

 **CANADA**

Summer recovery in Canada: new rise in real GDP by industry in July

HIGHLIGHTS

- Real GDP by industry increased 0.3% in July, following a 0.4% gain in June.
- Goods-producing sectors posted growth of 0.8%. The natural resources sector jumped 2.9%, following a similar 2.6% increase in June. As it did last month, manufacturing advanced 0.6%.
- The service sectors recorded a 0.2% increase. Retail trade also grew 0.2%, whereas wholesale trade slipped 0.4%. One of the strongest advances comes from the finance and insurance sector, which jumped 0.8%.

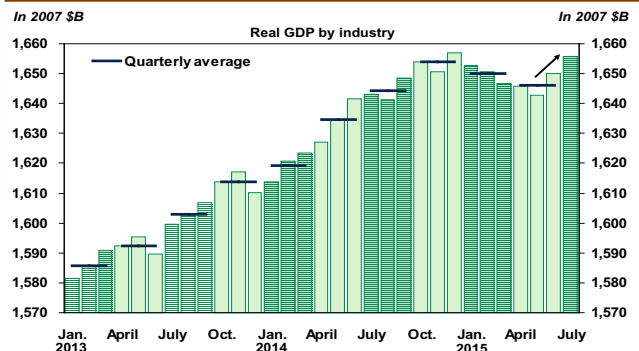
COMMENTS

The gain in real GDP by industry in June had already stopped the downtrend that had been prevailing since the end of 2014. July's 0.3% rise confirms the Canadian economy's recovery. This is the first time since October 2014 that monthly GDP has recorded two successive gains. This 0.8% two-month cumulative rise clearly suggests that the technical recession that occurred in the first half of 2015 ended when summer arrived.

The encouraging showing by exports in June and July already pointed to strong GDP performance. We further note that it is the goods sector, which was the main source of weakness at the start of the year, that caused the recent acceleration in production. First, oil and natural gas extraction grew 4.4% in July, following a strong 2.9% gain in June. Remember that from February to May, the cumulative decrease was 7.1%. The manufacturing sector is also doing well, benefitting from improved U.S. demand and a weak dollar.

Implications: The technical recession that affected the Canadian economy in the first half of 2015 is probably a thing of the past, and the rebound already forecast for the summer is materializing. The annualized carryover is 2.3% for the third quarter. As such, even though the new drop in prices for oil and many other commodities will likely

Real GDP by industry recovered nicely over the last two months



Sources: Statistics Canada and Desjardins, Economic Studies

Growth returned this summer



Sources: Statistics Canada and Desjardins, Economic Studies

limit growth in the coming months, real GDP for the third quarter should post an interesting gain. This situation, in line with our scenarios, is compatible with a long Bank of Canada status quo.

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