



## Highlights:

- Small business sentiment relatively upbeat in November but these levels are inflated and second wave will erode expectations;
- Payroll counts jump 2.5 per cent in September, slower winter hiring expected;
- Steepest declines in active businesses from February occurred in Vancouver metro (-7.7 per cent), and Victoria (-5.2 per cent).

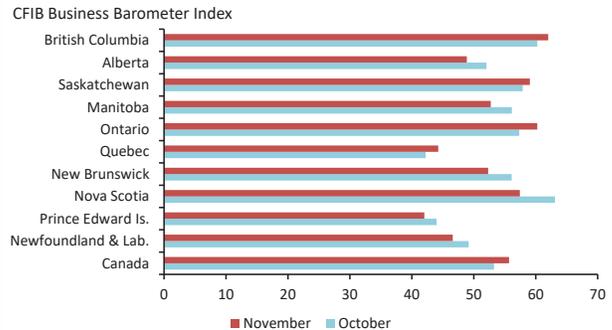
## B.C. businesses relatively optimistic despite COVID-19 second wave

Small business sentiment in B.C. remained relatively upbeat in November compared to other provinces but levels remained below those observed in a normal growth economy as COVID-19 worries continue to weigh. The Canadian Federation of Independent Business' (CFIB) latest Business Barometer, which is 12-month forward looking measure of sentiment, came in at 62 points in B.C. from 60.3 points in October. B.C. sentiment has far outpaced the national reading of 55.7 points. A value above 50 means on that on net, respondents are positive about the year ahead, although a normal growth environment in B.C. is generally aligned with a value near 65 points.

While solid, current sentiment levels are inflated as firms have likely lowered expectations about the future given the pandemic, and businesses that failed during the pandemic are no longer being surveyed. Roughly 18 per cent of active businesses in March and April had closed (at least temporarily) due to the pandemic, with roughly 60 per cent of these re-opened by August. This pace of re-opening likely slowed in the months that followed.

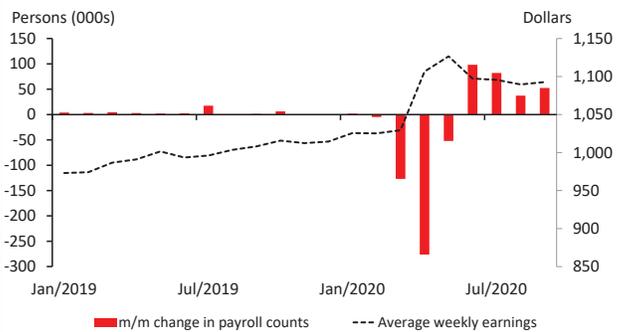
National figures at the industry level show that sentiment indices remain lowest in transportation (50.7), hospitality (48.6), and other services (52.6), which is unsurprising given decimation of tourism and physical distancing requirements.

## B.C. small business sentiment outpaces provincial peers in November



Source: Statistics Canada, Central 1, latest Nov 2020

## B.C. payroll counts jump in September, average weekly earnings hold steady



Source: Statistics Canada, Central 1, latest Sep 2020

Nevertheless, B.C. sentiment was highest among all provinces in November and one of four provinces that recorded a firming from October. Rising COVID-19 cases have added to angst for businesses across Canada as consumer confidence takes a hit and businesses fear more restrictive measures. B.C. authorities have restricted some social and business activities, but renewed restrictions are mild in comparison to broad retail and foodservices restrictions observed in Manitoba, and Ontario. That said, short-term sentiment remained flat and low at 38.5 points which is not surprising given uncertainty and likely disruption to the holiday season which is a driver of revenue for many businesses. Short-term hiring intentions are also weak with only 16 per cent looking to add workers, while 22 per cent plan to reduce staffing. This likely reflects differences among sectors. Sentiment and growth into 2021 will reflect virus spread. If levels continue to rise sharply, confidence will falter, and more restrictive economic measures would likely be imposed.

## Payroll counts jump 2.5 per cent in September, slower winter hiring expected

B.C.'s labour market recovery was evident in the latest payroll employment counts from Statistics Canada's Survey of Employers. Based on administrative data, monthly growth in payroll counts (which includes those individuals receiving pay or benefits) accelerated in September to 2.5 per cent (or 52,337 jobs) to 2.17 million persons, compared to a 1.6 per cent gain in August. Employment improved amidst relaxation of restrictions and business re-openings over the period and was consistent with a similar increase observed in the Labour Force Survey (LFS) during the month.

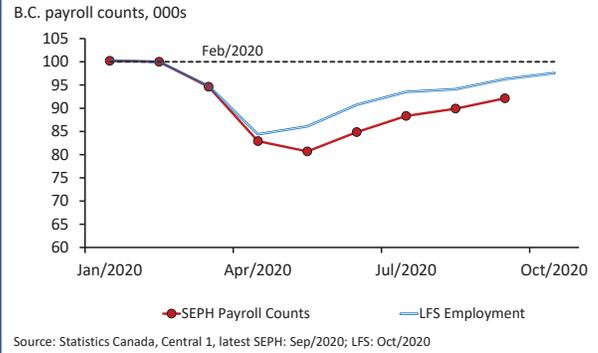
While trending higher, the recovery phase in payroll counts has lagged the LFS recovery. This partly reflects a deeper pandemic decline in SEPH data but by September, LFS employment had rebounded to a level 3.8 per cent lower than February compared to a 15 per cent pullback at the trough while payroll counts were still down 7.8 per cent (185,630 jobs) in February with a peak to trough decline of nearly 20 per cent early in the pandemic. Factors driving this disconnect could be individuals shifting from paid work to self-employment due to layoffs, agriculture employment, loss of positions by multi-job holders in hospitality and healthcare.

At the industry-level, payrolls rose broadly. Services-producing sectors generated 88 per cent of the gain. Education, boosted by school re-openings and a need for COVID-19 related investments saw employment growth of 8.2 per cent (or 13,141 jobs), while arts/entertainment/recreation (up 11.1 per cent or 3,214 positions), and accommodations/foodservices (up 3.3 per cent or 5,568 positions) were key drivers. Trade (up 1.7 per cent) and transportation and warehousing (up 5.0 per cent) added about 10,000 positions. Job gains were driven in large part by rebounds in hard hit sectors like hospitality.

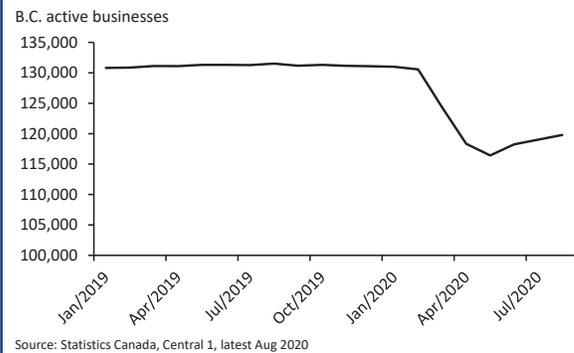
While on the rise, payroll counts remained lower in nearly all industries although performance was varied. Arts/entertainment/recreation jobs were down 41 per cent, while accommodations/foodservices fell 26 per cent, and other private services declined 13 per cent. These three sectors accounted for half the total loss.

Average weekly earnings rose by 0.3 per cent from August to \$1,092. While stronger employment gains in lower paid positions and industries tempered aggregate wage growth, employees more hours on average to lift weekly earnings.

## Payroll counts jumped in September but lags Labour Force Survey employment recovery



## Active business counts gradually improve with recovery

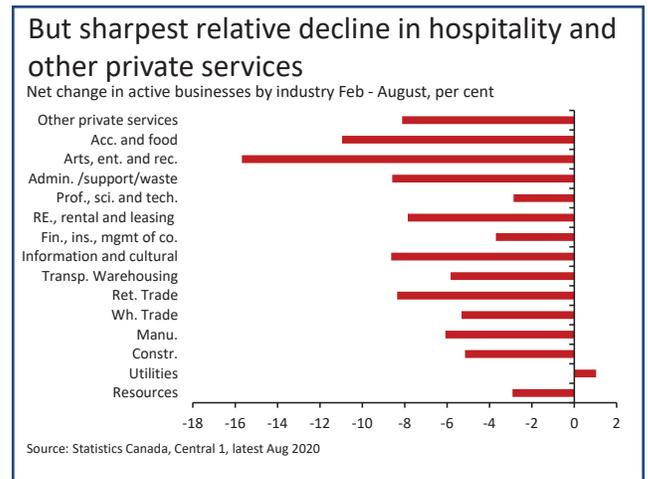


Continued growth in LFS employment in October points to further improvement in payroll counts. That said, growth will likely slow as the second wave and more restrictive measures in November hamper rehiring and expansion in late 2020.

## 60 per cent of closed businesses re-opened by August, but active businesses sharply below February levels

The number of operating businesses continued to rise in August as the recovery phase brought temporarily closed businesses back to life. Total active businesses in B.C. (with at least one paid employee) rose to 121,165 in August. This was up 1.2 per cent or 1,387 businesses from July. While the number of opening businesses declined 11 per cent from July to 6,663 businesses, this still outpaced the number of closures (5,281 businesses).

According to Statistics Canada, a majority of businesses closed in March and April re-opened by August. About 18 per cent of active businesses closed during



those two months, with nearly 60 per cent of them re-opened by August suggesting eight per cent were still closed. That said, based on data from the CFIB, revenues remained substantially lower than normal as did staffing. Many likely relied on government programs such as the wage subsidy programs, emergency loans, and rent relief where available. While closures have normalized, few new businesses are opening in the current environment which is understandable given the uncertain operating environment.

Active businesses in November were still seven per cent below February levels and down eight per cent on a year-over-year basis. Among metro areas, the steepest declines in active businesses from February occurred in Vancouver metro (-7.7 per cent), and Victoria (-5.2 per cent), with declines in the 4-5 per cent range in Abbotsford- Mission and Kelowna. On an industry- basis, net losses in businesses were observed in sectors such as arts/entertainment/recreation; accommodations/foodservices; retail trade and other private services.

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**Bryan Yu**

Deputy Chief Economist

byu@central1.com / P 604.742.5346

Mobile: 604.649.7209