



## Highlights

- Canadian retail spending dips in May following gain in April
- Ontario retail sales fall by 2.1 per cent in May
- Short- and long-term optimism indexes improved again in Canada and Ontario
- Weakness in travel between Canada and U.S. continues April

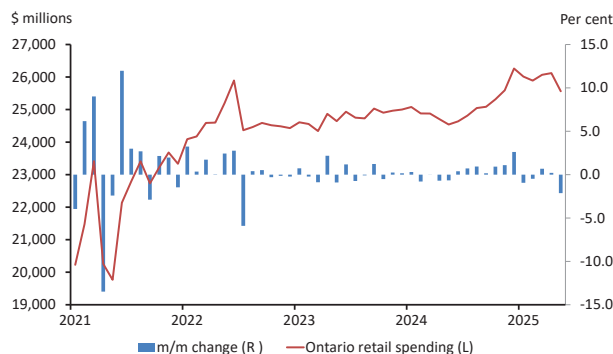
## Ontario monthly retail sales fall in May

Eloho Ennah, Economics Analyst

Canadian retail sales decreased by 1.1 per cent in May to \$69.2 billion following the gain of 0.4 per cent in the prior month. The largest decrease was noted in the motor vehicle and parts category, which saw sales fall by 3.6 per cent after two consecutive monthly increases. Gasoline stations and fuel vendor sales also decreased by 1.4 per cent, down for a third month. Price-adjusted sales fell by 1.4 per cent during the month while core retail sales, which exclude gasoline stations and fuel vendors, were relatively flat.

Sales figures continued to be negatively impacted in May by US tariffs. Thirty-two per cent of retail businesses were impacted by tariffs during the month in the form of price increases, altered demand for products and higher costs for raw materials, shipping or labour. This was down from 36 per cent in April. These impacts are likely to remain in the presence of tariffs, which are set to increase in the coming month. That said, consumer confidence has improved from earlier in the year. Advance estimates suggest a rebound in spending in June, with a 1.6 per cent rise in retail sales expected during the month.

## Ontario retail sales fall in May



Source: Statistics Canada, Central 1

Latest: May/25

Ontario retail spending decreased by 2.1 per cent to \$25.6 billion during the month on a seasonally adjusted basis following the meagre uptick in April (0.2 per cent). This was also the largest dip amongst the provinces and reflected lower motor vehicle and parts dealers' sales. Unadjusted retail sales in Ontario increased by 4.0 per cent compared to same month in 2024. Year-to-date, retail sales have risen by 4.4 per cent.

Subsector data is unadjusted for seasonality, but year-over-year figures showed higher sales at motor vehicle and parts dealers, with an increase of 3.8 per cent, although this was significantly lower than the year-over-year gains reported in March and April. Health and personal care retailers' sales increased by 9.8 per cent in the same period while clothing, clothing accessories, shoes, jewelry, luggage and leather goods sales were up by the same amount. Food and beverage sales rose by 3.9 per cent as well. In contrast, building material and garden equipment and supplies sales decreased by 1.2 per cent year-over-year while gasoline and fuel vendors saw a 10.4 per cent drop in the same period due to lower prices.

Regionally, the Toronto metro area saw seasonally adjusted retail sales decrease by 2.8 per cent on a month-over-month basis in May. Compared to a year ago, unadjusted sales were up 1.8 per cent. Ottawa unadjusted retail sales also increased by 3.1 per cent year-over-year.

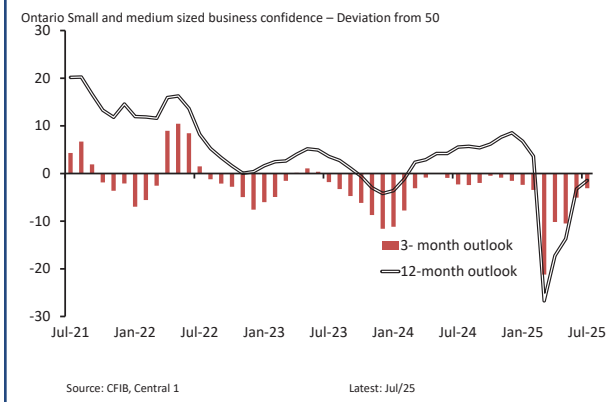
## Optimism improves but importers and exporters still lag behind domestic businesses

Alan Chow, Business Economist

The Canadian Federation of Independent Business (CFIB) Barometer Survey recovered some more in July, following an increase in sentiment amongst Small and Medium-sized Enterprises (SMEs). The long-term 12-month confidence index improved by over 3.4 points from 47.5 in June to 50.9 in July. This is the first time the index has been above the neutral benchmark since January this year. The short-term index also improved by 1.3 points to 49.3 points from 48.1 points. While still below the neutral benchmark, it is still the highest level it's been since November 2023 when it was 51.3. Canadian exporters and importers reported another monthly improvement in sentiment as the ongoing trade talks brighten the outlook. July saw exporter sentiment index value increase to 45.4 points from 36.8 points while importer sentiment was up to 43.3 points from 37.6 points. The index values are still well below what they were at the end of 2024, which was in the 60s and lag businesses that trade within Canada. Of the 12 sectors listed, nine had a higher long-term index value. The highest jumps were in Info, Arts, and Recreation, which moved up 13.0 points to 50. The largest decline was in professional business services, which fell 4.6 points to 50.8. For the short-term index, seven out of the 12 sectors saw a higher index value. The biggest jump was again in Info, Arts, and Recreation, up 9.5 points to 42.9. The largest decline was in personal and other services, which fell 12.4 points to 49.2.

In Ontario, the long-term index marginally improved 1.8 points to 48.5 points while the short-term index improved 2.0 points to 46.9 points. That said, both remain below the neutral level of 50 points and reflects an economy more heavily impacted by U.S. tariffs. Compared to other provinces, Ontario was in the middle-of-the-pack optimism index values in both the long-run and the short-run index. In both indexes, it was the 6th highest amongst the provinces. Insufficient demand and shortages of skilled labour continued to be the most noted constraints to sales or production growth for businesses in the province. Shortage of working capital ranked third, above limited physical space. Regulatory costs, insurance and wage costs were the top input cost constraints while

### Business confidence continues to recover in Ontario



occupancy, fuel, product input, and electricity costs were also on this list of constraints. Business staffing plans worsened this month, with 11 firms expecting to increase staff and 16 anticipating reductions, down from the previous month when 13 firms were expecting to increase staff and 15 firms were anticipating reductions.

## Visitor volumes through Ontario declined sharply in April

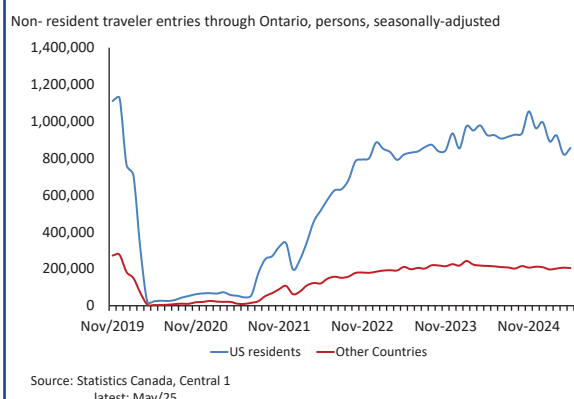
Alan Chow, Business Economist

In May, the number of non-resident visitors entering Canada through Ontario was up. On a seasonally adjusted basis, entries rose by 3.1 per cent compared to April. Excluding the previous month, the level was still at the lowest level since November 2023 and was only 92.9 per cent when compared to the previous 12-month average. The rise was largely driven by a 7.3 per cent increase in same-day excursions, while overnight tourist visits rose marginally by 1.0 per cent.

The primary factor behind the rise was an increase in U.S. visitors, which rose by 4.2 per cent month-over-month — also reaching their highest point since April 2023. Same-day visits by U.S. residents rose by 7.9 per cent and overnight visits rose by 1.7 per cent. The number of visitors from May though was still only 91.7 per cent of the average seen over the previous 12 months.

In contrast, visitors from countries other than the United States marginally declined by 1.2 per cent in May. These arrivals represented 98.0 per cent of the 12-month average. Overnight visits from non-U.S. residents declined by 0.6 per cent, while same-day visits declined by 12.7 per cent.

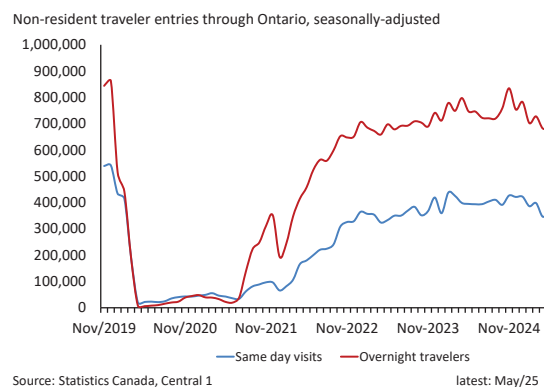
### Slightly more US travelers entering Canada through Ontario in May



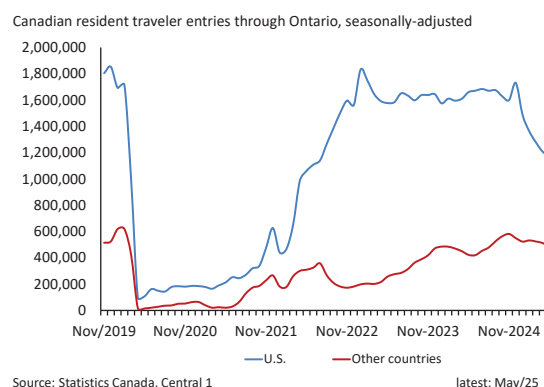
Canadian residents returning to the country through Ontario declined again, down 3.8% in May compared to the previous month — marking the fifth consecutive monthly decrease. The driver of this is the number of residents returning from the U.S., which fell by 3.0 per cent, the lowest level observed since July 2022 and the level was down 25.0 per cent compared to the average over the last 12 months. Meanwhile, Canadians returning from destinations outside the U.S. via Ontario fell by 5.8 per cent in May to its lowest level since August 2024. May levels were down about 5.0 per cent from previous the 12-month average.

Persistent trade tensions with the United States are expected to continue weighing on cross-border travel. As a result, the number of Canadians returning from the U.S. is likely to remain subdued, while travel to other international destinations, while down this month, is likely to remain strong.

### Rise in travelers entering Canada through Ontario in May



### Fewer Canadian residents returning in May.



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