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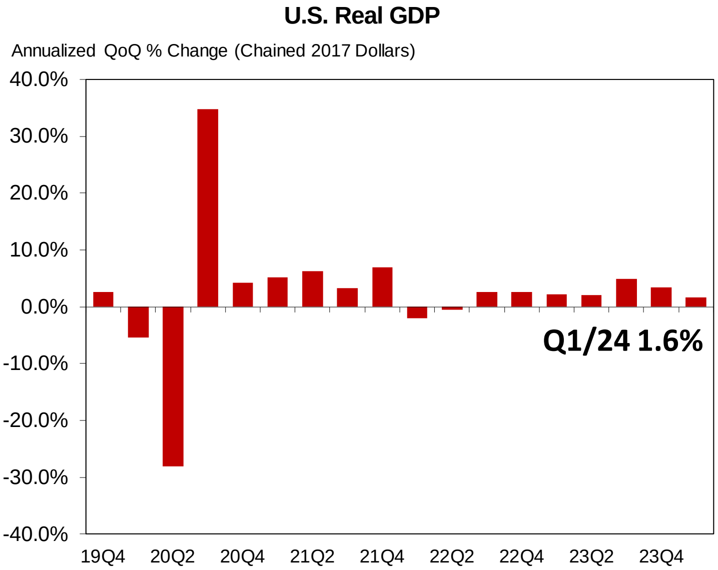
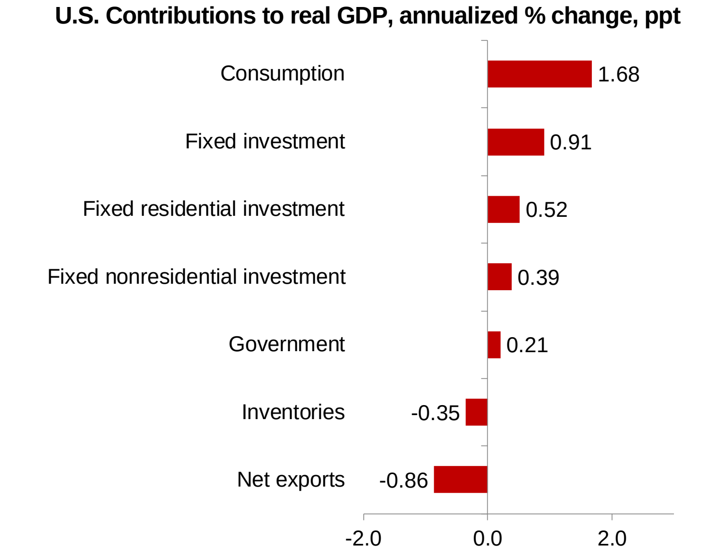
U.S. Economic Growth Slows!



Source: BEA



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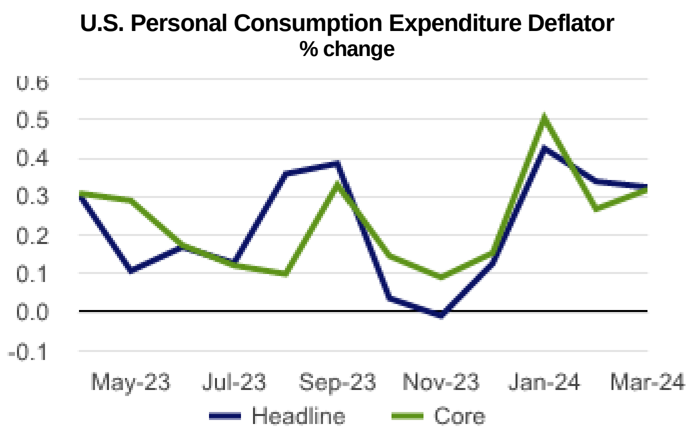

Source: BEA

The first estimate for Q1, 2024 real GDP confirmed that the pace of growth moderated sharply. Q1, real GDP advanced by 1.6% following a 3.4% gain in Q4, 2023. This slowdown was not completely unexpected as the economy had been performing well above trend growth, and was not sustainable as high interest rates take their toll, along with inflation and geopolitical concerns. The contribution chart underscores that **growth in Q1 continued to be supported by consumers along with contributions from non-residential fixed investment, residential investment and government spending at both the state and local level**. The **key drag came from trade** as exports got swamped by imports. For the second consecutive quarter **inventories were negative. Real final sales of domestic product rose by 2%, well below the 3.9% reported in Q4, 2023.** But, **even though the pace of growth slowed in the opening months of the year, the U.S. economy continues to perform well with the economy at full employment and operating close to its potential. The main concern continues to be sticky inflation and until the Fed sees a clear path back to its 2% target, "interest rates will remain higher for longer".** Our expectation is now that the Fed will continue to monitor the situation over the summer. The **likely first rate cut will come in September followed by one more cut by year-end.** The Fed's preferred measure of inflation is slowly falling into line, but remains elevated. **We still are of the view that the economy will navigate a "soft landing", although the downside risk remains. Our forecast is calling for real GDP to advance by about 2.5% in 2024, followed by around 2% in 2025.**

Consensus announcement April 29, 2024

2023 ConsensusEconomics FORECAST ACCURACY AWARDS CANADA

G7 & Western Europe 2023 Forecast Awards

"On April 19, 2024 Consensus Economics, the world's leading economic survey organization, announced the recipients of its 2023 Forecast Accuracy Award (FAA). The FAA program recognizes the achievements of a select group of expert country economic forecasters who have most accurately predicted the final outturns of GDP growth and consumer price inflation in their targeted economies for the year 2023." I am pleased to inform you that ECONOMAP received this award for 2023.

More information is available on https://www.consensuseconomics.com/cf-2023-forecast-accuracy-award-winners

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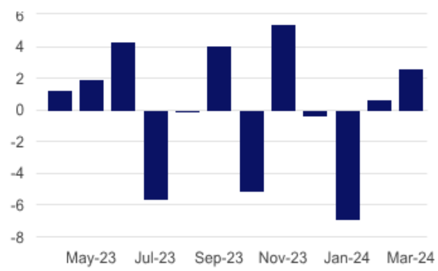
The Week In Review		MoM	YoY	Positive	Neutral	Negative
		Change				
CANADA						
Retail Sales (Feb SA $Bn)	$66.67	-0.1%	1.2%			✓
Retail sales ex autos (Feb SA $Bn)	$48.64	-0.3%	1.5%			✓
Industrial Product Price Index (Mar NSA)	125.6	0.8%	-0.5%			✓
Raw Materials Price Index (Mar NSA)	140.7	4.7%	0.8%			✓
New Housing Price Index (Mar)		0.0%	-0.4%		✓	
Employment Earnings (Feb Avg Wkly)	$1,232	0.5%	4.5%	✓		
UNITED STATES						
Real GDP (Q1/24 SAAR $Bn)	$22.769	Annualized QoQ 1.6%			✓	
GDP Deflator (Q1/24 SA)		Annualized QoQ 3.1%				✓
Durable Goods (New Orders Mar SA $Bn)	$283.412	2.6%	1.3%	✓		
New Home Sales (Mar SAAR)	693,000	8.8%	8.3%	✓		
Personal Income (Mar SAAR $Bn)	$23,826	0.5%	4.7%	✓		

United States

U.S. Durable Goods

New Orders, % change



New durable goods orders rose by a strong 2.6% in March, following a downwardly revised gain of 0.7% in February (previously 1.4%). The **key driver was the transportation sector which reported a 7.7% MoM gain with strong increases in nondefense aircraft and parts along with motor vehicle and parts and defense aircraft orders. Excluding transportation, new orders rose by just 0.2% MoM.** New orders declined for machinery and fabricated metals and computer equipment. The **critical nondefense capital goods ex aircraft increased by 0.2% in March, but the February print was revised down to 0.4% from a 0.7% increase. Total new orders on a YoY basis were running higher by 1.3% and core orders were up 1.1% in March**. Unfilled orders increased by 0.4% MoM, while inventories flat lined. **Total shipments held steady in March and were higher by 0.2% MoM respectively for ex transportation and core shipments. On a YoY basis total shipments were higher by 1.3% in March. The inventory/sales ratio held at 1.9%. The headline was a healthy result for March, but the details showed less strength as all of the gains were in the volatile transportation sector.**

U.S. New Home Sales

Ths, SAAR

New home sales increased by 8.8% MoM in March to stand at 693,000 units annualized, following a 5.1% MoM decline in February. The **months' supply fell to 8.3 months** from 8.8 months. **Regionally, all areas reported gains in March having posted declines in February**. The **Northeast reported a 27.8% increase,** but this followed a decline of 25% in February. Increases in the other regions were; **the West (+8.6% MoM), the South (+7.7%) and the Midwest (+5.3%)**. **In light of the sharp deterioration in affordability it is surprising how well new home sales are holding up. On a YoY basis new home sales were up 8.3% in March. Home builders have been supporting the market with incentives and price cutting. The prospect of "higher interest rates for longer" likely means that new home sales will moderate from the current level over the coming months.**

Canada

Canada Retail Trade

Sales, % change

For the second consecutive month retail sales declined, edging lower by 0.1% MoM to total $66.7 billion in February. Five of the nine subsectors declined, led by gasoline stations that registered a 2.2% MoM drop. **Retail sales ex autos fell 0.3% MoM and core retail sales** (excludes gasoline stations and auto dealers) **were flat**. In **volume terms retail sales contracted by 0.3% MoM in February**. Retail sales **declines were reported at gasoline stations** (-2.2% MoM), **building/garden equipment** (-0.4%), **clothing** (-0.5%), **furniture and home furnishings** (-0.3%) and **electronics and appliances** (-2.8%). Sales **increases were registered at general merchandise stores** (+1.1% MoM**), health and personal care** (+0.4%), **new motor vehicle dealers** (+0.3%) and **food stores flat lined**. **E-commerce rose by 1.9% MoM to stand at $3.8 billion in February, accounting for 5.7% of total retail sales. It is not unexpected for retail sales to moderate in the opening months of the New Year following the holiday season. But, Canadians are still facing challenging circumstances in that interest rates and household debt levels remain high. This likely means that consumers will need to scale back spending over the coming months until the Bank of Canada cuts rates in the second half of the year.**