Economics News

Canada: Retail sales surged in May
By Kyle Dahms

Consumer expenditures on goods came out better than expected although the prior month observed a small downward revision. The May print was pushed up by sales at gasoline stations and motor vehicle/parts dealers. For gas, sales registered a fifth consecutive increase and their biggest surge in 15 months, but this was entirely due to higher prices as gas sales declined 2.2% when adjusted for the price effect. For autos, sales were propelled by higher sales at new car dealers which appear to be benefitting from increased manufacturing activity and improvements on the supply chain front. The remainder of the retail sales report was not too shabby as witnessed by core retail sales (ex. autos/gas) which increased 0.6% in May, a fifth consecutive monthly increase. The national diffusion of retail sales was also a bright spot of the report as all provinces reported gains in the month. Furthermore, there was some optimism to be found by the increase in volume retail sales which rose 0.4% in the month. Including the rise in the previous month, real retail spending increased 2.1% annualized in the second quarter of the year assuming growth is flat in June (see left chart). The Statistics Canada preliminary estimate for June suggests a 0.3% increase in nominal sales. While gas receipts should support nominal retail sales with rising gasoline prices in June, there could be a reduction in spending in other sectors as consumers deal with higher prices and rising interest rates. Hopefully these headwinds are compensated by a strong labour market and a still high savings rate.

HIGHLIGHTS:

- Canadian retail sales were up 2.2% in May, 6 ticks above the consensus call for a gain of 1.6%. The prior month’s result was revised down by two ticks from 0.9% to 0.7%.
- Overall, retail sales are now 19.4% above their pre-pandemic level.
- Consumer outlays increased in 8 of the 11 subsectors (see right chart), with the strongest gains occurring in gasoline stations (+9.2%), motor vehicles/parts (+3.3%), food/beverages (+1.9%), and general merchandise stores (+1.4%) among others. These rises were partially offset by the decline in miscellaneous store retailers (-6.7%) and building/garden materials (-1.7%).
- Excluding autos, retail sales progressed 1.9%, which is above the consensus calling for a gain of 1.8%.
- On a regional basis, sales were up in all provinces with the principal increases stemming from Quebec (+3.4%), Ontario (+1.9%), Alberta (+1.9%), Manitoba (+4.9%) and British Columbia (+1.3%) among others.
- In real terms, retail sales rose 0.4% m/m.
- Finally, Statistics Canada early estimate for June suggests a 0.3% increase in nominal sales.

[Charts and tables related to retail sales trends and regional analysis provided in the original document.]
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