

OBSERVATION

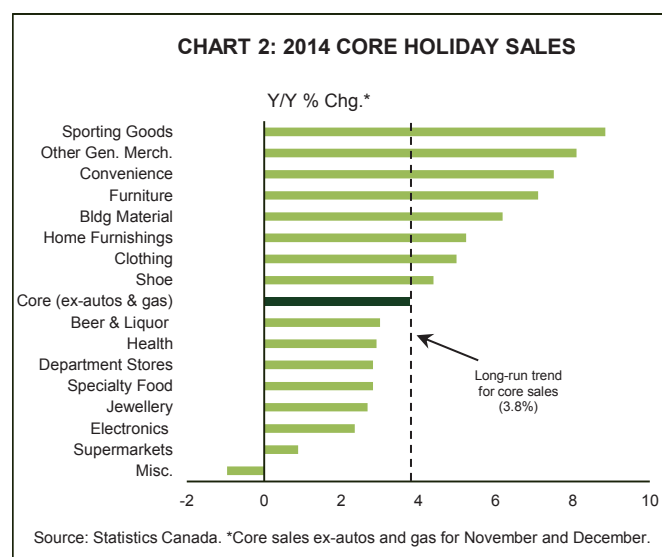
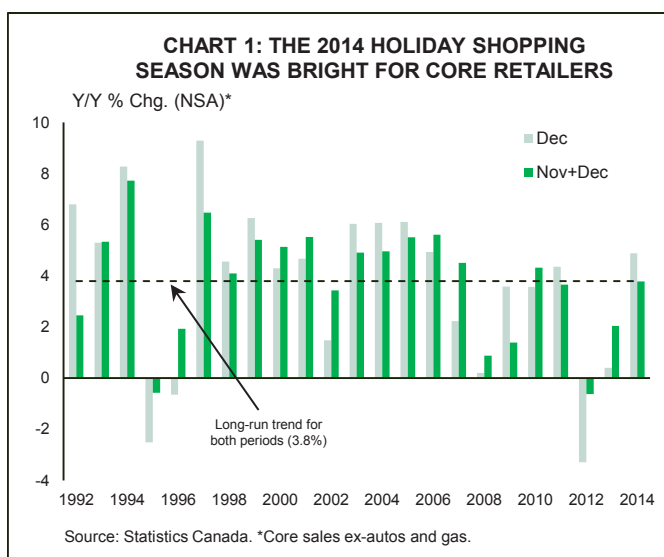
TD Economics



February 23, 2015

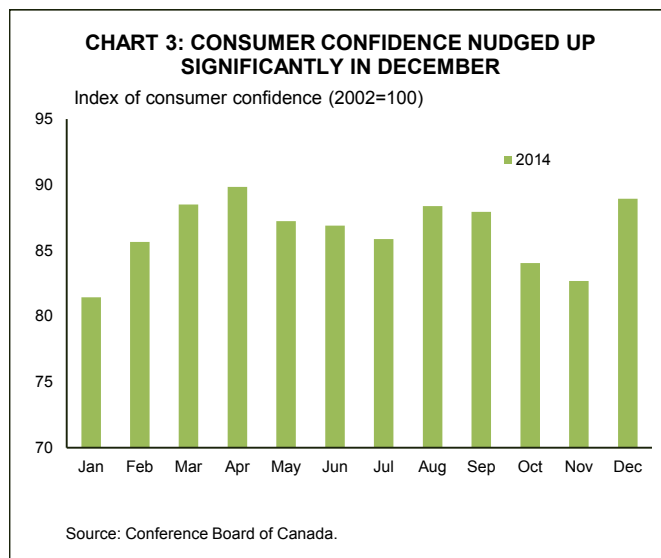
THE 2014 HOLIDAY SHOPPING SEASON: BETTER THAN MEETS THE EYE

- Coverage of last Friday's retail sales release for the all-important December holiday shopping month was decidedly negative. On a seasonally adjusted basis, December lost significant ground relative to November. The pullback in sales, to the tune of 2% month-over-month, was indeed the worst decline since April 2010. As such, many analysts were quick to point out that this made for a bad holiday season in 2014. However, a closer look at the numbers shows that sales performance was considerably better than meets the eye for many retailers.
- Not long ago, in our holiday sales forecast report ([The 2014 Holiday Season Looks Bright but Ain't What It Used to Be](#)), we pointed out that seasonal patterns in retailing are shifting. Though December still dominates the retail calendar, it has been declining in importance over the longer term. In recent years, the increased adaptation of American shopping holidays, such as Black Friday and Cyber Monday, appear to have contributed to a greater share of yearly sales in November.
- Given the increasing importance of November, the month-to-month seasonal adjustments may provide a misleading snapshot. Since many Canadians appear to be shopping earlier in the season, it is more appropriate to define the holiday season as both November and December.
- Excluding sales of autos and gasoline (which cloud the picture for holiday-related shopping), core retail sales in November and December were up 3.8% year-over-year (Chart 1). This is the same rate as the long-run trend and considerably better than the performance of the past few years.
- Retailers that fared best relative to the previous year were sporting goods, other general merchandise and convenience stores. Supermarkets, electronics and jewellery stores did not see significant increases



in sales over the past year, while miscellaneous retailers recorded a decline in sales (Chart 2).

- The bottom line is that when compared to last year, the 2014 holiday season for typical store-based retailers was fairly decent. These results appear to be more fitting with rising consumer confidence and the increase in purchasing power due to falling energy prices (Chart 3).



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