



Daily Economic Update

Aug 22, 2017

Canadian retail sales volumes up again in June

Consumer spending in Canada continues to build on levels that already accounted for a record share of over-all GDP last year. The 0.5% gain in sale volumes in June was the sixth consecutive monthly increase and the 11th of the last 12. Sales have increased at an 81/2% (annualized) rate over the last three quarters, on average. That is the strongest three-quarter increase in almost 13 years.

Other economic reports haven't been as strong in June with earlier-reported declines in both manufacturing and wholesale trade volumes. It nonetheless looks like overall GDP inched up another 0.1% in the month. That is admittedly a very modest pace but would be the 8th consecutive rise in a measure that is typically very volatile. GDP still looks on track to rise 3.7% (annualized) in Q2 as a whole, in line with the Q1 increase. That outsized pace isn't likely to be sustained and significant risks around NAFTA renegotiation remain. Labour markets have also been very solid through July, though, consistent with our call for growth to remain at a modestly 'above-trend' 1.9% pace in Q3. Lack of significant upward wage and inflation pressure continue to provide the Bank of Canada with some room to maneuver but the broader economic data also still suggests the economy is strong enough to absorb further modest interest rate hikes.

Highlights

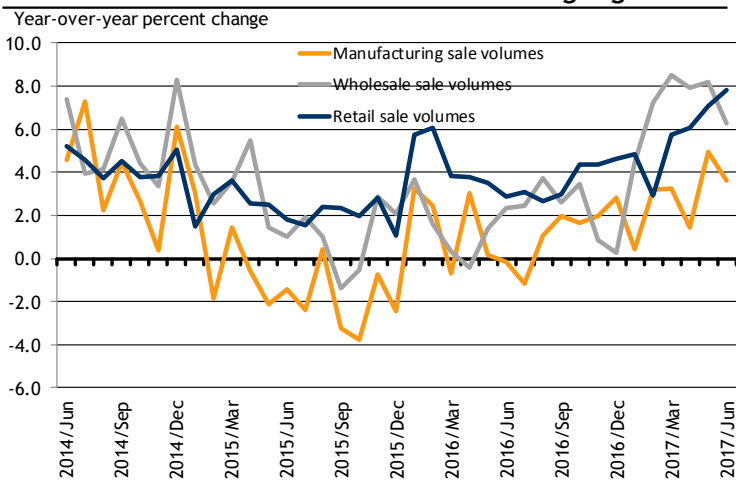
- Nominal retail sales in June inched up 0.1% despite a large drop in gasoline prices.
- In volume terms, sales rose 0.5% from May and 7.8% from a year-ago.
- E-commerce sales (not all of which are included in the retail sales totals) were up 43.5% from a year ago in June and 42% year-to-date.

Canada Retail Sales Summary

	<i>m/m % change</i>			<i>y/y %</i>
	<u>Apr-17</u>	<u>May-17</u>	<u>Jun-17</u>	<u>Jun-17</u>
Total retail sales	0.7	0.5	0.1	7.3
Autos & parts	-1.0	2.3	-1.4	9.6
Gasoline stations	1.2	-1.2	-1.8	6.2
Ex-autos	1.4	-0.1	0.7	6.6
Ex-autos and gas	1.4	0.1	1.1	6.6
Retail sale volumes	0.3	1.0	0.5	7.8

Source: Statistics Canada, RBC Economics Research

Canadian Economic Indicators Still Tracking Higher



Source: Statistics Canada, RBC Economics Research

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