

## ECONOMIC NEWS

# Canada: Real GDP Records Best Start to the Year Since 2002



### HIGHLIGHTS

- ▶ Real GDP rose 4.5% (quarterly annualized) in the second quarter. This gain follows a 3.7% increase in the first quarter. Cumulative growth since the beginning of the year is therefore 4.1% (annualized), the kind of performance not seen since 2002.
- ▶ Domestic demand has remained strong in the second quarter (+3.5%), posting another exceptional gain in household consumer spending (+4.6%). The rebound in non-residential investments also continued on the back of a 7.4% increase.
- ▶ Goods and services exports rose 9.6%, while imports climbed 7.4%. Improvement in the trade balance contributed +0.5% to the annualized quarterly change in real GDP.

### COMMENTS

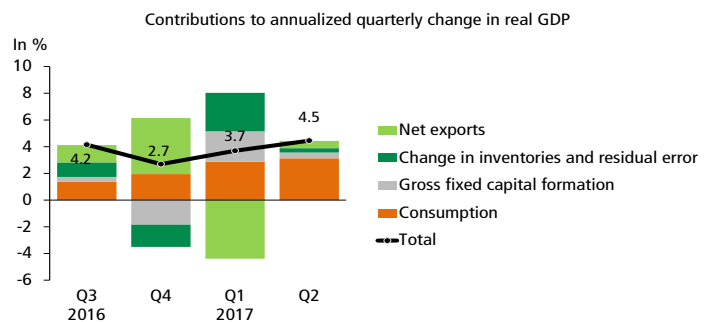
The consensus forecast called for real GDP to increase 3.7% in the second quarter, which is already exceptional considering that growth potential is currently assessed between 1.0% and 1.6% by the Bank of Canada (BoC). This is what makes the 4.5% gain so remarkable.

As is often the case with such good performance, virtually all components made a substantial contribution to economic growth. Moreover, the vitality of consumer spending is astonishing, even though a number of positive factors are obviously at work, such as a strong labour market, higher confidence and good growth in employee wages.

The only dark spot, albeit not really one, is the decline in residential investment (-4.7%). Since such a slowdown is desired, this cannot be much of a complaint. It should help reduce the risk posed by the vitality of the housing market for the country's financial stability. It now remains to be seen whether this pullback will continue in the next few quarters.

### GRAPH

#### Exceptional growth in real GDP in the second quarter of 2017



Sources: Statistics Canada and Desjardins, Economic Studies

### IMPLICATIONS

Considering the strong Canadian economic growth, monetary authorities will likely have to continue to raise their key interest rates in the coming months. While a hike in September is still possible, it is more likely that low inflation will cause the BoC to hold back until October, when the update to its *Monetary Policy Report* will also be published.

**Benoit P. Durocher**, Senior Economist

François Dupuis, Vice-President and Chief Economist

Hélène Bégin, Senior Economist • Benoit P. Durocher, Senior Economist • Francis Généreux, Senior Economist

Desjardins, Economic Studies: 514-281-2336 or 1 866-866-7000, ext. 5552336 • [desjardins.economics@desjardins.com](mailto:desjardins.economics@desjardins.com) • [desjardins.com/economics](http://desjardins.com/economics)

NOTE TO READERS: The letters k, M and B are used in texts and tables to refer to thousands, millions and billions respectively.

IMPORTANT: This document is based on public information and may under no circumstances be used or construed as a commitment by Desjardins Group. While the information provided has been determined on the basis of data obtained from sources that are deemed to be reliable, Desjardins Group in no way warrants that the information is accurate or complete. The document is provided solely for information purposes and does not constitute an offer or solicitation for purchase or sale. Desjardins Group takes no responsibility for the consequences of any decision whatsoever made on the basis of the data contained herein and does not hereby undertake to provide any advice, notably in the area of investment services. The data on prices or margins are provided for information purposes and may be modified at any time, based on such factors as market conditions. The past performances and projections expressed herein are no guarantee of future performance. The opinions and forecasts contained herein are, unless otherwise indicated, those of the document's authors and do not represent the opinions of any other person or the official position of Desjardins Group. Copyright © 2017, Desjardins Group. All rights reserved.