

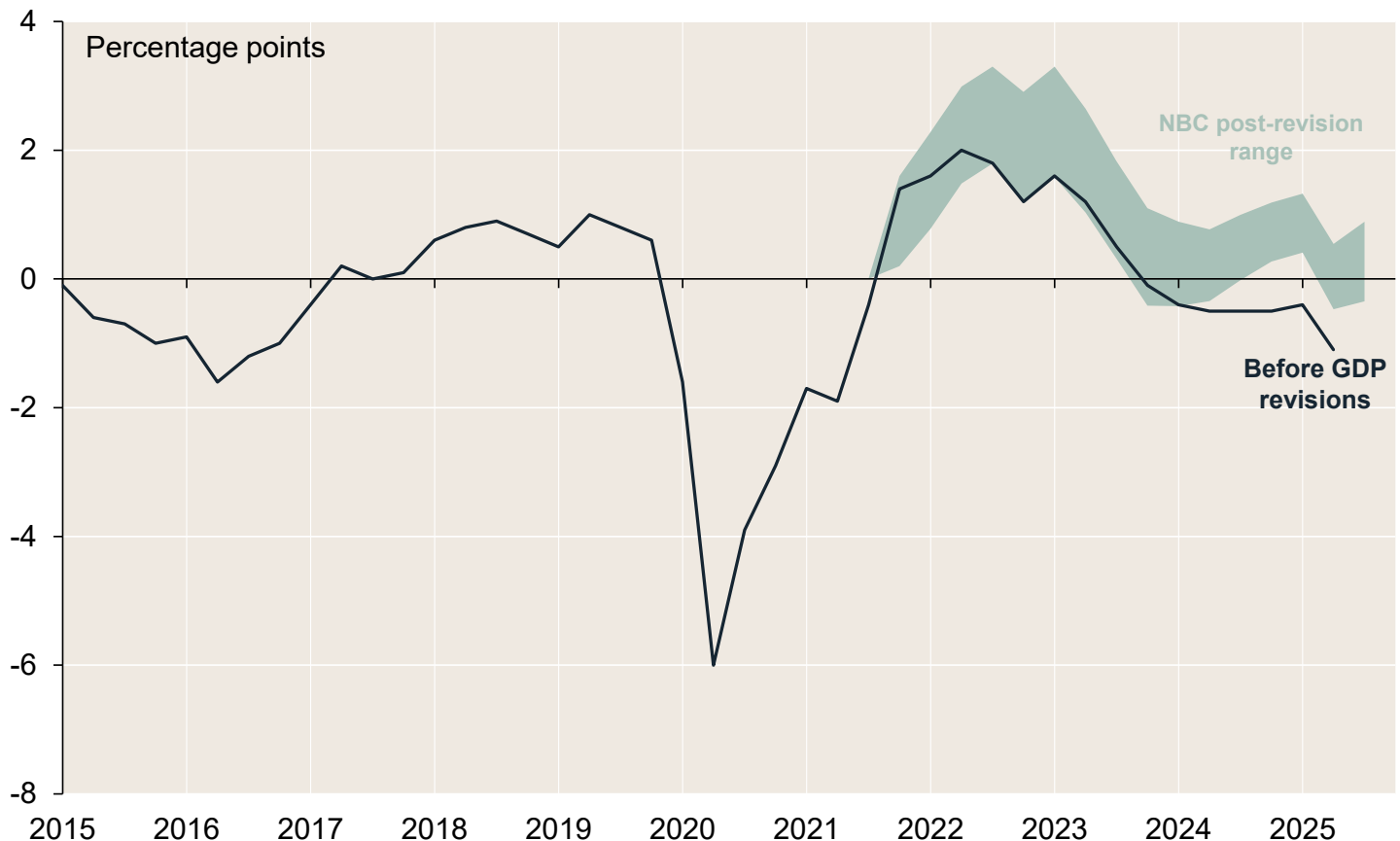
## Canada Watch

By Stefane Marion and Ethan Currie

Data released today by StatCan shows significant revisions to GDP from 2022 to 2024, reflecting the incorporation of new and updated data sources (see [here](#)). For the 2022–2024 period, the mean absolute revision to the annual average growth rate of real GDP was 0.48 percentage points. As a result, the level of real GDP in Q2 2025 is now estimated to be 1.7 percentage points higher than previously reported. This is not a trivial adjustment, particularly given that the Bank of Canada had the output gap pegged at -1% for that quarter in its latest MPR. The revised handoff—combined with stronger-than-expected GDP growth in Q3 (see [here](#))—suggests the Bank will need to reassess the degree of excess slack in the economy at the time of its January MPR. Estimating the output gap requires both demand and supply considerations, so we do not expect the BoC to fully erase the excess supply it highlighted in October: simply applying the revised GDP level to its previous estimate of potential would flip the Q2 gap from -1% to about +0.5%. That said, it is now fair to question the strength of its conviction regarding the extent of economic slack—particularly in an environment where trade uncertainty and weak business investment have distorted traditional capacity signals. As today's *Hot Chart* shows, estimates of available capacity in Q3 are now much more nuanced than the single point estimate presented in the MPR. This seemingly reinforces the Bank of Canada's decision to move to the sidelines, and supports a growing view that the easing cycle is likely terminated (as we discussed in our latest [Fixed Income Monitor](#)), assuming a gradual de-escalation of trade tensions and the absence of a sharp labour market deterioration.

### Canada: Output Gap — Now you see me, now you don't?

Output Gap estimates — BoC October 2025 MPR vs. NBC range post-GDP revisions



NBC Economics and Strategy (data via [Bank of Canada](#) and StatCan) | Note: 2025 Q3 potential GDP assumed to grow at rate equal to prior quarter; Output Gap = (Realized GDP – Potential GDP), expressed as a % of Potential GDP



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