

ECONOMIC NEWS

Canada: Real GDP by Industry Is Back in Positive Territory

HIGHLIGHTS

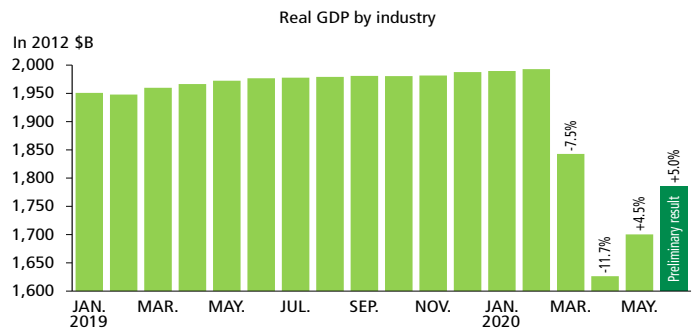
- ▶ Real GDP by industry increased 4.5% in May, beating Statistics Canada's preliminary estimate (+3.0%).
- ▶ This is the first month back in positive territory after the record declines in March (-7.5%) and April (-11.7%) caused by the public health and lockdown measures.
- ▶ Excluding arts, entertainment and recreation (-2.9%), management of companies and enterprises (-0.1%) and public administrations (-1.8%), all the other major industries gained ground in May.
- ▶ Accommodation and food services (+24.2%), construction (+17.6%) and retailing (+16.6%) posted especially high increases during the month.
- ▶ Statistics Canada's preliminary estimate shows that real GDP by industry continued to climb in June, gaining about 5%.
- ▶ Based on this preliminary result for June, the whole second quarter could close with a drop of about 12% in real GDP from the previous quarter, the equivalent of a 40% quarterly annualized tumble.

COMMENTS

The results released today by Statistics Canada confirm the economic scenario that we have been conveying for several months now—a drop of about 40% (annualized) in real GDP in the second quarter. It now remains to be seen if the rest of our scenario will materialize, with a big rebound in real GDP in the third quarter. The most recent results are encouraging. Assuming zero growth in real GDP by industry in July, August and September, carryover is already almost 20% (quarterly annualized). With the recovery of the Canadian economy, which should continue to improve during this time, we can actually expect a higher result of about 35%. It would nevertheless be surprising for real GDP to keep up such a fast pace as of the fourth quarter. Many difficulties will remain, such as a relatively

GRAPH

The Canadian economy's gradual recovery began in May



Sources: Statistics Canada and Desjardins, Economic Studies

high unemployment rate, which should rein in the pace of recovery of the Canadian economy. Furthermore, the possibility of a resurgence in COVID-19 cases cannot be completely ruled out, which could require reimposing certain lockdown measures.

IMPLICATIONS

For now, the Canadian economy's growth is fairly consistent with expectations. Uncertainties about the economic forecasts are still very high, and the economic outlook remains largely dependent on the way in which the pandemic evolves. This picture is nevertheless similar to the most recent projections of the Bank of Canada, which not long ago said it would keep key rates at their floor for many more quarters.

Benoit P. Durocher, Senior Economist

François Dupuis, Vice-President and Chief Economist • Mathieu D'Anjou, Deputy Chief Economist
Hélène Bégin, Senior Economist • Benoit P. Durocher, Senior Economist • Francis Généreux, Senior Economist

Desjardins, Economic Studies: 514-281-2336 or 1 866-866-7000, ext. 5552336 • desjardins.economics@desjardins.com • desjardins.com/economics

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