

ECONOMIC NEWS

Canada: Stronger growth than expected for Q4 2016

HIGHLIGHTS

- ▶ Real GDP rose 2.6% (quarterly annualized) in the fourth quarter of 2016.
- ▶ Domestic demand only advanced 0.4%. Household consumption expenditures increased +2.6%, while public administration expenditures climbed 2.1%. Residential investment also increased 4.8%, as did public administration investment (+5.2%). These positive contributions were nevertheless largely offset by a 17.4% plunge in investment in non-residential structures and machinery and equipment.
- ▶ Exports increased by 1.3%, while imports fell 13.5%. In all, the trade balance made a +5.1% contribution to real GDP.
- ▶ The change in inventories slowed during the quarter, translating into a -2.7% contribution to real GDP.

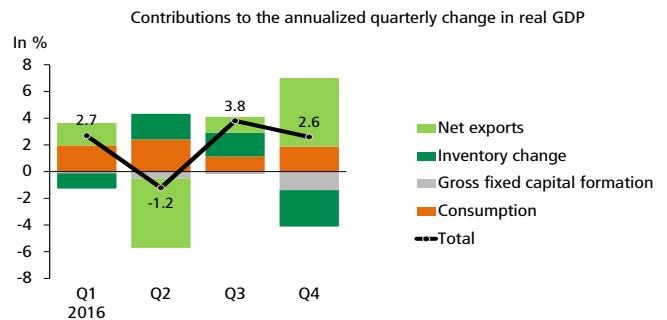
COMMENTS

While the consensus forecast called for a 2.0% gain, real GDP growth exceeded expectations in the fourth quarter. That said, the overall picture for the Canadian economy is pretty much as expected. Household consumption expenditures continued to rise, the housing market has not yet slowed down, and non-residential investment was heavily affected by the return to normal after the third-quarter disruptions associated with the import of a module for the Hebron oil project. These disruptions are also clearly the source of the sharp decline in imports in the fourth quarter.

As for the good news, the fourth-quarter data and the revised results of the third quarter show an acceleration in public administration investment. This means that the spinoffs from the federal government's stimulus plan are starting to be felt. The coming quarters are therefore promising in this regard.

GRAPH 1

Growth remained fairly strong in Q4 2016



Sources: Statistics Canada and Desjardins, Economic Studies

IMPLICATIONS

Despite fairly good economic growth in the fourth quarter, major disruptions affected real GDP growth. This fuelled concerns as to the vitality of the Canadian economy, such that major uncertainty remains. However, these disruptions should nevertheless largely dissipate in early 2017, which will provide a better picture of the actual trend of the Canadian economy. Based on a carryover of about 1.5% for the first quarter 2017, thanks to strong GDP growth by industry at the end of 2016, the future looks quite bright.

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