

ECONOMIC NEWS

Canada: The economy loses steam at the end of 2022

By Randall Bartlett, Senior Director of Canadian Economics

HIGHLIGHTS

- ▶ Real GDP advanced by 0.1% in November, in line with our call, consensus expectations and Statistics Canada's flash estimate.
- ▶ Services-producing sectors posted a 0.2% gain in the month. Sizeable increases in transportation and warehousing (+1.0%), arts, entertainment and recreation (+0.6%), and finance and insurance (+0.5%) were partially offset by declines in management of companies and enterprises (-2.3%), accommodation and foods services (-1.4%), and retail trade (-0.6%).
- ▶ In contrast, goods-producing sectors took a step back in November, falling 0.1%, led by lower activity in construction (-0.7%) – notably residential construction (-1.8%) – and manufacturing (-0.1%). These declines more than outweighed gains in utilities (+0.7%) and mining, quarrying and oil and gas extraction (+0.2%).
- ▶ On a year-over-year basis, real GDP was up 2.7% from its November 2021 level, although that largely reflected gains seen earlier in 2022 as recent prints have been more modest.
- ▶ Statistics Canada's flash estimate for real GDP is for a flat print in December. Gains in the retail, utilities, and public sectors are expected to be offset by declines in the wholesale, finance and insurance, and mining, quarrying, and oil and gas extraction sectors. This puts the estimate for Q4 2022 real GDP growth at 1.6% (q/q, saar), leaving growth for the year at 3.8%.

COMMENTS

There weren't a lot of surprises in today's November 2022 real GDP release, as anticipated strength in services-producing sectors outweighed ongoing weakness in goods-producing sectors. The bigger surprise came from upward revisions to October data, which helped to push up the estimate for Q4 growth in real GDP by industry from 1.3% to 1.6% (q/q, saar). And this is in spite of the weak tracking for December. However,

GRAPH

Canadian real GDP growth continues to slow at the end of 2022



while 2022 looks to have ended with a solid quarterly print, the weak December number means 2023 could start on a soft note. As such, we remain comfortable with the outlook published in our latest [Economic & Financial Outlook](#) that real GDP growth in Q1 2023 is likely to be roughly flat.

IMPLICATIONS

Today's print provides mixed signals for the Bank of Canada. At 1.6%, growth is now tracking slightly stronger in Q4 2022 than the 1.3% published by the Bank of Canada last week in the January 2023 Monetary Policy Report (MPR). However, the weak December print points to a softer start to 2023 than the Bank anticipated. As such, today's real GDP data doesn't move us off of our call for the Bank of Canada to remain on hold for the foreseeable future, albeit dependent on how the economic data progresses.