Economic Commentary

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Canada GDP: Another stagnant month

The Canadian economy shows another month of no growth in October, its third month in a row and below estimates that expected a small growth of 0.2 per cent. Both overall goods industries and service producing industries showed little change in real GDP with weakness in manufacturing, real estate, and wholesale trade offsetting growth in mining and resource extraction, retail trade and health care services. For the year, economic activity remained subdued, with year over year growth of only 0.9 per cent and the signs are pointing that this will likely continue into the near future with advanced estimates for output in November only showing a growth of 0.1 per cent.

Weakness was greatest in manufacturing, which saw decline in its contribution to GDP for the fourth month out of the last five. Durable goods industries saw a decline of 1.2 per cent for the month, resuming the downward trend it's been experiencing for the previous four months. The monthly drop was largely driven by manufacturing of machinery, which decline 4.0 per cent and erasing the last three months of growth. Transportation equipment manufacturing also declined 1.9 per cent as a major auto assembly plant shutdowns in the US reduced the need for output for motor vehicle parts. Non-durable industries saw food manufacturing decline by 1.6 per cent, led by lower meat products manufacturing. On the positive side for goods producing industries was mining, which was up 2.0 per cent, with contributions from non-oil sands oil production, up 3.0 per cent, and metal ore mining, which was up 2.3 per cent.

Weakness was also seen in wholesale trade, which was down 0.7 per cent for the month, its second consecutive monthly decline. Contributing to this weakness was a decline in machinery wholesale distributors, down 1.8 per cent, and food wholesale distributors, down 2.0 per cent. Offsetting the decline in these fields was an uptick in building material wholesalers, which was up 3.7 per cent. Retail trade though saw a 1.1 per cent increase, its second consecutive monthly increase. Most of the subsectors within the retail sector saw positive growth with clothing stores, up 3.2 per cent, and health and person care stores, up 1.6 per cent, and general merchandise stores, up 2.6 per cent contributing the most to this growth.

One subsector that saw a particularly strong slowdown was the offices of real estate agents and brokers. It was down 6.8 per cent in October and was the fourth consecutive row of monthly decline. This subsector has been particularly weak over the past two year as the real estate downturn takes hold, especially in major markets.

Today's GDP report is a repeat of the recent themes of a stalling economy that will continue in to the fourth quarter. With the population growth in Canada continuing to soar and GDP remaining stagnant, per capita is shrinking. Household spending and consumer activity will remain weak with the high interest rates and continue to stay there as unemployment rates start to rise. Advanced estimates for November point to little growth and as a result overall fourth quarter may underperform. That said this is a positive sign for the Bank of Canada on its goal to taming inflation, which still has some ways to go before it reaches its target rate.

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