

Canada: Q2 prospects brighten thanks to May

By Krishen Rangasamy

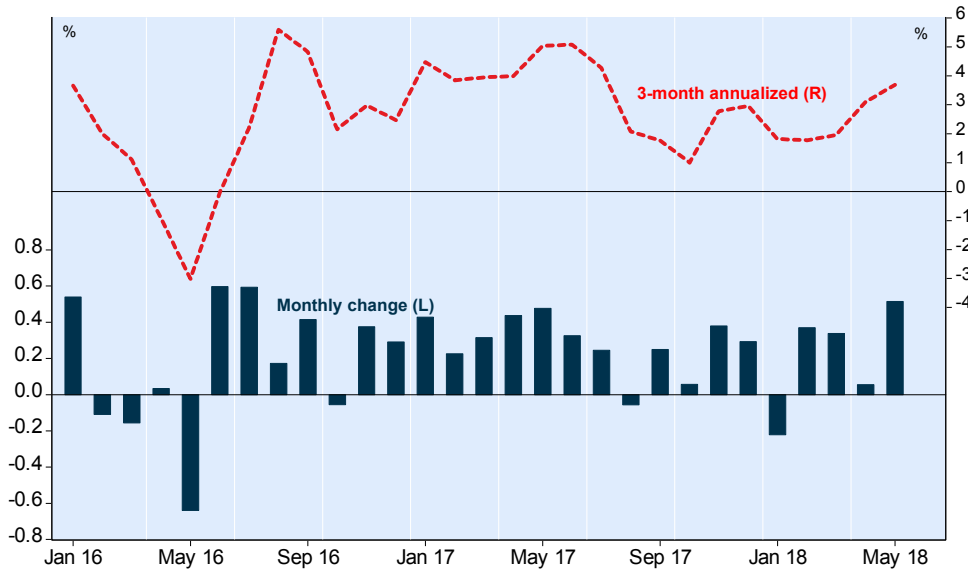
May's GDP results were better than expected, with solid headline growth and broad based gains. The dispersion of output gains was actually the best since 2004 (bottom right chart). The only sector seeing a decline was utilities, although a giveback was always in the cards there after colder-than-normal temperatures had boosted the prior month's output. Sectors that were adversely affected by inclement weather the prior month such as construction, retailing, arts/recreation and accommodation/food services, all saw rebounds. Gains in real estate and finance/insurance add to evidence that the housing market is now stabilizing after a difficult start to the year. May's output surge puts Q2 GDP on track to grow around 3% annualized (even assuming no change in June), not far from the Bank of Canada's 2.8% estimate for the quarter.

HIGHLIGHTS:

- Canada's real GDP rose 0.5% in May, the biggest monthly increase since July 2016 (bottom left chart). Consensus was expecting just a +0.3% growth print.
- Of the 20 broad industrial sectors, 19 registered increases in output, the best dispersion since 2004.
- Goods sector output surged 0.6% as gains in mining/oil & gas (+1.8%), agriculture (+0.9%), construction (+0.7%) and manufacturing (+0.1%), more than offset the decline in utilities (-2.4%). As a result, industrial production rose 0.5%.
- Output in services-producing industries increased 0.5% thanks to broad-based gains including arts/recreation (+2.8%), retailing (+2.0%), accommodation/food services (+0.9%), finance/ insurance (+0.4%), and real estate (+0.1%).

Canada: Output surge in May

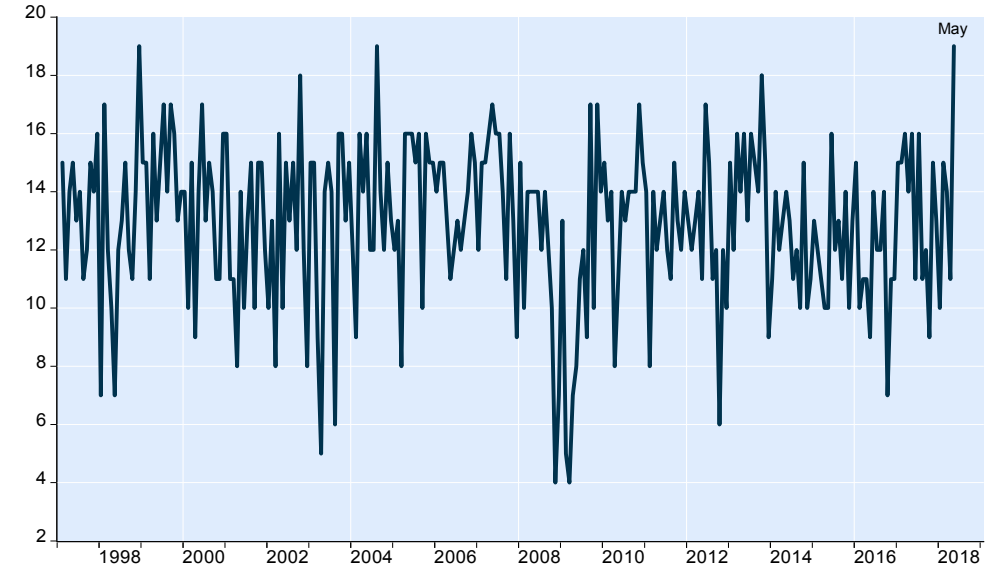
Real GDP by industry



NBF Economics and Strategy (data via Statistics Canada)

Canada: Best dispersion of growth since 2004

Number of broad industries seeing output gains



NBF Economics and Strategy (data via Statistics Canada)

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