

Canadian GDP Growth Mildly Disappoints BoC

Canada, GDP, m/m % September / Q3 q/q %:

Actual: 0.2 / 1.7

Scotia: 0.1 / 1.6

Consensus: 0.1 / 1.6

Prior: -0.1 / 4.3 (revised from -0.1 / 4.5)

- While September GDP growth slightly beat estimates, the breadth wasn't great and it didn't materially impact the quarter's estimates while quarterly growth very marginally disappointing the BoC's expectations. A slight beat on Q3 GDP growth was offset by a small downward revision to Q2 growth. **On net, growth ever so slightly disappointed BoC expectations** expressed in the October MPR that had called for 4.5% growth in Q2 using the prior estimate (now 4.3%) and then forecast 1.8% growth in Q3 which is two-tenths higher than the actual estimate. Ergo, while we're talking about a minor miss measured in tenths of basis points to the BoC's growth expectations for each quarter, today's growth figures present no further pressure upon slack measures while maintaining the focus upon the BoC's cautious uncertainty-laden messages. **The BoC's inflation modelling is therefore under no further upward pressure post-GDP and may even be under very slightly less pressure. I don't see the jobs report overriding the significance of this point, while significant reliance upon an inventory build-up to drive Q3 GDP growth dents the quality of the rise.**
- For the month of September, most of the growth came in the goods producing sectors** where GDP was up by 0.4% m/m. That was fed, however, by a 1.7% m/m jump in utilities output while mining/oil/gas increased by 0.7%, construction advanced by 0.4%, manufacturing was flat and ag/forestry/fishing retreated by 0.5% m/m.
- Service sectors grew by 0.1% m/m on net but the breadth was just ok. Declines were registered in retail (-0.5%), wholesale (-0.9%), information/culture (-0.1%), finance/insurance (-0.1%). Output was flat in management companies, admin/support/waste/remediation. Output was up in transportation/warehousing (+0.5%), real estate and rental and leasing (+0.4%), professional/scientific/tech (+0.6%), education (+0.5%), accommodation and food services (+0.9%), arts/entertainment (+0.4%) and both public admin (+0.4%) and other services (+0.2%).
- In weighted q/q annualized terms, exports dragged 3.4 points off headline GDP growth and imports were flat. Consumption growth added 2.25 percentage points to GDP growth which was stronger than anticipated despite a retail slow down during the quarter. Government spending added 0.6 points to GDP growth. Business investment added 0.3% through a minor 0.1% subtraction from housing investment and a 0.35% addition to GDP growth from nonresidential investment. Inventories added 1.1 percentage points to GDP growth.
- The household saving rate fell again to 2.6% from 2.8% the prior quarter.** Households are saving less of their paycheques than in the US. This is, however, reflecting the unwinding of the spike in the saving rate to almost 14% back in 2016Q2/Q3 when the initial proceeds from the spike in child benefit payments were hoarded and then spent in lagging fashion.

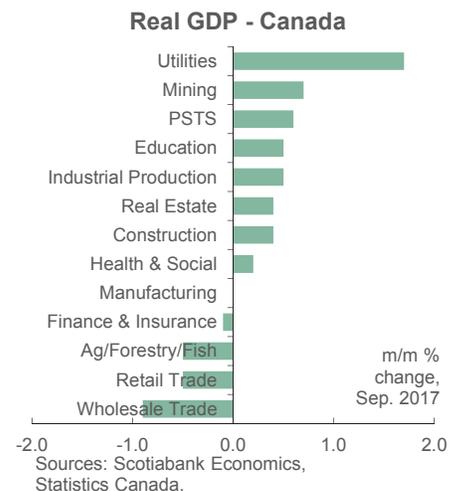
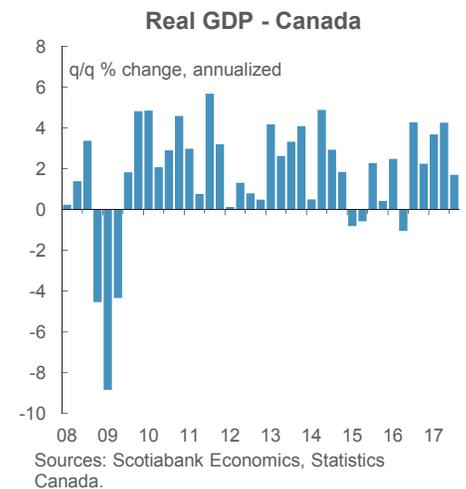
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