

# ECONOMIC NEWS

## Quebec: Relapse of Real GDP in October

### HIGHLIGHTS

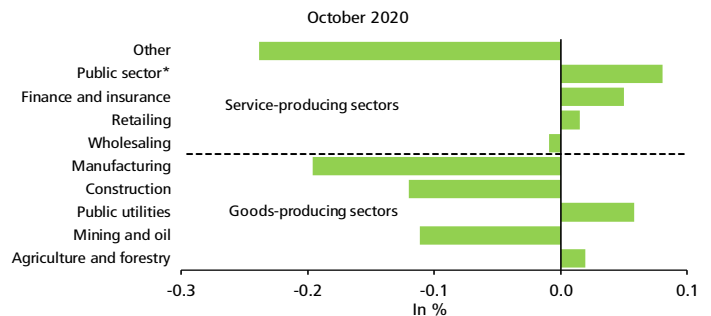
- ▶ Real GDP slid 0.5% in October after recording five monthly increases in a row. Having run out of steam over time, the economic recovery that began in May has given way to another period of decline.
- ▶ Services production dropped 0.1% in October, with half the sectors seeing decreases.
- ▶ Activity in the accommodation and food services industry retreated 16.0%, and 3.8% in the arts, entertainment and recreation industry. The closure of these types of establishments in the red zone since October 1 dealt a heavy blow to these industries.
- ▶ Goods production fell 1.3% in October. The decrease stands at -1.5% in manufacturing, -1.8% in construction and -4.7% in mining.

### COMMENTS

Renewed weakness in the Quebec economy was anticipated as of October due to closures in certain sectors, which began gradually in maximum alert areas. Unsurprisingly, the industries

### GRAPH 2

Contribution by sector to real GDP growth



\* Includes education, healthcare and public administrations.  
Sources: Institut de la statistique du Québec and Desjardins, Economic Studies

affected saw reduced activity. Overall, however, the services sector posted a smaller decline than expected in October. It is primarily the sharp drop in goods production that weighed on the province's October real GDP. Health measures did not, however, lead to closures in these industries last fall.

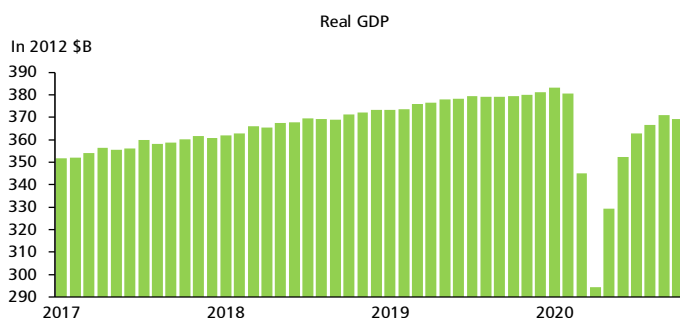
### IMPLICATIONS

The drop in October's real GDP halts economic recovery in Quebec. The damage for some sectors is expected to be more severe in the coming months. The number of regions in the red zone increased over the fall season. As of January, all Quebec regions are under maximum alert. In addition, non-essential retailers were required to shut down since December 25. The weakening of real GDP growth will undoubtedly persist until restrictions are gradually lifted.

However, the measures taken to fight the second wave of COVID-19 target fewer industries than in the first wave. All in all, the economy will be less impacted than in the spring, but many businesses in the affected sectors will struggle during this period.

### GRAPH 1

Declining activity in October puts economic recovery on ice



Sources: Institut de la statistique du Québec and Desjardins, Economic Studies

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