

### Highlights:

- Retail sector momentum flattened in August as summer rebound ends;
- Auto related sales slowed to a 2.5 per cent year-over-year gain from 6.2 per cent in July;
- Food and beverage sales up 18.5 per cent year-over-year as families remained close to home;
- B.C.'s consumer price index rose to a year-over-year rate of 0.4 per cent during September.

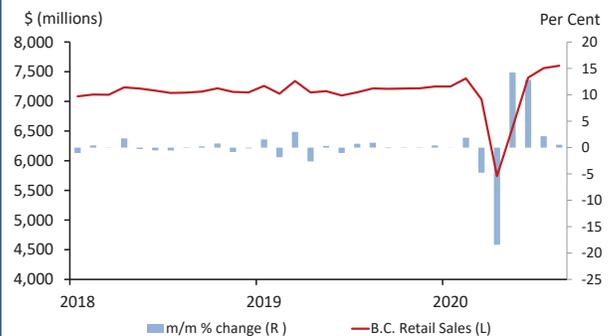
### Retail growth momentum slows as store sales firm above pre-pandemic levels

Retail sector momentum flattened in August, suggesting the sales rebound following an early pandemic plunge has largely run its course. Dollar-volume retail sales at B.C. brick and mortar stores reached a seasonally-adjusted \$7.6 billion, up 0.5 per cent from July and unadjusted sales up 5.7 per cent from same-month 2019. This slowed from reading of 2.2 per cent and 8.7 per cent the previous month. Nevertheless, the latest sales exceed February pre-pandemic levels by 2.9 per cent marking a record high in nominal dollar terms.

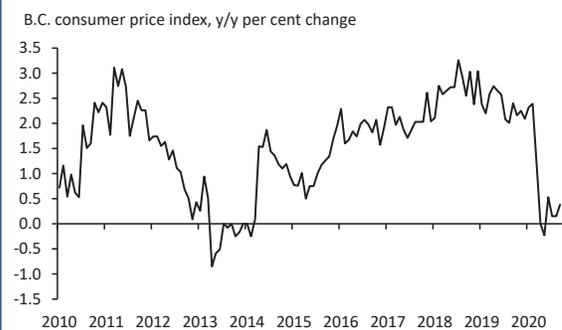
Higher spending has reflected the combination of pent up consumer demand from the spring as well as re-allocation of spending from recreation, restaurants, and international travel towards housing and ancillary products and other goods spending. That said, August patterns were mixed as demand is increasingly satiated for large-item purchases. Based on year-over-year calculations and Central 1 seasonal adjustment calculations, auto related sales slowed to a 2.5 per cent year-over-year gain from 6.2 per cent in July. Meanwhile, furniture and furnishings fell from 11.8 per cent to 4.2 per cent. Gasoline sales were down 12 per cent from a year ago in August compared to a 1.8 per cent drop in July. In contrast, stronger performers included steady food and beverage sales (up 18.5 per cent year-over-year) as families remained close to home amidst the pandemic, while clothing sales continued to recover but lagged year-ago levels by 12.4 per cent.

With sales more than rebounding to pre-pandemic levels, the year-to-date decline narrowed to a modest

### B.C. retail sales fully recovered, trend flattening



### Inflation firms slightly, but remains low due to pandemic



1.9 per cent. Sales in Metro Vancouver were down four per cent compared, to a flat performance elsewhere in the province. By store segment, the steepest provincial declines were in auto sales (-10.7 per cent), furniture and furnishings (15.4 per cent), clothing (-34 per cent). This was largely offset by a 13.8 per cent increase in food and beverage stores, gardening and building materials (+9.6 per cent) and electronics (+8.8 per cent).

Retail store sales are a proxy for consumer spending but omit some key components such as e-commerce sales which are an increasingly important part of the retail landscape. Nationally, e-commerce sales rose 68 per year-to-date, albeit representing about 5.6 per cent of Canadian retail trade. This understates purchases however as sales from foreign based retailers are excluded. On the other hand, demand for services has waned as people have avoid restaurants, theatres and other venues, while major events and travel have been cancelled due to the pandemic.

Retail spending momentum (and broader consumer spending) likely slowed in September. Statistics Canada's preliminary national reading showed flat activity. Rising COVID-19 cases, return to school, and colder weather are all set to constrain consumer spending into year end.

## Inflation firms in September, but substantial divergence among consumer goods and service prices

Consumer prices firmed in September but headline inflation remained benign according to Statistic Canada's estimate. B.C.'s consumer price index rose to a year-over-year rate of 0.4 per cent during the month, compare to 0.15 per cent in both July and August. The gain was due largely accelerating prices over the latest month, as seasonally- adjusted prices rose 0.4 per cent from August. Nationally, year-over-year consumer prices rose to 0.5 per cent from 0.1 per cent the prior month.

While headline figures were low, inflation among product segments widely diverged. Due to the pandemic there was weak demand and sell through of excess inventory, therefore clothing prices have declined (-3.5 per cent, compared to -1.8 per cent in August), while gasoline prices were also down sharply from a year ago by 13 per cent. Travel services fell 14.1 per cent. In contrast, some segments are experiencing firm pricing conditions which is likely due in part to flow through of higher costs of hygiene products and personal protective equipment. Personal care service prices rose 9.8 per cent year-over-year, childcare was up four per cent, while restaurant meals were surprisingly firm at two per cent considering weaker demand. Housing rents accelerated to 2.9 per cent from 1.7 per cent in August, while reading materials rose four per cent.

For the most part, total inflation is likely to remain low and below one per cent heading into 2021. Broad economic activity and employment is below pre- pandemic which will curtail demand led price hikes. That said, pass-through of higher costs will limit more downward pressure.

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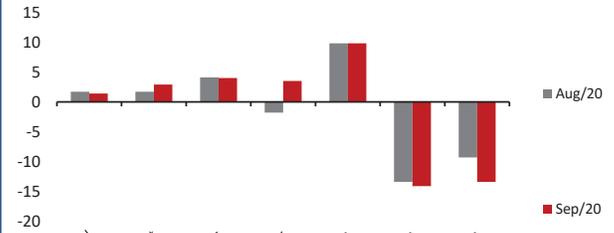
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## Varying price patterns among products and services

Year-over-year growth by select products and services



Source: CREA, Central 1 CU