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TD Economics

Data Release: Canadian profits hit by damage from wildfires

- The impact of the Northern Alberta wildfires was keenly felt in Canadian corporate profits, which fell 3.4% q/q in Q2. That marks the sixth decline in the past seven quarters, as the collapse in oil prices has hurt profits across a broad swath of industries.
- The impact of the wildfires was felt by insurance carriers, which pushed overall financial sector profits down 12.1% on the quarter. Claims at property and casualty insurers rose \$1.4 billion in Q2, mainly because of the damage suffered in the Fort McMurray area.
- Overall profits in non-financial industries eked out a 0.9% gain in Q2. Profit growth was not widespread, however, with 8 out of 17 non-financial industries seeing their profits fall. But, profits did rise in the wholesale (+7.1%), retail trade (+2.5%) and construction (+2.2%) sectors. Offsetting these gains were falling profits in the manufacturing sector (-4.4%) and in transportation and warehousing (-9.8%) in Q2.
- Operating losses continued in the oil and gas sector for the sixth consecutive quarter in Q2. Since peaking in the third quarter of 2014, Canadian corporate profits have fallen by \$18.5 billion. The collapse in profits in oil and gas sector accounts for roughly half of this (-\$9 billion).

Key Implications

- Today's report provides a glimpse into next week's national accounts data release. Real GDP growth is expected to have contracted by about 1.5%, largely due to shutdowns in oil patch. We expect that the economy will rebound in Q3, and take corporate profits higher along with it.
- Weaker-than-expected growth south of the border has hurt Canadian exports in 2016 (see our recent [report](#)), but that is expected to turn around in the second half of the year as U.S. growth accelerates to a roughly 2.5% pace. Corporate profits should also be boosted by stronger demand south of the border, and by higher commodity prices in the second half of 2016.

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