Daily Economic Update



November 20, 2020

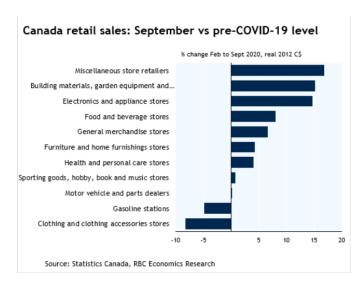
Canada retail sales growth extended into September

- Retail sales grew 1.1% in September, up 4.6% from a year ago.
- Early data shows flat retail sales in October
- Services spending will be weaker amid virus containment measures

Retail sales grew by 1.1% in September, and were up 4.6% from a year ago. Today's report was constructive with broad based gains in 9 out of 11 sectors. Much of the increase came from spending on motor vehicles (1.5%), food and beverages (0.9%) and general merchandise (1.8%). Only spending at clothing & accessory stores and Gasoline stations are yet to recover to pre-shock levels. The former is still 12% below February's peak.

Statistics Canada also estimated sales were "relatively unchanged" in October, which is broadly in line with our own tracking of card spending that month. But there is more concern about near-term spending trends in the services sector with regions re-imposing virus containment measures on businesses like restaurants and gyms. The food and accommodations industries were among the hardest hit in the first wave of the pandemic and last month's employment report showed a nearly 50 thousands of job losses in those sectors in October.

Today's report reaffirms the broad narrative of a slowing recovery that's gradually losing steam. If growing virus infections prompt governments to respond with more stringent lockdown measures then this may put the brakes on further. But the promise of two highly effective vaccine candidates suggests that there is light at the end of the tunnel.



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