



March 31, 2017

## TD Economics

### Data Release: A great start to 2017 for the Canadian economy

- The Canadian economy recorded a third straight monthly expansion with output rising 0.6% month-on-month in January. Growth was fairly widespread, with 15 of the 20 major industries reporting gains.
- The goods producing sectors performed well, up 1.1% as a whole. Output was supported by the manufacturing sector (+1.9%), with a particularly strong performance recorded among durables manufacturers (+2.0%). Mining, quarrying, and oil and gas extraction came back from December's 0.5% contraction, with output growing 1.9% in January.
- Services-producing industries were up by 0.4% month-on-month in aggregate – a 17<sup>th</sup> straight monthly gain. Particularly strong performances were recorded among wholesalers (+2.4%), and retailers (+1.5%), as the latter more than offset December's pullback. Accommodation and food services also performed well, rising 0.9% to end three months of prior contractions.

### Key Implications

- The hits just keep on coming. Although it is still early days and risks abound, signs are pointing to an economy that looks increasingly poised to shake off the setbacks of recent years.
- Indeed, while our initial expectations of first quarter growth were for a repeat of the prior quarter's 2.6% expansion (q/q, annualized), data to date suggest an even healthier start to the year. Incorporating today's data moves our tracking for first quarter GDP growth to 3.4%, putting Canada on track for the strongest yearly start since 2013.
- The recent spate of positive Canadian economic data will likely feed through to the Bank of Canada's forecasts as well. We expect their growth outlook to be revised higher in the next Monetary Policy Report (on April 12<sup>th</sup>). The upgraded outlook is not expected to be matched by a change in the tone of the accompanying statements however. Rather, the dovish bent that has typified recent communication should remain intact, consistent with Governor Poloz's comments in a Q&A session earlier this week. During a public appearance, the Governor continued to point to sizeable economic slack in the Canadian economy, and also noted that Canada has seen a few 'false starts' in recent years. All told, we remain of the view that the monetary policy interest rate is not likely to be raised from its current 0.50% level until late next year.

**Brian DePratto, Senior Economist**  
**416-944-5069**

 [@TD\\_Economics](https://twitter.com/TD_Economics)

#### DISCLAIMER

This report is provided by TD Economics. It is for informational and educational purposes only as of the date of writing, and may not be appropriate for other purposes. The views and opinions expressed may change at any time based on market or other conditions and may not come to pass. This material is not intended to be relied upon as investment advice or recommendations, does not constitute a solicitation to buy or sell securities and should not be considered specific legal, investment or tax advice. The report does not provide material information about the business and affairs of TD Bank Group and the members of TD Economics are not spokespersons for TD Bank Group with respect to its business and affairs. The information contained in this report has been drawn from sources believed to be reliable, but is not guaranteed to be accurate or complete. This report contains economic analysis and views, including about future economic and financial markets performance. These are based on certain assumptions and other factors, and are subject to inherent risks and uncertainties. The actual outcome may be materially different. The Toronto-Dominion Bank and its affiliates and related entities that comprise the TD Bank Group are not liable for any errors or omissions in the information, analysis or views contained in this report, or for any loss or damage suffered.

