



Highlights

- B.C. reported the largest gain in retail spending among provinces in May
- B.C. energy prices rebounded in June
- Core inflation was edged up to 3.6 per cent in June
- Housing starts in B.C. edged up in June following May's retraction, multi-family units led monthly uptick
- Number of travelers entering B.C. increased in May
- B.C. wholesale trade rose 5.4 per cent in May

B.C. retail spending accelerates in May as national sales stall

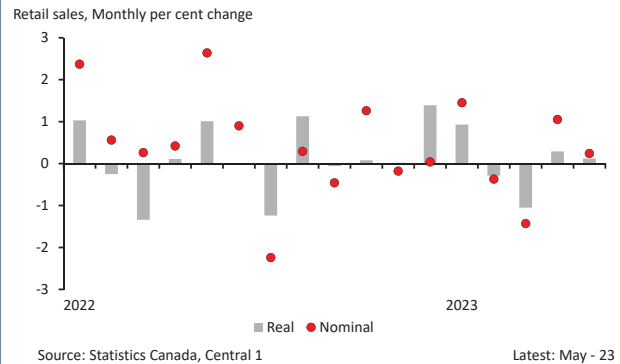
Bryan Yu, Chief Economist

Canadian retail goods spending edged slightly higher in May, but it is evident that consumers are pulling back as higher interest rates bite, wage growth decelerates, and prices remain high. Households are bypassing more discretionary purchases. National retail spending rose 0.2 per cent from April and 0.5 per cent year-over-year to \$66 billion. Adjusting for prices, sales rose 0.1 per cent from April, and 1.3 per cent year-over-year. Spending has held range-bound for the past year and considering the strong pace of population growth, per capita spending is contracting. Slow consumer spending is expected to continue through the second half of this year.

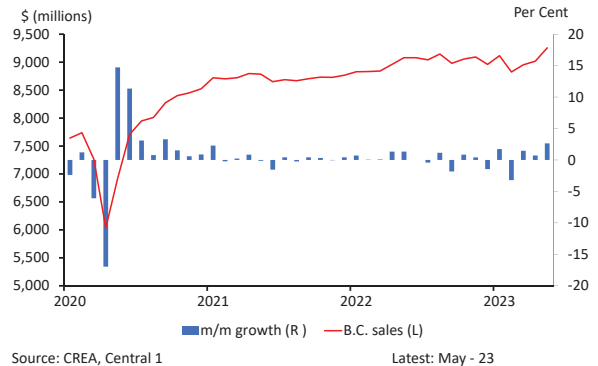
Early estimates for June point to a further deceleration with no gains projected during the month. If this holds, annualized nominal retail spending would decline from a 2.7 per cent pace during the first quarter to 0.5 per cent in the second quarter, signaling a sharp slowdown.

A scan of sector spending showed growth was driven by motor vehicle spending, which rose 0.8 per cent month-to-month and 6.3 per cent year-over-year. This was owing to higher new car sales and could reflect backlogged shipments getting back to normal. In contrast, core retail spending, which excludes vehicles and gasoline sales, was unchanged during the month.

Canadian retail spending growth slows



B.C. retail sales pick up in May but sales range-bound



Specifically, furniture sales fell 3.1 per cent, clothing declined 1.0 per cent, while food and beverage sales rose 1.0 per cent highlighting high prices at grocery aisle and shift to necessities.

While national spending stalled, there were provincial differences. B.C. specifically, posted the strongest monthly gain amongst large provinces. Retail sales rose 2.7 per cent from April to \$9.25 billion, with gains shared by Metro Vancouver (2.1 per cent) and the rest of the province. This added to April's 0.7 per cent increase and marked a third consecutive gain. Year-over-year sales growth rose to 1.9 per cent but was still only 1.6 per cent higher on a year-to-date basis, which still suggests sluggish activity given population growth tracking near 3 per cent.

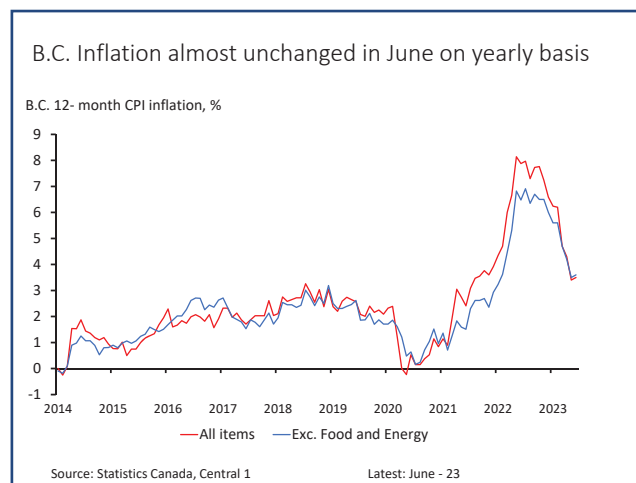
On a year-to-date basis, building materials, equipment and supplies fell 18.7 per cent, while gasoline sales were down 5.4 per cent and sporting goods and hobby shops fell 11 per cent. Food and beverage (6.8 per cent), general merchandisers (7.5 per cent), clothing stores (17 per cent) and health and personal care stores (8 per cent) reported stronger growth.

Inflation almost unchanged in B.C. on year-over-year basis, but monthly growth remained firm

Ivy Ruan, Economic Analyst

June's Consumer Price Index (CPI) for B.C. edged slightly higher to 3.5 per cent year-over-year. On a monthly basis, the provincial CPI rose 0.4 per cent as consumers still faced higher prices. Core CPI (excluding energy and food) in B.C. edged up from last month by 0.3 per cent, the sixth consecutive monthly increase. Year-over-year core CPI edged up from 3.5 per cent in May to 3.6 per cent in June. Goods prices went up 0.6 per cent over the month following the modest decline in May while services prices continued to grow at 0.3 per cent from last month.

Gasoline prices in B.C. remained a drag on inflation, declining 13.4 per cent on a year-over-year basis. The yearly percentage change was mainly driven by the base-year effect from a surge in energy prices since spring last year. Overall, energy prices were down 9.4 per cent compared to last June. However, on a monthly basis, B.C. gasoline prices rose 5.7 per cent following the two months' decline and energy prices also jumped 3.9 per cent in June. The monthly gain paused the brief relief at the pumps in B.C., suggesting the impacts on energy supply from geo-political factors.



Meanwhile, food prices in B.C. remained elevated on a year-over-year basis, up 8.1 per cent from June last year, slightly above last month's 7.7 per cent yearly growth. The monthly figure inched up by 0.1 per cent. B.C. shelter costs' yearly growth also edged down, from 5.0 per cent to 4.8 per cent in June. Shelter prices were almost unchanged from last month, with 0.1 per cent month-over-month growth and interest costs continued to surge.

June's inflation results were mostly encouraging in B.C., although monthly growth remained firm across categories and core measures showed more persistence.

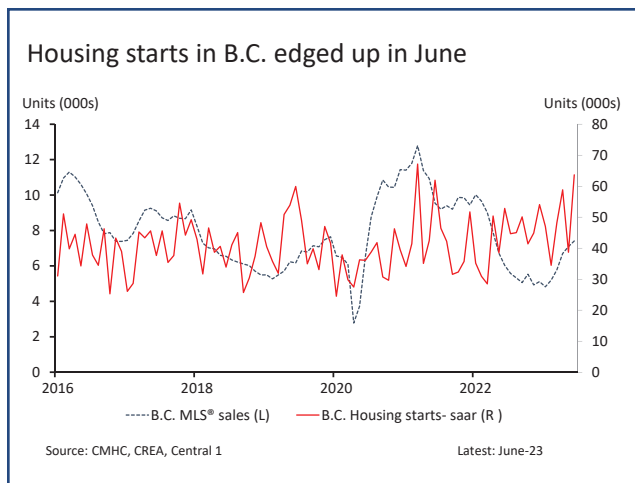
B.C. housing starts surge in June

Eloho Ennah, Economic Analyst

Following a retreat in May, B.C. urban-area housing starts rose in June to a seasonally adjusted annualized pace of 63,643 units, up from 38,713 units (64.4 per cent) recorded in the prior month. This has been the largest figure reported since March 2021, while the longer-term trend across the province, represented by the six-month moving average of the seasonally adjusted annual rate, shows 51,375 units, up 2.7 per cent from the previous month. Multi-family home starts were the main source of June gains as they edged up 76.3 per cent. Single-detached units were also up modestly during the month by 2.5 per cent.

Among census metropolitan areas (CMAs), Vancouver saw an increase of 70.5 per cent in housing starts in May to an annualized 46,298 units, driving the provincial gain. In Kelowna, housing starts skyrocketed 138.6 per cent while Victoria reported 3.6 times more housing starts in June. The story was different in all other areas where housing starts fell. Abbotsford-Mission (CMA) saw housing starts decline by 61.0 per cent, while they dwindled by 51.7 per cent in Chilliwack. Housing starts in Nanaimo and Kamloops lessened by 72.4 per cent and 27.4 per cent respectively.

Volatility in monthly housing starts is not unusual given the scale of multi-family projects. Starts have been surprisingly strong this year, and B.C.'s actual unadjusted urban-area housing starts in the first half of 2023 increased by 23.1 per cent to 24,216 units when compared to the same period in 2022. Total multi-family housing starts increased by 34.8 per cent to 21,368 units during the period, however single-detached unit starts declined by 25.5 per cent to 2,848 units



compared to same period last year. In Vancouver, total housing starts from January to June 2023 was up 49.1 per cent in comparison to 2022. Kelowna and Victoria also recorded higher total housing starts, up 14.2 per cent and 5.9 per cent respectively. Declines were seen in Abbotsford-Mission and Chilliwack, down by 47.4 per cent and 77.6 per cent respectively.

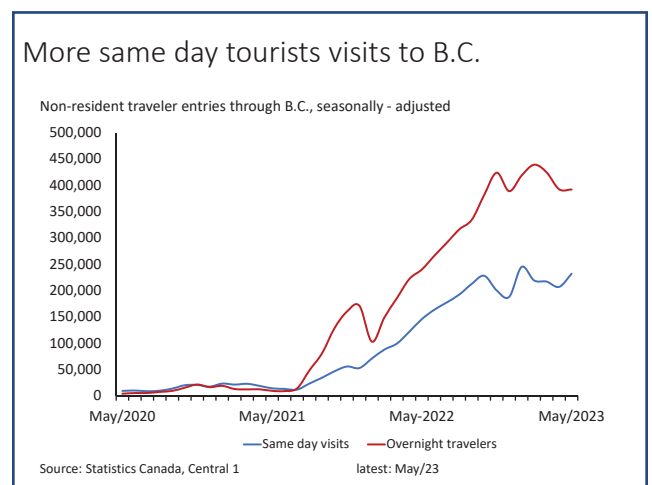
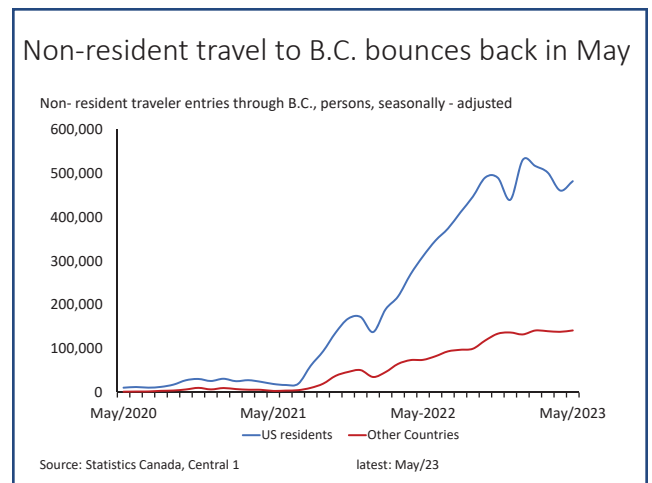
The strength in housing starts will likely be short-lived due to the presence of higher interest rates and larger construction costs. Current elevations in multi-family home units are a result of already pre-sold projects, and future readings will likely be dampened as adjustment to impacts of multiple interest rate hikes materialize in the sector. Although a much-needed growth in housing construction is important to mitigate Canada's housing shortage issues, developers/builders are likely to stall new project starts, likely prompting a decline in housing starts in the coming months.

Same day excursions entering B.C. increase in May

Alan Chow, Business Economist

The number of non-resident visitors entering Canada through B.C. increased in May. On a seasonally adjusted basis, there were 4.0 per cent more visitors in May than there were in April at around 623,000. This ended three straight months of declining visitors. The increase was entirely in same day excursions, which was up 12.0 per cent. Overnight visits were essentially unchanged at 392,000 visits.

The number of U.S residents visiting was up 4.6 per cent from April to May while over the same period, the number of residents from other countries entering Canada through B.C. was up only 2.2 per cent. Amongst the U.S. residents, the increase was by land and air. Air entry from U.S. residents was up 11.9 per cent while those that arrived via automobiles was



up 7.2 per cent. On the other hand, other modes of transportation were down 6.7 per cent. Residents from other countries saw a 1.0 per cent increase when coming by air and saw a 6.3 per cent increase when coming by land or water.

Travel has recovered well from the pandemic but are still below levels seen in 2019. The average monthly number of non-resident visitors for 2023 is still about 11.2 per cent below the average number of monthly visitors for 2023.

May wholesale trade rose in B.C.

Alan Chow, Business Economist

Wholesale trade in B.C. was up in the month of May after a flat April. On a seasonally adjusted basis, wholesale trade (excluding petroleum, petroleum products, and other hydrocarbons and excluding oilseed and grain) increased 5.4 per cent from \$7.5 billion in April to \$7.9 billion in May. This increase was greater than that seen in Canada as a whole, where it increased 3.4 per cent. It was also the second-highest increase among the provinces, trailing only Alberta, which saw wholesale trade increase 6.8 per cent.

Strong growth was seen for wholesale merchants of motor vehicle and motor vehicle parts and accessories - up 14.8 per cent. Food, beverage, and tobacco wholesale merchants also saw growth of 11.1 per cent. On the other end there was a small decline in personal and household goods, which was down 1.5 per cent, as well as building material and supplies, which experienced a slight decline of 0.1 per cent.

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