Economics | Current Economic Trends

B.C. Economic Briefing

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Economics

Highlights

- Canada accommodations and food services sector employment up 3.7 per cent as economy reopens;
- B.C. employment steady after June surge;
- Home sales in July sees seasonally- adjusted decline of nine per cent marking a 35 per cent decline from March;
- Goods exports soar above $5 billion for the first time on record, led by surge in mining resources and products;
- B.C. building permits slow for fourth straight month.

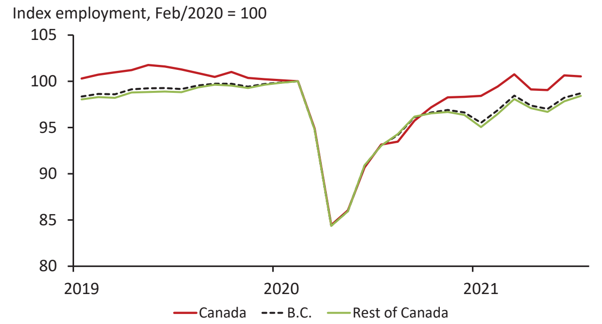
Canadian labour market mends in July, B.C. employment unchanged

Canada's labour market continued to mend in July as restrictions eased but the pace of recovery underwhelmed expectations. Total employment rose by 94,000 persons or 0.5 per cent which was less than half of June's 230,700 person gain, and below market consensus for an increase of 175,000. While the number of jobs returned to March levels when third wave pandemic restrictions triggered layoffs across the country, levels were still 1.3 per cent shy of February 2020 levels.

Not surprisingly, relaxation of social and economic restrictions concentrated employment gains in the services-producing sectors which rose 0.6 per cent and accounted for all of the net gain. More than a third of the growth was in the accommodations and food services sectors (up 3.7 per cent), alongside relatively solid growth in transportation and warehousing (1.1 per cent), and finance/insurance/real estate (1.1 per cent). In contrast, there was no change in goods sector employment.

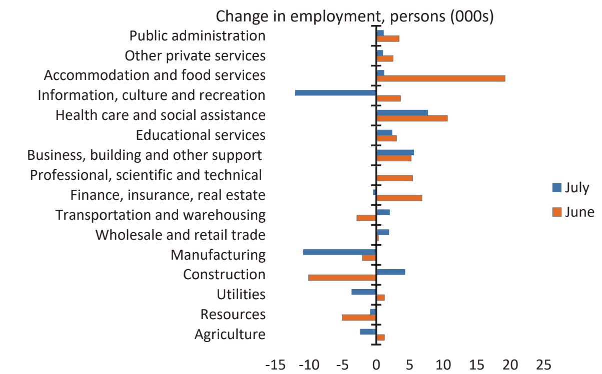
On a positive note, full-time employment rose in line with the headline increase by 0.5 per cent to reverse most of the third wave pullback, while part-time work rose a comparatively weaker 0.3 per cent. This contributed to gains in hours worked of 1.3 per cent.

Canada adds jobs in July, B.C. still outperforms during pandemic



Source: Statistics Canada latest: Jul/21

Monthly employment growth by industry, B.C.



Source: Statistics Canada latest: Jul/21

A portion of the underwhelming gains could reflect timing of the Labour Force Survey which ran from July 11 to 17 as more restrictions were lifted near the tail end of the period of the reference period. That said, only four provinces, led by Ontario, posted gains and those with earlier re-opening activities stalling. Coupled with moderate gains in sectors less effected by restrictions could mean a tougher than expected path forward for the jobs recovery although ongoing re-opening plans, tourism inflows and broader economic growth should contribute to gains.

Labour market slack remains significant. The national unemployment rate eased to 7.5 per cent from 7.8 per cent in June but compared to 5.7 per cent last February. The employment-to-population ratio edged up to 60.3 per cent but remained well below the 61.8 points from last February.

British Columbia saw a pause in its labour market recovery with employment down 0.1 per cent (or 3,100 persons) following a 1.6 per cent increase in June many social restrictions were lifted. That said, levels remained higher than February 2020 and B.C. remains the only province where headline employment has exceeded pre-pandemic levels. The unemployment rate was unchanged at 6.6 per cent but remained well above the sub- 5.0 per cent level pre- pandemic.

Employment levels were supported by full- time gains which increased 0.2 per cent to largely offset a 1.1 per cent drop in part-time employment as employers increased hours per employee. Services sector employment rose 0.5 per cent with significant gains in business, building and related support which added 5,600 employees or 5.1 per cent suggesting increases as offices re-opened. Healthcare and social assistance employment rose 7,700 persons or 2.1 per cent. Construction picked up with a 4,300 person (2.1 per cent gain). Offsetting losses came in manufacturing (down 10,900 persons or 6.2 per cent), and information/culture/recreation (down 12,100 persons or 9.1 per cent). Public- sector employment gains offset a slip in private- sector employment and drop in self- employed workers.

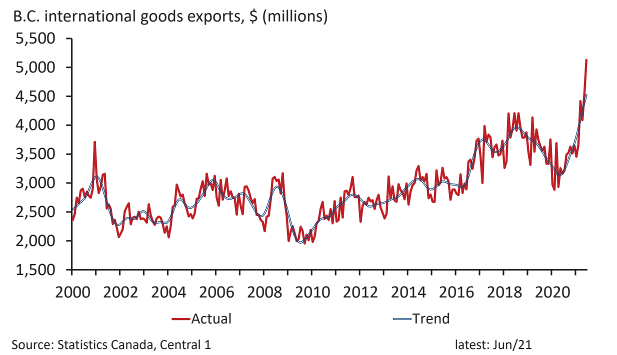
Metro Vancouver outperformed the rest of the province with a gain of 5,400 jobs (0.4 per cent) although the unemployment rate remains elevated at 7.3 per cent.

Labour market conditions are anticipated to tighten going forward as international tourism restrictions loosen and further supports services- oriented sectors. Return to workplaces will contribute to ancillary retail and business services, although this may be mitigated as firms move to greater hybrid models and the Delta variant risk delaying some of the recovery.

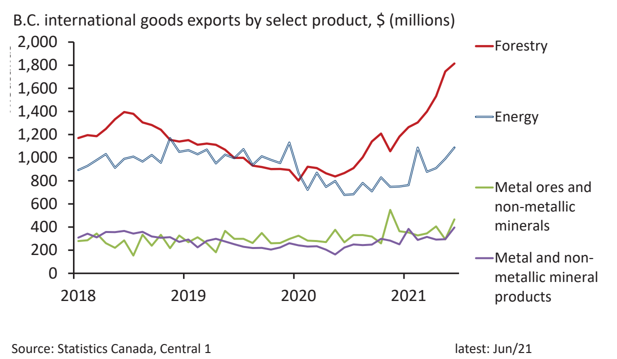
Goods exports soar above $5 billion for the first time on record

B.C. export sector surged in June with international goods shipments surpassing $5 billion for the first time on record. Dollar-volume exports reached $5.13 billion, up 62 per cent increase from a year ago. This marked a seasonally- adjusted monthly gain of about 12 per cent, based on Central 1 calculations.

B.C. goods exports surpass $5 billion for the first time on record



Resources lead growth trajectory



Resource oriented activity continues to propel export values to new heights, underscoring the importance of the B.C.'s traditional industries to economic growth. While the dizzying growth in the forestry sector has been a persistent highlight the past year with doubling of sales from a year ago, July's increase was led by a surge in mining resources and products. Metal ores and minerals exports rose 76 per cent year-over-year to reverse May's decline, while metallic and non-metallic mineral product exports rose 78 per cent. Both jumped sharply from May. Energy shipments increased 10 per cent from May and 59 per cent year-over-year, while forestry products increased four per cent from the previous month.

With the latest gain, exports are roughly 25 per cent above the previous cycle high in 2018 and first half exports were 34 per cent above same- period 2020. B.C. is riding the wave of strong U.S. economic activity and global growth, despite ongoing COVID-19 risks to the economy. Factory and product prices have surged with the industrial product price index for metal products up more than 30 per cent from a year ago, lumber and wood product prices have doubled, and energy prices rose 50 per cent. Elevated prices are generating high incomes for the province. The export sector will continue to be buoyed by growth environment, although a correction in lumber prices will likely curtail momentum through the second half of the year.

Lower Mainland home prices steady in July as market continues to normalize

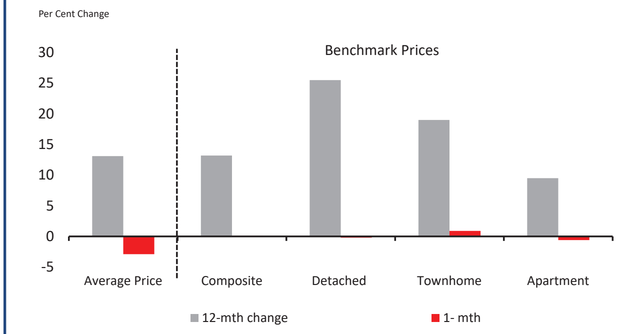
Conditions in the homeownership market continued to normalize in July as sales declined while price levels held steady. Sales in Metro Vancouver and Abbotsford- Mission (Lower Mainland) reached 5,294 units, up a modest 1.7 per cent year-over-year and compared to a 46 per cent gain in June. This narrowing reflected the combination of shallower base year effects as sales picked up by mid-2020 following an early pandemic freeze, and a pullback from what looks to have been peak sales in March. Based on our calculation, July's seasonally- adjusted decline of nine per cent marked a fourth straight monthly contraction and a 35 per cent decline from March.

Home sales settling back to normal

Source: REBGV, FVREB latest: Jul/21

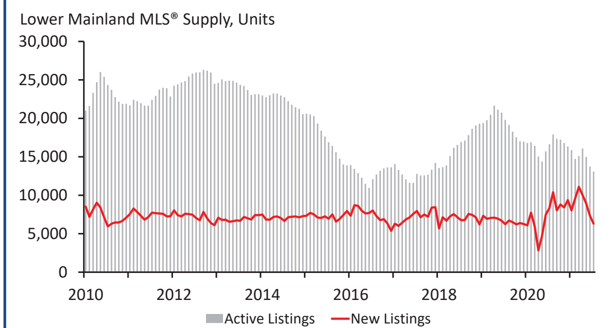
Although the recent pullback is striking, it bears repeating that this a transition to more normal levels of activity and sales are elevated. Seasonally- adjusted sales were still 25 per cent above pre- pandemic February 2020 levels. Moreover, unadjusted July sales were 23 per cent higher than same-month average from 2010 to 2019.

Prices hold steady in July, remain sharply above year ago levels



Source: REBGV, FVREB latest: Jul/21

Supply constrained market supportive of price levels



Source: REBGV, FVREB latest: Jul/21

Demand remains supported by the low interest rate environment and demand for space, although the raging bull market has been tamed by a combination of high prices, satiation of pull forward demand, and easing of social restrictions which have turned buyer attention to other activities.

Price momentum looks to have abated. The average price declined 2.9 per cent from June to $1.087 million but was still 13 per cent or $126,445 higher than a year ago. Similarly, constant-quality adjusted benchmark prices were unchanged from June as detached and apartment home prices slipped, while townhomes continued to appreciate. On a year-over-year basis, benchmark detached prices rose 25 per cent, townhomes 18 per cent, and apartments 9.5 per cent.

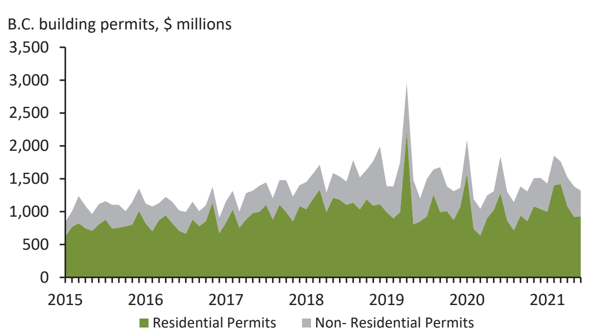
Buyers looking get in at a significantly lower price point as sales cool will likely be disappointed. Resale market inventory remains scant. Just as buyers are taking summer leave, as are sellers. New listings declined more than normal for a July, and resale inventory tumbled. July active listings fell 19 per cent year-over-year and was the lowest same- month reading since 2017. Market conditions continue to favour sellers. We anticipate market conditions to remain steady through the summer. Sales are expected to decline further, and increased supply in the fall could moderate prices after a year of robust gains.

Building permits slow for fourth straight month

B.C.'s construction is showing signs of slowing as dollar- volume permits contracted for a fourth consecutive month in June. At $1.31 billion, permits fell 4.7 per cent from May marking the lowest level since October.

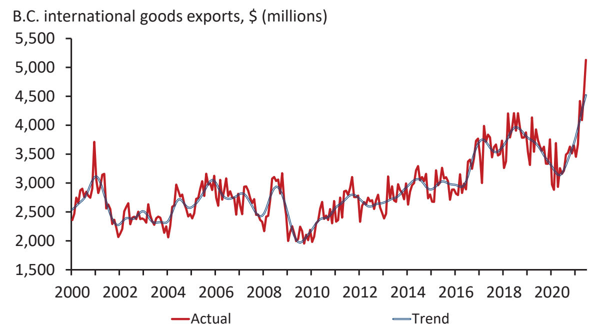
Residential permits held steady with a one per cent gain but followed a sharp 15 per cent decline in May. Levels are down about 35 per cent since peaking in March when housing starts spiked and resale activity peaked. The latter likely contributed to increased renovation demand. The volatile multi-family project sector has led the recent pullback as detached construction trends continued to outperform due to increased demand for physical space and smaller markets during the pandemic.

Building permits slide in June on non-residential pullback



Source: Statistics Canada, Central 1 latest: Jun/21

B.C. goods exports surpass $5 billion for the first time on record



Source: Statistics Canada, Central 1 latest: Jun/21

In contrast, non-residential permit volume declined 16 per cent from May to reverse recent gains. Permits fell across the board and led by commercial and public-sector activity. A subdued and erratic pattern during over the past year has reflected the challenges and uncertainties facing firms during the pandemic related to restrictive public health orders, border closures and other demand side constraints.

Through six months, total permit volumes are up a modest 3.4 per cent from same- period 2020. Residential permits are five per cent higher, while non- residential permits were essentially unchanged despite higher industrial permits. Metro Vancouver permits declined 24 per cent but offset by large gains in Kelowna (164 per cent) and Victoria (59 per cent).

Despite the erosion in trend, the stronger upswing in permits heading into 2021 will continue to support construction activity. That said, normalization in the resale market and high materials costs could delay future construction activity.

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