

Economics

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## Canadian retail sales (Jan, Feb adv); Solid start to the year

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Retail sales (period/period % chg, quarters are annualized % chg)	25:Q2	25:Q3	25:Q4	Nov	Dec	Jan	Jan Y/Y
Total retail sales	1.3	0.4	0.2	1.1	-0.4	1.1	1.5
• Vehicle & parts dealers	6.9	-4.8	-6.9	-0.1	-1.6	2.0	-1.3
• Total ex-vehicle & parts dealers	-0.8	2.4	3.1	1.6	0.0	0.8	2.6
Total real retail sales	2.5	-1.2	-1.3	0.9	0.0	1.0	1.4

Source: Statistics Canada

- Canadian retail sales appear to be starting the year on a solid footing, with both the January update and February's advance estimate pointing to monthly gains of around 1%. As a result, retail sales volumes appear set to post their strongest quarterly gain since at least Q4 2024 during the first quarter of the year, albeit following consecutive declines during the second half of the year. However, the squeeze to disposable incomes from the recent jump in gasoline prices could see growth in sales volumes slow again in Q2.
- Headline sales rose by 1.1% in January, with core sales (ex autos and gasoline) and overall volumes increasing by 0.9% and 1.0% respectively. While the headline gain was a little weaker than the advance and consensus estimate (1.5%), early data for February point to a further 0.9% increase in that month as well, suggesting that goods consumption will be a solid positive contributor to Q1 GDP.
- For January, general merchandise and sporting goods stores saw the largest increases in sales, with those possibly supported by snowier than normal weather in central Canada increasing demand for items such as snowblowers, sleds and skis. On the other hand, clothing stores saw a modest monthly decline.
- However, despite the solid start to the year for sales volumes, they remain only 1.4% higher on a year-over-year basis. It will take a few more months to definitively say if retail sales are on a new upward trajectory and broken out of the largely sideways trend they were on throughout 2025.

### Implications & actions

**Re: Economic forecast** — A solid start to the year for retail sales could be evidence that last year's interest rate cuts, combined with the slight reduction in unemployment since mid-2025, is supporting an upturn in consumer sentiment and spending. Looking forward, the recent jump in gasoline prices will flatter the headline nominal retail sales figures in the coming months, however the squeeze to disposable incomes is likely to restrict purchases of other products and subdue overall sales.

**Re: Markets** — Bond yields were already higher on the day, and maintained that move following today's positive retail sales data.

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