

ECONOMIC NEWS

Canada: Real GDP Continued to Recover in October and November

HIGHLIGHTS

- ▶ Real GDP by industry rose 0.4% in October, which is slightly higher than Statistics Canada's advance results, which pointed to an increase of 0.2%.
- ▶ Goods-producing industries posted an increase of only 0.1% in October. Moreover, the increases in utilities (+0.9%) and construction (+0.7%) were almost completely offset by a drop in manufacturing (-0.8%).
- ▶ Services industries increased 0.5% in October. Excluding accommodation and food services (-3.9%) and management of companies and enterprises (-0.1%), all other sectors enjoyed a gain during the month.
- ▶ With October's increase, real GDP by industry recovered 95.8% of the ground lost in the spring.

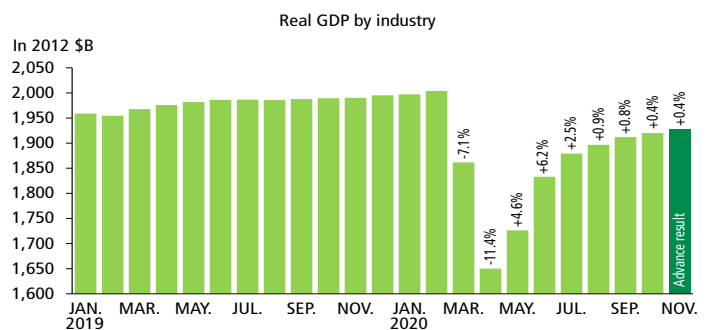
COMMENTS

As expected, real GDP growth by industry continued to slow in October. The effects of the growing second wave of COVID-19 are starting to be felt, especially in the accommodation and food services sector, as new health measures were introduced in certain parts of the country. These restrictions continued in November and expectations are that they will continue to hinder growth during the month. According to Statistics Canada's advance results, real GDP by industry increased 0.4% in November. This outlook is not so bad under the circumstances.

That said, the focus is primarily on December results. Many additional restrictive measures were introduced during the month across the country, such that real GDP by industry could well slip back into negative territory.

GRAPH

Real GDP is bouncing back... but at a slower pace



Sources: Statistics Canada and Desjardins, Economic Studies

IMPLICATIONS

Given that October's final result and the advance result for November are higher than our initial assumptions, the entire fourth quarter is likely to close with an increase in real GDP a little higher than expected, even assuming a decline in real GDP by industry in December. A gain of about 4% between the third and fourth quarter (annualized) is now possible, instead of our previous forecast of 2.2%. Growth in the first quarter of 2021 could be lower than expected based on the developments in the pandemic and restrictive measures at the beginning of the year.

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