

DATA COMMENTARY · MARCH RETAIL SALES

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Retail sales jump 0.9%, driven by higher gas prices

Jay Zhao-Murray

Chief Economist

Thompson Richards

Economist

THE TAKE

The Canadian consumer showed signs of weakness in March, with both core sales and volumes declining. The jump in the headline number is a reflection of higher prices at the pump, not a genuine increase in consumer demand.

— JAY ZHAO-MURRAY · CHIEF ECONOMIST · SIBLEY CREEK

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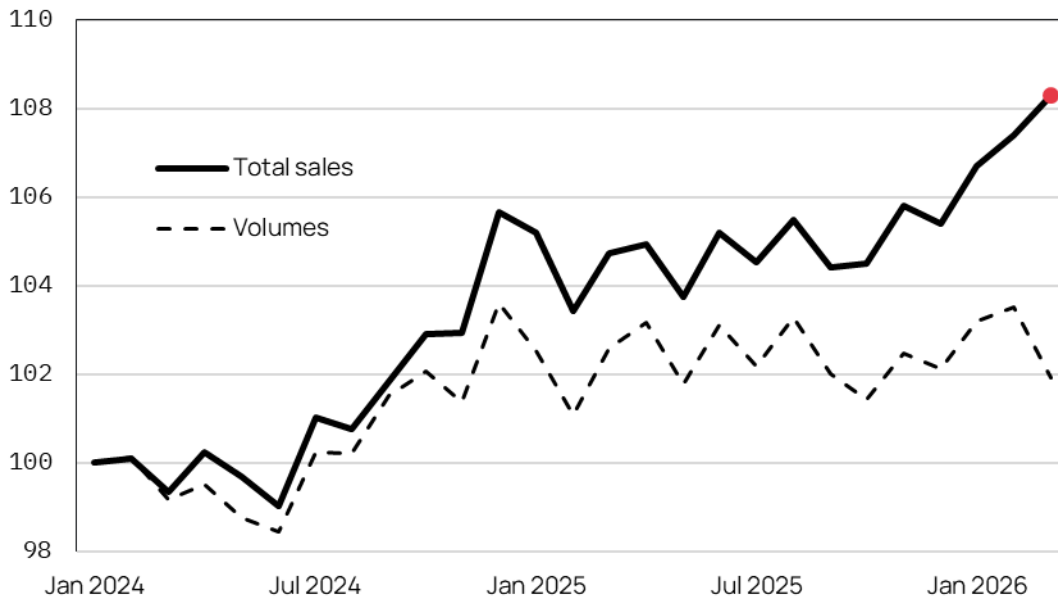
Headline sales beat expectations, driven by higher gas prices

Retail sales jumped 0.9% to C\$ 72.7 billion in March, more than StatCan’s advance estimate of 0.6% had indicated. The gain in sales was largely driven by higher prices for gasoline, which are tied to the global increase in energy costs stemming from the conflict in Iran.

Sales volumes dropped by 0.7%, while core dollar sales edged down a tenth. Breadth was weak—sales only rose in four of nine subsectors. The advance estimate for April indicates a 0.6% increase, but this will likely reflect the same dynamic of higher prices for fuel, which we’ve already seen in the latest CPI.

Retailing volumes dropped in March as total sales rose.

RETAIL SALES, INDEX = 100 IN JAN 2024



Source: Statistics Canada. Seasonally adjusted.

Total sales at gas stations surged by 12.4% in March, a gain that was entirely driven by price effects. Gas station sales volumes actually fell by 1.9%, while the consumer price report for March released last month showed the price of gasoline had shot up over 20%.

Consumer weakness was not anticipated by economists. Credit card spending data from RBC was pointing to a robust 1% increase in core sales for the month, as opposed to the slight decline we saw. The data reinforces a picture of a gradually softening economy; not a macro environment in which you’d expect monetary policy should be tightened.

Contact

Jay Zhao-Murray

Chief Economist

(613) 883-0774

jayzhaomurray@outlook.com

Thompson Richards

Economist

(819) 328-2809

thompsonrichards12@gmail.com

Khoi Pham

Research Analyst

(506) 897-2466

anhkhoi.pham@unb.ca

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