



Highlights

- New home construction in B.C. slides for the third consecutive month in September largely due to fewer condo apartments breaking ground
- Average price for a new single-detached home in B.C. climbed further past the \$1.0 million mark.
- Retail sales increased 1.1 per cent in August
- Prices inflation continues: notable gains in transportation prices (4.4 per cent), shelter prices (5.2 per cent) and food prices (3.5 per cent). Energy prices, including electricity, natural gas, fuels, and gasoline, up 17.1 per cent from last year.

New home construction in B.C. slides for the third consecutive month in September largely due to fewer condo apartments breaking ground

Edgard Navarrete, Regional Economist

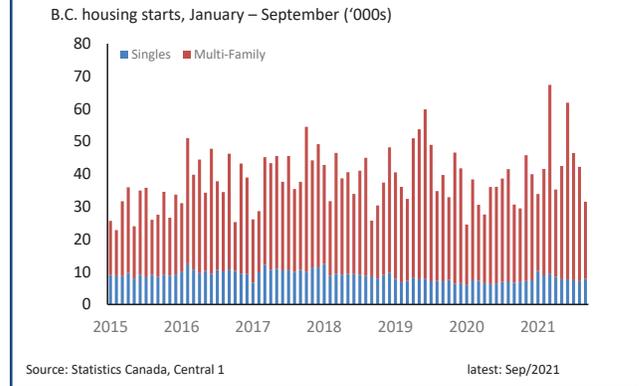
This week the Canada Mortgage and Housing Corporation (CMHC) released September estimates for new home construction in British Columbia (B.C.). According to the latest reading, building activity slowed down for the third consecutive month in September to 35,927 units at seasonally adjusted at annual rate (SAAR) in all areas of B.C. (down 23.7 per cent).

New home construction over the first nine months of 2021 remained significantly higher than a year ago (34.0 per cent) even when the sector continues to face skilled labour shortages and higher costs of materials due to ongoing supply chain issues.

In urban areas, new home construction declined 25.3 per cent month-over-month in September to 31,532 units. Construction of low-rise housing, particularly single-detached homes (up 9.6 per cent) and semi-detached homes (up 31.2 per cent) remained strong but unable to offset the decline to townhomes (down 8.5 per cent) and especially for condo apartments (down 39.0 per cent).

Despite this recent three-month skid new home construction in B.C. urban areas remained ahead of last year's pace of the first nine months by 32.4 per cent.

Condo apartment starts slide considerably in September



Of the four metro areas in B.C. housing starts fell in all with Abbotsford-Mission the sole exception (up 158.1 per cent).

Over the first nine months of 2021 the average and median contract price for a new single-detached home in B.C. remained 9.5 per cent and 12.3 per cent ahead of last year's pace. Both contract prices climbed further past the \$1.0 million mark.

Retail sales rose in August

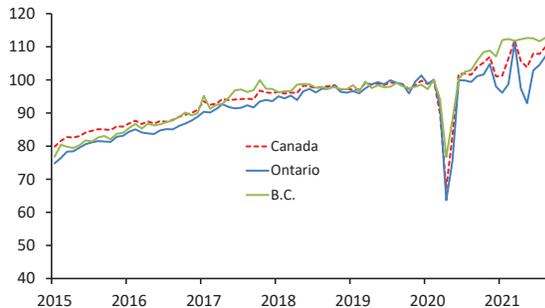
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August retail sales increased in British Columbia (B.C.) by 1.1 per cent to \$8.3 billion after a 0.8 per cent decline in July transactions and marked a 9.6 per cent year-over-year increase. Based on Central 1 calculations, core retail sales (excluding motor vehicle and gasoline) was relatively firm during the month but lagged broader sales growth on a year-over-year basis. Sales in B.C. accounted for 14.5 per cent of total sales in Canada in the month.

Sales in August were dampened somewhat by fewer transactions in key sectors such as motor vehicle and parts dealers (down 3.2 per cent). However, sales are up sharply from a year ago by more than 20 per cent, in part due to higher prices as component shortages weigh on new vehicle availability and bid up resale prices. Food and beverage sales slowed by about 4.5 per cent as households re-allocated spending to restaurants, although higher prices provided support for store-bought sales. Year-to-date food sales were flat. Gasoline sales edged lower but were 20 per cent higher than a year ago on higher prices. A broad slip in trend suggests ongoing rotation from goods spending back to services such as restaurants and other private services.

B.C. retail sales rebounded in August

Retail sales, Index Feb/20 = 100



Source: Statistics Canada, Central 1

latest: August 2021

Year-to-date, sales in B.C. remained 17.9 per cent ahead of last year's pace while core retail sales remained 12.0 per cent ahead of last year's pace. This partly owes to base-year effects of an early pandemic decline, but levels are still 12 per cent above February 2020 levels.

Price inflation remains elevated in September

Ivy Ruan, Economics Research Associate

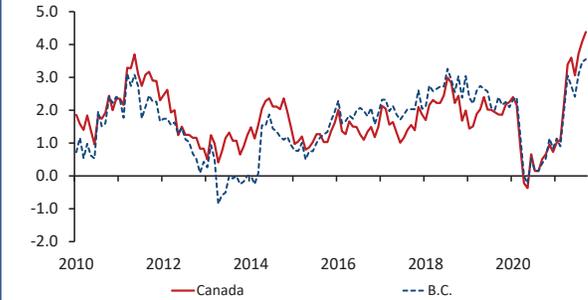
Headline growth in the consumer price index (CPI) for B.C. came in at a firm 3.5 per cent year-over-year in September which was consistent with August but well below the national reading of 4.4 per cent. Provincial CPI rose for a fourth consecutive months, up 0.1 per cent from August.

Prices rose year over year in every major component in September, with notable gains in transportation prices (4.4 per cent), shelter prices (5.2 per cent) and food prices (3.5 per cent). Energy prices, including electricity, natural gas, fuels, and gasoline, were up 17.1 per cent from last year. The base year effect from lower energy price levels in 2020, along with reduction of crude output led by major suppliers, continued to contribute to the noteworthy gain seeing today.

The gain in food prices in B.C. was led by prices for food purchased from stores, which rose 4.0 per cent year-over-year. Food purchased from restaurants was up 2.6 per cent. Similar to the national trend, meat price was the main factor driving the food prices purchased from stores, seeing a significant increase of 12.6 per cent from last September. Prices of fish and other marine products (4.2 per cent) and dairy products (3.1 per cent) also rose year over year, while vegetables declined in September at 3.2 per cent.

Price inflation continues to rise in September

Per Cent

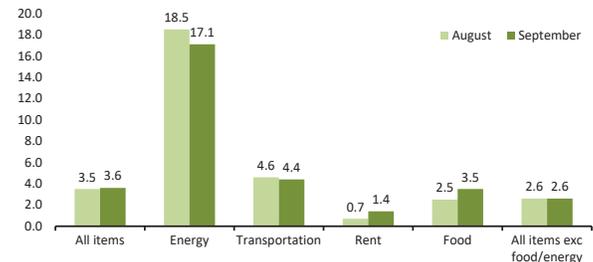


Source: Statistics Canada, Central 1

latest: September 2021

Food and energy lift headline inflation

B.C. Consumer Price Index, Year-over-year per cent change



Source: Statistics Canada, Central 1

latest: September 2021

After a brief decline in rental index last month, rental costs rose by 1.6 per cent and was 1.4 per cent higher than a year ago. A return in international students has contributed to higher demand. Homeowners' owned accommodation costs grew 6.3 per cent year-over-year. Relative to September 2020, upward pressure on shelter prices would continue because of higher construction costs and demand from consistent lower interest rates.

Prices of travel services and traveler accommodation partially reversed in growth in September. Travel services had 4.8 per cent decline in month-over-month price, and price of traveler accommodation was down 7.9 per cent from last month. The end of summer vacation and colder weather had cooled down the tourism in B.C. However, comparing to a year ago, travelers still paid 26.1 per cent more for accommodations travelling to B.C. and 12.8 per cent for travel services.

For more information, contact economics@central1.com.