

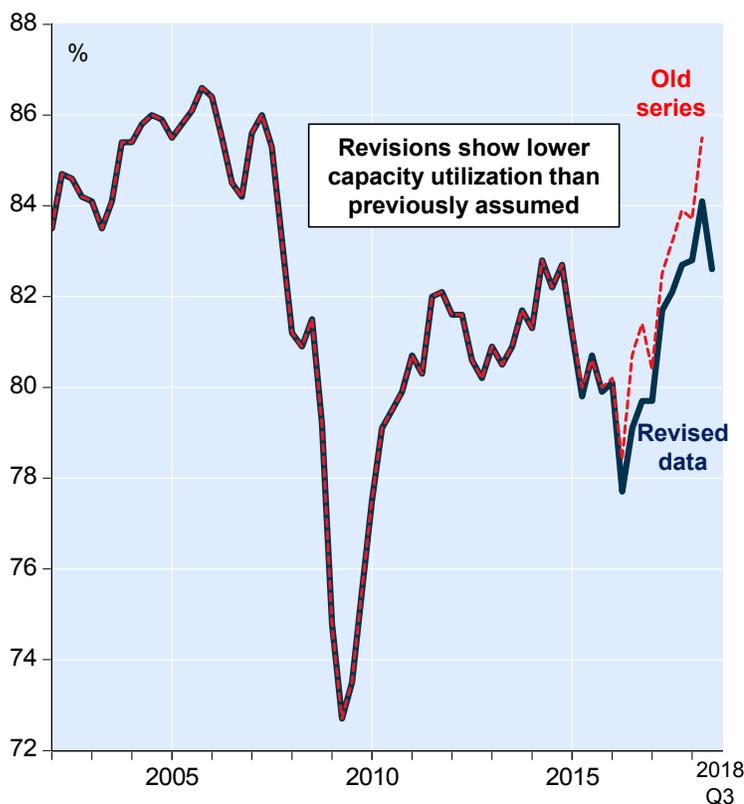
## Canada Watch

By Krishen Rangasamy

Canada's economy has more slack than previously thought. That's the message from this morning's data release by Statistics Canada. The industrial capacity utilization rate, i.e. ratio of actual output to estimated potential output, was revised down for the last three years much in line with earlier-reported GDP downgrades. In the third quarter, the capacity utilization rate fell to just 82.6%, the lowest in a year, due to declines in the manufacturing sector, construction and oil and gas. As today's *Hot Charts* show, most sectors now have lower utilization rates than before the Great recession of 2008-2009. Of course, this larger-than-expected economic slack does not bode well for investment spending. Oil & gas, one of the rare sectors where utilization is higher than pre-recession levels, is unlikely to see much investment given depressed energy prices. All told, the Bank of Canada is right to be concerned about "the evolution of investment", the oil shock and a larger-than-expected output gap.

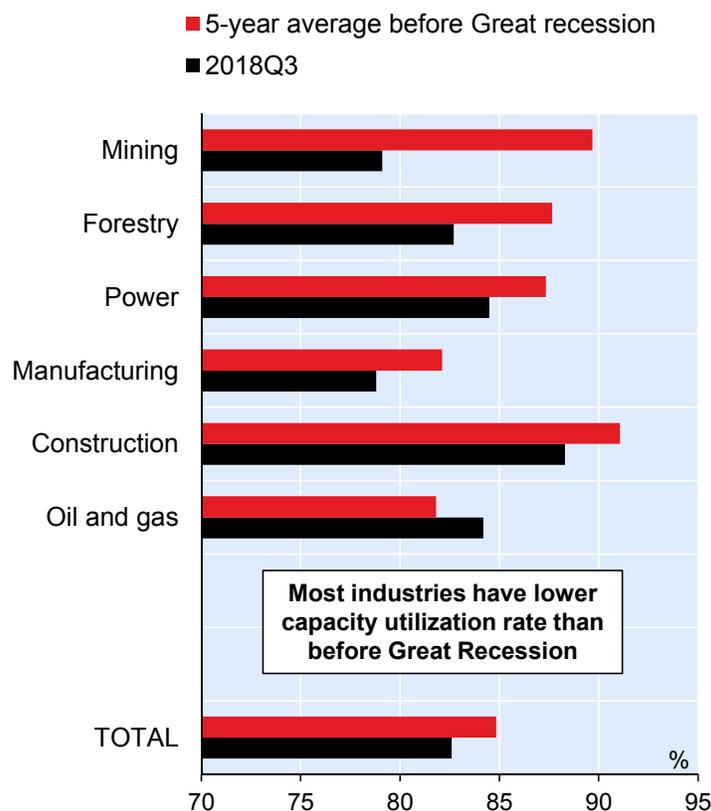
### Canada: Just how much slack is there?

Capacity utilization rate



NBF Economics and Strategy (data via Statistics Canada)

Capacity utilization rate by industry



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