Economics | Current Economic Trends

B.C. Economic Briefing

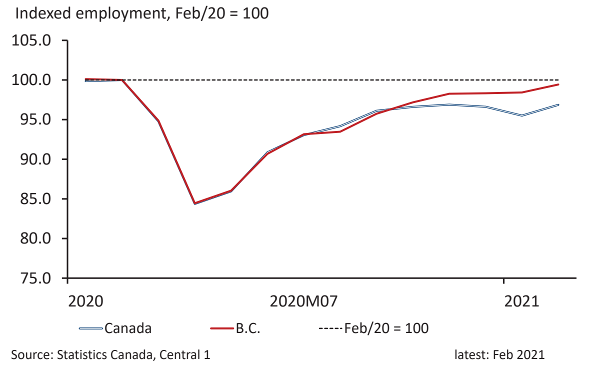
Volume 27 • Issue 10 • Week of March 8 - 12 | ISSN: 1981-355

central 1 Economics

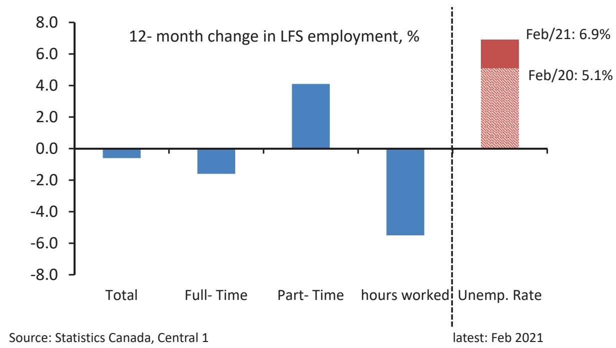
Highlights

- B.C. employment just shy of pre-pandemic levels; employment surges in knowledge and tech sectors;
- Capital investment expected to strengthen in 2021;
- Growth prospects U.S. and Canada are contributing to greater optimism among firms;

B.C. employment within reach of pre-pandemic level



Job losses narrow, but labour market slack persists



Employment recovery marches onward in February

B.C.'s labour market saw further improvement in February as employment bounced to a level just shy of pre-pandemic levels and the unemployment rate plunged more than a percentage point.

Total employment in B.C. rose a solid one per cent (26,600 persons) to a seasonally-adjusted 2.62 million persons in February, following gains of 0.1 per cent in each of the previous two months. Part-time employment rose 4.1 per cent (22,600 persons) to contribute about 84 per cent of the gain. Full-time employment nudged higher by 0.2 per cent. Similar growth was observed in Metro Vancouver and the rest of the province.

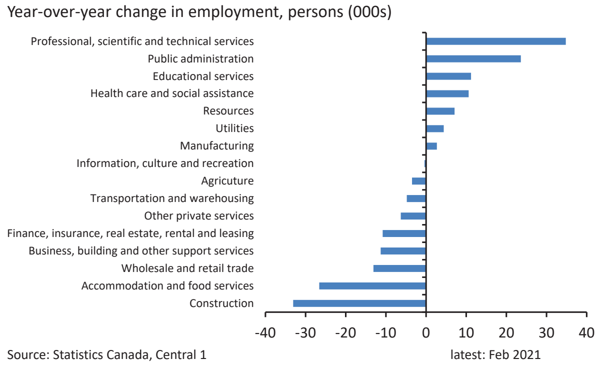
While B.C. trailed the national gain of 1.4 per cent (259,200 persons), the Canada-wide gain marked a bounce back from sharp prior month decline when various provinces tightened social and business restrictions in response to rising COVID-19 counts. Relaxation of these measures contributed to higher February employment. Any shifts in B.C. pandemic measures were comparatively tame.

February employment gains in B.C. were mixed among industries but aligned with broad improvements in the economy. Services-sector employment rose 1.7 per cent with notable gains in retail/wholesale trade (up 3.8 per cent), professional/scientific/technical services (up 3.0 per cent), education (up 5.1 per cent), and other private services (up 7.4 per cent). Interestingly, the hardest hit accommodations/foodservice showed no improvement during the month which contrasted with rebounds elsewhere in the country. Broadly, goods-producing sectors shed jobs, led by a rollback in manufacturing employment of 3.8 per cent.

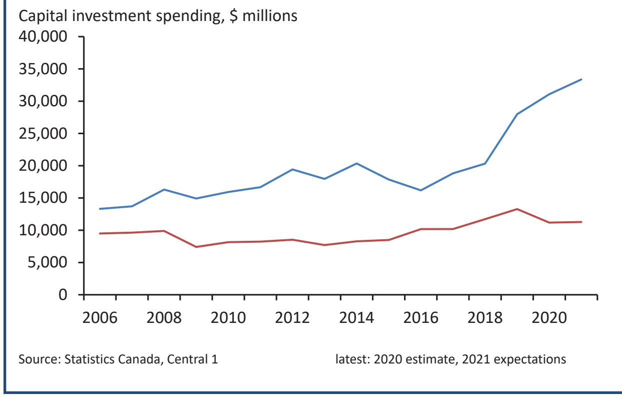
With the latest increase, B.C.'s headline employment recovery remains well ahead of the national picture. Employment was only 0.6 per cent (15,100 persons) below pre-pandemic year ago levels, compared to 3.1 per cent nationally. That said, there remains significant slack in the economy. Full-time employment was down 1.6 per cent, and partly offset by a 3.2 per cent part-time gain. This is also reflected in total hours worked which was 5.5 per cent lower than a year ago (but better than the -7.7 per cent reading nationally).

B.C.'s unemployment rate fell sharply to 6.9 per cent from 8.0 per cent in January as job gains and a flat labour force contributed to the pullback but this is compared to 5.1 per cent seen a year ago. It is also worth noting that long-term unemployment has risen with above 30 per cent of these individuals out of work for 26 weeks or more which creates challenges of skills degradation or reintegration into the workforce.

Uneven recovery among sectors, vaccines to lift harder hit sectors



Capital investment expected to speed up in 2021



Net job declines from over the past year remained skewed to accommodations/foodservices and construction (both down 13 per cent). In contrast, employment surged in sectors related to technology and professional services (up 15.6 per cent), public administration (up 21 per cent), healthcare (up 3.2 per cent) and education (up six per cent), reflecting ongoing demand for knowledge sectors, the tech boom, and the pandemic response. Further employment gains are expected as vaccine deployment helps to mend hospitality and tourism sectors in coming quarters, while construction jobs rise with increased housing starts and major project construction. Waning of the pandemic may however lead to less demand for workers in other sectors as the economy normalizes.

Capital investment expected to strengthen in 2021

With an exit to the pandemic in view and businesses planning for the eventual return to normalcy, investment spending is expected to play a key role in driving economic growth this year as more businesses rotate towards expansion after a survival mindset in 2020. Growth prospects in the U.S. and Canadian economies driven by vaccine deployment, fiscal spending measures, and a low interest rate environment are contributing to greater optimism among firms.

The latest capital expenditure data for B.C. pointed to flat capital expenditures in 2020 which was surprisingly strong given the economic effects of the pandemic. Unadjusted for construction costs, capital spending, which includes both construction and machinery and equipment (M&E), spending rose 2.4 per cent ($996 million) to $42.2 billion in 2020 and followed a 29 per cent increase in 2019. Construction expenditures rose 11 per cent to $31.1 billion, while M&E declined 16 per cent to $11.1 billion. This highlights the effects on longer-term investments and short- term decisions. Construction projects have longer lead times and contractual commitments, while decisions related to M&E are more fluid and can be delayed. It should also be noted that the survey may also better reflect decisions of larger organizations rather than smaller businesses.

On an industry-basis, capital investment growth in 2020 was led by the transportation/warehousing sector (up $2.9 billion or 24 per cent) which likely reflected on going investments related to pipelines and public transportation. Government expenditures also gained with healthcare/social service investment up 48 per cent or $514 million, and public administration up 11 per cent or $476 million. The resource sector was the main offset (down 34 per cent or $1.5 billion) alongside accommodations/foodservices (down 42 per cent or $318 million).

Expectations for 2021 are stronger with the intentions survey showing a 5.7 per cent expected increase. Construction leads the way at seven per cent, while M&E is closer to one per cent. A rebound in resources is expected given rising commodity prices, while government sectors were also expected to rise. That said, these figures will likely be low given the survey period of September to December, when the economic outlook and vaccine deployment remained highly uncertain. Rosier prospects will lead to a stronger pace of investment in 2021 and 2022. Hardest hit tourism and hospitality sectors will likely lag the broader increase.

Bryan Yu
Chief Economist
byu@central1.com / P 604.742.5346
Mobile: 604.649.7209