

ECONOMIC NEWS

Canada: 2019 Was a Tough Year for Retail Trade

HIGHLIGHTS

- ▶ As expected, retail sales were flat in December, with virtually no growth for the month.
- ▶ For the fourth quarter as a whole, the volume of retail sales declined 2.1% (annualized).
- ▶ With the exception of food, electronics and appliance stores and miscellaneous merchandise stores, all other retailers saw a decline in sales volume in the fourth quarter.
- ▶ In total, retail sales rose just 1.6% in 2019, the weakest annual increase since 2009.

COMMENTS

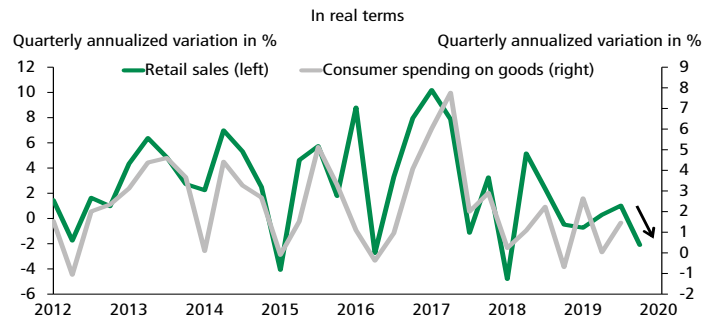
The decline in retail sales in real terms confirms that consumer spending growth in the fourth quarter will be disappointing. This will slow down domestic demand, which is expected to be sluggish during the quarter.

With such poor results recorded last fall, the balance sheet for 2019 as a whole is far from rosy. This is surprising in a context where conditions are nevertheless favourable in most regions, with a strong labour market, faster wage growth and very low interest rates. This likely reflects greater caution by consumers in a context of high debt levels. The household savings rate rose from 1.9% at the end of 2018 to 3.2% in the third quarter of 2019, and there is every reason to believe that this rate climbed again in the fourth quarter.

It's worth noting that the structural transformation of retail trade continued in 2019, while e-commerce continued to grow. With growth of 22.4% in 2019, e-commerce is clearly outpacing the other sectors, which posted a scant 0.9% gain for the year. As a result, the relative weight of e-commerce rose to 3.5% in 2019.

GRAPH

Weak retail sales in the fourth quarter do not bode well for consumer spending



Sources: Statistics Canada and Desjardins, Economic Studies

IMPLICATIONS

The last few months' results in retail trade confirm that real GDP growth in Canada will come in virtually flat in the fourth quarter of 2019. The question now is how temporary these difficulties will be. And yet several disruptions have continued into early 2020, which could prolong the difficulties for the Canadian economy.

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