

## Economics

# ECONOMIC FLASH!

[economics.cibccm.com](https://economics.cibccm.com)

December 23, 2025

## Canadian GDP (Oct, Nov adv): Slipping into reverse again

**Andrew Grantham** [andrew.grantham@cibc.com](mailto:andrew.grantham@cibc.com)

GDP (period/period % chg)	25:Q2	25:Q3	Aug	Sep	Oct	Oct Y/Y
GDP (at basic prices)	-1.0	2.1	-0.1	0.2	-0.3	0.4
• Goods-producing	-4.9	5.0	-0.1	0.6	-0.7	0.2
• Services-producing	0.7	0.9	0.0	0.1	-0.2	0.5
• Business	-1.5	2.7	0.0	0.3	-0.3	0.5
• Non-business	1.6	-0.8	-0.1	0.1	-0.4	0.2

Source: Statistics Canada

- The Canadian economy appears to have slipped into reverse again during the fourth quarter, as a decline in activity during October was followed by only a partial recovery in November's advance estimate. However, through the quarterly volatility, growth in the second half of the year still appears slightly higher than the Bank of Canada assumed in October's MPR projection, suggesting that the weakening momentum highlighted today would have to continue into the New Year to reawaken talk of further interest rate cuts. We continue to forecast no change to the Bank's overnight rate in 2026.
- October GDP posted a 0.3% decline, which was in line with the consensus forecast and advance estimate. Some one-off factors contributed to that decline, including strike action by Alberta teachers that drove a 1.8% drop in the education sector. Strike action among postal workers also contributed to a 1.1% decline in transport & warehousing. With those disputes ending, activity in those sectors is expected to rebound in November. While maintenance work at oil sands facilities contributed to lower activity in the mining, oil & gas sector during October, Statistics Canada suggested that the sector continued to struggle in November.
- However, the declines in strike-impacted education and transportation sectors contributed less than half of the overall drop in October GDP. There was also broad-based weakness in some other industries as well, including declines in manufacturing, wholesaling and retailing. The 1.5% drop in manufacturing broadly offset the increase that was recorded in the previous month, and included declines in machinery manufacturing as well as wood products, with the latter coinciding with an escalation of US lumber tariffs.
- The advance estimate for November pointed to only a partial recovery of 0.1%, which would imply a broadly flat reading after accounting for rebounds in strike-impacted sectors. Statistics Canada noted that mining, oil & gas and manufacturing continued to struggle in November. The unimpressive rebound is in contrast to the apparent strength signalled by employment and hours worked in the corresponding Labour Force Survey, suggesting that the labour market data may weaken again ahead.

## Implications & actions

**Re: Economic forecast** — Today's data leaves Q4 GDP tracking a modest contraction of 0.5% annualized, signaling a further increase in slack within the economy which will dampen bets for interest rate hikes in 2026. However, following the upside surprise in headline GDP seen in the third quarter, average growth for the second half of the year is still slightly

better than October's MPR assumptions (1.0% vs 0.75%), and as a result today's data doesn't change our forecast for the Bank of Canada overnight rate to remain steady at its current level for the foreseeable future.

**Re: Markets** — Canadian bonds appeared to react more to the strong US GDP data released at the same time, with yields rising slightly.

CIBC Capital Markets is a trademark brand name under which Canadian Imperial Bank of Commerce ("CIBC"), its subsidiaries and affiliates (including, without limitation, CIBC World Markets Inc., CIBC World Markets Corp. and CIBC Capital Markets (Europe) S.A.) provide different products and services to our customers around the world. Products and/or services offered by CIBC include corporate lending services, foreign exchange, money market instruments, structured notes, interest rate products and OTC derivatives. CIBC's Foreign Exchange Disclosure Statement relating to guidelines contained in the FX Global Code can be found at [www.cibccm.com/fxdisclosure](http://www.cibccm.com/fxdisclosure). Other products and services, such as exchange-traded equity and equity options, fixed income securities and futures execution of Canadian securities, are offered through directly or indirectly held subsidiaries of CIBC as indicated below.

#### Distribution

This report is written by the economics team at CIBC Capital Markets and is not the product of a CIBC Capital Markets research department. This report is issued and approved for distribution: (a) in Canada, by CIBC World Markets Inc., a member of the Canadian Investment Regulatory Organization, the Toronto Stock Exchange, the TSX Venture Exchange and a Member of the Canadian Investor Protection Fund; and (b) in the United States, by either: (i) CIBC World Markets Inc. for distribution only to U.S. Major Institutional Investors ("MII") (as such term is defined in SEC Rule 15a-6) or (ii) CIBC World Markets Corp., a member of the Financial Industry Regulatory Authority. U.S. MIIs receiving this report from CIBC World Markets Inc. (the Canadian broker-dealer) are required to effect transactions (other than negotiating their terms) in securities discussed in the report through CIBC World Markets Corp. (the U.S. broker-dealer).

This report is provided, for informational purposes only, to institutional investor and retail clients of CIBC World Markets Inc. in Canada and does not constitute an offer or solicitation to buy or sell any securities discussed herein, including (without limitation) in any jurisdiction where such offer or solicitation would be prohibited.

The distribution of this report in the United Kingdom is being made only to, or directed only at, persons falling within one or more of the exemptions from the financial promotion regime in section 21 of the UK Financial Services and Markets Act 2000 (as amended) ("FSMA") including, without limitation, to the following:

- authorised firms under FSMA and certain other investment professionals falling within article 19 of the FSMA (Financial Promotion) Order 2005 ("FPO") and directors, officers and employees acting for such entities in relation to investment;
- high value entities falling within article 49 FPO and directors, officers and employees acting for such entities in relation to investment; and
- persons who receive this presentation outside the United Kingdom.

The distribution of this report to any other person in the United Kingdom is unauthorised and may contravene FSMA. No person falling outside such categories should treat this report as constituting a promotion to them or rely or act on it for any purposes whatsoever. This report is distributed solely to eligible counterparties or professional clients and not retail clients as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018.

For all other jurisdictions, this report is distributed solely to institutional clients and not retail clients as defined by the applicable securities legislation and regulation to which CIBC Capital Markets may be subject in any jurisdiction.

#### Miscellaneous

This report does not take into account the investment objectives, financial situation or specific needs of any particular client of CIBC. Before making an investment decision on the basis of any information contained in this report, the recipient should consider whether such information is appropriate given the recipient's particular investment needs, objectives and financial circumstances. CIBC suggests that, prior to acting on any information contained herein, you contact one of our client advisers in your jurisdiction to discuss your particular circumstances. Since the levels and bases of taxation can change, any reference in this report to the impact of taxation should not be construed as offering tax advice; as with any transaction having potential tax implications, clients should consult with their own tax advisors. Past performance is not a guarantee of future results.

The information and any statistical data contained herein were obtained from sources that we believe to be reliable, but we do not represent that they are accurate or complete, and they should not be relied upon as such. All estimates and opinions expressed herein constitute judgments as of the date of this report and are subject to change without notice.

This report may provide addresses of, or contain hyperlinks to, Internet web sites. CIBC has not reviewed the linked Internet web site of any third party and takes no responsibility for the contents thereof. Each such address or hyperlink is provided solely for the recipient's convenience and information, and the content of linked third-party web sites is not in any way incorporated into this document. Recipients who choose to access such third-party web sites or follow such hyperlinks do so at their own risk.

Unauthorized use, distribution, duplication or disclosure without the prior written permission of CIBC World Markets Inc. is prohibited by law and may result in prosecution.

CIBC Capital Markets and the CIBC Logo Design are trademarks of CIBC, used under license.

CIBC Capital Markets – PO Box 500, 161 Bay Street, Brookfield Place, Toronto, Canada M5J 2S8 – Bloomberg @ CIBC