Canada: Real GDP Gets a Boost from Manufacturing

**HIGHLIGHTS**

- Real GDP by industry increased 0.4% in November, which is in line with expectations.
- Goods-producing sectors posted a 0.8% gain. The manufacturing sector had its greatest monthly increase in just over three years, featuring a gain of 1.8%.
- Almost half of November’s economic growth can be attributed to manufacturing.
- The service industries were up 0.3%, and most of the sectors went up in November.

**COMMENTS**

After almost zero growth in October, the Canadian economy picked up again in November. Manufacturing played an important role in that recovery, but other industries are also coming along nicely. All in all, 17 of the Canadian economy’s 20 main industries increased in November.

With the figures for two out of three months, we now have a better idea of the overall Q4 2017 picture. If the increase of real GDP by industry continues in line with the average over the past six months (gaining around 0.2%), Q4 should close with an annualized increase of close to 2.0%. This projection is a bit weaker than the one from the Bank of Canada (BoC), which predicts a 2.5% gain.

**IMPLICATIONS**

That should not stop the BoC from raising key interest rates again in the coming quarters however. Even with a real GDP increase around 2% in the Q4 2017, the excess capacity will continue to be absorbed. In those circumstances, the target overnight rate is still far too low.

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