

Canadian Retail Sales Smashed Guidance

- Consumers drove strong sales gains in September
- Sales continue to push above pre-pandemic levels
- Only a minority of subsectors have not fully recovered
- Strong Q3 growth gives way to a baked in Q4 gain

CDN retail sales, m/m % change, headline/ex-autos, Sept, SA:

Actual: 1.1 / 1.0

Scotia: 0.0 / -0.1

Consensus: 0.2 / 0.0

Prior: 0.5 / 0.5 (revised from 0.4 / 0.5)

October guidance for headline sales: “relatively unchanged”

Retail sales strongly beat all expectations for September. Those expectations had been primarily driven by StatsCan’s own guidance back on October 21st when they said sales were “relatively unchanged.” Instead, sales jumped 1.1% higher in total and 1.0% ex-autos. Guidance is appreciated, but this morning showcases the perils of providing it when it is based upon limited advance data and can be way off base.

Chart 1 shows that sales in dollar and volume terms continue to march well past the pre-pandemic levels. It’s still feasible this represents a temporary burst of pent-up demand from the magnitude of the drop over late winter and early Spring.

Guidance for October is that sales were “relatively unchanged” again whereas we know how that played out in September. This guidance is based upon a partial 50% survey response rate but we don’t know the weighted distribution of the responses.

All of the sales gain during September was fed by higher volumes as prices were flat.

Retail sales volumes increased by 118% in Q3 over Q2 at an annualized rate. This followed a 42% drop in Q2. Based solely upon the Q3 average and September’s hand-off effect, Q4 has about 4% growth in sales volumes baked in before we get any actual Q4 data. See chart 2.

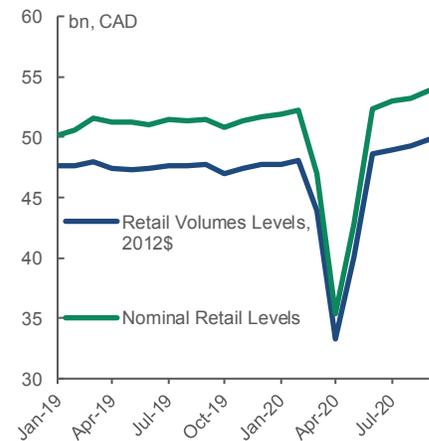
Chart 3 shows that the unevenness of the recovery in the retail sector continues to lessen. Most subsectors are above where their sales volumes sat before the pandemic struck. The main exceptions are gas stations (lower gas prices, less driving) and clothing (ah those all-day wfh pyjamas...).

Charts 4 and 5 show the weighted break down of sales in volume and dollar terms to show how various types of spending contributed to overall sales growth after taking account of their shares in the totals. Autos and parts contributed the most, but multiple categories put in a team effort.

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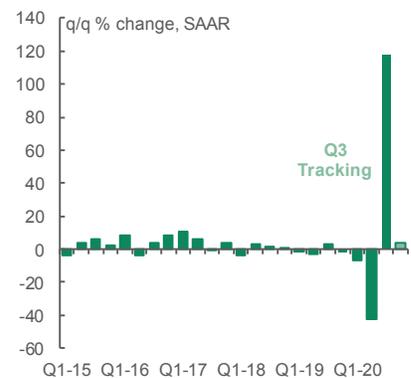
Chart 1
Canadian Retail Sales Levels



Sources: Scotiabank Economics, Statistics Canada.

Chart 2

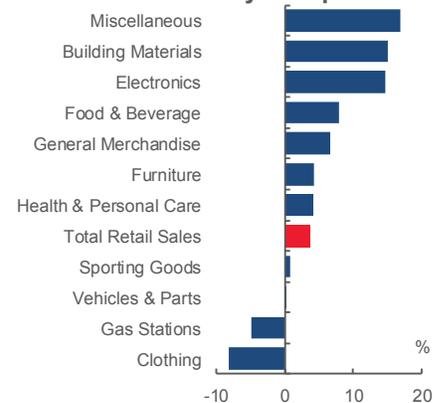
Canadian Real Retail Sales Growth



Sources: Scotiabank Economics, Statistics Canada.

Chart 3

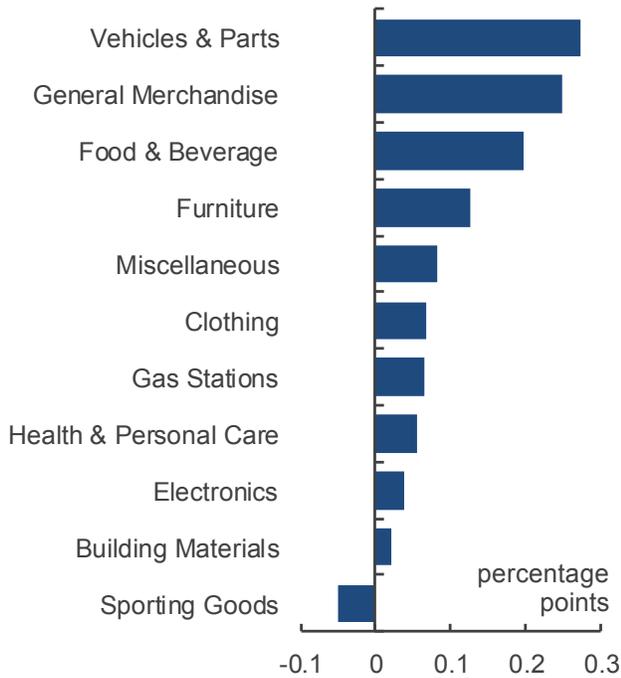
Change in Retail Volume Levels Between February & September



Sources: Scotiabank Economics, Statistics Canada.

Chart 4

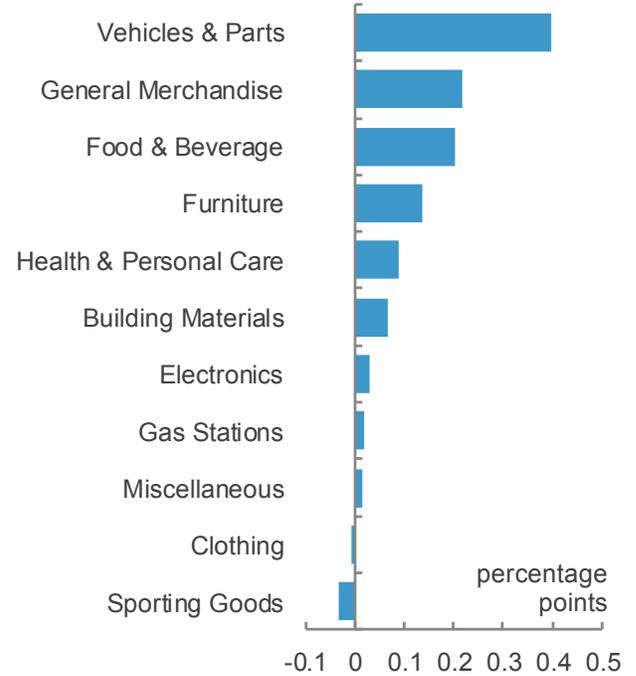
Weighted Retailer Contributions to September Real Retail Sales



Sources: Scotiabank Economics, Statistics Canada.

Chart 5

Weighted Retailer Contributions to September Nominal Retail Sales



Sources: Scotiabank Economics, Statistics Canada.

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