



# B.C. Economic Briefing

## Highlights

- Small business confidence in B.C. receded in January
- B.C. inflation rate was 1.7 per cent in December
- Canadian retail spending increased in November
- B.C. retail sales rose in November

## Canadian small businesses remain cautiously optimistic

*Bryan Yu, Chief Economist*

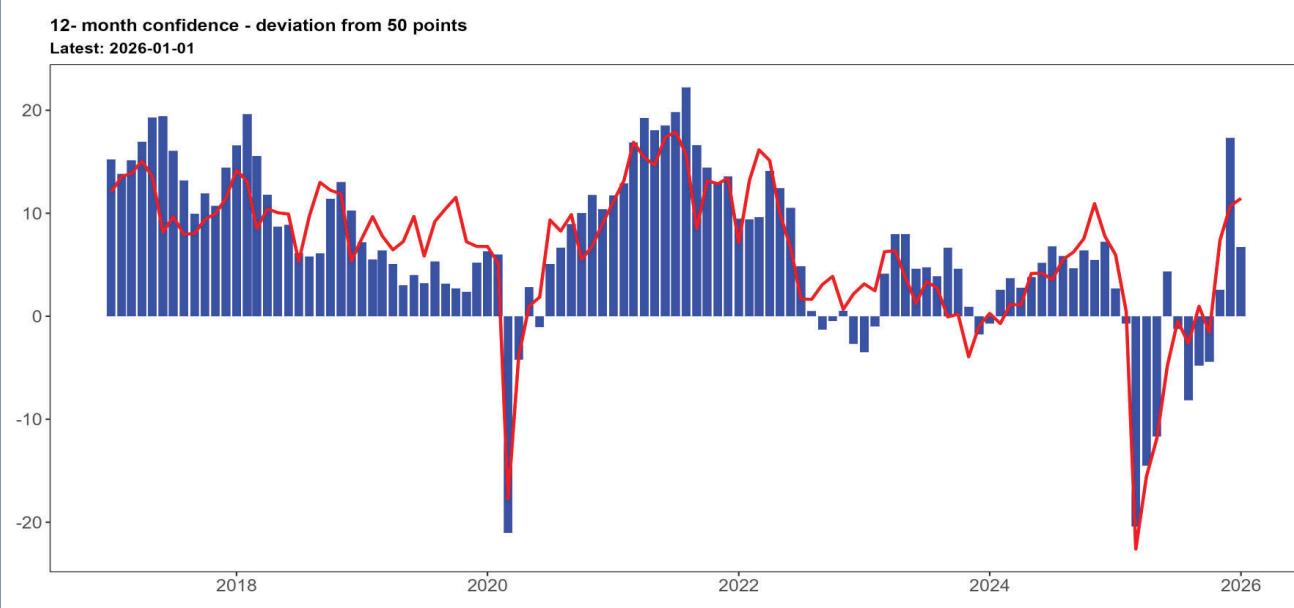
Small business confidence was roughly unchanged in January, according to the latest readings from the Canadian Federation of Independent Business (CFIB). The Canadian 12-month outlook remained unchanged at 59.5 points, with a value above 50 indicating net business optimism. This was highest level since November 2024 and suggests businesses are cautiously upbeat about the year ahead, but levels remain relatively low given slow economic growth and trade uncertainty.

On a shorter three-month basis, businesses remain very cautious with an index value of 52.8 points after holding below 50 for the prior 12 months.

A scan of national indicators points to higher confidence in segments such as professional and business services (64.9 points) and health and education (61.3 points), with a low in manufacturing (53 points). This is not entirely surprising given ongoing trade risk impacting the latter, while greater optimism in the former could reflect increased AI adoption, while demand for health services likely remains stable. Manitoba (65.1) and New Brunswick (63.3) have the highest index readings. Firms generally view the current business environment as satisfactory, with wage growth at 2.1 per cent over the next and 2.6 per cent price growth.

In B.C., confidence retraced after a surprise surge in December. This was to be expected given much lower readings over the prior six to nine months. The index fell from 67.4 points to 56.7 points, albeit holding above the levels in the summer and fall months. Short-term expectations fell back into negative territory at 46.3 points from 57.1 in December. On full-time staffing, B.C. firms remain downbeat with 12 per cent looking to hire, and 16 per cent looking to cut. Demand remains a key constraint to increasing production.

## B.C. CFIB 12-month sentiment



## B.C. inflation rate decelerates in December

*Eloho Ennah, Economic Analyst*

B.C.'s inflation declined sharply in December, with year-over-year growth in consumer price index coming in at 1.7 per cent, down from 2.0 per cent in November. This was the lowest rate in the country, and B.C. was the only province to record a slower pace of inflation than the prior month. While base year effects of the temporary GST/HST exemptions in 2024 contributed to upward pressure across the country, B.C. shook off the upside pressure, hospitality/accommodation costs fell sharply by 34 per cent. Hotel prices soared with Taylor Swift concerts in December 2024. Inflation excluding energy also declined from 2.5 per cent to 2.2 per cent while excluding both food and energy, it declined to 1.7 per cent from 2.1 per cent.

Food price inflation remains a key driver of consumer price growth in the province, rising by 5.2 per cent year-on-year in December following an increase of 4.2 per cent in November. In particular, groceries like meat increased in price by 6.9 per cent while fish and seafood prices rose by 8.9 per cent during the period. Coffee accelerated from 23 per cent to 32 per cent. The price of food purchased at restaurants also increased by 6.1 per cent.

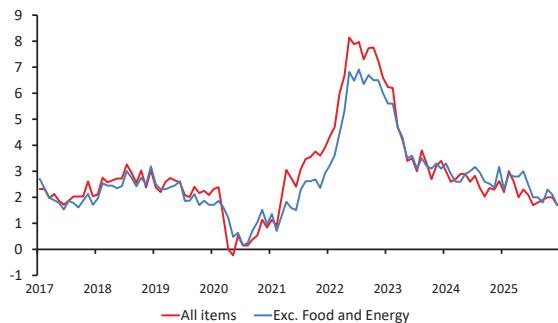
In B.C., energy prices have continued to fall since March, down 9.2 per cent year-over-year in December, and an accelerated decline from the 5.8 per cent drop in the previous month. Gasoline prices fell 13.7 per cent compared to 8.3 per cent dip in November. Crude oil prices have fallen to a four-year low given continued oversupply in global markets, among other factors. Transportation costs, which tend to be affected by gasoline prices, decreased by 0.4 per cent.

Shelter costs increased 1.9 per cent year-over-year, down marginally from 2.0 per cent in November. Rented accommodation costs were up 3.3 per cent from 2.9 per cent, while owned accommodation fell to 1.5 per cent from 1.8 per cent. Homeowners' replacement cost declined by 1.2 per cent, reflecting declining home values recently.

Clothing and footwear prices declined by 0.5 per cent while household operations, furnishings, and equipment inflation accelerated from 2.9 per cent to 3.4 per cent. Growth in the price of goods slowed in December to 1.2 per cent from 1.7 per cent year-over-year in November. Service prices growth fell to 2.0 per cent, down from 2.3 per cent.

### B.C. inflation rate declined in December

B.C. 12-month CPI inflation, %



Source: Statistics Canada, Central 1

Latest: Dec - 25

Nationally, the inflation rate edged up from 2.2 per cent to 2.4 per cent, moving slightly farther away from the midpoint of the Bank of Canada's target range. Inflation excluding food and energy increased modestly from 2.4 per cent to 2.5 per cent. That said, this month's uptick was due to GST/HST exemptions which covered about 10 per cent of goods in the same period in 2024.

## B.C. monthly retail sales rise in November

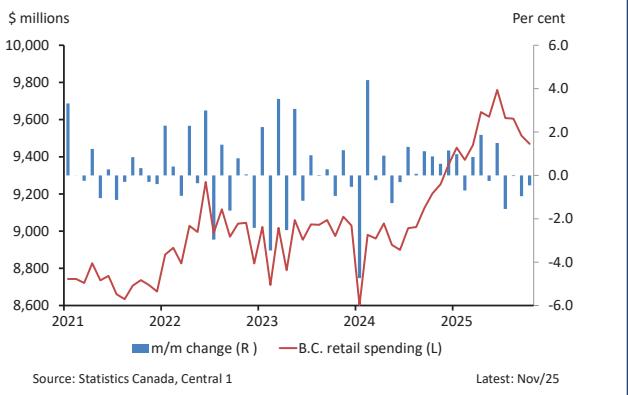
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Canadian retail sales were back on the rise in November following two consecutive declines. On a seasonally-adjusted basis, retail sales increased 1.3 per cent in November to \$70.4 billion after falling 0.3 per cent in October, largely driven by higher sales at food and beverage retailers. Core retail sales, which exclude gasoline stations and fuel vendors and motor vehicle and parts dealers, grew by 1.6 per cent in November. Despite the rebound, advanced estimates from Statistics Canada point to a likely decline in retail sales in December by 0.5 per cent.

Overall, the retail sales trend remains weak given suppressed consumer expectations, as illustrated by the Bank of Canada's 2025 Q4 Survey of Consumer Expectations which showed elevated concerns over inflation, pressures on household financial health, soft labour market conditions and ongoing economic and trade uncertainty as factors weighing on consumer sentiment.

On a provincial level, B.C. seasonally-adjusted retail sales increased in November by 1.8 per cent after the 0.5 per cent decline in October. Unadjusted retail sales in B.C. increased by 2.8 per cent compared to the same month in 2024. Year-to-date, retail sales have increased by 6.0 per cent.

## B.C. retail sales rise in November



Subsector data is unadjusted for seasonality, but year-over-year figures showed higher sales in six out of the nine categories. Motor vehicle and parts dealers' sales saw a decline of 4.8 per cent while gasoline vendors and building materials and garden equipment and supplies sales also decreased by 1.5 per cent and 6.1 per cent, respectively. In contrast, sales at Food and beverage retailers increased by 10.3 per cent while clothing retailers' sales also increased by 9.9 per cent in the same period.

Regionally, the Vancouver metro area reported a 0.4 per cent rise in seasonally-adjusted retail sales on a month-over-month basis in November. The unadjusted sales were up by 2.7 per cent compared to last November while year-to-date sales are up 6.7 per cent.

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