

Retail sales in Ontario inched up in June following two straight monthly declines, according to the latest seasonally adjusted estimates from Statistics Canada. Sales are now just below the pre-recession high of September 2008. Recent trends are consistent with a slowdown in the trend rate of growth in consumer spending.

Sales totalled \$12.9 billion in Ontario in June, up 0.3% from May, seasonally adjusted. In the first half of this year, sales amounted to \$73.4 billion, up 5.9% from the same period last year. Central 1 Credit Union forecasts retail sales in Ontario will total \$155 billion this year, up 4.9% from 2009. Stronger growth is anticipated for 2011.

Retail sales of durable goods are a near-term leading indicator of consumer spending. The largest single component of such spending is on motor vehicles and parts, where sales are currently on a flat trend below the pre-recession level. Sales of building materials were booming earlier this year with the strong housing market, but have dropped sharply over the past three months along with the housing market. A small surge in sales of furniture and appliances in June finally brought trends in those markets up to pre-recession levels.

While consumers are still buying, recent trends reveal some reluctance to make large-scale, financed purchases. This reflects the hole left by the financial crisis and subsequent recession in household net worth and labour markets. The trend rate of growth in consumer spending is likely to remain muted for some time yet.

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