

Discriminating Demand.

Canadian retail sales up 0.1% m/m, x-auto -0.5% m/m

Canadian retail sales for the month of June rose by 0.1% m/m disappointing the market median at 0.4% and our own forecast looking for a rise of 0.3%. X-autos sales declined by -0.5% m/m, well back of the median looking for a slight increase of 0.1% and slightly worse than our own forecast looking for -0.3% m/m. A downward revision to May's retail sales (both headline and x-autos declined by an additional -0.2ppt) proves unhelpful.

Canadians often pine for the retail selection offered in the US. It doesn't help that the logistics of the country are a nightmare (large land mass, small population) but further still is a consumer noted for their frugal spending habits. Not an overly enticing picture for any retailer.

And June appears to be a case in point. While dollar sales advanced by a mere 0.1% m/m, volume sales were up 0.9% suggesting that the consumer was bargain hunting in June. Who could blame them? Front and centre, consumer confidence took a hit to the fender on the back of the sovereign debt crisis unfolding in Europe at the time.

Still, the Canadian consumer managed to ramp up spending on both new (+2.0% m/m) and used (+4.5% m/m) vehicle categories. And while they declined to accessorize their wardrobes (clothing and accessories spending dropped by -1.1% m/m) the consumer accessorized their vehicles with automotive parts sales rising by 1.8% m/m. Although this rise only partially offsets the -9.2% m/m decline recorded in May.

Spending on electronics and home furnishings was particularly strong, rising by 5.1% m/m and 2.3% m/m respectively.

On the downside, food and beverage sales were flat. General merchandise sales fell -1.7%, health and personal care -1.0% and miscellaneous retail sales -1.5% m/m. Petrol sales fell -2.7% m/m but that is largely the impact of a -2.9% m/m drop in petrol prices.

Much as was the case in May, if one is so inclined, it is possible to scrape away some of the muck of this particular report and find a core spending number that seems reasonably intact. Although the environment in June was challenged, it seemed to do little to deter Canadians from spending on new and used vehicles, sporting goods (+1.8% m/m), purchasing electronics (hardly a necessity) and home furnishings.

In fact, removing the impact of gasoline sales sees retail sales up 0.4% m/m. Given a significant sales pick up in what are largely discretionary categories tends to suggest that while consumer spending is soft to sluggish, it isn't exactly the picture of a consumer that is turning turtle and necessarily hunkering down. Indeed, although consumer confidence got kicked about in June, robust employment gains coupled with real wage growth tends to suggest that the retail sales picture has enough plaster on it to keep it band aided together in the second half.

Disclosure appendix

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