



CANADA

Growth accelerated in May

HIGHLIGHTS

- Real GDP by industry increased 0.4% in May, following a 0.1% gain in April.
- Output by the goods-producing sectors posted a 0.5% gain. Gains in manufacturing (+0.8%), construction (+0.5%) and in mining and energy (+0.7%) offset the losses in utilities (-0.9%) as well as in agriculture, forestry, fishing and hunting (-0.2%).
- Output by the service-producing sectors posted a 0.4% gain. An increase was recorded in 11 of the 15 key service sectors.

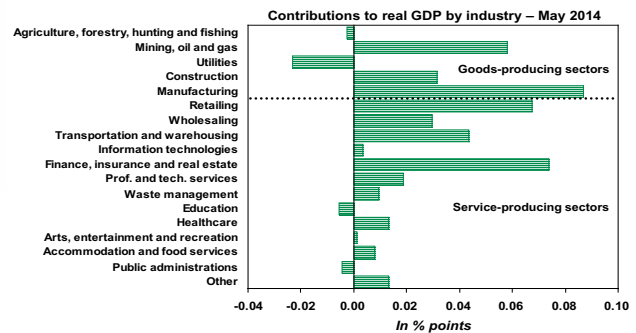
COMMENTS

Most Canadian economic indicators posted significant growth during May. In this context, expectations for real GDP growth by industry were rather high and the results released this morning by Statistics Canada reached those expectations.

In addition, manufacturing production rose 0.8% during the month. Even though the strong increase in the automobile industry (+13.5%) is partly responsible for this good performance, many other sectors in manufacturing also experienced significant growth. This coincides with a higher volume of merchandise exports seen in recent months, which suggests that Canada has finally found a way to benefit from improving global demand. It is worth noting that the U.S. economy experienced a spectacular rebound in the second quarter, and that Uncle Sam's imports increased 11.7% in the spring.

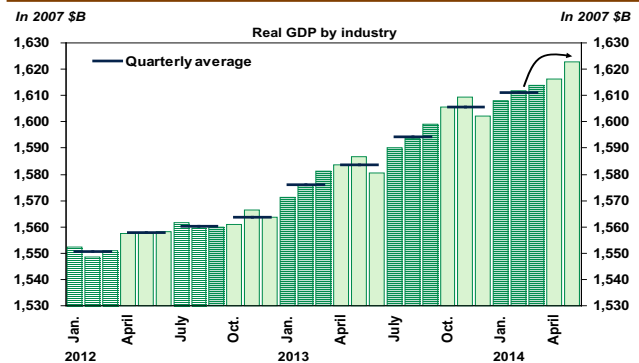
Several signs also suggest that Canadian domestic demand is recovering. Remember that it fell 0.3% in the first quarter of 2014. Output in the retailing and wholesaling sectors has been increasing sharply since April, construction returned to positive territory in May and several other service sectors enjoyed gains in recent months.

Real GDP growth was fairly widespread in May



Sources: Statistics Canada and Desjardins, Economic Studies

Faster growth in the second quarter of 2014



Sources: Statistics Canada and Desjardins, Economic Studies

Implications: After two months, the carryover for the second quarter is 2.3%. Considering that June should end with another increase in real GDP by industry, the overall second quarter could post growth of around 2.5%, an outlook in line with our latest economic scenario.

Benoit P. Durocher
Senior Economist

François Dupuis
Vice-President and Chief Economist

Hélène Bégin
Senior Economist

Benoit P. Durocher
Senior Economist

Francis Généreux
Senior Economist

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