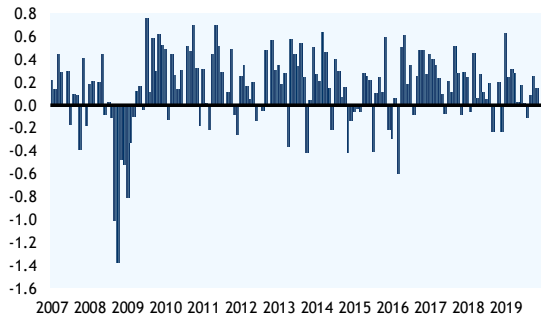


Overview and highlights

Real GDP

% change, month-over-month



Source: Statistics Canada

- ▲ Economy grew for a third straight month
- ▲ The unemployment rate ticked up to a still-low 5.6%
- ▲ Retail sales increased 0.4% in January
- ▲ Housing starts hit a four-month high of 213,000 annualized units in January
- ▲ Imports were little changed in December - but down sharply in Q4 as a whole
- ▲ February CPI broadly as-expected, +2.2% year-over-year

CURRENT TRENDS UPDATE – CANADA

Update - March 31, 2020

January GDP: when two months seem like ages

Latest available: January

Release date: March 31, 2020

January GDP rose 0.1%, just shy of consensus, and likely to be the near-term peak in economic activity. Activity was up on 12 of 20 industries in January. Manufacturing output grew for the first time in five months as decent gains in a number of subsectors were more than enough to offset a 12% pullback in motor vehicle output due to the permanent closure of GM's Oshawa plant. Air transportation posted its largest monthly decline in a decade with coronavirus-related travel advisories reportedly adding to bad weather and system glitches. Overall, goods producing industries were up 0.2% and services output rose 0.1%. March's GDP is likely to show a record decline—one that will stand until we get the April figures. We're not debating the next BoC move because the central bank already cut its policy rate by 150 basis points in a single month and announced a new QE program.

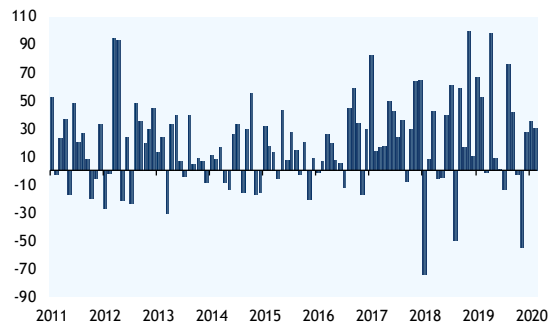
Economy at a glance

	% change from		
	Latest month	Previous month	Year ago
Real GDP	Jan	0.1	1.8
Industrial production	Jan	0.2	-0.8
Employment	Feb	0.2	1.3
Unemployment rate*	Feb	5.6	5.8
Manufacturing			
Production	Jan	0.8	-1.1
Employment	Feb	0.9	0.0
Shipments	Jan	-0.2	-1.2
New orders	Jan	0.8	1.8
Inventories	Jan	0.4	2.2
Retail sales	Jan	0.4	3.4
Car sales	Jan	4.4	0.4
Housing starts (000s)*	Feb	210.1	165.7
Exports	Jan	-2.0	-0.5
Imports	Jan	-0.5	-4.9
Trade balance (\$billions)*	Jan	-1.5	-3.8
Consumer prices	Feb	0.4	2.2

* Levels are shown for the latest period and the same period a year earlier.

Employment

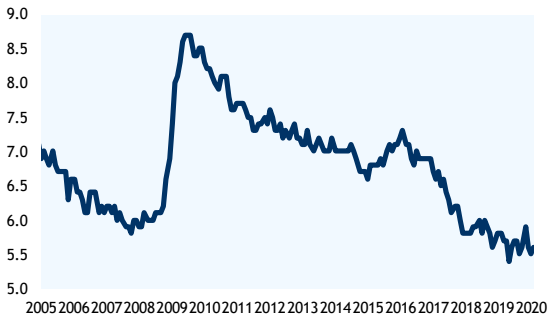
Change in thousands, month-over-month



Source: Statistics Canada

Unemployment rate

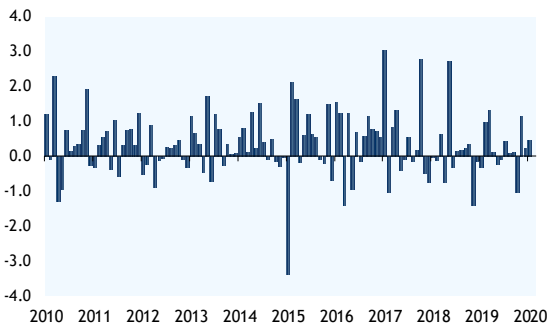
% of labour force



Source: Statistics Canada

Retail sales

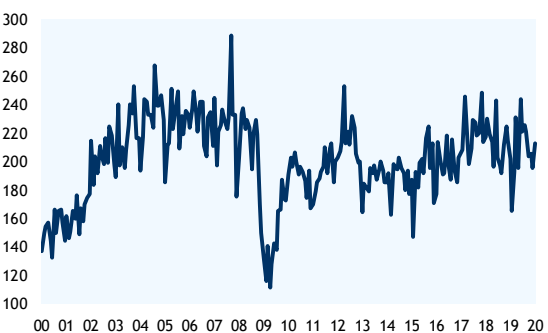
% change, month-over-month



Source: Statistics Canada

Housing starts

Thousands



Source: Canadian Mortgage and Housing Corporation

Virus concerns overshadow strong Canadian labour market data

Latest available: February

Release date: March 6, 2020

Canadian labour market numbers remained broadly solid in February, but that will likely matter little for markets or policymakers given increasingly intense concerns about the spread of the new coronavirus outside of China's borders. Employment increased 30k in February, and the unemployment rate ticked up to a still-low 5.6%. Wage growth held above 4% on a year-over-year basis. That labour markets held up in February is not really a surprise. In February, most of the disruptions from the coronavirus were concentrated in China. But the impact on China's domestic economy from the outbreak has been significantly more pronounced, and the fear is that spreading of the virus abroad will prompt similar, if still ultimately transitory, impacts on a broader set of economies. That would intensify supply chain risks and hit the much larger domestic service sector. It also means that positive, but ultimately backward looking, economic data will continue to take a backseat to go-forward concerns.

Canada retail sales about to get a lot worse

Latest available: January

Release date: March 20, 2020

January numbers themselves were not particularly suggesting that soft trends in retail last year persisted early in 2020. February sales will likely be impacted to a degree with much larger declines to follow. One exception will be food stores. Grocery stores have never been busier and, despite what looks like panic-buying at times, there have been no suggestions that supply of essential products is actually limited. Online sales also, presumably, could see a boost. But a large chunk of those (sales by non-Canadian online retailers) will not be counted in the monthly retail sales data anyway.

Canadian housing starts pick up as supply dearly needed

Latest available: January

Release date: February 10, 2020

With recent data pointing to further tightening in demand-supply conditions in many resale markets, a solid pace of home building to start the year will be welcomed. Quebec and Ontario led the increase in January, which is not surprising as those provinces are home to some of the country's tightest markets. BC's pull-back from earlier record highs continued, though with the province's resale market heating up again it's hard to see that trend being sustained. We think the pace of starts will remain close to the current six-month trend rate, and while that's stronger than the underlying pace of household formation, if anything there's upside risk with markets thirsty for supply.

Narrower December Canadian trade deficit but details still not encouraging

Latest available: January
Release date: February 5, 2020

The December trade deficit narrowed to \$0.4 billion from \$1.2 billion in November. The bulk of the 1.9% increase in exports in December came from a bounce-back in energy shipments after disruptions to a major pipeline reduced exports in November. Imports were little changed in December, but down about 3% at an annualized rate in Q4 as a whole. All in, the December trade numbers shouldn't do much to allay concerns at the Bank of Canada that domestic growth trends are slowing.

Virus impact still to come for Canadian CPI

Latest available: February
Release date: March 18, 2020

In the latest backward looking economic data, Canadian CPI was broadly as-expected in February rising 0.4% month-over-month and 2.2% from a year ago. Those growth rates will clearly soften going forward as the dramatically downward impact of the coronavirus outbreak (and the Saudi-Russia oil price spat) on commodity prices, and what will ultimately be a dramatic fall in demand for a large swath of retail and services products flows through beginning more significantly in March. Lower inflation means the central bank won't feel conflicted about adding stimulus, but supporting the economy through this shock would have been its top priority anyways.

Merchandise trade

C\$ billions, annualized



Source: Statistics Canada

Consumer price index

% change, year-over-year



Source: Statistics Canada

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