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Canadian retail sales (Aug, Sep adv); Still on the 2025 rollercoaster

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Retail sales (period/period % chg, quarters are annualized % chg)	24:Q4	25:Q1	25:Q2	Jun	Jul	Aug	Aug Y/Y
Total retail sales	10.0	4.5	1.4	1.5	-0.7	1.0	4.9
• Vehicle & parts dealers	25.2	-5.3	7.4	0.1	0.3	1.8	6.1
• Total ex-vehicle & parts dealers	4.7	8.5	-0.8	2.1	-1.1	0.7	4.5
Total real retail sales	6.4	0.8	2.9	1.4	-0.9	1.0	3.1

Source: Statistics Canada

- Canadian retail sales continued their 2025 rollercoaster ride, with a rise in August likely followed by another dip in September. Through the monthly volatility, retail sales volumes have been broadly flat since December, pointing to generally soft consumer sentiment amid US tariff uncertainty and a weaker labour market, and justifying a further interest rate cut from the Bank of Canada next week.
- The 1.0% increase in headline sales during August was in line with consensus expectations and the advance estimate, although the gain largely just made up for a 0.7% decline in the prior month. Auto sales contributed to the advance, although that was offset by a decline in the other often volatile segment of gasoline stations.
- Core sales excluding autos/gasoline were up by 1.1%, led by clothing stores. General merchandise, furniture and health & personal care also saw increases.
- In volume terms, total sales rose 1.0%, although again that only just offset a decline seen in the prior month. Through the monthly volatility, sales volumes have trended broadly sideways since the start of the year, with August's level reflecting only a marginal 0.1% increase relative to December 2024.
- Moreover, the August rebound appears to have been followed by another retreat in September, with advance data pointing to a 0.7% decline despite some indications of higher prices during that month.
- Advance data for manufacturing sales also released this morning were more positive for the September GDP outlook, as the 2.8% increase suggested by that release would more than offset the 1% decline seen in August although still leave overall sales lower than where they stood at the start of the year. The September advance may also have been flattered by higher prices, particularly for petroleum products.

Implications & actions

Re: Economic forecast — Canadian retail sales have seen plenty of ups and downs this year, but through the volatility sales volumes have had little upward momentum. If the third quarter ends on a sour note, as the advance estimate suggests, then sales volumes for the quarter as a whole will be little changed relative to Q2, pointing to a re-weakening of overall consumer spending. That would justify the further 25bp interest rate cut that we expect from the Bank of Canada next week.

Re: Markets — Bond yields fell slightly following the release, but the Canadian dollar was little changed.