

July 31, 2019

Another upside surprise in Canadian GDP

- GDP rose 0.2% in May, 0.1 ppt above consensus
- Goods production saw another solid increase
- Q2 growth tracking close to 3%

Canadian GDP surprised to the upside for a third consecutive month in May. Growth was once again broadly-based with most services industries recording gains (retail and wholesale being key exceptions) and goods production posting another solid increase. The anticipated pullback in oil sands production materialized (mostly reflecting seasonal quirks) but was offset by growth in non-energy mining and manufacturing. It remains the case that the energy sector is on track to provide a nice add to growth in Q2 after acting as a drag in the prior three quarters. Non-energy growth has also picked up, thanks in part to better weather and more stability in the housing sector.

Today's solid reading for May leaves us tracking annualized growth of nearly 3% in Q2—above our earlier estimate and the Bank of Canada's latest forecast. Strong growth in the last several months underscores why the BoC has maintained a neutral policy bias even as the Fed is set to lower rates, starting this afternoon.



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