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March 22, 2024

An uneven start to 2024 for Canadian retail sales

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Retail sales (period/period % chg)	23:Q2	23:Q3	23:Q4	Nov	Dec	Jan	Jan Y/Y
Total retail sales	-0.3	2.3	4.0	0.0	0.9	-0.3	0.9
• Vehicle & parts dealers	-1.5	2.7	11.5	0.8	1.7	-2.4	1.4
• Total ex-vehicle & parts dealers	0.1	2.2	1.4	-0.4	0.6	0.5	0.8
Total real retail sales	0.2	-1.1	5.4	0.0	0.8	0.2	1.5

Source: Statistics Canada

- Retail sales started the year on uneven footing, with a modest decline in January and an advance reading for February that pointed to little growth. The 0.3% decline in overall sales during January was broadly in line with the consensus and advance estimate, although some of the detail was a little surprising with the decline driven almost exclusively by the auto sector. Excluding autos, the 0.5% increase in sales was better than the modest decline expected by the consensus, and core sales (ex auto and gasoline) rose by 0.4%.
- The increase in ex-auto retail sales in January came despite generally lower prices, particularly in areas such as gasoline and clothing. In volume terms, ex-auto sales rose by approximately 1% on the month, which built upon an already solid 0.7% gain in the prior month. The 2.7% increase year-over-year in the volume of ex-auto sales (up from only 0.5% last August) now represents only a modest decline in per-capita terms. However, this improvement in spending volumes may be difficult to maintain as more households refinance at higher interest rates. Moreover, some of the improvement in ex-auto retail sales this winter may have been driven by milder than normal weather and fewer instances of large snowfall, and so could fade again as weather returns to more typical seasonal patterns.
- Sporting goods and building & garden stores saw large increases in sales in January. While clothing sales fell in nominal terms, that was driven by lower prices and in volume terms sales were up on the month. A further large monthly increase in the volume of sales at gasoline stations is another sign that mild weather may be impacting the latest retail sales figures.
- In volume terms, overall retail sales edged up by 0.2%, and were 1.5% higher than a year ago. In contrast to previously released industry data, the volume of auto sales was shown to be down on the month and also lower on a year-over-year basis in January.
- The advance figure for February pointed to little change in overall sales (+0.1%), which could translate into a slight gain in volume terms given the further price decline in goods (in particular clothing) within that month's CPI release.

Implications & actions

Re: Economic forecast — Today's data release was a little stronger than expected in the detail, with ex-auto sales appearing to accelerate further. However, that may partly reflect milder weather conditions this winter, and as such could fade slightly in the months ahead. We still see consumer spending posting only marginal growth, and further declines in per capita terms, in the quarters ahead before accelerating more sustainably later this year as interest rates start to come down. We continue to expect a first cut in June.

Re: Markets — Bond yields and the Canadian dollar were little changed following today's data release.

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