

## Soft Canadian GDP Masks Better Breadth, In Line With BoC Expectations

### Canada, GDP, m/m % November:

Actual: -0.1

Consensus: -0.1

Scotia: 0.1

Prior: Unrevised from 0.3

- The economy indeed slipped a touch in January but the details behind the report are more encouraging.** What happened is that the declines in the more observable sectors that had been tipped off by the higher frequency readings offset gains elsewhere that were hinted at by the strong rise in hours worked. The latter was not powerful enough to overwhelm the downward weight from sectors like manufacturing, construction, mining/energy, wholesale and retail. CAD's knee-jerk reaction was to rally but that was primarily due to the effects of a jump in US jobless claims to 253k (200k prior, 215k consensus). As the effects subsided, CAD resumed very slight depreciation.
- Thirteen of twenty sectors posted growth with the other seven dragging the headline into the red a touch.** So the observable readings did drive the headline slightly softer. The gain in hours worked did correspond to a rise in the rest of the economy as all those extra hours worked were indeed a reflection of people producing more across many sectors. Now, out of seventeen times since 1997 when hours worked grew by 0.9% or more, three of those occasions involved small dips. The odds were strong but didn't work out this time.
- GDP growth is tracking 0.9% q/q at a seasonally adjusted and annualized rate in Q4.** That is using the monthly GDP figures from the production/income side of the economy and assuming December comes in flat just in order to focus upon the effects of known data so far.
- The BoC had forecast 1.3% q/q GDP growth using the quarterly expenditure based figures as of the January MPR.** That may still be where we land. Inventories, import leakage effects etc can drive divergence between the two approaches to GDP with monthlies focused upon income/production regardless of where it goes (out, or stockpiled) and what it's made from (imports, domestic). Therefore tracking is roughly in the ballpark of BoC expectations and not a material source of new information to their expectations.
- Regardless, fade the report as previously advised.** The exact hits and misses still fall within the context of what the BoC knew would be a soft patch for growth that will extend into Q1 as Alberta's mandated cuts bite into January readings for manufacturing, trade and GDP. A rebound, however, may already be underway. Alberta yesterday wiped out one quarter of the production cuts starting in February and it's quite probable that further reductions are in store that will lift GDP growth in subsequent periods. **Please see the morning note for the argument that the current soft patch and its three main drivers may turn as those three drivers themselves turn.**

### CONTACTS

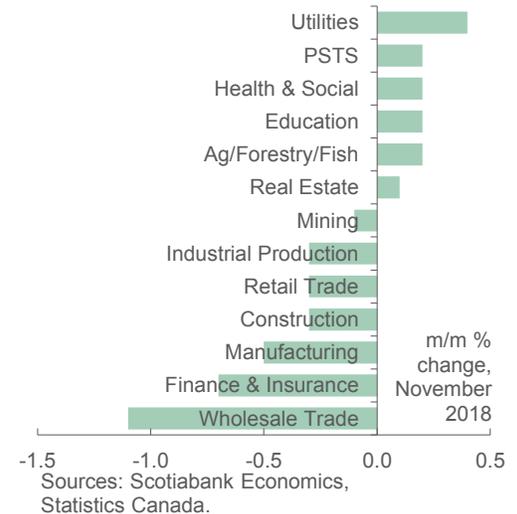
Derek Holt, VP & Head of Capital Markets Economics

416.863.7707

Scotiabank Economics

[derek.holt@scotiabank.com](mailto:derek.holt@scotiabank.com)

### Real GDP - Canada



This report has been prepared by Scotiabank Economics as a resource for the clients of Scotiabank. Opinions, estimates and projections contained herein are our own as of the date hereof and are subject to change without notice. The information and opinions contained herein have been compiled or arrived at from sources believed reliable but no representation or warranty, express or implied, is made as to their accuracy or completeness. Neither Scotiabank nor any of its officers, directors, partners, employees or affiliates accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

These reports are provided to you for informational purposes only. This report is not, and is not constructed as, an offer to sell or solicitation of any offer to buy any financial instrument, nor shall this report be construed as an opinion as to whether you should enter into any swap or trading strategy involving a swap or any other transaction. The information contained in this report is not intended to be, and does not constitute, a recommendation of a swap or trading strategy involving a swap within the meaning of U.S. Commodity Futures Trading Commission Regulation 23.434 and Appendix A thereto. This material is not intended to be individually tailored to your needs or characteristics and should not be viewed as a “call to action” or suggestion that you enter into a swap or trading strategy involving a swap or any other transaction. Scotiabank may engage in transactions in a manner inconsistent with the views discussed this report and may have positions, or be in the process of acquiring or disposing of positions, referred to in this report.

Scotiabank, its affiliates and any of their respective officers, directors and employees may from time to time take positions in currencies, act as managers, co-managers or underwriters of a public offering or act as principals or agents, deal in, own or act as market makers or advisors, brokers or commercial and/or investment bankers in relation to securities or related derivatives. As a result of these actions, Scotiabank may receive remuneration. All Scotiabank products and services are subject to the terms of applicable agreements and local regulations. Officers, directors and employees of Scotiabank and its affiliates may serve as directors of corporations.

Any securities discussed in this report may not be suitable for all investors. Scotiabank recommends that investors independently evaluate any issuer and security discussed in this report, and consult with any advisors they deem necessary prior to making any investment.

**This report and all information, opinions and conclusions contained in it are protected by copyright. This information may not be reproduced without the prior express written consent of Scotiabank.**

™ Trademark of The Bank of Nova Scotia. Used under license, where applicable.

Scotiabank, together with “Global Banking and Markets”, is a marketing name for the global corporate and investment banking and capital markets businesses of The Bank of Nova Scotia and certain of its affiliates in the countries where they operate, including, Scotiabanc Inc.; Citadel Hill Advisors L.L.C.; The Bank of Nova Scotia Trust Company of New York; Scotiabank Europe plc; Scotiabank (Ireland) Limited; Scotiabank Inverlat S.A., Institución de Banca Múltiple, Scotia Inverlat Casa de Bolsa S.A. de C.V., Scotia Inverlat Derivados S.A. de C.V. – all members of the Scotiabank group and authorized users of the Scotiabank mark. The Bank of Nova Scotia is incorporated in Canada with limited liability and is authorised and regulated by the Office of the Superintendent of Financial Institutions Canada. The Bank of Nova Scotia is authorised by the UK Prudential Regulation Authority and is subject to regulation by the UK Financial Conduct Authority and limited regulation by the UK Prudential Regulation Authority. Details about the extent of The Bank of Nova Scotia’s regulation by the UK Prudential Regulation Authority are available from us on request. Scotiabank Europe plc is authorised by the UK Prudential Regulation Authority and regulated by the UK Financial Conduct Authority and the UK Prudential Regulation Authority.

Scotiabank Inverlat, S.A., Scotia Inverlat Casa de Bolsa, S.A. de C.V., and Scotia Derivados, S.A. de C.V., are each authorized and regulated by the Mexican financial authorities.

Not all products and services are offered in all jurisdictions. Services described are available in jurisdictions where permitted by law.