



## TD Economics

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### Data Release: Canadian retail sales continue to disappoint, falling for the fourth consecutive month

- Canadian retail sales fell 0.1% (m/m) in August, following an downwardly revised reading last month. Today's headline missed the mark for the third time in a row, coming in below the median consensus forecast which called for a gain of 0.3%. In volume terms it was an even weaker story, with sales falling 0.3%.
- The details of the report were broadly disappointing as sales fell in 7 of the 11 subsectors, representing 57% of retail trade. The headline was driven down by weaker sales at motor vehicles and parts dealers, building material, clothing, and electronic stores which were down 0.5% apiece. Modest gains among food (0.2%), gasoline (0.5%) and health (0.7%) retailers, along with a solid gain of 1.7% at furniture and home furnishing stores were not enough to sway the balance in positive territory.
- On a regional basis, sales were down in 6 provinces. The biggest decline in dollar terms was recorded in Ontario (-0.7%), driven by lower sales at building material and garden equipment supplies dealers, and general merchandise stores. Sales continued to fall in Saskatchewan (-0.4%) and Alberta (-0.1%) – the tenth decline in the past twelve months for the latter. Retail spending remained flat in Quebec and British Columbia, while significant increases of 1-1.7% among the four remaining provinces were not enough to lift up the headline.

### Key Implications

- No matter how you slice it, today's report is broadly disappointing as retail sales fell for the fourth consecutive month. Further, the fiscal stimulus that came at the end of July in the form of Child Care Benefit payments does not appear to have made much, if any, of an impact. Nominal and the volume of sales are now 0.5% and 1.7% lower than their February peak respectively. Nevertheless, today's decline was not enough to undo the solid rise in manufacturing sales for the month of August, leaving our current tracking for GDP growth at slightly above 3% (annualized) for the third quarter.
- Looking ahead, consumer spending is poised to expand at a sub-2% pace, constrained by high-and-rising debt burdens and only moderate growth in employment and incomes. While consumption will remain a solid backbone to economic growth, the expectation (and hope) is for exports to do some more of the heavy lifting.
- In prior releases we have flagged the potential for a slowdown in housing activity to impact retail spending, either directly through housing-related categories or indirectly through the wealth and confidence channel. Recent regulatory and tax measures only reinforce our narrative for a soft-landing (see our [report](#) released yesterday) and evidence of an impact on spending may be already emerging. In Vancouver, where the number of homes sold has been declining since March, retail spending at furniture and home furnishing stores appear to be turning a corner after having peaked earlier in the year.

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