A later than normal arrival of spring weather appears to have contributed to retail sales looking soft in April. However, the weakness was relatively concentrated during the month, and could prove somewhat transitory given that temperatures have finally risen. As a result, combined with an upward revision to the prior month, the picture of retailing in Canada is not as negative as the headline reading suggests, and won’t do anything to push the Bank of Canada off the sidelines.

Headline retail sales advanced a meager 0.1% in April. But that weakness comes after an upwardly revised increase of 1.3% in April (prev. 1.1%) and was the result of declines in only a few categories, with seven of 11 groupings, representing 74% of total retail sales, actually rising during the month.

Clothing and building materials were the main drags on retail sales during the month. Both, however, were coming off of notable gains in the prior month and were likely adversely affected by households putting off seasonal purchases as the weather in many parts of the country in April had yet to turn. That should prove only temporary as temperatures have since warmed up, with the Raptors’ championship run likely only adding more fuel to apparel sales in coming reports.

Still, despite the weakness being narrowly focused, the only reason the headline was able to post a positive reading was as a result of higher prices, particularly gasoline prices. In fact, volumes were down 0.2% in April. The recent decline in gas prices means it won’t be able to similarly save the headline from sinking into negative territory in the coming months. But if households choose to spend those savings elsewhere, volumes could look a touch better. The decline in sales volumes also came alongside a slight upward revision to the prior month’s real sales reading.
Implications & Actions

Re: Economic Forecast — The decline in sales volumes is likely to prove only temporary, but will leave monthly GDP just barely able to eke out a gain for April. Despite the upward revision to the prior month blunting some of the effects on Q2 GDP tracking, it still appears that the quarterly annualized gain will be in the 2 - 2 ½% range rather than above 2 ½%.

Re: Markets — Despite the slight headline miss, markets didn’t see much change following the release given that the weakness was narrowly focused.