



Economic Commentary

January 31 2025

Canada ends 2024 with tempered growth, but recession risk elevated with potential trade war

Canada's economy looks to have ended 2024 on a softer note and a see-saw pattern as November gross domestic product (GDP) fell 0.2 per cent with preliminary data pointing to a partial rebound in December. On average, fourth-quarter growth tracked an annualized 1.8 per cent in line with our estimate, with full year growth of 1.4 per cent.

November's contraction followed a robust October gain (0.3 per cent), and seven consecutive positive readings. Canada's November growth profile was mixed with most sectors showing decline. The main drivers were in the goods- sector which contracted 0.6 per cent, with services down 0.1 per cent. Specifically, the mining/quarrying/oil and gas sector pulled back 1.6 per cent led by a 3.4 per cent drop in oil sands extraction in Alberta, while mining output in B.C. also tempered due to production delay at a copper mine. This reversed strong sectoral growth in October and year-to-date growth in the broad sector was up a robust 4.6 per cent. Output also slumped in utilities (3.6 per cent), while manufacturing declined 0.3 per cent during the month. The latter was down 3.1 per cent year-over-year. Construction was a bright spot for the goods sector amidst an increase in homebuilding as lower interest rates may have lifted activity.

Among services, consumer spending was a drag during November as wholesale (0.3 per cent) and retail trade (0.4 per cent) both fell. At the same time, housing looks to be picking up with the real estate and rental segment up 0.3 per cent after a 0.5 per cent October increase, and a 3.2 per cent y/y gain. Real estate agent offices jumped 3.4 per cent m/m.

Transportation and warehousing sectors fell sharply by 1.3 per cent amidst the Canada Post work stoppage and labour disputes at several ports in the country, adding to a pattern observed over the past year. Growth areas among services included hospitality (1.8 per cent) and leisure (0.8 per cent) as swift gains followed Taylor's Era tour in Ontario. Public administration and public-service adjacent sectors like healthcare and education were flat in November.

Mixed growth to end off 2024 has led into a period of massive uncertainty with U.S. tariffs on Canadian goods highly likely in coming days. While lower interest rates are supporting consumer demand and housing, tariff uncertainty is already weighing on investment decisions in the country. Tariff structure, duration, and carveouts are unknown, but a trade war will be disruptive to the economy and could push Canada into a recession soon if a solution cannot be reached with the U.S. administration leading to lost export orders and company layoffs in the absence of government programs to support workers. The impact will also depend on Canada's willingness to retaliate via its own tariffs or export controls, which will further reduce economic activity and potentially lift inflation. Our view remains that extended tariffs would cause the Bank of Canada to cut rates to shore up the economy and cut rates to 1.5 per cent.

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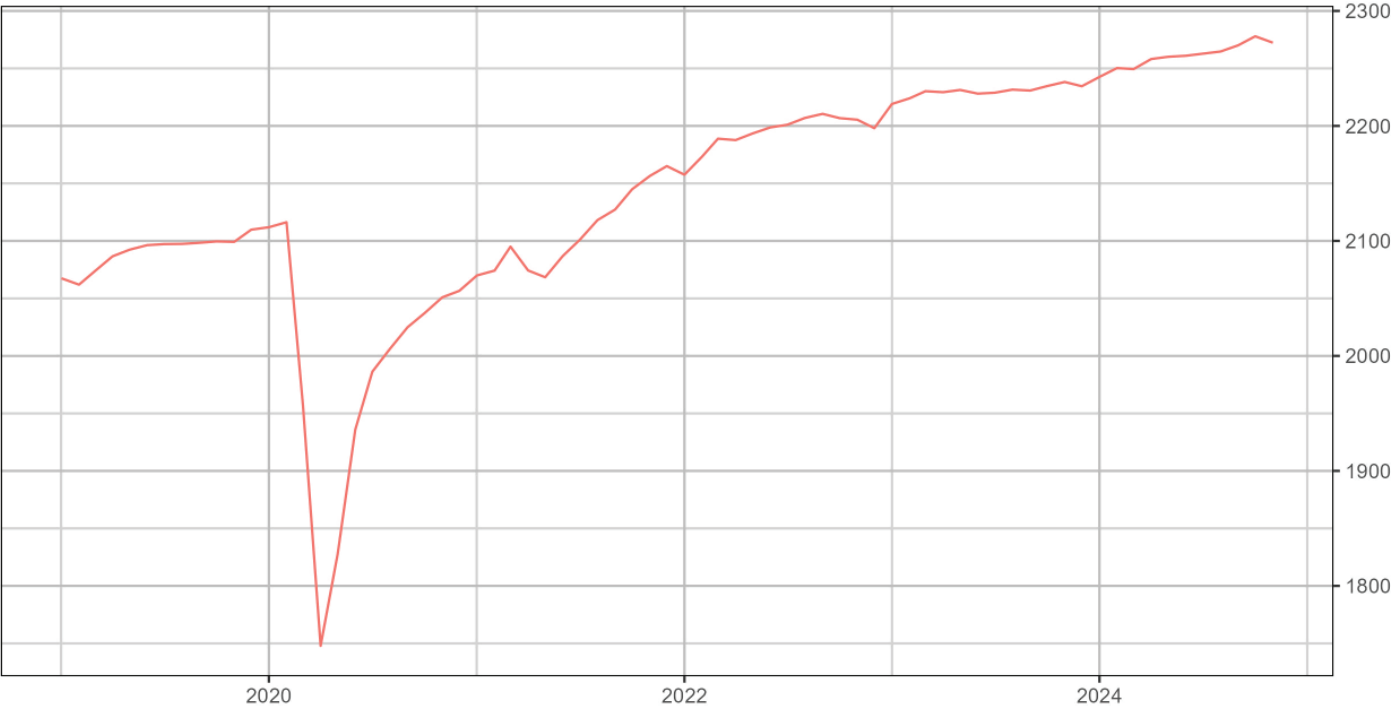
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Industry Gross Domestic Product

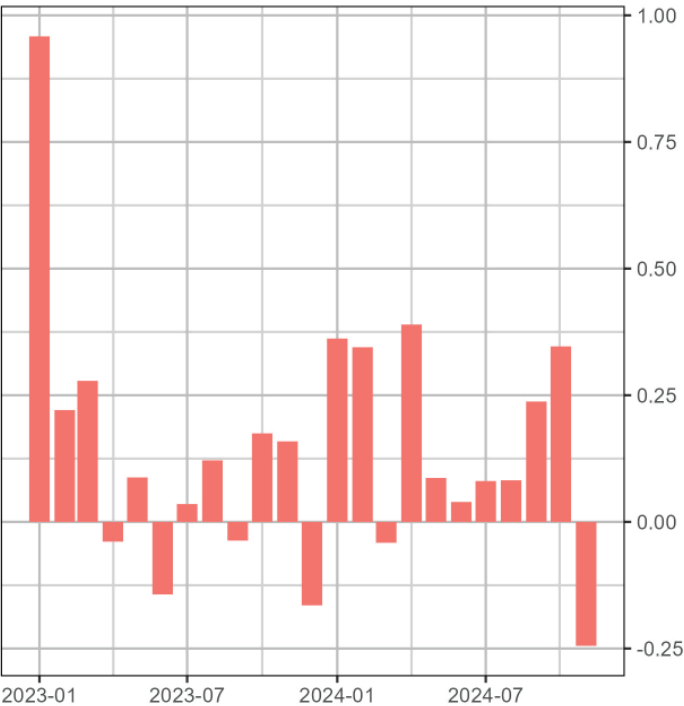
GDP (\$bil)

Last data point: 2024-11-01



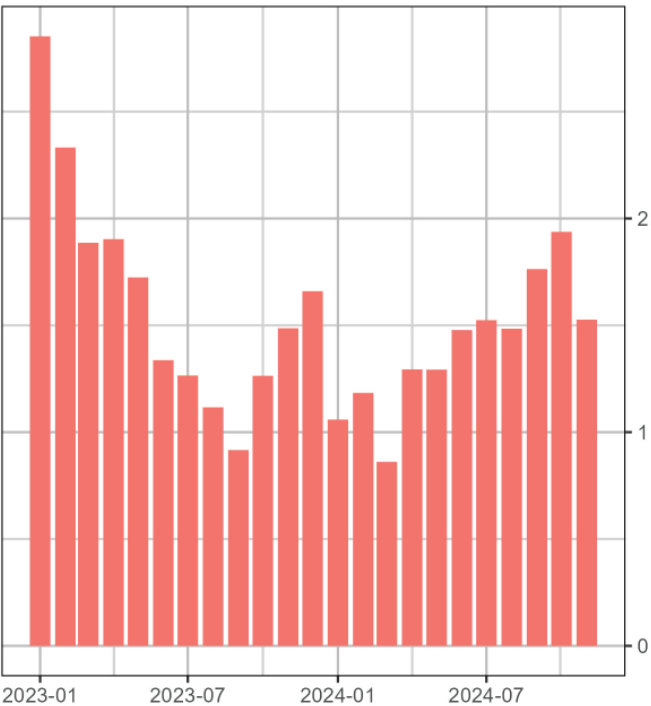
GDP - Month- to -Month change (%)

Last data point: 2024-11-01



GDP - Year-over-Year Change (%)

Last data point: 2024-11-01



Nov/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	1.5	1.9	1.4
Goods	-0.6	0.9	-0.2	1.0	-0.1
Services	-0.1	0.2	2.2	2.3	2.0
Agr/For/Fish	-0.2	0.1	4.1	5.7	2.1
Mining and And Oil And Gas	-1.6	2.2	2.0	5.0	4.6
Utilities	-3.6	0.3	-3.4	1.7	-0.5
Construction	0.7	0.2	1.4	0.2	-1.0
Manufacturing	-0.3	0.6	-3.1	-2.3	-3.1
Wholesale	-0.3	0.7	0.9	2.7	1.6
Retail	-0.4	0.1	1.3	1.6	1.1
Transp. and Warehouse	-1.3	0.3	1.2	3.4	3.5
Information And Cultural	-0.2	-0.5	0.1	0.8	0.3
Finance And Insurance	-0.4	-0.2	2.8	3.0	2.5
Real Estate And Rental	0.3	0.5	3.2	3.1	2.4
Owner-Occupied Dwellings	0.1	0.2	1.8	1.9	2.0
Professional, Scientific And Technical	0.0	-0.1	1.2	1.2	1.1
Admin/Support/ Waste Mgmt	-0.3	0.1	-1.0	-0.7	-0.6
Educational	0.0	-0.3	5.3	1.8	2.3
Health Care And Social Assist.	0.1	0.2	2.8	2.8	2.9
Arts, Ent. And Rec	0.8	0.1	2.1	3.0	2.2
Accommodation And Foodservices	1.4	0.7	3.8	2.9	1.9
Other Private Services	-0.1	-0.5	-0.5	-0.1	0.6
Public Admin	-0.2	0.2	2.6	2.8	2.4