

 **QUEBEC**

Sluggish retail sales in 2015

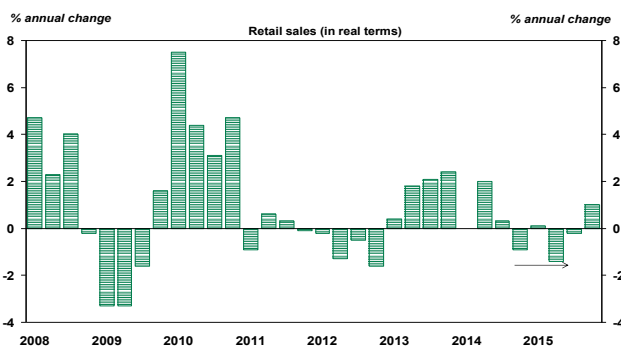
HIGHLIGHTS

- Retail sales fell by 2.1% from November to December 2015.
- For the year as a whole, the nominal increase is 1.0%.
- The low gasoline prices drove down the value of service station sales, which plunged by nearly 20% in 2015. But this does not account for everything, since many sectors recorded a decline last year.
- Sales at grocery stores, which represent 20% of retail trade, barely rose in 2015 (+0.3%). Sales of furniture and domestic appliances dipped by 0.6% in 2015. The sales of miscellaneous store retailers dropped by 3.9%.
- A few sectors saw healthy growth last year: motor vehicle and auto parts dealers (+7.9%), clothing and accessories stores (+6.3%) and drugstores (+6.7%).

COMMENTS

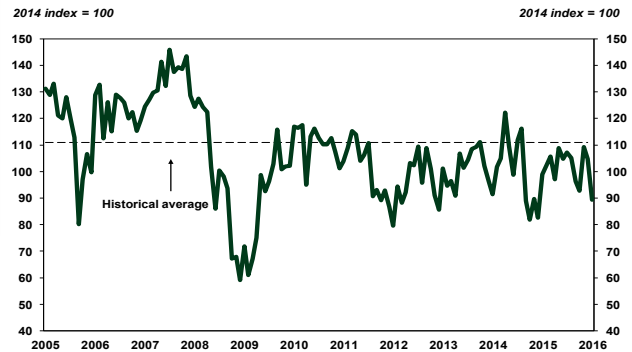
The December retail sales slump is disappointing, but is not exclusive to Quebec. According to Statistics Canada, nine provinces recorded a pullback. Sales were soft over the holiday period around the country, ending 2015 on a negative note.

2015 has been quite a tough year for retail sales



Sources: Statistics Canada and Desjardins, Economic Studies

Consumer confidence has recently eroded



Sources: Conference Board of Canada and Desjardins, Economic Studies

Looking beyond December, retail trade has been having serious problems. The 1% increase in the value of sales in 2015 is mainly attributable to higher prices, which showed similar growth last year in Quebec. In real terms, sales practically stagnated last year.

In these conditions, it is not surprising to see the rationalization of retail trade continue in Quebec. Many banners have closed their doors after many years of business, while others are closing their least profitable outlets in order to repair their finances.

Implications: The December sales slump merely confirms the gloom that is besetting retailers. Last year's job gains have not been enough to stimulate consumers. The slackness of the global economy and the dismal performance by stock markets since the beginning of the year, which cause concern, will no doubt elicit caution from households. In fact, consumer confidence is struggling to stay close to its historical average. Its current level is not high enough to offer hope of a near-term improvement in retail sales.

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