

Highlights:

- Retail spending climbs 0.8 per cent in August
- Steady employment insurance counts align with low unemployment, but claims rise
- International tourists hold up at elevated levels despite fewer visitors from China

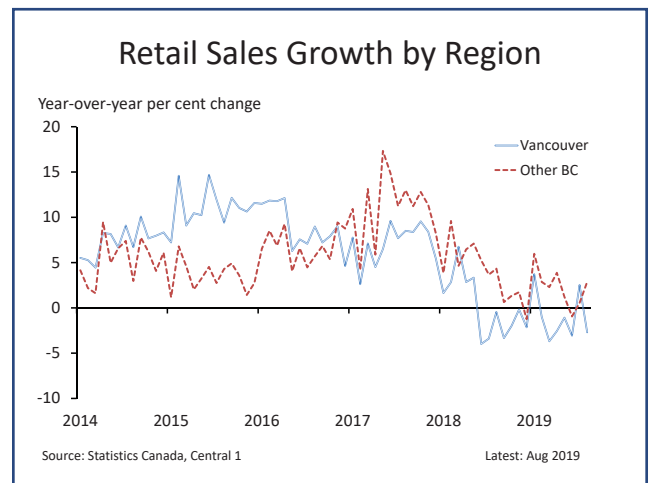
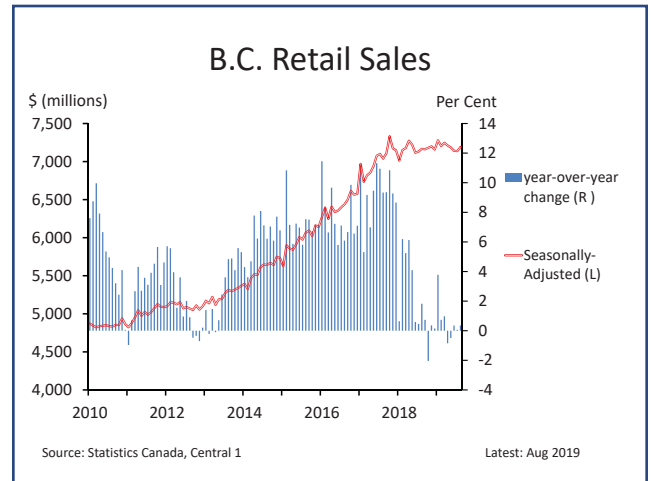
August retail sales rise but trend remains soft

B.C. retailers posted a decent pick up in sales in August, but the trend continued to signal soft consumer spending. Retail spending at brick and mortar stores rose 0.8 per cent from July to a seasonally- adjusted \$7.19 billion following four months of contraction. Higher food and beverage sales and motor vehicle-related purchases led the increase.

Despite the latest uptick, sales growth is subdued this year. Year-over-year sales were up a scant 0.4 per cent, with year-to-date activity up 0.6 per cent through the first eight months of the year. Adjusting for retail price inflation of about one per cent nationally, and CPI inflation averaging above two per cent, real sales growth is negative.

That said, underlying details are somewhat better than the disappointing headline figures. Sales drag has predominantly been driven by a three per cent drop in motor vehicle and parts sales, which reflects lower replacement demand, debt constrained households and potentially a shift in preferences towards greener forms of transportation, such as cycling and rideshare. Sales at building material/gardening stores declined by 5.4 per cent. Broadly, other store segments have posted modest growth. Excluding motor vehicle related stores and gasoline stations which reflect gas prices, sales in other segments (or core sales) were up nearly two per cent, year-to-date. While not stellar, signals steady demand driven by population growth and employment gains.

It is also worth noting that retail sales underestimates growth in spending, as it excludes much of the e-commerce space (or internet retailers). According to



Statistics Canada rose 25 per cent year-over-year nationally, albeit representing 3.2 per cent of total retail trade.

Regionally, sales in Metro Vancouver are down 1.1 per cent through August, which has been offset by a gain of 2.2 per cent elsewhere in the province.

Retail sales growth will likely end the year marginally in the black with a 0.5 per cent gain, down from two per cent in 2018 and the weakest performance since 2009 when a four per cent decline was recorded. A four per cent gain is forecast for 2020.

Employment insurance counts down in August

The number of employment insurance (EI) recipients in B.C. edged lower in August to 42,300 persons, marking a 0.7 per cent decrease from July. While generally higher in recent months, levels have held a

low range-bound trend over the past year and were up 1.5 per cent from same- month 2018.

August beneficiary counts fell in both Vancouver (down 0.7 per cent) and Victoria (down 0.5 per cent) metro areas from July, with gain in Abbotsford-Mission of one per cent and 0.4 per cent in Kelowna. Broadly, areas outside urban areas were down from July, but up more on a year-over- year basis, which may reflect weakness in commodity markets and related sectors.

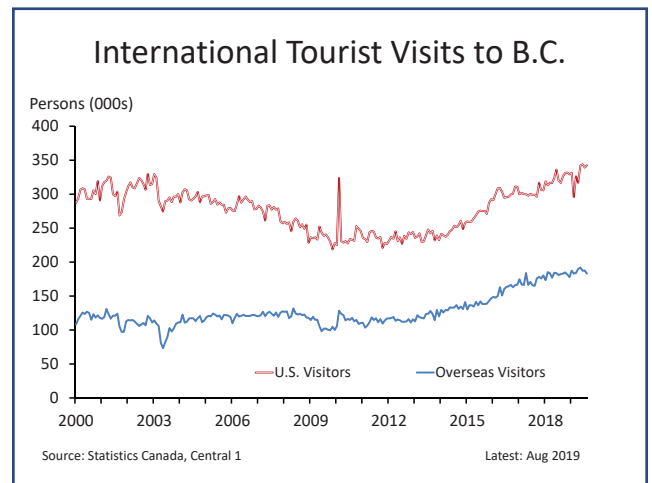
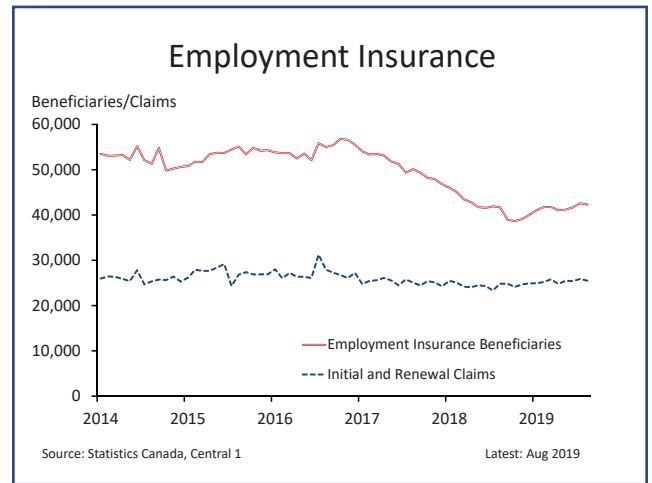
While low EI counts remain indicative of low unemployment and a relatively tight labour market, the trend in EI claims has trended higher over the past year. Claims received rose 4.6 per cent year-over-year, suggesting labour market stress in some sectors.

Tourism inflows elevated in 2019 despite fewer visitors from China

International tourist visits to B.C. remained elevated in August, reflecting the benefits of a low Canadian dollar, and desirable position as a politically stable and safe destination. The number of international tourists entering Canada through B.C. held steady at a seasonally-adjusted 525,500 persons in August. U.S. visits rose 0.9 per cent from July to 342,370 tourists but offset by a 2.3 per cent decline in overseas visitors to 2.3 per cent to 183,170 persons.

While this was down for a third straight month following a surge in May, levels were up 5.4 per cent from same- month 2018. Year-to-date visits are up 3.6 per cent, with growth of 3.8 per cent in U.S. visits and 3.1 per cent gain in overseas tourists. Growth in the latter has been driven by a 16 per cent increase in travelers from Mexico (up 16 per cent), and India (up 26 per cent), and Japan (up 10 per cent). The number of visitors from China, which is the largest source of non-U.S. visitors, has declined seven per cent, which may reflect erosion in the Canada- China trade and political relationship.

Growth in annual international tourism inflows will be moderate this year compared to gains observed since 2014. Nevertheless, tourism inflows are set to reach another record high.



Bryan Yu

Deputy Chief Economist

byu@central1.com / P 604.742.5346

Mobile: 604.649.7209