



CANADA

A third consecutive rise in real GDP by industry

HIGHLIGHTS

- Real GDP by industry increased 0.1% in August, which is in line with expectations.
- Goods-producing sectors posted 0.3% growth, mainly due to gains in manufacturing (+0.4%), oil and natural gas extraction (+0.3%), mining, oil and gas extraction support activities (+2.9%) and utilities (+0.8%).
- The service sectors were up 0.1%. Increases in several industries were partially offset by a significant decline in wholesaling (-0.5%).

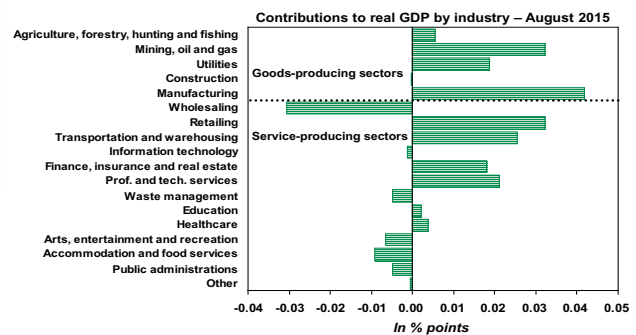
COMMENTS

There is no longer any doubt: the technical recession the Canadian economy slipped into in the first half of 2015 is truly a thing of the past. With the increase in real GDP observed in June (+0.4%), July (+0.3%) and August (+0.1%), the carryover for the third quarter is very positive at around 2.5%. In fact, real GDP by industry would have to fall 1.9% in September to keep the third quarter from finishing in positive territory. Such a result is impossible considering the sharpest monthly decrease since the creation of this economic statistic was -1.4% (during the Great Recession of 2008–2009).

The Canadian economy therefore recovered quickly, and we are within a hair of making up the ground real GDP by industry lost from January to May 2015. Under these conditions, we should not expect the fourth quarter to benefit as much from the rebound effect, and economic growth for the period should therefore be more moderate. For now, our scenario calls for real GDP to increase around 1.5% (quarterly annualized) in the fall, following a 2.5% gain in the third quarter.

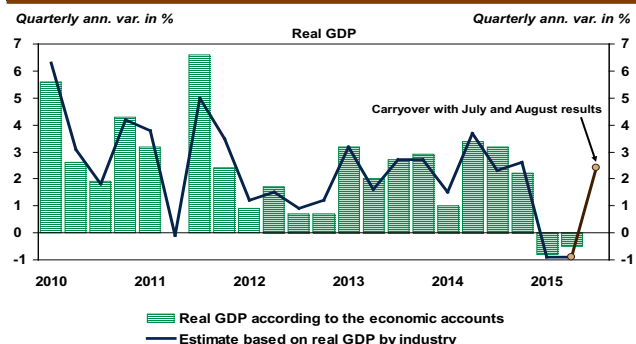
Implications: Despite improving economic conditions, much worry about the Canadian economy lingers. Will non-energy exports continue to stimulate growth thanks to strong U.S. demand and the weaker loonie? How will sustained low commodity prices affect the Canadian

Wholesaling curbed growth in August



Sources: Statistics Canada and Desjardins, Economic Studies

Heading into positive territory in the third quarter of 2015



Sources: Statistics Canada and Desjardins, Economic Studies

economy in the coming quarters? The Bank of Canada will certainly want to hold to the monetary status quo as long as these questions remain unanswered, likely until 2017.

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