



Highlights

- B.C. house sales at five month high following strongest monthly gain since March
- Exceptionally tight conditions on Vancouver Island and in the Fraser Valley/Chilliwack regions
- Housing starts up 3 per cent in B.C. in October, led by 49 per cent increase in Vancouver while activity recoil in other parts of the province
- Global supply chain disruption continues to affect manufacturing. B.C. with September declines reported in transportation equipment manufacturing, electrical equipment, fabricated metal, and furniture
- B.C. flooding will further amplifying current supply chain challenges
- CPI inflation reached 3.8 per cent (year-over-year) and flooding will lead to temporary rise due the added costs to get goods to market
- Retail sales rebound in September

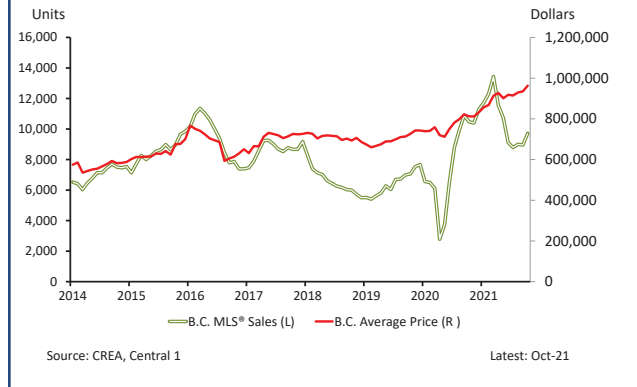
Housing demand shifts higher in October

Bryan Yu, Chief Economist

Consistent with the national picture, B.C. housing market activity sprang higher in October following what was a normalizing trend through most of the summer. MLS® sales surged 8.6 per cent from September to reach a seasonally- adjusted 9,719 units. This was strongest monthly gain since March and pushed sales to a five-month high.

Despite sales being down nearly 30 per cent from the record spring and lower than a year ago, this speaks more to the unsustainably strong performance over the past year. October marked the second highest same-month sales on record next to 2020 and were nearly 40 per cent above the average October pace from 2010 – 2019.

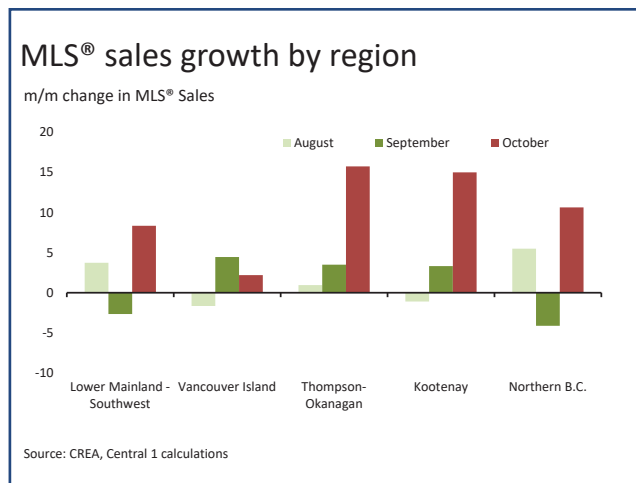
Already robust B.C. home sales turn higher in October



Surprisingly robust demand has continued despite rapid home price growth during the pandemic. Buyers continue to be incentivized by a low interest rate environment, investor demand, shifts in preferences due to the pandemic, and likely some fear of missing the homeownership boat as prices further increase. Modest population growth and recovery trends are further supporting demand. That said, rising interest rates have likely triggered a rush by buyers to lock in their rates through a purchase – even if the property was less than desired.

Among regions, the sharpest rise in sales came in the Lower Mainland- Southwest with Chilliwack (up 24 per cent) and the Lower Mainland (up seven per cent). Sales in the Okanagan rose 17 per cent. Year-to-date provincial home sales have already exceeded 2020 full- year activity.

While new listings edged up, newfound sales momentum continued to reduce resale housing inventory to record low levels. Active listings declined nearly six per cent on a seasonally- adjusted basis and fell 40 per cent from a year ago. Months of inventory sits just below two months compared to 2.9 months a year ago, and trends at the lowest level on record. Sellers' markets are pervasive throughout most of the province with exceptionally tight conditions on Vancouver Island and in the Fraser Valley/Chilliwack regions. Not surprisingly, home values re-ignited. The average price rose three per cent to a record \$963,269. Benchmark home values also accelerated with strongest gains in the Fraser Valley and Chilliwack real estate boards areas (2.5 per cent) and the Okanagan (2.3 per cent).



Market conditions are expected to soften as affordability pushes more households of the market although lack of inventory will remain supportive of prices and rotate demand for lower priced homes and apartments. The flow towards smaller urban and rural area is expected to slow as the pandemic wanes.

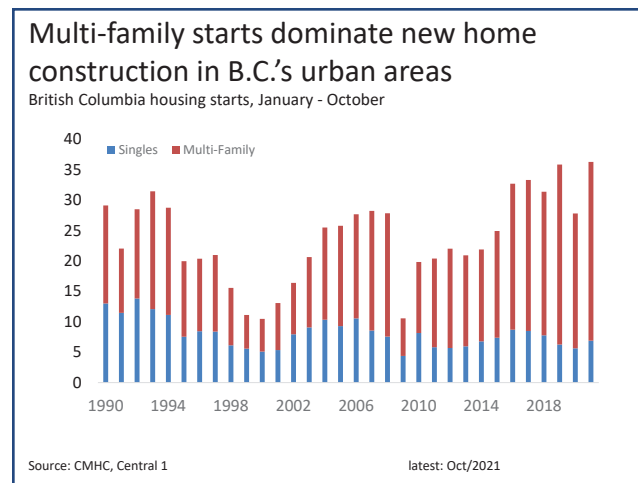
The devastating B.C. floods have affected numerous municipalities within the province and heavily damaged infrastructure which undoubtedly shifts focus away from real estate markets for the time being as communities look to build back into 2022, while potentially diminishing demand outside urban areas.

Housing starts up 49 per cent in Vancouver in October, but significant activity recoil in other parts of the province

Edgard Navarrete, Regional Economist

New home construction across the province remained virtually unchanged from September at 35,877 seasonally adjusted units at annual rate (SAAR) but halted the previous three consecutive months of decline.

The latest Canada Mortgage and Housing Corporation (CMHC) October estimates show that new home construction in urban areas increased by 3.0 per cent in October. This was driven by condo construction which was up 14.6 per cent, but this was offset by a significant recoil in activity across all low-rise housing types. Vancouver housing starts were up 49.5 per cent, while the other three metro areas in B.C. saw declines during the month.



Nevertheless, new home construction in B.C.'s urban areas over the first 10 months of 2021 remained 30.5 per cent ahead of last year's pace despite recent three-month slide in activity from July to September.

Over the first 10 months of 2021 the average and median contract price for a new single-detached home in B.C. remained 7.4 per cent and 8.5 per cent ahead of last year's pace.

Manufacturing shipments edge up in September after sharp declines

Ivy Ruan, Economic Research Associate

Manufacturing sales in B.C. edged up 0.2 per cent in September following sharp declines during the past two months. However, total sales of goods manufactured (\$4.99 billion) remained about 10 per cent lower than observed during the summer months, reflecting a retrenchment in lumber prices.

September's very slight sales increase owed to higher durable goods output (up 1.4 per cent) which rose for the first-time since July, whereas non-durable sales saw a 1.2 per cent drop. Though B.C.'s manufacturing sales were not as vigorous as the early half of 2021, together with Newfoundland and Labrador, the sector in B.C. was still considered active in September, comparing to the lower sales in the rest of the country

The global supply chain disruption continues to affect many industries. B.C. reported 1.9 per cent decline in its transportation equipment manufacturing, gradually offsetting the sales surge back in July. B.C.'s sales also decreased in the electrical equipment (6.1 per cent), fabricated metal (4.1 per cent), and furniture (1.7 per cent) product industries in September. These could reflect some pass through of input shortages such as semiconductor chips.

Durable goods sales edge up to lift manufacturing shipments



Sales of wood products in B.C. rose 3.3 per cent since last month's slump (17.7 per cent). Price for lumber and other wood products continued to drop in September, yet higher volumes led the surge in wood sales. Despite the national falling trend, B.C. reported sales increases in the chemical (9.7 per cent) and computer and electronic (3.0 per cent) products industries in September. Both sectors reached the highest sales level in 2021.

Sales in the Vancouver metro area dropped 0.3 per cent in September, while the sales increased 0.7 per cent in areas outside Metro Vancouver.

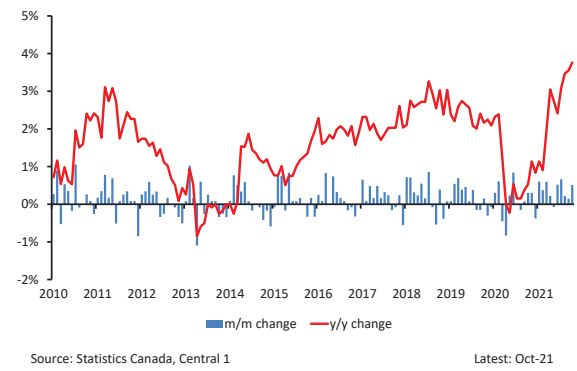
While economic growth both globally and in the U.S. are supportive, several headwinds persist. The B.C. floods and severe damage to infrastructure and private business is likely to impede or slow interprovincial and international exports (and imports) further amplifying current supply chain challenges. Logistics will hamper manufacturing shipments and increase costs.

B.C. inflation jumps to multi-decade high but trails national reading

Bryan Yu, Chief Economist

B.C. consumer price inflation remained milder than the national picture in October, although the impacts of recent floods in the province on transportation infrastructure and agriculture production will likely lead to a temporary uplift in prices unseen elsewhere in the country given added costs to get goods to market. Headline CPI inflation reached 3.8 per cent (year-over-year), with prices levels up 0.5 per cent. The former compared to a 3.55 per cent increase in September and marked the highest reading since the early 1990s. Nationally, CPI inflation rose 4.7 per cent year-over-year and 0.7 per cent from September.

B.C. CPI inflation hits swings higher, remains lower than national reading



Like the national figure, base year effects are contributing to high rates alongside supply chain disruptions, and factors such as high commodity prices. Gasoline prices were the key driver of higher inflation with levels up three per cent from September and 32.8 per cent above year-ago levels. Broadly, consumers are feeling the pinch across the spectrum with food prices up 3.7 per cent and shelter up five per cent from a year ago, although both were similar to September gains.

Consistent with supply chain factors hitting motor vehicles, electronics and other items, durable goods prices rose 5.2 per cent year-over-year, with non-durables up 7.3 per cent reflecting energy and food prices primarily. Services price growth remained relatively moderate at 2.5 per cent.

Retail sales rebound in September

Edgard Navarrete, Regional Economist

Retail sales rebounded in September, moving up 1.1 per cent to \$8.3 billion after posting no growth in August. Core retail sales moved up significantly, up 3.6 per cent to \$5.6 billion double the growth posted in August of 1.6 per cent.

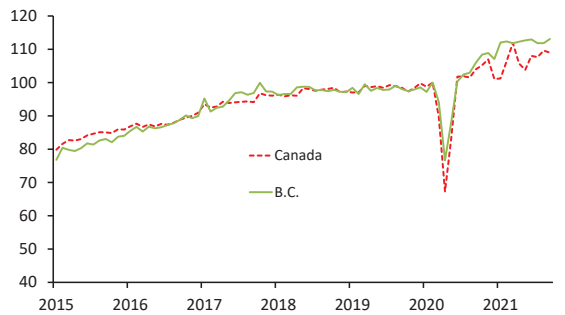
Compared to pre-pandemic activity from February 2020 retail sales are up 13.1 per cent. Over the first nine months of 2021 retail sales are up 16.3 per cent and core retail sales are up 11.1 per cent.

Retail sales in the Vancouver metro area fell slightly, down 0.6 per cent, but strong sales in the rest of British Columbia (B.C.) excluding Vancouver, up 2.7 per cent, more than offset the shortfall seen in Vancouver.

Year-to-date, sales in the Vancouver metro area are up 20.4 per cent and in the rest of B.C. excluding Vancouver sales are up 13.4 per cent.

B.C. retail sales rebound, moving up 1.1 per cent in September

Retail sales, Index Feb/20 = 100



Source: Statistics Canada, Central 1

latest: September 2021

The rebound in retail sales in September was broad-based as only motor vehicle and parts sales, down 3.5 per cent, and gasoline station sales, down 3.5 per cent, were the only two areas to post lower sales (based on C1 seasonal adjustment). Like other parts of the country supply chain issues is affecting sales of new cars. B.C. has some of the highest gasoline prices in the country already due to a higher-than-average gas tax compounding that with high energy prices many motorists are likely forgoing using personal cars for public transit or carpooling where possible pushing down sales at gasoline stations.

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