Economic News
Desjardins Economic Studies
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# CANADA

## Economic growth is flat for February

### HIGHLIGHTS

- Real GDP by industry fell 0.1% in February.
- Goods sectors are down 0.6%, with nearly all industries (except for construction) losing ground during the month.
- Production by the service sectors was unchanged in February, with losses in some industries offset by increases in others.

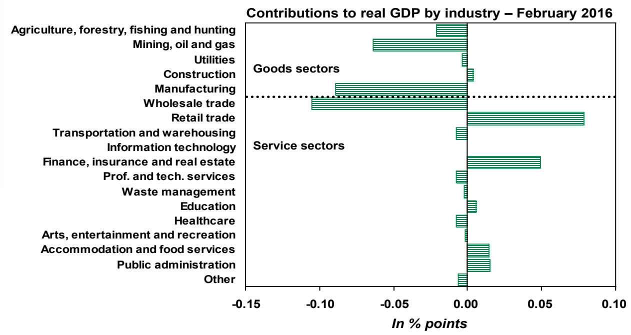
### COMMENTS

February's results for real GDP by industry are in line with expectations. As movement by that month's economic indicators had suggested, several industries ran into some difficulties, including manufacturing, wholesaling and natural resources. However, resilience in certain sectors limited the damage. Among others, the 1.4% rise by retailing is noteworthy. Clearly, the trend has been very good at retailers in recent months, especially for auto dealers, and stores selling home furnishings, clothing, health and personal care products, and building materials and gardening supplies.

February's slight drop in real GDP by industry is not a concern. Some slower performance often happens when previous months have seen sustained growth. Note that January showed a gain of 0.6%, and that the final months of 2015 posted sustained output growth. From September 2015 to January 2016, real GDP growth by industry stood at an annualized 3.8%.

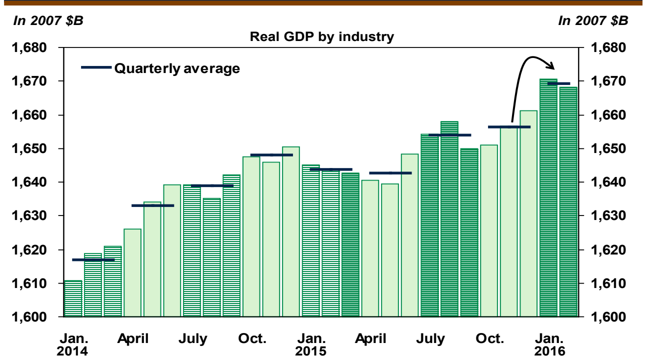
**Implications:** After two months, the carryover for the first quarter of 2016 is 3.1% (annualized), meaning that our scenario of a 3.5% rise over the quarter remains realistic. To get there, real GDP would have to go up about 0.2% in March, which is possible given the trend for the last few months. That being said, the focus will increasingly be on the results for the second quarter, which could be hurt by the winter's surge. Caution is therefore in order, arguing for a monetary policy status quo for several more quarters.

**Retail trade's strong contribution curbed the drop in real GDP by industry in February**




Sources: Statistics Canada and Desjardins, Economic Studies

**Growth for Q1 2016 could be in the neighbourhood of 3.5%**




Sources: Statistics Canada and Desjardins, Economic Studies

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