



Highlights

- Inflation rate in B.C. climbed in August on higher gasoline prices; food prices slow
- Housing starts result unchanged in August with growth in single-detached starts offsetting decline in multi-family home starts
- B.C. retail spending on the rise in July; outpaces national performance
- Number of travelers entering B.C. continued to grow in July

B.C. Inflation ticks higher in August

Eloho Ennah, Economic Analyst

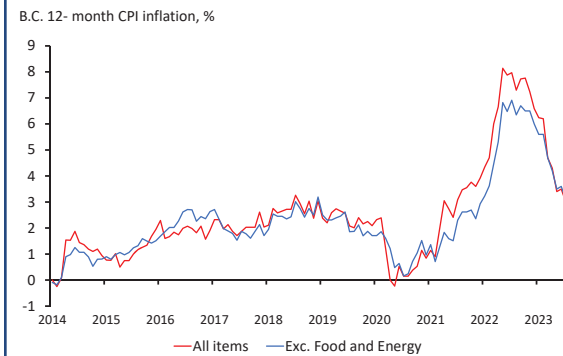
Much like the national picture, B.C.'s Consumer Price Index (CPI) jumped higher in August after a July downturn. CPI inflation rose to 3.8 per cent in August (year-over-year), up from the 3.0 per cent increase in July and was the highest reading since April 2023. On a monthly basis, the CPI reading increased 0.3 per cent and was consistent with the 0.3 per cent gain in the prior month. Core CPI, which excludes food and energy, was up 3.5 per cent from 3.1 per cent in July.

August's uptick reflected the volatility of gasoline prices and was partly due to base year effects as gasoline prices had dropped in August 2022 on higher global oil production. Gasoline prices rose 3.3 per cent year-over-year after falling 7.5 per cent in July. By extension, the broad energy price index increased by 1.2 per cent in August, following the 6.5 per cent drop in July.

Year-over-year growth in food prices decelerated to 6.3 per cent in August, down from 6.6 per cent. However, consumers still faced elevated prices in the grocery aisles. On the other hand, growth in year-over-year shelter prices accelerated to 5.1 per cent in August from 4.7 per cent in July, with the recent interest rate hikes feeding again into the shelter index. Monthly, shelter prices increased 0.4 per cent, on par with July's gain. Prices for household operations, furnishings and equipment increased during the month by 0.6 per cent, offsetting the dip of 0.3 per cent in the prior month.

Goods prices rose 3.7 per cent from 1.8 per cent recorded in July on a year-over-year basis while prices of services declined from 4.0 per cent to 3.8 per cent. Prices of items related to recreation, education and reading increased 3.1 per cent while alcoholic beverage

B.C. CPI Inflation nudged higher in August



Source: Statistics Canada, Central 1

Latest: Aug - 23

ages, tobacco products and recreational cannabis prices increased 4.0 per cent.

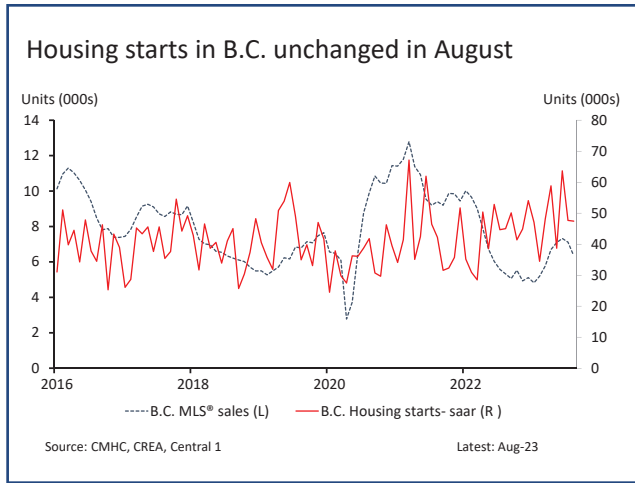
B.C. housing starts flattened in August following a drop last month

Ivy Ruan, Economic Analyst

B.C. urban-area housing starts remained elevated in August and largely unchanged from July at a seasonally adjusted annualized pace of 47,429 units compared to 47,670 units recorded the prior month. The provincial housing starts in August were slightly below the six-month moving average of 50,707 units. Multi-family home starts (-4.3 per cent) declined, while single-detached starts reported gains (34.2 per cent).

Among census metropolitan areas (CMAs), Vancouver saw a decrease of 11.7 per cent in housing starts in August to an annualized 31,250 units. In contrast, the rest of major markets reported robust growth in new housing construction. In Kelowna, starts rose 22.5 per cent following a large decline in the previous month. Victoria also saw a relatively small change of 47.3 per cent more housing starts in August. Other areas also reported August increases in their housing starts, yet the number of starts in those areas was much smaller compared to the major CMAs.

Volatility in monthly housing starts is not unusual given the scale of multi-family projects. Despite the second-consecutive monthly declines in August, multi-unit starts have been high. B.C.'s actual unadjusted urban-area housing starts in the first eight months of 2023 increased by 18.1 per cent to 32,150 units when compared to same period in 2022, driven entirely by the increase in multi-family starts (28.0 per



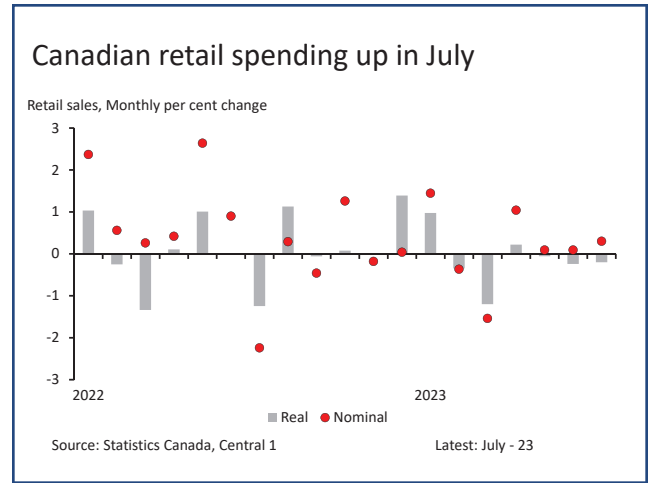
cent). Meanwhile, single-detached unit starts declined by 25.2 per cent to 3,800 units compared to same period last year. In Vancouver, total housing starts from January to August 2023 was up 47.3 per cent in comparison to 2022. In contrast, Kelowna recorded fewer total housing starts, down 13.1 per cent. Declines were also seen in other CMAs, such as Victoria and Abbotsford-Mission, down by 3.5 per cent and 51.9 per cent respectively.

Substantial growth in starts is somewhat surprising given market demand but largely reflects projects planned years in advance that have moved to construction stage. We anticipate starts to turn lower given fewer pre-sales in the past year and high interest rates impacting the ability of buyers to purchase in the short term.

B.C. retail spending rebounds in July

Eloho Ennah, Economic Analyst

In July, Canadian consumers faced higher prices, spending more in nominal terms but getting less value for their money. Nationally, dollar-volume spending on goods increased 0.3 per cent to \$66.1 billion, following a meagre 0.1 per cent rise in June. Year-to-date, retail sales grew 2.2 per cent. Much of July's gain was due to inflationary pressures as real spending, which adjusts for prices, fell 0.2 per cent during the month and was consistent with June's pullback. July's increase was driven by larger food and beverage retailers' sales while, motor vehicle and parts dealers saw their first decline in four months, with sales falling 1.6 per cent. Preliminary data for August points to further softening with sales down 0.3 per cent. Consumer spending is losing steam as many Canadians grapple with sharp



increases to interest rates and higher debt servicing costs.

B.C. retail spending outperformed the national figure in July with an increase of 1.4 per cent to \$9.1 billion following the dip of 3.2 per cent in June. Year-to-date sales rose 1.1 per cent, which is particularly soft given strong population growth and inflation. Unadjusted for seasonality, motor vehicle and parts dealers reported a 6.7 per cent increase in year-over-year sales, accelerating from the 2.2 per cent pace in June. Furniture, home furnishings, electronics and appliances retailers also saw sales grow 2.9 per cent. General merchandise retailers' sales increased 4.4 per cent while clothing, clothing accessories, shoes, jewelry, luggage, and leather goods retailers' sales jumped 12.3 per cent. Balancing these increases were declines in year-over-year sales of food and beverage retailers, which fell 0.5 per cent after rising 3.4 per cent in June. Gasoline stations and fuel vendors also recorded a 9.5 per cent drop in sales, although not as much as the 20.7 per cent decline in the prior month.

Adjusted for seasonal factors, Vancouver metro area retail sales rose 2.0 per cent in July to counter the 2.0 per cent decline in June. Year-to-date sales increased by 0.3 per cent in the area.

U.S. travelers to Canada through B.C. continued to lead the travel recovery in July

Ivy Ruan, Economic Analyst

The number of non-resident visitors entering Canada through B.C. increased again in July. On a seasonally adjusted basis, there were 1.1 per cent more non-res-



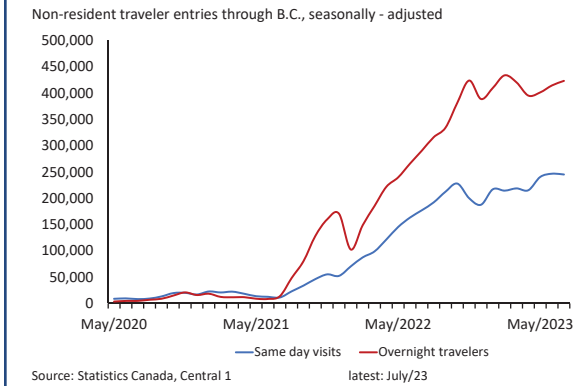
U.S. travelers to B.C. led the overall growth



ident visitors in July than in June at 668,249 persons. Recent gains lifted non-resident visitors to the highest level in 2023. The increase in July was driven entirely by overnight stays, which were up 2.1 per cent, while same-day excursions were down 0.6 per cent.

The number of U.S. residents visiting Canada through B.C. was up 1.9 per cent from June to July while over the same period, the number of residents from other countries dropped 2.0 per cent. Amongst the U.S. residents, the increase in travelling was seen largely in land travel modes. Arrivals via automobiles from

Overnight reported more visits to B.C.



U.S. residents was up 1.8 per cent while those that arrived by air edged down 0.2 per cent. Other modes of transportation were also up 4.1 per cent following a decline last month. Residents from other countries saw a 0.2 per cent increase when coming by air and saw a 9.0 per cent decrease when coming by land or water.

Travelling between the U.S. and Canada reached over 86.0 per cent of trips taken during the same month in 2019 before pandemic from both sides. Cruise vacations remained popular, as Canadians took 24,100 cruise trips in July 2023.

For more information, contact economics@central1.com.