Retail Sales are Still Growing

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On getting together these past months. Zoom can be great, however face to face is best in my books. I have enjoyed sitting down with most of my clients these past months, many face to face...oh my what a concept!

Along with the chorus of colourful beauty in the leaves coming soon, I am looking forward to an economic quarter that feels more normal That has fewer governmental interventions and the opportunity for businesses to get back to normal operations. I have been saying for many months that an interest rate rise is coming in likely the 2nd quarter of 2022. This is badly needed to help place a bit of control on the inflation of all that we consume. I do not believe it will curtail this inflation; however, it will place some shackles on it. Let's look at retail spending.

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If we look at the US market place, July 2021 say 17.5% growth over February 2020, this is growth over pre-Covid growth. That is substantial growth knowing it is not taken from the lows of the Covid months. To add a bit of time perspective into that growth number, in the seventeen months before Covid, US retail sales were up 5.1%. And that was during what many felt was a substantial growth period. How is all this possible when many were unemployed and the economy was locked down? Governments around the globe pulled out their credit cards and exceeded their limits by a massive margin. Just like credit card debt, it is unsustainable and must be curtailed.

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Governments are looking to finally stop some of the spending at the end of this month that has gone on for many months beyond the requirement. Many of my business owner clients have been competing with the government (CERB payments) over hiring this past year+ due to this. I suggest that when business competes with government for hires, that is never good for long term stability of the job or equity markets.

Equity markets remain at very high levels as I have observed in some past enewsletters. I still remain concerned about it for a correction is frankly needed. Corporate profits remain elevated, which has helped the US market remain elevated. In Canada the stuff we grind or siphon out of the ground has provided the backdrop for growth of our equity markets. Consumption by consumers continues on at a brisk pace helping to backstop the equity markets. We have seen the markets bump up against a top 4 times in the past 3 months. I am not overly optimistic that these fender benders can push it much higher. I shall remain cautious.

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