

CANADA

Modest growth in GDP in April

HIGHLIGHTS

- Real GDP by industry increased 0.1% in April, matching the increase seen in March.
- Trade (wholesale and retail) is mainly behind April's growth in real GDP. Other services generally fared well, with the exception of educational services, public administrations and especially arts, entertainment and recreation.
- Goods production was down 0.3%. Manufacturing output rose 0.2%, but construction slipped 0.6%. Mining, and oil and gas extraction also contracted 0.6% following three months of strong advances.

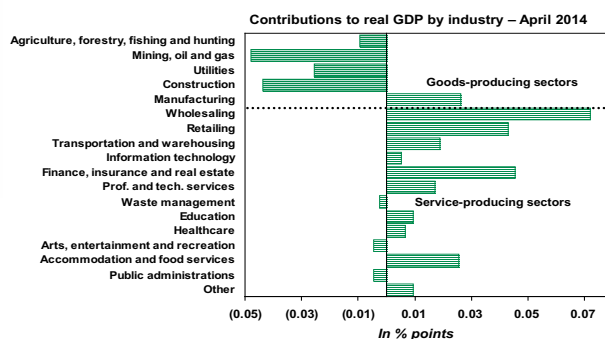
COMMENTS

Real GDP growth in April was more modest than expected. Expectations were for 0.2%, with many forecasters leaning toward results at the higher end rather than lower end of the scale. True, most economic indicators released for April generally posted good results, particularly when expressed in real terms. This growth is reflected in the strong showing in retailing (+0.8% after falling 0.1% in March) and wholesaling (+1.3% after stagnating in March). Real manufacturing sales and the rise in inventory suggest, however, faster growth in manufacturing. Construction's underperformance, after suffering a second consecutive decrease of 0.6% in April, is disappointing. The 25% spike in housing starts in the month would instead suggest growth.

The 0.6% contraction in mining, and oil and gas extraction is not too worrisome, as it comes on the heels of gains of 1.6% in January, 1.3% in February and 0.9% in March. After such monthly advances, a slight retreat is normal. Improving global economic conditions should permit this industry to continue growing at a good pace.

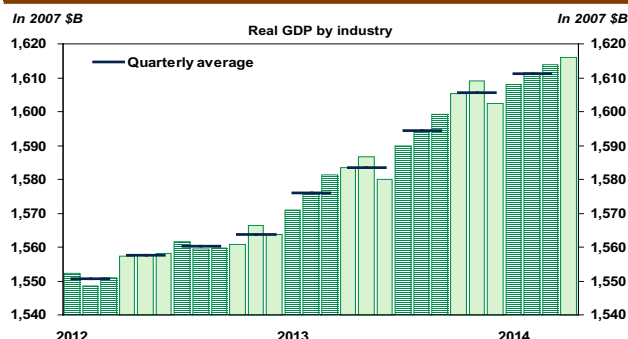
Implications: Economic growth in April was somewhat weaker than expected. Real GDP by industry continues to grow at a modest pace, and a slightly higher than 2% gain is expected for the second quarter. However, some industries

Trade was the main contributor to real GDP growth by industry in April



Sources: Statistics Canada and Desjardins, Economic Studies

Real GDP shows continued modest growth



Sources: Statistics Canada and Desjardins, Economic Studies

could accelerate in the next few months, reflecting stronger U.S. and global economic growth.

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