

RETAIL MARKET UPDATE REPORT

FEBRUARY 2025



MIXED RESULTS TO THE 2024 YEAR-END TAX BREAK

Cover story by Canfax

Response to the two-month GST/HST tax break was mixed, according to a recent CBC article. Most consumers saw little change in their savings or spending habits. Restaurant owners saw the largest impact and suggested that the tax break drew new and/or more customers to restaurants. Small business owners who have multiple categories found the tax break to be more onerous.

The Canadian annual inflation rate was 1.8% in December 2024 and 1.9% January 2025 when the GST/HST tax break was in full swing. Statistics Canada estimated that without the short-term tax holiday, inflation would have been 2.3% and 2.7% respectively.

Consumers' Perceptions on the Economy

The Bank of Canada released its Canadian Survey of Consumer Expectations for the fourth quarter of 2024 recently. This survey provides a quarterly snapshot on consumers' perceptions of inflation, the labour market, and their individual household finances. Overall, consumers perceived there to be an improvement in their financial health in the fourth quarter of 2024 compared to the fourth quarter of 2023, with fewer planning to reduce their spending. Survey respondents expect inflation in the year-ahead, 2-years ahead, and 5-years ahead to be around 3%. Young people and those with a lower level of education perceived there to be more weakness in the labour market.

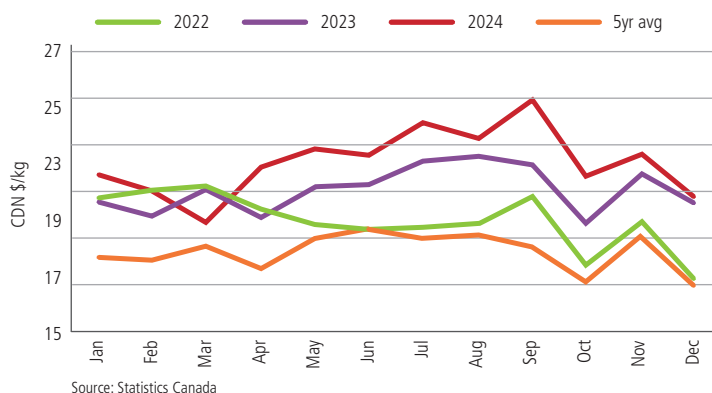
According to a recent article in the Financial Post, there remains some divergence among analysts on what the Bank of Canada should do at their March 12th meeting. Although the unemployment rate dipped in January 2025 to 6.6% supporting a rate hold, it was noted that a larger proportion of the job gains were in part-time employment rather than full-time employment. Economists who were interviewed suggested that the current unemployment rate is above the "neutral rate" which is estimated to range from 4.9-5.5%, supporting the argument for a rate cut in March.

Retail Beef Prices Continue Climbing

On a nominal basis, the retail beef price (average of five cuts) averaged \$22.26/kg in 2024, up 6% from 2023 and up 21% from the five-year average. Retail pork prices in 2024, at \$9.62/kg, were up 3% from 2023 but steady with the five-year average. Retail chicken prices, at \$9.30/kg, were up 4% from last year but down 6% from the five-year average. In 2024, the beef-to-pork price ratio was 2.31:1 with the

beef-to-chicken ratio at 2.39:1. The price of beef continues to widen in relation to both pork and chicken as a larger population (up 6% from 2022-2024) competes for a steady supply.

Canadian Retail Beef Price



Possible Trade Challenges in 2025

The threat of US tariffs remains a concern. As of mid-February, President Trump is steadfast that tariffs are the answer to balancing trade. Although there have been no tariffs applied to Canadian products, yet, the issue remains top of mind for politicians at all levels of government. Previously threatened tariffs on all Canadian products were delayed until the beginning of March, citing advancements on border security issues.

Much can change between mid-February (at the time of writing) and March 12th when Bank of Canada officials meet next to discuss the key interest rate. If tariffs are imposed the beginning of March, it may encourage the Bank of Canada officials to reduce interest rates.

¹ Bank of Canada "Canadian Survey of Consumer Expectations – Second Quarter of 2023" https://www.bankofcanada.ca/2025/01/canadian-survey-of-consumer-expectations-fourth-quarter-of-2024/?utm_source=alert&utm_medium=email&utm_campaign=BOSCE250120

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