HIGHLIGHTS

- Real GDP by industry fell 0.1% in August. This result is slightly lower than our forecast (0.0%) and the consensus forecast (+0.1%).

- Goods-producing sector production slipped 0.7%. Manufacturing dropped by 1.0% during the month. All of the other goods-producing sectors were down as well.

- The service sectors posted a 0.1% gain. This pace was slightly lower than in recent months.

COMMENTS

Unsurprisingly, Canadian economic difficulties continued in August after practically zero growth in July. On the one hand, the goods-producing sectors retreated significantly; this is largely a reflection of international trade difficulties. On the other hand, service sectors’ growth slowed somewhat to a more sustainable pace after a period of exceptional growth in the first half of 2017.

With two out of three months already completed, a clearer picture for the third quarter has emerged. Considering the fairly weak results seen in July and August, the carryover is only around 1.5% for the quarter. Even considering the possibility of a return to positive territory in September, it is unlikely that the third quarter will end with growth higher than 2%. This is a net slowdown compared with the 3.7% and 4.5% increases observed in the first and second quarters. However, this projection is not so bad considering that the growth potential is estimated to only 1.3% for 2017.

IMPLICATIONS

Given the materializing slowdown of the Canadian economy, we can expect the break from monetary firming to continue for a few more months. The focus will now be on a return to growth in the fall.