

Retail sales still strong in April

Nominal retail sales for March

Latest number: +0.8% (actual) +0.3% (expected)

Excluding motor vehicles & parts

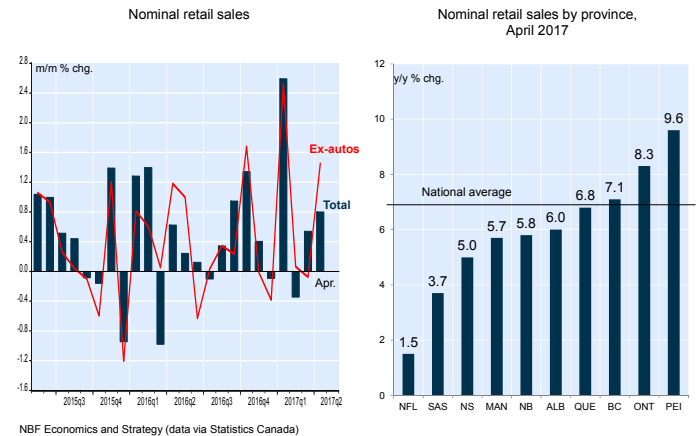
Latest number: +1.5% (actual) +0.7% (expected)

FACTS: Canada's retail sales rose 0.8% in April, topping consensus which was looking for an increase of 0.3%. Sales rose in 9 of the 11 major subsectors. Autos posted a decline of 1.0%. Excluding autos, sales were up 1.5% (much stronger than the +0.7% expected by consensus) as increases for sellers of electronics, building materials, sporting goods, general merchandise, gasoline, food/beverage, health products, clothing and miscellaneous items more than offset the decline in furniture/home furnishings. Discretionary sales, i.e. sales excluding gasoline, groceries and health products, rose 0.9% during the month. In real terms retail spending was up 0.3%. Retail sales were up 7.0% year-on-year in nominal terms. Among provinces, BC (+7.1%), Prince Edward Island (+9.6%), Ontario (+8.3%) showed year on year gains that were above average, while Saskatchewan (+3.7%) Newfoundland & Labrador (+1.5%) lagged (top chart).

OPINION: Canadian consumers surprised on the upside for a second consecutive month in April with gains being widespread across categories. In real terms, the 0.3% gain in April is impressive as it follows a 1.1% gain in the prior month. As a result, even if consumption is flat over the next two months, retail sales would be growing at a very decent 4.6% growth annualized in Q2 (middle chart). Such a performance after an astonishing 8.1% in Q1 and 7.5% in Q4 is very impressive. While we expect consumption to moderate over the coming quarters, Canadian consumers remain in a very good shape. Over the last 7 months, the labour market generated 196K full-time jobs for prime-age workers, the largest increase in 20 years. Such a gain for a group with a high propensity to take credit combined with a significant housing wealth effect contributed to inflate the consumer confidence in Q2 to its highest level in 9 years (bottom chart).

Matthieu Arseneau

Canada: April retail sales surprising on the upside

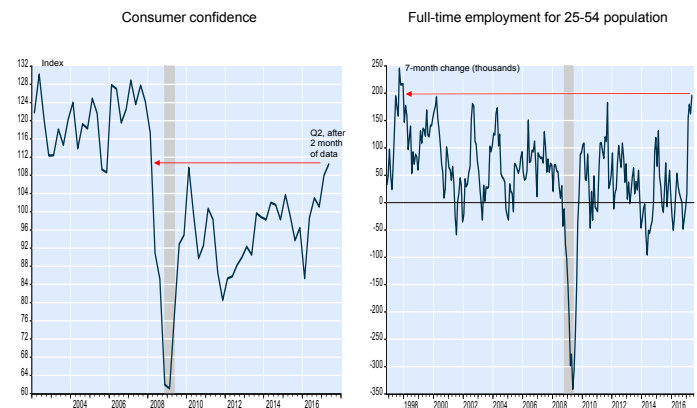


Canada: Consumption supporting growth again in Q2

Real consumption spending on goods versus Real retail sales



Canada: Consumer confidence at a post-recession high



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