

DAILY ECONOMIC COMMENT

Todd Hirsch
Senior Economist, ATB Financial

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Off to a Great Start

The Canadian economy kicked off the start of the decade in style. Apparently throwing off any doldrums remaining from the recession, output of goods and services in January grew at its fastest pace in years.

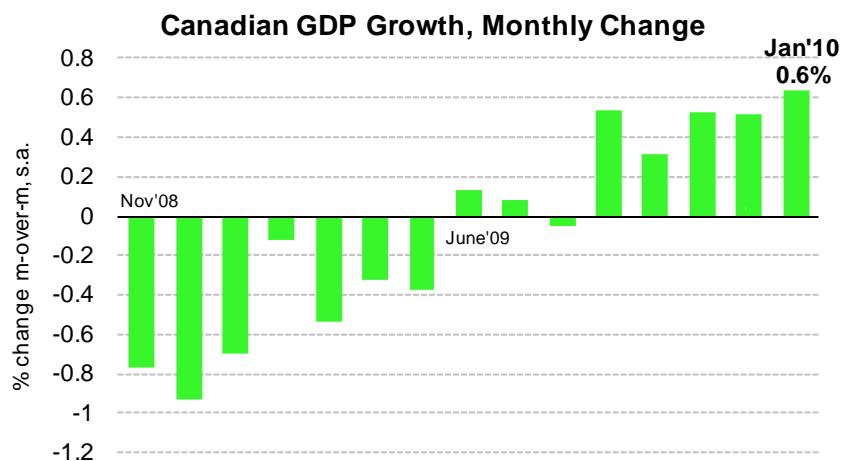
In the first month of 2010, the Canadian economy expanded by 0.6% (month-over-month, and seasonally adjusted). Not only was that stronger than expected by a consensus of economists, it also marks the fifth consecutive month of solid expansion in the national economy (see graph).

Statistics Canada reports that gains were broadly based among almost every industrial sector; only agriculture and forestry (-0.8%), accommodation and food services (-0.4%) and administrative and waste management services (-0.3%) showed losses.

Strong gains were posted in wholesale trade (+2.9%), construction (+1.7%), and manufacturing (+1.9%). The mining and oil & gas sector increased by a smaller 0.9%.

The strong monthly gain in January, and the momentum of growth from the fourth quarter of last year, puts the Canadian economy on track for expansion of well above 4% in the first quarter (annualized rate, meaning the rate of annual growth in output if that pace continued for a full year).

However, the Bank of Canada's most recent projection (from the January 2010 Monetary Policy Report) is for first quarter growth of only 3.5%. The bank is very likely to increase that projection in its upcoming report on April 22nd. And, if their projected rate of growth rises sufficiently, the Bank just might opt to start raising rates in June rather than July.



Source: Statistics Canada The Daily, March 31, 2010

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Where there's a way