

Highlights:

- Canadian unemployment rate jumps from 7.8 % to 13 %; the largest single-month surge since 1976
- B.C.'s sees sharpest employment decline in accommodations and foodservices
- Re-opening of affected sectors will turn into employment gains
- Home sales plunged 54% between March and April but few signs of significant price decline
- B.C dollar-volume exports trending at levels last seen in mid -2016; further deterioration in trade expected

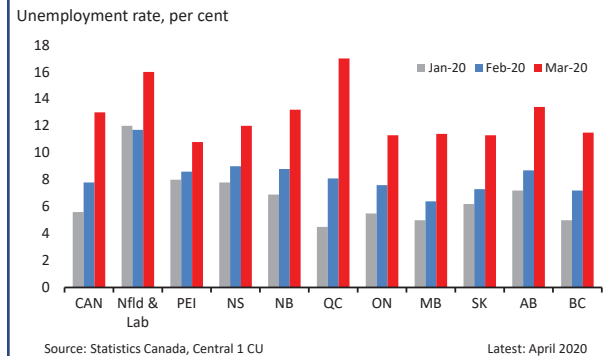
Another record shattering employment loss in Canada as COVID-19 bites

As expected, Canada saw another month of record-shattering job loss in April as containment measures to stem the spread of COVID-19 kept workers at home and shuttered workplaces temporarily, leading to a swath of layoffs across the country. Early stage job losses from March observed largely in services extended more broadly through the economy. Nearly two million Canadians lost their jobs in April, marking an 11 per cent decline, to 16.18 million persons. Over the past two months, COVID-19 has caused three million Canadians to lose their jobs, pushing employment to the lowest level since September 2005. The average unemployment rate jumped from 7.8 per cent to 13 per cent which was by far the largest single-month surge going back to 1976. This was the second highest unemployment rate on record, and a sliver behind the 13.1 per cent rate in 1982.

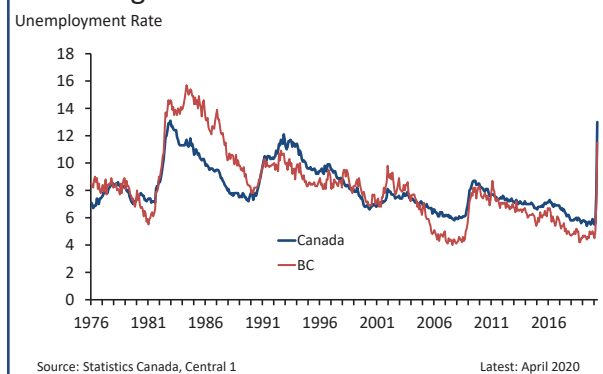
Headline statistics tell only part of the story. The total number of hours worked in the economy fell at a faster rate than headline employment at 14.9 per cent, as many workers who remained technically employed worked reduced hours due to COVID-19. Adding this to the previous month, total hours worked fell about 28 per cent from February.

Additionally, many laid off workers let go in the past two months did not look for work during April, likely reflecting a dearth of opportunities in the current COVID-19 environment. This cut labour force participation and limited growth in the unemployment, which would otherwise be closer to 18 per cent.

Cross- country spike in unemployment rate



Rapid upshift in unemployment record to near record highs but understates downturn



Among the details, job losses were more heavily concentrated among part-time workers which declined 17.1 per cent, compared to a 9.7 per cent decline for full-time employment. Younger workers were hit hardest, with employment down 22 per cent, while the pendulum swung a bit more to male workers this month from greater impacts on females in March. This reflected steep employment losses in construction (down 21.1 per cent) and manufacturing (down 15.7 per cent), although various face-to-face service-oriented sectors contracted heavily again, led by accommodations and food services (down 34 per cent), wholesale and retail trade (down 14 per cent), and other non- public services (down 18.7 per cent).

B.C. labour market mimics Canadian performance

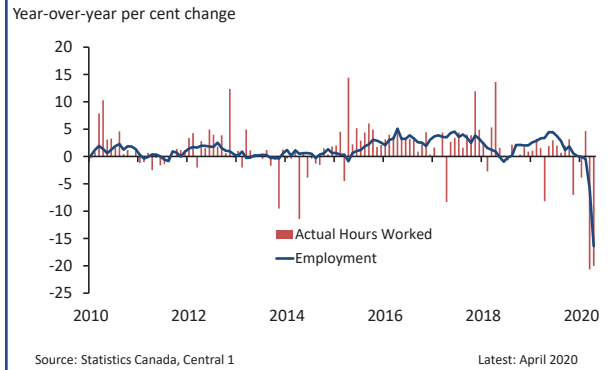
B.C.'s labour market performance largely mimicked the national performance. Total employment fell by 264,100 persons or 11 per cent over the latest month, bringing the two-month loss to 396,500 persons since

February. Full-time employment fell 10.1 per cent, with part-time employment down 14.8 per cent over the latest month. Similarly, actual hours worked in the economy tumbled, with levels down 20 per cent on a year-over-year basis. Average unemployment rose from 7.2 per cent to 11.5 per cent, tempered by a sharp decline in labour force participation. After disproportionately deeper employment losses in March, the Vancouver metro area fared slightly better than the rest of the province in April, with an employment decline of 10 per cent and unemployment rate of 10.8 per cent.

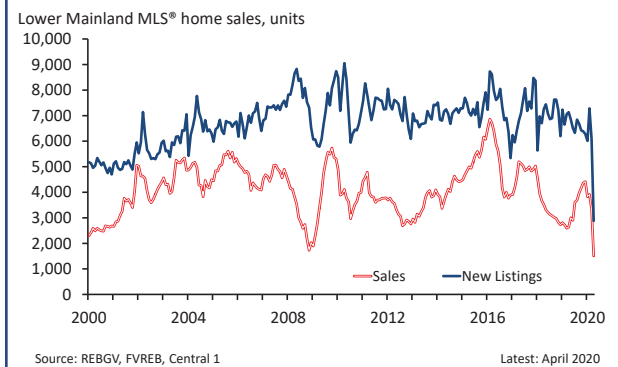
Not surprisingly, nearly all sectors of the economy recorded lower levels of employment in April. The sharpest decline was in the accommodations and foodservices where employment fell by 75,700 persons or 47.7 per cent over the month, and by 57 per cent since April. This sector has been hardest hit from the combination of physical distancing requirements which has shuttered dine in services and a near stoppage of tourism activity. Some food establishments pivoted to online delivery, maintaining a skeletal staff while some others completely closed. Information/culture/recreation employment fell 17,400 or 17.2 per cent in the latest month, with a 29 per cent decline since February reflecting the tourism downturn and effective shutdown of large events. Other sectors with sharp declines from March included agriculture (down 6,100 or 19.9 per cent), construction (down 34,100 or 14.6 per cent), and wholesale/retail trade (down 35,500 or 9.8 per cent). Exceptions to losses included, utilities employment which rose 15.5 per cent and flat professional/scientific/technical employment. This reflects ability to work from home and modest strength in the technology sector.

The deep downturn in employment while eye-popping was not unexpected given the current environment and observed uptake of federal income assistance programs. Looking forward, we are likely at or near bottom for the employment downturn. Provinces are turning to the restart phase for their economies, including B.C., and increased re-opening of affected sectors will turn into further employment gains. Employers have used federal wage subsidy programs which has pulled individuals back into employment albeit, potentially at fewer hours. The economy and labour market will take time to return to health. Restarts to economies will be gradual, physical distancing requirements will continue, and broader economic conditions are weak. Consumers may be hesitant to return to normal given the recent hit on income and fear of face-to-face interactions while businesses will likely operate below capacity due to both lower demand and distancing requirements.

B.C. employment and hours worked plunge



Sales and listings dive as COVID-19 keeps buyer and sellers on the sidelines



Lower Mainland home sales dive in April as buyers and sellers step to sidelines on COVID19

To little surprise, home sales plunged in April as the COVID-19 pandemic pushed homebuying activity to the sidelines amidst massive disruption to the economy and measures to keep people at home. Total sales in the Lower Mainland (combined Metro Vancouver and Abbotsford-Mission) fell to 1,775 units in April, which was down more than 54 per cent from March and nearly 44 per cent from same-month 2019. This was the fewest April sales recorded since the mid-1980s. Similar sales declines were observed across home types.

There were few signs of significant price decline during the month despite the sharp sales decline. While the average price fell 4.2 per cent from March to \$934,620, this followed an abnormally strong increase the prior month. The benchmark value rose 0.3 per cent from March and 2.3 per cent from same-month 2019. Seasonally-adjusted values edged lower. While buyers took pause, as did sellers who adapted to the sales decline and health fears of opening their homes to strangers. Like sales, new listings fell by half from March, with year-over-year listings down 60 per cent.

Adjustments in supply of homes for sale is providing support for pricing.

Lower headlines prices in the coming months is likely given current economic conditions, but caution is warranted. Reported sales are more likely to include individuals and investors who need to sell. Many prospective sellers are likely to wait out the current uncertainty and re-list when the economy returns to a semblance of normality. Current conditions are unlikely to reflect post-pandemic sales or price trends. If the economy shows signs of a relatively strong recovery and job markets rebound, price declines in 2020 are minimized. A deeper downturn in the economy and longer duration of the epidemic could lead to a deeper decline of 15 per cent as the economy and demand struggles.

Housing starts pull back in April, down 25 per cent through the first four months

The pace of B.C. housing starts declined for a second straight month in April as containment measures from COVID-19 likely impacted the sector at the margins. While no explicit pause on residential construction was required in the province as seen in other provinces, physical distancing practices at sites, increased economic uncertainty and disruptions to municipal government services likely held back construction. More likely, construction projects currently underway are adjusting practices to promote distancing, potentially at the cost of construction times.

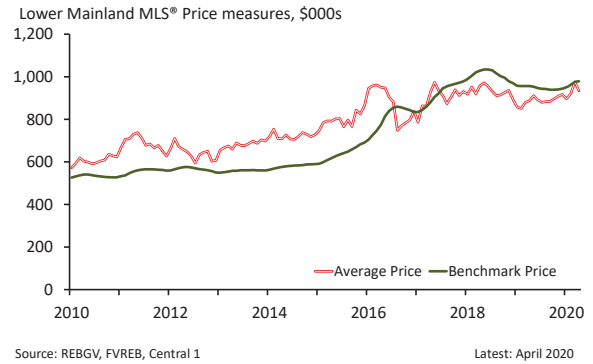
Seasonally- adjusted housing starts declined to an annualized rate of 27,767 units, down from 30,750 units in March. In comparison, starts were nearly double this level in April 2019, although monthly data is volatile. Both single-family and multi-family housing starts declined. Fewer starts were observed in Abbotsford-Mission, Kelowna, and Metro Vancouver, while housing starts in Victoria rose.

Through the first four months of the year, total B.C. housing starts declined 25 per cent, led by a 28 per cent decline in multi-family starts while detached starts declined 11 per cent. Vancouver starts (down 34 per cent) led the decline with year-to-date activity steady or up in other B.C. metro markets.

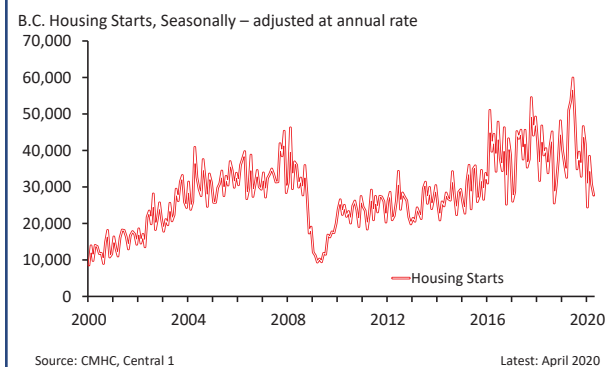
Export weakness continues in March, steeper decline expected in April

B.C. international export sales remained weak in March following a steep February pull back and sharply below year ago levels. Performance will most likely worsen here on out given effective lockdowns and other containment measures in major economies

Headline home values steady despite sales plunge



Housing Starts ease in April



around the world, leading to severe contractions in the U.S. and broader global economy due to COVID-19.

Total B.C. goods exports in March reached \$3.458 billion. While downward momentum slowed following two months of deterioration, exports fell 16.5 per cent on a same-month basis. Dollar-volume exports are trending at levels last seen in mid -2016. On a quarterly basis, sales were down nearly nine per cent (seasonally- adjusted) compared to the fourth quarter, and 11 per cent year-over-year.

Among industrial sectors there were pockets of improvement, reflecting a combination of volume and price effects. Energy exports, which include coal, rebounded 19 per cent (seasonally- adjusted) following a decline of 40 per cent since the end of 2019. That said, sales were still 33 per cent lower than a year ago. Metal and non-metallic mineral products exports also improved mildly. Forestry exports reverted lower after a February bounce and was nearly 23 per cent below a year ago, food products fell seven per cent year-over-year, were significant drags.

Imports declined 10.6 per cent year-over-year, reflecting slowdown in economic activity and commodity prices.

Further deterioration in trade is expected given a sharp global growth contraction. Annualized U.S growth was estimated to have declined 4.8 per cent in the first quarter, with the second quarter looking to be much worse. Globally, the International Monetary Fund forecasts a contraction of three per cent this year marking the deepest recession since the Great Depression, although a moderately strong rebound is expected. World trade (including services) is forecast to decline 11 per cent in 2020 before rebounding 8.4 per cent in 2021. Producers will see little help from domestic demand as the Canadian economy contracts sharply alongside most other countries.

B.C. announces plans for a phased restart, distancing dance to continue

The B.C. government announced its much anticipated plan <<Hyperlink >> (https://www2.gov.bc.ca/assets/gov/public-safety-and-emergency-services/emergency-preparedness-response-recovery/gdx/bcs_restart_plan_web.pdf) to restart sectors of the economy and broader society on Wednesday, with initial relaxation measures coming relatively soon. There were few surprises as the government looks to balance risks to the health system and possible further outbreaks of COVID-19 with the need to re-open more of the economy.

A key theme that emerges is that the restart and relaxation measures will be gradual and staged carefully. Indeed, much of what we have become accustomed in recent weeks will remain a substantial part of the norm for the next year.

The government deems the current state as Phase 1, with many non-essential services still open, albeit at very limited capacity due to physical distancing measures. More severe lock downs were imposed in areas like Ontario.

Phase 2 will allow for re-opening of a significant number of services starting in mid- May, including retail, personal and health services, childcare, restaurants/pubs, recreational facilities, and office environments. These will not be immediate and indeed businesses will need time to both re-start operations and ensure that appropriate distancing measures are implemented and followed.

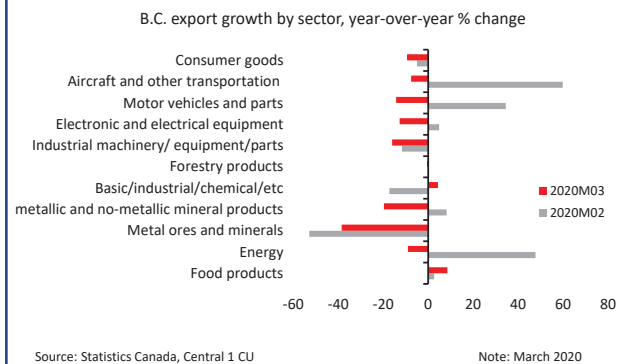
Phase 3 is currently estimated as occurring from June through September and includes hotels/resorts, parks, the film industry, certain entertainment venues like theatres, and schools (K-12 and post-secondary).

For the most part, K-12 students are unlikely to resume in-class instruction until September, although younger

Exports edge higher in March, downturn expected



Export sales down sharply from a year ago



children may return to finish off the school year in June. More announcements about this process are forthcoming.

Timing is still to be determined for Phase 4 which includes attendance of large events like concerts, arena events and conferences/conventions as well as international tourism. That said, it will be a ways off with requirements of vaccine, herd immunity or successful treatments.

B.C.'s restart plan is welcome, but this is not a return to a previous normal. Expect stores, restaurants and other venues to adjust business models by limiting patrons, extending hours, or make changes to the physical space. Digital sales and services will increase in importance, as will take out, curbside pickups and deliveries for restaurants.

Gradual relaxation of containment measures points to rising economic activity by June, although suppression of business capacity, and a delay in a tourism sectors will limit the rebound. Many businesses will re-hire laid off staff, although recovery will be gradual after an initial rebound. That said, some businesses will not make a return. Overall economic activity is unlikely to

return to pre-COVID19 levels before the latter half of 2021.

B.C. like other regions will remain nimble on its toes. Signs that the epidemic is worsening will likely mean tightening of containment measures or delay of timelines to re-start other parts of the economy. There is also the risk that a second wave of the virus emerges in late 2020, contributing to another round of containment.

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