Economic News

Desjardins Economic Studies
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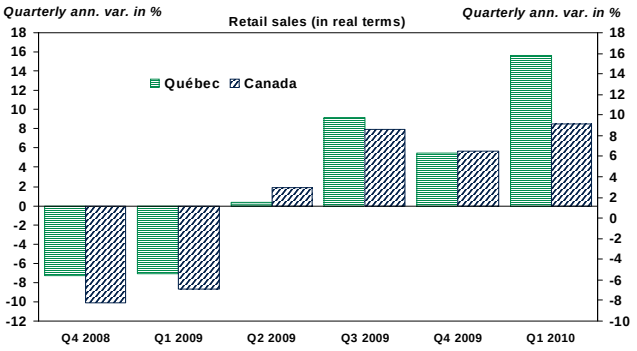
CANADA

Retail sales surprisingly strong in March

HIGHLIGHTS

- Retail sales were up 2.1% in March. Increases were recorded in all the provinces. Québec and Ontario did extremely well with respective gains of 2.8% and 2.7%.
- Canadian retailers posted increases in 8 of the 11 sectors, with automotive standing out with 3.6% growth. Excluding this category, retail trade was still up 1.7% month-over-month.
- Expressed in real terms, retail sales moved ahead 2.2% in the country and 2.6% in Québec in March. The quarterly performance is exceptional for both Canada (+8.5%) and Québec (+15.6%).

Q1 retail sales growth: Québec outshines Canada

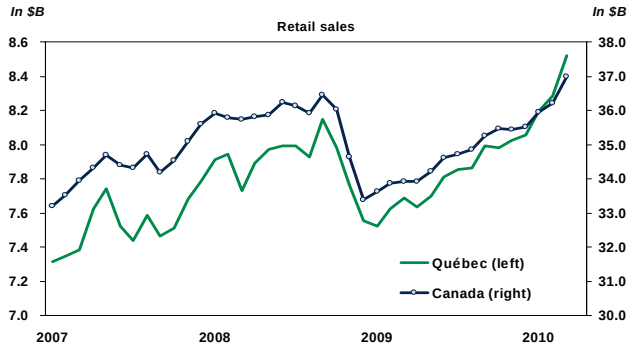


Sources: Statistics Canada and Desjardins, Economic Studies

COMMENTS

The retail sales growth in March was well beyond expectations. While our consensus call of 0.6% was the highest, sales actually grew by 2.1%. This excellent news reflects the strong job creation in April (+108,700) and strong household confidence.

Retail sales continue to grow



Sources: Statistics Canada and Desjardins, Economic Studies

Implications: The convincing pick-up in retail sales in March means a robust finish for the first quarter. Solid consumer spending sets the tone for economic growth. Now, both Québec's and Canada's real GDP for the first quarter will approach easily the 6% target (on an annualized basis). However, the pace should slow somewhat thereafter as the recovery phase comes to and end and is replaced by a phase of more moderate expansion. Although the economic statistics are generally quite positive for Québec and Canada, we can't disregard the heightened risks on the global financial markets. Therefore, we are maintaining our 2010 real GDP projections for Québec and Canada, namely, 3.0% and 3.3%, respectively.

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