

Highlights:

- Pandemic-related costs faced by businesses passed onto consumers
- Energy prices decrease by 7.3 per cent in September due to weaker gasoline price
- Consumers remain cautious; retail sales up only 0.1 per cent in August

Headline inflation in September moves up 0.5 per cent

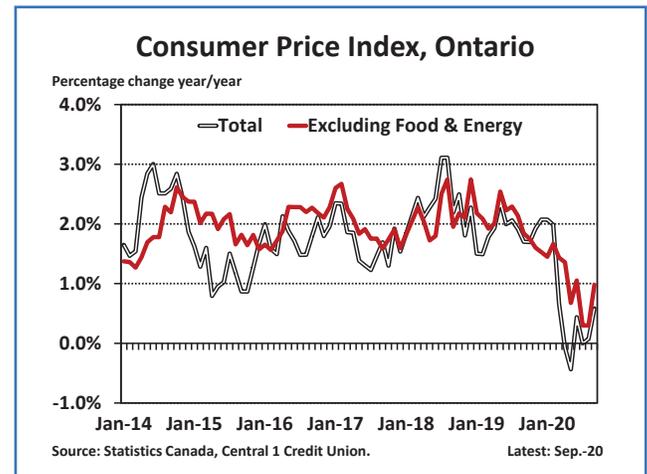
Headline inflation (reported through the Consumer Price Index) rose 0.5 per cent on a year-over-year basis in September, up from a 0.1 per cent increase in August. Excluding gasoline, the CPI rose 1.0 per cent in September, following a 0.6 per cent increase in August.

The acceleration in price growth was largely due to price changes in the following components: food (up 1.8 per cent), transportation (0.2 per cent - down from 1.3 per cent down in August), recreation, education and reading (0.8 per cent down from 4.4 per cent down in August) and shelter (up 2.2 per cent).

Prices for services increased 1.5 per cent (up from 0.4 per cent in August) and prices for goods edged down 0.7 per cent (down further from 0.4 per cent decline in August). Durable goods prices moved up but weaker prices for semi-durable and non-durable goods offset this gain.

Households continued to spend on entertainment, food and drink purchases from restaurants and supermarkets. Increased costs faced by producers and businesses during this pandemic are being passed on to consumers via higher prices.

Durable sales were led by sales of cars and car parts. More people chose to become car owners in a bid to avoid public transportation amid virus concerns.



Transportation costs moved up largely as a result of higher public transportation costs as the bill for personal protective equipment and cleaning are being passed on to passengers at this time by many municipalities in Ontario.

Energy prices moved down 7.3 per cent in September from a 7.1 per cent decrease in August largely on weaker gasoline and fuel and other fuel prices. Electricity and water prices so no price growth change in September.

General prices accelerated in all the three metro markets surveyed in September with the largest gains posted in Thunder Bay (up 0.5 per cent from 0.5 per cent down in August). Prices in Ottawa-Gatineau moved up 1.2 per cent (from 0.9 per cent in August) and 0.2 per cent in Toronto (up from 0.4 per cent down in August).

Retail sales are plateauing

Retail sales are starting to plateau moving up only 0.1 per cent in August to \$19.7 billion from 0.9 per cent growth in July and 32.8 per cent growth in June. Even with a strong burst on restart and anemic but non-zero growth over the last two months retail sales have not yet reached February's pre-pandemic levels yet but are very close, about one per cent off. Retail sales are a good proxy for consumer spending in general and the plateauing starting to emerge likely suggests consumers are being more cautious with their spending given such high economic uncertainty still in the air. Sales in Toronto were also very modest moving up only 0.1 per cent in August. In regions excluding Toronto retail sales also moved up only 0.1 per cent.

Year-to-date, sales in Ontario remained 7.3 per cent behind last year's pace while sales in Toronto remained 9.9 per cent behind last year's pace. In Ontario, excluding Toronto, sales are 5.4 per cent behind of last year's pace.

Sales fell in several large sectors in August from motor vehicle and parts (down 10.7 per cent) to food and beverage sales (down 3.5 per cent), health related goods and services (down 12.7 per cent), and gasoline stations.

Lower prices for new cars helped push down sales volumes at motor vehicle and parts outlets. All other areas such as food and beverage sales and health related goods sales likely fell on decreased consumer spending. With over five months of dealing with the pandemic many consumers recognize the uncertainty ahead and likely are deciding to tighten their belts and keep purchases to only essential goods and services particularly for many Ontarians out of work and receiving government transfers which is still a sizeable group.

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