

Retail Sales Growth Flat in June

Retail sales in British Columbia during June were flat, dipping 0.3% from May to \$4.83 billion on a seasonally adjusted basis. While sales volume during the month was 5.4% higher than a year earlier, recent activity provides further evidence that growth in consumer spending has slowed.

After rebounding from a late-2008 recessionary collapse in consumer spending, sales rebounded during the latter three quarters of 2009, but have been stalled at just above \$4.8 billion since November. While this is near 2007 sales levels on a constant and current dollar basis, there have been few signs of a sustained uptrend in retail sales this year.

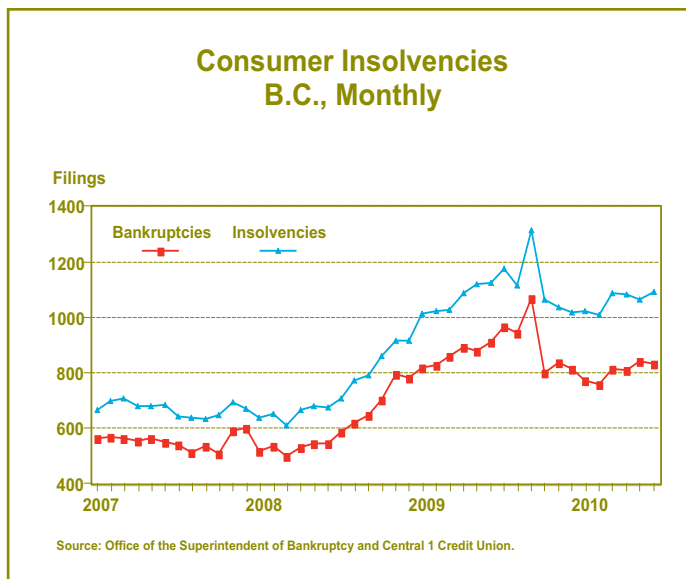
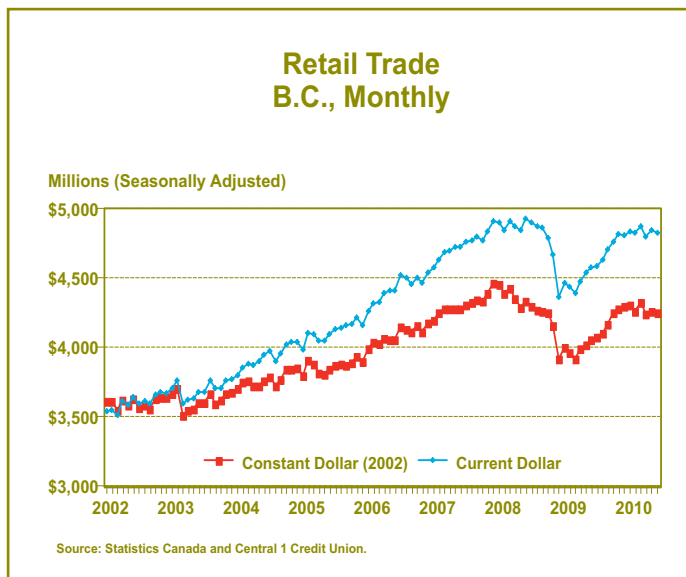
Based on data adapted from Statistics Canada, sales at gasoline stations, motor vehicle retailers, and general merchandisers have trended lower in recent months. Significant declines at gasoline retailers have reflected lower gas prices. Meanwhile, sales at clothing, health/personal care, and sporting/hobby stores have been on an uptrend.

Growth in non-durable item spending, and the previously discussed downtrends in new vehicle and home sales, suggest that while consumers are still buying, they are hesitant to make large-scale levered purchases in the current economic climate, despite favourable interest rates. This may reflect continued uncertainty regarding the labour market, the growth path of the economy, and the potential for higher interest rates in the future.

On a year-to-date basis, retail sales are up 7.6% from a recession-plagued 2009. Central 1 Credit Union forecasts this year's annual retail sales will exceed 2009 levels by 4.3%, with a further 5% increase in 2011.

Consumer Bankruptcies Remain Elevated

Based on data adapted from the Office of the Superintendent of Bankruptcy, consumer insolvencies



in British Columbia, which include bankruptcies and consumer proposals to modify their obligations to creditors, rose by 2.6% on a seasonally adjusted basis after two consecutive monthly declines.

Consumer bankruptcies in B.C. edged lower in June by 0.9% on a seasonally adjusted basis. While a general uptrend in bankruptcies has been observed



since March, a change in bankruptcy legislation in September has made it more difficult to discern the current state of consumer financial health. Legislative changes led to temporary increases and subsequent decreases in bankruptcy filings in late 2009 and early 2010.

Nonetheless, consumer bankruptcies remain elevated on a historical basis and an uptrend in proposals since early 2008 suggests that that labour market uncertainty and the slow pace of economic growth continue to hurt consumers. As this variable lags behind the broader economy, bankruptcies and proposals are expected to remain elevated in the months ahead, before trending lower.

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