

Economics

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Canadian retail sales (Mar, Apr adv): Little sign of caution yet

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Retail sales (period/period % chg, quarters are annualized % chg)	24:Q3	24:Q4	25:Q1	Jan	Feb	Mar	Mar Y/Y
Total retail sales	5.9	10.0	4.7	-0.6	-0.5	0.8	5.6
• Vehicle & parts dealers	18.3	25.2	-4.9	-2.2	-3.3	4.8	8.3
• Total ex-vehicle & parts dealers	1.7	4.7	8.7	0.0	0.6	-0.7	4.5
Total real retail sales	5.9	5.8	0.8	-1.1	-0.4	0.9	3.3

Source: Statistics Canada

- Canadian consumers haven't tightened the purse strings much more it seems in the face of tariff uncertainty. Indeed, spending appears to have been a little firmer in March and April than it was at the start of Q1, when worse than usual winter weather may have held back consumption. However, even with consumer spending holding up better than anticipated, we still expect a modest contraction in GDP during Q2 driven by a weakening in the manufacturing and other export-sensitive sectors.
- Headline retail sales posted a solid 0.8% advance in March (consensus +0.7%), although that was partly driven by auto sales which may have been bolstered by households choosing to purchase ahead of possible tariff-driven price increases. Excluding autos, sales fell by a worse than expected 0.7% (consensus -0.1%) due to lower gasoline prices. Sales ex auto and gasoline edged up 0.2%.
- Overall sales volumes rose by 0.9% in March, and stand 3.3% higher on a year-over-year basis. However, much of that year-over-year growth has been driven by auto sales which are continuing to recover from years of supply disruptions and weak demand due to high interest rates. Excluding autos, growth in retail sales volumes was only 1.8% and barely above the pace of population growth seen during the period.
- For Q1 as a whole, retail sales volumes rose by only 0.8% annualized, although that modest advance came after two quarters of almost 6% growth and was likely influenced by worse than normal winter weather at the start of the quarter. The advance seen in March, and the 0.5% increase in nominal retail sales estimated by the advance estimate for April, suggests that consumer spending hasn't been impacted much (yet) by the recent weakening of the labour market and uncertainty over US tariffs.

Implications & actions

Re: Economic forecast — Our forecast for a contraction in GDP in April and Q2 as a whole is driven more by expected weakness in manufacturing and other sectors more directly impacted by US trade. Advance figures for those areas are due to be released early next week, but if they also aren't as weak as anticipated then we will have to revise our forecast for monthly GDP and likely our Bank of Canada rate cut call as well.

Re: Markets — Bond yields rose slightly on the better than expected advance estimate for April, but the Canadian dollar was little changed.

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