



## Highlights

- Core inflation was down to 3.2 per cent in September
- Housing starts dropped in September with declines in both single-detached starts and multi-family home starts
- Manufacturing sales in B.C. higher in August
- B.C. retail sales dropped 1.1 per cent in August; national spending flattened

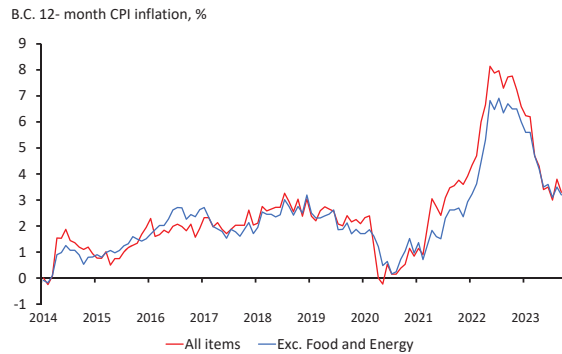
## Inflation in B.C. down on year-over-year basis

Alan Chow, Business Economist

September's inflation for B.C. moved down in September. On a year-over-year basis, the Consumer Price Index (CPI) had decreased to 3.2 per cent from last month's 3.8 per cent. On a monthly basis, the provincial CPI rose 0.1 per cent, a much lower rate than what many economists had predicted. The numbers were in line with national figures, which were also down. Core CPI (excluding energy and food) in B.C. was also up 0.1 per cent from last month to 0.5 per cent, the ninth consecutive monthly increase, although inflation momentum eased. Year-over-year core CPI was down from 3.5 per cent in August to 3.2 per cent in September. Goods prices were down 0.7 per cent over the month reversing most of the increase in August while services prices continued to grow at 0.8 per cent from last month.

Both semi-durable and durable goods prices saw a monthly decline of 1.8 per cent and 1.6 per cent respectively while non-durable goods saw a slight increase of 0.1 per cent. Energy prices were also down 0.3 per cent for the month in addition to being down 1.4 per cent over the past 12 months. Transportation and gasoline prices were also down 0.8 per cent and 0.6 per cent respectively, as was household operations by 1.8 per cent monthly. Product groups that saw a monthly increase include shelter costs (up 1.2 per cent), health and personal care (0.8 per cent) and recreation, education and reading (up 0.6 per cent).

B.C. Inflation trends back down in September on yearly basis



Source: Statistics Canada, Central 1

Latest: Sep - 23

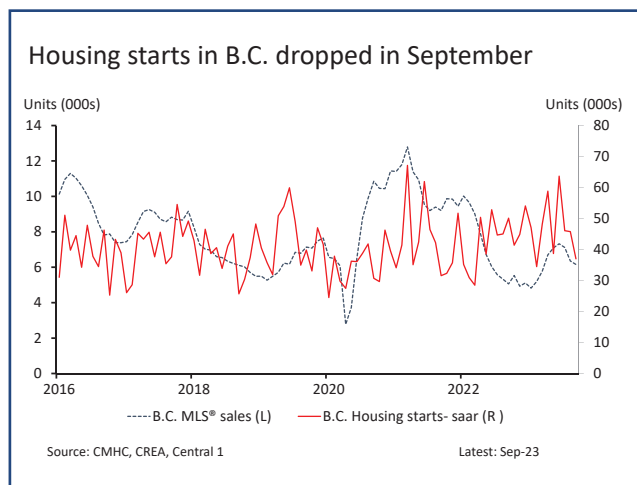
## B.C. housing starts dipped in September

Ivy Ruan, Economic Analyst

B.C. urban-area housing starts fell sharply compared to August to a seasonally adjusted annualized pace of 37,030 units compared to 45,771 units. With the latest dip, provincial housing starts fell well below the robust 6-month moving average of 48,318 units. Multi-family home starts dropped 20.5 per cent, while single-detached starts also declined (10.1 per cent). While monthly starts are volatile, this could reflect a period of retrenchment as weaker market conditions catch up to construction.

Among census metropolitan areas (CMAs), Vancouver saw a decrease of 17.0 per cent in housing starts in September to an annualized 25,861 units, the lowest level since February. The other major markets also reported significant declines in new housing construction. In Victoria, starts dropped 67.7 per cent following a prior month's surge. Chilliwack also saw a decline of 47.3 per cent in housing starts in September. In contrast, the rest of the areas reported increases in their housing starts results during the same period, yet the number of starts among 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 third consecutive monthly decline in September, multi-unit starts have been strong. B.C.'s actual unadjusted urban-area housing starts in the first nine months of 2023 increased by 11.3 per cent to 35,052 units when



compared to the same period in 2022, driven entirely by the increase in multi-family starts (19.6 per cent). Meanwhile, single-detached unit starts declined by 25.6 per cent to 4,336 units compared to the same period last year. In Vancouver, total housing starts from January to September 2023 was up 37.4 per cent in comparison to 2022. In contrast, Kelowna recorded fewer total housing starts, down 15.2 per cent. Declines were also seen in other CMAs, such as Victoria and Abbotsford-Mission, down by 4.9 per cent and 55.6 per cent, respectively.

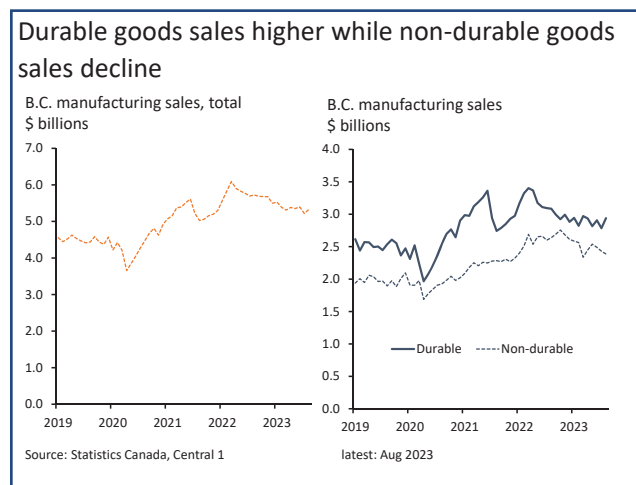
We anticipate starts to turn lower given fewer pre-sales in the past year and high interest rates impacting the ability of buyers to purchase in the short term.

### B.C. durable goods sales are up but non-durables sales are down

*Alan Chow, Business Economist*

Manufacturing sales rose in August. On a seasonally adjusted basis, the dollar amount of sales in June was \$5.32 billion, up 2.1 per cent from July. Durable goods industries recorded a healthy 5.5 per cent increase in monthly sales while the non-durable goods industries saw a 1.8 per cent decline in monthly sales. Year to date though, manufacturing sales are down 7.5 per cent compared to the same period last year with durable goods sales down 10.1 per cent and non-durable goods sales down 4.4 per cent.

Within the durable goods industries, higher monthly sales in August were seen in wood products (up 6.1 per cent), primary metals (up 18.0 per cent), and computer and electronic product manufacturing (up 13.8 per cent). On the other hand, only two durable goods industries saw a decline in sales, and they were machinery manufacturing (down 2.3 per cent) and electrical equipment, appliance and component manu-



facturing (down 1.7 per cent). Year to date, eight out of the 10 durable goods industries are experiencing higher sales, but the overall durable goods industries is down because the largest industry, wood products, is seeing a 34.8 per cent decline in year-to-date sales when compared to the same period over the previous year. This is owed to a combination of low volume and prices due to poor market conditions. In non-durable goods industries, food manufacturing sales were essentially unchanged, up 0.2 per cent in August when compared to July. However, year-to-date sales are up 3.0 per cent when compared to the same period last year.

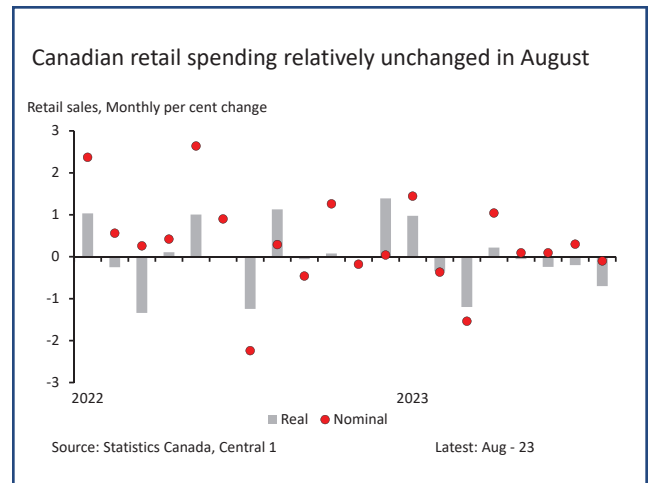
Within the Vancouver metro area, manufacturing sales are up 2.7 per cent for the month of August with durable goods industries up 3.7 per cent and non-durable goods industries up 1.7 per cent. However, year-to-date sales are down 15.8 per cent with durable goods industries down 12.4 per cent and non-durable goods industries down 18.9 per cent.

### B.C. retail spending pulls back in August

*Eloho Ennah, Economic Analyst*

Canadian retail spending growth was tepid in August with a 0.1 per cent month-to-month decline to reach \$66.1 billion. Sales decreased in six of nine subsectors, led by lower auto-related sales but year-over-year sales increased 1.6 per cent. Accounting for inflationary pressures, real spending fell 0.7 per cent. The overall trend in retail has remained rangebound since the latter months of 2022, however slackening economic activity could prompt an even stronger deceleration in consumer spending. Early estimates provided by Statistics Canada for September suggest retail sales were unchanged during the month.

B.C. experienced the largest provincial decline in retail sales, down 1.1 per cent to reach \$9 billion and lessened by smaller sales at motor vehicle and parts dealers. Year-to-date sales were up 0.6 per cent. Unadjusted for seasonality, motor vehicle and parts dealers reported a 6.0 per cent decrease in year-over-year sales in August, and nearly erased the 6.6 per cent gain in the prior month. Gasoline stations and fuel vendors recorded a 5.5 per cent drop in sales, although not as much as the 9.3 per cent decline in the prior month. Building material and garden equipment and supplies dealers saw sales reduced by 19.7 per cent, likely in line with the slowing of activity in the province's housing market, while furniture, home furnishings, electronics and appliances retailers also saw sales fall by 1.5 per cent. Balancing these declines was a rise in general merchandise retailers' sales, up 7.9 per cent while clothing, clothing accessories, shoes, jewelry, luggage and leather goods retailers' sales jumped 15.7 per cent. Health and personal care retailers' sales grew 16.8 per cent year-over-year.



Adjusted for seasonal factors, Vancouver metro area retail sales declined 1.6 per cent. Year-to-date sales were relatively unchanged with a 0.1 per cent decrease in the area.

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