



Economic Commentary

January 30 2026

Economic growth tracking negative in Q4

Canada's economy stalled during the fourth quarter as industry gross domestic product (GDP) held steady in November, and the early look for December pointed to a slight uptick of 0.1 per cent. Coupled with October's dip, fourth quarter output is on track to contract by about an annualized 0.5 per cent.

November's flat performance owed to offsetting patterns in the goods- and services- sector. As referenced in the latest export data (see commentary [here](#)), auto production fell during the month, driving a 1.3 per cent drop in manufacturing output and a broader 0.3 decline in goods-sector output. Goods-sector output was up a mild 0.3 per cent y/y. Motor vehicle manufacturing fell 9.7 per cent (9 per cent y/y) and parts output declined 5.2 per cent, reflecting the knock-on effects of semiconductor shortages, while new tariffs on heavy duty trucks from the U.S. also weighed on production. Chemical production declined, while output at iron and steel mills declined by another 5.7 per cent and 12.1 per cent y/y. On the upside, oil and gas production picked up by 0.7 per cent. Manufacturing has held range-bound following a deep pullback early in the year reflecting challenges facing tariff-affected sectors.

In contrast, the services sector bounced back with a 0.1 per cent expansion (0.8 per cent y/y) and was a counter weight to the drop in manufacturing. While there were declines in wholesale trade (2.1 per cent)

which in part owed to the drop in auto shipments, retail trade rose by a robust 1.3 per cent after two months of contraction, aligning with modest employment growth. Transportation and warehousing rose 0.9 per cent to reverse a prior month slide with the end of the postal strike which drove related activity (41.7 per cent), while air transport, and natural gas flowthrough increased (2.1 per cent). Other segments were steady, although the education sector rebounded by 1.0 per cent after a nearly 2 per cent contraction in October owing to the end of the Alberta teachers' strike.

The latest data points to a soft hand off for the economy to 2026. Industry-output is tracking an annualized 0.5 per cent decrease in Q4, which is lower than the Bank of Canada's flat outlook in its latest Monetary Policy Report (MPR), but stronger than our forecast for a one percent contraction. We had expected the economy to give back some of the strength observed in Q3 and today's data point is consistent with our expectations. Despite the softness and trade uncertainty ahead, growth is expected to be positive in 2026 as some of the supply chain issues unwind. The labour market has proven steady, while the CPI-inflation rate remains above two per cent. Low population growth will likely curb the unemployment rate and maintain steady wage growth. This should keep the Bank of Canada on hold through 2026.

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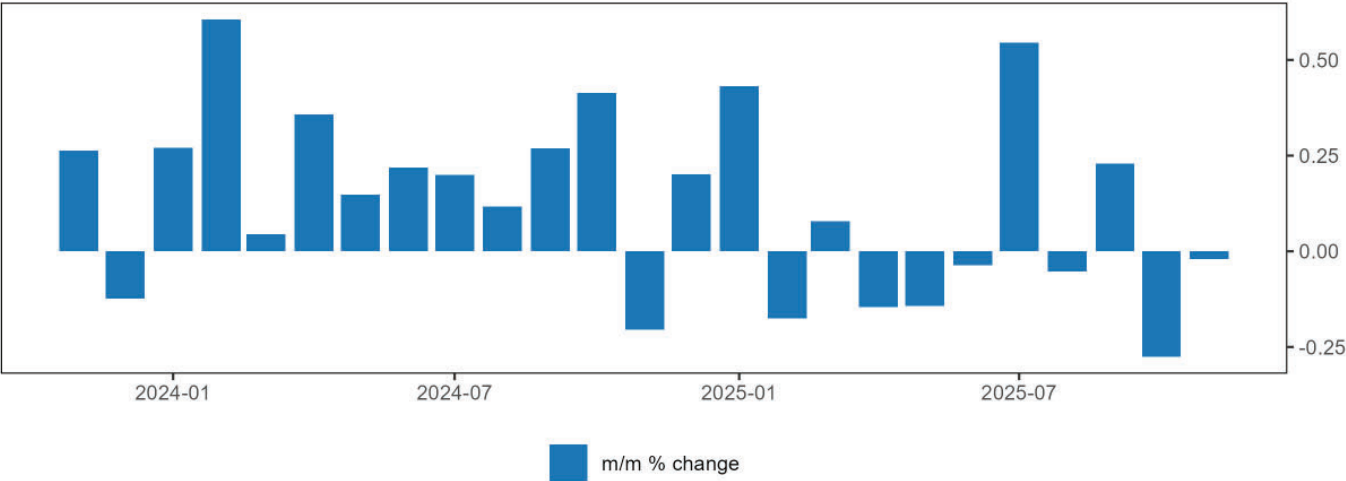
GDP by Industry, \$2017									
Nov/2025	\$mil	m/m %ch	y/y %ch	ann. m/m %ch	ann. 3m %ch	YTD %ch	Month-to-month per cent change		
							Sep/2025	Oct/2025	Nov/2025
All industries	2,327,040	0.0	0.6	-0.2	-0.3	1.4	0.2	-0.3	0.0
Goods-producing industries	587,456	-0.3	0.3	-3.3	-2.1	1.2	0.5	-0.7	-0.3
Agriculture, forestry, fishing and hunting	47,173	-1.1	7.1	-12.5	-2.7	5.9	1.0	-0.6	-1.1
Mining, quarrying, and oil and gas extraction	120,196	0.3	3.1	3.4	0.7	3.7	0.3	-0.4	0.3
Utilities	45,501	0.6	-1.0	8.0	0.4	0.0	-0.7	0.1	0.6
Construction	170,587	0.2	1.8	2.8	-0.6	1.9	-0.1	-0.3	0.2
Manufacturing	195,645	-1.3	-4.9	-15.0	-6.6	-2.6	1.3	-1.7	-1.3
Services-producing industries	1,746,857	0.1	0.8	1.1	0.5	1.5	0.1	-0.1	0.1
Wholesale trade	122,060	-2.1	-2.6	-22.4	-9.8	1.0	0.1	-0.6	-2.1
Retail trade	125,066	1.3	2.7	16.3	0.4	2.8	-0.6	-0.6	1.3
Transportation and warehousing	103,408	0.9	1.1	12.0	5.4	0.7	1.2	-0.8	0.9
Finance and insurance	178,075	-0.1	2.4	-1.0	2.1	3.6	0.2	0.4	-0.1
Real estate and rental and leasing	309,973	0.1	1.3	0.8	1.3	1.7	0.1	0.2	0.1
Professional, scientific and technical services	168,223	0.0	-1.0	-0.1	0.4	0.0	0.1	0.0	0.0
Management of companies and enterprises	650	-1.7	-21.1	-18.2	-20.8	-25.5	-1.7	-2.4	-1.7
Administrative and support, waste management and remediation services	60,424	-0.3	-0.7	-3.2	-3.2	-0.3	-0.4	-0.1	-0.3
Educational services	125,128	1.0	-0.7	13.1	-3.9	1.0	-0.2	-1.8	1.0
Health care and social assistance	190,843	0.2	2.1	2.6	3.4	2.4	0.3	0.3	0.2
Arts, entertainment and recreation	19,141	-0.5	0.2	-5.8	-3.6	1.7	-1.0	0.5	-0.5
Other services (except public administration)	44,462	0.2	-0.7	2.2	1.3	-0.9	0.0	0.1	0.2

Source: Statistics Canada, Central 1

Canada Industry GDP, \$2017 dollars

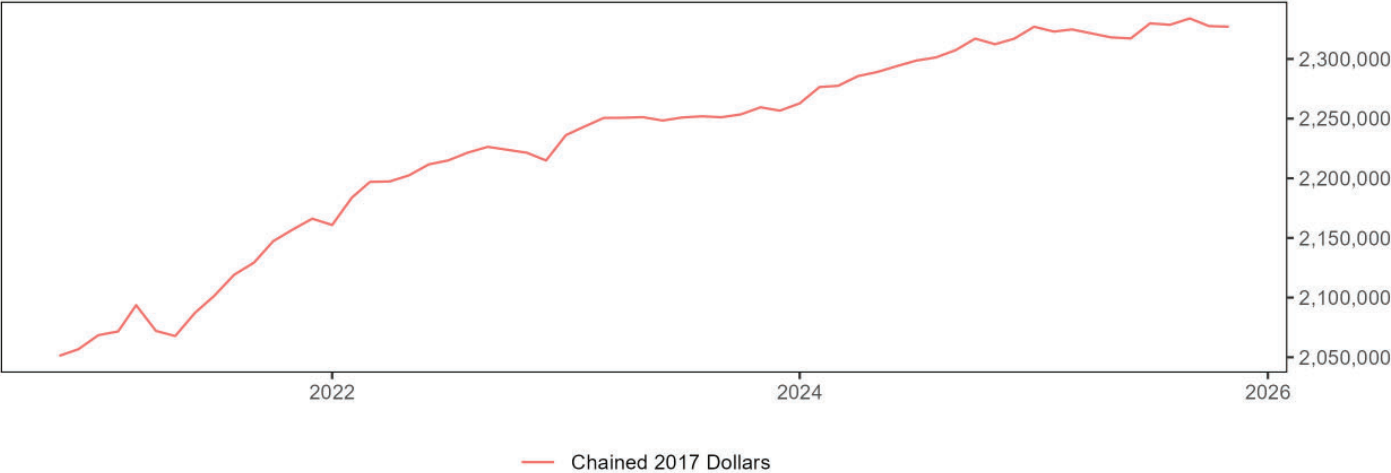
Industry GDP: Monthly Per Cent Change

Last data point: 2025-11-01



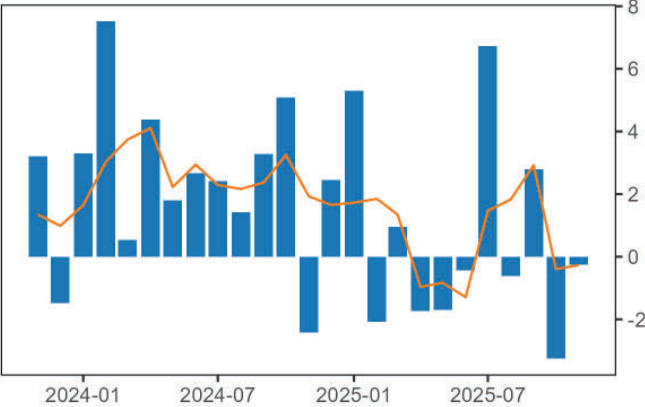
Industry GDP: \$ millions

Last data point: 2025-11-01



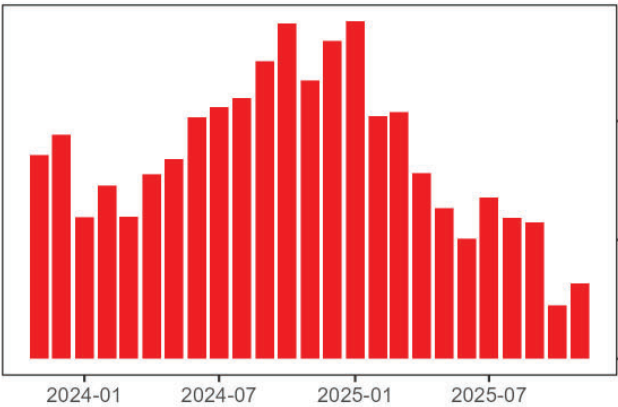
Industry GDP: Annualized Per Cent Change

Last data point: 2025-11-01



Industry GDP: 12- Month Per Cent Change

Last data point: 2025-11-01



3m % change, annualized

m/m % change, annualized

y/y % change

Canada Industry GDP by Industry

