



Highlights

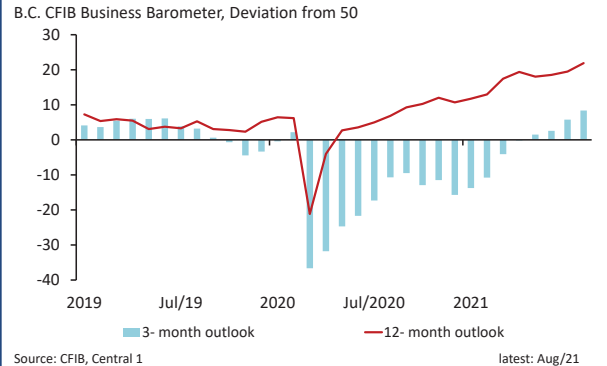
- B.C. business confidence climbs in August, strongest among large provinces
- Delta variant and third wave could temper expectations
- Non- farm payroll growth resumes recovery in June

Businesses remain confident, but pandemic fourth wave introduces more uncertainty

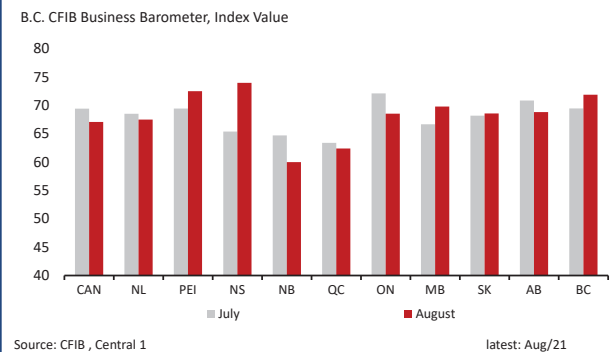
Confidence at B.C.'s small and medium- sized enterprises remained on the rise through August as reopening activities buoyed sentiment. The latest Canadian Federation of Independent Business (CFIB) Business Barometer index increased in B.C., contrasting with a national decline as mixed patterns emerged for reopening and reinstating restrictions emerged.

B.C.'s economy remained in stage 3 of its Restart Plan through August, which has largely normalized life for British Columbians and allowed for group gatherings at restaurants, ongoing returns to workplaces, fitness classes, large indoor and outdoor gatherings (with capacity restrictions) and reopening of casinos and nightclubs. Adding to the less stringent public health orders in B.C., factors have been robust in domestic tourism and increased housing activity. The longer- term 12- month outlook improved to an index level of 71.9 points, up from 69.5 points in July and 56.8 points a year ago. A value above 50 means on net, the number of businesses surveyed expecting a stronger business environment exceeds the number expecting a weaker environment. This was the highest index value among large provinces and exceeded the national value of 67.1 points. The three-month outlook also improved with an index value of 58.4 points, which lagged only Quebec.

Business confidence continues to rise despite uncertainty



B.C. confidence highest among large provinces



While index levels exceed pre- pandemic levels, this is not surprising given the economy is still operating below capacity with significant capacity to grow. The CFIB reported that 79 per cent of its members were fully open, but only 47 per cent experienced staffing and revenue levels that were at or above normal.

On the hiring front, 28 per cent of firms reported plans to increase full- time hiring over the coming three months, while 13 per cent expected to cut staff. Aside from Quebec and much of Atlantic Canada, this marked the widest gap among provinces and points to positive hiring momentum. Firms may be facing higher but still moderate wage pressures amidst the re-opening phases, although this is likely sector dependent.

That said, confidence can change rapidly, and the bloom may be fast coming off the rose. Like its provincial peers and other countries, B.C. is grappling with the rapid rise in COVID-19 cases and spread of the highly transmissible Delta variant. While there is no sign at this point that Stage 3 will be rolled back, some measures have been tightened including reimplementing of mask mandates, while it has been announced that vaccine passports will be required for non-essential services. It is likely that a move to a Stage 4 reopening will be delayed until this fourth wave is wrestled down and risks to the health system are tempered. This will particularly hamper recoveries in the events industry.

Non-farm payrolls rebound in June as economy opens up

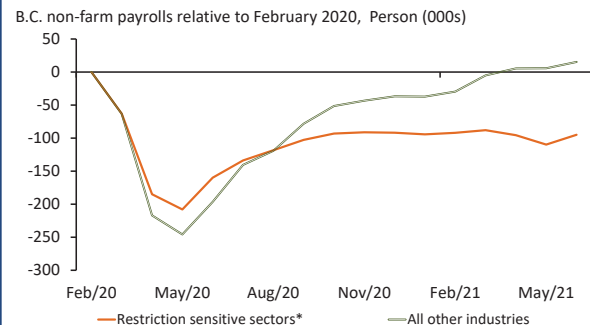
In June, public health measures implemented against the third wave of the COVID-19 pandemic were significantly eased across provinces. As expected, non-farm payroll counts in B.C. rose by 1.1 per cent from May or 24,463 positions according to Statistics Canada's Survey of Employment, Payroll and Hours (SEPH). This followed a 0.6 per cent decline in May. June's gain was consistent with Labour Force Survey (LFS) employment growth of 1.6 per cent.

With the latest gain, non-farm payroll counts resumed upward momentum to reach the highest level since the pandemic started. That said, levels remained 3.4 per cent below February 2020. This compared to LFS employment which has fully rebounded. The gap reflects factors such as likely declines in multi-job holders which is included multiple times in SEPH, while self-employment and agriculture workers are also excluded.

Higher payroll counts are expected in July SEPH update as the LFS retained nearly all of June's gains. As the measures continued to relax in restrictions sensitive sectors, payroll employment likely increased.

On an industry basis, most of the restrictions sensitive sectors that were hard hit during the third wave, saw great improvement in payroll counts. Accommodation/food services sector had the greatest increase, up by 6.8 per cent or 11,091 positions. Arts/entertainment/recreation sector reported 2.8 per cent gain and transportation/warehouse sector had 2.3 per cent increase. The demand for services in these sectors is expected to extend in the coming months because of the warm weather and summer break.

Non-farm payrolls resume recovery, restriction sensitive sectors lag rest of the economy



Source: Statistics Canada, Central 1 latest: June/21
*transportation/warehousing, arts/entertainment/rec, hospitality, other private services

While payroll counts in most of the industries were still well below the pre-pandemic level, professional/scientific/technical services sector remained popular and reported 1.9 per cent or a 2,840 position increase in June. Total payroll counts reached 152,820 positions, following 6 consecutive months of increase despite new waves of pandemic. Construction sector has also been seeing payroll counts surpass pre-pandemic level. It reported a steady growth in June and offset the loss in previous month.

Average weekly earnings decreased slightly by 0.6 per cent to \$1,117 from May to June, partly because the employment gains were concentrated in lower-paying service sectors. Nonetheless, the average weekly earnings were higher than pre-pandemic level. The reason behind this could be the increase in provincial minimum wage, or the changes in employment distribution by industry sector.

Bryan Yu
Chief Economist
Central 1 Credit Union
byu@central1.com

Ivy Ruan
Economics Research Associate
Central 1 Credit Union
iruan@central1.com