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TD Economics

Data Release: Retail sales momentum extends into April

- Strong momentum from the first quarter carried into April, with retail sales rising 0.8% during the month. In volumes terms, sales were up by a healthy 0.3%.
- April's gains were fairly widespread, led by building material and garden equipment (+3.5%, m/m), clothing and accessories (+3.1%), electronics and appliances (+2.1%) and general merchandise stores (+2.1%). On the flipside, sales at motor vehicle and parts dealers (-1%) and furniture and home furnishing stores (-0.3%) declined.
- Regionally, retail sales were up in seven provinces during the month, with Ontario (+1.1%) and Quebec (+1.6%) accounting for the bulk of the increase. Saskatchewan (-4.1%), Nova Scotia (-0.2%) and Newfoundland and Labrador (-0.1%) provided some offset.

Key Implications

- April's healthy gain, combined with the robust performance in March, provides a solid handoff for retail sales in the second quarter. While a repeat of the remarkable growth seen in the first quarter is unlikely, retail sales should still hold up relatively well in the coming months.
- Indeed, wealth effects from past home price gains in key regions – particularly Ontario and B.C. – along with a widespread rise in economic momentum in other regions should be supportive of overall household spending in the near term. However, the recent slowdown in Ontario's housing market, and rising interest rates later this year could take some steam out of consumer spending towards the end of 2017 and into 2018.
- The evolution of economic data so far this year has prompted a more hawkish tone from the Bank of Canada. Barring a significant reversal in momentum or persistently soft inflation, we expect the Bank to hike rates in October of this year.

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