



## Highlights

- B.C. energy prices dip in July
- Core inflation was down to 3.1 per cent in July
- B.C. home sales fall in July, average price remained flat
- Housing starts result normalized in July with declines seen in both multi-family and single-detached starts
- Manufacturing sales in B.C. flat in June

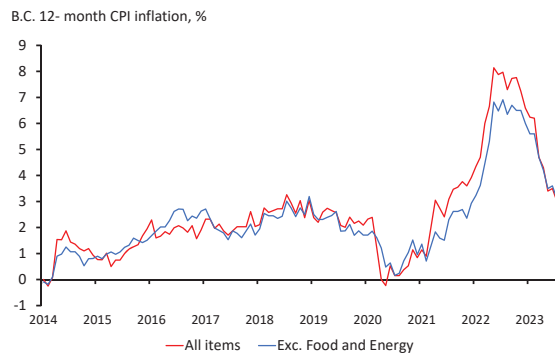
## Inflation in B.C. down on year-over-year basis

*Alan Chow, Business Economist*

The Consumer Price Index (CPI) for B.C. decelerated in July. On a year-over-year basis, the CPI decreased to 3.0 per cent from June's 3.5 per cent. On a monthly basis, the provincial CPI rose 0.3 per cent as consumers still faced higher prices. This is in contrast to the national figure which moved upward from 2.8 per cent to 3.3 per cent, year-over-year. Core CPI (excluding energy and food) in B.C. edged up from last month by 0.5 per cent, the seventh consecutive monthly increase. Year-over-year core CPI was down from 3.6 per cent in June to 3.1 per cent in July. Goods prices were down 0.7 per cent over the month reversing the increase in June while services prices continued to grow at 1.1 per cent from last month.

Gasoline prices in B.C. were down 2.2 per cent on a monthly basis but only down 7.5 per cent year over year, which is up from the 13.4 per cent decline last month. Overall, energy prices were down 6.5 per cent compared to last July and down 2.1 per cent on a year-over-year basis. Meanwhile, food prices in B.C. remained elevated on a year-over-year basis, up 6.6 per cent from July last year, but it is below last month's 8.1 per cent yearly growth. The monthly figure inched up by 0.5 per cent. B.C. shelter costs' yearly growth also moved further down, from 4.8 per cent to 4.7 per cent in July, although monthly prices were up 0.4 per cent.

B.C. Inflation down in July on yearly basis



Source: Statistics Canada, Central 1 Latest: July - 23

## Home sales dropped while prices flattened in B.C.

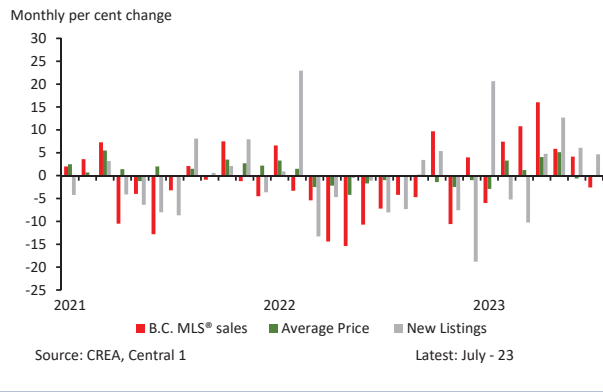
*Eloho Ennah, Economic Analyst*

Activity in B.C.'s housing market eased in July as higher interest rates curbed housing sales although price levels remained relatively unchanged. Seasonally-adjusted MLS® home sales reached 7,178 transactions during the month, declining 2.6 per cent in July following five straight months of increases. Home sales were 43.4 per cent lower than the peak observed in 2021. Affordability erosion and interest rate uncertainty pushed sales lower.

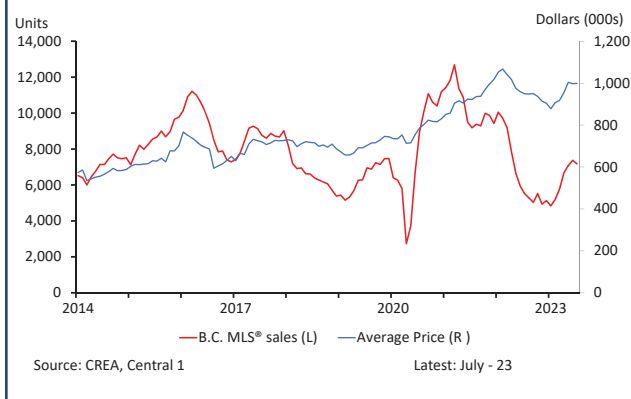
There were mixed results recorded across B.C. regional housing markets in July after most regions recorded higher sales in June. Home sales retreated 11.1 per cent in Fraser Valley after a strong June increase. In Kamloops, sales were down 6.2 per cent while Greater Vancouver real estate board remained remarkably steady with only a 0.8 per cent drop. Kootenay home sales also declined 6.3 per cent and sales in the Okanagan Mainline fell 4.9 per cent. On the other hand, sales increased in Chilliwack (up 9.7 per cent) and Vancouver Island (up 5.9 per cent) and remained relatively unchanged in South Okanagan (up 0.6 per cent).

B.C.'s average home sale price remained flat for a second straight month pointing to a slowing in conditions. Prices rested 6.3 per cent below the peak recorded in February 2022, although they still hovered 36.0 per

## Home sales fall while average price growth on pause, new listings increase



## B.C. housing price unchanged in July



cent above the pre-pandemic February 2020 value. Home prices in Fraser Valley fell 7.8 per cent in July after rising 4.2 per cent in June but this could reflect product composition. In contrast, prices increased in Victoria (up 7.9 per cent), in Greater Vancouver (up 1.3 per cent) and in Kamloops (up 7.2 per cent). These three regions all reported declines in the previous month. This being said, average prices are influenced by regional and product composition. Adjusting for home attributes, seasonally-adjusted benchmark prices were higher in all B.C. real estate markets where the benchmark home value is published. Lower mainland prices rose 2.1 per cent while being up 1.6 per cent in Victoria. Vancouver Island also reported a 2.3 per cent increase in July.

New listings in the province increased 4.7 per cent during the month and while listings have been trending higher and moving toward normal historical levels, supply remains insufficient. Demand remains supported by buyers with previously pre-approved lower rates and population growth supported by strong immigration. Prospective sellers have likely been startled by the most recent interest rate hikes and growing uncertainty around future rate hikes may prompt more

to list on the market. Home prices are expected to decline further in the coming months although not by much given underlying demand, and buyers are often quick to flock to the market at any signs of a decline in prices. In addition, we expect undersupply issues will be further exacerbated by the dampening of residential construction activity due to the high-rate environment.

## B.C. housing starts fell in July following the surge last month

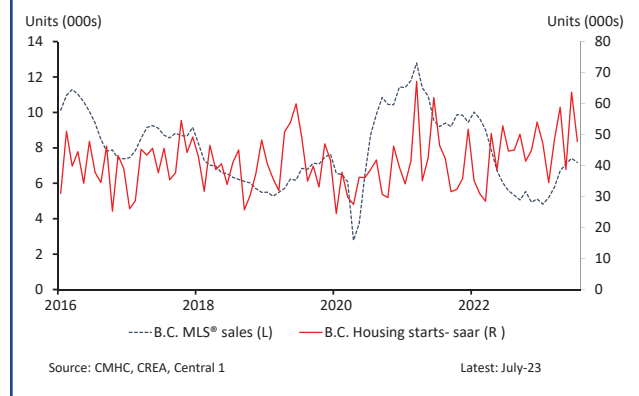
*Ivy Ruan, Economic Analyst*

Following a surge in June, B.C. urban-area housing starts fell in July to a seasonally-adjusted annualized pace of 47,730 units, down from 63,543 units (-24.9 per cent) recorded in the prior month. This remained a surprisingly robust pace of activity and consistent with the six-month moving average of 48,560 units. Both multi-family home starts (-24.8 per cent) and single-detached starts (-25.3 per cent) contributed to the July decline.

Among census metropolitan areas (CMAs), Vancouver saw a decrease of 23.4 per cent in housing starts in July to an annualized 35,438 units to drive the provincial decline. In Kelowna, starts retrenched 75.8 per cent following a prior month's surge while Victoria saw a relatively small change of 9.4 per cent fewer housing starts in July. Other areas also reported declines in their housing starts' results in July, yet the number of starts among those areas was much smaller compared to the major CMAs.

Volatility in monthly housing starts is not unusual given the scale of multi-family projects. Despite the monthly decline in July, multi-unit starts have been surprisingly strong this year. B.C.'s actual unadjusted urban-area housing starts in the first seven months of 2023 increased by 20.2 per cent to 28,218 units when compared to the same period in 2022, driven entirely

## Housing starts in B.C. fell in July



by the increase in multi-family starts (31.4 per cent). Meanwhile, single-detached unit starts declined by 27.1 per cent to 3,276 units compared to the same period last year. In Vancouver, total housing starts from January to July 2023 were up 49.2 per cent in comparison to 2022. Kelowna also recorded higher total housing starts, up 13.1 per cent. Declines were seen in other CMAs, such as Victoria and Abbotsford-Mission, down by 15.2 per cent and 52.7 per cent respectively.

The strength in housing starts will likely be softened due to the persistence of higher interest rates and inflation in construction and labour costs. Another interest rate hike in September is a risk given higher than expected inflation results in July. This inflation report also follows the soft labour market report and other signs of an economic slowdown, which may also defer developments of large multi-unit housing projects.

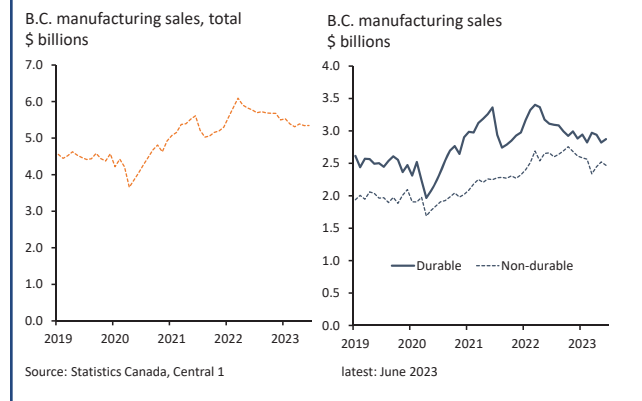
### **B.C. durable goods sales are up but non-durables sales are down**

*Alan Chow, Business Economist*

Manufacturing sales in B.C. were unchanged. On a seasonally-adjusted basis, the dollar amount of sales in June was \$5.34 billion, the same amount that was in May. Non-durable goods industries saw a 2.0 per cent decline in sales but this was offset by a 1.9 per cent increase in sales from the durable goods industries. However, when compared to the same month a year ago, manufacturing sales are down 7.4 per cent. Year-to-date manufacturing sales are down 7.7 per cent over the same period last year with durable goods industries down 11.1 per cent and non-durable goods industries down 3.4 per cent.

Within the durable goods industries, higher monthly sales in June were seen in wood products (up 3.7 per cent), primary metals (up 9.8 per cent), and non-metallic mineral products (up 13.8 per cent). Two industries that saw the biggest decline in sales were machinery (down 8.2 per cent) and fabricated metals (down 7.0 per cent). Year to date, seven of the 10 industries are experiencing higher sales, but the overall durable goods industries are down because the largest industry, wood products, is seeing a 36.8 per cent decline in year-to-date sales when compared to the previous year. In non-durable goods industries, food manufacturing sales are down 1.4 per cent in June when compared to May. However, year-to-date sales are up 8.4 per cent when compared to the same

### **Durable goods sales higher while non-durable goods sales decline**



period last year.

Within the Vancouver metro area, manufacturing sales are the same as in B.C. They are unchanged in June when compared to May at \$2.9 billion with durable goods industry sales down 0.8 per cent but non-durable goods industry sales up 0.8 per cent. However, year-to-date sales are down 14.0 per cent with durable goods industries down 10.0 per cent and non-durable goods industries down 17.7 per cent.

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