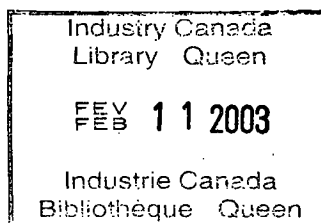


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Consumer Spending Patterns 1996 to 2016 Influences of Demographic Change and Income Growth

prepared for
Office of Consumer Affairs
Industry Canada

prepared by
Strategic Projections Inc.

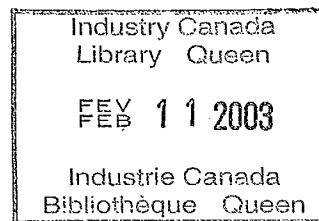


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Consumer Spending Patterns 1996 to 2016

Section 1 Introduction

In October of 1995 Industry Canada's Office of Consumer Affairs retained Strategic Projections Inc. to develop detailed projections of consumer spending on goods and services in Canada. The aim of this exercise was to determine which consumer items are likely to face faster than average market growth in the future, and which are likely to face slower than average to declining market growth.

Two separate sets of projections were to be developed:

- projections based solely on the changing age structure of Canada's population
- projections taking into consideration the impact of rising real incomes

It is recognized that changes to other factors will also affect the relative growth rates of individual consumer products and services. For example, changes in interest rates over the longer term could affect relative demand, particularly of durable goods items. Changes in relative prices -- such as occurred in the 1970s when food and energy prices rose relative to other goods and services -- could also have an impact on relative growth rates. And, of course, the introduction of new products or services could easily impact the relative growth rates of substitutes. No attempt has been made here to account for the impacts of such factors on future trends in household spending.

The following two sections report on the results of our demographic and real income based assessments. The final section of this report compares the results from the two methods in order to establish a list of those household products and services most likely to succeed in the future.

Section 2

Impacts of Demographic Change on Consumer Spending by Category

The first set of projections presented in this report take into account the impact of the changing age structure of Canada's population on household spending on individual goods and services items.

We know from our detailed demographic projections that:

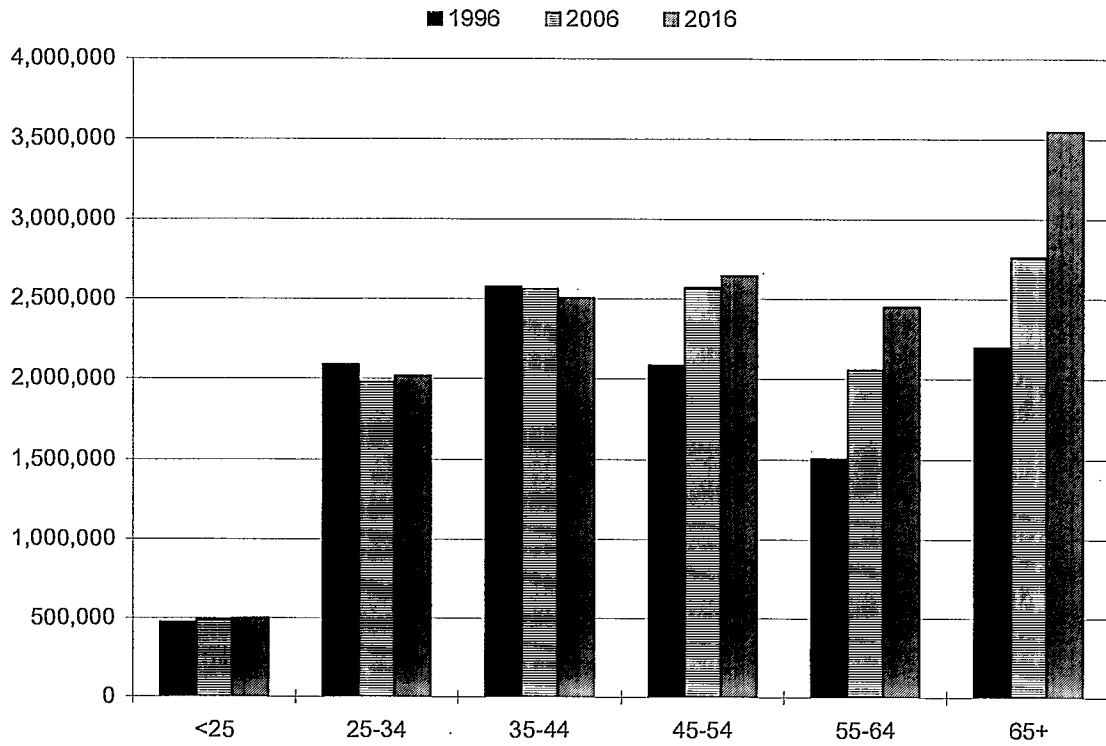
- the number of households headed by a person under the age of 25 will increase only slightly between 1996 and 2006, then hold steady between 2006 and 2016
- the number of households headed by a person aged 25 to 34 will decline slightly between 1996 and 2006, then increase slightly between 2006 and 2016

- the number of households headed by a person aged 35 to 44 will decline slightly both between 1996 and 2006 and between 2006 and 2016
- the number of households headed by a person aged 45 to 54 will increase significantly between 1996 and 2006 then will increase again, but only slightly, between 2006 and 2016
- the number of households headed by a person aged 55 to 64 and by persons over 65 will increase significantly both between 1996 and 2006 and between 2006 and 2016

Chart 1 illustrates the number of households by age of maintainer expected in each of 1996, 2006 and 2016.

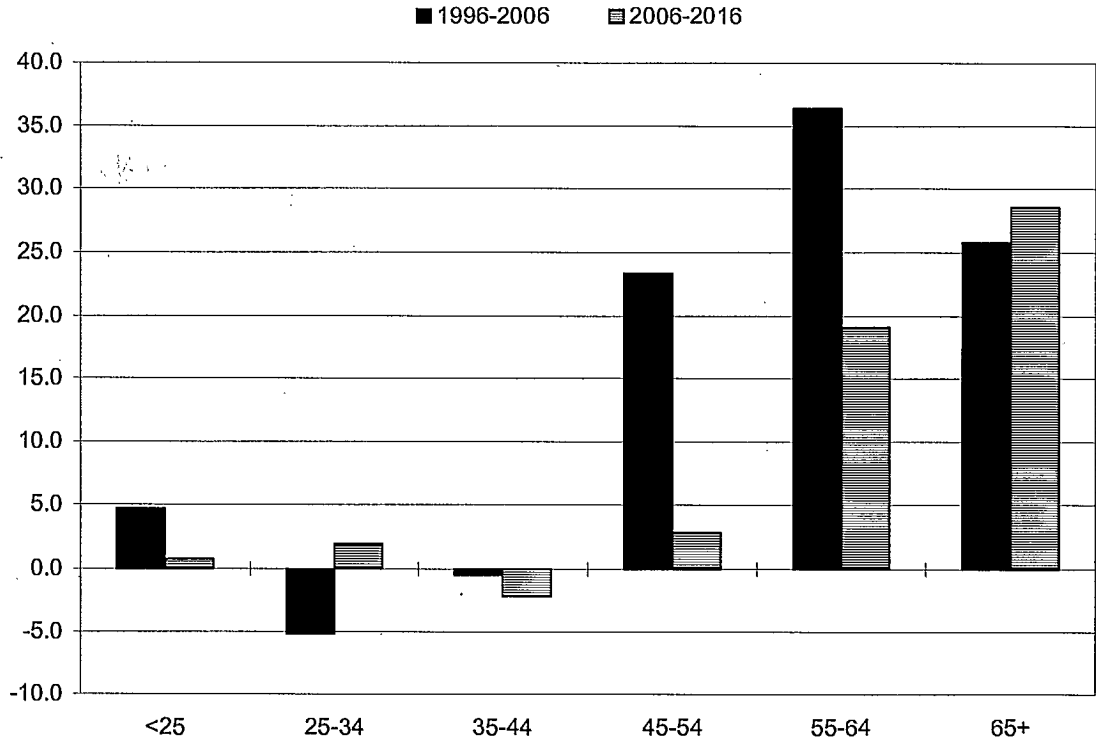
Chart 2 illustrates the growth rate of the number of households in each age category.

Chart 1
Households by Age of Maintainer
Thousands
1996, 2006 and 2016



Source: Strategic Projections Inc.

Chart 2
Households by Age of Maintainer
Percentage Change
1996 to 2006 and 2006 to 2016



Source: Strategic Projections Inc.

We know from the Family Expenditure Survey of 1992 that the amount spent per household on individual products and services varies significantly across the age spectrum. As an example, Chart 3 illustrates the spending pattern of households -- across the age spectrum of household maintainers -- on three individual products and services. Chart 3 reveals that:

- the purchase of prescribed medicines increases significantly with age (note that the decline in spending per household beyond the age of 65 reflects the fact that the average number of persons per household among households maintained by someone over 65 was just 1.70 in 1992 compared to 2.35 among households maintained by a person aged 55 to 64; in other words, spending *per person* hardly declines beyond age 65)

- the purchase of newspapers tends to increase with age, but not nearly so significantly as in the case of prescribed medicines
- the rental of video recordings declines significantly with age

By combining our projections of households by age of maintainer with the detailed information available on spending per household by age of maintainer from the Family Expenditure Survey of 1992 we are able to develop projections for more than 400 product and service categories and sub-categories.

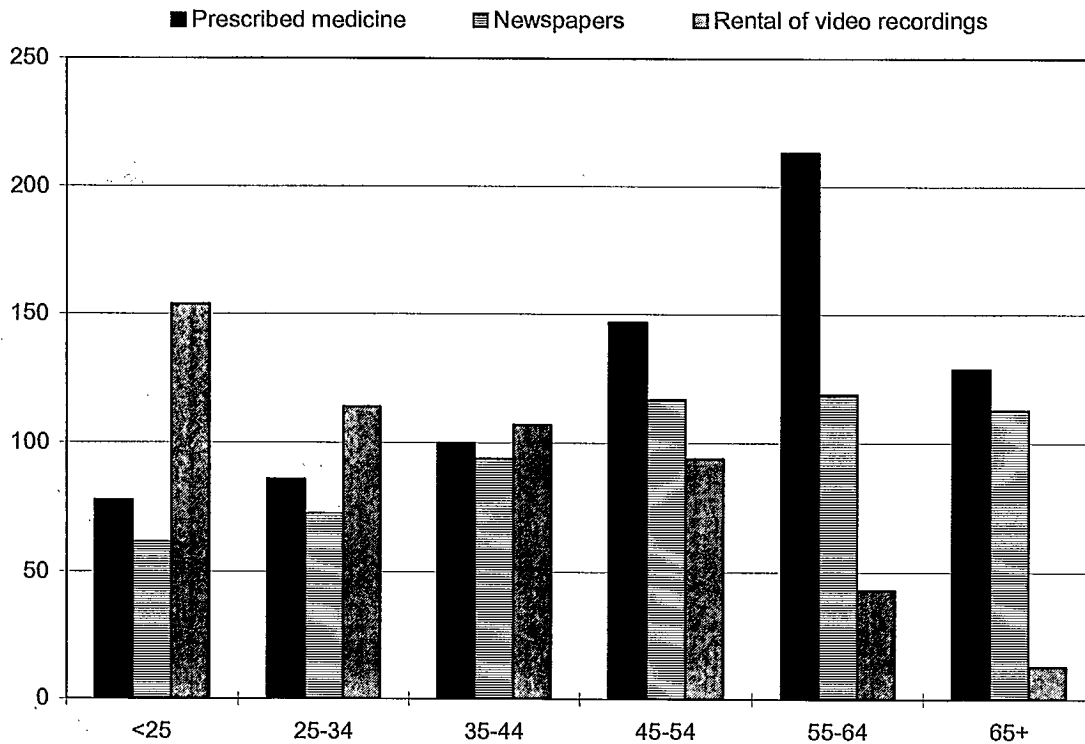
In reviewing these results the following points should be kept in mind:

- these projections implicitly assume overall spending on consumer goods and services in the future will grow at the same rate as the total number of households; they do not take into account any likely future changes in the real income position of households
- these projections also implicitly make no allowance for the possible future shifts in the relative spending patterns of households by age of maintainer (for example, future households maintained by persons over 65 may spend more on rented videos or computers than such households today having accepted such new technologies at a younger age)

The first of these issues is partially dealt with in the following section. The second issue is beyond the scope of this report.

In other words, the projections provided in this section of our report -- covering more than 400 individual goods and services categories and sub-categories -- reflect the growth in spending that will occur in the future as a result of the aging of our household maintainers.

Chart 3
Spending on Selected Consumer Items by Age of Household Maintainer
Dollars per Year
1992



Source: Statistics Canada, *Family Expenditure Survey (1992)*

Table 1 summarizes the impact the aging of household maintainers will have on the relative spending growth rates of households at the highest level of product and service aggregation. Table 1 suggests the following:

- households are expected to grow at an average annual rate of 1.30 percent between 1996 and 2006 and at an average annual pace of 0.77 percent between 2006 and 2016
- the fastest growing broad category of consumer spending will be that on health care products and services, projected at growth rates of 1.46 percent and 0.92 percent per year over the same two periods (the relative growth indices of 112 and 119 for this category over these two periods are calculated as $1.46 / 1.30 \times 100$ and $0.92 / 0.77 \times 100$ respectively)

- the next fastest growing broad category will be that of transportation products and services
- the food category of products and services ranks third fastest among the thirteen broad categories listed in Table 1
- all other categories of spending will grow in the future at rates less than the pace set by household growth overall
- the slowest growing broad categories of goods and services in the future are expected to be spending on security, clothing and household furnishings and equipment

Within each of these broad categories, however, there are individual products and services that are expected to significantly exceed -- or fall significantly short of -- the pace suggested in Table 1. Tables 2 through 13 provide the details for these individual products and services.

The highlights of Tables 2 through 13 are provided below.

Table 1
Projected Growth in Household Spending
Broad Categories of Goods and Services
Average and Relative* Annual Growth Rates
1996 to 2006 and 2006 to 2016

	Annual % Change 1996-2006	Annual % Change 2006-2016	Relative Growth Index 1996-2006	Relative Growth Index 2006-2016
Households	1.30	0.77	100	100
Food	1.32	0.81	101	105
Shelter	1.19	0.77	91	100
Household operation	1.13	0.73	86	95
Household furnishings and equipment	1.19	0.72	92	94
Clothing	1.19	0.66	91	85
Transportation	1.36	0.81	104	105
Health care	1.46	0.92	112	119
Personal care	1.22	0.75	94	98
Recreation	1.19	0.69	91	90

Tobacco products and alcoholic beverages	1.21	0.72	93	93
Miscellaneous	1.29	0.75	99	98
Personal taxes	1.29	0.67	99	88
Security	1.13	0.49	87	64

* Relative growth rates express the projected average annual growth rate for each category relative to the average annual growth rate for households overall.

Source: Strategic Projections Inc.

Table 2 reveals that within the food category of goods and services:

- food purchased from stores will grow faster than food purchased from restaurants
- over the next ten years food purchased from stores while on trips overnight or longer will grow faster than food purchased from stores locally or on day trips, consistent with the higher travel rates detailed later in this section
- food purchased from restaurants generally will grow slower than households, but it will exceed household growth when purchased on overnight or longer trips, again consistent with the travel trends noted later
- food purchased from restaurants while at work or school and between meal purchases will grow very slowly in the future

Table 2
Projected Growth in Household Spending on Food
Average and Relative* Annual Growth Rates
1996 to 2006 and 2006 to 2016

	Annual	Annual	Relative	Relative
	% Change	% Change	Growth	Growth
	1996-2006	2006-2016	Index	Index
	1996-2006	2006-2016	1996-2006	2006-2016
Households	1.30	0.77	100	100
Food	1.32	0.81	101	105
Food purchased from stores	1.36	0.86	104	112
Locally and on day trips	1.36	0.86	104	112
While on trips overnight or longer	1.43	0.86	110	112
Food purchased from restaurants	1.17	0.66	90	86
Locally and on day trips	1.11	0.62	85	81
At work	0.89	0.38	68	49
At school	1.10	0.32	84	41
Other meals out	1.26	0.80	97	104
Between-meal food	0.99	0.53	76	69
While on trips overnight or longer	1.49	0.83	114	108
On vacation and other trips	1.45	0.85	111	111

* Relative growth rates express the projected average annual growth rate for each category relative to the average annual growth rate for households overall.

Source: Strategic Projections Inc.

Table 3 reveals that within the broad shelter category some widely diverging trends are likely to emerge if demographic trends dominate this category's growth:

- shelter expenditures generally can be expected to grow slightly less quickly than households overall over the next decade, then at about the pace of households overall in the subsequent decade
- both rented and owned shelter expenditures will grow less quickly than households over the next decade, though the gap is greater for expenditures on rented accommodation over the next decade but not the decade after
- expenditures on property taxes and homeowner's insurance will grow faster than households over both decades while mortgage interest payments will grow considerably less quickly, the latter reflecting the fact that older owners tend to pay down their mortgages as quickly as possible (an important form of household saving)
- utility expenditures can be expected to grow more quickly than households
- expenditures on shelter other than the primary residence can be expected to grow considerably faster than households overall, especially in the vacation home and motel sub-categories

Table 3
Projected Growth in Household Spending on Shelter
Average and Relative* Annual Growth Rates
1996 to 2006 and 2006 to 2016

	Annual	Annual	Relative	Relative
	% Change	% Change	Growth	Growth
	1996-2006	2006-2016	Index	Index
			1996-2006	2006-2016
Households	1.30	0.77	100	100
Shelter	1.19	0.77	91	100
Principal accommodation	1.15	0.76	88	98
Rented living quarters	0.92	0.78	71	102
Rent	0.92	0.77	70	101
Tenants' insurance premiums	1.07	0.90	82	117
Owned living quarters	1.17	0.66	89	86
Property taxes	1.68	1.05	129	137
Homeowners' insurance premiums	1.65	1.05	127	137
Mortgage interest	0.72	0.28	55	36
First Mortgage	0.71	0.28	55	37
Water, fuel and electricity	1.48	0.96	114	126
Water	1.41	0.90	108	117
Piped gas	1.43	0.93	110	121
Other fuels	1.32	0.61	101	80
Bottled gas	1.67	1.15	128	150
Electricity	1.45	0.93	111	121
Other accommodation	1.83	0.95	141	123
Owned vacation home	2.21	1.12	169	146
Traveler accommodation	1.47	0.85	113	110
Hotels	1.35	0.75	103	98
Motels	1.72	0.98	132	128
Other traveler accommodation	1.48	0.91	114	119
Campgrounds	1.37	0.88	105	115

* Relative growth rates express the projected average annual growth rate for each category relative to the average annual growth rate for households overall.

Source: Strategic Projections Inc.

Table 4-A, which covers a significant portion of the household operations category, suggests that:

- communications expenditures will keep pace with household growth over the next ten years then grow more quickly over the next decade.

- the demographics tend to favour future postal usage over the telephone (this is likely one category where the current spending levels by age of maintainer may not reflect future spending levels since it is likely that those in the under-65 generation of today, which clearly favours telephone usage over the postal system, is likely to continue to do so beyond the age of 65)
- child care is clearly an overall loser in the future
- expenditures on pets and pet supplies show no particular biases and, therefore, will all grow at about the rate of households generally
- most cleaning supplies will grow at about the same pace as households generally though the demographics appear to provide a slight push in favour of toilet bowl cleansers

Table 4-A
Projected Growth in Household Spending on Household Operation
Average and Relative* Annual Growth Rates
1996 to 2006 and 2006 to 2016

	Annual	Annual	Relative	Relative
	% Change	% Change	Growth	Growth
	1996-2006	2006-2016	Index	Index
			1996-2006	2006-2016
Households	1.30	0.77	100	100
Household operation	1.13	0.73	86	95

Communications	1.28	0.84	98	110
Telephone	1.27	0.83	97	108
Purchase of telephones	0.99	0.44	76	57
Telephone services	1.28	0.85	98	110
Basic charge	1.34	0.91	102	119
Other local charges	0.76	0.52	58	67
Long distance toll charges	1.27	0.81	97	106
Postal and other comm. serv.	1.46	1.00	112	130
Child care	-0.11	0.01	-8	1
Pet expenses	1.17	0.62	90	81
Canned dog and cat food	1.37	0.79	105	103
Other dog and cat food	1.13	0.63	86	81
Other pet food	1.16	0.55	89	72
Purchase of pets and related goods	0.89	0.53	68	69
Veterinarian and other services	1.18	0.54	90	70
Household cleaning supplies	1.19	0.75	91	98
Detergent and soap (excluding pers. care)	1.19	0.75	91	98
Laundry detergent	1.15	0.73	88	95
Liquid detergent (excluding laundry)	1.24	0.86	95	112
Automatic-dishwasher detergent	1.25	0.68	96	89
Cleaning and polishing preparations	1.21	0.78	93	102
Toilet-bowl cleanser	1.37	0.90	105	117
Cleaning and scouring powders	1.20	0.83	92	107
Polishes and waxes	1.29	0.81	99	106
Other cleaning and polishing supplies	1.09	0.67	84	87
Chemical specialties	1.19	0.73	91	96
Bleach	1.29	0.83	99	108
Fabric softeners	1.10	0.67	85	87
Disinfectants and deodorizers	1.17	0.75	90	97
Other chemical specialties	1.27	0.73	97	95

* Relative growth rates express the projected average annual growth rate for each category relative to the average annual growth rate for households overall.

Source: Strategic Projections Inc.

Table 4-B, which covers the remaining household operation sub-categories, suggests that:

- within the paper, plastics and foil household supplies category greeting cards and postcards are strongly favoured
- the horticultural goods and services category is also strongly favoured, especially fertilizers, soil and soil conditioners
- among the remaining household supplies items light bulbs are moderately favoured

Table 4-B
Projected Growth in Household Spending on Household Operation
Average and Relative* Annual Growth Rates
1996 to 2006 and 2006 to 2016

	Annual	Annual	Relative	Relative
	% Change	% Change	Growth	Growth
	1996-2006	2006-2016	Index	Index
			1996-2006	2006-2016
Households	1.30	0.77	100	100
Paper, plastic and foil household supplies	1.27	0.82	97	107
Paper towels	1.35	0.87	103	113
Facial and bathroom tissue	1.26	0.81	97	106
Greeting cards and postcards	1.45	1.01	111	131
Stationery (excluding school)	1.15	0.70	88	92
Gift-wrap paper	1.19	0.72	91	94
Other paper supplies	1.24	0.75	95	98
Plastic garbage bags	1.22	0.77	94	100
Other plastic supplies	1.08	0.65	83	85
Foil supplies	1.22	0.80	94	104
Horticultural goods and services	1.57	0.97	120	127
Nursery & greenhouse stock	1.57	0.87	120	113
Potted plants, cut flowers, etc.	1.23	0.68	94	89
Fertilizers, soil, and soil conditioners	1.47	0.96	113	126
Other household supplies	1.16	0.70	89	91
Electric light bulbs and tubes	1.30	0.82	100	107
Dry-cell batteries	1.14	0.71	87	92
Office type supplies	1.04	0.54	80	70
Other supplies	1.10	0.66	84	86

* Relative growth rates express the projected average annual growth rate for each category relative to the average annual growth rate for households overall.

Source: Strategic Projections Inc.

Table 5, which provides details regarding the demographically driven pace of household spending on furniture, suggests that:

- this category generally is not favoured by the demographic shifts underway over the next two decades
- the only such items favoured by the aging of the population appear to be curtains and window coverings
- expected to grow considerably less quickly in this group is wooden furniture, especially wooden bedroom furniture
- art, antiques and decorative ware are expected to increasingly fall below the pace set by household growth in general

Table 5
Projected Growth in Household Spending on Household Furnishings
Average and Relative* Annual Growth Rates
1996 to 2006 and 2006 to 2016

	Annual	Annual	Relative	Relative
	% Change	% Change	Growth	Growth
	1996-2006	2006-2016	Index	Index
			1996-2006	2006-2016
Households	1.30	0.77	100	100
Household furnishings	1.16	0.67	89	87
Furniture	1.19	0.69	91	90
Upholstered furniture	1.20	0.71	92	92
Chesterfields	1.10	0.63	84	82
Wooden furniture	0.97	0.61	74	80
Bedroom furniture	0.87	0.61	66	80
Other indoor wooden furniture	0.89	0.51	68	67
Bookcases, wall units, desks, etc.	0.93	0.53	72	69
Metal and other furniture	1.21	0.57	93	75
Springs, mattresses, bases and frames	1.25	0.79	96	103
Household textiles and related materials	1.26	0.73	97	95
Window coverings	1.42	0.81	109	106
Curtains	1.38	0.84	105	110
Other (shades and blinds)	1.25	0.80	96	105
Bedding	1.13	0.65	87	84
Sheets and pillow cases	1.15	0.64	88	83
Other bedding	1.12	0.66	86	86
Towels, washcloths, bathmats, etc.	1.26	0.71	97	93
Room-size and area rugs and mats	1.30	0.72	99	94
Art, antiques and decorative ware	1.15	0.55	88	71
Mirror and picture frames	1.10	0.19	85	24
Art goods and decorative ware	0.92	0.46	71	60

* Relative growth rates express the projected average annual growth rate for each category relative to the average annual growth rate for households overall.

Source: Strategic Projections Inc.

Table 6 reveals the details of the projected relative growth rates in spending on individual household equipment items stemming from the demographic changes currently underway. Table 6 suggests that:

- lawn, garden and snow-removal tools and equipment are strongly favoured by the demographic changes expected over the next twenty years
- services related to all household equipment and maintenance and repair expenditures in general are also strongly favoured
- expected to fall behind as a result of the changes underway are non-electric kitchen and cooking equipment, tableware and flatware and home and workshop tools and equipment

Table 6
Projected Growth in Household Spending on Household Equipment
Average and Relative* Annual Growth Rates
1996 to 2006 and 2006 to 2016

	Annual	Annual	Relative	Relative
	% Change	% Change	Growth	Growth
	1996-2006	2006-2016	Index	Index
			1996-2006	2006-2016
Households	1.30	0.77	100	100
Household equipment	1.20	0.74	92	97
Household appliances	1.21	0.78	92	102
Appliances for cooking and warming food	1.21	0.73	93	95
Microwave ovens and convection ovens	1.33	0.82	102	107
Other cooking and warming food	1.23	0.74	94	97
Appliances for laundry	1.09	0.66	84	86
Other electric equipment and appliances	1.26	0.86	96	112
Portable electric lamps	1.14	0.62	87	81
Non-electric kitchen and cooking equipment	1.00	0.60	77	78
Cooking utensils	1.16	0.66	89	86
Tableware and flatware	1.19	0.60	91	78
China, porcelain and other ceramic	1.13	0.61	86	79
Home and workshop tools and equipment	1.07	0.64	82	83
Power driven hand tools	1.22	0.66	93	86
Other tools and equipment	0.81	0.48	62	63
Lawn, garden & snow-removal tools & equip.	1.67	1.06	128	138
Other household equipment	1.06	0.61	81	79
Brooms, brushes, mops, etc.	1.03	0.61	79	79
Luggage	1.17	0.61	89	79
All other household equipment	1.06	0.66	81	86
Attachments and parts purchased separately	1.17	0.77	90	100
Major household appliances	1.19	0.78	91	102
Services related to furnishings and equipment	1.46	0.94	112	122
Maintenance and repairs	1.43	0.95	109	123

* Relative growth rates express the projected average annual growth rate for each category relative to the average annual growth rate for households overall.

Source: Strategic Projections Inc.

The clothing category in general is another broad category not expected to benefit from the demographic shifts underway over the next two decades. Table 7-A, which covers expenditures on women's and young girls' clothing, suggests that:

- women's winter weight coats and jackets and other light weight coats and jackets will grow significantly faster than households in general
- also favoured are watches, though jewellery generally grows less quickly than households
- women's suits and dresses are also favoured by a slight margin

- expected to fall behind among the women's categories generally are jeans, active sportswear and athletic shoes
- the decline in jeans may reflect an inter-generational bias that will disappear in the future, but it is conceivable that the 48 year old woman who wears jeans today may not do so when she is 58 or 68
- spending on girls' wear (those aged 4 to 13) will hardly grow at all, falling well behind household growth

Table 7-A
Projected Growth in Household Spending on Clothing
Average and Relative* Annual Growth Rates
1996 to 2006 and 2006 to 2016

	Annual	Annual	Relative	Relative
	% Change	% Change	Growth	Growth
	1996-2006	2006-2016	Index	Index
			1996-2006	2006-2016
Households	1.30	0.77	100	100
Clothing	1.19	0.66	91	85
Women's wear (14 yrs & older)	1.35	0.76	103	99
Coats and jackets	1.57	0.94	120	123
Leather coats and jackets	1.16	0.63	89	82
Winter-weight coats and jackets	1.62	0.99	124	130
Other light weight coats and jackets	1.53	0.90	117	118
Suits and dresses	1.40	0.83	108	108
Suits	1.41	0.76	108	99
Dresses	1.39	0.87	107	114
Sportswear	1.30	0.68	99	89
Jeans	1.00	0.40	77	53
Pants and shorts	1.41	0.80	108	104

Skirts	1.37	0.76	105	99
Blouses and skirts	1.38	0.76	106	99
T-shirts and other tops	1.25	0.65	96	84
Sweaters	1.37	0.71	105	92
Active sportswear	1.17	0.59	90	77
Beachwear	1.25	0.58	96	76
Other active sportswear	1.16	0.60	89	78
Lingerie, hosiery and sleepwear	1.33	0.75	102	97
Foundation garments	1.37	0.74	105	97
Lingerie	1.25	0.71	96	93
Hosiery	1.30	0.72	99	94
Sleepwear	1.45	0.82	111	107
Other apparel and accessories	1.35	0.74	103	97
Belts, handbags and wallets	1.34	0.72	103	94
Jewellery	1.26	0.71	97	93
Watches	1.56	0.86	120	111
Precious jewellery	1.20	0.72	92	94
Other jewellery	1.23	0.61	94	79
Footwear	1.38	0.81	105	105
Shoes and fashion boots	1.41	0.84	108	110
Insulated boots, work and hiking boots	1.39	0.86	107	112
Athletic shoes	1.19	0.58	91	76
Girls' wear 4-13 yrs	0.26	0.01	20	1

* Relative growth rates express the projected average annual growth rate for each category relative to the average annual growth rate for households overall.

Source: Strategic Projections Inc.

Table 7-B covers clothing expenditures made by the male side of the household. It suggests age-biased trends for the future similar to those described above among women:

- the demographic trends favour spending by males on other light-weight coats and jackets and a slight bias in favour of additional spending on underwear
- a few other categories are favourably impacted, but by only a small margin
- a number of categories face significant difficulties, however, including expenditures on clothing for infants and on clothing for boys aged 4 to 13
- as was the case among females the demographic changes spell some trouble for spending by males on jeans and athletic shoes

Table 7-B
Projected Growth in Household Spending on Clothing
Average and Relative* Annual Growth Rates
1996 to 2006 and 2006 to 2016

	Annual	Annual	Relative	Relative
	% Change	% Change	Growth	Growth
	1996-2006	2006-2016	Index	Index
			1996-2006	2006-2016
Households	1.30	0.77	100	100
Clothing	1.19	0.66	91	85
Men's wear (14 yrs & over)	1.24	0.65	95	84
Coats and jackets	1.37	0.76	105	99
Leather or fur coats and jackets	1.35	0.67	104	88
Winter-weight coats and jackets	1.32	0.75	102	98
Other light-weight coats and jackets	1.45	0.85	111	110
Suits and sport jackets	1.29	0.75	99	98
Suits	1.27	0.75	97	98
Sport jackets and blazers	1.37	0.77	105	100
Pants	1.19	0.59	91	77
Jeans	1.10	0.47	84	62
Other pants	1.23	0.80	94	105
Furnishings	1.28	0.64	98	84
Dress shirts	1.23	0.63	94	82
Sport shirts	1.22	0.58	94	75
Sweaters	1.33	0.63	102	82
Socks	1.26	0.65	96	85
Underwear	1.40	0.76	107	99
Active sportswear	1.12	0.48	86	62
Other apparel and accessories	1.17	0.60	89	78
Gloves and mitts	1.22	0.65	94	84
Neckties	1.11	0.59	85	77
Jewellery	1.00	0.58	77	75
Watches	1.17	0.73	89	95
Precious Jewellery	0.86	0.39	66	51
Footwear	1.24	0.64	95	84
Shoes and dress boots	1.32	0.72	101	94
Insulated boots, work and hiking boots	1.12	0.61	85	79
Athletic shoes	1.15	0.52	88	67

Boys' wear 4-13 yrs	0.40	0.06	31	8
Infants' wear under 4yrs	-0.22	0.08	-17	10
Clothing material, notions and services	1.21	0.75	93	98
Clothing material	1.35	0.84	104	109
Clothing services	1.18	0.74	90	96
Laundry and dry-cleaning	1.12	0.71	86	92
Other maintenance and repair of clothing	1.35	0.79	103	103

* Relative growth rates express the projected average annual growth rate for each category relative to the average annual growth rate for households overall.

Source: Strategic Projections Inc.

It was noted earlier in reference to Table 1 that transportation spending overall is moderately favoured by the demographic shifts expected over the next two decades. Within this category, however, are some of the greatest impacts of demographic change, and these impacts range from strongly favourable to strongly unfavourable. Table 8 covers the transportation category details and reveals the following:

- public transportation generally is favoured, but not city buses and subways which will grow less quickly than households generally
- rather the bias is strongly in favour of the use of taxis on a local basis and of the use of air and bus services on an inter-city basis
- spending on automobiles is also strongly favoured (though other evidence suggest it is not the number of units that will be favoured but rather the amount spent per vehicle)
- transportation products and services expected to fall behind due to the demographic shifts underway over the next two decades include the purchase of automobile accessories (especially radios and tape players), automobile rentals and parking and garage rent

Table 8
Projected Growth in Household Spending on Transportation
Average and Relative* Annual Growth Rates
1996 to 2006 and 2006 to 2016

	Annual	Annual	Relative	Relative
	% Change	% Change	Growth	Growth
	1996-2006	2006-2016	Index	Index
			1996-2006	2006-2016
Households	1.30	0.77	100	100
Transportation	1.36	0.81	104	105
Private Transportation	1.35	0.80	103	104
Purchase of automobiles and trucks	1.36	0.85	104	111
Automobiles	1.51	0.94	116	122
Purchase of automotive accessories	1.03	0.56	79	73
Automobile radios and tape players	1.00	0.37	77	48
Rented and leased automobiles and trucks	1.32	0.57	101	74
Rented automobiles and trucks	0.61	0.10	47	13
Operation of automobiles and trucks	1.34	0.78	103	101
Automotive fuels	1.34	0.77	103	100
Tires	1.30	0.77	99	100
Batteries	1.38	0.87	106	113
Other maintenance and repair supplies	1.03	0.62	79	80
Maintenance and repair jobs	1.32	0.76	101	99
Oil changes and lubrication	1.46	0.87	112	114
Tune-ups	1.32	0.78	101	101
Other mechanical and electrical	1.22	0.68	94	89
Body (including painting)	1.45	0.84	111	109
Other maintenance and repair	1.36	0.77	104	100
Parking and garage rent	1.16	0.57	89	75
Drivers' licenses and tests	1.34	0.77	103	100
Drivers' licenses	1.34	0.79	103	103
Private and public insurance premiums	1.41	0.83	108	108
Registration fees	1.41	0.85	108	111
Other operation services	1.60	0.97	122	127
Public transportation	1.47	0.90	113	117
Local and commuter transportation	1.25	0.76	96	98
City bus, subway, street car	1.23	0.70	94	91
Local taxi service	1.38	1.11	106	145
Inter-city transportation	1.63	1.00	125	130
Air	1.65	0.99	127	129
Highway bus	1.50	1.08	115	141

* Relative growth rates express the projected average annual growth rate for each category relative to the average annual growth rate for households overall.

Source: Strategic Projections Inc.

The health care category as a group is the one broad group in Table 1 that is strongly favoured by the demographic changes underway. Within this category it is interesting to note that:

- prescribed medicines and eye glasses are strongly favoured
- also favoured, but not nearly so strongly, are dental care and public hospital and medical plans
- expected to grow considerably less quickly than households in general within the health care category are health care supplies, contact lenses and other eye-care goods

Table 9
Projected Growth in Household Spending on Health Care
Average and Relative* Annual Growth Rates
1996 to 2006 and 2006 to 2016

	Annual	Annual	Relative	Relative
	% Change	% Change	Growth	Growth
	1996-2006	2006-2016	Index	Index
	1996-2006	2006-2016	1996-2006	2006-2016

Households	1.30	0.77	100	100
Health care	1.46	0.92	112	119
Direct costs to household	1.51	0.97	116	126
Health care supplies	0.99	0.59	76	77
Medical and pharmaceutical products	1.64	1.08	126	141
Prescribed	1.83	1.19	140	155
Other	1.30	0.87	100	114
Eye-care goods and services	1.51	0.88	116	115
Eye glasses	1.74	1.09	133	142
Contact lenses	0.99	0.26	76	34
Other eye-care goods	0.91	0.38	70	49
Other health-care goods	1.78	1.64	137	214
Dental care	1.50	0.93	115	122
Hospital and other health care services	1.33	0.86	102	112
Other health care services	1.22	0.70	94	91
Other health care practitioners	1.30	0.74	100	97
Health insurance premiums	1.35	0.80	103	105
Public hospital and medical plans	1.39	0.92	107	120
Private health care plans	1.33	0.75	102	98
Supplementary coverage (incl. drugs)	1.39	0.91	107	118

* Relative growth rates express the projected average annual growth rate for each category relative to the average annual growth rate for households overall.

Source: Strategic Projections Inc.

In general expenditures within the personal care category fall slightly behind the growth of households overall. Within this category, however, it can be expected that:

- expenditures on women's hair services will grow faster than households generally, but not so for men
- expenditures on oral hygiene products other than toothpaste should also grow faster than households generally
- most items in this category tend to keep pace with overall household growth
- there are a few, however, which will fall behind if current age biases continue into the future (which may not happen since some of the items listed likely represent generational preferences)
- those falling significantly behind include toilet preparations and cosmetics, make-up (especially eye make-up), fragrance preparations, hair preparations, deodorants, etc.

- hardest hit of all will be disposable diapers

Table 10
Projected Growth in Household Spending on Personal Care
Average and Relative* Annual Growth Rates
1996 to 2006 and 2006 to 2016

	Annual	Annual	Relative	Relative
	% Change	% Change	Growth	Growth
	1996-2006	2006-2016	Index	Index
	1996-2006	2006-2016	1996-2006	2006-2016
Households	1.30	0.77	100	100
Personal care	1.22	0.75	94	98
Personal care supplies and equipment	1.06	0.61	81	79
Toilet preparations and cosmetics	1.15	0.63	88	82
Creams and lotions	1.30	0.75	100	98
Make-up preparations	1.16	0.63	89	83
Eye make-up	0.93	0.44	72	57
Lip preparations	1.28	0.74	98	97
Other make-up	1.26	0.74	96	96
Fragrance preparations	1.12	0.60	86	78
Perfumes, toilet water and colognes	1.08	0.55	83	72
Other fragrance preparations	1.18	0.66	90	86
Hair preparations	1.10	0.60	84	78
Hair conditioners and cream rinses	1.05	0.54	80	70
Shampoos	1.09	0.61	84	80
Other hair preparations	0.98	0.49	75	63
Personal deodorants	1.16	0.63	89	82
Shaving preparations	1.30	0.69	100	89
Shaving cream and soap	1.17	0.67	90	87

Pre-shave and after-shave products	1.44	0.71	110	92
Other toilet preparations and cosmetics	1.05	0.57	81	74
Oral hygiene products	1.29	0.80	99	104
Toothpaste	1.22	0.73	93	95
Other oral hygiene products	1.41	0.91	108	118
Toilet and other personal soap	1.28	0.79	98	102
Razors and razor blades	1.09	0.64	84	83
Disposable diapers	-0.19	0.08	-15	10
Personal care electric equipment	1.14	0.63	87	82
Other personal care supplies and equipment	0.93	0.48	71	63
Personal care services	1.51	0.99	116	129
Hair washing, cutting and styling services	1.50	0.98	115	128
Men's hair	1.33	0.77	102	100
Women's hair	1.62	1.13	124	147
Other hair grooming services	1.68	1.14	129	148
Other personal grooming services	1.07	0.62	82	80

* Relative growth rates express the projected average annual growth rate for each category relative to the average annual growth rate for households overall.

Source: Strategic Projections Inc.

The recreation category overall is expected to grow at a rate somewhat slower than that of households in general. The Family Expenditure Survey provides a rich assortment of detail within this group so its components are covered over three separate pages. The items covered in Table 11-A are generally growing less quickly than households overall. Table 11-A suggests that:

- expenditures on handicraft materials will grow faster than households in general
- expenditures on all other items will grow considerably less quickly than households, especially spending on ice hockey equipment, electronic games and parts, toys and camping and picnic equipment

Table 11-A
Projected Growth in Household Spending on Recreation
Average and Relative* Annual Growth Rates
1996 to 2006 and 2006 to 2016

	Annual	Annual	Relative	Relative
	% Change	% Change	Growth	Growth
	1996-2006	2006-2016	Index	Index
			1996-2006	2006-2016
Households	1.30	0.77	100	100
Recreation	1.19	0.69	91	90
Recreation equipment & associated services	0.94	0.47	72	61
Sporting and athletic equipment	0.90	0.36	69	46
Golf	1.19	0.57	91	74
Ice hockey equipment	0.45	0.02	35	3
Fishing	0.58	0.09	45	12
Home exercise equipment	1.05	0.39	80	50
Other sporting and athletic equipment	0.77	0.38	59	49
Toys, games and hobby equipment	0.89	0.45	69	58
Toys	0.27	0.23	21	30
Dolls and stuffed toys	0.38	0.28	29	36
Toy vehicles and construction toys etc.	0.32	0.28	25	37
Other toys	0.40	0.33	31	43
Games and hobby equipment	1.02	0.48	78	62
Electronic games and parts	0.66	0.16	51	21
Handicraft materials	1.43	0.91	110	119
Computer equipment and supplies	1.06	0.44	81	58
Other games and recreation equipment	0.70	0.41	53	53
Photographic goods and services	1.03	0.63	79	81
Cameras	1.11	0.58	85	76
35 millimetre cameras	1.12	0.61	86	79
Film and processing	1.14	0.67	87	88
Films (excluding processing)	1.09	0.65	83	85
Film processing (including film)	1.16	0.68	89	89
Other photographic services	0.66	0.52	51	68
Collectors' items (ex. works of art etc.)	1.26	0.67	97	87
Camping and picnic equipment (excluding BBQ's)	0.78	0.32	60	41
Tents, backpacks and sleeping bags	0.78	0.24	60	31
Supplies and parts for recreational equipment	1.07	0.45	82	59

* Relative growth rates express the projected average annual growth rate for each category relative to the average annual growth rate for households overall.

Source: Strategic Projections Inc.

Within the recreation components listed in Table 11-B there are a few major winners:

- package travel tours and "other" recreation services are both expected to grow significantly more quickly than households in general
- bowling is also favoured by the changing demographic trends
- the purchase and operation of recreation vehicles will grow faster than households generally
- spending on cablevision will grow faster than households generally, especially after 2006, and purchases of TV sets will also grow faster than households but not until after 2006
- a number of recreational products face slower than household growth rates of increase -- assuming current spending biases by age prevail in the future -- including bicycles, parts and accessories, audio components, audio combinations, pre-recorded audio tapes and phonographic records, compact discs and blank audio tapes
- a number of recreational service industries appear to be in trouble due to demographic shifts, however, including coin operated amusement games, fees for single usage other than bowling or golf and the rental of video recordings

Table 11-B
Projected Growth in Household Spending on Recreation
Average and Relative* Annual Growth Rates

1996 to 2006 and 2006 to 2016

	Annual	Annual	Relative	Relative
	% Change	% Change	Growth	Growth
	1996-2006	2006-2016	Index	Index
			1996-2006	2006-2016
Households	1.30	0.77	100	100
Recreation	1.19	0.69	91	90
Recreation vehicles and outboard motors	1.49	0.91	114	119
Purchase of recreation vehicles	1.55	0.97	119	127
Bicycles, parts and accessories	0.65	0.21	50	27
Operation of recreational vehicles	1.37	0.79	105	103
Home entertainment equipment and services	0.99	0.57	76	74
Audio components	0.72	0.41	55	53
Audio combinations	0.76	0.40	59	53
Pre-rec. audio tapes and phonographic records	1.03	0.53	79	68
Compact discs	0.84	0.39	65	51
Blank audio tapes	1.08	0.56	83	72
Television sets	1.25	0.85	96	111
VCRs/players & video disc players	1.06	0.64	81	83
Pre-recorded videotapes	1.00	0.56	76	74
Blank videotapes	1.20	0.63	92	82
Rental of video recordings	0.76	0.35	58	46
Recreation services	1.35	0.83	103	108
Spectator-entertainment performances	1.30	0.78	99	101
Motion picture showings	1.08	0.49	83	64
Live sports spectacles	1.18	0.61	90	80
Live staged performances	1.34	0.71	103	92
Cablevision	1.36	0.90	104	117
Use of recreation facilities	1.12	0.59	86	76
Membership fees and dues for clubs	1.22	0.68	93	89
Health clubs and recreation associations	0.86	0.53	66	68
Other sports facilities and services	0.73	0.33	56	43
Fees for single usage	1.13	0.55	87	72
Golfing	1.29	0.73	99	95
Bowling	1.44	0.82	111	107
Skiing	1.04	0.22	80	29
Other sports facilities and services	0.83	0.44	64	57
Coin operated amusement games	0.81	0.43	62	56
Admission to museums, exhibitions	0.93	0.54	71	70
Package travel tours	1.64	1.12	126	145
Other recreation services	1.51	1.13	115	147

* Relative growth rates express the projected average annual growth rate for each category relative to the average annual growth rate for households overall.

Source: Strategic Projections Inc.

And finally, from within the reading and educational portions of the recreational household budget we find several major winners:

- the purchase of newspapers and subscription purchases of magazines are strongly favoured by expected demographic trends
- the purchase of post-secondary supplies, textbooks and tuition fees are heavily favoured as are the purchase of textbooks and the payment of tuition fees generally

Expected to grow less quickly than households in general are purchases of single

copies of magazines and books and pamphlets (both hard and soft cover).

Table 11-C
Projected Growth in Household Spending on Recreation
Average and Relative* Annual Growth Rates
1996 to 2006 and 2006 to 2016

	Annual	Annual	Relative	Relative
	% Change	% Change	Growth	Growth
	1996-2006	2006-2016	Index	Index
			1996-2006	2006-2016
Households	1.30	0.77	100	100
Recreation	1.19	0.69	91	90
Reading materials and other printed matter	1.36	0.87	104	113
Newspapers	1.63	1.12	125	145
Magazines and periodicals	1.29	0.81	99	106
Subscriptions paid in 1992	1.51	0.99	116	128

Purchase of single copies	1.05	0.61	80	79
Books and pamphlets	1.09	0.60	83	78
Paper backed	1.12	0.61	86	80
Hard cover	1.06	0.59	81	76
Education	1.29	0.46	99	60
Supplies	1.15	0.41	88	54
Post secondary	1.54	0.66	118	86
Textbooks	1.44	0.47	110	61
Post secondary	1.55	0.53	119	69
Tuition fees	1.37	0.51	105	67
Post secondary	1.49	0.60	114	79

* Relative growth rates express the projected average annual growth rate for each category relative to the average annual growth rate for households overall.

Source: Strategic Projections Inc.

Table 12 reveals the future trends in spending on alcohol and tobacco products stemming from the underlying shifts in the age structure of households. Table 12 suggests that:

- the overall categories of tobacco and of alcohol are not favoured by future demographic trends
- the purchase of tobacco itself is favoured, but not cigarettes
- the purchase of alcoholic beverage at licensed premises will be relatively out of favour though purchases at stores will grow at the same pace as households generally
- within the alcohol segment beer is not favoured, wine is neutral but liquor is favoured by the shifts in demographic trends

Table 12
Projected Growth in Household Spending on Tobacco and Alcohol
Average and Relative* Annual Growth Rates
1996 to 2006 and 2006 to 2016

	Annual	Annual	Relative	Relative
	% Change	% Change	Growth	Growth
	1996-2006	2006-2016	Index	Index
			1996-2006	2006-2016
Households	1.30	0.77	100	100
Tobacco products and alcoholic beverages	1.21	0.72	93	93
Tobacco products and smokers supplies	1.22	0.72	93	94
Tobacco	1.49	0.94	114	122
Cigarettes	1.18	0.69	90	90
Matches and other smokers supplies	1.30	0.88	100	115
Alcoholic beverages	1.20	0.70	92	92
Served in licensed premises	1.00	0.56	77	73
Beer	0.88	0.52	67	67
Wine and cider	1.30	0.65	100	84
Liquor	1.08	0.60	83	78
Purchased from stores	1.29	0.77	99	101
Beer	1.11	0.62	85	81
Wine and cider	1.33	0.75	102	97
Liquor	1.59	1.05	122	137

* Relative growth rates express the projected average annual growth rate for each category relative to the average annual growth rate for households overall.

Source: Strategic Projections Inc.

Table 13 completes our detailed analysis of future spending trends based on demographic change, covering a range of miscellaneous goods and services and a number of tax and security related items. Table 13 suggests the following:

- within the miscellaneous products and services category those items that are favoured by future demographic shifts include government run pool and lottery tickets and other lottery, pool and raffle tickets, contributions and dues for social clubs and financial services
- not so favoured from among this group are tools and equipment purchased for work, interest on personal loans, dues to unions and professional associations and legal services
- personal tax collections are basically neutral relative to the shifts in demographic trends
- expenditures on security related financial products -- including life insurance, unemployment insurance and pension funds -- are not favoured
- the gifts and contributions category is heavily favoured by shifting demographic trends, however, especially the purchase of gifts for persons outside the home, in particular money gifts and contributions
- also heavily favoured are contributions to charitable organizations, both religious and non-religious based

Table 13
Projected Growth in Household Spending on Miscellaneous Items
Average and Relative* Annual Growth Rates
1996 to 2006 and 2006 to 2016

	Annual	Annual	Relative	Relative
	% Change	% Change	Growth	Growth
	1996-2006	2006-2016	Index	Index
	1996-2006	2006-2016	1996-2006	2006-2016
Households	1.30	0.77	100	100
Miscellaneous	1.29	0.75	99	98
Interest on personal loans	1.01	0.52	77	67
Legal services	1.16	0.57	89	74
Financial services; bank, tax advice etc.	1.43	0.86	110	112
Dues to unions and professional associations	1.10	0.46	85	59
Contributions and dues for social clubs, etc.	1.46	0.99	112	128
Government run pool and lottery tickets	1.67	1.04	128	136
Other lottery, pool and raffle tickets	1.46	0.94	112	122
Forfeit of deposits, fines, money lost etc.	1.10	0.64	84	84
Tools and equipment purchased for work	0.52	0.20	40	26
Personal taxes	1.29	0.67	99	88
Income tax on 1992 income	1.26	0.65	97	84
Income tax on income received before 1992	1.82	1.21	140	158
Security	1.13	0.49	87	64
Life insurance premiums	1.36	0.65	104	85
Unemployment insurance premiums	1.02	0.44	79	58
Retirement and pension fund payments	1.13	0.45	87	59
Canada and Quebec pension plan	1.04	0.46	80	59
Gifts and contributions	1.84	1.24	141	162
Persons outside household	1.82	1.22	139	158
Money gifts and contributions	2.01	1.35	154	176
Persons living inside Canada	2.03	1.36	156	177
Other gifts e.g. flowers, clothing, toys	1.49	0.98	114	127
Charitable organizations	1.92	1.32	147	172
Religious organizations	1.88	1.34	144	174
Other charitable organizations	1.98	1.29	152	168

* Relative growth rates express the projected average annual growth rate for each category relative to the average annual growth rate for households overall.

Source: Strategic Projections Inc.

Section 3

Impacts of Real Income Growth on Consumer Spending by Category

The second set of projections in this report take into account the impact of future real household income growth on consumer spending on some 130 or so individual goods and services items.

These projections were developed by establishing through regression analysis the

historical relationship between spending on the individual product or service and the real disposable income of households. For the regression analysis we used detailed national income and expenditure accounts data for household purchases of goods and services covering the period 1961 to 1993. Using the regression results we then projected forward expenditures on each goods and service item using Strategic Projections Inc.'s forecast of the future real disposable income of households.

The results are presented in Table 14-A through Table 14-F:

- Table 14-A presents the results for household spending on durable goods
- Table 14-B covers semi-durable goods
- Table 14-C covers non-durable goods
- Tables 14-D through Table 14-F cover household spending on the full range of service categories

Over the next decade -- 1996 to 2006 -- real disposable (after-tax) household income is expected to grow at an average annual rate of 2.89 percent. Over the subsequent decade -- 2006 to 2016 -- the pace is expected to slow to a 2.56 percent annual pace. Each table reveals the expected growth rate of spending on individual goods and services for each decade based on the assumption that real income is the key driver. The projected growth rates are converted to an index relative to the growth rate in real disposable income in order to more readily discern which are expected to grow faster than the norm and which are expected to fall behind.

Generally speaking it can be said that items growing less quickly than real incomes are basic or staple goods and services, ones for which the underlying need does not rise in line with one's standard of living. Items growing at the pace of real disposable income are items which households tend to upgrade as their standard of living rises. Items growing well in excess of the pace of real disposable income are those classified as relatively more luxurious. Such items are often new-technology related. Households purchase these items in increasing amounts as their standard of living improves.

Among the household durable goods items found in Table 14-A, those expected to grow faster than real household incomes include the following:

- those projected to grow over the next decade more than 50 percent faster than real disposable income (that is, with a relative growth index greater than 150) include new trucks and vans, TV sets, video equipment and accessories, office machines and equipment and recreation equipment rentals
- those expected to grow between 25 percent and 50 percent faster than real incomes (that is, with a relative growth index of 125 to 150) include stoves, ranges and microwave ovens, other major appliances, bicycles and motor-cycles, motor vehicle parts and accessories, radios, sound systems and accessories, cameras and accessories and musical instruments and supplies

Those expected to grow far less quickly than household incomes include household equipment repairs, recreation equipment repairs and watch and jewellery repairs.

Table 14-A
Projected Growth in Household Spending Based On Real Income Growth
Average and Relative* Annual Growth Rates
1996 to 2006 and 2006 to 2016

	Average	Average	Relative	Relative
	Annual	Annual	Growth	Growth
	% Change	% Change	Index	Index
	1996-2006	2006-2016	1996-2006	2006-2016
Disposable Income	2.89	2.56	100	100
Consumer Spending Sum	2.75	2.46	95	96
Furniture	2.96	2.61	102	102
Floor Coverings	3.41	2.90	118	113
Upholstery & Furniture Repair	3.05	2.67	105	104
Refrigerators & Freezers	3.17	2.75	110	107
Washers & Dryers	3.57	3.00	123	117
Stoves, Ranges & Micro-wave ovens	4.28	3.43	148	134
Other Major Appliances	3.67	3.07	127	120
Small Electrical Appliances	3.35	2.87	116	112
Household Equipment Repairs	2.19	2.05	76	80
Garden Tools and Equipment	3.21	2.77	111	108

New Passenger Cars	2.65	2.39	92	93
Used Motor Vehicles (Net)	3.17	2.75	110	107
New Trucks & Vans	4.49	3.54	155	138
Bicycles & Motorcycles	4.00	3.26	138	127
Motor Vehicle, Repair & Maintenance	2.57	2.34	89	91
Motor Vehicle, Parts & Accessories	3.87	3.18	134	124
Radios, Sound Systems & Accessories	4.31	3.44	149	134
TV Sets, Video Equipment & Accessories	4.58	3.59	158	140
Boats, Motors and Accessories	2.89	2.56	100	100
Cameras and Accessories	3.99	3.26	138	127
Sporting and Camping Equipment	3.24	2.79	112	109
Office Machines and Equipment	5.03	3.82	174	149
Musical Instruments & Supplies	4.07	3.30	141	129
Trailers	2.75	2.46	95	96
Recreation Equipment Repairs	1.73	1.68	60	66
Recreation Equipment Rentals	4.85	3.73	168	146
Watches and Jewellery	3.46	2.93	120	115
Watches and Jewellery Repairs	1.11	1.14	38	44

Source: Strategic Projections Inc.

Among the semi-durable goods listed in Table 14-B the trends likely to emerge are the following:

- film and other photo supplies, household textiles and furnishings, and toys, games and hobby equipment are all expected to grow significantly faster (indices of 120 or greater) than household incomes over the next decade
- notions and smallware, china, glassware and crockery, stationery, books, newspapers and magazines and pets and supplies are all expected to grow significantly less quickly than real disposable incomes

Table 14-B
Projected Growth in Household Spending Based On Real Income Growth
Average and Relative* Annual Growth Rates
1996 to 2006 and 2006 to 2016

	Average	Average	Relative	Relative
	Annual	Annual	Growth	Growth
	% Change	% Change	Index	Index
	1996-2006	2006-2016	1996-2006	2006-2016
Disposable Income	2.89	2.56	100	100
Consumer Spending Sum	2.75	2.46	95	96
Men's and Boys' Clothing	2.72	2.44	94	95
Women's & Children's Clothing	2.92	2.58	101	101
Notions and Smallware	0.60	0.65	21	25
Piece Goods	2.90	2.57	100	100

Footwear	2.24	2.09	78	82
Luggage and Leather Goods	2.68	2.41	93	94
Toys, Games & Hobby Equipment	3.47	2.94	120	115
Films & Other Photo Supplies	4.08	3.31	141	129
Household Textiles & Furnish	3.50	2.96	121	116
China, Glassware and Crockery	1.24	1.26	43	49
Lamps, Fixtures & Accessories	2.71	2.43	94	95
Silverware and Flatware	2.31	2.14	80	84
Hardware	2.87	2.54	99	99
Stationery, Books, Newspapers & Magazines	1.85	1.78	64	70
Dressmaking, Repair & Alterations	2.88	2.55	100	100
Pets & Supplies	2.01	1.91	69	75

Source: Strategic Projections Inc.

Table 14-C, which covers non-durable products and services, suggests a mixture of trends:

- those expected to grow faster than real disposable incomes (index greater than 110) include electricity, household supplies other than soaps, etc., drug and drug sundries and cosmetics and toiletries
- those expected to grow considerably less quickly than real disposable incomes include food and non-alcoholic beverages, alcoholic beverages and tobacco products

Table 14-C
Projected Growth in Household Spending Based On Real Income Growth
Average and Relative* Annual Growth Rates
1996 to 2006 and 2006 to 2016

	Average	Average	Relative	Relative
	Annual	Annual	Growth	Growth
	% Change	% Change	Index	Index
	1996-2006	2006-2016	1996-2006	2006-2016
Disposable Income	2.89	2.56	100	100
Consumer Spending Sum	2.75	2.46	95	96
Food & Non-Alcoholic Beverages	1.63	1.60	56	63
Imputed Food Farm and Non-Farm	0.03	0.04	1	2
Pet Food	3.11	2.71	108	106
Alcoholic Beverages	2.15	2.02	74	79
Tobacco Products	0.23	0.26	8	10
Electricity	3.34	2.86	115	112
Natural Gas	2.89	2.56	100	100
Soaps & Other Cleaning Supplies	2.82	2.51	98	98
Other Household Supplies	3.28	2.82	114	110
Drug & Drug Sundries	3.51	2.97	122	116
Motor Fuels & Lubricants	2.52	2.30	87	90
Flowers & Plants	3.05	2.67	105	104
Cosmetics & Toiletries	3.37	2.88	117	112

Source: Strategic Projections Inc.

Table 14-D, which covers household purchases of household, health and transportation related services, suggests the following:

- among the fastest growing categories (indices greater than 125) will be paid lodging (outside of rent or imputed rent paid on the primary residence), child care outside of the home, "other" health care and commissions paid to tour operators
- also growing faster than real incomes but not nearly so quickly as those listed above (indices of 110 to 125) include gross imputed rent (meaning home-ownership), pet care, special care facilities and air transportation
- falling way behind real disposable incomes (index of 75 or less) will be domestic service, laundry and dry cleaning, property insurance, directly paid medical and dental care, directly paid hospital care and the like, bridge, highway and ferry tolls, auto insurance and most transportation categories except air

Table 14-D
Projected Growth in Household Spending Based On Real Income Growth
Average and Relative* Annual Growth Rates
1996 to 2006 and 2006 to 2016

	Average	Average	Relative	Relative
	Annual	Annual	Growth	Growth
	% Change	% Change	Index	Index
	1996-2006	2006-2016	1996-2006	2006-2016
Disposable Income	2.89	2.56	100	100
Consumer Spending Sum	2.75	2.46	95	96
Water Charges (Paid Rent)	2.59	2.35	89	92
Water Charges (Imp Rent)	2.79	2.49	97	97
Gross, Imputed Rent	3.31	2.84	114	111
Gross, Paid Rent	3.15	2.74	109	107
Imputed Lodging	2.81	2.50	97	98
Paid Lodging	4.21	3.38	145	132
Lodging in Universities	3.07	2.68	106	105
Domestic Service	-2.20	-3.22	-76	-126
Child Care, In The Home	2.59	2.35	89	92
Child Care, Outside Home	4.35	3.46	150	135
Laundry & Dry Cleaning	-0.60	-0.72	-21	-28
Property Insurance, Cost of services	1.94	1.85	67	72
Pet Care	3.22	2.78	111	109
Furniture and Appliance Rental	3.14	2.73	109	106
Janitorial Services	2.86	2.54	99	99
Medical, Dental Care, etc.	-4.82	-10.63	-167	-415
Special Care Facilities	3.20	2.77	111	108
Other Health Care	4.08	3.31	141	129
Hospital Care & The Like	0.36	0.40	13	16
A & S Insurance, Cost of services	2.49	2.28	86	89
Commissions, Tour Operators	4.68	3.64	162	142
Bridge, Highway & Ferry Tolls	0.50	0.54	17	21
Auto Insurance, Cost of services	1.86	1.79	64	70
Urban Transit	0.95	0.99	33	39
Railway Transport	-14.85	34.96	-514	1365
Intercity and Rural Bus	1.71	1.67	59	65
Air Transport	3.41	2.91	118	113
Water Transport	1.34	1.35	46	53
Taxi	0.80	0.85	28	33
Moving and Storage	2.16	2.03	75	79

Source: Strategic Projections Inc.

Table 14-E, which covers mostly communications, and educational, personal and financial services, suggests the following:

- major growth areas (index greater than 125) are likely to include spending on telecommunications, lotteries, "other" personal care, imputed interest paid to trust companies and credit unions, bank service charges, the cost of services paid to credit unions, pension funds and mutual funds and the imputed interest paid to mortgage loan companies

- other growth areas (index of 110 to 125) include "other" recreational services, private schools, stock and bond commissions and administration charges related to interest on consumer debt
- expected to fare poorly (index of under 75) are pari-mutuel betting, alcoholic beverage service, the cost of services related to life insurance and legal, accounting and other services

Table 14-E
Projected Growth in Household Spending Based On Real Income Growth
Average and Relative* Annual Growth Rates
1996 to 2006 and 2006 to 2016

	Average	Average	Relative	Relative
	Annual	Annual	Growth	Growth
	% Change	% Change	Index	Index
	1996-2006	2006-2016	1996-2006	2006-2016
Disposable Income	2.89	2.56	100	100
Consumer Spending Sum	2.75	2.46	95	96
Telecommunications	4.02	3.27	139	128
Postal Services	-0.34	-0.40	-12	-16

Lotteries	4.55	3.57	157	139
Pari-Mutuel Betting	1.37	1.38	47	54
Other Recreational Services	3.34	2.86	116	112
Universities	3.12	2.71	108	106
Private Schools	3.23	2.79	112	109
Other Educational & Cultural Services	2.44	2.24	84	87
Hairstyling For Men and Women	2.20	2.06	76	80
Other Personal Care	3.61	3.03	125	118
Meals Outside The Home	2.46	2.26	85	88
Alcoholic Beverages, Service	1.51	1.50	52	58
Accommodation	2.48	2.27	86	89
Board Paid	2.82	2.51	97	98
Trust Companies, Imputed Interest	3.96	3.24	137	126
Bank Of Canada, Imputed Interest	2.97	2.61	103	102
Stock and Bond Commissions	3.21	2.77	111	108
Interest Consumer Debt, Administration	3.18	2.76	110	108
Credit Unions, Imputed Interest	3.87	3.19	134	124
Life Insurance, Cost Of Services	1.50	1.49	52	58
Bank Service Charges Paid	3.70	3.08	128	120
Bank Service Charges Imputed	2.50	2.29	87	89
Credit Unions, Cost Of Service	4.20	3.38	145	132
Pension Funds, Cost Of Service	4.72	3.66	163	143
Mortgage Loan Co., Imputed Interest	4.62	3.61	160	141
Mutual Funds, Cost Of Service	4.81	3.71	166	145
Legal, Accounting & Other Services	1.68	1.64	58	64

Source: Strategic Projections Inc.

Finally, Table 14-F, which covers a myriad of household services, suggests the following:

- among the fastest growing service items (index of greater than 125) should be cable and pay television, motor vehicle renting and leasing and photography services
- also doing relatively well (index of 110 to 125) will be miscellaneous household services, payments to welfare organizations and driving lessons and tests
- faring poorly (index of 75 or less) includes funerals and burials, military pay and allowances abroad, gifts in kind, travel expenditure receipts, payments to political parties and movie theatres and drive-ins

Table 14-F
Projected Growth in Household Spending Based On Real Income Growth
Average and Relative* Annual Growth Rates
1996 to 2006 and 2006 to 2016

	Average	Average	Relative	Relative
	Annual	Annual	Growth	Growth
	% Change	% Change	Index	Index
	1996-2006	2006-2016	1996-2006	2006-2016
Disposable Income	2.89	2.56	100	100
Consumer Spending Sum	2.75	2.46	95	96
Funerals and Burials	1.87	1.80	65	70
Miscellaneous Household Services	3.40	2.90	117	113
Welfare Organizations	3.50	2.96	121	116
Religious Organizations	2.67	2.41	92	94
Trade Unions	3.14	2.73	109	107
Travel Expenditure Payments	2.99	2.63	103	103
Military Pay & Allow Abroad	0.30	0.34	11	13
Gifts In Kind	-1.95	-2.77	-68	-108
Travel Expenditure Receipts(-)	2.00	1.91	69	74
Cable and Pay, Television	4.58	3.59	158	140
Political Parties	1.18	1.21	41	47
Parking	2.86	2.54	99	99
Driving Lessons and Tests	3.28	2.82	114	110
Motor Vehicle Renting, Leasing	4.27	3.42	148	133
Movie Theatres and Drive-Ins	-0.72	-0.89	-25	-35
Photography	3.61	3.03	125	118

Source: Strategic Projections Inc.

Table 14-G regroups the above detailed spending estimates into categories approximating those provided in Section 2 of this report based on Family Expenditure data. Table 14-G reveals the following:

- those broad categories of consumer spending on products and services expected to benefit most considering real income as the key driver -- with the fastest growing categories listed first -- include recreation, shelter, miscellaneous, household furnishings and equipment, personal care and transportation
- those broad categories expected to grow least quickly considering real income as the key driver of future growth - with the slowest growing categories listed first -- include tobacco products and alcoholic beverages, food, health care, household operation and clothing

Table 14-F
Projected Growth in Household Spending Based On Real Income Growth
Average and Relative* Annual Growth Rates
1996 to 2006 and 2006 to 2016

	Average	Average	Relative	Relative
	Annual	Annual	Growth	Growth
	% Change	% Change	Index	Index
	1996-2006	2006-2016	1996-2006	2006-2016
Food	1.85	1.79	64	70
Shelter	3.27	2.82	113	110
Household operation	2.52	2.30	87	90
Household furnishings and equipment	3.04	2.66	105	104
Clothing	2.76	2.47	96	97
Transportation	2.94	2.60	102	101
Health care	2.45	2.25	85	88
Personal care	3.04	2.66	105	104
Recreation	3.36	2.87	116	112
Tobacco products and alcoholic beverages	1.43	1.43	49	56
Miscellaneous	3.18	2.75	110	107
Total	2.75	2.46	95	96

Source: Strategic Projections Inc.

Section 4

Consumer Spending Potential 1996-2006

On a broad category basis Table 15 compares the relative growth index from the demographically based projections (as provided in Table 1) to the relative growth index from the real income generated projections (as provided in Table 14-F). Table 15 also provides a simple average of the two indexes (though there is no reason to expect that the weighting of these two factors should be equal in any or all broad categories).

Table 15 suggests the following:

- the tobacco products and alcoholic beverages category comes out as a clear loser on both counts, as does household operation
- clothing also loses on the basis of both criteria, but the loss in both cases is relatively small
- only the broad category of transportation wins on both counts, but it does so only by a small margin
- the miscellaneous category is a big winner on the basis of income and comes close to the norm on the basis of demographics
- the remaining categories -- including shelter, household furnishings and equipment, health care, personal care and recreation -- average out close to 100 when the two criteria are considered but in each case at least one of the two criteria is way above or way below the norm

Unfortunately a product by product ranking taking into account a high ranking on both the demographically driven and the income driven criteria is not possible because the degree of disaggregation in the case of the two criteria differs significantly. It is possible, however, to review the individual projections based on demographics on a broad category basis -- beginning with those broad categories expected to benefit most from future real income growth -- in order to draw up a list of products and services which rank very high on the basis of both favourable demographics and favourable income growth. We have done so for the period 1996 to 2006.

Table 15

Projected Growth in Household Spending

**Broad Categories of Goods and Services
Relative Annual Growth Indexes
1996 to 2006**

	Demogrphics	Real Income	
	Driven	Driven	Average
	Growth Index	Growth Index	Growth Index
	1996-2006	1996-2006	1996-2006
Households or real disposable income	100	100	100
Food	101	64	83
Shelter	91	113	102
Household operation	86	87	87
Household furnishings and equipment	92	105	99
Clothing	91	96	94
Transportation	104	102	103
Health care	112	85	99
Personal care	94	105	100
Recreation	91	116	104
Tobacco products and alcoholic beverages	93	49	71
Miscellaneous	99	110	105

Source: Strategic Projections Inc.

Incomes tend to most strongly favour the broad recreation category. Based on demographic trends, therefore, we would expect the following recreation items to be major winners over the next decade:

- package travel tours
- newspapers
- recreation vehicle purchases
- magazine subscriptions
- post-secondary education textbooks, supplies, tuition fees
- bowling
- handcraft materials

The broad shelter category is also favoured by future income growth. Within that category -- based on the demographics -- we would expect the following to be major winners over the next decade:

- owned vacation homes
- motels
- property taxes

- homeowners' insurance premiums
- other traveler accommodation

Income growth favours the miscellaneous category next. Based on expected demographic trends of spending on such items, therefore, we would expect the following to be major winners over the next ten years:

- gifts and contributions, especially money gifts
- government run pool and lottery tickets and lotteries run by non-governments
- contributions and dues for social clubs

The next fastest growing broad category from an income driven viewpoint is that represented by household furnishings and equipment. The demographic trends tell us that within this category the following items should be winners:

- lawn, garden and snow removal tools and equipment
- maintenance and repairs
- services related to furnishings and equipment
- window coverings
- microwave ovens
- curtains

The only other broad category expected to grow at a significantly faster than normal pace over the next decade as a result of income growth is that represented by personal care. Within this category the demographic trends tell us the following products will be winners:

- women's and other (non-male) hair services
- "other" toilet preparations and cosmetics (excluding most of them; see Table 10)
- oral hygiene products other than toothpaste

And finally, the transportation category is the only other broad group expected to grow slightly faster than the norm based on income growth. The demographic trends suggest that within transportation the following are expected to be major winners:

- inter-city transportation, especially air transportation

- automobile purchases
- oil changes and lubrications

Several items fall within those broad categories expected to face slower than average growth on the basis of incomes but, because of the demographic trends, are expected to grow quickly, nevertheless, include the following:

- within the food category: food purchased from restaurants while on overnight or longer trips
- within the household operation category: postal services, greeting cards and postcards, horticultural goods and services
- within the clothing category: light winter jackets for females and males and possibly women's suits and dresses
- within the health care category: prescribed medicines, eye glasses, dental care, public hospital and medical plans

Consumer Spending Patterns 1996 to 2016 Influences of Demographic Change and Income Growth

Research Methodology

This note briefly explains the methodology used to obtain the projections of future trends in consumer spending described in our report **Consumer Spending Patterns 1996 to 2016: Influences of Demographic Change and Income Growth**.

Demographically Based Consumer Spending Projections Methodology

The consumer spending trends based on demographic change were derived by combining two information sets:

- detailed information obtained from Statistics Canada's Family Expenditure Survey of 1992
- detailed projections of households by age of maintainer prepared by Strategic Projections Inc.

Publicly available information from Statistics Canada's Family Expenditure Survey of 1992 (FamEx) reveals the average amount spent per household on each of some 400 or so individual goods and services items. A special purchase of the results from StatsCan by Strategic Projections Inc. provides the average amount spent on each of the 400 items *for each of six categories of households by age of maintainer* (that is, these detailed estimates provide the average amount spent per household among households headed by a person aged under 25, among households headed by a person aged 25 to 34, among households headed by a person aged 35 to 44, among households headed by a person aged 45 to 54, among households headed by a person aged 55 to 64 and among households headed by a person aged 65 and over).

These detailed FamEx estimates of average spending per household by age of maintainer were combined with SPI's detailed projections of households by age of maintainer to project the total amount spent on each of the 400 items for each of the years 1996, 2006 and 2016. These calculations were made as follows:

- in every year it was assumed the amount spent on each of the 400 items by each household would be the same as in 1992 (i.e. as revealed by the FamEx Survey)
- the total amount spent on any given item in any given year in the future was projected by calculating the total amount spent on that item by each household age group -- as determined by multiplying the number of households expected in that age group in that year times the average amount spent by households on that item in that age group in 1992 -- then summing across all household age groups for that year for that particular item

For example:

- we project that in 1996 there will be 475,318 households headed by a person aged under 25 years
- we know that in 1992 such households spent an average of \$34 per year on horticultural goods and services
- if they spend the same amount per household in that age group in 1996, that age group will account for \$16 million in purchases of horticultural goods and services in 1996 (that is 475,318 times \$34 divided by 1,000,000)

Following this example:

- we can make this same calculation for each age category in 1996
- we can then calculate the projected total amount spent on horticultural goods and services by all households by summing across all six age groups
- we can do the same calculations for 2006 for each age group and for all age groups combined
- we can compare the projected total amount spent by all households in each of the two years (\$1,675 million in 1996 and \$1,937 million in 2006)
- we can then calculate the average annual growth rate implied by this at about 1.57 percent per year

The following table provides the data used to arrive at these totals for this category in each of 1996 and 2006.

**Horticultural goods and services
Projected spending in 1996 and 2006**

	Aged <25	Aged 25-34	Aged 35-44	Aged 45-54	Aged 55-64	Aged 65+	Aged All
Projected number of households in 1996		475,318	2,088,423	2,575,087	2,083,728	1,507,765	2,195,543
	10,925,854						
Projected number of households in 2006		497,550	1,980,103	2,562,766	2,570,944	2,056,839	2,761,815
	12,430,067						
Average amount spent in 1992	34	118	160	206	182	135	154
Projected total spent in 1996 (\$ Millions)		16	246	412	429	274	296

							1,675
Projected total spent in 2006 (\$ Millions)	17	234	410	530	374		373
							1,937

Similarly, we can do these calculations for all 400 or so categories of spending for the year 2016 as well.

Finally, using the figures for 1996, 2006 and 2016 we are able to obtain the projected growth rates depicted in Tables 1 through 13 of the report.

In effect these projections assume there will be no improvement in the real income position of households. The relative growth rates of the individual consumer goods and services differ in these projections only because households by age of maintainer spent different amounts on different items in 1992 and because the share of households by age of maintainer will shift over the projection horizon.

Income Based Consumer Spending Projections Methodology

These income based projections were developed by first establishing (through regression analysis) the historical relationship between spending on the individual product or service and the real disposable income of households. This analysis was carried out using detailed data for household purchases of goods and services measured in constant 1986 dollars regressed against the total amount of real disposable (that is, after tax) income received by households over the period 1961 to 1994. These figures were obtained through a special purchase of National Income and Expenditure Accounts estimates from Statistics Canada.

For example, the regression analysis relating real spending within the product category Radios, Sound Systems and Accessories (C017) to real disposable income (PDY86) reveals the following:

ANNUAL (1961 TO 1994) 34 OBSERVATIONS
DEPENDENT VARIABLE: C86017

	COEFFICIENT	STD. ERROR	T-STAT	INDEPENDENT VARIABLE
1)	-749.528	73.844	-10.15	CONSTANT
	0.00554976	0.000269	20.63	PDY86

R-BAR SQUARED: 0.92789

DURBIN-WATSON STATISTIC: 0.106623

STANDARD ERROR OF THE REGRESSION: 147.548 NORMALIZED: 0.216437

These results suggest spending on this item varies directly with income (the coefficient of 0.0055 means households spend about 0.55 percent of their incomes on this product over time). The results suggest real income alone explains about 92.8 percent of the variation in spending over the period 1961 to 1994 (this is revealed by the fact that the

R-Bar Squared is equal to 0.92789). We know that variations in interest rates, unemployment rates and/or relative prices were also likely important contributors to explaining some of the variation in spending on this product group over time. But the results above suggest income is the dominant factor in this case. In this assignment we were not so interested in explaining short-term variations in spending, but rather longer-term variations known to depend mostly on changes in the real income position of households.

Using the regression results for all 130 or so goods and services categories combined with our forecast of the future real disposable income of households we were able to develop long-term growth projections of spending by category assuming the only factor worth considering is real household after-tax income. These income driven projections are summarized in Tables 14-A through 14-E in the report.

