RBC Economics

Daily Economic Update

February 1, 2022

Canadian GDP growth solid pre-Omicron pressure

- GDP rose 0.6% in November, back above pre-pandemic (Feb/20) levels
- Early estimate of December output 'little changed'; Q4 growth tracking close to our 6.0% (annualized) forecast
- GDP data to look softer in January, but economic impact of Omicron wave to ease in February

The 0.6% increase in GDP in November was larger than the +0.3% preliminary estimate from Statistics Canada a month ago and built on a 0.8% jump in October. Auto production rose+7.3% after a 19.4% increase in October as supply chain disruptions eased, although that still left motor vehicle and parts production running 17.5% below year-ago levels. Oil & gas extraction fell 2.5% but gains were broadly-based across most other industries, including accommodation and food services and arts, entertainment, & recreation which remain among the industries still operating well-below pre-pandemic levels. Declines in farm product wholesales and coal mining were attributed to severe flooding in BC later in the month, but the floods overall appear to have limited impact on top-line GDP data.

The early estimate of December output was unchanged from November, with growth for the quarter as a whole tracking very close to (slightly above) our 6.0% (annualized) forecast. Economic data is expected to look weaker in January with Omicron spread and re-imposed containment measures in some regions limiting output. But with restrictions already starting to ease, that softening is expected to be short-lived. Beyond near-term disruptions, production capacity limits, global supply chain disruptions, and labour shortages are expected to remain bigger issues in many sectors than shortages of orders. The Bank of Canada acknowledged that most economic indicators would suggest the economy has essentially, on balance, recovered, and is expected to begin hiking interest rates from emergency low levels as soon as March.

Canada Monthly GDP Summary

	m/m % change				*% change from Feb/20 (pre-shock)*
	Aug-21	Sep-21	Oct-21	Nov-21	Nov-21
GDP	**0.6**	**0.2**	**0.8**	**0.6**	**0.2**
Goods	**0.2**	**-0.3**	**1.4**	**0.5**	**-1.8**
Oil & gas extrac.	-0.6	3.0	1.7	-2.5	-1.3
Mining ex-oil&gas	0.9	0.8	-0.8	-0.2	21.9
Construction	0.1	-0.6	1.5	0.5	-1.4
Manufacturing	1.0	-1.5	1.6	1.4	-2.5
Services	**0.8**	**0.4**	**0.6**	**0.6**	**1.0**
Retail	1.4	-0.3	0.9	0.2	4.4
Accomodation & food services	6.5	-0.6	-0.7	3.4	-9.3
Arts, entertainment & recreation	8.4	5.8	7.3	5.4	-23.0

Source: Statistics Canada, RBC Economics Research

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