Economics | Current Economic Trends

B.C. Economic Briefing

Volume 27 • Issue 1 • Week of January 4 - 8 2021 | ISSN: 1981-355

central 1 Economics

Highlights

- December sees first Canadian monthly employment contraction since April 2020 due to increased restrictions
- B.C. labour market largely unscathed in December
- B.C annual home sales rose 25 per cent from 2019; the highest level since 2017
- Export momentum remains positive in November on higher mining activity
- Residential construction lifts building permits in November

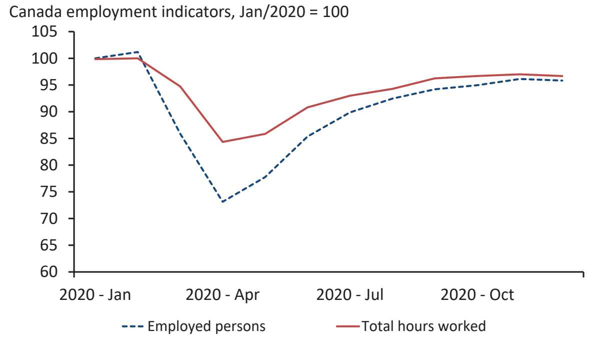
Canadian employment recovery ends in December as COVID-19 restrictions weigh

Unsurprisingly, the Canadian labour market weakened to end 2020 as surging COVID-19 cases and more restrictive measures imposed during the last two months of the year forced employers to cut staff and more self- employed individuals to idle. According to the Labour Force Survey (LFS), Canadian employment fell by 62,600 persons (0.3 per cent) in December to erase November's gain. Part-time losses reached 99,000 persons (-2.9 per cent), which was partially offset by a 36,500 persons (0.2 per cent) full-time gain. This marked the first monthly employment contraction since April which was followed by the recovery phase. Total hours worked fell 0.3 per cent from November. In comparison to February, employment was 3.3 per cent lower, with total hours worked down 5.3 per cent.

The national unemployment rate edged up by 0.1 percentage points to 8.6 per cent.

The latest pull back aligns with the restrictive measures introduced by some provinces, namely Manitoba and Quebec which curtailed recreation and hospitality services in the Fall. Other provinces imposed more limited and region-specific measures prior to the latest LFS reference week. Sectors driving the latest employment pullback included accommodations/food services (-56,700 persons or 5.8 per cent), information/culture/recreation (-18,800 or 2.7 per cent) and other personal services (-30,800 or 4.0 per cent). In

Labour market recovery halted as second wave bites



Source: Statistics Canada, Central 1 Latest: Dec 2020

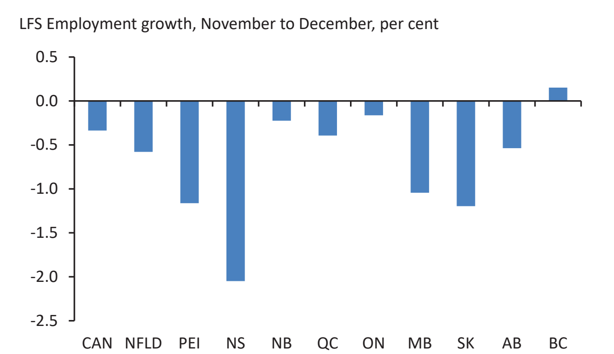
contrast, stronger growth was observed in manufacturing (15,400 persons or 0.9 per cent) and professional/ scientific/technical services (16,800 persons or 1.0 per cent).

With more restrictive measures introduced by Alberta in mid-December, and broader lockdowns imposed in Ontario and Quebec at the turn of the new year, January data will internalize more of latest pandemic second wave response measures leading to further employment losses

B.C. labour market outperforming peers

Provincially, B.C. was largely unscathed in December as compared to its provincial peers. Economic restrictions have been rather limited, with recreation activities and dining rooms still open, albeit with broader social interactions tempered. Indeed, B.C. was the only province across Canada to eke out a gain from November, albeit with an insignificant gain of 0.2 per cent (3,800 persons). On a further positive note, employment gains

B.C. employment gain an outlier in December



Source: Statistics Canada, Central 1

were driven by a strong increase in full-time work of 24,000 persons (1.2 per cent), more than offsetting part-time losses. This likely reflected an increase in hours worked, which transitioned more part-time workers to full-time hours. Aside from Newfoundland and Labrador, B.C. has observed the strongest employment recovery from pre-pandemic levels. The gap has narrowed to a net loss of 33,600 employed persons (or 1.3 per cent), although many are likely still underemployed. B.C.'s unemployment rate edged up to 7.2 per cent but second lowest among provinces.

While outperforming the national picture, industry employment patterns were similar. Accommodations/foodservices employment fell by 7,400 persons (3.9 per cent), and information/culture/recreation fell 1,500 persons (1.3 per cent) amidst more social restrictions and heightened caution among households. Finance/insurance/real estate fell 3.5 per cent. Primary offsets included construction (up 6,600 persons or 3.2 per cent) and manufacturing (up 3,300 persons or 1.9 per cent).

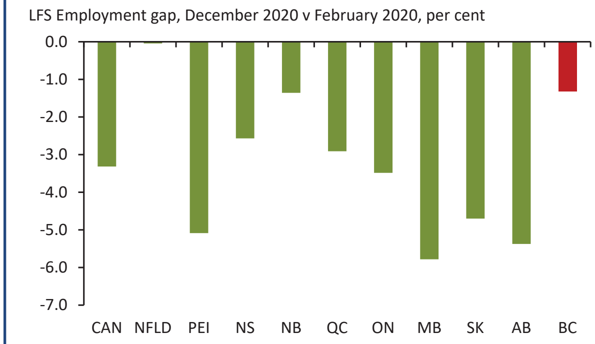
Employment growth was largely driven by markets outside Metro Vancouver which posted a 0.1 per cent decline. A drop in labour force participation cut Metro Vancouver's unemployment to 7.0 per cent from 7.4 per cent in December.

B.C. will continue to outperform other provincial labour markets given fewer economic restrictions. That said, this is conditional on the pandemic curve and public health measures. A sharp upward trend in case counts or increased stress on the health system would likely lead to more measures. Hospitality, recreation, and tourism will remain under duress until vaccines are widely deployed and borders re-open to broader international travel.

Annual highlights

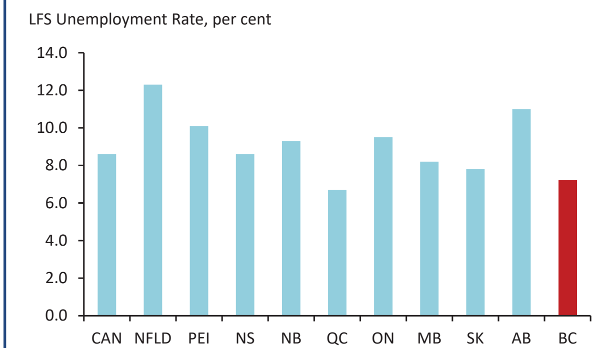
With December data confirmed, average annual employment fell 6.2 per cent in 2020 due to the pandemic and despite the recovery phase. While down sharply in many sectors there was wide divergence. Not surprisingly given measures on face-to-face interactions and tourism, the key drags were accommodation/foodservices (-14.5 per cent), information/culture/recreation (-21.7 per cent), other private services (-15.5 per cent), and transportation and warehousing (-9.5 per cent). In contrast, work-from-home enable sectors, technology, and other sectors with naturally physically distanced environment were steady or grew. Finance/insurance/real estate employment fell 0.6 per cent, with professional/scientific/technical services up one per cent.

B.C. employment gap from February closes to 1.3 per cent



Source: Statistics Canada, Central 1

B.C. jobless rate among the lowest in Canada



Source: Statistics Canada, Central 1

Regionally, the annual employment contraction was led by the Lower Mainland- Southwest (anchored by Metro Vancouver) which recorded a 7.2 per cent decline, while North Coast and Nechako recorded a 9.9 per cent drop, albeit inconsequential for the provincial figure. Modest declines were observed in the Northeast (-2.3 per cent), Vancouver Island and the south and central interiors with employment declines of under four per cent.

B.C.'s unemployment rate averaged 8.9 per cent, with the highest in the Kootenay (9.5 per cent) and Cariboo (9.8 per cent). The Lower Mainland – Southwest came in at 8.9 per cent.

Lower Mainland posts record December home sales

Signs of a top out in the home sales cycle in recent months was premature as Lower Mainland MLS® sales surged to a record high for a December, crushing the previous record by a wide margin. Total sales in the region spanning Metro Vancouver and Abbotsford- Mission reached 5,124 units. This was 61 per cent higher than same- month 2019 and 18 per cent above the previous December high observed in 2015. On a seasonally – adjusted basis, we calculate a 13 per cent increase from November after slowing the last two months to reach a strongest monthly pace since mid-2016.

Annual sales rose 25 per cent from 2019 to 50,480 units marking the highest level since 2017.

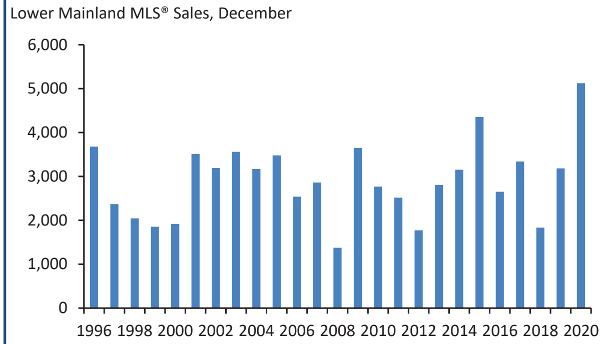
Despite sharply lower immigration, low mortgage rates and shifting preferences during the pandemic continue to propel demand. Central 1 Economics' broker rate survey showed 5- year rates could be had for as low as 1.7 per cent, compared to 2.1 per cent near mid-year and nearly a full percentage point lower than a year ago to lift buying power.

Increased available units in a supply constrained market also supported higher sales. New listings rose 55 per cent from a year ago and 10 per cent from November on a seasonally- adjusted basis as more sellers tested the market but still trailed the pace of sales growth. Month- end inventory levels continued to trend lower contributing to tightening of market conditions. Sales-to-active listings rose 40 per cent to end the year, pointing to a market firmly favouring sellers and price acceleration.

The average price level held steady but rose 10.1 per cent on a year-over-year basis to $1.01 million. Resistance to even higher levels partly reflects shifting in product composition and to lower priced areas amidst elevated prices. The benchmark price index, which adjusts for some of these factors, rose 0.7 per cent from November and 6.6 per cent year-over-year. Growth has been led by detached homes (up 1.3 per cent from November and 11.6 per cent year-over-year). Apartment condos have trailed with flat monthly prices and 3.1 per cent year over year gain as households seek the refuge of more space amidst the pandemic and work-from-home options.

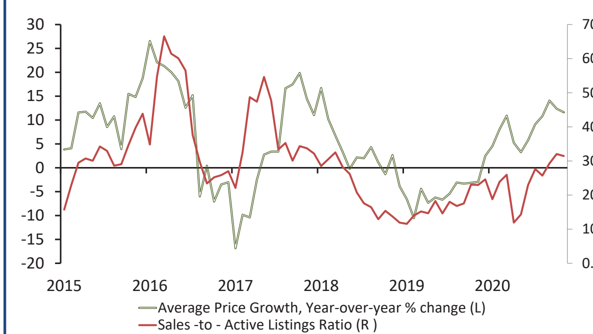
Low borrowing costs remain supportive of housing activity and prices into 2021, which will further be should lifted by re-opening of borders benefit the condo markets. Affordability will again be thrust into the spotlight given the run up in price, which could trigger policy measures to stem demand as rates are likely to remain low going forward.

Strong demand drives highest December sales on record



Source: REBGV, FVREB, Central 1

Tight market conditions support prices into 2021



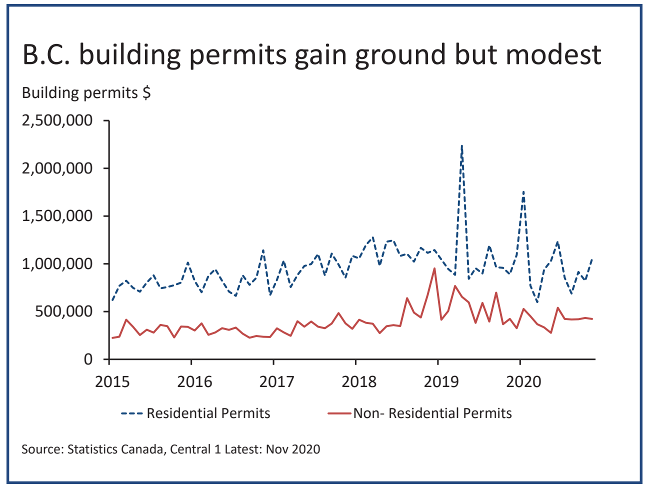
Source: REBGV, FVREB, Central 1

Export momentum remains positive in November on higher mining activity

B.C. international goods exports held onto prior month gains in November with dollar volume sales up 6.2 per cent, year-over-year to $3.54 billion compared to a 7.8 per cent increase in October. On a seasonally- adjusted basis, we calculate a monthly increase of about 0.8 per cent, suggesting positive but slowing momentum given a prior month gain of five per cent. That said, exports were the highest since mid-2019.

Among product segments, performance was mixed in November. Sales were lifted by strong growth in metal ores and minerals which nearly doubled year ago levels. This was the key driver of the increase as sales slipped from October in nearly all other segments, narrowing year-over-year growth. Forestry exports fell from a 34 per cent year-over-year gain in October to 16 per cent in November as high lumber prices retrenched. Energy sales, which include natural gas, coal and electricity, declined 16.4 per cent year-over-year.

While the overall trend has firmed in recent months, total exports through the first 11 months were nearly nine per cent below same period 2019. Despite a turnaround in forestry exports due to stronger demand and high prices, levels were still down 6.5 per cent owing to declining activity through 2019. Low prices and weak external demand also factored into energy sales being 25 per cent lower, while motor vehicle and parts exports fell 13 per cent. Positive performances were observed in metal ores and minerals (up 11 per cent) and consumer goods rose 1.6 per cent. Export performance will likely face short term challenges as the second wave of the COVID-19 virus rages around the globe impacting demand. Vaccine deployment should lift investment demand and commodity prices, contributing to higher export performance.



Residential construction lifts building permits in November

Building permit activity rebounded in November as residential construction intentions rose to coincide with a rise in housing starts. Total dollar permit volume rose 17.4 per cent from October to a seasonally- adjusted $1.47 billion to mark the highest level since June. Residential permits drove the entirety of the gain with a 28 per cent increase to reverse a 10 per cent drop in October. Non residential permits declined 2.4 per cent.

While the permit trend has increased, construction intentions remained sharply lower through 11 months compared to same-period 2019. Total volume fell 12.5 per cent, with residential permits down 9.5 per cent and non-residential activity down 19 per cent. This reflects a combination of factors. Fewer pre-sale condominium sales in prior years due to demand-side restrictions cut the number of projects in the pipeline. Meanwhile, the pandemic likely curtailed some residential activity in the front-end of the crisis, but has largely factored into a sharp decline in private sector construction as many businesses shuttered at least temporarily and cut costs to survive. Public sector construction provided a partial offset with a 34 per cent increase due to construction on schools and hospitals and other infrastructure.

In metro areas, year-to-date total permits were down 15 per cent in Vancouver, 26 per cent in Abbotsford-Mission and 35 per cent in Kelowna. Victoria permits rose 14 per cent.

Bryan Yu
Chief Economist
byu@central1.com / P 604.742.5346
Mobile: 604.649.7209