



Economic Flash!

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Canadian November Retail Sales: Black Friday Saves the Day

Per/Per % chg	11:Q1*	11:Q2*	11:Q3*	Sep	Oct	Nov	Nov Y/Y
Total Retail Sales	-0.2	3.2	3.6	1.0	0.9	0.3	3.1
Vehicle & Parts Dealers	-11.3	9.9	5.1	3.3	2.0	0.3	3.4
Total ex Vehicle & Parts Dealers	3.1	1.4	3.2	0.4	0.6	0.3	3.0
Total Real Retail Sales	-3.0	1.2	1.9	0.6	0.5	0.5	0.7

* annualized

- Retailers in November can thank US holiday shopping traditions for helping to gussy up their bottom line. Sales were up by 0.3% in both the headline and ex-autos numbers, and the skew in strength towards holiday shopping categories suggests retailers' adoption of "Black Friday" discounting may have helped to inject some life into sales that month. November's tally was a touch above the consensus call, but downward revisions to the previous month's tally leaves the level of retail sales in line with expectations. A healthy 0.5% lift in retail volumes offsets the month's weakness in wholesaling activity, likely boosting GDP by around 0.2% in November.
- Sales increased in health/personal care stores, clothing stores (despite a warm start to the winter), sporting goods/hobby stores and general merchandise stores, all of which are typically associated with holiday shopping. That suggests that an earlier start to holiday purchases could have been an important factor in the month's report. Also with volumes increasing by a stronger clip than the headline number (+0.5% vs. +0.3%, respectively), discounting could have helped drive gain in receipts. If "Black Friday" was a catalyst for the month's gains, unless retailers continued offering attractive discounts through the holiday season, the increase in November's sales could have been at the expense of December's retail tally.
- All categories related to housing demand were down, including furniture/home furnishing, appliance/electronics, and building materials/garden equipment. In recent months, those categories have been flat at best, in spite of a mild upward trend in housing resale activity. One reason for the divergence could be the pull-forward of demand due to tax-related renovation incentives earlier in the recovery. Also, data suggest that the surge in sales of high-end properties seen in early 2011 is on a downtrend, which could also be contributing to weakness in the segment.
- Pump prices were down in November, but cheaper gasoline apparently inspired Canadians to load up their tank and shop more, with gasoline station sales rising by 0.8%. Canadians continue to devote a significant share of their retail bill to filling up the tank, with expenditures at gas stations accounting for 12.8% of the total retail bill, the highest share since the end of the recession.
- Autos have been a strong point in retail sales in the last few months, with gains in that category accounting for about half of the precipitous increase in sales recently. Autos were again buoyant in

November, with sales rising by 0.3%. The data contrast with falling auto sales in StatCan's November unit auto sales report. Such discrepancies can occasionally arise due to price dynamics and methodological differences in the two surveys. In coming months, the recent outsized gains in auto sales could taper off, and we expect a weakening in that category to contribute to softer retail sales prints ahead.

- At the provincial level, the Atlantic Provinces and Ontario all saw weaker sales, with increases in Québec and Western provinces accounting for most of the gains. A look at the more reliable year-on-year figures suggests that retailers in Saskatchewan are enjoying a bonanza, with sales up 11.3% on an annual basis. In sharp contrast, Ontario retailers are struggling with sales up by a mere 0.8% year-on-year.

Implications & Actions

Re: Economic Forecast — We were surprised on the upside by today's retail reading, as it suggests consumption could have outperformed our prior expectations in Q4, likely coming in around 2.5% or so annualized. That's in spite of what appears to have been a very weak quarter for hiring. Activity in November could increase by around 0.2%, helping to boost GDP for Q4 a few ticks above 2%. However, weak hiring and dampened consumer confidence remain risks to the pace of consumption going forward, particularly if both borrowers and lenders become more cautious about a further expansion in household debt.

Re: Markets — Market reaction to the near-consensus print was limited.

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