



Daily Economic Update

May 19, 2017

Retail sales up again in March

The 1.2% jump in March retail sale volumes marked a third consecutive monthly increase — and eighth out of the last nine— to polish off a strong first quarter spending gain. Sale volumes in Q1/17 were up 8% from Q4 (at an annualized rate), somewhat surprisingly building on a 7.5% increase in Q4. The combined 2-quarter run is the strongest on record since the second quarter of 2004. The fundamental economic backdrop for households has generally continued to improve with strong growth in employment offsetting disappointingly modest wage growth to-date in 2017. Overall growth in the economy has also strengthened (we expect a 3.8% Q1 GDP rise) with early evidence suggesting that ongoing household spending strength was coupled with stronger business investment. The Bank of Canada, however, will likely remain concerned by ongoing uncertainty about the future of Canada’s trading relationship with the U.S. and weak underlying inflation trends, including slowing growth in their preferred measures of ‘core’ CPI inflation in April also released this morning. The result is interest rates are likely to remain low even as labour markets and household incomes continue to improve. New regulatory measures may yet be successful at slowing housing market activity; however, absent a significant shock in labour markets, there is little reason to expect consumer spending growth trends to weaken significantly after already accounting for a record share of GDP in 2016.

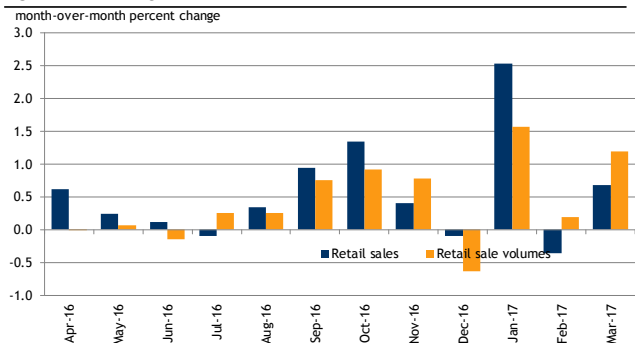
Highlights

- Nominal retail sales rose 0.7%, led by a 3.2% increase in motor vehicle sales with partial offset from lower food sales and a price-led drop in gasoline station receipts.
- Sales volumes jumped a stronger 1.2% following an upwardly revised 0.2% gain (was a 0.1% decline) in February.
- ‘E-commerce’ sales, not all of which are included in the headline retail sales numbers, surged 43% from a year ago, easily outpacing the increase in retail sales.

Canada Retail Sales Summary

	m/m % change				y/y %
	Dec-16	Jan-17	Feb-17	Mar-17	Mar-17
Total retail sales	-0.1	2.5	-0.4	0.7	6.9
Autos & parts	0.7	3.0	-1.3	3.2	10.2
Gasoline stations	5.8	1.8	-4.0	-0.9	18.8
Ex-autos	-0.4	2.4	0.0	-0.2	5.7
Ex-autos and gasoline	-1.4	2.5	0.7	-0.1	3.8
Retail sale volumes	-0.6	1.6	0.2	1.2	5.3

Canada Retail Sales



Source: Statistics Canada, RBC Economics Research

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