



Canadian Retail Sales Slip: These 3 Stocks Could Suffer if the Trends Persists

Description

Statistics Canada released its August retail trade report on October 20. Retail sales declined 0.3% in August to \$48.9 billion after analysts expected a 0.5% increase. Total sales volumes declined 0.7%.

The report represents the second disappointing release from Statistics Canada after its July numbers showed flat GDP. This puts serious doubt onto the prospects of a third interest rate hike from the Bank of Canada on October 25.

Sales at food and beverage stores declined 2.5% largely due to the decline in supermarket and grocery store sales activity, which recoiled by 2.8%.

Home purchases and home renovation stores also experienced a downtick, possibly due to the significant housing correction that took place in the late spring and summer months.

Sales at building equipment and garden equipment and supplies dealers dropped 1.9%, while furniture and home furnishings stores declined 2.4%.

Let's take a look at three stocks that could dip with retail sales if a slowing economy continues to apply pressure to these industries.

Richelieu Hardware Ltd.

Richelieu Hardware Ltd. ([TSX:RCH](#)) is a distributor, importer, and manufacturer of specialty hardware and complementary products. The stock has climbed 27.5% in 2017 as of close on October 20 and 28% year over year. The company released its third-quarter results on October 5.

Sales at Richelieu increased 15% year over year to \$253.2 million, with total sales also up 10.5% for the first three quarters of 2017. The manufacturers market saw a 14.1% increase, with the retailers market also experiencing growth of 19.1%. Net earnings jumped 4.9% to \$18.1 million. The stock offers a dividend of \$0.06 per share, representing a 0.7% dividend yield.

With home sales down year over year, and the industry at large struggling to regain momentum,

hardware and home improvement retailers could see disappointing numbers in the second half of 2017.

Leon's Furniture Ltd.

Leon's Furniture Ltd. ([TSX:LNF](#)) is a Toronto-based furniture retailer with stores all over Canada. The stock has experienced marginal gains of 0.66% in 2017 and 10% year over year. The company released its second-quarter results on August 10.

System-wide sales were up 4.9% to \$636 million compared to \$606 million in Q2 2016. Revenue climbed 4.1% to \$537 million, and adjusted net income was up 28.4% to \$19.9 million. The company recently opened its new distribution centre in British Columbia and has made inroads with its e-commerce offering.

It offers a dividend of \$0.12 per share with a 2.6% dividend yield.

Metro, Inc.

Metro, Inc. ([TSX:MRU](#)) is a Montreal-based grocer operating in Quebec and Ontario. The company recently acquired drugstore chain Jean Coutu Group PJC Inc. for \$4.5 billion. Shares of Metro have increased 1.3% in 2017 and are down 2.1% year over year.

Its third-quarter results showed sales up 1.4% to \$4 billion and same-store sales down 0.2%. Quebec reported the lowest retail sales numbers in dollar terms of any Canadian province — down 1.2%.

Metro is also facing pressure due to the upcoming Ontario minimum wage hikes in January 2018 and 2019, and it plans to eliminate 280 employees by 2022 as part of a modernization initiative.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:LNF (Leon's Furniture Limited)
2. TSX:MRU (Metro Inc.)
3. TSX:RCH (Richelieu Hardware Ltd.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Tags

1. Editor's Choice

Date

2025/08/23

Date Created

2017/10/25

Author

aocallaghan

default watermark

default watermark