



February 19, 2016

TD Economics

Data Release: Canadian shoppers disappoint in December

- Canadian retail sales were down 2.2% in December, disappointing expectations of a more modest pullback. This was the largest monthly sales drop since April of 2010. In volume terms, the story was slightly worse, with a decline of 2.3% reported.
- Weakness was reported across ten of the eleven major sales categories. Leading sales lower were motor vehicle and parts dealers, where sales fell 3.9%, responsible for nearly half of the overall decline.
- Notable declines were also seen for food and beverage stores (-1.2%), and in clothing and clothing accessories (-3.6%). The only category to see increased sales were furniture and home furnishings stores, where sales rose 0.5%. This category only accounts for about 3% of total retail sales in Canada.
- Sales were weak across the country, with only P.E.I. reporting a gain in sales in December. Significant drops were seen in both Ontario and Quebec (-2.3% and -2.1%), with the declines large enough to offset November's robust gains. Alberta saw sales drop 3.1%, bringing retail receipts back to levels not seen since July of 2013.

Key Implications

- While some pull-back was to be expected given November's strong report, the December retail sales figures are disappointing by any measure. Even excluding motor vehicle sales and gasoline purchases, retail sales fell 1.7% as nearly every major sales category saw a pullback. Clearly some of this was the result of purchases getting pulled into November as the holiday season continues to move earlier in the year. That said, even when taken together with November's report, retail sales were quite soft, up only 0.6% over October's figure, with the quarter as a whole only up about 0.4% on a non-annualized basis.
- The retail trade report underscores the softness of the Canadian economy in the fourth quarter of last year. Even when taken alongside more positive December manufacturing and wholesale reports, we nevertheless expect that the Canadian economy effectively stood still or contracted slightly in the fourth quarter.
- Looking ahead, we do not expect December to mark the start of a trend. There appears to be some modest momentum heading into 2016, and we expect consumption to remain an important, if somewhat diminished, component of economic growth this year. Given high debt levels, we expect below-trend, but nonetheless supportive consumption growth of about 1.5% over the course of 2016.

Brian DePratto, Economist
416-944-5069

 **@TD_Economics**

DISCLAIMER

This report is provided by TD Economics. It is for informational and educational purposes only as of the date of writing, and may not be appropriate for other purposes. The views and opinions expressed may change at any time based on market or other conditions and may not come to pass. This material is not intended to be relied upon as investment advice or recommendations, does not constitute a solicitation to buy or sell securities and should not be considered specific legal, investment or tax advice. The report does not provide material information about the business and affairs of TD Bank Group and the members of TD Economics are not spokespersons for TD Bank Group with respect to its business and affairs. The information contained in this report has been drawn from sources believed to be reliable, but is not guaranteed to be accurate or complete. This report contains economic analysis and views, including about future economic and financial markets performance. These are based on certain assumptions and other factors, and are subject to inherent risks and uncertainties. The actual outcome may be materially different. The Toronto-Dominion Bank and its affiliates and related entities that comprise the TD Bank Group are not liable for any errors or omissions in the information, analysis or views contained in this report, or for any loss or damage suffered.