

Highlights:

- Wage momentum builds in May
- International tourism flows approaching record pace in 2019
- Small business confidence sluggish in July

Wage pressures build in May despite flat hiring

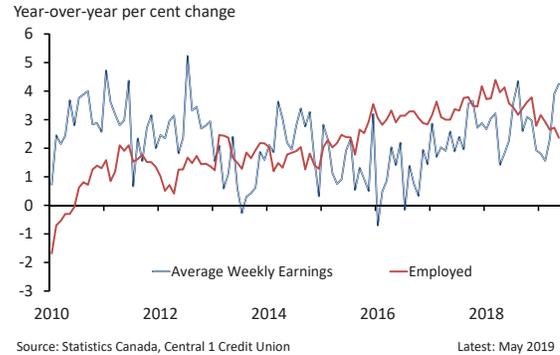
The latest payroll employment data from Statistics Canada pointed to a mixed performance in B.C.'s labour market in May. Average weekly earnings in the province marched ahead with a 0.9 per cent gain from April to \$999.85. Gains were slightly stronger in the goods-producing sectors, while trailing national growth of 1.1 per cent, this was the third straight monthly gain. Year-over-year growth came in at a robust 4.3 per cent. The latter exceeded the national increase of 3.4 per cent.

While various factors contribute to changes in weekly earnings, hourly wages have accelerated with year-over-year growth of more than four per cent in recent months. Similarly, the fixed-weighted index of average hourly earnings, which adjusts for employment composition, was up 2.4 per cent year-over-year in May pointing to rising wage pressures. A low unemployment rate and high job vacancy rates are lifting wages.

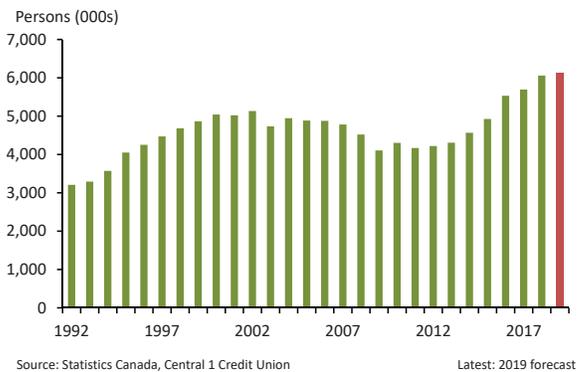
At the same time, B.C. payroll employment counts in May were virtually unchanged from April at 2.33 million persons but remained solidly ahead of year-ago figures by 2.4 per cent. Growth in payroll counts slipped over the past two months, suggesting a moderation in hiring momentum which could reflect a combination of decelerating economic growth and skills shortages in some sectors. Employment in goods-producing sectors were up 3.3 per cent from a year-ago but has been flat since late-2018, with sectors like lumber production likely dragging on growth. Services employment rose 2.5 per cent year-over-year albeit with a decelerating trend.

Among industry sectors, aggregate goods industry employment edged higher in May, while services sectors eased. In the former, forestry and logging employ-

Growth in B.C. Weekly Earnings and Employment



B.C. International Tourist Visits



ment climbed one per cent or 177 persons from April after five consecutive declines. Utilities (up 1.6 per cent or 197 persons) and construction (up 0.3 per cent or 560 persons) also gained while manufacturing was a significant drag (down 0.6 per cent or 850 persons).

The services sector, which makes up 84 per cent of employment, experienced its fifth straight decline due to a one per cent or 2,500 persons decline in accommodation and foodservices employment. Transportation and warehousing fell 0.4 per cent or by 430 persons. Offsetting these losses were modest gains in areas like healthcare, public administration and finance and insurance.

Tourists visits surge, on pace to reach record high

International tourist visits to B.C. surged in May and are trending at record highs. Total tourist entries through B.C. rose 4.5 per cent from April to 540,460 persons and marking a more than five per cent gain

from a year ago. May's monthly gain was led by a surge in U.S. visitors, while overseas visits held on to the gains observed in April. With recent gains, U.S. visits are trending above previous highs in the early 2000s with overseas visits at a record high. A competitive Canadian dollar, stable political environment and possible interest to relocate to Canada may be factoring into the strong performance.

Through the first five months of 2019, year-to-date entries are up 4.8 per cent, with a 5.5 per cent increase in U.S. tourists and 3.6 per cent increase from overseas. While a pull back is expected, tourist counts are expected to exceed last year's record number by about two per cent to 6.14 million persons.

Business confidence scrapes the bottom in July

Small business confidence continued to lag the rest of the country in July despite modest growth in the economy. The Canadian Federation of Independent Business (CFIB) *Business Barometer* showed an index reading of 53.3 points in B.C., which was the second lowest among all provinces and below the national reading of 57.8 points. The index is on a scale of 0 to 100. A value above 50 points means that most businesses are optimistic about business performance over the coming year, compared to those that are pessimistic. B.C. has hovered near 53 points over the last three months which would normally be associated with a period of significant economic weakness. The average reading since 2010 was above 65 points.

With the labour market pointing to steady economic activity in the province and solid full-time hiring intentions, the low Barometer reading likely reflects other factors impacting small business. Weak retail trends and resale housing market activity are likely weighing on sales. Meanwhile, cost pressures are rising with the tight labour market and rising wages. According to the survey, 47 per cent of respondents cited shortages of skilled workers as an impediment to production, which was second highest in the country next to Quebec.

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