



Growth continues in February, but GDP lacks solid footing

Canadian GDP growth decelerated in February following January's surge in activity with signs that the domestic drivers continue to cool. GDP growth rose 0.2 per cent m/m, which was a touch lower than the consensus forecast of 0.3 per cent and compared to a downward revised 0.5 per cent in January. Year-over-year, industry- GDP rose 0.8 per cent. While prone to change, preliminary estimates for March point to no change in output and with industry- GDP up 0.6 per cent on the quarter (2.5 per cent annualized).

Back to February data, 12 of the 20 industry sectors reported growth in February, although gains were negligible in many sectors. Goods-sector output was unchanged after a slip in January and remained weak, while services-sector growth rose 0.2 per cent, albeit slowing from 0.7 per cent in January.

The more tempered industry- GDP performance in part reflected one-off factors that boosted growth in January, namely the end of teachers' strikes in Quebec, although striking teachers in Saskatchewan also curbed sector growth in February. Education fell from a 6.1 per cent increase in January to 0.1 per cent in February.

Notable growth included resources which rebounded by 2.5 per cent after contracting 2.3 per cent in January and driven by oil and gas (3.3 per cent), with other mining up 1.9 per cent pointing reflecting a rebound after extreme weather conditions in January and global economic resilience. Another key driver was transportation and warehousing (up 1.4 per cent), which aligned with the commodities sector boost.

Outside resources, good-sector output remained weaker in January with as sharp contraction in utilities (-2.6 per cent), construction continued a year-long descent with a 0.1 per cent decline, while manufacturing contracted 0.4 per cent on a lull in motor vehicle production.

Among services, there were notable slowdowns suggesting domestic growth. Retail was a soft spot for the economy as consumers are curbed spending. Consistent with last week's retail spending data which showed a 0.3 per cent real drop in sales, retail-sector output contracted 0.2 per cent after a 0.4 per cent increase in January. Healthcare slowed to 0.2 per cent, while arts/entertainment/recreation contracted 0.4 per cent. There was an uptick in finance/insurance (0.3 per cent), but real estate rental and leasing was unchanged. Professional/scientific/technical services growth was flat at 0.1 per cent.

Despite further expansion in February GDP, the details were less than stellar and signaling a significant slowdown. January weather effects means the resource sector rebound is temporary, while slowing consumer spending is expected to be a trend rather than an exception. Construction is still in decline, and while governments have lofty ambitions, private sector activity is faltering, and any publicly driven construction will take time. Q1 industry-GDP is tracking about 2.5 per cent compared to the Bank of Canada's MPR forecast at 2.8 per cent. While there are differences given the MPR is based on expenditure accounts, growth is slightly underperforming expectations. Combined with slowing inflation and labour market slack we expect the Bank to cut in June.

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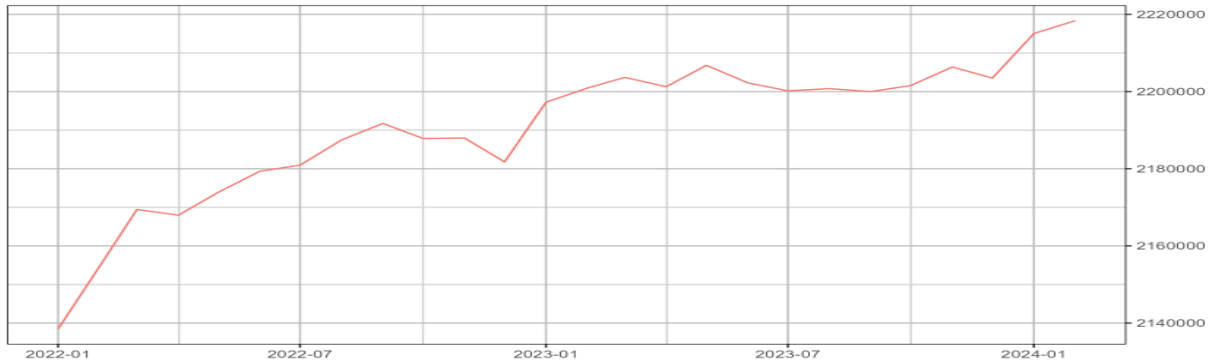
Monthly Industry GDP, % change

Indicator	Latest Date	m/m ch.	prior m/m ch	y/y ch.	prior y/y ch.	YTD ch.
All Industries	Feb/2024	0.2	0.5	0.8	0.8	0.8
Goods	Feb/2024	0	-0.1	-1.6	-1.4	-1.5
Services	Feb/2024	0.2	0.7	1.6	1.5	1.6
Agr/For/Fish	Feb/2024	0.5	0.4	-3.2	-4.5	-3.8
Mining and And Oil And Gas	Feb/2024	2.5	-2.3	2.5	0.2	1.3
Utilities	Feb/2024	-2.6	3.2	-2.8	0.2	-1.3
Construction	Feb/2024	-0.1	-0.6	-3.3	-3.5	-3.4
Manufacturing	Feb/2024	-0.4	0.5	-1.4	-0.3	-0.9
Wholesale	Feb/2024	0.3	-0.2	0.7	0.1	0.4
Retail	Feb/2024	-0.2	0.4	1.7	1.5	1.6
Transp. and Warehouse	Feb/2024	1.4	0.3	4.9	3.6	4.3
Information And Cultural	Feb/2024	-0.5	0.9	-0.9	0.3	-0.3
Finance And Insurance	Feb/2024	0.3	0.1	1.3	1.1	1.2
Real Estate And Rental	Feb/2024	0	0.3	2.3	2.7	2.5
Owner-Occupied Dwellings	Feb/2024	0.1	0.2	2	2	2
Professional, Scientific And Technical	Feb/2024	0.1	0.2	0.6	0.8	0.7
Admin/Support/ Waste Mgmt	Feb/2024	-0.2	0.3	-0.7	0.1	-0.3
Educational	Feb/2024	0.1	6.1	0.5	0.9	0.7
Health Care And Social Assist.	Feb/2024	0.2	0.8	2.3	2.3	2.3
Arts, Ent. And Rec	Feb/2024	-0.4	0	0.3	-3	-1.4
Accommodation And Foodservices	Feb/2024	0.5	0.4	0.7	-0.4	0.1
Other Private Services	Feb/2024	0.3	0.1	1.8	1.6	1.7
Public Admin	Feb/2024	0.2	0.2	2.2	2.3	2.3

Industry Gross Domestic Product

GDP (\$mil)

Last data point: 2024-02-01



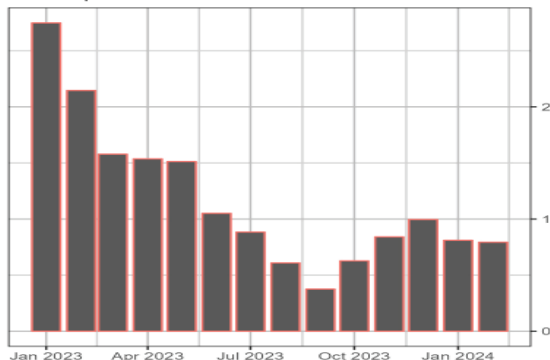
GDP - Month- to -Month change (%)

Last data point: 2024-02-01



GDP - Year-over-Year Change (%)

Last data point: 2024-02-01



Statistics Canada, Central 1