

CANADA

Rebound in growth confirmed for the third quarter

HIGHLIGHTS

- Real GDP per industry rose 0.2 % in August.
- The results for July were slightly downgraded, from 0.5% to 0.4%.
- The goods sectors posted a 0.7% increase in August stemming from a contribution from all industries except agriculture, forestry, fishing and hunting.
- Overall, production in the services sectors remained practically unchanged during the month. Significant gains in the wholesaling, accommodation and food services, transportation and warehousing sectors, as well as in the information and cultural industries, were offset by losses in several other industries.

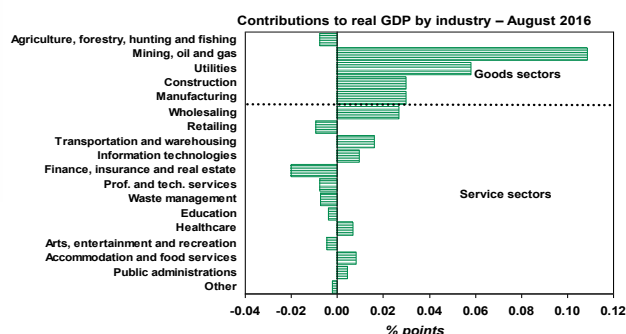
COMMENTS

As expected, real GDP by industry rose 0.2 % in August. This allowed the Canadian economy to continue recovering from the serious difficulties in the spring, particularly the forest fires in Alberta. Furthermore, the manufacturing, mining, and oil and gas extraction industries continued to rise, which can be partially attributed to the positive effects of a weaker loonie and the upswing in the U.S. economy, which grew at 2.9% in the third quarter.

Implications: Factoring in results for July and August, the carryover for the third quarter as a whole is a little more than 3% (annualized). This confirms the expected rebound in real GDP for the period, after the 1.6% decline observed in the second quarter.

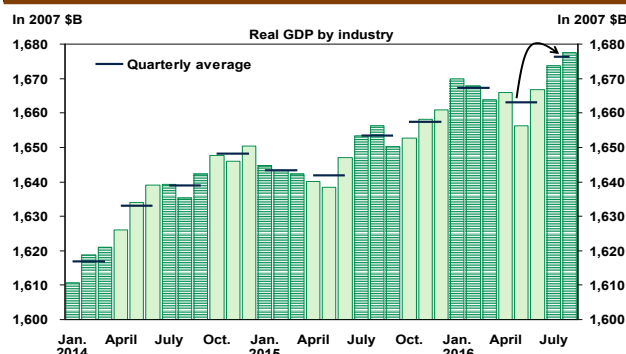
That said, attention is increasingly focused on the fourth quarter, due to recently heightened fears of disappointing growth. New federal measures to reign in mortgage credit could have a fairly sizable negative impact. Yet, the residential construction sector has already posted a cumulative retreat of 2.4% since March, and this downtrend

The goods sector strongly contributed to real GDP growth in August



Sources: Statistics Canada and Desjardins, Economic Studies

Heading for more than 3% growth in the third quarter of 2016?



Sources: Statistics Canada and Desjardins, Economic Studies

could sharpen in the coming months. It now remains to be seen to what extent the benefits of the federal government's plan will offset the headwinds that the Canadian economy is facing. The federal government could also announce additional support today in its budget update.

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