



Weekly economic Briefing

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Employment still at all-time high

The number of people employed in British Columbia remained at a record high level in July, 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 in July, up by an insignificant 0.1% from June. The provincial unemployment rate edged down to 7.3% as the labour force shrank slightly.

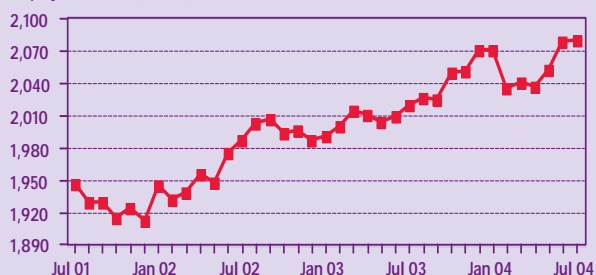
The Labour Force Survey suggests that slight gains in payroll employment in the private sector offset small losses in the public sector and a small decrease in self-employment. July's employment survey also suggests full-time jobs edged down while part-time work inched up. Slightly higher employment in manufacturing and professional and technical services offset slightly lower employment in information and cultural services, and in finance, insurance and real estate services. Jobs in utility industries likely edged lower in July.

Including seasonal factors, employment climbed in all major regions of B.C. in July. Job gains on Vancouver Island were concentrated outside of metropolitan Victoria. Regional unemployment rates in July were lowest in Greater Victoria at 5.3%, and in the Thompson-Okanagan region, Mainland-Southwest region and metropolitan Vancouver, each at approximately 7%. The highest jobless rate in B.C. is currently found in the North Coast-Nechako region (13%). Elsewhere in B.C., unemployment rates range around 8.1% to 9%.

Record high employment continues

B.C. Employment (Seasonally Adjusted)

Employed Persons (1,000's)

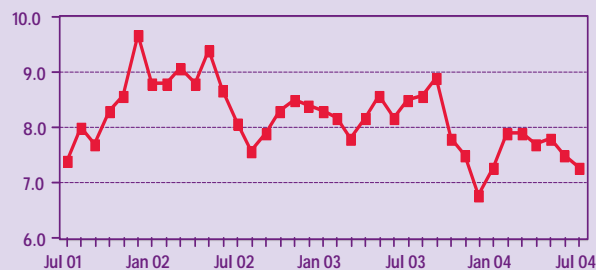


Source: Statistics Canada.

Unemployment rate edges down

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

Percent of Labour Force



Source: Statistics Canada.

Nationally, employment rose by an insignificant 8,700 workers in July, resulting from activity in manufacturing, construction and professional, scientific and technical services. Higher employment in those industries was largely offset by lower employment in health care, social assistance and educational services, and in agriculture. Job gains among private sector employees offset job losses in the public sector. The national unemployment rate edged down to 7.2% in July.

Job growth in B.C. over the next two years is expected 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%.

Housing sales dip continues

Housing sales continued to slide lower for the fourth straight month, mainly due to the bump up in mortgage rates that began in late March. Better-than-normal weather in June and July may also have contributed to fewer sales, as some potential buyers may have opted for outdoor leisure activities rather than house-hunting. July's seasonally adjusted residential MLS® sales declined each of the three largest real estate boards in B.C.

The four-month decline is not an indication of a turning point in the housing market. Rather, it is a common occurrence in a major up-trend. A similar decline occurred last year when mortgage rates rose between August and November. For this to be the beginning of a turning point, or market correction, mortgage rates or other demand drivers need to become much more negative for housing sales. Major market downturns are always caused by substantial negative changes in the key demand drivers and that does not appear to be on the horizon.

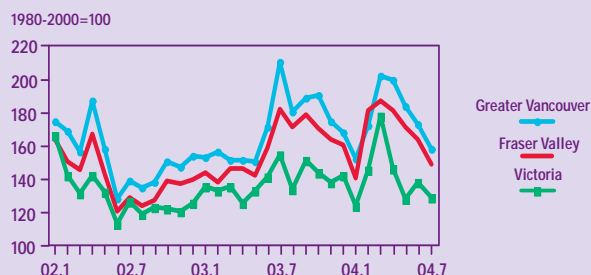
Mortgage rates have started to come down and there is room for some further easing in the very near term. The posted five-year closed term mortgage rate was cut to 6.55% in early July when bond yields declined on softer U.S. economic news. With crude oil prices hitting all-time highs and a weak July jobs report in the U.S. and Canada, bond yields have eased further, prompting lenders to reduce their posted rates again. As a result, it is very likely that housing sales will turn upward in the next two to three months.

One development that could throw a wrench into the forecast is a steeper surge in crude oil prices or a geopolitical event such as a terrorist act, causing the global economy to slow sharply and damaging business and consumer confidence. That's impossible to forecast, but should something of that kind occur, interest rates will not go up and other economic stimulus measures by government might be used. The current sales decline is a dip in the up-trend that is expected to last for many more months.

Year-over-year sales turned negative in July in all three real estate board areas, with declines ranging from 15% to 25% against July 2003, which happened to be that year's high-water mark. Year-to-date sales totals remained in positive territory. Another negative-year-over-year result should be expected for August sales, but seasonally adjusted sales could show a small gain or, at worst, a smaller decline than in July.

Sales slide continues

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



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