



Highlights

- Retail sales continue to slump despite March uptick
- Decline in payrolls was seen in service producing and goods producing sectors
- B.C. business confidence stalled in May
- Number of travelers entering B.C. decline

Slowing consumer spending cuts retail spending in Q1

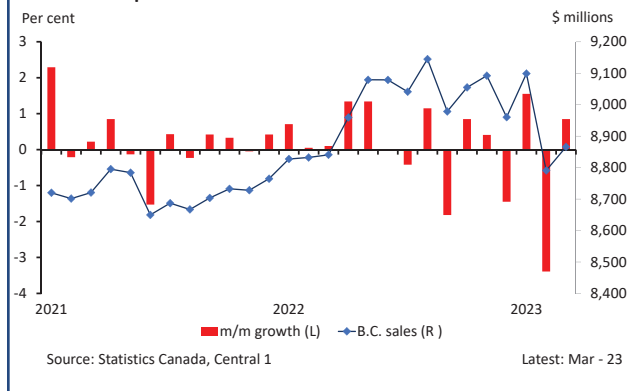
Bryan Yu, Chief Economist

B.C. retailers recorded a partial rebound in sales in March following a February plunge, but the softer trend continued, signaling consumer restraint amidst higher interest rates and fear of an economic downturn. Seasonally-adjusted dollar-volume retail sales reached \$8.86 billion, which was up 0.9 per cent month-to-month, but largely unchanged from a year ago. This was led by a 2.0 per cent increase in Vancouver. In comparison, national growth fell 1.4 per cent driven largely a drop in physical purchases rather than prices.

At the store-segment level, seasonally-adjusted data is not published, but year-over-year patterns point to a rebound in vehicle-related sales as inventory may have rebounded (particularly for used cars). Segment sales moved from a 10 per cent shortfall to a modest year-over-year gain of 3.8 per cent. Housing-related spending gained a bit of traction but was down 22 per cent year-over-year for building and garden materials, while furniture retail sales were 17 per cent lower suggesting drag from the weaker housing market. Electronic stores posted an acceleration in sales.

Despite the March increase, there are ample signs that consumers are more cautious amidst increasing financial strain. The March monthly gain was insufficient to offset February's steep decline and pushed quarterly sales down 1.3 per cent from Q4. In comparison, national sales rose 0.7 per cent during the quarter. While employment continues to edge up and population growth is robust and supports overall spending activity, consumers are adapting to higher interest rates. B.C. debt-to-income ratios are the highest among the provinces, which means that the spike in interest rates over the past year is shifting more income to service interest payments and away from general spending. This will

Retail sales continue to slump despite March uptick



only be amplified as more fixed rate mortgages renew in the coming year. Moreover, rents remain elevated, sorent and services inflation is likely to curb spending on goods despite firm wage growth.

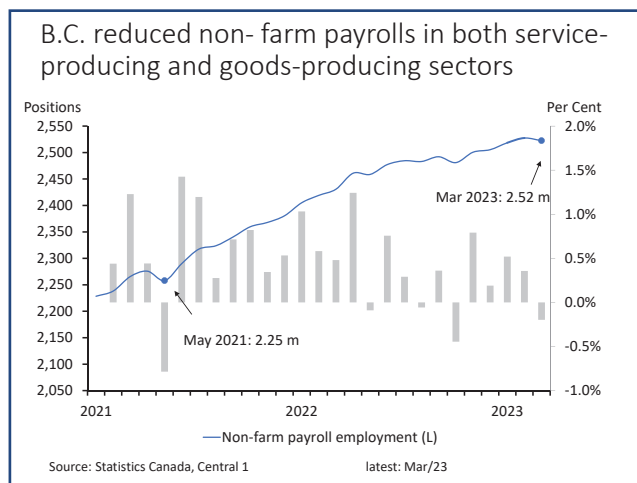
An economic slowdown that prevails through 2023 is forecast to hold retail sales growth near one per cent this year.

B.C. payroll declined 0.2 per cent in February

Alan Chow, Business Economist

B.C. employers saw a reduction to payrolls in March, which is the first decline after four months of increasing payroll numbers. From the latest Survey of Employers, Payroll and Hours (SEPH), March reported a seasonally-adjusted 0.2 per cent (4,975 positions) monthly decline, bringing the total job count in B.C. to 2.52 million positions. The estimates from the Labour Force Survey (LFS) reported little change in B.C. employment during the same month. Both reflect that a tight labour market is still present despite predictions for an economic downturn in the future. In B.C., the seasonally adjusted job vacancy rate in March came in at 5.2 per cent, 0.1 per cent lower than in February and representing 132,840 unfilled positions.

March's job decline was in both the goods-producing sectors and the service-producing sectors with each decreasing 0.9 per cent and 0.2 per cent, respectively. Construction (2,752 positions), together with the accommodations and food services (2,096 positions), declined the most to the monthly employment numbers. This was offset by small gains seen public administration, which increased by 885, and health care and social assistance, which increased by 787.



On the wage front, seasonally adjusted average weekly earnings jumped 2.0 per cent to \$1,184.63 on a year-over-year basis, which is higher than last month's 1.9 per cent increase. Month-over-month the average weekly earnings increased 0.8 per cent in March.

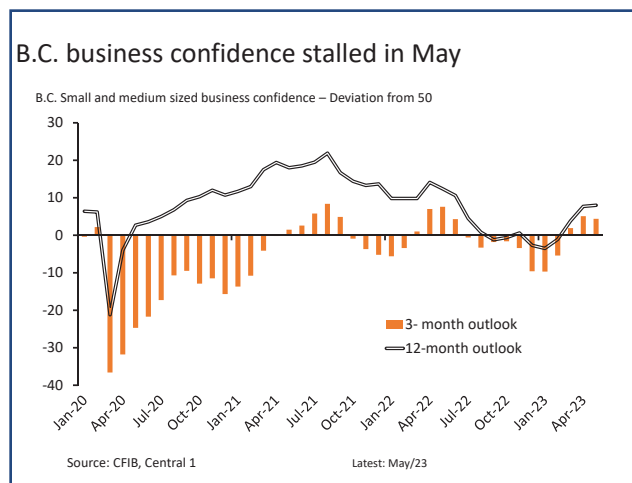
B.C. business long-term confidence stalls and short-term business optimism falls

Ivy Ruan, Economic Analyst

Confidence amongst B.C. small and medium scale enterprises (SME) paused its growing trend in May according to the Business Barometer survey released this week by the Canadian Federation of Independent Business. The long-term index was almost unchanged at 58.0 points, following the large increase recorded in the previous month and still above the index's neutral benchmark of 50 points. The short-term three-month index was down to 54.4 points from 54.8 points from the previous month. B.C. small businesses are still showing mild optimism but are distressed by economic uncertainties in light of the high interest rate and wage environment.

With regards to general business indicators, fewer small businesses plan to expand full-time staff while only 29 per cent of B.C. SMEs considered themselves to be in a good state of business health. The lack of skilled labour was the major issue that stood out among other limitations on sales or production growth. Wage continued to be the greatest input cost constraint amongst SMEs while fuel, tax and insurance costs were also on the growing list of costs constraints.

On the national level, Canadian small business optimism index reports a seventh consecutive monthly growth in May and reached the highest level in almost a year. The 12-month index rose to 56.4 and the 3-month index was unchanged at 53.5. Despite the growing momentum, both indices are still below their historical average levels. The long-term optimism improved in most sectors in May, with almost all indus-

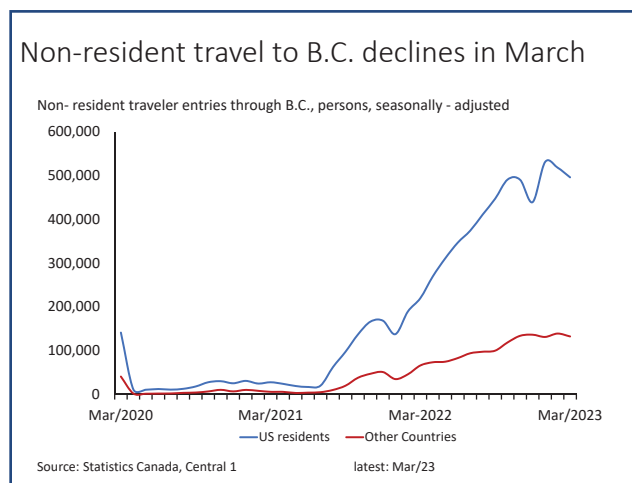


tries' confidence levels above 50 points. Exceptions are in transportation; finance, insurance, real estate, and leasing; and agriculture. Canadian agricultural SMEs have remained tentative towards long-term business performance during the past year. That said, their short-term optimism lifts by 1.2 to 52.9 in May, suggesting some cautious confidence this coming summer.

B.C. sees fewer visitors across all travel modes and residencies

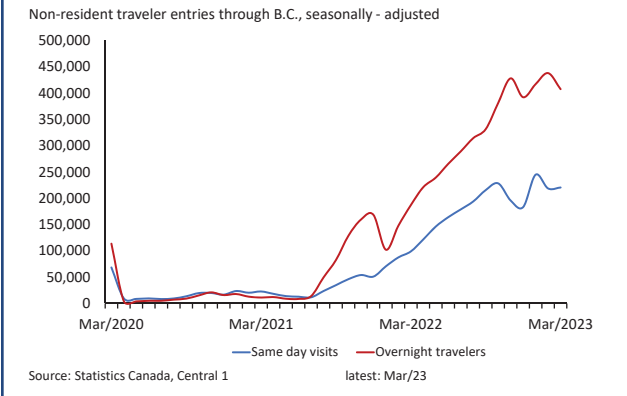
Alan Chow, Business Economist

Overall, the number of non-resident visitors entering Canada through B.C. declined in March. On a seasonally adjusted basis, there were 4.4 per cent fewer visitors in March than there were in February, coming in at around 627,000. This was the second straight month of declining visitors. Overnight excursions led the decline with 6.9 per cent fewer visitors while same day excursions remains essentially unchanged with an increase of 0.8 per cent.



The number of U.S. residents visiting was down 4.2 per cent from February to March, which was a similar change compared to the number of visitors from other countries, which declined 4.7 per cent for the month of March. Amongst U.S. residents, the decline was seen

Fewer Overnight tourists visits B.C.



across all modes of transportation, with the category of “Other” leading the way, down 9.8 per cent. Air travel to Canada from U.S. residents was also down 4.3 per cent and the number that came via automobile was down 1.7 per cent. Residents from other countries saw a 3.2 per cent decrease when coming by air and saw an 11.8 per cent decrease when coming by land or water.

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