

## ECONOMIC NEWS

# Quebec: Real GDP Ends 2020 on a High Note

### HIGHLIGHTS

- ▶ Real GDP rose 1.5% between Q3 and Q4 in 2020 to post a 6.3% quarterly annualized gain.
- ▶ In spite of the economic rebound in the second half of 2020, real GDP plunged 5.3% for the year because of the significant decline in Q1 and Q2.
- ▶ This drop in economic activity is almost the same as Canada's, which reached 5.4% for 2020.
- ▶ Real GDP by industry in Quebec advanced 0.4% in December after gaining 0.8% in November and pulling back 0.3% in October.

### COMMENTS

The hike in real GDP in December and Q4 of 2020 was higher than anticipated. Despite the restrictive measures gradually implemented since October, Quebec's economy continued to recover.

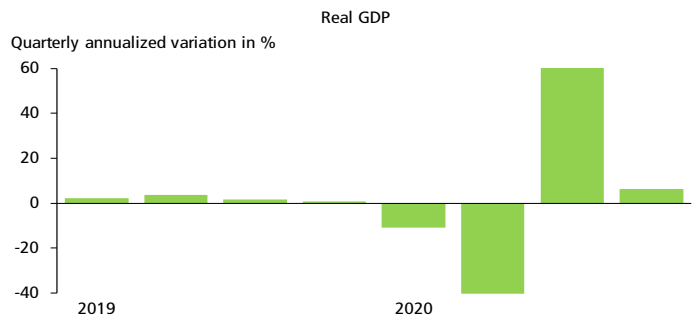
Household consumer spending on goods continued to track upwards in Q4 of 2020. However, spending on services fell due to the temporary business closures, especially personal care sector. Spending on services is still feeling the affects of the current public health measures and faces a long, uphill climb.

In real terms, household after-tax income rose 7.4% in 2020. Government benefits boosted individual income in the spring of 2020, which then declined in the second half of the year. At 16.0% in Q4, the household savings rate remains high, providing the potential for consumer spending to grow.

Activity in the residential sector remains strong, but business investments pulled back in Q4 of 2020 in light of the uncertainty surrounding a second wave of COVID-19. Last year, machinery and equipment fell 14.0%, and non-residential work dropped 3.9%.

### GRAPH

#### Quebec's economic recovery ongoing



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

Still, exports from Quebec continued to improve for the second quarter in a row, up 6.5% annualized in Q4. Nonetheless, 2020 overall posted an 11.7% decrease. Given that imports were down 13.2% in 2020, the trade deficit declined; it reached -\$13.5B in 2012 dollars compared to -\$18.8B in 2012 dollars in 2019.

### IMPLICATIONS

The results released this morning indicate that the Quebec economy was continuing along the road to recovery at the end of 2020. January should pullback, especially since non-essential business remained closed. Still, real GDP will rebound in February thanks to the gradual reopening of the economy. As a result, Q1 of 2021 looks positive for economic growth despite the ongoing struggles in some sectors. As it picks up speed, the vaccination rollout is an encouraging sign of what lies down the road.

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