

ECONOMIC NEWS

Canada: Real GDP Treads Water in February before Being Hit by the March Tsunami

HIGHLIGHTS

- ▶ The monthly variation in real GDP by industry was practically zero in February.
- ▶ Rail transport disruptions caused by demonstrations, the harmful effects of the spread of COVID-19 elsewhere in the world, and the escalation of rotating elementary and secondary school teacher strikes in Ontario hampered economic growth in February.
- ▶ If we excluded the education, transportation, and warehousing and storage sectors, real GDP by industry would have risen 0.2% in February.
- ▶ Statistics Canada repeated its preliminary estimates for March and the first quarter. The introduction of lockdown measures throughout the country and the harmful effects of the global pandemic on many sectors should cause real GDP by industry to fall approximately 9% in March. For the first quarter as a whole, a 2.6% decline is expected, that is, close to a quarterly annualized variation of -10%.

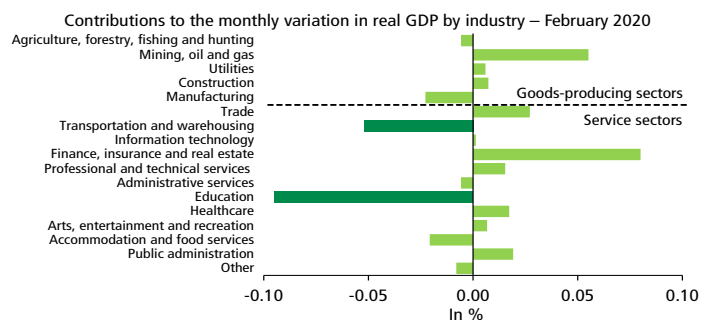
COMMENTS

If we ignore the occasional disruptive event, February's results confirm that Canada's real GDP had been on the right track for several months. Unfortunately, the COVID-19 pandemic completely changed the game, and Statistics Canada's preliminary results indicate that a tsunami would hit the Canadian economy as of March.

IMPLICATIONS

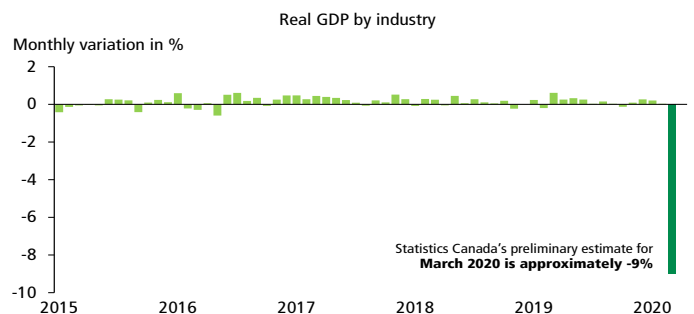
The question now is to know when real GDP will slowly begin to recover. In this regard, the gradual easing of the lockdown in several provinces starting in May is an encouraging sign. The

GRAPH 1
Several disruptive events hampered growth in February



Sources: Statistics Canada and Desjardins, Economic Studies

GRAPH 2
Output in March headed toward an all-time low



Sources: Statistics Canada and Desjardins, Economic Studies

situation will nevertheless remain highly uncertain given that no one knows how COVID-19 will evolve in the coming months.

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