

Retail Sales: Back in the Saddle...Gingerly

Canadian retail sales posted an above-expected gain of 0.8% in August, led by a surprising 2.2% uptick at new car dealers. Ex-auto sales were basically in line with consensus at +0.5%, while the prior month was revised to a slightly smaller decline. Some of the strength was also due to a 3.9% pop in gasoline stations, while most other major sectors stayed fairly close to home in the month. Still, real retail sales were solid at +0.4%, pointing to a decent annualized gain of around 2½% for all of Q3, after a 1.7% rise in Q2. That would represent the best quarterly gain in the volume of sales since 2008Q1. Overall sales are still down a chunky 3.7% from a year ago, but much of that reflects the price-related 22% plunge in gasoline stations—excluding that, sales are down 1% y/y.

Regionally, sales were up in 8 of 10 provinces (sorry Alberta and Newfoundland). Curiously, the two provinces that dipped last month happen to occupy the bookends of performance over the past year—Newfoundland has actually managed to post a small rise in sales of 0.7% y/y (the only province in the black on this metric) while Alberta has seen sales plunge 9.4% from levels prevailing a year ago (when oil prices were in the stratosphere). The next two weakest provinces are British Columbia (-6.4% y/y) and Ontario (-3.4% y/y). Not coincidentally, Alberta, B.C. and Ontario are battling it out for the deepest drop in provincial GDP for 2009.

(seasonally adjusted)	(month/month % change)			(% change : a.r.)	
	Aug	Jul	Jun	3-month	12-month
Total	0.8	-0.5	1.0	5.3	-3.7
Ex. Auto Dealerships	0.5	-0.6	1.0	3.6	-3.8
Auto Dealerships	1.7	0.2	0.8	11.6	-3.5
Gasoline Stations	3.9	-2.7	5.1	27.5	-22.0
Food	0.1	-1.4	0.9	-1.4	2.7
Drugs	0.0	0.9	1.2	8.8	5.2
Clothing	0.2	-0.6	0.5	0.2	-3.2
Furniture & Electronics	0.0	-0.4	0.8	1.4	-9.5
Total (volume-terms)	0.4	-0.1	0.4	2.6	-1.6

The Bottom Line: Looking through the monthly wiggles, the clear underlying story is that the Canadian consumer continues to gradually grind out a modest recovery. Canadian consumers have at least two big aces relative to their U.S. counterparts—modest job growth in recent months (versus still-steep job losses stateside) and consumer credit availability (thanks to a healthy banking system). Accordingly, Canadian consumer confidence has rebounded much more forcefully, and the outlook for spending is much rosier than for the deeply subdued U.S. consumer.

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