

## Canada: Retail sales decreased in August on lower gasoline volumes

By Kyle Dahms

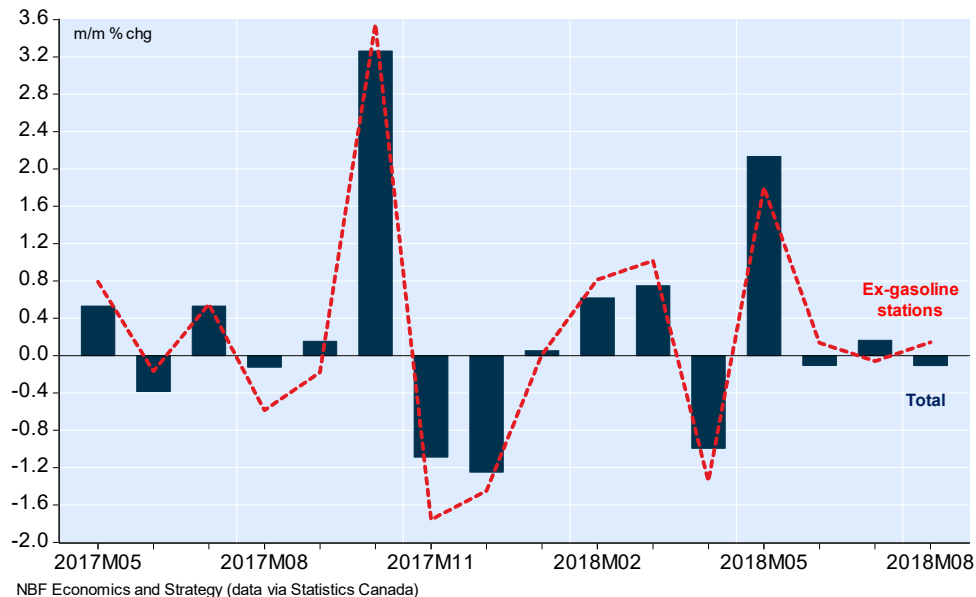
Canadian retail sales came in below consensus expectations in August. Falling outlays at gasoline stations, caused entirely by a drop in volumes, accounted for a significant portion of the decline. Excluding the latter category, retail spending edged up 0.1% in the month (see chart on the left), thanks to a surge in sales for motor vehicles/parts which came after two monthly declines. At the provincial level, Quebec's 0.7% decrease (the largest in Canada) stemmed from lower auto and gasoline sales. This should not be too worrisome since sales are still 4.6% above their level from a year ago in the province. All in all, the lackluster retail numbers countrywide coupled with an earlier-reported weakness for shipments in the month suggest GDP should not be stellar in August. On a quarterly basis, growth in real retail sales appear to be fading. True, after having expanded 3.5% in the second quarter, retail spending growth may have been no better than 0.9% annualized in Q3 (assuming a flat reading in September, see chart on the right). This could translate into a weaker contribution to growth from goods consumption in the third quarter.

### HIGHLIGHTS:

- Canadian retail sales disappointed consensus expectations in August, edging down 0.1% m/m in nominal terms to C\$50.8 billion.
- The prior month's data was revised up from +0.3% to +0.2%.
- In August, sales were down in 7 of the 11 broad categories, including gasoline stations (-2.0%), clothing stores (-1.2%), furniture stores (-1.4%), and electronics/appliances stores (-1.4%).
- Alternatively, sales of motor vehicles and parts surged 0.8%.
- Excluding autos, retail sales fell 0.4%, five ticks less than the median forecast of economists.
- Four of the ten provinces saw decreases in retail spending in August, with Quebec (-0.7%) and Saskatchewan (-2.7%) having dropped the most.
- With the price effect removed, retail sales edged down 0.3% countrywide.

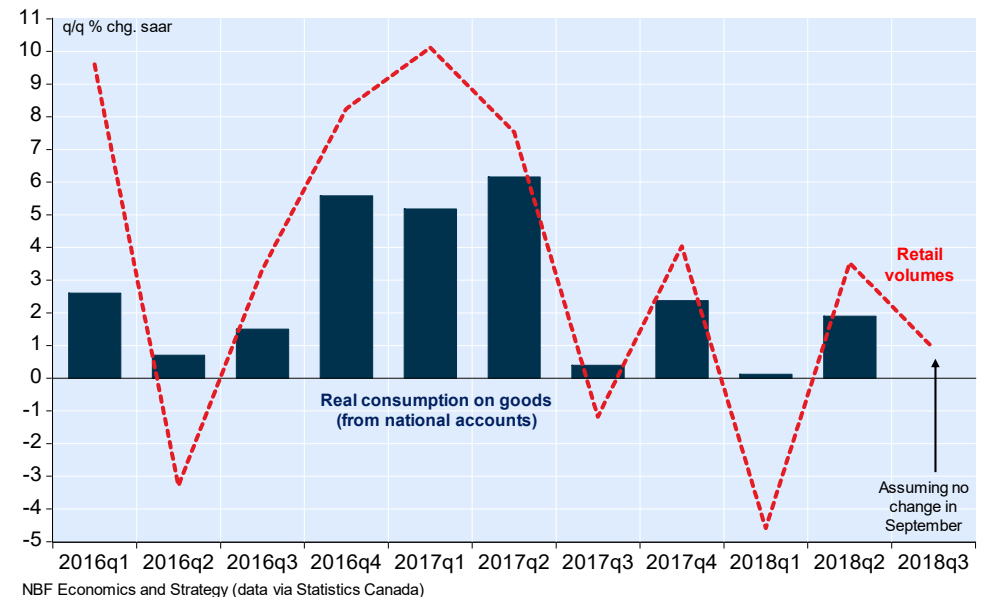
### Canada: Retail sales wilted below expectations in August

Total vs. ex-gasoline stations retail sales. Last observation: August 2018



### Canada: Goods consumption growth could be tepid in Q3

Real consumption on goods versus Retail volumes



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