

Canada: Retail sales gassed up

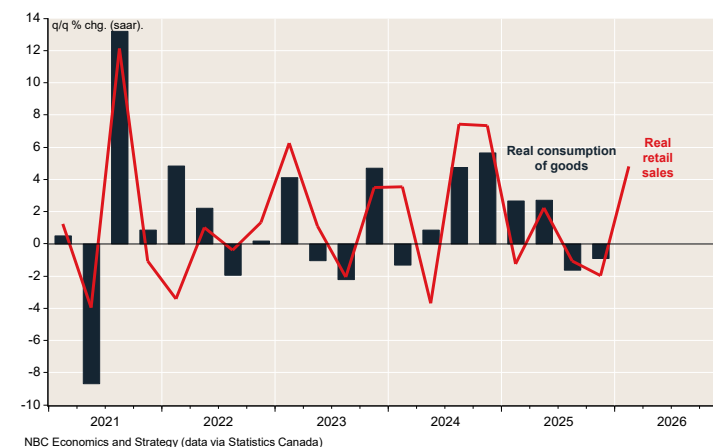
By Kyle Dahms

Highlights:

- Canadian retail sales increased by 0.9% in March, three ticks above the consensus estimate and the earlier-provided advance estimate last month. The previous month was unrevised at 0.7%.
- Four of the nine sectors contributed to the increase in retail sales in the month with the largest contribution coming from gasoline vendors (+12.4%). Food and beverage retailers rose to a lesser extent (+0.5%) followed by health/personal care and clothing/accessories (+0.7% respectively). On the flip side, building materials (-2.9%) registered a large pullback followed by autos/parts (-0.5%). Excluding the latter, retail sales printed at a higher-than-expected +1.4% in March. That's five ticks above the median forecast and an acceleration from the 0.6% increase registered in the prior month.
- Core retail sales, which exclude autos and gasoline, edged down 0.1% in March.
- On a regional basis, sales progressed in nine provinces. The improvement was led by Ontario (+1.5%) and Alberta (+2.6%), Quebec posted the only decline (-0.8%). Smaller gains were recorded in the other provinces.
- In volume terms, retail sales were down 0.7% in March, which followed a 0.4% increase in February.
- Finally, Statistics Canada's advance estimate for April suggested that nominal retail sales rose 0.6% in the month. Per April's CPI report, goods prices registered a strong increase on higher oil prices, which indicates that real retail sales could show weak activity in April.

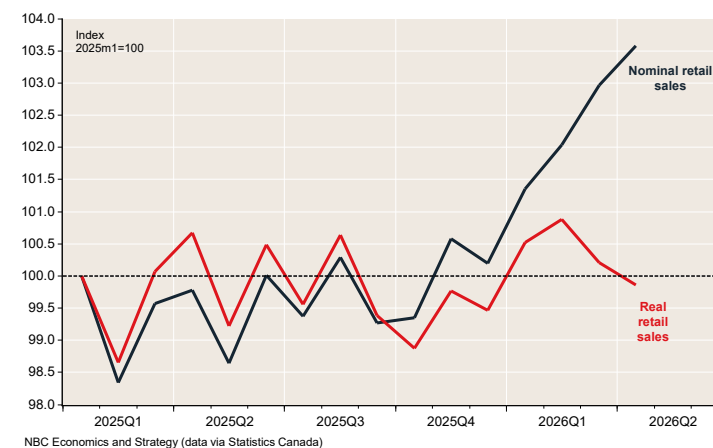
Canadian retail sales rose in March, with the 0.9% increase exceeding both consensus expectations and Statistics Canada's earlier advance estimate. However, the headline gain overstated the underlying strength in household spending, as it was led overwhelmingly by gasoline stations and fuel vendors, where nominal sales jumped 12.4% amid higher pump prices. Unlike in the prior two months, motor vehicle and parts sales were a drag, falling 0.5%. Excluding autos, sales rose a stronger-than-expected 1.4%, but excluding both autos and gasoline, core retail sales edged down 0.1%, ending a run of two consecutive monthly gains. The details of core spending were mixed. Food and beverage retailers posted a 0.5% increase, while health and personal care stores and clothing/accessories retailers also advanced. That said, this strength was offset by weakness in housing-related spending, with building material and garden equipment sales falling 2.9% after a 0.7% decline in February, as well as a 0.2% decline at furniture/appliances retailers. Regionally, sales increased in nine provinces, led by Ontario and Alberta, while Quebec was the only province to post a decline. Still, for the first quarter, information received to date indicates that real retail sales progressed at a 4.8% annualized pace (see bottom chart), following a -2.0% decline in the previous quarter, marking the strongest quarterly performance since the last quarter of 2024. This is even more impressive as it is occurring against a backdrop of demographic contraction. Indeed, the most recent figures from Statistics Canada indicate that the country's population declined for a second consecutive quarter—an unprecedented development. As a result, real retail spending per capita is tracking a 5.3% increase in Q1, a rebound from the sluggish prints seen in 2025. Still, we think that this momentum may fade as fast as the second quarter. As a result of the conflict in the Middle East, households are currently facing an erosion in purchasing power. Statistics Canada's advance estimate points to a 0.6% nominal increase in April retail sales. But once again, given the continued surge in gasoline prices that occurred in the month, this figure heavily reflects higher prices at the pump. As a result, in real terms, retail sales should register a second monthly contraction going into the second quarter. Consumers also face a mortgage interest-payment shock and a fragile labour market, which could weigh on discretionary spending going forward.

Canada: Spending on goods should contribute to Q1 GDP growth
Real goods consumption and quarterly real retail sales (with three months of data in 2026Q1)



NBC Economics and Strategy (data via Statistics Canada)

Canada: Real retail spending remains subdued
Nominal and real retail spending (includes preliminary estimate for April)



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