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Provincial Retail Trade Since the Turn of the Millennium

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Provincial Retail Trade since the Turn of the Millennium

Yiling Zhang, Distributive Trades Division

Summary

Since the turn of the millennium, Canada's retail trade industry has grown at a relatively robust pace, even though the overall economy encountered a series of dampening events. These events included sluggish demand in the United States, the bust of the Information and Communication Technology (ICT) manufacturing sector, the appreciation of the Canadian dollar and higher energy prices.

However, several factors have helped buttress retail sales growth. First, consumers spent an increasing proportion of their disposable income in retail stores, at the sacrifice of immediate savings. Secondly, thanks to historically low interest rates and the housing boom, consumers in most provinces maintained healthy spending on items for their homes, such as household electronics and building materials.

Thirdly, the retail food sector grew at healthy rates in most provinces, as retailers diversified their offerings to include non-food items. Sectoral growth was more pronounced in provinces such as Ontario and Alberta that recorded significant population gains.

Growth patterns diverged among the provinces between 2000 and 2004. Retailers in the West have outperformed those in the East, largely because of differences in sales growth in the automotive sector.

Alberta led the pack during this four-year period. Retail sales there increased at an average annual rate of 8.1%, the highest in the country and well above the national average of 4.8%. Sales in British Columbia, Saskatchewan and Manitoba also surpassed the national average, while those in Newfoundland and Labrador and Quebec maintained relatively robust growth at around the national average.

In contrast, sales for retailers in Ontario and the other Atlantic provinces grew at a pace well below the national average.

The automotive sector was the main contributor to this divergence. For example, in New Brunswick, sales by the automotive sector remained virtually flat between 2000 and 2004. As a result, total retail sales there rose at less than half the national average. In contrast, automotive sector sales in Saskatchewan contributed to an above-average performance in total retail sales.

The automotive sector's ability to dictate retail growth occurred, for one thing, because of its significant share of the consumer's retail dollar. In 2004, automotive sector sales accounted for about one-third of total retail sales.

Sales by the automotive sector hinge on different paces of disposable income growth, as well as varied levels of automotive market saturation, and the pressure to retire older motor vehicles. These factors likely contributed to divergent retail growth patterns across provinces.

This report provides an in-depth analysis of retail sales nationally and provincially between 2000 and 2004, comparing average growth rates during this period to those between 1996 and 2000.

Definitions

Retail sectors refer to the eight retail subgroups as follows:

- **Automotive sector** (NAICS 2002 retail trade sector A) which includes new car dealers, used and recreational motor vehicle and parts dealers, and gasoline stations;
- **Furniture sector** (NAICS 2002 retail trade sector B) which includes furniture stores, home furnishing stores, computer and software stores, and home electronics and appliance stores;
- **Building materials sector** (NAICS 2002 retail trade sector C) which includes home centers and hardware stores, and specialized building materials and garden stores;
- **Food sector** (NAICS 2002 retail trade sector D) which includes supermarkets, convenience and specialty food stores, and beer, wine and liquor stores;
- **Pharmacy sector** (NAICS 2002 retail trade sector E) which includes pharmacies and personal care stores;
- **Clothing sector** (NAICS 2002 retail trade sector F) which includes clothing stores, and shoe, clothing accessories and jewellery stores;
- **General merchandise sector** (NAICS 2002 retail trade sector G) which includes department stores, and other general merchandise stores such as warehouse clubs; and
- **Miscellaneous sector** (NAICS 2002 retail trade sector H) which includes sporting goods, hobby, music and book stores, and other miscellaneous stores.

All **average annual growth rates** in the text are compounded annual growth rates.

A retail sector's **contribution to provincial retail growth** is the percentage share of this sector's sales variation in the overall retail sales variation. For example, sales by the automotive retail sector increased by \$15.5 billion between 2000 and 2004 in Canada, which represents 26% of the \$58.9 billion increase for the overall retail sector.

Personal savings are the amounts left after deducting personal expenditure on consumer goods and services and personal transfers to other sectors from personal disposable income. The **personal savings rate** is defined as personal savings expressed as a percentage of personal disposable income.

Canada: Robust retail sales despite slowdown in economic output

Nationally, retail sales expansion remained robust between 2000 and 2004 despite a slowdown in growth rates for both real gross domestic product (GDP) and disposable income.

Between 2000 and 2004, retail sales grew at an annual average rate of 4.8%, somewhat slower than the average of 5.9% between 1996 and 2000.

However, this slowdown was much milder than the deceleration in real GDP, where growth rates slowed from 4.7% before the turn of the millennium to only 2.5% after. Growth in disposable income slowed from 4.9% to 3.8%.

In 2004, consumers spent \$346.7 billion in retail stores, compared to \$287.8 billion in 2000 and \$228.4 billion in 1996.

Consumers spent an increasing proportion of their disposable income in retail stores. For every \$100 of disposable income in 2000, they spent \$45 in retail stores. This rose to \$47 in 2004.

Meanwhile, they have been saving less. The national savings rate, which is personal savings expressed as a percentage of disposable income, plunged from 4.7% in 2000 to 0.4% in 2004.

Automotive sector: Average growth rate cut in half

Nationally, the automotive sector has recorded a significant slowdown in growth since the turn of the millennium. Between 1996 and 2000, automotive sales grew at an average annual pace of 7.1%. In contrast, between 2000 and 2004, the growth rate was cut almost in half to 3.6%.

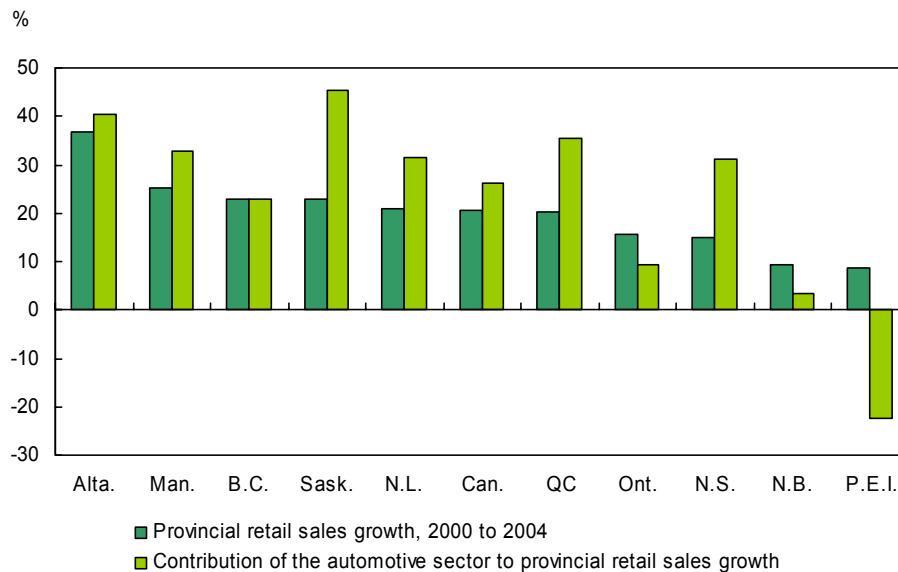
Before the millennium, the sector contributed 41% to overall retail growth. Between 2000 and 2004, its contribution was only 26%.

In 2000, consumers purchased an average of 52 new motor vehicles for every 1,000 people in the population. By 2004, this had slipped to 49.

Sectoral growth at the provincial level was far from uniform. Retail sales by the automotive sector in most Western provinces, Quebec and Newfoundland and Labrador, increased faster than the national average. Those in the rest of the Atlantic provinces and Ontario were below national average growth.

Given its significant share of consumer dollars, the automotive sector in turn dictated provincial retail growth. For example, Alberta's \$4.7-billion increase in this sector's revenue represented over 40% of total retail growth between 2000 and 2004.

Western Provinces led, Atlantic Provinces lagged, and the automotive sector was the main contributor



Source: Statistics Canada, Monthly Retail Trade Survey.

Food, most other sectors followed national trend

Growth in food sector sales accelerated in most provinces, in part because retailers diversified their offerings to include non-food items. These included items such as furniture, home electronics, pharmaceuticals and personal care products. Growth in this sector was more pronounced in provinces that had significant population gains such as Ontario and Alberta.

Growth in the general merchandise sector remained robust. It benefited from several factors: a wide variety of offerings; higher gasoline prices and travelling expenses; new sales formats such as warehouse clubs; and the “every day low price” sales concept. These stores were especially popular in Newfoundland and Labrador, Quebec, Manitoba and British Columbia.

Historically low interest and mortgage rates heated up the housing sector as housing starts soared. With significant savings from financing and refinancing houses, consumers were able to spend more on home-related projects. Moreover, new trends helped stimulate home-related spending. These included dampened tourism and the ‘cocooning’ phenomenon following the September 11th and SARS crises², the increasing popularity of electronic novelties such as DVD players and plasma TVs, and the “do-it-yourself” home improvement concept.

Interestingly, the housing boom seemed to have a larger impact on the building materials sector than on the furniture sector. Sales in the building materials sector accelerated, while sales in furniture maintained roughly the same growth rate.

1. See “Retail trade, December 2001 and annual 2001,” The Daily, February 21, 2002, <http://www.statcan.ca>.
 2. See “Retail trade, April 2003,” The Daily, June 23, 2003, <http://www.statcan.ca>.

Sales growth in the pharmacy sector accelerated between 2000 and 2004 without much increase in drug prices. The faster growth was widespread in all provinces. The aging population and increasing awareness of healthy lifestyles have apparently created more demand for health care products and drug therapies. These stores have also diversified their offerings to include items such as food and home electronics.

However, growth in the clothing sector was sluggish for all provinces. Decreasing prices and cheaper imports failed to stimulate shoppers to buy more items. Moreover, the sector experienced stiffer competition from general merchandisers and food stores.

Retail sales, Canada and provinces, and selected socio-economic variables for Canada, 1996, 2000 and 2004

	1996	2000	2004	Compounded annual growth rates	
				1996 to 2000	2000 to 2004
	\$ millions (unless otherwise specified)			%	
Retail trade					
Newfoundland and Labrador	3,672	4,760	5,755	6.7	4.9
Prince Edward Island	958	1,274	1,385	7.4	2.1
Nova Scotia	7,455	8,956	10,297	4.7	3.5
New Brunswick	5,656	7,282	7,963	6.5	2.3
Quebec	52,502	65,245	78,518	5.6	4.7
Ontario	83,843	111,501	129,086	7.4	3.7
Manitoba	7,810	9,337	11,692	4.6	5.8
Saskatchewan	7,193	8,359	10,259	3.8	5.3
Alberta	23,816	31,738	43,372	7.4	8.1
British Columbia	34,775	38,435	47,217	2.5	5.3
Total	228,440	287,838	346,721	5.9	4.8
Socio-economic variables					
Population (thousands)	29,611	30,689	31,946	0.9	1.0
Housing starts (units)	124,713	151,653	233,431	5.0	11.4
Disposable income	527,783	639,567	741,230	4.9	3.8
Savings rate (%)	7.0	4.7	0.4	...	...
Retail sales as a percentage of disposable income (%)	43.3	45.0	46.8	...	...

... not applicable

Sources: Statistics Canada, Monthly Retail Trade Survey and Provincial and Territorial Economic Accounts.

Newfoundland and Labrador: Only Atlantic province with strong retail growth

Newfoundland and Labrador was the only Atlantic province where retail growth remained robust. Between 2000 and 2004, retail sales grew at an annual average rate of 4.9%, just above the national average of 4.8%.

Total retail sales in the province reached \$5.8 billion in 2004. Consumers in Newfoundland and Labrador spent a much greater proportion of their disposable income in retail stores than consumers in other provinces did.

Of every \$100 in disposable income, Newfoundlanders spent \$57 in retail stores in 2004, compared to the national average of \$47, and compared to only \$43 in Ontario.

Disposable income grew rapidly in the province between 2000 and 2004, thanks to employment gains in natural resources, construction and retail trade itself.

Automotive sector a solid foundation for province's retail growth

Sales in the province's automotive sector reached \$2.2 billion in 2004, advancing at an average annual rate of 4.0% between 2000 and 2004.

Sales growth in the automotive sector surpassed national averages both before and after the turn of the millennium, providing a solid foundation for overall provincial retail growth.

Sales by used car and parts dealers were the driving force in the province's automotive sector. They rose at an average annual pace of 7.8% between 2000 and 2004, more than twice as fast as the national average growth rate of 3.1%.

On the other hand, growth in sales for Newfoundland and Labrador's new car dealers was virtually flat (-0.2% annually) on average between 2000 and 2004, compared to an annual 3.0% gain nationally. During the previous four-year period, their sales had soared 13% on average.

In 2004, dealers sold 44 new motor vehicles on average for every 1,000 provincial residents, down just slightly from the average of 45 in 2000. Both were below the national averages of 52 in 2000 and 49 in 2004.

One reason for this sector's robust sales growth is that the automotive market in Newfoundland and Labrador was far from saturated in 2000, which created a potential demand for motor vehicle sales. For every 1,000 residents, there were 482 registered motor vehicles, much fewer than the national average of 583.

At the same time, registered motor vehicles that were over 15 years old accounted for a much smaller proportion (6%) of the total than the national average of 12% in 2000. This indicated less pressure to replace existing motor vehicles that were very old.

Moreover, rapid growth of disposable income, coupled with low interest rates and generous financing terms, may have encouraged consumers to buy more cars.

Housing surge not matched by furniture, building materials sectors

Housing starts surged at an average annual rate of 18.4% between 2000 and 2004 in Newfoundland and Labrador, reversing an average 8.0% decline during the previous four-year period. However, there was no comparable surge in the furniture and building materials sector sales.

Sales in the building materials sector rose at around the national rate of 11.5% between 2000 and 2004. A snapshot of home renovation and repair expenditure in 2002 indicated that homeowners in Newfoundland and Labrador had a much higher tendency to do-it-themselves than to hire contractors. Their spending on materials accounted for 62% of home renovations and repairs, much higher than the national average of 37%. The materials they purchased for renovations are registered as retail sales in the building materials sector.

Newfoundlanders also spent less on furniture. Sales in the province's furniture sector declined at an annual average rate of 5.5% between 2000 and 2004. It was the only province where sales declined in this sector.

A contributing factor to this decline may have been lower per capita disposable income in the province. This may have created competing budget demands, forcing consumers to decide between purchasing a house, or buying furniture and accessories for their current home.

Higher consumer spending in general merchandise stores

Consumers in Newfoundland and Labrador spent a greater proportion of their retail dollars in general merchandise stores than consumers in other provinces.

For every \$100 a consumer spent in Newfoundland and Labrador in 2004, over \$15 went to a general merchandise store, compared to the national average of \$12 and the average of around \$10 in neighbouring Prince Edward Island.

Growth in spending in general merchandise stores represented 20% of total retail sales growth in the province between 2000 and 2004. During the previous four-year period it represented just 13%.

**Retail sector sales and selected socio-economic variables,
Newfoundland and Labrador, 1996, 2000 and 2004**

	1996	2000	2004	Compounded annual growth rates		Contribution to provincial retail sales growth	
				1996 to 2000	2000 to 2004	1996 to 2000	2000 to 2004
	\$ millions(unless otherwise specified)			%			
Retail trade							
Automotive	1,270	1,862	2,176	10.0	4.0	54.4	31.6
Furniture	145	248	197	14.3	-5.5	9.4	-5.1
Building materials	215	282	435	7.1	11.5	6.2	15.3
Food	1,035	1,154	1,403	2.8	5.0	11.0	25.0
Pharmacy	227	233	306	0.7	7.1	0.6	7.4
Clothing	156	177	194	3.2	2.4	2.0	1.7
General merchandise	546	682	882	5.7	6.6	12.5	20.0
Miscellaneous	79	123	162	11.6	7.2	4.0	3.9
Total	3,672	4,760	5,755	6.7	4.9	100.0	100.0
Socio-economic variables							
Population (thousands)	560	528	517	-1.5	-0.5	...	...
Housing starts (units)	2,034	1,459	2,870	-8.0	18.4	...	...
Disposable income	7,987	8,740	10,074	2.3	3.6	...	...
Savings rate (%)	9.6	0.6	-0.5	...	...	...	...
Retail sales as a percentage of disposable income (%)	46.0	54.5	57.1	...	...	...	...

... not applicable

Sources: Statistics Canada, Monthly Retail Trade Survey and Provincial and Territorial Economic Accounts.

Prince Edward Island: Gains among slowest in the nation

Growth in retail sales in Prince Edward Island was among the nation's fastest between 1996 and 2000, but among the slowest between 2000 and 2004.

Between 1996 and 2000, Prince Edward Island, together with Ontario and Alberta, led all provinces with an annual growth rate of around 7.4%, well above the national average of 5.9%.

However, since the turn of the millennium, sales have grown at only 2.1% on average annually, well behind Alberta (+8.1%), the lead province, as well as the others. Total retail sales in Prince Edward Island reached \$1.4 billion in 2004.

Slow increases in disposable income and a declining proportion of disposable income directed toward retail stores contributed to the overall slowdown.

Between 2000 and 2004, disposable income grew at an annual average rate of 3.0%. This was below the national growth rate of 3.8%, but also slower than growth in the previous four-year period (+4.0%).

Moreover, consumer spending in retail stores accounted for a declining proportion of disposable income: 53% in 2000 and 51% in 2004. Most other provinces experienced an increase between the two years.

Sales declined in automotive, clothing sectors

The automotive sector suffered a sales decline at an average rate of 1.5% between 2000 and 2004, falling behind other provinces in growth in this sector and resulting in the low retail sales growth for Prince Edward Island.

Between 1996 and 2000, the automotive sector advanced at an annual average rate of 8.1%, making it one of the nation's top performers. This growth contributed 37% to the province's total gain in retail sales during this period.

However, between 2000 and 2004, automotive sector sales fell by almost \$25 million. This not only nullified any contribution to provincial retail growth, it also offset gains from the general merchandise and furniture sectors.

Disposable income in Prince Edward Island was one of the nation's lowest, and its growth was essentially flat. This likely forced budget constraints on consumers. Moreover, because of the sector's rapid growth before 2000, the automotive retail market had likely reached a moderate level of saturation, leaving consumers feeling less pressured to replace existing older motor vehicles.

In the clothing sector, Prince Edward Island and New Brunswick were the only two provinces in which clothing sales declined between 2000 and 2004. In Prince Edward Island, sales fell at an annual average rate of 2.6%.

Food, general merchandise and building materials sectors main contributors to retail growth

Three sectors were the main contributors to retail growth in Prince Edward Island following 2000: food, general merchandise and building materials.

Sales growth in the food sector remained robust between 2000 and 2004. It replaced the automotive sector as the main contributor to provincial retail sales gain. The food sector contributed 57% to overall retail sales growth in the province, double the proportion during the previous four-year period.

Housing starts growth was well below the national average. However, sales in the building materials sector rose at an annual average rate of 8.8%, closer to the national average of 11.5%. As a result, the sector contributed nearly 40% to overall provincial retail growth between 2000 and 2004, three times the national average of 13%.

The general merchandise sector contributed another 20% to the overall provincial retail growth.

**Retail sector sales and selected socio-economic variables,
Prince Edward Island, 1996, 2000 and 2004**

	1996	2000	2004	Compounded annual growth rates		Contribution to provincial retail sales growth	
				1996 to 2000	2000 to 2004	1996 to 2000	2000 to 2004
	\$ millions (unless otherwise specified)				%		
Retail trade							
Automotive	319	435	411	8.1	-1.5	36.9	-22.5
Furniture	34	57	60	13.9	1.5	7.2	3.2
Building materials	77	107	151	8.6	8.8	9.5	38.9
Food	256	345	408	7.8	4.3	28.3	57.2
Pharmacy	70	76	95	2.3	5.6	2.1	16.7
Clothing	43	64	58	10.4	-2.6	6.6	-5.8
General merchandise	102	121	143	4.5	4.3	6.1	19.9
Miscellaneous	58	68	60	4.1	-3.2	3.2	-7.6
Total	958	1,274	1,385	7.4	2.1	100.0	100.0
Socio-economic variables							
Population (thousands)	136	136	138	0	0.4	...	...
Housing starts (units)	554	710	919	6.4	6.7	...	...
Disposable income	2,070	2,420	2,725	4.0	3.0	...	...
Savings rate (%)	6.6	1.9	-3.8	...	...	...	...
Retail sales as a percentage of disposable income (%)	46.3	52.6	50.8	...	...	...	...

... not applicable

Sources: Statistics Canada, Monthly Retail Trade Survey and Provincial and Territorial Economic Accounts.

Nova Scotia: Growth rate in retail sales relatively stable

Retail trade growth slowed down in Nova Scotia at the turn of the millennium. However, compared to most provinces which experienced significant changes in growth rates, Nova Scotia's remained relatively stable.

Between 2000 and 2004, retail sales grew at an average annual rate of 3.6%. This was a slowdown from the 4.7% pace during the previous four-year period. Growth rates were below the national average in both periods.

In 2004, Nova Scotia retailers sold \$10.3 billion worth of goods and services.

Provincial retail growth was affected by slower growth in disposable income and the stable proportion of income spent in retail stores.

Between 2000 and 2004, disposable income grew at an average of 3.3% a year, just below the national average of 3.8%. Slower growth in residential construction, tourism, and retail trade industries placed pressure on the labour market in Nova Scotia.

The proportion of consumer spending in retail stores remained unchanged at \$51 of every \$100 disposable income in both 2000 and 2004. This was just above the national average of \$47 in 2004.

Deceleration in automotive sector

Sales by the automotive sector increased at an average of 3.2% a year between 2000 and 2004, down from 5.9% during the previous four-year period. This sector's sales amounted to \$3.5 billion in 2004.

Growth in the automotive sector contributed slightly less than one-third of overall provincial sales gains between 2000 and 2004, compared to 42% during the previous four-year period.

Slower income growth appears to have placed a budget constraint on consumers, especially for big-ticket items such as cars. In addition, moderate levels of motor vehicle saturation and pressure to replace older motor vehicles did not create a huge incentive for demand for this sector's sales.

In 2000, there were 580 registered motor vehicles for every 1,000 residents in Nova Scotia, just about on par with the national average of 583.

In addition, of these vehicles, nearly 10% were over 15 years old, compared to the national average of 12%. This indicates a relatively moderate pressure to replace older vehicles.

Other sectors: Food sector reflects flat population growth

A slow population growth limited the demand for necessities such as food. Between 2000 and 2004, the population in Nova Scotia edged up only 0.1% on average each year, lagging behind the national average of 1.0%.

The food sector responded with an annual average growth of 1.5%, well below the national average in the sector of 4.9%. The sector contributed only 12% to the overall provincial growth in retail revenues between 2000 and 2004, less than half the national average.

Housing activities in Nova Scotia were among the nation's slowest. Even so, the furniture and building materials sectors recorded above-average growth for their respective sectors between 2000 and 2004.

The two sectors combined accounted for 30% of the overall provincial retail growth between 2000 and 2004. This was much higher than the average contribution of 21% for both sectors combined at the national level.

Nova Scotia and Saskatchewan: A comparison

Retail trade in Nova Scotia and Saskatchewan are of a similar size, so it is meaningful to compare them. Between 2000 and 2004, retail sales in these two provinces followed a different growth pattern.

During the period, Nova Scotia's retail growth lagged behind a 5.3% annual average growth rate in Saskatchewan.

Retail trade in Nova Scotia totalled \$10.3 billion in 2004, only \$37 million more than the retail revenue in Saskatchewan. This was a fraction of the gap of \$597 million in 2000. This gap almost disappeared by 2004 as a result of different growth rates.

Of the eight retail sectors, only the furniture and building materials sectors in Nova Scotia grew above the national rates. In Saskatchewan, five retail sectors, including the automotive, furniture, building materials, pharmacy and miscellaneous sectors, grew above or around national average rates.

Between 2000 and 2004, the automotive sector in Nova Scotia grew at only half the pace of that in Saskatchewan (+6.2% annually). This resulted in a much-wider gap between the two provinces in this sector's sales. In 2000, this sector's sales in the two provinces were at the same level. By 2004, sales by the automotive sector in Nova Scotia accounted for only 87% of that in Saskatchewan.

Two major factors had contributed to the widened gap in automotive sector sales between the two provinces. Growth of disposable income in Saskatchewan surpassed that in Nova Scotia. Moreover, the automotive market in Saskatchewan was much more pressured to replace older motor vehicles during the four-year period from 2000.

In 2000, 27% of all registered motor vehicles were over 15 years of age in Saskatchewan, much higher than Nova Scotia's 10%. This is a proportion out of Saskatchewan's much higher level of motor vehicle ownership (701 vehicles for every 1,000 residents in Saskatchewan, compared to 580 vehicles for every 1,000 residents in Nova Scotia).

**Retail sector sales and selected socio-economic variables,
Nova Scotia, 1996, 2000 and 2004**

	1996	2000	2004	Compounded annual growth rates		Contribution to provincial retail sales growth	
				1996 to 2000	2000 to 2004	1996 to 2000	2000 to 2004
	\$ millions(unless otherwise specified)				%		
Retail trade							
Automotive	2,454	3,090	3,505	5.9	3.2	42.4	31.1
Furniture	197	329	449	13.6	8.1	8.7	9.0
Building materials	323	460	746	9.2	12.8	9.1	21.2
Food	2,434	2,625	2,786	1.9	1.5	12.7	12.0
Pharmacy	542	600	705	2.6	4.1	3.9	7.8
Clothing	349	398	420	3.4	1.4	3.3	1.7
General merchandise	854	1,029	1,211	4.8	4.2	11.7	13.6
Miscellaneous	302	425	474	8.9	2.8	8.2	3.7
Total	7,455	8,956	10,297	4.7	3.6	100.0	100.0
Socio-economic variables							
Population (thousands)	931	934	937	0.1	0.1	...	...
Housing starts (units)	4,059	4,432	4,717	2.2	1.6	...	...
Disposable income	14,811	17,526	19,980	4.3	3.3	...	...
Savings rate (%)	5.8	2.3	-2.0	...	...	...	...
Retail sales as a percentage of disposable income (%)	50.3	51.1	51.5	...	...	...	...

... not applicable

Sources: Statistics Canada, Monthly Retail Trade Survey and Provincial and Territorial Economic Accounts.

New Brunswick: Retail growth only half the national average

Retail sales in New Brunswick have increased at only half the pace of the national average since the turn of the millennium.

Between 2000 and 2004, sales increased at an average annual rate of 2.3%, compared to the national average of 4.8%. This was also much slower than their 6.5% gain between 1996 and 2000.

Retail sales in New Brunswick totalled nearly \$8.0 billion in 2004.

Only the pharmacy sector recorded an above-average increase in sales between 2000 and 2004. Growth in the automotive and clothing sectors was virtually flat.

Slack income growth and restricted consumer spending in retail stores contributed to the significant retail slowdown. The lack of a housing boom and dampened tourism had a negative impact on employment in New Brunswick, which in turn affected consumer spending.

Disposable income rose at an average annual rate of only 2.8%, slower than the national average growth of 3.8%. Meanwhile, the share of personal disposable income devoted to retail spending edged down from 53% in 2000 to 52% in 2004. In most other provinces, this share increased.

New Brunswick residents had higher savings rate than their counterparts in the other Atlantic provinces and most Western provinces.

Virtually no gain in sales by automotive sector

Sales by the automotive sector were virtually flat between 2000 and 2004, rising at an annual average rate of only 0.2%. In contrast, between 1996 and 2000, sales increased at an average of 8.5%, one of the nation's fastest paces.

The automotive sector's contribution to overall provincial retail growth plummeted from 49% between 1996 and 2000 to only 4% during the subsequent four-year period. This resulted in the significant slowdown of provincial retail growth since 2000.

The automotive retail market reached a relatively high level of saturation as a result of the rapid growth in automotive sales between 1996 and 2000. After 2000, consumers were apparently under less pressure to retire existing older motor vehicles.

For example, dealers sold an average of 54 new motor vehicles for every 1,000 New Brunswick residents in 2000. This figure quickly fell to 46 in 2004, a much steeper decline than the national average.

In 2000, there were 610 registered motor vehicles on average for every 1,000 residents. This was much higher than the national level of 583, indicating a relatively high level of saturation in the automotive market.

Moreover, of all registered vehicles, only 9% were over 15 years old, compared to the national average of 12%. This reflects the lower pressure to retire older motor vehicles.

Other sectors: Sluggish growth in furniture, food

Sales by the furniture sector grew at an average annual rate of only 2.8% between 2000 and 2004, reflecting the slow housing market.

The food sector grew at a lacklustre rate of 1.7%, the slowest among the provinces in this sector. The relatively small growth in New Brunswick's population could be a factor. Still, sales growth in the food sector accounted for 21% of total retail growth in the province between 2000 and 2004.

Sales by the building materials sector grew at a more robust annual average of 10.6%, close to the national rate for the sector of 11.5%. This growth accounted for about one-quarter of the overall retail growth.

The pharmacy sector was the single retail sector that enjoyed growth above the national average between 2000 and 2004. Of every \$100 in total retail spending, consumers spent only \$6 in the pharmacy sector. But it still accounted for 24% of total retail growth.

Retail sector sales and selected socio-economic variables, New Brunswick, 1996, 2000 and 2004

	1996	2000	2004	Compounded annual growth rates		Contribution to provincial retail sales growth	
				1996 to 2000	2000 to 2004	1996 to 2000	2000 to 2004
	\$ millions (unless otherwise specified)			%			
Retail trade							
Automotive	2,048	2,843	2,867	8.5	0.2	48.8	3.5
Furniture	240	317	354	7.2	2.8	4.7	5.5
Building materials	218	339	507	11.6	10.6	7.4	24.7
Food	1,620	2,024	2,166	5.7	1.7	24.8	21.0
Pharmacy	383	370	530	-0.9	9.4	-0.8	23.5
Clothing	265	314	313	4.3	-0.1	3.0	-0.2
General merchandise	707	826	950	4.0	3.6	7.4	18.3
Miscellaneous	174	250	274	9.4	2.4	4.6	3.6
Total	5,656	7,282	7,963	6.5	2.3	100.0	100.0
Socio-economic variables							
Population (thousands)	752	751	751	0.0	0.0	...	...
Housing starts (units)	2,722	3,079	3,947	3.1	6.4	...	...
Disposable income	11,813	13,730	15,308	3.8	2.8	...	...
Savings rate (%)	8.3	4.9	0.2	...	...	...	...
Retail sales as a percentage of disposable income (%)	47.9	53.0	52.0	...	...	...	...

... not applicable

Sources: Statistics Canada, Monthly Retail Trade Survey and Provincial and Territorial Economic Accounts.

Quebec: Automotive sector drives strong retail growth

Between 2000 and 2004, Quebec and its neighbour, Ontario, were affected by sluggish demand south of the border, a lacklustre manufacturing industry, soaring energy prices and the more expensive dollar.

However, retail growth in the two central Canadian provinces followed a different pattern. Sales for Quebec retailers rose at an average annual rate of 4.7%, edged down from the 5.6% average during the previous four-year period. The main contributor to this growth was a robust automotive sector.

In contrast, retail sales growth in Ontario slashed to half, from an average annual rate of 7.4% between 1996 and 2000 to only 3.7% during the four-year period after 2000. The lacklustre automotive sector was the main contributor to this significant slowdown.

Quebec retailers in 2004 sold more than \$78.5 billion worth of goods and services.

The housing boom was more pronounced in Quebec, which had one of the nation's fastest growth rates in housing starts and record high numbers of new houses being built.

This helped improve hiring in the construction industry and spun off activity in a multitude of related service industries, such as retail trade and the finance, insurance, real estate and leasing industry.

Automotive sector big contributor to divergence between Quebec and Ontario

The automotive sector was the main factor in the diverging growth rates for retail sales between Ontario and Quebec.

In Quebec, sales in the sector increased at an average annual rate of 5.0% between 2000 and 2004. This was slower than the 7.4% average rate during the previous four-year period. However, it was still robust when compared to Ontario's much more flattened trend.

Between 2000 and 2004, Quebec's automotive sector accounted for 35% of the province's total retail growth, making it the leading sector. In Ontario, the sector's contribution was far less (only 10%).

Sales by new car dealers in Quebec grew at an annual average rate of 4.8% between 2000 and 2004, second only to Alberta (+6.8% annually).

In 2004, dealers sold an average of 54 new motor vehicles for every 1,000 residents in Quebec, compared to 48 in Ontario and 61 in Alberta.

Quebec's automotive market was relatively less saturated and consumers were less pressured to replace motor vehicles older than 15 years. In 2000, there were 550 registered motor vehicles in Quebec for every 1,000 residents, below the national average of 583. This indicates a potential demand for motor vehicles.

Of all registered motor vehicles, only 6% were over 15 years old, half the national average of 12%. Moreover, solid growth in disposable income, coupled with generous financing terms from car dealers, encouraged Quebecers to buy more cars.

Other sectors: Building materials sector reflected housing surge

Consumer spending in the building materials sector remained strong, with retail sales rising at an average annual rate of 13.5% between 2000 and 2004. This reflected the province's resurgent housing activities.

However, the furniture sector responded with a lacklustre 5.0% average gain, compared to the national average of 6.4%.

More general merchandise stores entered the market in Quebec between 2000 and 2004. As a result, the 5.7% average growth rate in the general merchandise sector not only outpaced overall Quebec retail growth, it also matched the sector's growth during the previous four-year period.

Quebec's food and clothing sectors experienced below-average growth between 2000 and 2004, the result, in part, of the province's lower population growth.

Retail sector sales and selected socio-economic variables, Quebec, 1996, 2000 and 2004

	1996	2000	2004	Compounded annual growth rates		Contribution to provincial retail sales growth	
				1996 to 2000	2000 to 2004	1996 to 2000	2000 to 2004
	\$ millions (unless otherwise specified)			%			
Retail trade							
Automotive	16,309	21,668	26,349	7.4	5.0	42.1	35.3
Furniture	3,144	4,416	5,359	8.9	5.0	10.0	7.1
Building materials	1,878	2,939	4,882	11.8	13.5	8.3	14.5
Food	13,597	16,096	18,560	4.3	3.6	19.6	18.6
Pharmacy	5,521	5,459	6,032	-0.3	2.5	-0.5	4.3
Clothing	4,095	4,452	4,805	2.1	1.9	2.8	2.7
General merchandise	5,468	6,836	8,517	5.7	5.7	10.7	12.7
Miscellaneous	2,490	3,378	4,013	7.9	4.4	7.0	4.8
Total	52,502	65,245	78,518	5.6	4.7	100.0	100.0
Socio-economic variables							
Population (thousands)	7,248	7,357	7,543	0.4	0.6	...	...
Housing starts (units)	23,220	24,695	58,448	1.6	24	...	...
Disposable income	119,859	139,159	161,986	3.8	3.9	...	...
Savings rate (%)	8.0	3.8	0.9	...	...	...	...
Retail sales as a percentage of disposable income (%)	43.8	46.9	48.5	...	...	...	...

... not applicable

Sources: Statistics Canada, Monthly Retail Trade Survey and Provincial and Territorial Economic Accounts.

Ontario: Significant retail slowdown

Ontario experienced a significant retail slowdown between 2000 and 2004 following a period of fast growth during the previous four-year period. This slowdown occurred mainly because of a lacklustre performance by the automotive retail sector.

Between 2000 and 2004, Ontario's retail trade grew at an annual rate of 3.7%, compared to 7.4% between 1996 and 2000. Ontario's growth since 2000 was below the national growth rate of 4.8%.

Retailers in Ontario had sales of \$129.1 billion in 2004. This represented 37% of total retail sales in Canada, slightly below the share of 39% four years earlier.

Between 2000 and 2004, disposable income in Ontario grew sluggishly as a result of a slower economy and labour market.

Economic growth in Canada's manufacturing heartland was hampered by sluggish demand south of the border for its high-tech and transportation products, as well as by the stronger Canadian dollar and soaring energy prices. Ontario was hit by a series of economic shocks in 2003, such as the SARs outbreak and the power outage.

Ontario consumers kept a firm grip on their wallets between 2000 and 2004. Of every \$100 in disposable income in 2004, consumers spent only \$43 in retail stores, compared to more than \$50 in British Columbia and in the Atlantic Provinces.

Moreover, disposable income grew below the national average during the period, while savings rate remained one of the nation's highest, second only to Alberta.

Automotive sector dampened retail growth

The main factor slowing down retail sales growth in Ontario was the automotive sector. Between 1996 and 2000, sales in the sector rose at an average annual rate of 8.7%. During the subsequent four-year period, this growth rate slowed to just 1.0%.

In the four years prior to 2000, the sector had contributed 41% to the overall growth in retail sales, by far the highest proportion. Between 2000 and 2004, this contribution had dropped to 10%.

New car dealers recorded average annual growth of only 0.6% between 2000 and 2004. Sales by used car and parts dealers edged down from \$5.2 billion in 2000 to \$4.9 billion in 2004.

Dealers sold an average of 57 new motor vehicles for every 1,000 residents in 2000. By 2004, this had declined to 48.

Several factors may have cooled the demand for motor vehicles: slower growth in disposable income, a moderately saturated market and a lower pressure to retire older motor vehicles.

The automotive market in Ontario had started to reach a moderate saturation point, following a period of fast sales growth prior to 2000. There were 568 registered motor vehicles for every 1,000 residents in 2000, just below the national average of 583.

Of all registered motor vehicles, 8% were over 15 years old, below the national average of 12%. This reflected a relatively low pressure to replace older motor vehicles.

Food sector main contributor to retail gains

While most of Ontario's retail sectors slowed between 2000 and 2004, the food sector was the exception. This sector had sales of \$29.4 billion in 2004, accounting for 22% of retail spending.

Between 2000 and 2004, sales by the food sector grew at an average annual rate of 5.5%. The growth during this period represented nearly one-third (32%) of the overall retail growth in Ontario. As a result, the food sector replaced the automotive sector as the main contributor to retail expansion.

Ontario's rapid population growth created a demand for necessities such as food. Diversification of supermarkets into non-food offerings such as electronic gadgets may have also contributed to the sector's healthy growth.

Furniture sector echoed cooling housing market

Ontario's housing market cooled between 2000 and 2004 after a period of rapid growth. The growth rate of new housing starts retreated to below the national average. Growth in the furniture sector echoed this deceleration.

Several factors may also have contributed to the slowdown in furniture sales. Sluggish growth in disposable income may have placed a budget constraint on purchases of big-ticket items such as cars, furniture and household appliances. A decrease in prices of home electronics, computer hardware and software may have offset an increase in sales volumes.

Sales in Ontario's building materials sector grew at the slowest rate among all provinces between 2000 and 2004. This occurred not only as a result of a lukewarm housing market, but also because of a preference for hiring contractors over "do-it-yourself".

Based on a snapshot in 2002, Ontario homeowners had 69% of their repair and renovation done by contractors, higher than the national average of 63%. The remaining 31% of the expenditure reflected the purchase of materials and "do-it-yourself" activities, which were counted as retail sales by the building materials sector.

**Retail sector sales and selected socio-economic variables,
Ontario, 1996, 2000 and 2004**

	1996	2000	2004	Compounded annual growth rates		Contribution to provincial retail sales growth	
				1996 to 2000	2000 to 2004	1996 to 2000	2000 to 2004
	\$ millions (unless otherwise specified)				%		
Retail trade							
Automotive	28,458	39,720	41,389	8.7	1.0	40.7	9.5
Furniture	4,955	7,338	9,350	10.3	6.2	8.6	11.4
Building materials	3,746	5,393	7,422	9.5	8.3	5.9	11.5
Food	20,184	23,721	29,368	4.1	5.5	12.8	32.1
Pharmacy	5,431	6,779	9,166	5.7	7.8	4.9	13.6
Clothing	5,657	7,341	8,459	6.7	3.6	6.1	6.4
General merchandise	10,957	14,905	16,950	8.0	3.3	14.3	11.6
Miscellaneous	4,455	6,304	6,981	9.1	2.6	6.7	3.9
Total	83,843	111,501	129,086	7.4	3.7	100.0	100.0
Socio-economic variables							
Population (thousands)	11,084	11,685	12,393	1.3	1.5	...	...
Housing starts (units)	43,062	71,521	85,114	13.5	4.4	...	...
Disposable income	210,778	265,316	301,825	5.9	3.3	...	...
Savings rate (%)	8.9	7.6	1.9	...	...	...	...
Retail sales as a percentage of disposable income (%)	39.8	42.0	42.8	...	...	...	...

... not applicable

Sources: Statistics Canada, Monthly Retail Trade Survey and Provincial and Territorial Economic Accounts.

Manitoba: Growth in retail sales second only to Alberta

Growth in retail sales in Manitoba between 2000 and 2004 was second only to nation-leading Alberta.

In 2004, retail sales in Manitoba amounted to \$11.7 billion. During the four-year period, sales increased at an annual average of 5.8% in the province, compared to 8.1% in Alberta. Nationally, the average annual gain was 4.8%.

Retail spending has accounted for an increasing proportion of consumers' disposable income.

Of every \$100 of disposable income, consumers spent \$42 in retail stores in 2000. This rose to \$47 in 2004, on par with the national average. Moreover, the growth of disposable income remained robust between 2000 and 2004, thanks to solid job gains in the construction and natural resources industries.

Stellar growth in the automotive sector, next only to Alberta

Between 2000 and 2004, Manitoba's automotive sector grew at an annual average rate of 5.9%, significantly above the national average of 3.6% for the sector. In addition, of the province's retail sales gains during this period, about one-third (33%) came from sales growth in the automotive sector.

Sales by new car dealers grew at an average of 4.5% annually, well above the national average of 2.8% for the sector. In 2004, dealers sold an average of 39 new motor vehicles for every 1,000 residents, up from 37 in 2000, but significantly below the national averages in both periods.

Between 2000 and 2004, used car and parts dealers in Manitoba led the nation with a surge in sales of 20.8% per year.

Factors contributing to this stellar sales growth included: solid income growth, low interest rates and generous financing terms, less saturated automotive retail market, and rising pressure to retire older motor vehicles.

Manitoba's automotive market was less saturated than in most provinces. In 2000, there were 533 registered motor vehicles for every 1,000 residents, lower than the national average of 583. This created a potential demand for car sales.

In addition, vehicles over 15 years old accounted for over 16% of all registered motor vehicles in the province, compared to an average 12% for all provinces. This indicated a higher pressure for motor vehicle replacement.

Six of eight retail sectors experienced above-average growth

In addition to the automotive sector, the furniture, building materials, pharmacy, general merchandise and miscellaneous sectors all experienced above national growth rates for their respective sectors between 2000 and 2004.

Sales growth in the building materials and furniture sectors accelerated significantly from their growth between 1996 and 2000, echoing a surge in the housing market.

The pharmacy sector followed the national trend of an accelerated growth, but in a more pronounced way. Between 2000 and 2004, the sector grew at more than twice the pace it did during the previous four-year period.

Sales by the general merchandise sector rose at an annual average rate of 5.8% between 2000 and 2004, one of the nation's fastest growth rates in this sector.

The food sector and the clothing sector increased below the national average, the result, in part, of a slow population growth. However, compared to the period between 1996 and 2000, the growth in the food sector actually accelerated, while the clothing sector slowed.

Supermarket diversification into non-food offerings may have contributed to improved growth in the food sector. Increasing competition from overseas and imports of inexpensive fabrics may have been factors behind a lack of price increases for clothing, shoes and accessories. This factor, combined with stiff competition from the general merchandise and food sectors, would have dampened the growth in the value of sales in the clothing sector.

**Retail sector sales and selected socio-economic variables,
Manitoba, 1996, 2000 and 2004**

	1996	2000	2004	Compounded annual growth rates		Contribution to provincial retail sales growth	
				1996 to 2000	2000 to 2004	1996 to 2000	2000 to 2004
				\$ millions (unless otherwise specified)			%
Retail trade							
Automotive	2,326	3,013	3,786	6.7	5.9	45.0	32.8
Furniture	422	542	709	6.4	7	7.8	7.1
Building materials	476	548	850	3.5	11.6	4.7	12.8
Food	2,402	2,642	3,121	2.4	4.3	15.8	20.4
Pharmacy	343	407	567	4.4	8.6	4.2	6.8
Clothing	453	494	523	2.2	1.4	2.7	1.2
General merchandise	1,052	1,268	1,586	4.8	5.8	14.1	13.5
Miscellaneous	336	422	549	5.8	6.8	5.6	5.4
Total	7,810	9,337	11,692	4.6	5.8	100.0	100.0
Socio-economic variables							
Population (thousands)	1,134	1,147	1,170	0.3	0.5	...	...
Housing starts (units)	2,318	2,560	4,440	2.5	14.8	...	...
Disposable income	19,553	22,102	24,967	3.1	3.1	...	...
Savings rate (%)	8.4	4.9	-0.5	...	...	...	...
Retail sales as a percentage of disposable income (%)	39.9	42.2	46.8	...	...	...	...

... not applicable

Sources: Statistics Canada, Monthly Retail Trade Survey and Provincial and Territorial Economic Accounts.

Saskatchewan: Retailers surpass \$10-billion mark

Retailers in Saskatchewan enjoyed accelerated growth in retail sales between 2000 and 2004. In total, retail sales broke the \$10-billion mark, settling in at \$10.3 billion in 2004. This accounted for around 3% of total Canadian retail sales.

In the four-year period since 2000, sales increased at an average annual rate of 5.3%, above the national average of 4.8%. This surpassed growth in both central Canada and the Atlantic provinces.

Two factors contributing to this increase were rapid growth in disposable income and an increasing proportion of the consumer dollar being spent in retail stores.

Between 2000 and 2004, disposable income in Saskatchewan rose at an average annual rate of 3.8%, on par with the national average pace. This was a significant acceleration from a 2.0% annual growth between 1996 and 2000. Retailers benefited from favourable weather conditions and a boom in the natural resources industry.

Of every \$100 of disposable income, consumers spent \$46 in retail stores in 2000. By 2004, this had risen to \$49 in 2004, just above the national average of \$47.

Automotive sector drove province's retail growth

Between 2000 and 2004, the automotive sector grew at a remarkable average annual rate of 6.2%, second only to Alberta. This was in contrast to a growth rate of only 2.6% during the previous four-year period.

The automotive sector contributed 46% to the provincial retail growth between 2000 and 2004.

Sales by new car dealers increased an average 4.4% annually, well above the national growth rate for the sector of 2.8%. Dealers sold an average of 36 new motor vehicles for every 1,000 residents in 2000. This rose to 39 in 2004, well below the national average of 49.

Sales by used car and parts dealers increased an average of 8.3% per year, more than twice the pace of 3.1% for the sector nationally.

The pressure to replace older motor vehicles was relatively higher in Saskatchewan than in most other provinces. In 2000, around 27% of registered motor vehicles in the province were over 15 years old, compared to the national average of 12%. Moreover, there were relatively more of these vehicles in Saskatchewan. In 2000, there were 701 registered motor vehicles for every 1,000 residents, compared to the national average of 583.

The rapid growth of disposable income, coupled with low interest rates and generous financing terms, led to the purchase of big-ticket items such as cars.

Other sectors: Furniture, building materials echoed housing market

Saskatchewan's housing market heated up between 2000 and 2004 with growth in new housing starts catching up to the national average. Sales in the building materials sector soared at an annual average rate of 17.2%, well above the national sectoral average of 11.5%.

Growth in the furniture sector for the four-year period averaged 6.1% a year, more or less on par with the national average.

The food and clothing sectors increased at below-average rates, partly due to a lack of population growth. Of every \$100 consumers spent in retail stores, they put \$28 into food stores and \$4 into clothing stores.

The pharmacy sector and miscellaneous sector also experienced accelerated growth at above the national averages. Sales growth in the general merchandise sector slowed down to below the national average.

**Retail sector sales and selected socio-economic variables,
Saskatchewan, 1996, 2000 and 2004**

	1996	2000	2004	Compounded annual growth rates		Contribution to provincial retail sales growth	
				1996 to 2000	2000 to 2004	1996 to 2000	2000 to 2004
	\$ millions (unless otherwise specified)			%			
Retail trade							
Automotive	2,849	3,156	4,020	2.6	6.2	26.3	45.5
Furniture	301	415	526	8.4	6.1	9.8	5.9
Building materials	221	303	573	8.3	17.2	7.1	14.1
Food	1,920	2,131	2,423	2.6	3.3	18.1	15.4
Pharmacy	292	397	539	7.9	8.0	8.9	7.5
Clothing	422	436	439	0.8	0.2	1.2	0.1
General merchandise	970	1,259	1,392	6.7	2.5	24.8	7.0
Miscellaneous	217	261	347	4.7	7.3	3.8	4.5
Total	7,193	8,359	10,259	3.8	5.3	100.0	100.0
Socio-economic variables							
Population (thousands)	1,019	1,008	995	-0.3	-0.3	...	...
Housing starts (units)	2,438	2,513	3,781	0.8	10.8	...	...
Disposable income	16,799	18,187	21,077	2.0	3.8	...	...
Savings rate (%)	7.2	-0.9	-2.3	...	...	...	...
Retail sales as a percentage of disposable income (%)	42.8	46.0	48.7	...	...	...	...

... not applicable

Sources: Statistics Canada, Monthly Retail Trade Survey and Provincial and Territorial Economic Accounts.

Alberta: Stellar times for retailers

Alberta's retailers led the nation between 2000 and 2004, as their sales rose at a stellar average annual pace of 8.1%.

This was significantly higher than the national average of 4.8% and second place Manitoba's growth of 5.8%.

The growth in Alberta followed a strong average annual increase of 7.4% between 1996 and 2000.

In 2004, retailers in the province sold \$43.4 billion worth of goods and services, which represented a 13% share of total Canadian retail sales.

In 2004, retail sales per capita in Alberta were 25% higher than the national average, the nation's highest. Consumer purchasing power in Alberta was also the nation's highest. As a result of solid labour market gains for years, disposable income per capita was 16% higher than the national average in 2004. Moreover, the proportion of personal disposable income spent in retail stores had been increasing at one of the nation's fastest paces.

Six out of the eight retail sectors in Alberta were ranked as the nation's top performers in terms of growth rates between 2000 and 2004. Sales in the automotive, food, general merchandise and miscellaneous sectors led the pack, while the building materials and pharmacy sectors were in second place.

The remaining two sectors, clothing and furniture, also grew at the national average.

Automotive sector accounted for over a third of total retail sales

Sales by the automotive sector reached \$15.8 billion in 2004, accounting for 35.5% of provincial retail sales.

Sales increased at an annual average rate of 9.2% between 2000 and 2004. This growth accounted for 40% of overall retail growth in the province during this period.

Sales by new car dealers increased an average of 6.8% a year, more than twice the national growth rate for the sector of 2.8%.

In 2000, dealers sold an average of 58 new motor vehicles for every 1,000 residents. By 2004, this level had increased to 61. Both were much higher than the national average of 52 in 2000 and 49 in 2004.

Used car and parts dealers fared even better than their new car counterparts. They had an outstanding average sales growth of 20.6% a year between 2000 and 2004.

The pressure to replace older motor vehicles was relatively high in Alberta. In 2000, there were 745 registered motor vehicles for every 1,000 residents, compared to the national average of 583. One-quarter of these vehicles were more than 15 years old, compared to the national average of 12%.

Food sector another main contributor to growth

Between 2000 and 2004, sales by the food sector grew an average of 7.2% a year, the fastest sectoral growth rate among all provinces.

This growth contributed one-fifth of the overall retail growth in the province. Of every \$100 consumers spent in retail stores in 2004, they put \$23 into food stores.

A rapid population growth created a substantial demand for the food sector. A high level of disposable income per capita and a diversification of supermarkets into non-food items, such as electronics, may have also been factors behind the sector's rapid growth.

Retail sector sales and selected socio-economic variables, Alberta, 1996, 2000 and 2004

	1996	2000	2004	Compounded annual growth rates		Contribution to provincial retail sales growth	
				1996 to 2000	2000 to 2004	1996 to 2000	2000 to 2004
				\$ millions (unless otherwise specified)			%
Retail trade							
Automotive	7,998	11,117	15,805	8.6	9.2	39.3	40.3
Furniture	1,982	2,648	3,439	7.5	6.8	8.4	6.8
Building materials	980	1,472	2,604	10.7	15.3	6.2	9.7
Food	5,879	7,376	9,726	5.8	7.2	18.9	20.2
Pharmacy	1,276	1,448	2,027	3.2	8.8	2.2	5.0
Clothing	1,731	2,144	2,332	5.5	2.1	5.2	1.6
General merchandise	2,679	3,838	5,020	9.4	6.9	14.6	10.2
Miscellaneous	1,292	1,696	2,419	7.0	9.3	5.1	6.2
Total	23,816	31,738	43,372	7.4	8.1	100.0	100.0
Socio-economic variables							
Population (thousands)	2,775	3,005	3,202	2.0	1.6	...	...
Housing starts (units)	16,665	26,266	36,270	12.0	8.4	...	...
Disposable income	51,359	67,790	86,081	7.2	6.2	...	...
Savings rate (%)	4.6	4.5	4.4	...	...	...	...
Retail sales as a percentage of disposable income (%)	46.4	46.8	50.4	...	...	...	...

... not applicable

Sources: Statistics Canada, Monthly Retail Trade Survey and Provincial and Territorial Economic Accounts.

British Columbia: Third in growth among the provinces

Retail trade in British Columbia grew at an average annual rate of 5.3% between 2000 and 2004, ranking in third place among all provinces.

This rate of growth was twice as fast as it was during the previous four-year period. Between 1996 and 2000, sales rose at a sluggish average of 2.5% a year, putting British Columbia retailers in last place nationally.

In 2004, retailers sold more than \$47.2 billion worth of goods and services, nearly 14% of the national total.

Five sectors—furniture, building materials, food, pharmacy and general merchandise – experienced an upturn in rates of growth, from below-sectoral averages before 2000 to above-average after 2000.

The food sector contributed the highest proportion of any sector to provincial retail growth between 2000 and 2004, 28% of the total.

Improvement in disposal incomes and upswing in employment

Retail growth came in the wake of an improvement in disposable income as a result of an upswing in the labour market for the construction, retail trade and forestry industries.

This spurred consumer confidence, as consumers responded favourably to historically low mortgage interest and financing rates.

Consumer spending in retail stores increased from 47% of disposable income in 2000 to 50% in 2004, one of the nation's fastest growth rates.

Consumers took on far more debt, as the savings rate in the province plunged deep into negative territory between 2000 and 2004. British Columbia's savings rate, which is personal savings expressed as a percentage of disposable income, was the lowest among the provinces.

The food sector: Main contributor to provincial retail growth

With a share of 25% of the total provincial retail sales and an above-sectoral average growth rate of 5.8%, the food sector became the main contributor and accounted for nearly 28% of provincial retail sales gains between 2000 and 2004.

Buttressed by a solid population gain, sales by the food sector grew at one of the nation's fastest paces, next only to Alberta. In addition to increasing demand, factors such as diversification of supermarkets to increase non-food items such as home electronics and healthcare products may have accounted for this sector's rapid growth between 2000 and 2004.

The furniture and building materials sectors echoed the strong housing market

The housing market in British Columbia finally picked up speed in 2001 after three consecutive years of declines in housing starts

As a result, the furniture sector grew at a strong average annual pace of 10.2% between 2000 and 2004. In addition, the growth rate in the building materials sector swung into positive territory between 2000 and 2004. It rose at an average of 12.7% a year, rebounding from negative territory during the previous four-year period.

The booming housing market also boosted retail sales indirectly by bringing in more jobs to the construction industry as well as into related services industries such as the finance, insurance, real estate and leasing industry, and retail trade.

Automotive sector picked up speed

Sales growth in the automotive sector accelerated between 2000 and 2004. During this period, sales increased at an average annual rate of 3.5%, catching up to the sector's national average of 3.6% and somewhat faster than the pace of 2.5% during the previous four-year period.

Sales by new car dealers, used car and parts dealers, and gasoline stations totalled \$15.4 billion in 2004.

Contributing to the gain were an improved disposable income, a relatively less saturated market, and higher pressure for car replacement.

In 2000, there were 582 registered motor vehicles for every 1,000 residents in British Columbia, on par with the national average.

Of these vehicles, nearly 18% were over 15 years old, significantly above the national average of 12%. This indicated an increasing pressure to replace the existing older motor vehicles.

Retail sector sales and selected socio-economic variables, British Columbia, 1996, 2000 and 2004

	1996	2000	2004	Compounded annual growth rates		Contribution to provincial retail sales growth	
				1996 to 2000	2000 to 2004	1996 to 2000	2000 to 2004
				\$ millions (unless otherwise specified)			%
Retail trade							
Automotive	12,158	13,433	15,431	2.5	3.5	34.8	22.8
Furniture	2,027	2,360	3,486	3.9	10.2	9.1	12.8
Building materials	2,066	1,709	2,761	-4.6	12.7	-9.8	11.9
Food	8,802	9,672	12,097	2.4	5.8	23.8	27.6
Pharmacy	1,791	2,051	2,753	3.4	7.6	7.1	8.0
Clothing	1,962	2,345	2,617	4.6	2.8	10.5	3.1
General merchandise	3,572	4,176	5,117	4.0	5.2	16.5	10.7
Miscellaneous	2,394	2,689	2,954	2.9	2.4	8.0	3.0
Total	34,775	38,435	47,217	2.5	5.3	100.0	100.0
Socio-economic variables							
Population (thousands)	3,874	4,039	4,196	1.0	1.0	...	...
Housing starts (units)	27,641	14,418	32,925	-15.0	22.9	...	...
Disposable income	70,595	81,901	93,840	3.8	3.5	...	...
Savings rate (%)	0.5	-1.5	-7.9	...	...	...	...
Retail sales as a percentage of disposable income (%)	49.3	46.9	50.3	...	...	...	...

... not applicable

Sources: Statistics Canada, Monthly Retail Trade Survey and Provincial and Territorial Economic Accounts.

Data sources

Monthly Retail Trade Survey (MRTS) collects sales and the number of retail locations by provinces and territory from a sample of 12,000 retail businesses. The MRTS universe is based on the 2002 North American Industry Classification System (NAICS 2002). Retail sales estimates do not include any form of direct selling that bypass the retail stores, e.g. direct door-to-door selling. The data used in this study are not adjusted for seasonality.

Provincial economic indicators such as personal disposable income, savings rate, GDP in constant dollars, total employment, unemployment rate, units of housing starts, etc. are obtained from the **Provincial and Territorial Economic Accounts**, CANSIM table 384-0013 (325 series).

New Motor Vehicle Sales Survey collects data on monthly retail sales (in dollars and in units) of new motor vehicles sold in Canada. This survey is a census of all motor vehicle manufacturers and importers known to be active in Canada.

Road Motor Vehicles (Registration) presents statistics on light vehicles, heavy vehicles (trucks), buses, trailers and off-road vehicles registrations obtained from the provincial and territorial governments. The data are derived from administrative records extracted from provincial and territorial road vehicle registration files. This study uses the data for light vehicles and heavy vehicles and excludes those for buses, trailers and off-road vehicles.

The Canadian Vehicle Survey (CVS) provides quarterly and annual estimates of the amount of road vehicle activity by vehicle-kilometres and passenger-kilometres. The in-scope vehicles for the CVS include all motor vehicles except motorcycles, off road vehicles (e.g., snowmobiles, dune buggies, amphibious vehicles), buses and special equipment (e.g., cranes, street cleaners, snowplows and backhoes) registered in Canada anytime during the survey reference period that have not been scrapped or salvaged.

The 2002 Homeowner Repair and Renovation Survey collected information in March 2003 from a sample of more than 20,000 homeowners about expenditures made in 2002 on repairs and renovations to their homes.