



## Canadian GDP growth surges in Q3, but details mixed

The Canadian economy posted an incredible but curiously strong rebound in GDP growth in during the third quarter. **Expenditure GDP** advanced at an annualized rate of 2.6 per cent, following a downward revised 1.8 per cent contraction in Q2. This blew by the average consensus forecast for a 0.5 per cent increase for Q3, with Central 1 forecasting a 0.2 per cent gain. While consistent with recent employment gains, details were mixed, and we expect revisions when the Q4 figures are released. Nominal GDP rose at a 5.9 per cent pace.

From the accompanying monthly **industry-GDP** report, September output rose by 0.2 per cent m/m to reverse an August slide of 0.1 per cent. This was led by manufacturing and transportation, and warehousing. Preliminary data for October points to a rollback of 0.3 per cent signaling weakness in Q4.

Strong expenditure GDP growth during the quarter was driven by a stronger trade balance as imports swung lower, alongside higher government capital investment. In contrast, final domestic demand which excludes trade and inventory slipped 0.1 per cent after a Q2 surge as household demand and non-housing business investment sunk, while elbows up Canadians also took fewer trips to the U.S.

Exports steadied with a negligible 0.7 per cent increase after the 25 per cent drop in Q2. The bigger story was the 8.6 per cent roll back in imports, the sharpest since Q4 2022, which partly reflected weaker business investment and negative inventory accumulation during the quarter. Imports declined on certain metals and one-off oil and gas-related machinery purchases in Q2. That said, caution is warranted in Q3 exports, and larger than normal future revisions are expected. Due to the U.S. government shutdown, merchandise exports data to the U.S. for September has been delayed and Statistics Canada relied more on imputation than normal. Information on services trade was also impacted, which could impact future revisions to investment.

More telling of the underlying economic environment was the slowdown in key domestic demand drivers. Household consumption slipped 0.4 per cent after strong growth in Q2, as consumers reduced spending

on goods (-2.0 per cent) driven by fewer vehicle purchases, and services rose 0.7 per cent. On the investment front, the residential investment recovery (6.7 per cent) continued with stronger resale market activity, but business spending declined with M&E down sharply for a second straight quarter by 10.5 per cent and building construction fell 1.0 per cent. M&E is particularly dismal with levels the lowest since the pandemic as businesses struggle and shy away from spending on new equipment given uncertainty, which is troubling for future productivity growth although federal budget measures to crowd-in private capital could help. Investment in inventories turned negative.

Government contribution to growth was mixed. While consumption fell 1.7 per cent, marking the first drop since Q4 2023, government capital investment surged at 12.2 per cent rate to maintain the strong upward trajectory since 2022. The latter was owing to increased military spending on weapon systems. We will see more of this type of spending as the government reinvests in its military in the coming years.

On the income side, q/q growth of 1.5 per cent (5.9 per cent annualized) includes growth of 1.1 per cent in employee compensation, which improved from Q2 of 0.3 per cent and marked a rapid gain. Profits also turned around bolstered by natural resource prices. The household savings rate remained strong at 4.7 per cent, which is bolstering household assets.

The latest GDP print, while strong at a headline level, shows mixed patterns. The economy is still struggling in some sectors, particularly those hit by sector-specific tariffs. Consumer spending is likely to remain muted in the short-term, given the tough backdrop of hiring and low population growth, and lack of private sector investment. That said, federal budget measures should drive increased investment in coming years, and the economy has recently stabilized considering recent improvements in economic data. With inflation still sitting near 2.5 per cent, firm wage growth, and drag of population growth on labour supply, this latest GDP will keep the Bank of Canada on the sidelines in December. We expect Bank of Canada to hike its policy rate in the second half of 2026.

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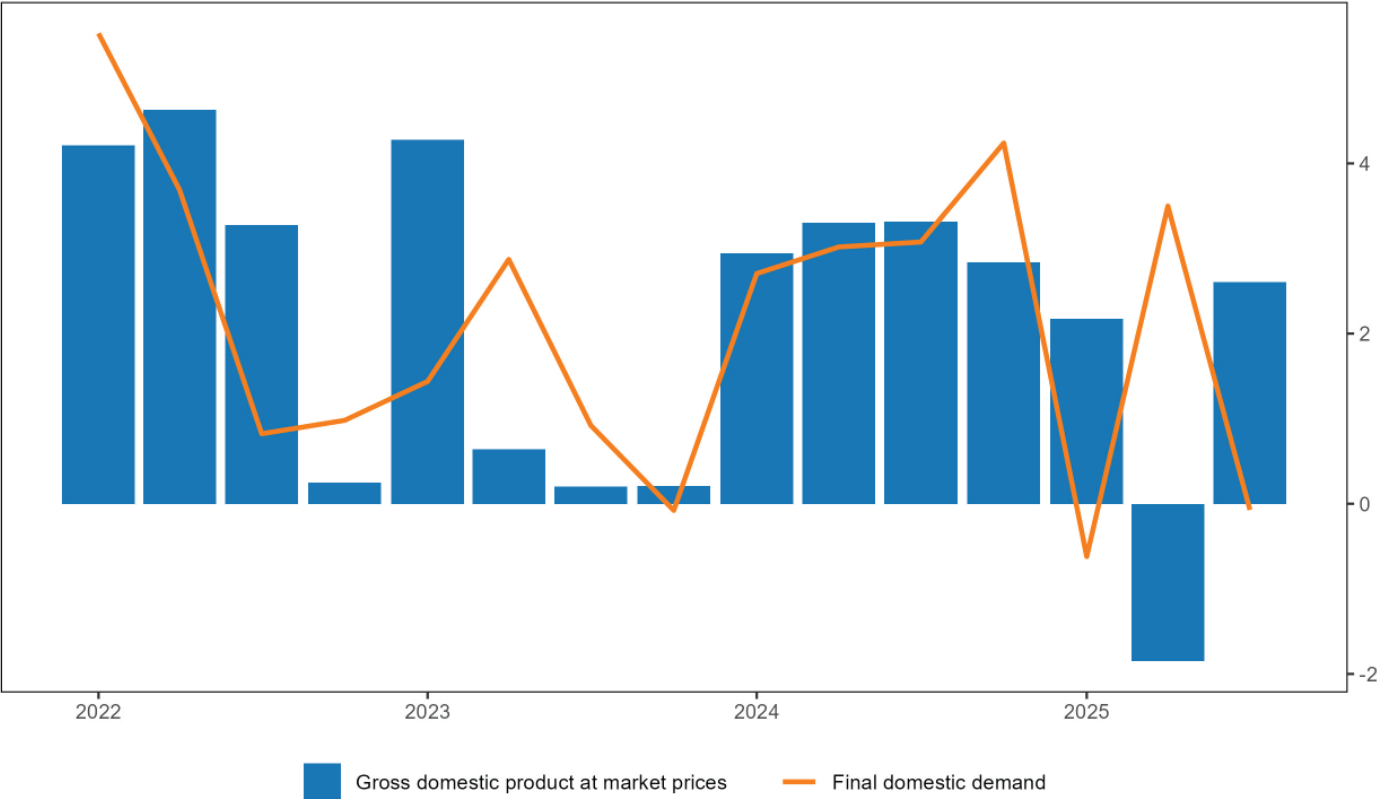
**Bryan Yu**  
Chief Economist  
Central 1 Credit Union  
[byu@central1.com](mailto:byu@central1.com)

Q3/25 Real GDP by Expenditure									
Expenditure	latest, \$mil	q/q % ch	ann % ch	y/y % ch	ann % ch				
					Q3/24	Q4/24	Q1/25	Q2/25	Q3/25
Gross domestic product at market prices	2,502,070	0.6	<b>2.6</b>	1.4	3.3	2.8	2.2	-1.8	2.6
Household final consumption expenditure	1,423,546	-0.1	<b>-0.4</b>	1.8	4.7	2.6	0.8	4.2	-0.4
Goods	608,972	-0.5	<b>-2.0</b>	1.9	4.8	5.7	2.1	2.0	-2.0
Durable goods	183,465	-1.2	<b>-4.6</b>	0.7	8.6	8.7	-4.9	4.2	-4.6
Semi-durable goods	113,443	0.7	<b>2.9</b>	7.8	4.0	11.5	13.2	3.9	2.9
Non-durable goods	314,119	-0.5	<b>-1.9</b>	1.0	3.0	2.5	3.2	0.3	-1.9
Services	817,235	0.2	<b>0.7</b>	1.7	4.6	0.4	-0.1	5.8	0.7
General governments final consumption expenditure	552,455	-0.4	<b>-1.7</b>	1.4	5.1	2.4	0.5	4.8	-1.7
Residential structures	160,772	1.6	<b>6.7</b>	3.1	7.6	14.9	-11.6	4.4	6.7
Non-residential structures, machinery and equipment	209,729	-1.1	<b>-4.5</b>	0.0	-13.6	10.1	-1.0	-3.8	-4.5
Non-residential structures	131,954	-0.3	<b>-1.0</b>	1.3	-2.1	3.1	-3.3	6.6	-1.0
Machinery and equipment	77,017	-2.7	<b>-10.5</b>	-2.1	-29.9	23.2	3.0	-19.1	-10.5
General governments gross fixed capital formation	100,550	2.9	<b>12.2</b>	5.2	2.2	8.0	-4.8	6.2	12.2
Exports of goods and services	716,551	0.2	<b>0.7</b>	-4.1	-0.6	9.3	2.8	-25.1	0.7
Less: imports of goods and services	787,456	-2.2	<b>-8.6</b>	-1.5	-2.3	0.4	2.9	-0.4	-8.6
Final domestic demand	2,541,079	0.0	<b>-0.1</b>	1.7	3.1	4.2	-0.6	3.5	-0.1
<b>Nominal</b>									
Gross domestic product at market prices	3,255,456	1.5	<b>5.9</b>	3.9	5.7	5.9	5.6	-1.5	5.9

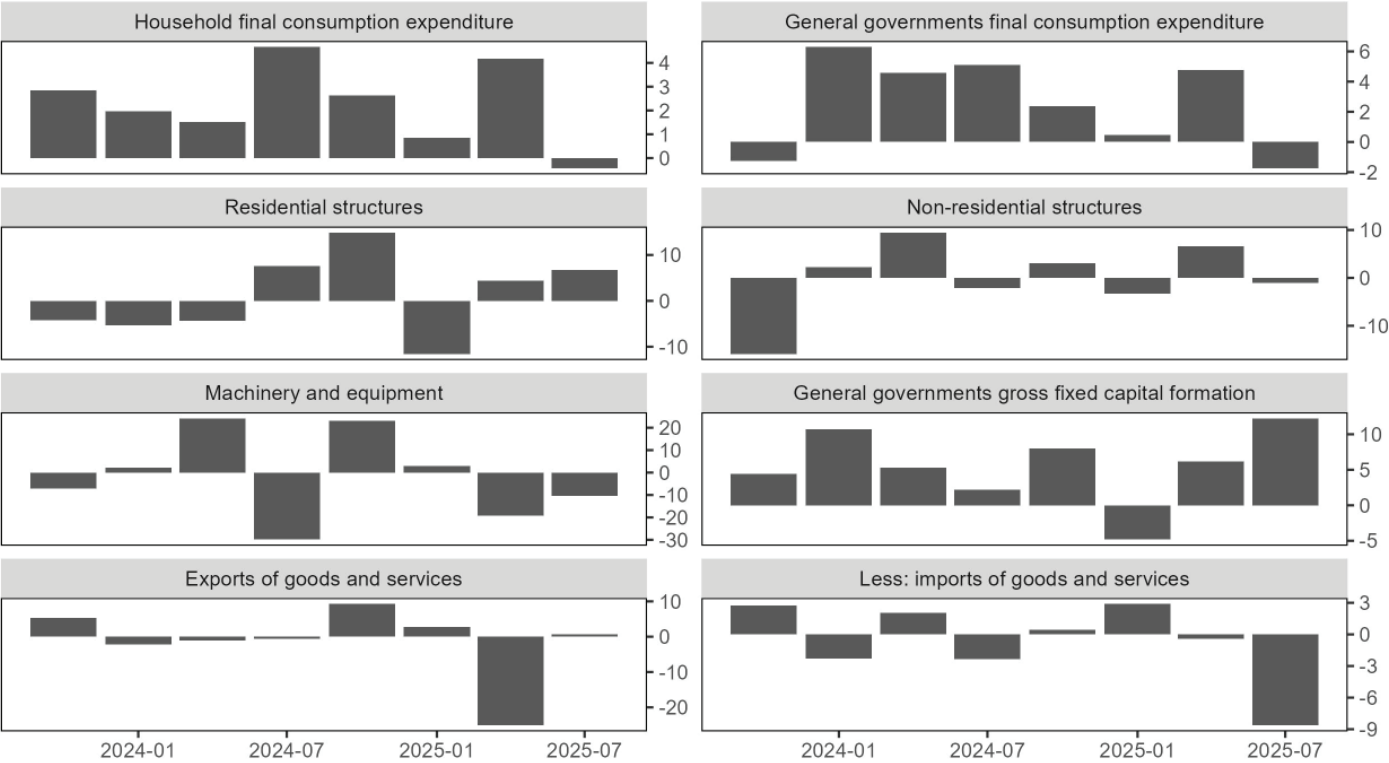
Source: Statistics Canada, Central 1

# Canada Real GDP - Annualized Per Cent change, Quarterly

Real GDP - Annualized Per Cent Change  
Last data point: 2025-07-01



Real GDP - Annualized Per Cent Change  
Last data point: 2025-07-01



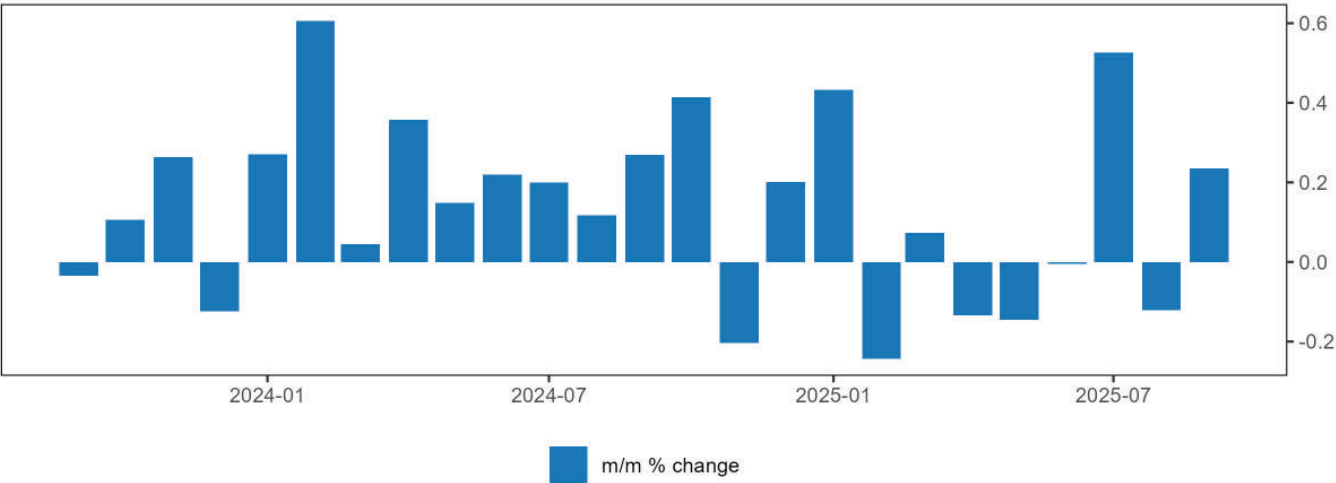
GDP by Industry, \$2017									
Sep/2025	\$mil	m/m %ch	y/y %ch	ann. m/m %ch	ann. 3m %ch	YTD %ch	Month-to-month per cent change		
							Jul/2025	Aug/2025	Sep/2025
<b>All industries</b>	<b>2,331,266</b>	<b>0.2</b>	<b>1.0</b>	<b>2.9</b>	<b>2.6</b>	<b>1.5</b>	<b>0.5</b>	<b>-0.1</b>	<b>0.2</b>
<b>Goods-producing industries</b>	<b>592,094</b>	<b>0.6</b>	<b>1.4</b>	<b>7.6</b>	<b>6.5</b>	<b>1.3</b>	<b>1.3</b>	<b>-0.3</b>	<b>0.6</b>
Agriculture, forestry, fishing and hunting	44,313	0.2	0.5	1.8	2.8	1.8	0.3	0.2	0.2
Mining, quarrying, and oil and gas extraction	120,685	0.3	5.2	3.9	8.6	4.1	2.0	-0.2	0.3
Utilities	45,959	0.9	-3.1	11.5	-2.2	1.1	0.6	-2.1	0.9
Construction	170,232	-0.2	1.6	-1.9	2.0	1.9	0.5	0.2	-0.2
Manufacturing	202,940	1.6	-1.3	21.4	11.1	-2.2	1.6	-0.5	1.6
Wholesale trade	126,674	0.6	1.6	7.2	0.8	2.0	0.8	-1.2	0.6
Retail trade	124,032	-0.7	1.4	-7.6	-2.4	3.1	-0.9	1.0	-0.7
Transportation and warehousing	102,527	1.2	-0.6	14.7	1.7	0.5	0.6	-1.3	1.2
Finance and insurance	177,508	0.2	2.0	2.0	3.8	4.0	0.4	0.4	0.2
Real estate and rental and leasing	308,288	-0.1	1.7	-0.9	2.3	1.6	0.5	0.2	-0.1
Professional, scientific and technical services	167,612	-0.2	-1.0	-1.8	-0.9	0.1	0.1	-0.2	-0.2
Management of companies and enterprises	678	-2.0	-22.8	-21.8	-19.1	-26.0	-1.5	-1.7	-2.0
Administrative and support, waste management and remediation services	60,785	-0.4	-0.1	-4.4	-0.1	-0.1	0.1	0.2	-0.4
Educational services	126,179	-0.2	0.2	-2.1	-0.6	1.5	0.1	0.0	-0.2
Health care and social assistance	189,886	0.3	1.9	3.3	3.4	2.5	0.4	0.2	0.3
Arts, entertainment and recreation	19,151	-0.8	1.0	-9.7	-1.9	1.7	0.1	0.3	-0.8
Other services (except public administration)	44,341	0.0	-1.3	-0.4	-0.7	-0.9	-0.1	-0.1	0.0
Public administration	167,520	0.2	0.4	1.9	0.6	1.5	0.2	-0.2	0.2

Source: Statistics Canada, Central 1

# Canada Industry GDP, \$2017 dollars

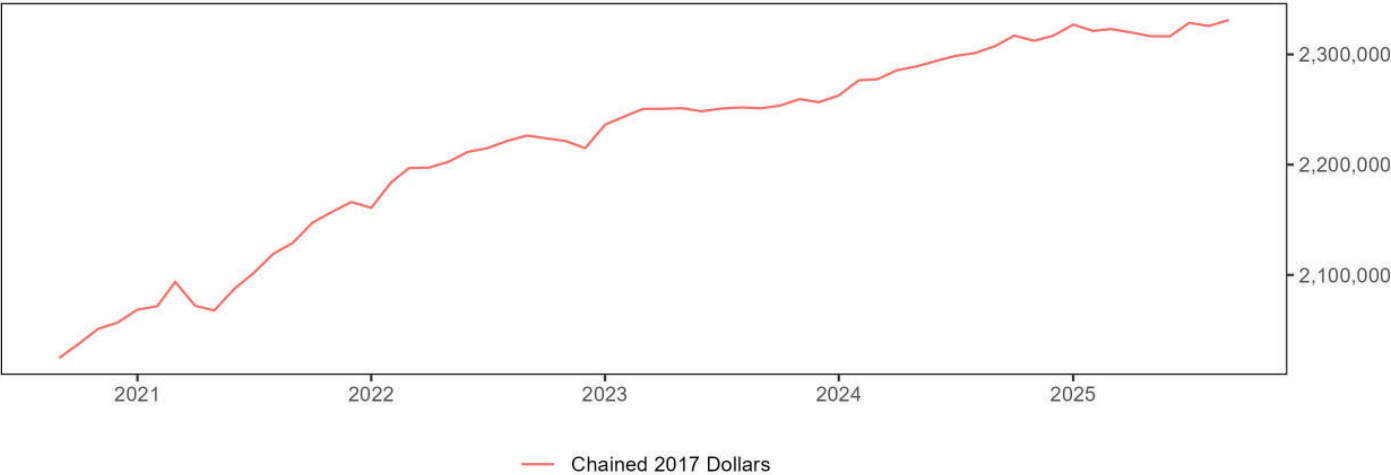
Industry GDP: Monthly Per Cent Change

Last data point: 2025-09-01



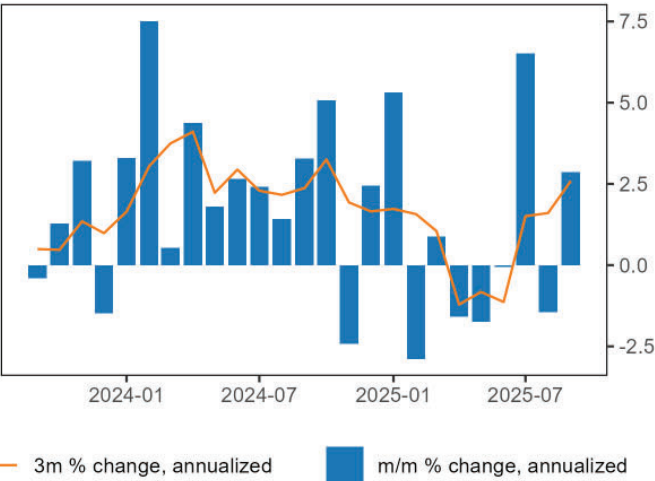
Industry GDP: \$ millions

Last data point: 2025-09-01



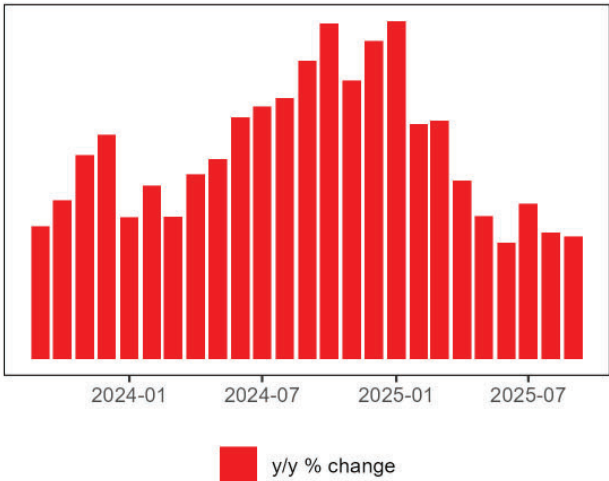
Industry GDP: Annualized Per Cent Change

Last data point: 2025-09-01



Industry GDP: 12- Month Per Cent Change

Last data point: 2025-09-01



# Canada Industry GDP by Industry

