



Highlights

- B.C. business confidence declines in December; short-term outlook lowest since March
- Retail spending growth decelerates in October
- International travel to B.C. rebounds but remains exceptionally low through October
- Non-farm payroll employment jumps in October

Small business confidence erodes ahead of Omicron restrictions, B.C. downtrend continues

Bryan Yu, Chief Economist

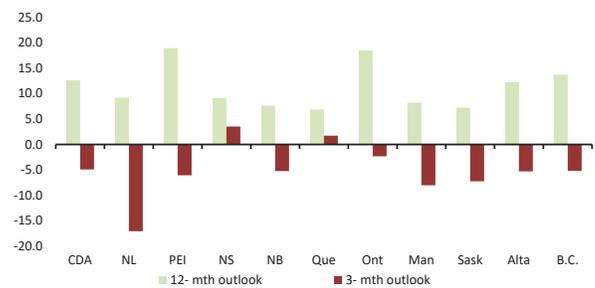
Short-term business confidence tumbled in December as the spread of the Omicron variant intensified globally while wage pressures remained elevated. According to the latest CFIB Business Barometer reading, the 3-month outlook for Canadian small business retreated 4.5 points to 45.1 points. A value below 50 points suggests that on net, businesses are downbeat about the coming months. As the survey was taken from December 1 to 15, tighter COVID restrictions had yet to be implemented in many regions but some businesses may have already been on heightened awareness given trends elsewhere. The steepest declines in confidence was observed in the retail sector, while hospitality confidence remained low. Both were below 40 points. Confidence fell in most provinces led by Quebec (from 55.7 to 51.7 points) and Ontario (from 50.4 to 47.7 points). The index value was lowest in Newfoundland and Labrador (33 points).

The long-term (12-month outlook) index was little changed at 62.6 points suggesting at the time of the survey, businesses remained upbeat about the year ahead.

With Omicron leading to significant tightening of restrictions, and essentially shuttering of holiday events and gatherings, there is little doubt that confidence has been sapped in the second half of December. Measures vary across the country but have included capacity limits at restaurants, mandatory cancellation of holiday events

Short-term outlook negative heading into Omicron restrictions

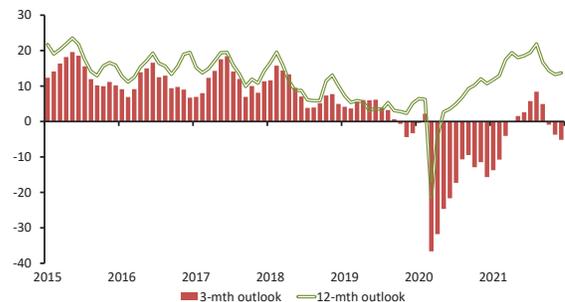
CFIB Business Barometer, Deviation from 50, Dec 2021



Source: CFIB, Central 1

B.C. business confidence declines heading into Omicron restrictions

B.C. CFIB Business Barometer, Deviation from 50, Dec 2021



Source: CFIB, Central 1

Latest: Dec-21

and gatherings, limited business hours, and other measures that will extend through mid- to- late January. Tourism flows to Canada have further pulled back. For some businesses this could lead to permanent closures given the burden of additional debt, unsaleable inventory, and reliance on seasonal holiday sales. These headwinds could constrain full-time hiring which remained on net positive in December with 22 per cent looking to hire, and 16 per cent looking to cut.

Adding to business concerns into 2022 include increased costs associated with rising input costs including wages. Average wage plans suggested average growth of about 3.0 per cent over the next year compared to around one per cent a year ago, although prices are projected to rise at an even faster pace. Product input costs were also cited as a key source of business difficulty (nearly 50 per cent of businesses), reflecting broad global inflation and supply chain challenges.

Like the national theme B.C. business confidence also retreated with a third straight monthly decline in the short-term index to 44.8 points and the lowest since March. This was slightly lower than the national reading and pointed to declining confidence. Adding to factors affecting the national reading were likely the drag following the massive floods impacting the province that destroyed critical infrastructure, business and interrupted shipping routes. B.C.'s long-term reading came in at 63.7 points which exceeded the national print. That said, both long-term and short-term outlooks were down significantly in recent months and have likely eroded further as Omicron restrictions came into effect. Full-time staffing plans were on net, positive, with 22 per cent looking to hire and 16 per cent cutting but have likely tempered.

BC retail sales up only 0.3 per cent in October

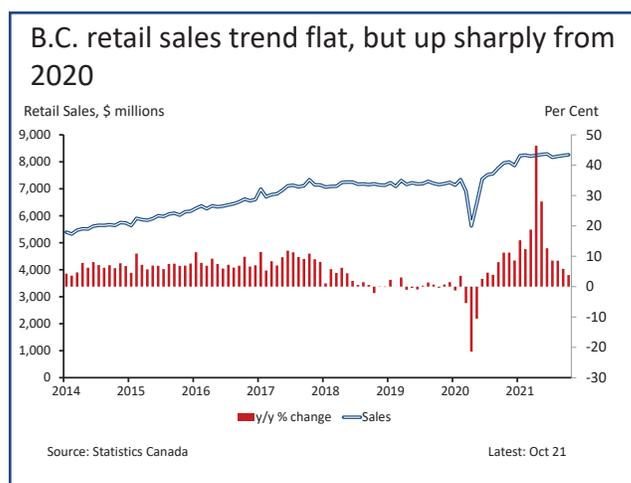
Edgard Navarrete, Regional Economist

Retail sales volumes in British Columbia grew modestly in October moving up 0.3 per cent to a seasonally-adjusted \$8.3 billion following a 0.4 per cent gain in September. On a year-over-year basis, sales growth slowed to 3.8 per cent from 5.8 per cent. Since early 2021, sales flow has largely held steady after rebounding through 2020 as consumers pivoted towards service spending after splurging on goods last year. Through the first ten months of 2021 sales are ahead of last year's pace by 14.6 per cent reflecting robust consumer appetites and weakness in early 2020.

For the most part, retail spending on goods decelerated during the month, particularly in store segments like motor vehicle and parts, building materials and gardening stores, and food and beverage stores. This has reflected the rotation from pandemic era spending on renovations, store-bought foods and other durable goods to something more normalized. Clothing sales are bouncing back.

That said, sales are still sharply higher than a year ago through ten months, still led by vehicle sales (25 per cent), building materials stores (20 per cent). Clothing store sales rose 33 per cent, and home furnishings stores posted growth of 33 per cent.

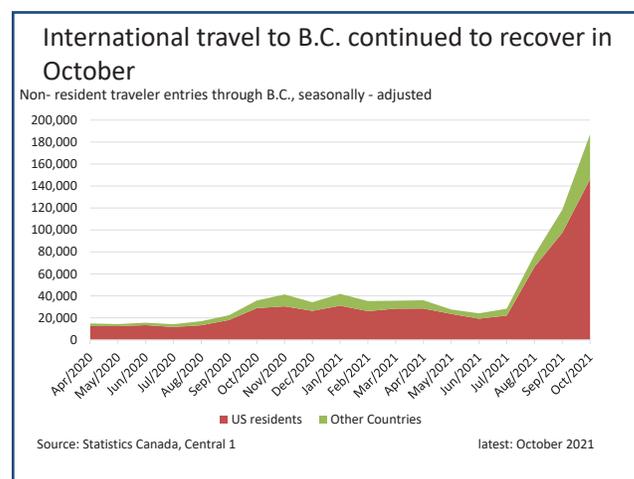
The emergence of the new omicron variant of COVID-19 will likely dampen sales activity B.C. as public health restrictions ramp and many consumers shy away from retail spending, while holiday giving is interrupted.

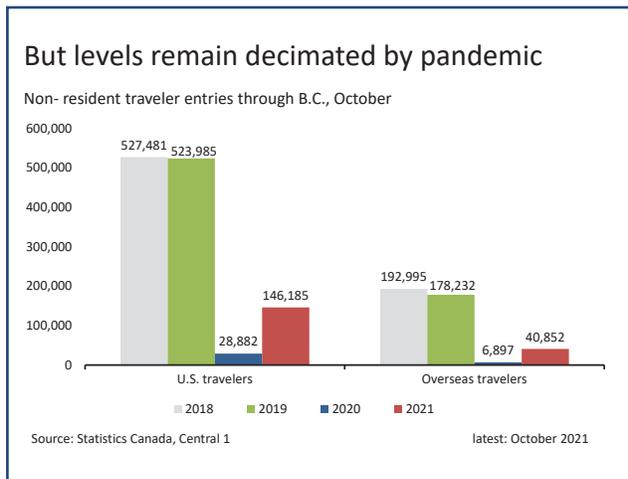


International travel to B.C. continued to rebound in October

Ivy Ruan, Economics Research Associate

The number of international arrivals to Canada continued to rebound through October but remained well below pre-pandemic levels. The number of non-resident travelers entering through B.C. reached 187,037 persons, over five times greater than the same month last year but still only 26.6 per cent of October 2019. An increase in U.S. travelers since the reopening of Canadian border to fully vaccinated U.S. residents led the increase. There were 146,185 American travelers entering B.C. in October, more than fivefold increase from last year and 27.9 per cent of the October 2019. The flow of U.S. vehicles entering through B.C. doubled October 2020 levels and was 42.0 per cent pre-pandemic October 2019.



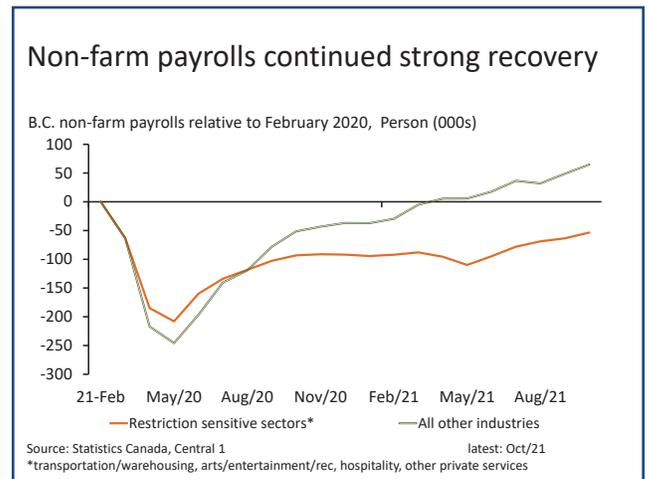


With testing and quarantine no longer required for fully vaccinated international travelers since September 7, 2021, the number of total travelers from countries other than the U.S. entering B.C. in October doubled from last month at 40,852 persons. This was almost six times higher than October 2020, and the highest number since the pandemic began in April 2020. However, it was still well below the pre-pandemic level in October 2019, counted only 22.9 per cent of the travelers back then. That said, the Omicron variant has temporarily paused progress in the busy holiday season. Global travel restrictions have tightened amidst spread, on-arrival testing has been re-implemented to enter Canada, and broad declines in consumer confidence and local health orders has likely led to tourist cancelling trips. Future data will reflect these restrictions.

Non-farm payroll employment return to pre-pandemic levels in October

Alan Chow, Business Economist

The latest survey of employment, payroll, and hours came out this week and BC saw October non-farm payroll count increase 26,000, up 1.1 per cent over the previous month to 2.367 million jobs. This growth finally brought levels seen before the pandemic.



As with other provinces, the accommodations and food services sector saw the largest gains, with 5,200 job increases or 2.68 per cent over the previous month and is the fifth consecutive month of growth in this sector. This is followed by educational services, which is up 2.1 per cent or 3,600 jobs over the previous month but still below the high seen this year in July 2021. The arts and entertainment sector saw the largest per cent increase, up 4.8 per cent or 2,000 jobs to 43,500. This is a pandemic high but it's not expected to last as the omicron variant of COVID-19 begins to surge through the province and new restrictions are put in place. On the other end, forestry saw a 0.7 per cent decrease over the previous month followed by the Management of companies and enterprises, which is down 0.3 per cent. Public administration is also down 0.08 per cent. All other sectors saw gains.

Average weekly earnings were down slightly to \$1,137 from \$1,139 the previous month. This is despite job vacancy rates being relatively high compared to previous years at 6.3 per cent.

For more information, contact economics@central1.com.