

## Highlights:

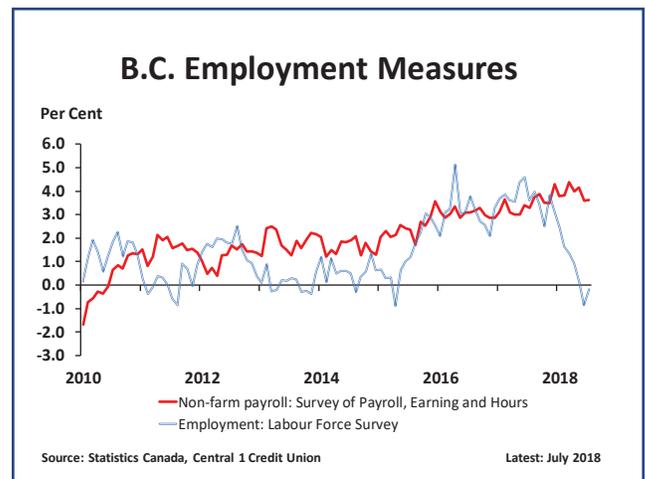
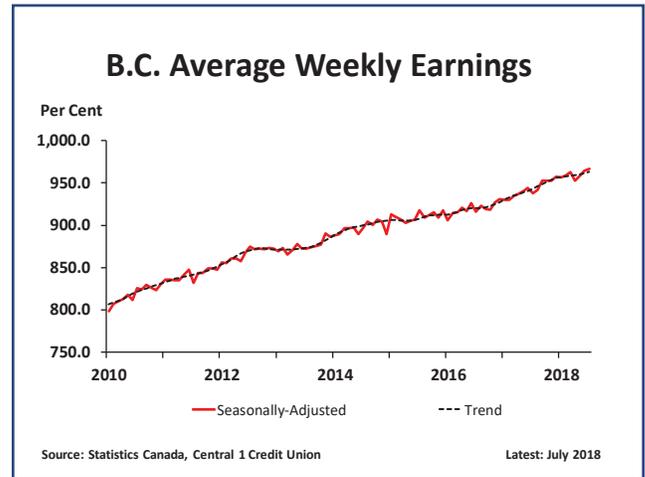
- Non-farm payrolls climb in July, earnings rebound
- Sluggish small business confidence continues
- International migration boosts population

## Payroll counts trend higher, wage earnings rebound

Payroll measures of employment continued to outperform the more widely followed Labour Force Survey in July. The Survey of Employment, Payroll and Hours (SEPH) showed a mild gain in non-farm payroll counts during the month of 0.1 per cent or 2,744 positions. Upward momentum remained intact though growth has recently decelerated from the early part of the year. Relative to July 2017, employment rose 3.6 per cent (80,000 positions) which was more than a percentage point above any other province, albeit a slip from June's pace.

Among industries, the most significant drivers of year-over-year growth (reflecting both growth and industry size) include: construction with a 5.9 per cent increase (up 8,888 persons), manufacturing (up four per cent, or 6,800 persons), information and culture (up 14 per cent, or 6,612 persons), as well as public service, and education and health services. Growth aligns with positive trends in the manufacturing and export cycle, high levels of residential and non-residential investment, and population growth.

Year-to-date non-farm payroll employment growth, at nearly four per cent, is far outpacing the more widely watched Labour Force Survey which is tracking a weak one per cent growth. While deviations are normal given differences in the survey, and omission of farm workers and self-employed in SEPH, the trends typically move in tandem which is not the case of late. Squaring this circle isn't easy, but part of the answer may reflect the tight labour market, which is running a five per cent unemployment rate and the highest job vacancy rate in the country, while average hourly wage growth has soared. Employees may be holding multiple jobs, lifting SEPH employment while employ-



ers may also be hiring from outside the province for projects impacting SEPH, but not the Labour Force Survey employment.

Average weekly earnings also rose in July, climbing 0.3 per cent to \$967, reverting back to trend and picking up after an early year pullback. Year-over-year growth reached 3.1 per cent, which was in line with the national gain. Among provinces, B.C. weekly earnings was fifth highest, reflecting a greater share of service and non-resource jobs in the province.

Among industries, weekly earnings growth was mixed. Forestry and logging weekly earnings fell three per cent from June to \$1,427, but remained elevated and eight per cent higher than year ago levels. Utilities wage earnings fell 16 per cent from June and two per cent year-over-year. Finance and insurance earnings edged lower but were up a solid five per cent year-over-year, similar to positions in the public administration, and information and culture spaces.

Rising paycheques are a sign of a tight labour market, although a lag relative to growth in average hourly wages in the LFS may reflect hours worked and industry composition.

### Business confidence sluggish

Small- and medium-sized businesses in B.C. remained pessimistic in September, suggesting the backdrop of trade uncertainty, softening of retail and housing conditions and tight labour market are eroding sentiment.

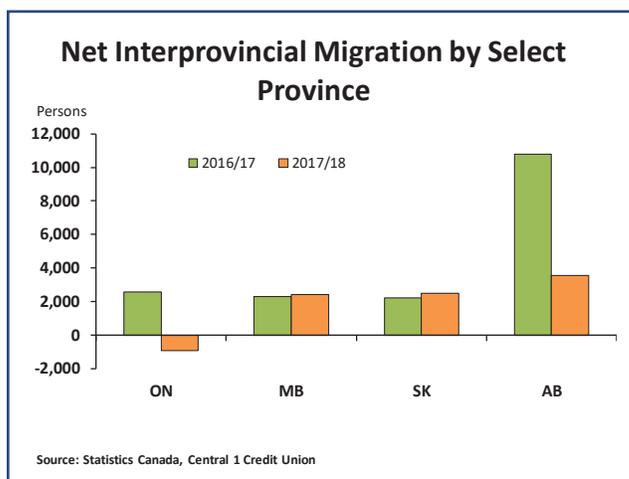
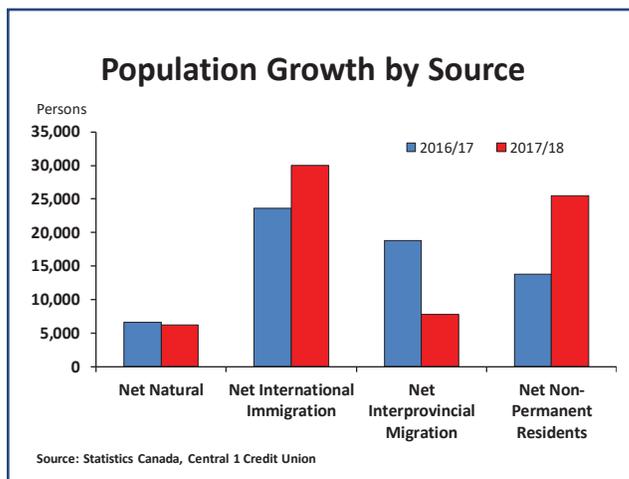
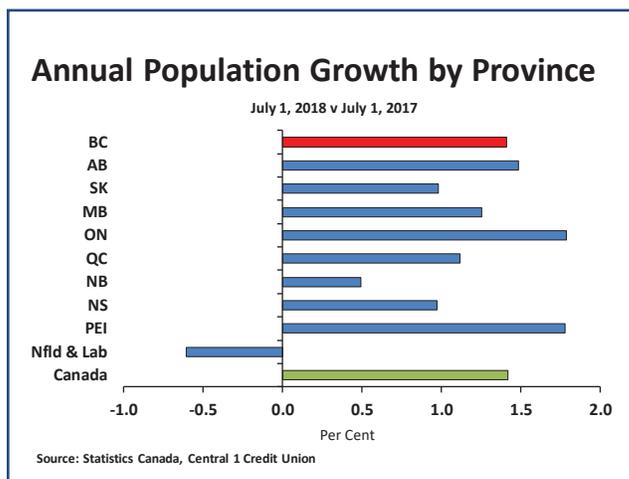
The Canadian Federation of Independent Businesses' Business Barometer remained unchanged from August at 55.9 points in B.C., ahead of only Alberta. Nationally, the index value was 61.4 points. Index values are on a scale of 0 to 100. A value above 50 means of the businesses surveyed, the number expecting improved business conditions over the next year exceeds the number anticipating weaker conditions. Since 2010, B.C.'s index has averaged 67 points, which has been well above levels observed elsewhere in the country. Recent levels in B.C. are the lowest since 2009.

Subdued sentiment likely reflects various factors. Following four consecutive years of robust economic growth and 3.9 per cent growth in 2017, firms may naturally be less optimistic on the outlook particularly as the economy slows. Meanwhile, retail sales have crested, and housing sales have plunged on federal and provincial policy measures to cool the market, which is slowing related demand. Despite the drop in sentiment, 44 per cent of firms surveyed noted business health was good, with only nine percent citing bad conditions. A tight labour market is also a headwind, with 48 per cent citing skilled labour shortages as a constraint to production. This was relative to other provinces, and aligns with an unemployment rate that is lowest in the country, and high job vacancy rates.

### Jump in international migration lifts annual population

B.C.'s population rose to 4,992 million persons as of July 1, marking a gain of 69,535 persons from same-period 2017. Growth edged up from 1.3 per cent in 2017 to 1.4 per cent, and aligned with the national gain, but trailed growth in Ontario (1.8 per cent), Alberta (1.5 per cent) and Prince Edward Island (1.8 per cent). On a seasonally-adjusted basis, quarter-over-quarter growth accelerated to a 1.5 per cent pace, but the trend has held near 1.4 per cent.

Growth was led by a surge in international immigration. Excluding net non-permanent residents, net international inflows jumped from 23,595 persons to



29,983 persons during the year, marking the second highest count since 2008/09. Adding to this was a surge in non-permanent residents, after detracting from population in 2015 and 2016. Inflows of this group reached 13,811 in July 2017 and 25,474 this year for the same month. According to Statistics Canada, while asylum seekers rose, much of this gain was due to an increase in students and work permits.

Interprovincial migration was a disappointment, falling to a net gain of 7,799 persons, from more than 18,830 in 2017 and a cycle peak of 26,570 in 2016. Strength-

ening economic conditions in other provinces, and relatively higher home prices in B.C. have likely curtailed the flow to B.C. Specifically, net flows reversed to Ontario, as fewer people travelled west, and more B.C. residents move east. Net flows were down 941 persons, after gaining more than 2,500 persons the previous year. Similarly, net Alberta inflows fell sharply to 3,549 from more than 10,700 persons last year.

Population growth is forecast to trend near 1.1 per cent for 2019 on July 1 2019. International immigration will remain solid, while a tight job market should induce interprovincial inflows. A green light for a liquified natural gas (LNG) project would provide further lift as construction workers relocate.

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