



Highlights

- B.C. retail spending declines in March, inflation a headwind for consumers
- Long-term confidence eases in May but businesses remain upbeat
- Tenth straight monthly gain in non-farm payroll counts as pandemic-sensitive sectors lift hiring
- International tourist visits to B.C. climb 20 per cent but remains half of pre-pandemic levels

B.C. retail spending contracted in March

Ivy Ruan, Economics Research Associate

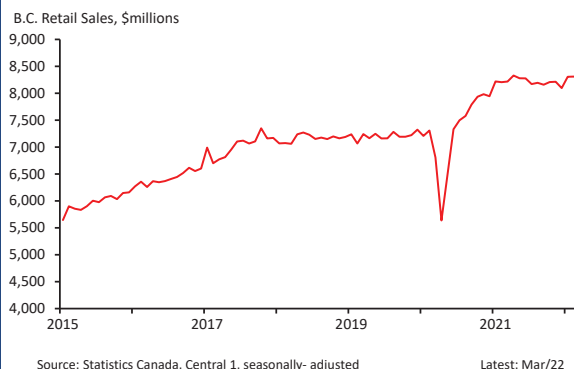
B.C. retail spending slipped in March by 0.5 per cent monthly to a seasonally adjusted \$8.26 billion. This followed a flat February performance. Year-over-year, sales were up a mild 0.6 per cent to extend a range-bound pattern observed since early 2021. Spending has rotated away from goods purchases and toward services such as restaurants and experiences, while inflation is likely dragging on household spending.

On a constant dollar basis, national retail sales fell 1.0 per cent with nominal sales unchanged, pointing to a decline in real spending. Patterns were likely similar in B.C. given broad inflationary pressures. In March, national CPI inflation was up 6.7 per cent year-over-year and B.C. provincial inflation gained 6.0 per cent.

Based on Central 1 seasonal adjustment, B.C. consumers spent less on motor vehicle and parts (3.5 per cent), building materials, gardening (9.4 per cent) and health related (2.0 per cent) compared to last month. Spendings at gas stations accelerated with a 7.6 per cent monthly growth in March, however, its gain was offset by lower sales at motor vehicle and parts dealers. Core retail sales (excluding gasoline stations and motor vehicle and parts dealers) fell 0.7 per cent from last month, albeit 1.2 per cent higher compared to a year ago.

Dollar-volume sales are expected to rise modestly in 2022 due to a strong labour market, population growth and pass through of inflationary pressures to consumers. That said, rotation to services continues while weakening housing market conditions are expected to be a drag.

B.C. retail spending slips in March



Short-term business confidence slips in May on greater uncertainty in the visible horizon

Edgard Navarrete, Regional Economist

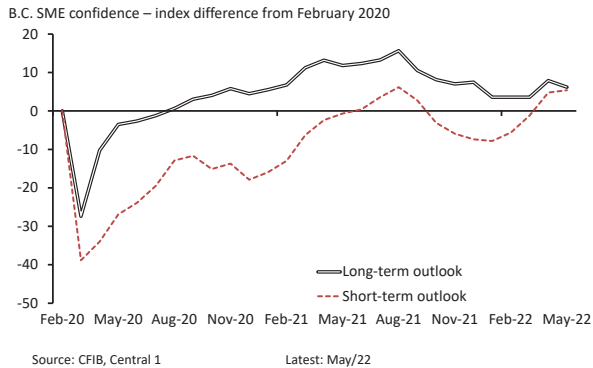
Small-medium enterprise confidence index numbers released this week by the Canadian Federation of Independent Business (CFIB) pointed to mixed sentiment in B.C. While the short-term outlook (three-months) remained relative stable (up 0.6 points m/m to 57.6 points), the long-term outlook eroded among uncertainties around inflation, higher borrowing costs, weaker consumer demand and supply chain issues affecting production. The long-term outlook (twelve months) fell 1.7 points m/m to 62.4; a sizeable drop but not as significant as other regions such as Ontario that saw this metric fall by more than double in the same month.

Despite the latest reading, both metrics are still above 50 points which signals optimism going forward and on average, most SMEs expect a better outlook in three to twelve months.

Unlike other provinces, the long-term outlook in B.C. rebounded relatively quickly and since about June 2020, has surpassed pre-pandemic confidence. The short-term outlook has had a longer path to recovery but remains above pre-pandemic levels even with the recent dip in confidence.

The large inflow of new residents, relatively lax COVID-era restrictions and strong economic growth have all helped insulate the province from the difficulties faced by other regions. B.C. was among provincial economic leaders in 2021 with GDP growth of 6.2 per cent.

Despite some uncertainty ahead SME confidence remains ahead of pre-pandemic levels



Year-over-year, SME long-term confidence is down 5.6 points and has been shedding points for five consecutive months. Short-term confidence remained 6.1 points ahead of where it was a year ago.

The average capacity utilization rate in B.C. moved up to 76 per cent in May, placing the province in the middle of the pack compared to other regions of Canada. Moreover, according to the latest survey 37 per cent of small and medium enterprises feel that the economic outlook is good, significantly lower than the long-term trend.

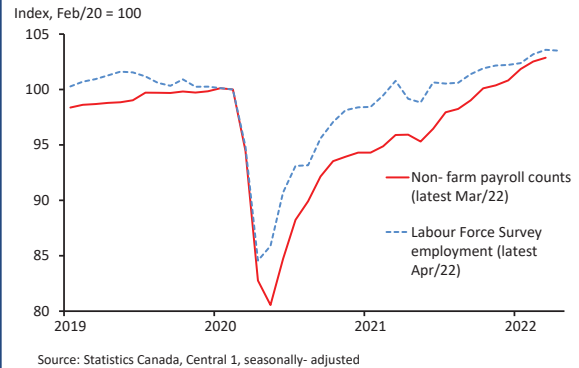
Payroll counts climb for tenth straight month in B.C.

Bryan Yu, Chief Economist

B.C. hiring continued to rise through March as businesses expanded to support sales growth and ramped up activity as the Omicron risks wound down. Non-farm payroll counts increased by 8,242 positions (0.3 per cent) during the month to reach 2.428 million positions to mark a tenth consecutive monthly gain. That said, the pace of growth slowed for a second straight month and to the lowest level since November. This likely reflects a combination of labour shortages observed in a low unemployment rate near five per cent reported in the monthly Labour Force Survey (LFS), a Canada-wide high job vacancy rate (7.3 per cent), and constraints of rising wage rates.

The latest increase pushed payroll counts above February 2020 levels by 2.9 per cent. In comparison, LFS employment was up 3.6 per cent on a same-period basis. LFS employment slipped in April pointing to flatter payroll numbers in months to come.

Non-farm payroll counts rise in March, narrowing gap with LFS employment



By industry, pandemic-sensitive services sectors drove much of the gain. Employment in services-producing sectors on the whole rose matched the headline gain but driven by accommodation/foodservices (+1.1 per cent or 2,325 positions), while arts/entertainment/recreation increased 1.8 per cent (or 766 positions). Other sectors with stronger growth included the knowledge sector with professional/scientific/technical (PST) services up 1.4 per cent (2,337 positions), and retail trade rose 2,540 positions or 0.9 per cent. Goods-sector payrolls were largely unchanged, while wholesale trade employment fell 4.1 per cent and real estate/rental/leasing declined 4.1 per cent likely owing to slowing housing market conditions which will intensify.

While pandemic-sensitive sectors are recovering, they are far from a full recovery. Accommodations/foodservices employment is still 10 per cent lower than February 2020, with arts/entertainment/recreation down 20 per cent. Attracting employees has become more difficult following early pandemic layoffs as staff have pivoted to other sectors. High growth sectors have included knowledge sectors like PST (+24 per cent), health care (+8.5 per cent), public administration (+7.9 per cent) and resource extraction (+17.7 per cent).

On the earnings front, average weekly earnings gained 0.7 per cent and rose 4.9 per cent from a year ago to reach \$1,161. This was stronger than other provinces and due to a combination of wage growth and increased hours worked. The index of fixed hourly earnings rose 3.4 per cent y/y.

Visits from non-U.S. residents continue to grow

Edgard Navarrete, Regional Economist

Tourist visits into B.C. continued to climb in March supported by fewer restrictions at the border and a desire for people to travel for business and non-business purposes after two years of being locked out of Canada. In March, B.C. welcomed nearly 240,000 visitors, up 20.2 per cent m/m adding to the 39.8 per cent m/m growth posted in February and providing support for the hospitality sector.

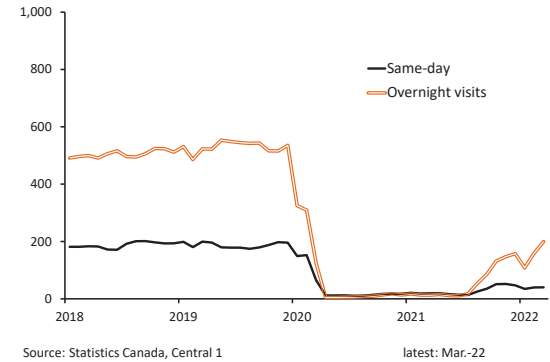
Of the total visitors, just over 83 per cent came for at least an overnight visit. As expected, given the proximity, the majority of visitors (71.5 per cent) were U.S. residents.

Compared to pre-pandemic activity from February 2020, tourism into B.C. continues to recover but a large margin still needs to be made up for current levels to reach pre-pandemic activity. In March 2022, 51.9 per cent of pre-pandemic visits had been achieved.

An interesting trend that started in February and continued into March is the growth of visitors from non-U.S. destinations into B.C. Visits from this group increased 56.3 per cent last month following March's 51.0 per cent gain.

Tourist visits into B.C. are nearly 52 per cent of the way back from pre-pandemic activity

Non-resident visitors ('000s)



While U.S. visitors continue to account for most of the visitors into B.C., the non-U.S. group is growing, likely due to increased business travel and families reconnecting after two plus years of being unable to visit each other.

Despite the ongoing rebound to tourism, the rate of growth is slowing which could reflect broader uncertainty, rising fare prices, and capacity constraints in the travel industry.

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