

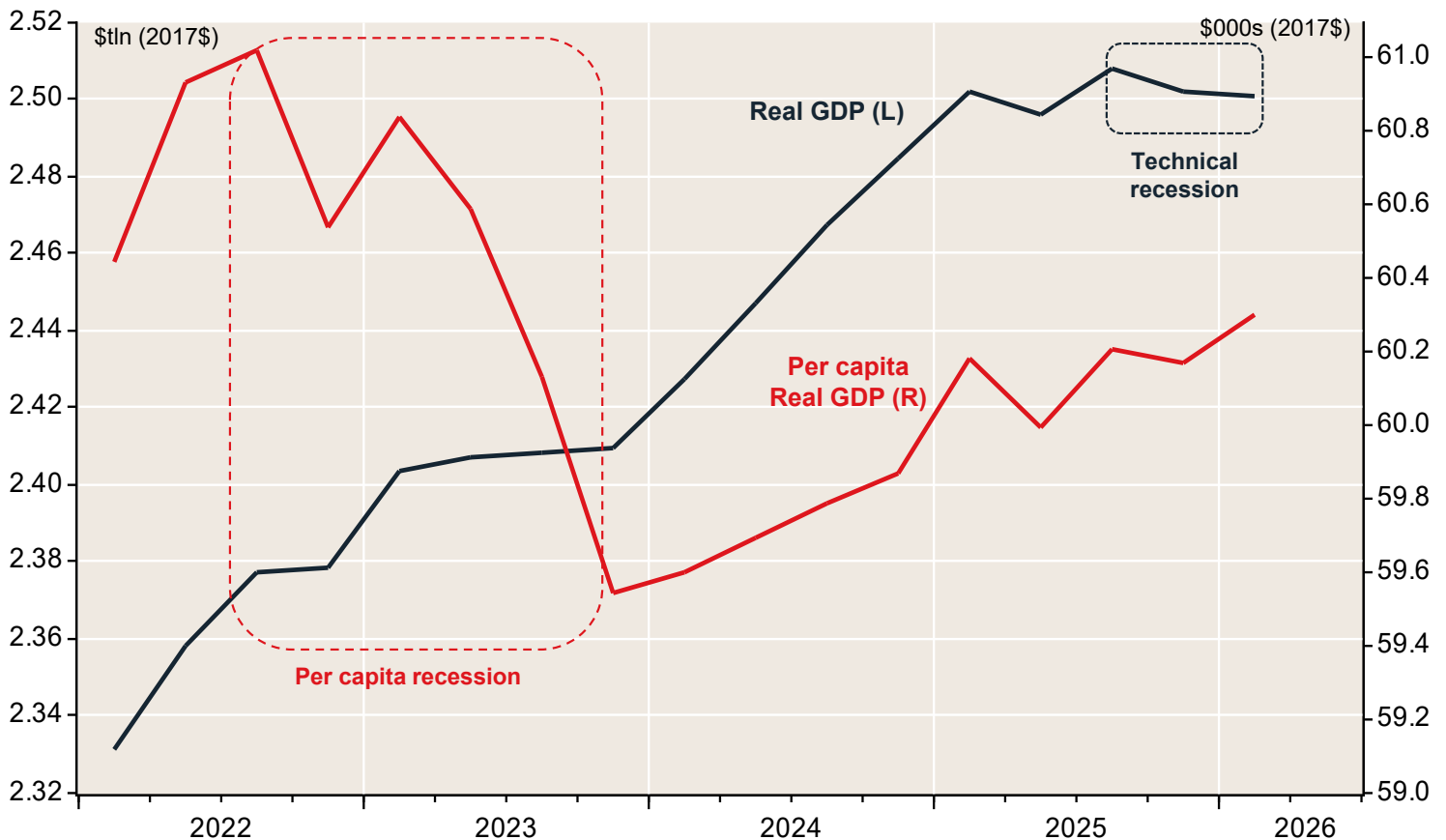
Canada Watch

By Taylor Schleich, Matthieu Arseneau and Alexandra Ducharme

With this morning's release of the national accounts, the Canadian economy has officially recorded two consecutive quarters of negative GDP growth (see details [here](#)). As expected, headlines declaring that the economy was in a "technical recession" flooded investors' screens. But is this description of the Canadian economy accurate, and should we be concerned? Not really. First, the 0.1% annualized contraction is so small that there is a risk that, after revision, it will cross back over the growth threshold. Secondly, while today's data is undoubtedly disappointing, there is a key variable that must be taken into account when analyzing Canadian GDP data: the population. Due to the ongoing slowdown in immigration decided by Ottawa, the country's population was smaller in the first quarter of 2026 than in the fourth quarter of 2025. This means that real GDP per capita growth was largely positive (+0.9%) in the last quarter and has been on an upward trend for two years. But as today's Hot Chart shows, this has not always been the case, with per capita output falling by nearly 2.5% in just over a year during 2022–2023. This occurred even as real GDP was technically growing, but the Canadian population was exploding. In our view, the performance back then was more concerning than it is today, having in fact contributed to a significant rise in the unemployment rate at the time. To be clear, the Canadian economy remains fragile and faces elevated uncertainty in the coming months, which should give the Bank of Canada greater confidence to "look through" the inflationary effects of the war in Iran. But we are not ready to bandy about the "R" word, at least not yet.

Canada: GDP is concerning, but the "R" word is premature

Real GDP and per capita real GDP



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