

Consumers Re-Evaluate Risk

“Considering everything, would you say that your family is better or worse off financially than six months ago?” This is the first question the Conference Board of Canada asks in its survey of consumer confidence. With gas prices at \$1.50 per litre in many communities, who could provide a positive response? Rising fuel prices hit home fast. They have an immediate and negative impact on household finances and induce belt tightening as financial uncertainty invades the consumer psyche.

More than 2,000 Canadian households participate in the monthly survey, which forms the foundation of the Consumer Confidence Index. In June, the index for BC fell below 100 for the first time in five years.

The decline was significant, falling 9.3 points to 94.3. The index for Canada was far worse, falling to a 13-year low of 79.6. Just 32.6 per cent of those surveyed said now was a good time to make a major purchase, more than half (54.9 per cent) said now is NOT a good time to make a major purchase.

The Bank of Canada is feeling less confident, too. It held its trend-setting target overnight interest rate at 3 per cent in June and is unlikely to lower it, given inflationary concerns. The energy component of the Consumer Price Index climbed 5.5 per cent from April to May, and 11.5 per cent over the past year. The gasoline component rose 15 per cent since May 2007, while prices for fuel oil and other fuels increased a whopping 49.3 per cent over the year.

Canada’s central bank knows energy is imbued in practically everything we buy. While rising gas prices have an immediate effect at the pump, higher overall energy costs will eventually work their way into the prices of our food, consumer goods and services.

The carbon tax was meant to provide a gentle nudge to consumers, reinforcing the idea that energy conservation isn’t only good for the environment, but can help the pocketbook, as well.

That gentle nudge has turned into a big shove as market forces propel fuel prices into the stratosphere. When the ascendant Loonie caught Canadian manufacturers off guard, they were unable to ramp up productivity quickly enough to remain competitive. Consumers now face the same kind of dilemma.

The silver lining, or should I say green lining, is that energy efficiency and the related savings are now top of mind for consumers. The longer fuel prices remain high, the more incentive there is to adopt new technologies and reform our reliance on fossil fuels. It may make more sense than ever to live near your work or find a job close to home. Retrofitting your home for energy efficiency is now a more prudent investment.

In the meantime, consumers will re-evaluate risk. The financial markets have done it. The federal government shelved 40-year mortgages as a result of it. So it shouldn’t be a surprise that many consumers say now is not a good time to make a major purchase.

Confidence and risk go hand in hand. Households are now reassessing their budgets. They’re taking a hard look at short-term expenditures and long-term plans. Let’s give them some time to do just that.



By Cameron Muir,
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REALTORS® at the Table



Vancouver Island Real Estate Board President Sue Ghose, Premier Gordon Campbell and BCREA President Scott Veitch at the annual Premier’s Dinner in June.

The presence of REALTORS® was definitely felt, with 70 representatives seated in the first two rows, among nearly 2,000 dinner guests. The event is a great way to demonstrate to the government caucus that REALTORS® are active in their communities and care about the province.