Economics

ECONOMIC FLASH!

economics.cibccm.com

November 28, 2025

Canadian GDP (Q3): Headline looks better than the details

by **Katherine Judge** katherine.judge@cibc.com

National accounts (period/period % chg, annual rate, unless otherwise noted)	2024	24:Q4	25:Q1	25:Q2	25:Q3	25:Q3 Y/Y
Real GDP (chained 2012$)	2.0	2.8	2.2	-1.8	2.6	1.4
• Final domestic demand	2.2	4.2	-0.6	3.5	-0.1	1.7
• Household consumption	2.2	2.6	0.8	4.2	-0.4	1.8
• Government	4.2	3.2	-0.3	5.0	0.3	2.0
• Residential investment	-0.2	14.9	-11.6	4.4	6.7	3.1
• Business fixed investment	-1.4	10.1	-1.0	-3.8	-4.5	0.0
• Bus inventory investment ($Bn)	6.4	-11.4	5.8	27.3	23.3	NA
• Exports	0.9	9.3	2.8	-25.1	0.7	-4.1
• Imports	0.7	0.4	2.9	-0.4	-8.6	-1.5
GDP implicit chain price index	2.7	2.9	3.5	0.3	3.1	2.4
Pre-tax profits	-2.3	19.7	9.4	-14.5	15.4	6.6
Real disposable income	4.8	1.6	-0.4	2.1	0.0	0.8
Personal savings rate (%)	5.0	5.5	5.2	4.6	4.7	NA

Source: Statistics Canada

- The Canadian economy bounced back in Q3, with the 2.6% annualized GDP gain more than offsetting the 1.8% decline seen in Q2. That was well above the consensus forecast of 0.5%, but the composition of growth wasn't ideal, as an 8.6% drop in imports was the main driver of growth. And stripping trade/inventories out showed that final domestic demand dropped off by 0.1%, a disappointment, even if it did follow a 3.5% gain in Q2. The economy appears to have remained on a seesaw in the final quarter as well, as the advance estimate for October GDP showed a 0.3% decline (following a 0.2% gain in September), which suggests a stall in Q4 growth. While the BoC is on hold in December, these are choppy numbers with a sluggish overall trend in domestic demand, and we will need to see greater progress on a trade deal with the US in order to see a sustained improvement in 2026.
- Exports were up only slightly at 0.7% (a fraction of the 25% drop seen in Q2), driven by crude oil/bitumen, while other areas remained under pressure due to tariffs and weak demand. That leaves the level of shipments 6% below end of 2024 levels. The drop off in imports reflected some large swings in unwrought gold, silver, and platinum following a jump in the prior quarter. Indicators of domestic business investment were also weak, with imports of industrial machinery and equipment declining following a jump in the prior quarter from a oil/gas platform module. Due to the US government shutdown, Statistics Canada used incomplete data to estimate trade patterns for the quarter, leaving these components exposed to larger-than-normal revisions in upcoming releases.
- Inventory investment retrenched only slightly in comparison to plummeting imports, shaving 0.6ppts from the growth pace. That also follows a large build up in the prior quarter, and doesn't suggest surging production ahead. Indeed, confidence still looks weak, with business investment dropping across all components, leaving the aggregate 2.3% below end-2024 levels.

- Consumer caution was also on display, with a 2.0% drop in goods consumption tied to softness in motor vehicles. That followed a rush to purchase vehicles in Q2, and also coincided with an acceleration in disposable income growth in Q3. As a result, the household saving rate ticked up to 4.7%, leaving room for a drawdown ahead to support consumption.
- The slowdown in government expenditures to 0.3% annualized followed a boost in Q2 on spending tied to the federal election. Residential investment accelerated to 6.7% from 4.4%, showing that lower interest rates are supporting activity, although that component is still weak relative to end-2019 levels, sitting 2.8% below that mark. Moreover, that gain was tied to a pickup in resales, rather than new construction.
- The release also saw positive revisions back to 2022, in line with the earlier released provincial data. As of Q2 2025, the level of real GDP was 1.7% higher than previously reported, with all components seeing higher readings, particularly final domestic demand. That suggests that productivity has not been as abysmally weak as the earlier data had suggested, and that potential GDP has also been faster rather than the output gap being narrower than we thought.

Implications & actions

Re: Economic forecast — The Canadian economy is set to swing back in the opposite direction in Q4. Even assuming a rebound in November GDP due to temporary strike impacts holding back the prior month's reading, growth is likely to stall. While we still see the BoC as on hold in December, the trend in final domestic demand isn't encouraging and exports showed little sign of recovering from the tariff-induced Q2 hit. Our forecast assumes that we see definitive progress on renewing CUSMA and a recovery in business confidence improving quarterly growth rates in 2026.

Re: Markets — The upside surprise on the headline initially saw bond yields increase, but much of that was erased as investors dug into some of the less impressive details.

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