

## Highlights:

- Retail sales decline in December
- Fewer U.S. tourists for most of 2018 pulled down tourist visits to Ontario
- New car sales increased by 0.7 per cent and average price increased by 4.0 per cent
- Employment Insurance claims declined 0.7 per cent in December

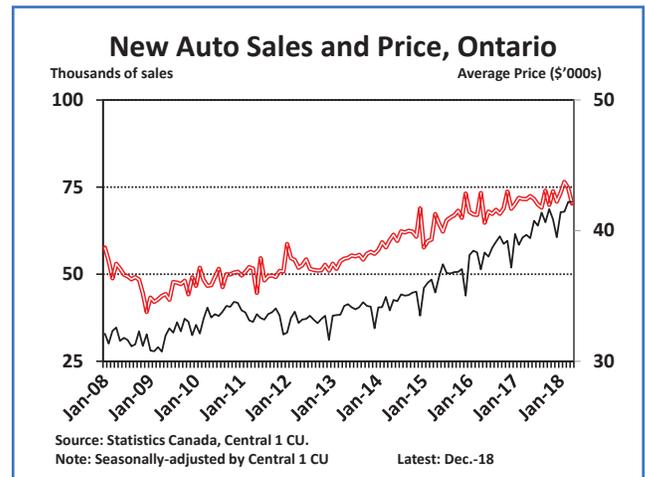
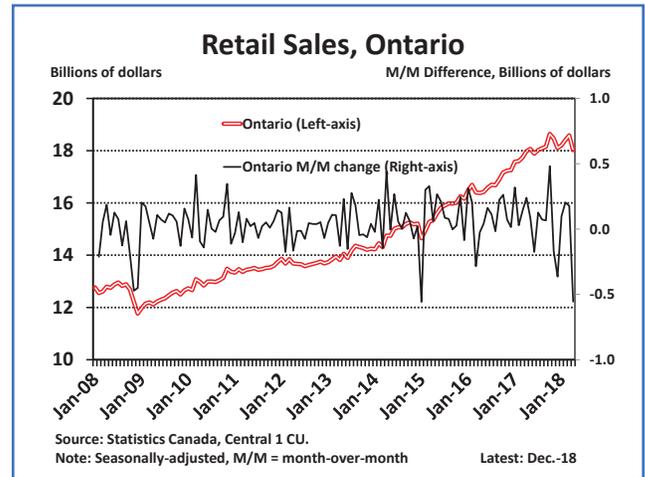
## Sales were up 3.9 per cent in 2018 despite fourth quarter decline

Retail sales in Ontario declined during the last two months of 2018. Retail sales in December fell an additional 0.5 per cent to \$18.8 billion (all figures seasonally-adjusted unless otherwise stated) on top of November's 1.5 per cent contraction. Retail sales in Canada's largest metro area fell by 0.9 per cent in December to \$7.8 billion while in areas outside of Toronto contracted by 0.3 per cent to 11.0 billion. Of Canada's three largest cities, including Montreal and Vancouver, Toronto's contraction in sales was the largest this month. Vancouver sales fell by 0.7 per cent while Montreal sales expanded by 0.6 per cent.

Retail sales drops in Ontario in December was broad-based as sales fell across all major categories, with a few large sectors contributing significantly to the decline. Among those sectors were gasoline station sales (10.4 per cent drop), motor vehicle and parts dealers (0.9 per cent drop), food and beverage stores (3.5 per cent drop) and general merchandise stores (4.0 per cent drop).

In 2018, year-over-year total retail sales increased by 3.9 per cent to \$224 billion, despite the declining activity over the last two months of the fourth quarter. Total sales in 2018 were supported by growth in several key sectors such as motor vehicle and parts dealers, food and beverage stores, gasoline stations, clothing and accessories stores and general merchandise stores.

High energy prices throughout most of 2018 supported gasoline station sales. Moreover, increased demand for new cars, particularly trucks, supported gasoline station sales and motor vehicle and parts sales.



Finally, strong consumer demand for most of 2018 supported discretionary spending in non-durable and semi-durable goods such as food and beverages and clothing and accessories.

Increased interest rates have helped pumped the brakes on consumer spending hence the sluggish retail sales over the last quarter. With a slowing economy, consumers are being prudent with their discretionary spending and servicing debt more aggressively instead.

## Tourist visits pulled-back in 2018 by 2.5 per cent

Tourist visits to Ontario increased in December by 1.3 per cent to 832,034 people (all figures seasonally-adjusted in this section) driven by a 1.8 per cent gain in visits from U.S. citizens to 588,923 people. Visits from non-U.S. citizens remained unchanged. The increase in U.S. visitors was the third straight month that more

visitors from the U.S. visited Ontario. In fact, visits from this group turned the corner from September to December compared to the rest of 2018. December 2018's total visits from this group surpassed last December's total. Weaker tourism numbers from U.S. and non-U.S. visitors for most of 2018 compared to most of 2017 meant that annual numbers for 2018 were weaker than in 2017.

During 2018, tourist visits to Ontario fell 2.5 per cent to 9.6 million. The decline was due to a 1.8 per cent pull back from U.S. tourists to 6.8 million visits and a 4.1 per cent pull back from non-U.S. tourists to 2.8 million visits.

Tourist visits by region of origin fell significantly for the following regions in 2018 compared to 2017: Europe (7.9 per cent), Asia (4.6 per cent) and Oceania (10.8 per cent). Together these regions' visitors accounted for more than 78 per cent of all non-U.S. visitors.

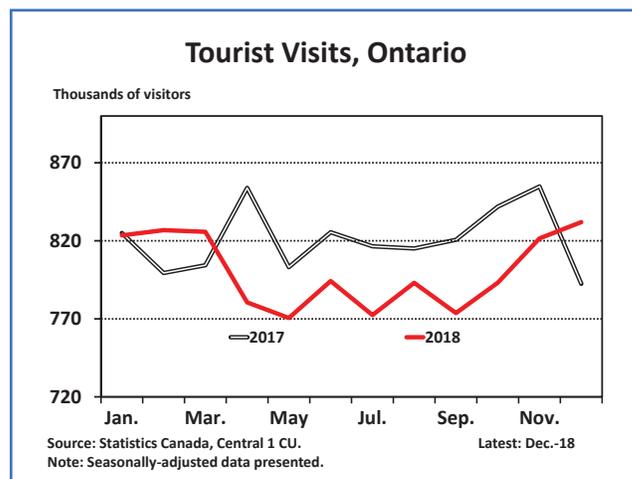
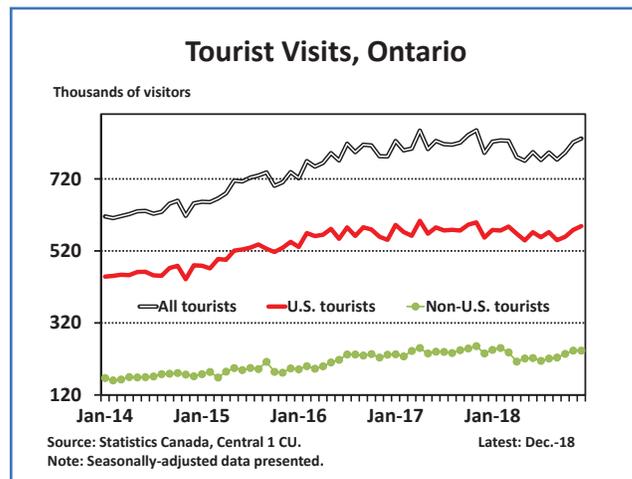
Elevated energy prices for most of 2018 affected tourism, particularly from U.S. citizens who prefer to travel to Ontario by car. Moreover, exchange rate differences chipped away at spending power and affected some tourists' plans to holiday in Ontario.

### New car sales increased modestly in 2018 due to sluggish passenger vehicle sales

New car sales data was recently released by Statistics Canada. With December data now available, a yearly comparison can be made with regards to the state of the new auto sector in the province. Total new car sales increased by only 0.7 per cent in 2018 over 2017 due to a significant contraction in sales of passenger vehicles of 7.6 per cent. Truck sales increased by 4.6 per cent, which helped offset the decreased demand for passenger vehicles.

Year-over-year sales of passenger vehicles in 2018 lagged every month. Truck vehicle sales outpaced last year's monthly totals for most of the year, except in November and December.

A shift is occurring in Ontario's new cars market. Trucks, which include sports utility vehicles and compact utility vehicles, are becoming more popular while demand for passenger vehicles has diminished substantially. For example, sales of passenger vehicles in December 2018 are 25.3 per cent off the long-term monthly average from January 2000 to December 2018. During this same period, truck sales increased by 54.3 per cent.



The average price of all new vehicles increased 4.0 per cent in 2018 due to a compositional shift from increased truck sales which carry higher price tags. In 2018, the average price for a truck increased four per cent while the average price of a passenger car increased by one per cent.

With increased demand for trucks, prices have increased as car manufacturers bring higher-end products to the market. In the tail end of the year, even demand for trucks started to decline given the prevailing prices and higher financing costs due to interest rate hikes. Consumers have started to tighten their belts and shy away from non-essential purchases—such as buying a new car when they can repair their existing car.

### Employment Insurance beneficiaries decreased in Ontario urban areas

Employment Insurance (EI) numbers posted a slight decline of 0.7 per cent to 115,130 beneficiaries (860 net fewer beneficiaries) in December 2018, reversing

the robust gains posted last month. Month-over-month, EI numbers declined for most of the year with a few months' blips. Over 65 per cent of the 860 net drop in beneficiaries occurred in urban areas that are part of Census Metropolitan Areas or Census Agglomerations.

By occupation, management posted 270 fewer beneficiaries; trades, transport and equipment operators and related occupations posted 890 fewer beneficiaries; and, manufacturing or utilities posted 310 fewer beneficiaries. This more than offset a significant gain of 380 net beneficiaries in sales and services occupations.

Significant drops in net beneficiaries for workers 15 to 24 years of age (270 net fewer beneficiaries) and those 25 to 54 years of age (860 net fewer beneficiaries) offset increased beneficiaries for workers more than 55 years of age (270 net more beneficiaries)

Seasonally-adjusted initial and renewal-received claims decreased 3.8 per cent in December to 70,520 beneficiaries. December's total is 4.3 per cent lower than the long-term monthly average number of beneficiaries.

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**Edgard Navarrete**

Regional Economist

Central 1 Credit Union

enavarrete@central1.com / P 905 282 8501

www.central1.com

