

## \$50 BILLION AND COUNTING: RETAIL SPENDING IN BC

### Highlights:

*For the first time ever, the level of reported retail sales in BC topped the \$50 billion mark in 2005.*

*On a per person basis, retail sales amounted to \$12,000 per BC resident last year.*

*Some 250,000 British Columbians work in the retail sector, making it the biggest source of jobs in BC.*

*Traditionally, per capita retail sales in BC have been above the Canadian average. Currently, BC ranks second to Alberta in retail spending per person.*

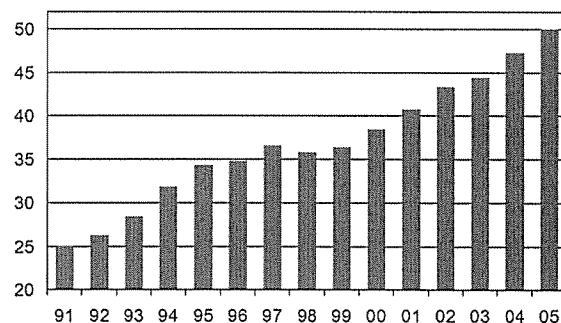
*Since 1991, the fastest growing retail industry segments have been 1) building supply stores, home centres and hardware stores; 2) computer stores; 3) general merchandisers; and 4) electronics and appliance stores.*

The Business Council estimates that BC consumers spent a record \$50 billion in shops and stores throughout the province in 2005. While the official statistics for December's sales (the most important month of the year for retailers) won't be released by Statistics Canada until late February, it is clear that retail sales last year surpassed the \$50 billion milestone. The total amount spent by British Columbians in retail establishments doubled between 1991 and 2005.

### Consumer Spending Creates Jobs

With all of this spending activity, it should not come as too much of a surprise that the retail sector employs more people than any other industry. Last year more than 250,000 British Columbians were working in the sector. This means that in its various forms, retailing provides employment for more than one-tenth (actually 12%) of the provincial workforce. Health care ranks second, with 220,000 workers, followed by the diversified manufacturing sector (200,000) and food and accommodation services (175,000).

**BC Retail Sales**  
Billions \$



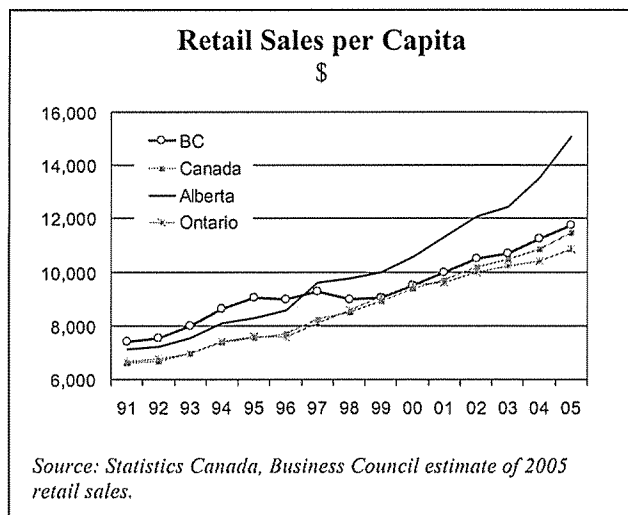
Source: Statistics Canada, Business Council estimate for 2005.

### British Columbians Spend More

With a population of 4.2 million, \$50 billion in retail sales translates into roughly \$12,000 in annual spending for each person living in British Columbia.

For retailers, BC tends to be a good place to locate because residents spend more in stores than most of their counterparts elsewhere in the country. During the first half of the 1990s BC led the country in per capita retail spending. At that time the average British Columbian spent almost \$1000 more in retail establishments than the

typical Canadian. As BC's economy faltered in the second half of the 1990s, growth in retail spending stumbled, and the gap in per capita sales between BC and Canada disappeared. In fact, over the course of a few years, British Columbians went from being the country's biggest retail spenders to a fifth place ranking. The pace at which BC's relative spending fell reflected the impact of very weak income growth during this period. As the economy has gained strength in recent years, British Columbians' prolific spending habits have resurfaced. Growth in retail spending has been quite strong, and by 2004 British Columbians once again were outspending (in per capita terms) all other Canadians except Albertans.



Improved prosperity translates into higher disposable incomes, and hence a greater capacity to purchase consumer goods of all types. Nowhere is this pattern more apparent than in Alberta. In 2005 per capita retail spending in Alberta is estimated to have reached \$15,075. As with so many other economic measures, this points to a sizable and widening prosperity gap between Alberta and the rest of the country. Per capita retail spending in BC is now about \$3,000 lower than in Alberta. While it is true that inflation has been higher in Alberta, the inflation difference only accounts for a

fraction of the stronger growth and higher retail spending levels in BC's energy-rich neighbour.

**Holiday Spending**

When one looks at the month-to-month distribution of annual retail spending, it is easy to understand why the Christmas season is critical for so many retailers. In BC's case, per capita retail spending in December surges 45% higher than the average for the other 11 months of the year.<sup>1</sup> A similar picture holds across the country, with the seasonal jump being even more pronounced in Ontario, Newfoundland, Alberta, Saskatchewan and Nova Scotia.

If the level of spending is any indication, British Columbians are among the most generous in the country over the holiday period. In December 2004, the average BC shopper shelled out \$846 as compared to \$804 nationally.<sup>2</sup> Among the provinces, only Albertans spent more (per capita) in December.

**Where do British Columbians Spend Their Money?**

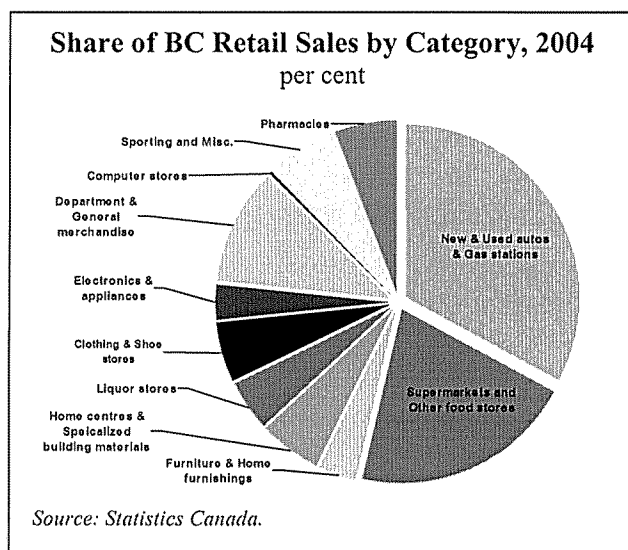
The short answer is on food and cars. These two categories represent the largest shares of retail expenditures in BC. Spending on new automobiles accounts for anywhere between 19% and 22% of retail sales, depending on the year. Add in expenditures for used cars as well as parts and gasoline, and retail spending linked to the ownership and operation of vehicles amounts to \$16 billion annually, or one-third of all retail spending in the province.

<sup>1</sup> Based on 2004 retail sales excluding the automotive sector. Jane Lin, "Christmas Shopping: A Provincial Perspective," Statistics Canada, Catalogue no. 11-621-MIE (December 2005).

<sup>2</sup> Excludes automotive spending.

The next biggest segment is the retail food industry. About 19% of the retail dollar is spent in supermarkets. Another 2% finds its way into specialty food stores, taking total expenditures on food purchased for home preparation and cooking to just over 20% of all retail sales.

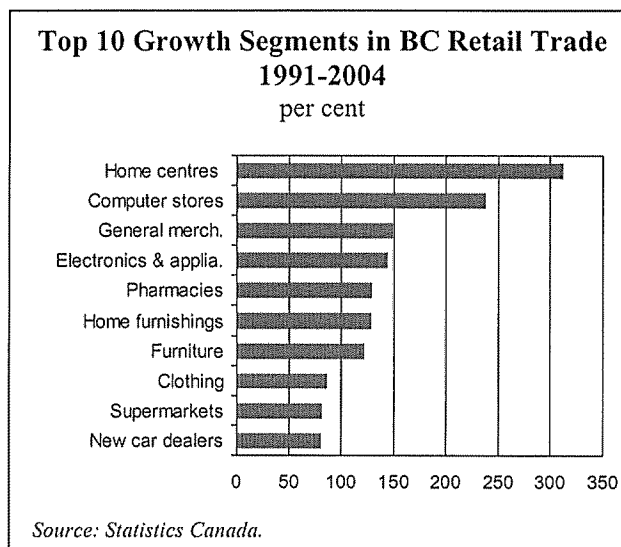
The remaining 45% of retail outlays is divided among stores in the other 15 categories that Statistics Canada uses to classify and quantify retail activity. Pharmacies, department stores and general merchandise operations each capture between 5.5% and 6% of retail sales in a given year. Liquor stores also receive a sizable chunk (around 5%) of consumer expenditures.



### **Fastest Growing Retail Segments**

It will come as no surprise to the “do-it-yourselfer” who makes frequent trips to the local building supply store that home centres and hardware stores have been the fastest growing segment of retail in British Columbia. Purchases from these outlets have soared more than four-fold since 1991, far outstripping the approximate doubling of aggregate retail spending over the same period. The main reason is a vibrant housing market combined with a trend

towards more home repair and renovation. It is not only individuals who are renovating and fixing up their houses. Many contractors also purchase supplies from home centres, so the strong sales figures for this segment also underscore the growing popularity of professionally done renovations as well as the steep rise in new home construction over the past few years.



The next fastest growing retail segment is computer and software stores, which collectively have seen sales climb by nearly 240% since 1991. These specialized stores have benefited from the seemingly endless consumer demand for new computers and related products.

Coming third in the sales growth ranking is general merchandise stores. While much of the sales rise for this segment is tied to the overall increase in retail spending, the arrival of Walmart and the expansion of other general merchandisers such as Canadian Tire have also been contributing factors.

### **Retailing is Only Part of Consumer Spending**

Spending creates employment, which in turn fuels more spending. The retail industry is

central to this dynamic. The magnitude of consumer spending is much greater than it first appears from the official sales data. This is because the flow of money into retailers' cash registers measures only part of what consumers actually spend each year. As tabulated by Statistics Canada, reported retail sales do not capture consumer outlays for most types of services. For example, spending in restaurants and drinking establishments is not included. The same is true for hair salons, spas, travel agencies, financial services and the ever-expanding array of home and personal services.

These days, consumers are also purchasing more goods that might otherwise be counted as part of official retail sales via the internet, through classified ads, at garage sales, and directly from home-based businesses, craft fairs and similar venues – none of which are included in reported retail spending. The enormous popularity of Ebay and other online trading sites is a sign that this burgeoning consumer “grey market,” which is very difficult for governments to tax or regulate, will continue to grow in the future.

### **Conclusion**

The retail industry plays a significant role in BC's economy for at least two reasons. One is that, as already noted, it is the single largest source of employment, providing a myriad of jobs from entry level positions through to senior management roles. Each year, the retail industry provides opportunities for career development and advancement for literally tens of thousands of BC residents, including many young and first-time workers.

The second, often overlooked reason why the retail sector is so important is the benefits consumers derive from the convenience and the highly competitive marketplace that the industry now provides, which adds to their quality of life. Today's retail marketplace features a vast and ever growing mix of products and purchasing options as well as aggressive pricing. Consumers' access to retail outlets has improved both in terms of locations and operating hours. Few would claim that they never take advantage of the extended hours and flexibility offered by retailers.

A final point that deserves mention is the positive correlation that exists between economic prosperity and retail sales. There is little doubt that a strong economy leads people to spend and consume more. Since 1991, per capita retail sales in BC have fallen in just two calendar years. In both cases, the sales drop coincided with a period when the provincial economy was struggling (1996 and then again in 1998).

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