



Hockey fever, one off manufacturing gains offset consumer weakness in May

Canadian industry-GDP came in a touch higher than expected in May despite a drop in retail spending as manufacturing propelled activity higher. GDP rose 0.2 per cent, slowing from April's 0.3 per cent increase. Preliminary estimates point to a 0.1 per cent expansion in June, and while subject to revision, points to growth of 0.5 per cent q/q, but sits above the pace forecast by the Bank of Canada. That said, per capita GDP fell again given the working age population climbed at a faster quarterly pace of 0.9 per cent pointing to increased slack in the economy, which is similarly observed in the rising unemployment rate and declining job vacancy rate. Year-over-year growth in GDP came in at 1.1 per cent in May compared to a more than three per cent population rate.

While headline GDP growth was on the firm side, the details were still consistent with theme of weakening household demand, offset by one off gains in industrial production and the uptick from playoff runs by several Canadian hockey teams.

On the upside, the economy saw substantial gains in the goods- sector which rose 0.4 per cent on the strength of manufacturing (1.0 per cent), primary resources and agriculture (0.4 per cent), and utilities (0.4 per cent). Specifically, there was a bounce from the coal and petroleum sector (7.9 per cent) as refinery maintenance ended to reverse April's drop. Construction was flat.

In contrast, services-sector output was up 0.1 per cent. The main drag came from a severe slump in retail (-0.9 per cent) and wholesale (-0.8 per cent) trade, with the former recording the sharpest one-month decline since November 2022. Consumers have been pulling back with sales declines at food and beverage retailers, general merchandiser, and electronics and appliances. In contrast, there was a boost in the hospitality space. Accommodation and food services output rose 0.9 per cent (led by restaurants), and arts/entertainment/recreation increased 0.3 per cent with arenas getting a boost. While no Canadian team took home the cup this year, the economy did get a bit of hockey fever.

Most other service segments were flat. The exception was further expansion in the public sector which in aggregate rose 0.4 per cent. Education expanded 0.5 per cent, healthcare was up 0.2 per cent and public administration rose 0.4 per cent.

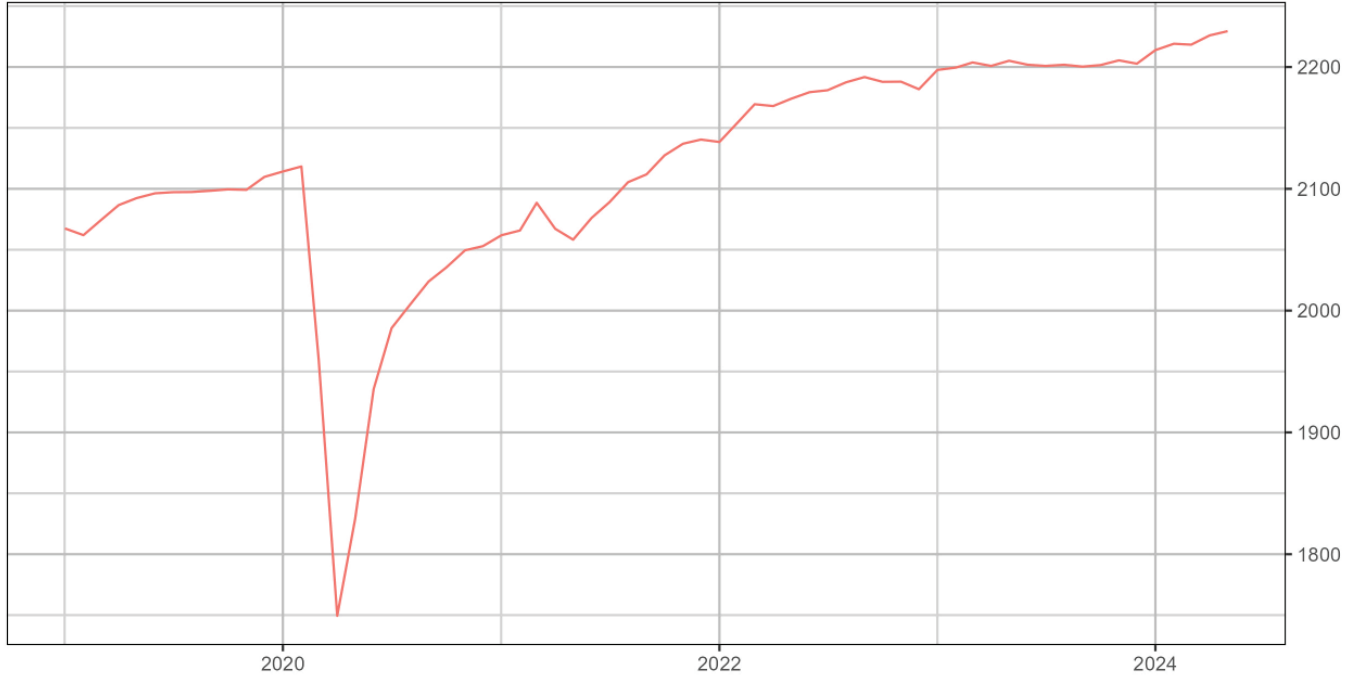
May's GDP story was one of temporary gains that will fade over the coming quarters, even if June sees that expected nudge up. Higher debt servicing costs due to mortgage renewals will strain household finances. Firms are more downbeat on the economy and sales are anticipated to stall, while tempered hiring limits wage growth and consumption. Government spending holds steady, but pressure is likely to build on post-secondary institutions with fewer student permits. This latest reading will have negligible impact on our Bank of Canada rate outlook given the next meeting is not until September 6 and there will be more data to come. Our takeaway is that declines in consumer demand and increased slack in the economy remains supportive of a 25 bps cut at the next meeting.

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Industry Gross Domestic Product

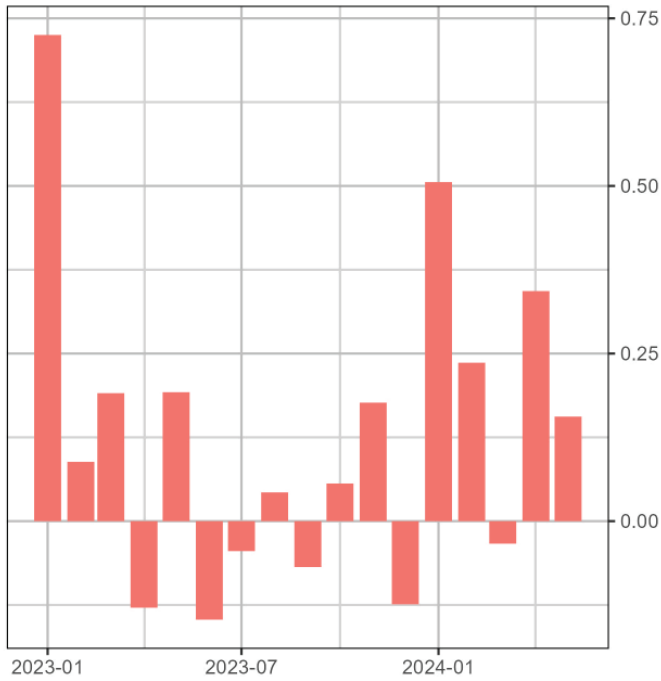
GDP (\$bil)

Last data point: 2024-05-01



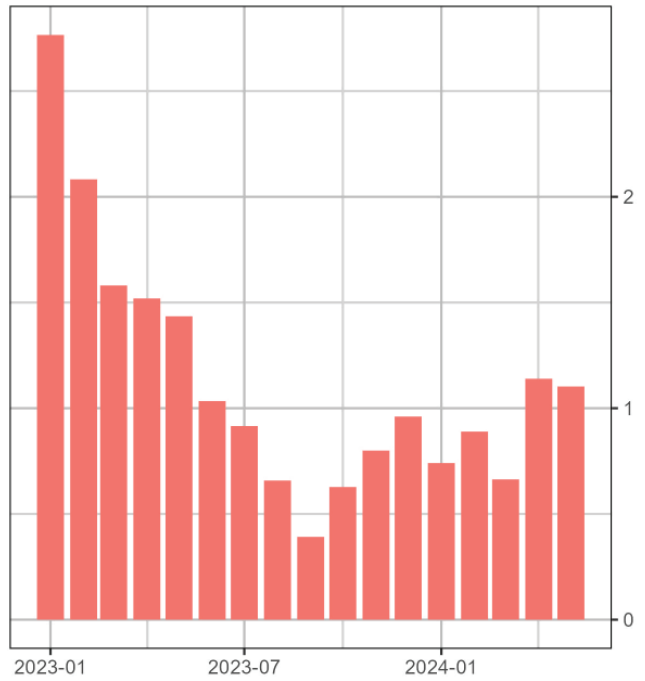
GDP - Month- to -Month change (%)

Last data point: 2024-05-01



GDP - Year-over-Year Change (%)

Last data point: 2024-05-01



Statistics Canada, Central 1

May/2024		Monthly Industry GDP, % change				
Indicator	m/m ch.	prior m/m ch	y/y ch.	prior y/y ch.	YTD ch.	
All Industries	0.2	0.3	1.1	1.1	0.9	
Goods	0.4	0.4	0.1	-1.0	-1.1	
Services	0.1	0.3	1.4	1.8	1.6	
Agr/For/Fish	0.9	0.6	2.8	0.1	-1.2	
Mining and And Oil And Gas	-0.6	2.1	8.0	5.2	4.1	
Utilities	0.7	-0.2	-1.8	-3.4	-2.1	
Construction	0.1	-0.6	-1.2	-2.3	-2.0	
Manufacturing	1.0	0.5	-2.1	-2.3	-2.3	
Wholesale	-0.8	1.4	-0.1	3.4	0.9	
Retail	-0.9	0.6	0.6	1.5	1.3	
Transp. and Warehouse	0.1	0.7	3.3	3.5	3.5	
Information And Cultural	0.1	0.2	-0.7	-0.8	-0.6	
Finance And Insurance	0.2	0.4	1.5	1.5	1.3	
Real Estate And Rental	0.1	-0.1	1.3	1.6	2.0	
Owner-Occupied Dwellings	0.1	0.1	1.7	1.7	1.8	
Professional, Scientific And Technical	0.1	0.3	0.6	0.7	0.7	
Admin/Support/ Waste Mgmt	-0.2	-0.3	-1.1	-1.0	-0.5	
Educational	0.5	0.3	2.2	2.0	1.6	
Health Care And Social Assist.	0.2	0.2	2.9	2.8	2.7	
Arts, Ent. And Rec	0.3	1.4	0.3	0.6	-0.5	
Accommodation And Foodservices	0.9	1.1	3.2	2.0	1.1	
Other Private Services	0.2	0.3	1.8	1.3	1.7	
Public Admin	0.4	0.1	2.2	3.4	2.3	