

Highlights:

- Small business confidence subdued at 53.8 points
- Average weekly earnings up 0.3 per cent in April, signs of momentum
- Payroll counts rise again
- Visitors from Mexico drive international tourist growth in 2019

Confidence wanes for small business as capacity constraints and costs weigh

Small business confidence in B.C. tread water in June to extend the lacklustre showing in recent months. The latest Canadian Federation of Independent Business (CFIB) *Business Barometer Index* edged higher to 53.8 points in June from 53.1 points in May. A value above 50 in the balance of opinion survey means the number of businesses anticipating improved conditions over the next year outnumbered those expecting weaker conditions. That said, current levels remain low, lagging the national reading of 61.5 points and own-province performance in recent years. Index levels from 2014 through mid-2018 were consistently in the 60-70 point range, aligning with stronger economic growth performance.

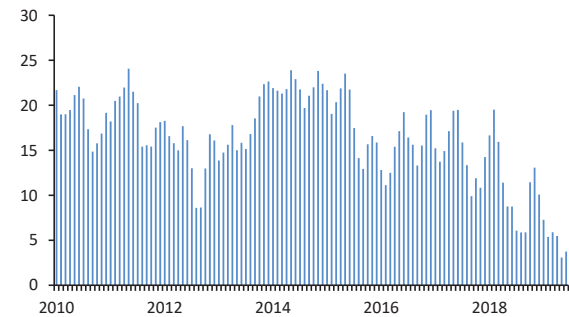
Subdued confidence levels in B.C. are indicative of a few factors. A weak housing market and sluggish retail sales growth are likely weighing on confidence while businesses may be taking a more neutral view following robust expansion in recent years. Cost pressures have also mounted as hiring conditions remain strong. A tight labour market and high levels of job vacancy is evident with 48 per cent of survey respondents noting that a shortage of skilled workers is impeding sales or production. This was highest in the country alongside Quebec, and a driver of growth in wages and other benefits. Some businesses are also facing an increased tax burden due to the Employer Health Tax.

Weekly earnings picking up amid tight labour market

The latest results from the *Survey of Employment, Payrolls and Hours* (SEPH) continued to paint a

B.C. Small Business Confidence Index

Deviation from 50 point demarcation line

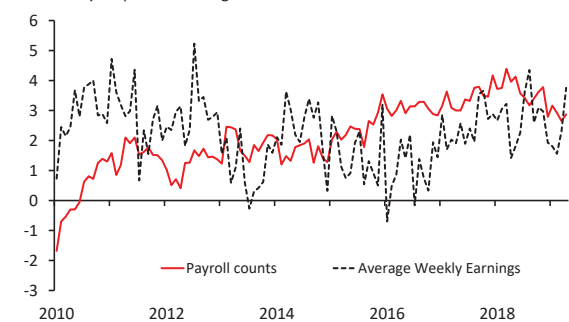


Source: CFIB, Central 1 Credit Union

Latest: June 2019

Survey of Employment, Payroll and Hours

Year-over-year per cent change



Source: Statistics Canada, Central 1 Credit Union

Latest: April 2019

rosy picture of B.C.'s labour market. Average weekly earnings in B.C. rose again in April with a 0.3 per cent increase from March to \$989.15. While lagging the national increase of 0.7 per cent, B.C. growth outpaced on a year-over-basis with a gain of 3.8 per cent compared to 2.9 per cent nationally. While various factors contribute to changes in weekly earnings, including hours worked and job composition, recent gains suggest higher demand for labour and a pick up in wages. For hourly workers including overtime, year-over-year wages accelerated to 3.9 per cent from less than one per cent in March. Coupled with strong employment gains, higher earnings will further support consumer demand.

Growth was driven entirely by the higher paying goods-producing sector, which posted a 0.7 per cent increase to \$1,258.90, marking a 5.7 per cent year-over-year gain. Manufacturing and construction sectors posted stronger gains, while forestry earnings have declined with weakness in the sector.

Service sector earnings were unchanged from March but saw hefty growth of 3.2 per cent on a year-over-year basis. Trends among have differed. Retail earnings edged lower in April and have declined since mid-2018 (down 2.2 per cent year-over-year), while accommodation and food services have also eased. Sluggish retail spending and part-time/full-time composition of workers could play a role. Stronger growth has emerged in the finance and insurance sector, which rose 4.5 per cent from March and more than nine per cent from a year ago. Employees in professional, scientific and technical services are seeing comparable gains. Solid gains in education and healthcare speaks to demand in the technology sector and sectors supporting the growing population.

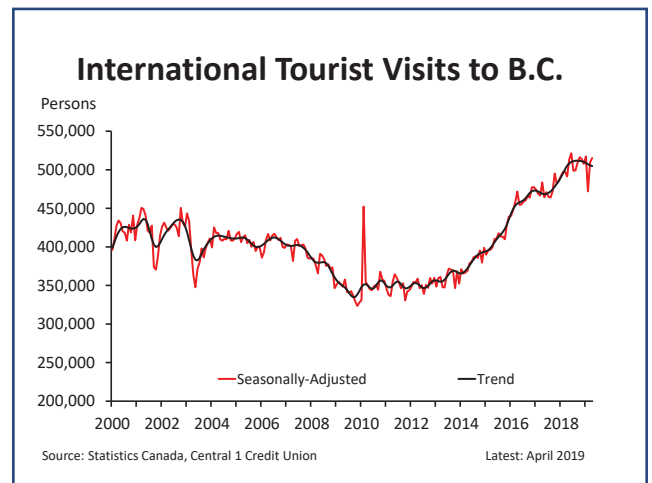
Higher wages correspond with stronger hiring. B.C. Payroll counts continued to expand at a solid pace, with growth of 0.2 per cent from March and 2.9 per cent year-over-year to 2.335 million persons. The latter exceeds the national pace of 2.3 per cent and could be stronger if not for the low unemployment rate and labour shortage. Employment gains have been widespread across the economy, with notable gains in arts, entertainment and recreation (up 11 per cent year-to-date), utilities and construction (up more than six per cent), and education and health (up more than four per cent).

Tourism flows remain high, but trend crests

International tourist visits to B.C. remained elevated in April but the underlying trend looks to have crested. Total visitors to the province reached a seasonally-adjusted 515,291 persons in April, marking a 1.2 per cent increase from March, and 4.8 per cent increase from a year ago. April's monthly gain was led by non-U.S. tourist inflows, which rose six per cent from March to a seasonally-adjusted 190,232 persons. U.S. overnight visits slipped 1.5 per cent to 325,060 persons.

A sharp pull back in February, due in part to an early February Lunar New Year which pulled travel from Asia into late January, has proven to be a temporary blip. Nevertheless, April flows are largely in line with late-2018 patterns suggesting a peak in trend. While a favourable Canadian dollar helps, global economic uncertainty and deteriorating political relations between Canada and China are likely limiting growth.

Year-to-date, total visits are up 4.4 per cent led by a 5.3 per cent increase from the U.S., and a three per cent gain from other countries. Of the latter, the level



of visitors from Mexico has surged more than 25 per cent, representing more than 40 per cent of the net non-U.S. visitor growth. Japan (up 15 per cent), India (up 21 per cent) and Australia (up nine per cent) have accounted for the bulk of remaining gains. In contrast, visitors from China has declined six per cent this year.

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