

## Highlights

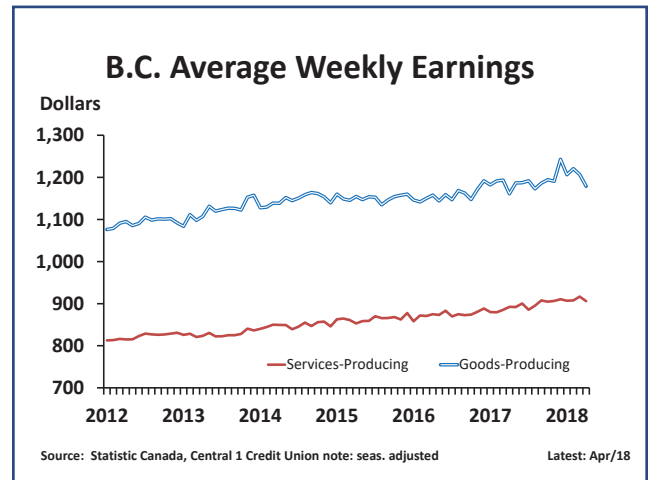
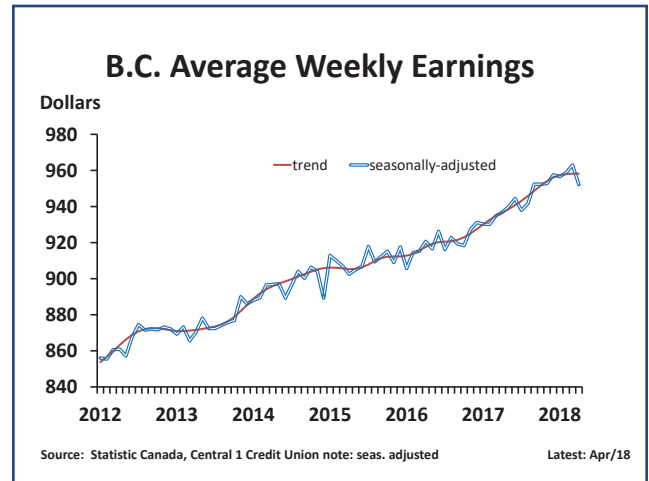
- Weekly earnings growth disappoints in April with a 1.1 per cent monthly decline
- Manufacturing sector shows largest decline in average weekly earnings
- Subdued small business confidence continued through June

### Average weekly earnings dip in April across most sectors

Following a strong bump in March, average weekly earnings (AWE) posted a weak April showing. According to the Survey of Employment Hours and Earnings (SEPH), April wage earnings fell 1.1 per cent from March to \$952, coinciding with a steady employee headcount. AWE was the lowest since November, cutting year-over-year growth to 1.6 per cent from three per cent the prior month.

Relative to March, average weekly earnings declined in 12 of 20 industry sectors, spanning both the goods and services-producing sectors. Earnings in the goods-sector fell 2.3 per cent to \$1,779 owing mostly to a five per cent drop in manufacturing, which offset growth in utilities and resource extraction sectors. Services-producing sectors fell 1.2 per cent to \$906 with declines in most industries. Earnings in real estate, finance and leasing declined 5.6 per cent from March to \$1,072, but were up more than 20 per cent from one year prior. Declines were also observed in professional, scientific and technical services (down 2.5 per cent), management services (down five per cent), accommodations and food services (down 5.3 per cent), administrative and support (down 5.5 per cent) and arts, entertainment and recreation (down 11.6 per cent).

Monthly headline average weekly earnings are typically volatile with various factors influencing levels, including hours worked and part-time/full-time split of employees and changes in employment composition. That said, AWE figures were disappointing. The fixed weighted index of average hourly earnings, which adjusts for job tenure effects, and industry, showed



similar weakness of a one per cent monthly decline and deceleration in year-over-year growth.

It remains to be seen if the sharp decline in AWE persists or is nothing is more than a blip in the data, or a lagged response to more subdued economic data in the first quarter of the year. Prior to April, AWE had tracked a strong pace of close to three per cent year-over-year, aligning with even more robust average hourly wage growth in Statistics Canada's related Labour Force Survey.

Coinciding with lower weekly earnings was a slip in hiring momentum. Non-farm payroll counts edged lower by 0.1 per cent (or 1,200 persons) from March to 2.27 million persons following strong growth during the prior two months. Year-over-year growth remained robust at 3.9 per cent. Services employment slipped 0.1 per cent from March, owing to declines of more than one per cent in administrative and support services,

and arts, entertainment and recreation. Retail trade was also a drag during the month. Offsetting gains included forestry, professional scientific and technical services, and management services.

## B.C. small business optimism remains subdued in June

Small-business confidence in B.C. remained subdued in June, according to the Canadian Federation of Independent Business' monthly Business Barometer. At 58.8 points, the index was unchanged from May. While above the 50 point threshold, which means that of the firms surveyed, more anticipated better business conditions over the coming year relative to those expecting worse conditions; the index was its lowest since late 2012. Typically, a value in the 65 to 70- point range is linked to a moderate-growth economy. In comparison, the national index came in at 62.2 points.

In a matter of months, B.C. has transitioned from province ranked among the highest for small-business confidence, to one that lags most other provinces. About 46 per cent of firms surveyed noted their businesses were in a good state. This was down from 54 per cent in March, but still above most other provinces.

This recent dip in confidence could reflect a number of factors. Signs of slower economic growth emerged in the first quarter, while expectations have naturally downshifted after a robust 2017 growth performance. That said, costs have also risen. The CFIB survey points to more acute skilled labour shortages which is contributing to higher wages. Minimum wage hikes are also a factor. This aligns with a low unemployment rate and wage growth data. Additional policy measures are likely impacting optimism. This includes the employer health payroll tax which effects businesses large and small (revenue of \$500,000 or more), and will likely add to net costs for some businesses starting in 2019. Minimum wage is also set to be hiked on June 1, 2019 to \$13.85 per hour. Trade uncertainty continues to escalate, and is undoubtedly weighing the minds of some businesses, particularly those exporting internationally.

---

### Bryan Yu

Deputy Chief Economist

byu@central1.com / P 604.742.5346

Mobile: 604.649.7209

