Economics | Current Economic Trends

B.C. Economic Briefing

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central 1 Economics

Highlights

- International immigration boosted Canadian population growth in the second quarter
- September short-term business outlook edged up while long-term expectation continued to fall
- B.C. employers add positions for 14th straight month

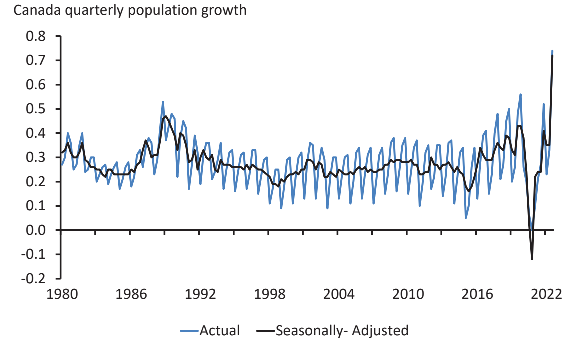
Canadian immigration hits modern-day record high during second quarter

Bryan Yu, Chief Economist

Canada's population soared during the second quarter as a record pace of newcomers led to the highest quarterly gain since 1949 when Newfoundland entered confederation. Total population rose 0.7 per cent or 285,000 persons over the latest quarter. On a July-over-July basis, the population rose 1.8 per cent compared to 1.3 per cent in April. This modern record high is owed to international immigration, particularly inflows of those classified as non-permanent residents. This included individuals fleeing the war in Ukraine and an increase in foreign workers and students as borders fully re-opened. Moreover, gains in immigration reflected some catch-up following lower pandemic-period and elevated federal intake targets.

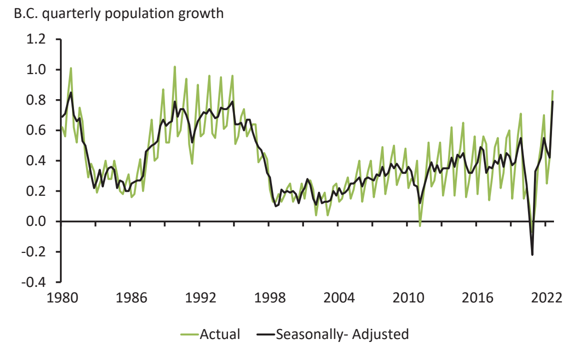
Like the national picture, B.C. experienced a strong increase in population during the second quarter with a near 0.9 per cent (45,515 persons) increase to reach nearly 5.32 million people. This was the largest single quarter rate of growth since the mid-1990s. At 2.2 per cent, year-over-year growth was the strongest since late 1996. Like the national picture, B.C. saw a deluge of non-permanent residents which accounted for more than half of the quarterly gain at 26,942 persons, compared to about 3,300 in the first quarter and a negative value a year prior. Net immigration, excluding non-permanent entries, decelerated but remains well above a typical second quarter increase as inflows continued to make up for pandemic period weakness.

Canada population growth surges to multi-decade high



Source: Statistics Canada, Central 1 Latest: July 1, 2022

Similar pattern in B.C.

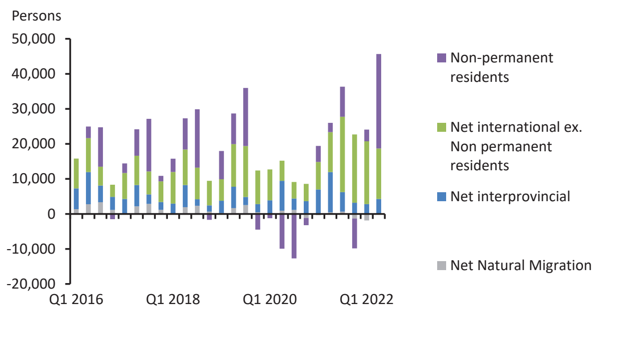


Source: Statistics Canada, Central 1 Latest: July 1, 2022

Net interprovincial migration has been a key source of population growth for B.C. through much of the pandemic as hybrid/remote working conditions, less stringent COVID-19 economic restrictions, and retirements drew Canadians west. Gains from other provinces continue to lift population with a net inflow of about 4,300 persons during the quarter, but the trend has moderated as pandemic drivers wane while more B.C. residents are taking their rucksacks east.

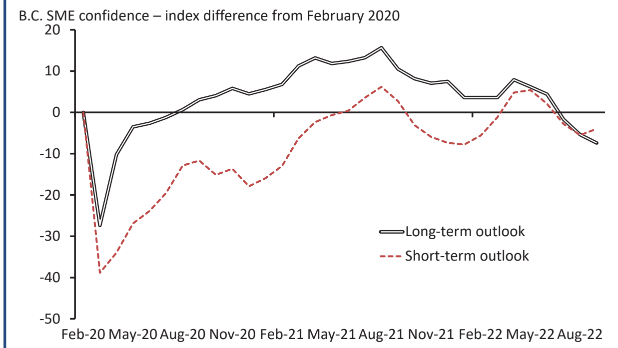
The latest figures points to a net inflow from Ontario of 4,200 persons during the quarter, accounting for most of the increase. Manitoba and Saskatchewan were also main contributors. In contrast, Alberta was a net recipient from B.C. during the quarter, ending to the pandemic era inflow. We will see if lower home prices and a spiffy marketing campaign will keep Albertans home and attract B.C. residents over the Rockies.

Non-permanent residents surge, immigration broadly strong



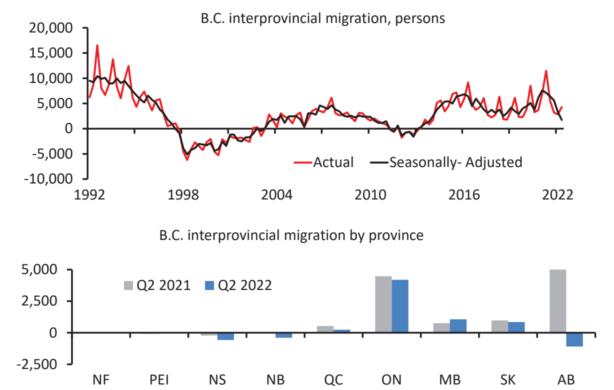
Source: Statistics Canada, Central 1

Short-term business outlook edged up while long-term confidence fell again



Source: CFIB, Central 1 Latest: September/22

Interprovincial migration positive but slides



The population spike in the latest quarter will retreat in coming quarters both nationally and in B.C. That said, we can expect population growth to remain robust and support longer term labour force expansion and economic capacity. However, it takes time for newcomers to settle and adapt. Population growth is currently lifting consumer demand and inflation while adding to pressures on rental markets. While high interest rates are not conducive to homeownership demand and construction at the current time, policy makers will need to address the need to house the growing population or risk another spike in home values and rents in the future.

SME long-term confidence fell below national average in September

Ivy Ruan, Economic Analyst

September small and medium enterprise (SME) Business Barometer readings were released this week by the Canadian Federation of Independent Business and pointed to further erosion in longer-term confidence among B.C. businesses. The long-term index dropped to 48.8, the first dip below 50 points since April 2020. The short-term index (3 months) edged up to 48.2 in September, following August's 46.7 reading.

This marked the fifth consecutive months' decline for long-term index and the third consecutive month of short-term index below 50, suggesting a continued deterioration of forward expectations for business performance in B.C.

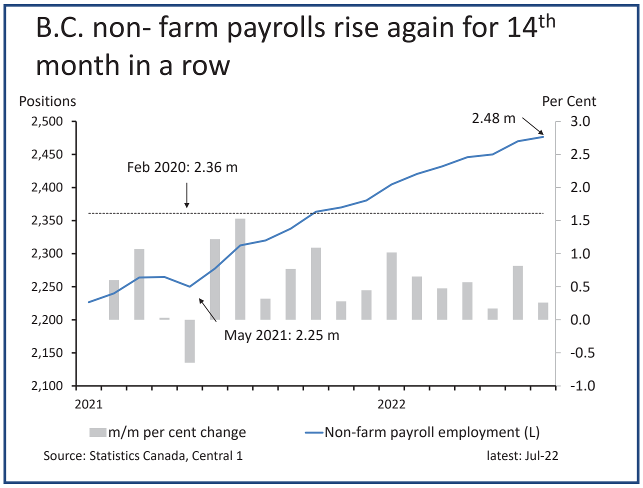
Most provinces have very tempered outlooks over the short-term with readings below 50 points. The monthly increase in B.C.'s short-term expectation may reflect the positive business outlook towards the upcoming winter tourism activities. That said, B.C. was the only province having a long-term reading below 50 points. The real estate market correction may have a more severe impact on B.C.'s economy than other provinces.

Average capacity utilization remained stable at 77 per cent in September. More SMEs surveyed (63 per cent) reported plans to not change full-time staffing plans, and the number of business owners considered themselves in a good state of business health dropped again (33 per cent). With inflationary pressures and rising wages, business growth will, in part, be constrained by labour shortages in the foreseeable future. Meanwhile, despite the falling of global energy prices, gas prices reached sky-high across B.C. this week as the result of supply issues in Alberta and the U.S., adding pressure to local business owners.

Employment numbers continued to grow in July with modest wage decline

Ivy Ruan, Economic Analyst

B.C. employers added to payrolls for a 14th straight month in July according to the latest Survey of Employers, Payrolls and Hours (SEPH) data, as employers continued to hire despite growing economic headwinds. Total payroll counts rose by 0.3 per cent or around 6,475 positions to reach a seasonally-adjusted 2.48 million positions. B.C.'s job vacancy rate dropped to 6.1 per cent, the lowest level since February 2022,



reflecting some relief in the tight labour market. Nevertheless, this was well above all other provinces, with the only comparable being Quebec at 5.9 per cent.

Payroll counts rose broadly across sectors in July in both the goods and services sectors. Professional/scientific/technical services jumped 1.1 per cent, and finance and insurance increased 0.7 per cent – suggesting growth in the knowledge sector despite tech sector woes. Tourism-oriented hiring took a step back. While transportation and warehousing rose 0.8 per cent, which could owe to airline hiring amidst resurgent travel, this may also reflect northern pipelines. Accommodation and food services counts were flat, while accommodation and food services fell 0.6 per cent. Public-sector employment rose 0.8 per cent. Overall, B.C. continued to see strength in non-farm payroll through most of the sectors. Those most affected by the pandemic moved closer to pre-pandemic levels. Attracting workers in this area will be difficult as with added wage pressures. That said, the return of non-permanent workers to the province will bring some relief to the tight labour market.

Average weekly wages dropped slightly in July, down 0.4 per cent, but still remained 1.9 per cent higher than a year ago. Large declines of wages in manufacturing and arts, entertainment and recreation sectors offset the growth reported in the other sectors.

For more information, contact economics@central1.com.