

**Highlights:**

- B.C. labour market little changed in January, weather a drag
- Drop in Lower Mainland home sales likely to be temporary
- Exports tick higher in December to cap off a weak 2019

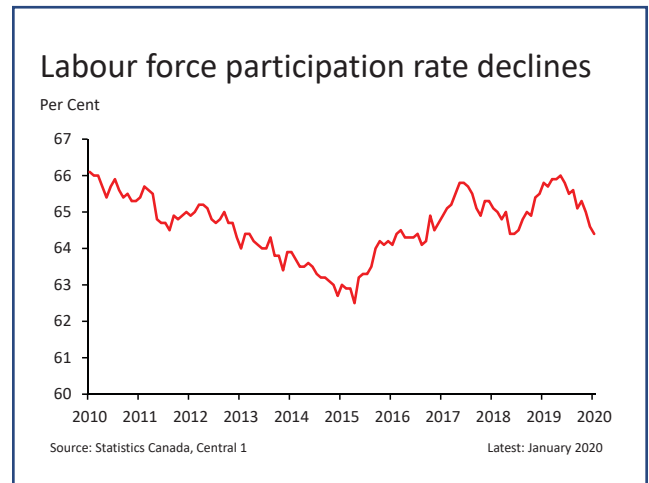
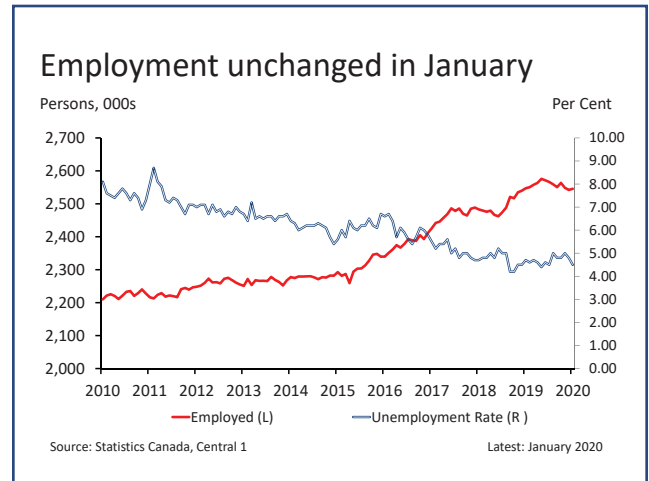
**Severe weather conditions cut hours worked in January**

There was little change in B.C.'s labour market in January according to the latest Labour Force Survey results. Provincial employment edged higher by a negligible 0.1 per cent or 3,400 persons to 2.545 million persons. Part-time gains (up 9,500 persons or 1.7 per cent) offset declines in full-time work (down 6,100 persons or 0.3 per cent). Employment rose 0.4 per cent in Vancouver, compared to declines elsewhere in the province.

While employment has eroded over the past six months, the weak January performance should be viewed as transitory owing in part to severe winter weather effects. Statistics Canada estimated that nearly 238,000 people in B.C. lost work hours in January due to weather effects, contributing to a drop in total hours worked of about three per cent. Hiring was likely affected for similar reasons.

Among industries, employment in resource extraction fell 2.2 per cent from December and 14 per cent year-over-year, reflecting a combination of temperatures and weak economic conditions. Construction declined 1.0 per cent from December, while accommodations and foodservices declined one per cent. The latter may reflect discretion by households considering the Novel Coronavirus. Gains in other sectors were broadly insignificant.

Despite recent softness in headline employment, B.C.'s unemployment rate remains lowest in the country in January at 4.5 per cent, down from 4.8 per cent the previous month. A decline in the labour force



has tempered upward momentum in the jobless rate. Interestingly, the labour force has languished despite stronger gains in the working age population due to immigration. This may reflect a lag as newcomers transition into the labour market, while retirements are also increasing and lowering the labour force participation rate. Employers continue to face difficulty in meeting their labour market needs, contributing to strong growth in average hourly wages which came in at 6.4 per cent year-over-year in January.

Average employment growth is forecast to trend near 1.5 per cent this year, owing in large part to availability of workers through immigration. This is down from 2.6 per cent in 2019. Average unemployment is forecast to average 4.5 per cent.

**Fade the weak January housing numbers**

The strong upswing in Lower Mainland home sales ended abruptly in January. Following a near uninter-

rupted recovery since March, MLS® sales in the Metro Vancouver and Abbotsford- Mission region pulled back sharply. On a seasonally-adjusted, we calculate a near 12 per cent decline in sales from December. Year-over-year sales growth fell to 35 per cent from a 74 per cent gain in December. While the gain still looks stellar, 2019 marked the fewest January sales since the 2009 financial crisis period. This year's sales were close to the 20-year average.

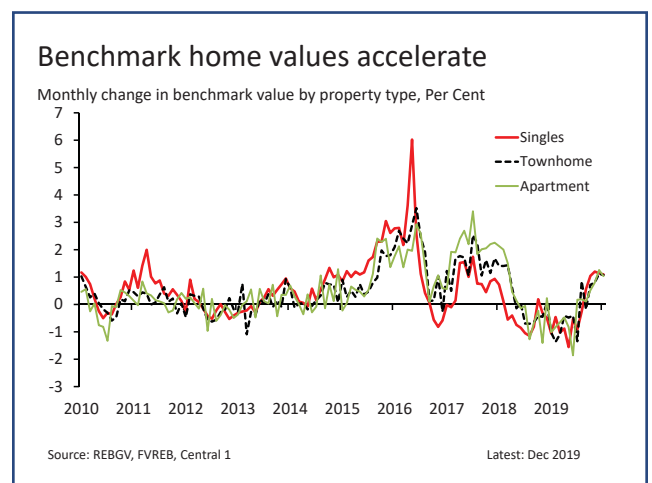
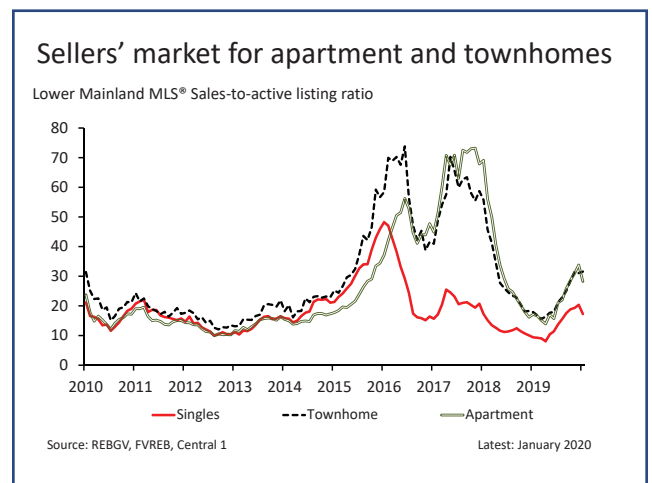
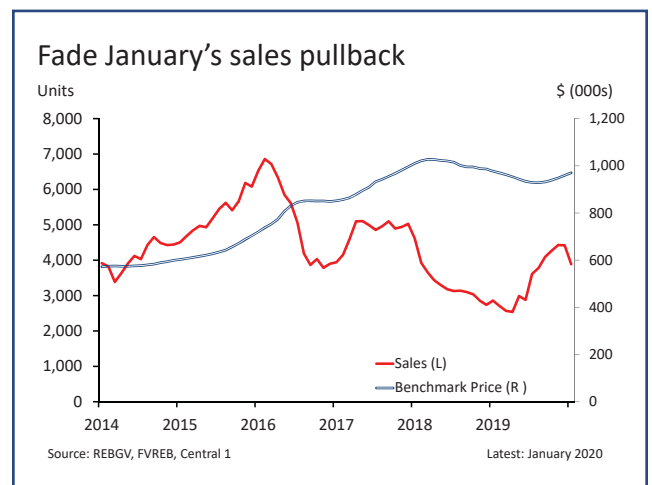
At this stage it is best to look through January's weaker performance as temporary until more data becomes available in future months, rather than assign a deteriorating trend. A number of factors in January abnormally impacted activity including a blast of severe wintery weather, an earlier than normal Lunar New Year period, and intensification of the Novel Coronavirus which may have impacted consumer confidence. Significant declines in both new and active listings during the month also points to lower buyer and seller activity during the month.

Sales-to-active listings ratios (SALR) moderated slightly during the month but continued to point to sellers' market conditions, particularly in the apartment and townhomes sectors. SALRs in the multi-family market are near 30 per cent, which points to increasing competition among buyers for limited properties and reflects high demand given relative affordability. Buyers have adapted to a mortgage stress test environment, while a low interest rate environment, tight labour market, population growth, and low rental vacancy rates remain supportive of housing demand.

Average home values slipped from December to \$897,012 but year-over-year growth accelerated to 4.5 per cent. Average values are significantly influenced by composition of the types of home sold. Constant-quality home price measures adjust for housing composition and points to accelerating prices. While about level on a year-over-year basis, the seasonally-adjusted trend has been rising by about one per cent monthly since September with similar gains across home types. Price momentum is expected to remain positive this year given a low inventory and firm demand conditions.

## Positive end to a challenging year for B.C. exports

B.C. exports ended 2019 on a slightly more positive note to cap off an otherwise bleak 2019. Dollar-volume exports to international markets bounced higher by 11 per cent from November to \$3.67 billion in December. A 27 per cent surge in monthly energy exports (which also includes coal sales) drove the increase, alongside



a rebound in metallic and non-metallic minerals. These two sectors accounted for nearly 80 per cent December's net gain. Forestry exports continued to slide, while exports of machinery and equipment improved.

Nevertheless, the broad picture remains downbeat and concentration in December's gain suggests fleeting momentum as commodity exports are often volatile. Year-over-year sales were still down 5.5 per cent despite the December pop, and full year sales ended the year down 6.4 per cent below 2018 levels to \$43.3 billion. This was a resource driven downturn with

forestry products (down 19.6 per cent) and metallic and non-metallic mineral products (down 24 per cent) accounting for the entire decline. Low market prices, timber availability, and high input costs have hampered the forestry sector leading to mill closures and cutbacks across the province. A soft global economy has also weighed on commodity prices. That said, other products were broadly higher, suggesting rising external demand for food products and manufactured goods, supported by a low Canadian dollar.

Exports fell to most major trading partners. Sales to the U.S., which makes up 50 per cent of total exports, fell 2.8 per cent. Exports to China fell 3.6 per cent, 12 per cent to South Korea and 13 per cent to Japan.

The export outlook remains mixed. Global trade uncertainty has been lowered by the U.S.- China Phase 1 Trade Deal and ratification of the Canada -U.S.-Mexico Trade Agreement which will likely support exports and investments going forward. That said, there are risks from the Phase 1 deal if higher China imports from the U.S. comes at the expense of other trade partners. The impact of the Novel Coronavirus on the economy is not yet quantifiable, but undoubtedly negative. While it is largely impacting trade in services and tourism at this point, global growth could slide due to slower consumption activity in China, as well impacts on global supply chains as factories in the country remain closed or operate below capacity.

This would impact demand for final product as well as commodity inputs. The forestry sector has received some positive news with the U.S. commerce department issuing a preliminary decision to lower duties on softwood lumber from Canada, particularly benefitting B.C. companies. However, finalization will not come until August 2020 and for a reeling B.C. sector, this will be of little benefit in the interim given weak market conditions.

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**Bryan Yu**

Deputy Chief Economist

byu@central1.com / P 604.742.5346

Mobile: 604.649.7209

