

Record sales of electronics salvage headline retail spending

Nominal retail sales for November

Latest number: +0.2% (actual) +0.8% (expected)

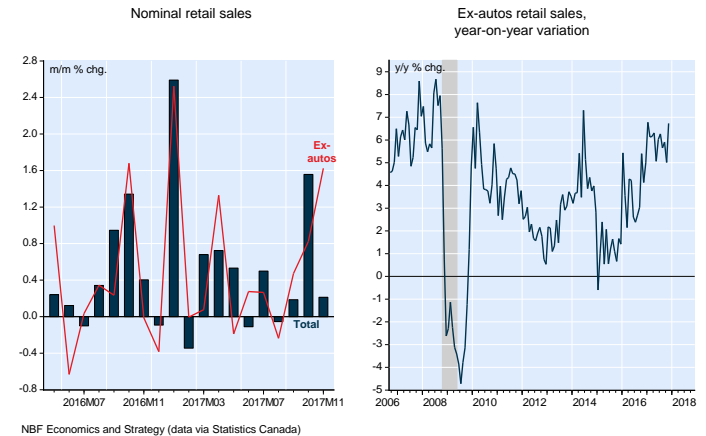
Excluding motor vehicles & parts

Latest number: +1.6% (actual) +0.9% (expected)

FACTS: Canada's retail sales edged up just 0.2% in November, disappointing consensus which was looking for a 0.8% print. That result comes after an upwardly revised 1.6% jump in October which was the steepest in 9 months. Sales advanced in 6 of the 11 categories surveyed in November, including a 5.9% surge at gasoline stations, courtesy of higher pump prices. Alternatively, sales at dealers of motor vehicle and parts dropped 3.6%. Excluding autos, sales were up 1.6%, helped by a massive spike in the electronics category (+12.9%, the largest monthly increase ever recorded). Sales of furniture (+2.0%) and clothing (+3.0%) also expanded while retreats were registered in the building materials (-0.9%) and health/personal care (-0.7%) segments. Nationally, retail sales progressed in five of Canada's ten provinces, led by Quebec (+0.9%) and Ontario (+0.4%). On a year-on-year basis, sales were up 6.5% nationally with BC (+11.5%) and Alberta (+7.4%) posting above-average numbers. In real terms, Canada's retail spending was up 0.3% in November, following a 1.5% jump in October.

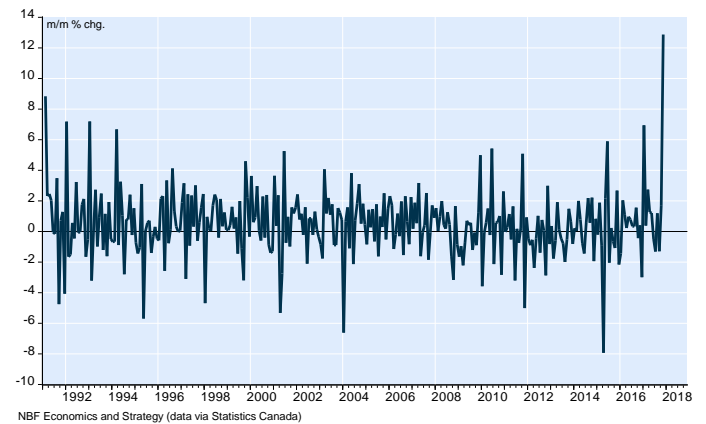
OPINION: The headline retail result for November was not as good as expected but it could hardly be described as bad as it came after a stellar print in October. The motor vehicles and parts segment acted as a drag on the overall number, but that could be expected after the outsized advance recorded the prior month (+3.6%, the best in 20 months). Excluding that category, sales continued to advance at a healthy pace and are now up 6.7% on their level a year ago (top chart). Another highlight of the report was the 12.9% spike in sales of electronics, the best print recorded since data collection began in 1991 (middle chart). The increasingly popular Black Friday sales events certainly played a role in explaining that surprising result, as did the release of a new popular phone model. In real terms, retail spending posted the largest two-month advance in a year in October and November and is now on pace to expand an annualized 4.5% in Q4. This should translate into a yet another positive contribution to growth from consumption spending in the last quarter of 2017 (bottom chart).

Canada: Ex-auto sales continue to advance at a healthy pace



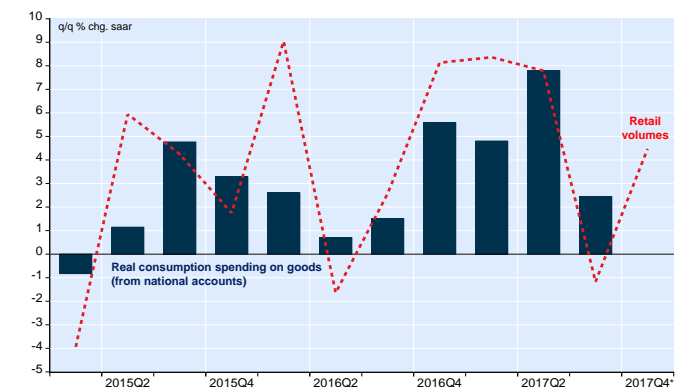
Canada: Sales of electronics off the charts in November

Sales at electronics and appliance stores. Last observation: November 2017



Canada: Consumption spending may once more contribute to growth in Q4

Real consumption spending on goods versus real retail sales



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