

ECONOMIC NEWS

Canada: More Subdued Retail Sales Growth

HIGHLIGHTS

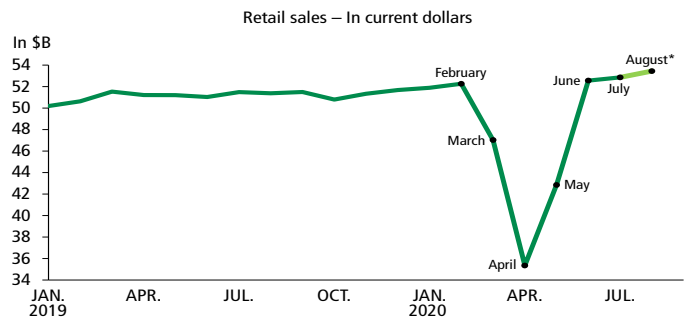
- ▶ The value of retail sales climbed 0.6% in July, fairly close to Statistics Canada's preliminary estimate of +0.7%.
- ▶ Motor vehicle and auto parts dealers saw a 3.3% increase during the month, while service station sales posted a 6.1% gain.
- ▶ Excluding these two sectors, however, sales were down 1.2% during the month. Building and gardening materials stores (-11.6%) and grocery stores (-2.1%) experienced substantial reductions in July, which weighed heavily on the monthly balance sheet for total sales.
- ▶ According to Statistics Canada, preliminary data indicate that August ended with a 1.1% increase in the value of retail sales.
- ▶ In real terms, retail sales advanced by 0.4% in July.

COMMENTS

While most sectors have returned to levels equal to or higher than pre-pandemic numbers, growth in retail sales started to slow in July. This makes sense, after all. However, one might wonder whether the shortage of some goods is not also starting to curb the momentum in retail. This is definitely partly the case for building and gardening materials stores. Excluding this sector, retail sales growth would have been more than twice as high in July, at around 1.5%.

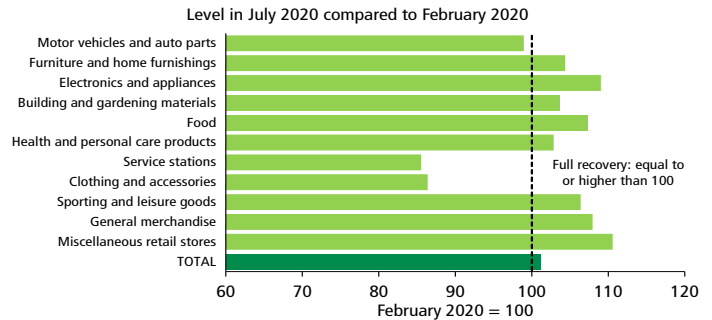
IMPLICATIONS

Although growth is much slower than during the catch-up phase, the outlook for the coming months is still fairly positive. Moreover, households' solid financial situation and the continuation of some of the federal government's support measures will be favourable factors.

GRAPH 1
Retail sales growth returns to a more moderate pace


* Preliminary result.

Sources: Statistics Canada and Desjardins, Economic Studies

GRAPH 2
Service stations and clothing and accessories stores are still lagging far behind


Sources: Statistics Canada and Desjardins, Economic Studies

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