

The Flow of Goods by Rail, Wholesale and Retail Channels

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Bottom Line

On May 27, 2020, **Statistics Canada released their railway car loadings for March 2020 giving us a view into the impact of COVID-19 on wholesale and retail trade in Canada and the implications for Manitoba trade.**

Carloadings were up 4.7 per cent month/month in March 2020 that are attributed to changes in the composition of shipments. Intermodal shipments were down 4 per cent, while non-intermodal shipments were up 5.5 per cent. Iron ore and concentrates, fuel oils and crude petroleum were down sharply month/month. As a result, more rail network capacity was available to ship wheat, canola, potash, and coal, which were up sharply.

Wholesale sales and inventory/sales ratios did not experience as sharp a disruption as retail sales in March 2020. The change in retail sales, however, will influence wholesale sales, manufacturers and importers in April. As an example, motor vehicles and parts dealers saw a sharp decline in March, as did gasoline, clothing and accessories, and sporting goods. **Two bright spots in March were food and beverage, and health and personal care retail sales.** Both were up sharply month over month and year over year.

We expect that April retail sales numbers will be weak (due to the lockdowns). With the phased-in reopening of stores and more companies using e-commerce channels,¹ **we are likely to see selected retail sales beginning to pick-up in May.**

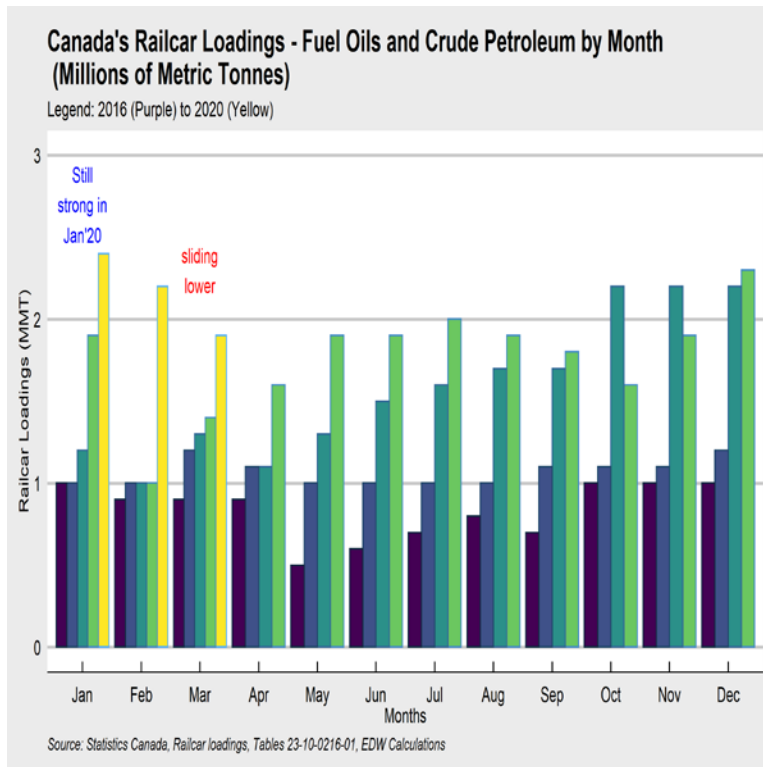
Dealing with COVID-19 will be more of a marathon than a sprint. It is important that employers, employees and customers continue to work together, to follow public health guidelines & protocols, and get back to business.

Railway Car Loadings

Despite a change in the composition of shipments, the **total tonnage of 33.2 million metric tonnes (MMT) was up 4.7 per cent year/year.** Total non-intermodal loadings were the key driver, rising 5.5 per cent y/y to 26.6 MMT. There was also a change in the composition of non-intermodal tonnages.

¹ E-commerce shipping methods: shipped directly to a chosen location, picking up at curbside, pickup at a store.

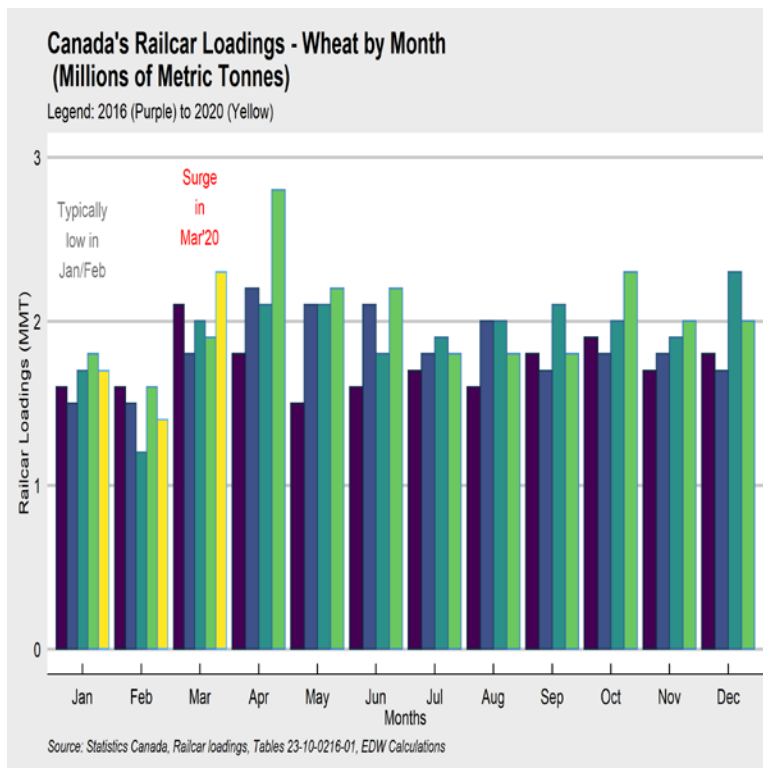
Figure 1: Fuel Oils and Crude Petroleum rail car loadings (MMT)



Loadings of **fuel oils and crude** petroleum of 1.9 MMT in March 2020 were up 39.1 per cent y/y. March loadings of 1.9 MMT dropped 13 per cent sharply since February 2020 (**Figure 1**).

Iron ores and concentrates, lumber, automobiles, and other basic chemicals were down y/y.

Figure 2: Canada's Railcar loadings – Wheat (MMT)



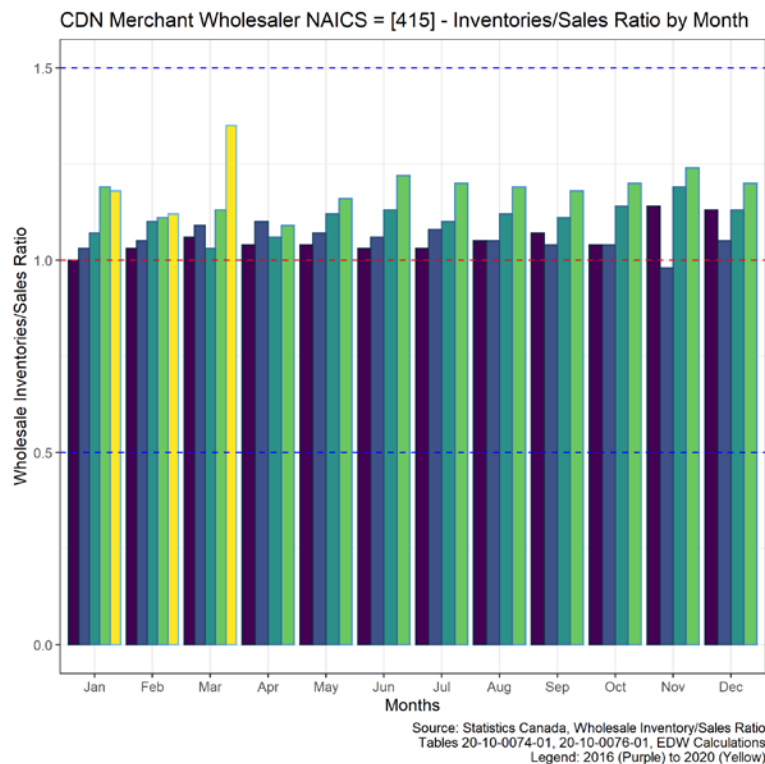
Wheat and canola both saw a sharp increase in shipments (mainly for export) in March 2020 (Wheat in Figure 2). March canola shipments were 1.18 MMT vs 0.82 MMT in February 2020.

Potash and coal shipments were up in March 2020. These commodities are primarily exports.

Wholesale and Retail Analysis: Areas of Weakness

Statistics Canada released the results of the March 2020 wholesale trade on May 20, 2020, and retail sales on May 22, 2020. Canada’s March 2020 wholesale sales did not see the same sort of disruption that retail sales did in March 2020, other than a surge in the inventory/sales ratio for motor vehicles (MV) & motor vehicle parts and accessories.

Figure 3: 415 - MV and MV parts and accessories - I/S ratio by month



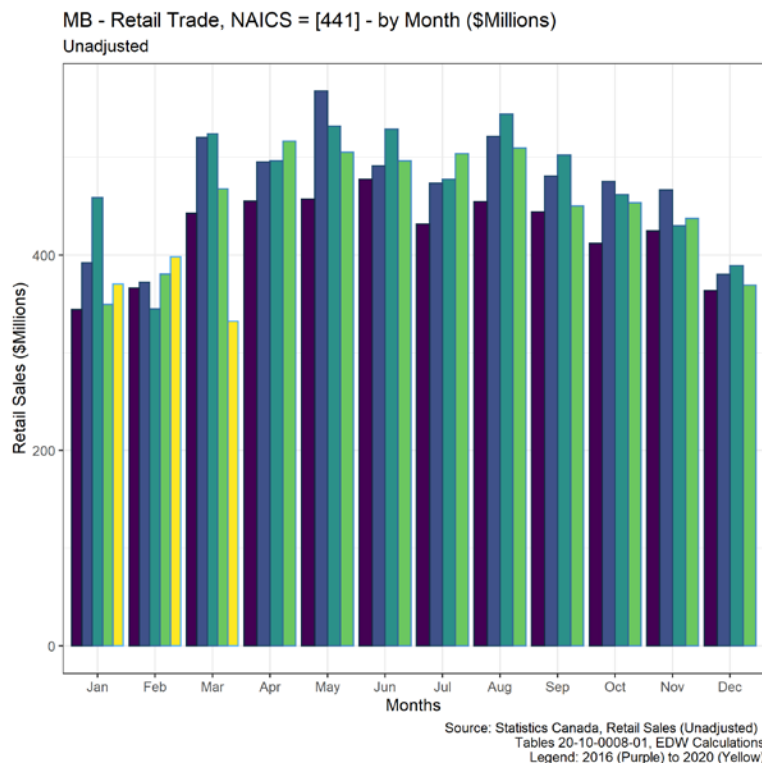
We reviewed the Canadian inventory/sales ratio (“I/S”) for the wholesale trade and for the three-digit North American Industry Classification System (NAICS) that represent the wholesale industry.

Our review of the wholesale sub-sectors revealed an upward surge of the **motor vehicle (MV) & MV parts and accessories (NAICS 415) I/S ratio** that exceeded the ratios over the previous four years (**Figure 3**). Manitoba’s wholesale MV & MV parts and accessories saw only a minor decrease in sales in March 2020.

The current-dollar, seasonally unadjusted retail sales of **Manitoba MV and parts dealers in March 2020 (Figure 4) sales fell month/month and year/year**. This drop in retail sales and the buildup in inventories typically send the signal to manufacturers and importers to slow production.²

² We know that this has occurred in the auto sector, which is part of the reason that the automakers and parts makers have had excess capacity to retool and produce PPE, ventilators and other goods for battling COVID-19. The efforts by the Automotive Parts Manufacturer’s Association ([APMA](#)) in Canada were led by their President, Flavio Volpe.

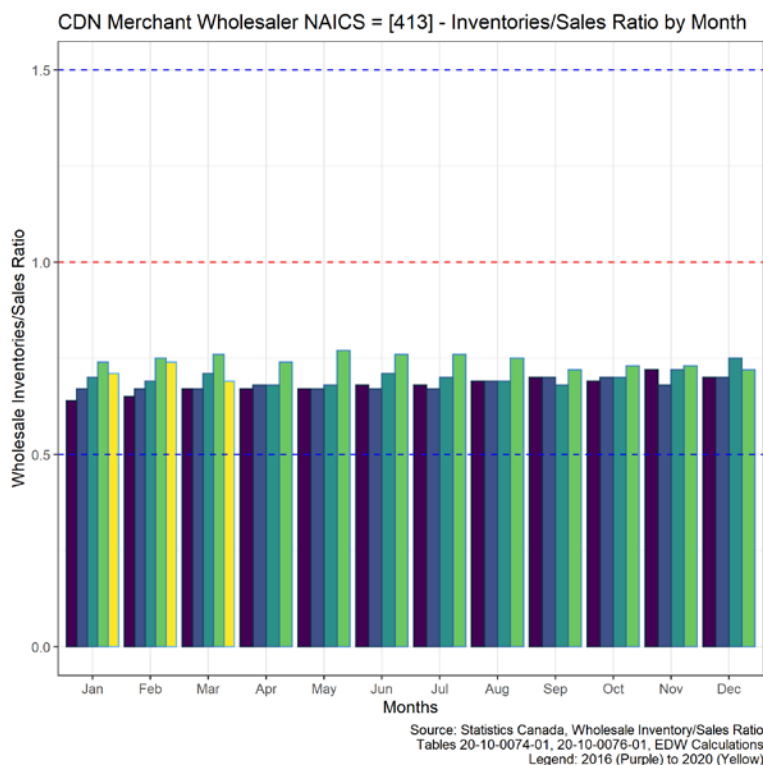
Figure 4: MB MV and parts dealers' sales [441] - unadjusted and current dollars (\$millions)



The current-dollar, seasonally unadjusted retail sales of **Manitoba MV and parts dealers in March 2020 (Figure 4) fell month/month and year/year.**

We expect that these retail figures will be weaker in April 2020. The Manitoba economy reopening began on May 4, so this should begin to put some more starch in consumer confidence generally. It is not clear how well MV sales will be in May or how confident people will be to make big-ticket purchases.

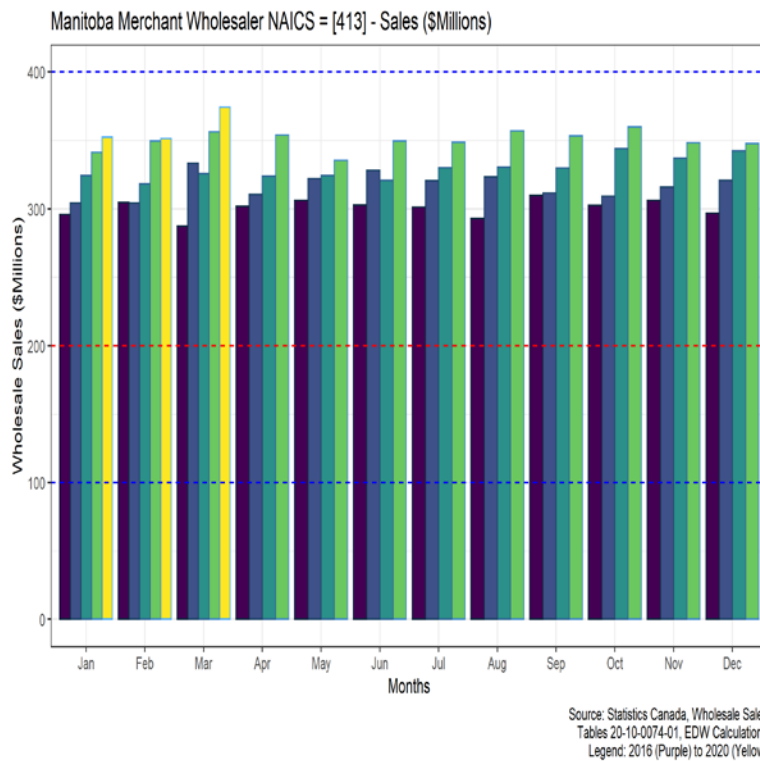
Figure 5: Food, beverage and tobacco I/S ratio by month



The motor vehicle and related sector is one for government economists to watch, as it is an important manufacturing sector in Canada. Some are wondering if we will see a federal program to encourage automobile purchases as we did during the financial crisis in the mid-/late-2000's.

Not surprisingly, gasoline retail sales were down in March 2020, and they are expected to drop further in April 2020 figures. Gasoline sales may begin climbing in May, but are unlikely to be back to pre-COVID-19 levels in the early phases of the restart of the economy.

Figure 6: Manitoba Food, Beverage and Tobacco Wholesale Sales (\$Millions)



Clothing and sporting goods retail sales were likewise down both month/month and year/year in Manitoba. Sales in these retail sectors are likely to be down in April, with a rebound beginning in May.

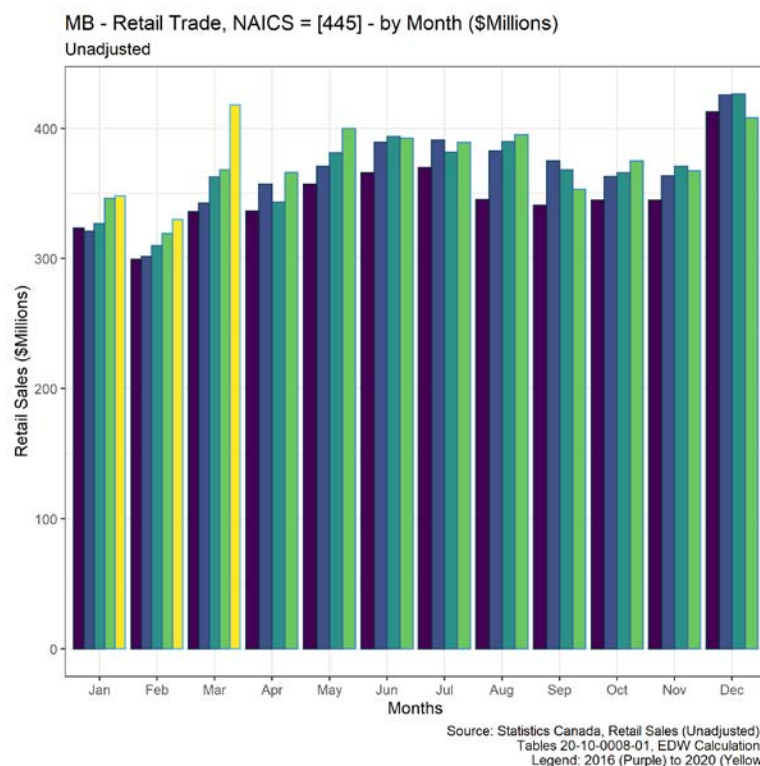
Wholesale and Retail Analysis: Areas of Strength

Canadian inventory/sales ratios for **food, beverage and tobacco** wholesale merchants dipped both month/month and year/year in this period (**Figure 5**).

When we look at current dollars, unadjusted retail sales in Manitoba, **Food and Beverage** retailers saw a

surge in sales both month/month and year/year (Figure 6).

Figure 7: MB Retail Sales [445] - unadjusted and current dollars (\$Millions)

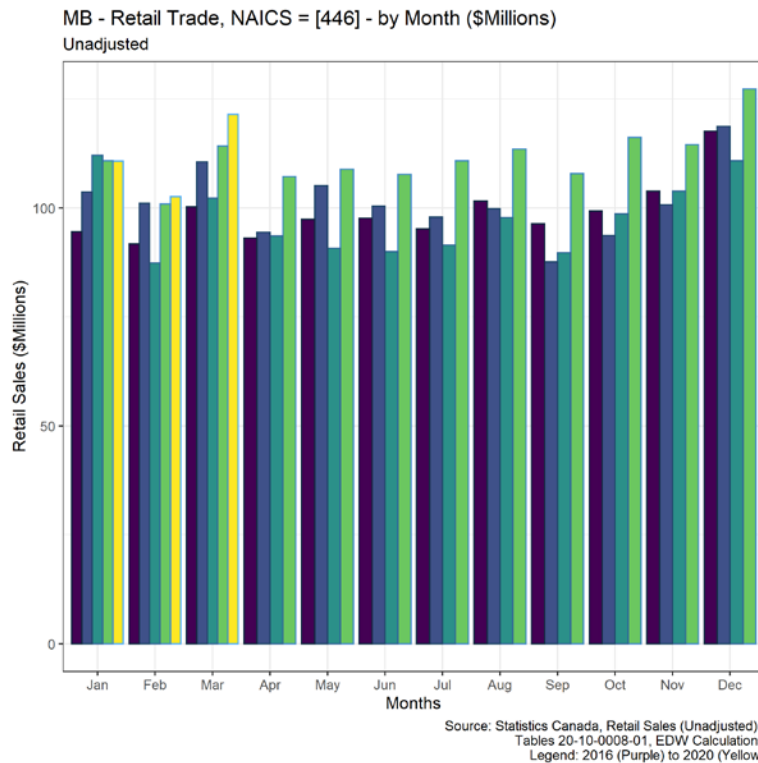


Stocking up before the lockdown in March, and the shift away from restaurants caused a **surge in grocery store sales (Figure 7).**

We expect that in the April stats, this will remain an area of strength.

Beginning in May, we could see sales ease closer to normal, since Manitoba restaurants/bars began reopening their patios in this month.

Figure 8: MB Health and personal care [446] – unadjusted and current dollars (\$Million)



The health and personal care sector has also experienced surging sales month/month and year/year (**Figure 8**).

A certain share of consumers will likely continue using alternate, e-commerce enabled sales channels that they explored during the lock-down. Curbside pick-up seems to have become popular, along with delivery from local stores to the home.

EDW Contacts for Assistance or Inquiries:

- **For Winnipeg businesses looking for help accessing government programs, please reach out to our Yes! Winnipeg Team** through our [Help us help you form](#) if you are not sure who to contact on the Y!W team.
- For general inquires please email wpginfo@edwinnipeg.com.
- For Marketing & Communications Inquiries, please email marketingandbranding@edwinnipeg.com.