Economics | Current Economic Trends

B.C. Economic Briefing

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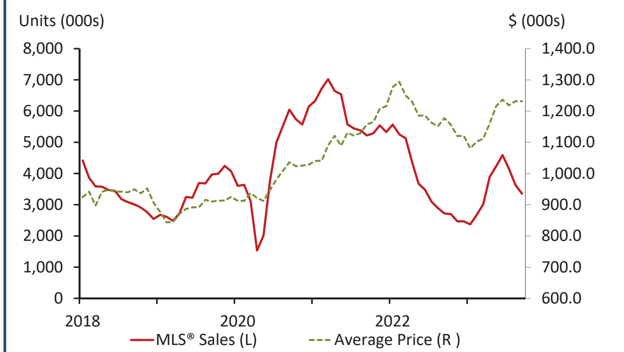
Highlights

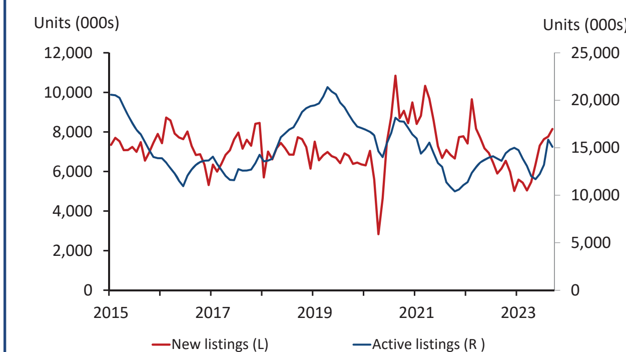
- September home sales was 17 per cent below August in the Lower Mainland
- Both full-time and part-time employment increased in September, unemployment rate edges higher
- B.C. trade volumes were still below last year's levels despite monthly increases

Housing downturn underway



Source: REBGV, FVREB, Central 1 seasonal adjustment latest: Sep/23

New listings on the rise, inventory steady



Source: REBGV, FVREB, Central 1 seasonal adjustment latest: Sep/23

September updates suggested a rapid cooling housing market in the Lower Mainland

Bryan Yu, Chief Economist

The housing market appears to be experiencing a downturn in the fall season. Higher mortgage rates, driven by the Bank of Canada's summer hikes and soaring bond yields, have not only made it difficult for buyers to enter the market but have also added financial stress to existing homeowners. The latest data from the Lower Mainland, B.C. real estate board points to a rapid cooling of market conditions. September home sales came in at 2,960 units, which was 17 per cent below August. This was a steeper decline than the average 4 per cent decline reported between August and September. Year-over-year sales growth narrowed from 25 per cent to 16 per cent, with these gains reflecting the base year impacts of the weakness observed in 2022. This figure still remains 20 per cent below the September average recorded between 2010 and 2019, and there is an expectation of further decline due to the ongoing upward trend in fixed mortgage rates.

Declining sales have coincided with more momentum in the pace of new listings suggesting the latest shift in market conditions and financial stress may be pushing more homeowners and investors to sell, either by choice or financial necessity. That said, they are certainly seeing a much smaller pool of potential buyers. New listings are the highest in more than a year and 15 per cent higher than pre-pandemic levels. Interestingly, active listings have edged down from the levels seen in August, marking the first decline in over two years, primarily due to the expiration of other listings. However, they still remain at elevated levels. Sales-to-listings are now firmly in a balanced market but the rapid decline in sales conditions at mid-year suggests buyers are now in the drivers' seat.

Contrary to sales and market conditions, the average home value remained firm. At 1.2 million, this was 5.5 per cent ahead of a year ago and up 1.3 per cent from August. That said, seasonally-adjusted prices were flat and benchmark home values showed a mild decline of 0.6 per cent. Home values follow market conditions and steady average prices could reflect crowding out of the entry level buyers by high rates. Benchmark prices declines from August were driven by apartment prices (-0.5 per cent) as houses and townhomes held up better.

The odds are stacked against the housing market in the short-term. High interest rates and prices, mortgage stress tests, and broader inflation have crushed purchasing power. We anticipate sales to decline into the winter months and home values to trend lower. That said, this is a short-term pattern that reverses in

2024 given the severe undersupply of housing in both the homeownership and rental markets in Canada. Interest rate cuts are expected to fuel both home sales and prices in mid-2024 onwards.

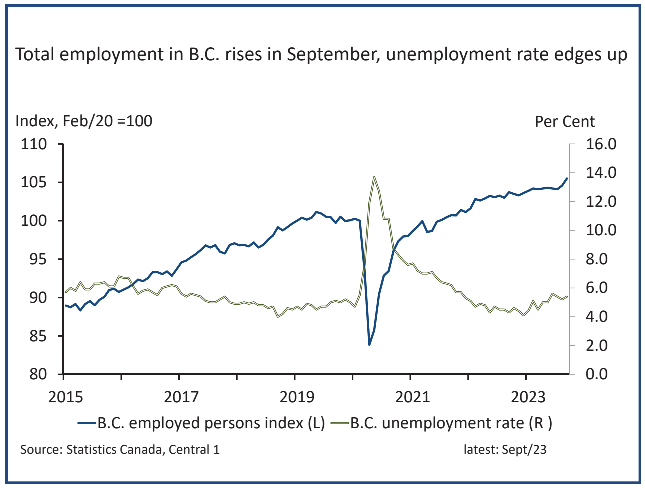
B.C. labour market posts gain in September

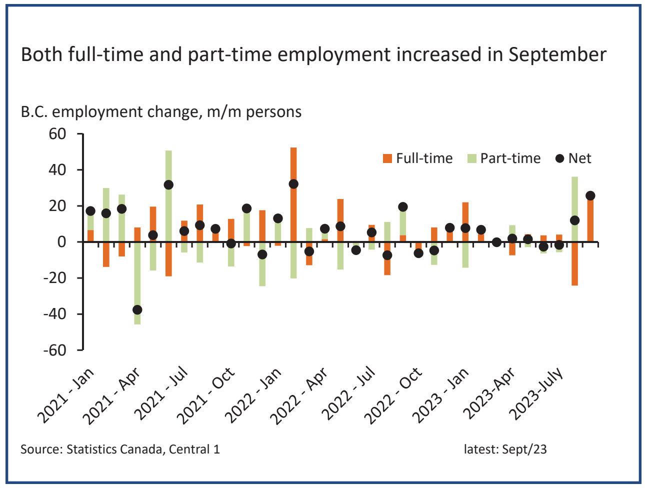
Eloho Ennah, Economic Analyst

B.C.'s labour market recorded stronger gains in September, following a robust performance in August. On a seasonally adjusted basis, the number of people employed increased by 0.9 per cent or 25,700 persons in September, pushing year-over-year growth to 1.7 per cent. September's increase in total employment marked a second consecutive monthly increase following earlier months of dull performance. Relative to pre-pandemic February 2020 levels, B.C. employment was still up by 5.5 per cent. The labour participation rate increased from August's 64.8 per cent to 65.4 per cent, while the provincial unemployment rate rose to 5.4 per cent, up 0.2 percentage points from the previous month. This is likely due to a labour force expansion of 1.1 per cent.

The province saw full-time employment rise by 1.1 per cent or 23,600 persons during the month, while part-time employment grew by 0.4 per cent or 2,100 persons. Vancouver census metropolitan area recorded a 1.0 per cent increase in employment from the prior month, while the unemployment rate was up to 5.9 per cent from 5.8 per cent in August.

By sector, the goods producing industry saw employment grow by 1.4 per cent during the month, with the highest sub-sector gains observed in construction, up by 6.0 per cent or 12,600 people. Forestry, fishing, mining, quarrying, oil, and gas also reported an increase of 0.5 per cent or 300 persons in September. Offsetting these gains was a decline in the level of employment in the manufacturing industry (2.3 per cent or 3,900 persons), agriculture (7.5 per cent or 1,900 persons) and utilities (2.9 per cent or 500 persons). Total employment in the services industry improved by 0.8 per cent, with gains concentrated in finance, insurance, real estate, rental and leasing (3.8 per cent or 6,600 persons), professional, scientific and technical services (2.3 per cent or 6,500 persons), information, culture and recreation (4.9 per cent or 6,300 persons) and educational services (1.8 per cent or 4,000 persons). Reductions were noted in accommodation and food services (3.4 per cent or 6,700 persons), wholesale and retail trade (1.2 per cent or 5,100 persons), health care and social assistance (0.9 per cent or 3,400 persons) and public administration (1.9 per cent or 2,700 persons).





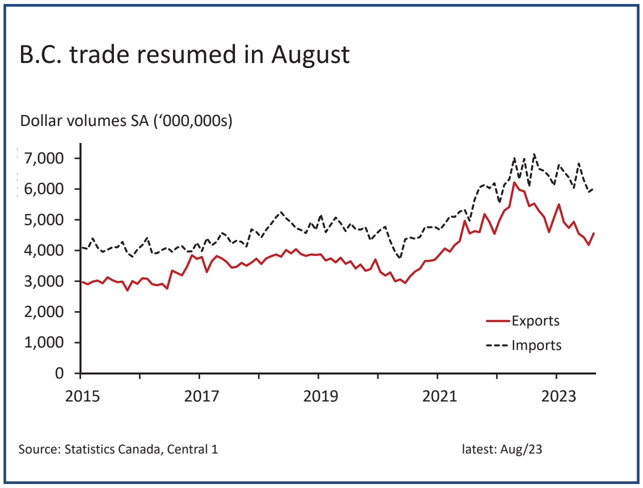
B.C.'s September employment uptick outpaced the national increase of 0.3 per cent which was mostly driven by a seasonal rise in employment in the education industry. Canada's unemployment rate also remained unchanged at 5.5 per cent but is expected to rise in the coming months given broader signs of slowing economic activity.

Widespread monthly increases in trade following B.C. port reopening

Ivy Ruan, Economic Analyst

In august, the value of B.C. exports in August fell by 15.9 per cent to $4.8 billion on a year-over-year basis, while imports also saw a14.0 per cent decline to $6.5 billion compared to the same month in 2022. This decrease occurred despite an increase in monthly activity due to the resumption of port activities. According to Central 1's seasonally adjusted numbers, exports jumped 9.0 percent monthly, while imports rose 2.0 percent in August.

Within the exports category, a lower volume of forestry products (-30.8 per cent) and energy products (-31.9 per cent) represented the entire year-over-year decline in August. The consumer goods categories also saw a



lower export value, down 1.8 per cent to $411.7 million while metallic and farm/fish/international food exports fell 8.6 per cent to $392.9 million. In contrast, the rest of the categories reported 12-month growth in exports. Metal ores and non-metallic minerals led the export growth in August, with a 27.0 year-over-year increase following large yearly declines during the past months. The exports of metallic and non-metallic mineral products, and electronic and electrical equipment and parts also grew significantly compared to last August, reporting a gain of 16.3 per and 17.2 per cent respectively.

On the imports side, most categories reported declines in August compared to a year ago. Consumer goods were 15.5 per cent lower than last year's value while industrial machinery, equipment and parts value dropped 25.5 per cent to $878.3 million in August following the 4.4 per cent yearly increase in July. In contrast, the value of energy imports grew 15.7 per cent above last year's level to $544.7 million in the same period following a 20.8 per cent growth last month. Import values of motor vehicles and parts continued to grow, rising 4.7 per cent from a year earlier to $629.7 million following the 38.2 per cent yearly growth last month.

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