After seeing almost no growth in July, Canada’s economy bounced back. While August’s +0.1% GDP growth print was softer than expected, the overall message was still positive with gains in cyclical sectors such as manufacturing and construction suggesting the economic expansion extended to Q3. Also encouraging is the fact that most sectors, i.e. 14 of the 20 broad categories, saw gains during the month. The resilience of the services sector, with a sixth consecutive increase in output, is reassuring because it’s an offset to a goods sector which continues to face adversity courtesy of external shocks — the weak global economy is indeed restraining activity in the manufacturing and commodity sectors worldwide. All in all, based on July and August data, Canada’s real GDP seems to have grown about 1.5% annualized last quarter, a good performance considering that comes after Q2’s massive and unsustainable 3.7% growth print.

HIGHLIGHTS:

- Canada’s real GDP rose 0.1% (0.14% if you’re counting decimals), taking the 3-month annualized increase to 1.1% (see left chart).
- Goods sector output rose 0.2%, offsetting in part the prior month’s declines. There were gains for manufacturing (+0.5%), agriculture (+0.4%), construction (+0.3%), and resources (+0.1%), which more than offset declines for utilities (-1.5%). That allowed industrial production to rise 0.1%.
- Services-producing industries continued to expand, with a 0.1% increase in August output. The latter was boosted by several sectors including professional services (+0.7%), finance/insurance (+0.5%), retail (+0.3%) and real estate (+0.3%) which more than offset declines elsewhere including wholesale (-1.3%).
- On a year-on-year basis, Canada’s GDP was up 1.3% in August, with gains in services (+2.3%) more than offsetting declines in the goods sector (-1.2%).
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