

Canada: GDP data to keep rates on hold

Canadian GDP edged downwards in August, suggesting a moderation of the Canadian economy in 2H17.

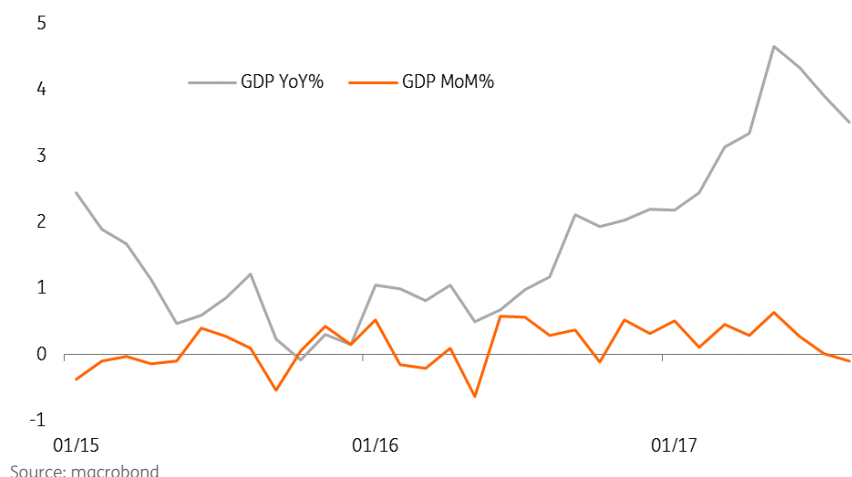


Source: iStock

-0.1% Real GDP Growth
Month-on-month

Tuesday's data showed real GDP falling 0.1% in August (MoM). The declines are mainly due to the manufacturing sector, which contracted 1%, and the mining, quarrying, and oil and gas extraction sector, which fell 0.8%. These factors offset which seems to be a positive story for most of the other sectors, with 12 out of 20 experiencing increases.

The slowdown begins for GDP



Previous strong GDP data in 1H17 led the Bank of Canada to hike rates consecutively in the July and September meetings. However the previous BoC meeting saw them hold interest rates at 1%. The reasons behind this being uncertainties, notably NAFTA negotiations and the expectation that growth was to moderate, which appears to be the case.

Today's data supports the BoC's decision to keep rates unchanged and supports our view there will be no further policy tightening this year. We expect two further rate hikes next year.

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