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Together makes progress

Wrapped in resilience

A season of smart spending

2025

Holiday retail outlook

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Executive summary

Canadians are shopping smart and spending wisely

Despite economic uncertainty, holiday spending is projected to rise by 3%. While spending on gifts and experiences will increase by 2% (+$18), consumers are cutting back in other discretionary categories (-8%, -$21).

The increase in spend may be driven by household finances improving: 32% of Canadians report their household is worse off this year compared to 36% last year.

However, economic concerns remain high: nearly half (46%) expect the economy to worsen next year, up from 36% last year. Concerns about a potential recession have also increased (70% vs. 63% last year), and 80% are worried about the impact of tariffs on the Canadian economy.

Value and brand loyalty are driving gift choices

Consumers are shopping earlier and across multiple channels to maximize value, with 20% starting holiday shopping in October (up from 15% last year) and 1 in 2 planning to shop October promotions and Black Friday. Although most (73%) prefer to support local and Canadian businesses this holiday season, many still choose to shop their favourite retailers and brands for gifts, including Amazon (70%), other mass merchants (68%), and warehouse clubs (49%).

Deal-seeking behaviours may be driven by inflation concerns: 70% of consumers expecting higher prices this year (up from 65% last year), making it a leading factor influencing spending behavior. This could be contributing to why 8 in 10 shoppers are actively seeking the best deals, and nearly half (52%) choose private label products whenever possible.

More shoppers are turning to AI for holiday inspiration

Interest and engagement with AI is increasing: 63% of Canadians are familiar with AI, 27% are excited about its potential, and 50% have used AI in the past three months (up from 33% last year).

Gen Z Canadians are almost three times more likely to have used it recently than Baby Boomers (64% vs. 24%). 1 in 3 (33%) Gen Z Canadians use AI for product research compared to only 9% of Baby Boomers.

Overall, 1 in 4 believe retailers should use AI to assist with customer service or provide personalized product information.

Despite this growing adoption, 63% still express concerns and only 17% trust the technology—largely consistent year-over-year. The rise of AI may bring data privacy and security concerns to the forefront: 7 in 10 are worried about sharing their personal information with retailers.

Insights on these trends, along with implications for Canadian retailers, are included throughout the report.

Context | 2025 economic outlook

Dawn Desjardins
Deloitte Canada's Chief Economist

Before exploring report highlights, Deloitte's Chief Economist shares an economic outlook

Canada's economy ground to halt in the first half of 2025 as the barrage of unsettling announcements weighed on business and consumer confidence and crippled trade flows. We expect the economy to remain subdued in the third quarter, but now think that a technical recession can be avoided, with growth rates remaining positive but below potential. Stronger gains are expected in 2026 as the combination of low interest rates, limited pass-through of tariffs to prices and government stimulus restore the conditions for a recovery in consumer and business sentiment.

Consumer spending was decent in the second quarter but we are wary that the softening in the labour market and low confidence will result in weaker than usual spending for the remainder of this year. Consumer confidence is off the lows but remains historically depressed. The sharp slowing in immigration resulted in negligible population growth in the second quarter and this trend will continue in 2026 given the government's downsizing of its targets. This will impact consumption as well as weighing on the labour force.

Household balance sheets improved in the second quarter mainly due to stronger financial asset performance although much of the gains accrued to higher income households. Debt levels and debt-servicing costs remain elevated however given the reduction in interest rates, we expect households will continue to manage their payments.

The headline inflation rate eased below 2% due to the elimination of the carbon tax which resulted in lower energy prices – a one-off impact that will fall out of the calculation over time. Underlying inflation remained around 3%, the upper limit of the Bank's target band.

So far, there has been limited evidence of a flow-through of tariffs to consumer prices and the government's decision to stop retaliatory tariffs on imports of US goods that are CUSMA compliant may limit future increases. The softening in the labour market and increasing slack in the economy is consistent with any near-term uptick in the inflation rate being short-lived. Against this backdrop, the Bank of Canada has lowered the policy rate to 2.5% from 2.75% in September and is expected to maintain this rate through the end of the year. A positive for consumers.

Stalled growth
Economy flat in early 2025

Technical recession avoided
Growth stays positive, but under potential

Muted spending
Consumer confidence still low; labour market softening

Inflation eases
Headline below 2%, core steady at 3%

Rates cut
Bank rate: 2.5% (down from 2.75%)

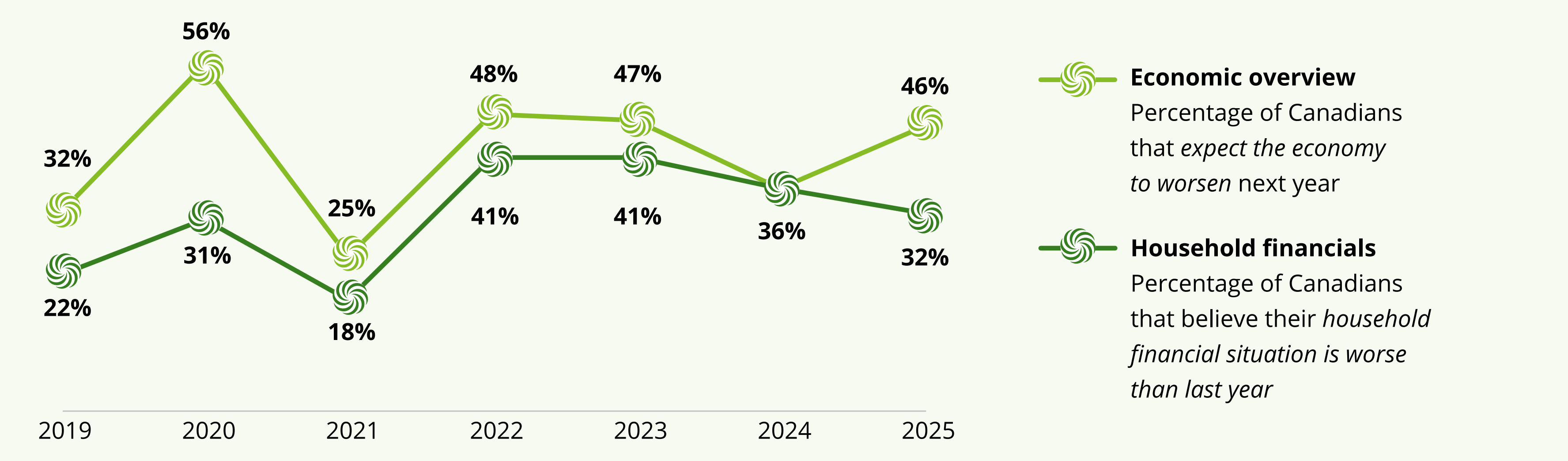
Detailed report findings

PART 1

Canadians are shopping smart and spending wisely

Although household finances may be showing modest improvement, economic anxiety and recession concerns have intensified this year

Canadian consumers' pessimism about the economy and their household finances over time



32%
indicate their household financial situation is worse compared to last year
(vs. 36% last year)

46%
think economy will weaken next year
(vs. 36% last year)

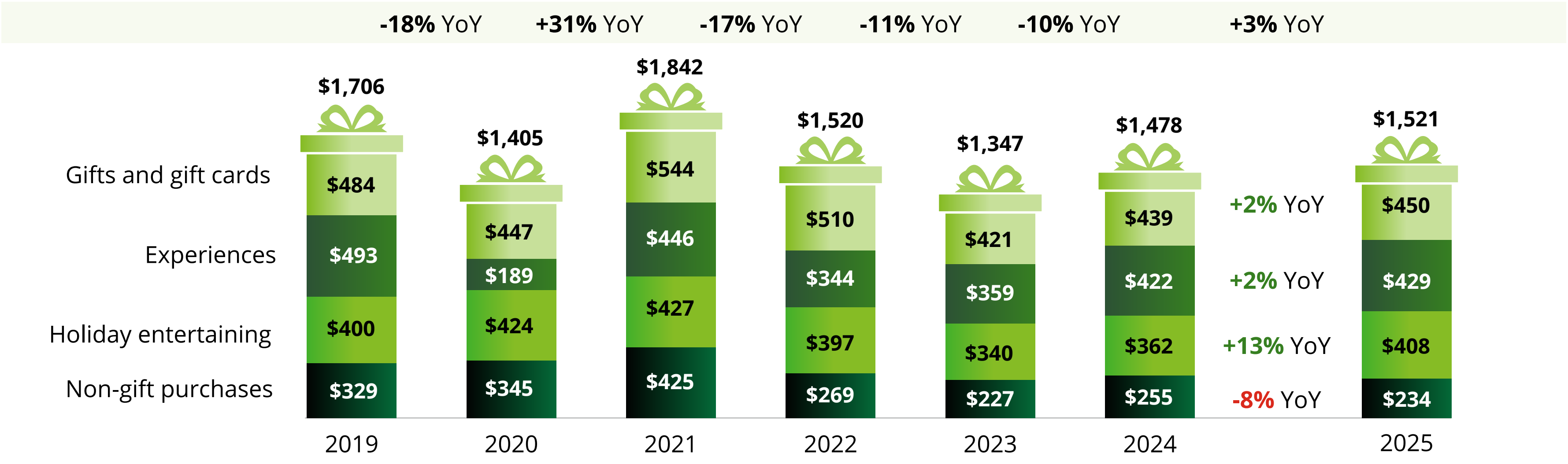
70%
are concerned about a potential recession
(vs. 63% last year)

80%
are worried about tariffs and the impact on the Canadian economy

Retailer implication

Even as some consumers experience modest improvements in their financial situations, heightened concerns about a potential recession are prompting more cautious spending behaviors. Over the years, we have observed a sustained shift toward value-driven shopping behaviours, as consumers seek to maximize the impact of their spending. Retailers should anticipate continued price sensitivity, increased demand for promotions, and a stronger emphasis on value, given that economic uncertainty is likely to persist in the near term.

Holiday spend is forecasted to increase 3%, led by gifts and experiences, while discretionary categories decline as consumers remain cautious amid economic uncertainty



Summary

Holiday spending is forecasted to rise by 3% year over year, with spend comparable to 2022 levels. Spend is forecasted to increase across gifts, experiences, and holiday entertaining. Meanwhile, non-gift spending is down, suggesting consumers are pulling back on discretionary purchases amid ongoing macroeconomic challenges and recession concerns.

Spend is up a modest

+3%

this year—to levels comparable to 2022

Gifts and gift cards are up

2%

(+$11), experiences are up 2% (+$7)

Holiday entertaining has increased

+13%

(+$46)

Non-gift purchases are down

-8%

(-$21)

Specific categories with notable changes:

Grocery	+14% (+$37)
Non-gift apparel	+12% (+$8)
Dining out	+11% (+$11)
Gift cards	+10% (+$11)
Non-gift electronics	–13% (-$5)

PART 2

Value and brand loyalty are driving gift choices

Inflation remains top of mind and is the key reason people plan to spend more or less this holiday season

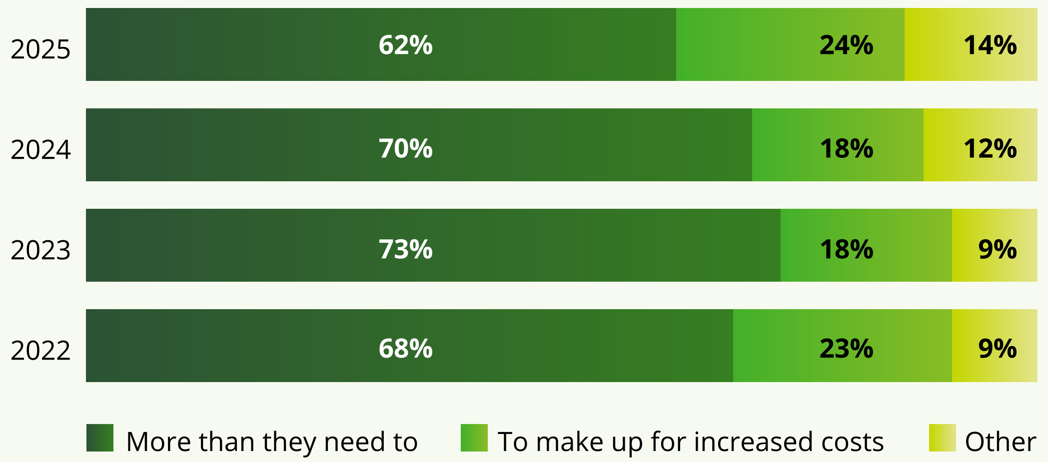
71%

of consumers expect prices to be higher this holiday season

6 in 10

(62%) believe retailers are increasing prices more than needed—though fewer indicate this compared to last year (70%)

Retailers increasing their price



Inflation is the top reason consumers plan to spend more or less

Top reasons for spending more:

- **Things cost more (60%)**
- Have more people to buy gifts for (22%)
- Personal items need updating (21%)

Top reasons for spending less:

- **Concerned about inflation and price of goods increasing (47%)**
- Saving more instead of spending (39%)
- Concerned about economic instability (38%)

Summary

Inflation remains persistent in consumers' minds, influencing spending—especially in discretionary categories—and potentially impacting their trust in retailers. However, it is encouraging that trust may be improving, as fewer consumers believe retailers are raising prices unnecessarily. Inflation and cost-of-living pressures may be contributing to consumer deal seeking behaviours, trends that we will explore further on subsequent slides.

Inflation and macroeconomic concerns may contribute to ongoing deal-seeking and consumers prioritizing experiences and indulgences

Consumers will hunt for the best deals by shopping around, using loyalty programs, and prioritizing private label

78% plan to shop around for the best deals

63% indicate that loyalty programs influence where they choose to shop

52% would buy private label whenever possible

48% indicate that personalized offers influence where they choose to shop

Some consumers plan to treat themselves or spend on experiences—particularly Gen Z

42% plan to treat themselves to indulgences—*higher for Gen Z (55%) vs. Baby Boomers (32%)*

43% prefer gifts that are an experience

33% plan to spend more on experiences

Gen-Z: 1997-2012, 13-28 years old | **Millennial**: 1981-1996, 29-44 years old | **Gen-X**: 1965-1980, 45-60 years old | **Baby Boomers**: 1946-1964, 61-79 years old

Retailer implication

Retailers should recognize the "lipstick effect," where consumers, even in uncertain economic times, indulge in small luxuries or experiences. With a significant portion of shoppers—especially Gen Z—planning to treat themselves (55% of Gen Z vs. 32% of Boomers) and showing a strong preference for experiential gifts (43%), retailers can benefit by offering affordable indulgences, unique experiences, and self-care products.

Consumers are also shopping October and Black Friday promotions, which may contribute to an earlier holiday shopping season

Consumers are shopping early and shopping promotions

20%

plan to start their holiday shopping in October—*an increase over last year (15%)*

1 in 2

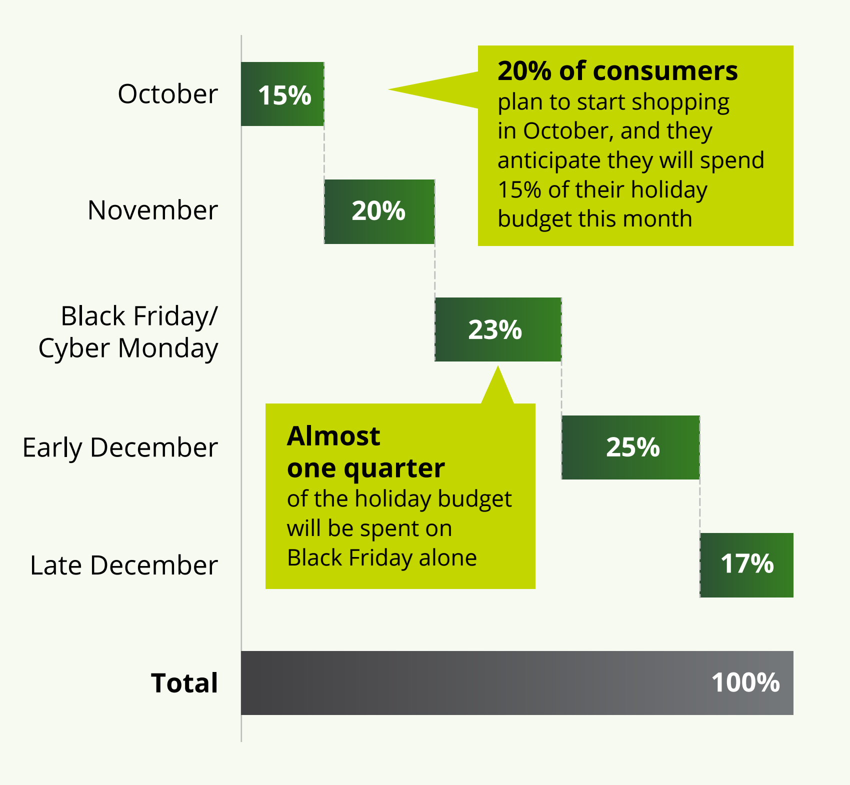
plan to shop both October promotions and Black Friday

Has the consumer learned to shop early?

Recent holiday seasons may be driving consumers to shop early and shop often:

2020 | *Supply chain issues during Covid-19 caused stock issues*
2022 | *Inflation drove significant price increases*
2022 | *Amazon launched October Prime Day; Walmart, Target, and Best Buy quickly followed suit*

How the holiday budget will be spent across time periods



Retailer implication

Retailers can respond by launching promotions earlier in the season, ensuring inventory is well-managed, and maintaining a strong promotional presence throughout the fall to capture demand from early and value-conscious shoppers.

There is a role for both the store and eCommerce this holiday season

48%

of consumers find holiday shopping stressful, and 6 in 10 believe holiday shopping is easier online

During the busy holiday season, consumers may prefer online shopping for its ease and time-saving benefits

55%

of the holiday budget will be spent in-store (vs. 42% online)—consistent year-over-year

Just over half (55%) of the budget will be spent in-store—higher for Baby Boomers (60%) than Millennials (53%)

Gen-Z

and millennials will spend nearly half of their holiday budget online

Gen Z (45%) and Millennials (49%) spend more of their budget online than Baby Boomers (31%)

1 in 2

shoppers visit stores for gift inspiration and the festive experience

1 in 2 (52%) believe shopping in-store is fun and festive; 4 in 10 (42%) value the personal connections with store associates

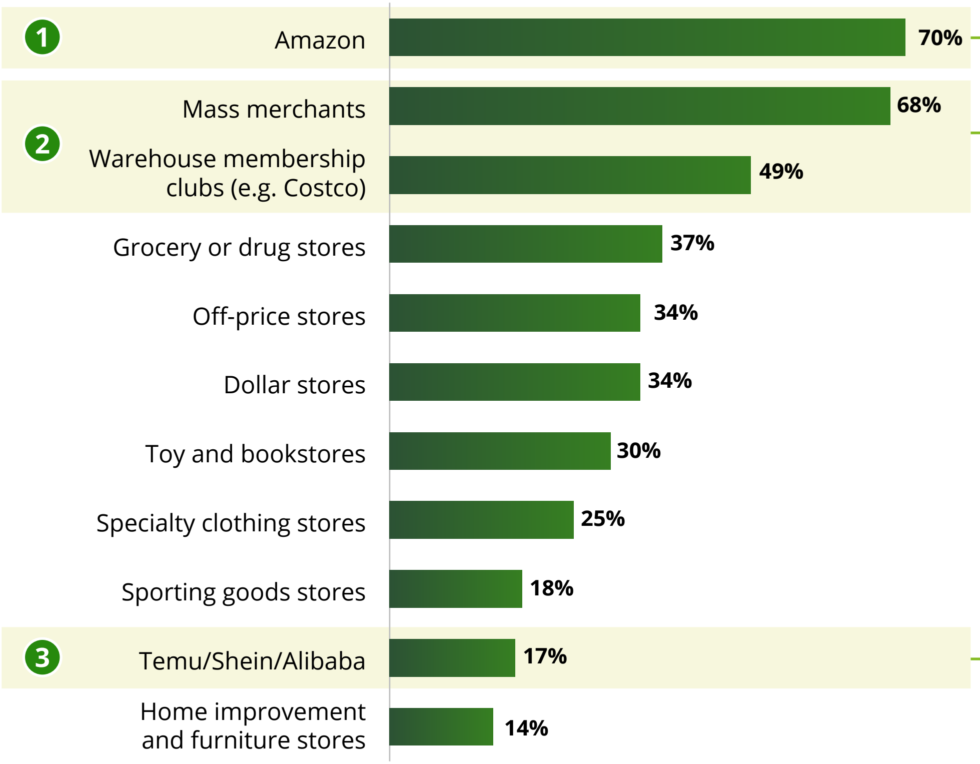
Retailer implication

Retailers should prioritize delivering convenient online shopping experiences, particularly to attract younger shoppers who prefer digital channels. However, it's notable that, despite all the news about AI and digital innovation, the fundamentals of retail haven't materially changed—there is still a vital role for the physical store. Creating engaging and enjoyable in-store experiences or providing a "treasure hunt" so consumers can find exclusive deals in stores may help draw customers into physical locations this holiday season.

Gen-Z: 1997-2012, 13-28 years old | **Millennial**: 1981-1996, 29-44 years old | **Gen-X**: 1965-1980, 45-60 years old | **Baby Boomers**: 1946-1964, 61-79 years old

Value-driven retailers continue to dominate

Question: At which of the following types of retailers will you likely shop for holiday gifts this upcoming holiday season?



1. **Amazon continues to dominate** the holiday shopping landscape, with 70% of consumers planning to shop there for gifts.

   Did you know? Over half of Canadians (53%) hold Prime memberships—a 2% increase year-over-year, though most shoppers (55%) expect their spending on the platform to remain steady.

2. **Mass merchants (68%)** and **warehouse membership clubs (49%)** also remain top destinations.

3. **Value-driven online marketplaces like Temu, Shein, and Alibaba are gaining traction:** one in three consumers have shopped these platforms in the past three months, and 17% plan to use them for holiday gifts this year (vs. 14% last year).

Retailer implication

To compete with established and emerging marketplaces, as well as warehouse clubs, retailers need to deliver value in a way that is compelling to their customers.

Merchants should be assessing their customer value propositions including pricing strategy to ensure they remain competitive while protecting margins.

When thoughtfully approached, there may be an opportunity to highlight local this holiday season

Canadians desire to support local or Canadian businesses this holiday season...

30%
indicate that "local or Canadian owned" is a top consideration when selecting a retailer

73%
Canadians prefer to buy products that support local or Canadian businesses

56%
prefer to buy gifts that support local or small businesses

53%
check where a product is made before purchasing most non-food products

Retailer implication

... however, value remains top of mind, leading many consumers to seek the best deals, even if that means shopping beyond local options.

There is an opportunity for retailers to promote "local and Canadian" this holiday season. However, with value still a priority amid economic pressures, and traditional value-oriented retailers (e.g., global marketplaces, mass merchants, and warehouse clubs) maintaining appeal, retailers must balance celebrating local offerings with delivering value and convenience—while avoiding overstated "maple washing" claims.

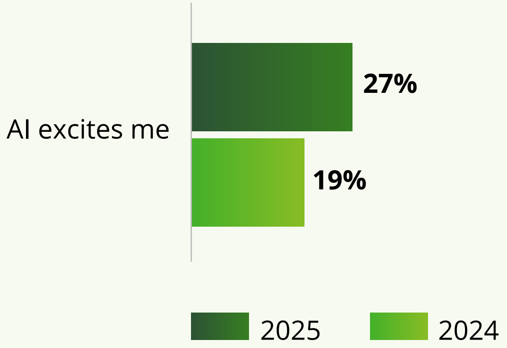
PART 3

More shoppers are turning to AI for holiday inspiration

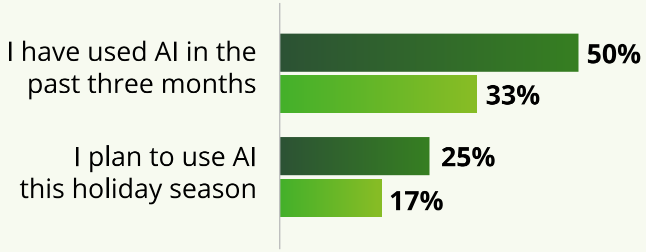
AI adoption is increasing as consumers become more familiar with different AI tools and platforms; however, concerns about the technology persist

Consumers are becoming increasingly familiar with AI…

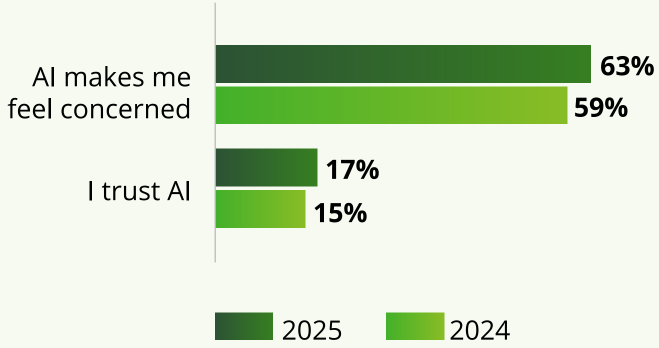
… and excitement is building



Consumers are more likely to use AI in everyday life…



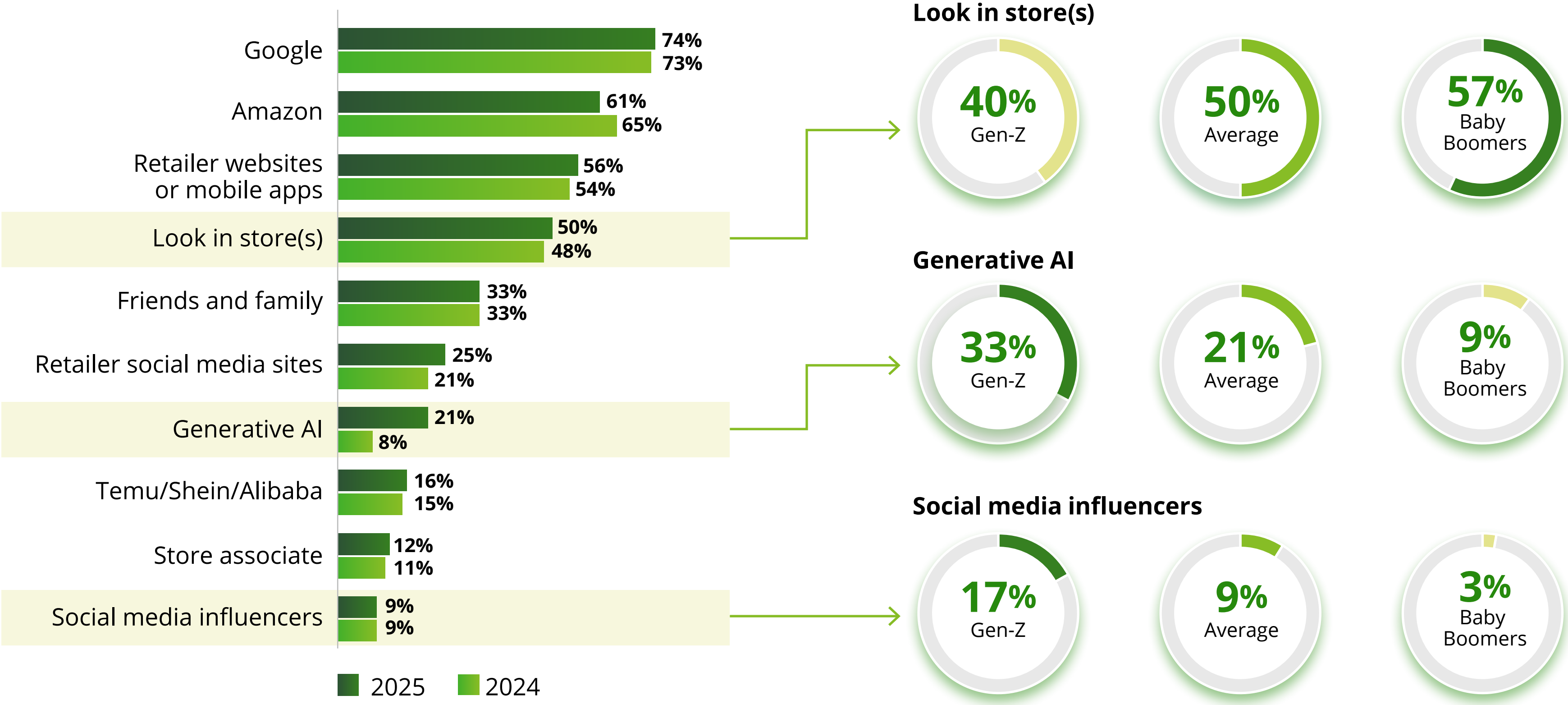
… but despite this growing familiarity, concerns about AI remain high



AI is rapidly becoming a key research tool, especially among younger consumers, who are more likely than older generations to use these platforms

While Google, Amazon, and retailer sites lead how consumers research products and services…

… research habits vary by generation, with younger consumers more likely to use AI tools



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Retailer implication

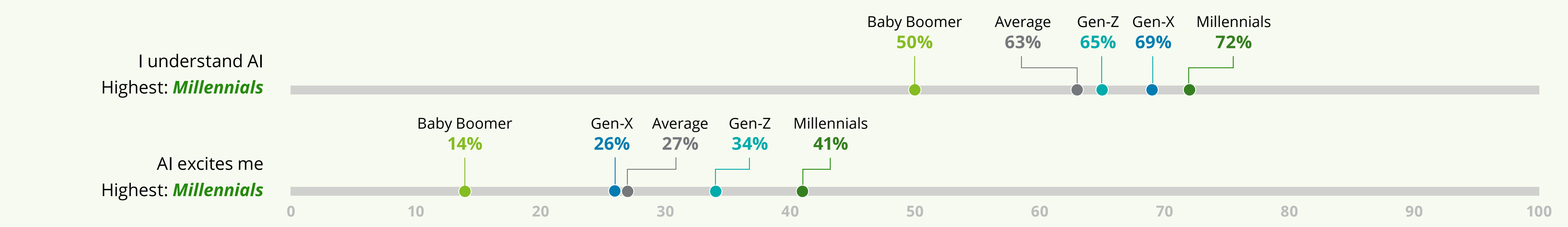
While traditional channels such as search engines and retailer websites remain important, younger consumers are rapidly shifting to AI-powered tools and social media for product discovery.

As these platforms gain ground, retailers must adapt their digital strategies now—optimizing for AI-driven search, engaging on social media, and making product information easy to find across all digital channels. Investing in AI services, chatbots, and enhanced social media is essential, and maintaining a strong web presence is critical for both discovery and engagement.

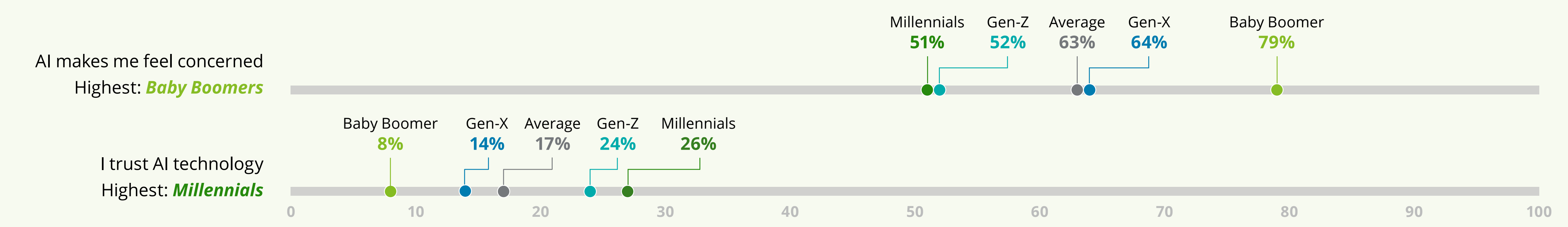
AI DEEP DIVE

Younger consumers are generally less concerned about AI and are more likely to feel excited about and understand technology…

Millennials and Gen-Z are more likely to be excited by and understand AI



All generational cohorts express concern about AI, although Millennials and Gen-Z are more likely to trust the technology



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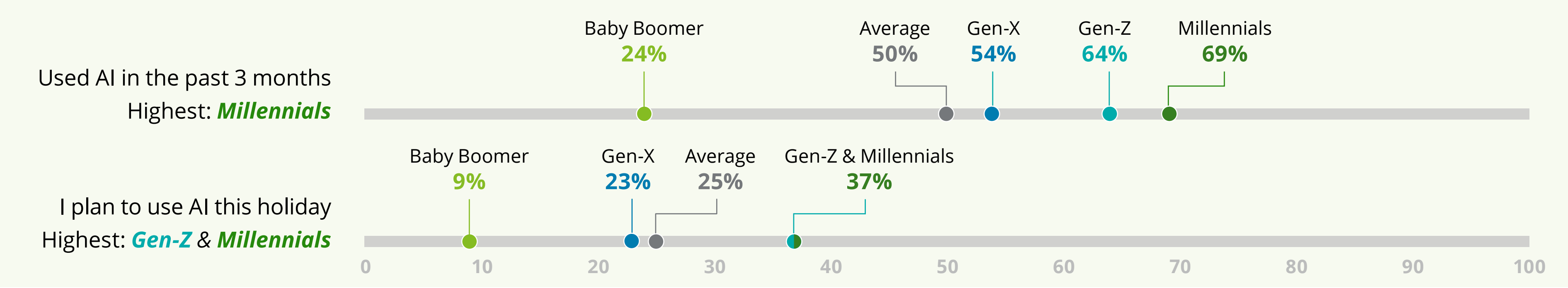
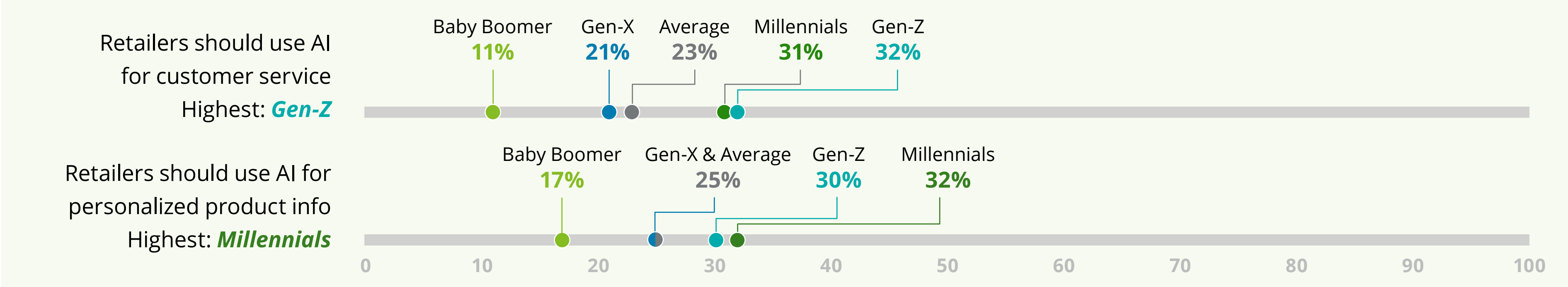
AI DEEP DIVE

… and younger consumers are ~3x more likely to use AI in their personal life and for holiday shopping. On average, 1 in 4 believe retailers should be using AI

Gen-Z and Millennials are more likely to use an AI tool (overall and for holiday shopping specifically)



~1 in 4 consumers believe retailers should use AI for customer service or personalized product info—slightly higher across younger consumers



Gen-Z: 1997-2012, 13-28 years old | **Millennial**: 1981-1996, 29-44 years old | **Gen-X**: 1965-1980, 45-60 years old | **Baby Boomers**: 1946-1964, 61-79 years old

Retailer implication

AI holds great promise for retailers, offering more objectivity and faster data analysis and decision making. However, real value comes from focusing on high-impact use cases aligned with business needs—not just adopting AI for its own sake. Foundational to success are a strong data strategy and CEO/Board education. Retailers who take this approach will deliver greater value and convenience to today's tech-savvy consumers.

The rise of AI is bringing data privacy and security concerns to the forefront, and consumers remain cautious about sharing their personal information with retailers

70% of consumers worry about sharing personal information with retailers

Either because of data breaches or misuse (72%) or because they don't know how their information will be used (70%)

64% are hesitant to shop at retailers that have experienced a breach

Notably, only 1 in 3 believe sharing data is a necessary part of the shopping experience

3 in 4 struggle to identify which retailers have had a breach

As data breaches become more frequent, consumers may struggle to keep track of which retailers have been affected

1 in 3 have experienced a data breach; half stopped shopping or reduced their spend following a compromise

Although fewer consumers have been affected by breaches this year (34% vs. 39% last year), many impacted still change their behaviour

Retailer implication

Consumers express hesitation to shop with retailers that have experienced data breaches, which can ultimately impact a retailer's bottom line. As a result, the industry is moving toward a new baseline for cybersecurity, with retailers becoming more sophisticated in their approach. For example, retailers are increasingly investing in security controls for its frontline workers, such as phishing-resistant multi-factor authentication (MFA).

About the survey

Consumer Survey

Timing
August 27th – September 5th, 2025

Methodology
Deloitte's annual holiday retail outlook explores the shopping behaviours, attitudes, and preferences of consumers for the upcoming holiday season. The findings are based on a survey of more than 1,000 Canadian consumers across age groups, financial situations, and geographic regions. All dollar figures quoted are in Canadian currency.

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Thank you

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