

Canada: Expect another strong growth figure

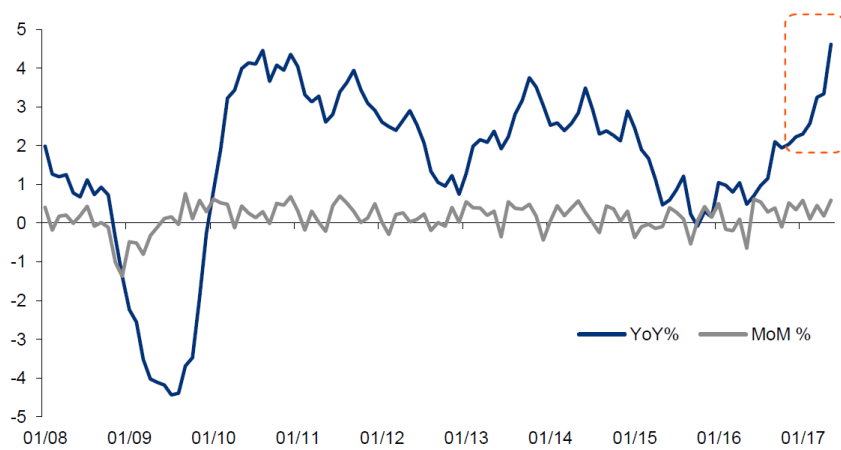
Another stellar growth figure today (Thursday) should help put an October rate hike firmly on the table



Fresh GDP data release

First quarter 2017 growth came in incredibly strongly at 3.7%, making Canada a leader among its industrialised peers. This was a key factor in the Bank of Canada's landmark decision to hike rates for the first time in seven years. It looks like that economic buoyancy carried on into the second quarter, with monthly GDP growth for April and May coming in at a solid 0.2% and an impressive 0.6%, respectively. Goods-producing industries and oil, which surged in May after recovering from a fire and explosion at a facility in Alberta, look to have been major drivers. Manufacturing and retail sales have also been strong, and putting it all together means markets are looking for growth to match the stellar performance of the first quarter.

Recent acceleration in the Canadian economy



Source: Macrobond
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Central bank action

As is the case in much of the developed world, inflation has not fully played by the rules. But Governor Poloz has made it clear that it will not be an obstacle for the Bank, which is taking a forward-looking approach when it comes to tightening policy. We think today's growth figure should put an October rate hike firmly on the table. That said, the hiking cycle is likely to be done cautiously given persistent NAFTA uncertainty and the need to balance high household debt and booming house prices.