



Economy shows strength in October and November in advance of Omicron restrictions

Heading into late year headwinds from dual headwinds of the spread of the Omicron variant and related restrictions and B.C. flood impacts, Canada's economy expanded at a strong pace in October and likely maintained some momentum through much of November.

October industry- GDP rose 0.8 per cent and followed an upward revised 0.2 per cent increase in September. This was a fifth straight monthly gain. Moreover, preliminary estimates peg November growth at 0.3 per cent pointing to hefty growth prior to the B.C. floods that destroyed transportation infrastructure across the province, agricultural operations in the Lower Mainland, and roiled international trade during the second half of the month. With the November flash, GDP narrowed to within 0.1 per cent of pre-pandemic February 2020 levels, although still well short of the trend in the absence of a pandemic.

Growth in GDP was widespread among sectors. Goods-production rose 1.6 per cent on strong gains in manufacturing (1.8 per cent) led by motor vehicle and parts production (up 48 per cent), construction (1.6 per cent), mining (1.5 per cent) and agriculture/forestry (2.3 per cent). Services production gained a solid 0.6 per cent with surge in arts/entertainment/recreations (7.1 per cent) as events returned to capacity, although hospitality fell 0.5 per cent. Strong gains were seen in retail (1.0 per cent), transportation/warehousing (1.6 per cent), professional/scientific/technical services (1.2 per cent).

The latest October print and November preliminary estimates point to a strong pace of growth for Q4 industry- GDP close to nearly five per cent on front- end strength even with a pullback in December. B.C. floods nicked gains into December while Omicron- related restrictions is expected to have curtailed growth during the second half of the month, specifically in the services- oriented hospitality sectors, events and some private services (i.e. gyms). January will show the full brunt of restrictions on the economy. We would anticipate a rapid bounce back once measures are lifted.

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