

Economics

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May 26, 2022

Canadian retail (Mar, Apr adv.): Stalled by auto sales

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Retail sales (period/period % chg)	21:Q3 ¹	21:Q4 ¹	22:Q1 ¹	Jan	Feb	Mar	Mar Y/Y
Total retail sales	11.8	7.7	12.5	3.5	0.2	0.0	2.7
• Vehicle & parts dealers	5.4	6.8	4.1	4.1	-3.8	-6.4	-2.9
• Total ex-vehicle & parts dealers	14.3	8.0	15.8	3.3	1.8	2.4	4.7
Total real retail sales	5.9	-0.1	0.9	2.2	-0.5	-1.0	-5.1

Source: Statistics Canada

- Headline retail sales disappointed in March, but the details of the report were stronger with growth in 10 out of 11 subsectors. Nominal retail sales were flat in March, much weaker than the consensus and advance estimate for 1.4% growth, as lower sales of motor vehicles offset gains elsewhere. Excluding auto sales, receipts were up by a healthy 2.4%, but some of those gains would be driven mainly by higher prices. In volume terms, overall retail sales were down 1%. The advance estimate for April suggests that sales grew 0.8%, which, given continued inflationary pressures, would not be very impressive in volume terms.
- Auto sales held back overall retail sales in March, with a 6.4% decline, the largest at motor vehicle and parts dealers since the onset of the pandemic. The auto sector continues to battle supply chain disruptions and low inventory levels. Meanwhile, receipts at gasoline stations posted a healthy 7.4% gain in March, supported by higher prices (+11.8%) but also strong volume growth (+3.1%). Excluding autos and gasoline, "core" sales were up by a solid 1.5% in March.
- Within that core breakdown, the increase was led by higher sales of building material (+3.7%). Clothing sales also continued their strong push with a 2.2% gain on the month to follow the 15.5% from last month, as more workers returning to the office look to upgrade their wardrobe.
- Over the past year, retail sales are up by 2.7%. However, that gain entirely reflects inflationary pressures, with the volume of sales falling 5.1% relative to March 2021. That reflects the fact that goods spending had already rebounded strongly by the beginning of 2021, and that gains in overall consumer spending since then have mainly come on the services side. One notable exception is for clothing, which is tightly linked to service consumption and buoyed by the return to the office of many workers.
- Retail sales grew 12.5% annualized in Q1, largely on higher prices. In volume terms, retail sales grew a much less impressive 0.9%.
- On a seasonally adjusted basis, retail e-commerce sales were down 1.9% in March, and on an unadjusted basis they were 24.6% lower than a year earlier. However, that year-over-year comparison is against a period where non-essential retailers were still very affected by the pandemic and many Canadians looked to online sales to avoid going out.

¹ Annualized.

Implications & actions

Re: Economic forecast — Motor vehicle sales look to have limited overall spending on goods in Q1, despite decent contributions from other goods consumption. The April advanced estimate from this release, combined with previously released data for manufacturing sales (+1.6%) and wholesale trade (+0.2%), suggests little help in real terms from these sectors for monthly GDP, which will rely on the continued growth in services. Overall, the impact of surging inflation on household disposable incomes will likely be a stronger headwind to sales volumes in Q2.

Re: Markets — Bond yields were already falling before the release, which did little to affect them. There was no significant movement in the C\$.

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