



Canada: Retail sales weakened in November

By Kyle Dahms

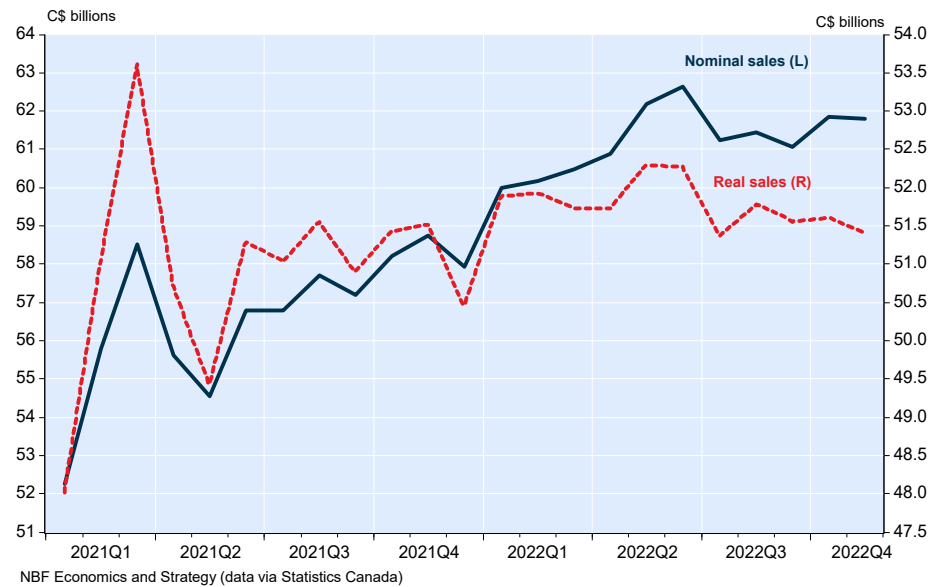
Even if retail sales were less bad than expected in November, the details of the report were unflattering. The headline figure was essentially pulled up by two sectors (motor vehicles/parts and gasoline stations). The former was propelled by higher sales at new car dealers which benefitted from improved supply. Gasoline was perhaps helped by lower prices in the month with volume sales progressing at a decent clip. Core retail sales which exclude the latter two sectors posted their largest drop in 11 months, registering a 1.1% decline in the month. At cause was a decline in food/beverage stores despite strong prices gains in the sector while building materials/garden equipment saw a sizeable slide on the back of slowing activity in the housing market. The decline in retail spending was fairly diffused on a geographic basis as retail sales weakened in all but two provinces. Price increases continued to provide some support for nominal retail sales as volume retail sales were down 0.4% in the month. After contracting 4% annualized in Q3, volume sales are on track to decline yet again in Q4 (right chart). Discretionary spending remains particularly hard-hit with a downfall exceeding 2.3% so far in Q4. As demand falters and inventories continue to pile up, we expect retailers to slash prices in the months ahead.

HIGHLIGHTS:

- Canadian retail sales edged down 0.1% in November but were 4 ticks above consensus expectations. The prior month's result was revised down by one tick from 1.4% to 1.3%.
- Consumer outlays decreased in 6 of the 11 subsectors in November, with the largest regressions occurring in food/beverage stores (-1.6%), building materials/garden equipment (-3.8%) and general merchandise (-0.8%). These declines were partially offset by increases for motor vehicles/parts (+1.4%), gasoline stations (+2.2%) and health/personal care stores (+0.5%).
- Excluding autos, retail sales pulled back 0.6%, which was in-line with the consensus call for a 0.6% decrease.
- On a regional basis, sales were down in eight provinces, with the principal losses occurring in Quebec (-0.5%), New Brunswick (-2.0%) and Alberta (-0.1%). British Columbia increased 0.9% while Ontario, for its part, was flat in the month (-0.0%).
- In real terms, retail sales were down 0.4% in November (left chart).
- Finally, Statistics Canada's early estimate for December suggests a 0.5% increase in nominal sales.

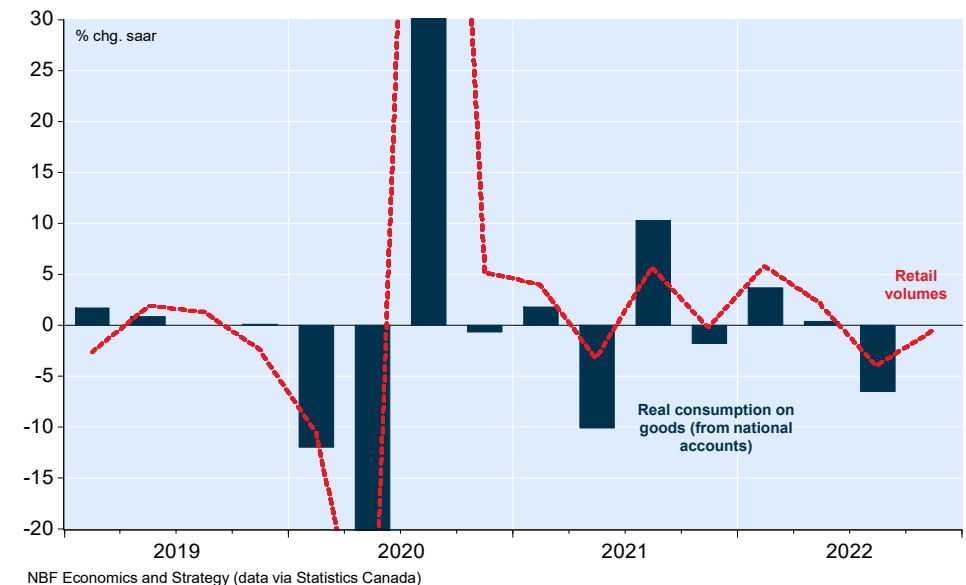
Canada: Retail spending sputters on a nominal and real basis

Nominal and real retail sales



Canada: Goods consumption on track for a decline in Q4

Real retail sales and real consumption on goods from national accounts, quarterly annualized change



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