

# ECONOMIC NEWS

## Canada: Disappointing Real GDP Growth in August

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### HIGHLIGHTS

- ▶ Real GDP by industry expanded 0.4% in August, shy of the preliminary result of +0.7%.
- ▶ The service sectors are up 0.6%, amid an ongoing recovery across a number of industries. For example, accommodation and food services climbed 7.0% during the month while the arts, entertainment and recreation sector added 6.4%.
- ▶ On the downside, goods-producing sectors eased 0.1% lower during the month. Significant declines were reported in crop production (-6.8%) and forestry and logging (-8.7%).
- ▶ According to Statistics Canada, preliminary results indicate that real GDP by industry remained virtually unchanged in September, and the third quarter as a whole is thought to have ended with a gain of 2.0% (at an annualized quarterly rate).

### COMMENTS

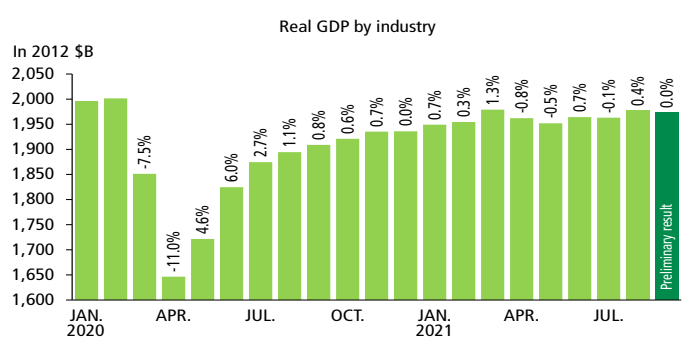
Fairly disappointing results this morning. Not only was real GDP growth lower than expected in August, but the virtually zero growth expected for September is also surprising. Note the Canadian economy has yet to complete a full recovery, and few new restrictive health measures were introduced in September.

It's clear that imbalances are currently a drag on the Canadian economy. The gradual return to normal results in a shift in demand from goods to services sectors, sparking some temporary disruption. At the same time, a number of sectors are feeling the effects of supply chain bottlenecks

### IMPLICATIONS

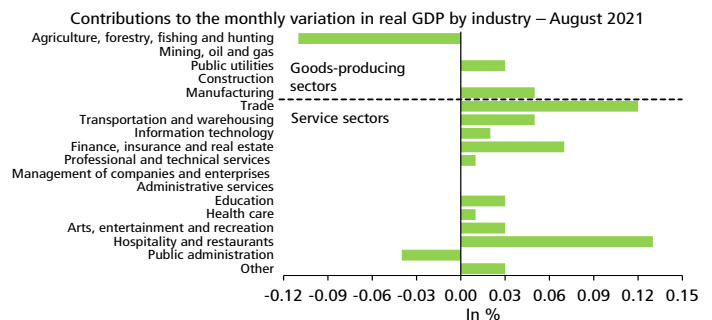
By the looks of the challenges currently facing the Canadian economy, there's still a lot of uncertainty out there. That's reason enough to keep key rates at their effective lower bound for a few more months, probably until July of next year.

**GRAPH 1**  
Canada's economy may hit a slump in September



Sources: Statistics Canada and Desjardins, Economic Studies

**GRAPH 2**  
Agriculture and forestry held back economic growth in August



Sources: Statistics Canada and Desjardins, Economic Studies