MONTHLY COMMENTARY

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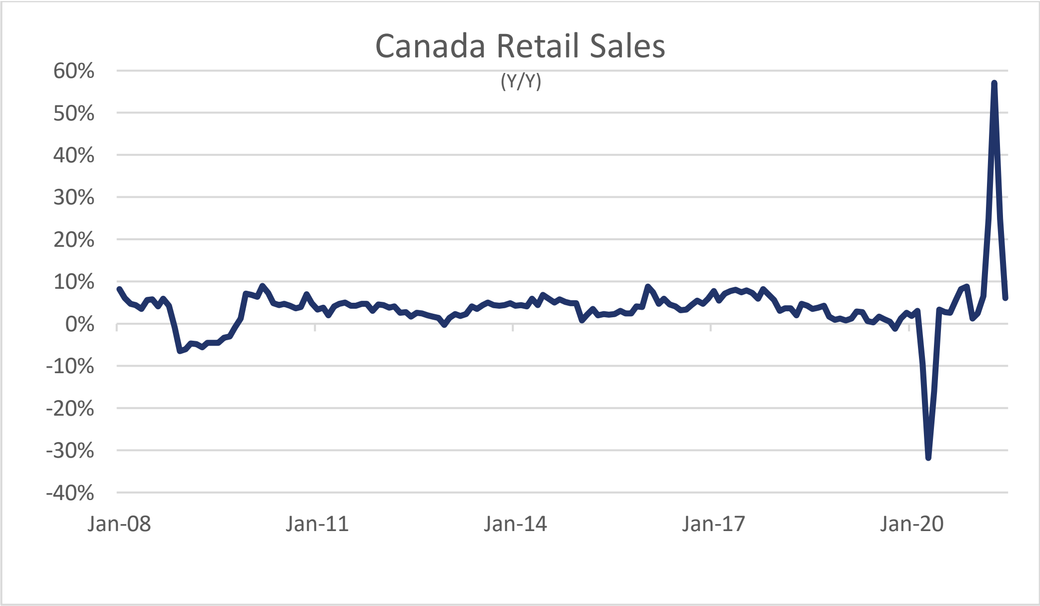
Canada Retail Sales 2008 to 2020



Source: Statistics Canada

MARKET FOCUS

Canadian consumers step back in

Statistics Canada reported that retail sales jumped 4.2% (seasonally adjusted) in June 2021 after tumbling a revised 1.9% in May (originally reported as -2.1%). Despite the rebound seen in the June report, overall sales remained well below the March 2021 high. For the second quarter as a whole, sales declined an annualized 2.7%. This is the first quarterly decline since the second quarter of 2020. Still, as outlined in the graph above, sales were up 6.2%, on a year-over-year basis. During the month of June, sales were higher in 8 of 11 main sub-sectors, with building materials and garden equipment sales (-3.1%) reporting the largest monthly decline. Clothing and accessories (49.1%) recorded the strongest gain. Although most sub-

sectors reported sales below their March 2021 highs, all but clothing and gasoline sales have moved above their pre-pandemic levels. Once again, Statistics Canada provided forward guidance in this report suggesting “that sales increased 1.7% in July.” Even with the positive expectations for the July figures, uncertainty remains as the spread of the COVID-19 Delta variant, particularly among the unvaccinated, raises concerns over a potential lockdown in some regions.

U.S. economic expansion continues

The U.S. Bureau of Economic Analysis announced that real gross domestic product (GDP) grew at an annualized rate of 6.5% in the second quarter of 2021. In the first quarter of 2021, real GDP increased by a downwardly revised 6.3% on the same basis (the previous estimate was 6.4%). With this report, total U.S. economic output has now finally eclipsed the pre-pandemic peak reported in the final quarter of 2019. The increase in real GDP in the second quarter reflected increases in personal consumption expenditures, non-residential fixed investment, exports, and state and local government spending. Perhaps not surprisingly, the rebound in consumer spending seen during this recovery phase has consistently led the broader economy. In the second quarter, personal consumption expenditure represented 70.6% of all U.S. economic activity. This is the highest figure on records dating back to 1947. The release of pent-up demand had been largely anticipated. However, as the U.S. Federal Reserve moves to taper and eventually raise interest rates, a deceleration in consumer spending should also be anticipated.

U.K. labour recovery continues amid record job vacancies

The latest figures from the Office for National Statistics showed that employment in the U.K. rose 95,000 to 32.3 million in the second quarter. This was the strongest quarterly growth rate since COVID-19 restrictions were first imposed and underscores the scale of the U.K.’s recovery from its deepest economic downturn in 300 years. The advance pushed the unemployment rate down to 4.7%, the lowest since the summer of 2020. Strong payrolls growth supported wage increases, as average earnings in the three months through June grew by a record 8.8% from a year earlier. Higher frequency data showed that payrolls were up 182,000 in July, meaning that nearly 80% of payrolls lost during the pandemic have now been recovered. Nevertheless, job vacancies surged by 290,000 (43.7%) to a record of 953,000 from May to July, well above the 811,000 from December to February 2020. Despite the availability of work, the number of unemployed is well above pre-pandemic levels, and 1.86 million people were still furloughed at the end of June. The headline unemployment rate is expected to rise when wage subsidies under the furlough program end on September 30.

LONGER VIEW

We anticipate monetary policies to be accommodating for the foreseeable future. As a result, stocks will be favoured by investors as there are a lack of alternatives for inflation protection. Stock valuations will be higher than normal; considering we are not in normal periods with high earnings growth, very low interest rates and growing money supply, investors need to accept or miss out.

For more information, we encourage you to speak to your advisor or visit us at assante.com