



Daily Economic Update

June 30, 2017

Canada's April GDP points to above-trend growth continuing in Q2

Our Take:

Canadian GDP posted a solid 0.2% increase in April and there was further evidence of broadening growth across sectors which has been a significant factor in the Bank of Canada's recently rosier take on the economy. Decent momentum to start Q2 fits with our forecast for 2.7% growth in the quarter. That would be consistent with recent comments from BoC Governor Poloz that growth likely moderated relative to Q1's 3.7% pace but remained above trend. There was also further evidence of recovery in the energy sector, supporting the bank's contention that adjustment to lower oil prices is largely complete. Overall, today's GDP report is consistent with the Bank of Canada's recent narrative that broadly-based growth is steadily eroding excess capacity in the economy and that 2015's rate cuts have "done their job." The bank's more hawkish tone has markets pricing in about 70% odds of a rate hike as soon as July. April's GDP, if matched by an upbeat Business Outlook Survey later this morning, should reinforce market expectations.

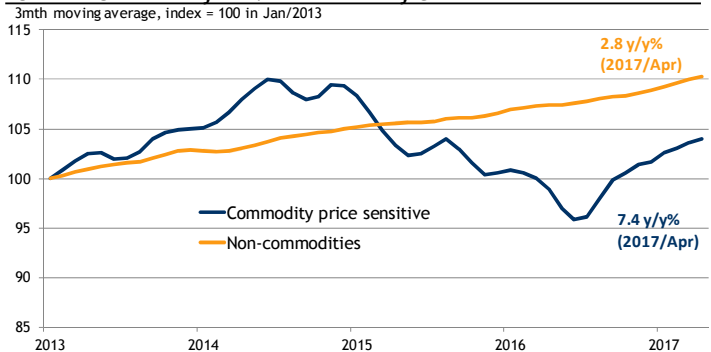
Highlights:

- Canadian GDP rose by an on-consensus 0.2% in April to build on a 0.5% gain in March.
- Goods-producing industries were flat while services activity rose 0.3%.
- Growth was broadly-based: 14 of 20 subsectors grew in April and 17 of 20 saw higher output relative to a year ago.
- A fire-related shutdown at an oil sands producer weighed on oil and gas extraction in April. An 11% increase in support activities for mining, oil and gas offset that decline.
- Arts, entertainment and recreation jumped 2.8% thanks to five of seven Canadian NHL teams making the playoffs.
- Manufacturing disappointed with a 0.9% decline in April. The earlier-released manufacturing sales data showed volumes rose 0.5% in the month. Output in the sector was still up 2% year-over-year.

	m/m % change				y/y % change
	Jan-17	Feb-17	Mar-17	Apr-17	Apr-17
GDP	0.6	0.1	0.5	0.2	3.3
Goods	0.9	-0.3	0.6	0.0	4.2
Ag/for/fish/hunt	-0.6	-1.0	-0.2	-0.4	-0.8
Oil & gas extrac.	2.0	0.0	-0.6	-0.8	5.8
Mining ex-oil&gas	0.8	-3.6	-3.4	2.7	3.5
Mining support	8.9	4.0	11.1	10.8	102.2
Utilities	-1.1	-0.1	1.6	0.1	1.8
Construction	0.4	0.4	0.5	0.1	1.4
Manufacturing	0.7	-0.6	1.0	-0.9	2.0
Services	0.4	0.2	0.4	0.3	3.0

Source: Statistics Canada, RBC Economics Research

Canada Commodity vs Non-commodity GDP



Source: Statistics Canada, RBC Economics Research

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