

Business

A recession increases vulnerability

Retail sales fell 12 per cent in the quarter that ended March 31 - the first full-quarter decline on record.

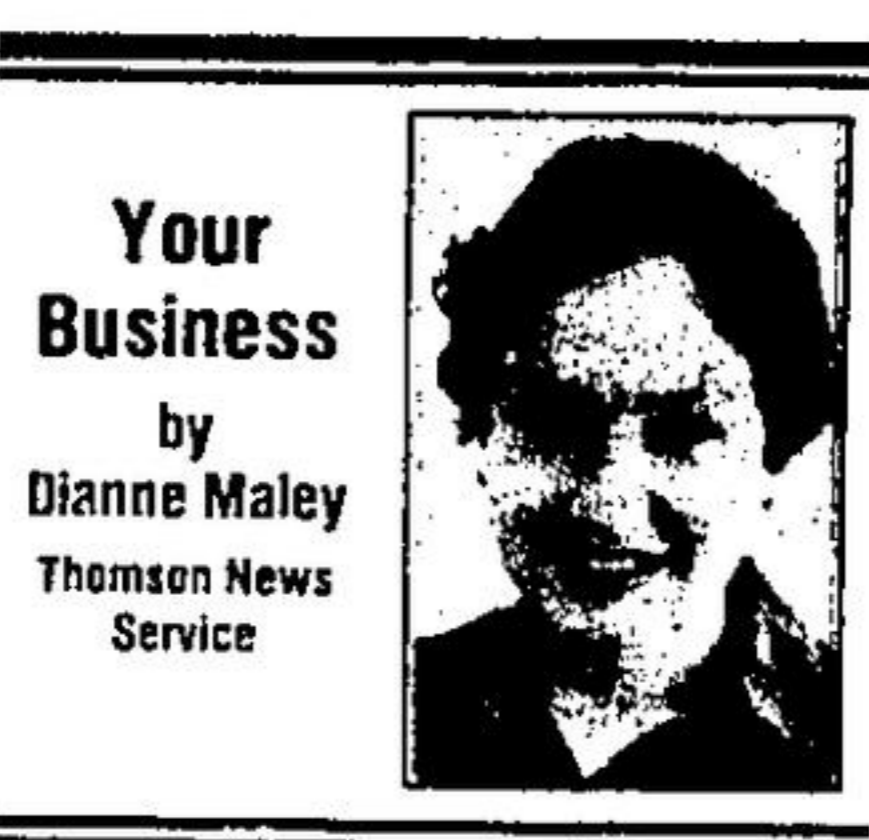
One retail analyst called these the "worst numbers I've ever seen." Another said consumer confidence is in a tailspin. The danger, as the second year of recession takes hold, is that we will frighten ourselves by plunging into the future looking backward.

The first quarter is over. Sales, growth and other measures of economic health are not reported until well after they have happened. March sales are reported in May. May sales will not be known until July.

A while ago, in a fit of good cheer, I predicted the recession should hit bottom in April. Even so, it will be a long time before we feel the benefits of recovery, I said at the time.

GOOD NEWS, BAD NEWS

This column's bellwether economist, Ed Yardeni of C.J. Lawrence in New York, expects a lacklustre recovery to begin dur-



Your Business by Dianne Maley Thomson News Service

ing the third quarter. "However, we should examine the possibility that the laws of nature might dictate that the longest expansion must be followed by a long - if not the longest - post-war recession," he said.

If Mr. Yardeni is right, I'm wrong. As the United States goes, so goes Canada, but with a lag.

The good news is that orders to U.S. factories for durable goods climbed a respectable 2.9 per cent in April. That was the first rise in four months. As well, it

was bigger than most forecasters expected. U.S. durable goods fell 4.9 per cent in March.

If durable goods orders are any indication, the U.S. economy may have turned around in April. So Mr. Yardeni might be wrong and I might be right. On Thursday morning, as I write this column, I'm betting on Mr. Yardeni. That could change later, when U.S. car sales for mid-May are reported.

Cars drive the North American economy. As it stands, weak car sales are threatening to drive the economy off a cliff. But a sharp turn in mid-May could change that and signal the beginning of a recovery.

WHAT HAPPENED?

Why did retail sales plunge in Canada in the first quarter? The GST no doubt had something to do with it. So did Canadians stampeding south of the border to buy American. But other forces are at play:

People are afraid of losing their jobs.

People are in debt up to their ears and have little extra money to spend.

People are sick of a life based on consumption, of working increasingly longer hours just to pay the bills.

In recession, people remember how vulnerable they are. A two-income family with a big house, an imported car and an expensive lifestyle has had to face the prospect of losing it all, especially in hard-hit, debt-burdened areas such as southern Ontario. People who feel insecure will be in no mood to spend.

What would it take to encourage people to buy again? Lower interest rates, lower prices and some assurance that the Great Depression of 1990 is not unfolding as author Ravi Batra said it would.

Office Magic planning move

Three years ago Office Magic Stationery (then known as Guelph Street Stationery) was operating at 136 Guelph Street with a 1,000 square foot unit.

Last year it was found necessary to expand doubling size to 2,000 square feet by knocking out the wall into the unit beside the office.

Now, due to the overwhelming support of many customers, the business is suffering growing pains again.

In order to better serve friends and customers, Office Magic Stationery will be relocating to the Sinclair Place Mall, (across from the A and P) on the July 1st weekend.

According to the owners, Arlene and Doug, "Our

Bear bank business booming

"The only bank you can hug" has helped raise an astonishing \$285,000.00 for Canadian children's hospitals this year.

That's the slogan for Nicki Bear Bank, the fundraising mascot of Consumers Distributing Inc. Every 'bear bank' sold meant a \$1 donation to the Children's Miracle Network. The company raised additional funds by hosting a gala and dream auction at the Royal York Hotel in Toronto last November. This year's total shows a 41% increase over last year's donation.

Consumers president, Maurice Tousson, will present the cheque during the Children's Miracle Network's live, 21-hour telethon from Disneyland California on June 1 and 2, 1991. Representatives from Consumers will also present cheques to 12 children's hospitals across Canada, during local segments of the telethon. Included will be a cheque presentation to Hospital for Sick Children Foundation for \$40,000.

This is the retailer's fourth year of supporting the Children's Miracle Network Telethon raising a total of \$652,000 for Children's Hospitals across Canada.

How many hugs did Nicki Bear receive? Over 65,000 last year alone.

Say: "I saw it in The Herald"

customers have all been so very patient with us as we struggled through our early growth period that it is difficult to ask you to bear with us again during this move.

"It is our intention to make the move with a minimum of disruption to our operation and with this in mind, we are taking advantage of this "Early Warning" note to you to keep you informed of our future plans to serve you better."

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*Values effective Saturday, May 25th through Saturday, June 1st, 1991