

Cold April chills retailers

Nominal retail sales for April

Latest number: -1.2% (actual) 0.0% (expected)

Excluding motor vehicles & parts

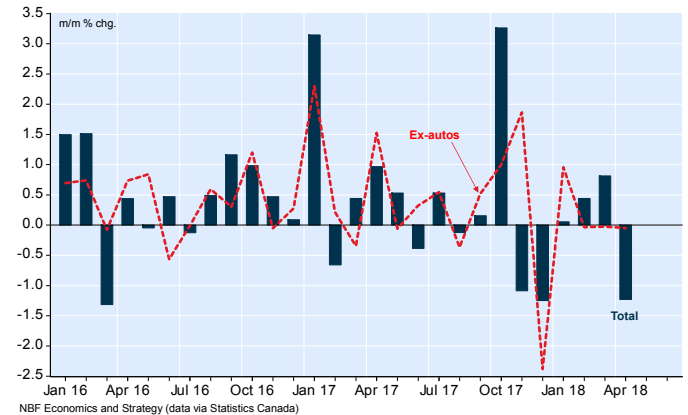
Latest number: -0.1% (actual) +0.5% (expected)

FACTS: Canadian retail sales slumped 1.2% in April, disappointing consensus which was expecting no change (top chart). There were upward revisions to the prior month from +0.6% to +0.8%, although that's scant consolation. Sales were down in 8 of the 11 broad categories in April. Autos were largely responsible for the overall sales decline, falling 4.3% during the month. Excluding autos, sales were down just 0.1% as declines for building materials (-3.3%), furniture/home furnishings (-0.9%), health/personal care products (-0.9%), clothing/accessories (-1.3%), sporting goods (-1.1%), general merchandise (-2.2%) and miscellaneous items (-1.6%) more than offset higher sales of gasoline, food/beverage, and electronics. Seven of the 10 provinces saw declining sales in April, with Ontario and Quebec being hit particularly hard. In real terms overall Canadian retail sales sank 1.4%.

OPINION: The Canadian retail data for April was much weaker than expected, with discretionary sales (i.e. sales excluding gasoline, groceries and health products) sinking at the fastest pace in three years (middle chart). Does that mean Canadian consumers are finally folding under the weight of elevated household debt? True, a rough start to the year for the labour market (if you believe the Labour Force Survey) and rising interest rates could be weighing on consumers somewhat. But a colder than normal April also weighed on the results as evidenced by the sharp drop in sales of items such as clothing, sporting goods, and building materials. Central Canada was hit particularly hard by inclement weather in April, and hence the sharp drop in sales in Ontario and Quebec should not be surprising. In fact, excluding those two provinces, Canada's retail spending was actually up in April (bottom chart). So, the overall weak retail results have to be interpreted with caution. While the outlook for Q2 Canadian consumption may not look good right now, we expect the picture to improve in the coming months starting with a sharp sales rebound in May.

Canada: Retail sales slumped in April

Nominal retail sales



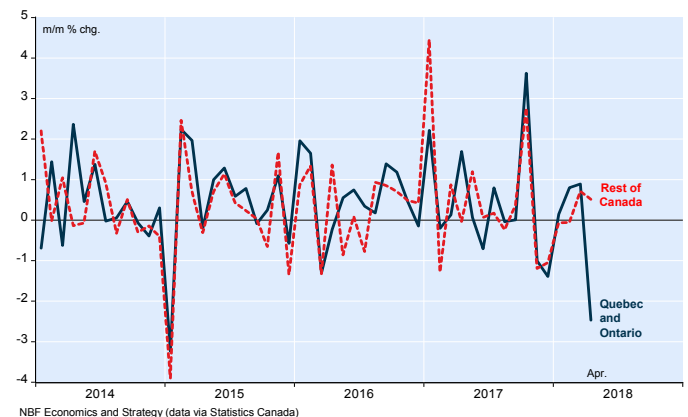
Canada: Discretionary sales plunged in April

Discretionary retail sales, i.e. sales excluding gasoline, groceries and health products



Excluding Central Canada, retail sales actually grew in April!

Nominal retail sales



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