Canada: Energy Continues to Drive Up Real GDP

HIGHLIGHTS
- Real GDP by industry climbed 0.1% in August.
- After declining for two months due to temporary issues, oil and gas extraction stood out, with a 1.9% gain in August.
- As in July, utilities also saw a significant increase (+0.8%) owing to strong energy demand as a result of unusually hot temperatures during the month.
- Exceptional growth was noted in the finance and insurance sector (+1.0%) as well.
- Excluding the mining, oil and gas extraction sector and the utilities, finance and insurance sectors, production in other sectors dropped roughly 0.1% during the month.
- Construction, manufacturing and trade also lost ground in August.

COMMENTS
Overall, results for August were consistent with expectations. After two months, the carryover for the third quarter is around 1.7%. If real GDP by industry continued to rise slightly in September, economic growth for the third quarter as a whole should near 2%. This outlook is therefore similar to our most recent forecasts and the Bank of Canada’s latest projections.

IMPLICATIONS
The fact that growth in August is based mainly on one-off factors raises some concerns as to what is to come. Sluggish trade and construction could be a sign that past rate increases are effective. Under the circumstances, another key rate hike in December seems premature. An increase in January is still more likely in our opinion.