

CANADA

Heading for growth above 3% in the fourth quarter?

HIGHLIGHTS

- Real GDP by industry increased 0.3% in October, similar to the growth seen in September.
- The goods sectors posted a gain of 0.4% mainly due to a 1.3% increase in manufacturing.
- The service sector expanded 0.3%, with most industries growing during the month. Wholesaling stood out with an increase of 1.4%.

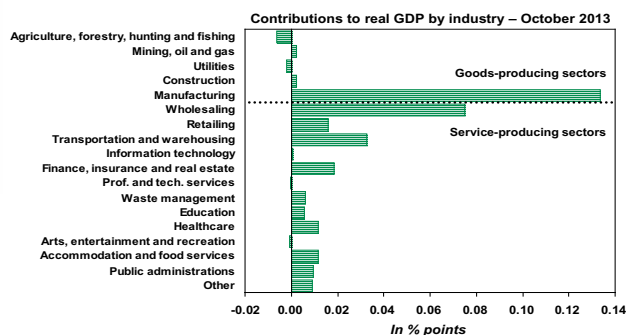
COMMENTS

As suggested by the solid advances posted by several indicators in October, economic growth was fairly robust for the month. It is clear that the Canadian economy has been growing at a relatively faster pace in recent months, suggesting that the benefits of improved overall demand, and particularly, the easing of uncertainties around the globe are increasingly being felt. Manufacturing has in fact been at the core of this improvement for the last two months, posting cumulative growth of 2.5%.

With real GDP by industry up 0.3% in October, the fourth quarter is starting on a positive note. As such, the carryover for the quarter, assuming that real GDP by industry remains constant in November and December, is around 2.6%. Of course it would be very surprising if the final two months of the year did not end up posting growth in real GDP, since the average monthly gain has been 0.25% in 2013. In all probability, fourth quarter growth will surpass the 3% mark, representing a much more optimistic outlook than the last economic scenario, which called for real GDP to grow just 2.3% in the last quarter of 2013.

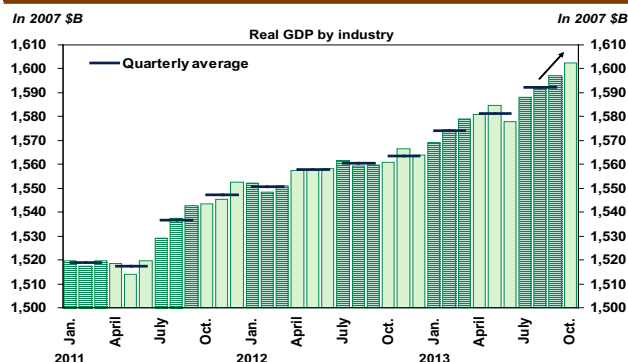
Implications: Everything suggests that the economy should post above-potential growth in the fourth quarter, helping to further reduce excess capacity in the Canadian economy. This will naturally have repercussions on price trends in the coming quarters. In the meantime, the Bank of Canada will leave its key rates where they are in order to continue stimulating growth across the country.

Manufacturing is a major driver in October 2013 growth



Sources: Statistics Canada and Desjardins, Economic Studies

The fourth quarter of 2013 starts on a positive note



Sources: Statistics Canada and Desjardins, Economic Studies

Benoit P. Durocher
Senior Economist

François Dupuis
Vice-President and Chief Economist

Yves St-Maurice
Senior Director and Deputy Chief Economist

514-281-2336 or 1 866 866-7000, ext. 2336
E-mail: desjardins.economics@desjardins.com

Hélène Bégin
Senior Economist

Benoit P. Durocher
Senior Economist

Francis Généreux
Senior Economist

NOTE TO READERS: The letters **k**, **M** and **B** are used in texts and tables to refer to thousands, millions and billions respectively.

IMPORTANT: This document is based on public information and may under no circumstances be used or construed as a commitment by Desjardins Group. While the information provided has been determined on the basis of data obtained from sources that are deemed to be reliable, Desjardins Group in no way warrants that the information is accurate or complete. The document is provided solely for information purposes and does not constitute an offer or solicitation for purchase or sale. Desjardins Group takes no responsibility for the consequences of any decision whatsoever made on the basis of the data contained herein and does not hereby undertake to provide any advice, notably in the area of investment services. The data on prices or margins are provided for information purposes and may be modified at any time, based on such factors as market conditions. The past performances and projections expressed herein are no guarantee of future performance. The opinions and forecasts contained herein are, unless otherwise indicated, those of the document's authors and do not represent the opinions of any other person or the official position of Desjardins Group. Copyright © 2013, Desjardins Group. All rights reserved.