



## Highlights

- Ontario retail sales up 0.9 per cent in July while Canada saw retail sales contraction
- Spending rotates towards non-essential businesses; clothing sales up 41 per cent between June & July; up 27 per cent from July 2020
- Easing of quarantine and mandatory hotel stays upon arrival for fully vaccinated visitors lifts tourism flows into Ontario

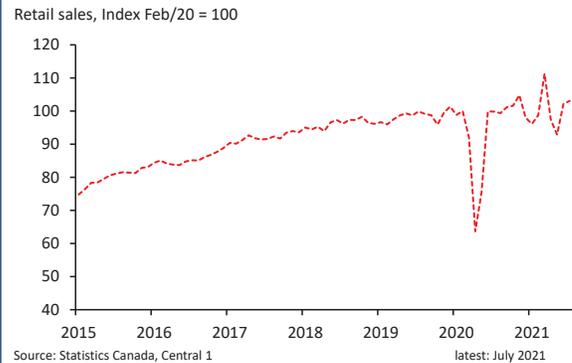
## Ontario retail sales march higher in July as Canadian sales ease

*Bryan Yu, Chief Economist*

Canadian retail sales contracted in July but came in higher than anticipated according to the latest Statistics Canada data. Dollar volume sales fell 0.6 per cent month-over-month to partially reverse June's 4.2 per cent gain. Preliminary estimates had pegged the drop at 1.7 per cent. Sales fell in all provinces except for Ontario and New Brunswick. That said, higher prices, particularly for vehicles and gasoline contributed to the shallower decline as constant-dollar sales fell 1.1 per cent.

July's decline was a mixed bag that highlighted ongoing re-opening trends in the economy. Food and beverage stores (-3.4 per cent) continued to trend lower while sales at building materials and gardening stores slumped (-7.3 per cent). Re-opening trends and domestic tourism shifted more spending towards restaurants and hotels, while the red-hot housing market cooled. In contrast, clothing store sales jumped 7.6 per cent as more individuals returned to workplaces pushing sales to near pre-pandemic levels. This rotation in spending patterns was clear in sales at food services and drinking establishment which is excluded from retail sales. Sales rose 11 per cent from June, although still five per cent below pre-pandemic levels, unadjusted for higher prices.

## Ontario retail spending gains in July but pattern choppy amidst restrictions



On a year-over-year basis, brick and mortar retail spending rose 5.3 per cent, with levels up seven per cent over February 2020. The corresponding gains in real spending was 3.0 per cent and 5.8 per cent. The agency also reported slower online sales, which fell 19 per cent from June and 2.9 per cent year-over-year as activity rotated back towards storefronts.

Consumer spending in Ontario rose in July and it was the only large Canadian province to record higher retail spending relative to June. Retail spending rose 0.9 per cent to a seasonally-adjusted \$20.1 billion, adding to a 10 per cent increase in June. Sales have bounced back after third wave induced restrictions eased and buyers returned, pushing sales three per cent above pre pandemic levels observed in February 2020. That said, activity has generally been choppy and year-over-year growth was a modest 3.3 per cent.

Among metro areas where data is available, the Toronto Census Metropolitan Area posted growth of 1.8 per cent (4.2 per cent year-over-year). Ottawa sales rose 12.3 per cent from a year ago.

Ontario's July gains were led by a sharp increase at clothing stores which we calculated to be 41 per cent higher than June and 27 per cent above year ago levels, while growth at general merchandisers rose. This reflects the re-opening of non-essential retailers. Gasoline sales climbed but owed in large part to higher prices. In contrast, motor vehicle sales fell about three per cent in both month-to-month and year-over-year terms, reflecting effects of supply chain disruptions. Sales at home improvement stores also slowed.

Retail trends are expected to hold steady, although year-to-date growth of 12 per cent will ease. While the delta variant marks a significant risk, vaccine passports and rising vaccinations are expected to keep businesses open and some online purchasing will revert to in store activity. That said, rotation of spending towards hospitality services will likely continue and crimp demand for store-bought foods and home entertainment. Sales at grocery stores edged slightly higher from June but came in four per cent lower than a year ago. At the same time, receipts at foodservices and drinking establishments rose 16 per cent in July amidst re-openings, although levels were still nine per cent lower than pre-pandemic levels.

## Visitors to Ontario more than doubled in July compared to year ago levels

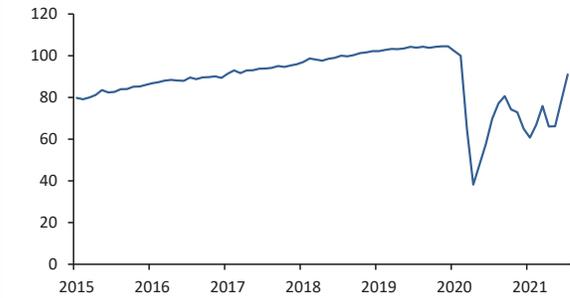
*Alan Chow, Business Economist*

The number of travelers entering Ontario from countries overseas more than doubled to 30,800 in July 2021 compared to a year ago but is still 93.2 per cent below the figure from July 2019. United States travelers also increased (up 73.1 per cent) but are still down 94.2 per cent from two years ago. Most of the United States residents arrived by automobiles, but those flying into Canada almost tripled from a year ago, due to cheaper flights as airline companies try to create business after staying idle for most of the pandemic and Americans took advantage of deals.

The number of Canadians returning through Ontario is also up 76.2 per cent compared to a year ago but is still down 86.1 per cent from two years ago. Almost 80 per cent of those Canadians are coming from the United States, which is down from 87.2 per cent per cent from last year. People returning from countries other than the U.S. made up 21.3 per cent of returnees, which is up from 12.75 per cent from year ago and up from 18.0 per cent from two years ago. This can be attributed to Toronto being the primary hub airport where international travel enters Canada and connects to other cities.

## Re-opening patterns and domestic tourism lift restaurant sales

Ontario Food services and drinking place receipts, Index Feb/20 = 100



Source: Statistics Canada, Central 1

latest: July 2021

Growth in visitors to Canada was due to opening of borders to U.S. travelers and relaxing of rules around quarantine and quarantine hotel stays. As of July 5th, those meeting those requirements and who were fully vaccinated with a Health Canada approved vaccine were no longer required to quarantine for 14 days upon arrival. The mandatory three-day hotel stay if arriving via air was also removed. Fully vaccinated Americans have been allowed into Canada since August 9, and other foreign nationals since September 7. This has boosted Canadian tourism flows and added to domestic Canadian tourism activity which was already supporting Ontario's economy.

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