Economics | Current Economic Trends

B.C. Economic Briefing

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Economics

Highlights

- B.C. home prices continue to climb in November; Average price up 2.2 per cent to $987,352
- Increased competition is lifting prices and eroding affordability
- B.C. inflation was the lowest among provinces
- Recent floods have intensified already challenged supply chains which will likely lead to higher prices
- Manufacturing sales in B.C. continued to rebound in October

B.C.'s resale homes market continues to rebound after a slight dip in activity in September

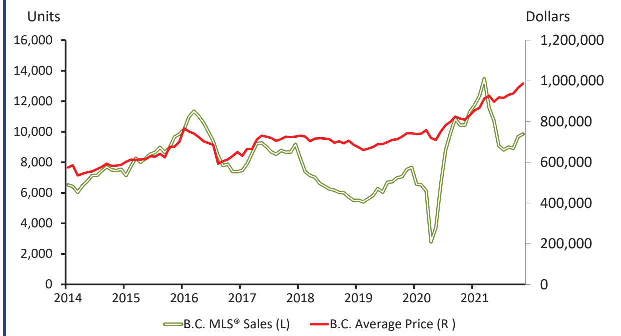
Edgard Navarrete, Regional Economist

After a slight dip in market activity in September, British Columbia's (B.C.) resale home market activity rose for a second consecutive month in November as sales and new listings increased 1.7 per cent and 5.1 per cent respectively. Despite more new listings coming onto the market relative to sales, likely drawn by strong month-over-month price gains, the market remains very tight. Months of supply fell to 1.8 months in November from 1.9 months in October and the sales-to-new-listings-ratio (SNLR) came in at 74.1 per cent in November down from 76.6 per cent in October but still well within a sellers' market. A SNLR reading greater than 60 per cent signals a sellers' market.

Average price continued to climb in November moving up an additional 2.2 per cent to $987,352 adding to the 3.2 per cent gains posted in October. Average price in B.C. has now posted four consecutive months of gains.

Like other parts of Canada, buyers remain very active in the market as they try to get ahead of expected mortgage rate hikes. Increased competition in the market is lifting prices and eroding affordability quickly. First-time buyers, without financial supports from family or above average incomes, are increasingly finding it difficult to move from rental or the family home to purchase their first home.

Tight market conditions lifts B.C.'s average price 2.2 per cent in November



Source: CREA, Central 1 Latest: Nov-21

Year-to-date, all metrics are significantly ahead of last year's pace with sales and new listings up 39.4 per cent and 13.8 per cent respectively. Average price is ahead of last year's pace by 17.4 per cent. The SNLR is at 77.7 per cent thus far this year up from 63.4 per cent at the same time in 2020.

Sales increased in all eight out of 12 regions, with declines in Chilliwack (down 15.7 per cent), Kamloops (down 1.3 per cent), South Okanagan (down 7.1 per cent), and Victoria (down 1.1 per cent). The impact of B.C. floods in markets across the province curtailed activity in November and December. Fewer sales in these areas were offset by gains in the rest of the province.

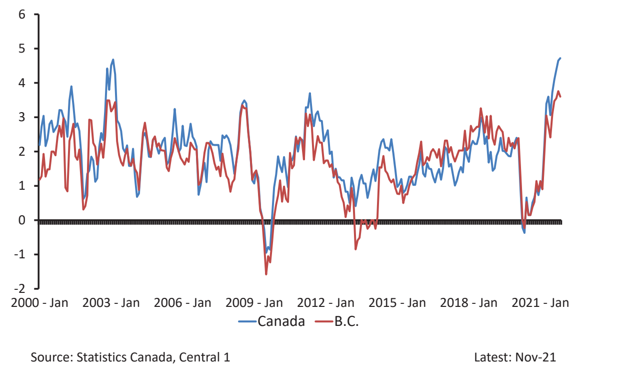
Each month the Canadian Real Estate Association (CREA) releases a constant quality housing price index (HPI) for B.C. regions. Month-over-month HPI growth in November ranged from 1.7 per cent in Greater Vancouver to 3.5 per cent in the Fraser Valley. Average HPI growth across all the B.C. regions surveyed averaged 2.4 per cent in November.

B.C. inflation eases in November

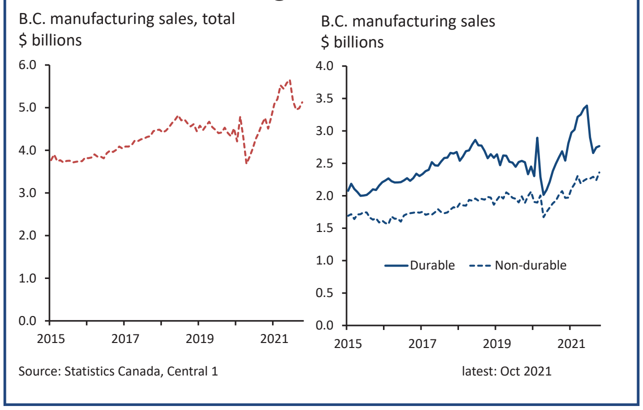
Bryan Yu, Chief Economist

Consumer price growth in B.C. decelerated in November with shallower momentum than the rest of the country. Headline CPI inflation reached 3.6 per cent year-over-year. This was down from 3.8 per cent in October and compared to 4.7 per cent nationally. B.C. inflation was the lowest among provinces. Relative to October, prices rose 0.1 per cent.

B.C. inflation elevated but lags national performance



Higher prices and volumes led further recovery in B.C. manufacturing sales



Despite softer headline trend, inflation themes generally aligned with the national picture, and crimping consumer wallets on key non-discretionary items. The impact of recent flooding was not captured given timing of the survey. Food prices accelerated to a 4.2 per cent pace from 3.7 per cent in October and driven by a 4.8 per cent increase in store-bought goods prices. Energy prices were up 21 per cent, although trend is easing. Shelter prices rose five per cent on increased costs for owned accommodations as replacement costs remained elevated. Recreation/education costs which also includes leisure travel rose four per cent year-over-year. Supply chain challenges continue to drive high durable goods prices. A significant downward contributor to inflation included clothing prices which fell 2.4 per cent year-over-year.

Going forward, CPI inflation in B.C. could see misaligned patterns from other parts of the country. Recent floods have intensified already challenged supply chains which will likely lead to higher prices. Omicron could also amplify global supply chain disruptions, although tempering some demand for services.

Higher prices and volumes led further recovery in B.C. manufacturing sales

Ivy Ruan, Economics Research Associate

Manufacturing sales in B.C. continued to rebound in October with an increase of 2.5 per cent following a slump in recent months. Total sales of goods manufactured exceeded $5.0 billion for the first time since July, albeit still 8.7 per cent lower than the highest sales amount observed back in the summer.

Both durable and non-durable goods output rose in October. Non-durable goods reported a 4.2 per cent monthly increase, which brought its manufacturing sales to the highest level in 2021. Durable goods sales rose by 1.1 per cent. The increase not only indicated a higher volume of goods sold coming to the holiday season, but also higher product prices.

Despite challenges from a global supply chain disruption of semiconductor continued, B.C. reported 5.2 per cent increase in its transportation equipment manufacturing, following the decline from last month. B.C.'s sales also increased in the computer and electronic products by 6.5 per cent, reaching the highest sales level in 2021. These increases reflected the price pressures from semiconductors' shortage, while the disruption would continue for the foreseeable future.

Sales of wood products in B.C. rose 1.7 per cent, maintained the growth momentum since last month but is down more than 30 per cent from the highwater mark of the summer as lumber prices course-corrected after following a strong surge. Sales of chemical products also rose to their highest level in 2021, up 14.8 per cent in October, on higher prices and volumes. Sales of the primary metal industry in B.C. dropped 0.8 per cent, inconsistent with the national rising trend.

In Vancouver, sales rose 3.0 per cent from last month in October across industries.

The impacts of recent floods in B.C. on transportation infrastructure and agriculture production has likely affected production through transportation of inputs or direct impacts on operations.

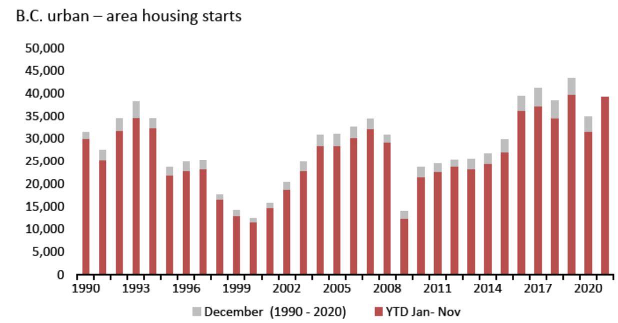
Housing starts edge higher but trend slows late in the year

Bryan Yu, Chief Economist

B.C. housing starts edged slightly higher in November. Annualized housing starts in urban areas reached a seasonally- adjusted 35,660 units during the month up 10 per cent October's pace of 32,444 units. The devastating floods in B.C. largely affected smaller urban and rural areas and had minimal direct effects on urban housing starts, although likely paused activity in surrounding areas. November's gain owed largely to a 14 per cent increase in multi-family which increased to an annual pace of 28,500 units while single-detached starts held steady.

Despite the uptick, B.C. housing starts have slowed considerably from the robust pace in the summer months when monthly starts averaged a pace of about 50,000 units. A decrease in the pace of multi-family starts contributed to this pull back. With resale market conditions robust and prices rising, this pullback likely reflects a combination of coincidence of timing of major project starts, shortages of labour and high material costs, and elevated units under construction. Retrenchment has largely occurred in the Metro Vancouver area.

B.C. housing starts near record high despite recent lull



Source: CMHC, Central 1

Through the first 11 months, housing starts rose 24 per cent in urban areas to 39,176 units and roughly in line with the record setting pace of 2019 Both single-family starts (up 18 per cent) and multi-family starts (up 25 per cent contributed to the increase). Year-to-date urban starts have already surpassed 2020 full- year performance by 12 per cent. Among metro areas, Metro Vancouver starts rose 18 per cent, Victoria starts rose 45 per cent, and Kelowna was up 50 per cent. Abbotsford- Mission starts fell 16 per cent. Growth outperformed in smaller urban areas and rural markets. The recent lull in activity means starts may fall short of the 2019 record but remain exceptionally strong. Inclusive of rural areas, annual housing starts are forecast to average near 45,000 units annually through 2024 as population growth accelerates.

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