



Highlights:

- B.C.'s unemployment rate declining faster than expected as employment climbs 1.4 per cent in October;
- Recovery will be limited during winter months;
- Housing market remains robust - strong sellers' market conditions in the townhome and detached sectors;
- Forestry exports surged - sales up more than 20 per cent

B.C. hiring outperforms other regions in October

B.C.'s economy outperformed other provinces in October despite what has been concerning trajectory of COVID-19 cases, and new daily records into November.

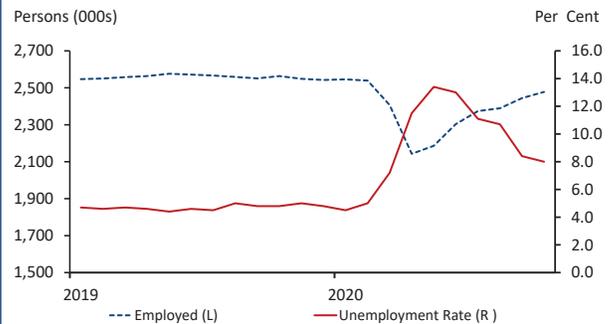
Whilst targeted efforts to stem the spread of rising COVID-19 cases in areas of Ontario and Quebec led to slowing of the employment recovery in October (largely affecting the accommodation and foodservices sector as restaurants and nightclubs shuttered), in B.C., government-imposed restrictions on businesses to stem the growth in cases have been mild and employment grew.

National employment growth came in at 0.5 per cent, slowing from a month-to-month increase of 2.1 per cent in September. Levels were still 3.3 per cent shy of pre-pandemic February, and since an April trough, the economy has regained about 79 per cent of the three million jobs lost.

B.C.'s October employment rose 1.4 per cent or 33,500 persons which was second only to growth in Newfoundland and Labrador (up 2.7 per cent). Six months of consecutive gains has narrowed the gap from February to 2.4 per cent or 61,300 employed persons. Only Newfoundland and Labrador, New Brunswick and Manitoba were closer to pre-pandemic levels.

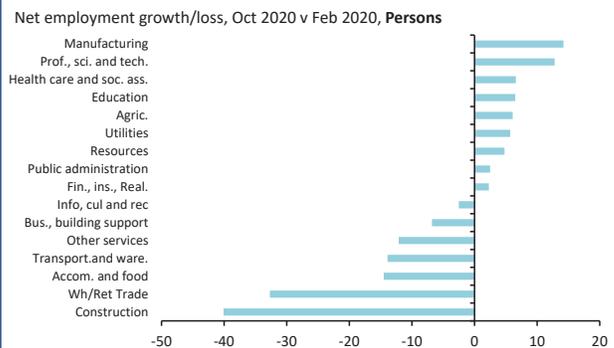
Metro Vancouver contributed to the entirety of B.C.'s net gain, with employment up 3.8 per cent or 52,200 persons as other regions lagged during the month.

B.C. employment recovery continues but led by part-time work



Source: Statistics Canada, Central 1, Latest: Oct 2020

Mixed industry performance with some unscathed, others still hard hit



Source: Statistics Canada, Central 1

October gains were widespread among industries, reflecting demand for health care workers, improvement in forestry, housing markets, and public-sector hiring. Employment in health and social assistance (up 2.7 per cent) and information and culture industries (up 3.7 per cent) drove about a third of the increase. Manufacturing employment rose 3.5 per cent, and resource employment increased 10 per cent. Some of the harder hit sectors during the pandemic posted weak performances with accommodations/foodservices up 1.1 per and other private services down 0.2 per cent from September. Transportation and warehousing jobs declined 1.1 per cent.

B.C.'s unemployment rate is also declining faster than expected, with October's estimate at 8.0 per cent compared to 8.4 per cent in September as job growth has exceeded labour force expansion. Metro Vancouver's rate plunged from 9.1 per cent to 7.7 per cent.

That said, it is not all rosy, with the latest gains owing largely to part-time work. Part-time employment

growth came in at 4.6 per cent (25,700 person) while full-time additions lagged with a 0.4 per cent increase (7,800 persons). Relative to February, full-time employment is still down five per cent, while part-time employment is up nearly seven per cent. This reflects an economy that continues to operate well below capacity, with hours worked still well below pre-pandemic levels by six per cent as workers are offered or opting for fewer hours due to insufficient demand or increased household responsibilities during the pandemic.

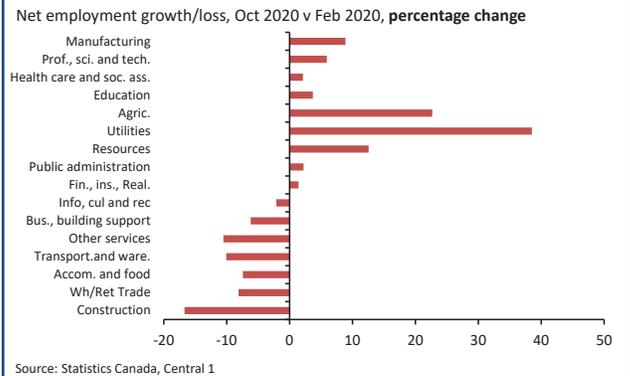
Going forward, growth momentum is likely to be more difficult. Employment in nine of 16 industry sectors have fully recovered to pre-pandemic levels, including goods-production, outside construction, and sectors able to work from home such as professional/scientific/technical services and finance/insurance/real estate which has benefitted from housing strength. Further upside in these sectors is limited given slowing growth momentum in Canada and globally. In contrast, travel and hospitality sectors are still well below February levels and retrenchment of domestic tourism and rising COVID-19 cases in the winter will limit the recovery as families remain home and borders remain essentially closed.

Hot housing market continues through October

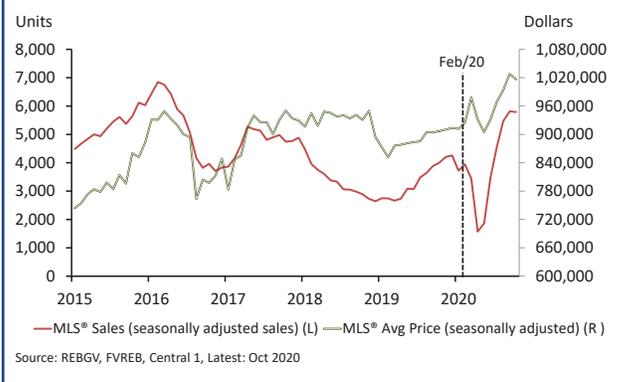
Strong housing market activity showed little sign of wavering in October as sales remained robust and prices continued to surge in the Lower Mainland. Sales reached 6,017 units in the region spanning Metro Vancouver and Abbotsford-Mission, up 37 per cent year-over-year. While down from September's 60 per cent gain, this was the strongest October on record reflecting strength in Fraser Valley markets. Seasonally-adjusted, sales were broadly unchanged from September levels following five months of gains but were above pre-pandemic February levels by 68 per cent. Recent strength has made up for the pandemic driven losses observed early this Spring.

While the pandemic economy is still characterized by high levels of unemployment and uncertainty, demand has been on tear amidst sharp declines in mortgage rates, high levels of savings, and steady incomes for higher earning individuals. Meanwhile, households have shifted preferences amidst the pandemic and remote work environment, demanding increased space and suburban markets, eschewing the confines of tight core-Vancouver apartment spaces. Demand for the latter has also negatively impacted by low immigration and fewer international students. This is evident in sales, with detached and townhome sales up 50 per

Hardest hit sectors face constraints to recovery into 2021 amidst pandemic measures



Robust housing demand continues in Lower Mainland through October



cent on a year-over-year basis, while apartments rose 15 per cent.

Through the first 10 months, sales were up 20 per cent, and marked strongest same-period performance since 2017.

On the supply side, inventory of detached units and townhomes are declining while apartment inventory has risen as more units are added to the market both from move-up buyers and investors. This has led to strong sellers' market conditions in the townhome and detached sectors, while the apartment condo market conditions remained firm. The average regional price was steady from September and up 12.3 per cent year-over-year to \$1.01 million. Even adjusting for sales composition, and housing attributes, the quality-adjusted home prices index was up 0.4 per cent from September and 6 per cent year-over-year, led by strong detached home price growth.

There are few signs of a change in trend into November given the low interest rate environment. That said, sales flow is expected to slow as pent up demand satiates, and the second wave of COVID-19 hampers activity. Sharp gains in prices is also offsetting the

benefits of lower interest rates, meaning affordability issues are again in the spotlight. Relative weakness in the apartment condominium sector is expected to be temporary as borders re-open for students and substantially higher immigration targets for the coming three years which will drive both homeownership and rental demand.

Export momentum slips but remains positive

B.C. international goods exports continued to rise in September, although growth momentum eased. Total exports totaled \$3.44 billion during the month. While the 5.3 per cent year-over-year decline was worse than August's 2.7 per cent drop, our calculation of seasonally-adjusted export sales pointed to a modest gain of 1.7 per cent from August.

The data pointed to mixed performances among sectors during the latest month. Forestry exports surged, with sales up 22.6 per cent from on a year ago basis, and 16 per cent from August. A large proportion of this reflects higher product prices with the price index up 25 per cent year-over-year, amidst strong demand for housing and renovations. Monthly rebounds for electronic/electrical equipment (up 10 per cent from August), and a 14 per cent increase in consumer goods exports provided additional lift. The main monthly drag was energy exports which fell 20 per cent.

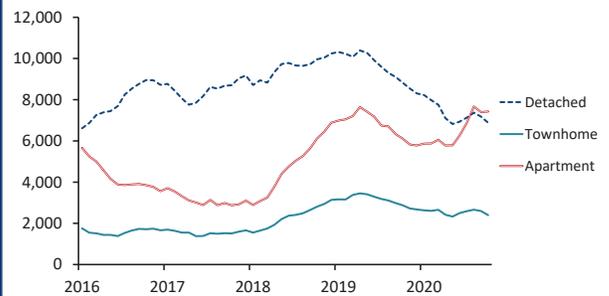
While the trend has improved, exports sales remain low. A declining trend even prior to the pandemic has exports through the first three quarters down 12 per cent, led by 25 per cent declines in energy (which includes coal) reflecting low prices. The recent surge in forestry exports has been positive, but year-to-date was still down 12 per cent reflecting contractions in underlying capacity and sawmill shutdowns due to the mountain pine beetle.

Imports have also rebounded from pandemic lows but were still down five per cent year-over-year. Year-to-date goods imports declined 10 per cent, reflecting a combination of lower demand for capital goods, and lower commodity prices as business uncertainty persists.

Rising export trends are positive for the economy but a weak outlook persists. Global economic activity continues to trend below pre-pandemic levels, and surging COVID-19 cases and reintroduction of lockdown measures in a handful of major economies will curtail demand and commodity prices. These figures

Ground oriented inventory in decline as apartment units climb

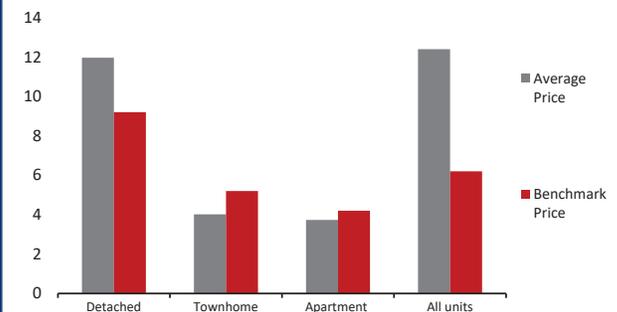
Lower Mainland housing inventory (MLS® active listings)



Source: REBGV, FVREB, Central 1, Latest: Oct 2020

Detached home values surge during pandemic

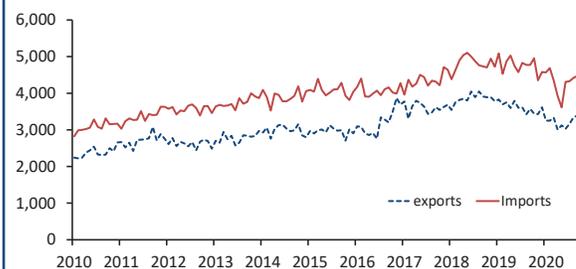
Year-over-year price growth by product, October 2020



Source: REBGV, FVREB, Central 1

Exports and imports gain in September

B.C. merchandise trade, \$ millions



Source: Statistics Canada, Central 1, Latest: Sep 2020

also do not include services exports, particularly tourism demand which remains decimated, and will likely remain so for much of 2021.

Bryan Yu

Deputy Chief Economist

byu@central1.com / P 604.742.5346

Mobile: 604.649.7209