

This week's economic releases were centred on the domestic economy. Retail sales posted a strong gain while housing sales dipped from their record high. Consumer price inflation jumped up but on old news, thus overstating the underlying trend. These numbers point to a stronger growth rate in Ontario's personal consumption spending in the first quarter of 2010 than in the previous quarter.

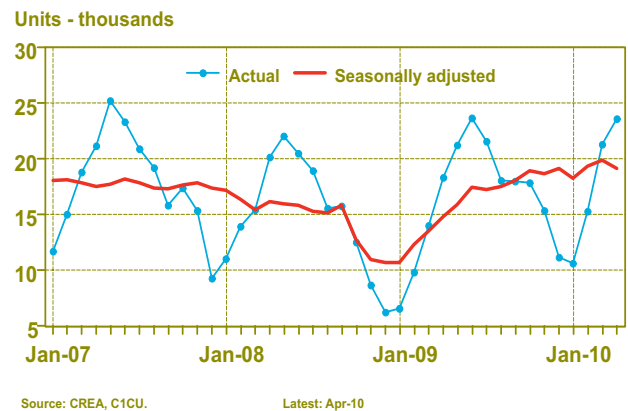
**MLS® residential housing sales** slipped about 4% during April from the record high set one month earlier. The decline in seasonally adjusted sales was the largest since late 2008 and may signify an inflection point, though further evidence is needed to reach a firm conclusion. The run-up in housing prices and mortgage rates, along with tighter federal mortgage insurance rules, suggests there would be fewer buyers, at least among first-timers and other low-equity purchasers. Another factor could be the exhaustion of pent-up demand or of bargain buyers taking advantage of extremely attractive buying conditions as the market comes out of the housing recession.

The **average price for MLS® residential sales** dropped about 3% from the previous month. This marked the largest monthly decline in the seasonally adjusted average sales price since late 2008. The average sales price is not the most accurate measure for assessing price trends, since the composition of sales varies month-to-month and April's weaker result could thus reflect a compositional change rather than a change in market conditions.

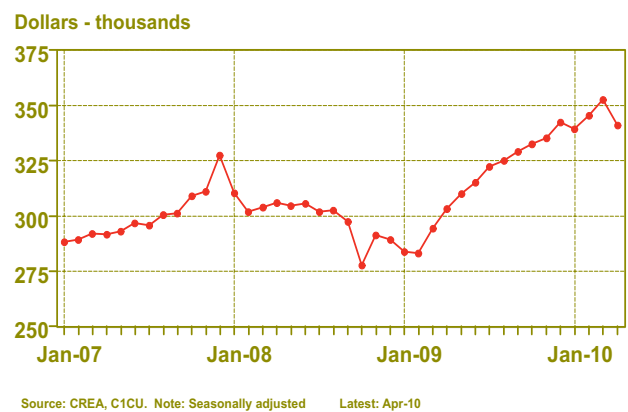
The sales-to-new-listings ratio is one metric that provides a guide to changing market conditions and serves as a precursor of price trend changes. Listings coming onto the market are rising and at a high level, and in the most recent months have outpaced the growth in sales. As a result, this ratio has declined since late 2009. April's decline in the average sales price could be due to this softening in market conditions.

**Consumer spending** closed the first quarter on a strong note with retail sales up almost 3% in March over

**MLS® Residential Sales, Ontario**



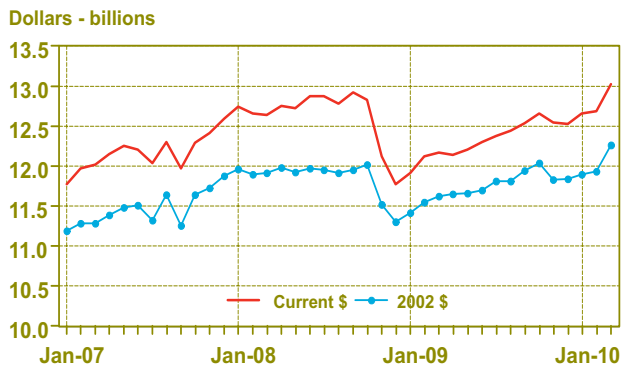
**MLS® Residential Average Sales Price, Ontario**



February. The main impetus for the gain came from motor vehicle and parts dealer stores, which initially seems at odds with last week's report of fewer new vehicle sales in March. However, fewer unit sales do not always translate into a lower dollar sales, as was the case in March. For the first quarter, current dollar retail sales are up 7% at annual rate and sales are up 4.4% when adjusted for inflation.

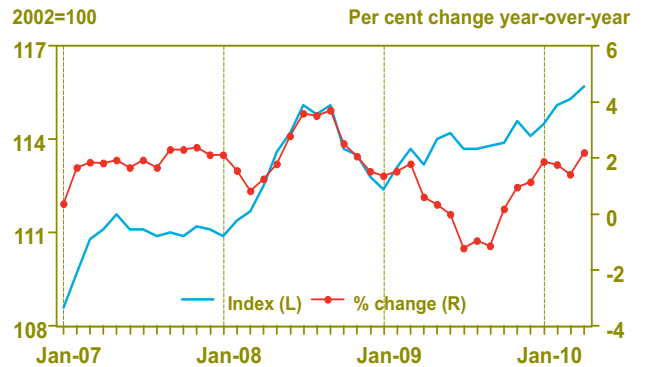


### Retail Sales, Ontario



Source: Statistics Canada, C1CU. Note: Seasonally adjusted. Latest: Mar-10

### Consumer Price Index, Ontario



Source: Statistics Canada.

Latest: Apr-10

**Personal consumption expenditures**, excluding services, will increase at about a 7% annualized rate in the first quarter compared to 4% in the previous quarter. In 2002 dollars, the increase is estimated at 4.3% compared to 0.9% in the fourth quarter of 2009, according to the preliminary provincial economic accounts. The gains in consumer spending will keep overall GDP growth for the first quarter well above potential and in the 5% to 7% range.

The **Consumer Price Index (CPI)** for Ontario jumped to 2.2% from 1.4% in March, on a year-over-year basis. This is a misleading comparison, reflecting the out-of-date influences of sharp energy price swings. Excluding energy prices, the CPI was up 1.5% in April compared to 1.4% in March. Also, the year-over-year comparison is not a current measure and, when other measures are examined, the current underlying CPI inflation trend is closer to 1% than 2%.

*Hekmut Pastrick, Chief Economist*  
*hpastrick@central1.com*  
 604 737 5026