CIBC CIBC CAPITAL MARKETS

Economics

ECONOMIC FLASH!

economics.cibccm.com

May 22, 2026

Canadian retail sales (Mar, Apr adv); Feeling the squeeze

by **Andrew Grantham** andrew.grantham@cibc.com

Retail sales (period/period % chg, quarters are annualized % chg)	25:Q3	25:Q4	26:Q1	Jan	Feb	**Mar**	**Mar Y/Y**
Total retail sales	0.7	1.6	8.6	1.2	0.7	**0.9**	**3.4**
• Vehicle & parts dealers	-6.0	-4.4	5.1	1.7	0.8	**-0.5**	**-2.2**
• Total ex-vehicle & parts dealers	3.4	3.9	9.9	1.0	0.6	**1.4**	**5.6**
Total real retail sales	-1.1	-2.0	4.8	1.1	0.4	**-0.7**	**0.1**

Source: Statistics Canada

- A solid quarter for retail sales ended on a softer note in March, with higher gasoline prices already appearing to put a squeeze on spending in other areas. While headline sales appeared healthy in nominal terms, that was due to higher pump prices and in inflation-adjusted terms retail sales fell for the first time in three months. Unfortunately, advance data for April suggests more of the same (higher nominal sales but potentially lower volumes), setting Q2 up to be a much weaker quarter for consumer spending.
- While nominal sales posted a solid 0.9% advance in March which was a little above the 0.6% consensus forecast, that was flattered by the surge in pump prices seen during the month. Core retail sales (ex autos and gasoline) actually edged down by 0.1%, while overall sales volumes fell by 0.7%.
- A stagnant housing market continues to weigh on retail sales. Building materials & supplies sales fell by almost 3%, while furniture, electric & appliance posted a decline (albeit marginal) for the fifth consecutive month.
- Still, even with the March dip, retail sales volumes rose by a respectable 4.8% annualized in the first quarter. However, that followed two consecutive quarters of contraction and in year-over-year terms sales volumes as of March were broadly unchanged.
- The advance estimate for April pointed to a 0.6% increase in the overall value of retail sales, although as in March that figure will be flattered by another rise in gasoline prices and therefore in volume terms will look softer.

Implications & actions

Re: Economic forecast — Overall, while headline sales were a little stronger than the consensus forecast and advance estimate, that surprise wasn't large enough to change the underlying message – namely that inflation-adjusted consumer spending appears to be stalling again following a solid start to the year. That stall in spending will limit the ability of higher gasoline prices to spread to wider inflationary pressures, enabling the Bank of Canada to look through the near-term spike in headline inflation and keep interest rates on hold this year.

Re: Markets — Despite the headline beat, the weak details saw bond yields continue to edge lower following the release.