



# Weekly economic Briefing

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## Employment at all-time record high

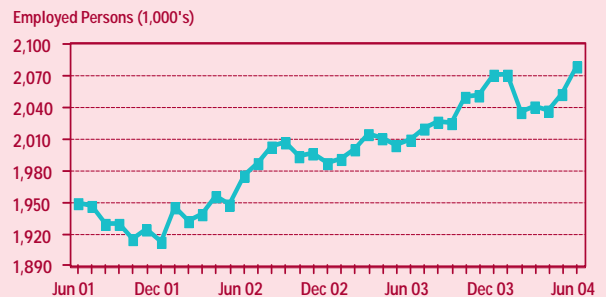
The number of people employed in B.C. climbed by an estimated 27,000 workers in June on a seasonally adjusted basis, according to Statistics Canada's latest household survey of the labour market. An estimated 2.08 million people were employed on average in June, up 1.3% from May and at an all-time record high for the province. B.C.'s unemployment rate fell to 7.5%, as the labour force increased by less than employment.

The Labour Force Survey suggests job gains were split evenly between private sector employees and the self-employed with little change in the number of public sector employees. June's employment gains were entirely in full-time jobs, among people of all ages and both genders, and among workers in the recreation, construction, health care, accommodation and transportation industries. Employment in professional, scientific and technical services likely edged down in June.

Employment in June climbed in all major regions of B.C. except the Northeast. Employment gains in the Mainland-Southwest and Vancouver Island regions were concentrated outside of metropolitan Vancouver and Victoria. Regional unemployment rates in June were lowest in Greater Victoria at 5.2% as well as in metropolitan

### Employment reaches record high

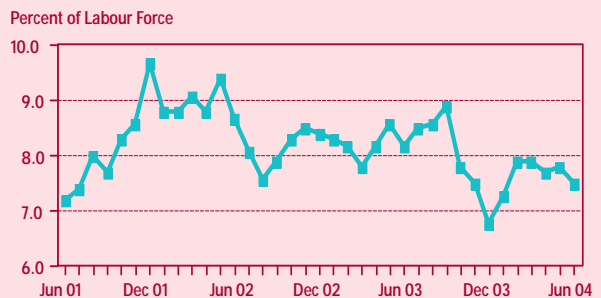
#### B.C. Employment (Seasonally Adjusted)



Source: Statistics Canada.

### Unemployment rate edges down

#### B.C. Unemployment Rate (Seas. Adj.)



Source: Statistics Canada.

Vancouver, the Mainland-Southwest region and the Thompson-Okanagan region, each at approximately 7%. The highest jobless rates in B.C. are currently found in the North Coast-Nechako region (14%) and the Cariboo region (11.3%). Elsewhere in B.C., unemployment rates ranged around 8.5%.

Nationally, employment increased by an insignificant 25,000 workers in June, resulting from activity in retail and wholesale trade, recreation and utilities. Higher employment in those industries was partly offset by lower employment in general repair and maintenance services. Job gains were concentrated among private sector employees. The national unemployment rate was little changed at 7.3% in June.

Job growth in B.C. over the next two years is forecast to be moderate. Credit Union Central forecasts annual average employment will rise by 2.1% this year and a further 2.6% in 2005, following a gain of 2.5% (50,000 workers) in 2003. B.C.'s unemployment rate is forecast to average about 7.6% through 2005, following last year's 8.1%.

### Non-residential building construction climbing

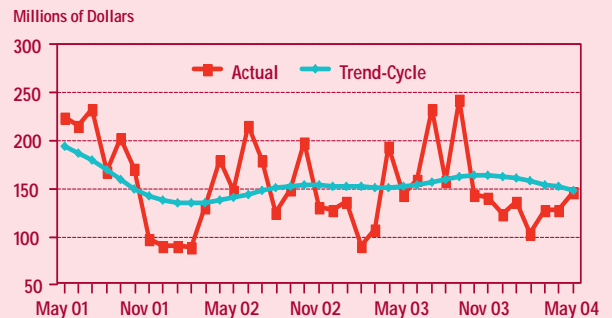
Non-residential building permits issued in May in B.C. totaled \$147 million, up from \$129 million in April. Permits for government and institutional building construction surged by \$17 million while permits for industrial building construction climbed \$3.6 million and permits for commercial building construction edged down by \$2.6 million.

While the actual value of non-residential building permits is quite volatile from month to month, the trend has been fairly steady and modestly rising since early in 2002. There is currently a shallow cyclical dip in non-residential permit values, which is expected to reverse within a year as provincial government investment in structures resumes growing. Permit values for commercial and industrial buildings are trending up, while permit values for government and institutional buildings are trending down.

Non-residential building construction has ebbed in B.C. since 1999 and totaled less than \$2.3 billion in 2003. Credit Union Central forecasts that spending will level off in 2004 and rise to almost \$2.6 billion in 2005. Construction of commercial and industrial buildings is expected to rise through 2005, while construction of government and institutional buildings are expected to decline in 2004 before rising in 2005.

### Non-residential building construction rising

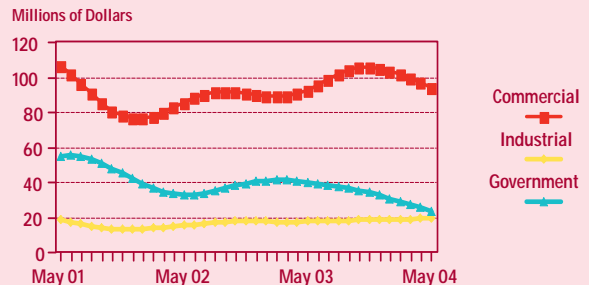
Non-Residential Building Permits, B.C.



Source: Statistics Canada.

### Government and institutional building construction trends down

Non-Residential Building Permits by Type Trend-Cycle, British Columbia



Source: Statistics Canada.

Non-residential building construction is expected to grow most quickly in the Okanagan Valley and on Vancouver Island. The largest dollar gains through 2005 will likely be in the Mainland-Southwest region.

### June housing sales slip lower

The run-up in mortgage rates since March continues to impact housing sales. June MLS® residential sales edged lower in the Real Estate Board of Greater Vancouver (REBGV) and in the Fraser Valley Real Estate Board (FVREB). Seasonally adjusted sales slipped to 3,364 units from 3,489 units in May in the REBGV and to 1,512 units from 1,559 units in May in the FVREB. Sales in the Victoria Real Estate Board bounced back from an irregular low May level, however, its trend-level sales declined as in the other board areas.

While sales eased from their recent highs, listings increased in each board area. New listings – units coming onto the market in the month – stayed on their uptrend as did active listings – units unsold at month-end. These trends eased the demand-supply balance in the market but it remained a sellers' market. Sales-to-listings ratios remain solidly in sellers' market territory.

Price increases are well in the double-digit range with year-over-year gains between 15% and 25% depending on property type and market area. A slight slowdown in the rate of price increase is detectable in the month-to-month numbers. It would take a large sales drop or a large increase in listings to bring price increases down to the inflation rate.

Year-over-year sales will show negative readings in the July to September period because last year's base is considerably higher than now and the sales trend heading into this period is weakening. Seasonally adjusted sales are forecast to decline in July and in August in ongoing response to higher mortgage rates.

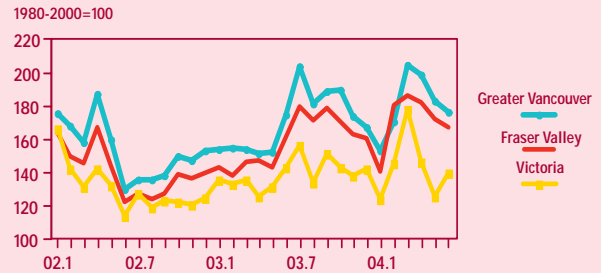
Some relief is in sight, however. Mortgage rates eased between 15 and 20 basis points in the week putting the posted five-year term rate around 6.50% compared to 6.70% in the week ending July 2. Lower bond yields in the U.S. spilled over into Canada on the release of some weaker economic news, prompting some lenders to lower mortgage rates. Bond yields and mortgage rates rose about one full percentage point since March on strong economic reports and higher inflation expectations.

### Housing starts

June housing starts fell back from May and from their April high but housing starts remained at a high level. The uptrend in housing starts is still intact and the latest monthly movements are not out-of-line with a rising market. New housing demand fundamentals are expected to remain supportive of further market expansion.

### Sales dip continues in June

Residential MLS Sales Trends - Greater Vancouver, Fraser Valley and Victoria Real Estate Boards



Source: FVREB, REBGV, VREB, CUCBC. Latest: June  
Note: MLS - Multiple Listing Service. Data are seasonally adjusted.

Housing starts slipped to 2,339 units seasonally adjusted in June from 2,586 units in May and from the current cycle high of 3,056 units in April. There were fewer single detached and multi-unit dwelling starts in June as well as in May. On a year-over-year basis, June starts are up 29% in urban centres of B.C. Year-to-date starts are up 46% largely on the strength of a 75% increase in multi-unit dwelling construction.

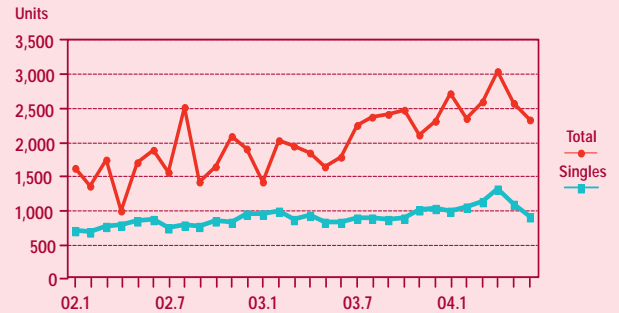
June's decline applied across most of the main geographic aggregations within B.C. Vancouver metro area starts, seasonally adjusted, eased in June as they did in metro Victoria, Abbotsford, and the remaining areas combined. One exception was the Kelowna area, which saw an increase.

Market conditions remain highly favourable for builders and developers so there is no short-term impediment to further market expansion other than supply or factor input issues such as land, labour and materials. Over the next year or two, mortgage rates are not expected to rise to levels that will choke demand and cause a market correction and the moderate rise foreseen will be offset to some extent by job, income and population growth.

Our 2004 forecast of B.C. housing starts was recently raised to 32,400 units and this is still on track. If there is a forecast error, it will probably be on the low side. There were 26,174 units started in 2003.

## Housing starts lower in June but remain high

Housing Starts by Type, Seasonally Adjusted, Urban B.C.



Source: CMHC, CUCBC.

Latest: June

