

Economics

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Canadian GDP (Jan, Feb. advance): Not great, but not as bad as expected

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GDP (period/period % chg)	25:Q3	25:Q4	Nov	Dec	Jan	Jan Y/Y
GDP (at basic prices)	2.6	-0.3	0.0	0.2	0.1	0.6
• Goods-producing	5.5	-2.6	-0.3	0.2	0.2	-0.5
• Services-producing	1.4	0.7	0.2	0.3	0.0	1.1
• Business	3.6	-0.2	-0.1	0.3	0.1	0.7
• Non-business	-2.0	-0.7	0.6	0.2	0.1	0.1

Source: Statistics Canada

- It wasn't great, but it wasn't as bad a start to the new year for the Canadian economy as expected. GDP advanced by 0.1% m/m, a tick above the consensus forecast and the advance estimate. That was driven by strength in goods-producing sectors, namely oil and gas extraction, mining/quarrying, and construction, which masked a decline in manufacturing. And momentum increased in February, as the advance estimate pointed to a 0.2% m/m gain, which leaves Q1 GDP tracking roughly in line with the Bank of Canada's MPR forecast of just under 2%. However, that still leaves GDP only 0.6% above year-ago levels following a challenging 2025, and ample economic slack remains, which leaves the BoC on the sidelines despite an upcoming energy-driven spike in the CPI.
- The 1.6% increase in oil and gas extraction GDP was broad-based, with crude extraction in Newfoundland and Labrador, and Saskatchewan particularly strong. Coal mining was also strong on the month, adding to a respectable increase in non-metallic mineral mining. For the broad sector, however, GDP is still sitting a hair below year-ago levels, as activity has been flat since the latter half of 2025.
- Retail trade was also a growth contributor, rising by 0.8% m/m, supporting by a drop in the unemployment rate during that month and the trend towards rising real incomes last year. The finance/insurance sector grew by 0.5% m/m on a rise in trading activity, reflecting record foreign investment in Canadian bonds.
- The manufacturing sector pulled back by 1.4% m/m, with auto production plummeting due to winter shutdowns and retooling. That impact reversed in February, however, as the advance estimate for that month highlighted an increase in the sector. Still, the manufacturing sector was in decline even before US tariffs came into effect, with activity now 4.6% below year-ago levels, and 8.6% below 2019 levels.
- Real estate GDP was thwarted by extreme winter weather conditions that weighed on existing home sales, combined with continued home price drops. Weather also held back activity in the transportation and warehousing sectors.

Implications & actions

Re: Economic forecast — Despite leaving Q1 GDP tracking roughly in line with the BoC's forecast, the growth outlook ahead faces hurdles as consumption will be squeezed by higher gasoline prices, while activity in trade-sensitive sectors remains choppy and is likely to remain that way until there is progress on renewing the CUSMA trade deal. With risks to

underlying momentum, the BoC is likely to keep interest rates on hold until there are signs of a sustainable reduction in economic slack, likely into 2027.

Re: Markets — There was little market reaction to the data, as headlines around the war captured more attention.

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