

## ECONOMIC NEWS

# Canada: February Growth Tees Up a Strong Q1

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### HIGHLIGHTS

- ▶ Real GDP by industry rose a consensus-beating 1.1% m/m in February, as 16 of 20 sectors advanced. This was the ninth consecutive monthly real GDP increase.
- ▶ Goods-producing sectors were the real stars of the release, clocking in at a solid 1.5% as resource extraction and construction led the charge.
- ▶ At the same time, services-producing sectors were no slouch, advancing by 0.9% in February as the economy reopened after Omicron lockdowns.
- ▶ With year-over-year growth of 4.5%, real GDP in February 2022 was 1.5% above the pre-pandemic peak reached 24 months earlier in February 2020.
- ▶ Real GDP growth is expected to have moderated in March, with Statistics Canada's advanced estimate coming in at a still respectable 0.5% over February.
- ▶ Taking into account the March flash estimate, real GDP was roughly 2% above its pre-pandemic level at the end of the first quarter.

### COMMENTS

Canada's back! With Omicron lockdowns lifted in February, Canadians stopped hunting for bargains online and headed to bars and restaurants instead.

Services-producing sectors underpinned the economic recovery in February, with accommodation & food services posting a double-digit advance in the month with arts & culture not far behind. Most other service sectors also moved higher in February. In contrast, retail and wholesale trade slumped in the month as consumers opted to spend on socializing as opposed to shopping.

### GRAPH

**Outstanding real GDP growth in February to be followed by a still respectable March**



Sources: Statistics Canada and Desjardins, Economic Studies

At the same time, goods-producing sectors advanced at a very healthy pace in February. This was supported by sustained growth in agriculture and construction as well as strong rebounds in manufacturing and resource extraction.

### IMPLICATIONS

All in all, February real GDP was a very positive print for Canada, and March is looking respectable as well. Taken together, real GDP growth should come in around 5.5% (q/q, saar) in Q1 2022. This is meaningfully higher than the 3.0% advance published by the Bank of Canada (BoC) in its April 2022 *Monetary Policy Report*. As such, markets should continue to price in forceful action at the BoC's upcoming June meeting.