

Economics

# ECONOMIC FLASH!

[economics.cibccm.com](http://economics.cibccm.com)

January 31, 2024

## Canadian GDP (Nov, Dec/Q4 adv.): A somewhat better-than-expected rebound

**Andrew Grantham** [andrew.grantham@cibc.com](mailto:andrew.grantham@cibc.com)

GDP (period/period % chg)	23:Q2 <sup>1</sup>	23:Q3 <sup>1</sup>	Sep	Oct	Nov	Nov Y/Y
GDP (at basic prices)	1.2	-0.2	0.0	0.0	0.2	1.1
• Goods-producing	-0.9	-2.7	0.2	-0.1	0.6	-0.6
• Services-producing	1.8	0.6	0.0	0.1	0.1	1.7
• Business	1.1	-1.2	0.0	0.0	0.3	0.7
• Non-business	1.4	4.0	0.2	0.3	0.0	2.7

Source: Statistics Canada

- The Canadian economy returned to growth towards the end of 2023, and somewhat more emphatically than anticipated. Indeed, the early estimate for 1.2% annualized growth in Q4 is well above the Bank of Canada's MPR forecast for a flat reading. However, recent history has shown that these early GDP by industry data can differ significantly from the later-released expenditure figures. Moreover, even if the rebound in Q4 GDP is confirmed, the drivers of growth are primarily sectors where previous supply constraints are easing, which is good news from an inflation point of view. Upcoming employment and CPI releases should be more important in determining when the Bank of Canada may start to cut interest rates, and we retain our June call for the first move.
- November GDP pointed to a 0.2% advance in activity, which was slightly better than the consensus forecast and advance reading for a 0.1% gain. Even more surprising, the advance estimate for December suggested a further 0.3% gain in activity.
- Drivers of growth in November included many sectors that were recovering from earlier supply constraints. Manufacturing posted a strong advance, helped partly by some petrochemical plants raising production again after maintenance shutdowns. Statistics Canada noted that manufacturing remained one of the drivers of growth in December. Transportation rebounded in November, after the St Lawrence seaway strike had impacted activity earlier. In contrast, education services fell slightly due to strike activity in Quebec that started in November.
- Sectors of the economy that typically correspond better with domestic demand remained fairly sluggish in November. Retailing contracted slightly, albeit after a gain in the prior month, and finance & insurance saw another decline. Accommodation & food services and real estate both increased, but only marginally.
- For the fourth quarter as a whole, the economy appears set for growth of around 1.2% annualized, rebounding from Q3's contraction. However, this could be revised when the GDP by expenditure figures are released at the end of February.

<sup>1</sup> Annualized.

## Implications & actions

**Re: Economic forecast** — The apparent momentum towards the end of 2023 suggests that Q1 GDP may be a little stronger than we had previously anticipated. However, with signposts of domestic demand looking weaker than the headline GDP data, we still suspect that any growth in activity during the first half of this year will be marginal. That will result in a further upward drift in the unemployment rate and bring a first interest rate cut from the Bank of Canada in June.

**Re: Markets** — Bond yields and the Canadian dollar rose following the release, as market pricing for the first Bank of Canada interest rate cut shifted from April to June.

This report is issued and approved for distribution by (a) in Canada, CIBC World Markets Inc., a member of the Investment Industry Regulatory Organization of Canada, the Toronto Stock Exchange, the TSX Venture Exchange and a Member of the Canadian Investor Protection Fund, (b) in the United Kingdom, CIBC World Markets plc, which is regulated by the Financial Services Authority, and (c) in Australia, CIBC Australia Limited, a member of the Australian Stock Exchange and regulated by the ASIC (collectively, "CIBC") and (d) in the United States either by (i) CIBC World Markets Inc. for distribution only to U.S. Major Institutional Investors ("MII") (as such term is defined in SEC Rule 15a-6) or (ii) CIBC World Markets Corp., a member of the Financial Industry Regulatory Authority. U.S. MIIs receiving this report from CIBC World Markets Inc. (the Canadian broker-dealer) are required to effect transactions (other than negotiating their terms) in securities discussed in the report through CIBC World Markets Corp. (the U.S. broker-dealer).

This report is provided, for informational purposes only, to institutional investor and retail clients of CIBC World Markets Inc. in Canada, and does not constitute an offer or solicitation to buy or sell any securities discussed herein in any jurisdiction where such offer or solicitation would be prohibited. This document and any of the products and information contained herein are not intended for the use of private investors in the United Kingdom. Such investors will not be able to enter into agreements or purchase products mentioned herein from CIBC World Markets plc. The comments and views expressed in this document are meant for the general interests of wholesale clients of CIBC Australia Limited.

This report does not take into account the investment objectives, financial situation or specific needs of any particular client of CIBC. Before making an investment decision on the basis of any information contained in this report, the recipient should consider whether such information is appropriate given the recipient's particular investment needs, objectives and financial circumstances. CIBC suggests that, prior to acting on any information contained herein, you contact one of our client advisers in your jurisdiction to discuss your particular circumstances. Since the levels and bases of taxation can change, any reference in this report to the impact of taxation should not be construed as offering tax advice; as with any transaction having potential tax implications, clients should consult with their own tax advisors. Past performance is not a guarantee of future results.

The information and any statistical data contained herein were obtained from sources that we believe to be reliable, but we do not represent that they are accurate or complete, and they should not be relied upon as such. All estimates and opinions expressed herein constitute judgments as of the date of this report and are subject to change without notice.

This report may provide addresses of, or contain hyperlinks to, Internet web sites. CIBC has not reviewed the linked Internet web site of any third party and takes no responsibility for the contents thereof. Each such address or hyperlink is provided solely for the recipient's convenience and information, and the content of linked third-party web sites is not in any way incorporated into this document. Recipients who choose to access such third-party web sites or follow such hyperlinks do so at their own risk.

© 2024 CIBC World Markets Inc. All rights reserved. Unauthorized use, distribution, duplication or disclosure without the prior written permission of CIBC World Markets Inc. is prohibited by law and may result in prosecution.

The CIBC logo and "CIBC Capital Markets" are trademarks of CIBC, used under license.

CIBC Capital Markets – PO Box 500, 161 Bay Street, Brookfield Place, Toronto, Canada M5J 2S8 – Bloomberg @ CIBC