

## ECONOMIC NEWS

# Ontario: Real GDP Continued to Climb in the Fall

### HIGHLIGHTS

- ▶ The Ontario economy continued to recover in the fourth quarter of 2020 with an increase in real GDP of 2.1% from the previous quarter, corresponding to a quarterly annualized gain of 8.6%.
- ▶ The growth in domestic demand slowed sharply from the previous quarter, from 58.9% to 4.2% at a quarterly annualized rate. This is mostly due to a return to negative territory for household consumption spending (-0.6%). Governments' consumption expenditure (+6.7%) and gross fixed capital formation (+13.4%) nevertheless grew significantly.
- ▶ The trade balance deteriorated during the quarter due to a much bigger increase in imports (+9.6%) than exports (+0.5%).
- ▶ The change in inventories made a positive contribution to the quarterly variation in real GDP.
- ▶ The year 2020 saw real GDP decline by 5.8%.

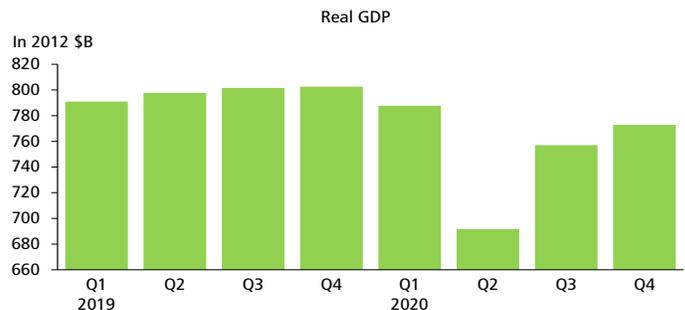
### COMMENTS

Ontario's economic account results for the fourth quarter of 2020 are consistent with our expectations. At the end of 2020, the province's real GDP was 96.3% of its pre-pandemic level. This is a slightly slower pace of recovery than the national average. This slight lag should continue in early 2021, as the second and especially the third wave of COVID-19 were particularly strong in Ontario. The province recently introduced new health measures, which should curb the rise in real GDP, especially some household consumption spending.

That said, as in the rest of the country, the Ontario economy is showing good resilience, with many sectors seemingly immune to the adverse effects of an increase in COVID-19 infections. This is the case for construction, as shown by the number of

### GRAPH

#### The Ontario economy continues to recover



Sources: Ontario Ministry of Finance and Desjardins, Economic Studies

housing starts, which broke its all-time record in March with 130,684 units in the province.

### IMPLICATIONS

Although the third wave of COVID-19 will have negative impacts on some sectors, the Ontario economy overall should continue to grow throughout 2021. According to our estimates, the first quarter of 2021 has already resulted in carryover of about 3.5% (quarterly annualized) after one month only.

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