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## Canada Q3 GDP growth slower, but details better

- Canadian GDP increased by a below-trend 1.3% in Q3
- Household spending and business investment both grew solidly
- Excluding commodities output, growth was closer to 3%

The impact of escalating global trade tensions was not as evident as was feared in Q3. Net exports subtracted about half a percent from top-line GDP growth. But, despite trade worries, business investment bounced back 9.5% after falling 7.0% in Q2. Consumer spending growth remained unspectacular at 1.6%, but residential investment surged 13.3% to leave households still contributing significantly more to growth in Q3 than over the first half of the year.

A slowing in the pace of inventory accumulation accounted for the largest drag on growth in the quarter, subtracting 1 1/2 % from GDP growth. But part of that was likely related to transitory shutdowns in commodities production. Indeed, activity excluding the commodity-producing industries increased almost 3% by our count in the separately reported monthly GDP by industry numbers.

All-in-all, the data should do little to change the narrative that, while concerns about the economic outlook remain, current economic conditions still look relatively resilient in Canada. The GDP increase was in line with the Bank of Canada's forecast in October, and the central bank will likely take comfort in the increase in business investment as a sign that activity will continue to hold up relatively well in the near-term.

### Contributions to Canadian GDP Growth

	<i>Q/Q ppt contributions, annualized</i>			<i>Y/Y ppt cont</i>
	<u>2019/Q1</u>	<u>2019/Q2</u>	<u>2019/Q3</u>	<u>2019/Q3</u>
Consumer spending	1.4	0.3	0.9	0.8
Government	0.8	0.2	0.4	0.4
Res Investment	-0.2	0.4	0.9	0.1
Business investment	1.1	-0.6	0.9	0.3
Net trade	-3.7	5.1	-0.5	0.3
Inventories	1.2	-1.5	-1.6	-0.2
<b>Canada GDP</b>	<b>0.8</b>	<b>3.5</b>	<b>1.3</b>	<b>1.7</b>

\*Source: Statistics Canada, RBC Economics

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