



Highlights

- B.C. retail sales edge lower in April but outperforms national plunge
- Small business confidence up amidst restart plans and vaccine deployment
- Population turns higher during first quarter
- Non-farm payrolls increase in April, but likely lags third wave job losses

National plunge in retail sales misses B.C.

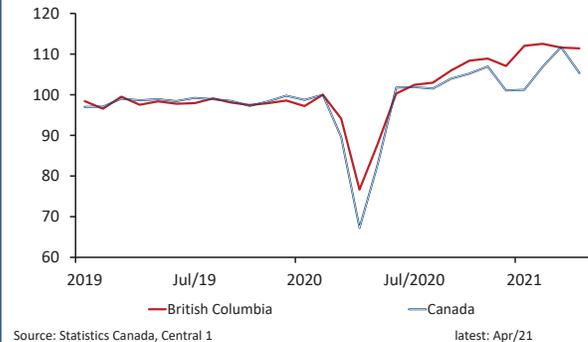
Canadian retail sales cratered in April by 5.7 per cent as the third wave of the pandemic and more restrictive public health measures affected retailers in several provinces. This was the sharpest pullback since April 2020 during the onset of the pandemic. While sales fell in seven provinces, the severity of the decline was not a national story and largely confined to Ontario (-13.4 per cent) and Manitoba (-8.0 per cent) amidst more stringent measures.

B.C. retailers have been modestly affected by the government's "circuit breaker" measures. Retail sales slipped 0.2 per cent in April after a 0.8 per cent decline in March to reach \$8.18 billion. While off the recent peak, sales were still 11 per cent above February 2020's pre-pandemic level, outpacing the national sales figure which was five per cent higher. Year-over-year growth of 45 per cent largely reflects base year effects of the steep drop off in sales last February.

Based on our adjustments for seasonal factors, sales declined for bigger ticket items. Sales fell about two per cent at motor vehicles and parts dealers and furniture stores, while also dipping at electronic stores. That said, sales remained elevated. Vehicle sales may have been tempered by broader supply chain challenges affecting the industry as semi-conductor shortages delay vehicle

Public health restrictions hammer national retail sales, B.C. holds steady

Retail sales, Feb 2020 = 100



production. In contrast, clothing store sales continue to recover with a six per cent gain, reaching the highest level since before the pandemic as the return to more normal social interactions and offices lift sales.

Mixed patterns are expected for retail spending. Ongoing recovery in the economy continues to support broad demand but spending habits will rotate more towards services and leisure rather than goods. Food sales will likely decline as households dine out more with loosening of restrictions, while demand on recreation and leisure services will likely take away from other goods spending. Nevertheless, retail goods sales growth is forecast to reach 6.5 per cent.

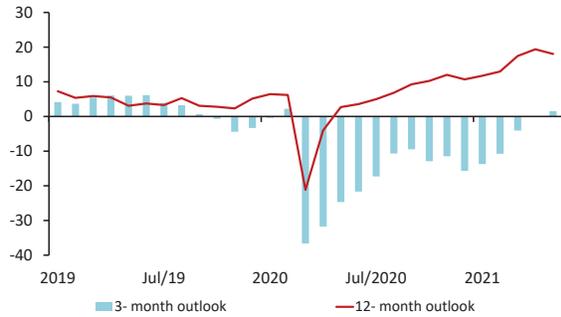
B.C. business confidence remains firm

Small and medium sized B.C. businesses remained upbeat in June as loosening of public health restrictions and rapid vaccination deployment promises more normalized operating conditions over the coming months.

The Canadian Federation of Independent Business' (CFIB) monthly barometer index capturing businesses' 12-month outlook came in at 68.5 points. This was up slightly from May, 15 points from a year ago, and was among the highest among provinces. A value above 50 means the number of businesses expecting a stronger performance over the coming 12 months exceeds those expecting a weaker performance. The three-month outlook at 52.6 points also moved higher, but still reflects uncertainties about COVID-19 outbreaks and potential delays to the provincial restart plan.

Small business confidence firms on economic reopening plans and vaccine deployments

B.C. CFIB Business Barometer, Deviation from 50



Source: CFIB, Central 1

latest: Jun/21

Among other data published by the CFIB, three-month hiring intentions are generally strengthening, with 22 per cent looking to increase full-time hiring, while 16 per cent look to cut. Meanwhile, businesses surveyed are operating at about 72 per cent of capacity.

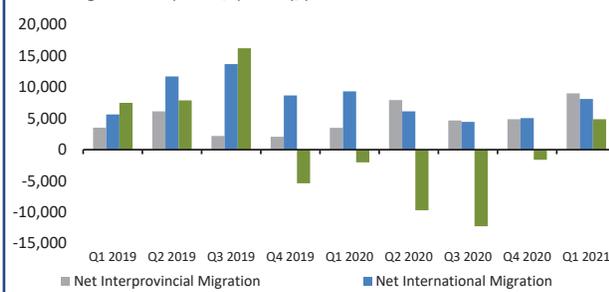
Population growth turns up after pandemic declines

After falling sharply through the pandemic, B.C. population growth looks to have turned the corner during the first quarter lifted by robust interprovincial migration, while net international inflows gained traction.

B.C.'s population reached an estimated 5.17 million persons as of April 1. This marked a mild 0.6 per cent gain over the past 12 months due to weakness in the second half of the year but accelerated from the 0.4 per cent (32,320 persons) year-over-year increase in January. On a quarterly basis, the population jumped 0.4 per cent (21,685 persons) from January 1 which was stronger than usual for a first quarter suggesting delayed moves from 2020 are now occurring.

Interprovincial migration surge and higher international flows boost net migration in Q1

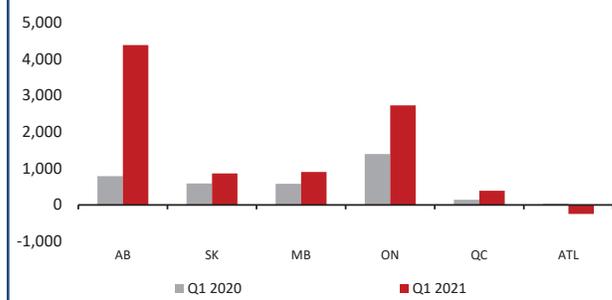
B.C. net migration component, quarterly, persons



Source: Statistics Canada, Central 1

More Albertans and Ontario residents flock to B.C. during pandemic

B.C. net interprovincial migration by source province



Source: Statistics Canada, Central 1

International immigration, pummeled in recent quarters due to pandemic effects on global movements, processing delays, and general fears of travel, largely normalized during the first quarter. Excluding non-permanent residents, net international inflows reached 8,116 persons. While this was 13 per cent lower than the first quarter of 2020, this is compared to a year-over-year decline of 40 per cent in the fourth quarter. Moreover, net flows were 10 per cent above average first quarter flows from 2015 – 2020. Severe declines in net non-permanent residents which underpinned much of the pandemic weakness turned positive after three straight quarterly losses as more temporary workers and students entered the country and region.

While international flows are just normalizing now, interprovincial migration remained strong and accelerated during the pandemic. While themes such as retirements and lifestyle demand persisted, B.C. has been a preferred destination to relocate due to relatively fewer restrictions and natural beauty. During the second half of 2020, net interprovincial migration more than doubled same-period 2019, and this trend accelerated in Q1 2021 with a year-over-year gain of more than 150 per cent to 9,013 persons. B.C. attracted more people than it lost from most provinces, led by Alberta and Ontario, with a small loss to Atlantic Canada.

Population growth will continue to rattle higher over the coming year. As the pandemic wanes and more vaccines are deployed, global mobility will rise, although vaccine unevenness among countries means this could take time. Post-secondary institutions in B.C. are planning for normal operations in the Fall, meaning the addition of more international students and students from other provinces. At the same time, a partial normalization of the workplace will likely slow or reverse gains driven by work from home.

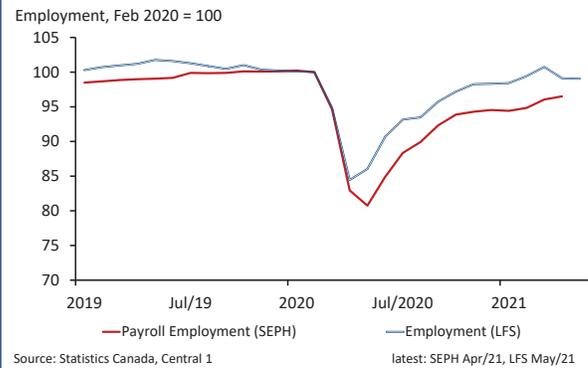
Non-farm payrolls rose in April despite third wave restrictions

B.C. non-farm payroll counts from Statistics Canada's Survey of Employment, Payroll and Hours (SEPH) edged higher in April despite the drag on the economy from third wave restrictions. Payrolls rose 0.5 per cent to 2.27 million positions and marked a 16 per cent increase on a year-over-year basis due to a base year effect of deep layoffs in early 2020. April's gain lifted payroll counts to 96.5 per cent of February 2020 levels.

Divergent performance with the Labour Force Survey (LFS) which fell 1.6 per cent partly reflects lags in payroll data, as pay and benefits would still be included during the month even if employees were laid off. Some of these losses may not be observed until June data, although other sectors continued to expand. It may also be the case that the gap between the LFS and SEPH is narrowing as LFS employment has far outperformed. LFS employment is only one per cent below pre-pandemic levels, although fewer multi-job holders in the economy due to the pandemic is factor dragging on SEPH employment.

Among sectors, notable declines from March were in accommodations/foodservices (-4.3 per cent) and information and culture (-1.2 per cent) which is consistent with increased restrictions. In contrast, significant growth was recorded in forestry (up 4.5 per cent), healthcare and social assistance (1.4 per cent), public administration (2.2 per cent) and other private services (7.8 per cent).

SEPH employment climbs in April despite LFS employment decline



Average weekly earnings rose 0.5 per cent from March to \$1,110. This is likely owed to the jobs decline in earning sectors during the month, although weekly earnings did rise significantly in some sectors such as finance and insurance, and utilities. Severe job losses in hard hit services sectors have lifted average earnings over the past year. As these jobs return, headline earnings will likely decline.

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