

Employment stays near record high

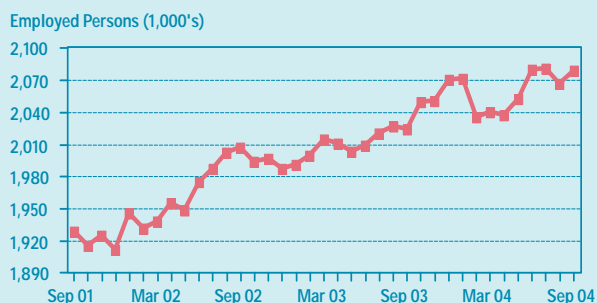
The number of people employed in British Columbia increased in September to near the all-time high reached in July, according to Statistics Canada's latest household survey of the labour market. An estimated 2.08 million people were employed in September, up by a barely significant 12,900 (+0.6%) from August. The provincial unemployment rate dropped to 7.1%, as the labour force held steady while employment increased.

The Labour Force Survey (LFS) suggests September's rise in employment was concentrated among private-sector employees, with gains among public-sector employees as well. The number of self-employed workers declined. September's LFS also indicates full-time jobs increased significantly, while part-time jobs declined. Higher employment in educational and health-care services as well as construction was partly offset by lower employment in real estate and financial services as well as utility industries.

The LFS for September suggests employment gains were concentrated in the Thompson-Okanagan and Northeast regions of the province. Employment may have dipped in metropolitan Vancouver and the Mainland-Southwest. Regional unemployment rates in September were lowest in Greater Victoria and the Northeast, with each at about 6%. Unemployment rates were also below average in the Thompson-Okanagan and Mainland-

Employment up in September

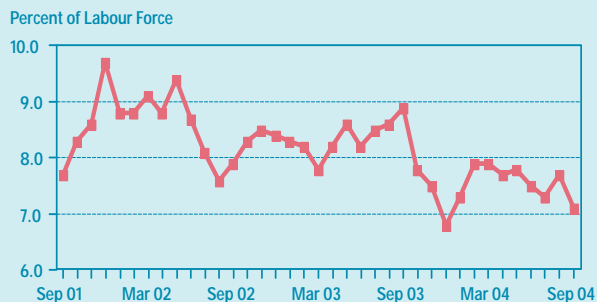
B.C. Employment (Seasonally Adjusted)



Source: Statistics Canada.

Lower unemployment rate

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



Source: Statistics Canada.

Southwest, as well as metropolitan Vancouver, each at about 7%. The highest jobless rate in B.C. remains in the North Coast-Nechako region at about 12%. Elsewhere in B.C., unemployment rates range around 8%.

Nationally, employment increased significantly in September, by an estimated 43,200 workers. Full-time work increased while part-time employment declined. Job gains were concentrated in educational services and public administration, which more than offset job losses in professional, technical, information and cultural services. Gains were concentrated among public-sector employees. The national unemployment edged down to 7.1% in September.

Job growth in B.C. through 2005 is likely to remain fairly strong. Credit Union Central forecasts annual average employment will rise by 2.5% this year and a further 2.7% in 2005, following a gain of 2.5% (50,000 workers) in 2003. B.C.'s unemployment rate is forecast to average about 7.5% in 2004 and 7.1% in 2005, following last year's rate of 8.1%.

Non-residential building permits rise

Non-residential building permits issued in August in B.C. totalled \$201 million, up \$24 million from July. Permits for constructing commercial buildings climbed \$47 million above July's level, while permits for industrial structures increased \$9 million. These gains were partly offset by a \$32 million drop in permits for government or institutional structures.

While the actual value of non-residential building permits is quite volatile from month to month, the trend has been fairly steady or modestly rising since early in 2002. Building permit values are currently trending slightly higher for all major classes of non-residential structures (commercial, industrial, government and institutional).

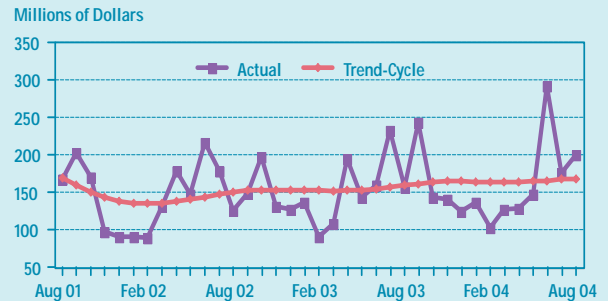
Non-residential building construction has ebbed in B.C. since 1999 and totalled less than \$2.3 billion in 2003. Credit Union Central forecasts that building permits issued for non-residential structures will rise by about 4% in 2004 and increase to almost \$2.6 billion in 2005. Permits are expected to rise most quickly in the Okanagan Valley and on Vancouver Island, while the largest dollar gains through 2005 will be in the Mainland-Southwest.

Housing sales stage a comeback

Housing sales increased in September, marking the first gain since March and the likely end to a five-month slide. Seasonally adjusted sales for September in the Real Estate Board of Greater Vancouver (REBGV) and the Victoria Real Estate Board (VREB) posted 8% and 5% gains, respectively, over August. September data was not available for the Fraser Valley Real Estate Board.

Rising construction of non-residential buildings

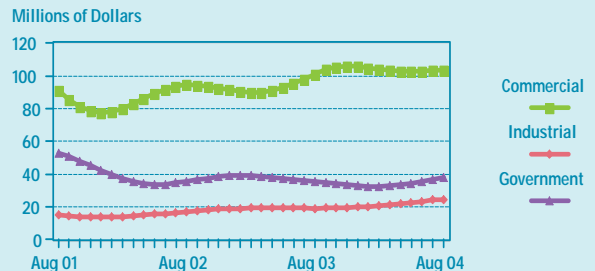
Non-Residential Building Permits, B.C.



Source: Statistics Canada.

Building permits drifting up for all major types of non-residential structures

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



Source: Statistics Canada.

The year-over-year comparisons remained negative in September at -15% in the REBGV and -9% in VREB. But a better indicator of the current trend is the seasonally adjusted data. Seasonally adjusted sales had been slipping since April while the year-over-year comparison did not turn negative until July. Now, the opposite is happening. The year-over-year comparison will probably not turn positive until December or January.

That one month does not a trend make is one of the golden rules of forecasting, and not too much should be read into September's performance. In addition, there are negative factors, such as high energy prices, affecting the economy and a slower economy could nip any housing sales turn-around in the bud. Also, as housing prices continue to climb higher, first-time buyer affordability is steadily reduced.

But there are also positive factors for the housing market. Today's job report was favourable for the Vancouver region as it showed a modest gain in September, after small losses in the previous three months. In-migration is on the upswing, which increases housing demand, although this is relatively more beneficial for the rental than the ownership market. Mortgage rates are still bouncing around as the bond market figures out how strong the economy and how high inflation will be, but are expected to remain very favourable for potential home purchasers. Should high energy prices substantially slow the economy, mortgage rates will come down and central bankers will stop raising rates.

The housing sales comeback is expected to continue in October, as we foresee a gain in seasonally adjusted sales of between 2% and 4% over September. October's year-over-year comparison will show a drop of between -15% and -20%, but that measure is behind the times.

High housing construction activity

Housing starts dipped in September, but remained at a high level. For urban B.C., seasonally adjusted starts came in at 2,580 units compared to 2,891 in August. However, this was up from the previous two months, and the short-term trend stayed at its highest level in several years.

Much of the activity in the past two months reflects the continued influence of the multi-unit building permit surge in Vancouver City, which was prompted by the increase in development levies on July 1. This will play out in the next month or two as well, to be followed by a temporary void in the City's housing starts.

Housing sales post mild bounceback in September

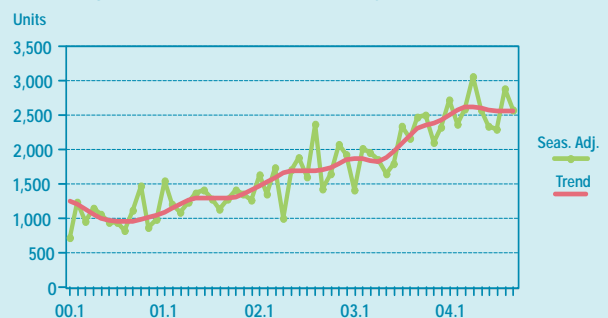
MLS housing sales, seasonally adjusted, REBGV, monthly



Source: Real Estate Board of Greater Vancouver, CUCBC. Latest: September 2004

Housing construction robust

Housing starts, Urban B.C., monthly



Source: CMHC, CUCBC.

Latest: Sept. 2004

Construction is robust in other sectors and in other parts of the province. Single-detached housing starts posted the best performance since April, at 1,095 units seasonally adjusted in September. Housing starts continued their uptrend in Abbotsford and Kelowna according to September data.

Our forecast of 32,400 total housing unit starts in B.C. (urban and rural areas) in 2004 still stands — and might even be low. The more challenging forecast is for 2005. Will the starts cycle continue upward or will it languish or even turn downward? Based on past analysis, we saw housing starts rising to 35,200 units next year, but that was before \$ 50 U.S. oil and an 80-cent dollar. We will be re-assessing this in an upcoming issue of the Economic Analysis of British Columbia newsletter, but for now that forecast stands.

