

## Canada: Retail spending failed to advance in February

By Kyle Dahms

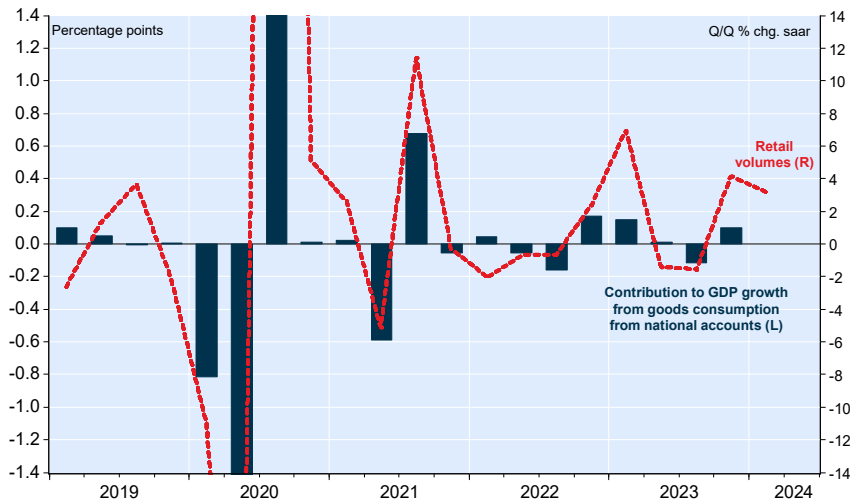
February's retail sales report was slightly worse than consensus expectations (-0.1% vs. +0.1%) and follows a decline in the prior month. The headline number was held back by gas receipts, which posted a first decline in four months. The loss could have been worse if not for higher gas prices as evidenced by the deeper trough in volume terms (-3.9%). Following a decline in the previous month, motor vehicle and parts dealers saw an improvement on the back of other dealers (+5.1%), new and used vehicles (+0.3% respectively) which more than offset a decline for parts (-1.7%). The relatively tepid increase for new car sales is puzzling considering that alternative data sources have witnessed strong sales up to February. That said, weak March data shows that difficult financing conditions and elevated vehicle prices could keep demand contained for the coming months especially if the central bank keeps rates elevated and payment shocks with mortgage renewals materialize. Excluding autos, retail sales were weaker than anticipated, falling 0.3% compared to the +0.1% expected. Core retail sales, which exclude both autos and gas, were flat in the month following an increase in the prior. After a decent progression in January, housing related purchases declined in February. The latter are unlikely to pick up significantly due to current affordability issues for both renters and homeowners. Looking at sales excluding the price effect, retail spending fell 0.3% in February but followed a 0.5% increase in the prior month and a decent handoff from the last month of 2023. As such, retail spending is set to contribute to growth in the first quarter of the year following two months of data (see left chart). That being said, per capita retail spending remains tame considering record high population growth in Q1 (see right chart). As monetary policy remains restrictive it will continue to have an impact on the consumer with a lag (especially considering the interest payment shock). The early estimate for March sales suggests no change on a nominal basis.

### HIGHLIGHTS:

- In Canada, retail sales decreased 0.1% in February to C\$66.7 billion, two ticks below consensus expectations for +0.1% print.
- Consumer outlays fell in 5 of the 9 subsectors in the second month of 2024, led by lower sales for gasoline stations/fuel vendors (-2.2%), furniture/electronics/appliances (-1.5%), clothing/accessories (-1.0%) and building materials (-0.4%) among others. These regressions were only partially offset by increases for motor vehicles/parts dealers (+0.5%), general merchandise (+1.1%), and health/personal care retailers (+0.4%) among others.
- Excluding autos, retail sales were down 0.3% in the month, 4 ticks below the print expected by the median economist forecast (+0.1%).
- On a regional basis, sales were down in 7 of the ten provinces, with the biggest losses occurring in Alberta (-1.1%), Ontario (-0.2%) and Nova Scotia (-1.5%). British Columbia posted the largest increase (+1.2%), followed by Saskatchewan (+1.7%). Quebec posted a minor pullback (-0.1%).
- In real terms, retail sales fell 0.3% Canada-wide.
- Finally, Statistics Canada's early estimate for March suggests nominal sales could have been no better than flat.

### Retail sales likely to contribute to growth from goods consumption

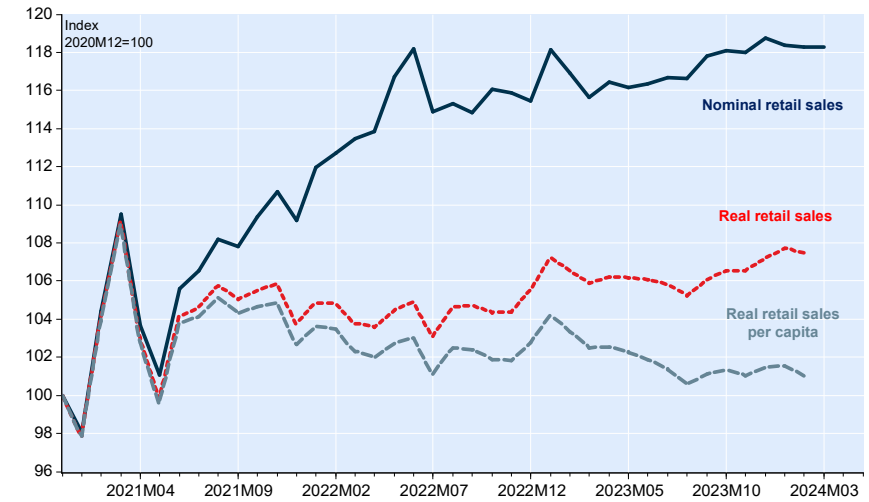
Real retail sales vs. contribution to GDP growth from goods consumption (from national accounts)



NBF Economics and Strategy (data via Statistics Canada)

### Canada: Real retail sales per capita remain disappointing

Retail sales (includes preliminary estimate for March nominal sales)



NBF Economics and Strategy (data via Statistics Canada)

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