



### Economy surprisingly steady in Q2

Canada's economic bruising continued into May, but GDP remained surprisingly resilient even as U.S. tariffs and trade uncertainty continued to drag on activity. Industry-GDP fell 0.1 per cent m/m, adding to a similar contraction in April. Year-over-year, GDP rose 1.2 per cent. Production in tariff-impacted sectors looks to have steadied during the month, but retail spending and government faltered. Early data suggests this mild downtrend may have turned around as early as June, with preliminary estimates pointing to a 0.1 per cent expansion. This equates to a flat Q2 reading, which would be far stronger than the latest BoC Monetary Policy Report forecast for a 1.5 per cent contraction based on expenditure measures. Central 1 pegged Q2 at 0.6 per cent. Output and expenditure measures will ultimately differ reflecting trade and investment, but the magnitude is to be determined.

May's GDP decline reflected a second straight decline in goods-sector production, while services- activity flattened. In the former, resource-oriented production pulled back sharply. The agriculture sector pulled back 0.5 per cent driven mostly by crop farming, while mining/oil and gas shrank by 1.0 per cent on lower extraction from the oil sands (-3.0 per cent), owing in part to upstream facility maintenance. Mining also fell 2.1 per cent on broad-based declines, likely owing in part to tariffs on steel and aluminum products, and global demand fears.

Surprisingly, manufacturing output rebounded by 0.7 per cent after a 1.8 per cent drop in April even as previously released manufacturing sales data showed a 1.8 per cent nominal drop, and 0.7 per cent real decline during the month. While levels were still down

2.6 per cent y/y, May's monthly increase points to a steady in activity after an early year fears. Growth was seen in most manufacturing segments outside of oil and gas processing. While tariffs are in effect, exemptions on CUSMA compliant goods have neutralized much of the impact, but still impact important sectors including autos, and steel. Iron and steel manufacturing rose 4.4 per cent, but was still 12 per cent lower y/y, reflecting 25 per cent tariffs on the sector, while motor vehicles and parts output fell 1.7 per cent m/m and 4.3 per cent y/y.

In the services sector, there was no growth in aggregate output following a 0.1 per cent expansion in April. Retail trade tumbled by 1.2 per cent on lower vehicle sales, as tariff impacted sales of some models, while gasoline output also fell. Other segments reported better performance. Public administration contracted 0.8 per cent reflecting the pullback from an election driven boost in April. Real estate and leasing (up 0.3 per cent) were given a boost from modestly stronger housing market trends.

The latest GDP print points to surprising resilience in the economy that at this point suggests mild growth in Q2 on an output basis, but we may still see expenditure GDP could still fall to a negative print in line with industry forecasts and the Bank of Canada's outlook. With the next rate announcement on September 17, this print will have little bearing on that decision given plenty of data ahead but does lean to a stronger than expected economic performance heading into the third quarter.

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## GDP by Industry, \$2017

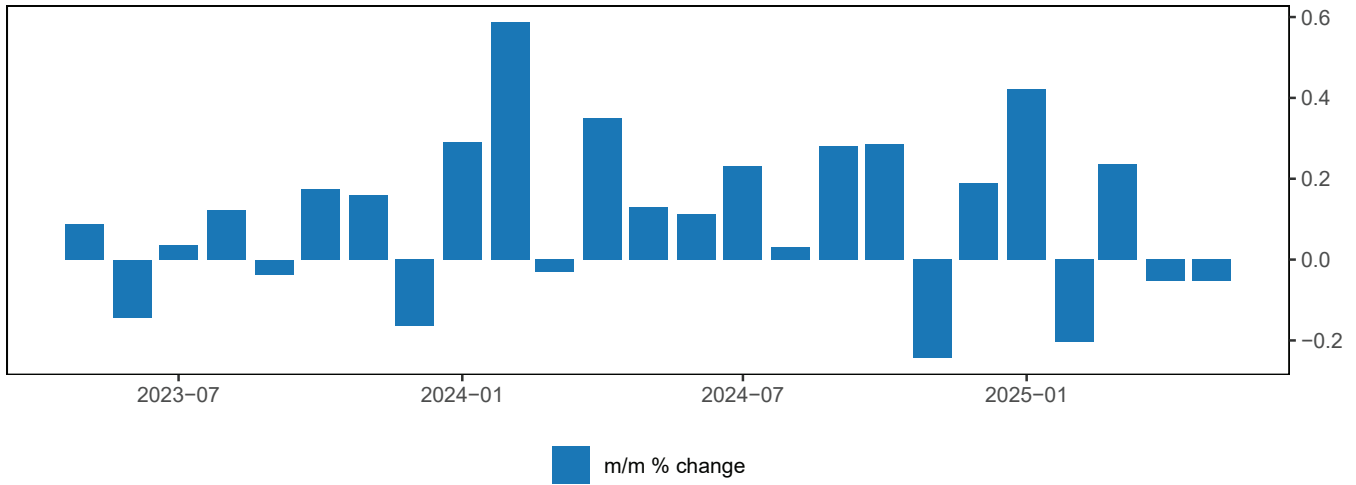
May/2025	\$mil	m/m %ch	y/y %ch	ann. m/m %ch	ann. 3m %ch	YTD %ch	Month-to-month per cent change		
							Mar/2025	Apr/2025	May/2025
<b>All industries</b>	<b>2,292,311</b>	<b>-0.1</b>	<b>1.2</b>	<b>-0.6</b>	<b>0.5</b>	<b>1.7</b>	<b>0.2</b>	<b>-0.1</b>	<b>-0.1</b>
<b>Goods-producing industries</b>	<b>582,378</b>	<b>-0.1</b>	<b>0.5</b>	<b>-1.0</b>	<b>-0.6</b>	<b>1.4</b>	<b>0.5</b>	<b>-0.6</b>	<b>-0.1</b>
Agriculture, forestry, fishing and hunting	39,985	-0.5	0.2	-6.0	-4.3	1.7	-0.3	-0.2	-0.5
Mining, quarrying, and oil and gas extraction	119,194	-1.0	2.6	-11.4	5.9	4.2	2.4	0.1	-1.0
Utilities	46,282	-0.2	2.1	-2.5	-16.1	4.5	-3.9	-0.1	-0.2
Construction	167,841	0.0	1.9	-0.2	3.5	1.7	0.7	0.2	0.0
Manufacturing	205,219	0.7	-2.6	9.1	-4.1	-1.6	0.0	-1.8	0.7
<b>Service-producing industries</b>	<b>1,712,815</b>	<b>0.0</b>	<b>1.5</b>	<b>-0.5</b>	<b>1.0</b>	<b>1.8</b>	<b>0.1</b>	<b>0.1</b>	<b>0.0</b>
Wholesale trade	120,642	0.0	1.2	0.3	-8.7	1.6	-0.4	-1.9	0.0
Retail trade	118,651	-1.2	3.8	-13.8	0.8	3.8	1.0	0.5	-1.2
Transportation and warehousing	103,471	0.6	1.5	7.2	6.9	1.3	1.2	-0.1	0.6
Finance and insurance	171,640	-0.1	3.6	-1.3	2.4	3.6	-0.2	0.9	-0.1
Real estate and rental and leasing	302,833	0.3	1.2	3.1	1.1	1.3	-0.2	0.2	0.3
Professional, scientific and technical services	165,145	0.0	0.0	-0.2	-0.8	0.4	-0.1	-0.1	0.0
Management of companies and enterprises	658	-2.7	-30.8	-27.7	-33.3	-29.5	-4.5	-2.7	-2.7
Administrative and support, waste management and remediation services	58,513	-0.1	-0.1	-1.4	-1.9	-0.1	-0.2	-0.2	-0.1
Educational services	127,656	0.1	0.6	0.8	1.2	2.2	0.1	0.1	0.1
Health care and social assistance	187,321	0.2	2.8	3.0	3.1	3.0	0.2	0.3	0.2
Other services (except public administration)	44,360	-0.1	-0.3	-1.3	0.3	-0.4	0.2	0.0	-0.1
Public administration	168,205	-0.8	1.1	-8.8	0.3	1.7	0.1	0.8	-0.8

Source: Statistics Canada, Central 1

# Canada Industry GDP, \$2017 dollars

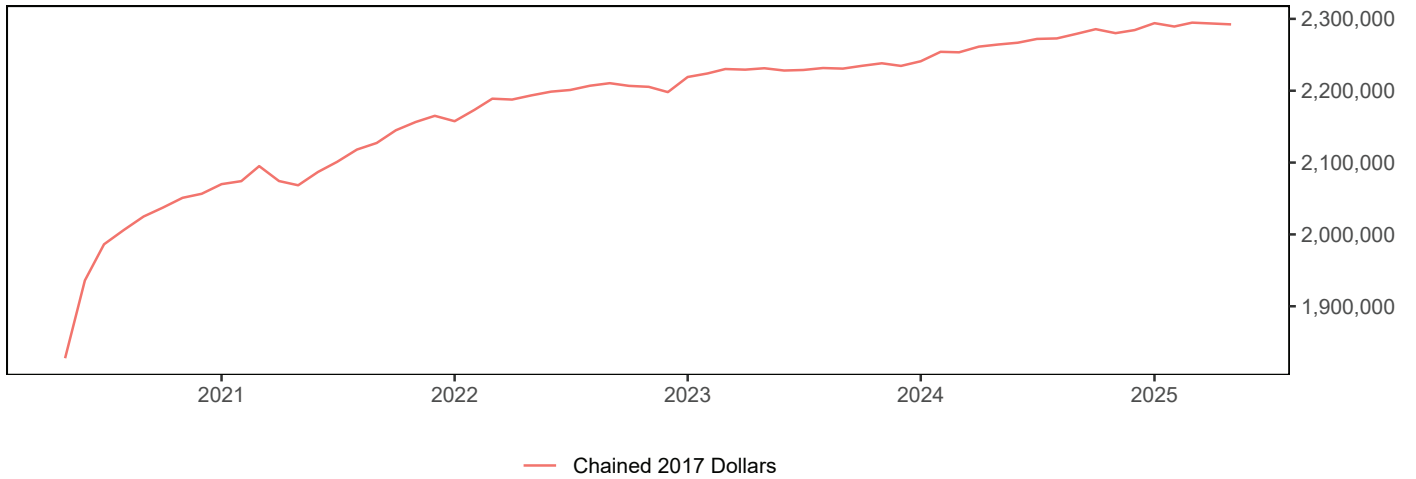
Industry GDP: Monthly Per Cent Change

Last data point: 2025-05-01



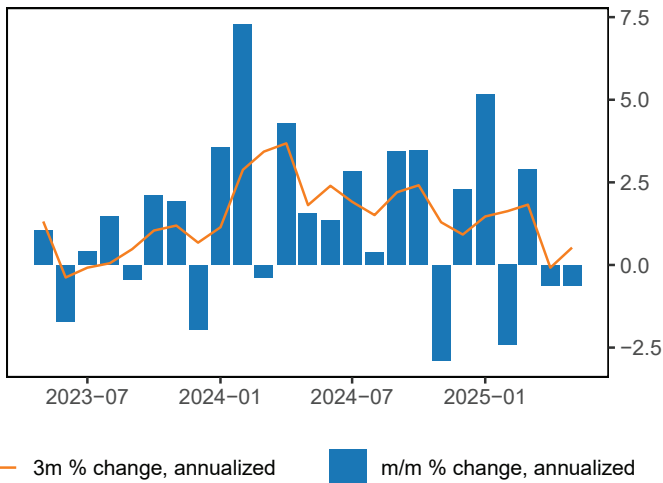
Industry GDP: \$ millions

Last data point: 2025-05-01



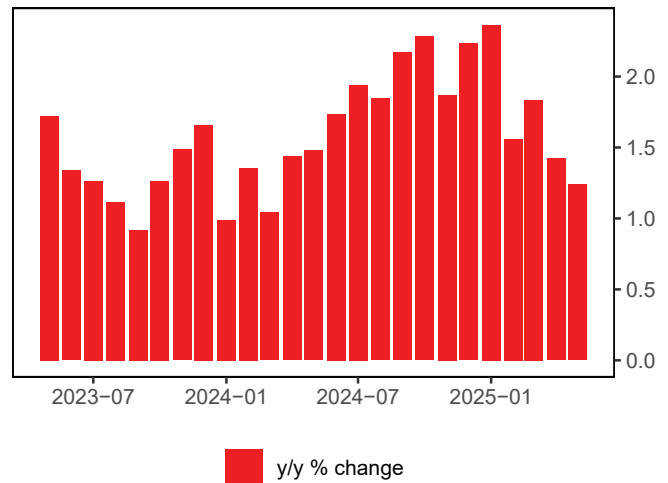
Industry GDP: Annualized Per Cent Change

Last data point: 2025-05-01



Industry GDP: 12- Month Per Cent Change

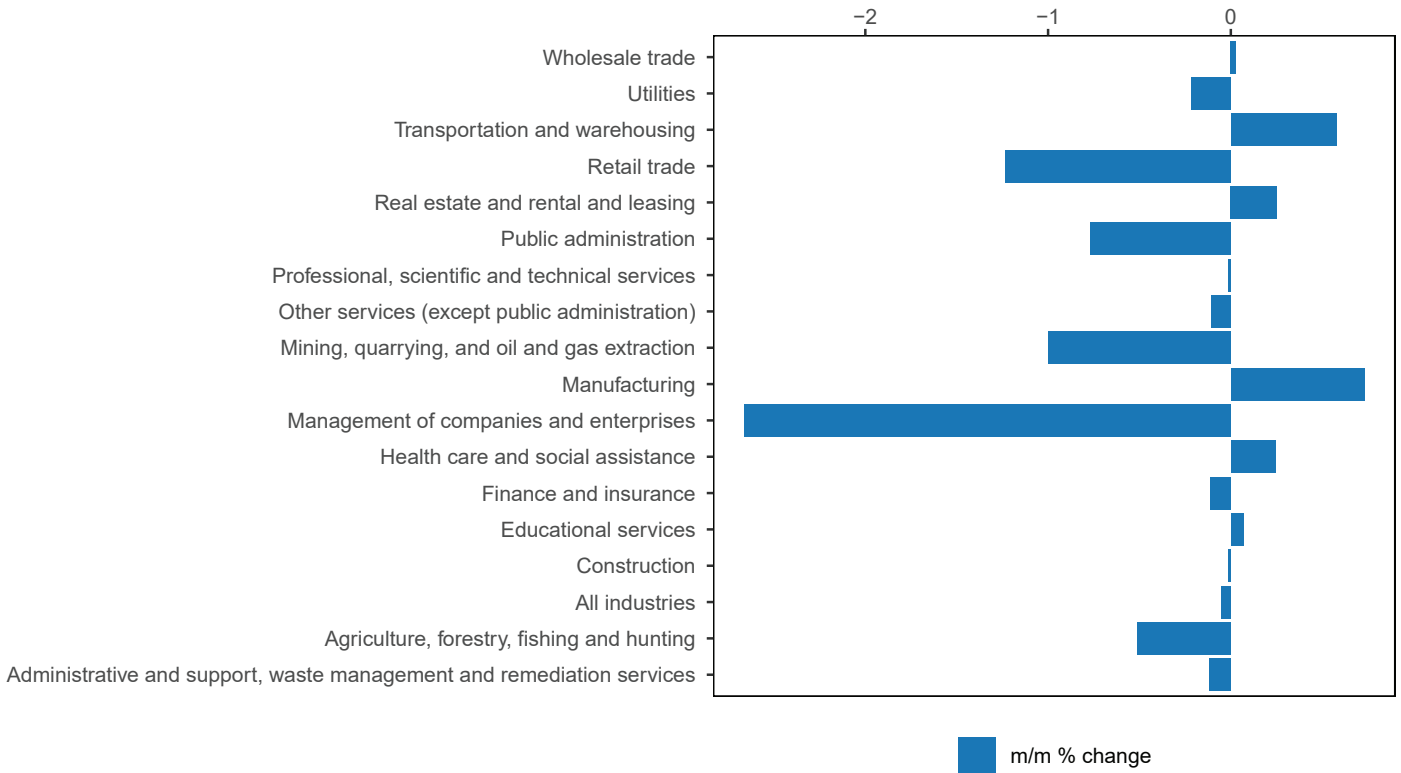
Last data point: 2025-05-01



# Canada Industry GDP by Industry

Industry GDP: Monthly Per Cent Change

Last data point: 2025-05-01



Industry GDP: 12m Per Cent Change

Last data point: 2025-05-01

