Economic News
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CANADA

Heading for 3% growth in the fourth quarter?

HIGHLIGHTS

- Real GDP by industry advanced 0.2% in November, performing as expected. This followed 0.3% growth in October.
- Goods-producing industries posted a 0.4% gain. Utilities and mining, and oil and gas extraction made significant contributions, with respective increases of 2.1% and 1.7%. Agriculture, forestry and fishing (-0.7%), construction (-0.1%) and manufacturing (-0.5%) retreated during the month.
- Service industries reported growth of 0.2% in November.

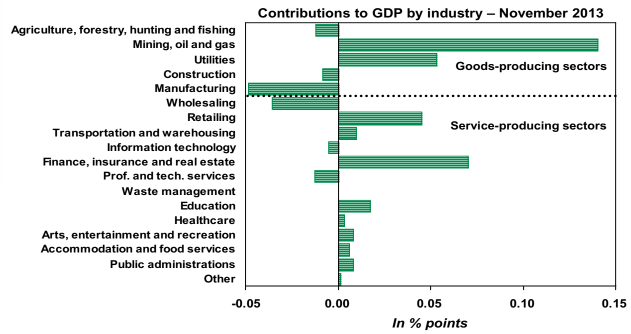
COMMENTS

Despite clearly negative sentiments on the Canadian economy that have been plaguing financial markets in recent weeks, this morning's results confirm that the country's economic growth continues at a more than satisfactory pace. Real GDP by industry has posted 0.4% monthly average growth since July 2013.

It is true that the Canadian economy is struggling to capitalize on improved global demand and exports remain anemic. This is reflected in the 0.5% dip recorded by manufacturing in November. That said, other activity sectors are picking up the slack to support growth across the country, suggesting that, all in all, domestic demand remains rather strong.

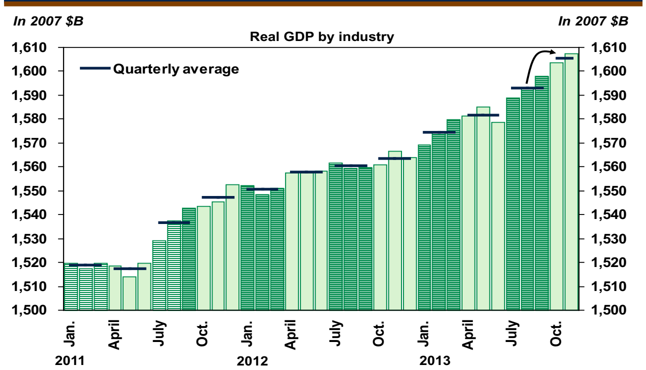
Implications: The carryover for real GDP (assuming no monthly variation in December) for the fourth quarter overall is 3.2%. This projection is clearly better than the latest Bank of Canada forecast (2.5%). The freezing rain in Toronto in December could certainly cause problems that will negatively impact real GDP growth by industry. However, the very cold temperatures recorded in certain regions during the month will undoubtedly expand production in certain utilities. All in all, we could see a small increase in real GDP by industry in December, which would allow the fourth quarter to end with a gain of around 3%. Under these circumstances, current market expectations of lower key interest rates should wane somewhat.

Mining, oil and gas extraction made major contributions to growth in November 2013



Sources: Statistics Canada and Desjardins, Economic Studies

Fourth quarter 2013 growth promises to be rather strong



Sources: Statistics Canada and Desjardins, Economic Studies

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