



[Back to Canadian store prices high despite loonie's rise](#)

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Prices in Canadian stores remain stubbornly high even as the loonie soars toward parity with the U.S. dollar, an informal survey by the *Star* shows.

Whether it's a car, a cup of coffee or a magazine, the retail prices of many identical goods are significantly higher in Canada than in the U.S.

Indeed, the price gap has widened since Douglas Porter, deputy chief economist at BMO Capital Markets, conducted his annual survey of cross-border prices last July.

Goods in Canada were on average 6.8 per cent higher than in U.S. stores, Porter found, after factoring in the exchange rate.

The *Star's* survey of 10 identical goods found the gap has widened to 12.5 per cent. For example:

A large Tim Hortons coffee is \$1.52 in Toronto compared with \$1.35 (Canadian) in Buffalo at Thursday's exchange rate of 98.65 cents – or 13 per cent more.

A women's polo shirt at The Gap is \$29.50 in Toronto compared with \$24.75 across the border – 19 per cent more.

A 2010 Chevrolet Malibu carries a base price of \$23,995 here compared with \$22,049 in the U.S. – 9 per cent more.

The continuing lower prices across the border would not surprise Porter, he said in an earlier interview, given that the recession hit the U.S. harder than Canada.

"We've seen more price cuts in the U.S. because of the higher unemployment," Porter said.

"We haven't seen much (price) movement (in Canada) because Canadians' underlying spending has been stronger than in the U.S."

The Canadian dollar slipped back Thursday, along with the Toronto stock market, amid worries about what European Union countries will do to help Greece with its debt crisis.

The loonie shed 0.33 of a cent to close at 98.65 cents (U.S.).

Investor anxiety also pushed down commodity prices and pulled the U.S. dollar higher.

Greece warned that it will be forced to turn to the International Monetary Fund if the European Union cannot agree to a bailout plan next week.



"There's so much contradictory news coming out of Greece," said Eric Lascelles, chief economics and rates strategist at TD Securities. "There's a moderate safe haven effect that's favouring the U.S. dollar."

It was the first time this month that the Canadian dollar depreciated against its American counterpart.

The dollar last reached parity on July 22, 2008. It then lost 18 per cent of its value as the credit crisis crushed global demand for commodities.

The loonie has gained 2.1 per cent against the greenback since the beginning of March, when the Bank of Canada said this country's inflation and economic output have been higher than expected.

The comments spurred speculation the central bank will raise benchmark interest rates before the U.S. Federal Reserve.

"The market is taking a little bit of a breather after such a one-way move," said Steve Butler, director of foreign-exchange trading in Toronto at Bank of Nova Scotia.

"You can't go one way all the time."

The Retail Council of Canada says consumers should not expect prices to be the same on both sides of the border.

Canadian retailers face higher labour costs, import duties and bilingual labelling requirements, noted retail council spokesman Mark Beazley.

However, Canada's merchants are well aware they face competition from Internet retailers and U.S. border stores, Beazley said.

The price gap is narrower now than it was in the fall of 2007 when the Canadian dollar hit parity with the U.S. greenback for the first time in 30 years, Beazley noted.

Prices in Canada were on average 24 per cent higher than in the U.S. that fall, sparking a consumer outcry that forced many Canadian retailers to cut prices.

The Consumers Association of Canada says retailers could be doing more to meet shoppers' expectations.

Association president Bruce Cran said he conducted his own informal test this week.

The same basket of magazines, books and greeting cards that in Vancouver cost him \$300 was just \$184 (U.S.) across the border in Bellingham, Wash.

"There are two things consumers can do to protect themselves," Cran said.

"One is buy across in the U.S.A., and the second is haggle."