

ECONOMIC NEWS

Canada: Real GDP Recovery Gradually Slowing

HIGHLIGHTS

- ▶ Real GDP by industry increased 3.0% in July, a result identical to Statistics Canada's preliminary estimate.
- ▶ All 20 main industries saw higher outputs in July. This is the first time that a monthly gain is so widespread across industries since data began being collected in 1997.
- ▶ The strongest performers in July were arts, entertainment and recreation (+14.0%) and accommodation and food services (+20.1%). Despite these significant gains, these two industries are still far from their pre-COVID-19 levels.
- ▶ According to Statistics Canada, the preliminary results indicate that real GDP by industry increased about 1% in August.

COMMENTS

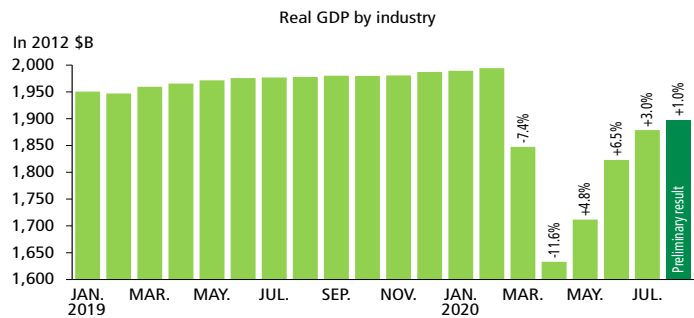
As expected, Canada's economic growth is becoming more modest as the recovery advances. Preliminary data for August confirm this trend. For the time being, our forecast of a 9.7% rebound in real GDP for the third quarter as a whole (approximately 45% annualized) still holds due to very favourable growth gains for the period.

That said, the situation for the fourth quarter is not looking as good as initially thought. The second wave of the pandemic recently forced Quebec to reintroduce restrictions, and there is every reason to believe that other provinces will follow suit shortly. However, measures will be very targeted from an industry and regional perspective. Their damaging effect on economic growth will therefore be far less significant than in the spring, when a lockdown was imposed nearly across the board.

IMPLICATIONS

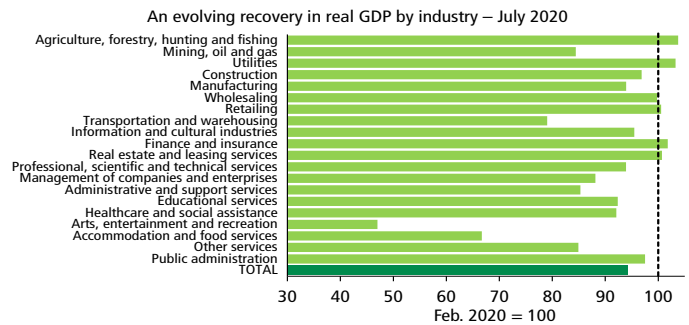
While growth will be weaker than our initial forecast of 7.0% (annualized) in the fourth quarter, real GDP growth should slightly stay in positive territory nonetheless. This will, of course, be dependent on developments in the pandemic and restrictions.

GRAPH 1
Canada's economic recovery is easing



Sources: Statistics Canada and Desjardins, Economic Studies

GRAPH 2
Recreation as well as accommodation and food services still had a lot of catch-up to do in July



Sources: Statistics Canada and Desjardins, Economic Studies

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

NOTE TO READERS: The letters k, M and B are used in texts and tables to refer to thousands, millions and billions respectively.
IMPORTANT: This document is based on public information and may under no circumstances be used or construed as a commitment by Desjardins Group. While the information provided has been determined on the basis of data obtained from sources that are deemed to be reliable, Desjardins Group in no way warrants that the information is accurate or complete. The document is provided solely for information purposes and does not constitute an offer or solicitation for purchase or sale. Desjardins Group takes no responsibility for the consequences of any decision whatsoever made on the basis of the data contained herein and does not hereby undertake to provide any advice, notably in the area of investment services. The data on prices or margins are provided for information purposes and may be modified at any time, based on such factors as market conditions. The past performances and projections expressed herein are no guarantee of future performance. The opinions and forecasts contained herein are, unless otherwise indicated, those of the document's authors and do not represent the opinions of any other person or the official position of Desjardins Group. Copyright © 2020, Desjardins Group. All rights reserved.