

ECONOMIC NEWS

Canada: Stronger Growth than Expected at the End of 2020

HIGHLIGHTS

- ▶ Real GDP by industry climbed 0.7% in November, surpassing the preliminary result of 0.4% for the month.
- ▶ Production was higher in 14 of the 20 main industries. Mines, oil and gas (+3.9%), manufacturing (+1.7%), transportation and warehousing (+1.4%) stood out.
- ▶ According to Statistics Canada, the preliminary results indicate that real GDP by industry increased about 0.3% in December.
- ▶ Statistics Canada's preliminary results also indicate that the fourth quarter ended with real GDP growth of about 1.9%, which works out to a 7.8% annualized quarterly gain. On average, 2020 could wrap up with a 5.1% decline.

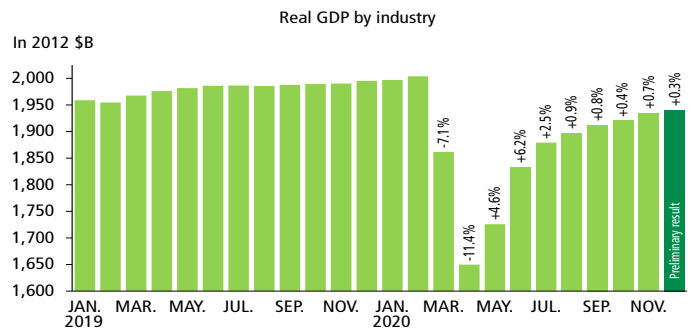
COMMENTS

The Canadian economy showed surprisingly great resilience at the end of 2020. Not only did real GDP growth by industry exceed expectation in November, but the preliminary results from Statistics Canada point to a further slight growth in December. Our most recent scenario was based on a decline in real GDP in December, due to the negative effects of the second COVID-19 wave. But the second wave has clearly had less negative impact than we feared.

That said, the Canadian economy has been affected. Several new health measures were imposed across the country at the end of December and beginning of January. That could push real GDP by industry back to the negative side in January, although not for long. The numbers of new COVID-19 cases are trending down in almost all provinces and February could see an easing of some of the restrictive measures in some regions. The monthly variation in real GDP by industry could return to the positive side next month.

GRAPH

Real GDP continued rising throughout the fourth quarter of 2020



Sources: Statistics Canada and Desjardins, Economic Studies

IMPLICATIONS

The stronger than expected growth at the end of 2020 will not only affect the fourth quarter results, but it will also prompt greater growth for the first quarter of 2021.

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