Economic News
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CANADA

The fourth quarter looks disappointing despite November's real GDP growth

HIGHLIGHTS

- Real GDP by industry rose 0.3% in November.
- Goods sectors were up 0.4% thanks to gains in all industries aside from construction, which was almost flat.
- The service sectors advanced 0.2%. Among others, wholesaling and retailing shot up over the month.

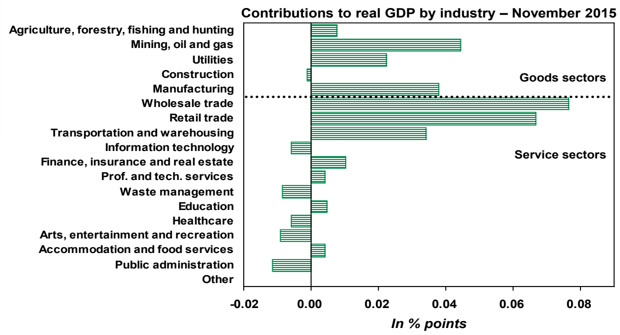
COMMENTS

In general, November's results for real GDP by industry are in line with expectations. Note that most of the economic indicators had done well during the month. Among other things, oil and natural gas extraction rose 2.1% in November, continuing to bounce back from September's 10.6% drop, which came as a result of maintenance shutdowns and production problems.

November's real GDP growth is somewhat comforting given the disappointing results for September (-0.5%) and October (0.0%), doing away with some of the concern over the country's economic conditions. That being said, it is important not to delude ourselves: November's upswing in real GDP is not enough to save the fourth quarter. After two months, the carryover for the last quarter of 2015 is almost zero. Real GDP would have to rise at least 0.5% in December for Q4 to end with quarterly annualized growth of more than 0.5%. It will be hard to get there, as a number of one-off factors are likely to curb growth in December, including the exceptionally mild weather and disruptions in retailing. We will release a more in-depth analysis on this topic in the coming days.

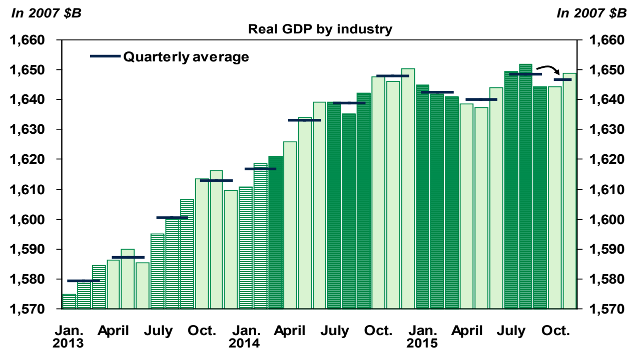
Implications: In its latest *Monetary Policy Report*, the Bank of Canada was anticipating zero real GDP growth in Q4 2015, which matches today's results. Hopes are now focused on the first quarter of 2016, which should see growth accelerate somewhat. Under the circumstances, the status quo for key interest rates still applies.

Several industries contributed to growth in November



Sources: Statistics Canada and Desjardins, Economic Studies

Heading for nearly zero growth in Q4 2015



Sources: Statistics Canada and Desjardins, Economic Studies

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