



GDP down in February with tariff impact still to come

Canada gross domestic product (GDP) retreated in February following two consecutive months of robust growth and increases in six of the prior seven months. Weather was a key driver, with the impacts of the trade war still limited at that point but creeping into household and firm behaviour. Estimated GDP fell 0.2 per cent (-2.9 per cent annualized) in February to retrace some of the 0.4 per cent increase in January. Year-over-year, GDP growth came in at 1.6 per cent. Preliminary estimates for March points to a mild rebound of 0.1 per cent even as U.S. import tariffs and confidence driven drag on investment dampened activity and points to Q1 growth of about 1.5 per cent. This is decent given the persistent trade uncertainty.

February's GDP decline was driven by a retracement in the goods-producing sector (-0.6 per cent), and more specifically, the mining/quarrying/oil and gas, which contracted 2.5 per cent after a 1.9 per cent increase in January. The reversal reflected declines in oil sands production (-3.8 per cent) which was the steepest decline since January 2024, as well as other oil and gas fell 1.8 per cent, and mining fell 2.6 per cent. Various drivers contributed to this broad sector pullback including inclement weather and weaker demand from Asia. In advance of tariffs, some mining sectors (potash) saw gains potentially as firms attempted to front-run the additional costs. Among other goods- sectors, output fell 0.5 per cent in construction, while manufacturing increased 0.6 per cent. The latter was led by motor parts growth (4.2 per cent) as U.S. auto producers adjusted to supply risk chains from expected tariffs, while primary metal production fell (2.3 per cent).

Services-sector production slipped 0.1 per cent, reversing January's 0.1 per cent increase. Retail trade fell 0.2 per cent and continued to ease after spiking in December, pointing to slowing consumer demand. Meanwhile, transportation/warehousing contracted 1.1 per cent owing in part to weather impacts. The real estate and leasing sector contracted 0.4 per cent and fell 0.4 per cent aligning with a confidence induced downturn in MLS® home sales in recent months. Public administration (-0.1 per cent), and education (-0.2 per cent) contracted. Offsetting declines were growth in finance and insurance (0.7 per cent), wholesale trade (0.4 per cent), and health care (0.2 per cent).

The economic picture is likely to deteriorate following the potential March uptick which was driven by resources and retail trade. Manufacturing and wholesale trade are expected to decline in March, aligning with the impacts of tariffs on Canadian products and pass through to related sectors. Related business surveys and housing market data have deteriorated signaling weakness to come. While the outlook remains highly uncertain amidst abrupt shifts in U.S. tariffs, we expect the economy to contract in the second quarter (-2.0 per cent, annualized), with another slip in Q3. Weaker exports and investment activity, and passthrough to Canadian consumption is anticipated to drive future weakness.

Bryan Yu

Chief Economist
Central 1 Credit Union
byu@central1.com

GDP by Industry, \$2017

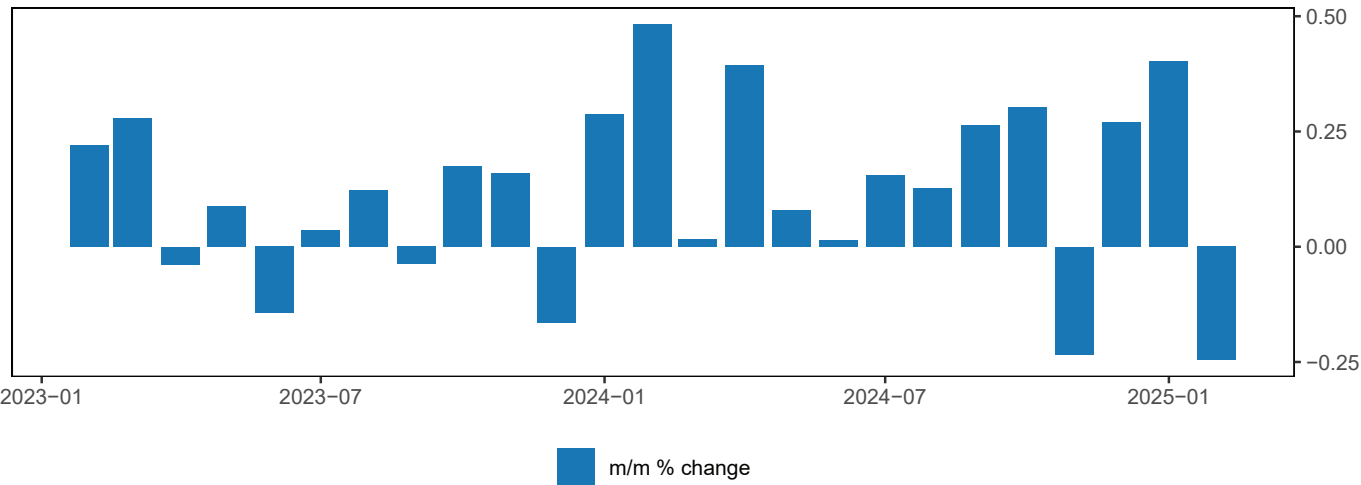
Feb/2025	\$mil	m/m %ch	y/y %ch	ann. m/m %ch	ann. 3m %ch	YTD %ch	Month-to-month per cent change		
							Dec/2024	Jan/2025	Feb/2025
All industries	2,286,750	-0.2	1.6	-2.9	1.7	1.9	0.3	0.4	-0.2
Goods-producing industries	582,097	-0.6	1.2	-6.6	3.4	1.8	0.3	1.1	-0.6
Agriculture, forestry, fishing and hunting	40,475	-0.1	2.7	-1.8	-0.4	2.9	-0.1	0.1	-0.1
Mining, quarrying, and oil and gas extraction	117,244	-2.5	2.0	-26.1	2.0	4.8	1.1	1.9	-2.5
Utilities	48,220	0.8	8.5	9.8	38.6	7.0	5.2	2.3	0.8
Construction	167,201	-0.5	1.5	-6.2	0.7	2.2	0.3	0.4	-0.5
Manufacturing	205,716	0.6	-1.6	6.9	0.6	-2.2	-1.4	1.0	0.6
Service-producing industries	1,707,428	-0.1	1.7	-1.5	1.1	2.0	0.3	0.1	-0.1
Wholesale trade	122,982	0.4	1.9	4.4	5.3	1.9	-0.1	1.0	0.4
Retail trade	118,002	-0.2	2.9	-2.7	3.6	3.2	2.6	-1.4	-0.2
Transportation and warehousing	101,286	-1.1	-0.5	-12.7	-1.4	0.8	0.2	0.5	-1.1
Finance and insurance	170,740	0.7	3.5	8.1	4.9	3.5	0.1	0.4	0.7
Real estate and rental and leasing	302,040	-0.4	1.5	-5.0	-2.6	1.8	-0.2	0.0	-0.4
Professional, scientific and technical services	165,454	-0.2	0.7	-2.0	-1.3	0.9	0.0	-0.1	-0.2
Management of companies and enterprises	729	-4.2	-28.1	-40.3	-38.1	-28.0	-3.6	-3.9	-4.2
Administrative and support, waste management and remediation services	58,780	0.1	0.1	1.6	3.3	0.0	0.6	0.1	0.1
Educational services	127,241	-0.2	3.1	-2.3	0.5	3.7	-0.1	0.4	-0.2
Health care and social assistance	185,727	0.2	3.0	2.5	2.3	3.2	0.4	0.0	0.2
Other services (except public administration)	44,282	0.2	-0.7	1.9	0.9	-0.7	0.0	0.1	0.2
Public administration	168,079	-0.1	1.6	-1.3	1.7	1.8	0.2	0.4	-0.1

Source: Statistics Canada, Central 1

Canada Industry GDP, \$2017 dollars

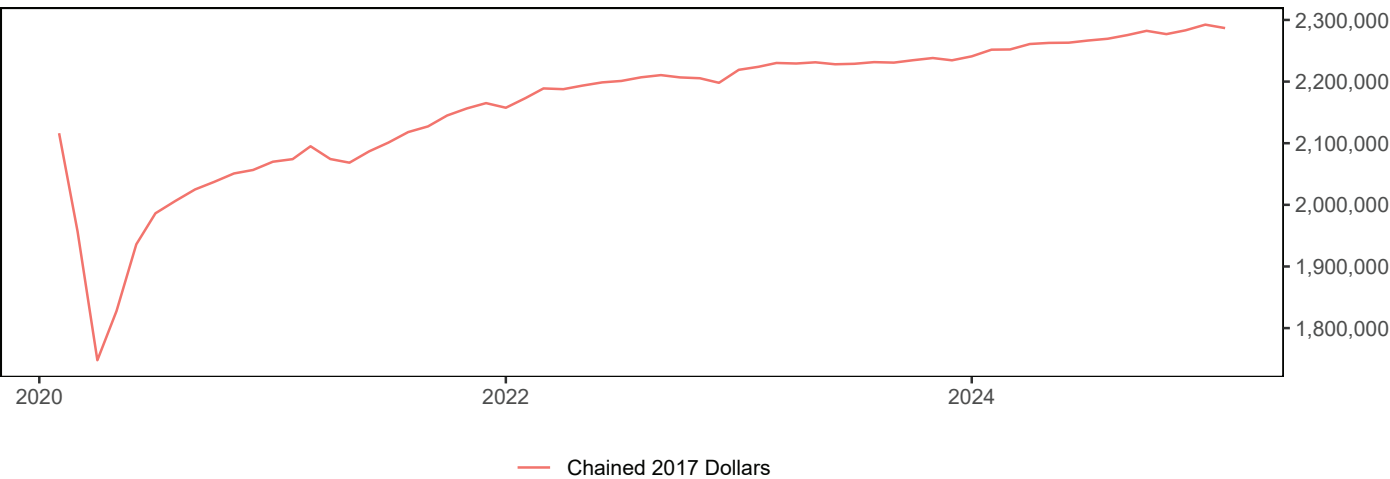
Industry GDP: Monthly Per Cent Change

Last data point: 2025-02-01



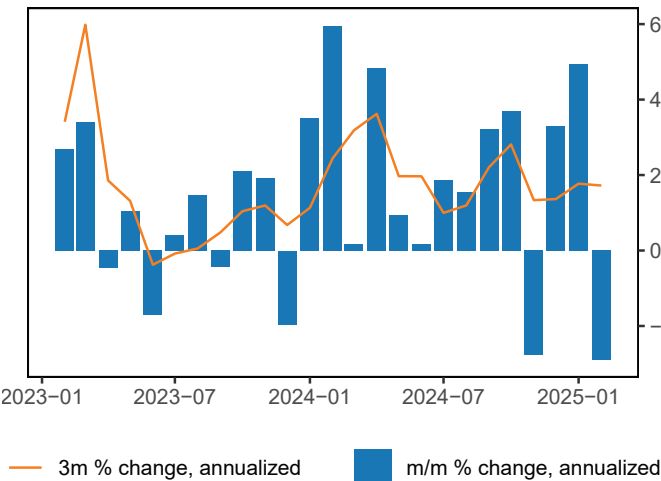
Industry GDP: \$ millions

Last data point: 2025-02-01



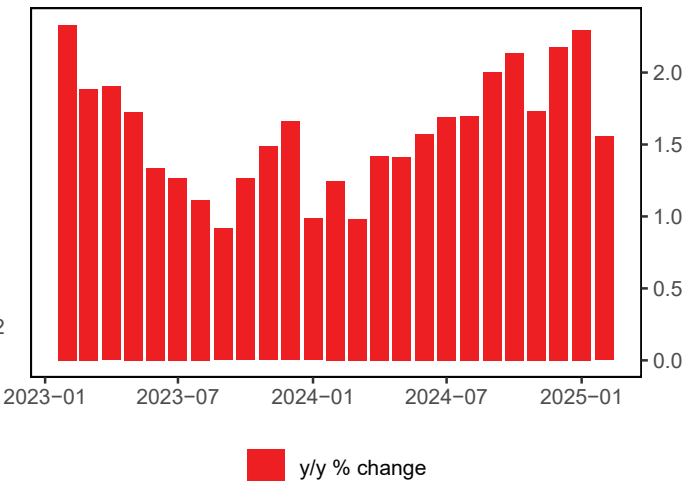
Industry GDP: Annualized Per Cent Change

Last data point: 2025-02-01



Industry GDP: 12- Month Per Cent Change

Last data point: 2025-02-01



Canada Industry GDP by Industry

