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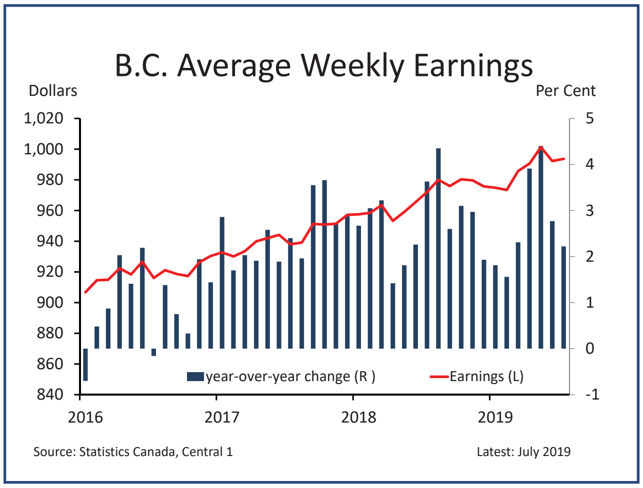
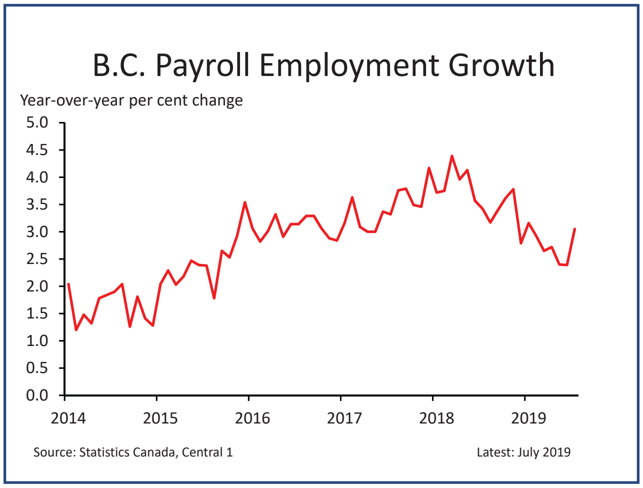
Highlights:

- Average weekly earnings rise 0.1 per cent month-over-month in July
- Payroll employment counts continue to rise despite forestry dip
- Job vacancy growth slows but labour shortages continue
- Small business confidence erodes
- Building construction investment adding to economic growth despite resale market slowdown





Labour market sees wage gains in July despite forestry soft patch

Non-farm payroll data pointed to solid labour market conditions in July, albeit with soft patches within the various sectors. Average weekly earnings edged higher on a month-to-month basis by 0.1 per cent to $993.67 with year-over- year growth a modest 2.2 per cent.

Year-over-year gains are in line with inflation but has eased in recent months. This is partly due to job market composition. Earnings growth in the goods sector has declined to one per cent in July to $1,257.21, reflecting declines in resources and utilities. The downturn in the forestry industry has contributed to this decline. In contrast service-oriented weekly wages rose 2.8 per cent year-over-year, but average wage earnings are lower at $941.67. Among service sectors, growth has been mixed with stronger growth in education (up 9.1 per cent), professional/scientific/technical services (up 3.9 per cent) and solid growth in trade (up 2.3 per cent) and transportation (up 2.9 per cent). Sectors with lower earnings from a year ago include finance and insurance (down 1.9 per cent) and information and culture (down 1.5 per cent). Fixed weighted average earnings, which adjusts for industry composition and full-time/part-time composition, firmed to 2.6 per cent year-over-year pointing to a solid gain, albeit with the forestry sector showing a significant decline.

Hiring also picked up during the month with non-farm payrolls up a significant 0.7 per cent from June to 2.354 million persons, and a robust three per cent above year ago levels. Similar patterns to weekly earnings include weaker growth in goods producing sectors at 1.9 per cent year-over-year, due to contraction in forestry employment. Services-sector growth of 3.5 per cent was led by gains in education of 11 per cent year-over-year in July, a near five per cent gain in professional/scientific/technical services as well health care/social services and a six per cent gain in accommodations and food services.

Job vacancy rate highest among provinces but abates in Q2

While lagging the non-farm payroll data, job vacancy pressures in B.C. showed signs of abating during the second quarter. Statistics Canada's Job Vacancy and Wage Survey estimated 108,115 vacant positions during the second quarter, marking a 2.2 per cent gain from the same- quarter 2018. This compared to a 10 per cent increase the previous quarter. Outside the Thompson- Okanagan which posted a 2.7 per cent year-over-year decline, job vacancies rose across B.C. from a year ago, albeit at a slower pace than the prior quarter. Specifically, vacancies were up nine per cent in the Cariboo and 14 per cent in the North Coast and Nechako which may reflect hiring for major projects such as LNG Canada's Kitimat plant and related pipeline. Vacancies in the Lower Mainland- Southwest were up 2.3 per cent.

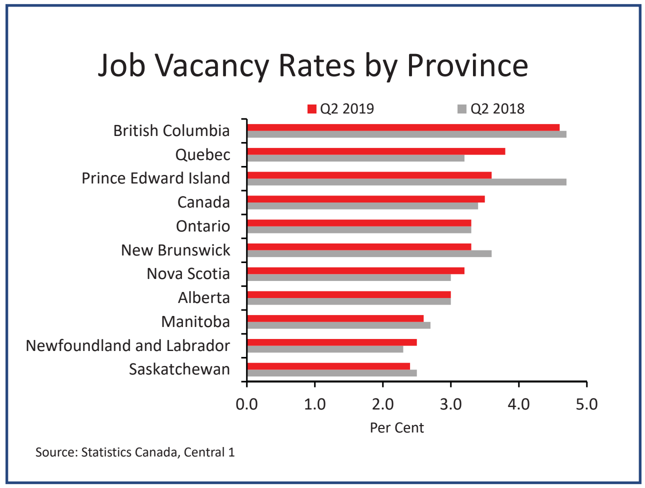
Among occupations, the strongest gains have come in health services, natural and applied sciences, and technical services. In contrast, trades and resource oriented occupations have declined.

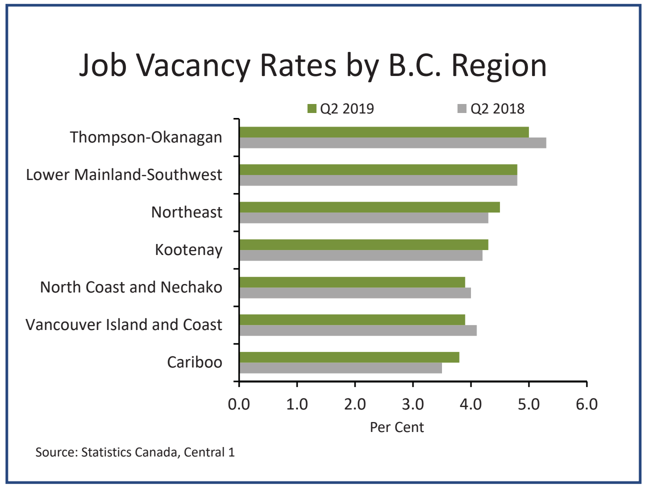
Nevertheless, B.C.'s job vacancy rate remained highest among provinces, pointing to deeper labour shortages relative to provincial peers. At 4.6 per cent, job vacancies relative to total jobs in the economy, was more than a full percentage point above the national average of 3.5 per cent. Quebec was second among provinces at 3.8 per cent, although La belle province has experienced rapid increase in vacant positions as its economy hums. Regionally, the highest job vacancy rates in B.C. are in the Thompson- Okanagan (5 per cent) and the Lower Mainland- Southwest (4.8 per cent). The lowest is the Cariboo (3.8 per cent). Job vacancy figures point to persistently strong demand for labour and upward wage pressures in the province.

Business confidence subdued in September, employment plans deteriorate

Small business confidence remained under pressure in September, backtracking following a temporary August uptick. The Canadian Federation of Independent Business (CFIB) monthly Business Barometer Index came in at 53.1 points, which on net suggests few businesses are confident about performance over the next year. This was two points below July, and the alongside Saskatchewan, the second lowest among provinces. Nationally, the reading was 59.3 points.

At the same time, 43 per cent of survey respondents noted "good business health", with 11 per cent viewing their companies in bad shape. This gap compares favourably to other provinces. On the hiring front, 22 per cent of firms were looking to hire. However, 16 per cent were looking to cut, which is a significant deterioration from earlier this year and the highest in Canada. While businesses are still challenged to find skilled labour to meet demand, rising wage costs, and taxes may be lifting operational costs for businesses



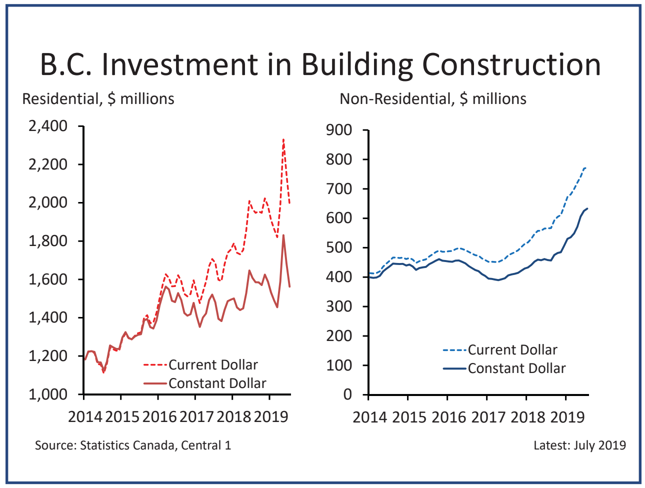


faster than revenues. Impacts may also be sectoral given weak retail spending, relatively low home sales, and forestry downturn in some communities.

Housing and commercial building remains growth contributor in 2019

B.C.'s building construction cycle continues to support economic growth in the province, despite weakness in the resale housing market. Investment in building construction reached $2.76 billion in July. While down five per cent from June and for a second straight month after a record May, levels were up nine per cent from a year ago. Non-residential activity has surged, while housing is also running significantly ahead of a year ago. Year-to-date total investment rose 15 per cent in current dollars, with levels up 11 per cent in real inflation-adjusted terms.

Residential investment growth softened to a mild 1.1 per cent year-over-year but has been strong with a year-to-date gain of 10 per cent in current dollars, and five per cent in real terms. Despite the sluggish resale market, elevated number of homes under construction and surprisingly strong housing starts has continued to support the housing investment cycle and the jobs that come with it. That said, much of this year's strength owes to projects planned and pre-sold projects now underway. Multi-family investment is up 28 per cent with single-detached activity down 11 per cent. Gains have been led by a 20 per cent gain in Metro Vancouver. While a sharp upswing in recent starts will further support data in the coming months, new building construction is anticipated as weaker demand curtails work on new projects.



Non-residential investment has surged, which is not entirely surprising given robust building permit volume this year. Through the first seven months, current-dollar investment was up 32 per cent from the same period in 2018. Commercial and institution/government projects have driven growth. The Lower Mainland-Southwest and Kelowna have seen sharp gains, reflecting investment in hospitals, schools and office buildings.

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