

Retail Trade

Canada's retail-sales performance in 2024–25 was driven by inflation rather than by genuine consumer demand.



Retail Trade

Retail Trade Sales (x 1,000)				% Variance	
	2023	2024	2025	23-24	24-25
Retail trade	792,369,058	804,991,177	834,366,965	1.6	3.6
Building material and garden equipment and supplies dealers	46,584,263	46,331,603	47,213,898	-0.5	1.9
Furniture, home furnishings, electronics and appliances retailers	43,819,600	43,577,095	45,188,399	-0.6	3.7
Floor covering, window treatment and other home furnishing retailers	8,591,732	8,378,616	9,034,485	-2.5	7.8
Furniture retailers	14,335,014	14,066,678	14,360,007	-1.9	2.1
General merchandise retailers	104,304,069	108,321,245	112,864,121	3.9	4.2
Electronics and appliances retailers	20,892,853	21,131,801	21,793,902	1.1	3.1
Health and personal care retailers	64,749,190	67,993,552	72,092,302	5.0	6.0
Sporting goods, hobby, musical instrument, book, and miscellaneous retailers	45,990,822	45,182,622	48,721,306	-1.8	7.8
Retail e-commerce (incl. above)	45,076,403	48,852,001	50,044,407	8.4	2.4
US Annual FX Rates	0.741	0.730	0.715	-1.5	-2.0



Consumer Price Index

What the Consumer Price Index (CPI) Covers In Canada, the CPI measures how prices change over time for a fixed “basket” of goods and services that households typically buy.

CPI is designed to measure consumer cost of living, not wealth, investment returns, or business costs. Including these would distort the index away from household consumption patterns.

What CPI Does Not Cover (Canada)

- Non-consumer or business-related items
Inputs used by businesses (raw materials, wholesale goods, industrial equipment).
Mortgage principal payments (only the mortgage interest cost is included).

Business cost index

Is CPI a good proxy?



Costs where CPI is a good proxy

- Energy & Transportation
- Rent-like or occupancy costs
- Insurance-like costs
- Food & hospitality inputs
- Office-adjacent goods (Office Products sold to businesses)



Costs where CPI is a poor proxy

These require other indices (PPI, raw materials indices, wage trackers):

- Wages
- Wholesale inputs (CPI is consumer-only)
- Capital equipment (machinery, tools, industrial gear)
- Construction materials



- The Consumer Price Index (CPI) rose 2.3% on a year-over-year basis in January, following a 2.4% increase in December.
- GST/HST break in January 2025 continued to put upward pressure on the year-over-year all-items increase in January 2026.
- Excluding food and energy, the CPI rose 2.4% year over year in January, following a 2.5% increase in December.



Consumer Sentiment

1. If consumers are spending more money on Food & Shelter, they are spending less on more discretionary products.
2. Will lowering consumer prices on other products increase sales?
 - Some less discretionary products may be avoided regardless of the price.
 - Lower prices and small pack sizes will stimulate sales on some discretionary products.
 - Depends on the product, price point & availability of product substitution.
3. As CPI comes down and incomes increases which products will be first to see increase sales?



US TARIFFS

The U.S. tariffs (steel, aluminum, and a range of retaliatory goods) barely moved headline Canadian CPI. **Tariffed goods made up less than 1% of the CPI basket** but where tariffs did hit, they hit hard.

Product Substitution typically overstates cost-of-living increases because calculations in the short term assumes consumers buy the same items rather than switching to cheaper alternatives.

Estimated substitution bias in Canada is about 0.25–0.30 percentage points per year.

FOREIGN EXCHANGE RATES: CAD-USD

The Bank of Canada notes that this effect is real but not overwhelming. Research also shows that exchange-rate changes often have a weaker effect on consumer prices than people expect.

DOMESTIC COSTS The Bank of Canada repeatedly highlights domestic costs as the core challenge. Cost-push inflation. When Canadian businesses face higher wages, utilities, and operating costs, they pass some of it to consumers. Pass-through is partial but persistent

Domestic Costs

➔ Indirect Costs

The Bank of Canada repeatedly highlights domestic costs as the core challenge.

1. Employee salaries

7. Company vehicles

2. Employee benefits

8. Marketing and promotion

3. Rent

9. Accounting and legal

4. Utilities

10. Charitable donations

5. Office supplies and equipment

11. Bank fees

6. Computers, printers and cell phones

12. Cost of capital and interest

- Year over year, average weekly earnings were up 2.5% in November. Construction: 3.9%, Manufacturing 2.9%, Transportation and Warehousing: 3.2% 2024?
- Courier and messenger price index ↑
- Freight Rail Services price index ↑
- For-hire motor carrier freight services price index ?
- Commercial Rent services price index ?

Tariffs, Foreign Exchange

1. **Businesses absorb some increases.**
2. **Firms adjust prices slowly.**
3. **Many consumer purchases are non-traded goods.(Averaging)**
4. **Companies “price to market,” absorbing some changes.**
5. **Consumers substitute toward cheaper alternatives when prices move.**



Domestic Costs

- **Wages adjust slowly. (collective bargaining/ demand)**
- **Shelter costs are structurally high (mortgage interest, rents, construction costs)**
- **Insurance and utilities are regulated and trend upward**
- **Services inflation is sticky because it depends on labour markets, not global prices**

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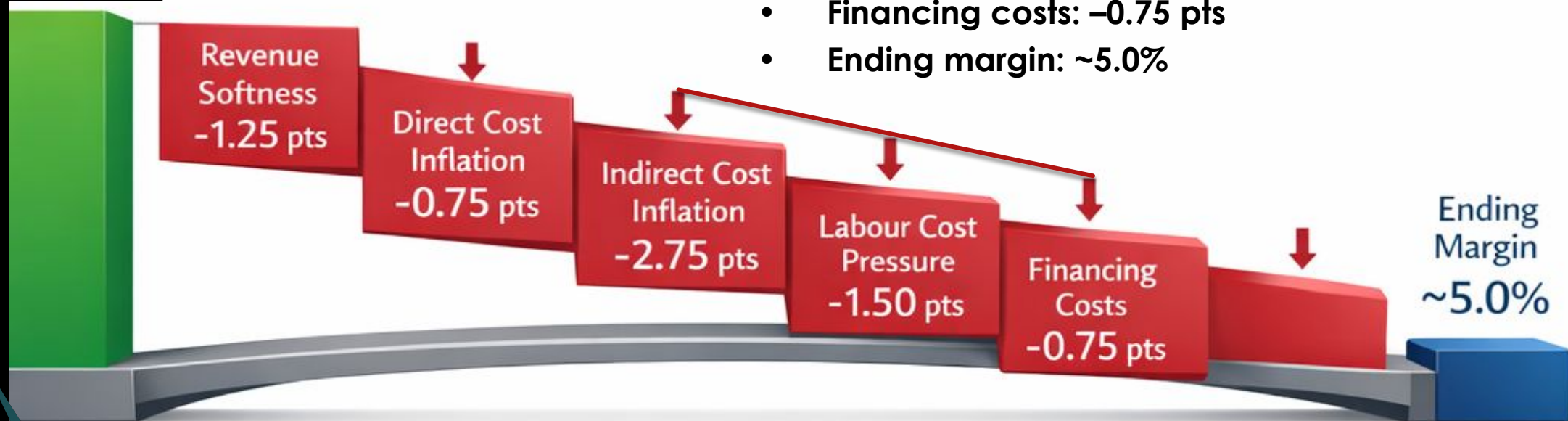
*“Costs can be influenced by oil and diesel prices, labour rates, or a combination of other variables. But when prices go up or down, can we truly isolate one input as the sole driver? **It is rarely that simple!**”*

*“**Multi-Factor Cost Pressures**: Even if one component spikes, other costs usually quietly rise too. It’s not because of greed, but because the combined value of the delivered product far exceeds the cost.” (Indirect Costs)*

*“**Breaking Point Dynamics**: Eventually, one cost spike—say, a sudden jump in fuel or wage demands—becomes the proverbial straw that breaks the camel’s back. At that point, a price increase isn’t just strategic; it’s necessary for survival. “*

Margins Estimates

Starting
Margin
12%

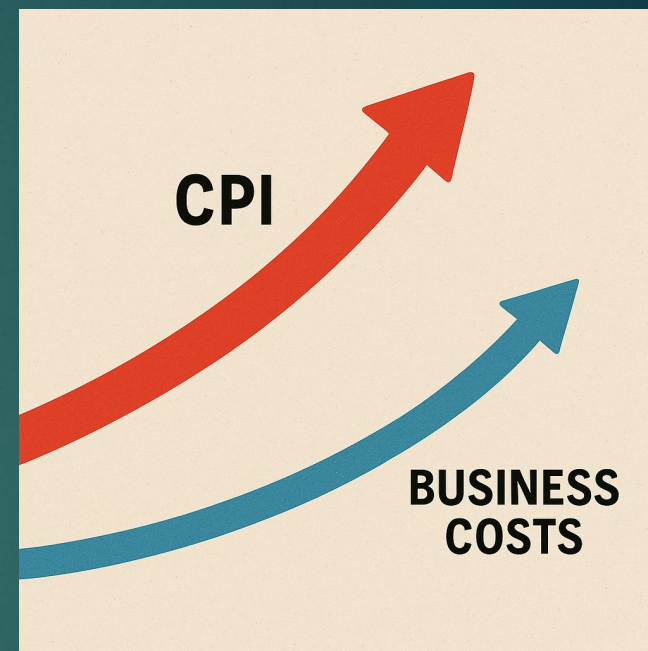


- Starting margin: 12.0%
- Revenue softness: -1.25 pts
- Direct cost inflation: -0.75 pts
- Indirect cost inflation: -2.75 pts
- Labour cost pressure: -1.50 pts
- Financing costs: -0.75 pts
- Ending margin: ~5.0%

CONSUMER PRICE INDEX (1 OF 2)

Products	% Variance	
	23-24	24-25
Household operations	-1.3	2.4
Communications	-9.3	1.7
Telephone services	-12.5	-0.6
Cellular services	-16.7	-1.7
Postal and other communications services	0.4	21.1
Internet access services	-5.8	2.9
Digital economy services	-7.9	1.4
streaming, software subscriptions, and digital content.		0.0

Paper, plastic and aluminum foil supplies	-2.3	4.0
Paper supplies	-2.7	4.9
Household paper supplies	-4.2	5.0
Stationery	3.8	4.2
Plastic and aluminum foil supplies	-1.3	1.0



Products	% Variance	
	23-24	24-25
Household equipment	-1.2	0.0
Digital computing equipment and devices	-9.1	-6.7
Household appliances	-1.8	0.4
Cooking appliances	-2.9	0.2
Refrigerators and freezers	-3.5	0.1
Laundry and dishwashing appliances	-1.5	1.6
Other household appliances	-0.4	0.4
Travel services	-1.1	-0.1
Video and audio subscription services	2.2	5.9
Other cultural and recreational services	3.7	5.3
Gasoline	-0.2	-8.6
Health care	3.0	2.7



Outlook



- Retailers face volume stagnation.
- Growth is coming from price, not units.
- Margin pressure rises as prices creep up and consumers resist further price increases.
- Slower turnover and more price-sensitive consumers require tighter SKU management.
- Promotional intensity will remain elevated as retailers chase volume.
- The recovery will be slow

Center for Consumer

Questions, comments

Products

Want a copy of the presentation or report.

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