

SCOTIA FLASH

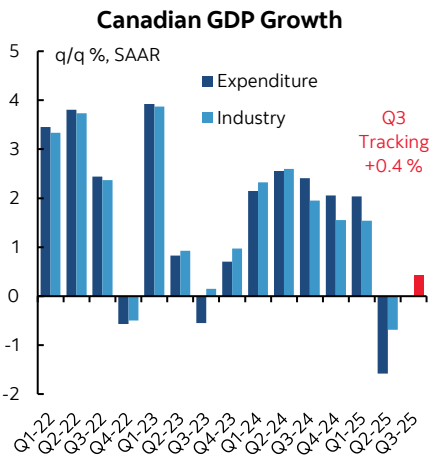
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Chart 1



Sources: Scotiabank Economics, Statistics Canada.

Chart 2



Sources: Scotiabank Economics, Statistics Canada.

BoC Won't Be Surprised by Canadian GDP

- Growth is barely positive in Q3...
- ...which won't surprise the BoC's forecast at all
- August weakness was partly strike related

Canada GDP, m/m %, August, SA:

Actual: -0.25

Scotia: -0.1

Consensus: 0.0

Prior: +0.3 (revised from +0.2)

September 'flash' estimate: +0.1

Canada's economy contracted in August after growth was revised up a touch in July and September is recording marginal growth. The BoC won't be surprised.

Why? Because what comes out in the wash is Q3 GDP tracking of about 0.4% q/q SAAR (chart 1). The BoC's October MPR that was just released forecast 0.5%. The BoC forecast and the tracking estimate are rooted in different concepts, but we can't say definitively that the BoC's estimate is off. The monthly numbers are based on income-side figures while the BoC and other forecasters pay more heed to the more complete quarterly production-side GDP accounts that do a better job at capturing inventory and trade swings as contributors to changes in economy-wide income.

DETAILS

August GDP contracted by 0.3% m/m SA. That was weaker than all estimates including my below-consensus -0.1%. I should've trusted my simple equation more as it spat out -0.2%. Chart 2 shows poor breadth with basically retail trade being the only game in town.

The Air Canada flight attendants strike probably lopped off about -0.1% from GDP in August. Statcan notes:

"In August 2025, a work stoppage involving 10,000 flight attendants that began mid-month resulted in flight cancellations, impacting air transportation activity in the month. Disruptions in air transportation were also a major contributor to the decline in support activities for transportation (-1.9%), which fell for the first time in six months, marking its largest decrease since January 2022. "

Then there was the posties strike in September and Alberta's teachers strike in October. Canada remains in strike mode as collective bargaining agreements continue to expire.

July was revised up a tick to 0.3% growth. September is guided to be up 0.1% m/m on a very preliminary basis until Statcan gathers more data. At this point, their only guidance is verbal: "Increases in finance and insurance, mining, quarrying, and oil and gas extraction, and manufacturing were partially offset by decreases in wholesale trade and retail trade. "

MARKETS

There was only a minor response in rates with the Canada 2s yield down 1-2bps. The overall report is hardly worthy of a forecaster getting out of bed to see that one. Most folks got the memo from the BoC on Wednesday that said "We're done!" for the foreseeable future barring truly major shocks.

Now onto Tuesday when PM Carney ramps up fiscal. I'll have a full section of my weekly devoted to it.

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