Real GDP by industry accelerates

HIGHLIGHTS

• Real GDP by industry rose by 0.3% in November 2012, its sharpest increase since April 2012.
• The goods sector posted a gain of 0.6% thanks to a significant contribution from oil and gas extraction, utilities and manufacturing.
• Service industries reported growth of 0.1%. In particular, wholesale trade advanced by 0.7%, while retail trade gained 0.6%.
• Industrial production ticked up 0.8%.
• The base year is changing from 2002 to 2007.

COMMENTS

In general, the November results for real GDP by industry are in line with expectations. For one thing, the significant increase in sales volume that was reported by manufacturers, wholesalers and retailers during the month translated into a production boom in those industries. For another, the energy sector continued to rally from the difficulties it experienced last summer. Its real GDP rose by 0.7% in November, after a 1.4% gain in October. This means that the energy sector’s production volume has nearly matched that which was recorded at the beginning of 2012.

Implications: The acceleration in real GDP growth by industry is a welcome bit of fresh air in the current gloomy climate. Still, the weak growth observed last summer, and in October, will weigh heavily on the economic account results for the fourth quarter of 2012. Despite the November rally, the carryover for the fourth quarter as a whole is just 0.7% (at an annualized pace). Obviously, it would be surprising if December failed to bring further real GDP growth by industry.

All things considered, the fourth quarter is likely to end with a gain of approximately 1.0%. This forecast is slightly below that of our most recent scenario, and that of the latest consensus of private forecasters. The Bank of Canada got it right in its Monetary Policy Report, though, calling for 1.0% growth in the fourth quarter of 2012. As far as monetary policy is concerned, today’s numbers will probably not change anything.

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