



► **Q2 Canadian GDP: How Concerning is it for SK?**

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Data released yesterday by Statistics Canada shows that Canadian Gross Domestic Product (GDP) contracted by an annualized 1.6% in Q2 2016.

This is the largest contraction since Q2 2009, when the world was mired in the global financial crisis.

**CONTEXT**

- Canadian GDP growth has been soft over the past year and half. Q2 2016 marks the third negative GDP reading over the past six quarters (see graph).
- GDP at the provincial level is only reported annually. Hence, it is necessary to infer from the Canadian data what happened in Saskatchewan during Q2.

**KEY POINTS**

- Considering the decline in national GDP was partly due to shutdowns in Alberta oil production,

Saskatchewan companies that sell goods to Alberta oil producers likely saw some decline in sales.

- Saskatchewan has likely been spared the brunt of the GDP decline as oil production in the province was not impacted significantly (provincial oil production down 5% in Q2 compared to Q1).
- Excluding the drop in oil production, Canadian GDP grew by 0.4% annualized in Q2.

**THE OUTLOOK**

With Alberta oil production ramping back up quickly over June and July, the Q3 Canadian GDP stats are likely to show an increase in GDP to offset the decline observed in Q2.

Overall, the economic situation on the prairies remains challenged due to low commodity prices, however, it's not as bad as the Q2 GDP reading makes it appear.



Source: Statistics Canada

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