WEEKLY COMMENTARY

How Canadian Consumers Are Doing Depends on Who You Ask

By Randall Bartlett, Deputy Chief Economist

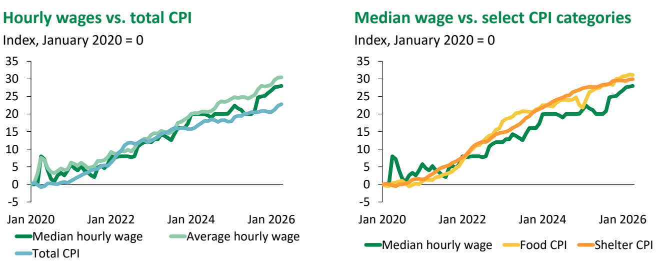
Earlier today, Statistics Canada published real GDP data for the first quarter of 2026. The numbers showed an advance in consumer purchases in Q1, including after adjusting for inflation, driven primarily by services consumption. This followed the release of retail sales data showing an annualized 3.9% q/q increase in volumes to kick off the year. All in all, not a bad start to 2026 for Canadian consumers.

But while that's good news on its face, looking under the hood suggests many Canadian households are struggling just to cover the basics. While a comparison of different hourly compensation measures with the total Consumer Price Index (CPI) shows real wages have been gaining ground since roughly mid-2023, looking at price gains of necessities like shelter, food and energy suggests otherwise (graph 1). Indeed, median hourly wages, which are less likely to be skewed upward by higher-income earners, point to compensation that has lagged behind gains in shelter, food and, most recently, energy costs over the past four-plus years.

This is important because the lower a household's income, the greater the share of its spending that is dedicated to shelter and food purchased from stores, even if the dollar amount is lower (graph 2). To pay for necessities whose prices are rising faster than wages, lower-income households are drawing down their savings, resorting to credit and/or cutting back on spending. This is showing up in the savings numbers, where only the top half of income earners are able to sock away cash for a rainy day. And even then, it's really only the highest-income earners that are seeing their ability to save increase every year, while net new savings have been broadly deteriorating for other Canadians.

If getting by wasn't challenging enough for low- and middle-income households in 2025, the energy price shock of 2026

Graph 1
Median Hourly Wages Still Haven't Caught Up with the Price of Basics



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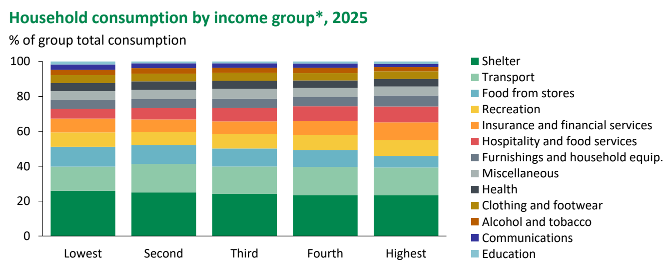
Graph 2
The Lowest-Income Households Spend the Largest Share on Necessities



* "Income group" refers to income quintile.
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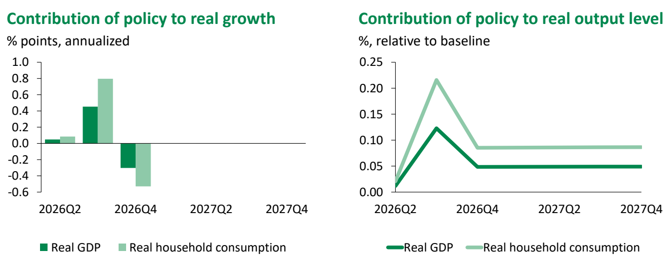
is likely making their circumstances a lot more difficult. And this is already starting to show up in the data. Last week, Statistics Canada published the final month of retail sales data for the first quarter of 2026, and the news wasn't good. While prices were up in March, sales volumes were down, and April looks as though it will be déjà vu all over again. This suggests weak consumer momentum going into the second quarter, after what was a broadly positive start to the year. It also fits with the weakness in the labour market observed since the beginning of 2026, with the Labour Force Survey showing a decline in employment of more than 110k since the end of 2025.

Fortunately for Canadian consumers, there's help on the way. On June 5, the federal government plans to transfer $3.1B to low- and middle-income households in the form of the Canada Groceries and Essentials Benefits, a one-time payment to all current recipients of the GST/HST credit. According to our analysis, this should primarily benefit families with a net household income of $50,000 or less. The Parliamentary Budget Officer estimates it will work out to about $252 per recipient. That is likely to help boost the third-quarter consumption numbers, and possibly provide a helping hand to June consumer spending as well. And starting in July 2026, the annual GST/HST credit will be raised by 25%. Running this policy shock through our analytical framework suggests Q2 and Q3 2026 consumption growth could be as much as half a percentage point higher at annualized rates than it would have been without this income transfer (graph 3). Of course, this is on top of the cut to the federal excise tax on fuel that came into effect on April 20 and will remain in place until Labour Day, although this was soon swamped by the ongoing volatility of oil prices.

Graph 3
The Enhanced GST/HST Credit Should Boost Consumption and GDP



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All in all, while times are tough for many Canadians, recently announced policy measures should help to cushion the blow. It's no doubt cold comfort when costs remain high and employment earnings keep trailing behind inflation, but at least it's something to help ease the pain of higher prices—if only just a little.

What to Watch For

UNITED STATES

MONDAY June 1 - 10:00

May	
Consensus	53.1
Desjardins	52.2
April	**52.7**

ISM Manufacturing index (May) – In April, the ISM Manufacturing index stalled at 52.7, unchanged from March. That's still a fairly strong reading, considering the same index stood at just 47.9 at the end of last year. The regional manufacturing indexes released so far suggest a slight decline for May. In particular, the Philadelphia Fed index dropped 27.1 points, slipping into negative territory for the first time since last December. All things considered, we expect the index to come in at 52.2. We'll be paying close attention to the index components for input prices and supplier deliveries to determine whether supply chains are starting to be affected by the conflict in the Middle East.

WEDNESDAY June 3 - 10:00

May	
Consensus	53.9
Desjardins	53.9
April	**53.6**

ISM Services index (May) – The ISM Services index fell 0.4 points in April. This marks a second consecutive monthly decline—the first such occurrence since spring 2024. At 53.6, the index remains relatively robust. And we're anticipating a slight increase in May. That's the message we're getting from the improvement in certain regional non-manufacturing indexes. However, consumer confidence indexes fell in May, as did the S&P Global Flash US Services PMI, limiting the likelihood of a strong rebound. The ISM Services index may post a 0.3-point gain.

FRIDAY June 5 - 8:30

May	
Consensus	85,000
Desjardins	95,000
April	**115,000**

Change in nonfarm payrolls (May) – Boosted by increases in the healthcare, transportation services and retail trade industries, job creation was strong again in April, with 115,000 net hires. A similar result is expected for May. Weekly unemployment claims are still low, signalling that the job market remains relatively resilient. Weekly ADP survey data and consumer confidence in job availability suggest employment growth remains fairly strong. We expect a net gain of 95,000 jobs, with the unemployment rate holding steady at 4.3%.

CANADA

WEDNESDAY June 3 - 8:30

Q1 2026	q/q
Consensus	n/a
Desjardins	0.3%
Q4 2025	**-0.1%**

Labour productivity (Q1) – Following a 0.1% decrease in the prior quarter, business sector labour productivity likely rose 0.3% q/q in Q1 2026 due to a probable decrease in business sector total hours worked (-0.2%) and a modest expansion in business sector output (0.1%). As stated in our latest outlook, economic growth for 2026 remains uncertain. It will be shaped by offsetting pressures arising from elevated energy prices and the joint review of the Canada-United States-Mexico Agreement (CUSMA), as well as a tailwind from artificial intelligence adoption and investment.

FRIDAY June 5 - 8:30

May	
Consensus	10,000
Desjardins	10,000
April	**-17,700**

Net change in employment (May) – The May Labour Force Survey (LFS) is expected to show employment rising by around 10,000. Population growth as measured in the LFS remains subdued. As such, we anticipate the unemployment rate will remain unchanged at 6.9%. The energy shock is likely to continue tempering hiring in the private sector, which may be further exacerbated in the months ahead by CUSMA-related trade developments. Additional attention will also be paid to regional employment dynamics, particularly given the outsized decline in employment in Quebec last month. Wage growth should continue along its current firm trajectory, although year-over-year measures will probably remain artificially elevated for some time due to compositional effects.

TUESDAY June 2 - 5:00	
May	**y/y**
Consensus	3.2%
April	**3.0%**

OVERSEAS

Eurozone: Consumer price index (May – preliminary) – With the surge in energy prices, inflation has understandably ramped up in the eurozone. After remaining below the European Central Bank's 2% target for three straight months (between December 2025 and February 2026), year-over-year price growth climbed to 2.6% in March and then jumped to 3.0% in April. That's the first time inflation has hit the 3% threshold since summer 2023. The acceleration was also striking on a monthly basis, with two consecutive increases of more than 1%. Inflation is expected to remain relatively high in May. Gasoline prices in the eurozone have continued to rise in recent weeks. Prices for food and other goods and services (including airfares) have likely gone up as well. It remains to be seen whether this recent spike in inflation heightens concerns among European Central Bank policymakers at their upcoming meeting

Economic Indicators

Week of June 1 to 5, 2026

Date	Time	Indicator	Period	Consensus	Desjardins forecast	Previous reading
UNITED STATES						
SUNDAY 31	8:30	Speech by Federal Reserve Governor C. Waller				
	20:30	Speech by Federal Reserve Governor J. Powell				
MONDAY 1	10:00	Construction spending (m/m)	April	0.1%	0.1%	0.6%
	10:00	ISM Manufacturing index	May	53.1	52.2	52.7
TUESDAY 2	1:50	Speech by Federal Reserve Bank of Minneapolis President N. Kashkari				
	8:30	Speech by Federal Reserve Bank of Cleveland President B. Hammack				
	---	Total vehicle sales (ann. rate)	May	16,000,000	16,000,000	15,920,000
WEDNESDAY 3	9:00	Speech by Federal Reserve Vice Chair M. Barr				
	10:00	ISM Services index	May	53.9	53.9	53.6
	10:00	Factory orders (m/m)	April	4.5%	4.0%	1.5%
	14:00	Release of the Beige Book				
	16:00	Speech by Federal Reserve Bank of Dallas President L. Logan				
THURSDAY 4	8:30	Initial unemployment claims	May 25–29	213,000	213,000	215,000
	8:30	Nonfarm productivity – final (ann. rate)	Q1	0.5%	0.3%	0.8%
	8:30	Unit labor costs – final (ann. rate)	Q1	2.5%	2.8%	2.3%
	8:30	Speech by Federal Reserve Bank of Richmond President T. Barkin				
	13:10	Speech by Federal Reserve Bank of San Francisco President M. Daly				
FRIDAY 5	8:30	Change in nonfarm payrolls	May	85,000	95,000	115,000
	8:30	Unemployment rate	May	4.3%	4.3%	4.3%
	8:30	Average weekly hours	May	34.3	34.3	34.3
	8:30	Average hourly earnings (m/m)	May	0.3%	0.3%	0.2%
	15:00	Consumer credit (US$B)	April	17.750	12.000	24.855
SATURDAY 6	12:00	Speech by Federal Reserve Vice Chair M. Barr				
CANADA						
MONDAY 1	12:00	Speech by Bank of Canada Senior Deputy Governor C. Rogers				
TUESDAY 2	---	---				
WEDNESDAY 3	8:30	Labour productivity (q/q)	Q1	n/a	0.3%	-0.1%
THURSDAY 4	---	---				
FRIDAY 5	8:30	Net change in employment	May	10,000	10,000	-17,700
	8:30	Unemployment rate	May	6.9%	6.9%	6.9%

NOTE: Each week, Desjardins Economic Studies takes part in the Bloomberg survey for Canada and the United States. Approximately 15 economists are consulted for the Canadian survey and a hundred or so for the United States. The abbreviations m/m, q/q and y/y correspond to month-over-month, quarter-over-quarter and year-over-year change respectively. Following the quarter, the abbreviations f, s and t correspond to first estimate, second estimate and third estimate respectively. Times shown are Eastern Daylight Time (GMT -4 hours). Desjardins Economic Studies forecast.

Economic Indicators

Week of June 1 to 5, 2026

Country	Time	Indicator	Period	Consensus m/m (q/q)	Consensus y/y	Previous reading m/m (q/q)	Previous reading y/y
OVERSEAS							
SUNDAY 31							
Japan	20:30	Manufacturing PMI – final	May	n/a		54.5	
MONDAY 1							
United Kingdom	2:00	Nationwide house prices	May	-0.2%	2.3%	0.4%	3.0%
Germany	2:00	Retail sales	April	-0.5%	-1.6%	-2.0%	0.9%
Italy	3:45	Manufacturing PMI	May	52.0		52.1	
France	3:50	Manufacturing PMI – final	May	48.9		48.9	
Germany	3:55	Manufacturing PMI – final	May	49.9		49.9	
Eurozone	4:00	Manufacturing PMI – final	May	51.4		51.4	
Eurozone	4:00	M3 money supply	April	3.1%		3.2%	
United Kingdom	4:30	Manufacturing PMI – final	May	53.7		53.7	
Eurozone	5:00	Unemployment rate	April	6.2%		6.2%	
TUESDAY 2							
Eurozone	5:00	Consumer price index – preliminary	May	0.1%	3.2%	1.0%	3.0%
Japan	20:30	Composite PMI – final	May	n/a		51.1	
Japan	20:30	Services PMI – final	May	n/a		50.0	
WEDNESDAY 3							
Italy	3:45	Composite PMI	May	50.0		50.5	
Italy	3:45	Services PMI	May	49.2		49.8	
France	3:50	Composite PMI – final	May	43.5		43.5	
France	3:50	Services PMI – final	May	42.9		42.9	
Germany	3:55	Composite PMI – final	May	48.6		48.6	
Germany	3:55	Services PMI – final	May	47.8		47.8	
Eurozone	4:00	Composite PMI – final	May	47.5		47.5	
Eurozone	4:00	Services PMI – final	May	46.4		46.4	
United Kingdom	4:30	Composite PMI – final	May	48.5		48.5	
United Kingdom	4:30	Services PMI – final	May	47.9		47.9	
Eurozone	5:00	Producer price index	April	0.5%	4.8%	3.4%	2.1%
THURSDAY 4							
Eurozone	5:00	Retail sales	April	-0.3%	0.3%	-0.1%	1.2%
FRIDAY 5							
India	0:30	Reserve Bank of India meeting	June	5.25%		5.25%	
Japan	1:00	Leading index – preliminary	April	114.5		114.0	
Japan	1:00	Coincident index – preliminary	April	117.3		116.4	
France	2:45	Trade balance (€M)	April	n/a		-6,864	
France	2:45	Current account (€B)	April	n/a		-1.2	
France	2:45	Industrial production	April	-0.2%		1.0%	0.9%
Eurozone	5:00	Net change in employment – final	Q1	n/a	n/a	0.1%	0.5%
Eurozone	5:00	Real GDP	Q1t	0.1%	0.8%	0.1%	0.8%
Italy	5:00	Retail sales	April	n/a	n/a	0.8%	3.7%

Note: Unlike release times for US and Canadian economic data, release times for overseas economic data are approximate. Publication dates are provided for information only. The abbreviations m/m, q/q and y/y correspond to month-over-month, quarter-over-quarter and year-over-year change respectively. Following the quarter, the abbreviations f, s and t correspond to first estimate, second estimate and third estimate respectively. Times shown are Eastern Daylight Time (GMT -4 hours).