



B.C. employment jumps in March

The number of people employed in British Columbia jumped by 17,700 in March, after adjusting for seasonal effects. This follows a strong gain in February, when employment began to rise sharply. The gains in March mainly involved full-time jobs in goods-producing industries outside of metropolitan Vancouver.

The provincial unemployment rate in March was 7.7% of the labour force on a seasonally adjusted basis, down 0.5% from February. The rate fell because the jump in employment exceeded an increase of 7,500 people in the labour force. B.C.'s unemployment rate has been on a downward trend from the recent high of 8.5% in November 2002.

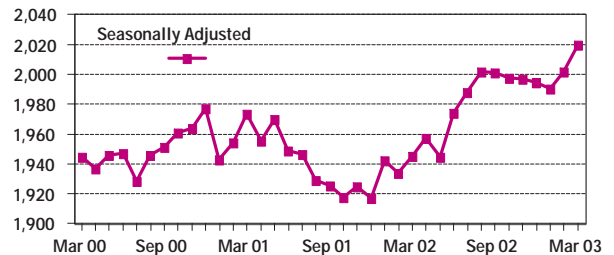
March's job gains occurred primarily on Vancouver Island and in the Thompson-Okanagan, Kootenay, Cariboo and Northwest-Nechako regions. Employment fell slightly in the Mainland-Southwest region, including metropolitan Vancouver, while holding steady in Northeast B.C.

Unemployment rates are currently highest in the Kootenay, Cariboo and North Coast-Nechako regions, at 11.4% to 14.4% of the labour force. The unemployment rate is around 9% to 10% on Vancouver Island and in the Thompson-Okanagan. The Mainland-Southwest saw a rate of about 7.4%, while the Northeast recorded B.C.'s lowest rate, at 7.1%.

Employment jumps in March

B.C. Employment

Employed Persons (1,000's)

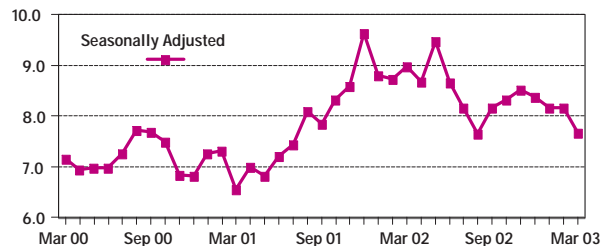


Source: Statistics Canada.

Unemployment rate down

B.C. Unemployment Rate

Percent of Labour Force



Source: Statistics Canada.

Net job gains in March occurred in agriculture (3,900), educational services (3,700), natural resources (3,200), transportation (3,200), miscellaneous services (3,100), manufacturing (3,000), construction (2,100), professional, scientific and technical services (2,000) and utilities (1,200). Net losses in employment were seen mainly in retail and wholesale trade (-4,900) and public administration (-3,400).

The quality of employment improved in March for the second consecutive month, as full-time jobs jumped by 34,400 while part-time jobs fell by 16,700. March's net job gain was split between private-sector employers (11,000) and the self-employed (10,900). Public-sector employment fell by 4,200 workers.

Job growth through 2004 is expected to be moderate by historical standards. Credit Union Central of B.C. forecasts annual average employment will rise by 2.1% (41,000 jobs) this year and another 2.5% (51,000 jobs) in 2004. This follows a gain of 1.6% (31,000 jobs) in 2002. The B.C. unemployment rate is forecast to average about 8% through 2004, following last year's 8.5%.

March housing sales steady

Housing sales held steady in March, but a low supply of listings on the market is holding back higher sales volume. Seasonally adjusted sales in the Vancouver Real Estate Board area for March came in at 2,838 units, little changed from February's 2,856 units. MLS® sales volume has remained around the 2,800-unit level for the past six months despite generally lower mortgage rates. Active listings volume fell to a new 14-year low in March to just over 9,000 units, seasonally adjusted, the lowest since February 1989.

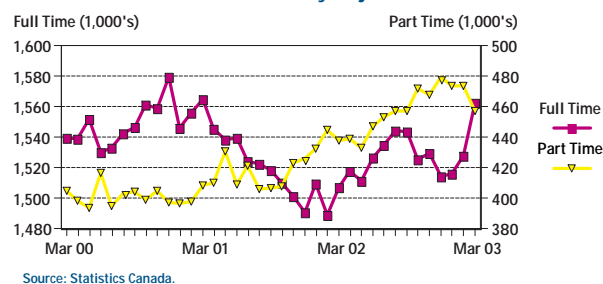
Housing sales should be rising and not holding steady during a period when mortgage rates are declining, as they have been since mid-2002. This is confirmed by statistical analysis revealing that recent sales volume has not responded to lower mortgage rates as in the past. Statistically, there is a disconnection between recent sales and mortgage rate trends. The possible answer lies in the supply side, since sales volume cannot grow if supply is not adequate.

Housing supply responds to housing prices. With prices rising since late 2001, supply, in the form of new and active listings, should also be rising. New listings show a run-up between mid-2001 and mid-2002, which began to drive active listings upward briefly, but since then new listings volume has declined. There is no obvious reason why new listings are not rising while prices are. New listings have closely followed prices for all years for which data exists, up until 1998, when a disconnection began to appear, particularly in 1999 and 2000.

The current supply-price disconnection is not expected to last. When market conditions generate rising prices, the market always responds with more supply whenever possible. The new construction market is strong evidence of that and the resale market too should begin to see more new listings and active listings in the coming months. If this does not occur, it would be highly unusual, and either the result of a market failure or even possibly a data matter, i.e., a shrinking MLS® market share.

Employment quality improves

Employment, Full & Part Time, B.C.
Number of Workers, Seasonally Adjusted



The recent uptick in mortgage rates during March -- when the one-year closed term rate went to 5.35% from 4.90% and the five-year closed term to 6.85% from 6.60% -- will have a small negative impact on sales demand. More worrisome for the housing market is a sustained increase in mortgage rates.

Forecasts of interest rates call for more increases this year and next, but there is some divergence of views on the extent. Some forecasters see short-term rates rising another 1.5 percentage points by the end of 2003, with another full point by the end of 2004. This would put the one-year closed mortgage rate over 6.50% at the end of this year and near 7.50% at the end of 2004. The five-year closed rate will rise by a lesser amount according to all forecasters, and those foreseeing a robust economy expect the five-year rate to rise about 1.25 percentage points by the end of 2004, putting the posted rate at about 8.25%.

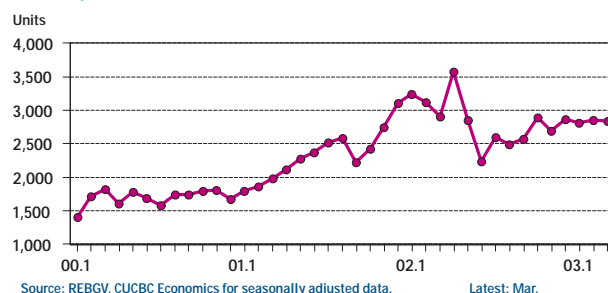
We are predicting higher rates as well, but with a lesser increase. Our forecast for the one-year closed mortgage rate is 6.70% by the end of 2004, with the five-year closed rate reaching 7.85%.

Higher mortgage rates will take some of the demand growth out of the market, especially if they are not offset by income, job, and population growth. We are forecasting better economic conditions ahead, which is a main reason for the higher rate forecast, and that will soften some of the negative impact of rising rates. The housing market can undergo a period of rising volume and prices when rates are rising, as it has in the past, but only if other housing demand factors are also improving.

Our forecast for MLS® sales in the Vancouver real estate board area sees a 10% rise this year, accompanied by an 8% increase in the average sales price. While unit sales are currently down 7% year-to-date from this time last year, a reversal is expected, putting sales into positive territory around mid-year. The average sales price is up 7% so far this year. Our 2003 forecast could be high for unit sales and low for the average price. We will monitor the data and make forecast revisions when appropriate.

Housing sales volume steady

MLS Detached, Attached, and Apartment Sales, Seasonally Adjusted, Monthly, Real Estate Board of Greater Vancouver



Low listings holding down sales volume

Active Listings S.A., MLS Detached, Attached, and Apartments, Monthly, Real Estate Board of Greater Vancouver

