Canada: The Energy Sector Curbed Growth in January

**HIGHLIGHTS**

- Real GDP by industry decreased 0.1% in January, while most forecasters expected a slight increase.
- Much of the decrease comes from the mining and oil and gas extraction sector. Excluding this sector, January would have ended with a gain of about 0.1%.
- Manufacturing (+0.7%), construction (+0.5%), wholesale trade (+0.5%) and administrative services (+0.5%) stand out with significant increases during the month.

**COMMENTS**

The 0.8% drop in mining, but especially the 3.6% decline in oil and gas extraction, had a major impact on the change in real GDP in January. Moreover, the 7.1% drop in non-conventional oil extraction is apparently due to unscheduled temporary shutdowns for the maintenance of some facilities. Under these circumstances, one can hope that a return to normal will soon lead to a rebound in production.

The real estate services sector also hit some bumps in January with a monthly decrease of 12.8% in real estate agent and broker offices and activities related to real estate. The cooling of the housing market since the start of 2018 is clearly behind this poor performance.

**IMPLICATIONS**

Even considering the possibility that economic growth may accelerate in the coming months owing mainly to a rebound in the energy sector, the drop in real GDP in January means that the entire first quarter could end with weaker-than-expected growth. A gain of around 1.5% is therefore now more likely, instead of the 2% initially anticipated.