Economics

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Canadian retail sales (Apr, May adv); Soft volumes

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Retail sales (period/period % chg, quarters are annualized % chg)	25:Q3	25:Q4	26:Q1	Feb	Mar	**Apr**	**Apr Y/Y**
Total retail sales	0.7	1.6	8.9	0.5	0.9	**0.5**	**3.7**
• Vehicle & parts dealers	-6.0	-4.4	6.7	0.9	-0.1	**1.7**	**-1.4**
• Total ex-vehicle & parts dealers	3.4	3.9	9.7	0.4	1.2	**0.1**	**5.7**
Total real retail sales	-1.0	-2.1	5.0	0.3	-0.6	**0.0**	**-0.4**

Source: Statistics Canada

- Today's data provided further evidence that high gasoline prices were cutting into households' ability to spend in other areas over the spring. Softness in household spending makes it harder for companies to pass through cost increases to consumers, and therefore less likely that the prior spike in oil prices will translate into more broad-based inflationary pressures. This is one of the reasons why we continue to expect that the Bank of Canada will keep interest rates on hold throughout 2026.
- While headline retail sales posted a seemingly solid 0.5% gain in April (consensus 0.6%), that nominal figure was flattered by higher gasoline prices. Core sales (ex auto and gasoline) fell 0.7% on the month, while overall sales volumes were unchanged.
- As well as the partly price-driven increase at gasoline stations, auto sales also rose on the month, as did sales at building material stores. However, even after April’s improvement, sales volumes in both the auto and building material sectors were still below year-ago levels.
- Weighing on sales during April, food & beverage, general merchandise and sporting goods retailers all saw declines. The reductions in general merchandise and sporting goods sales could show that households were restraining discretionary spending during the period of high gasoline prices.
- Total sales volumes were unchanged in April, albeit following a 0.6% decline in the prior month. Sales volumes were also down slightly in year-over-year terms, and have trended broadly sideways since the end of 2024.
- The advance estimate for May pointed to a 1.0% increase in headline nominal sales, although with gasoline prices rising during that month as well, that figure will also look softer in volume terms.

Implications & actions

Re: Economic forecast — Overall, the volume of consumer goods spending appears to be stalling in the second quarter following a strong start to the year, with high pump prices cutting into household spending on more discretionary items. However, the recent decline in gasoline prices, combined with expanded household benefits paid by the Federal government, should support a pick-up in spending again during the second half of the year.

Re: Markets — Canadian bond yields and the Canadian dollar fell slightly following the release of the slightly weaker than expected data.