Economics

ECONOMIC FLASH!

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Canadian GDP (Apr, May adv): Springing back to life

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GDP (period/period % chg)	25:Q4	26:Q1	Feb	Mar	Apr	Apr Y/Y
GDP (at basic prices)	-0.3	0.5	0.2	-0.1	0.5	**1.1**
• Goods-producing	-2.8	-1.7	0.1	-0.7	1.2	**0.6**
• Services-producing	0.7	1.4	0.2	0.1	0.3	**1.3**
• Business	-0.2	0.3	0.2	-0.2	0.6	**1.4**
• Non-business	-0.8	1.2	-0.1	0.1	0.4	**0.0**

Source: Statistics Canada

- Today's data show that the Canadian economy sprang back to life early in Q2, following the sluggishness seen in the previous two quarters, and early tracking for the quarter points to annualized growth of roughly 2½%. While that would be stronger than the Bank of Canada's last MPR projection (1.5%), it wouldn't quite make up for the undershoot in Q1 from an output gap point of view. As a result we continue to forecast no change in the Bank's overnight rate this year.
- The 0.5% increase in April GDP was a tick higher than the advance estimate and the consensus forecast, and the sharpest monthly gain in almost a year. Growth was flattered somewhat by strength in mining, oil & gas, which had been negatively impacted in the prior month by temporary factors, and contributed roughly half of the overall monthly GDP gain. However, the data also pointed to broad based growth in 14 of 20 sectors.
- Manufacturing production continued to edge up and reached its highest level since last October. The level of activity is still 3.2% lower than January 2025, although it had been as much as 5.2% weaker as of January. Of the sectors hit hardest by US tariffs, auto production has recovered close to early 2025 levels (-2.2%), but activity in wood products (-14%) and primary metals (-12% vs Jan 2025) remains depressed.
- Transportation activity grew in April, particularly rail transport which benefitted from the increased trade in commodities during the month. Construction activity rose for the first time in five months, while Federal government public administration increased for the first time this year. Activity at real estate agents and brokers rose for the first time since August 2025 (+1.3%).
- The advance estimate for May suggested GDP edged up by a further 0.1%, leaving early tracking for Q2 GDP at around 2.5%. Statistics Canada noted increases in finance and real estate, offset slightly by declines in wholesaling and agriculture, forestry & fishing.

Implications & actions

Re: Economic forecast — We were already expecting a healthy rebound in GDP growth in Q2 (+2.2% SAAR), and early tracking is close enough to that forecast for us to leave it unchanged at this stage. However, this is probably stronger than the underlying pace of growth within the economy, with Q2 flattered somewhat by a rebound in mining, oil & gas, as well as potentially a boost from FIFA World Cup spending and preparations. Because of that we could see growth slow to a slightly more modest pace in Q3, and we continue to see the need for interest rates to remain at current levels to support a sustainable recovery.

Re: Markets — Bond yields and the Canadian dollar rose slightly following the stronger than consensus data.