

Canada: February GDP point to a rebound in Q1

By Matthieu Arseneau and Alexandra Ducharme

Highlights:

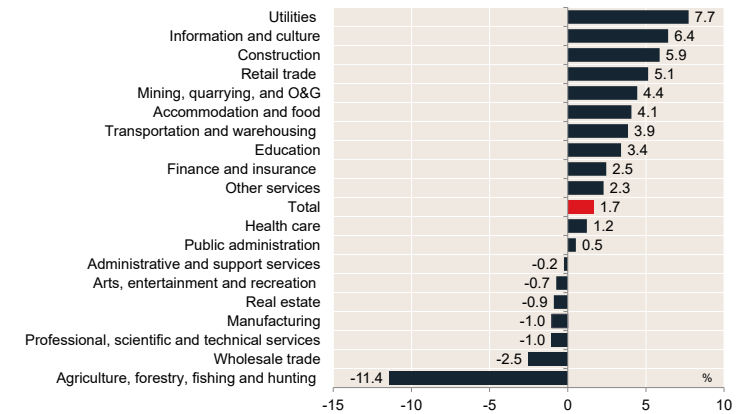
- Canada's real GDP edged up in February (+0.2%), in line with consensus expectations and with Statistics Canada's preliminary estimate. Out of the 20 sectors monitored, 8 saw higher output in February.
- Production in the goods sector rose 0.4%, as declines in agriculture (-1.3%) and construction (-0.5%) were more than offset by gains in manufacturing (+1.8%) and mining/quarrying/oil & gas (+0.4%). Output in utilities remained unchanged in the month. Industrial production was up 0.9% in the month, its fastest increase since July 2025.
- Turning to services, production rose by 0.1% as gains in transportation/warehousing (+1.2%), wholesale trade (+0.9%) and information/culture (+0.7%) were partially offset by declines in industries including management (-2.6%), education (-0.5%), public administration (-0.5%) and arts/entertainment (-2.5%). The latter decline was linked to the NHL's break for the Olympic Games and a rebound is thus expected.
- Statistics Canada's preliminary estimate of March GDP flagged flat growth. Including this estimate, real GDP growth for the first quarter of 2026 is tracking a 1.7% annualized increase.

As anticipated by the consensus of economists, the Canadian economy grew by 0.2% in February, a result in line with Statistics Canada's preliminary estimate released a month earlier. This strong performance was driven by a robust rebound in the manufacturing sector, which posted a 1.8% increase following a 1.3% decline in January. It would be a mistake to rejoice in the sector's strength, as this surge is primarily attributable to a return to normal operations at auto assembly plants following a January marked by production stoppages due to changes in production models, retooling, and maintenance. Despite February's rebound, activity in the sector remains 3.1% below its level a year ago. The sector continues to be plagued by U.S. tariffs and uncertainty surrounding the renewal of the CUSMA. It is worth noting that the 50% tariffs on steel, aluminum, and copper—which previously applied only to component costs—were replaced by a 25% tariff applied to the total product price at the beginning of April, thereby significantly impacting the competitiveness of certain products. Excluding the manufacturing sector, the Canadian economy stagnated in February.

Overall, the data released this morning confirm that the Canadian economy has held up in Q1 despite current headwinds. Despite the expected stagnation of the economy in March, GDP by industry shows growth of 1.7% on an annualized basis in the first quarter of the year. Not less than 12 out of 19 sectors posted growth during the quarter (top chart). Under normal circumstances, such growth would be considered decent, but it comes at a time when the population is shrinking, which is holding back the economy's potential GDP. Consequently, GDP per capita is on track to experience its strongest growth in 15 quarters (+2.1% annualized, bottom chart). This is good news for an economy with excess supply and an unemployment rate above its full-employment level. Unfortunately, past performance is no guarantee of future results regarding this renewed growth. The Canadian economy remains vulnerable due to tariff uncertainty and now, the global geopolitical situation. While higher commodity prices could benefit some industries, the potential upside should be offset by the negative impact on consumers, which are facing a jump in inflation. Weak real estate activity in major urban centers across the country (Toronto, Vancouver, among others) is causing a negative wealth effect, which represents another headwind for consumers.

Canada: Decent growth in Q1 with most sectors growing

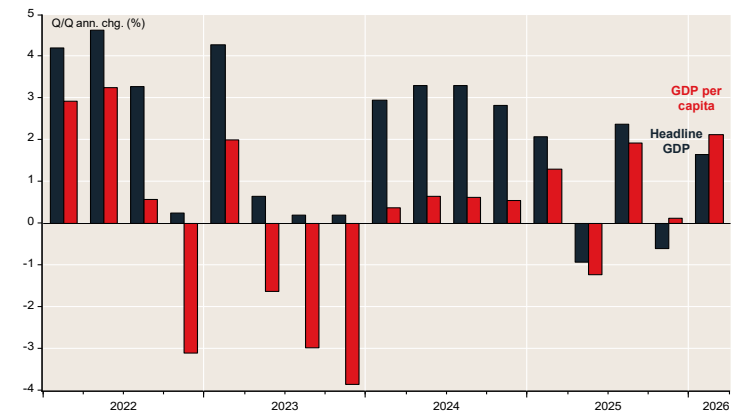
Quarterly annualized real GDP growth (two months of data for industries; total assuming 0% growth in March)



NBC Economics and Strategy (data via Statistics Canada)

Canada: GDP per capita could show a healthy gain in Q1

Quarterly annualized change in GDP and GDP per capita, including March's preliminary estimate



*Quarterly data until Q1, where monthly GDP by industry is used
NBC Economics and Strategy (data via Statistics Canada)



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