

Highlights:

- B.C. international goods exports sharply lower from 2019 but outperforms national trend
- Exports deterioration preceded COVID-19
- Building permits rise in May, negative continues
- Permits decline across B.C. regions

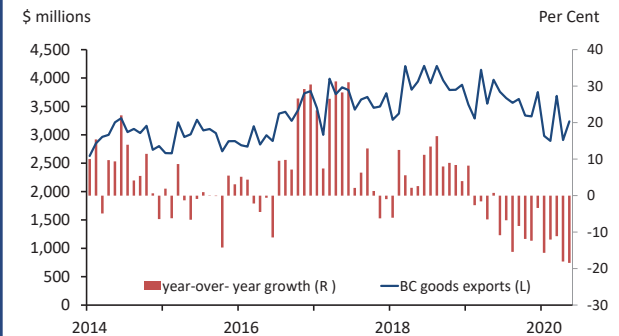
Exports steady in May, but down 18 per cent year-over-year

B.C. merchandise exports to international markets continued to lag sharply behind year ago levels in May, but exporters have experienced less of a hit from the COVID-19 driven downturn than other provinces. Unadjusted goods- exports reached \$3.236 billion in May, down 18.4 per cent from same- month 2019, which was consistent with declines in April. Nationally, exports fell 39.8 per cent from a year ago, owing to sharper declines in Ontario (-44.7 per cent), Alberta (-55.1 per cent), and Newfoundland and Labrador (-58.3 per cent).

Sharp deviations among provinces reflect various factors. Provincial governments across the country implemented varying degrees of economic suppression policies, depending on spread of COVID-19, and also re-opened at different paces. Ontario ordered non-essential businesses closed, while its auto assembly and parts sectors were hammered by temporary closures in North American production. A plunge in oil prices also triggered a retrenchment in production and dollar-volume exports. These sectors gained in May but were remained sharply lower than pre-COVID19 levels.

While the impact of COVID-19 has cut into global trade and demand for B.C. goods, lack of exposure to the hardest hit sectors has limited the impact on economy. Year-over- year declines also exaggerate the hit to the export sector as sales were already in decline over the past year due to severe weakness in the forestry sector.

B.C. goods exports down 18 per cent in May



Pandemic contributes to export drop, but B.C. weakness preceded COVID-19

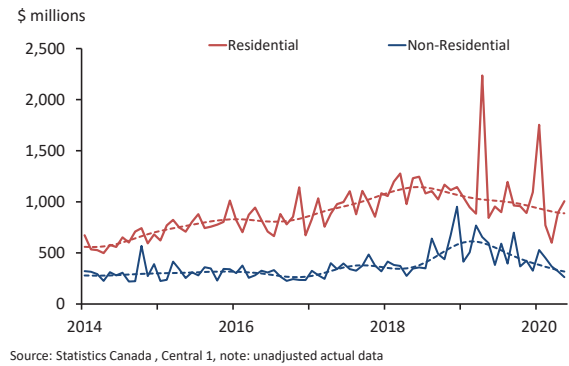


Based on Central 1 calculations, seasonally- adjusted exports rose about five per cent after a ten per cent decline in April. Nationally, monthly exports fell 29 per cent in April, before rebounding a mild 6.7 per cent in May. Relative to April, B.C. exports sales rose for food products (up 8.7 per cent) which has moved higher in recent months, while rebounds were observed in energy (9.1 per cent), metal ores and non-metallic minerals (up 30 per cent) and other industrial machinery and auto related products.

Year-to-date, exports declined 15 per cent through May. Declines of more than 20 per cent have been observed in energy, mining resources, forestry and transportation related goods sectors. Forestry weakness preceded the pandemic and has been in sharp contraction since mid- 2018.

Weak export activity will continue given the deep impact of COVID-19 on the global economy and

Building permits trend lower despite residential uptick



demand. The International Monetary Fund cut its global outlook for GDP to -4.9 per cent for 2020, with a relatively modest recovery in 2021. The recession will impact demand for goods, as well as commodity prices.

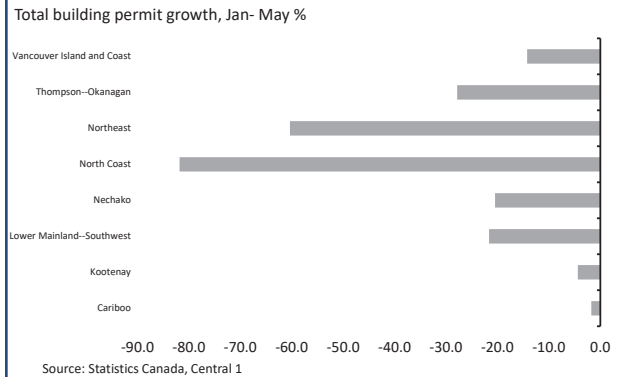
May building permits rise on residential construction intentions

Led by residential building intentions, B.C. building permits rose for a second straight month in May to reach a seasonally- adjusted \$1.267 billion. Despite the gain, volumes remained soft with levels down 11.9 per cent from same-month 2019 and 23 per cent year-to-date, while the trend remained negative pointing to a softening pattern of construction activity.

Residential permits rose for a second straight month after plumbing a near six-year low in March. Permits rose 12.3 per cent from April to a seasonally- adjusted \$1.005 billion led by a 27 per cent increase in Metro Vancouver and 20 per cent rebound in Victoria. Policy factors including hikes in development costs and initial effects of the pandemic on the industry has contributed to sharp volatility in permits. Year-over-year, permits rose 19.3 per cent, following a 60 per cent decline in April. Year-to-date, residential permits fell 14.3 per cent.

Non-residential permits continued to slump, which is not surprising given the pause in broad economic activity caused by COVID-19 and impacts on business incomes which is holding back investment. Related structure permits contracted 17.9 per cent from April on a sharp contraction in public sector construction activity. Broadly however, construction intentions are substantially lower in both the private- and public sectors. Total year-to-date non- residential permits declined 39 per cent, with commercial down 49 per

Year-to-date total permit growth by region



cent, industrial permits down 27 per cent, and government permits down 10 per cent.

Among metro areas, declines were widespread, with total year-to-date permits down 32.1 per cent in Abbotsford-Mission, 22.4 per cent in Vancouver, and 29 per cent in Kelowna. Victoria rose 7.7 per cent.

Construction intentions have also declined outside the large metro areas but to varying degrees. Permits in the Cariboo (down 1.7 per cent) and Kootenay (down 4.4 per cent) were mild but fell nearly 80 per cent in the North Coast and Nechako due to a spike in 2019, while permits fell 60 per cent in the Northeast. Areas outside Kelowna in the Thompson-Okanagan fared better, while regions outside Victoria on Vancouver Island underperformed the metro area.

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