

ECONOMIC NEWS

Canada's real GDP rebounds in November

HIGHLIGHTS

- ▶ Real GDP by industry rebounded by 0.4% in November, while the results for October were also upgraded, from -0.3% to -0.2%.
- ▶ The goods sector posted 0.9% growth in November. Increases in manufacturing (+1.4%), construction (+1.1%) and mining and oil (+1.4%) more than offset the declines in agriculture, forestry, hunting and fishing (-0.3%) and in public services (-3.0%).
- ▶ A 0.2% advance lifted the services sector. Retail trade (+0.7%) as well as finance and insurance (+1.5%) stood out from the rest.

COMMENTS

Generally speaking, real GDP advances by industry in November were fairly in line with expectations, and any ground lost in October was fully recovered in November. Canada's economy is on a very positive trend, with five consecutive advances in real GDP in the last six months—resulting in an annualized cumulative gain of 3.9%. It goes without saying that this pace is particularly strong, and can be largely explained by the catching-up required due to the temporary economic slowdown in the spring of 2016.

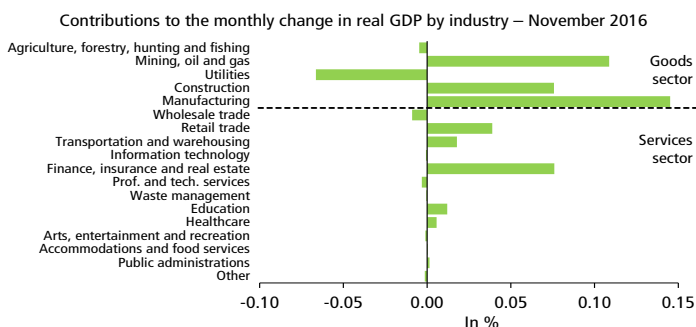
With two full months completed out of three, the fourth quarter should end on a positive note. The carryover (if no changes occur in December) is expected to reach 1.6%. Once the results for December are known, the fourth quarter is likely to end with growth of just under 2%.

IMPLICATIONS

In its most recent *Monetary Policy Report*, the Bank of Canada expected a 1.5% gain for Q4 2016. While somewhat higher, the actual results are not too far off from this projection to make a real difference. The monetary authorities should therefore

GRAPH 1

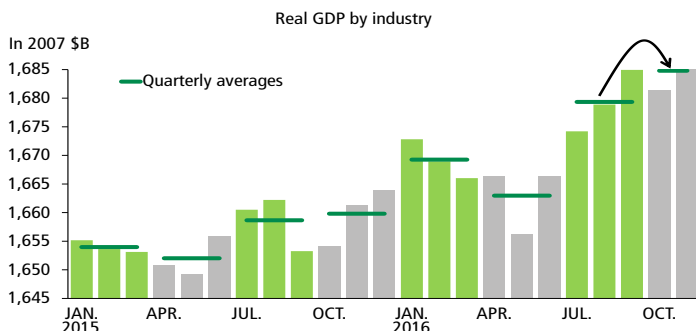
The goods sector is back in positive territory



Sources: Statistics Canada and Desjardins, Economic Studies

GRAPH 2

Q4's carryover is positive



Sources: Statistics Canada and Desjardins, Economic Studies

continue to highlight the many risks clouding the outlook for Canada's economy, arguing in favour of keeping key interest rates at current levels.

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