

## ECONOMIC NEWS

# Beware the Ides of March after Retail Sales Fall in February

By Randall Bartlett, Senior Director of Canadian Economics

### HIGHLIGHTS

- ▶ Retail sales fell 0.2% in February, much less than anticipated by Statistics Canada or the consensus of forecasters. The decline in the month was entirely due to lower volumes, down 0.7%. In contrast, prices rose 0.5% in February.
- ▶ Sales were lower in 4 of 9 subsectors, with sales at gasoline stations and fuel vendors (-5.0%) and general merchandise retailers (-1.6%) leading the charge lower. Auto sales advanced in the month (0.9%), but much less than in January (3.6%) or December (2.2%).
- ▶ At the same time, core retail sales – purchases excluding gasoline stations and fuel vendors and motor vehicle and parts dealers – edged up 0.1% in the second month of 2023. Sales at building material and garden equipment and supplies dealers (0.2%) posted a second consecutive gain after a four-month slide. Furniture, electronics and appliances retailers also saw their sales increase in the month (1.1%).
- ▶ Statistics Canada’s advance estimate of retail sales is pointing to a decline of 1.4% in March 2023. This would be the weakest print since last July. While details are scant, we know that the seasonally-adjusted goods CPI was up 0.1% in the month, suggesting the decline is entirely a volumes story. Auto sales data from March suggest sales at motor vehicle and parts dealers may be the primary culprit. That said, lower seasonally-adjusted gasoline prices in March are also likely to weigh on headline sales at gasoline stations and fuel vendors.

### GRAPH

#### Retail Sales Edged Lower in February and Should Drop in March



\*Statistics Canada’s flash estimate  
Sources: Statistics Canada and Desjardins Economic Studies

### IMPLICATIONS

February retail sales was the story of several divergent trends in the Canadian economy. First, auto sales continued to provide a tailwind to the sector, but that’s fading fast. Indeed, we expect auto sales to be a drag on retail sales in March. Second, sectors linked to home resales are recovering, in line with housing market activity. This is just the latest indicator to suggest that Canada’s existing home market is finding a bottom. Third, nominal sales at gas stations are falling, and are likely to continue to do so in March on lower prices. Taken together, this points to a key sector of the economy that is likely to continue to move lower. That will be music to the ears of Bank of Canada decisionmakers, and help to keep them on the sidelines for the foreseeable future.