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Canadian retail (Oct, Nov adv): Retail sales volumes still stagnating

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Retail sales (period/period % chg)	22:Q1 ¹	22:Q2 ¹	22:Q3 ¹	Aug	Sep	Oct	Oct Y/Y
Total retail sales	13.8	11.7	-4.0	0.5	-0.6	1.4	6.4
• Vehicle & parts dealers	2.7	-11.5	4.4	0.3	-0.1	0.3	0.2
• Total ex-vehicle & parts dealers	18.2	21.0	-6.7	0.5	-0.8	1.7	8.7
Total real retail sales	5.7	2.2	-5.4	0.8	-0.1	0.0	0.2

Source: Statistics Canada

- Canadian households spent more on goods in October, although the increase in dollar terms merely covered higher prices during the month. Sales rose by 1.4% relative to the prior month, with that increase largely in line with the advance estimate and consensus projections. However, after taking account of higher prices during the month, overall retail spending was unchanged in volume terms, pointing to a continuation of the stagnant trend that has persisted throughout this year.
- Sales rose in 6 of the 11 broad sectors that comprise the retail space in October. Leading the way were gains at gasoline stations and food/beverage stores, although those increases were heavily impacted by higher prices. There was a modest rebound in auto sales, although used car sales in particular remain well down on year-ago levels due to supply constraints.
- In contrast to gains in some areas, there was evidence that spending was fading for more discretionary items. Electronics, furnishings, sporting goods and clothing stores all saw declines in nominal sales during the month. However, for clothing and sporting goods, sales remain well up on year-ago levels. Furniture store sales are much lower than they were a year ago, reflecting the sharp easing in housing resales and renovation activity.
- By province, sales were up in Quebec (+2.6%) and Alberta (+1.5%), but Ontario reported a modest decline driven by lower sales of motor vehicles and parts.
- With many of the areas driving national sales higher during October heavily influenced by price inflation (gasoline, food), overall retail sales were actually unchanged relative to the prior month in volume terms. That continues a largely stagnant trend in goods spending throughout this year, with volumes up only 0.2% on a year-over-year basis.
- The advance estimate for November pointed to a 0.5% decline in nominal terms during that month, although in contrast to October that figure should look better in volume terms.
- There was some good news regarding the consumer spending outlook this morning, though, even if it didn't come from the retail sales report. Separately released data showed that spending at restaurants rose by 1.5% in October, as Canadian's continued to feed their appetite for dining out. While higher prices will have played a part in that increase, it also likely reflects a solid increase in volume terms which will be a positive for monthly GDP on Friday.

¹ Annualized.

Implications & actions

Re: Economic forecast — Today's data suggest that goods spending is going nowhere fast, with inflation and higher interest rates denting households' desire and ability to increase spending volumes. However, overall consumer spending should be a modest positive for Q4 GDP due to continued demand on the services side. As we move into 2023 though, and higher interest rates start to impact a greater proportion of households, even services spending could begin to struggle.

Re: Markets — There was little market reaction to today's data, which printed very close to consensus expectations.

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