Economic News

Desjardins Economic Studies
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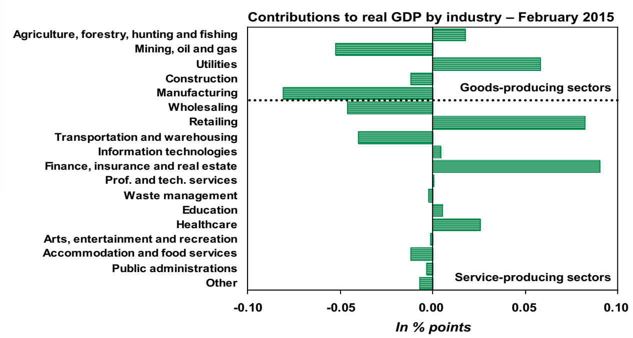
CANADA

Economic growth is stalled

HIGHLIGHTS

- Real GDP growth by industry was practically zero in February.
- January's result was revised downward to -0.2% instead of -0.1%.
- The goods-producing sectors slipped 0.2% in February. Large gains in utilities, agriculture, forestry, fishing and hunting were offset by decreases in natural resources, construction and manufacturing.
- The service-producing sectors posted an increase of 0.1% in February. Close to half of the main sectors were up during the month, while the other half were down.

Utilities, retailing and finance strongly contributed to growth in February



Sources: Statistics Canada and Desjardins, Economic Studies

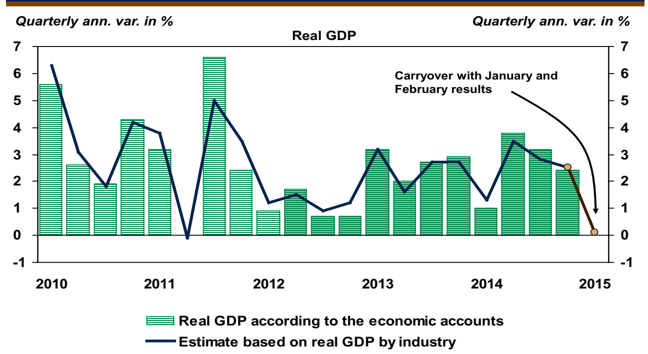
COMMENTS

Real GDP growth by industry in February is in line with our expectations. Severe winter weather conditions caused utilities (mainly associated with heating) to contribute significantly to growth in February. That said, the deep freeze also had a negative impact, as seen in construction and certain service sectors, particularly in food services and recreation.

Weakness in the U.S. economy in the first quarter also reverberated in Canada, especially in manufacturing, transportation and warehousing. Lastly, the effects of falling gas prices continue to impact the Canadian economy. The output volume for the energy sector ticked down 0.7% in February.

Implications: Combined with the 0.2% decrease recorded in January, practically non-existent growth for real GDP by industry in February is painting a picture of an economy with stalling growth. As such, even if growth in real GDP by industry returns to positive territory in March, everything suggests that growth for the first quarter of 2015 will be between 0.0% and 0.5%, a projection similar to that of the Bank of Canada.

Toward practically zero growth in the first quarter of 2015



Sources: Statistics Canada and Desjardins, Economic Studies

It now remains to be seen if the assumption of an acceleration in growth in the coming months will materialize. This will depend largely on the expected rebound in the U.S. economy and the gradual improvement in the energy sector. These uncertainties obviously argue in favour of extending the status quo on Canadian monetary policy.

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Note to readers: The letters **k**, **M** and **B** are used in texts and tables to refer to thousands, millions and billions respectively.