

Navigating your business through volatile economic times

**A look at 2023-24 trends and impacts on
prices and profitability**

Des Sobool
Deputy Chief Economist

3 economic issues

1

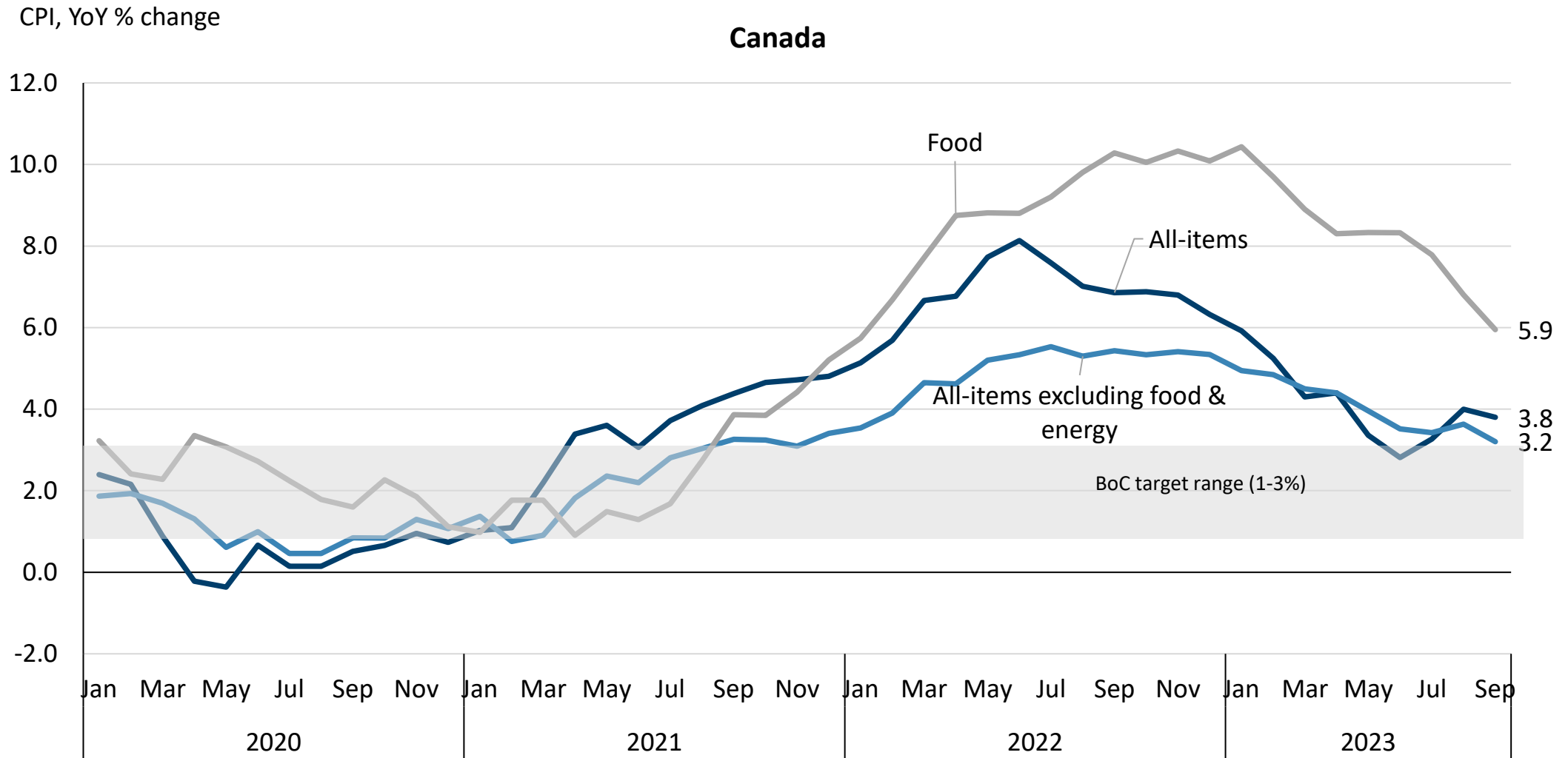
Battle against inflation isn't over

Markets still searching for a plateau when it comes to borrowing costs

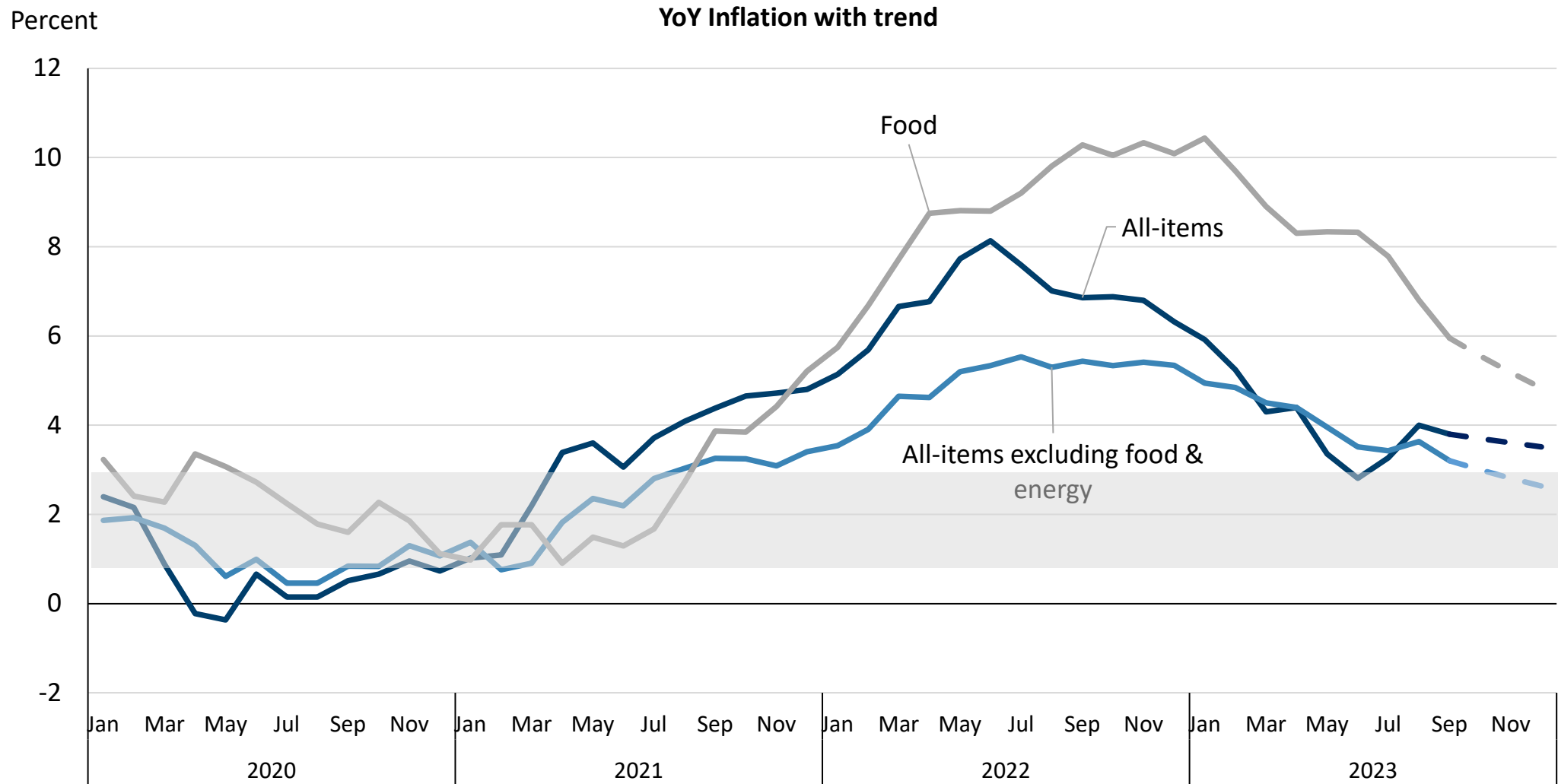
Demand outweighing supply



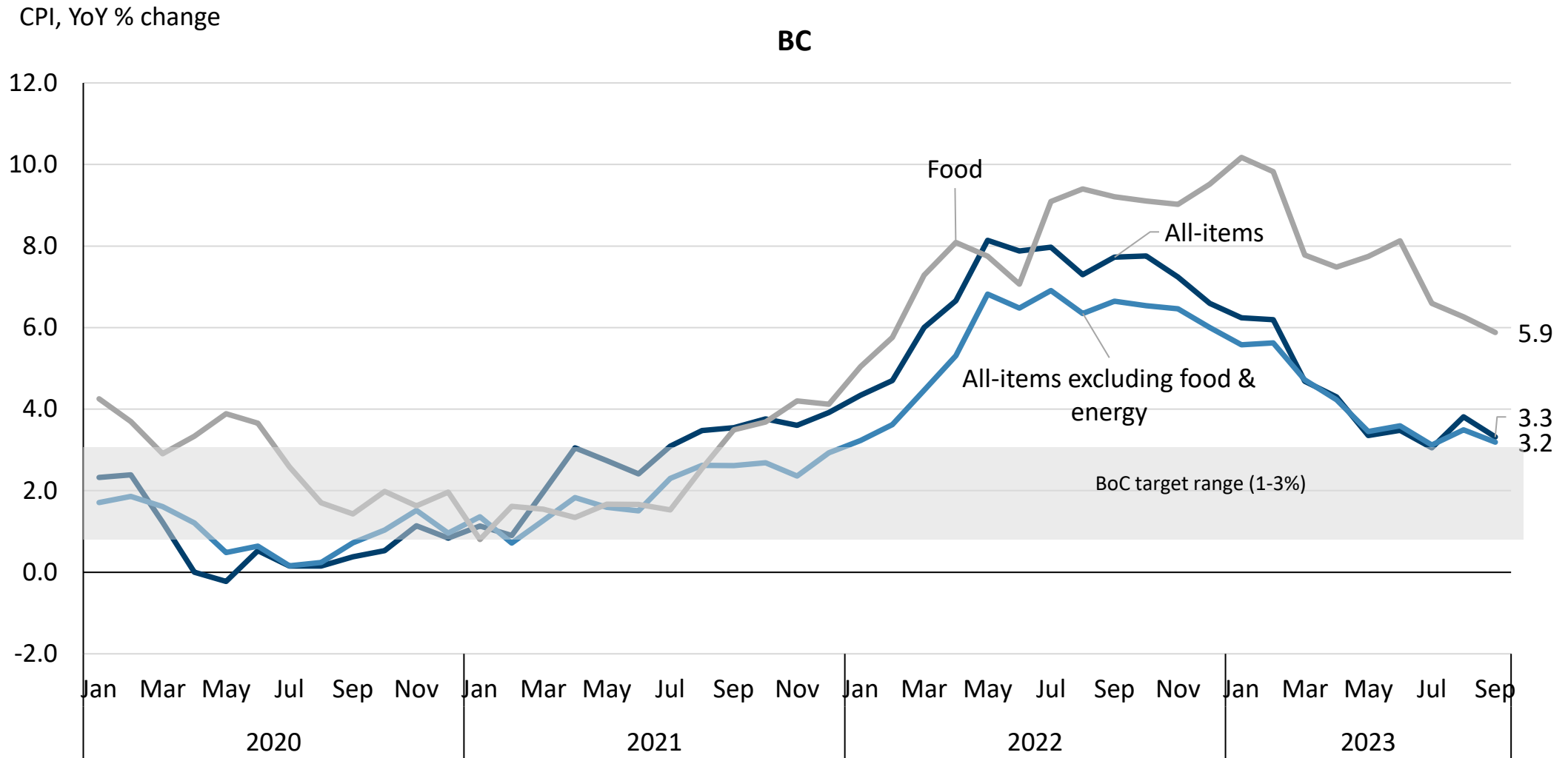
Is it possible for inflation to trend towards 3% in the short-term?



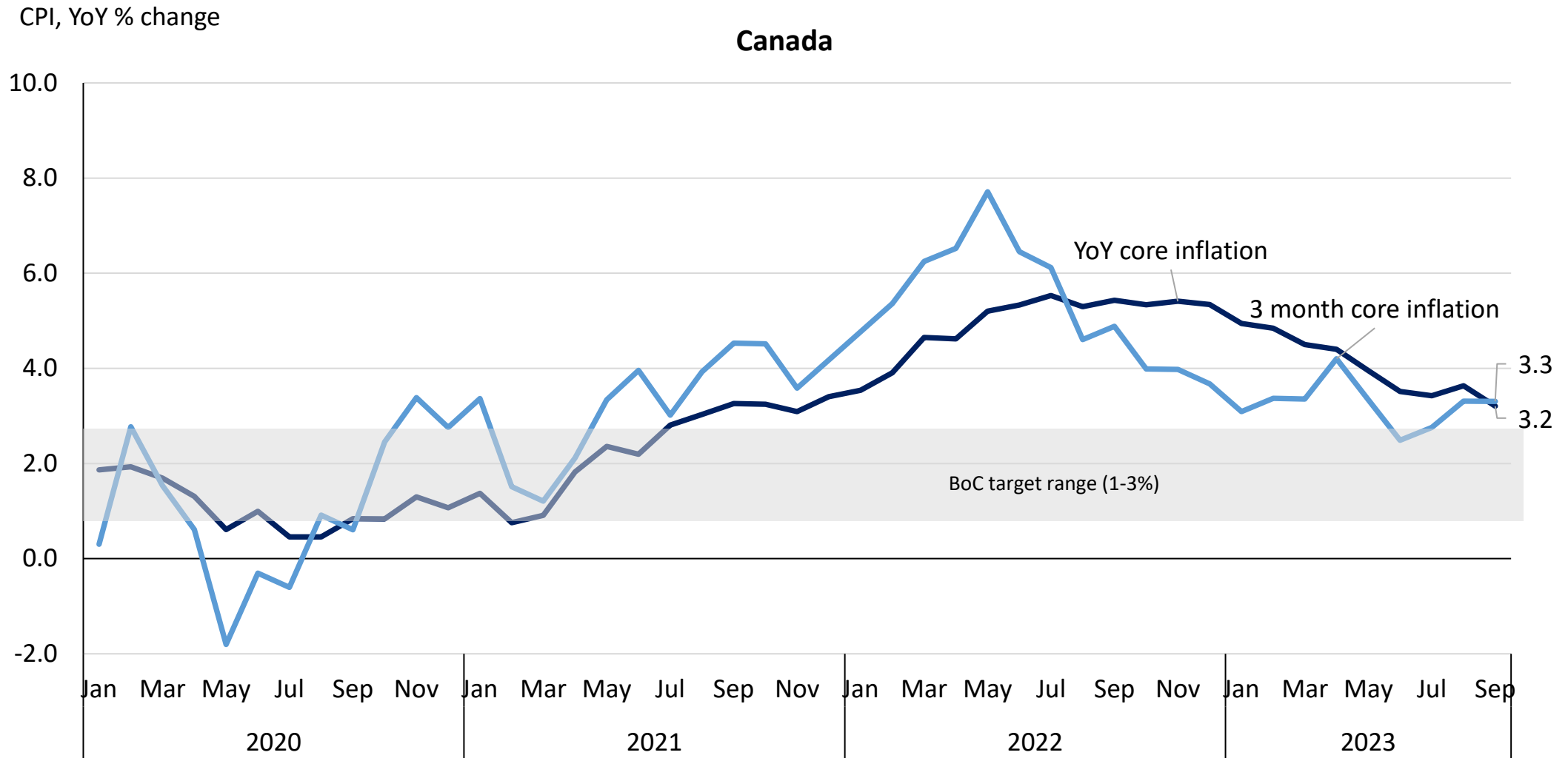
Is it possible for inflation to trend towards 3% in the short-term?



Inflation – moving in the right direction but volatile

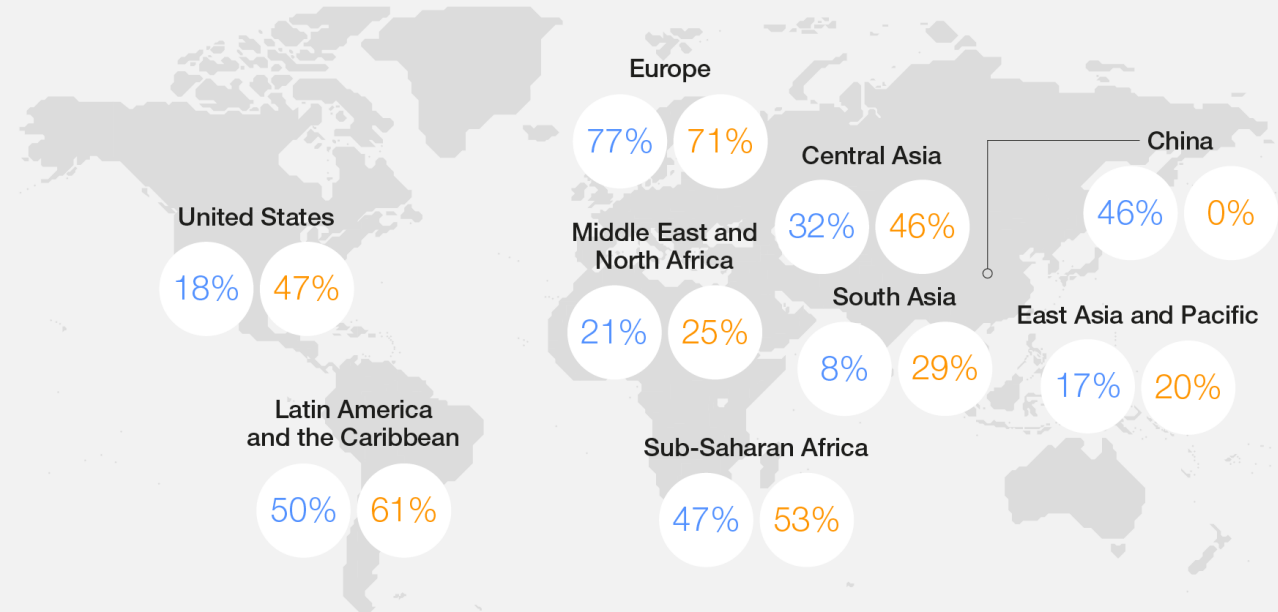


Is it possible for inflation to trend towards 3% in the short-term?



China, U.S. & Europe stand out for different reasons

Where do chief economists expect the risk of stagflation?



Expect weak economic growth



Expect high inflation

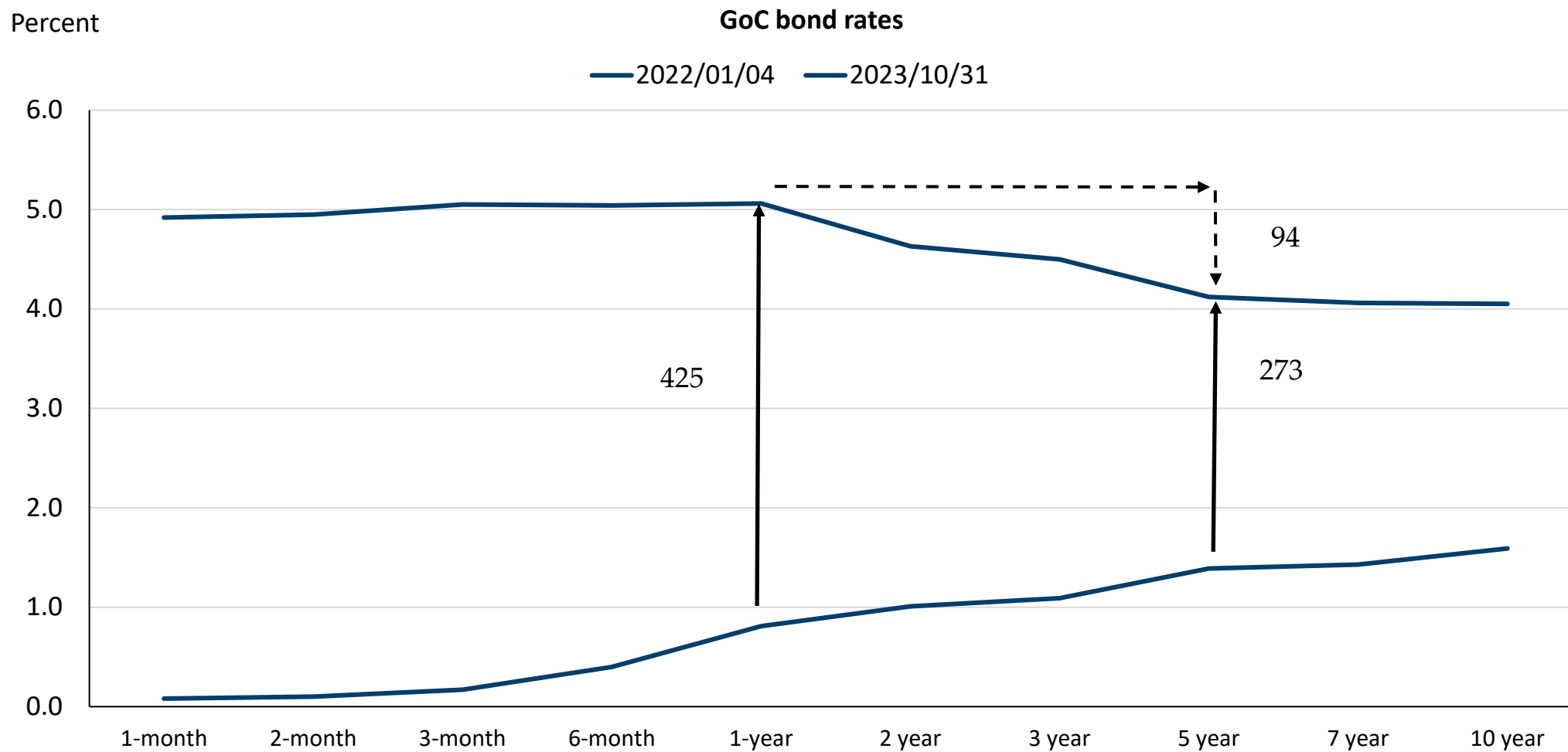
Source: Chief Economists Outlook, World Economic Forum, September 2023

Interest rates to plateau... but don't expect relief anytime soon

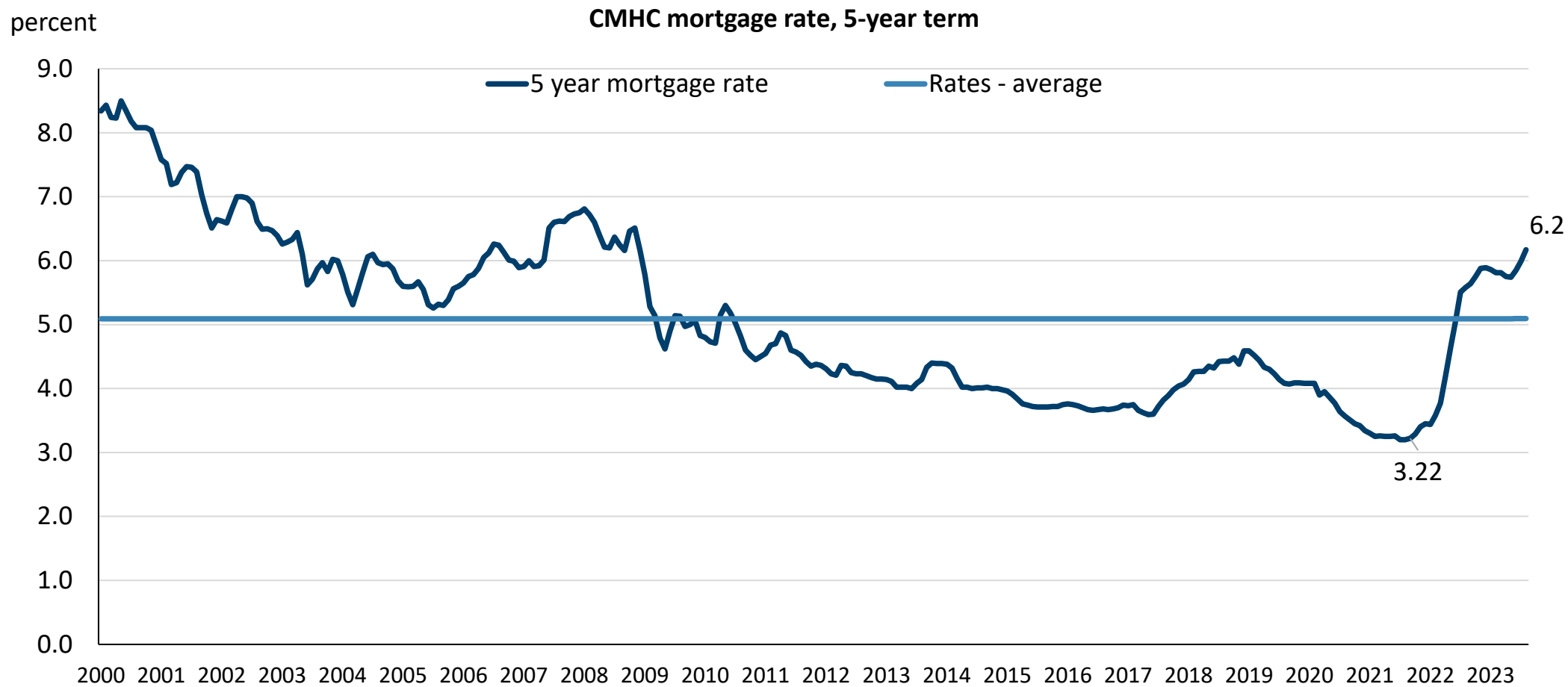


Source: Bank of Canada

Economic prospects - Future recession or soft landing?

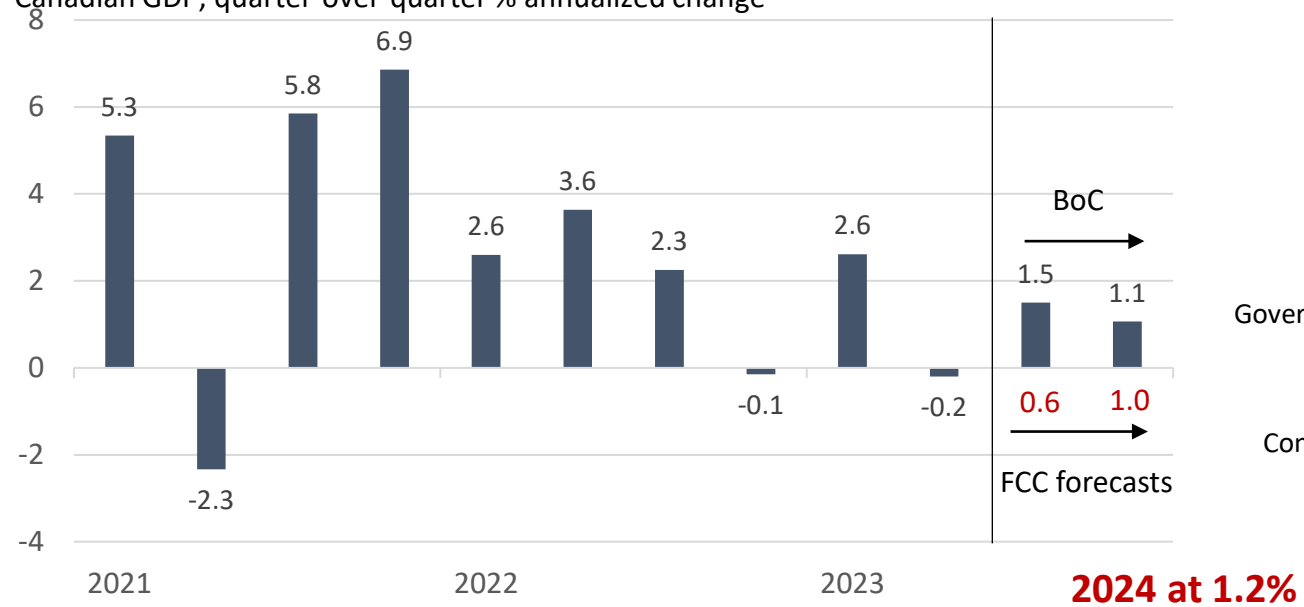


Rates had been low for a long time

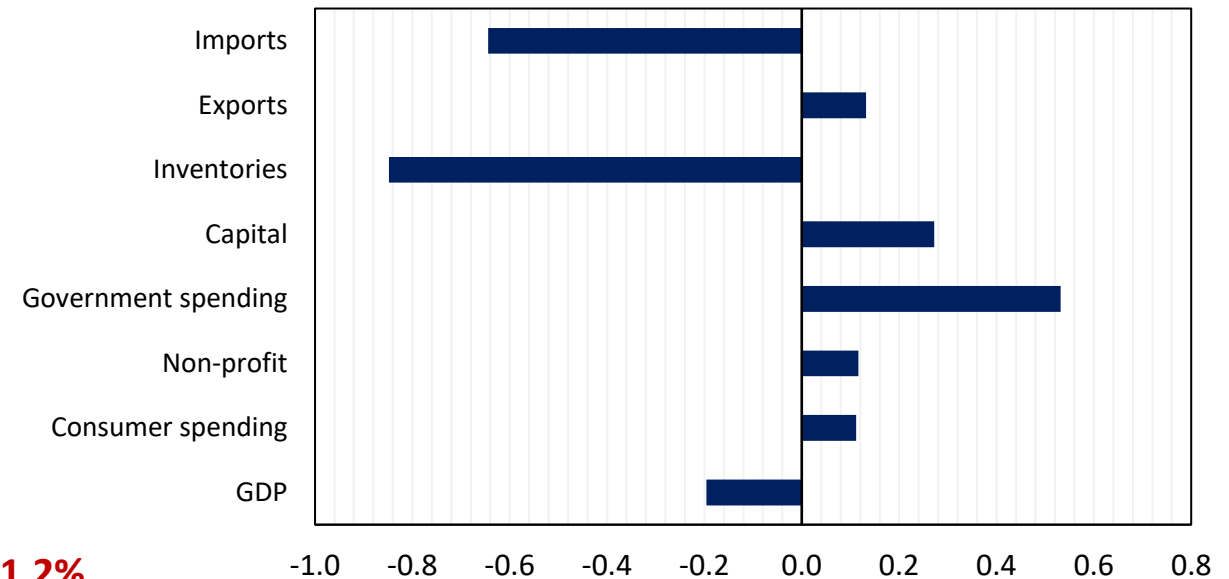


Economic growth slowing sooner than anticipated

Canadian GDP, quarter-over-quarter % annualized change



Contributions to GDP - Q4



3 major economic themes

1

Battle against inflation isn't over

Markets still searching for a plateau when it comes to borrowing costs

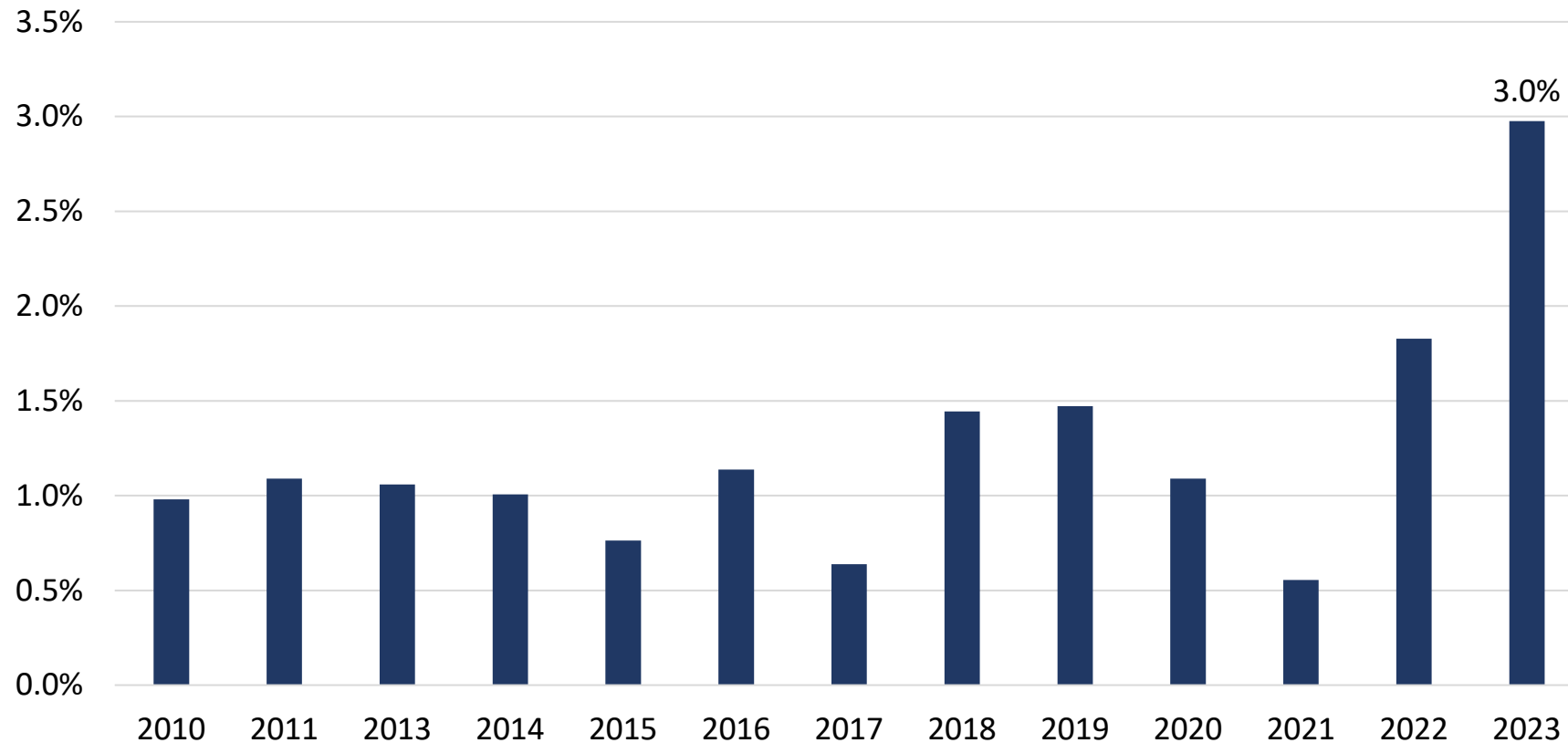
2

Where is food & beverage inflation coming from?

Labour, supply chain challenges, weather and shifting consumers preferences

Canadian population growth has accelerated due to immigration

population on July 1st versus same day of previous year (% change)

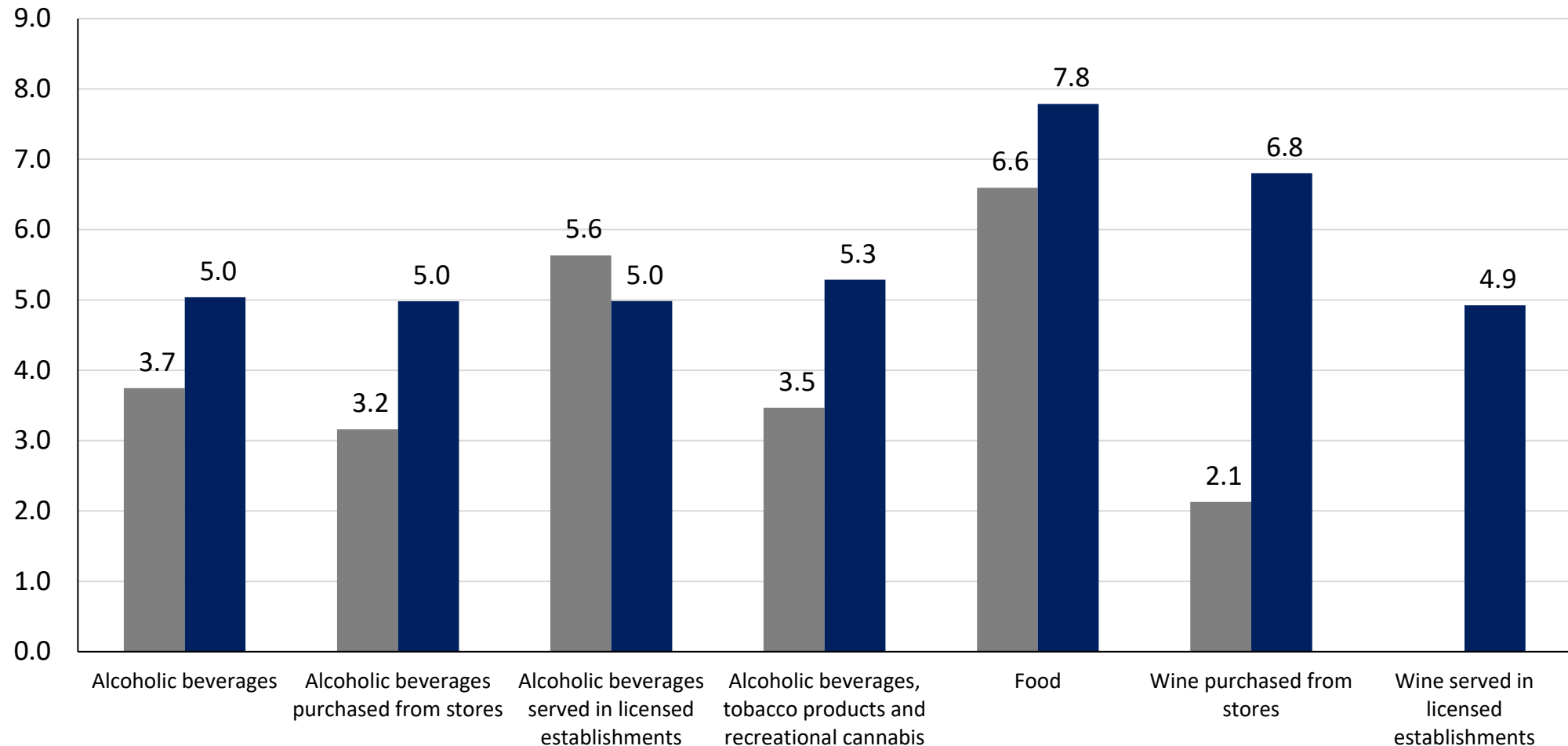


- Pandemic slowed population growth
- Rebound is significant...
- ... and official estimates could seriously underestimate the size of Canadian population

Alcohol inflation pressures are very broad

YoY percent change July 2023

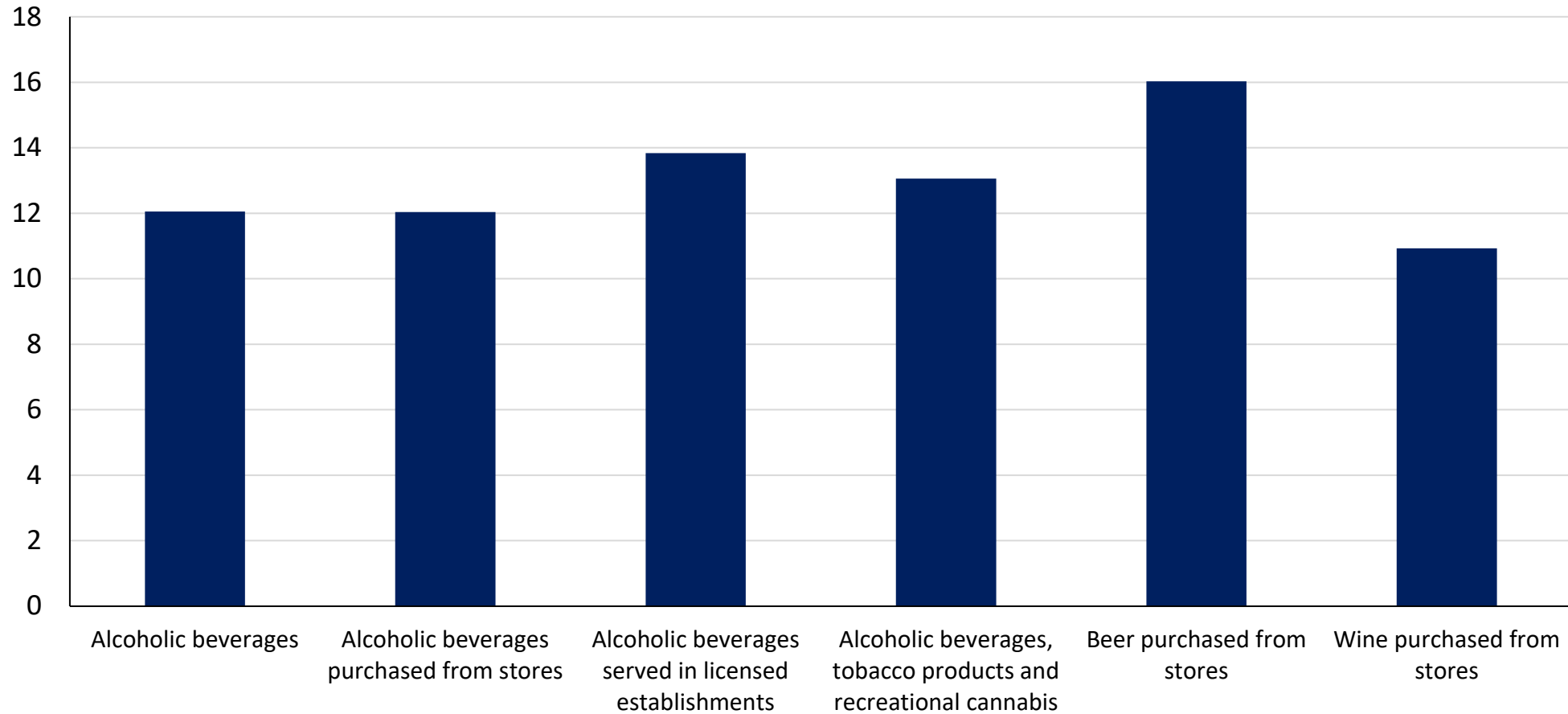
■ 2023 - British Columbia ■ 2023 - Canada



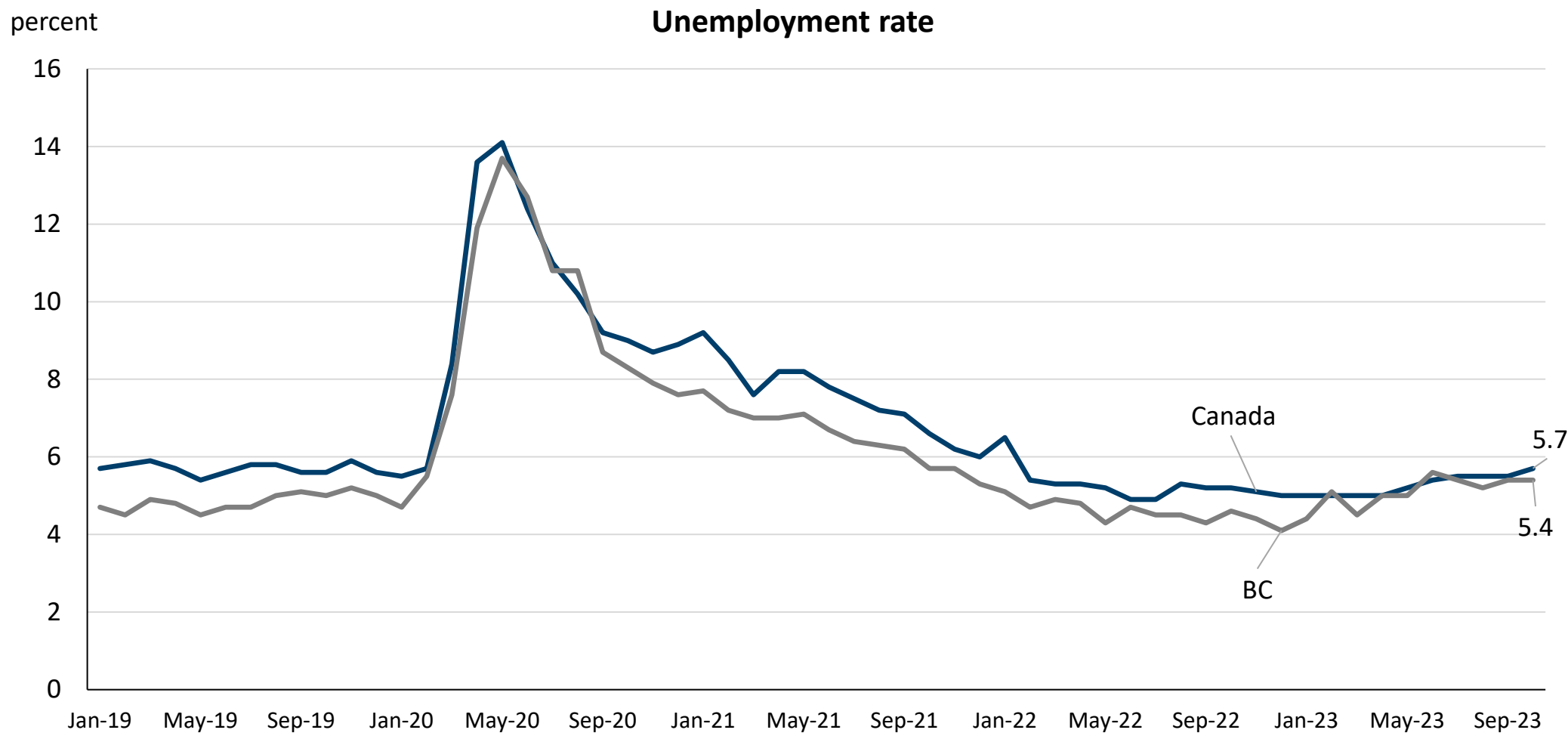
Alcohol prices up dramatically

Aggregate inflation

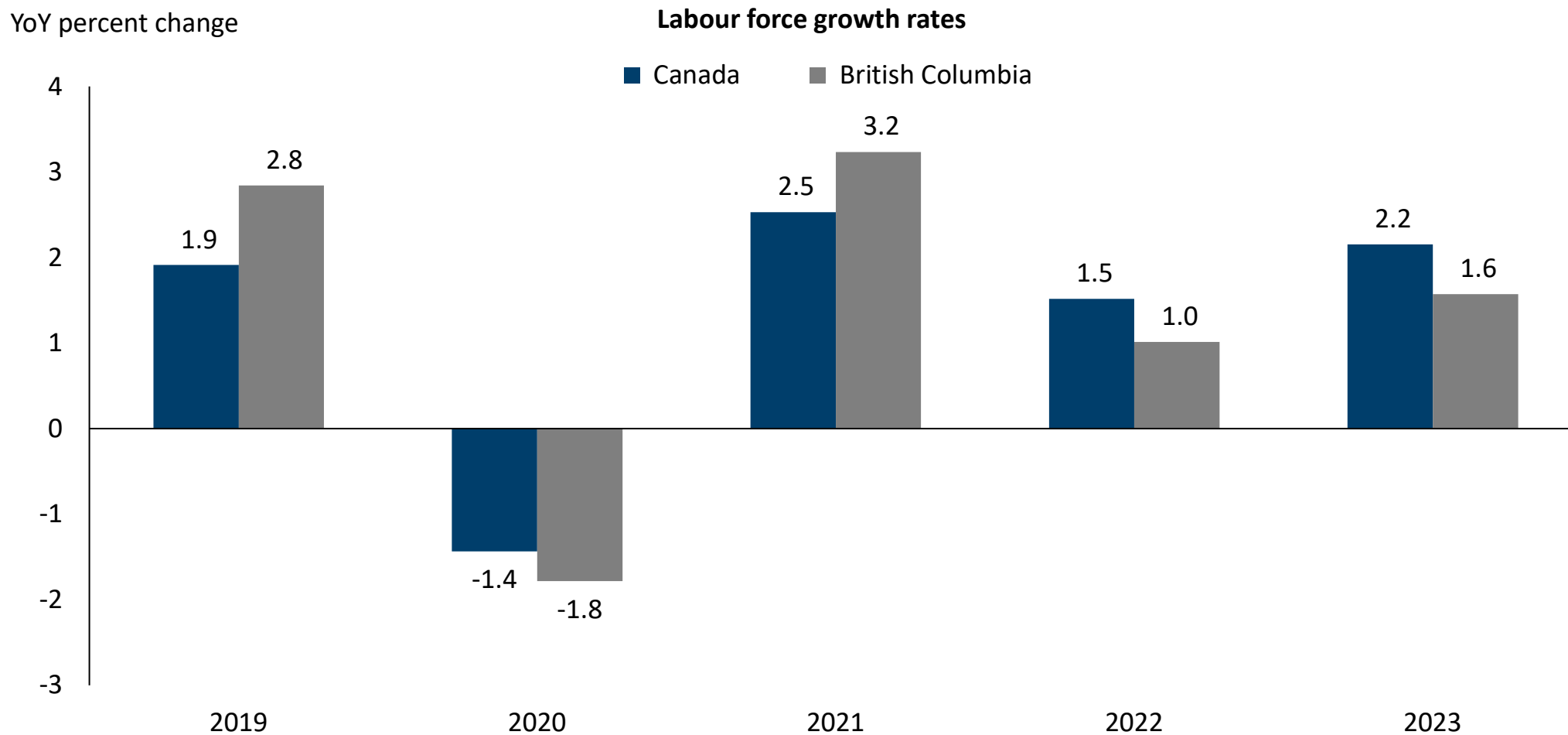
Alcoholic beverages, including wine, inflation in BC - past 4 years



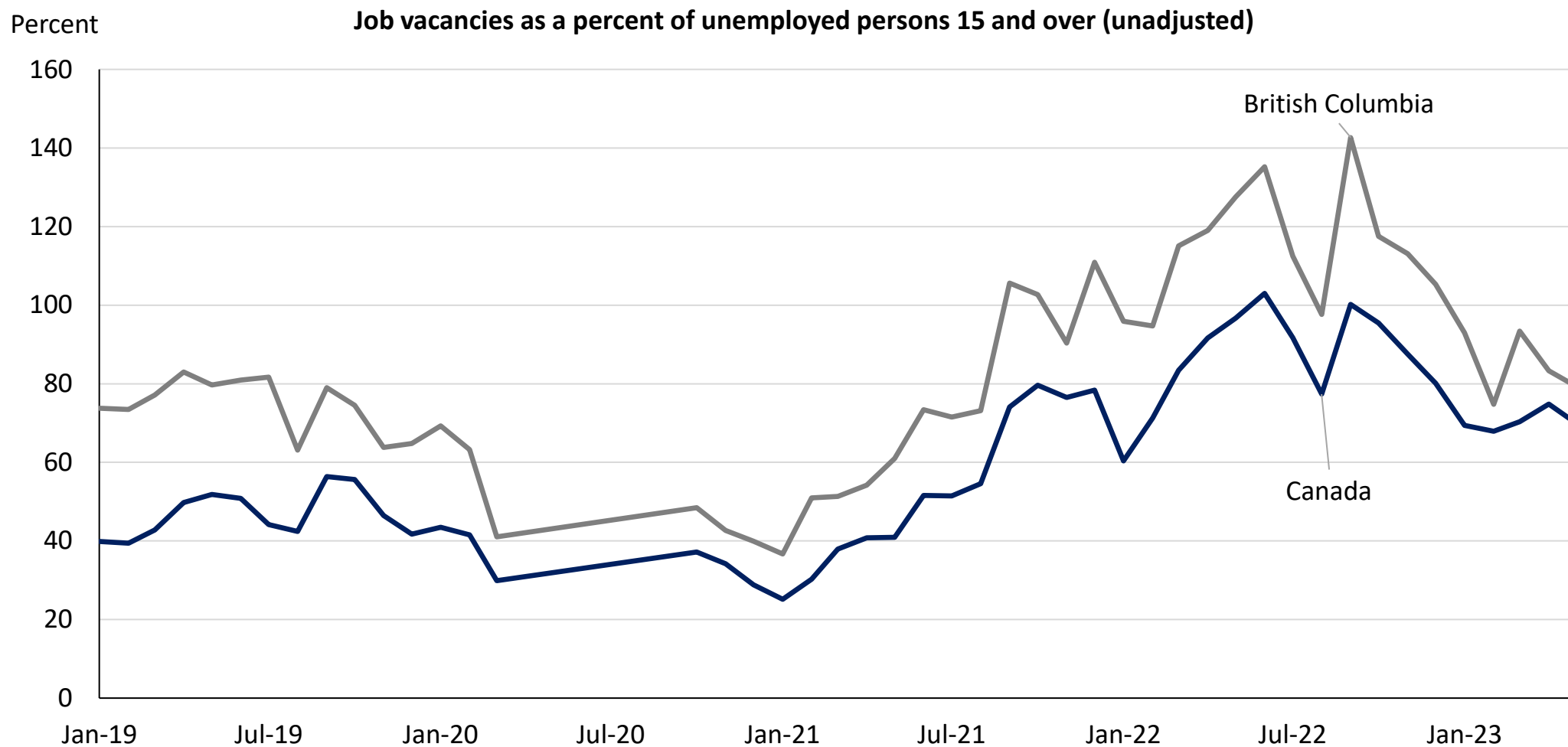
Economic troubles on the horizon – Labour is the wildcard?



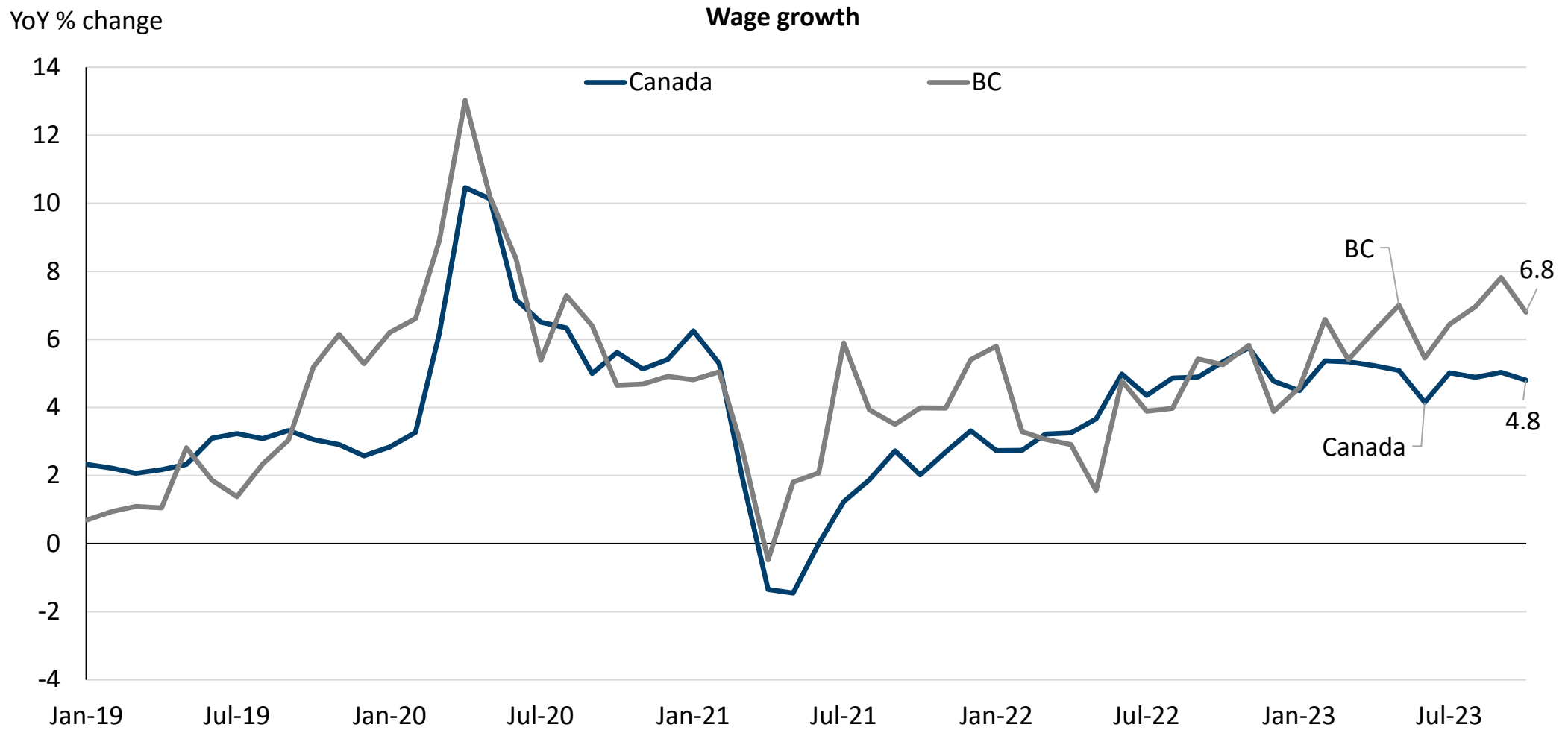
Economic troubles on the horizon – Labour is the wildcard?



Job vacancies trending lower



Wage growth is still strong – demand for labour



3 major economic themes

- 1** **Battle against inflation isn't over**
Markets still searching for a plateau when it comes to borrowing costs
- 2** **Where is food & beverage inflation coming from?**
Labour, supply chain challenges, weather and shifting consumers preferences
- 3** **Opportunities and risks in the industry**
Realigning supply with demand while profitability is pressured

A large, semi-transparent Canadian flag is positioned in the upper right quadrant of the slide. The flag features a white square with a red maple leaf in the center, flanked by two vertical red bars. The background of the slide is a dark blue gradient with a faint, out-of-focus image of a snowy landscape.

Weaker consumer demand, lower
commodity prices & cost pressures
has led to reduced margins



World Health Organization

Europe

No level of alcohol consumption is safe for our health

The New York Times

Even a Little Alcohol Can Harm Your Health

Recent research makes it clear that any amount of drinking can be detrimental. Here's why you may want to cut down on your consumption beyond Dry January.

The Sydney Morning Herald

Cancer warnings could be coming to wine bottle and beer can labels

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Just how bad is alcohol? Eight experts weigh in on the risks and supposed benefits of drinking

Abstaining from alcohol is the healthiest option, but light drinking is OK for most people, according to doctors and nutritionists.



ADMISSIONS

RESEARCH

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ABOUT

NEWS & EVENTS

EVENTS

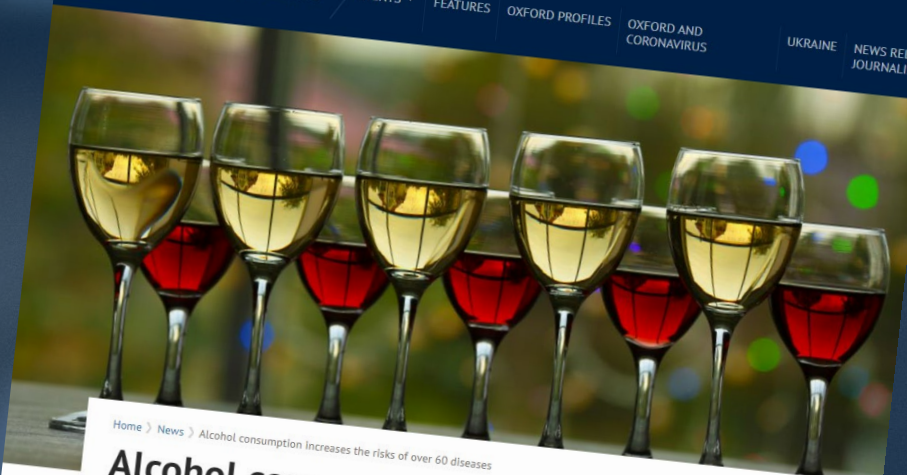
FEATURES

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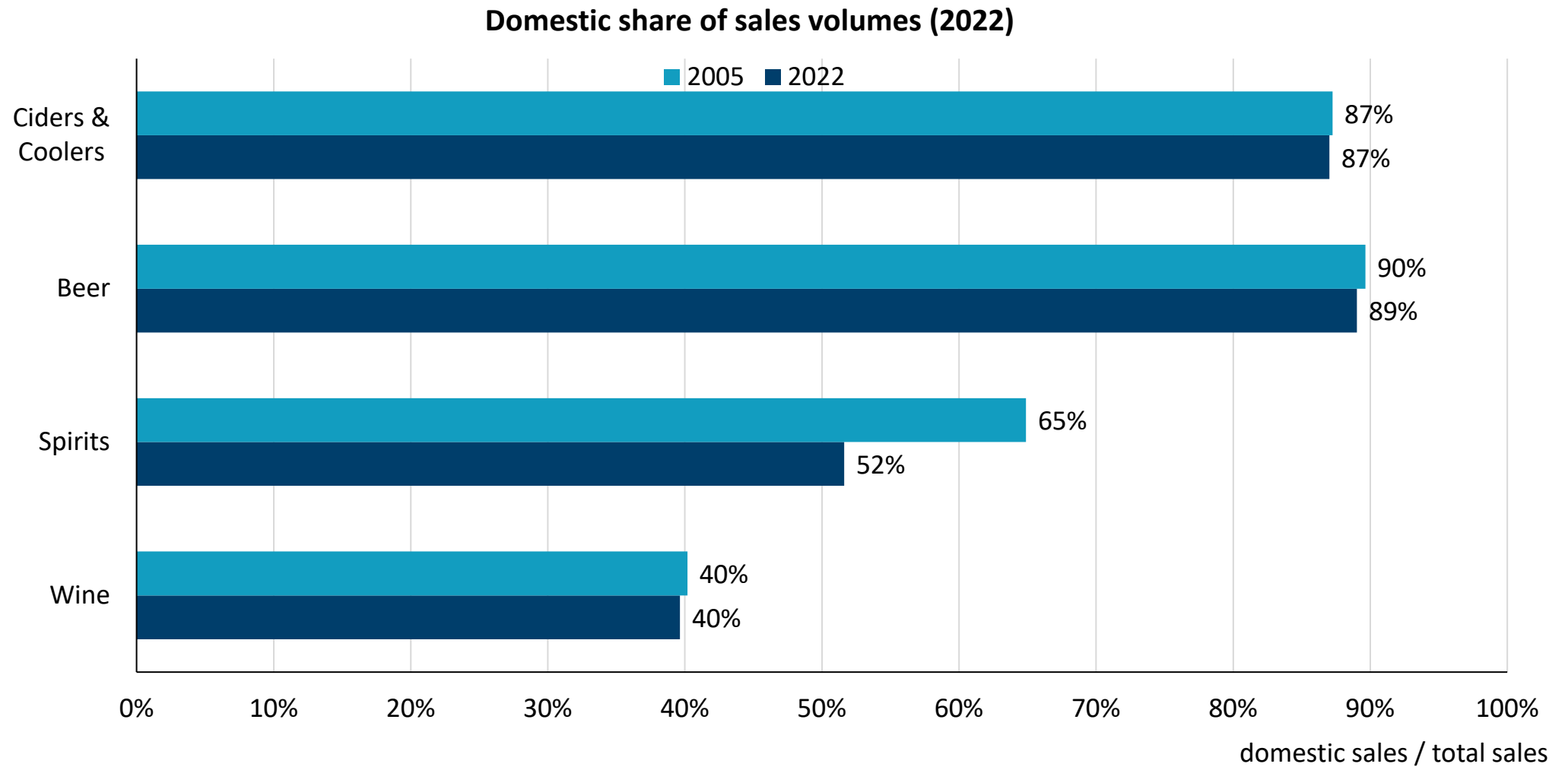
Home > News > Alcohol consumption increases the risks of over 60 diseases

Alcohol consumption increases the risks of over 60 diseases

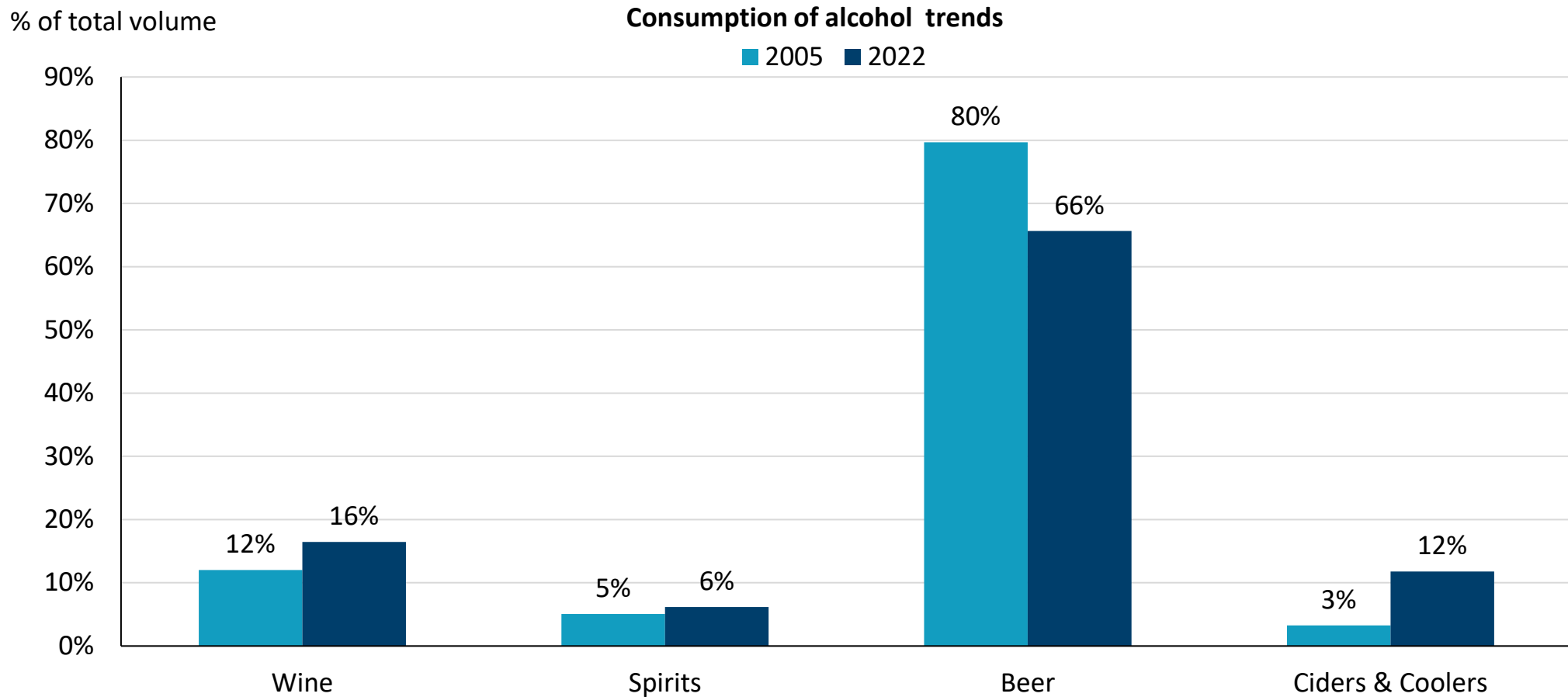
PUBLISHED



People like their imported wine and spirits

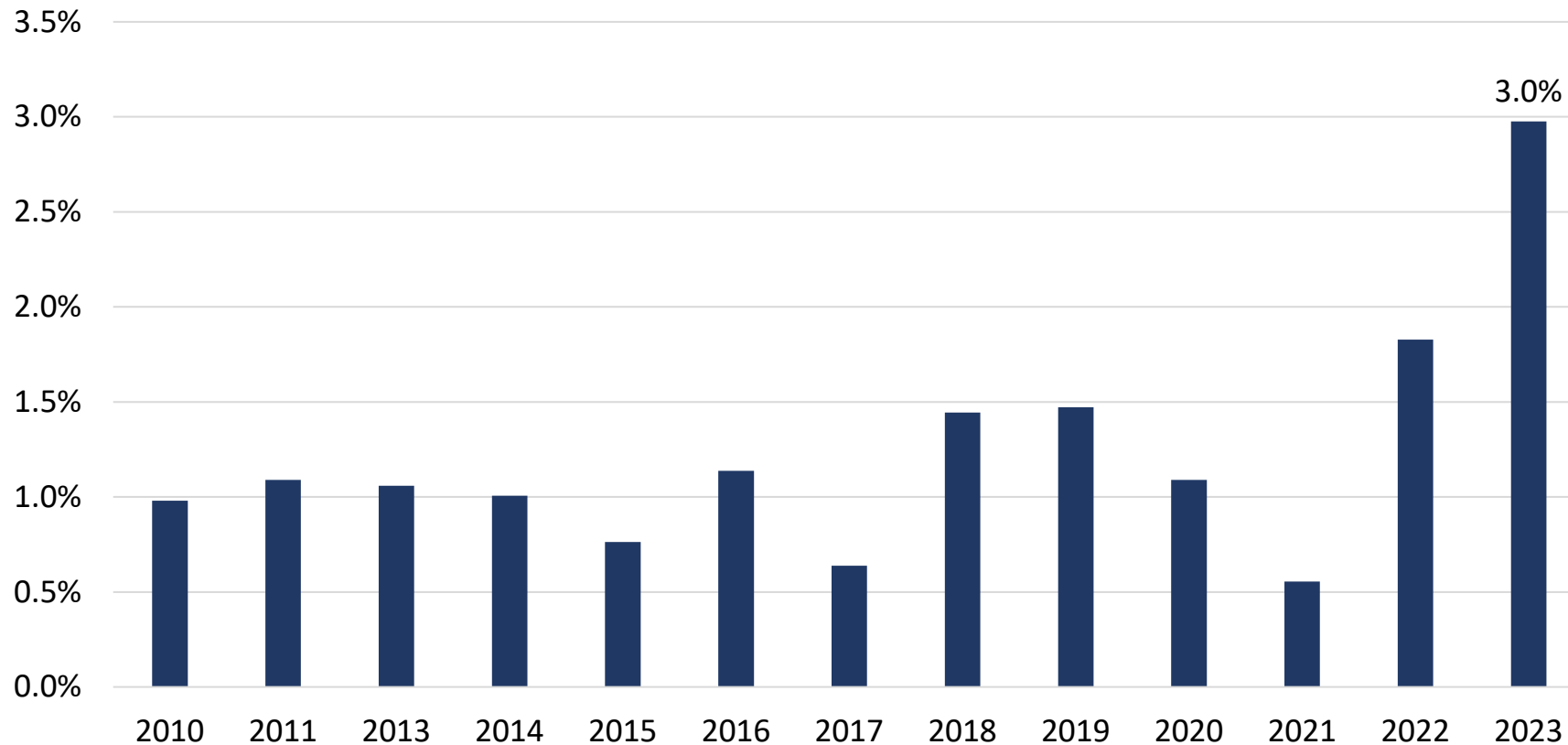


Consumer preferences are changing



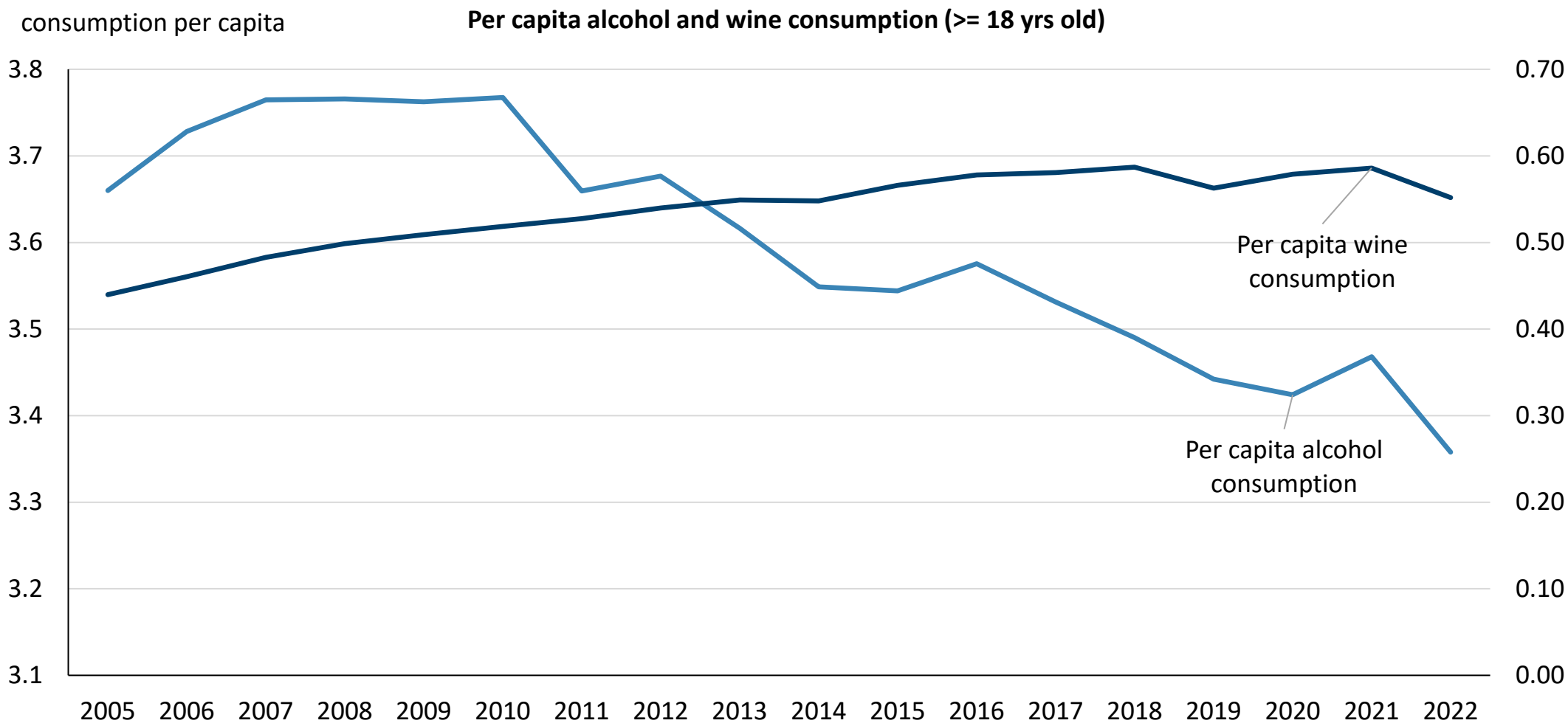
Recall - Canadian population growth has accelerated due to immigration

population on July 1st versus same day of previous year (% change)



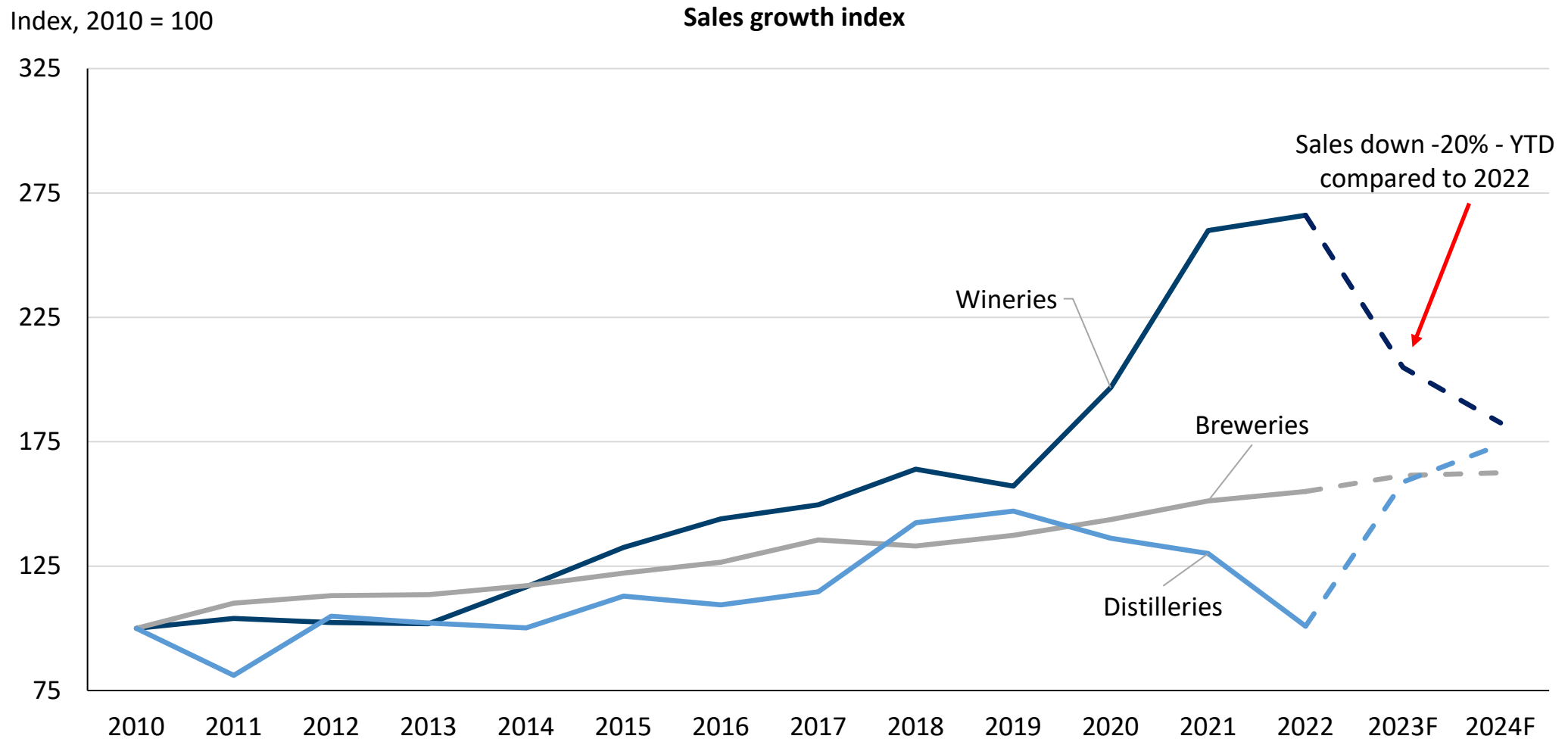
- Pandemic slowed population growth
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Consumers drinking less, wine holding steady





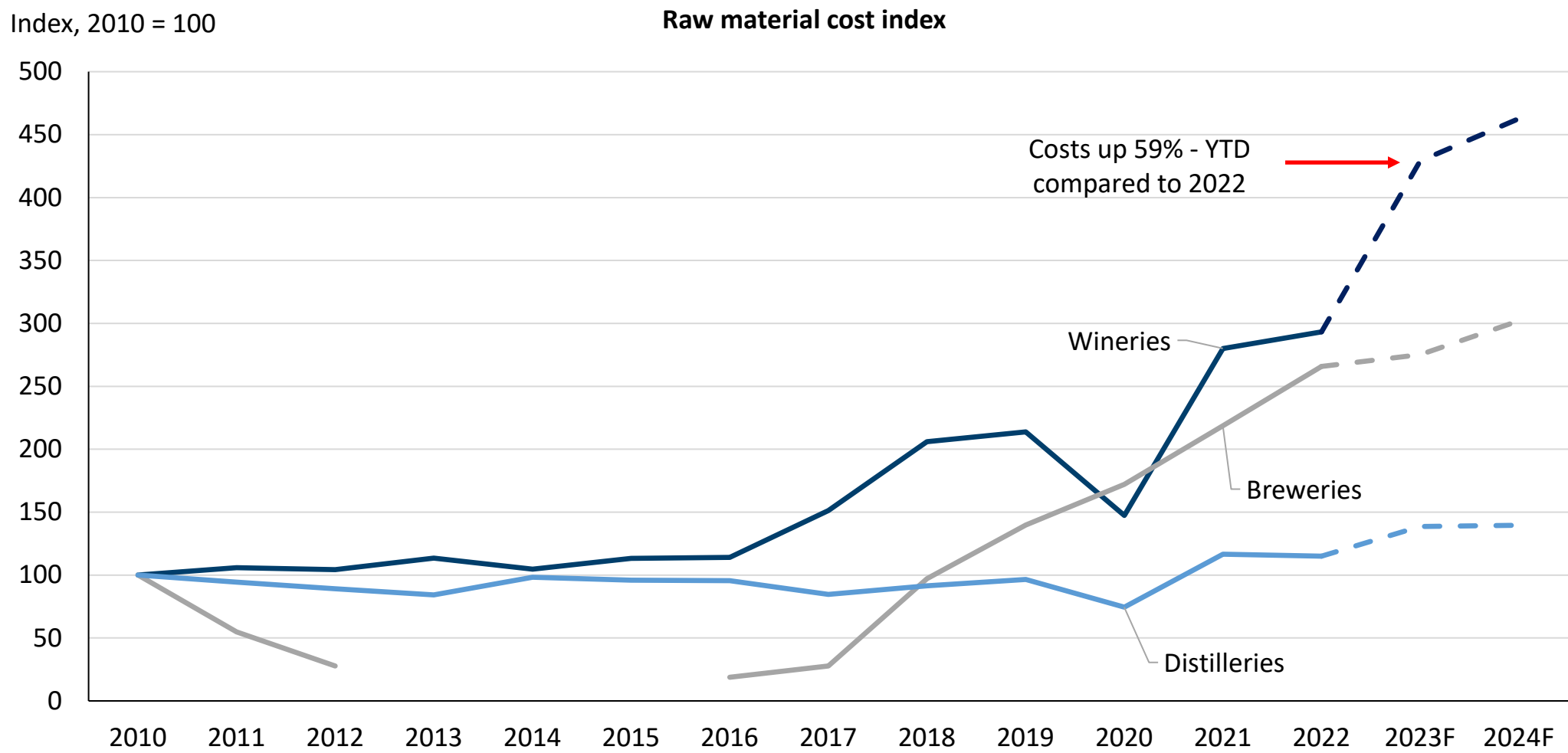
Wineries sales have taken a big hit



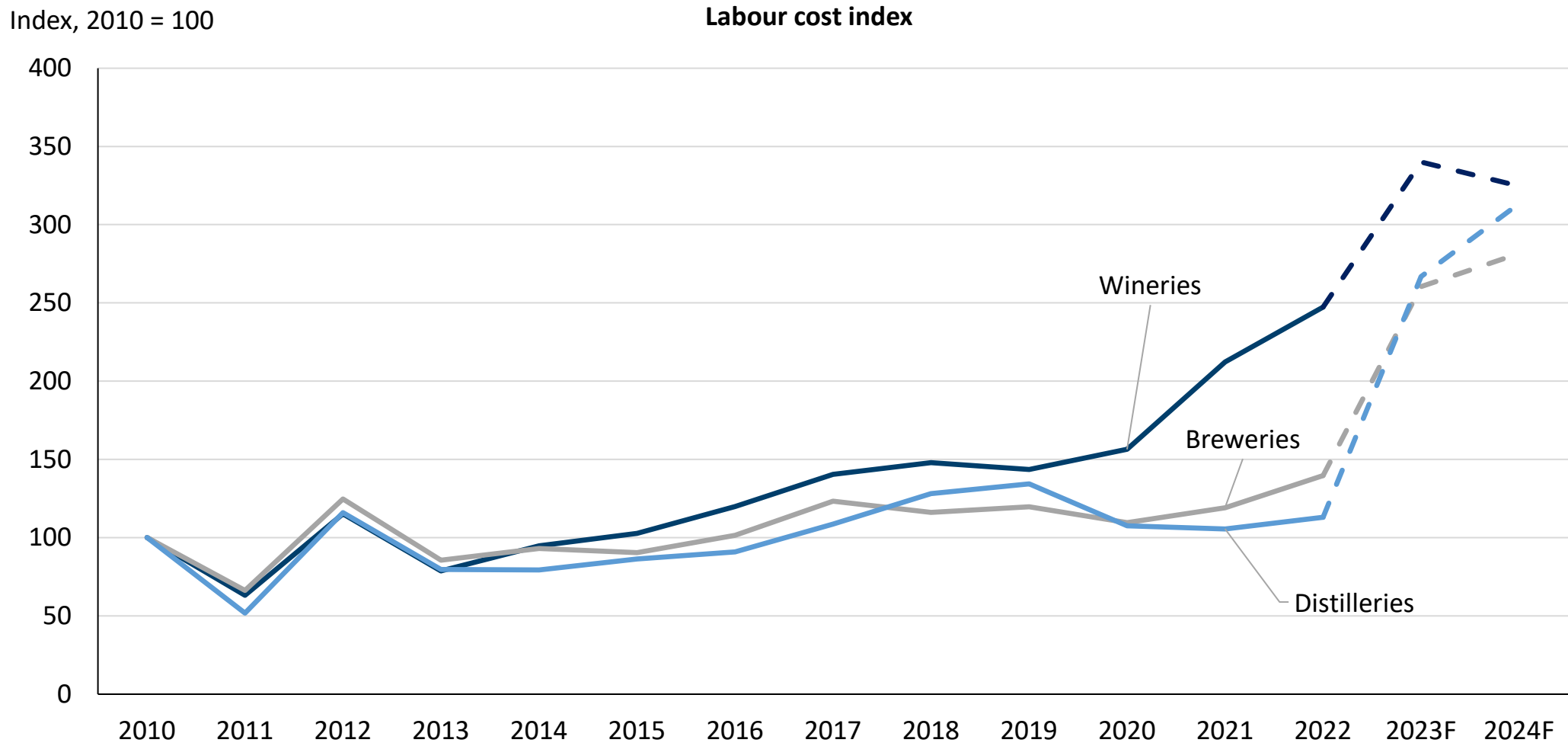
Source: Statistics Canada, FCC Economics



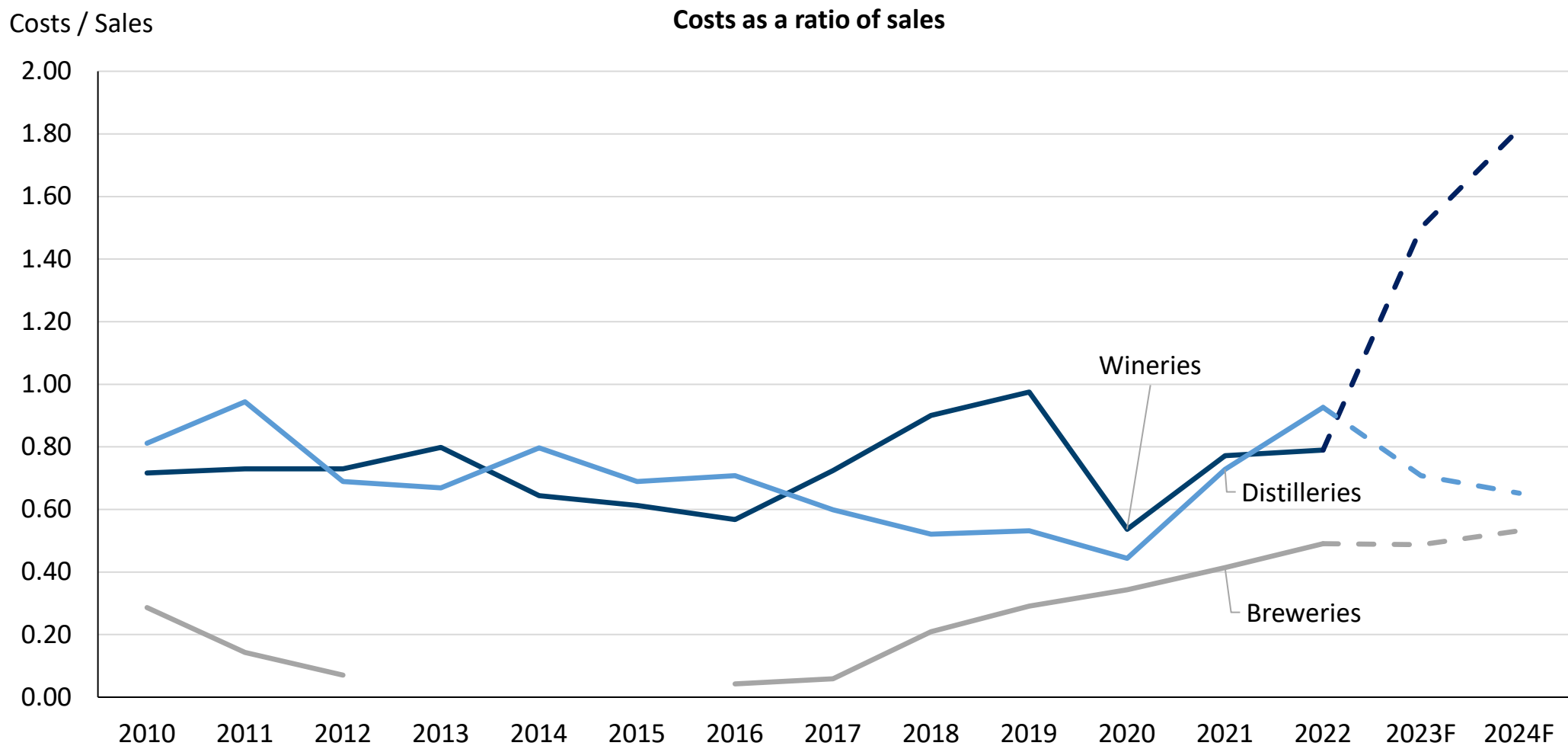
While costs increases aren't easing



Labour will be ongoing challenge



Outlook depends on sector



Source: Statistics Canada, FCC Economics

Borrowing strategies



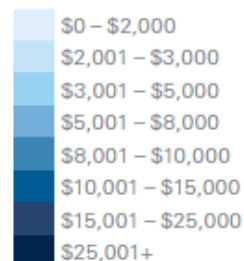
Farmland Values

Farmland values - 2022



Cultivated Land British Columbia farmland regions

	% change	Value \$/acre*	Value range**
1 Peace-Northern	6.6%	\$2,200	\$1,000 – \$4,600
2 Cariboo-Chilcotin	11.1%	\$4,100	\$2,300 – \$9,400
3 Vancouver Island	0.0%	\$63,800	\$28,000 – \$115,100
4 South Coast	3.2%	\$139,000	\$93,800 – \$250,000
5 Thompson-Nicola	N/A	N/A	
6 Okanagan	14.3%	\$34,000	\$15,900 – \$95,800
7 Kootenay	33.6%	\$22,400	\$5,000 – \$31,600
Thompson-Nicola (irrigated)	8.3%	\$20,100	\$9,000 – \$40,000



*FCC reference value \$/acre.

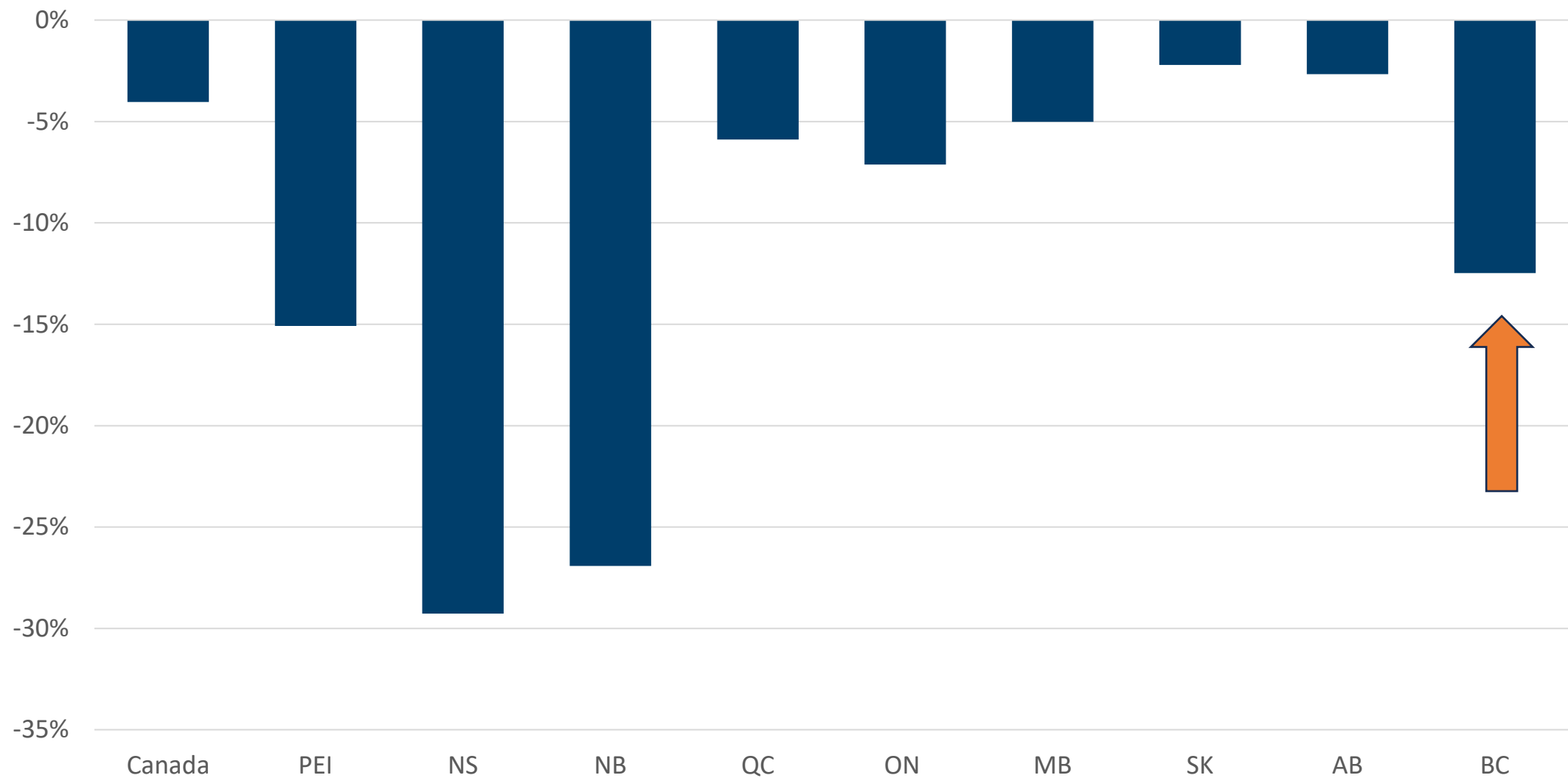
**The value range represents 90% of the sales in each area and excludes the top and bottom 5%.

BC land values stagnant for first half of 2023

<i>PROVINCES</i>	<i>AVERAGE % CHANGE JAN 2023 - JUNE 2023 (6 MONTHS)</i>	<i>AVERAGE % CHANGE JULY 2022 - JUNE 2023 (12 MONTHS)</i>	<i>AVERAGE % CHANGE JAN 2022 – DEC 2022 (12 MONTHS)</i>
B.C.	0.0	1.8	8.0
Alta.	3.0	6.0	10.0
Sask.	11.4	17.0	14.2
Man.	6.4	12.8	11.2
Ont.	6.9	10.8	19.4
Que.	10.6	11.3	11.0
N.B.	N/A	N/A	17.1
N.S.	N/A	N/A	11.6
P.E.I.	N/A	N/A	18.7
N.L.	N/A	N/A	N/A
Canada	7.7	12.2	12.8

Source: FCC calculations

Farmland area on the decline

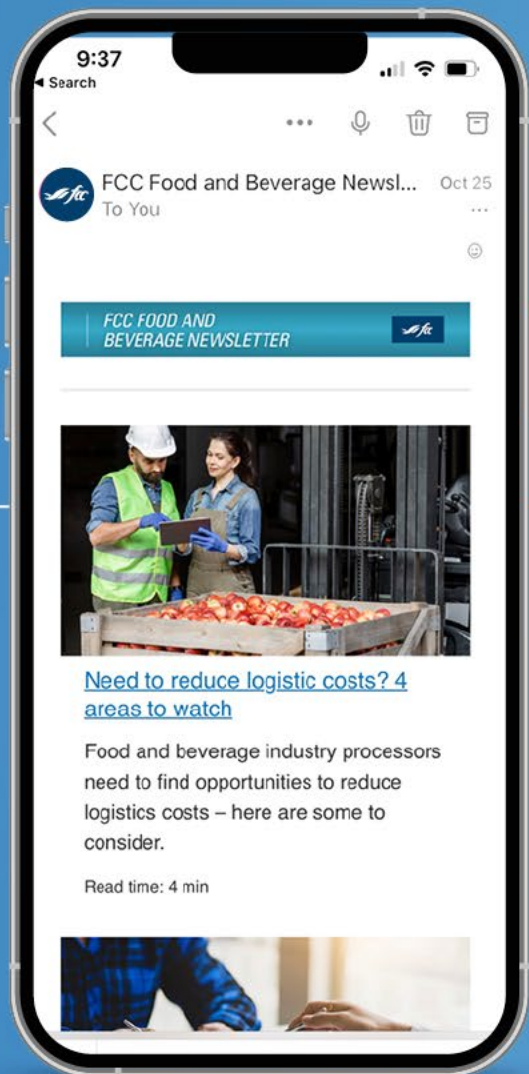




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