

ECONOMIC NEWS

Canada: Another Decline in Real GDP Pending the June Rebound

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HIGHLIGHTS

- ▶ Real GDP by industry fell 0.3% in May, in line with the preliminary results.
- ▶ The main sectors that contributed to the reduction were construction (-2.3%), wholesaling (-0.6%) and retailing (-2.7%), plus manufacturing (-0.8%).
- ▶ The other sectors as a whole contributed +0.2% to the real GDP monthly variation.
- ▶ Statistics Canada's preliminary results indicate that real GDP by industry gained 0.7% in June.

COMMENTS

Even though May's drop in real GDP was in line with expectations, two of today's results are slightly disappointing. First, the historical revision amplified April's decline in real GDP, which fell from -0.3% to -0.5%. Second, June's rebound may be less pronounced than expected. Statistics Canada's preliminary results are a bit lower than our most recent projections.

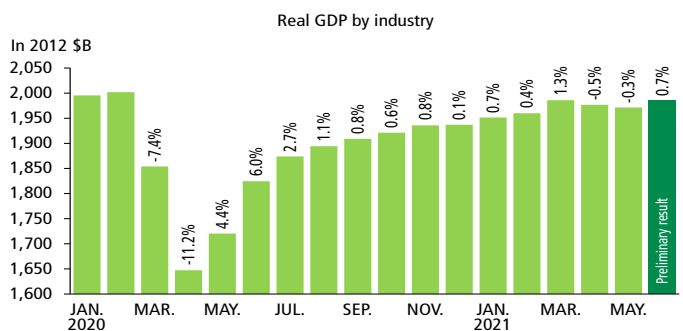
IMPLICATIONS

All in all, the growth of real GDP for the entire second quarter may be lower than expected, around 2.3% instead of 2.7% (quarterly annualized). Our forecast for the second quarter is very similar to Statistics Canada's advanced forecast (+2.4% annualized). That said, the Canadian economy should grow much better in the third quarter due to the ongoing easing of health measures.

There are still obstacles, however. COVID-19 cases are up again in several parts of the country. There are also many imbalances between supply and demand, which are disrupting certain sectors.

GRAPH 1

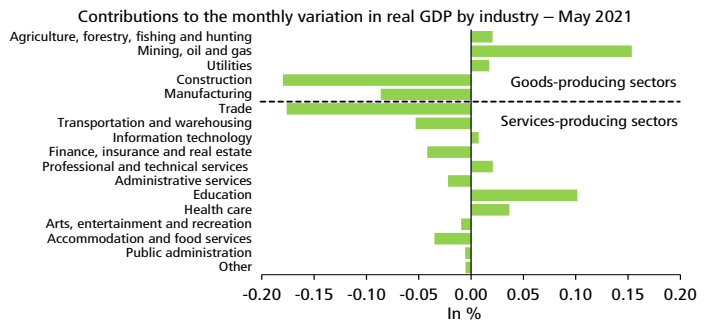
The Canadian economy should bounce back starting in June



Sources: Statistics Canada and Desjardins, Economic Studies

GRAPH 2

Construction, trade and manufacturing held economic growth back severely in May



Sources: Statistics Canada and Desjardins, Economic Studies