Economics | Current Economic Trends

B.C. Economic Briefing

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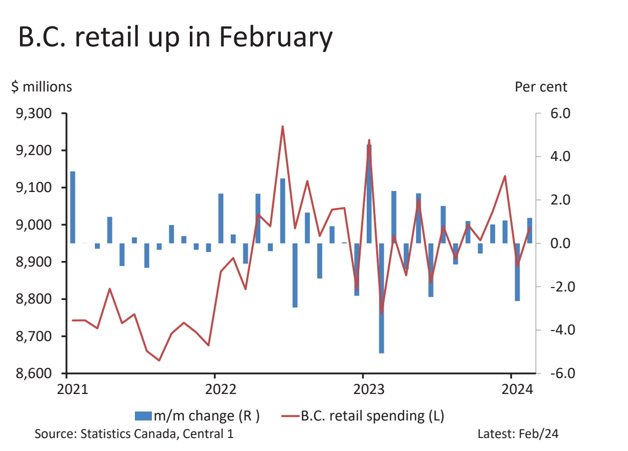
central 1 Economics

Highlights

- Retail spending up in B.C. but down in Canada
- More non-residents entering Canada via B.C.
- B.C. non-farm payroll declined in February
- Long- and short-term business index slipped in April as B.C. business owners reported worsened expectations



B.C. retail sales up broadly

Alan Chow, Business Economist

Consumer weakness looks to have extended through the first quarter, as retail spending in Canada declined for a second month in a row in February. Seasonally adjusted sales fell 0.1 per cent with real spending down 0.3 per cent. Five out of the nine subsectors saw lower sales with spending on discretionary items showing more signs of retrenchment. The largest decline was seen in gasoline stations and fuel vendors, which was down 2.2 per cent. This is followed by lower sales at furniture, home furnishings, electronics and appliances retailers, which were down 1.5 per cent. Lower retail sales were also reported from clothing stores, which fell 0.9 per cent. This is the third consecutive month of lower sales in this category. On the other hand, higher retail sales were reported at general merchandise retailers, up 1.0 per cent. This is the third consecutive month of increasing sales in this category. Motor vehicle and parts dealers also saw a 0.5 per cent increase in sales in February. Year to date, unadjusted retail sales were up 3.3 per cent to $112.5 billion but given the population rose more than three per cent, real spending contracted.

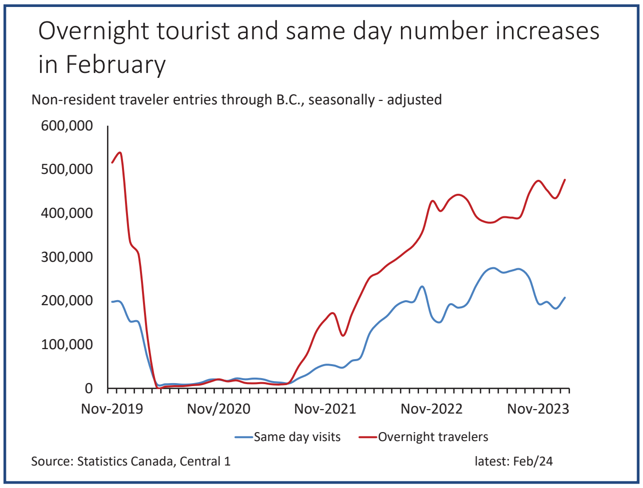
In contrast, B.C. spending outperformed by 1.2 per cent to fall just short of $9.0 billion. In February 2024, unadjusted sales, when compared to February 2023 unadjusted sales, were up by 5.7 per cent. Seven out of the nine subsectors saw higher year-over-year unadjusted February retail sales. Leading the increase was motor vehicle and parts dealers, which were up 14.3 per cent reflecting a surge in shipment supply. This is followed by general merchandise retailers, which saw a 12.8 per cent increase, and then building material and garden equipment dealers, which reported sales figures up 19.8 per cent compared to the same month last year. Balancing the increase in sales in those sectors were lower sales in gasoline station and fuel vendors, which were down 8.2 per cent and sporting goods and hobby retailers, which were down 5.0 per cent. Year to date unadjusted retail sales were up 1.7 per cent totaling $15.5 billion.

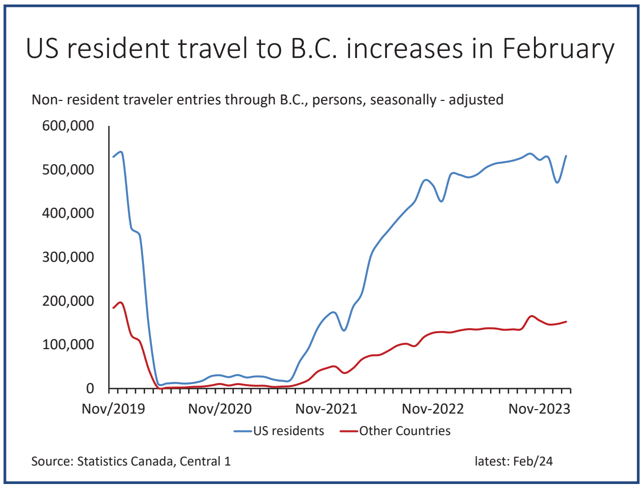
In the metro Vancouver area, seasonally adjusted retail sales were down 0.2 per cent for February 2024 compared to January 2024. Year-over-year, monthly unadjusted retail sales were up 7.5 per cent, while year-to-date sales are up by 3.4 per cent.

Non-resident visitors increase first time in fourth months

Alan Chow, Business Economist

The number of non-resident travelers entering Canada through British Columbia increased in February, marking the first time in four months. On a seasonally adjusted basis, there were 10.8 per cent more visitors in February than in January, reaching 683,896 people. This is the second highest monthly number since the start of the pandemic. The number of same day excursions increased 11.9 per cent and the number of overnight tourists increased by 10.2 per cent. These numbers are likely to rise if the Canadian dollar further weakens on the prospect that the Bank of Canada will lower rates faster than the Federal Reserve.





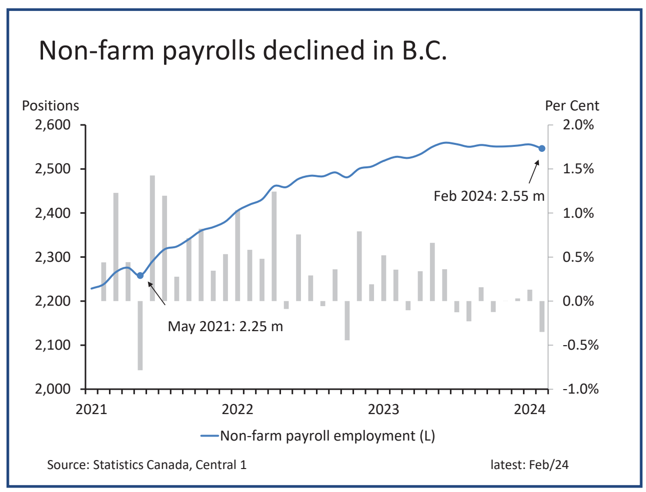
The number of U.S. residents entering Canada through B.C. increased 13.0 per cent in February to a seasonally adjusted 531,218 people. The number of residents from countries other than the U.S. was also up by3.4 per cent. The increase in U.S. residents entering was seen in all modes of transportation. Air travel arrivals increased by 8.5 per cent while automobile arrivals increased by 5.9 per cent. The number of those that arrived by other modes of transportation increased by 65.9 per cent. The number of non-residents from countries other than the U.S. that came by land or water increased by 28.4 per cent while those who came by air declined by 3.9 per cent.

Both goods and services industries reported declines in non-farm payroll

Ivy Ruan, Economic Analyst

B.C. employers reported the first decline in non-farm payrolls since October in February. From the latest Survey of Employers, Payroll and Hours (SEPH), February's result saw a decrease of 9,105 positions (-0.35 per cent), bringing the total job count in B.C. down to 2.55 million positions. Goods producing industries reported 0.9 per cent or 3,461 fewer positions while service producing industry payrolls also reported 3,933 fewer positions (-0.2 per cent). The seasonally adjusted job vacancy rate flattened in February at 4.3 per cent, and just 515 fewer vacancies reported during the month. Total vacancies reached 108,840 positions. The job vacancy rate has returned to a normalized level and remained steady since mid-2023.

Goods producing industry saw broad and modest decreases in job count among sectors except the natural resources producing sector, which had virtually no change in payrolls. Due to the monthly decline, February's result kept pointing to the lowest number of payrolls in the manufacturing sector since the end of 2020. The largest decrease among goods producing industries was seen in the construction sector, with a loss of 1,684 positions or -0.9 per cent, following the decline seen in the previous month. Broad declines in the number of payrolls were seen among service-producing industries in February, except for the health care and social assistance sector, which saw an increase of 5,844 more positions or 1.7 per cent. Notable decreases were reported in trade, with3,163 positions or 0.8 per cent decrease, and accommodation and food services, with2,915 positions or 1.3 per cent decrease.



On the wage front, seasonally adjusted average weekly earnings in B.C. edged up 0.1 per cent to $1,250.69 compared to January, when there was a 1.1 per cent increase in wages. That said, on a year-over-year basis, February's average earnings in B.C. were 6.1 per cent higher than last February and remain exceptionally strong.

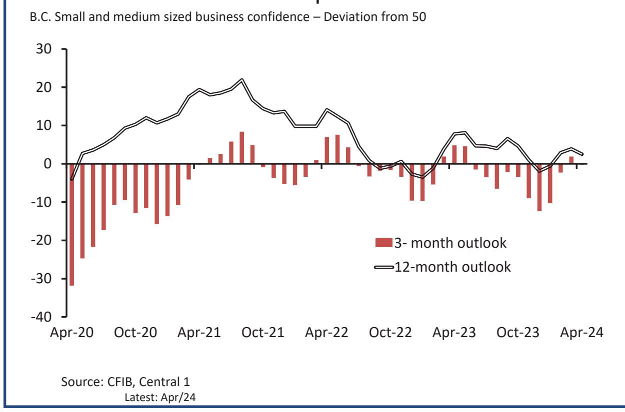
B.C. small business optimism deteriorates in April

Eloho Ennah, Economic Analyst

B.C. small and medium scale enterprises (SMEs) showed diminished optimism in April as reported in the most recent Canadian Federation of Independent Business Barometer Survey. The long-term 12-month index fell to 52.5 points from 53.9 points seen in the previous month. This was also the first decline after three consecutive monthly rises. The short-term three-month index also dropped from 51.9 points to 49.8 points, now slightly shy of the index's neutral benchmark of 50 points. The values of both indexes remained consistent with weak economic conditions and signify worsening outlooks from B.C. business owners. Unfavorable business conditions, along with a range of new developments including the April 1 carbon tax hike and minimum wage increases, have cast a shadow on business optimism in the province.

Slightly fewer businesses expect to reduce full time staff in comparison to the higher percentage in April, while 23 per cent of B.C. SMEs considered themselves to be in a good state of business health, down significantly from 31 per cent in the preceding month. Insufficient demand, shortages of skilled and unskilled labour, and limited working capital are still the greatest limitations to expanding production and sales growth reported by SMEs. Limited physical space and product distribution constraints were also factors subduing sales and production growth. Tax, insurance and wage costs were the major input cost constraints while fuel, occupancy and borrowing costs were also on this list of constraints.

Short- and long-term business confidence dip in B.C. in April



Country-wide, business optimism across SMEs declined sharply, with both the short- and long- term index down 5.4 points in April, moving further away from the historical averages. This decline came after four consecutive monthly upticks, and the sharp declines in the two largest provinces, Ontario and Quebec, impacted the overall picture the most. An increasing number of businesses reported low domestic and foreign demand as major production and sales growth limitation. In addition, average price increase plans, which had been on a downtrend since May 2022, gained 0.6 points to reach 3.2 per cent in April. This exceeds the upper limit of the inflation target range of 3.0 per cent. Average wage plans also increased from 2.5 to 2.9 per cent.

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