



Highlights

- Businesses remain cautious but confidence edges higher
- Retail spending gains in December
- B.C. gasoline prices back on the rise while food inflation edges further
- Gains in health care and social assistance sector led provincial payroll growth
- Average weekly earnings dropped, but industry-controlled earning index rose
- Non-resident visits to B.C. yet to reach pre-pandemic levels

Business sentiment climbs in February, B.C. firms still downbeat

Bryan Yu, Chief Economist

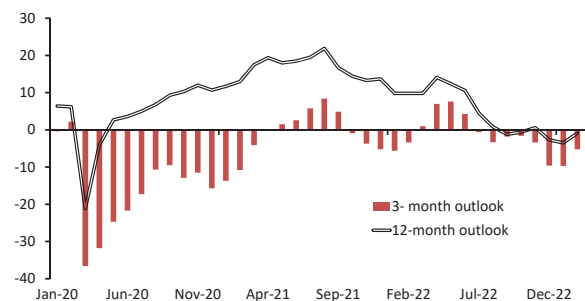
Small business confidence nudged higher in February as Canada's surprising economic resilience lifted sentiment, albeit slightly. The latest Business Barometer readings from the Canadian Federation of Independent Business showed a rise in index values for both short-term and longer-term expectation but firms generally remained downbeat or neutral on prospects amidst high interest rates and fears of an economic downturn.

The three-month outlook rose to 48.9 points from 46.7 points in January and an annual low of 40 points in December. The 12-month index rose to 51.7 points from 51.2 points in January and has nudged higher since November. A value above 50 points means that the number of respondents with a positive outlook outnumber those with a negative outlook. Current levels are a mild improvement but suggest businesses expect some stability in coming quarters. On an industry-basis, expectations were weaker in the retail segment and agriculture, with greater optimism around hospitality, arts/recreation and finance and insurance.

In other data covered by the survey, firms are expecting more modest pricing conditions than in previous quarters. Average prices charged are expected to rise 3.7 per cent over the next year, compared to average expectations that exceeded 4 per cent through 2022. Wage expectations held below pricing growth with an average expectation of 3.3 per cent, which accelerated from the prior 2 months. Firms are still citing cost pressures around energy prices and wages, and increasing interest rates.

B.C. businesses remain cautious in February

B.C. Small and medium sized business confidence – Deviation from 50



Source: CFIB, Central 1

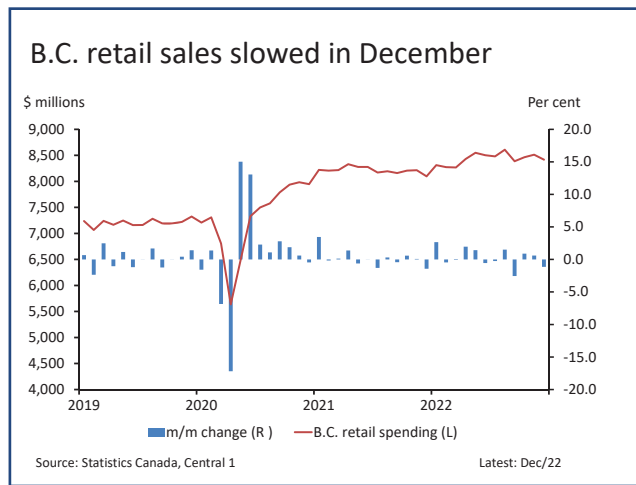
Latest: Jan/23

In B.C., small business sentiment is lagging the national indices, which could reflect concerns around home value declines and relatively higher debt loads in the province. However, B.C.'s economy has generally outperformed its peers during the pandemic, suggesting less runway for further improvement. The three-month outlook came in at 44.8 points, which was a marked improvement from 40 points in January, while the 12-month outlook rose from 46.5 points to 49.1 points. Like the national figures, levels remain subdued and still lower than November figures. B.C. businesses face similar constraints to its peer provinces. Nearly 60 per cent of survey respondents noted wage and fuel/energy cost were major input constraints, while 48 per cent noted that shortage of skilled workers was impeding sales or production growth.

B.C. retail sales outpace national picture, motor vehicle sales surge

Alan Chow, Business Economist

Canadian retail spending grew again in December after having muted growth November. On a seasonally-adjusted basis, sales increased 0.5 per cent in December compared to the less than 0.1 per cent decline in November. Seven of the 11 sectors saw higher sales, led by the continued increase in auto dealer sales, up 4.8 per cent over the previous month. Supply issues in this sector continue to improve and, as such, sales could be climbing because previously ordered vehicles are finished and sold. Gasoline stations, on the other hand, saw monthly sales decline 5.8 per cent. Core retail sales, which excludes gasoline and motor vehicle and parts sales, increased 0.4 per cent. General merchandise stores saw a monthly gain of 1.7 per cent and food and beverage stores saw a 0.5 per cent increase. Overall, 2022 compared to 2021



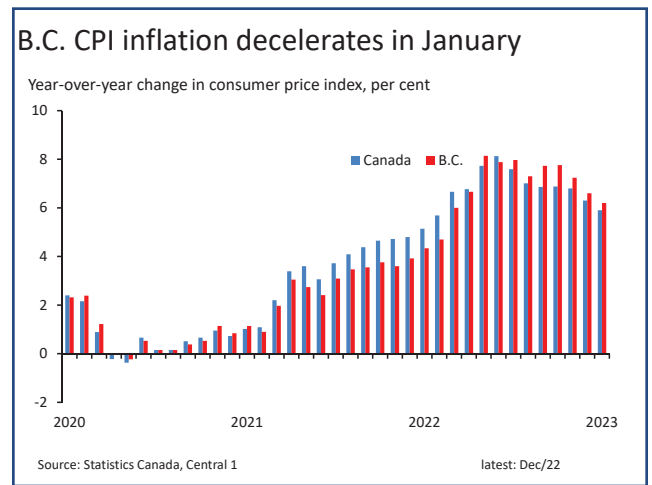
saw an 8.1 per cent increase in retail sales with core retail sales increasing 7.2 per cent.

B.C. displayed mixed results. On a seasonally-adjusted basis, total retail sales fell 1.1 per cent in December as compared to November. On the other hand, core retail sales experienced an increase of 1.9 per cent. Eight out of the 11 subsectors listed saw declines. The two which are not counted in core retail saw lower sales - gasoline stations saw a substantial decline of 8.8 per cent over that same period while motor vehicles and parts saw a decline of 4.1 per cent. Within the core retail subsectors, building materials saw sales drop 4.1 per cent while miscellaneous stores experienced a 9.3 per cent decline in sales. On the other end, food and beverage stores saw a 2.7 per cent increase while sport goods and recreation stores saw a 2.2 per cent increase. Overall for 2022, British Columbia saw a mild increase of 2.7 per cent for both total retail and core retail while Vancouver experienced a 4.6 per cent increase in total retail and a 66.0 per cent increase in core retail.

B.C. headline inflation eases to 6.2 per cent in January 2023

Eloho Ennah, Economic Analyst

January headline inflation rate in B.C. slowed to a year-over-year pace of 6.2 per cent, a 0.4 per cent drop from December 2022's value. Nonetheless, base-year effects contributed to the deceleration as tensions around Russia's war on Ukraine and supply chains drove robust price growth in January 2022 alongside higher home prices. On a monthly basis, the consumer price index rose 0.7 per cent, following the 0.7 per cent dip that had occurred in the prior month. The increase was mainly as a result of rising gasoline prices, which grew by 7.1 per cent and consequently pushed up energy prices by 4.2 per cent. Refinery closures in the U.S. likely escalated supply constraints while demand for gasoline grew.



Food prices picked up pace in January as year-over-year prices grew by 10.2 per cent, following the 9.5 per cent increase in December 2022. Supply chain issues and delivery delays linger to the detriment of consumers' pockets.

Growth in year-over-year shelter prices decelerated in January 2023, up by 6.7 per cent year-over-year after a 7.1 per cent yearly increase in December, amidst downward pressure on home prices in the B.C. housing market. However, prices rose 0.5 per cent from the previous month. Higher interest rates are offsetting impacts of lower home prices, while rent continues to surge. Household operations, furnishings and equipment was one of only two components of the index that declined during the month, falling by 0.7 per cent. Clothing and footwear also reported a decline of 0.4 per cent.

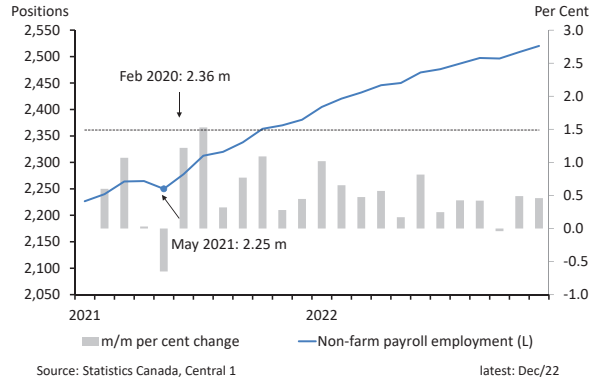
Prices of goods and services increased month-over-month by 1.4 per cent and 0.2 per cent respectively, opposing the declines from the previous month in equal magnitudes. Health and personal care items prices rose 1.4 per cent, while items related to recreation, education and reading showed a 0.9 per cent increase in prices. Prices of alcoholic beverages, tobacco and recreational cannabis products reported a 1.4 per cent rise.

B.C. reported one of the largest gains in December payroll

Ivy Ruan, Economic Analyst

B.C. employers added to payrolls in December following a modest increase in the previous month. From the latest Survey of Employers, Payroll and Hours (SEPH), December reported a seasonally-adjusted 0.5 per cent (11,500 persons) monthly growth, one of the largest increases among provinces and pushing the total job counts in B.C. to a record level of 2.52 million persons. The estimates from the Labour Force Survey (LFS)

B.C. added more non- farm payrolls in service-producing sectors



also reported a gain in B.C. employment of 16,600 persons (0.6 per cent) driven by part-time job growth during the same month. That said, LFS readings fluctuated in recent months, reflecting competing factors in the tight labour market with inflationary pressure. In B.C., the unadjusted job vacancy rate came in at 4.5 per cent, a large decline from last month and representing 113,025 unfilled positions.

With the latest gain, seasonally-adjusted payroll counts were 6.7 per cent higher than February 2020, while the employment growth reported by LFS was 4.6 per cent over the same period. Various factors can create divergence between the surveys including timing of job losses as SEPH reflects payouts of salaries and/or benefits in a month in contrast to whether an individual worked and excludes farm work and self-employed workers.

December's job gain reported by SEPH was almost entirely concentrated in the service-producing industries. Health care and social assistance sector (4,642 persons), together with educational services sector (2,257 persons), contributed the most to the monthly employment gain. Employment in goods-producing industries was mostly flat from last month.

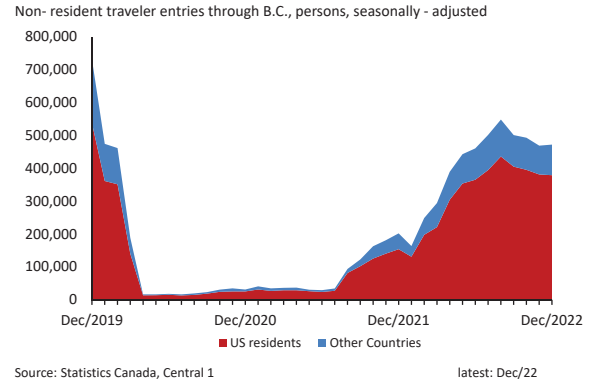
On the wage front, average weekly earnings dropped 2.0 per cent to \$1,153.32, and year-over-year growth adjusted to 1.6 per cent. That said, the fixed hourly earnings index, which is controlled for industry, jumped to 179.4, up 4.0 per cent from the previous month and again recorded the highest level in 2022. In comparison, LFS average hourly wage rose 4.9 per cent year-over-year in December but slowed from 6.5 per cent growth in the previous month.

Non-resident travels to B.C. up by 0.7 per cent

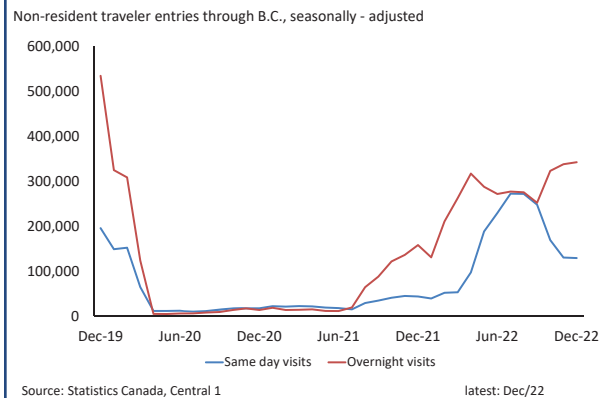
Eloho Ennah, Economic Analyst

December's seasonally-adjusted value of non-resident travelers arriving in B.C. increased to 472,265, a 0.7

Figures for international travel to B.C. continued to rest below pre-pandemic levels



Overnight tourists account for 73 per cent of total non-resident visits in B.C.



per cent increase from November's value, despite severe weather conditions during the month. Non-resident trips to the province peaked in the warmer summer months of 2022, before beginning their descent in August and are now relatively flat.

Overnight tourists accounted for 73 per cent of the total visitors arriving in B.C. while same-day travelers made up 27 per cent of the total. Overnight tourist travel to B.C. increased by 1.3 per cent, lower than the 4.6 per cent monthly rise in November. Same-day excursionists visits dropped slightly by 1.0 per cent, a much smaller decrease compared to the 22.9 per cent fall recorded in the previous month. While overnight tourist visits increased in December, levels remain below pre-pandemic values, with December 2022's number only 64 per cent of December 2019's value.

In December 2022, the number of tourists entering B.C. was 117 per cent higher than the figure in December 2021, but November had recorded a higher yearly increase of 148 per cent. October saw the largest influx of travelers entering B.C. in the last quarter of 2022, following the removal of Covid-19 travel restrictions.

December recorded a smaller decrease to the number of U.S. residents travelling to the province. Eighty per

cent of total non-resident travelers arriving in Canada through B.C. were American residents, most of whom arrived by automobile. Air travel from U.S overnight tourists into B.C. fell in December by 9.8 per cent, while arrivals via automobile declined by 1.5 per cent. Environment and Climate Change Canada had issued special weather warnings as harsh weather conditions were expected throughout the country in December, causing many flight delays and cancellations and likely deterring many from air travel.

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