

Economics

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Canadian retail sales (Jun, Jul adv): The rollercoaster continues

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Retail sales (period/period % chg, quarters are annualized % chg)	24:Q4	25:Q1	25:Q2	Apr	May	Jun	Jun Y/Y
Total retail sales	10.0	4.5	1.8	0.4	-1.2	1.5	6.6
• Vehicle & parts dealers	25.2	-5.3	7.7	2.0	-3.4	0.2	10.7
• Total ex-vehicle & parts dealers	4.7	8.5	-0.4	-0.2	-0.3	1.9	5.1
Total real retail sales	6.4	1.2	2.8	0.6	-1.4	1.5	5.1

Source: Statistics Canada

- Canadian retail sales have been on a rollercoaster ride so far this year, and that continued into early summer as a surge in sales during June appears to have been partly reversed in July. Through the monthly volatility, however, sales volumes are little changed from where they stood in the final month of 2024, signalling fairly cautious consumer spending in the face of tariff uncertainty. So while consumer spending isn't necessarily falling, it also isn't strong enough to drive a reacceleration in inflationary pressures and become a roadblock to further interest rate cuts from the Bank of Canada.
- The final reading for June confirmed a strong 1.5% increase in sales, which was close to the advance estimate and consensus forecast. The composition of growth was broader than expected, however, with ex-auto sales rising by 1.9% (consensus +0.8%), and core sales (which exclude gasoline as well) matching that increase.
- Clothing sales saw a particularly strong increase on the month (+5.1%), although this surge came after sales in this sector struggled through much of the first five months of the year. The 2.3% increase in food & beverage sales also largely just reversed some weakness seen in prior months. In contrast to consensus expectations, the often volatile auto sector saw little change in sales on the month.
- Overall sales volumes rose by 1.5% in June, although that increase only offset the decline seen in the prior month. For Q2 as a whole, volumes rose by an annualized 2.8%, which was an acceleration from 1.2% in the first quarter albeit well below the strong readings recorded during the second half of 2024. This year's retail sales figures may have also been flattered somewhat by consumers choosing to spend more in Canada rather than crossing the boarder into the US, and Q2 consumer spending in next week's GDP figures may not necessarily fully mirror the acceleration seen in retail sales.
- The advance estimate for July suggests that the retail sales rollercoaster ride continued, with nominal retail sales falling by 0.8% and reversing approximately half of June's increase.

Implications & actions

Re: Economic forecast — Through the monthly volatility it is clear that consumer spending growth has slowed amid tariff uncertainty, but hasn't slipped into reverse. This positive yet sluggish trend in demand suggests inflationary pressures

should continue to gradually ease, and allow the Bank of Canada to return to interest rate cuts later this year to support the economy.

Re: Markets — Bond yields and the Canadian dollar were little changed following today's release, as the weak advance estimate for July offset the better-than-expected ex-auto print for June.

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