



Highlights

- B.C. retail sales dropped in July following three months of strong gains
- B.C. consumer price inflation fell back in August but still above the national average

B.C. retail sales pull back 1.5 per cent in July

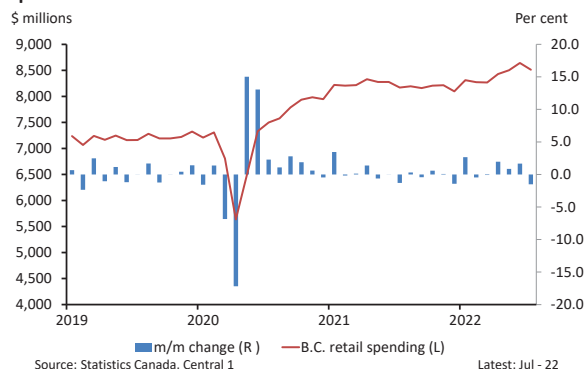
Bryan Yu, Chief Economist

In a sign that consumer demand is coming under pressure from the combination of high inflation and interest rates, a housing market downturn and chatter of an economic slowdown, retail spending retraced in July after three months of strong gains. Dollar-volume retail spending fell 1.5 per cent to a seasonally adjusted \$8.51 billion, with year-over-year growth of 4.2 per cent. The latter compared to 4.4 per cent in June. In comparison, national retail sales fell 2.5 per cent. While Statistics Canada does not compute a real spending figure for B.C., national sales fell two per cent in volume terms, and a slip in B.C. is likely given that consumer prices rose 0.3 per cent in July. That said, spending levels have remained robust.

Regionally, the Vancouver metro area led the decline with a 2.2 per cent monthly decline. That said, year-over-year growth exceeded the rest of the province with a 5.6 per cent gain.

Based on the latest unadjusted data, the largest drag on dollar-volume sales was related to gasoline stations and a sharp drop off in gas prices. Unadjusted sales fell 6.6 per cent, with year-over-year growth falling from 44 per cent to 16 per cent this July. While most of this owes to pricing, sharp deceleration in sales were observed at home furniture and furnishings (-3.4 per cent), electronic stores eased to a 6.3 per cent growth rate from 8.1 per cent in June and building material sales stores showed a 5.3 per cent drop. The downturn in the housing market, both in sales and prices, is contributing to slower ancillary activity. Consistent with a slowing

Retail sales slip in July a sign of a consumer pullback



in interest, sensitive sectors included a drop off in motor vehicle and parts retail sales where sales fell 10 per cent year-over-year. In contrast, households are spending more at food and beverage stores reflecting an increase in prices.

Going forward, retail spending is expected to remain stable in dollar terms as consumers adapt to rising prices and greater economic uncertainty. Year-to-date sales reached 1.8 per cent through July but are expected to rise further to about three per cent by year end, owing to base year effects.

Inflation retraces and remains higher than national average

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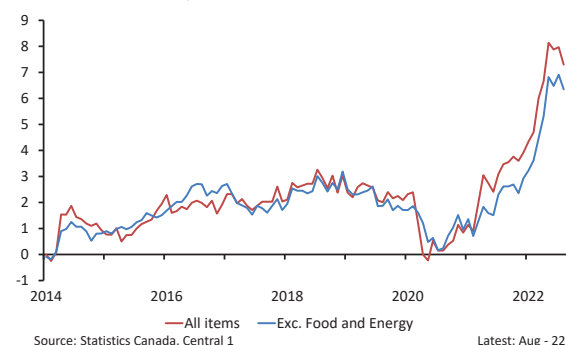
B.C. consumer price inflation fell back in August consistent with the [national picture](#), providing some relief to households under duress from relentless price gains. Nevertheless, inflation pressures remained acute and exceeded the national average.

The consumer price index fell 0.4 per cent (unadjusted) from July, curbing year-over-year inflation to 7.3 per cent, compared to eight per cent in July. In comparison, national CPI inflation came in at seven per cent.

Mirroring national patterns, gasoline was the main drag on inflation with the price at the pump down 7.1 per cent, curbing year-over-year growth from 25 per cent in July to 17 per cent in August. Increased global supply and economic growth concerns likely

Inflation eases in August, remains excessively high

B.C. 12-month CPI inflation, %



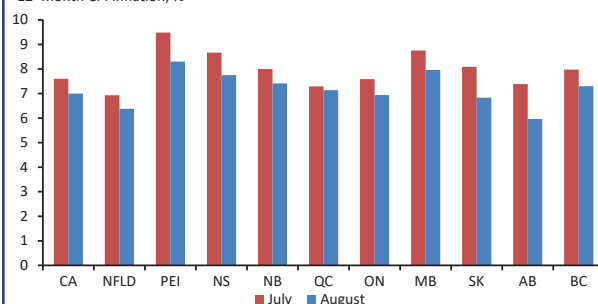
contributed to the downward momentum. Broadly energy prices eased. While commuters found some relief at the pump, prices for the most basic of needs continued to soar. Food prices rose 0.5 per cent from July and 9.4 per cent from a year ago, led by store-bought foods (10.5 per cent). Like other provinces, the strongest increases have been in products such as bakery products and cereals, fruit (13 per cent) and vegetables (10.9 per cent).

Shelter prices were unchanged from July, contributing a slip in year-over-year growth to 7.7 per cent. Rent costs eased from July, and while ownership costs rose, 12-month growth decelerated to 7.8 per cent from 8.1 per cent. Lower home prices are dampening replacement costs. Other notable changes included declines in furniture and appliance price which could reflect improving supply chains, although with prices about 10 per cent higher than a year ago, challenges continue. Vehicle prices also nudged lower. Surprisingly, clothing prices decelerated with a 1.8 per cent monthly decline and 3.7 per cent year-over-year drop. While tourism continues to improve, accommodations costs fell four per cent monthly and curbed year-over-year growth to 24 per cent from 50 per cent in July.

Broadly goods prices decelerated to 7.1 per cent from 8.1 per cent in July with services at 7.4 per cent. The latter reflects the influence of shelter and flow through of wage increases. Excluding food and energy, inflation was still a hefty 6.1 per cent.

Inflation pressures elevated throughout the country, eases in August

12-month CPI inflation, %



While inflation is heading in the right direction and has likely peaked, levels remain far too high provincially and nationally. The latter will continue to trigger further interest rate hikes by the Bank of Canada adding to financial challenges facing some households, albeit for future price stability. Elevated inflation pressures are likely to continue into 2023, which is particularly impactful for lower-income individuals given the sharp increase in food prices. This points to the need for targeted benefits to lower-income individuals, those less able to save during the pandemic, such as the recent federal inflation relief plan that will temporarily increase the GST tax credit.

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