

Retail sales in Ontario increased in September to their highest level since March, according to the latest seasonally-adjusted estimates from Statistics Canada. Sales totaled \$12.96 billion, up \$62.3 million (0.5%) from August. Sales are now about equal to their pre-recession high in September 2008 and have trended essentially level since February.

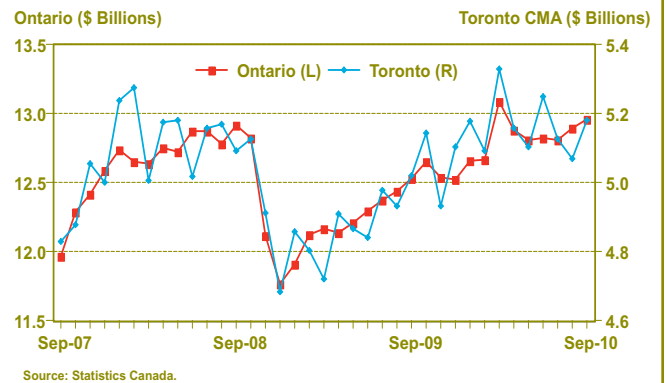
September's increase was led by food/beverage store sales, up \$148 million (5.1%) and general merchandise store sales, up \$106 million (6.3%). Clothing/accessory store sales (up 4.2%) and miscellaneous store sales (up 5.1%) also saw robust rates of growth in September. Meanwhile, electronic/appliance store sales declined 1.2%.

In the first nine months of this year, retail sales in Ontario totaled \$113.0 billion, up \$5.3 billion (4.9%) from the same period last year. Year-to-September, year-over-year growth was led by gasoline stations, up \$1.40 billion (13.7%), mostly due to a 10.4% increase in gasoline price. Other notable sales increases were automobile/part stores (up \$1.38 billion, 6%), general merchandise stores (up \$883 million, 6.5%) and building material/garden stores (up \$632 million, 8.9%).

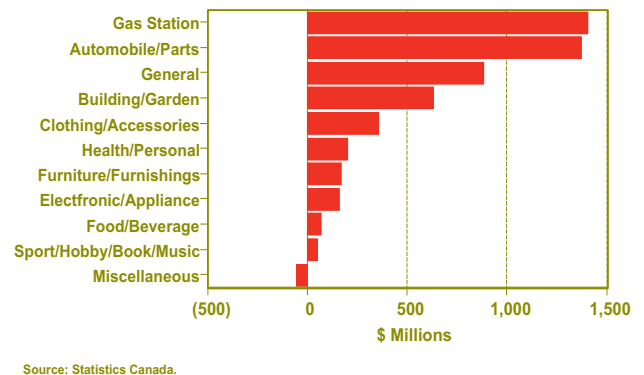
Consumers are still buying but have slowed debt-financed purchases of durable goods over the last six months. The latest financial cycle has left debt-constrained, equity-poorer consumers facing little or no income growth. Gradual improvement in household balance sheets and labour income are forecast over the next several years. Central 1 Credit Union forecasts retail sales in Ontario will grow at an annual rate between 4% to 6% through 2013.

Consumer prices in Ontario jumped 0.86% from September to October, seasonally-adjusted, one of the largest single month increases in the last 30 years. Gasoline prices alone increased 0.48%.

Retail Sales, Ontario & Toronto Monthly, Seasonally Adjusted



Retail Sales by Store Type, Ontario Year-to-September, Year-over-Year Change (\$)



Compared to October last year, consumer prices are up 3.4%, led by price gains in passenger vehicles, automobile insurance and homeowners' replacement costs. For the second straight month, Ontario had the highest year-over-year consumer price inflation rate among provinces.

Central 1 Credit Union forecasts the Consumer Price Index (CPI) in Ontario will rise at a moderate rate of from 1.6% to 1.9% per annum through 2013. More substantial price inflation is expected for gasoline. The introduction of the Harmonized Sales Tax adds to consumer price inflation this year and next.

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