

## ECONOMIC NEWS

# Quebec: Real GDP Begins to Fall in the First Quarter

### HIGHLIGHTS

- ▶ Real GDP dropped 2.7% (or 10.3% annualized) in the first quarter of 2020, the biggest quarterly decrease since the compilation of statistics began in 1981.
- ▶ This slowdown in economic activity is close to Canada's at 2.1% (or 8.2% annualized).
- ▶ In Quebec, domestic demand slid 7.4% (annualized). Household consumption spending plunged 11.1% and non-residential business investment dipped 2.6%.
- ▶ Residential investment was down 4.9%. New construction and renovation spending decreased, while the costs associated with existing property sales maintained growth.
- ▶ Exports tumbled 11.8% (annualized) in the first quarter. International shipments retreated 15.7%, while shipments to the rest of Canada pulled back 4.9%. Imports shrank 9.6%, with Quebec's trade deficit widening slightly to \$14.9B in 2012 dollars in the first quarter.

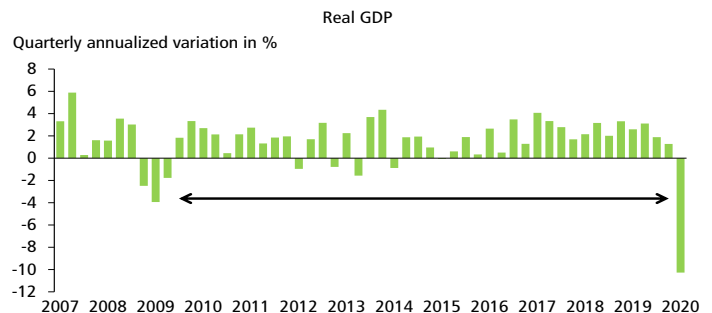
### COMMENTS

The containment measures aimed at curbing the spread of COVID-19 in March led to a dramatic slowdown in economic activity in the first quarter. This morning's numbers are in line with the preliminary real GDP estimates released in May by the Institut de la Statistique du Québec. Detailed results by component reflect the magnitude of the shock for households and businesses in the first quarter. Exports and business investment took a nose dive, as did consumer spending and residential investment.

Schools and cultural institutions as well as non-essential businesses remained closed throughout April, with the exception of residential construction. April GDP will therefore fall further than March GDP, and the plunge in the second quarter will be even steeper, even though May and June promise to be positive due to the gradual re-opening of the economy.

### GRAPH

#### COVID-19 causes economy to fall sharply



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

### IMPLICATIONS

The data released this morning are just the tip of the iceberg since the second quarter will be even more disastrous in terms of economic activity. Other statistics already available for May or June, such as employment and household and business confidence, confirm that a recovery is underway. However, the rebound will be slow and a full economic recovery will be difficult, as many businesses in the hardest hit sectors risk shuttering for good. We will have to crunch the real GDP numbers for the second quarter, which will be released in the fall, but more indicators should be positive by then. However, there is still uncertainty about the potential for a major second wave of COVID-19 cases.

Hélène Bégin, Senior Economist

François Dupuis, Vice-President and Chief Economist • Mathieu D'Anjou, Deputy Chief Economist  
 Hélène Bégin, Senior Economist • Benoit P. Durocher, Senior Economist • Francis Généreux, Senior Economist • Joëlle Noreau, Senior Economist  
 Desjardins, Economic Studies: 418-835-2450 or 1 866-835-8444, ext. 5562450 • [desjardins.economics@desjardins.com](mailto:desjardins.economics@desjardins.com) • [desjardins.com/economics](https://desjardins.com/economics)

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