

Market Watch

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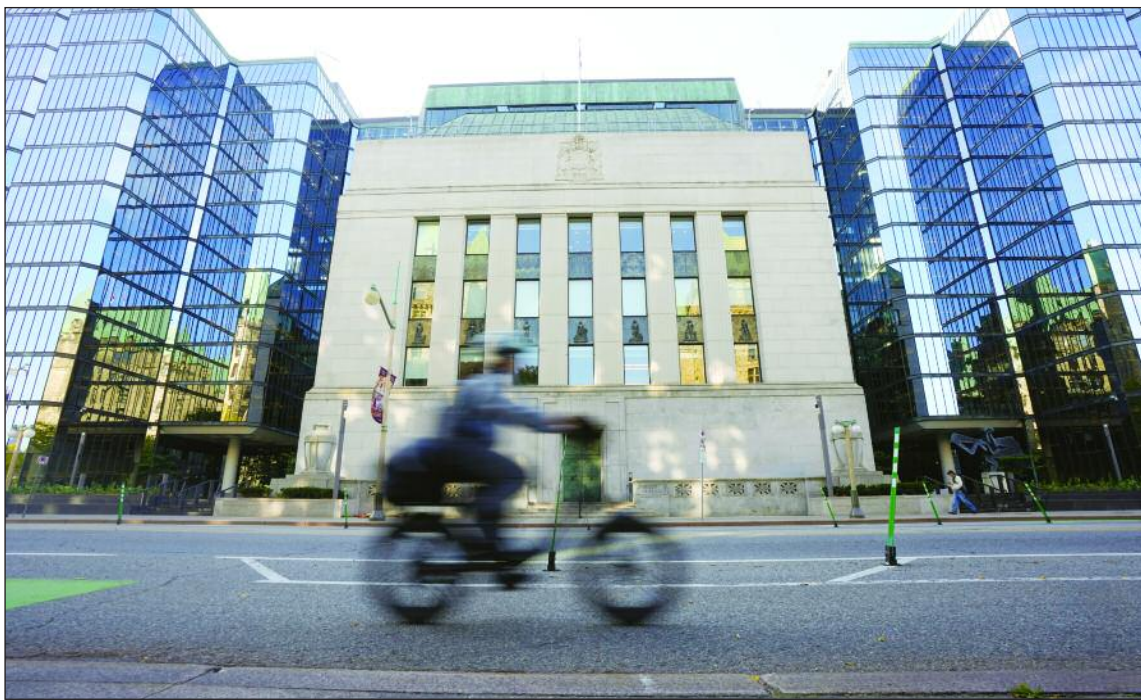
Weak GDP report unlikely to sway BoC to more rate cuts: economists

CRAIG LORD
The Canadian Press

The Canadian economy was showing more cracks in August, but most economists weighing in on the latest data say they don't think the Bank of Canada will respond with more rate cuts anytime soon.

Real gross domestic product declined 0.3 per cent in August and early signs suggest the economy barely managed any growth in the third quarter, Statistics Canada said Friday.

Goods-producing industries were down in August for the fifth time this year while the services side contracted for the first time in six months, StatCan said.



A cyclist rides past the Bank of Canada in Ottawa on Sept. 17.

CP PHOTO ADRIAN WYLD

The agency said August's decline mostly offsets a gain of 0.3 per cent in real GDP for July, which was revised a tick higher from earlier estimates. StatCan had initially expected flat growth for August.

A work stoppage among Air Canada flight attendants hampered air transportation activity in August. That subsector was down 4.6 per cent in the month, its steepest decline since the COVID-19 pandemic.

Drought conditions constrained hydroelectric power generation, the agency said, throttling overall output from the utilities sector.

The wholesale trade industry and the mining and quarrying subsectors also posted declines, partially offset by growth in retail trade.

While August's drop in GDP was a bit of a surprise, Royal Bank economist Abbey Xu said

the upward revision for July means the third quarter is still tracking close to RBC's forecasts.

StatCan's advance estimates for September call for a gain of 0.1 per cent in real GDP and annualized growth of 0.4 per cent for the third quarter. That's a tad below the Bank of Canada's forecast for the quarter released earlier this week.

Xu said there are still risks that non-residential business investment continues to underwhelm, but RBC expects consumer spending will be resilient enough to help Canada's economy avoid a steeper downturn in the third quarter.

"It's a small positive num-

ber, so avoiding a recession following the huge contraction in the prior quarter," she said.

StatCan said the Canadian economy shrank 1.6 per cent on an annualized basis in the second quarter as tariffs from the United States drove a sharp decline in exports.

Oxford Economics senior economist Michael Davenport said in a note Friday that Canada's economy is teetering on a technical recession with roughly flat growth expected for the third quarter.

Whether economic data meets the traditional definition of a recession — two consecutive quarters of real GDP decline — Davenport said he expects the economy "will

struggle to grow in the near term and remain vulnerable to further trade-related disruptions."

The tariff-sensitive manufacturing industry posted a decline of 0.5 per cent in August, but the early look at September's real GDP figures show the sector might have rebounded last month.

The Bank of Canada signalled that it may be finished with rate cuts following its quarter-point reduction on Wednesday, which left the benchmark interest rate at 2.25 per cent.

Governor Tiff Macklem said it would take a material change in the economy compared to the central bank's

baseline forecasts to warrant further easing.

Xu said "the messaging is still the same" with Q3 GDP largely lining up with the Bank of Canada's expectations. RBC is not forecasting any rate changes from the central bank until at least the end of 2026.

Financial markets were placing the odds of a hold at the Bank of Canada's next rate announcement on Dec. 10 at more than 90 per cent as of Friday afternoon, according to LSEG Data & Analytics.

Benjamin Reitzes, BMO's managing director of Canadian rates and macro strategist, said in a note to clients Friday that one-time factors like drought and the Air Canada labour disruption will be reversed going forward.

The Toronto Blue Jays post-season run will also provide a lift to the October GDP figures, he said, and next week's federal budget should also offer fiscal stimulus for the economy.

"We'll need to see more weakness than this to spook the Bank of Canada after this week's messaging that they're happy to move to the sidelines as long as the economy performs in line with its forecast," Reitzes said.

Meanwhile, Davenport said there's plenty more data to come before the Bank of Canada's final rate decision of the year. He said there's a "small chance" of another rate cut or two if the labour market and GDP figures undershoot the central bank's expectations.

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44 SIERRA ROAD SW - Single Detached House.

57 HAMPTONS BAY SE - Single Detached House.

77 8 STREET SW - Garage Addition With Variance To Gross Floor Area.

474 10 STREET SE - Secondary Suite.

COMMERCIAL/INDUSTRIAL/ INSTITUTIONAL

101 623 4 STREET SE - Change Of Use (Health Care Office).

HOME BUSINESS

245 2 STREET NE - Home Business Minor - Landscaping & Snow Removal.

1079 ROSS STREET SE -Home Business Minor - Mobile Automotive Service Technician (Mechanic)

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All Development Permits listed are subject to conditions. For more information, contact Planning and Development Services, 2nd Floor, City Hall. Ph. (403) 529-8374.

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Imperial Oil's profit dips due to charges on restructuring, office sale

The Canadian Press

Imperial Oil Ltd. reported a drop in third-quarter profit as it took charges related to a major overhaul at its Calgary headquarters.

The oil producer and refiner, majority owned by U.S. major ExxonMobil Corp., had said in September it plans to cut 20 per cent of its workforce by the end of 2027, representing a reduction in 900 corporate positions, mostly in Calgary.

"As a company, our legacy is defined by change and adaptation to ever-evolving business environments, technology and customer needs," president and CEO John Whelan, who took on the top role in the spring, told an analyst conference call.

"That ability to evolve is one of our greatest strengths. We have done it time and time again, and it is key to our success and leading position."

Imperial reported net income of \$539 million, or \$1.07 per diluted share, for the three months ended Sept. 30, compared to \$1.24 billion, or \$2.33 per diluted share, a year earlier.

The results included an after-tax charge of \$249 million related to the restructuring.

"This charge largely consists of employee severance costs, which will be paid out over the next two years as we migrate activities to business and technology centres and achieve efficiency," said Daniel Lyons, senior vice-president of finance and administration.

There was also a \$306-million after-tax impairment charge related to the sale of Imperial's sprawling corporate campus in suburban Calgary. That agreement includes a leaseback, which enables staff to remain in those offices throughout the transition.

Whelan said the latest restructuring builds on Imperial's efforts to outsource work to "global capability centres" over the past decade on an "opportunity by opportunity" basis.

"Now, we've looked at this from a companywide perspective and, as we've kind of crawled and walked, we see the opportunity to run."

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