Economics | Current Economic Trends

B.C. Economic Briefing

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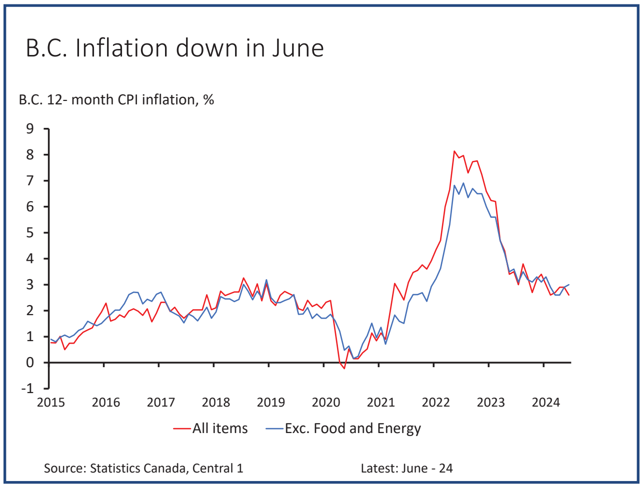
central 1 Economics

Highlights

- B.C. inflation rate down to 2.6 per cent in June
- B.C. housing starts decline again
- B.C. manufacturing sales continued to rise in May
- Retail spending declines in Canada and B.C.



B.C. inflation rate slows in June

Eloho Ennah, Economic Analyst

B.C.'s inflation rate slowed in June from May's pace as consumer price inflation fell to 2.6 per cent, from 2.9 per cent. This was also a notch lower than the national figure which was 2.7 per cent. That said, core inflation (excluding food and energy) rose from 2.9 per cent to 3.0 per cent.

Growth in shelter prices accelerating in June after slowing in the previous month and continued to fuel headline growth. As rented and owned accommodation costs remain high, year-over-year shelter prices increased by 6.9 per cent in June, ahead of the 6.4 per cent growth in May. Prices for household operations, furnishings and equipment have also slowed in recent months. In contrast, gasoline prices dipped and erased all gains from the prior month, decreasing by 6.1 per cent from a year ago. This was due to lower underlying oil prices and curbing of future OPEC production cuts. Similarly, energy prices declined by 4.1 per cent year-over-year while transportation costs fell by 0.8 per cent.

Growth in food prices accelerated for the second month, up by 3.3 per cent year-on-year. Goods prices fell by 0.6 per cent in June on a year-over-year basis, after a 0.7 per cent gain in May. Prices of services went up by 4.9 per cent, sustaining an upward trend in year-over-year growth since the start of the year. Items related to recreation, education and reading posted a price increase of 1.0 per cent while alcoholic beverages, tobacco products and recreational cannabis prices rose by 2.6 per cent.

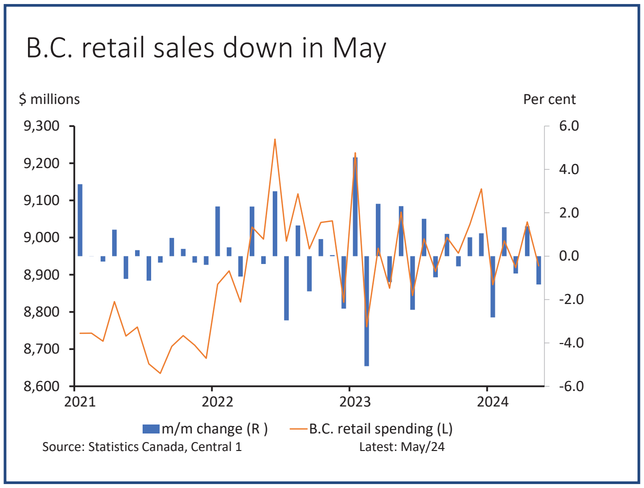
Multifamily homes down but single family up in housing starts

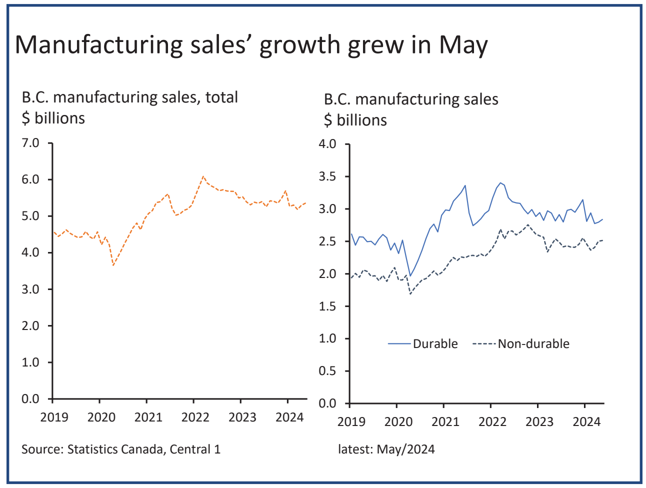
Alan Chow, Business Economist

B.C. recorded a third straight monthly decline for urban-area housing starts in June as construction plunged 12 per cent to a seasonally adjusted annualized rate of 38,961. This was far below the six-month average of 44,600. Multifamily starts declined 14.6 per cent to a rate of 34,085, while single family starts slightly offset that decline with a 11.4 per cent increase to 4,876 units. Nationally, housing starts in June were 9.4 per cent lower than in May. For the second quarter, B.C. housing starts were at a rate of 43,960, down 9.3 per cent from 48,495 and down 11.5 per cent from a year earlier. Nationally, second quarter housing starts were down 1.8 per cent compared to the first quarter but unchanged from a year earlier.

Among the seven metro areas listed in B.C., three reported higher housing starts in June. Vancouver saw a decline of 12.6 per cent to an annual rate of 20,566 while Kelowna saw a sharp decline of 43.1 per cent, down to an annual rate of 7,178. Kamloops and Abbotsford also both saw lower housing starts, down to 154 and 490 respectively. Higher housing starts were seen in Victoria, Chilliwack, and Nanaimo, at an annual rate of 4,029, 1,390, and 923.

In a year-to-date comparison, the number of starts in B.C., unadjusted, are down by 8.0 per cent, from 24,216 in 2023 to 22,286 in 2024. The number of single-family starts decreased, with 2,114 units started as of June 2024, compared to 2,848 units last June





2023, representing a 26 per cent decline. Additionally, multifamily unit construction starts were down from 21,368 units as of June 2024 to 20,172 units as of June 2024, representing a 6.0 per cent decrease. Nationally, housing starts are up 7.0 per cent year to date.

B.C. is one of the four provinces seeing fewer housing starts year to date. Indeed, while governments at all levels are pushing for more housing given high prices, rents and massive shortages, the opposite is occurring. High interest rates, costs of construction, declining land values and lack pre-sale demand are keeping new projects waiting in the wings. A turnaround will require more favourable market conditions unless governments heavily subsidize rental projects.

B.C. manufacturing sales gained traction in May

Ivy Ruan, Economic Analyst

Manufacturing sales in B.C. rose by 1.0 per cent to $5.4 billion in May, following a notable increase (2.8 per cent) seen in April. Non-durable goods industries experienced an increase of 0.4 per cent in monthly sales, while durable goods industries also contributed to the overall growth with a 1.5 per cent increase in monthly sales. May marked the highest provincial manufacturing sales level in 2024, yet total manufacturing sales in the province has been trending down since late 2023, despite the monthly fluctuations due to weakness in B.C.'s wood products sector. On a year-over-year basis, B.C. manufacturing sales were 0.4 per cent higher than last April, while they were still down by 3.4 per cent on a year-to-date basis.

Within the durable goods industries, mixed results were seen across categories, with notable increase continued to be seen in transportation equipment manufacturing, with an increase of 20.9 per cent, and computer and electronic product manufacturing, up by 9.1 per cent. Following last month's increase in sales, wood product manufacturing in B.C. edged up 0.1 per cent in sales in May. The category has seen a downtrend since November 2023. Primary metal manufacturing experienced the largest proportional decrease in sales again at 6.7 per cent, while non-metallic mineral product manufacturing also had a 5.1 per cent decrease during the same period. On a yearly basis, durable goods reported 1.4 per cent more sales, and non-durable goods industries in B.C. posted 0.8 per cent lower manufacturing sales.

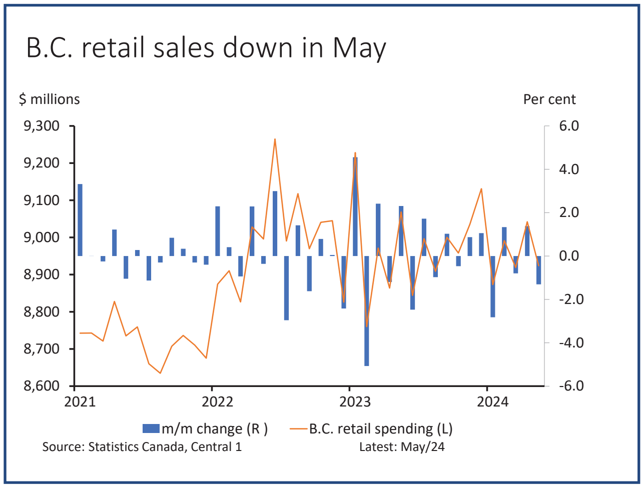
Within the Vancouver metro area, manufacturing sales gained 1.6 per cent in the month of May, with durable goods industries up 3.3 per cent and non-durable goods industries up by 0.1 per cent.

B.C. retail sales decline

Alan Chow, Business Economist

Consumer demand weakened as real sales declined. Seasonally adjusted sales decreased 0.8 per cent in May from April to $66.1 billion. This was the lowest monthly sales this year and the lowest monthly sales since August 2023. Year to date, unadjusted sales are up 1.7 per cent, down from last month's 1.9 per cent.

In May, eight out of the nine subsectors saw lower sales compared to the previous month. The weakness was highest in food and beverage retailers, down 1.9 per cent, followed by building material and garden equipment and supplies dealers, down 2.7 per cent. Rounding out the top three is general merchandise retailers, down 1.0 per cent. The only subsector that saw an increase in sales was the motor vehicle and parts dealers, which were up 0.8 per cent.



The weakness in spending profile was even more pronounced in B.C. where sales decreased 1.3 per cent to a seasonally adjusted $8.9 billion in May. However, year to date unadjusted retail sales were still up 0.3 per cent at 42.8 billion.

Five out of the nine subsectors in B.C. recorded lower year over year unadjusted May retail sales. Motor vehicle and parts dealers reported a 2.3 increase in sales in May, month over month to an unadjusted $2.2 billion, but this is down 2.4 per cent from the same month last year. Clothing and accessories retailers saw a monthly year over year decline of 7.8 per cent to $647 million. Furniture, electronics, and appliance retailers saw a 9.1 per cent decline, year over year to $471 million. Higher year over year sales were see at building material and garden equipment supplies dealers, up 4.2 per cent to $617 million, as well as from health and personal care retailers, up 2.1 per cent to $726 million.

In the metro Vancouver area, seasonally adjusted retail sales were down 1.2 per cent in May 2024 compared to April 2024 to $4.4 billion. This is the lowest month of the year and the lowest month since August 2023. Year over year, monthly unadjusted retail sales were up 0.8 per cent while year to date sales were also up 1.8 per cent, which is down from last month's 2.1 per cent increase.

Advanced estimates for June suggested sales declined further but this figure is likely to be revised.

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