

Economics

ECONOMIC FLASH!

economics.cibccm.com

January 23, 2025

Canadian retail sales (Nov, Dec adv.): Seesaw to end the year

by **Katherine Judge** katherine.judge@cibc.com

Retail sales (period/period % chg, quarters are annualized % chg)	24:Q1	24:Q2	24:Q3	Sep	Oct	Nov	Nov Y/Y
Total retail sales	-1.9	-1.7	4.3	0.6	0.6	0.0	1.6
• Vehicle & parts dealers	-7.3	-7.3	17.4	-0.6	2.4	2.0	5.8
• Total ex-vehicle & parts dealers	0.2	0.5	-0.2	1.0	-0.1	-0.7	0.0
Total real retail sales	-1.8	-2.9	4.4	0.9	0.2	-0.4	0.8

Source: Statistics Canada

- Consumers took a holiday from spending in November, but came back strong in December as the tax holiday came into effect. Retail sales were flat in November, following a string of solid readings in prior months, and that matched the advance estimate. While things looked worse in volume terms, as real sales decreased by 0.4%, that weakness likely reflected consumers delaying purchases until the tax holiday started in mid-December, as the advance estimate for that month showed an impressive 1.6% gain. That still suggests a healthy pace of spending during the holiday period. Consumer spending has generally improved as interest rates have come down, and any threat to goods inflation remains minimal given robust inventory levels.
- Core sales, which excludes gasoline and autos, posted a 1.0% decline in November, the largest drop seen in six months. That reflected lower receipts at grocery stores, alcohol retailers, general merchandise stores, and building material stores. In volume terms, core sales are sitting 1.0% below year-ago levels, and would look even worse in per-capita terms. That reflects the climb in the unemployment rate, in addition to precautionary savings in anticipation of mortgage renewals.
- Auto sales once again outperformed, following a period of supply disruptions earlier in 2024, leaving auto sales volumes 5% above year-ago levels. Auto inventories relative to the pace of sales have finally recovered to pre-pandemic levels, and the strong demand therefore doesn't pose a threat to inflation.
- Combined with the advance December print, real retail spending in the fourth quarter will likely come in between 4.5-5.0% annualized.

Implications & actions

Re: Economic forecast — Looking at the two-month change in spending implies that lower interest rates are working to boost consumer spending, but ample lost ground remains to be made up. Further interest rate reductions are clearly needed, with inflation below target, and downside risks from the threat of tariffs on Canadian exports to the US. We continue to look for the overnight rate to get to 2.25% in Q2.

Re: Markets — There was little market reaction to the data, as this doesn't change the narrative around the Bank of Canada's trajectory, with the tariff threat still taking centre stage.

CIBC Capital Markets is a trademark brand name under which Canadian Imperial Bank of Commerce ("CIBC"), its subsidiaries and affiliates (including, without limitation, CIBC World Markets Inc., CIBC World Markets Corp. and CIBC Capital Markets (Europe) S.A.) provide different products and services to our customers around the world. Products and/or services offered by CIBC include corporate lending services, foreign exchange, money market instruments, structured notes, interest rate products and OTC derivatives. CIBC's Foreign Exchange Disclosure Statement relating to guidelines contained in the FX Global Code can be found at www.cibccm.com/fxdisclosure. Other products and services, such as exchange-traded equity and equity options, fixed income securities and futures execution of Canadian securities, are offered through directly or indirectly held subsidiaries of CIBC as indicated below.

Distribution

This report is written by the economics team at CIBC Capital Markets and is not the product of a CIBC Capital Markets research department. This report is issued and approved for distribution: (a) in Canada, by CIBC World Markets Inc., a member of the Canadian Investment Regulatory Organization, the Toronto Stock Exchange, the TSX Venture Exchange and a Member of the Canadian Investor Protection Fund; and (b) in the United States, by either: (i) CIBC World Markets Inc. for distribution only to U.S. Major Institutional Investors ("MII") (as such term is defined in SEC Rule 15a-6) or (ii) CIBC World Markets Corp., a member of the Financial Industry Regulatory Authority. U.S. MIIs receiving this report from CIBC World Markets Inc. (the Canadian broker-dealer) are required to effect transactions (other than negotiating their terms) in securities discussed in the report through CIBC World Markets Corp. (the U.S. broker-dealer).

This report is provided, for informational purposes only, to institutional investor and retail clients of CIBC World Markets Inc. in Canada and does not constitute an offer or solicitation to buy or sell any securities discussed herein, including (without limitation) in any jurisdiction where such offer or solicitation would be prohibited.

The distribution of this report in the United Kingdom is being made only to, or directed only at, persons falling within one or more of the exemptions from the financial promotion regime in section 21 of the UK Financial Services and Markets Act 2000 (as amended) ("FSMA") including, without limitation, to the following:

- authorised firms under FSMA and certain other investment professionals falling within article 19 of the FSMA (Financial Promotion) Order 2005 ("FPO") and directors, officers and employees acting for such entities in relation to investment;
- high value entities falling within article 49 FPO and directors, officers and employees acting for such entities in relation to investment; and
- persons who receive this presentation outside the United Kingdom.

The distribution of this report to any other person in the United Kingdom is unauthorised and may contravene FSMA. No person falling outside such categories should treat this report as constituting a promotion to them or rely or act on it for any purposes whatsoever. This report is distributed solely to eligible counterparties or professional clients and not retail clients as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018.

For all other jurisdictions, this report is distributed solely to institutional clients and not retail clients as defined by the applicable securities legislation and regulation to which CIBC Capital Markets may be subject in any jurisdiction.

Miscellaneous

This report does not take into account the investment objectives, financial situation or specific needs of any particular client of CIBC. Before making an investment decision on the basis of any information contained in this report, the recipient should consider whether such information is appropriate given the recipient's particular investment needs, objectives and financial circumstances. CIBC suggests that, prior to acting on any information contained herein, you contact one of our client advisers in your jurisdiction to discuss your particular circumstances. Since the levels and bases of taxation can change, any reference in this report to the impact of taxation should not be construed as offering tax advice; as with any transaction having potential tax implications, clients should consult with their own tax advisors. Past performance is not a guarantee of future results.

The information and any statistical data contained herein were obtained from sources that we believe to be reliable, but we do not represent that they are accurate or complete, and they should not be relied upon as such. All estimates and opinions expressed herein constitute judgments as of the date of this report and are subject to change without notice.

This report may provide addresses of, or contain hyperlinks to, Internet web sites. CIBC has not reviewed the linked Internet web site of any third party and takes no responsibility for the contents thereof. Each such address or hyperlink is provided solely for the recipient's convenience and information, and the content of linked third-party web sites is not in any way incorporated into this document. Recipients who choose to access such third-party web sites or follow such hyperlinks do so at their own risk.

Unauthorized use, distribution, duplication or disclosure without the prior written permission of CIBC World Markets Inc. is prohibited by law and may result in prosecution.

CIBC Capital Markets and the CIBC Logo Design are trademarks of CIBC, used under license.

CIBC Capital Markets – PO Box 500, 161 Bay Street, Brookfield Place, Toronto, Canada M5J 2S8 – Bloomberg @ CIBC