



Canada: The economy continued to lose steam in November

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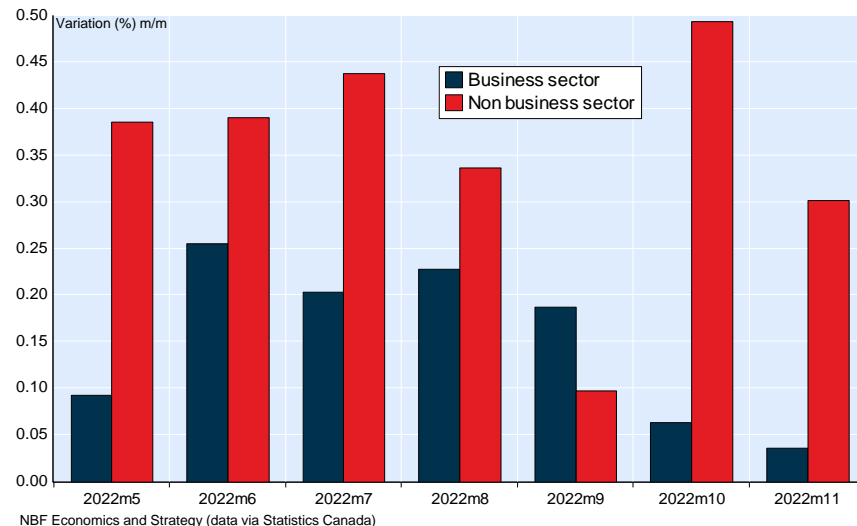
The November GDP data indicate an economy that continued to grow in the month, but at a decelerating pace. The lifting of travel restrictions in October led to an increase in air travel activity, which jumped 4.6% in November following a solid increase of 7.9%. The arts and entertainment sector also showed good momentum as Canadians continue to return to theaters following three years of pandemic and health measures. Beyond these factors, the economy continues to show signs of moderation with growth at its weakest in 10 months. In another sign that the economy is running out of steam, November's growth came entirely from the public sector, with the business sector essentially stagnating during the month (left chart). This is not surprising given several surveys indicating that businesses and consumers are generally becoming more cautious/pessimistic. This has resulted in a decline in activity for retail sales and accommodation & food services in November as consumers are being struck simultaneously by loss of purchasing power, an interest-payment shock, and a negative wealth effect. The decline is particularly striking for food & beverage stores volume sales since the start of the year, as consumers may be reducing their purchases due to skyrocketing prices (right chart). Residential construction activity has declined for a fourth consecutive month, registering a -1.8% pullback, its worst since May 2022. Considering preliminary estimate for December, which indicates stagnation, quarterly growth is standing at 1.6% annualized in Q4, only slightly below potential growth of about 2.0%. But we should not be too quick to rejoice because monthly GDP has often been revised substantially at the time of the quarterly GDP release. It remains that in a context of extremely restrictive monetary policy, we continue to expect near stagnation in most of 2023.

HIGHLIGHTS:

- Canada's real GDP rose 0.1% in November, a result in line with consensus expectations and Statistics Canada's preliminary estimate.
- Production rose in 14 of the 20 industrial sectors covered in November. The improvement stemmed exclusively from services-producing industries (+0.2%), with positive contributions from transportation/warehousing (+1.0%), arts/entertainment (+0.6%), finance/insurance (+0.5%), public administration (+0.5%) that more than offset declines in management (-2.3%) and accommodation/food services (-1.4%). Goods sector output, meanwhile, decreased (-0.1%) as declines in construction (-0.7%), agriculture (-0.1%) and manufacturing (-0.1%) were not fully counterbalanced by increases in mining/quarrying/oil & gas extraction (+0.2%) and utilities (+0.7%).
- Industrial production was up 1.0% m/m.
- Finally, Statistics Canada's preliminary estimate showed GDP was unchanged in December.

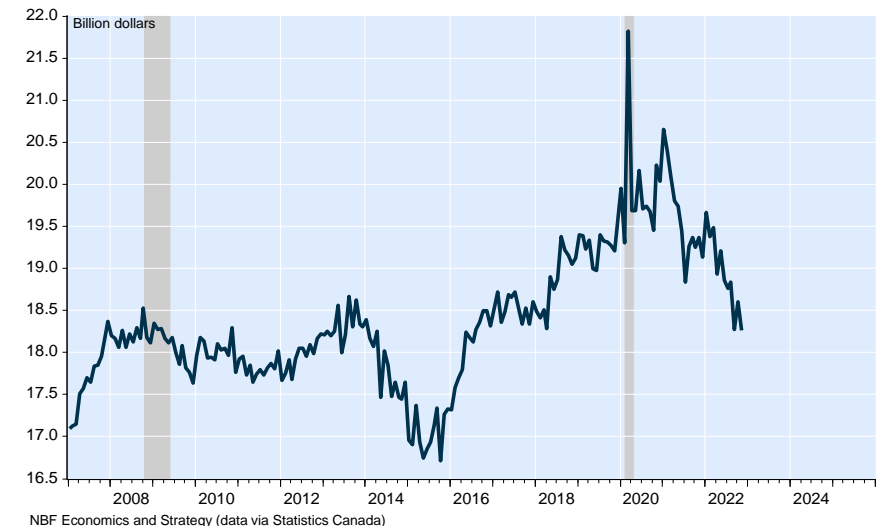
Canada: Private sector is losing steam

Monthly variation in real GDP of business and non-business industries



Canada: Inflation hammers the food and beverage industry

Real GDP of food and beverage stores



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General

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