Canada: Fourth Quarter Off to a Good Start

HIGHLIGHTS

- Real GDP by industry increased 0.3% in October, which is slightly higher than expected.
- Growth was fairly generalized across all sectors.
- Moreover, oil and gas extraction jumped 3.6% for the month, wiping out the losses sustained in September. Manufacturing, trade, finance, insurance and real estate services all made big contributions to growth in October.

COMMENTS

With this positive start, growth in the fourth quarter could come in a little higher than expected, edging closer to the 2% mark (annualized). The cold temperatures and snow in November no doubt helped kick-start seasonal activities earlier than usual. The strong job creation in November (+94,100 jobs) reflects this well. Another sign of Canada’s economic vitality in November: the number of hours worked surged 0.9% for the month.

This faster advance in the fourth quarter should not affect our forecast for 2018 as a whole, which is likely to show a 2.1% gain. However, the increase in Q4 could lead to a slightly more positive base effect than we had expected for 2019. Stay tuned for the monthly data to follow.

IMPLICATIONS

These solid results remind us that the fundamentals of Canada’s economy are quite good despite the difficulties in the energy sector and the real estate market’s stabilization. This will give the Bank of Canada the ammunition to keep signalling that future rate hikes may be necessary.

Benoit P. Durocher, Senior Economist