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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.

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