Economics | Current Economic Trends

B.C. Economic Briefing

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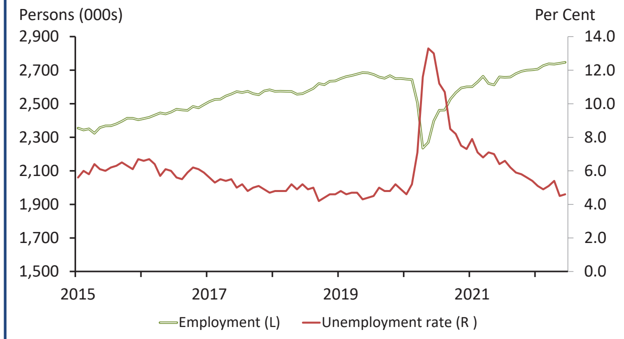
central 1 Economics

Highlights

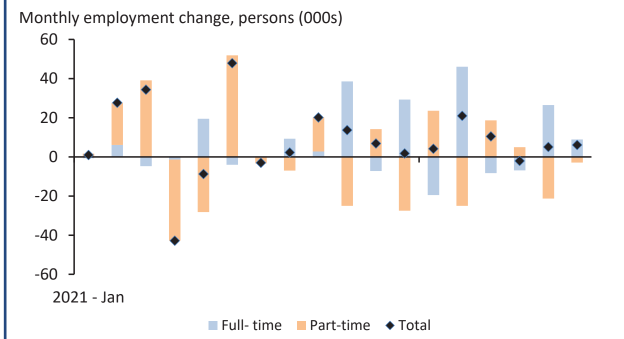
- B.C. employment grew despite national decline in June
- June home sales and average prices continued to drop in the Lower Mainland
- Trade figures remained elevated from a year ago in May
- Total dollar-volume building permits surged 22.9 per cent in May, following the decline seen in April

Employment uptrend continues, labour market remains tight



Source: Statistics Canada, Central 1 latest: June/22

Full-time hiring leads recent employment upshift



Source: Statistics Canada, Central 1 latest: June/22

Bucking national pattern, B.C. adds jobs in June

Bryan Yu, Chief Economist

B.C.'s economy managed to eke out further job gains in June as a bump up in job seekers allowed employers to fill at least a portion of the ballooning number of vacant positions in the province. Total employment rose by a solid 6,100 persons or 0.2 per cent from May compared to a 0.2 per cent decline nationwide. With the latest increase, B.C. employment is nearly four per cent higher than pre-pandemic February 2020 compared to 2.4 per cent nationally.

Like the national picture, full-time hiring remained firm with a 0.4 per cent increase that offset a 0.5 per cent in part-time work. While firms are adjusting to a tight labour market by transitioning part-time workers to full-time employment where possible, economic growth is broadly driving increased employment opportunities and entrepreneurship. Self-employment work led the latest gain, and after bottoming out in October has since risen sharply.

Among industries, goods-sector employment led the increase. Manufacturing employment jumped by 8,400 persons (4.8 per cent), while resources extraction and construction also gained. Services-producing sector employment declined on net with a drag from wholesale and retail trade (-4,100 persons or 0.9 per cent), while the housing market may be dragging on finance/insurance/real estate/leasing which fell 7,100 persons or 4.3 per cent. Healthcare/social assistance and accommodations/foodservices employment also fell but were within the margin of error. Public administration was the only notable gain for services with a 4,200 person or 3.4 per cent increase. Consistent with the industry composition of change, the Vancouver Census Metropolitan Area underperformed with a 6,500 person employment drop.

With another increase in employment, B.C.'s labour market remained tight. The unemployment nudged higher to 4.6 per cent from May's 4.5 per cent but remained below the national average. Only Quebec, Saskatchewan and Manitoba were lower. High labour force participation and employment rates that are in line with pre-pandemic levels signal an economy operating at capacity. A high job-vacancy rate exceeding six per cent and inflation pass through is showing signs of lifting wages. Average wages came in at 3.6 per cent y/y.

Going forward, the economy is expected to moderate for higher interest rate impact sectors like housing, but a lift in tourism, major project construction and higher investment in commodity sectors should keep the labour market tight.

Sellers nostalgic for Q1 prices as market turns

Bryan Yu, Chief Economist

Yesterday

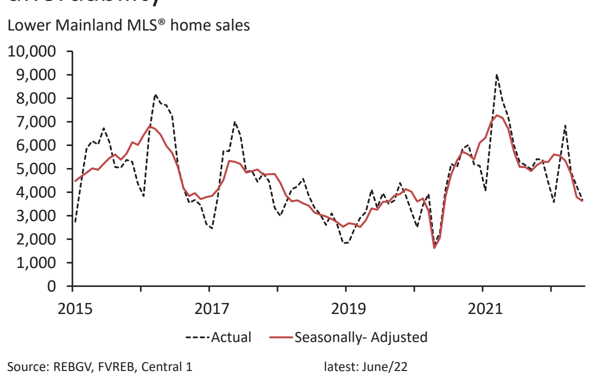
Selling homes was such an easy game to play

Now buyers found a place to hide away

And sellers, they long for yesterday (or at least yester-day prices)

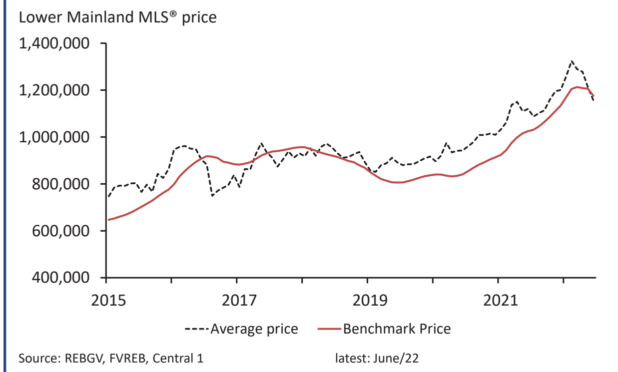
Market conditions in the Lower Mainland swooned again in June as sales continued to decline and home values fell sharply as rapid shifts in mortgage rates and deteriorating buyer sentiment cut activity. June sales in the combined Metro Vancouver and Abbotsford-Mission real estate board area reached 3,689 units (down nearly 39 per cent from a year ago) which partly reflected a base year effect from robust year-ago sales. Nevertheless, this was 25 per cent below the same month average from 2010-2019. On a seasonally-adjusted basis, our calculation shows a five per cent decline from May and return to pre-pandemic levels, albeit with a moderated pace. Expiration of existing mortgage pre-approvals and further hikes by the Bank of Canada impacting variable rates are expected to reduce sales through the third quarter.

Home sales in decline as higher rates shock affordability



The rapid adjustment in home sales has contributed to a resurgence in inventory (active listings) which rose on year-over-year basis for the first time since May. On a seasonally-adjusted basis, active listings rose 25 per cent since the end of 2021 as declining sales outpaced a slowdown in new listings. More than a few some sellers see this as an inopportune time to sell given market conditions. The sales-to-active listings ratio, an indicator of demand and supply, softened to the lowest level in two years to 22 per cent, and while in a range typically aligned with a balanced market, the quick climbdown suggests a market that is already favouring buyers.

Average price down 13 per cent from peak, benchmark values turn lower



Rising inventory, lower sales softens market

Home values have fallen sharply in response. The average regional price fell 4.6 per cent ($56,500) from May to $1.156 million. This marked a fourth straight monthly decline pushing the value down 13 per cent or $168,300 from the February peak of $1.324 million. Suburban markets have led the decline with the Fraser Valley Real Estate Board price down 16 per cent. This is unsurprising as these markets led the upswing amidst falling interest rates as buyers flooded more affordable markets for detached housing. Declines in the constant-quality home price index were more mod-est at 2.5 per cent m/m and 3.5 per cent over three months, but this will lag average prices. June declines were driven by detached and townhomes.

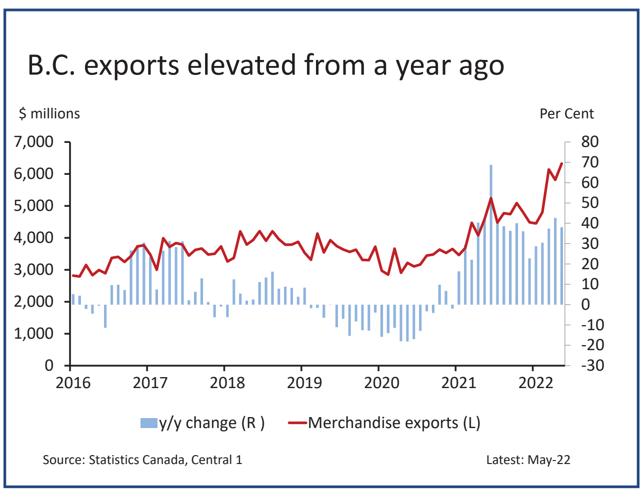
Downward momentum in sales and prices is likely to persist through the third quarter as variable rates rise, although the pace of declines is anticipated to deceler-ate. A period of lower sales is expected to continue through 2023 as credit constraints keep buyers on the sidelines, while sellers remain steadfast in trying to achieve yesterday's prices which will lead to increased de-listing and a lower volume environment.

B.C. trade slowed down from last month, yet remained elevated from a year ago

Ivy Ruan, Economic Analyst

Canadian merchandise export momentum slowed in May but still rose 4.1 per cent in May compared to April, a fifth consecutive monthly increase that widened the trade surplus to $5.3 billion; the largest since August 2008. Provincial businesses exported goods valued at $6.33 billion which was up 38.1 per cent year-over-year following last month's 42.6 per cent growth.

Exports of energy products recorded 137.2 per cent higher sales than the same month in 2021 to another record $2.47 billion following April's 200.0 per cent gain. Strong commodity prices for coal and gas continued to be the main driver to the gains in energy exports. In addition to energy, metallic and non-metallic mineral products (up 111.8 per cent y/y) and consumer goods (up 28.5 per cent y/y) were the other two main contributors to B.C. exports in May. In contrast, forestry products and building materials continued to see declines in export sales (down 17.5 per cent y/y) compared to same month last year, following April's 4.7 per cent contraction. Lower lumber prices and rising inventories amidst the drastic reduction of demand in housing market downturn has curtailed sector performance.

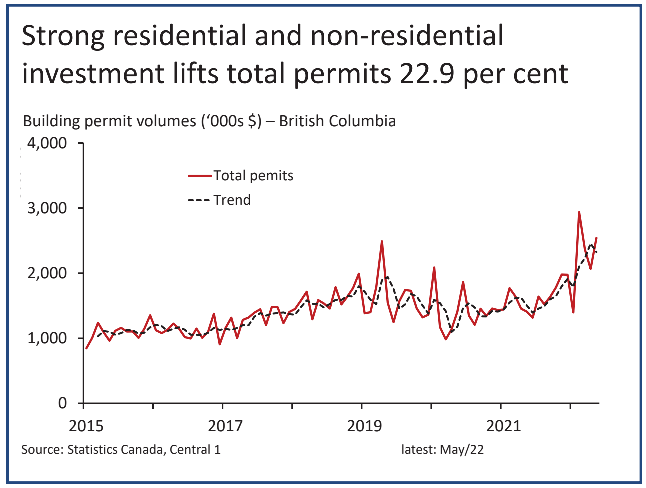


May's total imports came in at $6.16 billion in B.C., up 19.6 per cent compared to last year. Consumer goods continued to lead the yearly growth in imports, reporting a 15.6 per cent year-over-year increase to $1.44 billion. However, we calculate that half of the industrial sectors saw monthly declines on a seasonally-adjusted basis, led by metallic and non-metallic mineral products (down 20.7 per cent m/m), industrial machinery, equipment (down 13.6 per cent m/m) and consumer goods (down 7.6 per cent m/m). Several factors, including inflation, rising interest rates and supply chain issues had resulted in changes to consumer spending patterns and retailer import practices.

Strong growth across the board, total permits up 22.9 per cent in May

Edgard Navarrete, Regional Economist

Total dollar-volume building permits jumped 22.9 per cent m/m in B.C. in May after sliding 12.5 per cent m/m in April. Gains in May were robust across the board with both residential building permit volumes (up 9.0 per cent m/m) and non-residential building permit volumes (up 64.2 per cent m/m) up significantly.



Residential building permit volumes saw gains of 5.3 per cent and 10.1 per cent m/m respectively for single-detached homes and multi-family homes. A $112 million permit for a condo apartment project in Surrey helped lift multi-family permit volumes. Residential construction jumped in May after sliding in April; a symptom of increased supply costs and skilled labour shortages. Despite many projects in the pipeline, developers are likely taking a more cautious approach getting projects to the permit stage given a high number of projects currently under way and market uncertainties.

Non-residential building permit volumes surged in May (up 64.2 per cent m/m) due to strong growth in commercial (up 73.8 per cent m/m), institutional (up 54.9 per cent m/m) and industrial projects (up 37.7 per cent). Strong inflows of new residents have stoked investments in B.C. In May, a permit for a new hospital in Fort St. James lifted institutional projects in the province.

Over the first five months of 2022, total building permit volumes remained 46.4 per cent ahead of last year's pace with residential (up 26.8 per cent) and non-residential (up 101.2 per cent) up significantly.

Total building permit volumes increased 23.5 per cent in May in metro areas with residential (up 7.8 per cent) and non-residential (up 68.5 per cent) both up significantly. In Kelowna, total building permit volumes increased by 75.9 per cent, followed by Vancouver (up 25.8 per cent) and Victoria (up 5.3 per cent). In Abbotsford-Mission, permits slid 24.0 per cent.