Economic Commentary

March 28 2024

Economy starts off 2024 strong

The Canadian economy showed surprisingly robust growth in January. Real gross domestic product by industry grew at a 0.6 per cent monthly pace. The growth was broad based as eighteen of the twenty sectors increased in January. The rebound was led by a 0.7 per cent increase in service producing industries, thanks in part to an increase in educational services caused by the resolution of the public sector strike in Quebec. Goods producing industries were also up 0.2 per cent for the month. Early estimates for February are also positive with a growth of 0.4 per cent on contributions from mining and oil, manufacturing, and finance and insurance sectors.

As mentions, the service sector growth was led by educational services. It was up 6.0 per cent in January, bouncing back from the declines seen in November and December due to the strike in Quebec. However, growth was moderated by the teachers' strike that occurred in Saskatchewan in January. Also contributing was the health care and social assistance sector, which was up 0.8 per for the month (also impacted by the strike in Quebec), and real estate, which was up 0.4 per cent for the month, and information and cultural industries, which was up 1.0 per cent. All fifteen of the sectors in the service producing industries showed gains.

On the goods producing sectors, manufacturing led the way, up 0.9 per cent thanks in part to an uptick in vehicle manufacturing from a resumption of assembly plants after a partial shutdown the previous month. Utilities was also up 3.2 per cent for the month. Offsetting these gains was weakness in the mining and oil and gas sector, which was down 1.9 per cent and the construction sector, which was down 0.5 per cent.

January's GDP and advanced estimates for February points positive momentum to start 2024. It is the strongest monthly growth since January 2023. The current pace would then already exceed the estimates from the Bank of Canada for first quarter over quarter growth of only 0.5 per cent. That said, economic conditions do continue to weaken, especially in the labour market where the unemployment rate continues to climb. The strong output makes a rate cut in April very unlikely but with inflation receding we expect a cut to occur in June should conditions get weaker.

Alan Chow
Business Economist
Central 1 Credit Union
alan.chow@central1.com