

Highlights:

- Retail sales increased by 0.7 per cent in February, data still not reflecting COVID-19 pandemic effects
- Ontario inflation came in at 0.7 per cent in March

Retail sales increased modestly in February due to strong motor vehicle and parts sales

Published retail sales data in Ontario have not caught up with the reality on the ground post COVID-19. February numbers still showed a retail sales increase in Ontario of 0.7 per cent due to robust 1.5 per cent growth in Toronto which offset the nearly zero growth (up only 0.1 per cent) in areas excluding Toronto.

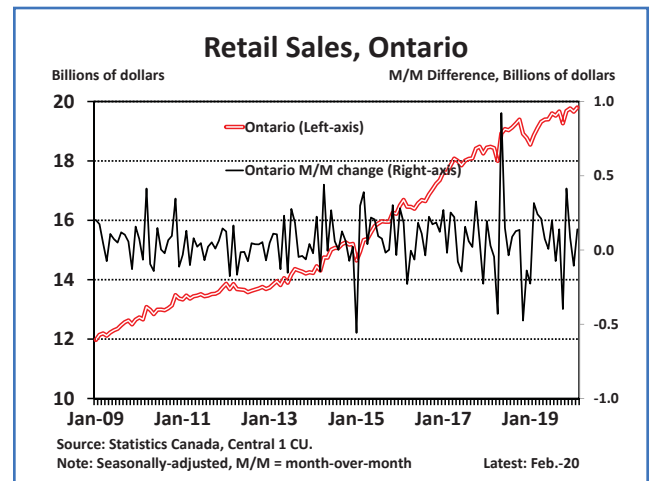
Year-to-date, retail sales remained 5.5 per cent above last year's pace in Ontario and 8.3 per cent above pace in Toronto.

As noted, up top COVID-19 still had not affected the retail sector as shelter-in-place and physical distancing directives from public health and governments were only at the discussion stage. For example, in Ontario, both motor vehicle and parts and general merchandise sales increased in February

Year-to-date, sales remained above pace in most sectors. In the following large sectors sales remained above trend:

- Motor and vehicle parts (up 8.2 per cent)
- Food and beverage stores (up 8.4 per cent)
- Gasoline stations (up 9.3 per cent)
- General merchandise (up 4.4 per cent)

Beyond February sales in most sectors not deemed essential will begin to fall off the cliff. Moreover, the glut of supply of oil in the market and less travel will continue to erode gasoline station sales that do not have adjoining convenience stores.



With many households sheltering in place and consumption severely restricted inflation slowed considerably in March.

First off, caution is needed when examining the COVID-19 period and headline inflation estimates. A consumer price index reflects a basket of goods and services that is tracked over time. The current period is unprecedented. Containment issues means restaurants are closed, and many families are staying home. Consumers are allocating more to groceries and personal hygiene goods, and less to childcare, social spending, and travel services, and gasoline. As a result, headline CPI may not accurately assess price changes on households.

Prices in Ontario declined at a pace not seen since the mid-2000s with prices growing by 0.7 per cent year-over-year in March, significantly slower than the two per cent growth posted in the previous month as consumers spent on essentials and frills, like recreation or personal care, took a backseat to keep households expenses controlled.

With consumers sheltering in place to stem the transmission of COVID-19 less consumer activity in a plethora of areas, as noted up top, slowed down general price growth. Moreover, lower energy prices compounded with less household spending on non-essentials also weighed on inflation. For example, fewer people driving or taking public transportation, or any mass form of transportation, and a glut of oil in the world economy pulled down gasoline prices by 23.2 per cent in March 2020 over the same month last year.

Also, in Ontario, electricity prices declined 1.4 per cent on a year-over-year basis, largely due to changes to the province's time of use electricity rates. On March 24, following the mandatory closure of non-essential businesses in Ontario in an effort to limit the spread of COVID-19, the provincial government suspended time of use rates. This measure resulted in residential customers being billed at lower off-peak rates at all hours.

While food prices have remained relatively stable a potential risk in the future is food shortages from supply chain issues for things like fruits and vegetables and meats. This is surely something to keep in mind over the months to come should the strong physical distancing measures remain in place.

Inflationary pressures slowed in the three metro areas surveyed with Ottawa-Gatineau and Thunder Bay posted robust slow downs in overall prices. In March, inflation in Ottawa-Gatineau and Thunder Bay came in at 1.4 per cent and 0.5 per cent, respectively. Inflation in Toronto came in at 0.4 per cent.

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