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**Chart 1**



**Chart 2**



# A Soft Patch For Canadian Retail Sales

- Weakness isn't over, but a Springtime rebound is likely ahead

**CDN nominal retail sales, m/m %, headline/ex-autos, SA, November:**

Actual: 1.1 / 0.7  
 Scotia: 1.2 / na  
 Consensus: 1.2 / 1.2  
 Prior: 1.5 / 1.3 (revised from 1.6 / 1.3)  
**December 'flash': -2.1 / na**

What consumers gave in November they took away in December, leaving the overall quarter roughly flat for retail sales volumes. The data should have zero bearing on next week's Bank of Canada decisions.

Why? Because there are strong caveats that should prevent over-reacting.

- Inventories are very lean. Consumers can't spend if they can't get product. They may be deferring consumption amid robust indicators of household finances for when goods become more readily available. How robust? The debt service burden has fallen, cash stockpiles have risen, there is the massive gain in home equity, and we're 240k above pre-pandemic employment amid evidence of accelerating wages.
- There was probably of rotation of the composition of spending more toward services at least over say the first two-thirds or so of December. More air travel and spending at restaurants probably contributed to this until omicron drove mobility readings lower. That's not captured well—in some cases at all—within retail sales.
- The rise of omicron cases is viewed as a transitory shock. A bad one, but transitory such that our shop's assumption is that as we will transition toward Springtime when we'll have a higher level of antibody protection driven by cases and vaccines including boosters. Diminished cases and higher protection with relatively low average severity of outcomes compared to the Delta variant may lead to a pent-up rebound.
- StatsCan flagged flooding in BC with one-fifth of retailers in BC and the Atlantic provinces affected and 16% of retailers responding their operations were disrupted by transportation effects. Retail sales were nevertheless up 0.8% m/m in BC and higher in three-out-of-four Atlantic provinces, though we'll wait to see the results for December. The disruptive effects, however, could reasonably have affected retail supply chains nationwide.
- Sales may have been brought forward to drive the strong start to Q4 when volumes were up by almost 1% m/m in October. Black Friday in October....
- and of course we had the early tightening of restrictions in Quebec in December that probably weighed on the -2.1% m/m flash guidance, though we'll have to wait for details in the next report in order to assess the impact on a regional and sector basis.

Chart 1 shows the tracking for monthly sales values and volumes over the pandemic.

After a 6.9% q/q SAAR gain in retail volumes in Q3, Q4 is tracking up another 1.4% assuming all of December's flash guidance for nominal retail sales shows up as a decline in volumes. If vols fell even more (given higher prices) then I'd figure the quarter came in flat (chart 2).

Charts 3–4 break down the composition of sales during November. December is unavailable.

Chart 3

**Weighted Retailer Contributions to September Nominal Retail Sales**

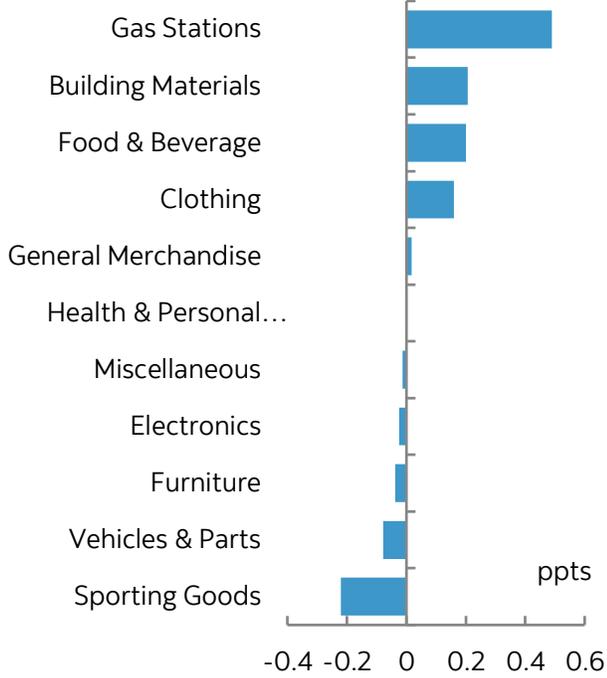
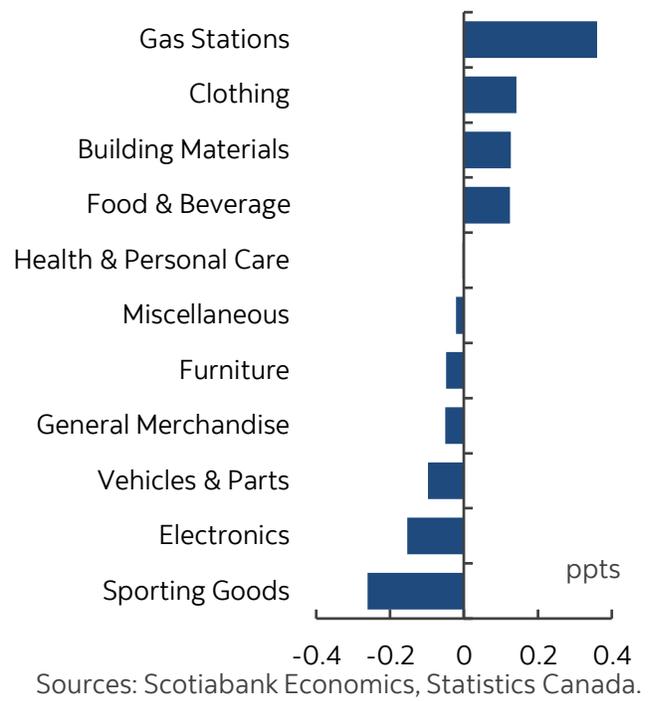


Chart 4

**Weighted Contributions to November Retail Sales Volumes**



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