Canada: Real GDP is Back in the Black

HIGHLIGHTS
- Real GDP by industry rose 0.4% in February, slightly outstripping expectations.
- With an increase in 15 of the 20 main industries, growth for February is fairly widespread.
- The mining, oil and gas extraction sector nonetheless stands out with a 2.4% gain. This largely offsets the 2.9% decline observed in January.
- As data on sales and inventories suggest, the manufacturing sector also posted very good growth in February (+1.0%).

COMMENTS
After sliding 0.1% in January, Canada’s economy got back on track for growth in February. The rebound in mining, oil and gas definitely made a significant contribution to raising real GDP. Were it not for this sector, February would have still seen a gain of about 0.2%, a more than satisfactory result.

After two months, the annualized carryover for the first quarter is about 1.5%. If we take into account the moderate expansion forecast for March, the quarter as a whole could end with a gain of around 1.7%. This projection is in line with our latest forecasts.

IMPLICATIONS
All signs point to slightly higher growth in the first quarter than the Bank of Canada’s most recently forecast increase of just 1.3%. Under the circumstances, the door is clearly open for continued increases in key interest rates. While a rate hike is not entirely out of the question for May, it seems more likely that the monetary authorities will wait until July.

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