



## CANADA

### Real GDP rebounded at the start of 2014

#### HIGHLIGHTS

- Real GDP by industry increased 0.5% in January after falling 0.5% in December.
- Output in the goods sector climbed 1.0%. In addition, manufacturing recorded a rise of 2.0% compared with a 1.9% pullback the previous month.
- Output from the service sector inched up 0.3% in January. Most industries advanced during the month.

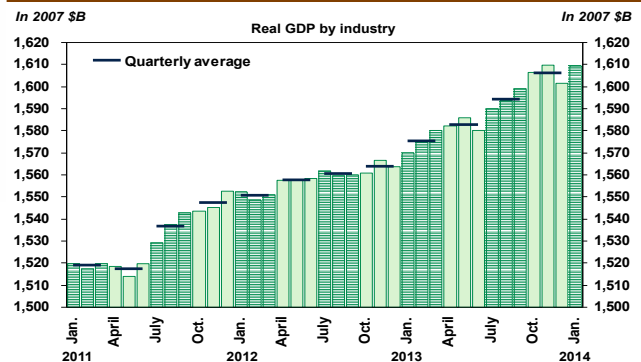
#### COMMENTS

Challenging weather conditions impacted the Canadian economy last December. As forecast, a return to normal helped production to bounce back in January, as evidenced by the 0.5% rise in real GDP by industry.

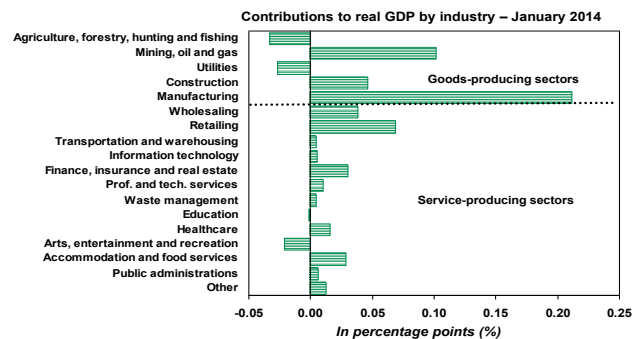
That said, worries persist. Major swings in the last two months have overshadowed the disturbing fact that the Canadian economy's average growth has been practically nonexistent since November. Is this weakness simply a reflection of the challenging winter weather conditions also experienced in the United States, or is it symptomatic of deeper problems within the Canadian economy? Answering that question with any certainty will have to wait until next month's results are released. In addition, inventories increased significantly at the start of 2014, undoubtedly boosting real GDP in January, but there are apprehensions that their draw down will somewhat slow growth in the coming months.

**Implications:** Since January's increase only recovered the ground lost in December, the carryover for the first quarter of 2014 is nearly zero. As such, results for February and March will determine the extent of the economy's growth in

#### Real GDP back to a level similar to that of November 2013



#### Besides manufacturing's major contribution, economic growth was fairly widespread in January 2014



the first quarter. Our scenario still calls for a gain of around 2% (annualized) for the period. To reach this goal, monthly real GDP by industry will need to grow between 0.2% and 0.3% in February and March. Given the magnitude of worries, risks are tilted to the downside.

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