Canada: Growth Is Looking Fairly Good for the Third Quarter

**HIGHLIGHTS**
- Real GDP by industry rose 0.2% in July.
- The goods and the services sectors were up 0.3% and 0.2%, respectively.

**COMMENTS**
In general, July’s real GDP by industry results are consistent with expectations. Oil and gas extraction declined significantly (-1.2%) for a second straight month due to temporary issues. The effects of this drop are, however, offset by a considerable increase in production in many other sectors of Canada’s economy. Manufacturing (+1.2%) and wholesale trade (+1.4%) as well as transportation and warehousing (+0.9%) performed particularly well during the month. Utilities also saw gains of 2.1%, as heat waves drove up electricity consumption.

Owing to the July increase, the carryover for the third quarter is roughly 1.5% (annualized), which is in line with the latest Bank of Canada (BoC) projection for the period. The final result will clearly exceed this target because there is every reason to believe that real GDP by industry will see further increases in August and September. Oil and gas extraction should rebound as the temporary issues resolve. In addition, continuing hot temperatures in August most certainly contributed to keeping electricity demand quite high. Given these conditions, the third quarter as a whole could end with growth of around 2%, which is consistent with our most recent scenario.

**IMPLICATIONS**
With the country continuing to see growth, the door is still wide open for the BoC to raise its key interest rates again at its October meeting.

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