

This week's indicators of Ontario's economic activity are indicative of excess capacity and a weak recovery from recession. Traveller visits from other countries declined in February, while retail sales barely increased. The consumer price index inched down in March.

**International non-resident traveller entries** to Ontario fell in February for the second straight month. The drop was due to fewer visitors from both the U.S. and other countries. February's decline is consistent with the prevailing downward trend that began in early 2001. Since then, visitors from the U.S., which accounts for almost 80% of the total flow, have steadily declined.

Entries totalled almost 578,000 persons in February, seasonally adjusted, down 13,000 persons (2.2%) from January, according to the latest estimates from Statistics Canada. Visits from the U.S. dropped by 10,500 persons (2.3%) month-over-month, while visitors from other countries declined by 2,500 (1.8%). In the first two months of 2010, entries are down 9.1% from the same period a year earlier.

International tourism will likely continue to struggle for some time yet. The global economic recovery will lift business travel in the coming years, but discretionary travel spending is likely to remain weak for some time due to high and rising household and government debt, as well as beefed-up border security efforts.

**Retail sales** in Ontario were little changed in February, month-over-month, and have been on a flat trend for the latest four months, according to the latest seasonally adjusted estimates from Statistics Canada. Consumer spending has partly rebounded from the sharp recessionary declines at the end of 2008, but has yet to fully recover previous highs.

Sales totalled \$16.6 billion in Ontario in February, up 7.5% from the recession low in December 2008, but down 2.0% from the record high in September 2008. Central 1

Credit Union forecasts retail sales will rise 3.6% this year and 6.5% in 2011, following a 2.8% drop last year.

Overall consumer spending in Ontario is forecast to increase over the next several years, but at a below-average rate of growth. High and rising household and government debt levels, lower employment and lower investment returns will dampen consumer spending growth for a couple of years. Central 1 Credit Union estimates consumer spending inched up a mere 0.6% in 2009, the worst performance in over 27 years.

**Consumer prices** in Ontario inched down in March after adjusting for seasonality, according to the latest estimates from Statistics Canada and Central 1 Credit Union. The all-items Consumer Price Index (CPI) slipped 0.2% from February, seasonally adjusted. The unadjusted CPI in March was up 1.4% from 12 months earlier.

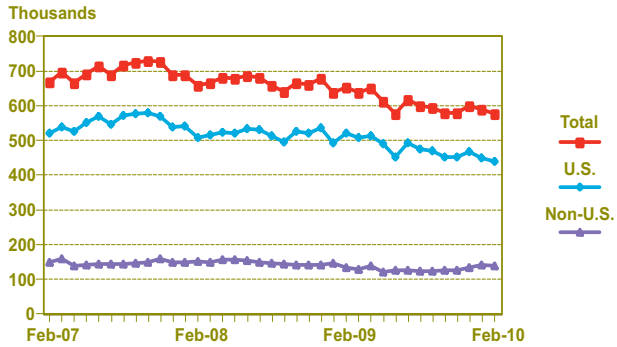
Neither inflation nor deflation is of particular concern over the near-term. The latest recession has left considerable unused production capacity, while monetary policy can readily become less expansive if expected consumer price inflation accelerates. Central 1 forecasts that Ontario's CPI inflation rate will average 2.2% this year, up from a mere 0.3% increase in 2009.

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**Graphs on page 2**

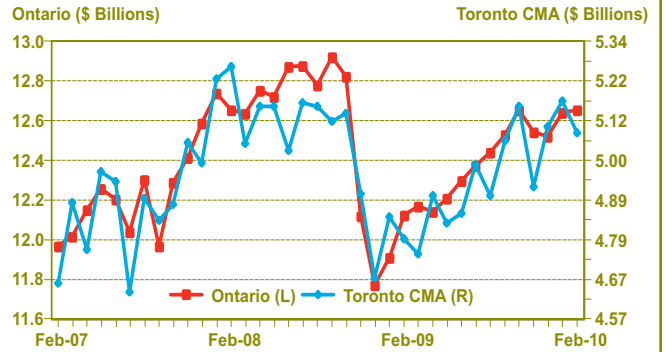


### International Non-Resident Traveler Entries Ontario, Seasonally Adjusted, Monthly



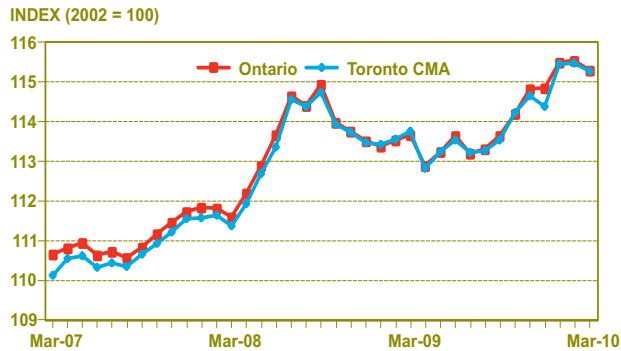
Source: Statistics Canada.

### Retail Sales Monthly, Seasonally Adjusted



Source: Statistics Canada and Central 1 CU.

### Consumer Price Index Monthly, Seasonally Adjusted



Source: Statistics Canada and C1CU seasonal adjustment.