



GDP surges in Q4 in advance of 2025 uncertainty

Heading into what has already proven to be a tumultuous year, Canada's economy surprised on the upside during the fourth quarter with a strong and broad-based pick up in GDP. Annualized growth jumped to 2.6 per cent, from 2.2 per cent in the third quarter, which itself was revised sharply higher from 1.0 per cent. GDP growth was the fastest since Q1 2023 and lifted full-year growth to 1.5 per cent. Momentum looks to have continued into early 2025 with preliminary industry-output data pointing to growth 0.3 per cent m/m.

Fourth quarter growth was broad-based, aligning with upside momentum in some of the higher frequency data, including retail spending, exports, and employment, more recently observed. Interest rate cuts clearly contributed to ramping up activity in the second half of the year with pent up demand stirring growth. This may prove to be short-lived given current uncertainty.

Robust growth was observed in household spending, which jumped by an annualized 5.6 per cent led by vehicle sales, from an already strong 4.2 per cent the prior quarter. Housing was a key contributor with residential investment soaring 16.7 per cent as the existing home market gained traction, renovations and work continued new homes. That said, the segment broadly struggled in 2024 and fell below 2023 on a full-year basis. Non-residential investment rebounded at an 8 per cent rate following a 10 per cent slump in Q3 and driven by machinery and equipment growth as structure investment nudged higher. On the public-sector front, government consumption slowed to 1.4 per cent from 5.4 per cent, while investment remained strong at 6.7 per cent. Broadly, final domestic demand soared to 5.6 per cent annualized, from 3.3 per cent.

International trade added to growth during the quarter. Exports jumped following two quarterly contractions by 7.4 per cent annualized. U.S. trade partners may have stockpiled goods in advance of tariff risks. Imports rose 5.4 per cent reflecting the growth observed Canada's consumption and investment increases. Business inventory was drawn down.

With the outsized gain during the fourth quarter, GDP growth rose 1.5 per cent, with final domestic demand up 2.0 per cent. This was led by household consumption (2.3 per cent), government spending (3.2 per cent), and government investment (7.1 per cent). Residential and non-residential investment, as well as trade proved to be drags.

National income growth rose 1.6 per cent (6.4 per cent annualized) during the fourth quarter. This pointed to a quarterly price growth of 0.9 per cent (3.8 per cent annualized). Income growth was led by growth in corporate incomes which increased at a quarterly rate of 4.3 per cent, while wages and salaries rose 1 per cent. The latter was the slowest since Q4 2023. The national savings rate slipped to 5.4 and has declined over the past year, albeit remaining elevated.

Industry GDP data for December pointed to ongoing momentum into January. Industry output estimates showed a preliminary increase of 0.3 per cent, up from 0.2 per cent from December. Growth in December was led by retail spending, hospitality, utilities, and resource extraction. January growth is expected to be led by resources, utilities, and transportation/warehousing.

Fourth quarter GDP, and prior quarter revisions, pointed to a much stronger hand off to 2025. Realized growth far outpaced Bank of Canada forecasts (2.0 per cent for Q4 and 1.3 per cent annual). This could give the Bank pause in reducing its policy rate at its March 12 meeting, particularly given steady inflation but contingent on tariffs. That said, this was before the increase in tariff threats earlier this year, which we expect to curb investment going forward. We expect further cuts to the policy rate this year to two per cent, reflecting slower economic growth and modest tariffs being implemented (at some point).

Bryan Yu
Chief Economist
Central 1 Credit Union
byu@central1.com

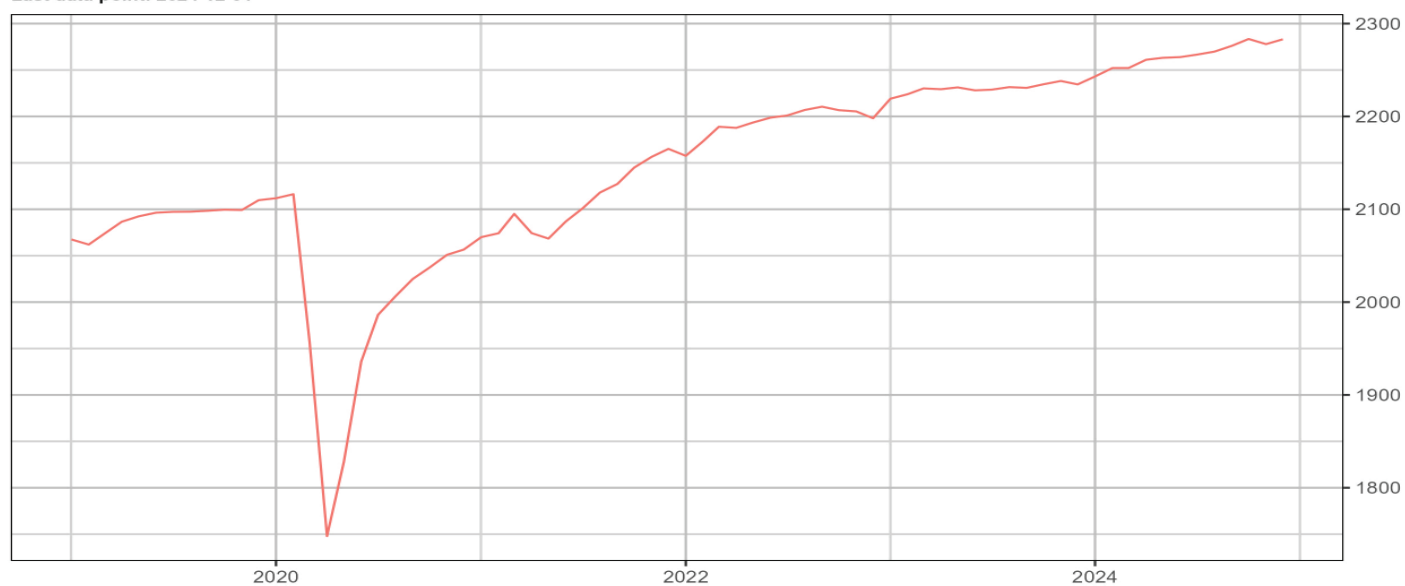
Canada GDP - Annualized Quarterly Change

	2023Q1	2023Q2	2023Q3	2023Q4	2024Q1	2024Q2	2024Q3	2024Q4
Nominal GDP	2.3	3.0	6.6	6.3	0.8	7.0	4.3	6.4
Real GDP	3.9	0.8	-0.6	0.7	1.8	2.8	2.2	2.6
Household Consumption	3.8	0.8	0.9	1.3	3.6	1.0	4.2	5.6
Residential Investment	-12.1	0.6	11.4	-3.6	-7.5	-8.3	6.4	16.7
Non-Residential Investment	5.0	17.1	-16.2	-11.9	1.3	13.0	-10.5	8.0
M&E	6.1	26.5	-20.8	-5.9	-1.4	22.7	-27.4	17.9
Government Consumption	0.2	1.1	5.6	-2.0	5.5	3.9	5.4	1.4
Government Investment	19.2	-0.9	3.7	6.6	13.7	6.7	4.3	6.7
Exports	12.9	1.3	-3.5	9.3	1.3	-6.9	-0.8	7.4
Imports	-2.6	7.0	1.3	2.0	0.4	-3.1	-1.2	5.4

Industry Gross Domestic Product

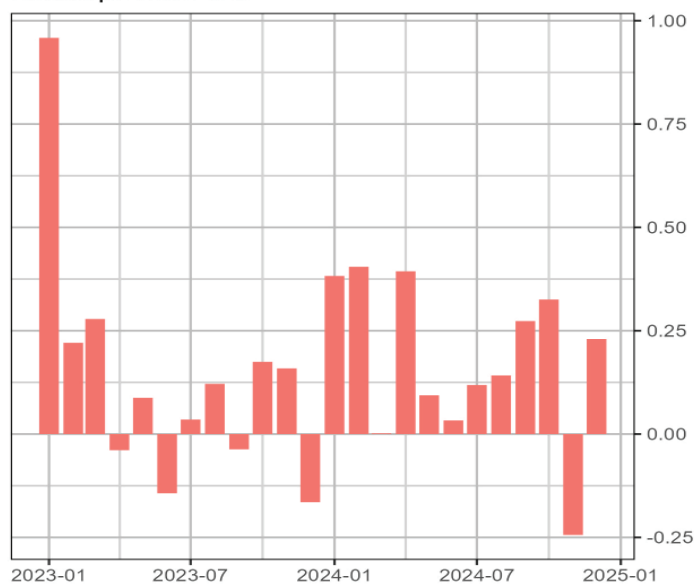
GDP (\$bil)

Last data point: 2024-12-01



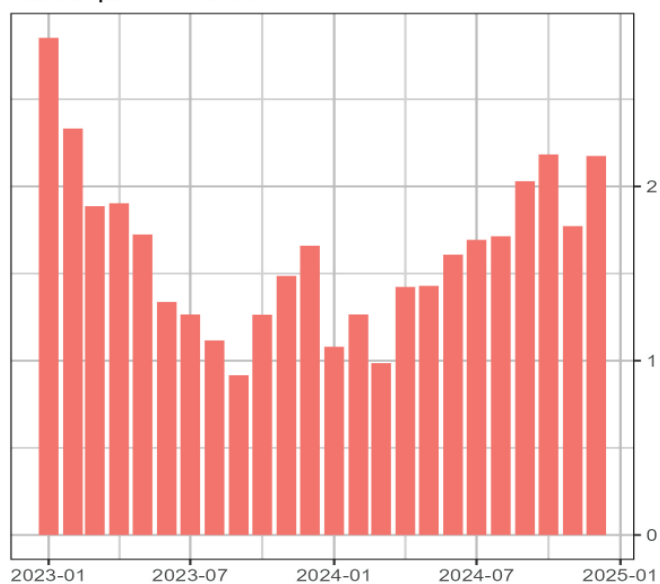
GDP - Month- to -Month change (%)

Last data point: 2024-12-01



GDP - Year-over-Year Change (%)

Last data point: 2024-12-01



Dec/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	-0.2	2.2	1.8	1.6
Goods	0.3	-0.7	0.4	-0.1	0.1
Services	0.2	-0.1	2.9	2.5	2.2
Agr/For/Fish	-0.2	-0.2	2.9	4.3	2.2
Mining and And Oil And Gas	0.8	-1.1	2.1	2.6	4.6
Utilities	4.7	-3.6	2.7	-3.4	-0.3
Construction	0.3	0.3	2.4	1.6	-0.3
Manufacturing	-0.9	-0.6	-3.5	-3.6	-3.2
Wholesale	-0.9	-0.3	-0.1	0.6	1.3
Retail	2.6	-0.5	3.9	1.4	1.4
Transp. and Warehouse	0.1	-1.4	1.9	1.5	3.5
Information And Cultural	-0.3	0.1	0.1	0.5	0.3
Finance And Insurance	0.2	-0.4	3.4	3.6	2.8
Real Estate And Rental	-0.2	0.4	2.5	3.2	2.3
Owner-Occupied Dwellings	0.2	0.2	1.9	1.9	1.9
Professional, Scientific And Technical	-0.1	0.3	1.6	1.5	1.1
Admin/Support/ Waste Mgmt	0.5	-0.1	0.0	-0.6	-0.5
Educational	0.0	0.0	11.5	7.1	4.1
Health Care And Social Assist.	0.4	0.1	4.3	3.8	3.6
Arts, Ent. And Rec	1.2	1.0	4.5	3.2	2.8
Accommodation And Foodservices	0.6	1.5	4.0	3.8	2.2
Other Private Services	0.0	0.0	-0.5	-0.5	0.5
Public Admin	0.2	-0.3	1.9	2.0	2.3