

Daily Economic Update

January 31, 2019

Canadian GDP edged lower in November

Today's GDP release was pretty much as expected, coming in on consensus with a 0.1% decline. Even the details were fairly predictable—manufacturing, wholesale and retail trade slowed (as flagged in earlier reports) and transportation and warehousing activity was down for a second consecutive month as the Canada Post strike continued through nearly all of November. And oil and gas extraction fell due to weather-related disruptions on the East Coast (there were also reports that oil companies began curtailing production amid steep discounts on Western Canadian oil). We think much of this slowing will prove transitory, but over varying timeframes. Weakness in the transport sector will have reversed in December as labour disruptions ended. A slowdown in the energy sector will last a bit longer. Drilling activity was down in December and larger mandated production cuts will have weighed on oil output in January. The Alberta government just announced that production cuts will start to ease back in February and March, which should relieve some of the downward pressure on activity. But that won't be enough to salvage first quarter growth. Today's release is in line with our call for Q4/18 GDP growth in the 1% (annualized) range, and Q1/19 isn't likely to be much better. The Bank of Canada has anticipated this, expecting gains of 1.3% and 0.8% in Q4 and Q1—meaning today's release won't surprise Governing Council, either.

Highlights:

- Canadian GDP was on consensus, falling 0.1% in November. That is the second decline in three months, leaving year-over-year growth at 1.7%.
- Goods production was down 0.3% thanks to declines in manufacturing and oil and gas extraction.
- Services activity was flat as declines in wholesale, retail, and transportation were offset by gains in many other services sectors.
- Production and sale of cannabis will be incorporated in December's GDP release.
- Today's release was in line with our expectations, leaving our Q4/18 GDP monitoring unchanged at 1.1% annualized. That would be the slowest pace since Q2/16.

Canada Monthly GDP Summary

	m/m % change			y/y %
	Sep-18	Oct-18	Nov-18	Nov-18
GDP	-0.1	0.3	-0.1	1.7
Goods	-0.7	0.3	-0.3	0.3
Oil & gas extrac.	-3.8	3.1	-1.6	5.1
Manufacturing	-0.3	0.8	-0.5	1.1
Services	0.2	0.3	0.0	2.1
Wholesale	-0.6	0.7	-1.1	0.8
Retail	0.2	0.0	-0.3	-1.2

Source: Statistics Canada, RBC Economics Research

November's GDP decline was the second in three months



Source: Statistics Canada, RBC Economics Research

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