

Canadians keep spending through higher oil prices but momentum eased in September

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September spending snapshot: RBC Canadian cardholders continued spending in September, but the three month average growth softened. Our estimate of core retail sales, excluding gasoline and autos, rose 0.4% on a three-month average, down slightly from 0.6% in August.

Discretionary services once again led spending with gains across a range of categories.

Purchases of essentials also remained positive excluding gasoline. However, discretionary goods were broadly flat on a three-month average despite an increase in September and continued growth in clothing purchases.

The latest spending data remains consistent with gradual growth in Canadian household demand. Expected improvements in household incomes and the labour market should provide support, although elevated energy costs continue to weigh on purchasing power. Trade uncertainty remains a downside risk, particularly for households in directly affected industries and regions.

The details:

Discretionary services' spending rose 1% on a three-month average, easing from 1.5% in August, but remaining the strongest major category. Education, entertainment and travel-related spending all contributed to growth. Entertainment and arts spending increased 1.4%, travel rose 1%, and dining grew a more modest 0.3%.

Essentials spending increased 0.6% with gasoline accounting for roughly one-third of the gain. Spending excluding gasoline also continued to grow, supported by groceries and utilities.

Gasoline spending increased 2.6% in September, alongside a roughly 7.9% seasonally adjusted rise in gasoline prices. Higher spending at the pumps, therefore, needs to be viewed in the context of sharply higher fuel costs.

Discretionary goods spending edged down 0.1% despite rising 1.4% in September. Clothing, shoes and related apparel were a bright spot, increasing 1% on a three-month average, while household and construction-related spending grew 0.3%.

Spending rose across all provinces on a three-month average. Prince Edward Island and Newfoundland and Labrador posted the strongest gains, followed by New Brunswick. Ontario recorded the smallest increase, while Manitoba, Nova Scotia, Saskatchewan and Alberta exceeded the national pace.

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RBC's consumer spending tracking report uses RBC Data & Analytics' proprietary database of anonymized card transactions by Canadian clients. The data are an accounting of merchant transactions that are divided into various spending categories covering tens of millions of weekly card transactions worth billions of dollars each week. Transactions, both in person and online, are classified into 11 broad spending groups: Dining, Education, Finances, Groceries, Health, Household, Shopping, Transport, Travel, Utilities, and Other. Within each group, the data are further classified: for example, shopping covers merchants classified as clothing stores, hobby shops, electronics stores, and jewelers, among others. We exclude purely financial transactions such as cash advances and insurance from spending.

We examined changes in the value of all transactions in these areas using a 7 day rolling sample starting January 1st of each year that is indexed to pre-covid levels which are calculated as the average spending for the month of February 2020. To examine the impact of seasonal factors, we also show each's year spending profile which depicts monthly trends in spending. Online spending volumes are estimated based on the presence of an RBC card at the time of the authorization.

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