Canada: Positive retail sales performance in 2016

HIGHLIGHTS

- The value of retail sales shrank 0.5% in December, coming in below expectations.
- Most activity sectors saw a drop in sales. This was the case for new car dealers (-2.7%), furniture stores (-2.4%), electronics and appliance stores (-2.3%) and clothing stores (-3.7%).
- In real terms, retail sales dropped 1.0% in December. Due to significant growth in the previous months, the fourth quarter nevertheless posted a 4.5% advance (quarterly annualized).
- For 2016 as a whole, the value of retail sales grew 3.7% in Canada, compared with 1.7% in 2015 and 4.6% in 2014.
- British Columbia and Prince Edward Island showed the biggest advance in retail sales in the country in 2016.

COMMENTS

Although 2016 ended on a low note, with a drop in sales in December, growth in retail sales was quite good over the past few months. Apart from Alberta, Saskatchewan and Newfoundland and Labrador, which suffered adverse effects from declining energy prices, the other provinces showed a convincing increase in retail sales in 2016. These regional disparities should nevertheless dissipate in 2017, as an upswing was recently observed in the oil-producing provinces. The stabilization of the energy sector certainly had a hand in this projection.

IMPLICATIONS

With an increase of 4.5% of retail sales volume for the fourth quarter as a whole, there is hope that consumer spending will contribute positively to economic growth in fall 2016. If we also consider the anticipated improvement in the trade balance and the expected drop in business investment (after the temporary surge in Q3), real GDP growth could be slightly below 2% in the fourth quarter.