



Highlights

- Retail spending down in B.C.
- B.C. non-farm payroll rose in March
- Long-term business optimism improves slightly in B.C., but short-term optimism declines

B.C. retail sales fell in March following last month's bump

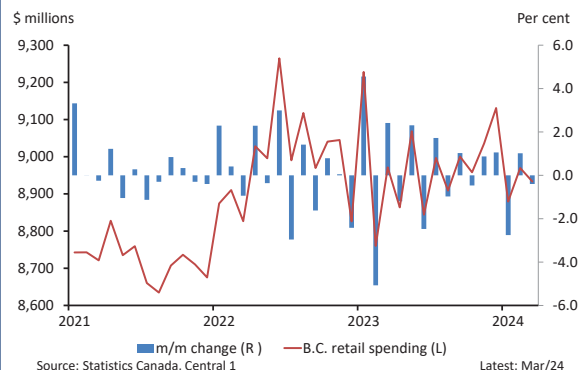
Ivy Ruan, Economic Analyst

Consumer demand wilted through the first quarter as retail spending in Canada declined for a third month in a row in March. Seasonally adjusted sales fell 0.2 per cent from February with real spending down 0.4 per cent. First quarter spending declined 0.2 per cent from Q4, although real spending nudged higher by 0.3 per cent.

In March, seven out of the nine subsectors saw lower sales. A notable decline was seen in furniture, home furnishings, electronics and appliances retailers, which was down 1.3 per cent. For the fourth consecutive month, lower retail sales were also reported from clothing stores, which fell 1.7 per cent. Food and beverage retailers also saw a 0.6 per cent decrease in sales for March. On the other hand, higher retail sales were reported at motor vehicle and parts dealers, up 0.8 per cent. This is the second consecutive month of increasing sales in this category.

The weaker spending profile was even more pronounced in B.C. where sales fell 0.4 per cent to a seasonally adjusted \$8.9 billion following a February bump. Quarter-over-quarter sales fell a significant 1.3 per cent and March sales were down 0.4 per cent highlighting a consistent range-bound pattern over the past year. Year to date unadjusted retail sales were just up 0.2 per cent totaling \$24.4 billion.

B.C. retail sales down in March



Only four out of the nine subsectors in B.C. recorded higher year over year unadjusted March retail sales. Motor vehicle and parts dealers reported a surge (18.9 per cent) in monthly sales in March to an unadjusted \$2.1 billion, yet still 4.6 per cent below the level seen in late March. General merchandise retailers' sales were up 4.0 per cent than last March, thanks to the 10.9 per cent jump in monthly growth. The unadjusted sales at food and beverage retailers were 1.5 per cent higher than last March and almost reached \$2.0 billion.

In the metro Vancouver area, seasonally adjusted retail sales were down 0.1 per cent in March 2024 compared to February 2024. Year over year, monthly retail sales were up 1.0 per cent, year to date sales were also up 1.0 per cent.

Preliminary national figures for April point to a bounce back in sales. However, we expect the trend will remain range-bound given financial stress caused by elevated interest rates and the impact of mortgage renewals on household spending.

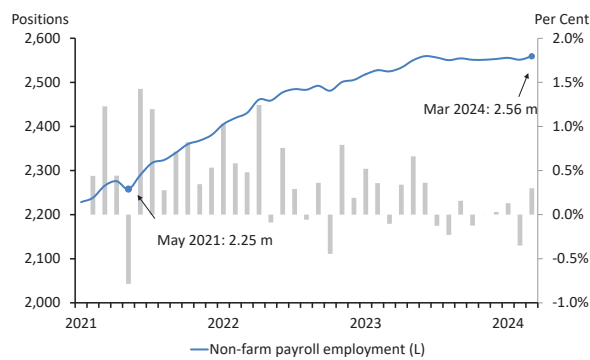
Both goods and services industries reported growths in non-farm payroll

Ivy Ruan, Economic Analyst

B.C. employers reported a surge in the number of employments in March following the decline seen in February. From the latest Survey of Employers, Payroll and Hours (SEPH), March's result saw an increase of 7,729 positions (0.3 per cent), and the total job count in B.C. is up to 2.56 million positions. Goods producing industries reported 0.5 per cent or 2,063 more positions while service producing industry payrolls also reported 2,078 more positions (0.1 per cent). The seasonally adjusted job vacancy rate dropped to 3.9 per cent in March and 9,270 fewer vacancies were reported during the month. Total vacancies reached 97,845 positions. March marked the first month that job vacancy rate dropped below 4.0 per cent since September 2019. The Labour Force Survey (LFS) also indicated positive hiring momentum in March, showing a 0.2 percent month-over-month increase and a 0.3 percent expansion in the labor force. Over longer periods, employment trends generally align between the SEPH and LFS results. However, it's important to note that while multiple job holders are counted only once in the LFS, they appear as multiple entries in payroll records.

The goods producing industry saw broad and modest increases of job count among sectors except the utilities sector, which had a slight decrease in payrolls. Despite the monthly increase (1,093 more positions or 0.7 per cent higher), March's result kept pointing to the lowest level of payrolls in manufacturing sector since the end of 2020. Broad gains in the number of payrolls were seen among services producing industries in March except professional, scientific and technical services sector (5,860 fewer positions or -3.1 per cent). Notable increases were reported in educational services (1,168 more positions or 0.6 per cent), and accommodation and food services (2,781 more positions or 1.3 per cent).

Non-farm payrolls rose in B.C.



On the wage front, seasonally adjusted average weekly earnings in B.C. edged up 0.3 per cent to \$1,256.92 compared to February, when there was a 0.1 per cent increase in wage. On a year-over-year basis, March's average earnings in B.C. were 5.4 per cent higher than last March and remain exceptionally strong.

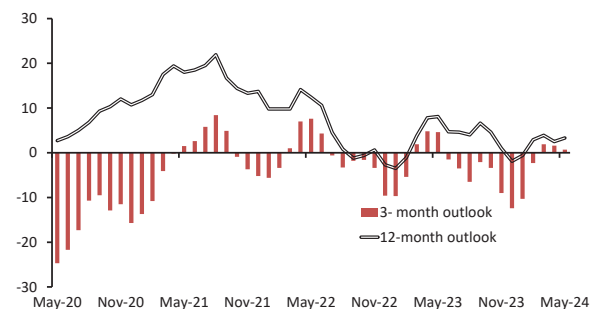
Small business optimism varied in B.C.

Eloho Ennah, Economic Analyst

The results from the May Canadian Federation of Independent Business Barometer Survey showed mixed views from B.C. small and medium scale enterprises (SMEs) between the short-term and long-term outlook. On one hand, business owners reported diminished optimism with regards to the short-term but optimism while there was a slight improvement in optimism about the long-term perspective. The long-term 12-month index rose from 52.5 points to 53.3 while the short-term three-month index dropped 0.9 points to 50.7 points. Although both figures are higher than the index's neutral benchmark of 50 points, the numbers are still relatively low as business owners remain cautious about future economic conditions.

Long-term business confidence up in B.C., short-term confidence diminishes

B.C. Small and medium sized business confidence – Deviation from 50



Slightly fewer businesses expect to reduce full-time staff in comparison to the higher percentage in April, while 20 per cent of B.C. SMEs considered themselves to be in a bad state of business health, down from 22 per cent in the prior month. Insufficient demand, shortages of skilled and unskilled labour, and limited working capital are concerns for B.C. business owners. These factors remain the greatest limitation to expand production and achieve sales growth. Limited physical space and product distribution constraints were also factors subduing sales and production growth. Insurance, wage, and tax costs are the top input cost constraints while fuel, occupancy and borrowing costs are also on this list of constraints.

Across the country, business optimism across SMEs ameliorated following the sharp decline in April. The long-term index leaped 8.7 points to 56.4 points, like a year ago and consistent with seasonal trends while the short-term index was up by 5.0 points to 52.3 points. This boost in optimism may be due to the expectation of an interest rate cut in June and several improvements in business conditions. For example, fewer businesses cited low domestic and foreign demand as a limitation to sales growth, and general business health got better. In addition, labour market conditions appear to be cooling as fewer businesses reported labour shortages during the month. Average price increase plans fell 0.5 points to 2.8 per cent, now below the inflation target range of 3.0 per cent while average wage decreased 0.1 points to 2.8 per cent.

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