February 23, 2017

TD Economics

Data Release: Canadian corporate profits up again in Q4

- Canadian corporate profits were up again in the fourth quarter of last year, rising 3.6%. This marks the second quarterly gain after the streak of falling profits that marred late 2015/early 2016. Profit growth ticked into positive territory on a year-on-year basis as well, up 11.9% compared with the fourth quarter of 2015.
- Profits in the financial industries saw the sharpest gains (+5.7% quarter-on-quarter), with widespread gains across the major categories. Of note, property and casualty insurers saw profits rise 25.4%, but even with this gain, profits reached only $1.0 billion as the effects of the Fort McMurray wildfires lingered (industry profits for 2016 as a whole were down 64% from 2015).
- The non-financial industries also saw widespread gains, with 14 of the 17 major industries showing increased profitability in the fourth quarter. Among those that failed to gain were the oil and gas extraction industry, which recorded its eighth straight quarterly loss, as well as manufacturing (-0.7%) and retail trade (-2.8%).

Key Implications

- The fairly widespread gains in corporate profitability reinforce the solid economic picture that has developed for the final quarter of 2016. Indeed, even within the oil and gas extraction industry, which continues to struggle with the aftermath of earlier commodity price shocks, the declines in profitability continue to slow.
- Profit growth is likely to remain positive moving forward, reflecting a Canadian economy due to turn in a solid economic performance this year and next.
- That said, there are some clouds on the horizon in the form of potential U.S. policy changes. While an uptick in U.S. growth should support Canadian output and thus profits, a thickening of the border, or an uncertainty-led slowdown in demand would weigh on corporate profitability.

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