3 Consumer-Related Stocks That Pay Large Dividends

Description

The Bloomberg Nanos Canadian Confidence Index, which measures Canadian consumer confidence, showed that consumer confidence increased to 59.0 for the week ended August 22, which is up from 58.8 in the prior week, ending a month-long streak of declining readings.

Even though it's apparent that Canadian consumers are in much better shape compared to a few years ago, consumers are still a little hesitant to make purchases due to uncertainty over job security and the national economy.

While consumer-related stocks can be a great investment in an improving economy, right now investors may prefer to put their money into consumer stocks that pay a dividend.

Here are three consumer-related companies whose annual dividend yield is greater than 1.5%, which is a healthy payment for the sector.

1. Loblaw Companies Limited

Current annual dividend yield: 1.88%

Loblaw Companies Limited (TSX: L) is Canada's largest grocer in terms of revenue, and the company recently grew thanks to its acquisition of Shoppers Drug Mart Corporation. Shoppers now operates as a separate division of Loblaw.

Loblaw's offerings go beyond groceries in the classic sense. In addition to drug stores the company has gas bars, and sells apparel and general merchandise.

It also has a Financial Services segment that includes credit cards and personal banking, making it a truly consumer-focused company.

2. Canadian Tire Corporation Limited

Current annual dividend yield: 1.77%

The iconic Canadian company has offered consistent returns to shareholders, and has survived numerous business challenges, even new competition from American discount retail powerhouses **Wal-Mart Stores, Inc.** (NYSE: WMT) and **Target Corporation** (NYSE: TGT).

Canadian Tire Corporation Limited (TSX: CTC.A) offers a diverse suite of consumer goods and financial services. In addition to its namesake store, the company owns other popular brands including Mark's Work Wearhouse, Sport Chek, and Sports Experts. The company also has a financial services segment that consists of Canadian Tire Financial Services Limited and Canadian Tire Bank.

While Canadian Tire's dividend is enticing, so is its all-time performance. While the company is not immune to broader economic forces, the company has consistently seen its share value advance, year after year.

3. Metro, Inc.

Current annual dividend yield: 1.7%

Metro, Inc. (TSX: MRU) is a food retailer and distributor that operates a network of supermarkets, discount stores and drug stores in Ontario and Quebec. Although the company is much smaller than Loblaw, some analysts actually prefer this stock due to its smaller size and more conservative business strategy.

You won't see Metro running out and acquiring large companies. In fact the company is more local, and prides itself on focusing its operations in Ontario and Quebec. The company just released its third-quarter fiscal 2014 earnings, which showed an increase in revenue while earnings remained flat. Management attributed the flat earnings to "Decreased gross margins driven by merchandising actions to drive sales."

Simply put, the company had to entice customers into the store with sales, a fact that doesn't bode well for the Canadian consumer. If Canadian consumers are indeed reining in their spending, all consumer-related stocks will face some pressure, which is why right now investors who want to purchase a consumer-related stock are wise choosing one that pays a large dividend.

CATEGORY

1. Dividend Stocks

TICKERS GLOBAL

1. NYSE:TGT (Target Corporation)
2. NYSE:WMT (Wal-Mart Stores Inc.)
3. TSX:CTC.A (Canadian Tire Corporation, Limited)
4. TSX:L (Loblaw Companies Limited)
5. TSX:MRU (Metro Inc.)

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