



## CANADA

### Holiday sales disappoint again

#### HIGHLIGHTS

- In December, the value of retail sales pulled back 2.0%.
- Most activity sectors underwent substantial drops for the month. Because of the decline in gas prices, the service station sector stands out with a pullback of 7.4%.
- The drop in retail sales affected all of the provinces. Quebec did a little better than the rest, falling "just" 0.5%.
- In real terms, sales are down by 1.3%.

#### COMMENTS

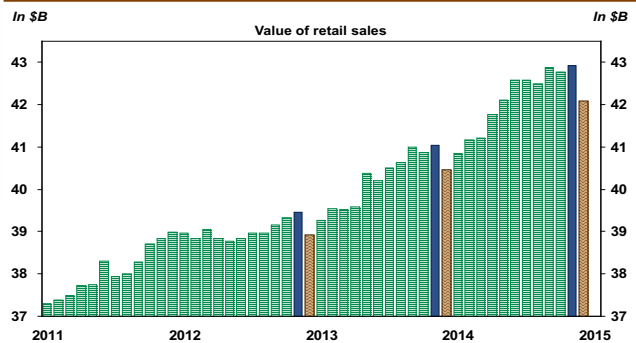
We suspected that December's retail sales would be negative because gas prices plummet during the month. One unknown remained: the proportion of holiday purchases that would be moved ahead, with the bigger and bigger discounts encouraging more consumers to do their buying in November.

This phenomenon had a much bigger impact than anticipated. Statistics Canada's seasonal adjustment process no doubt exaggerated December's drop in sales. Conversely, it probably inflated the sales recorded in November somewhat. The same phenomenon occurred in 2013 and 2012.

Under these conditions, the best way to analyze movement in retail trade during the holiday period is to compare average retail sales in November and December with the level in October. Using this metric, seasonally adjusted sales fell 0.6% during the 2014 holiday period. This result is similar to other years, which saw a dip of 0.3% in 2013 and of 0.4% in 2012. The last time retail sales rose during the holiday period was in 2011.

These results show the degree to which Canadian retailing is changing. Firstly, sales are more spread out over time. Secondly, consumers are increasingly using gift cards, which pushes a portion of sales back to January. Thirdly, online retailing plays a bigger role, to the detriment of traditional merchants. Some online sales are not included with the data

Major blips affect retail sales at year-end



Sources: Statistics Canada and Desjardins, Economic Studies

on retail trade, highlighting some shortcomings in how retail sales are handled statistically.

**Implications:** At first glance, the results for holiday retail sales are negative. Given the statistical issues and the temporary effect of the drop in gas prices, we cannot, however, characterize the 2014 holiday period as a bad one for retailing. Moreover, the annual change in sales was 4.0% in December, despite the lower gas prices, which is satisfactory growth historically speaking.

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