



Daily Economic Update

March 23, 2018

Canadian retail sales edged only slightly higher to start the year

The 0.3% increase in January’s retail sales fell short of expectations. That was largely due to a surprising decline in motor vehicle sales that went against earlier data showing an increase in unit auto sales. Excluding autos, retail sales rebounded by nearly one percent following a 1.7% decline in December. That confirms our expectation that the earlier dip reflected shifting holiday sales patterns rather than a pronounced slowdown in spending. Overall, sales during what has become an extended holiday shopping season looked quite healthy though growth didn’t match the heady pace seen a year ago.

Indeed, when factoring in today’s reported decline in motor vehicle sales, retail is off to a somewhat slower start to the year—certainly when compared to last January’s 2.6% increase in sales. We don’t want to put too much emphasis on one data point, but this does fit with our expectation that 2018 consumer spending growth won’t maintain last year’s pace. Rising interest rates and more trend-like job gains will be the main factors behind that slowing.

Highlights:

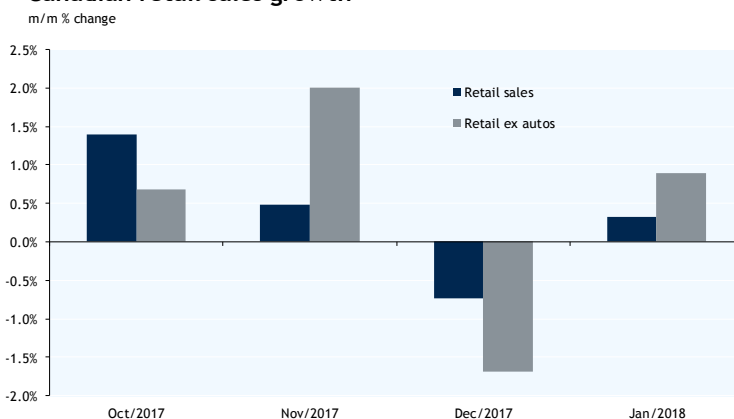
- Retail sales rose 0.3%, falling short of expectations for an increase closer to 1%.
- Despite a modest gain, the increase was broadly-based with sales rising in 7 of 11 subsectors. Declines in motor vehicle sales and building supply stores provided the main offset.
- Gains in a number of sectors represented a rebound from declines in December.
- E-commerce sales were up just 15% from a year ago. That is down from the nearly 40% year-over-year increase recorded last January.
- Today’s data makes up the last sectoral release ahead of January GDP, which we expect rose by 0.1%. That remains consistent with our forecast for annualized growth of 1.9% in Q1/18.

Canada Retail Sales Summary

	m/m % change			y/y %
	Nov-17	Dec-17	Jan-18	Jan-18
Total retail sales	0.5	-0.7	0.3	3.6
Autos & parts	-3.6	2.0	-1.2	3.0
Gasoline stations	6.6	0.3	0.7	7.9
Ex-autos	2.0	-1.7	0.9	3.8
Ex-autos and gas	1.2	-2.0	0.9	3.0
Retail sale volumes	0.3	-0.6	0.1	3.1

Source: Statistics Canada, RBC Economics Research

Canadian retail sales growth



Source: Statistics Canada, RBC Economics Research

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