



Highlights

- Part-time works lifts B.C. employment in September;
- Small business confidence slides
- Tight housing market continues into September due to low inventory;
- Firmly entrenched sellers' market with sales-to-inventory ratio at almost 40 per cent;
- B.C. trade impressively ahead of pre-pandemic activity

Another solid employment gain for B.C., but details soft

Bryan Yu, Chief Economist

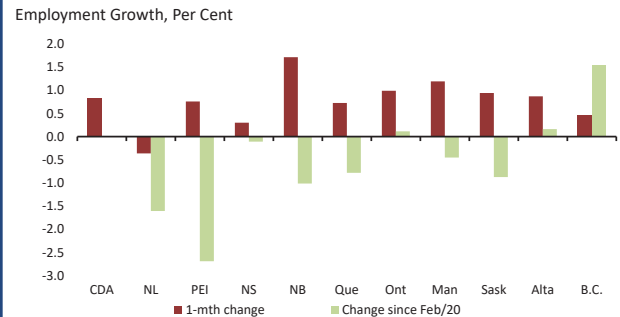
British Columbia's labour market posted another solid employment gain in September despite lagging the national increase.

Provincial employment rose by another 12,300 persons or 0.5 per cent and compared to a national gain of 0.8 per cent. Performance was further tempered with the growth driven by part-time work during the month (2.6 per cent, or 15,500 persons) while full-time employment was essentially unchanged. Despite the softer details, B.C. continues to outpace its provincial peers. Total employment is 1.5 per cent higher than pre-pandemic February 2020, compared to a national reading that just returned this past month to those levels. Full-time employment is roughly in line February 2020, while part-time employment is up 10 per cent.

Metro Vancouver employment comparatively underperformed during the latest month as employment fell 0.3 per cent, but rose 10 per cent year-over-year. The latter compares to a 6.1 per cent increase provincially.

September's industry employment data was mixed with few significant moves among sectors. Services-producing sectors outperformed with a 0.6 per cent increase. Education services jumped 17,300 persons or 9.8 per cent to drive the net gain, while the election

B.C. employment recovery lead nation despite September lag

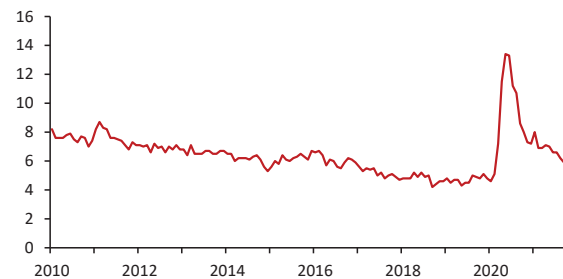


Source: Statistics Canada, Central 1

latest: Sept 2021

Unemployment rate declines

B.C. unemployment rate, per cent



Source: Statistics Canada, Central 1

latest: Sept 2021

likely boosted public administration (up 9,900 persons or 7.5 per cent). Health care and social assistance was a drag with employment down 13,800 persons or 3.7 per cent. The re-opening phase of the economy looks to have lost a bit of steam as hospitality and information/culture/recreation were little changed. Return to offices likely lifted business support services (up 4.3 per cent). On the goods-side of the economy, construction and utilities employment slipped but offset by resources and manufacturing.

The latest employment gain pushed the unemployment rate down to 5.9 per cent, marking the first sub- six per cent reading since the pandemic began. Metro Vancouver's rate came in at 6.2 per cent. The labour market is tightening, and strongest in Canada, but some slack still prevails. The unemployment rate was near five per cent pre-pandemic. That said, the labour force participation rate has fully recovered, and the employment- to- population ratio is not far off.

The recovery in B.C. is expected to continue despite already outpacing other regions but could face near-term headwinds as more fulsome recoveries in the hardest hit sectors are contingent on moves to full re-openings, international recreation and business travel which have been complicated by the Delta variant. Annual employment growth is expected to average 6.5 per cent this year and 3.2 per cent in 2022.

B.C. small business confidence slips in September but entrepreneurs remain cautiously optimistic

Bryan Yu, Chief Economist

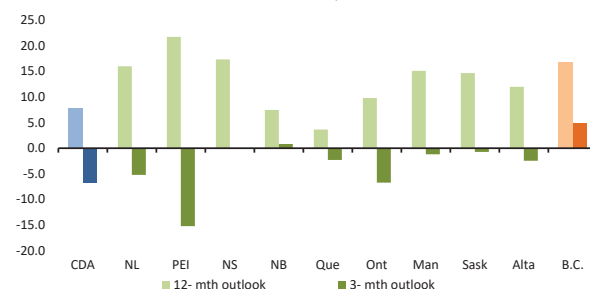
Confidence eroded at Canada's small and medium sized enterprises in September as the rise of the Delta variant likely stoked fears of renewed restrictions or delayed re-openings, while businesses grappled with uncertainties of vaccine passports, and inflationary pressures. The latest CFIB Business Barometer showed a steep decline in both short- and medium-term expectations for business conditions during the month.

The national three month outlook index came in at 43.2 points from 55.9 points in August marking the lowest level since February as firms' expectations soured for the last quarter of 2021 amidst Delta challenges. Twelve month optimism remained on net, positive, with an index value at 57.8 points but still marked a near 10 point drop from August expectations tempered. An index value above 50 means the number of firms expecting improved conditions outnumbers those expecting weaker conditions. Nevertheless, this was the lowest level since November. While firms are generally positive, more firms expect a status quo environment to emerge over the coming year.

While short and medium-term confidence fell in all provinces and most sectors, B.C.'s pull back was relatively shallow and businesses remained optimistic. The three month index came in at 54.9 points, down 3.5 points from August, but highest among provinces. Meanwhile, the 12 month index came in at 66.7 points. Sentiment has been buoyed by the advance state of the economic recovery, solid domestic tourism, and rebounding population. Net full-time hiring plans remained elevated with 26 per cent of respondents looking to hire and only 13 per cent looking to reduce staff.

B.C. business confidence outpaces provincial peers

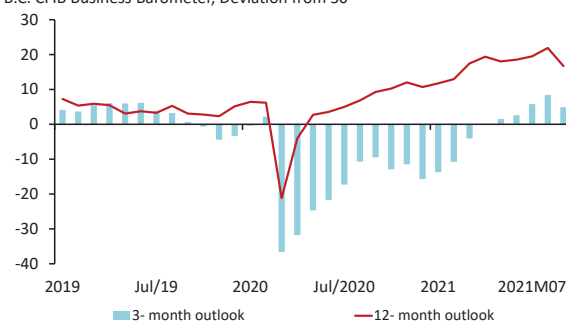
CFIB Business Barometer, Deviation from 50, September 2021



Source: CFIB, Central 1

B.C. small business dips in September but remain cautiously optimistic

B.C. CFIB Business Barometer, Deviation from 50



Source: CFIB, Central 1

latest: Sep/21

That said, small businesses are also being challenged by rising costs. Specifically, higher energy costs were cited by nearly 50 per cent of Canadian firms surveyed as causing difficulty, compared to less than 30 per cent a year ago. Roughly 55 per cent noted wage costs as a headwind, with expected wage growth running at 2.6 per cent which was the highest since 2018 as skilled labour remains in short supply.

Tight housing market continues into September on low inventory

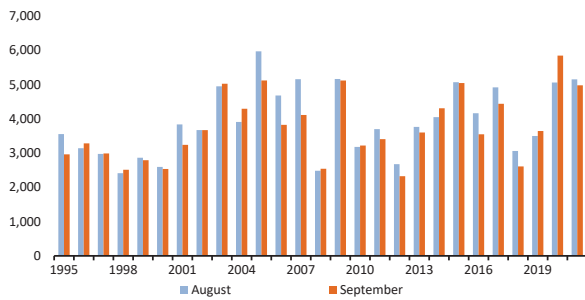
Bryan Yu, Chief Economist

Lower Mainland home sales continued to normalize towards pre-pandemic levels in September but market conditions remained remarkably firm.

MLS® sales in the Metro Vancouver and Abbotsford-Mission area reached 4,980 units. While down 14.8 per cent year-over-year, the first 12-month decline since May 2020, it largely reflects base year effects of surging sales from mid-2020 through early-2021. Sales have tumbled since a March peak, but September sales were still 37 per cent above both the same-month 2019 performance and the September average from 2010-2019.

Home sales decelerate in September, but levels remain robust

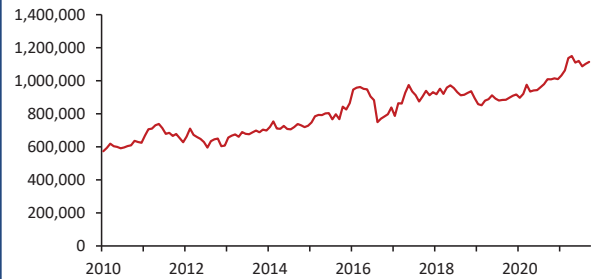
Monthly Lower Mainland MLS® Sales, Units



Source: REBGV, FVREB, Central 1

Average price climbs in September, up 10 per cent year-over-year

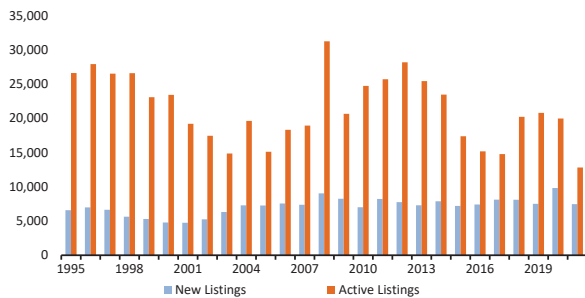
Lower Mainland Average Price (\$)



Source: REBGV, FVREB, Central 1

Lower Mainland housing supply struggles to meet demand

Lower Mainland New and Active Listings, Units, September



Source: REBGV, FVREB, Central 1

Strong housing demand persists despite a sharp deterioration in housing affordability as home prices surged. Pervasiveness of remote and hybrid work models continues to support demand as households seek homes and space to meet dual needs. Indeed, households may be willing to allocate greater income shares to housing as a result. Meanwhile, investor demand may also be a source of increasing activity as tourism and students have returned to support the rental market, low inventory supports capital appreciation, and individuals seek and inflation hedge.

Market conditions remained tight during the month. New listings fell 24 per cent year-over-year to reach the lowest same-month performance since 2016, while month-end inventory came in at a record low for the month. While buyers remain active, sellers have been willing to put their homes on the market for sale. This is a vicious circle as lack of inventory and options to move disincentivizes homeowners to list their homes.

The sales-to-inventory ratio remained near 40 per cent and firmly entrenched in a sellers' market.

Tight conditions are again propelling home prices higher. The average price rose 1.1 per cent from August to \$1.11 million (up 10 per cent year-over-year). Moreover, the constant quality price index saw gains of more than one per cent for ground-oriented units and 0.7 per cent for apartments, pointing to acceleration in momentum after a slowdown in recent months.

While demand is unlikely to re-accelerate, market conditions look to remain firm in the fourth quarter, while stronger population underpins a steady flow of buyers. The primary challenge in the market for buyers remains the dearth of listings which will continue to support prices. That said, we can expect more households to be priced out of the market amidst higher prices and some signs of rising borrowing costs.

International trade regains traction in August

Edgard Navarrete, Regional Economist

This week Statistics Canada released the latest merchandise trade estimates and British Columbia's merchandise trade sector continues to be largely insulated from the pandemic unlike other regions like Ontario which have yet to fully recover. In August, exports (up 1.2 per cent) and imports (up 21.9 per cent) regained some the ground lost in July when sales fell nine per cent. Moreover, in August, compared to pre-pandemic levels of activity from February 2020, exports (up 44.6 per cent) and imports (up 22.8 per cent) remain impressively ahead of pre-pandemic trade activity.

Year-to-date volumes for both exports (up 35.9 per cent) and imports (up 18.4 per cent) remain significantly ahead of last year's pace. The province's trade has remained nearly untouched likely due to the composition of trade exposure in British Columbia.

Of the 12 sectors surveyed each month exports fell month-over-month in over half, seven sectors, in August with a few large areas within this group such as forestry products and building and packaging materials (down 2.8 per cent), consumer goods (down 1.3 per cent) and metal ores and non-metallic minerals (down 4.7 per cent). Losses in these areas were more than offset by gains in energy exports (up 10.5 per cent), metallic and non-metallic mineral products (up 4.1 per cent), and basic/industrial chemical/plastic/rubber products (up 9.5 per cent).

British Columbia's natural gas sector benefitted from higher global prices in August lifting volumes while its other large natural resource sector: lumber and related products, saw trade volumes fall on lower prices. Metallic and non-metallic mineral exports rose on higher global prices and demand for commodities such as copper, iron and steel, and aluminum.

Building Permit volumes down in August, but still up for the year

Alan Chow, Business Economist

B.C. building permit volumes fell in August after a sharp increase in July. Dollar-volume permits decreased 7.5 per cent month over month to \$1.44 billion.

The decline in volume was led by the residential sector, which is down 11.8 per cent from the previous month. Multi-units fell the most, down 15.3 per cent, but single unit permits also slipped by 2.5 per cent. That said, sharp monthly fluctuations are common due to the influence of apartment and townhome projects in any given month. Vancouver metro and Victoria metro areas saw residential permits decline 16.5 per cent and 33.8 per cent respectively.

In contrast, non-residential permit volumes were up 8.9 per cent from the previous month but followed two hefty months of decline. Commercial activity led the way, with increases of 14.0 per cent month over month. Industrial permit volumes also increased, up 3.2 per cent. Public activity though is down slightly at 3.5 per cent. The higher non-residential activity could point to a nascent investment recovery, but levels remain low as firms remain cautious.

Despite the slowdown this month, year to date building permit volumes are up 8.6 per cent from a year earlier. Residential permits are up 15.1 per cent with single-unit permit volumes up 42.9 per cent. Multi-unit residential permits are also up 5.9 per cent. Non-residential permit volumes though are down 6.8 per cent. Both commercial and government permit volumes are down 8.9 per cent and 12.6 per cent respectively. Industrial building permits continue to buck the trend, up 18.2 per cent for the year.

Metro Vancouver year to date permit volumes are still down from last year, but that gap has narrowed a bit. It is down 14.3 per cent from the same period last year. Kelowna and Victoria have moderated as well, but is still up 139 per cent and 52 per cent from the same period last year.

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