates have found an opportune time to enter the market, particularly in areas where prices have declined.

Sales growth in September was led by the Lower Mainland – Southwest (up nine per cent), the Southern Interior (up 2.7 per cent). In contrast, sales fell on the Island outside Victoria (down 6.6 per cent) and Northern B.C. (down 2.2 per cent).

Rising home sales places downward pressure on inventory. Outside of pockets of the Northeast and South Okanagan, sales- to- inventory ratios are firmly planted at levels generally consistent with balanced or sellers' market conditions. Current levels and firming trend in the ratio points to a rising price environment.



The average provincial price edged higher by 0.4 per cent to a seasonally-adjusted \$718,134, and up less than one per cent from a year ago. The average price has climbed since March, partly because of a rising share of home sales in higher priced regions in addition to price appreciation. Among regions, price growth was mixed with gain in the Fraser Valley, and the Okanagan, but declines on the Island.

Benchmark values, which adjust for type of homes sold but available only for select market showed price declines of 0.4 per cent in the Lower Mainland and 0.2 per cent in Victoria, with growth of 0.6 per cent in other part of the Island. Seasonally- adjusted, benchmark values rose from August.

Forestry recession cuts into manufacturing performance

Manufacturing sales in B.C. slumped for a fourth straight month in August. At \$4.27 billion, seasonally-

adjusted sales fell 1.3 per cent from July and 7.7 per cent (\$353.8 million) from a year ago. Year-over-year declines are the deepest since 2009 in the aftermath of the financial crisis. Once again, the key drag was the forestry sector with product shipments down 6.3 per cent from July and 35 per cent year-over-year, while paper sales fell 1.8 per cent from July and 19 per cent on a year-over-year basis. Lower prices and physical production contributed to the drops. Other sectors contributing to the decline from July included machinery, food manufacturing and computer equipment. Sectors with higher sales from July included transportation equipment and primary metals.

The current downturn is driven almost entirely by the forestry sector which is amidst a deepening sectoral recession. Total manufacturing sales fell 2.4 per cent (\$879.7 million) through the first eight months, while forestry-related products declined 20 per cent representing a near \$2.6 billion shortfall from a year ago. Outside forestry, manufacturing sales have been robust and up 7.1 per cent, reflecting support from the competitive Canadian dollar in most other industries, specifically fabricated metals, food manufacturing, and equipment.

CPI inflation rebounds to 2.4 per cent in September

B.C. consumer price re-accelerated in September after a brief pause in August. Year-over-year growth in the consumer price index jumped to 2.4 per cent from two per cent the prior month. Seasonally-adjusted, we calculate a 0.2 per cent monthly increase in price levels following a mild dip in August. In comparison, CPI inflation in Canada was 1.9 per cent, year-over-year. Vancouver metro CPI inflation came in at 2.3 per cent, with Victoria at 2.4 per cent.

Contributors to higher headline inflation included acceleration in food prices from 4.0 per cent in August to 4.6 per cent year-over-year growth in September. Gasoline prices also increased from August, marking less of a drag on inflation than previous months. Rental accommodation costs rose 3.1 per cent year-over-year, compared to a 1.3 per cent increase in ownership costs which have been tempered by low mortgage rates.

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