

## Economics

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## Canadian retail (Dec, Jan adv.): See-sawing into the New Year

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Retail sales (period/period % chg)	21:Q2 <sup>1</sup>	21:Q3 <sup>1</sup>	21:Q4 <sup>1</sup>	Oct	Nov	Dec	Dec Y/Y
Total retail sales	-2.6	11.9	7.1	1.5	0.8	-1.8	8.6
• Vehicle & parts dealers	9.9	1.5	4.3	2.3	-0.2	0.5	9.5
• Total ex-vehicle & parts dealers	-6.7	15.9	8.1	1.3	1.1	-2.5	8.3
Total real retail sales	-6.7	6.0	1.4	1.1	0.4	-2.5	3.6

Source: Statistics Canada

- Canadian retail sales see-sawed into the New Year, with December's fairly sharp decline followed by a strong estimated rebound in January. However, with price increases contributing more to these headline sales figures than they typically do, the data don't look quite as impressive in volume terms, and the rebound in January may have reflected households once again spending more on goods due to many services being temporarily closed to stem the Omicron wave.
- The decline of 1.8% in December, while sharp, was no worse than the advance estimate and consensus forecast (-2.1%). Auto sales helped dampen the decline (due to parts & accessories), with the ex-autos breakdown seeing a larger 2.5% decline on the month. Clothing (-9.5%) and furniture (-11%) led the declines in December. In volume terms, sales were also down by 2.5%, suggesting a fairly large drag from the sector to monthly GDP. With shoppers ordering earlier in the holiday season to avoid transportation issues, seasonally adjusted e-commerce sales were down 10%.
- For Q4 as a whole, headline retail sales posted a 7% annualized advance. However, while that looks healthy at first glance, escalating price pressures towards the end of last year (which have carried on into the start of this year as well) played a large role in that figure. In volume term, sales growth was actually a fairly modest 1.4% in the fourth quarter.
- Transportation delays stemming from prior flooding in BC and Atlantic Canada continued to be cited as an issue for some retailers which may have negatively impacted sales and also resulted in some of the price escalation seen in recent months. In December, 13% of retailers reported it as an issue, down only slightly from 16% in November.
- However, there was good news from the advance data for January, which pointed to a rebound of 2.4% in overall retail sales. In nominal terms that would more than offset the decline in December, but after accounting for price increases the volume of sales in January was likely still well short of where it stood in November. Still, much like the US figures earlier this week, the pop higher in January is probably better than anticipated given at least some reduction in foot-traffic due to the Omicron wave.

## Implications &amp; actions

**Re: Economic forecast** — The rebound in sales estimated for January, while likely much more modest in price-adjusted terms, was somewhat better than we had anticipated. That will provide at least a partial offset within monthly GDP to the declines other services industries would have seen as restrictions tightened during the Omicron wave, and could signal

<sup>1</sup> Annualized.

upside risk to our current Q1 GDP forecast. However, with so much uncertainty still regarding the scale of the decline seen within other service industries during January, and whether recent transportation disruptions will negatively impact the overall rebound in growth during February, we won't be revising our forecast at this stage.

**Re: Markets** — There was little reaction to today's data, with markets still fluctuating on headlines involving Russia and Ukraine.

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