Canadian Real GDP Rebounds: After the Storm Comes the Calm

HIGHLIGHTS

- After disappointing growth in April due to unusually unfavourable weather conditions, real GDP by industry rebounded in May with a 0.5% gain.

- With the exception of utilities (-2.4%), all other major activity sectors saw a rise in May, a reflection of widespread growth.

- Oil and gas extraction and retail trade stand out with respective increases of 2.5% and 2.0% in May.

COMMENTS

As the results of various economic indicators suggested, Canada’s economy regained its footing in May. The 0.5% increase observed during the month, combined with the weak 0.1% gain in April, yields a carryover of around 2.8% for the entire second quarter.

That said, there is every indication that trouble will resurface in June. The Syncrude oil sands complex in Alberta had to interrupt its oil production on June 20 due to technical issues. This interruption represents close to 6% of the country’s normal oil production. The question now is what measures the other production sites will take to address this shortfall. It would be surprising for oil and gas production not to fall for a few months, which could dampen growth in real GDP by industry.

IMPLICATIONS

As expected, the second quarter should end with fairly high economic growth. It remains to be seen how much of a robust pace the Canadian economy will manage to keep in the third quarter. For the time being, there is still much uncertainty, particularly in trade and the housing market.