Falling prices rein in the value of retail sales

HIGHLIGHTS

- The value of retail sales was flat in March.
- Sales of automobiles and parts rose 0.7% over the month, a result that is clearly better than what the preliminary data suggested.
- Service stations have pulled back 1.3%.
- Excluding automotive product and service station sales, retail trade advanced 0.1% in March.
- In real terms, retail sales rose 0.7%.

COMMENTS

As expected, March’s drop in goods prices played a big role in the change in the value of retail sales. This is especially true for gas prices, which fell 4.6% once seasonally adjusted. Without this drop in prices, retail sales as a whole would have instead gone up 0.7%, a result similar to the trend seen in recent months. Overall, conditions are therefore still fairly positive for retail trade.

That being said, we must expect retail sales growth to once again be impeded by falling goods prices in April. According to the consumer price index, on a seasonally adjusted basis, goods prices may have gone down 0.6% in April.

Implications: In real terms, retail sales are up by an annualized 1.8% for the first quarter of 2013, a pace that is nearly twice as fast as in the last quarter of 2012. Consumer spending should therefore make a positive contribution to real GDP growth for the first quarter of 2013. Note that our latest outlook calls for real GDP to rise by 2.5% in Q1 2013.

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Heading for another rise by goods consumption in Q1 2013?

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