

## Canadian Retail Sales Better Than Expected On Details

### nominal sales, m/m%, headline / ex-autos, September:

Actual: 0.2 / 0.1

Consensus: 0.0 / 0.3

Scotia: -0.1 / 0.2

Prior: Unrevised from -0.1 / -0.4

- Headline sales slightly increased in dollar terms but the underlying details were considerably better. Overall Q3 GDP growth tracking is in line with the BoC's forecast.
- One reason for this is that **the volume of sales climbed 0.5% m/m**. That's the best monthly gain since May and it left Q3 retail sales volumes up 1.5% q/q at a seasonally adjusted and annualized rate (SAAR).
- **Another reason is that retail volumes have about 1% annualized q/q SAAR growth baked into Q4 before we even start getting any Q4 data** just because of the hand-off math. Volumes were up only 1.5% q/q SAAR in Q3 but they're basically already there for Q4 even if each month only comes in unchanged.
- The third reason why the details are better than anticipated is derived from special questions that Statistics Canada posed in order to gauge the impact of wildfires in BC and tornadoes in the Ottawa region during September. **The special questions indicate that the spending tallies might have been stronger yet if not for these idiosyncratic one-offs.** Here is what StatsCan had to say about both issues.

"Responses that indicated an impact caused by the wildfires were recorded in each of the 11 subsectors of the Monthly Retail Trade Survey and touched all provinces, though mainly in British Columbia. A majority of impacted businesses reported lower sales than a typical July to September period, largely due to smoke, decreased tourism or having to shut down as a result of the fires."

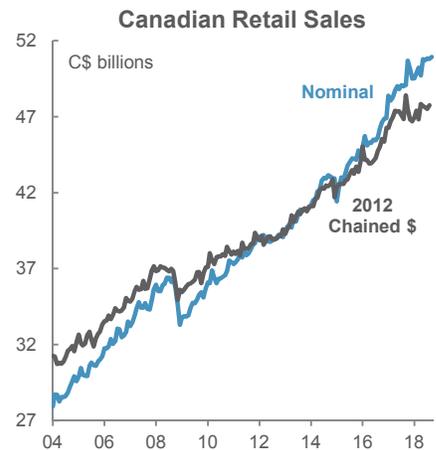
"Businesses in the Ottawa-Gatineau CMA were asked to evaluate the impact of the September tornadoes on their operations. Roughly 30% of the 259 respondents reported that their business activities had been affected by the tornadoes and subsequent power outages. The most common impact was a shut down in operations ranging from one to three days."

- **By province, the dollar value of sales increased in seven of ten provinces, confirming breadth.** They were flat in BC (again, wildfire effects) and down in Newfoundland and Labrador as well as Nova Scotia. Ontario was little changed (+0.1% m/m) but with the tornado effect a mild consideration. Quebec was also up slightly (+0.1%). The strongest gains were registered across the prairies: Alberta was up 0.5% m/m, Manitoba 1.5% and Saskatchewan 1.7%.
- My model for September GDP growth is tracking +0.1% m/m with all data now incorporated. Retail volumes helped a bit. The other indicators that I can track were soft during the month, but so many sectors were down in August without observable readings into September that I think Sept GDP could benefit from a rebound in a number of them. Eleven of twenty-one sectors retreated in

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August and seven of those don't relate to activity readings that can be tracked into September. This may merit an upside bias into next Friday's September estimate.

- Q3 GDP tracking is now at 2.0% using the monthly GDP estimates. A nowcast using expenditure based components is only slightly softer. The BoC's October MPR had forecast 1.8% growth in Q3 GDP and that appears to be tracking well into next Friday's GDP figures. This suggests that broad growth readings are not likely to be a surprise to the BoC in the context of Governor Poloz's recently hawkish sounding guidance and SDG Governor Wilkins' recent speech that, if anything, confirmed a path toward a neutral policy rate.

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