Economics | Current Economic Trends

B.C. Economic Briefing

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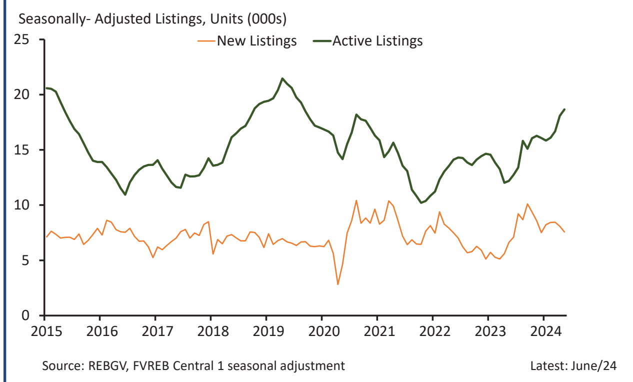
central 1 Economics

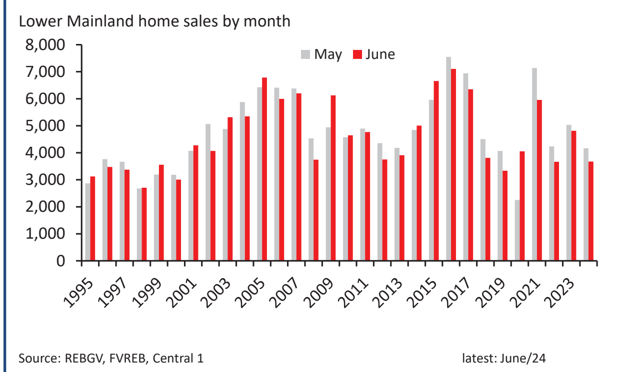
Highlights

- Low home sales continued among lower mainland housing markets
- Part-time employment drove hiring contraction in B.C.
- Unemployment level fell to 5.2 per cent in June
- Trade deficit highest over the last four years

Inventory jumps to five year high on elevated new listings and few sales



Home sales struggle to gain traction on as buyers constrained by low affordability



Lower Mainland housing: Low sales, inventory upswing continues into June

Bryan Yu, Chief Economist

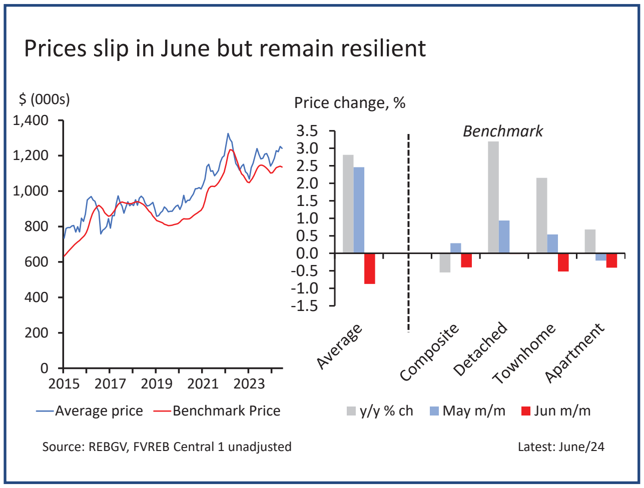
The Bank of Canada's first rate cut in four years pushed a few more buyers off the sidelines in June but home sales in B.C.'s Lower Mainland continued to struggle at a recessionary pace. At the same time, market conditions remained soft with more sellers testing the market and pushing resale inventory to give year highs and nudging prices lower.

MLS® sales in the region spanning Metro Vancouver and Abbotsford-Mission reached 3,673 units in June. This tumbled 24 per cent from a year ago and was 12 per cent lower than May. Our adjustment for seasonal factors suggests a turn in trend amidst lower borrowing costs and elevated demand on the sidelines, but at this point, the sluggish pace of sales remains the main takeaway. This was among the fewest same-month sales since the pandemic and a quarter below the June average from 2010 to 2019. First half sales of 21,371 units were 4.4 per cent lower than a year ago and the lowest since the 17,850 units in 2020.

Sluggish sales are contributing to a rapid increase in inventory and adding to the accumulation of elevated new listings, which rose nine per cent, year-over-year. At 21,188 units, active listings were 43 per cent higher than a year ago, and the highest since mid-2019. The jump in resale supply reflects more sellers anticipating stronger sales ahead amidst lower rates, while some investors could be buckling under the weight of interest rate renewals, as well as tax and rental policy changes impacting investments. Over the short-term, trends are less favorable to sellers even as the sales-to-active listings remained in balance at about 18 per cent, lower than in May.

The average price in the region fell 0.9 per cent to $1.24 million after a 2.5 per cent increase in May. That said, the average price typically declines by more in June suggesting prices remain sturdy despite low sales and rising listings. The average price was up 2.8 per cent, year-over-year. Benchmark prices pointed to weaker growth with the monthly change at 0.4 per cent (unadjusted) and a year-over-year decline of 0.5 per cent. Multi-family prices have been weaker.

While June data extended a disappointing start to the year for the housing market, it is worth noting that despite sluggish sales, prices have remained resilient. Demand is waiting on the sidelines but constrained



by low affordability. Lower interest rates are likely to provide some support for sales growth and curb some of the growth in inventory. Moderate supply levels, tight rental markets, and anticipated lower construction of ownership housing, mean the affordability challenge will persist. Home values are forecast to hold steady for most of 2024 before rising four per cent in 2025, driven by lower interest rates and more population-driven demands.

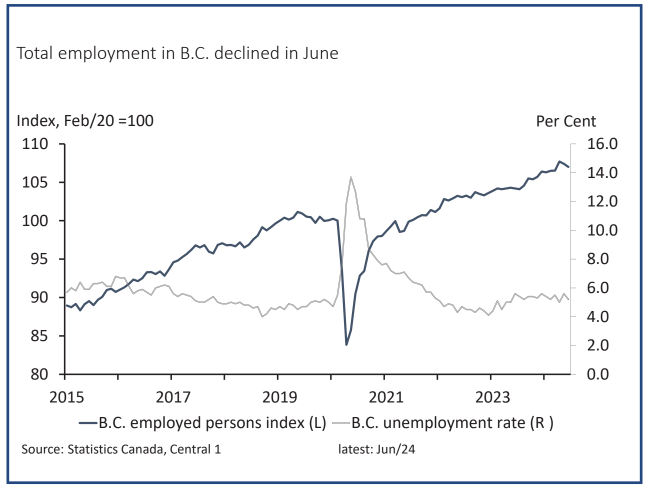
B.C. employment declined in June

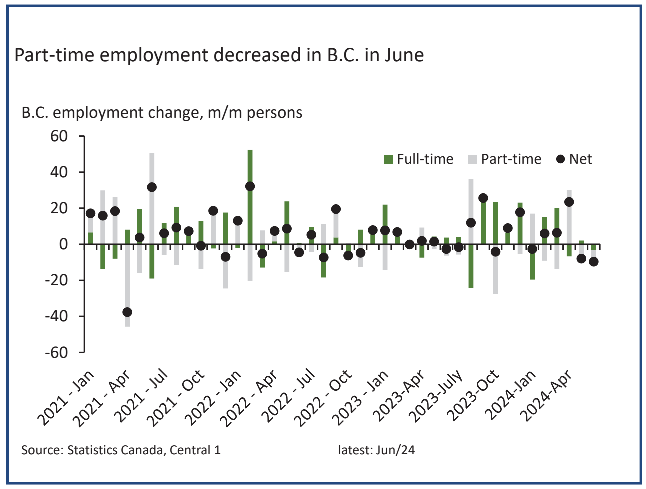
Ivy Ruan, Economic Analyst

Following the decline seen during the previous month, employment in British Columbia again reported a decline of 9,700 people (-0.3 per cent) in June. Despite the monthly retrenchment, year-over-year hiring growth of 2.6 per cent was still above the national performance of 1.7 per cent. The unemployment rate declined 0.4 points to 5.2 per cent as labour force contracted for the first time since February (-0.8 per cent), partially reversing the expansions seen during the previous months. The labour participation rate dropped to 64.6 per cent from 65.3 per cent last month along with a 0.3 per cent increase in population.

Both part-time and full-time employments in the province fell in June. Part-time employment dropped by 1.1 per cent (6,500 people) following the decrease during last month. Full-time employment edged down 0.1 per cent or 3,100 people. The Vancouver Census Metropolitan area (CMA) saw 1.2 per cent decrease in its employment level, while the unemployment rate fell to 5.4 per cent from 6.1 per cent recorded in May. During the same month last year, Vancouver CMA's unemployment rate level was also at 5.6 per cent.

By sector, the services producing industries led the decline in employment in June, with a 0.6 per cent decrease, offsetting the 1.1 per cent gain in goods producing industries. Construction sector led the monthly





increase at 3.0 per cent (6,900 people), offsetting the decreases seen in the rest of goods producing sector. Wholesale and retail trade sector (14,000 people or 3.4 per cent) reported a large growth in hiring in June, partially offsetting the declines seen in the rest of the services producing sectors. Notable hiring decline was seen in sectors such as professional, scientific and technical services (-5.2 per cent) and health care and social assistance (-1.6 per cent).

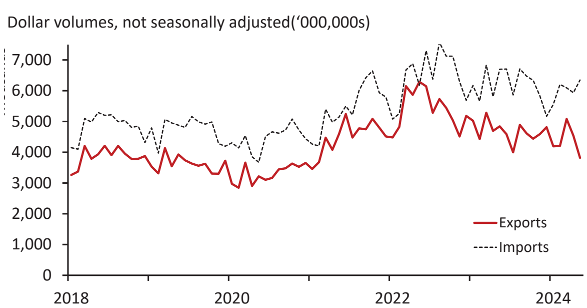
Exports declines while imports climbed

Alan Chow, Business Economist

In May 2024, B.C.'s merchandise exports declined 15.8 per cent from April to $3.8 billion. On the other hand, B.C. saw a higher volume of imports, increasing 7.0 per cent for the month of May, reaching$6.3 billion. As a result, the trade deficit for the month was $2.5 billion, which was the largest in the past four years. Overall exports for the last 12 months were down 12.7 per cent from the previous 12 months, imports were down 6.9 per cent over the same period. Year to date, exports were down 10.0 per cent while imports were down 3.3 per cent.

The monthly decline in exports was seen in five out of the 11 categories. Energy products was by far the largest contributor, down 55.8 per cent. In fact, removing energy products results in no net change in export levels as the decline was also seen in some of the other categories such as metal and non-metallic minerals (down 16.2 per cent) and industrial machinery (down 9.6 per cent). These were offset by increasing in categories such as consumer goods (up 9.7 per cent), forestry products and building and packaging materials (up 2.2 per cent). Year to date, six out of the 11 categories were seeing higher export volumes. By far the greatest decline was in energy products (down 31.2 per cent), greater than the overall decline. Top categories seeing higher export volumes were metal ores and non-metallic mineral products (up 15.5 per cent), aircraft and other transportation equipment and parts (up 105.2 per cent), and farm, fishing, and intermediate food products (up 10.2 per cent).

B.C. exports decline sharply while imports climb



Source: Statistics Canada, Central 1 latest: May/24

The monthly increase in imports were relatively broad based with 10 out of the 11 categories. Leading the way were consumer goods (up 5.5 per cent), energy products (up 32.6 per cent), metal ores and non-metallic minerals (up 96.2 per cent), and electronic and electrical equipment and parts (up 9.1 per cent). The only category that saw lower monthly import volumes was moto vehicle and parts, which was down 8.3 per cent. Year to date, only four out of the 11 categories are seeing lower import volumes. The largest decline was in industrial machinery (down 31.6 per cent), which exceeded the overall decline in imports. Also seeing a significant decline was energy products (down 22.0 per cent). Partially offsetting these lower import volumes was higher imports from motor vehicles and parts (up 15.5 per cent), consumer goods (up 5.9 per cent), and aircraft and other transportation equipment and parts (up 43.5 per cent).

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