



Highlights

- B.C. consumer spending showing signs of moderation
- B.C. businesses remain optimistic despite third wave
- Average weekly earnings up 9.1 per cent from a year ago but a return of service-oriented positions will dampen wage earnings

Retail spending steady in February, but lifted by higher gasoline prices

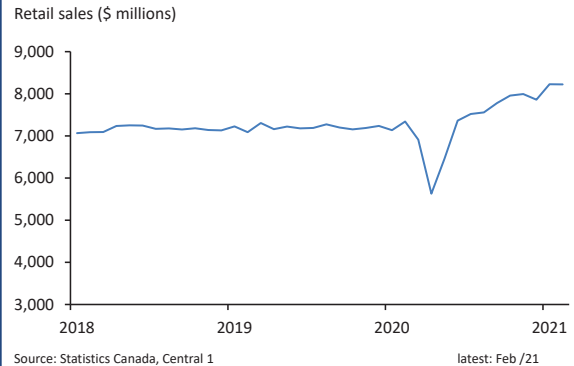
B.C. retail spending remained robust in February, holding steady after a January surge. However, with sharp increases in gasoline prices and higher vehicle sales underpinning the latest gain, underlying consumer spending is showing signs of moderation.

Total sales were unchanged at a seasonally-adjusted \$8.22 billion but remained 12 per cent above year-ago levels. Based on our calculation, gas station sales rose 10 per cent from January owing to higher prices. Year-over-year sales remained negative at 6.5 per cent but declines narrowed from the prior month. Sales continue to be limited by fewer commuters as employees work at home. Meanwhile, motor vehicle sales rose 6.5 per cent from January and 17.5 per cent from a year ago. Public health fears have boosted demand for private vehicles.

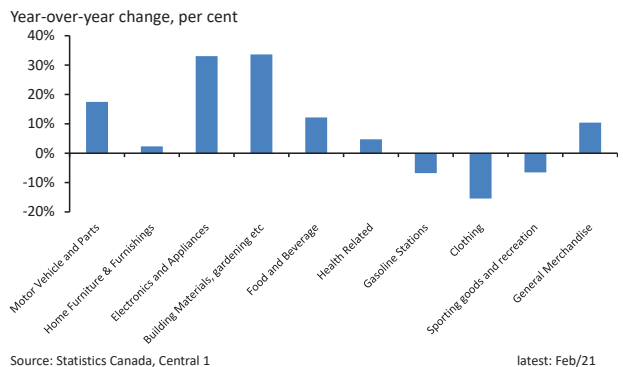
B.C.'s increase trailed the national monthly gain of 4.8 per cent as other provinces relaxed measures temporarily following the second wave, but year-over-year growth is significantly lower at six per cent.

In other retail segments, sales slipped but continued to exceed year ago levels by a wide margin. Year-over-year, electronic and appliance and building material and garden retailers recorded 33 per cent increases in year-over-year sales. This reflects robust demand associated with a remote workforce and exceptionally active housing market. General merchandise sales rose about three per cent and grew 10 per cent from a year ago. Clothing retail remained soft with sales down one per cent from January and 15 per cent from a year ago.

B.C. retail sales hold onto January gains



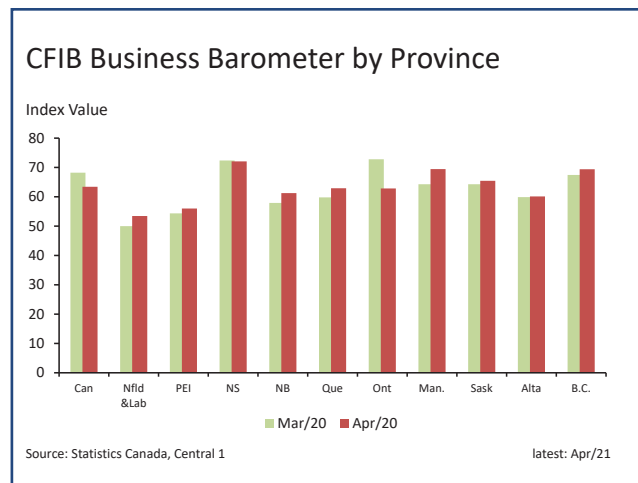
Sales growth by select retail segment



The third wave of the pandemic has led to modest tightening of restrictions in B.C. in April, but the effect on retail goods demand is likely to be modest, with the impact largely impacting services. Statistics Canada's preliminary estimate for March is for a 2.3 per cent monthly increase.

B.C. businesses remain optimistic despite third wave

Small and medium-sized business confidence in B.C. improved for a fourth straight month in April and bested most provinces in April. The latest Canadian Federation of Independent Business (CFIB) long-term Business Barometer Index came in at 69.4 points, up from 67.5 points in March and the highest since early 2018. With a demarcation value of 50, more businesses are optimistic about market conditions over the coming 12 months. Nationally, the index declined nearly five points to 63.4 points but this almost entirely



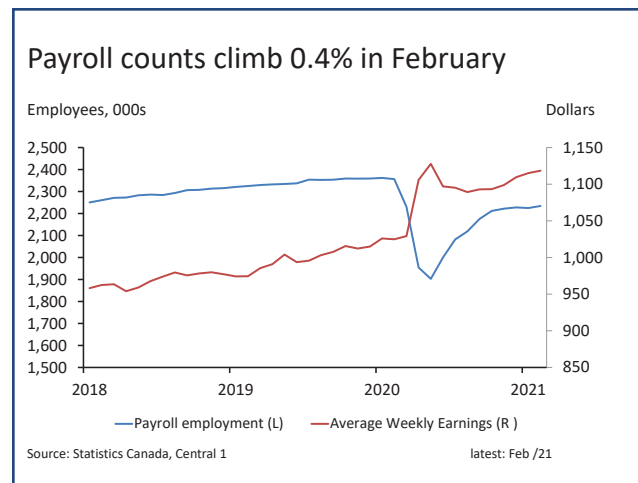
reflected pessimism in Ontario which fell 10 points. This is not surprising given the effects of the COVID third wave and severity of restrictions including a stay at home order. That said, generally positive long-term outlooks reflect the dynamics of vaccine deployment, where about 30 per cent of the population have now received at least the first jab, while growth outlooks are rosy for both the Canadian and U.S. economies.

Short-term expectations continued to lean negative which is unsurprising given the unknowns associated with the third wave and the potential for another round of restrictions before the pandemic closes. Moreover, given a relatively solid economic performance in B.C., the relative upside in coming months is limited. Provincially, the index came in at 49.8 points, compared to 45.9 points in March and slightly below the national reading.

Generally, CFIB's survey pointed to constructive gains for the economy into April. Full-time hiring netted out positive with 19 per cent looking to hire and 16 per cent cutting. Roughly 35 per cent of firms noted good business health compared to about 40 per cent pre-pandemic, although the number noting bad health was elevated at 23 per cent. This is likely divided across industry lines with sectors like hospitality, private health and other services remain highly affected by pandemic restrictions.

Payroll counts continue to rise but sharply below pre-pandemic level

B.C. non-farm payroll counts increased in February in line with the nation-wide gain. Based on employer data, payroll employment which captures employees receiving pay or benefits, increased 0.4 per cent or 9,400 persons to 2.23 million. National counts increased 0.3 per cent. The trend has remained positive since bottoming in May 2020 as the economy has recovered despite ebbs and flows of public health measures.



That said, counts remain sharply below pre-pandemic levels by 5.2 per cent (122,000 positions) despite a narrowing gap and have lagged a much stronger rebound in Labour Force Survey (LFS) employment estimates which are back to pre-pandemic levels. While deviations occur due to estimation methodology, and coverage (payroll counts exclude the self-employed and farm workers), the gap likely owes to fewer multi-job holders due to health fears and loss of work in the hospitality and food-services sector. Additionally, some individuals may consider themselves employed or tied to their place of work, but not receiving benefits or pay.

Year-over-year job losses remain concentrated in arts/entertainment/recreation (down 39 per cent or 22,000 positions), accommodations/foodservices (down 25 per cent or 58,850 positions), and educational services (down 6.9 per cent or 12,525 positions). This reflects the impact of pandemic measures on tourism, restaurants and on-campus learning. In contrast, resources, professional services and healthcare have fully recovered as real estate markets have boomed, technology sectors thrive, and demand remains high for health workers given the pandemic.

Average weekly earnings rose 0.3 per cent to \$1,118, marking a 9.1 per cent increase from a year ago. Sharp employment declines in lower earnings sectors continue to prop up weekly earnings. As the economy fully recovers, a return of service-oriented positions will dampen wage earnings.

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