ECONOMIC NEWS

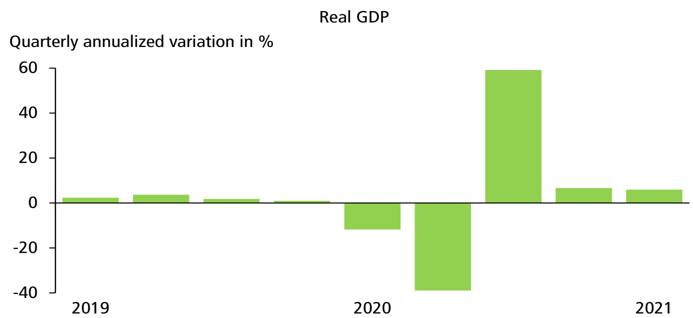
Quebec: Strong Real GDP Growth in the First Quarter

By Hélène Bégin, Senior Economist

HIGHLIGHTS

- Real GDP rose 1.4% between the last quarter of 2020 and the first quarter of 2021, which works out to a 5.9% quarterly annualized increase.
- This result is due to the strength of domestic demand, with a 4.7% annualized gain, and a reduction in the trade deficit to $14.1B in 2012 dollars in the first quarter.
- Exports rose 3.8%, boosted by shipments to other provinces, while imports edged down.
- Household spending was down 0.7% in the first quarter, mainly due to the closing of non-essential businesses from December 25 to February 7.
- Household after-tax income climbed during this period. The savings rate therefore rose 17.2% in the first quarter.
- Business investment surged at the beginning of the year, by 25.9% for machinery and equipment and 4.1% for non-residential structures.
- Residential investment grew 17.4% in the first quarter thanks to an exceptional beginning to the year for new construction.
- In March, real GDP by industry posted its fifth consecutive monthly increase, of 1.4% this time. The overall economic activity even exceeded its February 2020 level, just before the pandemic broke out.

GRAPH
Third consecutive quarterly increase in real GDP



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

COMMENTS

Despite the closure of some types of businesses early in the year, strong growth in real GDP was expected in the first quarter. Quebec's economy continued to recover, thanks to industries that weathered the pandemic. Real GDP's full recovery was even quicker than expected. The March 2021 level is slightly above that of February 2020.

IMPLICATIONS

This morning's results are consistent with our scenario. The upcoming quarters are also looking positive, especially for the service sector, which will get a boost from the gradual reopening begun this spring. The vaccination campaign's good progress also bodes well for the future.

Desjardins, Economic Studies: 418-835-2450 or 1 866-835-8444, ext. 5562450 • desjardins.economics@desjardins.com • 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.