

Highlights:

- B.C. businesses remain understandably cautious
- Almost 270,000 jobs lost between March and April, mainly in services

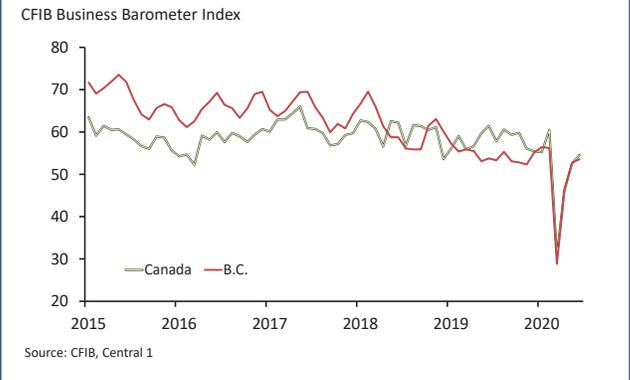
Tepid business confidence as firms navigate the gradual economic restart

Small business confidence in B.C. remained tepid according to the CFIB's latest Business Barometer reading for June. The index edged higher by 0.9 points from May to 53.6 points but was which was fourth lowest among provinces. The index had dropped to a pandemic period low of 28.8 points in March before turning higher.

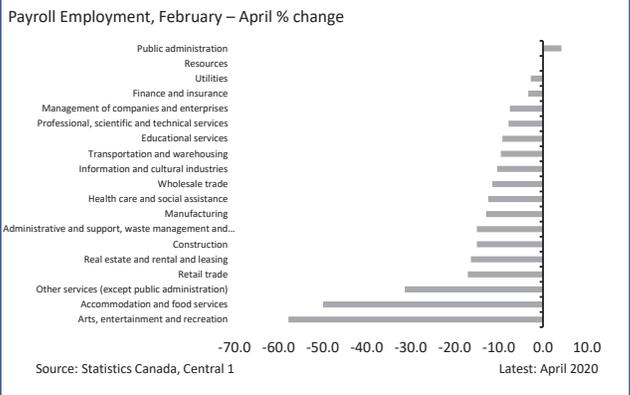
While the index was above the 50-point demarcation level, which means on net more businesses are positive than negative about future business conditions, businesses remained understandably cautious. A normal operating and growth environment are consistent with index values near 65 points. Gradual re-opening of hard hit sectors of the economy means many firms, particularly restaurants, retail and personal services are operating reduced capacity and questionable profitability. A collapse in the tourism sector, uncertainties related to consumer demand during an ongoing health crisis, and weak export markets remain key challenges for demand.

Other data tracked by the CFIB suggest weak hiring and investment conditions will persist. Full-time hiring intentions, while improved from recent months, showed 33 per cent of firms surveyed with negative intentions over the next three months, and only 16 per cent up. This suggest weak demand is causing firms to shed some positions even as the economy opens up. Capacity utilization rates of firms rose 3.9 percentage points but remained low at about 55 per cent which was below the national average of 58.2 per cent.

Small business confidence edges higher in June



Face-to-face service jobs hardest hit



Payroll counts decline 12.1 per cent in April, higher average weekly earnings reflect layoffs of lower paid positions

B.C. payroll employment counts plunged in April but comes as little surprise given sharp contractions observed in the timelier Labour Force Survey. Payroll employment from the Survey of Employers, Payrolls and Hours (SEPH) showed a decline of 269,240 jobs or 12.1 per cent from March as the effects of the pandemic slammed into the economy. Compared to February this marked a decline of 16.8 per cent or nearly 400,000 positions

This two-month decline was deeper than the LFS estimate of 15.6 per cent, which could reflect various factors. Agriculture has been less affected by pandemic job losses, while deeper employment losses in SEPH may reflect multi-job holders. Other differences include LFS being a mid-month survey of households,

while SEPH is largely based on administrative data which is likely more accurate. With LFS employment rising in May, SEPH employment numbers should follow suit.

Among industries, all sectors outside public administration shed jobs during the month. Services-producing industries represented the bulk of the decline with a 12.6 per cent decline compared to a 8.8 per cent decline in goods industries. Specifically, accommodations and foodservices fell 39 per cent from March, while arts, entertainment and recreation declined 53 per cent. Losses from February were 50 and 58 per cent. These sectors have been hardest hit by physical distancing requirements and collapse in tourism which led to shuttering of establishments and businesses. Retail trade employment fell 11.8 per cent from March and 17 per cent from February. Combined these three sectors made up half of the near 400,000 loss in payroll counts during the two months. Least affected sectors were public administration, while relatively few losses were seen in resources (roughly five per cent), utilities (-2.8 per cent), and finance and insurance (-3.3 per cent).

Average weekly earnings reached \$1,106.25 in April, up 7.5 per cent from March and 11.6 per cent from same month 2019. While a base effect of rising wages prior to the COVID-19 plays a role, this massive increase during the pandemic reflects layoffs of lower paid occupations in service sectors noted above. Canadian weekly earnings rose 6.1 per cent monthly and 9.1 per cent year-over-year. While average weekly earnings spiked in accommodations and foodservices (up 13 per cent), and arts/recreation/entertainment (up 19.4 per cent), similarly, the increases likely reflect more hours for those remaining on payroll and maintenance of more senior/managerial staff.

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Accommodations and food services job losses drives overall declines

Payroll Employment, February – April change

