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TD Economics

Data Release: Canadians head back to the malls in October

- Canadian retail sales increased by 1.1% in October, marking the third straight month of increase. In real terms, sales were up by a more modest - but still healthy - 0.6%.
- October's gain was fairly broad based. The largest growth stemmed from gasoline station receipts (+3.8%), which was the largest increase in six months and due to higher prices. Other areas of strength included general merchandise, food and beverage and clothing stores. On the flipside, sales at electronics and appliance stores recorded a decline during the month.
- Regionally, sales were up nearly across the board, led by Ontario (+1.5%) and B.C. (+1.8%). Sales in Manitoba were flat, while PEI (-1.1%) was the only province to record a decline thanks to an increase in the HST that took effect at the start of the month.
- E-commerce sales accounted for 2.3% of total sales in October, up from 2.1% in September.

Key Implications

- October's gain - combined with strong handoff from September - suggests that retail sales will be supportive of growth in the fourth quarter. Consumer spending growth as a whole is expected to maintain Q3's healthy 2 ½% pace (annualized) in Q4, but today's result presents some upside risk to that forecast.
- Going forward, consumers will continue to be a key pillar of growth for the Canadian economy, as the benefit of past home price appreciation in a number of regions - particularly Ontario and B.C. - continue to prop up spending activity. That said, a modest cooling in the housing market, rising interest rates and high household indebtedness could lead consumers to pull their purse strings a little tighter. We expect consumer spending to decelerate to just under 2% in 2017, which is consistent with the overall pace of growth in the economy.

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