

## ECONOMIC NEWS

# Canada: Real GDP Grows Faster than Anticipated

### HIGHLIGHTS

- ▶ Real GDP rose 2.3% between the third and fourth quarter of 2020 to post a 9.6% quarterly annualized gain.
- ▶ Domestic demand rose 3.5% (quarterly annualized) thanks to the increase in residential investment (+18.4%), non-residential investment (+4.2%) and public administration expenditures (+6.1%). In contrast, household spending fell slightly (-0.4%).
- ▶ Exports of goods and services grew 5.0%. Imports saw a larger increase of 10.8%. The trade balance therefore deteriorated significantly over the quarter, which hindered growth in real GDP.
- ▶ The change in inventories went from -\$36.8B in 2012 dollars to +\$1.7B in 2012 dollars, resulting in a contribution of +7.2% to the quarterly annualized variation in real GDP.

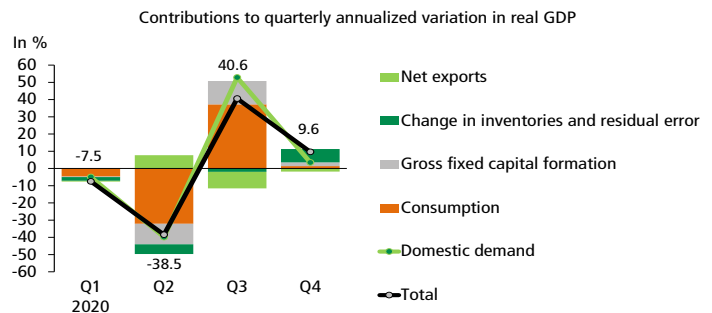
### COMMENTS

The Canadian economy clearly demonstrated significant resilience during the second wave of COVID-19. On the one hand, real GDP growth beat expectations for the fourth quarter of 2020. On the other hand, the preliminary data released this morning by Statistics Canada indicate that real GDP by industry may have risen by approximately 0.5% in January. This kind of growth was completely unexpected, since the restrictive measures introduced to combat the second wave were at their peak in January. In fact, our latest scenario forecast a drop of a just over 1% in January. That said, the anticipated rebound in economic activity after the public health measures are gradually lifted starting in February will be lower as a result.

### IMPLICATIONS

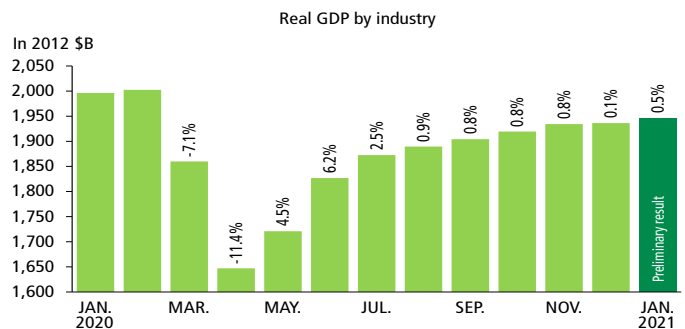
In addition to the Canadian economy's resilience, the latest news about the vaccination rollout is encouraging. This suggests that the Canadian economy will continue to recover in the coming quarters. Under these circumstances, the Bank of Canada could

**GRAPH 1**  
Inventory changes contributed significantly to the rise in real GDP in the fourth quarter of 2020



Sources: Statistics Canada and Desjardins, Economic Studies

**GRAPH 2**  
Increase in real GDP seems to have continued into early 2021



Sources: Statistics Canada and Desjardins, Economic Studies

consider gradually reducing its quantitative asset purchases in a few months.

**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](mailto:desjardins.economics@desjardins.com) • [desjardins.com/economics](https://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 © 2021, Desjardins Group. All rights reserved.