Economics | Current Economic Trends

B.C. Economic Briefing

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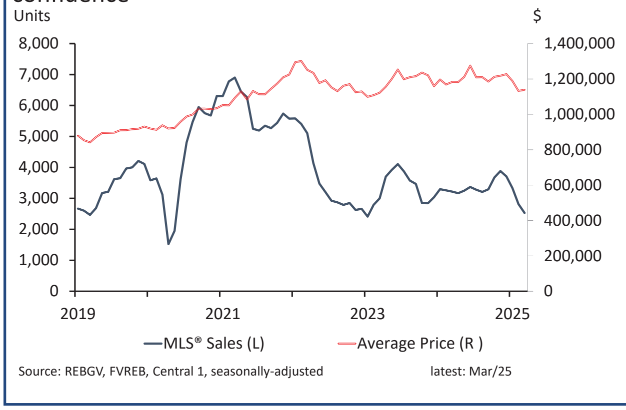
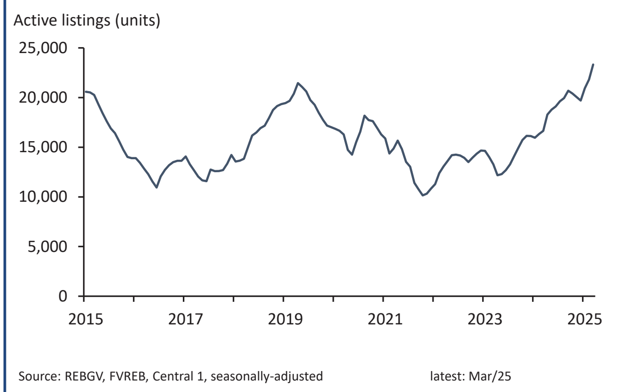
Highlights

- Large declines reported in Lower Mainland housing market
- B.C. labour market reported a 0.2 per cent increase in employment in March
- Unemployment level remained at 6.1 per cent
- Canadian merchandise exports down in February while imports continued growing
- Canadian merchandise trade surplus with the US lessened in February
- B.C. merchandise exports and imports fell in February

Housing market turns lower as uncertainty slams confidence



Housing inventory jump 88 per cent from a year ago



Lower Mainland housing market downturn persists

Bryan Yu, Chief Economist

Tariff uncertainty continued to weight on Vancouver's housing market in March, deepening the slowdown in activity. With escalating U.S trade actions fueling fears of a housing recession, job loss, and equity market volatility, many potential buyers are staying on the sidelines. These are not the conditions for what is likely the largest purchase a household will make in their lifetime.

The latest data from the Greater Vancouver and Fraser Valley real estate boards (Lower Mainland) showed a deepening of the sales pull back in March. MLS® sales fell 17.6 per cent year-over-year, which was slightly worse than February, while seasonally-adjusted sales fell 10 per cent by our calculation. The latter fell a fourth straight month and since November, the monthly pace of sales is down 35 per cent and back to the lows of 2022 that followed the rate shock. Upward momentum we saw pre-U.S. election is gone. While there have certainly been some factors working against demand, including a weaker population growth outlook and a tempered economic performance, other factors such a lower interest rates and relaxed financing policies were supportive. The severe drop in home sales aligns with sentiment measures like the CFIB business barometer which has plunged to record lows – which is a pretty good bet that weak confidence is playing out in housing.

With sales held back, inventory has ballooned. Active listings were up 43 per cent year-over-year, and marching higher. Seasonally-adjusted inventory rose 7 per cent month-over-month, the highest since 2013. The sales-to-active listing ratio points to a buyers' market. Sellers will have a hard time getting their asking prices. The average price, which fell in February, held steady but came in 4.5 per cent lower than a year ago. Composition matters and benchmark values held up a bit better but are also showing signs of teetering with prices down on a seasonally-adjusted basis during the month, and 2.5 per cent lower than a year ago.

If confidence from tariff threats was the only concern, this period of weakness could be expected to pass quickly. That said, the quick evolution of the trade war means this downturn could deepen. B.C.'s (and

Vancouver's) diversification of trade towards Asia and services was a positive story for the region to weather the U.S. tariff storm. However, the huge tariffs applied to major Asian markets this week could rock the global economy, growth, and worsen B.C.'s economic performance.

The region's housing market could very well be a domino to fall in the short term, with low sales and high resales inventory (particularly in the condo market) driving prices lower. This does not change longer-term issues of lack of affordable supply which will need plenty more housing, but a recession and price correction would not be a surprise if this trade war persists.

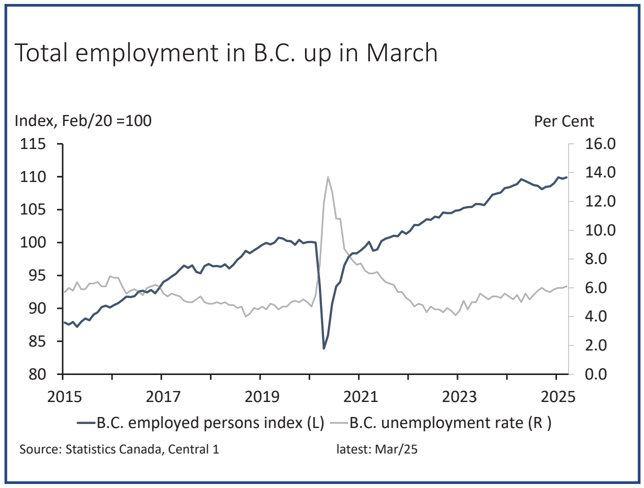
B.C. employment level rose modestly in March

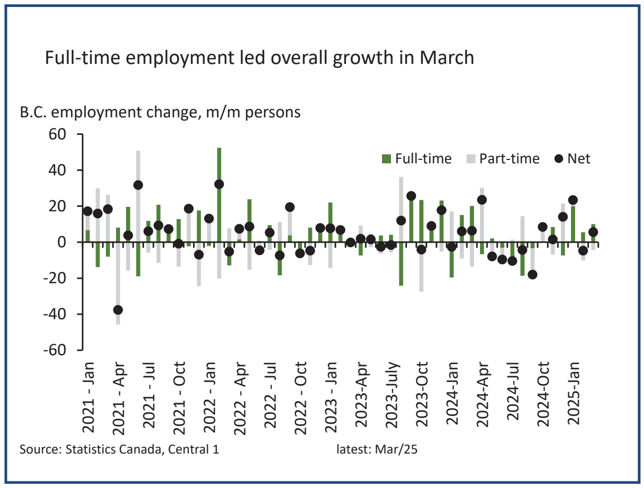
Ivy Ruan, Economic Analyst

Employment in British Columbia grew in March with a 0.2 per cent monthly increase during the month following a decrease in February. This translated to an increase of 5,700 persons compared with the previous month. Pace of year-over-year employment growth in B.C. continued to trend down and March's 0.9 per cent yearly growth was still much below the national performance of 1.7 per cent. The unemployment rate was firm at 6.1 per cent, as the labour force in the province expanded by 0.3 per cent. The labour participation rate edged up to 65.0 per cent from 64.9 per cent, along with a 0.2 per cent increase in population.

During the month, full-time employment led the monthly increase. Full-time employment grew by 0.4 per cent or 10,000 persons while part-time employment dropped by 0.7 per cent or 4,400 people. The Vancouver Census Metropolitan area (CMA) saw a 0.4 per cent increase in its employment level, while the unemployment rate declined to 6.4 per cent from 7.0 per cent.

By sector, the services-producing industries contributed to the increase in employment in March while goods-producing industries reported declines. Decreases in hiring was seen in utilities (-10.6 per cent or 1,600 persons) and natural recourses (-8.1 per cent or -4,100 persons) and those offset the modest gains in the rest of goods-producing sectors. The services-producing sectors reported a 0.3 per cent increase with modest increases among across sectors. The health care and social assistance sector continued to





lead the gain with an increase of 1.6 per cent (6,600 persons) while the information, culture and recreation sector also grew by 4.9 per cent (6,600 persons). That said, these increments were offset by large declines in other services (except public administration) (-6.9 per cent or -7,700 persons).

Nationally, the March pullback in the labour market reflects weakening business sentiment, as highlighted in recent reports from the Canadian Federation of Independent Business (CFIB), despite limited direct impacts from tariffs so far. The newly imposed Liberation Day tariffs on several U.S. trading partners could further drive up import-related inflation from the U.S., while also weighing on global growth. The removal of the carbon tax may offer some inflation relief. In B.C., the labour market has already shown signs of softening. The province may be especially vulnerable to ongoing uncertainties, despite month-to-month fluctuations.

Merchandise trade balance negative in Canada in February; B.C. sees lowers exports

Eloho Ennah, Economic Analyst

After recording a surplus in Canada's merchandise trade balance for two consecutive months, the trade balance shifted to a deficit in February as exports retreated significantly amidst tariff threats.

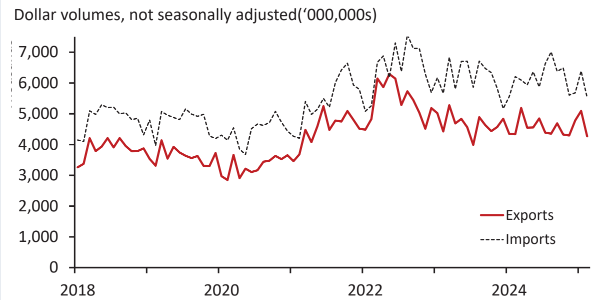
During the month, exports fell by 5.5 per cent on a seasonally adjusted basis while imports increased by 0.8 per cent, bringing in a deficit of $1.5 billion following the surplus of $3.1 billion in January.[1]

Declines were seen in nearly all export subcategories. Aircraft and other transportation equipment and parts saw the sole monthly increase, up by 9.7 per cent. Energy exports saw the largest monthly decline, the first in five months, down by 6.3 per cent. Following peak export levels in January, motor vehicle and parts exports also fell by 8.8 per cent. In addition, forestry products and building and packing materials exports also decreased by 10.8 per cent. On the other hand, imports increased for a third month due to higher imports of motor vehicles and parts, up 5.8 per cent while industrial machinery, equipment and parts and energy products exports also contributed to the monthly rise.

Exports to the United States declined by 3.6 per cent after rising for three back-to-back months, reducing Canada's merchandise trade surplus with the US from a record $13.7 billion in the prior month to $10.6 billion. The United States remains Canada's top trading partner, accounting for nearly 74.6 per cent of total Canadian exports in February and serving as the source of 51.5 per cent of imports. Although Canada was relatively unaffected by the array of reciprocal tariffs announced by the U.S. on April 2, tariffs on products from major industries like the auto industry and those on steel and aluminum raise uncertainty in these sectors. Amongst the provinces, B.C.'s economy is at risk of a downturn given sectors like manufacturing and forestry having higher tariff exposure.

1 It should be noted that Statistics Canada cautions on the use of recent import data as the Canada Border Service Agency Assessment and Revenue Management system transition initiative has delayed the receiving of receipts. Estimate values were used for November 2024 to February 2025 and future revisions are likely.

B.C. exports and imports recede in February



Source: Statistics Canada, Central 1 latest: Feb/25

B.C. saw lower merchandise exports in February, declining by 16.2 per cent month-over-month (-$824.7 million), after increasing by 6.5 per cent in January. Unadjusted for seasonality, merchandise exports from the province were down by 1.5 per cent year-over-year. This was as a result of lower metal and non-metallic mineral products exports (-19.8 per cent year-over-year or -$81.9 million). Forestry products and building and packaging materials exports reduced by 8.2 per cent year-over-year (-$82.5 million). In contrast, metal ores and non-metallic minerals exports increased by 31.5 per cent or $83.8 million during the same period, while electronic and electrical equipment and parts exports also rose by 17.7 per cent or $43.1 million.

Imports declined in February by 13.5 per cent or $863.6 million. On a yearly basis, imports to B.C. decreased by 11.0 per cent, as energy imports decreased by 71.8 per cent (-$374.9 million) while motor vehicles and parts imports dropped by 24.3 per cent (-$205.2 million) during the period. In contrast, consumer goods imports increased by 4.1 per cent ($62.7 million).

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