The energy sector boosts real GDP growth in August

HIGHLIGHTS

• Real GDP by industry rose 0.3% in August.
• Nearly half of this growth stems from the mining, oil and gas industry, which benefitted from a 5.6% jump in unconventional oil extraction.
• Most other goods-producing industries posted a slight decline over the month. In the end, all goods-producing industries saw an increase of 0.4%.
• Service-producing industries grew 0.3% in August, thanks to nearly widespread gains.

COMMENTS

This morning held a nice surprise, with real GDP growth by industry beating expectations, while recent movement by economic indicators suggested that economic growth would be rather weak in August. That said, nearly half of the increase observed during the month stems from one industry: unconventional oil extraction. Without this contribution, real GDP growth would have been in the area of 0.15%, a gain that is more reflective of the uncertain economic conditions that have been prevailing for some time.

It would be surprising for the energy sector to contribute as strongly to economic growth in the coming months. In fact, the volatility that is often seen in various industries even increases the risk of a correction in the months ahead. Under these circumstances, real GDP growth by industry should return to a weaker pace starting in September.

Implications: The 0.6% increase recorded in July and the 0.3% gain posted in August provide a carryover (assuming zero growth in September) of about 2.5% (quarterly annualized) for the third quarter as a whole. Assuming that real GDP by industry slightly increases in September, quarterly annualized real GDP growth could somewhat exceed this target. Even though this forecast is higher than what the Bank of Canada recently predicted for the third quarter (1.8%), monetary authorities should not deviate from the more neutral path they have taken recently. Lastly, growth forecast for the third quarter is in keeping with our most recent economic scenario, which calls for Canadian real GDP growth of 1.7% for 2013.

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