

August 24, 2016

## QUEBEC

### Retail sales: a favourable first half

#### HIGHLIGHTS

- Retail sales have made positive steps since the start of 2016. The cumulative increase for the first six months of the year was 4.5%, compared with the same period in 2015.
- Almost all the primary sectors posted growth in sales in the first half. Motor vehicle and auto parts dealers (+11.8%), hardware stores (+8.8%), pharmacies (+7.5%), clothing stores (+6.2%) and general merchandise stores (+6.6%) experienced strong advances.
- Food stores (+1.8%) and furniture and home furnishings stores (+0.9%) recorded more modest increases, while the value of gas stations sales plummeted 9.7% in the first half of 2016.

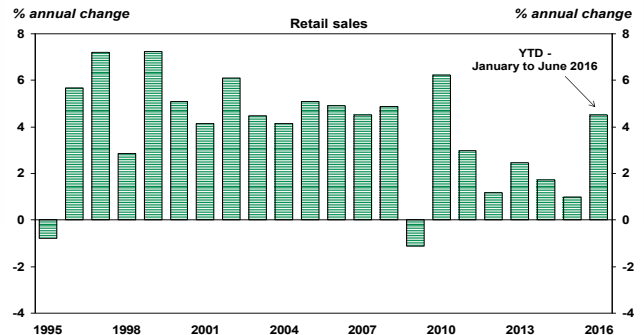
#### COMMENTS

The increase in retail sales in the first half of the year turned out to be excellent news for Quebec. Unlike last year, the advance in sales is generalized across the major activity sectors. The decrease in gas prices since the start of 2016 clearly weakened the value of gas station sales, but the gains in various types of merchandise stores more than offset this pullback.

The 4.5% climb in the value of retail sales in the first six months of 2016 does not stem from quickly rising prices. The annual inflation rate was around 1% in the same period. More specifically, the consumer price index for goods advanced 1% in the first half. The volume of retail sales therefore increased 3.5% during the first half of 2016.

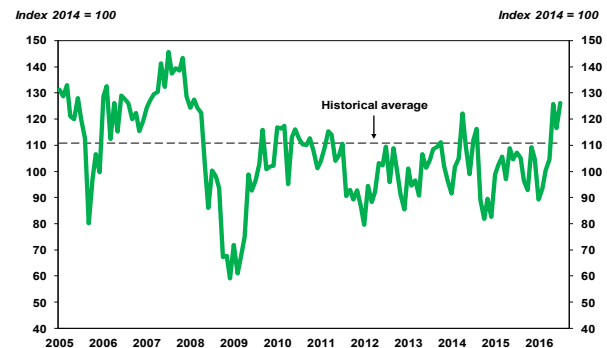
This improvement coincides with a recovery in consumer confidence. The index is now above its historical average, and even rose to its highest level since the beginning of 2008, just before the last recession period. The good performance of the labour market and the federal government tax relief measures likely contributed to firming up household confidence and infused some energy into retail sales.

#### Growth in retail sales firms up in the first half of 2016



Sources: Statistics Canada and Desjardins, Economic Studies

#### Consumer confidence seem well anchored above the historical average



Sources: Conference Board of Canada and Desjardins, Economic Studies

**Implications:** Faster retail sales growth signals that consumers are reinvigorated. Given that their spending accounts for around 60% of Quebec's economy, this is significant support. Even though exports and business investment have been lacklustre since the start of 2016, households' contribution will allow real GDP to maintain its pace of growth at around 1% this year.

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