

Highlights:

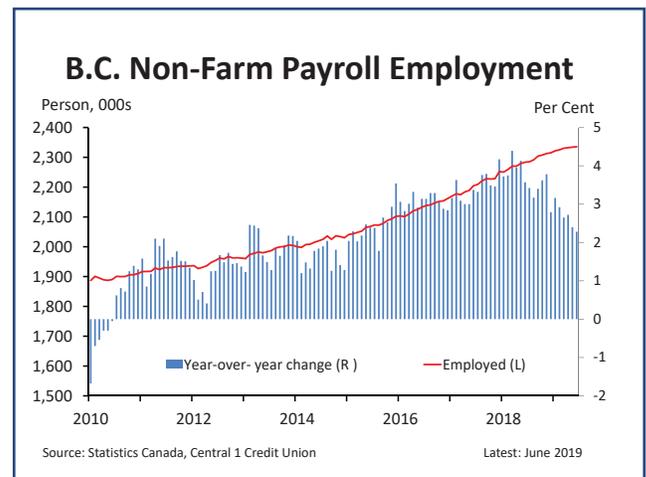
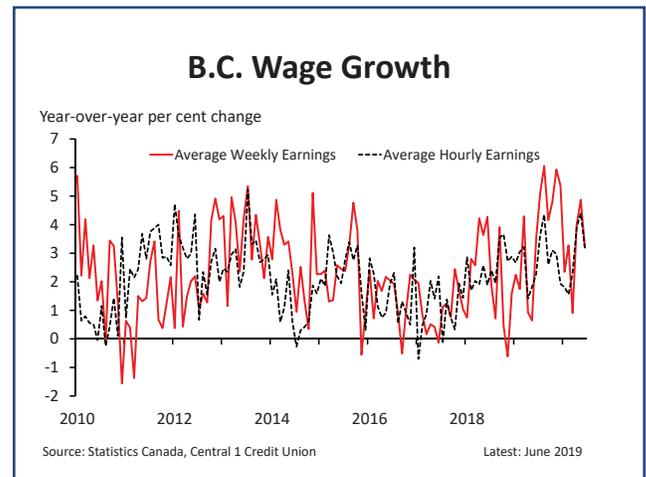
- Weekly earnings edge back from May, but up 3.2 per cent from a year ago
- Non-farm payroll counts edge higher
- Business confidence perks up but remains subdued

B.C. wages run ahead of inflation

Wage growth in B.C. remained strong in June despite losing some momentum following a strong gain in May. Weekly earnings averaged \$996.30 during the month (seasonally- adjusted), down 0.5 per cent from the previous month but up a solid 3.2 per cent from a year ago. Average hourly wages were up a near identical pace meaning growth was driven by compensation gains rather than an increase in hours worked over the past year, which was confirmed by a three per cent gain in fixed-weighted index of hourly earnings. Gains have picked up in the last three months and are running ahead of inflation, reflecting tight labour market conditions in many sectors.

Growth was broad across sectors, with year-over-year gains led by services-producing sectors, which increased 3.1 per cent. Sector highlights included transportation and warehousing (up 5.1 per cent), trade (up 4.3 per cent), professional, scientific and technical services (up 5.5 per cent) and accommodations and foodservices (up 5.2 per cent). Goods-producing sectors were up a modest 2.8 per cent, with gains in construction (up 4.2 per cent) and manufacturing (up 3.4 per cent). The struggling forestry and related sectors were a drag, with weekly earnings down 5.7 per cent and utilities down 9.4 per cent.

Alongside rising wages was a slight gain in employment. Non-farm payroll counts edged higher by 0.1 per cent to 2.33 million persons. Year-over-year, payroll counts were a solid 2.3 per cent. In both cases, growth exceeded the national performance of 0.1 per cent from May and 1.8 per cent on a 12-month basis. B.C.'s gain in the latter was third highest among province and led by gains in professional and technical services (up 5.0 per cent), art, entertainment and recreation (up



6.6 per cent), healthcare and social services (up 5.6 per cent) and public administration (up 5.2 per cent). Growth was solid across most sectors, albeit with drag from forestry, information and cultural industries, and accommodation and food services.

Business confidence hampered by sectoral struggles, rising costs

Confidence of B.C.'s small and medium-sized businesses improved but remained shallow in August. The latest Canadian Federation of Independent Business' monthly Business Barometer came in at a disappointing 55.3 points. While up two points from July, and above recent months readings, this is below the long-term average of 60 – 65 points typically indicative of stronger economic conditions. Fewer small businesses are expecting strengthening conditions over the next year. B.C.'s index level was among the lowest in Canada, and ahead of only Alberta and Newfoundland and Labrador. An index value above 50 points means

the number of firms expecting stronger conditions over the coming year outnumber those expecting weaker conditions.

Ongoing sluggishness in B.C.'s confidence reading comes despite what is expected to be modest growth in the economy this year of about 2.2 per cent with various factors contributing. Smaller businesses are facing the demand pinch of a retail sales slowdown and subdued resale housing market and prices. Meanwhile, taxes have increased for some businesses with the Employer Health Tax and a tight labour market impacting costs through a shortage of skilled workers and stronger wage growth. Businesses are also comparing conditions to more robust economic activity in previous years.

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