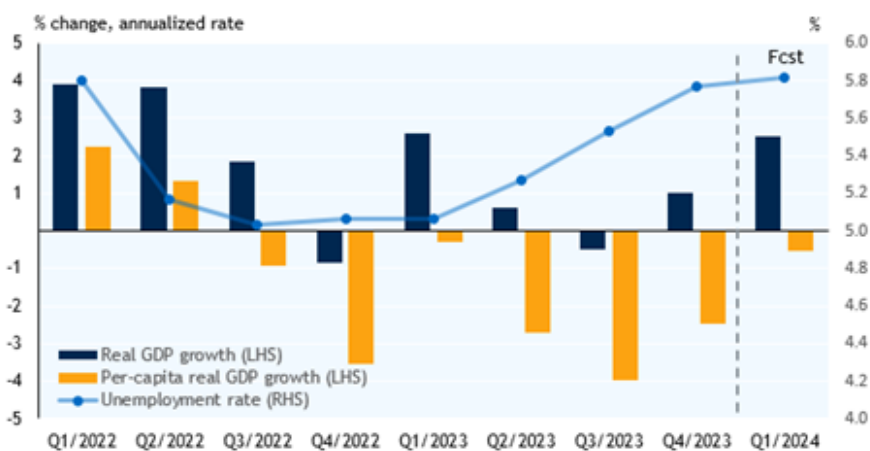


April 30, 2024

Canadian GDP growth slowed late in Q1

- After a 0.5% upside surprise in January (led largely by teachers in Quebec returning to work after being on strike), Canadian GDP growth slowed to 0.2% in February, well below the 0.4% advance estimate from Statistics Canada a month ago.
- The advance estimate for March was “essentially unchanged” from February. These estimates have been highly revision-prone, but still leave the quarterly tracking identical with our forecast for a 2.5% annualized increase in Q1 2024.

Canadian per-capita GDP continued to contract in Q1 2024



Source: Statistics Canada, RBC Economics Research

- As expected, stripping away some of the “one-off” factors that supported growth in January, monthly GDP numbers continue to highlight a soft economic backdrop in Canada. Oil production and rail transportation bounced back in February after weather related declines the prior month, but utilities output fell by 2.6% as heating demand slowed.
- Among other sectors, manufacturing activity continued to weaken in February, dragged down by lower output in motor vehicle and parts due to retooling related shutdowns. Finance and insurance activity on the other hand grew by a larger 0.3% led by mutual fund and equity activity. The increase was likely driven by expectations regarding interest rate announcements, as StatCan speculated.

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- Bottom Line:** Today's GDP report confirmed our expectations that the January surge in output was temporary, and in no way marked an inflection point for the growth backdrop in Canada that remains very weak. The softening in growth over February and March leaves output for Q1 as a whole tracking (by our count) a 7th consecutive per-capita decline. That together with an increasingly soft labour market (unemployment rate was up 1.1% from end of 2022) and substantially slower inflation pressures are consistent with the Bank of Canada to start easing the monetary tap on the economy soon. Our own base case forecast assumes the first cut will come in June.

Canada Monthly GDP Summary				
	m/m % change			y/y % change
	Dec-23	Jan-24	Feb-24	Feb-24
GDP	-0.1	0.5	0.2	4.3
Goods	-0.5	-0.1	0.0	4.8
Manufacturing	-0.8	0.5	-0.4	4.1
Services	0.0	0.7	0.2	4.1
Wholesale	0.0	-0.2	0.3	0.7
Accom/food	0.9	0.4	0.5	18.7

Source: Statistics Canada, RBC Economics Research