

ECONOMIC NEWS

Canada: Unsurprisingly, Real GDP by Industry Plunged in April

HIGHLIGHTS

- ▶ Under the weight of the public health and lockdown measures, real GDP by industry posted a monthly drop of 11.6% in April, after a decrease of 7.5% in March.
- ▶ All 20 sectors of the Canadian economy experienced a decline in their activity. Goods (-17.0%) were more affected than services (-9.7%). Manufacturing slipped 22.5% and construction 22.9% during the month.
- ▶ For services, the worst drops were in accommodation and food services (-42.4%), arts, entertainment and recreation (-25.6%), other services (-25.2%), information and cultural industries (-23.1%).
- ▶ The easing of lockdown measures and the gradual picking up of activity in some sectors—such as manufacturing, retailing, wholesaling and the public sector—suggest growth of real GDP by industry in May, which Statistics Canada estimates at 3%.

COMMENTS

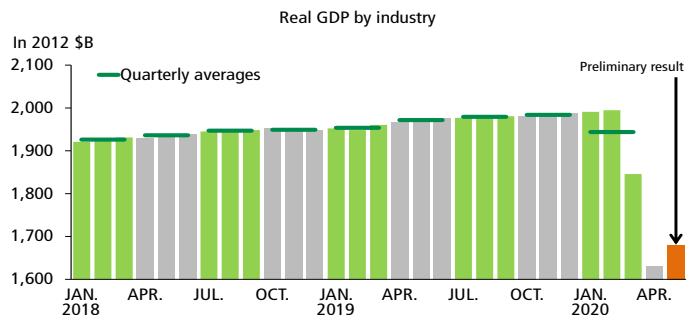
The drop in real GDP by industry in April is a good reflection of the consequences of the necessary public health and lockdown measures on the economy. Some sectors were practically at a standstill. The most striking example is the 97.7% plunge in the manufacturing of automobiles. Between February and April, the production of accommodation and food services decreased 64%. Overall, the Canadian economy in April was down 18.2% from February, before public health measures were taken.

While serious, these results are not surprising. We had been expecting a large contraction of activity in April for some time. Furthermore, the result is fairly close to what Statistics Canada had already released as a preliminary result.

In this respect, it is now the performance of the Canadian economy during the easing of measures that is more interesting. The 3% monthly gain expected by Statistics Canada for May

GRAPH

After April's drop, a modest turn for the better is expected for May



Sources: Statistics Canada and Desjardins, Economic Studies

suggests a gradual economic recovery based on prudent decisions by the authorities on the easing of lockdown measures and the reopening of large swaths of the economy. This nascent recovery should pick up in June and especially be reflected in real GDP for the third quarter of 2020.

IMPLICATIONS

As expected, the Canadian economy plunged in April. We are expecting good monthly growth for May, but that will remain modest compared with the March and April contractions. The continuation and even acceleration of reopening for business in most provinces is encouraging. The U.S. context is a reminder that the situation will nevertheless remain highly uncertain given that no one knows how COVID-19 will evolve in the coming months.

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