

February 29, 2024

Canadian per-capita GDP declined again in Q4

- Canadian GDP edged up an annualized 1.0% in Q4 after an upwardly revised (but still negative) 0.5% decline in Q3.
- With population growth continuing to surge higher, the Q4 increase will mark a 6th consecutive drop on a per-capita basis.
- And details were on the soft side with growth in external demand in Q4 more than offsetting a pullback in domestic spending.
- Net international trade added 2.4 percentage points to GDP growth in Q4. Higher international demand boosted exports (5.6%) while imports pulled back 1.7%.
- Consistent with the drop in imports, domestic demand pulled back outright for the first time in a year (-0.7%) as a smaller than expected consumer spending rise (1.0%) was offset by a second straight large pullback in business investment (-9.5%)
- And the quarter ended on a softer note with December GDP flat. That was well below the 0.3% advance estimate a month ago. Output in December was restrained by public sector strikes in Quebec, and the early estimate for January output is up 0.4% but those early estimates have been unreliable.
- Household disposable incomes rose solidly again (+5.3%) and the household stockpile of savings continued to rise (saving rate at 6.2%) but that savings is likely still heavily concentrated in the top end of the income distribution and is unlikely to be spent in the near-term.
- **Bottom Line:** The increase in GDP in Q4 was too small to prevent a 6th consecutive decline in output on a per capita basis. Details were on the soft side, with output propped up by stronger external demand as exports rose while domestic demand, particularly business spending, continued to soften. The bottom still isn't falling out of the economy in a way that would push the Bank of Canada to shift quickly to looser monetary policy. But with the economy continuing to

Nathan Janzen | Assistant Chief Economist | Royal Bank of Canada | 416 974 0579

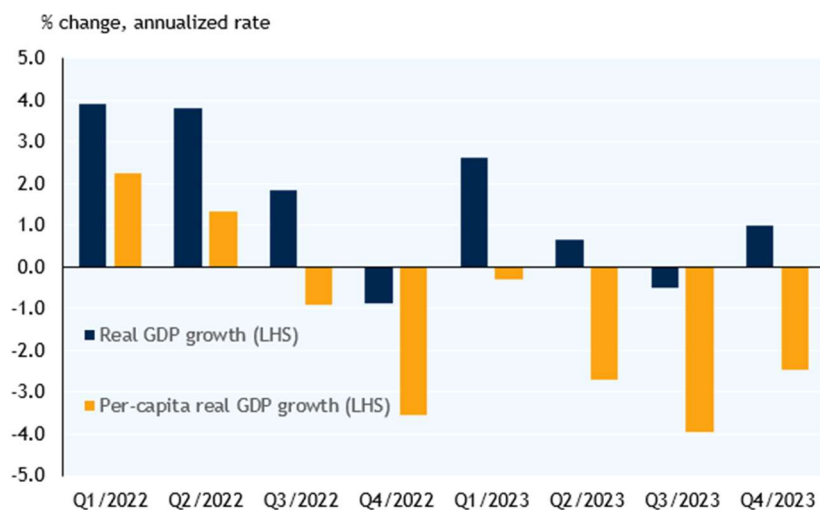
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show signs of softening, inflation is still likely to drift lower rather than higher. Our base-case assumption is that the BoC will shift to interest rate cuts in June.

Canadian GDP Growth					
	Q/Q annualized %				Y/Y %
	2023/Q1	2023/Q2	2023/Q3	2023/Q4	2023/Q4
Consumer spending	4.1	-0.7	0.5	1.0	1.2
Goods	2.5	0.2	-1.9	1.7	0.6
Services	5.3	-1.4	2.4	0.4	1.7
Government	1.0	0.4	6.7	-1.9	1.5
Res investment	-14.0	-3.5	8.7	-1.7	-3.0
Business investment	1.8	15.0	-16.3	-9.5	-3.0
Net trade (ppt cont, annualized)	3.2	-0.1	-0.8	2.4	
Inventories (ppt cont, annualized)	-2.9	0.4	-0.4	-0.5	
Canada GDP	2.6	0.6	-0.5	1.0	0.9
	Q/Q percent change				Y/Y %
Household disposable income	0.4	1.2	2.2	1.3	5.1
Saving rate	4.5	5.0	6.3	6.2	

*Source: Statistics Canada, RBC Economics

Canadian per-capita GDP declines extended into Q4



Source: Statistics Canada, RBC Economics