Provinces' Retail Sales Continue to Cool in Q3

- **Statistics Canada's retail sales report for September** reveals that consumer purchases have slowed considerably. In the third quarter, national level sales expanded by just 1.8% (SA, q/q annualized), down from more than 11% from January through March. Eight provinces witnessed a deceleration relative to the second quarter in Q3 (chart 1).

- **We project continued modest retail expenditures in the fourth quarter** for several reasons. September sales declines in half the provinces will provide a weak hand-off for the final three months of the year. As well, we anticipate more cooling of the pent-up spending demand that was unleashed in Alberta and Saskatchewan in the first quarter after two years of recession. There is some upside potential for the Maritime Provinces, which are entering a period of more stable and positive consumer spending.

- **Purchases of motor vehicles and parts** drove the bulk of the gains to date. In BC and Prince Edward Island, hefty full-time hiring and wage increases propelled growth in the largest retail trade segment, while positive net employment for the first time since 2013 encouraged major purchases in New Brunswick (chart 2). Sales have fallen back in Manitoba this year following gains averaging 6.1% during 2014–16, and continue to advance at a solid, albeit slower pace in Quebec and Ontario after record motor vehicle sales in 2016. We expect a broad-based moderation of vehicles and parts purchases over the next year as employment growth eases and interest rates continue to climb.

- **Outlays at gasoline stations** are up more than 10% y/y in seven provinces, the result of higher prices at the pump. Statistics Canada reports an 11.5% y/y increase in the price level for gasoline through September, mirroring the price of oil's climb to an average over $50 in the month from below US$30/barrel in early 2016. This helped offset declines in other categories in Newfoundland & Labrador, where employment remains weak as work on several large resource projects winds down.

- **Food and beverage store purchases,** necessities that tend not to vary significantly from year to year, are up 1.9% y/y through September, with gains spread fairly evenly across the provinces. For the ninth consecutive year, growth in outlays at specialty food establishments is outpacing that of spending at grocery stores at the national level.

- **Home-related purchases** (e.g. furniture, electronics & appliances, building & garden equipment) continue to moderate in Vancouver after several years of rapid house price appreciation. However, some strengthening is expected given the 26.7% increase in MLS units sales during August to October relative to the same period last year. Toronto home-related expenditures are still strong but unit sales are down 19% y/y through October; we expect the current pace will not be sustained in the new year. In Montreal, households are being buoyed by this year's significant personal tax relief (chart 3).

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Chart 1

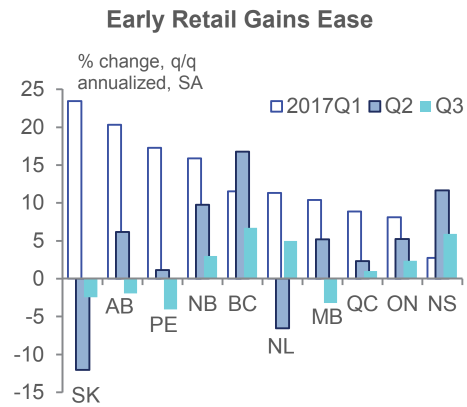


Chart 2

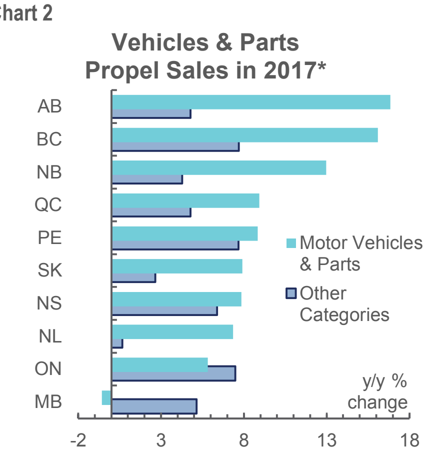
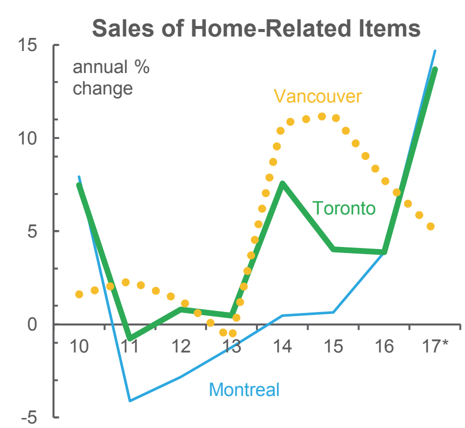


Chart 3



* Jan.–Sept. Source: Statistics Canada.

Table 1

Retail Sales, January - September 2017*

year-over-year % change

	Canada	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC
Durables	**9.1**	**0.2**	**9.0**	**8.7**	**11.4**	**9.5**	**7.0**	**-0.2**	**5.9**	**13.8**	**12.7**
Electronics & Appliances	11.3	-12.4	7.0	11.3	-4.4	22.2	15.4	9.4	-4.6	9.9	-1.9
Furniture	4.4	-27.5	11.9	18.4	2.0	7.3	9.4	-4.0	-4.6	-7.3	2.8
Motor Vehicles & Parts	9.4	7.3	8.8	7.8	13.0	8.9	5.8	-0.6	7.9	16.9	16.1
Non-Durables	**6.0**	**3.5**	**7.6**	**5.9**	**4.5**	**4.2**	**7.0**	**5.4**	**3.2**	**5.2**	**8.4**
Building Materials & Garden Equip.	12.6	-26.8	15.5	14.8	17.3	5.4	16.1	11.3	-0.4	5.0	26.2
Clothing	5.4	-0.6	6.6	-1.6	0.4	0.4	9.5	7.4	-1.2	3.7	5.4
Food & Beverage	1.9	-3.9	2.5	2.0	-6.3	2.9	1.9	3.6	-0.3	0.1	3.4
Gasoline	13.4	10.8	16.6	9.2	12.1	8.8	13.8	13.4	7.0	16.2	19.5
General Merchandise	4.5	-2.3	n.a.*	6.3	3.7	3.5	4.7	4.6	7.4	5.3	3.9
Miscellaneous	3.2	2.1	n.a.*	9.9	26.2	1.8	2.9	2.8	5.2	1.7	4.2
Total	**7.0**	**2.5**	**8.0**	**6.8**	**6.7**	**5.9**	**7.0**	**3.6**	**4.1**	**8.2**	**9.7**

* Data not available. Source: Statistics Canada.