

ECONOMIC NEWS

Canada: Retail Sales Plunge in December

HIGHLIGHTS

- ▶ Retail sales fell 3.4% in December, their biggest drop since the April 2020 low.
- ▶ Nine of 11 sub-sectors recorded declines in December.
- ▶ Retail sales retreated in all provinces in December. The biggest decreases were recorded in Manitoba (-7.2%), Ontario (-6.5%) and British Columbia (-2.2%). In Quebec, they dipped -0.3% in December.
- ▶ For 2020 as a whole, Canadian retail sales are off 1.4%. Half of the provinces saw declines, particularly Ontario (-3.4%) and Alberta (-2.5%). Quebec did fairly well (-0.4%).

COMMENTS

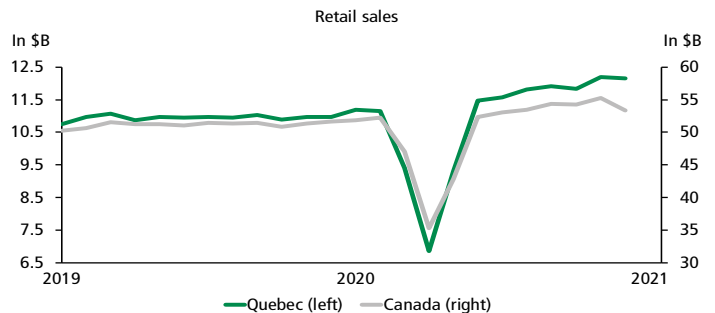
December's nationwide drop in retail sales was predictable. As the second wave of COVID-19 intensified, provincial governments tightened public health measures; some, like Ontario and Quebec, shut down non-essential businesses completely the day after Christmas. Online sales continued to gain ground, with total retail sales increasing 7.8% in December, but this did not make up for the weakness in in-store sales.

While it was a tough year end for retailing, it still bounced back quickly after the first wave. The second-wave measures caused substantial damage, but the downturn is not as big as it was in the spring of 2020.

The picture varies substantially depending on the sector of activity. Sales in the automotive sector, service stations, clothing and footwear were particularly hard hit in 2020. Conversely, hardware and food and beverage store sales shot up last year.

GRAPH

Retail sales declined in December, but remained relatively high



Sources: Statistics Canada and Desjardins, Economic Studies

IMPLICATIONS

Despite December's major drop in retail sales, Canada saw growth for the last quarter, coming in at 1.2% in value and 0.8% in volume terms. The positive numbers for the consumption of goods will support the fourth-quarter increase in real GDP.

However, the first quarter of 2021 will get off to a negative start. According to an interim estimate from Statistics Canada, retail sales fell 3.3% in January. Non-essential businesses remained closed throughout January in Quebec and Ontario; they were only closed a few days in December. The reopenings permitted as of February will trigger a rebound by retail sales and boost the economy.

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