

Canada's Economy Registered Little Growth For A 5th Straight Month

- The economy grew by 0.1% (rounded up from 0.07%) in November...
- ...beating expectations by a tick...
- ...but weather effects drove the upside
- Weighted breadth was soft
- The economy is tracking no growth in Q4

Canada, GDP, m/m % November:

Actual: 0.1

Scotia: 0.0

Consensus: 0.0

Prior: -0.1

Canada's economy beat expectations by a smidge on the surface of the latest tally overall activity but significantly due to unseasonably cold weather during November. Overall tracking of growth prospects with and without this effect is skewed to below the BoC's Q4 GDP estimate that was published in the January MPR. Growth has been 0% or 0.1% for five straight months which should reject attempts to downplay such an extended period as driven by distortions.

Breadth appeared to be solid with 15 or 20 sectors registering gains, but many of these sectors are pretty small shares of the economy. In fact, the weighted contributions to growth from 9 of those 15 sectors that were up only contributed to growth when taken to the third decimal point in weighted terms. Thus, declines in sectors that represent bigger shares of activity spoiled the party at the same time that utilities distorted the header.

The accompanying chart shows the weighted contributions to monthly GDP growth by sector. The biggest source of downward drag on growth was the mining/quarrying/oil/gas sector that saw a 1.4% m/m drop in output in a sector that accounts for just over 7% of GDP. Transportation and warehousing also fell by 0.9% m/m and accounts for about 4 ½% of GDP. The arts/entertainment and recreation sector retreated by 0.7% m/m with a weight of under 1%. Wholesale trade fell by 0.4% m/m and equals about 5% of GDP. The agriculture/forestry/fishing sector contracted by 0.3% m/m and represents only 2% of GDP.

Utilities were the biggest single upside contributor to growth. They registered a 2.1% m/m jump in output on unseasonably cold weather across central Canada that month. Take the utilities gain out of the picture and instead of a 0.1% rise in GDP there was no change (0.0%) to the first decimal.

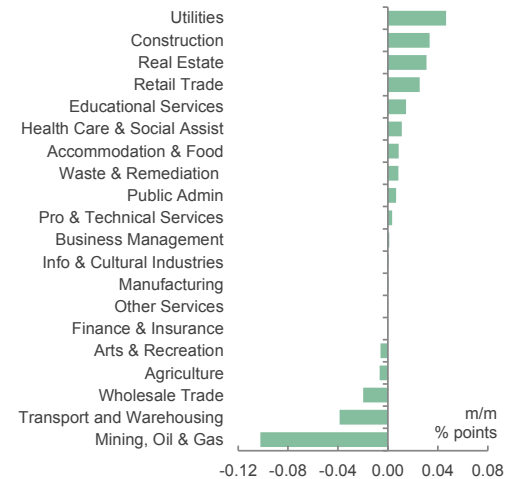
More genuine sources of positive contribution to growth came from the construction sector (+0.5% m/m), retail trade (+0.5%), and accommodation and food services (0.4%).

Using the monthly GDP figures and assuming December comes in flat in order to focus upon the effects of what is known thus far we arrive at Q4 GDP tracking of about 0.0% q/q at a seasonally adjusted and annualized rate. There are tracking differences between monthly production side GDP figures versus quarterly expenditure-based GDP including import and inventory influences upon the quarterly figures. Nevertheless, tracking 0% growth using the monthlies suggests potential downside risk to the BoC's 0.3% annualized GDP growth but not by enough to get excited about given the tracking differences. Will the BoC take out transitory weather effects when they're favourable?

CONTACTS

Derek Holt, VP & Head of Capital Markets Economics
416.863.7707
Scotiabank Economics
derek.holt@scotiabank.com

Weighted Contributions From Sectors to November Real GDP Growth



Sources: Scotiabank Economics, Statistics 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.