

Tourist visits decline in May

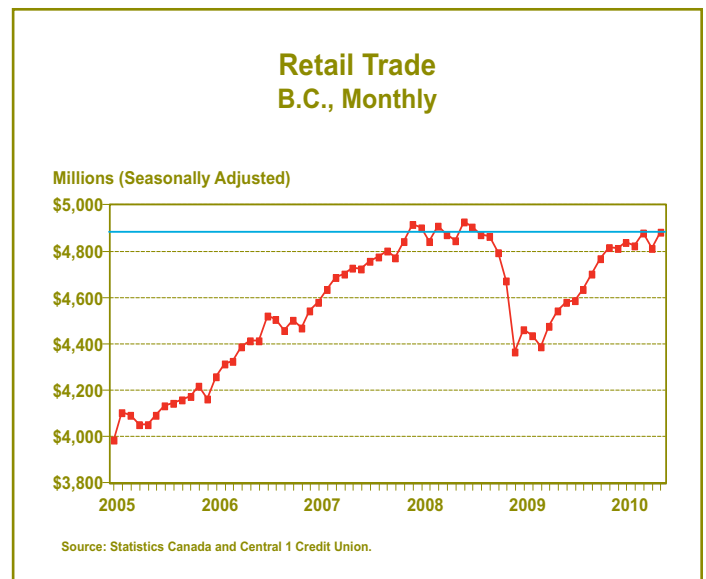
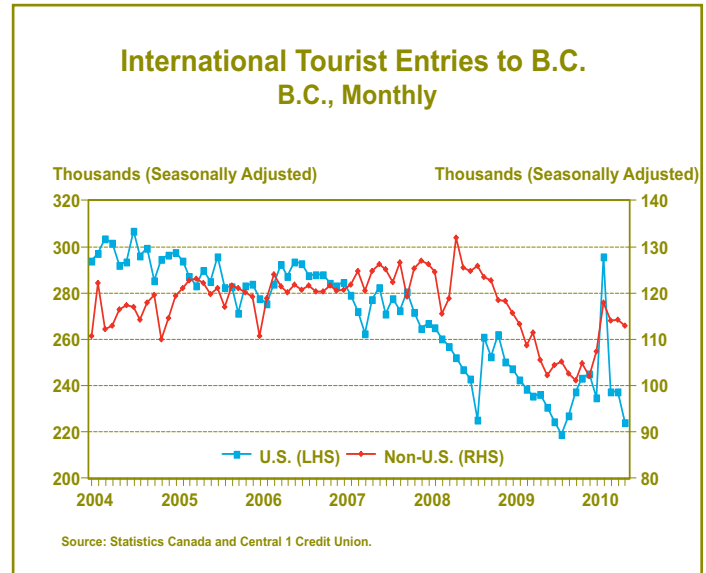
After a flat reading in April, international tourist visits to British Columbia pulled back in May. Non-resident traveler entries, adjusted for seasonal factors, fell to 337,218 visitors during the month, down 4.1% from April. A 5.6% decline in U.S. visits was the primary driver of the dip. Since the end of the Olympics in February, visits from U.S. residents have reverted back to the underlying downtrend that goes back to 2002. In contrast, non-U.S. international entries have held up well in recent months despite a 1.2% decline in May. This primarily reflects robust overseas travel originating from Asia.

U.S. tourist entries are unlikely to record a significant rise in the short to medium term. The higher Canadian exchange rate, a weak U.S. labour market and constrained U.S. consumer and business spending have made travel to Canada a less attractive option. However, non-U.S. international travelers from emerging and Asian markets are expected to make up a greater portion of tourist visits moving forward. In particular, the Approved Destination Status (ADS) agreement between Canada and China should provide an added boost to B.C. tourism later this year.

Retail Sectors Higher in May

British Columbia's retailers bucked the national trend and outpaced gains recorded in any other province in May, posting a 1.5% increase in retail sales from April. Current dollar sales volume reached \$4.88 billion during the month, and was at the highest level since July 2008. Despite May's increase, activity in recent months suggests that retail spending growth has slowed. After rising through 2009, retail sales activity has hovered near \$4.8 billion since November.

Based on data adapted from Statistics Canada, four of ten retail sub-sectors (excluding those in the



miscellaneous category), contributed to the monthly increase. The furniture/furnishing and motor vehicle/parts sector were the most significant gainers. The latter reflected an uptick in new vehicle sales during them month. Central 1 Credit Union forecasts 2010 annual retail sales to exceed 2009 levels by 4.3%, before rising 5% in 2011.



Consumer Price Inflation Edges Up in May

According to the latest estimates from Statistics Canada, consumer prices in British Columbia rose 0.5% on a year-over-year basis in June, slowing from May's pace of 0.6%. While year-over-year inflation remained positive, the index dipped 0.2% from May on a seasonally adjusted basis, representing the second consecutive monthly decline. Persistent excess capacity in the B.C. economy has led to less upward pressure in prices, keeping consumer price inflation muted.

Six of the eight major components of the Consumer Price Index recorded increases from the previous year. The largest year-over-year increase was recorded in the shelter component which rose 1.6%, as water, fuel and electricity price levels rose significantly from a year earlier. While the overall food component rose by 0.3%, food purchased from stores fell by 0.2%, which was more than offset by 1.1% increase in restaurant meals. Year-over-year declines were recorded in the household operations/furnishings/equipment, and the recreation/education/reading components

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