



Highlights

- October SME business confidence edged but firms remain pessimistic
- Firms continue to hire into August but economic headwinds expected to stall gains

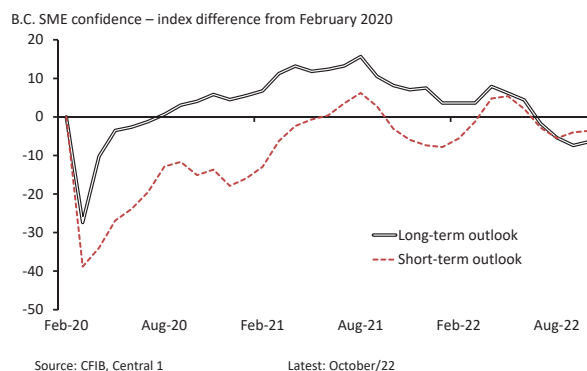
B.C. SME business confidence edged higher in October as national figures deteriorated

Ivy Ruan, Economic Analyst

October small and medium enterprise (SME) Business Barometer readings were released this week by the Canadian Federation of Independent Business and pointed to erosion in both short-term and longer-term confidence among Canadian businesses. Despite the national decline, B.C. SMEs reported increases in both short-term and long-term indices. The long-term index (12 months) rose to 49.8, retracing some of the loss from the previous month. The short-term index (3 months) edged up to 48.6 in October, following September's 48.2 reading. However, this marked the second month with a long-term reading below 50 since April 2020 and the fourth consecutive month of short-term index below 50 in 2022, as B.C. businesses remained downbeat amidst the barrage of high inflation and interest rates and economic headwinds, although some of the negativity may be waning. Most provinces reported short-term readings below 50 points.

Average capacity utilization edged down to 75 per cent in October. An additional 65 per cent of SMEs surveyed reported intentions to not change full-time staffing plans, and the number of business owners considering themselves in a good state of business health increased slightly (34 per cent). While B.C. SMEs could finally find some relief at gas stations this month, they still had to face the challenges of elevated inflation, labour shortages and concerns around the economic fallout.

B.C. SME business confidence rebounded



Growth in August payroll counts remains firm

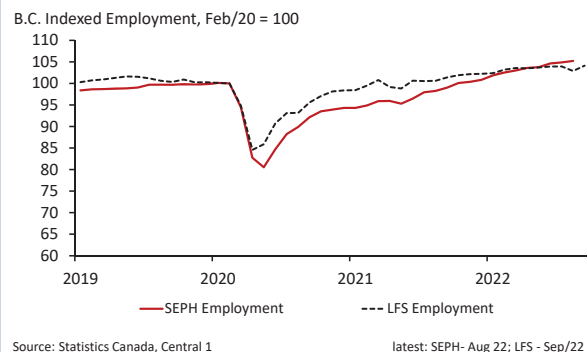
Bryan Yu, Chief Economist

B.C. payroll counts showed modest growth in August as employers continued to hire despite the spectre of a slowing economy and ongoing interest rate hikes. According to the latest Survey of Employment, Payroll and Hours (SEPH), employers added 8,070 positions (0.3 per cent) during the month which marked an acceleration from July. Levels rose 5.2 per cent above pre-pandemic February 2020 which was the strongest rebound among Canada's largest provinces.

That said, these figures are in advance of a much more aggressive monetary policy tightening stance from the U.S. Fed and the Bank of Canada which is expected to trigger a sharp slowdown in the economy and potential recession in both countries, alongside weaker global growth expectations.

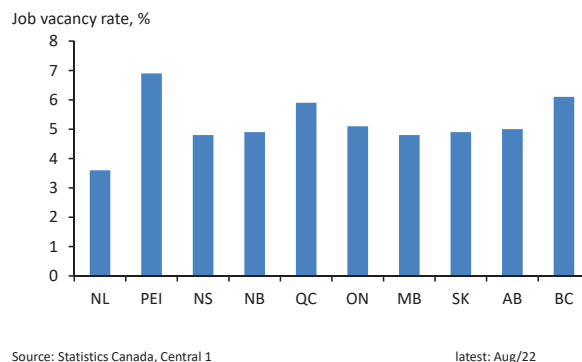
Findings in the Labour Force Survey point to a flattening of employment trends in recent months, owing to both slower demand and labour supply challenges. Non-farm payrolls are likely to mimic this pattern going forward, but the high job vacancy rate, which was second highest among provinces at 6.1 per cent, will likely lead to adjustments of hours worked and other policies at the margin, rather than reducing staffing during a slowdown.

B.C. hiring growth slows into August, levels remain well above pre-pandemic level



While conditions have shifted, August data still provides some indication of hiring momentum into the upcoming period of weakness. Services-sector growth drove monthly gains (up 0.4 per cent) as goods- sector hiring nudged lower. Specifically, tourism and return to social events lifted accommodation and foodservices employment by 1.0 per cent (or 2,076 positions). Professional/scientific/technical services rose 1.6 per cent (2,929 positions) and real estate gained 1.4 per cent (668 positions). That said, a retreat in both the tech sector and housing market will likely curb hiring going forward. Public-sector employment surged with public administration up two per cent (2,906 positions) and healthcare/social assistance rising 0.9 per cent or 2,934 positions. Industry offsets included education which fell 4.7 per cent or 8,600 positions and construction (down 0.8 per cent or 1,420 positions).

Job vacancy rates elevated, mixed by province



Wage growth remained robust during the month with average weekly earnings up 0.7 per cent to \$1,107 but a modest 2.4 per cent from a year ago, owing partly to job composition. Fixed weighted average hourly earnings rose 0.3 per cent from July and 3.1 per cent year-over-year.

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