



## Highlights

- B.C. employers add positions for 12th straight month
- Services sectors continue expansion
- Small business confidence slides in July

## Hiring momentum continues in May and wage growth slows

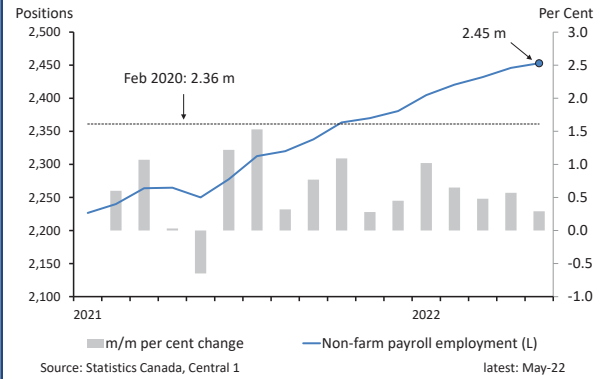
*Bryan Yu, Chief Economist*

B.C. employers added to payrolls for a 12th straight month in May according to the latest Survey of Employers, Payrolls and Hours (SEPH) data, which aligned with employment growth in the Labour Force Survey. Total payroll counts rose by 0.3 per cent or 6,989 positions to reach a seasonally-adjusted 2.45 million positions. This bucked the national pattern which showed the first monthly decline since May 2021.

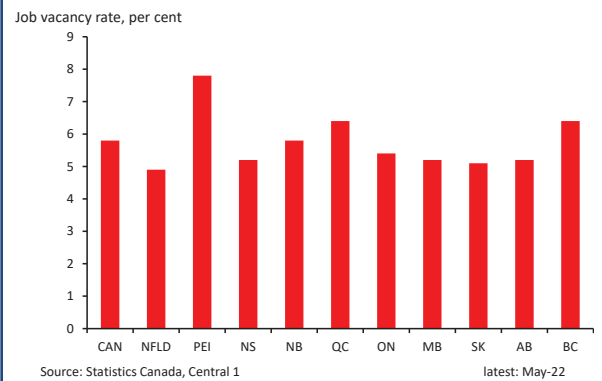
The latest May figures pointed to an economy that continues to hum despite headwinds from a slower housing market and higher interest rates. While job counts fell in the construction sector (down 1.2 per cent or 2,200 positions), significant growth was observed in professional/scientific/technical services (up 1.1 per cent or 1,977 positions), information and culture industries (up 1.7 per cent or 1,082 positions), and art/entertainment/recreation (up 3.0 per cent or 1,351 positions). Technology-oriented sector growth and tourism contributed to the latest uptick.

Non-farm payroll counts exceeded pre-pandemic February 2020 by more than 90,000 positions or 3.9 per cent with many sectors fully recovered. Forestry and resources have seen large relative gains of about 20 per cent amidst a period of commodity market strength. That said, these sectors were modest drivers of overall net gains. Professional/scientific/technical services are up more than 25 per cent from February 2020 or 37,140 positions reflecting a period of strong growth in technology sectors, while health care and social assistance gained 25,500 positions (8.9 per cent), and public administration increased 10,500 positions or 7.8 per cent. While rapidly improving, employment in sectors

## B.C. non-farm payrolls rise continue uptrend, up nearly 4% from pre-pandemic level



## Job vacancy rate remains elevated



like arts/entertainment/recreation (-16.3 per cent) and accommodations/foodservices (-8 per cent) are still far off pre-pandemic levels. In part this reflects major hurdles in finding workers who have since moved on after pandemic layoffs.

B.C.'s labour market remains tight. The unemployment rate sat at 5.0 per cent in May and further slipped to 4.9 per cent in June. The job vacancy rate remained exceptionally high at 6.4 per cent from 6.8 per cent in April, as the total number of vacant jobs slipped. Nevertheless, the job vacancy remained one of the highest among provinces and sharply above pre-pandemic levels highlighting challenges in finding workers. Average weekly earnings slipped 0.4 per cent for a second straight month to \$1,159 but partly reflect job composition and with a year-over-year growth remained strong at 3.6 per cent. Similarly, the fixed index of hourly earnings decelerated with a monthly dip of 0.7 per cent, while year-over-year growth slowed to 2.8 per cent.

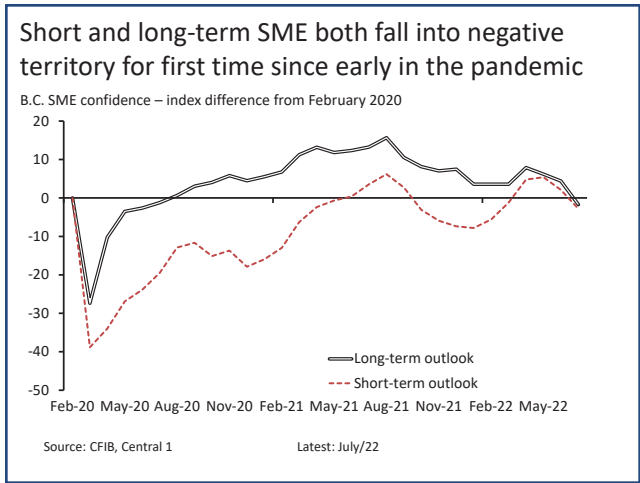
Slowing economic growth due to higher interest rates will likely temper the pace of employment gains going forward, while wage growth will remain positive but similarly decelerate. Weakness will likely emerge in housing-related sectors, while the high-flying tech sector is grounded temporarily.

### SME confidence continues to slide in July

*Edgard Navarrete, Regional Economist*

The B.C. July small and medium enterprise (SME) index estimates were released this week by the Canadian Federation of Independent Business. Both the short-term and long-term confidence fell in July to 54.5 points (down 6.1 points m/m and 15 points y/y) and 49.4 points (down 4.9 points m/m and 6.4 points y/y) respectively. This marked two consecutive months that both short-term and long-term confidence has slid and shows a continued deterioration of confidence as businesses continue to face supply chain issues and the prospect of weaker consumer demand as the cost of living continues to bite.

Despite stronger headwinds, average capacity utilization has remained stable at 78 per cent. But a sizeable share of SMEs surveyed are holding steady or decreasing on hiring more people. In July 53 per cent of those surveyed responded that they would not change full-time hiring plans while about 20 per cent said they would decrease the number of new full-time hires. Inflationary pressures and labour shortages are lifting the wages firms have to pay for talent and with increased uncertainty fewer firms will be looking to overextend their finances.



The traffic light to a recession continues to blink yellow. It is not a full-fledged recession being called at the moment but with consumers and firms facing increased cost pressures economic activity will continue to moderate as people and firms cut down on unnecessary costs.

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