

## ECONOMIC NEWS

# Canada: Another Strong Gain in Real GDP by Industry

### HIGHLIGHTS

- ▶ Real GDP by industry increased 1.2% in August, slightly above Statistics Canada's preliminary estimate (+1.0%).
- ▶ The August gain is fairly widespread, as 15 of the 20 main industries saw higher outputs.
- ▶ Statistics Canada's interim results show that real GDP by industry grew by about 0.7% in September.
- ▶ According to Statistics Canada, advance estimates suggest that the third quarter as a whole will end with an increase in real GDP of around 10% compared to the previous quarter. Quarterly annualized, this corresponds to a gain of 46.4%.

### COMMENTS

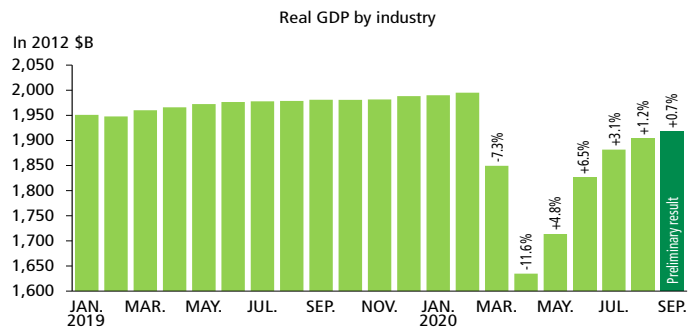
Statistics Canada's preliminary estimate for the entire third quarter (+46.4%) is finally quite close to our initial forecast (+45.0%) and that of the Bank of Canada (+47.5%).

Despite this record quarterly gain stemming from the reopening of the Canadian economy after the spring lockdown, it is clear that there is still some way to go before things return to pre-pandemic levels. Statistics Canada's preliminary estimate shows that real GDP by industry in September was still 3.9% below February numbers.

Things look much bleaker from here, however. On the one hand, Canada's economy recently shifted from the reopening phase to the recovery phase. This phase will be marked by much more modest output growth than during the previous phase due to a number of imbalances. On the other hand, economic growth in Canada is still largely dependent on how the pandemic evolves. That will be particularly the case in October and in the fourth quarter of 2020 as a whole, as a second wave of COVID-19 forced Quebec and Ontario to reintroduce some public health measures. Unlike in the spring, however, the negative fallout from these new measures on the economy will be more contained.

### GRAPH

#### Canada's economic growth continues to ease



Sources: Statistics Canada and Desjardins, Economic Studies

### IMPLICATIONS

Our most recent monthly economic scenario update showed that real GDP could increase just 2.2% (annualized) between the third and fourth quarters. For the time being, we remain relatively comfortable with this forecast. The negative impact of the second wave of COVID-19 could certainly be a little more far-reaching, but a slight upgrade in July and August results brings more positive base effects. That said, the risks continue to be tilted to the downside for the end of 2020.

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