

## CANADA

# Canada Economy Stalled in July

Decline in oil and gas extraction weighs on overall economic growth



A tanker truck at an oil facility near Brooks, Alberta. Canada's oil and gas extraction fell 3.0% in July, its largest monthly decline in more than two years. PHOTO: TODD KOROL/REUTERS

*By Kim Mackrael*

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OTTAWA—The Canadian economy unexpectedly stalled in July following four straight monthly advances, as a decline in oil and gas extraction weighed on overall growth.

Several economists said the July data will likely leave the Bank of Canada on the sidelines for now as it continues to assess the possible impacts of a global slowdown on Canada's trade-dependent economy.

Canada's gross domestic product, which tracks broad activity in goods and services in the economy, was essentially unchanged in July from the previous month at a seasonally adjusted 1.970 trillion Canadian dollars (\$1.488 trillion), Statistics Canada said Tuesday. Market expectations were for a 0.1% advance in July, according to economists at TD Bank.

The result marks a slowdown from the 0.2% month-over-month increase posted in June and a revised 0.3% advance in May.

On a one-year basis, the economy grew 1.3% in July.

Canada's monthly GDP data captures output from the goods-producing and services sides of the economy. It doesn't incorporate the impact from income and investment, which becomes available in the quarterly GDP report.

The weaker-than-anticipated July data follows some recent upside surprises in the Canadian economy. Canada's economy expanded 3.7% annualized in the second quarter for its best performance in two years. In August, the economy posted one of its biggest employment gains in a decade.

The soft start to the third quarter "reinforces the view that the Canadian economy is indeed cooling," said BMO Capital Markets economist Robert Kavcic.

Still, the data is unlikely to push the Bank of Canada to cut rates in the near future. The central bank is "looking for signs of the global trade and manufacturing slowdown manifesting in the Canadian data," said TD Bank economist Brian DePratto. "For now, the waiting game continues."

The Bank of Canada, which left its key interest rate unchanged at 1.75% in September, anticipates the economy will expand a tepid 1.3% this year. It offered no clear signal on its next move in the September decision.

Other central banks have cut interest rates to deal with trade headwinds in recent months. The Federal Reserve lowered its benchmark rate by a quarter-percentage point in September—its second move in as many months—to cushion the U.S. economy against a global slowdown.

Canada's July GDP report said the mining, quarrying and oil and gas extraction sector was the biggest drag on the monthly data. The sector declined 3.5% in July to C\$148.82 billion. Oil and gas extraction fell 3.0% in July, for its largest monthly decline in more than two years.

Meanwhile, the construction sector contracted 0.7% in July, largely offsetting growth from the previous two months. Manufacturing edged down 0.1% in the month.

Partially offsetting those declines was a 1.1% increase in the wholesale trade sector and a 4.2% gain in real estate and related industries. Retail trade also edged up 0.1% in July.

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