

## Economics

# ECONOMIC FLASH!

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

March 28, 2024

## Canadian GDP (Jan, Feb adv.): Starting fast...again

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

| GDP (period/period % chg) | 23:Q3 <sup>1</sup> | 23:Q4 <sup>1</sup> | Nov  | Dec  | Jan | Jan Y/Y |
|---------------------------|--------------------|--------------------|------|------|-----|---------|
| GDP (at basic prices)     | -0.5               | 0.8                | 0.2  | -0.1 | 0.6 | 0.9     |
| • Goods-producing         | -4.2               | 1.1                | 0.8  | -0.5 | 0.2 | -1.1    |
| • Services-producing      | 0.7                | 0.7                | 0.1  | 0.0  | 0.7 | 1.6     |
| • Business                | -1.5               | 1.5                | 0.5  | 0.1  | 0.3 | 0.7     |
| • Non-business            | 3.2                | -2.1               | -0.7 | -1.2 | 2.0 | 1.7     |

Source: Statistics Canada

- The Canadian economy appears to have started 2024 in the fast lane, and even though January's growth was flattered by a rebound in the public sector following strike activity in Quebec, solid momentum appears to have extended to February as well. With growth for Q1 as a whole tracking well above the Bank of Canada's previous expectation, there is clearly no urgency for policymakers to cut interest rates at the next meeting in two week's time. However, a June move is still possible if labour market conditions continue to loosen and core inflation maintains its downward momentum.
- The 0.6% increase in January GDP was two ticks above the advance estimate and consensus expectation, although it came off a slightly downwardly revised -0.1% print for the prior month. Roughly two-thirds of the growth in January was driven by a rebound in the public sector, and in particular in educational services following the ending of strike activity in Quebec. However, even though the public sector rebound was the main driver, there were broad based increases in other areas as well, with 18 of 20 sectors posting an advance in activity.
- Manufacturing rebounded from a December decline, due largely to growth in the auto industry following retooling shutdowns in the prior month. Utilities production increased as a drop in temperatures mid-month increased demand. Real estate activity rose for a third consecutive month.
- The most surprising news today was the advance estimate for February, which pointed to a further solid 0.4% increase in activity, suggesting that (excluding the public sector rebound from January's growth rate) underlying momentum actually accelerated further in that month. Statistics Canada alluded to broad-based increases once again, led by mining, oil & gas, manufacturing and finance.
- The strong January and February figures mean that Q1 growth as a whole is now tracking well above the Bank of Canada's January MPR forecast (3.5% vs 0.5%). However, it should be remembered that Canadian GDP data are often volatile, and last year we also witnessed a fast start which then quickly faded. Indeed, even after January and February's surprisingly strong results, GDP is only 1.2% higher on a year-over-year basis, which still represents a big drop in per-capita terms given population growth north of 3%.

<sup>1</sup> Annualized.

## Implications & actions

**Re: Economic forecast** — The strength in GDP during Q1 suggests there is no urgency for an immediate reduction in interest rates. However, with inflation also undershooting the Bank's prior expectations, it appears that much of the growth we are seeing is coming from an easing of supply constraints rather than necessarily a pick-up in underlying demand. If underlying inflation continues to ease and labour market conditions loosen further, a rate reduction in June is still possible.

**Re: Markets** — Despite the fairly sizeable upside surprise in today's data, bond yields and the Canadian dollar rose only modestly following the release, with investors seemingly awaiting further news on the labour market and inflation before changing their views on the timing and magnitude of interest rate cuts.

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