

# Economic Watch

## Canada

3 January 2012  
Economic Analysis

US

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### Canada Monthly GDP by Industry: Monthly Situation Report

- Canadian monthly GDP remained flat in October below BBVA and survey expectations, although 2.7%YoY growth is reflective of the high amount of momentum from last quarter's GDP result
- Our outlook is for Canadian growth in November to remain strong at 2.5%YoY given robust goods production and strong domestic consumption. However our model suggests a 0.7% and 0.2%MoM drop in mining, oil and gas and retail sales, respectively.

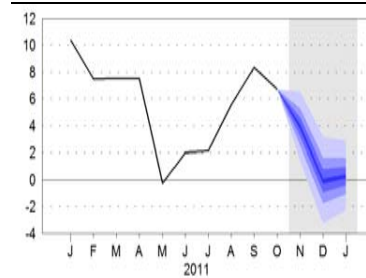
#### Breakdown of the Recent Data

October marked the first time that Mining, Oil and Gas exploration (MOG) and Construction experienced MoM declines in the 2H11, of 0.3% and 0.4% MoM, respectively. Increased natural gas production offset pullbacks in non-metallurgic and fossil fuel extraction and electric power generation, resulting in zero growth. Weak construction demand – existing home sales demand remained robust – also contributed to the decline. Strong Manufacturing growth, service sector expansion, and robust retail sales helped buoy aggregate GDP.

#### Upcoming Trends

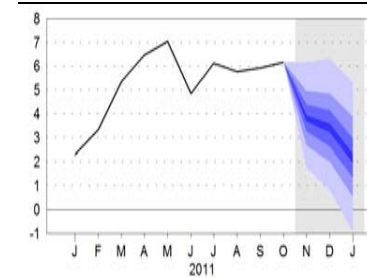
Given the torpid pace of global demand and commodity prices in 4Q11, our model predicts an average MoM decline of 0.4% in the next six months in MOG. In addition, construction activity will remain positive although the pace of growth is forecasted to slow to 0.04% MoM by 2Q12. Thus we expect Canadian growth to slow in November and December and possibly persist throughout 1Q12. Continued domestic service strength and consumption will help to slow the strains of a global contraction. Ultimately, the Canadian economy will be at the mercy of global conditions in 2012.

Chart 1  
Mining, Oil and Gas, YoY %



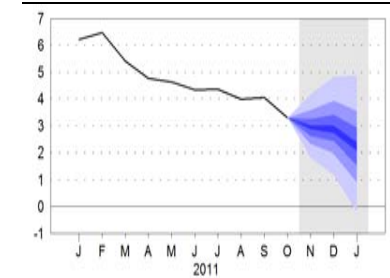
Source: BBVA Research

Chart 2  
Utilities, YoY %



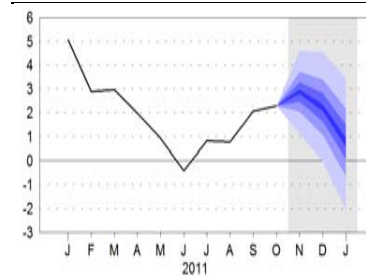
Source: BBVA Research

Chart 3  
Construction, YoY %



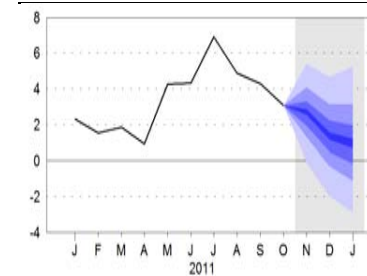
Source: BBVA Research

Chart 4  
Manufacturing, YoY %



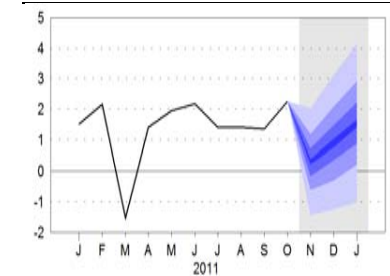
Source: BBVA Research

Chart 5  
Wholesale Trade, YoY %



Source: BBVA Research

Chart 6  
Retail Trade, YoY %



Source: BBVA Research

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