Economics | Current Economic Trends

B.C. Economic Briefing

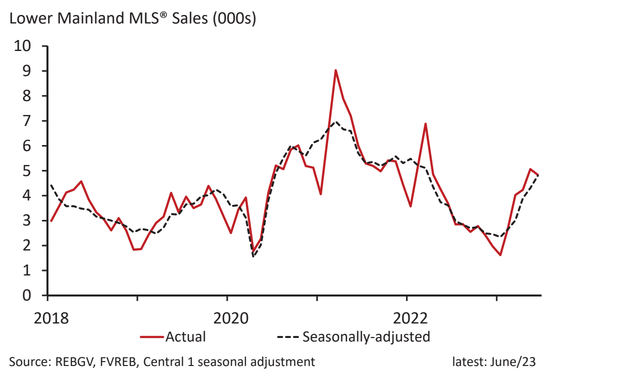
Volume 29 • Issue 27 • Week of July 3 - July 7 2023 | ISSN: 1981-355

central 1 Economics

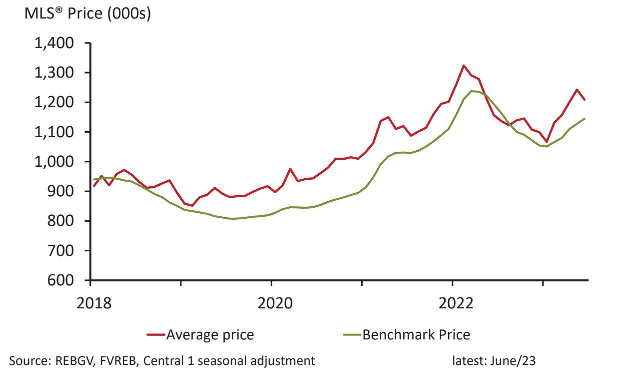
Highlights

- Rate hikes may cool down the housing market despite robust demand
- Unemployment rate in B.C. jumped to 5.6 per cent in June
- On a yearly basis, B.C. imports were back on the rise in May as exports continued to decline

Sales slip in June, positive momentum to slow



Home sales remain elevated in June, but declines expected



Lower Mainland housing market strength continues through June, rate hikes to cool market

Bryan Yu, Chief Economist

The Bank of Canada's June policy interest rate hike and higher bond yields are pushing more potential buyers to the sidelines as mortgage rates increase. However, the impact is more likely to be seenin July and August real estate board data as a swath of buyers pulled the trigger on transactions in June to lock in mortgage rate holds which helped maintain elevated sale prices.

MLS® real estate board statistics for B.C.'s Lower Mainland which spans Metro Vancouver, the Fraser Valley and the Sunshine Coast showed 4,837 home sales in June. This was 31 per cent higher than a year ago, and while base effects of low sales last year are a factor, this was 40 per cent higher than pre-pandemic June 2019 and consistent with the ten-year average observed from 2010-2019. Despite the massive headwinds of high interest rates and severe affordability erosion, buyers returned to the market in force over the first half of the year. Buyers have adapted to the shift in rates and are betting on future rate reductions, while buoyed by a strong labour market and pandemic savings. Soaring population growth through immigration — which is flowing to urban centres — is lifting demand, both through direct channels of newcomers able to purchase immediately and pushing prospective buyers off the fence given the spectre of a flood of potential demand from newcomers.

On a monthly basis, Lower Mainland unadjusted sales fell four per cent with a sharper than normal decline in the core Greater Vancouver market (12.4), following a May surge which could reflect supply constraints and high prices. Fraser Valley region sales surged 12 per cent following a stronger than normal May performance. Growth in the Fraser Valley area could reflect affordability and larger lot sizes in the region as buyers adapt to higher interest rates. Apartment sales look to be heating up as well, which is consistent with the drive for affordable products, particularly given robust rent growth.

Strong housing demand and lack of supply continued to prop up prices. The average value reached $1.21 million, which was 4.5 per cent higher than a year ago and down 2.7 per cent from May. That said, seasonally-adjusted prices held steady, and levels are shy of last year's high by about 7 per cent. There are signs that new listings have started to rise with a 3.6 per cent increase from a year ago and a strong upward seasonally-adjusted increase. That said, net new listings were absorbed by demand and inventory was unchanged. At above 30 per cent, the sales-to-active listings ratio remains firmly in a sellers' market.

Average price can reflect compositional effects, but the benchmark quality-adjusted price index rose 1.5 per cent from May, with growth across housing segments. The benchmark value is 8 per cent off its high but lags below average prices.

The housing market heat observed in the first half is expected to slow following the June rate hike and the high likelihood of another hike in July. Sales are expected to decline in coming months as rate holds roll off and households are wary of a period of higher interest rates for longer. That said, demand has proven robust which should persist given elevated levels of immigration, elevated rents and innate desire for homeownership.

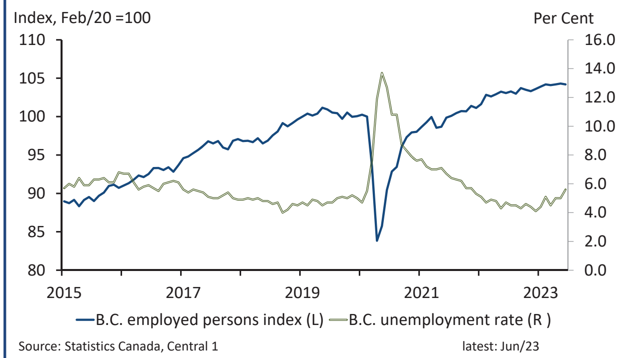
B.C. had little change in employment in June, while unemployment rate surged

Ivy Ruan, Economic Analyst

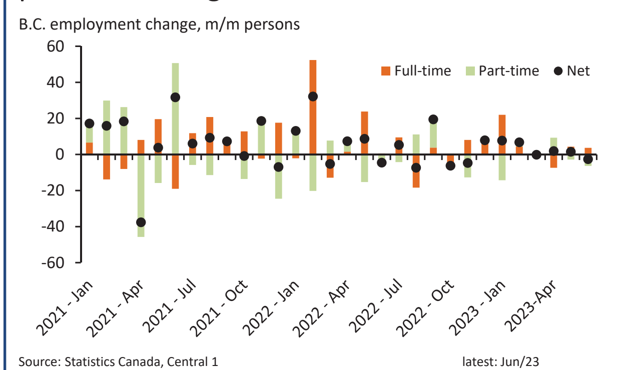
B.C.'s labour market had little change in June, with seasonally-adjusted employment inching down by 2,600 fewer persons (0.1 per cent) from last month. With the latest updates, employment growth trend continued to soften but remained steady. Provincial employment was ahead of a year ago by 1.1 per cent and ahead of pre-pandemic level in February 2020 by 4.2 per cent. The labour participation rate edged up from May to 65.2 per cent. The provincial unemployment rate rose to 5.6 per cent, marking the highest level since November 2021. The increase in unemployment rate was largely driven by labour force expansion (0.5 per cent), supported by robust population growth and the uptick in labour participation. Nationally, the labour market more than reversed May job losses in June in a sign that economic conditions remain resilient with no recession in clear view.

In the Vancouver census metropolitan area, a labour force expansion (0.5 per cent) was also recorded in June. With employment down 5,300 persons or 0.3 per cent in June from the previous month, the unemployment rate jumped to 5.7 per cent from 4.9 per cent. The increase in full-time hiring offset some of the declines in part-time employment in June. B.C. part-time employment declined 6,300 persons (-1.1 per cent), while full-time employment expanded (3,700 persons or 0.2 per cent). This points to some adjustment in average hours worked.

B.C.'s employment had little change in June while unemployment rate on the rise



Full-time employment gain offset some loss in part-time hirings



On an industry level, goods-producing sector led the decline in overall hiring. Specifically, sharper declines in construction (-2.8 per cent) and natural resources (-3.7 per cent) were only partially offset by manufacturing and utilities. Services-producing sectors' employment had almost no change from the previous month, with 300 more net hirings in June. Notable increases were reported in health care and social assistance (up 8,200 persons or 2.2 per cent), and finance, insurance, real estate, rental and leasing (up 4,800 persons or 2.8 per cent). Losses were reported in transportation and warehousing, with 1.7 per cent fewer hirings. Other services (except public administration) also reported 2.3 per cent fewer employments in June.

The unadjusted national average hourly wages subsided, freefalling from a year-over-year pace of 5.1 per cent in May to 4.1 per cent in June. Consistent with the national trend, the June labour market report in B.C. still points to a solid economy and robust hiring, but expansion of the labour supply is slowing wage growth.

B.C. imports edge up in May following decline in April

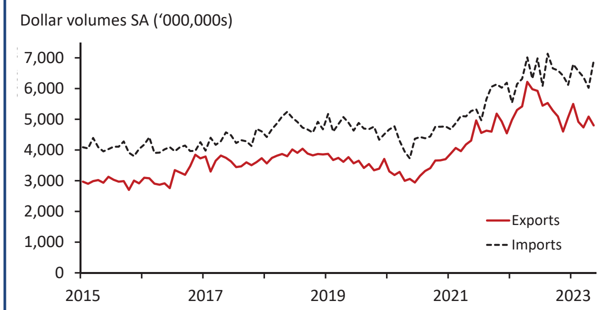
Eloho Ennah, Economic Analyst

The value of B.C. exports in May fell by 19.3 per cent to $5.1 billion on a year-over-year basis while imports rose 8.1 per cent to $6.7 billion compared to same month in 2022. Export and import figures — which have seesawed in past months — have been trending lower since peak values recorded in 2022. According to Central 1's seasonally adjusted numbers, exports fell 5.6 per cent on a monthly basis while imports rose 14.5 per cent, following the 5.5 per cent decline in April.

Within the exports category, forestry products and building and packaging material export values declined further in May, falling by 37.1 per cent on a year-over-year basis to $1 billion after the 31.8 per cent drop recorded in April. The dollar value of energy exports also decreased further by 25.7 per cent to $1.8 billion, mostly due to lower prices. Metal ores and non-metallic mineral category also saw decreased exports value, down 13.2 per cent to $488.3 million while basic and industrial chemical, plastic and rubber products exports fell 17.3 per cent to $113.6 million. Consumer goods exports also fell 9.8 per cent to $379.3 million and that of aircraft and other transportation equipment and parts declined by 4.1 per cent to $34.5 million.

Balancing these declines were increases in the exports value of farm, fishing, and intermediate food exports, with a rise of 17.2 per cent to $281 million year-over-year. The exports value of industrial machinery, equipment and parts increased 13.9 per cent to $220.9 million in the same period. In addition, electronic and electrical equipment and parts as well as motor vehicles and parts exports values both increased by 12.9 per cent, and both up to $254.3 million and $69.8 million, respectively. Metallic and non-metallic mineral products exports value was also up 8.8 per cent to reach $413.9 million year-over-year.

B.C. imports were back on the rise in May, exports value slips



Source: Statistics Canada, Central 1 latest: May/23

On the imports side, motor vehicles and part imports value leapt 77.8 per cent to $927.7 million in May 2023 compared to same month in 2022. Energy imports value also jumped 71.6 per cent to $570 million in the same period. Metal ores and non-metallic mineral imports value was up 39.6 per cent to $56.1 million, while industrial machinery, equipment and parts imports value increased 27.6 per cent to $1.1 billion. The imports value of farm, fishing and intermediate food products was up by 1.3 per cent to $394.7 million while that of electronic and electrical equipment and parts rose 1.5 per cent to $679.3 million. The dollar value of aircraft and other transportation equipment and parts imports was also up by 3.2 per cent to $194.2 million.

Offsetting these imports increases was a decline in consumer goods imports value which fell 5.9 per cent, down to $1.6 billion year-over-year. Metallic and non-metallic mineral products imports value dropped 24.1 per cent to $466.8 million while that of forestry products and building and packaging material saw a decline of 15.6 per cent to $459.1 million. Basic and industrial chemical, plastic and rubber products imports value also decreased by 25.9 per cent to $256.7 million.

For more information, contact economics@central1.com.