CANADA

Retail sales pick up steam

HIGHLIGHTS

- Retail sales rose by 1.9% in May, after nearly flat growth that lasted for two months.
- Almost all sectors of the economy made a positive contribution to May’s increase in retail trade. In particular, we note a 4.3% gain in sales by car dealerships.
- If motor vehicle products are excluded, retail trade is up by 1.2%.
- Expressed in real terms, sales also spurted by 1.9%.

COMMENTS

More good news this morning, since retail trade enjoyed improvement far beyond expectations. This comes together with significant increases in manufacturing sales (+0.7%) and in wholesale sales (+2.3%) during the month of May.

Expressed in real terms, retail sales are showing an annualized increase of 8.3% in the second quarter so far, so retail trade is on track to enjoy its strongest growth since the 10.3% that was recorded in early 2010.

Clearly, the Canadian economy seems to have regained momentum in the spring. It should be noted that the economic outlooks south of the border are gradually improving, the labour market trend is still quite positive, and household confidence is holding close to its historic average. However, amidst these favourable developments there are some more mixed data to contend with, in particular in the number of hours worked in the services sector, which declined by 0.8% during the month.

Implications: All told, our estimates indicate that real GDP by industry could grow by around 0.2% in May. Combined with the 0.1% gain posted in April, the expected upturn in May would provide a carryover of slightly more than 2.0% for the second quarter as a whole. But in reality, last spring’s economic growth is likely to come in below that target, since the floods in Alberta and the construction strike in Quebec no doubt curbed production in June.