Economic News
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CANADA

Economic growth is starting to slow

HIGHLIGHTS

- After adding 0.4% in September and 0.3% in October, real GDP by industry lost 0.2% in November.
- The sectors that most contributed to this decrease are manufacturing (-1.9%), mining (-2.5%) and non-conventional oil extraction (-3.0%).
- Overall, the goods-producing sectors posted a 0.8% decline during the month, while real GDP for the service-producing sectors held steady.

COMMENTS

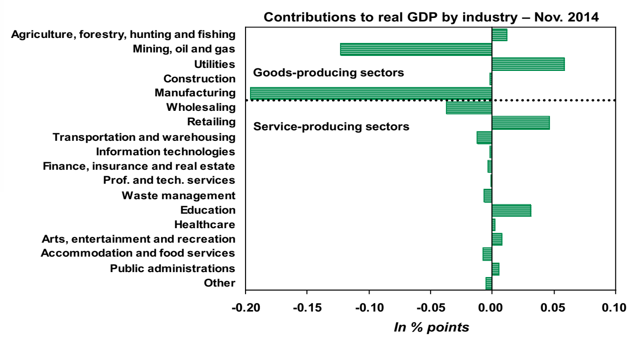
November's 0.2% drop in real GDP by industry was fairly close to our forecast (-0.1%). Especially, plummeting crude oil prices prompted a drop in extraction from oil sands—the type of production that is most sensitive to price decreases. The same goes for mining, since metal and mineral prices in Canadian dollars have contracted since the end of summer.

That said, the significant decrease in manufacturing is more disappointing. With improved U.S. demand and the Canadian dollar's strong depreciation, we expected manufacturing to turn in a stronger performance. Yet almost all sub-sectors experienced difficulties in November, attesting to a generalized weakness. However, all signs suggest that this is a temporary retreat following the significant growth that has occurred since the beginning of 2014. In any case, it is much too soon to consider the possibility that this is a consequence of slowing business investment by natural resources companies.

December could hold some surprises in terms of real GDP growth by industry, as the total number of hours worked during the month rose 0.5%, after falling 0.7% in November. This obviously remains to be confirmed by the results of the next economic indicators.

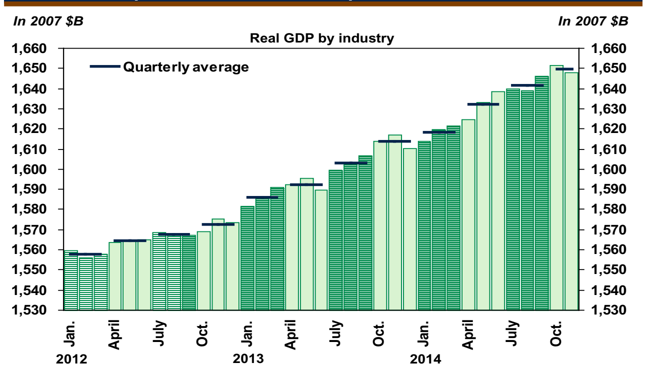
Implications: After two months, the carryover for the fourth quarter is 2.2%. According to December's results, overall growth for the fourth quarter of 2014 should be between 2.0% and 2.4%. A stronger slowdown should occur at the beginning of 2015.

Manufacturing, mining and oil made big contributions to the decline in real GDP by industry in November



Sources: Statistics Canada and Desjardins, Economic Studies

Despite difficulties at the end of 2014, real GDP growth looks to be positive for the fourth quarter as a whole



Sources: Statistics Canada and Desjardins, Economic Studies

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