

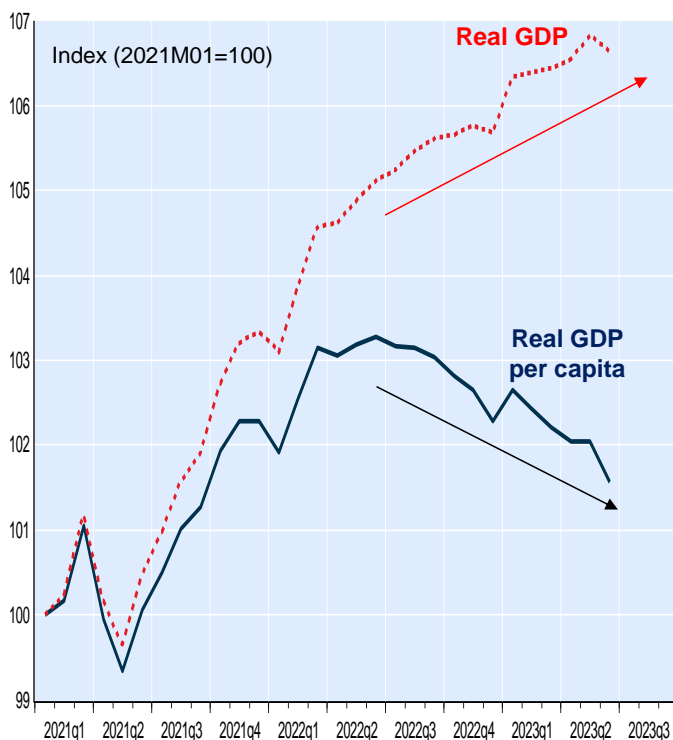
Canada Watch

By Matthieu Arseneau & Alexandra Ducharme

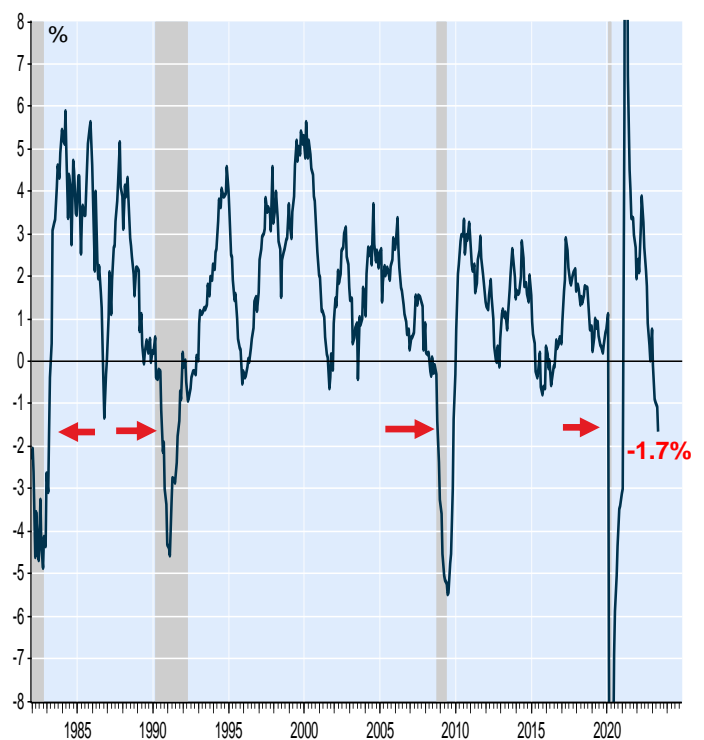
With last Friday's release of May GDP (+0.3%) and Statistics Canada's preliminary estimate of a 0.2% decline in June, annualized growth for the second quarter is on track to be 1.0% (see [note](#) for more details). While not stellar by historical standards, some may be pleased that the Canadian economy continues to grow despite the central bank's extremely aggressive monetary tightening. However, taking into account surging population growth, real GDP per capita is actually declining at an annualized rate of 2.1% in the second quarter, the fourth consecutive quarterly decline, a streak that coincides with the beginning of the central bank's monetary tightening. For the 12 months ending June 2023, it's down 1.7%, and one wonders how many times this has happened in the past. As today's Hot Charts shows, a decline of more than 1.5% has only occurred in recessions. In all of the episodes where GDP per capita was barely below the prior year, the central bank was already in easing mode, which contrasts with the current stance where Governor Macklem said the bank is ready to raise rates further. In our view, the BoC has prematurely lost patience on the inflation front by tightening further in June and July, while an already fragile economy has yet to feel the full impact of the increases applied since the tightening began. Against this backdrop, we remain cautious about the 12-month outlook (see [Monthly Economic Monitor](#)).

Canada: GDP per capita is down 1.7% over a year, is it a big deal?

Real GDP and real GDP per capita including June's preliminary estimate



One-year % change in GDP per capita



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