

## Canada: April's GDP rebound no reason for early Canada Day festivities

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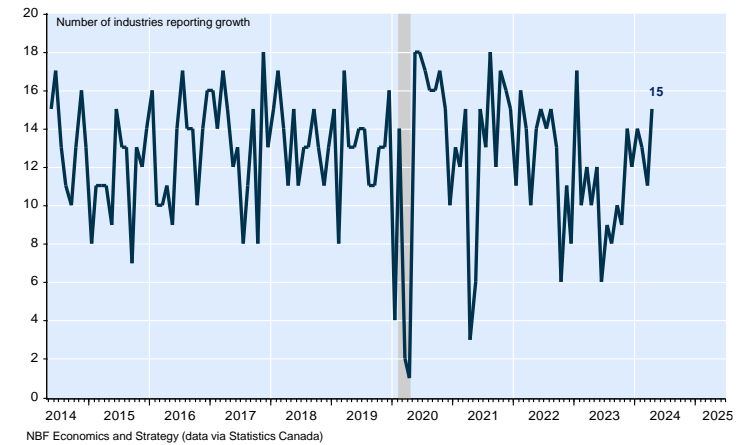
### Highlights:

- Canada's real GDP increased by 0.3% in April following a flat print the prior month. This was in line with consensus estimations and with Statistics Canada's preliminary estimate.
- Production rose in both service (+0.3%) and good (+0.3%) producing industries.
- On the services side, the top performing sectors were wholesale trade (+2.0%), accommodation and food services (+1.2%) and arts/recreation (+0.9%), while output declined in management (-1.9%), administrative and support services (-0.4%) and real estate (-0.1%).
- On the goods side, mining/oil/gas (+1.8%), agriculture (+0.6%) and manufacturing (+0.4%) posted strong gains while construction (-0.4%) and utilities (-0.2%) were down.
- Overall, 15 of the 20 sectors followed recorded an increase in the month.
- Industrial production rose 0.7% in the month.
- Finally, Statistics Canada's preliminary estimate showed that GDP may have risen 0.1% in May.

The Canadian economy rebounded 0.3% in April after having stagnated in March, in line with economists' expectations. Encouragingly, there was very little weakness during the month, with as many as 15 out of 20 industries posting growth, the best performance in 15 months (top chart). According to Statistics Canada, on the services side, the presence of 4 Canadian hockey teams in this year's NHL series undoubtedly contributed temporarily to activity in the arts and entertainment sector, as well as accommodation and food services. On the goods side, it was the natural resources sector that stole the show. With a gain of 1.8% during the month, it posted a year-over-year growth of 4.9%, the best performance among the 20 industries. While the overall performance may seem solid at first glance, it needs to be put into context. Given the country's demographic boom, we need to adjust our growth expectations accordingly. In April, GDP per capita rose only marginally, following 18 declines in the previous 21 months (bottom chart). Unfortunately, preliminary data for May suggest that the downward trend will resume. After growing 1.7% in the first quarter, the Canadian economy is unlikely to grow more than 2.0% in the current quarter, which is below the 2.5% we believe is the economy's potential growth rate. This cooling of the economy in the first half of the year is confirmed by the unemployment rate, which has continued to rise during this period. Despite the start of interest rate cuts, monetary policy remains very restrictive, and, against this backdrop, we expect the economy to remain sluggish over the coming months with consumers continuing to feel the impact of the interest payment shock. High inventory levels will also act as a brake on growth over the coming quarters. As a result, we expect the unemployment rate to continue to rise, as it is unlikely that corporate hiring will keep pace with population growth, given that businesses may have too many workers relative to economic activity. For more details on our current assessment of the economy, see our latest [Monthly Economic Monitor](#).

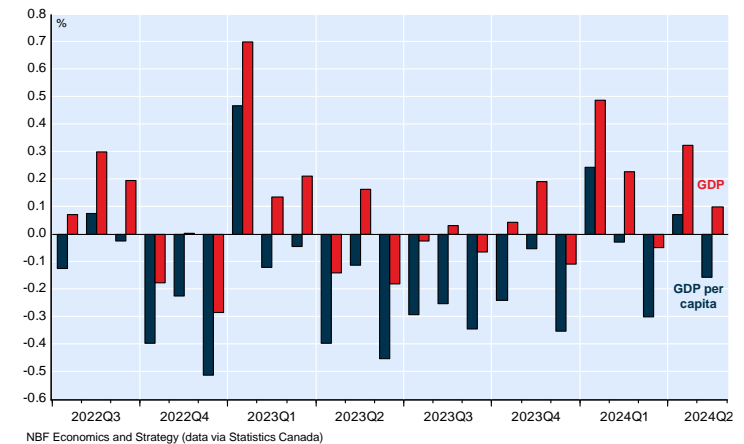
### Canada: Best diffusion in GDP growth since January 2023

Number of industries (N=20) reporting a positive monthly growth in real GDP



### Canada: Real GDP per capita could fall again in May

Monthly change in real GDP and real GDP per capita (preliminary data for May)





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