



## Highlights

- B.C. inflation rate up to 2.9 per cent in May
- B.C. non-farm payroll declined in April
- Long-term business optimism improves slightly in B.C., but short-term optimism declines

## B.C. inflation rate unchanged in May

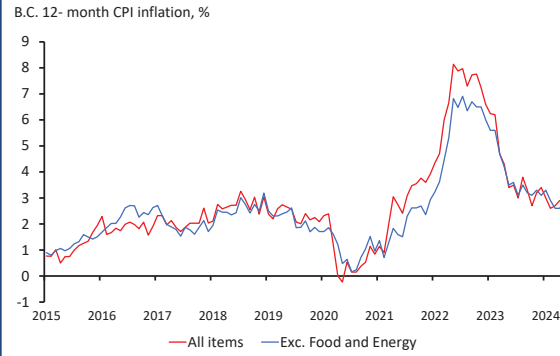
*Eloho Ennah, Economic Analyst*

B.C.'s inflation rate grew at the same pace in May as it did in the previous month. Headline consumer price inflation sat at 2.9, consistent with the national reading as shelter and gasoline prices kept growth elevated. Core inflation, which excludes food and energy prices, also came in at 2.9 per cent, up from 2.6 per cent in April.

Shelter prices increased by 6.4 per cent, year-over-year in May, although they slowed from the 6.8 per cent pace in April. Monthly, prices for household operations, furnishings and equipment have trended higher since late 2023. Gasoline prices also decelerated year-over-year, rising by 6.1 per cent, ahead of the 8.4 per cent gain in the prior month. In addition, energy and transportation costs also decelerated, increasing by 4.2 per cent and 2.6 per cent, respectively.

Growth in food prices accelerated in May but aligned with core growth. Food prices increased by 2.9 per cent compared to 2.6 per cent in April. Goods prices rose by 0.7 per cent in May on a year-over-year basis, speeding up from the previous month. Prices of services went up by 4.7 per cent, similar to price gain in April. Items related to recreation, education and reading posted a price increase of 1.8 per cent while alcoholic beverages, tobacco products and recreational cannabis prices increased 2.5 per cent.

## B.C. Inflation steady in May



Source: Statistics Canada, Central 1

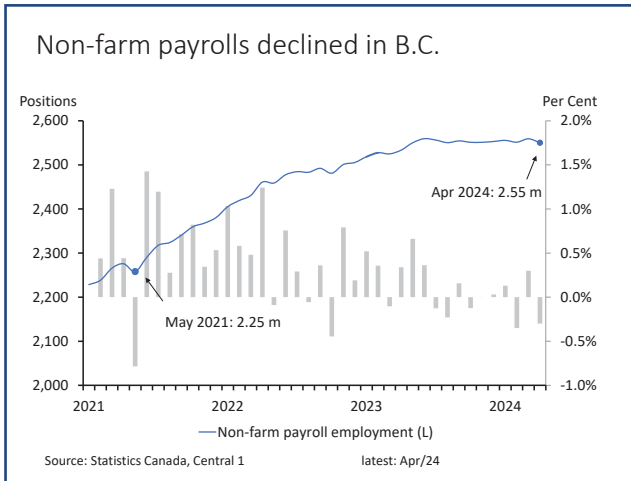
Latest: May - 24

## Accommodation and food services contributed to the overall decline in B.C. non-farm payroll

*Ivy Ruan, Economic Analyst*

B.C. employers reported a large decline in the number of employments in April reversing the surge seen in March. From the latest Survey of Employers, Payroll and Hours (SEPH), April's result saw a decrease of 7,495 positions (-0.3 per cent), and the total job count in B.C. was down to 2.55 million positions. Goods producing industries reported only 0.1 per cent or 440 fewer positions while service producing industry payrolls contributed to the overall decline, with 7,003 fewer positions (-0.3 per cent). The seasonally adjusted job vacancy rate edged up to 4.0 per cent in April and 3,060 more vacancies were reported during the month. Total vacancies reached 101,580 positions.

Despite the monthly increase, the job vacancy rate has remained low since the latter half of 2023, staying close to the lower end of pre-pandemic levels. At the same time, there is mixed messaging as the, the Labour Force Survey (LFS) continued to point to positive hiring momentum in April, showing a notable 0.8 percent month-over-month increase and a 0.3 percent expansion in the labor force. Over longer periods, employment trends generally align between the SEPH and LFS results. However, it's important to note that while multiple job holders are counted once in the LFS, they appear as multiple entries in payroll records.



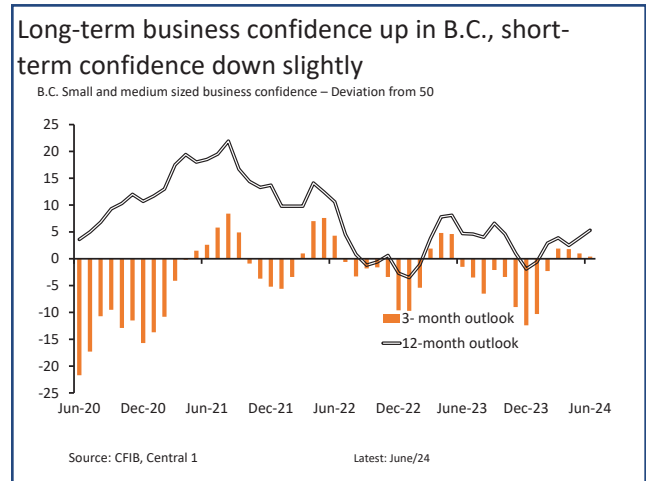
The goods producing industry saw broad and minimum decreases of job count across sectors, except the manufacturing sector, which experienced a slight increase in payrolls. Despite the consecutive monthly increases (398 more positions in April), this month's result kept pointing to the lowest level of payrolls in manufacturing sector since the end of 2020. Broad declines in the number of payrolls were seen among services producing industries in April, except the professional, scientific and technical services sector and health care and social assistance, both of which has around 900 more payrolls. A notable decrease was reported in accommodation and food services with 4,374 fewer positions or 1.9 per cent.

On the wage front, seasonally adjusted average weekly earnings in B.C. edged up 0.2 per cent to \$1,258.20 compared to March, when there was a 0.3 per cent increase in wage. On a year-over-year basis, April's average earnings in B.C. were 4.6 per cent higher than last April and remain exceptionally strong.

### Small business long-term optimism improves in B.C.

*Eloho Ennah, Economic Analyst*

The Canadian Federation of Independent Business Barometer Survey showed only minor change in small business optimism in B.C. in June. The long-term 12-month index rose from 53.9 points to 55.3 points while the short-term three-month index decreased by 0.6 points to 50.4 points. Although both numbers are higher than the index's neutral benchmark of 50 points, these are still relatively low as business owners express worries about their firms' performance amidst sky-high operating costs and elevated interest rates. Although the first interest rate cut occurred during the month, it will take cumulative cuts to create significantly favorable borrowing conditions.



More businesses expect to increase full-time staff in comparison to the lower percentage in May, while 27 per cent of B.C. SMEs considered themselves to be in a good state of business health, up from 20 per cent in the prior month. Insufficient demand, shortages of skilled and unskilled labour, and limited working capital remain the greatest limitations to production expansion and sales growth. Limited physical space and product distribution constraints were also factors subduing sales and production growth. Insurance, wage, and tax costs are the top input cost constraints while fuel, occupancy and borrowing costs are also on this list of constraints.

Nationally, business optimism across SMEs declined slightly following a significant boost in May. The long-term index dipped by 0.3 points to 56.3 points, while the short-term index was down by 0.9 points to 51.6 points. Businesses still cite skilled labour shortages as a major constraint to sales growth, although more businesses expect to perform at better or the same level in the near future. The hospitality sector showed the highest improvement in business expectations in the long term, up by 3.7 points from the last month, but optimism in the transportation and manufacturing sectors declined. Both average price and average wage increase plans fell 0.3 points to 2.5 per cent.

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