Gross Domestic Product by Industry, May 2026*

Vancity

A Stronger Spring, But Not an All Clear

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Canada's economy grew 0.3 percent in May, marking a second consecutive monthly gain, with early estimates pointing to another 0.2 percent increase in June. This is encouraging because it occurred despite tariff threats, shifting trade rules, and higher energy prices. But stronger GDP tells us more about where the economy has been than where it is headed. The real test is whether this momentum is durable enough to improve affordability, support business confidence, and withstand ongoing trade uncertainty.

Key takeaways:

- **The economy regained momentum in Q2.** Real GDP by industry rose 0.3 percent in May, with 13 of 20 sectors expanding. Goods producing industries rose 0.6 percent and services producing industries increased 0.2 percent.
- **Resources and construction did important work.** Mining, quarrying, and oil and gas extraction grew 1.0 percent, while construction rose 0.8 percent for a second consecutive monthly increase.
- **Housing related activity improved, but affordability has not.** Real estate and rental and leasing rose 0.4 percent, and activity at real estate agents and brokers increased 5.1 percent, reflecting stronger resale activity, particularly in Ontario and British Columbia.
- **Manufacturing is improving, but the recovery is uneven.** Manufacturing rose 0.3 percent, supported by non-durable goods, while durable goods manufacturing contracted 0.2 percent.
- **Businesses and households still face a cautious second half**. Ongoing CUSMA uncertainty, newly threatened tariffs, and higher oil and gas prices are expected to weigh on confidence and contribute to slower growth later in the year.

For businesses, this is a signal to plan for resilience rather than acceleration. For households, it is a reminder that strong headline economic indicators do not always translate into a more affordable day to day reality.

Growth is broadening, but relief is not reaching everyone.

If you read only the headline, the story looks reassuring. Economic growth was broad based, extending beyond a handful of industries and continuing the momentum established in April.

But this is not the same as saying the economy is on solid ground. Some of the growth is coming from sectors that do not translate evenly into daily financial relief for households or stable demand for Main Street businesses. A stronger GDP print can coexist with cautious consumers, tight household budgets, and businesses delaying hiring or investment because trade rules, tariffs, and borrowing costs remain uncertain.

Why this matters for households.

May GDP offers a better income story than the first quarter. The caution is that stronger GDP does not automatically mean affordability is easing. The sectors lifting growth are not always the sectors that households feel most directly in their monthly budget. A household feels the economy through paycheques, rent, mortgage payments, grocery bills, fuel costs, childcare, and debt payments. On that test, the GDP rebound is helpful, but incomplete.

The housing signal is especially mixed. More apartment construction is positive, and stronger resale activity can support employment in real estate, legal, moving, renovation, and household goods services. But stronger resale activity in Ontario and British Columbia can also intensify competition for households trying to buy, while renters continue to face affordability pressure. The economy can be stronger and still feel unaffordable.

Why this matters for small businesses.

For small business owners, the May data is better than the first quarter story, but it does not support aggressive optimism.

The good news.
Activity is improving across several parts of the economy. Resource activity is stronger, construction has posted two consecutive monthly gains, real estate related activity is improving, finance and insurance is growing, and retail trade is expected to contribute to June growth. If your business sells into construction, energy, logistics, real estate services, or adjacent professional services, the demand environment may feel less weak than it did earlier in the year.

The concern.
Uncertainty has not gone away. CUSMA, tariffs, higher oil and gas prices, and slower second half growth are still live risks. If your business depends on discretionary household spending, stronger GDP does not necessarily mean customers are ready to spend freely. Many households are still protecting cash flow.

The strategic read.
This is a rebound to stability, not a return to certainty. Hiring, inventory, and capital spending decisions should be calibrated for uneven demand. Businesses may need to prepare for stronger activity in some segments and softer consumer behaviour in others.

Why the headline does not tell the full story.

The breadth of May growth is encouraging, but the structure is still patchy.

- **Resources continued to lead**. Mining, quarrying, and oil and gas extraction expanded 1.0 percent in May, leading growth for the second consecutive month. Oil sands extraction rose 1.6 percent, and support activities for oil and gas extraction increased 9.8 percent. This is meaningful growth, but it also leaves the national story tied to energy activity and commodity conditions.

- **Construction strengthened for a second month**. Construction rose 0.8 percent, with all subsectors expanding. Residential building construction increased 1.1 percent, driven by apartment buildings, while engineering and other construction activities also rose 1.1 percent. This is one of the more important signals for households because more housing activity is needed. But one or two stronger months will not erase years of affordability pressure.

- **Real estate activity turned higher, including in BC**. Real estate and rental and leasing grew 0.4 percent for a fourth consecutive monthly increase. Offices of real estate agents and brokers and activities related to real estate rose 5.1 percent, their largest monthly increase since October 2024, reflecting stronger home resale activity, particularly in Ontario and British Columbia.

- **Manufacturing is recovering unevenly.** Manufacturing grew 0.3 percent as non-durable goods manufacturing rose 1.0 percent. Chemical manufacturing rebounded 5.9 percent, supported by pharmaceutical and medicine manufacturing. But durable goods manufacturing contracted 0.2 percent, with declines in machinery, miscellaneous manufacturing, and electrical equipment, appliance and component manufacturing.

- **Services growth was positive, but shallower.** Services producing industries grew 0.2 percent. Finance and insurance rose 0.3 percent, reflecting heightened equity and bond market activity amid geopolitical tensions. Public administration rose 0.6 percent, partly linked to 2026 Census activity. These are real contributions to GDP, but they do not all feel the same in household budgets or small business sales.

Statistics Canada's advance estimate suggests GDP rose another 0.2 percent in June. However, growth remains concentrated in sectors that may not immediately translate into stronger household finances, business investment, or hiring.

A view from BC

British Columbia sits at the intersection of several themes shaping the national outlook.

Housing remains one of the main channels through which growth is experienced locally. Statistics Canada data specifically notes that stronger national resale activity was concentrated in Ontario and British Columbia. More resale activity may support related businesses, but it can also reinforce affordability pressure if household incomes do not keep pace with prices and borrowing costs.

BC also remains highly exposed to trade conditions: tariff threats, CUSMA related uncertainty, commodity prices, and global demand. The national growth story is better, but BC businesses connected to manufacturing, forestry, resources, transportation, construction, and trade still face a planning environment where the rules can change faster than business confidence can recover.

For Vancity members across Metro Vancouver, the Fraser Valley, Vancouver Island, and the communities we serve, the message is straightforward. Is economic growth supporting stable employment? Is it improving affordability? Is it creating opportunities for small businesses to grow and invest?

Bottom line

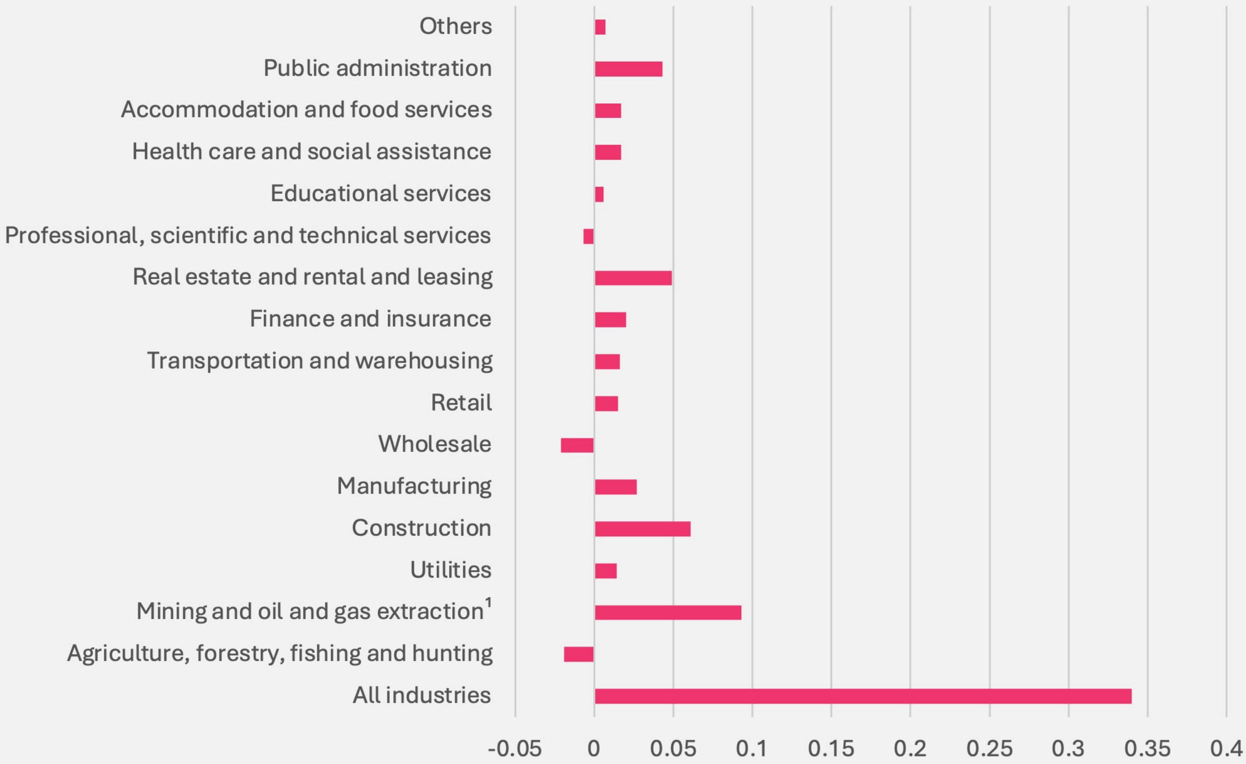
Economic momentum improved meaningfully during the second quarter. That is good news.

What matters now is whether the rebound is strong enough, broad enough, and durable enough to improve the financial lives of households and small businesses. For now, the direction is better. The foundation is still being tested.

We expect the Bank of Canada to remain cautious as stronger economic activity offsets some of the downside risks associated with trade uncertainty and higher oil prices. For households and businesses, that means borrowing costs are likely to remain a consideration in decisions about spending, hiring, investment, and expansion.

Sources: Statistics Canada, Gross domestic product by industry, May 2026, released July 31, 2026

May 2026 GDP Growth by Industry (% MoM)



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