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Canadian retail sales (Oct, Nov adv); Going nowhere

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Retail sales (period/period % chg, quarters are annualized % chg)	25:Q1	25:Q2	25:Q3	Aug	Sep	Oct	Oct Y/Y
Total retail sales	4.5	1.3	0.1	1.0	-0.9	-0.2	2.0
• Vehicle & parts dealers	-5.3	6.9	-4.3	1.6	-2.9	0.6	0.6
• Total ex-vehicle & parts dealers	8.5	-0.8	1.8	0.8	-0.1	-0.6	2.6
Total real retail sales	0.8	2.8	-1.7	0.9	-1.0	-0.6	-0.1

Source: Statistics Canada

- Through the ups and downs of the monthly volatility, Canadian retail sales appear to be going nowhere so far during the second half of the year. Even after accounting for the solid rebound suggested by the November advance estimate, retail sales volumes likely remained below where they stood on average over the summer. This softer underlying trend for retail sales so far in the second half of the year will partly reflect weakening population growth, but even accounting for that there also seems to be some caution among Canadian households when it comes to spending. That supports the notion that demand is not excessive and underlying inflation should continue to ease, allowing the Bank of Canada to keep rates at the current lower level through 2026.
- Headline sales fell by 0.2% in October, which was slightly weaker than the consensus forecast (0.0%) and followed a downwardly revised 0.9% drop in the prior month (prev -0.7%). Core retail sales (ex autos and gasoline) were down 0.5%, and in volume terms overall sales fell by 0.6% on the month and were unchanged on a year-over-year basis.
- Food and beverage sales saw the largest monthly decline, although that partly reflected labour disruptions in BC impacting sales of alcohol (-10%). Clothing and health & personal care sales also fell modestly.
- Auto sales increased, albeit only modestly compared to the decline seen in September. In inflation-adjusted terms, sales in the auto sector actually edged lower on the month and were down nearly 3% on a year-over-year basis. The furniture & electronics and building material sectors also posted modest increases in sales during October.
- The advance indicator for November pointed to a 1.2% increase in sales, although in volume terms even that solid increase likely wouldn't offset the cumulative declines seen in September and October. The rebound in sales in November will also partly reflect a reversal in alcohol sales, as the labour disruption ended in late October.

Implications & actions

Re: Economic forecast — Through the monthly volatility, the underlying trend in retail sales appears relatively flat and signals a slowdown compared to the surprising strength seen at the start of the year. Even though the labour market appears to be improving, slowing wage growth and a weaker trend in the base population will weigh on aggregate household incomes and spending. That's likely to keep spending growth fairly muted in the first half of 2026, before accelerating later next year and in 2027.

Re: Markets — Bond yields and the Canadian dollar were little changed after today's release, with the strong advance estimate for November offset by the downward revisions to the earlier estimates for September and October.