



## Highlights

- B.C. employment rolls back to lowest level since February
- Unemployment rate holds steady in August
- International trade deteriorates in July
- Lower Mainland home prices continue descent

## Roll back: Employment falls by 28,000 persons in August, but unemployment rate remains low

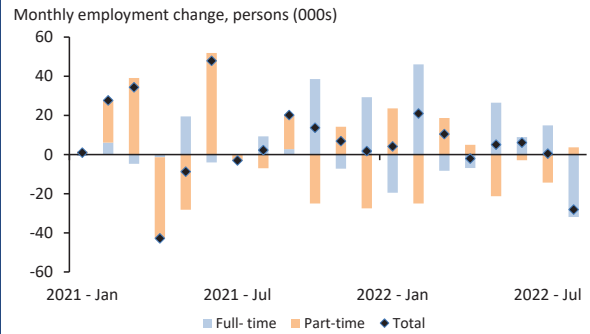
*Bryan Yu, Chief Economist*

B.C. employment fell back sharply in August, driving the national headline decline. Nevertheless, labour market conditions remained tight with the unemployment rate little changed as more individuals left the labour force.

Employment fell by 28.1k persons or 1.0 per cent, to shave the number of employed workers to 2.719 million persons. This knocked back employment to the lowest level since February and followed a flat July performance. Losses were driven by full-time work which contracted 31.9k persons or 1.5 per cent, reversing three months of gains. Even more sobering for the latest losses was the breadth of decline with 11 of 16 industries shedding jobs. Notably, wholesale and retail trade fell 15k persons (3.5 per cent), alongside business, building and support services (-6.5k or 6.3 per cent), and education (-5.2k or 2.6 per cent). Private personal services was a partial offset with a gain of 5.5k persons (5.1 per cent), while construction, surprisingly, edged higher.

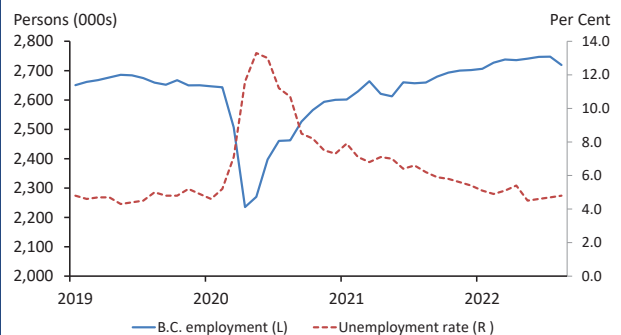
Despite the hefty job loss, B.C.'s unemployment rate managed to hold steady at 4.8 per cent compared to 4.7 per cent in July. Declines were matched by a decline in the labour force, which could reflect an increase in voluntary quits or a temporary pause from job seeking. The low unemployment rate is still indicative of a very tight market observed in job vacancy rates for the province and employment is nearly 3.0 per cent higher than pre-pandemic levels. Average hourly wages for employees remained high at 5.1 per cent year-over-year but decelerated from July's 5.6 per cent rate.

## Full-time losses drive August employment decline



Source: Statistics Canada, Central 1 latest: Aug/22

## Employment slumps in August, unemployment rate remains low



Source: Statistics Canada, Central 1 latest: August/22

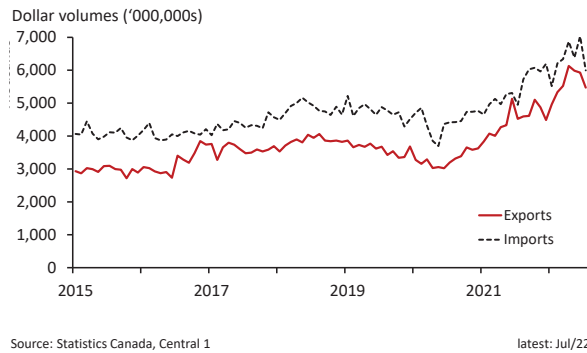
The Vancouver Census Metropolitan Area outperformed the rest of the province with employment down a mild 2.1k persons or 0.1 per cent. The unemployment rate was unchanged at 4.8 per cent.

August's performance was negative for B.C. but one month does not show a trend, particularly as it relates to volatility in provincial estimates. A partial rebound in September figures would not be surprising. That said, higher interest rates and slowing global growth will continue to temper hiring as the housing market remains weak and businesses feel the pinch of higher costs.

## Export volumes continued to slide in B.C. *Edgard Navarrete, Regional Economist*

The latest international merchandise trade figures pointed to further deterioration in British Columbia activity in July. Both imports and exports continued to slide in July, falling an additional 14.8 per cent m/m (to \$6.0 billion) and 7.7 per cent m/m (to \$5.5 billion). The fall in export activity in July marks three consecutive months of slowing activity.

## Exports continued to slide in B.C.



Despite the recent slide over the last few months, exports and imports have fully recovered in British Columbia. Compared to sales volumes from February 2020, export and import volumes are up 73.4 per cent and 23.4 per cent respectively in July 2022.

Year-to-date, exports and imports are up 30.4 per cent and 25.8 per cent respectively.

The slide in export sales volumes in July came about from a nearly broad-based decline in activity. Of the 12 sectors surveyed each month, only three sectors posted m/m growth: energy products (up 0.4 per cent m/m), motor and vehicle parts (up 4.8 per cent m/m), and aircraft and other transportation equipment and parts (up 95.6 per cent m/m).

The following large sectors posted weaker exports sales volumes: forestry products and building and packaging materials (down 5.2 per cent m/m), consumer goods (down 3.2 per cent m/m) and metal and non-metallic mineral products (down 13.8 per cent m/m). Weak commodity prices have factored into these declines alongside a weakening demand environment.

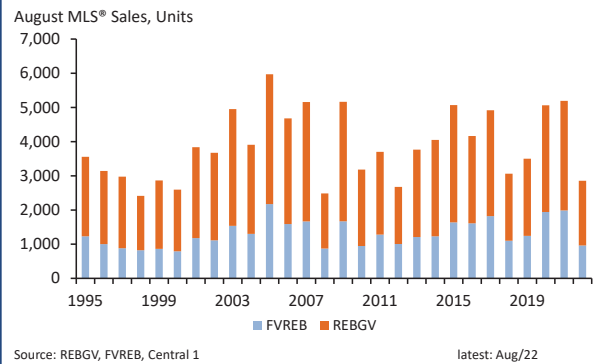
B.C. export flows will continue to erode going forward. A weaker economic backdrop amidst elevated inflation and higher interest rates is likely to temper global demand.

## Down, down, down, Lower Mainland price erosion continues

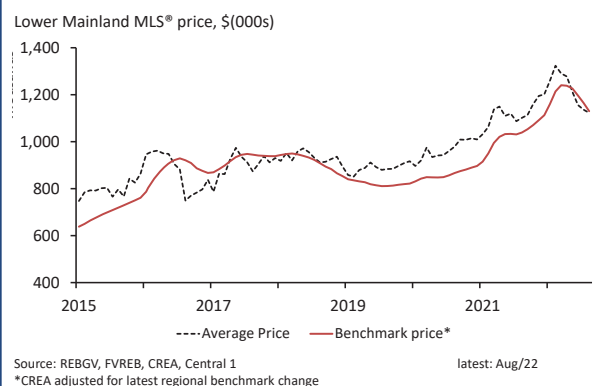
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The downturn in the Lower Mainland housing market continued through August as rising interest rates and fear of price declines contributed to exceptionally low sales and further eroded home values.

## Higher interest rates keep sales near record low in August



## Price erosion intensifies with benchmark price down 3%



MLS® sales in the region spanning Metro Vancouver and Abbotsford-Mission reached 2,854 units in August. This was down 45 per cent year-over-year, and consistent with July's decline. Nevertheless, this marked the fewest August sales since 2012 and the fifth same-month sales since 1995. Our calculation for seasonally-adjusted sales points to downward sales momentum.

Sales weakness owes to rapid erosion of purchasing power due to higher interest rates with prospective buyers adjusting to both higher fixed and variable mortgage rates. The latter has risen 300 basis points this year, reflecting Bank of Canada hikes, including Wednesday's 75-basis point increase. In the absence of a much larger down payment, potential buyers have found themselves displaced from the market. Declining prices are also holding back both end-use buyers and investors. More sellers are also opting to step away from the soft market in hopes that conditions improve in coming quarters. New listings flow fell 15 per cent from a year ago and the trend is declining.

Despite supply holding steady, negotiating power has swung to buyers. While the 18 per cent sales-to-active listing ratio sits at a level consistent with balanced conditions, the rapid deterioration points to a buyers' market which is curbing prices. The average sales price fell to \$1.12 million, marking a 1.2 per cent monthly decline and a 15 per cent decline from peak. As this reflects sold listings, it may be biased lower due to sales composition and motivated sellers (such as investors). The constant-quality MLS® housing price index fell 3.0 per cent from July and was led by declines in detached homes and townhomes, while condominium apartments prices held steady. The composite index has declined about 9.1 per cent from peak.

Sluggish market conditions are anticipated to continue. The Bank of Canada signaled further rate hikes to cool inflation through the end of the year, and we now expect the policy rate to reach 3.75 per cent by year end — pushing variable rates higher. Higher rates are expected to keep sales near the current cycle low while prices grind down. That said, prices are not expected to collapse, owing to strength in the labour market and strong rental demand which will keep sellers from flooding the market with properties. The average price is forecast to decline 20 per cent from peak, with a benchmark decline of 15 per cent.

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