

# Canada: Retail sales (Oct). Better than expected headline

Disappointing story.

**October retail sales expanded by a better than expected 0.8%*m/m*, besting street expectations looking for a more moderate 0.5%. X-auto sales at 0.9%, again beating the street at 0.7%*m/m*. Yet we are let wanting. October's report was bloated by gasoline sales. X-gas, sales are down -0.1%. So too was the report significantly influenced by higher prices. On a volume basis, sales were down 0.2%*m/m*.**

Facts.

Gasoline sales led the consumer charge in October, rising by 7.4%*m/m*. Removing the impact of gasoline drops total sales to -0.1%*m/m*. X-autos, x-gasoline, sales are down -0.3%. A somewhat disappointing story underneath a decent print on the headline. Weaker sales were seen in the clothing and accessories category which dropped -0.8%*m/m*, along with food store sales -0.2%*m/m*. Building materials largely flat and new motor vehicle sales were up only 0.3% (we were looking for 1.0%*m/m*). And of course September's sales saw net revisions lower of 0.2ppt.

Yet all is not quite so gloomy. It is interesting to note the sizeable pick up in the sale of discretionary items like leather, jewelry and luggage (+2.0%*m/m*), electronics (+1.0%*m/m*) and furniture and home furnishing (+2.2%*m/m*).

Implications.

The upside on headline sales will do little for Thursday's GDP report given that volumes were down by -0.2%*m/m*. Along with the disappointment associated with yesterday's wholesale trade report (volumes were up 0.3%*m/m*), taken together, they will contribute to some down side event risk to October GDP. While we believe the combination will be insufficient to knock the overall headline below our forecast and the street median of 0.3%*m/m* for GDP, the risk exists none the less. In front of the wholesale and retail trade numbers, the GDP forecast was looking like 0.34%*m/m* on an unrounded basis. In the wake of the wholesale and retail numbers, GDP looks more like 0.29%*m/m*.

Bottom line.

There are both hits and misses with this report. We are cautious of the down side associated with a decline in volume sales but encouraged that the report is certainly not reflective of any significant shift in consumer attitudes given the robust growth in sales in what are purely discretionary items (jewelry) along with household items including furniture and electronics which appear to be benefitting from the up existing home sales activity.

# Disclosure appendix

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