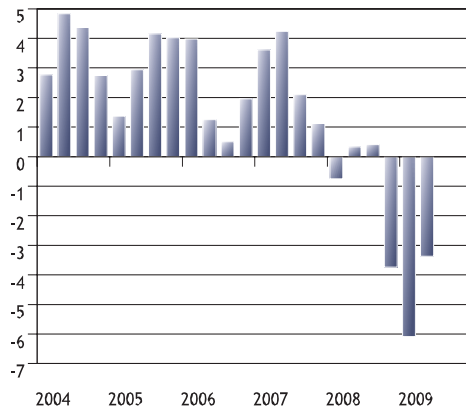


## CANADIAN NATIONAL GDP ACCOUNTS

August 31, 2009

### Canada's quarterly growth profile

Annualized % change in real GDP from previous quarter



Source: Statistics Canada

### Pace of decline in GDP eases up

Canada's economy contracted at a 3.4% annualized rate in the second quarter, a significant easing in the pace of decline compared to the 6.1% drop in the first quarter. The monthly June GDP report, which measures industry output, showed a 0.1% increase in output, the first monthly increase in 10 months.

Weakness in business investment weighed down GDP growth for the third consecutive quarter partly due to the continued slump in pre-tax corporate profits, which shrank at a 37.5% annualized rate following quarterly drops of 57.7% and 65% in the previous two quarters. Total investment subtracted 1.8 percentage points from second-quarter growth with a 57.7% annualized in machinery and equipment spending and a 17.8% fall in non-residential spending. Residential investment rose at a 6.1% annualized pace.

Inventories, which lopped off 5.2 percentage points off the previous two quarters' growth rate, reduced output by a more modest 0.4 percentage points in the second quarter. Net exports subtracted 3.5 percentage points as exports plummeted 19.3%, while imports fell at a slower 8.5% annualized pace. Consumer spending supported the economy, rising at an annualized 1.8%. Government spending on goods and services rose 3.2%; government fixed investment jumped at a 15.7% annualized pace.

The sizeable decline in quarterly GDP in the past nine months has generated significant slack, but June's increase suggests that Canada's recession is nearing an end. The rise in activity in the housing market and the auto sector following the jump in U.S. car sales due to the cash-for-clunkers program point to a return to positive growth in the third quarter and we expect that the economy will grow at a 2% annualized pace.

### Q2 national accounts

Annualized % change (millions of chained 1997 dollars) from previous quarter

	Q2/08	Q3/08	Q4/08	Q1/09	Q2/09
Consumer spending	1.1	0.6	-3.1	-1.2	1.8
Durables	-3.0	-0.8	-11.6	-8.4	6.0
Semi-durables	4.5	2.0	-6.5	-5.2	-0.7
Non-durables	0.8	-0.2	-1.4	1.4	0.7
Services	1.7	1.0	-1.4	-0.2	1.7
Business fixed investment	-2.1	-0.4	-18.6	-28.1	-9.7
Residential	-1.3	-4.9	-23.0	-21.2	6.2
Non-residential	-2.6	2.1	-16.2	-31.3	-17.0
Machinery and equipment	-5.8	-2.9	-28.5	-37.6	-16.1
Government spending	4.6	0.0	2.5	2.1	3.2
Government fixed investment	11.8	7.1	8.7	8.7	15.7
Final domestic demand	1.5	0.5	-4.9	-6.0	0.4
Exports	-4.1	-4.1	-17.7	-30.4	-19.3
Imports	3.0	-3.4	-23.4	-38.9	-8.5
Business inventories (chg. in \$b)	14.5	15.0	10.3	-8.9	-10.5
<b>Real GDP</b>	<b>0.3</b>	<b>0.4</b>	<b>-3.7</b>	<b>-6.1</b>	<b>-3.4</b>

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