

ECONOMIC NEWS

Canada: Strong Economic Momentum Going into Omicron

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HIGHLIGHTS

- ▶ Real GDP by industry rose 0.6% in November, far exceeding Statistics Canada's advance estimate of a 0.3% uptick.
- ▶ Both goods-producing (+0.5%) and services-producing (+0.6%) industries led the way.
- ▶ Manufacturing (+1.4%) and wholesale trade (+2.8%) posted especially strong growth.
- ▶ After 13 straight months of declines between September 2020 and September 2021, agriculture was up 9.5% in November following a 4.4% gain in October.
- ▶ November's reading brings real GDP by industry slightly above its pre-pandemic level.
- ▶ According to Statistics Canada, advanced information indicates that real GDP by industry was essentially unchanged in December and grew at an annualized rate of 6.6% in the fourth quarter. For the year, that would bring real GDP growth in around 4.9%. Final data will be released on March 1.

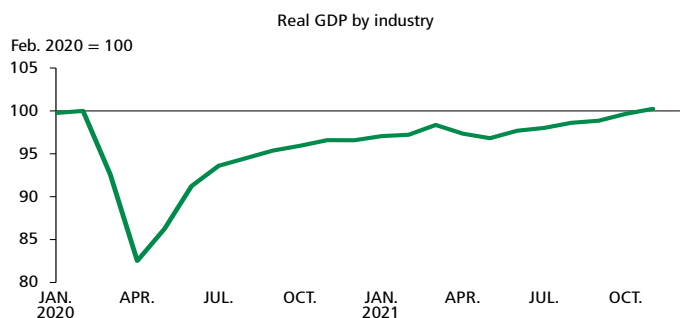
COMMENTS

The Canadian economy had strong momentum in the second half of 2021. After growing at an annualized pace of 5.4% in the third quarter, it looks as though the economy grew even faster in the final three months of the year. And it managed to do so in the face of challenges like the flooding in British Columbia, which exacerbated supply chain issues.

The public health restrictions instituted in response to the Omicron variant will likely hamper economic growth early this year. But as today's report shows, real GDP is trending in the right direction. That means Canada's economy should be back to normal in short order. But while real GDP by industry has finally returned to its pre-pandemic level, a number of sectors are still struggling, including management of companies and enterprises;

GRAPH

The recovery is complete



Sources: Statistics Canada and Desjardins, Economic Studies

accommodation and food services; arts, entertainment and recreation; and agriculture.

IMPLICATIONS

Despite the ups and downs to come, the trend in real GDP is reassuring. The Bank of Canada should now have free rein to start gradually raising interest rates in March. It will look to increase gradually the target for the overnight rate to what it considers a neutral level—between 1.75% and 2.75%.