Economics | Current Economic Trends

B.C. Economic Briefing

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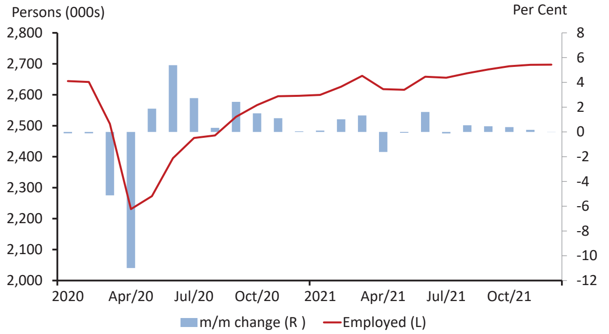
Highlights

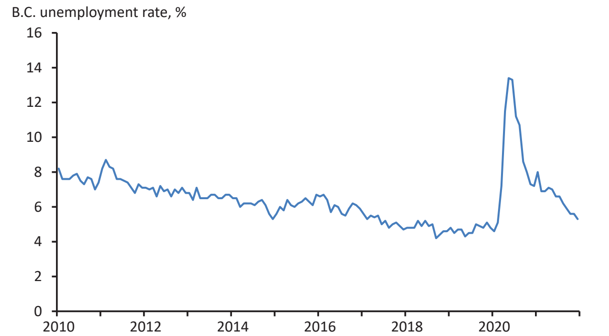
- Despite recent floods' disruptions in infrastructure and supply chains, B.C. reported steady employment performance in December
- Both export and import volumes slowed down in B.C. in December
- Record-low inventory level and strong demand continued to lead increase of home prices and transaction volumes in the Lower Mainland housing market
- Rebounding residential building permit volumes offset a mild retreat in non-residential building permit volumes in November

B.C. employment flat in December, 2% above February 2020



Source: Statistics Canada, Central 1 Latest: Dec-21

Labour market tightens as unemployment rate moves to toward pre-pandemic level



Source: Statistics Canada, Central 1 Latest: Dec-21

Steady employment in December, unemployment rate slips further

Bryan Yu, Chief Economist

B.C.'s labour market was remarkably steady in December despite the drag of the B.C. floods on the economy. According to the latest estimates from Labour Force Survey (LFS), B.C. employment was unchanged in December with nearly 2.697 million employed workers and underperformed a 0.3 per cent increase nationwide. It is important to note, however, the LFS survey period spanned December 5-11 when businesses were operating as usual and gearing up for the holiday season. Full effects of the Omicron-related health measures on businesses and hiring which effectively cancelled holiday revelry, gyms, and other aspects of social life will be observed in January data.

While headline employment growth pressed pause after four months of gains, there remained positive traction under the surface. Similar to the national picture, full-time employment rose significantly by 1.2 per cent but was offset by a 4.2 per cent decline in part-time work. With an unemployment rate falling to a pandemic-era low of 5.3 per cent and just shy of the 5.1 per cent print in February 2020, employers may be shifting more employees to full-time tenure in response to tightening labour markets. Metro Vancouver outpaced the rest of the province with a 0.5 per cent monthly employment gain, while the unemployment rate edged down to 5.5 per cent.

Both full- and part-time employment were about two per cent higher than February 2020 levels, consistent with the headline performance. Average annual employment growth for 2021 came in at 6.6 per cent and the unemployment rate averaged 6.5 per cent.

Among sectors, employment growth in both the headline goods- and services-sectors remained insignificant but there were strong swings among some sectors. Notable gains included construction (up 4.5K persons or 2.2 per cent) and healthcare (up 5.3K persons or 1.4 per cent). Interestingly, agriculture employment rose 6.1K or 28.5 per cent despite the floods, although data quality could be an issue. Surprising drags included finance/insurance/real estate (down 6.3K or 3.8 per cent) and professional/scientific/technical services (down 6.8K or 2.7 per cent), while hospitality employment (down 6.7K or 3.7 per cent) fell even before new measures were mandated, suggesting Omicron may already have impacted consumer confidence.

Relative to pre-pandemic levels, sectoral employment remained mixed to end off 2021 despite overall employment rising. Sectors with fulsome recoveries include manufacturing (14 per cent), professional/scientific/technical services (up 9.3 per cent), education (8.1 per cent), healthcare (15.8 per cent), and public administration (24 per cent), among others. In contrast, hospitality (down 13.7 per cent), building support and construction are broadly lower. Gaps in the recovery persist as it relates to pandemic-sensitive sectors and business investment.

Labour market conditions deteriorated in January given additional public health restrictions on businesses, and as households take more precautions amidst the highly transmissible variant which is likely to lead to temporary layoffs in restriction-sensitive sectors. That said, we expect employment to bounce back rather quickly given underlying momentum in the economic recovery.

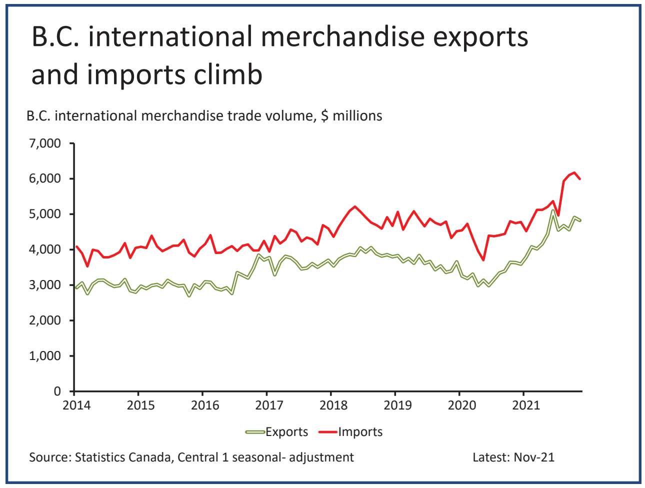
B.C. international trade slows down – but US trade continues rise

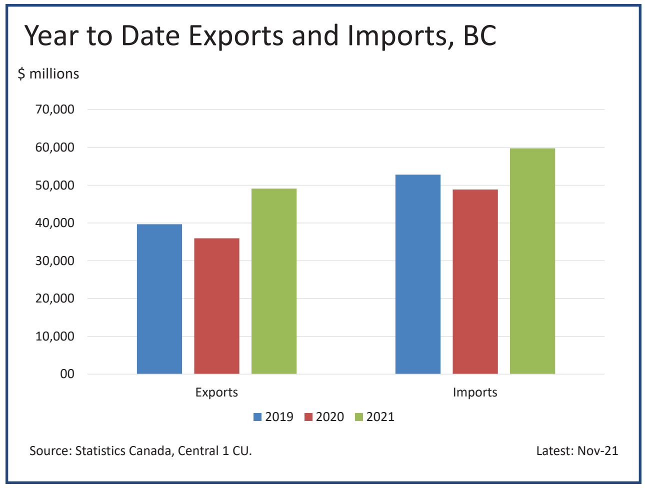
Alan Chow, Business Economist

The latest estimates for British Columbia international merchandise trade for November saw a small pull back after accelerating in October. On a seasonally adjusted basis, export volumes decreased 1.7 per cent month over month. Imports also fell, down 2.9 per cent on a seasonally adjusted basis. Trade in and through B.C. has been heavily impacted by mid-November's flooding and landslides. Much of the transportation infrastructure including roads, railways, and pipelines were damaged and resulted in limited flow of goods. While this has mostly affected trade with countries reliant on Pacific Ocean trade routes, trade with the US continues to grow and has reached all-time highs in both export and import volumes.

This latest slowdown in export volumes was led by the energy sector, which is down 9.2 per cent for the month with coal exports showing the largest decreases and natural gas exports down because of lower prices. It is followed by metallic and non-metallic mineral products, which is down 15.4 per cent. Balancing the fall in these sectors was a rise in metal ores and non-metallic minerals exports, which is up 20.3 per cent.

The slowdown in import volumes is led by metal ores and non-metallic minerals, which is down by 56.6 per cent, followed by consumer goods, which is down by 4.0 per cent. Balancing out the fall was an increase in metallic and non-metallic mineral products, which rose 27.3 per cent on a seasonally adjusted basis.





Year to date, B.C. continues to buck the trend as compared to other provinces. Export volumes for the year are up 36.6 per cent. Resources continue to lead the way, with energy sector exports up 72.4 per cent, helped by higher prices on oil, gas, and coal. Forestry products, which is B.C.'s largest export by overall volume, are also up 47.3 per cent year to date. Aircraft and transportation equipment and parts is the lone sector down, showing a decline of 14.9 per cent.

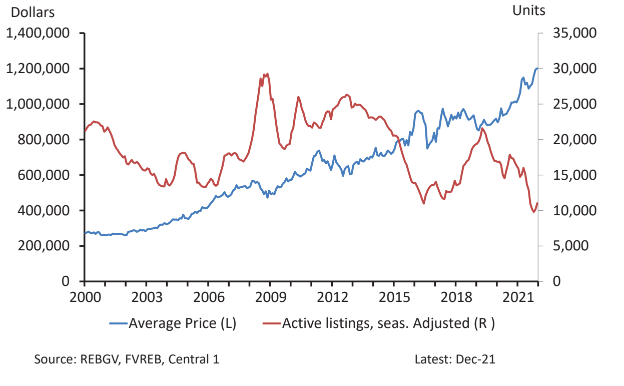
A record year for Lower Mainland housing, affordability will continue to erode

Bryan Yu, Chief Economist

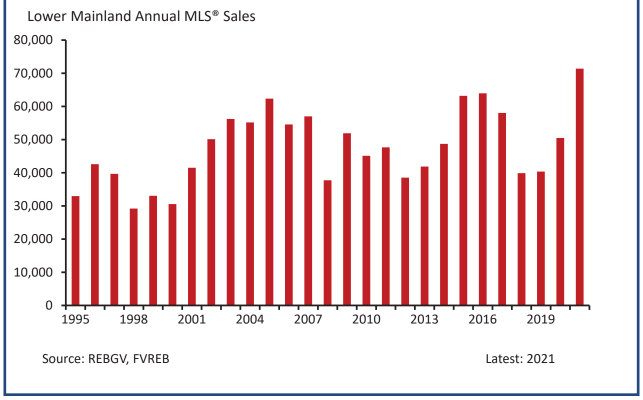
The Lower Mainland housing market capped off 2021 with another mammoth month of activity while home values continued to surge with inventory levels nearing a record-low.

MLS® sales in the region spanning Metro Vancouver and Abbotsford-Mission reached 4,435 units in December. This was second only to the record-high observed a year prior when sales surpassed 5,100 units. While down 13 per cent year-over-year, this was 56 per cent higher than the December average from 2010-2019. On a seasonally-adjusted basis, we calculate relatively steady sales from November.

Lower Mainland prices moves above $1.2 million, inventory lowest on record



Lower Mainland home sales soar to a record high in 2021



Persistently strong demand pushed full-year sales to 71,393 units, up 41.4 per cent from 2020, which smashed the previous record of about 64,000 units in 2016.

The stellar sales pace persists despite a rapid erosion of affordability over the past year. Purchasing activity remains buoyed by pandemic drivers including remote work, high savings rates, and investment demand. The latter is likely driven in part by speculative demand. Mortgage rates remain low, and recent increases in contract rates may have pulled forward some sales as buyers looked to lock in rates.

Market conditions further intensified price growth to end off the year as the strong pace of demand pushed deflated inventory levels to a record- low. Scant inventory of properties available for sale has triggered bidding wars by desperate buyers further driving prices higher. Total active listings fell below 7,000 units in December, down 43 per cent year-over-year, and by far the lowest level on record going back to 1995. The sales-to-active listings ratio surged to 63 per cent or 1.6 months of inventory.

As a result, the average price moved above $1.2 million for the first time on record, marking a 0.5 per cent increase from November and a 19 per cent increase on a year-over-year basis. The latter marks a $245,000 increase in the span of 12 months. The benchmark index, which adjusts for housing attributes and geography, gained 2.3 per cent from November and 23 per cent year-over-year with momentum still strongest for detached properties, reflecting the lust for space. Detached homes were up 30 per cent year-over-year, while apartments rose 17 per cent.

There are few signs of a significant change in momentum for January. Rise of the Omicron variant and inclement cold weather may have slowed traffic, but market conditions will remain tight due to low inventory. Prices will continue to ascend until affordability prices out more buyers and contributes to higher inventory. The demand for long-term housing remains strong due to higher immigration, which will benefit large urban markets.

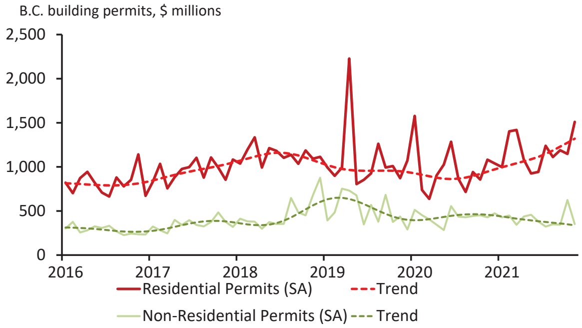
Surge in November residential permits offsets pullback in non-residential activity

Bryan Yu, Chief Economist

B.C. construction intentions rose sharply in November led by a surge in residential building permits. Total permit volume reached a seasonally- adjusted $1.86 billion, marking the strongest single-month performance since January 2020. This was up 5.1 per cent from October and 23 per cent above last year's November levels.

November's increase was led by a surge in residential permit activity which increased 32 per cent from October and 40 per cent from a year ago to $1.51 billion. Not surprisingly, this reflected multi-family construction activity as large-scale apartment developments moved forward. Specifically, a $256 million permit was issued in Surrey, B.C. for the Plaza One tower. This was a key driver of a near doubling of residential permits in Metro Vancouver. In contrast, permits fell sharply in Abbotsford-Mission (88 per cent) due to a strong October performance and, potentially, the impacts of the flooding. Kelowna starts fell 43 per cent and Victoria permits rose 11 per cent. Residential permits continue to be supported by an active housing market and strong demand for new housing.

Residential construction permits surge in November, non-residential activity slumps



Source: Statistics Canada, Central 1 Latest: Nov-21

Unsurprisingly, non-residential permits fell back to earth after spiking in October due to hospital construction in northern B.C. The value of permits came in at $351.5 million, down 44 per cent from October and 18 per cent year-over-year as government permit volume rolled back. Non-residential activity has reverted back to the shallow trend observed through much of the pandemic, reflecting ongoing uncertainty on the part of businesses to invest in brick-and-mortar operations. Industrial permits have outperformed in part due to stronger demand for warehousing operations.

Through the first 11 months of 2021, total permits rose 14 per cent led by a 23 per cent increase in residential permits. Non-residential permits fell 5.3 per cent on declines in government (14 per cent) and commercial activity (2.7 per cent). Industrial permits rose 4.5 per cent.

Among metro areas, total permits fell three per cent in Metro Vancouver, while other large urban areas reported higher construction intentions. Kelowna permits doubled, Victoria increased 50 per cent, and Abbotsford-Mission increased 21 per cent over the period.

For more information, contact economics@central1.com.