



Highlights

- B.C. retail sales underperforms the national picture in July with 1.2 per cent decline;
- Retail sales remain elevated relative to pre-pandemic trend despite rotation of demand back to services;
- U.S. travel through B.C. rose 58 per cent year-over-year to 43,961 but was 95 per cent lower than two years ago;
- Canadians returning via B.C. up 80 per cent, but still down 94 per cent from two years ago.

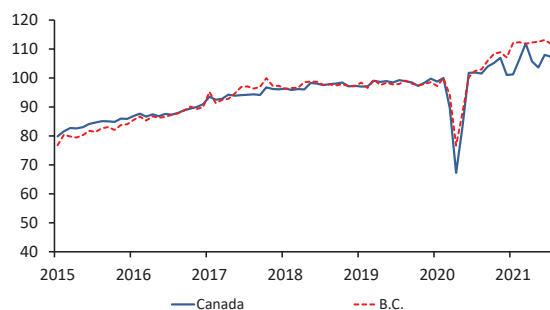
B.C. retail spending slips in July as pandemic growth drivers retreat, restaurant meals rise

Bryan Yu, Chief Economist

Canadian retail sales contracted in July but came in higher than anticipated according to the latest Statistics Canada data. Dollar volume sales fell 0.6 per cent month-to-month to partially reverse June's 4.2 per cent gain. Preliminary estimates had pegged the drop at 1.7 per cent. Sales fell in all provinces except for Ontario and New Brunswick. That said, higher prices, particularly for vehicles and gasoline contributed to the shallower decline as constant-dollar sales fell 1.1 per cent.

B.C. retail spending slips but outpaces national pattern

Retail sales, Index Feb/20 = 100

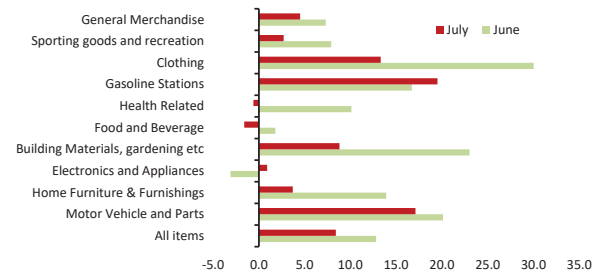


Source: Statistics Canada, Central 1

latest: July 2021

Mixed retail patterns as pandemic gains retreat

B.C. retail sales, year-over-year per cent change



Source: Statistics Canada, Central 1, unadjusted

latest: July 2021

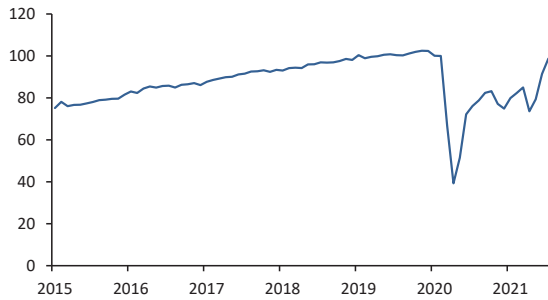
July's decline was a mixed bag that highlighted ongoing re-opening trends in the economy. Food and beverage stores (-3.4 per cent) continued to trend lower while sales at building materials and gardening stores slumped (-7.3 per cent). Re-opening trends and domestic tourism shifted more spending towards restaurants and hotels, while the red-hot housing market cooled. In contrast, clothing store sales jumped 7.6 per cent as more individuals returned to work-places pushing sales to near pre-pandemic levels. This rotation in spending patterns was clear in sales at food services and drinking establishment which is excluded from retail sales. Sales rose 11 per cent from June, although still five per cent below pre-pandemic levels, unadjusted for higher prices

On a year-over-year basis, brick and mortar retail spending rose 5.3 per cent, with levels up seven per cent over February 2020. The corresponding gains in real spending was 3.0 per cent and 5.8 per cent. The agency also reported slower online sales, which fell 19 per cent from June and 2.9 per cent year-over-year as activity rotated back towards storefronts.

British Columbia retail sales slipped in July to underperform the national picture. Sales fell 1.2 per cent to a seasonally-adjusted \$8.21 billion marking the first contraction since December and lowest level since March. That said, B.C. has generally been robust reflecting a lighter touch on physical restrictions for the sector. Retail spending was nearly 12 per cent higher than February 2020. Year-over-year growth came in at 8.4 per cent, albeit lower than June's 12.8 per cent gain.

Re-opening patterns and domestic tourism lift restaurant sales

B.C. Food services and drinking place receipts, Index Feb/20 = 100



Source: Statistics Canada, Central 1

latest: July 2021

July's retail pullback was led by slower sales in furniture and furnishing stores where we calculate a three per cent drop in monthly sales, while year-over-year growth slowed to 3.7 per cent from 14 per cent in June. Building materials and gardening sales continued to decelerate sharply but remained nine per cent higher than a year ago. Clothing sales backtracked following a strong June increase, while sporting goods sales also declined. In contrast, electronics and appliances sales rose.

Regionally, Metro Vancouver sales lagged the provincial performance with a 2.7 per cent decline from June as vehicle sales dragged, although year-over-year growth was higher at near 15 per cent.

Growth through the first seven months remained robust at 19 per cent, reflecting the strong rebound and base-year effects of early 2020 declines. This is likely to narrow as consumer spending continues to rotate towards services while demand for durable goods is expected to ease after strong gains during the pandemic which should curtail growth. Indeed, restaurants continue to recover amidst relaxation of health restrictions, and vaccine passports will allow this to continue despite the pandemic fourth wave. Sales at food services establishments jumped eight per cent from June and narrowed the gap from February 2020 to about 1.5 per cent.

Tourism activity improves in July but remains exceptionally low

Alan Chow, Business Economist

International travel to B.C. increased sharply in July but remained decimated by pandemic factors of restricted borders and public health fears. The number of travelers entering B.C. increased 17 per cent during the month to a seasonally-adjusted 28,329 persons which marked the highest level since April, and up 65 per cent year-over-year. That said, level remained miniscule when compared to levels in 2019.

International travel to B.C. highest since April

Non-resident traveler entries through B.C., seasonally-adjusted



Source: Statistics Canada, Central 1

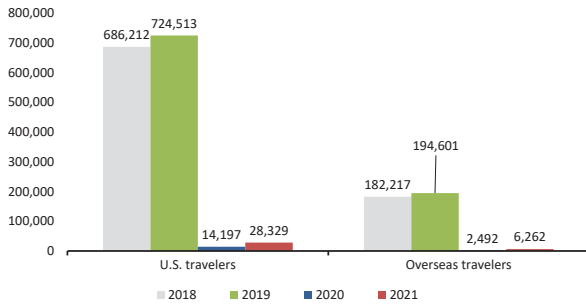
latest: July 2021

The U.S. travel through B.C. rose 58 per cent year-over-year to 43,961 but was 95 per cent lower than two years ago when more than 900,000 persons arrived through the U.S. Most of the United States residents still came via auto, but those flying over to Canada almost tripled from a year ago. Overseas visits more than doubled to 12,000 persons in July 2021 as compared to a year ago but was still 96 per cent below the comparable figure from July 2019.

The number of Canadians returning via British Columbia is also up 80 per cent as compared to from a year ago but still down 94 per cent from two years ago. 71 per cent of those are coming from the United States, which is up from 62 per cent from last year. Historically, this figure was closer to 90 per cent but because of Canadian tourist are still not allowed to enter the US via land travel, this figure is likely to stay lower.

But levels remain decimated by pandemic

Non-resident traveler entries through B.C., July



Source: Statistics Canada, Central 1

latest: July 2021

Growth was partially attributed to the relaxing of rules for those who were already allowed to enter Canada, although temporary measures continued to restrict measures from some countries. As of July 5th, those that meet those requirements and were fully vaccinated by one of the approved vaccines were no longer required to quarantine for 14 days upon arrival. The mandatory 3-day hotel stay if arriving via air was also removed.

Incoming data will further improve. Fully vaccinated Americans have been allowed into Canada since August 9, and other foreign nationals since September 7. This has boosted Canadian tourism and added to strong domestic tourism activity already supporting B.C.'s economy.

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