B.C. Economic Briefing

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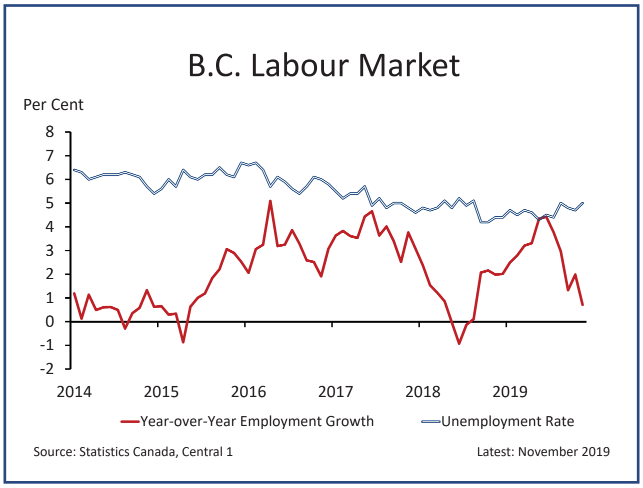
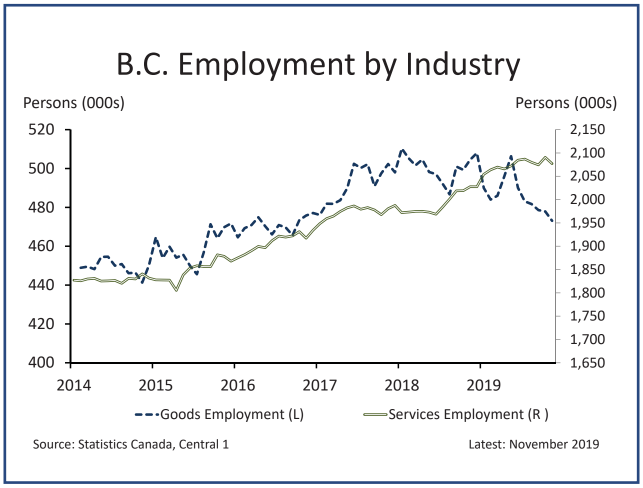
Highlights:

- B.C. employment declines 0.7 per cent due to 20,500 full-time job losses
- International goods exports slump in October
- Upward sales momentum continues in Lower Mainland, tightening conditions emerge





Large drop in November employment points to soft handoff to 2020

There is a lot weakness to unpack from the November jobs report.

B.C.'s unemployment rate rose from 4.7 per cent to 5.0 per cent as a result of a 0.7 per cent decline in the province's employment rate (18,200 persons), which owed entirely to 20,500 full-time job losses. Job losses were concentrated outside Metro Vancouver which saw little change.

This was deeper than the national employment decline of 0.4 per cent, trailing only losses in Quebec and Alberta. The pullback curtailed year-over-year growth to 0.7 per cent.

Job losses were spread among various industries. In goods-producing sectors, construction employment fell 1.3 per cent and manufacturing declined 1.5 per cent from October, while declines of 2.9 per cent in accommodations and foodservices, a 2.2 per cent drop transportation and warehousing, and a 1.8 per cent drop in information/culture/recreation led to a services-sector decline.

October private-sector employment gains more than reversed in November, with a 1.6 per cent decline, while part-time employment, self-employment and public-sector employment rose.

While only a single- month of data, recent trends point to a softer hand off to 2020. Total employment has been easing off since mid-year, although this partly owes to a May surge in employment, narrowing year-over-year gains. Goods-producing sector employment is the lowest since early 2017, with drag from resource extraction and manufacturing a main factor. This owes to forestry sector declines and weakness from a soft global backdrop. Annual employment is still expected to average 2.6 per cent above 2018 on a strong early half, but a slowdown in 2020 to 1.5 per cent is expected.

Labour market slack is also easing. The unemployment rate has bounced around near five per cent in recent months and has held well above early year levels. Nevertheless, this remained lowest in the country and still signals a tight labour market.

Wage growth continued to accelerate with the latest year-over-year gains racing above seven per cent which puts businesses in a precarious situation. Rising operational costs and softness in the retail and export environment could lead to slowing of hiring intentions and greater emphasis on efficiency enhancing investments. This aligns with data from the monthly Canadian Federation of Independent Business survey which is pointing to weaker hiring intentions.

Exports tumble after September gain

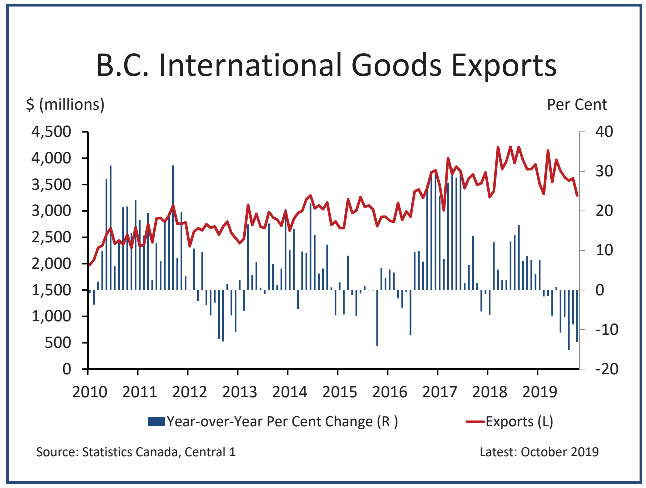
September’s uptick in B.C. international exports didn’t last through October. Goods exports slumped again, with total exports at $3.38 billion. This marked a near 13 per cent decline from same-month 2018.

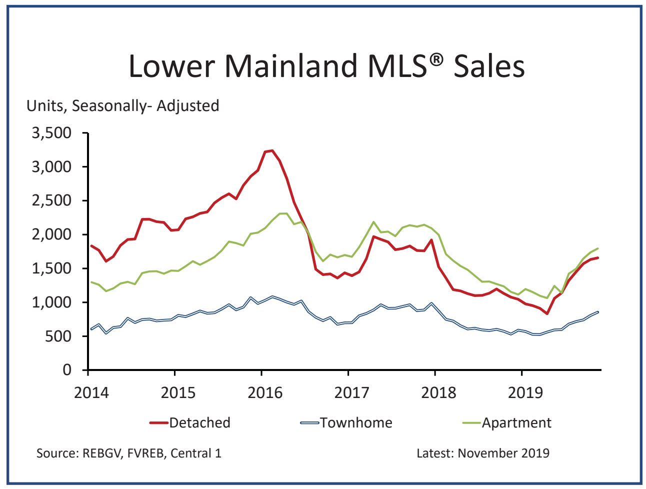
Seasonally- adjusted, export sales declined nearly five per cent from October, following a prior month gain of three per cent. October’s pull back was broad-based across most product segments, highlighted by a retracement in dollar-volume exports of metal ores and non-metallic minerals of 27.6 per cent, with weakness also observed in forestry products (-2.4 per cent), and energy products (-2.8 per cent). Minor offsets included growth in motor vehicle and parts, and aircraft and other transportation goods.

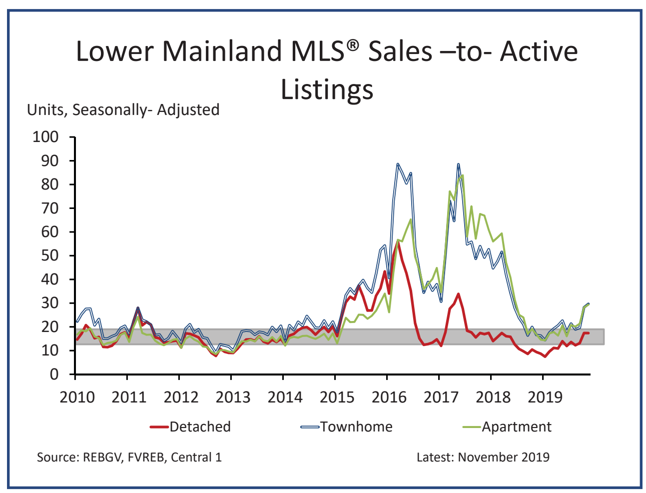
The latest numbers extend the downward trend in exports and highlight a glaring weakness in this year’s provincial economic performance. Year-to-date exports declined 5.9 per cent through the first 10 months. That said, weakness has been concentrated in the forestry product sector (down 19 per cent) which is facing an industry crisis. Lumber price declines and high input costs have caused more than a handful of mill closures, cuts in shifts at some mills, and layoffs in the harvesting sector. Metal and non-metallic mineral product shipments were down 25 per cent, pointing to impacts from the soft global economy. Non-resource exports are up 4.5 per cent, suggesting a low Canadian dollar is providing support for other sectors. Year-to-date imports have declined a mild 0.8 per cent.

Lower Mainland housing conditions heat up for apartments and townhomes

It may be cold outside, but the temperature is rising in the Lower Mainland housing market with sellers□ market conditions emerging in apartment and townhomes according to the latest real estate board data. Total MLS® sales in the combined Metro Vancouver and Abbotsford-Mission area reached 3,822 units in November, was up 48 per cent from same-month 2019. Seasonally- adjusted sales rose four per cent from October and have surged since a Spring trough by more than 75 per cent but are still below pre-mortgage stress test levels. While federal and provincial policy measures continue to constrain demand, the combination of a sharp decline improved affordability via mortgage rates and lower home values, as well as tight labour markets is lifting purchasing activity. Pent-up demand built up over the past two years of low sales is also a factor.





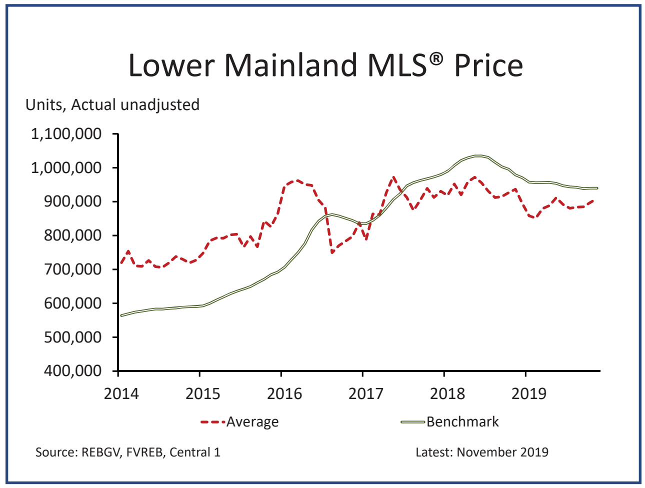


Sales are rising across product segments, pointing to broad-based recovery, but relative strength remains strongest in the apartment and townhome segments. Detached homes sales are still half of market peaks observed in early 2016 at the height of the upcycle in the market. Improved affordability is driving higher demand for condominiums.

Market momentum is being buoyed by a decline in resale inventories (active listings). This reflects both a drawdown due to rising sales, and declining trend in new listings. The latter is of note, since strengthening sales would typically lead to higher new listings which is not occurring.

The broad sales-to-active listings ratio at 22 per cent points to a balanced to sellers' market, but masks soft conditions in the detached market. In contrast, at 30 per cent ratios are firmly in sellers' markets in both the apartment and townhome sector pointing to further growth in home values in 2020.

The average price in November reached $908,950, up 1.3 per cent from October, albeit still three per cent below a year ago. The benchmark value, which adjusts for housing attributes, was unchanged from October at $939,600 but rose for a fourth month on a seasonally- adjusted basis, pointing to positive momentum. Seasonally- adjusted benchmark values have climbed since August across detached and multi-family products.



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