

## Canada: GDP growth on track to soften in Q3

By Krishen Rangasamy and Kyle Dahms

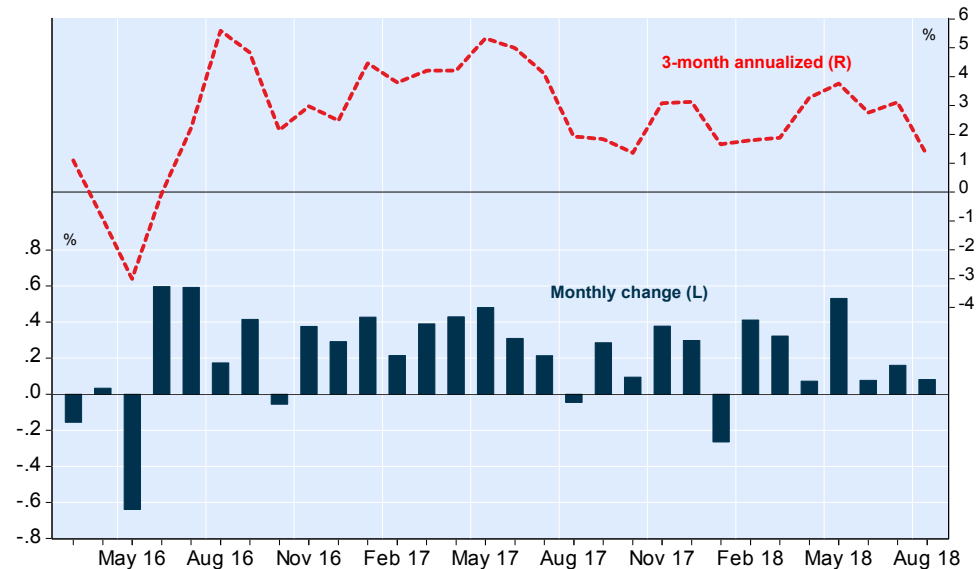
While August's GDP was slightly better than expected, the gains were not widespread, with only 8 of the 20 broad industrial sectors seeing higher output. The rebound in oil and gas was expected amidst the restart of some of Syncrude's operations after a prior outage. Strength in utilities output was also not surprising in light of a warmer than usual August. On the flip side, the manufacturing sector faltered after two consecutive months of growth – autos output was affected by atypical plant shutdowns during the month. The services sector was powered by finance/insurance and real estate, much in line with the observed stabilization of the housing market after a rough start to the year – recall that home sales bounced back in Q3. All in all, August's GDP report does not change our view that real GDP growth softened to just under 2% annualized in Q3, following a 2.9% print in Q2 (bottom right chart).

### HIGHLIGHTS:

- Canada's real GDP rose 0.1% in August (bottom left chart). This was better than consensus expectations of a flat print.
- However, of the 20 broad industrial sectors, only 8 registered increases in output.
- Goods sector output was no better than flat as sizeable gains in the oil and gas sector (+1.9%) and utilities (+0.8%) were offset by declines in mining (-1.8%), agriculture (-0.5%), construction (-0.4%) and manufacturing (-0.6%). As a result, industrial production edged up only 0.1%.
- Output in services-producing industries increased 0.1% thanks to a 1.0% surge in finance/insurance as well as gains in real estate/leasing (+0.3%), professional services (+0.3%), education (+0.2%) and health (+0.2%), which more than offset declines elsewhere.

### Canada: Output rose for a 7<sup>th</sup> consecutive month in August

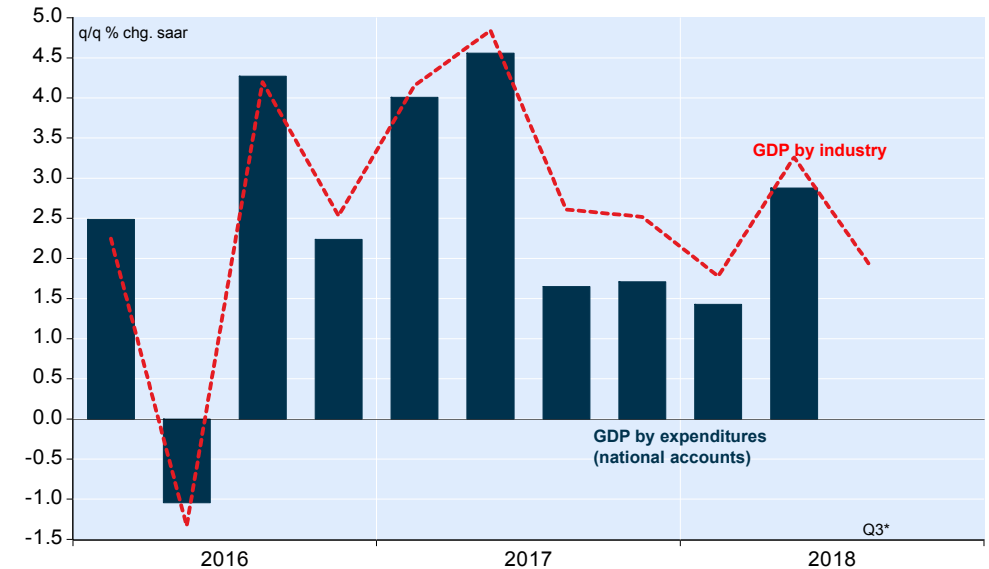
Real GDP by industry



NBF Economics and Strategy (data via Statistics Canada)

### Canada: Q3 growth tracking just below 2% annualized

Real GDP



\* Assuming 0.1% increase in September and no revisions to prior months  
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### Montreal Office

514-879-2529

**Stéfane Marion**

*Chief Economist and Strategist*  
stefane.marion@nbc.ca

**Krishen Rangasamy**

*Senior Economist*  
krishen.rangasamy@nbc.ca

**Kyle Dahms**

*Economist*  
kyle.dahms@nbc.ca

**Matthieu Arseneau**

*Deputy Chief Economist*  
matthieu.arseneau@nbc.ca

**Paul-André Pinsonnault**

*Senior Fixed Income Economist*  
paulandre.pinsonnault@nbc.ca

**Jocelyn Paquet**

*Economist*  
jocelyn.paquet@nbc.ca

**Marc Pinsonneault**

*Senior Economist*  
marc.pinsonneault@nbc.ca

**Angelo Katsoras**

*Geopolitical Analyst*  
angelo.katsoras@nbc.ca

### Toronto Office

416-869-8598

**Warren Lovely**

*MD & Head of Public Sector Strategy*  
warren.lovely@nbc.ca

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