

## CANADA

### A challenging summer for the Canadian economy

#### HIGHLIGHTS

- Real GDP by industry fell 0.1% in August.
- Goods-producing industries posted a decline of 1.0%. Mining, oil and gas extraction retreated 1.7% and manufacturing fell 1.2%.
- Service-producing industries increased 0.2%.

#### COMMENTS

The most recent results for the Canadian economy were most definitely disappointing. After a lively spring with real GDP by industry increasing 0.5% in May and 0.3% in June, the first two months of summer saw growth stagnate.

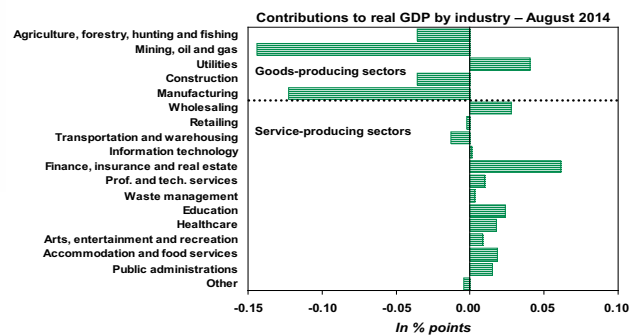
This weakness is largely explained by the dip in the mining, oil and gas extraction sector, which so far has made a negative contribution to real GDP in the third quarter, following significant growth in the previous quarter. The recent difficulties seen in the global commodities market seem to be affecting Canada.

Growth in output from manufacturing and wholesaling also sharply declined compared with the second quarter. Major temporary disruptions in the automobile industry were the source of much of this weakness. We can therefore hope that manufacturing and wholesaling will heat up in the coming months, especially since the news on the U.S. economy is fairly good.

In general, the service sectors are experiencing less volatility, and they continue to grow fairly well. After two months, their carryover for the third quarter is 2.3%. In comparison, the carryover for the goods sectors is -0.8%. In light of this, for real GDP by industry as a whole, the carryover for the third quarter is only 1.4%.

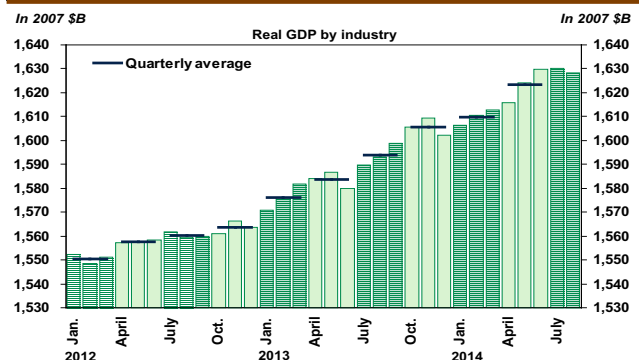
**Implications:** Our forecast that real GDP would increase 2.5% for the third quarter has become too optimistic. We should now expect growth to hover around 1.5% for

#### The goods sectors were a drag on economic growth in August



Sources: Statistics Canada and Desjardins, Economic Studies

#### Third quarter growth looks fairly weak



Sources: Statistics Canada and Desjardins, Economic Studies

the summer—a disappointment compared with initial expectations. This highlights the climate of uncertainty surrounding the outlook for the Canadian economy.

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