

Stale Canadian GDP Slightly Beats

Canada, GDP, m/m % October:

Actual: 0.3

Consensus: 0.2

Scotia: 0.2

Prior: Unrevised from -0.1

- October was a generally good month for the Canadian economy. A disappointingly flat retail sales volume picture and drop in existing home sales were offset by strength in other parts of the economy as GDP growth smartly rebounded from the prior month's mild dip. Growth was bang on what my model suggested before haircutting it a touch on the final estimate submitted. None of this matters, however, as the data is nevertheless a stale assessment. While providing a picture of baseline strength to tracking growth, faces downside risk into the start of the new year when Alberta's mandated 325,000 bpd production cuts weigh on manufacturing, exports, related sectors and broad GDP. The BoC will be encouraged by this evidence but will apply a filter to it in the face of pending developments. CAD marginally strengthened versus the USD on the back of the figures and given soft US durables data.
- 15 of 20 sectors advanced which indicates significant breadth. Within goods producing sectors, there were solid gains at utilities (+1.5% m/m), manufacturing (+0.7%) and in mining (+0.2% m/m) while ag/forestry/fishing fell 1.1% and construction slipped by 0.1%. Within services, 12 of 15 categories were up. Only transportation/warehousing, accommodation and food services and management of companies/enterprises were slightly lower. Note that even though retail sales volumes were flat (+0.02% m/m) in October, retail trade GDP was up a touch (+0.1%).
- The chart below is replicated from StatsCan to show weighted contributions to GDP growth by the main categories of influence.
- Q4 GDP growth is tracking 1.1% assuming flat readings in November and December and hence based solely off of Q3 and October evidence. This is tracking growth from an income/production side of the equation. Expenditure-based quarterly GDP is likely tracking very marginally stronger.

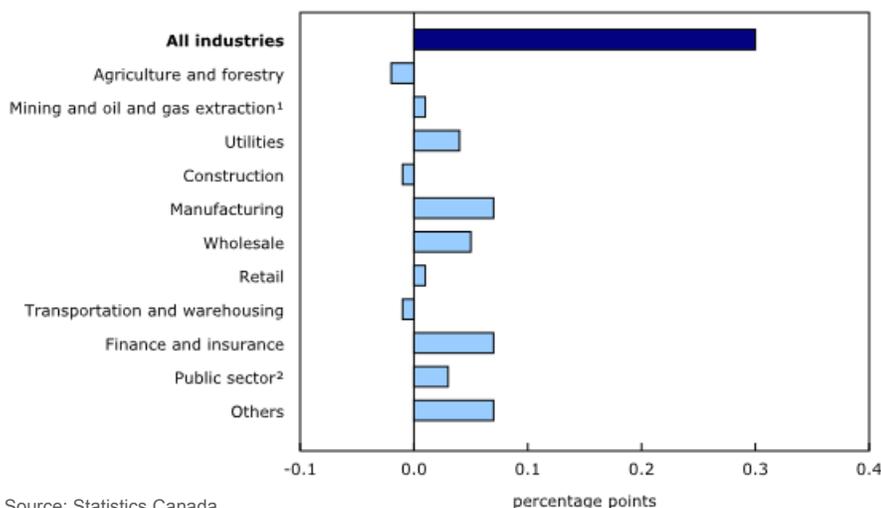
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Source: Statistics Canada.

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