

Canada: Retail spending rebounds, but consumers continue to face challenges

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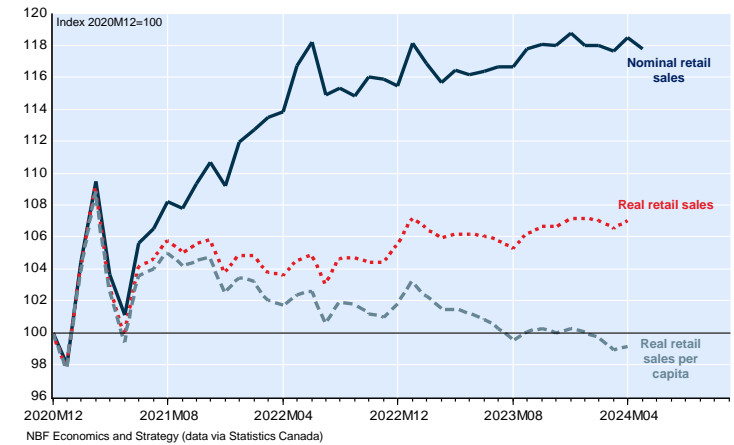
Highlights:

- In Canada, retail sales increased 0.7% in April to C\$66.8 billion, in line with consensus expectations.
- Consumer outlays rose in 7 of the 9 subsectors, led by gasoline stations/fuel vendors (+2.1%), food/beverage retailers (+1.9%), sporting goods (+3.4%) and health/personal care (+1.9%). These gains were only partially offset by declines for motor vehicles/parts dealers (-2.2%) and building material (-1.4%).
- Excluding autos, retail sales were up 1.8% in the month, overshooting the median economist forecast by 1.2 percentage points.
- On a regional basis, sales were up in 8 of the ten provinces, with the biggest increases occurring in Alberta (+3.1%), Saskatchewan (+8.5%) and British Columbia (+1.3%). Ontario, meanwhile, posted the biggest pullback (-1.0%), followed by Nova Scotia (-0.5%).
- In real terms, retail sales rose 0.5% Canada-wide.
- Finally, Statistics Canada's early estimate for May suggests nominal sales could have decreased 0.6% in the month.

Retail sales data for April were in line with economists' expectations, showing an increase after a 0.3% decline in March (revised down from -0.2%). This good performance came despite a 2.2% decline in sales of automobiles and parts. Excluding the latter, the monthly increase was solid after the weakness recorded in March (-0.8%), with a rise of 1.8%, the strongest increase since May 2022. Regionally, the strength was concentrated in the western part of the country whereas weakness was seen in the central provinces. Today's report showed that Toronto's economic struggles continue, with retail sales down 3.9% so far this year (-0.2% nationally), a development that is consistent with the significant deterioration in the labour market. While the data released this morning do not show a consumer in disarray, it is important to temper expectations for the future, especially as preliminary data for May show a contraction in sales. First, real per capita retail sales only stabilized in April, despite a seemingly solid number (top chart). The clear downward trend in real retail sales per capita since the first rate hikes in 2022 shows the negative impact of tighter financial conditions on the consumer. We note that the majority of sectors have seen declines since March 2022, with discretionary spending suffering the most, including real estate-related spending (furniture and building materials, bottom chart). Even if the first rate cut has been announced, financing conditions remain a deterrent to the purchase of big-ticket items such as cars. What's more, homeowners who have to renew their mortgages continue to face substantial payment shock (around 20% increase on average in 2024). Consumer confidence is already very low and this will not improve matters if, as we believe, the labour market continues to deteriorate with corporate profitability becomes an issue ([link](#)).

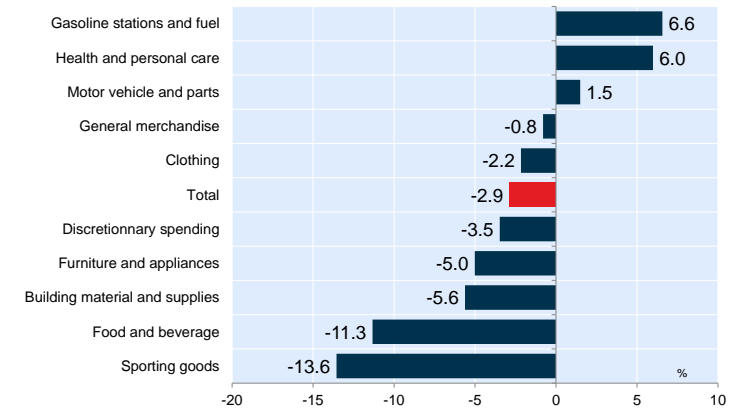
Canada: Real retail sales per capita have not progressed

Retail sales (includes preliminary estimate for May nominal sales)



Canada: Industrial perspective on retail sales

Change between March 2022 and April 2024 in real retail sales per capita by industry





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