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Chart 1

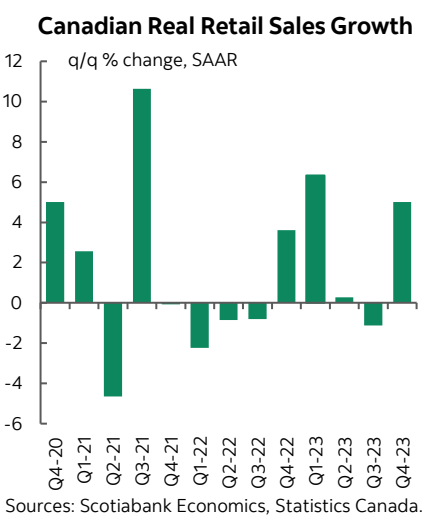
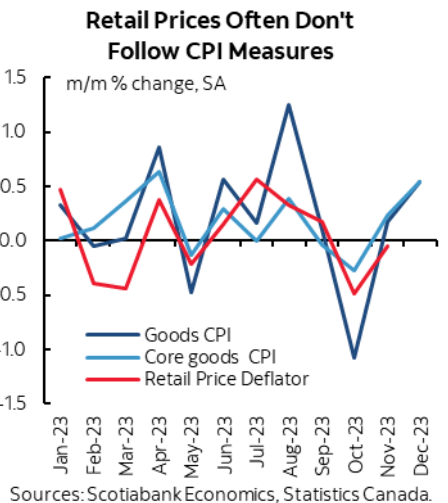


Chart 2



# Canadian Consumers Still Have a Pulse

- Retail sales volumes posted a strong Q4 rebound
- The BoC should be more open to rate resilience in the household sector

**Canadian nominal retail sales, m/m %, November, SA:**

Actual: -0.2  
 Scotia: 0.0  
 Consensus: 0.0  
 Prior: +0.5 (revised from +0.7)

**'Flash' guidance for December: +0.8% m/m**

Consumers definitely have a pulse. Retail sales put in the strongest quarterly gain since the start of 2023. This counteracts the narrative that consumers are flat on their backs.

Retail sales volumes were up by about 4½% q/q SAAR in Q4. As chart 1 shows, that's the biggest quarterly jump since 2023Q1 and 2022Q4. Spending hit a soft patch over Q2 and Q3 last year for multiple reasons beyond just the effects of rates on some households, but the fact sales sprang back to life into the final quarter offers evidence against more bearish narratives.

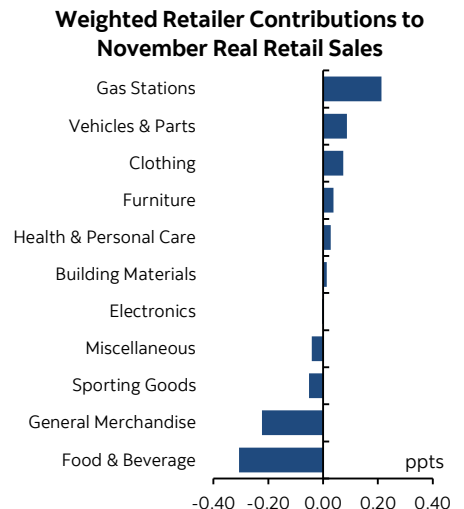
This calculation is based upon what we know from Statcan about monthly retail sales volumes up to November plus an estimate for December. Preliminary guidance from Statcan indicated that the nominal value of retail sales was up 0.8% m/m SA in December absent any details. I have assumed a modest gain in sales volumes as part of this nominal gain. Retail price deflators often bear little to no resemblance to CPI goods measures (chart 2) and so there is high uncertainty around estimating the volume gain until Statcan provides such details in the next month's numbers.

Chart 3 shows what drove November's soft volumes. Upsides included the volume of spending (ex-price effects) at gas stations, on vehicles and parts, on clothing and furniture and small contributions from a couple of other categories. Offsetting this was less spending on food and beverages and general merchandise for the most part.

Also remember that in Canada, retail sales do not include any spending on services. On Monday, we'll get an updated account of spending at bars and restaurants for November that is not included in retail sales. We also know that air travel continues to put in a strong showing. Most services spending won't be available until we get quarterly GDP numbers that break down consumer spending categories.

So why did retail sales rebound in Q4? I suppose 430k jobs created in 2023 helped! So did sharply accelerating wage growth. There may have been pent-up demand from prior weakness. Immigration might be helping, but that takes time to evaluate as new arrivals gradually get integrated. Concern about mortgage resets is exaggerated as long argued. Cash on hand remains high. Wealth effects from equities and years of home equity gains might be assisting. There might also be something to be said about shaking off some of the summertime shocks like wildfires and strikes aplenty.

Chart 3



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