



Solid February GDP growth to give way to March slowdown

The Canadian economy expanded at steady pace prior to the war in Iran, with February industry Gross Domestic Product (GDP) rising 0.2 per cent month-to-month. This matched the preliminary estimate published last month and after a steep contraction in November, industry output has increased for four straight months. However, the onset of war and softness in the labour market likely curbed gains in March with the preliminary flash estimate pointing to a flat month of activity owing to the retail and resources sector retrenchment.

February's gain was led by the goods-producing sector, with manufacturing recovering some ground after a steep January drop off. Total goods- output rose 0.4 per cent, driven by a 1.8 per cent manufacturing increase. Specifically, transportation equipment rose 5.5 per cent after a 7 per cent drop in January on a rebound in motor vehicle manufacturing of 20 per cent after a 26 per cent drop in January, with parts up 4.2 per cent. Auto plants ramped up following a period of re-tooling, model changes and maintenance while U.S. auto sales also rose. Machinery manufacturing rose 8.7 per cent after a 6.1 per cent decline, while iron and steel mill output rebounded 10.6 per cent after a 4.4 per cent decline. That said, all of these key manufacturing sectors remained well off a year ago as these sectors continue to face steep tariffs.

Mining/oil and gas rose for a second month by 0.4 per cent on natural gas growth and higher metal ore mining, but other goods-segments were flat or lower. Construction declined 0.5 per cent in February and along with related services highlighted housing sector weakness, while agriculture, forestry and related segments continued to retreat.

Services-sector output was roughly unchanged in January with a 0.1 per cent m/m increase. Adding to growth was a rebound in wholesale trade (0.9 per cent), and transportation and warehousing (1.2 per

cent). There was a drag in arts/entertainment which fell 2.5 per cent as the Olympics paused the NHL schedule for a couple of weeks, which may have also dragged on hospitality (-0.2 per cent). Sectors showing a deteriorating trend included real estate driven by a tepid housing market, while public administration output declined 0.5 per cent.

With the latest estimates, Q1 output is on track for an annualized gain of 1.6 per cent. This is slightly above the 1.5 per cent forecast by Central 1 and the Bank of Canada. That said, these are based on an expenditure accounts basis, rather than industry output and will likely differ. We expect the economy to grind along in the coming quarters. The oil shock will have a modest impact on the economy given upside exposure to prices in the energy sector and profits, offset by stress on households and other businesses. We currently expect the Bank of Canada to remain on hold at the current 2.25 per cent policy rate for the rest of the year. However, as noted in this week's rate decision, this is dependent on energy prices and the impact on general prices and inflation expectations. Higher and sustained oil prices could require hikes. At the same time, there is downside risk to the economy from upcoming CUSMA joint review.

Bryan Yu
Chief Economist
Central 1 Credit Union
byu@central1.com

GDP by Industry, \$2017

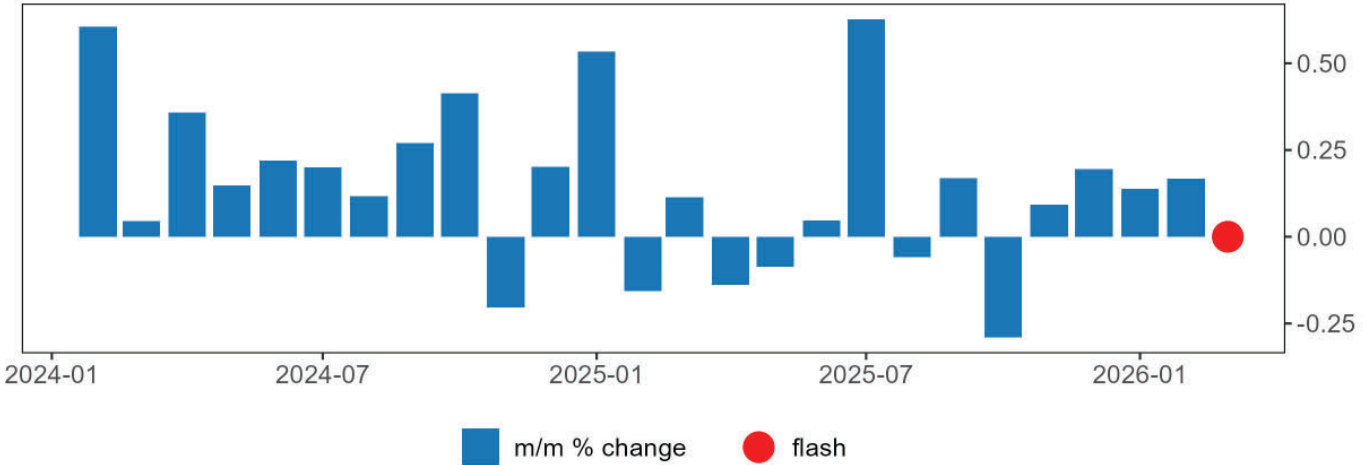
Feb/2026	\$mil	m/m %ch	y/y %ch	ann. m/m %ch	ann. 3m %ch	YTD %ch	Month-to-month per cent change		
							Dec/2025	Jan/2026	Feb/2026
All industries	2,348,361	0.2	1.0	2.0	2.0	0.8	0.2	0.1	0.2
Goods-producing industries	596,161	0.4	0.8	5.1	3.5	0.3	0.1	0.4	0.4
Agriculture, forestry, fishing and hunting	45,945	-1.3	3.5	-15.0	-13.7	4.5	-1.0	-1.3	-1.3
Mining, quarrying, and oil and gas extraction	121,981	0.4	3.6	4.6	3.6	2.0	-0.9	1.4	0.4
Utilities	47,995	0.0	-4.0	-0.1	9.6	-3.0	2.1	0.2	0.0
Construction	172,607	-0.5	2.8	-6.3	4.4	3.0	0.3	1.3	-0.5
Manufacturing	199,199	1.8	-3.1	24.2	5.7	-3.7	0.9	-1.3	1.8
Services-producing industries	1,758,647	0.1	1.1	0.8	1.4	1.0	0.2	0.0	0.1
Wholesale trade	125,587	0.9	-1.9	11.8	2.7	-1.8	1.1	-1.4	0.9
Retail trade	126,017	0.2	2.3	2.7	3.9	2.1	-0.1	0.8	0.2
Transportation and warehousing	105,938	1.2	4.5	15.2	6.6	2.9	1.0	-0.6	1.2
Finance and insurance	180,972	0.3	2.9	4.2	3.4	3.1	0.0	0.5	0.3
Real estate and rental and leasing	309,168	0.0	1.4	-0.3	-1.1	1.3	0.0	-0.2	0.0
Professional, scientific and technical services	168,023	-0.2	-0.9	-2.2	-1.8	-0.7	-0.1	-0.1	-0.2
Management of companies and enterprises	598	-2.6	-22.3	-27.2	-29.7	-22.1	-2.0	-4.1	-2.6
Administrative and support, waste management and remediation services	60,645	-0.8	-1.4	-9.6	-2.1	-0.6	0.1	0.2	-0.8
Educational services	123,662	-0.5	-2.1	-5.7	1.5	-2.0	0.4	0.5	-0.5
Health care and social assistance	191,666	0.0	2.1	-0.2	0.9	2.3	0.0	0.2	0.0
Arts, entertainment and recreation	19,126	-2.5	0.2	-25.9	-3.1	1.2	1.7	0.0	-2.5
Accommodation and food services	53,129	-0.2	3.1	-2.6	3.5	2.7	0.2	0.9	-0.2

Source: Statistics Canada, Central 1

Canada Industry GDP, \$2017 dollars

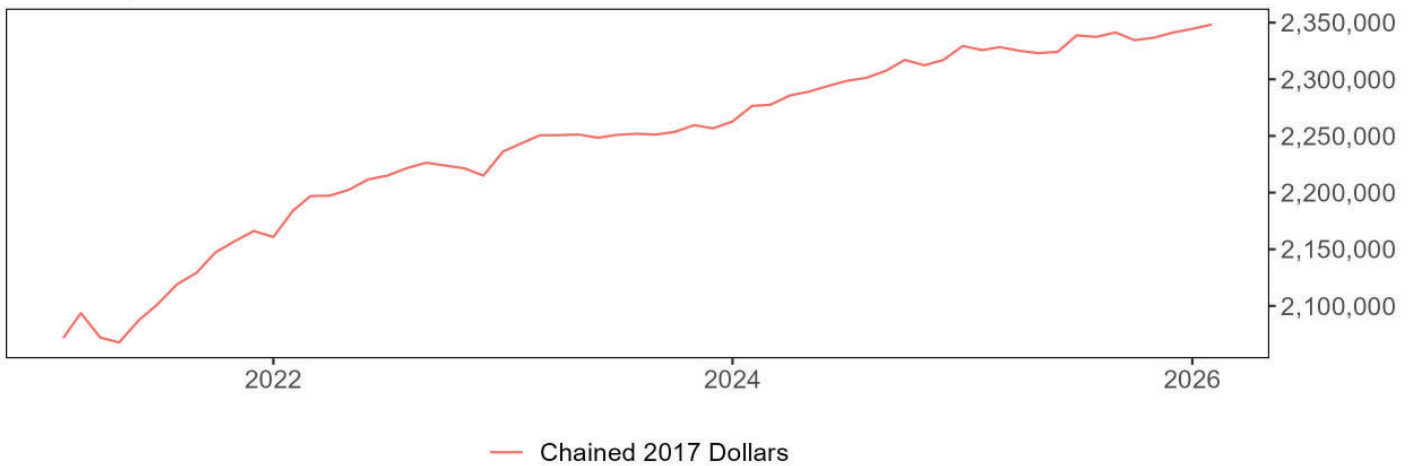
Industry GDP: Monthly Per Cent Change

Last data point: 2026-02-01



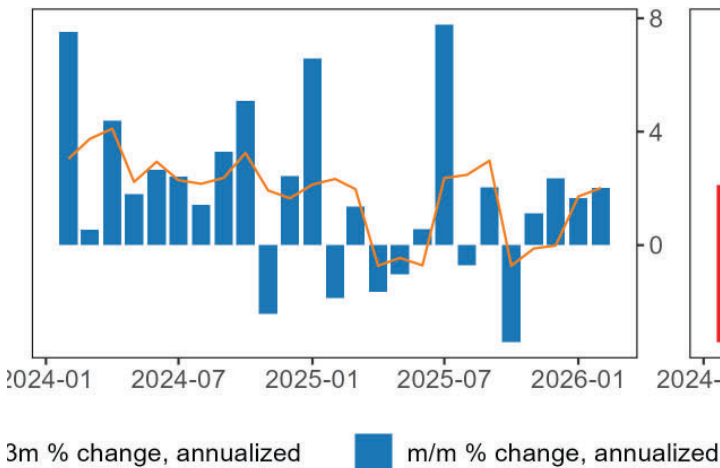
Industry GDP: \$ millions

Last data point: 2026-02-01



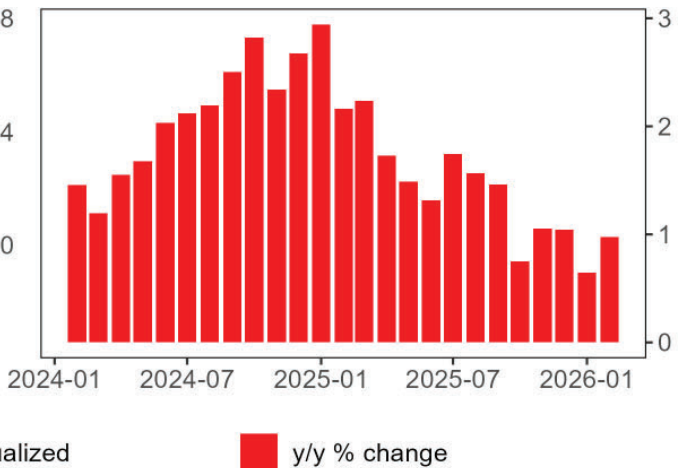
Industry GDP: Annualized Per Cent Change

Last data point: 2026-02-01



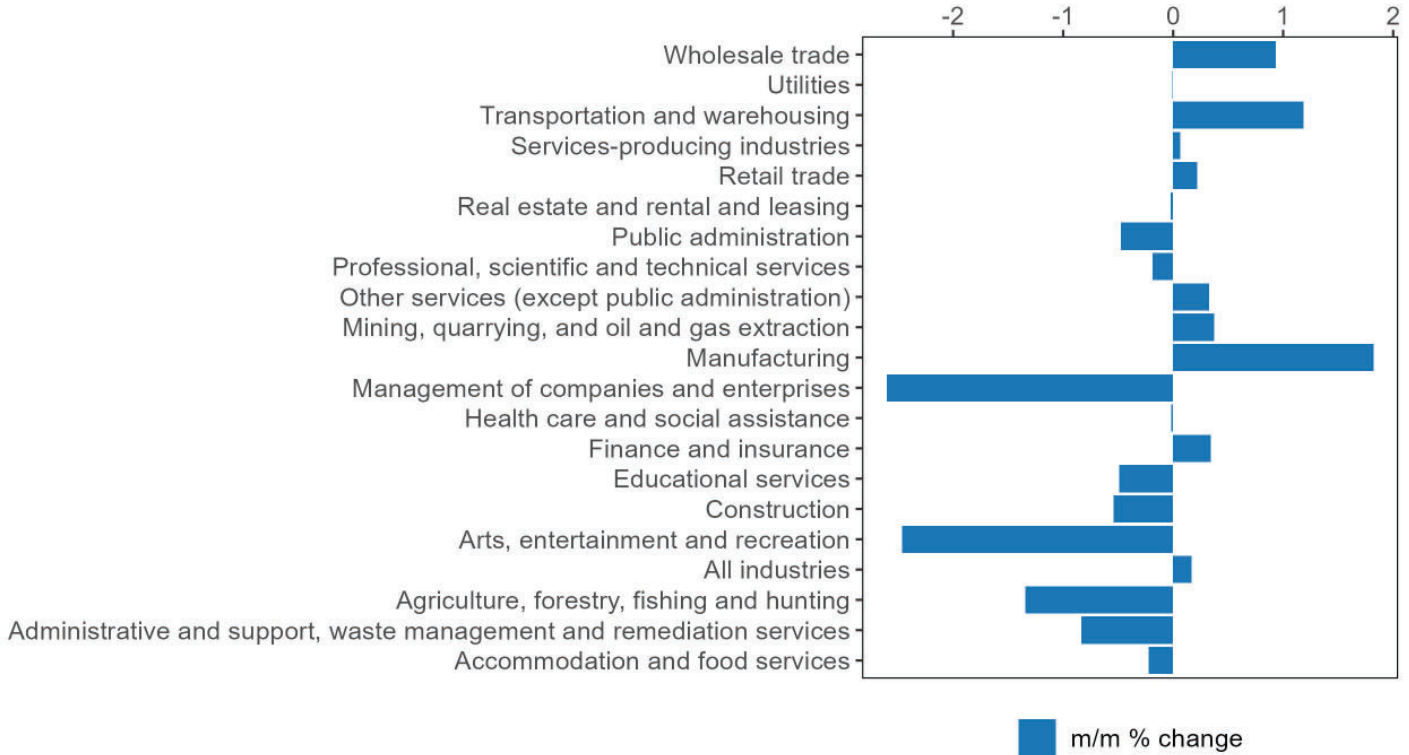
Industry GDP: 12- Month Per Cent Change

Last data point: 2026-02-01



Canada Industry GDP by Industry

Industry GDP: Monthly Per Cent Change
Last data point: 2026-02-01



Industry GDP: 12m Per Cent Change
Last data point: 2026-02-01

