

ECONOMIC NEWS

Quebec: Economic Activity Sees an Unprecedented Drop in Q2 Despite an Upturn Since May

HIGHLIGHTS

- ▶ Real GDP fell 12.2% (or 40.4% annualized) in the second quarter of 2020, the biggest quarterly decrease since the compilation of statistics began in 1981.
- ▶ The decline in activity was similar to Canada's decrease of 11.5% (or 38.7% annualized).
- ▶ In Quebec, domestic demand tumbled 39.1% (annualized). Household consumption spending plunged 43.5%, residential investment fell 51.5% and non-residential business investment dropped 54.4%.
- ▶ Exports plummeted 44.5% (annualized) in the second quarter. Meanwhile, imports saw an even more dramatic decrease of 54.4%. As a result, the trade deficit shrank to \$2.9B in 2012 dollars compared with \$12.6B in 2012 dollars in the first quarter.

COMMENTS

The extent of the drop in real GDP in the second quarter was in line with our scenario. No components of the domestic economy were spared by the lockdown measures aimed at curbing the spread of COVID-19 last spring.

Detailed results by component reflect the magnitude of the shock for households and businesses in the second quarter. Exports and investment took a nose dive, as did consumer spending and residential investment.

The high level of federal government assistance led to an unprecedented improvement in economic indicators tied to household finances. Real personal disposable income rose sharply in the second quarter, at a time when consumer spending was mainly limited to essential purchases. The savings rate climbed to 34.5% in the second quarter after hovering around 10% at the end of 2019.

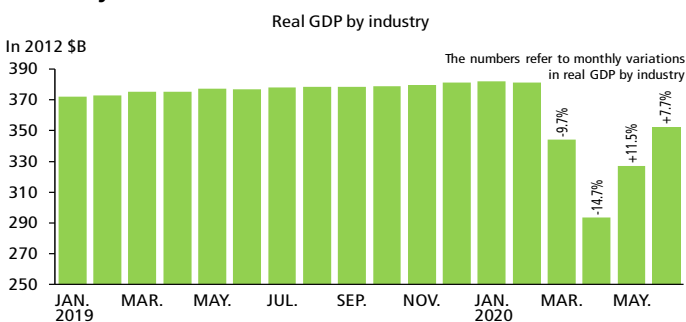
IMPLICATIONS

Despite the second quarter's disastrous results, real GDP and a number of economic indicators began to recover in May. The third quarter's figures will be marked by a substantial rebound in economic activity. However, despite the pendulum swinging back, a significant drop in real GDP is inevitable for 2020. Let's hope Quebec's economy continues to recover despite the anticipated second wave of COVID-19 cases, which seems to have taken hold.

Hélène Bégin, Senior Economist

GRAPH

After a difficult spring, Quebec's economic recovery is well underway



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

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