



GDP trend robust heading into Omicron wave, output increases 0.6 per cent in November

In another showing of strength heading into the Omicron wave, Canadian industry output rose at brisk pace in November but looked to have stalled in December as public health measures intensified.

Industry gross domestic product (GDP) rose 0.6 per cent m/m, following a 0.8 per cent increase in October. This outpaced Statistics Canada's preliminary estimate and market consensus for a 0.3 per cent gain. The latest increase nudged output above pre-pandemic levels for the first time by 0.2 per cent.

With December's early estimate, Q4 GDP growth came in at robust 1.6 per cent q/q or 6.4 per cent annualized. Annual GDP rebounded 4.9 per cent after a 5.1 per cent contraction in 2020. That said, this is still far short of trend GDP that would have been observed in the absence of a pandemic.

November's growth was broad-based with 17 of 20 sectors in the economy expanding. Highlights included wholesale trade (2.8 per cent), agriculture/forestry/fishing/hunting (5.8 per cent), and manufacturing (1.4 per cent) led by transportation equipment (3.6 per cent). That said, manufacturing was broadly higher and included a surge in energy products and chemicals. Re-opening sectors continued to rebound with accommodation/foodservices up 3.4 per cent and arts/entertainment/recreation (5.4 per cent).

While aggregate output has fully-rebounded there remains variation among economic recoveries. Output runs well ahead of pre-pandemic levels in some sectors including finance/insurance (6.9 per cent) and real estate/rental/leasing (3.7 per cent) which have benefitted from strength in the housing market, while professional/scientific/technical services have been buoyed by the remote environment and increased digitization. Healthcare and social services gained 3.7 per cent. In contrast, pandemic sensitive sectors continued to struggle with arts/entertainment/recreation down 23 per cent, accommodation/foodservices down 9.3 per cent, and transportation/warehousing down 13.6 per cent reflecting lack of air travel and lower commuting. Construction and manufacturing also remain below pre-pandemic levels.

We anticipate a modest rollback in the January data as Omicron-related restrictions that began during the latter half of December extended through January in several regions. That said, momentum observed heading into the latest wave, tight labour market conditions and robust housing market points to a rapid recovery once restrictions lift.

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