

Upside in Canadian GDP unlikely to change Bank of Canada's course

30th November 2021

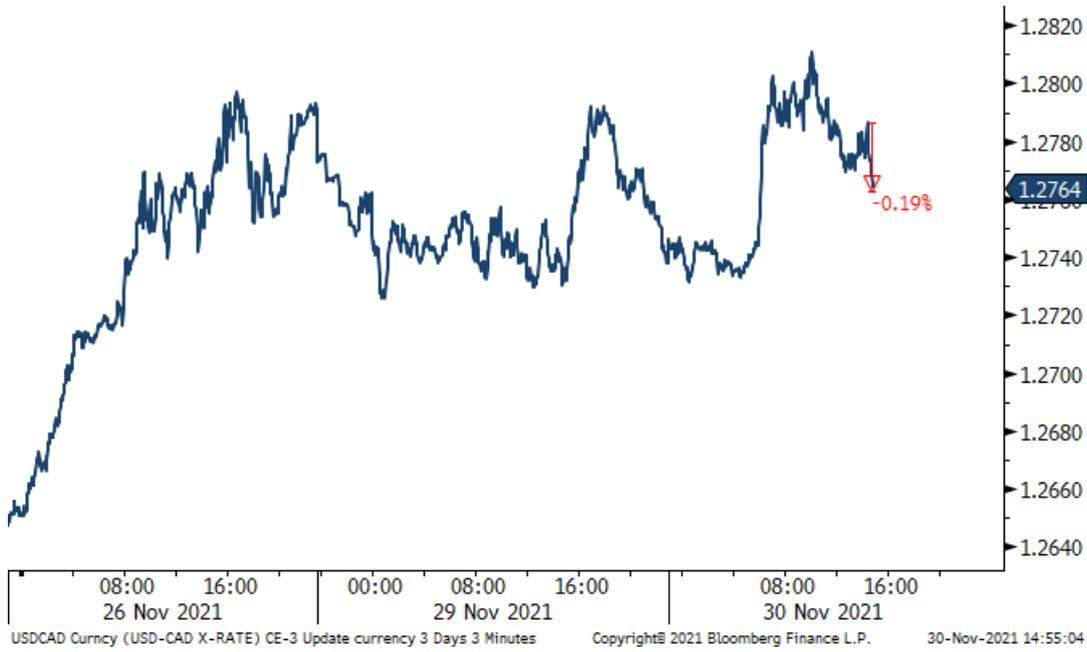
The figure came in at 5.4% annualised compared to the median expectation of 3%, largely due to the upwards revision to the August GDP data from 0.4% MoM to 0.6%. Additionally, September saw the economy expand by 0.1% on a monthly basis, further lifting the annualised growth rate for Q3 which was based upon Stats Canada's projection of no growth in September. The overall figure for the third quarter leads to growth being more aligned with the Bank of Canada's October projection of 5.5% in annualised terms.

Household spending and exports were the main drivers of Q3 growth, while the themes of August's GDP print largely remained in place for September's reading. Services producing industries (+0.4% MoM) as well as resource extraction (+1.2%) led growth in September, while good producing industries (-0.6%) continued to weigh as supply-chain disruptions remained. Over the course of Q3 as a whole, service sector activity was driven by client facing industries, while retail trade continued to lag. Retail spending expanded by 2.1% in Q3, however, 7 of the 12 sub-sectors showed activity declining. Additionally, on a monthly basis, the indications are there for a sustained decline in retail spending following a bumper summer as trade decreased 0.9% in September.

“ *With growth still printing closer to the BoC's expectations in Q3 than initially thought following August's preliminary reading, and the preliminary reading for October showing a pick-up in sequential activity to 0.8% MoM, the report was positive on the whole.* ”

However, despite the significantly stronger GDP print than expected, the market reaction was relatively mild given that the strong print mainly reflects the large downward revision to the Q2 print and new concerns around the growth momentum have arisen following the discovery of the Omicron variant. USDCAD shaved off some of its gains from earlier in the day, however given the added downside risks attached to the uncertain outlook it is unlikely the Bank of Canada will turn even more hawkish at its policy meeting on December 8th.

Mild retracement in USDCAD as strong Q3 GDP print is unlikely to turn the BoC more hawkish



Author: Simon Harvey, Senior FX Market Analyst

Disclaimer

This information has been prepared by Monex Europe Limited, an execution-only service provider. The material is for general information purposes only, and does not take into account your personal circumstances or objectives. Nothing in this material is, or should be considered to be, financial, investment or other advice on which reliance should be placed. No representation or warranty is given as to the accuracy or completeness of this information. No opinion given in the material constitutes a recommendation by Monex Europe Limited or the author that any particular transaction or investment strategy is suitable for any specific person. The material has not been prepared in accordance with legal requirements designed to promote the independence of investment research, it is not subject to any prohibition on dealing ahead of the dissemination of investment research and as such is considered to be a marketing communication.