

ECONOMIC NEWS

Quebec: Real GDP Continues to Climb

HIGHLIGHTS

- ▶ Real GDP rose 3.4% in July, the third consecutive monthly increase after gains of 11.6% in May and 7.3% in June.
- ▶ All sectors, with the exception of the mining, oil and gas industry, saw higher outputs in July than in the previous month.
- ▶ July's real GDP is more than 95% of February's pre-pandemic level.
- ▶ The cumulative variation in real GDP from January to July stands at -7.0% compared to the same period in 2019. For Canada, that number is -6.3%.
- ▶ The sectors hardest hit by social distancing measures continued to recover in July. The GDP of the accommodation and food services industry was up 34.3% compared to June. The arts, entertainment and recreation sector saw a 24.7% increase.

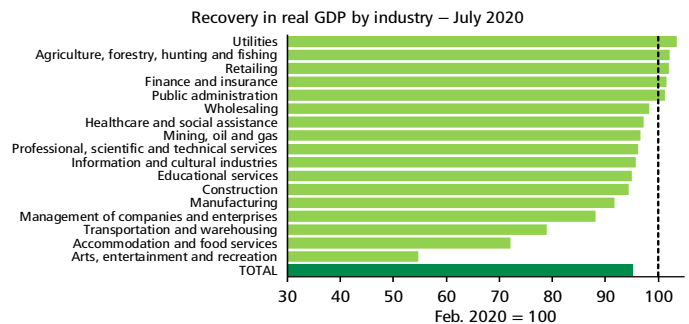
COMMENTS

Real GDP continued to climb in July (+3.4%) at a slightly faster pace than we were expecting (+2.5%). The rebound in economic activity in the third quarter could therefore prove stronger if August and September live up to expectations. Employment statistics, already available for these two months, confirm that the recovery continued at a more moderate pace than in the spring, when non-essential activities resumed.

In contrast, the second wave of COVID-19 cases in Quebec led to the closure in October of some types of businesses, including bars and restaurant dining rooms, located in maximum alert areas. The negative impact on real GDP and employment was already taken into account in the forecast scenario, just like the extension of these measures into November announced yesterday. Some fragile sectors, which had been playing catch-up this summer, have been dealt another hard blow with this step back. For example, in July, the arts, entertainment and recreation

GRAPH

Real GDP recovery varies by industry



Sources: Statistics Canada and Desjardins, Economic Studies

industry had regained approximately 55% of the ground lost since February, compared to more than 95% for all sectors.

IMPLICATIONS

Quebec's good economic performance during the summer will give way to a few tougher months in the fall. The second wave of COVID-19 and the more targeted lockdown measures for some types of businesses in certain regions will affect October's and November's real GDP. After a strong rebound in economic activity in the third quarter, the final quarter of 2020 may therefore be barely positive.

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