

Highlights:

- Small and medium sized enterprise confidence improves, but pessimism still reigns
- Employers shed workers, wage earnings eased before COVID-19 crisis

CFIB confidence snaps higher, but businesses still pessimistic

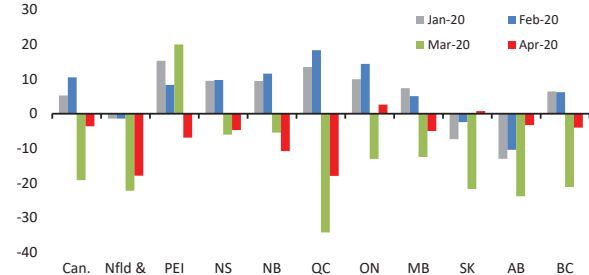
Business sentiment may be showing signs of improving, albeit slightly according to the latest Canadian Federation of Independent Business (CFIB) Business Barometer. The survey, currently published twice monthly during the COVID-19 pandemic, showed a rise in the index to 46.4 points in the second half of April. While this still points to a pessimistic business outlook given it falls below 50 points, it is substantially improved from the 31 points recorded during the second half March and 37.7 points in the first half of April. The flood of support from various levels of government, including the federal Canada Emergency Wage Subsidy, Canada Emergency Benefit Account, and announcement of the Canada Emergency Commercial Rent Assistance has provided more hope for the long-term viability of businesses. Signs that provincial governments are planning to lift some containment restrictions may also be lifting sentiment.

Caution is likely warranted, as sentiment also reflects a psychological shift from initial panic to a phase of adaptation to the new norm. Nearly all sectors outside resources; information/arts/recreation and finance/insurance/real estate experienced sharp increases in index values but remained below 50 points.

The sentiment indicator for B.C. was in line with the national reading at 46.0 points. Only Ontario (52.6 points) and Saskatchewan (50.8 points) broke the 50 point threshold. Within the detailed survey findings, about half of respondents suggested full-time staffing will be down in the next three-month period, with only 10 per cent increasing. Similarly, 50 per cent of respondents noted that business health was bad, with 14 per cent responding it was bad. Average capac-

Businesses less pessimistic in April

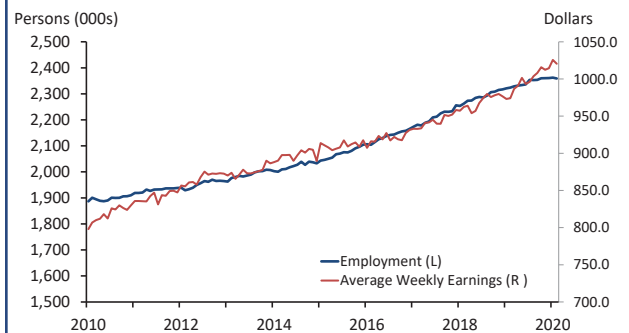
CFIB Business Barometer, deviation from 50



Source: CFIB, Central 1 CU

Note: Latest April 2020, second half of month

Wage and employment trend eased before COVID-19



Source: Statistics Canada, Central 1

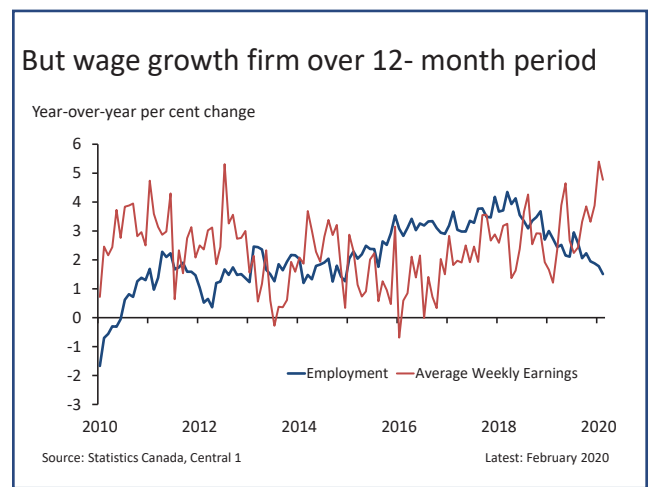
Latest: February 2020

ity utilization in B.C., at 46.3 points, was above the national reading of 39.9 points.

Employers shed workers prior to full COVID-19 impact

Payroll employment and average weekly wages eased in February prior to the full force of COVID-19 hitting Canadian society and the economy. Various macro-economic factors, including rail blockades and the outbreak of COVID-19 at its initial epicentre in China had already contributed to a slowing in economic activity. Statistics Canada's February industry- gross domestic product estimate showed no growth in economic activity during the month. This followed a 0.3 per cent monthly gain in January, dragged down by transportation and warehousing, education services and accommodations and foodservices. Concerns over the virus may have already been percolating at the time.

On the earnings front, national average weekly earnings fell 0.3 per cent from January to \$1,046 with year-over-year growth at a still strong 3.7 per cent. B.C. earnings declined 0.5 per cent from January to \$1,020 albeit with a robust year-over-year gain of 4.8 per cent. The latter was strongest among provinces. Despite monthly volatility, weekly earnings growth had been trending at a year-over-year pace above 3.5 per cent since October, reflecting a tight labour market, although other factors such as industry composition and hours work also matter. Above average year-over-year gains were highlighted by utilities (12.3 per cent), construction (8.1 per cent), professional/technical services (6.7 per cent), healthcare (7.0 per cent) and accommodations/foodservices (7.1 per cent). Resources and manufacturing were drags on overall wage earnings.



Similarly, employment fell back. B.C. employment declined 0.1 per cent from January to 2.359 million persons and was at the lowest level since September. Year-over-year growth was a modest 1.5 per cent, although supply of available labour at the time did constrain growth. Nationally, employment fell 0.2 per cent from January and rose a mild 1.2 per cent year-over-year.

In B.C., resource industry employment took a sharp hit amidst a global economic slowdown already in play, forestry in a year-long downturn, while transportation and warehousing and information and culture industries also shed jobs. Expansionary sectors included public administration, education, and information and culture.

The latest data provides a reference point for the COVID-19 outbreak. Payroll counts will plunge with March and April data given what has already been observed in Labour Force Survey estimates and uptake of federal income assistance programs.

Bryan Yu

Deputy Chief Economist

byu@central1.com / P 604.742.5346

Mobile: 604.649.7209