

## CANADA

### The recovery in the oil sector boosts growth once again in July

#### HIGHLIGHTS

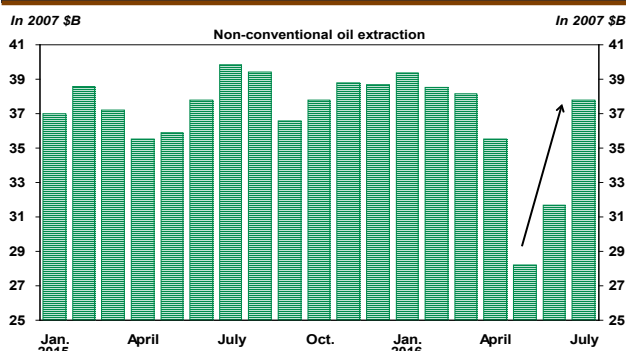
- Real GDP by industry expanded by 0.5% in July after a gain of 0.6% in June.
- The goods sectors were up by 1.0%. The sharp increase in oil extraction was partly offset by a decline in mining and by another pullback in construction.
- The service sectors ticked up by 0.3%. All the major industries, apart from public administrations, reported growth during the month.

#### COMMENTS

As expected, the recovery in the non-conventional oil extraction sector continued in July after the major shutdowns that occurred during the Alberta forest fires in May. The 19.3% surge in that industry by itself boosted real GDP by industry by around 0.4% during the month. The contribution from the rest of the economy to monthly real GDP growth is assessed at just under 0.1%, if we take rounding into account. This is a rather disappointing pace, which reflects some challenges that have been observed in recent months. Clearly, the underlying trend of the economy is not as firm as one could wish, thereby raising some concerns. Let's hope that the recent improvement in exports will eventually have a more substantial impact on the country's economic growth. The positive effects of the federal government's infrastructure program should also make themselves felt more and more, which could, among other things, moderate the downward trend that has been observed in the construction industry in the past few months.

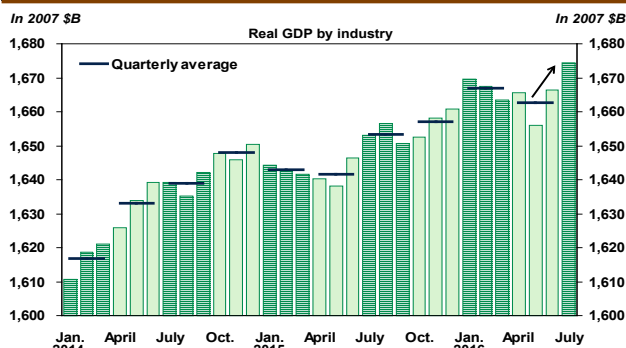
**Implications:** The strong surge in real GDP by industry that was recorded in July, combined with the even stronger growth that occurred in June, gives the Canadian economy quite a large carryover for the third quarter of 2016. Even if August and September were to produce zero real GDP growth by industry, the third quarter as a whole could nevertheless end up with a gain of around 2.8%. Keep in mind that our

#### The recovery in the oil sector is now complete



Sources: Statistics Canada and Desjardins, Economic Studies

#### We have quite a large carryover for the third quarter



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latest scenario calls for growth slightly above 3%. But that rally is unlikely to influence the Bank of Canada, which will continue to focus on the numerous uncertainties that still exist. Therefore, we will probably have to wait until the summer of 2018 before any hike in key interest rates will be announced.

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