

# Daily Economic Update

April 28, 2017

## Canadian GDP unchanged in February

### Our Take:

February's flat monthly reading belied an acceleration in the annual pace of growth with real GDP output up 2.49% compared to a year earlier. This was the fastest pace of increase since July 2014 and reflects the recovery in the goods-producing sector. Mining production was up 6.4% in line with the recovery in commodity prices, which represents a marked turnaround after two years of decline. Growth in service-producing industries was steadier over the last two years though accelerated slightly in February. This broad based strengthening pumped the annual growth in overall GDP higher in February relative to January's 2.29% pace. This report confirmed that the economy continued to grow faster than the Bank of Canada's current estimate of potential of 1.3% for the past six months. Sustained above potential growth provides a strong argument for the central bank to start to withdraw some of the current stimulus in the system. However, recent comments by the Bank of Canada, though acknowledging the recent strength in growth, showed little indication to immediately start to tighten policy. A key restraining factor is concern about potential trade impediments being introduced by the U.S. government dampening both exports and business investment. The Trump Administration's imposition of tariffs on lumber exports announced earlier this week provide reason for the Bank of Canada to remain wary of this risk.

### Highlights:

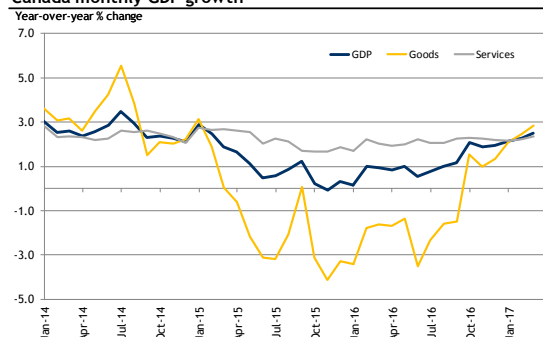
- Canadian GDP was unchanged in the month following the outsized 0.6% spike in January. The earlier strength points to Q1 GDP rising an annualized 3.8% despite the February pause.
- Goods-producing industries fell 0.3% reflecting relatively broad-based declines.
- Within goods-producing industries manufacturing output dropped 0.6% while mining and utilities both declined 0.2%. Some offset was provided by construction output rising 0.5% reflecting gains in both residential and engineering building activity.
- Service-producing industries rose 0.2% helped by strong housing activity sending the real estate component up 0.5% with finance and insurance also up a solid 0.7%. The main offsets were declines in wholesale trade (0.4%) and transportation and warehousing (0.3%).

Canada Monthly GDP Summary

	m/m % change				y/y % change
	Nov-16	Dec-16	Jan-17	Feb-17	Feb-17
<b>GDP</b>	<b>0.5</b>	<b>0.3</b>	<b>0.6</b>	<b>0.0</b>	<b>2.5</b>
<b>Goods</b>	<b>1.2</b>	<b>0.7</b>	<b>1.1</b>	<b>-0.3</b>	<b>2.8</b>
Ag/for/fish/hunt	-0.3	0.4	-0.9	-1.2	-0.8
Oil & gas extrac.	2.0	-3.7	2.1	0.0	6.0
Mining ex-oil&gas	0.9	3.0	0.4	-3.6	-1.8
Mining support	6.1	19.3	7.5	4.8	30.0
Utilities	-3.8	3.7	-1.4	-0.2	1.6
Construction	1.2	0.9	0.6	0.5	0.8
Manufacturing	1.8	0.9	1.4	-0.6	2.6
<b>Services</b>	<b>0.2</b>	<b>0.2</b>	<b>0.5</b>	<b>0.2</b>	<b>2.4</b>

Source: Statistics Canada, RBC Economics Research

Canada monthly GDP growth



Source: Statistics Canada, RBC Economics Research

Paul Ferley, Assistant Chief Economist, (416) 974-7231, paul.ferley@rbc.com

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