Economic News

Desjardins Economic Studies
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April 30, 2014

CANADA

Heading for around 2% first quarter growth

HIGHLIGHTS

- Real GDP by industry rose 0.2% in February.
- Output from goods-producing industries posted 0.5% growth due to a surge in mining, oil and gas extraction and in manufacturing.
- Service industries grew 0.1%. Jumps in trade were offset by a significant drop in arts, entertainment and recreation due to the National Hockey League ceasing activities during the Olympic Games.

COMMENTS

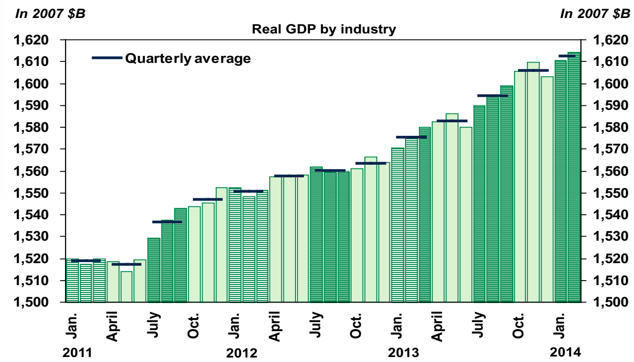
In general, the results of real GDP by industry are in line with expectations. The 0.2% increase recorded in February follows a 0.5% gain in January, further making up for ground lost at the end of 2013.

But we do perceive that Canadian economic growth is somewhat less robust than it was last summer or fall, when the monthly average change was +0.4%. In this context, February's 0.2% gain seems rather weak, especially since it is basically due to the contribution of two industries (mining, oil and gas extraction and manufacturing). Excluding these two sectors, real GDP by industry only grew 0.04% in February.

It is clear that the harsh winter in North America has negatively impacted the Canadian economy. Data released today also indicate that the U.S. economy only grew 0.1% (quarterly annualized) in winter 2014, thus hampering growth by Canadian exports.

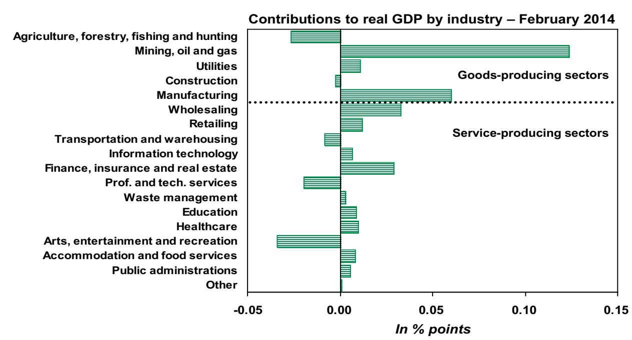
Implications: The Canadian economy's carryover for the first quarter of 2014 is fairly weak. Assuming that March will end with a small improvement in real GDP by industry, the first quarter of 2014 as a whole should post growth of around 2%. This would mark a clear slowdown from the nearly 3% gains that have been observed since mid-2013.

Real GDP continues its ascent



Sources: Statistics Canada and Desjardins, Economic Studies

The natural resources and manufacturing sectors were major growth drivers in February 2014



Sources: Statistics Canada and Desjardins, Economic Studies

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