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Economics

# ECONOMIC FLASH!

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## Canadian retail sales (Dec, Jan adv); A small backstep then a leap forward

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| Retail sales (period/period % chg, quarters are annualized % chg) | 25:Q2 | 25:Q3 | 25:Q4 | Oct | Nov | Dec | Dec Y/Y |
|---|---|---|---|---|---|---|---|
| Total retail sales | 1.3 | 0.4 | 0.5 | -0.3 | 1.2 | -0.4 | 0.0 |
| • Vehicle & parts dealers | 6.9 | -4.8 | -6.9 | 0.4 | 0.0 | -1.6 | -5.2 |
| • Total ex-vehicle & parts dealers | -0.8 | 2.4 | 3.4 | -0.6 | 1.6 | 0.1 | 2.0 |
| Total real retail sales | 2.5 | -1.3 | -1.1 | -0.7 | 1.0 | 0.0 | -0.7 |

Source: Statistics Canada

- Retail sales took a step back in December, but advance data for January pointed to a leap forward to start the New Year. Following a year in which inflation-adjusted sales have moved broadly sideways, January's advance estimate could indicate that household spending is finding a firmer footing again, justifying the Bank of Canada's current stance to hold interest rates steady at a level slightly below neutral. However, we will need a few more months worth of data to confirm if retail spending is really turning a corner or not.
- The 0.4% reduction in December was close to the consensus and advance estimate (-0.5%), with declines in autos and building materials partly offset by an increase in gasoline stations and sporting goods stores. Core sales (ex autos and gasoline) fell 0.3%, while total sales were flat in volume terms.
- The gain in gasoline station sales came despite lower prices during the month. Sales volumes rose by 4.5%, and were up 2.8% in nominal terms. In real terms, auto sales were on a downtrend throughout most of 2025, and were almost 8% lower on a year-over-year basis in December. However, there have been some supply delays in that sector, and it's possible that a partial rebound here contributed to the strong advance estimate for January.
- While December was a step backwards, that followed a healthy advance in the prior month and advance figures for January suggest a strong 1.5% gain in headline sales to start the New Year. For Q4 as a whole, real retail sales posted a modest decline of 1.1% annualized. Underneath the volatility in monthly figures, the trend in inflation-adjusted sales still appears to be broadly sideways since the start of last year, and it will take a few more months of data to judge if the January figure is the start of a new uptrend.

## Implications & actions

**Re: Economic forecast** — Today's figures confirm that consumer spending on goods will be a modest drag on Q4 GDP next week, although the advances in November and January's flash estimate suggest that spending may be starting to tick upward again. If that is the case it justifies the current on-hold stance from the Bank of Canada, although we will need a few more months of data to confirm if this upwards trend will hold.

**Re: Markets** — Bond yields rose following the data, albeit just reversing a move lower earlier in the session, while the Canadian dollar was little changed.



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