



NEWS RELEASE

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Consumers spending and retail sales : the calm after the storm

Montreal, February 13th, 2002 – The *Conseil québécois du commerce de détail*/Retail Council of Quebec (CQCD) presented today, the results of its annual report on the status of the retail industry, consumers spending and household financial health in Quebec and Canada for year 2001 as well as the perspectives of retail sales for year 2002. This study was conducted with the cooperation of Samson Belair Deloitte & Touche.

Retail sales in 2001

For both Quebec and Canada, retail sales in year 2001 experienced growth for the sixth consecutive year. However, the retail sales growth rate was more modest.

In 2001, retail sales increased by 3.5% in Quebec to reach 65.7 billion. In 2000, retail sales totaled 63.5 billion, which represented a growth rate of 4.4%. In Canada, last year sales grew by 4.6% to reach 289.7 billion. In 2000, sales had increased by 6.2%.

Sales growth was affected by September 11th events in the United States and the uncertain economy that prevailed all last year.

However some positive factors stimulated consumption notably the successive reduction of interest rates by the Bank of Canada, personal income tax reductions, a moderate inflation rate following the decrease in energy costs and a moderate increase in job creation.

All these factors were instrumental in keeping the level of consumers confidence and reduce the negative impacts of the increase in the unemployment rate which has particularly affected the travel industry, transportation and the manufacturing sector following the recession in the United States and the September 11th events.

In Quebec, furniture and electrical appliances (5.6%) and gas stations (5%) were two sectors that benefited from a higher growth rate exceeding the average.

On the opposite, the apparel and shoe retailers underperformed the average growth rate with a slower growth rate increasing respectively in 2001 by a meager 1.4% and 0.3%.

Lastly, the automobile sector performed much better than anticipated with a sales growth of 4.4% in 2001, caused primarily by aggressive marketing strategies by car manufacturers and 0% loan rate promotions. In year 2000, the growth of the automobile sector was a dismal 2.8%.

“It is to be noted that the good performance of retail sales in the last quarter of 2001 were also due to a shift in spending of the discretionary disposable income of Quebec and Canadian households who reduced substantially their traveling and adopted a “cocooning” attitude therefore redirecting their spending into consumer goods” said Gaston Lafleur, President of CQCD.

Canadian households financial health

Personal disposable income of Quebec households increased in 2001 from \$18,609 to \$19,289. Canadian households saw their disposable income increased to \$21,119 in 2001.

The rate of personal savings was more or less neutral in 2001 progressing slightly in Quebec from 3.5% to 3.6%, while decreasing modestly in Canada from 4.4% to 4.3%.

The continued growth in consumer spending was accompanied by a slight increase of 1.67% of the rate of household's indebtedness which represented 30.4% of Canadian households' disposable income.

Year 2002 – Perspectives

Most experts predict economic growth for the second half of the year.

“Notwithstanding, the uncertain times that we are going through, we expect that year 2002 will see increase in retail sales in Quebec by a rate of 2%” said M. Lafleur.

Many favorable factors will compensate negative impacts related to the potential increase in the unemployment rate.

Interest rates should stay relatively low. The inflation should reduce. Favorable fiscal measures will continue to have a positive impact on households' disposable income and stimulate consumer spending.

“Retailers, on their part, must increase their financial performance big reducing their costs and increasing their profitability», said Bernard Bougie, partner at Samson Belair Deloitte & Touche.

For Mr. Lafleur of CQCD: “In the short run, the economic environment should be stable in so far as consumer spending continues in the months to come. We are confident that this scenario will materialize considering our estimate of an annual growth in retail sales in Quebec of 2% for this year.”

- 30 -

Source: *Conseil québécois du commerce de détail*/Retail Council of Quebec

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