



Highlights

- B.C. retail spending increased 1.3 per cent in April from last month
- May consumer price inflation surged 8.1 per cent year-over-year in B.C.
- Tourism in B.C. remained robust in April
- International migration led B.C. population growth in Q1 2022
- B.C. non-farm payroll counts rose for an eleventh consecutive month in April

Rising fuel prices lift B.C. retail spending in April

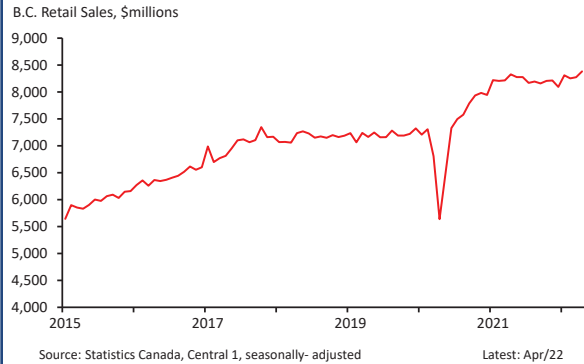
Ivy Ruan, Economics Research Associate

B.C. retail spending rose by 1.3 per cent in April 2022 to a seasonally adjusted \$8.38 billion, accelerating after a flat performance over the two months prior. That said, this partly reflected the reallocation of incomes to compensate for the rising prices of fuel products and broader goods. Indeed, higher sales at gasoline stations led to the overall increase, while sales for non-essential goods at sporting goods and recreation, building materials and gardening stores dropped. Year-over-year sales growth remained subdued at a mild 0.6 per cent despite the April uptick. After a surge in 2020, sales have broadly held range-bound reflecting a pivot in demand back towards services spending and hospitality.

On a constant dollar basis, national retail sales rose 0.9 per cent in April following a March decline. The range-bound pattern was likely similar in B.C. given broad inflationary pressures. In April, the national consumer price index (CPI) inflation was up 6.8 per cent year-over-year and B.C. provincial inflation gained 6.7 per cent suggesting a significant contribution from higher prices to sales.

Based on Central 1's seasonal adjustment, B.C. consumers spent less at motor vehicles and parts dealers (6.2 per cent), building materials and gardening centres (20.4 per cent), sporting goods and recreation stores (6.0 per cent) and health-related products (0.6 per cent) compared to last year. Spending at gas stations

B.C. retail spending rose in April largely due to higher sales at gas station



accelerated with a 5.8 per cent monthly growth and a 22.3 per cent yearly gain in April. Core retail sales, which exclude gasoline stations and motor vehicle and parts dealers, rose 0.7 per cent from March and unchanged compared to a year ago.

Dollar-volume sales are expected to rise modestly by about 3 per cent this year, supported by a steady labour market and broad inflation. That said, with wage growth failing to match rising prices, real spending will be constrained as some Canadians look to rein back spending either on goods or other services. It is likely that some Canadians will dip into their pandemic savings to offset the impact of higher prices.

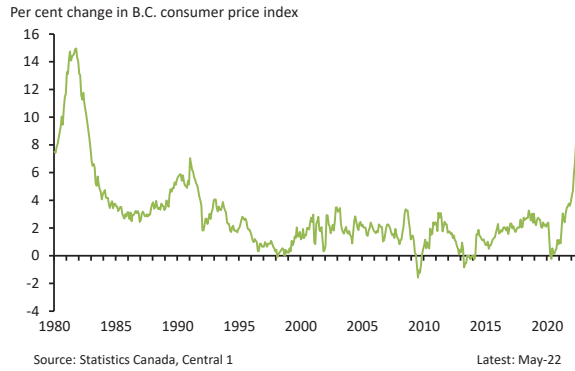
B.C. consumer price inflation surges above 8 per cent

Bryan Yu, Chief Economist

Like the rest of the country, consumer price inflation in B.C. soared in May with year-over-year growth in the CPI reaching 8.1 per cent compared to 6.7 per cent in April as price trends accelerated. The CPI rose 1.3 per cent m/m from April. After a lag in the CPI inflation through most of the pandemic, B.C.'s 12-month inflation leapfrogged the national figure for the first time since December 2020 and was the highest among Canada's four largest provinces. Inflation was consistent across the province with both Metro Vancouver and Victoria at 8.2 per cent.

Consumer price growth in B.C. was consistent with the national pattern as households experienced a broad reduction in purchasing power including

B.C. inflation breaches 8% in May



non-discretionary items reflecting global supply chain challenges amplified by the war in Ukraine and strong domestic demand. Motorists absorbed a 9.9 per cent increase in gasoline prices from April. This increase lifts the year-over-year growth to 42 per cent, compared to 32.8 per cent in April. Natural gas prices rose 18 per cent y/y and other fuel oils were up 59 per cent. Food prices continued to track higher with store-bought prices up 8.6 per cent y/y, although decelerating from the 9.1 per cent pace. Nevertheless, from meat, produce and bakery aisles, price pressures have remained exceptionally strong in B.C.

Growth in shelter costs rose 8.4 per cent y/y which was consistent with April's 8.2 per cent pace as slowing housing prices dampened ownership costs and rent growth steadied. That said, mixed patterns going forward are likely as mortgage interest costs rise and rent increases with population growth and constraints to home ownership affordability. In other goods and services, prices remained sharply higher than a year ago for furniture, reflecting supply chain challenges, as well as travel accommodations as the normalization of the pandemic has triggered revenge spending on holidays and services.

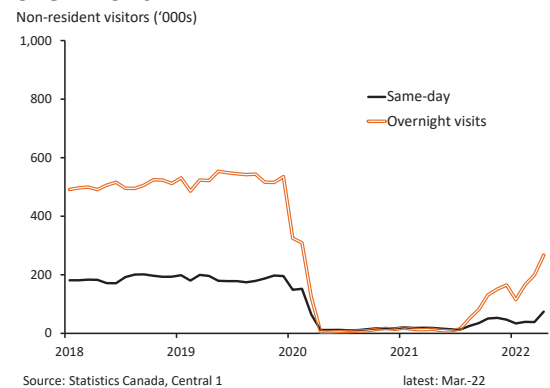
That said, with services-oriented prices up 7.5 per cent and goods up 8.8 per cent in B.C., inflation is a monstrous challenge for households, particularly lower-income groups without a savings buffer. Wage growth has not kept pace with higher prices meaning severe pressure on any savings. Rising oil prices through much of June and higher interest rates mean that these pressures are unlikely to abate immediately, although easing inflation is anticipated partway through the second half of the year as monetary policy works to cool the economy and improved supply chains dampen prices.

Tourism numbers in B.C. jumped 43.5 per cent m/m in April

Edgard Navarrete, Regional Economist

Tourist visits in B.C. climbed for a third consecutive month in April as visits increased sharply following Omicron fears and relaxed entry restrictions. Visits in April moved up 43.5 per cent m/m to 341,769 adding to the 15.8 per cent boost in March. Overnight visits accounted for most total visits into B.C. (78.2 per cent share) but one day visits posted stronger growth (up 92.8 per cent) compared to overnight visits (up 33.9 per cent). American tourists accounted for 76.6 per cent of all tourists coming into BC with this group growing by 51.2 per cent m/m in April. The increase in one-day visits is likely U.S. citizens travelling via car or train for a short visit with many Americans that live close to the B.C. border taking advantage of reduced travel restrictions.

Tourist visits increase 43.5 per cent month-over-month



B.C. has regained 74 per cent of its pre-pandemic tourism from February 2020.

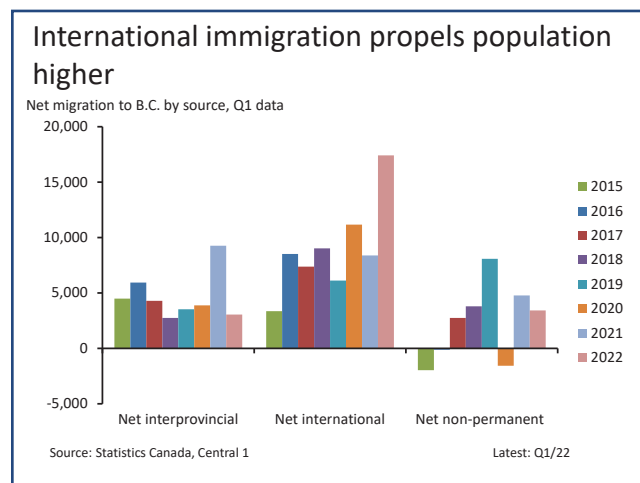
Over the first four months of 2022, tourist visits to B.C. rose 582.6 per cent compared to the same period last year. This is due to two things, base year effects and the pick up in travel now that travel restrictions have been largely lifted.

There is a strong desire by many to travel to B.C. to visit family, for business purposes and for general holiday making. This is especially true now that many festivals and activities have returned to regions across B.C. after a nearly two-and-a-half-year absence due to the pandemic. What could begin to weigh on tourism numbers is the high cost of fuel and the general higher cost of living due to inflation. Both factors may take a larger bite out of the wallets of potential tourists.

Strong international migration powers a population increase in Q1 2022

Bryan Yu, Chief Economist

B.C. remained a favoured destination during the first quarter of 2022 for international newcomers and Canadians looking for a change of scenery. The province added 22,043 new residents during the first quarter due entirely to net migration to lift the population to 5.286 million persons as of April 1. This marked a 0.4 per cent increase from the start of January 2022 and a 1.9 per cent (100,538 person) increase on a year-over-year basis. B.C. growth has far outpaced most of its provincial peers, leading all large provinces and the national gain of 1.3 per cent.

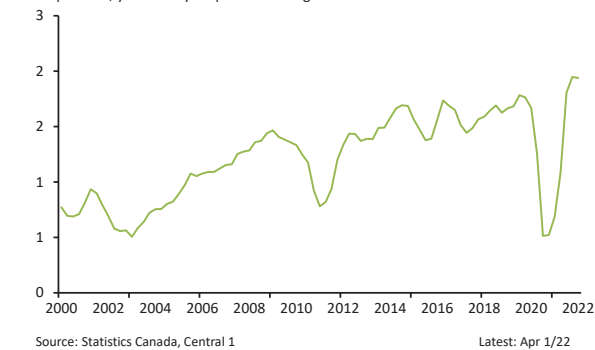


This latest increase in population growth was driven by a spike in international in-migration, reflecting a combination of delayed immigration to Canada during the pandemic, purposeful policy to increase immigration including fast-tracking of temporary visa holders to permanent status and the draw of a strong economy. In-migration of permanent residents reached 20,726 persons during the quarter. This was more than double the number observed during the first quarter of 2021 and the long-term same-quarter average. Net international inflows, which adjust for emigrants and exclude net non-permanent residents, came in at 17,417 persons compared to fewer than 9,000 in the same-quarter of 2021. Net non-permanent resident inflows (+3,421) contributed to growth but decreased compared to the same quarter of 2021.

Meanwhile, Canadian residents continued to shift west keeping net inter-provincial inflows positive. That said, the pace of growth looks to have slowed after strong gains earlier in the pandemic. Inter-provincial migration reached 3,050 persons during the quarter in B.C. which was a third of the net inflow recorded one year

B.C. population growth rebounds sharply

B.C. Population, year-over-year per cent change



prior and lower than the same quarters in 2019 and 2020. The pandemic accelerated retirement trends while households able to work remotely increasingly relocated to more desirable locations, particularly Vancouver Island and the Okanagan.

Strong population growth is likely to continue by way of elevated immigration targets. The federal government targets nearly 1.3 million new Canadians over the next three years while the region will remain a magnet for Canadian retirees and lifestyle seekers. That said, migration will continue to rotate back towards international inflows, with the expectation that the total population will rise about 1.7 per cent annually in 2023 and 2024.

Non-farm payroll counts expand again in B.C.

Bryan Yu, Chief Economist

B.C. non-farm payroll counts rose for an eleventh consecutive month in April as employers scrambled to find employees in a tight market. Payroll growth accelerated to 0.7 per cent m/m (16,571 positions) from April, up from 0.5 per cent in March. With the latest increase, B.C. payrolls exceeded pre-pandemic 2020 by 3.7 per cent.

The latest gains were owed largely to the upswing in services demand, particularly hospitality which continues to rebound from the pandemic. Accommodations/food services and arts/entertainment/recreation increased 2.4 and 2.6 per cent. Combined these sectors contributed more than a third of the net increase. Other notable increases included real estate/rental/leasing (up 3.4 per cent), finance and insurance (up 1.6 per cent) and construction (up 0.9 per cent). It is expected that slowing housing market conditions will take a bite out of these sectors going forward. Only a few sectors shed jobs, notable retail sales which was down 0.7 per cent or 2,065 positions.

While B.C.'s job market remains strong and employment has fully recovered, divergences persist. Driving growth have been sectors like professional/scientific/technical services (up 25 per cent), resource-oriented goods sectors (up nearly 20 per cent) and health care/ social assistance and public administration sectors (up 8 per cent). Hospitality sectors and arts/recreation/ entertainment remain sharply lower but this likely owes to labour shortages. Notably many individuals laid off during the pandemic in these sectors have since left the industry.

Labour shortages is currently a dominant theme for the labour market. Job vacancies in B.C. reached 167,300 positions in April, with the job vacancy rate the highest among provinces at 6.8 per cent. This is adding to wage pressures. Average weekly earnings accelerated 1.3 per cent from March and 5.8 per cent year-over-year.

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