



Highlights

- B.C. population grew 0.7 per cent in the first quarter to a record 5.43 million persons
- B.C. energy prices declined for the first time in 2023
- Core inflation was down to 3.5 per cent in May
- Payroll increases seen across most industries in B.C.
- Both the short- and long-term business confidence index fell in June as small business optimism wavers

B.C. population growth soars with immigration but sees outflow to other provinces

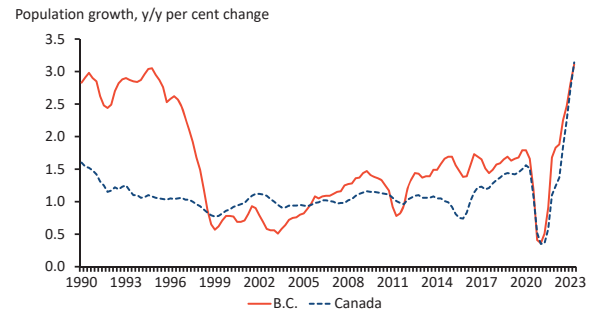
Bryan Yu, Chief Economist

If it is not already apparent, Canada is welcoming thousands of newcomers on the daily driving historic levels of population growth. As noted in our [recent commentary](#), Canada saw a record gain in the first quarter as the population ballooned by 292,232 persons from January 1 to April 1, and 1.21 million persons (3.1 per cent) over the course of the year. While adding to economic activity and labour supply, the swelling number of newcomers will continue to add pressure to an undersupplied housing market, particularly the rental market sector.

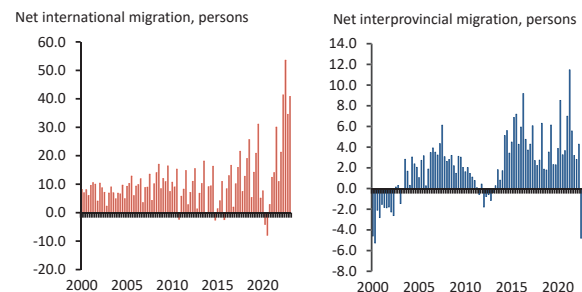
B.C.'s population growth has aligned with national figures. During the first quarter, the province saw an increase of 38,600 persons (0.7 per cent), with a four-quarter increase of nearly 164,000 (3.1 per cent) to lift estimated population to a record 5.43 million persons. This was the strongest pace of first quarter growth on record dating back to at least the 1970's, both in terms of number of persons and per cent change.

Assessing the drivers of growth, the entirety of the net increase reflected newcomers from outside the country. Net international migration reached 40,840 persons, which was nearly double year ago gains and compared to 14,200 during the same quarter in 2019 prior to the pandemic. The province has seen higher permanent resident inflows (24,482 persons) which was up 20 per cent from last year, but most of the gain owes to net non-permanent residents which ripped higher to 19,221 persons during the quarter, compared to 3,300 persons a year ago. The flow of temporary residents

B.C. population growth consistent with national gain



Interprovincial migration turns negative in B.C., gains from international sources



has soared in recent quarters, reflecting demand for work and study permits. While unlikely to maintain this pace, levels remain high and add to rising permanent resident flows.

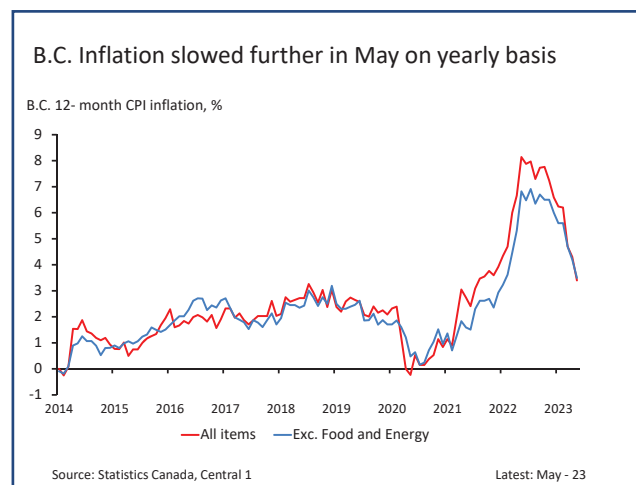
In contrast, B.C. is losing out to other provinces. For a third straight quarter, net interprovincial migration was negative with the province losing 600 more people than it gained. A year ago, B.C. recorded a net gain of 2,816 persons from other provinces, and this marked the first negative first quarter reading since 2013. Housing affordability is a key driver of this downturn as B.C. home prices and rents skyrocket from already elevated levels, pushing residents to other areas of the country, particularly Alberta.

International immigration will continue to lift population levels in B.C., particularly in larger urban markets. That said, excessive costs of living and home prices will push more residents out of the province in search of more affordable options to raise families and build savings.

Inflation continued to ease in B.C. on year-over-year basis, but monthly growth remained firm

Ivy Ruan, Economic Analyst

May Consumer Price Index (CPI) in B.C. eased to 3.5 per cent year-over-year compared to 4.3 per cent during the previous month. On a monthly basis, the provincial CPI rose 0.4 per cent as consumers still faced higher prices. Core CPI (excluding energy and food) in B.C. edged up from last month by 0.3 per cent, the fifth consecutive monthly increase. Year-over-year core CPI was down from 4.2 per cent in April to 3.5 per cent in May. Goods prices edged down 0.07 per cent over the month for the first time in 2023 while services prices continued to grow at 0.7 per cent from last month.



Gasoline prices in B.C. remained low (-17.7 per cent) on a year-over-year basis. The yearly percentage change was mainly driven by the base year effect from surge in energy prices since March last year. Overall, energy prices were down 10.1 per cent comparing to last May. Meanwhile, on a monthly basis, B.C. gasoline prices dropped 0.7 per cent and energy prices declined 0.6 per cent in May, the first monthly decrease following four straight months of increases for both categories. A pause from price growth at the pump may relieve some pressures on B.C. drivers, however, the relief may be brief as geo-political factors impacting energy supply remain.

Meanwhile, food prices in B.C. remained elevated on a year-over-year basis, up 7.7 per cent from May last year. This was slightly above last month's 7.5 per cent yearly growth as the monthly figure went up by 0.9 per cent. B.C. shelter costs' yearly growth also edged up, from 4.9 per cent to 5.0 per cent in May. Shelter price increased 0.5 per cent month-over-month and interest costs continued to surge.

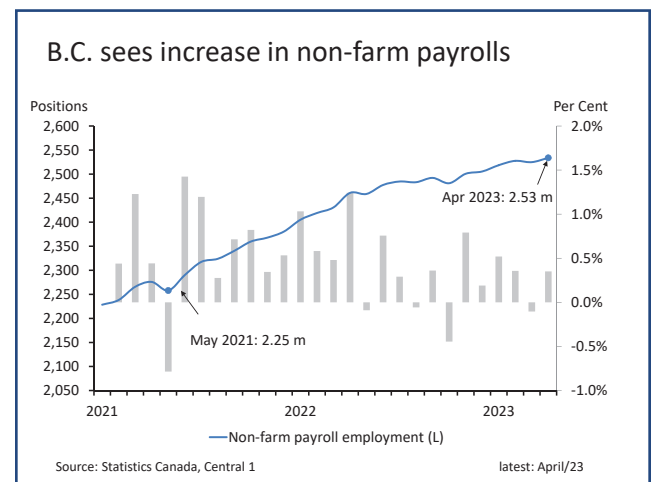
May's CPI deceleration suggests inflationary pressures are indeed easing. However, service prices,

which are of key concern for the inflation and monetary policy outlook, remain uncomfortably high and keep growing. Given the rate decision in June, the Bank is likely to announce another hike in July.

B.C. payroll increases 0.4 per cent in April

Alan Chow, Business Economist

B.C. employers saw an increase to payrolls in April, which erased the losses in March. From the latest Survey of Employers, Payroll and Hours (SEPH), April reported a seasonally-adjusted 0.4 per cent (8,879 positions) monthly increase, bringing the total job counts in B.C. to 2.53 million positions. The estimates from the Labour Force Survey (LFS) reported a marginal increase in B.C. employment, with 2,100 more persons (0.1 per cent) employed during the same month. Both indicate that labour markets are still strong and very resilient against the rising interest rates environment we are seeing today. In B.C., the seasonally adjusted job vacancy rate in April came in at 5.0 per cent, unchanged from the revised number in March and represents 125,710 positions.



April's job increases were in both the goods producing sectors and the service producing sectors with increases of 0.7 per cent and 0.4 per cent, respectively. Construction (1,506 positions) and Manufacturing (1,485 positions) led the way in the goods producing sectors. The service producing sectors was led by health care and social assistance (4,761 positions) and professional, scientific and technical services (2,623 positions), but all industries saw an increase in the number of positions except for public administration, which saw 7,367 fewer positions.

On the wage front, seasonally adjusted average weekly earnings jumped 1.9 per cent to \$1,199.14 on a year-over-year basis, which is lower than last month's 2.0 per cent increase. Month-over-month the average weekly earnings increased 0.7 per cent in April.

B.C. small business confidence dips in June

Eloho Ennah, Economic Analyst

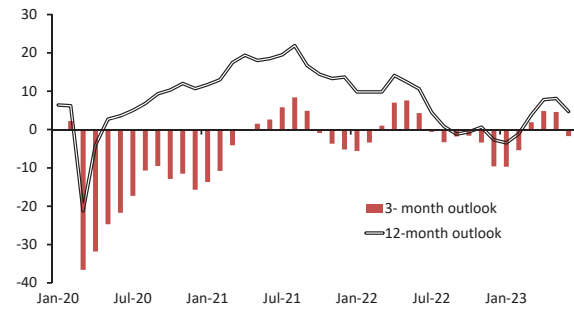
The Business Barometer survey released this week by the Canadian Federation of Independent Business showed declining confidence amongst B.C. small and medium scale enterprises (SME). The long-term index fell to 54.7 points from the 58.1 points recorded in May, while the short-term three-month index was down to 48.3 points from 54.6 points from the previous month, and now below the index's neutral benchmark of 50 points. B.C. had the lowest short-term optimism reading amongst all provinces. Small business owners in B.C. had been building confidence during the earlier months of the year, however increasing interest rates, high inflation and an uptick in expenses is still straining many business owners.

With regards to general business indicators, small businesses in B.C. reported their major cost constraints to be tax/regulatory costs, fuel/energy costs, wage costs as well as insurance costs amongst other expenses. A shortage of skilled labour and insufficient domestic demand were also top of the lists of limitations on sales or production growth for B.C. small businesses. In addition, 28 per cent of B.C. small businesses regard themselves to be in good business health, while 25 per cent reported otherwise. Twenty per cent of respondents reported plans to expand full-time staff compared to 22 per cent in prior month.

On the national scale, optimism stalled in both the short- and long-term horizons, with both indices falling by 5.0 points and 2.1 points respectively. This drop followed seven months of consecutive increases in the small business optimism index. Fewer small businesses reported themselves to be in good and satisfactory business situation, while optimism fell as only 4 per cent of businesses expect their firms to be much stronger in 12-months compared to 5.9 per cent of

Both the short- and long-term business confidence index fell in June

B.C. Small and medium sized business confidence – Deviation from 50



Source: CFIB, Central 1

Latest: June/23

respondents in May. Likewise, small businesses have reduced their expectations of better performance in the short term (next three months), with 30.5 per cent expecting worsened performance compared to 26.2 per cent in May. Within business sectors, retail showed the largest drop in long-term confidence index of 10.8 points to 44.3 points, while finance/insurance/realty recorded the largest rise on the optimism scale with an increase of 10.2 points, and now up to 55.9 points.

For more information, contact economics@central1.com.