



Economic Flash!

June 20, 2008

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Cdn Retail Sales: After the Frost, the Sunshine

Per/Per % chg	07:Q4*	08:Q1*	Feb	Mar	Apr	Apr Y/Y
Total Retail Sales	6.8	7.1	-0.8	0.0	0.6	4.2
Vehicle & Parts Dealers	1.0	11.0	-2.5	-0.2	-1.2	-0.9
Total ex Vehicle & Parts Dealers	8.6	6.0	-0.4	0.1	1.1	5.8
Total Real Retail Sales	7.3	3.7	-0.8	0.4	0.5	4.2

* annualized

- After two disappointing months in Canadian retail sales, consumers seemingly took advantage of the improved April weather to go shopping. Total retail sales bounced back in the month, rising 0.6% versus the downwardly revised March reading which was flat. As in the prior month, April's ex-auto sales were better than the headline, rising 1.1%, compared to 0.1% in March.
- The retail numbers looked good in real terms as well, with sales rising 0.5% in April, which will be a plus for April's GDP.
- Monday's vehicles sales report had lowered expectations for auto sales showing a monthly drop of 2.6% in unit sales in April which dragged new car retail sales down 1% in the month. However, total auto sales in April dropped only 0.2%, thanks to the 1.9% increase in receipts at gasoline stations which partly compensated for the declines in new and used car sales. There were also higher sales for durable goods such as furniture, home furnishings and electronics, while sales of clothing and accessories posted a 2.8% increase.
- As in prior months, the "building and outdoor home supplies" category continued to slide, in line with the cooling real estate market.
- Looking at provinces, Québec posted the biggest jump in retail sales in April after two weak months, taking its year-on-year gain to 4.6%, a hair above Ontario's 4.5%. Saskatchewan continued to lead the nation with the fastest year-on-year growth at 12.5%. Alberta's retail sales fell in April but that was expected given the 8.7% drop in unit vehicle sales in the month, restricting the province's year-on-year gain to a meager 1%.

Implications & Actions

Re: Economic Forecast — This improvement in retail sales follows yesterday's positive wholesale trade report which also pointed to improved volumes, and both seem to indicate that the weak sales in the first quarter might have been weather-related. Those promising sales numbers will be a positive for April GDP, although it's unclear whether those gains will be sufficient to compensate for the declining merchandise trade volumes seen in the month.

Re: Markets — The headline retail sales numbers matched consensus and did not seem to move markets much. Following Governor Carney's speech yesterday, which focused on growing inflation risks, the improved retail sales data will reinforce market expectations that interest rates might have reached a trough in June.

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