Canada: Retail sales up in August
By Kyle Dahms

Consumer spending on goods was better than expected in August. It marked a partial rebound following the 2.2% decline in the prior month. Adding to the good print, the previous month's result was revised up by three ticks. Moreover, August saw the largest increase for core retail sales (which exclude autos and gas) since March 2022. Sales were pushed up by food/beverage stores with some of those gains stemming from higher prices. Sporting goods saw its largest one-month surge in seven months helped in part by sporting leagues returning to full capacity. Sales for autos were up slightly in the month. Still, we do not see a lot of upside for this sector in the next few months as supply of new cars is lagging and higher financing costs could be dissuasive. Gas stations edged down in the month as lower prices were almost compensated by higher volume. In fact, gasoline prices were down 9.6% (unadjusted) in August while sales in volume terms rose 7.0%. Looking ahead, September could see lower receipts as average retail prices for gasoline were down 7.7% (see left chart). Indeed, that thesis appears to be supported by the Statistics Canada preliminary estimate for September which suggests a 0.5% decline in nominal sales. We remain cautious in our view for consumption in the coming months as consumers contend with higher prices, a negative wealth effect and an ongoing interest rate shock.

HIGHLIGHTS:
- Canadian retail sales were up 0.7% in August, 5 ticks above the consensus call for 0.2% increase (see right chart). The prior month’s result was revised up by three ticks from -2.5% to -2.2%.
- Consumer outlays increased in 6 of the 11 subsectors, with the largest rises occurring in food/beverage stores (+2.4%), motor vehicles/parts (+0.6%), sporting goods/hobbies (+5.0%), furnishing stores (+1.5%), health/personal care stores (+0.9%) and building materials (+0.6%). These pullbacks were partially offset by decreases for general merchandise stores (-0.7%), miscellaneous stores (-1.4%), and gasoline stations (-0.2%).
- Excluding autos, retail sales progressed 0.7%, which was above the consensus call for a 0.3% increase. On a regional basis, sales were up in six provinces, with the principal increases stemming from British Columbia (+2.0%), Quebec (+1.2%), Ontario (0.3%) and Saskatchewan (+1.9%). Alberta was flat its part (0.0%).
- In real terms, retail sales advanced 1.1% m/m.
- Finally, Statistics Canada’s early estimate for September suggests a 0.5% decrease in nominal sales.
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