



## Highlights

- January employment numbers highlight K-shaped economic recovery
- B.C. sees small employment gain in January; unemployment rate up from 7.2 per cent to 8.0 per cent
- Full-year goods exports contracted eight per cent in 2020 - main drag was 24 per cent drop in energy exports, largely reflecting lower prices for coal and natural gas
- Lower Mainland housing market stays red hot in January.

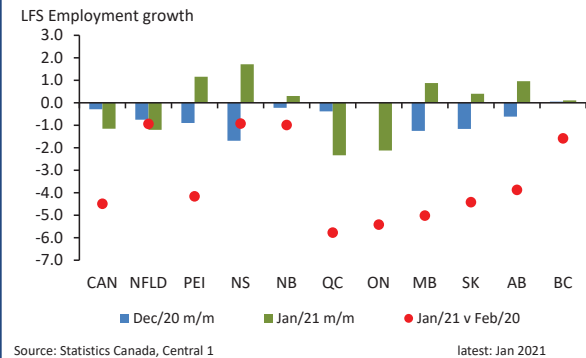
## B.C. employment steady as Canadian employment declines sharply

Canadian employment took a beating to kick off 2021 as employment plunged 1.2 per cent (or 212,800 persons) to the lowest level since August 2020. Additional economic restrictions to contain the pandemic's second wave in Ontario and Quebec cut sharply into retail, hospitality and other service sector employment. Ontario extended restrictions that previously applied only to southern region (including closure of non-essential retail businesses) throughout the province at the end of December, while Quebec closed non-essential businesses and imposed a curfew.

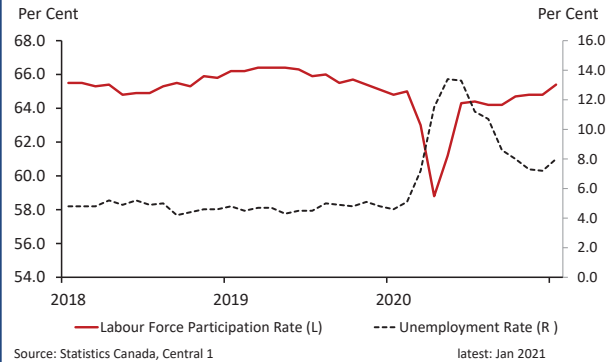
The decline was almost entirely in retail/wholesale trade (-167,600 persons) and accommodations/food-services (-75,000 persons) with net declines entirely attributed to part-time work. Given the sectoral patterns, it is unsurprising that young people (aged 15-24) bore the brunt of the job loss (down 107,500 persons or 4.6 per cent). Estimated unemployment rose from 8.8 per cent to 9.4 per cent of the labour force, again the highest since August.

Among provinces, both Ontario and Quebec drove the contraction with losses of more than two per cent from December. In contrast, employment rose in almost every other province except Newfoundland & Labrador.

## Steady employment in B.C. in December, gap from pre-pandemic February narrows



## Unemployment rate surges on higher labour force participation as employment steady



B.C. managed a small but insignificant employment gain in January that maintained positive momentum but points to stall in hiring. Total employment rose by 0.1 per cent or 2,800 persons marking a ninth straight positive reading. Year-over-year, employment was down 1.7 per cent which was the best performance among large provinces reflecting relatively tame restrictive measures compared to larger peer provinces during the second wave. On the bright side, growth in full-time work in B.C. outpaced contraction in part-time employment.

Metro Vancouver employment growth far outpaced the rest of the province with growth of 0.6 per cent (or 9,000 workers) from December, but pandemic era losses still remain steeper in the region.

For the most part, industry employment held steady during the latest month although accommodations and foodservices fell 4.2 per cent or 7,600 persons

which likely reflected a weaker than expected holiday season and post-season slump. Education (down 4.2 per cent or 7,700 persons) also weakened, alongside a slide in agriculture work (down 18.8 per cent). In contrast, corporate offices and technology firms and government continued to hire. Professional/scientific/technical services employment rose 4.2 per cent (10,100 persons), information/culture/recreation rose 8.8 per cent (up 10 per cent), and public administration gained 3.8 per cent (4,900 persons).

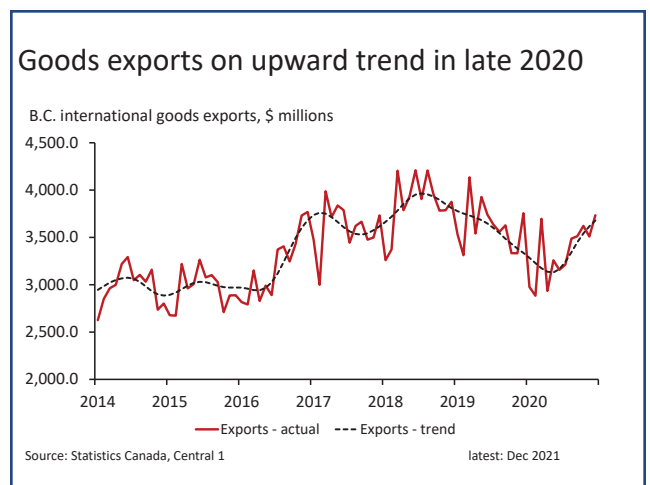
January numbers continued to highlight the K-shaped recovery of the economy. Hospitality sectors, face-to-face private personal services, and broader tourism continue to struggle with year-over-year declines of more than 10 per cent, while the knowledge economy and public administration have fully recovered.

Despite flat employment, B.C.'s unemployment rate shot higher from 7.2 per cent to 8.0 per cent. Metro Vancouver's unemployment rate rose from 6.9 per cent to 8.9 per cent due to a surge in labour force participation. Rising participation rates drove the increase. More individuals searching for work is one contributor but does not explain magnitude of gain. A rollback in the unemployment rate is likely in coming months conditional on employment levels.

First quarter employment growth is expected to remain subdued before turning higher reflecting the relentless struggles with the COVID-19 second wave, associated uncertainties for businesses related to possible restrictions, and the fact that the low-hanging fruit of the recovery has been picked. Vaccine deployment and reduction in COVID-19 cases is critical in allowing the hardest hit hospitality sectors to increase capacity and consumer confidence to rise. A rebound in tourism requires wider deployment of vaccines both in Canada and abroad to allow re-opening of borders, but this is unlikely until well into the second half of 2021.

## Exports hold steady in December to cap off challenging 2020

B.C.'s international export recovery extended through December while annual dollar-volume shipments disappointed with the lowest sales since 2016. Monthly exports reached \$3.73 billion in December, slipping 0.6 per cent on 12-month basis and compared to a 5.3 per cent gain in November. Nevertheless, the trend remained positive heading into 2021 albeit at a slowing pace.



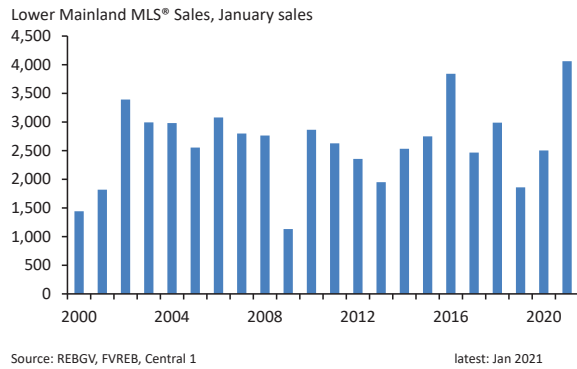
December export numbers were mixed. Energy (which includes metallurgical coal) slumped 25 per cent on a year-over-year basis during the month, albeit remaining steady on a month-to-month basis. Raw resources fell from November, narrowing year-over-year growth from a 90 per cent gain in November to 20 per cent in December. The primary support was stronger forestry export which rose 32 per cent year-over-year and rebounded 12 per cent on a monthly basis after a brief pullback.

Full-year goods exports contracted eight per cent in 2020, owing both to pandemic effects and a downward trend that persisted through 2019. The main drag was a 24 per cent drop in energy exports, largely reflecting lower prices for coal and natural gas. Offsets were raw metals and minerals (up 12.4 per cent). Forestry sales which makes up about a third of exports declined 3.6 per cent during the year due in large part to the base year effect of a weakening trend through 2019 which recovered amidst stronger market demand and conditions for lumber partway through 2020. That said, export sales are masking substantial pricing effects as the small drop in forestry exports was driven largely by surging prices as real shipments remained low due to loss of capacity following mill closures in 2019.

## Lower Mainland housing market stays red hot in January

The stampede of property buyers ran head first into 2021 to lift Lower Mainland sales to drive a record-high performance for a January. Total MLS® sales in the combined Metro Vancouver/Abbotsford – Mission (Lower Mainland) area reached 4,061 units during the month marking a 62 per cent gain from a year ago. This surpassed the previous record of 3,842 units in 2016 by six per cent and the 10-year average for a January by 53 per cent.

## Strongest January sales on record to launch 2021

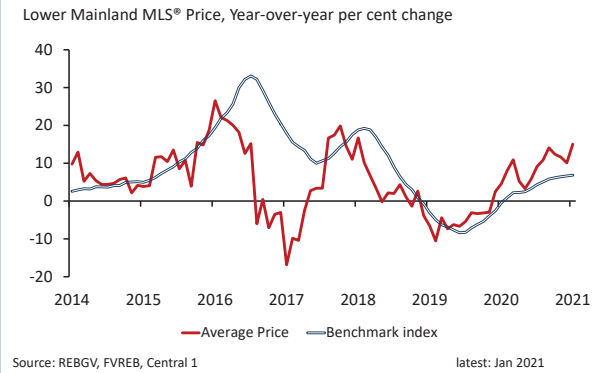


Seasonally-adjusted, we calculate that monthly sales rose about three per cent from December to lift the trend to the previous record-high peak observed in early 2016. Despite the ongoing challenges to the economy from the pandemic and few new Canadians currently flowing into the country, robust demand continues. As we have often noted, the combination of deep mortgage rate cuts and pandemic era changes in preferences has contributed to increased move up buyers and transition of rental to homeownership. Work-from-home options continue to promote demand for detached homes and families are looking outside the urban core areas and the confines of apartment living.

Real estate board data highlights this latter point, with the Greater Vancouver board area data showing more than 60 per cent year-over-year growth in detached home sales, while multi-family sales were up nearly 40 per cent. Additionally, Fraser Valley Real Estate board data which captures Abbotsford- Mission, Surrey, Delta and other valley regions continued to outpace the core Metro region with sales growth of 78 per cent in the latest month.

Stronger demand has contributed to increased new listings since mid-2020 but elevated sales activity has kept a lid on inventory. Sales-to-inventory has climbed to a three-year high and tracking strong sellers' conditions. Multiple-bids is now the norm driving higher prices. At \$1.03 million, the Lower Mainland average price jumped 15 per cent from a year ago. The benchmark price, which adjusts for housing type and attributes continued to track higher with a one-month change of one per cent and a 12-month change of 6.9 per cent. The race for space has lifted the benchmark detached price by 13 per cent over the past year, with townhomes (up 5.6 per cent) and apartment condos (up 2.6 per cent) lagging.

## Price growth accelerates amidst robust demand



January's performance points to ongoing strength in housing demand although we do expect the sales flow to revert to a more normal pace. Pent up demand is being satiated, affordability is increasingly being eroded, and lack of immigration. Buyers will likely rotate demand towards condos due to rising prices. Re-opening of borders and return of international students and new immigrants in greater numbers look to support housing as the pandemic ends and through 2022.

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