



CANADA

Retail trade weak in March

HIGHLIGHTS

- Retail sales dipped 0.1% in March.
- Sales decreased notably among motor vehicle and parts dealers (-0.7%) and clothing and clothing accessories stores (-1.4%), but were largely offset by increases in service stations (+0.8%) and grocery stores (+0.4%).
- Retail sales retreated in five provinces in March, including in Quebec (-0.8%) and Ontario (-0.6%). Once again, the Western provinces stood out with significant retail sales growth (+1.1%).
- Retail sales were down 0.2% across Canada in real terms.

COMMENTS

Retail trade activity fell short of most forecasters' expectations of a small increase in March. While disappointing, this sluggishness is not overly worrisome.

For one thing, monthly retail trade figures are quite volatile and sensitive to fluctuations from certain industries. In light of this, analyzing annual change provides a better indication of the trend in retail sales, which continues to be fairly good at around 4%.

For another, an activity sector's growth depends on sales registered during the month, as well as on the change in inventory. Even though monthly data on retail inventory is not available, the sharp increase (+2.3%) in wholesale inventory recorded in March signals an upward trend in trade inventory, so it is not inconceivable for this sector to positively contribute to economic expansion during March after all.

Implications: Expressed in real terms, retail sales were only up 0.1% (quarterly annualized) in the first quarter of 2014. This is a net slowdown compared with previous quarters, leading to fears of slower growth in consumer spending on goods. Note, however, that the first quarter result was largely affected by December's drop in sales, without which, the volume of retail sales would have increased around 5% in the first quarter.

Retail sales inched down this March



Sources: Statistics Canada and Desjardins, Economic Studies

Growth in consumer spending on goods should cool off in the first quarter in 2014



Sources: Statistics Canada and Desjardins, Economic Studies

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