

## Sharp rebound in February

### Canadian real GDP growth:

**February: +0.4% (actual), +0.3% (expected)**  
**Previous: -0.1% (unrevised)**

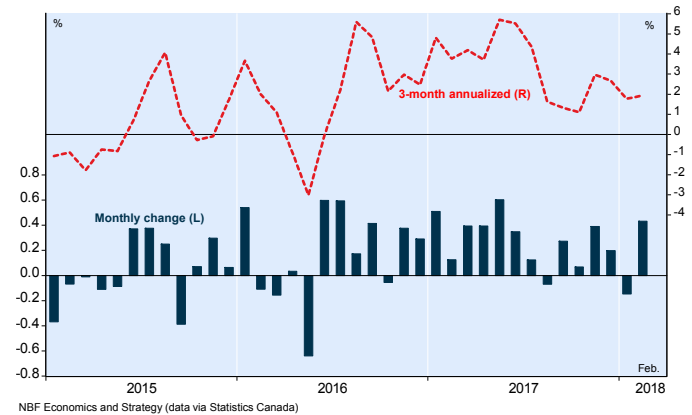
**FACTS:** Canada's real GDP rose a consensus-topping 0.4% in February, more than making up for January's contraction. That's the biggest monthly increase since May last year (top chart). Of the 20 industrial sectors, fifteen registered increases in output during February. Services-producing industries saw a 0.1% increase in output courtesy of solid contributions from arts/recreation, professional services, retail, and finance/insurance among others, which offset declines in wholesale and real estate. Goods sector output surged 1.2% thanks to gains in manufacturing, oil & gas, construction, mining and agriculture which dwarfed declines in utilities. As a result, industrial production jumped 1.4%, the biggest increase since May last year.

**OPINION:** The Canadian economy bounced back nicely after a difficult January. The breadth of increases is encouraging, particularly the observed rebounds in agriculture, mining, oil and gas, retail, arts/recreation, professional services and information. Weakness in real estate persisted, albeit not surprising in light of sinking home sales during the month. With home sales reportedly rising in March, one can expect real estate to bounce back. The goods sector rebound in February took industrial production to an all-time high. That extends Canada's decade-long outperformance of the U.S. with regards to industrial output, although it must be noted the latter was not because of manufacturing or mining but rather utilities (middle chart). While the overall results are positive, it's worth noting that even with February's consensus-topping results, real GDP growth remains on track for another sub-2% annualized print in Q1 (bottom chart) and that's largely due to the weak January. That said, Q1 growth may well end up topping the Bank of Canada's estimate of 1.3%.

Krishen Rangasamy

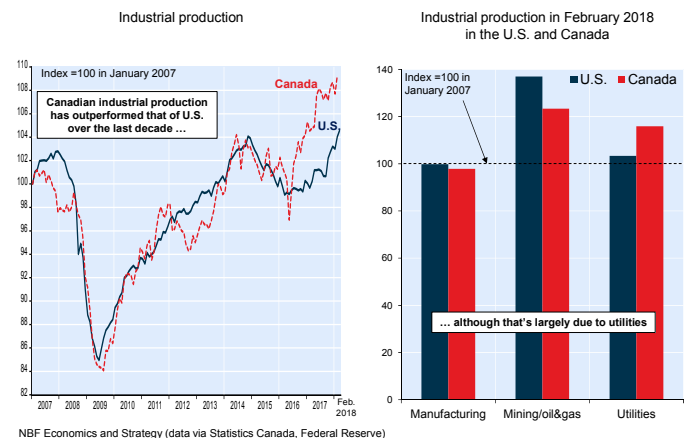
### Canada: Biggest monthly increase since May last year

Real GDP by industry



NBF Economics and Strategy (data via Statistics Canada)

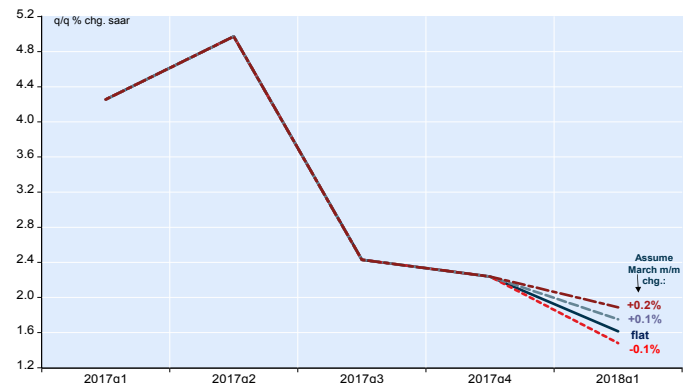
### Canada: Industrial production hits all-time high



NBF Economics and Strategy (data via Statistics Canada, Federal Reserve)

### Canada: Economic growth likely soft again in Q1

Real GDP by industry



NBF Economics and Strategy (data via Statistics Canada)

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