

Highlights:

- Export sales momentum sluggish despite year-over-year gain
- January payroll employment up 3.1 per cent
- Average weekly earnings growth stalls
- Job vacancy rate remains highest in the country
- Small business confidence languishes
- Large metro markets drive B.C. population growth in 2018

Exports up 6.8 per cent, but trend remains soft

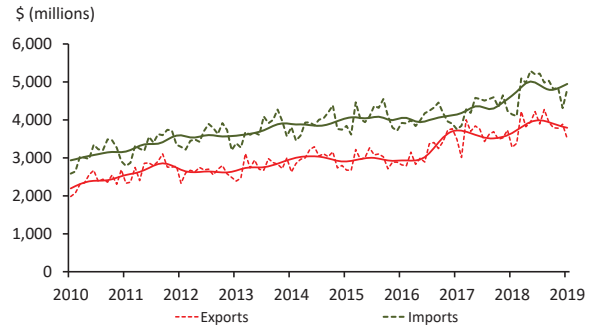
The soft trend in B.C. export sales continued into 2019 despite a pick up in year-over-year growth. Dollar-volume merchandise exports reached \$3.5 billion in January, and while year-over-year growth was firm at 6.8 per cent, the gain largely reflected a weak same-month performance in 2018. The underlying trend has been negative since mid-2018, and our calculations suggest the export trend has further deteriorated.

Broadly, declining exports have been concentrated in key industries. Resource exports have been the main drag with forestry product and raw metal and mineral exports in decline since mid-2018. This has reflected the slowing global economy, weaker commodity prices and disappointing U.S. housing starts. In contrast, energy sales have held up well and agriculture products have also increased. Manufactured motor vehicle and parts have surged and consumer goods exports are rising, which continued to be supported by a competitive Canadian dollar.

While exports stall, imports have surged. Dollar-volume imports rose 16 per cent year-over-year in January. Import growth was broad across both resource sectors and other manufactured goods.

The contribution of exports to economic growth is expected to weaken this year. Slowing growth in the U.S. and broader global economy will constrain demand for B.C. goods although a low Canadian dollar will remain supportive. Imports are forecast to rise sharply over the next three years as liquefied naturals

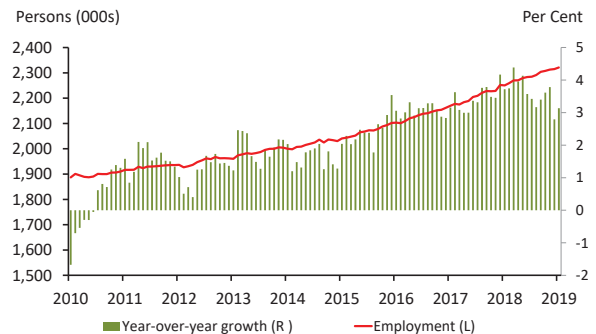
B.C. International Merchandise Trade



Source: Statistics Canada, Central 1 Credit Union

Latest: Jan 2019

B.C. Payroll Employment



Source: Statistics Canada, Central 1 Credit Union

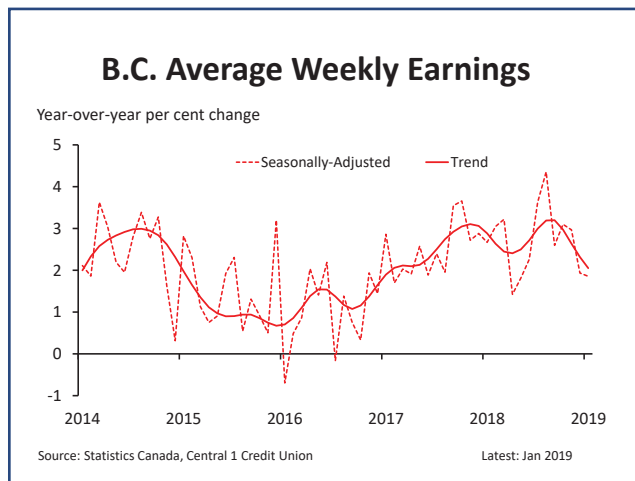
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gas terminal and pipeline construction drive purchases of machinery and materials inputs from abroad.

Hiring climbs but wage earnings flat in January

Non-farm payroll counts in B.C. continued to expand into January pointing to firm labour demand but average weekly earnings were little changed. Based on administrative data, Statistics Canada estimated employment of 2.32 million persons in January. Monthly growth accelerated from 0.1 per cent in December to 0.3 per cent in January, with year-over-year growth at a robust 3.1 per cent (or 70,000 persons). Alongside New Brunswick, year-over-year growth was the strongest among provinces and behind only Prince Edward Island at 3.8 per cent. Nationally, growth came in at 2.4 per cent.

Construction (up 1.0 per cent), retail trade (up 0.6 per cent), educational services (up 0.9 per cent),



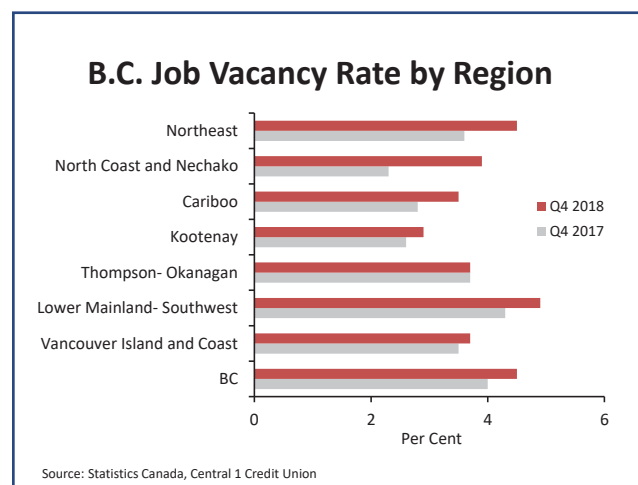
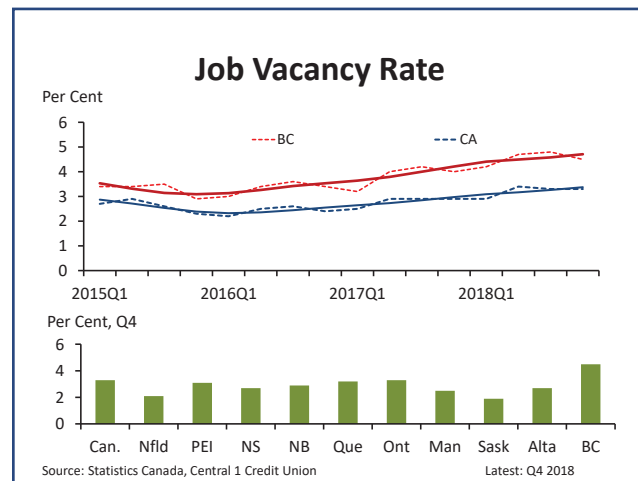
health and social services (up 0.7 per cent) and public administration (up 1.1 per cent) were drivers of gains from December. Main offsets included mining and energy resources (down 4.5 per cent) and administrative support services (down 1.3 per cent).

Employment growth over the past twelve months has been diffused across industries with relatively stronger gains in the goods-sectors (up 4.7 per cent), specifically in utilities (up 4.7 per cent) and construction (up 7.3 per cent). The gains could reflect work on Site C and still elevated residential building activity. Services-sector growth of 3.4 per cent owed in large part to public-sector hiring, which observed a 6.3 per cent gain in educational services, 4.0 per cent gain in health care, 5.3 per cent gain in public administration. Generally, most sectors have shown moderate to strong gains in hiring, except for mining and energy resources, real estate and accommodations and foodservices.

While hiring remained strong, wage growth disappointed. Average weekly earnings were unchanged from December at \$975.30, with year-over-year growth at a modest 1.9 per cent. This was in line with the national gain of 2.0 per cent but lagged most other provinces. Growth has slowed since early 2018 despite a low unemployment rate. At the industry level, key drags included utilities (down 10 per cent year-over-year) and real estate (down 4.5 per cent). In contrast, weekly earnings growth was strong in forestry, mining and administration.

Unfilled jobs highlight labour market challenge in B.C.

Despite the stronger hiring momentum, jobs continued to go unfilled in B.C. Fourth quarter job vacancies in the province rose 18 per cent from the previous year to 104,585 positions, marking an increase of 16,060 openings. While growth was exceeded by a handful of



other provinces, B.C.'s increase exceeded the national gain of 16.6 per cent.

B.C. is amid a significant labour shortage that is likely constraining growth potential in some sectors. Relative to the size of the job market, B.C.'s job vacancy rate eased to 4.5 per cent. While down from 4.8 per cent in the third quarter in part due to seasonality, the rate remained highest in the country by a wide margin and has risen in recent years. Nationally, the job vacancy rate was 3.3 per cent, with the second highest rate observed in Ontario, which was also 3.3 per cent. High job vacancies align with B.C.'s cyclically low unemployment rate of less than five per cent. This confirms anecdotal stories of labour shortages in various industries and is consistent with data from the Canadian Federation of Independent Business monthly business barometer.

The highest job vacancy rate was observed in the Lower Mainland-Southwest at 4.9 per cent, followed by the Northeast at 4.5 per cent and the North Coast and Nechako at 3.9 per cent. The lowest rate was in the Kootenay at 2.9 per cent.

While the increase in total job vacancies primarily reflected a 19 per cent increase in the Lower Mainland-

Southwest, vacancies surged in the North Coast and Northeast. Opportunities related to liquefied natural gas sector activity and supporting industries could be responsible for the increase. Specifically, North Coast and Nechako job vacancies surged by 80 per cent to 1,630 openings, with Northeast vacancies rising 40 per cent to 1,795 positions.

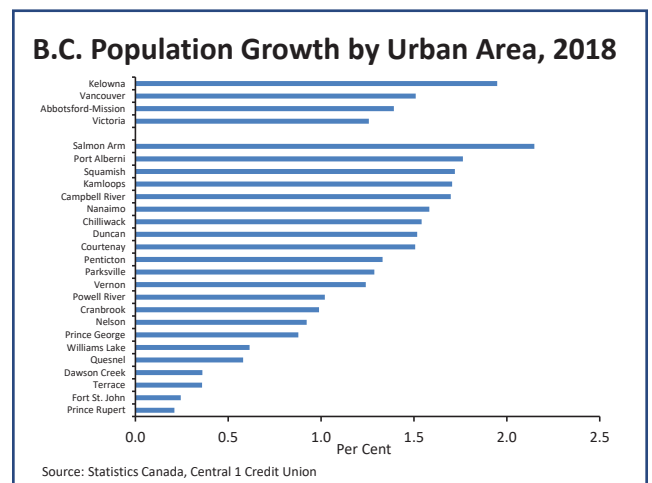
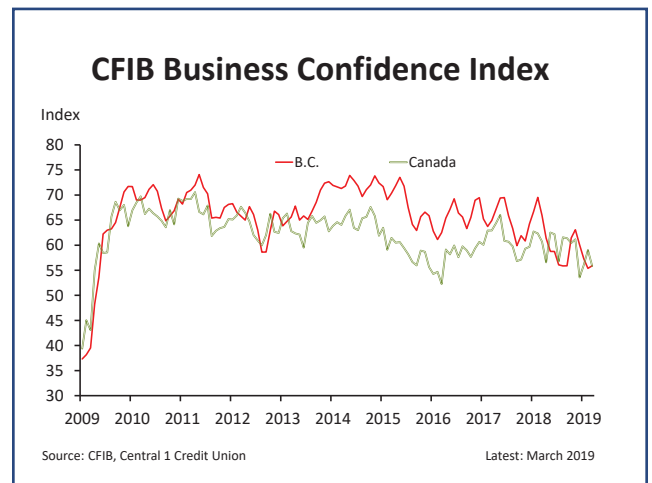
At the industry level, vacancies rose in 19 of 20 industry groups pointing to solid labour demand across the economy. Growth was highlighted by professional, scientific and technical services (up 52 per cent or 2,435 positions), information and cultural industries (up 59.4 per cent or 1,090 positions) and agriculture, forestry and fishing (up 73 per cent or 1,860 positions).

The highest job vacancy rates were observed in transportation and warehousing (6.9 per cent), information and cultural industries (5.2 per cent), accommodations and foodservices (5.8 per cent) and construction (5.9 per cent).

Business confidence remains low in March

Juxtaposed with strong conditions in the labour market, small business confidence remained muted in March according to the latest survey results from the Canadian Federation of Independent Business. While a Business Barometer value above 50 means businesses are still on net, positive, at 55.9 points the index remained among the lowest level observed going back to 2010. At the same time, B.C. businesses generally feel that current business health is good (47 per cent), with only 10 per cent noting bad health. This compares favourably to other provinces. Hiring intentions also remain strong, with 23 per cent looking to expand full-time staff and 12 per cent looking to cut, which again compares favourably.

So why so glum? The downbeat index reading likely reflects signs and expectations for slowing economic growth, particularly for household and housing related spending, and a base effect of stronger growth in previous years. Labour shortages are a key challenge with 49 per cent of businesses surveyed cited a shortage of semi-skilled labour and 30 per cent noted shortage of unskilled labour. This was highest among provinces and aligns with job vacancy data. Cost constraints are also a factor. A tight labour market should induce future wage growth which could crimp on profits unless it is passed through to consumers. Tax burdens are rising for some organizations due to the Employer Health Tax.



Population growth led by Kelowna and Salmon Arm in 2018

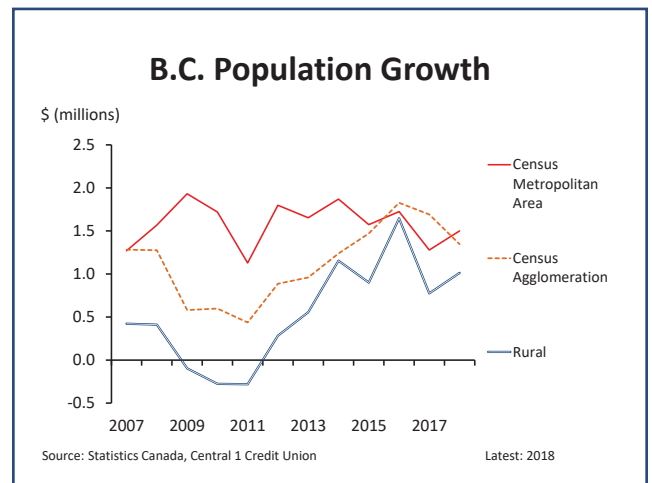
Statistics Canada released sub-provincial population estimates for 2018 this week, providing greater insights into growth trends of B.C.'s local areas. The provincial population grew at a moderately strong pace of 1.4 per cent in 2018 on a July to July basis, but gains were uneven. Growth rotated back towards B.C.'s census metropolitan areas (CMA—centres with more than 100,000 persons), which makes up 69 per cent of the population and away from the smaller urban centres. Growth in the CMAs rose to 1.5 per cent from 1.3 per cent, while growth in small-to-medium urban centres slipped from 1.7 per cent to 1.3 per cent. Population in rural areas grew 1.0 per cent.

Among metro areas, the Vancouver Census Metropolitan Area grew by 39,400 persons or 1.5 per cent from the previous year following a 1.1 per cent gain in 2017. Victoria gained 4,910 residents marking a gain of 1.3 per cent but decelerated from 2017's increase of 1.5 per cent. Kelowna remained a high growth region with its population up 1.9 per cent, or 4,057 persons while Abbotsford-Mission experienced a gain of 1.4 per cent.

Population in B.C. metro areas generally underperformed others in the country. Growth in Kelowna was 13th highest among Canada's 35 metro areas, with the others in the bottom half.

The Vancouver CMA remained a preferred destination for international immigrants with the net number of permanent and temporary resident inflows at more than 40,000 persons. Growth from natural causes (births less deaths) also contributed to gains. However, the region is estimated to have lost nearly 14,000 persons to other parts of the province, which could reflect flight due to high home prices in the region, as well as moves for lifestyle and retirement purposes. Kelowna and Victoria relied largely on residents moving from other parts of B.C., such as Metro Vancouver and the rest of Canada.

Among B.C.'s mid-sized markets or census agglomerations (CA), population growth was strongest in B.C.'s southern interior and Vancouver Island markets. At the top of the list was Salmon Arm, which grew by 2.1 per cent or 406 persons. Port Alberni expanded by 1.8 per cent, while Squamish, Kamloops and Campbell River expanded by 1.7 per cent. These areas have experienced inflows of people from other provinces and from within B.C. On the other end, northern market population growth remained low with Fort St. John and Prince Rupert growing by 0.2 per cent. Prince George reported the strongest growth among northern markets at 0.9 per cent or 807 persons. Northern B.C. population growth is expected to rise with the build out of the liquefied natural gas plant and related pipelines in coming years. No CMAs or CAs were estimated to have contracted in population in 2018.



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Annual Population Growth by Urban Area, as of July 1

	2017 Population	2018 Population	2017	2018	2017	2018
Census Metropolitan Area						
	Persons		% change		change (persons)	
Kelowna	208,254	212,311	2.1	1.9	4,261	4,057
Vancouver	2,610,605	2,650,005	1.1	1.5	28,459	39,400
Abbotsford - Mission	193,317	196,007	2.3	1.4	4,296	2,690
Victoria	390,613	395,523	1.5	1.3	5,932	4,910
Census Agglomeration						
	Persons		% change		change (persons)	
Salmon Arm	18,901	19,307	2.0	2.1	371	406
Port Alberni	26,257	26,720	0.8	1.8	212	463
Squamish	21,511	21,881	2.8	1.7	596	370
Kamloops	110,477	112,361	2.1	1.7	2,261	1,884
Campbell River	40,166	40,848	1.9	1.7	768	682
Nanaimo	111,122	112,881	1.8	1.6	1,935	1,759
Chilliwack	108,921	110,600	2.7	1.5	2,909	1,679
Duncan	46,918	47,630	1.7	1.5	789	712
Courtenay	57,223	58,085	2.1	1.5	1,156	862
Penticton	45,522	46,128	1.1	1.3	506	606
Parksville	30,468	30,860	2.8	1.3	831	392
Vernon	64,494	65,294	1.4	1.2	879	800
Powell River	17,448	17,626	0.6	1.0	107	178
Cranbrook	27,312	27,582	0.9	1.0	240	270
Nelson	19,194	19,371	0.4	0.9	72	177
Prince George	91,985	92,792	1.5	0.9	1,364	807
Williams Lake	19,027	19,144	-0.1	0.6	-25	117
Quesnel	24,134	24,274	0.3	0.6	77	140
Dawson Creek	13,021	13,068	1.6	0.4	208	47
Terrace	16,437	16,496	0.2	0.4	31	59
Fort St. John	29,884	29,957	0.2	0.2	72	73
Prince Rupert	13,326	13,354	0.6	0.2	83	28

Source: Statistics Canada