



Highlights

- Gasoline price's drop led to Ontario inflation's decline, yet food prices continued to grow
- Retail trade volumes fell five per cent in July
- First downturn in seven months

Ontario inflation slips in August, food prices soar

Bryan Yu, Chief Economist

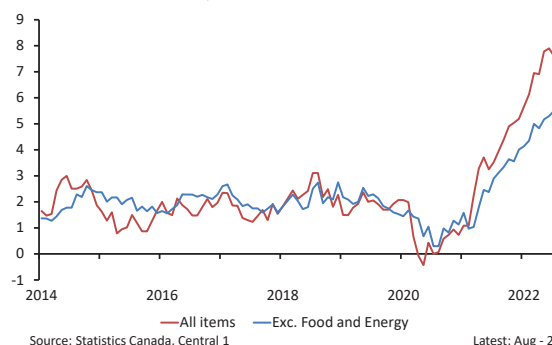
Consistent with the [national pattern](#), Ontario consumer prices retraced in August to offer some reprieve to households after a seemingly relentless trend of soaring prices over the past year. Consumer prices fell 0.3 per cent unadjusted from July to curb year-over-year growth to 6.9 per cent to match the recent low observed in April.

Mirroring national patterns, gasoline was the main drag on prices declining 8.3 per cent from July while cutting year-over-year growth from 32 per cent to 20 per cent as global supply increased, while economic concerns likely contributed to downward momentum. Relief at the pump aside, prices for the most basic of needs continued to soar with food prices up 0.7 per cent and about 10 per cent higher than a year ago. This was a pace unseen since the early 1980s. Growth in food prices was particularly strong at the grocery aisle where store-bought foods jumped one per cent from July and 11 per cent, year-over-year. Some of the strongest gains were observed for fish and seafood (11.5 per cent), bakery and cereal products (15.8 per cent) and fruit (14.6 per cent), although growth was widespread among food items.

Among other key goods and services, shelter also contributed to the slide in headline prices. The shelter component fell 0.1 per cent from July and reduced 12-month growth to a still elevated 7.1 per cent. Rent eased while homeowners' replacement costs also declined to 5.9 per cent, reflecting the broader pullback

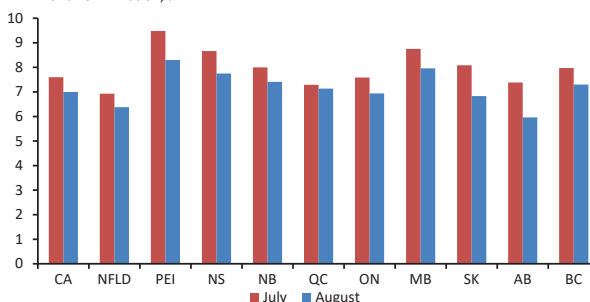
Food and energy a key contributor to excess inflation

Ontario 12-month CPI inflation, %



Inflation pressures elevated throughout the country, eases in August

12-month CPI inflation, %



in home values. Household furniture and furnishing prices eased but were still 9.5 per cent higher than a year ago, while clothing prices were up only 0.4 per cent from a year ago and vehicle prices edged lower. The recovering tourism sector continued to drive elevated costs for travel accommodation which were up nearly 50 per cent year-over-year.

Broadly the price of goods decelerated to 8.9 per cent from 10 per cent in July with services at 5.3 per cent from 5.5 per cent in July. Excluding food and energy, the CPI was 5.1 per cent higher than a year ago.

While inflation is heading in the right direction and has likely peaked, levels remain far too high both provincially and nationally. The latter will continue to trigger further interest rate hikes by the Bank of Canada adding to financial challenges facing some households, albeit for future price stability. Elevated inflation pressures are likely to continue into 2023, which is particularly impactful for lower income individuals

given the sharp increase in food process. This points to the need for targeted benefits to lower income individuals, less able to save during the pandemic, such as the recent federal inflation relief plan that will temporarily increase the GST tax credit.

Retail sales volumes fell across the board in July

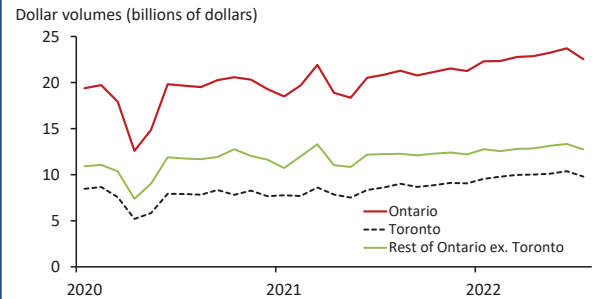
Edgard Navarrete, Regional Economist

Statistics Canada released retail sales volumes estimates this week and for the first time in seven months retail sales volumes fell sharply in Ontario. Retail sales volumes fell five per cent m/m to \$22.5 billion. Sales in the Toronto metro area and in the rest of Ontario (aside from Toronto) also fell sharply m/m by 5.7 per cent and 4.5 per cent respectively.

Retail sales volumes have rebounded from the worst of the pandemic but have not started to turn down. Compared to February 2020 sales volumes in July 2022 in Ontario are still up 14.0 per cent after being up 20 per cent in June 2022.

Of the eleven areas surveyed each month retail sales volumes fell in all of them in July. Major sectors such as motor vehicle and parts sales (down 7.7 per cent m/m), building materials, gardening etc. (down 5.7 per cent m/m), food and beverage sales (down 2.6 per cent m/m) and gasoline station sales (down 16.6 per cent m/m) all had pronounced drops in activity.

Retail sales fell sharply in July



Source: Statistics Canada, Central 1

latest: Jul/22

Part of the decline at gasoline stations was attributed to weaker gasoline prices, in particular, in Ontario where the government lowered the gas tax to give consumers some respite as the cost of living continued to mount. Sales at motor vehicle and parts establishments fell due to weaker sales of new and used cars and auto parts.

As the cost of living continues to climb and the prospect of weaker economic times ahead, consumers may be starting to see the writing on the wall and focus on necessary spending eschewing other purchases.

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