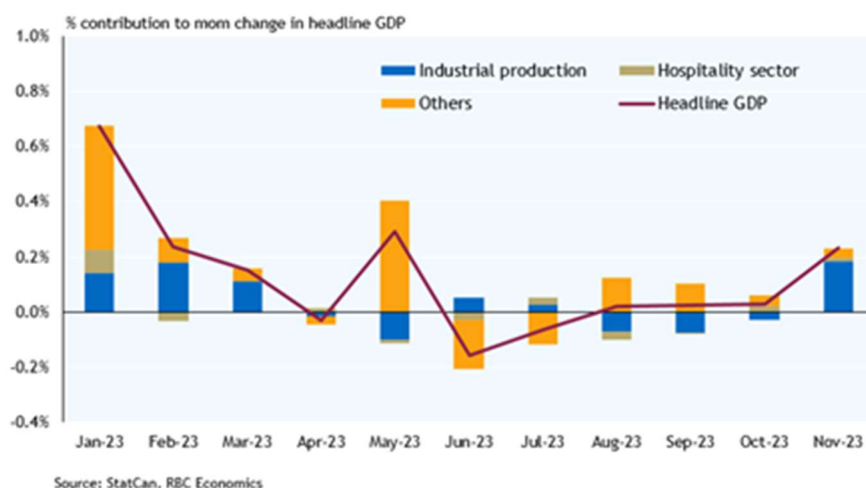


January 31, 2024

Canadian GDP ticked higher in Q4 2023

- Canadian GDP posted a larger than expected 0.2% increase in November (the first rise since May) with the early estimate for a stronger 0.3% increase in December.
- The early GDP growth estimates however have been highly revision prone and other data has been softer – the flash manufacturing sales estimate for December declined and hours worked declined outright in Q4 for the first time since Q2 2020.

Strength in industrial production support GDP growth in November



- The rise in November's GDP was supported by a 0.8% increase in industrial production (mining, manufacturing and utility output) that was also the first increase since May. Manufacturing output rose a larger 0.9% in November, supported by recovery in chemical and metal subsectors that were both recovering from earlier factory shutdowns.
- Services sectors also grew but at slower pace of 0.1%, with strength in transportation (+0.9%) and wholesale sales (+0.7%) offset by weaker activities in retail sales (-0.1%). Within transportation, a large increase in coal mining output in November boosted rail transport (+2.2%). Water transport also grew (+2.9%), aided by a return of workers at strike at the St. Lawrence seaway from strike activities earlier in October.
- **Bottom Line:** The reacceleration of growth towards the end of 2023 should be taken with a grain of salt – early GDP estimates are revision-prone and a lot of the strength in November was due to one-off factors such as recoveries from earlier factory shutdowns and strike activities that are unlikely to be repeated in the following months. Taking the advance December estimate at face value, growth in

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Q4 is tracking an annualized increase of 1.2% which is above our tracking for a small decline. That however would still mark a sixth consecutive quarterly decline when growth is counted on a per-capita basis, as population growth continues to surge. Overall we continue to expect pressures from elevated interest rates to curb consumer demand, stalling growth in both output and inflation over the first half of 2024 before the BoC is expected to cut rates in June.

Canada Monthly GDP Summary				
	<i>m/m % change</i>			<i>y/y % change</i>
	<u>Sep-23</u>	<u>Oct-23</u>	<u>Nov-23</u>	<u>Nov-23</u>
GDP	0.0	0.0	0.2	4.3
Goods	0.2	-0.1	0.6	4.8
Manufacturing	0.4	-1.0	0.9	4.1
Services	0.0	0.1	0.1	4.1
Wholesale	-0.6	-0.5	0.7	0.7
Accom/food	0.9	1.0	0.5	18.7

Source: Statistics Canada, RBC Economics Research