



Economic Commentary

August 29 2025

Canadian GDP declines as exports and business investment declines

Canada's economy shrank in the second quarter as exports and business investment declined sharply due to U.S. tariffs. On an annualized basis, GDP declined by 1.6 per cent, much greater than what was anticipated by industry but more in line with the Bank of Canada's forecast in the Monetary policy report. First quarter GDP has also been revised downward from 2.2 per cent growth to 2.0 per cent. The decline in exports and business investment was slightly tempered by an increase in household and government spending.

Based on the accompanying monthly industry-GDP report, the economy shrank for three months in a row, down 0.1 per cent in April, May and June as good producing industries also declined in those three months. Advanced estimates though have July with a growth of 0.1 per cent but expect an update to these numbers in September 26, 2025.

Exports declined by 7.5 per cent in the second quarter as the tariff impacts weigh heavily on export dependent industries. Exports of passenger vehicles and light trucks fell by 24.7 per cent while industrial machinery, equipment and parts also declined 18.5 per cent. Canadian counter tariffs also pushed imports down imports by 1.3 per cent with lower imports of passenger vehicles (-9.2 per cent) and travel services (-8.5 per cent) were partially off set by higher imports of metals, particular gold, silver, and platinum group metals (+35.8 per cent).

Business investment also reported a decline. Total business investment fell 0.6 per cent on weaker investment in machinery and equipment (-9.4 per cent). Every other group also declined as well except for computer equipment. This was the slowest pace of business investment in machinery since the end of 2016, outside of the COVID pandemic. This decline though was anticipated as it had risen sharply in the first quarter to get ahead of the anticipated tariffs. Non-farm business non-inventories also rose significantly, up \$30.1 billion, higher than the \$10 billion in the first quarter.

In contrast, domestic demand was up 0.9 percent in the second quarter. Household spending increased by 1.1 per cent. Many households, wary of possible price increases from tariffs, pushed up their planned purchases. Vehicle purchases such as new trucks, vans, and sport utility vehicles rose 5.6 per cent. Overall durable goods expenditure was up by 2.5 per cent. Residential investment also rose by 1.5 per cent as new construction rose by 3.7 per cent.

Employee compensation was up 0.2 per cent in the second quarter, the lowest increase in 10 years aside from during the pandemic. Corporate surplus was also down 1.9 per cent as the energy sector saw lower energy prices. The household savings rate fell to 5.0 per cent from 6.0 per cent while disposable income edged up 0.3 per cent on the weaker growth in salary and wages.

The latest GDP data points to continued softening in underlying conditions. The drag on exports was expected as tariffs disrupt the non-residential investment cycle. Domestic demand remained strong though as consumer spending increased. However, with reduced investment spending combined with low inflation and a cooler job market, the possibility of a rate cut in September has increased.

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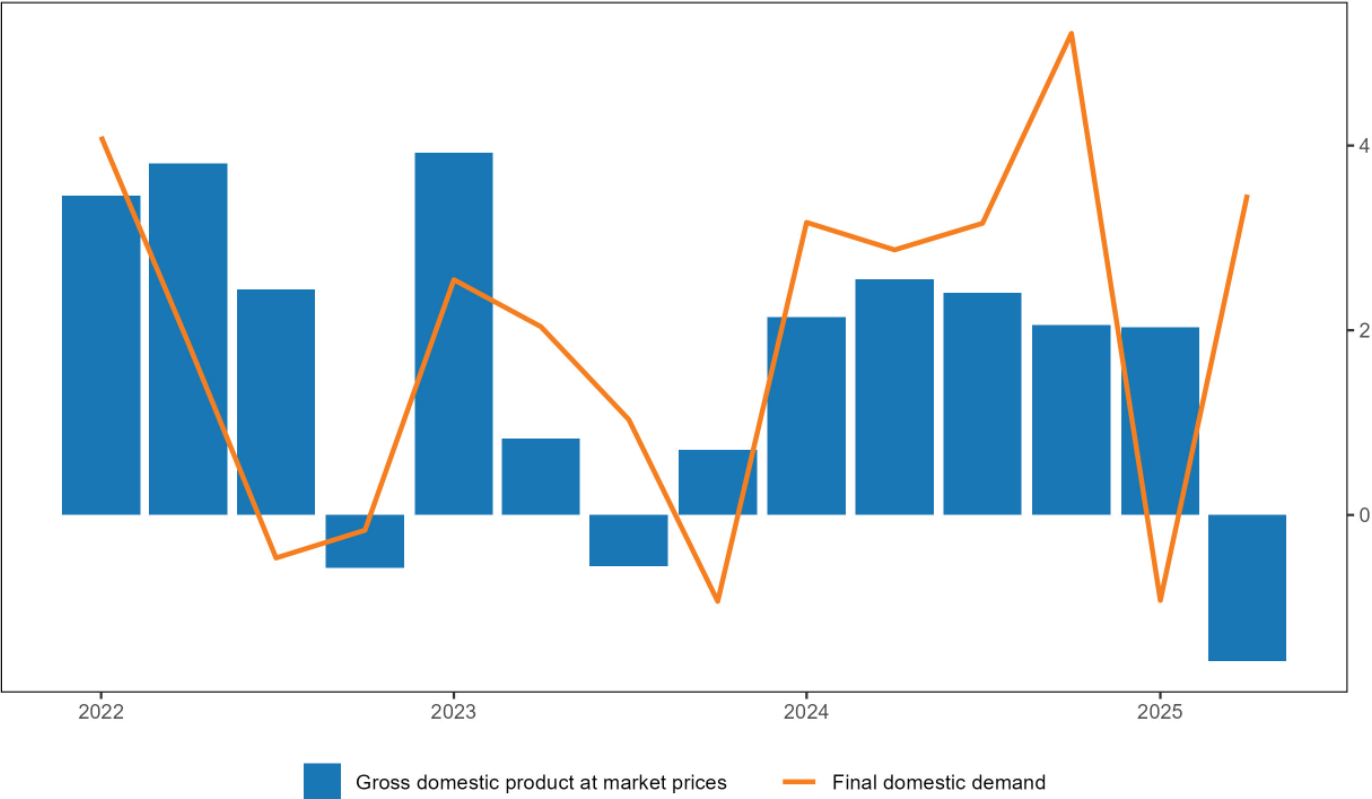
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Q2/25 Real GDP by Expenditure									
Expenditure	latest, \$mil	q/q % ch	ann % ch	y/y % ch	ann % ch				
					Q2/24	Q3/24	Q4/24	Q1/25	Q2/25
Gross domestic product at market prices	2,445,368	-0.4	-1.6	1.2	2.5	2.4	2.1	2.0	-1.6
Household final consumption expenditure	1,411,059	1.1	4.5	3.6	1.7	4.4	4.9	0.5	4.5
Goods	613,439	1.1	4.7	4.8	-0.3	5.4	6.9	2.3	4.7
Durable goods	189,009	2.5	10.4	8.3	-7.2	13.1	17.2	-5.9	10.4
Semi-durable goods	110,711	1.1	4.4	7.2	2.6	3.1	8.8	13.0	4.4
Non-durable goods	315,410	0.4	1.7	2.2	2.7	2.0	1.1	4.2	1.7
Services	799,993	1.1	4.3	2.6	3.2	3.6	3.4	-0.8	4.3
General governments final consumption expenditure	554,367	1.3	5.1	3.1	5.6	5.5	2.4	-0.4	5.1
Residential structures	156,545	1.5	6.3	3.5	-9.4	5.4	16.8	-12.2	6.3
Non-residential structures, machinery and equipment	199,318	-2.6	-10.1	-4.3	15.0	-11.9	4.7	1.1	-10.1
Non-residential structures	126,501	1.5	6.3	0.7	9.6	-0.8	1.4	-3.9	6.3
Machinery and equipment	72,098	-9.4	-32.6	-12.3	24.3	-27.7	10.5	10.1	-32.6
General governments gross fixed capital formation	98,159	2.1	8.8	3.5	6.8	4.0	7.3	-5.6	8.8
Exports of goods and services	698,086	-7.5	-26.8	-4.7	-4.8	-0.6	7.1	5.8	-26.8
Less: imports of goods and services	793,594	-1.3	-5.1	-0.1	0.0	-1.0	2.5	3.6	-5.1
Final domestic demand	2,509,589	0.9	3.5	2.7	2.9	3.2	5.2	-0.9	3.5
Nominal									
Gross domestic product at market prices	3,162,620	-0.4	-1.6	3.5	6.9	5.0	5.8	5.0	-1.6

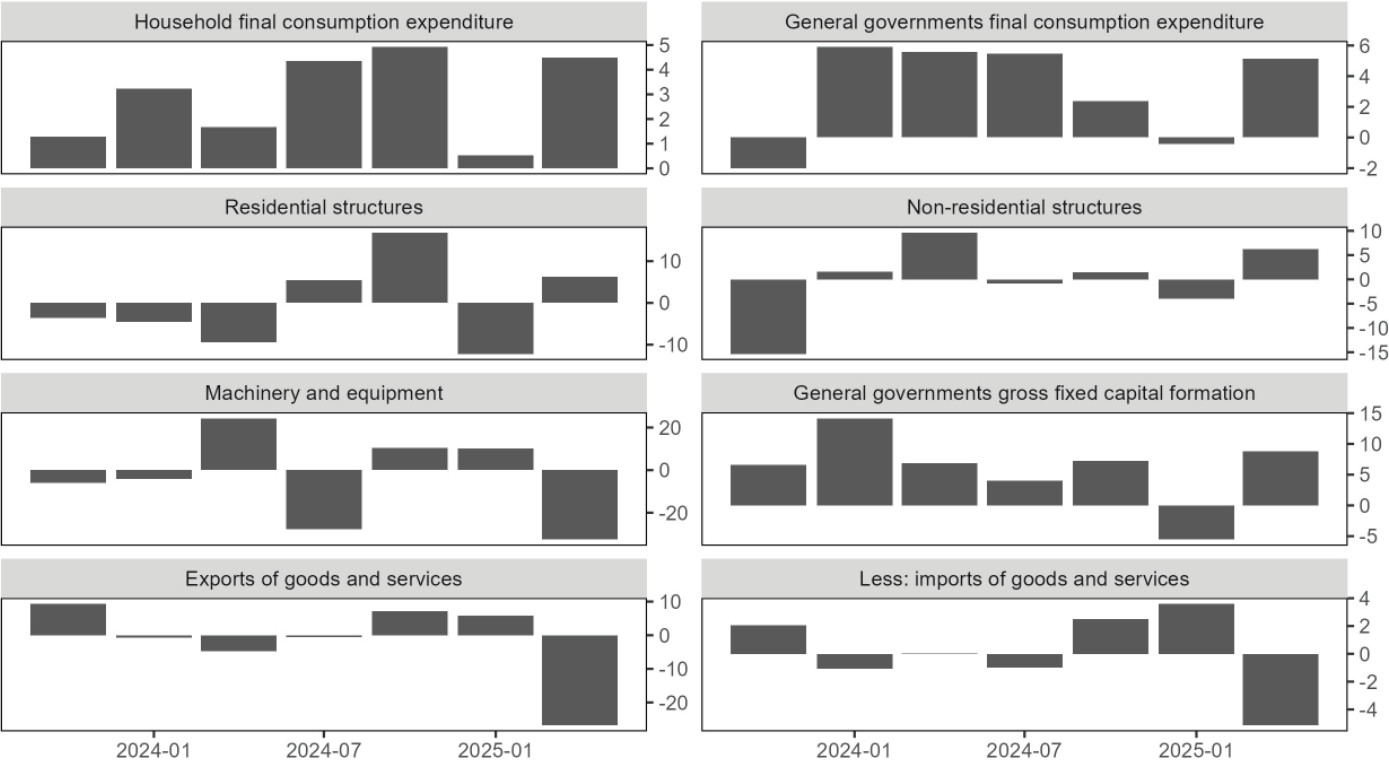
Source: Statistics Canada, Central 1

Canada Real GDP - Annualized Per Cent change, Quarterly

Real GDP - Annualized Per Cent Change
Last data point: 2025-04-01



Real GDP - Annualized Per Cent Change
Last data point: 2025-04-01



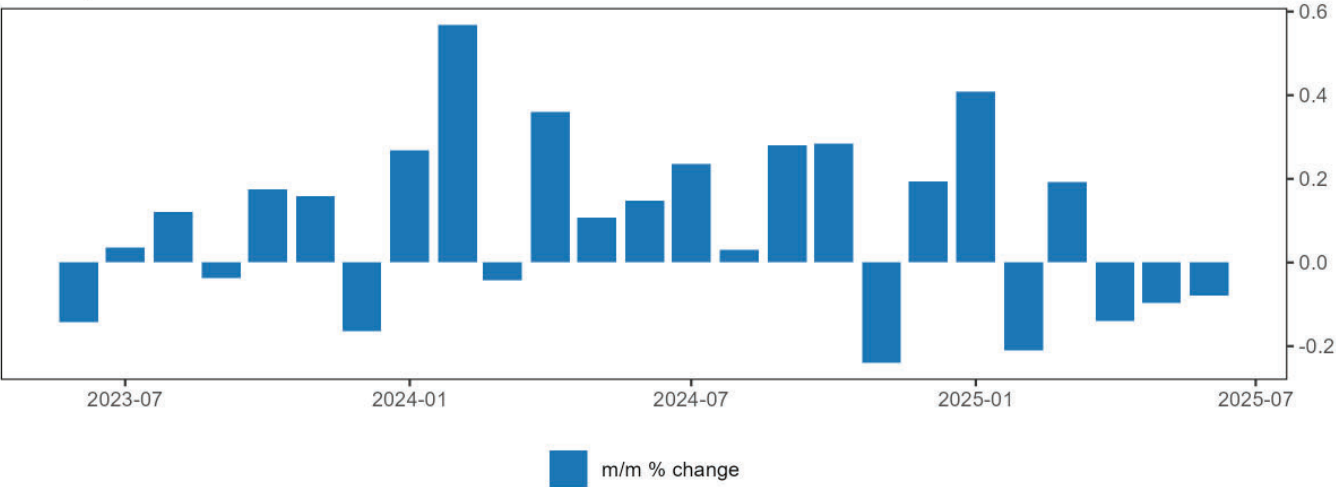
GDP by Industry, \$2017									
Jun/2025	\$mil	m/m %ch	y/y %ch	ann. m/m %ch	ann. 3m %ch	YTD %ch	Month-to-month per cent change		
							Apr/2025	May/2025	Jun/2025
All industries		-0.1	0.9	-0.9	-1.3	1.5	-0.1	-0.1	-0.1
Goods-producing industries	574,749	-0.5	-0.8	-6.0	-6.6	0.8	-0.9	-0.3	-0.5
Agriculture, forestry, fishing and hunting	39,881	-0.4	-0.6	-4.2	-4.0	1.4	-0.4	-0.3	-0.4
Mining, quarrying, and oil and gas extraction	117,569	0.1	0.5	0.6	-8.1	3.3	-0.3	-1.9	0.1
Utilities	45,448	-1.2	-1.4	-13.9	-8.0	3.4	-0.4	-0.4	-1.2
Construction	167,509	0.3	2.3	4.2	1.8	1.4	0.0	0.1	0.3
Manufacturing	200,589	-1.5	-4.1	-16.7	-12.0	-2.2	-2.2	0.6	-1.5
Service-producing industries		0.1	1.5	1.0	0.8	1.7	0.1	0.0	0.1
Wholesale trade	121,087	0.5	2.0	6.2	-6.4	1.6	-2.4	0.2	0.5
Retail trade	120,355	1.4	5.3	18.6	2.5	4.1	0.5	-1.3	1.4
Transportation and warehousing	102,935	-0.3	0.5	-3.6	0.0	1.1	-0.3	0.6	-0.3
Finance and insurance	171,529	0.0	3.1	-0.2	2.6	3.5	1.0	-0.3	0.0
Real estate and rental and leasing	303,825	0.3	1.4	3.4	2.8	1.4	0.1	0.3	0.3
Professional, scientific and technical services	164,636	-0.2	-0.4	-2.9	-1.2	0.3	-0.1	0.0	-0.2
Management of companies and enterprises	638	-2.9	-29.7	-29.7	-28.6	-30.1	-3.0	-2.4	-2.9
Administrative and support, waste management and remediation services	58,291	-0.3	0.1	-3.0	-2.1	-0.1	-0.2	-0.1	-0.3
Educational services	127,740	-0.2	0.5	-2.8	-1.8	2.3	-0.1	-0.2	-0.2
Health care and social assistance	186,197	-0.2	1.9	-2.5	1.3	2.6	0.3	0.2	-0.2
Other services (except public administration)	44,157	-0.1	-0.8	-1.3	-1.5	-0.6	-0.1	-0.2	-0.1
Public administration	169,364	0.1	1.5	1.3	3.6	1.8	1.3	-0.5	0.1

Source: Statistics Canada, Central 1

Canada Industry GDP, \$2017 dollars

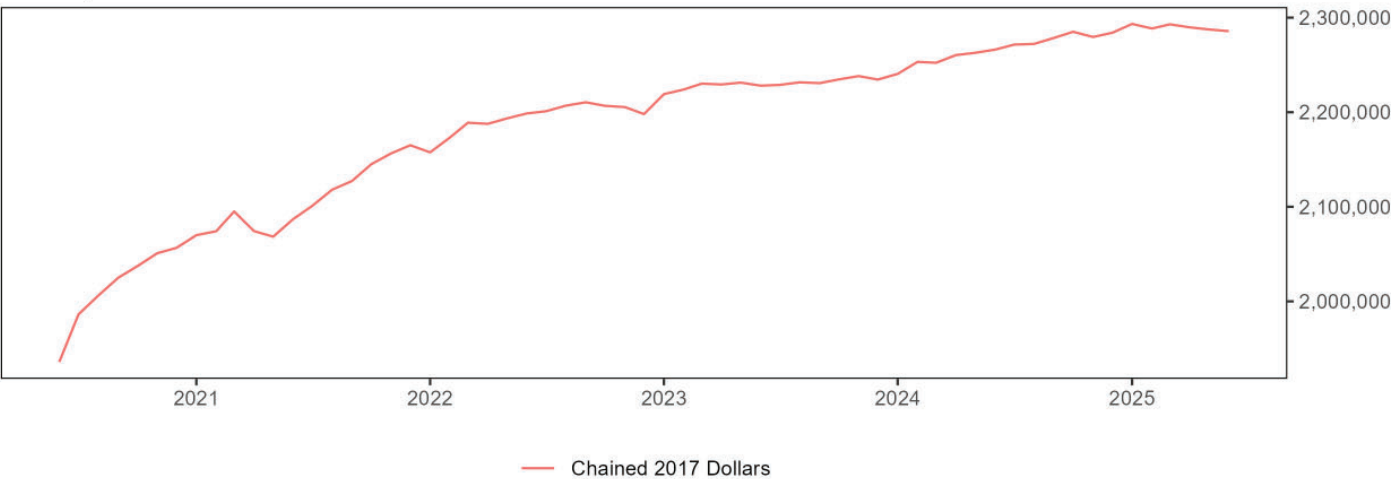
Industry GDP: Monthly Per Cent Change

Last data point: 2025-06-01



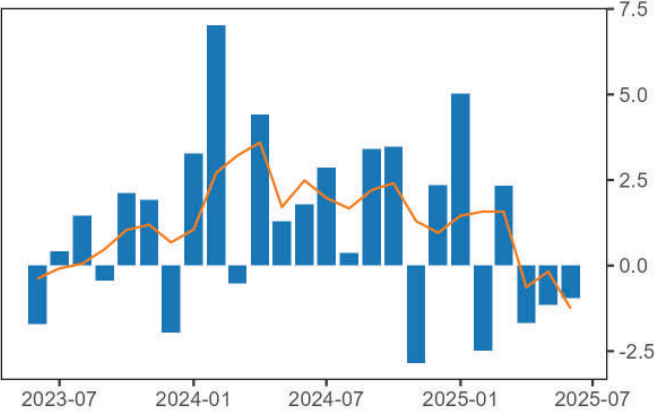
Industry GDP: \$ millions

Last data point: 2025-06-01



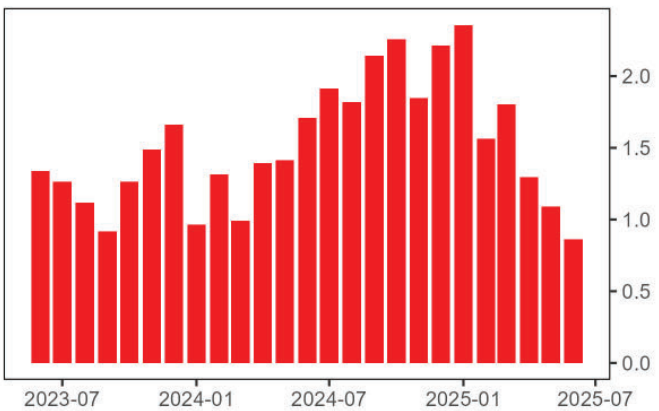
Industry GDP: Annualized Per Cent Change

Last data point: 2025-06-01



Industry GDP: 12- Month Per Cent Change

Last data point: 2025-06-01



3m % change, annualized

m/m % change, annualized

y/y % change

Canada Industry GDP by Industry

