

## Canada Watch

By Stéfane Marion

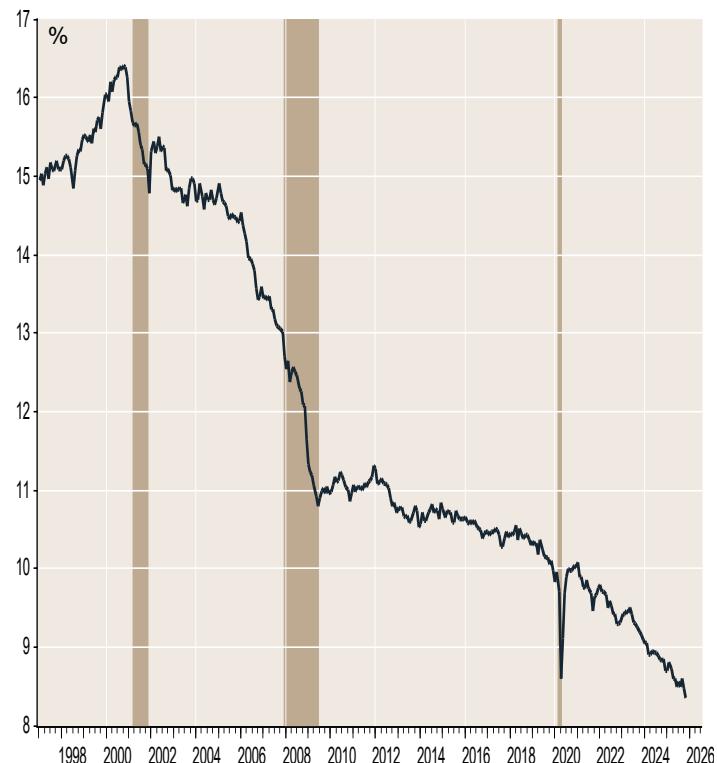
As noted last week, Canadian real GDP stalled in November, driven by another sharp drop in manufacturing output, which fell to its lowest level since 2013 outside the pandemic slump (see [here](#)). While many will be quick to blame the U.S. president, the reality is that Canada's manufacturing sector has been in recession since May 2023—the longest such stretch in at least a generation (data begin in 1997). As today's Hot Chart shows, this stands in stark contrast to the United States, where factory GDP is now 24% higher than in 2013—a divergence that is indefensible for a country that boasts preferential market access to more than 1.5 billion consumers through its network of trade agreements. Canada's manufacturing malaise reflects domestic policy failures, notably excessive regulation and persistent uncertainty around the taxonomy for natural gas and electricity, critical inputs for industrial processes. Accelerated depreciation in the last federal budget was necessary, but we doubt it will be sufficient to revive a sector whose share of GDP has collapsed to a record-low 8.3%. Greater clarity around CUSMA would undoubtedly help, but policymakers must also dismantle the home-grown barriers preventing Canada from transforming its own resources domestically. Time is of the essence.

### Canada: Manufacturing recession enters its 32nd month

Real manufacturing GDP\*:  
Canada vs. the U.S.



Manufacturing as a share  
of Canadian GDP\*\*



\* Chained 2017 dollars \*\*Constant dollar share  
NBC Economics and Strategy (data via Statcan and Fred)



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