Economics | Current Economic Trends

B.C. Economic Briefing

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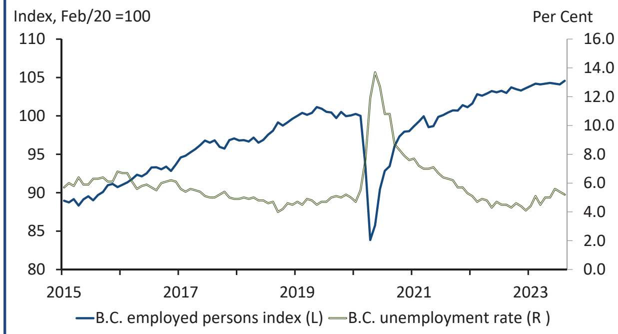
central 1 Economics

Highlights

- Unemployment rate in B.C. dropped to 5.2 per cent in July
- B.C. trade disrupted due to strike at marine port terminals
- Lower Mainland MLS® residential home transactions fell while the average home value continued to edge up
- Lower dollar value permit volumes seen in both residential and non-residential sectors

B.C.'s employment moves up while unemployment rate declined



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

Part time employment is up while full-time employment declined

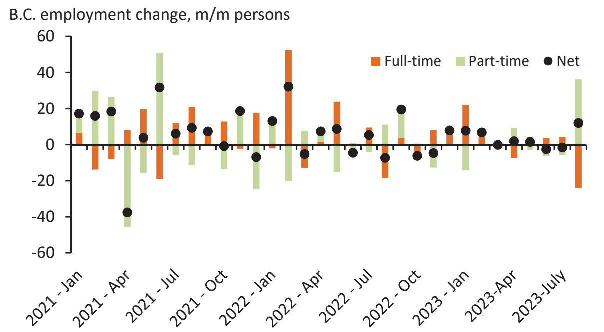
Alan Chow, Business Economist

The B.C. labour market saw a robust growth in employment in the month of August after five months of flat performance. On a seasonally adjusted basis, the number of persons employed increased by 0.4 per cent or 12,000 persons, increasing from 2,776.6 to 2,788.6 persons to lift yearover-year growth to 1.5 per cent. The participation rate was unchanged for the month and that resulted in an increase in the employment rate of 0.1 to 61.5 per cent. The labour force grew only 0.3 per cent monthly (slower than the growth of employment), which resulted in a decrease in the unemployment rate in B.C. from 5.4 per cent in July to 5.2 per cent in August.

Despite the increase in overall employment, full-time employment did decline 1.1 per cent or 24,200 persons monthly but was still up 1.0 per cent or 21,000 persons compared to the same period last year. Part-time employment though was up 6.6 per cent or 36,200 persons monthly and up 3.7 per cent or 21,100 persons on a year-over-year basis. The Vancouver Census Metropolitan Area recorded a 0.2 per cent increase in employment from the previous month, while the unemployment rate was up to 5.8 per cent in August from 5.5 per cent in July.

By sector, the goods-producing sectors saw total employment inch up marginally by 0.1 per cent during the month with the most pronounced increase being in forestry, fishing, mining, quarrying, and oil and gas at a monthly increase of 8.1 per cent. Offsetting these gains are a decline in the level of employment in the construction industry (0.8 per cent), manufacturing (0.9 per cent), and utilities (2.2 per cent). The service-producing sectors also saw an increase in monthly employment, up 0.5 per cent. Leading these gains were transportation and warehousing (11,100 persons or 8.3 per cent), educational services (10,200 persons or 4.8 per cent, and business, building, and other support services (4,800 persons or 5.7 per cent). Offsetting these gains are a decline in employment in health care and social assistance (5,700 persons or 1.5 per cent) and information, culture, and recreation industries (4,600 persons or 3.5 per cent).

B.C. part-time employment gains counters losses in full-time employment



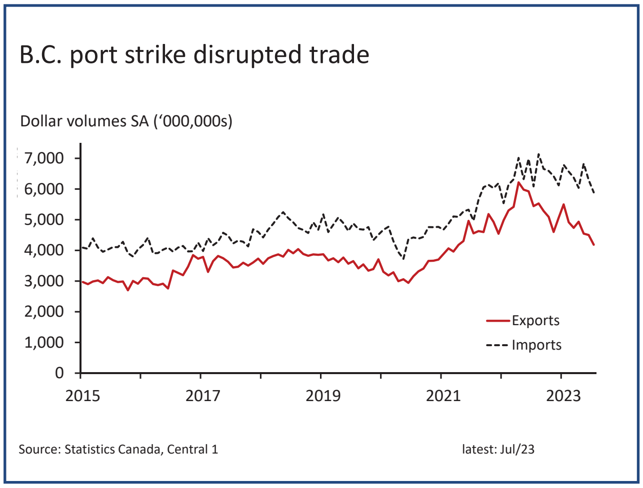
Source: Statistics Canada, Central 1 latest: Aug/23

While the B.C unemployment rate did edge lower this month despite the growing labour force, it is still well above the recent lows, and is expected to rise in the near term as the economy slows further.

B.C. port strike disrupted operations for more than 13 days

Ivy Ruan, Economic Analyst

The value of B.C. exports in July fell by 23.2 per cent to $4.1 billion on a year-over-year basis while imports were also down 8.3 per cent to $5.8 billion compared to the same month in 2022 as the heavy toll of B.C. port strikes slowed the flow of goods to Asia-Pacific markets. The strike amplified already-slowing export and import patterns since mid-2022 The strike that commenced July 1 lasted 13 days but will have longer lasting impacts in subsequent months as freight backlogs need to be cleared. According to Central 1's seasonally adjusted numbers, exports fell 7.1 percent monthly while imports dropped 6.4 percent in July.



Within the exports category, a lower volume of forestry products (-37.9 per cent) and energy products (-28.9 per cent) led the year-over-year decline in July. The consumer goods categories also saw a lower exports value, down 11.1 per cent to $348.9 million while metallic and non-metallic minerals exports edged down 1.0 per cent to $329.5 million. Electronic and electrical equipment and parts export value continued to grow and reached 13.1 per cent above last year's level to $258.5 million following the 11.7 per cent growth seen last month. Industrial machinery, equipment and parts volume also grew, reporting a gain of 5.1 per cent to $197.3 million from last year.

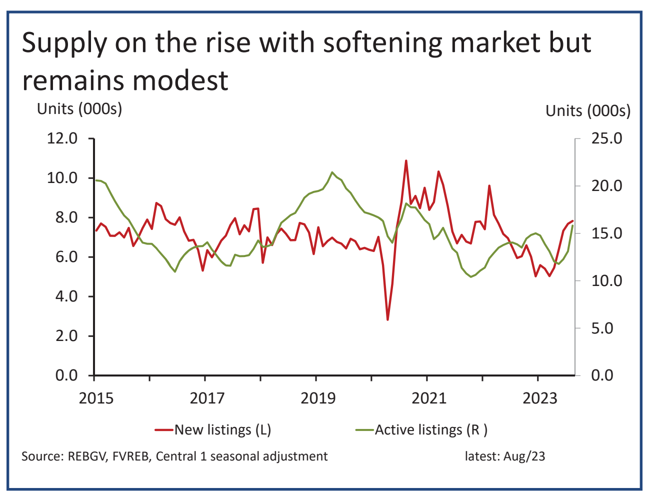
On the imports side, most categories reported declines in July compared to a year ago. Consumer goods were 13.5 per cent lower than last year's value while metallic and non-metallic minerals value dropped 36.3 per cent to $429.5 million in July following the 20.2 per cent yearly decline in June. In contrast, the value of energy imports grew 20.8 per cent above last year's level to $392.3 million in the same period following a 46.7 per cent decline last month. Import values of motor vehicles and parts continued to grow, surging 38.1 per cent from a year earlier to $830.7 million following the 47.9 per cent yearly growth last month. Industrial machinery, equipment and parts also saw 4.3 per cent more imports in July compared to last July.

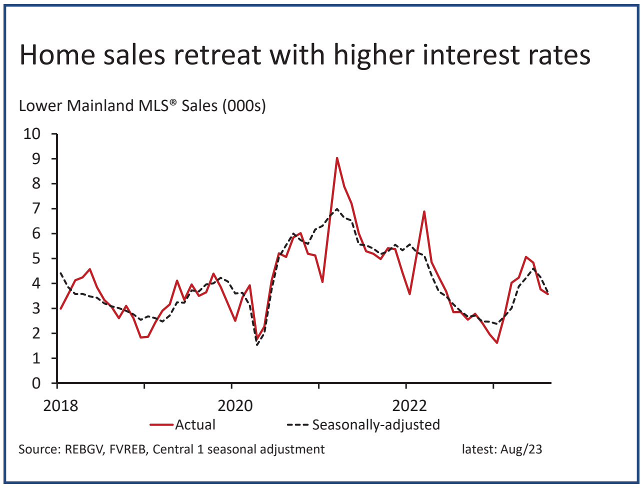
Home sales retreat in Lower Mainland

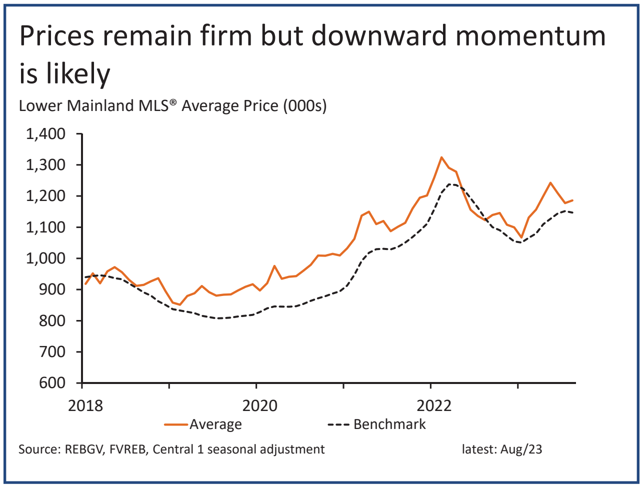
Bryan Yu, Chief Economist

Lower Mainland home sales slowed sharply in August as the Bank of Canada's successive June and July hikes lifted variable rates and higher fixed rates punted more prospective buyers to the sidelines. MLS® residential home transactions in the area spanning Metro Vancouver and Abbotsford-Mission fell 5.1 per cent from July to 3,574 units, although less than typical August decline. This followed a sharpe- than-normal pullback in July. On a year-over-year basis, sales were up 25 per cent but that's in contrast to to low year-ago sales and compared to a 32 per cent increase the prior month. August sales were roughly in line with same month in 2019 but below the 2010-2019 August average of 3,800 units.

The reduction in sales flow has quickly deflated market conditions to a more normal pace and there are signs that more sellers are testing the market, potentially reflecting the weight of higher carrying costs on investments. New listings rose 28 per cent year-over-year, and while not especially high for this time of the year the pace has steepened quickly adding to existing inventory. Active listings rose to the highest level on a seasonally-adjusted basis since early 2021 and the sales-to-active listings ratio has retreated to a level more consistent with a balanced market which could shift into buyers' market conditions.







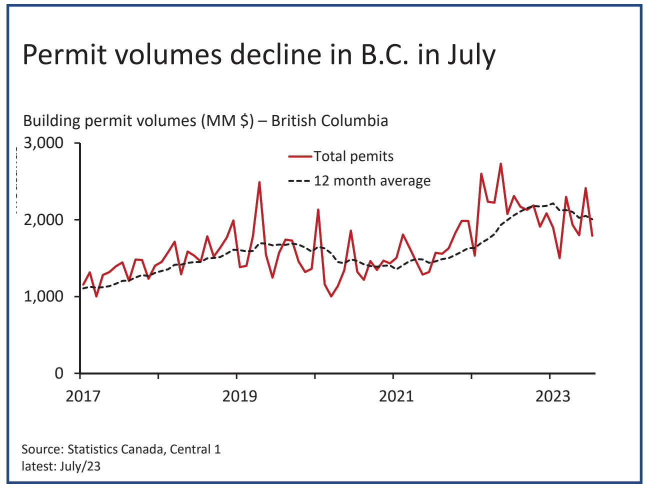
That said, the average home value continued to edge up during the month despite reduced sales with a 0.7 per cent increase to $1.18 million but remained below early summer levels. The level is 5.6 per cent above a year ago but about 10 per cent below the pandemic peak. While holding steady in August, this could reflect sales composition as entry-level buyers are priced out, leaving those with more substantial downpayments and higher price points in the market. The benchmark price fell 0.4 per cent.

Going forward, conditions are expected to remain soft given the constraint of high interest rates and some softening in price is expected. That said, with supply conditions still remaining moderate and high immigration will limit downward pressure on prices.

B.C. permit volumes plunge in July

Alan Chow, Business Economist

Lower permit volumes were issued in B.C. in July. On a seasonally adjusted basis, month-over-month changes were down 24.8 per cent in July 2023 when compared to June 2023 and resume the current year's trend of lower permit volumes being issued in 2023 compared to 2022. Residential permit volumes were



down the most, declining 27.3 per cent for July while non-residential permit volumes also decline but my a lower but still significant amount of 20.4 per cent. Year –o-date overall permit volumes moved further down, from 11.4 per cent in June to 12.9 per cent in July, with residential permit volumes down 15.4 per cent and non-residential permit volumes down 7.7 per cent.

Multi-family dwellings, which make up the largest portion of residential permit volumes, were the main drag as they were down 31.6 per cent for the month of July. Single-family dwellings though also saw lower permit volumes levels as they were down 7.9 per cent. Year to date, single family dwellings are down 21.3 per cent while multi-family dwellings are down 13.6 per cent.

Non-residential permit volume declines were seen across the board as well. Commercial permit volumes were down 37.3 per cent for July. However, year-to-date commercial permit volumes were up slightly at 6.6 per cent. But this figure is lower than the 13.7 per cent year-to-date figure seen in June. Industrial permit volumes were down 6.5 per cent for the month with year-to-date permit volume down 10.7 per cent. And finally, government permit volumes were down 3.5 per cent with year-to-date volumes down 20.4 per cent.

Among the census metropolitan areas, Vancouver reversed last month's gains with a 25.6 per cent fall mostly due to a fall of 33.1 per cent in residential permit volumes for July. Kelowna's monthly permit volumes were also down at 40.6 per cent while Victoria's permit volumes dropped 44.0 per cent. On the other hand, Abbotsford-Mission area saw building permit volumes increase by 58.8 per cent during the month of July.

For more information, contact economics@central1.com.